ANNUAL SUSTAINABILITY REPORT 2012



SUMMARY

VALUES AND PURPOSES 3
- Message from the Board 3
- Message from the CEO 4
- Mission, Vision and Practices 6
- Intangible Assets 7
- Commitment to Sustainability 9
- Highlights of 2012 15
- Awards and Recognition 16

A OI 17
- Company Profile 17
  - The History of Oi 20
- Corporate Governance 23
  - Corporate Reorganization 23
  - Governance Structure 24
  - Support to Decision-Making 27
  - Continuous Development 28
  - Internal Audit 30
  - Risk Management and Internal Controls 30
  - Ethics and Anti-Corruption 32
  - Information Security 33
- Innovation and Technology 34
- Institutional Relations 35

PEOPLE 38
- Relations with Employees 38
- Relations with Suppliers 48
- Relations with Customers and Consumers Relations 51
- Relations with Society 56
  - Oi Futuro 57
- Annual Social Balance Sheet 62

ENVIRONMENT 63
- Climate Governance 63
- Environmental Impacts and Mitigation Actions 67

GENERATION OF VALUE 73
- Market Context 73
- Strategy and New Business 78
- Financial & Operating Performance 79
- Investiments 97
- Capital Markets and Ownership Structure 98
- Balance Sheet 100

ABOUT THE REPORT 103
- Profile of the report and application level 103
- Dialogue Panel with Stakeholders 105
- Remissive Index GRI 107
- Corporate information 117

VALUES AND PURPOSES

"WE NEED TO EXPAND OUR VIEW AS EMPLOYEES TO THINK ABOUT SUSTAINABILITY IN AN INTEGRATED WAY, INVOLVING THE DAILY ACTIONS OF THE VARIOUS AREAS."

EMPLOYEE

MESSAGE FROM THE BOARD

[GRI 1.1]

Economic growth and consolidation of strategic operations characterized the performance of Oi in 2012. A key milestone in the year was conclusion of the corporate reorganization, with simplification of capital structure, and in April the company began to list ordinary and preferred shares in through Oi S.A. in two markets. On the BM&FBovespa, shares are traded by means of new tickers $OIBR_3$ and $OIBR_4$, and on the New York Stock Exchange (NYSE), through OIBR.C and OIBR.

The restructuring process began in 2011. In February 2012, the General Meetings of TMAR (Telemar Norte Leste S.A.), Coari (Coari Participações S.A.) and TNL (Tele Norte Leste Participações S.A.) approved incorporation of the latter two and their subsequent termination and universal succession by the Company. TmarPart (Telemar Participações S.A.) became the direct controller, with TMAR a full subsidiary.

Another important achievement in 2012 was resumed growth. RGUs (Revenue Generating Units) closed out the year at 74.34 million. Pro-forma net revenue for the year totaled R$ 28.14 billion, pro-forma EBITDA R$ 8.9 billion, with total investments of R$ 6.56 billion[1]. Such performance demonstrates the assertiveness of the strategy and capacity for execution across all product segments (Residential, Personal Mobility and Business/Corporate)

The triple and quadruple play offers, which associate fixed-line telephony to mobility, broadband and pay TV products, leveraged results in the Residential segment. In the Personal Mobility sector, focus on high-end customers drove good performance, with growth among post-paid plans and significant expansion of market share in this category. Significant in the Business/Corporate segment was provision of fixed-line, mobile and broadband services to both small and medium-sized businesses and large corporations.

Throughout the year the company continued its strategy of incorporating sustainability into its business as part of an ongoing maturing process. Sound sustainability management is reflected in the permanence of shares in key portfolios linked to the theme on the BM&FBovespa: ISE (Corporate Sustainability Index), for the fifth consecutive year, and ICO_2 (Carbon Efficiency Index) for the third year running. Oi Futuro, which coordinates social responsibility actions for the Company, completed 11 years of operation with financing of important projects in areas of culture, education and sustainability.

On all fronts, Oi continues to successfully move forward as planned, always in line with the interests of customers, staff, shareholders and other stakeholders. Achievements in 2012 confer trust in management and strengthen the belief in successful actions to ensure sustainable growth in operations.

[1] As a result of conclusion of corporate reorganization on February 27, 2012, this report is based on the financial statements of Oi S.A. (remaining company and new name for Brasil Telecom S.A.) at the end of December 2012. However, to facilitate understanding, consolidated equivalent pro-forma statements of TNL (terminated) and physical numbers, income, costs and overheads (EBITDA), indebtedness, investments and cashflow, as if the incorporations had taken place on January 1st, 2011.

MESSAGE FROM THE CEO

[GRI 1.1]

2012 was a year of important achievements for Oi in the effort to strengthen the pillars of a good relationship with its stakeholders. The corporate reorganization process, consolidated throughout the year, rendered the Company yet more transparent and attractive to investors and improved access to the capitals market. We were listed on Level 1 of Corporate Governance of the BM&FBovespa, with shares traded as part of the Special Corporate Governance Stock Index (IGC).

From a customer relations standpoint we sought to enhance the quality of our services by providing them with simple solutions. We moved forward with our strategy of convergence of services and achieved sound results. We have attained growth in the post-paid sector and profitability of pre-paid services among mobile telephone clients; we have increased our market share, delivering comprehensive solutions to customers in the Business/Corporate segment, and have expanded provision of broadband and pay TV services to our Residential customers. To this end, we can affirm with great satisfaction that our 2012 results are in line with expectations and reflect the capability and effectiveness of Oi in its operational segments.

We believe that enhanced quality of telecommunications can only be achieved through commitment to innovation. In this vein, we were the first large-scale telecommunications operator in Brazil to roll out a cloud computing service, and have intensified our research and development activities. Through programs such as Inova and the Innovation Incentive Program, we have fostered creation of new ideas both within and outside the Company to underpin development of products and services.

We invest in the quality, speed and scope of our network, in refining our programming, our point-of-sale structure and the qualification of people. This is how we put our growth strategy into practice - maintaining sustained profitability and providing quality services through an integrated, committed team.

2012 also saw continuation of our public commitments. We completed three years as signatories of the United Nations Global Compact. In this message we reiterate our continued support of the initiative and our commitment to its ten principles. Actions taken by the Company over the course of the year to put such principles into practice are detailed in this report.

In the area of social responsibility, the Oi Futuro institute, which completed 11 years in 2012, accomplished its mission to employ new communication and information technologies in development of projects in education, culture, sport, the environment and social development – always with a view to promote across-the-board access to knowledge and shorten geographical and social distances, with special focus on young people.

On evaluating prospects for 2013, we can glimpse great opportunities to increase and consolidate our market share, offering high-end services to our customers. We plan to continue with implementation of our marketing plans and updating of our networks – seeking to achieve efficiency in our operations, while expanding the services on offer to meet the demands of all of our clients.

We are also doing our part to minimize the environmental impacts of our operations. In a pioneer initiative in the telecommunications sector, we are financing construction of five recycling plants in Brazil as part of a partnership with a reverse logistics company specializing in collection, waste management and recycling of electronic products as we seek to contribute to implementation of the National Policy on Solid Waste.

As official sponsor and service provider to Rio+20 (United Nations Conference on Sustainable Development), Oi had the opportunity to contribute

to the event with quality service. We also participated in discussions on sustainable development and eradication of poverty held at the conference, signing a letter of commitment to Rio +20, organized by the Brazilian network of the Global Compact.

[GRI DMA EC] Continuing with our regulatory obligations, Oi returns a part of the wealth generated by its activities in Brazil to society. With the Program for Broadband in Schools, run in partnership with the Federal Government, we promote digital inclusion for more than 30 million students and have connected over 51,000 schools to the internet. In 2012, through the National Broadband Plan, we reached 2,440 cities participating in the process of multiplying internet access in Brazil by increasing access to broadband, promoting new beginnings in the digital experience and reducing social and regional inequality across the country.

These initiatives and progress in sustainability as a Company strategy contributed to the presence of Oi on two share portfolios linked to this theme on the M&FBovespa. For the fifth consecutive year, we are listed on the ISE (Corporate Sustainability Index), and on the ICO2 (Carbon Efficiency Index) for the third year running. Our maintained position on these indices represents an ongoing challenge for the Company, because we know the importance of promoting continuous improvement of our initiatives.

Also in 2012, further advances were made in the quest for sustainable results. For the first time in our history we organized a panel for dialog with stakeholders to hear the perceptions of different parties affected by our operations. This discussion also provided the materials to define primary issues to be dealt with in our sustainability report which, for the second year running, observes international Global Reporting Initiative guidelines.

On evaluating prospects for 2013, we can glimpse great opportunities to increase and consolidate our market share, offering high-end services to our customers. We plan to continue with implementation of our marketing plans and updating of our networks – seeking to achieve efficiency in our operations, while expanding the services on offer to meet the demands of all of our clients.

We assure our stakeholders that Oi continues to apply its strategy with focus on sustainable growth, in provision of quality services and in the ongoing quest for innovation and best practices. These pillars will continue to define Company strategy for the coming years.

Thinking long-term, considering impacts, mitigating socio-environmental risks and seeking to satisfy clients with each relationship opportunity are the foundation blocks for the new growth cycle, already under way. As you read this report you will better understand each Company initiative in the effort to achieve these goals.

Happy reading.



José Mauro Mettrau Carneiro da Cunha

CEO

MISSION, VISION AND PRACTICES [GRI 4.8]

MISSION

To surprise our Customers every day with simple solutions for communicating and connecting.

VISION

To be the Customers' preferred Telecom, offering complete services with excellence.

PRACTICES

- Customer at the center of everything
- Surprising people
- Making things happen with excellence
- Sustainable results

INTANGIBLE ASSETS

HUMAN CAPITAL

With a diversified in-house staff and presence in all Brazilian states, Oi considers human capital to be one of the most valuable and relevant assets for business success, and focus on people is one of the Company's key principles. Best market practices drive policies and practices in terms of well-being among employees, health and safety management and skills development.

Click here to find out more about the human resources management and development strategies

THE BRAND AND PRESENCE ON THE INTERNET

In 2012, Oi reinforced its brand presence in the digital world with actions setting us apart from the competition, such as refining of purchasing, customer service and relations channels.

The Company – the first in the sector to provide an application to obtain its services via Facebook, encouraged dialog and invested in engagement actions through initiatives such as Ligados no Carnaval (Switched on to Carnaval) and Torpedos até o Fim (Text Messages to the End). Without recourse to heavy investment in publicity, Oi increased its fan base on this social network from 3,000 to over 800,000 during the year. Constant customer service availability continued on Twitter through the tag @DigaOi.

Oi opted for special, more impactive formats in promoting products and offers on such means of communication, resulting in increased profitability of investments. The synergy between offline and online vehicles ensured greater efficiency for construction of these messages. In a customer survey, conducted in partnership with a specialized institute, the brand was perceived by the consumer as "The Most Complete" in the segment. With new investments in sponsored links, the Company has re-established its presence in SEM (Search Engine Marketing) and SEO (Search Engine Optimization) and provided a boost to its digital sales channels. The initiative was supplemented by tele-agents on the internet, who helped to disseminate information on hotsites, content networks and sponsored link campaigns.

The Company reinforced its innovative character on migrating the Oi FM project to digital channels and maintaining programming quality, rendering the radio an important asset for the brand. Development of Mundo Oi environments was in line with key communication trends on bringing together service and engaging content. One example is Oi Applicativos, which favors the use of smartphones and tablets to their full potential.

Of note among publicity initiatives is Orelhão Mágico (Magic Payphone), specially geared for the internet. The video topped viewing figures on YouTube in December 2012 and gained the approval of 97% of users. The positive repercussions went beyond digital borders and generated spontaneous, positive media for the brand through over 70 vehicles in Brazil and internationally.

SPONSORSHIP

Rio+20 – In 2012, Oi was official sponsor and service provider of telecommunications and IT services for Rio+20 (United Nations Conference on Sustainable Development), held in Rio de Janeiro. Over the ten days of the event, the Company provided service to some 50,000 people in official forums held at the Riocentro. Coverage for the concurrent program of responsibility in civil society and at hotels and airports increased this number by a further 150,000 people.

For the high quality of services provided, Oi received a letter of thanks signed by United Nations head of technology Malcolm Chapman. The speed of WiFi internet provided at the event was also the subject of a report in the New York Times.

More than 500 Oi employees were involved in the project. In the Riocentro alone, facilities included 7 kilometers (4.3 miles) of optical fiber and 225 km (140 miles) of network cable. Three Long Term Evolution (LTE) sites were installed, enabling the

public to learn about and use 4G technology during the event. In addition to providing infrastructure, Oi launched the official Rio+20 application for smartphones, with useful information for visitors (hotels, airports, banks, visas etc.).

As a Rio +20 sponsor, the Company sought to contribute to discussions on sustainable development. The initiative was aligned to concern for reduction of environmental impacts. Oi inventoried its carbon emissions during the conference and applied reverse logistics to cables and wires used, which were sent to the supplier for treatment and recycling.

Externally, Oi reaffirmed its position by signing the letter of commitment to Rio+20, which brought together contributions from companies committed to sustainable development and eradication of poverty.

Oi Athina Onassis Horse Show – Latina America's biggest equestrian event and an important stage for sport-based entertainment was held for the sixth time at the Brazilian Equestrian Society in Rio de Janeiro. Around 15,000 people participated in the activities, boosting tourism and service sectors such as hotels, restaurants and shops. The event was broadcast to an audience of over 300 million people in 80 countries.

Lollapalooza Brasil – This rock festival, a success in the USA for over 20 years, was held for the first time in Brazil in April 2012, with sponsorship from Oi. Well-known Brazilian bands and figures from the new generation of international artists took to the stage over two days of partying at the Jockey Club de São Paulo, with around 140,000 people in attendance. The initiative was aligned to the Company strategy of supporting culture and music, particularly Brazilian, and strengthening cultural unity in the country.

Sogipa – Since 2003, Oi has been proud to sponsor the Sogipa (Porto Alegre Gymnastic Society) judo team, contributing to development and consolidation of the sport in Brazil. At the 2012 London Olympic Games, team athletes Felipe Kitadai and Mayara Aguiar won two bronze medals for Brazil.

COMMITMENT TO SUSTAINABILITY

[GRI 1.2] To Oi, sustainability means changing the way we do business and including, in company management, social responsibility actions, responsible use of natural resources and initiatives to reduce the environmental impacts of operations, ensuring economic profitability. The Oi Sustainability Policy, drawn up in 2009, steers Company actions and its commitment to putting this guideline into practice. In 2012, sustainability goals were maintained for various internal departments, consolidating the importance of the theme in the management model.

To see the Oi Sustainability Policy, click here.

Through its Sustainability Trail, the Company seeks to disseminate sustainability concepts among employees and engage them in actions. Based on an online knowledge platform, the program produces committed leaders and encourages identification of corporate opportunities and actions directly linked to business. The project is phased and includes online training, forums, videos, infographs, games and other interactive elements. At the end of 2012, after two years of program implementation, 16% of employees had begun training.

SCOPE EXPANSION

In addition to putting sustainability into practice in its business, Oi participates in volunteer initiatives which aim to stimulate in-depth discussions on the theme and engage new agents in actions. Networking widens the scope of initiatives and multiplies the effects of the quest for more balanced business relationships and models.

[GRI 4.12] Since 2011, Oi has been part of the business platform EPC (Businesses for Climate), which brings together Brazilian companies to discuss innovation and adaptation strategies in light of the challenge of climate change.

Also a participant in ISCV (Innovation and Sustainability in the Value Chain), developed by GVCes (Getúlio Vargas Foundation Center for Sustainability Studies), the Company is involved in actions to stimulate innovation for sustainability. Efforts are concentrated on small and medium-sized ventures within the value chains of large corporations. Among specific aims of the project are: generating knowledge on the theme, stimulating exchange of experiences and mobilizing large corporations to adopt sustainability strategies in their productive chains.

Oi also voluntarily provides data to CDP (Carbon Disclosure Project), a global, not-for-profit organization which seeks to enhance the exchange of information between companies and shareholders on the impacts and opportunities for businesses in respect of climate change.

In 2008, to promote safe internet use, Oi signed up to the Joint Cooperation Agreement against pedophilia which brings together telecommunications companies, the Federal Prosecutor's Office, Federal Police and the Safernet Brasil organization. Through this initiative companies, society and government join forces to prevent and tackle crimes committed against children and teenagers using the internet.

In addition to education and prevention, this joint effort makes for more effective tracking of the origin of internet connections by which such crimes are committed. To this end the Company invests in improving its network and techniques for identification of offenders against children and teenagers, along with communication actions to advise parents, children and teenagers on safe use of the internet.

In 2012, Oi published educational messages on the theme in Oi Fixo fixed line bills, in the subscribers' newsletter and on the Oi TV customer telephone line, also launching telephone cards with information on channels available to report such crimes. Oi also participated in World Safer Internet Day, a forum held in more than 65 countries to discuss methods of

preventing internet crimes. Through such actions, Oi provides an incentive to society to report the practice of pedophilia crimes.

[GRI 4.12] GLOBAL COMPACT

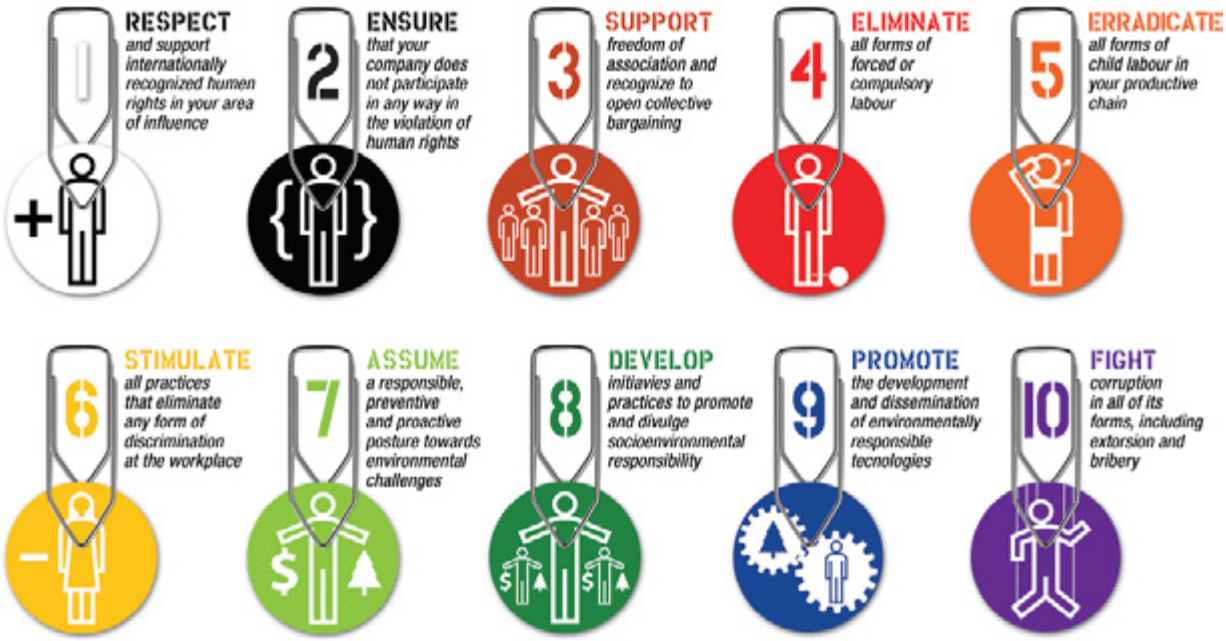
In 2009, the Company signed up to the United Nations Global Compact, which promotes multilateral dialog between businesses, civil society organizations, unions and the UN itself with a view to constructing a more inclusive market. Launched in 2000, the Compact is today the world's leading volunteer corporate sustainability initiative and has more than 7,000 signatory companies. It is structured on ten principles in aspects of human rights, work, the environment and the fight against corruption.

In day-to-day management, the Oi commitment to the Global Compact translates into firm actions for implementation, disclosure and promotion of the principles in operations, the in-house culture and in decision-making processes of the Board. On an annual basis, the Company publishes accounts in its Progress Communication on advances achieved in practices related to the initiative. More relevant actions are provided in the table below and can be seen in more detail throughout this publication.

As a signatory, Oi participated in talks promoted by the Brazilian Global Compact Committee in 2012, which resulted in the letter of commitment to Rio+20. This document, presented to the Brazilian government, brought together the contributions of companies committed to sustainable development and eradication of poverty.

PROGRESS COMMUNICATION

Correlation with Principles of Global Compact



Correlation with Milennium Objectives



Actions/Initiatives	Correlation with the Global Compact Principles										Correlation with the Millennium Development Goals								Annual and Sustainability Report 2012
																			
	1	2	3	4	5	6	7	8	9	10	1	2	3	4	5	6	7	8	
Education Program for Sustainability (Sustainability Trail).	■	■	■	■	■	■	■	■	■	■							■	■	Values and Purposes > Commitment to Sustainability
Insertion of the Sustainability Module in the Generation Program (Trainees and members of the PDA).	■	■	■	■	■	■	■	■	■	■							■	■	People > Relations with Employees
Sustainability Policy	■	■	■	■	■	■	■	■	■	■	■	■	■				■	■	Values and Purposes > Commitment to Sustainability
Code of Ethics	■	■		■	■	■	■	■		■		■	■				■	■	Oi > Corporate Governance > Risk Management And Internal Controls
Actions of Agents of Ethics	■	■		■	■	■	■	■		■			■				■	■	Oi > Corporate Governance > Ethics And Anticorruption
Actions of Ethics Committee	■	■		■	■	■	■	■		■			■				■	■	Oi > Corporate Governance > Ethics And Anticorruption
Online training (e-learning) of Ethics	■	■		■	■	■	■	■		■			■				■	■	Oi > Corporate Governance > Ethics And Anticorruption
Sustainability in the Supply Chain	■	■		■	■		■	■		■			■				■	■	People > Relations With Suppliers
Oi Novos Brasis	■	■			■		■	■	■		■	■	■				■	■	People > Relations With Society > Oi Futuro
Oi Program of Cultural Incentive Sponsorships	■	■			■		■	■	■			■						■	People > Relations With Society > Oi Futuro
Actions of Internal Auditing		■	■	■	■	■				■									Corporate Governance > Internal Audit
Inventory of GHG (Greenhouse gases) emissions	■	■					■	■	■								■		Environment > Climate Governance
Volunteer Program in association with Junior Achievement.	■	■					■	■				■					■	■	People > Relations With Employees
NAVE - Advanced Center in Education	■	■			■				■		■	■						■	People > Relations With Society > Oi Futuro
Sports Incentive Sponsorship	■	■			■				■	■								■	People > Relations With Society > Oi Futuro

Actions/Initiatives	Correlation with the Global Compact Principles										Correlation with the Millennium Development Goals								Annual and Sustainability Report 2012
																			
	1	2	3	4	5	6	7	8	9	10	1	2	3	4	5	6	7	8	
Collective Working Agreements and Workday Agreements - 2010/2012	■	■	■	■															People > Relations With Employees
Oi Kabum! Schools of Art and Technology	■	■			■						■	■						■	People > Relations With Society > Oi Futuro
Compliance to the corporate platform of Companies for the Climate (EPC).							■	■	■								■	■	Values And Purposes > Commitment to Sustainability
Waste Management							■	■	■								■	■	Environment > Environmental Impacts And Mitigation Actions > Waste Management
Selective waste collection in the main administrative buildings							■	■	■								■	■	Environment > Environmental Impacts And Mitigation Actions > Waste Management
Asta Network Partnership - Sustainable Gifts							■	■	■								■	■	Environment > Environmental Impacts And Mitigation Actions > Waste Management
Channel on website for accusations	■	■	■															■	Oi > Corporate Governance > Governance Structure
Freedom of Association to unions and collective bargaining	■	■	■															■	People > Relations With Employees > Freedom Of Association
My Oi							■	■	■								■		People > Relations With Customers And Consumers
Actions to reduce GHG (Greenhouse gases) emissions							■	■	■								■		Environment > Climate Governance
Action to reduce electrical power consumption							■	■	■								■		Environment > Climate Governance
Action to reduce water consumption							■	■	■								■		Environment > Environmental Impacts And Mitigation Actions
Green IT							■	■	■								■		Environment > Climate Governance

Actions/Initiatives	Correlation with the Global Compact Principles										Correlation with the Millennium Development Goals								Annual and Sustainability Report 2012
																			
	1	2	3	4	5	6	7	8	9	10	1	2	3	4	5	6	7	8	
Collection and special disposal of batteries and handsets.							■	■	■								■		Environment > Environmental Impacts And Mitigation Actions
Fleet Renewal Project							■	■	■								■		Environment > Climate Governance
Using Returnable Envelopes							■	■	■								■		Environment > Environmental Impacts And Mitigation Actions
Using bags made of recyclable materials							■	■	■								■		Environment > Environmental Impacts And Mitigation Actions
Broadband in Schools Program	■				■						■	■						■	People > Relations With Society > Digital Inclusion
Statement of Mutual Cooperation Against Pedophilia	■	■										■	■	■			■		Values And Purposes > Commitment To Sustainability
Accessibility for Customers	■	■															■	■	People > Relations With Customers And Consumers
Sponsorship, supply, and actions at events of the Fifa™ World Cup 2014							■	■									■	■	Oi > Institutional Relations
Inova Program								■	■										Oi > Innovation And Technology
Incentive to Innovation Program									■										Oi > Innovation And Technology
Donation of Phone Books to NGO doe seu lixo	■							■										■	Environment > Environmental Impacts And Mitigation Actions
Use of videoconferencing							■	■									■		Environment > Climate Governance
Mapping of corporate risks							■			■									Oi > Corporate Governance > Risk Management and Internal Controls
Executive Group on Sustainability										■							■	■	Oi > Corporate Governance
Medications of Continuous Use Program	■															■	■		People > Relations With Employees
Program for Healthy Living	■															■	■		People > Relations With Employees
Preventive Activities (Regular Exams)	■															■	■		People > Relations With Employees > Health And Safety

Actions/Initiatives	Correlation with the Global Compact Principles										Correlation with the Millennium Development Goals								Annual and Sustainability Report 2012
																			
	1	2	3	4	5	6	7	8	9	10	1	2	3	4	5	6	7	8	
Agreement with the Brazilian Navy - Antarctic Base								■				■						■	Oi > Institutional Relations
Accusation channel of the Fiscal Council										■								■	Oi > Corporate Governance > Governance Structure
Actions of the JOIA Program - Oi's Way to Serve and Learn	■																	■	People > Relations With Customers And Consumers
Vocational Training Examination Center (CEQUAL)	■																	■	People > Relations With Suppliers
User Council	■																	■	People > Relations With Customers And Consumers
Environment of internal controls in conformity with Sarbanes-Oxley Certification										■									Oi > Corporate Governance > Risk Management And Internal Controls
Information Security Management										■									Oi > Corporate Governance > Information Security
Telecommunications Museum and Art Exhibits												■						■	People > Oi Futuro > Culture
Access to Information in Remote Areas												■						■	People > Relations With Society > Infrastructure
Adherence to ISCV							■	■	■								■	■	Values And Purposes > Commitment To Sustainability
Recycling Factory							■	■									■	■	Values And Purposes > Commitment To Sustainability
Employee Development Programs	■	■				■	■	■	■			■						■	People > Relations With Employees

HIGHLIGHTS OF 2012

ISE

For the fifth consecutive year, Oi is listed on the portfolio of ISE (Corporate Sustainability Index) of BM&FBovespa), which highlights sustainability performance in economic efficiency, environmental balance, social justice and corporate governance. Forty companies participate in the ISE and are selected from among the 200 most liquid shares traded. This new portfolio, in effect from 2013, includes 37 companies from 16 sectors.

CORPORATE GOVERNANCE LEVEL 1

In December 2012, Oi was listed on Level 1 of Corporate Governance of BM&FBovespa, and Company shares became part of IGC (Special Corporate Governance Stock Index), which seeks to measure a theoretical portfolio comprising shares of companies with good governance levels.

IR GLOBAL RANKINGS (IRGR)

Oi received three awards in the 2012 edition of the IR Global Rankings, which recognize Investor Relations (IR) best practices. In Latin America, Oi was singled out as one of the five companies with best IR website and won first place in best online annual report – financial director Alex Zornig was voted the best CFO in Latin America.

RECYCLING OF ELECTRONIC DEVICES

Through a strategic partnership with the company Descarte Certo, Oi is financing construction of five recycling plants in the country to ensure appropriate management of solid waste in its product and services chain and in other operational and administrative processes. Descarte Certo is part of the Ambipar Group and specializes in waste collection and management and in recycling of electronic devices.

DIGITAL MEDIA

Subscriptions to the online customer relations site Minha Oi grew by 150 % in 2012, with 4.6 million customers registered and management of 11.2 million terminals. Such expansion, driven by its user-friendliness and security of transactions, reinforced the importance of this channel for customer relations. Official Oi profiles on Facebook, Twitter, Google+ and Orkut totaled 885,000 followers and 83,000 customer service actions.

CORPORATE REORGANIZATION

In 2012, the Company completed its corporate reorganization and simplification of Oi S.A. This process began in 2011 with the aims of simplifying the decision-making structure and increasing liquidity.

LATIN AMERICA'S LEADING WIFI NETWORK

In July, Oi integrated its WiFi networks throughout Brazil, an action which confirms its position as the most comprehensive provider of internet access in the country and the most extensive integrated WiFi network in Latin America.

AWARDS AND RECOGNITION

[GRI 2.10]

- **ISE** – Corporate Sustainability Index – fifth consecutive year.
  Awarded by: BM&FBovespa and the Getúlio Vargas Foundation Center for Sustainability Studies (GVces)
- **ICO2** –Carbon Efficiency Index – third consecutive year.
  BM&FBovespa and BNDES (National Economic and Social Development Bank)
- **Empresas do Bem** – Considered one of the 50 "Empresas do Bem" (Good Companies), singled out for its involvement in social and cultural areas, primarily with programs devised by Oi Futuro.
  Awarded by: IstoÉ Dinheiro
- **IR Global Rankings** – Category – Five Best Companies, with best IR website, Best Online Annual Report and Best CFO in Latin America.
  Awarded by: Global Rankings
- **18th Abemd Award** – Special recognition for Best of the Best in Customer Relations Management/ Database, awarded for the case study "Intelligence in Broadband Sales".
  Awarded by: Brazilian Direct Marketing Association
- **7th Annual Hot Companies and Best Products Awards –** Winner in category Suitable for Latin America for the solution of ultralow latency between the New York Stock Exchange (NYSE) and that of Brazil (BM&FBovespa).
  Awarded by: Network Products Guide
- **GTB Innovation Award** - Wholesale Service Innovation Category.
  Awarded by: Global Telecom Business
- **17th Top of Mind Bahia Award** – 17th place in the Mobile Telephone Operator segment.
  Awarded by: Marketing Consultoria, in partnership with Painel Brasil
- **6th Top of Mind Internet São Paulo** – Voted the most-remembered brand by internet users in the category Mobile Telephony/Operator.
  Awarded by: Instituto Datafolha
- **17th Top of Mind Minas Gerais Successful Brands** – Second place as the brand most remembered by people from Minas Gerais state in the category Excellence (Fixed-line, Mobile Phone and Broadband Operator) and awarded in the Leadership category (Long-Distance Telephone Operator).
  Awarded by: Mercado Comum - National Economics and Business Magazine
- **Top of Mind Rio Grande do Sul** – Winner in categories Broadband and Fixed-line.
  Awarded by: Grupo Amanhã
- **Top of Mind Rio Grande do Norte** – Most remembered company by consumers in the Mobile Telephone category.
  Awarded by: Foco Nordeste magazine
- **12th Top Correio Award** – Winner in two categories: Most Remembered Brand by the people of Sergipe state for Fixed-line and Internet (Velox) Services.
  Awarded by: Correio de Serviço newspaper

"WE, INVESTORS WITH A FOCUS ON THE LONG-TERM, BEGAN TO INCORPORATE ESG* ASPECTS INTO OUR ANALYSIS."

INVESTOR

* SOCIAL, ENVIRONMENTAL, AND CORPORATE GOVERNANCE

COMPANY PROFILE

[GRI 2.1, 2.2, 2.6, 2.7 and 2.8] Oi S.A. is Brazil's leading telecommunications service provider, offering a wide range of convergent products (those that can be offered together to a single customer), including traditional fixed line and mobile telephone services, data transmission, broadband internet access, internet and TV provider. The company services residential and small, medium and large-scale corporate users, government agencies and telecommunications companies. Oi holds the fixed line concession in 25 Brazilian states (all except São Paulo) and in the Federal District.

With acquisition of stock control of Brasil Telecom S.A. in 2009, Oi consolidated its national presence in mobile telephone and data transmission services with a unified portfolio across all regions of coverage. The availability of services on a national scale gives Oi the scope required to compete on equal terms with key international competitors operating in Brazil.

A pioneer and, in fact, the only integrated operator in Brazil, Oi believes in offering convergent services as an important competitive advantage to win customer loyalty.

[GRI 2.5] Since 2009, Oi has also operated the Globenet (full subsidiary of Oi S.A.) underwater optical fiber cable network which links Brazil, Colombia, Venezuela, Bermuda and the United States. Globenet and Metrored networks are part of the Oi data backbone[2], making it the biggest and most expansive data coverage in Brazil, with more than 176,000 kilometers (109,000 miles) - (23,300 kilometers (14,500 miles) of international backbone from Globenet, 32,600 km (20,250 miles) of Brazilian national backbone and 120,300 km (74,560 miles) of state and metropolitan networks).

With Oi TV as part of the complete portfolio of services, Oi has become Brazil's first quadruple play company, with combined offer of fixed line, mobile, broadband and pay TV, the latter available in the Federal District and the brazilian states, except São Paulo, at 2012.

[2] Central call-making system in a wider network, typically high performance. On an internet grid on a planetary scale there are, hierarchically divided, intercontinental (international) and national call backbones.

[GRI 4.13] PARTICIPATION IN ASSOCIATIONS

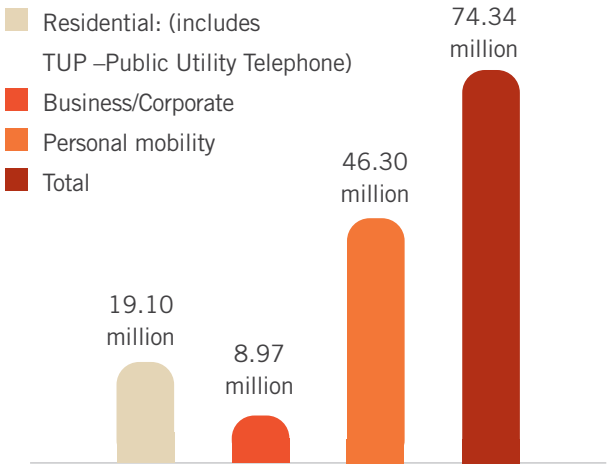
Oi actively participates in various associations and bodies which dialog on themes relevant to the Company, its business area and relations with different consumer groups, and key among these organizations are:

- ABDTIC (Brazilian Legal Association of Information Technology and Communications);
- Abrasca (Brazilian Association of Public Companies);
- ABTA (Brazilian Pay TV Association);
- Acieg (Goiás Commercial and Industrial Association);
- ACM (Maranhão Commercial Association);
- ADVB (Association of Sales and Marketing Directors in Brazil) – Bahia;
- ADVB (Association of Sales and Marketing Directors in Brazil) – Pará;
- ADVB (Association of Sales and Marketing Directors in Brazil) – Santa Catarina;
- AHCIET (Ibero-American Association for Research Centers and Telecommunications Companies)
- Amcham (Americana Chamber of Commerce) – Bahia;
- Bahia Commercial Association;
- Maceió Commercial Association;
- Porto Alegre Commercial Association – Policy/Business Contribution– Federasul;
- Vitória Commercial Association;
- Ceará Commercial Association;
- Sergipe Business and Commercial Association;
- Rio Grande do Sul State Industry Center;
- Ciesp São Paulo State Industry Center;
- Citel (Inter-American Telecommunication Commission);
- São Paulo State Federation of Industries – Instituto Roberto Simonsen;
- Mato Grosso Federation of Industries;
- Fieb (Bahia State Federation of Industries);
- IBGC (Brazilian Institute for Corporate Governance);
- Ibrac (Brazilian Institute for Studies into Competition, Consumption and International Trade);
- Brazilian Institute for Finance Executives (Espírito Santo);
- Espírito Santo in Action Ação Business Movement;
- Seta (National Union of Pay TV and Conditional Access Operators);
- Sinditelebrasil (National Union for Telephone as Mobile and Personal Service Companies);
- Telcomp (Brazilian Association of Competitive Telecommunications Service Providers);
- Telebrasil (Brazilian Telecommunications Association).

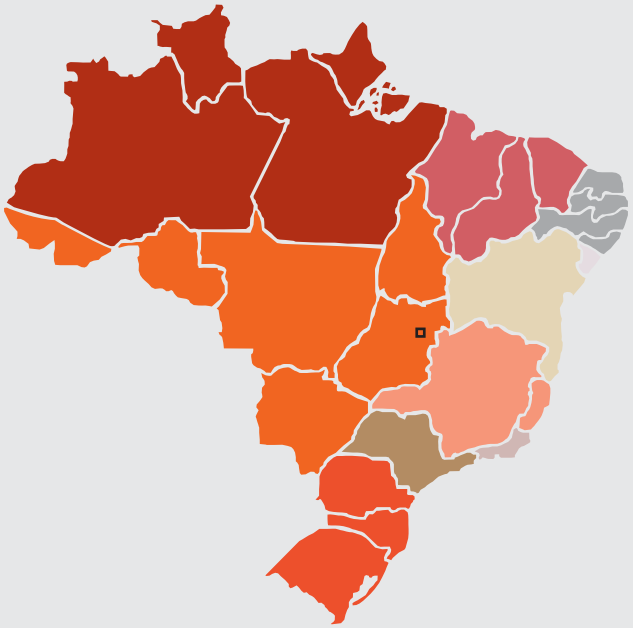
[GRI 2.3 and 2.9] REGIONALIZATION

The Company management model was refined in 2012 to provide support to the 2012-2015 growth plan. Among key changes are the process of regionalization, with administrative division into nine regional units (*see map*), which began in 2011. This decentralization enhances Oi presence in the various regions of operation and brings the Company closer to its customers. Efforts are being made in-house to standardize operations and speed up the decision-making process. The outcomes of these changes are already being seen in practice, with speedier exchange of information, time-saving and enhanced integration.

[GRI 2.8] REVENUE GENERATING UNITS



AREA OF COVERAGE



- North Regional Unit: Amazonas, Pará, Amapá and Roraima
- Bahia Regional Unit: Bahia
- Ceará Regional Unit: Ceará, Maranhão and Piauí
- Mid-West Regional Unit - Federal District, Goiás, Tocantins, Mato Grosso do Sul, Mato Grosso, Acre and Rondônia
- Minas Gerais Regional Unit: Minas Gerais and Espírito Santo
- Pernambuco Regional Unit: Pernambuco, Alagoas, Paraíba and Rio Grande do Norte
- Rio de Janeiro Regional Unit: Rio de Janeiro
- South Regional Unit: Rio Grande do Sul, Santa Catarina and Paraná
- São Paulo Regional Unit: São Paulo

SERVICES

- FIXED LINE AND MOBILE TELEPHONE
- DATA TRANSMISSION
- BROADBAND INTERNET ACCESS
- INTERNET PROVIDER
- PAY TV

THE HISTORY OF OI

1998

- Telemar is inaugurated, with operations over 64% of Brazil.
- Telemar opens on the New York Stock Exchange.
- Brasil Telecom comes into being, with operations across 30% of Brazil.

1999

- Roll-out of regional long-distance codes: 31 by Telemar and 14 by Brasil Telecom.
- Telemar constructs digital backbone with fiber optics.

2000

- Telemar enters the high-speed internet market.
- Contax starts up.
- Brasil Telecom forms a corporation in iG.
- Brasil Telecom acquires and incorporates CRT.
- Launch of Telemar Education Project (PTE) – the Company's first social responsibility initiative.

2001

- Telemar and Brasil Telecom launch ADSL broadband access.
- Telemar expands fixed-line to all locations with over 600 inhabitants in its region.
- Brasil Telecom lists shares on the New York Stock Exchange.
- Telemar concludes its Program of Target Anticipation (PAM).
- Creation of Instituto Telemar.

2002

- Oi mobile is born.
- Telemar obtains authorization to operate national and international long-distance services.
- Telemar inaugurates unified Network Management Center (CGR) in Rio de Janeiro.
- Brasil Telecom acquires fiber optic cable systems from Globenet and permits to operate mobile telephony.

2003

- Telemar launches first offer of convergent services.
- Inauguration of the Kabum! School of Art & Technology.
- Brasil Telecom acquires Ibest and Metrored.

2004

- Oi reaches the milestone of 5 million mobile telephone clients.
- Instituto Telemar signs up to a partnership with states and municipalities to install broadband in public schools.
- Unification of mobile (Oi) and fixed-line (Telemar) operations.
- Brasil Telecom acquires iG.
- Brasil Telecom rolls out GSM operation.

2005

- Oi Internet ISP launched.

2006

- Telemar Group signs partnership to provide fixed-line, mobile and broadband at the Comandante Ferraz Antarctic Station.
- Telemar Group acquires Way TV.
- Launch of Oi Paggo.
- Brasil Telecom inaugurates unified Network Management Center in Florianópolis (SC).
- Inauguration in Recife of the Advanced Education Center (Nave).

2007

- Unique Milestone – unification of Telemar Group brands under the Oi brand name.
- Launch of Oi TV and inauguration of Oi TV Móvel.
- Oi is official provider and sponsor of the 2007 Pan-American games.
- Oi Futuro inaugurates Telecommunications Museums in Rio de Janeiro and Belo Horizonte.
- Brasil Telecom launches IPTV.
- Brasil Telecom reaches the milestone of 4 million mobile telephone clients.
- Oi acquires Paggo Empreendimentos S.A.
- Fixed-line operators complete the conversion from pulse to tone.

2008

- Oi acquires Amazônia Celular.
- Brasil Telecom and Oi roll out 3G.
- Oi begins mobile telephone operation in São Paulo.
- Inauguration of Nave in Rio de Janeiro.
- Brasil Telecom creates a Globenet subsidiary in Colombia.
- Oi becomes part of ISE (Corporate Sustainability Index) of BM&FBovespa.
- Telephone operators commence number portability.

2009

- Oi takes control of Brasil Telecom and begins to operate over 100% of Brazilian territory.
- Brand Oi present across Brazil.
- OiTV launched with Direct-to-Home (DTH) technology.
- Globenet expands operations in Colombia.
- Oi signs Global Compact and internally launches Sustainability Program and policies.
- Oi reaches the milestone of 60 million clients.

2010

- Announcement of proposal for strategic alliance with Portugal Telecom.
- Oi is named an official provider and sponsor of Fifa™ World Cup 2014.
- Oi signs partnership with Banco do Brasil and Cielo to offer services of payment by mobile phone.
- IG celebrates ten years.
- Oi becomes part of ICO2 (Carbon Efficiency Index) of BM&FBovespa.
- Expansion of DTH OiTV across 14 Brazilian states.

2011

- Portugal Telecom buys into Oi capital.
- Oi expands international operation with share acquisition in Portugal Telecom.
- Oi commences corporate reorganization proposal.
- Oi Futuro is ten years old: in addition to educational projects and sponsorship of sports, culture and social actions, the institute issues a bid invitation for environmental projects

2012

- First large-scale telecommunications operator in Brazil to roll out a cloud computing service - Oi Smart Cloud.
- Implementation of new Oi management system – Management Control Items (ICG).
- 2nd Oi Investor Day 2012 in Rio de Janeiro and New York.
- Oi is official sponsor and service provider of telecommunications and IT services for Rio+20.
- Inauguration of the first concept store (technology within reach of customers) in Brazil at Shopping Iguatemi, São Paulo.
- Launch of pay TV via internet protocol (IPTV) and broadband of up to 200 Mbps, by means of a fiber optic network run into client residences (FTTH).
- Oi listed on Level 1 Corporate Governance of BM&FBovespa.
- Oi Group undergoes corporate reorganization.
- Oi enters into strategic partnership for construction of e-waste recycling plants.
- Oi Kabum! receives the Construindo a Nação (Building the Nation) award, promoted by the Instituto da Cidadania Brasil with CNI-Sesi, in the public policy category.

CORPORATE GOVERNANCE

The corporate system in which Oi operates encompasses its bylaws, ownership and organizational structures and a number of policies, procedures and practices which interconnect and complement each other, leading to the achievement of social goals and business longevity.

[GRI 4.6] In 2012, the Company advanced in its process of continuous institutional framework improvement which guides its operations, approving the Policy on Transactions with Related Parties and Situations Involving Conflict of Interests. Its aims are to establish rules and consolidate procedures while preserving process transparency. As such, decisions will be taken in the best interests of the Company, its senior management and its shareholders. At the end of the year, Oi was listed in Level 1 of Corporate Governance of the BM&FBovespa, with its shares included in the Special Corporate Governance Stock Index (IGC). Furthermore, was created the Policy of Shareholders Compensation.

In addition, the ownership structure was simplified, adding value to shareholders and rendering the company more attractive for investors, with improved access to the capital market.

SUSTAINABILITY

Sustainability management structures also underwent changes in 2012. The Committee on Governance, Disclosure and Sustainability was dismantled and gave way to the Executive Sustainability Group, staffed by executives in departments such as Treasury and Investor Relations, Property and Logistics, Human Ressources, Network Operations, Network Development and Engineering, Corporate Communication, Procurement and Oi Futuro.

This new framework, answering to the Executive Committee, seeks to foster business sustainability. Its primary duties are to aid integration of the theme into strategic direction; evaluate socio-environmental risk management; recommend continuance of and/or new public commitments; define the stakeholder relations strategy; leverage sustainability actions and monitor performance through follow-up of indicators; evaluate investments in sustainability such as sponsorship, new business, products and services, and keep the Sustainability Policy updated.

[GRI 2.9] CORPORATE REORGANIZATION

In 2012, Oi completed the reorganization process begun in 2011, with the aim of simplifying the ownership structure and governance of Oi Companies (as the group of subsidiaries TNL, Coari, BRT and TMAR is known), increasing liquidity for all shareholders. The reorganization includes joint and inseparable transactions: the merger of Coari and TNL into BRT and the partial spin-off TMAR, with the merger of its shares into Coari.

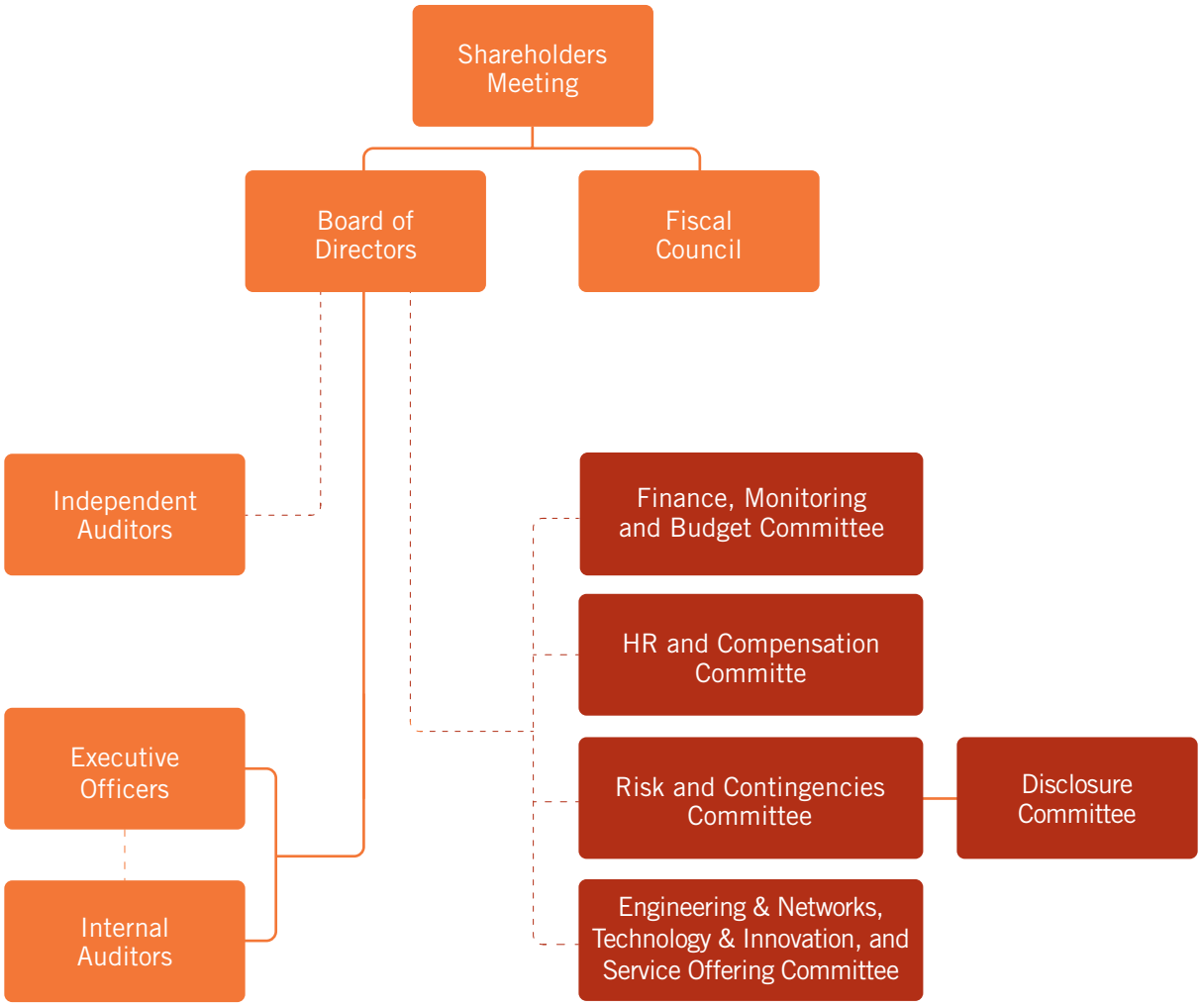
BRT now concentrates its stock holdings in the Oi Companies and has become the only among them to be listed on the stock exchange – the company is now known as Oi S.A. The retention of control of Oi exclusively by TmarPart served to meet legal and regulatory obligations to Anatel (for approval of the reorganization). It was incumbent upon TmarPart and its direct or indirect shareholders to ensure retention of control and compliance with legal obligations including, potentially, exchange of preferred shares held for common shares held by its direct or indirect shareholders.

On February 27, General Meetings at Coari, BRT, TNL and TMAR approved the corporate reorganization transactions. TMAR was thereby partially spun-off, with its shares merged into Coari. TNL and Coari were merged into BRT, being wound up and universally succeeded by BRT, which was renamed Oi S.A. Oi S.A. is directly controlled by TmarPart and TMAR is its wholly-owned subsidiary.

Until April 5, 2012, TMAR, TNL, Coari and Oi shares continued to be traded on the stock exchange under tickers TMAR3, TMAR5, TMAR6, TNLP3, TNLP4, COAR3, COAR4, BRTO3 and BRTO4. As of April 9, only the Company's common and preferred shares (OIBR3 and OIBR4) were listed on the BM&FBovespa S.A., while its ADSs (American Depositary Shares) representative of Oi stock were listed on the New York Stock Exchange (NYSE) under codes OIBR and OIBR.C.

Further details on the corporate reorganization process are available in the Material Fact on the Investor Relations website.

[GRI 4.1] GOVERNANCE STRUCTURE



[GRI 4.9 and 4.10] **Board of Directors:** approves policies and strategies and monitors the general progress of the business in all dimensions, the strategic plan, budgets and financial policies. The Board comprises up to 17 effective members and an equal number of alternates, elected by shareholders at the Ordinary General Meeting. Preferred shareholders have the right to elect a member by a separate vote.

The Board's duties include authorizing investments in new businesses and creating subsidiaries; it is also responsible for approving strategic decisions such as investment and divestment in other companies in an amount beyond the scope of authority of the Board of Executive Officers, acquisition of fixed assets and signing of contracts in an amount beyond the scope of authority of the Board of Executive Officers, and the Company sponsorship policy along with gratuitous acts for the benefit of employees or the community in accordance with Oi's social responsibility guidelines.

There are no mechanisms for evaluation of Board performance, but the internal regulations provide for annual self-assessment.

Fiscal Council: a permanent, independent body, as defined by the bylaws. Its primary responsibilities are to monitor management activities, examine financial statements and communicate its conclusions to shareholders.

Council members self-assess their performance in compliance with the US Sarbanes-Oxley law in order to certify the effectiveness of internal controls, efficiency of operations and compliance with applicable laws and standards.

[GRI 4.4] Pursuant to the requirements of the SEC (Securities and Exchange Commission), the Fiscal Council also performs the role of Audit Committee, in addition to being responsible for the Complaint Channel, available on the Company website. This channel receives complaints exclusively regarding accounting, internal accounting controls or audit matters and confidential and/or anonymous reports from employees of the parent company or its affiliates on questionable accounting or audit issues.

BOARD OF DIRECTORS[3]

Member	Alternate
José Mauro Mettrau Carneiro da Cunha[4] (Chairman)	José Augusto da Gama Figueira
João Carlos de Almeida Gaspar	Antonio Cardoso dos Santos
Zeinal Abedin Mahomed Bava	Luis Miguel da Fonseca Pacheco de Melo
Shakhaf Wine	Abílio Cesário Lopes Martins
Armando Galhardo Nunes Guerra Junior	Paulo Márcio de Oliveira Monteiro
Sergio Franklin Quintella	Bruno Gonçalves Siqueira
Renato Torres de Faria	Carlos Fernando Horta Bretas
Rafael Cardoso Cordeiro	André Sant'anna Valladares de Andrade
Fernando Magalhães Portella	Carlos Jereissati
Alexandre Jereissati Legey	Carlos Francisco Ribeiro Jereissati
Pedro Jereissati	Cristina Anne Betts
Cristiano Yazbek Pereira	Erika Jereissati Zullo
Fernando Marques dos Santos	Laura Bedeschi Rego de Mattos
José Valdir Ribeiro dos Reis	Luciana Freitas Rodrigues
Carlos Fernando Costa	Marcelo Almeida de Souza
Carlos Augusto Borges	Alcinei Cardoso Rodrigues

[GRI 4.2 and 4.3]

[3] Board members are not executives, i.e. are not part of the Board of Executive Officers and do not perform any direct management function in the Company.

[4] After the Board Meeting of January 22, 2013, José Mauro Mettrau Carneiro da Cunha took office as CEO of the Company and subsidiaries, replacing Francisco Tosta Valim Filho. José Mauro Mettrau Carneiro da Cunha stepped down from the post of Chairman of the Board, with his alternate José Augusto da Gama Figueira nominated assume this role.

To find out more about the professional career paths of Board members, click here.

FISCAL COUNCIL

Member	Alternate
Sidnei Nunes	Aparecido Carlos Correia Galdino
Allan Kardec de Melo Ferreira	Newton Brandão Ferraz Ramos
Ricardo Berretta Pavie	(Vacant)
Marcos Duarte Santos	Peter Edward Cortes Marsden Wilson

BOARD OF EXECUTIVE OFFICERS

Francisco Tosta Valim Filho[5] (CEO)
Alex Waldemar Zornig (CFO and IRO)
Francis James Leahy Meaney
Pedro Santos Ripper
Julio Cesar Fonseca
Eurico de Jesus Teles Neto
João de Deus Pinheiro Macedo
Bayard de Paoli Gontijo
Tarso Rebello Dias

[5] Replaced by José Mauro Mettrau Carneiro da Cunha as of January 22, 2013, pursuant to a Board decision.

To find out more about the career of our Executive Officers, click here.

[GRI 4.1] SUPPORT TO DECISION MAKING

A set of structures provides support to the decision-making process by the Company's senior management. The main structures are detailed below:

Disclosure Committee: staffed by the CEO, CFO, treasury, investor relations, corporate communications, controllership, legal-corporate and marketable securities executive officers, and is executive in nature. Its duties include: approving and reviewing risk management and internal controls of relevant processes and the flow of public information disclosure, including the Annual Management Report and the reports submitted to the CVM (Securities and Exchange Commission), SEC and Anatel (National Telecommunications Agency). The committee oversees compliance with the legal standards and regulations on disclosure and validates conference calls and the analyses of recommendations of risk rating agencies; ensures the accuracy and reliability of managerial, financial and operational data used internally, as well as of the information disclosed or published; and reviews the processes for the issue of annual certificates required by law, among other tasks.

Board Committees: there are four structures which assist the board in overseeing the different aspects of planning and implementation of the strategy.

The Finance, Monitoring and Budget Committee focuses on the financial aspects of strategic planning, financial strategy, annual budget, tax planning, and business performance.

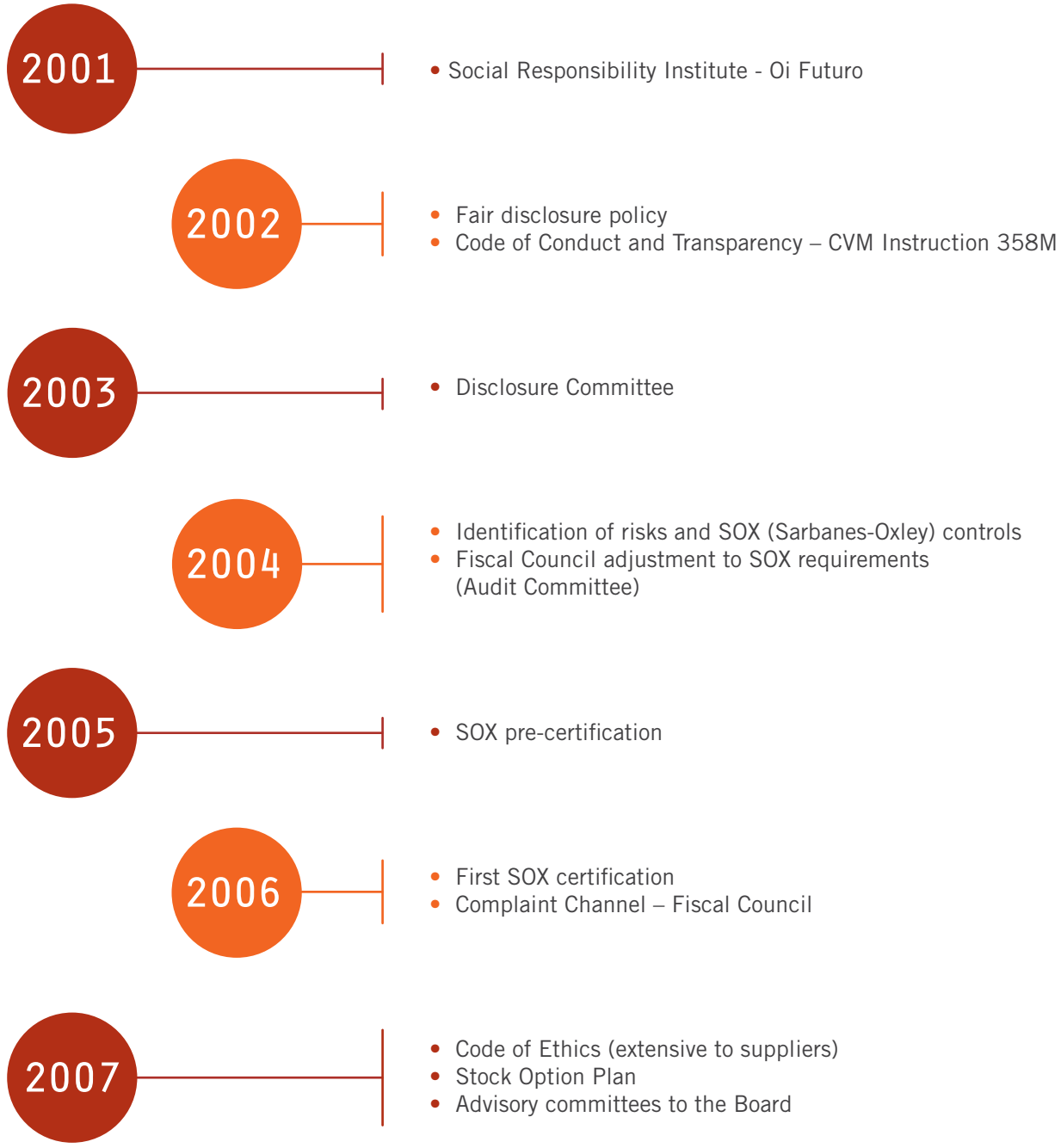
The Human Resources and Compensation Committee helps supervise the human resources strategy and issues related to major changes to the organizational structure, compensation strategy and performance assessment.

The Risk and Contingency Committee assists the Board in issues related to internal audits, compliance with laws, regulations, policies and the code of conduct, information disclosure, corporate risk management and contingency management and control.

The work of the Committee of Engineering and Networks, Technology and Innovation and Service Offerings is related to the operational aspects of strategic planning, commercial strategic positioning of business units, operational quality indicators, innovation cycle and new businesses, new partnership opportunities with suppliers and other entities, network and platform strategies, IT architecture, opportunities for collaboration and synergies with the operating partner.

CONTINUOUS DEVELOPMENT

In line with best market practices, Oi invests in the continuous improvement of the systems and structures that support the Company's governance. Key development milestones since 2001 are as follows:



2008

- Information Security Policy
- Listed in the ISE (Corporate Sustainability Index) of the BM&FBovespa

2009

- Committee of Corporate Governance, Disclosure and Sustainability
- Methodology and Policy of Corporate Risk Management and Internal Controls
- Health, Safety and Environmental Policy
- Policy of Scope of Authority
- Governance Portal
- United Nations Global Compact (joined)
- Sustainability Policy

2010

- Inventory and disclosure of greenhouse-gas emissions
- GHG Protocol Program (joined)
- Listed in the ICO2 (Carbon Efficiency Index) of the BM&FBovespa

2011

- Creation of the COO (chief operations officer) position
- Strengthening of Board with strategic shareholder (Portugal Telecom)
- EPC Program – Companies for the Climate (joined)
- Committee of Engineering and Networks, Technology and Innovation and Service Offerings (advisory to the Board)
- Education for Sustainability Program

2012

- Corporate reorganization of the Group
- First sustainability report in accordance with GRI standards
- Policy on Related Parties
- Business Continuity Management System
- Code of Ethics (new version)
- Listed in Governance Level 1 of the BM&FBovespa
- Internal Audit is now subordinate to the Board
- Policy of Shareholders Compensation

INTERNAL AUDIT

Linked directly to the Board of Directors and indirectly to the CEO. It acts independently of operations with the aim of reviewing processes and systems and recommending improvements. This body is driven by the principles and best practices of the Institute of Internal Auditors, an organization based in the United States and present in Brazil, regulating the internal audit profession. Its structure is divided according to area of operations – IT and Operations, Compliance and Processes and Business – and has a support arm that uses sophisticated data mining and programming techniques to facilitate the work of auditors and maximize audit results.

Operations in this area cover a wide spectrum of auditing which includes the dimensions of sustainability and social responsibility. Its annual work plan is approved by the Board – through the Risk and Contingency Committee – and by the Fiscal Council, which is authorized by SEC to operate as an Audit Committee.

RISK MANAGEMENT AND INTERNAL CONTROLS

Oi's Risk Management Model is periodically refined and in compliance with best market practices, such as the Brazilian Risk Management Standard (ABNT – NBR ISO 31000), Internal Control – Integrated Framework by Coso (Committee of Sponsoring Organizations of the Treadway Commission), and Cobit (Control Objectives for Information and Related Technology). Oi processes undergo external audit annually in accordance with representativeness of the related accounting records. In parallel to this, the Internal Audit examines all processes regardless of accounting record representativeness.

[GRI SO2] The ISO 31000 methodology provides the basis for identification of risks and controls related to corruption, fraud, collusion and improper actions. Probability and impact analyses conducted between 2010 and 2012 have guided mitigation actions in 60 processes related to SOX (Sarbanes-Oxley Law) certification.

In order to mitigate identified risks, Oi designs and implements controls adapted to its business and constantly monitors its internal environment with a view to prevent losses and preserve assets. In addition, the corporate Risk Management system brings together essential, reliable and updated information, providing enhanced transparency and security to the decision-making process.

In 2012, the Company improved its controls by creating the Business Continuity Committee. This new structure operates in line with ABNT – NBR ISO 15999 and adopts a comprehensive approach. In addition to the focus on business, which aims to preserve the integrity of personal, material and financial assets, the Committee observes and seeks to mitigate potential risks to society and the environment.

In monitoring this new risk context, Oi modified and intensified processes to identify, analyze and deal with risks. By adopting the Business Continuity Model in the strategic, tactical and operational dimensions, Oi seeks to boost its resilience against the manifestation of serious risks. Business continuity strategies and plans have been established for the assets that support Oi's key processes, with a view to maintaining the availability of services to customers.

The systematic supervision of controls related to the treatment and disclosure of financial information have made for appropriate conformity certification regarding operation of the control environment in the Company.

FINANCIAL RISKS

Financial risk management takes into account the consolidated structure of the Oi Group at strategic, tactical and operational levels.

In the strategic dimension, the Board of Executive Officers agrees with the Board on the risk policies to be followed each fiscal year.

On a tactical level, supervision is the responsibility of the Financial Risk Management Committee, staffed by the CEO, CFO, planning and performance, controllership, regulatory affairs, legal, taxation and treasury executive officers. The committee meets once a month, with the Audit officer as a passive participant.

Operational control is carried out by the Financial Risk Department, which monitors the compliance of financial operations with the Hedge Policy. Approved in October 2009, this policy contributed to the monitoring of risks related to liquidity, credit and market in conjunction with the Investment Policy.

Investment Policy: this is aligned with Oi's strategic objectives and focuses on conservatism and achieving liquidity and suitable profitability. It controls liquidity risks by establishing maximum grace periods and approval limits. To mitigate credit risks, it defines the limits of concentration for financial institutions and minimum credit ratings. Focused on market risks, the policy identifies eligible and non-eligible instruments.

Hedge Policy: this policy sets out guidelines for the management of financial risks related to the capitals market, formalizes the management of exposure to risk factors and determines the procedures and controls required to identify, measure and minimize financial risk factors. The aim is to ensure a healthy cash flow, limiting the impacts of financial result volatility to predetermined levels.

This policy is based on two assumptions: the Brazilian Real is Oi's functional currency and Treasury has the responsibility to contract derivatives to limit unwanted risk and replace it with acceptable risk. The sole purpose of derivative transactions is to reduce exchange-rate risks or risks linked to interest rates, and leverage through such transactions is not permitted.

In the Hedge policy, credit and liquidity risks are controlled by stress reports, in which risk factors experience both favorable and unfavorable shocks. The Company also observes the counterparts limits in the execution of contracts and implementation of operations, besides considering the ratings of those involved, guarantees tendered and financial transaction thresholds.

In relation to the market, the identification of risk factors is based on the characteristics of the financial transactions contracted and to be contracted each fiscal year. The simulation of different scenarios using statistical models serves as a basis for measuring impacts on the Group's financial performance. Such analysis guides the risk policy, approved annually by the Board of Executive Officers and the Board of Directors.

To define the risk policy, the Company considers the worst expected impact of the financial result on the Group's net income, with 95% reliability. In this manner, the Hedge Policy aims to ensure the Group's maximum net financial expense each fiscal year.

To put the risk policy into practice, the Treasury department may contract protection instruments, including financial investments and derivative transactions, such as swaps, NDF (non-deliverable forwards) and options. The main permitted financial instruments include: interest rate swaps (IRS), plain vanilla currency swaps or cross currency swaps (CCS), series swaps, NDFs (non-deliverable forwards) and maintenance of cash in dollars (natural hedge).

ETHICS AND ANTI-CORRUPTION

[GRI DMA HR and DMA SO] Ethics is an important theme in Oi management, guiding the standard of conduct and relations within the Company. The Code of Ethics, launched in 2007, was reformulated in 2012 in a joint action between Ethics Agents, the Ethics Committee and representatives from various company departments. This new version comprehensively covered current issues such as conduct on social networks, digital relations, brand protection, competition compliance, sustainability and the fight against corruption.

[GRI HR3 and SO3] To reinforce the values set out by the code, Oi has provided online training (e-learning) in Ethics and Anti-Corruption, with case studies dealing with topics such as socio-environmental responsibility, the fight against corruption, relations with customers and suppliers, confidential information, attitude, use of resources and human rights issues, tackling discrimination, slave labor and exploitation of child labor. In 2012, 3,095 employees completed this training.

Training in human rights and anti-corruption policies and procedures, including online Code of Ethics and sustainability platforms, generated 5,642 study hours for 28% of the total company headcount in 2012. 786 employees took part in face-to-face Ethics training.

MONITORING

The Oi Ethics Committee, comprising five directors, oversees compliance with the code and analyzes reports of violations received via the Complaints Channel. The channel is open to all groups on the Company website and is also available for employees on the intranet. Any reports can be made anonymously or in guaranteed confidence.

[GRI HR4 and SO4] In 2012, the channel received 11 accusations on practices of discrimination and corruption. All accusations were analyzed and appropriate measures taken, including termination, warning and communication to the enforcement agencies when necessary.

Oi repudiates the practice of false, conspiratorial and vindictive reports. Committee decisions are transparent, and are published for in-house consumption. To this end, the Company maintains permanent structure to monitor and deal with questions received to ensure the credibility of its code and the actions of the Ethics Committee.

The Committee also nominates Ethical Agents, a volunteer team of employees which works to promote the ethics culture in-house, and advise employees on the guidelines of the code. The 1st National Meeting of Ethics Agents, held in January in Rio de Janeiro, marked formation of a new group of agents.

LEGAL COMPLIANCE

[GRI DMA SO] Oi observes relevant laws and respects free competition in the conduct of its business. Oi repudiates any violation of trade secrets or improper obtaining of confidential information on products and services, and its Code of Ethics prohibits any behavior which may cause the public to consider it unethical, anti-competitive or contrary to the laws governing the market.

[GRI SO7] In 2012, the Company defended three lawsuits (two related to unfaithful competition and one regarding publicity harmful to the competition). These cases, as at the end of 2012, are still awaiting final decision.

INFORMATION SECURITY

[GRI PR1] The initiatives to ensure information security apply especially to the areas of Business, Information Technology and Engineering and are aimed at supporting the development of products and services, defining technological standards across the network and raising awareness among teams as to the importance of this matter. This work is based on legal standards and best and current control practices.

In 2012, the challenge was to intensify the synergy of actions focused on security with strategy, management and quality of service to internal and external clients. Employees in the area of Information Security participated in the development of products launched by Oi, making recommendations on security controls and improvements to development processes.

Externally, information security management guides security services provided to cyber and corporative clients. In 2012, Oi operated the telecommunications network for Rio+20 (United Nations Conference on Sustainable Development). To provide this service, Oi made available its entire information security equipment to protect the network from hacker attacks.

The Company seeks to minimize risks related to the definition of security parameters and detect and prevent problems, in addition to applying and monitoring business rules and internal controls related to SOX (Sarbanes-Oxley). In order to protect internal information throughout the product and service lifespan and prevent improper accesses, Oi invests in security tools and in the automation of processes and concession of access, as well as in the guarantee of access to mainframe systems.

Internally, control of access to information is equally strict. BI (Business Intelligence) information systems control access by personal password and logging of transactions. Access to reports containing personal client data require authorization from a manager, acting within the regulations of an information confidentiality agreement. The BI area also issues informative reports with client data, such as CPF (Individual Taxpayer's ID) and call history, to be used as a basis for business analyses and decision making.

As with all the other employees of the Company, Information Security professionals undertake to comply with Oi's Code of Ethics, which requires confidential treatment of client data. To reinforce awareness of this theme, in 2012 Oi promoted a training session with a view to minimizing its potential negative impacts on its business and products, primarily in relation to fraud.

INNOVATION AND TECHNOLOGY

Digital revolution and technology are the leading aspects of the development in the telecommunications sector. In order to preserve its leading position in the domestic market, Oi keeps an eye on new standards and tries to anticipate market demands based upon pioneering efforts and creativity. In terms of management routine, this attitude translates into several actions that create the Company's Innovation Ecosystem.

In 2012, service prospecting and focus on research and development were enhanced with the creation of the Inova program, which was divided into three different types of innovation initiatives. The Incremental Innovation is focused on the Company's daily routine and continuous improvement; the Planned Innovation is aimed at medium-term actions based on the development and launch of new products and services; and the Exploratory Innovation tries to approach new business models, trends, and technology, laying the groundwork for long-term evolution. Together, these three types of innovation initiatives drive the Company into the future.

The activities developed in the Incremental Innovation are aimed at getting the internal public engaged in the process of searching for solutions for the daily challenges. All employees can participate in these activities. During an activity called Market of Ideas, participants develop their own virtual "portfolio" of ideas, which is periodically assessed by their co-workers. Every time an idea is approved by most team members, it is considered the winner of the cycle and is forwarded for analysis by the department it was designed for. Once the head of the department approves the idea, it is analyzed by the Innovation Committee, which decides about the possibility of implementation. The Innovation Initiative completed its first cycle in September 2012, and 56 new ideas were forwarded for analysis.

OTHER INITIATIVES

Throughout 2012, Oi continued to implement the Program for Encouraging Innovation. Since 2011, this program has provided financial support to technology research conducted in partnership with STIs (science and technology institutes), public or private research centers, and universities. These joint efforts bring the market needs closer to the long-term vision, ensuring mutual gains. Oi benefits from the expertise of these partner institutions at the same time as these partners receive financial support to develop their research. In 2012 alone, some R$ 144 million were invested in 63 projects.

Another highlight of the year was the launch of the app Oi Spot for mobile phones, which is able to detect problems in the use of the mobile network and makes it possible for the Company to get information about the users' perception of the voice and mobile internet services. When the users experiences problems to make phone calls, get mobile signal, or internet access, the system identifies the users' geographical location and the type of environment where the problem occurred, and such information help to improve the services.

Focusing on the increased use of the internet, the Oi Wi-Fi project started to be tested. This project will enable the use of public phones as hotspots for wireless internet access. Six prototypes will be tested in 2013.

INSTITUTIONAL RELATIONS

[GRI DMA SO] The telecommunications sector is a key driver of the economic and social development of Brazil and may strongly contribute to build a more sustainable society by increasing access to information, strengthening interpersonal connections, and enhancing knowledge exchange using technology. Oi tries to play this role in a professional and transparent manner, actively participating in the discussion of relevant policies for the Brazilian society.

The area of Institutional Relations of the Company is constantly in contact with several levels of the Executive, Legislative and Judiciary branches of the government, sectoral forums, regulatory agencies, and entities representing different sectors of society. The activities are based on a set of internal policies, such as the Institutional Relationship Guide and the Code of Ethics. In 2012, this system was enhanced by the creation of the Oi Policy of Institutional Relations, which is based on eight areas of operation:

- Government Relations: brings the Company closer to government agencies, creating long-term value.
- Relationship with entities: guarantees a direct and active participation in important multi-sectoral forums about industry-based topics within the institutional and governmental dimensions.
- Internal mobilization: shares technical knowledge with its internal structures and relationship experiences with its stakeholders.
- Corporate sustainability: provides visibility to the Company's commitment to corporate sustainability.
- Corporate institutional relationship: is focused on compliance with the Company's operation policies and achievement of business goals, creating credibility at different corporate levels.
- Political, strategic and institutional scenario: analyzes different scenarios and situations at diverse levels.
- Institutional tools: consolidates and improves the relationship asset.
- Business strategy support: analyzes possibilities of partnerships and identifies business opportunities between Oi and institutional stakeholders.

PROFESSIONAL TRAINING

Considering the strategy of offering the staff with professional training, in 2012 all employees working in Oi's area of Institutional Relations took a training course specially designed to meet the needs of this area. This training program was called IR Academy. It offered a course on Institutional Relations Scenario and Activities comprising four areas (communication, business administration, political sciences, and law) and had the participation of educational institutions that are well-known for their competency: ESPM (Escola Superior de Propaganda e Marketing), IAG-PUC (Instituto de Administração e Gerência da Pontifícia Universidade Católica), Universidade Federal de Minas Gerais, and General Coordination of Specialization Courses of PUC-SP. This course consists of more than 400 class hours. The distance learning method was used because the participants were distributed all over the country.

PARTNERSHIPS

[GRI EC8] In 2012, the Company established a closer relationship with consumer protection agencies. The intention was to make consumer protection agencies and state prosecutors' offices more familiar with the Company's institutional and corporate profile, as well as the projects conducted by Oi, providing them with useful information for the communities served by the Company. One of the projects consisted of a booklet containing explanations on the rights and duties of the consumers.

Another important partnership was established with the Ministry of Health to produce telephone cards for use in public telephones containing informational and awareness messages. In 2012, the theme approached by Oi was the fight against dengue.

Oi set a cooperation agreement with the Brazilian Navy to provide telecommunications services to the EACF (Comandante Ferraz Antarctic Station), which is being rebuilt after a fire earlier this year. Through this agreement, the Company reinforces its commitment to actively participate in projects that bring benefits to the Brazilian society and cooperates once with the Brazilian Navy in the implementation and maintenance of new telecommunications infrastructure for integrated voice, data, internet, and mobile services, as well as TV reception solution, which have been provided to the Station since 2006.

[GRI SO5] DIALOGUE AND MOBILIZATION

Oi monitors and analyzes the proposed changes in laws and regulations at the federal, state and municipal levels through the Caple (Monitoring Committee of Legislative Proposals), composed of members of the following executive committees: Executive Planning, Regulatory and Sectoral Policy, Legal, Regulatory, Government Relations, and Institutional Relations. In 2012, the Caple analyzed 113 proposals from a set of 2,074 bills that were being monitored.

The most important topics discussed with the political leaders were:

- proposals of laws to reduce theft of cables and batteries;
- laws restricting the expansion of mobile telephony;
- adherence to the 38/2009 Agreement of Confaz - National Council of Finance Policy for tax exemption for broadband services;
- federal bill PLS 293/12 on policies related to the installation of telecommunications infrastructure;
- federal bill 2,126/2011 (Civil Rights Framework for Internet);
- federal bill 5,476/2001 (prohibition of monthly basic subscription);
- provisional measure 563/12 on tax cuts for telecom, converted into law 12,715/2012;
- creation of laws to foster the investment in culture and sports.

Oi also participates in the discussions of the CGPID (Steering Committee of the Digital Inclusion Program), pursuant to what is established in the contract of adhesion to the PNBL (National Broadband Plan) signed with the Ministry of Communications and Anatel (National Telecommunications Agency).

[GRI SO6] It is worth mentioning that any relationship with the government is based on dialogue and joint development, not involving financial assistance whatsoever. Oi strictly follows the provisions of law 9,504, effective as of September 30, 1997, which prohibits the utility concessionaires to directly or indirectly donate to candidates or political parties.

Fifa™ WORLD CUP

Because of the urban interventions underway in several Brazilian cities with the purpose of preparing for the 2014 Fifa™ World Cup , Oi has been asked to perform relocation and removal of telecommunications infrastructure. The mapping of costs, impacts and risks enables a transparent dialogue with the agencies involved and the joint search for solutions.

In 2012, the Special Secretariat for the 2014 World Cup (Secopa) of the state of Mato Grosso, for example, requested the removal of a telephone station that serves the data network of the state and covers the major bodies of the state government, as well as fixed telephony and/or broadband services of official bodies, schools, and retail business. The technical complexity of the operation and the risk of temporary interruption of the services provided to important state and federal agencies, as well as corporate and retail customers in the state, and the high cost involved were the key factors considered in the discussions and helped to define alternatives to the removal of the telephone station.

PEOPLE

"THE CONVENIENCES THAT PEOPLE, ENTITIES AND COMPANIES HAVE BECAUSE OF THE SERVICE PROVIDED BY OI FACILITATE BUSINESS DEVELOPMENT AND STIMULATE THE ECONOMY."

ORGANIZED CIVIL SOCIETY

RELATIONS WITH EMPLOYEES

[GRI 2.8 and LA1] Oi invests in the development of its employees by offering them structured programs aimed at different functional levels, with a focus on skills improvement and service efficiency. Likewise, the Company also promotes initiatives to attract and retain the best professionals, and always tries to offer a stimulating and motivating work environment. These conditions are essential to achieve good business performance, pre-established goals, and continuous improvement of services.

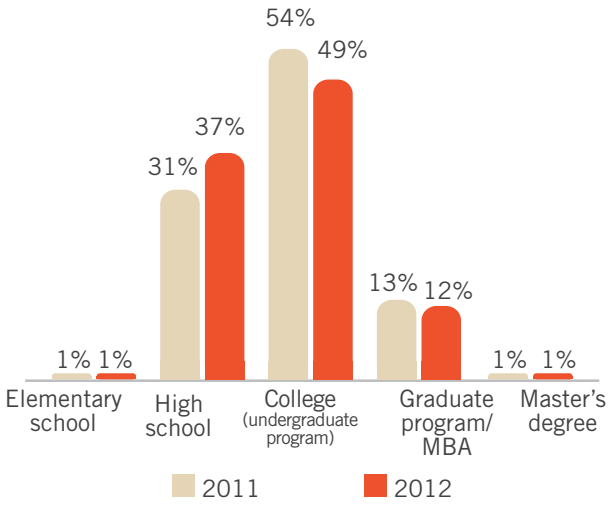
[GRI 2.8 and LA1] The Company ended 2012 with 15,146 employees, representing an expansion of the labor force of around 15% compared to 13,224 employees in 2011. Considering staff mobility, 5,742 professionals were hired, while 3,791 people voluntarily left the company, were dismissed, retired or died. The net expansion was 1,951 new jobs.

In addition to the full-time employees, mentioned above, 721 interns and 104 technical apprentices also were part of the staff working in all states and the Federal District. Oi also had 166,253 outsourced workers, working at call centers, asset management, sales channels, and maintenance operations.

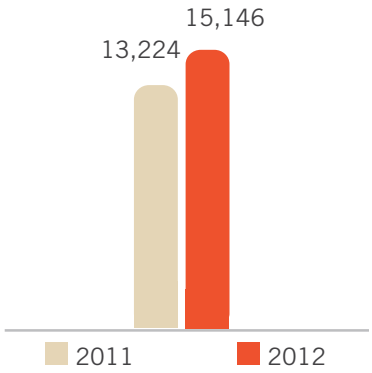
The year 2012 marked the history of Oi with the launch of a new strategic plan, which includes increased investments in infrastructure, process improvement, and customer service, entry into new markets and strengthening of consolidated segments. The company expanded the teams of nine regional units and increased the number of sales channels, with the opening of 127 Company-owned stores, a larger number of franchise units and expansion of door-to-door sales, besides a greater focus on business and corporate markets. The Company's initiatives also included the BPO of the internal support areas, with the purpose of achieving greater focus on core business.

[GRI LA1] INTERNAL PUBLIC - PROFILE

EDUCATION LEVEL

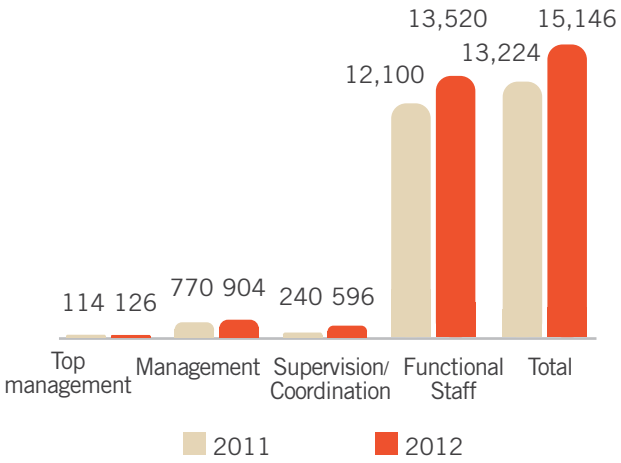


NUMBER OF EMPLOYEES



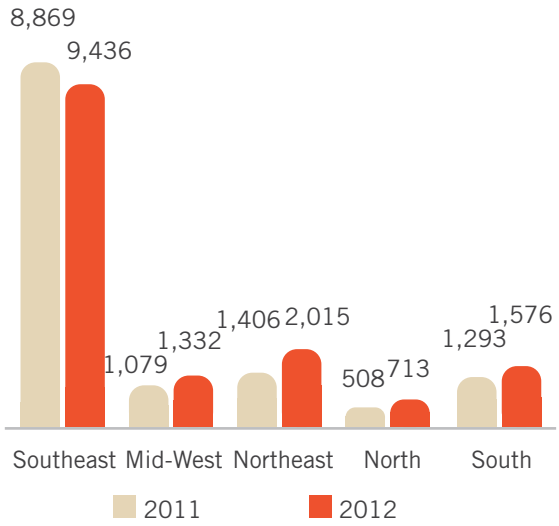
Note: The numbers related to the chapter Relations with Employees include the following companies: Oi SA, Telemar Norte Leste S/A, TNL PCS S/A, Paggo Administradora de Credito, Brasil Telecom Celular S/A, Brasil Telecom Comunicação Multimidia Ltda, Brasil Telecom Cabos Submarinos Ltda and Globenet Internacional, on 31/12/2012.

FUNCTIONAL CATEGORY



Note: Including analysts, assistants, lawyers, experts, salespeople, and technicians.

EMPLOYEES BY REGION



[GRI 2.5] Note: In addition to the employees working in Brazil, Oi also has 60 employees in the USA, five in Colombia, two in Bermuda, and seven in Venezuela.

[GRI LA2] STAFF MOVEMENT

	Admissions 2011	Admissions 2012	Dismissals 2011	Dismissals 2012
By gender				
Men	1,336	2,938	1,019	2,033
Women	1,657	2,804	657	1,758
By age group				
Under 30 years	1,787	3,469	563	1,761
Between 30 and 50 years	1,180	2,219	1,007	1,826
Over 50 years	26	54	106	204
By region				
South	313	631	139	347
Southeast	2,177	3,493	1,185	2,835
Mid-West	267	523	176	282
Northeast	132	832	94	227
North	82	243	77	85
United States	19	15	4	10
Colombia	2	1	0	2
Bermudan Islands	0	1	1	1
Venezuela	1	3	0	2

TURNOVER BY GENDER

	2011	2012
Male	9.50%	17.64%
Female	9.40%	16.19%

TURNOVER BY AGE GROUP

	2011	2012
Under 30 years	9.50%	18.56%
Between 30 and 50 years	8.90%	14.36%
Over 50 years	0.50%	0.92%

Note: (1) The turnover rate calculation applies the methodology proposed by the ABRH, Brazilian Human Resources Association, a common practice among Brazilian companies that allows comparison between different segments and sectors.

(2) These data cover only internal employees. There are no official figures on the staff turnover rate of outsourced companies and suppliers.

DIVERSITY AND INCLUSION

Oi also has established partnerships with employment placement agencies specializing in recruiting people with special needs, such as Soluções Sustentáveis and AME. The aim of these partnerships is to define strategies for hiring professionals, helping to address one of the major challenges for many companies today. A program established with the non-governmental organization Centro de Vida Independente (Independent Life Center), for example, facilitated the search for professionals with special needs meeting the requirements Oi was looking for. After hiring these employees are trained for four months and then are allocated to several departments of the Company. Every month, new managers also participated in workshops to raise awareness about the issue.

Once a week, the Company discloses employment opportunities in the Sine-RJ and at the Deficientes Online website. Throughout the year, Oi set up booths in public places to collect professional resumes. It also has a section in its Intranet focused on the discussion of inclusion of people with special needs into the work routine.

[GRI LA13] An employee from Human Resources department works full time on recruitment and inclusion of people with special needs. In 2011, Oi had 265 employees with special needs and in 2012, this figure reached 268 employees.

[GRI LA13] DIVERSITY IN THE STAFF AND CORPORATE GOVERNANCE

Gender - General picture	2011	2012
Men	60%	58%
Women	40%	42%

Gender (%) - in each line: men+women = 100%	Women	%	Men	%
Board of Directors[6]	0	-	16	-
Top management	12	0.08%	114	0.75%
Management	244	1.61%	660	4.36%
Supervision/Coordination	247	1.63%	349	2.30%
Functional Staff	5,826	38.47%	7,694	50.80%
Total	**6,329**	**41.79%**	**8,817**	**58.21%**

[6] The Board of Directors is not included in the total number of employees

Women holding executive positions (%)	2011	2012
	25%	25%

Age Group - General picture	2011	2012
Up to 30 years	27%	28%
Between 30 and 50 years	62%	61%
Over 50 years	12%	11%

% Age Group	%	Board of Directors[7]	Top management	Management	Supervision/ Coordination	Functional Staff
Up to 30 years	**28**	0%	0%	1%	29%	30%
Between 30 and 50 years	**61**	56%	69%	88%	66%	59%
Over 50 years	**11**	44%	31%	11%	5%	11%
Total	**100**	100%	100%	100%	100%	100%

[7] The Board of Directors is not included in the total number of employees

TRAINING

[GRI LA11] Oi invests in the training and professional growth of its employees. Among the programs for all employees, there are the Tracks for Development of Technical Competencies, spot training, development of leadership, e-learning programs, contract training, on-demand training, continuing education and online English courses. The training sessions focused on technical skills and continued education actions amounted to 311,550 hours in 2012.

Geared to managers, the Academia de Liderança (Leadership Academy) promotes and consolidates a corporate culture focused on services based on a methodology exploring the daily operational experiences. In 2012, 93% of the managers were trained, totaling 31,785 hours, an increase of 11% over the previous year. This was possible thanks to the offer of specific programs for the diverse profiles of Oi's management.

In order to align leadership with Company strategic guidelines, 92% of managers were trained in 2012 to use a management tool (ICG) which supports development of goals and is based on the principle of continuous improvement. The new tool facilitates daily routine management and contributes to improved alignment of each manager with their team members, with managers taking closer control of processes under their responsibility and focusing their actions on dealing with root causes of deviations and implementation of structured action plans to improve performance and achievement of results.

Programs offered to new managers:

- all managers participated in the Welcome to Managers, a personalized hiring process for new the managers;
- the Leadership Program for New Managers reached 65% of newly hired or promoted team managers – its aim is to educate new leaders about their role and develop behavioral aspects of people management, instructing them in Oi human resources processes.

Programs offered to functional managers:

- Impact and Influence Program: enhances communication skills, impact, and persuasion. In 2012, it reached 93% of favorability.

- Oi Leader Program – People: provides management tools and featured specific groups and content for team managers, managers of managers, and functional managers. About 75% of eligible employees were trained, and this was also the first program offered to the regional units.

As a tool for employees' career management, Oi uses a process of performance analysis that aims to evaluate professionals focusing on development.

Regarding the top management, work continued on the process of executive career development with the completion of the Annual Meetings which dealt with the following topics: validation of the competency mapping of 120 executives, identification of prepared successors, and definition of PDIs (Individual Development Plans) for future positions.

[GRI 2.8 and GRI LA1]

AVERAGE NUMBER OF TRAINING HOURS PER EMPLOYEE

Employee Category	2010	2011	2012
Top management	18	29	30
Management	40	40	57
Supervision/Coordination	-	-	57
Functional Staff[8]	34	20	21
Total	**35**	**21**	**23**

[8] Including analysts, assistants, lawyers, experts, salespeople, and technicians.

Note: The employees of Globenet are not included in the calculation of this indicator.

AVERAGE NUMBER OF TRAINING HOURS PER EMPLOYEE

Employee Category	2012
Technical apprentices	6
Interns	15
Total	**14**

[GRI LA11] The Corporate Education Program, available for employees, is aimed at leveraging the employees learning process, ensuring mapping and dissemination of knowledge through educational practices and activities that encourage the creation, acquisition, dissemination, use, and sharing of knowledge in order to support their employability.

Through the Seis Sigma Program, employees can suggest projects focused on revenue gains, cost reduction, quality improvement or risk mitigation. Such projects are analyzed by a core team and the managers responsible for the processes in question. Once approved, the employees who suggested them are trained as Green or Black Belts. Thus, the Company offers a high-quality training to its employees, giving them the opportunity to develop professionally while implementing projects that are relevant to the organization, mainly attacking the root causes of problems in the processes. The program has grown from 24 projects in 2011 to 174 in 2012 and was expanded to also cover projects developed in partnership with service providers, causing a significant cost reduction.

A total of 14,218 employees participated in at least one instructor-based or online training. In addition, 680 employees participated in non-behavioral training sessions, workshops, lectures, conferences or events; and 12 employees were granted

undergraduate program scholarships, six were granted graduate program scholarships, and one was granted a language course scholarship.

As an important aspect of brand consolidation, teams working at Oi-owned stores were specifically trained in client service. Representatives of the Human Resources department at the regional units trained the managers in relevant topics such as awareness about bullying, attendance control, and team leadership. The salespersons receive information about career opportunities and learn about the importance of keeping motivated.

[GRI 4.16] ENGAGEMENT AND SOCIAL RESPONSIBILITY

Oi's Volunteer Program encourages its employees to value volunteer work and understand the importance of good deeds. In 2012, about 400 employees participated in this program, which theme was "The advantages of staying in school." In all Brazilian states, 4,500 students from public schools, distributed in 55 classes, were visited by Oi employees, who passed on their knowledge to the students. Approximately 3,000 hours of classes were taught. Since it was implemented in 2003, Oi's Volunteer Program has had the partnership of the NGO Junior Achievement of Brazil. Oi allows their employees to participate in the program during office hours.

In 2012, national and regional schedules for relationship events and actions were implemented based on three pillars: leadership alignment, capillarity in regional units, and transparency in business transformation fronts.

In order to disclose Company results, monitor goals and acknowledge local achievements, two series of Conectas Regionais were held over 17 events. This initiative consists of an alignment meeting for all the regional unit members (managers, employees and interns). Conducted by the local leadership team with Human Resources support, approximately 85% of employees from each region attended.

Approximately 130 internal employee engagement campaigns were launched in 2012, with over 630 advertising items produced, such as email marketing, banner ads and pop ups used on the corporate intranet.

To support the internal mobilization aimed at the business expected results, dissemination and consolidation actions related to the Mission, Vision and Practices of the Company were carried out. A communication campaign invited employees to adhere to the guidelines containing the behaviors needed to transform Oi into the customers' favorite telecommunications company. To reinforce the concepts behind the four Practices - The Customer as the Center of Everything it Does, Making it Happen with Excellence, People who Surprises, and Sustainable Results - were disclosed explanatory videos of projects that are based on the attitudes present in each of these practices, and online training courses were developed to facilitate the assimilation of these behaviors.

REMUNERATION STRATEGY

[GRI DMA EC and GRI 4.5] Oi's plan for jobs and salaries was structured according to the Hay Methodology of job evaluation and aims to establish both internal balance, defining levels grouping similar positions in terms of hierarchy, complexity and impact on the business, and accurate parameters of comparison with the market. Compensation plans and programs are intended to ensure the competitiveness of the remuneration to facilitate the attraction and retention of qualified professionals with the purpose of achieving business goals.

In addition, Oi has had a profit sharing plan since 1999. This plan stimulates the employees to meet the targets set by the Company by aligning the interests of executives and employees with those of shareholders. Profit sharing occurs when the performance targets set annually by the Board of Directors are achieved.

[GRI LA14] At Oi, position and salary policy is not associated with gender discrimination. Considering the average salary per employee category, however, it is possible to find differences due to the employees' level of development and career experience. In 2012, the differences increased in some categories because new employees were hired and there an increase in the number of women starting out their careers or those newly promoted.

RATIO OF BASE SALARY OF MEN TO WOMEN

	2011	2012
Top management	74%	70%
Management	93%	93%
Supervision/Coordination	100%	80%
Functional Staff	91%	77%

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

[GRI EC5] In 2012, the lowest salary paid by Oi was 13% higher than the national minimum salary, while in the previous year the percentage was 17%. This reduction can be observed in most states thanks to the actual raise in the minimum wage for each category in the country during the year.

The employees' remuneration is not based on salaries subject to the rules of the Brazilian minimum salary. The table below shows the variation in the proportion of lowest salary paid by the Company compared with the Brazilian minimum salary in 2012, in the states where it operates. Therefore, considering that the local minimum salaries (from the states) determined for only five Brazilian States are not the same inside the same region and not applicable to the Company's sector of activity, in order to calculate this indicator, the Brazilian minimum salary was used.

[GRI EC5]

RATIO OF OI'S LOWEST SALARY TO NATIONAL MINIMUM SALARY

	2011	2012
AC	176%	167%
AL	183%	158%
AM	150%	119%
AP	214%	113%
BA	135%	116%
CE	160%	119%
DF	128%	136%
ES	159%	123%
GO	128%	129%
MA	160%	119%
MG	128%	116%
MS	176%	136%
MT	176%	129%
PA	142%	119%
PB	150%	119%
PE	160%	116%
PI	160%	158%
PR	128%	129%
RJ	128%	113%
RN	150%	119%
RO	188%	175%
RR	191%	113%
RS	128%	129%
SC	117%	129%
SE	143%	119%
SP	128%	136%
TO	188%	175%

Note: Interpreting the table: if the rate indicates, for example, 150%, it means that the lowest salary is 50% higher than the minimum salary. As the Company operates in the whole country, Oi does not apply the classification of "important operational units", and thus it shows the information per State.

INTERNAL EMPLOYEES MOVEMENT

Oi has a policy of recruitment and selection that values the internal repositioning of its own employees. Most job openings are offered internally. To make the hiring process faster, the Executive Board of Gente da Oi is comprised of a team responsible for seeking qualified professionals, mainly for the technical departments, whose labor force is scarce.

Irrespective of that purpose, in order to make part of Oi's team of employees, the applicants must meet the technical and behavioral requirements set for the position. In 2012, 67.5% of the openings for executives were filled by internal applicants through assessment.

Information on the Human Resources policies are made available on the intranet to make sure that all employees are always aware of the Company's procedures. Call centers are also available for the employees, such as the Gente Atende service, which can be used to clarify doubts and disseminate relevant information. These tools are also used to monitor daily processes such as control and signature of the timesheet, vacation management, access to and explanation about benefits and wellness and health programs.

ATTRACTING TALENTS

Oi's human resources management is also focused on seeking and retaining the best professionals in its different areas of activity. In order to hire young people and position itself as an employer brand, the Company participated in 16 university fairs in six Brazilian states, always using high-quality and attractive booths.

Oi also offers the Generation Program, which is aimed at meeting the need for key positions in the organization by recruiting, identifying, developing, and retaining talents that stand out for their high potential for adherence to Oi's Practices. The Program Generation is divided into three different groups: Internship Generation, Trainee Generation, and PDA Generation (Program for Accelerated Development).

In 2012, the Internship Generation Program was expanded because the Company implemented the Technical Internship Generation Program again, which is aimed at the Departments of Engineering and Operations.

The following programs: Executive Trainee, Trainee Expert, Newly-Graduate Trainee, and PDA were implemented in 2010 and completed in March 2012. Of the 15 participants who passed the Executive Trainee Program, which aims to develop young talents with multifunctional profile to work in different business fronts, 93% are still working for the Company.

The Expert Trainee Program, focusing on the development of young talents with technical skills to support the technological evolution and innovation of the business, approved 28 candidates in 2010. Of these, 89% are still on staff.

Regarding the Program for Accelerated Development, which started in 2010 with 27 participants, the percentage of retention was 78%. The purpose of this program is to develop and retain employees with high potential and prepare them for the challenges of their areas of activity.

Oi also offers the Newly-Graduate Trainee Program, which is aimed at employees at an early stage of their careers.

The 2011 and 2012 editions of the Executive Trainee and Trainee Expert Programs (focused on the Departments of Engineering and IT), which are still in progress, selected a total of 64 people, and 97% of them are still working for Oi. These editions will be completed in 2013 and 2014, respectively.

BENEFITS AND RETIREMENT

[GRI LA3] All employees, except for technical apprentices and interns, receive benefits such as food vouchers, medical and dental care, medication subsidies, child-care assistance, private pension plan, and life insurance. The Company does not have employees working part-time or for temporary periods.

[GRI EC3] Oi also offers all its employees a voluntary private pension plan based on their variable contribution, including retirement income, sickness allowance, and death benefits. The Company contributes as much as the employee, which is established by the basic contribution – equivalent to 2% of the base salary – and the standard contribution – 3% of the difference between the employee's base salary and the portion of the pension.

Furthermore, there is the possibility of an additional or occasional extraordinary contribution. However, the Company has a maximum limit of contribution over the base salary. In case of extra contributions above this maximum limit, Oi is not required to contribute the same amount. The investment of the benefit is based on the financial resources of the Company.

[GRI DMA LA] HEALTH AND SAFETY

Health and safety are priorities for human resources management at Oi. The occupational health exams are detailed and cover more aspects than those required by the Brazilian laws and regulations. Employees undergo periodic exams, which serve as the basis for regular mini checkups. In addition to the clinical examination, all employees undergo blood tests or additional exams in case of medical recommendation. Women should undergo preventive gynecological examination, and when older than 45 years old, mammography and treadmill test. Men over 45 years old must provide a PSA test and undergo the treadmill test.

Oi understands that it is not enough to offer a health care insurance benefit if it does not provide its employees with the possibility of prevention and maintenance of a healthy life. Therefore, Oi also offers health care, including medical care, dental care, and medicines, and it also extends the health insurance coverage to employees' family members, according to the policy of the company, in co-participation system.

[GRI LA8] In 2012, the Healthy Life Program gained new momentum. Employees and/or legally registered family members with chronic diseases have their health monitored permanently. With the help of health professionals, targets for the reduction of risk factors and improvement of the quality of life are established, such as stop smoking, physical exercise, and weight loss. In some cases, the program provides home care at no extra costs and specific drug subsidy, without co-participation, through the Program for Continuous-Use Medication. Those employees covered by the program can also use a 24-hour call center providing professional guidance on doubts regarding emergency situations. These are some of the goals of the Healthy Life Program: engaging the participant in the process of continuous health improvement; strengthening the patient-physician relationship; increasing adherence to drug treatment, when prescribed; promoting the performance of preventive examinations; providing health education; and encouraging the adoption and practice of healthy habits.

[GRI LA6] In terms of occupational safety, Oi has 36 CIPAs (Internal Commission for Accident Prevention) across the Brazilian territory, including the buildings used by more than 50 employees. As required by the Brazilian law, the CIPAs represent 100% of the employees of the units where they are implemented. The commissions comprise 261 professionals chosen by an annual open voting process and trained in the prevention of occupational accidents. These commissions meet once a month and are monitored by safety technicians.

The CIPAs help determine workplace safety conditions. The SIPAT (In-Company Week of On-the-Job Accident Prevention) is held annually focusing on themes related to healthy living, health, and occupational safety. Throughout the year, evacuations of the main buildings are simulated with the participation of the CIPAs and volunteer brigades.

In 2012, Oi trained 2,233 employees in Fundamentals of Occupational Safety. This is a basic training, where employees can learn the basics of occupational safety and accident prevention. Besides this training, 1,026 employees also took the course "Conscious and Defensive Driving", reinforcing the need for awareness while driving, whether at work or not. The course Fundamentals of Fire Fighting and Prevention had 709 participants, and 276 employees took the course for practical training of the Volunteer Fire Brigade, preparing them act in emergency situations and building evacuation.

Oi also offered the Occupational Safety Workshop in the regional units of Rio de Janeiro, São Paulo, South region, Mid-West region, Pernambuco, Minas Gerais, Ceará, and North region, which was attended by 269 representatives of the leading service companies. The event aims to align occupation safety standards in force in the Company with the changes in labor legislation.

[GRI DMA LA] FREEDOM OF ASSOCIATION

[GRI LA4 and LA5] The Company respects the employees' right to union membership, and all employees are covered by collective bargaining agreements. Whenever significant operational changes are made employees and union representatives are properly informed. However, in Brazil minimum time limits for notification of changes are not usually set in the agreements. In addition, Oi keeps its employees well informed during negotiation processes, which take place annually, using its internal communication tools and meetings.

[GRI LA9] These collective agreements cover issues related to working hours, health, occupational safety, and benefits such as medical, hospital, dental care, and medications, food, among others; including eligibility rules and general conditions of co-participation. The profit sharing agreements are also negotiated annually with their respective unions.

[GRI HR5] There are no operations in which the employees' rights to exercise freedom of association or collective bargaining are at risk.

OUTPLACEMENT

[GRI LA11] In order to support outplacement of the professionals in cases selected by means of internal decision, Oi has an outplacement program aimed at facilitating the search for a new productive activity.

LEGAL COMPLIANCE

[GRI SO8] The legal department of Oi acts in a preventive manner to identify potential risks of labor claims. Oi tries to monitor the updates of labor law, advising its employees on possible changes in the legal interpretations by the labor courts. At the end of 2012, there were 44,100 labor claims filed against Oi, most of them relating to complaints about overtime, salary parity, and recognition of secondary liability (third party suppliers). Approximately R$ 1.5 billion was allocated for occasional payments arising from decisions of the Labor Court.

RELATIONS WITH SUPPLIERS

[GRI DMA HR] The process of selection, recruitment and evaluation of Oi's suppliers is based on strict technical, professional and ethical criteria. This process is conducted according to formally defined procedures and seeks to choose the best business partners, since the image and reputation of the Company are also directly influenced by the quality of their work. Therefore, Oi is constantly focused on this matter in order to ensure they are aligned with its guidelines and objectives.

The selection phase includes the economic and financial evaluation of each supplier and considers the compliance with environmental criteria using a sustainability questionnaire. The result of the socio-environmental assessment is presented to Oi's employee responsible for procurement together with the evaluation of the supplier's financial performance. In addition to identifying the supplier's stage of development, the tool discloses Oi's sustainability policies to potential suppliers, emphasizing what is relevant to the Company.

The selected supplier must sign a contract and the Appendix Guidelines for Social and Environmental Contractors - Social and Environmental Regulatory Requirements. This document includes clauses regarding social and environmental responsibility including requirements related to environmental protection and non-use of child labor, forced or compulsory labor.

In 2012, a clause reinforcing the commitment to respect for human rights was included in all standard drafts of the Company. The change affected the contracts in force as well as the new contracts, both investment and supplier contracts, regardless of their size or nature. Contractors undertake to act in accordance with Oi's Sustainability Policy and its guidelines of sustainable development.

[GRI HR1 and HR2] During the period, 1,912 contracts were signed with suppliers of services or products, and 637 investment contracts were also signed, and all of them included the content related to human rights violations.

QUALIFICATION INDEX

[GRI HR2] In order to assess the quality of the services provided in accordance with what is established in the contract, Oi uses the IQF - Índice de Qualidade dos Fornecedores (Suppliers' Qualification Index). This process makes it possible to establish objective and transparent criteria in the monitoring of service provision), as well as to promote development, creating conditions to hold long-term contractual agreements. The IQF consists of a formal, structured and regulated process that assesses suppliers considering five pillars: operational efficiency, contract management, process compliance, customer satisfaction, and management of human resources.

The management of human resources includes the following is items: compliance with requirements of health and occupational safety, as well as labor and social security legislation, provision for collective agreements, and training. To facilitate Oi's national operation and its presence in all Brazilian municipalities, outsourcing of operation services becomes essential for equipment installation and maintenance. The IQF evaluates segments as engineering, operation and maintenance of internal and external plant and others. In 2012, there were performed 74 IQF assessments in different segments.

AUDITING AND MONITORING

In addition to the control processes described above, in 2012, the auditing processes of the Sustainable Supply Chain Management project were implemented. The initiative consists of checking a socioenvironmental checklist, prepared jointly by the departments of Governance and Sustainability, Benefits, Health and Safety, and Management of Subcontractors. This analysis aims to monitor the compliance with the contractual clauses regarding environmental issues and social responsibility in the activities performed by service suppliers. The Health and Safety team was trained to conduct audits based on the checklist and started field monitoring. Thirty-six units of 14 companies distributed in several states of Brazil were audited. The result of this analysis reveals the supplier's stage of development in terms of sustainability issues.

Suppliers need to be aware of the possible social and environmental impacts resulting from their activities, and to this end Oi recommends that contractor employees acting on behalf of the Company receive training to deal with possible emergency situations and/or environmental accidents related to provision of contracted services.

[GRI HR8] All outsourced professionals providing security services to Oi are trained in the Company's procedures concerning human rights, such as that given in the courses "Profile of a Differentiated Professional", "Excellence in Customer Service" and "Basic Notions of Private Asset Protection". The Company's Security Policy, focused on life protection and non-use of force, hires unarmed guard services. Except for the buildings whose contractual requirements of clients require armed guard.

[GRI EC6] From 2009 to 2012, local suppliers accounted for 99% of the Company's purchases. Since Oi operates in all Brazilian states, any company established in the national territory is considered a local supplier.

[GRI 4.16] DISSEMINATING GOOD PRACTICES

To identify new opportunities, challenges and best practices, the Training of Subcontractors' department, created in 2012, strengthened the relations with the HR departments of partner companies by means of weekly meetings addressing topics such as staff retention, training initiatives, human resources management, and leadership skills.

[GRI 4.16] PROFESSIONAL TRAINING

Since 2000, Oi has been developing the Cequal (Professional Qualification Test Center), the biggest professional certification program in Brazil, the purpose of which is to guarantee excellent quality of customer service through outsourced labor.

This program has certified over 18,000 professionals serving customers in the installation and repair services of fixed lines, Velox, and data, covering over 15 thousand technicians.

Oi is also investing in the expansion ofits certification laboratories from 16 to 27, and increasing the number of approved schools. In 2012, there were 47 schools, and in 2013 the goal is to reach 57 schools nationwide.

In 2012, Oi implemented the High Performance Supervisor program which seeks to improve performance of services supplier supervisors in failure identification and treatment, thereby enhancing the performance of field technicians so that they become more assertive in solving customer problems during the first visit. Multipliers at the nine regional units and 150 network service provider supervisors, responsible for approximately 2,500 technicians, received training, to be extended in 2013 to over 500 new supervisors.

TECHNICAL COOPERATION

In 2009, Oi signed a Technical Cooperation Agreement with the MTE (Ministry of Labor and Employment). As a result, the MTE logo was authorized for use on the training certificate and for disclosure of Cequal's actions. Since then, the Company has been able to develop activities of good practices, jointly with the MTE, focused on professional training and certification in keeping with the Federal Government's National Plan of Training.

In 2012, the Company reviewed the syllabus of the Customer Service Quality course and delivered the new version to external plant suppliers (network service providers) with employees on the front line of customer service. Groups of multipliers, suggested by the supplier companies, were trained and assigned the task of passing on this knowledge to their teams. The syllabus included sustainability, ethics and corruption issues, in addition to matters related to the style of customer service the Company expects these professionals to provide.

CUSTOMER AND CONSUMER RELATIONS

Oi is a pioneer in offering telecommunications solutions. To continue to be recognized as the most comprehensive carrier in the market, on the one hand the Company invests in the improvement and innovation of its product portfolio to meet market needs and expectations and, on the other, in the continuous improvement of customer relations, seeking to promote better communication and offer improved service.

Operating throughout the country in the Residential, Personal Mobile, and Corporate/Business segments, Oi services customers with different profiles in terms of age, income, and consumption. While presenting a challenge, the heterogeneity of customers is an asset and stimulates development of new solutions based on the wide range of products and services. Operating in a flexible and streamlined manner, Oi has gained the trust of many segments.

According to a survey published in 2012 by Proteste, a consumer protection association, Oi offers the best mobile internet plans for three types of users – connected, moderate, and superconnected. A survey carried out by the consulting firms Pricez and Teleco revealed that, in the mobile telephony segment Oi is the most competitive carrier in the several consumption profiles considered in the survey, including both medium and high consumption users and prepaid low monthly consumption users (R$ 20 to R$ 30).

In 2012, the Company segmented its customer base to understand the different needs and identify business opportunities in the gaps left by the market. Oi is attentive to the economic growth of Brazil and the increased purchasing power of the population. Therefore, the Company seeks to provide the same quality in the different purchasing experiences offered.

In a scenario of constant change and innovation, Oi seeks to identify trends and anticipate market expectations. As the most complete internet provider in Brazil, Oi is prepared to meet the growing number of consumers connected via laptops, smartphones, and tablets.

NEW BROADBAND STANDARD

Oi participated in the bidding for the license usage of the fourth generation (4G) mobile telephone services. The new standard in mobile broadband technology represents an evolution from 3G and offers up to 100-Mbps speed with data traffic. This opens opportunities to develop services that require high-speed connection, such as video conferencing, games for mobile phones and tablets, video on demand, and mobile device applications. Oi tested this new technology in the city of Rio de Janeiro. Until April 2013, the networks will be available in the six host cities of the Fifa Confederations Cup.

RELATIONSHIP CHANNELS

[GRI 4.16] Oi sees the customer as the center of everything it does. The company continually invests in improving and diversifying its relationship channels and offers different means and platforms such as contact via telephone, website, email, social networks or using exclusive mobile phone applications.

The call centers are the main relationship channel. Whenever necessary and depending on the user's prefers, the service is provided by the call center clerk, but currently for half of the calls the questions and requests are solved electronically through the URA (Audio Response Unit) system. With a number of standart options covering the simplest and most common needs, the URA ensures flexible and streamlined service.

To improve telephone contact, Oi has begun to change the call center structure using an IP platform (Internet Protocol), which reduces the risk of interrupting a call before the service is completed, prevents the attendant from intentionally terminating a call, and allows call-back in case of interruption. The new structure allows for service compartmentalization: calls can be transferred to attendants capable of answering specific questions. Other advantages of the system are lower cost and the possibility of providing remote service. The migration process will be completed in 2013.

[GRI EN26] In the Company's website, www.oi.com.br, the customer can access the section Minha Oi, a personalized self-service area offering information on contracted products, mobile recharge, and management of user's data consumption in real time, invoice and balance viewing, and redemption of Oi Pontos, among other services. Users can also request the online invoice and cancel the receipt of paper invoices. With this option, Oi offers the customer the opportunity to contribute to the Company's efforts to reduce the consumption of natural resources. In 2012, the service reached 448,000 registered invoices, about 3.5 times higher than the previous year. The area Minha Oi is also available through an application designed for smartphones.

The Contact Us service, available at the website, receives queries, complaints, and suggestions, which may be sent by e-mail or letter.

The Company is present on major social networks (Facebook, Twitter, Orkut, and Google+), through which it interacts with customers and inform them about products and services. In 2012, the content posted by Oi on social networks was seen by over 63 million users.

HUMANIZED COMMUNICATION

[GRI DMA PR] Respect for its stakeholders and society is the focus of Oi's communication channels, and the relationship with the consumer is humanized. More than just boosting sales, the Company's initiatives are aimed at communicating relevant issues and clarifying people's doubts about the initiatives, such as popular access to broadband, providing service to people with hearing disabilities, collection of solid waste, use of telecommunications as an educational tool with the help of telecommunication services, support to sports and culture.

[GRI PR6 and PR7] With the purpose of communicating with different sectors of society, Oi uses simple message without jargon, always always observing the Conar (Brazilian Advertising Self-Regulation Council) regulations and applicable laws. Despite the care in the creation of advertising, the Company faced six cases of penalties imposed by Conar in 2012, based on articles of the Brazilian Advertising Self-Regulation Code. Five of them resulted in changes in advertising materials. In one case, the ad was not allowed to be broadcast.

FOCUS ON QUALITY

Oi's concern with the quality of assistance serviceis reflected in the training and qualification of employees who work in the call centers. From January to December 2012, the staff has taken a monthly average of 13 hours of training.

To motivate teams of the call centers and engage them in the culture of excellence, Oi created the project You Are the Key Piece in a Complete Service, which evaluates the clerk's performance in a qualitative manner based on customer satisfaction and the clerk's problem solving ability. At the end of each call, the user is asked to answer a satisfaction survey, and each clerk's performance is monitored daily. Periodically, the Company rewards those employees who were best evaluated and sends those who have a higher incidence of negative evaluations to refreshment courses.

Two other programs, created in 2012, complement the work of continuous improvement.

In the Bom dia, Oi, the CEO meets weekly with members of various departments, such as IT, Logistics, Billing, Engineering, Product, Operations, Processes, Segments and Relation with Customers, to discuss the problems faced in the past week. Daily, the executive boards receive the list of reasons for customer calls; and on the next day, these boards monitor the evolution of situations and analyze the solutions and measures taken.

The Rate program focuses on the solution of persistent structural problems on several fronts - billing, repairs, sales quality, offers, and customer service – and it seeks to reduce the number of calls related to these problems. The work begins with an analysis of the reasons for the calls. Next, in meetings with the various departments of the Company, such as Products, Services, Operations, Sales, Logistics, Billing and Network, the corrective actions are discussed, and the impacts of the initiatives implemented in the contact rate (indicator that counts the calls made by customers to the call center) are monitored. The following are some examples of actions suggested by the Rate Program in 2012: doubling the capacity of self-service for the registration of prepaid mobile phone users (who used to need to call the call center to register) and the provision of customer migration from post-paid service for unlimited data packages, which reduced the number of calls concerning charges for excess use of internet on mobile.

BRAND AMBASSADORS

With the Joia (The Oi Way to Serve and Learn) program, all employees act as Oi brand ambassadors, responding to requests or recurrent complaints of friends, acquaintances, and family members. The program provides contact through two fronts. In the Joia Service, the employee contacts the customer on the phone. Using the tool Atalho Joia , the complaint is recorded through the corporate intranet. From Monday to Saturday, the office of the Ombudsman contacts the employee involved to keep one informed on the developments of the request. In 2012, 52,539 customer complaints were forwarded by the employees using the Joia program. Of these, 31,701 used Atalho Joia and 20,838 were forwarded by the Joia Service.

SATISFACTION

[GRI PR5] To measure customer satisfaction, Oi conducted two types of surveys in 2012: SGA (Overall Satisfaction with Customer Service), conducted based on a random selection of c ustomers who contact the call center, and SGC (Overall Customer Satisfaction), which considers broader aspects of the relationship, such as satisfaction, loyalty, and recommendation. Data were collected by specialized external institutes and subsidize initiatives to improve customer service and technical services.

In the three editions of the SGA survey conducted in 2012, the overall average satisfaction was 59.7 points. In the SGC survey, the average customer satisfaction was 72.3 in the Retail segment and 65 in the Corporate segment. The results use a score ranging from 0 to 100 and indicate neutrality.

PROXIMITY

Oi opened 127 new Company-owned stores in 2012, reaching a total of 187 units in this model. The Company-owned stores are equipped to carry out all stages of relationship – such as customer service, sales and post-sales – and offer complete telecommunications solutions, which include the following services: fixed line, mobile, Internet, Oi TV, 3G, and Wi-Fi. The aim of this format is to strengthen Oi's positioning of becoming increasingly closer to its customers.

In November 2012, Oi opened the first flagship of the brand in São Paulo, a store that offers the ultimate in technology. In this flagship store, consumers can try the services and devices of Oi's portfolio. In the middle of the store there is a touchscreen table offering smartphones and tablets for testing. The creation of this new unit is aligned with the goals of reducing the environmental impact of the Company: the lighting project was created using LED (light emitting diode), which consumes less energy, and paper use was reduced by online simulation of discount plans and the Oi Bazaar magazine, whose content is available in digital format.

SERVICES FOR PEOPLE WITH SPECIAL NEEDS

Structures and services tailored to the needs of people with special needs bring these customers close to the Company. For the visually impaired customers, Oi offers contracts and invoices in Braille, and the users of postpaid service receives bonus information via audio.

People with hearing and speech impairments can use the Alternative Plan of Service, with a monthly package of one thousand text messages (SMS), contributing to their communication and social integration. This initiative complies with Resolution 477 of Anatel (National Telecommunications Agency).

In the Oi Atende stores, the salespersons are trained in the Libras (Brazilian Sign Language) system and there are terminals adapted to be used by deaf people. In most stores, the physical structure was also adapted to accommodate people with walking difficulties, in accordance with Resolution 426 of Anatel.

For the third consecutive year, this report is also accessible to visually impaired customers, following the recommendations of the W3C, the leading global benchmark for internet accessibility.

RESPECT FOR CONSUMERS

[GRI DMA PR and GRI PR3] In all services, Oi is compliant with the Brazilian General Telecommunications Law and the Anatel (National Telecommunications Agency) standards, which provide for the rights and duties of users and the service provider. Users have the right to receive an invoice containing a detailed description of services and the corresponding values charged, as well as receipts containing the identification of taxes on services. Among the duties of the service provider, it is important to highlight the offer of customer service via call center, internet, and Company-owned stores.

Each year, Oi redesigns its activities of relationship with consumer protection agencies, helping to provide information so that these agencies can provide advice to complaining customers. The relationship with units of Procon (Foundation for Consumer Protection), courts and civil courts changed in 2012, with the introduction of a workflow of cases. Complaints forwarded by these bodies started to be identified by means of an internal protocol, which allows the Company to monitor the measures adopted for the solution.

By monitoring the process of regionalization, Oi chose some employees to strengthen the relationship with the consumer protection agencies (Procon) of all states. In a preventive action, a work group also participates in meetings preparing product launches, promotions, and campaigns to better understand the products and services and identify possible causes of complaints.

COMPLIANCE

[GRI PR9] In 2012, the Company paid R$ 3.84 million in fines for violations of the rights and guarantees of the users. In 2013, Oi aims to reduce the liability of fines acting internally to solve issues generating infractions, and seek agreements with Anatel (National Telecommunications Agency), demonstrating the solutions found for the problems.

There are still some legal proceedings under analysis, regarding questions about legality and dosimetry for administrative sanctions imposed by Anatel because of an alleged breach of regulations.

Oi, similarly to other telecommunications carriers, was forbidden to sell its chips of prepaid plans by Anatel in the period between July 23 and August 3. The punishment was based on the amount and degree of consumer complaints regarding the services provided. All companies involved, including Oi, presented a network improvement plan and regained authorization to sell their chips. The Company and Anatel meet quarterly to assess compliance with the plan based on fortnightly and monthly result reports.

CERTIFICATIONS

The Company has the ISO 9001:2000 certification for operation of providers of services to customers. Compliance with this standard confirms that Oi has the management systems, knowledge, and skills necessary to provide telecommunication services. The fixed line billing process is also certified according to the demands of Resolution 426 of Anatel; the certification was also granted to the billing process of mobile telephony, which is not required by the regulations of the sector.

The processes of collection, calculation, consolidation and delivery of its quality indicators to Anatel have valid certifications for SMP (Mobile Personal Service), STFC (Switched Fixed Line Telephone Service), and STVA (Pay TV Service) in compliance with Resolutions 335, 417 and 411, respectively, as provided in Anatel's PGMQ (General Plan on Quality Goals).

USER COUNCILS

The User Councils of the STFC (Switched Fixed Line Telephony Services) of Oi, regulated by Resolution 490/2008 of Anatel (National Telecommunications Agency), are composed of users and associations or entities intended to defend the interests of the consumer. They are consultative by nature and aim to orientate, analyze and evaluate the services and the quality of service by the provider, as also the formulation of suggestions and proposals to improve these services.

In 2012, in the concession area of the Company there were 31 User Councils (27 of them were active at end of the year), with a total of 158 members (120 users and 38 consumer protection agencies).

The main activities during the year were: discussions about technical and customer services and improvement suggestions; design of materials and consumer education campaigns; visits and monitoring of customer service at Oi Atende stores; visits to the call center and telephone stations; meetings and discussions with social entities; and forward of suggestions to Anate (National Telecommunications Agency).

To learn more about the User Council, please go to: http://www.oi.com.br/conselhodeusuarios.

RELATIONS WITH SOCIETY

[GRI DMA EC] Based on direct investments or in partnership with other organizations and active participation in initiatives coordinated by the government and society, Oi contributes to the economic and social development of the regions where it operates and the whole country. Although is not measured by specific studies, the indirect economic influence of the business can be seen in concrete actions. In partnership with various government bodies, the Company offers its high coverage to contribute to public interest initiatives.

The social responsibility projects funded or conducted by the Oi Futuro Institute, the supply of Internet service to the public schools, the participation in federal programs, such as the National Broadband Plan, and the collaboration with various levels of government are some of the main initiatives detailed in this section.

[GRI EC8 and EC9] DIGITAL INCLUSION

Oi integrates the Broadband Program in Schools, which in 2012 supplied high-speed Internet to more than 51,000 urban public schools, in 4,700 municipalities, reaching the coverage target set by the Federal Government.

The program bases were established by the Presidential Decree 6424, effective as of 2008, which resulted in the change of the concession contracts with fixed lines carriers of STFC (Switched FixedLine Telephony Services). Based on this program, the carriers took on the commitment to deploy backhaul[9] in the city halls and install high-speed connection (starting with 1 Mbps and then expanding to 2 Mbps) in urban public primary and secondary schools by 2010. Initially, the goal was to reach 56,000 schools, but that number was reduced to 51,000 by the Ministry of Education. The services will be provided free of charge to federal, state and local government until 2025.

The Company has also signed 4,745 terms of adhesion to multi-media communication services, donating modems as well to educational institutions from the state and municipal level. In general, approximately R$ 20 million were invested in the initiatives of Broadband Program in Schools.

Also focusing on digital inclusion and reduction of social inequalities, Oi signed an agreement with the Ministry of Communications and Anatel (National Telecommunications Agency) to contribute to the PNBL (National Broadband Plan). The PNBL was created by the Federal Government to ensure the supply of high-speed internet at affordable prices. The maximum cost to users is R$ 35 a month for 1-Mbps speed access, which can be reduced to R$ 29.90 in the states where there was tax exemption.

In 2012, Oi surpassed the target set for the year and reached 2,440 municipalities with supply of Oi Velox according to the PNBL. With this result, Oi reached 51% of the municipalities in its area of operation, which should be fully covered by 2014. About 40% of the municipalities served are located in the North and Northeast regions. By the end of the year, Oi had invested approximately R$ 73 million. The Company continues making an effort to disseminate the initiative so that other municipalities also participate.

Oi negotiates with various state departments of Treasury to expand the supply of Popular Broadband. This approach has stimulated more states to participate in the agreement signed with the Confaz (National Council of Finance Policy), which enables the publication of specific legislation regarding tax exemption, resulting in reduced sales price. In 2012, Oi offered Popular Broadband featuring speeds up to 1 mega and free-of-charge modem to the states of Bahia, Espírito Santo, Goiás, Pará, Pernambuco and Rio de Janeiro.

[9]Infrastructure of support network of Switched Fixed Line Telephone Service for broadband connection, interconnecting access networks to the backbone of the operator.

The Company has also contributed to the modernization of some state and municipal departments by providing tablets and smartphones at lower costs. These initiatives contribute mainly to the monitoring and functioning of the cities, since they allow for the optimization of the initiatives based on the use of technology.

INFRASTRUCTURE

In the North region, Oi integrates a cooperation agreement with local governments to build infrastructure that will provide the population of remote locations with access to internet by means of fiber optic networks. In 2012, the Company established partnerships in Rondônia with DNIT (National Department of Transport Infrastructure), IBAMA (Brazilian Institute for the Environment and Renewable Natural Resources), Eletrobras, CERR (Energy Company of Roraima), Funai (National Indian Foundation), State Department of Infrastructure, and Femact (State Foundation for the Environment, Science and Technology). In Amapá, the partnerships involved Funai (National Indian Foundation), Imap (Institute of the Environment and Spatial Planning) and State Department of Transport.

In partnership with the government of Amapá, Eletronorte/Telebras and Guyacom (telecom operator from the French Guyana), Oi builds a network that will cross the state and reach Fortaleza, going through the Guyana. The project is part of the commitment with Anatel (National Telecommunications Agency) to supply broadband internet to all states in the country. The Company has invested R$ 32 million in the project and will receive a financial incentive of 50% from the government of Amapá.

UNIVERSAL SERVICES

Through the General Plan on Universal Services, signed with Anatel (National Telecommunications Agency), Oi invested more than R$ 16 million in the installation of public phones in localities with more than one hundred inhabitants, reaching 418 new cities by the end of 2012.

Throughout 2012, Oi started to offer by the Aice - New Low-Cost Phone, benefiting more than 60,000 people, including more than 8 million eligible customers in the Single Registry of MDES. According to this plan, the value of access to a telephone line is R$ 9.90 (excluding taxes).

[GRI EC9] OI FUTURO

In the area of corporate social responsibility, Oi acts through Oi Futuro, the fantasy name of Telemar Institute, a non-profit entity which was certified as an OSCIP (Civil Society Organization of Public Interest). Set up in 2001, the mission of Oi Futuro is to democratize access to knowledge in order to accelerate and promote human development, with nationwide projects in the fields of Education, Culture, Sustainability, and Sports. By means of Oi Futuro, Oi plays its role of corporate responsibility to the full, building a fairer and united society.

[GRI EC4] The value of the investments of Oi Futuro for the benefit of society totaled R$ 85.63 million in 2012. Of this amount, R$ 65.34 million came from tax incentives, and R$ 20.29 million originated from use of its own financial resources.

OI FUTURO – INVESTMENTS

	2011	2012
Direct investment	R$ 30,515,204.00	R$ 20,290,628.00
Tax incentives	R$ 82,910,732.00	R$ 65,338,809.00
Total	**R$ 113,425,936.00**	**R$ 85,629,437.00**

EDUCATION

Oi Futuro supports and develops educational projects based on new information and communication technologies as a way to transform the school environment and empower young people for future careers. Among the initiatives, it is important to highlight the programs Nave (Advanced Education Center) and Oi Kabum! School of Art and Technology.

The Nave program is conducted in partnership with the state departments of Education of Rio de Janeiro and Pernambuco and was implemented in two public schools. It is based on three pillars: Integrated High School, offering technical vocational courses in the areas of game programming; scripting for multimedia; Research and Innovation; and Dissemination. Approximately 850 students participate in classes taught by 80 teachers. The activities involve several partners such as C.E.S.A.R. (Center for Advanced Studies and Systems of Recife), VisionLab - visual effects laboratory at Pontifícia Universidade Católica-Rio – and Planetapontocom, a renowned organization in the field of scripting for multimedia.

The program aims to contribute to the quality and innovation of education in the country. It suggests a new model of vocational high school and systematization of good practices for replication in other schools. In the Nave program, digital technologies serve as learning tools to bring youths closer to their areas of interest in the school environment.

The initiative has received several recognitions. Since 2009, the Nave program is part of the Innovative Schools program of Microsoft. The unit of Rio de Janeiro was selected among the 130 most innovative schools in the world by the program, and, in 2010, it was chosen Mentor School. In 2012, it was the only school in Brazil to join the exclusive group of the World Tour program, which promotes exchange visits between schools of excellence.

The results have been beneficial even to Brazil: in 2012, the Government of the State of Rondônia signed a cooperation agreement with Oi Futuro, with the purpose of transferring the Nave methodology to two of its state schools (in Porto Velho and Ariquemes); at the same time, the 2011 edition of the Enem (National High School Exam), disclosed in 2012, the School José Leite Lopes was ranked first in the classification of the SEEDUC/RJ (State Department of Education of Rio de Janeiro) and the Technical School Cícero Dias was ranked first place in the classification of the SEEP (State Department of Education of Pernambuco).

The Oi Kabum! School of Art and Technology offers youngsters from popular urban communities an education in courses of graphic design, computer graphics, video, photography and web design. Students or former students from public schools aged between 16 and 21 years can participate. The courses take one year and a half to be completed and are offered to 360 youths in the units of Rio de Janeiro, Recife, Salvador, and Belo Horizonte.

After the course is completed, graduates can choose to keep studying and take a second training module for a period of 6 to 18 months, during which they work on projects related to languages of the schools. The aim of this course is to encourage youths' artistic and cultural production, with the purpose of making them enter the job market through partnerships and connections with institutions and companies.

In 2012, the program was granted the award Construindo a, awarded by the Instituto da Cidadania Brasil, the CNI/SESI (National Confederation of Industry/Industrial Social Service), in the category Public Policy. The award recognizes initiatives that encourage public and private schools to develop projects aimed at developing citizenship.

Another highlight the Oi Kabum! program in 2012 was the engagement of schools in the production of book trailers of the videos about the books that won the Portugal Telecom award. The award ceremony took place in November in São Paulo, with the presence of the president of Portugal Telecom, Zeinal Bava.

SUSTAINABILITY

Through the Oi Novos Brasis program and donations to the Childhood and Adolescence Councils, Oi Futuro financially supports environmental projects developed by nonprofits organizations.

The selection of the projects funded by the Oi Novos Brasis program is focused on three main areas of activity: assurance of rights by means of social inclusion initiatives; employment and income; and education for sustainability focused on environmental issues. Some of the selection criteria are: innovative nature of the initiative, its potential for replication, and use of information technology and communication to reduce inequalities and bring people together. The bid invitation is published annually, and financing is valid for a maximum period of 15 months.

From 2010 to 2012, 39 projects were supported by the institute, with more than 6,000 direct beneficiaries throughout Brazil. Only in the 2012/2013 bid invitation, 17 initiatives were included as follows.

ALAGOAS

Guardiões do Vale do Jacuípe (Guardians of Vale do Jacuípe): trains and engages multipliers for the preservation of the environment, life protection, and prevention of floods, using the community media.

BAHIA

Aroeira – Centro de Diversidade (Aroeira – Diversity Center): aims to create a unit to demonstrate sustainable practices based on agroecological principles, strengthening the exchange of knowledge and social organization of farmers.

Formação de Jovens Empresários Rurais (Training of Young Rural Entrepreneurs): focuses on retention of young people in the countryside by strengthening the farming activities of families.

Joias do Quilombo (Jewels of the Quilombo): proposal of employment and income generation for traditional communities and quilombolas. Includes the production of bio-jewelry and digital inclusion initiatives, which encourage the sale of jewelry.

CEARÁ

Rede de Jovens Empreendedores Rurais no Semiárido Cearense (Network of Young Entrepreneurs in the Rural Semiarid of the state of Ceará): trains young rural entrepreneurs in the Micro region of Middle Curu, aiming to improve the productive activities in their communities and to increase productivity and profitability in the farming activity of families.

MINAS GERAIS

Jogos do Vale – Fabriqueta de Jogos Digitais (Games of the Valley - Digital Games Factory): empowers youth to create digital educational games. Focused on training young professional from Vale do Jequitinhonha and dissemination of educational games for teachers from all over Brazil.

MATO GROSSO DO SUL

Oficina Panificadora (Bakery Workshop): prepares teens to work professionally in the bakery sector.

PARAÍBA

Convivência com a Realidade Semiárida – Socializando Saberes (Living in the Semiarid Reality - Socializing Knowledge): aims to improve the quality of life and local development through the construction of cisterns and strengthening of traditional folk knowledge.

PIAUÍ

Um Olhar para a Cidadania (A Vision of Citizenship): enables visually impaired people to work on the radio and on the internet and encourages analysis of the citizenship of blind people in the media.

PARANÁ

Espaços de Juventude e Cidadania – Estreitando as Tramas da Rede Juvenil Chão de Sonhos (Youth and Citizenship Settings - Strengthening the bonds of the Floor of Dreams Youth Network: promotes entrepreneurship among youths from four regions of southern Brazil, encouraging relationships through social networks.

RIO DE JANEIRO

Audioteca Sal & Luz (Salt & Light Audio Library): intended for the production of audio books, journals and texts, making them available for people with visual impairment and low vision.

Eco Rede – Rede Comunitária de Desenvolvimento Socioambiental (Eco Network - Community Network for Social and Environmental Development): promotes the development of the local communities Cidade de Deus e Complexo da Maré, in Rio de Janeiro, by means of environmental education initiatives and jobs and income generation.

Instituto de Aprendizagem Cidadania XXI (Institute for Learning Citizenship XXI): digital inclusion and preparation of socially vulnerable youngsters from São Gonçalo (RJ) to the job market.

Jovens Construtores (Young Builders): trains youths' living in Complexo do Alemão, in Rio de Janeiro, to work in the construction industry and encourages their active participation in the construction of affordable and sustainable community assets.

SERGIPE

Conectado ao Brasil (Connected to Brazil): vocational training for deaf people and people with no hearing impairment in network management, promoting social inclusion and dissemination of the Brazilian Sign Language.

SÃO PAULO

Construção Coletiva de Conhecimentos para a Sustentabilidade Socioambiental do Pontal do Paranapanema (Collective Construction of Knowledge for the Social and Environmental Sustainability of Pontal do Paranapanema): promotes open seminars and meetings to train teenagers in initiatives of conservation of water resources, forestry, and biodiversity in the region of Pontal do Paranapanema.

O Bom Combate – Mapeamento Digital dos Diabéticos (The Good Fight - Digital Mapping of Diabetics): development of a website to provide a digital map including laws, bills, clinical protocols, civil lawsuits, and addresses of interest to people with diabetes.

Two projects approved in the 2012/2013 bid invitation received awards. The project A Vision of Citizenship, supported in Piauí, which had been awarded in the state, was recognized again in 2012 and received the award granted by A Rede magazine in the category 3rd sector - Accessibility. Likewise, the project Floor of Dreams, developed in Rio Grande do Sul, to support young rural entrepreneurs, received the award Anu Gold granted by Cufa.

The 2012/2013 bid invitation had 578 applicants from all over Brazil. The list of those selected will be disclosed in the second quarter of 2013.

RIGHTS OF CHILDREN AND ADOLESCENTS

By means of donations to the FIAs (Funds for Children and Adolescents), Oi contributes to the implementation of ten-year plans of the Municipal and State Councils of Rights of Children and Adolescents in the whole country. In 2012, the Company supported 28 council projects in 13 states: Alagoas, Bahia, Ceará, Espírito Santo, Minas Gerais, Mato Grosso, Pará, Pernambuco, Paraná, Rio Grande do Sul, Santa Catarina, Sergipe and São Paulo.

ENVIRONMENT

In 2012, Oi's Program of Projects for the Environment merged with Oi Novos Brasis program, keeping the support to the 14 environmental projects selected in the 2010 bid invitation. The nationwide initiatives benefited more than 9,000 people living in all Brazilian biomes (Amazon, Caatinga, Cerrado, Atlantic Rainforest, Pampas, Pantanal and Coastal Zone) and a wide variety of target-publics.

CULTURE

Oi Futuro is the Manager of Oi's program of Fostered Cultural Sponsorships, which selects pioneering projects in the fields of visual arts, performing arts, technology and new media through an annual public bit invitation. In 2012, the program sponsored 92 students.

The institute also supports three cultural centers, in Belo Horizonte and Rio de Janeiro. Because they offer a diverse and high quality programming (see box), these centers have gained people's approval. In a survey conducted between September and October by IBOPE (Brazilian Institute of Opinion and Statistics) with a hundred visitors of each center, about 90% of respondents classified customer service at these venues as good (8, 9 or 10 scores). The quality of programming, the environment, and the infrastructure were mentioned spontaneously by most respondents as positive aspects of the centers.

Another cultural venue supported by the institute is the Telecommunications Museum, established in 2007. It has two units - one in Rio de Janeiro and one in Belo Horizonte - that offer a high-quality and innovative cultural programming. Throughout 2012, the museum in Rio de Janeiro received 23,000 visitors, and the one in Belo Horizonte was visited by 17,000 people including groups individual visitors.

HIGHLIGHTS IN THE PROGRAMMING

- Oi Futuro Flamengo: hosted Bill Lundberg and Fabien Rigobert's individual exhibitions for the first time in Brazil and the High-Tech/Low-Tech and File Rio 2012 group exhibitions, including artists like Ricarda Roggan Ali Kazma and Alex Rudolf. The center also hosted two of the traditional selection of "Ten Best theater shows of the year", published by the newspaper O Globo: A Arte e a Maneira de Abordar seu Chefe para Pedir um Aumento e Ficção (The Art and Way of Approaching Your Boss to Ask for a Raise and Fiction). The Nada project, based on the work of poet Manoel de Barros and created especially for the cultural center, was nominated for the Shell Prize of Performing Arts.
- Oi Futuro Ipanema: has established itself as an important project for contemporary music. The Levada Oi Futuro project included concerts of 20 musicians who outlined an overview of the new musical trends from all regions of the country. The Novas Frequências project showed the international forefront in the musical scene.
- Oi Futuro Belo Horizonte: the Pulso Iraniano (Iranian Pulse) exhibition showed the contemporary art from Iran for the first time in Minas Gerais. The center also hosted the first edition in Minas Gerais of the International Festival It's All True, the most important exhibition of documentaries in Latin America.

SPORTS

Since 2007, Oi Futuro has managed Oi's program of Fostered Sports Sponsorship. Once a month, it selects sports and para-sports projects that serve as tools for social transformation among children and adolescents.

For the third year running, Oi was granted the seal of "Sport-Friendly Business" from the Ministry of Sports, thus consolidating its position as an important Brazilian sports sponsor. In the 2012 edition, Oi was raked third in the category Best Friend of Sports in the whole country and second in the category Best Friend of Sports in the state of Tocantins.

ANNUAL SOCIAL BALANCE SHEET

MAIN SOCIAL INDICATORS 2012

1 - Basis of Calculation	2012 Value (R$ thousands)	2011 Value (R$ thousands)
Net Revenue (NR)	25,169,230	27,906,989
EBITDA[10]	8,801,175	8,765,993
Gross Payroll (GP)	2,000,818	1,678,074

2 - Internal Social Indicators	Value (thousands)	% of GP	% of NR	Value (thousands)	% of GP	% of NR
Food	124,004	6.20%	0.49%	107,371	6.40%	0.38%
Compulsory social levies	367,600	18.37%	1.46%	395,659	23.58%	1.42%
Private insurance	47,581	2.38%	0.19%	56,731	3.38%	0.20%
Health	79,977	4.00%	0.32%	71,631	4.27%	0.26%
Occupational safety and medicine	8,262	0.41%	0.03%	7,664	0.46%	0.03%
Education	0	0.00%	0.00%	0	0.00%	0.00%
Culture	0	0.00%	0.00%	0	0.00%	0.00%
Professional Training and Professional Development	24,082	1.20%	0.10%	21,612	1.29%	0.08%
Childcare or childcare assistance	8,866	0.44%	0.04%	7,438	0.44%	0.03%
Sharing of results - Provisioned	387,380	19.36%	1.54%	57,939	3.45%	0.21%
Others	33,347	1.67%	0.13%	33,835	2.02%	0.12%
Total - Internal Social Indicators	**1,081,099**	**54.03%**	**4.30%**	**759,880**	**45.28%**	**2.72%**

3 - External Social Indicators	Value (thousands)	% of EBITDA	% of NR	Value (thousands)	% of EBITDA	% of NR
Education	15,241	0.17%	0.06%	18,110	0.21%	0.06%
Sustainability	5,992	0.07%	0.02%	7,840	0.09%	0.03%
Ethos Institute	15,2	0.00%	0.00%	15,20	0.00%	0.00%
Culture	46,942	0.53%	0.19%	71,948	0.82%	0.26%
Sport	17,439	0.20%	0.07%	15,512	0.18%	0.06%
Total of contributions to society[11]	85,629	0.97%	0.34%	113,426	1.29%	0.41%
Taxes (including social levies)	9,070,971	103.07%	36.04%	10,545,456	120.30%	37.79%
Total - External Social Indicators[11]	**9,070,971**	**103.07%**	**103.07%**	**10,658,882**	**121.59%**	**38.19%**

4 - Indicators Related to Employees	
Number of employees at the end of year	15,146	13,224
Number of admissions during the year	5,742	2,993
Number of outsorced personal	166,253	141,384
Number of interns/trainees	721	549
Number of women working in the company	6,329	5,297
% of leadership positions helds by woman	25%	25%
Number of disabled or special-requirement	268	265

Responsible for accounting information: Marcelo Antônio Leal Gomes (CRC-RJ 083.182)

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

[11] These values include tax incentives and donations to Fund for Childhood and Adolescence - FIA

ENVIRONMENT

"BECAUSE IT IS A MAJOR CONTRACTOR, OI HAS THE POWER OF A CHANGING AGENT TO BRING ABOUT INTEGRATION OF SUSTAINABILITY IN THE WAY WE OPERATE."

SUPPLIER

CLIMATE GOVERNANCE

[GRI DMA EC and GRI 1.2 and EC2] As part of its position in favor of sustainable development, Oi gives special attention to climate changes and its potential impacts on customers and the business. Risk management related to this topic is organized into four categories: operational, financial, strategic, and compliance.

The operational risks include material damages such as destruction of networks, centers, towers, telecommunication antennas, and administrative buildings, as well as the interruption or delay in Oi services caused by rains, floods, landslides, winds, hurricanes, tornadoes, or lightening. Risks are also evaluated related to reduced useful life of the equipment because of increased humidity or salinity of the air and the potential drop in productivity due to days of work missed by employees because of sickness or epidemics of climatic origin.

Among the financial risks is the lack of coverage for certain assets and increased costs related to contracting insurance for equipment and installations against damages caused by natural phenomena, as well as related to the increase in the consumption of water and electricity due to the increase in average temperatures in the regions where Oi operates.

Strategic risks include potential loss of customers or damages to corporate image resulting from delays, failures, or disruptions in services originating from climate phenomena. The possibility of a crisis in energy supply due to climate changes, which could limit Oi's growth, also fits into this category.

The main compliance risk is the possibility of the Company receiving regulatory sanctions such as fines or suspension of concessions for failing to meet minimum targets of quality and availability of services provided.

OPPORTUNITIES

Changes in the global climate panorama are not just related to risks. Oi believes that it can develop products and services adequate for the new scenario and promote continuous improvements to its operations in order to adapt to changes. Oi continually works through its internal channels of communication, to cause its employees to be aware about climate change and the risks and opportunities they offer. The communication efforts give information about the measures to minimize the impacts of climate changes and optimization of the use and savings of the Company's internal resources.

GREENHOUSE GASES

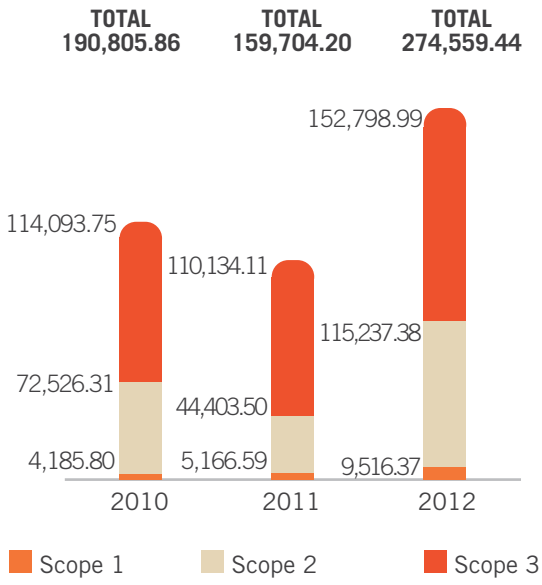
Oi has identified and recorded the direct and indirect emissions resulting from its activities every year since 2009. The inventory of GHG (greenhouse gas) emissions follows the standards of the Brazil GHG Protocol Program, which provides tools for reporting and measuring emissions by adapting the methodology developed by the WRI(World Resources Institute). The information is disclosed voluntarily on the public record of emissions with the Brazil GHG Protocol Program itself and the CDP(Carbon Disclosure Project), which is a global initiative for monitoring climate governance.

Besides focusing on transparency with regard to the communication of information, the Company also actively participates in discussions and initiatives related to climate change. To do so, it is part of the EPC (Companies for ClimatePlatform), which is a forum of corporate proposals to reduce the emissions of greenhouse gases from companies and support the transition of the country's economy towards a low-carbon economy, while also discussing solutions and contributions to legislation on the subject.

In 2012, Oi was selected to be a part of BM&FBovespa's ICO2 (Carbon Efficient Index) portfolio for the third year in a row. The index combines actions of companies that have already taken the first step towards this new economy by monitoring and reporting their emissions.

Although several actions have been taken to reduce the Company's emissions, in 2012 the numbers were higher compared to previous years. This increase of Scope 1 emissions can be justified due to the increase of activities and the number of permanent workers with SEREDE, a company from the Oi group engaged in maintaining the network in the state of Rio de Janeiro that absorbed part of the activities performed by service providers in the past. In the indirect emissions (Scope 3), the growth of the network, as well as the efforts to improve the quality of customer service, resulting in increased fuel consumption due to increased fleet of the network service providers.

[GRI EN16 and EN17] TOTAL EMISSIONS (tCO_2e)



EMISSIONS OUTSIDE BRAZIL 2012 (tCO_2e)

Country	Scope 1	Scope 2	Scope 3
USA	24.45	3,862.60	1,412.55
Venezuela	30.57	145.55	222.04
Colombia	0	6.31	196.69
Bermuda	3.23	3,980.47	30.78
Total	**58.25**	**7,994.93**	**1,862.07**

Oi's inventory regarding emissions in 2012 obtained the certificate for external verification issued by Way Carbon.

Access the complete inventory here to get to know the profile of all the Company's emissions.

[GRI EN18] TABLE OF SCOPE 3 - BY CATEGORY

Category - Scope 3	tCO_2e (2012)
Goods and services purchased	124,297.04
Transportation and distribution (upstream)	10,643.32
Business travel	8,656.09
Commuting of employees (home-work)	9,202.55
Total	**152,798.99**

[GRI EN19] TABLE OF REFRIGERANTS FLUIDS - ODS (OZONE DEPLETING SUBSTANCES)

FLUID	Tons	CFC 11 Equivalent
HCFC 22	53.32	2.93
HCFC 141	4.09	0.45

[GRI EN26] REDUCTION OF EMISSIONS

The Company's efforts to reduce GHG emissions related to the operation involve several areas of action. The main ones are listed below.

Rational use of energy - Oi conducts studies to assess the actual consumption of each unit and to adapt contracts without there being any waste of money and energy. The Company has implemented energy efficiency projects to reduce energy consumption with light bulbs and air conditioners.

[GRI EN3 e EN4] Most of the electricity consumed by Oi is from power companies. In 2012, consumption reached 5,811,775 GJ (1,614,382 MWh). In the same year, 11 of its units migrated from the captive market to the free energy market. In the free market, Oi entered in the category of special clients where the energy consumed comes from PCH (Small Hydro Power), sources funded by the government, renewable, and of low environmental impact because it does not use reservoirs. Oi also consumed 128.538 GJ (35,705 MWh) from biofuels from a free market generator.

[GRI EN5] The Energy Efficiency Project, which deals with the replacement of light bulbs and air conditioning systems in 32 of Oi's units, made a reduction of 56,746 GJ (15,763 MWh) possible in 2012.

[GRI EN7] **Green IT** - The infrastructure required to support activities related to information technology is, by its nature, a major energy consumer. Therefore, one of the main contributions of IT for sustainability initiatives is the optimization of energy consumption. Some of these initiatives are as follows:

- Inclusion of energy efficiency requirements in all processes for acquiring IT equipment.
- Carrying out a project of technological upgrading and consolidation from 49 RISC servers to 6, thus reducing energy consumption by 75%.
- Contracting of a technological upgrade project of 35 storage equipment, totaling approximately 1 PB. This update allowed a consolidation ratio of 5:1 and an energy savings of over 80%.
- Expansion of the use of virtualization of servers with an increase of over 30% in the number of virtual servers. Using virtual servers makes it possible to optimize the use of the infrastructure, reduce physical servers, and therefore reduce energy consumption.
- Expansion of the initiative for recycling the structured cabling used in Oi projects with the certification of Furukawa's Green IT program. 7,743 kilograms of cables were recycled in just the Rio+20 project alone.
- Technological upgrade of over 7,000 desktop monitors representing a savings of over 70%.
- Use of automatic shutdown schedules of resources in order to rationalize energy consumption throughout the entire park of microcomputers.

In the coming years, the IT department will be involved with various infrastructure projects that aim to reduce the number of systems used and promote technological upgrading of systems and IT infrastructure. One of the tasks will be to reduce the relative consumption of energy used in the datacenters, while at the same that making sure that the growth of installed capacity is supported by the least amount of energy possible.

[GRI EN26] **Reduction of fuel consumption** - In order to reduce environmental impacts and costs from air travel, Oi has invested since 2011 in expanding the use of videoconferencing for meetings. Thirteen new telepresence rooms were created for directors at the subsidiaries, which also contributed to reinforce the integration between teams from several states. The average ratio between physical meetings and meetings held at-a-distance fell in 2012 compared to previous years. In 2010, there were 4.56 trips for each videoconference held. This ratio fell to 3.85 in 2011, and was again reduced in 2012, reaching 3.55.

[GRI EN29 and EN26] Studies are carried out with a focus on efficient management of transportation in order to increase the operational efficiency of the external equipment and reducing the need for technical visits and consequently the issuance of CO2. In 2012, the leading suppliers of transportation services met with the logistics department as part of preparing to establish indicators for monitoring their fleets.

With a Fleet Renewal Project, the Company is looking to reduce its fuel consumption and thus emit less polluting gases. In 2012, Oi replaced its cars that were five or more years old with new vehicles after studies in the market identified specifications for savings and suitability to the job. The substitution also reduced the need for maintenance, which resulted in less volume of parts and components discarded every trip to the mechanic shop.

Oi also conducted a study in 2012 for resizing its fleet that analyzed various factors, including productivity indicators, fuel consumption, along with indicators of spatial coverage and of quality. Once the project was complete, it was possible to reduce the fleet by 155 vehicles. Nevertheless, for strategic reasons, another 97 vehicles were purchased for the areas of Preposition, Sales Channel, and New Business, closing 2012 with 1,012 vehicles in total.

Even with this increase, the results obtained with fleet renewal and resizing made it possible to reduce fuel consumption by 5.63% or 106,842.30 liters. This means that every vehicle stopped consuming 105.57 liters of fuel in 2012 compared to 2011.

These and other projects contribute so that Oi can achieve the goal of reducing energy consumption and consequently the emission of greenhouse gases.

FUEL CONSUMPTION

Type	2012
Diesel (l)	153,896.96
Ethanol (l)	93,149.71
Natural Gas (m^3)	1,155.58
Gasoline (l)	1,543,289.83

ENVIRONMENTAL IMPACTS AND MITIGATION ACTIONS

[GRI DMA EN] Telecommunication activities are not considered effectively or potentially polluting according to Resolution No. 237/1997 from CONAMA (National Environment Council), which regulates environmental licenses. Oi, however, is aware of the potential environmental impacts of its administrative activities and operations for setting up and maintaining its plants, and it works hard to minimize them with effective management.

The main themes monitored are the generation of solid waste, air pollution generated by motor vehicles and generators, the emission of noise, and the visual pollution of the ERB (Radio Base Stations) and antennas. Oi works to identify these risks and their impacts and monitor the evolution of public policies and laws that regulate corporate environmental management.

The Company respects the normative initiatives of the regulating organization for telephone services and government agencies in order to incorporate the principles and criteria for environmental management in carrying out its activities. The implementation of Oi sites and new installations, as well as the licensing process, follow the guidelines of the proper authorities.

[GRI SO1] Explanations are given to the surrounding community and social communication plans are developed of the operations whenever necessary. The process consists in publishing in major newspapers the licensing information for installing equipment that improve the telecommunications and data systems. Informational brochures on what the equipment is and its relationship to human health are also distributed.

By determination of the government, in some cases informational hearings are also held and the people in the households located in a radius of 500 meters from the site are invited to attend. In the specific case of installations on top of buildings, an extraordinary meeting for those using the building is called in order to present the project and give general explanations. Another measure adopted has been distributing pamphlets in all locations where it detects any kind of adverse reaction by the population. Generally these pamphlets are given to community centers or churches.

When the assignor of a site requests the removal of the equipment, the Company makes the necessary adjustments in order to ensure coverage in the area and to maintain its services. The formal decision to leave a region also involves a previous agreement of restoring ground cover, demolishing concrete bases, removing fences and gates, decommissioning energy, and removing the meter. In some cases, some element is maintained such as the utility power meter and the fence, always in agreement with the owner.

[GRI EN30] In 2012, Oi spent more than R$ 6 million on environmental protection. About 75% of these expenditures were focused on environmental licensing.

INVESTMENTS AND EXPENDITURES WITH ENVIRONMENTAL PROTECTION

Type	Total (R$)
Environmental licensing	4,855,000.00
Issuance of radiometric reports to monitor the quality of signals being broadcast	988,500.00
Costs with transportation and storage of solid waste	572,632.72
Environmental Consulting	69,570.45
Total	**6,446,123.17**

[GRI EN22] WASTE MANAGEMENT

Initiatives to reduce the environmental impact of Oi's operations include managing discarded materials. The stationary batteries are repurchased as a take-back action, and the assembly and maintenance materials are sent for recycling.

The Company requires that these suppliers be in compliance with the current environmental standards and that they monitor this and adopt any environmental corrective measures that may be necessary. Oi plans on monitoring all stages of the recycling and disposal process done by the service providers of its network beginning in 2013.

In 2012, Oi generated more than 6,700 tons and 312,000 items of waste.

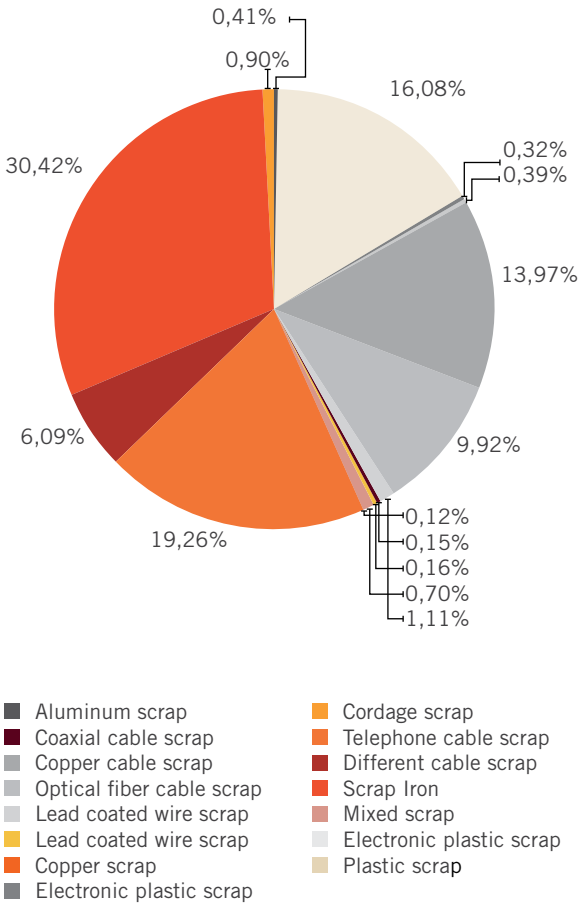
RECYCLING OF WASTE (t)	
Phone books	126.03
Various waste - selective waste collection	131.15
Sale of scrap	4,234.48
Stationary batteries[12]	2,204.39
Total (tons)	**6,696.05**
Recycling of waste (items)	
Devices, batteries, and their accessories	43,782
Light bulbs	14,981
Various waste sold to auction	254,000
Total (items)	**312,763**

Note: Because of the waste management system used, it was not possible to segment all the items between hazardous and non-hazardous.

[12] Waste considered to be hazardous.

In 2012, 4,234.48 tons of scrap were sold for recycling, which included materials such as copper, aluminum, and iron, fiber optic cables, batteries, telephone cables, computer scrap, fiberglass, parts and accessories of vandalized public telephones, scraps of furniture, among others. From the recycling of these materials, it is possible to make street sweeping brooms, garbage bags, as well as recycled polyethylene and PVC.

WASTE MANAGEMENT - SALES PER TYPE OF MATERIAL



[GRI EN24] With the intention of ensuring the proper disposal of waste generated by its activities, the Company promotes the re-purchase of unserviceable stationary batteries (used in antennas) by a specific supplier, duly certified by the competent national organs, who offers adequate treatment in handling, storage, collection, transportation, and recycling of the batteries acquired. It is also necessary for this supplier to be in conformity with the current environmental standards and that they monitor this and adopt any environmental corrective measures that may be necessary. In 2012, 2,204.39 tons of these batteries were repurchased and the same amount of waste considered hazardous was transported by Oi to the warehouses of the states in which the repurchase would be done.

Oi also places bins in its stores to collect cell phones, batteries, and accessories. To encourage consumers

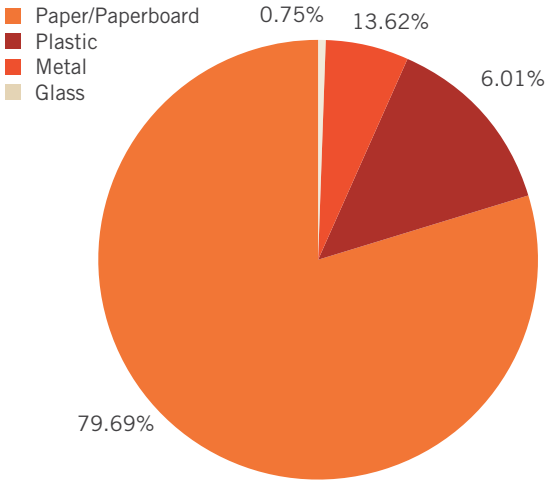
to dispose their electronic waste correctly, the Company ran external communication campaigns with advertisements in newspapers, magazines, internet, and radio spots. It also has an informative page on its website regarding collection points throughout the country. Oi extends this initiative also to its employees, by making bins available in nearly 40 administrative buildings and issuing regular internal communications to make them aware of the importance of proper disposal of their cell phones, accessories, and batteries. Considering both administrative buildings and stores, 43,782 items were sent for recycling in 2012.

As for the different types of light bulbs such as fluorescent, mercury vapor, mixed light, sodium vapor, and other ones that burn, Oi is concerned about carrying out an environmentally friendly management. In 2012, approximately 14,981 light bulbs were sent to a company specialized in dealing with them.

Oi also conducts the sale by auction of other waste such as furniture, computer equipment, telephone equipment, outdated or defective cell phones, generators, and forklifts. In 2012, approximately 254,000 items were auctioned.

Besides all these actions, an internal selective waste collection is done in the administrative buildings, resulting in collecting 131.15 tons in 2012 of recyclable materials, including paper/cardboard, plastic, metal, and glass.

SELECTIVE WASTE COLLECTION - PER TYPE OF MATERIAL



COMPLETE MANAGEMENT

With a strategic partnership signed with the company Descarte Certo of the Ambipar Group in 2012, Oi became the first telephone company to present a strategy for complete management of the solid waste chain focused on collecting and managing waste as well as recycling electric-electronic products. Five recycling plants will be built and it will be up to Descarte Certo to provide the services of collection, reverse manufacturing, and final disposal of waste produced by the Company and by suppliers, customers, and employees, as well as the management of the entire process. The plants are going to generate about 5,000 direct and indirect jobs with a processing capacity of 1,200 tons per month, nearly doubling the current installed capacity for processing electric-electronic scrap.

WORK IN PARTNERSHIP

Through a partnership with Asta, a fair trade network that brings together cooperatives of seamstresses and artisans throughout the Country, Oi ensures the reutilization of materials used in their advertising campaigns. T-shirts, banners, and vinyl posters become ecobags, pencil holders, covers for tablets, and key chains, and are then used in promotional activities once again.

The phone books no longer being used are passed on to the NGO Donate Your Junk. In 2012, 126.03 tons of phone books with outdated information and other documents such as packing lists and delivery slips were donated.

[GRI EN1] CONSUMPTION OF MATERIALS

Materials used in operations	
Metal cables (meters)	10,306,948
Optical cables (meters)	7,662,949
Wire (meters)	215,593,010
Terminals (units)	1,458,086
Seam set (units)	251,050
Others (units)	56,155,697
Packaging materials (units)	
Bags	106,840
Flyers[13]	2,816,551
Paper envelopes	455,155
Cardboard boxes	588,400
General materials (units)	
Internal circulation envelopes	40,000
Chips for mobile phones	31,931,423
Recharge cards for prepaid mobile phones	1,962,690
Cards for public phones	40,726,177

[13] Postal envelopes used in sending some products such as chips, devices, modems, and small equipment.

Oi does not manufacture products. The monitoring of materials consumed in the operation refers to items used for providing its services such as chips, recharge cards for mobile phones, cards for public phones, packaging, and items used in operations.

[GRI EN2] When managing the consumption of materials, Oi takes measures to prevent the consumption of new raw materials. All the envelopes used for internal correspondence and the bags used in all Oi stores are made of recycled materials. The internal circulation envelopes have a special layout with spaces for different senders and receivers. This makes it possible for a single envelope to be used 12 times before disposal, as well as reducing printing costs and the amount of paper used. The bags used in the Oi shops are not only made of recycled material, but also the printing is done with water-based ink.

LEGAL OBLIGATIONS

[GRI DMA PR and GRI PR1] Oi's Sustainability Policy guides the continual improvement process and preventive measures in relation to cell sites, ensuring alignment with the legislation and the National Policy on Environment and minimizing interferences in the environment.

Law 11,934 of 2009 sets the limits of human exposure to electrical, magnetic and electromagnetic fields based on the criteria of ICNIRP (International Commission of Protection Against Non Ionizing Radiation) recommended by the World Health Organization (WHO). It should be emphasized that there is no unanimous definition from the international scientific community regarding the potential risks of exposure to electromagnetism. All of Oi's RBSs are in compliance with the law and in comparison with radio and TV stations, emit significantly lower levels of radiation.

[GRI 4.11] Oi's RBSs have a coverage radius ranging from dozens of meters to about 5 kilometers. The electromagnetic emissions and noise levels of the stations are measured continuously in order to ensure compliance with the legal limits, which can be measured by Anatel's inspection. The Company also provides periodic reports to Anatel on the intensity of the non-ionizing radiation fields of the RBSs. Measures to reduce the noise level of the stations are also taken.

The operation is in accordance with the technical parameters considered internationally safe as defined by federal law and adopted by Anatel. Because of conflicts of urban and environmental competence among different governmental institutions, a discussion has arisen, including in courts, about the possibility of states and municipalities to stipulate rules for additional protection beyond the federal parameter in order to apply the precautionary principle. The concept was conceived during the Eco 92 and provides a guarantee against potential risks that, according to the current state of knowledge, cannot yet be identified. For Oi, this principle has already been widely covered in its current technical criteria.

Because of a confusing and often contradictory normative scenario, the Company is obliged to ensure its right to provide the service either by filing precautionary law suits or by exercising its right of defense in lawsuits in which it is a defendant. New federal legislation should be coming out that could improve this scenario.

At the end of the year, a bill was under discussion in Congress to regulate the installation of antennas across the country effective 2013. Once the new law is defined, Oi will assess its impact on the lawsuits in progress in order to try to put an end to some of the ongoing measures and minimize the impact of fines levied in others through agreements or compliance of possible obligations.

[GRI EN28 and PR2] In the absence of a clear legal and definitive definition, the Company has opted not to make public in this report the amounts of infraction notices that occurred in 2012, considering that the information is strategic. To disclose this information in the midst of changes in the legislation would be a frivolous act and contrary to responsible management, which is Oi's reputation.

[GRI EN13 and HR9] RESTORATION OF AREAS

Geotechnology systems make it possible to identify the existence of RBSs in environmental conservation units to ensure conformity with specific environmental legislation for each conservation area. In 2012, there was a specific case that required carrying out a Recovery Program of Degraded Areas in the vicinity of highway BR-147. The implementation of the backbone (Optical cabling and deployment of the underground optical network) in urban and interurban stretches between Manaus (AM) and Boa Vista (RR) was approved in the license application for deployment and was authorized by IBAMA.

As this stretch would pass through lands occupied by Waimiri Atroari Indians, a dialogue was had with the leaders of the reservation, supervised by FUNAI. Oi negotiated before entering the lands belonging to this tribe and established an agreement approved with all the leaders, pledging to provide a number of benefits to the local community. Some of the benefits included providing a voice and internet telecommunications solution via fiber optics and satellite, as well as providing monitoring and control systems.

All employees involved in the project attended a lecture given by the Waimiri Atroari for clarification of standards and procedures, and all of them went through a health screening process, as was previously agreed. In a second round of negotiations with the Association of the Waimiri Atroari Community (ACWA), a Term of Renegotiation was signed that included additional requests, which were met by Oi within its technical possibilities. Without any friction or violation of rights, the deliveries planned are in

progress. Oi is continuously making contact with FUNAI to provide information about the project.

A mapping of the vegetation along the entire length of the intervention was done in partnership with a consulting company. The phytosociological analyses outlined an overview of the intervention area and its surroundings, making it possible to identify areas with significant ecological importance.

The recovery work done was along the road where the characterization of these areas is highly diverse. The Backbone Project was done through land assigned to the highway and an area under the electrification network. The concern was that the vegetation was composed of grasses with characteristics of decay in terms of impacts suffered by the highway. The recovery program has been completed and the operating license of the stretch has already been issued by IBAMA.

[GRI EN8] WATER

In 2012, 95% of the total water consumed in the administrative buildings came from the municipal supply. The other 5% came by groundwater at the branches of the Rio Grande do Norte, Sergipe, Mato Grosso do Sul, and Rondônia.

WATER CONSUMPTION

Source	Total (m3)
Underground water	80,960
Municipal supply or other water supply companies	1,562,026
Total	**1,642,986**

With the goal of reducing water consumption, Oi promotes actions such as installing a telemetry system that monitors every month the water meters in 22 buildings, making it possible to detect the consumption and possible problems in supply. The Company also installed aerators and consumption reducers on its faucets and flushing devices, as well as optimized the orientation given to the cleaning crews washing the patios.

A project of reusing rainwater to supply the cooling towers of an administrative building in Rio de Janeiro was implemented in 2012. It still has not been possible to measure the volume of water reused due to some actions that need to be implemented. In 2013, a project will be tested of the self-filtering of the water used in cooling towers of an administrative building in Rio de Janeiro.

GENERATION OF VALUE

"WHEN OI ARRIVES IN A PLACE, IT PROVIDES THE POPULATION WITH AN INFINITUDE OF INFORMATION AND BENEFITS."

CUSTOMER

MARKET CONTEXT

The scenario in 2012 was marked by greater volatility than in the previous year due to the expectation of a possible rupture of the Eurozone, the resumption of U.S. economic activity, and Chinese economic growth, which is a major driver of the world economy. Recession and unemployment in Europe, sluggish economic recovery, presidential elections, and the expectation of a fiscal cliff in the United States, in addition to weather problems, which impacted the prices of global commodities, all marked the year 2012.

In Brazil, the 3.75-percentage point reduction of the Selic rate by the Central Bank in 2012, from 11% to 7.25% per year, as well as specific interventions in the economy and the government's successive renewal of a number of benefits to some sectors of the economy were not enough to support the recovery of the country's economic activity. GDP (gross domestic product) and economic activity indicators were continuously below market expectations. The external scenario of weak economic growth actually represented a limiting factor for the country's aggregate demand.

Despite the low economic growth scenario, inflation remained at a level uncomfortable for the government due to a buoyant labor market with unemployment at historically low levels and the population's real income on the rise. Although the IPCA index fell in 2012 (5.84%) compared to 2011 (6.5%), the following facts about this index should be kept in mind: (i) it incorporates a new calculation methodology (favorable), (ii) it remains above the Central Bank's inflation target, and (iii) it is above the initial market forecast, which was 5.27%, according to the Central Bank' Focus survey of March 16, 2012.

As for the prospective scenario, the Focus bulletin points to a scenario of renewed economic activity in Brazil and forecasts GDP growth of 3.2% in 2013 and 3.6% in 2014. Contributing to this would be maintaining the Selic rate in 2013 at its current levels of 7.25%. According to the bulletin, the IPCA will not converge to the center of the target, closing 2013 at 5.53% and 2014 at 5.5%, which should contribute to the need for raising the Selic rate in 2014 to 8.25%. In the exchange rate scenario, the market consensus for the dollar is R$ 2.07 in 2013 and R$ 2.05 in 2014, versus R$ 2.0435 in 2012.

THE TELECOMMUNICATIONS SECTOR

In 2012, the total access of telecommunications services in Brazil came to approximately 339.1 million represented by 43.7 million fixed lines in operation, 262 million mobile users, 19.2 million fixed broadband internet users, and 16 million pay TV users. The 10.2% increase, which corresponds to 31.6 million users compared to 2011, was mainly driven by significant net additions in the segment of Personal Mobility.

FIXED TELEPHONY

The Brazilian fixed telephony market reached 43.7 million operating lines in 2012[14], 2.7% up on the previous year. The segment is mature with only marginal growth since there is a global trend of traffic migration from fixed to mobile telephony.

Fixed telephony concessionaires represented 70% of total fixed lines operating in 2012[14].

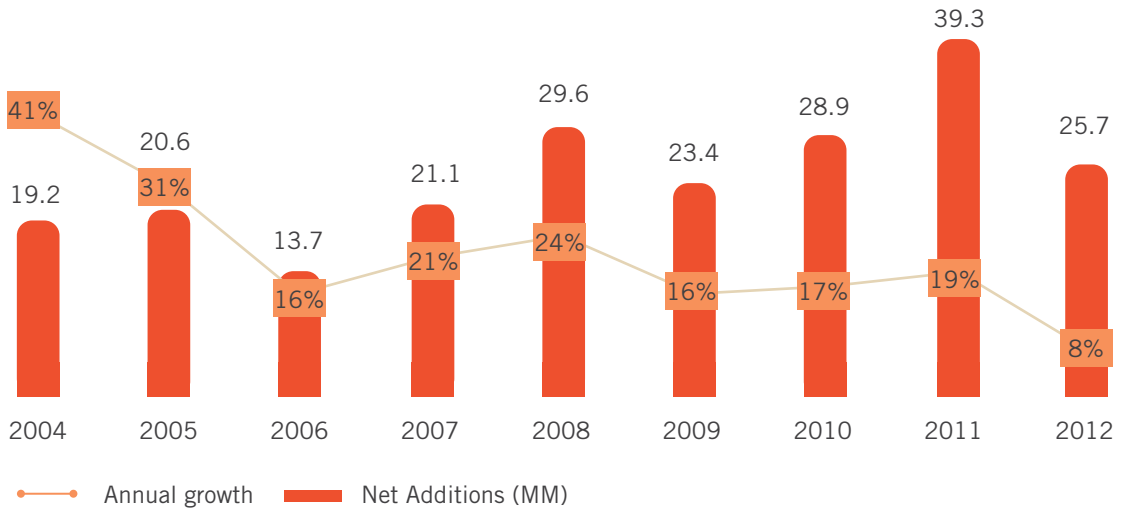
[14]Latest information released by Anatel in September 2012.

MOBILE TELEPHONY

With 262 million users in December 2012 and a penetration rate of 132.7% of the population, the Brazilian mobile telephony market recorded substantial growth yet another year. Net additions totaled 25.690 million users in 2012, reflecting an upturn of 8.1% over the previous year. The pre-paid segment represented 80.5% of total mobile users in December 2012 (81.7% in 2011), while post-paid users accounted for 19.5% of the total mobile base.

The substantial growth of mobile broadband users was also noteworthy in 2012. With more than 1.2 million new additions from December 2011 to December 2012, third generation (3G) users came 6.7 million at the end of the year. The significant 21.5% growth in the 3G base is evidence of this market's potential.

ANNUAL GROWTH OF MOBILE TELEPHONY MARKET



FIXED BROADBAND

Fixed broadband internet access continued to be one of the sector's growth drivers in 2012. At the end of 2012[15], the user base reached about 19.2 million, 16.7% up on 2011, which represented 2.75 million new users. The penetration of broadband services in the country, considering the technologies for access through cable, ADSL, and radio, reached 31.3% in Brazilian homes, evidence that there is still great potential for growth in this market.

PAY TV

In December 2012, the pay TV user base increased by 3.4 million, or 27.03%, in 2012 (30.5% in 2011). At the end of 2012, there were 16.2 million pay TV subscribers.

This growth, for one more year, was driven by the upturn in packages targeted to the population with lower purchasing power, where there is still strong pent-up demand. The penetration rate reached 27% (21.2% in 2011), which proves the growth potential of this market.

[15]Latest information released by Anatel in November 2012.

DTH (Direct to Home) technology accounted for 61.7% of new users, followed by cable, with 38.3%. It is important to note that the newcomers in the market, including Oi, use DTH technology.

REGULATORY SCENARIO

The signature of new concession agreements only took place on June 20, 2011 due to discussions related to the proposal of a new General Plan on Universal Services (PGMU) marked by differences of opinion about the economic and financial impacts arising from meeting the proposed targets and, especially, about the need to adjust the funding sources required to make the Plan viable, a condition provided for by the Brazilian General Telecommunications Law.

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

STATUS OF THE MAIN ISSUES ON THE AGENDA

Regulations	Description
Mandatory and Free of Charge Phone Directory	Provides the rules for phone directory distribution and provision of directory assistance services. The public consultation (11/2010) has been concluded, but the regulation has not been published.
Numbering	Provides a solution to guarantee numbering resources for mobile telephony services in the city of São Paulo (Brazilian area code 11). Public Consultation 13/2010 has been concluded and the regulation was issued in December 2010. The numbering of code 11 now has nine digits. The other codes of the state of São Paulo (12 to 19) will add the ninth digit by December 2013. In January 2014, the codes starting with number 2, which cover the states of Rio de Janeiro and Espírito Santo, will change. By December 2014, the ninth digit will be added in the North Region, except for Acre. Minas Gerais and the Northeast will have the ninth digit by December 31, 2015. The South and Midwest regions and Acre will be the last ones to receive the ninth digit, by December 31, 2016.
Inspection and Administrative Sanctions (PC 21 and 22/2010)	Public consultations concluded and regulations published (Sanctions - Resolution 589/2012 and Inspection - Resolution 596/2012). The regulations made it possible to reduce fines and enter into substitute agreements (TAC - Term of Adjustment of Conduct), as well as provided for the development of a new methodology of fines.
Local areas (PC 23/2010)	New regulation published in January 2011 through Resolution 560/11 increased the geographical scope of local areas, causing changes in the number of long distance calls and the payment of the networks associated with these calls.
Industrial Exploitation of Dedicated Lines (EILD)	New regulation submitted to PC 50/2010 in late 2010 and approved pursuant to Resolution 590/2012. The new regulation kept the possibility of charging special EILD, but reduced the values in Anatel's reference table by 17% on average and included the possibility of term and volume discounts. It should also be mentioned that there are new obligations for the supply of EILD arising from the approval of the PGMC (General Plan for Competition - Resolution 600/12).

STATUS OF THE MAIN ISSUES ON THE AGENDA

Regulations	Description
Review of the Regulation on Special Class Individual Access (AICE)	PC 11/2011 was released on March 1, 2011, and the regulation was published pursuant to Resolution 586/2012, defining the basic rules, demand requirements, and characteristics for the supply, tariffs, quality, and form of payment for the Special Class Individual Access (AICE) of the fixed switched telephone services designed to be used by the public in general and provided as a public utility. The AICE benefits low-income subscribers listed in the Single Registry for Social Programs of the Federal Government, which includes families earning up to three minimum wages.
General Regulation on the Quality of Fixed Switch Telephone Service Providers	Replacing the General Plan on Quality Goals for Fixed Switched Telephone Services, approved by Resolution 341, of June 20, 2003, and the Regulation on Fixed Switched Telephone Service Quality Indicators, approved by Resolution 417, of October 17, 2005, PC 16/2011 was launched on March 31, 2011, but the regulation has not yet been published. It proposes relevant changes to the conditions to measure the quality of the fixed switched telephone services provided.
Criteria to adjust PSTN call tariffs with SMP access	PC 37/2011 was released on October 11, 2011 with regulation issued on November 4, 2011 establishing the criteria to adjust call tariffs of the Basic Plans of PSTN Concessionaries involving SMP accesses for local and national long distance calls, pursuant to art. 108 of LGT and clause 12.3 of the concession agreements.
Regulation of the methodology for calculating transfer factor x applied to the adjustments of PSTN tariffs	PC 39/2011 was released on July 18, 2011, but the regulation has not yet been published. Its aim is to establish the criteria and methodology for calculating transfer factor x provided for in the contractual rules for the adjustment of PSTN tariffs in accordance with paragraph 2 of clause 12.1 of PSTN concession agreements in force as of May 2, 2011, in compliance with art. 7, item II of Decree no. 4733, of June 10, 2003.
Reversible Assets	PC 52/2010 was released at the end of 2010, but the regulation has not yet been published. It regulates the granting of prior consent to the replacement, encumbrance, and sale of reversible assets. It also establishes stricter conditions for the control of the concessionaire's assets.
Other Issues	
MVNO - Mobile Virtual Network Operator	Approved in November 2010, Resolution 550 allows MVNO operators to provide Mobile Personal Service (MPS). There are still no MVNO providers in partnership with Oi. Porto Seguro is the only virtual operator, and it has a partnership with TIM.
Regulation on SCM	PC 45/2011 was released on August 8, 2011, but the regulation has not yet been published. It provides for the introduction of resources to the regulation on SCM (Multimedia Communications Service) that meet the fundamental principles of the General Plan for Updating Telecommunications Regulations in Brazil (PGR) to promote mass access to broadband services, as well as complying with item V.20 of PGR's short-term goals.

STATUS OF THE MAIN ISSUES ON THE AGENDA

Regulations	Description
Regulation on SCM Quality Management	PC 46/2011 was released on August 9, 2011 and the regulation was published on October 31, 2011. establishing quality goals and criteria for assessment, obtaining data and monitoring the quality of SCM providers.
SeAC - Conditional Access Service	PC 65/2011 was released on December 19, 2011 and the regulation was published pursuant to Resolution 581/2012. The regulation implements what is provided for in Law 12,485, of September 12, 2011, regarding the audiovisual communication of conditional access. It presents the rules for this new service (SeAC), including provisions on service, installation and licensing of stations, channels with mandatory distribution and others issues, related to the reduction of possible barriers to the entry of new providers.
Quality Management of Pay TV Service Providers	PC 26/2011 was released on May 23, 2011, but the regulation has not yet been published. It provides for the consolidation of current indicators and establishes the Service Performance Index–IDA.
New Regulations	
Concatenation of calls of the MPS	PC 34/2012 was released in November 2012 and the regulation was published in the same month, in accordance with Resolution 604/2012, regulating the concatenation of all mobile calls with the same origin and destination with less than 120 seconds between them.
Standard for using femtocells	PC 53/2012 was released on December 11, 2012 with a deadline for contributions until January 25, 2013. The proposal, which is under public consultation, aims to improve and expand mobile indoor coverage and relieve traffic on the main RBS.
Modeling of telecommunication costs	PC 26/2012 was released on July 4, 2012, but the regulation has not yet been approved. The model proposes to understand the costs of regulated wholesale services in Brazil, including the fixed interconnection, mobile interconnection, and dedicated lines (EILD).
Regulation on providing PSTN outside the basic tariff area	PC 8/2012 was released on February 15, 2012 and the regulation has not yet been approved. It aims to control PSTN service conditions in rural areas for both individual and collective access, creating offers of service plans across the rural area and outside the basic tariff area.
PGMC - General Plan for Competition	Planned in the PGR as a short-term action, the PGMC regulation was approved by Resolution 600/2012. The PGMC defined the relevant markets for the telecommunications sector, the rules identifying the corporate groups that have companies with SMP (Significant Market Power) and the obligations aimed at encouraging competition.

STRATEGY AND NEW BUSINESSES

The objectives to consolidate and expand its position in the market, generating increasing value for its shareholders, guide the management of Oi and its subsidiaries. The quest for leadership in the segment, for the steady increase in competitiveness, and for an increasingly better economic performance with benefits to employees, shareholders, partners and other stakeholders guides the Company's strategy.

The convergence of products and services—fixed and mobile telephony, broadband, and pay TV—has become a key differential for Oi in relation to the competition. It is also the main customer loyalty tool and creates synergies between sectors, generating savings in operations. The offer of convergence and innovative products also provides an opportunity for profitable growth and contributes to the consolidation of leadership in this product segment. These advantages, combined with the focus on services and handset sales, increased market share and the profitability of operations. Oi will continue to explore value added services and new products through its customer base, further boosting the expansion of its revenue and profitability.

Among these convergent products, broadband internet is of special interest due its potential to leverage the Company's growth and its strategic role in the future of integrated communications services. Oi has the largest network of fixed broadband access in the country with coverage in more than 4,600 municipalities. It continually invests in new technologies and expanding the offer high-speed Internet access, and its fixed and mobile broadband networks.

New business opportunities in telecommunications and adjacent segments, such as internet and IT are incorporated into the Company's strategy, always with a focus on innovation and new businesses. Exploring new businesses from existing platforms and working in segments that complement the offer of services for clients are essential to ensure future growth. The Company periodically analyzes new business proposals that may have synergy with its activities and are able to leverage new sources of revenue and strengthen its position in the national and international telecommunications scenario.

In order to increase operational efficiency and achieve economies of scale, Oi invests in improving its internal processes and reducing costs. The constant improvement in customer care and services is another strategic priority.

Focusing on the short term, the Company evaluates various development paths. In mobile retail, the acquisition of the 2.5 GHz license for providing fourth-generation mobile telephony services represents an important opportunity. This action is in line with the goal of reinforcing its positioning in mobile data, complementing the bundle of convergent services and aligning the strategy with the future of the telecommunications market in which the Internet (fixed and mobile) will be the main driver. In residential retail, Oi works to complement the residential package of services. It invests in improving the quality of pay TV, increasing the speed of fixed broadband with developments in xDSL technology (Digital Subscriber Line, digital data transmission using the phone network that reaches most homes) and laying fiber optics.

In the Corporate segment, the highlight is the structuring of a specific sales force to meet the needs of this type of customer. The next steps will be to build products even more adjusted to the segment and to expand the IT portfolio. The actions aim to strengthen Oi's positioning as an integrated provider of basic and advanced IT and telecommunications services.

The operating performance in 2012 shows that Oi going through the necessary changes, leveraging the creation of value for all its stakeholders.

FINANCIAL & OPERATING PERFORMANCE

With the approval of the corporate restructuring on February 27, 2012, the shareholders of TNL (Tele Norte Leste Participações S.A.), Coari (Coari Participações S.A.), and TMAR (Telemar Norte Leste S.A.) became shareholders of Oi S.A. with TNL and Coari being wound up and TMAR becoming a wholly-owned subsidiary of Oi S.A. Accordingly, the results presented in this report represent Oi S.A. (surviving company and new name of Brasil Telecom S.A.) at the end of December 2012 compared to the end of December 2011 when the results of the other three companies were not incorporated.

However, to facilitate understanding of the business, we present the pro-forma consolidated results, equivalent to former TNL's figures, physical numbers, revenue, costs and expenses (EBITDA), debt, investments and cash flow, as if the mergers had occurred on January 1, 2011.

[GRI 2.8] CONSOLIDATED RESULTS

OI S.A. Pro-Forma	2012	2011	YoY
Revenue Generating Unit ('000)	**74,339**	**69,693**	**6.7%**
Residential	18,337	17,810	3.0%
Personal Mobility	46,305	43,264	7.0%
Business / Corporate	8,971	7,848	14.3%
Public Telephones	727	771	-5.7%
Net Revenue (R$ million)	**28,142**	**27,907**	**0.8%**
Residential	9,974	10,501	-5.0%
Personal Mobility	9,102	8,190	11.1%
Business / Corporate	8,510	8,470	0.5%
VAS and Others	556	746	-25.5%
EBITDA (R$ million)	8,873	8,766	1.2%
EBITDA Margin (%)	31.5%	31.4%	0.1%
Net Earnings (R$ million)	1,785	1,006	77.4%
Net Debt (R$ million)	25,068	15,627	60.4%
Available Cash (R$ million)	7,804	14,092	-44.6%
CAPEX (R$ million)	6,564	4,959	32.4%

Note: net revenue is not pro forma.

RESULTS IN RELATION TO THE GUIDANCE

At a meeting of the Board of Directors held on April 16, 2012, Oi approved changes to the Material Act or Fact Disclosure Policy and Trading Policy for Securities so as to include a section providing for the possibility of disclosing Future Performance Projections (guidance).

Residential RGUs: Oi closed 2012 with 19.1 million Residential RGUs (Revenue Generating Units), consisting of 12.5 million fixed lines, 5.1 million broadband users, 757,000 pay TV clients, and 727,000 pay phones. Given the reduction in the number of fixed lines and the increase in the broadband and pay TV base, the Company recorded a 3% variation compared to the guidance.

Personal Mobility RGUs: at the end 2012, Oi had 46.3 million Personal Mobility RGUs, with 39.8 million pre-paid clients and 6.5 million post-paid clients. These figures came in around 500,000 higher than the guidance due to higher channel penetration, simpler offerings, the creation of regional sales forces, and handset subsidies. Although the latter was important to attract new post-paid clients, the strong contribution from the other strategies reduced the need for handset subsidies.

Business/Corporate RGUs: with an increase of almost 15% in the year, Oi had 9 million RGUs in this segment in December. The initiatives implemented led to a 3% variation in relation to the guidance.

Net revenue: the 2012 guidance of total net revenue of R$ 28.9 billion consisted of R$ 27.4 billion of net revenue from services and R$ 1.5 billion of revenue from handsets. Oi's revenue from services was more than R$100 million above the guidance, while revenue from handsets was around R$ 900 million below the Company's budget. It is important to point out that this is positive news both financially and from the market point of view as it demonstrates that Oi is attractive for its differentiated services and quality. The need to stimulate handset subsidies was lessened by the market's positive response to the policy of simplifying offerings, creating regional units, and increasing sales channel penetration.

EBITDA: in 2012 EBITDA was virtually in line with the guidance due to revenue growth and the successful management of costs and expenses. This result was also impacted by non-core operations.

Capex: investments totaled R$ 6.6 billion in 2012, above the guidance, mainly due to the acquisition of the 4G license. This underlines the Company's commitment to investing in increasing coverage and network capacity, as well as improving service quality.

Net debt: Oi closed December 2012 with a total of approximately R$ 25 billion, in line with the disclosed guidance.

Metric	Guidance	2012 Result	Change
Revenue Generating Unit (RGU) - Million	**74.9**	**74.3**	**-0.8%**
Residential RGUs[16]	19.8	19.1	-3.5%
Personal Mobility RGUs	45.8	46.3	1.1%
Business / Corporate RGUs	9.3	9.0	-3.2%
Net Revenue – R$ Billion	**28.9**	**28.1**	**-2.8%**
Service Revenue	27.4	27.5	0.4%
Product Revenue	1.5	0.6	-60.0%
EBITDA – R$ Billion	8.75	8.9	1.7%
Investments (CAPEX) – R$ Billion	6.0	6.6	10.0%
Net Debt – R$ Billion	24.9	25.1	0.8%

[16] Includes Public Telephones

PROJECTIONS FOR 2013

According to Oi S.A.'s Material Act or Fact Disclosure Policy and Trading Policy for Securities, which provide for the disclosure of Future Performance Projections (Guidance), and according to the best corporate governance practices, the Company announces its operational and financial projections for fiscal year 2013, based on reasonable assumptions, subject to several factors, many of which are not and will not be under the Company's control.

Metrics	2013
Revenue Generating Unit (RGU) - Million	Range from 75.0 to 76.5
Net Service Revenue – R$ Billion	Range from 28.0 to 29.0
EBITDA – R$ Billion	Range from 9.0 to 9.8
Investments (CAPEX) – R$ Billion	6.0
Net Debt / EBITDA	Less or equal to 3x

Note: The following assumptions were used for preparing the above indicators - Exchange rate: average USD of R$2.02 in 2013; Selic: average rate of 7.42% in 2013.

RESIDENTIAL

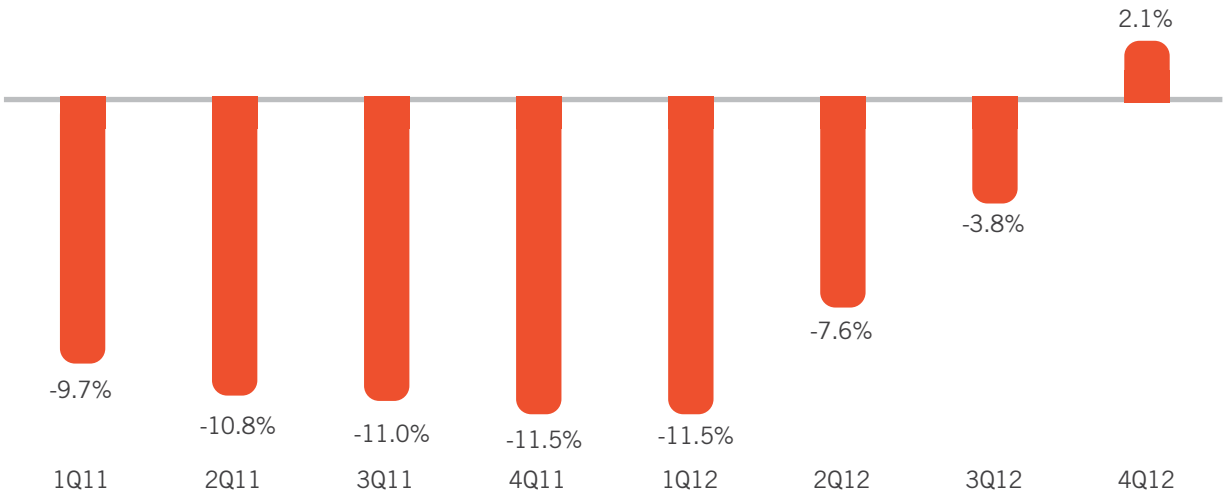
	2012	2011	YoY
Net Revenue (R$ Million)	9,974	10,539	-5.4%
Revenue Generating Units (RGU) - ('000)	**18,337**	**17,810**	**3.0%**
Fixed Line in Service	12,478	13,046	-4.4%
Fixed Broadband	5,102	4,412	15.6%
Pay TV	757	351	115.7%
ARPU Residential (R$)	66.6	67.1	-0.7%

Note: The results for 2012 and 2011 are pro-forma figures.

In 2012, net revenue from the Residential segment totaled R$ 9.97 billion, which represents a 5% decrease compared to 2011. This result demonstrates a significant improvement in relation to the 12% drop observed between 2010 and 2011.

This was due to growth for the third consecutive quarter of quarter growth, confirming the reversal of the downward trend in revenue from this segment and the success of the strategy of focusing on bundled services.

ANNUAL CHANGE IN RESIDENTIAL REVENUE (%)



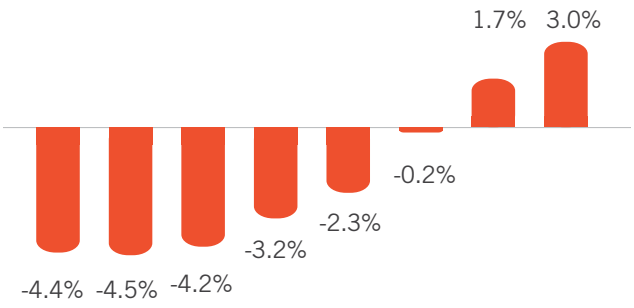
GROWTH OF RGUs

Oi ended the year with 18.34 million RGUs in the Residential segment, an annual increase of 3%, driven by the consistent expansion of broadband (16%), the significant growth of pay TV (116%), and the strong slowdown in the churn of fixed lines in service. This performance is explained by initiatives aimed at reducing churn through client retention (convergence, portfolio repositioning, and customer loyalty) and by leveraging sales of residential products with a strong focus on channel expansion, advertising campaigns, and investments in upgrading broadband speeds.

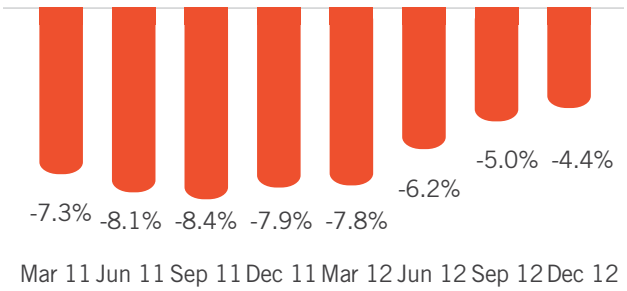
HIGHLIGHT

The expansion of pay TV - which more than doubled in 2012 - led Oi to reach third place in market share by economic group. The Company launched Internet Protocol pay TV (IPTV) and broadband of up to 200 Mbps using a fiber-optic network.

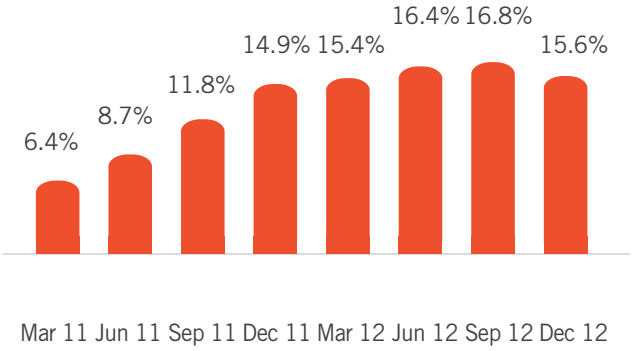
ANNUAL CHANGE IN RESIDENTIAL RGUs (%)



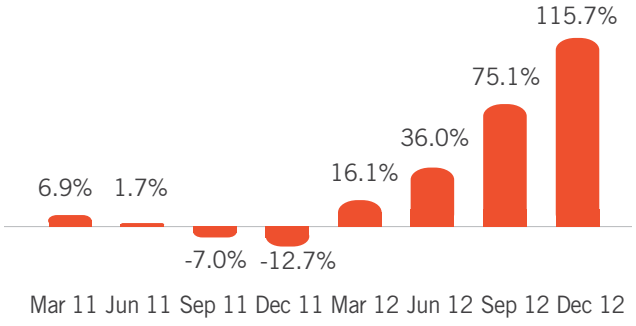
ANNUAL CHANGE IN FIXED RESIDENTIAL RGUs (%)



ANNUAL CHANGE IN FIXED BROADBAND RGUs (%)



ANNUAL CHANGE IN PAY TV RGUs (%)



Oi closed 2012 with 5.10 million broadband customers in the residential segment, an addition of 690,000 in the year (15.6%). This growth is in line with the Company's strategy of increasing the number of products per home. Note that the number of homes subscribing to Oi services that already have broadband increased by 6.7 percentage points., reaching 40.4% of the base by the end of 2012.

This result was primarily due to: (i) investments in network expansion and quality with a consequent upgrade in base speeds; (ii) the repositioning of the Oi Velox product and offerings in certain markets; (iii) channel expansion both for door-to-door sales and store sales; and (iv) customer loyalty initiatives such as plans that offer a monthly discount if the client subscribes to the plan for 12 months.

During the year, the customer loyalty base practically doubled from nearly 30% to 60% at the end of 2012. This increase was due to both the addition of new customers in the loyalty programs, and to the migration of existing customers. The purpose of this initiative is to reduce churn and therefore maintain high levels of growth.

One of the results of this strategy was that in 2012 Oi recorded annual growth rates higher than 15% in each quarter in the residential broadband segment, showing consistently strong performance and substantial growth in comparison with 2011.

HIGHLIGHT

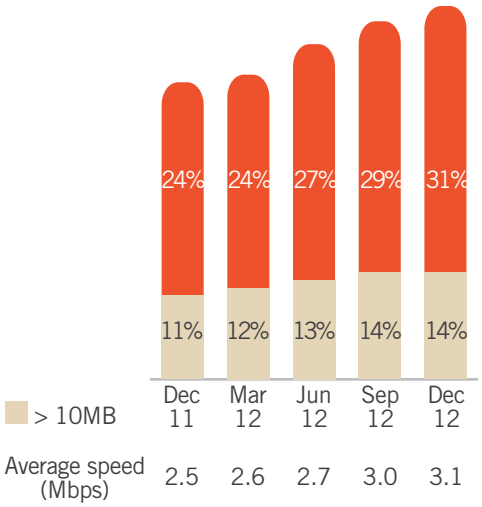
The main factors that influenced 2012 results were new offerings, loyalty, investments, and channel expansion, resulting in annual growth above 15% in the broadband segment.

INVESTMENTS IN NETWORKS AND UPGRADE ACTIONS

Throughout 2012, Oi invested in expanding broadband availability with higher speeds for the residential segment and strengthened its upgrade and base protection initiatives.

The percentage of customers with speeds of 5 Mb or more recorded a sequential increase during the year, despite the significant expansion in the overall residential broadband customer base. In 2012, this customer base grew by 7 percentage points, totaling 31% of the base (45% of this group has speeds above 10 Mb).

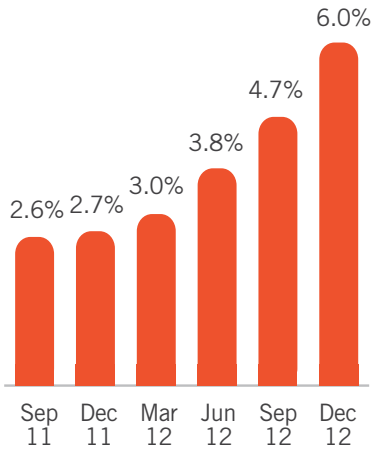
RESIDENTIAL FIXED BROADBAND RGUS – SPEED ABOVE 5MB (%)



GROWTH OF THE PAY TV BASE

The expansion of the pay TV segment is one of the elements of the Company's strategy, and its purpose is to increase the number of products per home, enhancing customer loyalty and retention and leading to the sustainable growth of residential ARPU. Accordingly, the pay TV base ended 2012 with 757,000 customers, an addition of 406,000 in the year (+115.7%), maintaining constant growth throughout 2012. The percentage of households with Oi products that already have pay TV also improved significantly, increasing by 3.3 percentage points to 6.0% at the end of 2012.

OI TV PENETRATION PER HOUSEHOLD (%)



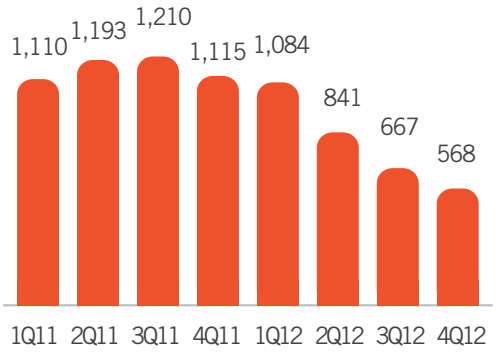
FIXED LINE: CONVERGENCE AND RETENTION INITIATIVES

The strategy of converging products guided Oi's operations in the residential segment in 2012. Besides adding pay TV and broadband services to fixed lines, which reduces the churn of this product, the Company repositioned its portfolio and focused on service packages with unlimited minutes of use. This strategy makes fixed lines more attractive for new customers and, at the same time, encourages the loyalty of existing customers.

Oi closed 2012 with 12.48 million residential wireline consumers, 4.4% down in the year. This result represents a significant slowdown in the year-over-year decrease in RGUs for this product. In 2012, net disconnections totaled 568,000, compared to 1,115,000 in 2011, a decline of nearly 50%. For comparative purposes, this reduction came to 7.9% in 2011.

This result was primarily due to the repositioning of the portfolio (convergence and flat-fee subscriptions), the increased penetration of the door-to-door channel, and more advertising campaigns during the year.

NET DISCONNECTIONS IN THE LAST 12 MONTHS - FIXED RESIDENTIAL RGUs



CONSISTENT GROWTH OF ARPU

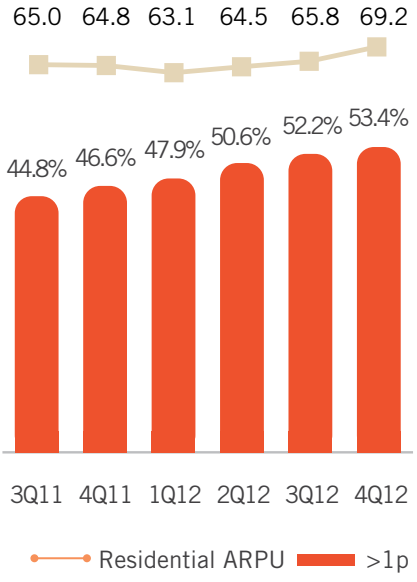
Thanks to continued emphasis on increasing the number of homes with more than one Oi product (1P), the Company ended 2012 with more than 1P in 53% of its total residential customer base, representing 6,744,000 out of 12,629,000 homes. Compared to 2011, this figure moved up by 6.8 percentage points, due to the continued effort to leverage convergence through broadband (fixed and mobile) and pay TV services, segments for which the new "Equal" campaign with a bundled concept (Oi Internet Total + Oi TV HD) brought increased demand for 3P packages, addressing the market coming from other players (winback).

INNOVATIVE OFFER OF FTTH (FIBER-TO-THE-HOME)

In keeping with Oi's track record of innovation in the launch of offerings and business models and reinforcing its leadership in bundled services, the Company has been investing to take fiber optic lines to its customers' homes, providing access to several services such as super-high speed internet connection and Internet Protocol pay TV (IPTV).

Plans for IPTV and ultra-broadband of up to 200 Mbps were introduced in December 2012. IPTV is a cutting-edge solution that offers greater channel surfing speeds and allows customers to record a program to watch later in any room of the house, going "back in time" and watching a program that has already aired, sharing content on social networks, among other features. Oi's IPTV users will also have access to programs on TVs, tablets, and smartphones, and will be able to connect to up to five connections with basic channels free of charge. This service is available in certain neighborhoods in Rio de Janeiro.

PERCENTAGE OF HOUSEHOLDS WITH MORE THAN 1P AND RESIDENTIAL ARPU (% and R$)



RESIDENTIAL ARPU

Residential ARPU is calculated by dividing the segment's total revenue by the average number of homes served by Oi. This revenue comes from fixed line services, fixed broadband, and pay TV.

In line with the Company's strategy for the Residential segment, which aims at leveraging ARPU through bundling residential services, residential ARPU was R$66.6 in 2012, a drop of 0.7% compared to 2011.

This movement was due to the downward trend in the fixed market, partially offset by an increase in the number of households with more than one product and pay TV and broadband growth.

STRENGTHENING OF SALES CHANNELS

As a strategic pillar of the operations, the Company improved its sales channels and increased their penetration throughout the year, led by Company-owned stores, which reached 187 in December 2012, well above the 60 existing in the same month of the previous year, and the door-to-door channel, which increased from 4,100 in 2011 to 6,700 at the end of 2012. This has resulted in increased sales of fixed line, broadband, pay TV and bundled services. Also, the beginning of sales of residential products at the Company's stores (owned and franchised) contributed to the positive results in 2012.

PERSONAL MOBILITY

	2012	2011	YoY
Net Revenue (R$ Million)	**9,102**	**8,189**	**11.1%**
Services	6,276	5,755	9.1%
Network Usage	2,337	2,398	-2.5%
Sales of handsets, sim cards and others	489	36	1,258.3%
Revenue Generating Units (RGU) - ('000)	**46,305**	**43,264**	**7.0%**
Pre-Paid Plans	39,832	37,978	4.9%
Post-Paid Plans	6,472	5,285	22.5%

Note: (1) The results for 2012 and 2011 are pro-forma figures.

(2) Post-paid plans include: high value post-paid plans; Oi Controle; convergent mobile terminals (Oi Conta Total and Oi Internet Total), and 3G (mini-modem).

FOCUS ON HIGH-VALUE CUSTOMER

During 2012, Oi executed a number of commercial and operational initiatives related to its strategy focused on the high-end segment and the increased penetration of data and value added services (VAS) in its customer base. The successful execution of this strategy resulted in a year of strong growth in the post-paid segment, reflected on the improved revenue profile (lower dependence on revenue from pre-paid and interconnection services, and higher contribution from post-paid, data and value added services).

In 2012, net revenue from the personal mobility segment totaled R$ 9.1 billion, 11.1% higher than last year. This performance was due to higher revenue from subscriptions and data, associated with the increase in the post-paid base, and resale material, linked to handset sales as of 2012.

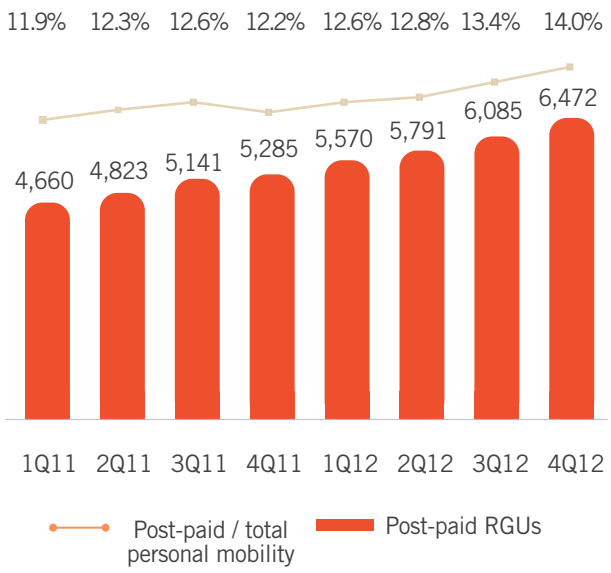
TRAJECTORY OF CONSISTENT AND PROFITABLE GROWTH

The Company closed the year with 46,305,000 RGUs in the Personal Mobility segment, an annual increase of 7.0%, driven by the strong expansion of the post-paid segment, which moved up 22.5% in the period. Net additions in Personal Mobility reached 3,041,000 in 2012, 1,187,000 of which post-paid and 1,854,000 pre-paid.

POST-PAID

Oi closed 2012 with 6.47 million customers, representing 14.0% of the Personal Mobility base (12.2% in 2011); 1.19 million post-paid users were added in the year, which is more than three times the figure for 2011. This result was driven by a significant increase in gross additions (due to the remodeling of offerings and increased channel penetration), and a reduction in churn (due to a proactive approach in choosing the best plans for customers based on an analysis of their consumption profile and customer base loyalty).

PERSONAL MOBILITY POST-PAID RGUs (thousands)



The simplification of post-paid plans in 2012 improved sales force communication and customers' understanding of the offerings. The key plans in this portfolio are: Oi Conta, offering unlimited local calls to Oi mobile and fixed lines of any operator, mobile internet, SMS messages, and Oi WiFi; and Oi Smartphone, offering the same services with discounts for post-paid customers to purchase handsets.

For customers looking for a bundled service solution, Oi offers Oi Conta Total (OCT) plans, which include fixed line, mobile, and broadband services, and the option to buy additional services such as Oi TV, Oi Velox, 3G and unlimited SMS messages, unlimited long-distance calls, and unlimited mobile internet.

PRE-PAID

The pre-paid base totaled 39.83 million consumers at the end of 2012. Gross recharge volume continues to grow consistently in line with the customer base, thanks to a growth strategy focused on profitability.

Other important drivers of growth in the pre-paid segment were: simplification of offerings, strong presence in Brazilian retail stores (large retail chains), and increased penetration of points of sale that sell recharges and SIM cards, translating into greater convenience for customers.

SALES CHANNELS AND 3G COVERAGE

As part of the initiatives to strengthen Oi's presence in the high-end segment, the opening and expansion of Company-owned stores were essential to:

- Provide first-class customer service to high-end customers, bringing the Company closer to these clients.
- Support the return to the handset market.
- Serve as a model for operational management, commissioning policy, and standardization of franchised stores.

Another strategic pillar of the high-end segment is the expansion of the 3G coverage. Focusing on the growth of the post-paid segment and on the increased penetration of data services and VAS in its base, Oi closed the year with coverage in 692 municipalities, comprising 73% of Brazil's urban population, an increase of 420 municipalities and 30 million people in comparison with 2011. This led to significant growth in revenue from mobile data services and VAS, which in 2012 accounted for 14.9% of service revenue, 4.1 percentage points up on 2011.

HIGHLIGHT

Oi ended 2012 with 187 Company-owned stores, more than three times the number recorded in December 2011.

OVERALL MOBILE BASE

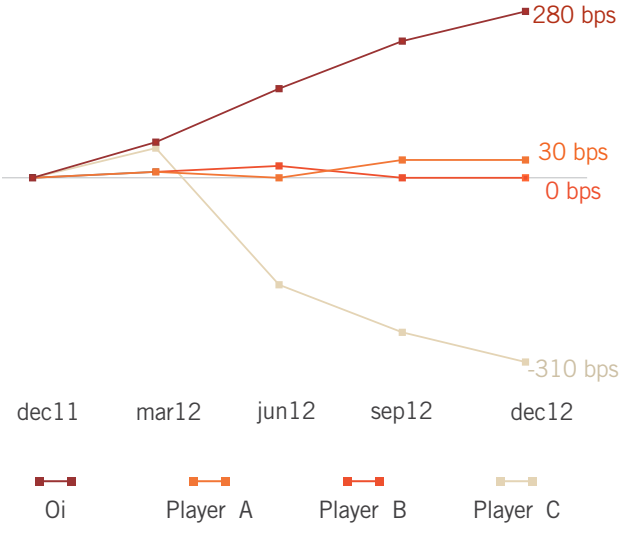
Post-paid market share growth

At the end of 2012, the mobile customer base (Personal Mobility + Business/Corporate) reached 49.26 million users, 46.30 million of which were Personal Mobility users and 2.95 million were Business/Corporate users.

The post-paid segment grew substantially in 2012. The focus on growing in the high-end market by seeking a fair-share in the post-paid segment continues to be sustained by increased channel penetration, simpler plans, handset discounts, and more advertising campaigns.

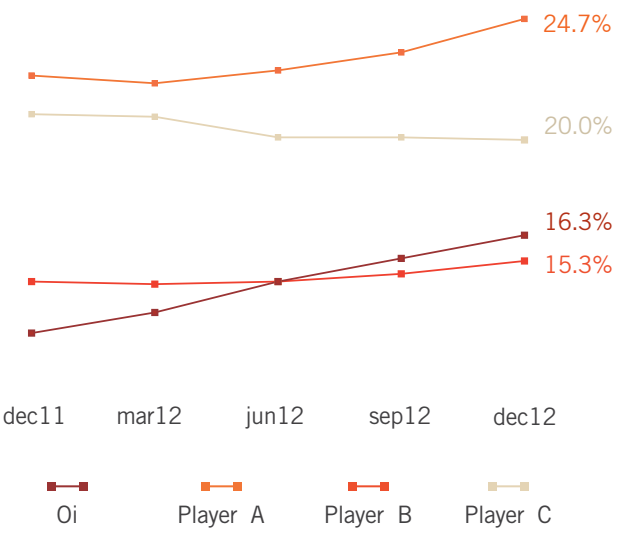
In December 2012, Oi was the operator with the largest market share gains in the post-paid segment, recording growth of 2.8 percentage points compared to December 2011. Oi closed December 2012 with a 16.3% post-paid mix, a significant upturn in relation to December 2011 (12.5%).

POST-PAID MARKET SHARE EVOLUTION YTD (bps)



Source: Anatel

TRENDS IN MOBILE POST-PAID MIX IN 2012 (%)



Source: Anatel

MOBILE ARPU

Mobile ARPU considers total revenue from the mobile division (Personal Mobility + Business/Corporate) as if it were a separate company, i.e. it includes revenue from intercompany traffic with the fixed line division. Following the same logic, revenue from long-distance calls originating from mobiles that are part of the STFC license (fixed voice concession) is not included in that calculation. The amount is then divided by the average base to calculate mobile ARPU.

Mobile ARPU in 2012 was R$ 21.60, with a slight decrease of 0.6% in relation to 2011.

BUSINESS/CORPORATE

	2012	2011	YoY
Net Revenue (R$ Million)	8,510	8,470	0.5%
Revenue Generating Units (RGU) - ('000)	**8,971**	**7,848**	**14.3%**
Fixed Line in Service	5,422	5,083	6.7%
Fixed Broadband	594	523	13.6%
Mobile	2,955	2,242	31.8%

Note: The results for 2012 and 2011 are pro-forma figures.

REPOSITIONING LEVERAGES THE CUSTOMER BASE

In 2012, revenue reached R$ 8.5 billion, R$ 40 million higher than in the previous year, chiefly due to the increase in revenue from data in mobile and fixed telephony, which was greater than the drop in fixed telephony traffic.

In relation to the operating performance, the Company closed 2012 with 8.97 million RGUs, an increase of 14.3% compared to 2011, with growth in all lines.

BUSINESS

In relation to fixed telephony, growth was sustained, with RGUs moving up by 6.5% over the previous year, consolidating the reversal of the decline in the base observed until 2011. On the broadband front, the upward trend was maintained with RGU growth of 17.2% in the year.

In the fixed line data market, continued improvements in the sale and delivery processes, in addition to investments in equipment and network facilities, sustained the growth in sales and reduced the cancellation of circuits. IP services grew by 38% in the year. In 2012, new data circuit connections followed investments in the development of a dedicated sales force and training programs.

It is important to mention the development of partnerships with large hardware suppliers and technology integrators, which provide a greater presence with synergic, high value solutions.

At the end of 2012, Oi introduced Oi Smart Cloud, a cloud computing product already offered to the Corporate market, in the Business segment. This reinforces the strategy of being increasingly present throughout its customers' IT and telecom service chain.

CORPORATE

In the Corporate segment, which caters to large corporations, Oi continued with its strategy of helping customers leverage their revenue and rationalize their costs through the innovative use of technology.

Operating highlights in the year were led by the 69.7% upturn in the post-paid base and the 40.0% increase in fixed line digital trunks. Furthermore, the development of other services such as VPN networking and IP internet access positively contributed to this segment's performance.

One important development was the IT and telecom service agreement entered into with Arena Castelão, host of the Fifa Confederations Cup and World Cup in Fortaleza, Ceará State. Oi is bringing the best technology available in the market to Arena Castelão, including telecom (local networks and telephone systems) services and local infrastructure implementation and management (CCTV, digital signage, and access control, among others). With this, Oi is the first carrier to offer this type of service in soccer stadiums in Brazil.

Another highlight is the beginning of the implementation of the PE Conectado project for the Pernambuco State government, a world-class benchmark of service convergence in a single platform, which is unprecedented in the public sector. This project provides for the expansion of data (internet capacity and dedicated access), telephone (fixed line, mobile, and toll-free), and complementary services (urban and building video monitoring, among others).

In December, Oi was recognized by Frost & Sullivan as offering the most innovative IT and Communications product portfolio among Brazilian carriers. The highlights of that portfolio are Oi Smart Cloud and Oi Gestão, introduced in the first and second quarters, respectively.

FINANCIAL PERFORMANCE- - COSTS AND EXPENSES

Interconnection

Interconnection costs totaled R$ 4.4 billion in 2012, 5.1% less than in the previous year, mainly due to the fall in the fixed-to-mobile termination rates.

Personnel

In 2012, personnel expenses totaled R$ 2.0 billion, growing 7.0% over 2011, driven by the headcount increase in Company-owned sales channels (stores and door-to-door), the creation of regional offices, and the recruiting of staff at Oi's external network maintenance company.

Handset Costs and Others (COGS)

The Company ended 2012 with R$ 542 million in handset costs and COGS. Compared with 2011, there was an increase of R$ 310 million, mainly due to the resumption of handset sales in 2012, in line with the strategy of focusing on high-end customers.

Outsourced Services

In 2012, expenses with outsourced services totaled R$ 8.2 billion, an increase of 8.3% over 2011, mainly due to higher spending on facility upkeep, commission and selling expenses, and content hired for pay TV.

PDA (Provisions for Doubtful Accounts)

In 2012, provisions for doubtful accounts reached R$ 595 million, a 28.0% reduction compared with 2011, chiefly due to more efficient collection methods, especially in the Business/Corporate segment.

Other Operating Expenses (Revenue)

Other Net Operating Expenses totaled R$ 1.02 billion in 2012. This expense line was positively influenced by the sale of a subsidiary that owned approximately 1,200 mobile, non-reversible towers. The total amount involved in the transaction, and already received by the Company, was R$ 516 million. The result seen in the P&L is the proceeds of the sale deducted of its book value and taxes. This operation is in line with Oi's strategy in monetizing non-strategic assets, generating resources to be invested in the Company's core businesses.

BREAKDOWN OF OPERATING COSTS AND EXPENSES (OI S.A. PRO FORMA)

Item - R$ million	2012	2011	YoY
Operating Expenses			
Interconnection	4,414	4,651	-5.1%
Personnel	2,016	1,884	7.0%
Materials	156	191	-18.3%
Handset Costs/Other (COGS)	542	232	133.6%
Third-Party Services	8,236	7,607	8.3%
Marketing	475	559	-15.0%
Rent and Insurance	1,813	1,658	9.3%
Provision for Bad Debts	595	826	-28.0%
Other Operating Expenses (Revenue), Net	1,021	1,532	-33.4%
Total	**19,269**	**19,141**	**0.7%**

Note: The results for 2012 and 2011 are pro-forma figures.

HIGHLIGHT

Operating costs and expenses totaled R$ 19.27 billion in 2012.

OTHER ITEMS IN THE RESULT

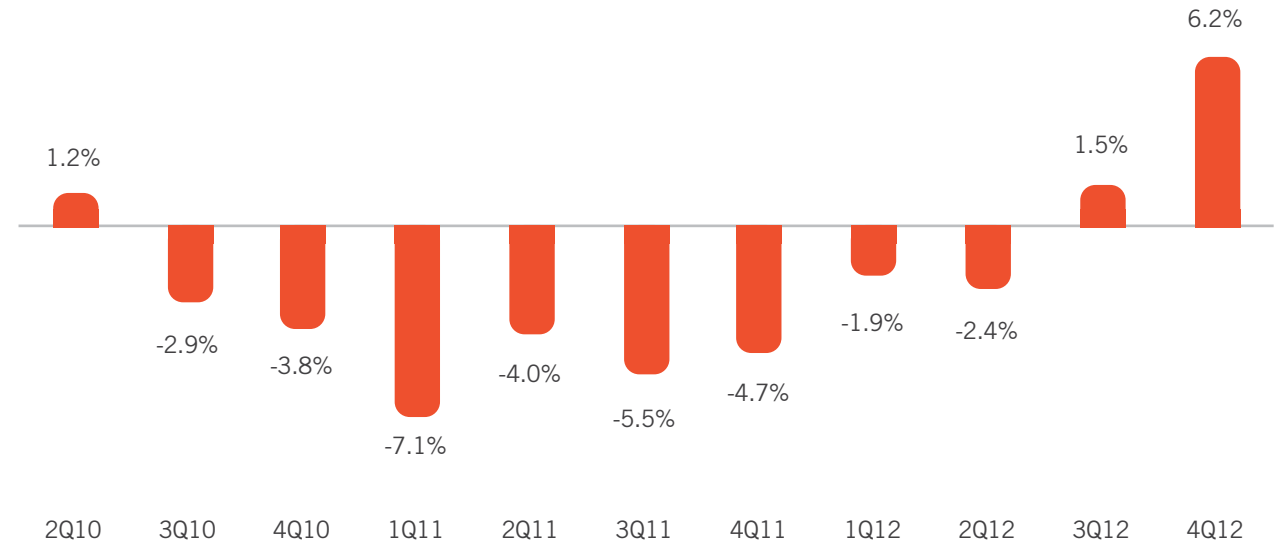
In 2012, net revenue totaled R$ 28.1 billion, R$ 235 million higher than in 2011, reversing the downward trend of recent years. The 11.1% rise in revenue from the Personal Mobility segment and the slower decline in the Residential segment were the main drivers of this result.

BREAKDOWN OF NET REVENUE (OI S.A. - PRO FORMA) - R$Million

	Year			%	
	2012	2011	YoY	2012	2011
Residential	**9,974**	**10,501**	**-5.0%**	**35.4%**	**37.6%**
Personal Mobility	**9,102**	**8,190**	**11.1%**	**32.3%**	**29.3%**
Services	6,276	5,757	9.0%	22.3%	20.6%
Network Usage	2,337	2,398	-2.5%	8.3%	8.6%
Sales of handsets, sim cards and others	489	36	1,258.3%	1.7%	0.1%
Business / Corporate	**8,510**	**8,470**	**0.5%**	**30.2%**	**30.3%**
Other Services	**556**	**746**	**-25.5%**	**2.0%**	**2.7%**
Public Phone	79	194	-59.3%	0.3%	0.7%
Other	476	552	-13.8%	1.7%	2.0%
Total Net Revenue	**28,142**	**27,907**	**0.8%**	**100.0%**	**100.0%**

Note: The results for 2012 and 2011 are pro-forma figures.

ANNUAL CHANGE IN TOTAL NET REVENUE (%)



EBITDA AND EBITDA MARGIN			
OI S.A. Pro-Forma	**2012**	**2011**	**YoY**
EBITDA (R$ Mn)	8,873	8,766	1.2%
EBITDA Margin (%)	31.5%	31.4%	0.1%
OI S.A. Consolidated	**2012**	**2011**	**YoY**
EBITDA (R$ Mn)	7,988	2,612	205.8%
EBITDA Margin (%)	31.7%	28.2%	3.5%

HIGHLIGHT

In 2012, Oi's EBITDA totaled R$ 8.9 billion, virtually stable over 2011, even taking the non-core results into account in 2012.

FINANCIAL RESULT& DEBT		
OI S.A. Consolidated - R$ Million	**2012**	**2011**
Net Interest (on fin. investments and loans and financing)	-1,551	-65
Net FX result (on fin. investments and loans and financing)	-484	-49
Other financial income / expenses	-180	42
Net Financial Income (Expenses)	**-2,216**	**-72**

Oi S.A.'s consolidated net financial result is not comparable given that in 2011 the financial result referred to former Brasil Telecom, which, at the time had a net cash position since it did not consolidate the rest of the group.

DEBT & LIQUIDITY

The Company's consolidated gross debt closed 2012 at R$ 32.9 billion. Consolidated net debt was R$ 25.1 billion in the year.

Compared to pro-forma debt in December 2011, the Company's consolidated gross debt increased by 10.6%, primarily due to capital market funding transactions: 5.75% bonds (US$ 1.5 billion), and debentures pegged to the CDI interbank deposit rate (R$ 400 million) and to the IPCA consumer price index (R$ 1.4 billion). Furthermore, the Company received disbursements from the BNDES (R$ 2 billion).

Foreign currency-denominated debt represented 39.1% of total debt at the end of the year. However, only 1.4% of gross debt (1.1% in Dec/11), equivalent to R$ 466 million, was exposed to currency fluctuations. It is important to mention that derivate transactions and cash held in a foreign currency offer protection against currency fluctuations for this portion of the debt.

The effective cost of the debt remained stable throughout the year. At the end of the year, the debt average term was 5 years (4.5 in 2011), maintaining the trend towards extending the debt profile established in recent quarters.

DEBT (OI S.A. PRO FORMA)

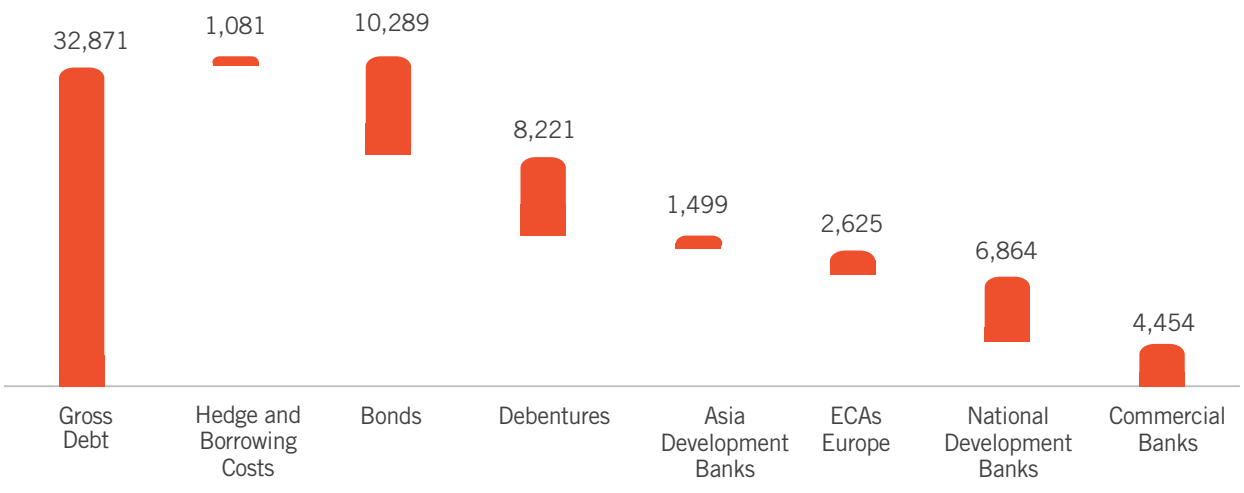
DEBT	dec/12	dec/11	% Gross Debt
Short Term	2,783	4,579	8.5%
Long Term	30,088	25,140	91.5%
Total Debt	**32,871**	**29,719**	**100.0%**
In Local Currency	20,497	21,120	62.4%
In Foreign Currency	12,849	8,648	39.1%
Swaps	-475	-49	-1.4%
(-) Cash	-7,804	-14,092	-23.7%
(=) Net Debt	**25,068**	**15,627**	**76.3%**

Note: The results for 2011 are pro-forma figures.

GROSS DEBT AMORTIZATION SCHEDULE

	2013	2014	2015	2016	2017	2018 onwards	Total
Schedule for the Amortization of Gross Debt							
Local Currency Amortization	2,438	3,093	1,554	3,675	3,974	5,764	20,497
Foreign Currency Amortization + swap	345	705	921	855	2,310	7,237	12,374
Gross Debt Amortization	2,783	3,798	2,475	4,530	6,284	13,000	32,871

BREAKDOWN OF GROSS DEBT (R$ million)



NET INCOME

Oi S.A. posted a net income of R$ $ 1,785 billion in 2012.

Net income in 2012 is not comparable with the figure in 2011 because of the completion of the corporate reorganization on February 27, 2012.

Note that the 2012 numbers of net income already reflect the reversal of the step-up in basis of assets arising from the acquisition of Brasil Telecom S.A. in 2009. It is important to mention that this reversal does not have any fiscal effect.

NET INCOME (OI S.A. CONSOLIDATED)

Net Income	2012	2011
Net Earnings (R$ Mn)	1,785	1,006
Net Margin	7.1%	10.9%
Earnings per Share (R$)	**1,088**	**1,705**

Note: The 2011 results refer to former Brasil Telecom's results and do not include Telemar's results.

CASH FLOW (OI S.A.) - R$ Million

	2012
Cash BoP	**14,092**
Operational Cash Generation (EBITDA)	8,873
Assets in Escrow	-1,753
Taxes Payment	-1,153
Capital Expenditure	-6,258
Working Capital	-1,412
Distribution of Profits (Dividends/ Interest on Equity/Bonuses)	-3,032
Disbursements from Corporate Restructure	-2,745
Sale of non-core assets	610
Funding net of interest and principal payments	582
Cash EoP	**7,804**

Note: The results for 2012 are pro-forma figures.

[GRI DMA EC and EC1] ADDED VALUE

In 2012, Oi generated consolidated added value of R$ 17.83 billion, demonstrating its ability to distribute the wealth generated by its activities.

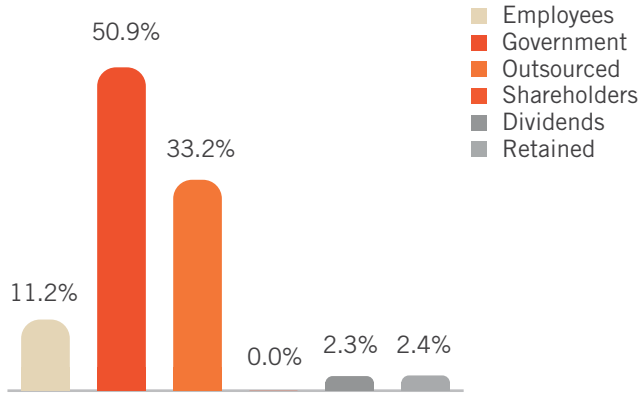
Of the added value to be distributed, no less than 50.9% went to the government under several forms of taxes.

OI S.A. CONSOLIDATED - R$ million

	2012
GROSS REVENUE	**39,910**
Gross Revenues after deduction	34,002
Other Revenues and expenses	1,394
Third-part inputs	-14,448
GROSS VALUE ADDED	20,948
Retentions	-5,394
NET VALUE ADDED GENERATED	15,554
Value added from transfer	2,275

Added Value Demonstration	2012	% TOTAL
Value Added to be Distributed	**17,829**	**100.00**
Personnel and Charges	2,001	11.2%
Taxes, Charges and Contributions	9,071	50.9%
Interest and Financial Expenses	4,318	24.2%
Rent and Insurance	1,602	9.0%
Minority Interest	0	0.0%
Employee profit sharing	0	0.0%
Minority Interest	417	2.3%
Retained earnings	421	2.4%

DISTRIBUTION OF THE VALUE



Note: There is no history of the indicator for 2011 because of the reorganization process during the period.

INVESTMENTS

In 2012, investments totaled R$ 6.6 billion, 32.4% up on the previous year, due to the expansion of 2G and 3G networks, fixed line data network improvements, and Oi TV improvements and coverage expansion, as well as IT system optimization, the 4G license, and the increase in Company-owned stores. Note that more than 70% of investments in 2012 went to expanding the network and improving its quality.

INVESTMENTS - R$ Million

	2012	2011	YoY
Network	4,772	3,890	22.7%
IT Services	336	286	17.5%
Others	1,456	783	86.0%
Total	**6,564**	**4,959**	**32.4%**

Note: (1) The results for 2012 and 2011 are pro-forma figures

(2) Includes 4G licenses.

RESEARCH AND DEVELOPMENT

Since its inception, Oi has worked hard to stand out and remain in the leadership in the domestic market through its innovative actions and attitude. That is why it makes significant investments in innovation and R&D. In 2012 alone, a total of R$ 144 million was invested in 63 projects.

In order to achieve its innovation targets, in 2012 Oi intensified the process of exploration of innovative services and developed innovation, research and development activities, fostering its innovation ecosystem through the Inova Program, based on three innovation factories.

- **Incremental Innovation:** to encourage and develop innovation in daily processes at Oi (focus on the short term).
- **Planned Innovation:** to develop projects to implement innovative products, services, and processes at Oi (focus on the medium term).
- **Exploratory Innovation:** to evaluate and define the positioning of new trends, technologies, and business models that can be implemented in the long term.

Further information on Research and Innovation at Oi may be found in the chapter 'Oi' in this Report.

CAPITAL MARKET AND OWNERSHIP STRUCTURE

At the end of 2012, the Company's capital was represented by 1.797 billion shares, 599.0 million of which common (ON) and 1.198 billion preferred (PN).

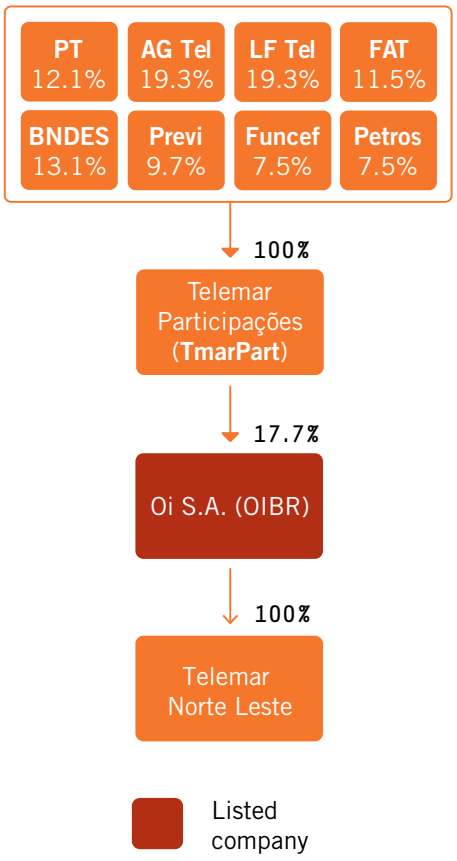
OWNERSHIP STRUCTURE

	Capital	Treasury	Controlling Shares	Direct controllers[17]	Free-Float
Common	599,008,629	84,250,695	290,549,788	61,995,173	162,212,973
Preferred	1,198,077,775	72,808,066	0	441,556,694	683,713,015
Total	**1,797,086,404**	**157,058,761**	**290,549,788**	**503,551,867**	**845,925,988**

Note: Shareholding position on December 31th, 2012.

[17] Telecom, Andrade Gutierrez, BNDES, Bratel, Funcef, La Fonte Telecom, LF TEL, Petros e Previ.

[GRI 2.3] OWNERSHIP STRUCTURE



Note: (1) Includes minority interests in PT, AG, LF, FATL, BNDES, and Pension Funds

(2) Former Treasury

SHARES[18]

On the BM&FBovespa, Oi's shares ended 2012 at R$ 9.16 (OiBR3) and R$ 8.32 (OiBR4), 13.0% and 15.2% up, respectively. The Ibovespa closed the same period with an increase of 7.4%.

On the New York Stock Exchange (NYSE), the Company's ADRs appreciated by 2.82% (OIBR) and 1.40% (OIBR.C) in 2012.

[18]Source: Economática.

INVESTOR RELATIONS

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

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

In 2012, the IR team attended 17 conferences in Brazil and abroad, meeting with about 1,300 investors and analysts.

In April 2012, the Company held Oi Investor Day for the second time in its history. The event was held in the cities of Rio de Janeiro and New York with the presence of representatives of Oi's controlling shareholders and top executives. The main objective was to present to the market in general its long-term strategic plan, which included disclosure of future performance projections (guidance) for the 2012-2015 period. Oi Investor Day also featured the disclosure of the Dividend Policy for the next three years and the presentation of the latest technologies developed by Oi. Over 250 investors, analysts, and media professionals attended the event in Rio de Janeiro, while in New York participants came to over 150. The event's greenhouse gas emissions were neutralized.

[GRI 4.4 and 4.16] The main communication channels for the relationship with investors and/or analysts are available on the IR website (www.oi.com.br/ri). Information about shareholder services can also be found on the same website.

DIVIDENDS

The payment of dividends for the fiscal year ended in 2011 was approved at the Annual General Meeting of April 2012. The payment of dividends was made in May 2012, in the total amount of R$ 2.0 billion, equivalent to R$ 1.219487094508 per common and preferred share.

The payment of dividends was approved in August, 2012 at the Annual General Meeting and the amount of R$ 507,715,614.95 was paid, equivalent to R$ 0.309577473963 per common and preferred share.

In addition, there was the payment of the redemption of classes B and C preferred shares as a bonus to the holders of the Company's common and preferred shares for a total amount of R$ 492,284,385.05, equivalent to R$ 0.300168346034 per common and preferred share.

BALANCE SHEET

OI S.A. CONSOLIDATED - R$ Million

Income Statement	2012	2011
Net Operating Revenue	**25,169.2**	**9,245.3**
Operating Expenses	-17,181.0	-6,633.7
Cost of Services Provided	-5,611.2	-2,009.4
Cost of Goods Sold	-507.5	-23.8
Interconnection Costs	-3,914.5	-1,711.2
Selling Expenses	-4,737.8	-1,154.3
General and Administrative Expenses	-2,519.9	-1,249.0
Other Operting (Expenses) Revenue, net	109.9	-486.0
EBITDA	**7,988.2**	**2,611.5**
Margin %	31.7%	28.2%
Depreciation and Amortization	-3,228.1	-1,044.2
EBIT	4,760.1	1,567.3
Financial Expenses	-4,490.9	-1,477.8
Financial Income	2,275.4	1,405.9
Income Before Tax and Social Contribution	2,544.6	1,495.4
Income Tax and Social Contribution	-759.7	-489.6
Net Income	**1,784.9**	**1,005.8**
Margin %	7.1%	10.9%
Outstanding Shares Thousand (ex-treasury)	1,640.028	589,789
Earnings per share (R$)	1.0883	1.7052

OI S.A. CONSOLIDATED - R$ Million		
Balance Sheet	**12/31/12**	**12/31/11**
Total Assets	**69,150**	**31,664**
Current	**21,138**	**12,246**
Cash and cash equivalents	4,408	6,005
Financial investments	2,426	1,084
Derivatives	640	7
Accounts Receivable	7,018	2,010
Recoverable Taxes	1,726	353
Other Taxes	1,557	783
Inventories	385	13
Assets in Escrow	2,068	1,651
Other Current Assets	909	339
Non-Current Assets	**48,012**	**19,418**
Long Term	20,534	12,531
Recoverable and Deferred Taxes	8,316	4,982
Other Taxes	738	179
Financial investments	64	13
Assets in Escrow	9,723	4,955
Derivatives	349	0
Financial Assets Available for Sale	906	0
Other	439	2,402
Investments	180	8
Property Plant and Equipment	23,103	5,794
Intagible Assets	4,196	1,085

OI S.A. CONSOLIDATED - R$Million		
Balance Sheet	**12/31/11**	**12/31/11**
Total Liabilities	**69,150**	**31,664**
Current	**17,093**	**8,619**
Suppliers	4,658	1,841
Loans and Financing	3,114	1,144
Financial Instruments	310	26
Payroll and Related Accruals	773	130
Provisions	1,569	1,283
Pension Fund Provision	104	78
Payable Taxes	1,066	179
Other Taxes	2,248	1,445
Dividends Payable	655	308
Authorizations and Concessions Payable	1,059	132
Other Accounts Payable	1,538	2,054
Non-Current Liabilities	**40,948**	**12,456**
Loans and Financing	30,232	6,962
Financial Instruments	205	0
Other Taxes	2,239	503
Contingency Provisions	4,850	3,132
Pension Fund Provision	767	546
Outstanding authorizations	1,099	544
Other Accounts Payable	1,555	769
Shareholders' Equity	**11,109**	**10,589**
Controlling Interest	11,109	10,589
Minority Interest	0	0

ABOUT THE REPORT

"TELECOM SERVICES GIVE TO SOCIETY ACCESS TO COMMUNICATION AND KNOWLEDGE. IT'S NOT JUST VOICE COMMUNICATION, BECAUSE IT ALSO TAKES KNOWLEDGE GIVING ACCESSIBILITY TO PEOPLE."

BUSINESS PARTNER

PROFILE OF THE REPORT AND APPLICATION LEVEL

[GRI 3.1, 3.3, 3.6 and 3.8] This report consolidates economic-financial, social, and environmental information which refers to the period from January 1 to December 31, 2012. The document is published annually and, for the second consecutive year, was based on the GRI (Global Reporting Initiative) guidelines, which is a multistakeholder organization and represents the main global benchmark in sustainability reporting.

[GRI 3.5] For the selection of content to be reported, only the most relevant topics for the business and its stakeholders were considered.

Oi declares of its own accord that this report fulfills the requirements of the Application Level B of the GRI guidelines version 3. Reaching level B was confirmed by GRI in the process of verifying the application level.



Global Reporting Initiative™

Statement

GRI Application Level Check

GRI hereby states that **OI S/A** has presented its report "ANNUAL SUSTAINABILITY REPORT 2012" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

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

Amsterdam, 10 May 2013

GRI REPORT GRI CHECKED

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

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

***Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 17 April 2013. GRI explicitly excludes the statement being applied to any later changes to such material.*

[GRI 3.10 and 3.11]] This report includes the consolidated financial and operational information of Oi S.A. and its direct and indirect subsidiaries on December 31, 2012 which, following the instruction of CVM, are being presented in accordance with international accounting norms (IFRS).

It is important to point out that, because of the corporate restructuring process completed in 2012, it was necessary to adjust the presentation of some information to allow understanding and comparability. With the restructuring, the shareholders of Tele Norte Leste Participações S.A. (TNL), of Coari Participações S.A. (Coari), and of Telemar Norte Leste S.A. (TMAR) became shareholders of Oi S.A.; TNL and Coari shares were extinct and TMAR became a wholly-owned subsidiary of Oi S.A. Thus, the results presented in this report represent Oi S.A. (surviving company and new name of Brasil Telecom S.A.) at the end of December 2012.

A simple comparison of the data with the panorama at the end of December 2011, when the Company had not yet incorporated the results of the other three companies, would generate distortions in understanding. However, to make the communication more clear and transparent, Oi opted to present the pro-forma consolidated results, equivalent to former TNL figures, of physical numbers; incomes, costs and expenditures (EBITDA); debt, investments and cash flow, as though the incorporations had occurred on January 1, 2011.

The information of a social and environmental nature, for the most part, consolidate indicators at the end of the year of the companies Oi S.A., TNL PCS S.A., Telemar Norte Leste S.A., Paggo Administradora de Crédito, 14 Brasil Telecom Celular S.A., Brasil Telecom Comunicação Multimídia Ltda., Brasil Telecom Cabos Submarinos Ltda., and Globenet Internacional. The data are based on corporate standards and underwent internal verification.

DIALOGUE PANEL WITH STAKEHOLDERS

[GRI 4.16] In November 2012, Oi held a multistakeholder panel in order to evaluate how the organization is meeting the expectations and demands from its stakeholders. The initiative was unprecedented in the Company and an important opportunity for dialogue.

[GRI 4.14 and 4.15] The meeting discussed various issues, enabling Oi to learn more about the perception of its stakeholders on initiatives that it develops and to receive suggestions for improvement. The event also served to identify the issues considered most important by stakeholders for management and communication, and to present opportunities to improve the management of these issues.

The meeting was attended by 33 people, including representatives from its internal public (5), customers (2), suppliers (5), service providers/ contractors (4), members of civil society organizations (4), business partners (2), shareholders/investors (4), and partners of Oi Futuro (7). Considering all the interested parties with whom the Company maintains relationships, these were the ones given priority to attend this first experience of dialogue in the form of a discussion panel.

This representation enabled a rich exchange of insights and experiences during the discussions. Some participants stressed the importance of listening to the perspectives of other stakeholders in their value chain.

[GRI 3.5] The meeting was mediated by a specialized consulting firm that recorded comments and contributions that were considered when preparing and publishing this report. The entire process was developed based on the international standard AA 1000.

For Oi, the engagement process is vital in the effort to ensure that expectations of these stakeholders are considered in the cycle of strategic planning in a clear and transparent way.

[GRI 4.17] A list of topics that deserve special attention in this report was prepared based on this meeting:

- Incorporation of sustainability in management: ensure coherence between the sustainability talk and the Company's practices.
- Integrated management: establish guidelines for inserting sustainability into decision-making processes and everyday actions.
- Dialogue and communication between teams and representatives of the chain: integrated management assumes greater integration between Oi and the representatives of the links in the value chain.
- Innovation: towards the development of new technologies, systems, and materials, especially in the context of thinking about waste generation and operational efficiency in the context of sustainability.
- Waste Management: mentioned by several groups of stakeholders, in particular related to the nature of the waste associated with communication technologies, which has a great potential for negative impact to the environment, society, and people's health.

- Quality of customer service: the need to provide consistency in offers, quick installations, better coverage in places away from urban centers, clear and objective communication with consumers, and a quality customer service.

- Private Social Investment: recognized as important and relevant, it should address the impacts on poor communities.

- Digital inclusion: actions to improve access of the entire society to new technologies as a way to strengthen social integration and development.

- Generation of jobs and income: the role of the Company for generating direct and indirect jobs by selling their products and services.

- Investments in infrastructure: the installation of telecommunication services from Oi presupposes investments in local and regional infrastructure that are essential for the development of the country and communities far from urban centers and of lower income. These investments end up generating other basic services and contributing to the country's sovereignty.

- Multiplying agent: potential to disseminate good practices throughout its entire value chain.

As result of this engagement process, the Company gave a feedback to the participants of the event, through an e-mail sending, which was related the main results of the Dialogue Panel with Stakeholders. This was the first step from Oi, which has a goal to create a structured procedure for a permanent engagement with its relationship publics.

REMISSIVE INDEX GRI

[GRI 3.12]

PROFILE INFORMATION

Strategy and analysis

Item	Description	Page/Answer
1.1	Message from the CEO	Values and Purposes/Message from the Board Values and Purposes/Message from the CEO
1.2	Description of key impacts, risks, and opportunities	Values and Purposes/Commitment to Sustainability Environment/Climate Governance

Organizational Profile

Item	Description	Page/Answer
2.1	Name of the organization	Oi/Company profile
2.2	Primary brands, products, and/or services.	Oi/Company profile
2.3	Operational structure of the organization	Oi/Company profile/Regionalization Generation of Value/Capital Markets and Ownership Structure / Ownership Structure
2.4	Location of organization's headquarters	About the report/Corporate Information/Head Office
2.5	Countries where the organization operates and where its main operations are located	Oi/Company Profile People/Relations with Employees/Internal Public - profile
2.6	Nature of ownership and legal form	Oi/Company profile
2.7	Markets served	Oi/Company profile
2.8	Scale of the organization	Oi/Company profile Generation of Value/Financial and Operating Performance/ Consolidated Result People / Relations with Employees
2.9	Significant changes during the reporting period	Oi/Company profile/Regionalization Oi/Corporate Governance/Corporate Reorganization
2.10	Awards received in the reporting period	Values and Purposes/Awards and Recognition

Report Parameters

Item	Description	Page/Answer
3.1	Reporting period for information provided	About the report/Profile of the Report and Application Level

3.2	Date of most recent previous report	The previous sustainability report was published in first half of 2011 and referred to operations of the previous year.
3.3	Reporting cycle	About the report/Profile of the Report and Application Level
3.4	Contact point for questions regarding the report or its contents	pp-sustentabilidade@oi.net.br invest@oi.net.br
3.5	Process for defining report content	About the report/Profile of the Report and Application Level About the report/Dialogue Panel with Stakeholders
3.6	Boundary of the report	About the report/Profile of the Report and Application Level
3.7	State any specific limitations on the scope or boundary of the report.	The information reported refers to Oi's operations as described in the section Profile of the Report and Application Level Cases where it was not possible to follow this scope due to specific limitations of the management and monitoring systems are exceptions and are clearly indicated in the text and corresponding notes.
3.8	Basis for reporting	About the report/Profile of the Report and Application Level
3.9	Data measurement techniques and the bases of calculations	The information was based on the Company's monitoring and management systems. Cases of estimates are clearly indicated.
3.10	Restatements of information provided in earlier reports	About the report/Profile of the Report and Application Level
3.11	Significant changes in the scope, boundary, or measurement methods applied in the report	About the report/Profile of the Report and Application Level
3.12	Table identifying the location of the information in the report	About the report/GRI Remissive Index
3.13	Policy and current practice with regard to seeking external assurance for the report	The publication has not undergone an external verification process.

Governance, commitments, and engagement

Item	Description	Page/Answer
4.1	Governance structure of the organization, including committees under the highest governance body	Oi/Corporate Governance/Governance Structure Oi/Corporate Governance/Support for decision making
4.2	Chair of the highest governance body	Oi/Corporate Governance/Governance Structure
4.3	Members of the highest governance body that are independent and/or non-executive members	Oi/Corporate Governance/Governance Structure
4.4	Mechanisms for shareholders and employees to provide recommendations	Generation of Value/Capital Markets and Ownership Structure/ Investor Relations Oi/Corporate Governance/Governance Structure
4.5	Linkage between compensation and the organization's performance (including social and environmental)	People/Relations with employees/Compensation strategies
4.6	Processes to ensure that conflicts of interest are avoided	Oi/Corporate Governance

4.7	Qualifications of the members of the highest governance body	The data on the career paths of the members of the Board are available at the Company's Investor Relations website.
4.8	Statements of mission and values, codes of conduct, and relevant internal principles	Values and Purposes/Mission, Vision, and Practices
4.9	Responsibilities for implementing the economic, environmental, and social policies	Oi/Corporate Governance/Governance Structure
4.10	Processes for evaluating the highest governance body's own performance	Oi/Corporate Governance/Governance Structure
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	Environment/Environmental impacts and mitigation actions/ Legal Obligations
4.12	Externally developed charters, principles, and other initiatives	Values and Purposes/Commitment to Sustainability/Scope Expansion" Values and Purposes/Commitment to Sustainability/Global Compact
4.13	Memberships in associations and/ or national/international advocacy organizations	Oi/Company profile/Participation in associations
4.14	List of stakeholder groups engaged by the organization	About the report/Dialogue Panel with Stakeholders
4.15	Basis for identification and selection of stakeholders with whom to engage	About the report/Dialogue Panel with Stakeholders
4.16	Approaches to stakeholder engagement	About the report/Dialogue Panel with Stakeholders To learn more about contacting specific groups of stakeholders, go to: - Investors: Generation of Value/Capital Markets and Ownership Structure/Investor Relations - Employees: People/Relations with Employees/Engagement and Social Responsibility - Customers: People/ Customer and Consumer Relations / Relationship Channels - Suppliers: People/ Relations with Suppliers /Disseminating Good Practices
4.17	Key topics and concerns that have been raised through stakeholders	About the report/Dialogue Panel with Stakeholders

PERFORMANCE INDICATORS

Economic Performance

Indicator	Description	Page/Answer	Global Compact
Management Approach		Values and Purposes/Message from the CEO Generation of Value/Financial and Operating Performance/Added Value People/Relations with Employees/ Compensation strategies People/Relations with Society Environment/Climate Governance	

Economic Performance

Indicator	Description	Page/Answer	Global Compact
EC1	Direct economic value generated and distributed	Generation of Value/Financial and Operating Performance/Financial Performance/Added Value	-
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Environment/Climate Governance	7
EC3	Coverage of the organization's defined benefit plan obligations	People/Relations with Employees/Benefits and Retirement	-
EC4	Significant financial assistance received from government	People/Relations with Society/Oi Futuro	-

Market Presence

Indicator	Description	Page/Answer	Global Compact
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	People/Relations with Employees/ Compensation strategies	1
EC6	Policy, practices, and proportion of spending on locally-based suppliers	People/Relations with Suppliers/Audit and monitoring	-

Impactos econômicos indiretos

Indicator	Description	Page/Answer	Global Compact
EC8	Impact of infrastructure investments provided for public benefit	Oi/Institutional Relations/Partnerships People/Relations with Society/Digital inclusion	-
EC9	Describing significant indirect economic impacts	People/Relations with Society/Digital inclusion People/Relations with Society/Oi Futuro	-

Indicator			
Indicator	Description	Page/Answer	Global Compact
Management Approach		Environment/Environmental impacts and mitigation actions	
Materials			
Indicator	Description	Page/Answer	Global Compact
EN1	Materials used by weight or volume.	Environment/Environmental impacts and mitigation actions/Consumption of materials	8
EN2	Percentage of materials used from recycling	Environment/Environmental impacts and mitigation actions/Consumption of materials	8 and 9
Energy			
Indicator	Description	Page/Answer	Global Compact
EN3	Direct energy consumption by primary energy source	Environment/Climate Governance/ Reduction of Emissions	8
EN4	Indirect energy consumption by primary source	Environment/Climate Governance/ Reduction of Emissions	8 and 9
EN5	Energy saved due to conservation and efficiency improvements	Environment/Climate Governance/ Reduction of Emissions	8
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Environment/Climate Governance/Green IT	-
Water			
Indicator	Description	Page/Answer	Global Compact
EN8	Total water withdrawal by source	Environment/Environmental impacts and mitigation actions/Water	8 and 9
Biodiversity			
Indicator	Description	Page/Answer	Global Compact
EN13	Habitats protected or restored	Environment/Environmental impacts and mitigation actions/Restoration of areas	-
Emissions, Effluents, and Waste			
Indicator	Description	Page/Answer	Global Compact
EN16	Total direct and indirect greenhouse gas emissions by weight	Environment/Climate Governance/ Greenhouse gases	8
EN17	Other relevant indirect greenhouse gas emissions	Environment/Climate Governance/ Greenhouse gases	8
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Environment/Climate Governance/ Greenhouse gases	7, 8 and 9
EN19	Emissions of substances destroying the ozone layer	Environment/Climate Governance/ Greenhouse gases	8
EN22	Total weight of waste by type and disposal method	Environment/Environmental impacts and mitigation actions/Waste Management	8
EN24	Weight of transported waste deemed hazardous	Environment/Environmental impacts and mitigation actions/Waste Management	-

Products and services

Indicator	Description	Page/Answer	Global Compact
EN26	Initiatives to mitigate environmental impacts	People/ Customer and Consumer Relations /Relationship Channels Environment/Climate Governance/ Reduction of Emissions Environment/Climate Governance/ Reduction of fuel consumption	7, 8 and 9

Compliance

Indicator	Description	Page/Answer	Global Compact
EN28	Monetary value and total number of sanctions for noncompliance with laws	Environment/Environmental impacts and mitigation actions/Legal Obligations	8

Transport

Indicator	Description	Page/Answer	Global Compact
EN29	Environmental impacts from transporting goods and members of the workforce	Environment/Climate Governance/ Reduction of fuel consumption	8

Overall

Indicator	Description	Page/Answer	Global Compact
EN30	Total environmental protection expenditures and investments	Environment/Environmental impacts and mitigation actions	7, 8 and 9

Social Performance - Labor Practices and Decent Work

Indicator	Description	Page/Answer	Global Compact
Management Approach		People/Relations with Employees People/Relations with Employees/Health and Safety People/Relations with Employees/Freedom of Association	

Employment

Indicator	Description	Page/Answer	Global Compact
LA1	Total workforce by employment type, employment contract, and region	People/Relations with employees People/Relations with employees/ Internal Public - profile	-
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	People/Relations with employees/Internal Public – Profile	6
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	People/Relations with employees/ Benefits and Retirement	-

Labor/Management Relations

Indicator	Description	Page/Answer	Global Compact
LA4	Percentage of employees covered by collective bargaining agreements	People/Relations with employees/Freedom of Association	1, 2 and 3
LA5	Description of notifications (terms and procedures)	People/Relations with employees/Freedom of Association	-

Occupational Health and Safety

Indicator	Description	Page/Answer	Global Compact
LA6	Percentage of total workforce represented in formal health and safety committees	People/Relations with employees/ Health and Safety	1, 2 and 3
LA8	Education, prevention, and risk-control programs	People/Relations with employees/ Health and Safety	1
LA9	Health and safety topics covered in formal agreements with trade unions	People/Relations with Employees/ Freedom of Association	1

Training and Education

Indicator	Description	Page/Answer	Global Compact
LA10	Average hours of training per year per employee by employee category	People/Relations with employees/Training	6
LA11	Programs for skills management and lifelong learning	People/Relations with employees/Training People/Relations with employees/ Outplacement	-

Diversity and Equal Opportunity

Indicator	Description	Page/Answer	Global Compact
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	People/Relations with employees/Diversity and inclusion People/Relations with employees/Diversity in the staff and corporate governance	1 e 3
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	People/Relations with employees/ Compensation strategies	1, 2 e 3

Social Performance - Human Rights

Indicator	Description	Page/Answer	Global Compact
Management Approach		Oi/Corporate Governance/Ethics and anticorruption People/Relations with Suppliers	

Procurement practices

Indicator	Description	Page/Answer	Global Compact
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening	People/Relations with Suppliers	-
HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken	People/Relations with Suppliers People/Relations with Suppliers/ Qualification Index	1, 2, 3 e 4
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights, including the percentage of employees trained	Oi/Corporate Governance/Ethics and anticorruption	-

Non-discrimination

Indicator	Description	Page/Answer	Global Compact
HR4	Total number of incidents of discrimination and corrective actions taken	Oi/Corporate Governance/Ethics and anticorruption/Monitoring	1, 2 and 3

Freedom of association

Indicator	Description	Page/Answer	Global Compact
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	People/Relations with Employees/Freedom of Association	1, 2, and 3

Security Practices

Indicator	Description	Page/Answer	Global Compact
HR8	Percentage of security personnel trained in human rights	People/Relations with Suppliers/Audit and Monitoring	-

Indigenous Rights

Indicator	Description	Page/Answer	Global Compact
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Environment/Environmental impacts and mitigation actions/Restoration of areas	-

Social Performance - Society

Indicator	Description	Page/Answer	Global Compact
Management Approach		Oi/Corporate Governance/Ethics and anticorruption Oi/Corporate Governance/Ethics and anticorruption/Legal Compliance Oi/Institutional Relations	

Local Community

Indicator	Description	Page/Answer	Global Compact
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Environment/Environmental impacts and mitigation actions	-

Corruption

Indicator	Description	Page/Answer	Global Compact
SO2	Total number of business units analyzed for risks related to corruption	Oi/Corporate Governance/Risk Management and Internal Controls	10
SO3	Percentage of employees trained in anti-corruption policies and procedures	Oi/Corporate Governance/Ethics and anticorruption	10
SO4	Actions taken in response to incidents of corruption	Oi/Corporate Governance/Ethics and anticorruption/Monitoring	10

Public Policy

Indicator	Description	Page/Answer	Global Compact
SO5	Positions on public policies	Oi/Institutional relations/Dialogue and Mobilization	10
SO6	Policies of financial contributions to political parties, politicians, and institutions	Oi/Institutional relations/Dialogue and Mobilization	10
SO7	Number of legal actions for anticompetitive behavior	Oi/Corporate Governance/Ethics and anticorruption/Legal Compliance	-

Compliance

Indicator	Description	Page/Answer	Global Compact
SO8	Description of significant fines and total number of non-monetary sanctions	People/Relations with Employees/Legal Compliance	-

Social Performance - Product Responsibility

Indicator	Description	Page/Answer	Global Compact
Management Approach		People/ Customer and Consumer Relations /Humanized communication People/ Customer and Consumer Relations / Respect for Consumers Environment/Environmental impacts and mitigation actions/Legal obligations	

Customer Health and Safety

Indicator	Description	Page/Answer	Global Compact
PR1	Assessment of impacts on health and safety during life cycle stages of products and services	Oi/Corporate Governance/Information security Environment/Environmental impacts and mitigation actions/Legal obligations	1
PR2	Non-compliance related to the impacts of products and services	Environment/Environmental impacts and mitigation actions/Legal Obligations	-

Product and Service Labeling

Indicator	Description	Page/Answer	Global Compact
PR3	Type of product and service information required by procedures	People/ Customer and Consumer Relations /Respect for Consumers	8
PR5	Practices related to customer satisfaction, including results of surveys	People/ Customer and Consumer Relations /Satisfaction	-

Marketing communications

Indicator	Description	Page/Answer	Global Compact
PR6	Programs for adherence to laws, standards, and voluntary codes	People/Relations with Customers and Consumers/Humanized communication	-
PR7	Cases of non-compliance related to communication of products and services	People/Relations with Customers and Consumers/Humanized communication	-

Compliance

Indicator	Description	Page/Answer	Global Compact
PR9	Fines for noncompliance concerning the provision and use of products and services	People/ Customer and Consumer Relations /Compliance	-

CORPORATE INFORMATION

ACKNOWLEDGMENTS

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

IMPORTANT NOTICE TO THE SHAREHOLDERS

I) CVM Instruction No. 358, art. 12: Direct or indirect controlling shareholders and shareholders who elect members of the Board of Directors or the Fiscal Council, and any other individual or legal entity, or group of persons, acting as a group or representing the same interests, that attains a direct or indirect interest representing five percent (5%) or more of a type or class of shares of the capital of a publicly-held company, must notify the Securities Commission (CVM) and the Company of the fact, in accordance with the above article.

Oi recommends that its shareholders comply with the terms of article 12 of CVM Instruction No. 358, but it takes no responsibility for the disclosure or otherwise of acquisitions or disposals by third parties of interests corresponding to 5% or more of any type or class of its share, or of rights over those shares or other securities that it has issued.

OWNERSHIP STRUCTURE

	Capital	Treasury	Controlling Shares	Direct Controllers[19]	Free-Float
Common	599,008,629	84,250,695	290,549,788	61,995,173	162,212,973
Preferred	1,198,077,775	72,808,066	0	441,556,694	683,713,015
Total	**1,797,086,404**	**157,058,761**	**290,549,788**	**503,551,867**	**845,925,988**

Note: Shareholding position on December 31th, 2012.

[19] AG Telecom, Andrade Gutierrez, BNDES, Bratel, Funcef, La Fonte Telecom, LF TEL, Petros and Previ.

[GRI 2.4] HEAD OFFICE

Rua Humberto de Campos, 425
22430-190 – Rio de Janeiro – RJ – Brasil
Tel.: +55 (21) 3131-2918
Fax: + 55 (21) 3131-1144
http://www.oi.com.br

INTERNATIONAL CONSULTANTS OF INVESTOR RELATIONS

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

BOOK ENTRY SHARES SERVICE

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

DEPOSITORY BANK OF ADRS

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

INDEPENDENT AUDITORS

(On 12/31/2012)
KPMG Independent Auditors – SEC and CVM

STOCK EXCHANGE

BM&FBovespa (Bolsa de Valores de São Paulo)
Ticker Codes:
Oi S/A – OIBR3 e OIBR4
(Position on 12/31/2012)
New York Stock Exchange (Nyse) in USA
Code of ADRs: OIBR and OIBR.C
(Position on 12/31/2012)

[GRI 3.4] **Contacts**

pp-sustentabilidade@oi.net.br
invest@oi.net.br

CREDITS

COORDINATION AND PRODUCTION

Treasury and Investor Relations Director
Investor Relations, Governance and Sustainability Dept.
Governance and Sustainability Dept.

GRI CONSULTING, PRODUCTION AND EDITION

Report Sustentabilidade

REVISION

Assertiva Produções Editoriais

GRAPHIC DESIGN AND WEB

fmcom