

**Portugal Telecom
International Finance B.V.**
Amsterdam, the Netherlands

**UNAUDITED FINANCIAL
REPORT JUNE 2015**

Portugal Telecom International Finance B.V.

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Portugal Telecom International Finance B.V.

Director's report

The Board of Managing Directors herewith submits the Unaudited Financial Statements of Portugal Telecom International Finance B.V. for the financial period ended June 30, 2015.

The Company is engaged in holding and financing activities for the companies of Oi S.A. (Oi) group. Its ultimate parent company is also Oi, a company incorporated under the laws of Brazil.

During the period under review, the Company recorded a loss of EUR 130,341,512 (2014: loss of 13,195,818), which is set out in detail in the attached income statement.

Conformity statement

For the purposes of article 246 of the Portuguese Securities Code, the members of the Board of Directors of Portugal Telecom International Finance B.V. identified hereunder declare, in the capacity and within their functions as described therein, that, to the best of their knowledge and grounded on the information to which they had access within such Board of Directors while in office:

- The information included in the financial statements concerning the first half of 2015 was prepared in compliance with the requirements of the IAS 34 – Interim Financial Reporting standard, in accordance with the applicable law and gives a true and fair view of the assets, liabilities, financial position and profit or loss of Portugal Telecom International Finance B.V. and of the undertakings included in the consolidation as a whole;

- The interim management report includes a fair review, as an indication, of the important events occurred during the first half of 2015 and their impact on the interim financial statements, together with an accurate description of the principal risks and uncertainties for the second half of the financial year.

Key activities

In April 2014, as part of the business combination between Oi and Pharol SGPS S.A. (former Portugal Telecom, SGPS, S.A., “Pharol”), a capital increase of Oi was approved, which was partially paid-in through the assignment, by Pharol, of all the shares issued by PT Portugal SGPS, S.A. (“PT Portugal”). As part of this transaction the Company became a fully subsidiary of PT Portugal, and therefore an indirect subsidiary of Oi.

On December 9, 2014, Oi, Altice Portugal S.A. (“Altice Portugal”) and Altice S.A. executed a Share Purchase Agreement pursuant to which Oi has agreed to sell, and Altice Portugal has agreed to buy, all of the shares of PT Portugal (the “PT Portugal Sale”), the direct parent of the Company. The closing under the Share Purchase Agreement was conditional on, among other things, (a) the completion of a corporate reorganization to be implemented by Oi to delineate the operations to be transferred as well as to separate PT Portugal’s investments which were not to be included in the sale (including the

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Company), (b) the release of PT Portugal from its obligations under the EUR 400,000,000 notes issued on July 26, 2012 under the Portugal Telecom International Finance B.V. and Portugal Telecom, SGPS, S.A. EUR 7,500,000,000 Euro Medium Term Note Programme ("Program") and (c) obtaining the necessary competition and regulatory authorizations in accordance with applicable laws and regulations.

On June 2, 2015 Oi completed the sale process of PT Portugal to Altice S.A. and as part of this transaction the Company became a directly subsidiary of Oi. Following this transaction all the financial activity between the Company and PT Portugal (except Africa and Timor companies, which remained at Oi group) was settled.

In 2015, the Company entered into the following main transactions:

- On March 23, 2015, as scheduled, the Company repaid to a related party an amount of EUR 875,000,000 of notes originally issued on September 23, 2013 for an amount of EUR 2,438,000,000 at a fixed interest rate of 2.16%. On the same date, PT Portugal repaid commercial paper to the Company in a total principal amount of EUR 875,000,000.

- On March 27, 2015, the Company entered into an assignment agreement with PT Portugal, under which PT Portugal has transferred to the Company, on the same date, EUR 200,000,000 bonds issued by Rio Forte Investments S.A., together with all its rights and obligations under such bonds, in return for their market value, determined as defined under the abovementioned assignment agreement.

- On March 30, 2015, all the bonds issued by Rio Forte Investments S.A. that were held by the Company were transferred to Pharol in exchange for 47,434,872 Oi common shares and 94,869,744 Oi preferred shares, under an Exchange Agreement entered into by Oi, Telemar Participações S.A., Pharol, PT Portugal and the Company.

- Effective April 13, 2015: (i) the Company redeemed its 2,566 notes with principal amount of EUR 1,000,000 each and maturity date on February 15, 2016 that were held by a related party; and (ii) the 2,566 bonds with principal amount of EUR 1,000,000 each and maturity date on February 15, 2016, that were held by the Company, were redeemed.

- On June 2, 2015, as part of the PT Portugal sale, all the debt then due to the Company by PT Portugal and any of its subsidiaries, in the total principal amount of EUR 4,724,096,177 was repaid. Available cash was used to subscribe Notes issued by Oi Brasil Holdings Cöoperatief U.A.

Upon approval of note holders in a meeting held on May 19, 2015, the Company has substituted PT Portugal as issuer and principal obligor of the EUR 400,000,000 notes issued on July 26, 2012, under the Program, which bear interest at an annual fixed rate of 6.25% and mature on July 26, 2016. This substitution was effective on the closing of the PT Portugal Sale, on June 2, 2015.

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Board of transactions

Following the terms of paragraphs 6 and 7 of Article 14 of the Portuguese Securities Market Commission (CMVM) and Regulation no. 5/2010, the Company informs to have nothing to report in this respect.

Recent developments and post balance sheet events

Following the announcement on 7 July 2015, the Company hereby announced pursuant to article 249, no. 1, paragraph (b) of the Securities Code that the updated aggregate nominal amount of Notes that it would redeem, in accordance with Condition 7(d) of the terms and conditions of the Notes, on 14 July 2015 (the "Put Settlement Date"), in the amount of EUR 103,793,000.

This announcement was made pursuant to the announcement relating to the sale of PT Portugal, SGPS, S.A. made on 3 June 2015 setting out the right of any holder to exercise the option to redeem their Notes on the Put Settlement Date provided that the relevant holder instructed the Affiliate Member of Interbolsa no later than 12 noon (Lisbon time) on 30 June 2015 of its intention to do so.

Principal outstanding Notes	Aggregate nominal value of Notes do be redeemed	Put Settlement Date
€ 400.000.000,00	€ 99.262.000	14.07.2015

Composition of the Board of Managing Directors

The Company has taken notice of recently adopted legislation effective as of January 1, 2013, as a consequence of which a "large" company, when nominating or appointing members of the Board of Managing Directors, should take into account as much as possible a balanced composition of the Board in terms of gender, to the effect that at least 30 percent of the positions are held by women and at least 30 percent by men. Because there were no qualified female candidates available in 2014, four males were appointed for vacant positions in the Board of Managing Directors and as a result the current composition of the Board of Managing Directors deviates from the above-mentioned percentages. With regards to future appointments, the Board of Managing Directors will take gender diversity objectives into account as much as possible.

Financial risk management

There are no concentrations of foreign currency risk at the balance sheet date. The Company uses derivative instruments to hedge foreign currency exposures when deemed necessary.

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The Company incurs interest rate risk on interest bearing receivables (in particular those included in financial assets, securities and cash) and on interest bearing non-current and current liabilities (including borrowings).

With respect to floating-interest rate loans and receivables, the Company incurs risks regarding future cash flows. In addition, the Company incurs risks on fixed interest loans obtained, notes issued and receivables with respect to the fair value due to changes in market interest rates. No financial derivatives for interest rate risk have been contracted with regard to the receivables or debt instruments.

The Company incurs credit risks on loans granted to associates. These counterparties do not have a history of non-performance incidents.

The Company owns 47,434,872 Oi common shares and 94,869,744 Oi preferred shares. Oi' shares are listed on Bovespa and are subject to market fluctuation. Oi is the parent company of the Company and will give sufficient financial support if any relevant devaluation occurs on this asset.

Audit committee

No audit committee was appointed for the Company. The Company is subject to the Audit Committee of the shareholder Oi S.A.

Portugal Telecom International Finance B.V.

Director's report

The Board of Managing Directors,

F.N. Guimaraes

B. De Paoli Gontijo

M.N. Schroeder

W. Langeveld

Trust International Management (T.I.M.) B.V.

J.P.V.G. Visser

Amsterdam,

August 31, 2015

Portugal Telecom International Finance B.V.

Unaudited Interim Statement of Financial Position as at June 30, 2015

(in EUR, before appropriation of results)

	Notes	June 30, 2015	December 31, 2014
ASSETS			
Non-current assets	5		
Commercial paper, loans and notes to group Companies		4,790,000	4,312,840,000
Prepaid issuance costs		12,565,795	14,623,813
		<u>17,355,795</u>	<u>4,327,463,813</u>
Current assets			
Receivables	6/7	4,153,403,413	4,245,785,403
Cash and cash equivalents	8	2,073,285	13,640,403
Available-for-sale financial asset	7	242,637,122	-
		<u>4,398,113,820</u>	<u>4,259,425,806</u>
TOTAL ASSETS		<u>4,415,469,615</u>	<u>8,586,889,619</u>
EQUITY AND LIABILITIES			
Shareholders' Equity	9		
Issued and paid-up capital		21,000	21,000
Share premium		252,090,368	252,090,368
Other reserves		(420,468,828)	-
Result for the year		(130,341,512)	(420,468,828)
		<u>(298,698,972)</u>	<u>(168,357,460)</u>
Non-current Liabilities	10		
EMTN		3,634,768,692	4,350,000,000
Revolving credit facilities / loan		51,318,085	54,983,665
		<u>3,686,086,777</u>	<u>4,404,983,665</u>
Current Liabilities			
Revolving credit facilities / loans / notes	11	949,760,494	4,168,331,156
Interest received in advance		170,792	38,106,770
Interest EMTN / exchangeable bonds / credit facilities		76,542,415	141,499,365
Corporate income tax		415,674	415,674
Other debts and accruals		1,192,435	1,910,449
		<u>1,028,081,810</u>	<u>4,350,263,414</u>
TOTAL EQUITY AND LIABILITIES		<u>4,415,469,615</u>	<u>8,586,889,619</u>

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Unaudited Interim Statement of Profit and Loss and Other Comprehensive Income for the period ended June 30, 2015 and 2014 (in EUR)

	Notes	June 30, 2015	June 30, 2014
Interest Income on commercial papers / loans		134,588,878	158,905,007
Other Interest Income		1,955	17,257,650
Financial Expenses		(141,424,682)	(159,657,343)
Withholding tax on interest on deposits		(24,149)	(803,259)
Exchange differences		1,386	(1,390)
Impairment of investments		(110,525,489)	-
Amortization of prepaid issuance costs	5	(2,058,047)	(2,486,400)
Financial Income and Expenses		(119,440,148)	13,214,265
General and administrative expenses	12	(8,726,836)	(24,419,006)
Operating expenses		(8,726,836)	(24,419,006)
OPERATING RESULT		(128,166,984)	(11,204,741)
RESULT BEFORE TAXATION		(128,166,984)	(11,204,741)
Income tax expense	14	(2,174,528)	(1,991,077)
LOSS FOR THE PERIOD		(130,341,512)	(13,195,818)
		June 30. 2015	June 30. 2014
Loss for the period		<u>(130,341,512)</u>	<u>(13,195,818)</u>
Total comprehensive loss for the period		<u>(130,341,512)</u>	<u>(13,195,818)</u>

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Unaudited Statements of Changes in Equity for the period ended June 30, 2015 and December 31, 2014 (in EUR)

	Issued and paid- up capital	Share premium	Other reserves	Result for the year	Total
Opening balance January 2014	21,000	252,090,368	-	21,442,132	273,553,500
Result for the year	-	-	-	(420,468,828)	(420,468,828)
Profit appropriation	-	-	21,442,132	(21,442,132)	-
Dividend distribution	-	-	(21,442,132)	-	(21,442,132)
Closing balance December 2014	21,000	252,090,368	-	(420,468,828)	(168,357,460)
Result for the year	-	-	-	(130,341,512)	(130,341,512)
Profit appropriation	-	-	(420,468,828)	420,468,828	-
Dividend distribution	-	-	-	-	-
Closing balance June 2015	21,000	252,090,368	(420,468,828)	(130,341,512)	(298,698,972)

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Unaudited Cash Flow Statement for the period ended June 30, 2015 and 2014 (in EUR)

	2015	2014
Cash flows from operating activities		
Loss before income tax and social contribution	(128,166,984)	(11,204,741)
Non-cash items		
Charges, interest income, and inflation adjustment	6,833,849	(16,505,314)
Depreciation and amortization	2,058,047	2,486,400
Provisions	110,525,489	-
Other	22,763	804,649
	<u>(8,726,836)</u>	<u>(24,419,006)</u>
Changes in assets and liabilities		
Taxes	(2,174,528)	(1,991,077)
Available for sale financial asset	(353,162,611)	-
Other assets and liabilities	(740,806)	(1,806,227)
	<u>(356,077,945)</u>	<u>(3,797,304)</u>
Net cash generated by operating activities	<u>(364,804,781)</u>	<u>(28,216,310)</u>
Cash flows from investing activities		
Due from related parties - disbursements	(3,466,410,521)	-
Due from related parties - receipts	4,724,096,177	-
Net cash used in investing activities	<u>1,257,685,656</u>	<u>-</u>
Cash flows from financing activities		
Repayment of principal of borrowings, financing and leases	(904,447,993)	(1,383,116,498)
Net cash used in financing activities	<u>(904,447,993)</u>	<u>(1,383,116,498)</u>
Cash flows for the period	<u>(11,567,118)</u>	<u>(1,411,332,808)</u>
Cash and cash equivalents		
Closing balance	2,073,285	2,299,630
Opening balance	13,640,403	1,413,632,438
Changes in the year	<u>(11,567,118)</u>	<u>(1,411,332,808)</u>

Portugal Telecom International Finance B.V.

Other Information

1 GENERAL

Activities

Portugal Telecom international Finance B.V. (the Company), having its statutory seat in Amsterdam and registered office at Naritaweg 165, 1043 BW, Amsterdam, the Netherlands, is engaged in holding and financing activities for the companies of the group of its ultimate parent company Oi, a company incorporated under the laws of Brasil.

The Company was incorporated on November 26, 1998.

(a) Going concern

The Company had an equity deficit of EUR 298,698,972 at June 30, 2015. The deficit is fully funded by borrowings, including intercompany loans/bank loans etc.

The continuation of the Company as a going concern is dependent on the continued support of its ultimate parent company. The shareholders have declared to maintain their financial interest in and support to the Company in the foreseeable future. In view of this, the accounting policies used in these financial statements are based on the expectation that the Company will be able to continue as a going concern.

(b) Audit committee

No audit committee was appointed for the Company. The Company is subject of the audit committee of the shareholder Oi S.A.

(c) Group structure

The Company belongs to the Oi group. The ultimate parent of this group is Oi. The financial statements of the Company are included in the consolidated financial statements of Oi SA.

(d) Related party transactions

Up to June 2015, the Company has subscribed Notes issued by PT Portugal. The Company has also subscribed Commercial Papers made available by financial institutions. The Commercial Papers have been issued by related parties for the financing of their activities. The conditions for the Commercial Papers are at arms' length. The Company issued Notes subscribed by CVTEL, which were sold to PT Portugal on 30 December, 2014.

Following the sale of PT Portugal to Altice, all financial transaction between the Company and PT Portugal and its subsidiaries (except Africa and Timor companies, which remained at Oi group) were settled/paid/received and the Company subscribed Notes issued by Oi Brasil Holdings Cöoperatief U.A. with the net cash received.

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Other Information

(e) Use of estimates

In applying the accounting policies and guidelines for preparing the financial statements, management makes a range of estimates and judgments that might be essential for the amounts disclosed in the financial statements. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Dutch Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the Financial Statement items in question. Actual amounts may differ from these estimates.

2 ACCOUNTING POLICIES FOR THE BALANCE SHEET

The accompanying Financial Statements have been prepared in accordance with the statutory provisions of Title 9, Book 2, of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting as issued by the Dutch Accounting Standards Board, taking into account the exemptions offered by the Dutch Accounting Standards Board.

These interim financial statements have been presented in accordance with IAS 34 Interim Financial Reporting ("IAS 34"). These financial statements do not include all the information required by the International Financial Reporting Standards ("IFRS") as adopted by the European Union and accordingly should be read in conjunction with the consolidated financial statements for the year ended 31 December 2014. In addition, further explanations for the main changes of revenues and costs are disclosed in our interim management report, which should be read in conjunction with these interim financial statements.

Assets and liabilities are stated at amortized cost, unless indicated otherwise.

(a) Comparison with previous year

The accounting policies have been consistently applied to all the periods presented.

(b) Foreign currencies

The financial statements are presented in Euros, which is the functional and presentation currency.

Receivables, liabilities and obligations denominated in foreign currency are translated at the exchange rates prevailing at balance sheet date. Transaction in foreign currency during the financial year are recognized in the financial statements at the exchange rates prevailing at transaction date. The exchange differences resulting from the translation as of balance sheet date, taking into account possible hedge transactions, are recorded in the profit and loss account.

(c) Issuance costs

The amortized issuance costs were accounted as for anticipated issuance costs. See Note 5.

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(d) Financial fixed assets

EMTN Programme

The notes issued under the EMTN Programme and exchangeable bonds are valued at nominal value and the amortized issuance costs have been accounted for as prepaid issuance costs and are presented under note 5 Financial Fixed Assets.

Issuance Costs

Issuance costs of Euro Medium Term Notes and Exchangeable Bonds are capitalized and amortized on a straight-line basis, based on the term of the related Euro Medium Term Notes and Exchangeable Bond.

(e) Held-for-sale

Oi Shares owned by the Company are recognized at fair value and any change in the fair value is recognized in the income statement.

(f) Receivables

Upon initial recognition, the receivables are included at nominal value, less any provision for doubtful accounts. These provisions are determined by individual assessment of the receivables.

(g) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and deposits held at call with maturities of less than 12 months. Bank overdrafts, if any, are shown within borrowings in current liabilities on the balance sheet. Cash and cash equivalents are stated at face value.

(h) Non-current liabilities

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, being the amount received taking account of any premium or discount, less transaction costs.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognized as interest in the income statement over the period of the borrowings using the effective interest method.

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3 ACCOUNTING POLICIES FOR THE INCOME STATEMENT

(a) General

Profits or transactions are recognized in the period they are realized. Losses are recognized when foreseen.

(b) Exchange rate differences

Exchange rate differences arising upon the settlement or conversion of monetary items are recognized in the income statement in the period that they arise.

(c) General and administrative expenses

Costs are taken into account under the historical cost convention and allocated to the year concerned.

(d) Amortization

Amortization expenses are taken on issuance costs and compensated on the interest receipts.

(e) Financial income and expenses

Interest paid and received is recognized on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned.

(f) Taxation

Income tax is calculated on the profit/loss before tax in the income statement, taking into account any losses carried forward from previous financial years (where not included in deferred income tax assets) and tax-exempt items, and plus non-deductible expenses. Changes in deferred income tax assets and liabilities due to changes in the applicable tax rates are also taken into account.

4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Currency risk

The Company mainly operates in the European Union.

Interest rate and cash flow risk

The Company incurs interest rate risk on interest-bearing receivables (in particular those included in financial assets, securities and cash) and on interest-bearing non-current and current liabilities (including borrowings).

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Other Information

Where floating-interest loans and receivables are concerned, the Company incurs risk regarding future cash flows. In addition, the Company incurs risks on fixed-interest loans and receivables with respect to the fair value due to changes in the market rate of interest. No financial derivatives for interest rate risk are contracted with regard to the receivables.

Credit risks

The Company has granted loans to group companies, these counterparties do not have a history of non-performance.

Foreign currencies

The financial statements are presented in Euros, which is the functional and presentation currency.

Receivables, liabilities and obligations denominated in foreign currency are translated at the exchange rates prevailing at balance sheet date. Transactions in foreign currency during the financial year are recognized in the financial statements at the exchange rates prevailing at transaction date. The exchange differences resulting from the translation as of balance sheet date, taking into account possible hedge transactions, are recorded in the profit and loss account.

Oi Shares

The Company owns 47,434,872 Oi common shares and 94,869,744 Oi preferred shares. Oi' shares are listed on Bovespa and are subject to market fluctuation. Oi is the parent company of the Company and will give sufficient financial support if any relevant devaluation occurs on this asset.

5 COMMERCIAL PAPER LOANS AND NOTES TO GROUP COMPANIES

Movements can be broken down as follows:

	Commercial paper, loans and notes to group companies	Prepaid issuance costs	Total
Opening balance	4,312,840,000	14,623,813	4,327,463,813
Movements 2015			
Additions	-	-	-
Repayments	(4,304,050,000)		(4,304,050,000)
Reclassification to short term (-) / long term (+)	-	-	-
Amortization	-	(2,058,018)	(2,058,018)
Closing balance	<u>8,790,000</u>	<u>12,565,795</u>	<u>21,355,795</u>

The Company's commercial paper, loans and notes to group companies can be specified as follows:

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Commercial Papers issued by Pharol

Commercial papers issued by Pharol can be specified as follows:

	<u>06/30/2015</u>	<u>12/31/2014</u>
Opening balance	-	1,209,000,000
Issued in financial year	-	-
Reclassification to short term (-) / long term (+)	-	-
Repayment in financial year	-	(1,209,000,000)
Closing balance	<u>-</u>	<u>-</u>

The fair value of commercial paper and loan to group companies as of December 31, 2014, equals the carrying amount as the Company has the possibility (but not the intention) in each quarter of not rolling over the commercial papers until the expected maturity date.

Commercial Papers issued by PT Portugal

Commercial papers issued by PT Portugal can be specified as follows:

	<u>06/30/2015</u>	<u>12/31/2014</u>
Opening balance	3,490,150,000	1,737,950,000
Issued in financial year	-	8,919,500,000
Reclassification to short term (-) / long term (+)	-	(1,360,150,000)
Repayment in financial year	(3,490,150,000)	(5,807,150,000)
Closing balance	<u>-</u>	<u>3,490,150,000</u>

Commercial Papers issued by MEO (ex-PTC)

The commercial papers issued by MEO can be specified as follows:

	<u>06/30/2015</u>	<u>12/31/2014</u>
Opening balance	813,400,000	3,086,750,000
Issued in financial year	-	982,200,000
Reclassification to short term (-) / long term (+)	-	-
Repayment in financial year	(813,400,000)	(3,255,550,000)
Closing balance	<u>-</u>	<u>813,400,000</u>

Commercial papers issued by MEO (ex-TMN)

The commercial papers issued by MEO can be specified as follows:

	<u>06/30/2015</u>	<u>12/31/2014</u>
Opening balance	-	230,000,000
Issued in financial year	-	-
Reclassification to short term (-) / long term (+)	-	-
Repayment in financial year	-	(230,000,000)
Closing balance	<u>-</u>	<u>-</u>

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Other Information

Loan to Timor Telecom S.A.

The loan to Timor Telecom S.A. can be specified as follows:

	<u>06/30/2015</u>	<u>12/31/2014</u>
Opening balance	9,290,000	10,290,000
Issued in financial year	-	-
Reclassification to short term (-) / long term (+)	-	-
Repayment in financial year	(500,00)	(1,000,000)
Closing balance	<u>8,790,000</u>	<u>9,290,000</u>

Notes issued by PT Portugal

The Company's notes can be specified as follows:

	<u>06/30/2015</u>	<u>12/31/2014</u>
Opening balance	-	-
Issued in financial year	-	2,566,000,000
Reclassification to short term	-	(2,566,000,000)
Closing balance	<u>-</u>	<u>-</u>

Prepaid issuance costs

The Company's prepaid issuance costs can be specified as follows:

	<u>06/30/2015</u>	<u>12/31/2014</u>
Opening balance	14,623,813	19,304,099
Additions	-	-
Amortization	(2,058,018)	(4,680,286)
Closing balance	<u>12,565,795</u>	<u>14,623,813</u>

Cost of issuance of each note is deferred and recognized in net income until the maturity of each note on a straight line basis.

As agreed in the Advance Pricing Agreement with the Dutch Tax Authorities, the Company will be compensated by group companies for the annual portion of issuance costs that is amortized in connection with the bonds it issued and for any interest expenses relating to the financing of these expenditures.

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Other Information

CURRENT ASSETS

6 COMMERCIAL PAPER AND LOANS TO GROUP COMPANIES

	<u>06/30/2015</u>	<u>12/31/2014</u>
Commercial Papers issued by PT Portugal	-	1,360,150,000
Loan to Timor Telecom S.A.	5,000,000	1,000,000
Loan to PT Participações SGPS S.A	14,000,000	-
Loan to Oi Brasil Holdings Coop U.A.	4,105,842,511	-
Notes issued by PT Portugal (refer to note 5)	-	2,566,000,000
	<u>4,124,842,511</u>	<u>3,927,150,000</u>

All commercial paper and loans to Group companies stated under the current assets fall due in less than one year, was paid within 12 months.

7 RECEIVABLES AND AVAILABLE FOR SALE FINANCIAL ASSET

As at June 30, 2015, this item can be detailed as follows:

	<u>06/30/2015</u>	<u>12/31/2014</u>
Interest loan receivable	19,505,909	5,366,294
Accrued upfront fees	2,656,121	3,732,227
Corporate income tax 2013	1,219,396	1,219,396
Corporate income tax 2014	1,889,889	2,087,645
Withholding taxes	3,206,355	5,015,415
Other receivables, prepayments and accrued income	83,232	6,625,383
	<u>28,758,658</u>	<u>24,046,360</u>

All receivables fall due in less than one year. The fair value of the receivables approximates the book value.

The corporate income tax receivable relates to the refund of year 2013 and 2014.

On March 30, 2015, all securities issued by Rio Forte Investments SA held by the Company were transferred to Pharol in exchange of 47,434,872 common shares and 94,869,744 preferred shares of Oi, as provided in the Exchange Agreement entered into between the Oi, Telemar Participações SA, Pharol, PT Portugal and the Company. On June 30, 2015 the market value of Oi shares held by the Company is EUR 242,637,122. On June 30, 2015, the Company recorded EUR (110,525,489) relating to changes in the market value of the shares of Oi.

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Other Information

8 CASH AND CASH EQUIVALENTS

	<u>06/30/2015</u>	<u>12/31/2014</u>
Current account balances	2,073,285	1,140,403
Fixed deposits	-	12,500,000
	<u>2,073,285</u>	<u>13,640,403</u>

The fixed deposits expire within one year after balance sheet date. No other restrictions on usage exist. In order to dilute the credit risk related to fixed deposits, the Company's policy is to invest its cash for short term periods, entering in agreements with reputable financial institutions and diversifying counterparties. The total of the current account balances is at the Company's free disposal.

9 SHAREHOLDERS' EQUITY

The Company's authorized share capital amounts to EUR 100,000 and consists of 200 ordinary shares with a nominal value of EUR 500 each.

As at June 30, 2015, 42 shares were issued and fully paid-up. The movements in the year under review can be summarized as follows:

	Issued and paid- up capital	Share premium	Other reserves	Result for the year	Total
Opening balance January 2014	21,000	252,090,368	-	21,442,132	273,553,500
Result for the year	-	-	-	(420,468,828)	(420,468,828)
Profit appropriation	-	-	21,442,132	(21,442,132)	-
Dividend distribution	-	-	(21,442,132)	-	(21,442,132)
Closing balance December 2014	21,000	252,090,368	-	(420,468,828)	(168,357,460)
Result for the year	-	-	-	(130,341,512)	(130,341,512)
Profit appropriation	-	-	(420,468,828)	420,468,828	-
Dividend distribution	-	-	-	-	-
Closing balance June 2015	<u>21,000</u>	<u>252,090,368</u>	<u>(420,468,828)</u>	<u>(130,341,512)</u>	<u>(298,698,972)</u>

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Other Information

10 NON-CURRENT LIABILITIES

	Remaining term less than 1 year	Remaining term between 1 and 5 years	Remaining term more than 5 years	Total non-current Liabilities 06/30/2015
EMTN	943,075,000	3,134,123,000	500,000,000	3,634,123,000
Export Credit Facility	7,331,155	29,324,622	21,993,466	51,318,088
	<u>950,406,155</u>	<u>3,163,447,622</u>	<u>521,993,466</u>	<u>3,685,441,088</u>

Repayment obligation within 12 months as at balance sheet date is included in current liabilities.

EMTN / exchangeable bonds

The Company's EMTN / exchangeable bonds are specified as follows:

	<u>06/30/2015</u>	<u>12/31/2014</u>
Opening balance	4,350,000,000	4,350,000,000
Assigned in financial year	400,000,000	-
Reclassification to short term	-	-
Amortization	(172,802,000)	-
Closing balance	<u>4,577,198,000</u>	<u>4,350,000,000</u>

The Company entered into a Global Medium Term Note Programme signed on December 17, 1998, which was changed and renamed Euro Medium Term Note Programme on April 23, 2010 (EMTN). The notes issued by the Company under the EMTN are listed on the London Stock Exchange and are guaranteed by Oi.

The following table provides detailed information about the bonds issued under the EMTN and the exchangeable bonds outstanding as at June 30, 2015, which were issued by the company:

<u>Description</u>	<u>Notional (EUR)</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Coupon</u>
Eurobond	384,123,000	24-Mar-05	24-Mar-17	4.375%
Eurobond	500,000,000	16-Jun-05	16-Jun-25	4.500%
Fixed rate notes	250,000,000	30-Jul-09	6-Nov-17	5.242%
Eurobond	750,000,000	2-Nov-09	4-Nov-19	5.000%
Eurobond	543,075,000	8-Feb-11	8-Feb-16	5.625%
Eurobond	750,000,000	17-Oct-12	17-Apr-18	5.875%
Eurobond	1,000,000,000	10-May-13	8-May-20	4.625%
Retail Bond	400,000,000	26/07/12	26/07/16	6.250%
	<u>4,577,198,000</u>			

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Other Information

The Company's revolving credit facilities / loan are specified as follows:

Description	06/30/2015	12/31/2014
Export credit facility due in 2023	51,318,085	54,983,665
	<u>51,318,085</u>	<u>54,983,665</u>

Loans from group companies

The Company's loans from group companies comprise the following:

	06/30/2015	12/31/2014
Notes PT Portugal	-	2,566,000,000
Reclassification to short term	-	(2,566,000,000)
	<u>-</u>	<u>-</u>

On May 13, 2014 the Company issued a note for an amount of EUR 2,566,000,000 at a fixed interest rate of 1,417%, which maturity date is on February 15, 2016. Effective April 13, 2015, the 2,566 bonds with principal amount of EUR 1,000,000 each and maturity date on February 15, 2016, which were held by the Company, were redeemed.

11 CURRENT LIABILITIES

The remaining term of the current liabilities is less than one year.

The corporate income tax payable relates to interest on the corporate income tax for the year 2005.

The Company's revolving credit facilities / loans are specified as follows:

Description	06/30/2015	12/31/2014
Notes PT Portugal	-	3,401,000,000
Note Oi S.A.	-	750,000,000
Retail bond / Bonds	942,429,338	-
Export credit facility	7,331,156	7,331,156
Credit Facility KFW	-	10,000,000
	<u>949,760,494</u>	<u>4,168,331,156</u>

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Other Information

12 GENERAL AND ADMINISTRATIVE EXPENSES

	<u>06/30/2015</u>	<u>06/30/2014</u>
Bank expenses	1,133,213	2,878
General expenses	9,895	4,545
Legal expenses	23,095	836
Audit expenses	15,125	14,520
Accounting expenses	16,638	16,638
Tax advisory expenses	64,849	20,718
Professional services*	84,697	2,627,264
Management expenses	34,868	113,400
Stock listing fees	-	4,053
Non-refundable VAT cost	50,614	(4,678)
Bank fees related to credit facilities**	7,259,878	21,506,103
Advanced interest payments fees	33,964	112,729
	<u>8,726,836</u>	<u>24,419,006</u>

* In 2014, relates mainly fees paid in connection with the consent solicitation to note holders executed in 2014 related to the business combination between Oi and Pharol.

** In 2014, includes EUR 15,671,040 of consent fees paid to note holders in connection with the consent solicitation executed in 2014.

13 TAXATION

	<u>06/30/2015</u>	<u>06/30/2014</u>
Corporate Income Tax 2012	(797)	(184,169)
Corporate Income Tax 2014	-	2,175,246
Corporate Income Tax 2015	2,175,325	-
	<u>2,174,528</u>	<u>1,991,077</u>

The company is subject to Dutch taxation and tax calculations are made in accordance with the Advance Pricing Agreement entered into with the Dutch tax authorities.

The effective corporate income tax rate is -0.5% (2013: 12.7%).

14 NOTE ADDED FOR TRANSLATION

These financial statements are a translation of financial statements originally issued in Portuguese. In the event of discrepancies, the Portuguese language version prevails.

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Other Information

15 OTHER NOTES

Commitments and contingencies not included in the balance sheet

There are no commitments and contingencies to be disclosed that were not included in the balance sheet.

Number of employees and employees costs

Neither during the year under review nor in the previous year did the Company have any employees. Hence, it did not pay any wages and related social security.

Oi Shares

As at June 30, 2015, the fair value of the Oi Shares is estimated at R\$56 million calculated using the Black-Scholes model and theoretical share volatility assumptions, using the Revenue Approach valuation technique provided by IFRS 13 Fair Value Measurement.

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Other Information

16 DIRECTORS

Throughout the period under review, the Company had seven (7) Managing Directors, who received no remuneration during the current or the previous financial year. The Company has no Board of Supervisory Directors.

The Board of Managing Directors,

F.N. Guimaraes	B. De Paoli Gontijo	M.N. Schroeder
W. Langeveld	Trust International Management (T.I.M.) B.V.	J.P.V.G. Visser

Amsterdam,

August 31, 2015.