OI S.A. - In Judicial Reorganization
Form 424B4
November 13, 2018
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Registration No.333-227176

PROSPECTUS

Oi S.A. In Judicial Reorganization

(Incorporated in the Federative Republic of Brazil)

Offering of 3,225,806,451 New Common Shares, which may be represented by

645,161,290 New Common American Depositary Shares

Offer Price: R$1.24 per New Common Share

U.S. dollar equivalent of R$6.20 per New Common American Depositary Share

This prospectus relates to:

the *Share Rights Offer*, in which holders of Oi s common shares, or the Common Shares, and holders of Oi s preferred shares, or the Preferred Shares, as of the Share Rights Record Date of 6:00 p.m. (Brasília time) on November 19, 2018, or the Qualifying Shareholders, will receive transferable rights, or the Common Share Rights, to subscribe for new Common Shares, or the New Common Shares; and

the *ADS Rights Offer*, in which holders of American Depositary Shares, or ADSs, each representing five Common Shares, or the Common ADSs, and holders of ADSs, each representing one Preferred Share, or the Preferred ADSs, as of the ADS Rights Record Date of 5:00 p.m. (New York City time) on November 21, 2018, or the Qualifying ADS Holders, will receive transferable rights, or the Common ADS Rights, to subscribe for new Common ADSs, or the New Common ADSs. The ADS Rights Offer and the Share Rights Offer are collectively referred to as the *Rights Offer*.

If you are a Qualifying ADS Holder (all times are New York City time):

You will receive 1.333630 Common ADS Rights per Common ADS held and 0.266726 Common ADS Rights per Preferred ADS held as of the ADS Rights Record Date.

Only whole numbers of Common ADS Rights will be issued and all entitlements will be reduced to the next lower number of whole Common ADS Rights.

One Common ADS Right allows you to subscribe for one New Common ADS.

As each New Common ADS represents five Common Shares, the New Common ADS Subscription Price is the U.S. dollar equivalent of five times the New Common Share Subscription Price of R$1.24, or R$6.20, in cash, per New Common ADS subscribed. The exchange rate applied to determine the U.S. dollar equivalent of the New Common ADS Subscription Price for initial subscriptions of New Common ADSs will be the exchange rate assigned by The Bank of New York Mellon, as ADS Rights Agent, on or about December 19, 2018. The exchange rate applied to determine the U.S. dollar equivalent of the New Common ADS Subscription Price for Excess New Common ADSs (as defined below) will be the exchange rate assigned by the ADS Rights Agent on or about January 3, 2019.

However, to validly subscribe for New Common ADSs (including Excess New Common ADSs), you will need to deposit with the ADS Rights Agent, in cash US$2.03 per New Common ADS subscribed or requested or the New Common ADS Deposit Amount, which is equal to US$1.69 (the U.S. dollar equivalent of five times the New Common Share Subscription Price based on the closing rate for the sale of U.S. dollars against the *real* as reported by the Brazilian Central Bank on October 26, 2018, the date on which the board of directors of Oi authorized the Rights Offer) per New Common ADS subscribed or requested, *plus* 20% of such amount to cover (1) currency rate fluctuations from October 26, 2018 to the date on which the ADS Rights Agent converts currency in connection with the exercise by the ADS Custodian (as defined herein) of the Common Share Rights underlying the Common ADS Rights, (2) the ADS Depositary s issuance fee of US$0.05 per New Common ADS, or the ADS Issuance Fee, and (3) any other applicable fees, expenses or taxes.

You will be entitled to exercise your Common ADS Rights during the period commencing at 9:00 a.m. on November 26, 2018, and ending at 5:00 p.m. on December 17, 2018, or the Common ADS Rights Expiration Time.

Common ADS Rights not validly exercised will expire without value and without compensation.

If you are a Qualifying Shareholder (all times are Brasília time):

You will receive 1.333630 Common Share Rights per Common Share or Preferred Share held as of the Share Rights Record Date.

Only whole numbers of Common Share Rights will be issued and all entitlements will be reduced to the next lower number of whole Common Share Rights.

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One Common Share Right allows you to subscribe for one New Common Share.

The New Common Share Subscription Price is R$1.24 in cash per New Common Share subscribed.

You will be entitled to exercise your Common Share Rights during the period commencing at 10:00 a.m. on November 22, 2018, and ending at 6:00 p.m. on December 26, 2018, or the Share Rights Expiration Time.

Common Share Rights not validly exercised will expire without value and without compensation.
If not all of the New Common Shares are taken up initially in the Rights Offer as a result of the subscription of the New Common Shares to which holders of Common Share Rights (including the ADS Custodian (as defined herein)) are entitled, holders of Common Share Rights and Common ADS Rights who exercised their Common Share Rights or Common ADS Rights, as the case may be, and manifested their intention to do so will also have the ability to acquire New Common Shares not taken up initially in the Rights Offer, or the Excess New Common Shares, or New Common ADSs representing the Excess New Common Shares, or the Excess New Common ADSs, respectively, and should these be available, they will be allocated in accordance with the allocation principles in The Offering Subscription by Holders of Common Shares and Preferred Shares Excess New Shares and Subscription by Holders of Common ADSs and Preferred ADSs Excess New Common ADSs.

We expect that any and all New Common Shares that remain unsubscribed following the expiration of the Rights Offer, or the Unsubscribed Shares, will be purchased by the investors and fund managers, or the Backstop Investors, party to the Subscription and Commitment Agreement, dated December 19, 2017 (as amended), or the Commitment Agreement, between the RJ Debtors and the Backstop Investors, subject to the terms and conditions of the Commitment Agreement. For more information about the Commitment Agreement, see The Offering Backstop Commitment Agreement.

As of October 31, 2018, we had 2,262,901,279 Common Shares (including Common Shares represented by Common ADSs) and 155,915,486 Preferred Shares (including Preferred Shares represented by Preferred ADSs) issued and outstanding, and we had outstanding warrants that are exercisable for 3,881,857 Common, Shares. Based on the numbers of outstanding Common Shares and Preferred Shares as of October 31, 2018, we expect to issue 3,225,806,451 New Common Shares (including New Common Shares represented by New Common ADSs) pursuant to the Rights Offer and the Commitment Agreement and to have 5,488,707,730 Common Shares (including Common Shares represented by Common ADSs) issued and outstanding following the expiration of the Rights Offer and the closing of the Commitment Agreement. We expect our gross proceeds from the Rights Offer to be approximately R$4,000.0 million (or US$1,075.9 million), our expenses to be approximately R$987.0 million (or US$88.9 million) and our net proceeds to be approximately R$3,669.4 million (or US$987.0 million). See Use of Proceeds and Expenses of the Offering.

The Common ADS Rights will trade on the NYSE on a when-issued basis beginning at 9:30 a.m. (New York City time) on November 19, 2018, and on a regular way basis beginning at 9:30 a.m. (New York City time) on November 27, 2018. Trading in Common ADS Rights will cease at 4:00 p.m. (New York City time) on December 12, 2018. The Common ADS Rights will trade under the ticker symbol OIBR RT. The CUSIP number for the Common ADS Rights is P7353Y 106. Subject to the procedures of the B3 S.A. Brasil, Bolsa, Balcão (formerly BM&FBOVESPA), or B3, holders of Common Share Rights whose Common Share Rights are deposited in the Depositary Central of the B3 (*Central Depositária da B3*) will be entitled to sell or transfer their Common Share Rights at any time prior to the Share Rights Expiration Time. The Common Share Rights will trade on the B3 during the period from 10:00 a.m.

(Brasília time) on November 22, 2018, to 6:00 p.m. (Brasília time) on December 17, 2018, under the symbol OIBR1.

We expect to deliver the initial New Common Shares subscribed for pursuant to the Share Rights Offer on or about January 4, 2019, and the Excess New Common Shares, if any, on or about January 11, 2019. We expect the initial New Common ADSs subscribed for pursuant to the ADS Rights Offer will be delivered on or about January 7, 2019, and the Excess New Common ADSs, if any, will be delivered on or about January 15, 2019.

Application will be made for the New Common ADSs to be listed on the NYSE under the symbol OIBR.C, the same symbol under which the Common ADSs currently trade. Trading in the initial New Common ADSs issued pursuant to the basic subscription right is expected to commence on the date we expect the New Common ADS to be delivered, which is on or about January 7, 2019, and trading in the Excess New Common ADSs, if any, is expected to commence on the date we expect the Excess New Common ADSs to be delivered, which is on or about January 15, 2019. The New Common Shares will be listed on the B3 under the symbol OIBR3, the same symbol under which the Common Shares currently trade. Trading in the initial New Common Shares issued pursuant to the basic subscription right is expected to commence on or about January 4, 2019, and trading in the Excess New Common Shares, if any, is expected to commence on or about January 11, 2019.

Investing in the Common ADSs and Common Shares involves a high degree of risk. Please see Risk Factors beginning on page 25 of this prospectus for a discussion of those risks.

Neither the United States Securities and Exchange Commission, or the SEC, nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense in the United States.

This document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax or other professional advisor.

The date of this prospectus is November 13, 2018.

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. The information contained in this prospectus is accurate only as of the date of this document, regardless of the time of delivery of this prospectus or any sales of the securities offered hereby.

This prospectus is not an offer to sell and it is not a solicitation of an offer to buy securities in any jurisdiction in which the offer, sale or exchange is not permitted. The distribution of this prospectus and the offer or sale of

the securities offered hereby in certain jurisdictions is restricted by law. This prospectus may not be used for, or in connection with, and does not constitute, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorized or is unlawful. Recipients must not distribute this prospectus into jurisdictions where such distribution would be unlawful.

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NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a Relevant Member State), neither the New Common Shares nor the New Common ADSs have been offered or will be offered to the public in that Relevant Member State, except that offers of any New Common Shares or New Common ADSs may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive if they have been implemented in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;
(b) to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Directive); or
(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of New Common Shares or New Common ADSs shall require Oi to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an offer to the public in relation to any New Common Shares or New Common ADSs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any New Common Shares or New Common ADSs to be offered so as to enable an investor to decide to purchase or subscribe for any New Common Shares or New Common ADSs, as the same may be varied in that Member State and the expression Prospectus Directive means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This prospectus does not constitute an offer of New Common Shares or New Common ADSs to the public in the United Kingdom. No prospectus has been or will be approved in the United Kingdom in respect of the New Common Shares or New Common ADSs. Consequently this document is being distributed only to, and is directed at (a) persons who are outside the United Kingdom, (b) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (c) high net worth entities falling within article 49(2) of the Order, and other persons to whom it may be lawfully communicated (all such persons together being referred to as relevant persons). In addition, this communication is, in any event only directed at persons who are qualified investors (within the meaning of Section 86(7) of the Financial Services and Markets Act 2000, as amended. Any person who is not a relevant person should not act or rely on this document or any of its contents. Persons into whose possession this prospectus may come are required by Oi to inform themselves about and to observe such restrictions.

NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND

Neither the New Common Shares nor the New Common ADSs may be publicly offered into or in Switzerland and will not be listed on the SIX Swiss Exchange (SIX) or on any other stock exchange or regulated trading facility in Switzerland. This prospectus has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under Article 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland and therefore do not constitute an issuance prospectus within the meaning of the Swiss Code of

Obligations or a listing prospectus within the meaning of the SIX listing rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this prospectus nor any other offering or marketing material relating to the New Common Shares or the New Common ADSs may be publicly distributed or otherwise made publicly available in Switzerland.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references herein to real, reais or R$ are to the Brazilian *real*, the official currency of Brazil. All references to U.S. dollars, dollars or US$ are to U.S. dollars.

On October 31, 2018, the exchange rate for *reais* into U.S. dollars was R$3.7177 to US$1.00, based on the selling rate as reported by the Central Bank of Brazil (*Banco Central do Brasil*), or the Brazilian Central Bank. The selling rate was R$3.8558 to US$1.00 on June 30, 2018, R$3.3080 to US$1.00 on December 31, 2017, R$3.2591 to US$1.00 on December 31, 2016 and R$3.9048 to US$1.00 on December 31, 2015, in each case, as reported by the Brazilian Central Bank. The *real*/U.S. dollar exchange rate fluctuates widely, and the selling rate on October 31, 2018 may not be indicative of future exchange rates. See Exchange Rates for information regarding exchange rates for the *real* since January 1, 2013.

Solely for the convenience of the reader, we have translated some amounts included in Selected Financial Information and in this prospectus from *reais* into U.S. dollars using the selling rate as reported by the Brazilian Central Bank on June 30, 2018 of R$3.8558 to US$1.00. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate.

Financial Statements

We maintain our books and records in *reais*. The following financial statements and the related notes thereto are included in this prospectus:

- Oi s unaudited condensed consolidated interim financial statements as of June 30, 2018 and for the six-month periods ended June 30, 2018 and 2017, which we refer to as our unaudited interim consolidated financial statements; and

- Oi s audited consolidated financial statements as of December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015, which we refer to as our audited consolidated financial statements.

We have prepared our unaudited interim consolidated financial statements and our audited consolidated financial statements in accordance with United States generally accepted accounting principles, or U.S. GAAP, under the assumption that we will continue as a going concern. Our audited consolidated financial statements have been audited in accordance with Public Company Accounting Oversight Board, or PCAOB, standards.

Under U.S. GAAP, our management is required to assess whether there are conditions or events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after our financial statements are issued. Our management s assessment of our ability to continue as a going concern is discussed in note 1 to each of our audited consolidated financial statements included in this prospectus our unaudited interim consolidated financial statements included in this prospectus. As of December 31, 2017, our management had taken relevant steps in the RJ Process, particularly the preparation, presentation and approval of the RJ Plan, which allows our viability and continuity, and the approval of the RJ Plan by our creditors. Since December 31 2017, our management has been making the necessary efforts to implement and monitor the RJ Plan based on the understanding that our financial statements were prepared with a going concern assumption.

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As a result of the RJ Proceedings (which are considered to be similar in all substantive respects to proceedings under Chapter 11 of the U.S. Bankruptcy Code of 1986, as amended, which we refer to as the U.S. Bankruptcy Code), we have applied Financial Accounting Standards Board Accounting Standards Codification 852 *Reorganizations*, or ASC 852, in preparing our consolidated financial statements. ASC 852 requires that financial statements separately disclose and distinguish transactions and events that are directly associated with our reorganization from transactions and events that are associated with the ongoing operations of our business. Accordingly, expenses, gains, losses and provisions for losses that are realized or incurred in the RJ Proceedings have been recorded under the classification Restructuring expenses in our consolidated statements of operations. In addition, our prepetition obligations that may be impacted by the RJ Proceedings based on our assessment of these obligations following the guidance of ASC 852 have been classified on our balance sheet as Liabilities subject to compromise. Prepetition liabilities subject to compromise are required to be reported at the amount allowed as a claim by the RJ Court, regardless of whether they may be settled for lesser amounts and remain subject to future adjustments based on negotiated settlements with claimants, actions of the RJ Court or other events.

The RJ Proceedings prompted us to perform a detailed analysis on the completeness and the accuracy of the judicial deposits and accounting balances of the other assets of the RJ Debtors. As a result, we determined the need to restate previously issued financial statements and related disclosures to correct errors. Accordingly, we are restating our consolidated financial statements for the year ended December 31, 2015. Restatement adjustments attributable to fiscal year 2014 and previous fiscal years are reflected as a net adjustment to retained earnings as of January 1, 2015.

The errors detected and corrected in our financial statements related to our judicial deposits, our provisions for contingencies, intragroup balances, tax credits and estimates of revenue from services rendered and not yet billed to customers, as described in Management s Discussion and Analysis of Financial Condition and Results of Operation Financial Presentation and Accounting Policies Restatement and note 2 to our audited consolidated financial statements included in this prospectus.

We are also required to prepare financial statements in accordance with accounting practices adopted in Brazil, or Brazilian GAAP, which are based on:

- the Brazilian Corporate Law (as defined below);
- the rules and regulations of the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or the CVM, and the Brazilian Federal Accounting Council (*Conselho Federal de Contabilidade*); and
- the accounting standards issued by the Brazilian Accounting Pronouncements Committee (*Comitê de Pronunciamentos Contábeis*), or the CPC.

Certain Defined Terms

General

Unless otherwise indicated or the context otherwise requires, all references to:

our company, we, our, ours, us or similar terms are to Oi and its consolidated subsidiaries;

ADSs are to American Depositary Shares;

the ADS Custodian are to Itaú Unibanco S.A., as Brazilian custodian of the Common Shares underlying the Common ADSs;

the ADS Deposit Agreement are to the Amended and Restated Deposit Agreement (Common Shares), dated February 28, 2012, among Oi, The Bank of New York Mellon, as the ADS Depositary, and all owners and holders from time to time of Common ADSs. The New Common ADSs will be issued pursuant to the ADS Deposit Agreement;

the ADS Depositary are to The Bank of New York Mellon, as depositary of the Common ADS program;

Brazil are to the Federative Republic of Brazil;

Brazilian Corporate Law are to, collectively, Brazilian Law No. 6,404/76, as amended by Brazilian Law No. 9,457/97, Brazilian Law No. 10,303/01, and Brazilian Law No. 11,638/07;

Brazilian government are to the federal government of the Federative Republic of Brazil.

Common ADSs are to ADSs, each representing five Common Shares;

Common Shares are to common shares of Oi;

Copart 4 are to Copart 4 Participações S.A. In Judicial Reorganization, an indirect wholly-owned subsidiary of Oi;

Copart 5 are to Copart 5 Participações S.A. In Judicial Reorganization, a direct wholly-owned subsidiary of Oi;

Oi are to Oi S.A. In Judicial Reorganization;

Oi Coop are to Oi Brasil Holdings Coöperatief U.A. In Judicial Reorganization, a direct wholly-owned subsidiary of Oi;

Oi Mobile are to Oi Móvel S.A. In Judicial Reorganization, an indirect wholly-owned subsidiary of Oi;

Pharol are to Pharol, SGPS, S.A. (formerly known as Portugal Telecom, SGPS, S.A.);

Preferred ADSs are to American Depositary Shares, each representing one Preferred Share;

Preferred Shares are to preferred shares of Oi;

PTIF are to Portugal Telecom International Finance B.V. In Judicial Reorganization, a direct wholly-owned subsidiary of Oi, which PT Portugal transferred to us in anticipation of our sale of PT Portugal in 2015;

PT Portugal are to PT Portugal, SGPS, S.A., which we acquired on May 5, 2014 and sold on June 2, 2015;

Telemar are to Telemar Norte Leste S.A. In Judicial Reorganization, a direct wholly-owned subsidiary of Oi; and

TmarPart are to Telemar Participações S.A., which, prior to the capital increase of Oi on May 5, 2014, was the direct controlling shareholder of Oi and which merged with and into Oi on September 1, 2015.

Judicial Reorganization

The following defined terms relate to our global judicial reorganization. For more information, see Presentation of Financial and Other Information Financial Restructuring, and Business Our Judicial Reorganization Proceedings. Unless otherwise indicated or the context otherwise requires, all references to:

Ad Hoc Group are to a diverse ad hoc group of holders of the Defaulted Bonds;

ADWs are to American Depositary Warrants;

Backstop Investors are to the members of the Ad Hoc Group, the IBC and certain other unaffiliated bondholders party to the Commitment Agreement;

Bondholder are each holder of beneficial interests in the Defaulted Bonds;

Bondholder Credits are to unsecured a claim held by a creditor pursuant to the RJ Plan evidenced by the Defaulted Bonds;

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Brazilian Bankruptcy Law are to Brazilian Law No. 11,101 of June 9, 2005;

Brazilian Confirmation Date are to February 5, 2018, the date in which the Brazilian Confirmation Order was published in the Official Gazette of the State of Rio de Janeiro (*Diário Oficial do Estado do Rio de Janeiro*);

Brazilian Confirmation Order are to the order entered by the RJ Court on January 8, 2018, ratifying and confirming the RJ Plan, but modifying certain provisions of the RJ Plan;

Capitalization of Credits Capital Increase are to the capital increase of R$10,600,097,221 through the issuance of 1,514,299,603 New Shares, paid for by the conversion of claims of Qualified Bondholders into New Shares in the form of Common ADSs (in connection with the settlement of the Qualified Recovery) and by R$477,841 in cash from existing shareholders of Oi who exercised their preemptive rights to subscribe for the New Shares in accordance with Brazilian Corporate Law, pursuant to Section 4.3.3.5 of the RJ Plan. The Capitalization of Credits Capital Increase was concluded on July 27, 2018;

Chapter 15 Debtors are to Oi, Telemar, Oi Coop and Oi Mobile;

Commitment Agreement are to the Subscription and Commitment Agreement, dated December 19, 2017 (as amended), between the RJ Debtors and the Backstop Investors, under which the Backstop Investors agreed to backstop this Rights Offer, subject to the terms and conditions of the Commitment Agreement, in accordance with the RJ Plan;

Default Recovery are to the general treatment provided for unsecured credits under the RJ Plan. Under the RJ Plan, Bondholders that were not Eligible Bondholders, did not make a valid election of the form of recovery for their Bondholder Credits, or do not participate in the settlement procedures will only be entitled to the Default Recovery with respect to the Bondholder Credits represented by their Bonds.

Defaulted Bonds are to the bonds issued by Oi, Oi Coop and PTIF;

Dutch Court of Appeal are to the Court of Appeal of Amsterdam, The Netherlands;

Dutch District Court are to the District Court of Amsterdam, The Netherlands;

Eligible Bondholders are to every Bondholder that individualized its Bondholder Credits in accordance with the procedures established in the RJ Plan and by the RJ Court;

GCM are to a General Creditors Meeting of creditors of our company recognized by the RJ Court. A GMC was held on December 19 and 20, 2017 to consider and vote on the RJ Plan;

IBC means the International Bondholder Committee, a second diverse ad hoc group of holders of the Defaulted Bonds;

Judicial Ratification of the RJ Plan are to the confirmation of the RJ Plan by the RJ Court. As used in this prospectus, the date of the Judicial Ratification of the RJ Plan means February 5, 2018 (i.e., the Brazilian Confirmation Date); *provided that* in the event that any appeal of the Brazilian Confirmation Order results in an appellate court overturning or modifying the Brazilian Confirmation Order, the Brazilian Confirmation Date shall be deemed to occur on the date on which the eventual appellate court s decision, or that of a higher court (if further appeals of the appellate court s decision are made), is published in such court s official gazette. For more information about the appeals and motions for clarification filed with respect to the Brazilian Confirmation Order, see Business Our Judicial Reorganization Proceedings Confirmation of Judicial Reorganization Plan by RJ Court;

New Notes are to senior unsecured notes of Oi which were issued on July 27, 2018, in accordance with the terms of Section 4.3.3.3 of the RJ Plan and Exhibit 4.3.3.3(f) thereto, in connection with the Capitalization of Credits Capital Increase;

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New Shares are to the 1,514,299,603 Common Shares that were issued on July 27, 2018 in connection with the Capitalization of Credits Capital Increase, of which 1,514,299,603 New Shares were issued to Qualified Bondholders in the form of Common ADSs, and 68,263 New Shares were issued to existing shareholders of Oi who exercised their preemptive rights to subscribe for the New Shares in accordance with Brazilian Corporate Law;

Non-Qualified Bondholders are to Eligible Bondholders with Bondholder Credits equal to or less than USD $750,000.00 (or the equivalent in other currencies);

Non-Qualified Credit Agreement are to the credit agreement, dated as of July 27, 2018, entered into between the RJ Debtors and Lucid Agency Services Limited, as facility agent, in accordance with the terms of Section 4.3.3.1 of the RJ Plan and Exhibit 4.3.3.1(f) thereto;

Non-Qualified Recovery are to the entitlement of certain Non-Qualified Bondholders to elect to have their Bondholder Credits Satisfied through the distribution to such Non-Qualified Bondholders of a participation interest in the Non-Qualified Credit Agreement;

Non-Qualified Recovery Settlement Procedure are to the procedure to settle the Non-Qualified Recovery to which Non-Qualified Bondholders that have made valid recovery elections pursuant to the RJ Plan are entitled;

Oi Coop Composition Plan are to the composition plan for Oi Coop providing for the restructuring of the claims against Oi Coop in the Netherlands in substantially the same terms and conditions as the RJ Plan;

PTIF Composition Plan are to the composition plan for PTIF providing for the restructuring of the claims against PTIF in the Netherlands in substantially the same terms and conditions as the RJ Plan;

PTIF Shares are to Common Shares previously held by PTIF, which were issued in the form of Common ADSs on July 27, 2018;

Qualified Bondholders are to Eligible Bondholders with Bondholder Credits greater than US$750,000.00 (or the equivalent in other currencies);

Qualified Recovery are to the entitlement of certain Qualified Bondholders to elect to have their Bondholder Credits satisfied through the distribution to such Qualified Bondholders of a combination of New Notes, New Shares, PTIF Shares and Warrants in amounts determined based on the Bondholder Credits evidenced by the Bonds of each series held by a Bondholder, in accordance with Section 4.3.3.2 of the RJ Plan;

Qualified Recovery Settlement Procedure are to the procedure to settle the Qualified Recovery to which Qualified Bondholders that have made valid recovery elections pursuant to the RJ Plan are entitled;

RJ Court are to the 7th Commercial Court of the Judicial District of the State Capital of Rio de Janeiro. The RJ Court is adjudicating the judicial reorganization proceedings in Brazil involving the RJ Debtors.

RJ Debtors are to Oi, Telemar, Oi Mobile, Oi Coop, PTIF, Copart 4 and Copart 5;

RJ Plan are to the judicial reorganization plan, as amended, of the RJ Debtors that was filed with the RJ Court and, on December 20, 2017, approved by a significant majority of creditors of each class present at the GCM held on December 19 and 20, 2017;

RJ Proceedings are to the Brazilian proceedings for judicial reorganization (*recuperação judicial*) involving the RJ Debtors that are being adjudicated by the RJ Court, pursuant to a joint voluntary petition for judicial reorganization pursuant to the Brazilian Bankruptcy Law filed by the RJ Debtors with the RJ Court initially on June 20, 2016. On June 29, 2016, the RJ Court granted the processing of the RJ Proceedings of the RJ Debtors;

U.K. Recognition Orders are to the orders granted by the High Court of Justice of England and Wales on Jun 23, 2016 recognizing the RJ Proceedings as a foreign main proceedings under the Cross-Border Insolvency Regulations 2006, which implements the United Nations Commission on International Trade Law (UNCITRAL) Model Law on Cross-Border Insolvency in Great Britain, in relation to Oi, Telemar and Oi Mobile;

U.S. Bankruptcy Court are to the United States Bankruptcy Court for the Southern District of New York;

U.S. Recognition Order are to the order granted by the U.S. Bankruptcy Court on July 22, 2016 recognizing the RJ Proceedings as the foreign main proceedings in respect of each of the Chapter 15 Debtors; and

Warrants are to the 116,480,467 warrants (*bonus de subscrição*) that were issued on July 27, 2018 in connection with the Capitalization of Credits Capital Increase, pursuant to Section 4.3.3.6 of the RJ Plan, to acquire an equal number of Common Shares. Of the issued Warrants, 116,475,270 Warrants were issued to Qualified Bondholders in the form of ADWs, and 5,197 Warrants were issued to existing shareholders of Oi who exercised their preemptive rights to subscribe for the New Shares in the Capitalization of Credits Capital Increase in accordance with Brazilian Corporate Law.

Disposition of PT Portugal

On June 2, 2015, we sold all of the share capital of PT Portugal to Altice Portugal S.A., or Altice Portugal, under a share purchase agreement, or the PTP Share Purchase Agreement, for a purchase price equal to the enterprise value of PT Portugal of 6,900 million, subject to adjustments based on the financial debt, cash and working capital of PT Portugal on the closing date, plus an additional earn-out amount of 500 million in the event that the consolidated revenues of PT Portugal and its subsidiaries (as of the closing date) for any single year between the year ending December 31, 2015 and the year ending December 31, 2019 is equal to or exceeds 2,750 million. We refer to this transaction as the PT Portugal Disposition.

In connection with the closing of the PT Portugal Disposition, Altice Portugal disbursed 5,789 million, of which 869 million was used by PT Portugal to prepay outstanding indebtedness, and 4,920 million was paid to our company in cash. We used the net cash proceeds of the PT Portugal Disposition for the prepayment and repayment of indebtedness of our company.

In anticipation of the PT Portugal Disposition, PT Portugal transferred all of the outstanding share capital of PTIF, its wholly-owned finance subsidiary, to Oi. As a result of this transfer, the indebtedness of PTIF, which had previously been classified as liabilities associated with assets held for sale in our consolidated financial statements, was reclassified as indebtedness of our company. In addition, in connection with the PT Portugal Disposition, PTIF assumed all obligations under PT Portugal s outstanding 6.25% Notes due 2016.

In addition, PT Portugal transferred to Oi all of the outstanding share capital of PT Participações, SGPS, S.A., or PT Participações, which holds:

our interest in Africatel Holding B.V., or Africatel, which holds our interests in telecommunications companies in Africa, including telecommunications companies in Angola, Cape Verde and São Tomé and

Principe; and

our interests in TPT Telecomunicações Públicas de Timor, S.A., or TPT, a Portuguese holding company that owns Timor Telecom, S.A., which provides telecommunications, multimedia and IT services in Timor Leste in Asia.

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Financial Restructuring

On March 9, 2016, we retained PJT Partners as our financial advisor to assist us in evaluating financial and strategic alternatives to optimize our liquidity and debt profile.

Although we engaged in negotiations with the Ad Hoc Group seeking mutual agreement as to the basis for a consensual restructuring of the indebtedness of our company, after considering the challenges arising from our economic and financial situation in connection with the maturity schedule of our financial debts, the threats to our cash flows represented by imminent attachments or freezings of assets in judicial lawsuits, and the urgent need to adopt measures that protect our company, we concluded that filing for judicial reorganization (*recuperação judicial*) in Brazil would be the most appropriate course of action.

On June 20, 2016, Oi, together with the other RJ Debtors, filed a joint voluntary petition for judicial reorganization pursuant to the Brazilian Bankruptcy Law with the RJ Court, pursuant to an urgent measure approved by our board of directors. The filing of the petition that commenced the RJ Proceedings was a step towards our financial restructuring. On June 29, 2016, the RJ Court granted the processing of the RJ Proceedings of the RJ Debtors.

On December 19 and 20, 2017, the GCM was held to consider approval of the most recently filed judicial reorganization plan. The GCM concluded on December 20, 2017 following the approval of a judicial reorganization plan reflecting amendments to the judicial reorganization plan presented at the GCM as negotiated during the course of the GCM, which we refer to as the RJ Plan.

On January 8, 2018, the RJ Court entered the Brazilian Confirmation Order, ratifying and confirming the RJ Plan, according to its terms, but modifying certain provisions of the RJ Plan. The Brazilian Confirmation Order was published in the Official Gazette of the State of Rio de Janeiro on February 5, 2018, the Brazilian Confirmation Date.

The Brazilian Confirmation Order, according to its terms, is currently binding on all parties, although still subject to appeals with no suspensive effect attributed to it. By operation of the RJ Plan and the Brazilian Confirmation Order, provided that the Brazilian Confirmation Order is not overturned or altered as a result of the pending appeals filed against it, the unsecured claims against the RJ Debtors have been novated and discharged under Brazilian law and holders of such claims are entitled only to receive the recoveries set forth in the RJ Plan in exchange for their claims in accordance with the terms and conditions of the RJ Plan.

We are in the process of implementing the RJ Plan and have concluded the implementation of the portions of the RJ Plan related to the restructuring of our financial indebtedness. For more information regarding the RJ Proceedings and the steps that we have taken to implement the RJ Plan, see Business Our Judicial Reorganization Proceedings.

Share Splits

On November 18, 2014, Oi s shareholders acting in an extraordinary general shareholders meeting authorized (1) the reverse split of all of the issued Common Shares into one Common Share for each 10 issued Common Shares, and (2) the reverse split of all of the issued Preferred Shares into one Preferred Share for each 10 issued Preferred Shares. This reverse share split became effective on December 22, 2014. There was no change in the ratio of Common ADSs or Preferred ADSs in connection with this reverse share split; each Common ADS continued to represent one of Common Share and each Preferred ADS continues to represent one Preferred Share. All references to numbers of shares of Oi, dividend amounts of Oi and earnings per share of Oi in this prospectus have been adjusted to give effect to the 10-for-one reverse share split.

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On February 1, 2016, we changed the ratio applicable to Common ADSs from one Common Share per Common ADS to five Common Shares per Common ADS. All references to numbers of Common ADSs in this prospectus have been adjusted to give effect to this change in ratio.

Market Share and Other Information

We make statements in this prospectus about our market share and other information relating to the telecommunications industry in Brazil. We have made these statements on the basis of information obtained from third-party sources and publicly available information that we believe are reliable, such as information and reports from ANATEL, among others. Notwithstanding any investigation that we may have conducted with respect to the market share, market size or similar data provided by third parties or derived from industry or general publications, we assume no responsibility for the accuracy or completeness of any such information.

Rounding

We have made rounding adjustments to reach some of the figures included in this prospectus. As a result, numerical figures shown as totals in some tables may not be arithmetic aggregations of the figures that precede them.

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QUESTIONS AND ANSWERS ABOUT THE RIGHTS OFFER

The following are examples of what we anticipate will be common questions about the Rights Offer. The answers are based on selected information from this prospectus. The following questions and answers do not contain all of the information that is important to you and may not address all of the questions that you may have about the Rights Offer. This prospectus, including the section entitled The Offering, contains more detailed descriptions of the terms and conditions of the Rights Offer and provides additional information about us and our business, including potential risks related to the Rights Offer, the Common Shares and the Common ADSs, and our business.

Exercising the rights and investing in the Common Shares and the Common ADSs involves risks. We urge you to carefully read the Risk Factors section of this prospectus, and all other information included in this prospectus in its entirety, before you decide whether or not to exercise rights.

Overview of the Rights Offer

Q: What is the Rights Offer?

A: The Rights Offer is composed of the ADS Rights Offer and the Share Rights Offer.

Q: What is the ADS Rights Offer and who is eligible to participate?

A: Pursuant to the ADS Rights Offer, Qualifying ADS Holders will receive transferable Common ADS Rights to subscribe for New Common ADSs. Qualifying ADS Holders are holders of Common ADSs and Preferred ADSs as of the ADS Rights Record Date of 5:00 p.m. (New York City time) on November 21, 2018. Only holders of record of Common ADSs or Preferred ADSs at that time on that date will be entitled to receive Common ADS Rights. Qualifying ADS Holders will be entitled to receive 1.333630 Common ADS Rights per Common ADS held and 0.266726 Common ADS Rights per Preferred ADS held. Only whole numbers of Common ADS Rights will be issued and all entitlements will be reduced to the next lower number of whole Common ADS Rights.

Q: What is the Share Rights Offer and who is eligible to participate?

A: Pursuant to the Share Rights Offer, Qualifying Shareholders will receive transferable Common Share Rights to subscribe for New Common Shares. Qualifying Shareholders are holders of Common Shares and Preferred Shares as of the Share Rights Record Date of 6:00 p.m. (Brasília time) on November 19, 2018 . You must have purchased Common Shares or Preferred Shares by that time on that date in order to receive Common Share Rights. Qualifying Shareholders will be entitled to receive 1.333630 Common Share Rights per Common Share or Preferred Share held. Only whole numbers of Common Share Rights will be issued and all entitlements will be reduced to the next lower number of whole Common Share Right.

Q: What is a Common ADS Right?

A: Each Common ADS Right will allow a holder thereof to subscribe for one New Common ADS during the ADS Subscription Period, which is the period commencing at 9:00 a.m. (New York City time) on November 26, 2018, and ending at 5:00 p.m. (New York City time) on December 17, 2018, at the New Common ADS Subscription Price, which is the U.S. dollar equivalent of five times the New Common Share Subscription Price of R$1.24, or R$6.20, in cash, per New Common ADS subscribed. The exchange rate applied to determine the U.S. dollar equivalent of the New Common ADS Subscription Price for initial subscriptions of New Common ADSs will be the exchange rate assigned by The Bank of New York Mellon, as ADS Rights Agent, on or about December 19, 2018.

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Holders of Common ADS Rights will also have the ability to manifest their intention to acquire up to all of the Excess New Common ADSs at the New Common ADS Subscription Price by making a subscription request at the time that they exercise their Common ADS Rights. If not all of the New Common Shares are taken up initially in the Rights Offer as a result of the subscription of the New Common Shares to which holders of Common Share Rights (including the ADS Custodian) are entitled, Excess New Common ADSs will be allocated to holders of Common ADS Rights who made subscription requests for Excess New Common ADSs in accordance with the allocation principles described in The Offering Subscription by Holders of Common ADSs and Preferred ADSs Excess New Common ADSs. The exchange rate applied to determine the U.S. dollar equivalent of the New Common ADS Subscription Price for Excess New Common ADSs will be the exchange rate assigned by The Bank of New York Mellon, as ADS Rights Agent, on or about January 3, 2019.

To validly subscribe for New Common ADSs (including Excess New Common ADSs), a holder of Common ADS Rights must deposit with the ADS Rights Agent in cash the New Common ADS Deposit Amount of US$2.03 per New Common ADS subscribed or requested, which is equal to US$1.69 (the U.S. dollar equivalent of five times the New Common Share Subscription Price based on the closing rate for the sale of U.S. dollars against the *real* as reported by the Brazilian Central Bank on October 26, 2018, the date on which the board of directors of Oi authorized the Rights Offer) per New Common ADS subscribed or requested, *plus* 20% of such amount to cover (1) currency rate fluctuations from October 26, 2018, to the date on which the ADS Rights Agent converts currency in connection with the exercise by the ADS Custodian of the Common Share Rights underlying the Common ADS Rights, (2) the ADS Issuance Fee of US$0.05 per New Common ADS, and (3) any other applicable fees, expenses or taxes.

If the New Common ADS Deposit Amount is insufficient to purchase an amount of Brazilian *reais* equivalent of the New Common Share Subscription Price for the number of initial New Common Shares to be subscribed and pay the ADS Issuance Fee and any other applicable fees, expenses or taxes, the ADS Rights Agent will notify the exercising Common ADS Rights holder and may (i) withhold delivery of initial New Common ADSs until the deficiency is paid by the holder, or (ii) reduce the number of initial New Common Shares to be purchased to the greatest number that can be purchased with the available funds.

Q: What is a Common Share Right?

A: Each Common Share Right will allow a holder thereof to subscribe for one New Common Share during the Share Subscription Period, which is the period commencing at 10:00 a.m. (Brasília time) on November 22, 2018 and ending at 6:00 p.m. (Brasília time) on December 26, 2018, at the New Common Share Subscription Price, which is R$1.24 in cash per New Common Share subscribed.

If not all of the New Common Shares are taken up initially in the Rights Offer as a result of the subscription of the New Common Shares to which holders of Common Share Rights (including the ADS Custodian) are entitled, holders of Common Share Rights (including the ADS Custodian) who exercised their Common Share Rights and manifested their intention to do so at the time they exercised their Common Share Rights will also have the ability to acquire up to all of the Excess New Common Shares at the New Common Share Subscription Price, and should these be available, they will be allocated in accordance with the allocation principles described in The Offering Subscription by Holders of Common Shares and Preferred Shares Excess New Shares.

Q: Are my Common ADS Rights transferrable?

A: Yes. The Common ADS Rights will trade on the NYSE on a when-issued basis beginning at 9:30 a.m. (New York City time) on November 19, 2018, and on a regular way basis beginning at 9:30 a.m. (New York City time) on November 27, 2018. Trading in Common ADS Rights will cease at 4:00 p.m. (New York City time) on December 12,

2018. The Common ADS Rights will trade under the ticker symbol OIBR RT. The CUSIP number for the Common ADS Rights is P7353Y 106.

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If you wish to purchase additional Common ADS Rights, you may wish to contact your broker. If you hold your Common ADS Rights through The Depository Trust Company, or DTC, or in a brokerage or custodian account with a participant in DTC, you may sell or transfer your Common ADS Rights by book-entry transfer through DTC or a DTC participant. If you are a registered holder of Common ADS Rights, you will need to complete the applicable transfer form, or the Common ADS Rights Transfer Form, which you must obtain from the ADS Rights Agent, obtain the required signature guarantee, and deliver the Common ADS Rights Transfer Form to the ADS Rights Agent or to your commercial bank or broker, if the commercial bank or broker is making the sale, or directly to a third-party transferee.

Q: Are my Common Share Rights transferrable?

A: Yes. Subject to the procedures of the B3, holders of Common Share Rights whose Common Share Rights are deposited in the Depositary Central of the B3 will be entitled to sell or transfer their Common Share Rights at any time prior to the Share Rights Expiration Time. The Common Share Rights will trade on the B3 during the period from 10:00 a.m. (Brasília time) on November 22, 2018, to 6:00 p.m. (Brasília time) on December 17, 2018, under the symbol OIBR1.

Q: Will the issuance and cancellation of Common ADSs and Preferred ADSs be suspended during the ADS Rights Offer?

A: Yes. Common Shares or Preferred Shares may not be deposited or withdrawn under the applicable deposit agreement between November 20, 2018 and November 23, 2018 (inclusive).

Q: Am I required to exercise any or all of the Common ADS Rights or Common Share Rights I receive in the Rights Offer?

A: No. If you do not exercise your Common ADS Rights or Common Share Rights during the ADS Subscription Period or Share Subscription Period as applicable, your Common ADS Rights or Common Share Rights, as the case may be, will be void and will have no value. No arrangements will be made to sell any unexercised Common ADS Rights or Common Share Rights on your behalf. Accordingly, you will not receive any proceeds with respect to unexercised Common ADS Rights or Common Share Rights.

Q: What do I do if I do not wish to participate in the Rights Offer?

A: If you do not wish to subscribe for any New Common ADSs or New Common Shares under the Rights Offer, you need not take any action.

Q: Is Oi requiring a minimum subscription to complete the Rights Offer?

A: No.

Q: When will the results of the Rights Offer be determined and announced?

A: On or about December 27, 2018 (the *Excess New Common Shares Determination Date*), Banco do Brasil will verify all subscriptions to purchase New Common Shares tendered during the Share Subscription Period (including the subscription to purchase New Common Shares tendered by the ADS Custodian) and deliver the results to Oi, and Oi will determine the number of Excess New Common Shares available, if any, to holders of Common Share Rights (including the ADS Custodian, if applicable) who elected to receive Excess New Common Shares at the time they exercised their Common Share Rights. On or about December 28, 2018, we expect the board of directors of Oi to ratify the issuance of the New Common Shares to be issued in connection with the basic subscription right, and we expect to announce these results on or about that date through a press release or announcement which we will submit to the SEC via a report on Form 6-K.

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On or about January 2, 2019 (the *B3 Notification Date*), Oi will notify the B3 of the identity of holders of Common Share Rights (including the ADS Custodian, if applicable) who are entitled to receive Excess New Common Shares and the number of Excess New Common Shares to which they are entitled. On or about January 3, 2019 (the *Excess New Common Shares Notification Date*), the B3 will notify the applicable holders of Common Share Rights (including the ADS Custodian, if applicable) of their individual allocations of Excess New Common Shares. By 6:00 p.m. (Brasília time) on January 7, 2019 (the *Excess New Common Shares Subscription Price Deposit Date*), holders of Common Share Rights that were allocated Excess New Common Shares (including the ADS Custodian, if applicable) will be required to deposit with the B3 the full New Common Share Subscription Price for all of the Excess New Common Shares that they were allocated, and Oi will determine the number of Unsubscribed Shares. On or about January 8, 2019, we expect the board of directors of Oi to ratify the issuance of the Excess New Common Shares, and we expect to announce these results on or about that date through a press release or announcement which we will submit to the SEC via a report on Form 6-K.

Q: When will I receive the New Common ADSs I subscribed for and a refund of any unused New Common ADS Deposit Amounts in connection with such New Common ADSs?

A: Following receipt of the underlying initial New Common Shares, which is expected to take place on or about January 4, 2019, the ADS Custodian will deposit such initial New Common Shares under the ADS Deposit Agreement, the ADS Depositary will deliver the initial New Common ADSs issuable upon that deposit to the ADS Rights Agent, and the ADS Rights Agent will cause the New Common ADSs to be delivered to the exercising Common ADS Rights holders entitled to them. The ADS Rights Agent will also pay the ADS Issuance Fee of US$0.05 per New Common ADS out of the New Common ADS Deposit Amount. It is expected that the delivery of subscribed initial New Common ADSs to the exercising Common ADS Rights holders will take place on or about January 7, 2019.

Following delivery of the initial New Common ADSs, the ADS Rights Agent will promptly return to each holder of Common ADS Rights the New Common ADS Deposit Amount delivered to the ADS Rights Agent with respect to the New Common ADSs subscribed by that Common ADS holder *less*

- the amount in U.S. Dollars used by the ADS Rights Agent to purchase the Brazilian *reais* paid to the ADS Custodian as the New Common Share Subscription Price for the initial New Common Shares requested by such holder of Common ADS Rights; and

- the ADS Issuance Fee with respect to the initial New Common ADSs delivered to such holder and any other applicable fees, expenses or taxes.

Such amounts will be returned by check posted to the relevant holders, at their risk, or returned through DTC, as applicable, as soon as practicable on or after January 7, 2019. No interest will be paid on monies received in respect of any portion of the New Common ADS Deposit Amount.

Q: When will I receive the Excess New Common ADSs I am allocated and a refund of any unused New Common ADS Deposit Amounts in connection with the Excess New Common ADSs I requested?

A: Following receipt of the underlying Excess New Common Shares, which is expected to take place on or about January 11, 2019, the ADS Custodian will deposit such Excess New Common Shares under the ADS Deposit Agreement, the ADS Depositary will deliver the Excess New Common ADSs issuable upon that deposit to the ADS

Rights Agent, and the ADS Rights Agent will cause the New Common ADSs to be delivered to the exercising Common ADS Rights holders entitled to them. The ADS Rights Agent will also pay the ADS Issuance Fee of US$0.05 per New Common ADS out of the New Common ADS Deposit Amount. It is expected that the delivery of Excess New Common ADSs to the exercising Common ADS Rights holders will take place on or about January 15, 2019.

Following delivery of the Excess New Common ADSs, the ADS Rights Agent will promptly return to each holder of Common ADS Rights that manifested its intention to subscribe for Excess New Common ADSs the New Common ADS Deposit Amount delivered to the ADS Rights Agent with respect to the Excess New Common ADSs requested by that Common ADS holder *less*:

- the amount in U.S. dollars used by the ADS Rights Agent to purchase the Brazilian *reais* paid to the ADS Custodian as the New Common Share Subscription Price for the Excess New Common Shares allocated to such holder of Common ADS Rights; and

- the ADS Issuance Fee with respect to the Excess New Common ADSs delivered to such holder and any other applicable fees, expenses or taxes.

For the avoidance of doubt, the ADS Rights Agent will promptly return in full to each holder of Common ADS Rights that manifested its intention to subscribe for Excess New Common ADSs the New Common ADS Deposit Amount delivered to the ADS Rights Agent with respect to the Excess New Common ADSs requested by but not allocated to that Common ADS holder.

Such amounts will be returned by check posted to the relevant holders, at their risk, or returned through DTC, as applicable, as soon as practicable on or after January 15, 2019. No interest will be paid on monies received in respect of any portion of the New Common ADS Deposit Amount.

Q: When will I receive the New Common Shares or Excess New Common Shares I subscribe for?

A:We expect to deliver the initial New Common Shares subscribed for pursuant to the Share Rights Offer on or about January 4, 2019, and the Excess New Common Shares, if any, on or about January 11, 2019.

Q: Will the New Common ADSs and New Common Shares be listed on a national stock exchange?

A: Application will be made for the New Common ADSs to be listed on the NYSE under the symbol OIBR.C, the same symbol under which the Common ADSs currently trade. Trading in the initial New Common ADSs issued pursuant to the basic subscription right is expected to commence on the date we expect the New Common ADS to be delivered, which is on or about January 7, 2019, and trading in the Excess New Common ADSs, if any, is expected to commence on the date we expect the Excess New Common ADSs to be delivered, which is on or about January 15, 2019. The New Common Shares will be listed on the B3 under the symbol OIBR3, the same symbol under which the Common Shares currently trade. Trading in the initial New Common Shares issued pursuant to the basic subscription right is expected to commence on or about January 4, 2019, and trading in the Excess New Common Shares, if any, is expected to commence on or about January 11, 2019.

Q: How will the New Common ADSs rank with respect to existing Common ADSs?

A: The New Common ADSs (including Excess New Common ADSs) will, when issued, be fully paid and will rank equally in all respects with the then existing Common ADSs, except that the New Common ADSs (including Excess New Common ADSs) will not qualify for any dividends, rights, allotments or other distributions the record date for which falls before the date of issue of the New Common ADSs or the Excess New Common ADSs, as the case may be.

Q: How will the New Common Shares rank with respect to existing Common Shares?

A: The New Common Shares (including Excess New Common Shares) will, when issued, be fully paid and will rank equally in all respects with the then existing Common Shares, except that the New Common Shares (including Excess New Common Shares) will not qualify for any dividends, rights, allotments or other distributions the record date for which falls before the date of issue of the New Common Shares or the Excess New Common Shares, as the case may be.

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Q: What happens if any New Common Shares (including Excess New Common Shares) remain unsubscribed following the expiration of the Rights Offer?

A: We expect that any and all Unsubscribed Shares will be purchased by the Backstop Investors, subject to the terms and conditions of the Backstop Agreement. For more information about the Backstop Agreement, see The Offering Backstop Commitment Agreement.

Q: How many New Common Shares does Oi expect to have issued and outstanding following the expiration of the Rights Offer and the closing under the Commitment Agreement?

A: We expect to issue 3,225,806,451 New Common Shares (including New Common Shares represented by New Common ADSs) pursuant to the Rights Offer and the Commitment Agreement and to have 5,488,707,730 Common Shares (including Common Shares represented by Common ADSs) issued and outstanding following the expiration of the Rights Offer and the closing under the Commitment Agreement.

Exercise of Rights and Other Procedural Matters

Q: How long do I have to exercise my Common ADS Rights?

A: Common ADS Rights must be exercised during the ADS Subscription Period, which is the period commencing at 9:00 a.m. (New York City time) on November 26, 2018, and ending at 5:00 p.m. (New York City time) on December 17, 2018. Accordingly, the Common ADS Rights Expiration Time, which is the latest date the ADS Rights Agent must receive completed instructions to subscribe and payment in full of the New Common ADS Deposit Amount in respect of the New Common ADSs (including Excess New Common ADSs requested by such holder) subscribed pursuant to the ADS Rights Offer, will be 5:00 p.m. (New York City time) on December 17, 2018. The Common ADS Rights Exercise Period starts after the beginning of, and ends before the end of, the rights exercise period for the New Common Shares under the Common Share Rights.

Q: How long do I have to exercise my Common Share Rights?

A: Common Share Rights must be exercised during the Share Subscription Period, which is the period commencing at 10:00 a.m. (Brasília time) on November 22, 2018, and ending at 6:00 p.m. (Brasília time) on December 12, 2018. Accordingly, the Share Rights Expiration Time, which is the latest time at which the B3 must receive a subscription request and the corresponding payment in full of the New Common Share Subscription Price in respect of the New Common Shares (excluding Excess Common Shares requested by such holder) subscribed pursuant to the Share Rights Offer, will be 6:00 p.m. (Brasília time) on December 26, 2018.

The Excess New Common Shares Subscription Price Deposit Date, which is the latest time at which the B3 must receive the corresponding payment in full of the New Common Share Subscription Price in respect of any Excess New Common Shares allocated to holders of Common Share Rights, will be 6:00 p.m. (Brasília time) on or about January 7, 2019.

Q:How do I exercise my Common ADS Rights?

A: If you wish to exercise your Common ADS Rights to acquire New Common ADSs (including Excess New Common ADSs), you must deliver your subscription instructions and pay the New Common ADS Deposit Amount in accordance with the exercise procedure that applies to you. Whichever exercise procedure applies, a Common ADS Rights holder that wishes to exercise Common ADS Rights must take action in time to ensure that the instructions and payment will reach the ADS Rights Agent prior to 5:00 p.m. (New York City time) on December 17, 2018. DTC and its direct and indirect participants will set their own cutoff dates and times to receive exercise instructions that will be earlier than 5:00 p.m. (New York City time) on December 17, 2018. Holders of Common ADS Rights that hold through brokers or other securities intermediaries should contact those brokers or other securities intermediaries to determine the cut-off dates and times that apply to them.

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Subscription by Brokers and Other Securities Intermediaries

If you are a participant in DTC, you must deliver completed subscription instructions through DTC s automated system indicating the total number of New Common ADSs (including Excess New Common Shares, if any) that you wish to subscribe for and instruct DTC to charge your applicable DTC account for the New Common ADS Deposit Amount for such New Common ADSs (including Excess New Common Shares, if any) and to deliver such amount to the ADS Rights Agent. DTC must receive the subscription instructions and the payment of the New Common ADS Deposit Amount for the New Common ADSs (including Excess New Common Shares, if any) so as to allow DTC sufficient time to transmit the subscription instructions and payment of the Common ADS Deposit Amount to the ADS Rights Agent prior to the expiration of the ADS Subscription Period. If the instructions and deposit amount payment with respect to the New Common ADSs are not received by the ADS Rights Agent by the end of the ADS Subscription Period, the ADS Rights Agent will not be authorized to, and consequently will not, accept any delivery or exercise of subscription instructions with respect to those New Common ADSs.

Subscription by Beneficial Owners

If you are a beneficial owner of Common ADS Rights and wish to subscribe for New Common ADSs but are neither a DTC participant nor a registered holder of Common ADS Rights, you should contact the broker or other securities intermediary through which you hold Common ADS Rights to arrange for subscription of the New Common ADSs (including Excess New Common ADSs, if any) and to arrange for payment of the New Common ADS Deposit Amount for such New Common ADSs (including Excess New Common ADSs, if any). You should contact your broker or other securities intermediary through which you hold Common ADSs or Preferred ADSs to determine the number of New Common ADSs for which you are entitled to subscribe. You are urged to consult your broker or other securities intermediary without delay in case your broker or other securities intermediary is unable to act immediately. DTC and its direct and indirect participants will establish cut-off dates and times to receive instructions to subscribe for New Common ADSs that will be earlier than the expiration date and time stated in this prospectus. You should contact your broker or other securities intermediary to determine the cut-off date and time that apply to you.

Subscription by Registered Holders

If you are a holder of Common ADS Rights registered directly with the ADS Rights Agent, you can exercise your Common ADS Rights and subscribe for the New Common ADSs (including Excess New Common ADSs, if any) by delivering to the ADS Rights Agent a properly completed Common ADS Subscription Form and paying in full the New Common ADS Deposit Amount for such New Common ADSs (including Excess New Common ADSs, if any). Payment must be made by a cashier s check drawn on a U.S. bank payable to The Bank of New York Mellon.

D.F. King & Co., the Information Agent For the ADS Rights Offer will send to each registered holder of ADSs a Common ADS Subscription Form showing the number of Common ADS Rights they hold that can be used to send subscription instructions to the ADS Rights Agent. If you are a beneficial owner of Common ADSs or Preferred ADSs, you should contact the broker or other securities intermediary through which you hold Common ADSs or Preferred ADSs to determine the number of New Common ADSs for which you are entitled to subscribe. The Common ADS Subscription Forms will be mailed to ADS holders, as of the ADS Rights Record Date, as soon as practicable on or after the ADS Rights Record Date of November 21, 2018.

The properly completed Common ADS Subscription Form and payment should be delivered to:

By Mail:

The Bank of New York Mellon
Voluntary Corporate Actions Suite V
P.O. Box 43031
Providence, Rhode Island 02940-3031
United States of America

By Overnight Courier:

The Bank of New York Mellon
Voluntary Corporate Actions Suite V
250 Royall Street
Canton, Massachusetts 02021
United States of America

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The ADS Rights Agent must receive the Common ADS Subscription Form and payment of the Common ADS Deposit Amount on or before the end of the ADS Subscription Period. Deposit in the mail will not constitute delivery to the ADS Rights Agent. Oi has discretion to refuse to accept any improperly completed or unexecuted Common ADS Subscription Form.

You will elect the method of delivering the Common ADS Subscription Forms and paying the New Common ADS Deposit Amount to the ADS Rights Agent and you will bear any risk associated with it. If you send the Common ADS Subscription Form and payment by mail, you should use registered mail, properly insured, with return receipt requested, and allow sufficient time to ensure delivery to the ADS Rights Agent.

We strongly recommend that you return the Common ADS Subscription Form and payment of the Common ADS Deposit Amount using an overnight courier with tracking capabilities (such as Federal Express or United Parcel Service) to ensure delivery of the Common ADS Subscription Form to the ADS Rights Agent prior to 5:00 p.m. (New York City time) on December 17, 2018.

If you wish to sell or transfer your Common ADS Rights, you must contact the ADS Rights Agent at the addresses set forth above to receive a Common ADS Rights Transfer Form that can be used to transfer your Common ADS Rights to settle a sale.

Q:How do I exercise my Common Share Rights?

A: If you wish to exercise your Common Share Rights to acquire New Common Shares (including Excess New Common Shares), you must deliver your subscription instructions and pay the New Common Share Subscription Price in accordance with the exercise procedure that applies to you, subject to the terms and conditions set forth in the Notice to Shareholders (*Aviso aos Acionistas*) to be published by Oi on November 13, 2018, and the procedures of the B3.

Shareholders with Common Shares and/or Preferred Shares deposited at the Depositary Central of the B3 must exercise their Common Share Rights through their respective custody agents, subject to the terms set forth by the B3.

If you are a beneficial owner of Common Share Rights and wish to subscribe for New Common Shares but are not the registered holder of Common Share Rights, you should contact the broker or other securities intermediary through which you hold Common Share Rights to arrange for subscription of the New Common Shares (including Excess New Common Shares, if any) and to arrange for payment of the New Common Share Subscription Price for such New Common Shares (including Excess New Common Shares, if any). You should contact your broker or other securities intermediary through which you hold Common Shares or Preferred Shares to determine the number of New Common Shares for which you are entitled to subscribe. You are urged to consult your broker or other securities intermediary without delay in case your broker or other securities intermediary is unable to act immediately. Your broker or other securities intermediary may establish cut-off dates and times to receive instructions to subscribe for New Common Shares that may be earlier than the expiration date and time stated in this prospectus. You should contact your broker or other securities intermediary to determine the cut-off date and time that apply to you.

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Q: How do I subscribe for Excess New Common ADSs?

A: If you wish to acquire Excess New Common ADSs, you must manifest your intention to subscribe for Excess New Common ADSs at the time you exercise your Common ADS Rights, pursuant to the procedures described under The Offering Subscription by Holders of Common ADSs and Preferred ADSs Exercise Procedures for Common ADS Rights. At such time, you must indicate the number of Excess New Common ADSs you wish to acquire, up to all Excess New Common ADSs, and pay in full the New Common ADS Deposit Amount for such Excess New Common ADSs. Because we will not know the total number of Excess New Common ADSs available prior to the Common ADS Rights Expiration Time, if you wish to maximize the number of Excess New Common ADSs you purchase, you will need to manifest your intention to subscribe for Excess New Common ADSs equivalent to the total number of New Common Shares being offered under the Rights Offer minus the number of New Common ADSs to which you are entitled under your basic subscription right and deliver payment of the New Common ADS Deposit Amount for that number of New Common ADSs.

Q: How do I subscribe for Excess New Common Shares?

A: If you wish to acquire Excess New Common Shares, you must manifest your intention to subscribe for Excess New Common Shares at the time you exercise your Common Share Rights, pursuant to the procedures described under The Offering Subscription by Holders of Common Shares and Preferred Shares Exercise Procedures for Common Share Rights. At such time, you must indicate the number of Excess New Common Shares you wish to acquire, up to all Excess New Common Shares. Because we will not know the total number of Excess New Common Shares available prior to the Share Rights Expiration Time, if you wish to maximize the number of Excess New Common Shares you purchase, you will need to manifest your intention to subscribe for Excess New Common Shares equivalent to the total number of New Common Shares being offered under the Rights Offer minus the number of New Common Shares to which you are entitled under your basic subscription right.

On or about December 27, 2018 (the Excess New Common Shares Determination Date), Banco do Brasil will verify all subscriptions to purchase New Common Shares tendered during the Share Subscription Period (including the subscription to purchase New Common Shares tendered by the ADS Custodian) and deliver the results to Oi, and Oi will determine the number of Excess New Common Shares available, if any, to holders of Common Share Rights (including the ADS Custodian, if applicable) who elected to receive Excess New Common Shares at the time they exercised their Common Share Rights. On or about January 2, 2019 (the B3 Notification Date), Oi will notify the B3 of the identity of holders of Common Share Rights (including the ADS Custodian, if applicable) who are entitled to receive Excess New Common Shares and the number of Excess New Common Shares to which they are entitled. On or about January 3, 2019 (the Excess New Common Shares Notification Date), the B3 will notify the applicable holders of Common Share Rights (including the ADS Custodian, if applicable) of their individual allocations of Excess New Common Shares. By 6:00 p.m. (Brasília time) on January 7, 2019 (the Excess New Common Shares Subscription Price Deposit Date), holders of Common Share Rights that were allocated Excess New Common Shares (including the ADS Custodian, if applicable) will be required to deposit with the B3 the full New Common Share Subscription Price for all of the Excess New Common Shares that they were allocated, and Oi will determine the number of Unsubscribed Shares. If a holder does not deposit the New Common Share Subscription Price in full for each Excess New Common Share allocated to such holder by the Excess New Common Shares Subscription Price Deposit Date, the number of Excess New Common Shares such holder receives will be reduced to the greatest number that can be purchased with the available funds.

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Q: What happens if the number of Excess New Common Shares or Excess New Common ADSs for which requests for subscription are received is less than or equal to the number of Excess New Common Shares or Excess New Common ADSs available?

A: If the number of Excess New Common Shares for which requests for subscription are received is less than or equal to the number of Excess New Common Shares available, then each holder of Common Share Rights that manifested its intention to subscribe for Excess New Common Shares (including the ADS Custodian, if applicable) and deposits the full New Common Share Subscription Price for such Excess New Common Shares with the B3 on or prior to the Excess New Common Shares Subscription Price Deposit Date will receive the number of Excess New Common Shares that such holder requested, rounded down to the nearest whole number of New Common Shares.

The ADS Rights Agent will then deliver New Common ADSs representing those Excess New Common Shares allocated to the ADS Custodian to the accounts of ADS Rights Holders who validly requested Excess New Common ADSs, as follows.

If the number of New Common Shares underlying the Excess New Common ADSs for which requests for subscription are received is less than or equal to the number of Excess New Common Shares allocated to the ADS Custodian, then each holder of ADS Rights that validly requests Excess New Common ADSs will receive the number of Excess New Common ADSs that such holder requested, rounded down to the nearest whole number of New Common ADS.

Q: What happens if the number of Excess New Common Shares or Excess New Common ADSs for which requests for subscription are received exceeds the number of Excess New Common Shares or Excess New Common ADSs available?

A: If the number of Excess New Common Shares for which requests for subscription are received exceeds the number of Excess New Common Shares available, then each holder of Common Share Rights that manifested its intention to subscribe for Excess New Common Shares (including the ADS Custodian, if applicable) and deposits the full New Common Share Subscription Price for such Excess New Common Shares with the B3 on or prior to the Excess New Common Shares Subscription Price Deposit Date will receive a portion of such Excess New Common Shares that such holder requested, rounded down to the nearest whole number of New Common Shares, determined based on a proration factor to be calculated as provided under The Offering Subscription by Holders of Common Shares and Preferred Shares Excess New Common Shares.

The ADS Rights Agent will then deliver New Common ADSs representing those Excess New Common Shares allocated to the ADS Custodian to the accounts of ADS Rights Holders who validly requested Excess New Common ADSs, as follows.

If the number of New Common Shares underlying the Excess New Common ADSs for which requests for subscription are received exceeds the number of Excess New Common Shares allocated to the ADS Custodian, then each ADS Rights Holder that validly requests Excess New Common ADSs will receive a portion of the Excess New Common ADSs that such holder requested, rounded down to the nearest whole number of New Common ADS, determined based on a proration factor to be calculated as provided under The Offering Subscription by Holders of Common ADSs and Preferred ADSs Excess New Common ADSs.

Q: May I cancel or modify my instructions to exercise my Common ADS Rights?

A: No. Any exercise of Common ADS Rights or instructions to the ADS Rights Agent will be irrevocable upon delivery and may not be cancelled or modified after such delivery.

Q: May I cancel or modify my instructions to exercise my Common Share Rights?

A: Yes. Subject to the terms set forth by the B3, any exercise of Common Share Rights or instructions to the B3 may be cancelled or modified at any time prior to the Share Rights Expiration Time; *provided*, that if you beneficially hold Common Share Rights through a broker or other securities intermediary, your broker or other securities intermediaries may set their own cutoff dates and times to accept such cancellations or modifications, and you must contact your broker or other securities intermediaries with respect to refunds of any funds deposited with such broker or other securities intermediary in respect of cancelled or modified subscriptions for New Common Shares.

For the avoidance of doubt, holders of Common Share Rights may not cancel or modify instructions manifesting their intention to subscribe for Excess New Common Shares following the Share Rights Expiration Time and prior to the delivery of any Excess New Common Shares which they may eventually be allocated.

Q: May I subscribe for fractions of New Common ADSs?

A: No. You may not subscribe for fractions of New Common ADSs (including fractions of Excess New Common ADSs) and fractional entitlements under the ADS Rights Offer will be reduced to the nearest whole number of New Common ADSs.

If you elect to subscribe for Excess New Common ADSs and the number of Excess New Common ADSs for which requests for subscription are received exceed the number of Excess New Common ADSs available, then your *pro rata* share of Excess New Common ADSs may result in an entitlement to fractional New Common ADSs, in which case your entitlement to New Common ADSs will be reduced to the next lower whole number and you will receive such whole number of New Common ADSs.

Q: May I subscribe for fractions of New Common Shares?

A: No. You may not subscribe for fractions of New Common Shares (including fractions of Excess New Common Shares) and fractional entitlements under the Share Rights Offer will be reduced to the nearest whole number of New Common Shares.

If you elect to subscribe for Excess New Common Shares and the number of Excess New Common Shares for which requests for subscription are received exceed the number of Excess New Common Shares available, then your *pro rata* share of Excess New Common Shares may result in an entitlement to fractional New Common Shares, in which case your entitlement to New Common Shares will be reduced to the next lower whole number and you will receive such whole number of New Common Shares.

Other Rights Offering Matters

Q: Why is Oi conducting the Rights Offer?

A: Section 6.1 of the RJ Plan provides that following the completion of the Capitalization of Credits Capital Increase, Oi must complete a cash capital increase of R$4 billion in order to ensure that it has the funds necessary to complete the capital expenditures necessary to modernize its infrastructure and implement the business plan provided under Section 6 of the RJ Plan. This cash capital increase, of which the Rights Offer is a part, must be completed as soon as possible following the completion of the Capitalization of Credits Capital Increase and, in any event, by no later than February 28, 2019.

Q: Are there any conditions to completing the Rights Offer?

A: Although the approval of the Rights Offer by the board of directors of Oi did not condition the completion of the Rights Offer to any particular event, we may cancel the Rights Offer if, at any time before completion of the

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Rights Offer, there is any judgment, order, decree, injunction, statute, law, regulation or decision by any governmental authority entered, enacted, amended or held to be applicable to the Rights Offer or the RJ Plan that in the sole judgment of the board of directors of Oi would or might make the Rights Offer or its completion, whether in whole or in part, illegal or not in compliance with the RJ Plan otherwise restrict or prohibit completion of the Rights Offer.

If for any reason the board of directors of Oi cancels the Rights Offer, in whole or in part, all affected Common Share Rights and Common ADS Rights will expire without value, and the New Common Share Subscription Price deposited by holders of Common Share Rights with the B3 or the New Common ADS Deposit Amount delivered to the ADS Rights Agent with respect to the New Common ADSs will be refunded to exercising holders of Common Share Rights or Common ADS Rights, respectively, without interest or penalty, as soon as practicable.

Q: How were the New Common Share Subscription Price and the New Common ADS Subscription Price determined?

A: The New Common Share Subscription Price has been determined based on a formula set forth in the RJ Plan and the Commitment Agreement, which resulted from independent negotiations between Oi and the Backstop Investors, and also considering the interests of our current shareholders. The New Common Share Subscription Price does not bear a direct relationship to the book value of our assets or the market value of our shares. In addition, since each New Common ADS represents five Common Shares, the New Common ADS Subscription Price is the U.S. dollar equivalent of five times the New Common Share Subscription Price.

Q: Has the board of directors of Oi made a recommendation regarding the Rights Offer?

A: The board of directors of Oi is not making any recommendation to shareholders regarding the exercise of rights in the Rights Offer. You should make an independent investment decision about whether or not to exercise your rights. Shareholders who exercise Common ADS Rights or Common Share Rights risk investment loss on new money invested. We cannot assure you that the public trading market price of the Common ADSs and Common Shares will not decline below the New Common ADS Subscription Price or the New Common Share Subscription Price, as applicable, after you elect to exercise your Common ADS Rights or Common Share Rights or that anyone purchasing New Common ADS or New Common Shares at the New Common ADS Subscription Price or the New Common Share Subscription Price, as applicable, will be able to sell those New Common ADS or New Common Share in the future at the same price or a higher price. If you do not exercise your Common ADS Rights or Common Share Rights, you will lose any value represented by your Common ADS Rights or Common Share Rights and your percentage ownership interest in Oi will be diluted.

Q: What proceeds will the Company receive from the Rights Offer?

A: The net proceeds of the Rights Offer (including proceeds of any Common Shares purchased pursuant to the Commitment Agreement) are expected to be approximately R$3,669.4 million (US$987.0 million) after payment of the estimated expenses of the Rights Offer and based on an exchange rate of R$3.7177=US$1.00, the PTAX selling rate as reported by the Central Bank of Brazil (*Banco Central do Brasil*) on October 31, 2018. Please see Use of Proceeds and Expenses of the Offering.

Q: What are the U.S. federal income tax consequences of receipt, disposition or exercise of Common ADS Rights or Common Share Rights?

A: For information on the U.S. federal income tax consequences of receipt, disposition or exercise of Common ADS Rights or Common Share Rights by U.S. holders, see Taxation Certain United States Federal Income Tax

Considerations. However, holders are urged to consult their own tax advisors with respect to the particular tax consequences of the Rights Offer.

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Q: What are the Brazilian tax consequences of receipt, disposition or exercise of Common ADS Rights or Common Share Rights?

A: For information on the Brazilian tax consequences of receipt, disposition or exercise of Common ADS Rights or Common Share Rights by holders not deemed to be domiciled in Brazil for Brazilian tax and regulatory purposes, see Taxation Certain Brazilian Tax Considerations. However, holders are urged to consult their own tax advisors with respect to the particular tax consequences of the Rights Offer.

Q: Are there risks in exercising my Common ADS Rights or Common Share Rights?

A: The exercise of your Common ADS Rights or Common Share Rights involves risks. Exercising your Common ADS Rights or Common Share Rights means buying Common ADSs or Common Shares and should be considered as carefully as you would consider any other equity investment. You should carefully read the Risk Factors section of this prospectus and all other information included in this prospectus in its entirety before you decide whether or not to exercise your rights.

Q: Who should I contact if I have other questions regarding the ADS Rights Offer?

A: D.F. King & Co. is acting as Information Agent for the ADS Rights Offer. Should you have any questions on the subscription of New Common ADSs, please contact:

D.F. King & Co., Inc.

48 Wall Street

New York, NY 10005

Banks and Brokers Call: +1 (212) 269-5550

All Others Call: +1 (800) 628-8536

Email: oi@dfking.com

Please note that the helpline will only be able to provide you with information contained in the prospectus, and will not be able to give advice on the merits of the ADS Rights Offer or to provide financial advice.

Q: Who should I contact if I have other questions regarding the Share Rights Offer?

A: Should you have any questions with regard to the Share Rights Offer, please contact Oi s Investor Relations Department at +55 21 3131-2918 (Monday to Friday 9:00 a.m. to 6:00 p.m. (Brasília time)) or by email at invest@oi.net.br.

Please note that the helpline will only be able to provide you with information contained in the prospectus, and will not be able to give advice on the merits of the Share Rights Offer or to provide financial advice.

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SUMMARY

This summary highlights selected information about us and the New Common Shares and New Common ADSs that we are offering. It may not contain all of the information that may be important to you. Before investing in the New Common Shares or New Common ADSs, you should read this entire prospectus carefully for a more complete understanding of our business and the Rights Offer, including our consolidated financial statements included in this prospectus and the section entitled Risk Factors included elsewhere in this prospectus.

Overview

We are one of the principal integrated telecommunications service providers in Brazil with approximately 58.4 million revenue generating units, or RGUs, as of June 30, 2018. We operate throughout Brazil and offer a range of integrated telecommunications services that include fixed-line and mobile telecommunication services, network usage (interconnection), data transmission services (including broadband access services), Pay-TV (including as part of double-play, triple-play and quadruple-play packages), internet services and other telecommunications services for residential customers, small, medium and large companies and governmental agencies. We owned 355,273 kilometers of installed fiber optic cable, distributed throughout Brazil, as of June 30, 2018. Our mobile network covered areas in which approximately 90.4% of the Brazilian population lived and worked as of June 30, 2018. According to ANATEL, as of June 30, 2018, we had a 16.5% market share of the Brazilian mobile telecommunications market and a 32.4% market share of the Brazilian fixed-line market.

Our traditional Residential Services business in Brazil includes (1) local and long-distance fixed-line voice services and public telephones, in accordance with the concessions granted to us by ANATEL, (2) broadband services, (3) Pay-TV services, and (4) network usage services (interconnection). We are the largest fixed-line telecommunications company in Brazil in terms of total number of lines in service as of June 30, 2018. We are the principal fixed-line telecommunications services provider in our service areas, comprising the entire territory of Brazil other than the State of São Paulo, based on our 12.4 million fixed lines in service as of June 30, 2018, with a market share of 51.4% of the total fixed lines in service in our service areas as of June 30, 2018, according to ANATEL.

We offer a variety of high-speed broadband services in our fixed-line service areas, including services offered by our subsidiaries Oi Mobile and Brasil Telecom Comunicação Multimídia Ltda. Our broadband services utilize Asymmetric Digital Subscriber Line, or ADSL, and Very-high-bit-rate Digital Subscriber Line, or VDSL, technologies. As of June 30, 2018, we had 5,872,311 total subscribers, representing 48.6% of our fixed lines in service as of that date.

We offer Pay-TV services under our *Oi TV* brand. We deliver Pay-TV services throughout our residential service areas using DTH satellite technology and, in select urban areas, using fiber optic technology.

Our Personal Mobility Services business offers mobile telecommunications services throughout Brazil, as well as network usage services (interconnection). Based on our 38.9 million mobile subscribers as of June 30, 2018, we believe that we are one of the principal mobile telecommunications service providers in Brazil. Based on information available from ANATEL, as of June 30, 2018 our market share was 16.5% of the total number of mobile subscribers in Brazil.

Our B2B Services business provides voice, data, IT and Pay TV services to our SME and corporate (including government) customers throughout Brazil. We also provide wholesale interconnection, network usage and traffic transportation services to other telecommunications providers.

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We also hold significant interests in telecommunications companies in Angola, Cape Verde, and São Tomé and Principe in Africa and Timor Leste in Asia. Our interests in telecommunications companies in Africa are held through Africatel, in which we own an 86% interest. Our interests in telecommunications companies in Timor Leste are mainly held through TPT, in which we own a 76.14% interest. On September 16, 2014, our board of directors authorized our management to take the necessary measures to market our shares in Africatel, representing 75% of the share capital of Africatel at the time. In addition, on June 17, 2015, our board of directors authorized our management to take the necessary measures to market our shares in TPT, representing 76.14% of the share capital of TPT. As a result, as of December 31, 2015, 2016 and 2017 and June 30, 2018, we recorded the assets and liabilities of Africatel and TPT as held-for sale, although we do not record Africatel or TPT as discontinued operations in our income statement due to the immateriality of the effects of Africatel and TPT on our results of operations. Due to the many risks involved in the ownership of these interests, particularly our interest in Unitel, we cannot predict when a sale of these assets may be completed.

Judicial Reorganization

On June 20, 2016, Oi, together with the other RJ debtors, filed a joint voluntary petition for judicial reorganization pursuant to the Brazilian Bankruptcy Law with the RJ Court, pursuant an urgent measure approved by our board of directors. The filing of the petition that commenced the RJ Proceedings was a step towards our financial restructuring. On June 29, 2016, the RJ Court granted the processing of the RJ Proceedings of the RJ Debtors.

On December 19 and 20, 2017, the GCM was held to consider approval of the most recently filed judicial reorganization plan. The GCM concluded on December 20, 2017 following the approval of a judicial reorganization plan reflecting amendments to the judicial reorganization plan presented at the GCM as negotiated during the course of the GCM.

On January 8, 2018, the RJ Court entered the Brazilian Confirmation Order, ratifying and confirming the RJ Plan, according to its terms, but modifying certain provisions of the RJ Plan. The Brazilian Confirmation Order was published in the Official Gazette of the State of Rio de Janeiro on February 5, 2018, the Brazilian Confirmation Date.

The Brazilian Confirmation Order, according to its terms, is currently binding on all parties, although still subject to appeals with no suspensive effect attributed to it. By operation of the RJ Plan and the Brazilian Confirmation Order, provided that the Brazilian Confirmation Order is not overturned or altered as a result of the pending appeals filed against it, the unsecured claims against the RJ Debtors have been novated and discharged under Brazilian law and holders of such claims are entitled only to receive the recoveries set forth in the RJ Plan in exchange for their claims in accordance with the terms and conditions of the RJ Plan.

For more information regarding the RJ Proceedings and the steps that we have taken to implement the RJ Plan, see Business Our Judicial Reorganization Proceedings.

Recognition Proceedings in the United States

On June 22, 2016, the U.S. Bankruptcy Court entered an order granting the provisional relief requested by the Chapter 15 Debtors in their cases that were filed on June 21, 2016 under Chapter 15 of the United States Bankruptcy Code. This provisional relief prevented (1) creditors from initiating actions against the Chapter 15 Debtors or their property located within the territorial jurisdiction of the United States, and (2) parties from terminating their existing U.S. contracts with the Chapter 15 Debtors.

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On July 21, 2016, the U.S. Bankruptcy Court held a hearing with respect to the Chapter 15 Debtors petition for recognition of the RJ Proceedings as a main foreign proceeding with regard to each of the Chapter 15 Debtors and did not receive any objections to such petition.

On July 22, 2016, the U.S. Bankruptcy Court granted the U.S. Recognition Order, as a result of which a stay was automatically applied, preventing (1) the filing, in the United States, of any actions against the Chapter 15 Debtors or their properties located within the territorial jurisdiction of the United States, and (2) parties from terminating their existing U.S. contracts with the Chapter 15 Debtors.

On April 17, 2018, the foreign representative for the Chapter 15 Debtors filed a motion with the U.S. Bankruptcy Court seeking an order of that court granting, among other things, full force and effect to the RJ Plan and the Brazilian Confirmation Order in the United States. On June 14, 2018, the U.S. Bankruptcy Court granted the requested order. As a result, the claims with respect to the Defaulted Bonds that were governed by New York law have been novated and discharged under New York law and the holders of these Defaulted Bonds are entitled only to receive the recovery set forth in the RJ Plan in exchange for the claims represented by these Defaulted Bonds.

Restructuring of Our Dutch Finance Subsidiaries

The laws of The Netherlands do not provide for the recognition of the RJ Proceedings. Two of the RJ Debtors, Oi Coop and PTIF, are organized under the laws of The Netherlands. As a result, a group of holders of some of the Defaulted Bonds issued by Oi Coop and PTIF brought proceedings against these RJ Debtors in The Netherlands.

Following extensive proceedings under Dutch law, in April 2017, Dutch bankruptcy proceedings were commenced against PTIF and Oi Coop.

On April 10, 2018, PTIF deposited a draft of the PTIF Composition Plan with the Dutch District Court and Oi Coop deposited a draft of the Oi Coop Composition Plan with the Dutch District Court. The PTIF Composition Plan and the Oi Coop Composition Plan each provide for the restructuring of the claims against PTIF and Oi Coop on substantially the same terms and conditions as the RJ Plan.

On May 17, 2018, meetings of each series of bonds issued by PTIF were held at which the bondholders voted in favor of extraordinary resolutions providing for: (1) the release Oi s guarantee for each of the relevant series of Defaulted Bonds, (2) the authorization of the trustee of each outstanding series of Defaulted Bonds issued by PTIF to act as a sole creditor of such Defaulted Bonds, submit a claim on behalf of the holders of such Defaulted Bonds to the PTIF Trustee in relation to the PTIF bankruptcy and vote in favor of the PTIF Composition Plan, and (3) authorize the trustee of each outstanding series of Defaulted Bonds issued by PTIF to request the PTIF Trustee in respect of its vote on behalf of PTIF, to vote in favor of the Oi Coop Composition Plan.

On June 1, 2018, at a meeting of the creditors of PTIF in the Netherlands, the creditors of PTIF approved the PTIF Composition Plan and directed the PTIF Trustee to vote PTIF s claims in Oi Coop in favor of the Oi Coop Composition Plan. Also on June 1, 2018, at a meeting of the creditors of Oi Coop, the creditors of Oi Coop approved the Oi Coop Composition Plan.

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On June 11, 2018, the Dutch District Court confirmed the PTIF Composition Plan and the Oi Coop Composition Plan at a homologation hearing. The homologation was subject to an eight day appeal period, which expired on June 19, 2018. As of that date, no appeals had been filed. As a result, the PTIF Composition Plan and the Oi Coop Composition Plan are effective as a matter of Dutch law, the bankruptcies of PTIF and Oi Coop have terminated and the PTIF Composition Plan and the Oi Coop Composition Plan have full force and effect in each member state of the European Union.

For more information regarding the restructuring of PTIF and Oi Coop under Dutch law, see Business Legal Proceedings Legal Proceedings Relating to Our Financial Restructuring Restructuring of Our Dutch Finance Subsidiaries.

Settlement of Financial Indebtedness

Under the RJ Plan, certain groups of creditors were entitled to make elections with respect to the form of the recovery that they were entitled to receive. The period to make these elections commenced on February 5, 2018 Date and was scheduled to expire on February 26, 2018. On February 26, 2018, the RJ Court extended the election deadline applicable to beneficial holders of the Defaulted Bonds until March 8, 2018.

Settlement of Claims of BNDES

Under the RJ Plan, the claim of the Brazilian National Bank for Economic and Social Development (*Banco Nacional de Desenvolvimento Econômico e Social*), or BNDES, under our outstanding credit facilities with BNDES were novated and replaced with the right to receive payment of 100% of the principal amount of their recognized claims in *reais* in accordance with the terms of the RJ Plan.

Settlement of Claims of Lenders under Unsecured Lines of Credit and Creditors under Real Estate Securitization Transactions

Under the RJ Plan, the claims (1) of the lender under our unsecured line of credit, and (2) creditors under Real Estate Receivables Certificates (*Certificados de Recebíveis Imobiliários*), or CRIs, that had been backed by our obligations to make payments under leases of certain property by Oi and Telemar from Copart 4 and Copart 5, were novated and replaced with the right to receive payment of 100% of the principal amount of their recognized claims in *reais* in accordance with the terms of the RJ Plan.

Settlement of Claims of Holders of Debentures

Under the RJ Plan, holders of our debentures elected to receive new debentures, in the form of either the 12^{th} issuance of simple, unsecured, non-convertible debentures of Oi or the 6^{th} issuance, simple, unsecured, non-convertible debentures of Telemar, both denominated in *reais* in an aggregate principal amount equal to the principal of their recognized claims. These new debentures were issued on February 5, 2018 and subscribed on July 30, 2018.

Settlement of Claims of Lenders under Export Credit Facilities

Under the RJ Plan, lenders under our export credit facility agreements elected to receive payment of the amount of their recognized claims under the terms of four new export credit facilities which we entered into with these lenders during June and July 2018.

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Settlement of Claims of Holders of Defaulted Bonds

Under the RJ Plan, the claims of holders of the Defaulted Bonds were entitled to make an election with respect to the form of the recovery that they were entitled to receive based on whether such holder had individualized its claim before the RJ Court and the aggregate amount of Bondholder Credits (consisting of the U.S. dollar equivalent of the principal amount of such Defaulted Bonds and the accrued interest until June 20, 2016, the date of the commencement of the RJ Proceedings) represented by such holder s Defaulted Bonds. Holders that had individualized their claims were entitled to elect (1) the Qualified Recovery if the aggregate amount of their Bondholder Credits was US$750,000 or more, or (2) the Non-Qualified Recovery if the aggregate amount of their Bondholder Credits was less than US$750,000. Holders that had not individualized their claims or did not elect the Qualified Recovery or Non-Qualified Recovery are entitled to the Default Recovery under the RJ Plan.

For more information regarding the Qualified Recovery, the Non-Qualified Recovery and the Default Recovery, see Business Our Judicial Reorganization Proceedings Implementation of the Judicial Reorganization Plan.

The settlement of the Qualified Recovery and the Non-Qualified Recovery took place on July 27, 2018. In connection with the settlement of the Qualified Recovery, we issued:

- US$1,653.6 million principal amount of 10.000%/12.000% Senior PIK Toggle Notes due 2025 of Oi, which we refer to as the New Notes,
- 302,846,268 new Common ADSs (representing 1,514,231,340 newly issued Common Shares),
- 23,250,281 Common ADSs previously held by PTIF (representing 116,251,405 Common Shares), and
- 23,295,054 ADWs representing the right to subscribe for 23,295,054 newly issued Common ADSs (representing 116,475,270 Common Shares).

In connection with the settlement of the Qualified Recovery, holders of Defaulted Bonds received participation interests in the Non-Qualified Credit Agreement in an aggregate amount of US$79.6 million.

Holders of the Defaulted Bonds with recognized claims in the aggregate amount of R$4,176 million either were not eligible to elect the Qualified Recovery or the Non-Qualified Recovery, or chose not to do so. These holders are entitled to the Default Recovery described under Business Our Judicial Reorganization Proceedings Implementation of the Judicial Reorganization Plan Settlement of Class III and Class IV Claims Default Recovery with respect to their claims.

Implementation of Management Changes Required by the RJ Plan

Pursuant to the RJ Plan, as from the date of the approval of the RJ Plan on December 20, 2017 until the election of Oi s new board of directors in accordance with the RJ Plan, or the New Board, Oi had a transitional board of directors composed of nine members set forth in the RJ Plan, or the Transitional Board. Pursuant to the RJ Plan, Oi engaged a human resources consultant to assist with the selection of the New Board nominees.

Pursuant to the RJ Plan, Oi was also required to engage a human resources consultant to assist with the selection of an operating officer. This process concluded on March 21, 2018 with the election by Oi s board of directors of José Claudio Moreira Gonçalves to serve on Oi s board of executive officers as Oi s Chief Operating Officer. In addition, on that date, Oi s board of directors elected Bernardo Kos Winik to Oi s board of executive officers and the newly created position of Chief Commercial Officer.

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On September 17, 2018, the general shareholders meeting of Oi ratified the election of the members of the New Board as indicated by Oi s management. The New Board is composed of 11 members and no alternate members, all of whom are independent as defined in Oi s by-laws. Each member of the New Board will serve a two-year term. The effectiveness of the installation of the members of the New Board was conditioned on the prior approval of ANATEL, which ANATEL conditionally granted on September 13, 2018 and confirmed on September 19, 2018. On September 26, 2018, Oi announced to the market that the chairman of the New Board received a correspondence from Mr. Marcos Duarte Santos informing him that, for supervening personal and professional reasons, Mr. Santos will not take office as a member of the New Board. On October 4, 2018, Oi s board of directors nominated Mr. Roger Solé Rafols to fill the vacant position in the New Board. The effectiveness of Mr. Solé s installation is conditioned on ANATEL s approval. For more information about Mr. Solé s business experience, areas of expertise and principal outside business interests, see Management Board of Directors Director Nominee.

For more information about the implementation of these management changes, see Business Our Judicial Reorganization Proceedings Implementation of the Judicial Reorganization Plan Implementation of Management Changes Required by the RJ Plan. For more information about members of the New Board and our executive officers, see Management Board of Directors and Executive Officers.

Recent Developments

Agreement for Network Equipment and Services

On July 24, 2018, we entered into an agreement with Huawei do Brasil Telecomunicações Ltda. and certain of its affiliates, or Huawei, under which we have agreed, within 90 days from the date of the agreement, to enter into contracts to acquire equipment and services from Huawei to support the modernization of our network technologies. We expect that the projects supported by this agreement will result in the expansion of our mobile telephone coverage and our fiber optic broadband capacity. These projects are designed to modernize and consolidate our mobile network technologies, permitting our gradual use of our 2G and 3G frequencies to provide 4.5G services in all municipalities currently served by our mobile network and prepare our network for the implementation of 5G technology and Internet of Things (IoT) solutions. Under this agreement, we expect to acquire equipment and services from Huawei over the next five years.

Exercise of Warrants and ADWs

On October 26, 2018, our board of directors confirmed the issuance of 112,598,610 Common Shares and the delivery of such Common Shares to holders of its Warrants that exercised their Warrants on or prior to October 24, 2018, including Warrants represented by 22,135,429 ADWs that were exercised on or prior to October 18, 2018.

Market Arbitration Chamber Proceeding

On February 28, 2018, one of our shareholders, Bratel S.à r.l., or Bratel, filed a petition with the Market Arbitration Chamber (*Câmara de Arbitragem do Mercado*) of the B3 requesting the commencement of an arbitration against Oi. Although the Market Arbitration Chamber does not have jurisdiction to reverse the approval of the RJ Plan by the GCM or to reverse the Brazilian Confirmation Order, Bratel alleged, among other things, that notwithstanding the Judicial Ratification of the RJ Plan by the RJ Court, certain provisions of the RJ Plan, including the Capitalization of Credits Capital Increase, the cash capital increase of which this Rights Offer is a part and the changes to Oi s corporate governance structure, which we refer to collectively as the Corporate Law Provisions of the RJ Plan, were required to be submitted to and approved by an extraordinary general shareholders meeting of Oi, or an EGM, which did not take place prior to the Judicial Ratification of the RJ Plan by the RJ Court.

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On March 7, 2018, Oi filed a conflict of jurisdiction petition before the Second Section of the Superior Court of Justice, among other things, challenging the jurisdiction of the Market Arbitration Chamber to decide on matters pertaining to the RJ Plan. On March 8, 2018, the Second Section of the Superior Court of Justice issued an order, among other things, enjoining the Market Arbitration Chamber from taking further action with respect to the RJ Plan and designating the RJ Court to decide upon any urgent matters, on a temporary basis, until further deliberation by the Superior Court of Justice with respect to the conflict of jurisdiction motion.

On October 10, 2018, the Second Section of the Superior Court of Justice decided by majority vote that the Market Arbitration Chamber had jurisdiction to resolve disputes among Oi and its shareholders relating to the Brazilian Corporate Law and Oi s bylaws, without prejudice to the preservation of the jurisdiction of the RJ Court, which may or may not ratify the decisions of the Market Arbitration Chamber. The decision of the Second Section of the Superior Court of Justice is subject to appeal, and Oi intends to file a motion to clarify the scope of the matters over which the Market Arbitration Chamber has jurisdiction and the role of the RJ Court in relation to any arbitral decision. If the jurisdiction of the Market Arbitration Chamber with respect to the implementation of the RJ Plan is not otherwise invalidated by court proceedings, which are ongoing, the Market Arbitration Chamber will establish an arbitral panel, or the Arbitral Panel, and we estimate that it may take one year or more before the Arbitral Panel reaches a final decision on Bratel s claims.

On October 26, 2018, an emergency arbitrator (*árbitro de apoio*) appointed by the Market Arbitration Chamber, or the Emergency Arbitrator, issued an order suspending the authorization by our board of directors on that date of the capital increase of which this Rights Offer is a part, until the next decision to be rendered by the Emergency Arbitrator. On November 6, 2018, the Emergency Arbitrator overturned its prior decision to suspend the authorization of the capital increase of which this Rights Offer is a part, allowing us to continue to implement the capital increase and the Rights Offer.

For more information about this proceeding, including a summary of its procedural history, see Business Legal Proceedings Legal Proceedings Relating to Our Financial Restructuring Market Arbitration Chamber Proceeding. For more information about the potential risks to your investment in the New Common Shares and New Common ADSs arising from this proceeding, including the risks that the authorization of the Rights Offer by our board of directors is again suspended during the pendency of this Rights Offer and that the Arbitral Panel renders a decision invalidating or reversing any of the Corporate Law Provisions of the RJ Plan, see Risk Factors Risks Relating to Our Financial Restructuring An unfavorable decision in the ongoing arbitration proceedings before the Market Arbitration Chamber could have a material adverse effect on our business, results of operations and financial condition.

Principal Executive Offices

Our principal executive offices are located at Rua Humberto de Campos No. 425, 8th floor Leblon, 22430-190 Rio de Janeiro, RJ, and the telephone number of our Investor Relations Department at this address is (55-21) 3131-2918.

Risk Factors

Investing in the Common Shares, including in the form of Common ADSs, involves significant risk. You should carefully consider the risks set forth under the caption Risk Factors in this prospectus before investing in the Common Shares or the Common ADSs. One or more of these factors could negatively impact our business, results of operations and financial condition, as well as our ability to implement our business strategy successfully.

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SUMMARY OF THE OFFERING

General

As of October 31, 2018, we had 2,262,901,379 Common Shares (including Common Shares represented by Common ADSs) and 155,915,486 Preferred Shares (including Preferred Shares represented by Preferred ADSs) issued and outstanding, and we had outstanding warrants that are exercisable for 3,881,857 Common Shares. Based on the numbers of outstanding Common Shares and Preferred Shares as of October 31, 2018, we expect to issue 3,225,806,451 New Common Shares (including New Common Shares represented by New Common ADSs) pursuant to the Rights Offer and the Commitment Agreement and to have 5,488,707,730 Common Shares (including Common Shares represented by Common ADSs) issued and outstanding following the expiration of the Rights Offer and the closing under the Commitment Agreement.

The expected timetable below lists certain important dates relating to the Rights Offer to holders of Common ADSs and Preferred ADSs. **All times referred to in this timetable are New York City time unless stated otherwise.**

Common ADS Rights begin trading on when-issued basis	9:30 a.m. on November 19, 2018
Common ADSs go ex-rights on the NYSE	9:30 a.m. on November 20, 2018
Preferred ADSs go ex-rights on OTC	9:30 a.m. on November 20, 2018
ADS Rights Record Date	5:00 p.m. on November 21, 2018
Common ADS Rights distributed	November 26, 2018
ADS Subscription Period begins	9:00 a.m. on November 26, 2018
Common ADS Rights begin trading on regular way basis	9:30 a.m. on November 27, 2018
Trading in Common ADS Rights on NYSE ends	4:00 p.m. on December 12, 2018
ADS Subscription Period ends	5:00 p.m. on December 17, 2018
Announcement of results of ADS Rights Offer	On or about December 28, 2018
Delivery of initial New Common Shares to custodian of ADS Depositary with respect to Common ADS Rights subscribed	On or about January 4, 2019
Issuance and delivery of initial New Common ADSs	On or about January 7, 2019
Commencement of trading in initial New Common ADSs on the NYSE	On or about January 7, 2019
Delivery of Excess New Common Shares, if any, to custodian of ADS Depositary	On or about January 11, 2019
Issuance and delivery of subscribed Excess New Common ADSs	On or about January 15, 2019
Commencement of trading in Excess New Common ADSs on the NYSE	On or about January 15, 2019

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The expected timetable below lists certain important dates relating to the Rights Offer to holders of Common Shares and Preferred Shares. **All times referred to in this timetable are BrasÍlia time unless stated otherwise.**

Share Rights Record Date	6:00 p.m. on November 19, 2018
Common Share Rights distributed	On or about November 22, 2018
Trading in Common Share Rights on the B3 begins	10:00 a.m. on November 22, 2018
Share Subscription Period begins	10:00 a.m. on November 22, 2018
Trading in Common Share Rights on the B3 ends	6:00 p.m. on December 17, 2018
Share Subscription Period ends	6:00 p.m. on December 26, 2018
Oi determines number of Excess New Common Shares	On or about December 27, 2018
Oi s board of directors ratifies the issuance of initial New Common Shares	On or about December 28, 2018
Announcement of results of Share Rights Offer	On or about December 28, 2018
B3 Notification Date	On or about January 2, 2019
Excess New Common Shares Notification Date	On or about January 3, 2019
Issuance of initial New Common Shares and delivery of initial New Common Shares to holders	On or about January 4, 2019
Commencement of trading in initial New Common Shares on the B3	On or about January 4, 2019
Excess New Common Shares Subscription Price Deposit Date	6:00 p.m. on January 7, 2019
Oi s board of directors ratifies the issuance of Excess New Common Shares	On or about January 8, 2019
Issuance of Excess New Common Shares and delivery of Excess New Common Shares to holders	On or about January 11, 2019
Commencement of trading in Excess New Common Shares on the B3	On or about January 11, 2019

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ADSs Rights Offer

ADS Rights Offer	You will receive 1.333630 Common ADS Rights per Common ADS held and 0.266726 Common ADS Rights per Preferred ADS held as of the ADS Rights Record Date. Each Common ADS Right will entitle the holder thereof to subscribe for one New Common ADS at the New Common ADS Subscription Price.
ADS Rights Record Date	5:00 p.m. (New York City time) on November 21, 2018.
Fractional Common ADS Rights	Fractions of Common ADS Rights will not be issued and may not be exercised.
Fractional New Common ADSs	You may not subscribe for fractions of New Common ADSs (including fractions of Excess New Common ADSs) and fractional entitlements under the ADS Rights Offer will be reduced to the nearest whole number of New Common ADSs.
ADS Depositary and ADS Rights Agent	The Bank of New York Mellon.
ADS Subscription Period	Holders of Common ADS Rights will be entitled to exercise their Common ADS Rights during the period commencing at 9:00 a.m. (New York City time) on November 26, 2018, and ending at 5:00 p.m. (New York City time) on December 17, 2018.
New Common ADS Subscription Price	The U.S. dollar equivalent of five times the New Common Share Subscription Price of R$1.24, or R$6.20, in cash, per New Common ADS subscribed. The exchange rate applied to determine the U.S. dollar equivalent of the New Common ADS Subscription Price for initial subscriptions of New Common ADSs will be the exchange rate assigned by the ADS Rights Agent on or about December 19, 2018. The exchange rate applied to determine the U.S. dollar equivalent of the New Common ADS Subscription Price for Excess New Common ADSs will be the exchange rate assigned by the ADS Rights Agent on or about January 3, 2019. However, to validly subscribe for New

Common ADSs (including Excess New Common ADSs), you will need to deposit with the ADS Rights Agent in cash the New Common ADS Deposit Amount.

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	The ADS Rights Agent may convert currency itself or through any of its affiliates and, in those cases, acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion and the rate that the ADS Rights Agent or its affiliate receives when buying or selling foreign currency for its own account. The ADS Rights Agent makes no representation that the exchange rate used or obtained in any currency conversion it makes will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to holders of Common ADS Rights, subject to the ADS Rights Agent s obligations under its agreement with us. The methodology used to determine exchange rates used in currency conversions is available upon request to the ADS Rights Agent.
New Common ADS Deposit Amount	US$2.03 per New Common ADS subscribed or requested, which is equal to US$1.69 (the U.S. dollar equivalent of five times the New Common Share Subscription Price based on the closing rate for the sale of U.S. dollars against the *real* as reported by the Brazilian Central Bank on October 26, 2018, the date on which the board of directors of Oi authorized the Rights Offer) per New Common ADS subscribed, *plus* 20% of such amount to cover (1) currency rate fluctuations from October 26, 2018, to the date on which the ADS Rights Agent converts currency in connection with the exercise by the ADS Custodian of the Common Share Rights underlying the Common ADS Rights, (2) the ADS Issuance Fee of US$0.05 per New Common ADS, and (3) any other applicable fees, expenses or taxes.
ADS Ex-Rights Date	November 20, 2018.

If you purchase Common ADSs or Preferred ADSs on or after 9:30 a.m. (New York City time) on November 20, 2018, or if you sell or otherwise transfer before 9:30 a.m. (New York City time) on November 20, 2018, you will not be a holder of Common ADSs or Preferred ADSs on the ADS Rights Record Date on November 21, 2018, and

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therefore will not receive Common ADS Rights in respect of those Common ADSs or Preferred ADSs.

ADS Common Rights Trading Period

The Common ADS Rights will trade on the NYSE on a when-issued basis beginning at 9:30 a.m. (New York City time) on November 19, 2018, and on a regular way basis beginning at 9:30 a.m. (New York City time) on November 27, 2018. Trading in Common ADS Rights will cease at 4:00 p.m. (New York City time) on December 12, 2018. The Common ADS Rights will trade under the ticker symbol OIBR RT. The CUSIP number for the Common ADS Rights is P7353Y 106.

Excess New Common ADSs

If not all of the New Common Shares are taken up initially in the Rights Offer as a result of the subscription of the New Common Shares to which holders of Common Share Rights (including the ADS Custodian) are entitled, holders of Common ADS Rights who exercised their Common ADS Rights and manifested their intention to do so will also have the ability to acquire up to all of the Excess New Common Shares in the form of Excess New Common Shares ADSs.

If you wish to acquire Excess New Common ADSs, you must manifest your intention to subscribe for Excess New Common ADSs at the time you exercise your Common ADS Rights, pursuant to the procedures described under The Offering Exercise Procedures for Common ADS Rights. At such time, you must indicate the number of Excess New Common ADSs you wish to acquire, up to all Excess New Common ADSs, and pay in full the New Common ADS Deposit Amount for all such Excess New Common ADSs.

If the number of Excess New Common Shares for which requests for subscription are received is less than or equal to the number of Excess New Common Shares available, then each holder of Common Share Rights that manifested its intention to subscribe for Excess

New Common Shares (including the ADS Custodian, if applicable) and deposits the full New Common Share Subscription Price for such Excess New Common Shares with the B3 on or prior to the Excess New Common Shares Subscription Price

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Deposit Date will receive the number of Excess New Common Shares that such holder requested, rounded down to the nearest whole number of New Common Shares.

Excess New Common ADSs

If the number of Excess New Common Shares for which requests for subscription are received exceeds the number of Excess New Common Shares available, then each holder of Common Share Rights that manifested its intention to subscribe for Excess New Common Shares (including the ADS Custodian, if applicable) and deposits the full New Common Share Subscription Price for such Excess New Common Shares with the B3 on or prior to the Excess New Common Shares Subscription Price Deposit Date will receive a portion of such Excess New Common Shares that such holder requested, rounded down to the nearest whole number of New Common Shares, determined based on a proration factor to be calculated as provided under The Offering Subscription by Holders of Common Shares and Preferred Shares Excess New Common Shares.

The ADS Rights Agent will then deliver New Common ADSs representing those Excess New Common Shares allocated to the ADS Custodian to the accounts of ADS Rights Holders who validly requested Excess New Common ADSs, as follows.

If the number of New Common Shares underlying the Excess New Common ADSs for which requests for subscription are received is less than or equal to the number of Excess New Common Shares allocated to the ADS Custodian, then each holder of ADS Rights that validly requests Excess New Common ADSs will receive the number of Excess New Common ADSs that such holder requested, rounded down to the nearest whole number of New Common ADS.

If the number of New Common Shares underlying the Excess New Common ADSs for which requests for subscription are received exceeds the number of Excess New Common Shares allocated to the ADS Custodian, then each ADS Rights Holder that validly requests Excess New Common ADSs will receive a portion of the Excess New Common ADSs that such holder requested, rounded down to the nearest whole number of

	New Common ADS, determined based on a proration factor to be calculated as provided under The Offering Subscription by Holders of Common ADSs and Preferred ADSs Excess New Common ADSs.
Listing and Commencement of Trading in New Common ADSs	Application will be made for the New Common ADSs to be listed on the NYSE under the symbol OIBR.C, the same symbol under which the Common ADSs currently trade. Trading in the initial New Common ADSs issued pursuant to the basic subscription right is expected to commence on the date we expect the New Common ADS to be delivered, which is on or about January 7, 2019, and trading in the Excess New Common ADSs, if any, is expected to commence on the date we expect the Excess New Common ADSs to be delivered, which is on or about January 15, 2019.
Expected Date for Distribution of Initial New Common ADSs	On or about January 7, 2019.
Expected Date for Distribution of Excess New Common ADSs	On or about January 15, 2019.
Suspension of Issuance and Cancellation of ADSs	Common Shares or Preferred Shares may not be deposited or withdrawn on under the applicable deposit agreement between November 20, 2018 and November 23, 2018 (inclusive).
The Information Agent and ADS Holder Helpline	D.F. King & Co. is acting as Information Agent for the ADS Rights Offer. Should you have any questions on the subscription of New Common ADSs, please contact: D.F. King & Co., Inc. 48 Wall Street New York, NY 10005 Banks and Brokers Call: +1 (212) 269-5550

All Others Call: +1 (800) 628-8536

Email: oi@dfking.com

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Share Rights Offer

Share Rights Offer	You will receive 1.333630 Common Share Rights per Common Share or Preferred Share held as of the Share Rights Record Date. Each Common Share Right will entitle the holder thereof to subscribe for one New Common Share at the New Common Share Subscription Price.
Share Rights Record Date	6:00 p.m. (Brasília time) on November 19, 2018.
Fractional Common Share Rights	Fractions of Common Share Rights will not be issued and may not be exercised.
Fractional New Common Shares	You may not subscribe for fractions of New Common Shares (including fractions of Excess New Common Shares) and fractional entitlements under the Share Rights Offer will be reduced to the nearest whole number of New Common Shares.
Share Subscription Period	Holders of Common Share Rights will be entitled to exercise their Common Share Rights during the period commencing at 10:00 a.m. (Brasília time) on November 22, 2018 and ending at 6:00 p.m. (Brasília time) on December 26, 2018.
New Common Share Subscription Price	R$1.24 in cash per New Common Share subscribed.
Share Common Rights Trading Period	Subject to the procedures of the B3, holders of Common Share Rights whose Common Share Rights are deposited in the Depositary Central of the B3 will be entitled to sell or transfer their Common Share Rights at any time prior to the Share Rights Expiration Time. The Common Share Rights will trade on the B3 during the period from 10:00 a.m. (BrasÍlia time) on November 22, 2018, to 6:00 p.m. (BrasÍlia time) on December 17, 2018, under the symbol OIBR1.

Excess New Common Shares	If not all of the New Common Shares are taken up initially in the Rights Offer as a result of the subscription of the New Common Shares to which holders of Common Share Rights (including the ADS Custodian) are entitled, holders of Common Share Rights (including the ADS Custodian) who exercised their Common Share Rights and manifested their intention to do so will also have

the ability to acquire up to all of the Excess New Common Shares.

If you wish to acquire Excess New Common Shares, you must manifest your intention to subscribe for Excess New Common Shares at the time you exercise your Common Share Rights, pursuant to the procedures described under The Offering Exercise Procedures for Common Share Rights. At such time, you must indicate the number of Excess New Common Shares you wish to acquire, up to all Excess New Common Shares.

If the number of Excess New Common Shares for which requests for subscription are received is less than or equal to the number of Excess New Common Shares available, then each holder of Common Share Rights (including the ADS Custodian) that manifested its intention to subscribe for Excess New Common Shares and deposits the full New Common Share Subscription Price for such Excess New Common Shares with the B3 on or prior to the Excess New Common Shares Subscription Price Deposit Date will receive the number of Excess New Common Shares that such holder requested.

If the number of Excess New Common Shares for which requests for subscription are received exceeds the number of Excess New Common Shares available, then each holder of Common Share Rights (including the ADS Custodian) that manifested its intention to subscribe for Excess New Common Shares and deposits the full New Common Share Subscription Price for such Excess New Common Shares with the B3 on or prior to the Excess New Common Shares Subscription Price Deposit Date will receive a portion of such Excess New Common Shares that such holder requested, determined based on a proration factor to be calculated as provided under The Offering Subscription by Holders of Common Shares and Preferred Shares Excess New Common Shares.

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Listing and Commencement of Trading in New Common Shares	The New Common Shares will be listed on the B3 under the symbol OIBR3, the same symbol under which the Common Shares currently trade. Trading in the initial New Common Shares issued pursuant to the basic subscription right is expected to commence on or about January 4, 2019, and trading in the Excess New Common Shares, if any, is expected to commence on or about January 11, 2019.
Expected Date for Distribution of New Common Shares	On or about January 4, 2019.
Expected Date for Distribution of Excess New Common Shares	On or about January 11, 2019.
Shareholder Helpline	Should you have any questions with regard to the Share Rights Offer, please contact Oi s Investor Relations Department at +55 21 3131-2918 (Monday to Friday 9:00 a.m. to 6:00 p.m. (Brasília time)) or by email at invest@oi.net.br.

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Backstop Commitment Agreement

In connection with the RJ Plan, we entered into the Commitment Agreement with the Backstop Investors. Under the Commitment Agreement, each Backstop Investor has agreed, on the terms and subject to the conditions of the Commitment Agreement, that it will subscribe and pay for the number of New Common Shares equal to the total number of Unsubscribed Shares multiplied by such Backstop Investor s commitment percentage at the New Common Share Subscription Price per New Common Share, which we refer to as the Backstop Investor s Backstop Commitment. This obligation includes New Common Shares underlying Common Share Rights and Common ADS Rights distributed to the Backstop Investors that are not exercised in the Rights Offer. The Backstop Investors will also be entitled to exercise their Common Share Rights and Common ADS Rights and manifest their intention to acquire up to all or any Excess New Common Shares or Excess New Common ADSs. The Backstop Investors are not soliciting participation by the holders of Common Share Rights or Common ADS Rights in the Rights Offer or engaging in any other marketing or sales activity in connection with the Rights Offer.

As consideration for its Backstop Commitment, each Backstop Investor will receive a commitment fee of either:

- cash equal to R$320 million multiplied by such Backstop Investor s Commitment Percentage, which we refer to as the Cash Commitment Fee, or

- a number of Common Shares equal to (1) R$400 million divided by the Common Share Subscription Price, multiplied by (2) such Backstop Investor s Commitment Percentage, which we refer to as the Commitment Fee Shares.

The form of payment of the commitment fee will be at each Backstop Investor s option, unless the volume weighted average price per share of the Common Shares trading in the B3 during the 30 consecutive calendar days ending on the business day immediately prior to the Share Record Date is R$10.0 or more, in which case the election with respect to the form of payment of the commitment fee will be at our option. The commitment fee will be payable on the closing of the subscription for Unsubscribed Shares by the Backstop Investors or the earlier termination of the Commitment Agreement.

In addition, we have agreed to pay the certain fees and expenses of the Backstop Investors and/or their advisors.

The Backstop Investors Backstop Commitments are subject to the satisfaction or waiver of the conditions set forth in the Commitment Agreement, including those described under The Offering Backstop Commitment Agreement.

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SUMMARY CONSOLIDATED FINANCIAL DATA

The following summary consolidated financial data is being provided to help you in your analysis of the financial aspects of the Rights Offer. You should read this information in conjunction with our consolidated the financial statements included elsewhere in this prospectus and with the sections of this prospectus entitled Presentation of Financial and Other Information, Business, and Management s Discussion and Analysis of Financial Condition and Results of Operations.

The following summary financial data has been derived from our consolidated financial statements. The summary financial data as of June 30, 2018 and for the six-month periods ended June 30, 2018 and 2017 have been derived from our unaudited interim consolidated financial statements included in this prospectus. The summary financial data as of December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015 has been derived from our audited consolidated financial statements included in this prospectus. The summary financial data as of December 31, 2015, 2014 and 2013 and for the years ended December 31, 2014 and 2013 has been derived from our consolidated financial statements that are not included in this prospectus.

The RJ Proceedings prompted us to perform a detailed analysis on the completeness and the accuracy of the judicial deposits and accounting balances of the other assets of the RJ Debtors. As a result, we determined the need to restate previously issued financial statements and related disclosures to correct errors. Accordingly, we have restated our consolidated financial statements for the year ended December 31, 2015. Restatement adjustments attributable to fiscal year 2014 and previous fiscal years are reflected as a net adjustment to retained earnings as of January 1, 2015.

The errors detected and corrected in our financial statements related to our judicial deposits, our provisions for contingencies, intragroup balances, tax credits and estimates of revenue from services rendered and not yet billed to customers, as described in Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Presentation and Accounting Policies Restatement of 2015 Financial Statements and note 2 to our audited consolidated financial statements included in this prospectus.

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In connection with the presentation of financial information as of December 31, 2015, 2014 and 2013 and for the years ended December 31, 2014 and 2013, Oi has restated the financial statements related to those dates and periods to correct the errors included in these previously issued financial statements.

	For the Six-Month Period Ended June 30,			For the Year Ended December 31,					
	2018(1)	**2018**	**2017**	**2017(1)**	**2017**	**2016**	**2015(2) (restated)**	**2014 (2) (restated)**	**2013(2) (restated)**
	(in millions of US$, except per share amounts)	**(in millions of *reais*, except per share amounts and as otherwise indicated)**		**(in millions of US$, except per share amounts)**	**(in millions of *reais*, except per share amounts and as otherwise indicated)**				
ncome tatement Data:									
let operating evenue	US$ 2,908	R$ 11,214	R$ 11,998	US$ 6,170	R$ 23,790	R$ 25,996	R$ 27,354	R$ 28,247	R$ 28,422
Cost of sales nd services	(2,033)	(7,839)	(7,793)	(4,066)	(15,676)	(16,742)	(16,250)	(16,257)	(16,467)
Gross profit	875	3,374	4,206	2,104	8,114	9,254	11,104	11,990	11,955
elling xpenses	(606)	(2,338)	(2,119)	(1,141)	(4,400)	(4,383)	(4,720)	(5,566)	(5,532)
General and dministrative xpenses	(335)	(1,290)	(1,575)	(795)	(3,064)	(3,688)	(3,912)	(3,835)	(3,683)
Other operating ncome expenses), net	110	426	101	(271)	(1,044)	(1,237)	(2,295)	1,758	735
Reorganization ems, net	4,230	16,309	(275)	(615)	(2,372)	(9,006)			

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	For the Six-Month Period Ended June 30,			For the Year Ended December 31,					
	2018(1)	2018	2017	2017(1)	2017	2016	2015(2) (restated)	2014 (2) (restated)	2013(2) (restated)
	(in millions of US$, except per share amounts)	(in millions of *reais*, except per share amounts and as otherwise indicated)		(in millions of US$, except per share amounts)	(in millions of *reais*, except per share amounts and as otherwise indicated)				
Operating income (loss) before financial expenses, net, and taxes	4,274	16,481	337	(717)	(2,766)	(9,060)	178	4,347	3,475
Financial expenses, net	(116)	(448)	(1,353)	(418)	(1,612)	(4,375)	(6,724)	(4,688)	(3,429)
Income (loss) of continuing operations before taxes	4,158	16,033	(1,016)	(1,135)	(4,378)	(13,435)	(6,546)	(342)	46
Income tax and social contribution	(6)	(25)	262	91	351	(2,245)	(3,380)	(758)	(77)
Net income (loss) of continuing operations	4,152	16,008	(755)	(1,044)	(4,027)	(15,680)	(9,926)	(1,100)	(31)
Net income (loss) of discontinued operations, net of taxes							(867)	(4,086)	
Net income (loss)	US$ 4,152	R$ 16,008	R$ (755)	US$ (1,044)	R$ (4,027)	R$ (15,680)	R$ (10,793)	R$ (5,186)	R$ (31)
Net income (loss) attributable to controlling shareholders	4,150	16,001	(723)	(969)	(3,736)	(15,502)	(10,380)	(5,187)	(31)
Net income (loss) attributable to non-controlling	2	8	(32)	(75)	(291)	(178)	(413)	1	

shareholders									
Net income (loss) applicable to each class of shares (3):									
Common shares basic and diluted	3,192	12,308	(556)	(745)	(2,874)	(11,925)	(4,473)	(1,702)	(10)
Preferred shares and ADSs basic and diluted	958	3,692	(167)	(224)	(862)	(3,577)	(5,907)	(3,485)	(21)
Net income (loss) per share:									
Common shares basic and diluted	6.14	23.68	(1.07)	(1.43)	(5.53)	(22.94)	(14.22)	(8.41)	(0.19)
Common ADSs basic and diluted	30.71	118.41	(5.35)	(7.17)	(27.65)	(114.72)	(71.11)	42.06	0.97
Preferred shares and ADSs basic and diluted	6.14	23.68	(1.07)	(1.43)	(5.53)	(22.94)	(14.22)	(8.41)	(0.19)
Net income (loss) per share from continuing operations:									
Common shares basic and diluted	6.14	23.68	(1.07)	(1.43)	(5.53)	(22.94)	(14.22)	(8.41)	(0.19)
Common ADSs basic and diluted	30.71	118.41	(5.35)	(7.17)	(27.65)	(114.72)	(71.11)	42.06	0.97
Preferred shares and ADSs basic and diluted	6.14	23.68	(1.07)	(1.43)	(5.53)	(22.94)	(14.22)	(8.41)	(0.19)

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	For the Six-Month Period Ended June 30,				For the Year Ended December 31,				
	2018(1)	2018	2017	2017(1)	2017	2016	2015(2) (restated)	2014 (2) (restated)	2013(2) (restated)
	(in millions of US$, except per share amounts)	(in millions of *reais*, except per share amounts and as otherwise indicated)		(in millions of US$, except per share amounts)	(in millions of *reais*, except per share amounts and as otherwise indicated)				
Net income (loss) per share from discontinued operations:									
Common shares basic and diluted							(1.19)	6.63	
Common ADSs basic and diluted							(5.94)	33.14	
Preferred shares and ADSs basic and diluted							(1.19)	6.63	
Weighted average shares outstanding (in thousands):									
Common shares basic		519,752	519,752		519,752	519,752	314,518	202,312	51,476
Common shares diluted		519,752	519,752		519,752	519,752	314,518	202,312	51,476
Preferred shares and ADSs basic		155,915	155,915		155,915	155,915	415,321	414,200	112,527
Preferred shares and ADSs diluted		155,915	155,915		155,915	155,915	415,321	414,200	112,527

(1) Translated for convenience only using the selling rate as reported by the Brazilian Central Bank on June 30, 2018 for *reais* into U.S. dollars of R$3.8558=US$1.00.

(2) Derived from our restated consolidated statements of operations for the years ended December 31, 2015, 2014 and 2013, which have been restated to correct certain errors to our previously issued financial statements and related disclosures. For more information, see Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Presentation and Accounting Policies Restatement of 2015 Financial Statements and note 2 to our audited consolidated financial statements included in this prospectus.

(3) In accordance with ASC 260, basic and diluted earnings per share have been calculated using the two class method. See note 21(g) to our audited consolidated financial statements included in this prospectus.

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	As of June 30,			As of December 31,				
	2018(1)	2018	2017(1)	2017	2016	2015(2) (restated)	2014(2) (restated)	2013(2) (restated)
	(in millions of US$)	(in millions of *reais*)	(in millions of US$)	(in millions of *reais*)				
Balance Sheet Data:								
Cash and cash equivalents	US$ 1,322	R$ 5,096	US$ 1,780	R$ 6,863	R$ 7,563	R$ 14,898	R$ 2,449	R$ 2,425
Short-term investments	11	42	5	21	117	1,802	171	493
Trade accounts receivable, less allowance for doubtful accounts	1,841	7,097	1,911	7,367	7,891	8,010	7,092	6,750
Assets held for sale	1,318	5,082	1,212	4,675	5,404	7,686	34,255	
Total current assets	6,031	23,256	6,094	23,498	26,212	37,645	50,797	17,554
Property, plant and equipment, net	7,067	27,248	7,024	27,083	26,080	25,818	26,244	25,725
Non-current judicial deposits	2,062	7,952	2,150	8,290	8,388	8,953	9,127	8,167
Intangible assets, net	2,242	8,647	2,400	9,255	10,511	11,780	13,554	14,666
Total assets	18,161	70,024	18,410	70,987	74,047	94,545	106,999	75,244
Short-term loans and financings (including current portion of long-term debt)	77	299	14	54	55	11,810	4,464	4,159
Trade payables	1,074	4,142	1,341	5,171	4,116	5,253	4,359	4,763

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	As of June 30,				As of December 31,			
	2018(1)	**2018**	**2017(1)**	**2017**	**2016**	**2015(2) (restated)**	**2014(2) (restated)**	**2013(2) (restated)**
	(in millions of US$)	**(in millions of *reais*)**	**(in millions of US$)**		**(in millions of *reais*)**			
Liabilities of assets held for sale (3)	71	274	92	354	545	745	27,178	
Total current liabilities	2,125	8,195	2,550	9,831	9,444	26,142	42,752	15,700
Long-term loans and financings	2,266	8,739				48,048	31,386	31,695
Liabilities subject to compromise	9,462	36,482	16,894	65,139	63,746			
Total liabilities	16,367	63,107	20,922	80,671	79,396	83,528	84,253	59,233
Share capital	5,560	21,438	5,560	21,438	21,438	21,438	21,438	7,471
Shareholders equity (deficit)	1,794	6,917	(2,512)	(9,684)	(5,349)	11,017	22,746	16,011

(1) Translated for convenience only using the selling rate as reported by the Brazilian Central Bank on June 30, 2018 for *reais* into U.S. dollars of R$3.8558=US$1.00.

(2) Derived from our restated consolidated balance sheets as of December 31, 2015, 2014 and 2013, which have been restated to correct certain errors to our previously issued financial statements and related disclosures. For more information, see Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Presentation and Accounting Policies Restatement of 2015 Financial Statements and note 2 to our audited consolidated financial statements included in this prospectus.

(3) As of December 31, 2014, includes short-term loans and financings (including current portion of long-term debt) of R$1,935 million and long-term loans and financings of R$16,958 million that remained obligations of our company following the completion of our sale of PT Portugal.

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RISK FACTORS

You should consider the following risks as well as the other information set forth in this prospectus when evaluating an investment in our company. In general, investing in the securities of issuers in emerging market countries, such as Brazil, involves a higher degree of risk than investing in the securities of issuers in the United States. Additional risks and uncertainties not currently known to us, or those that we currently deem to be immaterial, may also materially and adversely affect our business, results of operations, financial condition and prospects. Any of the following risks could materially affect us. In such case, you may lose all or part of your original investment.

Risks Relating to the Rights Offer

Common ADS Rights and Common Share Rights that are not exercised prior to the Common ADS Rights Expiration Time or Share Rights Expiration Time, respectively, will expire valueless without any compensation, and if you do not exercise your Common ADS Rights or Common Share Rights, you will suffer significant dilution of your percentage ownership of Common ADSs or Common Shares, as the case may be.

Holders of Common ADS Rights will be entitled to exercise their Common ADS Rights during the period commencing at 9:00 a.m. (New York City time) on November 26, 2018 and ending at 5:00 p.m. (New York City time) on December 17, 2018. Holders of Common Share Rights will be entitled to exercise their Common Share Rights during the period commencing at 10:00 a.m. (Brasília time) on November 22, 2018 and ending at 6:00 p.m. (Brasília time) on December 26, 2018. Any Common ADS Rights or Common Share Rights that remain unexercised at the end of the applicable period will expire valueless without any compensation.

The Rights Offer will result in our issuance of an additional 3,225,806,451 Common Shares, directly or in the form of ADSs. To the extent that you do not exercise your Common ADS Rights or Common Share Rights, as applicable, your proportionate ownership and voting interest in us will, accordingly, be reduced, and the percentage that your current holdings of Common ADSs or Common Shares represent of our increased share capital after completion of the Rights Offer will be disproportionately reduced. See Dilution. Even if you elect to sell your Common ADS Rights or Common Share Rights, the consideration you receive for them may not be sufficient to fully compensate you for the dilution of your percentage ownership of the Common ADSs or Common Shares, as applicable, that may be caused as a result of the Rights Offer.

The market prices of Common ADSs and Common Shares may fluctuate and may fall below the subscription price of the New Common ADSs and New Common Shares, respectively, issued upon the exercise of Common ADS Rights and Common Share Rights, respectively.

The market prices of the Common ADSs or Common Shares could be subject to significant fluctuations. Such risks depend on the market s perception of the likelihood of completion of the Rights Offer, on sales of New Common ADSs and New Common Shares in the market during the Rights Offer or the impression that such sales will take place and/or in response to various facts and events, including any regulatory changes affecting our operations, variations in our operating results and business developments and/or those of our competitors. Stock markets have, from time to time, experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to our financial condition, operating performance or prospects. Furthermore, our financial condition, operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Common ADSs and Common Shares.

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We cannot assure you that the public trading market price of the Common ADSs and Common Shares will not decline below the exercise price after you elect to exercise your rights. If that occurs, because your subscription for New Common ADSs is irrevocable and may not be cancelled or modified, you will have committed to buy New Common ADSs at a price above the prevailing market price, and you will suffer an immediate unrealized loss on those New Common ADSs as a result. Moreover, we cannot assure you that following the exercise of rights you will be able to sell your New Common ADSs or New Common Shares at a price equal to or greater than the exercise price.

The Rights Offer may cause the price of the Common ADSs and Common Shares to decrease.

Depending upon the trading price of the Common ADSs and Common Shares at the time of our announcement of the Rights Offer and its terms, including the subscription price, together with the number of Common Shares we propose to issue and ultimately will issue if the Rights Offer is completed, the Rights Offer may result in an immediate decrease in the market value of the Common ADSs and Common Shares. This decrease may continue after the completion of the Rights Offer. If that occurs, you may have committed to buy Common ADSs and/or Common Shares in the Rights Offer at a price greater than the prevailing market price. Further, if a substantial number of Common ADS Rights and/or Common Share Rights are exercised and the holders of the New Common ADSs and/or New Common Shares received upon exercise of those rights choose to sell some or all of those New Common ADSs and/or New Common Shares, the resulting sales could depress the market price of the Common ADSs and Common Shares. Your purchase of New Common ADSs and/or New Common Shares in the Rights Offer may be at a price greater than the prevailing trading price. There is no assurance that following the exercise of your rights you will be able to sell your New Common ADSs and/or New Common Shares at prices equal to or greater than the applicable subscription prices.

No prior market exists for the Common ADS Rights or the Common Share Rights.

Although they will be transferable, the Common ADS Rights and Common Share Rights will be a new issue of securities with no established trading market. Unless exercised, the Common ADS Rights and the Common Share Rights will cease to have any value following the Common ADS Rights Expiration Time and the Share Rights Expiration Time, respectively.

Although the Common ADSs Rights will be eligible to trade on the NYSE on a when-issued basis beginning at 9:30 a.m. (New York City time) on November 19, 2018, and on a regular way basis beginning at 9:30 a.m. (New York City time) on November 27, 2018, until 4:00 p.m. (New York City time) on December 12, 2018, we can give no assurance that a market for the Common ADSs Rights will develop or, if a market does develop, as to how long it will continue or at what prices the rights will trade.

Although the Common Share Rights will be eligible to trade on the B3 from 10:00 a.m. (Brasília time) on November 22, 2018, to 6:00 p.m. (Brasília time) on December 17, 2018, we can give no assurance that a market for the Common Share Rights will develop or, if a market does develop, as to how long it will continue or at what prices the rights will trade.

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The New Common Share Subscription Price is not an indication of our market value.

Each Common ADS Right will entitle its holder to subscribe for one New Common ADS at an exercise price of the U.S. dollar equivalent of R$6.20. Each Common Share Right will entitle its holder to subscribe for one New Common Share at an exercise price of R$1.24. The exercise price has been determined based on a formula set forth in the RJ Plan and the Commitment Agreement, which resulted from independent negotiations between Oi and the Backstop Investors, and also considering the interests of our current shareholders. The New Common Share Subscription Price does not bear a direct relationship to the book value of our assets or the market value of our shares. Our Common ADSs and Common Shares may trade at prices lower than the respective subscription prices in the future.

You may not receive all of the Excess New Common ADSs and/or Excess New Common Shares you apply for in the Rights Offer.

Holders of Common ADS Rights and Commons Share Rights may manifest their intention to subscribe for Excess New Common ADSs and Excess New Common Shares, respectively, in the event that the Rights Offer is not fully subscribed pursuant to the exercise of rights initially allocated to holders of our existing Common ADSs and Preferred ADSs and existing Common Shares and Preferred Shares. If an insufficient number of Excess New Common ADSs and Excess New Common Shares are available to fully satisfy all excess applications, the available Excess New Common ADSs and Excess New Common Shares will be distributed on a *pro rata* basis as described in The Offering Subscription by Holders of Common ADSs and Preferred ADSs Excess New Common ADSs and Subscription by Holders of Common Shares and Preferred Shares Excess New Common Shares.

If you are a holder of Common ADS Rights, you will not be able to revoke the exercise of your subscription rights for New Common ADSs.

Unlike holders of Common Share Rights with respect to subscriptions for New Common Shares, holders of Common ADS Rights do not have withdrawal rights with respect to subscriptions for New Common ADSs. Therefore, even if circumstances arise after you have subscribed in the ADS Rights Offer that cause you to change your mind about subscribing for New Common ADSs, you will nonetheless be legally bound to proceed with your investment.

You need to act promptly and follow subscription instructions, otherwise your exercise of rights may be rejected and your rights may expire without value and without any compensation.

Holders who desire to exercise rights or apply for excess rights in the Rights Offer must act promptly to ensure that all required forms, letters and payments are actually received by the relevant agents prior to the Common ADS Rights Expiration Time or the Share Rights Expiration Time, as the case may be. If you fail to complete and sign the required acceptance forms or letters, send an incorrect payment amount, or otherwise fail to follow the procedures that apply to your desired transaction, your broker or other securities intermediary, the ADS Rights Agent or the B3 may reject all or part of your exercise of rights and any unexercised rights will expire without value and without any compensation. None of Oi, the Rights Agent or the B3 undertakes to contact you concerning, or attempt to correct, an incomplete or incorrect acceptance form, letter or payment. We have sole discretion to determine whether an exercise of rights and acceptance of or subscription for New Common ADSs or New Common Shares properly follows the appropriate procedures. If you hold Common ADSs, Preferred ADSs, Common Shares or Preferred Shares through a broker or other securities intermediary, you are urged to consult your broker or other securities intermediary without delay regarding the procedure you need to follow for the subscription and payment for New Common ADS and/or New Common Shares.

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Brazilian tax laws may have an adverse impact on the taxes applicable to the disposition of Common Share Rights and Common ADS Rights.

According to Law No. 10,833, enacted on December 29, 2003, if a holder not deemed to be domiciled in Brazil for Brazilian tax and regulatory purposes, or a Non-Brazilian Holder, disposes of assets located in Brazil, the transaction will be subject to taxation in Brazil, even if such disposition occurs outside Brazil or if such disposition is made to another Non-Brazilian Holder. Accordingly, on the disposition of Common Share Rights, which are considered assets located in Brazil, the Non-Brazilian Holder will be subject to income tax on the gains assessed, following the rules described under Taxation Certain Brazilian Tax Considerations Taxation of Gains, regardless of whether the transactions are conducted in Brazil or abroad and with a Brazilian resident or not. A disposition of Common ADS Rights between Non-Brazilian Holders, however, involves the disposal of a non- Brazilian asset and in principle is currently not subject to taxation in Brazil. Nevertheless, in the event that the concept of disposition of assets is interpreted to include the disposition between Non-Brazilian Holders of assets located outside Brazil, this tax law could result in the imposition of withholding taxes in the event of a disposition of Common ADS Rights made by Non-Brazilian Holders. Due to the fact that, as of the date of this prospectus, Law No. 10,833/2003 has no judicial guidance as to its application, we are unable to predict whether an interpretation applying such tax laws to dispositions of Common ADS Rights between Non-Brazilian Holders could ultimately prevail in Brazilian courts. For more information, see Taxation Certain Brazilian Tax Considerations Taxation of Gains.

Your receipt or disposition of Common ADS Rights or Common Share Rights may be treated as a taxable distribution to you.

Your receipt of Common ADS Rights or Common Share Rights pursuant to the Rights Offer should be treated as a non-taxable distribution with respect to your existing Common ADSs, Preferred ADSs, Common Shares or Preferred Shares for U.S. federal income tax purposes. However, this conclusion is not free from doubt, and it is possible that subsequent events, such as certain distributions from Oi made within 36 months of the issuance date of the Common ADS Rights and Common Share Rights, could cause U.S. holder to be subject to tax on the fair market value of the Common ADS Rights and Common Share Rights. Additionally, it is possible that the Internal Revenue Service may take a contrary view and require a U.S. holder to include in income the fair market value of Common ADS Rights and Common Share Rights on the date of their distribution. For more information, see Taxation Certain United States Federal Income Tax Considerations Taxation of Rights Receipt of Rights in the Rights Offer.

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In addition, subject to the passive foreign investment company, or PFIC, rules discussed under Taxation Certain United States Federal Income Tax Considerations Taxation of New Shares PFIC Rules, if you sell, exchange or otherwise dispose of your Common ADS Rights or Common Share Rights in a taxable disposition, you will recognize gain or loss for U.S. federal income tax purposes equal to the difference between the amount realized and your tax basis in your Common ADS Rights or Common Share Rights, if any, determined in U.S. dollars. Such gain or loss generally will be long-term capital gain or loss if the Common ADS Rights or Common Share Rights are deemed held for more than one year. Long-term capital gains realized by certain U.S. holders (including individuals) are eligible for taxation at reduced rates. Your holding period in the Common ADS Rights or Common Share Rights will include your holding period in the existing Common ADSs, Preferred ADSs, Common Shares or Preferred Shares with respect to which the Common ADS Rights or Common Share Rights, as the case may be, were distributed. Your gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. The deductibility of capital losses is subject to limitations. For more information, see Taxation Certain United States Federal Income Tax Considerations Taxation of Rights Sale, Exchange or Other Taxable Disposition of Rights.

Each holder of Common ADSs, Preferred ADSs, Common Shares and Preferred Shares is urged to consult his, her or its own tax advisor with respect to the particular tax consequences of the Rights Offer.

Holders of Common ADS Rights are subject to exchange rate risk in connection with the Rights Offer.

The New Common ADS Subscription Price is the U.S. dollar equivalent of five times the New Common Share Subscription Price of R$1.24, or R$6.20, in cash, per New Common ADS subscribed. The exchange rate applied to determine the U.S. dollar equivalent of the New Common ADS Subscription Price for initial subscriptions of New Common ADSs will be the exchange rate assigned by The Bank of New York Mellon, as ADS Rights Agent, on or about December 19, 2018. The exchange rate applied to determine the U.S. dollar equivalent of the New Common ADS Subscription Price for Excess New Common ADSs will be the exchange rate assigned by the ADS Rights Agent on or about January 3, 2019.

However, to validly subscribe for New Common ADSs (including Excess New Common ADSs), holders of Common ADS Rights will need to deposit with the ADS Rights Agent, in cash US$2.03 per New Common ADS subscribed or requested or the New Common ADS Deposit Amount, which is equal to US$1.69 (the U.S. dollar equivalent of five times the New Common Share Subscription Price based on the closing rate for the sale of U.S. dollars against the *real* as reported by the Brazilian Central Bank on October 26, 2018, the date on which the board of directors of Oi authorized the Rights Offer) per New Common ADS subscribed or requested, *plus* 20% of such amount to cover (1) currency rate fluctuations from October 26, 2018 to the date on which the ADS Rights Agent converts currency in connection with the exercise by the ADS Custodian (as defined below) of the Common Share Rights underlying the Common ADS Rights, (2) the ADS Depositary s issuance fee of US$0.05 per New Common ADS, or the ADS Issuance Fee, and (3) any other applicable fees, expenses or taxes.

Notwithstanding the foregoing, if the New Common ADS Deposit Amount is insufficient to pay the cost of the exercise price in *reais*, the issuance fee for the New Common ADSs and any other applicable fees, expenses and taxes, the ADS Rights Agent will require you to pay the deficiency and, if you do not pay the deficiency within the time or times the ADS Rights Agent allows, the ADS Rights Agent may (i) withhold delivery of your New Common ADSs until the deficiency is paid or sell a portion of your New Common ADSs to pay the deficiency or (ii) reduce the number of New Common Shares it purchases to equal the amount it can purchase with the available funds.

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If the board of directors of Oi cancels the Rights Offer, neither we nor the ADS Rights Agent will have any obligation to you except to return your subscription payments.

There can be no assurance that the Rights Offer will occur. The board of directors of Oi may cancel the Rights Offer at any time before completion of the Rights Offer, if there is any judgment, order, decree, injunction, statute, law, regulation or decision by any governmental authority entered, enacted, amended or held to be applicable to the Rights Offer or the RJ Plan that in the sole judgment of the board of directors of Oi would or might make the Rights Offer or its completion, whether in whole or in part, illegal or not in compliance with the RJ Plan or otherwise restrict or prohibit completion of the Rights Offer.

If for any reason the board of directors of Oi cancels the Rights Offer, in whole or in part, all affected Common Share Rights and Common ADS Rights will expire without value, and neither we nor the ADS Rights Agent will have any obligation to you with respect to the Common Share Rights or the Common ADS Rights, except to return the New Common Share Subscription Price deposited by holders of Common Share Rights with the B3 or the New Common ADS Deposit Amount delivered to the ADS Rights Agent with respect to the New Common ADSs to exercising holders of Common Share Rights or Common ADS Rights, respectively, without interest or penalty.

Risks Relating to Our Financial Restructuring

An unfavorable decision in the ongoing arbitration proceedings before the Market Arbitration Chamber could have a material adverse effect on our business, results of operations and financial condition.

On February 28, 2018, one of our shareholders, Bratel, filed a petition with the Market Arbitration Chamber (*Câmara de Arbitragem do Mercado*) of the B3 requesting the commencement of an arbitration against Oi. Although the Market Arbitration Chamber does not have jurisdiction to reverse the approval of the RJ Plan by the GCM or to reverse the Brazilian Confirmation Order, Bratel alleged, among other things, that notwithstanding the Judicial Ratification of the RJ Plan by the RJ Court, certain provisions of the RJ Plan, including the Capitalization of Credits Capital Increase, the cash capital increase of which this Rights Offer is a part and the changes to Oi s corporate governance structure, which we refer to collectively as the Corporate Law Provisions of the RJ Plan, were required to be submitted to and approved by an extraordinary general shareholders meeting of Oi, or an EGM, which did not take place prior to the Judicial Ratification of the RJ Plan by the RJ Court.

Bratel seeks, among other things, an arbitral decision to: (1) invalidate or reverse any and all measures taken or to be taken by Oi and its managers to implement the Corporate Law Provisions of the RJ Plan; (2) validate the resolutions passed at a purported EGM called by Bratel and held on February 7, 2018, or the Purported EGM, that approved the filing, by Oi, of a damages lawsuit against Mr. Eurico de Jesus Teles Neto (Oi s chief executive officer) and Mr. Carlos Augusto Machado Pereira de Almeida Brandão (Oi s chief financial officer); and (3) issue an order requiring Oi to remove Oi s chief executive officer and chief financial officer as executive officers of Oi and replace them with officers elected at the Purported EGM.

On March 7, 2018, Oi filed a conflict of jurisdiction petition before the Second Section of the Superior Court of Justice, among other things, challenging the jurisdiction of the Market Arbitration Chamber to decide on matters pertaining to the RJ Plan. On March 8, 2018, the Second Section of the Superior Court of Justice issued an order, among other things, enjoining the Market Arbitration Chamber from taking further action with respect to the RJ Plan and designating the RJ Court to decide upon any urgent matters, on a temporary basis, until further deliberation by the Superior Court of Justice with respect to the conflict of jurisdiction motion.

On July 27, 2018, the Capitalization of Credits Capital Increase, which had been approved by the board of directors of Oi on March 5, 2018, was concluded, and on September 17, 2018, an EGM ratified the election of the New Board and amended Oi s bylaws in accordance with the RJ Plan.

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On October 10, 2018, the Second Section of the Superior Court of Justice decided by majority vote that the Market Arbitration Chamber had jurisdiction to resolve disputes among Oi and its shareholders relating to the Brazilian Corporate Law and Oi s bylaws, without prejudice to the preservation of the jurisdiction of the RJ Court, which may or may not ratify the decisions of the Market Arbitration Chamber. The decision of the Second Section of the Superior Court of Justice is subject to appeal, and Oi intends to file a motion to clarify the scope of the matters over which the Market Arbitration Chamber has jurisdiction and the role of the RJ Court in relation to any arbitral decision. If the jurisdiction of the Market Arbitration Chamber with respect to the implementation of the RJ Plan is not otherwise invalidated by court proceedings, which are ongoing, the Market Arbitration Chamber will establish the Arbitral Panel, and we estimate that it may take one year or more before the Arbitral Panel reaches a final decision on Bratel s claims.

On October 26, 2018, the Emergency Arbitrator appointed by the Market Arbitration Chamber issued an order suspending the authorization by our board of directors on that date of the capital increase of which this Rights Offer is a part, until the next decision to be rendered by the Emergency Arbitrator. On November 6, 2018, the Emergency Arbitrator overturned its prior decision to suspend the authorization of the capital increase of which this Rights Offer is a part, allowing us to continue to implement the capital increase and the Rights Offer. We cannot assure you that the Emergency Arbitrator will not again reverse its decision. If the authorization of the Rights Offer by our board of directors is again suspended, we may be unable to issue the New Common Shares subscribed in the Rights Offer.

The actions of the Emergency Arbitrator do not relate to the merits of the claims made by Bratel, which will be heard by the Arbitral Panel. Under the rules of the Market Arbitration Chamber, the Emergency Arbitrator is not permitted to be appointed as a member of the Arbitral Panel. In addition, we believe that in accordance with the decision of the Second Section of the Superior Court of Justice with respect to the jurisdiction of the Market Arbitration Chamber, the ratification of the RJ Court would be required prior to the implementation of any decision of the Arbitral Panel. We can provide no assurances as to whether the RJ Court would ratify any decision of an Arbitral Panel, but believe that the RJ Court is unlikely to ratify any decision of the Arbitral Panel that reverses any of the steps of implementation of the RJ Plan.

Under the rules of the Market Arbitration Chamber, Bratel is permitted to amend its claims and we believe that it is possible that Bratel will seek a damages remedy in the arbitration proceeding. We cannot predict the amount of damages that may be claimed or whether any damages may be eventually awarded by the Arbitral Panel. If substantial damages were claimed and Bratel was successful in obtaining an award for such damages, such an award may have a material adverse effect on our results of operations and financial condition.

If the Arbitral Panel renders a decision invalidating or reversing any of the Corporate Law Provisions of the RJ Plan, we may be deemed to be in breach of the RJ Plan as we may be deemed not to have implemented these steps of the RJ Plan prior to the deadlines established in the RJ Plan. If the RJ Court ratified such a decision of the Arbitral Panel, the RJ Plan may automatically terminate and the rights and guarantees of the creditors appearing on the Second Creditors List may be restored under the original terms as if the RJ Plan had never been approved, net of amounts validly received pursuant to the RJ Plan as of the termination date, in accordance with Brazilian Bankruptcy Law, unless creditors agree by the appropriate quorum provided for under Brazilian Bankruptcy Law in a meeting of creditors called for that purpose to the total or partial waiver or modification of the conditions set forth in the RJ Plan. If the RJ Plan is terminated, creditors will be entitled to (1) approve a modification to the RJ Plan at a meeting of creditors complying with the quorum requirements established in the Brazilian Bankruptcy Law, or (2) seek to have the RJ Debtors adjudicated as bankrupt by the RJ Court. In the event that the RJ Plan terminates, we cannot predict (1) whether our creditors will be able to agree on a modification to the RJ Plan that will garner sufficient support to be approved by our creditors and confirmed by the RJ Court, (2) what modifications of the RJ Plan could be adopted and the impact of these modifications on our company, or (3) whether our creditors would seek to have the RJ Debtors adjudicated as bankrupt by the RJ Court, which under Brazilian law is generally followed by a liquidation of the debtors. The termination of the RJ Plan and the occurrence of any of these events subsequent to such termination is likely to have a material adverse effect on our business, financial condition, results of operations and ability to continue as a going concern.

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If the Arbitral Panel renders a decision invalidating or reversing the Capitalization of Credits Capital Increase, we cannot predict the remedies that the Arbitral Panel would order to implement any such a decision. We believe that it is unlikely, although possible, that the Arbitral Panel would seek to impose a remedy that would result in the cancelation the equity and debt instruments issued in the Capitalization of Credits Capital Increase and the reinstatement of the claims related to the Defaulted Bonds that were settled through the issuance of those equity and debt instruments. We can offer no assurance as to whether the Arbitral Panel will render a decision invalidating or reversing the Capitalization of Credits Capital Increase or the means by which the Arbitral Panel would implement any such decision. Any decision of the Arbitral Panel invalidating or reversing the Capitalization of Credits Capital Increase would have a material adverse effect on our business, results of operations and financial condition and the market value of our equity and debt securities.

If the Arbitral Panel renders a decision invalidating or reversing the cash capital increase of which this Rights Offer is a part following the settlement of the Rights Offer, we cannot predict the remedies that the Arbitral Panel would order to implement any such a decision. We believe that it is unlikely, although possible, that the Arbitral Panel would seek to impose a remedy that would result in the cancelation the New Common Shares issued in the Rights Offer and the refund of the subscription price paid for those New Common Shares. We can offer no assurance as to whether the Arbitral Panel will render a decision invalidating or reversing the cash capital increase of which this Rights Offer is a part following the settlement of the Rights Offer or the means by which the Arbitral Panel would implement any such decision. Any decision of the Arbitral Panel invalidating or reversing the cash capital increase of which this Rights Offer is a part following the settlement of the Rights Offer would have a material adverse effect on our business, results of operations and financial condition and the market value of our equity securities and may result in the loss of all or part of your investment in our company.

For more information about this proceeding, including a summary of its procedural history, see Business Legal Proceedings Legal Proceedings Relating to Our Financial Restructuring Market Arbitration Chamber Proceeding.

If we fail to comply with certain conditions subsequent set forth in the RJ Plan, the RJ Plan may terminate and we may be declared bankrupt under Brazilian law and liquidated.

On June 20, 2016, Oi, together with the other RJ Debtors, filed a joint voluntary petition for judicial reorganization pursuant to the Brazilian Bankruptcy Law with the RJ Court, pursuant to an urgent measure approved by our board of directors. On December 19 and 20, 2017, the GCM was held to consider approval of the most recently filed judicial reorganization plan. The GCM concluded on December 20, 2017 following the approval of the RJ Plan reflecting amendments to the judicial reorganization plan presented at the GCM as negotiated during the course of the GCM. On January 8, 2018, the RJ Court entered the Brazilian Confirmation Order, ratifying and confirming the RJ Plan, according to its terms, but modifying certain provisions of the RJ Plan, including (1) adding a requirement that we permit additional bondholders to become parties to the Commitment Agreement, and (2) prohibiting us from paying the fees and expenses of the Backstop Investors and/or their advisors as provided in the Commitment Agreement. The Brazilian Confirmation Order was published in the Official Gazette of the State of Rio de Janeiro on February 5, 2018, the Brazilian Confirmation Date. For more information with respect to the RJ Proceedings, see Business Our Judicial Reorganization Proceedings.

The Brazilian Confirmation Order, according to its terms, is currently binding on all parties, although it is subject to pending appeals with no suspensive effect attributed to it. By operation of the RJ Plan and the Brazilian Confirmation Order, provided that the Brazilian Confirmation Order is not overturned or altered as a result of the pending appeals, the unsecured claims against the RJ Debtors have been novated and discharged under Brazilian law and holders of such claims are entitled only to receive the recoveries set forth in the RJ Plan in exchange for their claims in accordance with the terms and conditions of the RJ Plan. As of the date of this prospectus, there are several appeals of the Brazilian Confirmation Order pending (see Business Our Judicial Reorganization Proceedings Confirmation of Judicial Reorganization Plan by RJ Court). For more information with respect to the recoveries available with respect to claims against the RJ Debtors provided for in the RJ Plan, see Business Our Judicial Reorganization Proceedings Implementation of the Judicial Reorganization Plan and Management s Discussion and Analysis of Financial Condition and Results of Operation Prepetition Liabilities Subject to Compromise.

Under the terms of the RJ Plan, in the event that the Rights Offer is not fully subscribed and the subscription for Unsubscribed Shares by the Backstop Investors does not close on or prior to February 28, 2019, the RJ Plan will automatically terminate and the rights and guarantees of the creditors appearing on the Second Creditors List will be restored under the original terms as if the RJ Plan had never been approved, net of amounts validly received pursuant to the RJ Plan as of the termination date, in accordance with Brazilian Bankruptcy Law, unless creditors agree by the appropriate quorum provided for under Brazilian Bankruptcy Law in a meeting of creditors called for that purpose to the total or partial waiver or modification of the conditions described above. If the RJ Plan is terminated, creditors will be entitled to (1) approve a modification to the RJ Plan at a meeting of creditors complying with the quorum requirements established in the Brazilian Bankruptcy Law, or (2) seek to have the RJ Debtors adjudicated as bankrupt by the RJ Court.

We cannot assure you that the Rights Offer will be fully subscribed, that the subscription for Unsubscribed Shares by the Backstop Investors will close on or prior to February 28, 2019, or that our creditors will agree to a waiver of this condition in the event that these transactions do not occur on a timely basis. As a result, the RJ Plan may automatically terminate. In the event that the RJ Plan terminates, we cannot predict (1) whether our creditors will be able to agree on a modification to the RJ Plan that will garner sufficient support to be approved by our creditors and confirmed by the RJ Court, (2) what modifications of the RJ Plan could be adopted and the impact of these modifications on our company, or (3) whether our creditors would seek to have the RJ Debtors adjudicated as bankrupt by the RJ Court, which under Brazilian law is generally followed by a liquidation of the debtors. The termination of the RJ Plan and the occurrence of any of these events subsequent to such termination is likely to have a material adverse effect on our business, financial condition, results of operations and ability to continue as a going concern.

The cash capital increase of R$4 billion provided for under Section 6 of the RJ Plan may not close on or prior to February 28, 2019, which could impair our ability to implement the capital expenditures contemplated by our business plan.

Under the terms of the RJ Plan, we are required to conclude the cash capital increase of R$4 billion provided for under Section 6 of the RJ Plan, either directly through this Rights Offer or through the exercise of our rights under the Commitment Agreement, on or prior to February 28, 2019. In the event that the Rights Offer is not fully subscribed and the subscription for Unsubscribed Shares by the Backstop Investors does not close on or prior to February 28, 2019, the RJ Plan will automatically terminate and the rights and guarantees of the creditors appearing on the Second Creditors List will be restored under the original terms as if the RJ Plan had never been approved, net of amounts validly received pursuant to the RJ Plan as of the termination date, in accordance with Brazilian Bankruptcy Law, unless creditors agree by the appropriate quorum provided for under Brazilian Bankruptcy Law in a meeting of creditors called for that purpose to the total or partial waiver or modification of the conditions described above.

As part of the RJ Plan, we negotiated the terms of the Commitment Agreement with members of the Ad Hoc Group, the IBC and certain other unaffiliated bondholders under which such bondholders agreed, on the terms and subject to the conditions of the Commitment Agreement, to subscribe for the Unsubscribed Shares. The commitments of the Backstop Investors subject to our satisfaction of certain conditions, including, among others, (1) the confirmation of the RJ Plan by the RJ Court without any material changes, and (2) the adoption by ANATEL of a new General Plan of Universal Service Goals (*Plano Geral de Metas de Universalização)* amending and/or revoking Decree No. 7,512/2011 and reducing the universal access targets applicable to switched fixed telephony concessions. In the Brazilian Confirmation Order, the RJ Court modified certain provisions of the RJ Plan, including (1) adding a requirement that we permit additional bondholders to become parties to the Commitment Agreement, and (2) prohibiting us from paying the fees and expenses of the Backstop Investors and/or their advisors as provided in the Commitment Agreement. As a result, the Backstop Investors will not be required to subscribe for the Unsubscribed Shares unless the condition requiring that the RJ Plan shall have been confirmed by the RJ Court without any material changes is waived by Backstop Investors holding more than 60% in amount of the total Backstop Commitments. Although we have engaged in negotiations with Backstop Investors holding more than 60% in amount of the total Backstop Commitments in an effort to have these Backstop Investors agree to waive this condition, as of the date of this prospectus, this condition has not been waived and we can offer no assurances that Backstop Investors holding more than 60% in amount of the total Backstop Commitments will waive this condition. Further, we cannot assure you that each of the other conditions will be met or waived by the parties to the Commitment Agreement in a timely fashion so as to permit the closing under the Commitment Agreement on or prior to February 28, 2019.

In addition, under the terms of the Commitment Agreement, the Commitment Agreement will automatically terminate on December 10, 2018 if the RJ Court does not issue an order confirming the RJ Plan approved by the EGM without any changes. As a result of the modifications of the RJ Plan set forth in the Brazilian Confirmation Order, unless prior to December 10, 2018 Backstop Investors holding more than 60% in amount of the total Backstop Commitments agree to extend this date, the Commitment Agreement will terminate in accordance with its terms and the obligation of the Backstop Investors to subscribe for the Unsubscribed Shares will expire. We have satisfied the first requirement imposed by the RJ Court through a unanimous amendment to the Commitment Agreement under which two additional Backstop Investors were included as parties to the Commitment Agreement. Following an appeal by our company and the Backstop Investors of the prohibition of the payment of the fees and expenses of the Backstop Investors and/or their advisors provided in the Commitment Agreement, on November 1, 2018, the 8th Civil Chamber of the State of Rio de Janeiro reversed this provision of the Confirmation Order and permitted us to pay these fees and expenses. Although we have engaged in negotiations with Backstop Investors holding more than 60% in amount of the total Backstop Commitments in an effort to have these Backstop Investors agree to amend the Commitment Agreement to extend this date, as of the date of this prospectus, this date has not been extended and we can offer no assurances that we and the Backstop Investors will agree to extend this date.

Under the terms of the Commitment Agreement, the Commitment Agreement may be terminated by Backstop Investors holding more than 60% in amount of the total Backstop Commitments in the event that we have not achieved certain milestones set forth in the Commitment Agreement, including (1) the issuance by the RJ Court of an order confirming the RJ Plan without any changes by October 15, 2018, and (2) the failure by the Judicial Court of the Region of Lisbon to enter an order recognizing and enforcing the RJ Plan by October 15, 2018. As discussed above, the Confirmation Order of the RJ Plan with respect to the RJ Plan made certain modifications to the RJ Plan. As a result, the Backstop Investors retain the ability to terminate the Commitment Agreement at any time. Although we obtained an order from the Lisbon Court of Appeals on October 25, 2018 recognizing the Confirmation Order in Portugal, the Backstop Investors retain the ability to terminate the Commitment Agreement as this decision occurred after October 15, 2018, the date set forth in the Commitment Agreement. Although we have engaged in negotiations with Backstop Investors holding more than 60% in amount of the total Backstop Commitments in an effort to have these Backstop Investors agree to amend the Commitment Agreement to extend the date (1) by which the RJ Court would be required to issue a ruling reversing the modifications to the RJ Plan made in the Confirmation Order and (2) by which we are required to

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obtain recognition of the Confirmation Order in Portugal until March 31, 2019, as of the date of this prospectus, these amendments have not been agreed between our company and the Backstop Investors and we can offer no assurances that we and the Backstop Investors will agree to such amendments. We cannot assure you that the Commitment Agreement will not be terminated by action of the Backstop Investors. For more information about the Commitment Agreement and the conditions precedent thereto, see The Offering Backstop Commitment Agreement.

In the event that we are unable to conclude the cash capital increase of R$4 billion provided for under Section 6 of the RJ Plan, either directly through this Rights Offer or through the exercise of our rights under the Commitment Agreement, we may be unable to fund the capital expenditures included in our business plan, which are necessary for us to modernize our infrastructure in order to successfully compete in the Brazilian telecommunications sectors. Our failure to do so is likely to have a material adverse effect on our business, financial condition, results of operations and ability to continue as a going concern.

General Risks Relating to the Telecommunications Industry

The telecommunications industry is subject to frequent changes in technology. Our ability to remain competitive depends on our ability to implement new technology, and it is difficult to predict how new technology will affect our business.

Companies in the telecommunications industry must adapt to rapid and significant technological changes that are usually difficult to anticipate. The mobile telecommunications industry in particular has experienced rapid and significant technological development and frequent improvements in capacity, quality and data-transmission speed. Technological changes may render our equipment, services and technology obsolete or inefficient, which may adversely affect our competitiveness or require us to increase our capital expenditures in order to maintain our competitive position. In addition, personal mobility service providers in Brazil are experiencing increasing competition from over-the-top, or OTT, providers, which provide content (such as WhatsApp, Skype and YouTube) over an internet connection rather than through a service provider s network. OTT providers are becoming increasingly competitive as customers shift from mobile voice and SMS communications to internet-based voice and data communications through computers and smartphone or tablet applications. It is possible that alternative technologies may be developed that are more advanced than those we currently provide. We may not obtain the expected benefits of our investments if more advanced technologies are adopted by the market. Even if we adopt new technologies in a timely manner as they are developed, the cost of such technology may exceed the benefit to us, and we cannot assure you that we will be able to maintain our level of competitiveness.

Our operations depend on our ability to maintain, upgrade and operate efficiently our accounting, billing, customer service, information technology and management information systems and to rely on the systems of other carriers under co-billing agreements.

Sophisticated information and processing systems are vital to our growth and our ability to monitor costs, render monthly invoices for services, process customer orders, provide customer service and achieve operating efficiencies. We cannot assure you that we will be able to operate successfully and upgrade our accounting, information and processing systems or that these systems will continue to perform as expected. We have entered into co-billing agreements with each long-distance telecommunications service provider that is interconnected to our networks in Brazil to include in our invoices the long-distance services rendered by these providers, and these providers have agreed to include charges owed to us in their invoices. Any failure in our accounting, information and processing systems, or any problems with the execution of invoicing and collection services by other carriers with whom we have co-billing agreements, could impair our ability to collect payments from customers and respond satisfactorily to customer needs, which could adversely affect our business, financial condition and results of operations.

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Improper use of our networks could adversely affect our costs and results of operations.

We may incur costs associated with the unauthorized and fraudulent use of our networks, including administrative and capital costs associated with detecting, monitoring and reducing the incidence of fraud. Fraud also affects interconnection costs and payments to other carriers for non-billable fraudulent roaming. Improper use of our network could also increase our selling expenses if we need to increase our provision for doubtful accounts to reflect amounts we do not believe we can collect for improperly made calls. Any increase in the improper use of our network in the future could materially adversely affect our costs and results of operations.

Our business is dependent on our ability to expand our services and to maintain the quality of the services provided.

Our business as a telecommunications services provider depends on our ability to maintain and expand our telecommunications services network. We believe that our expected growth will require, among other things:

- continuous development of our operational and administrative systems;
- increasing marketing activities;
- improving our understanding of customer wants and needs;
- continuous attention to service quality; and
- attracting, training and retaining qualified management, technical, customer relations, and sales personnel.

We believe that these requirements will place significant demand on our managerial, operational and financial resources. Failure to manage successfully our expected growth could reduce the quality of our services, with adverse effects on our business, financial condition and results of operations.

Our operations are also dependent upon our ability to maintain and protect our network. Failure in our networks, or their backup mechanisms, may result in service delays or interruptions and limit our ability to provide customers with reliable service over our networks. Some of the risks to our networks and infrastructure include (1) physical damage to access lines and long-distance optical cables; (2) power surges or outages; (3) software defects; (4) disruptions beyond our control; (5) breaches of security; and (6) natural disasters. The occurrence of any such event could cause interruptions in service or reduce capacity for customers, either of which could reduce our net operating revenue or cause us to incur additional expenses. In addition, the occurrence of any such event may subject us to penalties and other sanctions imposed by ANATEL, and may adversely affect our business and results of operations.

We face various cyber-security risks that, if not adequately addressed, could have an adverse effect on our business.

We face various cyber-security risks that could result in business losses, including but not limited to contamination (whether intentional or accidental) of our networks and systems by third parties with whom we exchange data, equipment failures, unauthorized access to and loss of confidential customer, employee and/or proprietary data by persons inside or outside of our organization, cyber attacks causing systems degradation or service unavailability, the penetration of our information technology systems and platforms by ill-intentioned third parties, and infiltration of malware (such as computer viruses) into our systems. Cyber attacks against companies have increased in frequency, scope and potential harm in recent years. Further, the perpetrators of cyber attacks are not restricted to particular groups or persons. These attacks may be committed by company employees or third parties operating in any region, including jurisdictions where law enforcement measures to address such attacks are unavailable or ineffective. We may not be able to successfully protect our operational and information technology systems and platforms against such threats. Further, as cyber attacks continue to evolve, we may incur significant costs in the attempt to modify or enhance our protective measures or investigate or remediate any vulnerability. The inability to operate our networks and systems as a result of cyber attacks, even for a limited period of time, may result in significant expenses to us and/or a loss of market share to other communications providers. The costs associated with a major cyber attack could include expensive incentives offered to existing customers and business partners to retain their business, increased expenditures on cyber-security measures and the use of alternate resources, lost revenues from business interruption and litigation. If we are unable to adequately address these cyber-security risks, or operating network and information systems could be compromised, which would have an adverse effect on our business, financial condition and results of operations.

The mobile telecommunications industry and participants in this industry, including us, may be required to adopt an extensive program of field measurements of radio frequency emissions and be subject to further regulation and/or claims based on concerns regarding potential health problems and interfere with medical devices.

Media and other entities have suggested that the electromagnetic emissions from mobile handsets and base stations may cause health problems. If consumers harbor health-related concerns, they may be discouraged from using mobile handsets. These concerns could have an adverse effect on the mobile telecommunications industry and, possibly, expose mobile services providers to litigation. We cannot assure you that further medical research and studies will refute a link between the electromagnetic emissions of mobile handsets and base stations, including on frequency ranges we use to provide mobile services, and these health concerns. Government authorities could increase regulation on electromagnetic emissions of mobile handsets and base stations, which could have an adverse effect on our business, financial condition and results of operations. The expansion of our network may be affected by these perceived risks if we experience problems in finding new sites, which in turn may delay the expansion and may affect the quality of our services.

In July 2002, ANATEL enacted regulations that limit emission and exposure for fields with frequencies between 9 kHz and 300 GHz. In May 2009, Law No. 11,934 was enacted, which established the need for field measurements by telecommunications service providers of all radio-communication transmitting stations every five years with respect to emission and exposure to these fields. In September 2018, ANATEL published Resolution No. 700/2018, a regulation pursuant to Law No. 11,934 that will make field measurements mandatory by telecommunication service providers of all radio-communication transmission stations every five years beginning in 2019. We cannot predict the scope of the technical and financial impact of these new regulations on our company.

Risks Relating to Our Company

We have identified various material weaknesses in our internal control over financial reporting which have materially adversely affected our ability to timely and accurately report our results of operations and financial condition. These material weaknesses may not have been fully remediated as of the filing date of this prospectus and we cannot assure you that other material weaknesses will not be identified in the future.

Under the supervision and with the participation of our chief executive officer and our chief financial officer, our management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2017 based on the criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, our management concluded that as of December 31, 2017, our internal control over financial reporting was not effective because material weaknesses existed. A material weakness is a control deficiency, or combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual consolidated financial statements will not be prevented or detected on a timely basis. These deficiencies resulted in material misstatements to the Company s financial statements for 2015 and previous years, which were corrected through restatement of those periods, and to the preliminary 2016 and 2017 financial statements, which were corrected prior to issuance.

The material weaknesses identified as of December 31, 2017 were: (1) we did not design, establish and maintain effective procedures to ensure adequate review, approval, and existence of sufficient supporting documentation over manual journal entries. This weakness could impact in a failure to timely detect the totality of manual journal entries, as well as their adequate approval and revision; (2) we did not design, establish or maintain effective controls over the communication of activity that impacted the judicial deposits and contingencies balances. Further, effective controls over the timely reconciliation of these accounts were not established or maintained; (3) we did not design, establish or maintain effective control over the preparation, timely review, and documented approval of the reconciliation of unbilled revenues. Specifically, we did not have effective controls over the completeness and accuracy of supporting schedules. The schedules and historical information used in this process were not reviewed in a periodic and timely manner; (4) we did not have sufficient and skilled accounting and finance personnel necessary to perform appropriate processes and controls related to the preparation of the financial statements in accordance with U.S. GAAP, which includes timely identification and review of significant non-routine transactions. As a result, a number of errors in our financial statements were detected and corrected and could not be detected on a timely basis by management in the normal course of the business; (5) we did not design, establish or maintain effective control over the completeness and accuracy of consolidation entries, which includes timely review of reconciliation of intercompany balances and its elimination in the consolidation process; and (6) we did not design, establish or maintain effective control over the process level control to capture and identify the statute of limitation of its recoverable taxes.

Although we have implemented and continue to implement measures designed to remediate these material weaknesses and, in the short term, to mitigate the potential adverse effects of these material weaknesses, our assessment of the impact of these measures has not been completed as of the filing date of this prospectus and we cannot assure you that these measures are adequate. Moreover, we cannot assure you that additional material weaknesses in our internal control over financial reporting will not arise or be identified in the future.

As a result, we must continue our remediation activities and must also continue to improve our operational, information technology, and financial systems, infrastructure, procedures, and controls, as well as continue to expand, train, retain, and manage our employee base. Any failure to do so, or any difficulties we encounter during implementation, could result in additional material weaknesses or in material misstatements in our financial statements. These misstatements could result in a future restatement of our financial statements, could cause us to fail to meet our reporting obligations, or could cause investors to lose confidence in our reported financial information, which could materially adversely affect our business, financial condition and results of operations and may generate negative market reactions, potentially leading to a decline in the price of the Common Shares and Common ADSs.

Our debt instruments contain covenants that could restrict our financing and operating flexibility and have other adverse consequences.

As of June 30, 2018 and December 31, 2017, we had loans and financings of R$32,153 million and R$49,130 million, respectively, classified as liabilities subject to compromise. Following the implementation of the RJ Plan, the outstanding amount of our loans and financings has been substantially reduced. As of June 30, 2018, we had loans and financings of R$18,419 million not classified as liabilities subject to compromise, excluding the fair value adjustment of our loans and financings. However we are subject to certain financial covenants under the instruments that govern our indebtedness that limit our ability to incur additional debt. The level of our consolidated indebtedness and the requirements and limitations imposed by these debt instruments could adversely affect our financial condition or results of operations. In particular, the terms of some of these debt instruments restrict our ability, and the ability of our subsidiaries, to:

incur additional debt;

grant liens;

pledge assets;

- sell or dispose of assets; and
- make certain acquisitions, mergers and consolidations.

If we are unable to incur additional debt, we may be unable to invest in our business and make necessary or advisable capital expenditures, which could reduce future net operating revenue and adversely affect our profitability. In addition, the cash required to service our indebtedness reduces the amount available to us to make capital expenditures. If we are unable to generate operating cash flows, we may not be able to continue servicing our debt.

Under the RJ Plan, until the fifth anniversary of the Brazilian Confirmation Date, we are required to apply an amount equivalent to 100% of the net revenue from our sale of assets in excess of US$200 million to investments in our activities. Beginning on the sixth anniversary of the Brazilian Confirmation Date, we are required to allocate to the repayment of debt instruments representing recoveries under the RJ Plan on an annual basis an amount equivalent to 70% of the amount by which (1) our cash and cash equivalents and financial investments at the end of each fiscal year exceeds (2) the greater of (a) 25% of our operating expenses and capital expenses for that fiscal year, and (b) R$5,000 million, subject to adjustment in the event that we conclude any capital increases. The cash required to make these repayments will reduce the amount available to us to make capital expenditures.

If we are unable to meet our debt service obligations or comply with our debt covenants, we could be forced to renegotiate or refinance our indebtedness or seek additional equity capital. In this circumstance, we may be unable to obtain financing on satisfactory terms, or at all.

For more information regarding the debt instruments to which we are obligated, see Management s Discussion and Analysis of Financial Condition and Results of Operation Indebtedness and Prepetition Liabilities Subject to Compromise.

We rely on strategic suppliers of equipment, materials and certain services necessary for our operations and expansion. If these suppliers fail to provide equipment, materials or services to us on a timely basis, we could experience disruptions, which could have an adverse effect on our revenues and results of operations.

We rely on a few strategic suppliers of equipment and materials, including Huawei and Nokia Solutions and Networks do Brasil Telecomunicações Ltda, to provide us with equipment and materials that we need in order to expand and to operate our business in Brazil. In addition, we rely on a third-party provider of network maintenance services in certain regions were we operate. There are a limited number of suppliers with the capability of providing the mobile network equipment and fixed-line network platforms that our operations and expansion plans require or the services that we require to maintain our networks. In addition, because the supply of mobile network equipment and fixed-line network platforms requires detailed supply planning and this equipment is technologically complex, it would be difficult for our company to replace the suppliers of this equipment. Suppliers of cables that we need to extend and maintain our networks may suffer capacity constraints or difficulties in obtaining the raw materials required to manufacture these cables. As a result, we are exposed to risks associated with these suppliers, including restrictions of production capacity for equipment and materials, availability of equipment and materials, delays in delivery of equipment, materials or services, and price increases. If these suppliers or vendors fail to provide equipment, materials or services to us on a timely basis or otherwise in compliance with the terms of our contracts with these suppliers, we could experience disruptions or declines in the quality of our services, which could have an adverse effect on our revenues and results of operations, and we might be unable to satisfy the requirements contained in our concession and authorization agreements.

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We are subject to numerous legal and administrative proceedings, which could adversely affect our business, results of operations and financial condition.

We are subject to numerous legal and administrative proceedings. It is difficult to quantify the potential impact of these legal and administrative proceedings. We classify our risk of loss from legal and administrative proceedings as probable, possible or remote. We make provisions for probable losses but do not make provisions for possible and remote losses.

As a result of the RJ Proceedings, we have applied ASC 852 in preparing our consolidated financial statements. ASC 852 requires that financial statements separately disclose and distinguish transactions and events that are directly associated with our reorganization from the transactions and events that are associated with the ongoing operations of our business. Accordingly, our prepetition obligations, including certain of our legal contingencies, that may be impacted by the RJ Proceedings based on our assessment of these obligations following the guidance of ASC 852 have been classified on our balance sheet as Liabilities subject to compromise. Prepetition liabilities subject to compromise are required to be reported at the amount allowed as a claim by the RJ Court, regardless of whether they may be settled for lesser amounts and remain subject to future adjustments based on negotiated settlements with claimants, actions of the RJ Court or other events. As of June 30, 2018 and December 31, 2017, the aggregate amount of legal contingencies recognized by the RJ Court was R$4,329 million and R$13,162 million, respectively. For more information about the impact of the RJ Proceedings on our legal proceedings, see Management s Discussion and Analysis of Financial Condition and Results of Operations Prepetition Liabilities Subject to Compromise Labor Contingencies, Civil Contingencies ANATEL, and Civil Contingencies Other Claims, Business Our Judicial Reorganization Proceedings Implementation of the Judicial Reorganization Plan, note 28 to our audited consolidated financial statements included in this prospectus and note 19 to our unaudited interim consolidated financial statements included in this prospectus.

In addition, as of June 30, 2018 and December 31, 2017, the total estimated amount in controversy for those proceedings not subject to the RJ Plan in respect of which the risk of loss was deemed probable or possible totaled approximately R$28,162 million and R$27,603 million, respectively, and we had established provisions of R$1,304 million and R$1,368 million, respectively, relating to these proceedings. Our provisions for legal contingencies are subject to monthly monetary adjustments. For a detailed description of our provisions for contingencies, see note 18 to our audited consolidated financial statements included in this prospectus and note 19 to our unaudited interim consolidated financial statements included in this prospectus.

We are not required to disclose or record provisions for proceedings in which our management judges the risk of loss to be remote. However, the amounts involved in certain of the proceedings in which we believe our risk of loss is remote could be substantial. Consequently, our losses could be significantly higher than the amounts for which we have recorded provisions.

If we are subject to unfavorable decisions in any legal or administrative proceedings and the losses in those proceedings significantly exceed the amount for which we have provisioned or involve proceedings for which we have made no provision, our results of operations and financial condition may be materially adversely affected. Even for the amounts recorded as provisions for probable losses, a judgment against us would have an effect on our cash flow if we are required to pay those amounts. Unfavorable decisions in these legal proceedings may, therefore, reduce our liquidity and adversely affect our business, financial condition and results of operations. For a more detailed description of these proceedings, see Business Legal Proceedings .

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We have indemnification obligations with respect to the PT Exchange and the PT Portugal Disposition that could materially adversely affect our financial position.

In the exchange agreement, or the PT Exchange Agreement, that we entered into with Pharol under which we transferred defaulted commercial paper of Rio Forte Investments S.A., or Rio Forte, to Pharol in exchange for the delivery to our company of Common Shares and Preferred Shares as described under Principal Shareholders PT Option Agreement, we agreed to indemnify Pharol against any loss arising from (1) Pharol s contingent or absolute tax or anti-trust obligations in relation to the assets contributed to our company in the Oi capital increase in connection with which we acquired PT Portugal from Pharol in May 2014 and (2) Pharol s management activities, with reference to acts or triggering events occurring on or prior to May 5, 2014, excluding any losses incurred by Pharol as a result of the financial investments in the Rio Forte commercial paper and the acquisition of the Rio Forte commercial paper from Oi under the PT Exchange Agreement.

In the PTP Share Purchase Agreement under which we sold PT Portugal in the PT Portugal Disposition, we agreed to indemnify Altice Portugal for breaches of our representations and warranties under the PTP Share Purchase Agreement, subject to certain customary procedural and financial limitations. There can be no assurance that we will not be subject to significant claims under these indemnification provisions and if we are subject to such claims under these indemnification provisions, we could be required to pay significant amounts, which would have an adverse effect on our financial condition.

We are subject to potential liabilities relating to our third-party service providers, which could have a material adverse effect on our business, financial condition and results of operations.

We are subject to potential liabilities relating to our third-party service providers in Brazil. Such potential liabilities may involve claims by employees of third-party service providers in Brazil directly against us as if we were the direct employer of such employees, as well as claims against us for secondary liability for, among other things, occupational hazards, wage parity or overtime pay, in the event that such third-party service providers fail to meet their obligations to their employees. We have not recorded any provisions for such claims, and significant judgments against us could have a material adverse effect on our business, financial condition and results of operations.

We are subject to delinquencies of our accounts receivables. If we are unable to limit payment delinquencies by our customers, or if delinquent payments by our customers increase, our financial condition and results of operations could be adversely affected.

Our business significantly depends on our customers ability to pay their bills and comply with their obligations to us. During the six-month period ended June 30, 2018, we recorded provisions for doubtful accounts in the amount of R$781 million, or 7.0% of our net operating revenue, primarily due to subscribers delinquencies. During 2017, we recorded provisions for doubtful accounts in the amount of R$692 million, or 2.9% of our net operating revenue, primarily due to subscribers delinquencies. As of June 30, 2018 and December 31, 2017, our provision for doubtful accounts was R$1,781 million and R$1,342 million, respectively.

ANATEL regulations prevent us from implementing certain policies that could have the effect of reducing delinquency of our customers in Brazil, such as service restrictions or limitations on the types of services provided based on a subscriber s credit record. If we are unable to successfully implement policies to limit delinquencies of our Brazilian subscribers or otherwise select our customers based on their credit records, persistent subscriber delinquencies and bad debt will continue to adversely affect our operating and financial results.

In addition, if the Brazilian economy declines due to, among other factors, a reduction in the level of economic activity, an increase in inflation or an increase in domestic interest rates, a greater portion of our customers may not be able to pay their bills on a timely basis, which would increase our provision for doubtful accounts and adversely affect our financial condition and results of operations.

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We are dependent on key personnel and the ability to hire and retain additional personnel.

We believe that our success will depend on the continued services of our senior management team and other key personnel. Our management team is comprised of highly qualified professionals, with extensive experience in the telecommunications industry. The loss of the services of any of our senior management team or other key employees could adversely affect our business, financial condition and results of operations. We also depend on the ability of our senior management and key personnel to work effectively as a team.

Our future success also depends on our ability to identify, attract, hire, train, retain and motivate highly skilled technical, managerial, sales and marketing personnel. Competition for such personnel is intense, and we cannot guarantee that we will successfully attract, assimilate or retain a sufficient number of qualified personnel. Failure to retain and attract the necessary technical, managerial, sales and marketing and administrative personnel could adversely affect our business, financial condition and results of operations.

Risks Relating to Our Brazilian Operations

Our Residential Services business faces competition from mobile services and other fixed-line service providers, which may adversely affect our revenues and margins.

Our Residential Services business, which provides local and long-distance fixed-line voice, fixed-line data, or broadband, and subscription television, or Pay-TV, services to our residential customers, as well as bundles of these services together with mobile services, faces competition from:

- mobile services, as reductions in interconnection tariffs, which have led to more robust mobile package offerings, have driven the traffic migration trend of fixed-to-mobile substitution;

- other fixed-line voice service providers, primarily (1) Claro S.A. (a subsidiary of América Móvil S.A.B. de C.V., or América Móvil, one of the leading telecommunications service providers in Latin America), or Claro, which markets its fixed-line voice services under the brand name Embratel, and (2) Telefônica Brasil S.A. (a subsidiary of Telefónica S.A.), or Telefônica Brasil, the largest telecommunications operator in Brazil);

- other broadband service providers, including (1) Claro, which markets its broadband services under the brand name Net, (2) Telefônica Brasil, and (3) smaller regional broadband services provider including Companhia Paranense de Energia Copel and Companhia Energética de Minas Gerais CEMIG; and

- other Pay-TV service providers, including our primary competitors (1) SKY Brasil Serviços Ltda., or SKY, and (2) Claro, which markets its Pay-TV services under the Claro TV and Net brands.

Based on information available from ANATEL, from December 31, 2012 to June 30, 2018, the number of fixed lines in service (including the number fixed lines provided to our Business-to-Business, or B2B, customers) in our service areas (all of Brazil other than the state of São Paulo) declined from 27.7 million to 25.1 million . As of June 30, 2018, based on information available from ANATEL, (1) we had a market share of 53.2% of the total fixed lines in service in Region I of Brazil and a market share of 48.9% of the total fixed lines in service in Region II of Brazil (in each case, including the fixed lines provided to our B2B customers); (2) Claro had a market share of 24.8% of the total fixed lines in service in Region I and a market share of 20.1% of the total fixed lines in service in Region II; and (3) Telefônica Brasil had a market share of 14.1% of the total fixed lines in service in Region I and a market share of 25.9% of the total fixed lines in service in Region II.

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As a result of competition from mobile services, we expect (1) the number of our fixed lines in service to experience a slow decline, as some of our customers eliminate their fixed-line services in favor of mobile services, and (2) the use of existing fixed lines for making voice calls to decline, as customers replace fixed-line calls in favor of calls on mobile phones as a result of the emergence of all-net plans, which allow a customer to make calls to any fixed-line or mobile device of any operator for a flat monthly fee. The rate at which the number of fixed lines in service in our service areas, a large majority of which are used by our residential customers, may decline depends on many factors beyond our control, such as economic, social, technological and other developments in Brazil. Despite the recent deceleration of fixed line disconnections, because we derive a significant portion of our net operating revenue from our Residential Services business, the reduction in the number of our fixed lines in service has negatively affected and is likely to continue to negatively affect our net operating revenue and margins.

Our broadband services in Brazil face strong competition from Claro, Telefônica Brasil and small regional players, which had market shares of 24.1%, 16.0% and an aggregate 22.2%, respectively, for broadband services in Regions I and II of Brazil as of June 30, 2018, according to data from ANATEL. As of June 30, 2018, we had a market share of 30.9% for broadband services in Regions I and II of Brazil, according to data from ANATEL. Claro provides local fixed-line services to residential customers through its cable network in the portions of Regions I and II where it provides cable television and broadband services under the Net brand. Telefônica Brasil provides local fixed-line services through its own network and the assets it acquired from Vivendi S.A. when it acquired GVT Participações S.A. in 2015. The primary drivers of competition in the broadband industry are speed and price, with discounts typically offered in the form of bundled services. Claro and Telefônica Brasil each offer broadband services at higher speeds than ours and both offer integrated voice, broadband and subscription television services, typically as bundles, to the residential services market through a single network infrastructure. Future offerings by our competitors that are aggressively priced or that offer additional services could have an adverse effect on our net operating revenue and our results of operations.

The primary providers of Pay-TV services in the regions in which we provide residential services are SKY, which provides direct-to-home, or DTH, service, and Claro, which provides DTH service under the Claro TV brand and Pay-TV services using coaxial cable under the Net brand. We offer DTH services throughout the regions in which we provide residential services. Future changes in satellite technology may result in one of our competitors utilizing new satellites for DTH services that have higher capacities or better quality of service, which could adversely affect our net operating revenue and may adversely affect our results of operations.

Our primary competitors for residential services, Claro and Telefônica Brasil, are each controlled by multinational companies that may have more significant financial and marketing resources, and greater abilities to access capital on a timely basis and on more favorable terms, than our company. In addition, we compete in our service areas with smaller companies that have been authorized by ANATEL to provide local fixed-line services. Increased competition from these small, regional companies may require us to increase our marketing expenses and our capital expenditures, which would lead to a decrease in our profitability. For a more information about our competition in the residential services market in Brazil, see Business Competition Residential Services .

Our Personal Mobility Services business faces strong competition from fixed-line service providers other mobile services providers and internet data providers, which may adversely affect our revenues and margins.

The mobile services market in Brazil is extremely competitive. Our Personal Mobility Services business, which provides post-paid and pre-paid mobile voice services and post-paid and pre-paid mobile data communications services, faces competition from large competitors such as (1) TIM Participações S.A., or TIM, (2) Claro and (3) Telefônica Brasil, which markets its mobile services under the brand name Vivo. As of June 30, 2018, based on information regarding the total number of subscribers as of that date available from ANATEL, we had a market share of 16.5% of the total number of mobile subscribers (including subscribers in our B2B Services business), ranking behind Telefônica Brasil with 32.0%, Claro with 25.1% and TIM with 24.1%. Telefônica Brasil, Claro and TIM are each controlled by multinational companies that may have more significant financial and marketing resources, and greater abilities to access capital on a timely basis and on more favorable terms, than our company.

Our ability to generate revenues from our Personal Mobility Services business depends on our ability to continue to maintain or increase the average revenue per unit, or ARPU, generated by our customer base, retain or increase the size of our customer base, improve the perception of the quality of our services and encourage the migration of our customers to our UMTS (Universal Mobile Telecommunications System), or 3G, and our LTE (Long Term Evolution), or 4G, networks through our offers of attractive data packages that take advantage of the structural shift from voice to data usage. The recent trend towards SIM card consolidation, reversing the trend of customers using multiple SIM cards to participate in on-net calling plans and the demand for more aggressive data packages in the pre-paid market may result in a decline in the size of our customer base. The increased use of instant internet messaging and Voice over Internet Protocol, or VoIP, services on smartphone applications such as WhatsApp may result in a migration from voice to data services, which could have an adverse effect on the size and profitability of our customer base. Acquiring each additional personal mobility customer entails costs, including sales commissions and marketing costs. Recovering these costs depends on our ability to retain such customers. Therefore, high rates of customer churn could have a material adverse effect on the profitability of our Personal Mobility Services business. During the six-month period ended June 30, 2018 and the year ended December 31, 2017, the average monthly churn rate of our Personal Mobility Services business was 3.9% and 4.1% per month, respectively.

We have experienced increased pressure to reduce our mobile rates in response to pricing competition. This pricing competition has taken the form unlimited voice plans or special promotional packages, which may include, among other things, traffic usage promotions. We no longer offer handset subsidies for new customers, and competing with the service plans and promotions offered by our competitors may cause an increase in our marketing expenses and customer-acquisition costs, which has adversely affected our results of operations during some periods in the past and could continue to adversely affect our results of operations. Our inability to compete effectively with these packages could result in our loss of market share and adversely affect our net operating revenue and profitability. For more information about our competition in the personal mobility services market in Brazil, see Business Competition Personal Mobility Services .

Our B2B Services business faces strong competition from other mobile, fixed-line and information technology services providers, which may adversely affect our revenues and margins.

Our B2B Services business provides a la carte and bundled fixed-line voice and data services, mobile voice and data services and information technology services to our small- and medium-sized enterprise, or SME, customers and our corporate (including government) customers, as well as interconnection, network usage and traffic transportation services to other telecommunications providers, which we refer to as our wholesale business. The competition risks relating to the fixed-line and mobile services we provide to our SME and corporate customers are similar to those relating to the fixed-line and mobile services we provide to our residential and personal mobility customers, respectively.

The Brazilian recession has had a significant negative effect on our operating revenue and margins as SMEs generally, including our customers, have reduced the size of their businesses and in some cases ceased operations, and a number of our Corporate customers have reduced their telecommunications spending as part of their overall cost-cutting efforts. Because we derive a significant portion of our net operating revenue from our B2B Services business, the loss of a significant number of SME and corporate customers would adversely affect our net operating revenue and may adversely affect our results of operations. For more information about our competition in the B2B market in Brazil, see Business Operations in Brazil Competition B2B Services .

Our long-distance services in Brazil face significant competition, which may adversely affect our revenues.

In Brazil, unlike in the United States and elsewhere, a caller chooses its preferred long-distance carrier for each long-distance call, whether originated from a fixed-line telephone or a mobile handset, by dialing such carrier s long-distance carrier selection code (*Código de Seleção de Prestadora*). The long-distance services market in Brazil has become less competitive as a result of ongoing reductions in the interconnection rates, as mandated by ANATEL. The proliferation of all-net service plans, particularly for mobile services, offers unlimited long-distance calls and data combination plans that have reduced the relevance of long-distance services for mobile services. As a result, competition for long-distance services in Brazil is limited to fixed-line voice services. We compete with Telefônica Brasil, which is the incumbent fixed-line service provider in the State of São Paulo. Competition in the Brazilian fixed-line long-distance market may require us to increase our marketing expenses and/or provide services at lower rates than those we currently expect to charge for such services. Competition in the Brazilian fixed-line long-distance market has had and could continue to have a material adverse effect on our revenues and margins.

The Brazilian telecommunications industry is highly regulated. Changes to these regulations have and may continue to adversely impact our business.

The Brazilian telecommunications industry is highly regulated by ANATEL. ANATEL regulates, among other things, rates, quality of service and universal service goals, as well as competition among telecommunications service providers. Changes in laws and regulations, grants of new concessions, authorizations or licenses or the imposition of additional universal service obligations, among other factors, may adversely affect our business, financial condition and results of operations. For more information, see Business Regulation of the Brazilian Telecommunications Industry .

For example, in November 2012, ANATEL approved the General Plan on Competition Targets (*Plano Geral de Metas de Competição*), which includes criteria for the evaluation of telecommunications providers to determine which providers have significant market power, regulations applicable to the wholesale markets for trunk lines, backhaul, access to internet backbone and interconnection services, and regulations related to partial unbundling and/or full unbundling of the local fixed-line networks of public regime service providers. The General Plan on Competition Targets was updated in July 2018. For more information, see Business Regulation of the Brazilian Telecommunications Industry Other Regulatory Matters General Plan on Competition Targets . We have been classified by ANATEL as a company with significant market power in certain markets, as a result of which we are subject to increased regulation in areas such as fixed-line and mobile infrastructure sharing and mobile interconnection rates. In 2014 ANATEL approved rules under which interconnection rates we are able to charge for the use of our mobile networks would be reduced between 2016 and 2019. As a result, the mobile interconnection rates for Regions I, II and III declined by 47.1%, 47.7% and 39.2%, respectively, in each of February 2017 and 2018, and they will decline by the same percentages in February 2019. ANATEL has also set the interconnections rates we are able to charge for the use of our fixed-line networks, which have declined between 20.9% and 57.3% in each of February 2017 and 2018 and will continue to decline by the same percentages in February 2019. For more information, see Business Rates Network Usage (Interconnection) Rates . These regulations have had and will continue to have adverse effects on our revenues, although as a result of reductions in our costs and expenses for these services that we acquire from other telecommunications providers, we cannot predict with certainty the effects that these regulations will have on our results of operations.

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In December 2016, legislation was introduced in the Brazilian Congress, which we refer to as PLC 79, to substantially amend certain features of the current regulatory framework of the Brazilian telecommunications industry. For more information about PLC 79, see Business Regulation of the Brazilian Telecommunications Industry Concessions and Authorizations Other Regulatory Matters New Regulatory Framework . PLC 79 has faced political gridlock in the Brazilian Congress and has not yet been passed, and we cannot predict whether this legislation will ultimately be adopted by the Brazilian Congress and executed by the President or will be adopted as proposed. Furthermore, should this legislation be adopted, many of its provisions would only have effects on our business following a rule-making procedure by ANATEL to implement the modifications to the regulatory scheme. We cannot predict the form of these new regulations or the time required for ANATEL to propose or adopt these regulations. Therefore, we are unable to predict with any certainty the effects of this legislation on our company, if adopted.

We cannot predict whether ANATEL, the Brazilian Ministry of Science Technology, Innovation and Communication (*Ministério da Ciência, Tecnologia, Inovação e Comunicação*), or the Brazilian Ministry of Communication, or the Brazilian government will adopt these or other telecommunications sector policies in the future or the consequences of such policies on our business or the business of our competitors. In the event that any modification of the regulatory scheme or new regulations applicable to our company are adopted that increase the costs of compliance to our company, whether through capital expenditure requirements, increased service requirements, increased costs for renewal of our authorizations and licenses, increased exposure to regulatory penalties or otherwise, these modifications and regulations could have a material adverse effect on our business, financial condition and results of operations.

Our local fixed-line and domestic long-distance concession agreements in Brazil are subject to periodic modifications by ANATEL and we cannot assure you that the modifications to these concession agreements will not have adverse effects on our company.

We provide fixed-line telecommunications services in our Brazilian service areas pursuant to concession agreements with the Brazilian government. These concession agreements expire on December 31, 2025, and may be amended by the parties every five years prior to the expiration date. In connection with each five-year amendment, ANATEL has the right, following public consultations, to impose new terms and conditions in response to changes in technology, competition in the marketplace and domestic and international economic conditions.

Our obligations under our concession agreements may be subject to revision in connection with each future amendment. Our concession agreements were last amended in 2011. In 2014, ANATEL held a public comment period for the 2015 revision of the terms of our concession agreements and met regularly with us throughout 2015 to discuss possible amendments, and in 2016 the Brazilian Ministry of Communication issued an ordinance addressing guidelines for the establishment of a new regulatory framework for telecommunications, in line with the provisions of PLC 79. Despite these efforts, our concession agreements have not yet been amended, as a result of the Brazilian Congress s failure to date to pass PLC 79, passage of which is required to provide the necessary legal authority for ANATEL to implement the proposed changes to our concession agreements. Further discussions regarding amendments to our concession agreements have halted pending resolution of PLC 79. Under their existing terms, our concession agreements may be amended by December 2020 at the latest. If PLC 79 is not passed, our concession agreements will expire in 2025 without the possibility of renewal. For more information about our concession agreements, see Business Concessions, Authorizations and Licenses Fixed-Line and Domestic Long-Distance Services Concession Agreements .

In connection with the consideration of revisions to the concession agreements under the public regime, in January 2017, ANATEL proposed revisions to the terms of the General Plan of Grants (*Plano Geral de Outorgas*), in line with the provisions of PLC 79. However, as a result of the legislative gridlock faced by PLC 79, ANATEL has halted implementation of the General Plan of Grants. For more information about PLC 79 and ANATEL s proposed revisions to the terms of the General Plan of Grants, see Business Regulation of the Brazilian Telecommunications Industry Other Regulatory Matters New Regulatory Framework .

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We cannot assure you that any future amendments to our concession agreements or the General Plan of Grants will not impose requirements on our company that will require us to undertake significant capital expenditures or will not modify the rate-setting procedures applicable to us in a manner that will significantly reduce the net operating revenue that we generate from our Brazilian fixed-line businesses. If the amendments to our Brazilian concession agreements have these effects, our business, financial condition and results of operations could be materially adversely affected.

Our local fixed-line and domestic long-distance concession agreements expire on December 31, 2025 and we cannot assure you that our bids for new concessions upon the expiration of our existing concessions will be successful or that the pending expiration of these concessions will not have adverse effects on our ability to finance our operations.

Our concession agreements will expire on December 31, 2025. We expect the Brazilian government to offer new concessions in competitive auctions prior to the expiration of our existing concession agreements. We may participate in such auctions, but our existing fixed-line and domestic long-distance concession agreements will not entitle us to preferential treatment in these auctions. If we do not secure concessions for our existing service areas in any future auctions, or if such concessions are on less favorable terms than our current concessions, our business, financial condition and results of operations would be materially adversely affected. In addition, based on the current scheduled expiration of our concession agreements and the uncertainty that the terms of these concessions will be extended, investors may be unwilling to make investments in our company on terms that are attractive to our company, or at all. Our inability to raise capital in the equity or debt markets on favorable terms, or at all, could have a materially adverse effect on our business, financial condition and results of operations.

Our local fixed-line and domestic long-distance concession agreements in Brazil, as well as our authorizations to provide personal mobile services in Brazil, contain certain obligations, and our failure to comply with these obligations may result in various fines and penalties being imposed on us by ANATEL.

Our local fixed-line and domestic long-distance concession agreements in Brazil contain terms reflecting the General Plan of Universal Service Goals, the General Plan of Quality Goals (*Plano Geral de Metas de Qualidade*) and other regulations adopted by ANATEL, the terms of which could affect our financial condition and results of operations. Our local fixed-line concession agreements in Brazil also require us to meet certain network expansion, quality of service and modernization obligations in each of the Brazilian states in our service areas. In the event of noncompliance with ANATEL targets in any one of these states, ANATEL can establish a deadline for achieving the targeted level of such service, impose penalties and, in extreme situations, terminate the applicable concession agreement for noncompliance with our quality and universal service obligations. See Business Regulation of the Brazilian Telecommunications Industry Regulation of Fixed-Line Services .

In addition, our authorizations to provide personal mobile services contain certain obligations requiring us to meet network scope and quality of service targets. If we fail to meet these obligations, we may be fined by ANATEL until we are in full compliance with our obligations and, in extreme circumstances, our authorizations could be revoked by ANATEL. See Business Regulation of the Brazilian Telecommunications Industry Regulation of Mobile Services Obligations of Personal Mobile Services Providers .

On an almost weekly basis, we receive inquiries from ANATEL requiring information from us on our compliance with the various service obligations imposed on us by our concession agreements. If we are unable to respond satisfactorily to those inquiries or comply with our service obligations under our concession agreements, ANATEL may commence administrative proceedings in connection with such noncompliance. We have received numerous notices of commencement of administrative proceedings from ANATEL, mostly due to our inability to achieve certain targets established in the General Plan on Quality Goals and the General Plan of Universal Service Goals.

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At the time that ANATEL notifies us it believes that we have failed to comply with our obligations, we evaluate the claim and, based on our assessment of the probability of loss relating to that claim, may establish a provision. We vigorously contest a substantial number of the assessments made against us. As a result of the commencement of the RJ Proceedings, our contingencies related to claims of ANATEL were reclassified liabilities subject to compromise and were measure as required by ASC 852. As of June 30, 2018 and December 31, 2017, our prepetition liabilities subject to compromise included R$928 million and R$9,334 million, respectively, related with claims of ANATEL. For more information relating to the reclassification of contingencies related to claims of ANATEL as of June 30, 2018, see Management s Discussion and Analysis of Financial Condition and Results of Operations Principal Factors Affecting Our Financial Condition and Results of Operations Effects of the RJ Proceedings and Our Financial Restructuring.

By operation of the RJ Plan and the Brazilian Confirmation Order (provided that the Brazilian Confirmation Order is not overturned or altered as a result of the pending appeals filed against it), the claim for these contingent obligations has been novated and discharged under Brazilian law and ANATEL is entitled only to receive the recovery set forth in the RJ Plan in exchange for these contingent claims in accordance with the terms and conditions of the RJ Plan. For more information regarding the recoveries to which ANATEL is entitled under the RJ Plan, see Business Our Judicial Reorganization Proceedings Implementation of the Judicial Reorganization Plan Settlement of Class III Claims ANATEL.

We may be unable to implement our plans to expand and enhance our existing networks in Brazil in a timely manner or without unanticipated costs, which could hinder or prevent the successful implementation of our business plan and result in revenues and net income being less than expected.

Our ability to achieve our strategic objectives depends in large part on the successful, timely and cost-effective implementation of our plans to expand and enhance our networks in Brazil. Factors that could affect this implementation include:

- our ability to generate cash flow or to obtain future financing necessary to implement our projects;
- delays in the delivery of telecommunications equipment by our vendors;
- the failure of the telecommunications equipment supplied by our vendors to comply with the expected capabilities;
- the failure to obtain licenses necessary for our projects; and
- delays resulting from the failure of third-party suppliers or contractors to meet their obligations in a timely and cost-effective manner.

Although we believe that our cost estimates and implementation schedule are reasonable, we cannot assure you that the actual costs or time required to complete the implementation of these projects will not substantially exceed our current estimates. Any significant cost overrun or delay could hinder or prevent the successful implementation of our business plan and result in revenues and net income being less than expected.

Certain key inputs are subject to risks related to importation, and we acquire other key inputs from a limited number of domestic suppliers, which may further limit our ability to acquire such inputs in a timely and cost effective manner.

The high growth in data markets in general and broadband in particular may result in a limited supply of equipment essential for the provision of such services, such as data transmission equipment and modems. The restrictions on the number of manufacturers imposed by the Brazilian government for certain inputs, mainly data transmission equipment and modems, and the geographical locations of non-Brazilian manufacturers of these inputs, pose certain risks, including:

- vulnerability to currency fluctuations in cases where inputs are imported and paid for with U.S. dollars, Euros or other non-Brazilian currency;

difficulties in managing inventory due to an inability to accurately forecast the domestic availability of certain inputs; and

the imposition of customs or other duties on key inputs that are imported.

If any of these risks materialize, they may result in our inability to provide services to our customers in a timely manner or may affect the prices of our services, which may have an adverse effect on our business, financial condition and results of operations.

We make investments based on demand forecasts that may become inaccurate due to economic volatility and may result in revenues that lower than expected.

We make certain investments, such as the procurement of materials and the development of physical sites, based on our forecasts of the amount of demand that customers will have for our services at a later date (generally several months later). However, any major changes in the Brazilian economic scenario may affect this demand and therefore our forecasts may turn out to be inaccurate. For example, economic crises may restrict credit to the population, and uncertainties relating to employment may result in a delay in the decision to acquire new products or services. As a result, it is possible that we may make larger investments based on demand forecasts than were necessary given actual demand at the relevant time, which may directly affect our cash flow.

Furthermore, improvements in economic conditions may have the opposite effect. For example, an increase in demand not accompanied by our investment in improved infrastructure may result in a possible loss of opportunity to increase our revenue or result in the degradation of the quality of our services.

We may be unable to respond to the recent trend towards consolidation in the Brazilian telecommunications market.

The Brazilian telecommunications market has been subject to consolidation. Mergers and acquisitions may change market dynamics, create competitive pressures, force small competitors to find partners and impact our financial condition; and may require us to adjust our operations, marketing strategies (including promotions), and product portfolio. For example, in March 2015, Telefónica S.A. acquired from Vivendi S.A., all of the shares of GVT Participações S.A., the controlling shareholder of Global Village Telecom S.A. This acquisition increased Telefónica s share of the Brazilian telecommunications market, and we believe such trend is likely to continue in the industry as players continue to consolidate. Additional joint ventures, mergers and acquisitions among telecommunications service providers are possible in the future. If such consolidation occurs, it may result in increased competition within our market. We may be unable to adequately respond to pricing pressures resulting from consolidation in our market, adversely affecting our business, financial condition and results of operations. We may also consider engaging in merger or acquisition activity in response to changes in the competitive environment, which could divert resources away from other aspects of our business.

Companies in the Brazilian telecommunication industry, including us, may be harmed by restrictions regarding the installation of new antennas for mobile services.

Currently, there are approximately 250 municipal laws in Brazil that limit the installation of new antennas for mobile service, which has been a barrier to the expansion of mobile networks. Those laws are meant to regulate issues related to zoning and the alleged effects of the radiation and radiofrequencies of the antennas. The federal law, that establishes new guidelines to create a consolidated plan for the installation of antennas was approved in 2015, however, it is still pending specific regulation. Despite the federal initiative, as long as the municipal laws remain unchanged, the risk of noncompliance with regulations and of having services of limited quality in certain areas continues to exist, which could materially and adversely affect our business, results of operations and financial condition.

Additional antenna installation is also limited as a result of concerns that radio frequency emissions from base stations may cause health problems. See General Risks Relating to the Telecommunications Industry The mobile telecommunications industry and participants in this industry, including us, may be required to adopt an extensive program of field measurements of radio frequency emissions and be subject to further regulation and/or claims based on concerns regarding potential health problems and interfere with medical devices .

Our commitment to meet the obligations of our Brazilian employees pension plans, managed by Fundação Sistel de Seguridade Social and Fundação Atlântico de Seguridade Social may be higher than what is currently anticipated, and therefore, we may be required to make additional contributions of resources to these pension plans or to record liabilities or expenses that are higher than currently recorded.

As sponsors of certain private employee pension plans in Brazil, which are managed by Fundação Sistel de Seguridade Social, or Sistel, and Fundação Atlântico de Seguridade Social, or FATL, our subsidiaries cover the actuarial deficits of these pension benefit plans, which provide guaranteed benefits to our retirees in Brazil and guaranteed future benefits to our current Brazilian employees at the time of their retirement. As of December 31, 2017, our Brazilian pension benefit plans had an aggregate deficit of R$632 million. Our commitment to meet these deficit obligations may be higher than we currently anticipate, and we may be required to make additional contributions or record liabilities or expenses that are higher than we currently record, which may adversely affect our financial results. If the life expectancy of the beneficiaries should exceed the life expectancies included in the actuarial models, the level of our contributions to these plans could increase. If the managers of these plans should suffer losses on the investments of the assets of these plans, we would be required to make additional contributions to these plans in order for these plans to be able to provide the agreed benefits. Any increase in the level of our contributions to these plans as a result of an increase in life expectancy or a decline in investment returns could have a material adverse effect on our financial condition or results of operations. For a more detailed description of our Brazilian pension plans, see Business Employees Employee Benefits Pension Benefit Plans.

As a result of the RJ Proceedings, certain of our unfunded obligations under our post-retirement plans have been classified on our balance sheet as Liabilities subject to compromise. As of December 31, 2017, the aggregate amount of our unfunded obligations under our post-retirement defined benefit plans recognized by the RJ Court was R$560 million, all of which related to claims of FATL. As of June 30, 2018, these claims had been novated. As of June 30, 2018, we had reclassified R$560 million on our balance sheet as liability for pension benefits, net of provision for unfunded status on our balance sheet. For more information, see Management s Discussion and Analysis of Financial Condition and Results of Operations Prepetition Liabilities Subject to Compromise, Business Employees Employee Benefits Pension Benefit Plans Fundação Atlântico de Seguridade Social BrTPREV Plan note 28 to each of our audited consolidated financial statements included in this prospectus and our unaudited interim consolidated financial statements included in this prospectus.

Risks Relating to Our African and Asian Operations

Any impairment of the fair market value at which we record our indirect investment in Unitel in our financial statements would have a material adverse effect on our financial condition and results of operations.

As of June 30, 2018 and December 31, 2017, we recorded in our consolidated financial statements as assets held for sale of R$5,082 million and R$4,675 million, respectively, mainly relating to our interest in Unitel, including R$2,345 million and R$2,012 million, respectively, of accrued dividends owed to our company by Unitel and R$2,032 million and R$1,920 million, respectively, representing the fair market value of Africatel s 25% interest in Unitel, and recorded as liabilities directly associated with assets held for sale of R$274 million and R$354 million, respectively, mainly relating to our interest in Unitel.

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The book value of our indirect investment in Unitel is subjected to testing for impairment when events or changes in circumstances indicate that the value of our indirect investment in Unitel may be lower than the fair market value at which we carry this investment. We recorded losses of R$190 million and R$267 million for the six-month period ended June 30, 2018 and the year ended December 31, 2017, respectively, as a result of our review of the fair value of our investment in Unitel. Any further impairment of our indirect investment in Unitel may result in a material adverse effect on our financial condition and results of operations.

We cannot assure you as to when PT Ventures will realize the accounts receivable recorded with respect to the declared and unpaid dividends owed to PT Ventures by Unitel or when PT Ventures will receive dividends that have been declared or that may be declared by Unitel in the future.

Since November 2012, PT Ventures has not received any payments for outstanding amounts owed to it by Unitel with respect to dividends declared by Unitel for the fiscal years ended December 31, 2014, 2013, 2012 and 2011, and the extraordinary dividends declared by Unitel in November 2010 based on its 2005 results of operations and free reserves held in 2006 through 2009. Based on the dividends declared by Unitel for those fiscal years, PT Ventures has an estimated recoverable amount of US$608.3 million (R$2,355.5 million) as of December 31, 2017. The gross amount of unpaid dividends by Unitel to PT Ventures refers to US$122.5 million (R$472.3 million) with respect to fiscal year 2014, US$190.0 million (R$732.6 million) with respect to fiscal year 2013, US$190.0 million (R$732.6 million) with respect to fiscal year 2012, US$190.0 million (R$732.6 million) with respect to fiscal year 2011, and US$93.9 million (R$362.1 million) with respect to the dividends declared in 2010. As of the date of this prospectus, PT Ventures has not received any such amounts.

In addition, at a general meeting of the shareholders of Unitel held on May 13, 2015, the other shareholders discussed the financial statements as well as the payment of dividends with respect to fiscal year 2014. The other Unitel shareholders did not permit PT Ventures to attend and participate in this shareholders meeting alleging that they did not acknowledge PT Ventures as a Unitel shareholder. PT Ventures has received a copy of the minutes of this meeting, which indicate that Unitel declared dividends in the amount of US$490.0 million (R$1,889.3 million), of which PT Ventures share amounts to US$122.5 million (R$472.3 million).

On June 12, 2015, PT Ventures filed a suit in the Provincial Courts of Luanda requesting the court to require Unitel to produce the final minutes of the May 13, 2015 general shareholders meeting and to annul all resolutions purportedly made at this meeting. Unitel filed its defense and a motion to dismiss this action on November 23, 2015, and PT Ventures filed its answer to Unitel s motion on December 7, 2015. A preparatory hearing took place before the Civil and Administrative Division of the Luanda Provincial Court on May 30, 2016, in order to allow the parties to try and reach an immediate agreement. However, both parties reiterated their respective positions during the hearing and no settlement agreement was reached. On April 5, 2017, the court rendered its decision and voided all the resolutions taken during the May 13, 2015 Unitel General Meeting. At a general meeting of the shareholders of Unitel held on August 16, 2017, the other shareholders reapproved all the resolutions that had been declared null and void by the Angolan court, with the dissenting vote of PT Ventures.

At a general meeting of the shareholders of Unitel held on July 26, 2017, the other shareholders of Unitel approved the allocation of the 2015 profits to free reserve and retained earnings accounts, with the dissenting vote of PT Ventures.

On August 16, 2017, a general meeting of shareholders of Unitel was convened to resolve upon the allocation of the 2016 profits, among other issues. The management proposed not to pay any dividends to shareholders again. However, PT Ventures representative at the meeting claimed that, since the management proposal had not been disclosed to the shareholders in advance, the shareholders had not had the opportunity to properly assess the proposal and therefore any resolution about the subject would end up being null and void.

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On May 29, 2018, a general meeting of shareholders was convened and the discussions of some of the pending items in the agenda of the general meeting of August 16, 2017 resumed, including the allocation of the 2016 profits, as well as to resolve upon the financial statements for the fiscal year ended December 31, 2017 and the allocation of the 2017 profits, among other issues. Unitel s management once again proposed not to pay any dividends to shareholders. The other shareholders of Unitel approved the allocation of the 2016 profits to free reserve and retained earnings accounts, with the dissenting vote of PT Ventures.

On June 27, 2018, a general meeting of shareholders of Unitel was convened to resolve upon the allocation of the 2017 profits, among other issues. The management proposed not to pay any dividends to shareholders again. The Unitel shareholders agreed that 50% of the profit, i.e., 43,311,227,624 Angolan Kwanza, should be distributed to the shareholders.

On several occasions, PT Ventures has requested an explanation from Unitel about its failure to pay to PT Ventures its share of the declared dividends. As of the date of this prospectus, PT Ventures has not received a satisfactory explanation regarding this failure to pay, nor has PT Ventures received reliable indications as to the expected timing of the payment of the accrued dividends. As a result, on October 20, 2015, PT Ventures filed a suit in the Provincial Courts of Luanda seeking payment of outstanding dividends for the fiscal years 2010 through 2013, together with interest thereon. As a result of our institution of this suit, in 2017 and 2016 we recognized provisions with respect to the unpaid dividends of US$45 million (R$174 million) and US$14 million (R$54 million), respectively.

We cannot assure you that PT Ventures will be successful in these suits, as to the timing of the payment of the accrued dividends to our company, or whether we will be able to receive dividends that have been declared or that may be declared by Unitel in the future. Our inability to receive these dividends could have a material adverse impact on the fair value of our investment in Unitel, our financial position and our results of operations.

The other shareholders of Unitel have claimed that they believe that Pharol s sale of a minority interest in Africatel to our company did not comply with the Unitel shareholders agreement.

The Unitel shareholders agreement provides a right of first refusal to the other shareholders of Unitel if any shareholder desires to transfer any or all of its shares of Unitel, other than transfers to certain affiliated companies. This agreement also provides that if any shareholder breaches a material obligation under the Unitel shareholders agreement, the other shareholders will have a right to purchase the breaching shareholder s stake in Unitel at its net asset value.

On March 14, 2016, the other shareholders of Unitel initiated an arbitration proceeding against PT Ventures, claiming that Pharol s sale of a minority interest in Africatel to our company did not comply with the Unitel shareholders agreement. The other shareholders of Unitel had previously made the same claim as a counterclaim in the arbitration initiated by PT Ventures on October 13, 2015, but then withdrew that counterclaim. The arbitral tribunal was constituted on April 14, 2016. On May 19, 2016, the arbitration proceeding against PT Ventures initiated by the other shareholders of Unitel was consolidated with the arbitration initiated by PT Ventures on October 13, 2015. PT Ventures presented its statement of claim on October 14, 2016 and the other shareholders of Unitel presented their statement of defense and counterclaim on February 28, 2017. A hearing in the arbitration was held from February 7 to 16, 2018, where each party presented its arguments and the factual witnesses and experts from each side were heard. We cannot predict the outcome of this proceeding. An adverse outcome in this proceeding could have a material adverse impact on our financial condition and results of operations.

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PT Ventures disputes the other shareholders interpretation of the relevant provisions of the Unitel shareholders agreement, and we believe that the relevant provisions of the Unitel shareholders agreement apply only to a transfer of Unitel shares by PT Ventures itself. We have been defending against the allegation by Unitel s other shareholders vigorously. If a binding decision by the arbitral tribunal were rendered ruling in favor of the interpretation of the Unitel shareholders agreement proposed by the other Unitel shareholders, PT Ventures could be required to sell its interest in Unitel for a value significantly lower than the amount that we record in our financial statements with respect to our indirect investment in Unitel. The sale of PT Ventures interest in Unitel in these circumstances could have a material adverse impact on our financial condition and results of operations.

For more information about this proceeding, see Business Legal Proceedings Legal Proceedings Relating to Our Interest in Unitel.

The other shareholders of Unitel have prevented PT Ventures from exercising its rights to appoint the chief executive officer and a majority of the board of directors of Unitel.

Under the Unitel shareholders agreement, PT Ventures is entitled to appoint three of the five members of Unitel s board of directors and its chief executive officer. Under the Unitel shareholders agreement, the appointment of the chief executive officer of Unitel is subject to the approval of the holders of 75% of Unitel s shares. However, the other shareholders of Unitel have failed to vote to elect the directors nominated by PT Ventures at Unitel s shareholders meetings, and as a result, PT Ventures representation on Unitel s board of directors was reduced.

On July 22, 2014, the only member of Unitel s board of directors that had been appointed by PT Ventures resigned from his position, and the other shareholders of Unitel have not permitted PT Ventures to appoint a replacement. In November 2014, the other shareholders of Unitel stated to PT Ventures that its rights as a shareholder of Unitel had been purportedly suspended in October 2012, although these other shareholders have not indicated any legal basis for this alleged suspension. At a general shareholders meeting of Unitel held on December 15, 2014, an election of members of the board of directors of Unitel was held. At this meeting, Unitel s other shareholders claimed that PT Ventures was not entitled to vote as a result of the alleged suspension of its rights as a shareholder of Unitel in October 2012, and they refused to elect the member nominated by PT Ventures to Unitel s board of directors. As of the date of this prospectus, no nominee of PT Ventures serves on the Unitel board of directors.

On January 14, 2015, PT Ventures filed a suit in the Provincial Court of Luanda to annul all resolutions purportedly taken during the December 15, 2014 general shareholders meeting of Unitel. PT Ventures was notified of the terms of Unitel s defense on August 20, 2018 and submitted its reply on August 28, 2018. Some of the challenged deliberations became moot on December 15, 2015 because they had not been implemented within one year of their adoption.

On October 13, 2015, PT Ventures initiated an arbitration proceeding against the other shareholders of Unitel as a result of the violation by those shareholders of a variety of provisions of the Unitel shareholders agreement, including the provisions entitling PT Ventures to nominate the majority of the members of the board of directors of Unitel and its chief executive officer. The arbitral tribunal was constituted on April 14, 2016. PT Ventures presented its statement of claim on October 14, 2016 and the other shareholders of Unitel presented their statement of defense and counterclaim on February 28, 2017. A hearing in the arbitration was held from February 7 to 16, 2018, where each party presented its arguments and the factual witnesses and experts from each side were heard. A closing hearing was held on May 9, 2018. The parties exchanged their first post-hearing briefs on July 13, 2018. We cannot predict the outcome of this proceeding. An adverse outcome in this proceeding could have a material adverse impact on our financial condition and results of operations. For more information about this proceeding, see Business Legal Proceedings Legal Proceedings Relating to Our Interest in Unitel.

Unitel had called a general shareholders meeting to be held on October 18, 2018, which has been postponed to November 7, 2018, with the express purpose of electing the new members of the company s corporate bodies, including the board of directors. PT Ventures has provided Unitel with the names of three candidates for the board of directors, one of whom should also be appointed as the managing director.

Unitel has granted loans to a related party and entered into a management contract with a third-party without the approval of PT Ventures.

Under the Unitel shareholders agreement, the shareholders of Unitel and their affiliates are not permitted to enter into any contracts with Unitel unless the contracts are approved by a resolution of Unitel s board of directors adopted by at least four members of its board of directors. As a result of the inability of PT Ventures to appoint members of the Unitel board of directors, PT Ventures is unable to effectively exercise its implied veto right over related party transactions of Unitel.

Between May 2012 and August 2013, Unitel made disbursements to Unitel International Holdings B.V., or Unitel Holdings, of 322.9 million and US$43.0 million under various facility agreements entered into between Unitel and Unitel Holdings. Unitel Holdings is owned by Mrs. Isabel dos Santos, an indirect shareholder of Unitel and a member of the board of directors of Unitel.

In September 2015, PT Ventures commenced litigation in the British Virgin Islands, or the BVI, against Vidatel, one of the other shareholders of Unitel, seeking a worldwide freezing order against Vidatel (prohibiting Vidatel from disposing of, dealing or diminishing the value of any of its assets (whether in the BVI or elsewhere)). In February 2016, the BVI court issued a judgment granting this freezing order against Vidatel pending the conclusion of the ICC arbitration brought by PT Ventures. In March 2018, the BVI court denied an application by Vidatel to set aside the worldwide freezing order. Vidatel appealed that decision, and the court of appeal rejected Vidatel s appeal on April 4, 2018.

In March 2016, PT Ventures commenced litigation in the Netherlands against Unitel Holdings, Isabel dos Santos, Tokeyna Management Limited and Unitel s chief executive officer as defendants, claiming that each of the defendants cooperated with and/or benefited from the misappropriation of funds from Unitel. The defendants in the Dutch litigation challenged the jurisdiction of the court, and in May 2017 the Dutch District Court denied the defendants objection and affirmed jurisdiction. A hearing took place before the Dutch Court of Appeal on May 25, 2018. On August 14, 2018, the Dutch Court of Appeal upheld the Dutch District Court s judgement in its entirety.

We cannot assure you that we will be able to prevent Unitel from taking actions that should require the approval of the members of the Unitel board of directors nominated by PT Ventures, including approving related party transactions with the other shareholders of Unitel that we believe are detrimental to the financial condition and results of operations of Unitel. The use of the resources of Unitel in this manner could have a material adverse impact on the financial position and results of operations of Unitel and therefore the value of our investment in Unitel.

On October 13, 2015, PT Ventures initiated an arbitration proceeding against the other shareholders of Unitel as a result of the violation by those shareholders of a variety of provisions of the Unitel shareholders agreement, including the provisions that would have entitled PT Ventures to veto these related party transactions. The arbitral tribunal was constituted on April 14, 2016. PT Ventures presented its statement of claim on October 14, 2016 and the other shareholders of Unitel presented their statement of defense and counterclaim on February 28, 2017. A hearing in the arbitration was held from February 7 to 16, 2018, where each party presented its arguments and the factual witnesses and experts from each side were heard. A closing hearing was held on May 9, 2018. The parties exchanged their first post-hearing briefs on July 13, 2018.We cannot predict the outcome of this proceeding. An adverse outcome in this proceeding could have a material adverse impact on our financial condition and results of operations. For more information about this proceeding, see Business Legal Proceedings Legal Proceedings Relating to Our Interest in Unitel.

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The other shareholders of Unitel have attempted to dilute our indirect ownership of Unitel through a capital increase in which we could be technically unable to participate, and have called shareholders meetings at which they have indicated the desire to unilaterally amend the by-laws of Unitel and the Unitel shareholders agreement.

At a general shareholders meeting of Unitel held on December 15, 2014, the other shareholders of Unitel voted to increase Unitel s share capital and alter the nominal value of its shares. The details of this capital increase are obscure to us as they were not included in the prior notice for this meeting nor were they discussed in detail during this meeting. Additional details of this capital increase have been included in draft minutes of this meeting provided to PT Ventures and it appears that, although PT Ventures has determined to subscribe to its *pro rata* share of this capital increase to avoid dilution of its interest in Unitel, payment of the subscription price may be proposed under conditions that would not permit PT Ventures to obtain the necessary foreign exchange approvals prior to the date on which payment would be due.

The agenda of this general shareholders meeting of Unitel included amendments to Unitel s by-laws and purported amendments to Unitel shareholders agreement, in addition to other matters that may have been raised at the shareholders meeting itself, which included investments by Unitel in Zimbabwe and a study in order to implement a corporate reorganization of Unitel. We have not been provided of the details of the proposed by-law amendments nor of any purported amendments to the Unitel shareholders agreement. The December 15, 2014 meeting was suspended without any action taken on these items.

On January 14, 2015, PT Ventures filed a suit in the Provincial Court of Luanda to annul all resolutions purportedly taken during the December 15, 2014 general shareholders meeting of Unitel, including the approval of the Unitel capital increase, the approval of investments by Unitel in Zimbabwe, and a study in order to implement a corporate reorganization of Unitel. PT Ventures was notified of the terms of Unitel s defense on August 20, 2018 and submitted its reply on August 28, 2018. Some of the challenged deliberations became moot on December 15, 2015 because they had not been implemented within one year of their adoption.

We note that there appears to be no legal authority for the other shareholders of Unitel to amend the Unitel shareholders agreement through actions taken at a general meeting of shareholders, as this agreement is an agreement among the parties thereto. Should the other shareholders approve actions detrimental to Unitel or our investment in Unitel, these actions could have a material adverse impact on the financial position and results of operations of Unitel and therefore the value of our investment in Unitel.

Adverse political, economic and legal conditions in the African and Asian countries in which we have acquired investments may hinder our ability to receive dividends from our African and Asian subsidiaries and investments.

The governments of many of the African and Asian countries in which we have investments have historically exercised, and continue to exercise, significant influence over their respective economies and legal systems. Countries in which we have investments may enact legal or regulatory measures that restrict the ability of our subsidiaries and investees to make dividend payments to us. Similarly, adverse political or economic conditions in these countries may hinder our ability to receive dividends from our subsidiaries and investees. Historically, Pharol has received dividends from the African and Asian subsidiaries and investees that we have acquired; however, a limitation on our ability to receive a material portion of those dividends could adversely affect our cash flows and liquidity.

In addition, our investments in these regions are exposed to political and economic risks that include, but are not limited to, exchange rate and interest rate fluctuations, inflation and restrictive economic policies and regulatory risks that include, but are not limited to, the process for the renewal of licenses and the evolution of regulated retail and wholesale tariffs. In addition, our ventures in African and Asian markets face risks associated with increasing competition, including due to the entrance of new competitors and the rapid development of new technologies.

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The development of partnerships in these markets raises risks related to the ability of the partners to jointly operate the assets. Any inability of our company and our partners to operate these assets may have a negative impact on our strategy and all of these risks may have material effects on our results of operations.

Risks Relating to Brazil

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This involvement, as well as Brazilian political and economic conditions, could adversely impact our business, results of operations and financial condition.

Oi is a Brazilian corporation, and a majority of our operations and customers are located in Brazil. Accordingly, our financial condition and results of operations are substantially dependent on Brazil s economy. The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes significant changes in policy and regulations. The Brazilian government s actions to control inflation and implement macroeconomic policies have often involved increases in interest rates, wage and price controls, currency devaluations, blocking access to bank accounts, imposing capital controls and limits on imports, among other things. We do not have any control over, and are unable to predict, which measures or policies the Brazilian government may adopt in the future. Our business, results of operations and financial condition may be adversely affected by changes in policies or regulations, or by other factors such as:

- political instability;
- devaluations and other currency fluctuations;
- inflation;
- price instability;
- interest rates;
- liquidity of domestic capital and lending markets;
- energy shortages;
- exchange controls;
- changes to the regulatory framework governing our industry;

- monetary policy;

- tax policy; and

- other political, diplomatic, social and economic developments in or affecting Brazil, including with respect to alleged unethical or illegal conduct of certain figures in the Brazilian government and legislators, which are currently under investigation.

Uncertainty over whether possible changes in policies or rules affecting these or other factors may contribute to economic uncertainties in Brazil and to heightened volatility in the Brazilian securities markets and securities issued abroad by Brazilian issuers. The President of Brazil has considerable power to determine governmental policies and actions that relate to the Brazilian economy and, consequently, affect the operations and financial performance of businesses such as our company. We can offer no assurances that the policies that may be implemented by the Brazilian federal or state governments will not adversely affect our business, results of operations and financial condition.

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In addition, protests, strikes and corruption scandals have led to a fall in confidence and a political crisis. For example, Brazilian markets have been experiencing heightened volatility due to the uncertainties derived from the ongoing Lava Jato investigation, which is being conducted by the Office of the Brazilian Federal Prosecutor, and its impact on the Brazilian economy and political environment. Members of the Brazilian federal government and of the legislative branch, as well as senior officers of certain Brazilian private and state-owned companies, have faced allegations of political corruption. These government officials and senior officers allegedly accepted bribes by means of kickbacks on contracts granted by major state-owned companies to several infrastructure, oil and gas and construction companies. The profits of these kickbacks allegedly financed the political campaigns of the main political parties in Brazil that were unaccounted for or not publicly disclosed, as well as served to personally enrich the recipients of the bribery scheme. As a result of the ongoing Lava Jato investigation, a number of senior politicians, including congressman and officers of the major state-owned companies in Brazil resigned or have been arrested. The potential outcome of the Lava Jato investigation is uncertain, but it has already adversely affected the Brazilian markets and trading prices of securities issued by Brazilian issuers. We cannot predict whether the Lava Jato investigation will lead to further political and economic instability or whether new allegations against government officials or other companies in Brazil will arise in the future.

Moreover, on December 2, 2015, the Brazilian Congress opened impeachment proceedings against Brazilian President Dilma Rousseff for allegedly breaking federal budget laws during her re-election campaign in 2014. On May 12, 2016, the Brazilian Senate voted to begin its review of the impeachment proceedings against President Dilma Rousseff, who was suspended from office. After the legal and administrative process for the impeachment, Brazil s Senate removed President Dilma Rousseff from office on August 31, 2016 for infringing budgetary laws. Michel Temer, the former vice president, who had been acting President of Brazil following Ms. Rousseff s suspension in May 2016, was sworn in by Senate to serve out the remainder of the presidential term until 2018. There was an ongoing proceeding before the Brazilian Higher Electoral Court (*Tribunal Superior Eleitoral*) alleging that the electoral alliance between Ms. Rousseff and Mr. Temer in the 2014 general election had violated campaign finance laws. On June 9, 2017, the Brazilian Higher Electoral Court absolved the electoral alliance, including President Temer of wrongdoing; however, he remains subject to heightened scrutiny due to the ongoing *Lava Jato* investigations. The resolution of the political and economic crisis in Brazil still depends on the outcome of the Lava Jato investigation and proceedings and approval of reforms that are expected to be promoted by Jair Bolsonaro, the president-elect of Brazil who will assume office on January 1, 2019. The Bolsonaro administration may implement new policies. We cannot predict which policies the Brazilian government may adopt or change or the effect that any such policies might have on our business and on the Brazilian economy. Any such new policies or changes to current policies may have a material adverse effect on our business, results of operations and financial condition.

Furthermore, political demonstrations in Brazil over the last few years have affected the development of the Brazilian economy and investors perceptions of Brazil. For example, street protests, which started in mid-2013 and continued through 2016, demonstrated the public s dissatisfaction with the worsening Brazilian economic condition (including an increase in inflation and fuel prices as well as rising unemployment), the perception of widespread corruption, as well as the potential for severe water and electricity rationing following a decrease in rainfall and water reservoir levels throughout Brazil in early 2016. In addition, in May 2018, a nationwide truckers strike in which truck drivers, dissatisfied by the increase in fuel prices, blocked roads throughout the country, preventing the delivery of goods and gasoline to Brazilian businesses, resulted in a general slowdown in commercial transactions during the strike.

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Depreciation of the* real *may lead to substantial losses on our liabilities denominated in or indexed to foreign currencies.

During the four decades prior to 1999, the Brazilian Central Bank periodically devalued the Brazilian currency. Throughout this period, the Brazilian government implemented various economic plans and used various exchange rate policies, including sudden devaluations (such as daily and monthly adjustments), exchange controls, dual exchange rate markets and a floating exchange rate system. Since 1999, exchange rates have been set by the market. The exchange rate between the *real* and the U.S. dollar has varied significantly in recent years. For example, the *real*/U.S. dollar exchange rate increased from R$1.9554 per U.S. dollar on December 31, 2000 to R$3.5333 on December 31, 2002. The *real* depreciated by 8.9% against the U.S. dollar during 2012, by 14.6% during 2013, by 13.4% during 2014 and by 47.1% during 2015, appreciated by 16.5% in 2016 and depreciated by 1.5% in 2017. In addition, the *real* depreciated by 10.7% against the Euro during 2012, by 19.7% during 2013, was substantially unchanged during 2014, depreciated by 31.7% in 2015, appreciated by 19.1% in 2016 and depreciated by 15.4% in 2017 and 13.0% in the six-month period ended June 30, 2018.

As of June 30, 2018 and December 31, 2017, R$31,070 million and R$36,557 million, respectively, of our loans and financing classified as liabilities subject to compromise was denominated in currencies other than the *real*, representing 61.4% and 74.4%, respectively, of our consolidated financial indebtedness. As a result of the commencement of the RJ Proceedings, we ceased recording exchange rate gains and losses with respect to these loans and financings. Following the implementation of the RJ Plan, our obligations under (1) our New Notes that were issued to holders of bonds issued by Oi, Oi Coop and PTIF that are entitled to receive the Qualified Recovery described under Business Our Judicial Reorganization Proceedings Implementation of the Judicial Reorganization Plan Settlement of Class III Claims Defaulted Bonds Qualified Recovery, (2) participations under the Non-Qualified Credit Agreement that was available to holders of bonds issued by Oi, Oi Coop and PTIF that were entitled to receive the Non-Qualified Recovery described under Business Our Judicial Reorganization Proceedings Implementation of the Judicial Reorganization Plan Settlement of Class III Claims Defaulted Bonds Non-Qualified Recovery, (3) recoveries of creditors under our export credit agreements described under Business Our Judicial Reorganization Proceedings Implementation of the Judicial Reorganization Plan Settlement of Class III Claims Export Credit Agreements, and (4) recoveries under our bonds issued by Oi, Oi Coop and PTIF to holders of our U.S. dollar-denominated bonds issued by Oi and Oi Coop that are not entitled to receive the Qualified Recovery or the Non-Qualified Recovery, as described under Business Our Judicial Reorganization Proceedings Implementation of the Judicial Reorganization Plan Settlement of Class III and Class IV Claims Default Recovery, will be denominated in U.S. dollars and will accrue interest at fixed-rates in U.S. dollars.

As of June 30, 2018, R$6,268 million of our loans and financing not classified as liabilities subject to compromise was denominated in currencies other than the *real*, representing 12.4% of our consolidated financial indebtedness.

When the *real* depreciates against foreign currencies, we incur losses on our liabilities denominated in or indexed to foreign currencies, such as our U.S. dollar-denominated and Euro-denominated long-term debt and foreign currency loans, and we incur gains on our monetary assets denominated in or indexed to foreign currencies, as the liabilities and assets are translated into *reais*. If significant depreciation of the *real* were to occur when the value of such liabilities significantly exceeds the value of such assets, including any financial instruments entered into for hedging purposes, we could incur significant losses, even if the value of those assets and liabilities has not changed in their original currency. In addition, a significant depreciation in the *real* could adversely affect our ability to meet certain of our payment obligations. A failure to meet certain of our payment obligations could trigger a default under certain financial covenants in our debt instruments, which could have a material adverse effect on our business and results of operations. During 2016, in connection with our consideration of potential plans to restructure our indebtedness, we did not roll over our non-deliverable forwards and settled our long-term currency swaps. As a result, our exposure to foreign currency fluctuations has increased substantially. As an effect of the approval and confirmation of the RJ Plan, we expect to restructure our indebtedness in a manner that the increased exposure to foreign currency fluctuations to be temporary. In the event that these expectations are not met, the effects of foreign currency fluctuations on our debt instruments could have a material adverse effect on our financial condition and results of operations.

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A portion of our capital expenditures and operating leases require us to acquire assets or use third-party assets at prices denominated in or linked to foreign currencies, some of which are financed by liabilities denominated in foreign currencies, principally the U.S. dollar and the Euro. We generally do not hedge exposures relating to our capital expenditures or operating expenses against risks related to movements of the *real* against foreign currencies. To the extent that the value of the *real* decreases relative to the U.S. dollar or the Euro, it becomes more costly for us to purchase these assets or services, which could adversely affect our business and financial performance.

Depreciation of the *real* relative to the U.S. dollar could create additional inflationary pressures in Brazil by increasing the price of imported products and requiring recessionary government policies, including tighter monetary policy. On the other hand, appreciation of the *real* against the U.S. dollar may lead to a deterioration of the country s current account and balance of payments, as well as to a dampening of export-driven growth.

If Brazil experiences substantial inflation in the future, our margins and our ability to access foreign financial markets may be reduced. Government measures to curb inflation may have adverse effects on the Brazilian economy, the Brazilian securities market and our business and results of operations.

Brazil has in the past experienced extremely high rates of inflation, with annual rates of inflation reaching as high as 2,708% in 1993 and 1,093% in 1994. Inflation and some of the Brazilian government s measures taken in an attempt to curb inflation have had significant negative effects on the Brazilian economy.

Since the introduction of the *real* in 1994, Brazil s inflation rate has been substantially lower than in previous periods. However, actions taken in an effort to control inflation, coupled with speculation about possible future governmental actions, have contributed to economic uncertainty in Brazil and heightened volatility in the Brazilian securities market. More recently, Brazil s rates of inflation, as measured by the General Market Price Index Internal Availability (*Índice Geral de Preços Disponibilidade Interna*), or IGP-DI, published by Fundação Getúlio Vargas, or FGV, were 5.5% in 2013, 3.8% in 2014, 10.7% in 2015, 7.2% in 2016, (0.42)% in 2017 and 5.5% in the six-month period ended June 30, 2018. According to the Broad Consumer Price Index (*Índice Nacional de Preços ao Consumidor Ampliado*), or IPCA, published by the Brazilian Institute for Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE, the Brazilian consumer price inflation rates were 5.9% in 2013, 6.4% in 2014, 10.7% in 2015, 6.3% in 2016, 2.9% in 2017 and 2.6% in the six-month period ended June 30, 2018.

If Brazil experiences substantial inflation in the future, our costs may increase and our operating and net margins may decrease. Although ANATEL regulations provide for annual price increases for most of our services in Brazil, such increases are linked to inflation indices, discounted by increases in our productivity. During periods of rapid increases in inflation, the price increases for our services may not be sufficient to cover our additional costs and we may be adversely affected by the lag in time between the incurrence of increased costs and the receipt of revenues resulting from the annual price increases. Inflationary pressures may also curtail our ability to access foreign financial markets and may lead to further government intervention in the economy, including the introduction of government policies that may adversely affect the overall performance of the Brazilian economy.

Fluctuations in interest rates could increase the cost of servicing our debt and negatively affect our overall financial performance.

Our financial expenses are affected by changes in the interest rates that apply to our floating rate debt. As of June 30, 2018 and December 31, 2017, we had, among other consolidated debt obligations, R$11,891 million and R$15,870 million, respectively, of loans and financings that were subject to variable interest rates, including: (1) R$0 million and R$4,982 million, respectively, of loans and financings that were subject to the London Interbank Offered Rate, or LIBOR; (2) R$8,428 million and R$6,388 million, respectively, of loans and financings and debentures that were subject to the Interbank Certificate of Deposit (Certificado de Depósito Interbancário), or CDI, rate, an interbank rate; (3) R$3,463 million and R$2,927 million, respectively, of loans and financings and debentures that were subject to the Long-Term Interest Rate (Taxa de Juros de Longo Prazo), or TJLP, a long-term interest rate; and (4) R$0 million and R$1,573 million, respectively, of loans and financings that were subject to the IPCA rate, an inflation index.

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The TJLP includes an inflation factor and is determined quarterly by the National Monetary Council (*Conselho Monetário Nacional*). In particular, the TJLP and the CDI rate have fluctuated significantly in the past in response to the expansion or contraction of the Brazilian economy, inflation, Brazilian government policies and other factors. For example, the CDI increased from 9.77% per annum as of December 31, 2013 to 11.57% per annum as of December 31, 2014, increased to 14.13% per annum as of December 31, 2015, decreased to 13.63% per annum as of December 31, 2016, decreased to 6.89% per annum as of December 31, 2017 and decreased to 6.56% per annum as of June 30, 2018.

As a result of the commencement of the RJ Proceedings, we ceased recording interest expenses on these loans and financings. By operation of the RJ Plan and the Brazilian Confirmation Order (provided that the Brazilian Confirmation Order is not overturned or altered as a result of the pending appeals filed against it), these loans and loans and financings have been novated and discharged under Brazilian law and creditors under these loans and financings are entitled only to receive the recoveries set forth in the RJ Plan in exchange for their claims in accordance with the terms and conditions of the RJ Plan. For more information regarding the recoveries to which creditors under our loans and financings are entitled and received under the RJ Plan, see Business Our Judicial Reorganization Proceedings Implementation of the Judicial Reorganization Plan.

Following the implementation of the RJ Plan, we expect that recoveries of creditors under our debentures, unsecured lines of credit and lessors under the lease contracts of Oi and Telemar relating to real property owned by Copart 4 and Copart 5 will accrue interest based on the CDI rate. As a result, following the implementation of the RJ Plan, inflation will increase our interest expenses and debt service obligations with respect to these recoveries. In addition, the RJ Plan permits us to seek to raise up to R$2.5 billion in the capital markets and seek to borrow up to R$2 billion under new export credit facilities, as described under Liquidity and Capital Resources. This debt may accrue interest at floating rates in foreign currencies. Accordingly, we may incur interest expenses and foreign exchange gains and losses in connection with this new debt. A significant increase in any of these interest rates could adversely affect our financial expenses and negatively affect our overall financial performance.

The market value of securities issued by Brazilian companies is influenced by the perception of risk in Brazil and other countries, which may have a negative effect on the trading price of Common Shares and Common ADSs and may restrict our access to international capital markets.

Economic and market conditions in other countries and regions, including the United States, the European Union and emerging market countries, may affect to varying degrees the market value of securities of Brazilian issuers. Although economic conditions in these countries and regions may differ significantly from economic conditions in Brazil, investors reactions to developments in these other countries may have an adverse effect on the market value of securities of Brazilian issuers, the availability of credit in Brazil and the amount of foreign investment in Brazil. Crises in the European Union, the United States and emerging market countries have at times resulted in significant outflows of funds from Brazil and may diminish investor interest in securities of Brazilian issuers, including our company. This could materially and adversely affect the market price of our securities, and could also make it more difficult for us to access the capital markets and finance our operations in the future on acceptable terms or at all.

Restrictions on the movement of capital out of Brazil may impair our ability to service certain debt obligations.

Brazilian law provides that whenever there exists, or there is a serious risk of, a material imbalance in Brazil s balance of payments, the Brazilian government may impose restrictions for a limited period of time on the remittance to foreign investors of the proceeds of their investments in Brazil as well as on the conversion of the *real* into foreign currencies. The Brazilian government imposed such a restriction on remittances for approximately six months in 1989 and early 1990. The Brazilian government may in the future restrict companies from paying amounts denominated in foreign currency or require that any such payment be made in *reais*. Many factors could affect the likelihood of the Brazilian government imposing such exchange control restrictions, including the extent of Brazil s foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the size of Brazil s debt service burden relative to the economy as a whole, and political constraints to which Brazil may be subject. There can be no certainty that the Brazilian government will not take such measures in the future.

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A more restrictive policy could increase the cost of servicing, and thereby reduce our ability to pay, our foreign currency-denominated debt obligations and other liabilities. As of June 30, 2018 and December 31, 2017, our foreign-currency denominated debt was R$37,338 million and R$36,557 million, respectively, and represented 73.8% and 74.4%, respectively, of our consolidated indebtedness. If we fail to make payments under any of these restructured debt obligations, we will be in default under those obligations, which could reduce our liquidity as well as the market price of Common Shares and Common ADSs.

In addition, a more restrictive policy could hinder or prevent the Brazilian custodian of Common Shares underlying Common ADSs or holders who have exchanged Common ADSs for the underlying Common Shares from converting dividends, distributions or the proceeds from any sale of such shares into U.S. dollars and remitting such U.S. dollars abroad. In such an event, the Brazilian custodian for the Common Shares will hold the *reais* that it cannot convert for the account of holders of Common ADSs who have not been paid. Neither the custodian nor the ADS Depositary will be required to invest the *reais* or be liable for any interest.

Risks Relating to the Common Shares and the Common ADSs

Holders of Common Shares or Common ADSs may not receive any dividends or interest on shareholders equity.

According to Oi s by-laws and the Brazilian Corporate Law, Oi must generally pay its shareholders at least 25% of Oi s consolidated annual net income as dividends or interest on shareholders equity, as calculated and adjusted under Brazilian GAAP. This adjusted net income may be capitalized, used to absorb losses or otherwise retained as allowed under Brazilian GAAP and may not be available to be paid as dividends or interest on shareholders equity. Holders of Common Shares or Common ADSs may not receive any dividends or interest on shareholders equity in any given year due to the dividend preference of Preferred Shares. Additionally, the Brazilian Corporate Law allows a publicly traded company like Oi to suspend the mandatory distribution of dividends in any particular year if Oi s board of directors informs Oi s shareholders that such distributions would be inadvisable in view of Oi s financial condition or cash availability and subject to approval of the general shareholders meeting and analysis by the members of Oi s fiscal council. Under the RJ Plan, Oi and the other RJ Debtors are prohibited from declaring or paying dividends, interest on shareholders equity or other forms of return on capital or making any other payment or distribution on or related to their shares (including any payment related to a merger or consolidation) until the sixth anniversary of the date of the Judicial Ratification of the RJ Plan, subject to certain exceptions, as described under Dividends and Dividend Policy.

Holders of Common ADSs may find it difficult to exercise their voting rights at Oi s shareholders meetings.

Under Brazilian law, only shareholders registered as such in Oi s corporate books may attend Oi s shareholders meetings. All Common Shares underlying Common ADSs are registered in the name of the ADS Depositary. Holders or Common ADSs may exercise the voting rights with respect to the Common Shares represented by their Common ADSs only in accordance with the deposit agreement relating to the Common ADSs. There are practical limitations upon the ability of the holders of Common ADSs to exercise their voting rights due to the additional steps involved in communicating with holders of Common ADSs. For example, Oi is required to publish a notice of Oi s shareholders meetings in certain newspapers in Brazil. To the extent that holders of Common Shares are entitled to vote at a shareholders meeting, they will be able to exercise their voting rights by attending the meeting in person or voting by proxy. By contrast, holders of Common ADSs may receive notice of a shareholders meeting by mail from the ADS Depositary if Oi notifies the ADS Depositary of the shareholders meeting and requests the ADS Depositary to inform holders of Common ADS of the shareholders meeting. To exercise their voting rights, holders of Common ADS must instruct the ADS Depositary on a timely basis. This noticed voting process will take longer for holders of Common ADS than for holders of Common Shares. If the ADS Depositary fails to receive timely voting instructions for all or part of the Common ADSs, the ADS Depositary will assume that the holders of those Common ADSs are instructing it to give a discretionary proxy to a person designated by us to vote their Common ADSs, except in limited circumstances.

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In the circumstances in which holders of Common ADSs have voting rights, they may not receive the voting materials in time to instruct the depositary to vote the Common Shares underlying their Common ADSs. In addition, the ADS Depositary and its agents are not responsible for failing to carry out voting instructions of the holders of Common ADSs or for the manner of carrying out those voting instructions. Accordingly, holders of Common ADSs may not be able to exercise voting rights, and they will have no recourse if the common shares underlying their Common ADSs are not voted as requested.

Holders of Common Shares or Common ADSs in the United States may not be entitled to the same preemptive rights as Brazilian shareholders have, pursuant to Brazilian legislation, in the subscription of shares resulting from capital increases made by us.

Under Brazilian law, if Oi issues new shares in exchange for cash or assets as part of a capital increase, subject to certain exceptions, Oi must grant its shareholders preemptive rights at the time of the subscription of shares, corresponding to their respective interest in Oi s share capital, allowing them to maintain their existing shareholding percentage. Oi may not legally be permitted to allow holders of Common Shares or Common ADSs in the United States to exercise any preemptive rights in any future capital increase unless (1) Oi files a registration statement for an offering of shares resulting from the capital increase with the U.S. Securities and Exchange Commission, or SEC, or (2) the offering of shares resulting from the capital increase qualifies for an exemption from the registration requirements of the Securities Act. At the time of any future capital increase, Oi will evaluate the costs and potential liabilities associated with filing a registration statement for an offering of shares with the SEC and any other factors that Oi considers important in determining whether to file such a registration statement. Oi cannot assure the holders of Common Shares or Common ADSs in the United States that Oi will file a registration statement with the SEC to allow them to participate in any of Oi s capital increases. As a result, the equity interest of such holders in Oi may be diluted.

If holders of Common ADSs exchange them for Common Shares, they may risk temporarily losing, or being limited in, the ability to remit foreign currency abroad and certain Brazilian tax advantages.

The Brazilian custodian for the Common Shares underlying the Common ADSs must obtain an electronic registration number with the Brazilian Central Bank to allow the ADS Depositary to remit U.S. dollars abroad. Holders of Common ADSs benefit from the electronic certificate of foreign capital registration from the Brazilian Central Bank obtained by the custodian for the ADS Depositary, which permits it to convert dividends and other distributions with respect to the Common Shares into U.S. dollars and remit the proceeds of such conversion abroad. If holders of Common ADSs decide to exchange them for the underlying Common Shares, they will only be entitled to rely on the custodian s certificate of registration with the Brazilian Central Bank for five business days after the date of the exchange. Thereafter, they will be unable to remit U.S. dollars abroad unless they obtain a new electronic certificate of foreign capital registration in connection with the common shares, which may result in expenses and may cause delays in receiving distributions. See Exchange Controls.

Also, if holders of Common ADSs that exchange Common ADSs for Common Shares do not qualify under the foreign investment regulations, they will generally be subject to less favorable tax treatment of dividends and distribution on, and the proceeds from any sale of, Common Shares. See Exchange Controls and Taxation Certain Brazilian Tax Considerations.

Holders of Common ADSs may face difficulties in protecting their interests because, as a Brazilian company, Oi is subject to different corporate rules and regulations, and Oi s shareholders may have fewer and less well-defined rights.

Holders of Common ADSs are not direct shareholders of Oi and are unable to enforce the rights of shareholders under Oi s by-laws and the Brazilian Corporate Law.

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Oi s corporate affairs are governed by Oi s by-laws and the Brazilian Corporate Law, which differ from the legal principles that would apply if Oi were incorporated in a jurisdiction in the United States, such as the State of Delaware or New York, or elsewhere outside Brazil. Even if a holder of Common ADSs surrenders its Common ADSs and becomes a direct shareholder, its rights as a holder of Common Shares under the Brazilian Corporate Law to protect its interests relative to actions by Oi s board of directors may be fewer and less well-defined than under the laws of those other jurisdictions.

Although insider trading and price manipulation are crimes under Brazilian law, the Brazilian securities markets are not as highly regulated and supervised as the U.S. securities markets or the markets in some other jurisdictions. In addition, rules and policies against self-dealing or for preserving shareholder interests may be less well-defined and enforced in Brazil than in the United States and certain other countries, which may put holders of Common Shares and Common ADSs at a potential disadvantage. Corporate disclosures also may be less complete or informative than those of a public company in the United States or in certain other countries.

Oi is exempt from some of the corporate governance requirements of the New York Stock Exchange.

Oi is a foreign private issuer, as defined by the SEC for purposes of the Exchange Act. As a result, for so long as Oi remains a foreign private issuer, Oi will be exempt from, and you will not be provided with the benefits of, some of the corporate governance requirements of The New York Stock Exchange, or the NYSE. Oi is permitted to follow practice in Brazil in lieu of the provisions of the NYSE s corporate governance rules, except that:

- Oi is required to have an audit committee that satisfies the requirements of Rule 10A-3 under the Exchange Act;

- Oi is required to disclose any significant ways in which Oi s corporate governance practices differ from those followed by domestic companies under NYSE listing standards;

- Oi s chief executive officer is obligated to promptly notify the NYSE in writing after any of Oi s executive officers becomes aware of any non-compliance with any applicable provisions of the NYSE corporate governance rules; and

- Oi must submit an executed written affirmation annually to the NYSE. In addition, Oi must submit an interim written affirmation as and when required by the interim written affirmation form specified by the NYSE.

The standards applicable to Oi are considerably different than the standards applied to U.S. domestic issuers. Although Rule 10A-3 under the Exchange Act generally requires that a listed company have an audit committee of its board of directors composed solely of independent directors, as a foreign private issuer, Oi is relying on a general exemption from this requirement that is available to it as a result of the features of Brazilian law applicable to Oi s fiscal council. In addition, Oi is not required to, among other things:

- have a majority of independent members of Oi s board of directors;

- have a compensation committee or a nominating or corporate governance committee of Oi s board of directors;

- have regularly scheduled executive sessions with only non-management directors; or

- have at least one executive session of solely independent directors each year.

Oi intends to rely on some or all of these exemptions. As a result, you will not be provided with the benefits of certain corporate governance requirements of the NYSE.

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We could be adversely affected by violations of anti-corruption laws and regulations.

We are required to comply with Brazilian anti-corruption laws and regulations, including Law No. 12,846/2013, or the Brazilian Anti-Corruption Law, as well as anti-corruption laws and regulations in other jurisdictions, including the U.S. Foreign Corrupt Practices Act of 1977, or the FCPA.

The Brazilian Anti-Corruption Law, the FCPA and similar anti-corruption laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials or other persons for the purpose of obtaining or retaining business. Recent years have seen a substantial increase in anti-corruption law enforcement activity, with more frequent and aggressive investigations and enforcement proceedings by both the U.S. Department of Justice and the SEC, increased enforcement activity by non-U.S. regulators, and increases in criminal and civil proceedings brought against companies and individuals. Our policies mandate compliance with these anti-corruption laws. We operate, through our businesses, in countries that are recognized as having governmental and commercial corruption. We cannot assure you that our internal control policies and procedures will protect us from reckless or criminal acts committed by our employees, the employees of any of our businesses, or third party intermediaries. In the event that we believe or have reason to believe that our employees or agents have or may have violated applicable anti-corruption laws, including the FCPA, we may be required to investigate or have outside counsel investigate the relevant facts and circumstances, which can be expensive and require significant time and attention from senior management. Violations of these laws may result in criminal or civil sanctions, inability to do business with existing or future business partners (either as a result of express prohibitions or to avoid the appearance of impropriety), injunctions against future conduct, profit disgorgements, disqualifications from directly or indirectly engaging in certain types of businesses, the loss of business permits or other restrictions which could disrupt our business and have a material adverse effect on our business, financial condition, results of operations or liquidity.

Holders of Common ADSs may face difficulties in serving process on or enforcing judgments against us and other persons.

Oi is organized under the laws of Brazil, and all of the members of Oi s board of directors, Oi s executive officers and Oi s independent registered public accountants reside or are based in Brazil. The vast majority of Oi s assets and those of these other persons are located in Brazil. As a result, it may not be possible for holders of Common ADSs to effect service of process upon Oi or these other persons within the United States or other jurisdictions outside Brazil or to enforce against Oi or these other persons judgments obtained in the United States or other jurisdictions outside Brazil. In addition, because substantially all of Oi s assets and all of Oi s directors and officers reside outside the United States, any judgment obtained in the United States against Oi or any of our directors or officers may not be collectible within the United States. Because judgments of U.S. courts for civil liabilities based upon the U.S. federal securities laws may only be enforced in Brazil if certain conditions are met, holders may face greater difficulties in protecting their interests in the case of actions by us or Oi s board of directors or executive officers than would shareholders of a U.S. corporation.

Brazilian tax laws may have an adverse impact on the taxes applicable to the disposition of Common Shares and Common ADSs.

According to Law No. 10,833, enacted on December 29, 2003, if a Non-Brazilian Holder disposes of assets located in Brazil, the transaction will be subject to taxation in Brazil, even if such disposition occurs outside Brazil or if such disposition is made to another Non-Brazilian Holder. Accordingly, on the disposition of New Common Shares, which are considered assets located in Brazil, the Non-Brazilian Holder will be subject to income tax on the gains assessed, following the rules described under Taxation Certain Brazilian Tax Considerations Taxation of Gains, regardless of whether the transactions are conducted in Brazil or abroad and with a Brazilian resident or not. A disposition of

Common ADSs between Non-Brazilian Holders, however, involves the disposal of a non-Brazilian asset and in principle is currently not subject to taxation in Brazil. Nevertheless, in the event that the concept of disposition of assets is interpreted to include the disposition between Non-Brazilian Holders of assets located outside Brazil, this tax law could result in the imposition of withholding taxes in the event of a disposition of Common ADSs made by Non-Brazilian Holders. Due to the fact that, as of the date of this prospectus, Law No. 10,833/2003 has no judicial guidance as to its application, we are unable to predict whether an interpretation applying such tax laws to dispositions of Common ADSs between Non-Brazilian Holders could ultimately prevail in Brazilian courts. See Taxation Certain Brazilian Tax Considerations Taxation of Gains.

If Oi is characterized as a passive foreign investment company in any taxable year, certain adverse U.S. federal income tax consequences could apply to a U.S. investor who holds Common Shares or Common ADSs during such year.

Oi will be classified as a PFIC in any taxable year if either: (1) 50% or more of the fair market value of our gross assets (determined on the basis of a quarterly average) for the taxable year produce passive income or are held for the production of passive income, or (2) 75% or more of our gross income for the taxable year is passive income. As a publicly traded foreign corporation Oi intends for this purpose to treat the aggregate fair market value of our gross assets as being equal to the aggregate value of our outstanding stock plus the total amount of our liabilities (Market Capitalization) and to treat the excess of the fair market value of our assets over their book value as a nonpassive asset to the extent attributable to our nonpassive income. Based on certain estimates of Oi s gross income and gross assets, the nature of its business, the size of its investment in certain subsidiaries, and its anticipated Market Capitalization, Oi believes that for its taxable year ended December 31, 2015, Oi was a PFIC for U.S. federal income tax purposes; however, Oi also believes that it was not a PFIC for the taxable years ended December 31, 2016 and December 31, 2017. Nevertheless, because PFIC status is determined annually based on Oi s income, assets and activities for the entire taxable year, it is not possible to determine whether Oi will be characterized as a PFIC for the taxable year ending December 31, 2018, or for any subsequent year, until after the close of the year. Furthermore, because Oi determines the value of its gross assets based on the Market Capitalization test, a decline in the value of its Common Shares and Preferred Shares may result in Oi becoming a PFIC. Accordingly, there can be no assurance that Oi will not be considered a PFIC for any taxable year.

If Oi is characterized as a PFIC, certain adverse U.S. federal income tax consequences could apply to a U.S. investor who holds Common Shares or Common ADSs during such year with respect to any excess distribution received from Oi and any gain from a sale or other disposition of Common Shares or Common ADSs, and U.S. investors also may be subject to additional reporting obligations with respect to Common Shares or Common ADSs. Oi does not intend to provide the information necessary for the U.S. investor to make a qualified electing fund election with respect to Common Shares or Common ADSs. See Taxation Certain United States Federal Income Tax Considerations Taxation of New Shares PFIC Rules.

Additionally, U.S. holders of Common Shares or Common ADSs whose holding period for such Shares or ADSs includes any portion of the taxable year ended December 31, 2015 may be subject to the PFIC rules discussed below with respect to any dividends received on, and upon the sale, exchange or other taxable disposition of, their Rights or New Shares received upon exercise of the Rights. See Taxation Certain United States Federal Income Tax Considerations Taxation of New Shares.

If a United States person is treated as owning at least 10% of Oi s shares, such holder may be subject to adverse U.S. federal income tax consequences.

If a United States person is treated as owning (directly, indirectly or constructively) at least 10% of the value or voting power of Oi s shares, such person may be treated as a United States shareholder with respect to each controlled foreign corporation in our group (if any). If United States shareholders own (or are treated as owning) more than 50% of the value or voting power of Oi s shares, Oi would (and our non-U.S. subsidiaries could) be treated as controlled foreign corporations. In addition, if our group includes one or more U.S. subsidiaries, certain of our non-U.S. subsidiaries could be treated as controlled foreign corporations (regardless of whether we are treated as a controlled foreign corporation). A United States shareholder of a controlled foreign corporation may be required to report annually and include in its U.S. taxable income its pro rata share of Subpart F income, global intangible low-taxed income and investments in U.S. property by controlled foreign corporations, regardless of whether we make any distributions. An individual that is a United States shareholder with respect to a controlled foreign corporation generally would not be allowed certain tax deductions or foreign tax credits that would be allowed to a United States shareholder that is a U.S. corporation. Failure to comply with these reporting obligations may subject you to significant monetary penalties and may prevent the statute of limitations with respect to your U.S. federal income tax return for the year for which reporting was due from starting. We cannot provide any assurances that we will assist investors in determining whether any of our non-U.S. subsidiaries are treated as a controlled foreign corporation or whether such investor is treated as a United States shareholder with respect to any of such controlled foreign corporations or furnish to any United States shareholders information that may be necessary to comply with the aforementioned reporting and tax paying obligations. Certain of our shareholders may be United States shareholders. The determination of controlled foreign corporation status is complex and includes attribution rules, the application of which is not entirely certain. A United States investor should consult its advisors regarding the potential application of these rules to an investment in Common Shares or Common ADSs.

The relative volatility and illiquidity of the Brazilian securities markets may adversely affect holders of Common Shares and Common ADSs.

The Brazilian securities markets are substantially smaller, less liquid and more volatile than major securities markets in the United States. The B3, which is the principal Brazilian stock exchange, had a market capitalization of R$3.2 trillion (US$955.6 billion) as of December 31, 2017 and an average daily trading volume of R$8.7 billion (US$2.6 billion) for 2017. In comparison, aggregate market capitalization of the companies (including U.S. and non-U.S. companies) listed on the NYSE was US$22.1 trillion as of December 31, 2017 and the NYSE recorded an average daily trading volume of US$58.2 billion for 2017. There is also significant concentration in the Brazilian securities markets. The ten largest companies in terms of market capitalization represented approximately 53% of the aggregate market capitalization of the B3 as of December 31, 2017. The ten most widely traded stocks in terms of trading volume accounted for approximately 39% of all shares traded on the B3 in 2017. These market characteristics may substantially limit the ability of holders of Common ADSs to sell the Common Shares underlying the Common ADSs at a price and at a time when they wish to do so and, as a result, could negatively impact the market price of the Common ADSs themselves.

The imposition of IOF taxes may indirectly influence the price and volatility of Common Shares and Common ADSs.

Brazilian law imposes the Tax on Foreign Exchange Transactions, or the IOF/Exchange Tax, on the conversion of *reais* into foreign currency and on the conversion of foreign currency into *reais*. Brazilian law also imposes the Tax on Transactions Involving Bonds and Securities, or the IOF/Securities Tax, due on transactions involving bonds and securities, including those carried out on a Brazilian stock exchange.

In October 2009, the Brazilian government imposed the IOF/Exchange Tax at a rate of 2.0% in connection with inflows of funds related to investments carried out by non-Brazilian investors in the Brazilian financial and capital markets with the objective of slowing the pace of speculative inflows of foreign capital into the Brazilian market and the appreciation of the *real* against the U.S. dollar. The rate of the IOF/Exchange Tax generally applicable to foreign investments in the Brazilian financial and capital markets was later increased to 6.0%. In December 2011, the rate of the IOF/Exchange Tax applicable to several types of investments was reduced back to zero percent. As of the date of this prospectus, all investments in the Brazilian financial and capital markets are subject to the IOF/Exchange Tax rate of zero percent.

In November 2009, the Brazilian government also established that the rate of the IOF/Securities Tax would apply to the transfer of shares with the specific purpose of enabling the issuance of ADSs. In December 2013, the rate of the

IOF/Securities Tax applicable to transactions involving the issuance of ADSs was reduced to zero percent.

The imposition of these taxes may discourage foreign investment in shares of Brazilian companies, including Oi, due to higher transaction costs, and may negatively impact the price and volatility of the Common ADSs and Common Shares on the NYSE and the B3.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. Some of the matters discussed concerning our business operations and financial performance include forward-looking statements within the meaning of the U.S. Securities Act of 1933, as amended, or the Securities Act, or the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act.

Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include words such as expects, anticipates, intends, plans, believes, estimates and similar expressions are forward-looking statements. Although we believe that these forward-looking statements are based upon reasonable assumptions, these statements are subject to several risks and uncertainties and are made in light of information currently available to us.

Many important factors could cause our actual results to differ substantially from those anticipated in our forward-looking statements, including, among other things:

- our failure to implement the RJ Plan, including the Rights Offer, and continue as a going concern;
- a reversal or alteration of the Brazilian Confirmation Order;
- our inability to successfully negotiate extensions of certain milestones contained in the Commitment Agreement and waivers of any conditions to the closing under the Commitment Agreement that have not been satisfied by the date of the closing under the Commitment Agreement;
- the effects of intense competition in Brazil and the other countries in which we have operations and investments;
- material adverse changes in economic conditions in Brazil or the other countries in which we have operations and investments;
- the Brazilian government s telecommunications policies that affect the telecommunications industry and our business in Brazil in general, including issues relating to the remuneration for the use of our network in Brazil, and changes in or developments of ANATEL regulations applicable to us;
- the cost and availability of financing;
- the general level of demand for, and changes in the market prices of, our services;

- our ability to implement our corporate strategies in order to expand our customer base and increase our average revenue per user;

- political, regulatory and economic conditions in Brazil, notably with respect to inflation, exchange rate fluctuation of the *real,* interest rates fluctuation and the political environment in Brazil;

- the outcomes of legal and administrative proceedings to which we are or become a party;

- changes in telecommunications technology that could require substantial or unexpected investments in infrastructure or that could lead to changes in our customers behavior;

- the disposal of our international investments; and

- other factors identified or discussed under Risk Factors.

Our forward-looking statements are not guarantees of future performance, and our actual results or other developments may differ materially from the expectations expressed in the forward-looking statements. As for forward-looking statements that relate to future financial results and other projections, actual results will be different due to the inherent uncertainty of estimates, forecasts and projections. Because of these uncertainties, potential investors should not rely on these forward-looking statements.

We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

EXCHANGE RATES

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

Since 1999, the Brazilian Central Bank has allowed the U.S. dollar-*real* exchange rate to float freely, and, since then, the U.S. dollar-*real* exchange rate has fluctuated considerably.

In the past, the Brazilian Central Bank has intervened occasionally to control unstable movements in foreign exchange rates. We cannot predict whether the Brazilian Central Bank or the Brazilian government will continue to permit the *real* to float freely or will intervene in the exchange rate market through the return of a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar and/or the euro substantially. Furthermore, Brazilian law provides that, whenever there is a significant imbalance in Brazil s balance of payments or there are serious reasons to foresee a significant imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. We cannot assure you that such measures will not be taken by the Brazilian government in the future. See Risk Factors Risks Relating to Brazil Restrictions on the movement of capital out of Brazil may impair our ability to service certain debt obligations.

The following table shows the commercial selling rate or selling rate, as applicable, for U.S. dollars for the periods and dates indicated. The information in the Average column represents the average of the exchange rates on the last day of each month during the periods presented.

	***Reais* per U.S. Dollar**			
Year	**High**	**Low**	**Average**	**Period End**
2013	R$ 2.446	R$ 1.953	R$ 2.161	R$ 2.343
2014	2.740	2.197	2.354	2.656
2015	4.195	2.575	3.339	3.905
2016	4.156	3.119	3.483	3.259
2017	3.381	3.051	3.193	3.308

	***Reais* per U.S. Dollar**	
Month	**High**	**Low**
April 2018	3.504	3.310
May 2018	3.750	3.531
June 2018	3.900	3.691
July 2018	3.926	3.712
August 2018	4.181	3.712
September 2018	4.188	4.004
October 2018(1)	4.027	3.637

(1) Through October 31, 2018.
Source: Brazilian Central Bank

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USE OF PROCEEDS

There is no minimum subscription amount that must be received in order to close the Rights Offer. The net proceeds of the Rights Offer (including proceeds of any Common Shares purchased pursuant to the Commitment Agreement) are expected to be approximately R$3,669.4 million (US$987.0 million) after payment of the estimated expenses of the Rights Offer and based on an exchange rate of R$3.7177=US$1.00, the PTAX selling rate as reported by the Central Bank of Brazil (*Banco Central do Brasil*) on October 31, 2018. See Expenses of the Offering.

We intend to use the net proceeds from the Rights Offer to fund planned and future capital expenditures. We expect that approximately 70% of these net proceeds will be allocated to improving our fixed telecommunication network, so as to enable the repositioning of our broadband offers, and that the remaining 30% will be allocated to enhancing the coverage of our mobile network to accelerate the expansion of our 1800 MHz 4G mobile network. Our management will have significant flexibility in applying the net proceeds to the uses described above.

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CAPITALIZATION

The following table sets forth, as of June 30, 2018, the capitalization and indebtedness of our company (1) on an actual basis, (2) on an adjusted basis giving effect to (i) our issuance of 68,263 Common Shares in the preemptive offer of New Shares and Warrants to all holders of our Common Shares and Preferred Shares, (ii) our issuance to Qualified Bondholders of New Notes in an aggregate principal amount of US$1,654 million, 302,846,268 new Common ADSs (representing 1,514,231,340 newly issued Common Shares), and 23,295,054 ADWs representing the right to subscribe for 23,295,054 newly issued Common ADSs (representing 116,475,270 Common Shares), and our distribution of 23,250,281 Common ADSs previously held by PTIF (representing 116,251,405 Common Shares) to Qualified Bondholders as part of the settlement of the Qualified Recovery and the corresponding reduction of R$25,969 million of loans and financing, (iii) our delivery to Non-Qualified Bondholders of participation interests in the Non-Qualified Credit Agreement as the recovery with respect to their beneficial interests in the Defaulted Bonds, and (iv) our issuance of 112,598,610 Common Shares to holders that exercised Warrants and ADWs, and (3) on a further adjusted basis reflecting the issuance of 3,225,806,451 New Common Shares (including New Common Shares represented by New Common ADSs) in the Rights Offer as if the Rights Offer had been completed as of June 30, 2018. Subject to compliance with any applicable law or the rules of any applicable stock exchange, we may consummate the Rights Offer even if the Commitment Agreement is terminated or the conditions precedent to the Commitment Agreement are not satisfied or (if applicable) waived on or prior to the closing date of the Rights Offer.

The actual column below has been derived from our unaudited interim consolidated financial statements as of June 30, 2018 prepared in accordance with U.S. GAAP included elsewhere in this prospectus. You should read this table together with the information in Management s Discussion and Analysis of Financial Condition and Results of Operations and our unaudited interim consolidated financial statements and the related notes included elsewhere in this prospectus.

	Actual		As Adjusted(1)		As Further Adjusted(2)	
	(in millions of US$)(3)	(in millions of *reais*)	(in millions of US$)(3)	(in millions of *reais*)	(in millions of US$)(3)	(in millions of *reais*)
Indebtedness:						
Short-term debt, including current portion of long-term debt	US$77	R$299	US$77	R$299	US$77	R$299
Long-term Debt:						
Restructured BNDES credit agreements	898	3,463	898	3,463	898	3,463
10.000%/12.000% Senior PIK Toggle Notes due 2025			1,732	6,677	1,732	6,677
Debentures	1,717	6,622	1,717	6,622	1,717	6,622
Restructured Export Credit Facilities	1,625	6,268	1,625	6,268	1,625	6,268
Restructured Brazilian credit agreements and CRIs	468	1,806	468	1,806	468	1,806
Non-Qualified Credit Agreement			96	369	96	369
Local currency financial institution	14	54	14	54	14	54
Default Recovery	54	207	1,098	4,234	1,098	4,234
Incurred debt issuance costs	(1)	(2)	(1)	(2)	(1)	(2)

Fair value adjustment	(2,432)	(9,379)	(3,701)	(14,269)	(3,701)	(14,269)
Long-term debt	2,266	8,739	3,870	14,922	3,870	14,922
Total debt	2,344	9,038	3,947	15,220	3,947	15,220

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	Actual		As Adjusted(1)		As Further Adjusted(2)	
	(in millions of US$)(3)	(in millions of *reais*)	(in millions of US$)(3)	(in millions of *reais*)	(in millions of US$)(3)	(in millions of *reais*)
Shareholders Equity:						
Preferred shares	1,062	4,095	1,062	4,095	1,062	4,095
Common shares	4,498	17,343	7,248	27,948	7,368	28,409
Share capital	5,560	21,438	8,310	32,042	8,430	32,504
Share issuance cost	(115)	(445)	(115)	(445)	(201)	(776)
Capital reserve	4,607	17,763	3,899	15,035	4,817	18,574
Treasury shares	(1,434)	(5,531)	(727)	(2,803)	(727)	(2,803)
Other comprehensive loss	(316)	(1,217)	(316)	(1,217)	(316)	(1,217)
Accumulated losses	(6,580)	(25,370)	(2,594)	(10,001)	(2,594)	(10,001)
Total shareholders equity attributable to the company and its subsidiaries	1,722	6,638	8,458	32,612	9,410	36,281
Non-controlling interest	72	279	72	279	72	279
Total shareholders equity	1,794	6,917	8,530	32,891	9,482	36,560
Total capitalization (4)	US$4,138	R$15,955	US$12,478	R$48,111	US$13,429	R$51,781

(1) Reflects (i) the issuance of 68,263 Common Shares in the preemptive offer of New Shares and Warrants to all holders of our Common Shares and Preferred Shares, (ii) the issuance to Qualified Bondholders of New Notes in an aggregate principal amount of US$1,654 million, 302,846,268 new Common ADSs (representing 1,514,231,340 newly issued Common Shares), and 23,295,054 ADWs representing the right to subscribe for 23,295,054 newly issued Common ADSs (representing 116,475,270 Common Shares), and the distribution of 23,250,281 Common ADSs previously held by PTIF (representing 116,251,405 Common Shares) to Qualified Bondholders as part of the settlement of the Qualified Recovery and the corresponding reduction of R$25,969 million of loans and financing, (iii) the delivery to Non-Qualified Bondholders of participation interests in the Non-Qualified Credit Agreement as the recovery with respect to their beneficial interests in the Defaulted Bonds, and (iv) the issuance of 112,598,610 Common Shares to holders that exercised Warrants and ADWs.

(2) Reflects the issuance of 3,225,806,451 New Common Shares in the Rights Offer at the subscription price of R$1.24 per New Common Share.

(3) Translated for convenience only using the selling rate as reported by the Brazilian Central Bank on June 30, 2018 for *reais* into U.S. dollars of R$3.8558=US$1.00.

(4) Represents total debt plus total shareholders equity.

There have been no material changes in our capitalization or indebtedness since June 30, 2018, other than as disclosed in the table above.

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DILUTION

If you do not exercise your rights you will, at the completion of the Rights Offer, own a smaller proportional interest in our company than you owned prior to the Rights Offer. In addition, if you own our Common ADSs or Common Shares prior to the Rights Offer, an immediate dilution of the book value per Common ADS or Common Share will be experienced by you as a result of the Rights Offer.

If you invest in the New Common Shares, including New Common Shares in the form of New Common ADSs, in the Rights Offer, your ownership interest will be immediately diluted to the extent of the difference between the exercise price of the Common Share Rights or Common ADS Rights, as applicable, and the as adjusted net tangible book value per Common Share after the Rights Offer.

The net tangible book value of our company as of June 30, 2018 was R$(1,729) million, or R$(2.56) per Common Share, the equivalent of US$(3.32) per Common ADS, based on the ratio of five Common Shares per Common ADS and the selling rate as reported by the Brazilian Central Bank on June 30, 2018 for *reais* into U.S. dollars of R$3.8558=US$1.00. Net tangible book value per Common Share represents the amount of our total consolidated assets (less intangible assets), less the amount of our total consolidated liabilities, in each case, as of June 30, 2018, divided by 675,667,147, the total number of Common Shares and Preferred Shares issued and outstanding as of June 30, 2018.

Assuming that the July 23, 2018 closing of the preemptive offer of New Shares and Warrants to all holders of our Common Shares and Preferred Shares in which we issued 68,263 Common Shares and 5,197 Warrants for an aggregate of R$478,000 had been completed on June 30, 2018, the net tangible book value of our company as of June 30, 2018 would have been R$(2.56) per Common Share, the equivalent of US$(3.32) per Common ADS, based on the ratio of five Common Shares per Common ADS and the selling rate as reported by the Brazilian Central Bank on June 30, 2018 for *reais* into U.S. dollars of R$3.8558=US$1.00.

Assuming the above and that the July 27, 2018 settlement of the Qualified Recovery and the Non-Qualified Recovery to which certain holders of the Defaulted Bonds were entitled, in which we issued 1,514,231,340 New Shares and distributed 116,251,405 Common Shares accounted for as treasury shares, as well as 116,475,270 Warrants, with the corresponding increase of R$6,183 million of our loans and financing and reduction of R$32,153 million of our liabilities subject to compromise, had been completed on June 30, 2018, the net tangible book value of our company as of June 30, 2018 would have been R$10.51 per Common Share, the equivalent of US$13.63 per Common ADS, based on the ratio of five Common Shares per Common ADS and the selling rate as reported by the Brazilian Central Bank on June 30, 2018 for *reais* into U.S. dollars of R$3.8558=US$1.00.

Assuming the above and that all Warrants, under which we will issue 116,480,467 Common Shares for an aggregate exercise price of R$4 million, had been exercised on June 30, 2018, the net tangible book value of our company as of June 30, 2018 would have been R$10.01 per Common Share, the equivalent of US$12.98 per Common ADS, based on the ratio of five Common Shares per Common ADS and the selling rate as reported by the Brazilian Central Bank on June 30, 2018 for *reais* into U.S. dollars of R$3.8558=US$1.00.

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Assuming the above and an issuance and sale by us of 3,225,806,451 New Common Shares in the Rights Offer (including New Common Shares represented by New Common ADSs) at the price of R$1.24 per New Common Share and US$1.61 per New Common ADS (the U.S. dollar equivalent of five times the New Common Share Subscription Price based on the closing rate for the sale of U.S. dollars against the *real* as reported by the Brazilian Central Bank on June 30, 2018 of R$3.8558=US$1.00), after deducting estimated offering expenses payable by us, the net tangible book value of our company as of June 30, 2018 would have been R$4.95 per Common Share, the equivalent of US$6.41 per Common ADS, based on the ratio of five Common Shares per Common ADS and the closing rate for the sale of U.S. dollars against the *real* as reported by the Brazilian Central Bank on June 30, 2018 of R$3.8558=US$1.00. This represents an immediate decrease in net tangible book value of US$6.59 per Common ADS and R$5.08 per Common Share outstanding prior to the Rights Offer and an immediate increase in net tangible book value of R$3.71 per Common Share and US$4.81 per Common ADS issued in the Rights Offer. The following table illustrates this per Common Share and per Common ADS dilution:

	Per Common Share	**Per Common ADS**
Price per New Common Share and per New Common ADS	R$1.24	US$1.61(1)
Net tangible book value per Common Shares and per Common ADS as of June 30, 2018	(2.56)	(3.32)
Net tangible book value per Common Share and per Common ADS as of June 30, 2018, after adjustment to reflect our issuance of New Shares on July 23, 2018	(2.56)	(3.32)
Net tangible book value per Common Share and per Common ADS as of June 30, 2018, after adjustment to reflect (i) our issuance of New Shares on July 23, 2018 and (ii) our settlement of the Qualified Recovery and the Non-Qualified Recovery on July 27, 2018	10.51	13.63
Net tangible book value per Common Share and per Common ADS as of June 30, 2018, after adjustment to reflect (i) our issuance of New Shares on July 23, 2018, (ii) our settlement of the Qualified Recovery and the Non-Qualified Recovery on July 27, 2018, and (iii) our issuance of Common Shares upon exercise of the Warrants	10.01	12.98
Net tangible book value per Common Share and per Common ADS as of June 30, 2018, after adjustment to reflect (i) our issuance of New Shares on July 23, 2018, (ii) our settlement of the Qualified Recovery and the Non-Qualified Recovery on July 27, 2018, (iii) our issuance of Common Shares upon exercise of the Warrants, and (iv) the New Common Shares (including New Common Shares represented by New Common ADSs) in the Rights Offer	4.95	6.41
Decrease in net tangible book value per Common Share and per Common ADS outstanding prior to the Rights Offer (2)	5.08	6.59
Increase in net tangible book value per Common Share and per Common ADS issued in the Rights Offer (3)	3.71	4.81

(1) This represents the U.S. dollar equivalent of five times the New Common Share Subscription Price based on the closing rate for the sale of U.S. dollars against the *real* as reported by the Brazilian Central Bank on June 30, 2018 of R$3.8558=US$1.00.

(2) This represents a decrease of 50.7% in the net tangible book value per Common Share and per Common ADS outstanding immediately prior to the Rights Offer.

(3) This represents an increase of 298.8% in the net tangible book value per Common Share and per Common ADS issued in the Rights Offer.

After giving effect to our sale of 3,225,806,451 New Common Shares in the Rights Offer (including New Common Shares represented by New Common ADSs), existing Common ADS holders or holders of Common Shares who do not exercise their ADS Rights or Common Share Rights, respectively, in the Rights Offer will be diluted such that a shareholder holding 10% of our issued and outstanding share capital prior to the Rights Offer will have its shareholding reduced to approximately 4.3% following the Rights Offer.

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SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial information is being provided to help you in your analysis of the financial aspects of the Rights Offer. You should read this information in conjunction with our consolidated the financial statements included elsewhere in this prospectus and with the sections of this prospectus entitled Presentation of Financial and Other Information, Business, and Management s Discussion and Analysis of Financial Condition and Results of Operations.

The following selected financial data has been derived from our consolidated financial statements. The selected financial data as of June 30, 2018 and for the six-month periods ended June 30, 2018 and 2017 have been derived from our unaudited interim consolidated financial statements included in this prospectus. The selected financial data as of December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015 has been derived from our audited consolidated financial statements included in this prospectus. The selected financial data as of December 31, 2015, 2014 and 2013 and for the years ended December 31, 2014 and 2013 has been derived from our consolidated financial statements that are not included in this prospectus.

The RJ Proceedings prompted us to perform a detailed analysis on the completeness and the accuracy of the judicial deposits and accounting balances of the other assets of the RJ Debtors. As a result, we determined the need to restate previously issued financial statements and related disclosures to correct errors. Accordingly, we have restated our consolidated financial statements for the year ended December 31, 2015. Restatement adjustments attributable to fiscal year 2014 and previous fiscal years are reflected as a net adjustment to retained earnings as of January 1, 2015.

The errors detected and corrected in our financial statements related to our judicial deposits, our provisions for contingencies, intragroup balances, tax credits and estimates of revenue from services rendered and not yet billed to customers, as described in Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Presentation and Accounting Policies Restatement of 2015 Financial Statements and note 2 to our audited consolidated financial statements included in this prospectus.

In connection with the presentation of financial information as of December 31, 2015, 2014 and 2013 and for the years ended December 31, 2014 and 2013, Oi has restated the financial statements related to those dates and periods to correct the errors included in these previously issued financial statements.

	For the Six-Month Period Ended June 30,			For the Year Ended December 31,					
	2018(1)	2018	2017	2017(1)	2017	2016	2015(2) (restated)	2014(2) (restated)	2013(2) (restated)
	(in millions of US$, except per share amounts)	(in millions of *reais*, except per share amounts and as otherwise indicated)		(in millions of US$, except per share amounts)	(in millions of *reais*, except per share amounts and as otherwise indicated)				
Income Statement Data:									
Net operating revenue	US$ 2,908	R$ 11,214	R$ 11,998	US$ 6,170	R$ 23,790	R$ 25,996	R$ 27,354	R$ 28,247	R$ 28,422

Cost of sales and services	(2,033)	(7,839)	(7,793)	(4,066)	(15,676)	(16,742)	(16,250)	(16,257)	(16,467)
Gross profit	875	3,374	4,206	2,104	8,114	9,254	11,104	11,990	11,955
Selling expenses	(606)	(2,338)	(2,119)	(1,141)	(4,400)	(4,383)	(4,720)	(5,566)	(5,532)
General and administrative expenses	(335)	(1,290)	(1,575)	(795)	(3,064)	(3,688)	(3,912)	(3,835)	(3,683)
Other operating income (expenses), net	110	426	101	(271)	(1,044)	(1,237)	(2,295)	1,758	735
Reorganization items, net	4,230	16,309	(275)	(615)	(2,372)	(9,006)			
Operating income (loss) before financial expenses, net, and taxes	4,274	16,481	337	(717)	(2,766)	(9,060)	178	4,347	3,475

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	For the Six-Month Period Ended June 30,			For the Year Ended December 31,					
	2018(1)	**2018**	**2017**	**2017(1)**	**2017**	**2016**	**2015(2) (restated)**	**2014 (2) (restated)**	**2013(2) (restated)**
	(in millions of US$, except per share amounts)	**(in millions of *reais*, except per share amounts and as otherwise indicated)**		**(in millions of US$, except per share amounts)**	**(in millions of *reais*, except per share amounts and as otherwise indicated)**				
Financial expenses, net	(116)	(448)	(1,353)	(418)	(1,612)	(4,375)	(6,724)	(4,688)	(3,429)
Income (loss) of continuing operations before taxes	4,158	16,033	(1,016)	(1,135)	(4,378)	(13,435)	(6,546)	(342)	46
Income tax and social contribution	(6)	(25)	262	91	351	(2,245)	(3,380)	(758)	(77)
Net income (loss) of continuing operations	4,152	16,008	(755)	(1,044)	(4,027)	(15,680)	(9,926)	(1,100)	(31)
Net income (loss) of discontinued operations, net of taxes							(867)	(4,086)	
Net income (loss)	US$ 4,152	R$ 16,008	R$ (755)	US$ (1,044)	R$ (4,027)	R$ (15,680)	R$ (10,793)	R$ (5,186)	R$ (31)
Net income (loss) attributable to controlling shareholders	4,150	16,001	(723)	(969)	(3,736)	(15,502)	(10,380)	(5,187)	(31)
Net income (loss) attributable to non-controlling shareholders	2	8	(32)	(75)	(291)	(178)	(413)	1	
Net income (loss) applicable to each class of									

shares (3):									
Common shares basic and diluted	3,192	12,308	(556)	(745)	(2,874)	(11,925)	(4,473)	(1,702)	(10)
Preferred shares and ADSs basic and diluted	958	3,692	(167)	(224)	(862)	(3,577)	(5,907)	(3,485)	(21)
Net income (loss) per share:									
Common shares basic and diluted	6.14	23.68	(1.07)	(1.43)	(5.53)	(22.94)	(14.22)	(8.41)	(0.19)
Common ADSs basic and diluted	30.71	118.41	(5.35)	(7.17)	(27.65)	(114.72)	(71.11)	42.06	0.97
Preferred shares and ADSs basic and diluted	6.14	23.68	(1.07)	(1.43)	(5.53)	(22.94)	(14.22)	(8.41)	(0.19)
Net income (loss) per share from continuing operations:									
Common shares basic and diluted	6.14	23.68	(1.07)	(1.43)	(5.53)	(22.94)	(14.22)	(8.41)	(0.19)
Common ADSs basic and diluted	30.71	118.41	(5.35)	(7.17)	(27.65)	(114.72)	(71.11)	42.06	0.97
Preferred shares and ADSs basic and diluted	6.14	23.68	(1.07)	(1.43)	(5.53)	(22.94)	(14.22)	(8.41)	(0.19)

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	For the Six-Month Period Ended June 30,				For the Year Ended December 31,				
	2018(1)	2018	2017	2017(1)	2017	2016	2015(2) (restated)	2014(2) (restated)	2013(2) (restated)
	(in millions of US$, except per share amounts)	(in millions of *reais*, except per share amounts and as otherwise indicated)		(in millions of US$, except per share amounts)	(in millions of *reais*, except per share amounts and as otherwise indicated)				
Net income (loss) per share from discontinued operations:									
Common shares basic and diluted							(1.19)	6.63	
Common ADSs basic and diluted							(5.94)	33.14	
Preferred shares and ADSs basic and diluted							(1.19)	6.63	
Weighted average shares outstanding (in thousands):									
Common shares basic		519,752	519,752		519,752	519,752	314,518	202,312	51,476
Common shares diluted		519,752	519,752		519,752	519,752	314,518	202,312	51,476
Preferred shares and ADSs basic		155,915	155,915		155,915	155,915	415,321	414,200	112,527
Preferred shares and ADSs diluted		155,915	155,915		155,915	155,915	415,321	414,200	112,527

(1) Translated for convenience only using the selling rate as reported by the Brazilian Central Bank on June 30, 2018 for *reais* into U.S. dollars of R$3.8558=US$1.00.
(2) Derived from our restated consolidated statements of operations for the years ended December 31, 2015, 2014 and 2013, which have been restated to correct certain errors to our previously issued financial statements and related disclosures. For more information, see Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Presentation and Accounting Policies Restatement of 2015 Financial Statements and note 2 to our audited consolidated financial statements included in this prospectus.
(3) In accordance with ASC 260, basic and diluted earnings per share have been calculated using the two class method. See note 21(g) to our audited consolidated financial statements included in this prospectus.

	As of June 30,				As of December 31,			
	2018(1)	2018	2017(1)	2017	2016	2015(2) (restated)	2014(2) (restated)	2013(2) (restated)
	(in millions of	(in millions	(in millions of	(in millions of *reais*)				

	US$)	of *reais*)	US$)					
Balance Sheet Data:								
Cash and cash equivalents	US$ 1,322	R$ 5,096	US$ 1,780	R$ 6,863	R$ 7,563	R$ 14,898	R$ 2,449	R$ 2,425
Short-term investments	11	42	5	21	117	1,802	171	493
Trade accounts receivable, less allowance for doubtful accounts	1,841	7,097	1,911	7,367	7,891	8,010	7,092	6,750
Assets held for sale	1,318	5,082	1,212	4,675	5,404	7,686	34,255	
Total current assets	6,031	23,256	6,094	23,498	26,212	37,645	50,797	17,554
Property, plant and equipment, net	7,067	27,248	7,024	27,083	26,080	25,818	26,244	25,725
Non-current judicial deposits	2,062	7,952	2,150	8,290	8,388	8,953	9,127	8,167
Intangible assets, net	2,242	8,647	2,400	9,255	10,511	11,780	13,554	14,666
Total assets	18,161	70,024	18,410	70,987	74,047	94,545	106,999	75,244
Short-term loans and financings (including current portion of long-term debt)	77	299	14	54	55	11,810	4,464	4,159
Trade payables	1,074	4,142	1,341	5,171	4,116	5,253	4,359	4,763
Liabilities of assets held for sale (3)	71	274	92	354	545	745	27,178	
Total current liabilities	2,125	8,195	2,550	9,831	9,444	26,142	42,752	15,700
Long-term loans and financings	2,266	8,739				48,048	31,386	31,695
Liabilities subject to compromise	9,462	36,482	16,894	65,139	63,746			
	16,367	63,107	20,922	80,671	79,396	83,528	84,253	59,233

Total liabilities								
Share capital	5,560	21,438	5,560	21,438	21,438	21,438	21,438	7,471
Shareholders equity (deficit)	1,794	6,917	(2,512)	(9,684)	(5,349)	11,017	22,746	16,011

(1) Translated for convenience only using the selling rate as reported by the Brazilian Central Bank on June 30, 2018 for *reais* into U.S. dollars of R$3.8558=US$1.00.

(2) Derived from our restated consolidated balance sheets as of December 31, 2015, 2014 and 2013, which have been restated to correct certain errors to our previously issued financial statements and related disclosures. For more information, see Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Presentation and Accounting Policies Restatement of 2015 Financial Statements and note 2 to our audited consolidated financial statements included in this prospectus.

(3) As of December 31, 2014, includes short-term loans and financings (including current portion of long-term debt) of R$1,935 million and long-term loans and financings of R$16,958 million that remained obligations of our company following the completion of our sale of PT Portugal.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those discussed in the forward-looking statements for several reasons, including those described under Cautionary Note Regarding Forward-Looking Statements, Risk Factors and other issues discussed herein. The following discussion of our financial condition and results of operations should be read in conjunction with: (1) our unaudited consolidated financial statements as of June 30, 2018 and for the six-month periods ended June 30, 2018 and 2017, which were prepared in accordance with U.S. GAAP, and the related notes, included elsewhere in this prospectus; (2) our audited consolidated financial statements as of December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015, which were prepared in accordance with U.S. GAAP, and the related notes, included elsewhere in this prospectus; and (3) the information presented under the sections entitled Presentation of Financial and Other Information and Selected Consolidated Financial Information.

Overview

We are one of the principal integrated telecommunications service providers in Brazil with approximately 58.4 million RGUs as of June 30, 2018. We operate throughout Brazil and offer a range of integrated telecommunications services that include fixed-line and mobile telecommunication services, network usage (interconnection), data transmission services (including broadband access services), Pay-TV (including as part of double-play, triple-play and quadruple-play packages), internet services and other telecommunications services for residential customers, small, medium and large companies and governmental agencies. We owned 355,273 kilometers of installed fiber optic cable, distributed throughout Brazil, as of June 30, 2018. Our mobile network covered areas in which approximately 90.4% of the Brazilian population lived and worked as of June 30, 2018. According to ANATEL, as of June 30, 2018, we had a 16.5% market share of the Brazilian mobile telecommunications market and a 32.4% market share of the Brazilian fixed-line market. During the six-month period ended June 30, 2018, we recorded net operating revenue of R$11,214 million and income of R$16,008 million, and during 2017, we recorded net operating revenue of R$23,790 million and a loss of R$4,027 million.

Our results of operations and financial condition have been and will be significantly influenced in future periods by the RJ Proceedings, our disposition of PT Portugal and our investment in Africatel. In addition, our results of operations for the six-month period ended June 30, 2018 and for the years ended December 31, 2017, 2016 and 2015 and our financial condition as of June 30, 2018 and December 31, 2017 and 2016 have been influenced, and our future results of operations and financial condition will continue to be influenced, by a variety of factors, including:

- the evolution of Brazilian GDP, which grew by1.0% in 2017 and declined by 3.5% in each of 2016 and 2015, which we believe affects demand for our services and, consequently, our net operating revenue;

- the number of our fixed lines in service, which declined to 12.4 million as of June 30, 2018 from 12.9 million as of December 31, 2017, 13.7 million as of December 31, 2016 and 14.5 million as of December 31, 2015 (excluding fixed-line customers of our discontinued operations), and the percentage of our fixed-line customers that subscribe to our alternative plans which increased to 86.0% as of June 30, 2018 from 85.4% as of December 31, 2017, 85.5% as of December 31, 2016 from 86.4% as of December 31, 2015;

the number of our mobile customers, which declined to 38.8 million as of June 30, 2018 from 39.0 million as of December 31, 2017, 42.2 million as of December 31, 2016 and 48.1 million as of December 31, 2015 (excluding fixed-line customers of our discontinued operations);

the number of our fixed-line customers that subscribe to our broadband services, which remained stable at 5.6 million as of June 30, 2018 and December 31, 2017 after declining from 5.7 million as of December 31, 2016 and 2015 (excluding fixed-line customers of our discontinued operations);

the number of our Pay-TV customers, which grew to 1.6 million as of June 30, 2018 from 1.5 million as of December 31, 2017, 1.3 million as of December 31, 2016 and 1.2 million as of December 31, 2015 (excluding fixed-line customers of our discontinued operations);

the increased competition in the Brazilian market for telecommunications services, which affects the amount of the discounts that we offer on our service rates and the quantity of services that we offer at promotional rates;

inflation rates in Brazil, which were 2.6% in the six-month period ended June 30, 2018, 2.9% in 2017, 6.3% in 2016 and 10.6% in 2015, as measured by the IST, and the resulting adjustments to our regulated rates in Brazil, as well as the effects of inflation on our *real*-denominated debt that is indexed to take into account the effects of inflation or bears interest at rates that are partially adjusted for inflation;

our compliance with our quality of service obligations under the General Plan on Quality Goals and our network expansion and modernization obligations under the General Plan of Universal Service Goals and our concession agreements, the amount of the fines assessed against us by ANATEL for alleged failures to meet these obligations and our success in challenging fines that we believe are assessed in error; and

changes in the exchange rates of the *real* against the U.S. dollar, including the 13.5% depreciation of the *real* against the U.S. dollar during the six-month period ended June 30, 2018, the 1.5% depreciation of the *real* against the U.S. dollar during 2017, the 16.5% appreciation of the *real* against the U.S. dollar during 2016, and the 47.0% depreciation of the *real* against the U.S. dollar during 2015, which has affected the cost in *reais* of a substantial portion of the network equipment that we purchase for our capital expenditure projects, the prices of which are denominated in U.S. dollars or are U.S. dollar-linked.

Financial Presentation and Accounting Policies

Presentation of Financial Statements

We have prepared our unaudited interim consolidated financial statements and our audited consolidated financial statements in accordance with U.S. GAAP, under the assumption that we will continue as a going concern. Our audited consolidated financial statements have been audited in accordance with Public Company Accounting Oversight Board, or PCAOB, standards.

Under U.S. GAAP, our management is required to assess whether there are conditions or events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after our financial statements are issued. Our management s assessment of our ability to continue as a going concern is discussed in note 1 to each of our audited consolidated financial statements included in this prospectus and our unaudited interim consolidated financial statements. As of December 31, 2017, our management had taken relevant steps in the RJ Process, particularly the preparation, presentation and approval of the RJ Plan, which allows our viability and continuity, and the approval of the RJ Plan by our creditors on December 20, 2017. Since December 31 2017, the RJ Plan has been confirmed by the RJ Court and our management has been making the necessary efforts to implement and monitor the RJ Plan based on the understanding that our financial statements were prepared with a going concern assumption.

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We incurred net losses in 2017, 2016, and 2015. We have a substantial level of indebtedness and have experienced a decline in consolidated revenues. Our commencement of the RJ Proceedings constituted an event of default of our debt and other obligations. These conditions result in material uncertainty that gives rise to substantial doubt about our ability to continue as a going concern within one year subsequent to December 31, 2017. We believe that our ability to continue as a going concern is contingent upon our ability to implement the RJ Plan, to maintain existing customer, vendor and other relationships and to maintain sufficient liquidity throughout the RJ Proceedings, among other factors.

Our consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities or any other adjustments that might be necessary should we be unable to continue as a going concern. While operating as under the jurisdiction of the RJ court, we may sell or otherwise dispose of or liquidate assets or settle liabilities, subject to the approval of the RJ Court, or as otherwise permitted in the ordinary course of business, for amounts other than those reflected in our consolidated financial statements.

Accounting for RJ Proceedings

As a result of the RJ Proceedings (which are considered to be similar in all substantive respects to proceedings under Chapter 11 of the U.S. Bankruptcy Code), we have applied ASC 852 in preparing our consolidated financial statements. ASC 852 requires that financial statements separately disclose and distinguish transactions and events that are directly associated with our reorganization from transactions and events that are associated with the ongoing operations of our business. Accordingly, expenses, gains, losses and provisions for losses that are realized or incurred in the RJ Proceedings have been recorded under the classification Reorganization Items, Net in our consolidated statements of operations. In addition, our prepetition obligations that may be impacted by the RJ Proceedings based on our assessment of these obligations following the guidance of ASC 852 have been classified on our balance sheet as Liabilities subject to compromise. Prepetition liabilities subject to compromise are required to be reported at the amount allowed as a claim by the RJ Court, regardless of whether they may be settled for lesser amounts and remain subject to future adjustments based on negotiated settlements with claimants, actions of the RJ Court or other events.

In connection with our emergence from the RJ Proceedings, we may be required to adopt fresh start accounting, upon which our assets and liabilities will be recorded at their fair value. The fair values of our assets and liabilities as of that date may differ materially from the recorded values of its assets and liabilities as reflected in our historical consolidated financial statements. In addition, our adoption of fresh start accounting may materially affect our results of operations following the fresh start reporting dates as we may have a new basis in our assets and liabilities. Consequently, our financial statements following our adoption of fresh start accounting may not be comparable with our financial statements prior to that date and the our historical financial statements may not be reliable indicators of our financial condition and results of operations for any period after we adopt fresh start accounting. We concluded that we were not required to adopt fresh start accounting as of December 31, 2017 or June 30, 2018 and we are in the process of evaluating the potential impact of fresh start accounting on our consolidated financial statements in future periods.

Restatement of 2015 Financial Statements

The RJ Proceedings prompted us to perform a detailed analysis on the completeness and the accuracy of the judicial deposits and accounting balances of the other assets of the RJ Debtors. As a result, we determined the need to restate previously issued financial statements and related disclosures to correct errors. Accordingly, we are restating our consolidated financial statements for the year ended December 31, 2015. Restatement adjustments attributable to fiscal year 2014 and previous fiscal years are reflected as a net adjustment to retained earnings as of January 1, 2015.

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The errors detected and corrected in our financial statements related to our judicial deposits, our provisions for contingencies, intragroup balances, tax credits and estimates of revenue from services rendered and not yet billed to customers, as described below.

As part of our negotiations of our RJ Plan, we obtained information from creditors that were also the depositaries of certain of our judicial deposits that was more recent and more detailed than the information with respect to these judicial deposits that was previously available to us. In addition, we were able to use new IT tools to collect updated information from website of various courts related to lawsuits for which we had made judicial deposits due to the increased use of digitalization processes by these courts. Finally the suspension of court claims against us during the pendency of our RJ proceedings resulted in a lower number of new lawsuits against us and prevented our posting of new judicial deposits.

Based on the information available to us, we reviewed some of our processes and controls related to judicial deposits. As a result of this review, we identified the errors related to (1) judicial deposits that were recognized in our balance sheet but were withdrawn in previous years by the plaintiff following unfavorable court decisions, and (2) the calculation of the statistical provision for civil and labor contingencies.

As of January 1, 2015, we wrote off R$3,133 million of judicial deposits already withdrawn and increased our provision for contingencies by R$493 million. As a result of the increase in provision for contingencies, the write-off of judicial deposits and the correction of the corresponding inflation adjustments on the written off judicial deposits, our restated net loss during 2015 increased by R$1,163 million compared to our net loss previously reported.

In connection with the preparation of our creditors list as part of the RJ proceedings, we performed procedures to obtain supporting documentation, which resulted in our collecting information necessary to reconcile intragroup balances. Errors discovered in the reconciliation of these intragroup balances led us to recognize additional accounts payable of R$172 million as of January 1, 2015 and to write off accounts receivable of R$167 million as of January 1, 2015, in each case related to those intragroup balances. As a result of the increase in accounts payable and the write-off of accounts receivable, our restated net loss during 2015 decreased by R$59 million compared to our net loss previously reported.

In connection with our internal control over financial reporting, we concluded that we had recorded balances related to direct and indirect tax credits that have expired or for which we do not have adequate supporting documentation to claim a refund from tax authorities. As of January 1, 2015, we wrote off R$199 million of unrecoverable tax credits previously recognized under taxes, and R$52 million of unrecoverable tax credits previously recognized under other assets.

We estimate revenue from services provided and not yet billed to customers using the available information provided by our operating systems. In connection with our internal control over financial reporting, we identified that the most recent operational information available as of January 1, 2015 was not used by us to estimate the revenue from our services rendered and not yet billed to customers as of that date. As a result, we wrote off R$191 million of provision for estimated unbilled revenue as of January 1, 2015.

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The following table summarizes the impact of the restatement on our previously reported consolidated balance sheet:

	Balances as previously presented at 12/31/2015	Adjustments	Restated balances at 12/31/2015
		(in millions of *reais*)	
Current assets:			
Trade accounts receivable, net (1), (2)	R$ 8,380	R$ (370)	R$ 8,010
Other taxes (3)	923	(199)	724
Other assets	28,912		28,912
Total current assets	38,214	(569)	37,645
Non-current assets:			
Judicial deposits	13,119	(4,166)	8,953
Other assets	48,002	(54)	47,947
Total assets	R$ 99,335	R$ (4,789)	R$ 94,545
Current liabilities:			
Trade payables (1)	R$ 5,036	R$ 218	R$ 5,253
Provisions (4)	1,021	319	1,340
Other liabilities	19,548		19,548
Total current liabilities	25,605	537	26,142
Non-current liabilities:			
Provisions (4)	3,414	303	3,717
Other liabilities	53,669		53,669
Total liabilities	82,688	840	83,528
Shareholders equity:			
Shareholders equity	16,646	(5,629)	11,017
Total liabilities and shareholders equity	R$ 99,335	R$ (4,789)	R$ 94,545

(1) Realization of intragroup balances.
(2) Inappropriate estimate of revenue from services rendered and not billed.
(3) Realization of tax credits.
(4) Derecognition of judicial deposits and increase of provisions for contingencies.

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The following table summarizes the impact of the restatement on our previously reported consolidated statement of operations:

	Balances as previously presented at 12/31/2015	Adjustments (1)	Adjustments (2)	Restated balances at 12/31/2015
	(in millions of *reais*)			
Net operating revenue	R$ 27,354	R$	R$	R$ 27,354
Cost of sales and services	(16,250)			(16,250)
Gross profit	11,104			11,104
Selling expenses	(4,720)			(4,720)
General and administrative expenses	(3,912)			(3,912)
Other operating income (expenses), net	(1,258)	(976)	(59)	(2,294)
Operating income (loss) before financial expenses, net, and taxes	1,213	(976)	(59)	177
Financial expenses, net	(6,538)	(186)		(6,724)
Income (loss) of continuing operations before taxes	(5,325)	(1,163)	(59)	(6,547)
Income tax and social contribution	(3,380)			(3,380)
Net income (loss) of continuing operations	(8,705)	(1,163)	(59)	(9,927)
Net income (loss) of discontinued operations, net of taxes	(867)			(867)
Net income (loss)	R$ (9,572)	R$ (1,163)	R$ (59)	R$ (10,794)
Net income (loss) attributable to controlling shareholders	R$ (9,159)	R$ (1,163)	R$ (59)	R$ (10,381)
Net income (loss) attributable to non-controlling shareholders	(413)			(413)

(1) Derecognition of judicial deposits and increase of provisions for contingencies.
(2) Realization of intragroup balances.
The following table summarizes the impact of the restatement on our previously reported consolidated statement of cash flows:

Adjustments

	Balances as previously presented at 12/31/2015		Restated balances at 12/31/2015
	(in millions of *reais*)		
Operating activities:			
Net loss for the year	R$ (9,572)	R$ (1,222)	R$ (10,794)
Discontinued operations, net of tax	867		867
Adjustments to reconcile net income to cash provided by operating activities:			
Loss (gain on financial instruments	6,443	(34)	6,409
Contingencies	567	976	1,542
Other non-cash items	(89)	280	(191)
Other	246		246
Cash flow from operating activities continuing operations	(1,539)		(1,539)
Cash flow from operating activities discontinued operations	485		485
Net cash generated (used) in operating activities	(1,054)		(1,054)
Net cash (used) generated in investing activities	12,543		12,543
Net cash (used) generated in financing activities	(2,357)		(2,357)
Foreign exchange differences on cash equivalents	3,316		3,316

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	Balances as previously presented at 12/31/2015	Adjustments	Restated balances at 12/31/2015
Net (decrease) increase in cash and cash equivalents	12,449		12,449
Cash and cash equivalents at the beginning of the year	2,449		2,449
Cash and cash equivalents at the end of the year	R$ 14,898	R$	R$ 14,898

Business Segments and Presentation of Segment Financial Data

We use operating segment information for decision-making. We have identified only one operating segment that corresponds to the telecommunications business in Brazil.

The Telecommunications in Brazil segment includes our telecommunications business in Brazil, In addition to our telecommunications business in Brazil, we conduct other businesses that individually or in aggregate do not meet any of the quantitative indicators that would require their disclosure as reportable business segments. These businesses are conducted primarily by Companhia Santomense de Telecomunicações, Listas Telefónicas de Moçambique, ELTA Empresa de Listas Telefónicas de Angola, and Timor Telecom, which provide fixed and mobile telecommunications services and publish telephone directories in Africa and Asia, and which have been consolidated in our financial statements since May 2014.

Within our Telecommunications in Brazil segment, our management assesses revenue generation based on customer segmentation into the following categories:

Residential Services, focused on the sale of fixed telephony services, including voice services, data communication services (broadband), and Pay-TV;

Personal Mobility Services, focused on the sale of mobile telephony services to postpaid (subscription) and prepaid customers that include voice services and data communication services; and

B2B Services, which includes corporate solutions offered to our small, medium-sized, and large corporate customers, including voice services and corporate data solutions and wholesale interconnection and traffic transportation services to other telecommunications providers.

Critical Accounting Policies and Estimates

Our critical accounting policies and estimates are described in note 2 to our audited consolidated financial statements included in this prospectus. In preparing our consolidated financial statements in conformity with U.S. GAAP, our management uses estimates and assumptions based on historical experience and other factors, including expected future events, which we consider reasonable and relevant. Critical accounting policies are those that are important to the portrayal of our consolidated financial position and results of operations and require management s subjective and complex judgments, estimates and assumptions. The application of these critical accounting policies frequently requires judgments made by management regarding the effects of matters that are inherently uncertain with respect to the outcomes of transactions and the carrying value of our assets and liabilities. Our actual results of operations and financial position may differ from those set forth in our consolidated financial statements, if our actual experience differs from management s assumptions and estimates. In order to provide an understanding of our critical accounting policies, including some of the variables and assumptions underlying the estimates, and the sensitivity of those assumptions and estimates to different parameters and conditions, we set forth below a discussion of our critical accounting policies relating to:

fair value of financial liabilities;

revenue recognition and trade receivables;

depreciation of property, plant and equipment;

- allowances for doubtful accounts;
- fair value of available-for-sale investments;
- deferred income taxes and social contribution;
- impairment of long-lived assets;
- defined postretirement benefit plans;
- contingencies; and
- estimate of expected amount of the allowed claims in the RJ Proceedings.

Fair Value of Financial Liabilities

We have adopted the fair value option under ASC 820, Fair Value Measurement, with respect to the recording of our financial liabilities. These financial liabilities have been valued at fair value according to the criteria of ASC 820 as of the time at which we reclassified each of our financial liabilities that were legally affected by the RJ Plan from liabilities subject to compromise to loans and financings or trade payables. We estimated the fair value of each of these financial liabilities based on an internal valuation made of these financial liabilities, which takes into consideration the cash flows under these financial instruments provided for in the RJ Plan, and assumptions regarding appropriate discount rates and foreign exchange rates consistent with the tenor and currency of each of these financial liabilities.

The fair value adjustment recognized on our balance sheet with respect to each financial liability at the time that we reclassified that financial liability is amortized on a straight-line basis over the term of that financial liability and on a monthly basis we record a financial expense in the amount of the amortization in our statement of operations and a corresponding reduction in the fair value adjustment on our balance sheet.

During the six-month period ended June 30, 2018, we recorded gains on adjustments to present value of our loans and financings of R$9,096 million and gains on adjustments to present value of our trade payables to ANATEL-AGU of R$4,873 million, and gains on adjustments to present value of our other trade payables of R$832 million. As a result of the settlement of the Qualified Recovery and the Non-Qualified Recovery on July 27, 2018 and the corresponding reclassification of the amounts recognized as liabilities subject to compromise on our balance sheet as of June 30, 2018 with respect to the Defaulted Notes, we expect to record gains on adjustments to present value of our loans and financings of R$16 billion during the third quarter of 2018 and a corresponding adjustment to the principal amount of the New Notes that will be recorded on our balance as of September 30, 2018. Following the recognition of this settlement, we do not expect to record additional significant fair value adjustments in our statements of operations, after the completion of the Capitalization of Credits Capital Increase.

Our assumptions regarding appropriate discount rates and foreign exchange rates used in our calculation of the fair value of our financial liabilities are subject to significant fluctuations due to different external and internal factors, including economic trends and the financial performance of our company. The use of different assumptions to measure the fair value of our financial liabilities could have a material effect on the estimated fair value of these financial instruments and the amounts recorded as loans and financings and trade payables in our balance sheet, as well as the amounts recorded as reorganization items, net in our statement of operations.

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Revenue Recognition and Trade Receivables

Our revenues correspond primarily to the amount of the payments received or receivable from sales of services in the regular course of our activities and our subsidiaries activities.

Service revenue is recognized when services are provided. Local and long distance calls are charged based on time measurement according to the legislation in effect. The services charged based on monthly fixed amounts are calculated and recorded on a straight-line basis. Prepaid services are recognized as unearned revenues and recognized in revenue as these services are used by customers.

Revenue from sales of handsets and accessories is recognized when these items are delivered and accepted by the customers. Discounts on services provided and sales of cell phones and accessories are taken into consideration in the recognition of the related revenue. Revenues involving transactions with multiple elements are identified in relation to each one of their components, and the recognition criteria are applied on an individual basis. Revenue is not recognized when there is significant uncertainty as to its realization.

Our revenue is a material component of our results of operations. Management s determination of price, collectability and the rights to receive certain revenues for the use of our network are based on judgments regarding the nature of the fee charged for services rendered, the price for certain services delivered and the collectability of those revenues. Should changes in conditions cause management to conclude that these criteria are not met for certain transactions, the amount of accounts receivable could be adversely affected. In addition, for certain categories of revenue we rely upon revenue recognition measurement guidelines set by ANATEL.

We consider revenue recognition to be a critical accounting policy, because of the uncertainties caused by different factors such as the complex information technology required, high volume of transactions, fraud and piracy, accounting regulations, management s determination of collectability and uncertainties regarding our right to receive certain revenues (mainly revenues for use of our network). Significant changes in these factors could cause us to fail to recognize revenues or to recognize revenues that we may not be able to realize in the future, despite our internal controls and procedures. We have not identified any significant need to change our revenue recognition policy.

Depreciation of Property, Plant and Equipment

We depreciate property, plant and equipment using the straight-line method at rates we judge compatible with the useful lives of the underlying assets. The depreciation rates of our most significant assets are presented in note 13 to our audited consolidated financial statements included in this prospectus. The useful lives of assets in certain categories may vary based on whether they are used primarily to provide fixed-line or mobile services. We review the estimated useful lives of the assets taking into consideration technical obsolescence and a valuation by outside experts.

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Given the complex nature of our property, plant and equipment, the estimates of useful lives require considerable judgment and are inherently uncertain, due to rapidly changing technology and industry practices, which could cause early obsolescence of our property, plant and equipment. If we materially change our assumptions of useful lives and if external market conditions require us to determine the possible obsolescence of our property, plant and equipment, our depreciation expense, obsolescence write-off and consequently net book value of our property, plant and equipment could be materially different.

Allowance for Doubtful Accounts

Our allowance for doubtful accounts is established in order to recognize probable losses on accounts receivable and takes into account limitations we impose to restrict the provision of services to customers with past-due accounts and actions we take to collect delinquent accounts. The allowance for doubtful accounts estimate is recognized in an amount considered sufficient to cover possible losses on the realization of these receivables. The allowance for doubtful accounts estimate is prepared based on historic default rates. For additional information regarding our allowance for doubtful accounts, see note 8 to our audited consolidated financial statements included in this prospectus.

We have entered into agreements with certain customers to collect past-due accounts receivable, including agreements allowing customers to settle their delinquent accounts in installments. The amounts that we actually fail to collect in respect of these accounts may differ from the amount of the allowance established, and additional allowance may be required.

Fair Value of Available-for-Sale Investments

Our investments in Unitel, including our investment in its declared and unpaid dividends, and CVT are classified as available-for-sale investments and have been valued at fair value according to the operating assets used as basis in the valuation of these investments at the time of our May 2014 capital increase. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale investments are excluded from earnings and are reported as a separate component of accumulated other comprehensive income until realized.

The fair value of the available-for-sale investments is estimated based on the internal valuation made, including cash flows forecasts for a five-year period, the choice of a growth rate to extrapolate the cash flows projections, and definition of appropriate discount rates and foreign exchange rates consistent with the reality of each country where the businesses are located. In addition to the financial and business assumptions referred to above, we also take into consideration the fair value measurement of cash investments, qualitative assumptions, including the impacts of developments in the lawsuits filed against third parties, and the opinion of the legal counsel on the outcome of these lawsuits. With regard to the impairment test of dividends, we use financial assumptions on the discount rate in time and the foreign exchange rate, and use qualitative assumptions based on the opinion of the legal counsel on the outcome of the lawsuits filed against Unitel for the nonpayment of dividends and interest. We monitor and periodically update the key assumptions and critical estimates used to calculate fair value.

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During 2017 and 2016, we recorded losses on available-for-sale financial assets of US$39 million and US$242 million, respectively, resulting from the revision of the recoverable amount of dividends receivable from Unitel, the fair value of the cash investment in Unitel and exchange rate losses related to the depreciation of the Angolan Kwanza against the U.S. dollar and the *real*.

Our estimates of future cash flows from our available-for-sale investments may not necessarily be indicative of the amounts that could be obtained in the current market. The use of different assumptions to measure the fair value of available-for-sale investments could have a material effect on the amounts obtained and not necessarily be indicative of the cash amounts that we would receive on the disposal of an available-for-sale investment.

Deferred Income Taxes and Social Contribution

Income taxes in Brazil are calculated and paid on a legal entity basis, and there are no consolidated tax returns. Accordingly, we only recognize deferred tax assets, related to tax loss carryforwards and temporary differences, if it is likely that they will be realized on a legal entity basis.

We recognize and settle taxes on income based on the results of operations determined in accordance with the Brazilian Corporate Law, taking into consideration the provisions of Brazilian tax law, which are materially different from the amounts calculated for U.S. GAAP purposes. Under U.S. GAAP, we recognize deferred tax assets and liabilities for temporary differences between the carrying amounts and the taxable bases of the assets and liabilities, and tax loss carryforwards are recorded in assets or liabilities, as applicable. We recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50 percent likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

We regularly test deferred tax assets for impairment and recognize a provision for impairment losses when it is probable that these assets may not be realized, based on the history of taxable income, the projection of future taxable income, and the time estimated for the reversal of existing temporary differences. These projections require the use of estimates and assumptions. In order to project future taxable income, we need to estimate future taxable revenues and deductible expenses, which are subject to a variety of external and internal factors, such as economic trends, industry trends and interest rates, changes in business strategies, and changes in the type of services and products sold by our company. The use of different estimates and assumptions could result in the recognition of a provision for impairment losses for the entire or a significant portion of the deferred tax assets.

Impairment of Long-Lived Assets

Long-lived assets include assets that do not have indefinite lives, such as property, plant, and equipment, and purchased intangible assets subject to amortization. These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, we first compare the undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as deemed necessary.

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We have not recorded any impairment of our long-lived assets during the six-month period ended June 30, 2018 or the three years ended December 31, 2017.

Defined Postretirement Benefit Plans

We sponsor certain defined postretirement benefit plans for our employees. We record liabilities for defined postretirement benefits plan based on actuarial valuations which are calculated based on assumptions and estimates regarding discount rates, investment returns, inflation rates for future periods, mortality indices and projected employment levels relating to postretirement benefit liabilities. The accuracy of these assumptions and estimates will determine whether we have created sufficient reserves for the costs of accumulated defined postretirement benefits plans, and the amount we are required to disburse each year to fund postretirement benefits plans. These assumptions and estimates are subject to significant fluctuations due to different external and internal factors, such as economic trends, social indicators, our capacity to create new jobs and our ability to retain our employees. All of these assumptions are reviewed at the end of each reporting period. If these assumptions and estimates are not accurate, we may be required to revise our reserves for defined postretirement benefits, which could materially impact our results of operations.

Contingencies

Liabilities for loss contingencies arising from claims, assessment, litigation, fines and penalties are recorded when it is probable that the liability has been incurred and the amount can be reasonably estimated, based on the opinion of management and its in-house and outside legal counsel. The amounts are recognized based on the cost of the expected outcome of ongoing lawsuits.

We classify our risk of loss in legal proceedings as remote, possible or probable. Provisions recorded in our consolidated financial statements in connection with these proceedings reflect reasonably estimated losses at the relevant date as determined by our management after consultation with our general counsel and the outside legal counsel. As discussed in note 18 to our audited consolidated financial statements included in this prospectus, we record as a liability our estimate of the costs of resolution of such claims, when we consider our losses probable. We continually evaluate the provisions based on changes in relevant facts, circumstances and events, such as judicial decisions, that may impact the estimates, which could have a material impact on our results of operations and shareholders equity. While management believes that the current provision is adequate, it is possible that our assumptions used to estimate the provision and, therefore, our estimates of loss in respect of any given contingency will change in the future based on changes in the relevant situation. This may therefore result in changes in future provisioning for legal claims. For more information regarding material pending claims against our company, see Business Legal Proceedings and note 18 to our audited consolidated financial statements included in this prospectus.

Estimate of Expected Amount of the Allowed Claims in the RJ Proceedings

Our estimate of the expected amount of the allowed claims in the RJ Proceedings is a significant estimate. Future actions and decisions by the RJ Court may differ significantly from our own estimate, potentially having material future effects on our financial statements, particularly on liabilities subject to compromise. Furthermore, these liabilities are reported as the amounts expected to be allowed by the RJ Court, even if they may be settled for lesser amounts. There may be significant differences between the settled amount and the expected amount of the allowed claim.

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Principal Factors Affecting Our Financial Condition and Results of Operations

Effects of the RJ Proceedings and Our Financial Restructuring

In June 2016, as a result of several factors affecting our liquidity, we anticipated that we would no longer be able to comply with our payment obligations under our loans and financing transactions and we concluded that filing of a request for judicial reorganization in Brazil would be the most appropriate course of action (1) to preserve the continuity of our offering of quality services to our customers, within the rules and commitments undertaken with ANATEL, (2) to preserve the value of our company, (3) to maintain the continuity of our operations and corporate activities in an organized manner that protects the interests of our company, customers, shareholders and other stakeholders, and (4) to protect our cash and cash equivalents.

Our liquidity crisis was resulted principally from:

- the deterioration of the Brazilian economy, which suffered low or negative GDP growth for several years and increased levels of unemployment, with negative effects on (1) our ability to retract and retain customers, and corresponding negative effects on our net operating revenue, and (2) due to increases in Brazilian interest rates and the depreciation of the *real*, increases in our financing expenses;

- the increasingly marginal (or in some instances, negative) returns that we achieved through network expansion designed to meet the universalization requirements imposed on our company as a fixed line concessionaire under the General Plan of Universal Service Goals, which require us to make large capital expenditures in certain areas of Brazil that are remote, have low demographic density and have a low-income population, without the corresponding ability to recoup these capital expenditures through the rates that we charge customers in these areas or elsewhere;

- the change in consumption patterns of Brazilian consumers of telecommunication services as a result of the increasing attractiveness of mobile telecommunications, particularly following the global introduction of the smart phone, which has led to continuous sequential declines in the number of subscribers to our fixed-line services, with corresponding negative effects on our net operating revenue;

- the requirement under Brazilian law that we make judicial deposits in connection with our defense of labor, tax, and civil lawsuits and regulatory claims brought against our company, which resulted in a significant amount of our liquid assets being diverted into judicial deposits, with the result that these assets were not available for us to use for our capital expenditure and debt service requirements;

- the imposition of large administrative fines and penalties, including interest on unpaid charges and late fees, by ANATEL, which resulted in a significant amount of our liquid assets being diverted to pay these charges or into judicial deposits as we defend against these regulatory claims, with the result that these assets were not available for us to use for our capital expenditure and debt service requirements;

the increases in our debt service requirements as we relied on funds obtained from financing transactions in the Brazilian and international markets to expand our data communications network and to implement projects to meet ANATEL s regulatory requirements market.

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On June 20, 2016, Oi, together with the other RJ debtors, filed a joint voluntary petition for judicial reorganization pursuant to the Brazilian Bankruptcy Law with the RJ Court, pursuant an urgent measure approved by our board of directors. For more information regarding the RJ Proceedings, see Business Our Judicial Reorganization Proceedings.

Effects of RJ Proceedings on Our Statement of Operations and Balance Sheet

Our net operating revenue was negatively affected by the RJ Proceedings primarily as a result of the impact of these proceedings on our ability to attract new corporate customers for our B2B business as these potential customers have been wary of entering into long-term service contracts with us during the pendency of these proceedings. We do not believe that the RJ Proceedings had a direct impact on our net revenue from other services. However, the factors affecting our net operating revenue that led to our liquidity crisis persist.

As a result of the RJ Proceedings, we have realized gains and losses and made provisions for losses that are realized or incurred in the RJ Proceedings which have been recorded in as reorganization items, net in our consolidated statements of operations. Reorganization items, net was an expense of R$275 million during the corresponding period of 2017, and was an expense of R$2,372 million during 2017 and R$9,006 million during 2016.

The principal reorganization items that we recorded during 2017 and 2016 relate to (1) increases in the amounts of our contingent liabilities to reflect the differences between the carrying amount of these contingent liabilities prior to the commencement of the RJ Proceedings and the amounts recognized by the RJ Court, and (2) fees and expenses of professional advisors who are assisting us with the RJ Proceedings.

As a result of the commencement of the RJ Proceedings, our loans and financings were classified as liabilities subject to compromise and as of the date of the commencement of the RJ Proceedings, we ceased recording interest expenses and foreign exchange gains and losses on these loans and financings as part of our financial expenses, net. In addition, in connection with our deteriorating financial condition and the commencement of the RJ Proceedings, we reversed our derivative financial instruments during the second and third quarters of 2016.

We also reclassified our trade payables, provisions for civil contingencies, provisions for labor contingencies and provision for pension plans as of the date of the commencement of the RJ Proceedings as liabilities subject to compromise.

Effects of Confirmation of the RJ Plan on Our Statement of Operations and Balance Sheet

On December 19 and 20, 2017, the GCM was held to consider approval of the most recently filed judicial reorganization plan. The GCM concluded on December 20, 2017 following the approval of the RJ Plan reflecting amendments to the judicial reorganization plan presented at the GCM as negotiated during the course of the GCM.

On January 8, 2018, the RJ Court entered the Brazilian Confirmation Order, ratifying and confirming the RJ Plan, according to its terms, but modifying certain provisions of the RJ Plan. The Brazilian Confirmation Order was published in the Official Gazette of the State of Rio de Janeiro on February 5, 2018, the Brazilian Confirmation Date.

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The Brazilian Confirmation Order, according to its terms, is binding on all parties, although still subject to appeals with no suspensive effect attributed to it. By operation of the RJ Plan and the Brazilian Confirmation Order, provided that the Brazilian Confirmation Order is not overturned or altered as a result of the pending appeals filed against it, the unsecured claims against the RJ Debtors have been novated and discharged under Brazilian law and holders of such claims are entitled only to receive the recoveries set forth in the RJ Plan with respect to their claims in accordance with the terms and conditions of the RJ Plan. For more information regarding the recoveries which the creditors were entitled to receive under the RJ Plan, see Business Our Judicial Reorganization Proceedings Implementation of the Judicial Reorganization Plan.

As a result of the approval and confirmation of the RJ Plan, we have begun to attract new corporate customers for our B2B business as the concerns of these potential customers regarding the long-term sustainability of our business have receded.

As a result of the confirmation of the RJ Plan, we recorded gain on reorganization items, net of R$16,309 million during the six-month period ended June 30, 2018 compared to an expense of R$275 million during the corresponding period of 2017. The principal reorganization items that we recorded during the six-month period ended June 30, 2018 are (1) an adjustment to present value of our loans and financings of R$9,096 million, (2) an adjustment to present value of our other trade payables and trade payables owing to ANATEL-AGU of R$832 million and R$4,873 million, respectively, and (3) a gain on the restructuring of other trade payables and trade payables owing to ANATEL-AGU of R$172 million and R$1,654 million, respectively.

As a result of the confirmation of the RJ Plan, our obligations recorded as liabilities subject to compromise as of June 30, 2018 declined by R$28,068 million as compared to December 31, 2017 due to (1) our reclassification of R$28,068 million of these obligations to other line items on our balance sheet and statement of operations to reflect the recoveries of the creditors with respect to those obligations, and (2) our payment of R$589 million to settle some of our debt instruments and trade payables as part of the Small Creditors Program and the settlement of some of our other liabilities through mediation.

We have reclassified R$16,185 million of loans and financings that were classified as liabilities subject to compromise of as of December 31, 2017 as current and non-current loans and financing of R$9,038 million on our balance sheet, and we have recorded (1) reorganization items of R$9,096 million as a result of the adjustment to present value of some of our loans and financings, (2) financial charges on our statement of operations of R$1,164 million. As a result of the confirmation of the RJ Plan, we recorded interest expenses and foreign exchange gains and losses on our restructured loans and financing as part of our financial expenses, net in the aggregate amount of R$1,021 million during the six-month period ended June 30, 2018.

We have reclassified R$8,406 million of civil contingencies related to claims of ANATEL that were classified as liabilities subject to compromise of as of December 31, 2017 as trade payables owing to ANATEL-AGU of R$1,810 million on our balance sheet and we recorded reorganization items in our statement of operations of (1) R$4,873 million as a result of the adjustment to present value of our trade payables owing to ANATEL-AGU, (2) R1,654 million as a gain on restructuring as a result of the RJ Proceedings, and (3) financial charges on our statement of operations of R$69 million.

We have reclassified all of the R$2,139 million of trade payables that were classified as liabilities subject to compromise of as of December 31, 2017, as trade payables of R$1,135 million on our balance sheet and we recorded reorganization items in our statement of operations of (1) R$832 million as a result of the adjustment to present value of our trade payables owing to our trade creditors and (2) R$172 million as a gain on restructuring as a result of the RJ Proceedings.

We have reclassified all of the R$560 million of provisions for pension plan classified that were classified as liabilities subject to compromise as of December 31, 2017 as liability for pension benefits, net of provision for unfunded status on our balance sheet.

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We have reclassified all of the R$105 million of derivative financial instruments that were classified as liabilities subject to compromise of as of December 31, 2017 as current and non-current loans and financing.

We have reclassified all of the R$43 million of other liabilities that were classified as liabilities subject to compromise of as of December 31, 2017 as other liabilities.

Effects of Emergence from RJ Proceedings on Our Financial Statements

In connection with our emergence from the RJ Proceedings, which we expect will occur upon the settlement of the Rights Offering, we may be required to adopt fresh start accounting, upon which our assets and liabilities will be recorded at their fair value. The fair values of our assets and liabilities as of that date may differ materially from the recorded values of its assets and liabilities as reflected in our historical consolidated financial statements. In addition, our adoption of fresh start accounting may materially affect our results of operations following the fresh start reporting dates as we may have a new basis in our assets and liabilities. Consequently, our financial statements following our adoption of fresh start accounting may not be comparable with our financial statements prior to that date and the our historical financial statements may not be reliable indicators of our financial condition and results of operations for any period after we adopt fresh start accounting. We concluded that we are not required to adopt fresh start accounting as of June 30, 2018 or December 31, 2017 and we are in the process of evaluating the potential impact of fresh start accounting on our consolidated financial statements in future periods.

Effects of Disposal of Portuguese Business of PT Portugal

On June 2, 2015, we sold all of the share capital of PT Portugal to Altice Portugal for a purchase price equal to the enterprise value of PT Portugal of 6,900 million, subject to adjustments based on the financial debt, cash and working capital of PT Portugal on the closing date, plus an additional earn-out amount of 500 million in the event that the consolidated revenues of PT Portugal and its subsidiaries (as of the closing date) for any single year between the year ending December 31, 2015 and the year ending December 31, 2019 is equal to or exceeds 2,750 million. PT Portugal provides a broad range of telecommunications services in Portugal.

In connection with the closing, Altice Portugal disbursed 5,789 million, of which 869 million was utilized by PT Portugal to prepay outstanding indebtedness in that amount, and 4,920 million were paid to our company in cash. We used a portion of the net cash proceeds of the PT Portugal Disposition for the prepayment and repayment at maturity of indebtedness of our company.

In anticipation of the PT Portugal Disposition, PT Portugal transferred PTIF to Oi. As a result of the completion of the PT Portugal Disposition, the indebtedness of PTIF was reclassified as indebtedness of our company. In addition, in connection with the PT Portugal Disposition, PTIF assumed all obligations under PT Portugal s outstanding 6.25% Notes due 2016.

In addition, PT Portugal transferred to Oi all of the outstanding share capital of PT Participações, which currently holds:

our 86% interest in Africatel, which holds our interests in telecommunications companies in Africa, including telecommunications companies in Angola, Cape Verde and São Tomé and Principe; and our interests in TPT, a Portuguese holding company that owns Timor Telecom, S.A., which provides telecommunications, multimedia and IT services in Timor Leste.

As a result of our decision to sell PT Portugal, the revenue and expenses of PT Portugal for the year ended December 31, 2015 are presented in our income statement as discontinued operations. We recorded loss from discontinued operations for 2015 of R$867 million, consisting of comprehensive income transferred to our income statement of R$226 million, principally consisting of the cumulative foreign exchange differences related to PT Portugal, and a loss on the sale of PT Portugal and divestiture related expenses of R$625 million.

Our R$625 million loss in connection with the sale of PT Portugal consisted of (1) the derecognized investment cost that includes goodwill arising on the business combination between our company and PT Portugal and selling expenses totaling R$1,308 million, and (2) the R$683 million revenue related to cash proceeds received directly by our company.

Effects of Investments in Africatel

At the time of our acquisition of PT Portugal, PT Portugal held indirectly 75% of the outstanding share capital of Africatel which held 25% of the outstanding share capital of Unitel. Our management considers this a non-controlling stake in Unitel which does not grant our company significant influence over the financial, operating and strategic policies of Unitel since, due to several breaches of the shareholders agreement by the other shareholders of Unitel (including the fact that they have failed to vote to elect the directors nominated by PT Ventures at Unitel s shareholders meetings and, as a result, PT Ventures has no longer any representation on Unitel s board of directors), we do not elect enough members of the board of directors of Unitel to allow us to be involved in the decision-making process of these policies, including decisions on dividend and other distributions, material business relations, appointment of officers or managers, or the provision of key technical information. Accordingly, upon the acquisition of PT Portugal, we recognized this investment as an available-for-sale financial asset recognized at fair value. The fair value of the investment in Unitel of R$4,089 million was determined based on the valuation report prepared by Banco Santander on the valuation of Pharol s operating assets that was used as the basis for the valuation of PT Portugal as part of the Oi capital increase using a series of estimates and assumptions, including the cash flows projections for a four-year period, the choice of a growth rate to extrapolate the cash flows projections, and definition of appropriate discount rates.

On September 16, 2014, our board of directors authorized our management to take the necessary measures to market our shares in Africatel. As a result, as of December 31, 2017 and 2016, we recorded the assets and liabilities of Africatel, including its investment in Unitel and the accounts receivable relating to declared and unpaid dividends of Unitel, as held-for sale, although we do not record Africatel as discontinued operations in our income statement due to the immateriality of the effects of Africatel on our results of operations. Due to the many risks involved in the ownership of these interests, particularly our interest in Unitel, we cannot predict when the sale of these assets may be completed.

During 2015, we recognized a loss of R$408 million resulting from the revision of the fair value of the investment in Unitel as a result of our updating the main assumptions and material estimates used in the fair value measurement of our investment in Unitel, taking into consideration in this assessment possible impacts of actual events related to the investment, notably the lawsuits filed against Unitel and its shareholders in 2015.

During 2017 and 2016, we recorded losses of US$39 million and US$242 million, respectively, resulting from the revision of the recoverable amount of dividends receivable from Unitel, the fair value of the cash investment in Unitel and exchange rate losses related to the depreciation of the Angolan Kwanza against the U.S. dollar and the *real*. During the six-month period ended June 30, 2018, we recorded a gain on available-for-sale financial assets of R$520 million, primarily as a result of the 16.6% of the appreciation of the U.S. dollar against the *real* during the six-month period ended June 30, 2018.

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Rate of Growth of Brazil s Gross Domestic Product and Demand for Telecommunications Services

As a Brazilian company with substantially all of our operations in Brazil, we are affected by economic conditions in Brazil. Brazilian GDP grew by an estimated 2.3% during the six-month period ended June 30, 2018 and 1.0% in 2017, and declined by 3.5% in each of 2016 and 2015. The substantial and prolonged deterioration of economic conditions in Brazil since the second quarter of 2014 have had a material adverse effect on the number of subscribers to our services and the volume of usage of our services by our subscribers and, as a result, our net operating revenue.

Based on information available from ANATEL, the number of fixed lines in service in Brazil increased from 39.4 million as of December 31, 2007 to 40.8 million as of December 31, 2017, and the number of mobile subscribers in Brazil increased from 121.0 million as of December 31, 2007 to 236.5 million as of December 31, 2017. Although the demand for telecommunications services has increased substantially during the past ten years, the tastes and preferences of Brazilian consumers of these services have shifted.

During the three-year period ended December 31, 2017, the number of mobile subscribers in Brazil has declined at an average rate of 5.6% per year, while the number of fixed lines in service in Brazil during the three-year period ended December 31, 2017 has declined at an average rate of 3.2% per year. During the three-year period ended December 31, 2017, the number of our mobile subscribers (including customers in our Personal Mobility Services and B2B Services) has decreased at an average rate of 8.5% per year to 39.0 million at December 31, 2017 from 50.9 million at December 31, 2014, while the number of our fixed lines in service (including customers in our Residential Services and B2B Services) has declined by an average rate of 6.6% per year to 12.9 million at December 31, 2017 from 15.8 million at December 31, 2014.

Demand for Our Residential Services

Because the number of our customers terminating their residential services has exceeded new activations between December 31, 2014 and December 31, 2017, the number of our residential fixed lines in service declined by 20.3% to 9.2 million as of December 31, 2017 from 11.6 million as of December 31, 2014 and further declined to 8.8 million as of June 30, 2018. We have focused on offering more and higher-value added services to new and existing customers by combining upselling and cross selling initiatives, thereby increasing the ARPU of our Residential Services business. We believe that through our sales of bundles consisting of more than one service, we improve customer profitability and enhance loyalty, while also increasing ARPU and minimizing churn rates. Primarily as a result of these initiatives, the ARPU of our residential services grew by 2.6% during the six-month period ended June 30, 2018 to R$79.4 compared to R$76.5 during the corresponding period of 2017, and by 3.9% to R$79.6 during 2017 from R$76.6 during 2016, which was a 5.5% increase from R$72.6 during 2015. We believe that our focus on the sale of bundled services is the principal reason for the increase in the percentage of our customers that subscribe to more than one of our residential services to 59.8% as of June 30, 2018 from 58.9% as of December 31, 2017, 56.2% as of December 31, 2016 and 53.4% as of December 31, 2015.

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We are required under ANATEL regulations and our concession contracts to offer a basic service plan to our residential customers that permits 200 minutes of usage of our fixed-line network to make local calls. We also offer alternative residential plans that include significantly larger numbers of minutes or unlimited minutes and charge higher monthly fees for these plans. Over the past three years, the percentage of our customers selecting these alternative plans has grown significantly. Subscribers to our alternative residential plans, including our bundled service plans, represented 86.0%of our residential customers as of June 30, 2018 as compared to 85.4% as of December 31, 2017, 85.5% as of December 31, 2016 and 86.4% of as of December 31, 2015. We believe that our alternative residential plans contribute to a net increase in our residential services revenue as many subscribers of our alternative residential plans do not use their full monthly allocations of local minutes.

We have sought to combat the general trend in the Brazilian telecommunications industry of substitution of mobile services in place of local fixed-line services by offering a variety of bundled plans that include mobile services, broadband services and *Oi TV* subscriptions to our fixed-line customers. In addition, we have been focusing on structural network investments, including the introduction of VDSL technology, in order to offer service plans that include higher broadband speeds. As of June 30, 2018:

- 42.6% of our residential customers subscribed for bundled service packages, an increase from 35.4% as of December 31, 2017, 29.1% as of December 31, 2016 and 26.3% as of December 31, 2015;

- 57.2% of our residential customers subscribed for broadband services (whether separately or as part of a bundled service plan), an increase from 55.8% as of December 31, 2017, 52.2% as of December 31, 2016 and 48.6% as of December 31, 2015; and

- 17.5% of our residential customers subscribed for Pay TV services (whether separately or as part of a bundled service plan), an increase from 16.2% as of December 31, 2017, 13.0% as of December 31, 2016, and 11.0% as of December 31, 2015.

In addition, demand for our residential services was negatively affected by a decision of the Brazilian Supreme Court that we must pay ICMS tax on customer subscriptions that do not include allowances and our subsequent inclusion of this tax in customers bills in the first half of 2017.

Demand for Our Personal Mobility Services

Our customer base for mobility services (including customers in our Personal Mobility Services and B2B Services) has declined by 23.5% to 39.0 million as of December 31, 2017 from 50.9 million as of December 31, 2014 and further declined to 38.9 million as of June 30, 2018. We believe that the primary reason for the decline in our Personal Mobility customer base is the reduction in the total number of mobile accesses in Brazil, reflecting the trend to consolidate mobile use into a single SIM card, following the launch of all-net plans in response to the successive reductions of the mobile termination, or MTR (VU-M), interconnection tariffs, and the structural market migration from voice to data in response to the offering of more robust data packages. Additionally, we have implemented a more intensive policy of disconnecting inactive users to reduce regulatory fees that we must make for each active account. Finally, we believe that the number of our prepaid accounts has been significantly reduced as a result of the increase in Brazil s unemployment rate as our net additions of prepaid subscribers is closely correlated to movements in the unemployment rate. During the six-month period ended June 30, 2018 and he years ended December 31, 2017 and 2016, the average monthly churn rate of our Personal Mobility Services business was 3.9%, 4.1% and 4.4% per month, respectively.

The market for mobile services is extremely competitive in each of the regions that we serve. As a result, (1) we incur selling expenses in connection with marketing and sales efforts designed to retain existing mobile customers and attract new mobile customers, and (2) from time to time the discounts that we offer in connection with our promotional activities lead to charges against our gross operating revenue from mobile services. Competitive pressures have required us to introduce service plans under which we offer unlimited voice calls tied to service offerings priced in relation to the amount of data usage offered.

Our *Oi Livre* service offering, which includes a range of all-net voice minutes for calls within Brazil and data allowances for flat fees, has had a strong performance since its release in late 2015. As of June 30, 2018, December 31, 2017 and 2016, *Oi Livre* had 22.1 million, 19.6 million and 14.8 million subscribers, respectively, corresponding to 70.2%, 65.5% and 44.7%, respectively, of our total pre-paid base.

Demand for Our B2B Services

The number of RGUs of our B2B Services has declined by 10.7% to 6.5 million as of December 31, 2017 from 7.3 million as of December 31, 2014, although the number of RGUs of our B2B Services remained stable during the six-month period ended June 30, 2018. We believe that the primary reasons for the decline in our B2B Services customer base during prior years were (1) the declining macroeconomic conditions in Brazil, which has caused many of our SME customers to downsize or cease operations, (2) contractions in the fiscal strength of many of our governmental customers, which has caused them to reduce the scope of their telecommunications expenditures, and (3) market perceptions of our company during our RJ proceedings which has made it difficult for us to enter into new agreements with corporate customers. Our corporate customers, while better able to survive the current economic instability, often respond by reducing their economic activity and their spending for telecommunications products and services. In addition, provided that our B2B Services customers also purchase the core fixed-line and mobile services offered to our Residential and Personal Mobility Services customers, demand for our B2B Services is subject to some of the same conditions that affect our Residential and Personal Mobility Services, including reductions in interconnection tariffs, which have led to more robust mobile package offerings and driven the traffic migration trend of fixed-to-mobile substitution.

As a result of the approval and confirmation of the RJ Plan, we have begun to attract new corporate customers for our B2B business as the concerns of these potential customers regarding the long-term sustainability of our business have receded.

Effects of Our Absorption of Network Maintenance Service Operations and Adoption of New Customer Care Model

We have introduced programs beginning in 2015 to control costs related to network maintenance services and third-party services by (1) absorbing operation of several network maintenance service operations and providing these services ourselves, and (2) implementing a new customer care quality model through which we have improved our method of allocation of call center traffic to promote a greater level of customer service and digitized some of our customer interactions with respect to processing order for new services, troubleshooting service issues and dispatching maintenance personnel.

Through our subsidiary Serede Serviços de Rede S.A., or Serede, we absorbed operations of our network maintenance service operations of our contractor in Rio de Janeiro in October 2015, our network maintenance service operations of our contractor in the South region of Brazil in May 2016 and our network maintenance service operations of our contractor in the North and Northeast regions of Brazil in June 2016. As a result, 75% of the members of our technical field staff are our employees and are directly managed by our company compared to 20% prior to the absorption of these operations. We have revised the focus of our network maintenance service operations to concentrate on preventive network maintenance the reduce the number of repairs, in turn reducing the volume of network interventions and increasing field force productivity, thus freeing capacity to increase our focus on preventive maintenance. This virtuous cycle improves field operations efficiency and reduces costs in terms of both the number of technicians and the volume of materials applied.

As a result, our network maintenance services expense has declined to R$550 million during the six-month period ended June 30, 2018 from R$621 million during the corresponding period in 2017, and to R$1,252 million during 2017 from R$1,540 million during 2016 and R$1,902 million during 2015, the effects of which have been partially offset by increased personnel expenses relating to these services. In addition to reducing costs, we believe that this initiative has been principally responsible for (1) a reduction of the number of repairs by 15.9% during the six-month period ended June 30, 2018 compared to the corresponding period in 2017, and by 12.5% during 2017 and 6.9% during 2016, and (2) an increase in productivity of our field staff (as measured by the number of field activities carried out divided by the total number of technicians involved) by 5.6% during the six-month period ended June 30, 2018 compared to the corresponding period in 2017, and by 16.5% during 2017 and 6.3% during 2016. Finally, we believe that this initiative has been principally responsible for (1) the reduction in the average time for installation of new service by 23.5% during the six-month period ended June 30, 2018 compared to the corresponding period in 2017, and by 30.4% during 2017 and 30.0% during 2016, (2) the reduction in the average waiting time for resolution of a customer service issue by 5.0% during the six-month period ended June 30, 2018 compared to the corresponding period in 2017, and by 25.8% during 2017 and 20.1% during 2016, and (3) a reduction of complaints to ANATEL by 23.0% during 2017 and 10.0% during 2016.

During 2016, we implemented a new customer care quality model in which, among other things, we allocated service call traffic among our call center service providers based on proven service quality. We believe that this traffic allocation model has stimulated better quality in the provision of these services while permitting us to reduce call center costs and achieve higher levels of customer satisfaction. The implementation of this allocation model resulted in a 30.8% and 8.9% decline in call center costs during the six-month period ended June 30, 2018 and the year ended December 31, 2017, respectively, and we believe that this allocation model was principally responsible for a 17.7% and 22.8% decline in the volume of repeated calls during the six-month period ended June 30, 2018 and the year ended December 31, 2017, respectively.

Effects of Adjustments to Our Interconnection Rates

Telecommunications services rates are subject to comprehensive regulation by ANATEL. In particular, interconnection rates for fixed-line and mobile services in the Brazilian telecommunications industry have been subject to comprehensive reductions in recent years.

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In July 2014, ANATEL approved rules under which interconnection rates charged by our company for the use of our fixed-line and mobile networks would be reduced over a period of years until they were set at rates based on a long-run incremental cost methodology. For example, in February 2016, the rates we charged to terminate calls on our mobile networks (MTR (VU-M) interconnection tariffs) in Regions I, II and III were set at R$0.09317 per minute, R$0.10308 per minute and R$0.11218 per minute, respectively, and in each of February 2017 and 2018, our MTR (VU-M) reference rates in Regions I, II and III declined by 47.1%, 47.7% and 39.2%, respectively, and they will decline by the same percentages in February 2019. In addition, in February 2016, our TU-RL rate in each of Region I and II was R$0.01146 per minute, our TU-RIU1 rates in Regions I and II were R$0.06124 per minute and R$0.04946 per minute, respectively, and our TU-RIU2 rates in Regions I and II were R$0.06621 per minute and R$0.05524 per minute, respectively, and in each of February 2017 and 2018, our TU-RL rates in Regions I and II declined by 20.9% and 22.8%, respectively, our TU-RIU1 rates in Regions I and II declined by 52.8% and 45.1%, respectively, and our TU-RIU2 rates declined by 57.3% and 49.9%, respectively, and we expect that these rates will decline by the same percentages in 2019.

These rate reductions have been a primary reason for the decline in our mobile interconnection revenue to R$250 million during the six-month period ended June 30, 2018 from R$242 million during the corresponding period in 2017, and to R$500 million during 2017, from R$627 million during 2016 and R$889 million during 2015, and the decline in our fixed-line interconnection revenue to R$29 million during the six-month period ended June 30, 2018 from R$35 million during the corresponding period in 2017, and to R$71 million during 2017, from R$113 million during 2016 and R$316 million during 2015. However, these rate reductions have also led to a substantial reduction of our interconnection costs, which have declined to R$349 million during the six-month period ended June 30, 2018 from R$405 million during the corresponding period in 2017, and to R$778 million during 2017, from R$1,173 million during 2016 and R$1,809 million during 2015.

As a result of the substantial reductions in our interconnection costs, and in keeping with our strategy of simplifying our portfolios to enhance our customers experience, since 2015 we have been offering fixed-line and mobile plans that allow all-net calls for a flat fee.

Effects of Claims by ANATEL that Our Company Has Not Fully Complied with Our Quality of Service and Other Obligations

As a fixed-line service provider, we must comply with the provisions of the General Plan on Quality Goals. As a public regime service provider, we must comply with the network expansion and modernization obligations under the General Plan of Universal Service Goals and our concession agreements. Our personal mobile services authorizations set forth certain network expansion obligations and targets and impose obligations on us to meet quality of service standards. In addition, we must comply with regulations of general applicability promulgated by ANATEL, which generally relate to quality of service measures.

If we fail to meet quality goals established by ANATEL under the General Plan on Quality Goals, fail to meet the network expansion and modernization targets established by ANATEL under the General Plan of Universal Service Goals and our concession agreements, fail to comply with our obligations under our personal mobile services authorizations or fail to comply with our obligations under other ANATEL regulations, we may be subject to warnings, fines, intervention by ANATEL, temporary suspensions of service or cancellation of our concessions and authorizations.

On an almost weekly basis, we receive inquiries from ANATEL requiring information from us on our compliance with the various service obligations imposed on us by our concession agreements. If we are unable to respond satisfactorily to those inquiries or comply with our service obligations under our concession agreements, ANATEL may commence administrative proceedings in connection with such noncompliance. We have received numerous notices of commencement of administrative proceedings from ANATEL, mostly due to our inability to achieve certain targets established in the General Plan on Quality Goals and the General Plan of Universal Service Goals.

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At the time that ANATEL notifies us it believes that we have failed to comply with our obligations, we evaluate the claim and, based on our assessment of the probability of loss relating to that claim, may establish a provision. We vigorously contest a substantial number of the assessments made against us. As a result of the commencement of the RJ Proceedings, our contingencies related to claims of ANATEL were reclassified liabilities subject to compromise and were measure as required by ASC 852. As of December 31, 2017 our prepetition liabilities subject to compromise included R$9,334 million related with claims of ANATEL. For more information regarding these civil contingencies, see note 28 to our audited consolidated financial statements included in this prospectus.

During the six-months ended June 30, 2018, we recorded provisions related to administrative proceedings brought by ANATEL in the amount of R$928 million.

By operation of the RJ Plan and the Brazilian Confirmation Order, provided that the Brazilian Confirmation Order is not overturned or altered as a result of the pending appeals filed against it, the claim for these contingent obligations has been novated and discharged under Brazilian law and ANATEL is entitled only to receive the recovery set forth in the RJ Plan as its recovery for these contingent claims in accordance with the terms and conditions of the RJ Plan. In calculating the recovery of ANATEL under its liquidated claims that were outstanding as of June 20, 2016, the amounts of all accrued interest included in these claims has been reduced by 50% and the amounts of all late charges included in these claims has been reduced by 25%. The remaining amount of these claims will be settled in 240 monthly installments, beginning on June 30, 2018, in the amount of 0.160% of the outstanding claims for the first 60 monthly installments, 0.330% of the outstanding claims for the next 60 monthly installments, 0.500% of the outstanding claims for the next 60 monthly installments, 0.660% of the outstanding claims for the next 59 monthly installments, and the remainder at maturity on June 30, 2038. Beginning on July 31, 2018, the amounts of each monthly installment will be adjusted by the SELIC variation. Payments of monthly installments will be made through the application of judicial deposits related to these claims until the balance of these judicial deposits has been exhausted and thereafter will be payable in cash in *reais*.

We have reclassified R$8,406 million of civil contingencies related to claims of ANATEL that were classified as liabilities subject to compromise of as of December 31, 2017 as trade payables owing to ANATEL-AGU of R$1,810 million on our balance sheet and we recorded reorganization items in our statement of operations of (1) R$4,873 million as a result of the adjustment to present value of our trade payables owing to ANATEL-AGU, (2) R1,654 million as a gain on restructuring as a result of the RJ Proceedings, and (3) financial charges on our statement of operations of R$69 million.

Non-liquidated claims of ANATEL outstanding as of June 20, 2016 have been novated and ANATEL will be entitled to a recovery with respect to those clams similar to the Default Recovery described in Loans and Financing Fixed-Rate Notes Default Recovery.

In the event that a legal rule is adopted in Brazil that regulates an alternative manner for the settlement of the claims of ANATEL outstanding as of June 20, 2016, the RJ Debtors may adopt the new regime, observing the terms and conditions set forth in Oi s bylaws.

Effect of Level of Indebtedness and Interest Rates

As of December 31, 2017 and 2016, our loans and financing classified as liabilities subject to compromise was R$16,977 million. The level of our indebtedness was a significant factor in our decision to file a request for judicial reorganization in Brazil in June 2016.

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Borrowing and financing costs of our continuing operations consist of interest on borrowings payable to third parties, inflation and exchange losses on third-party borrowings and gains and losses on derivative financial instruments as set forth in note 6 to our audited consolidated financial statements included in this prospectus. During 2016 and 2015, we recorded borrowing and financing costs of R$1,171 million and R$4,905 million, respectively.

As a result of the commencement of the RJ Proceedings, we ceased recording borrowing and financing costs of our continuing operations with respect to our loans and financings. By operation of the RJ Plan and the Brazilian Confirmation Order, provided that the Brazilian Confirmation Order is not overturned or altered as a result of the pending appeals filed against it, these loans and loans and financings have been novated and discharged under Brazilian law and creditors under these loans and financings are entitled only to receive the recoveries set forth in the RJ Plan in exchange for their claims in accordance with the terms and conditions of the RJ Plan.

We have reclassified R$16,185 million of loans and financings that were classified as liabilities subject to compromise of as of December 31, 2017 as current and non-current loans and financing of R$9,038 million on our balance sheet, and we have recorded (1) reorganization items of R$9,096 million as a result of the adjustment to fair value of some of our loans and financings, (2) financial charges on our statement of operations of R$1,164 million.

Our obligations under the Restructured Export Credit Agreements accrue interest at fixed-rates in U.S. dollars. Our obligations under our restructured debentures and restructured Brazilian credit agreements and CRIs (as described under Indebtedness Long-Term Indebtedness) accrue interest based on the CDI rate. Our obligations under our restructured credit agreements with BNDES accrue interest based on the TJLP rate. As a result of the confirmation of the RJ Plan, we recorded interest expenses and foreign exchange gains and losses on our restructured loans and financing as part of our financial expenses, net in the aggregate amount of R1,164 million during the six-month period ended June 30, 2018.

As a result of the issuance of New Notes and New Shares and the distribution of Common Shares held by PTIF as part of the Qualified Recovery and the delivery of the participation interests in the Non-Qualified Credit Agreement as the Non-Qualified Recovery in July 2018, we have reclassified R$4,529 million of our liabilities subject to compromise as loans and financing and R$11,624 million as shareholders equity on our balance sheet as of the date of the issuance and distribution, and have reclassified R$11,110 million as reorganization items gains on restructuring and R$4,890 million as reorganization items adjustment to fair value loans and financing on our statement of operations as of the date of the issuance and distribution.

In addition, the RJ Plan permits us to seek to raise up to R$2.5 billion in the capital markets and seek to borrow up to R$2 billion under new export credit facilities, as described under Liquidity and Capital Resources. This debt may accrue interest at floating rates in foreign currencies. Accordingly, we may incur interest expenses and foreign exchange gains and losses in connection with this new debt. Increases in interest rates will increase our interest expenses and debt service obligations with respect to this indebtedness.

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Effects of Fluctuations in Exchange Rates between the Real and the U.S. Dollar

Substantially all of our cost of services and operating expenses in Brazil are incurred in *reais*. As a result, the appreciation or depreciation of the *real* against the U.S. dollar does not have a material effect on our operating margins. However, the costs of a substantial portion of the network equipment that we purchase for our capital expenditure projects are denominated in U.S. dollars or are U.S. dollar-linked. This network equipment is recorded on our balance sheet at its cost in *reais* based on the applicable exchange rate on the date the transfer of ownership, risks and rewards related to the purchased equipment occurs. As a result, depreciation of the *real* against the U.S. dollar results in this network equipment being more costly in *reais* and leads to increased depreciation expenses. Conversely, appreciation of the *real* against the U.S. dollar results in this network equipment being less costly in *reais* and leads to reduced depreciation expenses.

As of December 31, 2017 and 2016, our loans and financing classified as liabilities subject to compromise denominated in euros and U.S. dollars and represented 39.9% and 34.6%, respectively, of our loans and financing classified as liabilities subject to compromise. As a result of the commencement of the RJ Proceedings, we ceased recording exchange rate gains and losses with respect to these loans and financings. By operation of the RJ Plan and the Brazilian Confirmation Order, provided that the Brazilian Confirmation Order is not overturned or altered as a result of the pending appeals filed against it, these loans and loans and financings have been novated and discharged under Brazilian law and creditors under these loans and financings are entitled only to receive the recoveries set forth in the RJ Plan in exchange for their claims in accordance with the terms and conditions of the RJ Plan.

As a result of the confirmation of the RJ Plan, our obligations under the Restructured Export Credit Agreements are denominated in U.S. dollars and will accrue interest at fixed-rates in U.S. dollars.

As a result, when the *real* appreciates against the U.S. dollar:

- the interest costs on our indebtedness denominated in U.S. dollars will decline in *reais*, which will positively affect our results of operations in *reais*;

- the amount of our indebtedness denominated in U.S. dollars will decline in *reais*, and our total liabilities and debt service obligations in *reais* will decline; and

- our financial expense, net will decline as a result of foreign exchange gains that we record.

A depreciation of the *real* against the U.S. dollar will have the converse effects.

Effects of Inflation

After several years of relatively modest inflation in Brazil, inflation rates increased substantially during 2015 to annual rates of 10.7% as measured by the IGP-DI and the IBGE. Inflation rates subsided during 2016 and 2017 and the six-month period ended June 30, 2018, reaching 7.2%, (0.4)% and 7.8% (on an annualized basis), respectively, as measured by the IGP-DI, and 6.3%, 3.0% and 4.4%(on an annualized basis), respectively as measured by the IBGE. Because substantially all of our cost of services and operating expenses are incurred in *reais* in Brazil, an increase in inflation has the effect of increasing our operating expenses and reducing our margins. Although we have taken significant measures to control and reduce operating expenses during the six-month period ended June 30, 2018 and he years ended December 31, 2017 and 2016, the benefits of these measures were reduced during 2016 as a result of the countervailing impact of Brazilian inflation. Although our regulated rates are subject to annual adjustment based on the rate of inflation as measured by the IST, the majority of our revenue is generated from services delivered at rates that are not regulated or that are provided at a discount to the regulated rates as a result of competitive pressures in the market. As a result, we may not be able to pass our increased operating costs and expenses resulting from inflationary pressures through to our customers as incurred in the form of higher tariffs for our services.

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A significant portion of our *real*-denominated loans and financings classified as liabilities subject to compromise bore contractual interest at the TJLP or the CDI rate, which are partially adjusted for inflation, and the ICPA rate, an inflation index. As a result of the commencement of the RJ Proceedings, we ceased recording interest expenses on these loans and financings. By operation of the RJ Plan and the Brazilian Confirmation Order, provided that the Brazilian Confirmation Order is not overturned or altered as a result of the pending appeals filed against it, these loans and financings have been novated and discharged under Brazilian law and creditors under these loans and financings are entitled only to receive the recoveries set forth in the RJ Plan.

As a result of the confirmation of the RJ Plan, our obligations under our restructured debentures and restructured Brazilian credit agreements and CRIs (as described under Indebtedness Long-Term Indebtedness) have accrued interest based on the CDI rate since the Brazilian Confirmation Date. As a result, inflation will increase our interest expenses and debt service obligations with respect to these recoveries.

Seasonality

Our primary business operations do not have material seasonal operations, other than our sales of handsets and accessories in our Personal Mobility business which tends to increase during the fourth quarter of each year as compared to the other three fiscal quarters related to significant increases of volume during the year-end holiday shopping season.

Recent Developments

Issuance of Debentures

Under the RJ Plan, the holders of beneficial interests in Oi s 8th issuance of debenture and 10th issuance of debentures, and Telemar s 2nd issuance of debentures were entitled to receive debentures denominated in *reais* in an aggregate principal amount equal to the principal of their recognized claims as the recovery with respect to their beneficial interests in the novated debentures. In July 2018, Oi issued its 12th issuance of simple, unsecured, non-convertible debentures and Telemar issued its 6th issuance, simple, unsecured, non-convertible debentures documenting the terms and conditions applicable to these obligations.

Delivery of Restructured Export Credit Agreements

Under the RJ Plan, the lenders under our export credit facility agreements are entitled to receive payment of the amount of their recognized claims under the terms and conditions set forth in the RJ Plan as the recovery with respect to their beneficial interests in the novated export credit agreements. In July 2018, we and each of the lenders under the novated export credit agreements entered into the Restructured Credit Agreements described under Indebtedness Long-Term Indebtedness documenting the terms and conditions applicable to these obligations.

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Settlement of Defaulted Bonds

Under the RJ Plan, each Bondholder was entitled to receive the Qualified Recovery, the Non-Qualified Recovery or the Default Recovery in respect of the claims evidenced by the bonds such Bondholder beneficially held.

Under the RJ Plan, Qualified Bondholders were entitled to elect to receive the Qualified Recovery or the Default Recovery as the recovery with respect to their beneficial interests in the Defaulted Bonds. In July 2018, we issued New Notes in an aggregate principal amount of US$1,654 million to the Qualified Holders who validly elected the Qualified Recovery and surrendered their beneficial ownership in the Defaulted Bonds. In addition, as part of the Qualified Recovery to which Qualified Holders who validly surrendered their beneficial ownership in the Defaulted Bonds were entitled, (1) we issued 302,846,268 new Common ADSs (representing 1,514,231,340 newly issued Common Shares), (2) we distributed 23,250,281 Common ADSs previously held by PTIF (representing 116,251,405 Common Shares), and (3) we issued 23,295,054 ADWs representing the right to subscribe for 23,295,054 newly issued Common ADSs (representing 116,475,270 Common Shares).

Under the RJ Plan, Non-Qualified Bondholders were entitled to elect to receive participation interests in the Non-Qualified Credit Agreement or the Default Recovery as the recovery with respect to their beneficial interests in the Defaulted Bonds. In July 2018, we entered into the Non-Qualified Credit Agreement described under Prepetition Liabilities Subject to Compromise Indebtedness Loans and Financing in the principal amount of US$80 million and delivered participation interests to the Non-Qualified Holders who validly elected the Non-Qualified Recovery and surrendered their beneficial ownership in the Defaulted Bonds.

As a result of the issuance of New Notes and New Shares and the distribution of Common Shares held by PTIF as part of the Qualified Recovery and the delivery of the participation interests in the Non-Qualified Credit Agreement as the Non-Qualified Recovery in July 2018, we have reclassified R$4,529 million of our liabilities subject to compromise as loans and financing and R$11,624 million as shareholders equity on our balance sheet as of the date of the issuance and distribution, and have reclassified R$11,110 million as reorganization items gains on restructuring and R$4,890 million as reorganization items adjustment to fair value loans and financing on our statement of operations as of the date of the issuance and distribution

Agreement for Network Equipment and Services

On July 24, 2018, we entered into an agreement with Huawei, under which we have agreed, within 90 days from the date of the agreement, to enter into contracts to acquire equipment and services from Huawei to support the modernization of our network technologies. We expect that the projects supported by this agreement will result in the expansion of our mobile telephone coverage and our fiber optic broadband capacity. These projects are designed to modernize and consolidate our mobile network technologies, permitting our gradual use of our 2G and 3G frequencies to provide 4.5G services in all municipalities currently served by our mobile network and prepare our network for the implementation of 5G technology and Internet of Things (IoT) solutions. Under this agreement, we expect to acquire equipment and services from Huawei over the next five years.

Results of Operations

The following discussion of our results of operations is based on our consolidated financial statements prepared in accordance with US GAAP. In the following discussion, references to increases or decreases in any period are made by comparison with the corresponding prior period, except as the context otherwise indicates.

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Six-Month Period Ended June 30, 2018 Compared with Six-Month Period Ended June 30, 2017

The following table sets forth the components of our consolidated income statement, as well as the percentage change from the prior year, for the six-month periods ended June 30, 2018 and 2017.

	Six-Month Period ended June 30,		
	2018	**2017**	**% Change**
	(in millions of *reais*, except percentages)		
Net operating revenue	R$11,214	R$11,998	(6.5)
Cost of sales and services	(7,839)	(7,793)	0.6
Gross profit	3,374	4,206	(19.8)
Operating income (expenses)			
Selling expenses	(2,338)	(2,119)	10.3
General and administrative expenses	(1,290)	(1,575)	(18.1)
Other operating income (expenses), net	426	101	323.1
Reorganization items, net Other operating income (expenses), net	16,309	(275)	n.m.
Operating income (loss) before financial expenses, net, and taxes	16,481	337	n.m.
Financial expenses, net	(448)	(1,353)	(66.9)
Income (loss) before taxes	16,033	(1,016)	n.m.
Income tax and social contribution	(25)	262	n.m.
Net profit (loss)	R$16,008	R$(755)	n.m.

n.m. Not meaningful.

Net Operating Revenue

The following table sets forth the components of our net operating revenue, as well as the percentage change from the prior year, for the six-month periods ended June 30, 2018 and 2017.

	Six-Month Period ended June 30,		
	2018	**2017**	**% Change**
	(in millions of *reais*, except percentages)		
Telecommunications in Brazil Segment:			
Residential	R$4,315	R$4,581	(5.8)
Personal mobility	3,608	3,819	(5.5)
B2B	3,072	3,331	(7.8)

Other services	116	127	(8.8)
	11,112	**11,858**	**(6.3)**
Other operations (1)	102	141	(27.7)
Net operating revenue	R$11,214	R$11,998	(6.5)

(1) Other operations includes the net operating revenue of Africatel.

Net operating revenue of our Telecommunications in Brazil segment declined by 6.3% during the six-month period ended June 30, 2018, principally due to a 5.8% decline in net operating revenue from residential services, a 7.8%& decline in net operating revenue from B2B services, and a 5.5% decline in net operating revenue from personal mobility services.

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Net Operating Revenue from Residential Customer Services

Net operating revenue from residential customer services represented 38.5% of our net operating revenue during the six-month period ended June 30, 2018. Residential customer services include fixed telephony services, including voice services, data communication services (broadband), and Pay-TV. Net operating revenue from residential services declined by 5.8%, primarily due to (1) the 5.3% decline in the average number of residential revenue generating units, or RGUs; (2) the decline in voice traffic, and (3) the reduction in TU-RL and TU-RIU fixed line interconnection tariffs and VC fixed-to-mobile tariffs in February 2017 and February 2018. These effects were partially offset by the 2.6% increase in the average monthly net residential revenue per user (calculated based on the total revenue for the year divided by the monthly average customer base for the year divided by 12) to R$79.4 during the six-month period ended June 30, 2018 from R$76.5 during the corresponding period of 2017, primarily due to an increase in broadband and Pay-TV revenues.

Net Operating Revenue from Residential Fixed-Line Services. Net operating revenue from residential fixed-line services declined by 13.9%, primarily due to a 8.7% decline in the average number of residential fixed lines in service to 8.8 million during the six-month period ended June 30, 2018 from 9.7 million during the corresponding period of 2017, as a result of (1) the general trend in the Brazilian telecommunications industry to substitute mobile services in place of local fixed-line services and the corresponding reduction in voice service traffic, and (2) the impact of two rate increases during 2017. The effects of these factors were partially offset by the migration of our fixed-line customer base to convergent service offerings, such as *Oi Total*, and other plans offering unlimited minutes of usage, which generate greater revenue per user.

Net Operating Revenue from Broadband Services. Net operating revenue from residential broadband services declined by 4.1%, primarily as a result of a 2.0% decrease in the average net operating revenue per subscriber, primarily as a result of the migration of our broadband base to service offerings with higher speed, which generate greater revenue per user. The effects of this migration were partially offset by a 3.3% decline in the average number of our residential ADSL subscribers. As of June 30, 2018, our ADSL subscribers represented 57.2% of our total residential fixed lines in service and subscribed to plans with an average speed of 8.9 Mbps as compared to 54.0% of our total residential fixed lines in service at an average speed of 7.5 Mbps as of June 30, 2017.

Net Operating Revenue from Pay-TV Services. Net operating revenue from residential Pay-TV services increased by 19.2%, primarily as a result of a 10.6% increase in the average number of our residential Pay-TV subscribers increased to 1.5 million during the six-month period ended June 30, 2018 from 1.4 million during the corresponding period of 2017, and a 5.8% increase in the average net operating revenue per subscriber, principally as a result of the shift in the our sales mix towards more comprehensive packages of channels. As of June 30, 2018, our Pay-TV subscribers represented 17.5% of our total residential fixed lines in service as compared to 14.5% of our total residential fixed lines in service as of June 30, 2017.

Net Operating Revenue from Personal Mobility Services

Net operating revenue from personal mobility services represented 32.3% of our net operating revenue during the six-month period ended June 30, 2018. Personal mobility services include sales of mobile telephony services to post-paid and pre-paid customers that include voice services and data communication services. Net operating revenue from personal mobility services declined by 5.5%, primarily due to a 5.4% decline in revenue from mobile telephony services and a 26.6% decline in revenue from the sale of handsets, SIM cards and other accessories.

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Net Operating Revenue from Mobile Telephony Services. Net operating revenue from mobile telephony services declined by 5.4%, primarily due to a 10.7% decline in the number of mobile customers that subscribe to our prepaid plans to 29.4 million during the six-month period ended June 30, 2018 from 33.0 million during the corresponding period of 2017, principally as a result of (1) Brazil s high unemployment rate as our sales net additions of prepaid subscribers once it is closely correlated to movements in the unemployment rate, (2) the migration of prepaid customers in Brazil to the use of a single SIM card as operators have increased the offer of all-net plans following the successive reductions of the MTR (VU-M) interconnection tariffs, and (3) our strict disconnection policy for inactive customers, which is designed to reduce fee payments that we must make for each active account.

The effects of these declines were partially offset by (1) a 2.8% increase in the number of mobile customers that subscribe to our postpaid plans to 7.0 million during the six-month period ended June 30, 2018 from 6.8 million during the corresponding period of 2017, and (2) 2,5% increase in average monthly net revenue per user, primarily as a result of an improvement in the profile of our customer base. During the six-month period ended June 30, 2018, data revenue represented 60.9% of net operating revenue from mobile telephony services as compared to 51.9% during the corresponding period of 2017.

Net Operating Revenue from Interconnection to Our Mobile Network. Mobile interconnection revenue increased by 3.4% the six-month period ended June 30, 2018, primarily as a result of an increase in interconnection traffic, the effects of which were partially offset by the reduction in MTR (VU-M) interconnection tariffs in February 2017 and February 2018.

Net Operating Revenue from Sales of Handsets, SIM Cards and Other Accessories. Revenue from handsets, SIM cards and other accessories declined by 26.6% the six-month period ended June 30, 2018, primarily as a result of the reduction in sales volume of handsets due to the company s policy of not subsidizing the sale of this product.

Net Operating Revenue from B2B Services

Net operating revenue from B2B services represented 27.4% of our net operating revenue during the six-month period ended June 30, 2018. B2B services include corporate solutions offered to our small, medium-sized, large corporate customers, including voice services and corporate data solutions, and wholesale customers. Net operating revenue from B2B services declined by 7.8%, primarily as a result of (1) lower voice traffic, following the natural market trend, (2) the reduction in MTR (VU-M) interconnection tariffs and VC fixed-to-mobile tariffs in February 2017 and February 2018, (3) the slowdown in Brazilian economic activity, with has led to efforts by corporate and government customers to reduce costs, including telecommunications services costs, and has led to the downsizing or closing of many of our SME customers, and (4) market perceptions of our company during our RJ Proceedings which has made it difficult for us to enter into new agreements with corporate customers.

The total number of B2B customers remained stable at 6.5 million during the six-month period ended June 30, 2018 compared to the corresponding period of 2017, as the 6.9% increase in B2B mobile customers offset the 3.1% decline in B2B fixed-line customers.

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Operating Expenses

Under the Brazilian Corporate Law, we are required to segregate cost of sales and services from operating expenses in the preparation of our income statement. However, in evaluating and managing our business, we prepare reports in which we review the elements included in cost of sales and services and operating expenses classified by nature, as presented in note 5 to each of our audited consolidated financial statements included in this prospectus and our unaudited interim consolidated financial statements included in this prospectus. We believe that this classification improves our ability to understand results and trends in our business and that financial analysts and other investors who review our performance rely on this classification in performing their own analysis. Therefore, we have presented the discussions of our operating expenses based on the classification of operating expenses presented in note 5 to each of our audited consolidated financial statements included in this prospectus and our unaudited interim consolidated financial statements included in this prospectus.

The following table sets forth the components of our operating expenses, as well as the percentage change from the prior year, for the six-month periods ended June 30, 2018 and 2017.

	Six-Month Period ended June 30,		
	2018	**2017**	**% Change**
	(in millions of *reais*, except percentages)		
Third-party services	R$ 2,892	R$ 3,144	(8.0)
Depreciation and amortization	2,928	2,853	2.6
Rental and insurance	2,084	2,127	(2.0)
Personnel	1,209	1,272	(4.9)
Network maintenance services	550	621	(11.5)
Interconnection	349	405	(14.0)
Provision for contingencies	56	23	(342.5)
Allowance for doubtful accounts	781	346	125.8
Advertising and publicity	164	170	(3.2)
Handsets and other costs	77	113	(31.5)
Impairment losses	(0)	0	n.m
Taxes and other expenses	108	152	(29.2)
Other operating income (expenses), net	(156)	205	n.m
Total cost of sales and services	R$ 11,042	R$ 11,386	(3.0)

n.m. Not meaningful.

Operating expenses declined by 3.0% during the six-month period ended June 30, 2018, principally due to (1) our recording other operating income, net of R$156 million in during the six-month period ended June 30, 2018 compared other operating expenses, net of R$205 million during the corresponding period of 2017, and (2) an 8.0%, or R$252 million, decline in third-party service costs. The effects of these factors was partially offset by (1) a 125.8%, or R$435 million, increase in allowance for doubtful accounts, (2) our recording provisions for contingencies of R$56 million in during the six-month period ended June 30, 2018 compared to a reversal of provisions for contingencies of R$23 million during the corresponding period of 2017, and (3) an 2.6%, or R$75 million, increase in depreciation and amortization expenses.

Third-Party Services

Third-party service costs declined by 8.3% during the six-month period ended June 30, 2018, primarily as a result of lower call center expenses as a result of our adoption of our new customer care model, and lower selling, IT, consulting and collection services expenses.

Depreciation and Amortization

Depreciation and amortization costs increased by 2.6% during the six-month period ended June 30, 2018, primarily as a result of the growth of our data and mobile network due to our strategy of modernization of the core network focusing on transmission and transport infrastructure, which has increased the amount of depreciable property, plant and equipment and amortizable license.

Rental and Insurance

Rental and insurance costs declined by 2.0% during the six-month period ended June 30, 2018, primarily as a result of our negotiation of lower prices in contracts for rights-of-way and pole rentals, the effects of which were partially offset by increases in tower and equipment leasing costs.

Personnel

Personnel expenses (including employee benefits and social charges and employee and management profit sharing) declined by 4.9% during the six-month period ended June 30, 2018, primarily as a result of initiatives that that we have implemented to promote greater efficiency and productivity as well as stricter cost controls related in personnel expenses.

Network Maintenance Services

Network maintenance services costs declined by 11.5% during the six-month period ended June 30, 2018, primarily as a result of a lower number of maintenance incidents as a result of our initiatives focused on preventive actions and productivity improvements, which have been increasing the efficiency of field operations, as well as efficiency gains arising from the digitalization of processes and customer service.

Interconnection

Interconnection costs declined by 14.0% during the six-month period ended June 30, 2018, primarily as a result of the declines in MTR (VU-M) interconnection tariffs and the TU-RL and TU-RIU interconnection tariffs that were implemented in February 2018 and February 2017.

Provision for Contingencies

Provision for contingencies was R$56 million in during the six-month period ended June 30, 2018. We recorded a reversal of provision for contingencies of R$23 million during the corresponding period of 2017.

Allowance for Doubtful Accounts

Allowance for doubtful accounts increased by 125.8% during the six-month period ended June 30, 2018, primarily as a result of our revision of the assumptions that we use in determining our provision for bad debt. During the six-month period ended June 30, 2018, allowance for doubtful accounts represented 7.0% of our net operating revenue compared to 2.9% during the corresponding period of 2017.

Advertising and Publicity

Advertising and publicity expenses declined by 3.2% during the six-month period ended June 30, 2018, primarily as a result of a decline in the volume of our advertising campaigns.

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Handsets and Other Costs

Handsets and other costs declined by 31.5% during the six-month period ended June 30, 2018, primarily due to the lower volume of handset sales.

Taxes and Other Expenses

Taxes and other expenses declined by 29.2% during the six-month period ended June 30, 2018, primarily due to a decrease in other tax expenses, due to a decrease in other revenues in which other taxes are associated and a decrease in expenses for fines.

Other Operating Income (Expenses), Net

Other operating income, net was R$156 million in during the six-month period ended June 30, 2018, primarily as a result of non-recurring gains from reversal of provisions.

Other operating expenses, net was R$205 million in during the six-month period ended June 30, 2017, primarily as a result of the effects of non-recurring expenses related to unrecoverable tax, write-off of other assets and other expenses due to reconcile accounting balances as part of the RJ Proceedings.

Reorganization Items, Net

Reorganization items, net was a gain of R$16,309 million during the six-month period ended June 30, 2018, primarily consisting of:

- a R$9,096 million adjustment to fair value of loans and financings;
- a R$4,873 million adjustment to present value of our trade payables owing to ANATEL-AGU;
- a R$1,827 million gain on restructuring as a result of the RJ Proceedings; and
- a R$832 million adjustment to present value of our other trade payables.

Reorganization items, net was an expense of R$275 million during the six-month period ended June 30, 2017, primarily consisting of (1) inflation adjustment of contingencies of R$342 million, (2) other provisions for contingencies of R$226 million as a result of adjustments to record the difference between the allowed claim amounts for contingent liabilities compared to their carrying amounts prior to the commencement of the RJ Proceedings on June 20, 2016, and (3) fees and expenses of professional advisors who are assisting us with the RJ Proceedings of R$122 million, the effects of which were partially offset by income from short-term investments of R$415 million.

Operating Income (Loss) before Financial Expenses, Net, and Taxes

As a result of the foregoing, the operating income before financial expenses, net, and taxes of our Telecommunications in Brazil segment increased to R$16,504 million during the six-month period ended June 30, 2018 from R$333 million during the corresponding period of 2017. As a percentage of net operating revenue, the operating income before financial expenses, net, and taxes of our Telecommunications in Brazil segment increased to 148.5% during the six-month period ended June 30, 2018 from 2.8% during the corresponding period of 2017.

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Operating expenses of our other operations declined by 9.1% to R$124 million during the six-month period ended June 30, 2018 from R$137 million during the corresponding period of 2017, principally as a result of our disposition of our interest in Mobile Telecommunications Limited, a telecommunications operator in Namibia, or MTC, in January 2017. The operating loss before financial expenses, net, and taxes of our other operations was R$23 million during the six-month period ended June 30, 2018 compared to operating income before financial expenses, net, and taxes of R$4 million during the corresponding period of 2017. As a percentage of net operating revenue, the operating loss before financial expenses, net, and taxes of our other operations was 22.2% during the six-month period ended June 30, 2018 compared to 2.9% of operating income before financial expenses, net, and taxes during the corresponding period of 2017.

Our consolidated operating income before financial expenses, net, and taxes increased to was R$16,481 million during the six-month period ended June 30, 2018 from R$337 million during the corresponding period of 2017. As a percentage of net operating revenue, operating income before financial expenses, net, and taxes increased to 147.0% during the six-month period ended June 30, 2018 from 2.8% during the corresponding period of 2017.

Financial Expenses, Net

Financial Income

Financial income increased by 23.9% to R$1,184 million during the six-month period ended June 30, 2018 from R$955 million during the corresponding period of 2017, primarily due to a 40.2% increase in interest on other assets to R$697 million during the six-month period ended June 30, 2018 from R$497 million during the corresponding period of 2017, principally as a result of an increase in interest on judicial deposits and monetary variation on others assets.

Financial Expenses

Financial expenses declined by 29.3% to R$1,632 million during the six-month period ended June 30, 2018 from R$2,309 million during the corresponding period of 2017, primarily as a result of a 79.7% decline in other charges to R$467 million during the six-month period ended June 30, 2018 from R$2,309 million during the corresponding period of 2017, the effects of which were partially offset by our incurrence of R$1,164 million of borrowing and finance costs during the six-month period ended June 30, 2018 as a result of the settlement of many of the claims in our RJ Proceedings related to our debt instruments compared to no borrowing and finance costs during the corresponding period of 2017 due to the elimination of our borrowing and financing costs as a result of the commencement of the RJ Proceedings in June 2016.

Borrowing and finance costs during the six-month period ended June 30, 2018 consisted of (1) inflation and exchange losses on third-party borrowings of R$883 million, and (2) interest on borrowings payable to third parties of R$281 million, primarily as a result of our recording R$9,038 million of current and non-current loans and financings on our balance sheet as of the Brazilian Confirmation Date that had been classified as liabilities subject to compromise as of December 31, 2017 and the 19.2% depreciation of the *real* against the U.S. dollar during the period between the Brazilian Confirmation Date and June 30, 2018.

Other charges declined primarily as a result of (1) our recording a gain on available-for-sale financial assets of R$520 million during the six-month period ended June 30, 2018, primarily as a result of the (1) R$710 million exchange gain rate due to 16.6% of the appreciation of the U.S. dollar against the *real* during the six-month period ended June 30, 2018 and (2) R$191 million related loss recorded based on our revision of the fair value of the cash investment in Unitel, compared to a loss on available-for-sale financial assets of R$721 million during the corresponding period of 2017, primarily as a result of the loss recorded based on our revision of the recoverable amount of dividends receivable from Unitel, the fair value of the cash investment in Unitel and exchange losses rate related to the depreciation of the Angolan Kwanza against the U.S. dollar and the *real* during the six-month period ended June 30, 2017, and (2) a 65.4% decline in interest on other liabilities to R$379 million during the six-month period ended June 30, 2018 from R$1,095 million during the corresponding period of 2017, principally due to the commencement of our participation in the Tax Recovery Program (REFIS) in May 2017. The effects of these factors was partially offset by a 136.7% increase in tax on financial transactions and bank fees to R$616 million during the six-month period ended June 30, 2018 from R$260 million during the corresponding period of 2017.

Income Tax and Social Contribution

The composite corporate statutory income tax and social contribution rate was 34% in each of the six-month periods ended June 30, 2018 and 2017. We recorded an income tax and social contribution expense of R$25 million during the six-month period ended June 30, 2018 and an income tax and social contribution benefit of R$261 million during the corresponding period of 2017. The effective tax rate applicable to our income before taxes was 0.2% during the six-month period ended June 30, 2018 and the effective tax rate applicable to our loss before taxes was 25.7% during the corresponding period of 2017. The table below sets forth a reconciliation of the composite corporate statutory income tax and social contribution rate to our effective tax rate for each of the periods presented.

	Six-Month Period ended June 30,	
	2018	**2017**
Composite corporate statutory income tax and social contribution rate	34.0%	34.0%
Tax effects of permanent exclusions	(91.7)	15.0
Valuation allowance	41.3	10.4
Tax effects of differentiated tax rates	14.2	
Tax effects of permanent additions and non-deductible expenses	2.4	(35.7)
Tax incentives	0.0	1.9
Other	0.0	0.0
Effective rate	0.2%	25.7%

The effective tax rate applicable to our income before taxes was 0.2% during the six-month period ended June 30, 2018, primarily as a result of the tax effects of permanent exclusions, primarily as a result of the effects of the novation of our debt obligations due to the confirmation of the RJ Plan, which reduced our effective tax rate by 91.7%, the effects of which were partially offset by (1) the tax effects of valuation allowance, which resulted in an decrease in our tax assets by R$6,618 million, that were recognized for the companies that as at June 30, 2018, do not expect to generate sufficient future taxable profits against which these tax assets could be offset, which increased our effective tax rate by 41,3%, (2) the tax effects of differentiated tax rates, which resulted in a difference in the tax rates applicable in Brazil in relation to other countries, which increased our effective tax rate by 14.2%, and (3) the tax effects of permanent additions and non-deductible expenses, which increase our effective tax rate by 2.4%.

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The effective tax rate applicable to our loss before taxes was 25.7% during the six-month period ended June 30, 2017, resulting in a tax benefit based on our loss before taxes, primarily as a result of the tax effects of permanent additions, primarily as a result of the effects of non-deductible expenses, which reduced the effective tax rate applicable to our loss before taxes by 35.7% (effectively reducing our tax benefit). The effects of this factor were partially offset by (1) the tax effects of permanent exclusions, which increase our effective tax rate by 15.0%, (2) the tax effects of valuation allowance, primarily as a result a R$106 million increase in our tax assets, which reduced the effective tax rate applicable to our loss before taxes by 10.4% (effectively increasing our tax benefit), and (3) the tax effects of tax incentives, which reduced the effective tax rate applicable to our loss before taxes by 1.9% (effectively increasing our tax benefit).

Net Loss

As a result of the foregoing, we recorded consolidated net income of R$16,008 million during the six-month period ended June 30, 2018 compared to consolidated net loss of R$755 million during the corresponding period of 2017. As a percentage of net operating revenue, our net income was 142.8% during the six-month period ended June 30, 2018 compared to net loss of (6.3) % during the corresponding period of 2017.

Year Ended December 31, 2017 Compared with Year Ended December 31, 2016

The following table sets forth the components of our consolidated income statement, as well as the percentage change from the prior year, for the years ended December 31, 2017 and 2016.

	Year ended December 31,		
	2017	**2016**	**% Change**
	(in millions of *reais*, except percentages)		
Net operating revenue	R$23,790	R$25,996	(8.5)
Cost of sales and services	(15,676)	(16,742)	(6.4)
Gross profit	8,114	9,255	(12.2)
Operating income (expenses)			
Selling expenses	(4,400)	(4,383)	0.4
General and administrative expenses	(3,064)	(3,688)	(16.9)
Other operating income (expenses), net	(1,043)	(1,237)	(15.7)
Reorganization items, net	(2,732)	(9,006)	(69.7)
Operating loss before financial expenses, net, and taxes	(2,767)	(9,059)	(69.5)
Financial expenses, net	(1,612)	(4,375)	(63.2)
Loss before taxes	(4,379)	(13,434)	(67.4)
Income tax and social contribution	351	(2,245)	n.m.
Net loss	R$(4,027)	R$(15,680)	(74.3)

n.m. Not meaningful.

Net Operating Revenue

The following table sets forth the components of our net operating revenue, as well as the percentage change from the prior year, for the years ended December 31, 2017 and 2016.

	Year ended December 31,		
	2017	2016	% Change
	(in millions of *reais*, except percentages)		
***Telecommunications in Brazil Segment*:**			
Residential	R$9,171	R$9,376	(2.2)
Personal mobility	7,645	7,849	(2.6)
B2B	6,486	7,607	(14.7)
Other services	256	332	(23.0)
	23,557	25,164	(6.4)
Other operations (1)	233	833	(72.1)
Net operating revenue	R$23,790	R$25,996	(8.5)

(1) Other operations includes the net operating revenue of Africatel.

Net operating revenue of our Telecommunications in Brazil segment declined by 6.4% during 2017, principally due to a 14.7% decline in net operating revenue from B2B services, and to a lesser extent, a 2.2% decline in net operating revenue from residential services, and a 2.6% decline in net operating revenue from personal mobility services. In addition, net operating revenue of our other operations declined by 72.1%, principally as a result of our disposition of our interest in MTC in January 2017.

Net Operating Revenue from Residential Customer Services

Net operating revenue from residential customer services represented 38.5% of our net operating revenue during 2017. Net operating revenue from residential services declined by 2.2%, primarily due to (1) the 3.3% decline in the average number of residential revenue generating units, or RGUs; (2) the decline in voice traffic, and (3) the reduction in TU-RL and TU-RIU fixed line interconnection tariffs and VC fixed-to-mobile tariffs in February 2017. These effects were partially offset by the 3.9% increase in the average monthly net residential revenue per user to R$79.6 in 2017 from R$76.6 in 2016, primarily due to an increase in broadband and Pay-TV revenues.

Net Operating Revenue from Residential Fixed-Line Services. Net operating revenue from residential fixed-line services declined by 9.5%, primarily due to a 7.2% decline in the average number of residential fixed lines in service to 9.2 million during 2017 from 9.9 million during 2016, as a result of (1) the general trend in the Brazilian telecommunications industry to substitute mobile services in place of local fixed-line services, and (2) the impact of two rate increases during the year. The effects of these factors were partially offset by the migration of our fixed-line customer base to convergent service offerings, such as *Oi Total*, and other plans offering unlimited minutes of usage, which generate greater revenue per user.

Net Operating Revenue from Broadband Services. Net operating revenue from residential broadband services increased by 0.9%, primarily as a result of a 1.5% increase in the average net operating revenue per subscriber, primarily as a result of the migration of our broadband base to service offerings with higher speed, which generate greater revenue per user. The effects of this migration were partially offset by a 0.6% decline in the average number of our residential ADSL subscribers. As of December 31, 2017, our ADSL subscribers represented 55.8% of our total residential fixed lines in service and subscribed to plans with an average speed of 8.3 Mbps as compared to 52.2% of our total residential fixed lines in service at an average speed of 6.8 Mbps as of December 31, 2016.

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Net Operating Revenue from Pay-TV Services. Net operating revenue from residential Pay-TV services increased by 22.9%, primarily as a result of a 16.0% increase in the average number of our residential Pay-TV subscribers increased to 1.5 million during 2017 from 1.3 million during 2016, and a 5.9% increase in the average net operating revenue per subscriber, principally as a result of the shift in the our sales mix towards more comprehensive packages of channels. As of December 31, 2017, our Pay-TV subscribers represented 16.2% of our total residential fixed lines in service as compared to 13.0% of our total residential fixed lines in service as of December 31, 2016.

Net Operating Revenue from Personal Mobility Services

Net operating revenue from personal mobility services represented 32.1% of our net operating revenue during 2017. Net operating revenue from personal mobility services declined by 2.6%, primarily due to (1) a 20.2% decline in mobile interconnection revenue, and (2) a 1.2% decline in revenue from mobile telephony services.

Net Operating Revenue from Mobile Telephony Services. Net operating revenue from mobile telephony services declined by 1.2%, primarily due to:

- a 9.3% decline in the number of mobile customers that subscribe to our prepaid plans to 29.9 million during 2017 from 33.0 million during 2016, principally as a result of (1) an increase in Brazil s unemployment rate as our sales net additions of prepaid subscribers is closely correlated to movements in the unemployment rate, (2) the migration of prepaid customers in Brazil to the use of a single SIM card as operators have increased the offer of all-net plans following the successive reductions of the MTR (VU-M) interconnection tariffs, and (3) our strict disconnection policy for inactive customers, which is designed to reduce fee payments that we must make for each active account; and

- a 2.1% decline in the number of mobile customers that subscribe to our postpaid plans to 6.7 million during 2017 from 6.9 million during 2016.

The effects of these declines were partially offset by a 7.5% increase in average monthly net revenue per user, primarily as a result of an improvement in the profile of our customer base. During 2017, data revenue represented 53.9% of net operating revenue from mobile telephony services as compared to 47.2% during 2016.

Net Operating Revenue from Interconnection to Our Mobile Network. Mobile interconnection revenue declined by 20.2% in 2017, primarily as a result of the reduction in MTR (VU-M) interconnection tariffs in February 2017.

Net Operating Revenue from B2B Services

Net operating revenue from B2B services represented 27.3% of our net operating revenue during 2017. Net operating revenue from B2B services declined by 14.7%, primarily as a result of (1) lower voice traffic, following the natural market trend, (2) the reduction in MTR (VU-M) interconnection tariffs and VC fixed-to-mobile tariffs in February 2017, (3) the slowdown in Brazilian economic activity, with has led to efforts by corporate and government customers to reduce costs, including telecommunications services costs, and has led to the downsizing or closing of many of our SME customers, and (4) market perceptions of our company during our RJ proceedings which has made it difficult for us to enter into new agreements with corporate customers.

As a result of these factors, we experienced a 1.6% decline in the total number of B2B customers to 6.5 million during 2017 from 6.6 million during 2016, principally as a result of a 3.2% decline in fixed line customers, partially offset by a 1.1% increase in mobile customers.

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Operating Expenses

The following table sets forth the components of our operating expenses, as well as the percentage change from the prior year, for the years ended December 31, 2017 and 2016.

	Year Ended December 31,		
	2017	**2016**	**% Change**
	(in millions of *reais*, except percentages)		
Third-party services	R$6,221	R$6,399	(2.8)
Depreciation and amortization	5,881	6,311	(6.8)
Rental and insurance	4,163	4,330	(3.9)
Personnel	2,791	2,852	(2.1)
Network maintenance services	1,252	1,540	(18.7)
Interconnection	778	1,173	(33.7)
Contingencies	144	1,056	(86.4)
Allowance for doubtful accounts	692	643	7.5
Advertising and publicity	414	449	(7.9)
Handsets and other costs	223	284	(21.4)
Impairment losses	47	226	(79.4)
Taxes and other expenses	345	559	(38.3)
Other operating income (expenses), net	1,233	227	n.m
Total cost of sales and services	R$24,184	R$26,049	(7.2)

n.m. Not meaningful.

Operating expenses declined by 7.2% in 2017, principally due to:

a 86.4%, or R$912 million, decline in contingencies;

a 6.8%, or R$429 million, decline in depreciation and amortization costs;

a 33.7%, or R$395 million, decline in interconnection costs;

a 18.7%, or R$289 million, decline in network maintenance services; and a 38.3%, or R$214 million, decline in taxes and other expenses.

The effects of these factors were partially offset by our incurrence of R$1,233 million in other operating expenses, net during 2017 compared to R$227 million during 2016.

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Third-Party Services

Third-party service costs declined by 2.8% in 2017, primarily as a result of lower call center expenses as a result of our adoption of our new customer care model and lower legal advisory and consulting services expenses as a result of a reduction of judicial processes. The effects of these factors were partially offset by higher content acquisition costs for our Pay-TV services as a result of the 16.0% increase in the average number of our residential Pay-TV subscribers, an increase in sales commission expenses as a result of an increase in sales of higher value services, and a reduction in energy costs.

Depreciation and Amortization

Depreciation and amortization costs declined by 6.8% in 2017, primarily as a result of the growth of increase in the amount of the property, plant and equipment that has been fully depreciated.

Rental and Insurance

Rental and insurance costs declined by 3.9% in 2017, primarily as a result of (1) an decline in *reais* of certain rental expenses denominated in U.S. dollars as a result of the appreciation of *real* against U.S. dollar during 2017, particularly expenses relating to our agreements with GlobeNet and our lease of capacity on the SES-6 satellite, and (2) the absence of expenses during 2017 relating to settlement agreements with other operators we entered into in 2016 related to the leasing of towers and equipment. The effects of these factors was partially offset by (1) increased tower and equipment leasing costs, and (2) increased vehicles leasing costs as a result of our absorption of network maintenance operations.

Personnel

Personnel expenses (including employee benefits and social charges and employee and management profit sharing) declined by 2.1% in 2017, primarily as a result of (1) headcount reductions that we implemented in May 2016 and in the fourth quarter of 2016, and (2) initiatives that that we have implemented to promote greater efficiency and productivity as well as stricter cost controls related in personnel expenses. The effects of these factors were partially offset by (1) the increase in the number of our employees as a result of our absorption of network service operations in the state of Rio de Janeiro and in the South, North and Northeast regions in 2016, (2) increases in the compensation of some of our employees as a result of the renegotiation of some of our collective bargaining agreements at the end of 2016, (3) increased provisions for variable compensation related to the fulfillment of operational, financial and quality goals established for 2017 under some of our collective bargaining s, and (4) our implementation of certain strategic projects that have resulted in the insourcing of services that used to be provided by third parties in order to improve quality and productivity in some of our critical processes.

Network Maintenance Services

Network maintenance services costs declined by 18.7% in 2017, primarily as a result of (1) our absorption of network service operations in the state of Rio de Janeiro and in the South, North and Northeast regions in 2016, as a result of which we no longer incur costs to third parties for these services, and our focus on conducting more efficient field operations focused on increased productivity and preventive actions. The effects of this factor were partially offset by our insourcing of technical support call center operations in 2017 and annual readjustments of costs under our contracts.

Interconnection

Interconnection costs declined by 33.7% in 2017, primarily as a result of the declines in MTR (VU-M) interconnection tariffs and the TU-RL and TU-RIU interconnection tariffs that were implemented in February 2017 and February 2016. The effects of these factors were partially offset by an increase in off-net mobile traffic volume as a result of our introduction of new mobile plans based on the all-net model.

Contingencies

In 2016, contingencies included R$858 million related to labor contingencies of Rede Conecta Serviços de Rede S.A., or Rede Conecta (which merged into Serede in November 2018).

Allowance for Doubtful Accounts

Allowance for doubtful accounts increased by 7.5% in 2017, primarily as a result of an increase in consumer default rates as a result of the deterioration Brazilian macroeconomic conditions. During the year ended December 31, 2017, allowance for doubtful accounts represented 2.9% of our net operating revenue compared to 2.5% in 2016.

Advertising and Publicity

Advertising and publicity expenses declined by 7.9% in 2017, primarily as a result of a decline in the volume of our advertising campaigns.

Handsets and Other Costs

Handsets and other costs declined by 21.4% in 2017, primarily due to lower handset sales.

Impairment Losses

Impairment losses declined by 79.4% in 2017. Impairment losses in 2017 and 2016 consisted of losses on goodwill relating to Africatel, which is reported as a held-for-sale asset, as a result of Oi s annual impairment testing.

Taxes and Other Expenses

Taxes and other expenses declined by 38.3% in 2017, primarily due to a decrease in other tax expenses, due to a decrease in other revenues in which other taxes are associated and a decrease in expenses for fines.

Other Operating Expenses, Net

Other operating expenses, net increased to R$1,233 million in 2017 from R$227 million in 2016, primarily as a result of the effects of non-recurring expenses related to unrecoverable tax, write-off of other assets and other expenses due to the reconciliation of accounting balances as part of the RJ Proceedings.

Reorganization Items, Net

Reorganization items, net declined by 69.7% to R$2,732 million during 2017 from R$9,006 million during 2016. Reorganization items, net during 2017 consisted of (1) a R$1,569 million increase of the amount recorded relating to our contingent liabilities owed to ANATEL to the amount allowed for these claims in the RJ Proceedings, which was greater than their carrying amount prior to the commencement of the RJ Proceedings (2) a R$1,146 million increase of the amount recorded relating to our other contingent liabilities to the amount allowed for these claims in the RJ Proceedings, which was greater than their carrying amount prior to the commencement of the RJ Proceedings, and (3) fees and expenses of R$370 million of professional advisors who are assisting us with the RJ Proceedings. The effects of these expenses were partially offset by our recognition of income from short-term investments of R$713 million, which were recognized as reorganization items.

Reorganization items, net during 2016 consisted of (1) a R$6,604 million increase of the amount recorded relating to our contingent liabilities owed to ANATEL to the amount allowed for these claims in the RJ Proceedings, which was greater than their carrying amount prior to the commencement of the RJ Proceedings, (2) a R$2,350 million increase of the amount recorded relating to our other contingent liabilities to the amount allowed for these claims in the RJ Proceedings, which was greater than their carrying amount prior to the commencement of the RJ Proceedings and (3) fees and expenses of R$253 million of professional advisors who are assisting us with the RJ Proceedings. The effects of these expenses were partially offset by our recognition of income from short-term investments of R$202 million, which were recognized as reorganization items.

Operating Loss before Financial Expenses, Net, and Taxes

As a result of the foregoing, the operating loss before financial expenses, net, and taxes of our Telecommunications in Brazil segment declined by 70.1%, to R$2,697 million during 2017 from R$9,008 million during 2016. As a percentage of net operating revenue, the operating loss before financial expenses, net, and taxes of our Telecommunications in Brazil segment declined to 11.4% during 2017 from 35.8% during 2016.

Operating expenses of our other operations declined by 68.5% to R$303 million during 2017 from R$884 million during 2016, principally as a result of our disposition of our interest in MTC in January 2017. The operating loss before financial expenses, net, and taxes of our other operations increased by 37.5% to R$70 million during 2017 from R$51 million during 2016. As a percentage of net operating revenue, the operating loss before financial expenses, net, and taxes of our other operations increased to 30.0% during 2017 from 6.1% during 2016.

Our consolidated operating loss before financial expenses, net, and taxes declined by 69.5%, to R$2,767 million during 2017 from R$9,059 million during 2016. As a percentage of net operating revenue, operating loss before financial expenses, net, and taxes declined to 11.6% during 2017 from 34.8% during 2016.

Financial Expenses, Net

Financial Income

Financial income increased by 32.4% to R$1,550 million during 2017 from R$1,171 million during 2016, primarily due to (1) a 70.7% increase in interest on other assets to R$1,050 million during 2017 from R$615 million during 2016, principally as a result of interest on judicial deposits and monetary variation on others assets, and (2) our recording no gain on exchange rate differences on translating foreign short-term investments during 2017, as part of the recognition as reorganization items, net compared to a R$135 million loss during 2016. The effects of these factors was partially offset by (1) our recording no income from short-term investments during 2017, as part of the recognition as reorganization items, net compared to income of R$112 million during 2016, and (2) a 13.5% decline in other income to R$500 million during 2017 from R$578 million during 2016.

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Financial Expenses

Financial expenses declined by 43.0% to R$3,162 million during 2017 from R$5,546 million during 2016, primarily due to the elimination of our borrowing and financing costs in 2017 as a result of the commencement of the RJ Proceedings in June 2016, compared to our borrowing and financing costs of R$2,746 million during 2016, the effects of which were partially offset by a 12.9% increase in other charges to R$3,162 million during 2017 from R$2,800 million during 2016.

Other charges increased primarily as a result of (1) a 174.3% increase in interest on other liabilities to R$1,641 million during 2017 from R$598 million during 2016, principally due to the commencement of our participation in the Tax Recovery Program (REFIS) in May 2017, and (2) a 158.6% increase in other expenses to R$450 million during 2017 from R$174 million during 2016. The effects of these factors was partially offset by (1) a 75.5% decline in loss on available for sale financial assets to R$267 million during 2017 from R$1,090 million during 2016, principally as a result of the reduction of the loss recorded based on our revision of the recoverable amount of dividends receivable from Unitel, the fair value of the cash investment in Unitel and exchange losses rate related to the depreciation of the Angolan Kwanza against the U.S. dollar and the *real* to US$39 million during 2017 from US$242 million during 2016, and (2) a 24.6% decline in tax on financial transactions and bank fees to R$512 million during 2017 from R$679 million during 2016, principally due to a reduction in these types of expenses as a result of the RJ Proceedings.

Income Tax and Social Contribution

The composite corporate statutory income tax and social contribution rate was 34% in each of 2017 and 2016. We recorded an income tax and social contribution benefits of R$351 million during 2017 and an income tax and social contribution expenses of R$2,245 million during 2016. The effective tax rate applicable to our loss before taxes was 8.0% during 2017 and (16.7)% during 2016. The table below sets forth a reconciliation of the composite corporate statutory income tax and social contribution rate to our effective tax rate for each of the periods presented.

	Year Ended December 31,	
	2017	**2016**
Composite corporate statutory income tax and social contribution rate	34.0%	34.0%
Valuation allowance	(25.9)	(30.1)
Effects of foreign rate differential	(0.5)	(0.1)
Tax effects of permanent additions	(2.1)	(21.5)
Tax effects of permanent exclusions	8.5	0.9
Tax incentives	0.3	0.2
Tax amnesty program	(6.3)	
Other	0.0	0.0
Effective rate	8.0%	(16.7)%

The effective tax rate applicable to our loss before taxes was 8.0% in 2017, resulting in a tax benefit, primarily as a result of (1) the tax effects of valuation allowance, which resulted in a decline in our tax assets by R$1,135 million that were recognized for the companies that, as at December 31, 2017, do not expect to generate sufficient future taxable profits against which these tax assets could be offset, which reduced the effective tax rate applicable to our loss before taxes by 25.9% (effectively reducing our tax benefit), and (2) the tax effects of amnesty program which reduced the effective tax rate applicable to our loss before taxes by 6.3% (effectively reducing our tax benefit). The effects of these factors were partially offset by the tax effects of permanent exclusions, which increased the effective tax rate applicable to our loss before taxes by 8.5% (effectively increasing our tax benefit).

The effective tax rate applicable to our loss before taxes was (16.7)% in 2016, resulting in a tax expense despite our incurring a loss before taxes, primarily as a result of (1) the tax effects of valuation allowance, which resulted in a decline in our tax assets by R$4,050 million that were recognized for the companies that, as at December 31, 2016, do not expect to generate sufficient future taxable profits against which these tax assets could be offset, which reduced the effective tax rate applicable to our loss before taxes by 30.1% (effectively increasing our tax expense), and (2) the tax effects on permanent additions, primarily as a result of the effects of the adjustments of debt obligations due to the filing of the judicial reorganization petitions and based on the RJ Plan, which reduced the effective tax rate applicable to our loss before taxes by 21.5% (effectively increasing our tax expense).

Net Loss

As a result of the foregoing, our consolidated net loss declined by 74.3% to R$4,027 million during 2017 from R$15,680 million during 2016. As a percentage of net operating revenue, our net loss declined to 16.9% during 2017 from 60.3% during 2016.

Year Ended December 31, 2016 Compared with Year Ended December 31, 2015

The following table sets forth the components of our consolidated income statement, as well as the percentage change from the prior year, for the years ended December 31, 2016 and 2015.

	Year ended December 31,		
	2016	2015 (restated)	% Change
	(in millions of *reais*, except percentages)		
Net operating revenue	R$25,996	R$27,354	(5.0)
Cost of sales and services	(16,742)	(16,250)	3.0
Gross profit	9,255	11,104	(16.7)
Operating income (expenses)			
Selling expenses	(4,383)	(4,720)	(7.1)
General and administrative expenses	(3,688)	(3,912)	(5.7)
Other operating income (expenses), net	(1,237)	(2,294)	(46.1)
Restructuring items	(9,006)		n.m.

	Year ended December 31,		
	2016	2015 (restated)	% Change
	(in millions of *reais*, except percentages)		
Operating loss before financial expenses, net, and taxes	(9,059)	177	n.m.
Financial expenses, net	(4,375)	(6,724)	(34.9)
Loss before taxes	(13,435)	(6,547)	105.2
Income tax and social contribution	(2,245)	(3,380)	(33.6)

Net income (loss) from continuing operations	(15,680)	(9,927)	58.0
Net income (loss) from discontinued operations		(867)	(100.0)
Net loss	R$(15,680)	R$(10,794)	45.3

n.m. Not meaningful.

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Net Operating Revenue

The following table sets forth the components of our net operating revenue, as well as the percentage change from the prior year, for the years ended December 31, 2016 and 2015.

	Year ended December 31, 2016	2015 (restated)	% Change
	(in millions of *reais*, except percentages)		
***Telecommunications in Brazil Segment*:**			
Residential	R$ 9,376	R$ 9,779	(4.1)
Personal mobility	7,849	8,431	(6.9)
B2B	7,607	7,974	(4.6)
Other services	332	257	29.2
	25,164	26,441	(4.8)
Other operations (1)	833	913	(8.7)
Net operating revenue	R$ 25,996	R$ 27,354	(5.0)

(1) Other operations includes the net operating revenue of Africatel.

Net operating revenue of our Telecommunications in Brazil segment declined by 4.8% during 2016, principally due to (1) a 6.9% decline in net operating revenue from personal mobility services, (2) a 4.1% decline in net operating revenue from residential services, and (3) a 4.6% decline in net operating revenue from B2B services. Net operating revenue of our other operations declined by 8.7%.

Net Operating Revenue from Residential Customer Services

Net operating revenue from residential customer services represented 36.1% of our net operating revenue during 2016. Net operating revenue from residential services declined by 4.1%, primarily due to (1) the 9.3% decline in the average number of residential RGUs, and (2) the reduction in TU-RL and TU-RIU fixed line interconnection tariffs and VC fixed-to-mobile tariffs in February 2015 and February 2016. These effects were partially offset by the 5.5% increase in the average monthly net residential revenue per user to R$76.6 in 2016 from R$72.6 in 2015, primarily due to the increase in broadband and Pay-TV revenues.

Net Operating Revenue from Residential Fixed-Line Services. Net operating revenue from residential fixed-line services declined by 5.5%, primarily due to a 5.4% decline in the average number of residential fixed lines in service to 9.9 million during 2015 from 10.5 million during 2015, as a result of the general trend in the Brazilian telecommunications industry to substitute mobile services in place of local fixed-line services. The effects of this factor was partially offset by the migration of our fixed-line customer base to convergent service offerings, such as *Oi Total*, which generate greater revenue per user.

Net Operating Revenue from Broadband Services. Net operating revenue from residential broadband services increased by 6.9%, primarily as a result of (1) a 5.3% increase in the average net operating revenue per subscriber, primarily as a result of the migration of our broadband base to service offerings with higher speed, which generate greater revenue per use, and (2) a 1.5% increase in the average number of our residential ADSL subscribers to 5.2 million during 2016 from 5.1 million during 2015. As of December 31, 2016, our ADSL subscribers represented 52.2% of our total residential fixed lines in service and subscribed to plans with an average speed of 6.9 Mbps as compared to 48.6 % of our total residential fixed lines in service at an average speed of 5.6 Mbps as of December 31, 2015.

Net Operating Revenue from Pay-TV Services. Net operating revenue from residential Pay-TV services increased by 23.6%, primarily as a result of a 12.1% increase in the average net operating revenue per subscriber, principally as a result of the shift in the our sales mix towards more comprehensive packages of channels, and a 10.4% increase in the average number of our residential Pay-TV subscribers to 1.3 million during 2016 from 1.2 million during 2015. As of December 31, 2016, our Pay-TV subscribers represented 13.7% of our total residential fixed lines in service as compared to 11.0% of our total residential fixed lines in service as of December 31, 2015.

Net Operating Revenue from Personal Mobility Services

Net operating revenue from personal mobility services represented 30.2% of our net operating revenue during 2016. Net operating revenue from personal mobility services declined by 6.9%, primarily due to (1) a 29.5% decline in mobile interconnection revenue, (2) a 39.9% decline in revenue from sales of handsets and accessories, and (3) a 1.9% decline in revenue from mobile telephony services.

Net Operating Revenue from Mobile Telephony Services. Net operating revenue from mobile telephony services declined by 1.9%, primarily due to a 15.5% decline in the number of mobile customers that subscribe to our prepaid plans to 33.0 million during 2016 from 39.1 million during 2015, principally as a result of (1) the migration of prepaid customers in Brazil to the use of a single SIM card as operators have increased the offer of all-net plans following the successive reductions of the MTR (VU-M) interconnection tariffs, and (2) our strict disconnection policy for inactive customers, which is designed to reduce fee payments that we must make for each active account. The effects of this decline were partially offset by (1) a 15.9% increase in average monthly net revenue per user, primarily as a result of an increase in data revenue, and (2) a 1.2% increase in the number of mobile customers that subscribe to our postpaid plans to 6.9 million during 2016 from 6.8 million during 2015, principally as a result of a trend toward the migration from prepaid customers to postpaid offers. During 2016, data revenue represented 47.2% of net operating revenue from mobile telephony services as compared to 37.2% during 2015.

Net Operating Revenue from Interconnection to Our Mobile Network. Mobile interconnection revenue declined by 29.5% in 2016, primarily as a result of the reduction in MTR (VU-M) interconnection tariffs in February 2016.

Net Operating Revenue from Sales of Handsets and Accessories. Net operating revenue from sales of handsets and accessories (primarily SIM cards) declined by 39.9%, principally as a result of our strategy to outsource handsets sales in order to increase logistical efficiency and improve the supply of handsets in our sales channels.

Net Operating Revenue from B2B Services

Net operating revenue from B2B services represented 29.3% of our net operating revenue during 2016. Net operating revenue from B2B services declined by 4.6%, primarily as a result of (1) the slowdown in Brazilian economic activity, with has led to efforts by corporate and government customers to reduce costs, including telecommunications services costs, and has led to the downsizing or closing of many of our SME customers, (2) the reduction in MTR (VU-M) interconnection tariffs and VC fixed-to-mobile tariffs in February 2016, and (3) market perceptions of our company during our RJ Proceedings which made it difficult for us to enter into new agreements with corporate customers.

As a result of these factors, we experienced a 2.1% decline in the total number of B2B customers to 6.6 million during 2016 from 6.8 million during 2017, principally as a result of a 4.6% decline in fixed line customers, partially offset by a 3.0% increase in mobile customers.

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Operating Expenses

The following table sets forth the components of our operating expenses, as well as the percentage change from the prior year, for the years ended December 31, 2016 and 2015.

	Year Ended December 31,		
	2016	2015	% Change
	(in millions of *reais*, except percentages)		
Third-party services	R$6,399	R$6,317	1.3
Depreciation and amortization	6,311	6,195	1.9
Rental and insurance	4,330	3,600	20.3
Personnel	2,852	2,720	4.9
Network maintenance services	1,540	1,902	(19.0)
Interconnection	1,173	1,809	(35.1)
Contingencies	1,056	1,838	(42.5)
Allowance for doubtful accounts	643	721	(10.8)
Advertising and publicity	449	406	10.7
Handsets and other costs	284	285	(0.2)
Impairment losses	226	591	(61.8)
Taxes and other expenses	559	1,013	(44.8)
Other operating income (expenses), net	(227)	219	n.m
Total cost of sales and services	R$26,049	R$27,176	(4.1)

n.m. Not meaningful.

Operating expenses declined by 4.1% in 2016, principally due to:

- a 42.5%, or R$782 million, increase in contingencies;
- a 35.1%, or R$635 million, decline in interconnection costs;
- a 44.8%, or R$454 million, decline in taxes and other expenses;
- a 61.8%, or R$365 million, decline in impairment losses; and
- a 19.0%, or R$361 million, decline in network maintenance services.

The effects of these factors were partially offset by:

- a 20.3%, or R$730 million, increase in rental and insurance costs;
- our incurrence of R$227million in other operating expenses, net during 2016 compared to R$218 million in other operating income, net during 2015; and
- a 4.9%, or R$133 million, increase in personal expenses.

Third-Party Services

Third-party service costs increased by 1.3% in 2016, primarily as a result of an increase in costs under our contract for satellite services with Globosat and increased content acquisition costs for our Pay-TV services as a result in the improvement of our Pay-TV customer mix. The effects of these factors were partially offset by lower call center expenses as a result of our adoption of our new customer care model and a reduction in sales commission expenses as a result of our efforts to optimize our sales channels through the increased use of our own channels.

Depreciation and Amortization

Depreciation and amortization costs increased by 1.9% in 2016, primarily as a result of the growth of our data and mobile network due to our strategy of modernization of the core network focusing on transmission and transport infrastructure, which has increased the amount of depreciable property, plant and equipment and amortizable license.

Rental and Insurance

Rental and insurance costs increased by 20.3% in 2016, primarily as a result of (1) an increase in *reais* of certain rental expenses denominated in U.S. dollars as a result of the depreciation of *real* against U.S. dollar during 2016, particularly expenses relating to our agreements with GlobeNet and our lease of capacity on the SES-6 satellite, (2) the effects of Brazilian inflation on certain of our contracts that index our costs to Brazilian inflation indexes, (3) an increase in the quantity of submarine cable capacity that we rent, (4) increased vehicles leasing costs as a result of our absorption of network maintenance operations in the state of Rio de Janeiro and in the South, North and Northeast regions, and (5) our entering into settlement agreements with other operators related to the leasing of towers and equipment.

Personnel

Personnel expenses (including employee benefits and social charges and employee and management profit sharing) increased by 4.9% in 2016, primarily as a result of (1) an increase in the number of our employees as a result of our absorption of network service operations in the state of Rio de Janeiro and in the South, North and Northeast regions, and (2) increases in the compensation of some of our employees as a result of the renegotiation of some of our collective bargaining agreements at the end of 2015. The effects of these increases were partially offset by (1) headcount reductions that we implemented in April 2015, May 2016 and in the fourth quarter of 2016, and (2) reduced provisions for employee profit sharing in 2016.

Network Maintenance Services

Network maintenance services costs declined by 19.0% in 2016, primarily as a result of our absorption of network service operations in the state of Rio de Janeiro and in the South, North and Northeast regions, as a result of which we no longer incur costs to third parties for these services. The effects of this factor were partially offset by annual contractual adjustments under our agreements with network maintenance service providers.

Interconnection

Interconnection costs declined by 35.1%, primarily as a result of the declines in MTR (VU-M) interconnection tariffs and the TU-RL and TU-RIU interconnection tariffs that were implemented in February 2015 and February 2016. The effects of these factors were partially offset by an increase in off-net mobile traffic volume as a result of our introduction of new mobile plans based on the all-net model.

Contingencies

In 2016, contingencies included R$858 million related to labor contingencies of Rede Conecta (which merged into Serede in November 2018). In 2015, contingencies included R$976 million related to the effect of the increase in provision for contingencies, the write-off of judicial deposits and the correction of the corresponding inflation adjustments on the written off judicial deposits.

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Allowance for Doubtful Accounts

Allowance for doubtful accounts declined by 10.8% in 2016, primarily as a result of an improvement in our customers payment profile, reflecting our focus on sales quality, particularly in the B2B Services revenue segment. During the year ended December 31, 2016, allowance for doubtful accounts represented 2.5% of our net operating revenue compared to 2.7% in 2015.

Advertising and Publicity

Advertising and publicity expenses increased by 10.7% in 2016, primarily as a result of our resumption of commercial activities at the end of 2015 with the increased focused on the launch of our re-branding and marketing campaigns to support *Oi Total*, *Oi Livre*, *Oi Mais* and *Oi Mais Empresas*.

Handsets and Other Costs

Handsets and other costs remained substantially unchanged in 2016 compared to 2015.

Impairment Losses

Impairment losses declined by 61.8% in 2016. Impairment losses in 2016 consisted of the impairment loss on goodwill related to Africatel, which is reported as a held-for-sale asset, as a result of our annual impairment testing. Impairment losses in 2015 consisted of (1) R$501 million related to goodwill and trademarks for the operations in Brazil due to a significant change in the macroeconomic conditions in Brazil, and (2) R$89 million related to loss on goodwill related to our operations in Africa.

Taxes and Other Expenses

Taxes and other expenses declined by 44.8% in 2016 primarily due to the reduction of these costs as part of the RJ Proceedings.

Other Operating Income (Expenses), Net

Other operating expense, net was R$227 million in 2016 compared to other operating income, net of R$219 million in 2015. The principal components of other operating income, net in 2016 include expenses related to write-off of other assets and other expenses of R$132 million due to the reconciliation of accounting balances as part of the RJ Proceedings. The principal components of other operating income, net in 2015 were (1) the reversal of a civil contingency amounting to R$326 million arising from the revision of the calculation methodology we use to calculate civil contingencies, and (2) R$48 million in costs relating to terminations of employments contracts during 2015.

Reorganization Items, Net

Reorganization items, net during 2016 consisted of (1) a R$6,600 million increase of the amount recorded relating to our contingent liabilities owed to ANATEL to the amount allowed for these claims in the RJ Proceedings, which was greater than their carrying amount prior to the commencement of the RJ Proceedings (2) a R$2,350 million increase of the amount recorded relating to our other contingent liabilities to the amount allowed for these claims in the RJ Proceedings, which was greater than their carrying amount prior to the commencement of the RJ Proceedings, and (3) fees and expenses of R$253 million of professional advisors who are assisting us with the RJ Proceedings. The effects of these expenses were partially offset by our recognition of income from short-term investments of

R$202 million, which were recognized as reorganization items.

We did not recognize reorganization items, net during 2015.

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Operating Income (Loss) before Financial Income (Expenses) and Taxes

As a result of the foregoing, the operating loss before financial expenses, net, and taxes of our Telecommunications in Brazil segment increased to R$15,794 million during 2016 from R$319 million during 2015. As a percentage of net operating revenue, the operating loss before financial expenses, net, and taxes of our Telecommunications in Brazil segment increased to 62.8% during 2016 from 1.2% during 2015.

Operating expenses of our other operations increased by 38.9% to R$884 million during 2016 from R$636 million during 2015, principally as a result of exchange rate losses related to the depreciation of the Angolan Kwanza against the U.S. dollar and the *real*. Operating loss before financial expenses, net, and taxes of our other operations was R$51 million during 2016 compared to operating income before financial expenses, net, and taxes of R$276 million during 2015. As a percentage of net operating revenue, the operating loss before financial expenses, net, and taxes of our other operations was 6.1% during 2016 compared to operating income before financial expenses, net, and taxes of 30.3% during 2015.

Our consolidated operating loss before financial expenses, net, and taxes increased to R$9,059 million during 2016 from operating income before financial expenses, net, and taxes of R$177 million during 2015. As a percentage of net operating revenue, operating loss before financial expenses, net, and taxes increased to 34.8% during 2016 from operating income before financial expenses, net, and taxes to 0.6% during 2015.

Financial Expenses, Net

Financial Income

Financial income declined by 78.2% to R$1,171 million during 2016 from R$5,364 million during 2015, primarily due to (1) our recording a R$135 million loss on exchange rate differences on short-term investments during 2016 compared to gain of R$3,350 million during 2015, principally as a result of the appreciation of the *real* against the U.S. dollar and the Euro in 2016, and (2) decline in other income to R$578 million during 2016 from R$1,010 million during 2015 as a result of the to the gain on debenture repayment transactions and US$187.5 million (R$733 million) related with our portion of dividends approved by Unitel.

Financial Expenses

Financial expenses declined by 54.1% to R$5,546 million during 2016 from R$12,089 million during 2015, primarily due to (1) our a 70.0% decline in borrowing and financing costs to R$2,746 million during 2016 from R$9,162 million during 2015, and (2) a 24.6% decline in other charges to R$2,800 million during 2016 from R$2,927 million during 2015.

Borrowing and financing costs declined primarily as a result of our recording a gain on inflation and exchange losses on third-party borrowings of R$4,580 million during 2016 compared to a loss of R$10,908 million during 2015, primarily as a result of a 46.2% decline in interest on borrowings payable to third parties to R$2,178 million during 2016 from R$4,050 million during 2015, primarily as a result of (1) the elimination of our borrowing and financing costs in second half as a result of the commencement of the RJ Proceedings in June 2016, and (2) to a lesser extent, the appreciation of the *real* against the U.S. dollar and the Euro in 2016. The effects of these factors were partially offset by our recording a R$5,148 million loss on derivatives transactions during 2016 compared to a gain of R$5,797 million during 2015, primarily as a result of the appreciation of the *real* against the U.S. dollar and the Euro in 2016.

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Other charges declined primarily as a result of (1) a decline on interest on other liabilities to R$598 million during 2016 from R$833 million during 2015, principally due to reducing cost as part of the RJ Proceedings, (2) a 63.5% decline in other expenses to R$174 million during 2016 from R$477 million during 2015, principally due to reducing cost as part of the RJ Proceedings, and (3) a 67.5% decline in inflation adjustment of provisions to R$238 million during 2016 from R$363 million during 2015. The effects of these factors was partially offset by a 143.5% increase in loss on available for sale financial assets to R$1,090 million during 2016 from R$448 million during 2015, principally as a result of the loss recorded based on (1) our revision of the recoverable amount of dividends receivable from Unitel and the fair value of the cash investment in Unitel, and (2) exchange rate losses related to the depreciation of the Angolan Kwanza against the U.S. dollar and the *real*.

Income Tax and Social Contribution

The composite corporate statutory income tax and social contribution rate was 34% in each of 2016 and 2015. We recorded income tax and social contribution expenses of R$2,245 million during 2016 and R$3,380 million during 2015. The effective tax rate applicable to our loss before taxes was (11.1)% during 2016 and (51.6)% during 2015. The table below sets forth a reconciliation of the composite corporate statutory income tax and social contribution rate to our effective tax rate for each of the periods presented.

	Year Ended December 31,	
	2016	**2015**
Composite corporate statutory income tax and social contribution rate	34.0%	34.0%
Valuation allowance	(30.1)	(79.0)
Effects of foreign rate differential	(0.1)	(1.6)
Tax effects of permanent additions	(21.5)	(4.1)
Tax effects of permanent exclusions	0.9	1.7
Tax incentives	0.2	0.1
Tax amnesty program		(2.5)
Other	0.0	(0.2)
Effective rate	(16.7)%	(51.6)

The effective tax rate applicable to our loss before taxes was (16.7)% in 2016, resulting in a tax expense despite our incurring a loss before taxes, primarily as a result of (1) the tax effects of valuation allowance, which resulted in a decline in our tax assets by R$4,050 million that were recognized for the companies that, as at December 31, 2016, do not expect to generate sufficient future taxable profits against which these tax assets could be offset, which reduced the effective tax rate applicable to our loss before taxes by 30.1% (effectively increasing our tax expense), and (2) the tax effects on permanent additions, primarily as a result of the effects of the adjustments of debt obligations due to the filing of the judicial reorganization petitions and based on the RJ Plan, which reduced the effective tax rate applicable to our loss before taxes by 21.5% (effectively increasing our tax expense).

The effective tax rate applicable to our loss before taxes was (51.6)% in 2015, resulting in a tax expense despite our incurring a loss before taxes, primarily as a result of the tax effects of valuation allowance, which resulted in a decline in our tax assets by R$5,171 million that were recognized for the companies that, as at December 31, 2015, do not expect to generate sufficient future taxable profits against which these tax assets could be offset, which reduced the effective tax rate applicable to our loss before taxes by 79.0% (effectively increasing our tax expense).

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Net Loss from Continuing Operations

Our net loss from continuing operations declined by 58.0% to R$15,680 million during 2016 from R$10,794 million during 2015. As a percentage of net operating revenue, net loss from continuing operations increased to 60.3% during 2016 from 36.3% in 2015.

Net Loss from Discontinued Operations

We had no net income or loss from discontinued operations during 2016.

Net loss from discontinued operations in 2015 of R$867 million consisted of a R$226 million loss related to the cumulative foreign exchange differences recognized in other comprehensive income, transferred from equity to net income from discontinued operations for the year due to the sale of PT Portugal and expenses of R$625 million of expenses related to the derecognized investment cost that includes goodwill arising on the business combination of our company with PT Portugal less selling expenses and cash received directly our company.

Net Income

As a result of the foregoing, our consolidated net loss increased by 45.3% to R$15,680 million during 2016 from R$10,794 million during 2015. As a percentage of net operating revenue, our net loss increased to 60.3% during 2016 from 39.5% during 2015.

Liquidity and Capital Resources

Our principal cash requirements have historically consisted of the following:

- working capital requirements;
- servicing of our indebtedness;
- capital expenditures related to investments in operations, expansion of our networks and enhancements of the technical capabilities and capacity of our networks; and
- dividends on our shares, including in the form of interest attributable to shareholders equity.

As a result of the commencement of the RJ Proceedings in June 2016, we ceased to pay principal and interest on our loans and financings subsequent to the date of the commencement of the RJ Proceedings. By operation of the RJ Plan and the Brazilian Confirmation Order, provided that the Brazilian Confirmation Order is not overturned or altered as a result of the pending appeals filed against it, our loans and financings were novated and discharged under Brazilian law and creditors under our loans and financings are entitled only to receive the recoveries set forth in the RJ Plan as recoveries for their claims in accordance with the terms and conditions of the RJ Plan.

Under our bylaws, unless our board of directors deems it inconsistent with our financial position, payment of dividends is mandatory. Notwithstanding the requirements of our bylaws, under the RJ Plan, we are prohibited from declaring or paying any dividend, return on capital, or making any other payment or distribution on (or related to) our shares prior to February 2024.

Our principal sources of liquidity have traditionally consisted of the following:

- cash flows from operating activities;
- short-term and long-term loans; and
- sales of debt securities in domestic and international capital markets.

As a result of the commencement of our RJ Proceedings in June 2016, our access to short-term and long-term loans and our ability to sell debt securities in domestic and international capital markets has been substantially curtailed.

During the six-months ended June 30, 2018 and the years ended December 31, 2017 and 2016, our operations generated cash flows of R$1,199 million, R$4,402 million and R$3,100 million, respectively. We used R$6,224 million of our cash to repay loans and financings in 2016 prior to the commencement of the RJ Proceedings. In addition, our capital expenditures during the six-months ended June 30, 2018 and the years ended December 31, 2017 and 2016 were R$2,778 million, R$4,334 million and R$3,264 million, respectively. We believe that our continued program of capital expenditures is necessary in order for us to operate in the competitive environment for telecommunications services in Brazil. As our cash flow generated from our operations has not been sufficient to meet the demands of our investing and financing activities, our balances of cash and cash equivalents have declined as of June 30, 2018, December 31, 2016 and December 31, 2017.

As of June 30, 2018, our consolidated cash and cash equivalents and cash investments amounted to R$5,138 million. As of June 30, 2018, we had working capital (consisting of current assets less current liabilities, excluding assets held-for-sale and liabilities of assets-held-for-sale) of R$10,253 million.

We expect to use our cash flows from operating activities and our cash and cash equivalents and short-term cash investments to fund our capital expenditures and debt service obligations. As a result of the restructuring of our loans and financing under the RJ Plan, our restructured loans and financings commenced accruing interest in February 2018 and we will begin to make cash interest payments under our New Notes which we will be required to fund from our available cash resources.

We anticipate that we will be required to spend approximately R$544 million to meet our short-term contractual obligations and commitments during 2018, and an additional approximately R$4,574 million to meet our long-term contractual obligations and commitments in 2019 and 2020.

As part of the RJ Plan, we negotiated the terms of the Commitment Agreement with members of the Ad Hoc Group, the IBC and certain other unaffiliated bondholders under which such bondholders agreed to backstop the Rights Offer, provided that the conditions set forth in the Commitment Agreement are satisfied or waived. In addition, the RJ Plan permits us to seek to raise up to R$2.5 billion in the capital markets and seek to borrow up to R$2 billion under new export credit facilities. In the absence of the proceeds of the Rights Offering or the funds committed under the Commitment Agreement in lieu thereof, or other funds obtained in the capital markets or under new credit export facilities, we may have insufficient funds to implement our capital expenditure program and modernize our infrastructure, which could result in a significant deterioration of our ability to generate cash flows from operating activities.

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Our unaudited interim consolidated financial statements and our audited consolidated financial statements have been prepared assuming that we will continue as a going concern. Our management s assessment of our ability to continue as a going concern is discussed in note 1 to each of our audited consolidated financial statements included in this prospectus and our unaudited interim consolidated financial statements included in this prospectus. As of December 31, 2017, our management had taken relevant steps in the RJ Process, particularly the preparation, presentation and approval of the RJ Plan, which allows our viability and continuity, and the approval of the RJ Plan by our creditors on December 20, 2017. Since December 31 2017, the RJ Plan has been confirmed by the RJ Court and our management has been making the necessary efforts to implement and monitor the RJ Plan based on the understanding that our financial statements were prepared with a going concern assumption.

We believe that our ability to continue as a going concern is contingent upon our ability to implement the RJ Plan, to maintain existing customer, vendor and other relationships and to maintain sufficient liquidity throughout the RJ Proceedings, among other factors. For a discussion of risks relating to the implementation of the RJ Plan, see Risk Factors Risks Relating to Our Financial Restructuring.

Cash Flow

The following table sets forth certain information about our consolidated cash flows for the six-month periods ended June 30, 2018 and 2017 and the years ended December 31, 2017, 2016 and 2015.

	Six-Month Period Ended June 30,		**Year ended December 31,**		
	2018	**2017**	**2017**	**2016**	**2015 (restated)**
			(in millions of *reais*)		
Net cash generated (used) in operating activities	R$ 1,199	R$ 2,391	R$ 4,402	R$ 3,100	R$ (1,054)
Net cash (used) generated in investing activities	(2,711)	(2,091)	(4,422)	(3,917)	12,543
Net cash (used) generated in financing activities	(268)	(543)	(692)	(6,119)	(2,356)
Foreign exchange differences on cash equivalents	14	8	11	(398)	3,316
Net (decrease) increase in cash and cash equivalents	(1,767)	(235)	(701)	(7,335)	12,449
Cash and cash equivalents at the beginning of the period	6,863	7,563	7,563	14,898	2,449
Cash and cash equivalents at the end of the period	R$ 5,096	R$ 7,329	R$ 6,863	R$ 7,563	R$ 14,898

Our primary source of operating funds has historically been cash flow generated from our operations and we have financed our investments in property, plant and equipment through the use of bank loans, vendor financing, capital markets and other forms of financing. However, during 2015, our operations generated negative cash flows of R$1,054 million we financed our investments in property, plant and equipment, net judicial deposits and net debt servicing costs with the net cash proceeds received upon our sale of PT Portugal.

Subsequent to 2015, our cash flow generated from our operations has recovered, however our access to new funds to finance our investments in property, plant and equipment in the form of bank loans, vendor financing, capital markets and other forms of financing has been substantially eliminated following the commencement of our RJ proceedings. During 2016, we used a substantial portion of our cash and cash equivalents to pay indebtedness as it matured (whether at maturity or, in certain cases, upon acceleration) prior to the commencement of our RJ proceedings. As our cash flow generated from our operations has not been sufficient to meet the demands of our investing and financing activities, our balances of cash and cash equivalents have declined as of June 30, 2018, December 31, 2017 and December 21, 2016.

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Six-Months Ended June 30, 2018 Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities was R$1,199 million during the six-month period ended June 30, 2018 compared to net income of R$16,008 million during the six-month period ended June 30, 2018, primarily as a result of:

- the effects of our incurrence of non-cash gains from reorganization items, net of R$16,309 million during the six-month period ended June 30, 2018, primarily consisting of (1) adjustment to fair value of our loans and financings of R$9,096 million, (2) the adjustment to present value of our other payables and trade payables owing to ANATEL-AGU of R$832 million and R$4,873 million respectively, and (3) a gain on the restructuring of other trade payables and trade payables owing to ANATEL-AGU of R$172 million, and R$1,654 million respectively; and

- the effects of a R$2,723 million decline in trade payables during the six-month period ended June 30, 2018.

The effects of these factors were partially offset by (1) our incurrence of non-cash losses on financial instruments of R$1,565 million during the six-month period ended June 30, 2018, primarily as a result of our recording R$9,038 million of current and non-current loans and financings on our balance sheet as of the Brazilian Confirmation Date that had been classified as liabilities subject to compromise as of December 31, 2017 and the 19.2% depreciation of the *real* against the U.S. dollar during the period between the Brazilian Confirmation Date and June 30, 2018, (2) the effects of our incurrence of non-cash depreciation and amortization expenses of R$2,922 million during the six-month period ended June 30, 2018, and (3) the effects of a R$1,224 million increase in other assets and liabilities during the six-month period ended June 30, 2018.

Cash Flows from Investing Activities

Net cash used by investing activities was R$2,711 million during the six-month period ended June 30, 2018. During the six-month period ended June 30, 2018, investing activities which used cash primarily consisted of investments of R$2,778 million in purchases of property, plant and equipment and intangible assets, primarily related to the expansion of our data communications network and IT capacity to increase the quality and capacity of our network in order to promote more efficient operational performance and improvements in service quality and customer experience.

Cash Flows from Financing Activities

Financing activities used net cash of R$268 million during the six-month period ended June 30, 2018. During the six-month period ended June 30, 2018, we used cash principally (1) to repay principal of R$162 million related to the mediation of payments of our borrowings and financing as a result of the RJ Proceedings, and (2) to make installment payments under the tax refinancing plan in the aggregate amount of R$106 million.

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Six-Months Ended June 30, 2017 Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities was R$2,391 million during the six-month period ended June 30, 2017 compared to net loss of R$755 million during the six-month period ended June 30, 2017, primarily as a result of:

- the effects of our incurrence of non-cash depreciation and amortization expenses of R$2,853 million during the six-month period ended June 30, 2017;
- the effects of our incurrence of non-cash impairment of available-for-sale securities of R$721 million during the six-month period ended June 30, 2017; and
- the effects of a R$508 million decline in other taxes during the six-month period ended June 30, 2017.

The effects of these factors were partially offset by (1) our incurrence of non-cash deferred tax benefits of R$893 million during the six-month period ended June 30, 2017, (2) the effects of a R$801 million decline in other assets and liabilities during the six-month period ended June 30, 2017, (3) our incurrence of non-cash gains on financial instruments of R$645 million during the six-month period ended June 30, 2017, primarily as a result of the elimination of our borrowing and financing costs as a result of the commencement of the RJ Proceedings in June 2016, and (4) the effects of a R$563 million increase in accounts receivable during the six-month period ended June 30, 2017.

Cash Flows from Investing Activities

Net cash used by investing activities was R$2,090 million during the six-month period ended June 30, 2017. During the six-month period ended June 30, 2017, investing activities which used cash primarily consisted of investments of R$2,123 million in purchases of property, plant and equipment and intangible assets, primarily related to the expansion of our data communications network and IT capacity to increase the quality and capacity of our network in order to promote more efficient operational performance and improvements in service quality and customer experience.

Cash Flows from Financing Activities

Financing activities used net cash of R$543 million during the six-month period ended June 30, 2017. During the six-month period ended June 30, 2017, we used cash principally (1) to purchase shares the 50% of the shares of Rio Alto Gestão de Créditos e Participações S.A., or Rio Alto, that we did not own for R$300 million, (2) to make installment payments relating to our permits and concessions in the aggregate amount of R$103 million, (3) to make installment payments under the tax refinancing plan in the aggregate amount of R$79 million, and (4) to pay dividends of R$59 million.

2017 Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities was R$4,402 million during 2017 compared to net loss of R$4,028 million during 2017, primarily as a result of:

- the effects of our incurrence of non-cash depreciation and amortization expenses of R$5,881 million during 2017; and

- the effects of our incurrence of non-cash provision for reorganization items, net of R$2,371 million during 2017, primarily as a result of (1) a R$1,569 million increase of the amount recorded relating to our contingent liabilities owed to ANATEL to the amount allowed for these claims in the RJ Proceedings, which was greater than their carrying amount prior to the commencement of the RJ Proceedings, (2) a R$1,146 million increase of the amount recorded relating to our other contingent liabilities to the amount allowed for these claims in the RJ Proceedings, which was greater than their carrying amount prior to the commencement of the RJ Proceedings, and (3) fees and expenses of R$370 million of professional advisors who are assisting us with the RJ Proceedings.

Cash Flows from Investing Activities

Net cash used by investing activities was R$4,422 million during 2017. During 2017, investing activities which used cash primarily consisted of investments of R$4,344 million in purchases of property, plant and equipment and intangible assets, primarily related to the expansion of our data communications network and IT capacity to increase the quality and capacity of our network in order to promote more efficient operational performance and improvements in service quality and customer experience.

Cash Flows from Financing Activities

Financing activities used net cash of R$692 million during 2017. During 2017, we used cash principally (1) to purchase shares the 50% of the shares of Rio Alto that we did not own for R$300 million, (2) to make installment payments under the tax refinancing plan in the aggregate amount of R$227 million, and (3) to make installment payments relating to our permits and concessions in the aggregate amount of R$104 million.

2016 Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities was R$3,100 million during 2016 compared to net loss of R$15,680 million during 2016, primarily as a result of:

- the effects of our incurrence of non-cash provision for reorganization items, net of R$9,006 million during 2016, primarily as a result of (1) a R$6,600 million increase of the amount recorded relating to our contingent liabilities owed to ANATEL to the amount allowed for these claims in the RJ Proceedings, which was greater than their carrying amount prior to the commencement of the RJ Proceedings, (2) a R$2,350 million increase of the amount recorded relating to our other contingent liabilities to the amount allowed for these claims in the RJ Proceedings, which was greater than their carrying amount prior to the commencement of the RJ Proceedings, and (3) fees and expenses of R$253 million of professional advisors who are assisting us with the RJ Proceedings;

the effects of our incurrence of non-cash depreciation and amortization expenses of R$6,311 million during 2016;

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- the effects of our incurrence of non-cash losses on derivative financial instruments of R$5,150 million during 2016 prior to our reversal of our derivative financial instruments during the second and third quarters of 2016, primarily as a result of the 17.8% appreciation of the *real* against the U.S. dollar and the 16,7% appreciation of the *real* against the Euro during the first half of 2016;

- the effects of our incurrence of non-cash deferred income tax expenses of R$1,532 million during 2016, primarily as a result of valuation allowance of deferred taxes, net of the increase in deferred tax recognized; and

- the effects of our incurrence of non-cash provision for contingencies of R$1,056 million, primarily as a result of an increase of the amount recorded relating to our other contingent liabilities.

The effects of these factors were partially offset by the effects of our incurrence of non-cash gains on financial instruments of R$5,343 million during 2016, primarily as a result of the 17.8% appreciation of the *real* against the U.S. dollar and the 16.7% appreciation of the *real* against the Euro during the first half of 2016.

Cash Flows from Investing Activities

During 2016, investing activities of our continuing operations which used cash primarily consisted of (1) investments of R$3,264 million in purchases of property, plant and equipment and intangible assets, primarily related to the expansion of our data communications network and IT capacity to increase the quality and capacity of our network in order to promote more efficient operational performance and improvements in service quality and customer experience, and (2) net judicial deposits (consisting of deposits less redemptions) of R$660 million, primarily related to provisions for labor, taxes and civil contingencies.

Cash Flows from Financing Activities

During 2016, we used cash principally (1) to repay R$5,845 million principal amount of our outstanding loans and financings, net of derivatives financial instruments, consisting primarily of (i) a revolving credit facility in the aggregate amount of US$700 million, (ii) 5.625% Notes due 2016 of PTIF in the aggregate amount of 532 million, (iii) an aggregate of R$290 million under credit facilities with BNDES, (iv) an export credit facility guaranteed by Exportkreditnämnden, or EKN, in the aggregate amount of US$62 million, (v) an export credit facility with China Development Bank in the aggregate amount of US$27 million, and (v) the 1st and 2nd Series of the 9th Issuance of Debentures and the 2nd Series of the 5th Issuance of Debentures in an aggregate amount of R$59 million, (2) to make installment payments relating to our permits and concessions in the aggregate amount of R$205 million, and (3) to make installment payments under the tax refinancing plan in the aggregate amount of R$94 million.

2015 Cash Flows

Cash Flows from Operating Activities

Net cash used by operating activities was R$1,054 million during 2015, after giving effect to net cash provided by discontinued operations of R$485 million, compared to net loss of R$10,794 million during 2015, primarily as a result of:

the effects of our incurrence of non-cash gains on financial instruments of R$6,409 million during 2015, primarily as a result of the 47.0% depreciation of the *real* against the U.S. dollar and the 31.7% depreciation of the *real* against the Euro during 2015;

the effects of our incurrence of non-cash depreciation and amortization expenses of R$6,195 million during 2015;

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the effects of our incurrence of non-cash deferred income tax gains of R$2,598 million during 2015, primarily as a result of the valuation allowance for deferred taxes net of the increase in deferred tax recognized; and

the effects of our recording non-cash provisions for contingencies of R$1,543 million during 2015, primarily as a result of our review of the process and recalculation of our statistical provision for contingencies.

The effects of these factors were partially offset by:

the effects of our incurrence of non-cash gains on derivative financial instruments of R$5,796 million during 2015, primarily as a result of the 47.0% depreciation of the *real* against the U.S. dollar and the 31.7% depreciation of the *real* against the Euro during 2015;

the effects of an increase in accounts receivable of R$1,622 million during 2015; and

the effects of a net cash outflows related to contingencies of R$1,079 million during 2015.

Cash Flows from Investing Activities

Investing activities used net cash of R$12,543 million during 2015, giving effect to net cash used by discontinued operations of R$195 million. During 2015, investing activities of our continuing operations which provided cash primarily consisted of our sale of PT Portugal which generated cash of R$17,218 million. During 2015, investing activities of our continuing operations for which we used cash primarily consisted of (1) investments of R$3,681 million in purchases of property, plant and equipment and intangible assets, primarily related to the expansion of our data communications network and the implementation of projects to meet ANATEL s regulatory requirements, and (2) net judicial deposits (consisting of deposits less redemptions) of R$1,006 million, primarily related to provisions for labor, taxes and civil contingencies.

Cash Flows from Financing Activities

Financing activities used net cash of R$2,357 million during 2015, including cash used by discontinued operations of R$492 million.

During 2015, our principal sources of borrowed funds consisted of (1) the issuance of 600 million aggregate principal amount of 5.625% Senior Notes due 2021, (2) US$700 million aggregate principal amount borrowed under a US$1,000 million revolving credit facility that Oi entered into with a syndicate financials institution during 2011, (3) US$600 million aggregate principal amount under an export credit facility that Telemar entered into with China Development Bank during 2015, (4) US$141 million aggregate principal amount borrowed under a US$397 million export credit facility agreement that Oi entered into during 2014 that is guaranteed by Finnvera plc, the Finnish Export Credit Agency, or FINNVERA, (5) US$43 million aggregate principal amount borrowed under a US$257 million export credit facility agreement that Oi entered into during 2013 that is insured by the Office National Du Ducroire/Nationale Delcrederedienst, the Belgian national export credit agency, or ONDD, and (6) US$33 million aggregate principal amount borrowed under a US$600 million export credit facility that Telemar entered into with China Development Bank, or CDB, during 2015.

During 2015, we used cash to (1) repay R$8,604 million principal amount of our outstanding loans and financings and derivatives, (2) to make installment payments relating to our permits and concessions in the aggregate amount of R$349 million, and (3) to make installment payments under the tax refinancing plan in the aggregate amount of R$93 million.

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Contractual Commitments

The following table summarizes our significant contractual obligations and commitments as of June 30, 2018:

	Payments Due by Period				
	Less than One Year	One to Three Years	Three to Five Years	More than Five Years	Total
	(in millions of *reais*)				
Loans and financings (1)	R$	R$2,232	R$3,309	R$42,073	R$47,614
Pension plan payables (2)			201	1,004	1,205
Other payables (3)	(1,030)	1,876	797	24,838	26,481
Unconditional purchase obligations (4)	1,517	571			2,088
Concession fees (5)		359	210	235	804
Usage rights (6)	57				57
	R$544	**R$5,038**	**R$4,517**	**R$68,150**	**R$78,249**

(1) Includes estimated future payments of interest on our loans and financings, calculated based on interest rates and foreign exchange rates applicable at June 30, 2018 and assuming that all amortization payments and payments at maturity on our loans and financings will be made on their scheduled payment dates and that we elect to pay cash interest for all applicable periods under the New Notes.
(2) Cash flow estimated in connection with the RJ Plan.
(3) Cash flow estimated in connection with the RJ Plan. Includes the reimbursement to us of judicial deposit amounts in excess of the amount paid to the prepetition creditors.
(4) Consists of (1) obligations in connection with a business process outsourcing agreement, and (2) purchase obligations for network equipment pursuant to binding obligations which include all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.
(5) Consists of estimated bi-annual fees due to ANATEL under our concession agreements expiring in 2025. These estimated amounts are calculated based on our results for the year ended December 31, 2017.
(6) Consists of payments due to ANATEL for radio frequency licenses. Includes accrued and unpaid interest as of June 30, 2018.

We are also subject to contingencies with respect to tax, civil, labor and other claims and have made provisions for accrued liability for legal proceedings related to certain tax, civil, labor and other claims of R$1,303 million as of June 30, 2018 and have recorded R$4,329 million as liabilities subject to compromise with respect to civil and labor contingencies. See Business Legal Proceedings, note 18 to our audited consolidated financial statements included in this prospectus and note 19 to our unaudited interim consolidated financial statements included in this prospectus.

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The following table summarizes our significant contractual obligations and commitments as of December 31, 2017:

	Payments Due by Period				
	Less than One Year	One to Three Years	Three to Five Years	More than Five Years	Total
	(in millions of *reais*)				
Pre-petition liabilities subject to compromise:					
Class I	R$459	R$756	R$327	R$851	R$2,393
Class II			887	7,742	8,629
Class III and IV(1)	(1,260)	3,050	2,855	59,168	63,813
Post-petition commitments:					
Unconditional purchase obligations (2)	1,748	571			2,319
Concession fees (3)		359	210	235	804
Usage rights (4)	21				21
	R$968	**R$4,736**	**R$4,279**	**R$67,996**	**R$77,979**

(1) In 2018, the estimated cash flow in connection with the RJ Plan includes the reimbursement to us of judicial deposits amounts in excess of the amount paid to the prepetition creditors.
(2) Consists of (1) obligations in connection with a business process outsourcing agreement, and (2) purchase obligations for network equipment pursuant to binding obligations which include all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.
(3) Consists of estimated bi-annual fees due to ANATEL under our concession agreements expiring in 2025. These estimated amounts are calculated based on our results for the year ended December 31, 2017.
(4) Consists of payments due to ANATEL for radio frequency licenses. Includes accrued and unpaid interest as of December 31, 2017.

Indebtedness

On a consolidated basis as of June 30, 2018, our *real*-denominated indebtedness was R$ 12,152 million, our Euro-denominated indebtedness was R$0 million, and our U.S. dollar-denominated indebtedness was R$ 6,268 million. As of June 30, 2018, our *real*-denominated indebtedness bore interest at an average rate of 6.3% per annum, our Euro-denominated indebtedness did not bear interest, and our U.S. dollar-denominated indebtedness bore interest at an average rate of 1.75% per annum. As of June 30, 2018, 64.6% of our debt bore interest at floating rates

Under the instruments governing all of our financial indebtedness, the commencement of the RJ Proceedings on June 20, 2016 constituted an event of default. As a result of the commencement of the RJ Proceedings, all principal and interest under each of these debt instruments was deemed immediately due and payable. By operation of the RJ Plan and the Brazilian Confirmation Order, provided that the Brazilian Confirmation Order is not overturned or altered as a result of the pending appeals filed against it, all of our financial indebtedness was novated and represented the right to receive the recoveries set forth in the RJ Plan.

Short-Term Indebtedness

Our short-term debt, consisting of the current portion of long-term borrowings and financings, was R$299 million as of June 30, 2018. Under our financing policy, we generally do not incur short-term indebtedness, as we believe that our cash flows from operations generally will be sufficient to service our current liabilities.

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Long-Term Indebtedness

As a result of the confirmation of the RJ Plan on February 5, 2018: and elections made by holders of our debt instruments during the period between February 5, 2018 and February 26, 2018:

- all claims under our debentures were converted into the right to receive the full amount of these claims under the terms of either the 12th issuance of simple, unsecured, non-convertible debentures of Oi or the 6th issuance, simple, unsecured, non-convertible debentures of Telemar, each documenting the recoveries due to the holders of the novated debentures;

- all claims under our export credit facilities were converted into the right to receive the full amount of these claims under the terms of new export credit agreements, which we refer to as the Restructured Export Credit Agreements, documenting the recoveries due to the lenders under our novated export credit agreements;

- all claims under our credit facilities with BNDES were converted into the right to receive the full amount of these claims under in accordance with the payment terms set forth in the RJ Plan; and

- all claims under our unsecured lines of credit obtained from Brazilian and international financial institutions and claims related to our real estate securitization transactions were converted into the right to receive the full amount of these claims in accordance with the payment terms set forth in the RJ Plan.

The table below sets forth our long-term loans and financings as of June 30, 2018 following the settlement of our outstanding debt instruments in accordance with the RJ Plan.

	Outstanding Principal Amount (in millions of *reais*)	**Final Maturity**
Oi 12th issuance of debentures	R$4,252	February 2035
Telemar 6th issuance of debentures	2,371	February 2035
Restructured Export Credit Agreements (1)	6,268	February 2035
Restructured BNDES credit agreements	3,463	February 2033
Restructured Brazilian credit agreements and CRIs	1,806	February 2035
Local currency financial institution	54	December 2033
Default Recovery	207	February 2042
Total gross loans and financing	18,419	
Incurred debt issuance costs	(2)	
Fair value adjustment	(9,379)	
Current portion of long-term debt	(299)	

Net long-term indebtedness	R$8,739

(1) Represents four Restructured Export Credit Agreements.

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The following discussion briefly describes certain of our significant outstanding indebtedness.

Restructured Debentures

Oi has issued its 12th issuance of simple, unsecured, non-convertible debentures. These debentures are denominated in *reais*. The principal amount of these debentures will be paid in 24 semi-annual installments beginning in August 2023, in the amount of 2.0% of the outstanding principal for the first 10 semi-annual installments, 5.7% of the outstanding principal for the next 13 semi-annual installments and the remainder at maturity in February 2035. The principal amount of these debentures will accrue interest at the rate of 80% of the CDI rate from the Brazilian Confirmation Date. Interest will be capitalized to increase the principal balance under these debentures on an annual basis until February 2023, and will be paid semi-annually in cash from August 2023 through the final maturity. Oi s obligations under these debentures are guaranteed, jointly and severally, by each of Telemar, Oi Mobile, Oi Coop, PTIF, Copart 4 and Copart 5.

Telemar has issued its 6th issuance, simple, unsecured, non-convertible debentures. These debentures are denominated in *reais*. The principal amount of these debentures will be paid in 24 semi-annual installments beginning in August 2023, in the amount of 2.0% of the outstanding principal for the first 10 semi-annual installments, 5.7% of the outstanding principal for the next 13 semi-annual installments and the remainder at maturity in February 2035. The principal amount of these debentures will accrue interest at the rate of 80% of the CDI rate from the Brazilian Confirmation Date. Interest will be capitalized to increase the principal balance under these debentures on an annual basis until February 2023, and will be paid semi-annually in cash from August 2023 through the final maturity. Telemar s obligations under these debentures are guaranteed, jointly and severally, by each of Oi, Telemar, Oi Mobile, Oi Coop, PTIF, Copart 4 and Copart 5.

Restructured Export Credit Agreements

Oi has entered into one export credit agreement and Telemar has entered into three separate export credit agreements, which we refer to collectively as the Restructured Export Credit Agreements, documenting the recoveries due to the lenders under our novated export credit agreements. The obligations under the Restructured Export Credit Agreements are senior unsecured obligations of Oi and Telemar, respectively, denominated in U.S. dollars that mature in February 2035. Principal under each of the Restructured Export Credit Agreements is payable in 24 semi-annual installments beginning in the August 2023, in the amount of 2.0% of the recognized claims for the first 10 semi-annual installments, 5.7% of the recognized claims for the next 13 semi-annual installments and the remainder at maturity. Principal under each of the Restructured Export Credit Agreements accrues interest at the rate of 1.75% per annum from the Brazilian Confirmation Date. Interest will be capitalized on an annual basis until February 2023, and will be paid semi-annually in cash from August 2023 through the final maturity. Oi s obligations under its Restructured Export Credit Agreements are guaranteed, jointly and severally, by each of Telemar, Oi Mobile, Copart 4 and Copart 5, and Telemar s obligations under its Restructured Export Credit Agreements are guaranteed, jointly and severally, by each of Oi, Oi Mobile, Copart 4 and Copart 5.

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Restructured BNDES Credit Agreements

By operation of the RJ Plan and the Brazilian Confirmation Order, provided that the Brazilian Confirmation Order is not overturned or altered as a result of the pending appeals filed against it, the credit agreements between BNDES and each of Oi, Telemar and Oi Mobile were novated and BNDES is entitled to receive as recovery for its claims under these credit facilities payment of 100% of the principal amount of the recognized claims in *reais*, adjusted by the interest/inflation adjustment rate. The principal amount of these claims will be paid in 108 monthly installments beginning in March 2024, in the amount of 0.33% of the outstanding principal for the first 60 monthly installments, 1.67% of the outstanding principal for the next 47 monthly installments and the remainder at maturity in February 2033. The principal amount of these claims will accrue interest at the TJLP rate plus 2.946372%per annum from the Brazilian Confirmation Date. Interest will be capitalized to increase the principal balance under these claims on an annual basis until February 2022, and will be paid monthly in cash thereafter through the final maturity.

Restructured Brazilian Credit Agreements and CRIs

By operation of the RJ Plan and the Brazilian Confirmation Order, provided that the Brazilian Confirmation Order is not overturned or altered as a result of the pending appeals filed against it, Telemar s unsecured line of credit and our obligations under CRIs backed by receivables representing all payments under leases entered into by Oi and Telemar of real estate owned by Copart 4 and Copart 5 were novated and the creditors under this unsecured line of credit and the holders of the CRIs are entitled to receive as recovery for their claims under these instruments payment of 100% of the principal amount of the recognized claims in *reais*, payable in 24 semi-annual installments beginning in August 2023, in the amount of 2.0% of the recognized claims for the first 10 semi-annual installments, 5.7% of the recognized claims for the next 13 semi-annual installments and the remainder at maturity in February 2035. The recognized amount of these claims will accrue interest at the rate of 80% of the CDI rate from the Brazilian Confirmation Date. Interest will be capitalized to increase the recognized amount of these claims on an annual basis until February 2023, and will be paid semi-annually in cash from August 2023 through the final maturity.

Default Recovery

Under the RJ Plan, certain of our creditors were entitled to elect forms of recovery other than the Default Recovery between February 5, 2018 and February 26, 2018. Creditors entitled to make these elections other than holders of our Defaulted Bonds that elected the Default Recovery or failed to make the election are entitled to the Default Recovery. Under the RJ Plan, the Default Recovery consists of an unsecured right to receive payment of 100% of the principal amount of the recognized claims represented by the claims of such creditors, which we refer to as the Default Recovery Principal, in five annual, equal installments, commencing in February 2038. The Default Recovery Principal of these creditors will bear interest at the Brazilian TR rate (payable together with the last installment of principal), which will accrue as additional principal amount of the Default Recovery Principal until February 2038, and thereafter be payable together with payments of the Default Recovery Principal. The principal and accrued interest with respect to the Default Recovery may be redeemed at any time and from time to time, in whole or in part, by the RJ Debtors at a redemption price of 15% of the aggregate Default Recovery Principal.

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Prepetition Liabilities Subject to Compromise

As a result of the RJ Proceedings, we have applied ASC 852 in preparing our consolidated financial statements. ASC 852 requires that financial statements separately disclose and distinguish transactions and events that are directly associated with our reorganization from the transactions and events that are associated with the ongoing operations of our business. Accordingly, our prepetition obligations that may be impacted by the RJ Proceedings based on our assessment of these obligations following the guidance of ASC 852 have been classified on our balance sheet as Liabilities subject to compromise. Prepetition liabilities subject to compromise are required to be reported at the amount allowed as a claim by the RJ Court, regardless of whether they may be settled for lesser amounts and remain subject to future adjustments based on negotiated settlements with claimants, actions of the RJ Court or other events. The following table reflects prepetition liabilities subject to compromise as of June 30, 2018 and December 31, 2017:

Type of Claim	**As of June 30, 2018**	**As of December 31, 2017**
	(in millions of *reais*)	
Loans and financing	R$32,153	R$49,130
Civil contingencies ANATEL	928	9,334
Civil contingencies other claims	2,363	2,929
Trade payables		2,139
Labor contingencies	1,038	899
Pension plans		560
Derivative financial instrument		105
Other		43
Total liabilities subject to compromise (1)	R$36,482	R$65,139

(1) Total liabilities subjected to compromise as of December 31, 2017 is different from the aggregate amount of liabilities stated on the Second Creditors List of R$63,960 million. Under ASC 852, we are required to use the criteria set forth in Financial Accounting Standards Board Accounting Standards Codification 450 *Contingencies*, or ASC 450, to estimate the total amount of allowed claims, including non-liquid claims that were excluded from the Second Creditors List.

The following discussion briefly describes the material types of claims classified as Liabilities subject to compromise as of June 30, 2018 and describes the treatment of those claims under the RJ Plan and our expectations with respect to the settlement of those claims.

Loans and Financing

Under the instruments governing our Defaulted Bonds, the commencement of the RJ Proceedings on June 20, 2016 constituted an event of default. As a result of the commencement of the RJ Proceedings, all principal and interest under our Defaulted Bonds was deemed immediately due and payable. As a result of our application of ASC 852 in preparing our consolidated financial statements, all principal and interest under our Defaulted Bonds have been classified as Liabilities subject to compromise in our balance sheet as of June 30, 2018 and December 31, 2017.

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As of June 30, 2018 and December 31, 2017, we had 13 series of Defaulted Bonds. The following table sets forth for each series of our Defaulted Bonds the aggregate amount of the claims for such series recognized by the RJ Court.

	As of June 30, 2018	As of December 31, 2017
	(in millions of *reais*)	
Bonds issued by Oi S.A.:		
9.75% senior notes due 2016	R$1,083	R$1,083
5.125% senior notes due 2017	2,273	2,273
9.500% senior notes due 2019	474	474
5.500% senior notes due 2020	6,099	6,099
Bonds issued by Oi Coop:		
5.625% senior notes due 2021	2,427	2,427
5.75% senior notes due 2022	4,945	4,945
Bonds issued by PTIF:		
6.25% notes due 2016	908	908
4.375% notes due 2017	1,487	1,487
5.242% notes due 2017	989	989
5.875% notes due 2018	2,902	2,902
5.00% notes due 2019	2,962	2,962
4.625% notes due 2020	3,851	3,851
4.5% notes due 2025	1,916	1,916

As a result of payments made to some of the holders of the bonds issued by PTIF that participated in the Small Creditors Program in Portugal, the total claims represented by these bonds has been reduced by R$136 million. For more information regarding the Small Creditors Program, see Business Our Judicial Reorganization Proceedings Implementation of the Judicial Reorganization Plan.

Under the RJ Plan, each Bondholder was entitled to receive the Qualified Recovery, the Non-Qualified Recovery or the Default Recovery in respect of the claims evidenced by the bonds such Bondholder beneficially held.

Under the RJ Plan, Qualified Bondholders were entitled to elect to receive the Qualified Recovery or the Default Recovery as the recovery with respect to their beneficial interests in the Defaulted Bonds. In July 2018, we issued New Notes in an aggregate principal amount of US$1,654 million to the Qualified Holders who validly elected the Qualified Recovery and surrendered their beneficial ownership in the Defaulted Bonds. In addition, as part of the Qualified Recovery to which Qualified Holders who validly surrendered their beneficial ownership in the Defaulted Bonds were entitled, (1) we issued 302,846,268 new Common ADSs (representing 1,514,231,340 newly issued Common Shares), (2) we distributed 23,250,281 Common ADSs previously held by PTIF (representing 116,251,405 Common Shares), and (3) we issued 23,295,054 ADWs representing the right to subscribe for 23,295,054 newly issued Common ADSs (representing 116,475,270 Common Shares).

Under the RJ Plan, Non-Qualified Bondholders were entitled to elect to receive participation interests in the Non-Qualified Credit Agreement or the Default Recovery as the recovery with respect to their beneficial interests in the Defaulted Bonds. In July 2018, we entered into the Non-Qualified Credit Agreement described below in the principal amount of R$80 million and delivered participation interests to the Non-Qualified Holders who validly elected the Non-Qualified Recovery and surrendered their beneficial ownership in the Defaulted Bonds.

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As a result of the issuance of New Notes and New Shares and the distribution of Common Shares held by PTIF as part of the Qualified Recovery and the delivery of the participation interests in the Non-Qualified Credit Agreement as the Non-Qualified Recovery in July 2018, we have reclassified R$4,529 million of our liabilities subject to compromise as loans and financing and R$11,624 million as shareholders equity on our balance sheet as of the date of the issuance and distribution, and have reclassified R$11,110 million as reorganization items gains on restructuring and R$4,980 million as reorganization items adjustment to fair value loans and financing on our statement of operations as of the date of the issuance and distribution.

New Notes

The New Notes are senior unsecured obligations of Oi denominated in U.S. dollars that mature in July 2025, with principal amount to be fully paid at maturity. The New Notes are guaranteed, jointly and severally, by each of Telemar, Oi Mobile, Oi Coop, PTIF, Copart 4 and Copart 5. The New Notes accrue interest from the Brazilian Confirmation Date. Interest on the New Notes will accrue:

- from the Brazilian Confirmation Date until February 2019, which is the first interest payment date. Until August 2021, the applicable rate will be defined at the sole discretion of Oi to be either (i) a fixed rate of 10.0% per annum payable in cash on a semi-annual basis, or(ii) a fixed rate of 12.0% per annum, of which 8.0% shall be payable in cash and 4.0% shall be payable by either increasing the principal amount of the outstanding New Notes or by issuing paid-in-kind notes, at the sole discretion of Oi, in each case, on a semi-annual basis; and

- thereafter, at a fixed rate of 10.0% per annum payable in cash on a semi-annual basis.

Non-Qualified Credit Agreement

The Non-Qualified Credit Agreement is a senior unsecured obligation of Oi. The obligations of Oi under the Non-Qualified Credit Agreement are guaranteed, jointly and severally, by each of Telemar, Oi Mobile, Oi Coop, PTIF, Copart 4 and Copart 5. Principal under the Non-Qualified Credit Agreement will be paid in 12 semiannual installments beginning in August 2024 in the amount of 4% of the outstanding principal for the first six semi-annual installments, 12.66% of the outstanding principal for the next five semi-annual installments and the remainder at maturity in February 2030. The Non-Qualified Credit Agreement will accrue interest at the rate of 6% per annum from the Brazilian Confirmation Date. Interest will be capitalized to increase the principal balance under the Non-Qualified Credit Agreement on an annual basis until February 2023, and will be paid together with principal beginning in August 2024.

Warrants

Each Warrant entitles its holder to subscribe for one common share at an exercise price of the equivalent in *reais* of US$0.01 per common share. Each Warrant is exercisable at any time, at the sole discretion of the holder, during a period of 90 days, which we refer to as the Exercise Period, beginning on July 27, 2019, unless the commencement of the Exercise Period is accelerated upon the earliest to occur of the events described below.

When Oi calls a general shareholders meeting of Oi or meeting of Oi s board of directors to approve the commencement of the Rights Offer, Oi will publish a Material Fact relating to that meeting at least 15 business days prior to that meeting in which Oi will notify holders of Warrants that the Exercise Period relating to the Warrants will commence on the date of publication of that Material Fact.

In the event that any transaction occurs that results in the change of Oi s control (as such term is defined in the RJ Plan), Oi will publish a Material Fact relating to that transaction in which Oi will notify holders of Warrants that the Exercise Period relating to the Warrants will commence on the date of the completion of such transaction. The RJ Plan defines co