



Strategic investment in and partnership with Oi

Update following the completion of the capital increase at Oi

28 March 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 facts, 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.



PT to proportionally consolidate 25.6% of Oi and 44.4% of CTX for total investment of R\$ 8.2 billion and a multiple of 5.8x EV/EBITDA

PT's strategic partnership with Oi

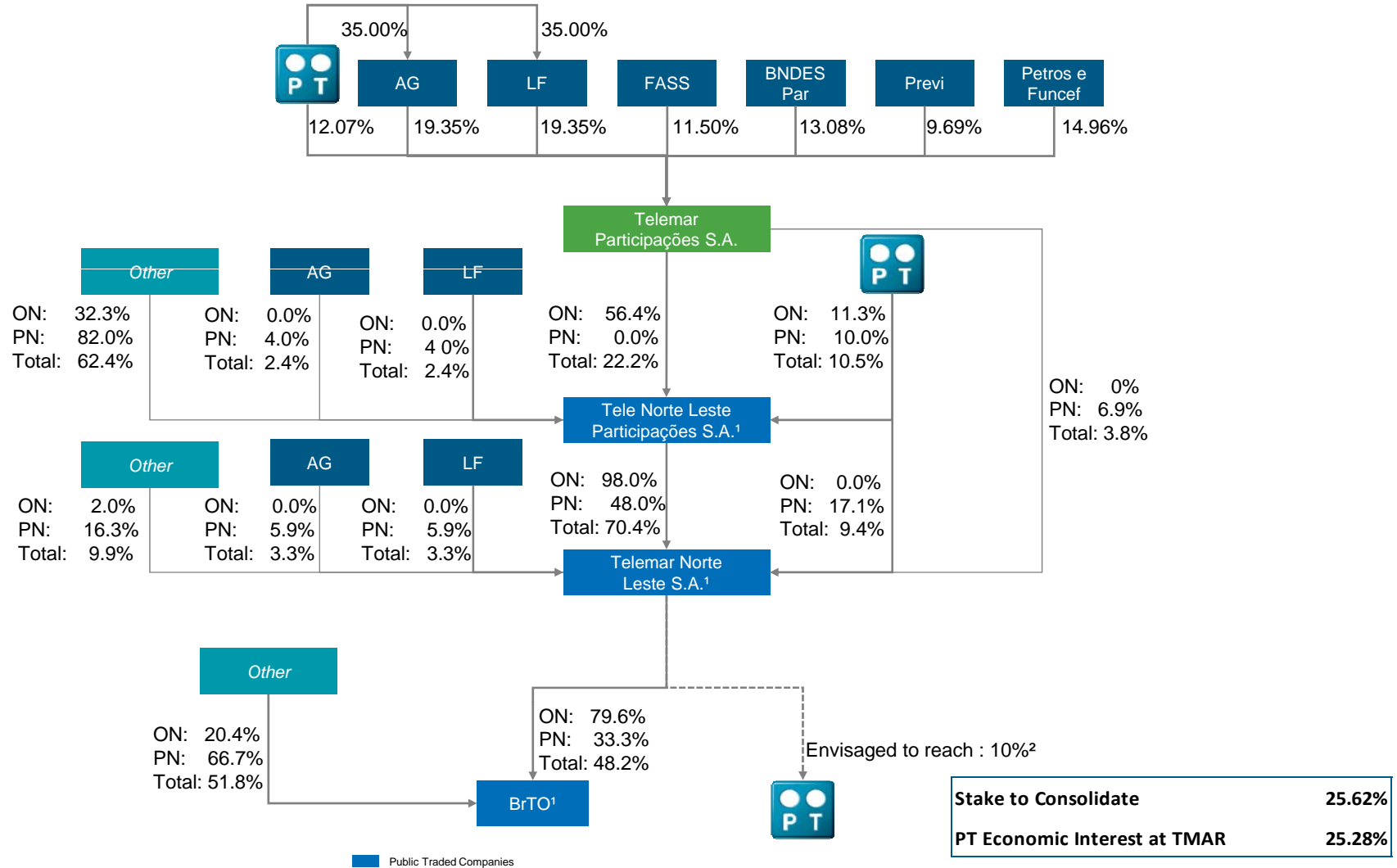
- Following the completion of Oi's capital increase, PT holds a direct and indirect stake of 25.28% in Telemar Norte Leste ("TMAR")
 - PT's cash disbursement of R\$ 8.32 billion
 - Approximately 2/3 of economic stake held in listed companies: PT to own 10.49% of TNL and 9.43% of TMAR
 - TNL pro-forma 2010 net debt reduced by R\$ 6.0 billion to R\$ 12.7 billion, with an implied 1.2x net debt to EBITDA
- PT will proportionally consolidate 25.62% of TmarPart as a result of its corporate governance rights
 - TmarPart fully consolidates TNL and TMAR
 - Consolidation will take place as from 1 April 2011

Merger of Dedic/GPTI and Contax Participações SA ("Contax")

- PT concluded the acquisition of a 16.2% direct stake in CTX, leading to a 42.0% direct and indirect stake, for R\$ 116 million
 - CTX, which fully consolidates Contax, will be proportionally consolidated as from 1 April 2011
- The next envisaged step is the merger of Dedic/GPTI with Contax
 - According to Brazilian securities regulation, an independent committee is being created to analyse the proposed exchange ratio and make a recommendation to Contax's Board of Directors
 - The merger is subject to Board of Directors and Shareholders approval at both companies
- Following the merger, considering the proposed exchange ratio, CTX will acquire R\$ 49.7 million in Contax shares held by PT, PT will subscribe a capital increase in CTX using Contax's shares and Contax will repay R\$ 162.6 million intercompany loans that Dedic/GPTI has with PT. As a result, PT will hold a direct and indirect stake in CTX of 44.4%



Oi shareholding structure post capital increase will allow PT to proportionally consolidate 25.6% in Oi



Source: Company's disclosed information

Note 1: Tickers in Bovespa and NYSE: TNE (TNLP4, TNLP3 and TNE); BRTO (BRTO4, BRTO3 and BTM), TMAR (TMAR5 and TMAR3)

Note 2: Currently 3%



Post capital increase, PT will own a 25.3% economic stake in Oi, of which around two thirds are directly held in listed companies

Shareholder Structure

Thousand/Percentage shares	PT		AG		LF		TmarPart		TNL		Others		Total	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%
AG														
Common		35.0%		n/a		0.0%		0.0%		0.0%		65.0%		100.0%
LF														
Common		35.0%		0.0%		n/a		0.0%		0.0%		65.0%		100.0%
TmarPart														
Common		12.1%		19.3%		19.3%		n/a		0.0%		49.2%		100.0%
TNL														
Common	20,752	11.3%	-	0.0%	-	0.0%	103,814	56.4%	n/a	n/a	59,442	32.3%	184,008	100.0%
Preferred	28,299	10.0%	11,413	4.0%	11,413	4.0%	-	0.0%	n/a	n/a	232,342	82.0%	283,466	100.0%
Total	49,051	10.5%	11,413	2.4%	11,413	2.4%	103,814	22.2%	n/a	n/a	291,784	62.4%	467,474	100.0%
TMAR														
Common	-	0.0%	-	0.0%	-	0.0%	-	0.0%	150,971	98.0%	3,061	2.0%	154,032	100.0%
Preferred	32,476	17.1%	11,240	5.9%	11,240	5.9%	13,079	6.9%	91,250	48.0%	30,956	16.3%	190,241	100.0%
Total	32,476	9.4%	11,240	3.3%	11,240	3.3%	13,079	3.8%	242,221	70.4%	34,017	9.9%	344,273	100.0%

PT's Economic Interest in TMAR

Through AG	3.1%
Through LF	3.1%
Through TmarPart	2.3%
Through TNL	7.4%
Direct in TMAR	9.4%
Total	25.3%



PT to benefit from a robust balance sheet and significant financial flexibility, with a cash-flow profile consistent with an attractive shareholder remuneration policy and an investment grade rating

Pro-Forma 2010 financial highlights

Euro Million

	2010PF			
	PT ⁽¹⁾	Oi ⁽²⁾	CTX ⁽³⁾	Total
REVENUE	3,742	3,239	432	7,413
EBITDA	1,492	1,128	53	2,673
<i>margin (%)</i>	<i>39.9%</i>	<i>34.8%</i>	<i>12.3%</i>	<i>36.1%</i>
CAPEX	798	339	29	1,167
<i>as % sales</i>	<i>21.3%</i>	<i>10.5%</i>	<i>6.7%</i>	<i>15.7%</i>
NET DEBT	3,839	2,067	-10	5,897
<i>ND/EBITDA</i>	<i>2.6x</i>	<i>1.8x</i>	<i>-0.2x</i>	<i>2.2x</i>

Note: FX EUR/ BRL of 2.3315 (2010 average) for P&L and cash flow conversion and 2.3341 (25/03/2011) for balance sheet and capital increase

Source: PT Information, Oi company filings

1. Pro-forma net debt of PT to include the investment in Oi and the payment to be received from TEF regarding the sale of PT's stake in Vivo

2. Includes consolidation of 25.62% of TmarPart 35% of AG and 35% of LF. TmarPart fully consolidates TNL and TMAR. Net Debt 2010 pro forma to include the capital increase and TMAR's acquisition of 10% of PT at current market prices

3. Includes consolidation of 42% of CTX, which consolidates 100% of Contax. Following the envisaged merger with Dedic and PT's further acquisition, PT will consolidate 44.4% of CTX



For further information:

Nuno Vieira

Investor Relations Director

+351 21 500 1701

nuno.t.vieira@telecom.pt

www.telecom.pt