

# THE COMPANY

## MESSAGE FROM THE MANAGEMENT

**Oi is the leading provider of telecommunication services in the country with nationwide presence and, in fact, the only truly integrated one.**

The year of 2011 marked an important change in its corporate structure. In March, an increase in capital of R\$ 2.978 billion was concluded for Tele Norte Leste Participações (TNL) and another of R\$ 5.969 billion for Telemar Norte Leste (TMAR). Besides an important boost to its cash flow, through these increases in capital Portugal Telecom (PT) joined the corporate structure of the Company enabling the realization of the Industrial Alliance, announced in July 2010. Operationally, Portugal Telecom's entry brought with it important knowhow for Oi in terms of technology, operations, quality of services and offer of products. Especially significant is the Portuguese operator's broad experience in the mobile and television markets and fixed and mobile broadband in both Portugal and countries where it is present.

In organizational terms, 2011 also brought changes to the Company. In January the position of COO (Chief Operating Officer) was created to run the key areas for operating the business and which are decisive for the quality of services offered to customers. The position has been occupied since then by Mr. James Meaney, ex-president of Contax.

In April, after 10 years running important movements at Oi, Mr. Luiz Eduardo Falco's leaving the Company was announced and, to replace him, Mr. Francisco Tosta Valim Filho was appointed as the new CEO of Oi in June. Mr. Valim's professional biography includes periods with Oi itself in the position of Financial Director, Serasa Experian where he acted as CEO for Latin America, Europe, Africa and the Middle East and Net Serviços, in the post of CEO where he led an important turn-around operation. It is important to mention that his experience in this last post is important for us at a time when we are about to increase the focus on pay TV services as an essential product for our portfolio of convergent offers.

In 2011, from an operating point of view, we can highlight the gross number of additional mobile users. During the year, we added over 24 million subscribers, a record since 2008. It should be pointed out that, with the intention of improving business profitability, as of the second quarter of 2011 a new policy of retaining inactive customers in the base was introduced. As a result of this new policy, the significant performance of gross additions was not totally reflected in the number of net additions.

Where financial performance was concerned, 2011 was yet another year in which the Company was successful with its international issues. During the year, besides the attractive credit lines obtained from BNDES and China Development Bank, the biggest external issue in Reais (Brazilian Bond) was made to the amount of R\$ 1.1 billion. With these new influxes of funds, the Company lowered its average debt cost, which in 2011 was 96.4% of the CDI (105.6% of the CDI in 2010), at the same time as it lengthened the average debt term to 4.5 years (3.8 years in December of 2010).

In addition a Revolving Credit Facility was contracted to the amount of US\$ 1 billion with a syndicate made up of nine world banks. This operation provides a considerable liquidity "cushion", not only reinforcing the group's capital structure and credit profile but also introducing greater efficiency in cash management

In 2011, Oi also began an important process of streamlining the organization in order to reduce the three companies listed on the stock exchange to just one and the seven different classes of shares to just two (common and preferred). This significant step is crucial for future disclosure of the dividends policy and a major alignment of shareholders' interests. On 27/02/2012, the shareholders of TNL, TMAR and BRT approved the terms of corporate reorganization and the Company concluded this process with the start of trading of the two new and only classes of shares (OIBR3 and OIBR4 on Bovespa and OIBR and OIBR/C on NYSE) on the ninth of April this year.

Concomitantly, Oi maintained its pledge to develop its platform of Sustainability. Examples of this are the introduction of the Education for Sustainability Program, which aims to increase employees' commitment to this issue as well as to develop initiatives with a similar focus that are directly applicable to the business. Furthermore Oi joined the corporate forum "Companies for the Climate", the goal of which is to debate matters related to climate change and propose the adoption of or improvement to public policies.

In 2011, the Oi Institute of Social Responsibility, Oi Futuro, completed ten years of activities. Throughout this period, over four million people have benefited from its programs dedicated to education, sports, culture, social actions and the environment, re-asserting its commitment to the social development of the country and the democratization of access to knowledge.

Reflecting this engagement, Oi remains on the Corporate Sustainability Index (ISE) for the fourth year running and for the second year was chosen to be part of the Carbon Efficient Index (ICO2), both initiatives of BM&FBovespa. Oi is consequently acknowledged for its commitment to Sustainability and distinguished for its promotion of ongoing improvement to its strategy, its practices and the results concerning this issue.

In short, the changes which took place in 2011, such as the entry of Portugal Telecom and alterations to the Executive Board, formed the necessary groundwork for the start of a strategic reorganizational process based on a long-term plan which was drawn up to promote a sustainable growth cycle for the Company.

Also in 2011, important initiatives were already being taken in connection with this plan, such as: the opening of 60 of our own stores in December, as a means of strengthening the sales channel; creation of regional commercial structures, with the purpose of increasing agility and seizing market opportunities in different regions of the country; and subsidies for post-paid smartphones. These and other measures to be taken throughout 2012, together with a continuous focus on improving the quality of services, are considered to be indispensable for expansion of the customer base and assurance of customer loyalty and, as a result, the improvement of the Company's operating and financial performance.

Moreover, as previously described, the Company altered its way of conducting business in the last quarter of 2011, with a vision which broke customers down by segment (Residential, Business/Corporate and Personal Mobility). This movement was intended to boost the share of Oi services in the total consumption of telecommunications in homes and businesses, positioning the Company as a provider of complete solutions for customers. For the sake of comparison, the numbers of 2010 results were also adjusted for this new vision of a segmented market.

In the light of all of the above, 2012 will bring important challenges and Oi remains confident that it will be successful in carrying out the strategy projected for the coming years.

## MESSAGE FROM THE CEO

**The telecommunications sector plays an important role in building a more sustainable society, since it enables access to information by means of modern technologies, contributing to an improvement in people's quality of life and the practice of citizenship.**

Thus Oi is also partially responsible for the economic and social development of the Country and the planet. In this context, Oi is aware of the significance of incorporating Sustainability in its strategy and has performed important actions to foster a number of initiatives related to this issue.

This year, we maintained the adoption of Sustainability goals for our principal executives and also strengthened our organizational culture, by introducing the Education for Sustainability Program, which is intended to make our employees agents of change in the process of inserting this issue in the Company's operations and activities, developing solutions which are at the same time both competitive and sustainable.

As one of the Company's prerogatives is Foco em Gente (Focus on People), we have invested in the quality of our human capital, directing management efforts to train and develop all our employees and to care for their health and safety.

Last year was a period during which we worked internally to acquire a mind-set which helps to build up customer confidence. We defined our mission, vision and practices and, in our guidelines, we stressed the importance of growing constantly closer to the customer, starting a new cycle in the Company, adopting actions which surprise, with innovative and excellent solutions.

Starting with our own final activity, which is to provide convergent and integrated telecommunications services, we have collaborated significantly on behalf of Sustainability, for example: by promoting digital inclusion, which is an inherent part of the larger movement of social inclusion; by participating in the Broadband for Schools Program, in partnership with the Federal Government, through which we brought broadband internet connection to approximately 50 thousand public schools by the end of 2011.

This year, our Institute of Social Responsibility, Oi Futuro, completed 10 years of activities, constantly striving to reduce social distances in Brazil. During this period, we have already contributed to a better future for over four million Brazilians by means of programs in the areas of education, social actions, culture, sports and the environment, which use information technology and communications, thus democratizing access to knowledge. In this way we have put more and more people on the map of citizenship.

By becoming a signatory to the Global Compact of the United Nations in 2009, the Company committed to adopting, in its business practices, values within the scope of Human Rights, Labor Relations, Environment and the Fight against Corruption. We therefore take this opportunity to reiterate, with this message, our continuing support for the Global Compact, and to re-assert our commitment to its 10 Principles; and as a result we reveal the practices adopted by the Company in this report.

An important guideline adopted this last year, related to our chain of value, concerns reviewing the contracts of our service providers. We expanded the socioenvironmental criteria in contracting and monitoring our partners, since we are aware that it is essential to build and share the pillars of corporate Sustainability with our suppliers.

While questions concerning Sustainability increasingly attract the attention of different stakeholders, the reports on corporate practices to the market have become essential vehicles which define the transparency of organizations. In this respect we have taken an important step by preparing this report for the first year based on the international parameters of the Global Reporting Initiative (GRI).

All of these actions helped us remain for the fourth year running on the ISE (Corporate Sustainability Index) and for the second year on the ICO2 (Carbon Efficient Index), both initiatives of BM&FBovespa, which goes to show that values related to Sustainability should be our source of inspiration, making us proud but conscious that a lot still needs to be done.

In order to accomplish sustainable results, we must think of our business in perennial terms through innovative solutions, offering products and services which not only surprise and modify people's lives but contribute to the progress of the places where we are active. In this respect, over the last two years we have bolstered our foster programs, focusing on support and development of innovation projects within the Company, in partnership with institutes of science and technology, such as the National Program of Industry, designed to stimulate the consolidation of Brazilian suppliers of telecommunications and technology.

Our business has enormous power for social transformation and our contribution to building a more just and sustainable society is already part of our long-term planning. Our thoughts are for the future, but our acts are for today.

Francisco Tosta Valim Filho  
**CEO**

## ORGANIZATIONAL PROFILE

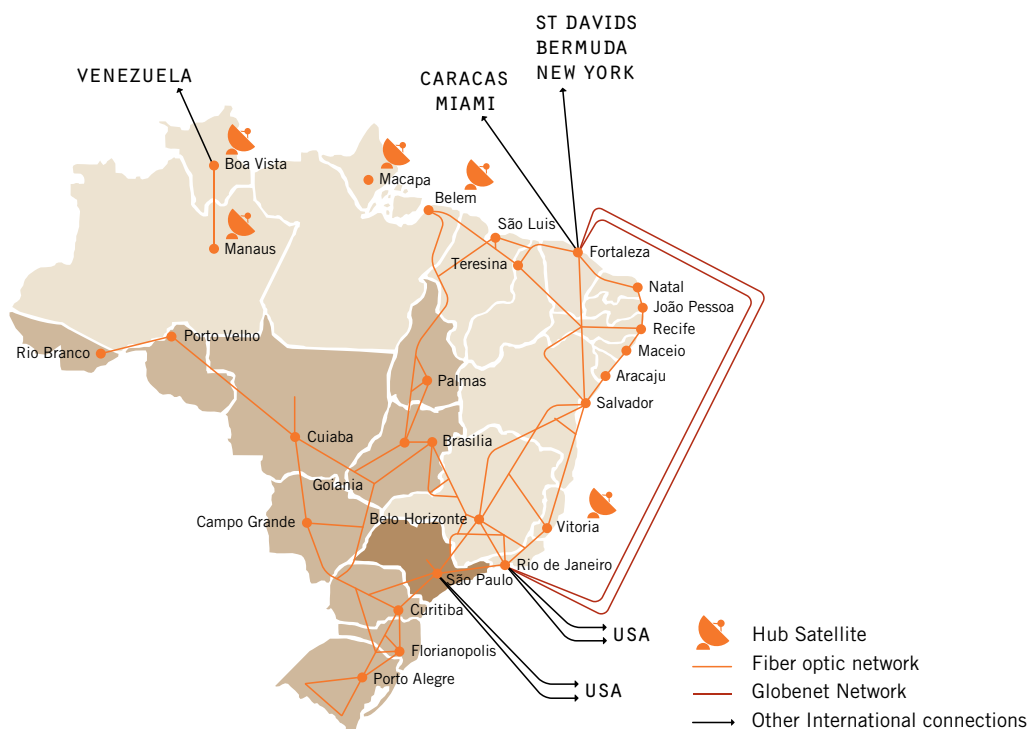
**Oi S/A offers an ample spectrum of convergent products which include fixed and mobile telephony, data transmission, broadband internet access, an internet provider and pay TV.**

These services are offered to homes, corporate users of small, medium and large size, government bodies and other telecommunications companies, as well as to individuals. Oi is the main provider of telecommunication services in Brazil, retaining the concession to operate fixed telephony in 16 states of the North, Northeast and Southeast Regions, as well as a fixed telephony concession in the Federal District and in nine other States of the South, Central-West and North regions of the country.

Upon acquiring shareholder control of Brasil Telecom S/A (BRT), the Company began to operate the services of mobile telephony and data transmission at a national level, with a unified portfolio in all the regions of the concession. The offer of services at a national level gave the Company the necessary scale to compete on equal terms with important international competitors active in Brazil.

Pioneer and actually the only integrated operator in the country, the Company believes that the capacity to develop convergent offers is an important competitive advantage, with a view to winning customer loyalty.

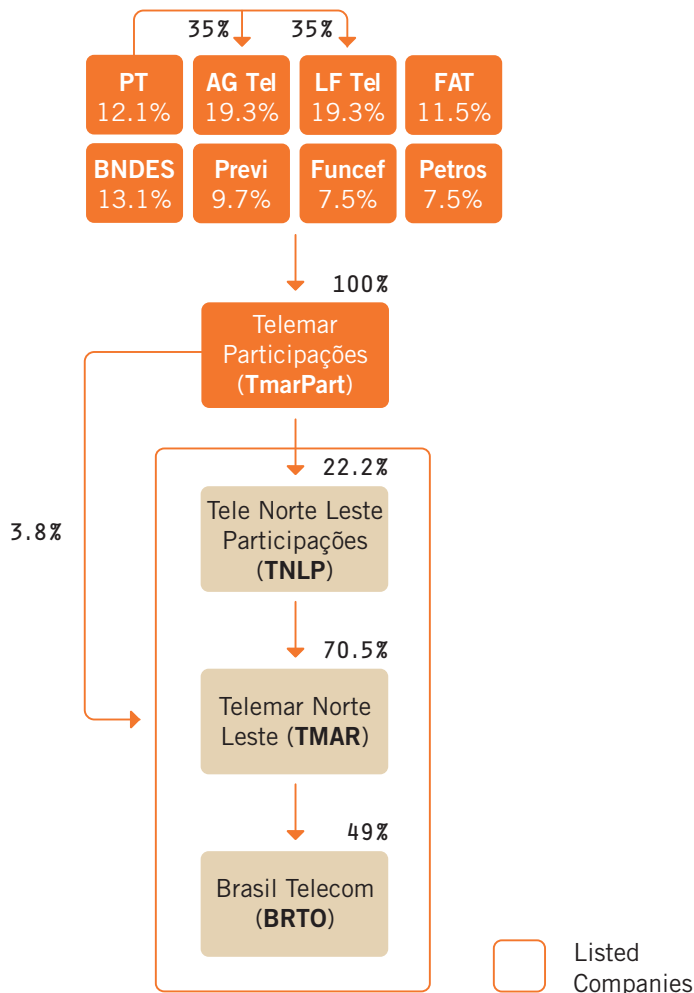
As of 2009, Oi began to operate the fiber optic network of submarine transmission cables belonging to Globenet (fully controlled by Oi S/A) which connects Brazil, Colombia, Venezuela, Bermuda and the United States. The networks of the Globenet and Metrored companies make up the backbone\* of Oi data, providing the biggest and most capillary data coverage in the country. There are over 176 thousand km, distributed by 23.3 thousand km of international backbone (Globenet), 32.6 thousand km of national backbone and 120.3 thousand km of state and metropolitan networks.



With “Oi TV” an integral part of its complete portfolio of services, Oi became the first quadruple play Company in Brazil, with a combined offer of fixed and mobile telephony, broadband and pay TV. Currently, pay TV services are offered to the Federal District and another 23 states of the federative republic (Acre, Alagoas, Amazonas, Bahia, Ceara, Espirito Santo, Goias, Maranhão, Mato Grosso, Mato Grosso do Sul, Minas Gerais, Paraíba, Para, Parana, Pernambuco, Rio de Janeiro, Rio Grande do Norte, Rio Grande do Sul, Rondonia, Roraima, Santa Catarina, Sergipe and Tocantins). The Company ended 2011 with 69.7 million Revenue Generating Units, of which 17.8 million are in the residential segment, 7.8 million in the Business/Corporate segment and 43.3 million in personal mobility.

*\*Scheme of central connections in a more widely spread system, typically of high performance. Several backbones can be found on the internet, in a network of planetary scale, hierarchically split up: those with an intercontinental connection (international) and national ones.*

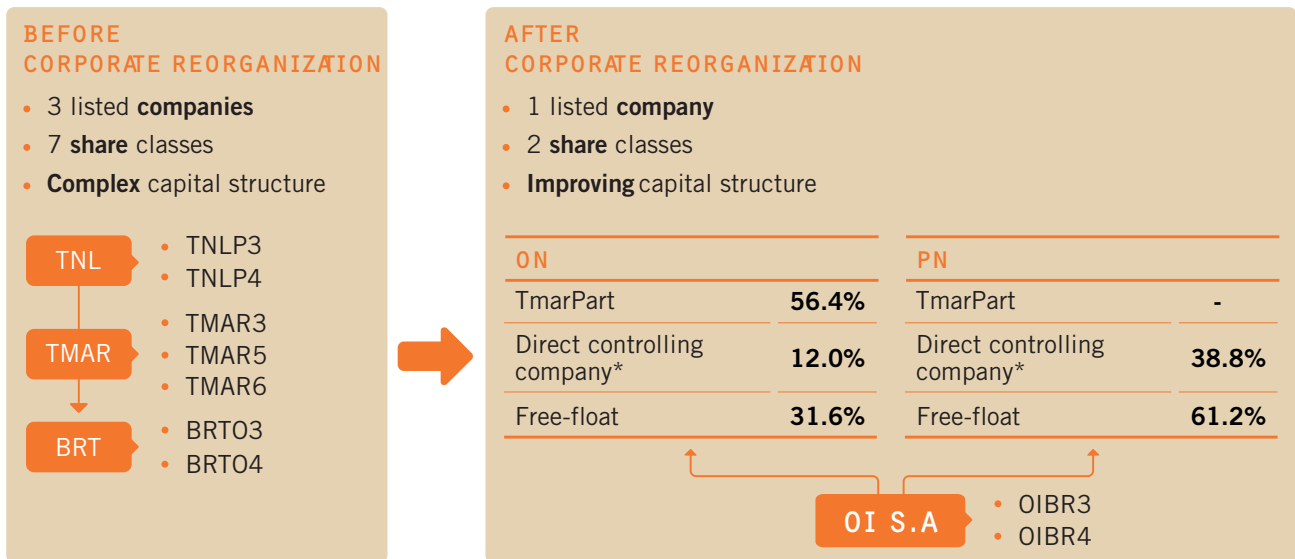
## OWNERSHIP STRUCTURE



*\* Minority shares of TmarPart, PT, AG, LF, FAT, BNDES and Pension Plans included.*

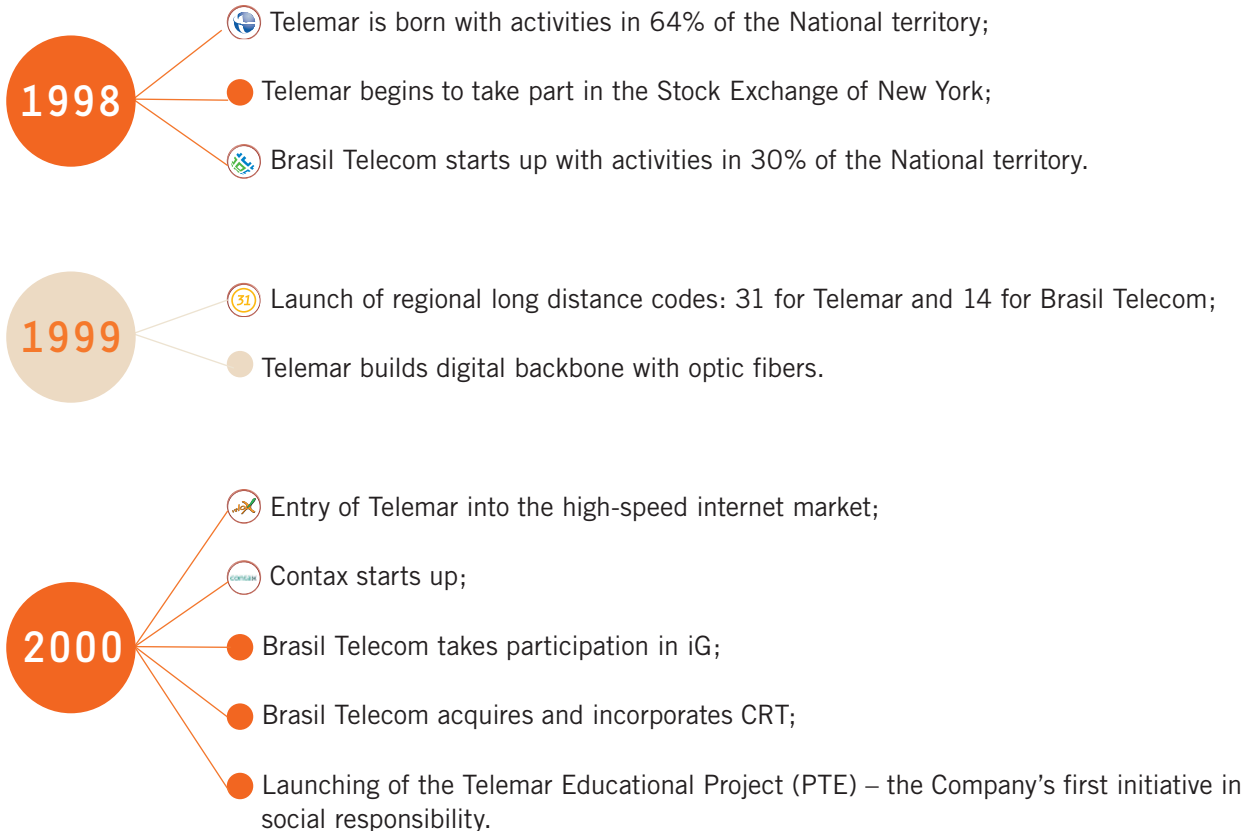
**N.B.** Situation on 31/12/2011

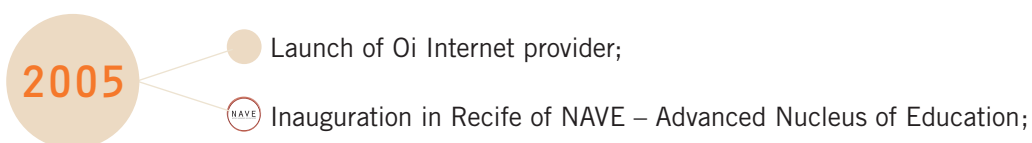
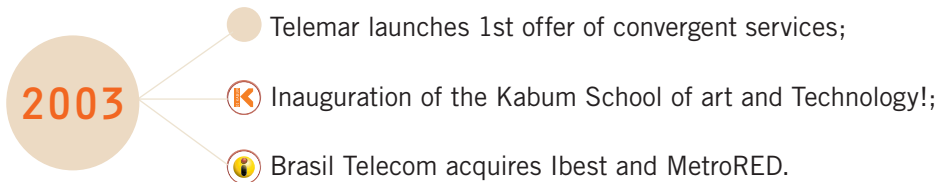
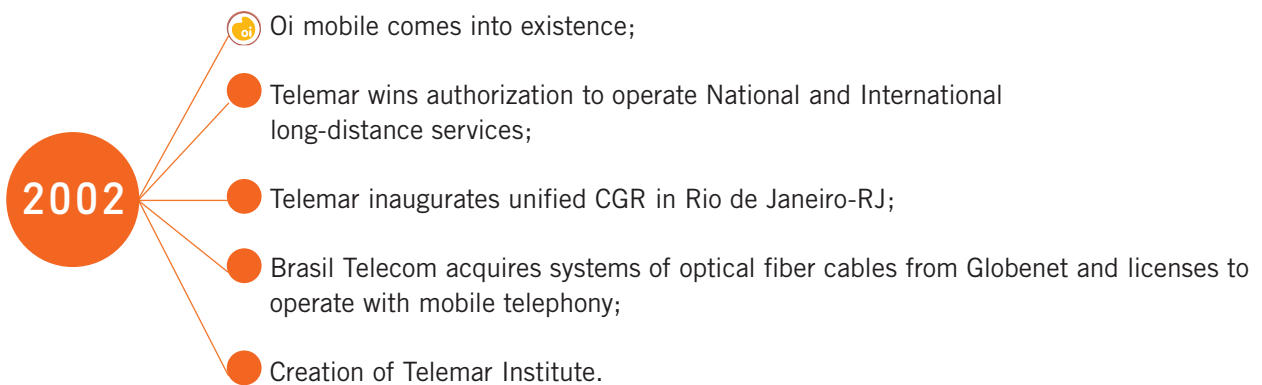
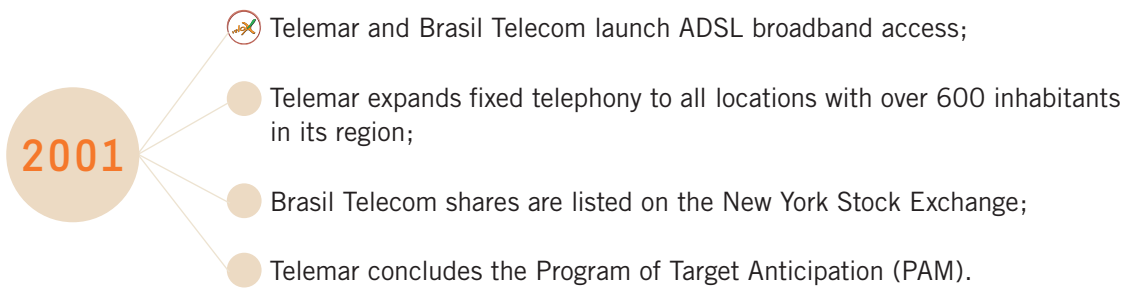
As described in the chapter About the Report, on 27/02/2012 a corporate reorganization took place, resulting in the following structure:



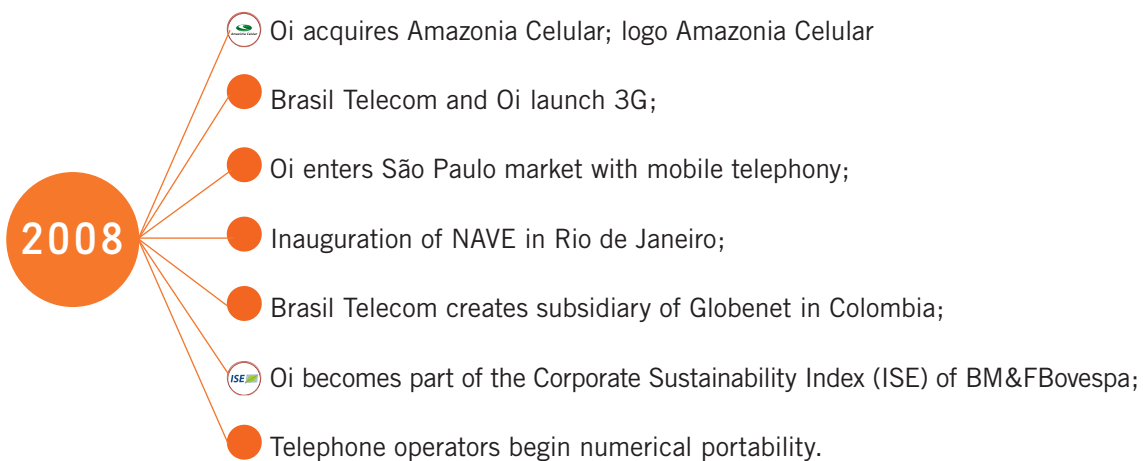
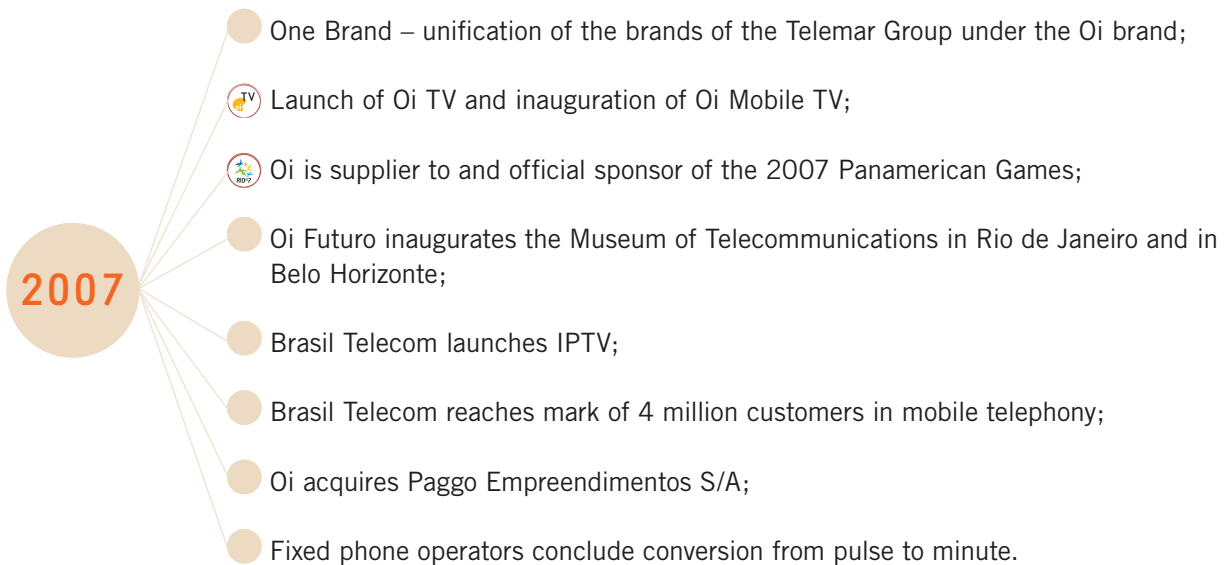
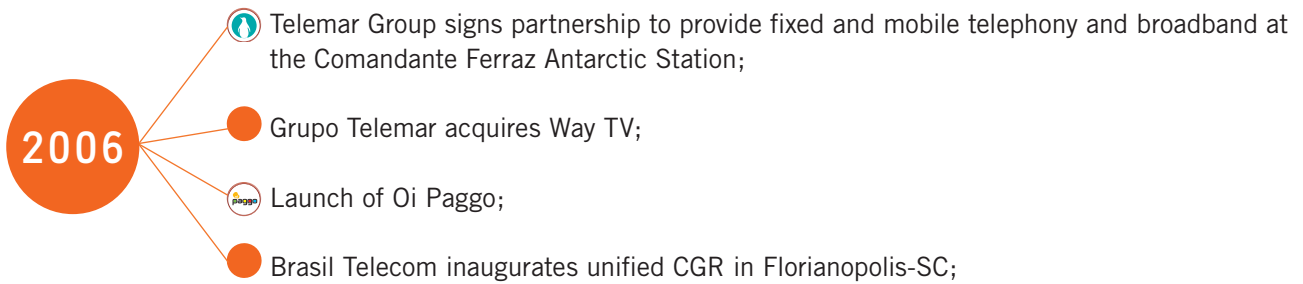
\* Including: PT, AG, LF, Previ, BNDES, Petros; Capital Stock former treasury.

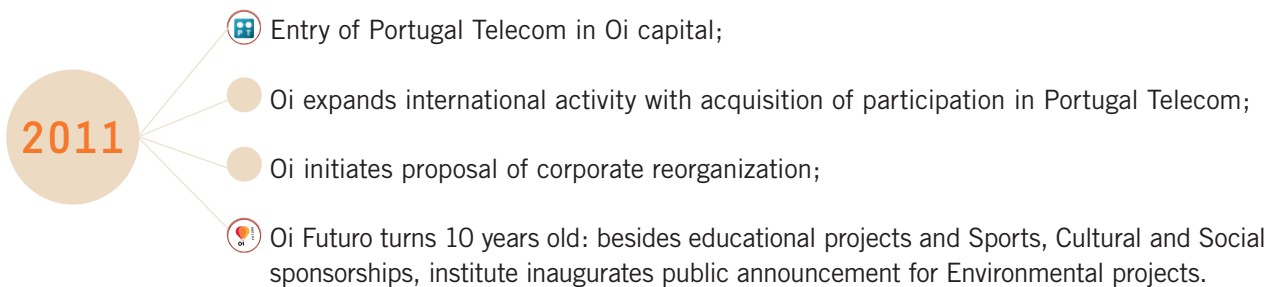
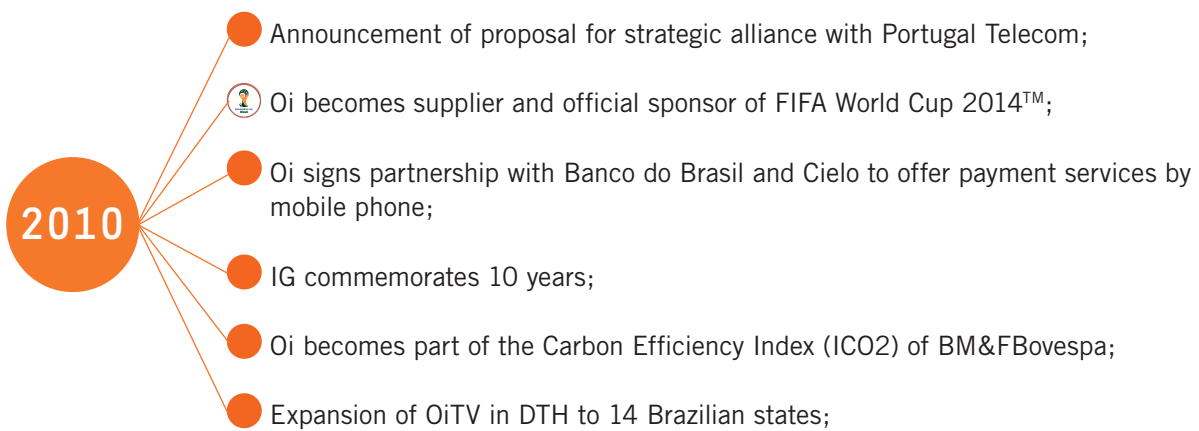
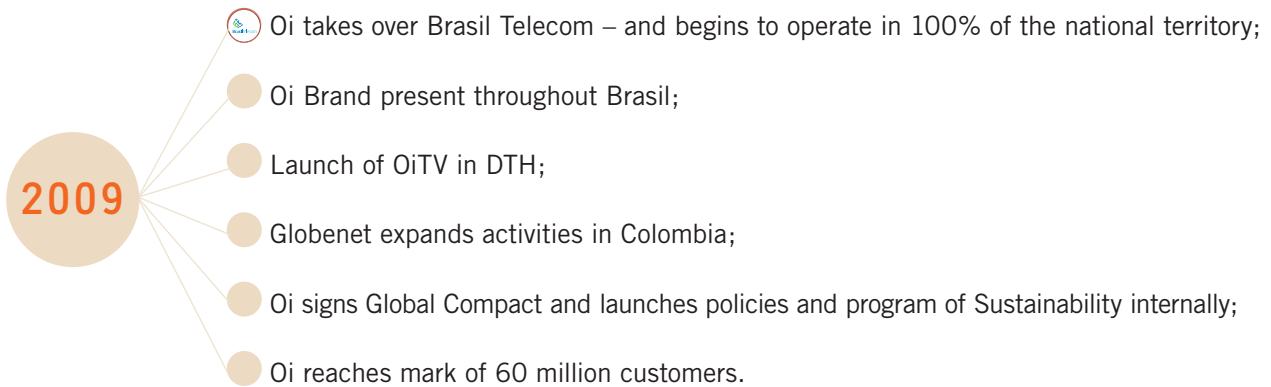
## HISTORY OF THE COMPANY











## MISSION, VISION, PRACTICES

With the participation of the employees, the Company revised the Mission, the Vision and Organizational Practices, all essential to define its strategic references.

<b>MISSION</b>	To surprise our Customers every day with simple solutions for communicating and connecting.
<b>VISION</b>	To be the Customers' preferred Telecom, offering complete services with excellence.
<b>PRACTICES</b>	<ul style="list-style-type: none"> <li>• Customer at the center of everything</li> <li>• Surprising people</li> <li>• Making things happen with excellence</li> <li>• Sustainable results</li> </ul>

## COMMITMENTS TO SUSTAINABILITY

**Engagement with Sustainability is growing and winning increasingly more space in global and corporate agendas.**

The notion that Sustainability is vital to perpetuate the business means that many organizations, besides including the topic in their strategies, develop products and services with this premise in mind, since a new kind of consumer appreciates those companies which demonstrate responsibility towards socioenvironmental issues.

Oi has persisted with its plans regarding Sustainability, however it is aiming for more. Besides fixing the culture of Sustainability as a Company value, introducing the concept among its employees and its value chain, it has increasingly linked the guidelines of its Sustainability policy to the business itself.

With the intention of anticipating demands of the new economy and aligning itself with the most advanced debates on climate change, the solution for which requires efforts on the part of society as a whole, in 2011 the Company undersigned the Companies for the Climate (EPC) platform. On supporting this initiative, Oi is contributing to the construction of a low carbon economy in Brazil, participating in the evaluation of the risks and opportunities concerning management of Greenhouse Gas (GHG) emissions and collectively debating practical solutions and contributions to regulations in the country.

The Company has also been a signatory, since 2009, to the Global Compact of the United Nations, a voluntary, amply legitimized commitment which strives to mobilize the international corporate community to adopt in its business practices fundamental and internationally accepted values in the fields of human rights, labor relations, environment and the fight against corruption, all reflected by 10 principles.

On becoming a signatory of the Global Compact, Oi took on several responsibilities such as the introduction, disclosure and promotion of these 10 principles, which are already in the focus of Company activities. Among them is the commitment to integrate them in the organization's strategy, operations and culture by incorporating them in the decision processes of Top Management, and also making progress in the practices of corporate responsibility for engagement in the cause.

In the chapter Communication of Progress: Global Compact UN, within the Socioenvironmental Performance of this report, a chart has been inserted which enumerates the various actions introduced by the Company involving the principles of the Global Compact. With this, Oi is reasserting its commitment to this initiative, which is borne out by the Message from the CEO at the beginning of this Report.

For the second straight year, goals of Sustainability were maintained for the principal executives of the Company, stressing the importance of this issue in its management model.

Relentlessly focused on Education for Sustainability, Oi has divulged its procedure for collecting mobile devices, batteries and accessories, conducted in its stores, through actions in the media, messages on phone bills and recharge cards. In addition, it has run internal awareness campaigns and keeps its employees up-to-date by disclosures through intra-Company channels of communication. The Company's customers and suppliers have access to online training about Sustainability, which seeks to introduce the concept of Sustainability and arouse awareness in everyone of the importance of practicing it in the day-by-day, whether that be at work or at home, as well as showing what Oi's commitments are with Sustainability.

The Company invests in the advancement of its employees. To this end, it introduced the Education for Sustainability Program (Sustainability Trail), an online platform of knowledge which aims to prepare leaders committed to this issue, to develop initiatives and actions which are directly related to the business, as well as to promote identification of corporate opportunities. The program is composed of a series of stages and a wide variety of resources, since it uses different media like e-learning, forums, videos, info-graphics, video-learning and game. By the end of the year, around 17% of our employees had begun this training.

With this continual focus on the advancement of its employees, Oi introduced the topic of Sustainability in the Programa Geração , designed to educate trainees and members of the PDA (Accelerated Development Program) in person, targeting their emotional and practical involvement. Six classes were trained, with a total participation of 107 employees. The objective is for these employees to become agents of change in the process of introducing Sustainability into the business, operations and activities of the Company, and for them to become apt to develop projects with this focus in their areas of activity.

All of these initiatives are based on the Sustainability Policy created in 2009, the goal of which is to establish guidelines that orientate the construction of mechanisms to perpetuate the business and to administrate the socioenvironmental impacts of the Company.

**01** TO PROMOTE, INTRODUCE AND DISSEMINATE SUSTAINABLE DEVELOPMENT ACTIONS SUCH AS ONGOING INVESTMENTS;

**02** TO DEFINE AND APPLY GOOD PRACTICES OF CORPORATE GOVERNANCE SO AS TO HONOR COMMITMENTS TO SHAREHOLDERS;

**03** TO RESPECT CONSUMERS, OTHER COMPANIES, CITIZENS AND THE ENVIRONMENT AT EVERY STEP OF MARKETING, BUSINESS AND OPERATIONS, THROUGH GUIDELINES FOUNDED ON ETHICS AND SOCIOENVIRONMENTAL RESPONSIBILITY, SO THAT ITS ACTIONS DO NOT PROVOKE NEGATIVE IMPACTS EITHER FOR SOCIETY OR FOR THE ENVIRONMENT AND THAT THEY MEET ITS LONG-TERM REQUIREMENTS;

- 04 TO MAKE EMPLOYEES AND OTHER STAKEHOLDERS AWARE OF THE IMPORTANCE OF A GOOD RELATIONSHIP WITH THE ENVIRONMENT, THROUGH EDUCATION FOR SUSTAINABILITY;
- 05 TO INCREASE THE APPRECIATION OF PRACTICES RELATED TO SUSTAINABILITY, BY MEANS OF PERIODIC MEETINGS OF THE CORPORATE GOVERNANCE, DISCLOSURE AND SUSTAINABILITY COMMITTEE;
- 06 TO PURSUE ENGAGEMENT AND ENCOURAGE RELATIONSHIP WITH THE STAKEHOLDERS AND TO REMAIN OPEN TO CRITICISM REGARDING THE NATURE OF ITS PROCESSES, PRODUCTS AND SERVICES;
- 07 TO STRESS THE IMPORTANCE OF KNOWING THE CODE OF ETHICS AND ITS APPLICATION IN THE PRINCIPAL DECISIONS OF THE COMPANY AND THE BEHAVIOR OF ITS EMPLOYEES AND SUPPLIERS;
- 08 TO IDENTIFY AND EVALUATE SOCIAL, ECONOMIC AND ENVIRONMENTAL IMPACTS ON THE PROCESSES, PROJECTS AND ACTIVITIES OF THE COMPANY, GIVING PRECEDENCE TO THE MOST IMPORTANT;
- 09 TO LOOK FOR NEW, ECONOMICALLY VIABLE TECHNOLOGIES AND IMPROVE THE COMPANY'S OPERATIONS AND PROCESSES, IN ORDER TO MINIMIZE IMPACTS ON THE ENVIRONMENT;
- 10 TO EMPHASIZE THE IMPORTANCE OF SUSTAINABILITY CRITERIA WHEN SELECTING AND MANAGING SUPPLIERS;
- 11 TO CONTRIBUTE TO THE PHYSICAL AND EMOTIONAL WELL-BEING OF THE EMPLOYEES AND THEIR FAMILIES THROUGH INTERNAL ACTIONS;
- 12 TO RESPECT DIVERSITY, FIGHTING DISCRIMINATION, MORAL AND SEXUAL HARASSMENT AND CORRUPTION IN ALL ITS FORMS;
- 13 TO RESPECT FREE UNION ASSOCIATION OF ITS EMPLOYEES AND THE RIGHT TO COLLECTIVE BARGAINING;
- 14 TO PROMOTE AND EXPAND THE COMPANY'S PRACTICES OF SOCIAL RESPONSIBILITY;
- 15 TO ESTABLISH GUIDELINES FOR THE ADMINISTRATION OF INTANGIBLE ASSETS, HELPING TO INCREASE THE VALUE OF THE COMPANY;
- 16 TO COMPLY WITH THE LEGAL REQUIREMENTS CONNECTED WITH THE BUSINESS AND COMMITMENTS OF SUSTAINABILITY VOLUNTARILY ENDORSED BY OI;
- 17 TO PROHIBIT THE PRACTICES OF CHILD LABOR, SEXUAL EXPLOITATION OF CHILDREN AND ADOLESCENTS, SLAVE, FORCED OR COMPULSORY LABOR, DISCRIMINATION IN ALL ITS FORMS AND ILLEGAL PUNISHMENT;

- 18 TO USE WATER AND ENERGY CONSCIENTIOUSLY WITH CONTROL AND MANAGEMENT, ADOPTING MEASURES TO SUBSTITUTE OBSOLETE EQUIPMENT FOR THE **BETTER USAGE OF RESOURCES**;
- 19 TO **REDUCE, RE-USE AND RECYCLE** WASTE WHENEVER POSSIBLE;
- 20 TO CREATE MECHANISMS TO RESOLVE CONFLICTS OF INTEREST WITHOUT JEOPARDIZING THE **COLLECTIVE INTERESTS OF SOCIETY**;
- 21 TO DEVELOP NEW BUSINESS IDENTIFYING **OPPORTUNITIES PRESENTED BY SUSTAINABILITY**;
- 22 TO TAKE STRATEGIC DECISIONS IN ACCORDANCE WITH THE **10 PRINCIPLES OF THE GLOBAL COMPACT** OF THE UNITED NATIONS;
- 23 TO PREVENT POLLUTION AND MAKE AN **EFFECTIVE CONTRIBUTION TO THE FIGHT AGAINST THE NEGATIVE EFFECTS OF CLIMATE CHANGE**, IDENTIFYING, QUANTIFYING, REDUCING AND COMPENSATING FOR ITS EMISSIONS OF GREENHOUSE GASES;
- 24 TO PURSUE THE CONTINUOUS IMPROVEMENT OF ITS **SOCIOENVIRONMENTAL PERFORMANCE**;
- 25 TO **DISSEMINATE** INTERNALLY AND TO STAKEHOLDERS THE PRACTICES, INDICATORS AND GOALS OF **SUSTAINABILITY**;

## INTANGIBLE ASSETS

### HUMAN CAPITAL

Oi invests in its employees, in their well-being, health and safety, honing talents and developing competencies and for this purpose it has adopted the best practices in the labor market. The focus on people is one of the main policies of the Company.

Comprised of heterogeneous people in countless aspects, Oi is a Company which supports diversity and shows appreciation for its talents, competencies and skills.

Further information on the practices of People may be found in the chapter Relations with Employees in this Report.

### BRAND

Oi has always been more than just a telecommunications Company. This has been conveyed by the convergent products it offers, as well as its brand, which represents a life style associated with innovation, courage, reliability and intelligence.

Within its positioning as a convergent Company “More complete. “More Advantages”, the Company has launched innovative solutions, such as the “Oi Conta Total” and “Oi Internet Total”, targeted at the profile of its customers, who progressively demand more mobility and convergence of services.

The Oi brand's communication is accessible to everyone, of all ages and from all regions of the country. It is a modern brand which conveys the quality of services which Oi offers, combined with a positive attitude and outlook on life. The way it delivers its message is straightforward. Its slogan "simple as that" is a synthesis of the Company's identity.

## PRESENCE ON THE INTERNET

In 2011, Oi expanded its relationship channels with customers and consumers on the web. It improved the process to divulge offers and reply to users' doubts through the "@DigaOi" profile, and also promoted the creation of the brand's fanpage\* on Facebook, bringing the Company even closer to its public. Oi is the first Company from the sector to have an exclusive application for Facebook's social network.

With the intention of becoming a brand closely identified with the connected public, the Company sponsored "Social Media Week" in February, creating a tool to translate online tweets (this event took place simultaneously in nine cities around the world, such as Paris, Hong Kong and Istanbul), as well as transmit the event via the website "Oi Acontece".

At Carnival, with the production of videos which were published on the brand channel\*\*\* and included actor and TV host Cassio Reis, it was possible to create synergy between the brand, the content and the products. The videos were signed by "Oi Velox", increasing the search for the product through search engines such as Google. And the channel for the Oi brand on Youtube was the most watched in the world at the time.

In a vitally important step for the content platforms, the new "Mundo Oi" was created in July and became the umbrella, under which all the efforts to activate the brand, such as Oi FM, Oi Music and Oi Apps were assembled. The website receives about 2.2 million "hits" a month.

\* *Pages of fans where consumers can interact with their favorite brands.*

\*\* *Messages sent by Twitter*

\*\*\* *Official channel of the Company on Youtube*

## DOCUMENTARY "E LOGO ALI" (IT'S RIGHT THERE)

At the end of 2011, the Company launched the documentary "It's Right There, the Impact of Telecom on People's Lives" on its brand channel\* on Youtube.

The documentary deals with the impact of telecommunications technology on the daily lives of the Brazilian people, with their social and cultural diversity, emphasizing the dimensions of personal relations, of the economy and business, of the territory and geopolitics and finally of information, knowledge and education. To show the transformational power of telecommunications services, three major levels of dialogue were identified: theoretical-conceptual, empirical and technical.

The material was researched in different locations in states of the Brazilian North and Southeast and portrayed changes in behavior, anxieties, local idiosyncrasies, professional experiences and other aspects which can influence social perceptions and the construction of varied dialogues.

\* *Official channel of the Company on Youtube.*

## SPONSORSHIPS

### **World Forum of Sustainability**

In 2011 Oi was not only the sponsor, but also the official provider of telecommunications services for the second edition of the World Forum of Sustainability. Held in Manaus, between the 24th and 26th of March, the purpose of the event was to sign a pledge for the sustainable development of the planet and it assembled political and business leaders who were outstanding proponents of matters connected with this issue.

On sponsoring an event such as this, the Company is reaffirming its dialogue with important agents of change and underscoring its commitment to finding solutions and to the best socioenvironmental practices.

### **Oi Athina Onassis Horse Show**

The 5th edition of the Oi Athina Onassis Horse Show was held in September at the Sociedade Hípica Brasileira, in Rio de Janeiro, and established itself as the biggest horse event in Latin America and one of the biggest entertainment platforms linked to the sport. The event received nearly 15 thousand people during its three days, bringing movement to the city in the tourist and service sectors, such as hotels and restaurants and shops. It was broadcast to 80 countries, which led to a public of over 300 million people. Held for five years, this event has become partly responsible for promoting the sport and stimulating the practice of horse-riding in the country.

### **Back2Black Festival**

The Back2Black Festival, first of its kind to pay homage to worldwide black culture in Brazil, grew in its 2011 edition setting itself up as one of the most complete cultural events in the country. From the 26th to the 28th of August, the centenary Leopoldina Station once again provided the stage for shows, debates, exhibitions and artistic interventions, spread over four different areas with more than 20 musical attractions.

Besides the shows, the space was also programmed with debates and lectures, the main topics of which were: Democratization, Non-violence and Social media, Ecology and the Future of communities.

### **Fashion Rio and São Paulo Fashion Week 2011**

Oi sponsored the Spring/Summer 2012 editions of the Fashion Rio and São Paulo Fashion Week events, where its exclusive lounges hosted representatives of dressmakers' cooperatives, who exhibited their creations and had their carbon emissions neutralized. With its participation in these events, the Company has sought to highlight its attributes of creativity and daring to be found in its marketing actions allied with its focus on Sustainability.

In addition to helping promote fashion, the Company also offered content on different platforms during the events, taking the best moments to the public who were not present at the fashion show, through the "Portal Oi Moda". At Fashion Rio, it also presented young musical talents on its "Oi Novo Som" Stage.

The free gift to guests of the Company was in keeping with the concept of Oi at the event, an action with a social slant: a small piece of cloth, representing the donation of one square meter of cloth to the Bordadeiras da Coroa Project, seamstresses who sew in needy communities of Rio de Janeiro. The NGO is a partner of Oi Futuro, the Company's Institute of Social Responsibility.



## AWARDS AND RECOGNITIONS IN 2011

- 01** RANKING GLOBAL BRAND FINANCE – 22ND PLACE IN THE GLOBAL RANKING OF THE 500 BIGGEST BRANDS OF TELECOMMUNICATIONS  
Organizer: Total Telecom Magazine (UK)
- 02** CONSIDERED ONE OF THE 30 BEST COMPANIES IN WHICH TO START A CAREER  
Organizer: Guia Voce S/A
- 03** BUSINESSMAN FRIEND OF SPORT AWARD - CATEGORY BEST FRIEND OF SPORT, FOR COMPANIES WHICH MOST SUPPORTED PROJECTS IN THE STATES OF AMAPA AND RONDONIA (IN 1ST PLACE) AND CEARA AND GOIAS (IN 3<sup>RD</sup> PLACE).  
Organizer: Ministry of Sports
- 04** 11<sup>TH</sup> TOP CORREIO AWARD – CATEGORIES “FIXED TELEPHONY OPERATOR” AND “REGIONAL INTERNET PROVIDER” (“OI VELOX”)  
Organizer: Correio de Sergipe Newspaper
- 05** 7<sup>TH</sup> DATAFOLHA TOP OF MIND ANNUAL DIRECTORY - CATEGORIES (MOBILE PHONE OPERATOR WITH MOST RECALL BY PUBLIC)  
Organizer: Datafolha Top of Mind 2011-2012 Annual Directory, Ceara
- 06** 19<sup>TH</sup> POP LIST AWARD - CATEGORY “WHICH IS THE MOBILE PHONE OPERATOR MOST REMEMBERED BY THE PUBLIC IN GOIANIA”.  
Organizer: O Popular Newspaper, Goiania.
- 07** 21<sup>ST</sup> FOLHA TOP OF MIND SP AWARD - CATEGORY “BEST BROADBAND INTERNET OPERATOR”  
Organizer: Instituto Datafolha and Folha de São Paulo Newspaper.
- 08** MEDAL AND DIPLOMA OF FRIEND OF THE AIR BASE – DECORATION AWARDED TO MILITARY AND CIVIL PERSONNEL WHO HAVE MADE A DIRECT CONTRIBUTION TO MISSIONS CARRIED OUT FROM THE BOA VISTA AIR FORCE BASE. RECOGNITION FOR INTRODUCING BROADBAND INTERNET IN THE MILITARY VILLAS WHICH HAD NO ACCESS TO INTERNET AND FOR IMPROVING THE CELLPHONE RECEPTION ON THE PREMISES OF THE BASE.  
Organizer: Air Force Base of Boa Vista
- 09** TOP OF MIND MG – SUCCESSFUL BRANDS - CATEGORIES (LEADERSHIP, EXCELLENCE AND SPECIAL)  
Organizer: Economia e Negocios Mercado Comum Magazine, Minas Gerais.
- 10** TRUSTWORTHY BRANDS AWARD 2011 - CATEGORY “FIXED TELEPHONY OPERATOR”  
Organizer: Readers Digest Selections Magazine.
- 11** 17<sup>TH</sup> ABEMD AWARD  
Organizer: ABEMD (Brazilian Association of Direct Marketing Companies), São Paulo.

- 12** ANEFAC TRANSPARENCY TROPHY- FOR THE QUALITY OF INFORMATION PROVIDED BY THE COMPANY TO THE MARKET (BRASIL TELECOM S/A).  
Organizer: ANEFAC (National Association of Finance, Administration and Accounting Executives) - Fipecafi - Serasa Experian, São Paulo.
- 13** CERTIFICATE OF SUSTAINABILITY – THEME, GOVERNMENT AND SOCIETY  
Organizer: 7<sup>th</sup> Survey of Sustainable Management, by Expressão Publishers and Aequo Soluções em Sustentabilidade, Santa Catarina
- 14** ISE – CORPORATE SUSTAINABILITY INDEX – FOURTH YEAR RUNNING  
Organizer: BM&FBovespa and Center of Studies in Sustainability of the Getulio Vargas Foundation
- 15** IC02 – CARBON EFFICIENT INDEX – SECOND YEAR RUNNING  
Organizer: BM&FBovespa and BNDES

# CORPORATE GOVERNANCE

## GOVERNANCE AT OI

**The Company has been consistently improving its instruments, processes and the structure of corporate governance, observing good practices of the market and re-evaluating its actions, in order to protect its stakeholders, preserve and optimize the Company's value, and also contribute to the perpetuation of its business.**

The Company has thus prepared itself adequately to evaluate and deliberate on its corporate reorganization, in an effort to effectively simplify its corporate and governance structures, with the resulting creation of value for all the shareholders. This operation will allow administrative, operational and financial costs to be reduced, its capital structure to be simplified and its capacity to attract investments and access capital markets to be improved. Furthermore it reaffirms alignment with the interests of the Company's shareholders and enables an increase in its share liquidity.

Further information on the corporate reorganization of Oi can be found in the chapter Economic Performance of this report.

The Company's management model consists of a series of internal and external actions, which reflect the premises of Corporate Governance applied at all levels, the interfaces of which result in reliable processes and a coherent basis. Oi is aware of the importance of the continuity of disseminating the Corporate Governance culture among its internal public and, in this respect, has developed since 2009 in-person and online (e-learning) training on the topic. By the end of 2011, 1052 employees increased their knowledge of corporate governance, 1656 of risk management and 1864 of internal controls, through e-learning sessions.

With a focus on accountability to the market and on transparent communication aligned with the interests of its shareholders, Oi keeps up an intensive flow of public information, such as: (i) Annual and Quarterly Results; (ii) Annual Reports; (iii) filings made with SEC, CVM and BM&FBovespa (Deeds and Relevant facts, Notices to Shareholders, Minutes of General Meetings, Minutes of Board of Directors meetings and Bulletins to the Market); (iv) Public presentations; (v) its page on the internet; (vi) relations with analysts, investors, agencies of risk classification, press and other channels of disclosure.

With the intention of improving the communication process between its organs of Corporate Governance, Oi has made a Governance Portal available since 2009. This management tool helps in the performance of the functions of the Board of Directors and of its Advisory Committees, as well as that of the Fiscal Council. Regularly updated, this Portal contains strategic documents of the Company which back the decisions of the Board members and other Management.

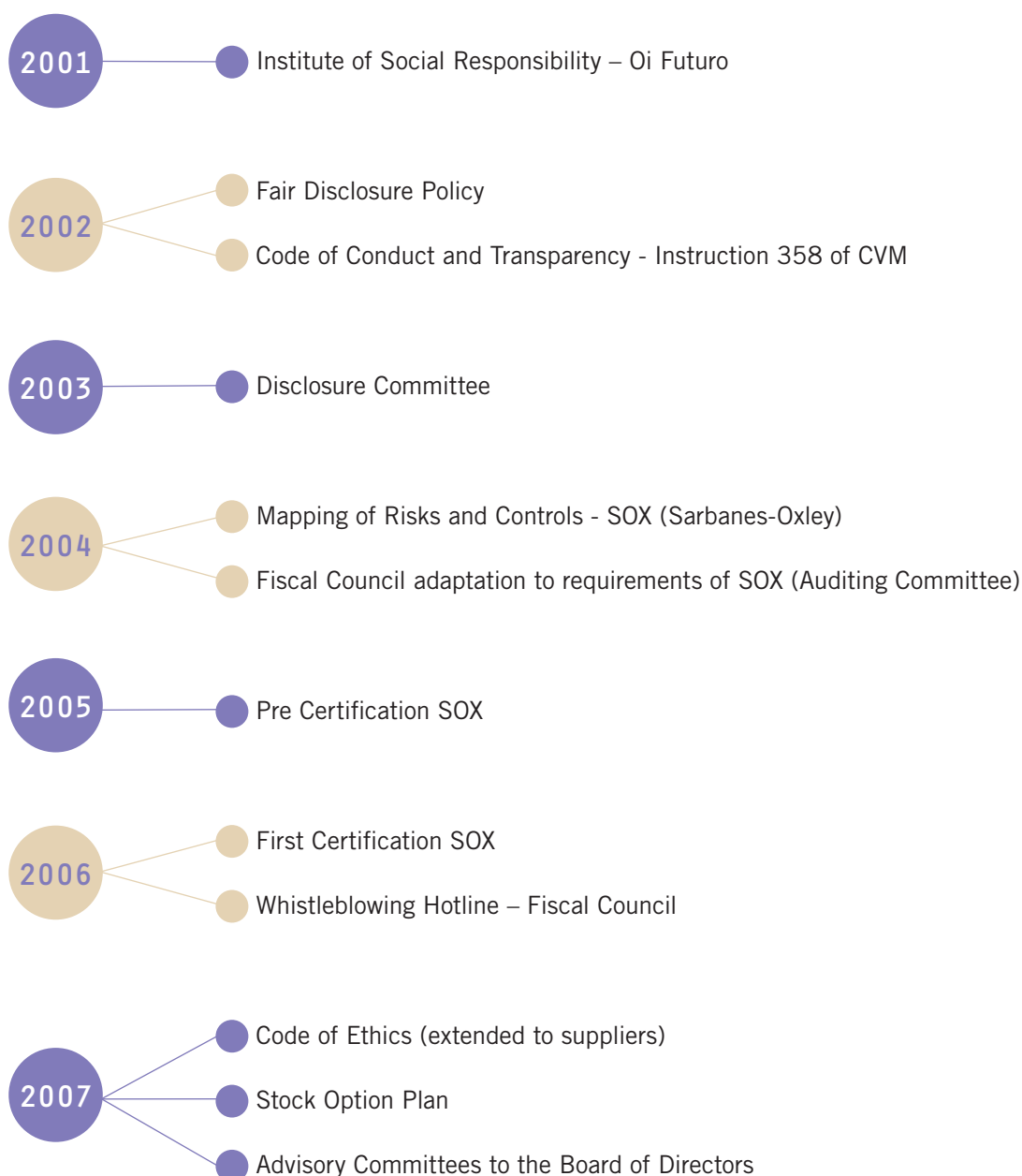
Oi supported, for the second year running, the International Congress of Corporate Governance, in its 12th edition, promoted by IBGC – Brazilian Institute of Corporate

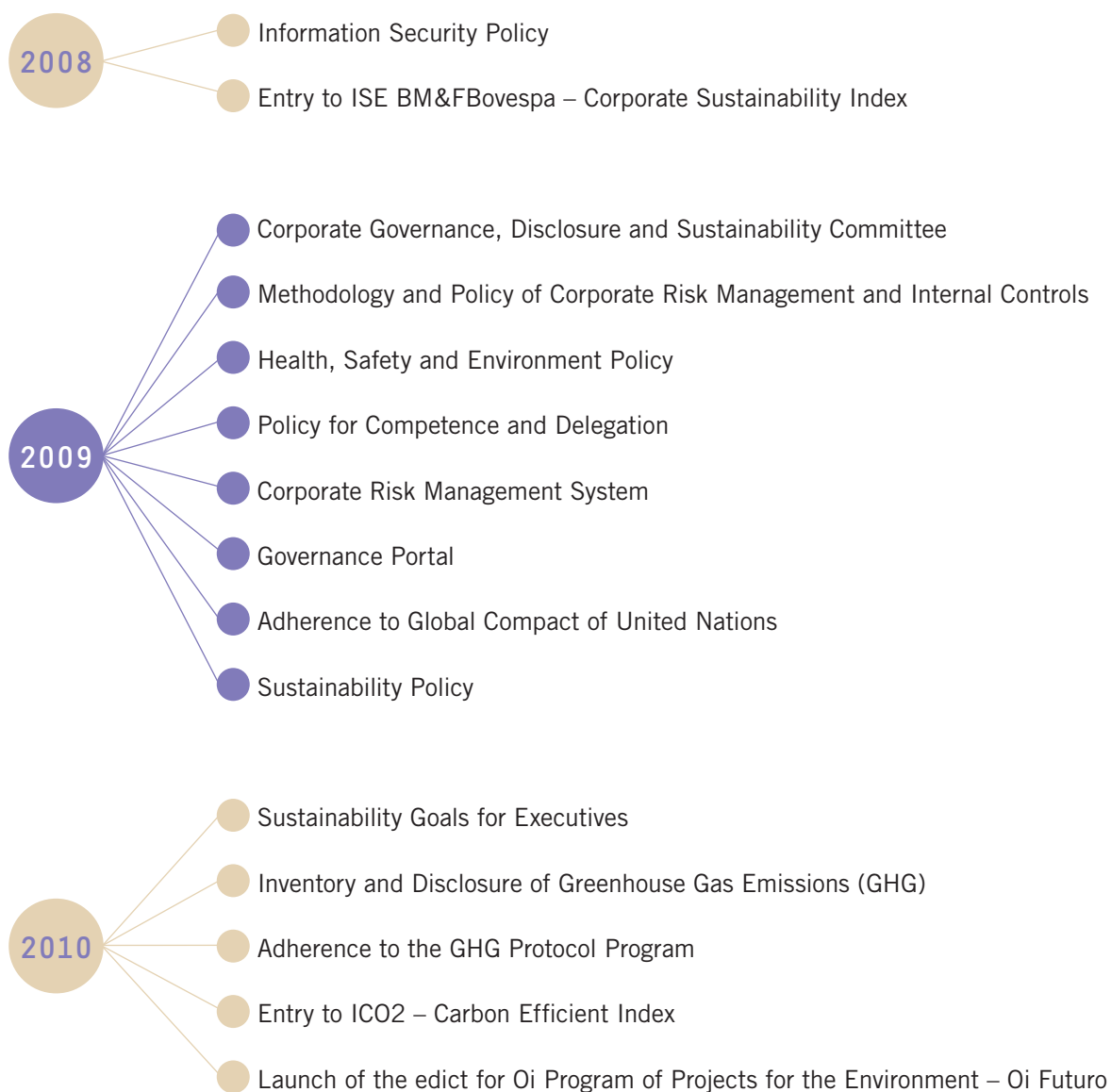
Governance – which in 2011 fostered a debate on the challenges and opportunities experienced by family companies.

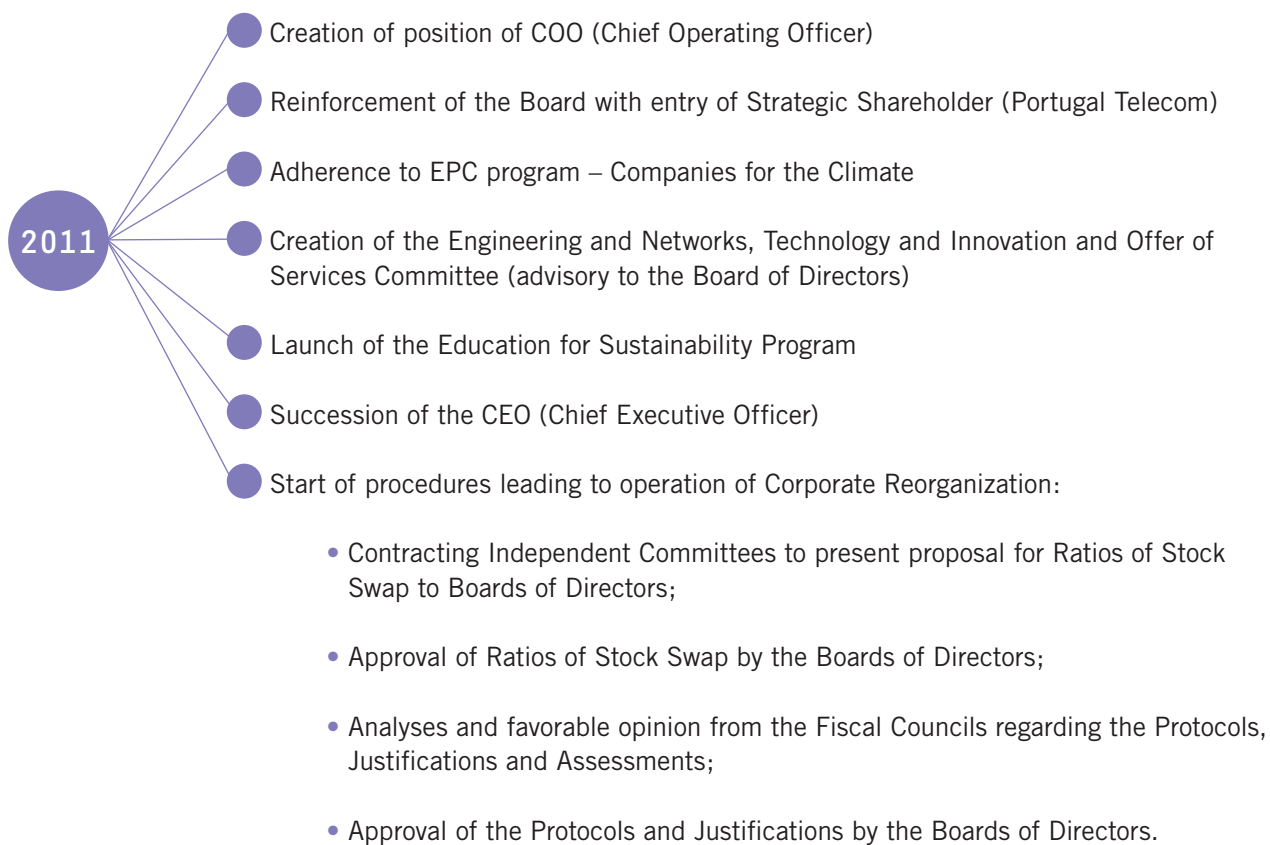
In recognition of its best practices of Corporate Governance, where quality of information presented to the market is concerned, the Company received the Transparency Trophy for the financial statements of Brasil Telecom, granted by Anefac (National Association of Finance, Administration and Accounting Executives), Fipecafi and Serasa Experian.

Additionally, it remained for the fourth year running on the ISE (Corporate Sustainability Index) and for the second straight year on the ICO2 (Carbon Efficiency Index), both initiatives of BM&FBovespa. Also regarding good practices, it responded voluntarily to the Carbon Disclosure Project, (a questionnaire on climate change), and furthermore disclosed its inventory of emissions of greenhouse gases on the website of GHG Protocol.

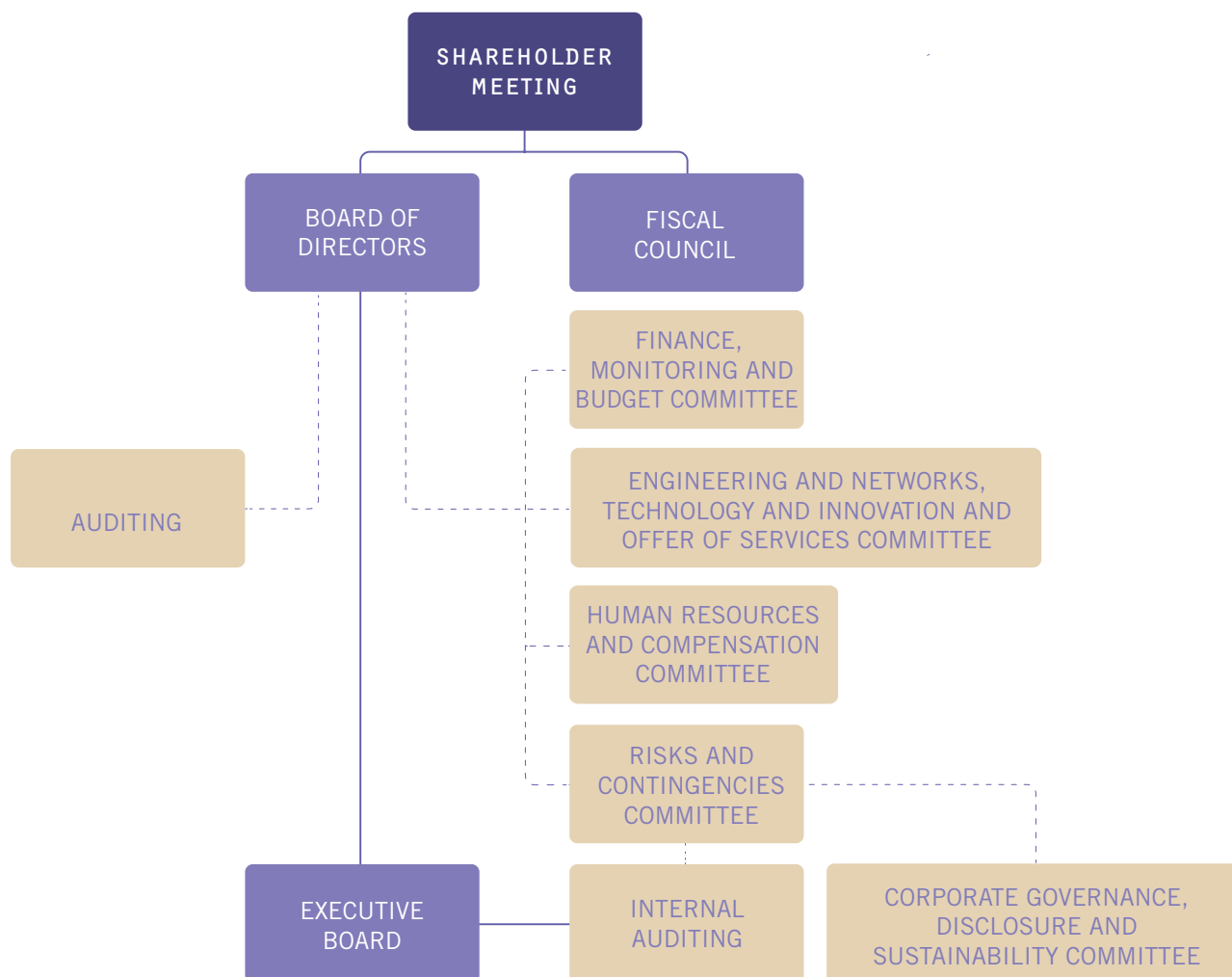
### EVOLUTION OF CORPORATE GOVERNANCE AT OI







## CORPORATE GOVERNANCE STRUCTURE



**N.B.** Position on 31/12/2011, referring to Tele Norte Leste Participações S/A, closed down after the corporate reorganization of 27/02/2012. After the reorganization, the remaining Company, Oi S/A, maintained the same structure of Corporate Governance, excepting the Internal Auditing Board, which began to report to the Board of Directors and functionally to the CEO (Director President).

### CORPORATE GOVERNANCE, DISCLOSURE AND SUSTAINABILITY COMMITTEE

The main functions of this Executive Committee, which is made up of Controlling, People, Management and Quality, Corporate Legal and Investor Relations Directors, are to: evaluate the adoption of good practices of Corporate Governance; ensure and establish guidelines to prepare the financial statements and to disclose information for the market; guarantee the management of corporate risks and internal controls of the Company, and also appraise matters concerning corporate Sustainability.

Meeting on a monthly basis, this advisory Committee takes action in a number of issues in the Company and contributes to a positive scenario where Governance, Disclosure and Sustainability are concerned.

## BOARD OF DIRECTORS AND COUNCILS

### COMPOSITION OF BOARD OF DIRECTORS

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#### EFFECTIVE MEMBERS

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José Mauro Mettrau Carneiro da Cunha (President)

---

Armando Galhardo Nunes Guerra Junior

---

Alexandre Jereissati Legey

---

Pedro Jereissati

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Fernando Magalhães Portella

---

Sergio Franklin Quintella

---

Renato Torres de Faria

---

Cláudio Figueiredo Coelho Leal

---

Fábio de Oliveira Moser

---

Carlos Fernando Costa

---

Demóstenes Marques

---

Zeinal Abedin Mahomed Bava

---

Shakhaf Wine

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#### ALTERNATE MEMBERS

---

José Augusto da Gama Figueira

---

Paulo Márcio de Oliveira Monteiro

---

Carlos Francisco Ribeiro Jereissati

---

Cristiano Yazbek Pereira

---

Carlos Jereissati

---

Rafael Cardoso Cordeiro

---

Carlos Fernando Horta Bretas

---

Laura Bedeschi Rego de Mattos

---

Ricardo Ferraz Torres

---

Armando Ramos Tripodi

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Monica Ferreira Dias

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Luis Miguel da Fonseca Pacheco de Melo

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Pedro Humberto Monteiro Durão

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**N.B.** All the members of the Board of Directors are non-executives. That is to say, they are not part of the Executive Directors, neither do they perform any function in the direct management of the Company.



## COMPOSITION OF FISCAL COUNCIL

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### EFFECTIVE MEMBERS

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Sérgio Bernstein (President)

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Allan Kardec de Melo Ferreira

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Ary Joel de Abreu Lanzarin

---

Fernando Linhares Filho

---

### ALTERNATE MEMBERS

---

Sidnei Nunes

---

Dênis Kleber Gomide Leite

---

Aparecido Carlos Correia Galdino

---

Vago

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## DIRECTORS

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### MANAGEMENT

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Francisco Tosta Valim Filho (CEO)

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Alex Waldemar Zornig (Investor Relations and Financial Director)

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Julio Cesar Fonseca (Director)

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Francis James Leahy Meaney (COO)

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**N.B.** Position on 31/12/2011, referring to Tele Norte Leste Participações S/A, closed down after the corporate reorganization of 27/02/2012.

## PROFESSIONAL BIOGRAPHY OF THE MANAGEMENT

### BOARD OF DIRECTORS

#### **José Mauro *Mettrau* Carneiro da Cunha**

Born on 04/12/1949. Served as a member of the board of directors of the telecommunications company Tele Norte Leste Participações S/A (TNL) from December 1999 to July 2002, returning to the board of directors of TNL on 11/04 2007 in the position of Chairman of the Board. Held a number of executive positions at BNDES, and was director of the board from 1991 to 2002. He was the vice president of strategic planning of Braskem S.A., a company specialized in thermoplastic resins and petrochemical production, from February 2003 to October 2005, where he was a member of the board of directors from 26/03 2008 to 30/04 2010. He sat on the board of directors of several companies and institutions such as the electrical power distributor LIGHT Serviços de Eletricidade S/A (December 1997 to July 2000), Aracruz Celulose S.A. (from June 1997 to July 2002); Fund for Technological Development of Telecommunications - FUNTTEL (from December 2000 to January 2002); Fundação Centro de Estudos do Comercio Exterior - FUNCEX (from June 1997 to January 2002); and in the petrochemical producer of thermoplastic resins, Politeño Industria e Comercio S/A (Full member from 10/04 2003, and alternate member from April 2005). As well as TNL, Mr. Jose Mauro is currently Chairman of the

Board of Directors of the telecommunications companies Telemar Norte Leste S.A., Brasil Telecom S.A., Tele Norte Celular Participações S.A. and TNL PCS S.A., of the shareholding company Coari Participações S.A. and of the real estate company Dommo Empreendimentos Imobiliários S.A., and also member of the board of directors of Telemar Participações S.A, member of the board of directors of Log-in Logística Intermodal S/A since 12/03/2007 until today, and member of the board of directors also of Lupatech S/A since 24/03 2008 until today. Mr. Jose Mauro has a degree in mechanical engineering from Universidade Católica de Petropolis - RJ, and participated in the Executive Program of Management at Anderson School/ University of California - Los Angeles.

#### **Armando Galhardo Nunes Guerra Junior**

Born on 13/02/1956. Graduated in business administration, accounting and economics from the Universidade Católica de Minas Gerais in 1978. He has executed various projects in the areas of management and restructuring of companies such as Brasperola, Portal Clicon, Cia AIX de Participações, Andrade Gutierrez, Brasil Ferrovias, Pontão Lar Shopping and Shopping Pier 21. He has served as the chairman of UNIPAR - União de Industrias Petroquímicas S/A, FEM - Projetos, Construções e Montagens S/A and MRS Logística S/A. He was Director at the Ministry of Mines and Energy and served as a member of the National Council on Privatization, supervising the government-owned steel companies - Companhia Vale do Rio Doce and DNPM - from March 1990 to October 1993. He has served on the Board of Directors of Cosipar - Cia Siderurgica do Para, Kepler Weber S/A, MASB - Desenvolvimento Imobiliario S.A, ESTRE Ambiental S.A., Contax Participações.S.A., Quattor Participações S.A and subsidiaries, Brasil Ferrovias and subsidiaries, Unipar and subsidiaries, Cosipa, CSN and CST. Since 2007, he has been Chairman of the Board of Directors at Kepler Weber S/A, in which PREVI and Banco do Brasil hold equity, as well as member of the Boards of Quattor Participações S/A and subsidiaries (June 2008 - April 2010), in which Unipar and Petrobras hold equity, and of Brasil Ferrovias S/A and subsidiaries (April 2004 - June 2006), in which PREVI, FUNCEF and BNDES hold equity.

#### **Alexandre Jereissati Legey**

Born on 02/01/1970. Finance director and market relations director of the holding companies LF Tel S/A and La Fonte Telecom S/A since 1998. Was director of new business of Iguatemi Empresa de Shopping Center S/A, which administrates shopping centers, from January 2007 to January 2008, where he prospected, appraised and studied the feasibility of new shopping centers for this company. He is a member of the Finance committee of the telecommunications company Telemar since its establishment in 1999. He began his career in the Jereissati Group in 1993 and held the position of Finance Director of the company until 1996. Currently is member of the Board of Directors of the shareholding companies Telemar Participações S.A., CTX Participações S.A., Privatinvest Participações S.A. and Alium Participações S.A., of the telecommunications company Tele Norte Leste Participações S.A., of the call center service, Contax Participações S.A. He is Finance-Economy Director and market relations Director of Privatinvest Participações S.A. and COO and Market Relations Director of Alium Participações S.A., both shareholding companies. He is director of Investor Relations of LF Tel S.A. and La Fonte Telecom S.A. companies which participate in the controlling group of Oi and Contax. Has experience in setting up capital market operations and in the area of mergers and acquisitions, corporate reorganizations and economic-financial feasibility appraisals of investments. Graduated in Chemical Engineering in 1992 from Universidade Federal do Rio de Janeiro - UFRJ, with Master's in Business Administration (MBA) in 1998 from Massachusetts Institute of Technology – MIT.

### **Pedro Jereissati**

Born on 24/05/1978. Active in the Jereissati Group since 1995. Graduated in Business Administration from Fundação Armando Alvares Penteado - FAAP with Master's in Business Administration (MBA) from Kellogg School of Management, in Chicago, USA (2005). Currently is president of Telemar Participações S/A, controlling company of TNL. Experience in the operations of the Jereissati Group in the Real Estate division, consisting mainly of Shopping Centers and commercial buildings. In 1998, after acquiring control of Tele Norte Leste Participações S/A, was transferred to the Telecommunications company in the Group, LF Tel S/A. He was finance Vice President of Iguatemi Empresa de Shopping Centers AS, company administrating the shopping centers, between 2005 and 2007. Member of the Board of Directors of the shareholding companies Telemar Participações S/A, Coari Participações S/A, Calais Participações S/A, CTX Participações S/A, Privatinvest Participações S/A and Alium Participações S/A, of the telecommunications companies Telemar Norte Leste S/A, Tele Norte Celular Participações S/A, TNL PCS S/A, Tele Norte Leste Participações S/A and BRT, of Iguatemi Empresa de Shopping Centers S.A and of Contax Participações S/A, the main activity of which is call center service. Is also director of the Instituto Telemar.

### **Fernando Magalhães Portella**

Born on 15/05/1951, Brazilian. Executive Vice President and CEO of Organização Jaime Camara, a communications complex, since July 2006. Was Vice President of the financial institution Citibank Brasil from 1986 to 1992, partner of Gemini Consulting from 1992 to 1996. Was also CEO of O Dia de Comunicação Group and board member of ANJ (National Association of Newspapers) during the period 1996-2003, President of Associação Brasileira de Marketing e Negócios between January 1999 and December 2000 and member of the Consulting Council of Intermedica Empresa de Saude S.A. between June 2008 and February 2010. Is Board member of Iguatemi Empresa de Shopping Center S.A., administrator of shopping centers and of the telecommunications company Tele Norte Leste Participações S.A. Graduated in agronomist engineering from UNESP in December 1975, has an Executive MBA from Columbia University at Harvard Business School, completed The General Management Program from February to May 2000, and The Corporate Leader Program in March 2006.

### **Sergio Franklin Quintella**

Born on 21/02/1935. Graduated in Engineering from Universidade Catolica do Rio de Janeiro / in Economics from Faculdade de Economia do Rio de Janeiro / in Engineering Economics from Escola Nacional de Engenharia. Master's in Business Administration in Italy (IPSOA) / (USA) MBA lato sensu in Business Administration (Advanced Management Program) (Harvard Business School) / (USA) Business Administration – Extension Course in Public Finance (Pennsylvania State University – Philadelphia). Held various corporate positions such as Vice-Director President of Montreal Engenharia from 1965 to 1991, was Member of the Board of Directors of Sulzer from 1976 to 1979, was Member of Board of CAEMI from 1979 to 1983, was President of Internacional de Engenharia from 1979 to 1990, was Member of Board of Directors of Refrescos do Brasil S.A., from 1980 to 1985, was President of the Companhia do Jari from 1982 to 1983, and has been Member of the Technical Council of Confederação Nacional do Comercio since 1990. Academic activities include Member of Directors' Council of Instituto Nacional de Altos Estudos – INAE from 1991 to 2010; has been Member of the Development Council of Pontificia Universidade Catolica do Rio de Janeiro – PUC Rio since 1978; is Member of the Development Council of Universidade Estacio de Sa since 2002 and is

Vice President of Fundação Getulio Vargas since 2005. Has been Member of the Board of Administration of Petrobras since 2009. Served in public positions such as Member of the Board of Administration of BNDES – Banco Nacional de Desenvolvimento Economico e Social from 1975 to 1980; was President of ABNT – Associação Brasileira de Normas Tecnicas from 1975 to 1977; was member of the National Monetary Council from 1985 to 1990; was President of the Tribunal de Contas do Estado do Rio de Janeiro, from 1993 to 2005.

#### **Renato Torres de Faria**

Born on 11/01/1962. Finance Director and DRI of Andrade Gutierrez Concessões S.A. In addition to carrying out the activities inherent to the positions mentioned, also holds the following positions: Director Superintendent and Member of the Board of Domino Holdings S.A., investment vehicle of Companhia de Saneamento do Parana (SANEPAR); Director President and Member of the Board of Waterport, a water supply and sewage collection and treatment utility at the Port of Santos; Member of the Board of Companhia de Saneamento do Parana – SANEPAR; Board member of Companhia de Concessões Rodoviaras S.A. – CCR; Board member of CEMIG; Executive Superintendent of Fundo AG-Angra. Since 2004 has served as Director of the companies in the real estate division of AGSA, among which are Porto Real Resort and Marina Porto Real in Angra dos Reis – RJ, Parque Prado in Campinas – SP, Terminais Intermodais da Serra in Serra – ES, Flat Cidade Jardim in São Paulo – SP, Busca Vida Resort in Salvador – BA, Passenger Terminal in Uberlandia – MG, and others. Since February 2009 has served as Executive Superintendent of Fundo AG-Angra. A fund set up by the companies Andrade Gutierrez S.A and Angra Partners, with resources of its own and from some of the main pension funds in Brazil, for investment in infrastructure in the country. As one of the five Executive Superintendents of Fundo AG-Angra, the function involves weekly meetings of the Technical Committee.

#### **Claudio Figueiredo Coelho Leal**

Born on 27/04/1968. Superintendent of the Area of Planning since 2010 and head of the Department of Machinery and Equipment (AOI/MAQ), responsible for the operations with FINAME since March 2004, both at BNDES. Was Superintendent of the Area of Credit from March 2008 to February 2010 at BNDES, where also occupied several executive positions since 1997. Currently Mr. Claudio is a member of the Board of Directors of Usina Termelétrica AES Uruguaiana and member of Comitê de Economia e Tributação do Comercio do Rio Grande do Sul – FECOMERCIO-RS. Served as member of the board of Nova Marlim Petroleo S.A. from 2001 to 2003, of Companhia de Recuperação Secundaria – CRSEC from 2001 to 2003 and of Rio Polimeros S.A. from 2000 to 2002. Graduated in Economics from Pontificia Universidade Catolica do Rio Grande do Sul – PUC-RS (1991), has a Master's in Economics from Universidade do Rio Grande do Sul – UFRGS (1993) and an Executive MBA PDG from IBMEC (1999).

#### **Fabio de Oliveira Moser**

Born on 26/12/1967. Graduated in Business Administration from Universidade Candido Mendes, earned M.B.A. in Finance and Master's in Business Administration from Instituto Brasileiro de Mercado e Capitais (IBMEC), as well as extension courses in Governance from Harvard Business School. Since June 2008 is Director of Investments of Caixa de Previdencia dos Funcionarios do Banco do Brasil - PREVI. Worked at the telecommunications company Brasil Telecom from November 2005 to May 2008, as Vice President of Governance and Corporate Business. Served as Member of the Board of Directors of the power company Centrais Eletricas de Santa Catarina S.A.

(CELESC). Served at the Caixa de Previdencia dos Funcionarios do Banco do Brasil - PREVI, from October 1999 to October 2005, as Manager of Strategic Companies in the Telecommunications sector. Was President of the Deliberative Council of Fundação Sistel de Seguridade Social and also of Fundações 14 de Previdencia Privada and BRT Prev. Served as Member of the Board of Directors of the telecommunications companies Internet Group do Brasil, Brasil Telecom Participações S.A. and Brasil Telecom S.A., at Kepler Weber, company from the metal-mechanical sector, with emphasis on supply of grain-storage systems, in the electrical power distributors Coelba, Cosern and Celpe, all from the Neoenergia Group (formerly Guaraniana). Currently is Member of the Board of Directors of the telecommunications company Tele Norte Leste Participações S.A. and of the holding company Telemar Participações S.A.

### **Carlos Fernando Costa**

Born on 26/05/1966. Graduated in Mathematics from Faculdade de Filosofia, Ciências e Letras of Santo Andre, in March 1992, with Post-graduation in Financial Administration from Universidade Metodista and in Administration from Unibero. Has served as Director of Finance and Investments of Fundação Petrobras de Seguridade Social – Petros, Closed Entity of Complementary Pension, since January 2011. Has also served as Member of the Board of Invepar – Investimentos e Participações em Infra-Estrutura S/A, since January 2009. Was Executive Manager for Market Operations (October 2008 to July 2010) and for the Investment Planning Advisory Board (July 2010 to January 2011) of Fundação Petrobras de Seguridade Social – Petros. Previously served as Administrative Director for the Legislature of the State of São Paulo during the period of March 2006 to October 2008 and as Financial Consultant to Fundação Getulio Vargas in the period of December 2003 to December 2004. Also acted as Fiscal Advisor to Tele Norte Leste Participações S/A, in the period of March 2003 to March 2004.

### **Demosthenes Marques**

Born on 23/02/1966. Investment Director of Fundação dos Economiarios Federais - FUNCEF, Closed Complementary Pension Fund Institution, since July 2004. Former National Manager for Social Policies, Product Manager, Operational Manager, Technical Supervisor and Engineer of the Technical Staff at Caixa Economica Federal, a Public/ Financial Institution company, from 1992 to 2004. Previously worked as Special Assistant of the Governor's Assembly, Director of the Administration Department of the Vice-Governor and Chief of the Vice-Governor's Office of the Federal District Government, from September 1997 to October 1998. Currently, Mr. Demosthenes Marques is a Member of the Board of Directors at Norte Energia S/A (Belo Monte hydroelectric power plant), since July 2010. Previously, was a Member of the Board of Directors of JBS S/A, a holding company in the meat processing industry, from April 2008 to April 2009, Alternate Member of the Board of Directors at ALL – America Latina Logistica, a logistics company, from June 2006 to April 2008, Member of the Board of Directors at Litel Participações S.A. (holding of the partnership control structure of Valepar e Cia. Vale do Rio Doce S.A.), from March 2005 to May 2006, also a Member of the Board of Directors at Brasil Ferrovias, Ferronorte, Ferroban and Novoeste Brasil, a rail transportation company, from May 2005 to April 2006. Graduated in Civil Engineering from Santa Maria Federal University – UFSM/RS, in 1989, Post Graduate in Urban Development from Faculdades Integradas Candido Mendes, in 1995, Master Degree in Business Management from Universidade de Brasilia – UNB/DF, in 2011.

### **Zeinal Abedin Mahomed Bava**

Born on 18/11/1965. Chief Executive Officer of Portugal Telecom SGPS SA, a Portuguese telecommunications company, since March 2008. Also President of the Board of Directors of different PT companies: PT Portugal, SGPS S.A. (since April 2009); PT Comunicações (since April 2009); TMN – Telecomunicações Moveis Nacionais, S.A. (since May 2006); Portugal Telecom, Inovação, S.A. (since September 2007); PT Prime – Soluções Empresariais de Telecomunicações e Sistemas, S.A. (since September 2007); PT Moveis – Serviços de Telecomunicações, SGPS S.A. (since November 2008); Portugal Telecom – Investimentos Internacionais, Consultoria Internacional, S.A. (since November 2008); PT Participações, S.A. (since November 2008) and Fundação Portugal Telecom (since May 2008). Previously, he was the President of the Board of Directors of many Portuguese companies: PT Ventures, SGPS, S.A. (November 2008 to July 2010); PT Centro Corporativo, S.A. (March 2006 to April 2009); PT – Sistemas de Informação, S.A. (September 2007 to April 2009); PT PRO, Serviços Administrativos e de Gestão Partilhados, S.A. (February 2003 to June 2008); Previsão – Sociedade Gestora de Fundos de Pensões, S.A. (March 2003 to October 2007); TV Cabo Portugal, S.A. (March 2004 to September 2007); PT Conteudos – Actividade de Televisão e de Produção de Conteudos, S.A. (until September 2007); Lusomundo Cinemas, S.A. (until September 2007); Lusomundo Audiovisuais, S.A. (until September 2007); PT Televisão por Cabo, SGPS, S.A. (until September 2007). Also a Member of the Board of Directors of Brasilcel, NV (December 2002 to October 2007); President of the Executive Commission of PT Multimedia – Serviços de Telecomunicações e Multimedia, SGPS, S.A. (May 2003 to September 2007) and Vice President of the Board of Directors at PT Multimedia – Serviços de Telecomunicações e Multimedia, SGPS, S.A. (November 2002 to September 2007). Zeinal Bava is a licensed Electronic and Electro-technical Engineer from University College London (1988).

### **Shakhaf Wine**

Born on 13/06/1969. Chief Executive Officer and President of the Board of Directors of Portugal Telecom Brasil S.A. since April 2005; Member of the Board of Directors of Mobitel S.A. since June 2006; Chairman of the Board of Directors of Mobitel S.A. since August 2008; Chairman of the Board of Directors of PT Multimedia.com Brasil Ltda.; Member of the Board of Directors of Brasilcel N.V. since March 2004; Vice-Chairman of the Board of Directors of Brasilcel N.V. since August 2008, and President of the Controlling Committee of Brasilcel N.V. since 2006. Former Member of the Board of Directors of Vivo Participações S.A. from March 2004 to September 2010; Vice-Chairman of the Board of Directors of Vivo Participações S.A. from August 2008 to September 2010; Member of the Board of Directors of Universo Online S.A. from July 2005 to January 2011. Former Member of the Board of Directors of the consultancy company PT Investimentos Internacionais – Consultoria Internacional S.A., from May 2006 to March 2009. Previously was a Member of the Board of Directors of the telecommunications company PT Participações SGPS S.A., from March 2008 to March 2009. Also was Member of the Board of Directors of the telecommunications company PT Moveis - Serviços de Telecomunicações SGPS S.A., from May 2006 to March 2009. Was Member of the Board of Directors of the telecommunications company PT Ventures SGPS S.A., from May 2006 to March 2009. Was Member of the Board of Directors of the telecommunications company Tele Centro Oeste Celular Participações, S.A., from March 2004 to October 2006. Was Member of the Board of Directors of the telecommunications company Tele Sudeste Celular Participações, S.A., from March 2004 to February 2006. Was a Member of the Board of Directors of the telecommunications company Tele Leste Participações S.A., from July 2005 to February

2006. Was Member of the Board of Directors of the telecommunications company Celular CRT Participações S.A., from March 2004 to February 2006. Was Member of the Board of Directors of the financial institution Banco1.net S.A., from April 2003 to July 2004. Was Member of the Board of Directors of the telecommunications company PT Multimedia.com Participações Ltda., from April 2005 to November 2007. Was Director of Banco de Investimento and responsible for the relationship with European corporate clients in the Global Communications group of the financial institution Merrill Lynch International, from 1998 to 2003. Was Senior Associate Director in the Latin America departments and the Telecommunications Group of the financial institution Deutsche Morgan Grenfell & Co., from 1993 to 1998. Was Trader of Interbank Exchange and Dealer of Banco Central do Brasil at financial institution Banco Icatu, from 1991 to 1993. He holds a degree in Economics from PUC, Pontificia Universidade Catolica, in Rio de Janeiro in 1991.

#### **Jose Augusto da Gama Figueira**

Born 20/09/1947. Full Member of the Board of Directors of Telemar Participações S/A, shareholding company, since 25/04/2008. Was member of the board of executive directors of Telemar Participações S/A from June to September 1999 and from February 2000 to November 2009. Currently, is a member of the Board of Directors of the telecommunications company Telemar Norte Leste S/A since August 2001 and Chairman of Instituto Oi Futuro since August 2001. Director of CTX Participações S.A. since April 2008. Former Director of Pegasus, an Andrade Gutierrez Group company, from July 1997 to August 1999, and member of the Fiscal Board of the telecommunications companies Telest - Telecomunicações do Espírito Santo S.A., Telepisa - Telecomunicação do Piauí S.A., and Telemamazon- Telecomunicação do Amazonas S.A. from April to December 1999. Also a member of the Board of Directors of the telecommunications companies Tele Norte Celular Participações S.A., BRT and TNL PCS S.A. He graduated in Electrical Engineering from Universidade do Estado do Rio de Janeiro in 1972 and has a Master's in Business Administration (MBA) from Fundação Getulio Vargas (1996-1997).

#### **Paulo Marcio de Oliveira Monteiro**

Born on 24/10/1958. Financial Manager of Andrade Gutierrez Concessões S.A., a company in the Concession and Infrastructure industry since March 2003. As a representative of Andrade Gutierrez Concessões S.A., worked as Assessor of the Financial Board of Sanepar, a company in the water supply, collection and treatment sector, from January 2000 to February 2003. Previously acted, from April 1998 to December 1999, as Commercial Manager; and, from February 1994 to March 1998, as Project Manager of Construtora Andrade S.A., a company in Heavy Construction segment. Andrade Gutierrez S.A. integrates the economic group Oi through AG Telecom Participações S.A., shareholder of Telemar Participações S.A. Currently, Mr. Paulo Marcio de Oliveira Monteiro is an Alternate Member Of the board of directors of Companhia Energetica de Minas Gerais - CEMIG, a company in the Generation, Transmission and Distribution of Electric Energy. He graduated in Civil Engineering from Universidade Federal de Minas Gerais in December 1981, and Master degree in Finance from Instituto Tecnológico de Monterrey - ITESM, Mexico City, in December 1998; and MBA from Universidade de São Paulo - USP, in April 1998; and Post graduate in Business Leadership from Universidade Panamericana - IPADE, Mexico City, in June 1996.

**Carlos Francisco Ribeiro Jereissati**

Born on 21/06/1946. Acts as a member of the Board of Directors of the telecommunications company Tele Norte Leste Participações S.A., since August 1998, where he was the Chairman from August 1998 to August 2000, and again from 01/11/ 2002 to 29/10/2003. Since 1970, Mr. Jereissati has been the chief executive officer of Grupo Jereissati, which encompasses companies like Iguatemi Empresas de Shopping Centers S.A., a company that manages shopping centers and of La Fonte Telecom S.A., a shareholding company. Was member of the Board of Directors of BOVESPA, Vice-Chairman of the Board of Directors of Companhia Vidraçaria Santa Marina (Saint Gobain Group), a company that produces flat glass and fiber glass, Chairman of the Executive Council of the Brazilian Association of Shopping Centers, ABRASCE, and member of the Consultative Council of SECOVI, Union of Companies that Sell, Rent and Manage Residential and Commercial buildings in São Paulo. Member of the Board of Directors of the holding company in CTX Participações S.A. and Telemar Participações S.A., and of Contax Participações S.A., a company whose main activity is providing call center services. Graduated in Economics from Universidade Mackenzie in São Paulo in 1968.

**Cristiano Yazbek Pereira**

Born on 16/09/1975. Corporate Strategy Manager of LFTel since July 2009. Was Superintendent of Telefonica in the Strategy, Regulations and PMEs Commercial areas in Latin America from January 2003 to July 2009. Was consultant of A.T. Kearney in 2001 and 2002 and consultant of Accenture in 2000. Graduated in Mechanical Engineering from Escola Politecnica da Universidade de São Paulo, with an Executive MBA from BSP and extension courses in management from Rotman School of Management (University of Toronto) and from ESADE (Barcelona).

**Carlos Jereissati**

Born on 04/09/1971. Graduated in Business Administration from Fundação Getulio Vargas - FGV – SP in 1994, with specialization courses abroad, most notably: Management for Success (University of Michigan Business School 2002), Spring Convention (International Council of Shopping Centers, 1998, 1999 and, from 2002 to 2006, Real State Finance & Investment (Euromoney Training, 1998). Since 1996 member and currently chairman of the Board of Directors of Iguatemi Empresa de Shopping Centers – IESC, a company that manages shopping centers. Member of the Board of Directors of holding companies like Jereissati Participações S.A., La Fonte Telecom S.A., Telemar Participações S.A., CTX Participações S.A. and the telecommunications company Tele Norte Leste Participações S.A. Former Chairman and Vice-Chairman of ABRASCE – Brazilian Association of Shopping Centers, from 2002 to 2004 and 2005 to 2006, where he currently belongs to the Consultative Council. Was council member of CDES (Council for Economic and Social Development) and currently Member of IBRAVO - Associação Brasil Voluntario since 1995 and Member of ICSC - International Council of Shopping Centers, since 1994. In 2007 he was granted the title of “Young Global Leader” by the World Economic Forum.

**Rafael Cardoso Cordeiro**

Born on 13/09/1980. Serves as financial manager of Andrade Gutierrez Concessões S/A, a shareholding company, since June 2002. Works in the areas of treasury, structured financial operations, relations with financial institutions, capital market, investor relations and economic and financial analysis of new projects. From May 2004 to April 2005, was Project



engineer of Water Port S/A Engenharia e Saneamento, a company of the Grupo AG hired by CODESP to develop and implement the new water and sewage system on the right bank of Santos Harbour. Currently, Mr. Rafael Cordeiro is a Member of the Fiscal Council of CEMIG - Companhia Energetica de Minas Gerais, a company in the energy industry and a Member of the Board of Directors of Water Port S/A. Graduated in Civil Engineering from Universidade Federal de Minas Gerais in 2003.

#### **Carlos Fernando Horta Bretas**

Born on 07/05/1959. Since May 1994 is Project Manager of Andrade Gutierrez Concessões S/A. (AGC), a shareholding company of Grupo Andrade Gutierrez. Works in the financial and development area and Project follow-up of AGC. Previously worked as controller engineer of the Goiás office (May 1988 to February 1989) of Mendes Junior Edificações S/A, a civil engineering company. Also worked as production engineer in the same company from 1984 to 1988. Graduated in Civil Engineering in 1984, with post-graduate in Economic Engineering from Fundação Dom Cabral of Belo Horizonte, MBA in Finance from USP and MBA in Corporate Law from Fundação Getulio Vargas.

#### **Laura Bedeschi Rego de Mattos**

Born on 01/10/1975. Master in Energy Planning from COPPE (UFRJ), Post Graduate in Finance from IBMEC – RJ and Chemical Engineering from Universidade Federal do Rio de Janeiro. 10 years' experience with Structuring Operations in the Fixed and Variable Income areas of important organizations in the financial sector (BNDESPAR, BNDES e FINEP). In BNDES since 2002, has experience with structuring Project Finance and Infrastructure operations and for five years had an executive position, as a Manager and Department Chief in the Investment Department in the Capital Market Area. In this Department, was responsible for the investments in the new companies of BNDESPAR portfolio. Currently, is Chief of the Follow-up and Management Department of BNDESPAR Stock Portfolio. In this department, is responsible for managing BNDESPAR shares in the sectors: logistics, mining, steel, paper & pulp, telecommunications, capital goods, information technology and pharmaceutical. Since December 2010, alternate Member of the Board of Directors of VALEPAR S/A, the controlling company of VALE S/A.

#### **Ricardo Ferraz Torres**

Born on 04/08/1967. Graduated in Business Administration from UERJ – Universidade Estadual do Rio de Janeiro, with MBA in Finance from IBMEC – Instituto Brasileiro de Mercado de Capitais. Employee of the financial institution Banco do Brasil since 1987, in PREVI – Caixa de Previdência dos Funcionários do Banco do Brasil since 1999, currently in the position of Nucleus Manager in Real Estate Management. Served as member of the Board of Directors in many companies, especially in the electric distribution company Neoennergia, (previously Guaraniã) and in the telecommunications company Brasil Telecom S.A. Currently is member of the Board of Directors of the telecommunications company Tele Norte Leste Participações S.A.

#### **Armando Ramos Tripodi**

Born on 13/04/1959. Acts as Chief of the President Office of Petroleo Brasileiro S.A., since May 2006. EDUCATION: Graduated in the Electro-technical Technician school, from Escola Tecnica Federal da Bahia, unfinished Law School at UNIGRANRIO. Professional experience: Petrobras Employee, hired on 01/09/1978: Electricity Supervisor September 1978 to December 1982. Responsible for the maintenance

teams at Gas Compression Stations and Natural Gas Processing Unit of Candeias - BA. Courses in the maintenance areas of Electrical and Gas Compressors. Instrumentation of engine dashboards, etc., Technical Assistant of Production programming from January 1983 to September 1993, Production Programming Technician from October 1983 to April 1997, Operation Technician from May 1997 to December 2002. Graduation course on the following subjects: Reservoir Engineering, Formations Assessment, Production Methods (primary, secondary, etc.), Well Perforation and Complementation, Gas Processing, etc., Courses on Information Technology: Programming Logic, SQL Windows, Fortran, Ingres, Modeling and System Development, etc. Courses on Total Quality Management, Benchmarking, etc., Supervisor preparation course, Capacitation Course on Natural Gas (movements, process, etc.), System Development in the Programming area, Gas Control and Processing, Participation in the work group that modeled Petrobras Production Follow-up systems (SIP/SAG). President Assessor - January 2003 to April 2005. Chief of the President's Office - May 2006 up to today. Council member of Fundação PETROS - January 2003 up to today. COURSES: ISE - Instituto Superior de Empresa – Business Management, Professional and Personal Development – 1st Phase - PMD Development Program for Executives - São Paulo - Campos do Jordão - May 2004 – 2nd Phase - Universidade de Navarra - Barcelona-Madrid - October 2004. English Basic Course in N Y. - USA - ELS Language Centers - Manhattan - Adelphi University - 04 February to March 2006. 15th International Conference and Exhibition on LNG – Convention Center of Barcelona - 23 to 29/04/2007. The Art of Business Coaching - Mexico - 23 to 27/04/2008. People Strategic Management Program - GEP - INSEAD - Boulevard de Constante (Fundação Dom Cabral) - Fontainebleau - France - 18 to 23/10/2009.

### **Monica Ferreira Dias**

Born on 30/08/1959. Has served as Senior Analyst of FUNCEF- Fundação dos Economiarios Federais, a complementary pension plan company, since March 2010. Was environmental and social projects consultant at Camara Saude Qualidade de Vida e Gestão, a company registered at the Justice Ministry as a Civil Society Organization of Public Interest - OSCIP, from January 2009 to February 2010. Previously acted as Director of the Unidade de Negocios em Segurança, Redes e Virtualização, an information technology company, from January 2006 to December 2008, responsible for defining strategy, development of opportunities and new projects in Brasilia, Rio de Janeiro and Fortaleza. Currently is alternate member of the Board of Directors of the mining company VALEPAR. Also an alternate member of the Fiscal Council of the energy company Norte Energia S.A. from July 2010 to February 2011. Graduated in Education School from Universidade Federal do Parana in 1981, and Post-graduate in Economic Engineering from Faculdade SPEI - Instituto Superior de Administração e Informatica concluded in 1992, Master's in Business Administration from Faculdade SPEI - Instituto Superior de Administração e Informatica concluded in 1993, Post graduate in Business Marketing from Faculdade de Administração e Economia - FAE/CDE concluded in 1994, MBA in Management APG from AMANA-KEY concluded in 1996. Attended programs on coordinating group development and expertise in group dynamics held by Sociedade Brasileira de Dinamica de Grupo concluded in 1996, Master degree in Environmental Management and Planning from Universidade Catolica de Brasilia – UCB concluded in 2006 and, graduated in Legal Sciences from Instituto Educacional de Brasilia (in progress).

### **Luis Miguel da Fonseca Pacheco de Melo**

Born on 26/04/1966. Executive Manager, chief financial officer of Portugal Telecom SGPS S.A., a Portuguese telecommunications company, since April 2006. Currently is also chairman Chairman of the Board of Directors of many PT companies: PT Centro Corporativo, S.A.; Portugal Telecom Imobiliária, S.A.; PT PRO, Serviços Administrativos e de Gestão Partilhados, S.A.; PT Prestações – Mandataria de Aquisições de Gestão de Bens, S.A.; Previsão – Sociedade Gestora de Fundos de Pensões, S.A.; PT Compras – Serviços de Consultoria e Negociação, S.A.; PT ACS – Associação de Cuidados de Saude; PT Ventures, SGPS S.A. and of CST – Companhia Santomense de Telecomunicações, S.A.R.L. Currently is also Vice-Chairman of the Board of Directors of Portugal Telecom Investimentos Internacionais, Consultoria Internacional, S.A.; of PT Moveis – Serviços de Telecomunicações, SGPS S.A and of PT Participações, S.A. Is also Manager of Africatel Holdings B.V. and of Unitel, SARL and Chairman of the Managing Council of Portugal Telecom Asia, Ltda. Previously was Chairman of the Board of Directors of the following PT companies: PT PRO, Serviços Administrativos e de Gestão Partilhados, S.A. (from May 2008 to March 2009); Previsão – Sociedade Gestora de Fundos de Pensões, S.A. (from October 2007 to May 2009); PT Contact – Telemarketing e Serviços de Informação, S.A. (from July 2008 to March 2009); PT-ACS – Associação de Cuidados de Saude (from May 2007 to April 2009); Cabo TV Açoreana, S.A. (from December 2004 to October 2007). Also manager of the following PT companies: PT Compras – Serviços de Consultoria e Negociação, S.A. (from April 2008 to March 2009); Previsão – Sociedade Gestora de Fundos de Pensões, S.A. (from May 2006 to October 2007); PT Centro Corporativo, S.A. (from November 2006 to April 2009); of PT Rede Fixa, SGPS, S.A. (from November 2007 to June 2009). Also Financial Manager of PT Multimedia – Serviços de Telecomunicações e Multimedia, SGPS S.A.(from June 2002 to April 2006) and of TV Cabo Portugal, S.A. (from 2002 to 2006); And also Member of the Board of Directors of Telemig Celular, S.A. (from August 2008 to July 2010); of Telemig Celular Participações, S.A. (from August 2008 to November 2009); of Vivo Participações, S.A. (from July 2006 to July 2010) and of Brasilcel (from July 2006 to July 2010). Mr. Luis Pacheco de Melo is a graduate in Civil Engineering from Instituto Superior Tecnico, with MBA from IESE Barcelona.

### **Pedro Humberto Monteiro Durão Leitão**

Born on 25/06/1970. Acts as Manager of PT Multimedia, SGPS, SA, a Telecommunications company, Manager of PT Comunicações, SA, a Telecommunications company, Manager of PT Prime - Soluções Empresariais de Telecomunicações e Sistemas, a Telecommunications company, Manager of PT Contact, SA, a Telecommunications company, Manager of TMN – Telecomunicações Moveis Nacionais, S.A., a Telecommunications company, Manager of PT Portugal, SGPS, SA, a Telecommunications company, Manager of PT Sales, SA, a Telecommunications company. Was Manager of PT Multimedia, SGPS, SA, a Telecommunications company, from 2004 to 2007. Was Manager of PT Contact, Telemarketing e Serviços de Informação, SA, a Telecommunications company, from 2007 to 2009. Graduated in Management from Universidade Catolica Portuguesa in 1993 with Master's in Business Administration (MBA) from Kellogg Graduate School of Management - Northwestern University, in 1997.

### **FISCAL COUNCIL**

#### **Sergio Bernstein**

Born on 16/04/1937. Member of the Board of Directors of Jereissati Participações S.A., a shareholding company. Graduated in civil engineer from Escola Nacional de Engenharia of Rio de Janeiro and has worked as an executive in national companies for a long time. Started his career in 1961 as a trainee in Finance at General Electric do Brasil, diversified

company, in Brazil, in technology and financial services areas, and former Controller Director for six years and Finance Vice President for four years. Was later Vice President of Finance of Jereissati Group for 16 years. Is member of the fiscal council of telecoms Telemar Norte Leste S.A., Tele Norte Celular Participações S.A., Tele Norte Leste Participações S.A., Brasil Telecom S.A. and of Coari Participações S.A., all shareholding companies.

#### **Allan Kardec de Melo Ferreira**

Born on 19/11/1946. Graduated in Law from Pontificia Universidade Catolica de Minas Gerais (1970). Participated in a number of extension courses on Foreign Trade, and mainly Export of Services, in Fundação Centro de Comercio Exterior, or FUNCEX, Fundação Dom Cabral, Ministerio das Relações Exteriores and Construtora Andrade Gutierrez. Mr. Allan was internal adviser to Construtora Andrade Gutierrez between 1971 and 1993, where he was responsible from 1971 to 1980 for bids and contracts in Brazil and from 1980 to 1993 was head of the international legal department. His activities include consulting services in management for a number of companies in the civil, commercial and taxation areas, participation in restructuring processes (merges, spinoffs, alienations sales of asset) of telecommunications partnerships of Grupo Andrade Gutierrez and in many auction processes carried out by the Department of Highways and Transportation of Minas Gerais, or DNER-MG, the Transport and Traffic of de Belo Horizonte, or BHTRANS, Communications Ministry and Anatel. Member of the fiscal council of the telecommunications companies Tele Norte Celular Participações S.A., Brasil Telecom S.A. and Tele Norte Leste Participações S.A., and of the shareholding companies Telemar Participações S.A. and Coari Participações S.A.

#### **Ary Joel de Abreu Lanzarin**

Born on 19/05/1957. Education: MBA – High Executives and Executive MBA on Advanced Business Management. In Banco do Brasil, has the position of Director of Micro and Small Companies since May 2009. In the same institution, he took over the position of State Superintendent (May 2000 to May 2009) and Regional Superintendent (May 1996 to May 2000). As representative of Banco do Brasil, is Council Member of National Sebrae and TO State Sebrae Council Member; President of the Special Orientation Commission of Endorsement Fund to Micro and Small Companies (COF) and Vice President of Associação Brasileira de Instituições Financeiras de Desenvolvimento (ABDE).

#### **Fernando Linhares Filho**

Born on 29/09/1945. Graduated in Business Management from Faculdade Nacional de Ciencias Economicas. Held the position of Trading Floor operator from 1969 to 1973 in Brokerage Companies like: CAPTA S.A.; Lincoln Rodrigues S.A. and Guanaminas S/A. In the period from 1974 to 1983, was Open Market Operator at Brokerage Companies like: Liberal, Convenção and LL. Had also the executive position of Director partner of Sovalores Distribuidora de Titulos e Valores Mobiliarios Ltda., and of Patriarca Assessoria e Consultoria LTDA. In the year 2003, was appointed as Representative of the Minas Gerais Government in Rio de Janeiro. Participated in the Fiscal Council of the telecommunications companies TELESP and TELERJ in 2001. Currently is member of the Fiscal Board of the Telecommunications companies: Telemar Norte Leste S.A., Tele Norte Leste Participações S.A. and Tele Norte Celular Participações S.A. At Patriarca Assessoria e Consultoria Ltda., has the position of Partner Director and Administrator, with 50% of the company's share, from 2000 up to the present date.

### **Sidnei Nunes**

Born on 28/09/1959. Graduated in Business Administration (1982) and Accounting Sciences (1984) from Faculdade de Administração Paulo Eiro, with MBA in Finances from Universidade de São Paulo - USP (1998). Worked for Iguatemi Empresa de Shopping Centers S/A from February 1990 to March 2008, in the position of Controller from February 1990 to May 1999 and as Financial Director from June 1999 to March 2008. Works, since April 2008, at Jereissati Participações S/A and at LF Tel S/A as Manager Director and at La Fonte Telecom S/A as Financial Director. His main functions are in finance and control management and in accounting and fiscal management of the Companies. Serves as member of the Board of Directors of Iguatemi Empresa de Shopping Centers S/A since 08/11/2006, appointed to the position of Council Member on 08/11/ 2006, reelected on 24/04/ 2008 for a 2-year term. Member of the Board of Directors since 24/04/ 2008 in Empresas, Jereissati Participações S/A, La Fonte Telecom S/A, LF Tel S/A and Grande Moinho Cearense S/A; all for a one-year term up to April 2010. Effective member of the Fiscal Board of Contax Participações S/A since April 2009, company whose main activity is providing call center services. Also participates as alternate member of the Fiscal Board of telecommunications companies Tele Norte Celular Participações S.A., Tele Norte Leste Participações S.A., Telemar Norte Leste S.A., Brasil Telecom S.A. and of the shareholding companies Telemar Participações S.A. and Coari Participações S.A.

### **Denis Kleber Gomide Leite**

Born on 07/02/1946. Coordinator of Institutional Relations Assistance of PRODEMGE – Information Technology company of Minas Gerais State, the company responsible for the technological development of the state information technology area, since December 2004. Executive Secretary of the Sectorial Chamber of Federação das Industrias de Minas Gerais - FIEMG, since 2002 and Council Member of the Deliberative Council and the Discipline and Ethics Council of Minas Tennis, since 1998. Had leadership positions in companies like: CERTEGY (successor of Unnisa Soluções em Meios de Pagamentos), Instituto Brasileiro para o Desenvolvimento das Telecomunicações- IBDT (05 years), Fertilizantes Fosfatados - FOSFERTIL, Cia. de Distritos Industriais de Minas Gerais - CDI-MG (15 years), whose main activity was to support small, medium-size and large business owners interested in implementing their industry in one of the 46 industrial districts of Minas Gerais State. Is a lawyers graduated from Universidade Federal de Minas Gerais - UFMG (BAR/MG 22.338) and business administrator from União de Negócios e Administração - UNA (CRA/MG 2.549). Has Post-Graduate in Financial Administration from Fundação Getulio Vargas - FGV. Is member of the fiscal council of telecommunications companies Tele Norte Celular Participações S.A., Tele Norte Leste Participações S.A., Brasil Telecom S.A. and Telemar Norte Leste S.A., and of shareholding companies Telemar Participações S.A. and Coari Participações S.A.

### **Aparecido Carlos Correia Galdino**

Born on 14/04/1951. Graduated in Business Administration in 1978 from Faculdades Integradas Princesa Isabel. Started professional activities in 1971 in Grupo Jereissati, participating in all development and growth processes up to today. Is Financial Director of La Fonte Participações S/A, a shareholding company, member of the Fiscal Council of Iguatemi Empresa de Shopping Centers S/A, company that administers shopping centers, of Administration Board of La Fonte Telecom S/A and of shareholding companies LF Tel S/A. of Grande Moinho Cearense S/A, a wheat grinding business oriented to bread, pasta and cookie production. Member of the fiscal council of the telecommunications companies Tele

Norte Celular Participações S.A., Brasil Telecom S.A., and shareholding companies Telemar Participações S.A. and Coari Participações S.A., and alternate member of the Fiscal Council of Contax Participações S.A., whose main business is providing call center services.

## EXECUTIVE DIRECTORS

### **Francisco Tosta Valim Filho**

Born on 13/09/1963. Graduated in Business Administration from UFRGS, with specialization in Strategic Planning and Organizations from UFRGS and Finance from FGV-SP. Has MBA from Marshall School of Business, University of Southern California, in the United States. From January to July 2011 was CEO of Experian for Latin America, Europe, Africa and Middle East, and President of Serasa in Brazil. Before Experian, was president of NET Serviços de Comunicação S.A. from February 2003 to January 2008, CFO of TNL (Oi) from January 2002 to February 2003 and Vice President and finance director of RBS (Rede Brasil Sul de Comunicação) from September 1989 to December 2001.

### **Alex Waldemar Zornig**

Born on 11/06/1958. Graduated in Accounting from Universidade de São Paulo, with specialization from FGV. Started career at PricewaterhouseCoopers where he worked 14 years, three of which in London, and as a director in his last position. Was Financial Director of BankBoston, where he worked for 13 years, two of them in Boston. Was also Director of Banco Itau. Recently Mr. Zornig held the position of Executive Vice President of Banco Safra, being responsible for areas supporting the Institution's operations.

### **Julio Cesar Fonseca**

Born on 10/11/1959. Graduated in Psychology from PUC-MG, with Executive MBA from Fundação Dom Cabral, MG (2002) and PGA-Business Management from INSEAD, France (2005). Has 28-year professional experience in the Human Resources area of large national and multinational companies, with positions directly related to people and team management, among which, in the past eight years, the Executive Director of Gente da Oi – major Brazilian telecommunications company. Broad experience in managing changes in merges, acquisitions and privatization processes or restructuring family businesses. His competence scope goes from negotiations with unions to the development of leaderships and establishment of business management models focused on generating planned results. Currently Julio is responsible for the challenges related to people development, labor relations, third-party management, organization, remuneration, internal communication and organizational culture

### **Francis James Leahy Meaney**

Born on 04/11/1964. In February 2011 was appointed Superintendent Director of the telecommunications companies Tele Norte Leste Participações S.A., and General Director of Telemar Norte Leste S.A., Brasil Telecom S.A., 14 Brasil Telecom Celular and TNL PCS S.A., where he holds the position of Director of Operations. Effective member of the board of directors of the telecommunications companies Brasil Telecom S.A. and Way TV Belo Horizonte S.A. and effective member of the real estate company Sommo Empreendimentos Imobiliários S.A. Graduated in Economics from University of Notre Dame and with a Master's in Business Administration from Harvard Business School. Also took the Advanced Management Program at INSEAD. Founder of Contax where

he held the position of Director-President since its foundation in 2000 up to 2010. Actively participated in different organizations in the contact center industry, including Associação Brasileira de Companhias de Teleserviços - ABT, as Vice President. Previously held the positions of Vice President of Global Crossing Latin America in Miami from 1999 to 2000, of General Manager of Conectel, main paging company in Brazil, from 1997 to 1999 and of administration consultant to many consumer product companies in Latin America between 1990 and 1997. Started credit career at Credit Suisse First Boston in New York, where he worked from 1986 to 1988.

## COMMITTEES OF THE BOARD OF DIRECTORS

Currently Oi's Board of Directors has four Advisory Committees: (i) Finance, Monitoring and Budgeting Committee; (ii) Human Resources and Compensation Committee; (iii) Risks and Contingencies Committee and (iv) Engineering and Networks, Technology and Innovation and Offer of Services.

The purpose of the Finance, Monitoring and Budgeting Committee is to help the Board supervise the financial aspects of strategic planning, of financial strategy, of annual budgeting, of tax planning and of business performance.

The Human Resources and Compensation Committee is designed to help the technical supervision of the human resources strategy, of the remuneration strategy and of the performance evaluation.

The Risks and Contingencies Committee helps to supervise the internal auditing performance, compliance with the laws, regulations, policies and code of conduct, the process to disclose information, corporate risk management and management and control of contingencies.

The Engineering and Networks, Technology and Innovation and Offer of Services Committee helps to supervise the operational aspects of the strategic planning, the strategic commercial positioning of the business units, the operational quality indicators, the innovation cycle and new businesses; of new opportunities of partnerships with suppliers and other entities, of the network strategies, platform strategies, IT architecture, opportunities for collaboration and synergies with operator partners and other requests from the Board of Directors, which affect the Engineering and Offers area.

## FISCAL COUNCIL

The Company has an independent and permanent Fiscal Council, as determined in its statutes. The main responsibility of this Council is to monitor the administration's activities, examining the financial statements and disclosing its conclusions to the shareholders.

In addition, in compliance with the requirements of the American Sarbanes-Oxley Act, through the Company registration at the Securities and Exchange Commission (SEC), the Fiscal Council also works as an Auditing Committee and is also responsible for the Whistleblowing Hotline, available on the Company's website. This channel receives accusations exclusively related to accounting, accounting internal controls or auditing issues and classified and/or anonymous reports from the Company's employees or affiliates on doubtful accounting or auditing matters.

## INTERNAL AUDITING

**Internal Auditing is an area directly reporting to Oi's CEO, and indirectly connected with the Board of Directors.**

It works independently of the Company's operations and its goal is to review and provide recommendations for improvements in processes and systems. Internal Auditing is divided into areas of activity: Strategy, IT and Operations, Compliance and Processes and Businesses, in addition to a support area, the purpose of which, through sophisticated data mining techniques, is to simplify the auditor's work and maximize work results.

Together with the Board of Directors the area also approves, through a report to the Risks and Contingencies Committee, an annual work-plan. The construction of this plan is based on a comprehensive auditing universe in which one of the dimensions is Sustainability and social responsibility.

The Company's Internal Auditing follows the principles and best practices of the Institute of Internal Auditors, an organization headquartered in the USA and present in Brazil, which establishes the guidelines of the internal auditing profession.

## STOCK OPTION PLAN

**The Extraordinary General Meeting on April 11, 2007 approved the Stock Option Plan, featuring on the Company website ([www.oi.com.br/ri](http://www.oi.com.br/ri)) and available on CVM page (<http://www.cvm.gov.br/>).**

Therefore, it is the Board of Directors' responsibility to manage the said plan and periodically create a Stock Option Plan.

The first Stock Option Plan, created in 2007, included about 40 beneficiary executives entitled to the total of ordinary and preferred shares up to 1.99% of the capital stock of Tele Norte Leste Participações S/A (TNL)\*, whose option can be exercised in four equal lots, free to exercise annually from 2008 to 2011.

In 2011, 27,684 ON share options and 39,183 PN share options of TNLP were exercised by some executives participating in the plan, as a result of the exercise of purchase options of the first, second and third lots of the approved program.

The deadline to exercise the options was 31/12/2011 and they were totally cancelled on that date.

**N.B.** Position on 31/12/2011, related to Tele Norte Leste Participações S/A, closed down with the corporate reorganization on 27/02/2012.

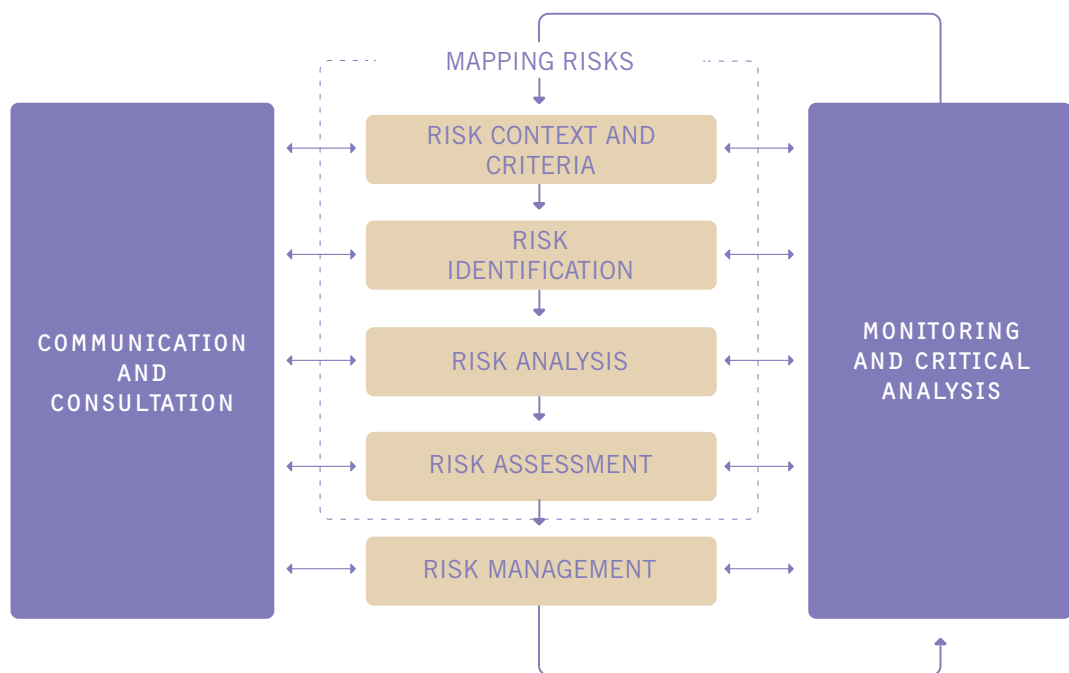


## RISK MANAGEMENT AND INTERNAL CONTROLS

Managing risks and determining effective internal controls are fundamental corporate governance practices for a Company to reach its objectives.

Consequently, the risk management and control carried out by the Oi team seek to preserve the integrity of the business and of its material and financial assets. Continuously perfected, its Risk Management Model is an essential instrument for the appropriate identification, monitoring and management of risks as well as for improving practices and the control environment.

This model is based on national and international reference models, such as the Norma Brasileira de Gestão de Riscos (ABNT – NBR ISO 31000), Internal Control – Integrated Framework, of Coso (Committee of Sponsoring Organizations) of the Treadway Commission, and Cobit (Control Objectives for Information and Related Technology), of the IT Governance Institute.



Oi's Upper Management is committed to the development of the Risk Management Model in the Company as can be seen from the following activities:

- a) Policy for risk management;
- b) Inclusion of risk management in the organization culture;
- c) Alignment of the risk management objectives with the organization strategies;
- d) Compliance with legal requirements and regulations for the sector;
- e) Definition of responsibilities for risk management in the organization;
- f) Definition of resources necessary for meeting the objectives established in the Risk Management Model;

- g) Facilitate communication of the benefits of risk management to stakeholders;
- h) Critical analysis and ongoing improvement of the Risk Management Model.

To mitigate the mapped risks, Oi designs and implements controls appropriate to its business and constantly monitors its internal environment in order to prevent losses, to safeguard its assets and to support the executives' decision making.

All the information is recorded and updated in a corporate Risk Management system, which allows more transparency, security, reliability and traceability of the information and contributes to the executives' decision making.

The constant monitoring of the control efficiency related to dealing with and communicating financial information has guaranteed the annual certification of compliance with the American Sarbanes-Oxley Act.

## FINANCIAL RISKS

The management of financial risks is carried out taking into account the consolidated structure of the Oi Group at three levels: strategic, tactical and operational. At the strategic level, the Company's Executive Directors annually agree with the Board of Directors on the Risk Guidelines to be followed each fiscal year.

At the tactical level, it is the Financial Risk Management Committee's responsibility to supervise enforcement of the Policy. The Financial Risk Management Committee is currently composed of the CEO, CFO, Planning and Performance Director, Controller Director, Regulation, Legal and Taxation Director and the Treasury Director of the Oi Group, who meet monthly. This Committee counts on the participation of the Auditing Director who takes no part in the decisions made.

Operational control is performed by the Financial Risk Manager, who is responsible for monitoring the adherence of the financial operations to the Hedge Policy, using controls especially implemented to assure this objective is achieved.

On 01/10/2009, the Board of Directors of Tele Norte Leste Participações S.A. approved the Financial Risk Management Policy of the Oi Group, composed of the Hedge and Investment Policies, which formalized the management of the exposure to risk factors, generated by the financial operations (assets and liabilities) of the Group's companies.

The Hedge Policy seeks to provide guidelines for managing financial risks intrinsic to the capital market, formalizing the management of exposure to risk factors and determining procedures and controls necessary to identify, measure and minimize financial risk factors. It pursues the maintenance of a healthy cash flow, assuring that the volatility of the financial result is kept within pre-determined levels. The premises on which to build the Hedge Policy are that the Real is considered the functional currency of the Company and the Treasury of the group must contract derivative transactions in order to limit undesirable risk, replacing it with acceptable risk to the Company.

As for the Investment Policy, its objective is to establish the guidelines for investing the Company's cash, identifying eligible and non-eligible instruments, determining competence for approval, defining limits of concentration, and others. Conservatism, liquidity and appropriate profitability are the pursued guidelines, always aligned with the strategic objectives of the Company. Both Policies monitor Liquidity, Credit and Market risks.

In the Investment Policy, the liquidity risk is controlled by establishing maximum thresholds and competence for approval. The credit risk, by determining limits of concentration for financial institutions, which must have a minimum credit rating. And the market risk, by identifying eligible and non-eligible instruments.

In the Hedge Policy, credit and liquidity risks are controlled by creating stress reports, where risk factors receive positive and negative impacts. It is noteworthy that the Company mitigates both risks by observing the limits of the counterparts to fulfill their contracts and perform their operations vis a vis their ratings, in addition to observing guarantees and thresholds of the financial operations.

As for quantifying market risks in the Hedge Policy, risk factors are identified based on the characteristics of the financial transactions already contracted and to be contracted in the fiscal year in question. Different scenarios of each one of the factors are then simulated using statistical models as the basis for measuring the impacts on the Group's financial results. Based on this analysis, the Company's Executive Directors agree with the Board of Directors on the Risk Guidelines to be followed each fiscal year. The Risk Guidelines are equivalent to the worst impact expected from the financial result over the Group's net profit, with 95% of confidence. Therefore, the Hedge Policy seeks to assure, for each fiscal year, the Group's maximum net financial expense.

For the correct management of the risk according to the Risk Guidelines, the Company's Treasury area will be allowed to contract protection instruments, including financial investments and derivatives transactions like swaps, currency forward and options.

Among the main financial instruments that can be contracted by the Treasury in order to limit undesirable risks are: Interest Rate Swap - IRS, plain vanilla swap or cash flow - Cross Currency Swap - CCS, series swaps, non-deliverable forwards (NDFs) or cash maintenance in dollar (natural hedge).

Leverage is not allowed in derivatives transactions and these transactions are contracted solely to protect risks from exchange rates and/or interest rates.

## INFORMATION SECURITY

**The Management of Information Security is present in the Business, Information Technology and Engineering areas, supporting the development of products and services, as well as promoting awareness of the importance of safeguarding information and defining technological standards**

**for the entire network.**

The measures applied to safeguarding networks aim to minimize risks related to defining safety standards, to detecting and preventing their occurrence, as well as developing and monitoring the Company's business rules and internal controls related to the American Sarbanes-Oxley Act under the responsibility of the information security area, besides providing safety services for cyber and corporate customers.

The measures adopted for the safety of applications aim to automatize many manual processes, protecting the Company's information in the conception, safe development and maintenance of the products or services life cycle. Among the measures, the highlights are the implementation of safety tools on the Company's website, automation for access permission and access guarantee in the Mainframe system.

Regarding the management of accesses, decisions were taken to protect the Company from unsolicited accesses. The challenge in 2011 was to guarantee synergy with the strategy, management and quality of the service provided to internal and external customers focused on information security.

Other permanent activities related to policies and compliance, whose challenge last year was to guarantee conformity with the safety controls provided for in information security regulations and best practices, were the constant updating, adaptation and assessment of their effectiveness.

## INDEXES

### CORPORATE SUSTAINABILITY INDEX

For the fourth consecutive year, Oi integrates the portfolio of BM&FBovespa's Corporate Sustainability Index (ISE). The portfolio, valid from 02/01/2012 to 31/12/2012, gathers 51 shares of 38 companies, representing 18 sectors of the economy.

Started in 2005, the ISE was a pioneering initiative in Latin America and its mission is to stimulate companies to adopt the corporate Sustainability best practices and support investors in their decisions on socially responsible investments. It is also a tool for the comparative analysis of the performance of companies listed on BM&FBovespa in terms of corporate Sustainability, based on economic efficiency, environmental balance, social justice and corporate governance.

For the Company, more than a theoretical stock portfolio, the ISE represents a tool that

encourages good practices in Sustainability. The analysis of the issues, as well as possible gaps, has supported the reflection on how this matter is addressed at Oi, as well as on the evolution of its practices, such as the procedures to hire and monitor suppliers bearing in mind socioenvironmental aspects, reduction of operational costs, improvement in waste management, increase of measures related to customer and employee accessibility, and many others.

The pursuit of alignment with global Sustainability topics and challenges indicates that remaining in this index represents an ongoing challenge for the Company, which has been promoting efforts to build a Sustainability platform, consolidating its culture and the engagement of its value chain in this topic, aiming to promote the continuous improvement of its practices and strategies.

## CARBON EFFICIENT INDEX

With the purpose of encouraging the companies with the most traded shares to assess, divulge and monitor their Greenhouse Gas (GHG) emissions, and thus prepare to perform in a so-called low carbon economy, BM&FBovespa and BNDES created the Carbon Efficient Index (ICO2) in 2010.

This indicator, composed of the shares of the Companies participating in the index IBrX-50 (fifty shares selected among the most traded stocks at BM&FBOVESPA in terms of liquidity) that accepted to participate in this initiative, takes into account, in the analysis of the participating companies' stock, their degree of efficiency of GHG emissions, in addition to each one's free float (total of shares in circulation). For the second consecutive year, Oi takes part in this portfolio.

Aware of its role in the world challenge to diminish climate change caused by air pollution, the Company produces a GHG inventory based on the GHG Protocol methodology, and certified by external assessment, in addition to establishing initiatives aiming to reduce the impacts of its business within this scenario.

Another important initiative adopted by the Company in 2011 was to adhere to the Companies for the Climate (EPC) platform, that aims to help their member companies in their strategies to manage GHG emissions, in addition to presenting recommendations of public policies oriented to a low carbon economy in Brazil.

## ETHICS

**Oi recognizes the importance of Ethics in the Company management. In this respect, the Company has an active Ethics Committee (composed of five Directors), a comprehensive Code of Ethics and a team of volunteer Agents that directly contributes to reinforcing ethical principles in the organization.**

Besides, the Company provides a Complaints Channel on the corporate intranet and on its website. All accusations received through this channel, including those related to discrimination, are analyzed by a competent team and submitted to the Ethics Committee for deliberations. In 2011, the channel received accusations related to its employees' unethical practices. All reported cases were duly analyzed and the appropriate measures were taken. These measures include: dismissal, warning and reporting to law enforcement when necessary. Oi condemns the practice of false accusation and conspiracy and vengeful behavior. The decisions of the Committee are transparent and posted for public knowledge. Therefore, it keeps a permanent structure to monitor and deal with the received accusations, in order to guarantee the credibility of its Code and the performance of its Committee.

Oi's Code of Ethics, introduced since September 2007, was produced by a team of employees from multiple sectors and approved by the Company's Board of Directors. It contains the principles to guide relationships between Employees, Directors, Suppliers and Customers. In order to strengthen these principles, three activities are permanently performed in the Company: Employees, current and new ones, must read and acknowledge the Code; internal communication campaigns are developed and implemented and both in-house and online training on the issue is held periodically.

In 2011, the Ethics Agents team, chosen by the Ethics Committee after a comprehensive campaign collecting suggestions of the Employees themselves, had its number raised from 39 (from previous term) to 51, thus assuring the participation of representatives from different places in all the States where Oi is operating. The challenge of this group is to disseminate the ethical culture in the Company, counseling employees on everyday working issues, according to the guidelines in the Code.

# ECONOMIC PERFORMANCE

## THE ECONOMY AND OUR MARKET

**The scenario in 2011 was marked by the economic crisis in developed countries. In the news on economy, the main themes were the worsening of the European economic situation and the uncertainties regarding –the United States.**

In Brazil, the economy presented signs of slowing down. The drop in GDP (Gross Domestic Product) growth reflects both a worse external scenario and the macro-economic measures adopted in 2010, namely: requirements for higher reserves and capital in commercial banks, as well as an increase in the Selic interest rate.

In terms of inflation, the rate in 2011 reached the top of the target (6.5%), showing acceleration since in 2010 inflation peaked at 5.9%. For 2012, expectations point to 5.27%, according to a FOCUS study made by Banco Central on 16 of March. As for the dollar exchange rate, the expectation measured by the FOCUS report is R\$ 1.75 at the end of 2012, as against R\$ 1.88 in 2011.

In relation to the economic activity, the market consensus for 2012 is a 3.3% growth in the GDP.

The global economic activity still showed deceleration signs in 2011. Emerging countries presented growth whereas the developed economies reported expansion at a slower pace or even retraction in their level of economic activity. Advanced economies, however, such as in the case of the United States and Germany, have shown signs of improvement in their economic activity.

### THE TELECOMMUNICATIONS SECTOR IN 2011

In the year, mainly motivated by the expressive net increase in the mobile service segment, total accesses to telecommunications service in Brazil grew by 17.1% or 45.9 million. The total number of users reached about 314.4 million, represented by 43 million fixed lines in operation, 242 million of mobile users, 16.5 million accesses to fixed broad band internet and 12.7 million Pay TV users.

#### FIXED TELEPHONY

The Brazilian fixed telephony market closed 2011 with 43 million operating lines, a 2.4% growth against the previous year. This segment is mature, with only marginal growth, since there is a world trend for traffic to migrate from fixed telephony to mobile telephony.

Licenses of fixed telephony represented 71.5% of the total fixed accesses operating in December 2011 versus 76.5% at the end of 2010.

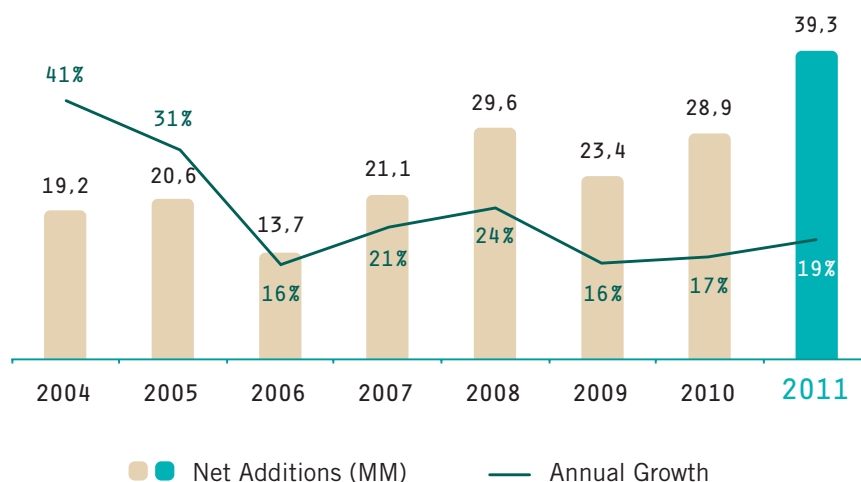
## MOBILE TELEPHONY

With 242 million users in 2011 and a penetration rate of 123.9% over the population, the Brazilian mobile telephony market presented yet another year of expressive growth and ranked fifth in global terms. Net increases totaled 39.3 million users in 2011, reflecting a surprising growth of 19.4% in the year, higher than 2010, which represented net increases of 28.9 million and an expansion of 16.6%.

With evolution in the year, the pre-paid segment represented 81.8% in the total of mobile users at the end of 2011 (82.3% in 2010), whereas in the post-paid segment, users represented 18.2% of the base total.

In 2011, the expressive evolution of access to mobile broadband is noteworthy. With nearly 21 million new entries in 2011, the third generation (3G) accesses totaled 40 million at the end of the year. The significant growth of 112% in the 3G-access base is evidence of this market's potential.

### ANNUAL GROWTH IN THE MOBILE TELEPHONY MARKET



## FIXED BROADBAND

The market of broadband internet access continued to be one of the drivers of growth in the sector in 2011. At the end of December 2011, the user base reached about 16.5 million accesses, revealing a 19.6% growth against December 2010, which represented 2.7 million new users. The penetration of broadband services in the country, considering the technologies for access through cable, ADSL and radio, reached 27.4% in Brazilian homes, evidence that there is still great potential to expand in this market.

## PAY TV

In 2011, the user base of Pay TV services showed a record evolution of 3 million or 30.5% new accesses (30.7% in 2010). In December 2011, accesses to Pay TV totaled 12.7 million subscribers.

This evolution, for one more year, was driven by the increased options of packages targeted to lower purchasing-power levels of the population in Brazil, where there is still



strong repressed demand. The penetration rate relative to total inhabitants reached 6.5% (5.0% in 2010), which proves the growth potential of this market in the country.

Accesses through DTH (Direct to Home) technology, accounted for 83.6% of new users, followed by cable technology, with 18.5%. It is important to note that the new comers in the market, including Oi, use the DTH technology.

## REGULATION SCENARIO

### CONCESSION AGREEMENTS, PGMU AND RELATED INSTRUMENTS:

The signature of new Concession Agreements, initially forecast for 31/12/2010, only took place on 02/05/2011, due to discussions related to the proposal of a new General Plan on Universal Services (PGMU), marked by differences of opinion about the economic and financial impacts which result from meeting the proposed targets and, especially, about the need to adjust the funding sources requested to facilitate the Plan, a condition provided for by the Brazilian General Telecommunications Law.

### GENERAL REGULATION UPDATING PLAN

In October 2010, the publication of the General Regulation Updating Plan (PGR) completed two years of existence, at which time the conclusion of the short-term actions established in the Plan were expected to be concluded, including new regulations on highly important issues for the sector. Not all the actions were concluded. The status of the main issues in the agenda is presented below:

- **Regulation on Mandatory and Free of Charge Phone Directory (LTOG):** provides the rules for Phone Directory distribution and Directory Assistance. Public Consultation (11/2010) was concluded, but the Regulation has not been published.
- **Regulation on Numbering:** provides for solution to guarantee funds for numbering the mobile telephony services in São Paulo State capital city (Brazilian area code 11). Public Consultation 13/2010 concluded and the Regulation was published in December 2010.
- **Regulations on Inspection and Administration Sanctions (PC 21 and 22/2010):** Public Consultation concluded, but the Regulations have not been published. The Regulations must be updated in terms of the criteria for penalty calculations and the possible replacement of monetary sanctions with the obligation to sign terms of conduct adjustment or substitute agreements in case the operators do not comply with the regulations. In the case of inspection regulations, the adoption of mechanisms of previous notification would reduce the flow of fines received and the adoption of an alternative form of dispute.
- **New Regulation on Local Areas (PC 23/2010):** new Regulation, published on January 2011, increases the geographical scope of the local areas, causing changes in the number of Long Distance calls and the payment of the networks associated with these calls.
- **New Regulation on the Industrial Exploitation of Dedicated Lines (EILD):** submitted to PC 50/2010 at the end of 2010, but the Regulation has not been published. It proposes relevant changes in the EILD offering conditions, introducing stricter rules for special EILD offers and expanding the EILD standard conception.

- **Review of the Regulation on Special Individual Class Access (AICE):** PC 11/2011 launched on 01/03/2011, but the Regulation has not been published. It defines the basic rules, the demand requirements and the characteristics for offers, tariffs, quality and payment conditions for the Special Individual Class Access (AICE), of the Switched Fixed-line Telephony Services, designed to be used by the public in general (SFTS), provided as a public utility.
- **Regulation on the Quality Management of the Switched Fixed-line Telephony Service Providers (RGQ-SFTS), to replace the General Plan on Quality Goals for Switched Fixed-line Telephony Services, approved through Resolution n° 341, from 20 of June 2003, and Regulation on Quality Indicators of Switched Fixed-line Telephony Services, approved through Resolution n° 417, from 17 of October 2005:** PC 16/2011 launched on 31/03/2011, but Regulation has not been published. It proposes relevant changes in the conditions to measure the quality of the SFTS provided.
- **Regulation on the Criteria to Adjust SFTS Call Tariffs with SMP Access:** PC 37/2011, launched on 11/10/2011, but Regulation was published on 04/11/2011. The Regulation establishes the criteria to adjust call tariffs of the Basic Plan of SFTS Concessionaries, with SMP access, local and national long distance calls, according to art. 108 of LGT and in Clause 12.3 of the Concession Agreements.
- **Methodology Rules for Calculation of the X Transfer Factor Applied to the Adjustments of SFTS's Tariffs:** PC 39/2011 launched 18/11/2011, but Regulation has not been published. This Rule aims to establish the criteria and methodology to calculate the X Transfer Factor, provided for in rules agreed for the adjustment of SFTS's tariffs, according to §2° of Clause 12.1 SFTS Concession Agreements, in force from 02 of May 2011, in compliance with art. 7°, item II, of Decree n° 4733, of 10 of June 2003.
- **Regulation on Reversible Assets:** PC 52/2010 launched at the end of 2010, but Regulation has not been published. It ruled on the grant of prior consent of replacement, encumbrance and alienation of reversible assets. It also provided for stricter conditions to control the Concessionary's assets.

#### OTHER ISSUES

- **MVNO (Mobile Virtual Network Operator):** approved in November 2010, Resolution 550 allows MVNO operators to provide Mobile Personal Service (MPS). Up to the end of 2011, there were no providers for this kind of operation.
- **Regulation on SCM:** PC 45/2011 launched on 08/08/2011, but Regulation has not been published. It provides for introducing resources to the regulation on SCM (Multimedia Communication Service) that meet the fundamental principles of the General Regulation Updating Plan (PGR) for telecommunications in Brazil to promote mass access to broadband services, as well as fulfilling what is provided for in item V.20 of the PGR's Short-Term Targets.
- **Regulation on SCM – RGQ-SCM Quality Management:** PC 46/2011 launched on 09/08/2011, and the Regulation was published on 31/10/2011. The Regulation establishes quality targets and assessment criteria, data access and follow-up of the quality of SCM (Multimedia Communication Service) providers.

- **Regulation on the Conditional Access Service (SeAC):** PC 65/2011 launched on 19/12/2011, but Regulation has not been published. The Regulation operationalizes what is provided for in Law n° 12485, of 12/09/2011, regarding the audiovisual communication of conditioned access. It presents the rules for this new service (SeAC), including provisions regarding service grant, installation and licensing of stations, programming channels with mandatory distribution contracts and others, in order to reduce possible barriers to the entrance of new providers.
- **Regulation of the Quality of Pay TV Service Providers:** PC 26/2011 launched on 23/05/2011, but Regulation has not been published. It provides for the consolidation of current indicators and establishes the Service Performance Index–IDA.
- **General Plan on Competition Targets (PGMC):** provided for in PGR as a short-term action, the Regulation of the PGMC is still being produced in the Agency. The PGMC will define the relevant markets for the Telecommunications Sector, the rules for indicating the Business Groups that have Significant Market Power (SMP), and obligations designed to stimulate competition.

## STRATEGY

**In 2011, the Company produced a strategic plan to restructure its operations in order to reposition itself in the market and leverage value creation for all its stakeholders, namely shareholders, employees and partners.**

There is a four-year estimate for the execution of the plan, which extends until 2015. The essence and the initiatives of the plan reflect the administration's position and are guided by its agility, simplicity and objectivity.

Its long-term market objectives and aspirations may be summarized in the following chart:

OBJECTIVES	SPECIFIC TARGETS
<p><b>1</b> To reach growth levels above those of the market for 2013-15</p>	<p><b>MOBILE</b> to reach fair share of revenue in the Residential segment: to grow in all products and bundles, consolidating market leadership.</p>
<p><b>2</b> To reach profitability in line with the competition in 2014/15 (after initial period of pressure on margins)</p>	<p><b>COMPANIES</b> to be the benchmark operator for small and medium companies, recovering share in mobile and data.</p>
<p><b>3</b> To guarantee long-term growth, increasing investment efforts (with objective profitability criteria)</p>	<p><b>CORPORATE</b> to achieve market leadership as favorite Telecom and IT service provider.</p>
	<p><b>OPERATIONS</b> to offer quality in terms of best practices (from call centers to operations) increasing efficiency levels.</p>
	<p><b>CHANNELS</b> to increase number of points of sales and productivity of sales channels.</p>
	<p><b>NETWORK</b> to increase coverage and availability of the network, in line with the plans to expand business.</p>

To reach its objectives, the Company reorganized internally so as to bring more relevance to the regional units in its business operation. Besides organizing by region, the Company segmented its performance to provide more strength and competitiveness to its offers and products and to better target its customers' expectations and needs.

One important pillar of this new strategic positioning is to exploit high-growth markets, bringing in more potential revenue, while protecting its current customer base and making it more profitable.

In the Residential Retail segment, in which the Company has faced big challenges, the targets can be summarized by growth in voice and broadband investment, “Oi TV” and safeguarding the residential customer base.

In the Mobile Retail segment, where the market still holds great growth opportunities thanks to the sophistication of 4G technology as well as convergence and integration with the fixed business, the Company plans to expand its 3G coverage and reposition its offers by resuming participation in the business of phone sets and its new channel strategy of innovating offers, reinforcing data and broadband mobile and subsidizing phones.

In the Corporate segment, one of the main profitability drivers in the business, the Company totally reformulated its sales force to perform in the segment, aiming to facilitate expressive growth in its customer base with more than one product, offering a portfolio that is exceptional for its quality of service.

Finally, in the Corporate segment, the growth strategy entails entrance into new markets like São Paulo and the diversification of product and service offers such as cloud\* and datacenter, focused on an approach dedicated to São Paulo, mobility and integrated IT and Telecom services.

The main pillars that support this breakaway in the business model are supported by the redesign of its operational model which covers Oi’s main functional areas, namely: sales channels, network operations, customer service, IT and network planning.

In channels, Oi’s plans provide for clear repositioning in order to: 1) leverage sales of the Company’s main products 2) provide unique assistance to the high-value customer, focused on increasing existing sales channels, aiming to achieve broader coverage, to introduce its own channels and to reinforce new ones.

In the field operations, the targets and objectives have been influenced by a redesign of its operation model and a significant increase in productivity with more operational efficiency and improved quality, network reliability and conversion of sales to installation.

In customer service, the challenge to improve has led to a review of the incentive programs for partners, a reduction in the number of calls by offering new assistance channels and a consequent improvement in Anatel’s quality rating.

In IT, the Company has set its sights on an overall simplification of its operational systems and a significant reduction in “time to market”, in other words its capacity to develop offers and products in line with the need to meet the demand focused on the simplification of areas, agility to execute projects and increase in the delivery capacity.

And finally in network planning, the Company plans to close the gaps in its 3G coverage, in its broadband network capacity and in its limitations in offers, using optical fiber infrastructure.

Doing so, the Company expects to reach new levels in terms of its platform competitiveness and the offer potential of products and services, differentials when compared to current competition.

\* *Cloud computing*

## OPERATING PERFORMANCE

**Supported by its strategic differential - integration and convergence -, the Company changed its way to conduct business, by adopting segmentation by customer (Residential, Business/Corporate and Personal Mobility) and not by product.**

This effort aims to hike the increase in Oi's share in the total consumption of telecommunications services in homes and companies, positioning the Company as a provider of complete solutions to customers.

The Company and its controlled companies ended 2011 with 69.68 million Cash-Generating Units (CGUs), registering expansion of 5.72 million units, or 8.9% against 2010, thanks to the constant expansion of its mobile customer base.

### MOBILITY

The mobile customer base reached 45.51 million users at the end of 2011, of which 43.26 million in the personal mobile service segment and 2.24 million in the corporate segment, result of 6.20 million new users in 2011, of which 5.51 million in the personal mobile service segment. The mobile service share came to represent 65.3% of the Revenue Generating Units (RGUs) of the Company, whereas in 2010 it was 61.5%.

The pre-paid base reached 37.98 million customers at the end of 2011, reflecting a 16.5% growth compared with 2010. The reformulation of offers in some States, granting a daily bonus multiplier and the pre-paid data package, has made offers more attractive, resulting in an increased pre-paid customer base.

The post-paid segment added 132 thousand new customers in the year, coming to 5.28 million users at the end of 2011.

### RESIDENTIAL (FIXED TELEPHONY, BROADBAND AND PAY TV)

The residential customer base totaled 17.80 million, 2.6% less than in 2010.

Throughout the year, several promotions were launched which added value to the fixed-line telephone, in addition to the converging product "Oi Conta Total", which has given customers progressively more complete offers.

In an effort to meet users' demand for high-speed data transmission, throughout 2011 Oi kept its focus on increasing speed offers, and ended the year with a broadband average speed of 2.5 Mega, whereas at the end of 2010, it was 1.68 Mega. On top of that, the percentage of the base with equal or higher speeds than 5 Mega came to 23.8% in December 2011, which in December 2010 was 12.1%, of which 47% had speeds higher than 10 Mega.

During the year, "Oi TV" focused its efforts on brand growth, by upgrading the product, creating attractive offers to Customers, such as the inclusion of Globosat content in the programming, as well as implementing operational improvements throughout the 24 states where it is currently present.

## BUSINESS/CORPORATE

The Revenue Generating Units (RGUs) of the corporate segment totaled 7.85 million, of which, as previously mentioned, 2.24 million correspond to mobile users. In the year the segment's Revenue Generating Units grew by 3.3%.

In 2011, in addition to opening nine new regional offices, over 4,000 employees from authorized agents were hired in the entire country. The creation of an executive board, focused on the corporate segment, shows that Oi is investing even more in the relationship with this customer segment.

## OTHERS

Also in December, there were 771 thousand Public Utility Phones.

## PRO-FORMA OPERATING INDICATORS

On 31/12/2011, the corporate reorganization had not yet been approved, therefore, Oi S/A had not incorporated Tele Norte Leste Participações S/A (TNL), Coari Participações S/A (Coari) and the shareholders of Telemar Norte Leste S/A (TMAR). However, with the approval of the corporate reorganization on 27/02/2012, TNL, as well as Coari and the shareholders of TMAR were incorporated by Oi S/A, TNL and Coari were closed down and TMAR became an integral subsidiary of Oi S/A. Therefore, the results presented in this report represent Oi S/A (the remaining Company and new name of Brasil Telecom S.A.) at the end of December 2011, when it had not yet incorporated the results of the other three companies. However, to make understanding the business easier, we present the pro-forma consolidated results, equivalent to former TNL figures, of physical numbers; incomes, costs and expenditures (EBITDA); debt, investments and cash flow, as though the incorporations had occurred on 31/12/2011. And the results presented as Consolidated Oi S/A are equivalent to former figures of Brasil Telecom.

	2011	2010	YOY
<b>Residential*</b>			
Revenue Generating Units (RGU) - ('000)	17,796	18,277	-2.6%
ARPU Residential (R\$)	64.8	67.5	-4.0%
<b>Personal Mobility</b>			
Revenue Generating Units (RGU) - ('000)	43,264	37,757	14.6%
Pre-Paid Plans	37,978	32,605	16.5%
Post-Paid Plans	3,127	3,248	-3.7%
Oi Control	2,158	1,905	13.3%
Monthly Churn rate (%)	3.0%	2.8%	0.2 p.p.
ARPU - Mobile (R\$)	22.3	23.5	-5.1%
<b>Business / Corporate**</b>			
Revenue Generating Units (RGU) - ('000)	7,848	7,094	10.6%
<b>Others</b>			
Public Telephones ('000)	771	827	-6.8%
<b>RGU - Revenue Generating Units ('000)</b>	<b>69,680</b>	<b>63,956</b>	<b>8.9%</b>

\* Fixed, Broadband and TV included

\*\* Fixed, Broadband and Mobile included

## ECONOMIC AND FINANCIAL PERFORMANCE

On 31/12/2011, the corporate reorganization had not yet been approved, therefore, Oi S/A had not incorporated Tele Norte Leste Participações S/A (TNL), Coari Participações S/A (Coari) and the shareholders of Telemar Norte Leste S/A (TMAR). However, with the approval of the corporate reorganization on 27/02/2012, TNL, as well as Coari and the shareholders of TMAR were incorporated by Oi S/A, TNL and Coari were closed down and TMAR became an integral subsidiary of Oi S/A. Therefore, the results presented in this report represent Oi S/A (the remaining Company and new name of Brasil Telecom S.A.) at the end of December 2011, when it had not incorporated the results of the other three companies. However, to make understanding the business easier, we present the pro-forma consolidated results, equivalent to former TNL figures, of physical numbers; incomes, costs and expenditures (EBITDA); debt, investments and cash flow, as though the incorporations had occurred on 31/12/2011. And the results presented as Consolidated Oi S/A are equivalent to former figures of Brasil Telecom.

### OPERATING AND ECONOMIC SUMMARY

OI S.A. PRO-FORMA	2011	2010	YOY
Revenue Generating Unit ('000)	69,680	63,956	8.9%
Residential ('000)	17,796	18,277	-2.6%
Personal Mobility ('000)	43,264	37,757	14.6%
Business / Corporate ('000)	7,848	7,094	10.6%
Other Services ('000)	771	827	-6.8%
Net Revenue (R\$ million)	27,907	29,479	-5.3%
EBITDA (R\$ million)	8,766	10,295	-14.9%
EBITDA Margin (%)	31.4%	34.9%	-3,5 p.p.
Net Debt (R\$ million)	16,326	18,711	-12.7%
Available Cash (R\$ million)	13,393	11,209	19.5%
CAPEX (R\$ million)	4,959	3,090	60.5%
Net Debt / EBITDA	1.9	1.8	5.6%

### FINANCIAL PERFORMANCE

Pro-Forma net revenue totaled R\$ 27.91 billion, dropping 5.3% compared to the same period in the previous year.



## COMPOSITION OF THE PRO-FORMA NET INCOME

R\$ MILLION	ANNUAL			%	
	2011	2010	YOY	2011	2010
<b>Residential</b>	<b>10,501</b>	<b>11,949</b>	<b>-12.1%</b>	<b>37.6%</b>	<b>40.5%</b>
<b>Personal Mobility</b>	<b>8,190</b>	<b>8,021</b>	<b>2.1%</b>	<b>29.3%</b>	<b>27.2%</b>
<b>Services</b>	<b>8,154</b>	<b>7,917</b>	<b>3.0%</b>	<b>29.2%</b>	<b>26.9%</b>
Voice	5,137	4,958	3.6%	18.4%	16.8%
Network Usage	2,398	2,305	4.0%	8.6%	7.8%
Data / Value Added	620	654	-5.2%	2.2%	2.2%
<b>Sales of handsets, sim cards and others</b>	<b>36</b>	<b>104</b>	<b>-65.4%</b>	<b>0.1%</b>	<b>0.4%</b>
<b>Business / Corporate</b>	<b>8,470</b>	<b>8,620</b>	<b>-1.7%</b>	<b>30.3%</b>	<b>29.2%</b>
<b>Other Services</b>	<b>746</b>	<b>890</b>	<b>-16.2%</b>	<b>2.7%</b>	<b>3.0%</b>
Residential	10,501	11,949	-12.1%	37.6%	40.5%
Personal Mobility	8,190	8,021	2.1%	29.3%	27.2%
Business / Corporate	8,470	8,620	-1.7%	30.3%	29.2%
Other Services	746	890	-16.2%	2.7%	3.0%
<b>Total Net Revenue</b>	<b>27,907</b>	<b>29,479</b>	<b>-5.3%</b>	<b>100.0%</b>	<b>100.0%</b>

### RESIDENTIAL

Pro-Forma Net Revenue of the residential segment totaled R\$ 2.54 billion in 2011, with a decrease of 12.1% compared with 2010. This performance mainly reflects a decrease in the fixed voice segment, due to lower number of subscribers and traffic subscriptions, greatly influenced by a decreased number of fixed lines in service. Comparing the years, the decrease was partially offset by the increase in the broadband income, due to the increase in the “Oi Velox” user base and the Pay TV revenue. This is explained, principally, by the growing number of subscribers thanks to product upgrade and creation of more attractive offers.

### PERSONAL MOBILE SERVICE

Net Revenue from the personal mobile service segment presented a 2.1% growth compared with last year, reaching R\$ 8.19 billion at the end of 2011. This performance was triggered, mainly by the increased income from the network use and originated calls, influenced by the increase in the base.

### VOICE

Voice revenue came to R\$ 5.14 billion at the end of 2011, growing 3.6% in relation to 2010. When comparing the results, this performance reflects lower income from long-distance traffic.

### NETWORK USAGE

Revenue from the Mobile Network Usage was up 4.0% compared with the same period in the previous year, totaling R\$ 2.40 billion at the end of 2011. The inclusion of packages with SMS services, carried out by mobile operators, had a positive impact on this income.

## DATA / ADDED VALUE AND OTHERS

The revenue from Data/Added Value Services totaled R\$ 620 million in 2011, showing a 5.2% decrease against 2010. The increase of 3G and SMS services directly affected this income, which already represents 9.7% of total revenue from the personal mobile segment in 2011, whereas it was 7.7% in 2010.

## PRO-FORMA COSTS AND OPERATING EXPENSES

Pro-Forma Costs and Operating Expenses totaled R\$ 19.14 billion in 2011, 0.2% less than in 2010.

In relation to 2010, there were increased costs and expenses with third parties, who supplied 700 employees to meet the intensified sales and guarantee service quality at Oi's and CMV's stores. It is worth mentioning that these increased costs and expenses were partially offset by reduced expenses with interconnections.

## BREAKDOWN OF COSTS AND OPERATING EXPENSES

Item - R\$ million	2011	2010	YoY
Interconnection	4,651	5,070	-8.3%
Personnel	1,884	1,620	16.3%
Materials	191	215	-11.2%
Handset Costs/ Other (COGS)	232	149	55.7%
Third-Party Services	7,607	6,976	9.0%
Marketing	559	537	4.1%
Rent and Insurance	1,658	1,523	8.9%
Provision for Bad Debts	826	979	-15.6%
Other Operating Expenses (Revenue), Net	1,532	2,114	-27.5%
<b>Total</b>	<b>19,141</b>	<b>19,184</b>	<b>-0.2%</b>

## INTERCONNECTION

The Interconnection Costs totaled R\$ 4.65 billion in 2011, showing a decrease of 8.3% compared with the previous year. The annual performance comes basically from migration of terminated traffic in mobile phones from other operators (off-net) to traffic inside Oi's networks (on-net).

## EMPLOYEES

Expenditure with Employees at the end of 2011 was R\$ 1.88 billion, 16.3% higher than in 2010. The increases are associated with the employees collective bargaining, the hiring of 700 people for the stores, a strategy to strengthen sales channels as well as the organization restructuring, which created commercial regional structures, thus contributing to an increase of the Company's staff.

### COST OF SMP HANDSETS AND OTHERS (CMV)

The Costs of SMP and other (CMV) devices increased 55.7% compared with 2010, reaching R\$ 232 million at the end of 2011. This increase is related to the intensified sales efforts that included subsidies of Velox modems and smartphones for high value post-paid customers, besides the expansion of the customer base, especially in the pre-paid segment, which increased the volume of chips sold.

### THIRD PARTY SERVICES

Expenses with Third Parties totaled R\$ 7.61 billion in 2011, representing a 9% growth over 2010. The increase in the year is basically due to more expenditures on maintaining the facilities, part of the plan to improve the quality of the Company, on sales commissions in the post-paid segment, "Oi Conta Total" and fixed broadband, and on consultancy and legal assistance.

### ADVERTISING

Expenses on Advertising reached R\$ 559 million in 2011, up 4.1% compared with 2010. This performance is the result of more expenditure on sponsorship and advertising campaigns, including those linked with Christmas offers.

### PROVISIONS FOR DOUBTFUL ACCOUNTS (PDA)

Provisions for Doubtful Accounts (PDA) dropped 15.6% compared with the previous year. This decline was influenced by more efficient collection procedures, mainly in fixed-line telephone service.

## OTHER ITEMS IN THE RESULTS

### EBITDA (LAJIDA)

#### EBITDA AND EBITDA MARGIN

OI S.A. PRO-FORMA	2011	2010	YOY
EBITDA (R\$ Mn)	8,766	10,295	-14.9%
EBITDA Margin (%)	31.4%	34.9%	-3.5 p.p.
OI S.A. CONSOLIDATED	2011	2010	YOY
EBITDA (R\$ Mn)	2,612	3,516	-25.7%
EBITDA Margin (%)	28.2%	34.3%	-6.1 p.p.

The Pro-Forma EBITDA of Oi S/A at the end of 2011 totaled R\$ 8.77 billion, with a 31.4% margin. Compared with the previous year, EBITDA was impacted by the drop in net income, due to the revenue from personal and corporate mobile services, which did not offset the decrease in the residential revenue, and by the increased costs and expenses.

It is worth mentioning, however, that the result in 2011 is already impacted by the first initiatives to intensify sales efforts and improvements, associated with the Company's long-term strategic plan. It is important to highlight that these expenses are linked to business growth during 2012.

These expenses are expected to be more than offset by redesigning processes and the strategy to focus on sales channels. These changes will produce more commercial results in the coming quarters.

## CASH FLOW

The Pro-Forma free cash flow of 2011 was R\$ 1.35 billion, R\$ 3.40 billion less than in 2010. The main factors influencing this performance in 2011 were lower EBITDA and higher Capex.

### CASH FLOWS – OI S.A. PRO-FORMA

R\$ MILLION	2011	2010
<b>EBITDA</b>	<b>8,766</b>	<b>10,296</b>
Capex	5,110	3,572
<b>EBITDA - Capex</b>	<b>3,656</b>	<b>6,724</b>
Non-cash items (provisions)	2,512	3,021
Working capital	(1,385)	(674)
<b>Operating cash flow</b>	<b>4,783</b>	<b>9,071</b>
Financial charges	(2,516)	(3,789)
Income Tax	(562)	(382)
Authorizations and concessions	(351)	(150)
<b>Free cash flow</b>	<b>1,353</b>	<b>4,750</b>

## INVESTMENTS

### INVESTMENTS – OI S/A – PRO FORMA

R\$ MILLION	2011	2010	YOY
Network	3,890	2,248	73.0%
IT Services	286	226	26.5%
Others	783	616	27.1%
<b>Total</b>	<b>4,959</b>	<b>3,090</b>	<b>60.5%</b>

Investments totaled R\$ 4.96 billion in 2011, growing 60.5% in relation to the previous year. During 2011, Oi invested in adapting the data network, in expansion projects and the quality of its broadband infrastructure, in improvements in the communication system platform and in the implementation and expansion of the mobile network, increasing national coverage, in addition to investments in mobile broadband (3G), mainly designed for Region III\*.

\* Region III: includes the State of São Paulo.

### INVESTMENTS IN INNOVATION, RESEARCH AND DEVELOPMENT

The telecommunications sector is affected mainly by the digital revolution, started with popularization of the internet, which demands new markets and new competition standards and the companies' special attention to technological innovations.

Besides this, Oi took on the commitment (Prior Consent) in 2008 with Anatel (National Agency of Telecommunications) and the Science and Technology Ministry (MCT) to invest in a period of 10 years in Innovation, Research and Development as the "counterpart" to the

acquisition of control of Brasil Telecom. This annual investment must be at least 50% of the value collected by the Fund for the Technological Development of Telecommunications (FUNTTEL), about R\$ 70 million yearly.

In this context, the Company has reinforced its strategy in recent years to invest in innovation, research and development projects, focused on launching convergent products and services, more efficient working processes and better quality, as well as increasing its competitive edge. It has also developed the brand “OI.INOVAÇÃO.”, a seal marking the actions with this focus inside the Company, in order to give its strategy more visibility. Likewise, it has developed the Innovation Portal, a website that will provide information on the topic, besides increasing the relationship channels with its innovation ecosystem.

In 2011, for the first time Oi launched the Program to Foster Innovation, which is designed to encourage, through partial financial support, the development of innovative projects within the Company, in partnership with science and technology institutes (ICTs) – public and private research institutes and universities which carry out practical studies that produce solutions. The initiative adds an important value to the innovation projects developed by the Company, since the expertise of the research centers lends a wider long-term view to these actions.

It is worth mentioning that this program brings more innovative components to the projects proposed by the Company’s internal areas, aiming at development and achievement of a more distinct competitive position in relation to the market. In the first cycle of this program six projects were approved. And for the 2012 cycle, seven projects have been pre-qualified to receive funding incentives.

Another important initiative, revealing the Company’s actions in the economic, social and technological development of the country, was the launching of the National Industry Program, designed to strengthen Brazilian telecommunications and technology suppliers, through technology-cooperation agreements, developing joint projects and leveraging the partners, thus allowing them to develop more competitive products compared to those manufactured by foreign companies.

On the other hand, the National Champions Program is designed to encourage small and medium-sized Brazilian companies, focused on technological innovation, to develop joint projects, relevant to the Company, in segments where there are no leading global competitors, with prospects to compete in both national and international markets.

Additionally, the Program “OI.INOVAÇÃO.” was launched in 2011 to select projects from the market for cellphone applications, to be used in major events like Rio+20, the 2014 World Cup and the 2016 Olympic Games, by tourists who will visit the country in the coming years. The selected projects will be funded in up to R\$ 200 thousand for development.

Oi also supported the Open Innovation Seminar in November 2011, the first Latin American seminar exclusively dedicated to the topic of innovation, as well as the Forum on Technology and Innovation, in December 2011, an internal event for employees aimed at promoting debates on new technologies and future scenarios for technological innovation and new business. The event presented lectures and debates by market specialists and the Company’s executives, and practical demonstrations of the technologies implemented in the Company.

Investments in Innovation and R&D in the projects developed in 2011 totaled R\$ 122 million in 58 projects.

## DEBT

### DEBT – OI S.A. PRO-FORMA

R\$ MILLION	DEC/11	DEC/10	% GROSS DEBT
Short Term	4,579	7,667	15,4%
Long Term	25,140	22,253	84,6%
<b>Total Debt</b>	<b>29,719</b>	<b>29,920</b>	<b>100%</b>
In Local Currency	21,120	21,308	71,1%
In Foreign Currency	8,648	7,828	29,1%
Swaps	(49)	784	-0,2%
<b>(-) Cash</b>	<b>(13,393)</b>	<b>(11,209)</b>	<b>-45,1%</b>
<b>(=) Net Debt</b>	<b>16,326</b>	<b>18,711</b>	<b>54,9%</b>

The Company calculates net debt as outstanding loans and financing, which comprise the balance of derivatives instruments and debentures (convertible and nonconvertible), subtracted from the balances of cash and cash equivalents and financial investments. Other companies may calculate net debt differently from the Company.

Net debt is not a measure in compliance with accounting practices adopted in Brazil, by IFRS or US GAAP. However, the Company Management understands that measuring net debt is useful both for the Company and for investors and financial analysts, to assess the degree of financial leverage in relation to operational cash flow.

The gross debt at the end of 2011 was R\$ 29.72 billion, 0.7% less than last year, a reduction mainly caused by the balance swaps, credit in favor of the Company in December 2011 (R\$ 49 million), compared with the debt position of R\$ 784 million in December 2010. When the derivatives balances are not considered, the Company's debt presented an increase of R\$ 632 million in the year, the main transactions of which are mentioned below.

Among amortizations, it is important to mention:

- (i) early settlement of bank credit notes with Caixa Economica Federal (R\$ 2.05 billion);
- (ii) maturing of interest and principal installments of BNDES (R\$ 1.70 billion);
- (iii) amortization of principal and capital market interest (R\$ 1.64 billion);
- (iv) maturing of principal and interest installment of the bank credit notes with Banco do Brasil (R\$ 840 million); and,
- (v) pre-payment of the Bond of Tele Norte Leste (R\$ 292 million).

As for funding, it is important to list expenditure on:

- (i) issuance of a Bond in Real by Brasil Telecom, in the international market, to the amount of R\$ 1.10 billion;

(ii) two Debenture funding in Brasil Telecom, the first in August in the amount of R\$ 1.0 billion and the second, in December, in the amount of R\$ 2.35 billion;

(iii) many withdrawals in BNDES, that totaled the amount of R\$ 1.07 billion;

(iv) funding of ECAs equivalent to R\$ 1.26 billion.

In December 2011 the Company's net debt totaled R\$ 16,32 billion, considering outstanding cash and cash equivalents and financial transactions of R\$ 13.39 billion.

The Pro-Forma gross debt maturity structure is shown in the chart below:

### GROSS DEBT AMORTIZATION 01 S.A. PRO-FORMA

( R\$ MILLION )	2012	2013	2014	2015	2016	2017 ONWARDS	TOTAL
<b>Gross Debt amortization</b>	<b>4,579</b>	<b>3,189</b>	<b>3,604</b>	<b>2,256</b>	<b>4,069</b>	<b>12,021</b>	<b>29,719</b>
Local Currency Amortization	4,081	2,603	2,989	1,511	3,383	6,554	21,120
Foreign Currency Amortization + swap	498	587	615	745	687	5,467	8,599

### MAIN CREDITORS – 01 S.A. PRO-FORMA

GROSS DEBT	CONTRACT'S CURRENCY	DEBT BALANCE (R\$ MILLION)
<b>National Development Banks</b>		<b>6,823</b>
BNDES	R\$	6,317
Others	R\$	506
<b>International Development Banks and Export Credit Agency</b>		<b>3,568</b>
Asia	US\$	1,546
Europe/USA	US\$	2,022
<b>Comercial Banks</b>		<b>4,888</b>
In Local Currency	R\$	4,888
<b>Capital Market</b>		<b>15,054</b>
Debentures	R\$	8,424
Bonds	US\$ / € / R\$	6,630
<b>Debt before hedge and borrowing cost</b>		<b>30,333</b>
Hedge		(49)
Borrowing Cost		(565)
<b>Total debt</b>		<b>29,719</b>

## CAPITAL MARKET

### CAPITAL STOCK

At the end of 2011, the Company\*'s capital was represented by 476.7 million shares, broken down into 187.0 million ON and 289.6 million PN shares.

SHARES TNE	CAPITAL	TREASURY	CONTROLLING SHARES	FREE - FLOAT
Common	187,028,818	2,984,036	103,813,689	80,231,093
Preferred	289,632,638	6,127,369	0	283,505,269
<b>Total</b>	<b>476,661,456</b>	<b>9,111,405</b>	<b>103,813,689</b>	<b>363,736,362</b>

\* Position on 31/12/2011, referring to Tele Norte Leste Participações S/A, closed down through corporate reorganization on 27/02/2012.

### OUR SHARES

Concerns related to the recovery of the USA economy and the fiscal crisis experienced by the major European countries led to BM&FBovespa finishing 2011 with a devaluation of 18.1%.

In 2011, the telecommunications sector, represented by the ITEL index had a higher performance than Ibovespa, recording a 15.7% increase in the year.

Preferred (PNs) and ordinary (ONs) shares of Tele Norte Leste\* finished the year at R\$17.56 and R\$ 21.46, with 25.5% and 32.4% losses, respectively.

On the New York Stock Exchange (NYSE), the Company's ADRs\*\* had a 35.3% devaluation, inferior to the PNs in the local market, basically due to the dollar valuation against the Real, of 12.6%.

\* Position on 31/12/2011, referring to Tele Norte Leste Participações S/A, closed down through the corporate reorganization on 27/02/2012. After 09/04/2012, the new common and preferred shares belonging to Oi S/A started trading at BM&FBovespa, under ticker codes OIBR3 and OIBR4 and at New York Stock Exchange under ticker codes OIBR.C and OIBR, respectively.

\*\* American Depositary Receipt – represent shares of companies outside the USA.

### INVESTOR RELATIONS

Oi's Investor Relations (IR) area has the mission to develop and execute an appropriate and consistent policy oriented to transparency and information disclosure, in addition to stimulating close relationships with analysts and investors and being the main communication channel of the Company with national and international market agents.

Among the activities performed by the IR area are meetings with national and foreign investors, meetings of the Capital Market Analysts Association (APIMEC) and participation in conferences and roadshows in Brazil and abroad, as well as congresses geared to professionals in investment and capital markets.



In 2011, important actions were the participation of the IR team in 18 conferences and three roadshows, in Brazil and abroad, assembling about 700 investors and analysts.

The main communication channels for investor and /or analyst relations are available on the Company's IR website: [www.oi.com.br/ri](http://www.oi.com.br/ri). Information about shareholder service is also found on the same website.

## DIVIDENDS

Oi S/A Management submitted to deliberation of the General Ordinary Assembly, to take place on 30/04/2012, the proposal to pay R\$ 2 billion (R\$ 1.22 per share) in dividends, related to the results of 2011, plus profit reserve.

## OI E PORTUGAL TELECOM

### **On 25/01/2011, Oi's controlling shareholders and Portugal Telecom (PT) signed contract instruments and shareholder agreements among the parties, formalizing partnerships and strategic investments by PT and by Oi.**

This partnership will allow Oi to reinforce its operations and competitive capacity, as well as to increase its investments in Brazil, incrementing the Company's economic value.

Formalizing the operation is part of the memorandum of understanding between the companies, announced on 28/07/2010. The entry of Portugal Telecom in the capital of Oi occurred by means of direct and indirect acquisition of shares of Tele Norte Leste Participações S/A (TNL) and purchase of shares of its controlled companies. The operation involved purchasing shares in different levels of Oi's corporate structure and was established the following way:

1. Portugal Telecom acquired 35% of the stock the holdings controlling AG Telecom and LF Tel, which, in turn, are the controllers of Telemar Participações (TelemarPart);
2. Portugal Telecom also reached 12.1% in Telemar Participações, purchasing shares of other shareholders and shares of the capital increase of TelemarPart expected in the operation;
3. The operation also included capital increases in Tele Norte Leste Participações and in Telemar Norte Leste (TMAR) of up to R\$ 12 billion, with the issuance of common and preferred shares.

## CAPITAL INCREASE

The processes to increase the Capital of TNL and TMAR started in February. Shareholders had 30 days counting from 22/02/2011, and up to 24/03/2011, to exercise their preemptive right to subscribe for shares, as well as expressing a firm order to subscribe for remaining shares.

At TMAR, the capital increase anticipated the issuance of up to 95,159,514 new ordinary shares at the price of R\$ 63.71, and up to 117,117,560 class A preferred shares, at the price

of R\$ 50.71, totaling TMAR's Capital Increase, at the most, of R\$ 12,001,644,104.54. However, with the exercise of the preemptive right, 46,969,013 ordinary shares and 46,216,078 class "A" preferred shares were subscribed, at issuance price of R\$ 63.71 per ordinary share and R\$ 50.71 per class "A" preferred share, totaling R\$ 5,336,013,133,61.

In addition, in the same period, 108 ordinary shares and 12,480,778 class "A" preferred shares were subject to firm order to subscribe for remaining shares, totaling R\$ 632,907,133,06.

Therefore, at TMAR, considering the exercise of the preemptive right and the firm order to subscribe for remaining shares, the total of 46,969,121 ordinary shares and of 58,696,856 class "A" preferred shares were subscribed, thus totaling an increase to the value of R\$ 5,968,920,266,67, which exceeds the minimum amount and represents 49.73% of the maximum amount of Capital Increase approved.

When subscription finished, Portugal Telecom started to have direct and indirect participation of 25.28% in the total capital of TMAR.

#### ACQUISITION OF SHARES OF PORTUGAL TELECOM

In 06/04/2011, Oi announced the transfer of one lot of 26,895,360 ordinary shares by Barclays Bank, representing about 3% of the total capital stock of Portugal Telecom.

Additionally, on 21/04/2011, Oi signed an agreement in which a lot of 35,860,500 ordinary shares of Portugal Telecom was transferred by Citigroup Global Markets Limited ("Citi"), representing about 4% of its capital stock. After this acquisition, Oi started to hold approximately 7% of the total capital stock of Portugal Telecom.

## CORPORATE REORGANIZATION

**On 24/05/2011, the controller Telemar Participações S/A (TmarPart) announced a relevant fact in which it disclosed that, a previous shareholder meeting held on that day, under the Shareholders' Agreement of TmarPart, approved orientation for the managements of TmarPart and its controlled Tele Norte Leste Participações S/A (TNL), Coari Participações S/A (Coari), Brasil Telecom S/A (BRT) and Telemar Norte Leste S/A (TMAR) (the four controlled companies jointly named "Companhias Oi") to conduct studies and adopt appropriate procedures with a view to the corporate reorganization of Companhias Oi.**

The proposed corporate reorganization also included a partial splitting of TMAR and the incorporation of their shares by Coari, as well as the incorporation of Coari and TNL by BRT on the same date, jointly and dissociated from one another, in a way that the implementation of each one of these operations is dependent on the approval of the other.

The objective of the corporate reorganization was to definitively simplify the corporate structure and the Companhias Oi's Governance, eliminating operational and administrative costs and increasing the liquidity for all shareholders. In line with that, after approval of the operations involved, BRT, whose brand name was changed to Oi S/A, became the only Oi Company listed on the stock exchange and started to concentrate all shares of the remaining Oi companies.

The exclusive control of Oi S/A's shares by TmarPart was a condition for the approval of the corporate reorganization, accomplishing then, its legal and regulatory obligations determined by Anatel (National Agency of Telecommunications).

The procedure of corporate reorganization established the Special Independent Committees for TNL, BRT and TMAR, in order to negotiate the operational conditions, which would be submitted to the Board of Directors of the respective companies. Coari did not have its own Special Independent Committees, since TMAR was its only shareholder.

On 01/08/2011, the Special Independent Committees of TNL, BRT and TMAR finished their work and recommended to the Board of Directors of the companies the adoption of the following terms of trade in the incorporations:

ORIGINAL SHARE / REPLACEMENT SHARE	SUBSTITUTION RATE
TNLP3 / BRT03	2.3122
TNLP4 / BRT04	2.1428
TNLP4 / BRT03	1.8581
TMAR3 / BRT03	5.1149
TMAR5 and 6 / BRT04	4.4537
TMAR5 and 6 / BRT03	3.8620

It is important to note that the above terms of trade were based on the market value of the TNL, BRT and TMAR shares, according to the averages traded on the 30 days prior to the announcement of the first Relevant Fact (24/05/2011), considered by volume. Also taken into account in the terms of trade was the proposal of a bonus on shares issued by BRT payable at the total value of R\$ 1.5 billion, to be exclusively attributed to BRT shareholders prior to the incorporations.

On 26/08/2011, the Boards of Directors of TNL, BRT, Coari and TMAR approved the general conditions of the corporate reorganization. Additionally, the Boards of Directors of Companhias Oi approved the proportion among the shares BRT03 and BRT04 to which TNLP4, TMAR5 and TMAR6 shareholders are entitled. Therefore, the final substitution rates were as follows:

ORIGINAL SHARE / REPLACEMENT SHARE	SUBSTITUTION RATE
1 TNLP3	2.3122 BRT03
1 TNLP4	0.1879 BRT03 + 1.9262 BRT04
1 TMAR3	5.1149 BRT03
1 TMAR5	0.3904 BRT03 + 4.0034 BRT04
1 TMAR6	0.3904 BRT03 + 4.0034 BRT04

In addition to the appropriate corporate approval, the corporate reorganization was subject to the approval of Anatel (National Agency of Telecommunications), which was granted on 27/10/2011.

Considering that the shares of BRT and TNL were registered at SEC (Securities and Exchange Commission), a regulating agency of the US capital market, the corporate reorganization depended on receiving SEC Registration Statement on a F-4 form, submitted by BRT to SEC, which was delivered on January 27, 2012.

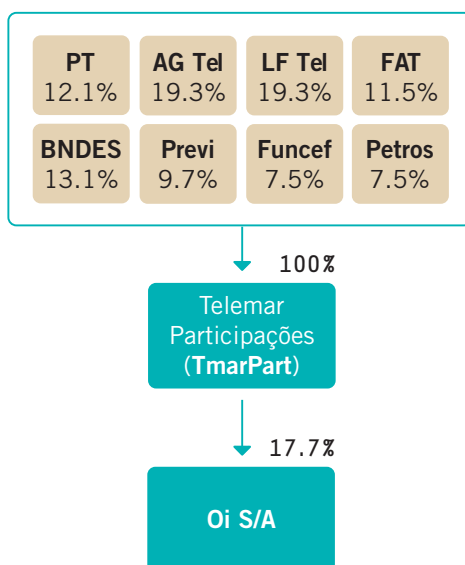
On 27/02/2012, General Assemblies of Coari, BRT, TNL and TMAR were held, when the operations included in the corporate reorganization as well as the pertinent documentation were approved. Due to deliberations made in the previously mentioned General Assemblies, TNL and Coari were incorporated by BRT on 27/02/2012, closed down and replaced by BRT completely, on that date. Thus, BRT started to be controlled directly by TmarPart, whereas TMAR became an integral subsidiary of BRT.

Also on 27/02/2012, there was the announcement of a Relevant Fact about procedures for the year, up to 29/03/2012, the right of withdrawal by legitimately dissenting shareholders of TMAR and of TNL.

Under the Laws of publicly traded companies, shareholders of TNLP3, TMAR3, TMAR5 and TMAR6 were given withdrawal rights. The period to exercise the withdrawal rights finished on 29/03/2012 and the result was the repurchasing of 21,466,312 ordinary shares and 17,904,299 preferred shares with a total value of R\$ 2 billion which was paid to the dissenting shareholders on 09/04/2012, the same date a R\$ 1.5 billion bonus was paid to shareholders of BRT. The repurchased shares were replaced with the new ones and kept in treasury.

In addition to that, on 09/04/2012, the new common and preferred shares of Oi S/A (new brand name of BRT) started trading on BM&FBovespa under ticker codes OIBR3 and OIBR4, respectively, and at New York Stock Exchange (NYSE) through the American Depositary Shares (ADS) under ticker codes OIBR.C e OIBR, respectively.

Thus, the new corporate structure of the Company is now as follows:



**N.B.** Including: PT, AG, LF, Previ. BNDES, Petros; Capital Stock former treasury.

## BALANCE SHEET

On 31/12/2011, the corporate reorganization had not yet been approved, therefore, Oi S/A had not incorporated Tele Norte Leste Participações S/A (TNL), Coari Participações S/A (Coari) and the shareholders of Telemar Norte Leste S/A (TMAR). However, with the approval of the corporate reorganization on 27/02/2012, TNL, as well as Coari and the shareholders of TMAR were incorporated by Oi S/A, TNL and Coari were closed down and TMAR became an integral subsidiary of Oi S/A. Therefore, the results presented in this report represent Oi S/A (remaining Company and new name of Brasil Telecom S.A.) at the end of December 2011, when it had not incorporated the results of the other three companies. However, to make understanding the business easier, we present the pro-forma consolidated results, equivalent to former TNL figures, of physical numbers; incomes, costs and expenditure (EBITDA); debt, investments and cash flow, as though the incorporations had occurred on 31/12/2011. And the results presented as Consolidated Oi S/A are equivalent to former figures of Brasil Telecom.

### OI S/A - BALANCE SHEET - OI S/A CONSOLIDATED

BALANCE SHEET	12/31/2011	12/31/2010
<b>Total Assets</b>	<b>31,664</b>	<b>26,886</b>
<b>Current</b>	<b>12,246</b>	<b>8,487</b>
Cash	6,005	3,217
Financial investments	1,084	832
Derivatives	7	0
Accounts Receivable	2,010	2,070
Recoverable Taxes	1,137	752
Inventories	13	14
Assets in Escrow	1,651	1,384
Other Current Assets	339	218
<b>Non-current Assets</b>	<b>19,418</b>	<b>18,399</b>
Long Term	12,531	11,759
Recoverable and Deferred Taxes	5,161	5,449
Financial investments	13	0
Assets in Escrow	4,955	4,266
Other	2,402	2,043
Investments	8	5
Property Plant and Equipment	5,794	5,317
Intangible Assets	1,085	1,318

BALANCE SHEET	12/31/2011	12/31/2010
<b>Balance Sheet</b>	<b>31,664</b>	<b>26,886</b>
<b>Total Liabilities</b>	<b>8,619</b>	<b>6,691</b>
Current	1,973	1,821
Suppliers	1,144	1,044
Loans and Financing	26	71
Derivatives Payroll and Related Accruals	130	172
Contingency Provisions	1,283	1,237
Pension Fund Provision	78	78
Payable Taxes	1,664	1,088
Dividends Payable	308	569
Other Accounts Payable	2,015	611
<b>Non-current Liabilities</b>	<b>12,456</b>	<b>8,859</b>
Loans and Financing	6,962	3,321
Payable Taxes	910	1,099
Contingency Provisions	3,132	3,060
Pension Fund Provision	546	576
Outstanding authorizations	544	573
Other Accounts Payable	362	230
<b>Shareholders' Equity</b>	<b>10,589</b>	<b>11,337</b>
Controlling Interest	10,589	11,336

# SOCIOENVIRONMENTAL PERFORMANCE

## RELATIONS WITH EMPLOYEES

**Oi is a Company formed by people who know how to make a difference using intelligence and courage. The compass points to the customer and the market.**

The Company invests heavily in recognition and life-quality programs, and encourages the exercise of citizenship through the Volunteers Program and engages employees all over the country with Conecta Brasil, an event that involved the presence of CEO Francisco Valim and his directors to talk about the trajectory that the Company will be following in the future.

Oi is the largest Brazilian Company in the telecommunications industry, and the only one with total convergence in its area and the third in the world to have its businesses joined under one single brand, in addition to owning the largest fixed network in the world. To innovate with quality, the Personnel area works non-stop to align its structure and processes with the Company's business strategies, aiming to facilitate more operational efficiency.

Oi respects the right of its employees to join labor unions, and also guarantees the right to collective bargaining. All employees in the Company are included in the collective bargaining agreements. These agreements cover themes related to health and safety, like medical, hospital and dental care and medication; possibilities of plans, eligibility and co-participation (medication); Internal Commission for Accident Prevention (CIPA) – permission given by the Company to hold annual forums to debate issues within the scope of CIPA, with the participation of the union and its members.

The Company constantly seeks balance between both parts, promoting dialogues with entities representing the telecommunications sector to avoid impacts on the operations. There are no operations in which the employees' rights to exercise freedom of association or collective bargaining are at risk. Oi keeps its employees well informed during negotiation processes, using its internal communication tools.

Regarding operational changes that may occur and affect employees significantly, the Company does not adopt a specific term for their previous notice, as well as their appointed representatives. This notice period is not specified in the collective bargaining agreement.

### INTERNAL PUBLIC INDICATORS

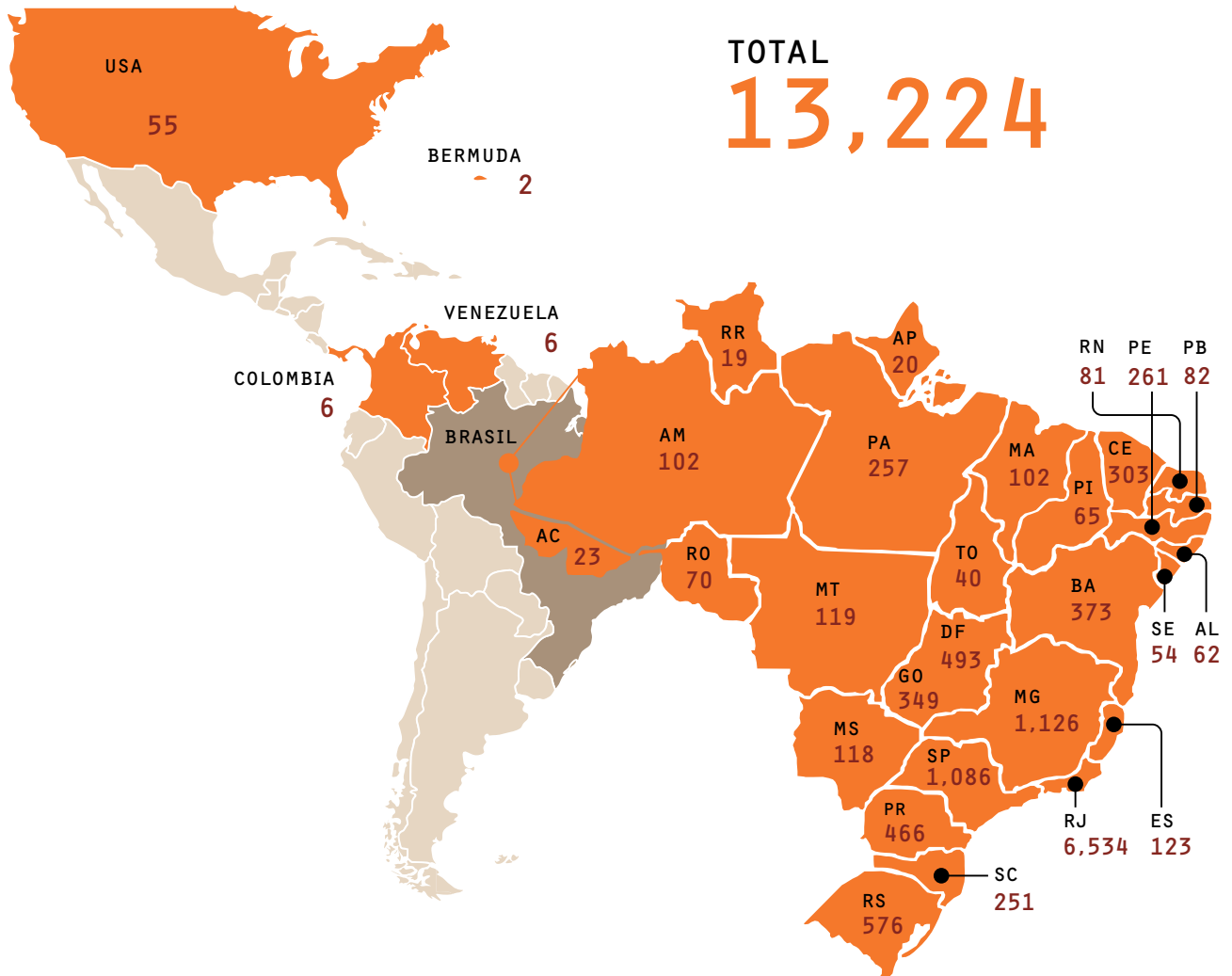
Oi has in its Team 13,224\* employees, 549 Trainees and 82 Technical Apprentices. All employees have a full-time contract. Oi also has 141,384 outsourced workers, working at call centers, asset management, sales channels, maintenance operations and others.

The employees' average age is 37 years, with an average period in the Company of eight years. Oi is present in 26 states and the Federal District, with professionals allocated at over 150 addresses.

Following specialized programs, a first class team is prepared: 397 Management facilitators, 26 Black Belts, 228 Green Belts, 240 project leaders and 232 process leaders.

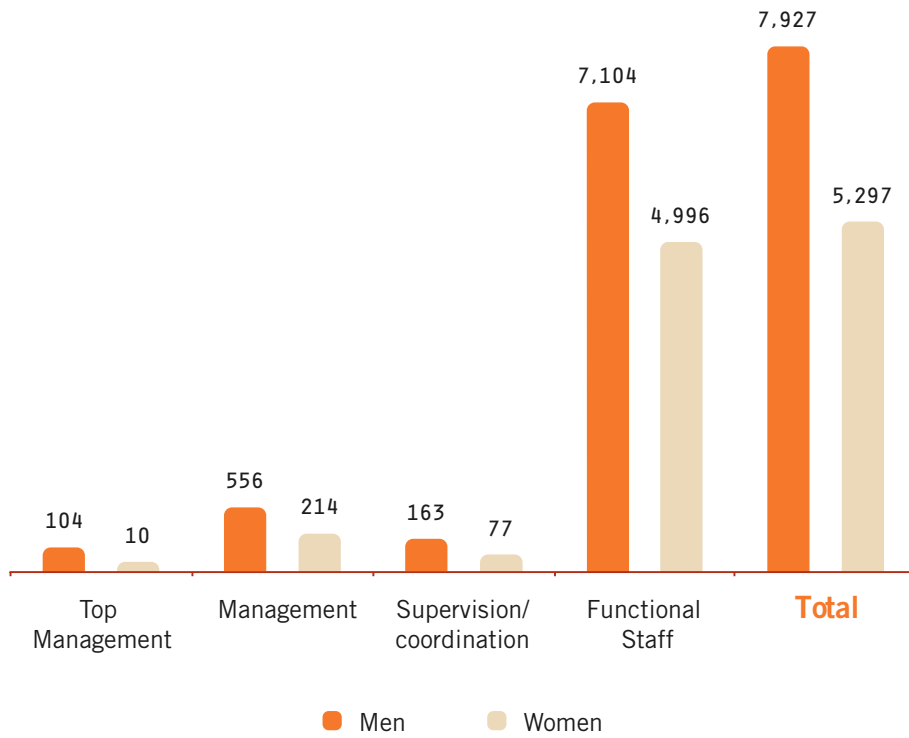
\* The figures related to the chapter Relations with Employees include the companies: TNL PCS S/A, Telemar Norte Leste S/A, Paggo Administradora de Credito, Brasil Telecom S/A, 14 Brasil Telecom Celular S/A, Brasil Telecom Comunicação Multimídia Ltda, Brasil Telecom Cabos Submarinos Ltda and Globenet Internacional, on 31/12/2011.

EMPLOYEES BY STATE

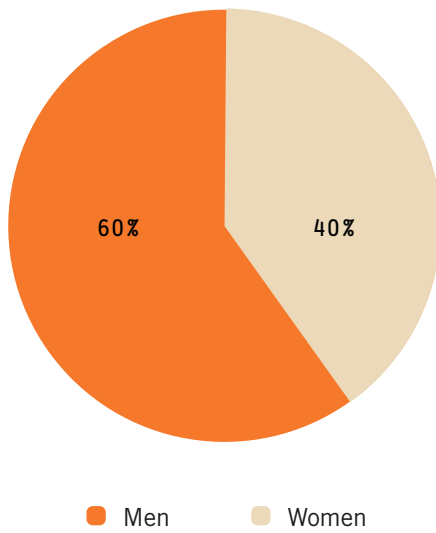




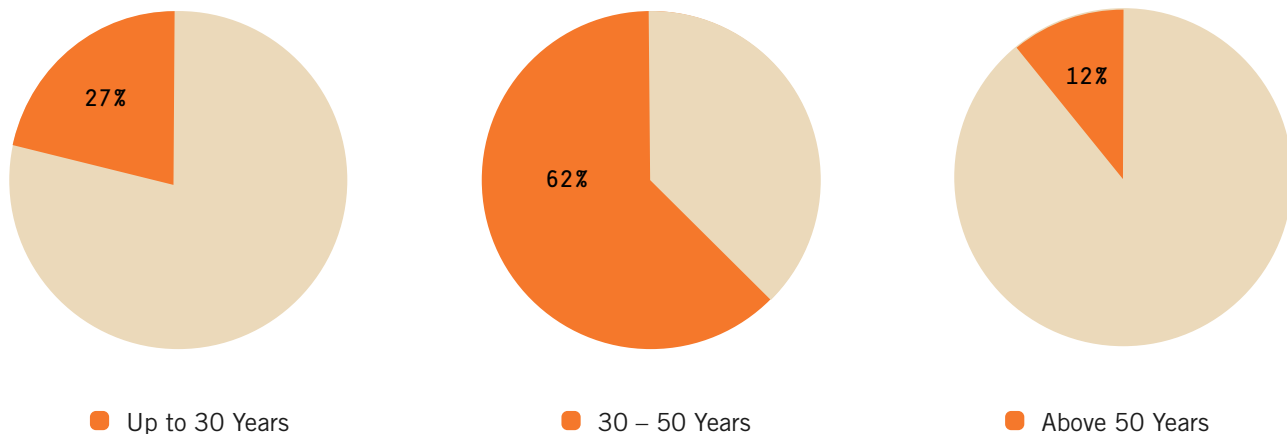
EMPLOYEES BY FUNCTIONAL CATEGORY



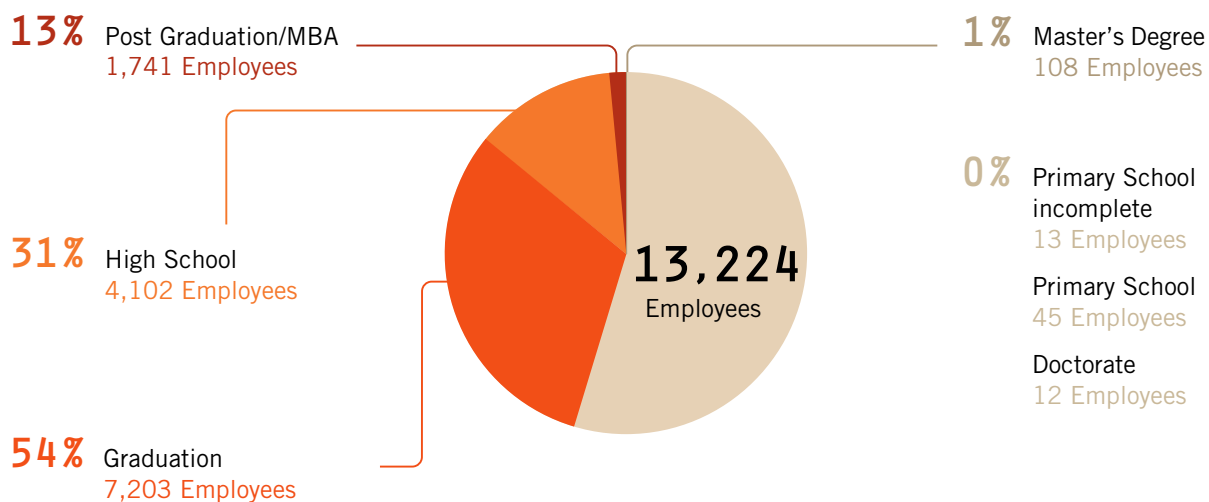
EMPLOYEES BY GENDER



EMPLOYEES BY AGE GROUP



EMPLOYEES BY EDUCATIONAL LEVEL



OTHER DIVERSITY INDICATORS

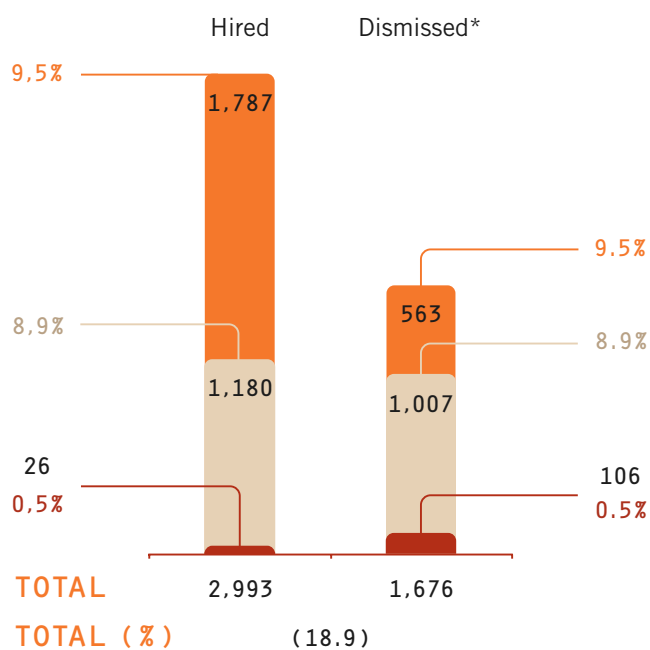
	QUANTITY
Disabled people on employees chart	265
Women in executive positions	25%

In 2011, the turnover rate in the Company was 18.9%, as shown in the charts below. The turnover rate calculation applies the methodology proposed by ABRH, Brazilian Human Resources Association, a common practice among Brazilian companies that allows comparison between different segments and sectors.

**HIRING / DISMISSAL / NUMBER (ANNUAL AVERAGE) / EMPLOYEE TURNOVER**

	ACCUMULATED 2011
Hiring	2,993
Dismissal	1,676
Number (annual average) of employees	12,333
Turnover	18.9%

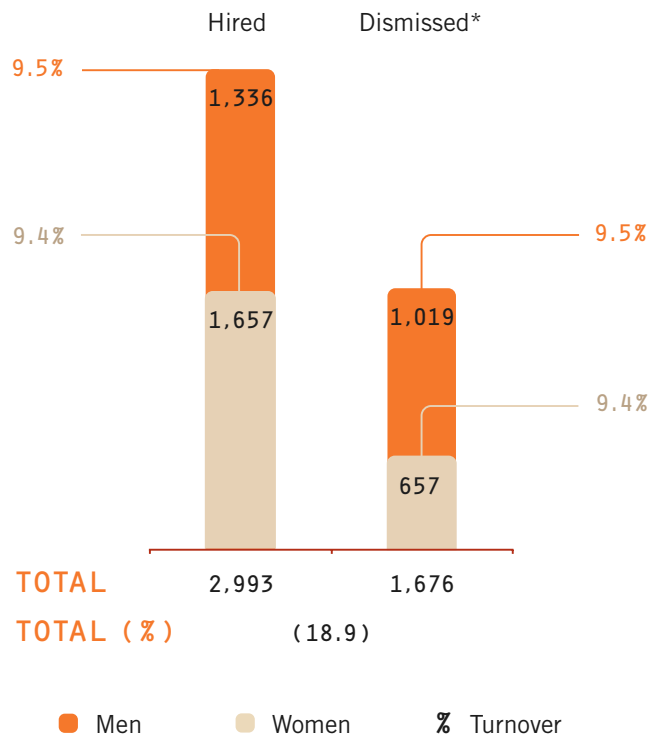
**HIRED / DISMISSED EMPLOYEES BY AGE GROUP**



■ Up to 30 Years  
 ■ 30 - 50 Years  
 ■ Above 50 Years  
 % Turnover

*\*Includes employees that quit the Company, were dismissed, retired or died.*

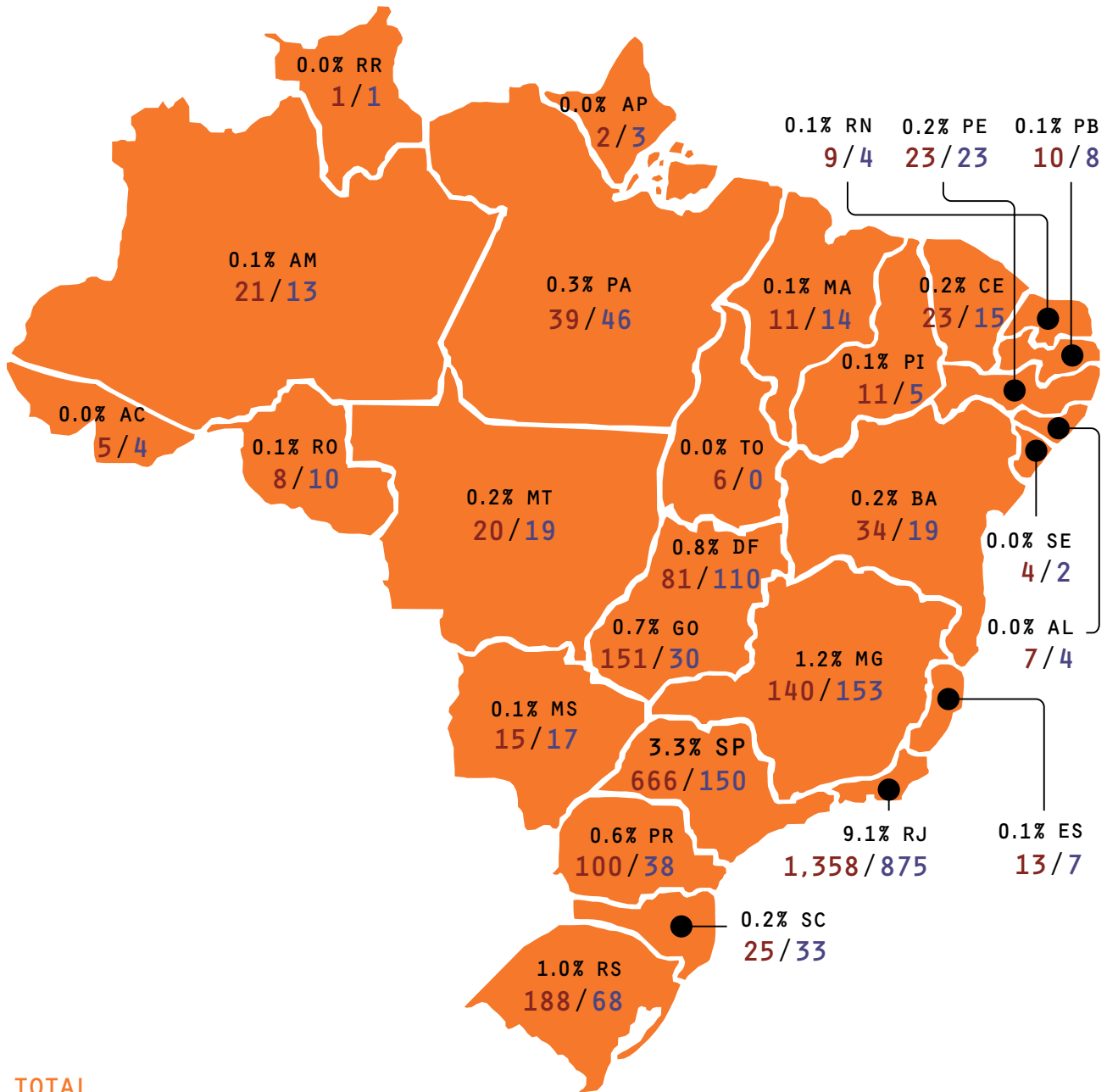
HIRED/DISMISSED EMPLOYEES BY GENDER



HIRED/DISMISSED EMPLOYEES BY COUNTRIES



HIRED/DISMISSED EMPLOYEES BY STATE/REGION



TOTAL

2,971      1,671      18.8%

● Hired      ● Dismissed      % Turnover

## CAREER AND DEVELOPMENT

At Oi, employees have the opportunity to advance their careers. That is how to motivate the team every day to do its best to contribute to meeting the Company's needs and achieving success. The proof of this is that Oi works with Career Management, whose main tools are the free internal recruiting process and a strategy for professional advancement, which, besides guiding self-knowledge and development, shows a path towards a good career plan.

The development programs are geared to different publics and cover all the employees. In this context, there are the Tracks for development of technical competencies, Development of Leadership, e-learning programs, contract training, on-demand training, continuing education and online courses of English.

The corporate programs are designed for employees at all hierarchical levels. Special efforts concerning technical competencies and actions promoting continuing education totaled 280,567 training hours.

### AVERAGE OF TRAINING HOURS PER YEAR, BY EMPLOYEE AND BY FUNCTIONAL CATEGORY

FUNCTIONAL CATEGORY	NUMBER OF EMPLOYEES	TOTAL OF HOURS	AVERAGE
Director	100	2,949.00	29.49
Manager	770	30,501.00	39.61
Employee	12,285	247,117.00	20.12
<b>Total</b>	<b>13,155</b>	<b>280,567</b>	<b>21.33</b>

**N.B.** Employees of Globenet companies are not included in the calculation of this indicator.

In the development of technical competencies, the highlight of Oi's efforts were the e-learning programs, which reached over 60 thousand training hours, and also the programs aimed at updating operational teams on technology upgrades.

The e-learning programs offered to employees include different topics such as the basic principles of telecommunications, portability, regulations, feedback, coaching, Sustainability, management of internal controls, corporate risk management, corporate governance, management model, ethics, time management and others.

The e-learning program on Ethics is an online training for employees to get to know the content of the Company's Code of Ethics, which emphasizes, among others, items related to socioenvironmental responsibility, fighting corruption, relations with customers and suppliers, classified information, attitude, use of resources, in addition to aspects concerning human rights, like fighting discrimination, slave labor and child labor. In 2011, 1009 employees completed this online training, and about 150 participated in the Circuito JOIA de Etica, in-house training that also emphasized the above aspects.

Oi has a strategy for continuous development of its managers: the Academia de Liderança. This initiative aims to promote and consolidate the culture focused on services, applying a learning methodology that prepares them to manage “moments of truth” with their employees and sustain, on a daily basis, attitudes that lead to Company growth. In 2011, the following were held: the Emotional Intelligence Program, whose aim is to develop Emotional Intelligence competencies focused on the role and ability to understand the other’s point of view and so improve the service delivery; the Leadership Program for New Managers, that aims to make new leaders aware of their role, to develop behavioral aspects related to People Management, such as applying them to processes of “Gente da Oi”; and also the Program on New Management Tools, designed to educate all managers on the ICGs (managers control indicators), a tool to follow up targets which enables each one to manage his or her own business.

The Programa Geração promotes the advancement of talented youths interested in their professional development and growth. In 2011, about 30 thousand people applied for the Apprentice Program, competing for approximately 540 places. The number of applicants in the process for the Trainee Programs was 15 thousand, out of which 12 for the Trainee Executive, focused on management and 20 for the Trainee Expert program, with a technical focus.

Besides turning its attention to the external public, the Company offers development Programs oriented to the internal public: the Just-graduated Trainee and the PDA – Program for Accelerated Development.

The development matrix of Geração Oi is arranged according to each group’s particularities, which for two years is oriented to participate in all scheduled activities, among them coaching which provides a career guidance plan inside the organization.

Oi acknowledges its talents also through Internal Recruiting, giving opportunities to professionals from all over the Country to fill vacancies, which is a priority in the Company. Oi has a unique Recruiting and Selection policy of which the main guideline is hiring the best professional, the one who can meet all the technical and behavioral requirements necessary for the position, regardless of the region where he or she lives. For this reason the Company does not have specific procedures for the local hiring of top management (Directors) members. All the openings are, first of all, offered internally and for the management position, there is a committee that evaluates each final applicant. In 2011, 68.5% of the openings for executives were filled by internal applicants through assessment.

In general, 54.6% of the openings in the year were filled by employees, by means of internal recruitment. This data becomes even more significant when compared with the number of people who show interest in working at Oi by submitting their CV’s to the system used by the Company (vagas.com): 445,307 people. In the year, 205 Trainees were hired as employees, an average of 17 per month, 16.5% above 2010.

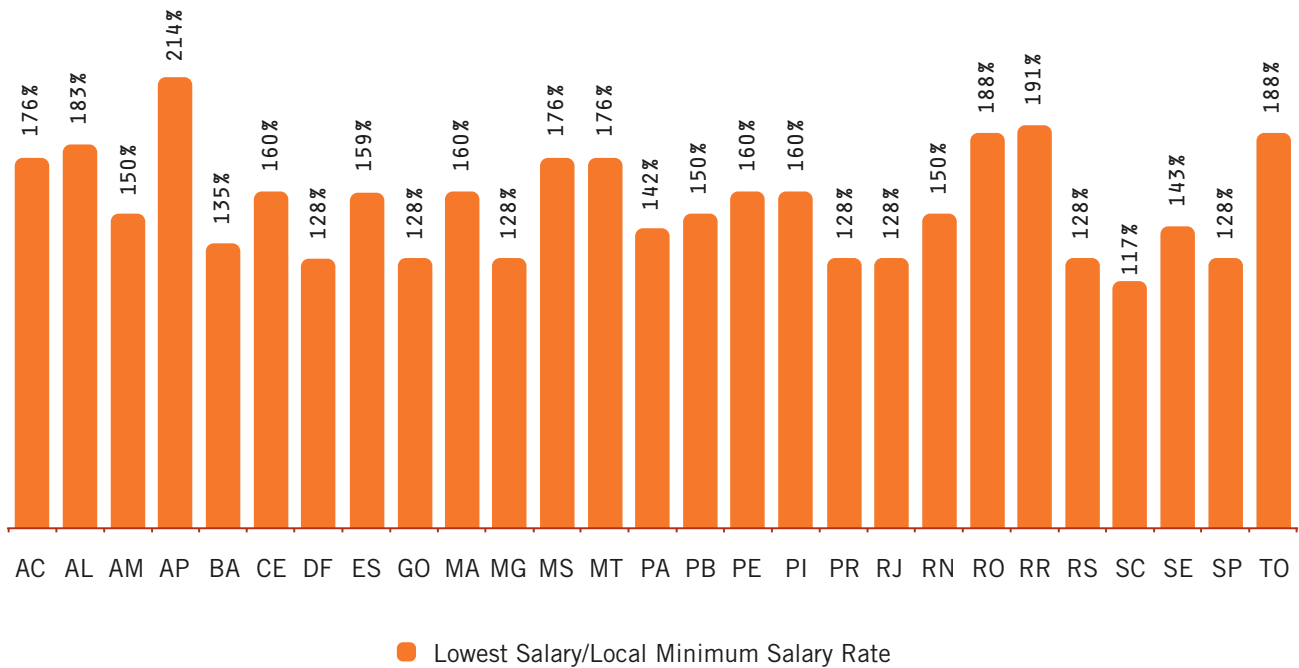
Last of all, 1,633 employees were promoted and had a salary increase.

The employees’ remuneration is not based on salaries subject to the rules of the Brazilian minimum salary. The table below shows the variation in the proportion of lowest salary paid by the Company compared with the Brazilian minimum salary in



2011, in the states where it operates. Therefore, considering that the local minimum salaries (from the states) determined for only five Brazilian States are not the same inside the same region and not applicable to the Company's sector of activity, in order to calculate this indicator, the Brazilian minimum salary was used.

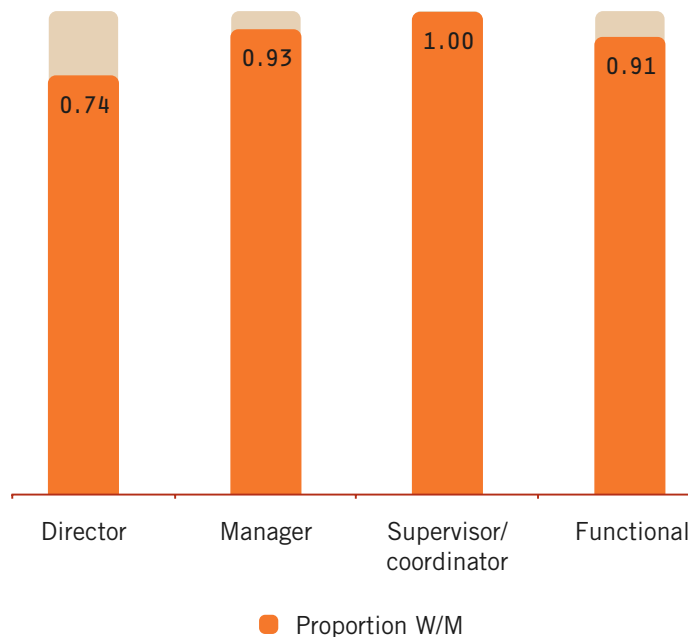
### LOWEST SALARY/LOCAL MINIMUM SALARY



**INTERPRETATION** If the rate indicates, for example, 176%, it means that the lowest salary is 76% higher than the minimum salary.

At Oi, position and salary policy is not associated with gender discrimination. Differences between salary averages of men and women may be found due to other factors like different levels inside a functional category as well as career experience.

## PROPORTION OF WOMEN'S BASE SALARY AGAINST MEN'S BY FUNCTIONAL CATEGORY



**N. B.** Base salary is the monthly and minimum fixed value paid to an employee to perform his or her job. It does not include additional remuneration, such as that based on length of time in the Company, overtime pay, bonus, payment of benefits or any other assistance.

## HEALTH, WELL BEING AND QUALITY OF LIFE

Oi develops a series of initiatives geared to acknowledgment, care and recognition of its human capital. These initiatives are focused on the employees' physical and emotional well-being.

It also offers employees a series of benefits, among which are: food and transportation vouchers, medical and dental care, medication subsidies, child-care assistance, private pension plan and life insurance; the last two are detailed below.

Labor Gym is one of these initiatives, which is held in the Company headquarters and applies mobilization, stretching and relaxing techniques as well as posture at work. Over 225 thousand sessions were held in 2011.

In the room dedicated to quality of life, employees can schedule on the corporate intranet shiatsu sessions, global postural re-education (GPR) and nutritional orientation. In 2011, 11 thousand employees benefitted from shiatsu sessions and over 5 thousand from GPR.

Oi has three clinics where it provides employees with unique medical and emergency services and occupational exams in comfort and safety. In 2011, over 3,000 services were provided.

The Company offers as a periodical exam, a mini check-up, a unique opportunity the employee has to undergo physical assessment and preventive exams, such as ergometric testing, mammography, and others. The exams are customized to employee's age and gender.

Another initiative is the Program for Pregnant Women that accompanies mothers-to-be in the Company and provides orientation by phone. This initiative informs, reduces doubts and

stimulates adhesion to pre-natal follow-up, fundamental for the baby's health. During pregnancy, the mother receives a multifunctional follow-up that helps to detect common diseases early on, thus contributing to a safe and comfortable pregnancy. Pregnant women have access to a large amount of information, from the importance of pre-natal follow-up on how to prepare the baby's clothes. In 2011, 329 women participated in this program. Furthermore, in the 2010/2012 Collective Bargain, the Company expanded its employees' maternity leave to six months.

Oi has a Program for Continuous-Use Medication, in which employees, and their dependents, with certain chronic diseases, after being analyzed and validated by labor-specialized doctors, are granted an additional credit in their card – without the employee's co-participation – to help them buy the medication. This value is extensible to employees and their dependents. In 2011, 1,328 people were benefited.

Still part of the initiatives addressed to the internal public health, Oi offers the Program Healthy Life, which is a program focused on several chronic diseases (diabetes mellitus, systemic artery hypertension, congestive heart failure, coronary heart disease, dyslipidemia, asthma, chronic obstructive pulmonary disease, arrhythmias), oriented to employees and their dependents eligible for the program.

The Oi Group Corrida e Caminhada (Running and Walking Group) is another initiative of the Company's Quality of Life Program, made up of employees who want to exercise, with no interest in competition. The training is supervised by a physical education professional of a specialized Company hired by Oi. In 2011, approximately 1,500 employees participated in the Running Groups in 14 Brazilian states. The benefits to the Company and employees are felt in the in-Company environment: more willingness to cooperate, higher concentration at work and good team work.

As for prevention, the Company annually promotes throughout Brazil the vaccination campaign against flu. Employees can get H1N1, H2N3 and Influenza vaccines in a single dose for free at the work place. In 2011, over seven thousand people took the vaccine.

The Program of Health Education at Oi is one more way to call attention to the importance of adopting practices which prevent diseases. It provides updated information on different health topics by posting news stories on the Company intranet. Also, "Saude em Ação" is an initiative that takes a whole week, during which people are encouraged to get their periodic check-ups, always stressing employee's disease prevention and health promotion in and out of the Company. The e-learning program on First Aid also teaches people how to behave in medical emergency situations.

In addition to these benefits, Oi offers the private pension plan of Fundação Atlântico. The Company contributes monthly as much as the employee and pays all administration and insurance fees, and when leaving the Company, the employee can choose between staying with the plan or withdrawing the paid amount. Among the benefits are regular retirement, sickness aid, disability retirement and death benefit. When quitting the Company, even the employee that is not yet entitled to the retirement benefit, can remain in the Pension Plan self-sponsored, (keeping own contributions as well as paying the Company's part and administration fees, if any) and with proportional benefits deferred (the employee stops contributing into the plan until he/she becomes eligible to receive the regular retirement benefit, if participating in the Plan for at least 12 months).

The value of the benefit is calculated over the basic contribution (equivalent to 2% of the base salary) and the standard contribution (3% of the difference between the employee's base salary and the portion of the pension, which is optional).

Oi also grants life insurance with coverage in case of death, total or partial and permanent disability by accident, total and permanent disability by disease, special indemnity by accidental death, in addition to funeral assistance without additional cost, extended to spouse and children. Oi offers the main policy without co-participation of the employee.

At Oi, each employee is responsible for taking care of his/her health and safety in the work place, actively participating in the identification of unsafe conditions, risk assessment, implementation of control measures, and compliance with laws and regulations on Health and Safety at Work.

The Policy for Health, Safety and Environment (SSMA) aims to promote and keep a healthy and safe work environment as a way to control dangers and risks related to health, safety and environment, this way promoting and keeping the employees' highest level of physical, mental and social well-being.

Based on this policy, Oi maintains Specialized Services in Safety Engineering and Labor Medicine (SESMT), composed of Work Safety Engineers, Occupational Health Doctors, Occupational Health Nurses, Occupational Health Nursing Technicians and Work Safety Technicians.

Among the activities developed by the SESMT are the Volunteer Fire Brigade, the in-company week for Work-Related Accident Prevention (SIPAT), Facility Inspections, Risk Mapping, Simulation of Area Evacuation, Prevention of Environmental Risks Program (PPRA), and also a variety of in-Company and online training in Health and Safety, which are available to the Company's employees.

Oi does not have formal committees for health and safety, but it has Internal Commissions for Accident Prevention (CIPA) throughout Brazil, totaling approximately 275 employees trained to prevent accidents at work. CIPA, mandatory whenever a Company has more than 50 employees under CLT, must be composed of representatives of the employer and employees. The representatives of the employees are appointed in an annual election held with the Company employees, independently of the period worked in the Company, provided that they are duly assigned to the building where the election will take place. All employees are eligible to run for the election. All CIPA's have monthly ordinary meetings, following a pre-established schedule, and are held during the Company regular working hours and in a suitable place.

## COMMUNICATION AND ORGANIZATIONAL CULTURE

In 2011, the communication with employees gave direct support to the Company's organizational changes with both agility and transparency. This strategic effort was crucial for informing the internal public about Oi's new moment, which included several alterations to the organization, such as the arrival of new CEO and new COO and the move to regionalization. This and other strategic topics were covered by Interativa, the corporate intranet, through videos, news bulletins and interviews. The positive air of the messages conveyed was reflected in the results of opinion and climate surveys made with employees.

Conecta Brasil, one of the main actions of internal communication in 2011, was created to disclose the Strategic Plan of Oi and involved a road show, in which the new CEO visited the nine regions of the Company and talked directly to the internal public. The initiative mobilized 90% of the employees, whose opinion of this face-to-face approach was extremely positive.

Yet another major movement which internal communication planned, set up and introduced in 2011 was a revision of the Mission, Vision and Organizational Practices, essential for defining Oi's strategic references.

Concomitantly, communication held 120 campaigns throughout the country. In addition, internal channels of digital communication covered the principal external movements of Oi, in concert with the other areas of institutional and brand communications. All of this disclosure was sustained by a robust platform of intranet, which in 2011 recorded an average of 586,223 hits per month on the homepage.

Oi's intranet also included a forum, a tool allowing the employee to swap information with the entire Company, whether it be raising relevant questions about day-to-day work or expressing an opinion about issues posted by colleagues. The forum has worked as a thermometer of the climate in the Company, serving as a tool for team integration, process improvements and innovation. The numbers of 2011 bear witness to this interactivity, with over 500 topics of activities and around 866,925 hits throughout the year.

Inovativa, a platform of web collaboration launched in 2009 to receive ideas and contributions, aligned with the Company's strategy, from employees was a success with the choice of the winning ideas of its 2nd cycle, the focus of which was to improve the quality attending processes connected with "Oi Move!" and with "Oi Velox". In all 198 ideas were recorded. Of these six were chosen to be introduced in the Company by the Innovation Committee in June 2011.

With the objective of stressing the attitude of people serving people, the Program JOIA – Jeito Oi de Atender e Aprender (The Oi Way to Serve and Learn) continued to mobilize employees throughout Brazil. One of the actions is the JOIA Circuit, aimed at promoting an exchange of information about the business. In 2011, 181 Circuits were held, with the participation of 4,491 employees from the North to the South of the country.

This program has another front known as Atalho JOIA (JOIA Shortcut) and \*JOIA, an exclusive channel for employees to send in requests or complaints about the services of Oi. In 2011, 12,300 customer cases sent in by employees were resolved through Atalho JOIA and over 3,500 cases through \*JOIA.

Joinha, an initiative which encourages spontaneous recognition among employees registered an increase in participation in 2011. 10,113 Joinhas were sent in, 21% more than in the previous year. Leaders also showed their appreciation for our team, by sending in 168 Team Joinhas.

## OI SOLIDARIA

Every year, Oi runs the Volunteer Program, which encourages employees to do good deeds, with just good will and a free morning or afternoon. The success of this action is owed to a number of factors. One of them is the engagement of employees, which goes to prove that solidarity is a part of the organization's culture.

The partnership signed since 2003 with Junior Achievement, the biggest and oldest organization of practical education in business in the world, has been fundamental in the inclusion of employees in the context of volunteer work. In 2011, the Program took place in two stages with the posters "The advantages of staying in school", which presented the benefits of study to students; and "Introduction to the world of business", which provided information on the organization and business

operations in a free market. Altogether 1,038 employees took part, sharing their experiences with 10,212 students from public schools in 26 States of Brazil and the Federal District.

Oi also encourages its employees to make donations of several items at the end of the year. In 2011, the following materials were collected: 606 items of clothing; 1,347 toys, 549 books and 358 kilos of non-perishable food. The donations were sent to 23 institutions picked out of dozens suggested by the employees themselves all over Brazil.

In 2011, on account of the floods which occurred in the mountain region of Rio de Janeiro, the Company mobilized its internal public in a major action of solidarity. The number of donations showed the engagement of the employees: 1,541 kilos of non-perishable food; 11,081 items of clothing and for bed, bath and dining room; 245 items of cleaning products; 14,347 personal hygiene products; 2,808 units of mineral water and other materials.

The Company also runs campaigns for blood donations and a list for bone marrow donations, thus encouraging fraternity and social responsibility. In 2011, 545 employees participated in these actions.

## RELATIONS WITH SUPPLIERS

**The process of selecting and contracting suppliers to Oi is based on technical, professional and ethical criteria, conducted with formally defined procedures, which aim to choose the best business partners.**

To this end, the Company maintains a system of supplier evaluation, development and qualification. Where the stage of economic-financial evaluation of the supplier is concerned, Oi included the observance of socioenvironmental criteria, with a request to fill out a questionnaire on Sustainability. This action is designed to alert potential suppliers to Oi's precepts in this respect, so that they understand that this is of significance for the Company. The idea is that these criteria will contribute to an evaluation rating in the near future.

This qualification process consists of identifying partners who share the same objectives as the organization, and also involves a long-term cooperative endeavor to achieve constant improvement. Thus, the Company looks for references in the practices of the market to accelerate this process.

With this in mind, Oi evaluates the quality of the services offered by the suppliers using a methodology which calculates the IQF – Índice de Qualidade dos Fornecedores (Suppliers' Qualification Index) . This appraisal process makes it possible to establish objective and transparent criteria in the selection of suppliers (service contractors), as well as to promote their development, creating conditions to hold long-term contractual agreements. IQF is comprised of five pillars, on which they are analyzed: operational efficiency, contract administration, process conformity, customer satisfaction and management of human resources. With the management of human resources pillar the following is analyzed: compliance with

items of work health and safety, labor and social security legislation, provision for collective agreements and a module referring to training. In 2011, 121 evaluations using this pillar of IQF were conducted with 36 suppliers.

Although specific procedures are not yet in place to identify operations with a significant risk of child, forced or equivalent to slave labor, the Company has taken measures to contribute to the abolition of this possibility occurring in its value chain, as described hereafter.

In the last year, clauses of socioenvironmental responsibility in the Company's contracts were improved including specific requirements regarding the non-utilization of child, forced or compulsory labor. Furthermore requirements were included that emphasize the prohibition of corporal or mental punishment, physical coercion and verbal abuse against employees of contracted suppliers.

Besides these, requirements were also included which apply to compliance with the environmental legislation in force, and also the need for the supplier to be aware of possible socioenvironmental impacts resulting from the activities, products and services he offers. Additionally, the employees of the contractor, who is acting in the name of the Company, must be trained to deal with possible situations of emergency and/or socioenvironmental accidents associated with the contracted services.

The Company drew up a document entitled Requisitos Normativos Socioambientais (Socioenvironmental Normative Requirements), which accompanies the Company contracts with all its suppliers, and by which it establishes the minimum standards to be met by its partners, such as: the non-utilization of child, forced or compulsory labor; no involvement with or support for trafficking people; assurance of the right to free union association for its employees; combatting discrimination in all its forms, and other items in conformity with the international guidelines concerning labor. Where points of environmental responsibility are concerned, the following should be observed: control and efficient management of fleets of vehicles, actions to combat climate change, environmentally correct management of wastes generated during the services supplied, as well as correct management of potentially pollutant substances.

For 2012, a system is being developed to monitor the locale where partners are operating, through periodic audits, in order to verify compliance with the recommended practices. Furthermore all professional service contractors for safety of the Company get training in Company procedures concerning the aspects of human rights, such as that given in the courses "Profile of a Differentiated Professional", "Excellence in customer service" and "Basic notions of Private Asset Protection". The Company's Safety Policy, intent on preserving life and the non-use of force, hires unarmed guard services. The only exception is for buildings where the contractual requirements of customers demand armed vigilance, such as the Cyber Data Centers and the building leased to the Bank of Brazil.

Oi also has separate lines of credit for its suppliers through agencies of export credit for their countries, at attractive rates, so that they facilitate purchase of their products. In 2011, funds were liberated which derive from seven financing contracts with suppliers.

Also aiming to foster its value chain, Oi began an agreement last year to advance funds to suppliers, in conjunction with banking institutions. With the introduction of this agreement,

suppliers are able to advance the funds owed to Oi, at more viable rates, since the banks use Oi's credit risk as the basis for calculating their financial cost. The program is built on an electronic platform which communicates with certain banks, and through which every supplier has a correspondent bank to carry out this kind of operation.

The origins of the 3,271 contracted suppliers to the Company in 2011 were distributed as follows: 3,244 were local suppliers (based in Brazil) and 27 foreign. The total volume of purchases was R\$ 9.69 billion, of which 99% was paid to local suppliers.

### PROFESSIONAL TRAINING OF PARTNERS

Oi developed CEQUAL, (Professional Qualification Test Center), the biggest professional certification program in Brazil, the purpose of which is to guarantee excellent quality of customer service through outsourced labor.

Since the start of this program in 2000, Oi has evaluated and certified more than 18 thousand professionals who come into direct contact with the customer while performing contracted services, such as the installation and repair of fixed telephone lines and Velox, ensuring the necessary standard of training for a proper relationship with the customer.

In 2009, Oi signed a Technical Cooperation Agreement with the Ministry of Labor and Employment (MTE), as a result of which the MTE logo was authorized for use on the training certificate and for disclosure of CEQUAL's actions. Additionally, it was able to develop activities of good practices, in conjunction with MTE, focused on professional training and certification in keeping with the Federal Government's National Plan of Training.

## RELATIONS WITH CUSTOMERS AND CONSUMERS

**Targeted on becoming the customers' preferred telecommunications Company, offering a complete service with excellence, Oi is continually developing actions aimed at improving its services and customer attendance, thereby increasing solutions to customer demands on the first contact.**

### RELATIONSHIP CHANNELS

Oi's goal is to place the customer at the center of everything and, to this end, it invests in and maintains relationship channels, operating on various platforms.

Oi runs a personalized area on its website, called "Minha Oi", through which customers can access self-help services such as management of their expenses. Moreover Oi keeps profiles on social networks like Facebook and Twitter, which it uses to interact with customers and inform them of products and services, also offering a channel to clarify doubts and problems. The website also has a kind of standardized form, "Fale Conosco", with which consultations, complaints or suggestions can be sent by e-mail.



Alternatively, the customer can also contact the Company by letter or its call centers.

By opening its own stores, Oi has greatly expanded its sales channels, offering complete telecommunications solutions, including customer and post-sales attendance. As well as these, it has several personal service points throughout Brazil.

## CUSTOMER SATISFACTION

To evaluate customer satisfaction, Oi conducts two surveys on an ongoing basis through specialized external institutes and, with the results of these, strives to improve the attendance, quality and performance of its services.

The survey of overall satisfaction with attendance measures the satisfaction of customers who were in touch with the Call Center, their degree of satisfaction with the Center and the solution given, independent of the motive for contact. Real satisfaction is evaluated at every moment of the process: access, audio response unit (ARU), queue, human attendance, treatment and feedback of the request.

The survey of overall satisfaction with customers measures the satisfaction of the customer base with the Company, with the products they have and with the principal moments of relationship between customer and Company (experienced in the last three months: purchase, installation, product, repair, account, dispute and cancellation), as well as determining the incidence of customers with problems, their nature and their solution.

The satisfaction survey is permanently undergoing transformation and adaptation, so as to reflect the current dynamics of Oi's business always and to adapt to the necessities of internal areas, taking into account the evolution of the Company's processes, products and services. The results of these surveys are used to analyze the origins of complaints in the Organs of Customer Protection (ODC's) and furnish the Company's areas with feedback, which can be used to generate action plans to definitively resolve the problems which affect customers' perception of quality

## FOCUS ON CUSTOMER SERVICE

The new ARU DTMF\*, which was introduced in the customer service units of "Oi Fixo" and "Oi Velox" to improve customer service quality, consists of substituting voice recognition for DTMF, with digit identification.

The purpose of this new ARU is to make the Company's electronic attendance a benchmark in quality for customers nationwide, both more human and more dynamic. During the introduction project, focus group sessions were held with customers and representatives of customer protection organs, to ensure that the language adopted was easy to understand, avoiding the usage of technical terms. The new URA also surveys the profile and history of the customer in order to offer dynamically the most suitable options for each case.

With the surveys conducted, it was possible to identify that the level of satisfaction of users with the new system was well above the previous one. Besides this, a considerable reduction was obtained in customer complaints about electronic attendance. By the end of 2011, the new ARU had been introduced in 90% of all inbound calls.

\* ARU DTMF - ARU is a unit of audio response, a cell of a Call Center system dedicated to the consumer. The acronym DTMF means Dual-Tone Multi-Frequency, that is, tones of two frequencies

used in telephone dialing. The term URA DTMF is therefore used to define the unit of attendance which functions after digit recognition.

## CLOSER TO THE CUSTOMER

Oi launched its new Internet Portal in 2011 in order to get closer to customers and assure them of a unique experience. Among various novelties is “Minha Oi”, a personalized space, where users can manage all their accounts transparently, with a global vision of expenditures with telecommunications services, as well as access other services offered by the Company such as “Conta Online” (online account). Through this, the customer can opt not to receive his account on paper and to get his data from the internet more easily, safely and conveniently. Over the last year, nearly 4.3 million terminals\* were registered on the new portal and 89 thousand terminals on the “Conta Online”.

Complying with its precept to get closer to the customer, Oi started to operate with 62 of its own stores spread around the states of SP, RS, PR, DF and GO as of December 2011. This new model will complement its other sales channels. The Company intends to reach 180 own stores by the end of 2012, as well as to expand partners’ distribution centers, growing the number of sales points throughout the country.

In keeping with the focus on convergence, own sales channels offer complete solutions in telecommunications, including mobile and fixed telephony, fixed broadband, 3G, Wi-Fi and pay TV, guaranteeing the customers both savings and practicality.

The socioeconomic development of the country acted as a stimulus to entrepreneurship and resulted in the creation and expansion of own businesses. To meet the communication needs of micro, small and medium-sized companies in the country, Oi segmented its market activities, creating the Company Business Unit, dedicated to attending this segment with telecommunications solutions. This unit also reinforced its regional structures, promoting greater proximity between the Company and its customers and further accelerating the decision-taking process. It led to the organization of indirect sales channels with 188 of Oi’s partners an increase in tele-sales operations. This sales structure involves over 5000 salesmen throughout the country, generating jobs and boosting the economy of various regions.

*\* The term “terminals” refers to products which the Customers contract with Oi. For example, a Customer who has “Oi Fixo” and “Oi Velox” represents two terminals for the Company.*

## CONSUMER PROTECTION

Oi continued its actions taken in previous years and cooperated with the authorities for the protection and defense of consumer rights, by committing itself to collaborative interactions. Consequently it presented a series of improvement actions and specific goals, entitled the 2011 Project of Public Indicators. This led to a reduction in the total number of attendances by Procons, increased solutions by letter – by furnishing information prior to attendance – and increased the proportion of settlements in audiences.

The Company has been improving and evolving its processes of customer attendance. Between the years of 2010 and 2011, Oi recorded a reduction of 15.7% in cases of attendance originating with Procons, which are part of the National System of Information of Consumer Defense (SINDEC). This results, above all, from investments in improvement to processes, expansion of the network to ensure quality of attendance and in the services offered, as well as the ongoing program to improve service quality, targeting increased reliability and efficiency in the relationship between the Company and its consumers.

## ATTENDANCE FOR SPECIAL NEEDS

Oi adopts initiatives which re-affirm its commitment to accessibility for people with special needs, for whom attendance was in fact changed as of May 2008, beginning with customers with sight problems who have “Oi Fixo” accounts. These may now also request to receive their “Oi Move!” bills and their contracts in braille.

In addition, there is an Alternative Plan of Service, with a free quota of a thousand SMS messages which will help people with hearing and speech problems to communicate. This mechanism was specially developed for this public, in compliance with Resolution 477 of Anatel (National Telecommunications Agency).

The Company adapted the majority of its “Oi Atende” stores for people with locomotion difficulties, which also complies with Anatel’s Resolution 426. These stores have special terminals adapted for people with hearing deficiencies. The Company has also invested in training attendants in its stores in the Brazilian Sign Language (Libras), addressed to people with hearing problems.

It is also worthy of note that, since 2010, customers with sight problems who have pre-paid plans have received their bonus balances via audio.

This report, for the second year running, is also accessible for people with sight deficiencies.

## CERTIFICATIONS

Oi has had ISO 9001:2000 for the process of professional certification for operators of services to customers, attesting to their knowledge and skills to execute telecommunications services since 2001. As of 2009, the Company obtained certification of its billing procedure for fixed telephony, in compliance with Resolution 426 of Anatel (National Telecommunications Agency). The Company also certified its procedure for mobile billing, even though this was not compulsory.

Oi is also certified for the procedures of collection, calculation, consolidation and delivery of its quality indicators to Anatel. This certification is valid for the Personal Mobile Service (SMP), for Switched Fixed-line Telephony Services (SFTS) and Pay TV service (STVA), in compliance with Resolutions 335, 417 and 411, respectively, as stipulated in Anatel’s General Plan of Quality Goals (PGMQ).

## USER COUNCILS

The User Councils of the Switched Fixed-line Telephony Services (SFTS), regulated by Resolution 490/2008 of Anatel (National Telecommunications Agency), are composed of users and associations or entities which have, in their constitution, the intention to defend the interests of the consumer. They are consultative by nature and aim to orientate, analyze and evaluate the services and the quality of attendance by the provider, as also the formulation of suggestions and proposals to improve these services.

Oi has 31 User Councils in the area of its concession, composed of 131 User and 37 entities of consumer protection, with a total of 168 members.

The Councils meet at least 4 times a year and some of their most noteworthy actions in 2011 were: holding debates and presenting suggestions relating to services and attendance; development of materials for and realization of educational campaigns of

consumption; proposal for procedures to attend people with sight difficulties in the Oi Atende stores; visits to stores and to the Call Center and contributions to public consultations of Anatel, among others.

To get to know more about the Users Council access: <http://www.oi.com.br> >About Oi> Regulation> Information > Users Council.

## RELATIONS WITH SOCIETY

### OI FUTURO

In the area of corporate social responsibility, Oi acts through “Oi Futuro”, the fantasy name of Telemar Institute, a non-profit entity which is certified by OSCIP – Civil Society Organization of Public Interest.

Set up in 2001, the mission of Oi Futuro is to democratize access to knowledge in order to accelerate and promote human development, with nationwide projects in the fields of Education, Culture, Social actions, Sport and Environment.

By means of Oi Futuro, Oi plays its role of corporate responsibility to the full, building a more just and united society.

The main highlights of the institute’s actions in each of its fields of activity are presented below:

#### EDUCATION

Oi Futuro backs and develops educational projects which use new technologies of communication and information to transform the school environment and to train youngsters for the professions of the future, and among these, worth special mention are: NAVE – (Advanced Nucleus in Education), OiKabum!, the Educopedia project and OiTonoMundo.

The purpose of NAVE is to contribute to the quality and innovation of education in Brazil, preparing youngsters to deal with the new technologies of the contemporary world, using game programming, story writing and web design as teaching tools that bring the fields of interest of youth closer to the school environment. Currently, NAVE has around 850 students and 80 teachers in its schools in Rio and Recife.

Developed in conjunction with the State Secretaries of Education of Rio de Janeiro and Pernambuco, NAVE was constructed on three pillars: a State High School integrated with technical training, a Nucleus of Research and Innovation, and a Center for Dissemination. The project drew Microsoft’s attention which, in 2009, included NAVE as one of the 130 most innovative schools in the world, and in 2010, in the Microsoft Program of Innovative Schools, chose it as a “Mentor School”. The results are to be seen in Brazil too: in the ENEM (National High School Exam) Jose Leite Lopes State College placed 2nd out of 268 schools in the municipality of Rio de Janeiro connected with the State Secretary of Education/RJ while the Cicero Dias State Technical School took 4th place out of 111 schools in Recife in the jurisdiction of the State Secretary of Education/PE.

The Oi Kabum! School of Art and Technology offers youngsters from popular urban communities, students or dropouts from public schools, an education in courses of graphic design, computer graphics, video, photography and web design. Annually, around 400 youths are educated in the Oi Kabum! units of Rio de Janeiro, Recife, Salvador and Belo Horizonte. In 2010, Oi Kabum! won the A Rede 2010 award, in the category Training of the Private Sector Mode.

In conjunction with the Municipal Secretary of Education of Rio de Janeiro, Oi Futuro also developed Educopedia, a platform of digital classes, with support material for teachers, planned classes, pedagogical games and videos, with the objective of making learning for children and adolescents both attractive and motivating, as well as equipping the teacher with tools. The program offers a quick and easy option for teachers who want to incorporate technologies into their classes. Lastly Oi Tonomundo, a recognized project which has reached its goals, associates education with technology and uses IT laboratories installed in the most distant regions of the country as centers for community production and for universalizing knowledge.

## SOCIAL

Through its Oi Novos Brasis program, Oi Futuro gives technical and financial support to innovative social initiatives, run by not-for-profit organizations, and which use technologies of information and communication to accelerate human development. Throughout 2011, 23 projects were carried out benefitting nearly 2,100 people, among who were traditional populations, youth from rural zones, people with handicaps and women entrepreneurs, which only confirms how important it is to exalt Brazilian socio-cultural diversity.

The projects “Um Olhar para a Cidadania” (PI) and “Rede Juvenil Chão de Sonhos” (RS), run by partners, the Dom Avelar Brandão Vilela Foundation and CEDEJOR (Center for Development of Rural Youth) were acknowledged with the Piauí Award of Social Inclusion and the Anu Dourado Prize, respectively.

The eighth selection edict of the program was launched in 2011, receiving 327 entries from all over Brazil. The projects entered presented proposals for educational actions complementary to the formal educational system, professional training geared to job and income generation and a wider access to human, economic, social, cultural or environmental rights. Selection was made with the help of external specialists. The selected projects will be divulged in the second quarter of 2012.

In confirmation of its commitment and contribution to the formation of public policies, in 2011 Oi backed some 21 projects of FIA (Public Funds for Infancy and Adolescence) through its partnership with State and Municipal Councils to Defend the Rights of Children and Adolescents from Acre, Amapa, Amazonas, Alagoas, Bahia, Ceara, Espirito Santo, Goias, Maranhão, Mato Grosso, Minas Gerais, Para, Parana, Pernambuco, Rio de Janeiro, Rio Grande do Sul, São Paulo and Sergipe.

## CULTURE

In 2011, Oi maintained its position as one of the main sponsors of culture in the country, giving Support to Projects in the fields of cinema, scenic arts, visual arts, dance, music, cultural heritage, technology and new media, publishing and documentation, popular culture and cultural spaces. As a result of the public announcement made in 2010, 185 projects were chosen from all the regions of the country, at the beginning of 2011, to

receive the Company's backing. In the second half of 2011 Oi Futuro, the administrator of Oi's Program of Fostered Cultural Sponsorships, launched a new public edict, for which over 4.5 thousand entries were registered.

Another highlight of 2011 was the significant presence of artists whose work was first exhibited in the cultural centers of Flamengo, Ipanema and Belo Horizonte in the Latin American Pavilion of the 54th Venice Biennial – the most important visual arts exhibition in the world, which was held between April and November of 2011.

Regarding the programming of the Cultural Centers, Oi Futuro Flamengo completed six years in activity with international features in visual arts, such as the shows "Warhol TV" and "Tony Oursler" – both unparalleled in Brazil and the collection "Pulso Iraniano", which introduced the Brazilian public to contemporary art from Iran. Oi Futuro Ipanema was the stage of great musical Projects such as Oi Sonoridades, overseen by Nelson Motta, and "A Bossa do Samba", promoting meetings of bossa-nova artists, like Roberto Menescal and Marcos Valle, and samba artists of the recent generation, like Teresa Cristina and Casuarina. The programming of the carioca cultural centers was also spotlighted by the annual balance of O Globo newspaper, which picked "O Filho Eterno", as one of the 10 best shows of the year and the exhibition of Italian photographer Gabriele Basilico as one of the ten best. At Oi Futuro Belo Horizonte, attention was focused on the opening of another gallery dedicated to graphic arts and photography. This new space was inaugurated with an unprecedented exhibition in Brazil of one of the most important cartoonists in the world, the French Plantu.

The success of these three cultural centers was reflected by the number of visitors. In Flamengo there were nearly 125 thousand, 43 thousand in Ipanema and around 63 thousand in Belo Horizonte.

## MUSEUM OF TELECOMMUNICATIONS

In its fifth year of existence, the Museum of Telecommunications – in Rio de Janeiro and also in Belo Horizonte (BH) – stepped up its educational program, strengthening bonds with institutions and improving complementary activities for the visitor. In Rio de Janeiro 13 thousand students participated in guided tours and, in BH, 10 thousand students. In both cities the Museum received over 70 thousand visitors.

Now in its second year, the Reserva Tecnica has established itself as a space to care for and store 23 thousand items from the archives of the Museum of Telecommunications (RJ) such as: telephone directories, telephone devices and equipment, a collection of the Sino Azul Magazine, and furniture from old telephone exchanges.

## SPORT

For the second year running, Oi was granted the seal of "Business Friend of Sports" from the Ministry of Sports, thus consolidating its position as sponsor of Brazilian sport. In 2011 it launched the second edict to select projects of sports and parasports, and 181 initiatives were entered. With the collaboration of external specialists, 12 projects were chosen, spread around the states of Ceara, Minas Gerais, Rio de Janeiro, Rio Grande do Sul, São Paulo and Tocantins. Execution of the Projects is forecast for 2012.

## ENVIRONMENT

Signatory to the Global Compact of the United Nations, Oi elaborated a Policy of Sustainability which pervades all its corporate actions. Through Oi Futuro, it offers support for 15 environmental projects, run by organizations spread throughout Brazil and benefiting nearly 7,400 people. They are projects which cover all of Brazil's biomes (Amazon, Caatinga, Cerrado, Atlantic Rainforest, Pampas, Pantanal and Coastal Zone) and are destined for a wide variety of target-publics.

## PARTNERSHIPS

In compliance with Law N° 9.504, of 30 of September 1997, Oi does not make financial or cash contributions to political parties, politicians or related institutions:

Art. 24. It is forbidden for party and candidate to receive donation directly or indirectly in cash or similar, including through advertising of any kind, originating from: ... III – companies with concessions or permission to operate public services.

## BROADBAND PROGRAM IN SCHOOLS

Presidential Decree 6.424 of 2008 reflected the negotiation process which resulted in the change of concession contracts with fixed line operators of SFTS (Switched Fixed-line Telephony Services). The operators took on the following commitments: to introduce backhaul\* in all Brazilian municipal capitals and install connections of 1Mbps in each of the 56 thousand urban public elementary and high schools by 2010 raising them afterwards to 2 Mbps. MEC updated the list for eligible public schools, correcting Oi's goal to approximately 51 thousand schools which should have access to broadband internet. In both cases, without onus for federal, state or municipal governments until 2025.

By December 2011, Oi brought access to high-speed internet connections to over 4,600 municipalities, in more than 49,800 urban public schools. The current number means that more than 100% of the initial commitment has been fulfilled. Furthermore with organs from the state and municipal sphere, it signed 4,745 terms of adhesion to multi-media communication services, donating modems as well.

Oi's partnership with the Federal Government in this program has been a success, since it has demonstrated the Company's capacity to promote digital inclusion in public schools, extending the access of these students to citizenship.

*\* Infrastructure of support network of Switched Fixed Telephone Service for broadband connection, interconnecting access networks to the backbone of the operator.*

## NATIONAL BROADBAND PLAN

In September 2011, Oi started a partnership with the Federal Government to introduce PNBL (National Broadband Plan), the target of which was to disseminate access to broadband in Brazil. The plan with 1 Mbps speed costs R\$ 35 per month and in the states in which sales tax exemption for broadband services was conceded, the offer stands at R\$ 29,90 per month. The plan was launched in 450 municipalities of 24 states up to December of 2011 and, by the end of 2014, no less than 4,800 towns will be covered by Oi under the scope of this Plan.

The offers conform to what was stipulated by the Commitment Terms of adhesion to PNBL, signed by Oi together with the Ministry of Communications and Anatel (National

Telecommunications Agency). Thanks to the initiative of the Federal Government, PNB will lead the process to popularize internet in Brazil. The focus is on expanding access to broadband in Brazil, promoting digital inclusion and diminishing social and regional inequalities in the country.

Oi, which has demonstrated its capacity to introduce public policies, by taking broadband to Brazilian schools, is proud to be taking part in yet another project which is so relevant for Brazil. Operating the biggest telecommunications network in the country, Oi is present in the remotest parts of the national territory. And, with this presence, it will contribute significantly to the process of popularizing broadband, a crucial factor in the development of Brazil.

#### **MILITARY WORLD GAMES**

Oi was the official provider of fixed and mobile telephony services of the 5th edition of the Military World Games “2100 Rio Games for Peace”, which were held from the 16th to the 24th of July. The competition assembled 6 thousand athletes from 110 countries to compete in 37 different sports.

The Military World Games received investments from the Ministry of Defense to the order of R\$ 1 billion in infrastructure, which included building military villas which will be used during the Olympic Games of 2016 to house referees. The Armed Forces recruited 300 athletes to take part in the tournament, who will also be able to compete in the Olympic Games of 2012, such as Barbara Leoncio, one of Brazil’s promising athletes sponsored by Oi.

It is very important for the Company to be present in a competition of this size, as this serves to confirm its actions with sports, one of the brand’s investment pillars, and sanction it as the official telecommunications operator of major sporting events, since it has already participated in the 2007 Pan American Games and is one of the sponsors of the 2014 World Cup.

#### **OPERATIONS CENTER OF RIO**

The Company is the official provider of a data network and fixed and mobile voice service for the Operations Center of Rio, which will integrate nearly 30 municipal organs and licensees in order to monitor and optimize the way the city functions, as well as anticipate solutions to minimize occurrences.

The data network supplied by Oi connects the main strategic organs of Rio’s City Hall (such as Civil Defense and the Municipal Guard) through 21 access points, which include the Rio Subway, the Supervia (urban train company) and Lamsa (concessionaire of the “Linha Amarela”, express highway connecting North and West Zones of the city). Voice services involve 100 fixed terminals and 70 mobile terminals.

This expanded communications network provides precise, integrated information in real time, enabling the Center to assist in the management and prevention of crises in the city and facilitate urgent decision-taking.

#### **VOCATIONAL TECHNOLOGY CENTERS**

In 2010 Oi signed a partnership with the State Secretary of Science, Technology and Upper Learning of Minas Gerais and handed over at the end of this same year the telecommunications infrastructure for the Vocational Technology Centers (CVT’s), which



serves over 360 municipalities, interconnecting 571 units. Consequently the centers have benefited more than 500 thousand citizens with certification in technical courses and one million people with internet access. The conclusion of the project to modernize the network technology made it possible in 2011 for the Secretary to renovate all the equipment and video-conference software which also brought benefits to the end users, the citizens. Another gain with this modernization was the improvement in quality and optimization of time, which made it feasible to offer users a wider range of training and technical courses.

In addition to technological advances, the Company's initiative regarding the CVT's in Minas Gerais is an assertion of its contribution to the issue of social inclusion. Besides the business itself, the partnership with Secretary of State was principally intended to play a strategic role in educating citizens.

The state of Minas Gerais, this past year, registered a record number of 145 thousand users enrolled by internet in its system of technical training courses, placing it first among national institutions in a world ranking.

The goal is to reach 200 CVT's functioning by 2014. With this network, the Company helps to foster and motivate business and government agents, the academic sector and society, energizing the whole process.

#### **FIFATM WORLD CUP**

Oi, sponsor of the 2014 FIFA™ World Cup, had an important role to play in 2011: the preliminary draw which defined the groups disputing the elimination games.

The event, which involved the participation of 200 countries, was held at the end of July in the city of Rio de Janeiro, where a complete network infrastructure was assembled to attend a modern media center that hosted nearly 500 reporters.

This event signified the start of the World Cup in Brazil, since the Final Draw (to pick the groups for the Cup) and the Confederations Cup will be held before the games themselves in 2014, for which the Company is already preparing so as to offer an efficient, top quality service.

The Company moreover received the Green Certificate of the Green IT Program, from the multinational Furukawa, for having returned all the cabling used in the infrastructure of the internal communications network of the event to be re-used. 2,432 kilos of material were recuperated, avoiding their inadequate disposal in the environment and rationalizing the usage of non-renewable resources.

#### **ACCESS TO INFORMATION IN REMOTE AREAS**

During the year of 2011, Oi began a major endeavor to make internet access available, through optical fiber networks, in the most remote areas in the Northern region of Brazil. This effort is being performed with the construction of new network infrastructure and the negotiation of agreements of international cooperation which together connect the region to internet and the world via fiber optics.

The optical fiber extension project became viable thanks to the alliance between governments of Brazil and Venezuela, as well as partnerships between Eletrobras, Eletronorte, Cantv and GlobeNet, subsidiary of Oi. The investments of Oi in Legal

Amazon derive from its own funds and two other sources of financing: Basa (Banco da Amazonia S/A), via FNO (Fundo de Desenvolvimento do Norte) and Sudam (Superintendencia de Desenvolvimento da Amazonia), with funds from FDA (Fundo de Desenvolvimento da Amazonia).

The first part of the project, taking broadband to the region of North Amazon (Manaus) and North Roraima (Boa Vista) was already completed in 2011. This not only provided quality of service in the big towns, but also social and cultural insertion in indigenous communities of the region. The Waimiri-Atroari community, with approximately 1500 natives, was one of the beneficiaries which now have access to information through the internet.

#### **POINTS OF PRESENCE OF THE BRAZILIAN ARMY**

In compliance with the requirements of Anatel (National Telecommunications Agency), concerning the acquisition process of Brasil Telecom, Oi is concluding the connection of 66 points of presence of the Brazilian Army: 41 outposts and border platoons, 3 border companies, 8 battalions, 6 regiments of mechanized cavalry, 6 military hospitals, 1 boot camp and one overseas point (Haiti).

The final points on the Brazilian border, which are isolated in the Amazon region and depend on the availability of Army transport to be established, will be connected in 2012.

#### **SUPPORT FOR COURTS OF LAW**

In order to simplify and speed up solutions to questions which reach the Judiciary, Oi has continued with its project "Expressinhos na Justiça" in conjunction with the State Law Courts. 32 units are spread around Brazil with the purpose of achieving conciliations.

Moreover Oi has backed the initiative of the National Council of Justice and of Courts of Law by holding a National Conciliation Week presenting proposals for agreements and acting in a differentiated manner to resolve all the demands made by its customers.

#### **COMMITMENT REASSERTED IN THE ANTARCTIC**

In March 2012, Oi reasserted its commitment with the Brazilian Navy to provide telecommunications services for the Comandante Ferraz Antarctic Station (EACF), which will be rebuilt after being struck by fire in February of this year. The renewal of the signed contract is to provide integrated telecommunications services for the base and has underscored the Company's desire to operate in this period of transition and project development, giving the necessary support to the teams involved in the efforts to rebuild Brazil's Antarctic stations.

With the renewal of the agreement, Oi will be acting in conjunction with the Brazilian Navy to execute a new telecommunications infrastructure for integrated services of voice, data, internet and TV reception, which had already been supplied to the base by the Company since 2006.

By this agreement, Oi must set up a ground satellite station which will connect the Brazilian base to the Navy's corporate network, ensuring the connectivity of military personnel and researchers installed in EACF and speedy communication with their families, the Navy's network and other research centers and universities on Brazilian soil. The commitment also includes training and qualification of the Navy teams, conducted annually, for operationalization of the system and maintenance of the equipment. Once a year, Oi will also conduct on-location inspection and preventive maintenance of the equipment.

In its 28 years of existence, the base has contributed to the development of a respected program of scientific research which has allowed Brazil to study the impacts of global climate change in the Antarctic and its consequences for the country and the world. Beyond its scientific importance, EACF gives Brazil the right to participate actively in decisions taken on the future of the Antarctic region.

The Company therefore understands that this agreement to service EACF is another initiative to reinforce the presence of Brazilian technology on the continent and provide continuity for the scientific research which has been made in recent years.

#### **TERM OF MUTUAL COOPERATION AGAINST PEDOPHILIA**

Oi believes that the internet should be used for the betterment of society's quality of life and that both children and adults may increase their knowledge in total safety. And because of this, it became the first operator to sign the Term of Mutual Cooperation Against Pedophilia with SaferNet Brazil (an entity to protect safe access to the internet), government bodies and telecommunications companies.

The Term, created in 2008, is intended to unify efforts to prevent and fight crimes against children and adolescents practiced under cover of the internet and also meet the need for greater efficiency, tracing the origin of internet connections through which the crimes were practiced and to engage more entities in educative and preventive actions.

The partnership between Oi and institutions covers a number of different actions and, since signing the Term, the Company has made big investments, which range from improvements to its network and techniques to identify authors of crimes against children and adolescents to communication actions which are designed to alert parents, children and adolescents about the safe use of the internet. An example of these actions of communication was their publication on the invoices of "Oi Fixo", in the newsletter of subscribers and messages recorded on the answer phone of "Oi TV". In addition to this, Oi participated in the World safe Internet Day, a forum held in over 65 countries to debate how to prevent internet crime and also launched telephone cards mentioning the issue of child protection in web use.

#### **PARTNERSHIPS EM SOCIAL CAMPAIGNS**

Oi not only supported the signing of the Term of Mutual Cooperation Against Pedophilia, but also the Campaign of the Ministry of Health, with its public phone cards, to combat dengue and produced a number of designs in partnership with the Armed Forces, Public Organs and nonprofit Associations and Entities in order to contribute with the dissemination throughout Brazil of the beauty spots, events, socio-cultural and institutional events of each State and stimulate tourism and support awareness campaigns.

## ANNUAL SOCIAL BALANCE

MAIN SOCIAL INDICATORS 2011						
1 - BASIS OF CALCULATION	2011 VALUE (R\$ THOUSANDS)			2010 VALUE (R\$ THOUSANDS)		
Net Revenue (NR)	27,906,989			29,479,382		
EBITDA*	8,765,993			10,295,000		
Gross Payroll (GP)	1,678,074			1,967,099		
2 - INTERNAL SOCIAL INDICATORS	VALUE (THOUSANDS)	% OF GP	% OF NR	VALUE (THOUSANDS)	% OF GP	% OF NR
Food	107,371	6.40%	0.38%	103,725	5.27%	0.35%
Compulsory social levies	395,659	23.58%	1.42%	338,562	17.21%	1.15%
Private insurance	56,731	3.38%	0.20%	50,889	2.59%	0.17%
Health	71,631	4.27%	0.26%	68,587	3.49%	0.23%
Occupational safety and medicine	7,664	0.46%	0.03%	6,525	0.33%	0.02%
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	21,612	1.29%	0.08%	11,809	0.60%	0.04%
Childcare or childcare assistance	7,438	0.44%	0.03%	6,897	0.35%	0.02%
Sharing of profits or results	57,939	3.45%	0.21%	318,322	16.18%	1.08%
Others	33,835	2.02%	0.12%	26,313	1.34%	0.09%
<b>Total - Internal Social Indicators</b>	<b>759,880</b>	<b>45.28%</b>	<b>2.72%</b>	<b>931,628</b>	<b>47.36%</b>	<b>3.16%</b>
3 - EXTERNAL SOCIAL INDICATORS	VALUE (THOUSANDS)	% OF EBITDA	% OF NR	VALUE (THOUSANDS)	% OF EBITDA	% OF NR
Education	25,965	0.30%	0.09%	24,065	0.23%	0.09%
Culture	71,948	0.82%	0.26%	66,156	0.64%	0.24%
Sport	15,512	0.18%	0.06%	8,476	0.08%	0.05%
<b>Total of contributions to society**</b>	<b>113,426</b>	<b>1.29%</b>	<b>0.41%</b>	<b>98,697</b>	<b>0.96%</b>	<b>0.38%</b>
Taxes (including social levies)	10,545,456	120.30%	37.79%	10,596,090	102.92%	35.94%
<b>Total - External Social Indicators**</b>	<b>10,658,882</b>	<b>121.59%</b>	<b>38.19%</b>	<b>10,694,787</b>	<b>103.88%</b>	<b>36.28%</b>

4 - INDICATORS RELATED TO EMPLOYEES

Number of employees at the end of year	13,224	11,819
Number of admissions during the year	2,993	1,525
Number of outsourced personal	141,384	128,216
Number of interns/trainees	549	417
Number of women working in the company	5,297	4,573
% of leadership positions helds by woman	25%	24%
Number of disabled or special-requirement	265	272

5 - OTHER INFORMATION

\* It was used EBITDA for this calculation, because the Corporate Restructuring. Further information on this process, can be found in the chapter About the Report.

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

CLIMATE GOVERNANCE

RISKS AND OPPORTUNITIES RESULTING FROM CLIMATE CHANGES

Oi pays careful attention to the scenario of climate change which is taking hold of the planet, as well as the impacts that these alterations can cause its customers. The risks of the Company resulting from global climate changes can be classified as operational, financial, strategic or of conformity.

Among the operational risks, most noteworthy are:

- Material damages to networks, exchanges, towers, telecommunication antennas and administered buildings caused by heavy rains, floods, landslides, winds, hurricanes, tornados or lightning;
- Reduction of useful life of equipment, due to moisture and salinity in the air;
- Delays or interruptions to the Company's service, because of the possibility of damage or failures in the network or equipment due to natural phenomena;
- Reduction in productivity of the Company's processes, as a result of the possibility of absence of employees affected by illnesses or epidemics of climatic origins;

Where its financial risks are concerned, most notable are the lack of coverage for certain assets and the increase in costs, both relative to contracting insurance to cover damage to equipment and installations caused by natural phenomena, as well as the consumption of water and electricity resulting from the average rise in temperature in the regions where the Company is operating.

Within the scope of strategic risks lies the possibility of the loss of customers and also damages to the Company's image caused by failures, delays and interruptions to service originating from climatic phenomena. Besides which, there is a possibility of limitation of the development or expansion of Oi's, in the event that a shortage of energy occurs due to climate changes.

Where risks of conformity are concerned, the most significant is a possibility of receiving expressive regulatory sanctions (including fines or the loss of license) for non-fulfillment of the minimum targets of service quality and availability offered to customers.

In the year of 2011 Oi, like thousands of people, suffered from the devastating effects of the significant increase of rain in different regions of Brazil, mainly in the Mountain Region of Rio de Janeiro and the Itajai Valley in Santa Catarina. Due to these events, the materialization of impacts on the telephone network was inevitable and for this reason merited the efforts of the Company's technical teams to recover the damages suffered and re-establish Oi's affected services within a reasonable period of time.

This work does not end there. The frequency of weather events and their impacts have brought Oi opportunities for continuous improvement to its operational resilience, as well as the possibility to develop new products and services to attend a new global scenario.

On another front, Oi has been doing its part by minimizing these impacts on nature. That is to say, it has been developing actions that aim for re-appraisal of its logistics (optimization of itineraries, fuel substitution, etc.), reduction of travel by the use of video-conferences, acquisition of green IT equipment, and also introduction of programs of energy efficiency. All these initiatives can contribute to reducing the effects related to global warming.

With a goal of increasing awareness among its employees, Oi has also been running educative campaigns of communication to familiarize and engage them in the prevention of climate change, so that they may help to optimize the use of the Company's internal resources, which in turn can progressively offer services more suited to the new global reality.

Since the Company considers it of utmost importance to be up-to-date with the most recent debates on climate change, it adhered to the Businesses for Climate Platform (EPC) in the last year. This initiative strives to debate and introduce corporate proposals which contribute to steering the Brazilian economy in the direction of a low carbon one, evaluating the risks and opportunities in the management of its greenhouse gas emissions, as well as collectively discussing practical solutions and contributions to regulation in the country.

## INVENTORY OF GREENHOUSE GASES EMISSIONS

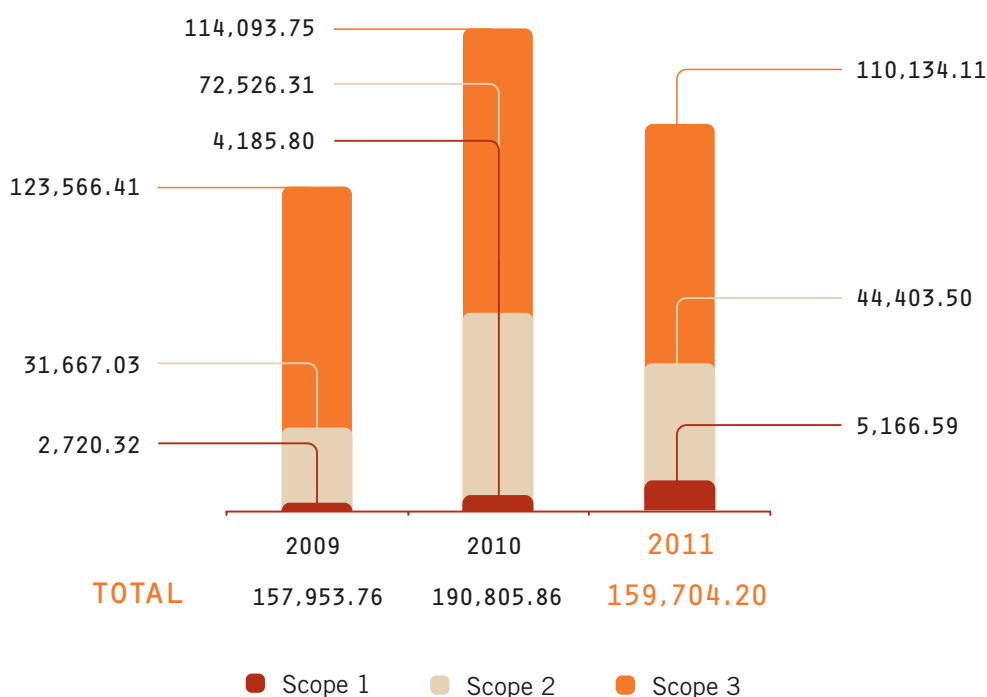
Oi annually conducts its inventory of Greenhouse Gases Emissions (GEE), with which it is possible to identify and quantify the Company's direct and indirect emissions, resulting from its economic activities. Since 2010 we are members of the ICO2 (Carbon Efficiency Index) of BM&F BOVESPA and we disclose the results of this inventory in the CDP (Carbon Disclosure Project), in the Brazilian GHG Protocol Program and on the Company website. In 2011 we joined the Businesses for Climate Platform (EPC), a corporate forum for the principal Brazilian companies to debate strategies to innovate and adapt to the challenges of climate change.

All the methodology used by Oi in the elaboration of its inventory stems from the Brazilian GHG Protocol Program, which adapted the methodology developed by the WRI (World Resources Institute) to the Brazilian context.

Regarding the profile of our emissions, Scope 1 refers to direct emissions that, in the case of Oi, take into account those coming from consumption of fuel by our own fleet or by that rented for the exclusive use of our employees; Scopes 2 and 3 refer to indirect emissions, where 2 is related to the consumption of electrical energy and 3 to emissions from third party services (building maintenance, internal and external plant maintenance, logistics, etc.) and transportation of employees (use of vans and taxis, air travel for business and daily travel made by employees going to and from work). Oi, with the guidance of the Brazilian GHG Protocol Program, reported its indirect emissions in accordance with the categories of Scope 3 determined by the program, which are based on international guidelines of the GHG Protocol. Oi's inventory, regarding emissions in the year of 2011, was given the verification certificate issued by Way Carbon.

A series of actions is in progress in the Company, with a view to managing the emissions of greenhouse gases, so that, in future, it will be possible to adopt goals to reduce them.

**SEE THE CHART BELOW WITH OI'S TOTAL EMISSIONS, EXPRESSED IN TONS OF CO<sub>2</sub> EQUIVALENT**



**SEE THE CHART BELOW WITH EMISSIONS OUTSIDE BRAZIL, EXPRESSED IN TONS OF CO<sub>2</sub> EQUIVALENT**

COUNTRY	SCOPE 1	SCOPE 2	SCOPE 3
<b>Total</b>	<b>8.25</b>	<b>1,504.68</b>	<b>744.83</b>
USA	4.12	1,113.28	565.02
Venezuela	2.06	10.60	88.82
Colombia	0.00	0.99	78.68
Bermuda	2.06	379.82	12.31

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

## ENVIRONMENTAL IMPACTS AND MITIGATING ACTIONS

### **The telecommunications activity is not considered potentially pollutant according to Resolution n° 237/1997, of CONAMA (National Council of the Environment), which regulates environmental licenses.**

This resolution concerns, in its Annex 1, activities subject to environmental license, being those which are considered effectively or potentially pollutant and which in some way might cause environmental degradation.

The activity of telecommunications services is not covered by the above-mentioned Annex 1 and as such, including where its properties are concerned (real estate), the Company is in compliance with the legislation. Nevertheless, the Company's activities can generate certain environmental impacts as a result of installation and maintenance operations of its plant, or even of its administrative activities. Activities such as civil construction, installation and repair to networks and antennas, building maintenance involve the following main environmental impacts: the generation of solid waste, air pollution from automotive vehicles and generators, noise emissions and visual pollution from radio base stations (RBS's) and antennas.

The Company has worked to identify the risks and eventual impacts resulting from its activities and is alert to the evolution of new policies, laws and legal projects, including where these concern waste management in the value chain of telecommunications companies. Furthermore it respects normative initiatives taken by the regulatory organ of telephony service or by government organs, with the intention of incorporating principles and criteria of environmental management in the execution of Company activities.

### **EXPOSURE TO ELECTROMAGNETIC FIELDS**

In Brazil, the limits of human exposure to electrical, magnetic and electromagnetic fields are stipulated by Law 11.934 of 2009, which has adopted the limits defined by the ICNIRP (International Commission of Protection Against Non Ionizing Radiation), recommended by the World Health Organization (WHO). These norms cover everyone, including children and pregnant women.

The levels of radio base stations (RBS's) are adequate and are considerably lower when compared to the services of radio and television transmission in operation for over 50 years, without adverse effects on health. However there is not yet a final position from the world's scientific community on possible risks to health from electromagnetic radiations.

Oi has RBS's installed in Brazilian Territory, which have a radius coverage varying between dozens of meters and several kilometers (usually less than 5km), and takes measurements of electromagnetic emissions and noise levels, in order to keep them at established levels.

Anatel (National Telecommunications Agency) may make inspections to check the level of electromagnetic fields and follows up with studies on the subject, participating in meetings of the International Consultative Committee of the World Health Organization (WHO), which are in some way related to the International Project of Magnetic Fields (EMF Project), the purpose of which is to debate national activities, investigative programs and legislation of this topic.



The Company complies with the requirements of Anatel regarding limits of radio frequency for mobile phones and presents reports concerning the intensity of the field of non-ionizing radiation of the RBS's. It also adopts measures to reduce the level of noise of equipment in its installations.

Oi also uses geo-technology systems which allow it to identify the existence of RBS's in units of environmental conservation so that all the environmental licenses of the mobile network may be reviewed by mapping geographical coordinates, in order to guarantee total compliance with the specific environmental legislation in force of each area of conservation.

Aligned with the legislation and the National Policy of Environment, Oi is increasing and improving the quality of its network so as to minimize any interference in the environment.

Its constant pursuit of improvement in the quality of its services is reflected in Oi's Policy of Sustainability, which stipulates respect for the environment in technological development, with rational use of available and renewable resources. These aspects, together with its compliance with the obligations of organs which administer and regulate our activities, are a demonstration of the Company's commitment to sustainable development.

## WATER AND ENERGY

The volume of water used by the Company in 2011 in its administrative buildings and supplied by water companies, was 1,820,624 m<sup>3</sup>. In order to reduce this consumption, Oi is taking certain actions such as periodic monitoring of water meters, effectively controlling consumption and detecting possible problems in the supply system, use of low-flow devices in taps, showerheads and toilets, as well as orienting cleaning teams on how to wash courtyards.

Energy is a crucial input for Oi to conduct its activities and operations. Consumption of electrical power in 2011 came to 5,489,956.08 GJ (Gigajoule – 109). Oi uses diesel and gasoline in emergency generators, however data for this consumption has not yet been calculated. The electrical energy consumed by Oi is supplied by electricity companies in Brazil, where the energy matrix is considered to come from mixed sources, but predominantly from renewable ones (hydro-electric).

The following are the most noteworthy actions taken by the Company, in its main installations, to reduce the consumption of electrical energy:

- substitution of the acclimatization systems at the end of their useful lives, and adaptation of environments. In the last year investments were made to modernize acclimatization systems in 205 Telecommunications Centers, to a total of 36,810,000 BTU's;
- acquisition of equipment to supply stabilized power with high-performance and efficiency. In the last year, investments were made to modernize stabilized power systems, in 445 Telecommunications Centers, to a total of 317,018 A (Amperes);
- utilization of photovoltaic systems (solar panels) in sites which could not be supplied with commercial power;
- automation and performance control of the acclimatization systems in 25 large-scale buildings in 6 States (Rio de Janeiro, Bahia, Pernambuco, Rio Grande do Norte, Ceara and Piaui);

- exchange of lighting systems with fluorescent lamp bulbs of 20 and 40 Watts for high-efficiency bulbs and lamps in 36 large-scale buildings spread around 8 States (Rio de Janeiro, Bahia, Pernambuco, Rio Grande do Norte, Ceara, Piaui, Amazonas and Para).

These actions helped to economize 66.228,048 GJ (Gigajoule – 109) of electrical energy within the Company in 2011. Moreover Oi increased its purchases of electrical energy in the free market of renewable hydraulic sources (small hydro-electric stations) and from generators of biogas. Because of this, about 12% of its consumption is supplied by these sources with incentives, contributing to the use of clean energy.

## GREEN IT

Activities relating to Information Technology (IT) consume a significant amount of energy. However one of the main ways to contribute to the Company's strategy of Sustainability is to use energy more efficiently. The most important actions taken include:

- substitution of cathode tube monitors with low consumption LCD/LED monitors;
- use of programs to switch off automatically monitors, disks and computers in order to rationalize energy consumption with all micro-computers;
- acquisition of IT equipment with greater energy efficiency, and also introduction of virtualization project of approximately 1000 servers in Data Centers;
- increase of energy efficiency in the Data Centers, through the introduction of infrastructure works, such as the utilization of HFC 134 refrigerating fluid (legally accepted according to international treaties to protect the ozone layer) and more intelligent installations with automatic and granular programming for temperature and lighting controls in the environment;
- inclusion of items of energy consumption and green IT when evaluating all the equipment acquired by the area of IT;
- substitution of obsolete equipment with other more modern, providing gains in space and energy. Besides actions of this kind, in coming years the IT area of the Company will be involved with structural projects designed to reduce the number of systems used and promote an update of technology to help with this substitution of equipment.

Reducing the relative consumption of energy of the Data Centers and guaranteeing that the growth of installed capacity will be supported by the least amount of energy possible; these are the Company's ongoing challenges.

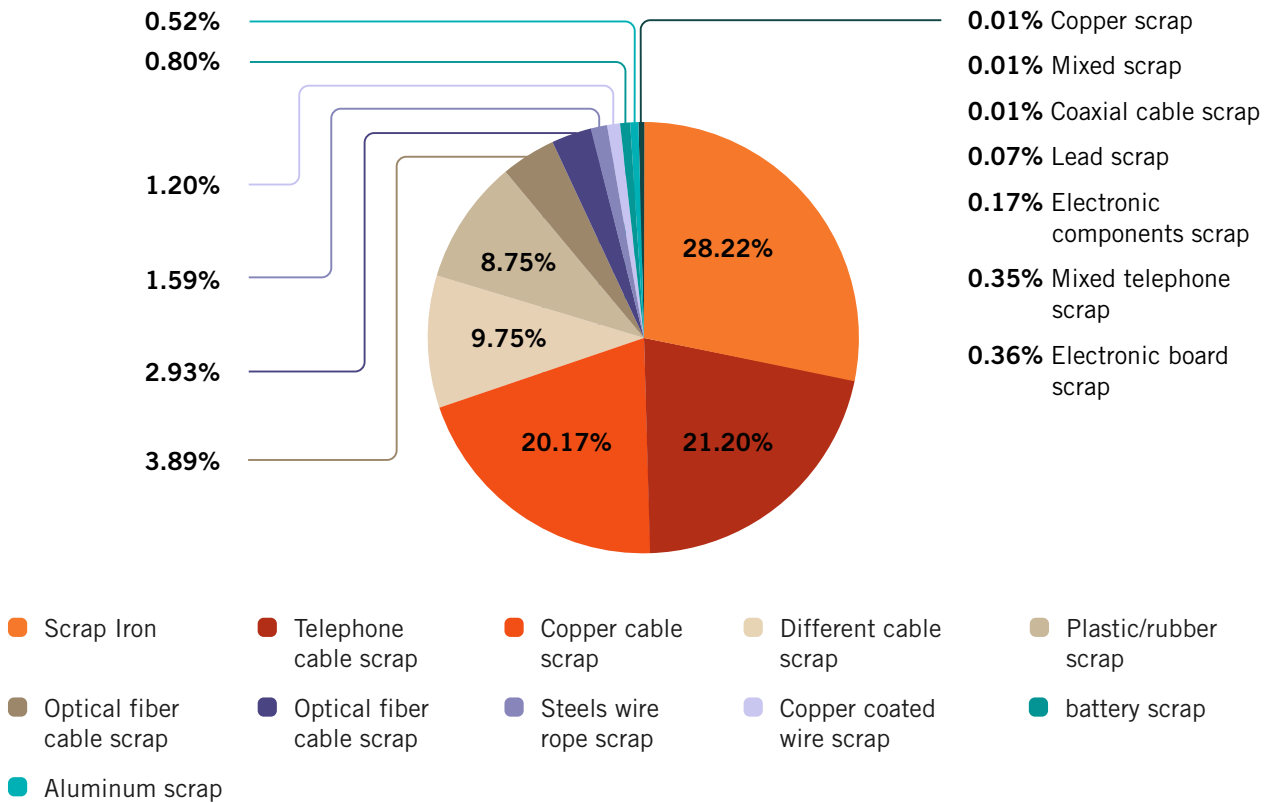
## WASTE MANAGEMENT

In order to reduce the environmental impacts resulting from its operations, Oi manages discarded materials (scrap) together with its contractors, ensuring that they are sold to recycling companies accredited by environmental organs.

In 2011, 3,358.84 tons of scrap were sold for recycling, comprising copper, aluminum and iron materials, optic fiber cables, batteries, telephone cables, IT scrap, fiberglass,

parts of vandalized public telephones, furniture scrap and others. From the recycling of these materials, it is possible to make street sweeping brooms, garbage bags, recycled polyethylene and PVC.

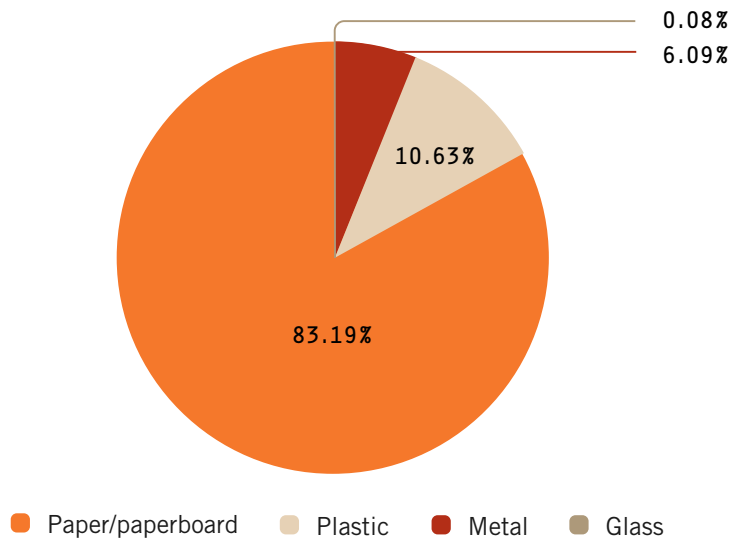
WASTE MANAGEMENT – SALES PER TYPE OF MATERIAL



With the intention of ensuring the proper disposal of waste generated by its activities, the Company promotes the re-purchase of unserviceable stationary batteries (used in antennas), by a specific supplier, duly certified by the competent national organs, who offers adequate treatment in handling, storage, collection, transportation and recycling of the acquired batteries. The Company requires that this supplier is in conformity with the environmental standards in force as well monitoring and adoption of the necessary corrective environmental measures. In 2011, 1,373.42 tons of these batteries were sent for re-purchasing.

The Company also makes selective waste collection in its principal administrative buildings, which resulted in the collection of 205.90 tons of recyclable materials, as shown in the following graph:

SELECTIVE WASTE COLLECTION – PER TYPE OF MATERIAL



Oi’s selective waste collection is not only a benefit for the environment but also for the life of the community, generating income for the cooperatives of curbside collectors, whose partnership is also signed with local authorities and with private recycling companies.

Oi also places collection bins in its stores to receive cellphones, batteries and accessories in order to contribute to environmental preservation and to comply with federal regulations applied in consequence of Resolution 401/08 of CONAMA (National Council of the Environment).

To encourage consumers to dispose of their electronic waste correctly, the Company ran external communication campaigns with advertisements in newspapers, magazines, internet and radio spots. It also has an informative page on its website regarding collection points throughout the Country. Oi extends this initiative also to its employees, by making collection bins available in nearly 40 administrative buildings and issuing regular internal communications to make them aware of the importance of proper disposal of their cellphones, accessories and batteries. Considering both administrative buildings and stores, some 43 thousand items were sent for recycling as a result in 2011.

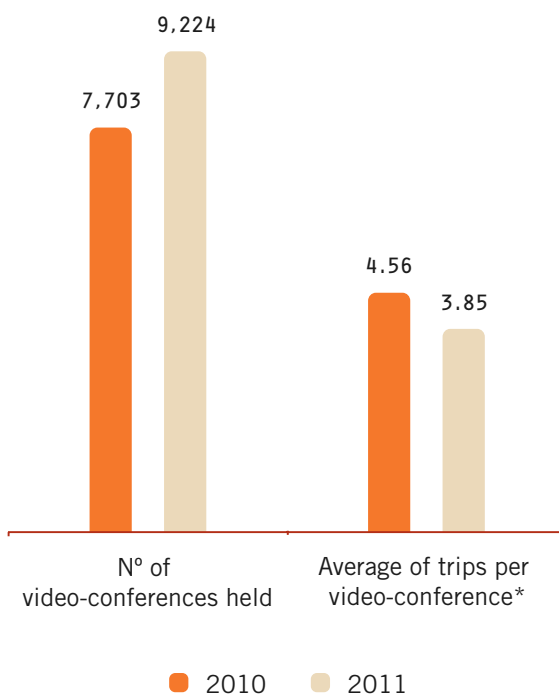
This collection is made in partnership with a specialized reverse logistics Company, which carries out environmentally correct disposal of the collected items.

Oi was granted the Green Certificate from the Green IT Program of the multinational Furukawa, for having returned for reuse all the cabling used in the infrastructure of the internal communications network of P-Draw, the preliminary drawing that defined the groups which will dispute the elimination games of the FIFA 2014™ World Cup. 2,432 kilos of material were reused, which avoided its inadequate disposal in the environment and rationalized utilization of non-renewable resources.

In pursuit of improvements to its processes and in keeping with its actions of Sustainability, Oi contracted the NGO “Doe Seu Lixo” (Donate Your Waste) for periodical recycling of out-of-date phone directories. In 2011, 40 tons of directories with out-of-date information were donated, produced as a reserve to meet customer demand. The goal of this initiative is to find a more useful end-use for this kind of disposal and stress the importance of the Company’s environmental responsibility.

## OTHER ACTIONS

In order to contribute to environmental preservation and with a view to cost reduction, Oi increased the number of video-conference rooms, so as to diminish its corporate travel. Compared to 2010, there was an increase in 2011 of about 20% in the use of this tool by employees. Similarly the ratio between the number of trips and video-conferences held dropped, as shown by the following chart:



\* Shows how many video-conferences were held for each x number of trips.

Among other actions the Company continued to take, that are worthy of mention, are the standardization of its printers to print both sides; the reduction of the corporate fleet (by about 10%) and the dry-cleaning of its fleet in several States (with the use of biodegradable products and consequent reduction in water consumption). In addition, with the launching of the service “Conta Online”, in the new internet portal “Minha Oi”, customers could choose not to receive their bills printed, downloading the data from a personalized space. By the end of 2011, nearly 89 thousand terminals\*\* were registered at “Conta Online”.

Another initiative introduced in the last year, the result of employees’ suggestions, through a platform of web collaboration, Interativa, was the use of reusable envelopes for internal correspondence. These reusable envelopes have a layout with a space for several senders and receivers and can be used 12 times before being discarded, thus reducing costs with printing labels and also the amount of paper used.

Oi continued its initiative of digitalizing the legal cases of a civil society nature, equivalent to 35 million pages in 2011, eliminating the need for physical management. This action even meant that there was no need to make photocopies,

since the original documents were returned to the offices of the notary public and the copies to the lawyers' offices.

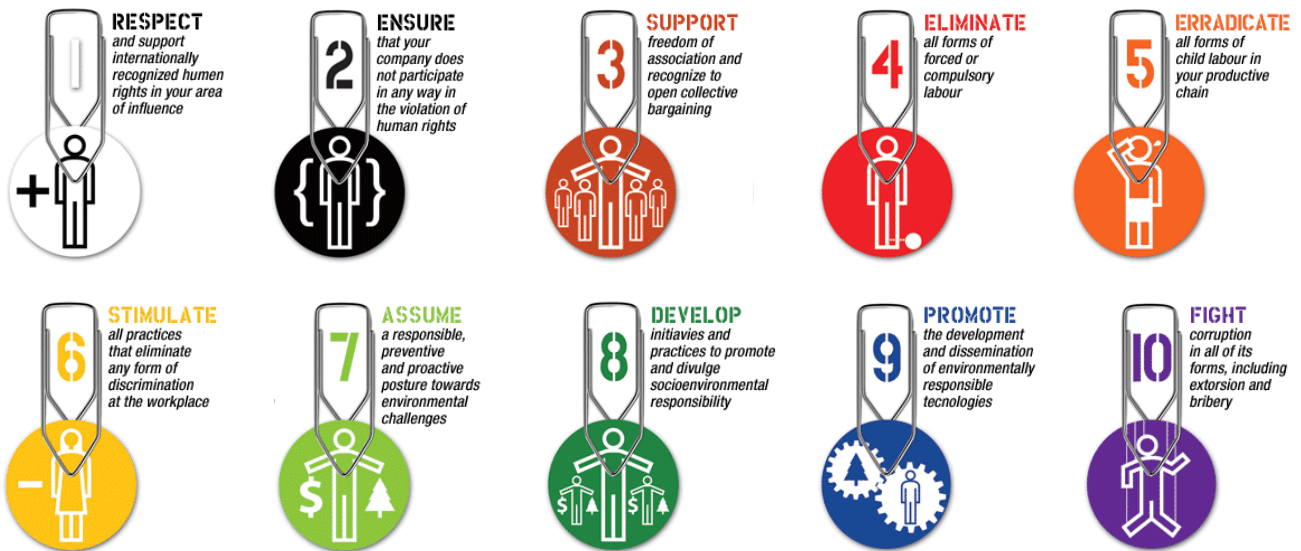
\* *Unavailable until this time for the "Oi Conta Total" service*

\*\* *The term terminals refers to the products that the Customers contract with Oi. For example, a Customer who has "Oi Fixo" and "Oi Velox" represents two terminals for the Company.*

## COMMUNICATION OF PROGRESS: GLOBAL COMPACT

Hereafter Oi presents the list of actions taken during 2011 which are connected with the 10 Principles of the United Nations' Global Compact, a commitment which it has taken on voluntarily since 2009.

### CORRELATION WITH PRINCIPLES OF GLOBAL COMPACT



### CORRELATION WITH MILLENNIUM OBJECTIVES



ACTIONS/ INITIATIVES	CORRELATION WITH PRINCIPLES OF GLOBAL COMPACT										CORRELATION WITH MILENNIUM OBJECTIVES								LOCATION IN THE 2011 ANNUAL SUSTAINABILITY REPORT
	1	2	3	4	5	6	7	8	9	10	1	2	3	4	5	6	7	8	
Education for Sustainability Program (Sustainability Trail).																			The Company > Commitments To Sustainability
Insertion of the Sustainability Module in the Generation Program (Trainees and members of PDA).																			The Company > Commitments To Sustainability
Policy of Sustainability																			The Company > Commitments To Sustainability
Code of Ethics																			Corporate Governance > Ethics
Actions of the Agents of Ethics																			Corporate Governance > Ethics
Actions of the Ethics Committee																			Corporate Governance > Ethics
Online training (e-learning) of Ethics																			Socioenvironmental Performance > Relations With Employees
Sustainability in the Chain of Suppliers																			Socioenvironmental Performance > Relations With Suppliers
The New Brasils																			Socioenvironmental Performance > Relations With Society > Oi Futuro
Oi Program of Fostered Cultural Sponsorships																			Socioenvironmental Performance > Relations With Society > Oi Futuro
Actions of Internal Auditing																			Corporate Governance > Internal Auditing
Oi Tonomundo																			Socioenvironmental Performance > Relations With Society > Oi Futuro
Oi Program of Projects for the Environment																			Socioenvironmental Performance > Relations With Society > Oi Futuro
Inventory of GHG Emissions (Greenhouse Gases)																			Socioenvironmental Performance > Climate Governance
Volunteer Program in association with Junior Achievement.																			Socioenvironmental Performance > Relations With Employees
NAVE – Advanced Nucleus in Education																			Socioenvironmental Performance > Relations With Society > Oi Futuro
Educopedia																			Socioenvironmental Performance > Relations With Society > Oi Futuro

ACTIONS/ INITIATIVES	CORRELATION WITH PRINCIPLES OF GLOBAL COMPACT										CORRELATION WITH MILENNIUM OBJECTIVES								LOCATION IN THE 2011 ANNUAL SUSTAINABILITY REPORT
	1	2	3	4	5	6	7	8	9	10	1	2	3	4	5	6	7	8	
Fostered Sports Sponsorship																			Socioenvironmental Performance > Relations With Society > Oi Futuro
Collective Labor Agreement and Working Hours Agreement - 2010/2012																			Socioenvironmental Performance > Relations With Employees
Oi Kabum! - Art and Technology Schools																			Socioenvironmental Performance > Relations With Society > Oi Futuro
Adhesion to Business Platform of Companies for the Climate (EPC).																			Socioenvironmental Performance > Climate Governance
Waste management																			Socioenvironmental Performance > Environmental Impacts And Mitigating Actions
Selective waste collection in the main administrative buildings																			Socioenvironmental Performance > Environmental Impacts And Mitigating Actions
Channel for accusations on the website																			Corporate Governance > Ethics
Free association for unions and collective bargaining																			Socioenvironmental Performance > Relations With Employees
Minha Oi																			Socioenvironmental Performance > Relations With Customers And Consumers
Actions to reduce greenhouse gas emissions (GHG)																			Socioenvironmental Performance > Climate Governance
Actions to reduce electrical power consumption																			Desempenho Socioambiental > Impactos Ambientais E Ações Mitigatórias
Actions to reduce water consumption																			Socioenvironmental Performance > Environmental Impacts And Mitigating Actions
Green IT																			Socioenvironmental Performance > Environmental Impacts And Mitigating Actions
Collection and special disposal of batteries and phone devices.																			Socioenvironmental Performance > Environmental Impacts And Mitigating Actions



ACTIONS/ INITIATIVES	CORRELATION WITH PRINCIPLES OF GLOBAL COMPACT										CORRELATION WITH MILENNIUM OBJECTIVES								LOCATION IN THE 2011 ANNUAL SUSTAINABILITY REPORT
	1	2	3	4	5	6	7	8	9	10	1	2	3	4	5	6	7	8	
Standardization of printers for printing front and backside																			Socioenvironmental Performance > Environmental Impacts And Mitigating Actions
Dry cleaning of fleet																			Socioenvironmental Performance > Environmental Impacts And Mitigating Actions
Utilization of Returnable Envelopes																			Socioenvironmental Performance > Environmental Impacts And Mitigating Actions
Collection and Delivery of Donations to Institutions.																			Socioenvironmental Performance > Relations With Employees
Humanitarian Campaign - Support for victims of the Floods in the Mountain Region of Rio de Janeiro																			Socioenvironmental Performance > Relations With Employees
Broadband Program in Schools																			Socioenvironmental Performance > Relations With Society> Partnerships
Term of Mutual Cooperation against Pedofilia																			Socioenvironmental Performance > Relations With Society> Partnerships
Accessibility for Customers																			Socioenvironmental Performance > Relations With Customers And Consumers
Support for World Military Games																			Socioenvironmental Performance > Relations With Society> Partnerships
Sponsorship, supply and actions in the events of the FIFA 2014 World Cup																			Socioenvironmental Performance > Relations With Society> Partnerships
Online training (e-learning) of Corporate Governance, Risk Management, Internal Controls.																			Corporate Governance > Governance At Oi
OI INOVAÇÃO																			Economic Performance > Investments > Investments In Innovation, Research And Development

ACTIONS/ INITIATIVES	CORRELATION WITH PRINCIPLES OF GLOBAL COMPACT										CORRELATION WITH MILENNIUM OBJECTIVES								LOCATION IN THE 2011 ANNUAL SUSTAINABILITY REPORT
	1	2	3	4	5	6	7	8	9	10	1	2	3	4	5	6	7	8	
Web collaboration platform - Inovativa																			Socioenvironmental Performance > Relations With Employees
Donation of telephone directories to NGO Doe seu Lixo																			Socioenvironmental Performance > Environmental Impacts And Mitigating Actions
Use of videoconferences																			Socioenvironmental Performance > Environmental Impacts And Mitigating Actions
Reduction of the corporate fleet																			Socioenvironmental Performance > Environmental Impacts And Mitigating Actions
Mapping corporate risks																			Corporate Governance > Management Of Risks And Internal Controls
Program for Mothers-to-be																			Socioenvironmental Performance > Relations With Employees
Actions of the Committee for Corporate Governance, Disclosure and Sustainability																			Corporate Governance > Governance At Oi
Program of Continuous Use Medicines																			Socioenvironmental Performance > Relations With Employees
Healthy Living Program																			Socioenvironmental Performance > Relations With Employees
Preventive Actions (Periodical Exams, Health Education, Health in Action, Vaccination)																			Socioenvironmental Performance > Relations With Employees
Campaigns to encourage blood and bone marrow donations.																			Socioenvironmental Performance > Relations With Employees
Brazilian Navy Agreement - Antarctic Base																			Socioenvironmental Performance > Relations With Society> Partnerships
Partnerships in Social Campaigns																			Socioenvironmental Performance > Relations With Society> Partnerships
Public disclosure of Reports, Results, Acts, Minutes, Relevant Facts, Bulletins and Filings.																			Corporate Governance > Governance At Oi

ACTIONS/ INITIATIVES	CORRELATION WITH PRINCIPLES OF GLOBAL COMPACT										CORRELATION WITH MILENNIUM OBJECTIVES								LOCATION IN THE 2011 ANNUAL SUSTAINABILITY REPORT
	1	2	3	4	5	6	7	8	9	10	1	2	3	4	5	6	7	8	
Accusation Channel of the Fiscal Council																			Corporate Governance > Governance At Oi
Quality of Life Program																			Socioenvironmental Performance > Relations With Employees
Actions of JOIA Program - Oi Way to Serve and Learn																			Socioenvironmental Performance > Relations With Employees
Examination Center of Professional Training (CEQUAL)																			Socioenvironmental Performance > Relations With Suppliers
Users Council																			Socioenvironmental Performance > Relations With Customers And Consumers
Governance Portal of the Board of Directors																			Corporate Governance > Governance At Oi
Internal Controls Environment suitable for Sarbanes-Oxley Certification																			Corporate Governance > Management Of Risks And Internal Controls
Information Security Management																			Corporate Governance > Information Security
Museum of Telecommunications and Art Exhibitions																			Socioenvironmental Performance > Relations With Society> Oi Futuro
Access to Information in Remote Areas																			Socioenvironmental Performance > Relations With Society> Partnerships
Employee Advancement Programs																			Socioenvironmental Performance > Relations With Employees

# ABOUT THE REPORT

## PROFILE OF THE REPORT AND APPLICATION LEVEL

**For the first year, this report was drawn up based on the principles of the third version (G3) of the Guidelines of the Global Reporting Initiative (GRI) and consolidates economic-financial, social and environmental information which refers to the period from January 1st to December 31st 2011. Published annually, the previous document was published in April 2011.**

Oi declares of its own accord that this report fulfills the requirements of the Application Level C of GRI G3, which was also submitted to this organization for verification of the application level (Application Level Check).

In comparison with the Annual Sustainability Report of 2010, this document brings important changes, brought about by the corporate reorganization and described below.

This report includes the consolidated financial and operational information of Oi S/A and its direct and indirect subsidiaries on 31/12/2011 which, following the instruction of CVM, are being presented in accordance with international accounting norms (IFRS).

On 31/12/2011, the corporate reorganization had not yet been approved and Oi S/A had not incorporated Tele Norte Leste Participações S/A (TNL), Coari Participações S/A (Coari) and the shareholders of Telemar Norte Leste S/A (TMAR). Nevertheless, with the approval of the corporate reorganization, on 27/02/2012, both TNL and Coari and the shareholders of TMAR were incorporated by Oi S/A, TNL and Coari were then shut down and TMAR became a full subsidiary of Oi S/A. With this, the result presented in this report represents Oi S/A (the remaining Company and new denomination of Brasil telecom S/A) at the end of December 2011, when the consolidated results of the three other companies had not been incorporated. However to facilitate comprehension of the business, we are presenting the pro-forma consolidated results, equivalent to the old numbers of TNL, of physical numbers; revenues, costs and expenses (EBITDA); debts, investments and cash flow, as if the incorporations had taken place on 31/12/2011. The results presented as Oi S/A Consolidated are equivalent to the old numbers of Brasil Telecom.

The information of a social and environmental nature consolidates, for the most part, indicators on 31/12/2011 of the following companies: TNL PCS S/A, Telemar Norte Leste S/A, Paggo Administradora de Credito, Brasil Telecom S/A, 14 Brasil Telecom Celular S/A, Brasil Telecom Comunicação Multimidia Ltda, Brasil Telecom Cabos Submarinos Ltda and Globenet Internacional. This information was based on corporate standards and verified internally.

As this is the first year following the guidelines of the GRI, this report does not offer a comparison of said indicators with data from previous years. As of this edition, the Company will be able to establish standards of comparison for indicators between years.

The interests and expectations of the stakeholders are fundamental for defining the quality of a Sustainability report and the inclusion of this public through a process of engagement can serve as a tool for taking decisions in organizations.

The principle stakeholders of Oi include consumers, customers, suppliers, employees, regulatory organs, government, competition, investors, press, shareholders, banks, non-government organizations (NGO's), families of employees, unions, universities and schools as well common interest associations. For the process of elaborating this report, Oi selected 12 of these interested parties (from an analysis of influence on the organization), who were consulted by e-mail. The results of an internal analysis of the Company were added to the aspects of the GRI most mentioned as relevant by the stakeholders, in accordance with their impact on the business. Those are:

- Economic Performance;
- Presence in the Market;
- Energy;
- Water;
- Emissions, effluents and wastes;
- Products and Services;
- Conformity;
- Transportation;
- Health and Safety at work;
- Training and Education;
- Diversity and equal opportunity;
- Non-discrimination;
- Freedom of association and collective bargaining agreements;
- Child labor;
- Forced or equivalent to slave labor;
- Community;
- Corruption;
- Public policies;
- Health and safety of the customer;
- Customer privacy;

Starting from this analysis, the topics to report were chosen and then a feasibility study was made of the compilation of these data. Since this report is the first to be made by the Company for verification and disclosure of GRI indicators, some of these connected with the most relevant aspects were not readily available for compilation. Oi, however, is already making preparations so that its next annual Sustainability report will include a greater number of indicators for a deeper analytical coverage of its economic, social and environmental impacts.

The resulting indicators of this process are described throughout this document and can also be found in the Remissive Index.

Oi is aware of the importance of conducting an engagement process with its stakeholders and hopes to expand this in its next report, so that the receptivity and utility of this publication will be increased for this public.

The Company believes that investors, shareholders, customers, consumers, employees, researchers, competitors, government and the press are the stakeholders who will make most use of this report.

Perfecting administration of its indicators is one of the Company's big challenges, as well as incorporating them into its strategic management. Adoption of the GRI model, based on internally accepted criteria, reinforces the Company's commitment to good practices of Governance and transparency, by being accountable to its stakeholders, as well as helping in the diagnosis of its impacts and its socioenvironmental performance.



**Statement**  
**GRI Application Level Check**

GRI hereby states that **Oi S/A** has presented its report "Annual Sustainability Report 2011" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level C.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 16 May 2012



Nelmara Arbex  
Deputy Chief Executive  
Global Reporting Initiative



*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. [www.globalreporting.org](http://www.globalreporting.org)*

**Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 8 May 2012. GRI explicitly excludes the statement being applied to any later changes to such material.

## INDEX

STRATEGY AND PROFILE				
1. Strategy and Analysis				
Profile Disclosure	Description	Location in Report online	Principle Global Compact	Page in PDF
1.1	Statement from the most senior decision-maker of the organization.	The Company>Message from the Management	-	1
		The Company> Message from the CEO		3
2. Organization Profile				
Profile Disclosure	Description	Location in Report online	Principle Global Compact	Page in PDF
2.1	Name of the organization.	The Company > Organization Profile	-	5
2.2	Primary brands, products, and/or services.	The Company > Organization Profile	-	5
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	The Company > Ownership Structure	-	5
		The Company > Organization Profile		6
2.4	Location of organization's headquarters.	About the Report > Corporate Information	-	126
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	The Company > Organization Profile	-	5
2.6	Nature of ownership and legal form.	The Company > Organization Profile	-	5
		The Company > Ownership Structure		6
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	The Company > Organization Profile	-	5
2.8	Scale of the reporting organization.	The Company > Organization Profile	-	5
		Economic Performance > Operating Performance		54
		Economic Performance > Economic and Financial Performance		56
		Social and Environmental Performance> Internal Performance Indicators		71
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	About the Report > Profile of the Report and Application Level	-	116
		Economic Performance > Corporate Reorganization		66
2.10	Awards received in the reporting period.	The Company > Intangible Assets > Awards and Recognition		17

### 3. Report Parameters

Profile Disclosure	Description	Location in Report online	Principle Global Compact	Page in PDF
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	About the Report > Profile of the Report and Application Level	-	116
3.2	Date of most recent previous report (if any).	About the Report> Profile of the Report and Application Level	-	116
3.3	Reporting cycle (annual, biennial, etc.)	About the Report > Profile of the Report and Application Level	-	116
3.4	Contact point for questions regarding the report or its contents.	About the Report > Corporate Information	-	126
3.5	Process for defining report content.	About the Report > Profile of the Report and Application Level	-	116
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	About the Report > Profile of the Report and Application Level	-	116
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	About the Report > Profile of the Report and Application Level	-	116
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	About the Report > Profile of the Report and Application Level	-	116
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	About the Report > Profile of the Report and Application Level	-	116
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	About the Report > Profile of the Report and Application Level	-	116
3.12	Table identifying the location of the Standard Disclosures in the report.	About the report > GRI Remissive Index	-	119

### 4. Governance, Commitments, and Engagement

Profile Disclosure	Description	Location in Report online	Principle Global Compact	Page in PDF
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Corporate Governance> Board of Directors and Councils		24
		Corporate Governance> Governance at Oi> Corporate Governance Structura		23



4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Corporate Governance> Board of Directors and Councils	1-10	24
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Corporate Governance> Board of Directors and Councils	1-10	25
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Economic Performance> Capital Markets> Investor Relations	1-10	64
4.14	List of stakeholder groups engaged by the organization.	About the Report> Profile of the Report and Application Level	1-10	116
4.15	Basis for identification and selection of stakeholders with whom to engage.	About the Report> Profile of the Report and Application Level	1-10	116

### STANDARD DISCLOSURES PART III: PERFORMANCE INDICATORS

#### ECONOMIC

##### Economic performance

Performance Indicator	Description	Location in Report online	Principle Global Compact	Page in PDF
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Social and Environmental Performance> Climate Governance> Risks and Opportunities resulting from Climate Changes	7	101
EC3	Coverage of the organization's defined benefit plan obligations.	Social and Environmental Performance> Relations with Employees> Health, Well Being and Quality of Life	-	82
EC4	Significant financial assistance received from government.	Corporate Governance> Investment> Investment in Innovation, Research and Development	-	60
		Social and Environmental Performance> Relations with Society> Oi Futuro		92
		Social and Environmental Performance> Annual Social Balance		100

##### Market presence

Performance Indicator	Description	Location in Report online	Principle Global Compact	Page in PDF
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	Social and Environmental Performance> Relations with Employees> Career and Development	1	79
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Social and Environmental Performance> Relations with Suppliers	-	86
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Social and Environmental Performance> Relations with Employees> Career and Development	6	79

**ENVIRONMENTAL**

**Materials**

**Energy**

Performance Indicator	Description	Location in Report online	Principle Global Compact	
EN3	Direct energy consumption by primary energy source.	Social and Environmental Performance> Environmental Impacts and mitigation efforts> Water and Energy	8	105
EN4	Indirect energy consumption by primary source.	Social and Environmental Performance> Environmental Impacts and Mitigating Actions> Water and Energy	8	105
EN5	Energy saved due to conservation and efficiency improvements.	Social and Environmental Performance> Environmental Impacts and Mitigating Actions > Water and Energy	8,9	105
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Social and Environmental Performance> Environmental Impacts and Mitigating Actions> Water and Energy	8,9	105

**Water**

Performance Indicator	Description	Location in Report online	Principle Global Compact	
EN8	Total water withdrawal by source.	Social and Environmental Performance> Environmental Impacts and Mitigating Actions> Water and Energy	8	105

**Emissions, Effluents and Waste**

Performance Indicator	Description	Location in Report online	Principle Global Compact	
EN16	Total direct and indirect greenhouse gas emissions by weight.	Social and Environmental Performance> Climate Governance> Inventory of Greenhouse Gases Emissions	8	102
EN17	Other relevant indirect greenhouse gas emissions by weight.	Social and Environmental Performance> Climate Governance> Inventory of Greenhouse Gases Emissions	8	102
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Social and Environmental Performance> Environmental Impacts and Mitigating Actions> Water and Energy	7,8,9	105
EN22	Total weight of waste by type and disposal method.	Social and Environmental Performance> Environmental Impacts and Mitigating Actions> Waste Management	8	106

**SOCIAL: HUMAN RIGHTS**

**Investment and procurement practices**

Performance Indicator	Description	Location in Report online	Principle Global Compact	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Social and Environmental Performance> Relations with Employees> Career and Development	1,2,3,4,5,6	79

**Non-discrimination**

Performance Indicator	Description	Location in Report online	Principle Global Compact	
HR4	Total number of incidents of discrimination and actions taken.	Corporate Governance> Ethics	1,2,6	46

**Freedom of association and collective bargaining**

Performance Indicator	Description	Location in Report online	Principle Global Compact	
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Social and Environmental Performance> Relations with Employees	1,2,3	71

**Child labor**

Performance Indicator	Description	Location in Report online	Principle Global Compact	
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	Social and Environmental Performance> Relations with Employees	1,2,5	86

**Forced and compulsory labor**

Performance Indicator	Description	Location in Report online	Principle Global Compact	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	Social and Environmental Performance> Relations with Employees	1,2,4	86

**Security practices**

Performance Indicator	Description	Location in Report online	Principle Global Compact	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Social and Environmental Performance> Relations with Suppliers	1,2	86

**Social: Labor Practices and Decent Work**

Performance Indicator	Description	Location in Report online	Principle Global Compact	
LA1	Total workforce by employment type, employment contract, and region.	Social and Environmental Performance> Relations with Employees> Internal Public Indicators	-	71
LA2	Total number and rate of employee turnover by age group, gender, and region.	Social and Environmental Performance> Relations with Employees> Internal Public Indicators	6	79
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Social and Environmental Performance> Relations with Employees> Health, Well Being and Quality of Life	-	82

**Labor/management relations**

Performance Indicator	Description	Location in Report online	Principle Global Compact	
LA4	Percentage of employees covered by collective bargaining agreements.	Social and Environmental Performance> Relations with Employees	1,3	71
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Social and Environmental Performance> Relations with Employees	3	71

**Occupational health and safety**

Performance Indicator	Description	Location in Report online	Principle Global Compact	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Social and Environmental Performance> Relations with Employees> Health, Well Being and Quality of Life	1	82
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Social and Environmental Performance> Relations with Employees> Health, Well Being and Quality of Life	1	82
LA9	Health and safety topics covered in formal agreements with trade unions.	Social and Environmental Performance> Relations with Employees	1	71

**Training and education**

Performance Indicator	Description	Location in Report online	Principle Global Compact	
LA10	Average hours of training per year per employee by employee category.	Social and Environmental Performance> Relations with Employees> Career and Development	-	79

<b>Diversity and equal opportunity</b>				
<b>Performance Indicator</b>	<b>Description</b>	<b>Location in Report online</b>	<b>Principle Global Compact</b>	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Corporate Governance> Boards and Councils	1,6	24
		Social and Environmental Performance> Relations with Employees> Internal Public Indicators		71
LA14	Ratio of basic salary of men to women by employee category.	Social and Environmental Performance> Relations with Employees> Career and Development	1,6	79
<b>Corruption</b>				
<b>Performance Indicator</b>	<b>Description</b>	<b>Location in Report online</b>	<b>Principle Global Compact</b>	
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	Social and Environmental Performance> Relations with Employees> Career and Development	10	71
S04	Actions taken in response to incidents of corruption.	Corporate Governance> Ethics	10	46
<b>Public policy</b>				
<b>Performance Indicator</b>	<b>Description</b>	<b>Location in Report online</b>	<b>Principle Global Compact</b>	
S05	Public policy positions and participation in public policy development and lobbying.	Social and Environmental Performance> Relations with Society> Partnerships> National Broadband Plan	1-10	95
		Social and Environmental Performance> Relations with Society> Partnerships> Access to Information in Remote Areas		97
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Social and Environmental Performance> Relations with Society> Partnerships	10	95

## CORPORATE INFORMATION

### ACKNOWLEDGMENTS

We wish to express our appreciation for the support, efforts and commitment of employees from various areas of the Company who helped us put this report together, and also for our stakeholders who are a constant motivation to improve this elaboration process.

### IMPORTANT NOTICE TO THE SHAREHOLDERS

CVM Instruction nº 358, art. 12: Controlling shareholders, direct or indirect, and shareholders who elect members of the Board of Directors or the Fiscal Council, as well as any individual or legal entity or group of persons, acting together or representing the same interest, who reach the participation, direct or indirect, equal to 5% (five percent) or more in type or class of shares representing the capital of a publicly traded Company must communicate this fact to the CVM and the Company in accordance with the terms of the article.

Oi advises shareholders in regard to compliance with the terms of article 12 of CVM Instruction nº 358, however it does not take responsibility for disclosure of information about acquisition or alienation by third parties of participation equal to 5% or more in type or class of shares representing its capital or of rights over these shares and other securities issued by it.

### ECONOMIC PERFORMANCE AND OPERATIONAL

SHARES TNE	CAPITAL	TREASURY	CONTROLLING SHARES	FREE - FLOAT
Common	187,028,818	2,984,036	103,813,689	80,231,093
Preferred	289,632,638	6,127,369	0	283,505,269
<b>Total</b>	<b>476,661,456</b>	<b>9,111,405</b>	<b>103,813,689</b>	<b>363,736,362</b>

SHARES TMAR	CAPITAL	TREASURY	CONTROLLING SHARES	FREE - FLOAT
Common	154,032,214	1	150,971,022	3,061,191
Preferred (A)	189,400,783	440,130	104,612,723	84,347,930
Preferred (B)	1,063,967	0	6	1,063,961
<b>Total</b>	<b>344,496,964</b>	<b>440,131</b>	<b>255,583,751</b>	<b>88,473,082</b>

SHARES BRTO	CAPITAL	TREASURY	CONTROLLING SHARES	FREE - FLOAT
Common	203,423,176	0	161,989,999	41,433,177
Preferred	399,597,370	13,231,553	128,675,049	257,690,768
<b>Total</b>	<b>603,020,546</b>	<b>13,231,553</b>	<b>290,665,048</b>	<b>299,123,945</b>

**N.B.** Position on 31/12/2011, referring to Tele Norte Leste Participações S/A, closed down through corporate reorganization on 27/02/2012.

#### HEAD OFFICE

Rua Humberto de Campos, 425  
Rio de Janeiro – RJ – Brazil  
22430-190  
Tel.: +55 (21) 3131-1211  
Fax: + 55 (21) 3131-1144  
<http://www.oi.com.br>

#### INTERNATIONAL CONSULTANTS OF INVESTOR RELATIONS

Grayling  
22 Cortland Street  
New York, NY 10007 USA  
Phone: +1 646 284-9426  
Fax: +1 646 284-9494  
E-mail: [lucia.domville@us.grayling.com](mailto:lucia.domville@us.grayling.com)

#### BOOK ENTRY SHARE SERVICES

Banco do Brasil S.A.  
Rua Professor Lelio Gama, 105/38º andar – Centro  
20031-900 – Rio de Janeiro – RJ  
Tel.: +55 (21) 3808-3715  
Fax: + 55 (21) 3808-6088  
E-mail: [aescriturais@bb.com.br](mailto:aescriturais@bb.com.br)

#### DEPOSITORY BANK OF ADRS

The Bank of New York Mellon  
Tele Norte Leste Participações  
c/o BNY Mellon Shareowner Services  
P.O. Box 358016  
Pittsburgh, PA 15252-8016  
Phone (Toll Free):  
1-888-BNY-ADRS (269-2377)  
Phone (International):  
+1 201-680-6825  
E-mail: [shrrelations@bnymellon.com](mailto:shrrelations@bnymellon.com)

#### INDEPENDENT AUDITORS

(On 31/12/2011)  
Deloitte Touche Tohmatsu Independent Auditors – SEC and CVM

## STOCK EXCHANGE

- Bolsa de Valores de São Paulo (BMF&Bovespa)

Ticker Codes:

Tele Norte Leste Participações S/A – TNLP3 and TNLP4

Telemar Norte Leste S/A – TMAR3, TMAR5 and TMAR6

Brasil Telecom S/A – BRT04 and BRT03

(Position on 31/12/2011)

- New York Stock Exchange (Nyse) in USA

Code of ADRs: TNE (Tele Norte Leste Participações S/A) and BTM and BTM/C (Brasil Telecom S/A)

(Position on 31/12/2011)

## CONTACTS

pp-sustentabilidade@oi.net.br

invest@oi.net.br

## CREDITS

General Coordination, Production and Edition

Treasury and Investor Relations Director

Management of Governance and Sustainability

## CONCEPTION AND DESIGN

Saravah Branding + Content + Design

## PHOTOS

Felipe Varanda, Oi Image Bank and Oi Futuro