

PHAROL, SGPS S.A.

FIRST NINE MONTHS OF 2016 RESULTS

- PHAROL presented a Net loss for the period of Eur. 56.1M, mainly explained by: (a) operating expenses amounting to some Eur. 6.0M, (b) losses of Eur. 5.1M due to the decrease in value of the Call option, (c) loss of Eur. 48.7M with the reduction in the expected value of the Rio Forte debt instrument, and (d) net gain on investment in Oi of 4.9M.
- PHAROL reduced its Operational Costs by 64% comparing with 9M2015, (Eur. 6.0M against Eur. 16.9M).
- Following the declarations of the Judicial Administrators, who stated in their latest press release that they cannot rule out that the seizure of assets required by the Public Prosecutor's Office may prolong or even definitively prevent the recoverability and distribution of assets to the creditors, the expected recoverable amount of the Rio Forte debt instrument was revised and reduced to 9.56% of its nominal value.

Highlights of Oi's 9M2016 progress

- Recurring EBITDA amounted to 4,940 million Reals, a decrease of 15% comparing with 9M15.
- While maintaining strong focus on improving its operational efficiency, Oi has been following all the steps of the judicial recovery plan in good time. In particular, it has already handed over to the Judge in charge of the case a solution for the company's small creditors and for the majority of the classes that constitute it, which, if it is to be approved, as it may be believed, could solve the problem of more than 65,000 individual creditors Of the estimated 66,000, reducing complexity and speeding up the implementation of the plan.

MESSAGE FROM THE CEO

Luís Palha da Silva

"Faced with high impact exogenous factors in its income statement and its equity position – of which in this third quarter, the impairment of the Rio Forte loan is an example - PHAROL remains strongly committed to reducing variability risk in its asset values and to strictly controlling its operating costs.

At Oi, PHAROL will continue to collaborate so that the Judicial Recovery process is a success, taking into account the interests of all the different stakeholders involved.

Highlights

PHAROL

(Euro million)	9M16	9M15	3Q16	3Q15
EBITDA	(6.0)	(16.9)	(2.7)	(7.7)
Losses/(gains) in joint ventures and associates	(4.9)	64.6	(4.8)	77.9
Result from recurring operations	(56.1)	(137.0)	(47.9)	(122.7)

OI

(Reals million)	9M16	9M15	3Q16	3Q15
Net revenue	19,674	20,651	6,394	6,827
Routine EBITDA	4,940	5,810	1,645	1,852
Routine EBITDA Margin %	25.11%	28.14%	25.72%	27.13%
Net earnings	(3,314.6)	(796.9)	(1,014.9)	(1,020.9)
Net Debt	41,184	37,241	41,184	37,241
Capex	3,509	3,078	1,004	984

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CONSOLIDATED R E P O R T

PHAROL, SGPS S.A.

CONSOLIDATED REPORT

FIRST NINE MONTHS 2016

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“PHAROL”, “Group PHAROL”, “Group” and “Company” is a reference to the companies that are part of PHAROL, SGPS S.A. or to one of them, depending on the context.

01. FINANCIAL REVIEW

FINANCIAL REVIEW

As at September 30, 2016, PHAROL had as its main assets (1) 183,662,204 common shares of Oi, S.A. ("Oi"), representing 27.2% of total share capital of Oi (excluding treasury shares), (2) debt securities of Rio Forte Investments S.A. ("Rio Forte") with a nominal value of Euro 897 million, and (3) the Call Option on 42,691,385 common shares and 85,382,770 preferred shares of Oi with an exercise price of R\$20.104 per common share and R\$18.529 per preferred share, adjusted by the Brazilian rate CDI plus 1.5% per annum, and with a 6-year maturity. The Call Option has partial expiration dates throughout the period so the option volume is reduced by 10% at the end of the first year and by 18% per year thereafter. On March 30, 2016, as part of the option reached its maturity, PHAROL's call option is from that date onwards 42,691,385 common shares and 85,382,770 preferred shares of Oi.

After the capital increase of Oi, concluded on May 5, 2014 (the "Oi Capital Increase"), PHAROL held a 39.7% direct and indirect stake in Oi. This included a portion classified as a non-current asset held for sale, following the Exchange agreement ("Exchange") entered into on September 8, 2014 and completed on March 8, 2015, and the remaining stake of 22.8% classified as investment in joint ventures and associates and therefore accounted for using the equity method.

On March 30, 2015, the Exchange was completed, whereby PHAROL (1) transferred to Portugal Telecom International Finance, B.V. ("PT Finance"), a subsidiary of Oi, an aggregate amount of 47,434,872 common shares and 94,869,744 preferred shares of Oi, and (2) received from PT Finance debt securities of Rio Forte with a nominal value of Euro 897 million and a call option on the transferred shares ("Call Option"). After the completion of the Exchange, PHAROL held an effective stake of 27.5% in Oi corresponding to the 22.8% stake referred above plus 4.7% due to the decrease in the number of outstanding shares of Oi.

The relevant agreements for the implementation of the New Structure of Oi were signed on July 22, 2015. On September 1, 2015, a General Meeting of Shareholders of Oi was held where the New Structure was approved.

As of September 30, 2015, after the implementation of the New Structure, but prior to the voluntary conversion of preferred shares to ordinary shares of Oi, PHAROL held, directly or indirectly through wholly owned subsidiaries, 84,167,978 common shares and 108,016,749 preferred shares of Oi.

As of October 8, 2015, following the voluntary conversion of preferred shares into common shares of Oi, PHAROL now holds, directly and indirectly through wholly owned subsidiaries, 183,662,204 common shares of Oi, representing 27.2% of total share capital of Oi (excluding treasury shares). PHAROL's voting rights in Oi are limited to 15% of the total common shares of Oi.

With the implementation of the New Structure on July 30, 2015, the shareholder's agreements, through which joint control of Oi was exercised, were terminated. Up to that date, PHAROL accounted for its stake in Oi as an Investment in Joint Ventures. Currently, PHAROL considers it has significant influence over Oi and classifies it as an associate company. As a result, from July 30, 2015, the investment in Oi continues to be accounted for according to the equity method, based on PHAROL's economic stake in Oi's results (27.18% as at September 30, 2016).

On April 29 and May 19, 2016, PHAROL, due to a corporate reorganization, transferred direct ownership of 128,213,478 common shares issued by Oi S.A., to its 100% owned subsidiary BRATEL B.V.. Due to the Corporate Reorganization, BRATEL B.V. now directly holds (and PHAROL indirectly holds) 183,662,204 common shares of Oi S.A., which represent 22.24% of Oi S.A.'s entire share capital (27.18% excluding treasury shares).

In the first 9 months of 2016, the consolidated net loss amounting to Euro 56.1 million, mainly reflects (1) the loss of Euro 48.8 resulting from the impairment charge in respect of the debt instruments issued by Rio Forte (2) a Euros 5 million loss relating to the decrease on the Call Option (3) the Euro 6.1 million consolidated operational costs, and (4) a Euro 4.9 million gain in respect of investments in associates, following a reversal of the Oi impairment charge amounting to Euro 225.6 million, partially offset by PHAROL's appropriation of its portion in Oi's 9M16 results, amounting to Euro 220 million.

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT				
	Euro million			
	9M16	9M15	3Q16	3Q15
Wages and salaries	1.6	2.7	0.5	0.8
Supplies, external services and other expenses	3.9	11.5	2.0	5.5
Indirect taxes	0.5	2.4	0.3	1.3
Other operational expenses	0.0	0.3	(0.0)	0.1
Loss before financial results and taxes	(6.0)	(16.9)	(2.7)	(7.7)
Depreciations	0.1	0.1	0.0	0.0
Earnings before interest and taxes	(6.1)	(17.0)	(2.8)	(7.7)
Net other gains	-	0.0	-	(0.0)
Loss before financial results and taxes	(6.1)	(17.1)	(2.8)	(7.7)
Net interest income	(0.2)	(0.4)	(0.0)	(0.1)
Losses (gains) in losses of joint ventures and associates	(4.9)	64.6	(4.8)	77.9
Net losses on financial assets and other investments	54.5	39.2	48.8	27.7
Net other financial losses (gains)	0.5	16.4	1.2	9.4
Loss before taxes	(56.1)	(136.9)	(47.9)	(122.7)
Income taxes	0.0	0.0	(0.0)	0.0
Resultado líquido	(56.1)	(137.0)	(47.9)	(122.7)

Consolidated operating costs amounted to Euro 6 million in the first 9 months of 2016 compared to Euro 16.9 million in the first 9 months of 2015. This decrease is explained by (1) lower third parties expenses mainly related to financial and legal services (2) lower wages and salaries expenses and (3) lower indirect taxes.

Gains in joint ventures and associates amounted to Euro 4.9 million in the first 9 months of 2016, which compares to a loss of Euro 64.6 million in the first 9 months of 2015, corresponding to the losses in the effective share of PHAROL in the results of Oi in the amount of Euro 220 million compensated by the full reversal of the impairment amounting to Euro 225.6 million. As such, the Oi investment is accounted for at the equity method at that date. This amount corresponds to PHAROL's effective share in the results of Oi until September 30, 2016. The losses recorded in 2015, amounting to Euro 64.6 million, reflect PHAROL's effective share in Oi's net losses and the net losses of the controlling holding companies of Oi.

Losses on financial assets and other investments in 2016 totaled Euro 54.5 million, mainly reflecting (1) the impairment of the debt instruments issued by Rio Forte amounting to Euro 48.8 million and (2) the decrease in value of the Call Option amounting to Euro 5 million.

Net losses attributable to equity holders of PHAROL amounted to Euro 56.1 million in the first 9 months of 2016 compared to Euro 137.3 million loss in the first nine months of 2015. The net loss in 2016 reflects the decrease of the value of the Rio Forte debt, value of the Call Option and operating costs. The net loss in 2015 reflects the effective stake of PHAROL in Oi's net losses.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position		
	Euro million	
	30 Sep 2016	31 Dec 2015
ASSETS		
Cash and cash equivalents	31.7	64.9
Accounts receivable	0.3	0.5
Investments in joint ventures and associates	112.0	102.2
Tangible assets	0.3	0.4
Other assets	87.2	141.0
Total assets	231.4	309.1
LIABILITIES		
Short-term debt	0.1	0.1
Accounts payable	1.3	1.7
Accrued expenses	8.2	6.5
Taxes payable	0.3	0.4
Provisions	0.1	0.1
Other liabilities	0.9	0.9
Total liabilities	10.9	9.8
Total equity	220.6	299.3
Total liabilities and shareholders' equity	231.4	309.1

The cash position net of gross debt, accounts payable, accrued expenses, and taxes payable was Euro 21.7 million at September 30, 2016 and Euro 56 million at December 31, 2015.

Investments in joint ventures and associates correspond to PHAROL's effective stake in Oi of 27.2% on September 30, 2016 and at December 31, 2015. On September 30, 2016 and December 31, 2015, PHAROL's investment in joint ventures and associates in Oi corresponded to a total investment of Euro 112 million and Euro 102 million, respectively, a Euro 10 million increase mainly explained by (1) the effective participation of PHAROL in the comprehensive net income of Oi in the first 9 months of 2016, representing Euro 220 million, (2) the reversal of the impairment amounting to Euro 225.6 million, and (3) strengthening of the Brazilian Real in the first 9 months of 2016 and other Oi's equity changes, with a positive impact of Euro 4.8 million in investments.

Other assets at September 30, 2016, amounting to Euro 87.2 million, include the fair value of assets received on March 30, 2015 in connection with the Exchange: (1) Euro 85.7 million related to the estimated fair value of debt instruments issued by Rio Forte, the nominal value of which amounts to Euro 897 million, and (2) Euro 1.4 million related to the fair value of the Call Option.

Shareholders' equity amounted to Euro 220.6 million on September 30, 2016 compared to Euro 299.3million on December 31, 2015, a decrease of Euro 78.8 million, mainly reflecting (1) the negative result in the first nine months amounting to Euro 56.1 million (2) dividend payment to the shareholders amounting to Euro 25.9 million (3) the positive Euro 4.8 million impact in the Oi investment recognized in equity and (4) the acquisition of own shares amounting to Euro 1.6 million.

OI RESULTS KEY HIGHLIGHTS

The information within this section is an excerpt from the First Nine Months 2016 Report of Oi.

Oi S.A. - Under Judicial Reorganization ("Oi S.A." or "Oi" or "Company") continues with its strategic plan focused on operations and accumulation of cash: Oi's cash balance increased by R\$ 2 billion in 3Q16. The judicial reorganization process contributes to Oi's operational feasibility.

In the third quarter of 2016, Oi continued the improvements in operational efficiency and strict cost control: operating costs in Brazil fell 2.5% y.o.y. Given inflation of 8.5% in the last twelve months, costs fell more than 10% in real terms.

Routine EBITDA from the Brazilian operations increased 6.2% q.o.q. and routine EBITDA margin grew 1.9 p.p. in the same period.

In the third quarter of 2016, Oi increased investments, despite the macroeconomic headwinds. Oi increased its investments for the Brazilian operations by 14.3% in the first nine months and 3.3% in the third quarter, compared with the same periods last year.

Oi has been presenting improvements in several operational indicators and, consequently, recording a consistent improvement in ANATEL's quality metrics.

The Company is focusing on digital transformation in order to ensure a sustainable future, based on innovation and value creation.

Despite the complexity of the judicial reorganization process, Oi has been complying with the terms and procedures required by law. The operations and relations with customers, suppliers and partners are being conducted on a business-as-usual basis.

In 3Q16, consolidated net revenues totaled R\$ 6,394 million, -6.3% y.o.y. and -2.0% q.o.q. Net revenues from the Brazilian operations came to R\$ 6,192 million (-5.0% y.o.y. and -2.1% q.o.q.), while net revenues from the other international operations (Africa and East Timor) totaled R\$ 202 million, 35.2% down y.o.y. and in line with the previous quarter.

In 3Q16, consolidated routine opex, including the international operations, totaled R\$ 4,750 million, 4.5% down from 3Q15 and 5.1% lower than in 2Q16.

Routine opex in the Brazilian operations reached R\$ 4,658 million in 3Q16, 2.5% down from 3Q15 and 4.5% lower than in 2Q16. Considering inflation (IPCA) of 8.5% in the last twelve months, this result corresponded to a decrease of over 10% in real terms in the period.

In 3Q16, consolidated routine EBITDA totaled R\$ 1,645 million, 11.2% down y.o.y. and 8.2% up q.o.q. Routine EBITDA from the Brazilian operations came to R\$ 1,534 million in the same period, -11.8% y.o.y. and +6.2% q.o.q., while routine EBITDA margin from the Brazilian operations stood at 24.8%, 1.9 p.p. up q.o.q.

Routine EBITDA from the other international operations (Africa and East Timor) totaled R\$ 110 million in the quarter, in line with 3Q15 and 45.3% up on 2Q16, due to the reduction in opex in Africa and the exchange variation.

In 3Q16, the Company's consolidated investments totaled R\$ 1,004 million (+1.9% y.o.y. and -19.9% q.o.q.) and Capex in the Brazilian operations came to R\$ 982 million (+3.3% y.o.y. and -19.2% q.o.q.). It is worth noting the 14.3% year-on-year increase in investments in the Brazilian operations in the first nine months of 2016, which totaled R\$ 3,401 million and accounted for 17.8% of Brazil's total net revenues, which represents a significant 2.9 p.p. increase over 9M15.

In 3Q16, consolidated routine operational cash flow (routine EBITDA minus Capex) amounted to R\$ 641 million, 26.1% down y.o.y., but 139.9% up q.o.q. Routine EBITDA minus Capex in the Brazilian operations totaled R\$ 552 million in this quarter, 30.1% down y.o.y. and 141.2% up q.o.q.

Oi's earnings before interest and taxes (EBIT) totaled R\$ 344 million in 3Q16, 61.4% lower than in 3Q15, chiefly due to lower EBITDA. In 3Q16, Oi recorded a net loss from continuing operations in the amount of R\$ 1,015 million, in line with the same period last year. In the sequential comparison, net loss increased 54.8%, mainly due to the reversal of the financial result, which came to a net financial expense of R\$ 1,701 million this quarter, partially offset by the reversal of income tax and social contribution, that, in the previous quarter, was impacted by a reduction in deferred income tax and social contribution (with no cash effect) from the exchange variation on financial operations, as a result of the Dollar and Euro depreciation occurred at the end of 2Q16.

	in R\$ million*			
	9M16	9M15	3Q16	3Q15
Oi S.A. Pro-forma				
Total Net Revenues	19,674	20,651	6,394	6,827
EBITDA	4,846	6,088	1,645	2,178
EBITDA Margin (%)	24.6%	29.5%	25.7%	31.9%
Routine EBITDA	4,940	5,810	1,645	1,852
Routine EBITDA Margin (%)	25.1%	28.1%	25.7%	27.1%
Consolidated Net Earnings (Loss)	(3,315)	(797)	(1,015)	(1,021)
Net Debt	41,184	37,241	41,184	37,241
Available Cash	7,142	16,415	7,142	16,415
CAPEX	3,509	3,078	1,004	984

*Or otherwise stated

	in R\$ million*			
	9M16	9M15	3Q16	3Q15
BRAZIL				
Revenue Generating Unit ('000)	67,890	71,838	67,890	71,838
Residential	16,105	16,524	16,105	16,524
Personal Mobility	44,118	47,059	44,118	47,059
Corporate / PMEs	7,023	7,602	7,023	7,602
Public Telephones	644	651	644	651
Total Net Revenues	19,053	19,911	6,192	6,515
Net Services Revenues (1)	18,886	19,588	6,149	6,463
Residential	7,171	7,387	2,367	2,437
Personal Mobility	5,751	6,006	1,899	1,997
Clients (2)	5,280	5,336	1,756	1,780
Corporate / SMEs	5,800	5,986	1,827	1,967
Net Clients Revenues (2)	18,101	18,400	5,934	6,066
Routine EBITDA	4,665	5,485	1,534	1,740
Routine EBITDA Margin (%)	24.5%	27.5%	24.8%	26.7%
CAPEX	3,401	2,976	982	950
Routine EBITDA - CAPEX	1,263	2,509	552	790

(1) Excludes handset revenues.

(2) Excludes handset and network usage revenues.

02. BUSINESS PERFORMANCE

LIABILITY CLAIM FOR DAMAGES CAUSED BY THE INVESTMENT IN DEBT INSTRUMENTS ISSUED BY ENTITIES OF ESPÍRITO SANTO GROUP

On January 7, 2016, in accordance with the resolution taken by the Board of Directors held on May 27, 2015, the Company filed the judicial liability claim before the Lisbon's District Court, against Deloitte & Associados, SROC, S.A. and other entities of the Deloitte Network for breach of its contractual duties, namely as PHAROL's External Auditor, which are legal cause for the losses suffered with the investment in debt instruments issued by entities of Espírito Santo Group.

PHAROL claims an indemnity corresponding to the difference between Euro 897,000,000 and any amount that PHAROL eventually recovers in the context of the insolvency proceeding of Rio Forte, as well as other damages that may be evidenced during proceedings, plus interest counted from the date of service until effective and full payment.

On January 25, 2016, the Company filed a judicial liability claim before the Lisbon's District Court against its former directors Zeinal Bava, Henrique Granadeiro and Luís Pacheco de Melo, for breach of their respective legal and contractual duties, namely the duty to submit to the Board of Directors for approval any investments in debt instruments issued by entities of Espírito Santo Group, as well as the duty to implement an internal control system suitable for these forms of investment. Breach of the abovementioned duties caused several damages to PHAROL, such as Euro 54,900,000, as over time the amounts invested could not be used in the activities of PHAROL and other losses in amounts yet to be determined in execution of sentence.

The Board of Directors thereby complied with the resolution of PHAROL's General Meeting of Shareholders of July 31, 2015, within the six months' deadline.

CHANGE IN THE RATIO OF THE NUMBER OF COMMON SHARES OF OI REPRESENTED BY THE DEPOSITARY RECEIPTS

On January 22, 2016, Oi informed its shareholders and the Market in general of the change in the ratio of the number of common shares of Oi represented by the Depositary Receipts ("Common DRs") issued under its Level II Sponsored Depositary Receipts Program. Until that time, each Common DR represented one (1) common share issued by the Company. After the change in the ratio, each Common DR represented five (5) common shares.

Oi also informed that the other terms and conditions of its Common DR program will remain unchanged. Therefore, the Common DRs issued following the ratio change will be of the same type and will grant their holders the same rights as the Common DRs held prior to the ratio change.

UPDATE OF LETTERONE TECHNOLOGY REGARDING THE NEGOTIATIONS OF THE PROPOSAL TO MERGE OI WITH TIM IN BRAZIL

On February 25, 2016, and in furtherance with the Material Facts disclosed on October 26 and 30, 2015, Oi informed its shareholders and the market in general that LetterOne Technology (UK)LLP (“L1 Technology”) had issued a press release stating that it has been informed by TIM that TIM does not wish to enter into further discussions about a business combination with Oi in Brazil. L1 Technology’s press release stated that, without TIM’s participation, L1 Technology cannot proceed with the proposed transaction as previously envisaged.

Oi informed that it will evaluate the impact of this announcement on the possibility of consolidation of the Brazilian market. Oi informed that it will continue to undertake its efforts towards operational improvements and business transformation focusing on austerity, infrastructure optimization, revisions of procedures and commercial actions.

CHANGE IN OI DISCLOSURE POLICY

On March 24, 2016, Oi informed its shareholders and the market in general, that at a meeting held on March 23, 2016, the Board of Directors approved an amendment to the Company’s Material Act or Fact Disclosure Policy, in order to include the possibility conferred by CVM Instruction No. 547/14, which allows the disclosure of material facts or acts at a newswire website on the world wide web that provides the entire disclosed information in a free-access section.

In this regard, Oi announced that it will hold its publications via the Portal NEO1 (<http://www.portalneo1.net>). Additionally, Oi notes that its material facts or acts, as well as other corporate information, will also continue to be disclosed through the CVM website (<http://www.cvm.gov.br/>), and Oi’s Investor Relations website (<http://www.oi.com.br/ir>). Finally, Oi noted that it would update its Registration Form at the CVM website, in order to reflect the changes.

DISCONTINUANCE OF DISCLOSURE OF OI PROJECTIONS

On March 24, 2016, Oi informed its shareholders and the market in general, that it had decided to not disclose projections regarding future performance (“guidance”) for 2016, to allow flexibility for Oi in light of the current macroeconomic instability, following the volatility in the past months, especially regarding benchmarks/assumptions that sustained the disclosed projections, such as, for example, the inflation rate and the national product growth rate.

ACQUISITION OF OWN SHARES

Pursuant to the terms and for the purposes of article 11, paragraph 2, item b) and of article 13 of the Regulation 5/2008 of the Portuguese Securities Code, and in accordance with the resolution of the General Shareholder’s Meeting held on November 4, 2015, PHAROL has acquired 10,225,000 treasury shares for a total amount of Euro 1,603,908 (Euro 1,416,308 until March 31, 2015 and 187,600 thereafter). These transactions occurred between February 1 and April 11, 2016, in the Euronext Lisbon.

Following these transactions, PHAROL SGPS S.A. holds 30,865,000 own shares, corresponding to 3.4428% of the Company’s share capital.

DEREGISTRATION

On March 28, 2016, PHAROL approved the termination of registration of its ordinary shares registered at SEC as *foreign private issuer*. On April 25, 2016, PHAROL filed a Form 15F with the U.S. Securities and Exchange Commission to voluntarily terminate the registration of its ordinary shares and its reporting obligations under the Exchange Act. From July 26, 2016, PHAROL is no longer obliged to file reports with the SEC, including its obligations to file annual reports on Form 20-F and reports on Form 6-K.

CORPORATE REORGANIZATION OF PHAROL

On April 29, 2016, PHAROL, SGPS S.A. and Bratel B.V., informed, due to the corporate reorganization, the 57,145,521 common shares issued by Oi S.A., representing 6.92% of Oi S.A.’s capital stock, and held by PHAROL SGPS S.A. had been passed on to BRATEL B.V. with PHAROL reducing its direct shareholding in Oi

S.A. to 71,067,957 common shares, representing 8.61% of Oi S.A.'s entire share capital (including treasury shares).

Bratel, due to the Corporate Reorganization, at that date held 112,594,247 common shares of Oi S.A., which represented 13.63% of Oi S.A.'s entire share capital (including treasury shares).

On May 19, 2016, PHAROL, SGPS S.A. and Bratel B.V., informed, due to the corporate reorganization, that 71,067,957 common shares issued by Oi S.A., representing 8.61% of Oi S.A.'s capital stock, and held by PHAROL SGPS S.A. had been passed on to BRATEL B.V. with PHAROL no longer holding a direct shareholding position in Oi.

Bratel, due to the Corporate Reorganization, now holds 183,662,204 common shares of Oi S.A., which represent 22.24% of Oi S.A.'s entire share capital. Therefore, as PHAROL holds 100% of Bratel, PHAROL now indirectly holds 183,662,204 common shares of Oi S.A., representing 22.24% of the Oi S.A.'s entire share capital. Finally, Bratel holds Oi S.A. shares for investment purposes, without any intent to change Oi S.A.'s control.

OI BOARD APPROVAL FOR NEGOTIATIONS WITH CERTAIN FINANCIAL CREDITORS

On May 16, Oi announced that its Board of Directors approved the start of negotiations by Oi's management in relation to the financial indebtedness of Oi and of its affiliated companies. Oi and its advisors have scheduled meetings that week in New York to begin formal discussions with Moelis & Company, who acts as advisor for a diverse Ad Hoc Committee of holders of bonds issued by Oi and its subsidiaries, Portugal Telecom International Finance B.V. and Oi Brasil Holdings Coöperatief U.A. Oi requests holders of these bonds that are not currently members of the Ad Hoc Committee to contact Moelis & Company and to join the Ad Hoc Committee.

PHAROL'S ANNUAL GENERAL MEETING OF SHAREHOLDERS

On May 24, 2016, following its Annual General Meeting of Shareholders, PHAROL informed its shareholders and the market in general that the following resolutions were adopted by the Shareholders

> Approval of the management reports, balance sheets and accounts, individual and consolidated, for the 2015 financial year.

> Approval of the proposal for application of results and an extraordinary dividends distribution as follows:

- Transfer of the 2015 net losses amounting to Eur. 693,892,303 to the retained earnings account.
- Payment to the Shareholders of the overall amount of Euro 25,969,425, corresponding to Euro 0.03 per share in respect of the total number of issued shares.
- The above mentioned amount of Euro 0.03 per share shall be paid to the Shareholders on June 9, 2016 (ex-dividend date: June 7, 2016).

> General appraisal of the Company's management and supervisory bodies, as well as a special praise to the Board of Directors, Fiscal Council and Statutory Auditor, and of each of their members, for the outstanding way in which the Company was led throughout the 2015 financial year.

> Non approval of the amendment of the statutory provisions that provide for the limitation of the number of votes that may be held or exercised by each shareholder;

> Approval of the statement of the Compensation Committee on the remuneration policy of the members of the Company's management and supervisory bodies.

At the General Meeting, Shareholders holding 42.51% of the share capital were present or represented.

DIVIDEND PAYMENT

On May 24, 2016, PHAROL, SGPS S.A. announced that the following amounts per share would be paid on June 9, 2016, as set out below:

- Gross Amount - Euro 0.03
- Withholding Tax IRS/IRC (28%/25%) - Euro 0.0084 / Euro 0.0075
- Net Amount - Euro 0.0216 / Euro 0.0225

ECONOMIC POSITION OF RENAISSANCE TECHNOLOGIES LLC

On June 2, 2016, PHAROL informed that an economic position of 2% of the share capital of PHAROL is attributable to Renaissance Technologies LLC, without voting rights, through derivative financial instruments

with cash settlement, held by the funds GF Trading LLC and RIDGE Master Trading LP, that are managed by the entity above.

This occurred as a result of equity swaps contracted by those funds, reported on June 1, which establishes the right to acquire 18,003,736 shares of PHAROL.

RESIGNATION OF OI CHIEF EXECUTIVE OFFICER

On 10 June, 2016, Oi informed that Bayard De Paoli Gontijo resigned as Chief Executive Officer of the Company. The Board of Directors, on that date, elected, as Bayard De Paoli Gontijo's replacement, Marco Norci Schroeder as Chief Executive Officer of Oi, who will also continue in the role of Financial Administrative Officer, which he already exercised.

SHAREHOLDING ACQUISITION OF OI BY BRIDGE

On June 15, 2016, Oi informed that it had received a letter from Bridge informing that through the investment fund under its management, it has become the holder of 31,704,328 common shares and 17,190,300 preferred shares of Oi S.A. ("Company"), equivalent to 4.75% of the Company's voting capital and 10.90% of the Company's preferred shares, totaling 5.92% of the Company's share capital. BRIDGE clarifies that its Fund's acquisition does not aim to achieve a particular percentage of equity. BRIDGE informs that it does not intend to alter the control structure of the Company, whose capital stock is dispersed in the market, but rather it aims to influence the Company's administrative structure. It states that it does not possess other securities and derivative financial instruments referred to in the acquired shares and it has not entered into any other contracts or agreements that regulate the exercise of voting rights or the purchase and sale of the Company's securities.

TERMINATION OF THE ARBITRATION PROCEEDINGS INITIATED AGAINST AFRICATEL KG

On June 16, 2016, Oi informed that it had entered, via its wholly owned subsidiaries, PT Participações, SGPS, S.A ("PT Participações") and Africatel GmbH & Co. KG ("Africatel KG"), and 75%-owned subsidiary Africatel Holdings B.V. ("Africatel BV"), into a series of agreements with Samba Luxco S.à r. l. ("Samba" or "Helios"), an affiliate of Helios Investors LP and owner of the remaining 25% of Africatel BV, with the primary purpose of settling the arbitral proceedings commenced against Africatel KG in November 2014.

Pursuant to the Settlement and Share Exchange Agreement (“SSEA”) executed that day, Samba will, upon completion: (i) withdraw the pending arbitral proceedings and release Oi’s subsidiaries from all past and present claims relating to alleged breaches of the Africatel BV shareholders’ agreement dated August 13, 2007 (as amended from time to time in accordance with its terms) (the “Africatel SHA”) asserted in the arbitration, (ii) waive certain approval rights it has under the Africatel SHA, and (iii) transfer to Oi’s subsidiary, Africatel BV, 11,000 shares with a nominal value of € 1 each in the share capital of Africatel BV, reducing Samba’s stake in Africatel BV from 25% to 14%.

In exchange, Africatel BV will transfer to Samba its approximately 34% stake in the Namibian telecoms operator, Mobile Telecommunications Limited.

Completion is subject to necessary regulatory and antitrust approvals being obtained.

To give effect to the SSEA, the parties have also executed related amendments to the shareholders’ agreement of Africatel BV dated 13 August 2007 and further amendment to this agreement will be executed upon completion.

SHAREHOLDING DISPOSAL OF OI BY ONTARIO TEACHER’S

On June 16, 2016, Oi informed that it had received a letter from Ontario Teacher’s Pension Plan Board (“OTPP”), informing that it has sold, in a series of transactions carried out on the dates of June 13 and 14, a total number of 7,034,767 common shares of Oi.

By virtue of these transactions, OTPP’s participation in common shares of Oi has fallen below the 5% threshold established by CVM. OTPP had 39,366,866 common shares, which represented 5.86% of common shares, and currently has 32,332,099 common shares, which represents 4.84% of the common shares of Oi.

OTPP also inform that its equity interest in the company is held for investment purposes, with no intentions to change the control or influence the management structure. As of this date, OTPP does not hold any preferred shares issued by the company.

OI DEBT RENEGOTIATION

On June 17, 2016, Oi informed that it has been involved in negotiations with members of an ad hoc group (the “Ad Hoc Group”) made up of holders of, or managers of entities holding beneficial interests in, (i) the Notes 9.750% due 2016 issued by Oi S.A., (ii) the Notes 5.125% due 2017 issued by Oi S.A. and guaranteed by Telemar Norte Leste S.A. (“Telemar”), (iii) the Notes 9.500% due 2019 issued by Oi S.A. and guaranteed by Telemar, (iv) the Notes 5.500% due 2020 issued by Oi S.A. and guaranteed by Telemar, (v) the Notes

5.625% due 2021 issued by Oi Brasil Holdings Coöperatief U.A. (“Oi Netherlands”) and guaranteed by Oi S.A., (vi) the Notes 5.750% due 2022 issued by Oi Netherlands and guaranteed by Oi S.A., (vii) the Notes 6.250% due 2016 issued by Portugal Telecom International Finance B.V. (“PTIF”) and guaranteed by Oi S.A., (viii) the Notes 4.375% due 2017 issued by PTIF and guaranteed by Oi S.A., (ix) the Notes 5.875% due 2018 issued by PTIF and guaranteed by Oi S.A., (x) the Notes 5.000% due 2019 issued by PTIF and guaranteed by Oi S.A., (xi) the Notes 4.625% due 2020 issued by PTIF and guaranteed by Oi S.A., (xii) the Notes 4.500% due 2025 issued by PTIF and guaranteed by Oi S.A., and (xiii) the Notes 5.242% due 2017 issued by PTIF and guaranteed by Oi S.A. (collectively, the “Notes,” and such holders of the Notes, together with the managers of entities holding beneficial interests in the Notes, the “Noteholders”).

Prior to the date hereof, the Company executed a confidentiality agreement (the “Confidentiality Agreement”) with certain Ad Hoc Group members (the “Steering Committee”) to facilitate discussions concerning the Company’s capital structure and potential alternatives for a proposed restructuring of the Company. Pursuant to the Confidentiality Agreement, the Company agreed to disclose publicly, after the expiration of a period set forth in the Confidentiality Agreement, certain information regarding the discussions and/or negotiations that have taken place between the Company and the Steering Committee concerning a restructuring of the Company, as well as all material nonpublic information concerning the Company that the Company has provided to the Steering Committee (the “Confidential Information”). The information included in this press release and certain documents posted on the Company’s website referenced herein are being furnished to satisfy the Company’s public disclosure obligations under the Confidentiality Agreement. The Confidentiality Agreement has terminated in accordance with its terms, except as otherwise provided therein.

The information contained in the Documents, the Receivables Statement, the Company Term Sheet and the Noteholder Term Sheet is for discussion purposes only and shall not constitute a commitment to vote for or consummate any transaction described therein. Furthermore, the contents of the Documents, the Receivables Statement, the Company Term Sheet and the Noteholder Term Sheet shall not be construed as guidance by the Company in relation to its future results, and the Company waives any responsibility to update such contents or information at any time. The Company has published the Documents, the Company Term Sheet and the Noteholder Term Sheet, and will publish translations of such materials in Portuguese as soon as possible, on its website, available at <http://ir.oi.com.br> (English) and <http://oi.com.br/ri> (Portuguese).

MATERIAL FACT DISCLOSED BY OI - REQUEST FOR JUDICIAL REORGANIZATION

On June 20, 2016, Oi informed that in conjunction with its wholly owned direct and indirect subsidiaries, Oi Móvel S.A., Telemar Norte Leste S.A., Copart 4 Participações S.A, Copart 5 Participações S.A., Portugal

Telecom International Finance BV and Oi Brasil Holdings Coöperatief U.A. (the "Oi Companies"), it had filed a request for judicial reorganization of the Oi Companies with the Court of the State of Rio de Janeiro.

As previously announced, the Oi Companies, together with their financial and legal advisors, are conducting efforts and studies to optimize their liquidity and indebtedness profile. The Company, together with its legal and financial advisors, also negotiated with its creditors and with Moelis & Company, a financial advisor to a group of bond holders, seeking mutual agreement as to the consensual restructuring of the Oi Companies' indebtedness and to strengthen their capital structure.

However, considering the challenges of the Oi Companies' economic and financial situation in connection with the maturity schedule of their financial debts, the threats to the assets of the Oi Companies represented by imminent attachments or freezings in judicial lawsuits and the urgent need to adopt measures that protect the Oi Companies, the Company decided that filing for judicial reorganization would be the most appropriate course of action at this time to (i) preserve the continuity of its offering of quality services to its customers, within the rules and commitments undertaken with the Brazilian National Telecommunications Agency - ANATEL, (ii) preserve the value of the Oi Companies, (iii) maintain the continuity of operations and corporate activities in an organized manner that protects the interests of the Oi Companies and their subsidiaries, their customers, shareholders and other stakeholders, and (iv) protect the Oi Companies' cash and cash equivalents.

The request for judicial reorganization was filed due to challenges confronted by the Company's management in finding a viable alternative with its creditors that enables the Company to achieve the abovementioned purposes, and to adequately protect the Oi Companies against creditors while preserving the continuity of the Oi Companies' operations. The total claims of persons not controlled by Oi listed in documents filed with the request for judicial reorganization total, on this date, approximately R\$65.4 billion. The Management of the Oi Companies intends to take all necessary measures and take the necessary actions in all appropriate jurisdictions to guarantee the effectiveness of this request for judicial reorganization.

ADDITIONAL INFORMATION ABOUT MATERIAL FACT DISCLOSED BY OI

On June 21, 2016, as requested by CMVM, PHAROL, SGPS S.A. ("PHAROL") announced to its shareholders and the market in general that its subsidiary Oi, S.A. ("Oi"), in conjunction with its wholly owned direct and indirect subsidiaries, Oi Móvel S.A., Telemar Norte Leste S.A., Copart 4 Participações S.A., Copart 5 Participações S.A., Portugal Telecom International Finance BV, and Oi Brasil Holdings Coöperatief U.A. ("the Oi Companies"), filed a request, as of June 20, 2016, for judicial reorganization of the Oi Companies with the Court of the State of Rio de Janeiro, pursuant to Art. 51 of Law No. 11,101/05 and Art. 122, of the Brazilian Corporations Law, pursuant to an urgent measure unanimously approved by the Company's Board of Directors - which has six directors of PHAROL - and unanimously approved by the other authorized governing bodies of the Oi Companies at meetings held on the same date.

As previously announced, the Oi Companies, together with their financial and legal advisors, are conducting efforts and studies to optimize their liquidity and indebtedness profile and lead negotiations with its creditors and with Moelis & Company, a financial advisor to a group of bond holders, seeking mutual agreement as to the consensual restructuring of the Oi Companies' indebtedness and to strengthen their capital structure.

The request for judicial reorganization would be submitted to a Company's General Shareholders' Meeting resolution, on July 22, 2016.

PHAROL also informed that, according to the disclosed Material Fact of Oi, there are no expected alterations to the management or staff structure of the Oi Companies during the judicial reorganization process, and if the request is accepted, all labor obligations and benefits are maintained.

FITCH'S REVIEW OF OI'S CREDIT RATING

On June 21, 2016, Oi informed that Fitch had announced its review of the credit rating attributed to Oi, downgrading the long-term global and domestic scale credit rating from C to D.

MOODY'S REVIEW OF OI'S CREDIT RATING

On June 21, 2016, Oi informed that Moody's had announced its review of the credit rating attributed to Oi, downgrading the long-term global scale credit rating from Caa1 to C.

STANDARD & POOR'S REVIEW OF OI'S CREDIT RATING

On June 21, 2016, Oi informed that Standard & Poor's had announced its review of the credit rating attributed to Oi, downgrading the long-term global scale credit rating from CCC- to D and the long-term domestic scale credit rating from brCCC- to D.

MATERIAL FACT DISCLOSED BY OI - GRANTING OF INJUNCTIVE RELIEF IN JUDICIAL RECOVERY

On June 22, 2016, Oi in line with the Material Fact dated June 20, 2016, informed that, on this date, the 7th

Corporate Court of the State of Rio de Janeiro granted, in the judicial recovery proceeding requested by Oi and certain subsidiaries (the "Oi Companies"), a request for injunctive relief to determine the following:

a) The suspension of all lawsuits and execution actions against the Oi Companies, for a period of 180 days, in order to avoid the imposition of judicial constraints during the period between the filing of the request for judicial recovery and the granting of its processing;

b) An exemption from the requirement to present clearance certificates under any circumstance related to the Oi Companies, including for the exercise of their activities (including any debt clearance certificate regarding revenues managed by ANATEL and clearance certificate of distribution of bankruptcy and judicial claims).

PROVISIONAL RELIEF ORDER TO OI FROM THE US BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

On June 22, 2016, Oi informed that on this date, the United States Bankruptcy Court for the Southern District of New York entered an order granting the provisional relief (the "Provisional Relief Order") requested by Oi, Telemar Norte Leste S.A., Oi Brasil Holdings Coöperatief U.A. and Oi Móvel S.A. (together, the "Debtors") in accordance with chapter 15 quests of US Bankruptcy code were decided on June 21, 2016.

Under the Provisional Relief Order, an injunction under 11 U.S.C. § 362 has been entered on a preliminary basis, which prevents creditors from initiating actions against the Debtors or their property located within the territorial jurisdiction of the United States and parties from terminating their existing U.S. contracts with the Debtors. This preliminary injunctive relief will remain in place until the Debtors obtain full recognition of their chapter 15 petitions from the U.S. Court. Upon recognition, a stay under 11 U.S.C. § 362 protecting the Debtors and their U.S. property will be imposed automatically by operation of law.

The hearing to consider the Debtors' petitions is scheduled for July 21, 2016. A copy of the Provisional Relief Order can be obtained at <https://ecf.nysb.uscourts.gov>.

JUDICIAL REORGANIZATION OF OI RECOGNIZED AS A FOREIGN MAIN PROCEEDING IN ENGLAND AND WALES

On June 23, 2016, Oi informed that, on that date, the High Court of Justice of England and Wales granted orders recognizing, in respect of the Company, Telemar Norte Leste S.A. and Oi Móvel S.A. (together, the "Debtors"), the commencement of judicial recovery proceedings (pursuant to Law No. 11,101/05 and the

Brazilian Corporations Law) as a foreign main proceeding in accordance with the UNCITRAL Model Law on Cross-Border Insolvency (as set out in Schedule 1 to the Cross-Border Insolvency Regulations 2006 (S.I. 2006 No 1030)) (the "Recognition Orders").

The Recognition Orders provide that the commencement or continuation of proceedings (including any enforcement actions) in England and Wales relating to the Debtors' assets, rights, obligations or liabilities are stayed from June 23, 2016.

DISPOSAL OF OI'S SHAREHOLDING BY HSBC

On June 23, 2016, Oi informed that it has received a letter from HSBC Global Asset Management announcing that the sum of the portfolio share administered by HSBC, corresponds to 0.00% of shares of the listed company capital.

DISPOSAL OF OI'S SHAREHOLDING BY BLACKROCK

On June 24, 2016, Oi has received a letter from BlackRock, Inc. ("BlackRock") announcing that, on behalf of certain of its clients and in its capacity as investment manager, that it sold preferred shares of Oi S.A. ("Company"), such that, on June 22, 2016, its aggregate equity interest totaled 5,189,650 preferred shares and 184,173 American Depositary Receipts ("ADRs") representing preferred shares, for a total of 5,373,823 preferred shares, representing approximately 3.40% of the Company's total preferred shares.

The equity interest in the Company is held strictly for investment purposes, with no intention to change the control or influence the management structure of the Company; and BlackRock has not executed any contracts or agreements that govern the exercise of the right to vote or the purchase and sale of the Company's securities.

MANAGEMENT TRANSACTIONS

On June 27, 2016, PHAROL informed that it was notified of the following transaction on the regulated market representing PHAROL shares, carried out on June 24, 2016, by the Chairman of the Board of Directors, Mr. Luís Maria Viana Palha da Silva:

DATE	QUANTITY	BUY/SELL	INSIDE	PRICE EUR:
24-06-2016	100,000	Buy	Inside	0.085

Luís Maria Viana Palha da Silva is a member of PHAROL's Board of Directors, and therefore he is a Director of PHAROL pursuant to paragraph 3 of article 248-B of the Portuguese Securities Code, thus having the obligation to notify the transaction above.

According to the information received by PHAROL, after these transaction Mr. Luís Maria Viana Palha da Silva held a total of 200,000 PHAROL shares, corresponding to 0.022% of PHAROL's share capital and corresponding voting rights.

INSOLVENCY PROCEEDING AGAINST OI BRASIL HOLDINGS COOPERATIEF U.A.

On June 27, 2016, Oi informed that on this date, Syzygy Capital Management Ltd filed an insolvency proceeding in The Netherlands Court against Oi Brasil Holdings Cooperatief U.A. ("Oi Brasil Holdings"), one of Oi's financial vehicles in The Netherlands, based on the default by Oi Brasil Holdings of bonds that it had issued in the aggregate principal amount of U.S.\$800,000. This aggressive action by a minority holder was not unexpected, and Oi is fully prepared to take all available measures, including in The Netherlands, to protect against such actions and does not expect any impacts to the judicial reorganization process in Brazil.

In accordance with the Notice to the Market dated June 22, 2016, Oi and certain subsidiaries of Oi ("Oi Companies"), including Oi Brasil Holdings, obtained from the Brazilian Court overseeing Oi's judicial reorganization a preliminary decision granting broad protection against creditor actions in connection with the judicial reorganization request. Moreover, courts in the U.K. and the U.S. have also granted recognition and provisional relief protecting certain Oi Companies from creditor action in those jurisdictions.

Notwithstanding this recent action taken in The Netherlands, Oi looks forward to continuing to engage in constructive reorganization discussions with a majority of creditors in connection with the Oi Companies' judicial reorganization proceedings in Brazil. Oi intends to undertake all appropriate efforts in order to secure the protection of the interests of the Oi Companies and all of their stakeholders.

GRANT OF PROCESSING OF THE JUDICIAL REORGANIZATION OF OI

On June 30, 2016, Oi informed that on June 29, 2016, the Judgment of the 7th Corporate Court of the

Judicial District of the State Capital of Rio de Janeiro granted the processing of the request for the judicial reorganization of the Company and its direct and indirect wholly owned subsidiaries, Oi Móvel S.A., Telemar Norte Leste S.A., Copart 4 Participações S.A, Copart 5 Participações S.A., Portugal Telecom International Finance B.V. and Oi Brasil Holdings Coöperatief U.A. (the "Oi Companies"), determining, among other measures, in particular:

- a) To request that ANATEL present, within five days, up to 5 names of legal entities with competence and expertise on the subject to be evaluated for appointment as trustee;
- b) The ratification of the decision to grant an emergency measure to exempt the Oi Companies from the requirement to present clearance certificates for the exercise of their activities;
- c) The ratification of the decision to grant an emergency measure in regards to the suspension of all lawsuit and execution actions for 180 business days;
- d) the suspension of the effectiveness of clauses inserted in contracts signed by the Oi Companies that cause the termination of such agreements due to the request for judicial reorganization;
- e) permission for the Oi Companies to participate in all forms of bidding processes;
- f) that the Oi Companies add "in judicial reorganization" after their respective business names, pursuant to Law No. 11,101 / 05;
- g) the suspension of publicity surrounding protests and enrollment in the credit protection agencies, with respect to the Oi Companies, for a period of 180 business days;
- h) the presentation by the Oi Companies of monthly statements of accounts throughout the judicial reorganization process, under penalty of dismissal of its officers;
- i) that all Presidencies and General Internal Affairs of Justice of Brazil (Superior, State and Federal Courts), and Internal Affairs of the Regional Courts and Superior Labor Court are officiated, and inform of the suspension of lawsuits, in accordance with the terms described in the decision, and requesting notice from the lower courts, in the sense that: i) the eligibility of loans subject to judicial reorganization shall be formalized in accordance with Law No. 11,101 / 05, not through an Official Letter, but rather by formal request of the creditor itself, as instructed in the appropriate debt clearance certificate, and ii) the ongoing lawsuits, as plaintiffs or defendants, that demand a gross amount, as provided in Art.6, paragraph 1 of Law No. 11,101 / 05, shall continue the judgment in which they are being processed until execution; and the jurisdictional provisions reflecting asset constriction or in connection with a decision to block or pledge gross amounts that involve any kind of asset loss of the applicants or that interferes with the ownership of goods

related to their business activity shall also be suspended, with the court processing the judicial reorganization being responsible for analyzing the specific case; and

j) the creditors may at any time request the convening of a General Shareholders' Meeting to establish a creditors committee or replace its members, subject to the provisions of Law No. 11,101 / 05.

The Court also ruled that the Oi Companies shall present their recovery plan within 60 business days of publication of the decision, which shall comply with the requirements of Law No. 11,101/05.

QUALIFIED HOLDING – HESTIA INVESTMENTS DAC

On July 5, 2016, PHAROL informed that Hestia Investments DAC, now holds 4.70% of the share capital of PHAROL.

On June 30, Hestia Investments DAC acquired 26,895,375 ordinary shares, representing approximately 3.0% of the share capital of PHAROL. As a result, Hestia Investments DAC now holds 42,112,574 ordinary shares, representing 4.7% of the share capital of PHAROL and of the voting rights of PHAROL.

QUALIFIED HOLDING – NOVO BANCO

On July 5, 2016, PHAROL informed that NOVO BANCO S.A. ("NOVO BANCO"), now holds 9.56% of the share capital of PHAROL.

On June 30, 2016 NOVO BANCO sold 26,895,375 ordinary shares representing approximately 3.0% of the share capital and voting rights of PHAROL, SGPS S.A. in an over-the-counter transaction and at an unit price of EUR 0.17 with financial settlement on July 5, 2016.

As a result of the above-mentioned sale, NOVO BANCO now holds 85,665,125 ordinary shares, representing approximately 9.56% of the share capital and voting rights of PHAROL.

MATERIAL FACT DISCLOSURE BY OI - EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING REQUEST

On July 7, 2016, Oi informed that, on this date, the shareholder Société Mondiale Fundo de Investimento em Ações, represented by its manager Bridge Administradora de Recursos Ltda., shareholder of 6.64% of the Company's capital stock, requested that the Board of Directors convene an Extraordinary General Meeting of the Company within a period of eight days, based on art. 123, sole paragraph, subparagraph c of the Brazilian Corporations Law, to discuss the following matters:

(i) Discuss and assess the Company's current economic-financial position, as well as the challenges to be faced henceforth, contemplating any suggestions from shareholders, to be considered by the Company's management in the process of economic-financial uplift currently underway.

(ii) Decide on the dismissal, in individual polls, of the Board Members listed below:

a) Rafael Luis Mora Funes (member) and João do Passo Vicente Ribeiro (alternate);

b) João Manuel Pisco de Castro (member) and Pedro Guimarães e Melo de Oliveira Guterres (alternate);

c) Luís Maria Viana Palha da Silva (member) and Maria do Rosário Amado Pinto Correia (alternate);

d) André Cardoso de Menezes Navarro (member) and Nuno Rocha dos Santos de Almeida e Vasconcellos (alternate);

e) Pedro Zañartu Gubert Morais Leitão (member without alternate);

(iii) Decide on the dismissal of Board Member Marcos Grodetzky (member without alternate);

(iv) Decide on the election of members and alternate members of the Board of Directors, to replace those removed, and also for the vacant Board of Directors positions, as well as the vacant positions of Directors Sergio Franklin Quintella and Joaquim Dias de Castro, who recently submitted their resignations to the Board, to fulfill their respective remaining terms, in accordance with the provisions of art. 69 of the Company's Bylaws. The Board of Directors is evaluating the Request to convene the Meeting and will express its opinion on the matter within the period specified in the Brazilian Corporations Law.

DISCLOSED INFORMATION BY PHAROL REGARDING THE MATERIAL FACT DISCLOSURE BY OI – REQUEST FOR CALL OF GENERAL MEETING OF SHAREHOLDERS

Regarding the material fact disclosure by Oi - Request For Call Of General Meeting Of Shareholders, PHAROL informed that has been acting in accordance with the interests of Oi and is of the opinion that the board of directors of the Company has been implementing the necessary actions to protect the assets of Oi and to overcome the economic and financial crisis that the Company is facing. The recent judicial recovery request by Oi is part of this strategy: the search for an organized process of restructuring its debt and the legal protection of all stakeholders of the Company.

PHAROL is persuaded that all members of the board of directors of Oi are compliant and will comply with their fiduciary duties and will act in the best interests of the Company, will resort to the governance measures set out in Oi's by-laws and the voting rights of shareholders, as legally established, in order to proceed with the existing strategy and plans, with the sole purpose of enabling its financial recovery.

In addition, PHAROL expects that the members of the board of directors of Oi remain alert to the possible appearance of investors – on the side of equity or on the side of the creditors – focused on the opportunistic return of their investments and who may act in order to obtain an advantageous negotiating position at the expense of the interests of companies going through financial difficulties. As a consequence, any measures that create unsteadiness, in breach of Oi's by-laws and interests may cause major material damage to Oi and to its image and should therefore be avoided by all shareholders.

OI REPLY TO BM&FBOVESPA OFFICIAL LETTER No 244

On July 8, 2016, regarding the CVM requested clarifications concerning the news published on the same date on the website "Portal G1" with the title: "TCU orders Anatel to suspend the agreement with Oi (TCU determina à Anatel suspensão de acordo com a Oi)", Oi informed that it was not officially notified of the Order referred to in the news, which was delivered in a proceeding classified as restricted to the Audit Court ("TCU"), of which it is not a party. Thus, it is not possible for Oi to comment on the content of such Order.

Nonetheless, Oi believes that the information reported in the news does not change the situation previously disclosed to the market by the Company. According to the news report, "The suspension of the agreement is valid until the court makes the final decision on the subject." In the Notice to the Market dated May 20, 2016, whereby Oi disclosed the "Approval of Term of Adjustment of Conduct by ANATEL," it was recorded that the approval of the Term of Adjustment of Conduct by ANATEL ("TAC") was subject to approval by the TCU for its enforcement.

Thus, according to the news, it is not clear that the Order makes any changes to the suspension of the TAC pending approval of the TCU, previously disclosed to the market in general.

The purpose of the judicial reorganization process is to ensure for the Company economic viability that allows it to fulfill its obligations, including those undertaken under the TAC. This initiative will provide benefits to society through investments in telecommunications services tailored to the current demands of users, establishing a virtuous cycle to promote quality improvements in services and the economic and social development of the country.

RESIGNATION OF THE MEMBERS OF THE BOARD OF THE SHAREHOLDERS GENERAL MEETING

On July 11, 2016, PHAROL informed that the members of the Board of Shareholders General Meeting of PHAROL have presented the resignation to their positions to the Chairman of the Supervisory Board.

The Chairman of the Shareholders General Meeting, Mr. João Vieira de Almeida, sent his resignation for professional reasons and, following this decision, the Secretary of the Shareholders General Meeting also resigned.

SHAREHOLDING ACQUISITION OF OI BY POINTSTATE CAPITAL LP

On July 11, 2016, Oi informed that it has received a letter from PointState Capital LP announcing that it has become the indirect holder of the total amount of 34,500,000 (thirty-four million, five hundred thousand) common shares issued by Oi S.A. ("Company"), equivalent to 5.16% of the Company's outstanding shares, by means of the ownership of 6,900,000 American Depositary Receipts ("ADR") underlined by those shares issued by the Company.

PointState informs that it does not currently intend to change the control of the Company, and it does not currently intend to exert any influence to the management of the Company.

PointState declares, at last, that, in addition to the acquired ADRs mentioned hereby, it does not own any other securities issued by the Company and it has not executed any agreement that governs the exercise of the voting rights nor the purchase and sale of securities issued by the Company.

SHAREHOLDING ACQUISITION OF OI BY MARATHON ASSET MANAGEMENT L.P.

On July 12, 2016, Oi informed that it has received a letter from MARATHON ASSET MANAGEMENT L.P., announcing that it has acquired 14,500,000 preferred shares of Oi S.A. ("Company"), bringing its total holdings in the Company to 9.2% of the preferred capital stock of the Company.

Marathon further informs that (i) it does not intend to change or affect the control of the Company, or to change its management team; (ii) does not hold any other securities or derivatives referenced to the shares of the Company; and (iii) has no agreement relating to the exercise of voting rights, the purchase or the sale of shares.

MATERIAL FACT DISCLOSED BY OI - CLARIFICATION ON SHAREHOLDER INTEREST

On July 15, 2016, Oi informed that on July 14, 2016, the shareholder Société Mondiale Fundo de Investimento em Ações, that on July 7, 2016 required a call for an Extraordinary General Shareholders' Meeting of the Company, based on art. 123, sole paragraph, subparagraph c of the Brazilian Corporations Law and, as disclosed in a Material Fact on that same date, sent to the Company's Board of Directors correspondence with the following content: "SOCIÉTÉ MONDIALE FUNDO DE INVESTIMENTO EM AÇÕES, registered under corporate taxpayers' registry (CNPJ/MF) No. 20.588.268/0001-01, represented by its manager Bridge Administradora de Recursos Ltda., registered under corporate taxpayers' registry No. 11.010.779/0001-42 ("Shareholder"), informs that it extends the deadline to July 22, 2016 call notice for the Extraordinary General Shareholders' Meeting, as required on July 7, 2016. The Shareholder, however, reserves the right to convene said Meeting directly as allowed by law (Brazilian Corporations Law, art. 123, sole paragraph, subparagraph "c")."

OI SHAREHOLDERS' LETTER REGARDING THE REQUIRED EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING CALL

On July 15, 2016, Oi, pursuant to Article 12 of CVM Instruction 358/02, informs that it received correspondence from SOCIÉTÉ MONDIALE INVESTMENT FUND SHARES, with the information that follows below transcribed:

"01. SOCIÉTÉ MONDIALE FUNDO DE INVESTIMENTO EM AÇÕES, registered under corporate taxpayers' registry No. 20.588.268/0001-01 (the "Shareholder"), represented by its manager BRIDGE ADMINISTRADORA DE RECURSOS LTDA., registered under corporate taxpayers' registry No. 11.010.779/001-42, in response to the clarification request dated July 12, 2016 (the "Clarification Request"), hereby, informs the following:

02. The Clarification Request demanded (i) confirmation of the common and preferred shareholdings of shares issued by Oi S.A. ("Oi" or the "Company") held to-date by the Shareholder and (ii) clarification regarding the lack of notice to the Company regarding the change in shareholdings held by the Shareholder within the period between the notice dated June 14, 2016 and the notice of July 7, 2016.

03. Firstly, the Shareholder clarifies that, to-date, it holds 46,820,800 common shares and 7,934,624 preferred shares issued by Oi, representing 7.01% of the Company's common shares and 5.03% of the Company's preferred shares, respectively, representing an aggregate total of 6.63% of the Company's capital stock.

04. On June 14 and July 7, 2016, the Shareholder notified the Company of the acquisition of a relevant shareholding, pursuant to the governing law, and informed that there was no significant change in the shareholdings of the Shareholder between the aforementioned notices.

05. Furthermore, the Shareholder clarifies that the events that occurred after the notice to the market dated June 14, 2016 do not represent, together or in isolation, relevant variations to justify a need for the communication established in Article 12, paragraph 1 of CVM Instruction No. 358.

06. However, if the Company believes there is a need to disclose information on all milestones of share interest, represented by percentages and absolute numbers, the Shareholder will begin to observe the Company's interpretation of the legal rule.

07. Finally, the Shareholder takes this opportunity to clarify that the request to convene the Extraordinary General Meeting, submitted on July 7, 2016, was on an individual basis. The choice for the appointed names to integrate the Company's Board of Directors was made by the Shareholder, without the interference or participation of other Company investors.

08. The Shareholder does not have or represent the common interest of any other shareholder or group of the Company's shareholders, nor has it signed any type of shareholders' agreement, including voting rights agreement, which discusses shareholdings of Oi's capital stock or the decisions to be resolved at the Company's upcoming General Meetings.

09. For the reasons set forth above, the Shareholder hopes to have clarified the points raised by you and is available for any other necessary clarifications."

JUDICIAL REORGANIZATION OF OI RECOGNIZED AS A FOREIGN MAIN PROCEEDING IN THE UNITED STATES

On July 21, 2016, Oi, further to the Notice to the Market dated June 22, 2016, informs that the hearing to consider the chapter 15 petitions of the Company, Telemar Norte Leste S.A. - In Judicial Reorganization, Oi Brasil Holdings Coöperatief U.A. - In Judicial Reorganization and Oi Móvel S.A. - In Judicial Reorganization (the "Debtors") was held on this date before United States Bankruptcy Court for the Southern District of New York (the "U.S. Bankruptcy Court"). The Debtors sought recognition of their jointly administered judicial reorganization (recuperação judicial) proceeding presently ongoing in the 7th Corporate Court of the Judicial District of the State of Rio de Janeiro (the "RJ Proceeding") as a "foreign main proceeding," as that term is defined in 11 U.S.C. § 1502(4), with respect to each of the Debtors.

No objections to recognition were made, and the U.S. Bankruptcy Court concluded the hearing by issuing an oral ruling granting recognition of the RJ Proceeding as a foreign main proceeding with respect to each of the Debtors. As a consequence of recognition, a stay under 11 U.S.C. § 362 is imposed automatically by operation of law, extending the provisional stay obtained on June 22, 2016 and barring actions in the United States against the Debtors and their U.S. assets, including actions to terminate or otherwise interfere with the Debtors' U.S. telecom operating contracts.

RATIFICATION OF THE REQUEST FOR JUDICIAL REORGANIZATION OF OI

On July 22, 2016, Oi in furtherance of the Material Facts dated June 20 and June 30, 2016, informs its shareholders and the market that the Company's shareholders, in an Extraordinary General Shareholders' Meeting held on this date, ratified the request for judicial reorganization of the Company, submitted together with its wholly owned direct and indirect subsidiaries Oi Móvel S.A. - In Judicial Reorganization, Telemar Norte Leste S.A. - In Judicial Reorganization, Copart 4 Participações S.A. - In Judicial Reorganization, Copart 5 Participações S.A. - In Judicial Reorganization, Portugal Telecom International Finance BV - In Judicial Reorganization and Oi Brasil Holdings Coöperatief U.A. - In Judicial Reorganization (together with the Company, the "Oi Companies") as an urgent measure, as approved by the Company's Board of Directors and the relevant corporate bodies of the other Oi Companies on June 20, 2016.

The shareholders also authorized the Company's management to make arrangements and perform all acts necessary in relation to the judicial reorganization of the Oi Companies, as well as ratified all actions taken to date.

OI MEETING OF THE BOARD OF DIRECTORS

On July 22, 2016, Oi communicated that the Company's Board of Directors met on this date to assess the requirement for a call of an extraordinary general shareholders' meeting requested by Société Mondiale Fundo de Investimento em Ações.

In light mainly of the Judgment of the 7th Corporate Court of the District of the Capital of the State of Rio de Janeiro (where the Company's judicial reorganization is pending) which granted the request made by the Brazilian National Telecommunications Agency - ANATEL to determine that prior approval from ANATEL is required for, among others, the possible transfer of Oi's corporate control, including the replacement of the Company's Board of Directors, the Board of Directors of Oi believes that, before it resolves upon the possible call of an extraordinary general shareholders' meeting, the 7th Corporate Court of the District of the Capital of the State of Rio de Janeiro should be heard on the timeliness and propriety of the requested call, in order to fully comply with the abovementioned Judgment.

NOMINATION OF OI JUDICIAL ADMINISTRATOR

On July 25, 2016, Oi informed that, on July 22, 2016, the 7th Corporate Court of the Judicial District of Rio de Janeiro, which is processing the Company's judicial reorganization, nominated PricewaterhouseCoopers Assessoria Empresarial Ltda. and the law firm Arnaldo Wald to exercise the function of the judicial administrator of the Company, Telemar Norte Leste S.A. - In Judicial Reorganization, Oi Móvel S.A. - In Judicial Reorganization, Copart 4 Participações S.A. - In Judicial Reorganization, Copart 5 Participações S.A. - In Judicial Reorganization, Portugal Telecom International Finance BV - In Judicial Reorganization and Oi Brasil Holdings Coöperatief UA - In Judicial Reorganization. A copy of the decision by which the Judge made the nomination is available to shareholders of the Company at its headquarters, on its website (www.oi.com.br/ri), on the Brazilian Securities Commission's IPE System Empresas.Net (www.cvm.gov.br), as well as on the website of the BM&FBovespa (www.bmfbovespa.com.br). A copy of the translated decision will also be sent, as soon as possible, to the U.S. Securities and Exchange Commission on a Form 6-K.

CHANGES ON THE COMPOSITION OF THE BOARD OF DIRECTORS

On July 25, 2016, PHAROL announced that Francisco Ravara Cary has resigned, on this date, from the respective office as non-executive member of PHAROL's Board of Directors.

The Board of Directors has approved to appoint by co-optation, as member of the Board of Directors, to complete the current term of office (2015-2017), José Manuel Melo da Silva, to replace Francisco Ravara

Cary. Such co-optation will be submitted to ratification at the next General Meeting of Shareholders of PHAROL.

DISPOSAL OF OI SHAREHOLDING BY SOCIETE MONDIALE

On July 27, 2016, Oi informed that it received a letter from Société Mondiale Fundo de Investimento em Ações, announcing that, on the closing of July 26, 2016, its interest in preferred shares of Oi S.A. ("Company") was reduced to 3.45% of the total number of preferred shares issued by the Company. As a result, on this date, it informs that it holds 46,770,800 common shares representing 7.00% of the voting capital, 5,434,624 preferred shares representing 3.45% of the total number of issued preferred shares, totaling 6.32% of the Company's share capital.

SOCIETE informs that it does not intend to alter the control structure of the Company, whose capital stock is dispersed in the market, but rather it aims to influence the Company's administrative structure. It states that it does not possess other securities and derivative financial instruments referred to in the acquired shares and it has not entered into any other contracts or agreements that regulate the exercise of voting rights or the purchase and sale of the Company's securities.

OFFICIAL LETTER FROM ANATEL TO OI REGARDING "CORPORATE CHANGES"

On July 28, 2016, Oi informed that it gained access to Official Letter No. 324/2016/SEI/CPOE/SCP-ANATEL ("Official Letter") of the National Telecommunications Agency (Agência Nacional de Telecomunicações - ANATEL), titled "Corporate Changes - need to observe applicable regulations," with the following text:

"1. We make reference to the correspondence filed with Anatel's Electronic Information System (Sistema Eletrônico de Informações – SEI) No. 0679542, for the proceeding referenced above, in which Société Mondiale Fundo de Investimento em Ações, represented by its manager Bridge Administradora de Recursos Ltda., in its capacity as shareholder of Oi S.A., requested that this National Telecommunications Agency provide additional clarifications on its position expressed in Official Letter No. 320/2016/SEI/CPOE/SCP-ANATEL, dated July 18, 2016, SEI No. 0663608.

2. First, we reiterate the need for compliance with the provisions of the Rules of Assessment and Transfer of Control in Telecommunications Service Providers, approved by Resolution No. 101, dated February 4, 1999, especially with respect to the submission of the request for prior consent for an analysis of a transfer of corporate control.

3. In this context, it must be clarified, once again, that the aforementioned rule, and even the current regulatory framework, does not establish any prohibition with respect to the call for, occurrence of, and participation in the elective process for selecting members of the decision-making bodies of telecommunications service providers. As such, the exercise of political rights by any new controlling shareholders of Oi S.A. and its subsidiaries or affiliated providers, especially voting rights and veto power over the decisions of the Board of Directors, Management or similar organs, shall be conditioned on the agency's acknowledgement through the relevant procedure for prior consent.

4. In other words, the corporate acts necessary to the elective process at issue, governed by the Brazilian Corporations Law, can be performed up until the new members take office without the need for prior acknowledgement by this Agency. However, after taking office, the new members of the Boards of Directors, Management or similar bodies, elected by the potential new controlling shareholders of the Oi Group, shall excuse themselves from their duties pending the effective acknowledgement of the Agency pursuant to the Rules approved by Resolution No. 101 of 1999."

MATERIAL FACT DISCLOSED BY OI - REQUEST FOR EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING

On August 1, 2016, Oi communicated that, on July 29, 2016 at 6.57 p.m., shareholder Société Mondiale Fundo de Investimento em Ações, represented by its manager Bridge Administradora de Recursos Ltda., holder of 6.32% of the Company's capital stock, sent an e-mail requesting, on the basis of line "c" of the sole paragraph of Art. 123 of the Brazilian Corporation Law, that the Board of Directors call an Extraordinary General Shareholders' Meeting of the Company, within 8 days, to decide on the following matters:

(i) Annulment of the Extraordinary General Meeting of March 26, 2015. Decide on the annulment of Oi's extraordinary general shareholders' meeting that took place on March 26, 2015, in which the terms and conditions of the Exchange Agreement and the Call Option Agreement, both concluded between the Company, Portugal Telecom SGPS S.A. (currently PHAROL SGPS S.A. - "PHAROL") and others (the "Agreements"), were approved;

(ii) Liability lawsuit for illicit acts conducted against the Company. Decide on the filing of a lawsuit and demand for arbitration against PHAROL, the principal shareholders of PHAROL that may have participated in injurious acts towards Oi, and its wholly owned subsidiary, Bratel B.V. ("Bratel"), for the reparation of all the damage caused to the Company due to the illicit acts perpetrated by PHAROL during the payment of the shares subscribed under the Public Offering closed on May 6, 2014 ("Public Offering"), notably due to the transfer of overvalued and/or unsubstantiated assets in this payment of capital, as well as, if necessary, request the cancellation of the Agreements;

(iii) Liability lawsuit against the appraiser of the assets contributed to capital. Decide upon the filing of a lawsuit and possible correlated measures against Banco Santander (Brasil) S.A. ("Santander") for having contributed, significantly and decisively, through action or inaction, to the damage suffered by Oi during the subscription by PHAROL of the shares issued during the Public Offering, by preparing an incorrect appraisal report on the economic reality of the assets contributed to the capital of the Company;

(iv) Lawsuit against the current and former management of Oi. To decide upon the filing of a lawsuit, with a basis in Art. 159 of the Brazilian Corporation Law and other applicable legal devices, whether judicial or arbitral, against, at least, without prejudice to other current or former members of the management that may be identified in the future: (a) Zeinal Abedin Mahomed Bava; (b) Shakhaf Wine; (c) Henrique Manuel Fusco Granadeiro; (d) Nuno Rocha dos Santos de Almeida e Vasconcellos; (e) Rafael Luis Mora Funes; (f) Luis Maria Viana Palha da Silva; (g) João Manuel Pisco de Castro; (h) Pedro Zañartu Gubert Moraes Leitão; (i) Francisco Ravara Cary; (j) Jorge Telmo Maria Freire Cardoso, due to the contribution, by commission or omission of each one to the consummation of damages caused to Oi, due to the subscription by PHAROL of shares issued in the Public Offering with unsubstantiated assets, adopting all the means necessary for the success of this lawsuit, including the possible claims for the annulment of general shareholders' meetings.

(v) To decide upon the authorization for the management of Oi to adopt measures necessary for the implementation of what is to be decided in relation to items "i" through "iv," above, including the hiring of an independent top-tier auditor and other service providers to quantify accurately the damage suffered by the Company, and to identify any other stakeholders (management, former management and service providers in general) responsible for the commission of fraud against the Company.

OI MEETING OF THE BOARD OF DIRECTORS

On August 3, 2016, Oi communicated that the Company's Board of Directors met on this date to assess the new request for a call of an extraordinary general shareholders' meeting sent by Société Mondiale Fundo de Investimento em Ações, as disclosed in the Material Fact dated August 1, 2016. In assessing this request, the Board of Directors considered the following:

(i) there are doubts of legal nature regarding the authority of the general shareholders' meeting to decide upon certain matters in the request; and

(ii) with respect to any action for liability against its management, since it would imply a potential change of the Board of Directors, such matter would produce the same effects as those contained in the request to call a shareholders' meeting previously submitted by the same shareholder, which request is the subject of a consultation with the 7th Corporate Court of the District of the Capital of the State of Rio de Janeiro, where the Company's judicial reorganization is pending.

Regarding the possible lawsuit against its management, the Company's Board of Directors reiterates its view that, before it resolves upon the possible call of an extraordinary general shareholders' meeting, the 7th Corporate Court of the District of the Capital of the State of Rio de Janeiro should be heard on the timeliness and propriety of the requested call, in order to fully comply with the Court's decision mentioned in the Notice to the Market disclosed by the Company on July 22, 2016. With respect to the other items proposed in the request for the call of the meeting, in order to be able to assess the legality of such matters and resolve on the call in due course, the Board of Directors authorized the management to request a legal opinion of a legal professional with notable expertise in the matter.

SUSPENSION OF PAYMENTS - OI BRASIL HOLDINGS COÖPERATIEF U.A.

On August 9, 2016, Oi informed its shareholders and the market in general that, on this date, the Court of Amsterdam granted the request of Oi Brasil Holdings Coöperatief U.A. - Under Judicial Reorganization ("Oi Brasil Holdings"), one of the Company's financial vehicles in the Netherlands, for a suspension of payments proceeding, initiated in order to ensure compatibility in that jurisdiction with the Oi Companies' judicial reorganization proceeding in Brazil. Among other matters addressed, a judicial administrator was nominated to oversee Oi Brasil Holdings' suspension of payments in the Netherlands.

PRESS RELEASE

On August 10, 2016, PHAROL regarding the notices published on Tuesday (09.08.2016) by a shareholder of Oi, PHAROL, SGPS SA ("PHAROL") states that:

- The Board of Directors of Oi was legitimately elected in September 2015 with over 80% of votes until the approval of 2017 financial statements as article 69 of the Oi's bylaws.
- On 22.07.2016, Oi's extraordinary general meeting was held in which there was the ratification by more than 80% of the votes of all acts taken by the management to date, including the Request For Judicial Reorganization. Within the meeting, Societe Mondiale voted in favor.
- The judge of the Judicial Reorganization already issued a decision determining that any change of control or board members depends on prior approval, which was not subject to any appeal.
- The requests for meeting from Societe Mondiale are under evaluation of the Judge of the 7th Corporate Court of the Judicial District of Rio de Janeiro. This Court is responsible for the the Judicial Reorganization of the Company by the request of the Board of Directors of Oi. Was determined the

prior approval of the Public Prosecutor and the Judicial Administrator. Even so, Societe Mondiale promoted the publication of notices disrespecting the decisions already handed down, and PHAROL already expressed in the official records of the Judicial Reorganization process.

- The requests for meeting for the purpose of deliberating on matters that are under consideration of the Judiciary is a clear attempt to disrupt the process underway.
- The recent proliferation of legal and administrative maneuvers promoted by a specific group of shareholders, is bringing instability to the company during its recovery plan.
- As Oi is PHAROL's largest investment, PHAROL is completely committed to the success of the rehabilitation proceedings of Oi. There may be other shareholders at Oi, but none of them have a greater desire for the recovery of the Company than PHAROL.

CALL FOR A OI GENERAL SHAREHOLDERS' MEETINGS

On August 10, 2016, Oi informed in light of the questions received by the Company with respect to the publications of call notices for Extraordinary General Shareholders' Meetings of the Company, to be held on September 8, 2016 ("Meetings"), put forth by shareholder Soci ete Mondiale Fundo de Investimento em A oes, pursuant to Art. 123, sole paragraph, line "c" of Law No. 6,404/76, that the possibility of calling a general meeting to resolve upon matters that result in the possible replacement of board members is subject to prior judicial authorization, in accordance with the findings of the Judgment of the 7th Corporate Court of the Judicial District of the State of Rio de Janeiro dated July 14, July 26, July 28 and August 3, 2016, as stated in the Notices to the Market dated July 22 and August 3, 2016.

EXTRAORDINARY GENERAL MEETINGS OF OI

On August 10, Oi informed that the material on the extraordinary general meetings and the information contained therein were supplied by the shareholder Soci ete Mondiale Investment Fund Shares, through its Bridge management Administradora de Recursos Ltda., and that, pursuant to CVM Instruction 481/09, such shareholder is liable to the CVM for the information provided by the Company. The Company points out that it is not responsible for the accuracy, completeness or consistency of such information, nor corroborates the terms of the Assembly convened.

QUALIFIED HOLDING – HESTIA INVESTMENTS DAC

On August 11, 2016, PHAROL informed that Hestia Investments DAC, holds 5.01% of the share capital of PHAROL and of the voting rights of PHAROL since August 11, corresponding to 44,884,411 ordinary shares.

NOMINATION OF MEMBERS FOR THE BOARD OF DIRECTOR OF OI

On August 12, 2016, Oi informed that the Company's Board of Directors, in a meeting held on that date, unanimously nominated Messrs. Marcos Duarte Santos and Ricardo Reisen de Pinho to fill the vacancies of members of the Board of Directors for the remainder of their respective terms until the 2018 Ordinary General Shareholders' Meeting. Both are considered to be Independent Members under the terms of Novo Mercado Listing Regulation adopted by the Company's Bylaws.

Mr. Marcos Duarte holds a bachelor's degree in production engineering from the Universidade Federal do Rio de Janeiro and has vast experience in the financial and capital markets, having worked at Banco Icatu, Bankers Trust Company, CSFB - Garantia e Polo Gestão. He also held positions on the fiscal councils of various companies in the telecommunications sector, including Tim Nordeste, Tim Sul and Oi, where, since 2010, he has held a position on the Board of Directors of Casa and Vídeo.

Mr. Ricardo Reisen holds a bachelor's degree in mechanical engineering and a master's degree in finance from Pontifícia Universidade Católica do Rio de Janeiro. He has 30 years of experience in financial services and corporate governance, making relevant contributions to leading companies in various segments, including Banco Garantia, Banco Itaú and Cerbero Ltd. He is a Certified Advisor by the Brazilian Institute of Corporate Governance (Instituto Brasileiro de Governança Corporativa - IBGC) and a current member of the Advisory Board of Editora do Brasil and of the Boards of Directors of Light S/A, Brasil Insurance and Brado Logística, the latter in which he also serves as a member of the Finance, Compensation, Auditing and Compliance Committee.

MATERIAL FACT DISCLOSED BY OI - SUSPENSION OF THE EXTRAORDINARY GENERAL SHAREHOLDERS' MEETINGS OF SEPTEMBER 8, 2016

On September 2, 2016, Oi ("Company") pursuant to Article 157, paragraph 4 of Law 6,404/76 ("Brazilian Corporations Law"), informed that, on that date, the 7th Corporate Court of the Judicial District of the City and State of Rio de Janeiro, where the Oi Companies' judicial reorganization proceedings are pending,

accepted the opinion of the Public Prosecutor of the State of Rio de Janeiro and suspended the Extraordinary General Shareholders' Meetings called to resolve upon the dismissal of members of the Board of Directors, as well as the adoption of measures to commence a lawsuit against certain managers of the Company, which were called by the shareholder Société Mondiale Fundo de Investimento em Ações to be held on September 8, 2016. Due to existing disputes between shareholders of the Company, the Court also determined that the involved parties should carry out a mediation proceeding to be concluded within 20 days, with the shareholders entitled to extend such deadline.

As a result of this decision, the Company informed its shareholders that the Meetings would no longer be held on September 8, 2016 and would only take place subject to a future decision by the Court.

The full decision by which the Court suspended the Meetings and the full opinion of the Public Prosecutor of the State of Rio de Janeiro are available to the Company's shareholders at the Company's headquarters, on its website (www.oi.com.br/ri), as well as on IPE Module of the CVM's Sistema Empresas.NET (www.cvm.gov.br) and the BM&FBovespa website (www.bmfbovespa.com.br). A copy of the above mentioned judicial decision and opinion, translated to English, was also filed with the U.S. Securities and Exchange Commission on Form 6-K as soon as possible.

PRESENTATION OF THE OI'S JUDICIAL REORGANIZATION PLAN

On September 2, 2016, Oi ("Company"), in accordance with Article 157, paragraph 4 of Law No. 6,404/76 ("LSA"), informed that, in a meeting held on that date, the Company's Board of Directors approved the terms and conditions of the Oi Companies' joint judicial reorganization plan, as well as the presentation of such plan in the Oi Companies' judicial organization proceeding, currently underway in the 7th Corporate Court of the Judicial District of the State Capital of Rio de Janeiro ("Judicial Reorganization Plan").

The Judicial Reorganization Plan establishes the terms and conditions proposed for the principal measures that may be adopted, with the goal of overcoming the Oi Companies' current financial and economic situation and ensuring their ongoing continuity, including measures for (i) the restructuring and equalization of its liabilities; (ii) the exploration and adoption of measures during the judicial reorganization aimed at obtaining new financial resources and (iii) the possible sale of fixed assets.

The Judicial Reorganization Plan is available to the Company's shareholders at the Company's headquarters and on its website (www.oi.com.br/ri). A copy of this material was also made available on the Empresas.NET System of the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários – CVM), as well as the website of BM&FBovespa (www.bmfbovespa.com.br). A translated copy of the material presented

to the CVM was also sent as soon as possible to the U.S. Securities and Exchange Commission on Form 6-K.

MATERIAL FACT DISCLOSED BY OI - ACCEPTANCE OF URGENT MEASURES IN ARBITRATION PROCEEDING

On September 6, 2016, Oi (“Company”), in accordance with Article 157, paragraph 4 of Law No. 6,404/76 (“LSA”), informed that, at the end of the day before, 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 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”.

MATERIAL FACT DISCLOSED BY OI - JUDICIAL DECISION - SUSPENSION OF THE SEPTEMBER 8, 2016 EXTRAORDINARY GENERAL SHAREHOLDERS’

On September 6, 2016, Oi (“Company”) informed that, pursuant to Article 157, paragraph 4 of Law No. 6,404/76 (“LSA”) and in continuity with the information disclosed by the Company that morning in a Material

Fact, it was informed that the Second Section of the Superior Court of Justice denied the preliminary injunction with respect to conflict of jurisdiction requested by shareholder Société Mondiale Fundo de Investimento em Ações, calling for an urgent decision by the lower court demanding the disclosure of information about the underlying proceedings and requesting that the Federal Prosecutor issue an opinion regarding conflict.

As a result of this decision, the Company informed its shareholders that the Meetings called for September 8, 2016 were suspended and would only take place pending further instruction from the judiciary.

REPLY FROM OI TO BM&FBOVESPA OFFICIAL LETTER

On September 6, 2016, Oi (“Company”) informed that, in reference to Official Letter No. 306/2016-CVM/SEP/GEA-2 (“Official Letter”), in which Oi S.A. – In Judicial Reorganization (“Company”) was asked to provide clarifications concerning the news from the news publisher Agência Estado – Broadcast on September 2, 2016 titled “Source: Tanure and PHAROL reach an Agreement on Board Seats and Shared Plan” (“News”), Oi explained the following.

The Company clarified that it has no knowledge with respect to the information in the News. The Company consulted with its shareholder Bratel B.V. with respect to the veracity of the information disclosed in such News and was informed via correspondence received on that date that (i) there was no agreement or contract made between Bratel B.V. and the fund Société Mondiale; and (ii) Bratel B.V. would observe the decision of the 7th Corporate Court of the Judicial District of the State Capital of Rio de Janeiro, which ordered the suspension of the call for the Extraordinary General Shareholders’ Meetings that would have taken place on September 8, and ordered the parties to submit to mediation to resolve the disputes between Bratel B.V. and the fund Société Mondiale.

JUDICIAL DECISION ABOUT OI - SUSPENSION OF THE SHAREHOLDERS’ MEETINGS

On September 8, 2016, Oi (“Company”) informed that, in continuity with the Material Facts disclosed on September 2, 5 and 6, 2016 regarding the Extraordinary General Shareholders’ Meetings called for September 8, 2016 (the “Meetings”), on that date, the 7th Corporate Court of the Judicial District of the City and State of Rio de Janeiro granted the Motion for Clarification of Judgment filed by Bratel B.V., on the following terms: “That being said, I receive the Motion, which is timely, and grant the request to remedy the omission in the operative part of the decision in question, which will read as follows: ‘a) to suspend, as a precautionary measure, in accordance with the opinion, the call of the Extraordinary General Shareholders’

Meetings to resolve upon the dismissal of members of the Board of Directors, as well as the adoption of measures to commence a lawsuit against certain managers of the company”.

Therefore, the Company reiterated the suspension of the Meetings called to be held on September 8, 2016 and that they would only take place subject to a future decision by the Court.

RESIGNATION OF OI'S BOARD MEMBER

On September 8, 2016, Oi (“Company”) informed that, pursuant to article 157, paragraph 4, of Law no. 6,404/1976 and in accordance with CVM Instruction no. 358/2002, Mr. Marcos Grodetzky presented his resignation as member of the Board of Directors of the Company on September 9, 2016.

MATERIAL FACT DISCLOSED BY OI - RESIGNATION OF CHIEF FINANCIAL OFFICER AND INVESTOR RELATIONS OFFICER

On September 12, 2016, Oi (“Company”) informed that, pursuant to Article 157, paragraph 4, of Law No. 6,404/1976 and in accordance with CVM Instruction No. 358/2002, Mr. Flavio Nicolay Guimarães presented his resignation as Chief Financial Officer and Investor Relations Officer on this date.

The Board of Directors, on this date, elected Mr. Ricardo Malavazi Martins, who resigned from his position as member of the Board of Directors of the Company, for the position of Chief Financial Officer and Investor Relations Officer to replace Mr. Flavio Nicolay Guimarães.

Mr. Ricardo Malavazi Martins holds a bachelor’s degree in economics from UNICAMP, where he also attended courses in the master’s program, and attended courses for the MBA program in management at IBMEC-RJ. He started his executive career as an economist focused on treasury transactions of banks, responsible for the economic divisions of BCN and Bradesco, between 1990 and 2003, when he served as vice-president of the Economy Commission (Comissão de Economia) of FEBRABAN. Mr. Martins served as Chief Financial and Investments Officer of PETROS for six years and, after that, as Officer and Consultant of Stratus Investimentos (a private equity management firm) for three years. He has been member of the board of directors and/or the fiscal council of several companies, as well as a member of the Advisory Board of ABVCAP (Associação Brasileira de Venture Capital e Private Equity) and of the Investment Committee of ABRAPP. He is currently an associate of TPYX Assessoria Empresarial and a member of the boards of directors of Jereissati Participações S.A. and PHAROL SGPS, S.A. He has been serving as a member of the Corporate Governance Committee of the American Chamber of São Paulo since 2003.

CONCLUSION OF AN AGREEMENT BETWEEN BRATEL AND SOCIÉTÉ MONDIALE

On September 13, 2016, PHAROL, SGPS S.A. informed that Bratel BV ("Bratel"), its wholly owned subsidiary, concluded an agreement with Société Mondiale Fundo de Investimento em Ações ("Société Mondiale") about the requirement of Oi's extraordinary general shareholders' meeting to September 8, 2016.

As a result of this agreement, all the judicial claims related to these meetings are extinguished.

Société Mondiale is also requesting to the Chairman of the Board of Oi the cancellation of the general meetings.

MATERIAL FACT - U.S. SECURITIES AND EXCHANGE COMMISSION ISSUES SETTLED CEASE-AND-DESIST ORDER AGAINST PHAROL, SGPS S.A.

On September 13, 2016, PHAROL informed that the US Securities and Exchange Commission ("SEC") issued a Settled Order ("Order") against PHAROL, SGPS S.A. ("PHAROL" or the "Company"), pursuant to which the Company agreed to cease and desist from committing or causing any violations and any future violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12-b20, 13a-1, and 13a-16, thereunder, and pay a civil money penalty in the amount of \$1,250,000 to the SEC for transfer to the United States Treasury. The Company entered into the settlement without admitting or denying (except for jurisdiction) the SEC's findings in the Order.

The Order arose out of disclosures made by the Company, at the time Portugal Telecom, SGPS, S.A. ("Portugal Telecom") regarding the investments in debt instruments issued by entities of Portuguese conglomerate Grupo Espírito Santo ("GES"), such as investments in debt instruments issued by Espírito Santo International, S.A. ("ESI").

According to the SEC's allegations, in its 2013 financial statements, Portugal Telecom (now PHAROL) misrepresented the nature of its short-term investment in ESI commercial paper and failed to disclose the nature and extent of the credit risk to which it was exposed. In addition, the SEC found that the Company's internal accounting controls were insufficient.

More specifically, the SEC alleged that, in the 2013 financial statements, Portugal Telecom (a) mischaracterized the short-term investment in ESI commercial paper and failed to identify the issuer of the debt securities and (b) failed to disclose the nature and extent of the credit risk to which it was exposed and to accurately disclose its objectives, policies, and processes for managing its exposure to credit risks arising from financial instruments, as required by IFRS No. 7.

The SEC further alleged that the Company did not disclose that €750 million was invested in commercial paper issued by ESI, a non-financial holding company. Furthermore, Portugal Telecom failed to implement controls and procedures to ensure compliance with its credit risk management policy, with investments being made informally, without evidence concerning who made the investment decisions or who authorized the investments or with supporting documents lacking relevant information, among other internal controls violations.

As a consequence of the above, the SEC found that Portugal Telecom violated the reporting, books-and-records, and internal controls provision of the Federal securities laws. The SEC's entry of the Order concludes this matter.

Portugal Telecom's 2013 consolidated financial statements, were filed with the SEC on Form 6-K on March 12, 2014 and also included in Portugal Telecom's 2013 annual report filed with the SEC on Form 20-F on April 30, 2014.

On August 25, 2014, in a Form 6-K, Portugal Telecom made supplemental and clarifying disclosures to its December 31, 2013 financial statements. Among other matters, Portugal Telecom disclosed that, as of December 31, 2013, its short-term investments included commercial paper in the total amount of €750 million issued by ESI, an unrated, non-financial GES holding company. Portugal Telecom also disclosed that the ESI investment represented 82% of its short-term investments at December 31, 2013. Portugal Telecom additionally disclosed the concentration of its cash deposits with BES and further that it had not implemented an effective investment diversification policy at December 31, 2013.

MATERIAL FACT DISCLOSED BY OI - TRANSACTION BETWEEN BRATEL AND SOCIÉTÉ MONDIALE

On September 13, 2016, Oi ("Company") informed that, pursuant to Article 157, paragraph 4 of Law No. 6,404/76 and in accordance with CVM Instruction No. 358/02, on this date, the shareholders Bratel B.V. ("Bratel") and Société Mondiale Fundo de Investimento em Ações ("Société Mondiale") announced the execution of an agreement amongst themselves regarding the call and occurrence of the Company's extraordinary general shareholders' meetings to be held on September 8, 2016 (the "Meetings"). The Company was informed that, as a result of this transaction, all claims relating to such Meetings have been extinguished.

Also as a result of this transaction, Société Mondiale stated that, on this date, it would request that the Chairman of the Company's Board of Directors cancel the Meetings.

MATERIAL FACT DISCLOSED BY OI - NOMINATION OF NEW MEMBERS FOR THE BOARD OF DIRECTORS

On September 13, 2016, Oi (“Company”) informed that, pursuant to Article 157, paragraph 4, of Law No. 6,404/76 (the “Brazilian Corporation Law”) and CVM Instruction No. 358/02, in conformity with Article 150 of the Brazilian Corporation Law, the Board of Directors of the Company, in a meeting authorized by the 7th Corporate Court of the Judicial District of the State Capital of Rio de Janeiro, held on this date, nominated the following individuals to hold the vacant positions for members and alternate members of the Board of Directors: as members, Messrs. Demian Fiocca and Hélio Calixto da Costa; and as alternate members, Messrs. Pedro Grossi Junior, Nelson de Queiroz Sequeiros Tanure, Blener Braga Cardoso Mayhew, Luís Manuel da Costa de Sousa de Macedo, Nelson Sequeiros Rodriguez Tanure and José Manuel Melo da Silva. As a result of these nominations, Oi’s Board of Directors had the following composition:

Member	Alternate Member
José Mauro M. Carneiro da Cunha [Chairman]	--
Ricardo Reisen de Pinho	Pedro Grossi Junior
Marcos Duarte Santos	Nelson de Queiroz Sequeiros Tanure
Demian Fiocca	Blener Braga Cardoso Mayhew
Thomas C. Azevedo Reichenheim	Sergio Bernstein
Rafael Luís Mora Funes	João do Passo Vicente Ribeiro
João Manuel Pisco de Castro	Luís Manuel da Costa de Sousa de Macedo
Luís Maria Viana Palha da Silva	Maria do Rosário A. Pinto Correia
André Cardoso de Menezes Navarro	Nuno Rocha dos Santos de Almeida e Vasconcellos
Hélio Calixto da Costa	Nelson Sequeiros Rodriguez Tanure
Pedro Zañartu Gubert Morais Leitão	José Manuel Melo da Silva

The nomination of such members would be submitted to the shareholders for ratification in the first general shareholders’ meeting that may be timely called, pursuant to the Brazilian Corporation Law.

The Company clarifies, furthermore, that it would submit to the National Telecommunications Agency (Agência Nacional de Telecomunicações – ANATEL) a request for prior approval for the nomination of the new members of the Board of Directors, pursuant to the Regulation for the Assessment and Transfer of Control in Telecommunications Service Providers, approved by Resolution No. 101/99.

MATERIAL OF OI’S SHAREHOLDING INTEREST - CQS DIRECTIONAL OPPORTUNITIES MASTER FUND LIMITED

On September 16, 2016, Oi (“Company”) informed that, in accordance with article 12 of CVM Instruction No. 358/02, it informed the market that it has received a letter from CQS Directional Opportunities Master Fund Limited, as transcribed below:

NOTICE OF material shareholding in Oi S.A.

Name of shareholder, headquarters and Entity number	Compliance Manager	Other positions at Oi S.A.	Shareholding, Objective and Intention
Name: CQS Directional Opportunities Master Fund Limited ("DOF") Address: PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands Entity number: MC 149859	7,405,200 Oi S.A. The preferred shares are held through contracts for difference Percentage: 4.69% of OIBR4 BZ (BROIBRACNPR8) Trading date September 15, 2016	1,370,200 Oi S.A. shares are held through contracts for difference Percentage: 0.20% of OIBR3 BZ (BROIBRACNORI) Trading date September 15, 2016	DOF does not intend to change the control or administrative structure of the company at the present moment

APPROVAL OF THE AGREEMENT BETWEEN THE SOCIÉTÉ MONDIALE AND BRATEL

On September 20, 2016, PHAROL, informed that, with the assent of the Brazilian public prosecutor, the judge of the 7th Corporate Court of the Judicial District of Rio de Janeiro approved the agreement signed between Société Mondiale Fundo de Investimento em Ações ("Société Mondiale") and Bratel BV ("Bratel"), a PHAROL's wholly owned subsidiary, through which were extinguished all legal proceedings relating to the call of extraordinary general meetings for the day 08/09/2016, under the Oi SA - in judicial reorganization ("Oi").

UPDATED LIST OF CREDITORS OF OI

On September 21, 2016, Oi ("Company") informed that the complete and updated list of creditors of the Oi Companies would be available from this date to its shareholders and the market in general and to the Oi Companies' creditors on the website of the judicial reorganization of Oi Companies, which can be accessed through the <http://www.recjud.com.br> address and on the website of the Court of the judicial District of Rio de Janeiro, with access to the public at the website <http://www.tjrj.jus.br/consultas/relacao-nominal-de-credores/7-vara-emp>.

DISPOSAL OF OI'S SHAREHOLDING (ART. 12 OF THE INSTR. CVM 358) - MORGAN STANLEY

On October 2, 2016, Oi ("Company"), in accordance with article 12 of CVM Instruction No. 358/02, informed 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 19, 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 7,187,710 preferred shares issued by Oi S.A. (the "Company"), equivalent to 4.6% of the Company's outstanding preferred shares.

Also, Morgan Stanley reached long economic exposure through cash-settled derivative instruments referencing 1,700,000 or 1.1% of the outstanding preferred shares of the Company; and short economic exposure through cash-settled derivative instruments referencing 5,165,100 or 3.3% of the outstanding preferred shares of the Company.

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

SUSPENSION OF PAYMENTS – PTIF B.V.

On October 3, 2016, Oi ("Company") informed that, on this date, the District Court of Amsterdam, The Netherlands, granted the request of Portugal Telecom International Finance B.V. – In Judicial Reorganization ("PTIF"), one of the Company's financial vehicles in The Netherlands, for the commencement of suspension of payment proceedings, initiated in order to ensure compatibility in that jurisdiction with the judicial reorganization initiated by the Company and certain of its subsidiaries (including PTIF) in Brazil. The (provisionally) granted suspension of payment proceedings provide PTIF with a stay against creditor action in The Netherlands to allow it to restructure its debts with the ultimate aim of satisfying its creditors. Among other matters addressed by the order of the District Court of Amsterdam, Mr. J.L.M. Groenewegen of CMS in Amsterdam was appointed as administrator to oversee PTIF's (provisionally) granted suspension of payment proceedings in The Netherlands and the interests of PTIF's creditors in cooperation with PTIF's managing board.

All material documents relating to the commencement of the suspension of payment proceedings with respect to PTIF are being translated into Portuguese and English and will be made available to the

Company`s shareholders and other interested parties as soon as possible at the Company`s headquarters (during normal business hours) and on its website (www.oi.com.br/ri). The Portuguese versions of the documents will also be available on the CVM's IPE System Module Empresas.NET (www.cvm.gov.br) and the BM&FBovespa website (www.bmfbovespa.com.br). PTIF's administrator will publish the documents and their translations, and going forward other relevant information for PTIF's creditors on a dedicated website at www.cms-dsb.com/ptif.

DISPOSAL OF OI'S SHAREHOLDING (ART. 12 OF THE INSTR. CVM 358) - BANK OF AMERICA

On October 3, 2016, Oi ("Company") informed that, in accordance with article 12 of CVM Instruction No. 358/02, it received a letter from Bank of America Corporation, as transcribed below:

"1. For the purposes of Article 12 of the Brazilian Securities Exchange ("CVM") Ruling No.358, of January 3, 2002, as amended by CVM Instruction No. 568, dated September 17,2015 ("Ruling No.568"), the undersigned, Bank of America Corporation ("Bank of America"), hereby informs that on September 30, 2016, it held through various subsidiaries, shares that total 7,450,982 shares representing 4.72% of the total outstanding preferred shares issued by OI S.A. (the "Company").

Physically Settled Stock/Derivatives	
<i>Preferred Shares</i>	<i>7,450,850</i>
<i>ADR</i>	<i>132</i>
TOTAL	7,450,982
Cash Settled Stock /Derivatives	
<i>Derivatives</i>	<i>317,426</i>
TOTAL	317,426

2. Bank of America further requests the Company Investors Relations Officer disclose the following information to CVM through the Occasional Periodic Information System - IPE:

(i) Bank of America Corporation is a corporation validly existing under the laws of the State of Delaware, with the IRS Employer Identification Number is 56- 0906609. Its registered office is located at: Bank of America Corporate Center 100 North Tryon Street, Charlotte, NC 28255 USA;

(ii) Bank of America holds the equity positions through various subsidiaries that may acquire the securities solely for investment or client facilitation purposes; however, Bank of America does not seek a change of control or a change in the management structure of the Company;

(iii) Bank of America has holdings totaling to 7,450,982 preferred shares;

(iv) No debenture convertible into shares issued by the Company is held by Bank of America;

(v) No agreement or contract regulating the exercise of the voting right or the purchase and sale of securities issued by the Company was executed by Bank of America; and

(vi) The equity positions in the Company are held by non-resident subsidiaries of Bank of America represented by CITIBANK DTVM SA (CNPJ: 33.868.597/0001- 40)."

OI'S RESPONSE TO THE CVM/BM&FBOVESPA OFFICIAL LETTER

On October 5, 2016, Oi ("Company") informed that, in response to Official Letter No. 351/2016/CVM/SEP/GEA-2 ("Official Letter"), which requested that Oi S.A. – In Judicial Reorganization ("Oi" or "Company") provide clarifications in connection with the news published in Jornal O Globo on October 4, 2016, with the title "Vulture Fund Elliot wants to invest R\$10 billion in Oi," the Company clarified the following:

Oi clarified that it was approached by the fund mentioned in such news report looking to make a capital contribution to Oi, but the conversations initiated between the Company and the fund did not progress further, nor did they result in a firm proposal. Oi has no knowledge of negotiations currently underway between the Company and such fund.

OI'S RESPONSE TO THE CVM/BM&FBOVESPA OFFICIAL LETTER

On October 17, 2016, Oi ("Company") informed that, in reference to Official Letter No. 363/2016/CVM/SEP/GEA-2 ("Official Letter"), which requests that Oi provide clarifications in connection with an article published in Jornal Valor Econômico on October 14, 2016, the Company clarified as follows.

Oi informs that the R\$11 billion amount allotted to the debt with the National Agency for Telecommunications (Agência Nacional de Telecomunicações—Anatel) disclosed in Oi's Judicial Reorganization corresponds to the

finances imposed by Anatel that are still contested by the Company in the administrative sphere or fines that are being legally contested, in addition to fines that were subject to a Terms of Conduct Adjustment Agreement (Termo de Ajustamento de Conduta—TAC), which was deliberated by the Directing Board of Anatel but has not been signed.

The difference between the amount stated by the Company in the judicial reorganization and the R\$ 20.2 billion amount presented by Anatel in a Press Release dated October 13, 2016 and mentioned in the news article, refers to tax debts (that, pursuant to Law No. 11,101/05 (“Law No. 11,101”), are not subject to judicial reorganization), contractual liens and other illiquid disciplinary procedures that were not included in the judicial reorganization because they did not yet have the fines applied, which is also why there has not been a final determination of the amount of fines at this time. In the aforementioned Press Release, even Anatel informs that the calculated amounts result from “estimated fines in ongoing proceedings,” confirming that these amounts still are not quantifiable and exact. Pursuant to Law No. 11,101, actions involving unquantifiable claims are not suspended by a decision granting a judicial reorganization proceeding, but rather adjudicated in the court of origin until the value of the claim is calculated, and only after the credit becomes liquid may the respective amount be included in the appropriate class within the list of creditors. Although Anatel has publicly presented such information in its Press Release, such fact is not sufficient to provide claims in favor of Anatel with respect to the Company. The Company clarifies that, in this phase of the Oi Companies’ Judicial Reorganization, it is natural that creditors, such as Anatel, present their calculations of claims included in the list of creditors prepared in the context of judicial reorganization which amounts differ from those included in the list. Finally, the Company informs that the Judicial Administrator will prepare a new list of creditors, based on the diverging amounts presented (and qualification of the same), which will reflect its understanding of the nature of the Anatel claims. It estimates that this list will be disclosed in mid-December, 2016, observing the time frame established in Article 7, paragraph 2 of Law No. 11,101.

RESIGNATION OF DIRECTOR

On October 21, 2016, pursuant to the terms of subparagraph a) of article 3 of the Portuguese Securities Commission Regulation no. 5/2008 and article 248 of the Portuguese Securities Code, PHAROL, SGPS S.A. (“PHAROL”) announced that Ricardo Malavazi Martins has resigned, on October 21, 2016, from the respective office as non-executive member of PHAROL’s Board of Directors.

MATERIAL FACT DISCLOSED BY OI - ADOPTION OF AN INJUNCTION BY ANATEL

On November 8, 2016, Oi S.A. ("Company"), pursuant to Article 157, paragraph 4, of Law No. 6.404/76 ("Brazilian Corporation Law") and the terms of CVM Instruction No. 358/02, informed that, on that date, the National Telecommunications Agency (Agência Nacional de Telecomunicações – ANATEL) decided, in Decision Order No. 17/2016/SEI/CPOE/SCP, among other matters:

(i) To suspend, in the deliberations of the Company and its subsidiaries and affiliated companies, the exercise of voting and veto rights by the new members of the Company's Board of Directors appointed by the shareholder Société Mondiale Fundo de Investimento em Ações ("Société") in the resolutions of the Board of Directors, Management or equivalent corporate bodies;

(ii) To prohibit the participation of members of the Company's Board of Directors appointed by Société in the Board of Directors or Management of the Company and its subsidiaries and affiliates;

(iii) To prohibit the participation of Société's representatives in the management or in the operation of the Company and its subsidiaries and affiliates;

(iv) To order the Company to notify the Superintendence of Competition, on the date the meeting of the Board of Directors is convened, so that such Superintendence may, upon request, send a representative to attend the meeting;

(v) To order the Company to send a copy of the minutes of the meetings of the Board of Directors to the Superintendence of Competition, within a period of up to 2 business days after the minutes are signed;

(vi) To order the Company, in the event of violation of the instructions granted, to pay a fine in the amount of R\$50,000,000.00 for each meeting of the Company's Board of Directors, Management or equivalent corporate bodies, in which the exercise of corporate rights by the members of the Company's Board of Directors appointed by Société or by participation in the management or operation of the Company is verified, without prejudice to other applicable sanctions.

REPLY OF OI TO BM&FBOVESPA OFFICIAL LETTER

On November 8, 2016, Oi S.A. ("Company") referring to Official Letter No. 401/2016/CVM/SEP/GEA-2 (the "Official Letter"), a copy of which is attached herein, in which Oi S.A. - In Judicial Reorganization ("Oi" or the "Company") is requested to provide clarifications concerning an article published on the website of the

newspaper Estadão Online on November 8, 2016 under the title "Anatel prohibits the nominees of Société Mondiale from attending board meetings of Oi" as follows.

First, Oi highlights that the Decision Order by the Brazilian Telecommunications Agency (Agência Nacional de Telecomunicações - ANATEL), as reported in the article, was the subject of the Material Fact dated November 8, 2016, which presents the full text of the order as an annex.

Specifically with respect to the questions set forth in the Official Letter, Oi clarified that after the appointment by the Board of Directors and pending the prior approval of ANATEL, the representatives appointed by the shareholder Société Mondiale attended meetings of the Board of Directors as listeners and exerted no influence on the deliberations taken at the meetings.

OI DISCLOSES THE 2016 THIRD QUARTER RESULTS

On November 9, 2016, Oi disclosed the 2016 third quarter results.

HIRING OF FINANCIAL ADVISOR BY OI

On November 8, 2016, Oi S.A. ("Company") communicated that it had hired LAPLACE Finanças as its financial advisor to assist in the judicial reorganization process of the Company and its subsidiaries Telemar Norte Leste S.A. – In Judicial Reorganization, Oi Móvel S.A. – In Judicial Reorganization, Copart 4 Participações S.A. – In Judicial Reorganization, Copart 5 Participações S.A. – In Judicial Reorganization, Portugal Telecom International Finance B.V. – In Judicial Reorganization and Oi Brasil Holdings Coöperatief U.A. – In Judicial Reorganization.

QUALIFIED HOLDING – HESTIA INVESTMENTS DAC

On November 22, 2016, PHAROL informed that Hestia Investments Designated Activity Company on that date held 4.85% of the share capital of PHAROL.

QUALIFIED HOLDING – HIGH SEAS CAPITAL INVESTMENTS, LLC

On November 23, 2016, PHAROL informed that High Seas Capital Investments, LLC, on that date held 2.04% of the share capital of PHAROL.

On October, 28, High Seas Capital Investments, LLC acquired 18,300,000 ordinary shares, representing approximately 2.04% of the share capital of PHAROL.

PHAROL, SGPS, S.A.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

PHAROL, SGPS S.A.					
CONSOLIDATED INCOME STATEMENT					
PERIODS ENDED SEPTEMBER 30 2016 AND 2015					
	Notes	9M16	9M15	3Q16	Euro 3Q15
COSTS, LOSSES AND (INCOME)					
Wages and salaries	5	1,639,941	2,735,484	480,056	828,328
Supplies, external services and other expenses	6	3,874,536	11,523,851	2,033,153	5,488,083
Indirect taxes	7	526,037	2,367,876	262,351	1,291,805
Depreciation		62,874	63,224	20,936	16,177
Losses (gains) on disposal of fixed assets, net		-	48,897	-	(2,402)
Net other losses (gains)		9,372	313,506	(45,459)	83,504
		6,112,760	17,052,837	2,751,038	7,705,495
Income (loss) before financial results and taxes		(6,112,760)	(17,052,837)	(2,751,038)	(7,705,495)
FINANCIAL LOSSES AND (GAINS)					
Net interest income	8	(153,328)	(422,116)	(38,419)	(108,230)
Net foreign currency exchange losses	12	(657,348)	17,872,891	14,744	11,937,287
Net losses on financial assets and other investments	12	54,535,490	39,220,842	48,798,020	27,743,840
Equity in losses of joint ventures and associates	11	(4,904,025)	64,638,888	(4,815,205)	77,919,244
Net other financial expenses		1,178,496	(1,449,762)	1,149,000	(2,515,043)
		49,999,285	119,860,743	45,108,141	114,977,098
Income (loss) before taxes		(56,112,045)	(136,913,580)	(47,859,178)	(122,682,593)
Income taxes	9	13,144	39,962	(2,089)	21,703
Net income (loss) for the period		(56,125,189)	(136,953,542)	(47,857,089)	(122,704,296)
Attributable to non-controlling interests		-	-	-	-
Attributable to equity holders of the parent		(56,125,189)	(136,953,542)	(47,857,089)	(122,704,296)
Earnings per share					
Basic and Diluted	10	(0.06)	(0.16)	(0.06)	(0.14)

The accompanying notes form an integral part of these financial statements.

	9M16	9M15	3Q16	Euro 3Q15
Net Income recognised in the income statement	(56,125,189)	(136,953,542)	(47,857,089)	(122,704,296)
Income (expenses) recognised directly in shareholders' equity				
Items that may be reclassified subsequently to the income statement				
Foreign currency translation adjustments (i)	(22,465,684)	(75,463,524)	(14,957,033)	(79,429,046)
Gains (expenses) recorded in shareholders' equity related to joint ventures (ii)	27,382,502	(107,361,642)	11,079,911	35,523,022
Items that will not be reclassified to the income statement				
Other expenses recognised directly in shareholders' equity, net		(460,914)	-	(1,354,970)
Total earnings recognised directly in shareholders' equity	4,916,817	(183,286,079)	(3,877,122)	(45,260,994)
Total comprehensive income	(51,208,371)	(320,239,621)	(51,734,210)	(167,965,290)
Attributable to non-controlling interests	-	-	-	-
Attributable to shareholders of PHAROL SGPS	(51,208,371)	(320,239,621)	(51,734,210)	(167,965,290)

The accompanying notes form an integral part of these financial statements.

(i) Losses recorded in the first nine months of 2016 and 2015 mainly relate to the impact of the depreciation of the Real against the Euro on the investments in Brazil as well as on Oi's investments outside Brazil.

(ii) This caption mainly relates to the effective share of PHAROL in the fair value variations of Oi's financial instruments.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30 2016 AND DECEMBER 31 2015

		Euro	
	Notes	30 Sep 2016	31 Dec 2015
ASSETS			
Current Assets			
Cash and cash equivalents	16.e	31,669,624	64,879,371
Accounts receivable		262,570	542,036
Taxes receivable		45,882	24,437
Prepaid expenses		76,398	-
Total current assets		32,054,474	65,445,845
Non-Current Assets			
Investments in joint ventures and associates	11	111,963,228	102,230,974
Tangible assets		272,720	421,578
Other non-current assets	12	87,147,076	141,045,340
Total non-current assets		199,383,024	243,697,892
Total assets		231,437,498	309,143,737
LIABILITIES			
Current Liabilities			
Short-term debt		14,040	15,851
Accounts payable	13	1,346,425	1,729,138
Accrued expenses	14	8,171,937	6,539,596
Taxes payable		303,715	424,215
Provisions	15	75,858	75,858
Other current liabilities		866,966	905,214
Total current liabilities		10,778,940	9,689,871
Non-Current Liabilities			
Medium and long-term debt		108,019	121,281
Total non-current liabilities		108,019	121,281
Total liabilities		10,886,959	9,811,152
SHAREHOLDERS' EQUITY			
Share capital		26,895,375	26,895,375
Treasury shares		(179,675,734)	(178,071,827)
Legal reserve		6,773,139	6,773,139
Reserve for treasury shares		186,646,054	185,042,147
Other reserves and accumulated earnings		179,911,705	258,693,752
Total equity		220,550,539	299,332,586
Total liabilities and shareholders' equity		231,437,498	309,143,737

The accompanying notes form an integral part of these financial statements.

PHAROL, SGPS S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
PERIODS ENDED SETEMBER 30 2016 AND 2015

	Euro							
	Share capital	Treasury shares	Legal reserve	Reserve for treasury shares	Other reserves and accumulated earnings	Equity excluding non-controlling interests	Non-controlling interests	Total equity
Balance as at December 31, 2014	26,895,375	(178,071,827)	6,773,139	185,042,147	1,111,862,169	1,152,501,003	-	1,152,501,003
Income (expenses) recognized directly in equity	-	-	-	-	(183,286,079)	(183,286,079)	-	(183,286,079)
Income recognized in the income statement	-	-	-	-	(136,953,542)	(136,953,542)	-	(136,953,542)
Balance as at September 30, 2015	26,895,375	(178,071,827)	6,773,139	185,042,147	791,622,548	832,261,383	-	832,261,383

	Euro							
	Share capital	Treasury shares	Legal reserve	Reserve for treasury shares	Other reserves and accumulated earnings	Equity excluding non-controlling interests	Non-controlling interests	Total equity
Balance as at December 31, 2015	26,895,375	(178,071,827)	6,773,139	185,042,147	258,693,751	299,332,586	-	299,332,586
Acquisition of own shares	-	(1,603,908)	-	1,603,908	(1,603,908)	(1,603,908)	-	(1,603,908)
Dividends	-	-	-	-	(25,969,766)	(25,969,766)	-	(25,969,766)
Income (expenses) recognized directly in equity	-	-	-	-	4,916,817	4,916,817	-	4,916,817
Income recognized in the income statement	-	-	-	-	(56,125,189)	(56,125,189)	-	(56,125,189)
Balance as at September 30, 2016	26,895,375	(179,675,734)	6,773,139	186,646,054	179,911,705	220,550,539	-	220,550,539

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
PERIODS ENDED SEPTEMBER 30 2016 AND 2015

	Notes	9M16	Euro 9M15
OPERATING ACTIVITIES			
Payments to suppliers	16.a	(4,406,888)	(28,356,870)
Payments to employees		(1,636,159)	(2,996,752)
Payments relating to income taxes		(30,499)	477,212
Other cash receipts, net		170,184	565,034
Cash flows from operating activities (1)		(5,903,362)	(30,311,376)
INVESTING ACTIVITIES			
Cash receipts resulting from:			
Short-term financial applications		-	225,637
Tangible and intangible assets		5,300	45,000
Interest and related income		128,278	159,033
		133,578	429,670
Payments resulting from:			
Tangible and intangible assets		(979)	(275,666)
		(979)	(275,666)
Cash flows from investing activities (2)		132,599	154,004
FINANCING ACTIVITIES			
Payments resulting from:			
Loans repaid		(15,074)	(47,604)
Interest and related expenses		(13,949)	(1,490,699)
Dividends	16.b	(25,969,766)	-
Purchase of own shares	16.c	(1,603,908)	-
Cash flows from financing activities (3)		(27,602,697)	(1,538,303)
Cash and cash equivalents at the beginning of the period		64,879,371	109,511,599
Change in cash and cash equivalents (4)=(1)+(2)+(3)		(33,373,460)	(31,695,675)
Effect of exchange differences		163,713	(693,551)
Changes in consolidation perimeter		-	(468)
Cash and cash equivalents at the end of the period	16.d	31,669,624	77,121,905

As notas fazem parte integrante destas demonstrações financeiras.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2016

(Amounts stated in Euros, except where otherwise mentioned)

1. Introduction

As at September 30, 2016 PHAROL holds, directly and indirectly through wholly owned subsidiaries, 183,662,204 common shares of Oi, representing 27.2% of total share capital of Oi (excluding treasury shares). PHAROL's voting rights in Oi are limited to 15% of the total common shares of Oi. Currently, PHAROL considers it has significant influence over Oi and classifies Oi as an associate company. As a result, from July 30, 2015 (the date of the end of shareholder agreements) the investment in Oi continues to be accounted for according to the equity method, based on PHAROL's economic stake in Oi's results.

Based on the agreements concluded on March, 30 2015 between PHAROL and Oi, PHAROL currently holds Rio Forte debt securities with a nominal value of Euro 897 million and a Call Option for shares of Oi. On March, 31 2016, as part of the options reached maturity, PHAROL holds a call option on 42,691,385 common shares of Oi and 85,382,770 preferred shares of Oi.

2. Basis of presentation

The interim consolidated financial statements were prepared according to the International Accounting Standard (IAS) 34 Interim Financial Reporting. Therefore, the financial statements do not include all information required by the International Financial Reporting Standards ("IFRS") as adopted by the European Union and so should be read in conjunction with the consolidated financial statements of December 31, 2015. Additionally, the interim management report discloses further explanations regarding major variations in income and expenses, and as such these interim consolidated financial statements should be read with the management report. The disclosed interim financial statements were not subject to external audit or review.

3. Changes in Accounting Policies

The presented financial statements follow the same accounting policies applied in the most recent annual financial statements.

4. Exchange rates used to translate foreign currency financial statements

At September 30, 2016 and December 31, 2015, assets and liabilities denominated in foreign currencies were translated to Euros using the following exchange rates to the Euro:

Currency	30 Sep 2016	31 Dec 2015
Real	3.6210	4.3117
USD	1.1161	1.0887

At September 30, 2016 and 2015, the statements of financial position, income statements and cash flows of subsidiaries and joint ventures denominated in foreign currencies were translated to euros using the following exchange rates to the Euro:

Currency	9M16	9M15
Real	3.9561	3.5257
USD	1.1162	1.1144

5. Wages and salaries

The composition of this caption in the nine month and three month periods ended September 30, 2016 and 2015 is as follows:

	9M16	9M15	3Q16	Euro 3Q15
Fixed and variable remuneration	1,283,455	2,039,996	377,461	447,005
Social security	302,542	404,399	81,328	111,748
Other	53,944	291,089	21,267	269,575
	1,639,941	2,735,484	480,056	828,328

6. Supplies, external services and other expenses

The composition of this caption in the nine month and three month periods ended September 30, 2016 and 2015 is as follows:

	9M16	9M15	3Q16	Euro 3Q15
Specialized work (i)	3,029,677	10,040,788	1,717,540	5,043,109
Insurance	254,476	353,296	89,762	108,917
Travel	112,213	324,224	28,718	146,517
Other	478,170	805,542	197,132	189,541
	3,874,536	11,523,851	2,033,153	5,488,083

(i) This caption reflects primarily non-recurring financial and legal services.

7. Indirect taxes

The composition of this caption in the nine month and three month periods ended September 30, 2016 and 2015 is as follows:

	9M16	9M15	3Q16	Euro 3Q15
VAT	520,249	3,381,643	260,776	1,341,108
Other	5,788	(1,013,767)	1,575	(49,303)
	526,037	2,367,876	262,351	1,291,805

8. Net interest income

The composition of this caption in the nine month and three month periods ended September 30, 2016 and 2015 is as follows:

	9M16	9M15	3Q16	Euro 3Q15
Interest income				
Related to cash and cash equivalents (i)	(153,328)	(419,836)	(38,419)	(108,230)
Other	0	(2,280)	-	-
	(153,328)	(422,116)	(38,419)	(108,230)

(i) Interest income obtained in these periods essentially relates to cash amounts applied in term deposits by PHAROL SGPS and PHAROL Brasil.

9. Taxes and rates

In 2015, companies located in mainland Portugal are subject to Corporate Income Tax at a base rate of 21.0% (23.0% in 2014), plus (1) up to a maximum of 1.5% of taxable income through a municipal tax, and (2) a state surcharge levied at the rates of 3.0% on taxable income between Euro 1.5 million and Euro 7.5 million, 5.0% on taxable income between Euro 7.5 million and Euro 35 million and 7.0% on taxable income in excess of Euro 35.0 million, resulting in a maximum aggregate tax rate of approximately 29.5% for taxable income higher than Euro 35 million. When calculating taxable income to which the above tax rate is applied, non-tax-deductible amounts are added to or subtracted from accounting records.

The composition of this caption in the nine month and three month periods ended September 30, 2016 and 2015 is as follows:

	9M16	9M15	3Q16	Euro 3Q15
Income tax				
Income tax - current	13,144	39,962	(2,089)	21,703
Deferred taxes	-	-	-	-
	13,144	39,962	(2,089)	21,703

10. Earnings per share

Earnings per share for the nine and three month periods ended September 30, 2016 and 2015 were as follows:

		9M16	9M15	3Q16	Euro 3Q15
Net loss attributable to equity holders of Pharol	(1)	(56,125,189)	(136,953,542)	(47,857,089)	(122,704,296)
Weighted average common shares outstanding in the period (i)	(2)	870,760,000	875,872,500	865,647,500	875,872,500
Earnings per share from continuing operations					
Basic and diluted	(1)/(2)	(0.06)	(0.16)	(0.06)	(0.14)

(i) In the first nine month of 2016, weighted average shares outstanding were calculated considering the 896,512,500 issued shares and taking into account the amount of 20,640,000 own shares on January 1, 2016 and adjusted for acquisitions in the period, culminating in a total of 30,865,000 owned shares.

In the third quarter of 2016, weighted average shares outstanding were calculated considering the 896,512,500 issued shares and taking into account the amount of 30,865,000 owned shares. In this period, there were no own shares transactions.

In the nine and three month periods ended September 30, 2015, weighted average shares outstanding were calculated considering the 896,512,500 issued shares and taking into account the amount of 20,640,000 owned shares.

11. Investments in Joint Ventures and Associates

This line item corresponds to investments in joint ventures and associates, including investments in Oi and its controlling holding companies.

On September 8, 2014, as explained above, PHAROL entered into an Exchange Agreement with Oi, for the Exchange of a portion of Oi shares held directly by PHAROL for the Rio Forte Investment and the Call Option over the shares. The Exchange was completed on March 30, 2015, after obtaining all necessary approvals. As a result of the Exchange, the portion of the investment in Oi delivered in connection with the Exchange was classified as a non-current asset held for sale and measured at fair value based on the price of Oi shares. The remaining interest of 22.8%, including the interests of 15.9% and 3.0% held directly by PHAROL and Bratel Brasil, respectively, and the interest of 3.9% owned indirectly through the controlling holding companies of Oi, remained classified as an investment in joint ventures, as at December 31, 2014 and measured according to the equity method of accounting.

As referred to above, leading up to the New Ownership Structure of Oi, the Shareholder Agreements through which Oi was jointly controlled were terminated on July 30, 2015. The simplification of the structure occurred on September 1, 2015, and led to the incorporation by Oi of several assets at fair value that were not previously booked by the holding companies.

As a result of the transaction, PHAROL's effective share in Oi reduced from 27.5% to 27.4%. As at September 30, 2015, the Oi common shares owned by PHAROL (that carry voting rights) represented 36.5% of shares in circulation (excluding Oi treasury shares). Furthermore, during 2015, changes to Oi's bylaws were approved, which included a 15% limitation on the voting rights of any individual shareholder.

On October 8, 2015, Oi's Board of Directors homologated the voluntary conversion of Oi's preferred shares in common shares ("Voluntary Conversion of PSs"), approved the effective conversion of the preferred shares, object to the conversion manifestations in BM&FBovespa and in the Bank of Brazil, and accepted the conversion solicitations presented by the holders of American Depository Shares ("ADSs") representative of preferred shares ("Preferred ADSs"). The ADSs representative of the new common shares, resulting from the Offer to Exchange, related with the Voluntary Conversion of PSs, were issued on October 13, 2015. Following this operation, PHAROL's effective stake in Oi was decreased from 27.4% to 27.2%.

In accordance with IAS 28 – Investments in Associates and Joint Ventures, there is a presumption that significant influence exists when voting rights are higher than 20%. For voting rights less than 20%, there should be clear indications through which significant influence may be exercised. The limitation to 15% of PHAROL's voting rights, in light of the remaining available voting rights, represented as at September 30, 2016, an effective voting right of 18.83%. By analogy, IFRS 10 – Consolidated financial statements considers that control may occur when there is a concentration of significant voting rights, with the remainder of voting rights largely dispersed ("de facto control"). In Oi's shareholder structure, over 24% of ordinary shares are

dispersed in free float, and four other shareholders besides PHAROL have voting rights of between 5% and 7% each. Note also that, although on September 30, 2016 Oi is in judicial recuperation, the majority of the inherent statutory rights to shares held by PHAROL are not substantially affected by this situation.

As such, by analogy to the consideration of control in IFRS consolidated financial statements, PHAROL considers that it has significant influence over Oi, and as such, Oi is considered to be an associate. This investment is measured in accordance with the equity method, based on the economic share of Oi's earnings (27.2% as at September 30, 2016), reduced by any adjustments for impairment losses.

As at December 31, 2015, PHAROL resorted to an independent value, in order to determine Oi's value in use, in accordance with the market's best practices. It was determined that the market value corresponded to Oi's share price as at December 31, 2015. Thus, PHAROL's financial investment in Oi, on that date, was measured on the basis of its stock exchange valuation, amounting to Euro 102.2 million. An impairment loss of Euro 225.6 million was recognized, with reference to December 31, 2015.

As at September 30, 2016, after application of the equity method and appropriation of the results of Oi, the investment in Oi was valued in Euro 112 million, less than the stock market value on this date. In light of this, the investment in Oi by PHAROL was valued based on the equity method.

11.1. Detail of investments in joint ventures and associates

As described above, and in accordance with IAS 28, PHAROL's investment in Oi as at September 30, 2016 is measured in accordance with the equity method, reduced by any accumulated impairment losses.

The detail of these investments in joint ventures and associates was as follows:

	Euro million	
	30 Sep 2016	31 Dec 2015
Investment in each associate entity		
Oi - Equity method (i)	112	328
Oi - Impairment (i)	-	(226)
	112	102

(i) Following the simplification of the Oi shareholder structure, and the end of the Shareholder Agreements, this caption reflects the investment in Oi owned by PHAROL – 27.2% owned by Bratel, a wholly owned subsidiary of PHAROL. As previously commented, an impairment analysis was carried out at December 31, 2015 by an independent valuer, analysis which resulted in the measurement of the financial investment at its market value, corresponding to 183.7 million shares, R\$2.40 per share (Euro 0.56 per share), amounting to Euro 102.2 million. This valuation corresponds to the first fair value level of IFRS 13 – Fair value measurement. On September 30, 2016 and after the application of the equity method, Oi's investment acquisition cost, adjusted by the equity method, was again compared to its market value, with this last corresponding to 183.7 million shares measured at R\$3.7 per share (Euro1.02 per share), representing

some Euro 187.7 millions. Taking into account Oi's stock valuation, associated with the strengthening of the Real and Oi's comprehensive income, PHAROL booked a full reversal of its previously booked impairment.

The details of the assets and liabilities of Oi, for purposes of application of the equity method, is as follows:

	Euro millions	
	30 Sep 2016	31 Dec 2015
Current Assets	7,743	8,829
Cash and cash equivalents	1,920	3,455
Accounts receivable	2,718	1,943
Financial investments	30	418
Derivative financial instruments	-	141
Current assets held for sale	1,629	1,783
Judicial deposits	311	292
Other current assets	1,135	797
Non-Current Assets	12,225	11,814
Judicial Deposits	3,861	3,043
Derivative financial instruments	-	1,573
Deferred taxes	2,265	2,060
Other non-current assets	6,099	5,138
Total assets	19,968	20,642
Current Liabilities	16,873	5,931
Short-term debt	13,317	2,739
Accounts payable	1,967	1,161
Derivative financial instruments	29	461
Licenses and concessions payable	23	212
Provisions	240	237
Liabilities related to assets held for sale	106	173
Other liabilities	1,191	949
Non-current Liabilities	2,430	13,228
Debt	-	11,144
Derivative financial instruments	-	121
Licenses and concessions payable	2	2
Provisions	1,066	792
Other liabilities	1,362	1,170
Total liabilities	19,303	19,159
Net Assets	665	1,483
Share to non-controlling interests of Oi	253	276
Net assets attributable to controlling interest of Oi	412	1,207
Effective share of PHAROL in Oi	27.2%	27.2%
Total Investment from Pharol in Oi	112	328

11.2. Detail of PHAROL's share in the earnings of joint ventures and associates

Gains/(losses) in joint ventures and associates were accounted for through the equity method of accounting - their composition for the periods ended September 30, 2016 and 2015 is as follows:

	Euro million			
	9M16	9M15	3Q16	3Q15
Joint ventures				
Direct share in the earnings of each entity (i)				
Oi	-	(2.0)	-	(22.0)
Telemar Participações	-	(0.1)	-	(0.0)
EDSP75 Participações	-	(0.1)	-	(1.0)
PASA Participações	-	(0.1)	-	(1.0)
Sayed RJ Participações	-	(0.1)	-	(1.0)
Venus RJ Participações	-	(0.1)	-	(1.0)
Gain resulting from the increase in the interest held in Oi (iv)	-	131.0	-	-
Reversal of provision (v)	-	(141.0)	-	-
	-	(12.5)	-	(26.0)
Joint ventures				
Effective share in the earnings of each entity				
Oi (ii)	-	(2.0)	-	(26.0)
Oi Holding companies (iii)	-	(1.0)	-	(0.0)
Gain resulting from the increase in the interest held in Oi (iv)	-	131.0	-	-
Reversal of provision (v)	-	(141.0)	-	-
	-	(13.0)	-	(26.0)
Associates				
Direct share in the earnings of each entity (vi)				
Oi	-	(43.0)	-	(43.0)
Telemar Participações	-	(0.1)	-	(0.1)
EDSP75 Participações	-	(3.0)	-	(3.0)
PASA Participações	-	(3.0)	-	(3.0)
Sayed RJ Participações	-	(1.0)	-	(1.0)
Venus RJ Participações	-	(1.0)	-	(1.0)
Effective participation in Oi's Losses	-	-	-	-
Impairment Loss	-	-	-	-
	-	(51.6)	-	(51.6)
Associates				
Effective share in the earnings of each entity				
Oi (ix)	(220.7)	(52.0)	(78.4)	(51.6)
Impairment Reversal/(Loss) (vi)	225.6	-	83.3	-
	4.9	(52.1)	4.8	(51.7)
Earnings of joint ventures and associates	4.9	(65.1)	4.8	(77.7)

(i) These captions, as explained above, reflect PHAROL's direct share in the earnings of each joint venture, including, in the case of Oi's controlling holding companies, their share of Oi's net income and also the net income generated by these same entities, excluding the equity method of accounting of Oi.

(ii) This caption reflects PHAROL's direct share in the earnings of Oi. The breakdown of Oi's earnings and losses used in the equity method accounting are outlined below.

(iii) This caption reflects PHAROL's effective share in the earnings and losses of Oi's controlling holding companies excluding these entities' share in the earnings of Oi, calculated through the equity method of accounting.

(iv) This caption corresponds to the gains recorded directly and indirectly, through the controlling holdings of Oi, by PHAROL totaling Euro 131 million, relating to the increase in the stake held in Oi as a result of the reduction in the number of Oi's outstanding shares following the completion of the Exchange.

(v) This cost of Euro 141 million corresponds to the estimated impact recorded on December 31, 2014 relative to the increase in the stake held in Oi, following the completion of the Exchange, which was deducted from the provision for the Exchange. This amount, net of the effective gain of Euro 131 million recorded in 2015, as mentioned above, resulted in a total net loss of Euro 10 million recorded in 1Q15, mainly associated with the reduction in Oi's shareholders equity between 4Q14 and 1Q15.

(vi) During the preparation of the Financial Statements on December 31, 2015, an impairment analysis was carried out by an independent valuer, analysis which resulted in the measurement of the financial investment at its market value. As stated above, on September 30, 2016, the update of this analysis led to the full reversal of the previous Oi impairment and to the appropriation of Oi's results through the equity method.

(vii) This caption reflects PHAROL's effective share in the earnings and losses of Oi, during the first nine months of 2016. The detail of the earnings and losses of Oi that were used for purposes of equity method of accounting are presented below.

The detail of the earnings and losses of Oi that were used for the application of the equity method of accounting, which were adjusted for the purchase price allocation, as well as other adjustments, to conform to PHAROL's accounting policies, are as follows:

	Euro millions			
	9M16	9M15	3Q16	3Q15
Services rendered and sales (i) (ii)	4,973	5,857	1,765	1,681
Operating expenses excluding amortization (i)	3,748	4,130	1,311	1,136
Interconnection (iii)	221	416	81	127
Personnel (iv)	555	547	212	173
Third-party services (v)	1,219	1,346	456	388
Grid maintenance service (vi)	319	423	71	132
Rentals and insurance (vii)	815	748	291	232
Other operating income (expenses), net (viii)	619	650	201	83
Operating income excluding amortization	1,225	1,727	454	545
Depreciation and amortisation	1,014	1,071	359	319
Income from operations	211	655	95	226
Financial expenses	754	1,263	470	514
Income before taxes	(542)	(607)	(375)	(287)
Income taxes	295	(73)	(94)	(12)
Net income from continuing operations	(838)	(534)	(280)	(275)
Net income from discontinued operations (ix)	0	308	0	(18)
Net income	(838)	(226)	(280)	294
Share to non-controlling interests	26	10	(10)	(12)
Net income attributable to controlling interests	(812)	216	(270)	(282)

PHAROL recorded its share in the earnings of Oi under the equity method of accounting based on its effective stake during the first nine months of 2016 corresponding to 27.18% and in the first nine months of 2015, corresponding to 22.8% until March 30, 27.5% until September 1, and 27.4% until September 30.

12. Other non-current assets

The composition of this caption mainly comprises (1) an estimated future recovery of Euro 85.7 and Euro 134.6 million related to the debt securities issued by Rio Forte on September 30, 2016 and December 31, 2015, and (2) Euro 1.4 and 6.4 million related to the value of the Call Option on September 30, 2016 and December 31, 2015, respectively.

Regarding the debt securities issued by Rio Forte, after having been made aware of the Report of the Judicial Administrators in the Rio Forte insolvency case (Rapport n° 4 des Curateurs), dated August 31, 2016, available at www.espiritasantoinsolvencies.lu, PHAROL began procedures to assess the financial, accounting and legal implications of the information contained in section 2.1.6., which is transcribed in a free translation as follows:

"Expected recovery

The information currently available to the Judicial Administrators does not allow an estimate of either the total recovery or the recovery to be made by the company currently in bankruptcy proceedings.

It cannot be excluded that judicial seizing and the eventual rights of third parties involved will prolong or even definitively prevent the bankrupt estate from recovering and distributing certain assets. In fact, it is not excluded that the judicial authorities have the objective of confiscating the assets now seized."

The Board of Directors of PHAROL, after taking appropriate measures and supported by the analysis of its advisers, concluded, based on the of principle of prudence, that the expected recoverability of the insolvent estate and, consequently, PHAROL's expected recoverability of its debt instruments of Rio Forte, have reduced. PHAROL's investment in the Rio Forte securities was initially valued at fair value upon initial recognition on March 30, 2015 and subsequently measured at amortized cost less any impairment losses. Based on the principles of IAS 39, taking into account available information, Management used its judgment in the definition of assumptions that culminated in a valuation of the amount due from Rio Forte at 85.7 million euros at September 30, 2016. This reflects an appraisal of some 9.5% of the nominal value, against approximately 15% of the nominal value at June 30, 2016, which resulted in the accounting for an impairment of € 48.8 million.

13. Accounts Payable

On September 30, 2016 and December 31, 2015, the composition of this caption is as follows:

	Euro	
	30 Sep 2016	31 Dec 2015
Current accounts payable		
Current suppliers	209,736	1,367,580
Others	1,136,689	361,558
	1,346,425	1,729,138

14. Accrued Expenses

On September 30, 2016 and December 31, 2015, the composition of this caption is as follows:

	Euro	
	30 Sep 2016	31 Dec 2015
Supplies and external services (i)	7,719,588	6,118,641
Vacation pay and bonuses	433,061	394,271
Others	19,288	26,684
	8,171,937	6,539,596

15. Provisions

On September 30, 2016 and December 31, 2015, the composition of this caption is as follows:

	Euro	
	30 Sep 2016	31 Dec 2015
Provisions for risks and costs		
Litigation	73,500	73,500
Taxes	2,358	2,358
	75,858	75,858

16. Consolidated Statement of Cash Flows

(a) Payments to suppliers

During the first nine months 2016, payments to suppliers mainly reflect payments, related to third party suppliers and consultants.

(b) Dividend payment

In the first nine months of 2016, this item refers to the dividend payment of Euro 0.03 per share.

(c) Acquisition of own shares

In the first nine months 2016, this item includes the amounts spent on the acquisition of own shares by PHAROL.

(d) Cash and cash and equivalents at the end of the period

On September 30, 2016 and 2015, the composition of this caption is as follows:

	Euro	
	30 Sep 2016	30 Set 2015
Cash	2,472	2,910
Demand deposits	12,767,152	20,107,628
Time deposits	18,900,000	57,011,367
	31,669,624	77,121,905

17. Guarantees and financial commitments

As at September 30, 2016 and December 31, 2015, this caption has the following composition:

	Euro	
	30 Sep 2016	31 Dec 2015
Provisions for risks and costs	384,314,678	384,314,678
Litigation	-	12,843,050
	384,314,678	397,157,728

(i) The bank and other guarantees presented to the tax authorities essentially include Euro 378 million related to the tax assessments received by PHAROL. The company presented legal challenges to these assessments and, in accordance with the Portuguese Law, provided collateral, in order to avoid the initiation of enforcement proceedings, which, in the absence of guarantee or payment of the contested tax, would continue until the request of a pledge of sufficient assets to cover the requested tax. The Portuguese Law, while always allowing for the appeal over taxes liquidated by the tax authorities, only suspends enforcement proceedings upon payment of the tax, or the provision of a guarantee. Providing a guarantee of security, thereby, avoids the payment of tax before the appeal decision or attachment of assets in enforcement proceedings. These guarantees were presented by PHAROL as the controlling company of the consolidated

tax in the years in question, even though, as at September 30, 2016, the contingencies associated to these guarantees are not the Company's responsibility, having been contractually transferred to Oi.

18. Related parties

a) Associated Companies and Joint Ventures

In the first nine months of 2016, there were no costs or revenues related to associated companies and joint ventures. In the first nine months of 2015, the costs related to associated companies and joint ventures amounted to Euro 681.470.

b) Other

During the periods years ended September 30, 2016 and December 31 2015, the fixed remuneration of the Board members, which was established by the Remuneration Committee, amounted to Euro 0.39 million and 1.4 million, respectively.

19. Shareholders with Qualified Holdings

The Company believes that it is relevant to disclose outstanding balances and transactions with its main shareholders, namely those with a qualified holding of more than 2% in PHAROL's share capital, and with all the entities reported by these shareholders as being part of the respective economic groups. The tables below present the balances as at September 30, 2016 and December 31, 2015, and the transactions occurred in September 30, 2016 and 2015 between PHAROL and the entities that are identified as shareholders with qualified holding and respective economic groups:

	30 Sep 2016		31 Dec 2015	
	Cash and cash equivalents	Accounts payable	Cash and cash equivalents	Accounts payable
Shareholder				
Banco Comercial Português, S.A. (i)	9,955,013	-	10,294,863	-
Novo Banco, S.A.	9,491,855	-	20,755,397	-
	19,446,868	-	31,050,260	-

	30 Sep 2016		30 set 2015	
	Costs and losses	Net interest income	Costs and losses	Net interest income
Shareholder				
Banco Comercial Português, S.A. (i)	10,091	19,740	-	-
Novo Banco, S.A.	1,383	40,069	855,466	3,736
	22,947	59,810	1,710,932	7,472

i) Transactions are only presented since the date of the start of the qualified holding.

20. Subsequent events

Oi's stock price evolution between September 30 and November 25, 2016 can be found below:

	30 Sep 2016	25 nov 2016
Oi ON Share Price (real)	3.700	2.710
Oi PN Share Price (real)	2.880	2.270
Exchange Rate real/euro	3.621	3.639
Oi ON Share Price (euros)	1.022	0.745
Oi PN Share Price (euro)	0.795	0.624

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Shareholders, investors, analysts and other interested parties should send their requests for information and clarifications (annual, half year, and quarter reports, press releases, etc.).

Depository bank

Deutsche Bank Trust Company Americas
ADR Division
Floor 27
60 Wall Street
New York 10005-2836
Fax: +1(732)544-6346

Holders of ADRs may also request additional information directly from PHAROL's depository bank for ADRs in New York.

Website

All publications and communications, as well as information regarding the businesses performed by the Company, are available on PHAROL's Internet page, at the following address: www.pharol.pt

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