



Announcement | Lisbon | 13 December 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. 33.300.29520-8
Publicly-Held Company

NOTICE TO THE MARKET

Oi S.A. – In Judicial Reorganization (“Oi” or “Company”), informs its shareholders and the market in general that, pursuant to the Judicial Reorganization Plan, it requested the authorization of the 7th Corporate Court of the District of the Capital of the State of Rio de Janeiro for the sale of direct and indirect interests in Timor Telecom S.A. (“Timor Telecom”), a non-relevant asset that was already recorded in the Company's financial statements as “Assets Held for Sale,” to Investel Communications Limited. Oi requested the judicial deposit of the amount attributed to the disposition of the direct and indirect interests, which is to be kept in a judicial account affiliated with the 7th Corporate Court, specifically for its use in compliance with the Judicial Reorganization Plan.

Oi, after a competitive sale process, received a proposal from Investel Communications Limited for the acquisition of direct and indirect interests in Timor Telecom for approximately US\$36 million, in addition to the payment of Timor Telecom's debts to Oi in the amount of US\$26 million.

In addition to the authorization requested of the 7th Corporate Court, should it be granted, the sale of the direct and indirect interests in Timor Telecom, when concluded, will be subject to the implementation of other conditions. The Company will inform the market if such conditions are implemented after the decision of the 7th Corporate Court.

Rio de Janeiro, December 13, 2016

Ricardo Malavazi Martins
Chief Financial Officer and Investor Relations Officer
Oi S.A. – In Judicial Reorganization