

4Q17/2017

RESULTS



Rio de Janeiro, April 12, 2018

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HIGHLIGHTS OF THE PERIOD

- **In 2016-2017, the restructuring process based on several fronts enabled the Company to stabilize its operation:**
 - ✓ Management's priorities were: quality improvement, digital transformation, cost control, cash management and debt restructuring with the approval of the Judicial Reorganization Plan. The important results of these fronts have been preparing Oi for a new investment cycle.
- **Initiatives designed to increase operational efficiency and improve customer experience resulted in consistent improvements in quality and operational indicators.**
 - ✓ Infrastructure upgrade and network capacity expansion, preventive actions designed to increase productivity, improvement of customer service quality and service and digitalization of processes created synergies for the Company.
 - ✓ As a result, Oi recorded an improvement in customer satisfaction in 2017, with continuous reductions in ANATEL [-23.0% y.o.y.] and Small Claims Court [JEC] [-46.3% y.o.y.] complaint indicators.
- **The intensification of the digital program enabled efficiency gains and the improvement of customer experience, with the automation of processes [robotization and artificial intelligence] and increased digitalization of sales and customer service [e-care, e-billing and e-commerce].**
- **Cost reduction due to operational efficiency gains came to R\$1.5 billion in the year to date and R\$6.2 billion of routine Ebitda in 2017, or 2.3% higher than that provided for in the Judicial Reorganization plan's Report.**
- **Oi closed 2017 with a cash position of R\$7.0 billion, in line with the Judicial Reorganization (JR) Plan. The JR plan projects a cash position of R\$ 6.188 billion at the end of 2018.**
- **Approval of the JR Plan by a large majority of creditors, which will lead to a debt reduction of over R\$ 35 billion, enabling the resumption of the investment cycle.**
- **Structural fronts stabilized the operation and the Company is now in the preparation phase for a new cycle of growth that will occur with the acceleration of investments financed by the capital increase.**
 - ✓ The incremental CAPEX plan financed by the capital increase includes annual investments of R\$ 7 billion for the next years, with strategies for the mobile and fixed line networks, supporting transformation, growth and sustainability of our business.



IN 2017, THE COMPANY RECORDED COST EFFICIENCY GAINS, HIGHER MARGINS AND OPERATIONAL EVOLUTION; PREPARING TO BEGIN GROWTH CYCLE AFTER THE CAPITAL INCREASE

Financial highlights

R\$ million

	4Q17	y.o.y.	q.o.q.	2017	vs. 2016
Brazil					
Net Revenues from Services¹	5,722	-5.4%	-2.4%	23,328	-6.5%
Residential	2,269	-2.0%	-2.2%	9,171	-2.2%
Personal Mobility	1,887	-2.9%	-2.7%	7,645	-2.6%
<i>Customers²</i>	<i>1,693</i>	<i>-2.2%</i>	<i>-3.9%</i>	<i>6,195</i>	<i>-1.2%</i>
B2B	1,559	-12.9%	-2.3%	6,486	-14.7%
Net Customer Revenues²	5,517	-5.3%	-2.8%	22,559	-5.7%
Routine OPEX	4,482	1.1%	3.7%	17,367	-7.7%
Routine EBITDA	1,300	-22.4%	-18.6%	6,190	-2.4%
Routine EBITDA Margin	22.5%	-4.9 p.p.	-4.5 p.p.	26.3%	1.1 p.p.
CAPEX	1,835	35.1%	37.0%	5,629	18.3%
Routine EBITDA – Capex	-535	-268.3%	-307.4%	560	-64.6%



RESIDENTIAL ARPU GROWS IN THE YEAR SUPPORTED BY CONVERGENCE; PREPAID BASE CLEANUP AFFECTS PERSONAL MOBILITY AND B2B'S CUSTOMER BASE REMAINS FLAT Q.O.Q

Operating Highlights

In thousands of RGUs

	4Q17	4Q16	y.o.y.	3Q17	q.o.q.
Total - Brazil	59,685	63,554	-6.1%	62,931	-5.2%
Residential	15,885	16,425	-3.3%	16,121	-1.5%
Fixed line	9,233	9,947	-7.2%	9,465	-2.5%
Broadband	5,156	5,188	-0.6%	5,207	-1.0%
Pay TV	1,496	1,290	16.0%	1,449	3.3%
Residential ARPU	81.3	77.2	5.3%	81.1	0.2%
Personal Mobility	36,648	39,870	-8.1%	39,626	-7.5%
Prepaid	29,917	32,997	-9.3%	32,807	-8.8%
Postpaid	6,731	6,872	-2.1%	6,820	-1.3%
B2B	6,512	6,617	-1.6%	6,543	-0.5%
Fixed line	3,641	3,760	-3.2%	3,685	-1.2%
Broadband	543	553	-1.7%	539	0.8%
Mobile	2,316	2,290	1.1%	2,307	0.4%
Pay TV	12	13	-9.6%	12	0.5%
Payphones	640	642	-0.4%	641	-0.1%



IN 2017, OI WORKED ON SEVERAL STRUCTURAL FRONTS TO STRENGTHEN ITS OPERATION



Despite the challenging market scenario and the judicial reorganization process, each of these fronts achieved important results and have been contributing to **the Company's restructuring**, thus preparing Oi for a **new cycle of investment and growth**.



INITIATIVES DESIGNED TO IMPROVE CUSTOMER EXPERIENCE AND OPERATIONAL EFFICIENCY LEAD TO CONTINUOUS IMPROVEMENT IN QUALITY AND OPERATIONAL INDICATORS

Operational Efficiency

ABSORPTION AND CLOSER MANAGEMENT OF NSPS

EXPANSION OF NETWORK INVESTMENTS

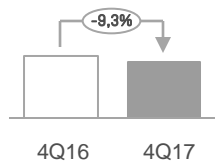
DIGITALIZATION OF SERVICES

EVOLUTION OF THE CUSTOMER SERVICE MANAGEMENT MODEL

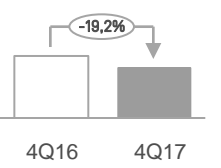
Better customer experience

Field operation indicators¹

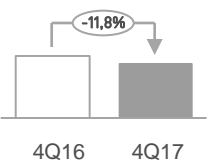
Average waiting time until resolution of the problem
Average backlog (Fx+Vx+TV)



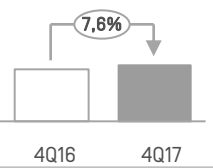
Rework within 30 days
Repeated repairs or repairs during the warranty period



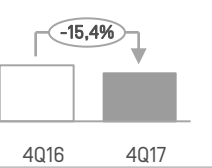
Average time until installation
Installation queue



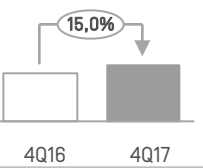
Increase in preventive network maintenance
Maintenance/month



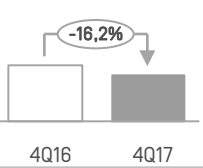
Repairs per customer
Entry-level repairs (Fx+Vx+TV)



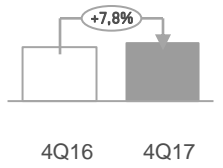
Productivity increase



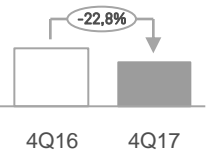
Reduction in costs of operations
Number of technicians



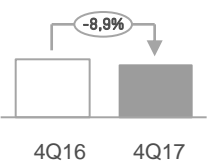
Customer satisfaction²
Indexed



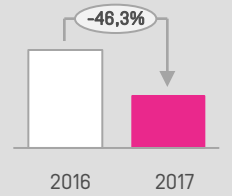
Repeated calls
Indexed



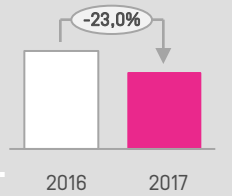
Customer care costs
Indexed



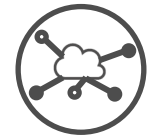
JEC complaints
Monthly average Indexed



ANATEL complaints
Monthly average Indexed



1 - Results of the operations of the absorbed network services providers (NSPs) | 2- Customers who call our call center are contacted within 24 hours after the call and are asked how satisfied they are with the service provided by the operator. The results of this survey are used to determine the operators' variable remuneration and the suppliers' bonus.

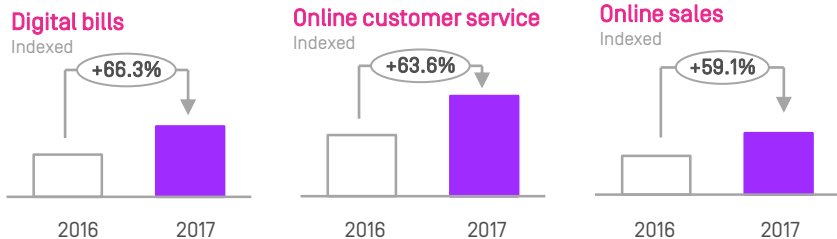


ACCELERATION OF THE DIGITAL PROGRAM AS A DRIVER OF TRANSFORMATION, EFFICIENCY GAINS, BETTER CUSTOMER EXPERIENCE AND EXPANDING TO NEW BUSINESS MODELS



2017: Intensification of the digital transformation with concrete results

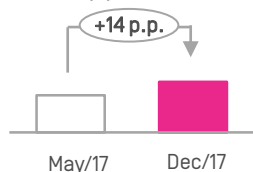
- ✓ Digitalization of sales and customer service (e-care, e-billing and e-commerce)
- ✓ Automation of processes (robotization and artificial intelligence)



The Virtual Technician App is an innovative solution that enables customers to solve fixed line, broadband and pay-TV problems using a mobile phone

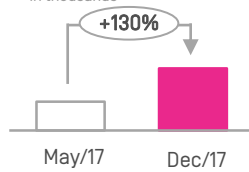
Problems solved using the app

Effectiveness (%)



Avoided calls

In thousands



2018 onwards: Expansion to advanced data solutions and growing focus on innovation

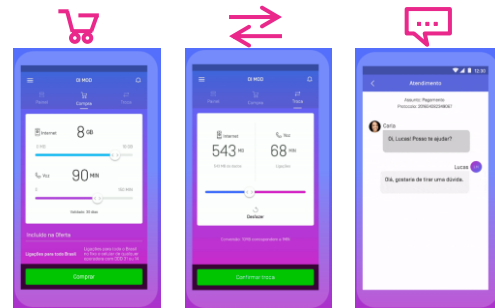
- Continuation of 2017 initiatives
- Advanced Analytics and Big Data solutions
- New business models

Innovation Lab: OI MOD

- + Launch of Oi Mod, a product development platform
- + Designed to develop and launch innovative convergence solutions, mobile products and advanced digital solutions
- + First delivery: digital mobile plan through the Oi Mod app

OI MOD APP

- Full flexibility for the purchase/exchange of allowances between voice and data
- Online usage statement
- Customer service via chat on the app

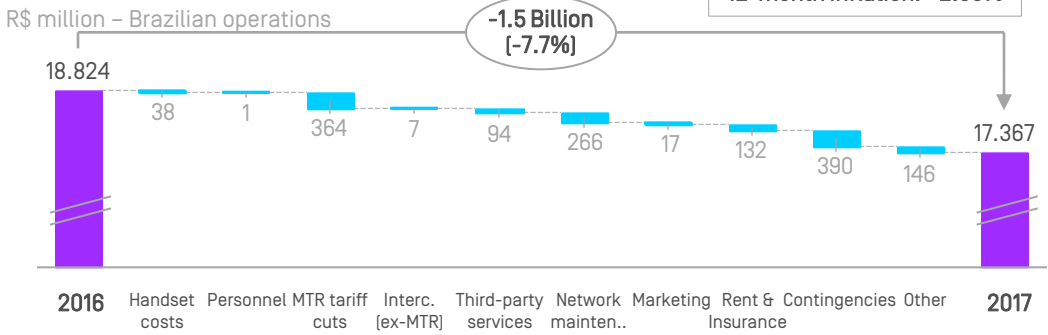




IN 2017, OI REDUCED COSTS BY R\$ 1.5 BILLION SUPPORTED BY INITIATIVES DESIGNED TO IMPROVE OPERATIONAL EFFICIENCY. COST REDUCTION WITH IMPROVEMENT OF QUALITY

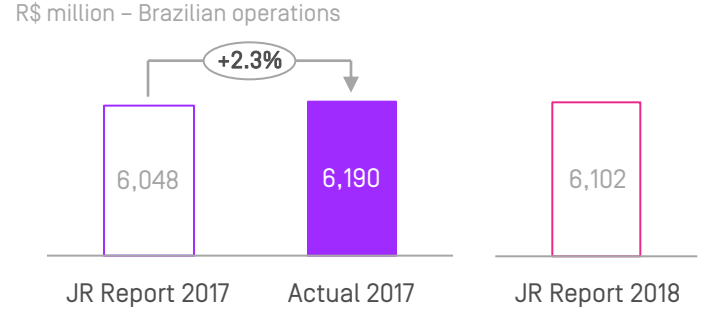
Oi reduced Opex by 7.7% in 2017, despite inflation of 2.95% in the last 12 months...

Routine operating costs and expenses



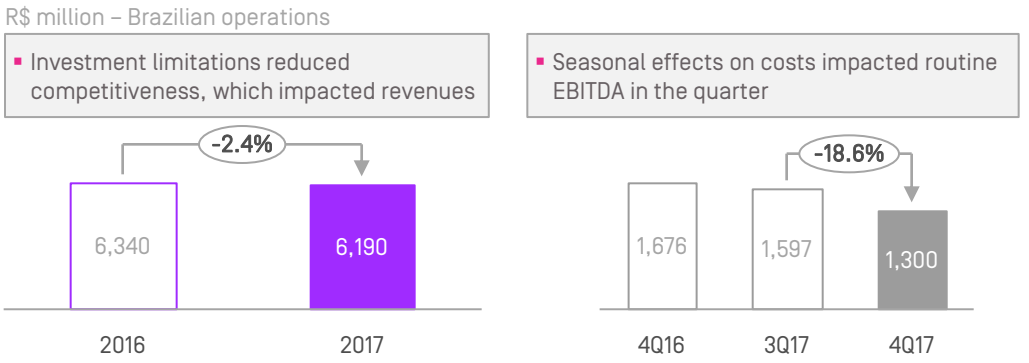
Despite the challenges, 2017 EBITDA was higher than the figure agreed upon in the Judicial Reorganization Plan...

Strategy for 2018 EBITDA



... however, routine EBITDA declined in 2017 and in the sequential comparison.

Routine EBITDA



... and the Company is already working on initiatives to deliver 2018 Ebitda under the JR Report:

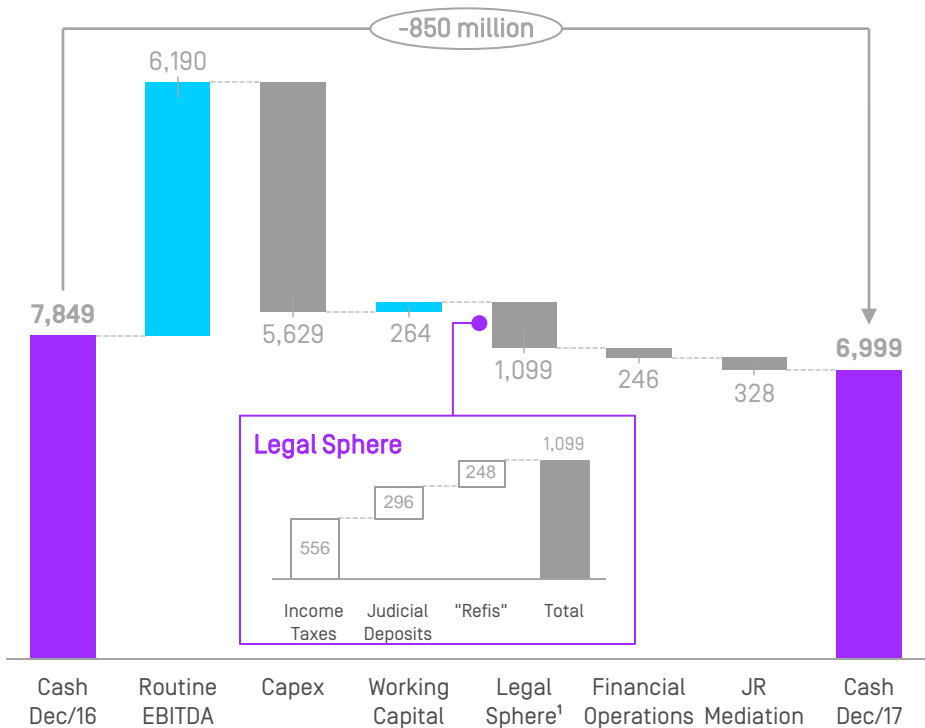
- Optimization of the existing infrastructure;
- Infrastructure sharing;
- Turnaround of the Corporate segment;
- Capturing synergies between Retail and SMEs segments;
- Maintenance of focus on bundles;
- Initiatives to reduce churn through tools of customer repositioning to more suitable offerings;
- Expansion of digital transformation fronts, namely process automations;
- Continuation of cost control actions and efficiency gains.



MAINTENANCE OF CASH POSITION IN LINE WITH THE JUDICIAL REORGANIZATION PLAN'S GUIDELINES, WHICH PROJECT CASH POSITION OF R\$ 6.188 BILLION AT THE END OF 2018.

Cash position

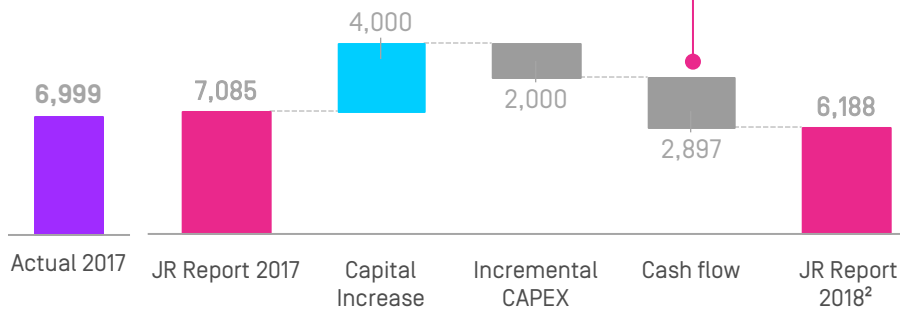
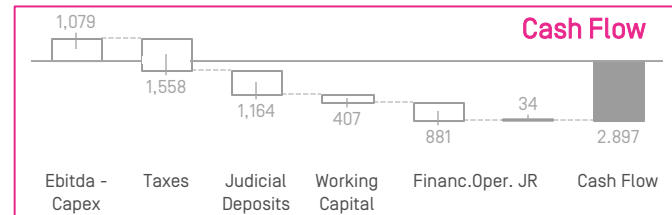
R\$ million



Cash forecast for 2018

R\$ million

- Cash position at the end of 2017 was R\$ 7.0 billion, in line with the JR Plan's estimate;
- In line with the Plan's guidelines, Oi's cash is expected to fluctuate up and down in 2018.
- For the end of 2018, the JR report projects a cash position of R\$ 6.188 billion, comprising a capital increase of R\$ 4.0 billion and capex upturn to R\$ 7.0 billion.



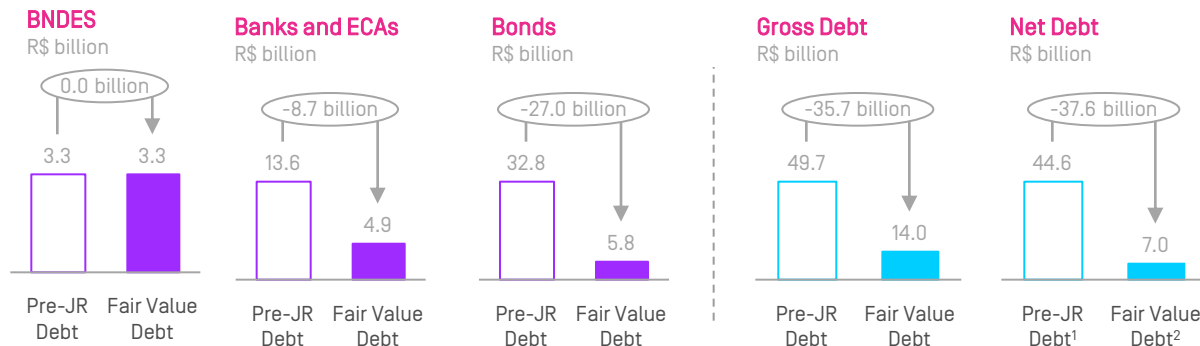
1 - Judicial deposits + taxes. 2 - Considers a capital increase of R\$ 4.0 billion and Capex of R\$ 7.0 billion



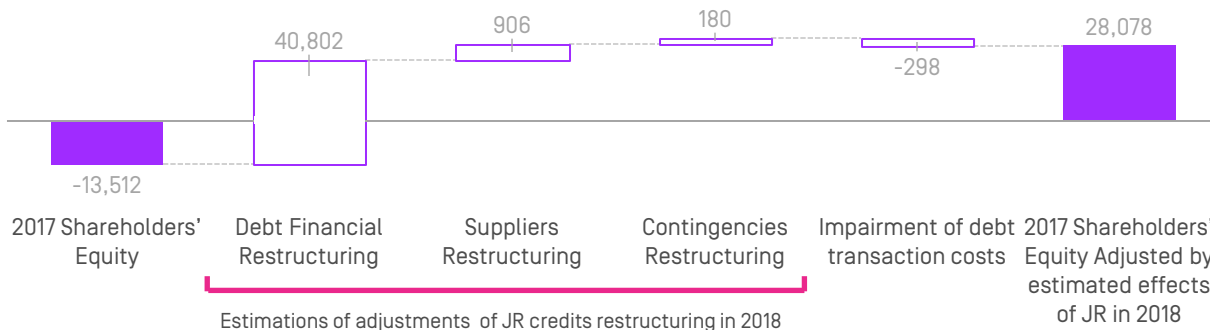
APPROVAL OF THE JR PLAN ALLOWED THE COMPANY TO REDUCE ITS FINANCIAL DEBT BY OVER R\$ 35 BILLION, STRENGTHENING THE COMPANY'S BALANCE SHEET



FINANCIAL DEBT RESTRUCTURING



ESTIMATED EFFECTS OF THE JR ON THE COMPANY'S SHAREHOLDERS' EQUITY IN 2018⁴



NEW SHAREHOLDING STRUCTURE³

Conversion of Debt to Equity

Current amount of shares (mm)	676
Conversion shares (mm)	1,749
Shares post conversion (mm)	2,424

Price of Capital Increase

Equity Pre Money (R\$ mm)	3,000
Shares post conversion (mm)	2,424
Price per share (R\$)	1.24

Capital Increase

Capital Increase (R\$ mm)	4,000
Price per share (R\$)	1.24
Capital Increase Shares (mm)	3,232

Total Shares After Conversion and Capital Increase (mm)	5,656
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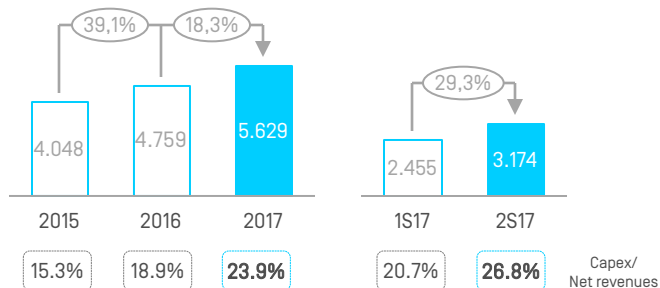


ACCELERATION OF CAPEX FOCUSED ON NETWORK CORE PREPARING THE COMPANY FOR THE BEGINNING OF A NEW INVESTMENT CYCLE FINANCED BY THE CAPITAL INCREASE

Despite limited cash, Oi has been increasing its network core and infrastructure investments

CAPEX

R\$ million | Brazilian operations

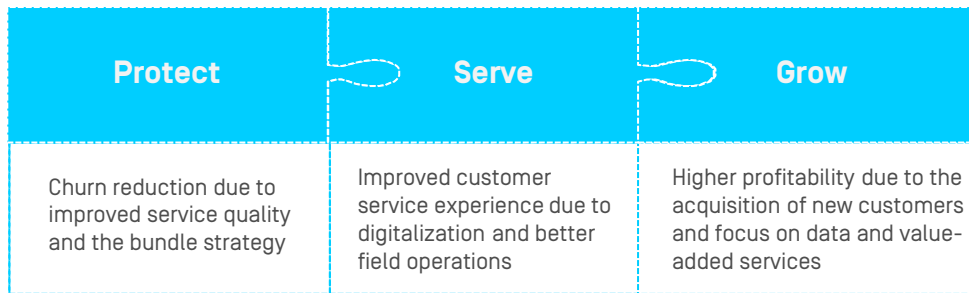


ALLOCATION OF 2016-2017 INVESTMENTS

- Access and Access Infrastructure : Antennas, user licenses and site adaptation (antenna structure reinforcement);
- Core: Core network elements deployment (MME, SAE-Gateways, etc.) and other costs associated to those elements;
- Transmission Infrastructure: infrastructure work needed to deploy transmission (ducts construction);
- IP Network: Single Edge deployment and network expansion capex;
- Platform: Prepaid Intelligent Network deployment and expansion;
- OSS: Operational Support Systems expansion.

The incremental CAPEX plan financed by the capital increase will support the transformation, growth and sustainability of our business

Strategy of focus on the customer in a competitive market: Investment in access (FTTx & 4G)



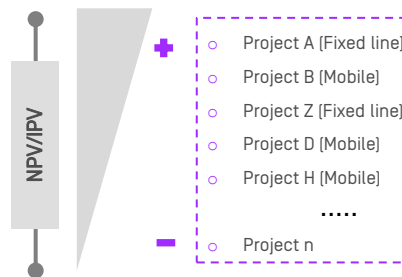
Financial priorities conditioned to available CAPEX

Resource Allocation Matrix

Mapping of 3,449 cities for mobile services and 9,156 clusters for fixed lines in order to prioritize investment efforts, taking into account: Demand, Competition and Existing Infrastructure

- Prioritization criteria:
 - ✓ Regions with the highest NPV/IPV
 - ✓ Selection of regions where Oi has a competitive advantage

Ranking of projects with the highest NPV/IPV

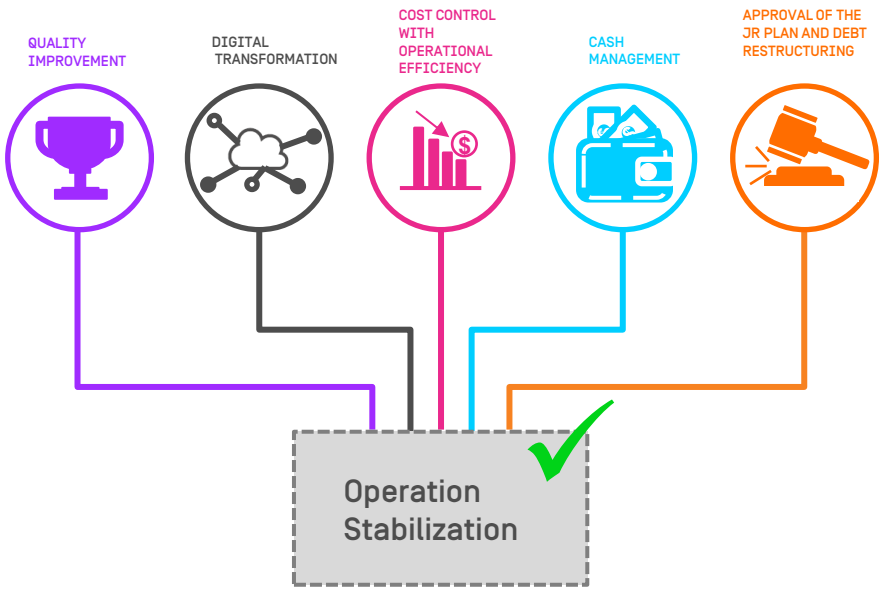




IN 2016-2017, OI BEGAN ITS TRANSFORMATION WITH STRUCTURING INITIATIVES, STABILIZING ITS OPERATION AND LAYING THE FOUNDATION FOR A CYCLE OF SUSTAINABLE GROWTH

2016-2017: STABILIZATION OF OPERATIONS

Oi **stabilized its operations** in 2016-2017, prioritizing structural actions and making progress on several **restructuring fronts**...



2018: PREPARATION FOR THE ACCELERATION OF INVESTMENTS

The Company is in **preparation to start a new investment cycle** after the injection of capital forecasted in the Judicial Reorganization Plan



PREPARATION OF THE COMPANY TO BEGIN ITS GROWTH CYCLE

- Readjustment of the organizational structure
- Elaboration of a detailed investment plan of Incremental CAPEX
- Structuring of areas, processes and infrastructure to execute the Incremental CAPEX plan
- Evolution of Digital Transformation, Operational Efficiency and Quality Improvement

ACCELERATION OF INVESTMENTS

- Capital increase
- Beginning of the execution of the Incremental CAPEX plan

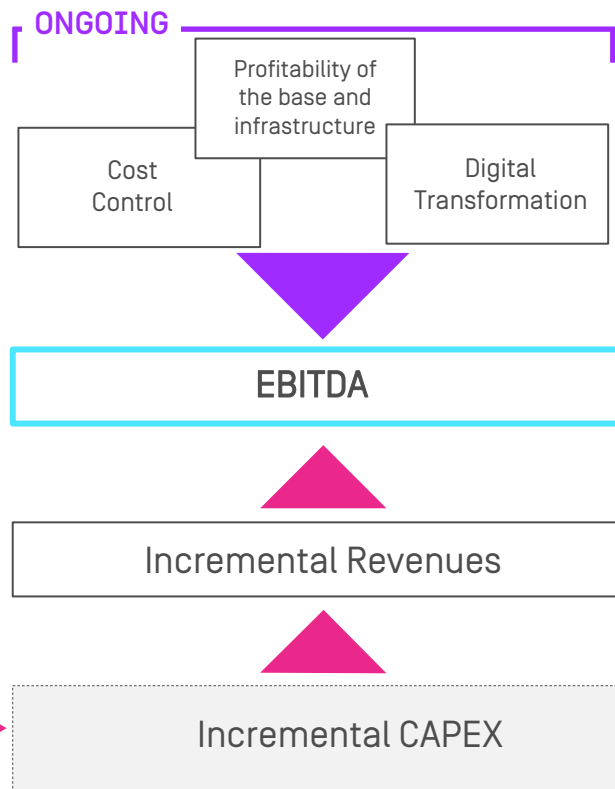
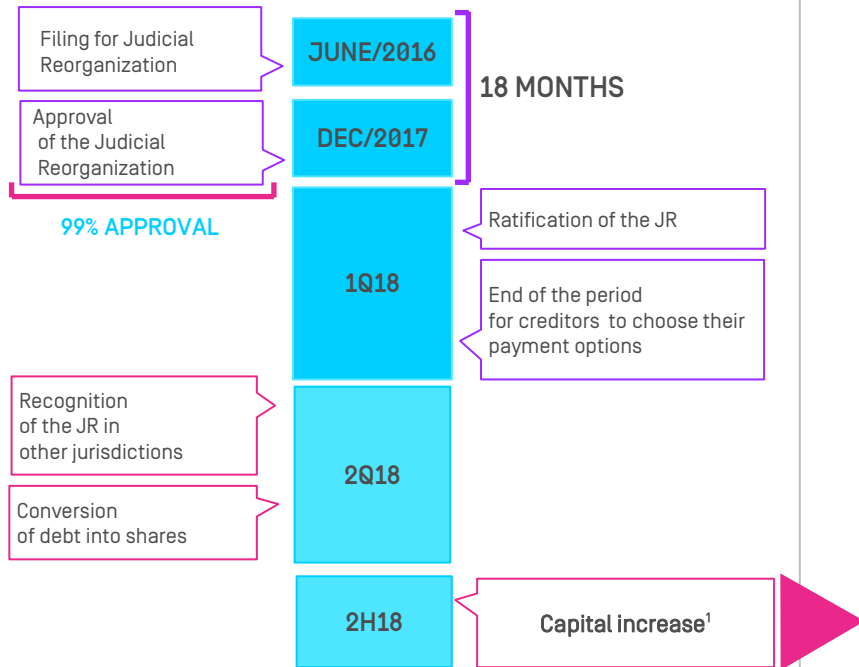


JR PLAN FORECASTS REVENUES GROWTH BASED ON INCREMENTAL CAPEX FINANCED BY THE CAPITAL INCREASE, IN CONJUNCTION WITH RECURRING ACTIONS FOR MARGIN GAINS

Conclusion of capital structure...

...will enable the beginning of the sustainable growth cycle.

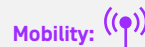
NEXT STEPS OF THE JUDICIAL REORGANIZATION



STRATEGY OF THE INCREMENTAL CAPEX



- Fixed Line:**
 - FTTH: Implementation in regions of competition with large players.
 - FTTC: Maintain market share in regions where Oi may or may not have local competitors
 - Expansion based on **improving customer experience**:
 - ✓ Higher contracted speed
 - ✓ Offering of more complete solutions: combos and video streaming VAS
 - ✓ FTTH: More stable networks (lower repair rates)



- Mobility:**
 - Expansion of 1800 Mhz 4G
 - ✓ 1800 MHz refarming
 - ✓ Network sharing
 - Growth based on **improved data usage experience**

1 – The JR Plan envisages a capital increase by Feb/2019