



Announcement | Lisbon | 4 February 2017

Notice to the Market disclosed by Oi

PHAROL, SGPS S.A. hereby informs on the Notice to the Market disclosed by Oi, S.A., according to the company's announcement attached hereto.

PHAROL, SGPS S.A.

Public company
Share capital Euro 26,895,375
Registered in the Commercial
Registry Office of Lisbon and
Corporation no. 503 215 058

PHAROL is listed on the
Euronext (PHR). Information
may be accessed on Bloomberg
under the symbol PHR PL.

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Rio de Janeiro, February 3, 2017.

Brazilian Securities and Exchange Commission
(Comissão de Valores Mobiliários—CVM)

Attn.: Mr. Fernando Soares Vieira
Superintendent of Corporate Relations
Mr. Guilherme Rocha Lopes
Director of Corporate Monitoring– 2

c/c to

emissores@bvmf.com.br

Re.: Official Letter No. 041/2017/CVM/SEP/GEA-2
Request for clarification on news published by the media

Dear Sirs,

We make reference to Official Letter No. 041/2017/CVM/SEP/GEA-2 (“Official Letter”), copy attached hereto, which requests that **Oi S.A. – In Judicial Reorganization** (“Oi” or “Company”) make clarification about the news published in the newspaper O Globo, on February 2, 2017, titled “**Oi’s Board rejects offer of Egyptian billionaire,**” to clarify the following.

As previously reported by the Company to its shareholders and the market on January 30, January 31, and February 1, 2017, in response to Official Letters 73/2017-SAE/GAE 2 and 031/2017/CVM/SEP/GEA-2 and in the Notices to the Market disclosed on such dates, Oi reiterates that in the Board of Directors meeting held on February 1, 2017, Laplace Finanças, the Company’s financial advisor for the judicial reorganization, presented to the members of the Board of Directors certain scenarios, developed based on feedback obtained from creditors, to allow the evolution of the regularly ongoing interactions, and these scenarios were discussed with the Board. Following the discussion, the Board of Directors authorized Oi’s Management to proceed with the discussions with creditors, elaborating on some



important matters, including, among others, the possibility of converting part of the debt into equity.

To that respect, Oi presents as an exhibit to this response an excerpt of an item of the minutes of the 151st Board of Directors meeting held on February 1, 2017, which refers solely to the development of the discussions with the creditors, stakeholders and potential investors.

Specifically regarding the news referred to herein, Oi reaffirms that no decision was taken in connection with any specific proposal, including the proposal of the investor referred to in the news, nor were any amendments to the judicial reorganization plan presented by the Company on September 5, 2016 approved.

As is standard with presentations for the purpose of presenting different scenarios for analysis, Laplace Finanças presented alternatives on potential improvements that could be negotiated within the judicial reorganization plan, and simulated figures related to debts to different classes of the Company's creditors, comparing against the flow of resources available in the business plan and possible impacts in the future capital structure of Oi. Accordingly, the figures disclosed in the news article in connection with such scenarios – particularly, 32% and 60% stakes, 15-year term for payment to the banks, payment of dividends when the ratio between net debt and operating cash generation is higher than 1.5, as well as a potential economic value of R\$28.7 billion, in addition to the allocation of half of the resources obtained with the sale of assets for the payment of debts – may have been originated in said document, although not necessarily in the order or manner presented.

As noted in the Notice to the Market dated February 1, 2017, the Board of Directors authorized Oi's Management to proceed with discussions with creditors, elaborating on matters such as the possibility of converting part of the debt into equity, but no decision was made with respect to any amendments to the plan, including with respect to possible cuts in the amounts of the debts to the creditors, which are still under analysis. Consequently, the assertion in the article quoted in the Official Letter that part of the debt of R\$32.3 billion owed to the international creditors (a number close to what is listed in the judicial reorganization plan) would be converted into shares is indeed a possibility, and such scenario had already been made public in the Notice to the Market of January 30, 2017. Laplace Finanças presented as one of the scenarios, among others, the possibility of paying 50% of this debt in shares, although the assertion that such amount would be equivalent to R\$5 billion



in the negotiation with creditors or that the Management has proposed such amount is mistaken.

It is important to reiterate that these figures, contained in a presentation of scenarios by Laplace Finanças, are strictly preliminary and in development and are not conclusive with respect to the adjustments that may be proposed in the future for the judicial reorganization plan. They were, in fact, materials distributed on the condition of confidentiality, which intended solely to support internal and non-deliberative discussion of the Board of Directors on such matters at that specific meeting.

In fact, such studies represent a preliminary assessment and contain strategic compositional possibilities among the various creditors of the Company, shareholders and other stakeholders, which is the reason why its disclosure, without any decision by the Board of Directors, would be against the interests of the shareholders, creditors and other stakeholders and could mislead them.

As already mentioned, the Company's objective is to seek improvements to the judicial reorganization plan that can be approved as soon as possible in the General Meeting of Creditors, guaranteeing the sustainability of the Company's business, and the premature disclosure of any preliminary and partial evaluations could put such objectives at risk.

Finally, in light of recent media speculation regarding its activities, Oi warns its shareholders and the market in general to consider only the information and documents officially disclosed by the Company in its formal channels of communication, including the various communications with respect to its judicial reorganization.

Oi makes itself available for further clarifications.

Sincerely,

Oi S.A. – In Judicial Reorganization

Ricardo Malavazi Martins

Chief Financial Officer and Investor Relations Officer



Oi S.A. – In Judicial Reorganization

CNPJ/MF 76.535.764/0001-43

NIRE 33.30029520-8

PUBLICLY-HELD COMPANY

EXCERPT OF ITEM (2) OF THE MINUTES OF THE 151ST MEETING OF THE BOARD OF DIRECTORS HELD ON FEBRUARY 1, 2017

As Secretary of the meeting of the Board of Directors, I hereby CERTIFY that items (2) of the Minutes of the 151st Meeting of the Board of Directors of Oi S.A. - In Judicial Reorganization, held on February 1, 2017, at 9:30 a.m., at Praia de Botafogo No. 300, 11th floor, room 1101, Botafogo - Rio de Janeiro (RJ), regarding the progress of the conversations with the creditors, stakeholders and potential investors, reads as follows:

*“Proceeding to **item (2)** of the Agenda Mr. Marco Schroeder updated the Board members on the latest conversation with the creditors, stakeholders of the Company and potential investors. He then gave the floor to Renato Carvalho, from LaPlace, who presented to the Board some developed scenarios based on feedback from creditors to allow the negotiations to proceed, which were discussed with the members of the Board, authorizing the management to proceed with agreements with the creditors, elaborating on certain critical issues, including, among others, the immediate conversion of part of the debt into equity.”*

All members of the Board of Directors were present and affixed their signatures: José Mauro M. Carneiro da Cunha, Thomas Reichenheim, Rafael Luís Mora Funes, André Cardoso de M. Navarro, Pedro Z. Gubert Morais Leitão, João Manuel Pisco de Castro, Luís Maria Viana Palha da Silva, Marcos Duarte Santos, Ricardo Reisen de Pinho, Demian Fiocca and Hélio Calixto da Costa.

Rio de Janeiro, February 1, 2017.

José Augusto da Gama Figueira
Secretary