



**Announcement** | Lisbon | 09 August 2016

## 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 215058

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

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## Oi S.A.-In Judicial Reorganization

CORPORATE TAXPAYERS' REGISTRY (CNPJ/MF) No. 76.535.764/0001-43

BOARD OF TRADE (NIRE) No. 33 3 0029520-8

PUBLICLY-HELD COMPANY

### NOTICE TO THE MARKET

Oi S.A. - In Judicial Reorganization ["Oi" or "Company"], in accordance with article 12 of CVM Instruction No. 358/02, informs the Market that it received a letter from Morgan Stanley, as transcribed below:

*"Dear Sir,*

*In compliance with the Comissão de Valores Mobiliários ["CVM"] Instruction 358 dated January 3, 2002, Article 12, please be notified that, as of June 29, 2016, Morgan Stanley (in the aggregate, through its subsidiaries, Morgan Stanley Capital Services LLC, Morgan Stanley & Co. International plc, Morgan Stanley Uruguay Ltda., Morgan Stanley & Co. LLC, Morgan Stanley Smith Barney LLC, Caieiras Fundo de Investimento Multimercado and Formula XVI Fundo De Investimento Multimercado Credito Privado - Investimento No exterior)<sup>1</sup> reached 7,893,554 preferred shares issued by Oi S.A. (the "Company"), equivalent to 5.0% of the Company's outstanding preferred shares. Such position already includes 121,900 loaned preferred shares and 2,903,019 borrowed preferred shares issued by the Company.*

*It has also reached a short position of 4,736,533 preferred shares, equivalent to 3.0% of the outstanding preferred shares of the Company.*

*Finally, Morgan Stanley reached long economic exposure through cash-settled derivative instruments referencing 3,200,000 or 2.0% of the outstanding preferred shares of the Company; and short economic exposure through cash-settled*

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<sup>1</sup> Morgan Stanley Capital Services LLC - CNPJ nº 05.870.238/0001-91, Morgan Stanley & Co. LLC - CNPJ nº 05.448.000/0001-72, Morgan Stanley Uruguay Ltda. - CNPJ nº 05.447.544/0001-10, Morgan Stanley & Co. International plc - CNPJ nº 05.448.002/001-61, Morgan Stanley Smith Barney LLC - CNPJ nº 18.628.845/0001-91, Caieiras Fundo de Investimento Multimercado - CNPJ nº 09.577.034/001-18, Formula XVI Fundo De Investimento Multimercado Credito Privado - Investimento No exterior - CNPJ nº 03.068.182/0001-20.

*derivative instruments referencing 5,922,300 or 3.8% of the outstanding preferred shares of the Company.*

*Morgan Stanley does not intend to change the control or management of the Company*

*Sincerely,*

*By: Cesar Coy*

*Title: Authorized Signatory.”*

Rio de Janeiro, August 08, 2016.

**Oi S.A. – In Judicial Reorganization**  
Flavio Nicolay Guimarães  
Chief Financial Officer and Investor Relations Officer