



Investors Presentation

Strategic partnership with Oi

26 January 2011



Important notice

This release contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements are not statements of historical fact, and reflect goals of the company's management. The words "anticipates," "believes," "estimates," "expects," "forecasts," "intends," "plans," "predicts," "projects" and "targets" and similar words are intended to identify these forward-looking statements, which necessarily involve known and unknown risks and uncertainties. Accordingly, the results of operations of the company to be achieved may be different from the company's current goals and the reader should not place undue reliance on these forward-looking statements. Forward-looking statements speak only as of the date they are made, and the company does not undertake any obligation to update them in light of new information or future developments.



Overview of the transaction (1/2)

Transaction announced

- Strategic investment in Oi was announced on 28 July with PT securing significant governance rights and proportional consolidation
- Deal was conditional on PT achieving a minimum economic stake of 22.38% in Oi, a maximum cash disbursement of R\$ 8.4bn and a maximum EV/EBITDA multiple of 6.3x

ANATEL

- On 29 October the Brazilian Telecom Agency (ANATEL) approved the proposed transaction

Contracts

- All contracts governing the transaction have now been finalised and executed
- All envisaged governance rights have been maintained in accordance with the strategic nature of this investment and thus PT will proportionately consolidate its investment in Oi

Contax - Dedic / GPTI

- The parties have also agreed on the rearrangement of CTX, controlling holding of Contax (contact centre), and the merger of Contax and Dedic / GPTI (contact centre and BPO) which will create significant synergies for all shareholders

Cash disbursement

- PT to proportionally consolidate 25.6% of Oi and 44.4% of CTX
- Expected overall net cash disbursement by PT of R\$ 8.2bn in both transactions

PT delivers on announcement made in July 2010, targeting to complete the transaction by the end of March 2011, and secures exposure to high growth Brazilian market and diversification of its businesses in core geographies



Overview of the transaction (2/2)

Related to AG & LF, BNDES & Pension Funds

- BNDES, Previ, Petros and Funcef will not participate in TmarPart's capital increase
- TmarPart to maintain control of TNL, raising debt to subscribe in the rights issue
- AG & LF to use part of the proceeds received from PT to participate in Tmar capital increase
- PT stake in TmarPart increases to 12.1% (previously expected to be 10%)

Related to the acquisition of CTX and merger of Dedic/GPTI with Contax

- Contax and Dedic / GPTI merge
- Acquisition of BNDES, Previ, Funcef and Petros stakes in CTX¹ (holding company of Contax²) by PT, AG & LF
- PT acquires 16.2% of CTX, then raises its stake to 19.9% (direct) through the contribution of part of the Contax shares received in the merger with Dedic / GPTI³
- PT to receive net cash of approximately ~ R\$ 0.2 billion³ which comprise:
 - Reimbursement of PT's shareholders loans in Dedic / GPTI by Contax
 - Sale to CTX of a part of Contax shares received in the merger with Dedic / GPTI
- PT is free to monetise the remaining Contax PN shares received, currently worth R\$ 86 mn, as per current market prices⁴

Consolidation

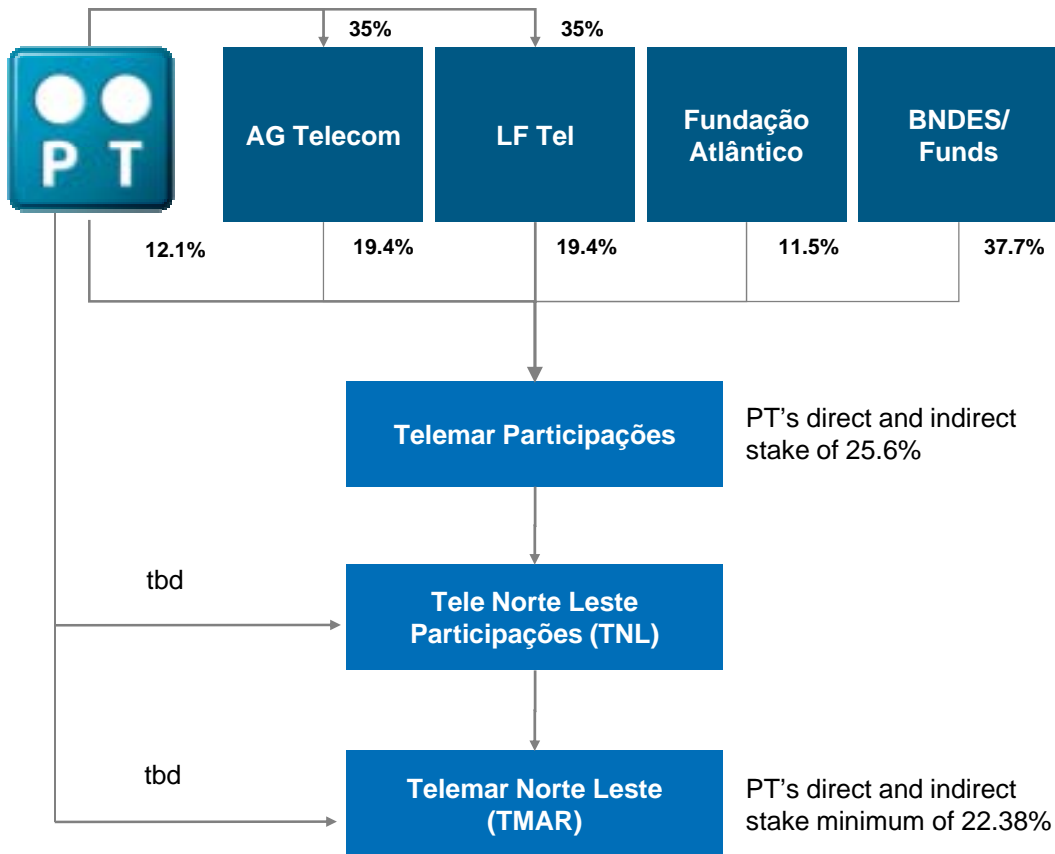
- PT will consolidate 25.6% of TmarPart as from 1 April, depending on the execution of the market transactions, and 44.4% of CTX, which consolidate 100% of TNL and Contax, respectively

Note: (1) CTX Participações S.A ("CTX"); (2) Contax Participações S.A. ("Contax"); (3) Assumes merger of Contax and Dedic / GPTI at the proposed exchange ratio; (4) Indicative. Considering the average price of last 60 days

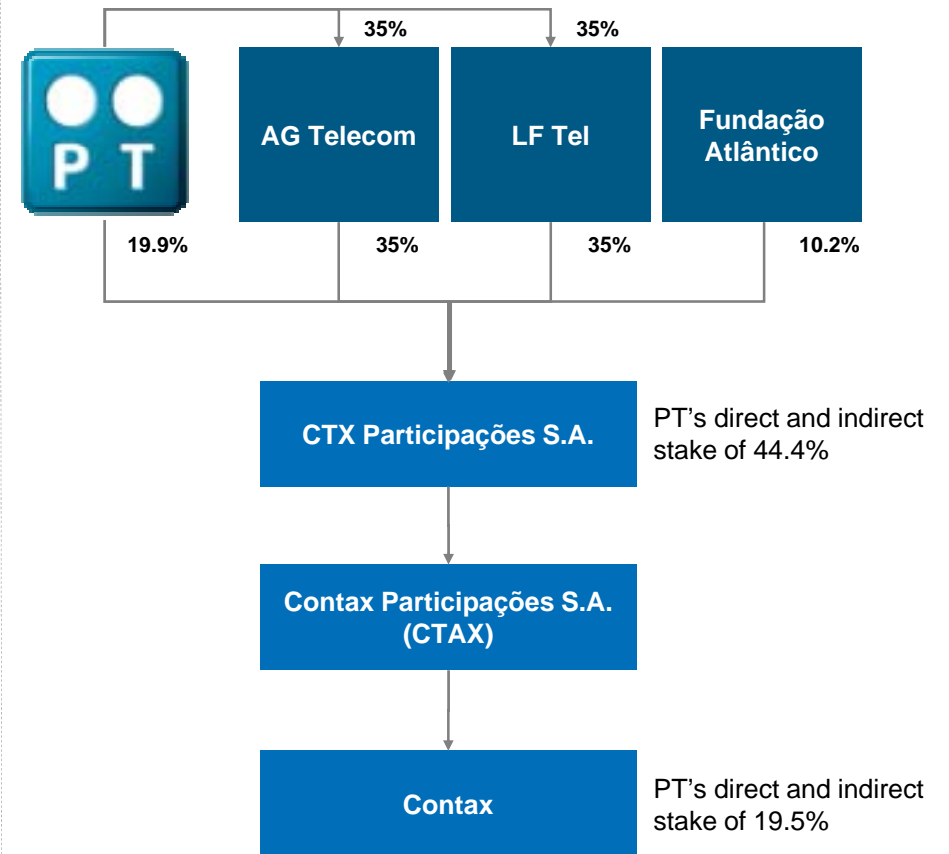


Shareholding structure of Oi and Contax on completion of transaction

Post-transaction Oi shareholder structure



Post-transaction CTX shareholder structure





Oi – Transaction details

	PT's Disbursement	Description
Step #1 TmarPart + Other Assets	<ul style="list-style-type: none"> • R\$ 5.1 billion 	<ul style="list-style-type: none"> • Acquisition of a 35% stake in AG and LF • Capital increase at TmarPart - only PT, AG, LF and FASS subscribe new shares <ul style="list-style-type: none"> – Equity from PT, AG and LF: R\$ 0.8 billion – New debt to be raised at TmarPart – estimated at R\$ 0.6 billion • PT direct stake in TmarPart after capital increase: 12.1% (previously expected to be 10%)
Step #2 TNL Capital Increase	<ul style="list-style-type: none"> • Up to R\$ 3.25 billion (expected to be R\$ 1.6 billion) 	<ul style="list-style-type: none"> • Call for a capital increase in TNL amounting to R\$ 12 billion • TmarPart subscribes at least R\$ 1.4 billion and maintains control of TNL
Tmar Capital Increase	<ul style="list-style-type: none"> • Up to R\$ 3.25 billion (expected to be R\$ 1.65 billion) 	<ul style="list-style-type: none"> • Call for a capital increase in Tmar amounting to R\$ 12.0 billion



CTX and Contax / Dedic GPTI – Transaction details

	PT's net cash and equivalents	Description
Step #1 Merger Contax – Dedic / GPTI		<ul style="list-style-type: none"> Contax to acquire Dedic / GPTI from Portugal Telecom in shares at a proposed exchange ratio of 0.0363 Contax shares for each Dedic / GPTI share <ul style="list-style-type: none"> Pursuant to CVM's Instruction 35, an independent committee will be set up to analyse the exchange ratio and make a recommendation to Contax's Board of Directors Contax to issue ON and PN shares (current ratio)
Step #2 PT buys stake in CTX	<ul style="list-style-type: none"> (R\$ 116 million) 	<ul style="list-style-type: none"> Acquisition of a 44.2% stake of CTX owned by BNDES, Previ, Funcef and Petros for R\$ 316 mn, by AG Telecom (R\$ 100 mn), LF Tel (R\$ 100 mn) and Portugal Telecom (R\$ 116 mn)
Step #3 PT / CTX	<ul style="list-style-type: none"> R\$ 50 million ⁽¹⁾ 	<ul style="list-style-type: none"> Portugal Telecom to subscribe a capital increase at CTX, using Contax's ON shares, increasing its direct stake to 19.9% CTX to acquire R\$ 49.7 mn in Contax shares held by PT
Step #4 Shareholders loan	<ul style="list-style-type: none"> R\$ 163 million 	<ul style="list-style-type: none"> Contax to amortise the R\$ 162.6 mn (estimated as at December) intercompany loans that Dedic / GPTI has with PT
Step #5 Stake in liquid Contax shares	<ul style="list-style-type: none"> R\$ 86 million ⁽²⁾ 	<ul style="list-style-type: none"> Portugal Telecom to receive 2.782 mn of Contax PN shares (part of the free float), representing 7.0% of total PN shares and 4.3% of total capital Securities currently worth R\$ 86 mn, considering the price of R\$ 31.0 per share (5.2x EBITDA LTM)

Notes: (1) Assumes merger of Contax and Dedic / GPTI at the proposed exchange ratio (2) Indicative. Considering the average price of last 60 days.



Overview of key shareholders rights (1/2)

Corporate Governance Highlights

- **Shareholders Agreement at AG / LF level**

- Qualified majority required (hence PT's approval) on same matters as in the TmarPart shareholders agreement, namely:
 - Amendments to the bylaws; Mergers and acquisitions and shareholders agreements; Dissolution of the Company or of any of its Relevant Subsidiaries; Capital increases or decreases; Annual budget and investments
- PT participates in the appointment of the Chief Executive Officers of Oi and the Relevant Subsidiaries
- Rights attributed to PT will enable it to proportionally consolidate TmarPart (25.6%)
- Lock-up for a five year period at AG/LF/TmarPart
- PT to have several rights, including a right of first refusal over non control sales and a right of first offer and tag-along rights in case of a control sale

- **TmarPart Shareholders Agreement**

- PT will have same rights as remaining partners at TmarPart level, which include a right of first refusal and a right to purchase TmarPart shares in the event of a change of control at AG/LF
- PT has also granted reciprocal rights, which include a right of first refusal on its sale of shares as well as a call in the event of a change of control of PT



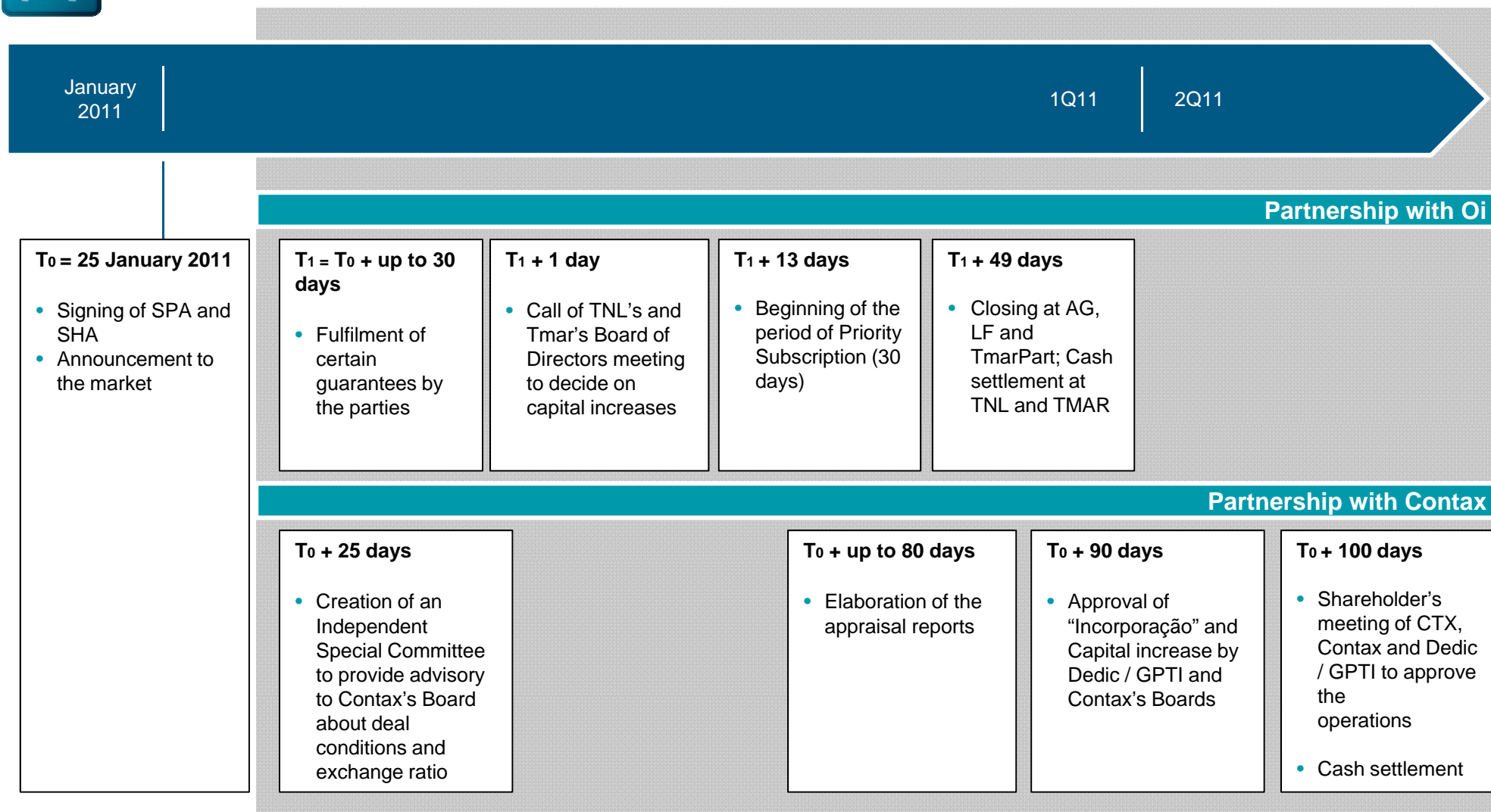
Overview of key shareholders rights (2/2)

Corporate Governance Highlights

- **PT will be entitled to nominate executives at TmarPart and TNL Board**
 - One member of the Board of TmarPart (plus one alternate) and one Director
 - Two members of the Board of TNL (plus two alternates)
- **PT will participate in several committees in place or to be created in the relevant subsidiaries of TmarPart (including committees dedicated to finance, human resources, risks and contingencies, among others)**
- **PT will appoint the President of the Committee of Engineering & Network, Technology & Innovation and Product Offering that will be created**
- **CTX Shareholders Agreement:**
 - PT will have similar rights to the ones granted in AG/LF Shareholders Agreement



Timetable of Oi and Contax transactions





Key takeaways: PT delivers on transaction terms

- **PT delivers on transaction terms announced in July 2010:**
 - Investment of R\$ 8.32bn and minimum economic stake in Oi of 22.38%
 - Higher consolidation of Oi as a result of increased stake in Tmar Part (25.6%)
- **PT will join group of Oi's controlling shareholders as a strategic telecoms partner, with significant corporate governance rights**
- **PT will leverage its operational and capital markets track record to work in partnership with Oi to create value for all stakeholders**
- **Merger of Contax and Dedic / GPTI creates synergies and aligns interests of all stakeholders**
 - PT to consolidate 44.4% of CTX
- **Expected overall net cash disbursement by PT considering both transactions of R\$8.2bn**

- **PT with its strategic investment in Oi will have scale and a balanced portfolio of businesses, allowing it to secure access to technology, innovation and R&D whilst reducing execution risks**
- **PT will continue to focus geographically in Portugal, Brazil and Africa and in delivering upper quartile performance to create shareholder value**
- **PT's successful operational experience in F2M convergence, fixed and mobile broadband and pay-TV positions it uniquely to leverage Oi's strong market position and customer franchise to capture the significant growth opportunities in Brazil**
- **PT has robust balance sheet ratios and financial flexibility post investment in Oi, proposed extraordinary shareholder remuneration and funding of the pension fund liability**
- **PT's cash flow profile allows it to cover its commitments to shareholders whilst maintaining an investment grade rating**

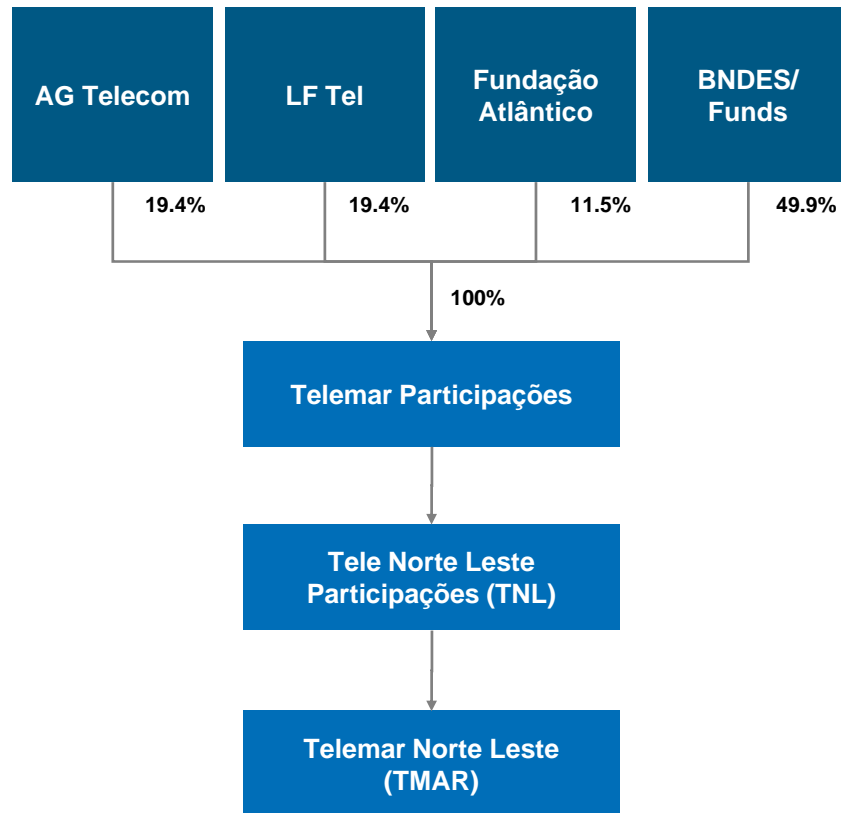


Annex

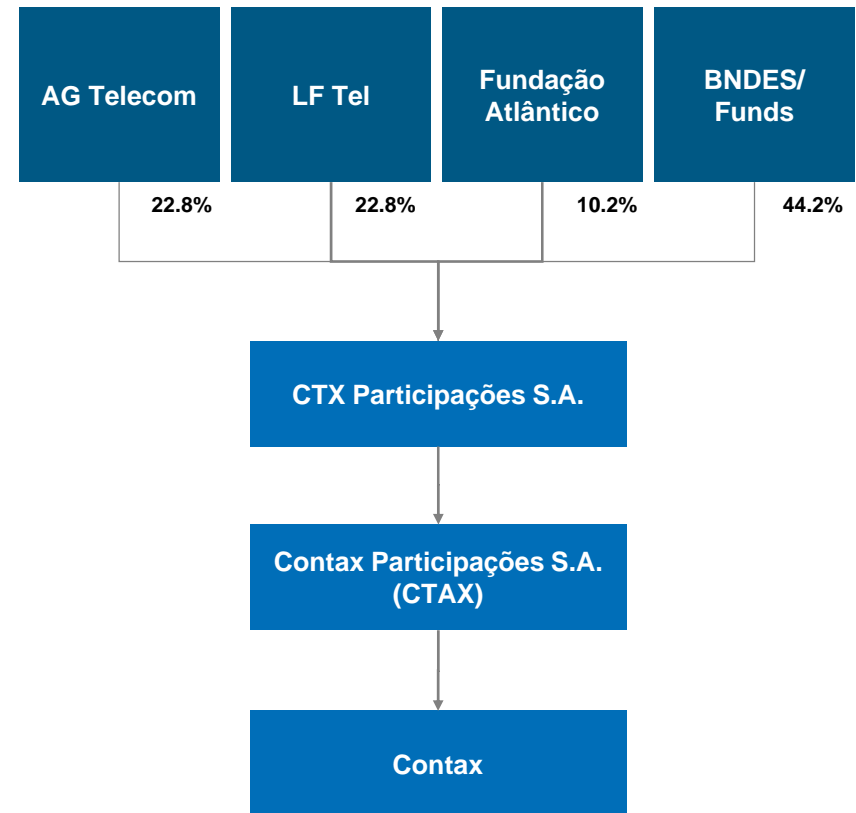


Current shareholder structures

Current Oi shareholder structure



Current CTX shareholder structure

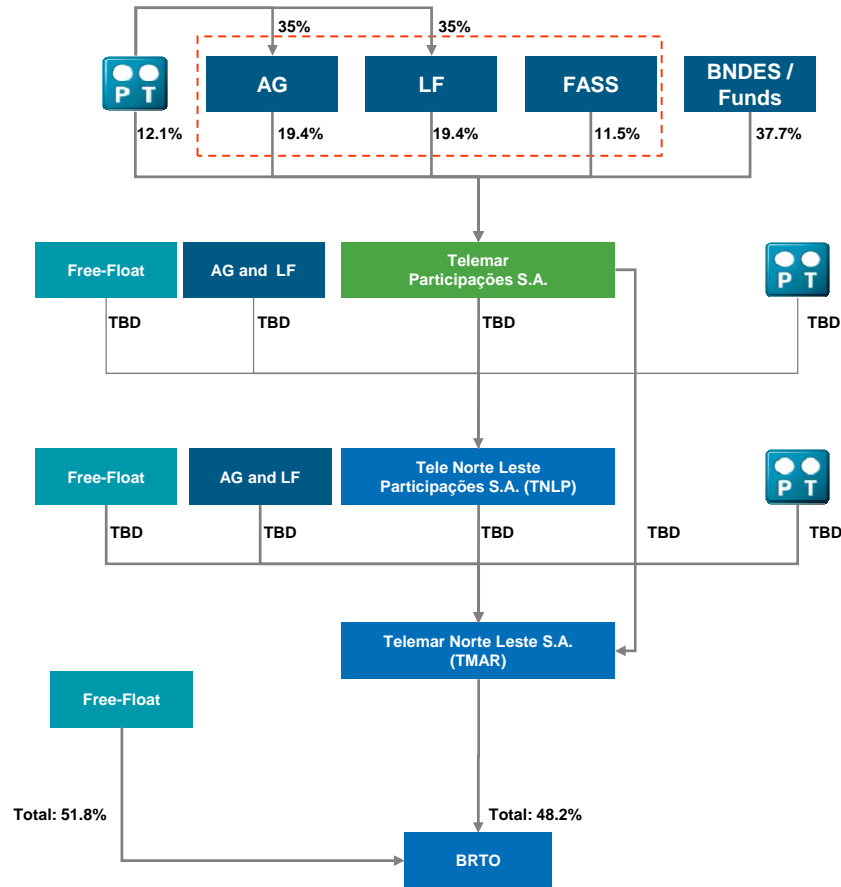




Post Transaction Oi and Contax Shareholder Structure

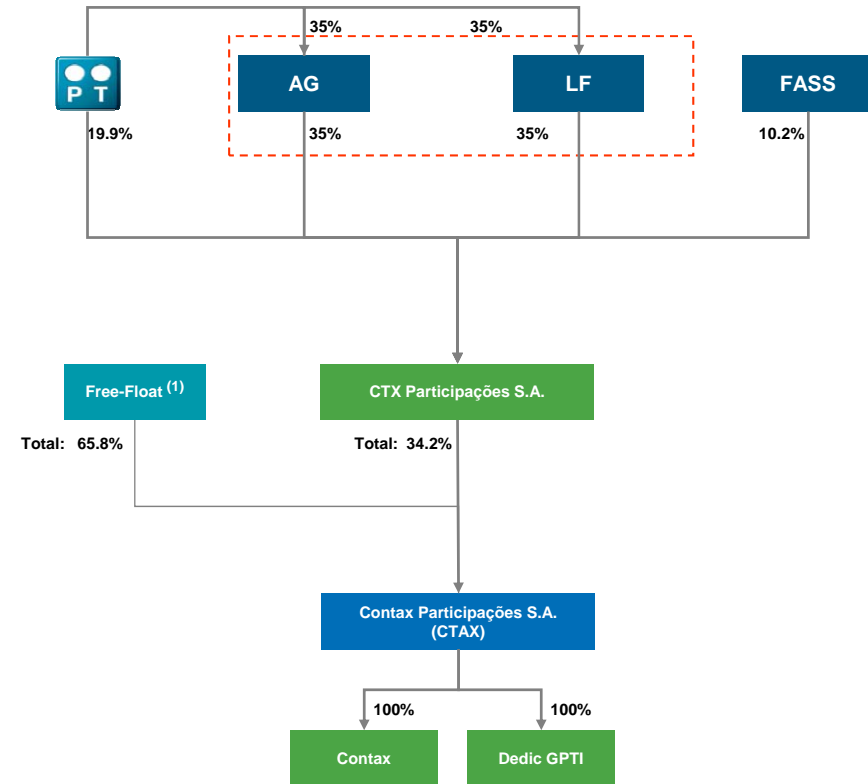
Public Company

Final Oi shareholder structure



PT's economic stake in TMAR: minimum of 22.38%
PT to consolidate 25.6% of TmarPart

Final Contax shareholder structure



PT's economic stake in Contax: 19.5%¹
PT to consolidate 44.4% of CTX

Note:⁽¹⁾ Assumes PT does not sell its shares in Contax, representing 7.0% of PNs shares and 4.3% of total



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