



Announcement | Lisbon | 10 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

NOTICE TO THE MARKET

Oi S.A. - In Judicial Reorganization ["Oi" or " Company"], in accordance with article 12 of CVM Instruction No. 358/02, informs the market that it received a letter from Morgan Stanley, as transcribed below:

"Dear Sir,

In compliance with the Comissão de Valores Mobiliários ["CVM"] Instruction 358 dated January 3, 2002, Article 12, please be notified that, as of September 5, 2016, Morgan Stanley (in the aggregate, through its subsidiaries, Morgan Stanley Capital Services LLC, Morgan Stanley & Co. International plc, Morgan Stanley Uruguay Ltda., Morgan Stanley & Co. LLC, Morgan Stanley Smith Barney LLC, Caieiras Fundo de Investimento Multimercado and Formula XVI Fundo De Investimento Multimercado Credito Privado – Investimento No exterior)¹ reached 33,059,827 common shares issued by Oi S.A. (the "Company"), equivalent to 4.9% of the Company's outstanding common shares.

It has also reached a short position of 5,119,747 common shares, equivalent to 0.7% of the outstanding common shares of the Company.

Finally, Morgan Stanley reached long economic exposure through cash-settled derivative instruments referencing 7,619,470 or 1,1% of the outstanding common shares of the Company; and short economic exposure through cash-settled derivative instruments referencing 36,518,000 or 5.5% of the outstanding common shares of the Company.

¹ Morgan Stanley Capital Services LLC - CNPJ nº 05.870.238/0001-91, Morgan Stanley & Co. LLC - CNPJ nº 05.448.000/0001-72, Morgan Stanley Uruguay Ltda. - CNPJ nº 05.447.544/0001-10, Morgan Stanley & Co. International plc - CNPJ nº 05.448.002/001-61, Morgan Stanley Smith Barney LLC - CNPJ nº 18.628.845/0001-91, Caieiras Fundo de Investimento Multimercado - CNPJ nº 09.577.034/001-18, Formula XVI Fundo De Investimento Multimercado Credito Privado - Investimento No exterior - CNPJ nº 03.068.182/0001-20.

Morgan Stanley does not intend to change the control or management of the Company

Sincerely,

By: Cesar Coy

Title: Authorized Signatory.”

Rio de Janeiro, September 9, 2016.

Oi S.A. – In Judicial Reorganization

Flavio Nicolay Guimarães

Chief Financial Officer and Investor Relations Officer