



Comunicado | Lisboa | 8 de junho de 2018

Comunicado ao Mercado divulgado pela Oi

A PHAROL, SGPS S.A. informa sobre o Comunicado ao Mercado divulgado pela Oi, S.A., conforme documento da empresa em anexo.

PHAROL, SGPS S.A.

Sociedade Aberta
Capital social € 26.895.375
Número de Matrícula na
Conservatória do Registo
Comercial de Lisboa e de Pessoa
Coletiva 503 215 058

A PHAROL está cotada
na Euronext (PHR).
Encontra-se disponível informação
sobre a Empresa na Bloomberg
através do código PHR PL.

Luis Sousa de Macedo
Diretor de Relação com
Investidores ir@pharol.pt
Tel.: +351 212 697 698
Fax: +351 212 697 649

pharol.pt

NON DEAL ROADSHOW

oi

JUNE 2018



AGENDA



A – Oi's priorities 2017 and 2018

B – Renewed Capital Structure and Corporate Governance

C – Market Strategy

D – Cost Strategy: Operational Efficiency & Digital Transformation

E – Incremental Capex Allocation Strategy

F – Judicial Reorganization Plan Implementation Status



IN 2017 THE MAIN MANAGEMENT PRIORITIES WERE: QUALITY IMPROVEMENT, DIGITAL TRANSFORMATION, COST CONTROL, CASH MANAGEMENT AND DEBT RESTRUCTURING

A Quality Improvement

- Infrastructure update and network capacity expansion, preventive actions, customer care quality increase, and services and process digitalization generated synergies to the company.
- As a result, in 2017 Oi registered an improvement on customers satisfaction, reducing regulator complaints KPI [-23.0% versus 4Q16] and legal claims [-46.3% versus 4Q16].

B Digital Transformation

- The digital transformation enabled efficiency gains and improvement on customer experience, with process automation and expansion of the customer care and sale digitalization (e-care, e-billing, and e-commerce).

C Cost Control

- The Company reduced costs by R\$ 1.5 Billion in 2017: operational efficiency promotes sustainable cost reduction, supported by continuous improvement in quality indicators
- Routine Ebitda totaled R\$ 6.2Bn in 2017, or 2.3% above the Judicial Reorganization forecast.

D Cash Management

- In 2017, Oi's operations have sustained R\$ 7.0 billion in cash, in line with the guidelines of the Judicial Reorganization Plan. In 2018, the plan forecast a cash balance of R\$ 6.188 billion.

E Debt Restructuring

- JR Plan approval by the great majority of creditors will allow R\$ 36 billion debt reduction ⁽¹⁾, enabling the resumption of the investment cycle.

Notes: (1) The debt fair value is being updated according to the buckets' final option.



IN 2018, OI IS PREPARING A NEW CYCLE OF INVESTMENT, KEEPING FOCUSED ON QUALITY IMPROVEMENT, DIGITAL TRANSFORMATION, COST CONTROL, CASH MANAGEMENT AND BUSINESS TURNAROUND

A Quality Improvement

- Focus on the operation continues to increase efficiency and improve customer experience, resulting improvements in quality and operational indicators.
 - Initiatives such as infrastructure upgrade, network capacity expansion, preventive actions to increase productivity, improvement of quality, and digitalization of services and processes create synergies for Oi.
 - As a result, the Company continues to improve customer satisfaction, with consistent reductions in ANATEL [-24.1% YoY], Legal Claims [-23.4% vs YoY] and Consumer Complaints [-5.1% YoY].

B Digital Transformation

- The Intensification of the digital program enabled efficiency gains and the improvement of customer experience, with the automation of processes (robotization and artificial intelligence) and increase of digitalization of sales and customer service (e-care, e-billing and e-commerce).

C Cost Control

- Operational efficiency promotes sustainable cost reduction, reinforced by the continued evolution of quality indicators.
- Oi recorded EBITDA of R\$ 1,567 million in 1Q18, in line with Judicial Reorganization Plan.

D Cash Management

- Oi closed March 2018 with a cash position of R\$ 6.2 billion, reflecting the payment of the anticipation of investments in 4Q17 and payment of Income Tax, in line with JR Plan.

E Business Turnaround

- JR Plan Approval will lead to a debt reduction of over R\$ 36 billion, enabling the resumption of the investment .
- The Company is now in the preparation phase for a new cycle of growth that will occur with the acceleration of investments focused on access of both fixed and mobile network, financed by the capital increase.
 - The incremental CAPEX plan includes annual investments of R\$ 7 billion for the next years and strategies for the mobile and fixed line networks, supporting transformation, growth and business sustainability.

Notes: [1] The debt fair value is being updated according to the buckets' final option.

Source: Oi Investor Relations

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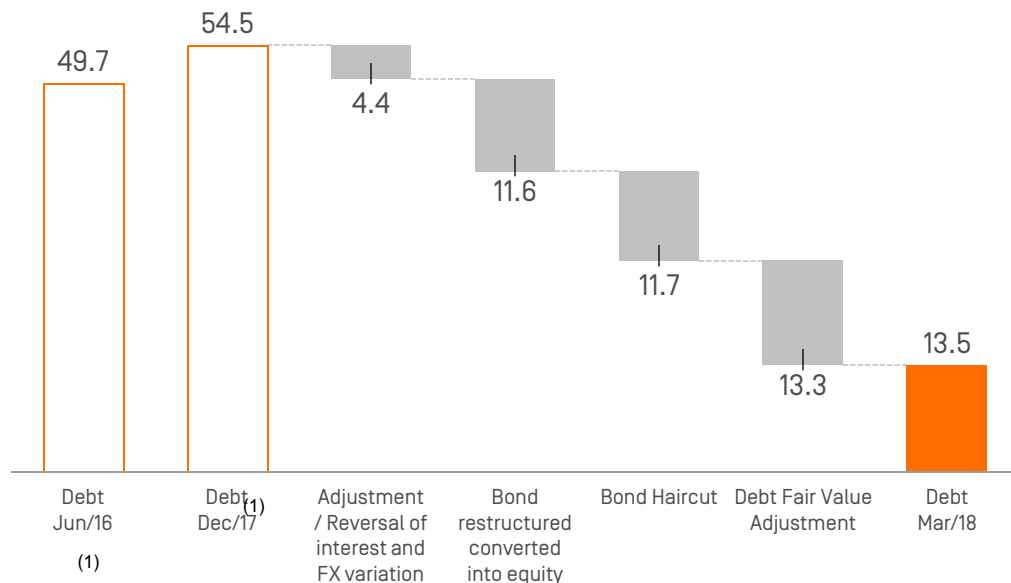
E – Incremental Capex Allocation Strategy

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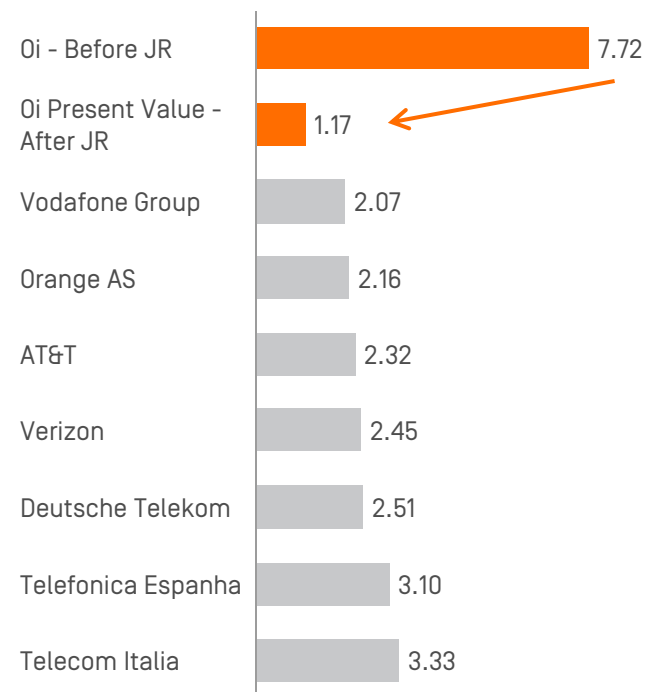
JR PLAN APPROVAL ALLOWS R\$ 36 BILLION DEBT REDUCTION, ENABLING THE RESUMPTION OF THE INVESTMENT CYCLE

Total Financial Debt

R\$ Billion



Net Debt/Ebitda

Benchmark^[2]

Notes: [1] It doesn't consider Labor and Non Financial Unsecured Creditors; [2] In Financials 2016, Oi 2027.

Source: Oi Controller Department / Oi Strategy



APPROVAL OF THE JUDICIAL REORGANIZATION PLAN: SUSTAINABLE BASES FOR LEVERAGING BUSINESS GROWTH AND PROFITABILITY

Capital Structure

- JRP results in a significant reduction of financial debt through the conversion into capital (from R\$ 49.7 billion to R\$ 13.8 billion).
- Stretching of repayment flows of liabilities (average life of 10.2 years).
- 1Q18 Net financial debt booked at R\$ 7.3 billion at fair value (Net Debt / EBITDA 2017 = 1.17x).

Corporate Governance

- JRP results in a pulverized shareholding base and strong, transparent and professional corporate governance.
- Transition Council composed of 9 members (6 independent).
- Stabilization of the Board during the transition period ensures the commitment to implement the JRP.
- After the transition period, a new Board of Directors with 11 members (100% independent) will be selected with HR consulting support.

Financial Sustainability and Market Repositioning

- Levers for the Company's new investment cycle:
 - ✓ Capital increase with a firm guarantee of R\$ 4.0 billion
 - ✓ Additional funding of R\$ 4.5 billion in the next years, of which R\$ 2.0 billion of CAPEX financing + R\$ 2.5 billion via asset sales or capital markets.
- New investment cycle: regaining competitiveness and growth with emphasis on quality and better experience for users, leveraging its main differentiation: Robust infrastructure with Huge capillarity

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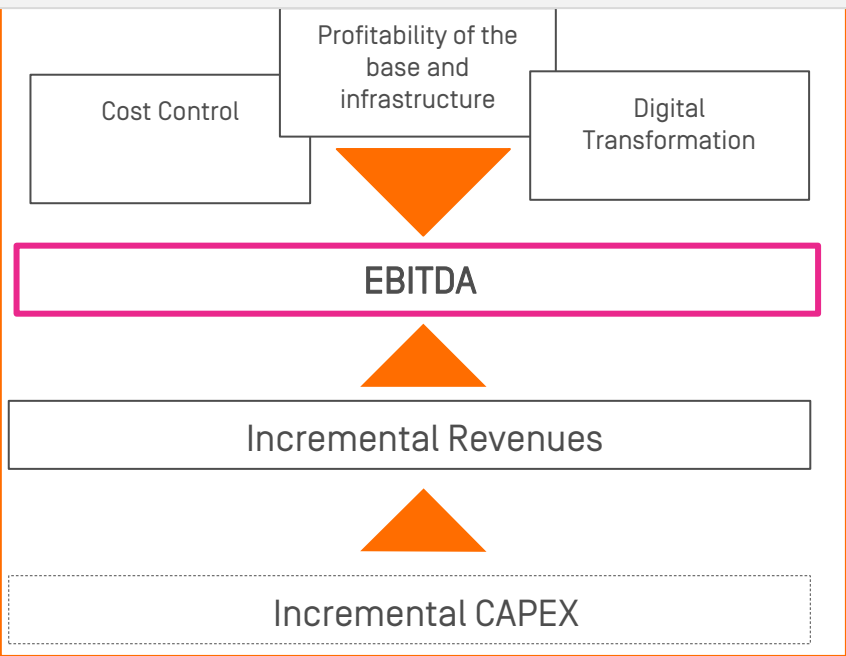
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BRAZILIAN MARKET IS INCREASINGLY COMPETITIVE WITH MAJOR PLAYERS SEEKING CONVERGENT PORTFOLIOS AND INCREASED BANDWIDTH AND QUALITY FOR MOBILE AND FIXED BROADBAND

Competitive Environment



VIVO

- Residential incumbent in São Paulo and absolute nation-wide leader in mobility
- Recent acquisition of GVT, which was the reference in broadband quality
- Acceleration of the FTTH expansion, focusing on high-value and converging clients

TIM

- Predominantly mobile player, with incipient residential operations
- #2 in mobile, with recent largest investment in 4G, seeking to stand out due to data quality, aiming at the post-paid segment

NET / CLARO

- Reference in TV and residential bundles, has recently expanded their portfolio to include mobile in their combos – Combo Multi (2011)
- In mobile, it ranks third, approaching TIM

SKY

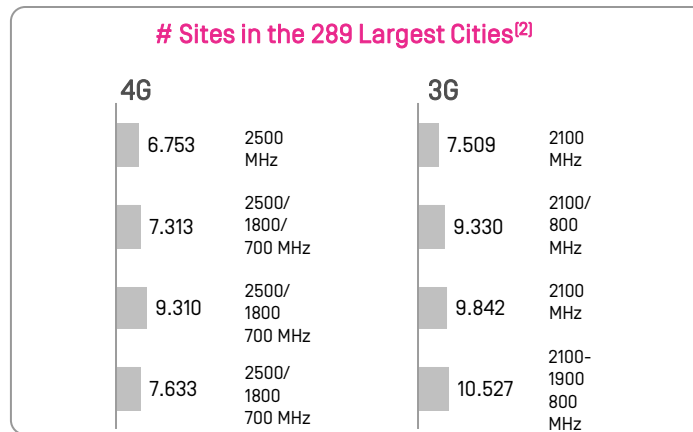
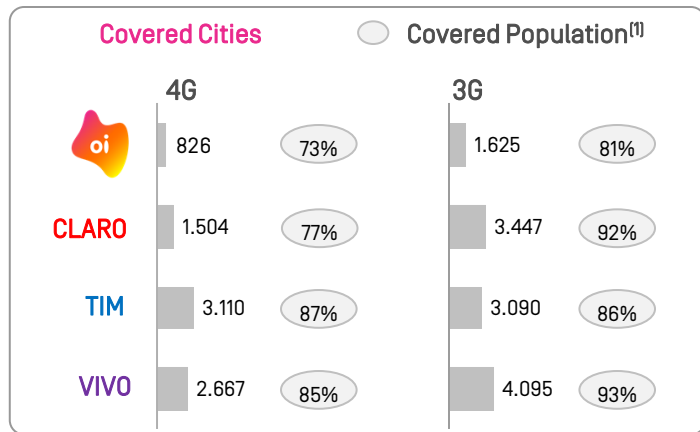
- Predominantly TV player, being a pioneer in DTH
- Massification by means of expansion of the prepaid and portfolio



- Value for Money positioning, offering greater benefits for the same amount
- Upsell to existing clients focusing on convergence and content variety
- Does not offer residential portfolio in São Paulo



OI'S 4G/3G COVERAGE GAP DUE TO CAPEX RESTRICTIONS IN THE LAST YEARS IS REFLECTED IN THE CONTINUOUS MARKET SHARE REDUCTION



RGU Million	Pre Paid			Post Paid – Ex M2M			Total – Ex M2M		
	EOP 2013	Net Adds 60M	EOP 2017	EOP 2013	Net Adds 60M	EOP 2017	EOP 2013	Net Adds 60M	EOP 2017
oi	41.8 (19.7)	-11.9	29.8 (20.1)	7.5 (14.6)	0.1	7.6 (10.5)	49.3 (18.7)	-11.8	37.5 (16.9)
TIM	61.1 (28.9)	-20.3	40.8 (27.5)	11.1 (21.7)	5.0	16.1 (22.1)	72.3 (27.5)	-15.3	56.9 (25.7)
VIVO	53.6 (25.3)	-15.4	38.2 (25.7)	21.3 (41.6)	9.1	30.5 (41.9)	74.9 (28.5)	-6.3	68.6 (31.0)
CLARO	54.4 (25.7)	-15.7	38.7 (26.0)	10.7 (20.8)	4.6	15.3 (21.0)	65.1 (24.8)	-11.1	53.9 (24.4)

Notes: [1] % population in the covered cities; [2] 3G/4G Sites for 289 cities with population >100k . 63% of total urban population; [3] MS considers small companies: Nextel, CTBC, Porto Seguro, Sercomtel, Datora and Terapar. | Source: Anatel, Teleco, Tableau Oi – Updated in May/18

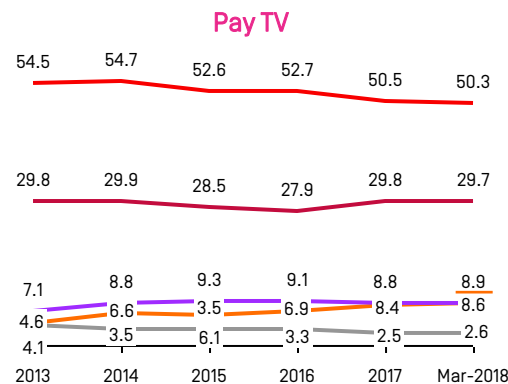
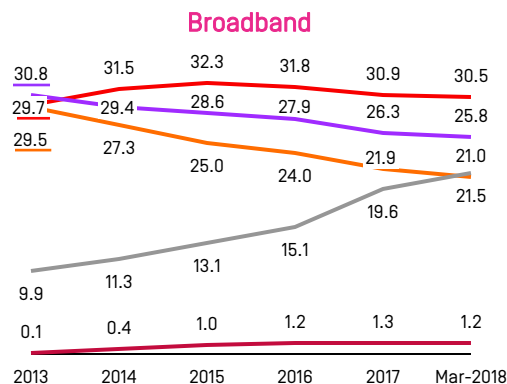
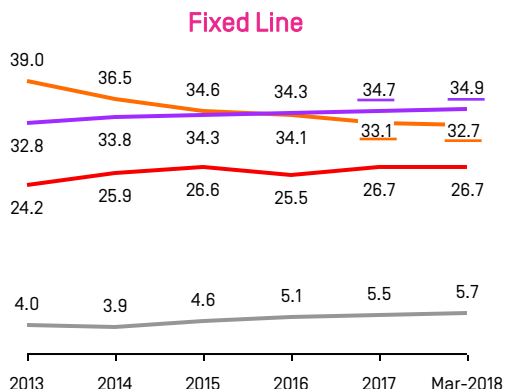


DUE TO CAPEX RESTRICTONS, IN THE LAST YEARS OI HAS BEEN LOSING MARKET SHARE OF BROADBAND, KEEPING ITS CUSTOMER BASE STABLE IN A GROWING MARKET. TV HAS BEEN GROWING

Market Share

%

- OI
- CLARO
- VIVO
- SKY
- OUTRAS^[2]

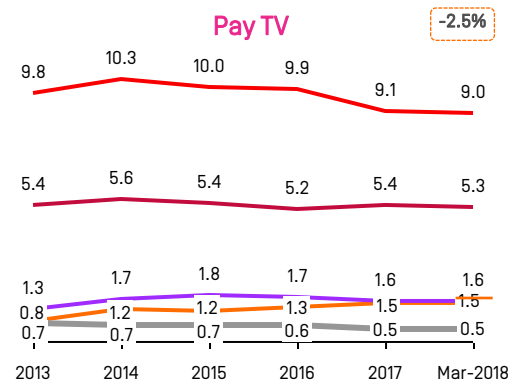
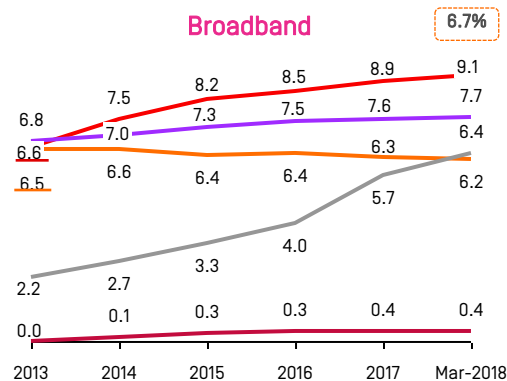
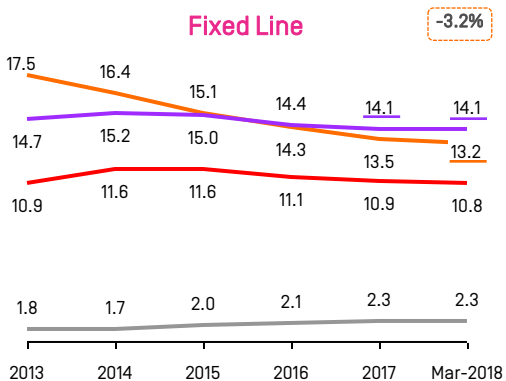


Base

Million

CAGR^[3]

- OI
- CLARO
- VIVO
- SKY
- OUTRAS^[2]



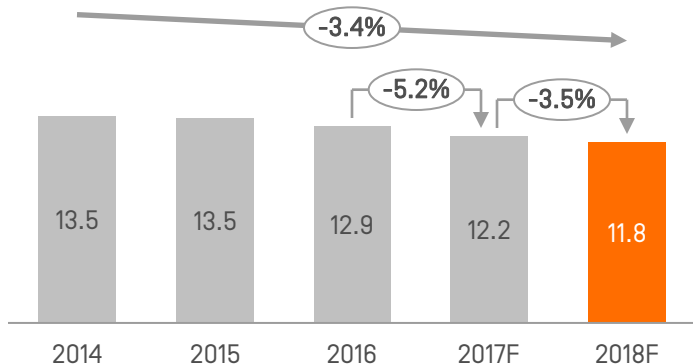
Notes: [1] Brazil = R1 + R2 + R3; R1 = North / Northeast / Southeast; R2 = Center West / South; R3 = São Paulo; [2] Others include Algar, Sercontel, Tim and local providers. [3] CAGR for fixed line and Pay TV is calculated from 2014 onwards, given the downward trend since then. | Source: Anatel.



IN 2018, BRAZILIAN B2B MARKET WILL DECLINE, DESPITE THE IT MARKET ACCELERATED GROWTH. FOR OI, BETTER ENVIRONMENT WITH THE APPROVAL OF JR PLAN

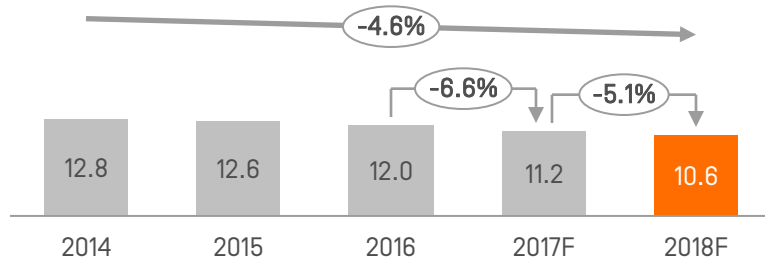
Telecom and IT Market

B2B
Net Revenues (R\$ Bn)

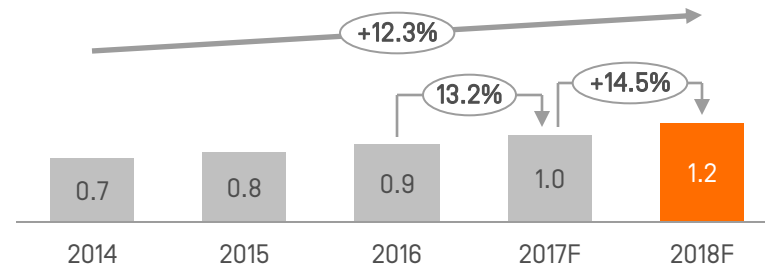


The IT Market growth (+ 14.5%, y.o.y) is not sufficient to compensate the Telecom Market retraction [-5.1% y.o.y]

Telecom



IT



STRATEGY IN LINE WITH GLOBAL AND BRAZILIAN TRENDS

B2C & B2B

- Leverage convergence in positioning, offers, and channel strategy
- Accelerate the migration of voice revenues to data and services
- Promote customer centric positioning, through simplicity and clarity of communication
- Digital Transformation

CONVERGENCE 

- Defend client base and **increase value with convergent value proposition.**
- **Increase ARPU and customer life-time value** by applying micro-marketing practices based on big data
- **Bundling** voice, data and services

DATA & SERVICES 

- **Differentiate traditional telecom value propositions** thru content and services
 - B2C: video & apps
 - B2B: IT Services & Big data
- **Improve data experience** across all segments
- **Accelerate data and services penetration** within customer base

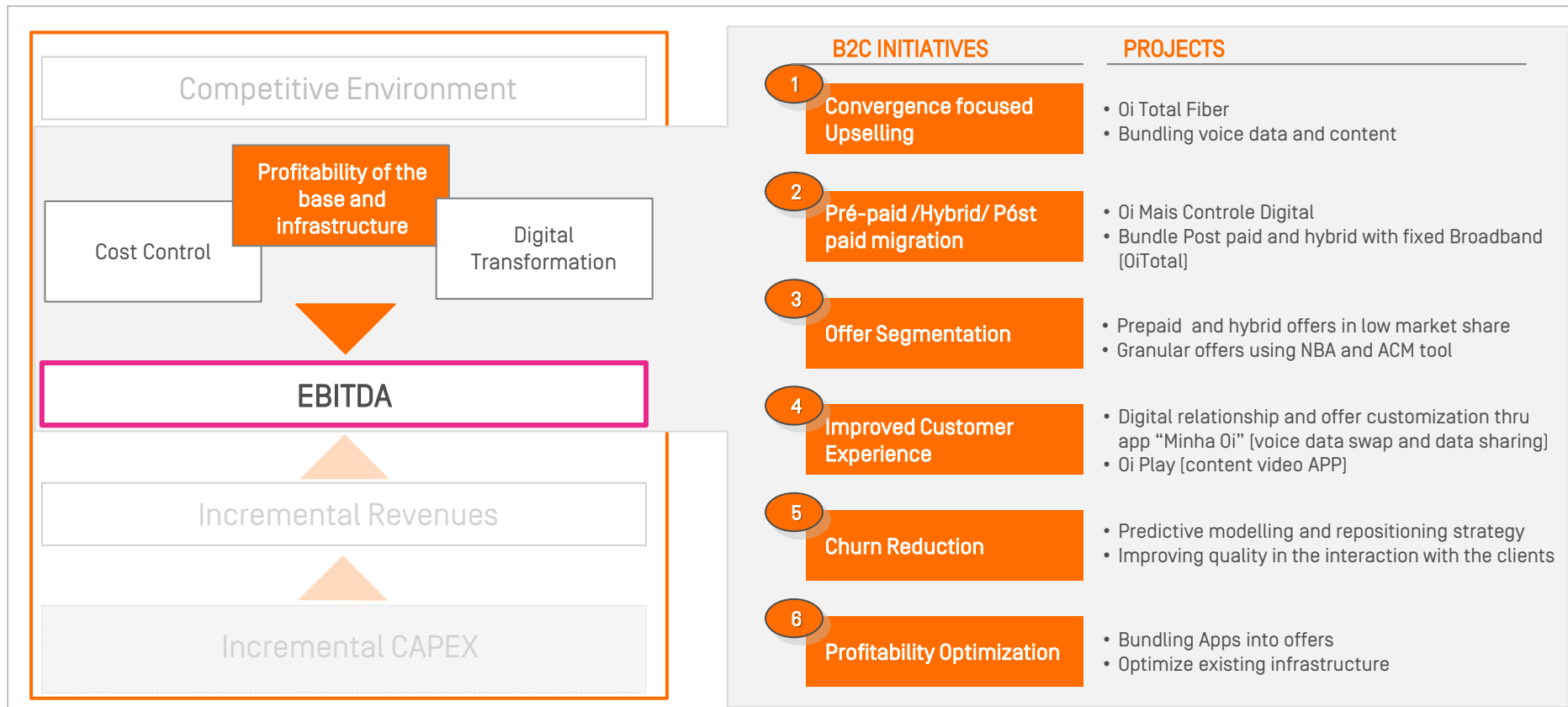
OPERATIONAL EFFICIENCY 

- **Aggressive ramp-up of the web channel and e-billing**
- Enhance performance of acquisition, upsell and retention operations through **more granular approach and intelligence (NBA)**
- **Refine Go-To-Market policy**, increasing regional granularity and synchronizing with infrastructure and operations

CUSTOMER CENTRIC

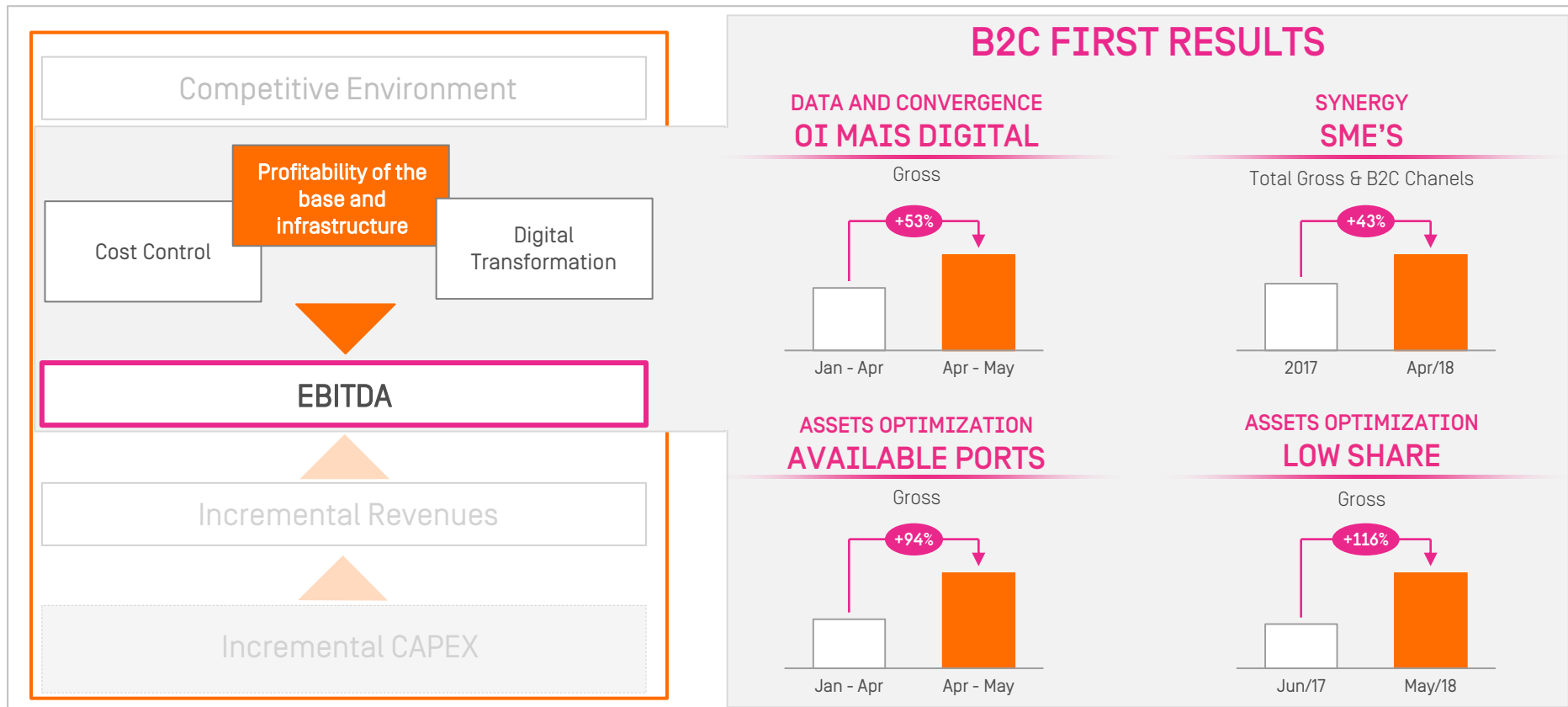


OI'S B2C STRATEGY FOCUSES ON 6 MAJOR LEVERS TO DRIVE REVENUE INCREASE



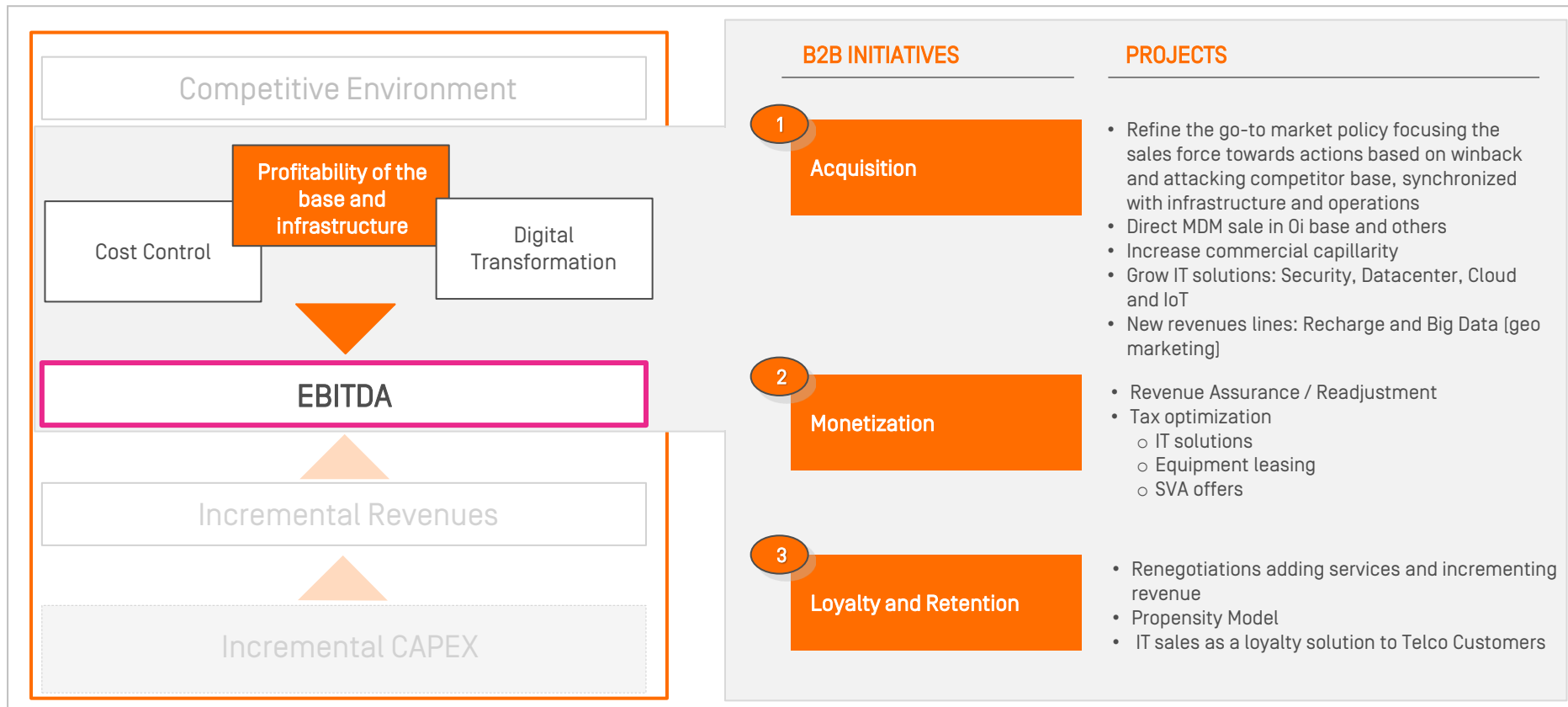


OI'S B2C STRATEGY FOCUSES ON 6 MAJOR LEVERS TO DRIVE REVENUE INCREASE



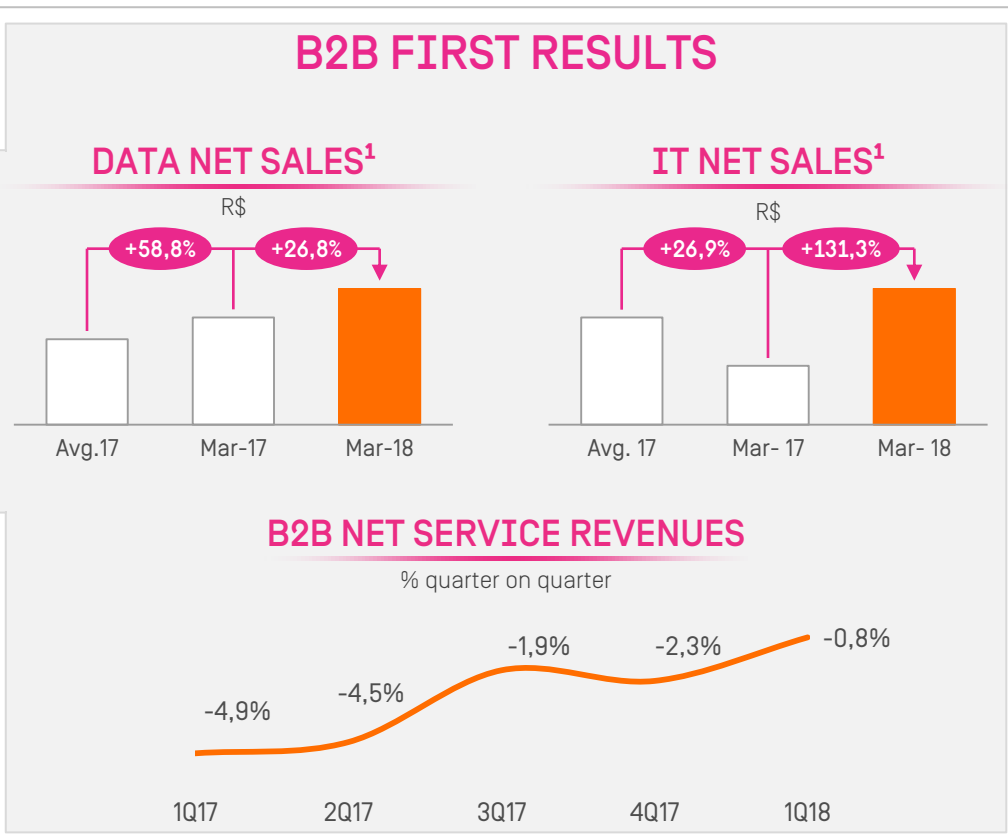
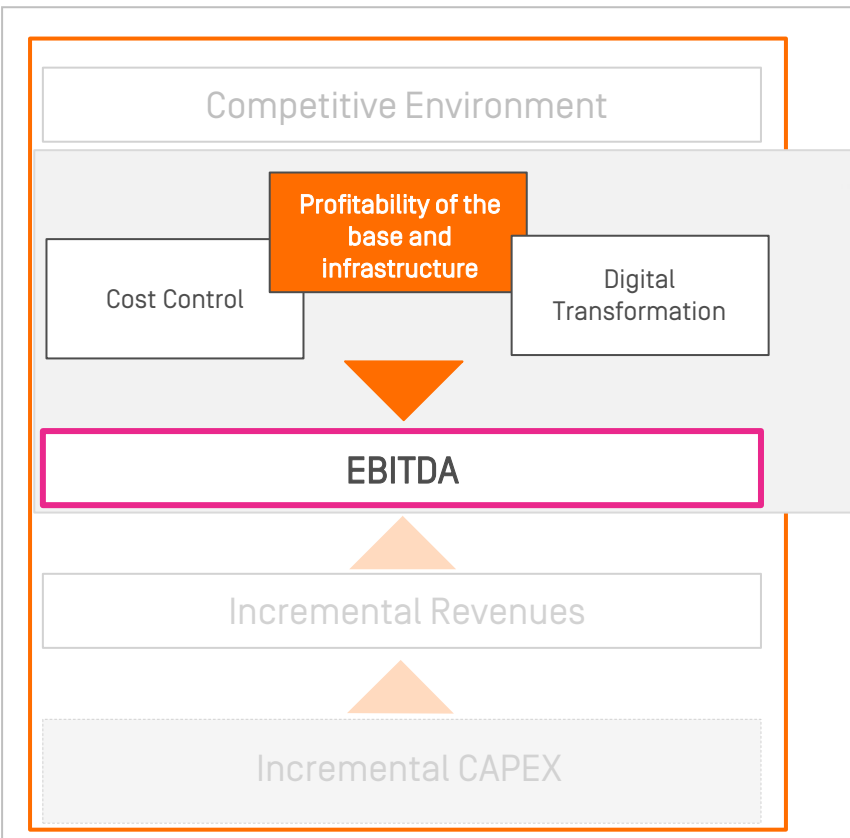


B2B TURNAROUND STRATEGY IS BASED ON 3 PILLARS TO LEVERAGE COMMERCIAL ACTIVITY AND INCREASE REVENUE





B2B TURNAROUND STRATEGY IS BASED ON 3 PILLARS TO LEVERAGE COMMERCIAL ACTIVITY AND INCREASE REVENUE



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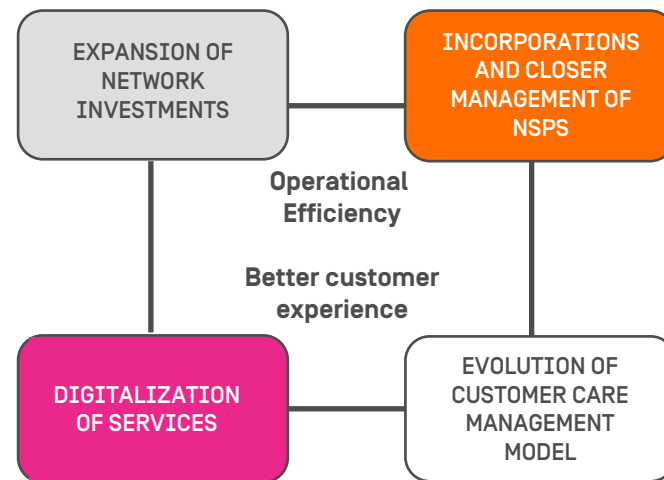
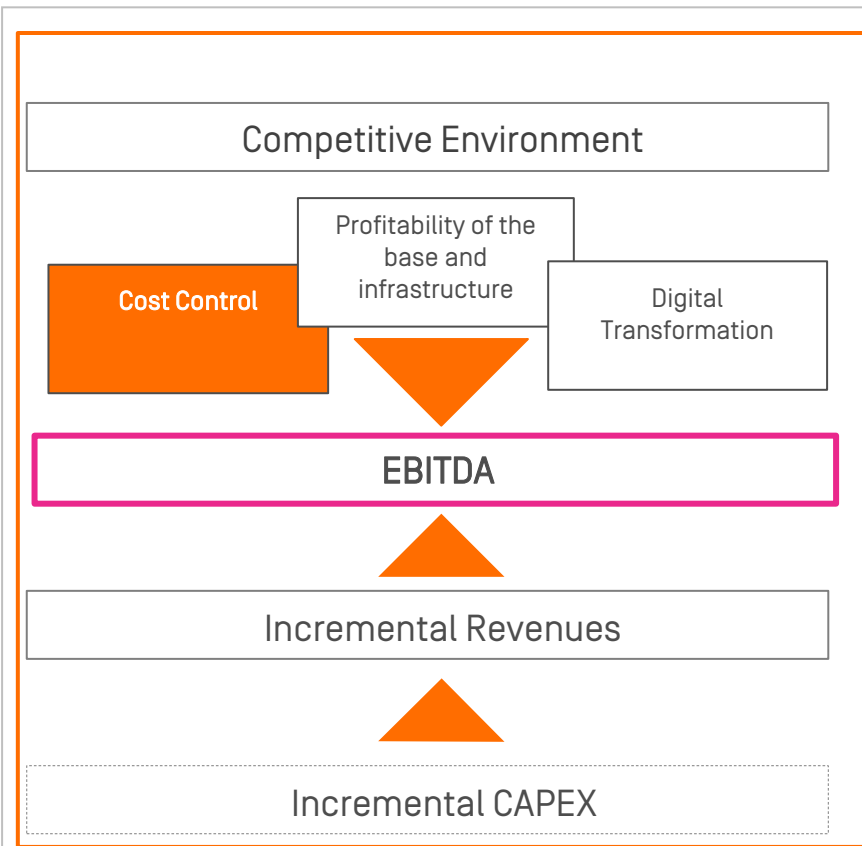
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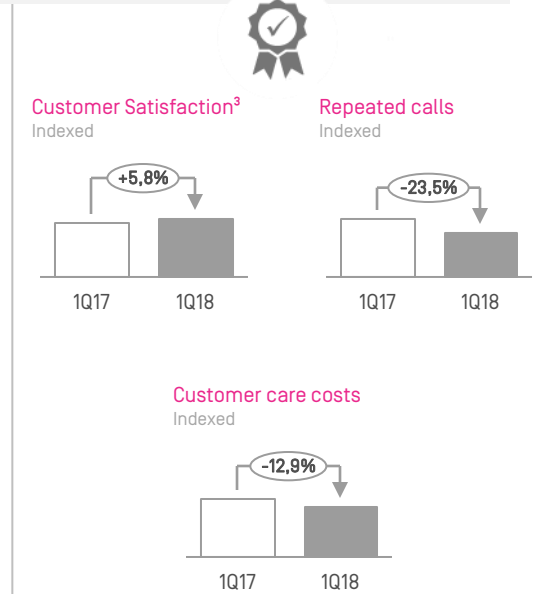
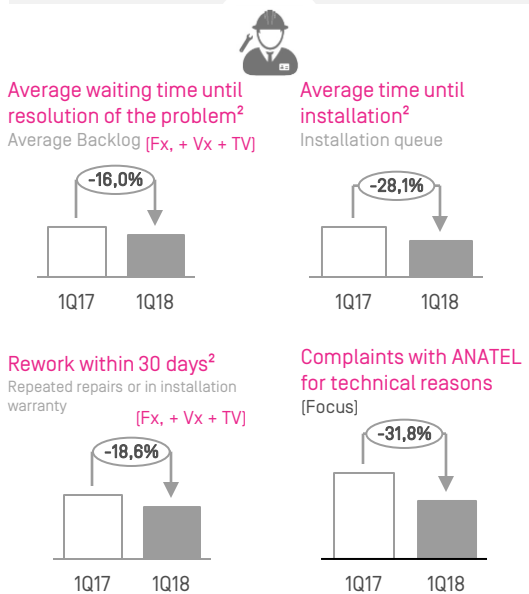
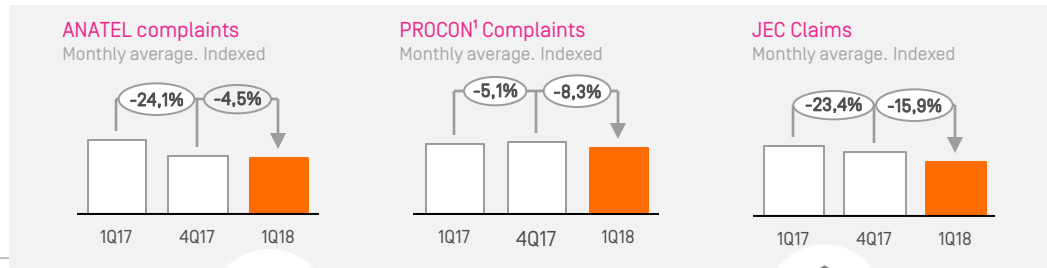
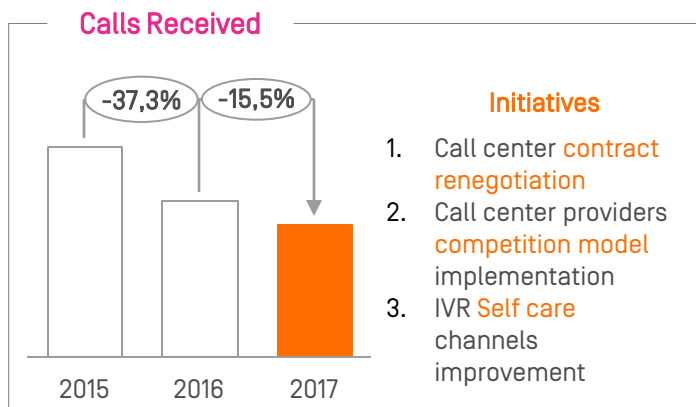
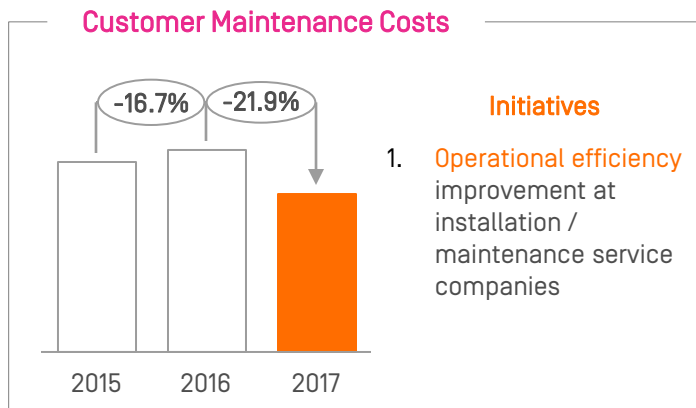
COST CONTROL ON THE BACK OF OPERATIONAL EFFICIENCY AND IMPROVING QUALITY



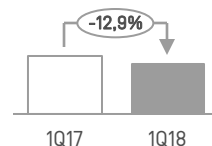
Active management on the operational efficiency and digitalization fronts in conjunction with the evolution of service and NSRs management model resulted in **increased productivity and improved customer care quality**, generating **operational efficiency gains and improving the customer experience**, resulting in cost reduction with quality growth.



STRUCTURAL ACTIONS FOCUSED ON IMPROVING CUSTOMER EXPERIENCE, EFFICIENCY IN FIELD OPERATIONS AND PREVENTIVE ACTION SUPPORT ADVANCES IN QUALITY INDICATORS



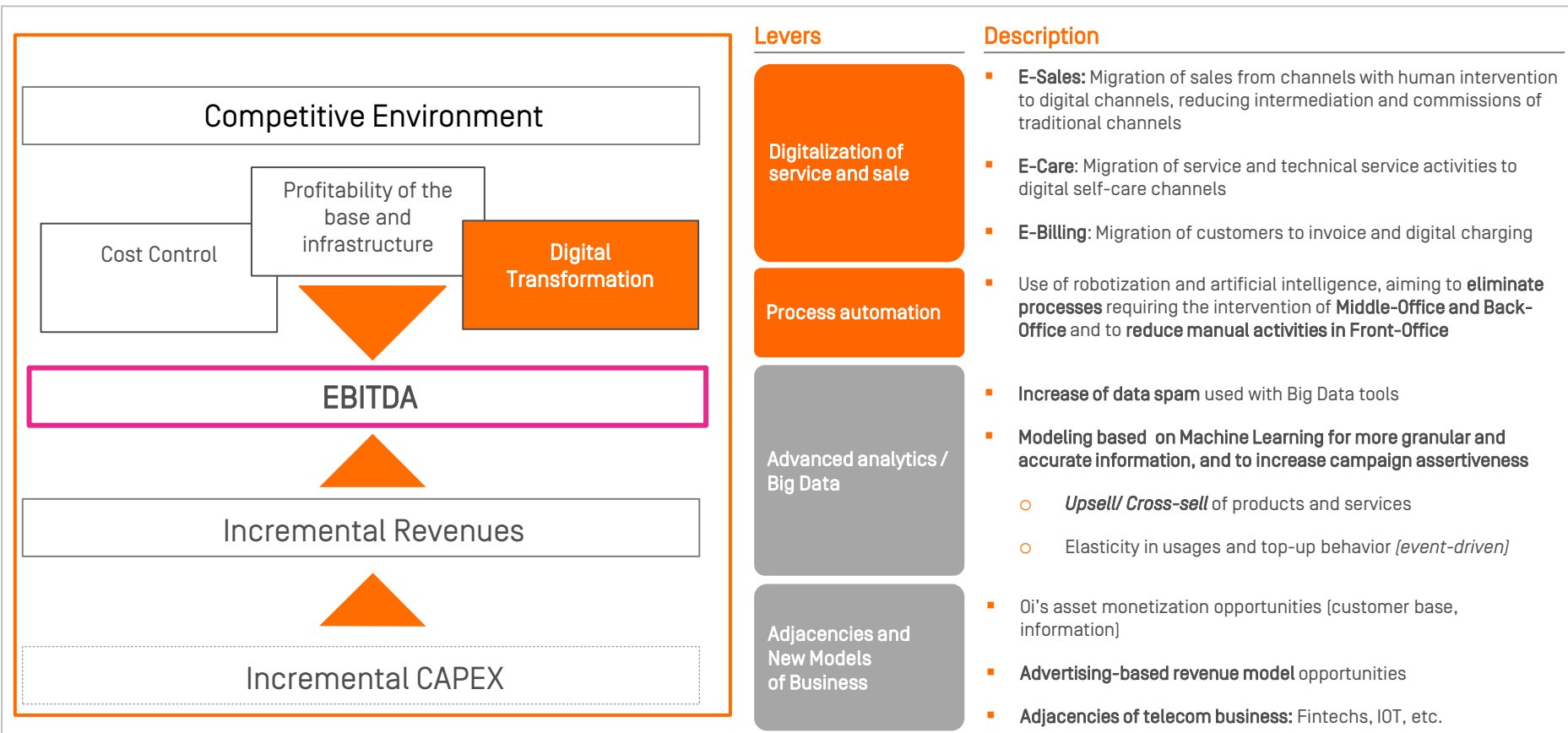
Customer care costs Indexed



1 - Source: SINDE/DPDC | 2 - Results of the operations of the absorbed network services providers (NSRs) | 3- Customers who called Customer Care are contacted within 24 hours after the call and are questioned as to satisfaction regarding the service provided by the operator. This result is used for the attendant remuneration and the supplier's bonus.



DIGITAL TRANSFORMATION AS A KEY TOOL TO IMPROVE BOTH COST EFFICIENCY AND CLIENT EXPERIENCE

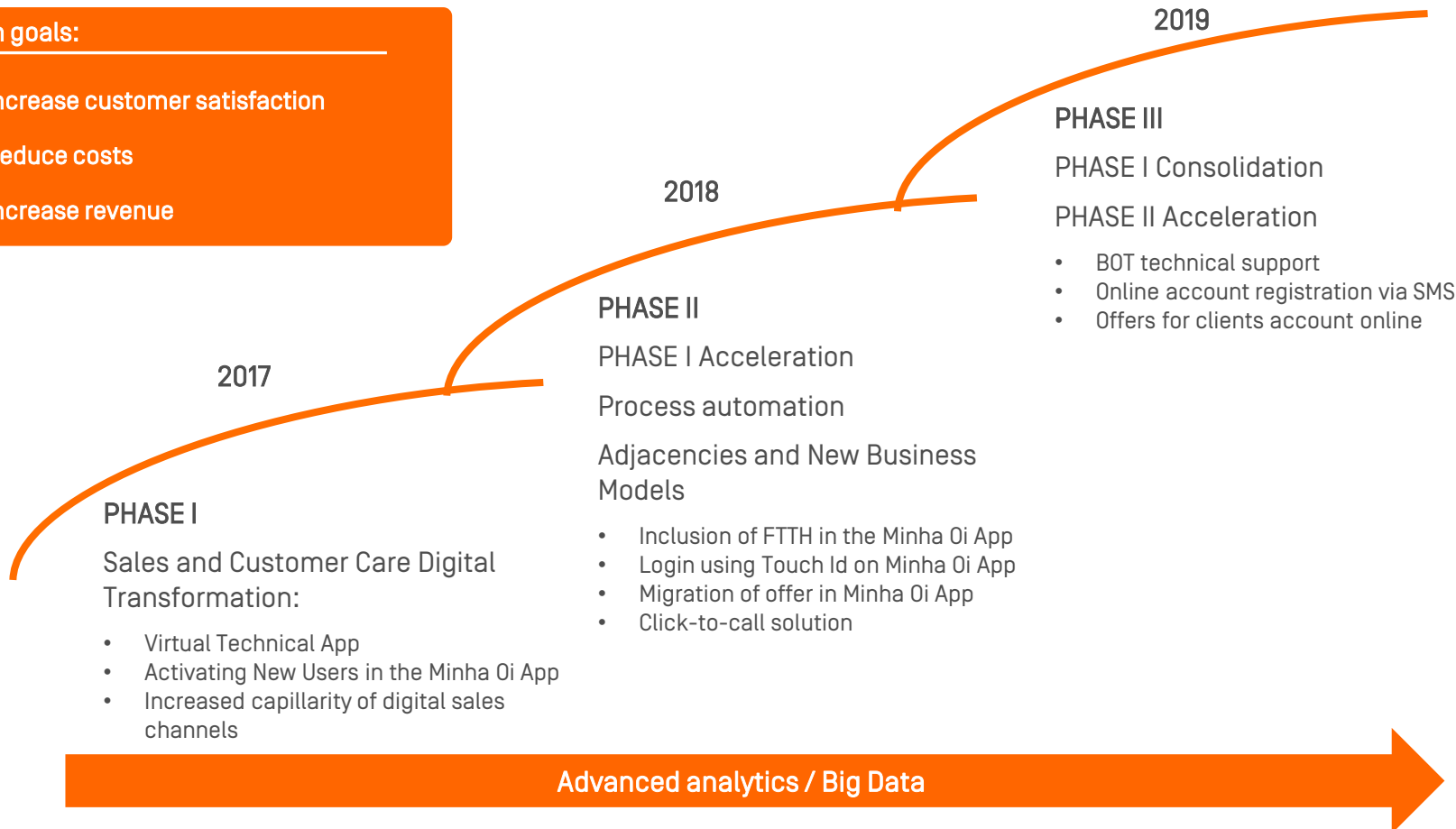




DIGITAL TRANSFORMATION PLAN TIMELINE

Main goals:

- ✓ Increase customer satisfaction
- ✓ Reduce costs
- ✓ Increase revenue



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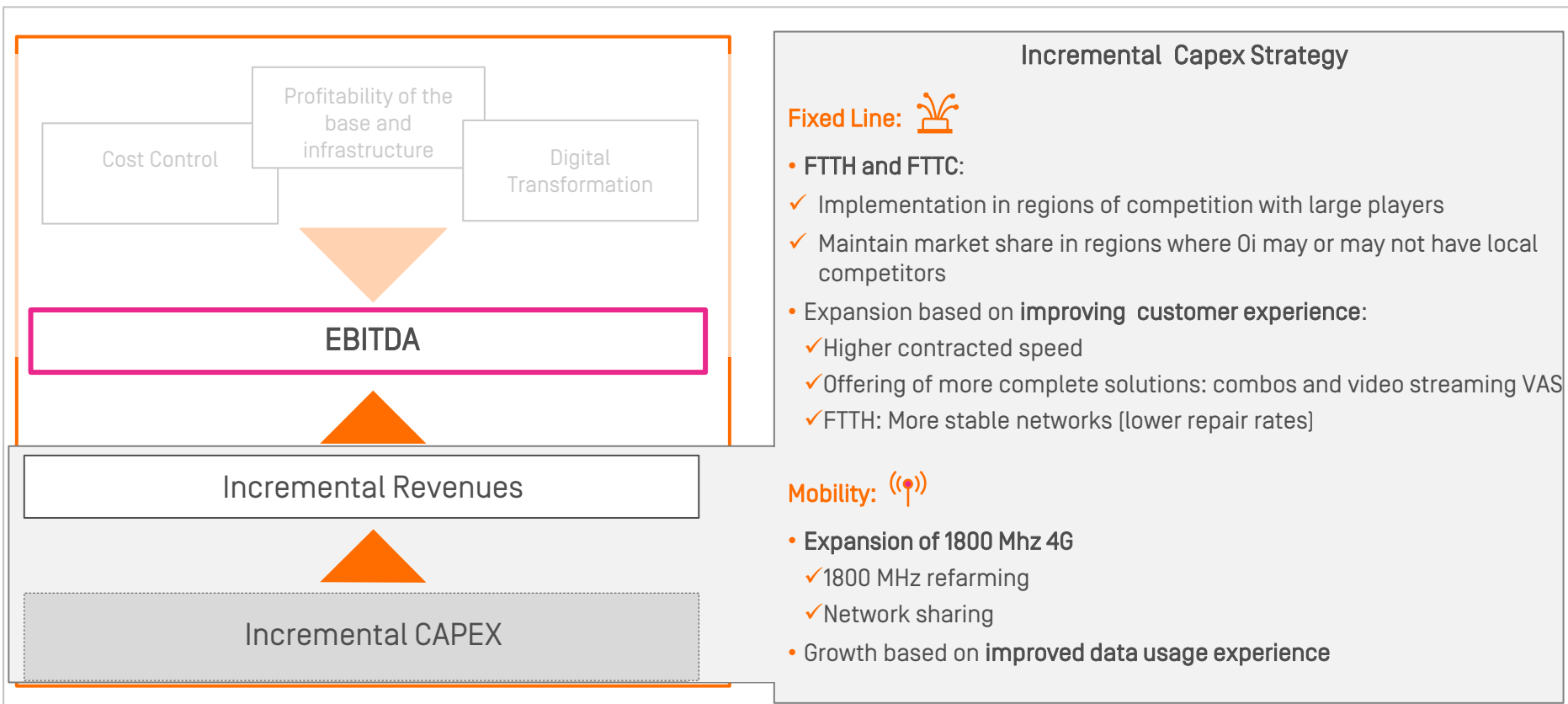
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JR PLAN FORESEES ADDITIONAL REVENUE GROWTH BASED ON INCREMENTAL CAPEX FINANCED BY CAPITAL INCREASE, IN CONJUNCTION WITH RECURRING MARGIN GAIN ACTIONS












OI'S NATIONWIDE COVERAGE, WITH HIGH LEVEL OF CAPILLARITY (PRESENCE IN OVER 5,500 MUNICIPALITIES) AND HIGH AVAILABILITY BACKBONES, OFFERS HUGE OPPORTUNITIES



- High capacity **Backbone**
- ~ **350,000 km** of Fiber Optics
- **Nationwide Coverage with International** connection points (MIA and NYC);
- **IP Core** with capacity enough to **carry over 5.5 Tbps**;
- **Content Cache** structures including the main content providers: Facebook, Google, Netflix, Akamai.
- **Robust Transport Network Core:** SDH, DXC, PTN e OTN (100Gbps) in **ring or mesh** with at least **3 different paths** in **23 States and most important cities**;
- **Multiplatform Head End** supporting the DTH, IPTV and OTT services;
- ~ **45 million homes** passed with copper network

~244,000 Equipamentos de Rede

	Transport/Satellite	~ 116,700 Equipment
	Data Network	~ 21,100 Equipment
	Landline	~ 37,500 Equipment
	Broadband	~ 33,300 Equipment
	Mobile Network (2G/3G/4G)	~ 28,400 Equipment
	(4G RAN Sharing)	~ 4,300 Equipment
	Platforms/OSS	~ 150 Platforms/OSS
	Oi TV	~ 3,000 Equipment

~60 MM Unidade Geradora de Receita

Landline	: B2C: ~ 9,23 MM B2B: ~ 3,64 MM
Broadband	: B2C ~ 5,16 MM B2B: ~ 0,54 MM
Mobile	: B2C: ~ 36,6 MM B2B: ~ 2,3MM
TV	~ 1,5 MM
Public Telephone	~ 640 K

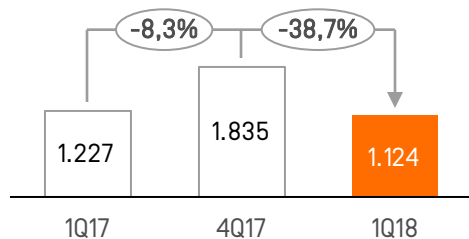


INVESTMENTS IN NETWORK CORE AND TRANSPORT PREPARE THE COMPANY TO EXECUTE WITH AGILITY AND EFFICIENCY THE INCREMENTAL CAPEX PLAN FINANCED BY THE CAPITAL INCREASE

Part of the investment planned for 1Q18 was anticipated to 4Q17, prioritizing the expansion of Capex in infrastructure and network core

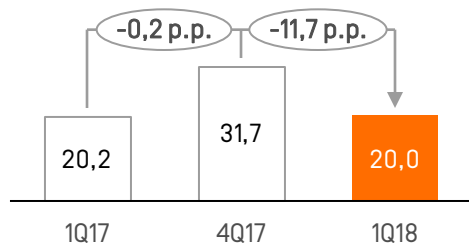
Capex

R\$ million - Brazilian operations



Capex / Net Revenue

%



In 2018, Oi prepares to start the new investment cycle after the capital injection provided for in the JP Plan



PREPARATION

ACCELERATION



Readjustment of the Organizational Structure



Capital Increase



Elaboration of the Incremental CAPEX Plan



Beginning of the execution of the incremental CAPEX plan



Structuring of areas, processes and infrastructure to execute the Incremental CAPEX plan




Evolution of Digital Transformation, Efficiency and Quality

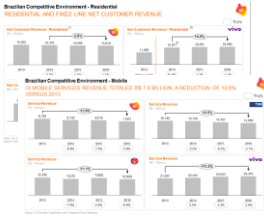


CAPITAL INCREASE WILL REDUCE COMPETITIVE, FINANCIAL AND QUALITY GAPS, ALLOWING OI TO LEVERAGE ITS UNIQUE INFRASTRUCTURE TO CAPTURE MARKET OPPORTUNITIES

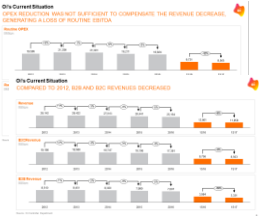
Industry Gaps



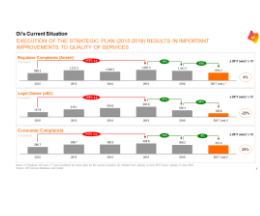
Competitive Gaps



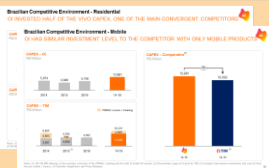
Financial Gaps



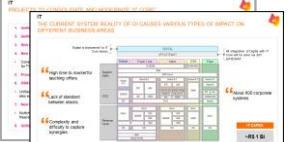
Quality of Service Gaps



Investment Gaps



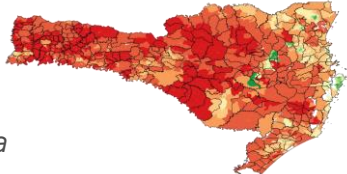
Relevant capital allocation areas

Network Investments	IT/Operations/CPEs ¹	
Fixed Broadband	Mobile	New IT architecture
<ul style="list-style-type: none"> • Investments allocated by market demand: <ul style="list-style-type: none"> ○ Shortening Local Loops ○ Optical Fiber 	<ul style="list-style-type: none"> • 4G Network Expansion: Refarming (1800 MHz) and Carrier Aggregation • Increase of 4G Coverage Area 	 <ul style="list-style-type: none"> • Consolidation and optimization of OI's systems

New investment plan

Data fine tuning and granular prioritization

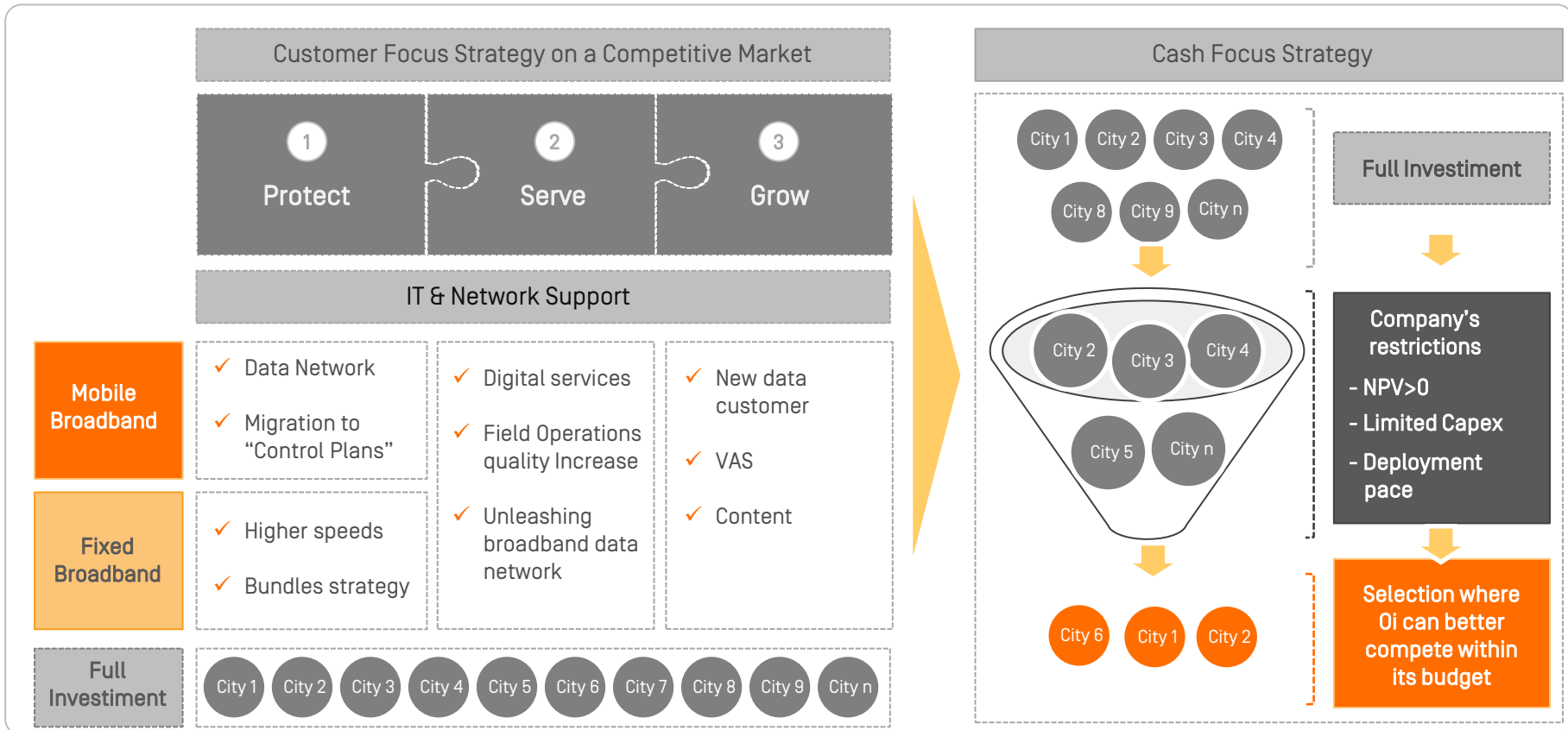
Example: *State of Santa Catarina*



Note: [1] Customer Premises Equipments;
Source: Oi Strategy

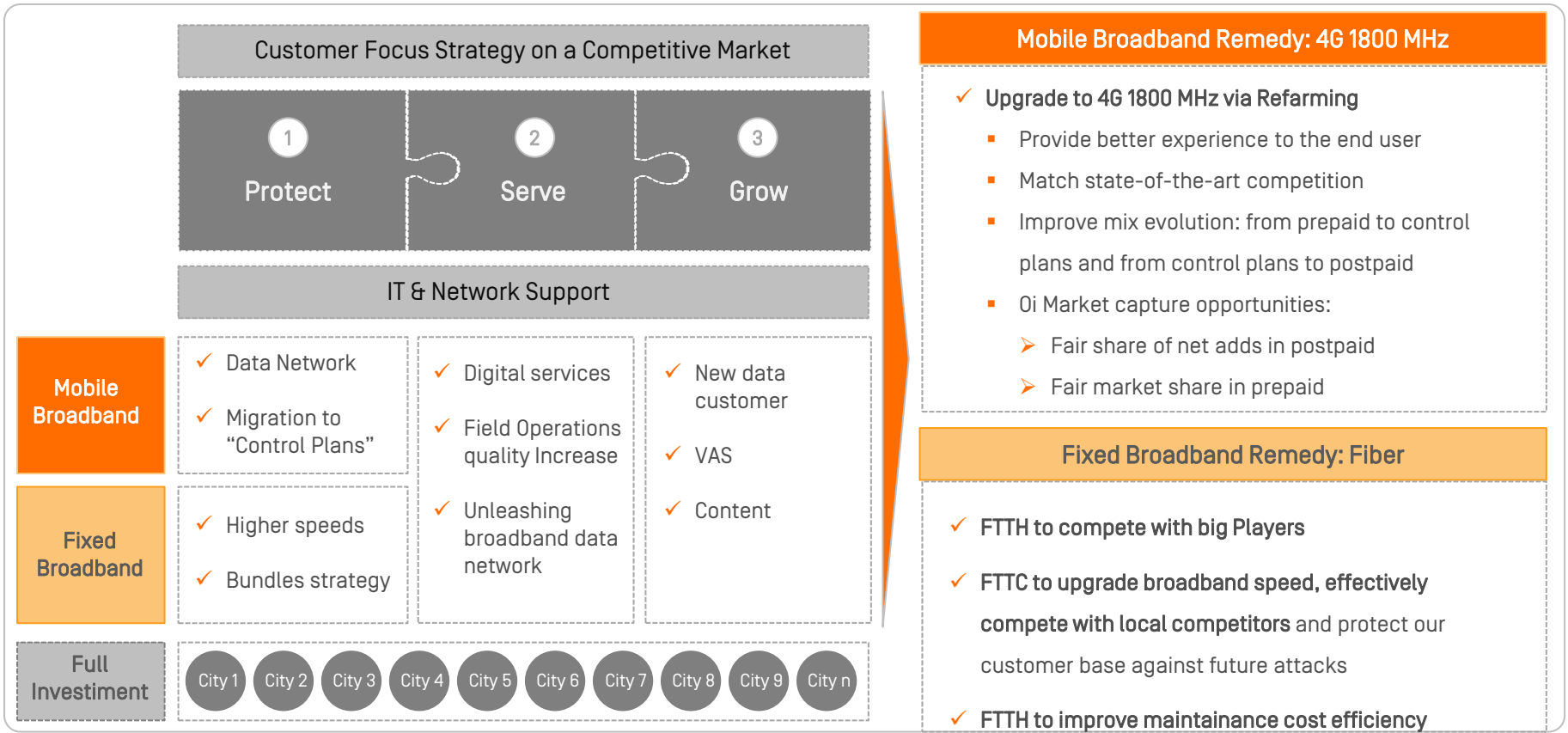


OI'S STRATEGY IS TO FACE COMPETITION BY FOCUSING ON CUSTOMER SERVICE, ADDING VALUE TO THE COMPANY, LIMITED ONLY BY INVESTMENT RESTRICTIONS...



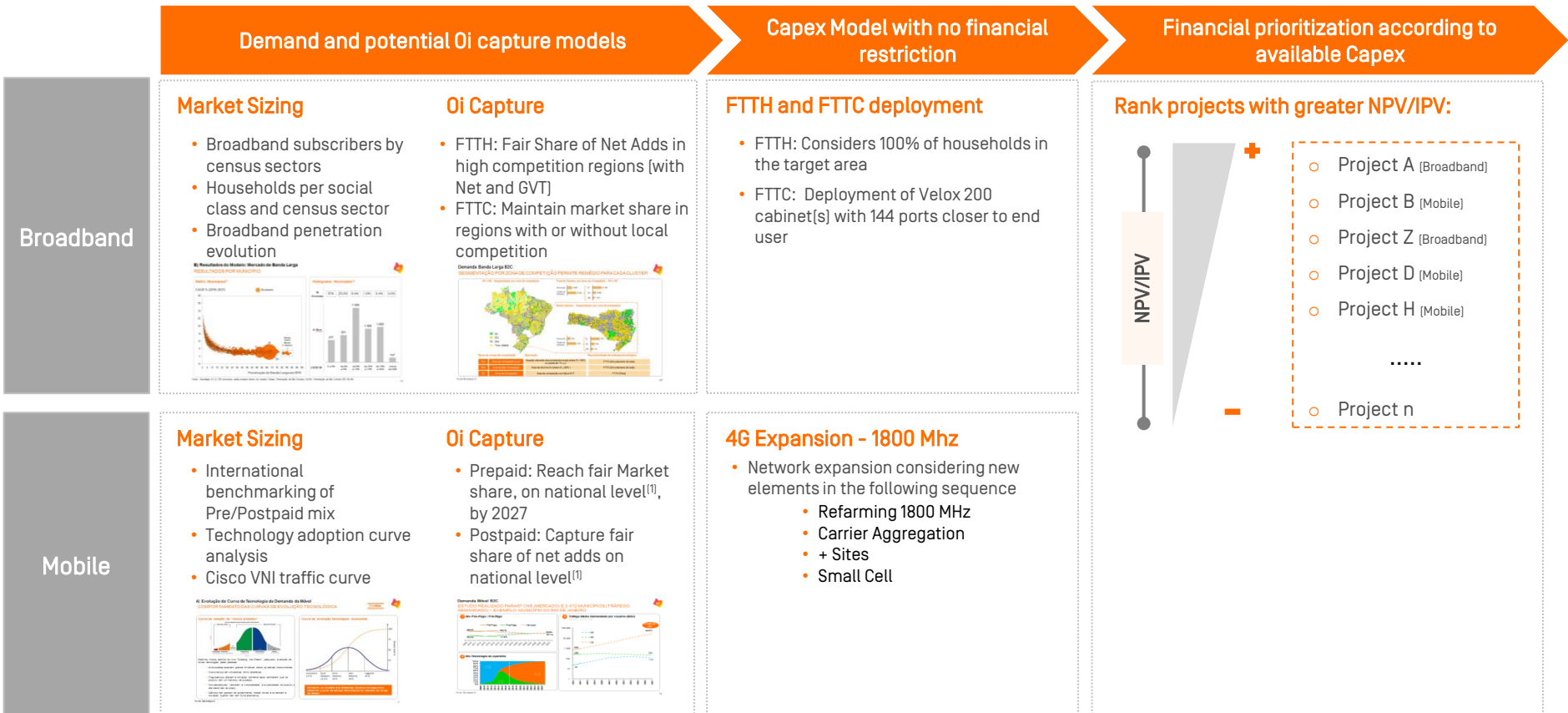


... LED TO A CUSTOMER FOCUS STRATEGY IMPLEMENTATION BASED ON MOBILE 4G COVERAGE AND FIXED FTTX





THE MOST ATTRACTIVE REGIONS FOR FTTH AND 4G DEPLOYMENT ARE DETERMINED BY A PROFITABILITY ANALYSIS, PROJECT BY PROJECT, SUBJECT TO CAPEX AVAILABILITY



Demand and potential Oi capture models

Capex Model with no financial restriction

Financial prioritization according to available Capex

Broadband

Market Sizing

- Broadband subscribers by census sectors
- Households per social class and census sector
- Broadband penetration evolution

Oi Capture

- FTTH: Fair Share of Net Adds in high competition regions (with Net and GVT)
- FTTC: Maintain market share in regions with or without local competition

FTTH and FTTC deployment

- FTTH: Considers 100% of households in the target area
- FTTC: Deployment of Velox 200 cabinet(s) with 144 ports closer to end user

Rank projects with greater NPV/IPV:

- Project A (Broadband)
- Project B (Mobile)
- Project Z (Broadband)
- Project D (Mobile)
- Project H (Mobile)
-
- Project n

Mobile

Market Sizing

- International benchmarking of Pre/Postpaid mix
- Technology adoption curve analysis
- Cisco VNI traffic curve

Oi Capture

- Prepaid: Reach fair Market share, on national level^[1], by 2027
- Postpaid: Capture fair share of net adds on national level^[1]

4G Expansion - 1800 Mhz

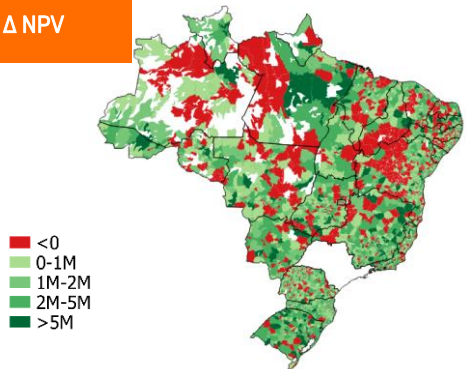
- Network expansion considering new elements in the following sequence
 - Refarming 1800 MHz
 - Carrier Aggregation
 - + Sites
 - Small Cell

Notes: [1] Considering local differences according to 2014-2016 evolution.
Source: Oi Strategy

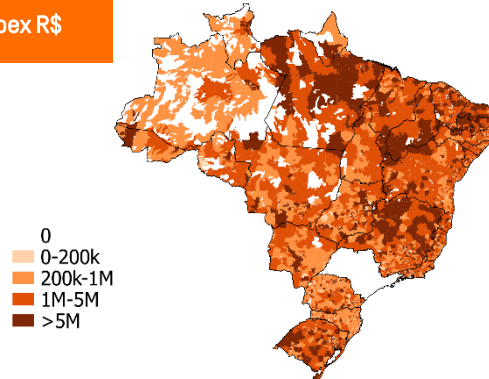


RESTRICTED CAPEX PRIORITIZATION (B2B + B2C)

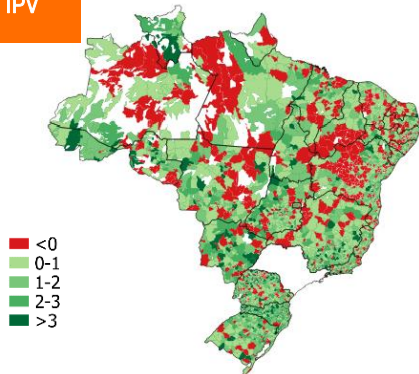
Δ NPV



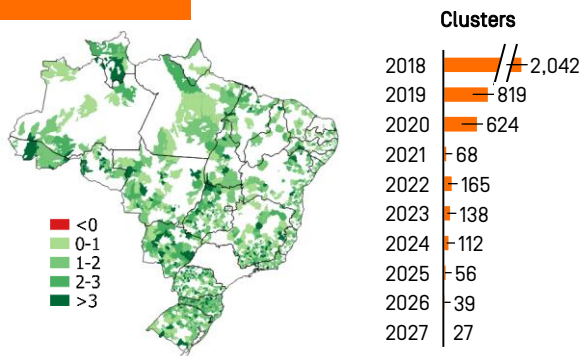
Capex R\$



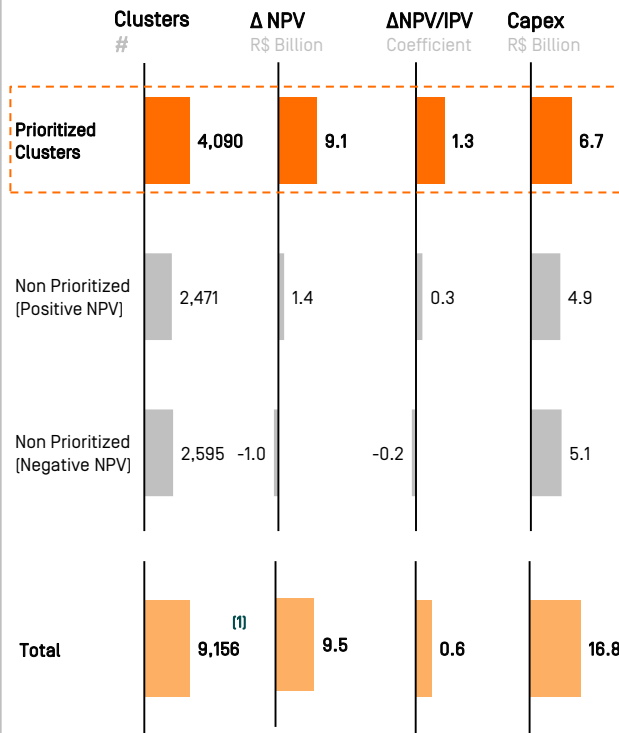
Δ NPV / IPV



Prioritization



Restricted Capex Results

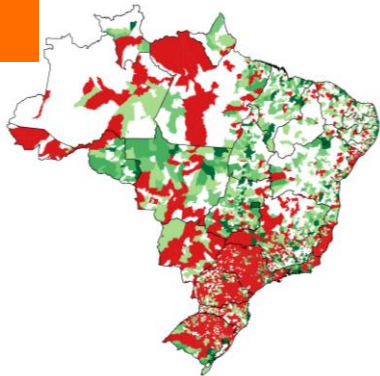


Notes: (1) Cluster Consolidated View
Source: Oi Controller Department

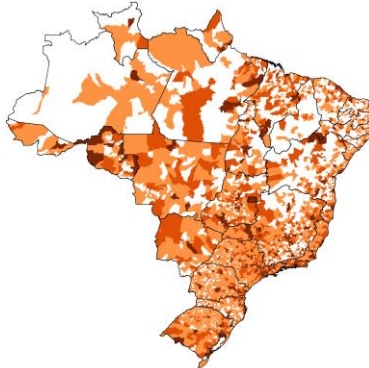


PRIORITIZATION OF THE RESTRICTED CAPEX SCENARIO

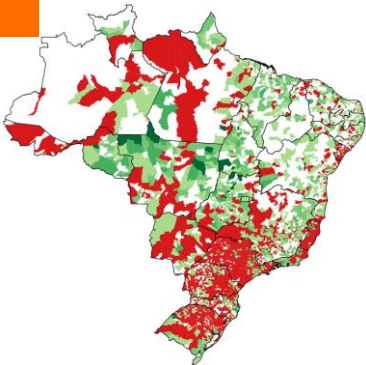
Δ NPV



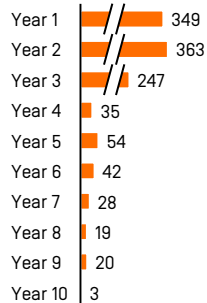
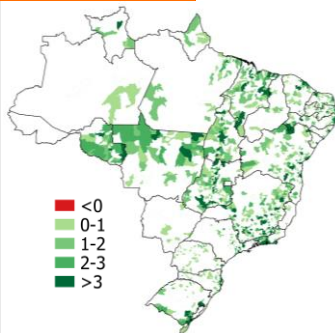
Capex R\$



Δ NPV / IPV



Prioritization



Restricted Capex Scenario Results



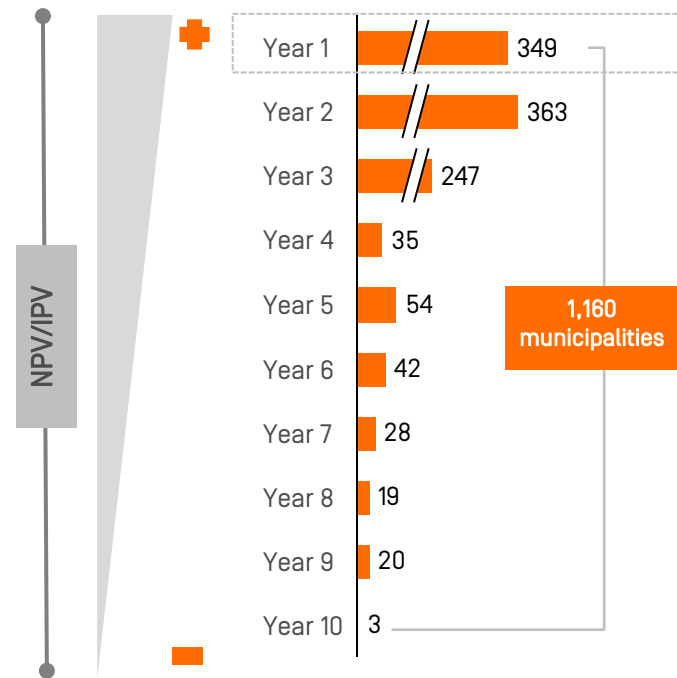
Notes: [1]: Consolidated cities view
Source: Oi Contoller Department



MOBILE PRIORITIZATION ANALYSIS: CAPEX PLAN TO OPTIMIZE CAPITAL ALLOCATION CONSIDERING GEOGRAPHIC DISPERSION, NETWORK QUALITY AND POTENTIAL SINERGIES

Mobile Prioritization – RJ Plan

municipalities



Year 1 Prioritization



- ✓ High geographic dispersion
- ✓ R\$ 498 million Capex

Budget 2018

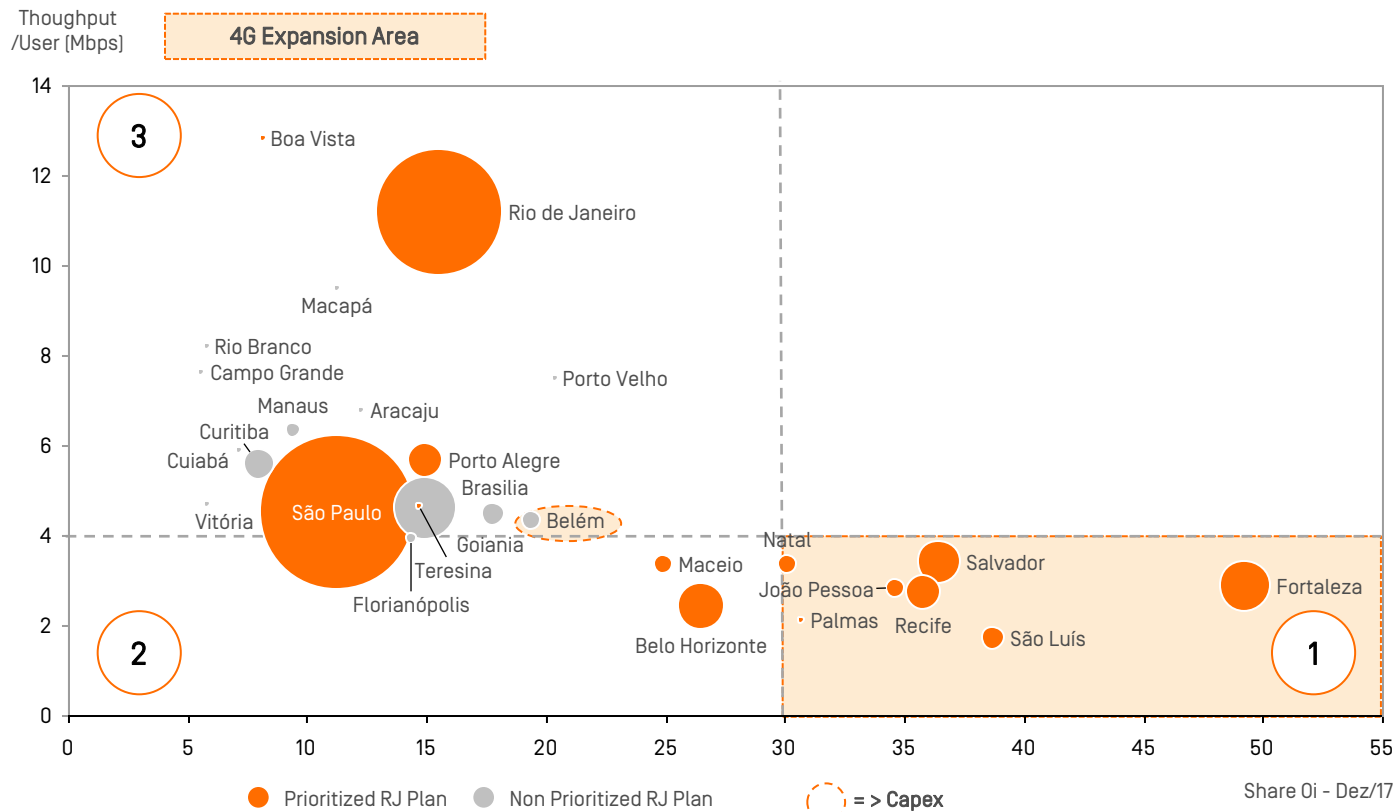
✗ Without capital raise

✚ Operational issues

- Operational Capacity: # Sites
- Lower Geographic Dispersion
- Acting in conurbated areas
- Capex level project: Network Synergies
- Degradation of Throughput 4G



7 CAPITALS WITH HIGH MARKET SHARE ALREADY PRESENT LOW THROUGHPUT BY USER, SHOWING DETERIORATION IN THE 4G CLIENT EXPERIENCE...



General Comments

- In 7 capital cities with at least 30% Market Share, a degradation of the network is already noticeable, with all cities with Throughput / User below 4 Mbps.
- All high share Capitals were prioritized in the RJ Plan
- In addition to group 1, Belém was also chosen for investment as a request from our Commercial team⁽¹⁾.

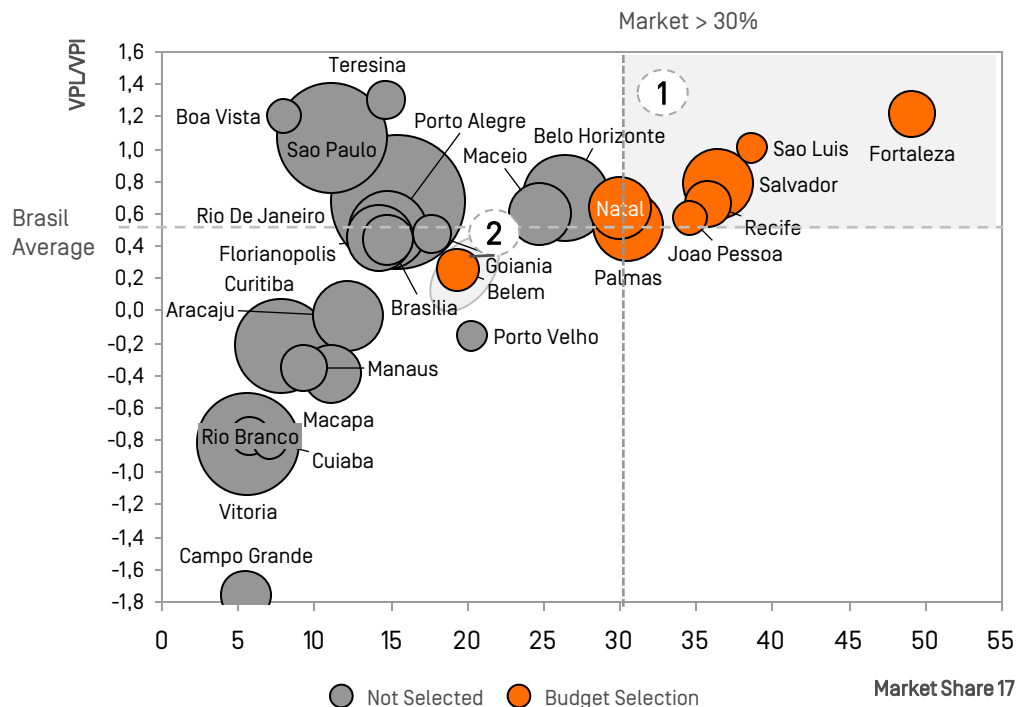
Note: (1):for being a relevant capital with high growth of recharge and number of inserters

Fonte: Oi Engineering and Strategy



... AND PRESENT BETTER NPV / IPV RETURN AMONG ALL BRAZILIAN CAPITALS

Market Share vs Δ NPV/IPV – Capitals



1 Capitals selected [7] show the best NPV / IPV ratio, according to the financial analysis carried out for the construction of the RJ Plan.

NPV / IPV

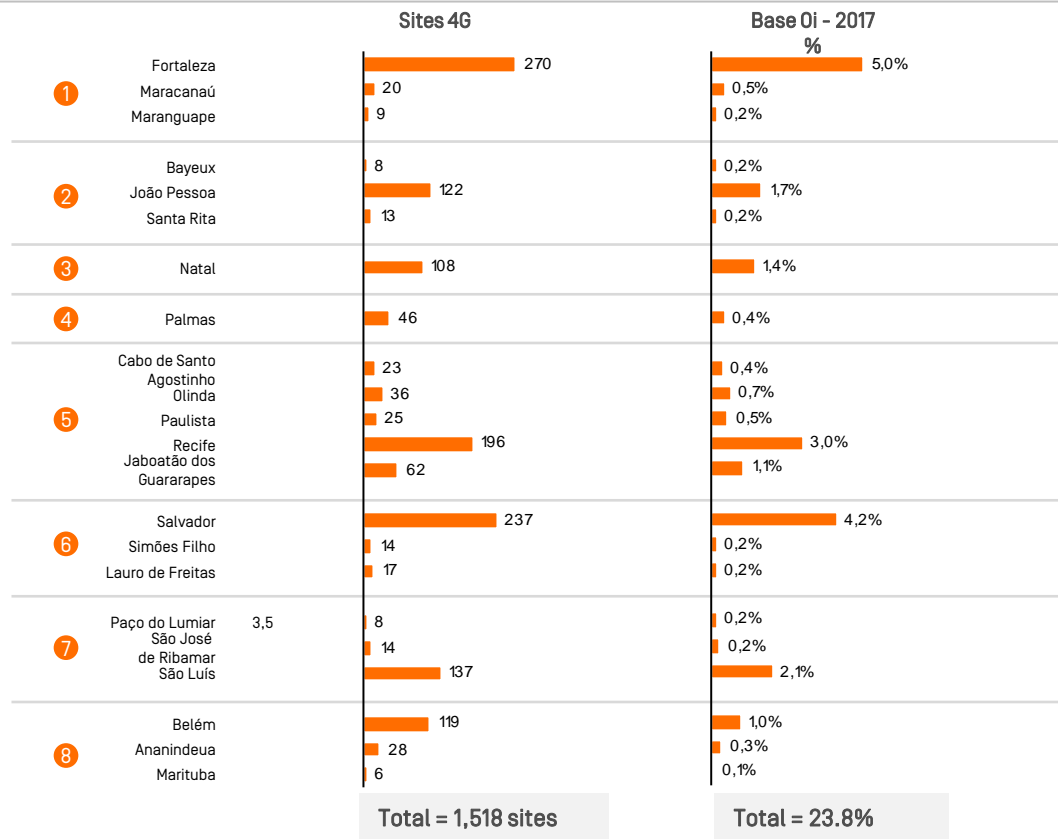


2 Belém present NPV / IPV > 0



1.8 GHZ REFORMING PROJECT HAS ALREADY STARTED PRIORITIZING 22 MUNICIPALITIES WITH HIGH MARKET SHARE TO BE COVERED IN 2018

Prioritized Municipalities



AGENDA



A – Oi's priorities 2017 and 2018

B – Renewed Capital Structure

C – Market Strategy

D – Cost Strategy: Operational Efficiency & Digital Transformation

E – Incremental Capex Allocation Strategy

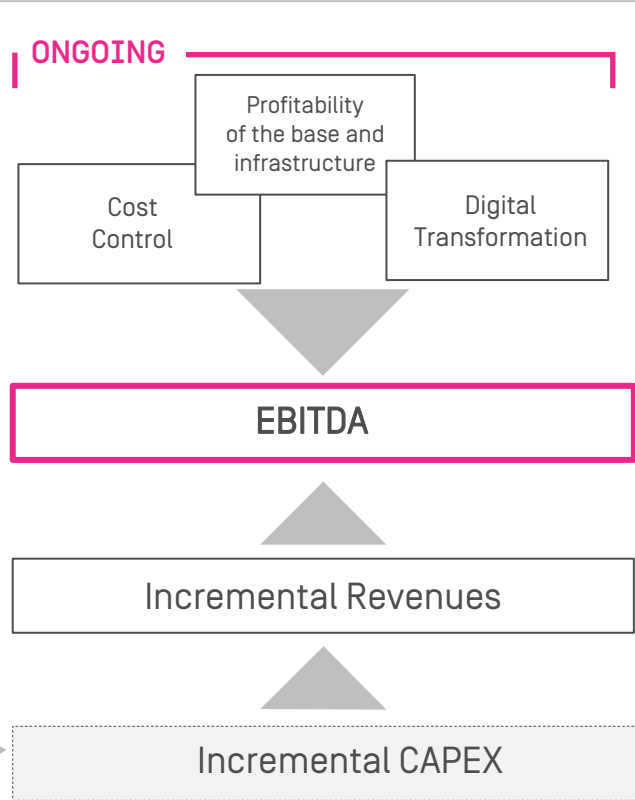
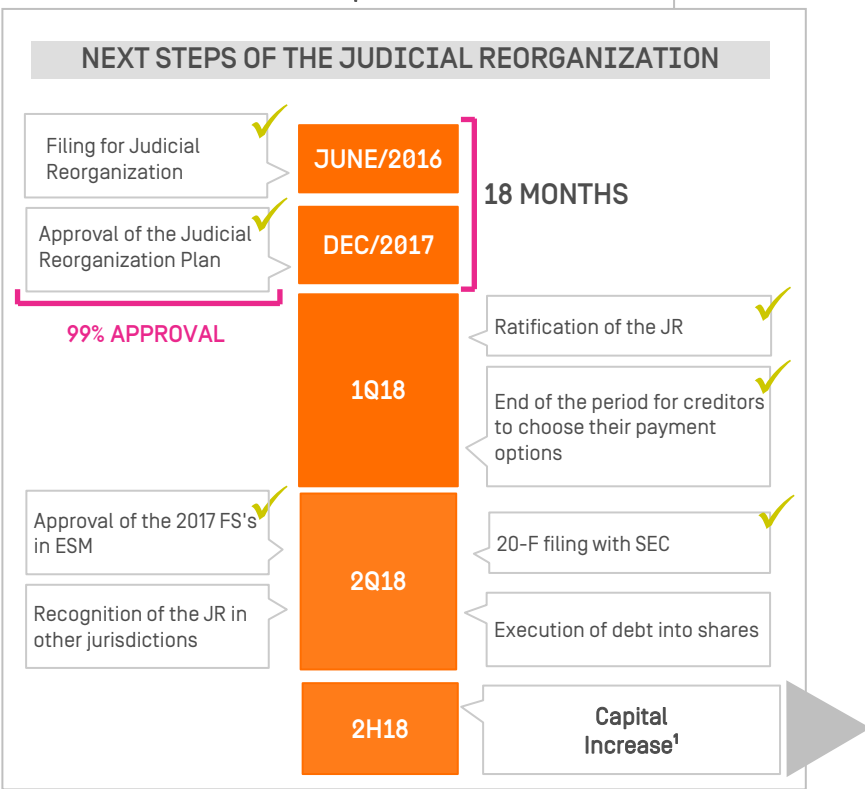
F – Judicial Reorganization Plan Implementation Status



JR PLAN FORECASTS ADDITIONAL REVENUE GROWTH BASED ON INCREMENTAL CAPEX FINANCED BY THE CAPITAL INCREASE, IN CONJUNCTION WITH RECURRING ACTIONS FOR MARGIN GAINS

... will enable the beginning of the sustainable growth cycle.

The conclusion of the new capital structure...



STRATEGY OF THE INCREMENTAL CAPEX

Fixed Line:

- FTTH and FTTC for:
 - ✓ Implementation in regions of competition with large players.
 - ✓ Maintain market share in regions where Oi may or may not have local competitors
- Expansion based on **improving customer experience:**
 - ✓ Higher contracted speed
 - ✓ Offering of more complete solutions: combos and video streaming VAS
 - ✓ FTTH: More stable networks (lower repair rates)

Mobility:

- **Accelerate the expansion of 1800 Mhz 4G**
 - ✓ 1800 MHz refarming
 - ✓ Network sharing
- Growth based on **improved data usage experience.**

1 - Judicial Reorganization Plan envisages a capital increase by Feb/2019.



BACKUP – EARNINGS RELEASE 1Q18



COST EFFICIENCY FOCUSED ON OPERATIONAL AND QUALITY IMPROVEMENT SUPPORTS SEQUENTIAL EBITDA AND MARGIN GROWTH. OI RECORDED ACCOUNTING PROFIT IN THE QUARTER.

Financial Highlights

R\$ million

	1Q18	1Q17	y.o.y.	4Q17	q.o.q
Brazil					
Net Service Revenues¹	5,575	6,009	-7.2%	5,722	-2.6%
Residential	2,201	2,354	-6.5%	2,269	-3.0%
Personal Mobility	1,768	1,890	-6.4%	1,827	-3.2%
<i>Customers²</i>	1,635	1,748	-6.5%	1,693	-3.4%
B2B	1,548	1,703	-9.1%	1,560	-0.8%
Net Customer Revenues²	5,374	5,794	-7.2%	5,517	-2.6%
Routine OPEX	4,055	4,374	-7.3%	4,482	-9.5%
Routine EBITDA	1,567	1,692	-7.4%	1,300	20.5%
Routine EBITDA Margin	27.9%	27.9%	0.0 pp	22.5%	5.4 pp
CAPEX	1,124	1,227	-8.3%	1,835	-38.7%
Routine EBITDA - Capex	442	465	-5.0%	-535	N/A
Net Income from Brazilian Operations	30,629	-29	N/A	-3,627	N/A



CONVERGENCE SUPPORTS RESIDENTIAL ARPU. BASE CLEANUP IMPACTS PREPAID. POSTPAID AND B2B SHOW FIRST SIGNS OF RECOVERY IN SEQUENTIAL COMPARISON.

Operating Highlights

In thousands of RGUs

	1Q18	1Q17	y.o.y.	4Q17	q.o.q.
Total - Brazil	59,212	63,371	-6.6%	59,685	-0.8%
Residential	15,599	16,343	-4.5%	15,885	-1.8%
Fixed line	9,001	9,802	-8.2%	9,233	-2.5%
Broadband	5,085	5,204	-2.3%	5,156	-1.4%
Pay tv	1,514	1,336	13.3%	1,496	1.2%
Residential ARPU	80.8	79.6	1.5%	81.3	-0.6%
Personal Mobility	36,434	39,837	-8.5%	36,648	-0.6%
Prepaid	29,660	32,957	-10.0%	29,917	-0.9%
Postpaid	6,774	6,880	-1.5%	6,731	0.6%
B2B	6,539	6,550	-0.2%	6,512	0.4%
Fixed line	3,611	3,727	-3.1%	3,641	-0.8%
Broadband	545	547	-0.3%	543	0.3%
Mobile	2,370	2,263	4.8%	2,316	2.3%
Pay tv	12	14	-14.2%	12	0.2%
Payphones	640	641	-0.2%	640	0.0%

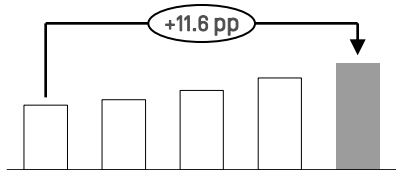


STRATEGY FOCUSED ON CONVERGENCE AND DATA, WITH BUNDLE EXPANSION, OFFERING GREATER BROADBAND SPEEDS AND IMPROVING TV SALES PROFILE



Bundles penetration¹

Indexed % of total fixed line customer base

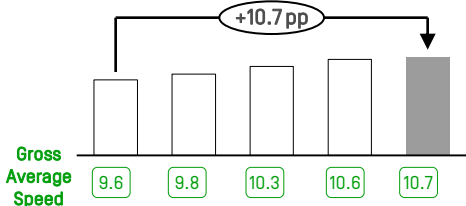


Fixed line



Sales of speeds ≥ 15 Mbps

Indexed % of total broadband sales



Broadband



High-end Mix

% of total pay TV customer base

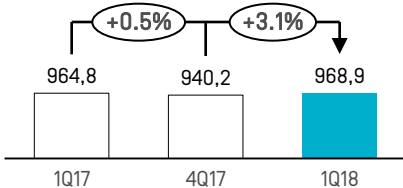


Pay TV

RESIDENTIAL RESULTS

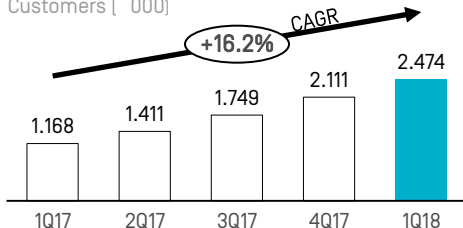
Gross adds Residential

Indexed



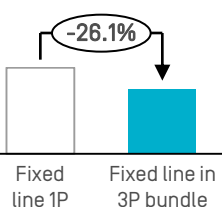
Oi Total Base

Customers (´ 000)



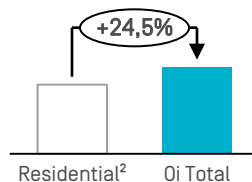
Churn

Indexed 1Q18



ARPU

Indexed 1Q18



REVENUE STRATEGY 2018



CONVERGENCE FOCUSED ON UPSELLING

- Oi Total Fiber;
- More data and content;
- Simplified portfolio with 12 price combinations;
- Value proposition through prices similar to competitors with higher added value;
- Churn reduction



OFFER SEGMENTATION

- Granular offers using NBA (*Next Best Action*)
- Currently present throughout the customer's life cycle, covering the entire portfolio of products;
- Expansion forecast for digital channels in 1H18



BETTER CUSTOMER EXPERIENCE

- Oi Play (video content)
- Launched on Sep/15, Oi Play was initially only available for Oi TV customers;
- On July 17, Oi Total Play combined fixed and broadband with OTT content, making Oi Play independent from Oi TV;
- Roadmap includes: (i) new content; (ii) integration with Chromecast; (iii) improvements in the customer experience.

1 - Includes the discontinued offer OCT [Oi Conta Total].



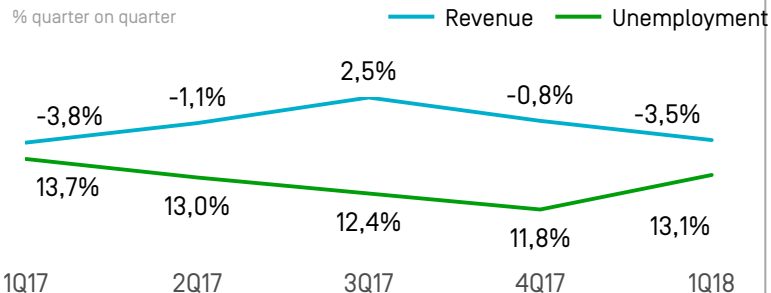
PREPAID RECHARGES STILL PRESSED BY THE UNEMPLOYMENT CURVE. IN THE POSTPAID SEGMENT, THE LAUNCHING OF OI MAIS DIGITAL, FOCUSED ON DATA AND CONTENT BOOSTS NET ADDS PERFORMANCE

PREPAID

- Unemployment rate growth has affected the performance of the prepaid segment.

Net Revenue¹

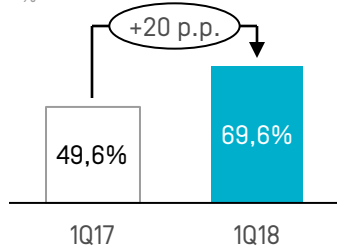
% quarter on quarter



- The Company has acted to increase the Oi Livre participation in the customer base and stabilize the revenue.

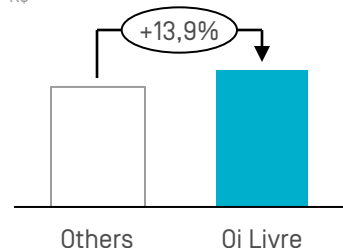
% Oi Livre on total base

%



Average recharges

R\$

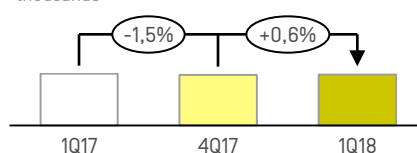


POSTPAID + CONTROL

- Financial and operating indicators reflect the limitation of investments in the past. Reversal of the trend will come from new offers with more data and free content and the expansion of investments in access, which has already started.

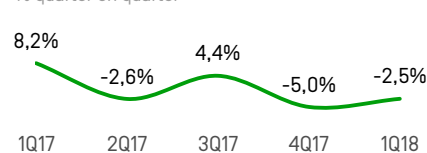
Customer base

thousands



Net Revenue¹

% quarter on quarter



2018 REVENUE STRATEGY

- Convergence: Increase postpaid sales by converging Voice + Data + Content
- Data and content: More data and content in offers
- Digitalization: Minha Oi app improving customer experience
- 1.8 GHz frequency refarming in 22 cities in 2018 focused on the North and Northeast regions;
- Launching of Oi Mais Digital for Mother's Day, with free content on offer, which had a positive impact and the highest level of pure postpaid net adds for a single month in the last 18 months.

OI MAIS DIGITAL



15 GB



UNLIMITED

CONTENTS



OI COLLECTION



99.90

Postpaid Net adds²

thousands



1 - Excludes long distance revenues. | 2 - Excludes Control.

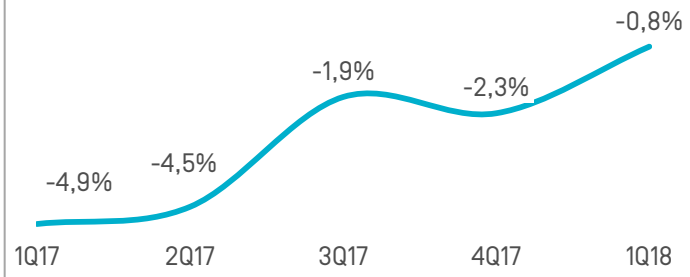


WITH THE APPROVAL OF THE JUDICIAL REORGANIZATION PLAN AND REDUCTION OF UNCERTAINTIES, B2B BEGINS THE EXECUTION OF ITS TURNAROUND PLAN

Impacted by the JR process and the economic crisis in 2017, B2B begins to show signs of stabilization

- The uncertainties regarding the Judicial Reorganization process made it difficult to acquire new customers;
- Economic crisis increased credit risk and pressured our customers to reduce costs;
- Exposure to government customers, with relevant participation in Corporate revenues;
- Approval of JR plan improves business environment and enables the start of the turnaround process.

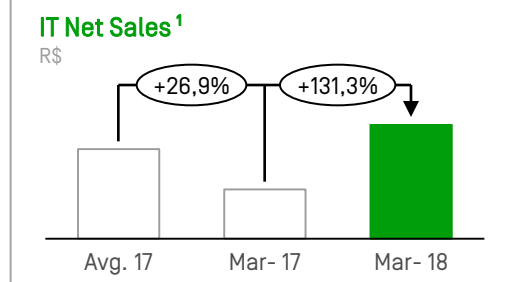
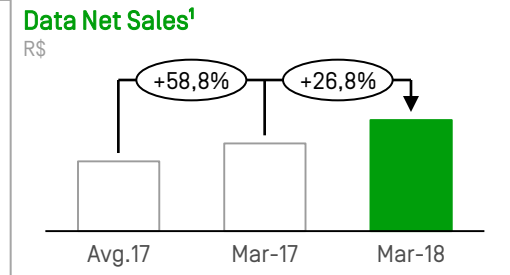
B2B Net service revenues
% quarter on quarter



Strategy based on 3 pillars to boost commercial activity and revenue growth...

- ✓ **ACQUISITION**
 - Refine go-to-market policy by directing the sales force to actions based on winback, synchronized with infrastructure and operations;
 - Direct sale of MDM in Oi's customer base and others;
 - Increase commercial capillarity;
 - Increase IT solutions: Security, Datacenter, Cloud and IoT;
 - New revenue lines: Recharge and Big Data (Geo Marketing).
- ✓ **MONETIZATION**
 - Revenue Assurance;
 - Repositioning offers.
- ✓ **LOYALTY AND RETENTION**
 - Renegotiations adding services and increasing revenue;
 - Propensity Model;
 - IT sales as a loyalty solution for customers.

... this strategy produces its first results.



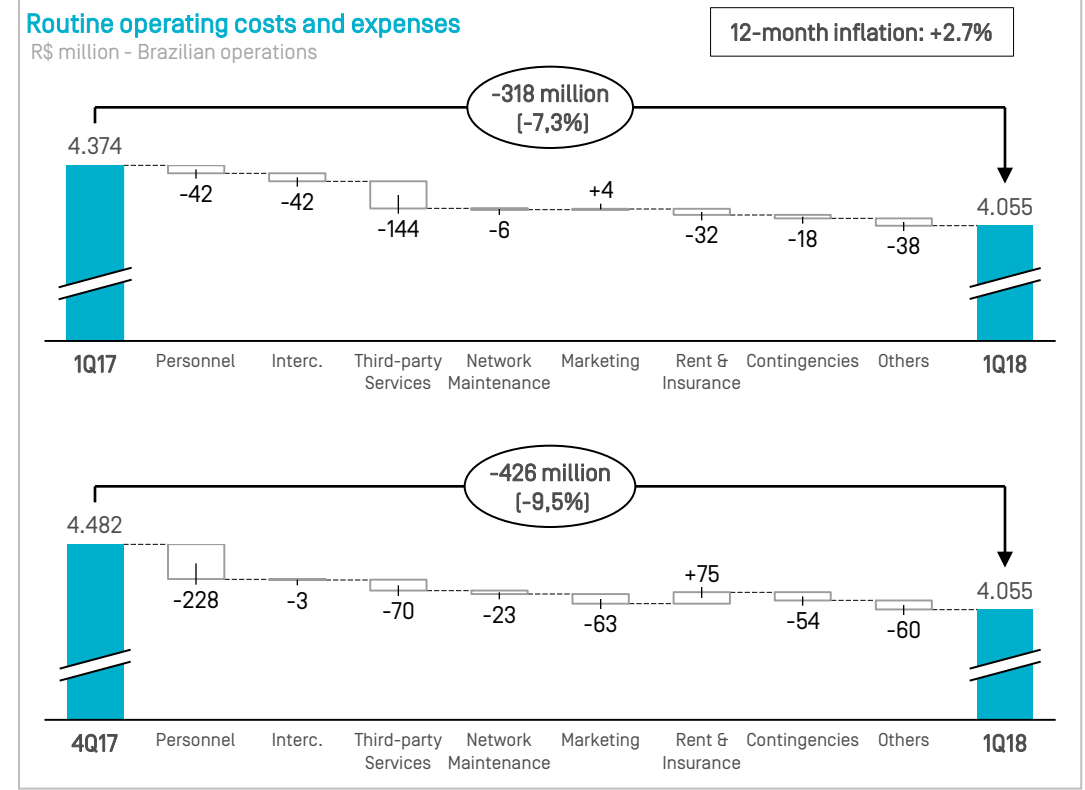
March 2018 registered better net sales result when compared to the average for the 2017 months

1 - Net sales data refers to the Corporate segment.

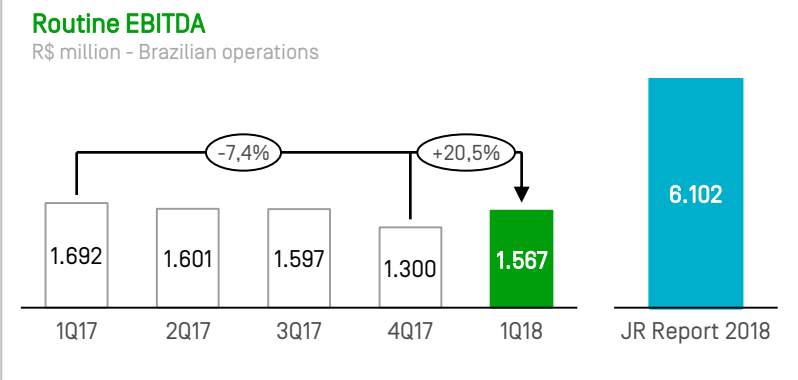


COST MANAGEMENT BASED ON OPERATIONAL EFFICIENCY AND QUALITY IMPROVEMENT SUSTAIN MAINTENANCE OF EBITDA AND MARGIN IN-LINE WITH THE JUDICIAL REORGANIZATION PLAN

Oi reduced costs by 7.3% and 9.5% year-on-year and quarterly, respectively.



After seasonal effects in 4Q17, 1Q18 routine Ebitda returned to historical level, in-line with the JR Plan.

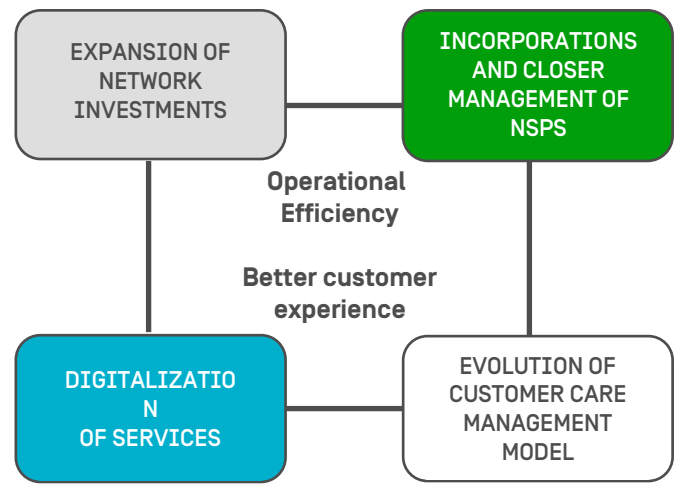


The Company continues to work on initiatives committed to the 2018 Ebitda under the JR Plan Report:

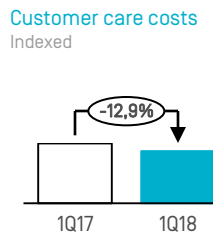
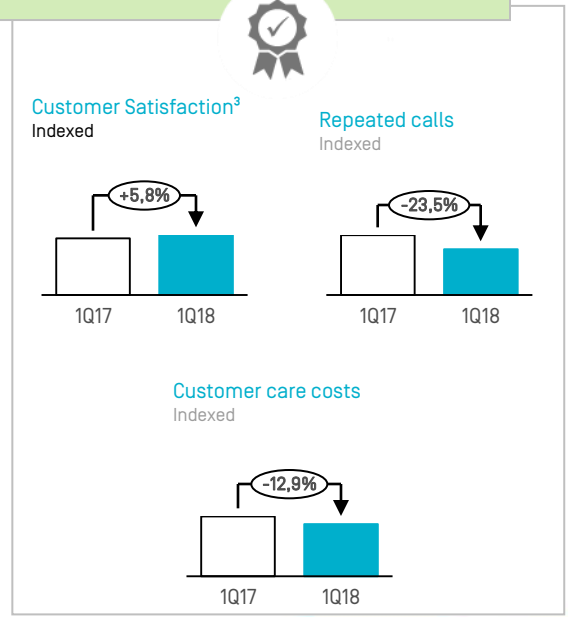
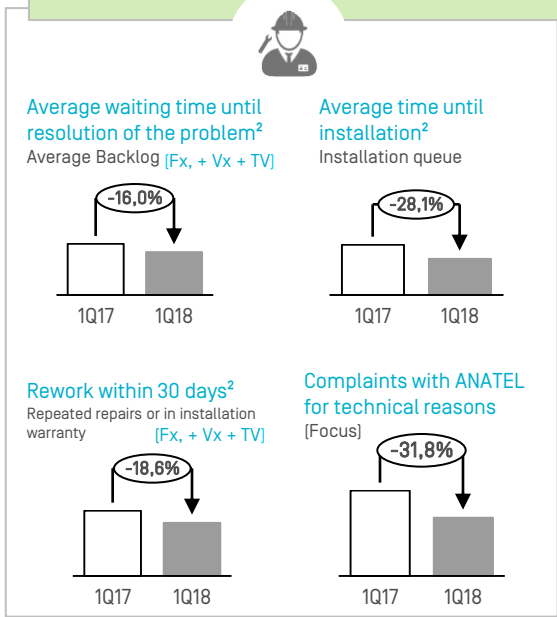
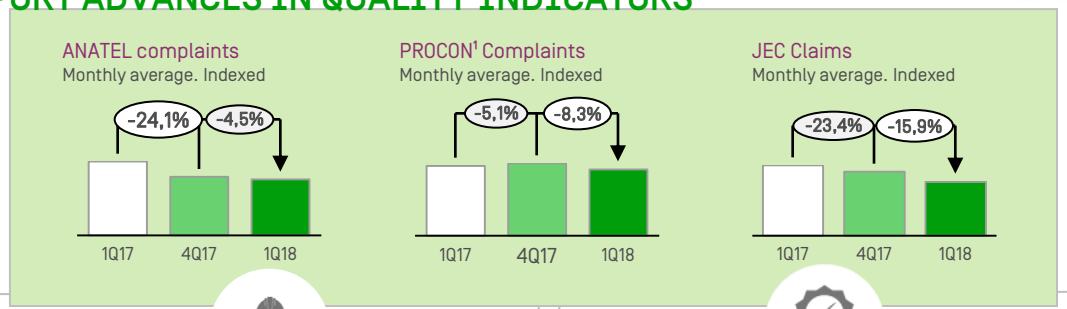
- Optimization of the existing infrastructure;
- Infrastructure sharing;
- Turnaround of the Corporate segment;
- Capturing synergies between the Retail and SMEs segments;
- Maintenance of focus on bundles;
- Initiatives to reduce churn through tools of customer repositioning to more suitable offerings;
- Expansion of digital transformation fronts;
- Continuation of cost control actions and efficiency gains.



STRUCTURAL ACTIONS FOCUSED ON IMPROVING CUSTOMER EXPERIENCE, EFFICIENCY IN FIELD OPERATIONS AND PREVENTIVE ACTION SUPPORT ADVANCES IN QUALITY INDICATORS



Active management on the operational efficiency and digitalization fronts in conjunction with the evolution of service and NSRs management model resulted in **increased productivity and improved customer care quality**, generating **operational efficiency gains and improving the customer experience**, resulting in cost reduction with quality growth.



1 - Source: SINDE/DPDC | 2 - Results of the operations of the absorbed network services providers (NSRs) | 3- Customers who called Customer Care are contacted within 24 hours after the call and are questioned as to satisfaction regarding the service provided by the operator. This result is used for the attendant remuneration and the supplier's bonus.



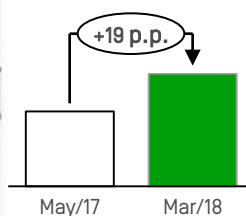
DIGITALIZATION CONTRIBUTES TO AUTOMATION OF PROCESSES AND SERVICES, REFLECTING ON EFFICIENCY GAINS, COST REDUCTION AND IMPROVEMENT IN CUSTOMER EXPERIENCE.

DIGITAL INITIATIVES IN THE SEGMENTS

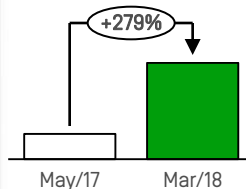
PREPAID, CONTROL AND POSTPAID	PREPAID AND CONTROL	CONTROL	PREPAID, CONTROL AND POSTPAID	POSTPAID
Minha Oi Online account	Voice and data Exchange	Digital Bill	Relevant Content on the Offering	Oi Mais Digital

The Virtual Technician App launched in May 2017 is an innovative solution that enables customers to solve fixed, broadband and pay-TV problems using a mobile phone.

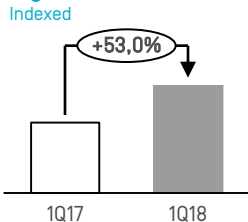
Problems solved using the app
Effectiveness (%)



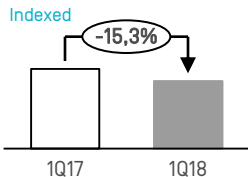
Avoided Calls
In thousands



Digital bills



Reduction of calls answered in Customer Care



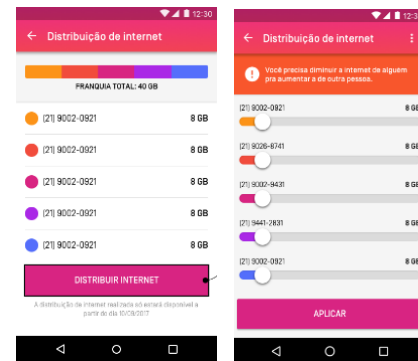
Online sales



Evolving even further in the Digital Transformation program, Oi expanded its virtual assistant (chatbot) to Facebook Messenger, thus offering, through artificial intelligence, new customer service channels that provide more practicality and efficiency on a day-to-day basis.

OI MAIS DIGITAL

The new Oi Mais digital postpaid mobile plans allow the account holder to manage the use of the family's data, share data with up to four dependents, and manage the franchise of all users of the plan digitally, at any time, through Minha Oi self-service, using a mobile phone or the web.



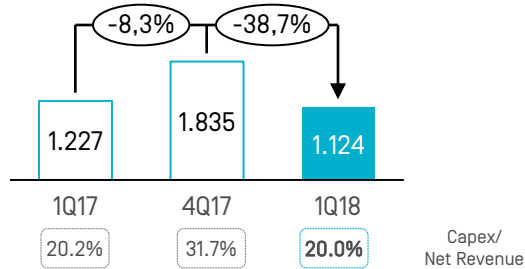


INVESTMENTS IN THE NETWORK CORE AND TRANSPORT PREPARE THE COMPANY TO EXECUTE WITH AGILITY AND EFFICIENCY THE INCREMENTAL CAPEX PLAN FINANCED BY THE CAPITAL INCREASE

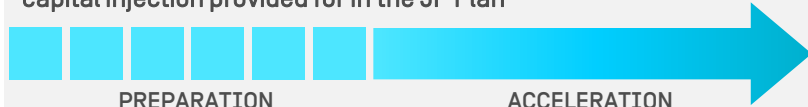
Part of the investment planned for 1Q18 was anticipated to 4Q17, prioritizing the expansion of Capex in infrastructure and network core

CAPEX

R\$ million - Brazilian operations



In 2018, Oi prepares to start the new investment cycle after the capital injection provided for in the JP Plan



PREPARATION

- Readjustment of the Organizational Structure
- Elaboration of the Incremental CAPEX Plan
- Structuring of areas, processes and infrastructure to execute the Incremental CAPEX plan
- Evolution of Digital Transformation, Efficiency and Quality

ACCELERATION

- Capital Increase
- Beginning of the execution of the incremental CAPEX plan

The incremental CAPEX plan financed by the capital increase supports transformation and growth, through investment in access (FTTx and 4G), ensuring the sustainability of our business

Protect	Serve	Grow
Churn reduction due to improved service quality and the bundle strategy	Improved customer service experience due to digitalization and better field operations	Higher profitability due to the acquisition of new customers and focus on data and value-added services

Financial Prioritization conditioned to available CAPEX

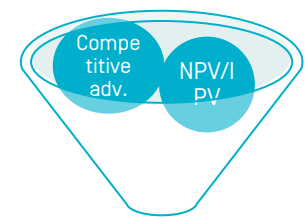
Resource Allocation Matrix

Mobile: 3,449 cities
Fixed line: 9,156 clusters

The prioritization of investment efforts considers:

- demand,
- competition and
- existing infrastructure

Prioritization criteria



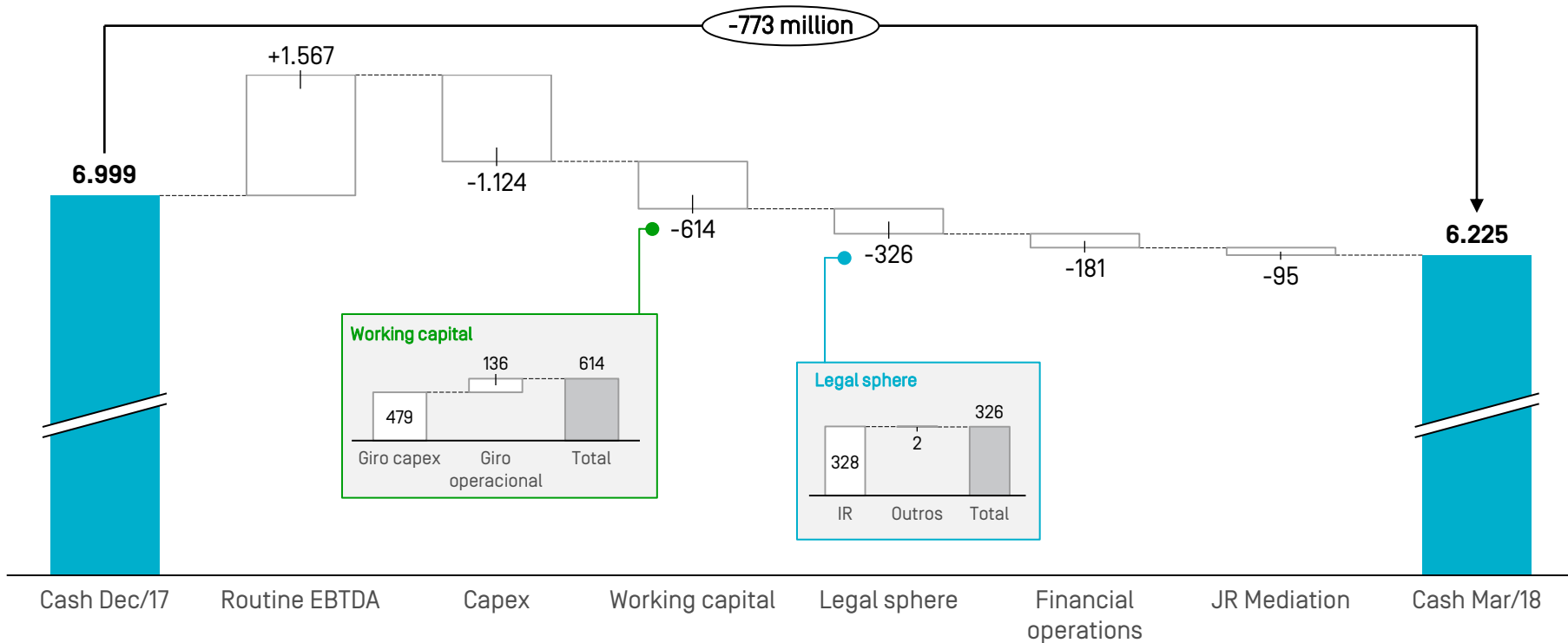
Ranking of projects



FIRST QUARTER CASH POSITION REFLECTS ANTICIPATION OF INVESTMENTS IN 4Q17 AND PAYMENT OF INCOME TAX IN JANUARY

Cash Position

R\$ million

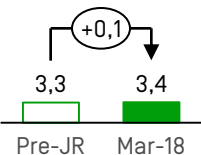




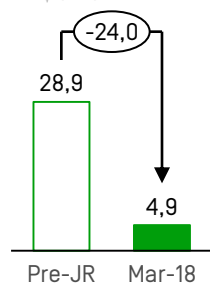
APPROVAL OF THE JR PLAN ENABLES THE REDUCTION OF FINANCIAL INDEBTEDNESS BY MORE THAN R\$ 36 BILLION AND THE STRENGTHENING OF THE COMPANY'S BALANCE SHEET

FINANCIAL DEBT RESTRUCTURING

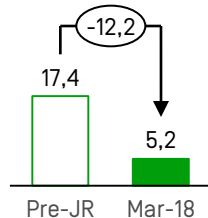
BNDES
R\$ billion



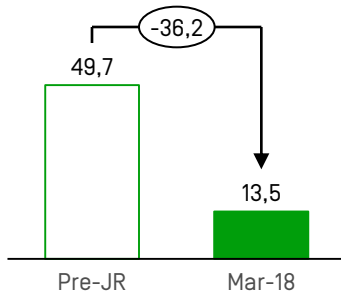
Bonds¹
R\$ billion



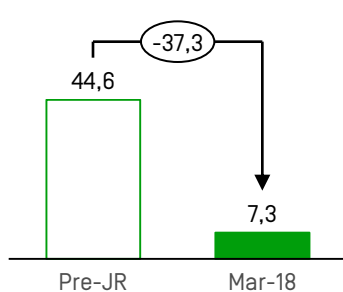
Other Debts²
R\$ billion



Gross Debt
R\$ billion

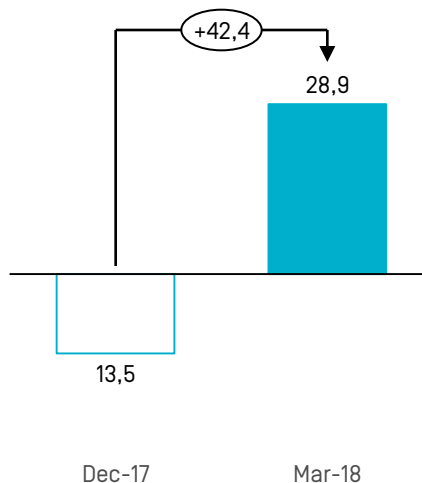


Net Debt
R\$ billion



CHANGE IN SHAREHOLDERS' EQUITY

Shareholders' Equity
R\$ billion



NEW SHAREHOLDING STRUCTURE³

Debt to Equity Conversion

Current amount of shares (mm)	676
Conversion shares (mm)	1.749
Shares post conversion (mm)	2.424

Capital Increase Price per Share

Equity Pre Money (R\$ mm)	3.000
Shares post conversion (mm)	2.424
Price per share (R\$)	1,24

Capital Increase

Capital Increase (R\$ mm)	4.000
Price per share (R\$)	1,24
Capital Increase Shares (mm)	3.232

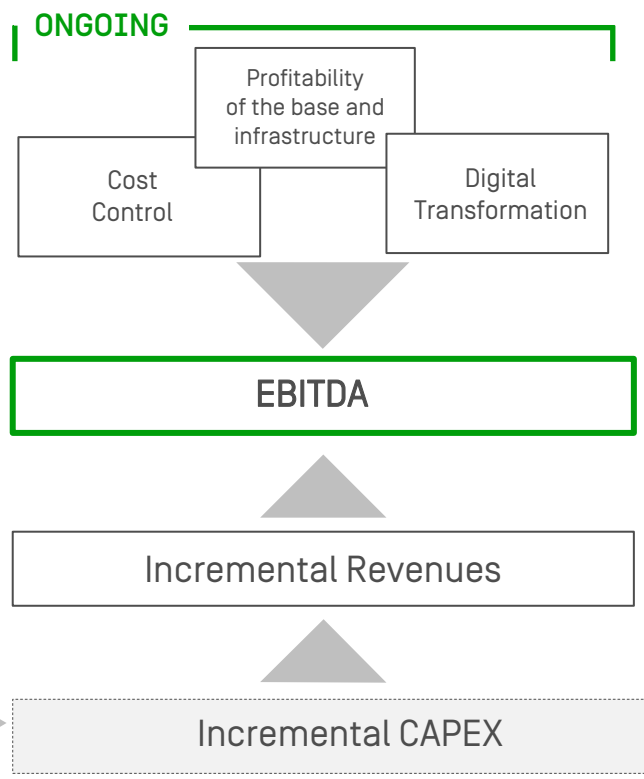
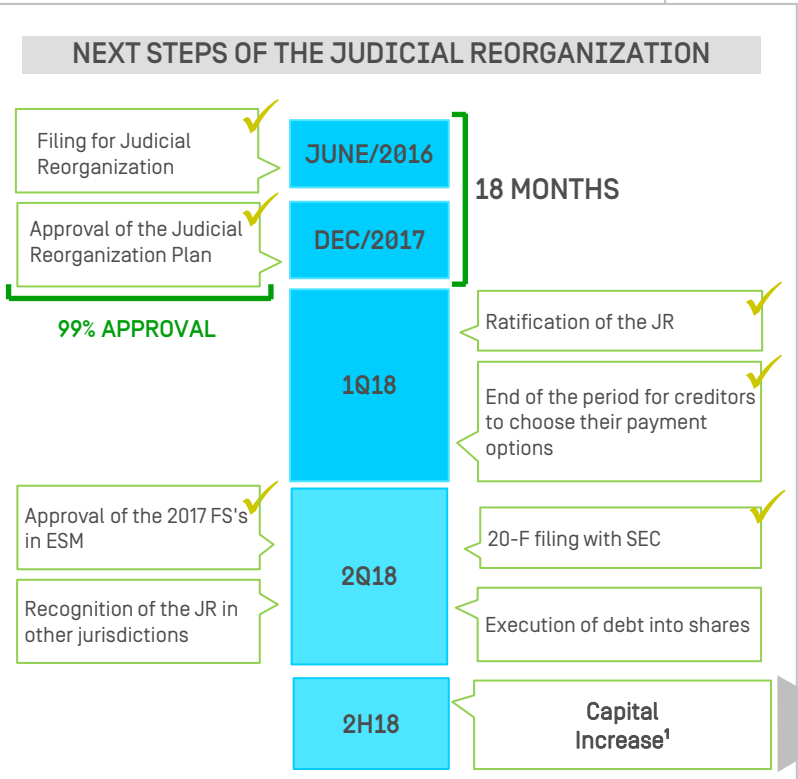
Total Shares After Conversion and Capital Increase (mm)	5.656
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JR PLAN FORECASTS ADDITIONAL REVENUE GROWTH BASED ON INCREMENTAL CAPEX FINANCED BY THE CAPITAL INCREASE, IN CONJUNCTION WITH RECURRING ACTIONS FOR MARGIN GAINS

... will enable the beginning of the sustainable growth cycle.

The conclusion of the new capital structure...



STRATEGY OF THE INCREMENTAL CAPEX

Fixed Line:

- FTTH and FTTC for:
 - ✓ Implementation in regions of competition with large players.
 - ✓ Maintain market share in regions where Oi may or may not have local competitors
- Expansion based on **improving customer experience:**
 - ✓ Higher contracted speed
 - ✓ Offering of more complete solutions: combos and video streaming VAS
 - ✓ FTTH: More stable networks (lower repair rates)

Mobility:

- Accelerate the expansion of 1800 Mhz 4G
 - ✓ 1800 MHz refarming
 - ✓ Network sharing
- Growth based on **improved data usage experience.**

1 - Judicial Reorganization Plan envisages a capital increase by Feb/2019.