

REGULATORY PRESENTATION

PGMU IV wish list

oi

NOVEMBER 2017

PGMU IV

It is essential to Oi that PGMU IV is approved as soon as possible with a fair calculation for the balance, and that the funds can be used in broadband investments, instead of fixed voice service



PGMU Wish list

Topic	What needs to be achieved?
Time to approval	<ul style="list-style-type: none">▪ Immediate and effective implementation of new PGMU approved by Anatel Council<ul style="list-style-type: none">▪ New obligations still need to be approved by Anatel's Advisory Board, Communications Ministry and Government's Chief of Staff Office
Use of the funds [Balance]	<ul style="list-style-type: none">▪ Regulatory change to allow the PGMU balance to be allocated from the STFC¹ to Broadband expansion according to PNC investments priorities (even if there is no migration to an authorization regime)
Balance divergences	<ul style="list-style-type: none">▪ PGMU balance calculation according to Oi methodology, including legacy balances (backhaul, PSM) and PGMU IV public phone balance

PGMU IV

Total reduction of requirements have a net present value of R\$ 1,3, according to internal calculations



PGMU Obligations			Estimated Values
	Concession "As is"	New scenario	NPV 2025 (R\$ Bn)
Public payphone ¹	<ul style="list-style-type: none"> ~650 k Public phones: <ul style="list-style-type: none"> Public phones in locations > 100 inhabitants Max. distance between public phones of 300m 4 public phones to 1000 inhabitants per city 3 public phones to 1000 inhabitants per location 	<ul style="list-style-type: none"> ~150 k Public phones: <ul style="list-style-type: none"> End of density and geodesic distance requirements Locations without individual fixed line access Obligatory points of interest (e.g. Airports, hospitals) 	0,3
Individual Fixed-line	<ul style="list-style-type: none"> Network deployment for individual fixed-line access in new locations with > 300 inhabitants within 7 days 	<ul style="list-style-type: none"> Network deployment for individual fixed-line access in new locations with > 300 inhabitants within 120 days 	0,0
Backhaul / PSM [legacy]	<ul style="list-style-type: none"> Carry over from PGMU III, to be settled 		1,0
NPV (EBITIDA + CAPEX)			1,3

Note [1] Presented scenario considers decommissioning and gradual withdrawal of public phones, costs with withdrawals and impact of contract renegotiations;