

OI BRASIL HOLDINGS

COOPERATIEF U.A.

Amsterdam, the Netherlands

FINANCIAL REPORT 2015

Draft

OI BRASIL HOLDINGS COOPERATIEF U.A.

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OI BRASIL HOLDINGS COOPERATIEF U.A.

Directors' report

Introduction

Oi Brasil Holdings Coöperatief U.A. (the "Coop") is a Dutch cooperative with excluded liability, incorporated in Amsterdam, the Netherlands, on April 20, 2011. The Coop mainly acts as a holding and financing company and currently has its office address at Naritaweg 165, 1043BW Amsterdam, the Netherlands.

Overview of the Activities

The Coop is a wholly owned subsidiary of Oi S.A. in Brazil. Oi S.A. is a provider of telecommunication services in Brazil, with a nationwide presence. Oi S.A.'s social purpose is to offer telecommunications services and activities necessary or useful to the execution of these services, operating in compliance with the concessions, authorizations and permits granted to the company.

The principal activity of the Coop is the financing of group companies.

Financial report

The Managing directors are pleased to present the annual report and accounts of the Coop for the financial year ended December 31, 2015.

During the year under review, the Coop recorded a loss of USD 106,680,673

Risk Management

Authorization level

Managing Directors are bound by clear restrictions regarding representative authorization. All documents must be approved by both a Managing Director A and a Dutch resident Managing Director B, unless a power of attorney has been issued in this respect.

External Audit

The accounts of the Coop are audited by an external auditor (Baker Tilly Berk N.V.). These audits take place on the basis of generally accepted auditing standards within the Netherlands.

Advisory Roles

The external auditor (Baker Tilly Berk N.V.) does not act in an advisory capacity except where activities relating to the annual accounts are concerned. Professional advice is provided by third party experts, such as tax advisors, Dutch notaries and Civil-Law lawyers.

Declaration

The Board of Managing Directors believes that the internal risk management and control systems described above provide a reasonable level of assurance that the annual accounts do not contain any material misstatements and that these systems operated properly during the year under review. The Board of Managing Directors has no indication that these systems will not operate properly during the current year.

OI BRASIL HOLDINGS COOPERATIEF U.A.

Directors' report

Number of employees

At the end of 2015 the Coop did not have any employees (2014: 0).

Financial Analysis

The Company had an equity deficit of USD 114,409,590 at December 31, 2015 and current liabilities exceed current assets. The deficit is fully funded by borrowings, including intercompany loans/bank loans etc.

The continuation of the Company as a going concern is dependent on the continued support of its ultimate parent company. The shareholders have declared to maintain their financial interest in and support to the Company in the foreseeable future.

In 2015, the financial income and expenses decreased by 15,900% to USD -106,388,162 compared to USD 673,326 which is mainly explained by and increase in interest expenses in 2015 concerning a new issued bond and an intercompany loan. At the period-end, the Coop had Members funds of USD -114,386,284 (2014: -7,705,611).

The general and administrative expenses increased by 882% to USD 292,511, compared to USD 29,776 in 2014. In 2014 the expenses were lower due to recovery of VAT including previous years. Furthermore, in 2015 the Cooperative incurred with more expenses in connection with more activities.

The total amount of assets increased by 310% to USD 6,261,900,867 compared to USD 1,527,136,772 in 2014. The balance of cash increased due to a loan received, the assets also increased due to a loan given to its member.

During the year under review, the Coop recorded a loss of USD 106,680,673. The Directors have not recommended a dividend (2014: EUR 0).

Future Developments

The Board of Managing Directors anticipates that the Coop will continue its current activities and does not anticipate any major changes during the upcoming financial year.

Amsterdam,

Mr. F. Nicolay Guimaraes
Managing Director A

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

OI BRASIL HOLDINGS COOPERATIEF U.A.

Balance sheet as at December 31, 2015

(in USD, after appropriation of results)

	Notes	<u>December 31, 2015</u>	<u>December 31, 2014</u>
ASSETS			
Fixed assets			
Financial fixed assets	5	<u>1,490,335,115</u>	<u>1,490,335,115</u>
		<u>1,490,335,115</u>	<u>1,490,335,115</u>
Current assets			
Receivables	6	1,616,535,264	35,080,657
Cash and cash equivalents	7	<u>3,155,030,488</u>	<u>1,721,000</u>
		<u>4,771,565,752</u>	<u>36,801,657</u>
TOTAL ASSETS		<u><u>6,261,900,867</u></u>	<u><u>1,527,136,772</u></u>
 EQUITY AND LIABILITIES			
Member's capital			
Member's capital account	8	19,549	21,777
Translation reserve		3,757	1,529
Other reserve		<u>(114,409,590)</u>	<u>(7,728,917)</u>
		<u>(114,386,284)</u>	<u>(7,705,611)</u>
Non-current Liabilities	9	2,072,490,869	1,495,067,684
Current Liabilities	10	4,303,796,282	39,774,699
TOTAL EQUITY AND LIABILITIES		<u><u>6,261,900,867</u></u>	<u><u>1,527,136,772</u></u>

OI BRASIL HOLDINGS COOPERATIEF U.A.

Income statement for the financial year ended December 31, 2015

(in USD)

	Notes	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Interest income on loans to group companies		74,873,206	49,650,022
Interest expense on bonds issued		(106,511,762)	(86,909,634)
Net result from interest rate SWAP		33,620,664	37,907,166
Gain on buy-back bonds		24,593,189	--
Bank and other income		3,261	1,981
Interest income and expense on time deposits		225,253	--
Interest expense on Corporate Income Tax		(503)	(26,665)
Interest expense on loans from group companies		(135,160,141)	--
Exchange differences		<u>1,968,671</u>	<u>50,456</u>
Financial income and expenses		<u>(106,388,162)</u>	<u>673,326</u>
General and administrative expenses	12	<u>292,511</u>	<u>29,776</u>
Operating expenses		<u>292,511</u>	<u>29,776</u>
OPERATING PROFIT		(292,511)	(29,776)
RESULT BEFORE TAXATION		<u>(106,680,673)</u>	<u>643,550</u>
Income tax expense		--	(485,393)
NET RESULT AFTER TAXATION		<u>(106,680,673)</u>	<u>158,157</u>

CASH FLOW STATEMENT

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Payment received on interest rate SWAP	36,997,735	36,718,338
Interest received on loans receivable	50,559,453	50,838,850
Interest paid on bonds	(86,250,000)	(86,250,000)
Short term funding to intercompany	-	(1,200)
Payment of Corporate Income Tax	(410,159)	(218,032)
Refund of VAT	79,848	-
General and administrative expenses	(248,726)	(242,860)
	<u>728,151</u>	<u>845,096</u>
Net cash from operating activities	<u>728,151</u>	<u>845,096</u>
Cash flows from investing activities		
Net cash used in investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Interest income on banks (time deposits)	422,774	1,981
Other income	3,261	-
Receipt of issued notes (2) June 22, 2021	278,136,555	
Costs of issued notes (2) June 22, 2021	(4,490,974)	
Short term loan to member	(1,483,185,715)	
Loan from group Company	4,496,739,074	
Net cash used in financing activities	<u>3,287,624,975</u>	<u>1,981</u>
Net cash flows	3,288,353,126	847,077
Exchange gains/(losses) on cash and cash equivalents	(135,043,639)	(1,588)
net increase/ (decrease) in cash and cash equivalents	<u>3,153,309,488</u>	<u>845,489</u>
Movements in cash and cash equivalents can be broken down as follows:		
At January 1	1,721,000	875,511
movements during the year	3,153,309,488	845,489
At December 31	<u>3,155,030,488</u>	<u>1,721,000</u>

OI BRASIL HOLDINGS COOPERATIEF U.A.

Notes to the balance sheet and income statement as at December 31, 2015

(in USD)

1 GENERAL

Oi Brasil Holdings Cooperatief U.A. is a Dutch Co-operative, incorporated in Amsterdam on April 20, 2011. The Company mainly acts as a holding and financing company and currently has its office address at Naritaweg 165, 1043 BW, Amsterdam, The Netherlands.

(a) Going concern

The Company had an equity deficit of USD 114,409,590 at December 31, 2015 and current liabilities exceed current assets. The deficit is fully funded by borrowings, including intercompany loans/bank loans etc.

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

(b) Group structure

The Company is under control of Oi S.A in Brazil. The financial statements of the Cooperative are included in the consolidated financial statements of Oi S.A. in Brazil.

(c) Related party transactions

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also entities which can control the company are considered a related party. In addition, statutory directors and close relatives are regarded as related parties.

Significant transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is required for to provide the true and fair view.

(d) Use of estimates

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

OI BRASIL HOLDINGS COOPERATIEF U.A.

Notes to the balance sheet and income statement as at December 31, 2015

(in USD)

2 ACCOUNTING POLICIES FOR THE BALANCE SHEET

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

In general, assets and liabilities are stated at the amounts at which they were incurred or current value. If not specifically stated otherwise, they are recognized at the amounts at which they were acquired or incurred. The balance sheet and income statement include references to the notes.

(a) Comparison with previous year

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

(b) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the balance sheet date. Foreign currency transactions in the reporting period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the income statement.

Translation differences on non-monetary assets held at cost are recognised using the exchange rates prevailing at the dates of the transactions (or the approximated rates).

(c) Financial fixed assets

The company has an interest bearing loan on a related party. Long-term receivables are initially recognized at fair value and are subsequently stated at amortised costs.

(d) Impairment

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

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

OI BRASIL HOLDINGS COOPERATIEF U.A.

Notes to the balance sheet and income statement as at December 31, 2015

(in USD)

2 ACCOUNTING POLICIES FOR THE BALANCE SHEET (Continued)

(e) Receivables

Receivables are valued at face value less a provision for possible uncollectible accounts.

(f) Cash and cash equivalents

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

(g) Non-current liabilities

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

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

3 ACCOUNTING POLICIES FOR THE INCOME STATEMENT

(a) General

Profit or loss is determined as the difference between the realisable value of the goods delivered and services rendered, and the costs and other charges for the year. Revenues on transactions are recognised in the year in which they are realised.

(b) Exchange rate differences

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

The following rates have been applied to the financial statements:

		2015	2014
1 US Dollar (USD) =	EUR	1.086050024	1.209849921

(c) Selling expenses, and general and administrative expenses

Selling expenses, and general and administrative expenses comprise costs chargeable to the year that are not directly attributable to the cost of the goods sold.

OI BRASIL HOLDINGS COOPERATIEF U.A.

Notes to the balance sheet and income statement as at December 31, 2015

(in USD)

3 ACCOUNTING POLICIES FOR THE INCOME STATEMENT (Continued)

(d) Financial income and expenses

Interest paid and received is recognised on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned. When recognising interest paid, allowance is made for transaction costs on loans received as part of the calculation of effective interest.

Dividends receivable from associates not carried at net asset value and securities are recognised as soon as the Company acquires the right to them.

(e) Taxation

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

4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Price Risk

Currency risk

The functional currency of the Company is US dollars. The Company mainly holds financial positions in US dollars. As the Company holds receivables and payables in US dollars for nearly the same amounts the currency risk the Company incurs is limited.

Interest rate and cash flow risk

The Company has issued bonds at fixed interest rate for a term of 10 years and receives a floating rate interest on loan receivable to a related party with a term of 10 years.

The Company entered into an interest rate swaps to match the interest income with the interest expenses. The Company receives a fixed interest rate and pays a floating interest rate. The combination of the intercompany receivable, the bonds and the interest SWAP results in a fixed financing margin from the Company of 0.125% on the principal amount.

(b) Credit risk

Management has assessed the credit risk of its only debtor and considers the risk of non-payment negligible.

OI BRASIL HOLDINGS COOPERATIEF U.A.

Notes to the balance sheet and income statement as at December 31, 2015

(in USD)

FIXED ASSETS

5 FINANCIAL FIXED ASSETS

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

	Amounts due from group companies	Total
Opening balance	1,490,335,115	1,490,335,115
Movements 2014	--	--
Closing balance	<u>1,490,335,115</u>	<u>1,490,335,115</u>

The amounts due from group companies comprise of loans receivable as specified below:

<u>Name</u>	<u>Interest rate</u>	<u>CCY</u>	<u>Amount in CCY</u>	<u>2015</u>	<u>2014</u>
OI S.A., Brazil	Libor (6M) + 3%			1,490,335,115	1,490,335,115

The Credit agreement (1) with OI S.A. of USD 1,490,335,115 was entered into on August 29, 2012. Interest is due twice a year on the 7th of February and on the 7th of August. The agreement will end on February 7, 2022 and no amortization is due during the term of the loan. No securities have been given by OI S.A..

CURRENT ASSETS

6 RECEIVABLES

As at December 31, 2015, this item can be detailed as follows:

	<u>CCY</u>	<u>Amount in CCY</u>	<u>2015</u>	<u>2014</u>
Amounts due from group companies	EUR	1,436,915,853	1,560,562,496	1,200
Interest accrued on the loan to OI S.A.			21,177,145	18,529,717
Interest accrued on the loan to OI S.A.	EUR	19,835,535	21,542,384	--
Interest Time Deposit BNP Paribas	EUR	1,941	2,108	--
Interest Time Deposit Bradesco	EUR	120,047	130,377	--
Net receivable under the SWAP			13,116,087	16,493,158
Value added tax	EUR	4,297	4,667	56,582
Total receivables			<u>1,616,535,264</u>	<u>35,080,657</u>

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

OI BRASIL HOLDINGS COOPERATIEF U.A.

Notes to the balance sheet and income statement as at December 31, 2015

(in USD)

6 RECEIVABLES (Continued)

Amounts due from group companies are specified as follows:

<u>Name</u>	<u>CCY</u>	<u>Amount in CCY</u>	<u>2015</u>	<u>2014</u>
OI S.A., Brazil	EUR	1,436,915,853	1,560,562,496	1,200

The Cooperative agreed and opened a line of credit to its member amounting to EUR 2,647,563,264 bearing interest of EURIBOR 6M +3.5% and maturing on June 18, 2016.

7 CASH AND CASH EQUIVALENTS

<u>Description</u>	<u>CCY</u>	<u>Amount in CCY</u>	<u>2015</u>	<u>2014</u>
Current account ABN Amro	EUR	72,970	79,249	196
Current account Banco ITAU			--	--
Current account Banco ITAU	EUR	156,373,941	169,829,922	--
Current account Banco ITAU	GBP	--	--	--
Current account Morgan Stanley			--	--
Banco ITAU (Time Deposit)			904,207	1,720,804
Banco ITAU (Time Deposit)	EUR	375,000,000	407,268,759	--
Morgan Stanley (Time Deposit)	EUR	375,909,202	408,256,198	--
Santander (Time Deposit)	EUR	587,027,533	637,541,267	--
BNP Pariba (Time Deposit)	EUR	670,000,000	727,653,516	--
HSBC (Time Deposit)	EUR	259,858,636	282,219,478	--
Bradesco (Time Deposit)	EUR	444,975,950	483,266,141	--
ABC Brasil Bank (Time Deposit)	EUR	35,000,000	38,011,751	--
			<u>3,155,030,488</u>	<u>1,721,000</u>

The balances are at the Company's free disposal.

OI BRASIL HOLDINGS COOPERATIEF U.A.

Notes to the balance sheet and income statement as at December 31, 2015

(in USD)

8 MEMBERS'S CAPITAL

The movements of Capital contribution in the Co-operative can be summarised as follows:

Exchange differences due to translation in the Member's Capital account are added to the revaluation reserve.
The year-end rate used for translation is EUR/USD: 1.086050024.

As at December 31, 2015, the Member's Capital account has been fully paid-up. The movements in the year under review can be summarised as follows:

	Member's Capital Account	Revaluation Reserve	General Reserves	Total
Opening balance 2014	24,743	(1,437)	(7,887,074)	(7,863,768)
Revaluation	(2,966)	2,966	--	--
Result for the year	--	--	158,157	158,157
Closing balance 2014	<u>21,777</u>	<u>1,529</u>	<u>(7,728,917)</u>	<u>(7,705,611)</u>
Revaluation	(2,228)	2,228	--	--
Result for the year	--	--	(106,680,673)	(106,680,673)
Closing balance 2015	<u>19,549</u>	<u>3,757</u>	<u>(114,409,590)</u>	<u>(114,386,284)</u>

9 NON-CURRENT LIABILITIES

	Closing balance 2015	Opening balance 2015
Notes issued	2,067,415,869	1,495,067,684
Intercompany account with member	5,075,000	--
	<u>2,072,490,869</u>	<u>1,495,067,684</u>

The issued notes are specified as follows:

Name	Interest	CCY	Amount in CCY	2014	2013
(1) February 10, 2022	5.75%			1,428,309,153	1,495,067,684
(2) June 22, 2021	5.625%	EUR	588,468,949	639,106,716	--
Total				<u>2,067,415,869</u>	<u>1,495,067,684</u>

OI BRASIL HOLDINGS COOPERATIEF U.A.

Notes to the balance sheet and income statement as at December 31, 2015

(in USD)

9 NON-CURRENT LIABILITIES (Continued)

(1) On February 10, 2012 OI S.A. issued a Senior Unsecured Notes for a total amount of USD 1,500,000,000 with a term of 10 years and a interest rate of 5.75%. On July 27, 2012 the Company substituted Oi S.A. as debtor and issuer of the notes. Interest is due on the notes twice a year on the 10th of February and the 10th of August.

The bond will be repaid in full on maturity date, being February 10, 2022.

The costs related to the issuance to the loan will be ammortized over the term of the bond. The movement for 2015 can be specified as follows :

Amounts in USD

Balance at year end 2013	5,591,950
Amortization in 2014	(659,634)
Balance at year end 2014	4,932,316
Amortization in 2015	(1,538,469)
Balance at year end 2015	3,393,847

On August 10, 2015 the principal amount of the bond was reduced by an amount of USD 68,297,000.

The amortization is accounted for as part of the interest expense. The effective interest rate is 5,796748% (2014 and until August 10, 2015: 5,809524%).

(2) On June 22, 2015 the Cooperative issued a Senior Unsecured Notes for a total amount of EUR 600,000,000 with a term of 6 years and a interest rate of 5.625%. Interest is due on the notes once a year on the 22nd of June.

The bond will be repaid in full on maturity date, being June 22, 2021.

The costs related to the issuance to the loan will be ammortized over the term of the bond. The movement for 2015 can be specified as follows :

Amounts in EUR

Costs of issuance	12,468,346
Amortization in 2015	(937,295)
Balance at year end 2015	11,531,051

The amortization is accounted for as part of the interest expense. The effective interest rate is 6,048240%

OI BRASIL HOLDINGS COOPERATIEF U.A.

Notes to the balance sheet and income statement as at December 31, 2015

(in USD)

10 CURRENT LIABILITIES

	CCY	Amount in CCY	2015	2014
Interest payable on issued bond (1)			32,243,145	33,781,250
Interest payable on issued bond (2)	EUR	17,718,750	19,243,449	--
Payables to member			--	5,075,000
Payables to group companies			4,251,401,281	--
Corporate income tax	EUR	338,053	367,142	874,523
Interest Time Deposit Morgan Stanley	EUR	108,519	117,857	--
Interest Time Deposit HSBC	EUR	70,739	76,826	--
Interest Time Deposit Santander	EUR	15,187	16,494	
Interest Time Deposit Itau Bank	EUR	131,139	142,423	
Interest Time Deposit ABC Bank	EUR	2,722	2,956	
Other debts, accruals and deferred income			184,709	43,926
Total			<u>4,303,796,282</u>	<u>39,774,699</u>

The payables to member are specified as follows:

Name	Ownership	2015	2014
OI S.A., Brazil	100.00%	--	5,075,000

The payables to group companies are specified as follows:

Name	CCY	Amount in CCY	2014	2013
Portugal Telecom International Finance B.V. (Loan)	EUR	3,791,938,296	4,118,234,677	--
Portugal Telecom International Finance B.V. (Interest)	EUR	122,615,534	133,166,604	--
			<u>4,251,401,281</u>	<u>--</u>

The line of credit with Portugal Telecom International Finance B.V. amounts to EUR 4,648,877,000 at a fixed interest rate of 5.26375%, the maturity date is June 2, 2016.

11 FINANCIAL INSTRUMENTS

Interest rate SWAP

On August 29, 2012 the Company entered into an interest rate SWAP. Under the contract the Company is obliged to pay Libor 6 months + 3% and is entitled to receive a fixed interest of 5,875%, both calculated on a notional amount of 1,490,335,115.63 USD. The contract ends on February 10, 2022. The fair value of this Swap is USD **61,679,465** as at December 31, 2015.

OI BRASIL HOLDINGS COOPERATIEF U.A.

Notes to the balance sheet and income statement as at December 31, 2015

(in USD)

12 GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2015</u>	<u>2014</u>
Bank expenses	101,919	(1,785)
Accounting expenses	40,121	4,550
Management expenses	3,532	(3,019)
Legal advisory expenses	35,034	6,178
Audit expenses	16,567	15,162
Tax advisory expenses	65,167	(7,687)
General expenses	6,782	1,637
Listing expenses	19,540	13,628
Regulatory reporting expenses	3,849	1,112
	<u>292,511</u>	<u>29,776</u>

13 NUMBER OF EMPLOYEES

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

14 DIRECTORS

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

The Board of Managing Directors.

Mr. F. Nicolay Guimaraes

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

Amsterdam,

OI BRASIL HOLDINGS COOPERATIEF U.A.

Other Information

Appropriation of result in accordance with Articles of Association

In accordance with article 14.1 of the Cooperative's Article of Association, after adoption of the annual accounts, the profits accrued in the relevant financial year shall be added to the Cooperative's general reserves, unless the General Meeting of Members resolves to distribute the profits in whole or in part as referred to in Article 14.4.

Proposed appropriation of result

The Board of Managing Directors proposes to deduct the loss for the year to the other reserve. This proposed appropriation of result has been reflected in the financial statements, and is subject to the approval of the Members.

Post balance sheet events

No major post balance sheet events affecting the financial statements have occurred to date.

Independent Audit

The auditor's report is included on the next page.