

PORUGAL TELECOM INTERNATIONAL FINANCE B.V. – under Judicial Reorganization

(the “**Issuer**”)

NOTICE

to the holders (the “**Noteholders**”) of the following securities:

€400,000,000 6.25% Notes due 2016

(ISIN: PTPTCYOM0008)

(the “**Notes**”)

issued by the Issuer under its €7,500,000,000 Euro Medium Term Note Programme

and guaranteed by

Oi S.A. – under Judicial Reorganization

(the “**Guarantor**”)

The Issuer hereby informs that earlier today it has received a copy of the attached notice given by Citicorp Trustee Company Limited (the “**Trustee**”) in its capacity as trustee for the holders of certain notes issued by the Issuer, including the Notes referred to above.

For the avoidance of doubt, the Issuer has not verified or reviewed the contents of the attached notice and does not express any views with respect thereto. The attached notice is being disclosed for the sole purpose of facilitating access to such notice by Noteholders.

3 August 2016

Attached: The aforementioned notice from the Trustee.

THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF NOTEHOLDERS. IF NOTEHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE, THEY SHOULD SEEK THEIR OWN FINANCIAL AND LEGAL ADVICE IMMEDIATELY FROM THEIR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL OR LEGAL ADVISER.

PORUGAL TELECOM INTERNATIONAL FINANCE B.V.
(the **Issuer**)

INFORMATION NOTICE

to the holders (the **Noteholders**) of those of the outstanding

€600,000,000 5.625 per cent. Notes due 2016
(ISIN: XS0587805457)
€500,000,000 4.375 per cent. Notes due 2017
(ISIN: XS0215828913)
€250,000,000 5.242 per cent. Notes due 2017
(ISIN: XS0441479804)
€750,000,000 5.875 per cent. Notes due 2018
(ISIN: XS0843939918)
€750,000,000 5.00 per cent. Notes due 2019
(ISIN: XS0462994343)
€1,000,000,000 4.625 per cent. Notes due 2020
(ISIN: XS0927581842)
€500,000,000 4.5 per cent. Notes due 2025
(ISIN: XS0221854200)
€400,000,000 6.25 per cent. Notes due 2016 (the **Retail Notes**)
(ISIN: PTPTCYOM0008)
(together, the **Notes**)

issued by the Issuer under its €7,500,000,000 Euro Medium Term Note Programme
and guaranteed by

Oi S.A.
(the **Guarantor**)

Reference is made to the Trust Deed dated 17 December 1998 (as amended and/or supplemented and/or restated from time to time in relation to the Notes) (the **Trust Deed**) and constituting the Notes. Capitalised terms not defined herein shall have the meanings given to them in the Trust Deed.

This notice is given by Citicorp Trustee Company Limited in its capacity as trustee for the Noteholders (the **Trustee**).

In its notice to Noteholders dated 22 June 2016 (the **June Notice**), the Trustee gave Notice to Noteholders that: (i) in an announcement dated 20 June 2016 (available at the following link: http://ri.oi.com.br/oi2012/web/default_download.asp?NArquivo=Oi_Material_Fact_Request_For_Judicial_Reorganization_200616.pdf&arquivo=6AAB8328-3D70-47EF-9FDA-B51595020512), the Guarantor announced, among other things, that it had filed a request with the Court of the State of Rio de Janeiro, for judicial reorganisation of the Guarantor and the Issuer (among other companies) (the **Proceedings**); and (ii) the Trustee had certified to the Issuer and the Guarantor that the Proceedings

(including the circumstances resulting therein and the consequences resulting therefrom) are, in its opinion, materially prejudicial to the interests of the Noteholders and that accordingly, an Event of Default has occurred under Condition 10(a)(viii) of the Notes.

The Trustee has received a number of queries from Noteholders in response to the June Notice. The Trustee is not in a position to respond individually to all of these queries, however, the Trustee wishes to provide a response to all Noteholders to some frequently asked questions.

Question 1: Will payments of interest and principal still be made pursuant to the terms and conditions of the Notes?

The Trustee has requested the Issuer to confirm its intentions in relation to the making of such payments. However, the Trustee notes that the Issuer failed to make a payment of interest and principal due on the Retail Notes on 26 July 2016 and the Trustee anticipates that the Issuer and the Guarantor will not make any payments of interest or principal for the duration of the Proceedings. The Trustee has been advised that, as a result of the Proceedings, the Issuer and the Guarantor would not, as a matter of Brazilian law, be permitted to make such payments and that there is, as a matter of Brazilian law, a moratorium in respect of any enforcement of claims by debtors (such as the Noteholders and/or the Trustee on their behalf) against the Issuer or the Guarantor.

Question 2: Will Noteholders receive the full amount of interest and principal on the Notes?

The Trustee does not possess the information to answer this question. However, Noteholders' recoveries will depend, among other things, on the outcome of the Proceedings. On advice of counsel, the Trustee understands that the Guarantor and the court appointed trustee will outline and present to the Court a plan setting out the terms of a restructuring (the **Restructuring Plan**) which is likely to include a restructuring of the Issuer and the Guarantor's debts (including the Notes) and that the terms of such a plan could provide for significant reductions in the amounts the Issuer and Guarantor will be required to pay and/or extensions in payment periods for such debts (including the Notes).

Question 3: When will I receive payments on the Notes?

This will depend upon, among other things, the outcome of the Proceedings (and, in particular, the terms of the Restructuring Plan approved pursuant to the Proceedings), but, as noted in the response to Question 1, the Trustee notes that the Issuer failed to make a payment of interest and principal due on the Retail Notes on 26 July 2016 and for the reasons set out in the response to Question 1 above, the Trustee anticipates that scheduled payments of interest or principal on the Notes will not be paid before the conclusion of the Proceedings. The Trustee has been advised that, whilst there is no set timetable for the Proceedings, they will likely not be concluded before June 2017.

Question 4: Does the Trustee intend to declare the Notes due and repayable?

The Trustee continues to consider the exercise of its discretion to declare the Notes immediately due and repayable. The Trustee reminds Noteholders that they have the right, pursuant to Condition 10 of the Notes, to direct the Trustee to declare the Notes immediately due and repayable.

Question 5: Will the Trustee be submitting a claim in the Proceedings on the Noteholders' behalf?

On the advice of counsel, the Trustee understands that it is not necessary for the Trustee to formally submit a claim in the Proceedings on the Noteholders' behalf. The Guarantor has, as part of its filings, listed its principal creditors (including the Noteholders under the Guarantee) and the debts owing to them. The Trustee is satisfied that the amount stated in such filings as being owed to Noteholders is correct.

Question 6: Will Noteholders have a chance to vote on any restructuring proposed under the Proceedings?

On the advice of counsel, the Trustee understands that the Restructuring Plan proposed pursuant to the Proceedings would require the approval of its creditors. Furthermore, the Trustee is advised that voting by creditors on the Restructuring Plan will be subject to various quorum and approval thresholds applicable for different classes of creditors. The Trustee intends to act as the representative of the Noteholders and, to the extent practicable, to seek directions from Noteholders as to how it should cast its votes on such plan. Finally the Trustee is advised that, if approved by the requisite proportion of creditors, the terms of the Restructuring Plan would be binding on all creditors (including the Noteholders) and that, if not so approved, the judge in the Proceedings may initiate bankruptcy proceedings in respect of the Guarantor.

The above communication is made without prejudice to any and all of the Trustee's rights under the Terms and Conditions of the Notes and the relevant transaction documents (including but not limited to the Trust Deed), all of which are expressly reserved.

The Trustee expresses no opinion as to any action Noteholders should take in relation to the above. The Trustee makes no recommendations and gives no investment advice herein or as to the Notes generally. Noteholders should take and rely on their own legal, financial and/or other professional advice and may not rely on advice provided to the Trustee, statements as to the legal position included in notices relating to the Notes issued by the Trustee or otherwise or the views of the Trustee expressed herein or otherwise.

**Citicorp Trustee Company Limited
2 August 2016**