

Oi Group

Annex 2.6 – Economic-Financial Report

Rio de Janeiro, December 12, 2017



EY

Building a better
working world

Index

1.	General Considerations.....	4
2.	Limitations.....	6
3.	Updates on the Financial-Economic Report.....	8
4.	Contextualization	9
4.1	A Brief Background of the Sector	9
4.2	Oi Group's History	11
4.3	Economic-Financial Situation of Oi Group	14
5.	The Company and the Telecom Market.....	16
5.1	Corporate Structure of Oi	16
5.2	Description of the Debtors	18
5.3	Market Analysis.....	20
5.4	Financial Benchmarking.....	22
6.	Economic-Financial Projections.....	25
6.1	Macroeconomic Data	26
6.2	Operating Income.....	29
Gross Revenue and Deductions	29	
Costs and Expenses	35	
EBITDA Margin	39	
Depreciation and Amortization.....	39	
6.3	Consolidated Income Statement.....	41
6.4	Debt Restructuring.....	42
Mediation/Conciliation/Agreement with the Creditors.....	42	
Class I Labor Credits	42	
Class II Secured Credits	43	
Class III Credits.....	44	
Class IV.....	49	
Intercompany Credits	49	
Generation of Cash Sweep	50	
Capital Increase.....	50	
Additional Financing Manners	51	
Projection of the Creditors Plan	51	
6.5	Operating Cash Flow.....	52

Income Tax and Social Contribution	52
Working Capital Needs	52
Non-recurring Operations	53
Dividends and Interest on Equity	53
Tax Refinancing.....	53
6.6 Cash Flow from Investing Activities	54
6.7 Cash Flow from Financing Activities	55
Financial Results	55
6.8 Consolidated Cash Flow	56
7. Report Conclusion	57

1. General Considerations

This Economic-Financial Report (“Report”) has the objective to assess the economic and financial feasibility, in the context of the Consolidated Judicial Reorganization Plan (“Plan” or “JRP”) of the companies: Oi S.A. – Under Judicial Reorganization (“Oi” or “Company”), a publicly held corporation, registered with CNPJ/MF [National Corporate Taxpayer Register/Treasury Department] under no. 76.535.764/0001-43, with headquarters and principal place of business at Rua do Lavradio no. 71, Centro, in the City and State of Rio de Janeiro, ZIP: 20230-070; TELEMAR NORTE LESTE S.A. – Under Judicial Reorganization (“TNL”, “Telemar” or “TMAR”), a privately held corporation, registered with CNPJ/MF under no. 33.000.118/0001-79, with headquarters and principal place of business at Rua do Lavradio no. 71, Centro, in the City and State of Rio de Janeiro, ZIP: 20230-070; OI MÓVEL S.A. – Under Judicial Reorganization (“Oi Móvel”), a privately held corporation, registered with CNPJ/MF under no. 05.423.963/0001-11, with principal place of business in this city of Rio de Janeiro and headquarters in the City of Brasilia, Federal District, in Setor Comercial Norte, Quadra 3, Bloco A, Edifício Estação Telefônica, ground floor (part 2), ZIP: 70.713-900; COPART 4 PARTICIPAÇÕES S.A. – Under Judicial Reorganization (“Copart 4”), a privately held corporation, registered with CNPJ/MF under no. 12.253.691/0001-14, with headquarters and principal place of business at Rua Teodoro da Silva no. 701/709 B, 4th floor, Vila Isabel, in the City and State of Rio de Janeiro, ZIP: 20560-000; COPART 5 PARTICIPAÇÕES S.A. – Under Judicial Reorganization (“Copart 5”), privately held corporation, registered with CNPJ/MF under no. 12.278.083/0001-64, with headquarters and principal place of business at Rua Siqueira Campos no. 37, 2nd floor, Copacabana, in the City and State of Rio de Janeiro, ZIP: 22031-072; PORTUGAL TELECOM INTERNATIONAL FINANCE B.V. – Under Judicial Reorganization (“PTIF”), a private legal entity incorporated according to the Laws of the Netherlands, with headquarters in Amsterdam, Naritaweg 165, 1043 BW, and principal place of business in this city of Rio de Janeiro; and OI BRASIL HOLDINGS COÖPERATIEF U.A. - Under Judicial Reorganization (“Oi Coop”), private legal entity incorporated according to the Laws of the Netherlands, with headquarters in Schipol, Schipol Boulevard 231, 1118 BH, and principal place of business in this city of Rio de Janeiro (with Oi, TNL, Oi Móvel, Copart 4, Copart 5, PTIF and Oi Coop, hereinafter jointly referred to as “Oi Group” or “Debtors”).

This Report was prepared by Ernst & Young Assessoria Empresarial Ltda (“EY”) solely and exclusively to serve as a support document to the development of the JRP of the Debtors, and should not overlap, modify or be confused with the terms of the JRP and should not be partitioned, divided or used partially by the Debtors and its representatives, by creditors or any other interested parties.

This a free translation from the original Appendix of the Consolidated Judicial Reorganization Plan of Oi Group. In case of divergence between this version and the original version of this Report, in Portuguese language, the latter shall prevail.

With the purpose of achieving this work's objective, procedures were applied based on the analysis of historical facts, socioeconomic and market information, as well as data and assumptions provided by the Oi Group, its employees, managers, advisors and further service providers ("Data and Information").

EY does not take any responsibility on future results differing from the projections presented on this Report and does not offer any guarantees regarding the aforementioned results. With this perspective, the conclusions presented here are the result of the Data and Information analysis, along with macroeconomic and market forecast, as well as on performance and results of future events, and are subject to the following considerations:

- The Report presented here involves matters of objective and subjective judgements, given the complexity of the analysis of the Data and Information and the various sources of information consulted;
- None of EY's partners or professionals detain financial interest in Oi Group.
- The fees established for the execution of this work were not based on reported results and have no connection with it;
- The development of this Report was based on information provided by the Oi Group. Such information was considered true, as it is not part of EY's scope of work any type of independent investigation and/or audit procedures. Thus, EY does not assume future responsibility for the accuracy of the Data and Information used in this Report;
- This Report was prepared with the purpose of evaluating the feasibility of the Debtors in the context of the JRP, EY has no responsibility towards any third party for any act or fact derived from its use for any purpose other than stated herein;
- This Report was developed at the request of Oi and should not be construed by any third party as a decision making tool for investments or opinions regarding the JRP;
- EY will not be responsible for updating this report in regard of events or circumstances that may take place after the date of reference of the aforementioned report;
- Some of the considerations outlined in this report are based on future events representing expectations of Oi Group, its management, advisors and further service providers, at the date of the analysis. Thus, the results presented in this Report are merely forecasts, reason why they may differ from future figures;

Among the Data and Information used for the development of this Report, there is public information and information provided by the Oi Group, aiming to deliver the necessary details of its operations, investments, capital structure and cash generation capacity. This Report, subject to the assumptions stated herein, intends to provide a view of the financial capacity of the Debtors in the context of the JRP, to allow the assessment of their sustainability and the feasibility of their going concern.

2. Limitations

According to the law 11,101 of February 9, 2005, which regulates the judicial and extrajudicial reorganization, and the bankruptcy of the entrepreneur and of the business company, this Report evaluates the economic-financial feasibility of the Debtors in the context of the JRP, with certain limitation clauses.

Therefore, this Report, its conclusions and its annexes, should not be interpreted or used without considering these clauses.

This Report, as well as the opinions and conclusions included, are of Oi's use in the context of the JRP. It should be noted that this report is constituted of 58 pages, and its appendices, which constitutes an inseparable part of this report and cannot, in any case, be handled separately, in which case no liability can be attributed to EY.

Any user and/or recipient of this document should be aware of the conditions and assumptions that guided this work, Brazil's market and economic conditions, as well as the market niche that the Oi Group is inserted.

The factors that may result in differences between the content of this Report and the content of the documents that have the same object of this work are exclusively due to the use of different sources of information and the application of different methodologies when processing data. EY has no responsibility for such differences.

The EY services for the development of this Report do not represent an audit, a review or any other type of attestation, in the way these expressions are identified by the Brazilian Accounting Council (*CFC - Conselho Federal de Contabilidade*). Therefore, we do not express any form of guarantee on accounting matters, financial statements, financial information, nor on internal controls of the Oi Group.

We will not issue a professional opinion on the application of the accounting principles in accordance with the International Standard on Related Services (ISRS 4410), nor its subsequent changes or interpretations. This Report does not constitute a legal opinion or advice.

We have not, by any matter, conducted a review or an independent investigation with the objective of identifying illegal acts or frauds.

EY has no responsibility for the study, analysis and presentation of costs and investments projected in the judicial reorganization scenario of Oi.

It is not part of the services provided by EY to evaluate or to independently review the terms and conditions of the issuance of shares and subscription bonus for the restructuring of the Unsecured Credits of the Bondholders, as proposed in the JRP. EY considered the assumptions provided by the Company regarding the values attributed to the shares for tax calculation purposes, which were determined by the Company.

This work does not include the evaluation of the operating costs or potential improvement for Oi Group processes which may generate potential cost savings, operational or administrative enhancements.

The considerations presented in this Report are common practices in studies of this nature, which we believe we have, and are publicly recognized as having, meaningful knowledge and experience. The provided services are limited to such knowledge and experiences and do not represent an audit, advisory or tax related services, which can be provided by EY. Notwithstanding these limitations, the conclusion of this Report was not intended or written by EY to be used, and should not be used, by the recipient or any third party for the purpose of avoiding sanctions that may be imposed by the Brazilian tax law.

3. Updates on the Financial-Economic Report

This document is presented as an appendix to the JRP and substitutes the previous Report issued by EY on October 11, 2017, reflecting the most recent conditions and the Judicial Reorganization Plan presented by the Company.

Regarding the previous Report, the main changes in this appendix are:

- Update on the macroeconomic assumptions to September 30, 2017 and review of the operational projections, aligned with the expectations of the Company for 2018;
- Incorporation of the new expected conditions for debt payment, resulting from the development of the negotiations. In addition, the Company updated its forecast of payments to ANATEL;
- Changes on the financial injection assumptions, as described in the JRP;
- Update on the tax impact estimates from the judicial reorganization process.

4. Contextualization

4.1 A Brief Background of the Sector

After 1972, a state-owned company that grouped several telecommunications operators throughout the country, Telebras, governed the Brazilian telecommunications sector, under the Law 5792, of July 11, 1972.

The privatization of Telebras occurred through an auction in 1998 and originated twelve separated companies, one of which was a long-distance operator (Embratel), three were fixed telephony operators (Telesp, Tele Centro Sul and Tele Norte Leste) and eight were mobile operators (Tele Celular Sul, Tele Centro Oeste Celular, Tele Leste Celular, Tele Nordeste Celular, Tele Norte Celular, Tele Sudeste Celular, Telesp Celular and Telemig Celular).

The telecommunications reform was driven by legislative changes that occurred in the 1990s – the Constitutional Amendment No. 8/1995 and the Federal Law No. 9,472/1997, referred to as the General Telecommunications Law (“LGT”).

The Constitutional Amendment allowed the Brazilian federal government to provide telecommunications services not only directly, but also through authorization, concession or permit, removing the state exclusivity on these services.

The LGT has established the parameters that characterize the sector, having among its main objectives: (a) the growth and improvement of telecommunications services, (b) the deployment of the General Objective Plan towards a progressive universalization of telecommunications services, (c) ensuring the freedom of choice to the users on their service provider and (d) the creation of the National Telecommunications Agency (ANATEL).

ANATEL is a legal entity of public law, linked to the Ministry of Communications, administratively independent and financially autonomous. It is responsible for regulating and monitoring the telecommunications in Brazil. Among its duties conferred by the Law 9,472 / 1997, ANATEL is responsible for: (i) the deployment of the national telecommunications policy; (ii) representing Brazil in international telecommunications organizations; (iii) managing the radio spectrum and the use of orbits, expediting their standards; (iv) managing, monitoring and revising tariffs of services in the public system; (v) issuing or recognizing the certification of products, subject to the standards and rules established by it; and (vi) repressing violations of users' rights.

LGT also establishes two types of legal systems, public and private. The public system is driven by the government guidelines on aspects such as universal access to telephony, continuity of the service, price control and concession bidding. The private system has no control of prices

or other obligations to which the public system is subject to, however, authorization is required in order to provide the services.¹

In order to regulate the provision of services under the public system, the General Plan of Grants ("PGO") was created under the Decree No. 6,654, grouping the Brazilian territory into four regions, as shown below.

Regions of the General Plan of Grants ("PGO")

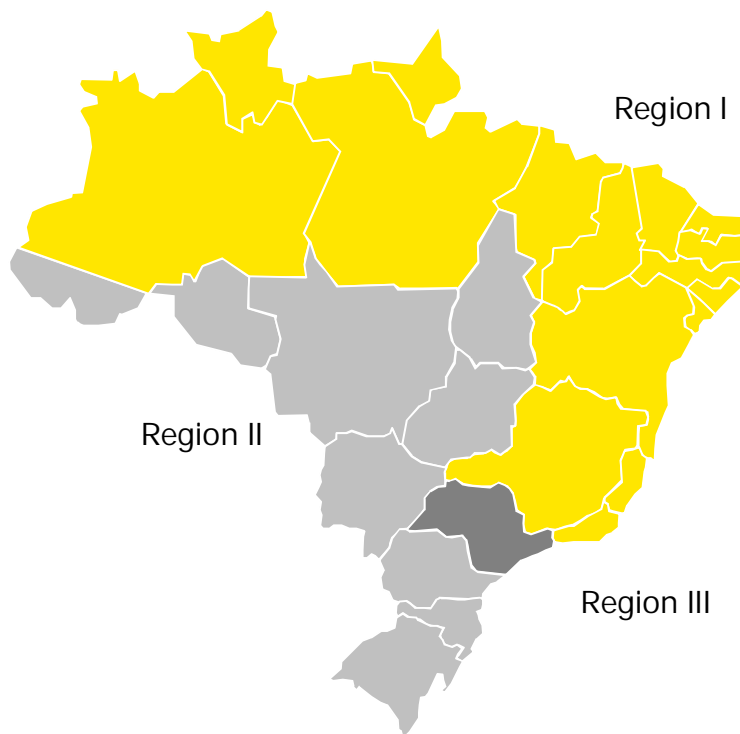


Figure 1. Source: ANATEL.

Region	Area
I	The States of Rio de Janeiro, Minas Gerais, Espírito Santo, Bahia, Sergipe, Alagoas, Pernambuco, Paraíba, Rio Grande do Norte, Ceará, Piauí, Maranhão, Pará, Amapá, Amazonas and Roraima
II	Distrito Federal and the States of Rio Grande do Sul, Santa Catarina, Paraná, Mato Grosso do Sul, Mato Grosso, Goiás, Tocantins, Rondônia and Acre
III	States of São Paulo
IV	All the Brazilian territory

Table 1. Source: ANATEL.

¹Relatório Lafis - Telecom. October/2017.

Currently, there are discussions about certain measures to allow the reform of the General Telecommunications Law, highlighting the draft bill 79/2016, referred to approval in February 06, 2017 which proposes, mainly, the migration of the fixed telephony concessionaries to the authorization format and suggests changes in the rules of reversibility of assets.

4.2 Oi Group's History²

Among the companies involved in the demerger of Telebras, arose the Brazil Telecom Participacoes ("BrT Part"), a holding of fixed telephony services providers, initially providing intraregional long-distance services in Region II.

BrT Part provided fixed-line services through nine subsidiaries, each providing telecommunications services in their designated region. In February 2000, BrT Part implemented the merger of TELEPAR and in July of the same year, BrT Part acquired control of Companhia Riograndense de Telecomunicações.

In October 2001, BrT Serviços de Internet S.A., a broadband internet services provider, was created, and in December of the following year, in its owned subsidiary, Oi Móvel to provide Personal Mobile Service ("SMP"). In the same month, Oi Móvel acquired the authorization to provide personal mobile services in Region I, as well as a license to provide radio frequency services. The operations of Oi Móvel began in September 2004.

In June 2003, the Company acquired the submarine fiber optic cable system of 360 Networks Americas do Brazil Ltda., later called Brazil Telecom Submarine Cables. BrT CS consists of a system of fiber optic cable that connects the United States, Bermuda, Brazil, Venezuela and Colombia. In December 2013, it was sold to BTG Pactual YS Empreendimentos e Participacoes S.A.

In May 2004, the Company acquired virtually the entire share capital of Vant Telecomunicações SA ("UAV"). Vant offered Internet Protocol (IP) services and other services to the corporate market in Brazil. In the same month, the Company also acquired a large part of the capital of MetroRed Telecomunicações Ltda., which was later named Brazil Telecom Communications Multimedia Ltda., a fiber optic network provider.

In November 2004, the Company acquired 63.0% of the share capital of Internet Group (Cayman) Ltd. ("iG Cayman"), parent company of Internet Group do Brazil Ltda. ("iG Brazil"), and in July 2005 acquired another 25.6% of the share capital of iG Cayman. iG Brazil is a free Internet service provider, operating in connection markets for dial-up and broadband.

In December 2007, Brazil Telecom Call Center SA ("BRTCC") subsidiary started operating, providing services to the Company and its subsidiaries that required this type of service.

In January 2009, Copart 1 Participações ("Copart 1"), a wholly owned subsidiary of Coari Participações SA ("Coari"), a holding company incorporated by Oi, indirectly acquired all of the outstanding shares of Invitel SA ("Invitel"). At the time, Invitel owned all of the outstanding

² Information obtained from Oi's 2016 Reference Form

shares of Solpart Participações S.A. which, in turn, owned 51.41% of the outstanding voting share capital of BrT Part. The latter had 65.64% of the outstanding share capital of the Company, including 99.09% of the outstanding shares entitled to vote.

In 2008, Copart 1 acquired 33.3% of the preferred shares of BrT Part and Copart 2 Participações SA, wholly owned subsidiary of Coari, acquired 18.9% of the preferred shares outstanding. With the acquisition of Invitel, TMAR acquired indirect control of BrT Part and the Company.

On September 30, 2009, the shareholders of the Company and BrT Part approved the merger of BrT Part by the Company (then called Brazil Telecom S.A.). As a result of the merger, BrT Part ceased to exist and Coari held 48.2% of the total outstanding shares of the Company.

On February 27 of 2012, the shareholders of TNL, TMAR, Coari and the Company approved the following transactions ("Corporate Reorganization"), in accordance with Brazilian law: (1) the split-off of TMAR with the merger of the spun-off by Coari followed by the merger of TMAR shares by Coari; (2) the merger of Coari with the Company; and (3) the merger of TNL with the Company, as well as the changing of the Company's name from Brazil Telecom S.A. to Oi.

On October 2 of 2013 the Company, Portugal Telecom and some of its shareholders announced the signing of a memorandum of understanding for a potential operation that aimed to establish a company with the shareholders of Oi, Portugal Telecom and Telemar Participações S.A. Additionally, such negotiations aimed at combining business activities from Oi in Brazil and Portugal Telecom in Portugal and Africa. Later, in February 2014, detailed information on the transaction was disclosed in the agreed format, due to the signing of definitive agreements between the companies involved.

The operation resulted in the union of the shareholder bases of Oi, TmarPart and Pharol, SGPS S.A. (formerly Portugal Telecom, SGPS S.A.). In this context, on September 1, 2015, among other initiatives, the steps of the simplification of the shareholding chain of Oi, were approved, namely: (i) the incorporation of AG Telecom Participações S.A. by Pasa Participações S.A.; (ii) incorporation of LF Tel S.A. by EDSP75 Participações S.A. ; (iii) the incorporation of EDSP75 Participações S.A. and Pasa Participações SA by Bratel Brazil S.A. ; (iv) the incorporation of Venus RJ Participações S.A., Sayed RJ Participações S.A. and PTB2 S.A. by Bratel Brazil S.A. ; (v) incorporation of Bratel Brazil S.A. and Valverde Participações S.A. by Telemar Participações S.A.; and (vi) the incorporation of Telemar Participações S.A. by Oi.

Thus, Oi absorbed the assets of AG Telecom Participações SA, LF Tel SA, Pasa Participações SA, EDSP75 Participações SA, Venus RJ Participações SA, Sayed RJ Participações SA, PTB2 S.A. Bratel Brazil S.A., Valverde Participações SA and Telemar Participações SA.

At the end of 2015 and early 2016, Serede – Serviços de Rede S.A. ("Serede"), a subsidiary of TMAR, completed the acquisition of the assets and liabilities of Telemont Engenharia de Telecomunicações S.A. and ARM Telecomunicações e Serviços de Engenharia S.A., companies that operate with the deployment and maintenance of telecommunication networks.

In June 2016, Oi, along with the Debtors, filed a judicial reorganization request before the Capital District of the State of Rio de Janeiro. The first version of the JRP was filed in September 2016.

After the deferral of the judicial reorganization request, Oi was granted authorization to sell Timor Telecom, an operator in East Timor. In the eventual completion of a transaction, the earnings of this sale would be at the Justice system's disposal.

In August and September of 2016, Oi Coop and PTIF filed, each, a request for facilitating the suspension of payments with the Amsterdam's District Court, presenting a draft of the composition plan. The payments suspension requests were granted temporarily to Oi Coop and PTIF in August and October 2016, respectively.

In 2017, Joint Venture Rio Alto Gestão de Crédito e Participações AS ("Rio Alto") was prematurely dissolved with its other shareholder, Banco Santander. Afterwards, Oi acquired the 50% share of the company previously held by Banco Santander, becoming its only shareholder.

In April 2017, the Dutch Appeal Court determined the changing of status of the suspension of payments proceedings of PTIF and Oi Coop, into bankruptcy procedures. Afterwards, the Dutch vehicles presented appeals against this decision, which were, however, denied by the Dutch Supreme Court in July 2017.

Facing this legal decision, two alternatives to the judicial administrators remain, according to the applicable legislation: (i) coordinating the voting of a composition plan so that Oi Coop e PTIF can present it to its bondholders; or (ii) proceed with the liquidation of the Dutch vehicles. Opting for the latter, with the consequential extinction of Oi Coop and PTIF, the Dutch judicial administrators, impacts of fiscal nature may be imposed on Oi Group's companies in Brazil.

However, Oi considers, based on jurisprudences, that, for Judicial Reorganization purposes, Dutch Supreme Court decisions do not produce effects in Brazil and other jurisdictions which recognize the Brazilian justice system to process the Judicial Reorganization. Still in accordance with the understanding of the Company, only with the eventual recognition by the Supreme Court of Justice such decisions could produce effects.

As announced by Oi through the Material Fact published in November 29, 2017, the Judicial Reorganization Judge determined the Company to publish a new JRP on December 12, 2017, to be voted on the Creditors' General Meeting.

4.3 Economic-Financial Situation of Oi Group³

The current economic-financial situation of Oi Group is a result of a combination of several events that occurred in the past years.

Firstly, the increase of debt of Oi Group can be explained primarily by three events: (i) The financing of the anticipation goals plan (regarding the universalization of the telecommunications services); (ii) acquisition of Brazil Telecom and subsequent identification of certain relevant liabilities; (iii) merger and debt incorporation of Portugal Telecom. The chart below shows the development of net sales and the Company's net debt since 2001.

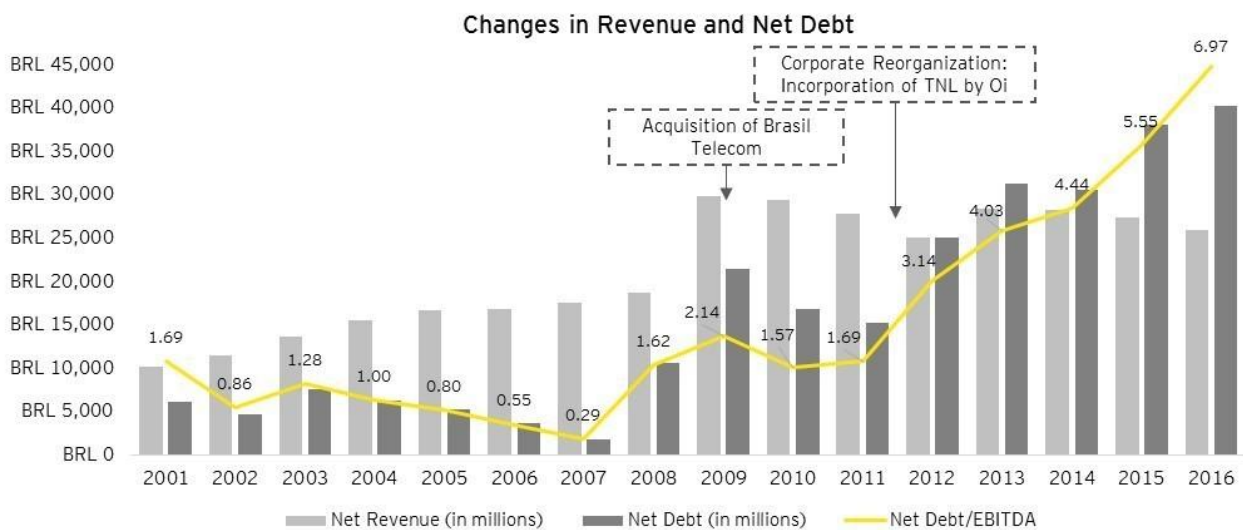


Chart 1. Source: Capital IQ (TNL) and Oi.

The data from 2001 to 2011 refers to TNL, the group's parent company at the time. From 2012 onwards the data shown refers to Oi, the current parent company of Oi Group.

In June 2016, the judicial reorganization request date, the companies of Oi Group had more than BRL 15 billion held in court deposits⁴, affecting its financial liquidity. This amount is due to regulatory, tax, labor and civil proceedings.

The Company estimates the liabilities with ANATEL to be over BRL 14.6 billion, including liquid and illiquid fines. The amount of approximately BRL 11 billion⁵ is presented on the Creditors' List of the Bankruptcy Trustee and does not include the illiquid liabilities and the balance update since the filing of Judicial Reorganization.

According to the Company, there are differences regarding the fines imposed by ANATEL, such as calculation methodology change, update on the net operating revenue for fines and changing

³ Company's Initial JR petition

⁴ Quarterly Reports - June 30, 2016

⁵ Public Notice to the Creditors' List of the Bankruptcy Trustee (published May 29, 2017)

of the maximum fine threshold imposed by the agency. Lastly, topics about possible differences related to the reference date of the fines are still under discussion. Evidently, eventual future alterations in the amount of the fine may impact the analysis carried out in this Report and its results.

Also according to the Company, the difference in the amounts recognized by Oi and ANATEL contemplate tax credit amounts, in the judicial sphere as well as in the administrative sphere, liabilities from Hispamar (company not under judicial reorganization, and as such, should not be added to the administrative fines amount concerning this process) and liabilities still under discussion with the regulatory agency (4G notice, liabilities related to the onus of concession and liabilities related to non-compliance with the Terms of Agreements - "TAC").

The Brazilian system of concessions for fixed telephony services establishes certain obligations under the LGT for the concessionaires and is considered by the Company as another factor which contributed to the financial situation of Oi Group. Among these required obligations, highlights are the service universalization requirement for fixed telephony throughout the entire national territory.

In order to be in compliance with the regulatory framework, Oi is responsible for taking and ensuring fixed telephony to the regions I and II, which include large areas of low population density, reducing or even rendering unfeasible the returns of the investments made. The following chart compares the demographics of the regions established by the PGO.

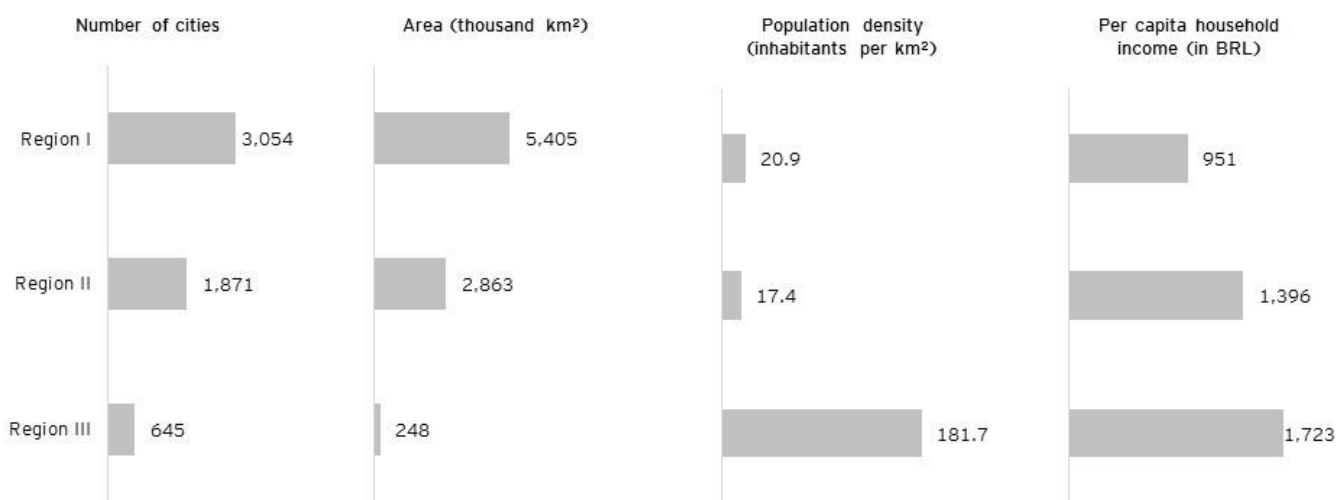


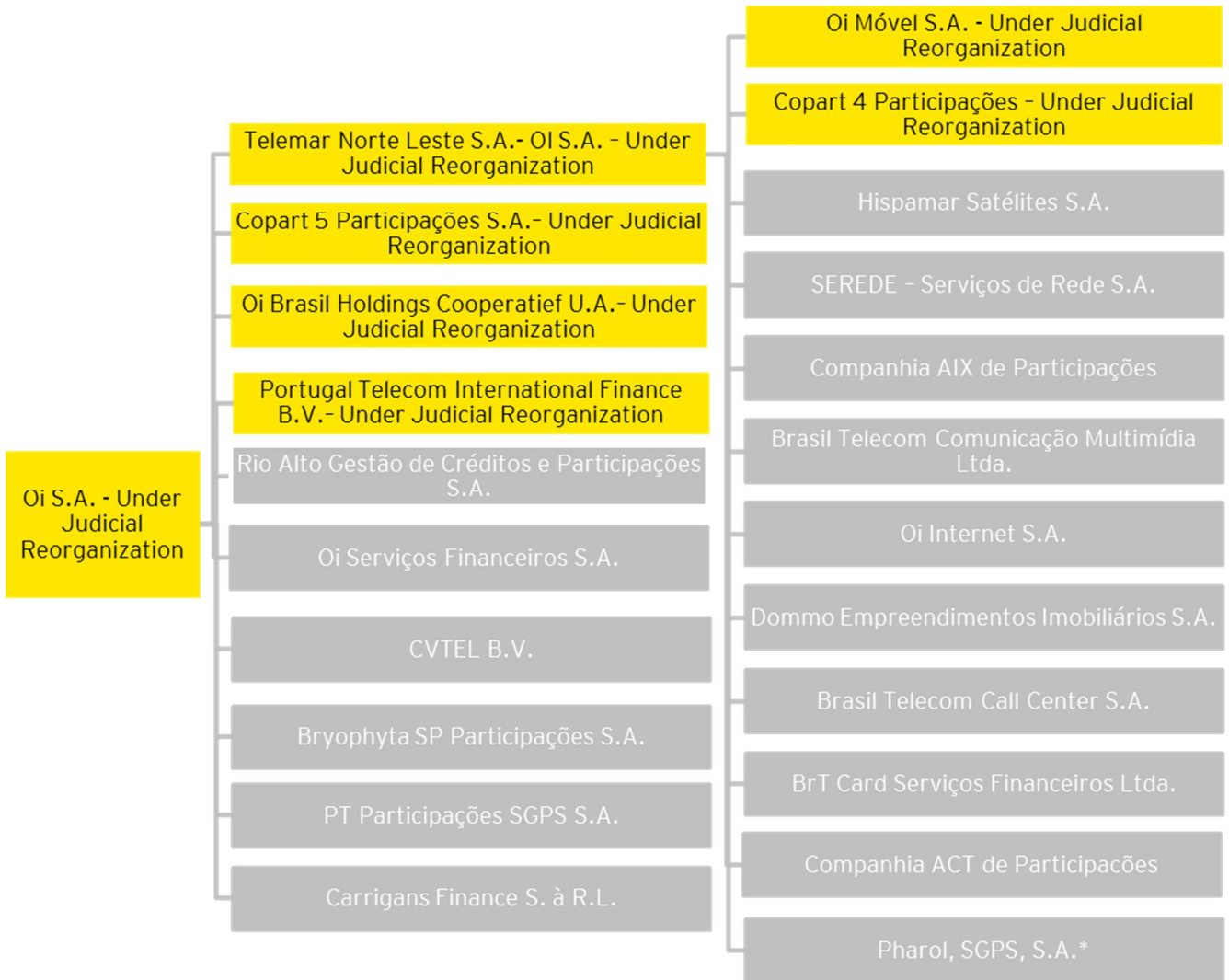
Chart 2. Source: IBGE (September 2017).

In order to improve its economic and financial conditions, the Company decided to focus on two key areas: (1) cost reduction and operational efficiency through an internal restructuring plan, and (2) restructuring of its financial liabilities through this JRP.

5. The Company and the Telecom Market

5.1 Corporate Structure of Oi

The organizational chart below illustrates the Company’s current corporate structure:



Organizational Chart 1. Source: Oi.
 *Associate company, not a subsidiary of the Oi Group

The following companies were not included in the chart above, but are part of the Company's ownership structure⁶:

- Paggo Empreendimentos S.A., Paggo Administradora de Crédito Ltda., Paggo Acquirer Gestão de Meios de Pagamentos Ltda. and Paggo Soluções e Meios de Pagamentos S.A., direct or indirect subsidiaries of Oi Móvel S.A.
- Rede Conecta Serviços de Rede S.A., subsidiary of SEREDE – Serviços de Rede S.A.
- Gamecorp S.A., CDF – Central de Funcionamento, Tecnologia e Participações S.A., Pointer Networks S.A., Vex Wifi Canadá Ltd., Pointer Peru S.A.C. (company in liquidation), Vex Venezuela C.A., Vex USA Inc., Limited Liability Company “Vex Ukraine”, Montpellier Participações S.A., Tectotal Tecnologia sem Complicações S.A., directly or indirectly related to Oi Internet S.A.
- Oi Investimentos Internacionais S.A., Telecomunicações Públicas de Timor S.A., Timor Telecom S.A., Africatel GmbH & Co. KG, Africatel Holdings B.V., Directel – Listas Telefonicas Internacionais Lda, Kenya Postel Directories Limited, ELTA – Empresa de Listas Telefonicas de Angola Lda., Listas Telefonicas de Moçambique Lda., Directel Cabo Verde Lda., Companhia Santonense de Telecomunicações SARL, STP Cabo SARL, PT Ventures SGPS S.A., Unitel S.A., Multitel Serviços de Telecomunicações Lda., Cabo Verde Telecom S.A., CV Móvel Sociedade Unipessoal S.A., CV Multimédia Sociedade Unipessoal S.A., Africatel Management GmbH, directly or indirectly related to PT Participações SGPS S.A.

⁶ Information obtained from Oi's 2017 Reference Form

5.2 Description of the Debtors⁷

The table below presents a brief description of the Debtors:

Company	Category	Main Activities
Oi S.A. – Under Judicial Reorganization	Operating Parent Company	Telecommunication services in several fields and related activities.
Telemar Norte Leste S.A. - Oi S.A. – Under Judicial Reorganization	Operating	Telecommunication services, mainly in fixed telephony and related activities.
Oi Móvel S.A. – Under Judicial Reorganization	Operating	Telecommunication services, mainly in pay-TV and mobile services, and further related activities.
Copart 4 Participações – Under Judicial Reorganization	Financial Vehicle	Fundraising, management and leasing out of real estate properties.
Copart 5 Participações – Under Judicial Reorganization	Financial Vehicle	Fundraising, management and leasing out of real estate properties.
Portugal Telecom International Finance B.V. – Under Judicial Reorganization	Financial Vehicle	Debt issuance in international markets.
Oi Brasil Holdings Coöperatief U.A. – Under Judicial Reorganization	Financial Vehicle	Debt issuance in international markets.

Table 2. Source: Oi.

The detailed descriptions of the companies categorized above are presented ahead.

Oi S.A. – Under Judicial Reorganization

Oi is a publicly traded company, one of the main integrated telecommunication services providers in Brazil, operating throughout the national territory, Oi S.A. offers a range of services, including mobile and fixed telephony, interconnection, data transmission (including

⁷ Information obtained from Oi's 2017 Reference Form and the Company's Legal Department.

broadband), Pay-TV, and other telecommunications services. The Company brings together approximately 63.6 million of Revenue Generating Units ("RGUs"), among residential customers, businesses and government agencies.

The Company estimates owning 351.4 thousand km of fiber optic cables distributed across all Brazilian states. Furthermore, its mobile coverage area reaches approximately 88.9% of the Brazilian population. Oi Group holds, in Brazil, a market share of approximately 17% in mobile communications and 33% in fixed telephony, according to ANATEL, September 2017. The Company estimates that around two million Wi-Fi hotspots are provided as a part of its convergent offers, services maintained also in public places, such as airports and malls.

Telemar Norte Leste S.A. – Under Judicial Reorganization ("TNL", "Telemar" or "TMAR")

Completely owned subsidiary of Oi, TMAR mainly engages in providing telecommunications services and related activities, established as the main provider of fixed telephony services in its operating area – Region I. These services are provided under the geographic wireline concessions system granted by ANATEL.

TMAR also holds concession to provide the following services: (i) domestic long-distance ("LDN") in Region II, Region III and Region I (sector 3 only); and (ii) international long-distance ("LDI") from anywhere in the Brazilian territory.

Oi Móvel S.A. – Under Judicial Reorganization (former 14 Brasil Telecom Celular S.A.) ("Oi Móvel")

Oi Móvel, wholly owned subsidiary of TMAR, operates since the fourth quarter of 2004, providing telecommunication services in several fields, both inside and outside of Brazil, in several areas, including Personal Mobile Service (*Serviço Móvel Pessoal* – "SMP"), authorized to attend to Region II of the PGO, Mass Electronic Communication Service, DTH (Direct to Home) Service, pay television, Conditional Access Service (*Serviço de Acesso Condicionado* – "SeAC"), among others.

Copart 4 Participações S.A. – Under Judicial Reorganization ("Copart 4")

Wholly owned subsidiary of TMAR, Copart 4 was founded in order to raise funds, manage and rent real estate properties, as well as assigning, leasing, giving in usufruct, either whole or in part, and perform all the necessary acts required to the best use of the properties, including its maintenance, repair and improvement.

Copart 5 Participações S.A. – Under Judicial Reorganization ("Copart 5")

Wholly owned subsidiary of Oi, Copart 5 was founded in order to raise funds, manage and rent real estate properties, as well as assigning, leasing, giving in usufruct, either whole or in part, and perform all the necessary acts required to the best use of the properties, including its maintenance, repair and improvement.

Portugal Telecom International Finance B.V. – Under Judicial Reorganization (“PTIF”)

PTIF is a wholly owned subsidiary of the Company, incorporated in the Netherlands, and was formed to act as a debt-issuing vehicle, raising funds in international markets. In 19 April 2017, PTIF had its bankruptcy declared by the Dutch Court, which was later confirmed by the Dutch Supreme Court. However, this decision was not subject to any recognition requests in Brazil, where the company remains under judicial reorganization.

Oi Brasil Holdings Coöperatief U.A. – Under Judicial Reorganization (“Oi Coop”)

Oi Coop is a wholly owned subsidiary of the Company, formed under Dutch law incorporated in the Netherlands, and was founded to act as a debt-issuing vehicle, raising funds in international markets. In 19 April 2017, Oi Coop had its bankruptcy declared by the Dutch Court, which was later confirmed by the Dutch Supreme Court. However, this decision was not subject to any recognition requests in Brazil, where the company remains under judicial reorganization.

5.3 Market Analysis

The Brazilian telecommunications sector is led by four main operators – America Movil (“Claro”), Oi, Tim and Vivo, which have the largest market shares in the main services of the sector, as shown below:

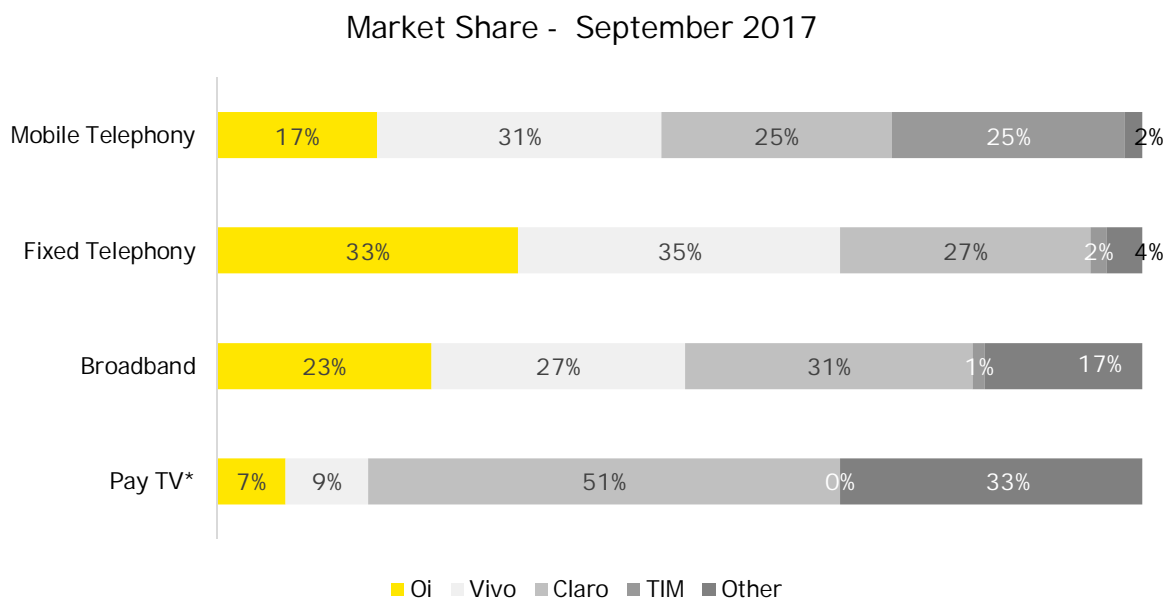


Chart 3. Source: ANATEL.

*Pay-TV data refers to May 2017.

The mobile service accounts for the largest share of the industry revenue in Brazil, followed by fixed telephony and broadband, as illustrated as follows:

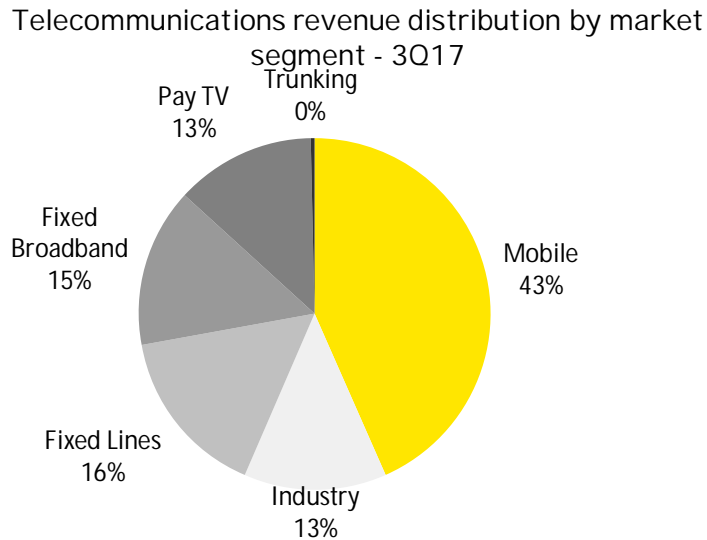


Chart 4. Source: Telebrasil.

Due to this revenue composition, operators keep focused on driving resources to maintain competitiveness on the mobile market. However, this service requires large investments needs, since it has gone through constant technological⁸ changes in the past few years. The following graph shows the growth of the mobile communication, according to the number of active users, and the development of new technologies.

⁸ Relatório Lafis – Telecom. October/2017.

Mobile Communication (number of active users - in millions)

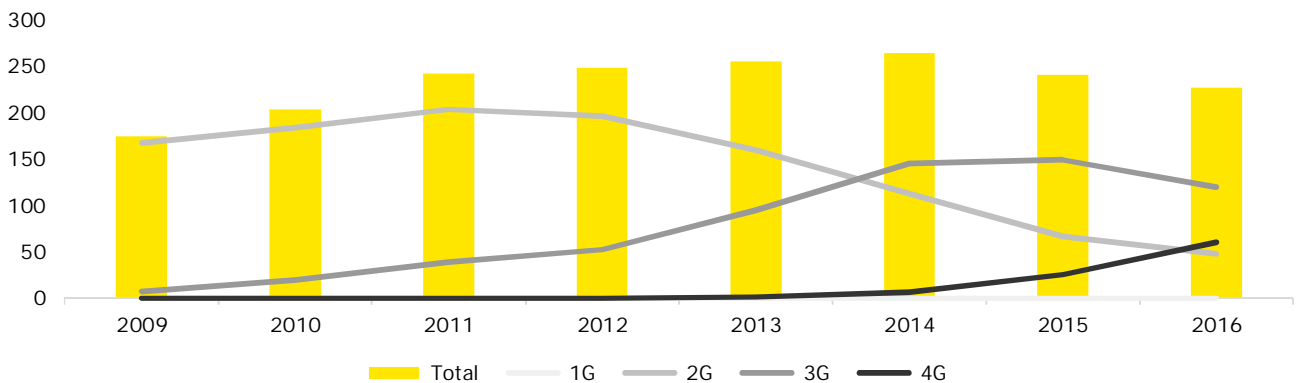


Chart 5. Source: ANATEL.

These technological advances encourages and stimulates changes in the users' consumption patterns, whose use of mobile telephony services is driven to a higher consumption of data compared to voice services, as shown in the chart below.

Average Revenue per User (ARPU)

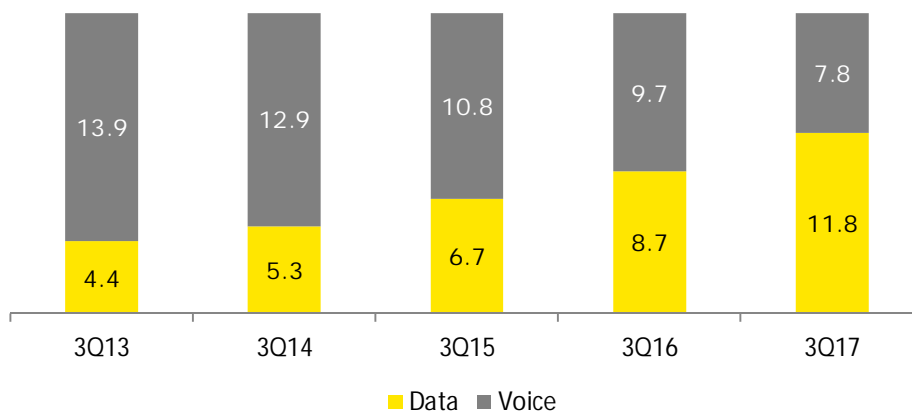


Chart 6. Source: Telebrasil.

5.4 Financial Benchmarking

Next, some indicators of Oi related to its financial health are presented, as well as a comparison with other leading operators, in terms of market share in the Brazilian telecommunication services.

In the comparison below, Oi holds an average revenue of BRL 27 billion from 2012 to 2016. Claro's revenue increase from 2014 to 2015 results from its group's corporate restructuring, in which Claro incorporated the operations of Net, Embratel and Embrapar.

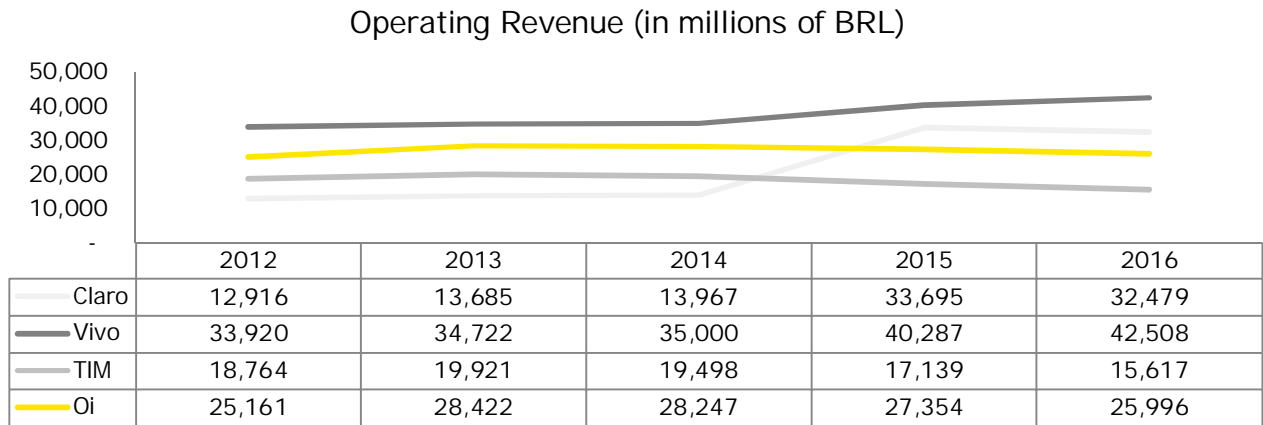


Chart 7. Source: Capital IQ.

In recent years, the market presented a decrease in the ARPU, with the exception of Vivo, as shown below.

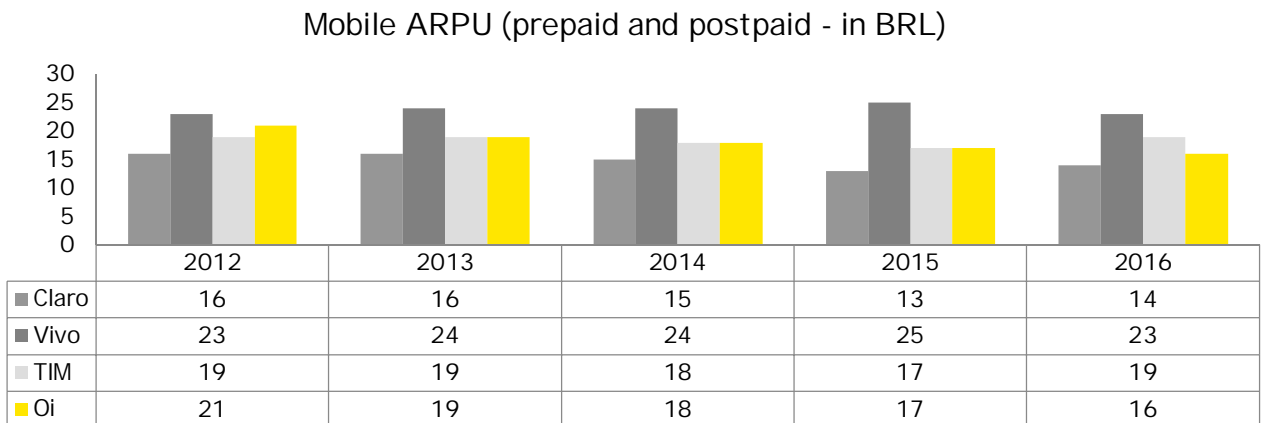


Chart 8. Source: BMI Research.

The operating margins presented by Oi have decreased over the past few years, in line with the ARPU reductions, increased penetration in less profitable products bases and increased competition, leading to higher expenses for customer acquisition and maintenance.

EBITDA Margin (EBITDA/Net Revenue)

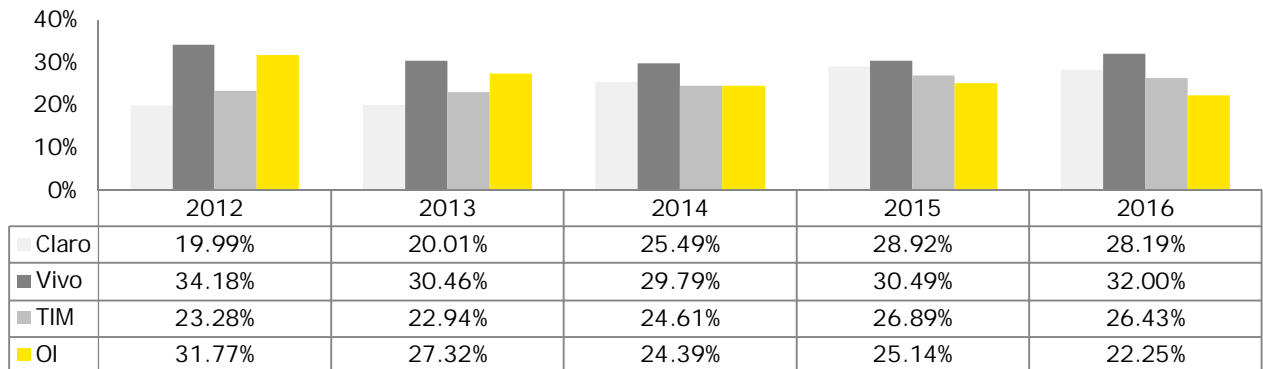


Chart 9. Source: Capital IQ.⁹

Shown below is the percentage, in relation to revenue, of the investments in physical and intangible assets (Capital Expenditure) carried out by operators in the last few years.

Capital Expenditure (% in relation to Net Revenue)

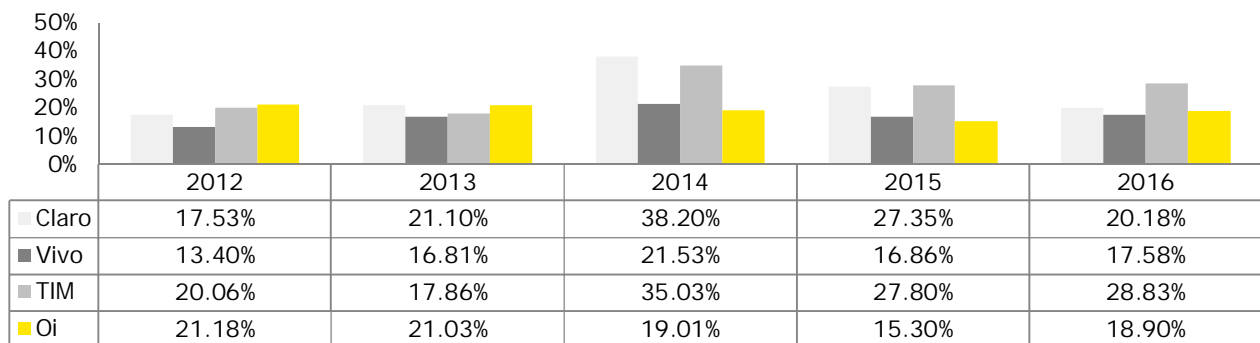


Chart 10. Source: Capital IQ.

⁹ In the Capital IQ indicators, adjustments are made to non-operating expenses and revenues, impacting the value of the presented EBITDA, when compared to the companies' financial statements. In the case of Oi, revenues proceeding from the sale of assets in 2013 and 2014 were excluded, among other adjustments.

The following charts present the debt indicators of the operators in the last five years. The increased indebtedness of Oi is one of the factors that led the Company into its current economic-financial situation.

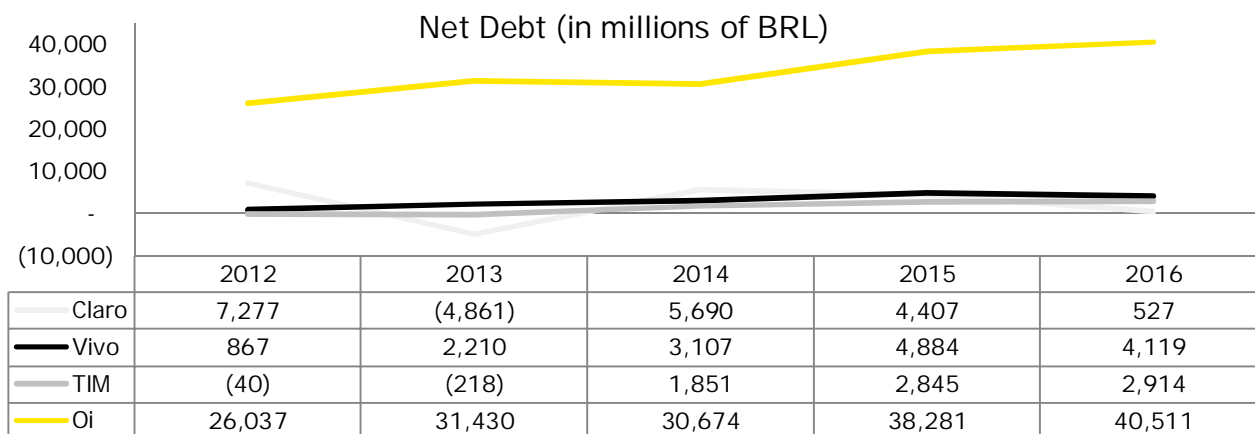


Chart 11. Source: Capital IQ (Claro, TIM and Vivo) and Oi.

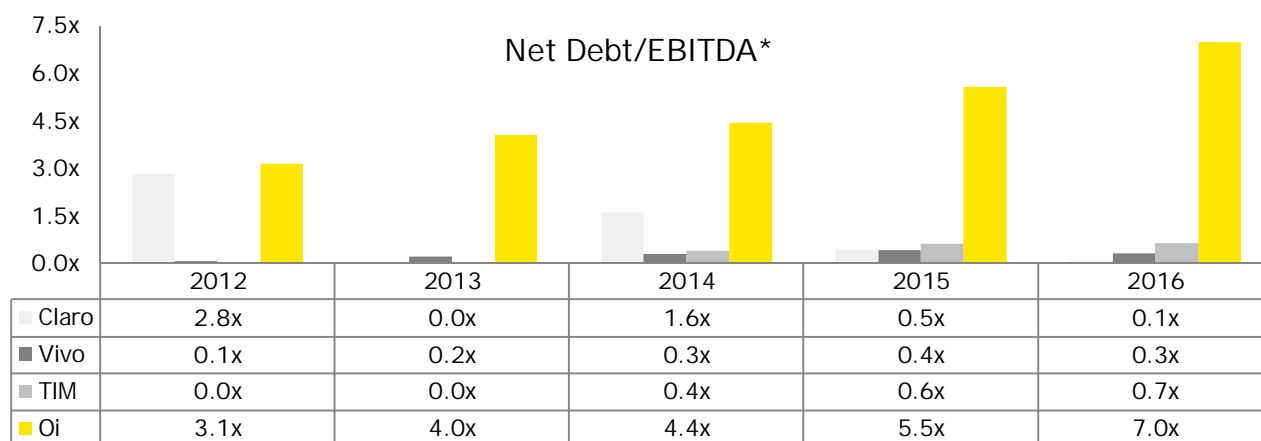


Chart 12. Source: Capital IQ (Claro, TIM and Vivo) and Oi.

* The occurrence of a negative net debt is expressed by the value "0.0x"

6. Economic-Financial Projections

This chapter presents the most recent economic-financial projections of the Oi Group, which considers the macroeconomic, operational and financial assumptions estimated by the Company in the context of the JRP.

The expected cash flows for the business after a potential approval of the JRP are still subject to eventual changes. In addition to the natural uncertainties inherent to these projections, there are other factors that can impact the future cash flows of the business, such as accounting practices to be adopted, tax planning due to the tax treatment of the transactions underlying the JRP, regulatory understandings, legal interpretations, the non-consummation of

anticipated capital injections and third party financing, as well as the profile of debts derived from the Creditors' General Meeting in a going concern scenario.

All assumptions made in this Report were based on expected scenarios and forecasted exclusively by the Company and its managers, advisors and further service providers hired to develop the JRP and were not subject of independent investigation by EY, which did not fit as part of the scope of work, to propose or judge any aspects related to such events. The findings of EY contained in the JRP assume, therefore, the basic assumption that, when forecasting scenarios, the Company observed all legal, regulatory and tax aspects. It is important to note that the Company's understanding when projecting such scenarios may be different from the understanding of its creditors, tax authorities, legal authorities and regulatory agencies.

Since the companies of the Oi Group have a significant economic and operational interconnection, the projections were made on a consolidated basis, including the assumptions and figures of the Debtors, as well as Oi's other subsidiaries, with the exception of the companies operating in Africa, which today are considered as assets for sale and have an independent operation. The sale of these assets were not considered in the forecasted cash flow. It is worth noting that since there is no positioning from the Supreme Court (Superior Tribunal de Justiça) that ratifies the decisions of the Dutch Supreme Court regarding the bankruptcy of the Dutch companies, this report considered the continuity of Oi Coop and PTIF for the judicial reorganization purposes.

From the Company's business plan, EY analyzed the operating assumptions and future results projected by the Oi Group.

Therefore, the following activities were carried out:

- 1) Discussions with the Company in order to understand the projections;
- 2) Identification, through the spreadsheets made available by Oi, of the most relevant and required assumptions for the projections;
- 3) Comparison between historical and projected results;
- 4) Comparative analysis of comparable firms indicators, obtained through S&P Capital IQ¹⁰.

Following are the detailed projections of Oi's financial modeling in nominal values (inflation included in the projections). In this scenario, it was considered that the ratification of the JRP will occur in January 2018.

6.1 Macroeconomic Data

The following tables present the macroeconomic assumptions used as basis for the financial projections.

¹⁰ The Capital IQ provides information about public companies, or not, audited data, M&A transactions, IPOs, etc. This comparison provides the diagnosis points for analysis

Description	Unit	Source	Date	2016	2017	2018	2019	2020	2021
IPCA	% p.a.	<i>BCB</i>	<i>set/17</i>	6.39%	2.96%	4.08%	4.21%	4.07%	4.02%
CPI	% p.a.	<i>BMI</i>	<i>set/17</i>	1.27%	1.96%	1.72%	1.83%	1.91%	1.99%
HICP	% p.a.	<i>European Central Bank</i>	<i>set/17</i>	0.20%	1.50%	1.40%	1.60%	1.50%	1.70%
EURO (year average)	BRL	<i>BCB</i>	<i>set/17</i>	3.86	3.60	4.01	4.24	4.34	4.44
USD (year average)	BRL	<i>BCB</i>	<i>set/17</i>	3.48	3.17	3.23	3.33	3.38	3.43
TR	% p.a.	<i>Portal Brasil</i>	<i>set/17</i>	2.01%	1.07%	1.07%	1.07%	1.07%	1.07%
CDI	% p.a.	<i>Portal Brasil</i>	<i>set/17</i>	14.01%	9.80%	6.89%	7.93%	8.04%	7.96%
TJLP	% p.a.	<i>Receita Federal do Brasil</i>	<i>set/17</i>	7.50%	7.00%	7.00%	7.00%	7.00%	7.00%
Libor	% p.a.	<i>ICE</i>	<i>set/17</i>	1.54%	1.78%	1.78%	1.78%	1.78%	1.78%
Libor 6 m	% p.a.	<i>ICE</i>	<i>set/17</i>	1.23%	1.51%	1.51%	1.51%	1.51%	1.51%
Euribor 3 m	% p.a.	<i>Capital IQ</i>	<i>set/17</i>	-0.30%	-0.33%	-0.33%	-0.33%	-0.33%	-0.33%
Euribor 6 m	% p.a.	<i>Capital IQ</i>	<i>set/17</i>	-0.19%	-0.26%	-0.26%	-0.26%	-0.26%	-0.26%
INPC	% p.a.	<i>IBGE / BCB</i>	<i>set/17</i>	6.85%	2.94%	4.20%	4.17%	4.10%	4.18%

Table 3.

Description	Unit	Source	Date	2022	2023	2024	2025	2026	2027
IPCA	% p.a.	BCB	set/17	4.02%	4.02%	4.02%	4.02%	4.02%	4.02%
CPI	% p.a.	BMI	set/17	2.00%	2.01%	2.00%	2.03%	2.03%	2.03%
HICP	% p.a.	European Central bank	set/17	1.70%	1.90%	1.90%	1.90%	1.90%	1.90%
EURO (year average)	BRL	BCB	set/17	4.54	4.64	4.73	4.83	4.93	5.04
USD (year average)	BRL	BCB	set/17	3.50	3.57	3.64	3.71	3.78	3.85
TR	% p.a.	Portal Brasil	set/17	1.07%	1.07%	1.07%	1.07%	1.07%	1.07%
CDI	% p.a.	Portal Brasil	set/17	7.96%	7.96%	7.96%	7.96%	7.96%	7.96%
TJLP	% p.a.	Receita Federal do Brasil	set/17	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Libor	% p.a.	ICE	set/17	1.78%	1.78%	1.78%	1.78%	1.78%	1.78%
Libor 6 m	% p.a.	ICE	set/17	1.51%	1.51%	1.51%	1.51%	1.51%	1.51%
Euribor 3 m	% p.a.	Capital IQ	set/17	-0.33%	-0.33%	-0.33%	-0.33%	-0.33%	-0.33%
Euribor 6 m	% p.a.	Capital IQ	set/17	-0.26%	-0.26%	-0.26%	-0.26%	-0.26%	-0.26%
INPC	% p.a.	IBGE / BCB	set/17	4.18%	4.18%	4.18%	4.18%	4.18%	4.18%

Table 4.

6.2 Operating Income

Gross Revenue and Deductions

The gross revenue forecast of the Oi Group is presented below, after commercial discounts, according to the Company's estimates. In addition, the taxes according to the Brazilian legislation (PIS, COFINS, ICMS and ISS) are represented by the yellow line.

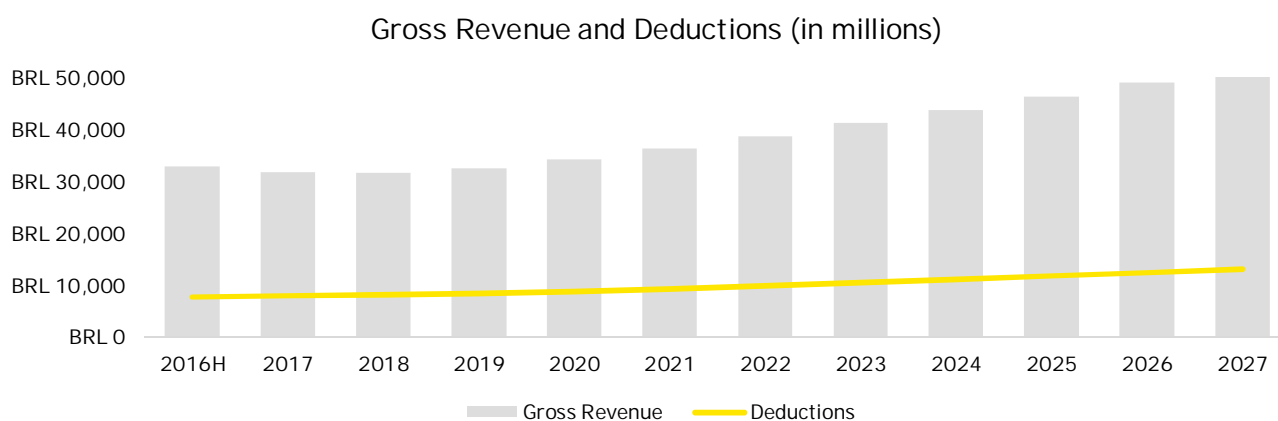


Chart 13. Source: Oi.
2016 refers to historical data.

Net Revenue

The revenues of the Oi Group were segregated among fixed lines, mobile, broadband, data transmission, pay-tv, value added services and public use terminals, sales, interconnection and other revenues.

The Company recognizes that this is a changing market, especially in the technological field, which justifies some of the expected changes over the projected period. On the one hand, reductions are estimated in revenues from fixed lines. On the other, expectations point to a larger representation of the revenues stemming from Mobile Network and Broadband.

Below are presented the projections of the Oi Group's sources of revenue.

Fixed Lines

The fixed lines income includes local and long distance services, according to the permits and concessions issued by ANATEL, to retail, wholesale, Public Phones (“TUP”), corporate and business (small and medium enterprises – “SME”) customers. The following chart shows the forecast of the number of users, as well as the projected revenue from fixed lines:

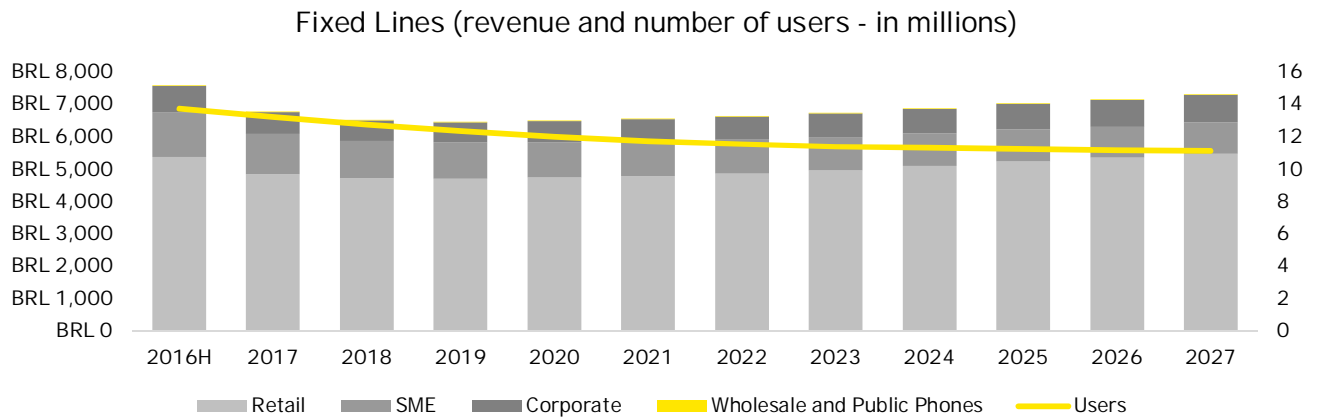


Chart 14. Source: Oi.
2016 refers to historical data.

The decline in revenue of these services is mainly explained by a change in users’ consumption patterns in nearly all of the Company’s operating segments regarding fixed telephony. However, the Company projects a growth of the average revenue per user, motivated by greater commercial efforts in the sale of packages containing several products (“bundles”).

Mobile

Mobile includes prepaid, postpaid, VAS (Value-Added Services) and mobile broadband to retail, wholesale, corporate and SME customers. The chart below shows the changes in the number of customers for this service, as well as the projected revenues:

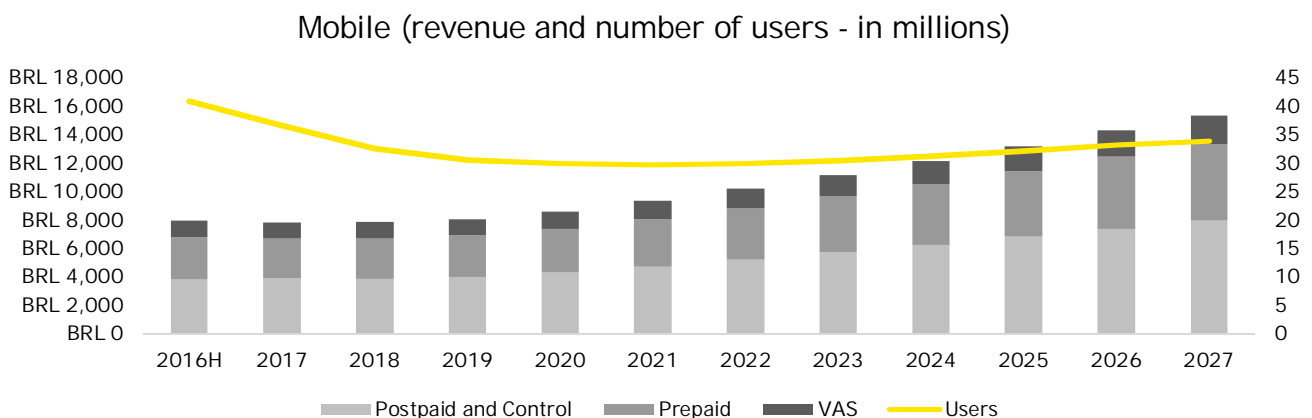


Chart 15. Source: Oi.
2016 refers to historical data.

In the end of 2016 the Company conducted the disconnection of approximately 4.7 million of inactive prepaid lines, which reduces the customer base, aiming to reduce regulatory costs. Additionally, the Company projects a reduction of the number of revenue generating units in the business/corporate segment (*business-to-business*), as a consequence of the macroeconomic scenario's deterioration, and a drop in the quantity of prepaid products to retail in the projection's first year.

The Company estimates a revenue growth of postpaid products, along with the strategy of strengthening the bundles offer.

The VAS line refers to complementary activities to the telecommunication services, such as text messages and applications for mobile phones.

Broadband

This line considers the sale of broadband internet and bundled services to retail, corporate and SME customers. The chart below shows the changes in the number of customers for the service, as well as its revenue, both forecasted by Oi:

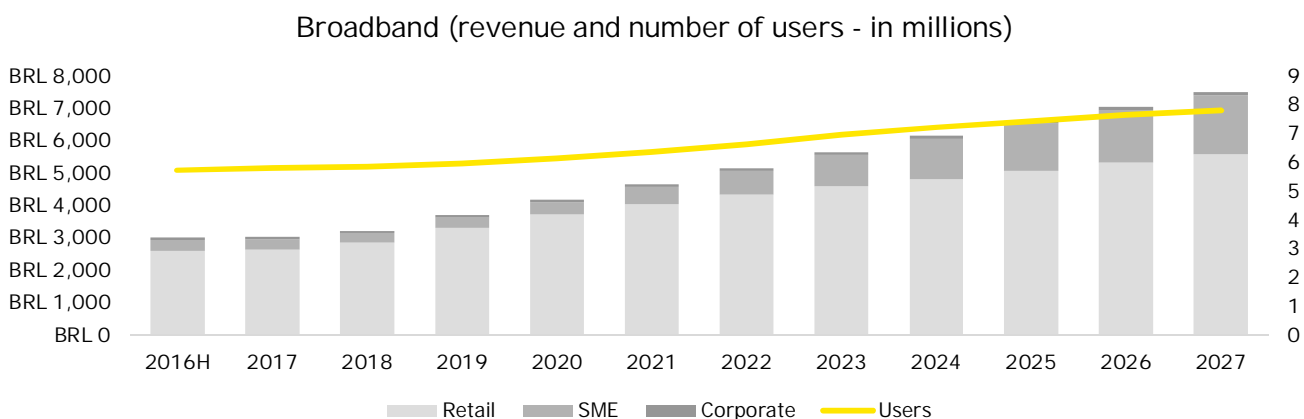


Chart 16. Source: Oi.
2016 refers to historical data.

The expected growth of broadband internet and bundled services is demonstrated in the chart above. Through initiatives such as network improvement investments, selected price increases and bundles sales, the Company expects to reach a level of approximately BRL 7.5 billion in this revenue line by 2027. This strategy involves both market penetration in order to regain market share, as well as the development of existing customers.

Data Transmission

These are corporate/business services regarding data transmission, including Industrial Exploitation of Dedicated Lines ("EILD"), Dedicated Line Services ("SLD") and IP services. The following chart shows the revenue of Data Transmission projected by Oi:

Data Transmission (revenue - in millions)

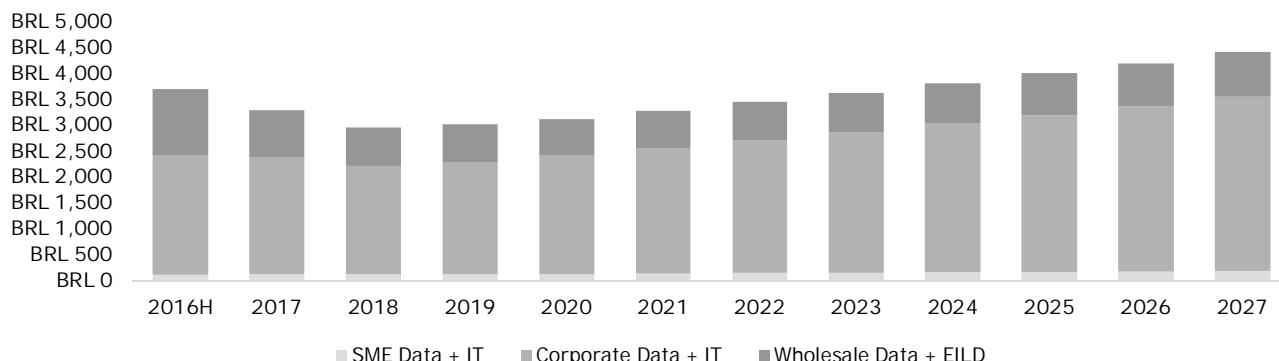


Chart 17. Source: Oi.
2016 refers to historical data.

This line gathers products of opposing trends. The EILD is regulated by ANATEL, and the Company estimates a decrease in its revenue in the first years of the projection. On the other hand, regarding the data service in the SME and corporate segments, the Company expects growth tied to investments in network infrastructure.

Pay Television

This line refers to subscription-based television services to retail and SME customers. The following chart shows the changes in the number of customers, as well as pay-tv revenue, both forecasted by the Company:

Pay Television (revenue and number of users - in millions)

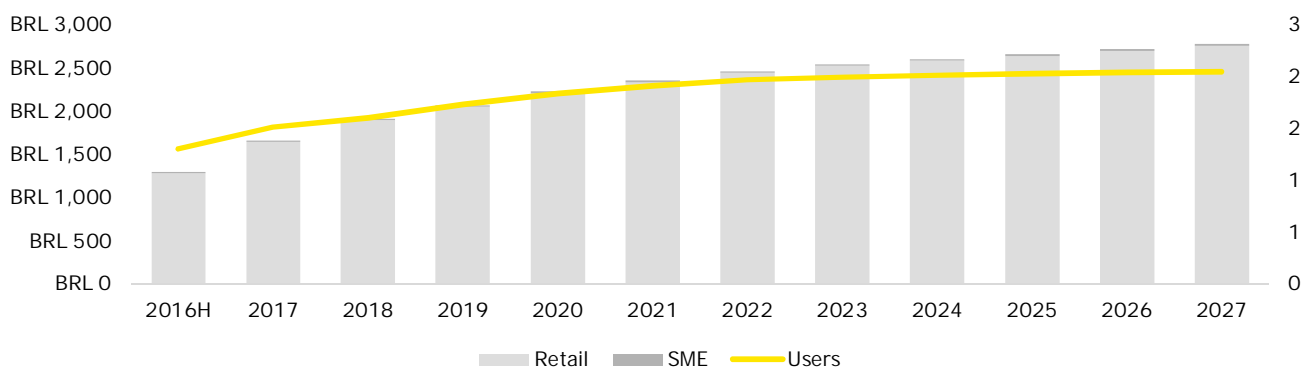


Chart 18. Source: Oi.
2016 refers to historical data.

The chart above demonstrates expectation of increase in revenues and number subscription-based users in the mid and long term. This growth, already observed in the first semester of 2017 is explained mainly by Oi's commercial initiatives, including digital media focused investments and the bundled services sales strategy.

Handsets

This line represents the sale of telecommunications equipment to retail customers, corporate, SME. The chart below demonstrate the changes of the handsets revenue projected by the Company:

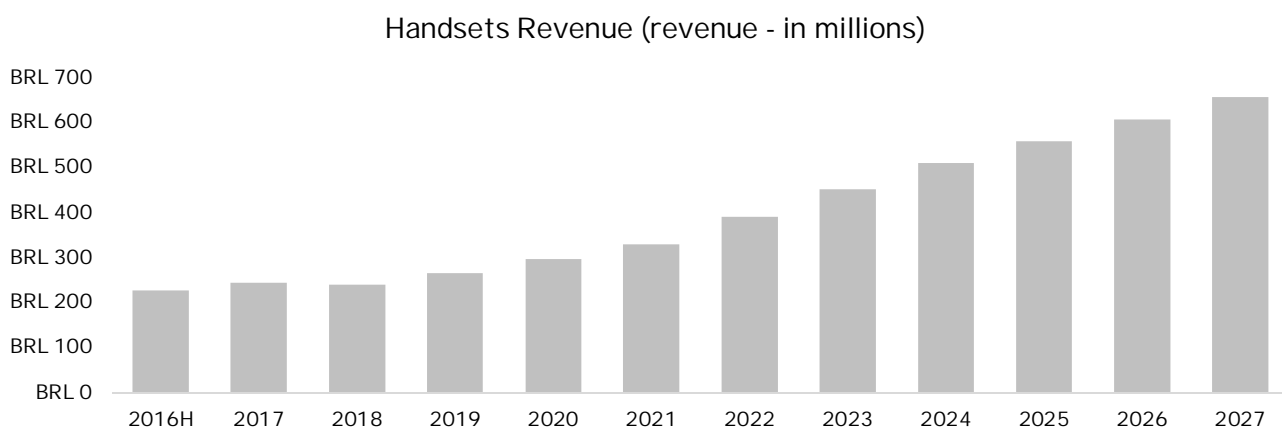


Chart 19. Source: Oi.
2016 refers to historical data.

The Company expects that its strategic positioning focusing on an increased penetration of postpaid and control products, lined with increased investments on 4G technology, result in higher revenues arising from handsets sales.

Interconnection

Revenue from interconnection comes from the fees charged by Oi for the use of its network by other operators. The chart below shows the changes in revenue, as projected by Oi:

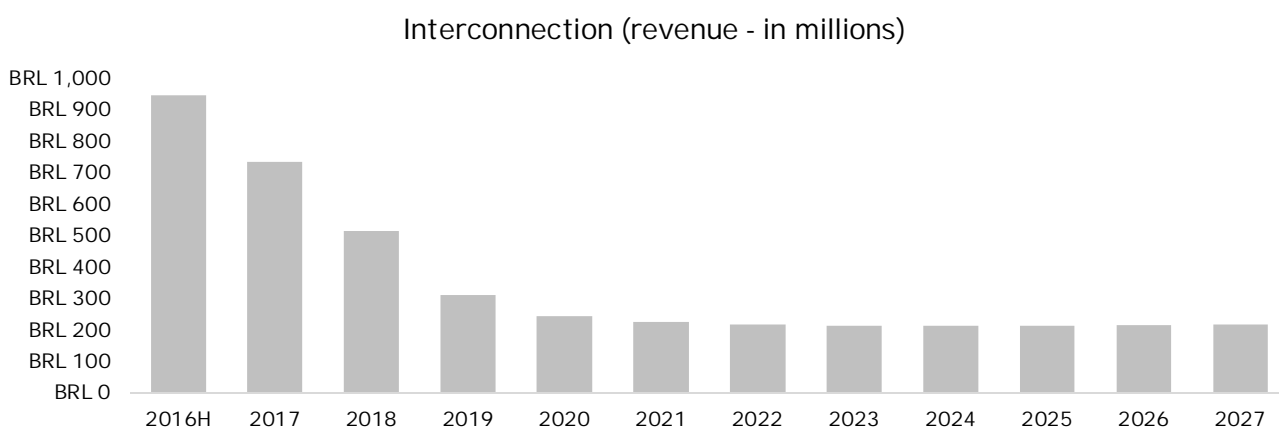


Chart 20. Source: Oi.
2016 refers to historical data.

Due to the regulatory framework, the Company expects that the interconnection rates suffer sharp falls. Below are presented the interconnection fees of mobile services (SMP) as defined by ANATEL.

Interconnection Values - VU-M 2014 - 2016 (in BRL)

Region	Operator	2015	2016	2017	2018	2019
I	Claro	0.15784	0.09317	0.04928	0.02606	0.01379
	Oi	0.15517				
	TIM	0.16311				
	Vivo	0.16751				
II	Claro	0.15389	0.10309	0.05387	0.02815	0.01471
	Oi	0.15974				
	TIM	0.15771				
	Vivo	0.15991				
III	Claro	0.16047	0.11218	0.06816	0.04141	0.02517
	Oi	0.15485				
	TIM	0.1607				
	Vivo	0.14776				

Table 5. Sources: ANATEL, Lafis e Teleco.

Other Revenues

This line includes additional revenues from Oi's subsidiaries, considering 'other revenues' from Serede, Paggo, Oi Internet, BRTCC, Vex and others.

Other Revenues (revenue - in millions)

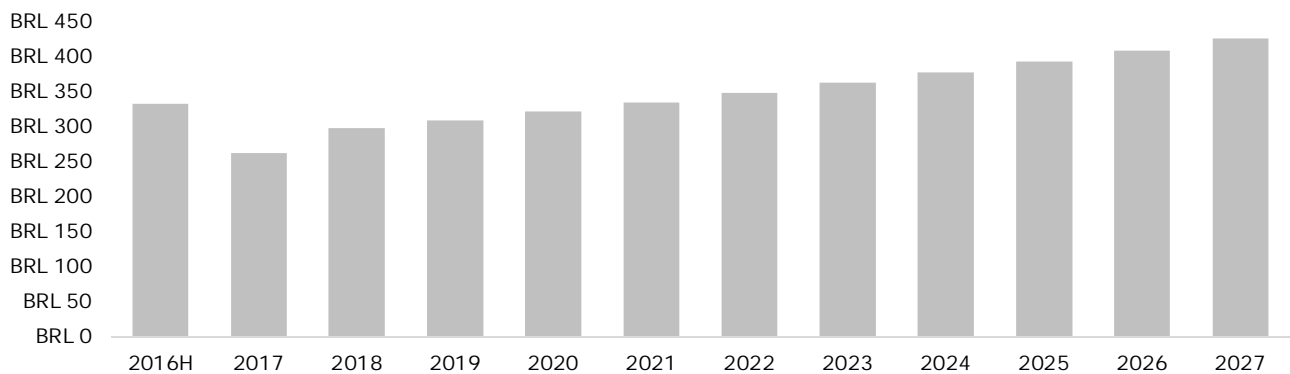


Chart 21. Source: Oi.
2016 refers to historical data.

Total Revenue

The Company's total revenue forecast, separated by revenue line, is presented below:

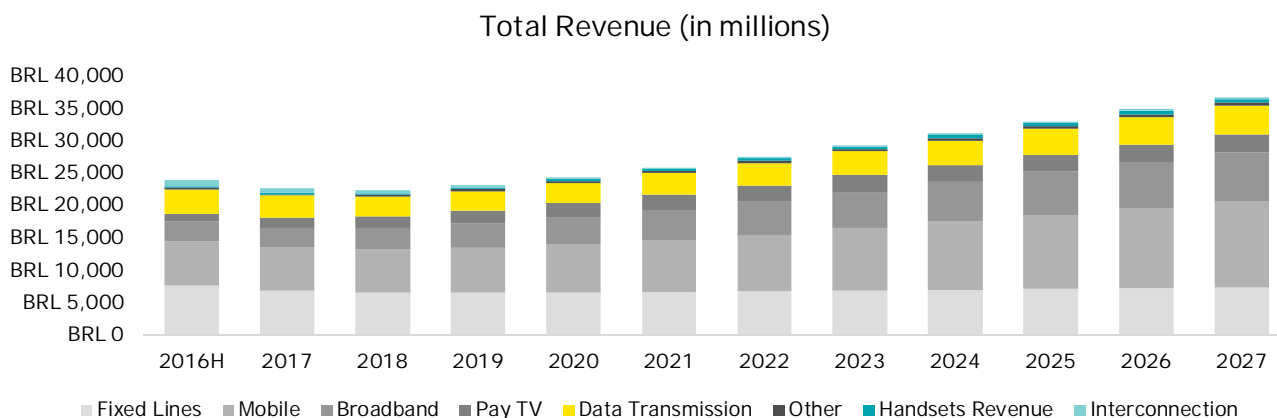


Chart 22. Source: Oi.
2016 refers to historical data.

Revenue from fixed-lines loses relevance in range of Oi's products, while mobile, broadband and pay TV are gaining ground. As mentioned earlier, this situation arises from the current market dynamics and users' patterns of preferences regarding the telecommunications services, which includes the transfer of fixed telephony customers to mobile and the increase of data services relevance in relation to voice services. Additionally, it is worth mentioning that, from 2016 to 2017, revenues arising from business-to-business segments suffered impacts due to the macroeconomic scenario and the Company's reorganization process. Oi forecasts a recovery of these segments throughout the next years.

Costs and Expenses

Costs and expenses were projected by Oi and specified as follows: expenses related to revenues, network expenses, commercial expenses, SG&A expenses and other expenses.

Expenses Related to Revenue

Expenses related to revenue include interconnection expenses, expenses with BDP, ANATEL fees and content acquisition, as shown below:

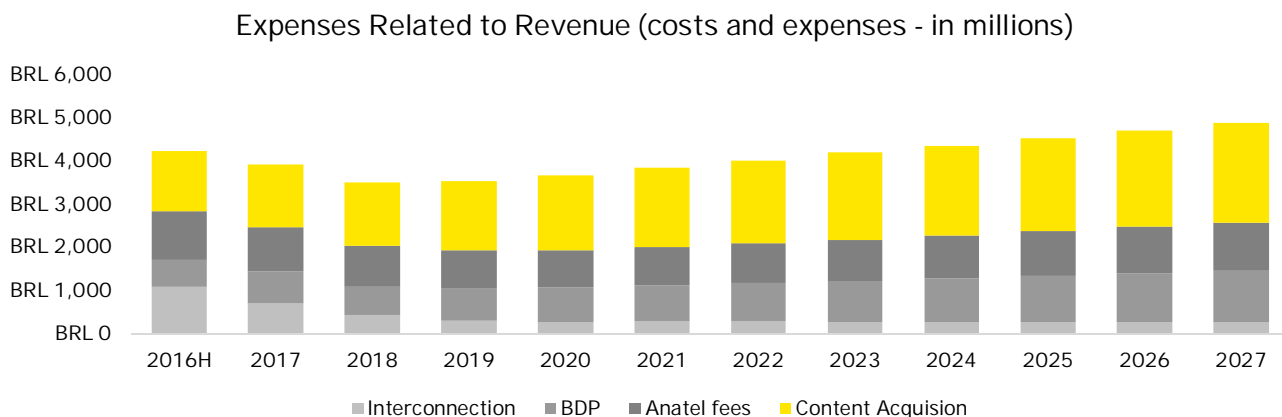


Chart 23. Source: Oi.
2016 refers to historical data.

These expenses projected by Oi suffered minor variations throughout the projection period, with the exception of interconnection expenses, which will have their tariffs reduced by ANATEL. Thus, the Company expects a worsening of the BDP expenses, from 2016 to 2017, as a result of the period’s macroeconomic context.

Network Expenses

Network expenses involves network maintenance, transmission infrastructure, telecom infrastructure, revenue from infrastructure rental, customer services, collection, post and billing and electricity, as shown below:

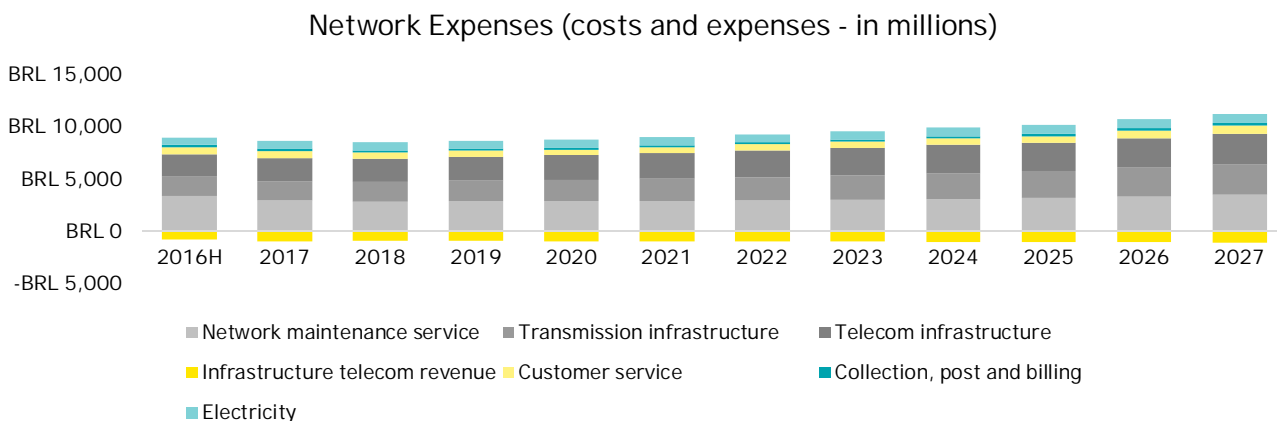


Chart 24. Source: Oi.
2016 refers to historical data.

The cost of network maintenance decreases due to new investments driven to network and remote troubleshooting. Another important initiative includes the creation of a team dedicated to reduce the electricity costs.

Moreover, the Company estimates an increase in the productivity of maintenance technicians, cost savings related to call center, increased participation in the electronic market (focusing on the reduction of the costs with customer service), by providing these services digitally.

In contrast, Telecom infrastructure expenses is increased due to the review of contracts of towers and poles rents.

The aforementioned initiatives can be observed in the results presented by Oi, referring to the first semester of 2017.

Commercial Expenses

The commercial expenses, projected by Oi, include advertising, sales, inventory management and cost of goods sold:

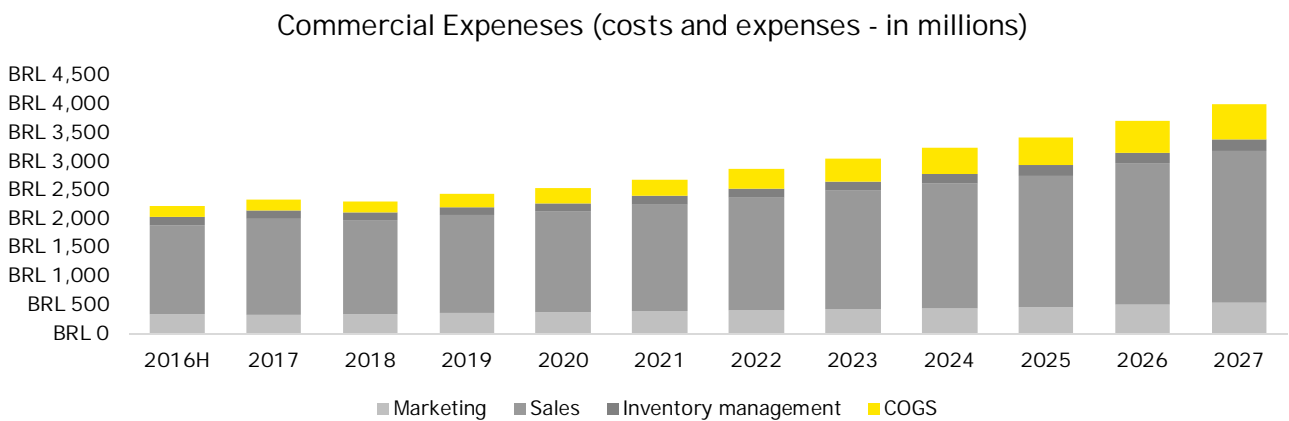


Chart 25. Source: Oi.
2016 refers to historical data.

Initiatives that are being adopted by Oi to optimize these costs and expenses include reduced inventory levels of Serede and Conecta, increased reutilization of decoders and focusing on online advertising.

SG&A Expenses

The SG&A expenses, projected by Oi, are split among personnel, IT, general expenses and consulting and advisory services.

SG&A Expenses (costs and expenses - in millions)

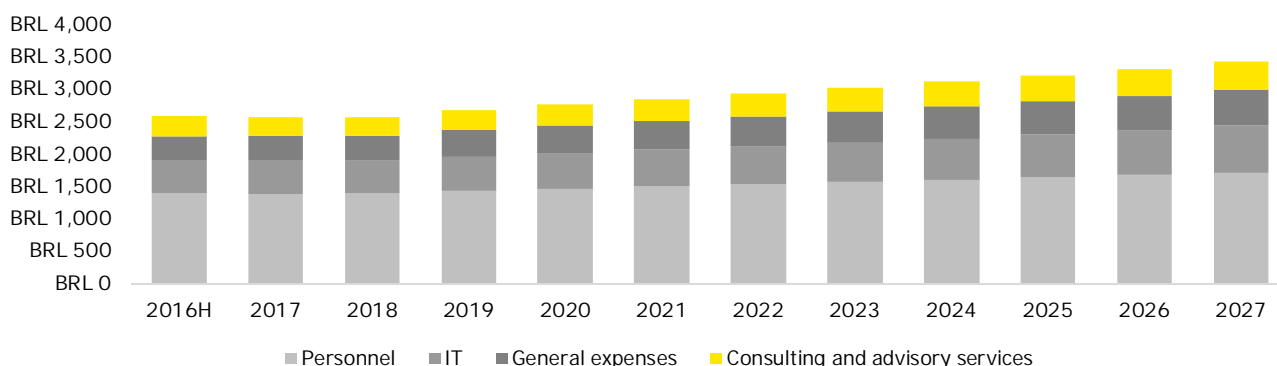


Chart 26. Source: Oi.
2016 refers to historical data.

In addition to the reduction of these expenses, already presented in the first semester of 2017, the Company expects a growth lined to the inflation for the following years. This forecast demonstrates the expectations of a continuity of the initiatives related to increasing operating efficiency, highlights are the process of integrating network service providers, as well as an increase in the workforce productivity.

Other Expenses

Other expenses contemplate contingencies, legal and tax obligations, as shown below:

Other Expenses (costs and expenses - in millions)

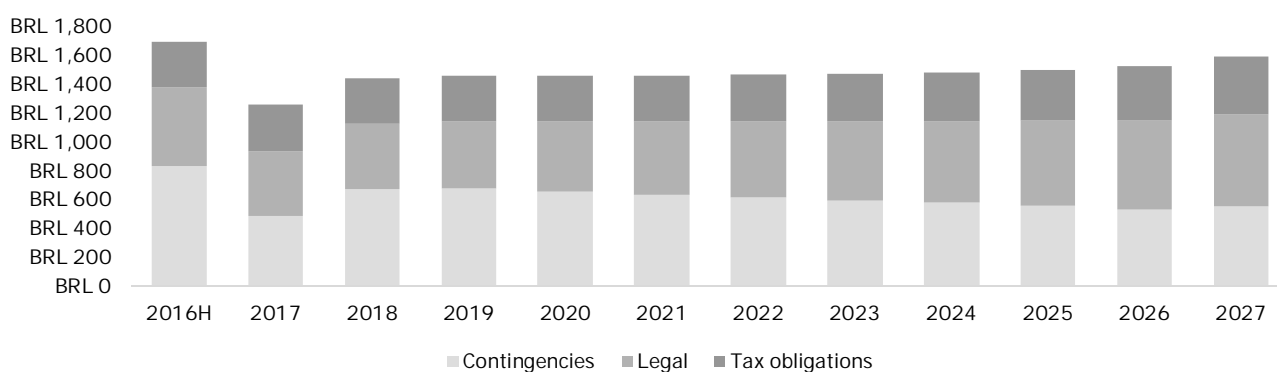


Chart 27. Source: Oi.
2016 refers to historical data.

Oi estimates an improvement in their customer service and execution of agreements, leading to a decrease in costs regarding legal proceedings. Promptly in 2017, the decline in these expenses are explained by a lower volume of lawsuits arising from the Special Civil Court ("JEC"), due an operational improvement and the Company's reorganization process.

The tax obligations are mainly represented by the tax generated in transactions with other companies of the group.

EBITDA Margin¹¹

Considering the accounts above, the chart below shows the EBITDA changes in the current projection.

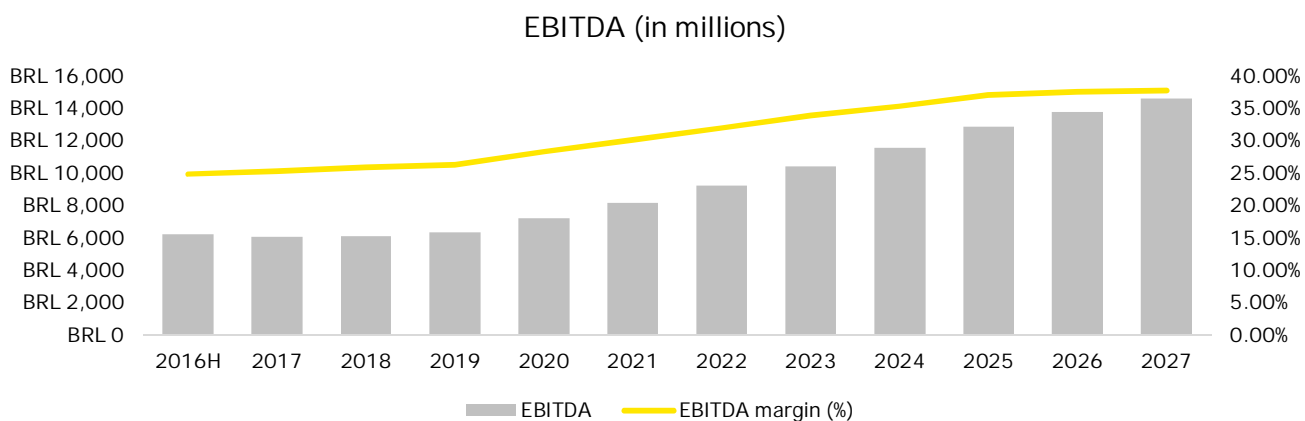


Chart 28. Source: Oi.
2016 refers to historical data.

Oi projects an increase in its EBITDA margin from 2017. This gain is guided by changes in the products profile, increasing its added value, and the implementation of optimization measures regarding costs and expenses. Despite the EBITDA margins of the last years of the projected period being above the margins reached by its main competitors in recent years, the Company believes that this growth is in line with the expected market development.

Depreciation and Amortization

Below are presented the depreciation and amortization projected by Oi. The depreciation calculation methodology was revised and the average depreciation rate for new investments considered by the Company was 8.9%. For further assets, it was considered the depreciation projected by the Company.

¹¹ Earnings before interest, taxes, depreciation and amortization.

Depreciation and Amortization (in millions)

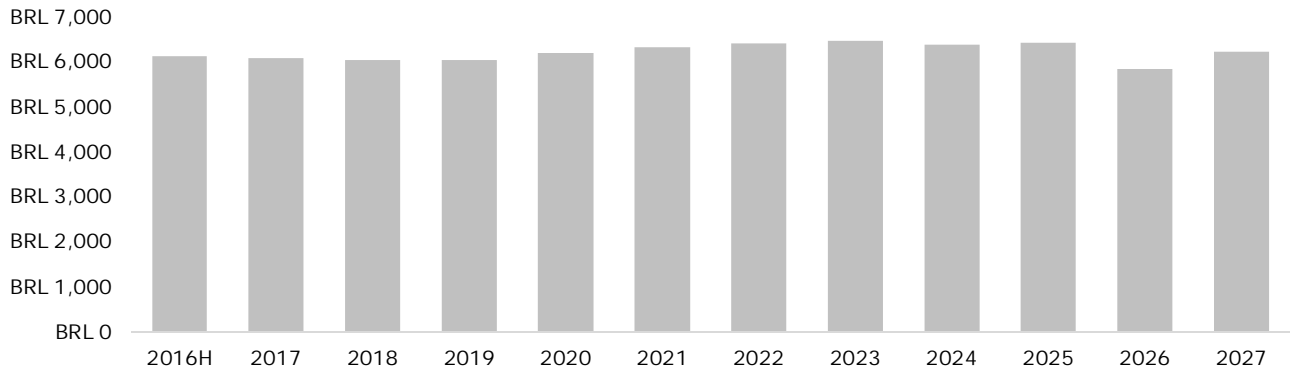


Chart 29. Source: Oi.
2016 refers to historical data.

The Company made adjustments in its 2015 financial statements, with the purpose of presenting, retrospectively, from the added value of TmarPart in the amount of BRL 9.1 billion. In this sense, there is a yearly average increase of BRL 0.9 billion up to 2025, in the depreciation and amortization forecasted by the Company, from these adjustments.

6.3 Consolidated Income Statement

Consolidated Income Statement (in millions of BRL)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Net Revenue	25,164	23,850	23,516	24,202	25,491	27,088	28,848	30,778	32,684	34,662	36,671	38,674
Costs and expenses	(18,918)	(17,802)	(17,413)	(17,837)	(18,268)	(18,918)	(19,614)	(20,354)	(21,121)	(21,802)	(22,890)	(24,066)
Expenses related to revenue	(4,199)	(3,922)	(3,493)	(3,529)	(3,656)	(3,840)	(4,010)	(4,190)	(4,353)	(4,520)	(4,693)	(4,881)
Network expenses	(8,211)	(7,710)	(7,602)	(7,734)	(7,862)	(8,086)	(8,332)	(8,620)	(8,940)	(9,155)	(9,672)	(10,179)
Commercial expenses	(2,221)	(2,330)	(2,302)	(2,432)	(2,526)	(2,681)	(2,864)	(3,047)	(3,227)	(3,415)	(3,689)	(3,984)
SG&A expenses	(2,592)	(2,574)	(2,572)	(2,680)	(2,763)	(2,847)	(2,934)	(3,023)	(3,116)	(3,211)	(3,310)	(3,423)
Other expenses	(1,695)	(1,266)	(1,444)	(1,462)	(1,462)	(1,464)	(1,474)	(1,475)	(1,485)	(1,501)	(1,526)	(1,599)
EBITDA	6,245	6,048	6,102	6,365	7,222	8,169	9,234	10,424	11,563	12,860	13,780	14,608
EBITDA margin	24,82%	25,36%	25,95%	26,30%	28,33%	30,16%	32,01%	33,87%	35,38%	37,10%	37,58%	37,77%
Depreciation and amortization	(6,134)	(6,087)	(6,050)	(6,054)	(6,203)	(6,329)	(6,423)	(6,476)	(6,379)	(6,431)	(5,843)	(6,228)
EBIT	111	(39)	52	311	1,019	1,840	2,810	3,948	5,183	6,430	7,938	8,381
Financial results	(2,516)	(10)	(3,106)	(2,732)	(2,925)	(3,073)	(3,245)	(3,389)	(3,494)	(3,101)	(3,296)	(3,234)
EBT	(2,406)	(49)	(3,054)	(2,421)	(1,906)	(1,233)	(435)	559	1,690	3,329	4,642	5,147
Income tax and social contribution	(3,700)	(1,054)	(987)	(9)	(167)	(324)	(672)	(1,104)	(1,493)	(1,670)	(1,683)	(1,832)
Net profit	(6,105)	(1,103)	(4,040)	(2,431)	(2,073)	(1,557)	(1,107)	(545)	197	1,659	2,959	3,315

Table 6.

6.4 Debt Restructuring

This chapter presents in a synthesized manner the Debt Restructuring Plan for Oi, including information about the new financial conditions stated in the Judicial Reorganization Plan, presented on December 12, 2017.

For more details about the payment terms, refer to the JRP. In case of any divergence between this chapter and the JRP, the latter shall prevail. This Report has been prepared considering the financial and operating assumptions arising from the implementation of the JRP. The projections in this Report assume the approval and execution of the Plan proposed by the Debtors.

Mediation/Conciliation/Agreement with the Creditors

All Pre-Petition Creditors could, by their own will, up until the Creditors' General Meeting date, adhere to the Mediation plan with Oi Group for the anticipation of amounts up to BRL 50,000 of its credits to be paid in two installments as follows:

- 90% of the total amount within 10 business days from the day of the agreement;
- The remaining 10% within 10 business days from the Judicial Ratification of the Plan.

Class I Labor Credits

The payment of labor credits is described below:

Proposal
<p>Labor Claims General Rule: Labor credits will be paid in 5 equal monthly installments with a 6-month grace period after the Judicial Ratification of the Plan. Labor credits which are not yet recognized, shall be paid in 5 equal monthly installments with a 6-month grace period after the final judgment decision to terminate the process and ratify the amount due</p> <p>Court Deposits Labor Creditors which have court deposits as collaterals of their claims:</p> <ul style="list-style-type: none">• Payments will be made upon immediate release of the deposited amount.• If the deposit is a lower amount than the debt listed by Oi Group, the deposit will be used to pay part of the debt, and the balance will be paid, after the court decision approves the due amount, in 5 equal monthly installments with 6-month grace period after the Judicial Ratification of the Plan. If the deposit is a greater amount than the debt, Oi Group will raise the difference in its own favor. <p>Fundação Atlântico Labor Credit:</p> <ul style="list-style-type: none">• Payment will be made in 6 equal yearly installments with a 5-year grace period after the Judicial Ratification of the Plan.

- Interest/Monetary correction: INPC + 5.5% per annum, from the Judicial Ratification of the Plan, being interest and monetary correction accrued on the grace period and paid after the 6th year, along with the principal.

Class II Secured Credits

Class II creditors shall be paid as follows, in accordance with the limits established in the Judicial Reorganization Plan:

Proposal

The creditor will receive the amount of the original debt, shown in the Creditors' List of the Bankruptcy Trustee, updated by interest rate/monetary correction as stated below:

Long Term Interest Rates, disclosed by the Brazilian Central Bank, plus 2.94%.

The payment period for this class is 15 years, in the following structure;

- 6-year grace period for principal payments
- 9-year amortization with non-linear monthly payments, as shown in the following table:

Months	Percentage of amortized amount per semester
0 to 72 nd	0.0%
73 rd to 132 nd	0.33%
133 rd to 179 th	1.67%
180 th	1.71%

- Interest: 4-year grace period
- Interest: will be capitalized annually to the debt principal during the grace period and will be paid monthly afterwards.

Class III Credits

The payment proposal to Class 3 is presented below, in accordance with the limits established in Judicial Reorganization Plan:

Proposal

Each Unsecured Creditor may opt, except when otherwise stated in the JRP, for having the totality of their Unsecured Credits paid or restructured according to the following options: (i) Linear Payment Unsecured Creditors, (ii) Restructuring Option I or (iii) Restructuring Option II.

Once the limit for the restructuring of the credits in Brazilian Reais or the limit for credits in US Dollars are reached, the credit holders who choose the Restructuring Option I or Restructuring Option II will have part of their credits paid according to the chosen option, on a *pro rata* basis and limited to the respective credit amount according to the Creditors' List of the Bankruptcy Trustee. The remaining balance will be allocated to be paid according to the General Payment Method.

Linear Payment Unsecured Creditors: Creditors in this class who hold credits amounting up to BRL 1,000.00 will be paid in a single installment in 20 business days after the Judicial Ratification of the Plan.

Creditors in this class with credits higher than BRL 1,000.00 may choose to be paid in one single installment, provided that they agree to receive only the amount of BRL 1,000.00 as full payment of their respective credit and related costs, which will be paid in 20 business days from the deadline given to the creditor for choosing the payment option.

Restructuring Option I:

The Unsecured Creditors may opt for Restructuring Option I, in which they will have their credits restructured within 6 months counted from the Judicial Ratification of the Plan, given the following limits:

- a. Part of the credits will be represented in Brazilian Reais up to the limit of BRL 10 billion;
- b. Part of the credits will be represented in US dollars up to the limit of USD 1.15 billion;

Said credits will be restructured as follows:

- Ø 5-year grace period for principal and interest payments;
- Ø 12 years of amortization with non-linear half-yearly payments, as shown in the following table:

Semesters	Percentage of amortized amount per semester
0 to 10 th	0.0%
11 th to 20 th	2.0%
21 st to 33 rd	5.7%
34 th	5.9%

- Interest: (i) for credits originally in Brazilian Reais, interest will correspond to the yearly rate of 75% of the CDI; and (ii) for credits originally in US dollars will be fixed at 1.75% a year, being capitalized annually to the principal amount and paid half-yearly from the 66th month after the Judicial Ratification of the Plan. Exceptions are listed below:
 - Ø If the EBITDA assessed at the end of each fiscal year is greater than BRL 7.00 billion, then 25% of the interest shall be paid in cash up to the assessment of the EBITDA of the immediately subsequent fiscal year;
 - Ø If the EBITDA assessed at the end of each fiscal year is greater than 7.25 billion, then 50% of the interest shall be paid in cash up to the assessment of the EBITDA of the immediately subsequent fiscal year;
 - Ø If the EBITDA assessed at the end of each fiscal year is greater than BRL 7.50 billion, 100% of the interest shall be paid in cash up to the assessment of the EBITDA of the immediately subsequent fiscal year.

Restructuring Option II

The Unsecured Creditors may opt for Restructuring Option II, in which they will have their credits restructured within 6 months counted from the Judicial Ratification of the Plan, given the limit of USD 850 million.

- 5-year grace period for principal payments;
- 12-year amortization with non-linear half-yearly payments, as shown in the following table:

Semesters	Percentage of amortized amount per semester
0 to 10 th	0.0%
11 th to 20 th	2.0%
21 st to 33 rd	5.7%
34 th	5.9%

Ø Interest of 1.25% a year, of which:

- a. 10% of the interest to be paid throughout the first 60 months from the Judicial Ratification of the Plan will be paid on a half-yearly basis;
- b. 90% of the interest to be paid throughout the first 60 months from the Judicial Ratification of the Plan will be capitalized annually on the principal amount;
- c. From the 66th month of the Judicial Ratification of the Plan onwards, 100% of the interest will be paid on a half-yearly basis;

In case the requests for this payment option does not reach the limit established herein, then any remaining balance shall be automatically added to the limit established in Restructuring Option I.

Court Deposits for the Payment of Unsecured Credits

Credit Amount	% of Discount
Up to BRL 1,000.00	0%
BRL 1,000.01 to BRL 5,000.00	15%
BRL 5,000.01 to BRL 10,000.00	20%
BRL 10,000.01 to BRL 150,000.00	30%
Above BRL 150,000.00	50%

- Payments will be made upon the release of deposited amounts;
- In the event that the Court Deposit is demonstrably less than the amount of the respective credit (after discounts), the deposit will be used to pay part of the debt and the remaining balance will be paid after the rendering of the decision by the relevant Court that ratifies the amount owed;
- If the Court Deposit is greater than the debt, the exceeding amount will be withdrawn by Oi Group.

Bonds Restructuring

- Bondholders' Unsecured Credits up to USD 0.75 million:
 - Ø 6-year grace period for principal and interest payments;
 - Ø 6-year amortization with non-linear half-yearly payments, as shown in the following table:

Semesters	Percentage of amortized amount per semester
0 to 12 th	0.0%
13 th to 18 th	4.0%
19 th to 23 rd	12.66%
24 th	12.70%

- Ø Interest of 6% per annum in US Dollars;
 - Ø 50% discount on the credit amount;
 - Ø The total of credits to be restructured under this option will be limited to USD 500 million.
- Bondholders' Unsecured Credits from USD 0.75 million:
 - Ø Creditors who opt for this payment mode will have their debt restructured in exchange, in the following order, of:
 - a. Common shares, issued by Oi and held by PTIF, in the form of Depositary Receipts;
 - b. A package with (i) New Notes, (ii) new common shares issued by Oi and (iii) subscription bonus; to be issued by Oi.
 - Ø The New Notes will have the following properties:
 - a. Amount to be issued limited to BRL 6.3 billion;
 - b. The New Notes will reach its maturity date on the 7th year after the Issuance Date of the Notes, the principal will be paid in a single installment on the 84th month after the Issuance Date of the Notes;
 - c. Interest of, at Oi's discretion, 10% per annum in US Dollars or 12% per annum in US Dollars up until the 3rd year, with 8% being paid and 4% being capitalized, and interest of 10% per annum from the 4th year onwards. Both options starting from the 12th month after the Issuance Date of the Notes.
 - Ø The amounts and further information of the issuance of New Notes, shares and subscription bonus are described in the JRP.

General Payment Method

- This offer is applicable to creditors who do not fit the conditions of any of the previous offers or if the offers reach their limits and the creditor still has receivable balance. In addition to the creditors who do not express themselves in relation to other options.
 - Ø The principal will be paid in 25 years. The principal payment will be done annually from the 21st year onwards, with 5 annual equal installments.
 - Ø Interest/ Monetary correction: TR (Referencial Rate) per annum for debt in Brazilian Reais, applied from the Judicial Ratification of the Plan, with the total amount of interest and monetary correction accumulated during the period being paid only, and together with the last installment of the principal. No accrual of interest if the credit holder opts for receiving the payment in US Dollars or Euros.
 - Ø Oi shall have the option of, at its exclusive criteria, at any time, settle in advance the amounts due pursuant to General Payment Method, by means of the payment of 15% of the principal and capitalized interest up to the date of exercise of the option.

Regulatory Agencies Pre-Petition Credits, resulting from administrative fines must be paid as follows:

- Credits shall be settled by means of novation and paid in 240 installments, as follows:

Months	Percentage of amortized amount per month
1 st to 60 th	0.16%
61 st to 120 th	0.33%
121 st ao 180 th	0.50%
181 st ao 239 th	0.66%
240 th	Remaining balance

- Ø The first installments will be paid with the amounts deposited judicially to guarantee these credits, starting 60 days after the Judicial Ratification of the Plan;
- Ø Interest/monetary correction: in accordance to the SELIC variation and the variation of one percent (1%) in relation to the month in which the payment is made;
- Ø The following discounts will be applied: (i) 50% in interest and (ii) 25% in fines. In addition to a 4-year grace period for the payments of estimated fines.

Strategic Supplier Creditors

- Suppliers of goods and/ or services that maintain the terms and conditions practiced before the Judicial Reorganization request filing and that have credits of up to BRL 150,000.00 will have their credits, other than those arising from loans or funding granted to Oi Group, paid in full within 20 business days of the choice made by the respective Unsecured Creditor through the electronic platform made available by Oi
- Suppliers with credits greater than BRL 150,000.00 will also receive the amount of BRL 150,000.00 in the same conditions above. The remaining balance will be paid, after a 10% discount, in 4 annual and equal installments, with the first installment due date one year after the deadline given to the creditor for choosing the payment option through the electronic platform made available by Oi, with interest of TR + 0.5% p.a. to credits in Brazilian Reais and interest of 0.5% p.a. for credits in US Dollars or Euros.

Class IV

Court Deposits ME/EPP Strategic Unsecured Creditors shall be paid as described below:

Description
<p>The payment proposals for Class IV creditors have the same conditions as the following Class III proposals:</p> <ul style="list-style-type: none">• Linear Payment Unsecured Creditors• Court Deposits Unsecured Creditors• Restructuring Option I• Restructuring Option II• General Payment Method• Strategic Supplier Creditors

Intercompany Credits

Credits referring to loans conducted between Oi Group's companies, loans which were conducted with resources stemming from operations made in the international market by the Debtors, will be paid as follows:

- The principal will be paid from the 20th year after the full payment of credits in the General Payment Method. The principal payment will be made in 5 annual equal installments.

- Interest/monetary correction: No interest for debts in US Dollars or Euros and TR p.a. for debts in Brazilian Reals, starting from the Judicial Ratification of the Plan, with the total interest amount and monetary correction accumulated in the period being paid only and together with the last principal's installment.

Generation of Cash Sweep

In the first 3 fiscal years counted from the Judicial Ratification of the Plan, Oi Group will assign 100% of the net revenue from asset sales that exceeds USD 200 million to investments in its activities.

The Unsecured Creditors and Secured Creditors may quicken the receipt of their credits with Oi Group with a Cash Sweep, which will be distributed proportionally between the credits, according to the following conditions:

- From the 4th year after the Judicial Ratification of the Plan, as long as the Minimum Cash Balance is reached, Oi Group will assign the equivalent of 70% of the net revenue amounting from the sale of assets that exceeds USD 200 million.
- From the 6th year after the Judicial Ratification of the Plan, Oi Group will assign 70% of the Cash Balance that exceeds the Minimum Cash Balance.
- The Minimum Cash Balance is defined as the highest amount among the following:
 - ⊘ 25% of the previous year's sum of OPEX and CAPEX; or
 - ⊘ BRL 5 billion.
- Additionally, any resources originated from Capital Increase will be added to the Minimum Cash Balance calculation.

Capital Increase

After the restructuring of Pre-petition Credits as intended in the JRP and respecting the shareholders' preference rights, Oi expects to perform a Capital Increase, through the private issuance of common shares, in the amount of BRL 4 billion.

The Issuance Price and further information related to guarantees of the Capital Increase are described in the JRP.

Additionally, there will be amounts due referring to the Commitment Premium, totaling 8% of the guaranteed amount to be paid in national currency or 10% of the guaranteed amount to be paid in common shares issued by Oi, depending on the weighted average price per volume of common shares issued by Oi, as described in the JRP.

Additional Financing Manners

Oi may seek Additional Financing Manners in the capital market, in the amount of up to BRL 2.5 billion, within two years after the Judicial Ratification of the Plan. These fundraisings may include, among others, the public issuance of common shares and new debt instruments. In addition, the Company considers new credit facilities, in order to import equipment, in the potential amount of BRL 2 billion.

In order to enable the approval of stock issues and subscription bonus, Oi intends to call a general shareholders' meeting, after the Judicial Ratification of the Plan, to resolve on the increase of the limit of its authorized capital to cope with such issuances.

Projection of the Creditors Plan

The flow of payments to creditors is presented below. This flow, forecasted by Oi, contemplates the use of Court Deposits balances and, in cases where the deposited amounts are higher than its obligations, the surplus is made available to the Company.

The new issued debts will remain tied to their respective original debtors, with the exception of PTIF and Oi Coop debts, from which the credit holders will be now Oi creditors; the credit holders of Copart 4, which will be merged into Telemar, and of the credit holders of Copart 5, which will be merged into Oi, which will become Telemar's and Oi's creditors, respectively.

The values used as basis for the projections include, in addition to the creditors recognized in the Creditor's List of the Bankruptcy Trustee presented by the Debtors, creditors in litigation not yet recognized in the Creditors' List of the Bankruptcy Trustee.

Flow of Payments to Creditors (in millions of BRL)

Class	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Mediation	(211)	-	-	-	-	-	-	-	-	-	-	-	-
Class I	-	(506)	(334)	(232)	(141)	(65)	(241)	(117)	(126)	(157)	(177)	(185)	-
Class II	-	-	-	-	-	(462)	(462)	(648)	(630)	(611)	(593)	(574)	(1,300)
Class III	-	846	(962)	(1,019)	(1,209)	(1,426)	(2,496)	(2,926)	(11,107)	(2,144)	(2,470)	(4,059)	(4,033)
Class IV	-	(30)	(5)	(5)	(5)	-	-	-	-	-	-	-	-
Flow of payments	(211)	310	(1,302)	(1,256)	(1,355)	(1,953)	(3,199)	(3,691)	(11,862)	(2,913)	(3,240)	(4,818)	(5,332)
Class	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
Mediation	-	-	-	-	-	-	-	-	-	-	-	-	-
Class I	-	-	-	-	-	-	-	-	-	-	-	-	-
Class II	(1,207)	(1,115)	(1,022)	-	-	-	-	-	-	-	-	-	-
Class III	(3,643)	(3,630)	(3,719)	(4,151)	(4,157)	(2,134)	(2,205)	(2,242)	(531)	(571)	(586)	(555)	(127)
Class IV	-	-	-	-	-	-	-	-	-	-	-	-	-
Flow of payments	(4,850)	(4,745)	(4,741)	(4,151)	(4,157)	(2,134)	(2,205)	(2,242)	(555)	(571)	(586)	(555)	(127)

Table 7.

6.5 Operating Cash Flow

The consolidated cash flow of the Company was calculated from the EBITDA including the changes in working capital, taxes, investments, debts, payment plan to creditors and other expenditures that have effect on cash over the projection, further detailed below.

For Report elaboration purposes, the Company considered that capital increases and further means of financing described in the JRP will come to fruition, representing a gross cash injection in the amount of BRL 17.5 billion between 2018 and 2027. However, it is worth noting that there are no guarantees of its execution until the moment of release of the present Report.

Income Tax and Social Contribution

This line includes Income and Social Contribution Taxes on Net Profit, as well as all of the Income Tax withheld in favor of third parties related to financial operations.

The rate of the income tax is equivalent to 15% of the earnings before tax (EBT) on the Actual Profit tax system (*Lucro Real*), plus an additional 10% on the amount above BRL 240 thousand (annual). The social contribution rate was projected at 9% of the taxable income.

Additionally, if there are accumulated losses over the projection, these balances reduce the direct taxes calculation basis up to 30%, limited by the remaining balance of the accumulated losses.

Regarding the Income Tax and Social Contribution (IRPJ and CSLL, respectively), the Company estimates that the tax gains arising from the renegotiation with creditors will be entirely absorbed by the Debtors' current and accumulated fiscal losses.

In the year of 2018, the amount regarding the direct taxes is impacted mainly by the Income Tax collection on behalf of third parties, tied to the interest due as of the Judicial Reorganization's approval.

It should be stressed that particular corporate reorganizations, provided in the JRP, were addressed in the projections in order to optimize the Group's tax structure. They are: (i) the incorporation of Oi Internet S.A. into Oi Móvel, (ii) incorporation of Copart 4 into Telemar and (iii) incorporation of Copart 5 into Oi.

Working Capital Needs

The working capital needs were projected by Oi and contemplated changes in the projected cycles of the accounts receivable and payable.

The Company expects that the court deposits not realized since the approval of the Judicial Reorganization will be adjusted in 2018.

Non-recurring Operations

The sums expended in this line refer, in the year of 2017, to the anticipated dissolution of the joint venture, upon the acquisition, by Oi, of the entirety of the equity state from Santander Bank, by an amount equivalent to the one predicted for put options on shares assigned to Santander Bank in the Rio Alto's shareholders agreement.

In this Report, we considered that the Capital Increase operation will come to fruition and is considered in this line in the year 2018.

Dividends and Interest on Equity

The dividend disbursements in the 2016 cash flow refer to the payment of dividends from joint venture Rio Alto to its preferred shareholder at the time. Therefore, payments of dividends for this operation in periods after its dissolution were not considered.

Tax Refinancing

The installments of the Company's tax liabilities include the PAES, PAES INSS and the Common Installment (*Parcelamento Ordinário*), already negotiated.

- 1) In May 2017 the Company adhered to the Tax Regularization Programme (PRT), which enables tax liabilities regularization with the Brazilian Federal Revenue Office (Receita Federal). The companies involved in this negotiation were: Oi, TMAR, Oi Móvel, BRTCC, Serede and Brasil Telecom Comunicação Multimídia Ltda. ("MRED"), as shown in the following table.

Company	Refinanced Amount (in BRL)
Oi	680,332,017
TMAR	625,861,275
Oi Móvel	44,454,264
BRTCC	8,566,825
Serede	2,525,678
MRED	48,524
Total	1,361,788,583

Table 8. Source: Oi.

The operating cash flow is presented below:

Cash Flow from Operating Activities (in millions of BRL)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
(=) EBITDA	6,340	6,048	6,102	6,365	7,222	8,169	9,234	10,424	11,563	12,860	13,780	14,608
(-) Income tax and social contribution	(556)	(936)	(1,251)	(384)	(519)	(664)	(986)	(1,287)	(1,652)	(1,837)	(1,875)	(2,025)
(+/-) Working Capital	(499)	(476)	(2,149)	(972)	(620)	(888)	(788)	(957)	(1,023)	(1,089)	(894)	(868)
(+/-) Dividends and interest on equity	(129)	-	-	-	-	-	-	-	-	-	-	-
(-) Non core operations	(487)	(360)	4,000	-	-	-	-	-	-	-	-	-
(-) Tax installments	(94)	(188)	(308)	(190)	(146)	(165)	(186)	(209)	(154)	-	-	-
(=) Operating Cash Flow	4,575	4,089	6,395	4,819	5,937	6,453	7,274	7,971	8,734	9,934	11,011	11,715

Table 9.

6.6 Cash Flow from Investing Activities

Currently, Oi targets its investments primarily towards the improvement of its existing structure. The Company projects resources of approximately BRL 6.1 billion per year (average of 21.1% of the net revenue over the projection) with an average of BRL 6.9 billion on these investments in 2018, 2019 and 2020. The Company aims to improve the quality of the service and to maintain competitiveness in the telecommunications market.

In this context, Oi has initiatives to maintain investments in order to satisfy the growing demand for data and broadband. Additionally, the Company is targeting its investments in order to prioritize the information technology ("IT") segment, focusing on areas where there is a greater potential for growth and selecting strategic locations to expand its cables and fibers.

Cash Flow from Investing Activities (in millions of BRL)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
(-) Capex	(4,759)	(5,258)	(7,023)	(6,912)	(6,846)	(5,027)	(5,293)	(5,551)	(5,807)	(6,070)	(6,359)	(6,621)
(-) Mobile license	(653)	(3)	(4)	-	-	-	-	-	-	-	-	-
(=) Cash Flow from Investing Activities	(5,412)	(5,261)	(7,027)	(6,912)	(6,846)	(5,027)	(5,293)	(5,551)	(5,807)	(6,070)	(6,359)	(6,621)

Table 10.

6.7 Cash Flow from Financing Activities

The projection below contemplates the financing activities of the Oi Group.

Financial Results

The line of financial revenues and/or expenses represents the subtraction of cash inflows coming from the Company's cash investments with the financing expenses of each period, including commissions regarding the guarantees of the BRL 4 billion capital increase in 2018 and part of the taxes regarding the credit's restructuring.

Additional Financing

Additional Financing Manners are considered, amounting to BRL 4.5 billion, being: (i) BRL 2.5 billion in 2019, interest rate equal to 130% of the CDI, half-yearly interest payments and amortization of the principal at the end of the 10th year; and (ii) BRL 2 billion in 2020, issued in US Dollars, interest rate equal to Libor + 2%, half-yearly interest payments and amortization of the principal at the end of the 10th year.

Other Financing Needs

For maintaining the minimum cash balance of BRL 4 billion, other financing needs with an interest rate equal to 130% of the CDI were considered.

Cash Flow from Financing Activities (in millions of BRL)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
(+/-) Financial results	(8,139)	619	(300)	287	222	204	162	133	39	84	146	142
(+/-) Additional financing	-	-	-	2,374	1,707	(329)	(331)	(332)	(334)	(335)	(337)	(339)
(+/-) Other financing needs	-	-	-	-	-	-	-	-	740	8,249	(1,548)	(1,657)
(=) Cash Flow from Financing Activities	(8,139)	619	(300)	2,662	1,930	(125)	(169)	(199)	446	7,998	(1,739)	(1,854)

Table 11.

6.8 Consolidated Cash Flow

The consolidated cash flow is presented below, including the impact of the JRP, projected from the assumptions provided by Oi:

Consolidated Cash Flow (in millions of BRL)												
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
(=) EBITDA	6,340	6,048	6,102	6,365	7,222	8,169	9,234	10,424	11,563	12,860	13,780	14,608
(-) Income tax and social contribution	(556)	(936)	(1,251)	(384)	(519)	(664)	(986)	(1,287)	(1,652)	(1,837)	(1,875)	(2,025)
(+/-) Working capital	(499)	(476)	(2,149)	(972)	(620)	(888)	(788)	(957)	(1,023)	(1,089)	(894)	(868)
(-) Non core operations	(487)	(360)	4,000	-	-	-	-	-	-	-	-	-
(+/-) Dividends and interest on equity	(129)	-	-	-	-	-	-	-	-	-	-	-
(-) Tax installments	(94)	(188)	(308)	(190)	(146)	(165)	(186)	(209)	(154)	-	-	-
(=) Operating Cash Flows	4,575	4,089	6,395	4,819	5,937	6,453	7,274	7,971	8,734	9,934	11,011	11,715
(-) Capex	(4,759)	(5,258)	(7,023)	(6,912)	(6,846)	(5,027)	(5,293)	(5,551)	(5,807)	(6,070)	(6,359)	(6,621)
(-) Mobile license	(653)	(3)	(4)	-	-	-	-	-	-	-	-	-
(=) Cash Flow from Investing Activities	(5,412)	(5,261)	(7,027)	(6,912)	(6,846)	(5,027)	(5,293)	(5,551)	(5,807)	(6,070)	(6,359)	(6,621)
(+/-) Financial results	(8,139)	619	(300)	287	222	204	162	133	39	84	146	142
(+/-) Additional financing	-	-	-	2,374	1,707	(329)	(331)	(332)	(334)	(335)	(337)	(339)
(+/-) Other financing needs	-	-	-	-	-	-	-	-	740	8,249	(1,548)	(1,657)
(=) Cash Flow from Financing Activities	(8,139)	619	(300)	2,662	1,930	(125)	(169)	(199)	446	7,998	(1,739)	(1,854)
(=) Cash Flow before Creditors Plan	(8,976)	(553)	(933)	568	1,020	1,300	1,812	2,221	3,372	11,862	2,913	3,240
Mediation	-	(211)	-	-	-	-	-	-	-	-	-	-
Class I	-	-	(506)	(334)	(232)	(141)	(65)	(241)	(117)	(126)	(157)	(177)
Class II	-	-	-	-	-	-	(462)	(462)	(648)	(630)	(611)	(593)
Class III	-	-	846	(962)	(1,019)	(1,209)	(1,426)	(2,496)	(2,926)	(11,107)	(2,144)	(2,470)
Class IV	-	-	(30)	(5)	(5)	(5)	-	-	-	-	-	-
(=) Cash Flow after Creditors Plan	(8,976)	(764)	(622)	(733)	(236)	(55)	(141)	(978)	(319)	-	-	-
Cash Balance	7,849	7,085	6,463	5,730	5,494	5,439	5,297	4,319	4,000	4,000	4,000	4,000

Table 12.

It is worth mentioning that the financing balance (Additional Financing and other financing needs) amounts to BRL 12.5 billion by the end of 2027.

The Company projects its operating flows until 2027, after this period Oi assumes a steady operating cash generation.

7. Report Conclusion

This Report was prepared by EY as a subsidy to the Debtors' JRP and is subject to the premises and assumptions expressed in it.

This Report aims to assess the economic and financial feasibility of the Debtors, analyzing alternatives to the restructuring of their capital structure by verifying the continuity of its operations and seeking to maximize return to creditors, shareholders and the community in which they belong. It is noteworthy that the studies do not include the feasibility analysis of the Debtors from the perspective of corporate, tax and legal aspects.

Thus, after conducting analysis and subject to the premises and assumptions expressed in it, we believe that the JRP is feasible under the economic and financial perspective, as long as the capital injection and third party financing described herein are consummated, emphasizing the following points:

- The Debtors are taking steps to seek greater cash generation in order to honor its financial obligations;
- The presented JRP contemplates investments in various areas to improve the quality of its services and competitiveness in the sector;
- Through the proposed plan, Oi intends to equalize its liabilities, presenting a healthy financial situation to allow the continuity of its operations;
- In order to increase its financial liquidity, Oi may promote the sale of assets from the Debtors;

It was not considered in this feasibility scenario, possible changes in the telecommunications regulatory environment, which may have an impact on operators in the industry.

The Report took into consideration the economic-financial conditions and the projections expressed in the JRP of the Debtors. Therefore, the effective occurrence and realization of these conditions and projection are essential for reaching a viable scenario for the operation's continuity, as stated in the comments made throughout this Report.

In this context, we conclude that the approval of the JRP, the consummation of the capital increase and third party financing, as well as the consolidation of the proposed assumptions will enable the Grupo Oi to overcome the current financial crisis, enabling the continuity of its

operations, considering the existing assumptions in the economic scenario presented in this Report.

The original report in Portuguese was signed by:

Ernst & Young Assessoria Empresarial Ltda.