



**Announcement** | Lisbon | 15 May 2018

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## 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. – In Judicial Reorganization**

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

Board of Trade (NIRE) 33.3.0029520-8

Publicly Held Company

### **MATERIAL FACT**

#### **Postponement of the Disclosure of the First Quarter Financial Information for 2018**

**Oi S.A. – In Judicial Reorganization** (the “Company”), in accordance with the provisions set forth in article 157, paragraph 4 of Law No. 6.404/76, and pursuant to CVM Instruction No. 358/02, hereby informs its shareholders and the market in general that, due to a joint reassessment by the Company and the independent auditors with regards to the appropriate moment for the accounting recognition of the debt restructuring, novated under the terms of the Judicial Reorganization Plan (the “Plan”), the disclosure of the Company’s quarterly financial information and the independent auditor’s report reviewing the first quarter of 2018 will be postponed from May 15, 2018 to May 28, 2018.

The main accounting impacts arising from the confirmation of the Plan are estimated on a preliminary basis as set forth in Explanatory Note No. 29 – “Subsequent Events, Estimated Impacts of the JRP,” which is part of the Company’s financial statements as of and for December 31, 2017, and are: *i*) recognition of the debts’ fair value (banks, export credit agencies and unqualified bondholders); *ii*) recognition of the fair value of the debt allocated in the General Payment Clause (Clause 4.3.6 of the Plan); and *iii*) recognition of the conversion of the debt of qualified bondholders into shares. Regarding item *iii*, it has become necessary to carry out more detailed analyses by the independent auditors, which has resulted in the postponement disclosed herein.

The Company clarifies that, as anticipated in the Material Fact of March 28, 2018 and in the aforementioned Explanatory Note, the Company’s net worth as of March 31, 2018 became positive again.

Considering the postponement of the disclosure of the financial information for the first quarter of 2018 and in order to provide stability to market expectations, the Company

has opted to anticipate some preliminary key financial indicators of the Company's results for the period, based on information not yet reviewed by the independent auditors:

[R\$ in billions]	1 <sup>st</sup> quarter of 2018
EBITDA	1.56
Cash	6.22

The Company will keep its shareholders and the Market informed about the development of the issue addressed herein.

Rio de Janeiro, May 15, 2018.

**Oi S.A. – In Judicial Reorganization**

Carlos Augusto Machado Pereira de Almeida Brandão  
Director of Finance and of Investors Relations

**Special Note Regarding Forward-Looking Statements:**

This Material Fact contains forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995 and applicable Brazilian regulations. Statements that are not historical facts, including statements related to the Company's beliefs and expectations, business strategies, future synergies and cost reductions, future costs and future liquidity are considered forward-looking statements. The words "will", "shall", "should", "would", "anticipate", "intend", "believe", "estimate", "wait", "predict", "plan", "target", "goal" and similar expressions, in case related to the Company or its management, are intended to identify forward-looking statements. There is no guarantee that the expected events, tendencies or results will effectively occur. Such statements reflect the current view of the Company's management and are subject to a number of risks and uncertainties. These statements are based on several assumptions and factors, including general market and economic conditions, industry conditions, corporate approvals, operating factors and other factors. Any changes in such assumptions or factors could cause results that differ materially from current expectations. All forward-looking statements attributable to the Company or to its affiliates, or to persons acting on behalf of the Company, are fully qualified as cautious statements in accordance with the provisions of this paragraph. Do not place unrestricted reliance on such statements. Forward-looking statements only correspond to the date they were made. Except when as required by the Brazilian or the US securities' legislation and by the rules and regulation of the Brazilian SEC, the SEC or by the regulatory bodies of other applicable jurisdictions, the Company and its affiliates are neither obligated nor intend to update or publicly announce the results of any review on forward-looking statements to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting forward-looking statements. It is recommended, however, to consult any further disclosures that the Company may make on related matters through reports or communications that the Company files before the CVM and the SEC.

**Explanatory Note No. 29 to the Audited Financial Statements for the year ended  
December 31, 2017**

The Company recommends that the information herein be read together with its audited financial statements as of and for the year ended December 31, 2017, which are available for consultation on the Company's investor relations website ([www.oi.com.br/ri](http://www.oi.com.br/ri)) and in the CVM's IPE system ([www.cvm.gov.br](http://www.cvm.gov.br)).

## **1. EVENTS AFTER THE REPORTING PERIOD**

### **Merger of Oi Internet with and into Oi Móvel**

On March 1, 2018 Oi Internet was merged with and into Oi Móvel, both indirect subsidiaries of the Company, in compliance with the provisions of clauses 3.1.6 and 7.1 of Oi's JRP and its subsidiaries Oi Móvel, Telemar, Copart 4, Copart 5, PTIF, and Oi Holanda. This is one of the two stages of the corporate and equity restructuring process of the Companies Undergoing Reorganization as expressly provided by JRP, and its objective to optimize the operations and increase the results of the Companies Undergoing Reorganization and the other Oi's direct and indirect subsidiaries. In addition, the merger of the operations of Oi Internet and Oi Móvel, through the consolidation of the activities performed, will bring considerable administrative, economic, and tax benefits, with a decrease of costs and the generation of synergy gains that will increase efficiency in the supply of services.

### **Estimated impacts of the JRP**

As a result of the approval of the JRP at the CGM held on December 19 and 20, 2017 and subsequent ratification by the Judicial Reorganization Court on January 8, 2018, published on the Official Gazette on February 5, 2018, the Company started to restructure the liabilities subject to the Judicial Reorganization, under the terms and conditions provided for in the JRP and summarized in Note 1, which should result in a significant reduction of such liabilities.

Pursuant to CPC 26 (IAS 1) the Company believes that the ratification of the Judicial Reorganization Plan is a 2018 event and did not recognize any impact from this event on the financial liabilities addressed by said Plan and recognized as at December 31, 2017. As for the measurement of the provisions for contingencies as at December 31, 2017, the Company intends to reflect the impacts of the Judicial Reorganization in this measurement, as established in CPC 25 (IAS 37).

Even though the financial liabilities recognized in the balance sheet as at December 31, 2017 are not affected by the effects of the Judicial Reorganization Plan and since the Company has not yet completed the assessment of these effects and the timing of their recognition, Management believes that under CPC 26 (IAS 1) it should disclose the estimated effects as at this date.

The Company's management emphasizes, however, that the impacts disclosed herein were determined based on: (i) financial indicators (interest rate, foreign exchange rate, etc.); (ii) the information on the payment methods elected by the creditors; and (iii) the compliance of the conditions precedent for the implementation of the JRP, which do not depend entirely on the Company and might be changed, which would result in differences compared to the actual accounting records of the effects of the JRP, which is estimated to occur in the course of 2018 as the conditions precedent as successfully met (Note 1).

As at June 30 2016 the claims included in the JRP and the fair value estimated by Management of the restructured claims as at December 31, 2017 are as follows:

<i>In R\$ million (consolidated)</i>	<b>Corresponding accounting line items</b>	<b>Estimated amount of claims allocated per option at 06/20/2016</b>	<b>Accounting balances at 12/31/2017</b>	<b>Estimated fair value of restructured claims</b>
Class I – Labor Claims	Accounts payable and provisions (Notes 16 and 20)	877	877	877
Class II – Collateralized Claims (1)	Borrowings and financing (Note 17)	3,327	3,837	3,327
Classes III and IV – Unsecured Creditors				
Borrowings and financing (1) (2)	Borrowings and financing (Note 17)	46,278	50,977	10,685
Regulatory agencies	Provisions (Note 20)	14,550	2,807	2,807
Suppliers (3)	Accounts payable (Note 16)	2,135	2,135	1,229
Contingencies (4)	Provisions (Note 20)	221	204	24
Mediation (5)		362		
<b>Total</b>		<b>67,751</b>	<b>60,837</b>	<b>18,949</b>

1 Since June 20, 2016 the Company has been maintaining the recognition of a provision for unpaid interest for accounting purposes (Note 17).

2 At June 20, 2016 includes R\$3,656 million covered by the General Payment Offer.

3 At June 20, 2016 includes R\$356 million covered by the General Payment Offer.

4 At June 20, 2016 includes R\$204 million covered by the General Payment Offer.

5 The amounts subject matter of mediation were paid in 2017.

6 The estimated amount of restructured claims excludes the fair value of the equity instruments to be issued in the context of the exchange of debt for shares. Estimated fair value as at December 31, 2017 / February 5, 2018.

As at December 31, 2017, Equity, Working Capital, and line item Borrowings and Financing adjusted for the effects of the JRP estimated by Management, taking into account the information above, would be R\$28.078 million, R\$11.877 million, and R\$13.714 million, respectively (Note 1).

<i>In R\$ million (consolidated)</i>	<b>Shareholders' equity</b>	<b>Working capital</b>	<b>Borrowings and financing</b>
<b>Balance at Dec 31, 2017</b>	<b>(13,512)</b>	<b>(44,144)</b>	<b>54,515</b>
Debt restructuring adjustment	41,888 <sup>1</sup>	41,708	(40,802)
Current/non-current reclassification		14,611	
Derecognition of debt issuance costs	(298)	(298)	298
<b>Adjusted balance</b>	<b>28,078</b>	<b>11,877</b>	<b>13,714</b>

<sup>1</sup> Pursuant to the applicable accounting criteria, a portion of the debt restructuring adjustment will be recognized in net gain corresponding to the hair-cut of the claims and the remaining balance as equity instrument issued in the context of the debt exchange.