

OI S.A.
Form 425
November 13, 2014

Filed by Oi S.A.

Pursuant to Rule 425 of the Securities Act of 1933

Subject Company: Oi S.A.

Commission File No.: 001-15256

THE FOLLOWING ARE MATERIALS MADE PUBLIC BY OI S.A. RELATING TO THE PROPOSED MERGER OF SHARES (*INCORPORAÇÃO DE AÇÕES*) BETWEEN TELEMAR PARTICIPAÇÕES S.A. (TMAPART) AND OI S.A. (OI).

Additional Information and Where to Find It:

This communication is not an offering document and does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval in any jurisdiction in which distribution of an offering document or such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of that jurisdiction.

This communication contains information with respect to the proposed merger of shares (*incorporação de ações*) between TmarPart and Oi.

In connection with the proposed merger of shares between TmarPart and Oi, TmarPart plans to file with the SEC (1) a registration statement on Form F-4, containing a prospectus which will be mailed to shareholders of Oi (other than non-U.S. persons as defined in applicable rules of the SEC), and (2) other documents regarding the proposed merger of shares.

We urge investors and security holders to carefully read the relevant prospectus and other relevant materials when they become available as they will contain important information about the proposed merger of shares.

Investors and security holders will be able to obtain the documents filed with the SEC regarding the proposed mergers, when available, free of charge on the Commission's website at www.sec.gov or from TmarPart or Oi.

Special Note Regarding Forward-Looking Statements:

This communication contains certain forward-looking statements. Statements that are not historical facts, including statements regarding the beliefs and expectations of TmarPart or Oi, business strategies, future synergies and cost savings, future costs and future liquidity are forward-looking statements. The words will, may, should, could, anticipates, intends, believes, estimates, expects, plans, targets, goal and similar expressions, as they relate to TmarPart or Oi, are intended to identify forward-looking statements and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, tendencies or expected results will actually occur. Such statements reflect the current views of management TmarPart or Oi and are subject to a number of risks and uncertainties. These statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, corporate approvals, operational factors and other factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations. All forward-looking statements attributable to TmarPart or Oi or their affiliates, or persons acting on their behalf, are expressly qualified in their entirety by the cautionary statements set forth in this paragraph. Undue reliance should not be placed on such statements. Forward-looking statements speak only as of the date they are made. Except as required under the U.S.

federal securities laws and the rules and regulations of the SEC or of regulatory authorities in other applicable jurisdictions TmarPart, Oi and their affiliates do not have any intention or obligation to update or to publicly announce the results of any revisions to any of the forward-looking statements to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements. You are advised, however, to consult any further disclosures TmarPart or Oi make on related subjects in reports and communications TmarPart or Oi file with the SEC.

EXHIBIT INDEX

**Exhibit
Number**

Description of Document

1 Presentation Accompanying Third Quarter 2014 Earnings Release Call on November 13, 2014.

Rio de Janeiro, November 13, 2014
3Q14 RESULTS
Exhibit A

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IMPORTANT NOTICE

1

This release contains forward-looking statements, according to the U.S. Private Securities Litigation Reform Act of 1995. Statements that are not historical facts, including statements about perspectives and expectations, are forward-looking statements.

The words "anticipates", "believes", "estimates", "expects", "forecasts", "intends", "plans", and similar terms, when related to the Company or its management, indicate forward-looking

statements.

These statements

reflect

the

current

view

of

management

and are subject to various risks and uncertainties. These statements are based on various assumptions and factors, including general economic, market, industry, and operational factors.

Any changes

to

these

assumptions

or

factors

may

lead

to

practical

results

different from current expectations. Excessive reliance should not be placed on those statements.

Forward-looking statements relate only to the date they are made, and the Company is not obligated to update them as new information or future developments arise.

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METHODOLOGY
2
Full
consolidation
of
Oi
with
all
subsidiaries
of
PT
Portugal
that
were
included
in
Oi
following
the
capital
increase.
Oi s
results
included
in
this
proforma
consolidation
are
consistent
with
those
historically
presented
by
Oi
in
the
same
periods.
The
results
of
PT
Portugal s

companies
have
been
included
in
the
consolidated
financial
statements
of
Portugal
Telecom
as
of
May
5
th
,
adjusted
by
the
following:
The
effect
of
the
consolidation
of
Unitel
under
the
equity
method
was
excluded,
since
the
company
now
understands
that
has
no
significant
influence
over
this
subsidiary,
thus
not

applying
the
equity
method
on
this
investment.

The
results
are
presented
in
line
with
the
Brazilian
format,
which
are
different
from
the
presented
in
Portugal,
mainly
due
to
the
following
aspects:

Total
operational
revenues
previously
presented
by
Portugal
Telecom
included
services,
sales
and
other
operational
revenues,
while
from
a

report
standpoint
in
Brazil
it
only
includes
services
and
sales.

Total
operational
revenues
previously
presented
by
Portugal
Telecom
included
services,
sales
and
other
operational
revenues,
while
from
a
report
standpoint
in
Brazil
it
only
includes
services
and
sales.

For
the
calculation
of
the
Routine
EBITDA,
there
was
an

adjustment
related
to
the
following
significant
effects
identified
in
2013:
gain
with
a
concession
agreement,
gain
with
AG/LF
dividends,
gain
with
the
disposal
of
CTM
and
curtailment
costs.

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IN ORDER TO MAXIMIZE SHAREHOLDER VALUE WE WILL PURSUE
FOUR PRIORITIES

Improve our balance sheet profile

Move our corporate governance standards to the highest
levels in Brazil

Be a protagonist in consolidation to enhance value for all
shareholders

Continue the turnaround with better COPEX control and
commitment to reduce cash burn going forward

3

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4

THIRD QUARTER
FINANCIAL REVIEW

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*
*
*
*

Oi S.A. |

REVENUES HAVE SLOWED DOWN AS A RESULT OF THE WEAK GROSS ADDS OF
THE FIRST NINE MONTHS BUT WE ARE NOW SEEING SIGNS OF IMPROVEMENT

5

Residential

% y.o.y

Broadband net adds

Thousands

Mobile net adds

Thousands

Customer

Revenues

Personal mobility customer revenues

% y.o.y

359

473

419

389

441

3Q14

4Q13

2Q14

3Q13

1Q14

4Q13

3Q14

2Q14

-4.4

-2.3
1Q14
-0.1
0.6
3Q13
3.0
3Q13
3Q14
2Q14
3.4
7.5
1Q14
3.6
4Q13
6.5
-2.0
-27
-9
19
40
-78
146
58
-1
-80
9
TV net adds
Thousands
90
68
46
32
12
2
1
-29
Sep
Aug
Jul
Oct

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A SUCCESSFUL TV OFFER WILL PULL BROADBAND GROWTH AND PROTECT
FIXED LINE

6

MEO

Oi

Tiered pricing to enhance 3P
formation

Local Globo HD in over 2 thousand
municipalities

Entry level offer with +18 HD
channels

Aug 14

+27pp

Aug 13

Share of TV net adds

%

Churn (3P vs stand-alone)

%

Pay-TV customers

Thousand. PT Portugal

Net adds Residential RGUs

%. PT Portugal

TV
Fixed line
-46%
-52%
830
1,315
3Q14
1,354
1,223
+63%
2010
2012
2011
2013
1,042
-6
-8
18
4
19
12
2Q14
1Q14
3Q14
4Q13
3Q13
TV
BB
Fixed lines
TV customers
penetration in
unique
customers
52%

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CONVERGENCE IS A GREAT OPPORTUNITY FOR OI S WIRELESS BUSINESS

7

1 Include data cards for M50

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B2B TRANSFORMATION THROUGH CONVERGENCE AND PENETRATION
OF NEW REVENUE DRIVERS IS ON TRACK

8

SME -

Convergence

Corporate

Share of wallet and data

Weight of mobile net adds

%

Convergent customer penetration

%

83

55

45

Customer base

Oi

1P

Customer

base

PT

100

100

17

Convergent

Non-voice revenues

% of Corporate revenues

69
59
56
+3pp
3Q14
3Q13
50%
67%
1P
3Q14
3%
3Q13
2Q14
1 As of 1Q14
Non-traditional services
Indexed. # of contracts
133%
3Q14
2Q14
Cloud
ICT
DC
Oi
Conver-
gent
1
4Q13
PT

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WE ARE ACCELERATING ALL OUR EFFORTS ON REDUCING OPEX

9

Brazil EBITDA

R\$ million

1 Routine

2 COGS / Marketing / Other commercial

3 After monetization

Stabilization period for
transformation programs

Deployment of new workforce
management tool

Remodeling sales channels
and commissioning policy

Reshaping offers and credit
policy

Rio Forte event impacted business
focus

Technical recession of Brazilian
economy (GDP drop of -0.2% in
1Q14 and -0.6% in 2Q14)

MTR cuts (-25% in 2014 and -
33% in 2015) with impact on VC

tariffs
Brazil EBITDA
R\$ million
1.966
3Q13
1Q14
4Q13
1.999
1.640
1.710
3Q14
1.573
2Q14
Net service
margin
-167
3Q13
1,966
Asset
rental
Other
-20%
Commer-
cial costs²
3Q14
1,573
35
-130
-131
1
1
3

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Capex control was not sufficient to offset the EBITDA performance

10

Proforma CAPEX

R\$ million

706

898

3Q14

-21%

3Q13

Proforma EBITDA¹

minus CAPEX

R\$ million

332

47

1,670

-14%

3Q14

1,431

3Q13

1,540

69

192

1,941
1 Routine
Brazil
Portugal
Other

Rationalization of suppliers

Renegotiation of contracts

Pay As You Go
model (Users and Capacity)

Focus on network TCO optimization

RAN Sharing is one more step in rationalizing the common infrastructure. This initiative will be completely transparent to the user perception, not interfering in the relationship between user and operator.

FTTH agreement in Portugal with Vodafone allowed for FTTH footprint expansion without investment

Boosting 3G coverage, using existing 2G sites

Expansion of offload WiFi capacity

Leverage multiple play with DTH based HDTV services

Increasing sharing synergies: infrastructure (Fiber swap), TV network (DTH over PON)

Increase profitability of 3G Network by decreasing non-paid data traffic

Relationship with suppliers
Infrastructure sharing
Extracting network synergies

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WE ARE COMMITTED TO REDUCING CASH BURN
11
Change in Net debt
R\$ million
+R\$ 3.1 Bn
3Q14
914
30,416
2,497
Financial
results
-7,956
-2,285
-3,304
47,799
111
OCF
3G
licences
458
Non-
core
assets
Others
Others

FCF

2,763

2,906

21,277

PT shares

market

value

PT debt

44,680

Rio

Forte

investments

Capital

increase

1 Others: Debt of assets for sale (83); FX impact (28) 2 OCF: -EBITDA (6,302) + CAPEX (4,453) + Delta WCR (-436)

3 Others FCF: Judicial deposits (807), Fistel / Bonus (782), Others (908)

Note: Figures based on statutory accounts consolidating PT Portugal (PT assets) as from May 2014

2

9M2013

+R\$3.6 Bn

4Q13

reported

3

1

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12

Continuing the turnaround and
improving cash flow

- *
- *
- *
- *
- *

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13
Product &
Commercial
Operations
IT/
Engineering
Organization

Focus on net adds (multiplay)

Capture Oi TV price premium

Increase commercial productivity (and level of B2B
outsourcing)

Continue Field force productivity and quality gains

Capture back office efficiency

Reduction of IT applications

Reduce costs of Oi Data Centers

Capture OPEX savings from network sharing

Adjust pricing of 3d party suppliers

Adjust SLA in accordance to customer expectations

Key strategic levers

Customer

Care

Organization simplification (whilst accelerating
decision making process)

Others

Improvement

in EBITDA

minus Capex

2015 in a

range of

R\$1.2

1.8bn

Judicial costs and legal contention

COPEX REDUCTION WILL ACCELERATE AT OI

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THE OPERATIONAL TRANSFORMATION IS ALREADY UNDERWAY TO
DELIVER COST REDUCTION

14

Sep-14

~10%

Base

Field force productivity

Productivity. activities/technician/day

Commercial productivity

Stores/Franchises. RGUs/month/salesperson

~15%

2014

2013

Total

28%

To be

maintained

10%

100%

Total applications

% of applications

Traffic

Users

High

Consumption cap
more rational use of
network and
executed CAPEX
and QoS
improvement
Increase of commercial productivity
Transformation of field operations
Optimization of IT applications
Optimization of mobile network usage (FUP)
Consumption of mobile data
indexed
users
62%
Termi-
nated
To be discon-
tinued

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PORTUGUESE TRENDS ARE IMPROVING
15
M4O customers
Million
3P market share
% vs. main competitor
Sep 14
2.9
2.1
May 14
Nov 13
0.0
Jan 13
1.3
56
53
52
49
3Q12
4Q11
3Q13
3Q14
36% are new
customer to
MEO

Revenues

% y.o.y

as reported by PT

Portugal

EBITDA minus Capex

Euro million. As reported by PT

Portugal

194

165

3Q13

18%

3Q14

3Q14

-3.3

1Q12

-5.2

-2.5

-3.0

OPEX

Euro million. As reported by PT

Portugal

361

367

-2%

3Q14

3Q13

Oper Revenues

Consumer

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IMPROVE BALANCE

SHEET PROFILE

*
*
*
*
*
*

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WE HAVE A SOLID LIQUIDITY POSITION AND LOW FUNDING REQUIREMENTS

up to the beginning of 2016

17

Liquidity

R\$ million. Sept 2014

Gross debt amortization schedule

R\$ million. Sept 2014

Average debt maturity: 4.0 years

940

701

200

Commercial

papers

BNDES

3,805

Liquidity

position

Revol.

in R\$

ECAs in

USD/EUR

Revol. in

USD/EUR

4,927

12,281
1,708
Cash
6,109
9,628
2019
onwards
2017
2018
2,560
2015
4,865
7,958
2016
2014
-3,805
Gross
debt
Net
debt
Cash
51,604
47,799
20,484
Gross debt/
EBITDA¹
3.76x
1 LTM reported EBITDA
3.79x
3Q14
2Q14

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WE WILL SELL ASSETS TO STRENGTHEN OUR FINANCIAL FLEXIBILITY; ANY
AND ALL DEALS WILL HAVE THE AIM OF Maximizing SHAREHOLDER VALUE

Future Options

Asset monetization

Mobile towers

Real estate

Globenet

Mobile towers

4Q14

Transaction

value (R\$ bi)

Impact of

disposals on

EBITDA (R\$ bi)

5.3

3.0

Full year routine impact in EBITDA of

R\$650 million

(excl. mobile towers disposal in 4Q14)

Divestment of Oi's stake in Africatel

Proposals received for PT Portugal

Altice S.A.: 7,025 billion EV

Apax and Bain: 7,075 billion EV

1.2

1.0

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WE ARE COMMITTED TO IMPROVING CORPORATE GOVERNANCE AT OI

Commitment to migrate to Novo Mercado

CVM approval for the exchange,

between Oi and PT SGPS

Listing in Bovespa

(Novo Mercado), NYSE and

Euronext Lisbon

CorpCo share

registration at SEC

Extraordinary Shareholder

Meeting to approve the merger

of Oi into CorpCo

1Q15

Delayed due to:

Qualified opinion on 2Q14 financials

CVM approval of exchange

SEC approvals

19

Delayed due to:

Qualified opinion on 2Q14 financials

CVM approval of exchange

SEC approvals

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CURRENT MARKET STRUCTURE OF BRAZIL IS UNBALANCED AND
UNSUSTAINABLE, demanding market consolidation

20

27

64

52

49

46

5

78

Brazil

LATAM (ex Brazil)

Africa & ME

Asia-Pacific

China

India

Ø

46

Russia

CAPEX for access

USD per inhabitant / access

High Capex per access related to

Brazil's geographic dispersion and
continental dimension

Strong investment requirements

Market share

% customers 2Q14

Unbalanced market shares

SOURCE: Yankee Group, 2Q2014; Ovum, Jan2014; WWM, Merrill Lynch Global Wireless Matrix, 2Q2014;

AMX

25.4

TEF /

GVT

25.1

TIM

29.2

Sky

Oi

19.9

0.5

30.5

31.8

26.6

5.0

29.2

53.3

8.0

Pay-TV

Fixed

broad-

band

Pre-paid

mobile

SOURCE: Teleco

Rio de Janeiro, November 13, 2014
3Q14 RESULTS