

RESULTS
3Q18

oi

Rio de Janeiro, November 14, 2018



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QUARTER HIGHLIGHTS

- **Oi anticipates the beginning of the investment cycle provided in the Incremental CAPEX Plan, leveraging the robustness and capillarity of its network, enabling the expansion of the fiber broadband service to the client's house and the expansion of 4G and 4.5G coverage.**
 - ✓ Capex reached R\$1.5 billion in the quarter, up 12.2% year-over-year and 10% quarter-over-quarter.
- **The network reuse approach to promote the massification of fiber leverages the structuring strategy for growth of high speed broadband.**
 - ✓ At the end of October, Oi reached the year's target of 25 cities with FTTH and the expectation is to end 2018 with over 1 million HPs with FTTH.
- **Ongoing improvement of the operational efficiency and strict control of costs.**
 - ✓ In 3Q18, routine Opex fell 8% year-over-year, decrease of 12% in real terms, considering the inflation in the period.
- **Revenue from Mobile segment had positive results and sequential performance better than the market, with new portfolio of plans.**
 - ✓ In 3Q18, mobile customer revenue reversed the downward trend, up 1.9% over the previous quarter.
- **Residential segment reduced pace of decline in revenue, sustained by Pay TV growth above the market and greater intensification of commercial activity with regionalized market approach in broadband.**
 - ✓ Sequential decline in revenue was 1.5% in 3Q18, comparing to 3.9% in 2Q18.
- **B2B had an increase in new contracted revenues and is increasingly offering digital services.**
 - ✓ Company focuses on IT services and digitization and reinforces the customer loyalty and retention of Corporate clients.
- **EBITDA is in line with the Judicial Reorganization Plan.**
 - ✓ Routine EBITDA from Brazilian operations totaled R\$ 1.45 billion in 3Q18, with a routine EBITDA margin of 26.8%.



QUARTER REFLECTS THE IMPLEMENTATION OF THE PLAN FORESEEN IN THE RECOVERY OF THE COMPANY, WITH EBITDA IN LINE, COST REDUCTION AND CAPEX ACCELERATION

Financial Highlights

R\$ million

| | 3Q18 | 3Q17 | y.o.y. | 2Q18 | q.o.q. |
|--|--------------|--------------|----------------|--------------|----------------|
| Brazil | | | | | |
| Net Service Revenues¹ | 5,382 | 5,863 | -8.2% | 5,452 | -1.3% |
| Residential | 2,084 | 2,321 | -10.2% | 2,114 | -1.5% |
| Personal Mobility | 1,765 | 1,884 | -6.3% | 1,756 | 0.6% |
| <i>Customers²</i> | <i>1,670</i> | <i>1,761</i> | <i>-5.1%</i> | <i>1,638</i> | <i>1.9%</i> |
| B2B | 1,474 | 1,596 | -7.6% | 1,524 | -3.3% |
| Net Customer Revenues² | 5,230 | 5,676 | -7.9% | 5,280 | -0.9% |
| Routine OPEX | 3,977 | 4,321 | -8.0% | 3,934 | 1.1% |
| Routine EBITDA | 1,454 | 1,597 | -9.0% | 1,555 | -6.5% |
| Routine EBITDA Margin | 26.8% | 27.0% | -0.2 p.p. | 28.3% | -1.6 p.p. |
| Capex | 1,502 | 1,339 | 12.2% | 1,366 | 10.0% |
| Routine EBITDA – Capex | -49 | 258 | -118.9% | 190 | -125.7% |



POSTPAID WITH CONSISTENT GROWTH SUPPORTING THE REVERSAL OF REVENUE. PREPAID REFLECTS THE CLEANING OF THE BASE. B2B REMAINS STABLE WITH MOBILITY AND TV OFFSETTING THE DECREASE IN FIXED LINE

Operational Highlights

Thousands of UGRs

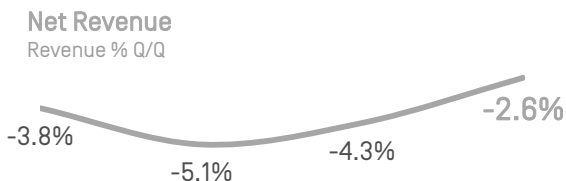
| | 3Q18 | 3Q17 | y.o.y. | 2Q18 | q.o.q. |
|--------------------------|-----------------|-----------------|--------------|-----------------|--------------|
| Total - Brazil | 58,832 | 62,931 | -6.5% | 59,071 | -0.4% |
| Residential | 15,173 | 16,121 | -5.9% | 15,413 | -1.6% |
| Fixed line | 8,578 | 9,465 | -9.4% | 8,821 | -2.7% |
| Broadband | 5,016 | 5,207 | -3.7% | 5,049 | -0.7% |
| Pay TV | 1,579 | 1,449 | 9.0% | 1,544 | 2.3% |
| Residential ARPU | R\$ 80.2 | R\$ 81.1 | -1.2% | R\$ 79.4 | 1.0% |
| Personal Mobility | 36,454 | 39,626 | -8.0% | 36,477 | -0.1% |
| Prepaid | 29,099 | 32,807 | -11.3% | 29,443 | -1.2% |
| Postpaid | 7,355 | 6,820 | 7.8% | 7,033 | 4.6% |
| B2B | 6,565 | 6,543 | 0.3% | 6,541 | 0.4% |
| Fixed line | 3,561 | 3,685 | -3.4% | 3,580 | -0.5% |
| Broadband | 538 | 539 | -0.1% | 542 | -0.6% |
| Mobile | 2,452 | 2,307 | 6.3% | 2,407 | 1.9% |
| Pay TV | 13 | 12 | 11.9% | 13 | 5.5% |
| Public phones | 640 | 641 | -0.1% | 640 | -0.1% |



COMMERCIAL INTENSIFICATION WITH A MORE REGIONALIZED APPROACH CONTRIBUTES TO A SEQUENTIAL DECELERATION OF THE DECREASE IN RESIDENTIAL REVENUE

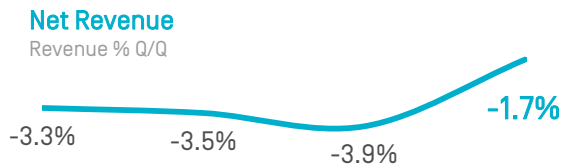
LAND LINE

Fixed Line continued to decline in voice revenues, in line with the market trend.



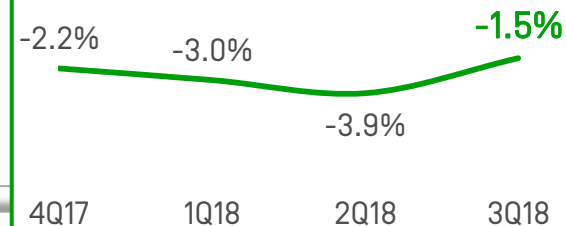
BROADBAND

Intensification of the commercial activity with regional differentiation has contributed to an improvement in the revenue trend curve.



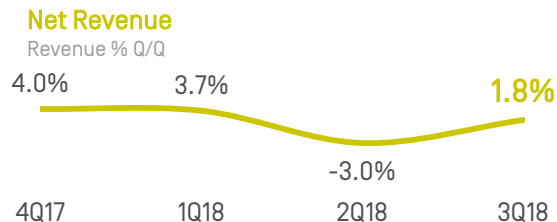
Residential Revenue

R\$ million



TV

TV revenue continues to rise above market rates.

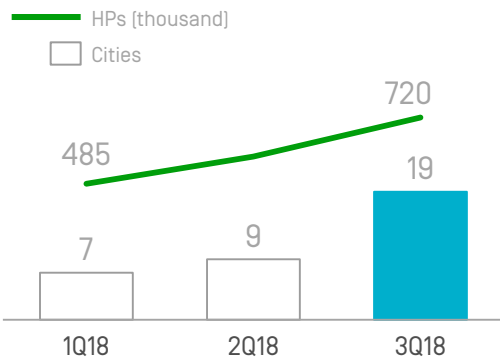




THE NETWORK REUSE APPROACH FOR MASSIFICATION OF FIBER LEVERAGES THE STRUCTURING STRATEGY FOR GROWTH OF HIGH SPEED BROADBAND

Fiber Acceleration

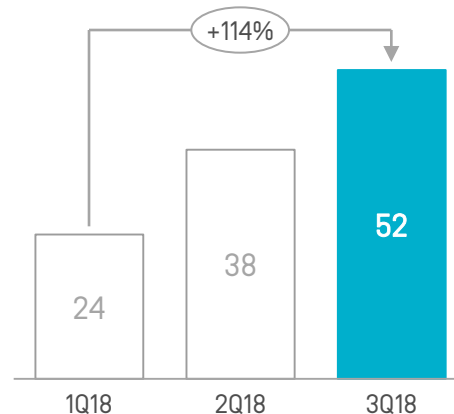
- ✓ At the end of October we reached the year's target of 25 cities with FTTH;
- ✓ The expectation is to end 2018 with over 1 million HPs with FTTH.



Customers Base

In thousands

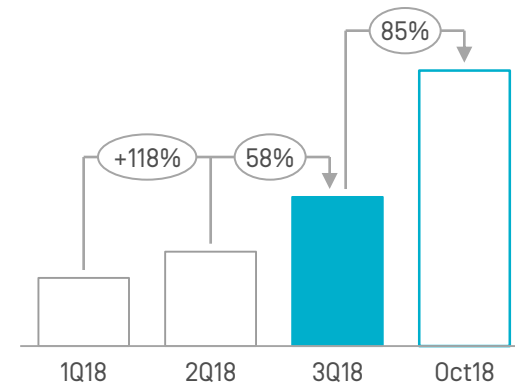
- ✓ The strategy is to increase the Fiber base, leveraging the monetization with the penetration of bundles including voice, data and content.



Net Sales

Monthly Average

- ✓ The reuse allows a faster and less costly rollout;
- ✓ A model guided by commercial demand ensures success in accelerating sales.



- ✓ Building a network in cells of high demand and high use of the existing network, with higher time-to-market and deployment cost on average 30% lower than with the traditional approach;
- ✓ Commercial management by micro regions focusing on the highest commercial efficiency.



THE NEW PORTFOLIO OF POSTPAID AND PREPAID PLANS STARTED TO PRODUCE POSITIVE RESULTS, WITH SEQUENTIAL REVENUE GROWTH AND BETTER PERFORMANCE THAN THE MARKET

The simplification and innovation of new offers, the commercial intensification and regionalized strategies led to the acceleration of the sequential revenue growth.

POSTPAID



OI'S POSTPAID PLAN FOR THE ENTIRE FAMILY: Surf the web with up to 50GB of internet, make unlimited calls and add up to 4 dependents.

Offers starting at R\$84.90/month



CONTROL

MELHOR PREÇO

INTERMEDIÁRIO

6GB

4 GB + 2 GB de bônus

Incluído no plano:

ILIMITADO

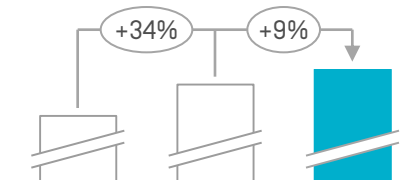
- Ligações ilimitadas
- 1000 SMS
- OI WIFI

54,99 /MÊS

No cartão de crédito

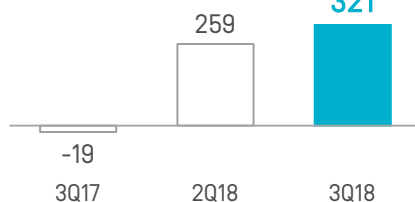
Gross

In thousands



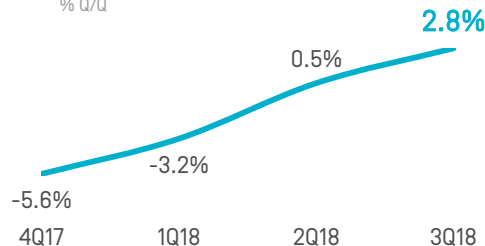
Net adds

In thousands



Net Revenue - Postpaid + Control

% Q/Q



PREPAID

MELHOR PREÇO

NOVO OI LIVRE

4GB

3GB + 1GB de bônus

Incluído na oferta:

ILIMITADO

Minutos ilimitados Recarga de

900 SMS

RS 30

VALE O MES TODO

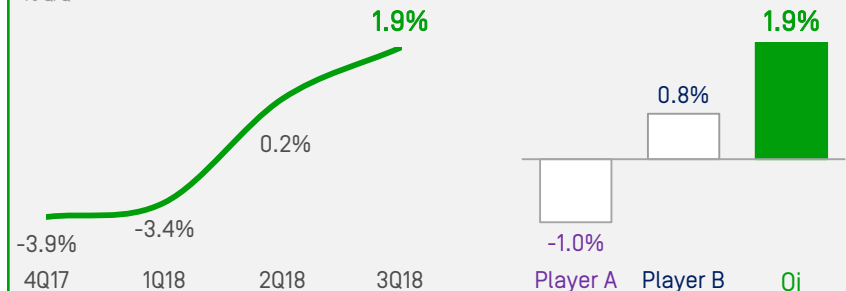
Net Revenue - Prepaid

% Q/Q



Net Revenue - Mobile Customers¹

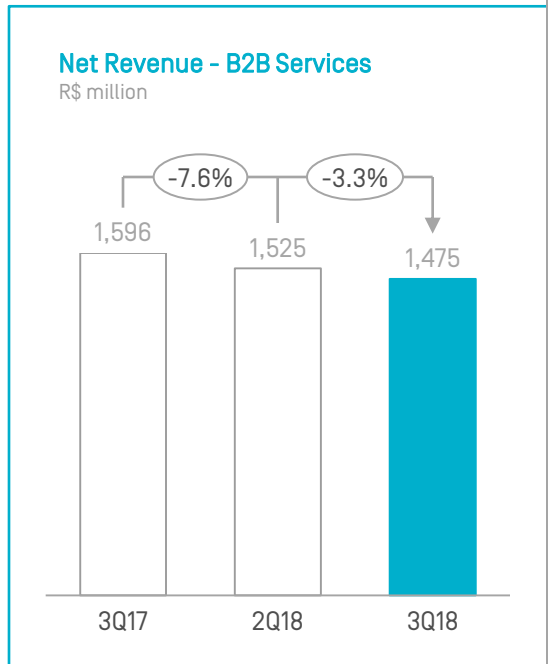
% Q/Q



1- Includes long distance Revenue



B2B REMAINS FOCUSED ON THE STRATEGIES EXECUTION TO LEVERAGE COMMERCIAL ACTIVITY AND REVENUE TURNAROUND



Corporate

Expanded **CAPILLARITY AND COMMERCIAL ACTIVITY...**

New Revenues Contracted (Total) - R\$

3Q17 3Q18

...offering **DIGITAL and IT SOLUTIONS.**

..

New Revenues Contracted (IT) - R\$

3Q17 3Q18

...and **CUSTOMER LOYALTY and RETENTION.**

SMEs¹

REGIONALIZED OFFERS and **COMMERCIAL INTENSIFICATION** together with the **REUSE** strategy to improve time-to-market.

Wholesale

Growth of non-regulated services, focusing on **DATA** and **NEW BUSINESS**. Mitigating the decrease of regulated revenue and traffic.

Net Revenue - Mix

%

2017 2018

1 - Small and Medium Enterprises.



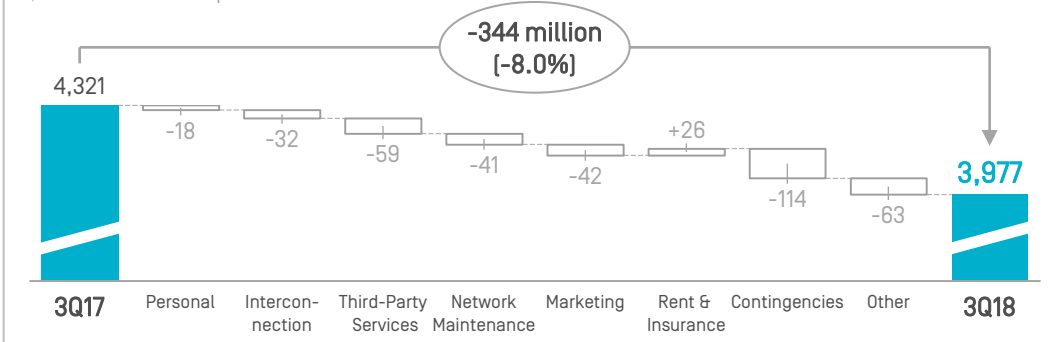
OPERATIONAL EFFICIENCY, QUALITY AND DIGITALIZATION CONTRIBUTE TO ANOTHER QUARTER OF SIGNIFICANT COST REDUCTION, KEEPING THE EBITDA IN LINE WITH THE JR PLAN

Oi reduced the costs by 8.0% year-over-year...

Routine operating costs and expenses

R\$ million - Brazilian operations

Inflation 12 months: +4.5%

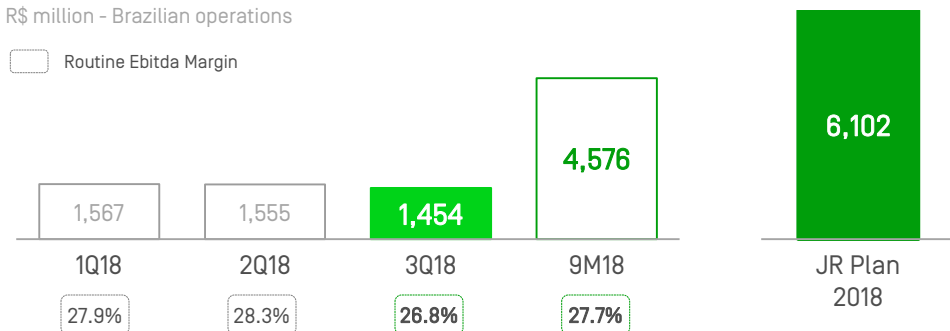


... supporting the year's Ebitda level and in line with the forecasts in the JR Plan

2018 Routine Ebitda

R\$ million - Brazilian operations

□ Routine Ebitda Margin



OPERATIONAL EFFICIENCY

Rework in 30 days¹
Insured or repeated repairs of installation (Fx+Vx+TV)
-16.4%

Average time waiting until the defect was solved¹
Average Backlog (Fx+Vx+TV)
-21.3%

QUALITY IMPROVEMENT

ANATEL complaints
Monthly Average Indexed
-21.1%

Volume of repeated calls
Indexed
-6.9%

DIGITAL TRANSFORMATION

Number of calls (by phone)
Average of the Quarter
-31.8%

VIRTUAL ASSISTANT [CHATBOT]

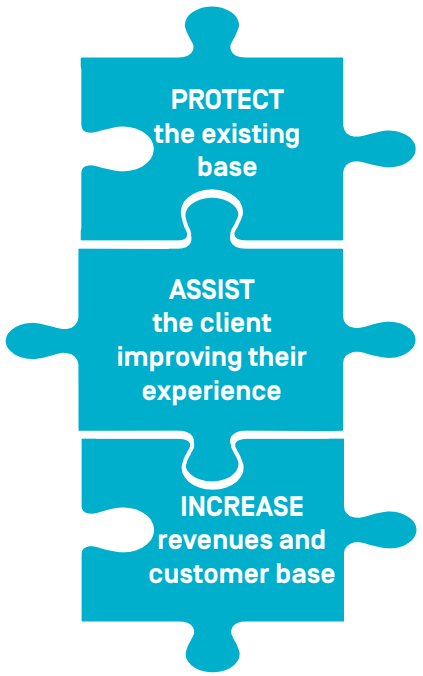
78% Customer Satisfaction

600k calls²



INCREMENTAL CAPEX PLAN FOR THE COMING YEARS WILL SUPPORT THE TURNAROUND OF THE BUSINESS, LEVERAGING THE TRANSPORT NETWORK AND FIBER CAPILLARITY AS COMPETITIVE ADVANTAGE...

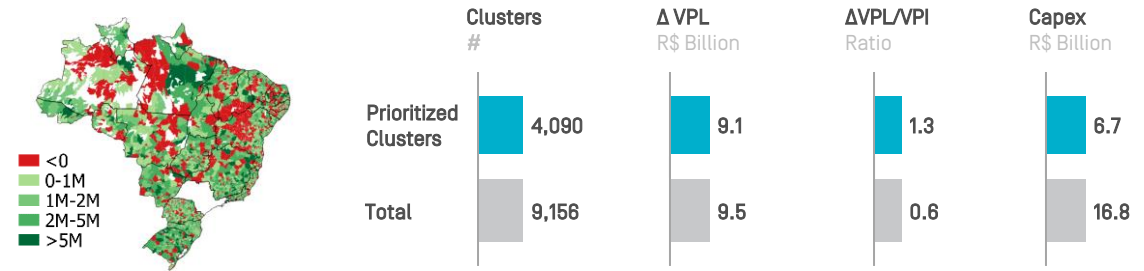
➤ To go back to grow, the Company prepared an **INVESTMENT PLAN** with three **GOALS**:



➤ Allocating the additional capex to prioritize the most profitable investments with the best return.

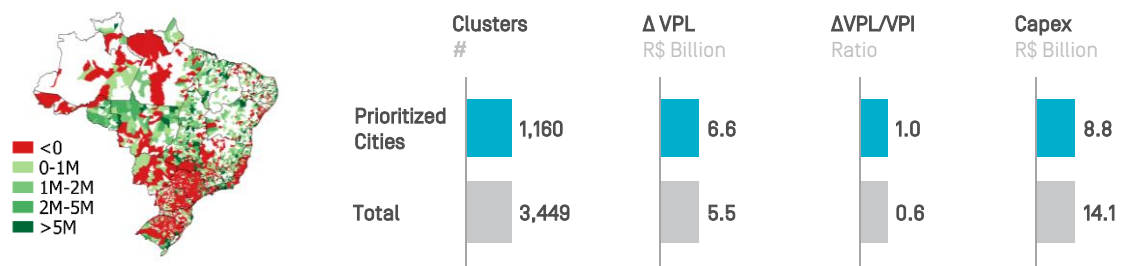
FIXED BROADBAND - FIBER

- VPL analysis for 9,200 clusters in Brazil, considering the existing infra structure, demand and competition
- Clusters prioritized according to NPV/IPV ratio



MOBILE - REFORMING THE 1.8 GHZ AND 2.1 GHZ FREQUENCY

- VPL analysis for 3,500 cities with Oi Mobile, considering the existing infra structure, demand and competition
- 1,160 cities prioritized according to the NPV/IPV ratio





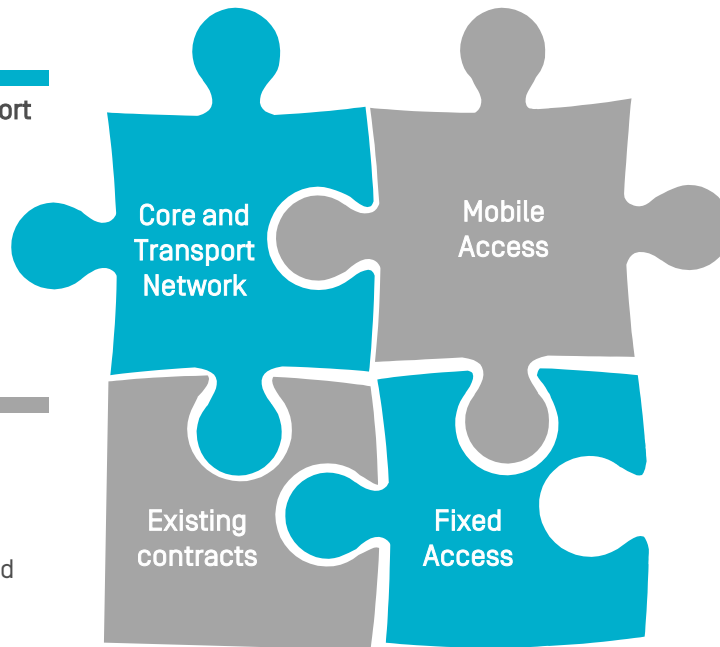
...OPERATING IN SEVERAL DIMENSIONS WITH THE PURPOSE TO FURTHER INCREASE THE ROBUSTNESS OF THE CORE AND TRANSPORT NETWORK, EXPAND FTTX AND 4.5G OFFERS AND ACCELERATE TIME TO MARKET

Investments made in the Core and Transport have increased the network capacity and resilience:

- OTN 100Gbps Network
- Cache Strategy (Netflix, Youtube and Facebook)
- The purpose is to be 3 years ahead of the demand for data traffic

New contracts with strategic suppliers, including:

- Optimization of unit cost of deployment;
- Greater efficiency in network operation and maintenance;
- Improvement in payment terms.



Lead Time Reduction

Planning, controlling and producing (PCP), shortening the deployment time and improving time to market

Network Modernization:

- *Single Ran*;
- 4.5G Network;
- Preparing for 5G.
- Combining frequencies to maximize capacity (*carry agregation*).

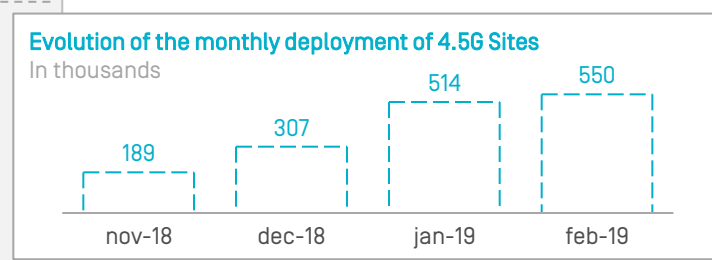
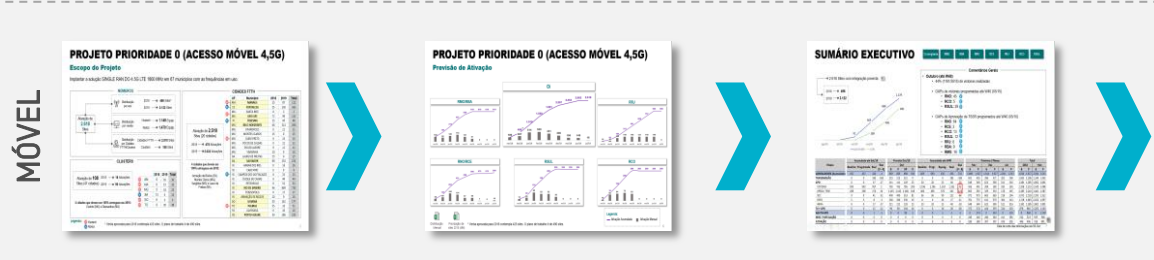
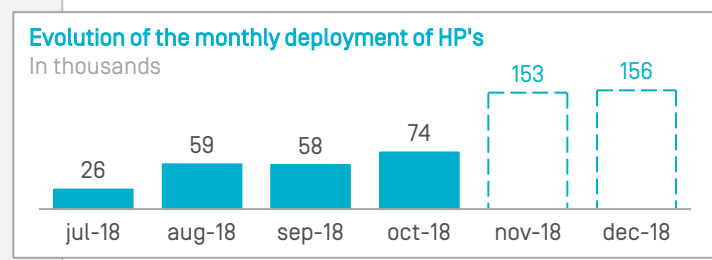
Fiber Reuse:

- Average cost per HP down by 30%
- Increased agility with cell approach
- Increased potential for customer acquisition with a model driven by commercial demand



IMPLEMENTATION OF THE PCP MODEL ALLOWS LEAD-TIME DELIVERY REDUCTION, INCREASING THE PRODUCTION CAPACITY OF DEPLOYMENT OF HP'S WITH FTTH AND ACTIVATION OF NEW 4,5G SITES

Stages of Network Planning, Controlling and Producing (PCP) model



- Planning / Project**
 - Definition of stations, reuse of primary network and modernization of access.
- Construction / Implantation**
 - HP build and release according to defined goals
- Tracking / Occupation**
 - Follow-up of project KPIs
 - Correction of any deviations

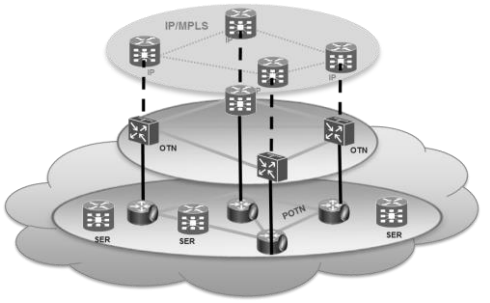
This model allows a more effective planning of the project stages involving the areas of logistics, operations, engineering and network service operations



ACCELERATION OF NETWORK REUSE STRATEGY: MASSIVE POTENTIAL OF FTTH WITH GREATER AGILITY AND LOWER COST, LEVERAGING THE CAPILLARITY OF OUR METROPOLITAN FIBER

Our **existing infrastructure** has **competitive advantages** for the expansion of high-speed fixed and mobile data services, leading to a **more optimized model** of network construction with **lower initial investment** and **higher time to market**.

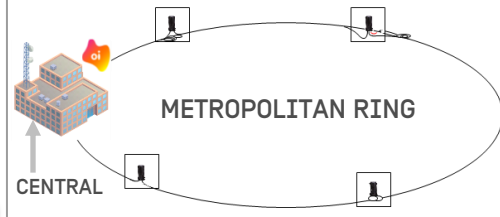
TRANSPORTATION NETWORK



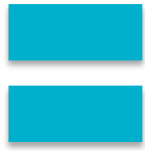
- Robust transport backbone ready to ensure the growth of data services



ACCESS NETWORK



- High capillarity and availability of the **existing metropolitan fiber network** in the access network



- This combination leads to:
 - ✓ Immediate potential of **6MM FTTH-eligible households** (needing only the access electronics and the last fiber to the house);
 - ✓ Market demand will establish the places and pace to deploy the Homes Passed (HPs).
 - ✓ Minimizing the need for a large inventory of HPs.



Immediate Potential: ≈ 6MM houses

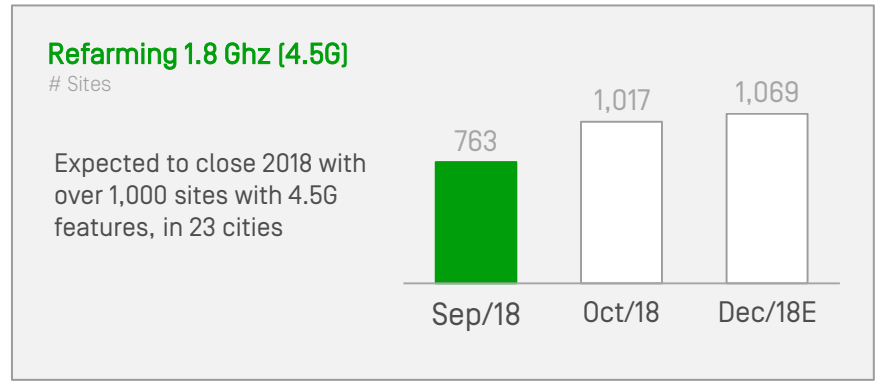
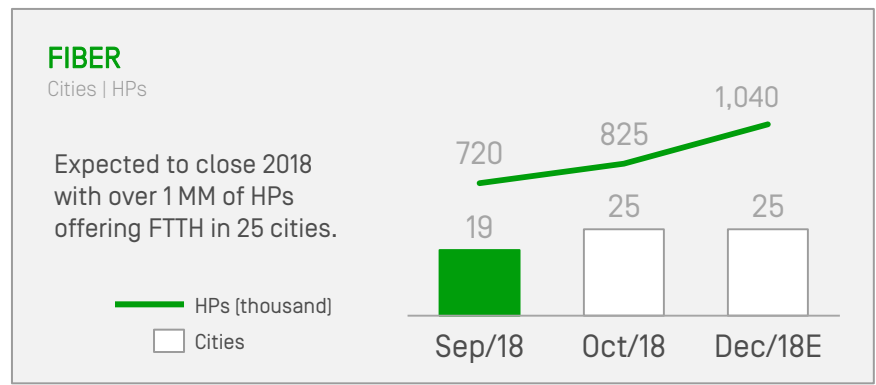
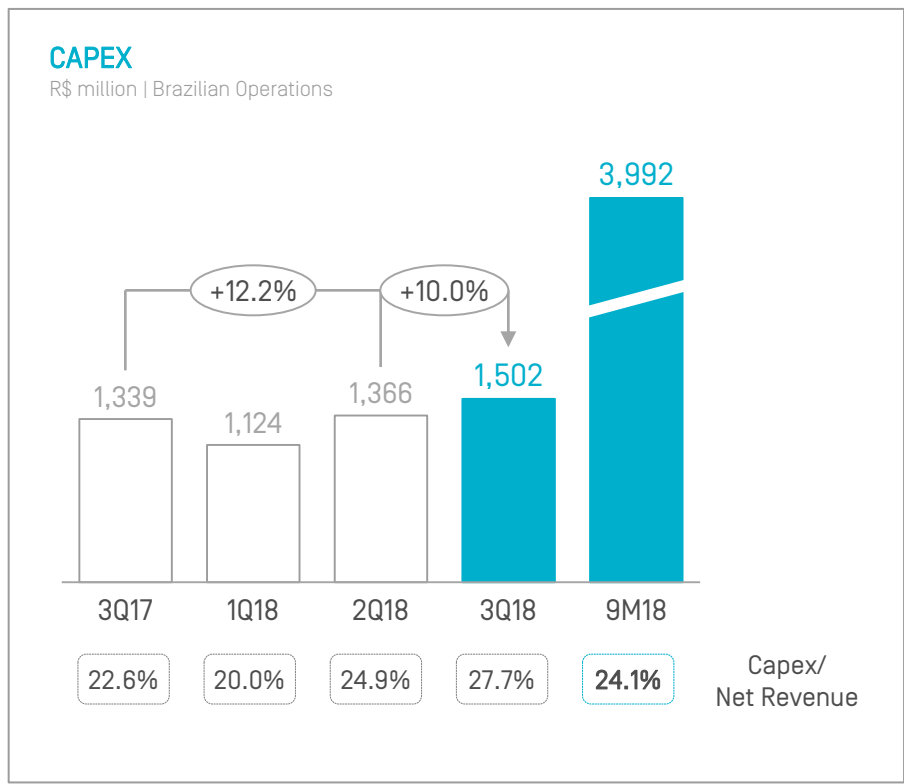
Planned for 2018:

- Close the year with **1MM HPs**
- Over 1MM households ready for FTTH [already with electronics in the access]
- FTTH available in 25 cities

- 350,000 KM OF FIBER
- 2K MUNICIPALITIES WITH FIBER

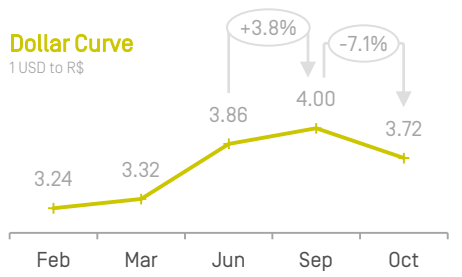
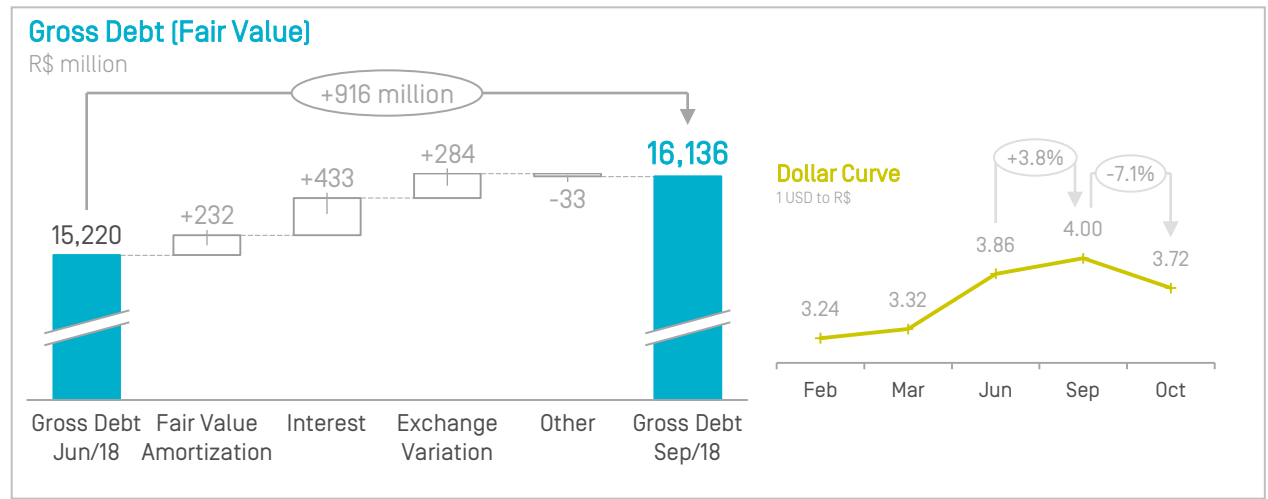
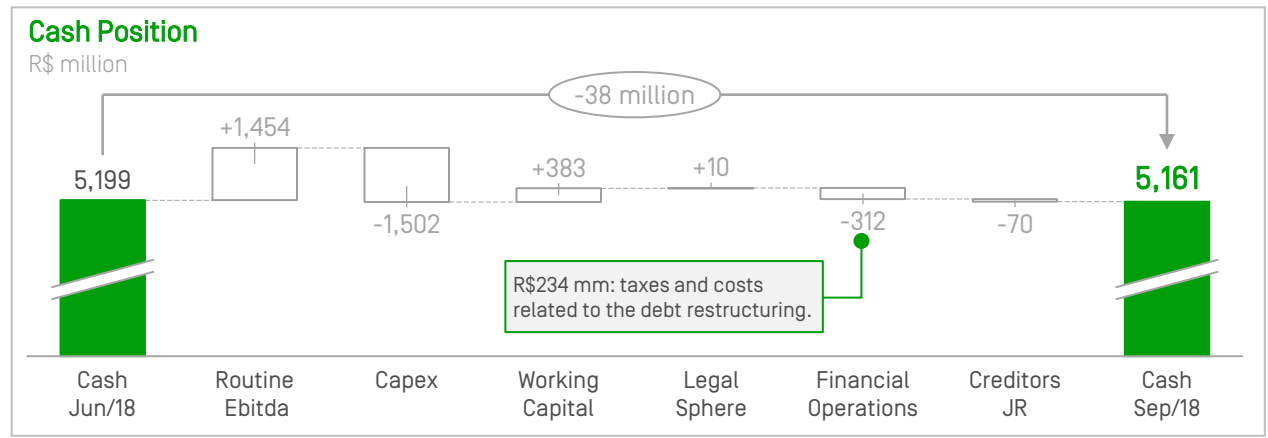


STARTING THE ACCELERATION OF INVESTMENTS TO IMPLEMENT THE INCREMENTAL CAPEX PLAN, FOCUSING ON FIBER IN THE ACCESS, REFORMING 1.8 GHZ AND 2.1 GHZ AND IMPROVING CUSTOMER EXPERIENCE





CASH AND DEBT REMAIN IN LINE WITH THE EXPECTED IN THE JR PLAN



NEW SHAREHOLDING STRUCTURE

Debt to Equity Conversion

| | |
|------------------------------------|--------------|
| Current amount of shares (mm) | 676 |
| Conversion shares (mm) | 1.743 |
| Shares post conversion (mm) | 2.419 |

Capital Increase Price per Share

| | |
|------------------------------|-------------|
| Equity pre money (R\$ mm) | 3.000 |
| Shares post conversion (mm) | 2.419 |
| Price per share (R\$) | 1,24 |

Capital Increase

| | |
|-------------------------------------|--------------|
| Capital increase (R\$ mm) | 4.000 |
| Price per share (R\$) | 1,24 |
| Capital increase shares (mm) | 3.225 |

| | |
|--|--------------|
| Total shares after conversion and capital increase (mm) | 5.644 |
|--|--------------|