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

FINANCIAL REPORT 2014

Portugal Telecom International Finance B.V.

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27 may 2016

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Portugal Telecom International Finance B.V.

Director's report

The Board of Managing Directors herewith submits the Financial Statements of Portugal Telecom International Finance B.V. for the financial year ended December 31, 2014

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

During the period under review, the Company recorded a loss of EUR 420,468,828 (2013: profit EUR 21,442,132), which is set out in detail in the attached income statement.

Conformity statement

To the extent required by section 5:25c paragraph 2(c) of the Dutch Financial Supervision Act (Wet op het financieel toezicht), the Managing Directors hereby confirm that to the best of their knowledge:

- The Portugal Telecom International Finance B.V. 2014 financial statements give a true and fair view of the assets, liablitities, financial position and profit or loss of Portugal Telecom International Finance B.V.

- The Portugal Telecom International Finance B.V. 2014 annual report gives a true and fair view of the position of Portugal Telecom International Finance B.V. at the balance sheet date and of the development and performance of the business during the financial year 2014, together with a description of the principal risks Portugal Telecom International Finance B.V. is being confronted with.

Key activities

In May 2014, Portugal Telecom SGPS S.A. (PT SGPS) (i) sold all its shares in the Company to PT Portugal SGPS, S.A. (PT Portugal) and (ii) under the capital increase undertook by Oi S.A. (Oi), concluded in May 2014, PT SGPS contributed to Oi all its shares directly or indirectly held by it in companies that held (a) all of its operating assets, excluding those directly or indirectly held in Oi or Contax Participações S.A., and (b) the respective liabilities as of the date of the contribution. Following these events, the principal activities of the Company consist of financing Oi's group, including PT Portugal and its subsidiaries.

In 2014, the Company entered into the following main transactions:

- On March 24, the Company repaid to a related party an amount of EUR 1,603,000,000 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% and maturity date on March 23, 2015.

- On April 23, 2014, the Company obtained a loan under a club deal credit facility for an amount of EUR 300,000,000 at a fixed interest rate of 4.246%. As scheduled, this loan was repaid on May 23, 2014.

- On May 5, 2014, loans from Banco do Brasil at fixed interest rates varying from 3.438% to 3.887% were transferred from a related party to the Company, for a total amount of EUR 170,000,000. The Company early repaid these loans on June 27, 2014.

- On May 13, 2014, the Company issued notes to a related party for an amount of EUR 2,566,000,000 at a fixed interest rate of 1.417% and maturity date on February 15, 2016.

- On June 6, 2014, as scheduled, the Company repaid a loan amounting to EUR 400,000,000 under a club deal credit facility.

- On June 30, 2014 and on December 29, 2014, the Company repaid amounts of EUR 10,000,000 with respect to the loan obtained from KFW, as scheduled.

- On August 26, 2014, the Company issued notes to a related party for an amount of EUR 750,000,000 at a floating interest rate of 6m Euribor + 2.5% and maturity date on August 27, 2015.

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Key activities (continued)

- On August 28, 2014, as scheduled, the Company repaid exchangeable bonds in the amount of EUR 750,000,000 which were issued in August 2007.

- As of December 31, 2014, the total amount of loans granted to Oi group entities amounted to EUR 8,239,990,000, compared to EUR 7,044,990,000 as of December 31, 2013.

Going concern

The Company had an equity deficit of EUR 168,357,460 at December 31, 2014 and recorded a loss of EUR 420,468,828 during 2014, both mainly caused by changes in value of certain investments (Rio Forte notes, refer to note 7 to the balance sheet) held by the Company. The continuation of the Company as a going concern is dependent on the continued support of its (ultimate) parent company, Oi. On December 30, 2015, Oi resolved to make an irrevocable share premium contribution to the Company in the amount of EUR 500,000,000. This capital contribution was made without any change in the nominal amount of the Company's share capital, hence being recorded as a non-stipulated share premium in the books of the Company. This contribution was fully paid on February 4, 2016.

Oi, as the parent-company of the Oi Group of which the Company is a part, announced on March 9, 2016 that it had retained PJT Partners as financial advisor to assist the Oi Group in assessing financial and strategic alternatives to optimize the Oi Group's liquidity and debt profile. Following this, on April 25, 2016, Oi announced that it has entered into a customary non-disclosure agreement with an advisor to a diverse ad hoc group of holders of the bonds issued by Oi and certain of its affiliated companies, including PTIF, as an initial step toward discussions regarding the potential terms of a restructuring and on May, 16 2016 Oi announced that its Board of Directors approved the start of negotiations in relation to the financial indebtedness (restructuring) of the Oi Group with Moelis&Company as representative of the ad hoc group of bondholders.

The Oi Group Consolidated financial statements for the year ended December 31, 2014 and 2015 have been prepared assuming that the Group will continue as a going concern, based on its cash flow projections and other forecasts. The projections used depend on factors such as attainment of traffic volume targets, customer base, launching of bundled products attractive to customers, service sales prices, foreign exchange fluctuation, and the success of the efforts to complete the negotiations in relation to the financial indebtedness (restructuring) of the Oi Group. The auditor of Oi has issued an auditor's opinion including a "material uncertainty related to going concern" paragraph together with the Oi Group consolidated financial statements for the year ended December 31, 2015.

The Company's financial statements for the year ended December 31, 2014 have been prepared assuming the Company will continue as a going concern, based on Oi's declaration to maintain its financial interest in and support to the Company in the foreseeable future and based on the achievement of the cash flow projection and other forecasts for the Oi Group.

Further, the Company understands that the efforts to successfully complete the negotiations in relation to the financial indebtedness (restructuring) of the Oi Group are aimed at the continuation of Oi and the Oi Group, including the Company, as a going concern. Based upon the information available to it, the Company has no reason to believe that those efforts will not be successful.

The going concern of the company is depending on one of more of the assumptions underlying the Oi Group's cash flow projections and other forecasts, the financial support of Oi to the Company, and the outcome of the efforts to successfully conclude the negotiations in relation to the financial indebtedness (restructuring), to be met. These conditions indicate that a material uncertainty exists that may cast significant doubts as to the Company's ability to continue as a going concern.

Recent developments and post balance sheet events

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 then 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 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.

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Recent developments and post balance sheet events (continued)

On the other hand, 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. 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.

Since December 31, 2014, the Company entered into the main following 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 PT SGPS in exchange for 474,348,720 Oi common shares and 948,697,440 Oi preferred shares, under an Exchange Agreement entered into by Oi, Telemar Participações S.A., PT SGPS, 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 4,710,200,000 was repaid. Available cash was used to subscribe Notes issued by Oi Brasil Holdings Cöoperatief U.A.

- 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

- On December 30, 2015, Oi S.A., the sole shareholder of the Company, has resolved an irrevocable capital contribution into the Company in the amount of EUR 500,000,000. This capital contribution merely determined the increase of the Company's assets, without any change in the nominal amount of its share capital, being recorded as a non-stipulated share premium in the books of the Company. This Contribution was fully paid on February 4, 2016.

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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 composition of the Board of Managing Directors as at the balance sheet date deviated 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. In the current composition of the board 50% of the board members is female.

Financial risk management

There are no concentrations of foreign currency risk at the balance sheet date.

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 participants and associates, as well as to the shareholder. These counterparties do not have a history of non-performance incidents.

Please also refer to the paragraph 'Going concern' here above.

In the paragraph 'Other notes' at 'Short-term investments in Rio Forte Notes' below, it is noted that the Company understands that in connection with the subscriptions in Rio Forte Notes and the involvement of former directors of PT SGPS there have been information requests by the U.S. SEC and Brazilian CVM, and authorities in Portugal and Luxembourg are conducting investigations. As far as the Company is aware, the Company is not a subject or target of such investigations. The Company is not aware of the current status of such investigations.

Other notes

Short-term investments in Rio Forte Notes

Short-term investments ("Rio Forte notes", with a nominal value of EUR 697 million in total) in the table in note 7 to the balance sheet include the following:

- EUR 647 million (nominal value) commercial paper of Rio Forte Investments S.A. ("Rio Forte") subscribed for by the Company on 15 April 2014, paid up in cash hence leading to an outflow of EUR 647 million, the maturity of which occurred on 15 July 2014;
- EUR 50 million (nominal value) commercial paper of Rio Forte subscribed for by the Company on 17 April 2014, paid up in cash hence leading to an outflow of EUR 50 million, the maturity of which occurred on 17 July 2014.

The background to these Rio Forte Notes can be described as follows.

At the time of these investments in April 2014, the Company was still part of the group of PT SGPS. At that time, a merger between PT SGPS and Oi was still envisaged. In May 2014 PT SGPS, as part of this merger contributed amongst others all shares in the Company to Oi.

Subsequent to the acquisition of PT Portugal on May 5, 2014, Oi discovered on June 30, 2014 that (1) PT Portugal had subscribed to EUR 200 million principal amount of commercial paper of Rio Forte Investments S.A. ("Rio Forte"), that matured in July 2014, and (2) the Company had subscribed to EUR 697 million principal amount of commercial paper of Rio Forte that matured in July 2014. On July 15 and 17, 2014, Rio Forte defaulted on the commercial paper held by PT Portugal and the Company. Rio Forte was ultimately insolvent by the Luxemburg Court on 8 December 2014, and went into liquidation on the same date.

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Upon becoming aware of the subscription for the Rio Forte Notes, it was clear to Oi that there were serious concerns concerning the legality and appropriateness of such subscription by PTIF, as well as being aware of the anticipated negative financial effects thereof. Oi and the Company have therefore since explored how to mitigate the effects of the investments made in the Rio Forte Notes prior to the merger with Oi, also in light of the default of Rio Forte under the Rio Forte Notes on July 15 and 17, 2014. On September 8, 2014, Oi, TmarPart (the controller of Oi), PT SGPS, PT Portugal and the Company entered into an Exchange Agreement, and a stock option agreement. The main purpose of these agreements was to reverse to the greatest extent possible the potential economic effects and risks associated with the Rio Forte Notes for the Company and Oi and its group as a whole (the "Exchange"). For the Company, the main element of the Exchange was the transfer of the Rio Forte Notes held by it to PT SGPS in exchange for Oi shares (as described in more detail below). Based upon the information that has become available to the Company, the possible background, business rationale and commercial purposes of, and the decision making process concerning the subscription to the Rio Forte notes by the Company in April 2014 could not be determined and remain questionable. The Exchange consisted of the following:

- PT SGPS would exchange with the Company the Rio Forte Notes for 47,434,872 common shares plus 94,869,744 preferred shares of Oi, representing an amount of EUR 897,000,000 at the relevant time (for the Company's Rio Forte Notes and the EUR 200,000,000 nominal Rio Forte Notes originally held by PT Portugal) and representing 16.9% of Oi's share capital (the "Exchange Shares")
- An American non-transferable purchase option ("Purchase Option") would be attributed to PT SGPS in order to reacquire the Exchange Shares (with the exercise price of $20.104 reais for common shares and $18.529 reais for preferred shares after Oi share grouping), which would be adjusted by the Brazilian CDI (Certificado de Depósito Interbancário) [Interbank Deposit Certificate] plus 1.5% per year;
- The Purchase Option with respect to those Oi Shares subject to the Purchase Option would enter into effect on the data of the Exchange, would have a maturity of six years, with the possibility of exercising the option by PT SGPS terminating at 10% at the end of the first year and 18% at the end of each subsequent year;
- Any amount received as a result of monetization of the Purchase Option through issue of derived instrument would have to be used for the exercise of the Purchase Option;
- PT SGPS could only acquire Oi or TmarPart shares through exercise of the Purchase Option;
- The Purchase Option would be canceled if (i) the bylaws of PT SGPS were to be voluntarily altered to remove the 10% voting limitation; (ii) PT SGPS were to act as a competitor of Oi or (iii) PT SGPS were to violate certain obligations arising from definitive documentation; and
- The contracts were subject to approval by the CVM and would be executed by 31 March 2015.

On 31 December 2014, as stated above, execution of the exchanges and the purchase option were pending approval by the CVM in Brazil. On 4 March 2015, the CVM approved the above contracts, conditional upon approval of them at Oi's General Shareholders' Meeting, which occurred on 26 March 2015. On 24 March 2015, PT SGPS, Oi, PT Portugal, the Company and TmarPart concluded a Private Instrument of Assignment of Rights and Obligations and Other Fees ("Assignment Agreement"), by means of which PT Portugal transferred its Rio Forte notes to the Company, and ceded to the Company all pertaining rights and obligations in the terms of the Exchange Agreement ("Assignment").

On 30 March 2015, the Exchange was concluded, by means of which PT SGPS (1) deposited Exchange Shares with the Depositary; and (2) instructed the Depositary to register the transfer of 47,434,872 common shares and 94,896,744 preferred shares to the Company, representing the Exchange Shares.

Therefore, on 30 March 2015, PT SGPS transferred the Exchange Shares to the Company, and the Company transferred to PT SGPS the Rio Forte notes. Still on 30 March 2015, the Purchase Option was in force and effective.

As of 31 December 2014, the Company still held the Rio Forte Notes pending consummation of the Exchange described above. In light of the agreed upon exchange of the Rio Forte Notes for Oi Shares, in the balance sheet the Company recognized the Rio Forte Notes at their fair value based on the market value as per 31 December 2014 of the Exchange Shares that would be received upon the conclusion of the Exchange and recorded an impairment loss of EUR 402,410,957 in net income. Accrued interests were fully written-off.

Upon acquisition of the Exchange Shares, and given their listing, the Company is exposed to any subsequent movements in the market value of the Exchange Shares. In this respect, it is noted that after 31 December 2014 the market value of the Exchange Shares further declined. The market value of the Exchange Shares per the date of these financial statements amounts to approximately EUR 25,3 million (as compared to approximately EUR 295 million as at 31 December 2014).

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None of the current directors of the Company was a director at the time of the Investments in the Rio Forte notes. The Company is not involved in any litigation in relation to the Investments in the Rio Forte Notes. Based on publicly available sources, the Company understands that in connection with the subscriptions in Rio Forte Notes and the involvement of former directors of PT SGPS there have been information requests by the U.S. SEC and Brazilian CVM, and authorities in Portugal and Luxembourg are conducting investigations. As far as the Company is aware, the Company is not a subject or target of such investigations. The Company is not aware of the current status of such investigations.

We draw also attention to note 8 to the balance sheet regarding the investments in bonds issued by ESI which is also a related party of Rio Forte. These investments in bonds where recognised as part of the cash and cash equivalents in the 2013 financial statements. The comparative figures have been adjusted for this error.

Audit committee

No audit committee was appointed for the Company. The Company uses the audit committee of the shareholder PT Portugal.

The Board of Managing Directors ,

M,N. Schroeder

C. Mocellin

Amsterdam,

May 27th, 2016

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Portugal Telecom International Finance B.V.

Balance sheet as at December 31, 2014
(in EUR, before appropriation of results)

	Notes	December 31, 2014	December 31, 2013
ASSETS			
Financial fixed assets	5		
Commercial paper, loans and notes to PT SGPS group companies		--	1,209,000,000
Commercial paper, loans and notes to PT Portugal group companies		4,312,840,000	5,064,990,000
Prepaid Issuance costs		14,623,813	19,304,099
		4,327,463,813	6,293,294,099
Current assets			
Receivables	6/7	4,245,785,403	788,962,340
Short-term investments	8	--	550,000,000
Cash and cash equivalents	8A	13,640,403	863,632,438
		4,259,425,806	2,202,594,778
TOTAL ASSETS		8,586,889,619	8,495,888,877
EQUITY AND LIABILITIES			
Shareholders' Equity	9		
Issued and paid-up capital		21,000	21,000
Share premium		252,090,368	252,090,368
Result for the year		(420,468,828)	21,442,132
		(168,357,460)	273,553,500
Non-current Liabilities	10		
EMTN		4,350,000,000	4,350,000,000
Revolving credit facilities / loan		54,983,665	472,314,820
Loans from group companies		--	2,438,000,000
		4,404,983,665	7,260,314,820
Current Liabilities	11		
EMTN / Exhangeable bonds		--	750,000,000
Revolving credit facilities / loans		4,168,331,156	27,331,155
Interest received in advance		38,106,770	42,826,062
Interest EMTN / exchangeable bonds / credit facilities		141,499,365	141,273,326
Corporate income tax		415,674	415,675
Other debts and accruals		1,910,449	174,339
		4,350,263,414	962,020,557
TOTAL EQUITY AND LIABILITIES		8,586,889,619	8,495,888,877

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Portugal Telecom International Finance B.V.

Income statement for the financial year ended December 31, 2014
(in EUR)

	Notes	December 31, 2014	December 31, 2013
Interest Income on commercial papers / loans		312,970,294	335,258,512
Other Interest Income		18,364,203	46,952,312
Financial Expenses		(310,544,871)	(352,417,998)
Withholding tax on interest on deposits		(806,759)	5,649,607
Exchange differences		449	200,285
Amortization of prepaid issuance costs	5	(4,680,286)	(5,079,911)
Financial Income and Expenses		**15,303,030**	**30,562,807**
General and administrative expenses	12	31,282,222	5,989,266
Operating expenses		31,282,222	5,989,266
OPERATING RESULT		**(15,979,192)**	**24,573,541**
Result on investments	13	(402,410,957)	--
RESULT BEFORE TAXATION		(418,390,149)	24,573,541
Income tax expense	15	(2,078,679)	(3,131,409)
NET RESULT AFTER TAXATION		(420,468,828)	21,442,132

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Portugal Telecom International Finance B.V.

Notes to the balance sheet and income statement as at December 31, 2014
(in EUR)

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 S.A. (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 168,357,460 at December 31, 2014 and recorded a loss of EUR 420,468,828 during 2014, both mainly caused by changes in value of certain investments (Rio Forte notes, refer to note 7) held by the Company. The continuation of the Company as a going concern is dependent on the continued support of its (ultimate) parent company, Oi. On December 30, 2015, Oi resolved to make an irrevocable share premium contribution to the Company in the amount of EUR 500,000,000. This capital contribution was made without any change in the nominal amount of the Company's share capital, hence being recorded as a non-stipulated share premium in the books of the Company. This contribution was fully paid on February 4, 2016.

Oi, as the parent-company of the Oi Group of which the Company is a part, announced on March 9, 2016 that it had retained PJT Partners as financial advisor to assist the Oi Group in assessing financial and strategic alternatives to optimize the Oi Group's liquidity and debt profile. Following this, on April 25, 2016, Oi announced that it has entered into a customary non-disclosure agreement with an advisor to a diverse ad hoc group of holders of the bonds issued by Oi and certain of its affiliated companies, including PTIF, as an initial step toward discussions regarding the potential terms of a restructuring and on May, 16 2016 Oi announced that its Board of Directors approved the start of negotiations in relation to the financial indebtedness (restructuring) of the Oi Group with Moelis&Company as representative of the ad hoc group of bondholders.

The Oi Group Consolidated financial statements for the year ended December 31, 2014 and 2015 have been prepared assuming that the Group will continue as a going concern, based on its cash flow projections and other forecasts. The projections used depend on factors such as attainment of traffic volume targets, customer base, launching of bundled products attractive to customers, service sales prices, foreign exchange fluctuation, and the success of the efforts to complete the negotiations in relation to the financial indebtedness (restructuring) of the Oi Group. The auditor of Oi has issued an auditor's opinion including a "material uncertainty related to going concern" paragraph together with the Oi Group consolidated financial statements for the year ended December 31, 2015.

The Company's financial statements for the year ended December 31, 2014 have been prepared assuming the Company will continue as a going concern, based on Oi's declaration to maintain its financial interest in and support to the Company in the foreseeable future and based on the achievement of the cash flow projection and other forecasts for the Oi Group.

Further, the Company understands that the efforts to successfully complete the negotiations in relation to the financial indebtedness (restructuring) of the Oi Group are aimed at the continuation of Oi and the Oi Group, including the Company, as a going concern. Based upon the information available to it, the Company has no reason to believe that those efforts will not be successful.

The going concern of the company is depending on one of more of the assumptions underlying the Oi Group's cash flow projections and other forecasts, the financial support of Oi to the Company, and the outcome of the efforts to successfully conclude the negotiations in relation to the financial indebtedness (restructuring), to be met. These conditions indicate that a material uncertainty exists that may cast significant doubts as to the Company's ability to continue as a going concern.

(b) Audit committee

No audit committee was appointed for the Company. The Company uses the audit committee of the shareholder PT Portugal.

(c) Group structure

The Company is a member of Oi group. The ultimate parent company of this group is Oi. The Company's financial statements are included in the consolidated financial statements of PT Portugal.

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(d) Related party transactions

Up to June 2015, the Company has subscribed Notes issued by PT Portugal SGPS, S.A. (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 transactions 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.

(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.

(f) Cash flow statement

No cash flow statement has been presented in these financial statements, because the financial statements of this company are included in the consolidated financial statements of PT Portugal which will be filed, in accordance with art. 360.104 of the Dutch guidelines for Annual Reporting, with CMVM the Portugese Securities Market Commission

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.

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

(a) Comparison with previous year
The accounting policies have been consistently applied to all the years 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 translaten at the exchange rates prevailing at balance sheet date. Transaction in foreign currency during the financial year are recognised in the financial statements at the exchange rates prevailing at transacion 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) Financial fixed assets
The commercial papers, bonds and notes stated under the financial fixed assets are initially recorded at fair value and subsequently at amortized cost, net of impairment.

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.

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2 ACCOUNTING POLICIES FOR THE BALANCE SHEET (continued)

Convertible bonds

The convertible bonds are valued at the nominal value as the Company has the possibility (but not the intention) in each quarter of not rolling over the bonds until the expected maturity date.

(d) Impairment

At each balance sheet date, the Company tests whether there are any indications of assets being subject to impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An asset is subject to impairment if its carrying amount exceeds its recoverable amount; the recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognised immediately in the income statement.

If it is established that a previously recognised impairment loss no longer applies or has declined, the increased carrying amount of the assets in question is not set any higher than the carrying amount that would have been determined had no asset impairment been recognised. A reversal of an impairment loss is recognised immediately in the income statement.

(e) Receivables

Receivables are recorded at fair value and then valued at amortised costs, net of allowances for doubtful accounts, determined individually. On initial recognition the fair value and the amortised cost equal the face value.

(f) 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.

(g) Non-current liabilities

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.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised 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 recognised as interest in the income statement over the period of the borrowings using the applicable interest method.

(h) Current liabilities

Short term liabilities are liabilities due within one year or less.

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3 ACCOUNTING POLICIES FOR THE INCOME STATEMENT

(a) General

Profits or transactions are recognized in the year 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 recognised 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 recognised 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.

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4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Market risk

Market risk arises from the Company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Currency risk

The Company mainly operates in the European Union. Consequently, the Euro is its functional currency and reporting currency. The Company does not hold positions other than its functional currency, reason why it does not incur in any currency risk. Therefore, the Company does not have any hedge positions.

Foreign currencies

The financial statements are presented in Euros, which is the functional and presentation currency. Therefore, there are no concentrations of foreing currency risk at balance sheet date.

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 recognised in the financial statements at the exchange rates prevailing at transacion 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. This consists of trade payables in USD and USD denominated bank accounts (2014: EUR 449, 2013: EUR 200,285).

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).

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 or debt instruments.

Credit risks

The Company incurs credit risks on loans granted to PT Portugal, its shareholder, and PT Portugal group companies. These counterparties do not have a history of non-performance.

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5 FINANCIAL FIXED ASSETS

Movements in financial fixed assets can be broken down as follows:

	Commercial paper, loans and notes to PT SGPS group companies	Commercial paper, loans and notes to PT Portugal group companies	Prepaid issuance costs	Total
Opening balance	1,209,000,000	5,064,990,000	19,304,099	6,293,294,099
Movements 2014				
Additions	--	12,467,700,000	--	12,467,700,000
Repayments	(1,209,000,000)	(9,293,700,000)	--	(10,502,700,000)
Reclassification to short term (-) / long term (+)	--	(3,926,150,000)	--	(3,926,150,000)
Amortization	--	--	(4,680,286)	(4,680,286)
Closing balance	--	4,312,840,000	14,623,813	4,327,463,813

The Company's commercial paper, loans and notes to Portugal Telecom SGPS S.A. (PT SGPS) group companies can be specified as follows:

Commercial Papers issued by PT SGPS
Commercial papers issued by PT SGPS can be specified as follows:

	2014	2013
Opening balance	1,209,000,000	--
Issued in financial year	--	482,000,000
Reclassification to short term (-) / long term (+)	--	727,000,000
Repayment in financial year	(1,209,000,000)	--
Closing balance	--	1,209,000,000

The Company's commercial paper, loans and notes to PT Portugal SGPS, S.A. group companies can be specified as follows:

Name	2014	2013
Commercial papers issued by PT Portugal	3,490,150,000	1,737,950,000
Commercial papers issued by MEO,Serviços de Comunicações e Multimédia,SA (MEO)(ex-PTC)	813,400,000	3,086,750,000
Commercial papers issued by MEO,Serviços de Comunicações e Multimédia,SA (MEO)(ex-TMN)	--	230,000,000
Loan to Timor Telecom S.A.	9,290,000	10,290,000
	4,312,840,000	5,064,990,000

The fair value of commercial paper and loan to PT Portugal 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.

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Notes to the balance sheet and income statement as at December 31, 2014
(in EUR)

5 FINANCIAL FIXED ASSETS (continued)

Commercial Papers issued by PTP
Commercial papers issued by PTP can be specified as follows:

	2014	2013
Opening balance	1,737,950,000	1,039,300,000
Issued in financial year	8,919,500,000	–
Reclassification to short term (-) / long term (+)	(1,360,150,000)	698,650,000
Repayment in financial year	(5,807,150,000)	–
Closing balance	3,490,150,000	1,737,950,000

The following table provides detailed information about the Commercial Papers issued by PT Portugal SGPS, S.A. as at December 31, 2014:

Description	Amount (EUR)	Issue Date	Maturity Date	Coupon
Commercial Paper PT Portugal	493,850,000	23-Dec-14	27-Feb-15	4.71114%
Commercial Paper PT Portugal	492,550,000	16-Dec-14	27-Feb-15	4.83614%
Commercial Paper PT Portugal	992,050,000	29-Dec-14	26-Feb-15	4.96114%
Commercial Paper PT Portugal	472,950,000	30-Dec-14	25-Feb-15	6.21114%
Commercial Paper PT Portugal	49,400,000	30-Dec-14	25-Feb-15	6.21114%
Commercial Paper PT Portugal	10,000,000	30-Dec-14	26-Feb-15	5.33614%
Commercial Paper PT Portugal	15,000,000	30-Dec-14	25-Feb-15	5.57814%
Commercial Paper PT Portugal	215,000,000	29-Dec-14	26-Feb-15	6.21114%
Commercial Paper PT Portugal	15,000,000	29-Dec-14	26-Feb-15	5.33614%
Commercial Paper PT Portugal	594,350,000	29-Dec-14	26-Feb-15	5.96114%
Commercial Paper PT Portugal	140,000,000	23-Dec-14	15-Jan-15	5.33614%
	3,490,150,000			

Commercial Papers issued by MEO (ex-PTC)
The commercial papers issued by MEO can be specified as follows:

	2014	2013
Opening balance	3,086,750,000	2,631,600,000
Issued in financial year	982,200,000	–
Reclassification to short term (-) / long term (+)	–	1,027,150,000
Repayment in financial year	(3,255,550,000)	(572,000,000)
Closing balance	813,400,000	3,086,750,000

The following table provides detailed information about the Commercial Papers issued by MEO, Serviços de Comunicações e Multimédia, S.A. as at December 31, 2014:

Description	Amount (EUR)	Issue Date	Maturity Date	Coupon
Commercial Paper MEO	233,600,000	30-Dec-14	6-Feb-15	5.57814%
Commercial Paper MEO	95,000,000	4-Dec-14	29-Jan-15	5.33614%
Commercial Paper MEO	484,800,000	30-Dec-14	25-Feb-15	5.33614%
	813,400,000			

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5 FINANCIAL FIXED ASSETS (continued)

Commercial papers issued by MEO (ex-TMN)

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

	2014	2013
Opening balance	230,000,000	–
Issued in financial year	–	320,000,000
Reclassification to short term (-) / long term (+)	--	(20,000,000)
Repayment in financial year	(230,000,000)	(70,000,000)
Closing balance	–	230,000,000

Loan to Timor Telecom S.A.

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

	2014	2013
Opening balance	10,290,000	7,790,000
Issued in financial year	–	4,000,000
Reclassification to short term (-) / long term (+)	--	(1,000,000)
Repayment in financial year	(1,000,000)	(500,000)
Closing balance	9,290,000	10,290,000

Intercompany receivable loan from Timor Telecom S.A. in the amount of EUR 4,000,000 bears interest at 12 % per annum (2013: 12%) with the maturity date on September 24, 2016.

Intercompany receivable loan from Timor Telecom S.A. in the amount of EUR 3,790,000 bears interest at 10 % per annum (2013: 10%) with the maturity date on April 22, 2016.

Intercompany receivable loan from Timor Telecom S.A. in the amount of EUR 2,500,000 bears interest at 3M EURIBOR + 9.25% per annum (2013: 3M EURIBOR + 9.25%). The amount will be repaid in 10 installments of EUR 250,000 each, payable quarterly, beginning on 19 March 2015 and ending on 19 June 2017 as final maturity date. Repayment obligation within 12 months in the amount of EUR 1,000,000 as at balance sheet date is included in current assets (refer to note 6).

Notes issued by PT Portugal

The Company's notes can be specified as follows:

	2014	2013
Opening balance	--	750,000,000
Issued in financial year	2,566,000,000	–
Reclassification to short term	(2,566,000,000)	(750,000,000)
Closing balance	--	--

On December 23, 2008, PT SGPS issued convertible bonds in the amount of EUR 750,000,000 due on August 28, 2014. These convertible bonds aim to support the exchangeable bonds issued by the company in 2007, replicating their main terms and conditions. The exchangeable bonds were redeemed in May, 2014.

The notes in the amount of EUR 2,566,000,000 were issued by PT Portugal on May 13, 2014 and are due February 15, 2016. The notes bear interest at a rate of 1.54075%. Effective April 13, 2015, 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.

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5 FINANCIAL FIXED ASSETS (continued)

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

	2014	2013
Opening balance	19,304,099	19,384,010
Additions	--	5,000,000
Amortization	(4,680,286)	(5,079,911)
Closing balance	14,623,813	19,304,099

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 PT Portugal and/or other 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.

CURRENT ASSETS

6 COMMERCIAL PAPER AND LOANS TO PT PORTUGAL GROUP COMPANIES

	2014	2013
Commercial Papers issued by PTP (refer to note 5)	1,360,150,000	–
Commercial papers issued by MEO (refer to note 5)	–	20,000,000
Loan to Timor Telecom S.A. (refer to note 5)	1,000,000	1,000,000
Notes issued by PT Portugal (refer to note 5)	2,566,000,000	750,000,000
	3,927,150,000	771,000,000

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

The following table provides detailed information about the Commercial Papers issued by PT Portugal SGPS, S.A. as at December 31, 2014:

Description	Amount (EUR)	Issue Date	Maturity Date	Coupon
Commercial Paper PT Portugal	570,150,000	23-Dec-14	15-Jan-15	2.49614%
Commercial Paper PT Portugal	550,150,000	23-Dec-14	26-Feb-15	3.12414%
Commercial Paper PT Portugal	199,850,000	23-Dec-14	15-Jan-15	3.12414%
Commercial Paper PT Portugal	10,000,000	30-Dec-14	27-Feb-15	1.91914%
Commercial Paper PT Portugal	30,000,000	30-Dec-14	15-Jan-15	2.28375%
	1,360,150,000			

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7 RECEIVABLES

As at December 31, 2014, this item can be detailed as follows:

	2014	2013
Interest loan receivable	5,366,294	105,400
Interest receivable from deposits	--	5,566,315
Accrued upfront fees	3,732,227	5,964,736
Other accruals and deferred income	--	91,078
Corporate income tax 2013	1,219,396	1,219,396
Corporate income tax 2014	2,087,645	--
Witholding taxes*	5,015,415	5,015,415
Rio Forte notes	294,589,043	--
Interest on Rio Forte notes	6,606,980	--
Other receivables	18,403	--
	318,635,403	17,962,340

* Part of witholding taxes is expected to be settled after one year.

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.

The withholding tax receivable relates to 15% reduction of paid withholding taxes that the Company is entitled to. Of this amount EUR 1,140,125 relates to the year 2010, EUR 59,567 to 2011, EUR 2,537,896 to 2012 and EUR 1,277,827 to 2013.

Rio Forte Notes

Short-term investments ("Rio Forte notes", with a nominal value of EUR 697 million in total) in the table above include the following:

- EUR 647 million (nominal value) commercial paper of Rio Forte Investments S.A. ("Rio Forte") subscribed for by the Company on 15 April 2014, paid up in cash hence leading to an outflow of EUR 647 million, the maturity of which occurred on 15 July 2014;
- EUR 50 million (nominal value) commercial paper of Rio Forte subscribed for by the Company on 17 April 2014, paid up in cash hence leading to an outflow of EUR 50 million, the maturity of which occurred on 17 July 2014.

The background to these Rio Forte Notes can be described as follows.

At the time of these investments in April 2014, the Company was still part of the group of PT SGPS. At that time, a merger between PT SGPS and Oi was still envisaged. In May 2014 PT SGPS, as part of this merger contributed amongst others all shares in the Company to Oi.

Subsequent to the acquisition of PT Portugal on May 5, 2014, Oi discovered on June 30, 2014 that (1) PT Portugal had subscribed to EUR 200 million principal amount of commercial paper of Rio Forte Investments S.A. ("Rio Forte"), that matured in July 2014, and (2) the Company had subscribed to EUR 697 million principal amount of commercial paper of Rio Forte that matured in July 2014. On July 15 and 17, 2014, Rio Forte defaulted on the commercial paper held by PT Portugal and the Company. Rio Forte was ultimately insolvent by the Luxemburg Court on 8 December 2014, and went into liquidation on the same date.

Upon becoming aware of the subscription for the Rio Forte Notes, it was clear to Oi that there were serious concerns concerning the legality and appropriateness of such subscription by PTIF, as well as being aware of the anticipated negative financial effects thereof. Oi and the Company have therefore since explored how to mitigate the effects of the investments made in the Rio Forte Notes prior to the merger with Oi, also in light of the default of Rio Forte under the Rio Forte Notes on July 15 and 17, 2014. On September 8, 2014, Oi, TmarPart (the controller of Oi), PT SGPS, PT Portugal and the Company entered into an Exchange Agreement, and a stock option agreement. The main purpose of these agreements was to reverse to the greatest extent possible the potential economic effects and risks associated with the Rio Forte Notes for the Company and Oi and its group as a whole (the "Exchange"). For the Company, the main element of the Exchange was the transfer of the Rio Forte Notes held by it to PT SGPS in exchange for Oi shares (as described in more detail below). Based upon the information that has become available to the Company, the possible background, business rationale and commercial purposes of, and the decision making process concerning the subscription to the Rio Forte notes by the Company in April 2014 could not be determined and remain questionable. The Exchange consisted of the following:

- PT SGPS would exchange with the Company the Rio Forte Notes for 47,434,872 common shares plus 94,869,744 preferred shares of Oi, representing an amount of EUR 897,000,000 at the relevant time (for the Company's Rio Forte Notes and the EUR 200,000,000 nominal Rio Forte Notes originally held by PT Portugal) and representing 16.9% of Oi's share capital (the "Exchange Shares");
- An American non-transferable purchase option ("Purchase Option") would be attributed to PT SGPS in order to reacquire the Exchange Shares (with the exercise price of $20.104 reais for common shares and $18.529 reais for preferred shares after Oi share grouping), which would be adjusted by the Brazilian CDI (Certificado de Depósito Interbancário) [Interbank Deposit Certificate] plus 1.5% per year;

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- The Purchase Option with respect to those Oi Shares subject to the Purchase Option would enter into effect on the data of the Exchange, would have a maturity of six years, with the possibility of exercising the option by PT SGPS terminating at 10% at the end of the first year and 18% at the end of each subsequent year;
- Any amount received as a result of monetization of the Purchase Option through issue of derived instrument would have to be used for the exercise of the Purchase Option;
  PT SGPS could only acquire Oi or TmarPart shares through exercise of the Purchase Option;
- The Purchase Option would be canceled if (i) the bylaws of PT SGPS were to be voluntarily altered to remove the 10% voting limitation; (ii) PT SGPS were to act as a competitor of Oi or (iii) PT SGPS were to violate certain obligations arising from definitive documentation; and
- The contracts were subject to approval by the CVM and would be executed by 31 March 2015.

On 31 December 2014, as stated above, execution of the exchanges and the purchase option were pending approval by the CVM in Brazil. On 4 March 2015, the CVM approved the above contracts, conditional upon approval of them at Oi's General Shareholders' Meeting, which occurred on 26 March 2015. On 24 March 2015, PT SGPS, Oi, PT Portugal, the Company and TmarPart concluded a Private Instrument of Assignment of Rights and Obligations and Other Fees ("Assignment Agreement"), by means of which PT Portugal transferred its Rio Forte notes to the Company, and ceded to the Company all pertaining rights and obligations in the terms of the Exchange Agreement ("Assignment").

On 30 March 2015, the Exchange was concluded, by means of which PT SGPS (1) deposited Exchange Shares with the Depositary; and (2) instructed the Depositary to register the transfer of 47,434,872 common shares and 94,896,744 preferred shares to the Company, representing the Exchange Shares.

Therefore, on 30 March 2015, PT SGPS transferred the Exchange Shares to the Company, and the Company transferred to PT SGPS the Rio Forte notes. Still on 30 March 2015, the Purchase Option was in force and effective.

As of 31 December 2014, the Company still held the Rio Forte Notes pending consummation of the Exchange described above. In light of the agreed upon exchange of the Rio Forte Notes for Oi Shares, in the balance sheet the Company recognized the Rio Forte Notes at their fair value based on the market value as per 31 December 2014 of the Exchange Shares that would be received upon the conclusion of the Exchange and recorded an impairment loss of EUR 402,410,957 in net income. Accrued interests were fully written-off.

Upon acquisition of the Exchange Shares, and given their listing, the Company is exposed to any subsequent movements in the market value of the Exchange Shares. In this respect, it is noted that after 31 December 2014 the market value of the Exchange Shares further declined. The market value of the Exchange Shares per the date of these financial statements amounts to approximately EUR 25,3 million (as compared to approximately EUR 295 million as at 31 December 2014).

None of the current directors of the Company was a director at the time of the investments in the Rio Forte notes. The Company is not involved in any litigation in relation to the investments in the Rio Forte Notes. Based on publicly available sources, the Company understands that in connection with the subscriptions in Rio Forte Notes and the involvement of former directors of PT SGPS there have been information requests by the U.S. SEC and Brazilian CVM, and authorities in Portugal and Luxembourg are conducting investigations. As far as the Company is aware, the Company is not a subject or target of such investigations. The Company is not aware of the current status of such investigations.

We draw also attention to note 8 regarding the investments in bonds issued by ESI which is also a related party of Rio Forte. These investments in bonds where recognised as part of the cash and cash equivalents in the 2013 financial statements. The comparative figures have been adjusted for this error.

8 SHORT-TERM INVESTMENTS

	2014	2013
Short-term investments	–	550,000,000

Adjustment comparative figures and disclosures

In note 8 to the Company's 2013 annual accounts, reference was made to Cash and cash equivalents. The note erroneously failed to disclose that such Cash and cash equivalents included financial investments in bonds issued by Espírito Santo International S.A. (ESI) in the amount of EUR 550 million. In addition, the note did not mention that ESI and Banco Espírito Santo (BES) were, at that time – to the Company's current understanding – a related party of the Company, and that an effective diversification was not being implemented, further to note 8 to the Company's 2013 annual accounts which indicates that the Company's policy is to invest its cash for short time periods, entering into agreements with reputable financial institutions and diversifying counterparties. The credit risk of ESI was not evaluated by financial rating agencies.

The comparative figures have been adjusted for this error. The error does not have an impact on the result or the equity.

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8A CASH AND CASH EQUIVALENTS

	2014	2013
Current account balances	1,140,403	2,366,760
Fixed deposits	12,500,000	861,265,678
	13,640,403	863,632,438

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.

Reference is made to footnote 8 regarding the adjustment comparative figures and disclosures in relation to short-term investments that were previously included under Cash and cash-equivalent in the 2013 annual accounts.

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9 SHAREHOLDERS' EQUITY

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

As at December 31, 2014, 42 shares were issued and fully paid-up. The movements in the year under review can be summarised as follows:

	Issued and paid-up capital	Share premium	Other reserves	Result for the year	Total
Opening balance 2013	21,000	252,090,368	--	6,705,439	258,816,807
Result for the year	--	--	--	21,442,132	21,442,132
Profit appropriation	--	--	6,705,439	(6,705,439)	--
Dividend distribution	--	--	(6,705,439)	--	(6,705,439)
Opening balance 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 2014	21,000	252,090,368	--	(420,468,828)	(168,357,460)

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 2014
EMTN	--	2,850,000,000	1,500,000,000	4,350,000,000
Revolving credit facilities / loan	7,331,156	29,324,624	25,659,041	54,983,665
Loans from group companies	2,566,000,000	--	--	--
	2,573,331,156	2,879,324,624	1,525,659,041	4,404,983,665

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

EMTN / exchangable bonds

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

	2014	2013
Opening balance	4,350,000,000	4,100,000,000
Issued in financial year	--	1,000,000,000
Reclassification to short term	--	(750,000,000)
Closing balance	4,350,000,000	4,350,000,000

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 fair value of the notes issued by the Company under the EMTN Program, determined on market information, amounted to EUR 4,536,192,500 on December 31, 2013 and amounts to EUR 4,520,811,500 on December 31, 2014.

10 NON-CURRENT LIABILITIES (continued)

The following table provides detailed information about the bonds issued under the EMTN and the exchangeable bonds outstanding as at December 31, 2014, which were issued by the company:

Description	Notional (EUR)	Issue Date	Maturity Date	Coupon
Eurobond	500,000,000	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	600,000,000	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%
	4,350,000,000			

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

Description	2014	2013
Term loan due in 2015	--	10,000,000
Term loan due in 2016	--	400,000,000
Export credit facility due in 2023	54,983,665	62,314,820
	54,983,665	472,314,820

The fair value of the revolving credit facilities / loan approximates the book value.

On June 30, 2014 the Company repaid amount of EUR 10,000,000 with respect to the loan obtained from KFW IPEX-Bank GmbH (KFW) (interest at 3M/6M EURIBOR + 1.40% per annum (2013: 3M/6M EURIBOR + 1.40%) with the maturity date on June 29, 2015).

On June 6, 2014 the Company repaid a loan amounting to EUR 400,000,000 under a club deal credit facility (interest at 3M EURIBOR + 4.00/4.50% per annum (2013: 3M EURIBOR + 4.50%) with the maturity date on June 29, 2016).

Export credit facility with Bank of China Limited, London branch payable loan in the amount of EUR 62,314,821 bears interest at 3M EURIBOR + 1.65% per annum (2013: 3M EURIBOR + 1.65%) with the maturity date on May 3, 2023. Repayment obligation within 12 months in the amount of EUR 7,331,156 as at balance sheet date is included in current assets (refer to note 11). On September 23, 2015 the Company prepaid the total long term portion in the amount of EUR 51,318,087.

Loans from group companies

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

	2014	2013
Note CVTEL B.V.	--	2,438,000,000
Note PT Portugal	2,566,000,000	--
Reclassification to short term	(2,566,000,000)	--
	--	2,438,000,000

On April 14, 2014 the note for an amount of EUR 2,438,000,000 was redeemed at an amount EUR 1,603,000,000 and remaining balance of EUR 835,000,000 was transferred to PT Portugal at a fixed interest rate of 2.16% and with maturity date on March 23, 2015.

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. The fair value of the note, based on discounted cash flows, amounts to EUR 2,546,467,941. Effective April 13, 2015, 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.

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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 2015.

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

Description	2014	2013
Notes PT Portugal (refer to note 10)	3,401,000,000	--
Note Oi S.A.	750,000,000	--
Export credit facility (refer to note 10)	7,331,156	7,331,155
Credit Facility KFW	10,000,000	20,000,000
	4,168,331,156	27,331,155

On August 26, 2014, the Company issued notes to Oi S.A. for an amount of EUR 750,000,000 at a floating interest rate of 6M Euribor + 2.5% and maturity date on August 27, 2015.

The loan from KFW IPEX-Bank GmbH bears interest at 3M/6M EURIBOR + 1.40% per annum (2013: 3M/6M EURIBOR + 1.40%) with the maturity date on June 29, 2015. On December 29, 2014, the Company repaid amount of EUR 10,000,000 with respect to the loan obtained from KFW.

12 GENERAL AND ADMINISTRATIVE EXPENSES

	2014	2013
Bank expenses	6,380	8,349
General expenses	18,423	352
Legal expenses	81,184	197,132
Audit expenses	14,520	55,572
Accounting expenses	33,275	--
Tax advisory expenses	38,663	43,040
Professional services*	2,906,509	107,704
Management expenses	132,025	102,700
Stock listing fees	8,712	8,039
Non-refundable VAT cost	4,772	10,952
Bank fees related to credit facilities*	27,862,657	5,261,187
Advanced interest payments fees	175,102	194,239
	31,282,222	5,989,266

* The amount of EUR 2,906,509 related to professional services includes EUR 2,782,124 of fees paid in connection with the consent solicitation to note holders executed in 2014 related to the business combination between Oi and PT SGPS.

* The amount of EUR 27,862,657 related to bank fees includes EUR 15,671,040 of consent fees paid to note holders in connection with the consent solicitation executed in 2014.

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13 RESULT ON INVESTMENTS

The result on investments can be broken down as follows:

	2014	2013
Impairment of Rio Forte Investments, SA (refer to note 7)	(402,410,957)	–
	(402,410,957)	–

14 SPECIFICATION OF AUDIT FEES

Specification of Audit fees 2014

	BDO Audit & Assurance B.V.
Audit of the financial statements	37,510
Other audit engagements	–
	37,510

Specification of Audit fees 2013

	Deloitte Accountants B.V.
Audit of the financial statements	14,520
Other audit engagements	–
	14,520

No tax advisory or other non-audit services have been rendered by Deloitte Accountants B.V. or member firms /affiliates in 2013 and by BDO Audit & Assurance B.V. - in 2014.

15 TAXATION

	2014	2013
Corporate Income Tax 2012	184,169	--
Corporate Income Tax 2013	–	(3,131,409)
Corporate Income Tax 2014	(2,262,848)	--
	(2,078,679)	(3,131,409)

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 2014 taxable income after credit of foreign (withholding) tax is EUR 9,091,391. As a result, the estimated corporate income tax charge is EUR 2,262,848.

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

16 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.

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17 DIRECTORS

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

As per July 24, 2014, Mr. C. Moreira da Cruz resigned as Managing Director.

As per July 30, 2014, Mr. F.N. Guimaraes and Mr. B. de Paoli were appointed as Managing Director.

As per September 4, 2014, Mr. B. da Costa Saldanha resigned as Managing Director.

As per December 31, 2014, Mr. C. van den Broek resigned as Managing Director and as per the same date Mr. M.N. Schroeder and Mr. J.P.V.G. Visser were appointed as Managing Directors.

As per 3 March 2016, the following directors resigned as Managing Director: Trust International Management (T.I.M.) B.V., Mr. W.J. Langeveld, Mr. F. Nicolay Guimaraes, Mr. B. de Paoli Gontijo, and Mr. J.P.V.G. Visser. As per the same date. Mrs. C. Mocellin was appointed as Managing Director.

The Board of Managing Directors ,

M.N. Schroeder

C. Mocellin

Amsterdam,

May 27th, 2016

27 May 2016

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Other Information

Statutory provision regarding appropriation of result

In accordance with Article 14 of the Articles of Assocation, profit shall be at the disposal of the Annual General meeting of Shareholders. Profit distribution can only be made to the extent that Shareholder's Equity exceeds the issued and paid-up share capital and legal reserves. Dutch law stipulates that distributions may only be made to the extent the Company's equity is in excess of the reserves it is required to maintain by law and its Articles of Association. Moreover, no distributions may be made if the Management Board is of the opinion that, by such distribution, the Company will not be able to fulfill its financial obligations in the foreseeable future.

Proposed appropriation of result

The loss sustained by the Company during the year under review will be debited to the other reserve. This proposed appropriation of the result has not been reflected in these financial statements and is subject to the approval of the General Meeting of Shareholders.

Post balance sheet events

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 then 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 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 the other hand, 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. 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.

Since December 31, 2014, the Company entered into the main following 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 PT SGPS in exchange for 474,348,720 Oi common shares and 948,697,440 Oi preferred shares, under an Exchange Agreement entered into by Oi, Telemar Participações S.A., PT SGPS, 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 4,710,200,000 was repaid. Available cash was used to subscribe Notes issued by Oi Brasil Holdings Cöoperatief U.A.

Post balance sheet events (continued)

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

On December 30, 2015, Oi S.A., the sole shareholder of the Company, has resolved an irrevocable capital contribution into the Company in the amount of EUR 500,000,000. This capital contribution merely determined the increase of the Company's assets, without any change in the nominal amount of its share capital, being recorded as a non-stipulated share premium in the books of the Company. This Contribution was fully paid on February 4, 2016.

Independent Auditor's report

Reference is made to the independent auditors' report hereinafter.

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Independent auditor's report

To: the shareholders and the Board of Managing Directors of Portugal Telecom International Finance B.V.

Report on the audit of the financial statements 2014

Our qualified opinion
We have audited the financial statements 2014 of Portugal Telecom International Finance B.V. ('the company'), based in Amsterdam.

WE HAVE AUDITED	OUR QUALIFIED OPINION
The financial statements which comprise: 1. the balance sheet as at 31 December 2014; 2. the profit and loss account for 2014; and 3. the notes comprising a summary of the applicable accounting policies and other explanatory information.	In our opinion except for the possible effects of the matters described in the 'Basis for our qualified opinion' section, the enclosed financial statements give a true and fair view of the financial position of Portugal Telecom International Finance B.V. as at 31 December 2014 and of its result for 2014 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Material uncertainty related to going concern
We draw attention to the going concern paragraph in the notes on page 7 of the financial statements which indicates that the going concern of Portugal Telecom International Finance B.V. is largely dependent on the continued support of its (ultimate) parent company Oi S.A. and that the going concern of Oi S.A. is largely dependent on the outcome of its efforts to successfully complete the negotiations in relation to the financial indebtedness (restructuring) of the Oi Group. These conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Basis for our qualified opinion
As described in note 7 of the financial statements, the company subscribed for Rio Forte notes in April 2014 which defaulted on 15 and 17 July 2014 and led to a cash outflow of in total € 697,000,000. Mid 2014 the Company tried to unwind the subscriptions which eventually led to a settlement through an exchange and option agreement.
As the directors of the Company involved in the decision making process on the subscription to the Rio Forte notes left the Company before we were appointed as auditors and due to the lack of appropriate information within the Company on the background of the transactions and the decision making process, the legality, appropriateness and business rationale of the subscriptions cannot be determined and remain questionable. As the directors of the Company involved in the decision making process on the settlement left the Company before we were appointed as auditors and due to the lack of appropriate information within the Company, the decision making process regarding the settlement cannot be determined. Based on publicly available sources, we understand that in connection with the subscriptions in Rio Forte notes and the involvement of former directors of Portugal Telecom SGPS S.A. there have been information requests by the U.S. SEC and Brazilian CVM, and authorities in Portugal and Luxembourg are conducting investigations. As far as the Company is aware, the Company is not a subject or target of such investigations. The Company is not aware of the current status of such investigations.

Due to the lack of appropriate information about these investigations we cannot determine the impact of these investigations on the financial statements of the company. As a result we were unable to obtain sufficient appropriate audit evidence about the transactions, the accounting of the transactions, the disclosure of the transactions and the possible effects of the transactions for the Company.

Furthermore, as described in note 8, the 2013 financial statements erroneously failed to include several required disclosures on related party transactions. As the directors of the Company involved in the decision making process on the subscription to the ESI bonds left the Company before we were appointed as auditors and due to the lack of appropriate information within the Company the background of the transaction can also not be determined. Due to the lack of appropriate information within the Company on the related parties and as the former shareholder did not provide us with the information needed, we were unable to obtain sufficient appropriate audit evidence on the related party disclosures.

As a result of these matters, we were unable to determine whether any adjustments or changes to the financial statements were necessary.

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Portugal Telecom International Finance B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Materiality

Based on our professional judgment we determined the materiality for the financial statements as a whole at € 85,000,000. This has been calculated with reference to a benchmark of total assets (representing 1.0% of reported total assets). Based on our professional judgement we used this benchmark given the company's main activity is intra-group financing. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Board of Managing Directors that misstatements in excess of € 4,250,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of Managing Directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matters described in the 'Material Uncertainty Related to Going Concern' section and the 'Basis for Qualified Opinion' section we selected the following key audit matters.

RIO FORTE TRANSACTIONS & RELATED SETTLEMENT	OUR AUDIT APPROACH
We consider the Rio Forte transactions and the related settlement transaction, as disclosed in note 7 to the financial statements as a key audit matter. We identified this as a key audit matter due to the size of the transaction, the publicity around this transaction and the impact of the impairment effect on the income statement. The Board of Managing Directors assessed the valuation of the Rio Forte notes based on the 31 December 2014 market value of the Exchange Shares that would be received upon the conclusion of Exchange. The Board of Managing Directors identified an impairment which has been recognised in the income statement.	We planned to perform detailed audit procedures on the accounting and disclosure of the transactions. Due to the matters described in the 'Basis for Qualified Opinion' section we were unable to obtain sufficient appropriate audit evidence about the transactions, the accounting of the transactions, the disclosure of the transactions and the possible effects of the transactions for the Company.

VALUATION OF OTHER COMMERCIAL PAPERS, NOTES AND LOANS ISSUED	OUR AUDIT APPROACH
We consider the valuation of the other commercial papers, notes and loan issued (excluding the Rio Forte notes), as disclosed in notes 5 and 6 to the financial statements for a total amount € 8.2 billion as a key audit matter. We identified this as a key audit matter due to the size of the commercial papers, notes and loan issued and given that an impairment may have a material effect on the income statement. Initially, loans are recognised at its fair value and subsequently measured at amortised cost using the effective interest method. The Board of Managing Directors assessed the valuation of the commercial papers, notes and loans issued by analyzing the financial situation of the counter parties. The Board of Managing Directors did not identify an indication for an impairment with regard to the commercial papers, notes and loans issued excluding the Rio Forte notes.	We have performed detailed audit procedures addressing the valuation of the commercial papers, notes and loan issued. Due to the short-term nature of the other commercial papers, notes and loans issued we performed subsequent cash verification. Furthermore, we reconciled the book values with the underlying contracts and with the obtained intercompany confirmations.

Responsibilities of the Board of Managing Directors for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from errors or fraud and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Managing Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Board of Managing Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Managing Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

Report on other legal and regulatory requirements

Other information

This report includes, next to the financial statements and our opinion thereon, other information. This other information consists of:
- the director's report
- the other information on pages 26 and 27

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code and the auditing standards we report that:
- we have no deficiencies to report as a result of our examination whether the director's report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the other information on pages 26 and 27 as required by Part 9 of Book 2 of the Dutch Civil Code have been annexed.
- the director's report, to the extent we can assess, is consistent with the financial statements.

Our opinion on the financial statements does not include the other information and we do not express an opinion or other assurance conclusion on the other information. As part of our audit on the financial statements and based on the auditing standards, it is our responsibility to read the other information. We have to assess whether there are any material inconsistencies between the other information and the financial statements. In order to do so, we use the obtained audit evidence of audit of the financial statements and the conclusions drawn in our audit. We also determine whether the other information in other ways seems to include material deficiencies. If we conclude, based on the procedures performed, that the other information includes a material deficiency, we are required to report this matter.

Management is responsible for the preparation of the other information including the preparation of the management board report and the other information on page on pages 26 and 27 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Engagement
We were engaged as auditor of Portugal Telecom International Finance B.V. on 17 April 2015 as of the audit for year 2014 and have operated as statutory auditor ever since that date.

Amstelveen, 27 May 2016

For and on behalf of BDO Audit & Assurance B.V.,

O. van Agthoven RA

For identification purposes: