



Announcement | Lisbon | 29 November 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. 33.300.29520-8

Publicly-Held Company

NOTICE TO THE MARKET

Updates Concerning the Judicial Reorganization

Oi S.A. – In Judicial Reorganization (“Oi” or “Company”) provides its shareholders and the market with information regarding the judicial reorganization of the Oi Companies.

Oi was informed by the Dutch judicial administrators that they may apply for a conversion of the suspension of payment proceedings of its subsidiaries Oi Brasil Holdings Coöperatief UA – In Judicial Reorganization (“Oi Brasil Holdings”) and Portugal Telecom International Finance B.V. – In Judicial Reorganization (“PTIF”), Oi’s financial vehicles in the Netherlands, into bankruptcy proceedings. The Company believes that, should such conversion occur, it would not harm the Company’s cash reserves or operating activities and that such conversion would be restricted to Dutch jurisdiction and law. Oi anticipates that this will not result in significant impacts in the judicial reorganization and the day-to-day operations of the Company in Brazil, where Oi will take the necessary measures to keep its assets protected.

The Company further informs that it participated in a mediation hearing with the National Telecommunications Agency (*Agência Nacional de Telecomunicações – Anatel*) with the objective of reaching a consensual solution for the debts in which Anatel is a creditor of the Company.

Finally, the Company informs that it presented to the Court in which the judicial reorganization is underway a proposal for the use of mediation in order to settle the credits of up to R\$50 thousand, which encompasses a universe of approximately 58,000 creditors with debt claims of up to such amount. Such proposal could result in a disbursement of up to R\$783 million by the Company.

All of these factors clearly indicate that Oi remains engaged in the search for consensus for the approval of a judicial reorganization plan that ensures the sustainability, having conversations with creditors been initiated in order to discuss possible amendments to the proposed terms of the Company's judicial reorganization plan..

The Company will maintain its shareholders and the market informed of the development of the subject matters of this Notice.

Rio de Janeiro, November 29, 2016.

Ricardo Malavazi Martins
Chief Financial Officer and Investor Relations Officer.
Oi S.A. – In Judicial Reorganization

Special Note Regarding Forward-Looking Statements:

This communication contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and Brazilian applicable regulation. Statements that are not historical facts, including statements regarding the beliefs and expectations of Oi, business strategies, future synergies and cost savings, future costs and future liquidity are forward-looking statements. The words “will,” “may,” “should,” “could,” “anticipates,” “intends,” “believes,” “estimates,” “expects,” “forecasts,” “plans,” “targets,” “goal” and similar expressions, as they relate to Oi 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 management Oi 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 Oi or its affiliates, or persons acting on their behalf, are expressly qualified in their entirety by the cautionary statements set forth in this paragraph. 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 of regulatory authorities in other applicable jurisdictions Oi and its affiliates do not have any intention or obligation to update or to publicly announce the results of any revisions to any of the forward-looking statements to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements. You are advised, however, to consult any further disclosures Oi makes on related subjects in reports and communications that Oi files with the SEC.