

2016 Portugal Telecom International Finance B.V. Credit Derivatives Auction Settlement Terms

Explanatory note re: modifications to RAST settlement provisions

Please note that certain modifications have been made to the RAST settlement provisions which relate solely to the delivery of the EUR400,000,000 6.25% Notes due 2016 issued by the Reference Entity (ISIN: PTPTCYOM0008) (**Deliverable Obligation Number 1**). Broadly, asset package delivery will be permitted in the event that Deliverable Obligation Number 1 is redeemed or exchanged in whole or in part. These modifications are driven by the proximity of the scheduled maturity date of Deliverable Obligation Number 1 (26 July 2016) to the potential delivery date of Deliverable Obligation Number 1 under a RAST. The DC have made these modifications in accordance with the second paragraph of Section 3.2(d) of the DC Rules to avoid or mitigate against any prejudice which might otherwise be caused to Buyer under a Relevant Transaction as result of the standard RAST settlement provisions as compared to such Buyer's ability to settle had Physical Settlement been the applicable Settlement Method.

In summary, the modifications provide that:

- (a) if the NOPS or NOPS Amendment Notice, as applicable, delivered or deemed to be delivered by Buyer or Seller (as the case may be) specifying Deliverable Obligation Number 1 is effective prior to the date on which Deliverable Obligation Number 1 is redeemed in full, then delivery of Deliverable Obligation Number 1 may be satisfied by delivery of Deliverable Obligation Number 1 itself or, if applicable, by delivery of the package of assets (which may include equity, cash, rights or, indeed, Deliverable Obligation Number 1 itself) in the proportion received or retained by a holder of such Deliverable Obligation Number 1 with an outstanding principal balance immediately prior to the effective date of the NOPS or NOPS Amendment Notice, as applicable, equal to that specified in such NOPS or NOPS Amendment Notice; and
- (b) any NOPS or NOPS Amendment Notice, as applicable, delivered or deemed to be delivered by Buyer or Seller (as the case may be) specifying Deliverable Obligation Number 1 as a Deliverable Obligation on or after the date such Bond has been redeemed in full shall be ineffective.

Please note that Buyer is able to serve a NOPS Amendment Notice at any time on or before 11:00 a.m. London time on the Physical Settlement Date replacing, in whole or in part, one or more Deliverable Obligations specified in the NOPS or a prior NOPS Amendment Notice in each case delivered by Buyer.

For the avoidance of doubt, if Deliverable Obligation Number 1 is not redeemed or exchanged in whole or in part, then any RAST trade in respect of which the NOPS or NOPS Amendment Notice, as applicable, which specifies Deliverable Obligation Number 1 shall be settled by delivery of Deliverable Obligation Number 1 itself.

For further details, please see the definition of "Representative Auction-Settled Transaction" (in particular, paragraph (h) thereof) in the AST.