



Announcement | Lisbon | 16 June 2020

Notice to the Market disclosed by Oi - 1Q20 Results

PHAROL, SGPS S.A. hereby informs on the 2020 first quarter results disclosed by Oi, S.A., as detailed in the company's document 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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OI 1Q20

EARNINGS REVIEW

GCM PLAN

OI TRANSFORMATION



Investor Relations | June 15, 2020



This presentation contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and the applicable Brazilian regulations. Statements that are not historical facts, including statements regarding the beliefs and expectations of Oi S.A. – under Judicial Reorganization (“Oi” or “Company”), business strategies, future synergies, cost savings, future costs and future liquidity are forward-looking statements.

The words “anticipates”, “intends”, “believes”, “estimates”, “expects”, “forecasts”, “plans,” “aims” and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. There is no guarantee that the expected events, tendencies or expected results will actually occur. Such statements reflect the current views of the Company’s management and are subject to a number of risks and uncertainties. These statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, corporate approvals, operational factors and other factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations. All forward-looking statements attributable to the Company or its affiliates, or persons acting on their behalf, are expressly qualified in their entirety by the cautionary statements set forth in this notice. Undue reliance should not be placed on such statements. Forward-looking statements speak only as of the date they are made.

Except as required under the Brazilian and U.S. federal securities laws and the rules and regulations of the CVM, the SEC or other regulatory authorities in other applicable jurisdictions, the Company and its affiliates do not have any intention or obligation to update, revise or disclose any changes to any of the forward-looking statements herein in order to reflect current or future events or their developments, changes in assumptions or changes in other factors affecting the forward-looking statements herein. You are advised, however, to consult any further disclosures the Company makes on related subjects in reports and communications that the Company files with the CVM and the SEC.



OPERATIONAL

1 MILLION FTTH CUSTOMERS REACHED

97 THOUSAND NEW FTTH HOMES CONNECTED ONLY IN APRIL

701 % OF ANNUAL FIBER REVENUE GROWTH

12 % ANNUAL GROWTH IN POSTPAID REVENUE

38 % ANNUAL GROWTH IN IT CORPORATE REVENUE

FUNDING

1 BILLION DOLLARS FROM UNITEL IN JANUARY

2.5 BILLION REAIS BRIDGE LOAN CLOSED

EFFICIENCY AND SIMPLIFICATION

SIMPLIFICATION INITIATIVES GENERATING SAVINGS IN LINE WITH THE TARGET FOR THE YEAR

STRATEGIC OPTIONS

GENERAL CREDITORS MEETING (GCM) FOR PLAN AMENDMENTS AND COMPANY FLEXIBILITY EXPECTED FOR AUGUST 2020

MARKET PROCESS FOR MOBILE SALE IN PROGRESS

STRUCTURAL SEPARATION FOR VALUE MAXIMIZATION: INFRA CO AND CLIENT CO

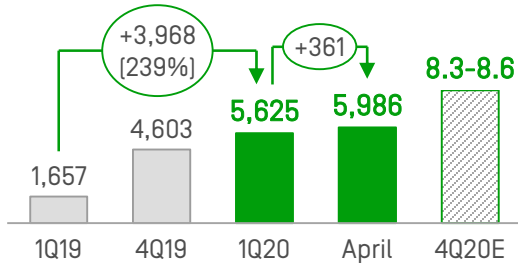
FULL REGULATORY CAMPAIGN IN PLACE FOR FUTURE PLC IMPACT

FIBER PROJECT IMPLEMENTATION CONTINUES AT VERY STRONG PACE AND REACHED 1 MILLION FTTH CLIENTS



HOMES PASSED WITH FIBER

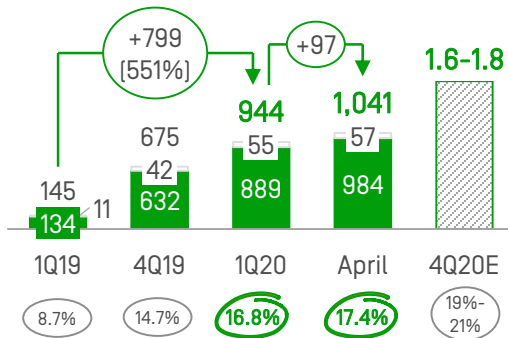
Thousand



HOMES CONNECTED WITH FIBER

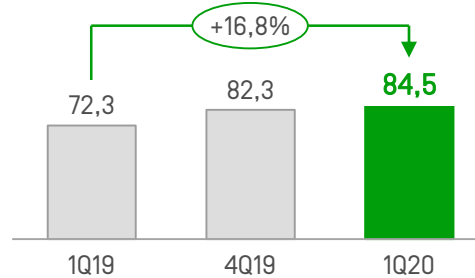
Thousand

□ B2B ■ Residential



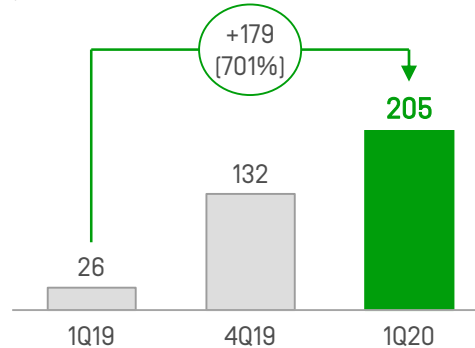
FIBER ARPU

R\$



FIBER REVENUE

R\$ million

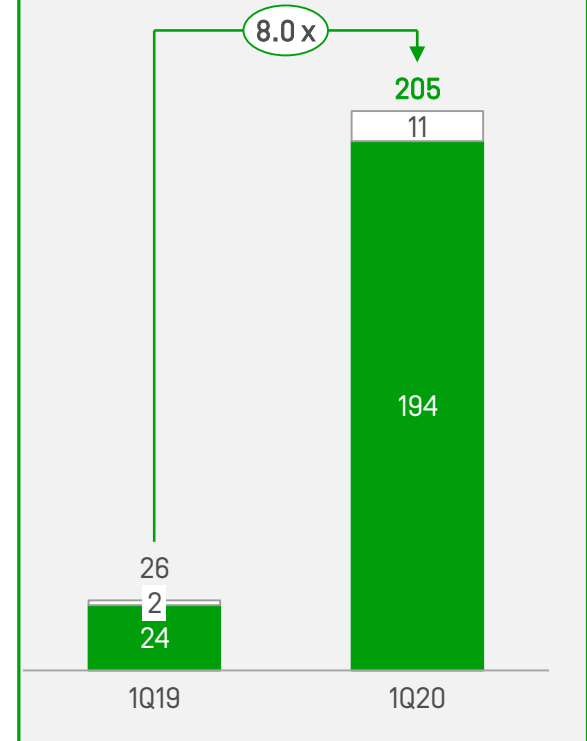


FTTH REVENUES BREAKDOWN

R\$ million

□ B2B

■ Residential



○ Take-up %

FTTH STRATEGY ON TRACK: FTTH CITIES KEEP POSTING EXPRESSIVE RESULTS

APRIL REGISTERED THE MONTHLY RECORD FOR HOMES CONNECTED



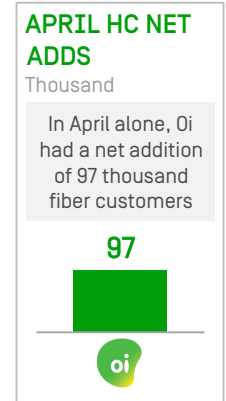
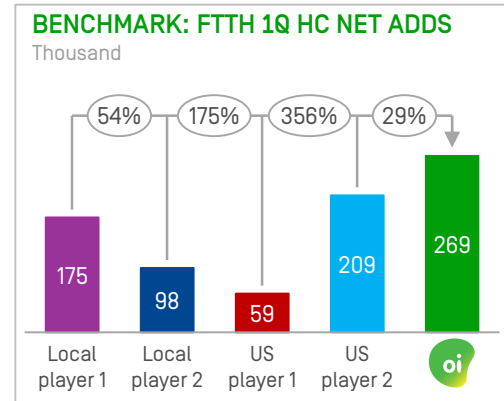
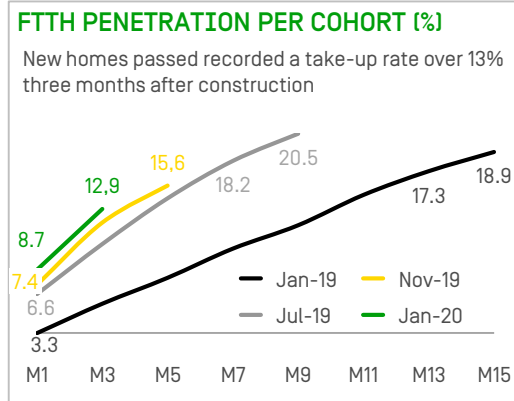
OI FIBRA 200 MEGA

Internet com ultra velocidade e modem WiFi UP para conectar a casa inteira

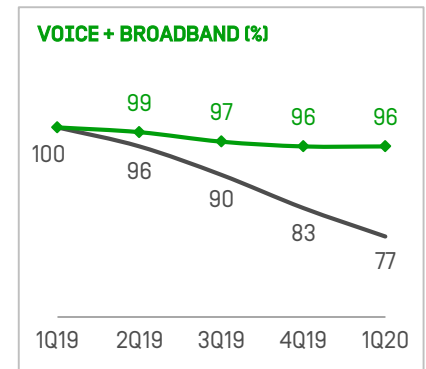
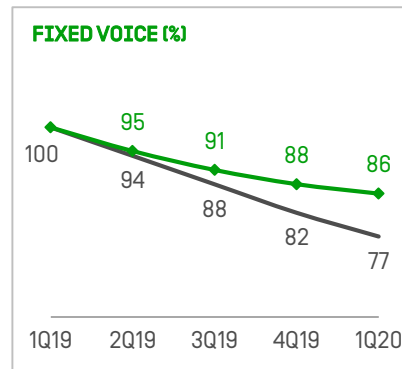
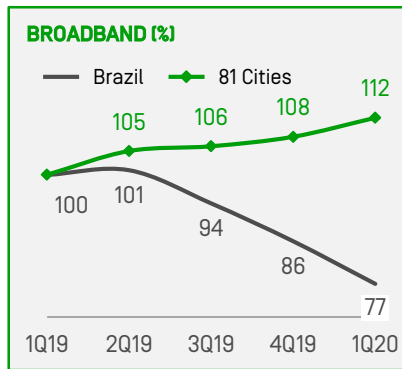
POR R\$ 99,90 /MÊS

Eu quero

Valor do plano Smart com débito em Conta Digital



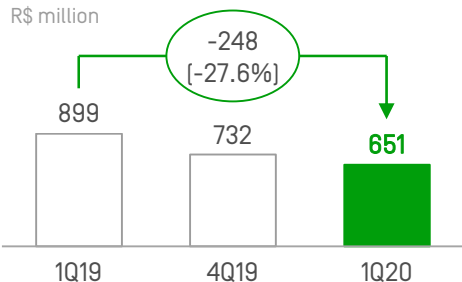
FIRST 81 CITIES WITH FTTH CONTINUE TO RECORD CONSISTENT GROWTH IN BROADBAND REVENUE



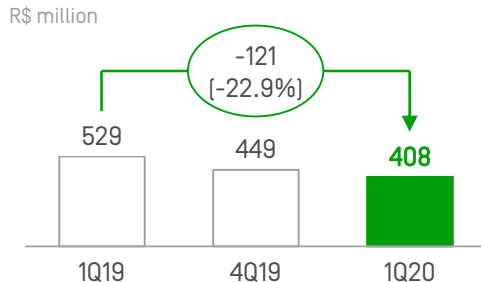
FTTH REVENUE GROWTH REMAINED STRONG, REACHING 11.7% SHARE OF TOTAL RESIDENTIAL NET REVENUE. DECLINE IN RESIDENTIAL REVENUE REFLECTS COPPER'S DIVESTMENT STRATEGY



COPPER VOICE REVENUE

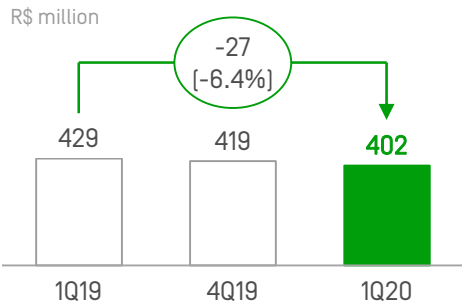


COPPER BROADBAND REVENUE

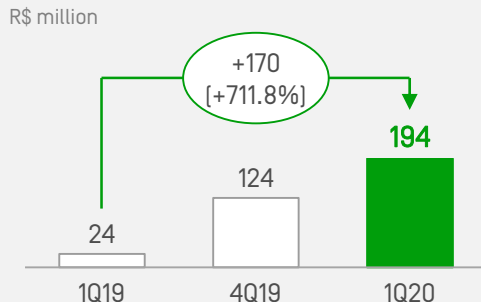


Year-over-year FTTH revenue growth (170 M) more than offsets the decline in copper broadband [-121 M] and DTH TV [-27 M] revenues combined [-148 M].

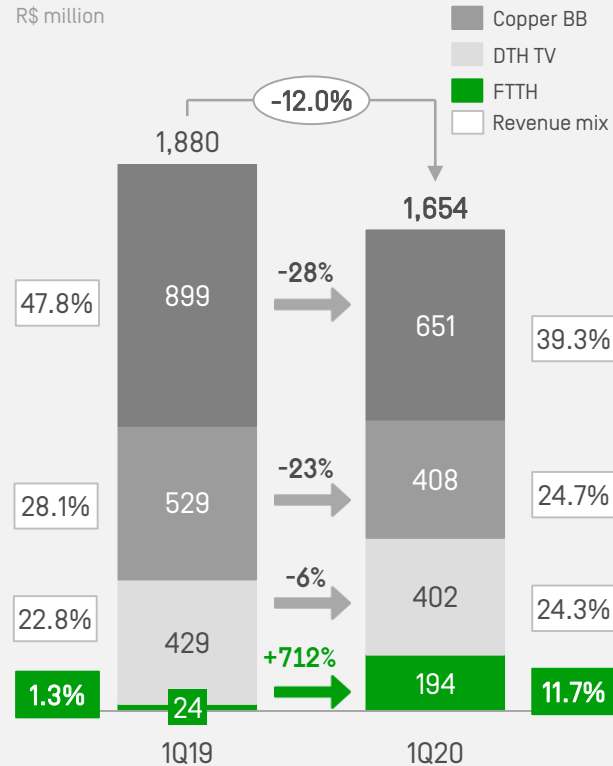
DTH TV REVENUE



FTTH REVENUE



RESIDENTIAL REVENUES



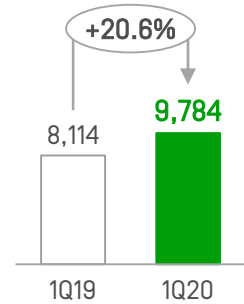
POSTPAID MAINTAINS STRONG RESULTS IN THE MAIN OPERATIONAL AND FINANCIAL INDICATORS, OFFSETTING THE DECLINE IN PREPAID REVENUE



POSTPAID

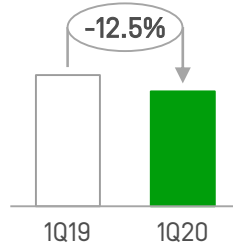
CUSTOMER BASE

Thousand



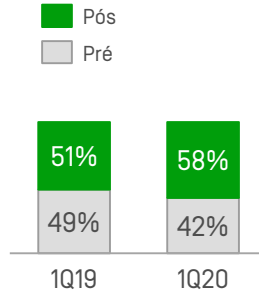
CHURN¹

%



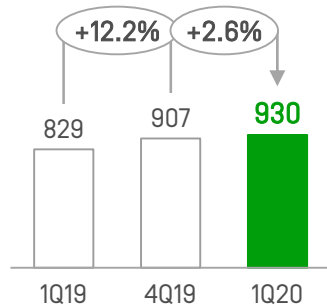
REVENUE MIX

%



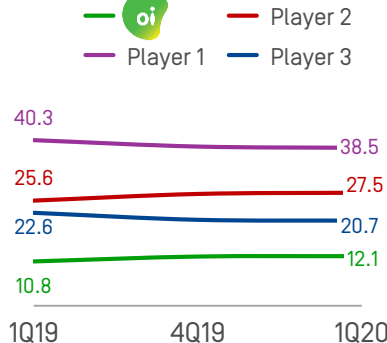
CUSTOMER REVENUE²

R\$ Million



MARKET SHARE³

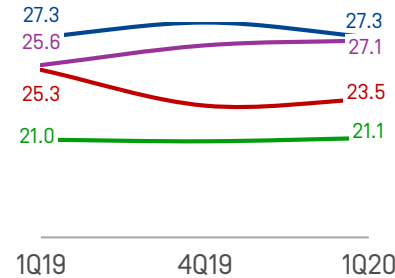
%



PREPAID

MARKET SHARE

%

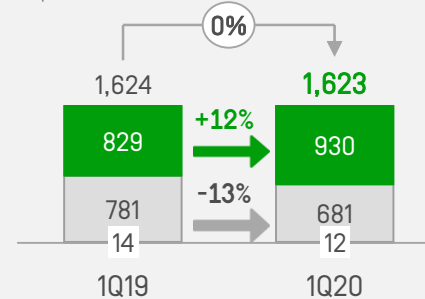


Even in a scenario of contraction in the prepaid market and with the first impacts of the COVID-19 pandemic, Oi managed to marginally grow its market share in the segment.

MOBILITY

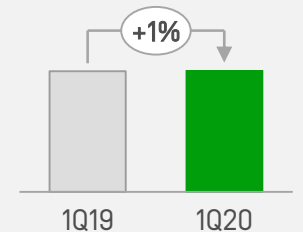
CUSTOMER REVENUES²

R\$ million



ARPU

R\$



■ Postpaid ■ Prepaid □ Others

CORPORATE STRATEGY POSITIONING AS A SOLUTIONS INTEGRATOR HAS BEEN BOOSTING ITC REVENUE. FOCUS ON LEVERAGING THE WHOLESALE INFRASTRUCTURE HAS STARTED TO GENERATE POSITIVE RESULTS. B2B REVENUES IMPACTED BY CONFINEMENT WITH REDUCED VOICE TRAFFIC



CORPORATE

oi OI SOLUTIONS

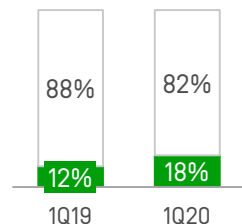
SMART OFFICE 4.0
Cloud connectivity and collaboration solution, ideal for companies with a home office system.

SECURITY
Clients protected by a highly experienced security solutions team.

CLOUD & DATA CENTER
Cloud-based dedicated servers, system hosting and file storage services.

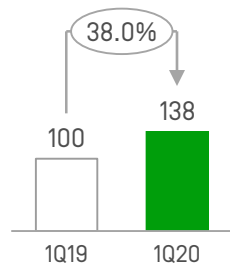
REVENUE MIX

Others IT



IT REVENUE

R\$ million

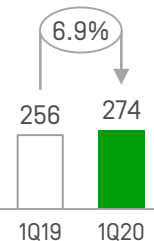


WHOLESALE

- FIBER TO THE ISP**
Focus on ISPs with better latency, IP infra and network resilience differentials.
- FIBER TO THE TOWER**
Oi's fiber optic network as an important pillar to support 5G deployment
- FIBER TO THE CITY**
Monetize robust and non-replicable transport network in a high growth area
- FRANCHISE PROJECT**
Use recent pilot project with MOB Telecom for a larger Franchise rollout in H2 2020.

WHOLESALE REVENUES

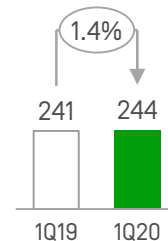
R\$ million



INFRA. RENTAL REVENUES¹

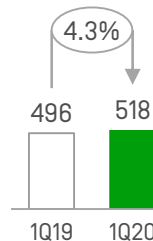
R\$ million

Opex reducer



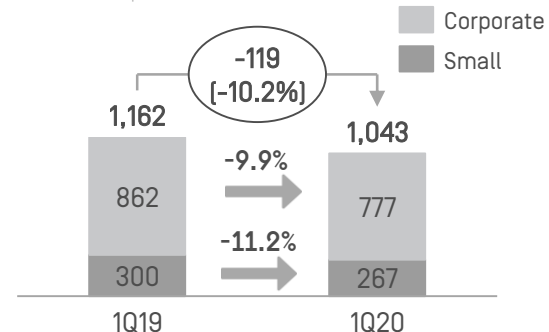
TOTAL WHOLESALE REVENUE

R\$ million



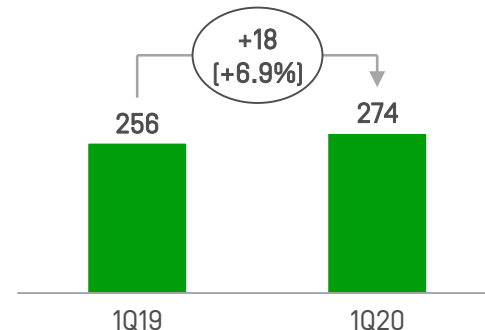
B2B REVENUES

R\$ million



WHOLESALE REVENUES

R\$ million



1 - Infrastructure rental revenue is classified as an opex reducer, essentially because its nature is not that of a telecom service revenue

OPERATIONAL SIMPLIFICATION AND COST REDUCTION ACTIONS SHOWING MAJOR DEVELOPMENTS IN THE METRICS, IN LINE WITH EXPECTED 2020 TARGETS



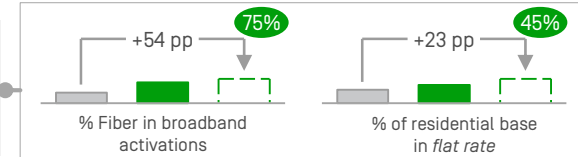
Sales, Mktg & Customer Service

- Portfolio Simplification - Migration to Flat Rate Plans;
- Reduction of legacy portfolio proactive selling actions;
- Digital sales channel acceleration;
- Automation and optimization of customer service and call center operations.

ESTIMATED IMPACT 2020

R\$ 150 – 200 M

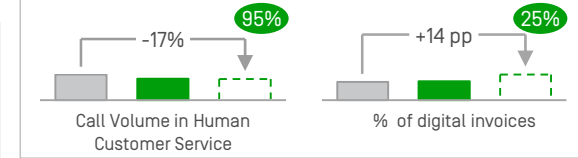
TARGETS PER SELECTED METRICS



Process and Organization

- Ongoing process simplification project;
- Dedicated focus on Transformation and Digital; Wholesale and Franchises
- Thorough review of company's processes and implementation of centralized Automation initiative

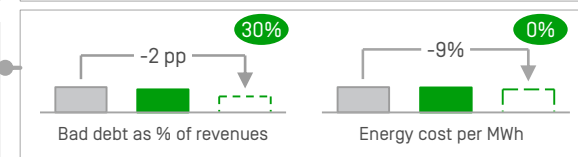
R\$ 100 – 150 M



Business Support

- Implementation of CSC for common support functions across all companies
- Holistic procurement program;
- Back-office reduction through automation and BPO extension;
- Energy Efficiency Initiatives with own generation.

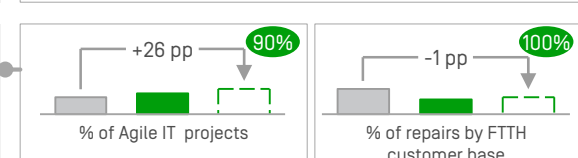
R\$ 150 – 300 M



IT

- Interruption of IT legacy projects;
- Development of New IT Stack for Fiber Operations;
- Elevating Digital Initiative to company wide effort.

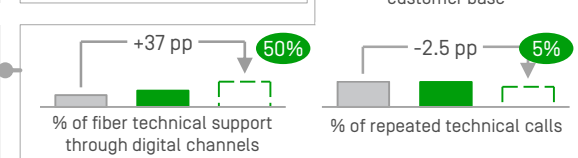
R\$ 100 – 200 M



Network and Operations

- Optimization and decommissioning of Legacy Networks (copper, DTH);
- Accelerated customer migration to fiber;
- Capex and Opex readjustment as a consequence of reduction of legacy sales efforts.

R\$ 150 – 200 M



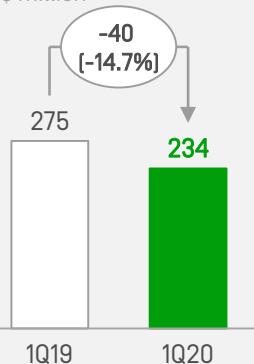
3Q19 1Q20 4Q20 % Progress

COST EFFICIENCY AND SIMPLIFICATION INITIATIVES ALREADY GENERATING RESULTS ON ALMOST ALL EXPENSE LINES, IMPROVING COMPANY'S EBITDA MARGIN



NETWORK MAINTENANCE

R\$ million

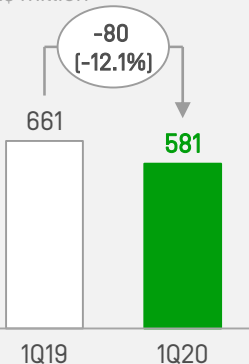


Savings are the result of:

- Decommissioning of legacy networks;
- Acceleration of customer migration to Fiber
- Reduction of public telephone plant.

RENT & INSURANCE

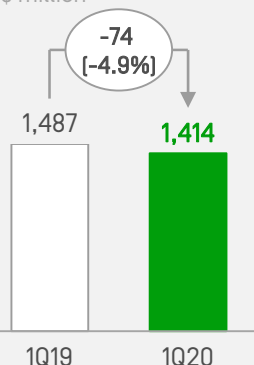
R\$ million



A review of the procurement operations, made it possible to renegotiate contracts, in particular those related to the rental of transport infrastructure network.

THIRD PARTY SERVICES

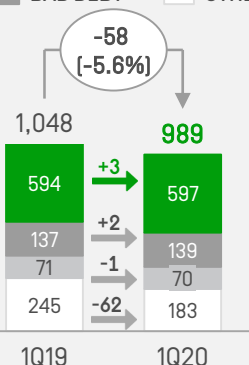
R\$ million



Impacts are related to:

- Digital sales channel acceleration;
- Automation and optimization of customer service and call center operations;
- Reduction of IT projects linked to legacy products.

PERSONNEL MARKETING
BAD DEBT OTHERS

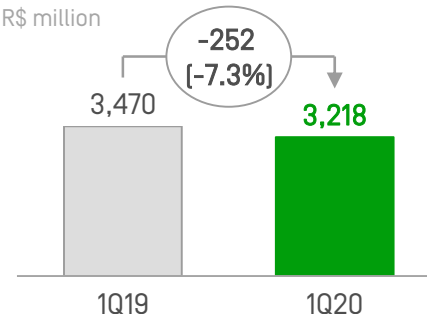


The continuous project to simplify processes and improve service quality were crucial in the reduction of:

- R\$ 35 million in contingency expenses
- R\$ 27 million in expenses with the sale of handsets.

OPEX

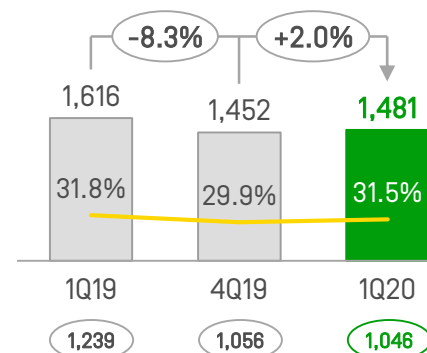
R\$ million



ROUTINE EBITDA

R\$ million - Brazilian operations

Ebitda Margin Ebitda ex-IFRS16



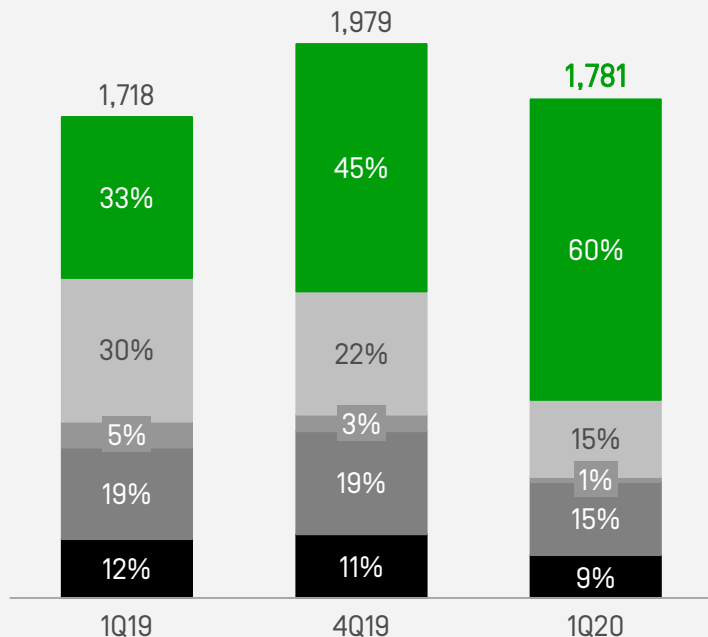
CAPEX IN LINE WITH STRATEGIC PLAN, KEEPING FOCUS ON DEPLOYING FIBER (HP'S AND HC'S), REFORMING OF 1.8GHZ SITES TO 4G AND 4.5G AND REDUCING LEGACY INVESTMENTS



CAPEX

R\$ million | Brazilian operations

Fiber Copper DTH Mobile B2B



Oi's capillarity allows leveraging fiber strategy in all regions of the country

With "Reuse" model, it is possible to accelerate "Time-to-Market" for new cities.

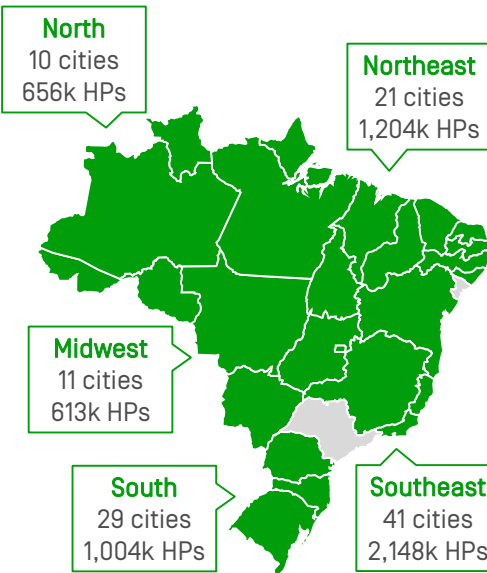
Presence in 112 cities by the end of 1Q20 [26 added in the quarter], with plans to enter in more than 18 cities and all states (except SP) in 2020.

2.2k cities
Total cities with existing Oi Fiber transmission

54.9MM homes
Total homes in these cities

388k KM of Fiber
Oi Fiber Network Extension in Brazil

20 days time-to-mkt
20 days to start FTTH commercial activities in a non planned city - Divinopolis

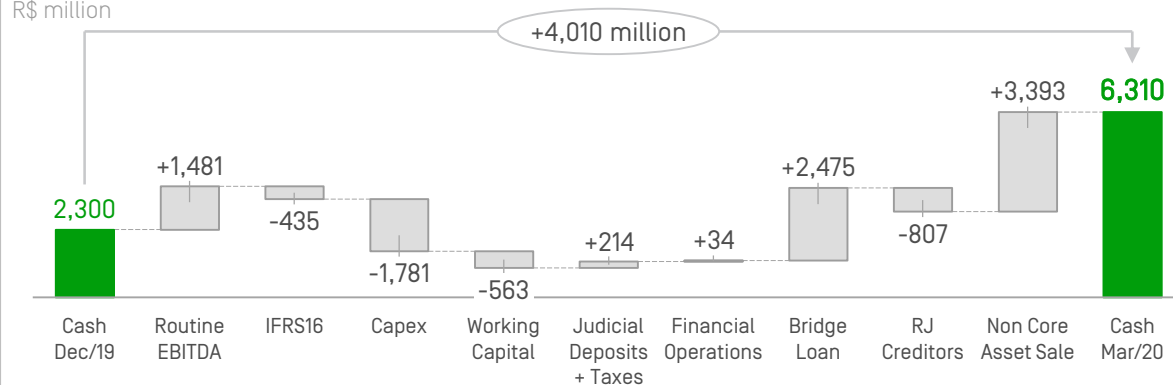


IMPROVED SHORT TERM CASH POSITION FOR THE EXECUTION OF THE STRATEGIC PLAN



CASH FLOW

R\$ million

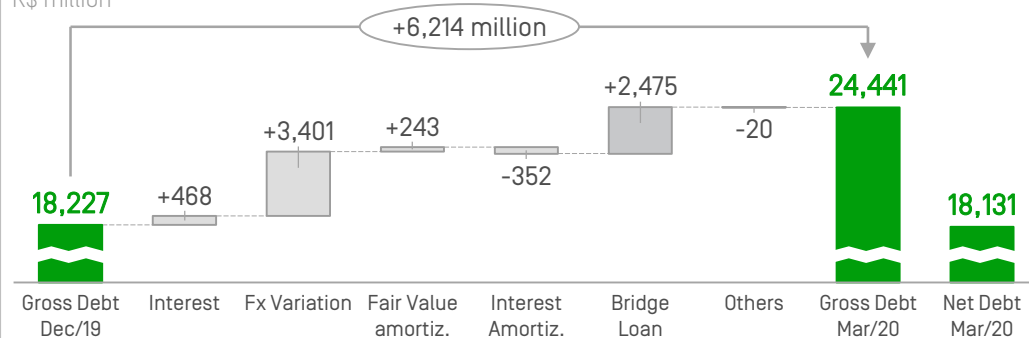


FUNDING PROCESSES

- ✓ US\$ 1.0 billion for Unitel deal.
 - ✓ R\$ 3.1 billion in PIS/COFINS tax credits.
 - ✓ R\$ 669 million in pension fund surplus.
 - ✓ R\$ 2.5 billion in bridge loan.
 - ✓ R\$ 121 million in real estate sales
- 2H/20** Mobile Towers and Data Centers: will be sold as UPIs after the GCM, to maximize value.
- 2H/20** Other real estates.

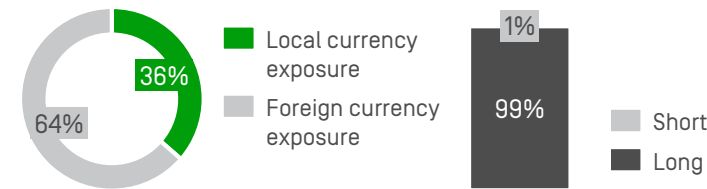
DEBT (FAIR VALUE)

R\$ million



GROSS DEBT PROFILE

Hedge Policy: With 99% of the debt maturing in the long term, the Company adopted a hedge policy for short-term payments. In 2020 specifically, it is using part of the proceeds from the sale of Unitel as natural cash flow hedge.





EMPLOYEES



- 11 thousand employees working remotely.
- 400 thousand masks and 25 thousand liters of alcohol gel.
- App to monitor employee health, ensuring remote assistance to doctors and psychologists.
- Virtual attendant to clarify doubts about benefits, speed up remote processing of documents, such as health certificates.
- Remote team training.

SUPPORT FOR GOVERNMENTS



- Free navigation on official information sources.
- Sending free SMS with information from health authorities.
- A 0800 number and with three digits to serve the population.
- A heat map, in partnership with other operators.
- Zero rating applied to Government's emergency social income distribution program.

CUSTOMERS



- Reinforcement of technical assistance for maintenance.
- Prepaid : different data bonus packages.
- Postpaid: the reduced speed is four times greater than that offered previously.
- Oi TV, Oi Livre, Oi Play channels content released.
- Corporate - access to Oi Smart Office 4.0 with no charge for 90 days.

CORPORATE SOCIAL RESPONSIBILITY

- Training - development of online mentoring for social entrepreneurship.
- Participation in the *ZAP do bem* initiative – Social Digital Wallet .
- Culture - digital programming.
- Online Museum - Launch of MUSEHUM - Museum of Communications and Humanities on a digital platform.



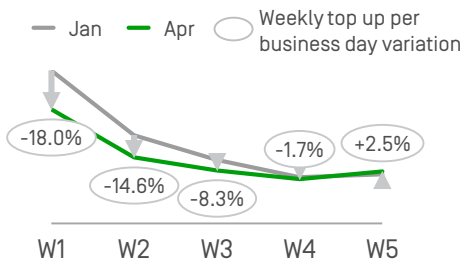
PREPAID TOP UPS WERE IMPACTED BY COVID-19, BUT THE IMPACT WAS REDUCED AFTER EMERGENCY RELIEF FUNDS WERE DISTRIBUTED BY THE GOVERNMENT. FIBER ACTIVATIONS CONTINUED TO GROW.



PREPAID

The volume of top ups decreased in the first weeks of April recovering in mid-April after distribution of emergency relief funds

TOP UP / BUSINESS DAY



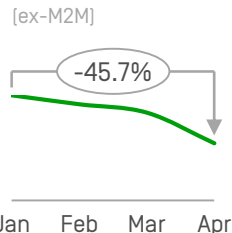
DIGITAL TOP UPS INCREASING

- 48%** increase in digital top ups in April compared to January
- 31%** mix of top ups in digital channels in April, compared to 17% in January.

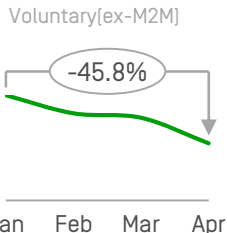
POSTPAID

Restriction of commercial activity caused a deceleration in gross adds, offset by the reduction in voluntary churn.

GROSS ADDS¹



CHURN¹



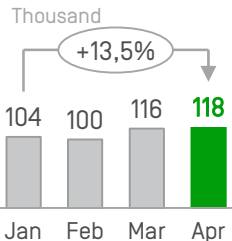
B2B

- Late payment by some state governments.
- Increase in bad debt from small. Businesses.
- Voice revenue impacted by lower traffic during the confinement.

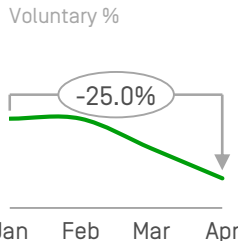
FIBER

Fiber was not impacted by the pandemic. Gross adds grew and churn remained under control.

GROSS ADDS



CHURN

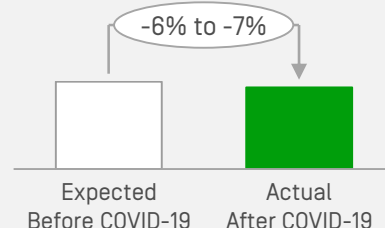


NETWORK RESILIENCE

- 38%** Increase in data traffic consumption in our network since the beginning of the confinement

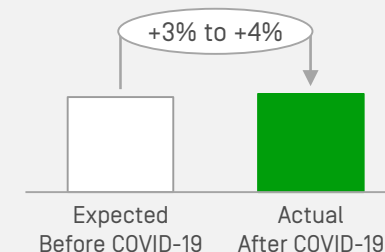
COLLECTION (From March-18 to April-30)

Until the end of April, we estimate that COVID-19 negatively impacted our collection by 6% to 7%.



COLLECTION (From May-1 to May-18)

May already presents collections slightly above the expectation pre COVID-19.



IN SUMMARY, OI CONTINUES TO EXECUTE ON ITS STRATEGIC PLAN, WORKING ON MULTIPLE FRONTS OF THE COMPANY'S TRANSFORMATION, LOOKING TO BECOME THE MAIN FIBER INFRASTRUCTURE PROVIDER IN THE COUNTRY, SERVING ALL BUSINESS SEGMENTS (B2C, B2B AND WHOLESALE)



SHAREHOLDER / DEBT HOLDER VALUE CREATION

FUNDING

DELIVERED

- Bridge Loan
- Unitel
- Polidoro Property Sale
- PIS/COFINS Tax Credit
- Pension Fund Surplus

TO COME

- Mobile Towers
- Data Centers
- Additional Real Estate Portfolio Sales

OPERATIONS

One million fiber customers in less than 2 years of project.

Postpaid starts 2020 at the same pace as 2019, with significant customer base and revenue growth.

With a more active operating strategy, Wholesale has been showing solid revenue growth.

De-averaging to reduce copper burden.

EFFICIENCY AND SIMPLIFICATION

Several initiatives being implemented, impacting all areas of the company and producing the first results.

- Simplification
- Organization and processes
- Business support
- Network, Operations and IT

Estimated annualized impact in 2020 between R\$ 650 million and R\$ 1 billion.

STRATEGIC OPTIONS

New General Creditors Meeting (GCM): Expectation to hold GCM in 60 days [call notice + legal period]. Proposed plan amendments to bring company flexibility in order to accelerate the execution of its strategic plan and maximize value creation.

Market Process for Mobile Business sale in progress; Non-core assets sale in final stages

Structural Separation (Infra Co and Client Co) for Value Maximization: to accelerate fiber deployment and allow Oi's sustainable growth

GCM PLAN OI TRANSFORMATION

June, 2020



OUR TRANSFORMATION IS BEING BUILT IN 3 PHASES

STRATEGIC TRANSFORMATION PLAN



PHASE 1 2016-2018 EXECUTION OF THE RJ PLAN

- Judicial debt restructuring and cash protection
- Capital increase
- New governance
- Operational stability and recovery, with gradual resumption of investments



PHASE 2 2019-2020

- Asset sales, funding and cash
- Strategic transition of the model
- Simplification and operational efficiency



PHASE 3 2020-2021

- Future vision
- Reconfiguration of Oi for sustainability and value creation
- Consolidation of the new strategic model
- Preparing the company for return to growth



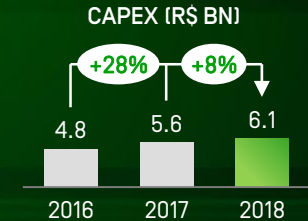
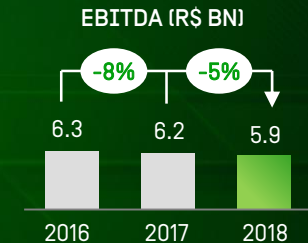
PHASE 1 [2016-2018] OI OVERCAME IMPORTANT CHALLENGES IN THE CONTEXT OF JUDICIAL RECOVERY

PERIOD WAS OF GREAT CHALLENGES FOR THE COMPANY ...

- Survival
- Short Term Financial Feasibility
- Operational Continuity
- Governance Change
- Change of Capital Structure

... BUT THEY WERE ALL ADDRESSED, ALLOWING US TO START BUILDING A NEW VISION FOR THE FUTURE!

- ✓ Judicial restructuring of debts and cash protection, with debt reduction of **R\$ 35.5 billion** [from **R\$ 49.7Bn** ► **R\$14.2 Bn⁽¹⁾**]
- ✓ R\$ 4.0 billion Capital increase
- ✓ New governance
- ✓ Preparing to sell non-core assets
- ✓ Operational stability and recovery with gradual resumption of investments



SIGNIFICANT CHANGES IN THE TECHNOLOGICAL AND CONSUMER ENVIRONMENT, COMBINED WITH THE DELAY IN UPDATING THE REGULATION, LED TO THE NEED TO EVOLVE THE STRATEGIC TRANSFORMATION PLAN



PHASE 2 [2019-2020] THE STRATEGIC PLAN IS BEING SUCCESSFULLY EXECUTED IN ITS 3 CURRENT DIMENSIONS



OBJECTIVES

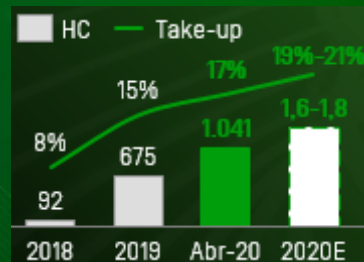
- ✓ Medium and Long Term Sustainability
- ✓ Short and Medium Term Execution
- ✓ Funding and Cash for Investments
- ✓ Transformation of the Strategic Model

ASSET SALES, FUNDING AND CASH

- **Unitel:** USD 920 million already received ⁽¹⁾
- **Bridge Loan:** R\$ 2.5 billion
- **Real Estate:** Sale of ~R\$ 200 million ⁽²⁾
- **PIS/COFINS:** R\$ 3.1 billion, with an estimated realization of R\$ 100 million/month, in progress
- **Sistel:** R\$ 669 million of surplus distribution in 36 installments of R\$ 19 million. Since December 2019

STRATEGIC TRANSITION OF THE MODEL

FTTH/Fiber



B2B → Oi Solutions

Wholesale acceleration

Mobile Sustainability

DTH reduction

Copper Reduction

SIMPLIFICATION AND OPERATIONAL EFFICIENCY

- ✓ New Structure
- ✓ Business Support
- ✓ IT Simplification
- ✓ Processes
- ✓ Copper Cost Reduction [Deaveraging Project]

[1] Remaining 2 installments of USD 40 million each; [2]: Real Estate in RJ and SC



PHASE 3 [2020-2021] WITH THE EXECUTION ADJUSTED TO THE CHALLENGES OF THE ENVIRONMENT, OI'S TRANSFORMATION CAN CONTINUE TOWARDS ITS LONG TERM VISION

ENVIRONMENT EVOLUTION...

- Regulatory changes still in progress
- Acceleration of technological and consumption changes - decline in fixed telephony, copper broadband and DTH
- Accelerated demand for high-speed broadband, and increased competition with large telcos and ISPs
- Need for massive investments in fiber infrastructure and preparation for 5G
- Covid-19 impacting economic environment, but with potential opportunities in the recovery
- Need to optimize the company's financial model for the long term



... AND IN OI'S ROLE

LONG-TERM STRATEGIC VISION, COMPANY RECONFIGURATION, SUSTAINABILITY AND VALUE GENERATION



- ✓ New Business and Company Model
- ✓ New Governance Structure
- ✓ New Financial Structure
- ✓ New Operational Structure

- ✓ Focus on Fiber Optic Infrastructure
- ✓ Residential, Business, Corporate, Government + Wholesale Customers
- ✓ Structural Separation Model
- ✓ Consolidation of Mobile Operation
- ✓ Evaluation of partnerships for TV and Content
- ✓ Flexibility to Execute the Plan

OUR VISION, STRATEGY AND EXECUTION



VISION

ENABLE THE CREATION OF THE **LARGEST TELECOM INFRASTRUCTURE COMPANY IN THE COUNTRY**, MASSIFYING FIBER OPTICS, ENABLING BROADBAND, 5G AND BUSINESS SERVICES



STRATEGY

LONG-TERM SUSTAINABILITY

New company model, reorganized, with investment capacity, revenue generation and long-term sustainability

OI BRAND → FOCUS ON CUSTOMER EXPERIENCE

Innovation and excellence in solutions development and relationships with our customers

INFRA CO → STRUCTURAL SEPARATION AND NEUTRAL NETWORK

Comprehensive, robust, granular network, with better revenue predictability and access to the financial markets



EXECUTION

LIGHTER and **AGILE** company focused on the future

Seeking market **LEADERSHIP** in **FTTH**, B2B and Wholesale

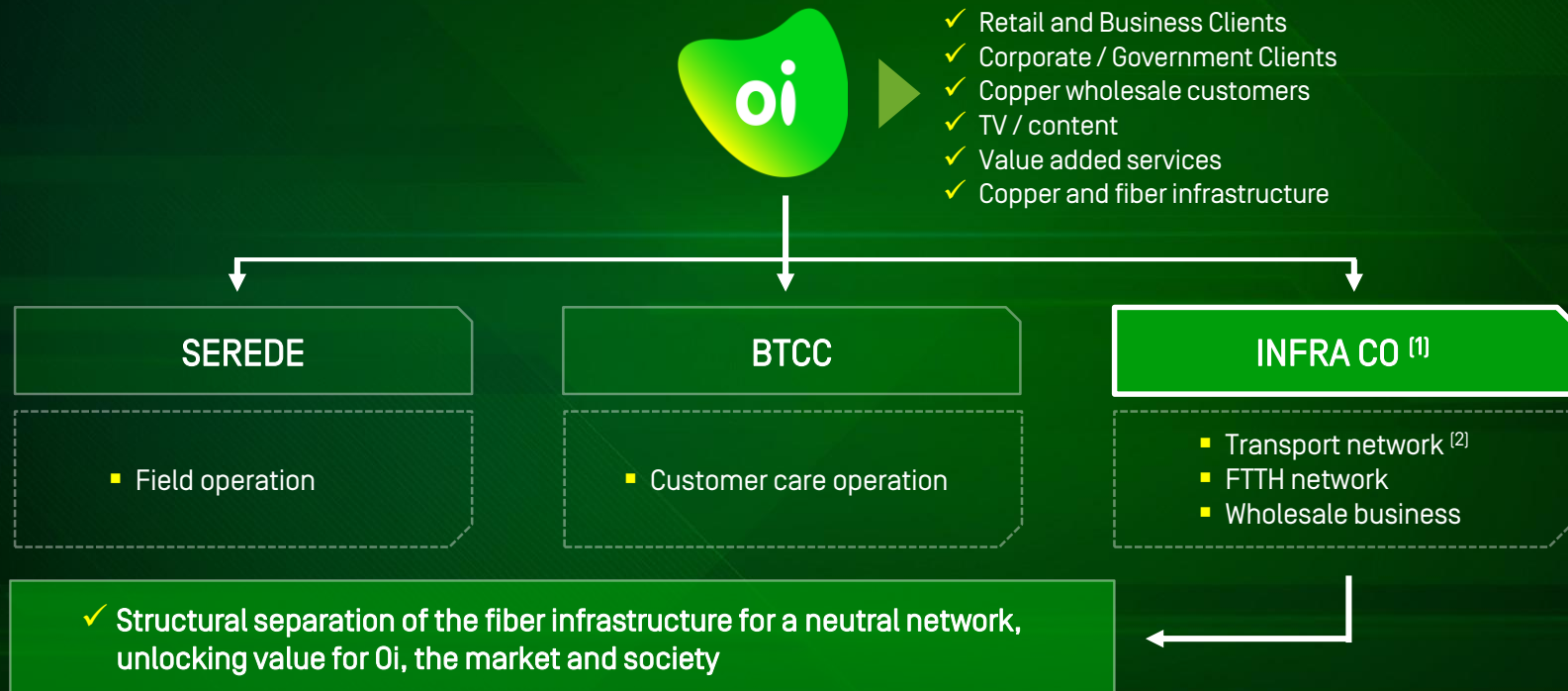
That **MAKES SENSE** in the lives of our customers and always innovates

With **FOCUS** on a more **EFFECTIVE** performance

Leveraging and investing on the **BEST NETWORK** in Brazil

COMPANY THAT GENERATES **VALUE AND TRUST** FOR ALL **STAKEHOLDERS**
(CUSTOMERS, EMPLOYEES, SHAREHOLDERS, CREDITORS, PARTNERS, SUPPLIERS AND SOCIETY)

FUTURE VISION: COMPANY CONFIGURATION WITH STRUCTURAL SEPARATION



FUTURE VISION: STRUCTURAL SEPARATION UNLOCKING AND GENERATING VALUE

NEW 

INFRA CO

FTTH Network
(6Mn+ HPs)

388,000 km of fiber^[1]

43,000 + km of ducts^[1]

Fiber to more than 2,300 cities^[1]

Wholesale business:

- White label FTTH
- Connectivity and transport for operators and ISP
- 5G Enablement



- ✓ Robust and granular **neutral and independent** network structure
- ✓ Better Access to funding sources, **due to the independence, predictability of revenues and greater exposure to other operators**
- ✓ Anticipation of **investment accelerating fiber network coverage**

OI CLIENT CO ^[2]

Customers:

- Oi (residential and business)
- Oi Solutions
- Copper wholesale

Activities:

- Sales
- Marketing
- Customer care
- Innovation/OiTo
- Oi Futuro

Infrastructure:

- DTH/IPTV
- Copper
- Backbone and backhaul (managed by InfraCo)^[1]



- ✓ Service culture **centered on customer experience and digital as the first option**
- ✓ Focus on excellence in consumer experience and **offer differentiation**
- ✓ Less need for own investment, **leveraging on an even more comprehensive network**

Notes: [1] IRU contract for the management and operation of the transport network of Oi SA and Telemar, [2] Governance - Board with 11 independent members and a management team with long-term incentives aligned with the value creation for the shareholders.

STRUCTURAL SEPARATION HAS ALREADY HAPPENED IN SEVERAL COUNTRIES IN THE WORLD ...

WHAT IS STRUCTURAL SEPARATION?

- ▶ It is the reorganization of the company, in **2 independent and complementary structures**

Structure 1: An independent, **neutral network** company, focused on **infrastructure**

Structure 2: A **service** Company focused on **customers**



Enables each party to focus on its segment, operating more efficiently



Enables market expansion and growth, with more effective use of investments

STRUCTURAL SEPARATION IS A REALITY IN DIFFERENT PARTS OF THE WORLD



... BRINGING A SET OF BENEFITS TO THE NEWLY CREATED COMPANIES AND ITS SHAREHOLDERS

ADVANTAGES OF STRUCTURAL SEPARATION



Ability to **attract more investors**



Accelerate capex and network coverage



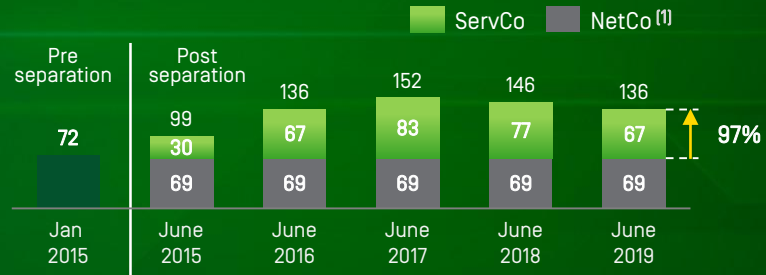
Serve **multiple carriers**



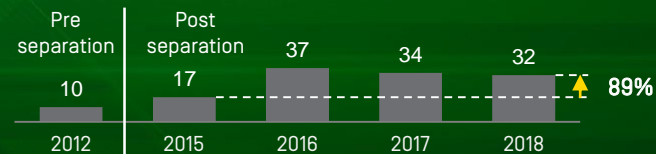
Establish a **lighter customer structure**, customer centric and digital first

SHAREHOLDER VALUE GENERATION (EXAMPLE COMPANY L 🇨🇪)

Company L Market Capitalization CZK Billions



Company L Return on invested capital % [including goodwill and intangibles]



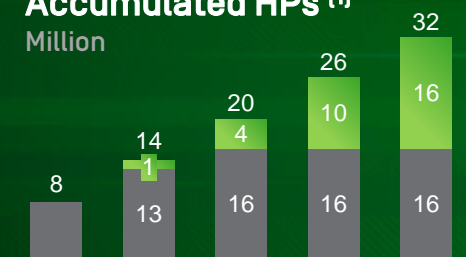
(1) NetCo post-separation with private management. Therefore, there is no market valuation available | Source: Mckinsey

STRUCTURAL SEPARATION ALLOWS FOR ACCELERATION OF FIBER NETWORK DEPLOYMENT BY INFRA CO

COVERAGE OF ALL ADDRESSABLE HPs UNTIL 2024

Accumulated HPs ⁽¹⁾

Million



**+100%
ACCUMULATED
HPs IN 2024**

Build out HPs



**+140%
BUILT HPs
UNTIL 2024**

■ InfraCo ■ As Is

CASH FLOW



- 1 Initial investment period with high network expansion CAPEX, financed by an efficient capital structure
- 2 Followed by a high return phase, with reduced CAPEX and increasing EBITDA

Note [1]: Projected Evolution | Source: Business Model under discussion within the scope of the Strategic Transformation Plan

THE NEW OI WILL GROW FASTER IN A SUSTAINABLE WAY ...

CLIENT CO (EX. COPPER AND DTH)

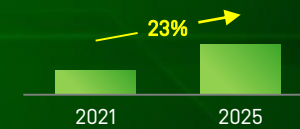
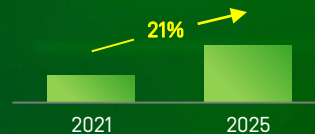
INFRA CO

BUSINESS METRICS 2025

> 7 Million Homes Connected

> 30 Million Homes Passed and
> 10 Million Homes Connected

REVENUE (CAGR REVENUE EX-COPPER AND DTH)



EBITDA MARGIN (2025)

> 20%

> 60%

FIBER OPERATING CASHFLOW (EBITDA-CAPEX @ 2025)

> R\$ 1.5 Bn

> R\$ 3 Bn

... GENERATING BENEFITS FOR EVERYONE

CUSTOMERS

Residential, business and corporate customers will benefit from the best quality of infrastructure, in geographic markets not yet served by fiber, and from the best experience of using the services

SECTOR

Large and small operators will have access to the robust and capilar infrastructure in an isonomic way, avoiding redundancy of investments, generating greater profitability and competitiveness

EMPLOYEES AND SUPPLIERS

Employees and suppliers will have companies that are financially stronger and more focused on their specific area of expertise

CREDITORS AND SHAREHOLDERS

Sustainable and growing company, increasing safety for all creditors and return to shareholders and investors

SOCIETY

Economic and social development through digital inclusion and greater economic efficiency of investment in infrastructure

IN ORDER TO IMPLEMENT THIS EVOLUTION OF THE BUSINESS MODEL, AMENDMENTS TO THE JUDICIAL REORGANIZATION PLAN AND A NEW GENERAL CREDITORS MEETING WILL BE NECESSARY

- ✓ CONTINUITY OF JR PLAN EXECUTION - SUSTAINABILITY AND VALUE GENERATION
- ✓ EXECUTION FLEXIBILITY AND FUTURE OPTIONS FOR THE COMPANY
- ✓ ANTICIPATION OF DEBT PAYMENTS, REDUCING RISK FOR CREDITORS AND IN EXCHANGE BENEFITING THE COMPANY WITH BETTER PAYMENT CONDITIONS
- ✓ PROPOSES ALTERNATIVES FOR VARIOUS CREDITORS, INCLUDING SMALL ONES
- ✓ OPTIMIZES CAPITAL STRUCTURE
- ✓ REDUCES OPERATIONAL RISK AFTER TRANSACTIONS ARE COMPLETED

CONCEPTS OF THE AMENDMENT PROPOSAL TO THE JR PLAN - CREATION OF 4 ISOLATED PRODUCTION UNITS (UPIs) ^[1]

UPI TOWERS

UPI DATA CENTER

UPI MOBILE ASSETS

UPI INFRA CO

SCOPE

- 657 mobile towers and 225 indoor sites (passive infrastructure in shopping malls, hotels and others),
- Revenue from other operators and Oi.

- 5 data centers
- Revenue/contracts for the colocation/hosting business with B2B and Oi customers

- Complete mobile operation, including active network, clients and spectrum
- Elements of the active or passive transmission network not included

- FTTH network, including equipment and operation.
- Wholesale contracts, with Oi being its main customer for fiber broadband and Oi Soluções operations
- IRUs with Oi SA and Telemar backbone and backhaul transport network

SALE

- Minimum price of R\$ 1Bn for 100% of the shares;
- Sale at the highest price
- M&A process being conducted by Oi

- Minimum price of R\$ 325Mn for 100% of the shares ^[2];
- Right to match for the biggest binding proposal, already received during the M&A process conducted by Oi

- Minimum price of R\$ 15Bn for 100% of the shares.
- Sale at the highest price, or, at Oi's discretion, for the second best bid if the risk of execution is lower, with a maximum price difference of 5% ^[3]

- Sale of 25% to 51% of economic capital [51% of the voting capital]
- Minimum secondary of R\$ 6.5Bn for Oi, followed by primary of up to R\$ 5Bn and guarantee of dividends for Oi
- Guarantee of the execution of the investment plan

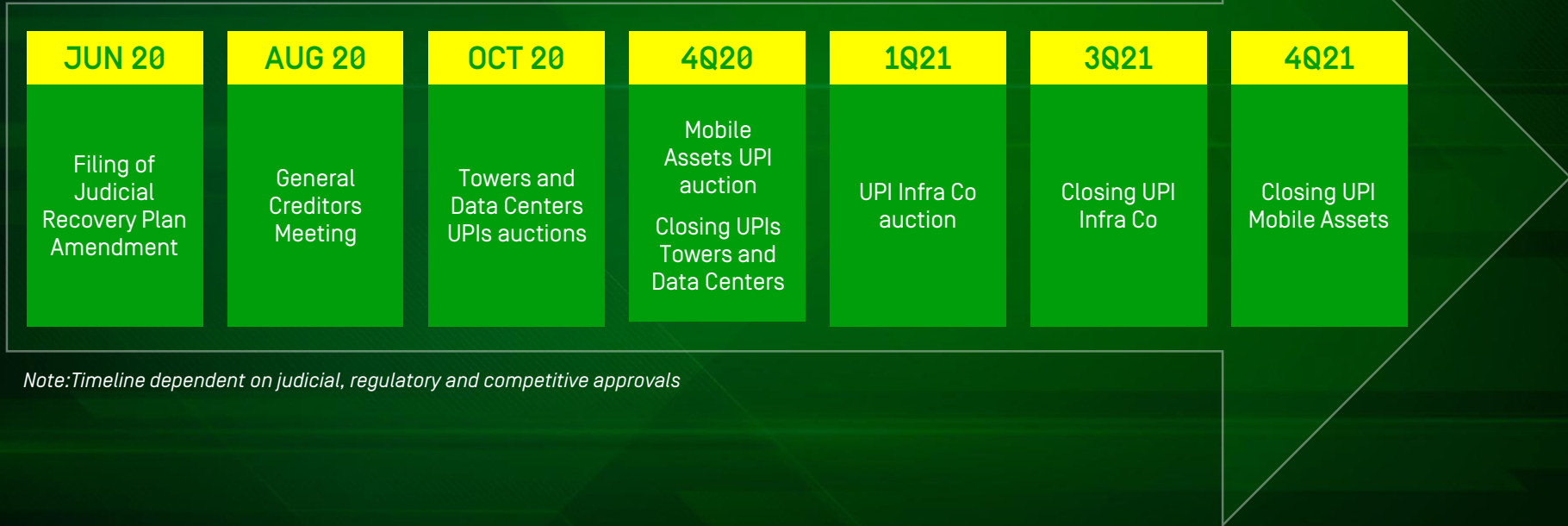
[1] Units provided for in the LRF, not associated with RJ's obligations. [2] Possibility of financing up to R \$ 75 million with Oi itself.

[3] Minimum price resolution mechanisms provided for in the plan

CONCEPTS OF THE AMENDMENT PROPOSAL TO THE JR PLAN – PROPOSAL TO CREDITORS

<p>NON-FINANCIAL CREDITORS</p>	<p>Labor [Class I]:</p> <ul style="list-style-type: none"> ▪ Payment within 30 days after approved by the court, (limited to R\$ 50K per creditor); ▪ Remaining balance paid under current terms. 	<p>Small Business [Class IV]:</p> <ul style="list-style-type: none"> ▪ Linear payment of up to R\$ 35K (and waiver of any additional claim) within 90 days after approval; ▪ Other creditors paid under current terms. 	
<p>FINANCIAL CREDITORS</p>	<p>Secured Creditors [Class II]:</p> <ul style="list-style-type: none"> ▪ Oi Mobile Credits: Creditor has the prerogative to keep credits at UPI Mobile Assets or to be prepaid in the financial settlement of the UPI Mobile Assets auction. ▪ Oi SA Credits: Creditor has the prerogative to maintain its exposure either in Oi SA or associated companies, or to be prepaid in the settlement of the UPI Mobile Assets auction. 	<p>Banks and ECAs [Class III]:</p> <ul style="list-style-type: none"> ▪ Early settlement of credits, with a 60% discount, payment in 3 installments (2022-24). Linked to asset sales and minimum volume of resources through the auctions; ▪ Differentiated option for creditors who provide a new credit line. 	
<p>ADDITIONAL CREDITORS</p>	<p>Anatel:</p> <ul style="list-style-type: none"> ▪ Migration to a new legal rule for addressing credits (adherence to Law 13,988 and / or subsequent legal provisions). 	<p>Contingencies:</p> <ul style="list-style-type: none"> ▪ Payment of up to R\$ 3K (waiver of any additional claim) within 90 days. 	<p>Suppliers, Bondholders, General Offering [Class III]:</p> <ul style="list-style-type: none"> ▪ Possibility of prepayment through the introduction of an optional mechanism for reverse auction of repurchase with discount.
<p>BRIDGE OPERATIONS</p>	<ul style="list-style-type: none"> ▪ Possibility of partially anticipating the proceeds from the sale of UPI Mobile Assets ▪ Flexibility for additional leverage guaranteed by the shares of Infra Co 		
<p>JR CLOSURE</p>	<ul style="list-style-type: none"> ▪ Upon closing of UPI Mobile Assets ▪ Or before, if required by Oi and confirmed by the Judicial Reorganization Court 		

WHAT HAPPENS NOW - EXPECTED TIMELINE



Note: Timeline dependent on judicial, regulatory and competitive approvals

CONCLUSION

- ✓ UP TO HERE, OI HAS BEEN **STABILIZING ITS OPERATIONS**, REDEFINING ITS **STRATEGIC MODEL** AND WAS ABLE TO SECURE RESOURCES FOR A STRONG **ACCELERATION OF ITS FIBER OPTICS BUSINESS**
- ✓ WE ARE PROPOSING AN **AMBITIOUS MODEL** TO ACCELERATE GROWTH, ENABLING THE CREATION OF THE **LARGEST INFRASTRUCTURE COMPANY IN BRAZIL** IN A SUSTAINABLE WAY.
 - ✓ CUSTOMERS WILL BENEFIT FROM **MORE QUALITY AND FIBER COVERAGE**
 - ✓ A NEUTRAL NETWORK CARRIER **WILL EFFICIENTLY ACCELERATE FIBER INVESTMENT FOR THE SECTOR**
 - ✓ THIS MODEL ALLOWS FOR CONCILIATING **STRONG GROWTH AND FINANCIAL SUSTAINABILITY** FOR OI AND INFRA CO
- ✓ IN ADDITION TO BENEFITS FOR CUSTOMERS AND THE INDUSTRY, THIS PLAN WILL **GENERATE VALUE** AND **TRUST** FOR EMPLOYEES, CREDITORS, SHAREHOLDERS, SUPPLIERS, AND FOR SOCIETY IN GENERAL
- ✓ THE MANAGEMENT TEAM AND THE BOARD OF DIRECTORS ARE **COMMITTED TO EXECUTING** THE NEW STRATEGIC MODEL WITH RIGOR AND SPEED.

ADDITIONAL INFORMATION

SUMMARY CHART OF THE MAIN FINANCIAL
AND OPERATIONAL INDICATORS

MAIN FINANCIAL INDICATORS



R\$ million Brazil	1Q20	1Q19	y.o.y.	4Q19	q.o.q.
Total Net Revenue	4,700	5,086	-7.6%	4,862	-3.3%
Residential	1,654	1,880	-12.0%	1,724	-4.0%
Personal Mobility	1,702	1,745	-2.5%	1,777	-4.2%
<i>Customers¹</i>	<i>1,623</i>	<i>1,624</i>	<i>0.0%</i>	<i>1,678</i>	<i>-3.2%</i>
B2B	1,317	1,418	-7.1%	1,333	-1.2%
Other Services	26	42	-37.9%	28	-7.3%
Routine OPEX	3,218	3,470	-7.3%	3,410	-5.6%
Routine EBITDA	1,481	1,616	-8.3%	1,452	2.0%
Routine EBITDA Margin	31.5%	31.8%	-0.2 p.p.	29.9%	1.6 p.p.
Capex	1,781	1,718	3.7%	1,979	-10.0%
Capex / Net Revenue	37.9%	33.8%	4.1 p.p.	40.7%	-2.8 p.p.
Routine EBITDA – Capex	-299	-102	-193.6%	-526	43.1%
Net Income (Loss)	-6,602	552	1297.1%	-2,056	-221.0%
Cash Position	6,310	6,267	0.7%	2,300	174.4%
Net Debt	18,131	10,107	79.4%	15,927	13.8%

1- Excludes handset and interconnection revenues;

MAIN OPERATIONAL INDICATORS



In thousands of RGUs	1Q20	1Q19	y.o.y.	4Q19	q.o.q.
Total - Brazil	52.654	56.623	-7,0%	53.428	-1,4%
Residential	12.068	14.336	-15,8%	12.659	-4,7%
Copper	9.058	12.549	-27,8%	10.078	-10,1%
Fixed line	5.887	7.915	-25,6%	6.482	-9,2%
Broadband	3.171	4.634	-31,6%	3.596	-11,8%
DHT TV	1.306	1.557	-16,1%	1.393	-6,2%
Fiber	1.704	230	639,9%	1.188	43,5%
Fixed line	792	89	787,7%	523	51,3%
Broadband	845	125	577,8%	606	39,4%
IPTV	67	16	309,6%	59	15,1%
Personal Mobility	33.946	34.894	-2,7%	34.006	-0,2%
Prepaid	24.163	26.780	-9,8%	24.479	-1,3%
Postpaid	9.784	8.114	20,6%	9.527	2,7%
B2B	6.481	6.774	-4,3%	6.591	-1,7%
Corporate	4.439	4.523	-1,8%	4.506	-1,5%
Wholesale	284	291	-2,3%	291	-2,4%
Small Enterprises	1.758	1.960	-10,3%	1.794	-2,0%
Fiber	92	15	511,0%	69	33,1%
Other	1.666	1.945	-14,4%	1.725	-3,4%
Public phones	159	619	-74,3%	172	-7,7%
FTTH - Homes Passed [HP's]	5.625	1.657	239,4%	4.603	22,2%
FTTH - Homes Connected [HC's]	944	145	551,3%	675	39,9%
Take up [%]	16,8%	8,7%	8,0 p.p.	14,7%	2,1 p.p.

INVESTOR RELATIONS



+55 21 3131-2918



invest@oi.net.br



www.oi.com.br/ri



**EARNINGS
RELEASE
OI 1Q20**



Investor Relations | June 15, 2020



Earnings Release

June 15, 2020

Conference Call in English

June 16, 2020

10:00 a.m. [Brasília] /

9:00 a.m. [NY] / 1:00 p.m. [UK]

Webcast: [click here](#)

Telephone: US: +1 [646] 843 6054 | +55 [11] 2188-0155

Code: Oi

Replay available until 6/4/2020:

+55 [11] 2188-0400

Replay code: Oi

Conference Call in Portuguese

June 16, 2020

10:00 a.m. [Brasília] /

9:00 a.m. [NY] / 1:00 p.m. [UK]

Webcast: [click here](#)

Telephone: +55 [11] 2188-0155 | +1 646 843 6054

Code: Oi

Replay available until 6/4/2020:

+55 [11] 2188-0400

Replay code: Oi

SIMULTANEOUS
TRANSLATION

Consolidated Information and Results (Unaudited)

This report contains the operating and financial performance of Oi S.A. – under Judicial Reorganization [“Oi S.A.” or “Oi” or “Company”] – and its subsidiaries for the first quarter of 2020.





HIGHLIGHTS OF BRAZILIAN OPERATIONS

OPERATIONALS

1

MILLION FTTH CUSTOMERS IN APRIL

97

THOUSAND NEW FTTH HOMES CONNECTED ONLY IN APRIL

701

% OF ANNUAL FIBER REVENUE GROWTH

12

% ANNUAL GROWTH IN POSTPAID REVENUE

38

% ANNUAL GROWTH IN IT CORPORATE REVENUE

FUNDING

1

BILLION DOLLARS FOR UNITEL IN JANUARY

2.5

BILLION REAIS IN A BRIDGE LOAN

EFFICIENCY AND SIMPLIFICATION

INITIATIVES PRODUCING SAVINGS IN LINE WITH THE TARGET FOR THE YEAR

STRATEGIC OPTIONS

GENERAL CREDITORS MEETING (GCM) FOR PLAN AMENDMENTS AND COMPANY FLEXIBILITY EXPECTED FOR AUGUST 2020

MARKET PROCESS FOR MOBILE SALE IN PROGRESS

STRUCTURAL SEPARATION FOR VALUE MAXIMIZATION: INFRA CO AND CLIENT CO

FULL REGULATORY CAMPAIGN IN PLACE FOR FUTURE PLC IMPACT



Summary

Table 1 – Highlights

in R\$ million or otherwise stated	1Q20	1Q19	4Q19	YoY	QoQ
Oi S.A. Consolidated					
Total Net Revenues	4,749	5,130	4,914	-7.4%	-3.4%
Routine EBITDA	1,533	1,627	1,414	-5.8%	8.4%
Routine EBITDA Margin [%]	32.3%	31.7%	28.8%	0.6 p.p.	3.5 p.p.
Net Income (Loss) attributable to owners of the Company	-6,280	568	-2,263	-1204.9%	n.m.
Net Debt	18,131	10,107	15,927	79.4%	13.8%
Available Cash	6,310	6,267	2,300	0.7%	174.4%
CAPEX	1,784	1,725	1,991	4.0%	-9.9%

in R\$ million or otherwise stated	1Q20	1Q19	4Q19	YoY	QoQ
BRAZIL					
Revenue Generating Units - ('000)	52,654	56,623	53,428	-7.0%	-1.4%
Residential	12,068	14,336	12,659	-15.8%	-4.7%
Personal Mobility	33,946	34,894	34,006	-2.7%	-0.2%
B2B	6,481	6,774	6,591	-4.3%	-1.7%
Public Telephones	159	619	172	-74.3%	-7.7%
Total Net Revenues	4,700	5,086	4,862	-7.6%	-3.3%
Net Service Revenues⁽¹⁾	4,678	5,038	4,828	-7.1%	-3.1%
Residential	1,654	1,880	1,724	-12.0%	-4.0%
Personal Mobility	1,681	1,699	1,743	-1.0%	-3.6%
Customer ⁽³⁾	1,623	1,624	1,678	0.0%	-3.2%
B2B	1,317	1,417	1,333	-7.0%	-1.2%
Net Customer Revenues⁽²⁾	4,582	4,919	4,719	-6.9%	-2.9%
Routine EBITDA	1,481	1,616	1,452	-8.3%	2.0%
Routine EBITDA Margin [%]	31.5%	31.8%	29.9%	-0.2 p.p.	1.6 p.p.
CAPEX	1,781	1,718	1,979	3.7%	-10.0%
Routine EBITDA - CAPEX	-299	-102	-526	193.6%	-43.1%

(1) Excludes handset revenues.

(2) Excludes handset and network usage revenues.



IFRS 16 - Leases

As of January 1, 2019, the Company began adopting the IFRS 16 standards that came into effect then. The standard sets forth the principles for the recognition, measurement, presentation and disclosure of leases and requires tenants to account for all leases under a single model in the balance sheet.

Therefore, the sections of this document are presented considering the impacts of the adoption of IFRS 16.



Net Revenue

Table 2 – Breakdown of Net Revenues

R\$ million	Quarter			YoY	QoQ
	1Q20	1Q19	4Q19		
Consolidated Total Net Revenues	4,749	5,130	4,914	-7.4%	-3.4%
Brazil	4,700	5,086	4,862	-7.6%	-3.3%
Residential	1,654	1,880	1,724	-12.0%	-4.0%
Personal Mobility	1,702	1,745	1,777	-2.5%	-4.2%
B2B	1,317	1,418	1,333	-7.1%	-1.2%
Other services	26	42	28	-37.9%	-7.3%
International Operations	49	44	51	11.1%	-4.5%
Brazil					
Net Service Revenues	4,678	5,038	4,828	-7.1%	-3.1%
Net Customer Revenues	4,582	4,919	4,719	-6.9%	-2.9%

Consolidated net revenues totaled R\$ 4,749 million in 1Q20, down 7.4% from 1Q19 and 3.4% lower than in the previous quarter. Net revenues from Brazilian operations (“Brazil”) came to R\$ 4,700 million in 1Q20 [-7.6% y.o.y. and -3.3% q.o.q.], while net revenues from international operations (Africa and East Timor) totaled R\$ 49 million [+11.1% y.o.y. and -4.5% q.o.q.].

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Net revenues from Brazilian operations stood at R\$ 4,700 million in 1Q20, 7.6% lower than in 1Q19. Exposure to legacy services (cooper and DTH) in the Residential and B2B segments and the continued decline in voice traffic were the main factors that contributed to this result. On the other hand, this decline was partially offset by the rapid increase in FTTH revenues in the Residential segment, IT revenues in the Corporate segment and data revenues in the Personal Mobility segment, driven by substantial growth in the postpaid business.

Compared with 4Q19, net revenues fell 3.3%, affected by the same factors that impacted the annual comparison. Exposure to declining revenues in the fixed voice, copper broadband and prepaid businesses was partially offset by growth in services with rising revenues – fiber, IT and postpaid.

Total net service revenues, which exclude revenues from handset sales, stood at R\$ 4,678 million in 1Q20 [-7.1% y.o.y. and -3.1% q.o.q.]. Total net customer revenues, which exclude network usage and handset revenues, came to R\$ 4,582 million in the period [-6.9% y.o.y. and -2.9% q.o.q.].

Residential

Table 3 – Net Revenues and RGUs of the Residential segment

	1Q20	1Q19	4Q19	YoY	QoQ
Residential					
Net Revenues (R\$ million)	1,654	1,880	1,724	-12.0%	-4.0%
Copper	1,058	1,427	1,181	-25.8%	-10.4%
Copper Voice	651	899	732	-27.6%	-11.1%
Copper Broadband	408	529	449	-22.9%	-9.3%
DTH TV	402	429	419	-6.4%	-4.1%
Fiber	194	24	124	711.8%	56.8%
Revenue Generating Units (RGU) - ('000)	12,068	14,336	12,659	-15.8%	-4.7%
Copper	9,058	12,549	10,078	-27.8%	-10.1%
Fixed Line in Service	5,887	7,915	6,482	-25.6%	-9.2%
Fixed Broadband	3,171	4,634	3,596	-31.6%	-11.8%
DTH TV	1,306	1,557	1,393	-16.1%	-6.2%
Fiber	1,704	230	1,188	639.9%	43.5%
Fixed Line in Service	792	89	523	787.7%	51.3%
Fixed Broadband	845	125	606	577.8%	39.4%
IPTV	67	16	59	309.6%	15.1%
FTTH - Homes Connected (HC's)	889	134	632	565.0%	40.6%

Residential net revenues totaled R\$ 1,654 million in 1Q20 [-12.0% y.o.y. and -4.0% q.o.q.]. The Company has proactively reduced incentives for copper services, contributing to this decline. In addition, there is a natural downward trend in demand for copper voice and broadband services. The Company's strategy is to focus efforts and investments on the implementation of the Fiber Expansion Plan, which continues to be the main driver of the structural reversal of the segment's revenue trajectory.

The Company continued to accelerate investments in fiber in order to deliver high-speed broadband to our customers' homes and provide a better experience, pursuing the strategy designed to increase profitability in the segment. The fiber (FTTH) expansion project continues to present consistent results. At the end of 1Q20, the Company reached 5.6 million homes passed (HP) and 944 thousand homes connected (HC), of which 889 thousand were in the Residential segment, exceeding the mark of 1 million connected homes in April 2020.

Oi closed 1Q20 with 12,068 thousand RGUs in the Residential segment [-15.8% y.o.y. and -4.7% q.o.q.]. The change in the profile of involuntary disconnections, with a reduction in the disconnection threshold from 120 to 90 days overdue as of 4Q19, which mainly affected copper services, continued to accelerate this decline in 1Q20. Regarding Fiber RGUs, despite the smaller base, we observed an upward curve of connections, ending 1Q20 with significant growth of 43.5% in just one quarter.

Residential ARPU

Residential ARPU was R\$ 81.0 in 1Q20 [+4.5% y.o.y. and +1.8% q.o.q.]. The annual and sequential growth was driven by an increase in Broadband and Pay-TV ARPU in the period, benefiting from the change in the profile of involuntary disconnections, in addition to growth in Oi Fibra's ARPU.



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Copper Fixed Voice

Oi closed 1Q20 with 5,887 thousand fixed line customers in the Residential segment [-25.6% y.o.y. and -9.2% q.o.q.]. In the fixed line business, we see a continued decline in demand for fixed line services, which are increasingly being replaced by mobile services, especially data services. As a result, copper fixed line ARPU, considering interconnection revenues, fell 5.1% year on year and remained in line with 4Q19.

The Company has been reducing its focus on copper, both in voice and broadband, and prioritizing investments in the fiber project, which has a greater potential of value creation. With this strategy, revenues from legacy products are under even greater pressure.

Copper Broadband

Oi ended 1Q20 with 3,171 thousand fixed copper broadband RGUs in the Residential segment [-31.6% y.o.y. and -11.8% q.o.q.].

Intense competition from regional players who offer broadband services in small towns, outside major urban centers, added to reduction in the disconnection threshold from 120 to 90 days overdue were the main factors responsible for the decline in the customer base of copper services.

Most of the Company's current broadband base is composed of copper accesses [VDSL and ADSL]. As mentioned earlier, Oi has been reducing proactive sales of the copper portfolio and intensifying the expansion and sales efforts focused on FTTH, accelerating expansion and migration of customers to fiber, the main driver of the resumption of growth, based on Oi's infrastructure competitive advantage.

DTH TV

The Residential DTH TV base ended the quarter with 1,306 thousand RGUs [-16.1% y.o.y. and -6.2% q.o.q.].

Oi recorded pay-TV net disconnections of 251 thousand RGUs compared with 1Q19 and 87 thousand RGUs compared with 4Q19. Oi TV's penetration in households with an Oi fixed line reached 22.2% in 1Q20 [+2.5 p.p. y.o.y. and +0.7 p.p. q.o.q.]. Pay-TV ARPU rose 9.3% over 1Q19 and 2.7% over 4Q19.

Pay-TV net revenues fell 6.4% from 1Q19 and 4.1% from 4Q19. This result reflected the Company's strategy of allocating more resources to accelerate investments in fiber, including the offering of IPTV services.

FIBER

In 1Q20, the Company continued to invest in the expansion of fiber, closing the quarter with 5.6 million homes passed with fiber [HP]. The Company added another 1 million HP to its base in 1Q20, a monthly average of over 340 thousand HP. Oi continues to pursue the goals in its 2019 strategic plan and intends to reach 16 million homes passed by the end of 2021.

Oi closed 1Q20 with around 944 thousand homes connected [HC] to fiber and a take-up rate of 16.8%. Oi Fibra was present in 112 municipalities at the end of 1Q20 and 116 municipalities at the end of April. In April 2020, we reached 5.99 million HP and surpassed the mark of 1 million HC, increasing the take-up rate to 17.4%. This process of exploring FTTH opportunities has proven to be effective. The Company once again recorded a positive result in 1Q20. FTTH *net adds* totaled 269 thousand customers, more than the other Brazilian players



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and U.S. players who offered FTTH in the same period. In April, Oi acquired 97 thousand new FTTH customers, the highest number since the beginning of the Fiber project.

The company follows the evolution of fiber deployment and has been improving its marketing and sales actions since the beginning of the project and the results can be seen based on the take up of installed cohorts. The first cohorts are from October 2018 and January 2019 and reached a take-up of 15% and 18%, respectively, in March 2020. The cohorts from April 2019 and July 2019 reached a take-up of 21.5% and 20.5 % at the end of the same period. The most current cohorts (October, November and December 2019) had an even better take-up and already reached 15% after 4 months of installation and 17% after 6 months. The 2020 vintages have an average take-up of more than 8% at the end of the first month and almost 13% after 3 months of installation. The monitoring of these indicators is crucial when evaluating investments in FTTH.

Thanks to the strategy of accelerating FTTH sales, Oi continued to sell IPTV and Voice services via fiber. Approximately 86% of our residential customers had two or more FTTH products (Broadband, TV and Voice) at the end of 1Q20, up from 68% at the end of 1Q19. In April 2020, this percentage reached 87%. Fiber ARPU was R\$ 84.5 in 1Q20, up 16.8% from R\$ 72.3 in 1Q19 and 2.7% from R\$ 82.3 in 4Q19. The strategy of selling bundles is still in progress and has shown satisfactory results.

Fiber revenues reached R\$ 205 million in 1Q20, of which R\$ 194 million from residential customers and R\$ 11 million from small enterprises (B2B). Oi recorded impressive annual growth of 700.8%, of which 711.8% referred to residential customers. Compared to 4Q19, Fiber revenues increased R\$ 73 million, or 55%, of which R\$ 70 million, or 57%, referred to residential customers. Fiber revenues have helped to partially offset the decline in copper revenues. During the first quarter 2020, fiber revenues accounted for 11.7% of total residential revenues, up from 1.3% in 1Q19.

In the 81 first cities in which the FTTH strategy was implemented and already show consistent results for comparison purposes, total broadband revenues (Fiber and copper) grew 12% year on year, while in the other cities, these revenues fell 14% in the annual comparison.

Despite the still substantially smaller base, the annual growth in fiber revenues in 1Q20 already offsets the decline in copper broadband and DTH TV revenues in the same period. Copper broadband revenues fell R\$ 121 million in the annual comparison and DTH TV revenues fell R\$ 27 million in the same period, while Fiber revenues increased R\$ 170 million in the same period.

It is worth mentioning that, since the beginning of the pandemic, with social isolation and the need for home-office, we have experienced a significant increase in demand for our broadband services, specifically, the services provided by our FTTH network, both from residential customers and B2B, by establishing remote work operations based on COVID-19.

The Company's strategic focus continues to be on leveraging its leadership in fiber and infrastructure, maximizing value across all business segments. Oi currently has over 388 thousand kilometers of fiber in the country.

Personal Mobility

Table 4 – Net Revenues and RGUs of the Personal Mobility segment

	1Q20	1Q19	4Q19	YoY	QoQ
Personal Mobility					
Net Revenues (R\$ million)	1,702	1,745	1,777	-2.5%	-4.2%
Service	1,681	1,699	1,743	-1.0%	-3.6%
Customer ⁽¹⁾	1,623	1,624	1,678	0.0%	-3.2%
Prepaid	681	781	760	-12.8%	-10.3%
Postpaid	930	829	907	12.2%	2.6%
Other	12	14	11	-14.6%	7.2%
Network Usage	57	75	65	-23.3%	-12.4%
Sales of handsets, SIM cards and others	21	46	34	-54.1%	-37.5%
Revenue Generating Units (RGU) - ('000)	33,946	34,894	34,006	-2.7%	-0.2%
Prepaid Plans	24,163	26,780	24,479	-9.8%	-1.3%
Postpaid Plans ⁽²⁾	9,784	8,114	9,527	20.6%	2.7%

(1) Excludes handset and network usage revenues.

(2) Includes postpaid plans, *Oi Controle*, bundled mobile services and 3G (mini-modem).

Personal Mobility net revenues totaled R\$ 1,702 million in 1Q20, 2.5% lower than in 1Q19. This reduction was driven by a more challenging scenario in the prepaid segment after the beginning of the quarantine, with the closure of stores and a decrease in recharge outlets, partially offset by growth in the postpaid customer base, driven by simpler and more assertive regional offers and migration of the prepaid customer base. Compared to 4Q19, Personal Mobility net revenues dropped 4.2%, reflecting lower interconnection tariffs, in addition to the reasons mentioned earlier.

As seen in previous quarters, following the downward market trend, our prepaid revenues declined, due to the slow economic recovery, high unemployment rates, lower interconnection tariffs and migration from voice to data. In 1Q20, we also noticed deterioration at the end of March caused by the COVID-19 pandemic and the beginning of social isolation, which culminated in the closure of stores and recharge outlets, as well as restricted people's movement. In addition, the Company has continued the migration of prepaid customers to more attractive postpaid offers, with higher ARPU, thus simultaneously increasing the postpaid customer base and reducing the number of prepaid users. As a result, the postpaid customer base grew 20.6% over 1Q19 and 2.7% over 4Q19.

The positive performance of postpaid products was due to the strategy of converting prepaid customers, combined with Oi's new offering portfolio, which is significantly simpler and more aligned with the market trend of migration from voice to data services. The launch of the new portfolio was supported by continued investments in 4G and 4.5G, which increased the network's traffic capacity, leading to improved usage performance and, consequently, a substantial improvement in the customer experience.

Customer revenues, which exclude interconnection and handset revenues, totaled R\$ 1,623 million in 1Q20, in line with 1Q19 and 3.2% lower than in 4Q19.



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Network usage revenues totaled R\$ 57 million in 1Q20 [-23.3% y.o.y. and -12.4% q.o.q.]. The annual comparison was impacted by a decline in MTR tariffs. Handset revenues totaled R\$ 21 million, a decline of R\$ 25 million from 1Q19 and R\$ 13 million from 4Q19, impacted by store closures due to COVID-19.

Oi closed 1Q20 with 33,946 thousand RGUs in Personal Mobility, falling 2.7% from 1Q19, with 948 thousand net disconnections, resulting from 2,617 thousand disconnections in the prepaid segment, which were partially offset by 1,670 thousand additions in the postpaid segment. The number of additions was in line with 4Q19, with a decline of 1.3% in the prepaid segment and an increase of 2.7% in the postpaid segment.

Oi's total mobile customer base (Personal Mobility + B2B) stood at 36,665 thousand RGUs in 1Q20, of which 2,719 thousand in the B2B segment.

Prepaid

The prepaid customer base closed 1Q20 with 24,163 thousand RGUs, down 9.8% from 1Q19, mainly due to (i) the policy of disconnection of inactive customers; (ii) the migration of customers from the prepaid to the postpaid segment; (iii) the trend of consolidation of SIM cards in the market.

Recharge volume decreased 5.3% from 1Q19 and 7.7% from 4Q19. The number of customers making recharges fell 13.1% from 1Q19 and 9.3% from 4Q19, mainly due to (i) a decline in the prepaid market; (ii) high unemployment rates, which have a direct impact on prepaid revenues; and (iii) the closure of stores and other recharge outlets due to COVID-19.

This had a negative impact on revenues (including long distance revenues) of 12.8% compared to 1Q19 and 10.3% compared to the previous quarter. Prepaid ARPU dropped 2.9% from 1Q19 and 6.5% from 4Q19.

Postpaid

Oi closed the quarter with 9,784 thousand RGUs in the postpaid segment [+20.6% y.o.y. and +2.7% q.o.q.], due to more competitive offerings and the strategy of encouraging prepaid customers to migrate to postpaid plans. Gross adds grew 11.5% over 1Q19, but fell 12.7% from 4Q19, resulting in net adds of 1,670 thousand RGUs in 1Q20 compared to 1Q19. The segment accounted for 28.8% of the total Personal Mobility base.

The positive physical results were reflected in revenues (including long-distance revenues), which climbed 12.2% over 1Q19 and 2.6% over 4Q19. Regional offerings, simplification, innovation, more aggressive sales and the refarming of the 1.8 GHz frequency range for 4G and 4.5G were the main drivers enabling the positive results of the postpaid segment, in addition to the strategy of accelerating the migration of customers from the prepaid to the postpaid segment.

2G, 3G, 4G and 4.5G Coverage

Oi's 2G coverage reached 3,498 municipalities [93% of the country's urban population] in 1Q20, while 3G coverage reached 1,650 municipalities, or 82% of the Brazilian urban population.

4G access reached 1,023 municipalities, or 75% of the Brazilian urban population. In addition, 4.5G coverage reached 54 municipalities, serving around 20% of the urban population.

Oi has been working in partnership with other operators to share the network in order to maximize investments and reduce costs, while working to consistently improve the quality of services and customer experience.

Mobile ARPU

Mobile ARPU stood at R\$ 16.2 in 1Q20 (+0.5% y.o.y. and -2.5% q.o.q.).

B2B

Table 5 – Net Revenues and RGUs of the B2B segment

	1Q20	1Q19	4Q19	YoY	QoQ
B2B					
Net Revenues (R\$ million)	1,317	1,418	1,333	-7.1%	-1.2%
Corporate	777	862	812	-9.9%	-4.4%
IT	138	100	126	38.0%	9.6%
Data	349	410	366	-14.8%	-4.5%
Other	289	352	320	-17.8%	-9.7%
Wholesale	274	256	246	6.9%	11.1%
Small Enterprises	267	300	275	-11.2%	-2.8%
Fiber	11	1	8	648.1%	30.8%
Other	256	299	266	-14.4%	-3.9%
Revenue Generating Units (RGU) - ('000)	6,481	6,774	6,591	-4.3%	-1.7%
Corporate	4,439	4,523	4,506	-1.8%	-1.5%
Wholesale	284	291	291	-2.3%	-2.4%
Small Enterprises	1,758	1,960	1,794	-10.3%	-2.0%
Fiber	92	15	69	511.0%	33.1%
Other	1,666	1,945	1,725	-14.4%	-3.4%

Net revenues from the B2B segment totaled R\$ 1,317 million in 1Q20 [-7.1% y.o.y. and -1.2% q.o.q.]. The segment was affected by a decline in Corporate legacy services mainly due to a reduction in voice traffic, intensified with the containment and Home Office policy, implemented by companies to contain COVID-19, and the cuts in the regulated fixed-to-mobile [VC] and interconnection [MTR] tariffs. In addition, revenues from the Small Enterprises segment also decreased in the quarter mainly due to the high exposure to copper service revenues. There was, however, an increase in Wholesale net revenues [+6.9% y.o.y. and +11.1% q.o.q.] and growth in IT revenues [+38.0% y.o.y. and +9.6% q.o.q.], partially offsetting the drop in revenues in the quarter, but highlighting the focus of the sustainable growth strategy of the B2B segment.

The Company closed 1Q20 with 6,481 thousand RGUs in the segment [-4.3% y.o.y. and -1.7% q.o.q.].

Corporate

With the launch of the new brand “Oi Soluções” for the Corporate segment in December 2019, Oi intends to integrate and provide digital solutions for Telecommunications and IT [Information Technology] with a customized and consulting positioning. The Company offers a comprehensive portfolio of ICT [Information and Communication Technology] solutions, impacting customers throughout the value chain in the areas of Cloud



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& Data Center, IoT (Internet of Things), Big Data & Analytics, Cybersecurity, Data and Voice Connectivity, and Management, in order to help generate new revenues and reduce expenses. The Company currently has 57 thousand customers in the public and private sectors, served by more than 1.5 thousand executives.

In the portfolio that already had the services of Oi WIFI 3.0+, Oi GIS (Integrated Services Management), Telepresenças Oi and Marketing Analytics Oi, Oi Gestão 360° was added in this first quarter (allows the operator to manage connectivity, IT, security and business for the client), Smart Cloud 4.0 (Infrastructure as a Service (IaaS), in hybrid cloud format, enabling the development of an edge architecture, focusing on IoT and video solutions), and Oi Smart Office 4.0 (solution for companies working in the home office system, composed of collaboration, connectivity and cloud computing platforms).

Net revenues from the Corporate segment totaled R\$ 777 million in 1Q20 [-9.9% y.o.y. and -4.4% q.o.q.], with a decline in the Data and Other lines, which represent the legacy services offered by the Company. Thanks to its focus on IT services, the Company recorded an increase in IT revenues of 38% over 1Q19 and 9.6% over 4Q19. The segment recorded a decline in RGUs, with a customer base reduction of 1.8% compared to 1Q19 and 1.5% compared to 4Q19.

Wholesale

The Company aims to be the main national provider of transmission and transportation network and facilitator of the 5G infrastructure in this segment in Brazil. This will enable a revenue mix focused on non-regulated revenues, in areas such as IP connections, Fiber To The City (FTTC), Fiber To The ISP (FTTISP) and Fiber To The Tower (FTTT), that rely on Oi's extensive and non-replicable infrastructure, enabling the provision of superior quality services to telecommunications providers, internet providers and infrastructure companies involved in the supply chain of these services.

In 1Q20, Oi signed a memorandum of understanding for the joint operation of Mob Telecom's fiber broadband projects. This pilot project was launched under the franchise model, which can be expanded, with the goal of increasing non-regulated revenues and reducing opex and capex.

Wholesale net revenues totaled R\$ 274 million in 1Q20 [+6.9% y.o.y. and +11.1% q.o.q.]. Non-regulated revenues dropped 3.1%, or R\$ 5 million, from 4Q19, offset by an increase of 40.8%, or R\$ 63 million, in regulated revenues over 4Q19. Part of this variation (R\$ 43 million) was due to the recognition of credits from a RAN Sharing agreement entered into with TIM in 2018.

Small Enterprises

For the Small Enterprises segment, the Company has been adopting the same strategy used in the B2C segment, given their market similarities. Oi continues to market regional offerings and intensify its commercial actions together with the "Network Reuse" approach for FTTH. The decline in net revenues [-11.2% y.o.y. and -2.8% q.o.q.], together with the 10.3% reduction in RGUs in the Group's annual comparison are related to high exposure to copper revenues in this segment.



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Operating Costs and Expenses

Table 6 – Breakdown of Routine Operating Costs and Expenses

R\$ million	1Q20	1Q19	4Q19	YoY	QoQ
Routine Operating Costs and Expenses					
Brazil	3,218	3,470	3,410	-7.3%	-5.6%
Personnel	597	594	699	0.5%	-14.6%
Interconnection	111	136	135	-18.3%	-18.1%
Third-Party Services	1,414	1,487	1,480	-4.9%	-4.5%
Network Maintenance Service	234	275	232	-14.7%	1.2%
Handset Costs/Other (COGS)	21	48	34	-56.7%	-40.2%
Marketing	70	71	162	-1.3%	-56.6%
Rent and Insurance	581	661	562	-12.1%	3.3%
Provision for Contingencies	25	59	30	-58.3%	-18.4%
Provision for Bad Debt	139	137	61	1.1%	126.9%
Taxes and Other Expenses (Revenues)	27	3	13	882.6%	110.9%
International Operations	-3	32	89	-107.9%	-102.9%
Routine OPEX	3,216	3,503	3,499	-8.2%	-8.1%

Consolidated routine opex, including international operations, totaled R\$ 3,216 million in 1Q20 (-8.2% y.o.y. and -8.1% q.o.q.).

Routine opex from Brazilian operations amounted to R\$ 3,218 million in 1Q20 (-7.3% y.o.y. and -5.6% q.o.q.). Considering inflation (IPCA) of 3.30% in the last 12 months, this result corresponded to a year-on-year decrease of 10.22% in real terms.

As part of its strategic plan, the Company has been working on five macro fronts to reduce costs and simplify operations: (i) Sales, Marketing and Service; (ii) Processes and Organization; (iii) Business Support; (iv) IT; and (v) Network and Field Operations. The actions resulting from the work on these fronts started to be implemented in 2019, and the financial impacts should be more relevant throughout 2020.

Personnel

Personnel expenses totaled R\$ 597 million in 1Q20, in line with 1Q19 (+0.5%) and 14.6% lower than in 4Q19. The sequential decline was mainly due to the recognition of provisions for variable compensation in 4Q19.

Interconnection

Interconnection costs in Brazilian operations amounted to R\$ 111 million in 1Q20 (-18.3% y.o.y. and -18.1% q.o.q.), mainly due to a reduction in regulated tariffs.

Third-party Services



Costs and expenses related to third-party services in Brazilian operations totaled R\$ 1,414 million in 1Q20 [-4.9% y.o.y. and -4.5% q.o.q.]. Content Acquisition, Customer Relations, Billing, Sales, Electricity and General Expenses are recorded in this line. This result reflects company actions as acceleration of digital sales channels, automation and optimization of Customer Service and Call Center operations and expenses reduction from IT projects focused on legacy products.

Network Maintenance Services

Network maintenance service costs and expenses in Brazilian operations totaled R\$ 234 million in 1Q20, in line with 4Q19 and 14.7% lower than in 1Q19. This reduction occurred, mainly as a result of the expansion of the Fiber project and the migration of customers from Cooper to FTTH, reducing the cost of maintaining legacy networks, and lower expenses with TUP, as a result of the approval of the PGMU.

Handset Costs/Other (COGS)

Handset costs in Brazilian operations amounted to R\$ 21 million in 1Q20 [-56.7% y.o.y. and -40.2% q.o.q.], mainly due to a reduction in the number of handsets sold.

Marketing

Marketing expenses reached R\$ 70 million in 1Q20, virtually in line with 1Q19 and 56.6% lower than in 4Q19. The quarter-on-quarter decline reflected seasonal effects, mainly due to the Black Friday and Christmas campaigns in the previous quarter.

Rent and Insurance

Rent and insurance expenses in Brazilian operations totaled R\$ 581 million in 1Q20, down 12.1% from 1Q19, mainly due to lower costs as a result of renegotiations with concessionaires and suppliers throughout 2019. In the sequential comparison, rent and insurance expenses increased 3.3%, due to higher tower, equipment and pole rental costs, partially offset by lower property and satellite rental costs.

Provision for Contingencies

The provision for contingencies in Brazilian operations totaled R\$ 25 million in 1Q20, a reduction of 58.3%, or R\$ 35 million, compared to 1Q19 and 18.4%, or R\$ 6 million, compared to 4Q19, mainly due to a decline in the number of new legal proceedings, especially in the labor, civil consumer and civil strategic spheres.

Provision for Bad Debt

The provision for bad debt totaled R\$ 139 million in 1Q20, in line with 1Q19 and 126.9% higher than in 4Q19, mainly due to the credits recovery of governments in the corporate segment in 4Q19.



EBITDA

Table 7 – EBITDA and EBITDA margin

	1Q20	1Q19	4Q19	YoY	QoQ
Oi S.A.					
Routine EBITDA (R\$ million)	1,533	1,627	1,414	-5.8%	8.4%
Brazil	1,481	1,616	1,452	-8.3%	2.0%
International Operations	52	12	-38	-336.1%	235.4%
Routine EBITDA Margin [%]	32.3%	31.7%	28.8%	0.6 p.p.	3.5 p.p.
Brazil	31.5%	31.8%	29.9%	-0.2 p.p.	1.6 p.p.
International Operations	105.2%	26.8%	-74.2%	78.4 p.p.	179.4 p.p.
Non-routine Items (R\$ million)	367	987	-117	n.m.	n.m.
EBITDA (R\$ million)	1,899	2,615	1,298	-27.4%	46.4%
Brazil	1,566	2,603	1,336	-39.8%	17.2%
International Operations	333	12	-38	2720.8%	-975.7%
EBITDA Margin [%]	40.0%	51.0%	26.4%	-11.0 p.p.	13.6 p.p.

Consolidated routine EBITDA totaled R\$ 1,533 million in 1Q20 [-5.8% y.o.y. and +8.4% q.o.q.].

Routine EBITDA from Brazilian operations totaled R\$ 1,481 million in 1Q20 [-8.3% y.o.y. and + 2.0% q.o.q.]. The routine EBITDA margin from Brazilian operations was 31.5%, in line with 1Q19 and 1.6 p.p. higher than in 4Q19.

Routine EBITDA from international operations (Africa and East Timor) came to R\$ 52 million in 1Q20, versus R\$ 12 million in 1Q19 and -R\$ 38 million in 4Q19.

Non-routine items totaled R\$ 367 million in 1Q20 and refer to (i) an R\$ 85 million gain from the sale of real estate properties and (ii) a R\$ 282 million gain from the sale of PT Ventures, in international operations.

It should be noted that routine EBITDA considers the effects of adopting IFRS 16. For comparison purposes, routine EBITDA from Brazilian operations, disregarding the impacts of IFRS 16 in 1Q20 would be R\$ 1,046 million.



Investments

Table 8 – Capex

R\$ million	1Q20	1Q19	4Q19	YoY	QoQ
Capex					
Brazil	1,781	1,718	1,979	3.7%	-10.0%
Fiber ⁽¹⁾	1,073	575	883	86.7%	21.5%
Copper	276	513	441	-46.3%	-37.5%
DTH	18	92	60	-80.2%	-69.5%
Mobile	261	328	368	-20.3%	-29.0%
B2B	153	210	227	-27.2%	-32.7%
International Operations	13	7	12	77.2%	6.2%
Total	1,794	1,725	1,991	4.0%	-9.9%

(1) Includes Fiber + Wholesale.

The Company's consolidated capex, including international operations, totaled R\$ 1,794 million in 1Q20 (+4.0% y.o.y. and -9.9% q.o.q.). Capex in Brazilian operations amounted to R\$ 1,781 million in 1Q20 (+3.7% y.o.y. and -10.0% q.o.q.).

The breakdown of investments by product shows that Oi has been allocating most of its funds to compliance with its Strategic Plan, focusing on the expansion of FTTH, bringing high-speed broadband to the customers' homes.



OPERATING RESULTS

Operational Cash Flow [Routine EBITDA – Capex]

Table 9 – Operational Cash Flow

R\$ million	1Q20	1Q19	4Q19	YoY	QoQ
Oi S.A.					
Routine EBITDA	1,533	1,627	1,414	-5.8%	8.4%
Capex	1,794	1,725	1,991	4.0%	-9.9%
Routine Operational Cash Flow [EBITDA - Capex]	-261	-98	-577	167.4%	-54.7%

Table 10 – Operational Cash Flow from Brazilian Operations

R\$ million	1Q20	1Q19	4Q19	YoY	QoQ
Oi S.A.					
Routine EBITDA	1,481	1,616	1,452	-8.3%	2.0%
Capex	1,781	1,718	1,979	3.7%	-10.0%
Routine Operational Cash Flow [EBITDA - Capex]	-299	-102	-526	193.6%	-43.1%

Consolidated routine operational cash flow [routine EBITDA minus capex] was negative by R\$ 261 million in 1Q20, while routine operational cash flow in Brazilian operations was negative by R\$ 299 million, mainly due to the continued acceleration of investments and lower revenues, which impacted EBITDA, as mentioned in the Revenues and Capex sections.

Depreciation/Amortization

Table 11 – Depreciation and Amortization

R\$ million	1Q20	1Q19	4Q19	YoY	QoQ
Depreciation and Amortization					
Total	1,711	1,690	1,703	1.3%	0.5%

Depreciation and amortization expenses totaled R\$ 1,711 million in 1Q20, 1.3% higher than in 1Q19 and in line with 4Q19.



Financial Results

Table 12 – Financial Result (Oi S.A. Consolidated)

R\$ million	1Q20	1Q19	4Q19
Oi S.A. Consolidated			
Net Interest [on fin. investments and loans and financing]	-492	-300	-363
Amortization of fair value adjustment	-578	-215	-197
Net FX Result [on fin. investments and loans and financing]	-2,657	-96	259
Other Financial Income / Expenses	-2,749	410	-1,857
Net Financial Income [Expenses]	-6,476	-202	-2,158

Oi S.A. recorded a consolidated net financial expense of R\$ 6,476 million in 1Q20, versus an expense of R\$ 2,158 million in 4Q19 and an expense of R\$ 202 million in 1Q19.

In 1Q20, the increase in financial expenses was mainly due to the negative impact of the sharp depreciation of the real in 1Q20, reflecting the effects of the advance of COVID-19, which achieved a global reach in the period. The “Net FX Result” line was a financial expense in the quarter, due to the sharp 29.0% depreciation of the real against the U.S. dollar in 1Q20, versus a 3.2% appreciation in the previous quarter.

The item “Other Financial Income/Expenses” also showed an increase in expenses, mainly due to the exchange rate variation on onerous liabilities (contracts for data transmission by submarine cables and satellites), in the total amount of R\$ 1.7 billion in 1Q20. These higher expenses, in this line, were partially offset by lower monetary restatements on contingencies, compared to the previous quarter.

The “Net Interest” line increased due to interest on the new debentures issued in January this year, partially offset by lower interest on debts indexed to the CDI rate and TJLP long-term interest rate in the period. Finally, the “Amortization of Fair Value Adjustment” line was also impacted by the depreciation of the real against the U.S. dollar in the quarter.

The annual comparison, in turn, shows a consolidated net financial expense of R\$ 202 million in 1Q19, explained by a very stable behavior of the Brazilian currency against the U.S. dollar. In 1Q19, the real depreciated only 0.6% against the U.S. dollar, with little impact on the portion of debt linked to foreign currency in the “Net FX Result” line. The 1Q19 favorable results benefitted from the “Other Financial Expenses/Income” line, which recorded income of R\$ 410 million in the period, mainly due to the monetary restatement of PIS/COFINS credits on ICMS in the amount of R\$ 1,025 million.



Net Earnings (Loss)

Table 13 – Net Earnings (Loss) [Oi S.A. Consolidated]

R\$ million	1Q20	1Q19	4Q19	YoY	QoQ
Net Earnings (Loss)					
Earnings before interest and taxes (EBIT)	188	925	-405	n.m.	n.m.
Financial Results	-6,476	-202	-2,158	n.m.	200.0%
Income Tax and Social Contribution	34	-44	282	n.m.	n.m.
Net Income (Loss) from Continuing Operations	-6,254	679	-2,281	-1021.4%	174.2%
Consolidated Net Income (Loss)	-6,254	679	-2,281	-1021.4%	174.2%
attributable to owners of the Company	-6,280	568	-2,263	-1204.9%	177.5%
attributable to non-controlling interests	26	110	-18	n.m.	-244.2%

The Company's operating earnings (loss) before the financial result and taxes (EBIT) came to earnings of R\$ 188 million, versus earnings of R\$ 925 million in 1Q19 and a loss of R\$ 405 million in 4Q19. Oi recorded a net financial loss of R\$ 6,476 million, strongly affected by the impacts of the FX variation, as mentioned in the Financial Results section. The Company also recorded a positive result of R\$ 34 million in the "Income Tax and Social Contribution" line, giving a consolidated net loss of R\$ 6,254 million.

Debt & Liquidity

Table 14 – Debt

R\$ Million	Mar/20	Mar/19	Dec/19	% Gross Debt
Debt				
Short Term	179	118	326	0.7%
Long Term	24,262	16,256	17,900	99.3%
Total Debt	24,441	16,373	18,227	100.0%
Local Currency Exposure	8,905	7,894	8,705	36.4%
Foreign Currency Exposure	15,536	8,491	9,521	63.6%
Swaps	0	-12	0	0.0%
(-) Cash	-6,310	-6,267	-2,300	-25.8%
(=) Net Debt	18,131	10,107	15,927	74.2%

Oi S.A. ended 1Q20 with consolidated gross debt of R\$ 24,441 million, R\$ 6,214 million, or 34.1%, more than in 4Q19 and R\$ 8,068 million, or 49.3%, more than in 1Q19. The increase in both the annual and sequential comparisons was mainly due to the sharp depreciation of the real against the U.S. dollar in both periods (-29.0% and -33.4%, respectively), as a result of the strong market deterioration caused by the new coronavirus pandemic, which achieved a global reach in the period. Added to this are the usual effects of interest accrual and the amortization of the present value adjustment, which contributed to increasing debt with every passing quarter. Finally, the issuance of private debentures totaling approximately R\$ 2,500 million contributed to increasing debt, as provided for in the Judicial Reorganization Plan.

At the end of 1Q20, the portion of debt exposed in foreign currency represented 63.6% of fair value debt. The consolidated average term of debt remained at around 10 years in 1Q20.

The Company closed 1Q20 with a consolidated cash position of R\$ 6,310 million, an increase of 174.4% over December 2019 and 0.7% over March 2019. As a result, net debt totaled R\$ 18,131 million in 1Q20, 13.8% higher than in 4Q19, mainly due to higher gross debt in the period. The increase in cash occurred mainly due to the receipt of the first installments of the sale of PT Ventures totaling US\$ 1 billion, of which US\$ 841 million had already been received by the end of the quarter, also in accordance with the Company's Strategic Plan. Such receipt, together with the proceeds of the debentures, contributed to strengthening the cash position, an essential step to enable the high level of investments set forth in the Strategic Plan.



DEBT & LIQUIDITY

Table 15 – Cash Position (Brazilian Operations)

R\$ Million

4Q19 Cash Position	2,300
Routine EBITDA	1,481
IFRS16	-435
Capex	-1,781
Working capital	-563
Judicial Deposits + Taxes	214
Financial operations	2,509
Payments to Creditors JR	-807
Non Core	3,393
1Q20 Cash Position	6,310

The Company closed 1Q20 with a cash position of R\$ 6,310 million, increasing R\$ 4,010 million in the quarter, mainly due to (i) an inflow of R\$ 3.3 billion equivalent to part of the proceeds from the sale of the interest in Unitel and (ii) net proceeds of R\$ 2.5 billion from a private debenture issue. In addition, the sale of the Botafogo property, totaling R\$ 121 million, was completed, continuing the project to sell non-core assets, in line with the Company's Judicial Reorganization Plan and the Strategic Plan.

In 1Q20, working capital was negatively impacted by capex payments, which have been increasing, due to the fiber expansion plan.

Under the "Payment to Creditors - JR" line, Oi paid R\$ 350 million in interest on the Bond and R\$ 457 million to partner suppliers, as set forth in the Judicial Reorganization Plan.

Table 16 – Gross Debt Breakdown

R\$ Million

Gross Debt Breakdown - 1Q20	Face Value	Fair Value Adjustment	Fair Value
BNDES	4,024	-	4,024
Local Banks	9,254	[4,373]	4,881
ECAs	8,714	[5,248]	3,466
Qualified Bonds	8,751	[928]	7,823
Facility "Non Qualified"	473	[163]	310
General Offering	5,605	[4,906]	699
Private Debenture (Bridge Loan)	3,276	-	3,276
Other	[37]	-	[37]
Total Gross Debt	40,059	[15,618]	24,441

Table 17 – Statement of Operations (Oi S.A. Consolidated)

R\$ million	1Q20	1Q19	4Q19
Net Operating Revenues	4,749	5,130	4,914
Operating Costs and Expenses	-2,849	-2,515	-3,616
Personnel	-609	-604	-710
Interconnection	-112	-136	-136
Third-Party Services	-1,429	-1,499	-1,504
Network Maintenance Service	-235	-275	-232
Handset Costs/Other (COGS)	-23	-50	-39
Marketing	-71	-72	-163
Rent and Insurance	-584	-663	-562
Provision for Contingencies	-22	-59	-30
Provision for Bad Debt	-139	-137	-62
Taxes and Other Revenues [Expenses]	374	980	-177
EBITDA	1,899	2,615	1,298
Margin %	40.0%	51.0%	26.4%
Depreciation and Amortization	-1,711	-1,690	-1,703
EBIT	188	925	-405
Financial Expenses	-9,861	-1,553	-1,991
Financial Income	3,385	1,351	-167
Net Earnings [Loss] Before Tax and Social Contribution	-6,288	723	-2,563
Income Tax and Social Contribution	34	-44	282
Consolidated Net Earnings [Loss]	-6,254	679	-2,281
Margin %	-131.7%	13.2%	-46.4%

Table 18 – Balance Sheet (Oi S.A. Consolidated)

R\$ million	03/31/2020	12/31/2019	03/31/2019
TOTAL ASSETS	73,947	71,892	77,790
Current	19,359	17,993	24,058
Cash and cash equivalents	6,090	2,082	6,030
Financial investments	186	184	198
Derivatives	0	0	23
Accounts Receivable	6,271	6,335	6,633
Inventories	340	327	300
Recoverable Taxes	530	543	611
Other Taxes	1,073	1,089	1,716
Assets in Escrow	1,463	1,514	1,535
Held-for-sale Assets	520	4,391	4,813
Other Current Assets	2,886	1,528	2,199
Non-Current Assets	54,587	53,899	53,732
Long Term	10,577	10,856	9,943
.Recoverable and Deferred Taxes	123	99	25
.Other Taxes	2,788	2,996	1,889
.Financial investments	34	34	37
.Assets in Escrow	6,596	6,651	7,131
.Other	1,160	1,175	886
Investments	124	134	118
Property Plant and Equipment	40,070	38,911	36,929
Intangible Assets	3,816	3,998	6,742
TOTAL LIABILITIES	73,947	71,892	77,790
Current	11,523	11,836	12,012
Suppliers	4,952	5,594	5,640
Leases	1,612	1,510	1,422
Loans and Financing	179	326	129
Financial Instruments	0	1	0
Payroll and Related Accruals	815	853	910
Provisions	529	548	534
Payable Taxes	65	67	51
Other Taxes	1,434	887	1,363
Dividends Payable	6	6	6
Liabilities associated to held-for-sale assets	162	494	472
Authorizations and Concessions Payable	80	59	120
Other Accounts Payable	1,689	1,492	1,365
Non-Current Liabilities	50,826	42,259	38,347
Suppliers	3,167	3,293	3,238
Leases	7,189	6,640	6,675
Loans and Financing	24,262	17,900	16,256
Other Taxes	1,221	1,224	634
Contingency Provisions	4,870	4,704	4,081
Pension Fund Provision	652	633	593
Other Accounts Payable	9,466	7,865	6,871
Shareholders' Equity	11,598	17,797	27,430



Table 19 – EBITDA and EBITDA margin (without IFRS 16 impacts)

	1Q20	1Q19	4Q19	YoY	QoQ
Oi S.A.					
Routine EBITDA [R\$ million]	1,533	1,627	1,414	-5.8%	8.4%
Brazil	1,481	1,616	1,452	-8.3%	2.0%
International Operations	52	12	-38	-336.1%	235.4%
IFRS16 Impact	-435	-377	-398	n.m.	n.m.
Routine EBITDA without IFRS16 [R\$ million]	1,097	1,251	1,016	-12.3%	7.9%
Brazil	1,046	1,239	1,056	-15.6%	-1.0%
International Operations	51	12	-40	-337.5%	229.3%
EBITDA Margin (%)	23.1%	24.4%	20.7%	-1.3 p.p.	2.4 p.p.



Please note

The main tables in this Earnings Release will be available in Excel format in the “Financial Information/Quarterly Reports” section of the Company’s website (<http://www.oi.com.br/ri>).

Definitions of the terms used in this Earnings Release are available in the Glossary section of the Company’s website: https://www.oi.com.br/ri/conteudo_en.asp?idioma=1&conta=44&tipo=44334



Subsequent Events

- On May 11, 2020, Oi informed its shareholders and the market in general that, on that date, the rating agency Standard & Poors ["S&P"] announced the review of the credit rating attributed to the Company, downgrading the issuer credit rating from "B" to "B-" on a global scale and from "brA-" to "brBBB" on a national scale. The outlook is negative on both global and national scales.
- On May 27, 2020, the Company informed its shareholders and the market in general that in this date the rating agency Fitch Ratings ["Fitch"] announced the review of the credit rating attributed to the Company. Fitch Ratings has downgraded Oi's ratings, including the Long-Term (LT) Foreign Currency (FC) Issuer Default Rating (IDR) to "CCC+" from "B-", the LT Local Currency (LC) IDR to "CCC+" from "B-", the National LT Rating to "B(bra) / Stable" from "BB- (bra) / Stable", and the 2025 notes to "CCC+" / "RR4" from "B-" / "RR4". The Rating Outlook on the international ratings has been removed.
- On June 15, 2020, in continuity with the Material Fact disclosed on February 28, 2020, the Company informed its shareholders and the market in general that, on this date, it filed with the "RJ Court" a proposed amendment to its Judicial Reorganization Plan, in the form provided for therein, primarily aiming at the sustainability of its business, through the reorganization and simplification of the Oi Group from a corporate and operational standpoint, so as to ensure greater financial flexibility and efficiency.



CVM INSTRUCTION 358, ART. 12: Direct or indirect controlling shareholders and shareholders who elect members of the Board of Directors or the Fiscal Council, and any other individual or legal entity, or group of persons, acting as a group or representing the same interests, that attains a direct or indirect interest representing five percent (5%) or more of a type or class of shares of the capital of a publicly held company must notify the Brazilian Securities and Exchange Commission [CVM] and the Company of the fact, in accordance with the above article.

Oi recommends that its shareholders comply with the terms of article 12 of CVM Instruction 358, but it takes no responsibility for the disclosure or otherwise of acquisitions or disposals by third parties of interests corresponding to 5% or more of any type or class of its shares, or of rights over those shares or other securities that it has issued.

Table 20 – Shares of the Company's Capital Stock

	Capital	Treasury	Free-Float ¹
Common	5,796,477,760	30,595	5,796,444,654
Preferred	157,727,241	1,811,755	155,915,481
Total	5,954,205,001	1,842,350	5,952,360,135

Shareholding position as of 3/31/2020

(1) Outstanding shares do not consider shares held in treasury or shares held by members of the Board of Directors and the Executive Board.



Rio de Janeiro, June 15, 2020. This report includes consolidated financial and operating data for Oi S.A. - Under Judicial Reorganization (“Oi S.A.” or “Oi” or “Company”) and its direct and indirect subsidiaries as of March 31, 2020. In compliance with CVM instructions, the data are presented in accordance with International Financial Reporting Standards (IFRS). Due to the seasonality of the telecom sector in its quarterly results, the Company will focus on comparing its financial results with the same period of the previous year.

This report contains projections and/or estimates of future events. The projections contained herein were compiled with due care, taking into account the current situation, based on work in progress and the corresponding estimates. The use of terms such as “projects”, “estimates”, “anticipates”, “expects”, “plans”, “hopes” and so on is intended to indicate possible trends and forward-looking statements which, clearly, involve uncertainty and risk, so that future results may differ from current expectations. These statements are based on various assumptions and factors, including general economic, market, industry and operational factors. Any changes to these assumptions or factors may lead to practical results that differ from current expectations. Excessive reliance should not be placed on these statements.

Forward-looking statements relate only to the date on which they are made, and the Company is not obliged to update them as new information or future developments arise. Oi takes no responsibility for transactions carried out or investment decisions taken on the basis of these projections or estimates. The financial information contained herein is unaudited and may therefore differ from the final results.

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