



Announcement | Lisbon | 26 October 2015

MATERIAL FACT DISCLOSED BY OI

PHAROL, SGPS S.A. hereby informs on the Material fact disclosed by Oi, S.A., according to the company's announcement attached hereto.

PHAROL, SGPS S.A.

Public company
Share capital Euro 26,895,375
Registered in the Commercial
Registry Office of Lisbon
and Corporation no. 503 215 058

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

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Oi S.A.

Corporate Taxpayers' Registry (CNPJ/MF) No. 76.535.764/0001-43

Board of Trade (NIRE) No. 33.300.29520-8

Publicly-Held Company

MATERIAL FACT

Oi S.A. ("Oi" or "Company"), in accordance with Art. 157, paragraph 4 of Law No. 6,404/76, informs its shareholders and the market in general that BTG Pactual S.A. ("BTG Pactual"), in its capacity as the Company's agent to develop viable structuring and financing alternatives that would enable the Company to participate in the consolidation of the Brazilian telecommunications sector, without diluting the interests of current shareholders, received, on Friday, October 23, 2015, a letter from a company of the investment group Letter One ("Letter One"), containing a proposal for the Company to enter into exclusive negotiations with Letter One with respect to a potential transaction with the objective of a possible consolidation of the Brazilian telecommunications sector, involving a potential business combination with TIM Participações S.A.

In accordance with the proposal from Letter One, sent by BTG Pactual to the Chief Executive Officer and Chairman of the Company's board of directors, Letter One would be willing to make a capital contribution of up to U.S.\$4.0 billion in the Company, subject to the consolidation activities.

The proposal will be carefully evaluated by the Company, jointly with its legal and financial advisors.

The Company will maintain its shareholders and the market informed if there is any decision with respect to the above matter or with respect to any events related to the foregoing.

Rio de Janeiro, October 26, 2015

Flavio Nicolay Guimarães

Chief Financial Officer and Investor Relations Officer

Oi S.A.