



Announcement | Lisbon 17 May 2016

Notice to the Market disclosed by Oi

PHAROL, SGPS S.A. hereby informs on the Notice to the Market disclosed by Oi, S.A., "Board approval for negotiations with certain financial creditors", according to the company's announcement attached hereto.

PHAROL, SGPS S.A.

Public company
Share capital Euro 26,895,375
Registered in the Commercial
Registry Office of Lisbon
and Corporation no. 503 215 058

PHAROL is listed on the
Euronext (PHR). Information
may be accessed on Bloomberg
under the symbol PHR PL.

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OI S.A.

CORPORATE TAXPAYERS' REGISTRY (CNPJ/MF) NO. 76.535.764/0001-43
BOARD OF TRADE (NIRE) NO. 33.300.29520-8
PUBLIC-HELD COMPANY

NOTICE TO THE MARKET

**OI S.A. ANNOUNCES BOARD APPROVAL FOR
NEGOTIATIONS WITH CERTAIN FINANCIAL CREDITORS**

RIO DE JANEIRO – MAY 16, 2016 – Oi S.A. (“Oi”) announced today that its Board of Directors approved the start of negotiations by Oi’s management in relation to the financial indebtedness of Oi and of its affiliated companies.

Ui and its advisors have scheduled meetings this week in New York to begin formal discussions with Moelis & Company, who acts as advisor for a diverse Ad Hoc Committee of holders of bonds issued by Oi and its subsidiaries, Portugal Telecom International Finance B.V. and Oi Brasil Holdings Coöpertief U.A. Oi requests holders of these bonds that are not currently members of the Ad Hoc Committee to contact Moelis & Company and to join the Ad Hoc Committee.

Flavio Nicolay Guimarães
Chief Financial Officer and Investor Relations Officer
Oi S.A.