



Announcement | Lisbon | 6 September 2016

Notice to the Market disclosed by Oi

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

PHAROL, SGPS S.A.

Public company
Share capital Euro 26,895,375
Registered in the Commercial
Registry Office of Lisbon
and Corporation no. 503 215058

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

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Oi S.A. – In Judicial Reorganization
Corporate Taxpayers' Registry [CNPJ/MF] No. 76.535.764/0001-43
Board of Trade [NIRE] No. 33.3.0029520-8
Publicly-Held Company

MATERIAL FACT

Acceptance of Urgent Measures in Arbitration Proceeding

Oi S.A. – In Judicial Reorganization (“Company”), in accordance with Article 157, paragraph 4 of Law No. 6,404/76 [“LSA”], informs its shareholders and the market in general that, at the end of the day yesterday, it was informed that, in an arbitration proceeding commenced by its shareholder Société Mondiale Fundo de Investimento em Ações [“Société Mondiale”], against the shareholder Bratel B.V. [“Bratel”] and the Company before the Market Arbitration Chamber [*Câmara de Arbitragem do Mercado*, “CAM”], the Supporting Arbitrator appointed by CAM decided to partially grant the request for urgent measures presented by Société Mondiale [“Decision”] and decided to :

- i) Recognize arbitral jurisdiction and the Supporting Arbitrator's power to resolve the corporate disputes existing within the Company with the respect to the call and holding of the Extraordinary General Shareholders' Meetings called for September 8, 2016 by shareholder Société Mondiale;
- ii) Overrule the request for urgent measure consisting of the “determination that the Company and Bratel, by themselves or through third parties, affiliates, parent companies and subsidiaries, refrain from practicing acts seeking to frustrate or vacate CAM's power – such as requesting from Courts that are not part of the Arbitral Panel (especially the Court where the Oi's judicial reorganization proceeding is underway) the adoption of acts or the issuance of statements concerning the call and/or the holding of the Extraordinary General Shareholders' Meetings of September 8, 2016”;
- iii) Determine that the Company and Bratel, by themselves or through third parties, affiliates, parent companies and subsidiaries, refrain from performing extrajudicial acts seeking to disturb, impede or in any way frustrate the holding of the Extraordinary General Shareholders' Meetings called for September 8, 2016; and
- iv) Suspend the effectiveness of the Company's Board of Directors' deliberation, dated August 12, 2016, with respect to setting the term of the nominated members of the Board of Directors to carry out the remainder of the terms at that time, so that the fixed term set as “in term of office until the Annual General Shareholders' Meeting of 2018” is read as “to serve until the next General Shareholders' Meeting.”

The Company is studying the impact of the Decision and the Judgment of the 7th Corporate Court of the Judicial District of the State Capital of Rio de Janeiro and will inform the shareholders and the market of the relevant developments on the subject.

Rio de Janeiro, September 6, 2016

Oi S.A. – Em Recuperação Judicial
Flavio Nicolay Guimarães
Chief Financial Officer and Investor Relations Director