



Announcement | Lisbon | 20 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., 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 215058

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.

CNPJ/MF No. 76.535.764/0001-43

NIRE 33.300.29520-8

Publicly-held company

NOTICE TO THE MARKET

Approval of Term of Adjustment of Conduct by ANATEL

Oi S.A. ["Oi" or "Company", Bovespa: OIBR3, OIBR4; NYSE: OIBR and OIBR.C] hereby informs its shareholders and the market in general that the Board of ANATEL has approved the agreement of the first Term of Adjustment of Conduct ("TAC") with the Company with respect to quality and universalization of services issues, in the amount of approximately R\$ 1.2 billion, which will be allocated to infrastructure investments over four years.

This initiative is expected to benefit society through investments in telecommunications services that are designed to meet users' current demands, thus establishing a virtuous cycle that will promote service quality improvements and spur economic and social development in the country.

This TAC is subject to review by the Federal Court of Accounts ("TCU") before becoming effective.

Oi will maintain its shareholders and the market informed with respect to any relevant event related to the foregoing.

Rio de Janeiro, May 20, 2016.

Flavio Nicolay Guimarães
Investors Relations and Financial Officer
Oi S.A.