

2017
RESULTS

oi

Rio de Janeiro, August 9, 2017

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 S.A. – Under Judicial Reorganization [the “Company” or “Oi”], 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.



QUARTER HIGHLIGHTS

- **Oi once again reports year-on-year EBITDA and margin increase**
 - ✓ Routine EBITDA totaled R\$ 1,601 million in 2Q17, 10.8% increase y.o.y.
 - ✓ Routine EBITDA margin reached 27.6%, 4.8 p.p. increase y.o.y.
- **Oi reduces costs by R\$ 687 million in the quarter, totaling a R\$ 1.2 billion cost reduction in the first half of 2017**
 - ✓ The Company is focused on reducing costs ensuring operational efficiency and business sustainability.
- **Continuous increase in infrastructure investments reinforce our commitment to business sustainability**
 - ✓ Oi expanded its investments to R\$ 1.2 billion in 2Q17, 1.1% increase y.o.y.
 - ✓ Capex to net revenue ratio also increased, reaching 21.2%.
- **Despite higher investments, Oi's operational cash flow grows significantly in 2017**
 - ✓ Operational cash flow [Routine EBITDA – Capex] moved up 62.4% in the quarter compared with the same period of 2016, driven by the significant EBITDA increase in the period.
- **Operational efficiency with continuous improvement in operational and quality indicators reflects in better customer experience**
 - ✓ Operational initiatives focused on preventive and productivity measures, evolution of the customer care model and digitalization are directly lead to continuous improvement of operational, quality and complaint indicators, as well as operational efficiency gains.
 - ✓ As a result of the improvement in efficiency, Oi's opex fell 14.1% y.o.y. and 4.2% q.o.q., despite accumulated inflation of 3.0% in the last twelve months.
 - ✓ Improvement of operational and quality indicators translates into a substantially better customer experience, with significant reductions in ANATEL, PROCON and Small Claims Court [JEC – Juizado Especial Cível] complaint indicators, down 28.6%, 21.6% and 58.7% y.o.y., respectively.
- **Net loss of R\$ 3.3 billion reflects the impact of the exchange rate on the financial result, as Oi terminated its hedging transactions due to the Judicial Reorganization**
- **Oi's Judicial Reorganization process continues to advance, despite the complexity of the process**
- **Launch of unprecedented product in the market reinforces the Company's digital transformation process**
 - ✓ Oi Total Play is another pioneering Oi service that combines fixed line and broadband, including an extensive on demand video content.



FOCUS ON OPERATIONAL EFFICIENCY AND BUSINESS SUSTAINABILITY RESULTS IN ANNUAL GROWTH OF INVESTMENTS, EBITDA, EBITDA MARGIN AND OPERATIONAL CASH FLOW

Financial highlights

R\$ million

	2Q17	2Q16	y.o.y.	1Q17	q.o.q.
Brazil					
Net Service Revenues¹	5,733	6,256	-8.4%	6,009	-4.6%
Residential	2,227	2,368	-6.0%	2,354	-5.4%
Personal Mobility	1,814	1,872	-3.1%	1,890	-4.0%
Customer ²	1,713	1,733	-1.2%	1,748	-2.0%
B2B	1,627	1,914	-15.0%	1,703	-4.5%
Net Customer Revenues²	5,573	6,008	-7.3%	5,794	-3.8%
Routine OPEX	4,191	4,878	-14.1%	4,374	-4.2%
Routine EBITDA	1,601	1,444	+10.8%	1,692	-5.4%
Routine EBITDA margin	27.6%	22.8%	+4.8pp	27.9%	-0.3pp
CAPEX	1,229	1,215	+1.1%	1,227	+0.2%
Routine EBITDA – Capex	372	229	+62.4%	465	-20.1%
Consolidated					
Reported EBITDA	1,617	1,435	+12.7%	1,723	-6.1%



BROADBAND AND PAY TV CONTINUE TO BOOST CONVERGENCE, PERSONAL MOBILITY SHOWS SIGNS OF RECOVERY AND B2B STILL IMPACTED BY THE MACROECONOMIC SCENARIO

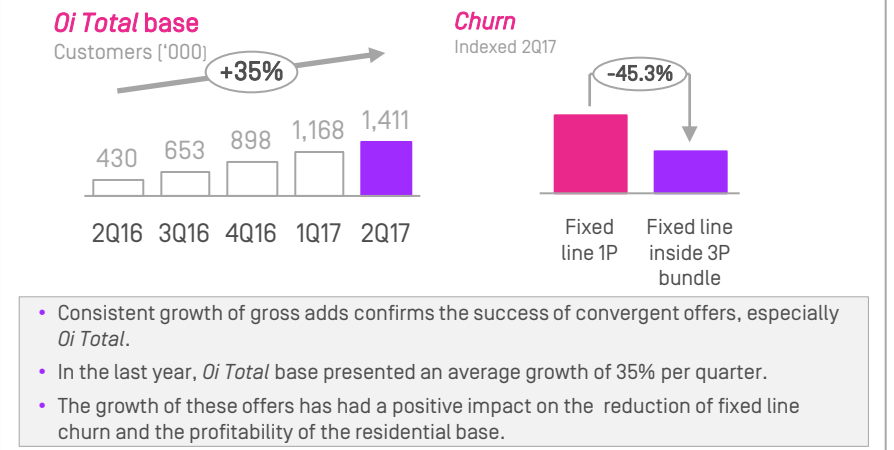
Operational highlights

Thousand RGUs

	2Q17	2Q16	y.o.y.	1Q17	q.o.q.
Total - Brazil	63,216	69,201	-8.6%	63,371	-0.2%
Residential	16,272	16,573	-1.8%	16,343	-0.4%
Fixed line	9,657	10,228	-5.6%	9,802	-1.5%
Broadband	5,219	5,149	+1.4%	5,204	+0.3%
Pay TV	1,396	1,197	+16.6%	1,336	+4.5%
Residential ARPU	76.5	77.0	-0.6%	79.6	-3.9%
Personal Mobility	39,802	45,319	-12.2%	39,837	-0.1%
Prepaid	32,963	38,299	-13.9%	32,957	0.0%
Postpaid	6,839	7,020	-2.6%	6,880	-0.6%
B2B	6,501	6,661	-2.4%	6,550	-0.8%
Fixed line	3,696	3,831	-3.5%	3,727	-0.8%
Broadband	542	561	-3.5%	547	-1.0%
Mobile	2,251	2,256	-0.2%	2,263	-0.5%
Pay TV	13	12	+6.8%	14	-8.1%
Public phones	641	648	-1.2%	641	-0.1%



RESIDENTIAL SEGMENT REINFORCES THE COMPANY'S STRATEGY OF CONVERGENCE AND PROFITABILITY OF THE BASE WITH SOLID GROWTH OF *OI TOTAL* SALES AND HIGH-END OFFERS



OI TOTAL PLAY

TOP (HBO GO)

INTERMEDIÁRIO (CRACKLE, FOX, WATCH ESPN, discovery Mês em!)

BÁSICO (oi COLEÇÃO OI, DISNEY)

BANDA LARGA (até 15 MEGA)

Modem Wi-Fi grátis

FIXO (LIGAÇÕES ILIMITADAS PARA TODO O BRASIL)

para fixo de qualquer operadora

Oi launched *Oi Total Play*, in line with its digital transformation and reinforcing the convergency strategy. It's an unprecedented product in the market that combines broadband and on demand media.

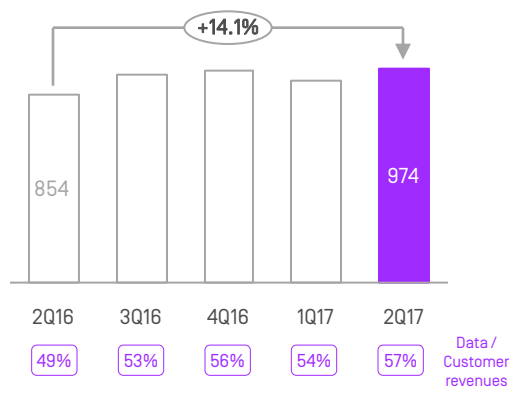
1 - Includes the discontinued offer OCT (*Oi Conta Total*)



POSTPAID REVENUE GROWS SUSTAINED BY DATA. PREPAID REVENUE SHOWS SIGNS OF RECOVERY, DRIVEN BY THE INCREASE OF *OI LIVRE* SALES

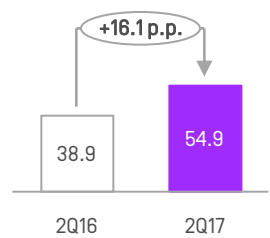
Data revenues

R\$ million



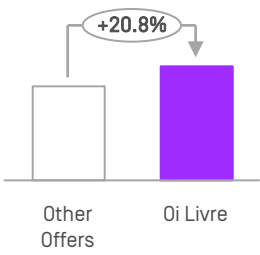
- Focus on *Oi Mais* and *Oi Livre* higher value offerings with more flexibility on usage of franchise.
- 78% penetration of 3G/4G handsets in total base.

% *Oi Livre* on total base

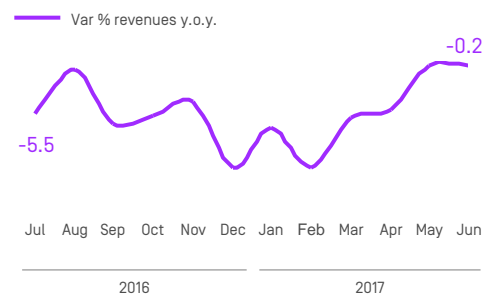


Average recharges

R\$

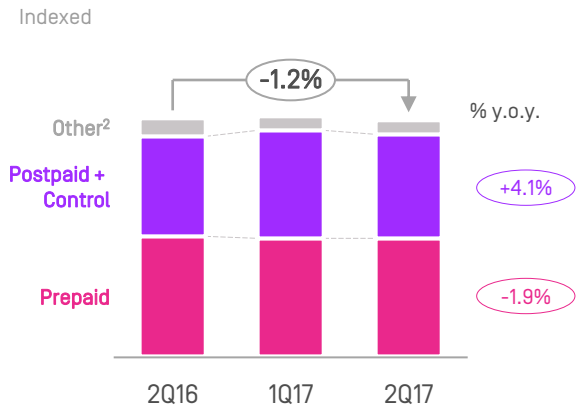


Prepaid revenue



- Launched in April 2017, the offer *Oi Livre Digital* allows the customer to choose between the usage of minutes or data.

Net customer revenues¹



- Postpaid + Control revenues maintain solid annual growth [+4,1% vs 2Q16], compensating the decrease of prepaid.
- Reduction in customer net revenues is concentrated in the decline of long distance traffic.
- Data revenues grew 14.1% vs 2Q16, accounting for 57% of total customer revenues.
- Prepaid revenues are still impacted by the macroeconomic scenario, but have been showing signs of recovery in the last few months due to the increase of *Oi Livre* in the base and the beginning of improvement of the unemployment rate.

1- Excludes revenues from handset and network usage.
2- Includes long distance revenues.



B2B HAS BEEN FOCUSING ON INNOVATIVE AND HIGHER VALUE-ADDED SOLUTIONS, AND INVESTING IN QUALITY IMPROVEMENT TO MITIGATE THE MACRO SCENARIO'S IMPACT ON REVENUES

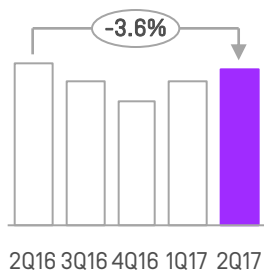
Macroeconomic factors have been impacting the segment...

- Companies seeking to reduce costs;
- Closing of sales points and agencies;
- Exposure to government customers, who have relevant stakes in Corporate revenues;
- Credit risks for SMEs, due to the macroeconomic environment;

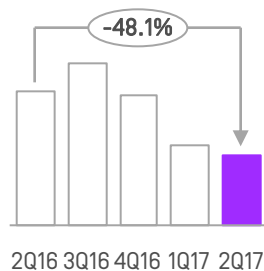
... even in this context, B2B has been presenting a continuous evolution in service quality and customer experience...

Large Companies¹

Average installation time²
% y.o.y.

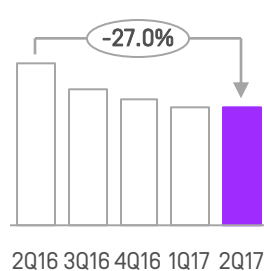


Billing complaints
% y.o.y.

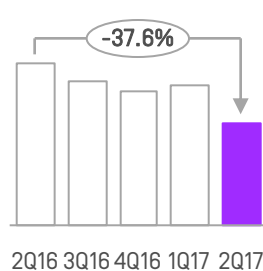


SMEs

Average installation time³
% y.o.y.

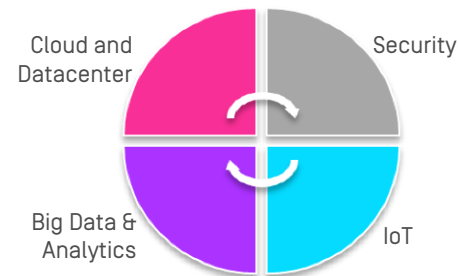


Billing complaints
% y.o.y.



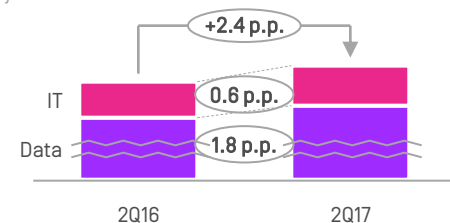
...and has been launching innovative solutions on the Corporate segment...

Pillars of the IT strategy:



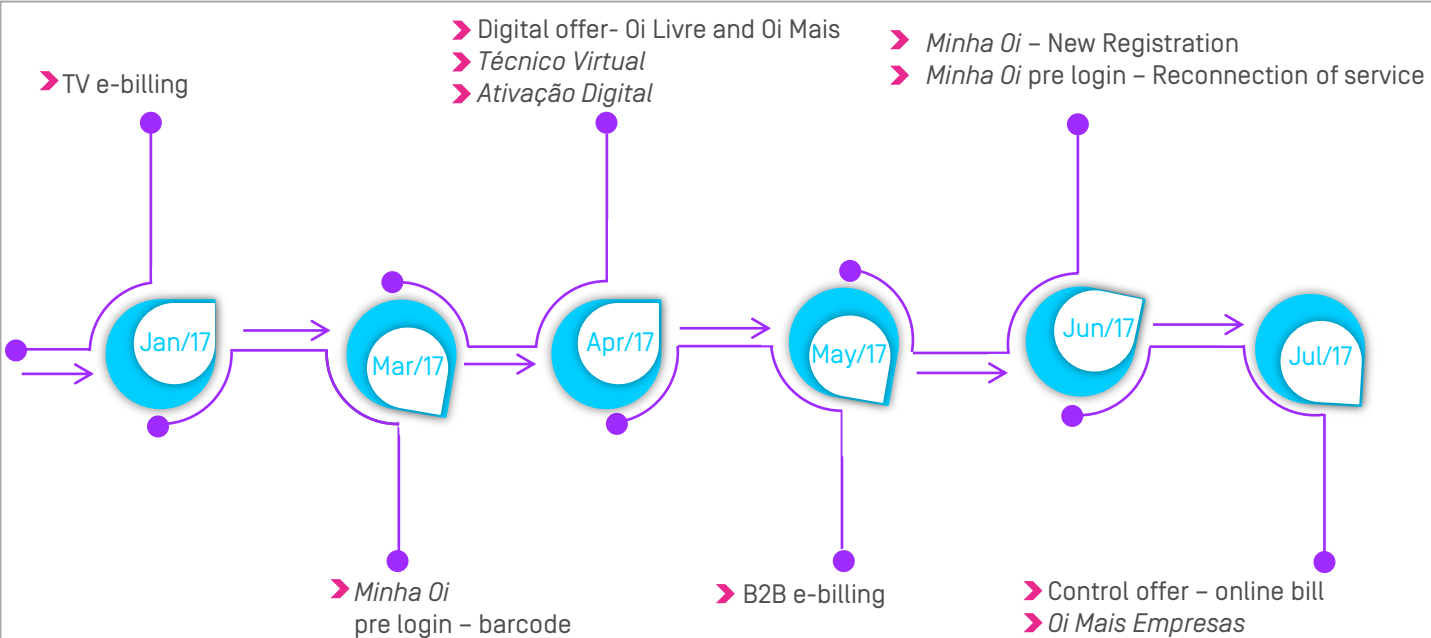
... that allow the increase of Data and IT's share in revenues .

Evolution of the share of Data and IT in total revenues
% y.o.y.



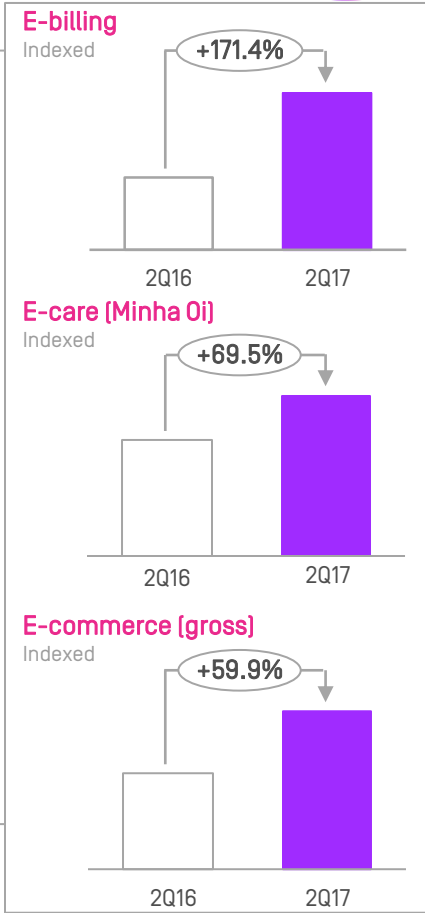


DIGITALIZATION STRATEGY FOCUSES ON THE IMPROVEMENT OF CUSTOMER EXPERIENCE AND OPERATIONAL EFFICIENCY GAINS



Digital Transformation Program

- Digitalization of services leading to the improvement of processes and efficiency gains;
- Better customer experience;
- Operational costs reduction.





INITIATIVES THAT SEEK TO IMPROVE CUSTOMER EXPERIENCE AND INCREASE OPERATIONAL EFFICIENCY HAVE BEEN SUPPORTING CONTINUOUS IMPROVEMENTS OF QUALITY INDICATORS...

Efficiency and productivity of field operations

Customer care management model of call centers focused on quality

IMPROVEMENT IN CUSTOMER EXPERIENCE AND OPERATIONAL EFFICIENCY

Digitalization

Initiatives like managing more closely field operations¹

focused on preventive actions and productivity, evolution of the customer care management model and digitalization reflect directly in continuous improvements of operational, quality and complaints indicators, as well as in operational efficiency gains.

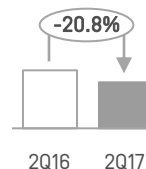
Average waiting time to resolution

Repairs queue (Fx,+Vx+TV)



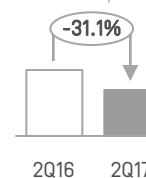
Rework in 30 days

Repeated repairs or installation guarantee



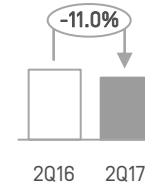
Average time to service installation

Installations queue



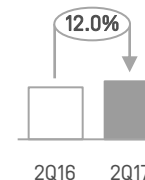
Customer care costs

Indexed



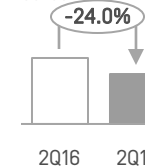
Customer satisfaction²

Indexed



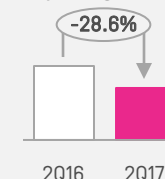
Repeated calls volume

Indexed



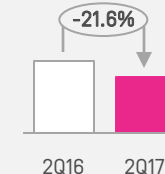
ANATEL complaints

Monthly average. Indexed



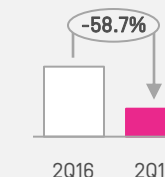
PROCON complaints

Monthly average. Indexed



JEC claims

Monthly average. Indexed



1 – Results of the operations of the absorbed network services providers; 2- Customers who called Customer Care are contacted within 24 hours after the call and are questioned about how satisfied they are regarding the service provided by the operator. This research is used for the attendant remuneration and the suppliers' bonus.

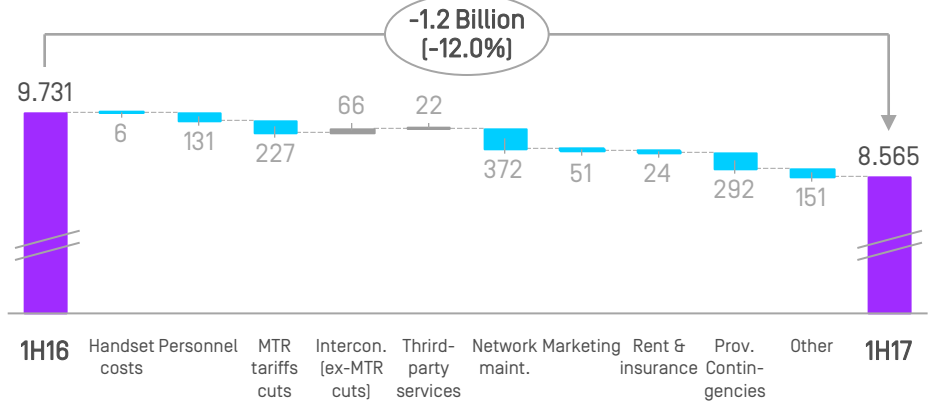
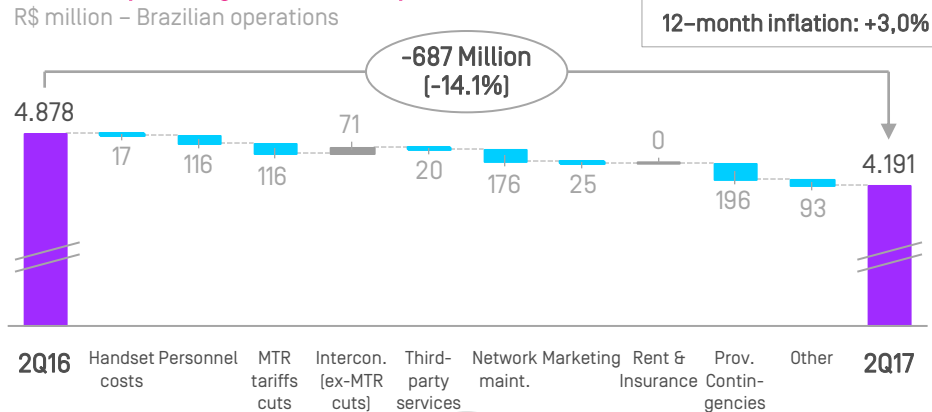


... AND ALLOWED SUSTAINABLE REDUCTIONS IN PRACTICALLY ALL COST LINES.

Operational efficiency and rigid cost control...

Routine operating costs and expenses

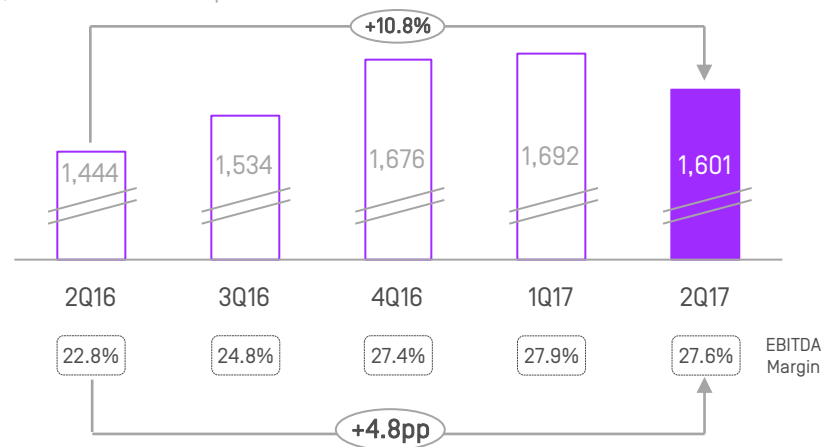
R\$ million – Brazilian operations



... with improvement on EBITDA and EBITDA margin

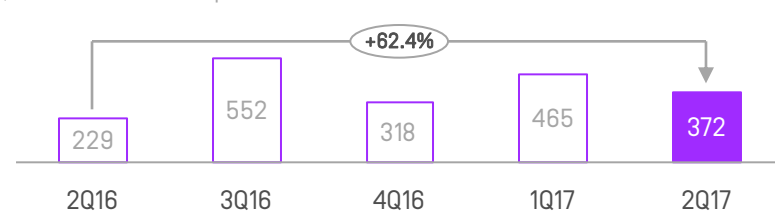
Routine EBITDA

R\$ million – Brazilian operations



Operational cash flow (routine EBITDA – Capex)

R\$ million – Brazilian operations



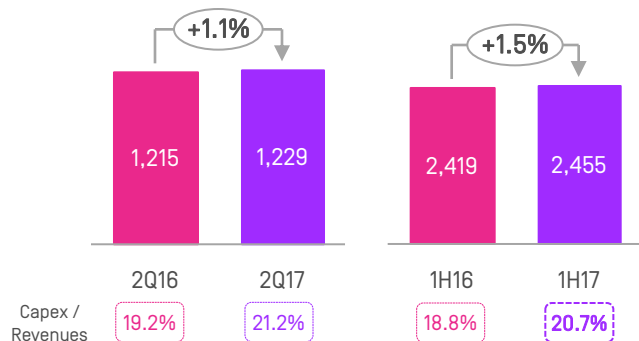


CONTINUOUS GROWTH OF INFRASTRUCTURE INVESTMENTS RESULTS IN CONSISTENT IMPROVEMENT IN THE QUALITY OF SERVICES AND USER EXPERIENCE

The Company continues to expand its investments...

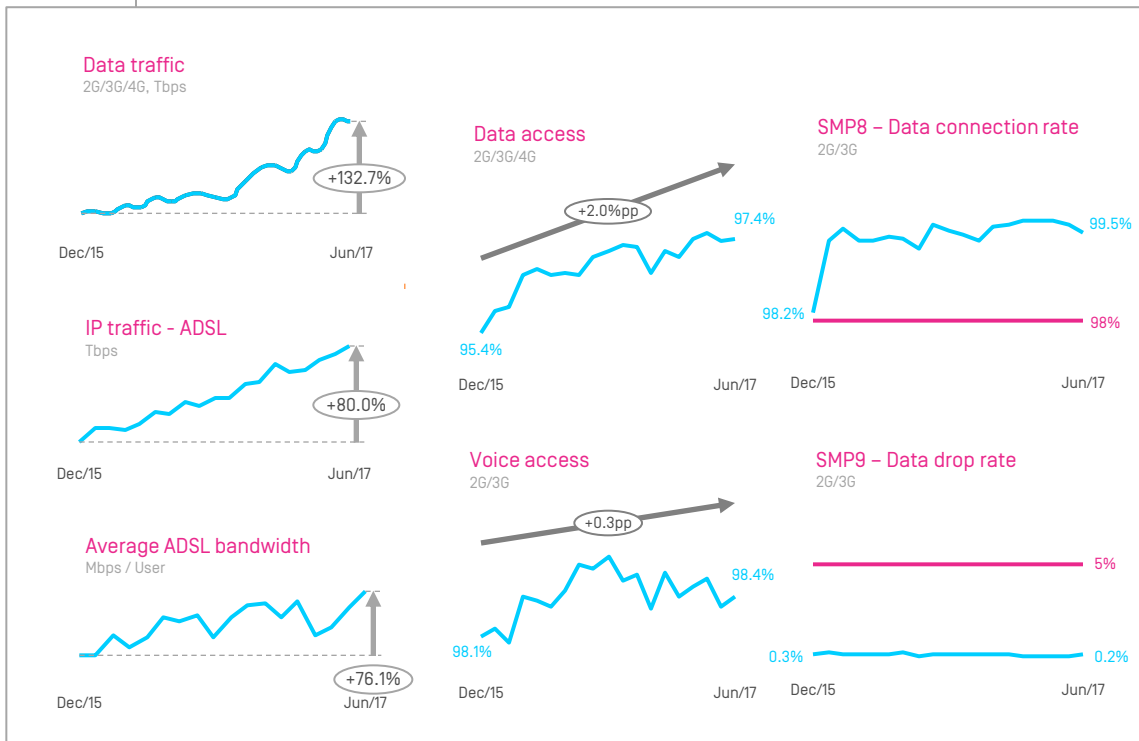
CAPEX

R\$ million | Brazilian operations



- Expansion and modernization of the transport network (optical Backbone - OTN 100G; Backbone IP; IP Network - Single Edge)
- Network sharing (2G / 3G / 4G)
- Migration of 2G customers to 3G/4G and of 3G customers to 4G
- Fiber and capacity swap, in order to improve network resilience
- Consolidation of IT architecture

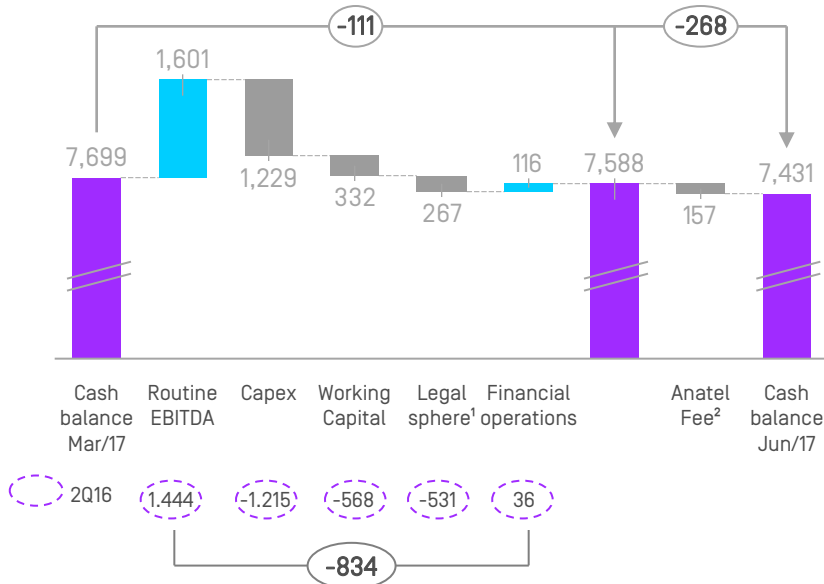
... committed to the quality of its services and the sustainability of the business



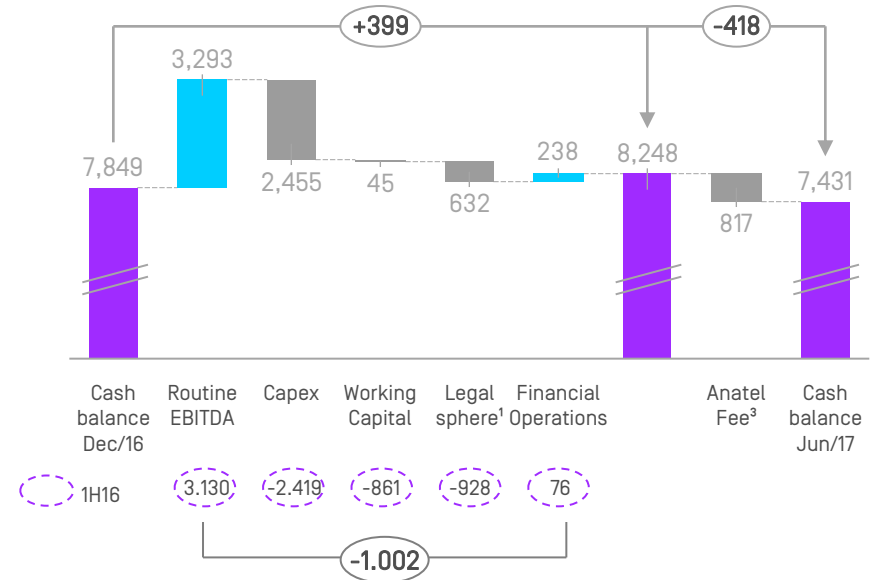


CASH FLOW REFLECTS FIRST HALF SEASONALITY, HOWEVER WITH SIGNIFICANT IMPROVEMENT COMPARING TO PREVIOUS YEAR'S CASH GENERATION

The Company's operational cash flow this quarter was R\$ 723 million higher than the same period of 2016, increasing from R\$ -834 million in 2Q16 to R\$ -111 million in 2Q17.



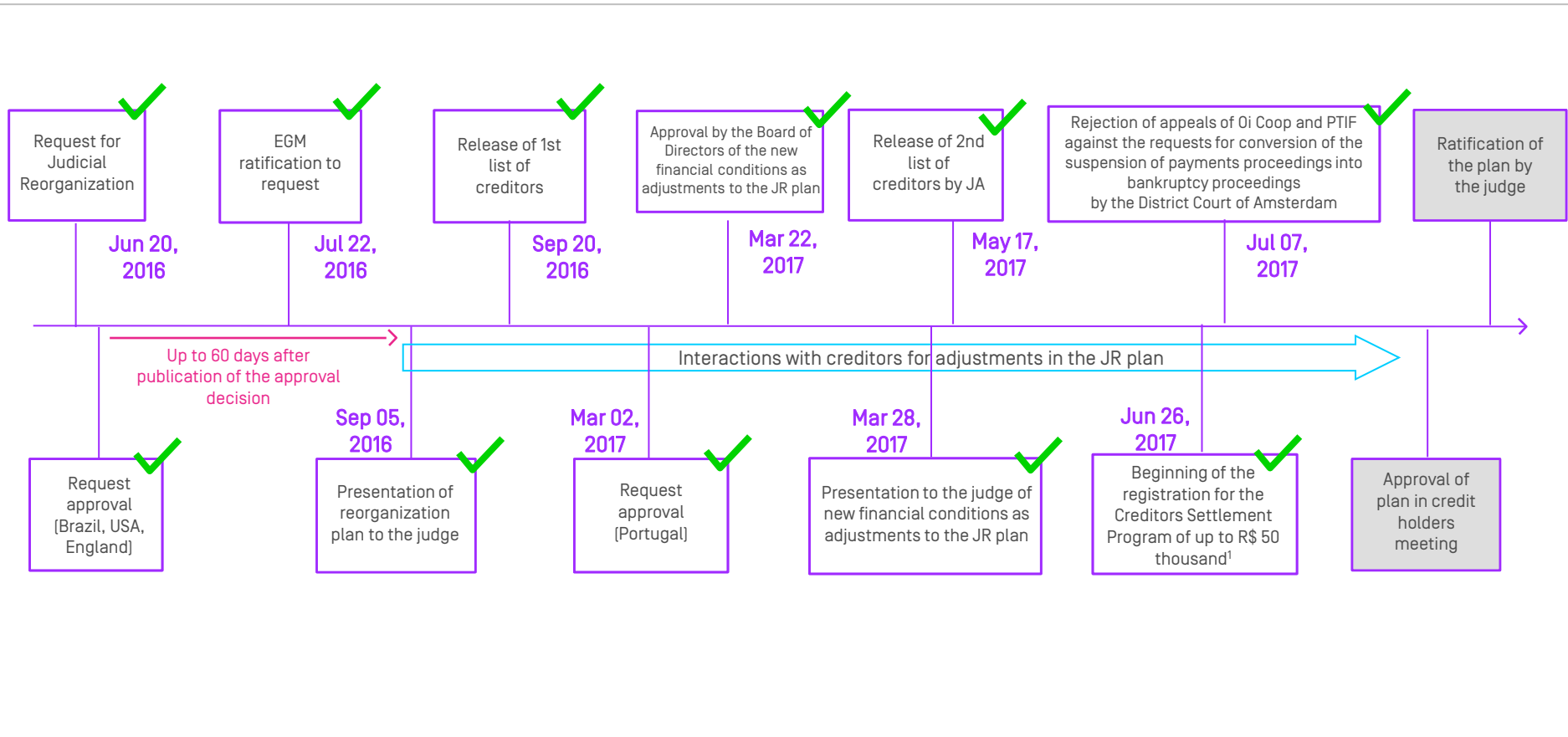
In the first six months of 2017, the Company generated R\$ 399 million of cash from operations, an improvement of R\$ 1,4 billion compared to the same period of 2016.



1- Judicial deposits + taxes. 2- Biannual Concession fee. 3- Anual Fistel fee (R\$ 660MM) and biannual Concession fee (R\$ 157MM).



STATUS OF THE JUDICIAL REORGANIZATION



1- The beginning of Creditors Settlement Program is awaiting judicial authorization.