



Announcement | Lisbon | 19 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 it has been meeting with creditors and other stakeholders of the Company on a regular basis, with the purpose of gathering views and comments on the judicial reorganization plan presented to the 7th Corporate Court of the Judicial District of the State Capital of Rio de Janeiro last September, aiming at the success of the judicial reorganization of the Company and its direct and indirect wholly-owned subsidiaries Oi Móvel S.A. – In Judicial Reorganization, Telemar Norte Leste S.A. – In Judicial Reorganization, Copart 4 Participações S.A. – In Judicial Reorganization, Copart 5 Participações S.A. – In Judicial Reorganization, Portugal Telecom International Finance BV – In Judicial Reorganization, and Oi Brasil Holdings Coöperatief U.A. – In Judicial Reorganization.

In this regard, on December 16, 2016 late afternoon, the Company met with a group formed by the representatives of creditors of the Company (Moelis & Company and FTI Consulting) and a potential investor, Orascom TMT Investmente S.à.r.l., a company based in Luxembourg, which presented an alternative judicial reorganization plan.

The Company and its wholly-owned subsidiaries will carefully analyze the suggestions of such group of creditors in due course, along with other suggestions that emerge during meetings with other creditors of the Company.

Oi believes that the outcome of these negotiations should reflect a final proposal of a Judicial Reorganization Plan to be submitted to approval in a General Meeting as provided by law, which guarantees the Company's operational viability and sustainability and serves creditors, shareholders and other interested parties, allowing Oi to be strengthened at the end of this process.

In addition, since the proposals of the aforementioned group of creditors were made public in some media vehicles, and with the purpose of ensuring the broad knowledge of their content, the Company discloses the document it received in its entirety to its

shareholders, the market in general and the creditors and other stakeholders of the Oi Companies at the Company's website (www.oi.com.br/ri), as well as in the IPE Module of the CVM's Empresas.NET System (www.cvm.gov.br), in addition to the BM&FBovespa website (www.bmfbovespa.com.br). The Company will not issue any comments at this stage on any of the points contained in the document that is now disclosed. The disclosure of such document by the Company does not mean that the Company and its subsidiaries agree with or support any of its terms or commit themselves to reflecting its terms, whether in part or in the whole, in future reviews of the proposal of the Judicial Reorganization Plan. Likewise, the disclosure of such document should not be considered as a proposal from the Company or any of its subsidiaries.

The Company will keep its shareholders and the market informed of the development of the subject matters of this Notice to the Market.

Rio de Janeiro, December 19, 2016.

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