



Announcement | Lisbon | 16 July 2019

Notice to the Market disclosed by Oi

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

PHAROL, SGPS S.A.

Public Company
Share capital Euro 26,895,375
Registered in the Commercial
Registry Office of Lisbon and
Corporation no. 503 215 058

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

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Oi S.A. – In Judicial Reorganization

Corporate Taxpayer Registry [CNPJ] 76.535.764/0001-43

Board of Trade [NIRE] No. 33.3.0029520-8

Publicly-Held Company

MATERIAL FACT

Oi S.A. – In Judicial Reorganization [“Oi” or the “Company”], in compliance with Article 157, paragraph 4, of Law No. 6,404/76, pursuant to CVM Instructions Nos. 358/02 and 480/09, and in addition to the Notices to the Market dated December 3, 2018 and January 14, 2019, informs its shareholders and the market in general that it announced its strategic plan on this date, pursuing strategic alternatives for the future, with a focus on the improvement of operational and financial performance with a sustainable business model, for the purpose of maximizing enterprise value, in the context of the judicial reorganization process.

In accordance with the best corporate governance practices, Oi stresses that the aforementioned plan contemplates projections and estimates [guidance] of the following indicators, based on reasonable assumptions, which are subject to various factors, many of which are not nor will be under the control of the Company:

Indicator	2019 - 2024
Net Service Revenues	CAGR ¹ > 2%

Indicator	2019
Routine EBITDA (R\$ billion)	Between 4.5 - 5.0

Indicator	2019 - 2021
Routine EBITDA	CAGR ¹ 15% - 20%

¹Compound Annual Growth Rate

The presentation about the approved strategic plan, as well as the assumptions that supported the preparation of such projections and estimates, is available for download on the Company’s website (www.oi.com.br/ri) and on the Empresas.NET System of the CVM

[www.cvm.gov.br], as well as the website of B3 S.A. - Brasil, Bolsa, Balcão [www.bmfbovespa.com.br]. The Company has also furnished an English translation of the presentation to the U.S. Securities and Exchange Commission under cover of Form 6-K.

The Company will keep its shareholders and the market informed of any development of the subject matter of this Material Fact.

Rio de Janeiro, July 16, 2019.

Oi S.A. – In Judicial Reorganization

Carlos Augusto Machado Pereira de Almeida Brandão
Chief Financial Officer and Investor Relations Officer

Special Note Regarding Forward-Looking Statements

This Material Fact contains forward-looking statements. Statements other than historical facts, including statements of the Company's beliefs and expectations, business strategies, future synergies, cost savings, future costs and future liquidity, are forward-looking statements.. The words "will", "must", "should", "could", "anticipates", "intends", "believes", "estimates", "expects", "predicts", "plans", "targets", "objective", "projects", "forecasts" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. There is no guarantee that the expected events, tendencies or expected results will actually occur. Such statements reflect the current view of the Company's management and are subject to various risks and uncertainties. These statements are based on several assumptions and factors, including general economic and market conditions, industry conditions, corporate approvals, operating factors and other factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations. All forward-looking statements attributable to the Company or its affiliates, or people acting on their behalf, are expressly qualified in their entirety by the cautionary notices set forth in this paragraph. No undue reliance should be placed on these statements. Forward-looking statements speak only as of the date on which they were made. Except as otherwise required by federal securities laws of Brazil or of the U.S., or by the rules and regulations of the CVM, the SEC, or applicable regulatory authorities of other countries, the Company and its affiliates do not have any intention or obligation to update or publicly announce the results of any revisions to any of its forward-looking statements to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting forward-looking statements. However, it is advisable to consult other disclosures made by the Company on matters related to reports and communications filed by the Company within the CVM and the SEC.

STRATEGIC PLAN PRESENTATION

RIO DE JANEIRO, JULY 2019





IMPORTANT NOTICE

This presentation contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and the applicable Brazilian regulations. Statements that are not historical facts, including statements regarding the beliefs and expectations of Oi – under Judicial Reorganization (“Oi” or “Company”), business strategies, future synergies, cost savings, future costs and future liquidity are forward-looking statements.

The words “will”, “may”, “should”, “could”, “anticipates”, “intends”, “believes”, “estimates”, “expects”, “forecasts”, “plans,” “aims” and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. There is no guarantee that the expected events, tendencies or expected results will actually occur. Such statements reflect the current views of the Company’s management and are subject to a number of risks and uncertainties. These statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, corporate approvals, operational factors and other factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations. All forward-looking statements attributable to the Company or its affiliates, or persons acting on their behalf, are expressly qualified in their entirety by the cautionary statements set forth in this notice. Undue reliance should not be placed on such statements. Forward-looking statements speak only as of the date they are made.

Except as required under the Brazilian and U.S. federal securities laws and the rules and regulations of the CVM, the SEC or other regulatory authorities in other applicable jurisdictions, the Company and its affiliates do not have any intention or obligation to update, revise or disclose any changes to any of the forward-looking statements herein in order to reflect current or future events or their developments, changes in assumptions or changes in other factors affecting the forward-looking statements herein. You are advised, however, to consult any further disclosures the Company makes on related subjects in reports and communications that the Company files with the CVM and the SEC.



OI: TRANSFORMATION OF THE COMPANY - LEADERSHIP IN FIBER AND INFRASTRUCTURE, SHAREHOLDER VALUE CREATION BY PURSUING STRATEGIC OPTIONS



FIBER: UNDISPUTABLE LEADER IN FIBER AND INFRASTRUCTURE

- Leveraging non-replicable network to become the FTTH¹ national leader and 5G enabler in the country
- 4.6m homes expected to be passed by YE2019; 16m expected by YE2021; ~30m potential homes with attractive return
- 30% expected to be CAGR 2019-24, offsetting revenue decline in copper by YE2021
- Accelerating wholesale operations → almost doubling expected revenues by YE2024 to achieve market leadership



MOBILE: OPTIMIZE AND CAPTURE ALL POCKETS OF VALUE TO MAXIMIZE STRATEGIC OPTIONALITY

- Leveraging network capacity to grow → expect full year growth in mobile revenues² in 2019
- Exploring all strategic options to maximize shareholder value



MATERIAL INCREMENTAL COST REDUCTIONS: R\$ 1BN+ NET ANNUAL COST REDUCTIONS³

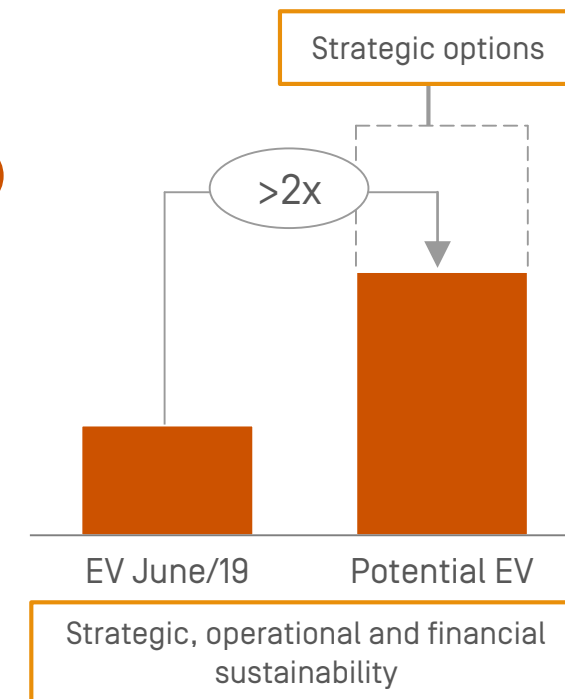
- To be achieved by YE 2021, above and beyond existing cost reduction efforts
- Sustainable cost reduction opportunities identified
- Expected EBITDA growth from 2019-2021
- Signs of revenue stabilization since Feb/2019 and expected >2% revenue CAGR 2019-24



DIVESTMENT OF NON-CORE ASSETS AND CASH INFLOWS: POTENTIAL IMPACT OF R\$ 12.5-14.5BN⁴

- Non-core assets: R\$ 6.5-7.5bn
- PIS/Cofins: R\$ 2.1-3.1bn → R\$ 2.1bn already under a favorable decision

Significant sum of the parts, focus on **maximizing shareholder and enterprise value**



1. Fiber to the home; 2. Customer revenues, excluding interconnection and devices 3. Net of cost to achieve 4. Includes R\$ 4bn from capital increase in 1Q2019

OI REVISITED ITS BUSINESS STRATEGY AND POSITIONING IN ORDER TO MAXIMIZE SHAREHOLDER AND ENTERPRISE VALUE

All business segments individually assessed and portfolio logic considered, including divestments



Focus on competitive advantages



Effective capital allocation



Financial discipline to fund the plan

The Board has worked closely with Management and independent advisors¹



Heavy involvement and collaboration



Regular meetings to redesign strategy



Strong alignment to optimize execution

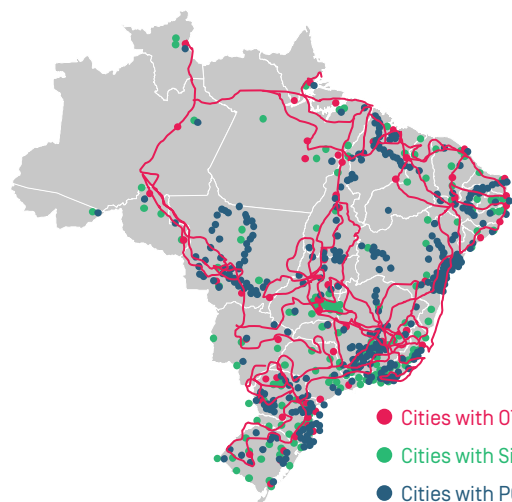
1. Advisors include Boston Consulting Group, Oliver Wyman and Bank of America Merrill Lynch





STRATEGIC FOCUS: LEADERSHIP IN FIBER AND INFRASTRUCTURE, LEVERAGING NON-REPLICABLE AND LARGEST HIGH-CAPACITY NETWORK

Leading starting point and superior capacity to provide fiber and enable 5G countrywide



- 363,000 Km of fiber NW – 2x larger than 2nd competitor
- 2,270 cities served with fiber – 1.000 cities more than 2nd competitor
- All IP core needs in process to be met during the next 3 years
- 43,000 Km of ducts – highest integrated infrastructure in Brazil



Fiber will be the heart of our strategy, playing a critical role in all segments



Broadband

Seeking FTTH leadership



Wholesale

National provider



TV

IPTV Migration



B2B

Connectivity capillarity



Mobile

5G enabler

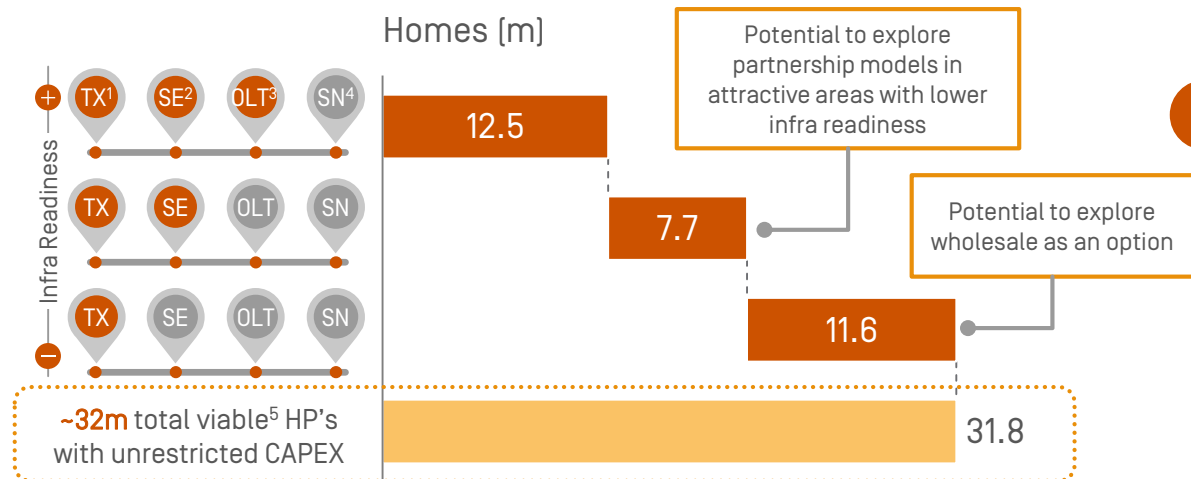


BROADBAND: STRENGTHENING COMPETITIVE ADVANTAGE IN FIBER THROUGH ACCELERATION OF FTTH DEPLOYMENT

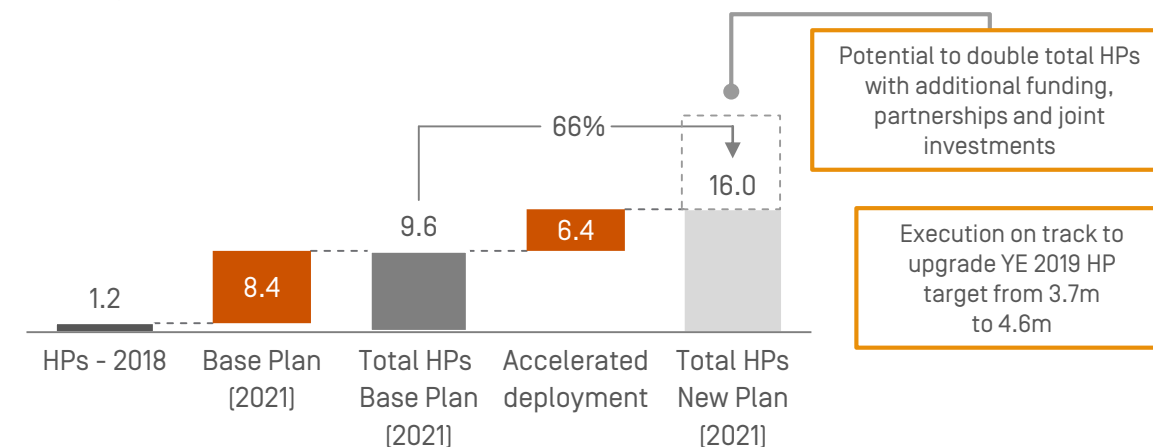
Opportunity to deploy FTTH using the reuse approach - faster and cheaper - with evaluation of partnership models to accelerate fiber

Potential additional HPs:

● Existing layer ● Layer to be built



Accelerated deployment expected to enable 4.6m homes passed by YE 2019 and 16m homes passed by YE 2021 – ~66% higher than initially announced



Deployment strategy expected to be developed in **three tiers**, depending on regional competitive context

- Direct competition through investments
- Partnerships to accelerate deployment
- Enablement of smaller cities with transport infrastructure and additional services

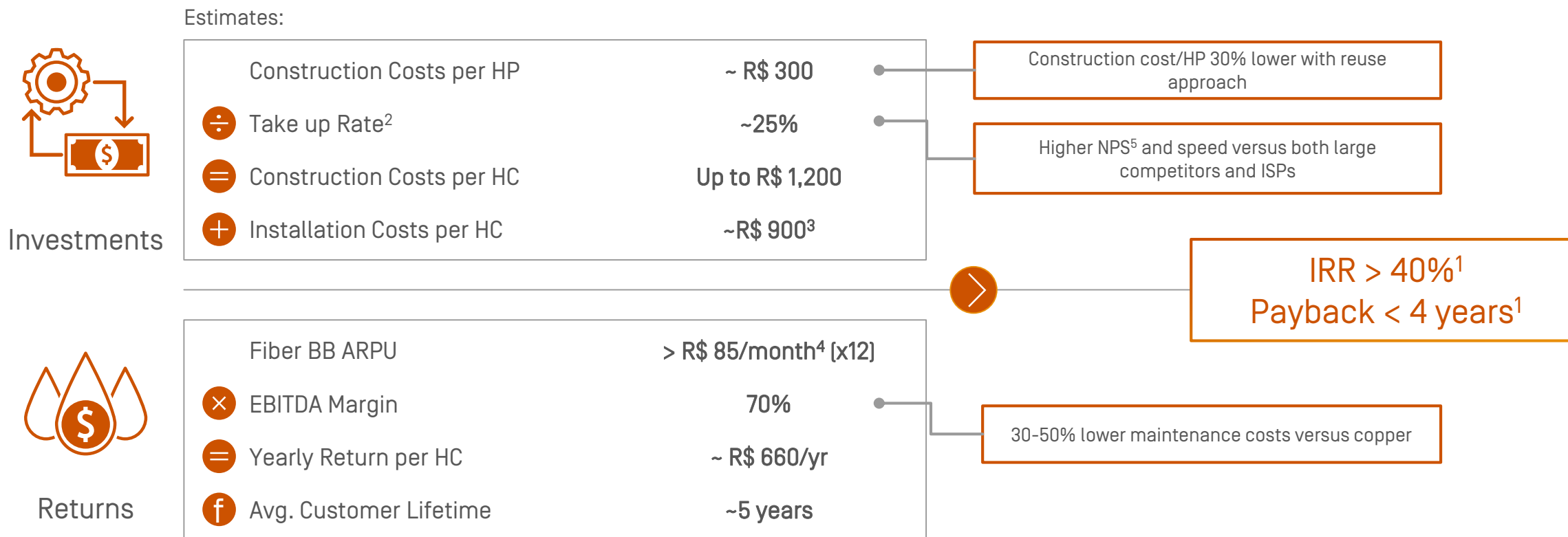
Oi plans to deploy ~15m homes passed between 2019-2021

1. TX=Transmission 2. SE=Single Edge 3. OLT=Optical Line Terminal 4. SN=Secondary NW; 5. Positive NPV considering discount rate @12%
Source: Oi internal data



FTTH HAS VERY ATTRACTIVE POTENTIAL RETURNS (IRR>40%¹) AND IS EXPECTED TO BE A KEY DRIVER OF FUTURE EBITDA AND CASH FLOW

FTTH business case breakdown based on achieved data – unitary economics for a new customer

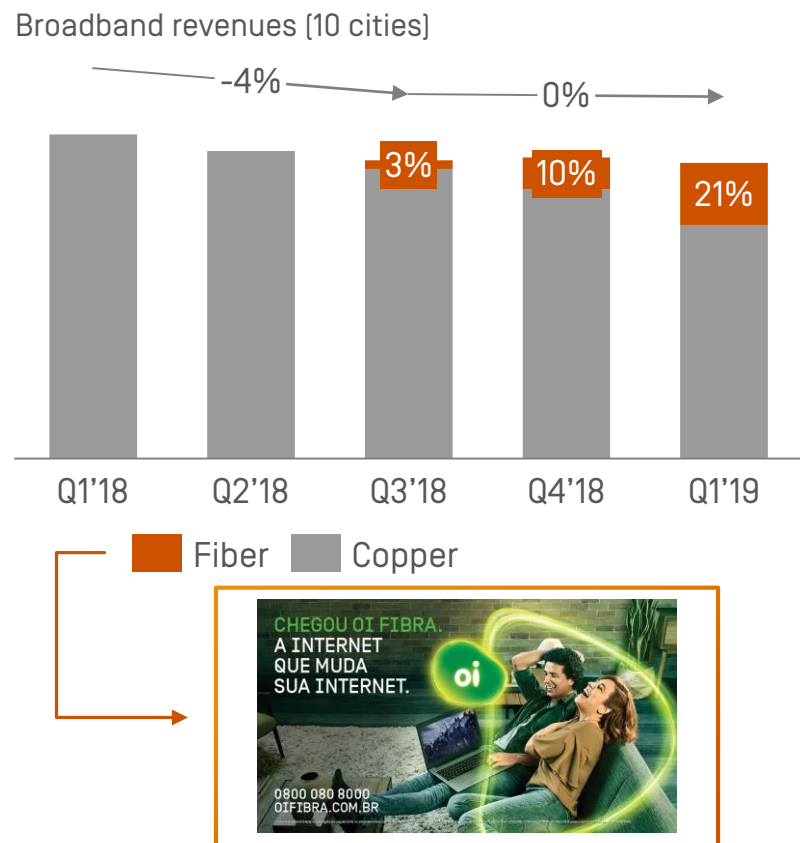


1. Pre-tax calculations. IRR post-tax > 30% 2. Percentage of potential new clients – refers to the adoption rate of the service [homes connected/homes passed]
 3. Considers only direct potential costs – does not include taxes or other indirect costs, ie. SG&A 4. Includes IPTV and Oi Play bundles. No price increase assumed in IRR calculations
 5. NPS = Net Promoter Score
 Source: Oi internal data



OUTSTANDING COMMERCIAL RESULTS IN ALL 10 CITIES LAUNCHED IN 2018—FASTER TAKE-UP THAN EXPECTED, LOWER CHURN RATE AND SUPERIOR QUALITY

Revenues stabilized due to the strong growth of FTTH in the 10 cities analyzed ...



... driven by strong take-up rates, lower churn and superior quality

KPIs from 10 cities launched in 2018



Fiber Take-Up

8% average take-up after 3-5 months of implementation¹, reaching up to 11% in 3 months in best case cities

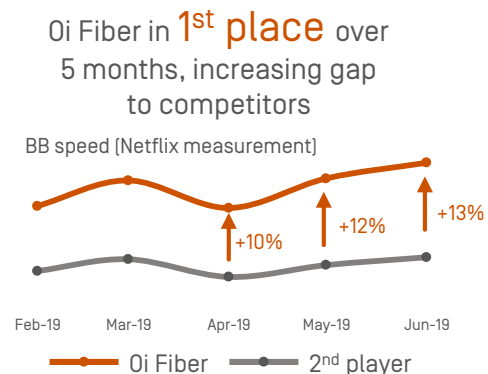


Broadband Churn Reduction

70% avg. churn reduction vs. copper, reaching up to 80% in best case cities



Netflix ISP Broadband Speed Ranking

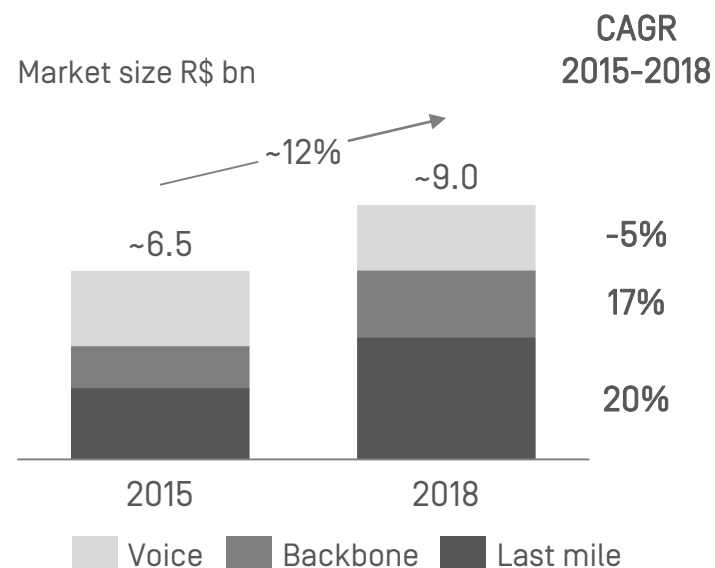


1. Excludes Petropolis (10 months of average HP aging) and Montes Claros (2 months) from the group of 10 cities analyzed. Business case assumes run-rate of 25% after 3 years
Source: Oi internal data; Netflix ISP Ranking



WHOLESALE: NATIONAL PROVIDER OF TRANSPORT NETWORK AND ENABLER OF 5G INFRASTRUCTURE IN BRAZIL, ACCELERATING WHOLESALE OPERATIONS

2018 market size estimated at ~R\$ 9bn with a CAGR of 12% driven by last mile demand



Oi plans to expand opportunities to exploit full potential of unregulated fiber market, leveraging a non-replicable infrastructure...



IP connections

- Sell IP connections to ISPs



Fiber to the Site/Tower

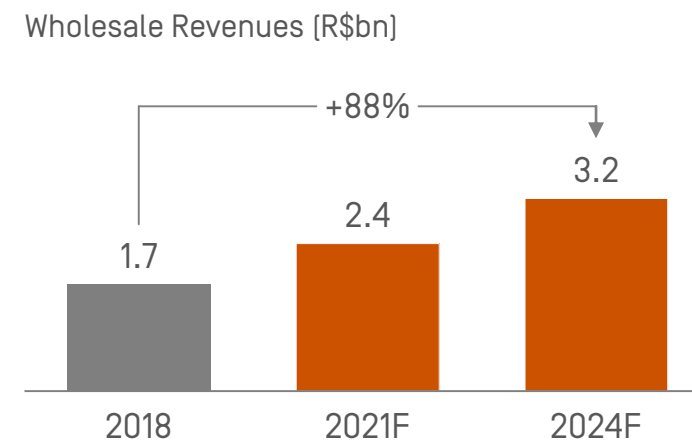
- Expand to cope with growing data demand



Passive Infrastructure Sharing

- Expand duct/fiber sharing with other operators and ISPs

... expected to almost double wholesale revenues by 2024, focusing growth on non-regulated revenues



Typical wholesale margins of international infrastructure providers of > 45%¹

Strategy expected to preserve and emphasize Oi's leadership role in infrastructure in Brazil

1. Examples: Openreach 49%; Telstra Wholesale: 59%; Telxius: 47%; Globenet: 80%
Source: Ovum; Anatel; Oi internal data; Oi estimates



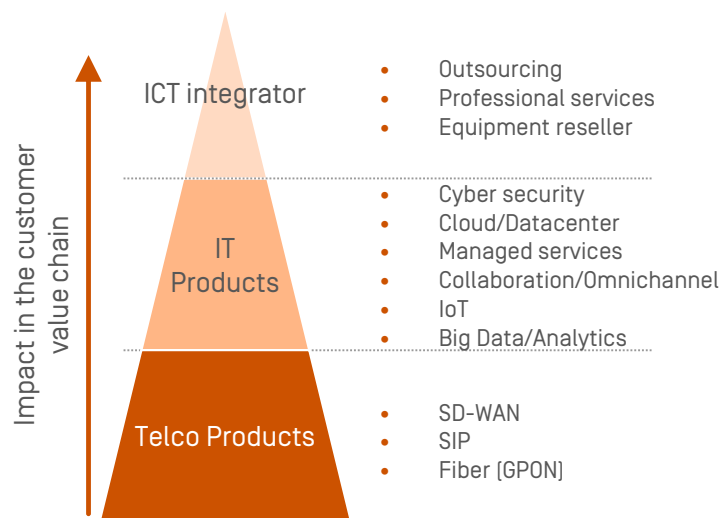
B2B: AGGRESSIVE GROWTH IN ICT SERVICES — ACCELERATING POSITIONING AS A SOLUTIONS INTEGRATOR, LEVERAGING THE CAPILLARITY AND ROBUSTNESS OF OUR FIBER NETWORK

New positioning—Oi Solutions

- Integrator and provider of telecom and ICT¹ solutions
- Strategy beyond services or products, seeking to bring complete solution to the customer
- Value added to the client through an advisory and customized positioning



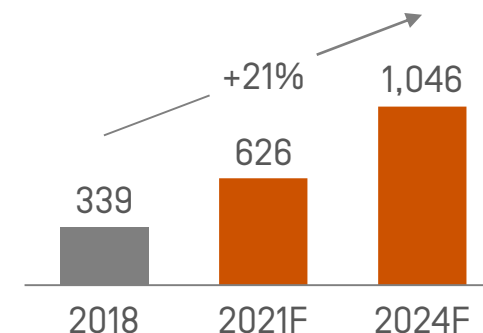
Comprehensive portfolio of ICT solutions



- + Partnerships with startups and consolidated IT players
- + Management experience in NOC, SOC and IT Infra
- + Showroom and Oi Labs to demonstrate solutions

ICT revenue is expected to be the main driver of segment growth, offsetting total revenues decline from 2021 onwards

ICT revenues (R\$ m)



ICT as a % Corporate revenues

Year	ICT as a % Corporate revenues
2018	10%
2021F	20% F
2024F	32% F

CAGR Corporate revenues

Period	CAGR Corporate revenues
18'-21F'	-3.2%
21F'-24F'	1.8%

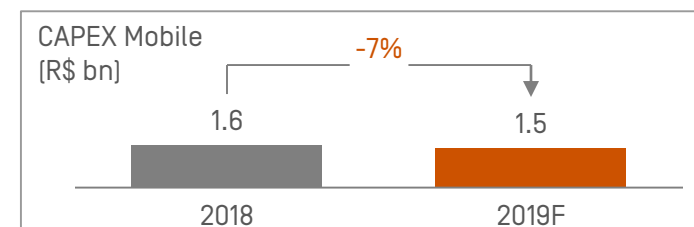
New positioning expected to revamp our B2B segment and offset trend in Corporate revenues decline

1. ICT = Information and communication technology
Source: Oi internal data

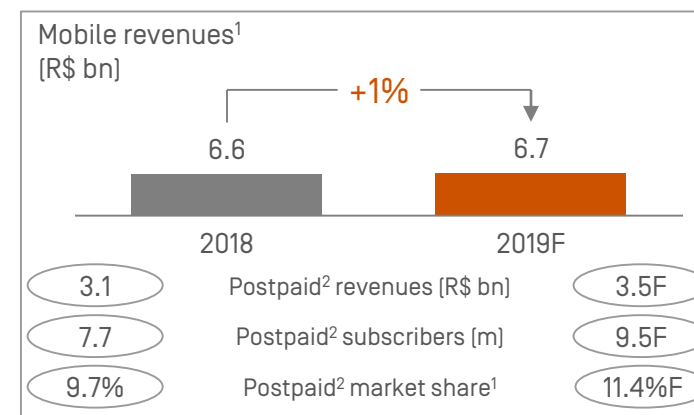


MOBILE: MAXIMIZE VALUE CAPTURE, LEVERAGING EXISTING CAPACITY, COMPETITIVE PRODUCT PORTFOLIO AND REFARMING OF 1.8 GHZ SPECTRUM TO 4G AND 4.5G

Rationally invest in 1.8 GHz site refarming to 4G and 4.5G to defend postpaid base, using ample spectrum available



Capture market share in high value segments using the existing capacity in 1.8 GHz and maintaining successful commercial strategy in postpaid



Oi expects to capitalize on postpaid, leverage infrastructure in preparation for 5G and explore all strategic options to maximize shareholder value

1. Customer revenues - does not include interconnection and devices revenues 2. Includes Pure Postpaid and Control
Source: Anatel, Oi internal data

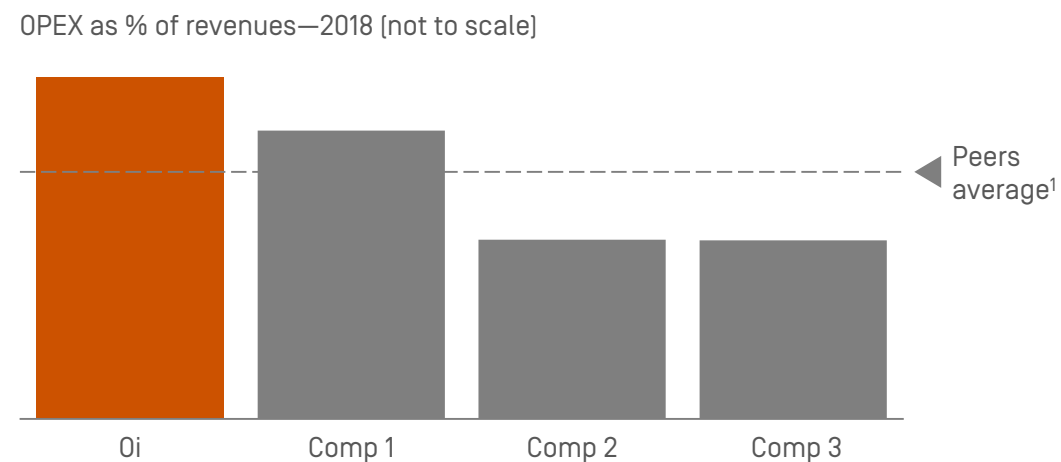


OPERATIONAL SIMPLIFICATION: OI PLANS TO ENGAGE THE ORGANIZATION TO SIMPLIFY THE OPERATING MODEL WITH FOCUS ON EFFICIENCY AND DIGITAL TRANSFORMATION TO ENABLE STRUCTURAL COST REDUCTION

Deep structural cost take-out and digital programs in five main workstreams ...

	Sales & Mktg	<ul style="list-style-type: none"> Portfolio simplification Customer journey simplification Sales channel footprint review
	Organizational Processes	<ul style="list-style-type: none"> Process re-design and digitalization (simplification and automation) Structure review based on process re-design Optimization across companies of the group
	IT	<ul style="list-style-type: none"> Simplification of IT and systems architecture Service portfolio review Project portfolio review
	Procurement	<ul style="list-style-type: none"> Rigorous demand management Supplier rationalization and specifications
	Network	<ul style="list-style-type: none"> Value-based rollout Energy efficiency

... to reach peers' OPEX/Revenues average and reduce Oi's recurrent cost base by R\$ 1bn+



R\$ 1bn+ net cost reduction²
 on annual base cost, over and above existing efforts, expected to be implemented by YE 2021

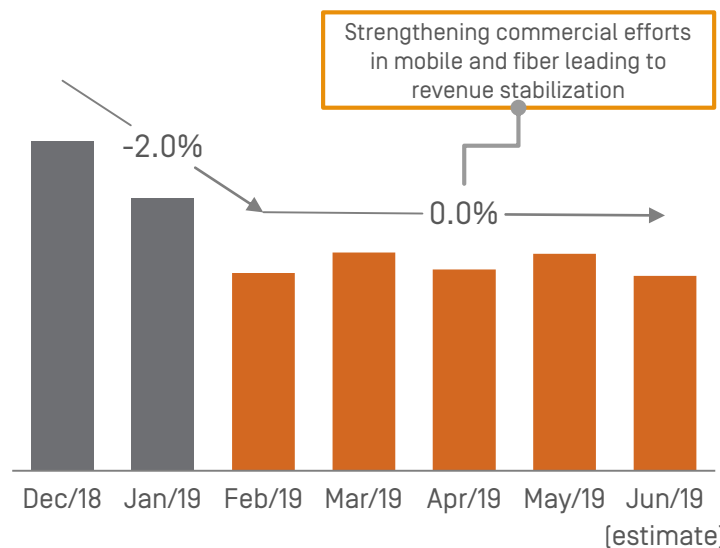
1. Peers average in the period of 2018; 2. Net of costs to achieve
 Source: Companies financials, Oi internal data



OI IS FULLY FOCUSED ON IMPROVING OPERATIONAL AND FINANCIAL PERFORMANCE, INCREASING REVENUES AND EBITDA WITH A SUSTAINABLE BUSINESS MODEL

Initial signs of sequential monthly revenue stabilization since February 2019 - expected revenues CAGR >2% until 2024

Total monthly revenue, R\$bn (not to scale)



>2%
Revenue CAGR
2019-2024F

Business transformation, investments and operational simplification driving expected EBITDA growth to 15-20% CAGR until YE 2021

15-20%
EBITDA CAGR¹
2019-2021F

Improving EBITDA expected to be driven by fiber investments, mobile strategy, wholesale growth and cost reduction

Room for further improvement through structural transformation

Significant increase from 4.5-5.0 expected in 2019, where there is EBITDA pressure due to:

- Increasing commercial efforts due to strong traction seen in fiber and mobile
- FX headwinds (Real depreciation) on foreign currency costs
- Downward trends in copper revenues (to be offset by fiber by 2021)



Oi is committed to improving financial performance and delivering sustainable results

1. Excluding any impact from possible regulatory regime changes
Source: Oi internal data



TO FUND THE STRATEGY, OI PLANS TO DIVEST NON-CORE ASSETS AND RELEASE CASH THROUGH NON-OPERATIONAL ACTIONS, WITH POTENTIAL IMPACT OF R\$ 12.5–14.5BN

Divestment of non-core assets with potential cash-in of ~ R\$ 6.5-7.5bn

Asset	Estimated timing	Estimated value
Towers	4Q 2019	R\$ 6.5–R\$ 7.5bn 70-80% of Oi's Market Cap (@July/19)
Data Center	1H 2020	
Unitel + Arbitration	4Q 2019	
Real Estate ¹	1Q 2021	
Other Non-Strategic	4Q 2020	

Capital increase and PIS/COFINS credits amount to ~ R\$ 6-7bn

Event	Estimated value	Status
Capital increase	R\$ 4.0bn	Realized in Q1'19 ✓
PIS/COFINS credits	R\$ 2.1~3.1bn	R\$ 2.1bn w/favorable decision already. R\$ 1.0bn under legal process ✓

~R\$ 650m expected in 2019, starting in Q3

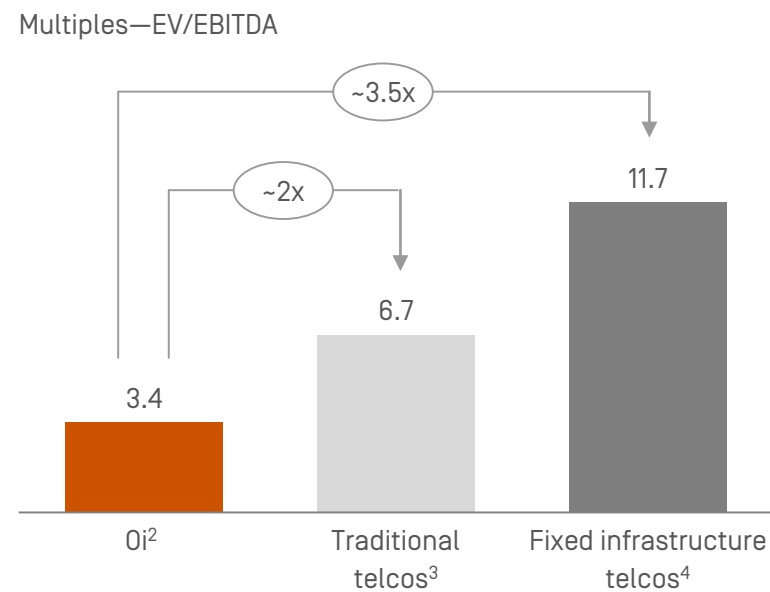
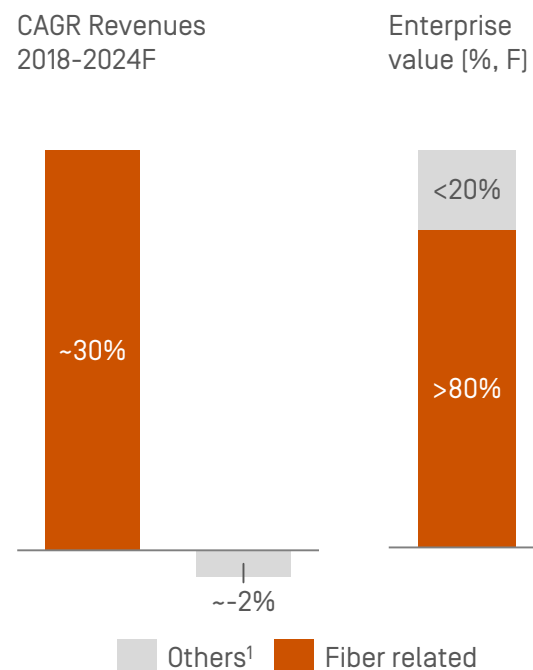
✓ Completed ✓ Close to Completion

1. Immediately divestible under current regulatory conditions
Source: Oi estimates

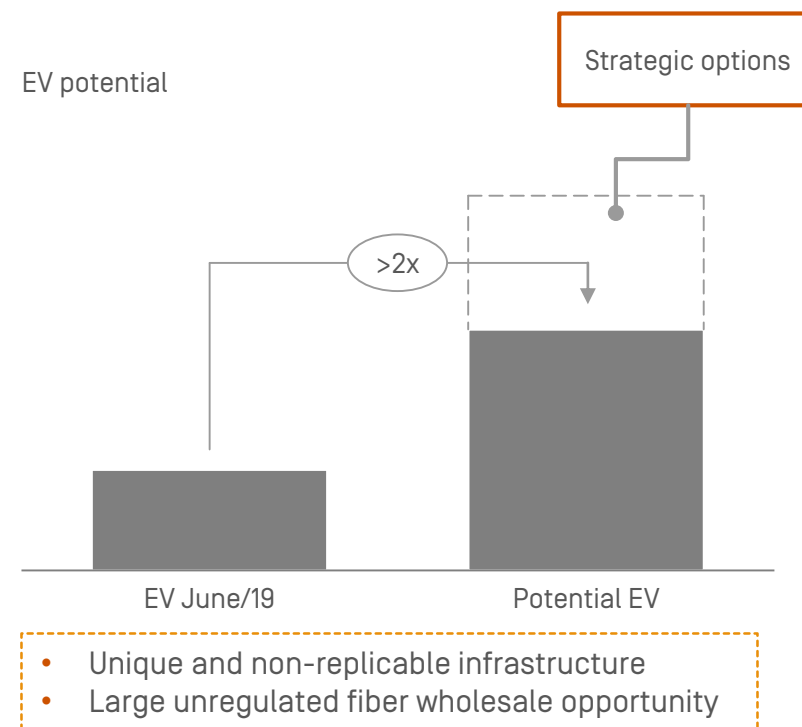


IN SUMMARY: OI PLANS TO BECOME THE LEADER IN FIBER AND INFRASTRUCTURE—POTENTIAL TO INCREASE MULTIPLE THROUGH FIBER-CENTRIC MODEL AND VALUE FROM STRATEGIC OPTIONS

Potential to increase multiple through adoption of a fiber-centric model ...



... and to unlock and capture significant value from strategic options



Sustainable business model, focused on core competitive advantages

1. Mobile and Copper; 2. Considers market cap R\$ 9.4 bn, net debt R\$ 10.1 bn and EBITDA 2018 R\$ 5.8 bn 3. Traditional telcos: avg. of Vivo, TIM Brasil, America Móvil, Verizon, Deutsche Telekom, AT&T, T Mobile, Telstra, Vodafone; 4. Fixed Infrastructure telcos: Uniti, Zayo, Chorus, GTT, Cogent, CETIN (PrivateCo, considering post-separation FY 2015 numbers)
 Source: Oi Internal data; Oi estimates

