OI AND PHAROL ESTABLISH AGREEMENT TO END DISPUTES

Following a period of negotiations, Oi and its shareholder Pharol/Bratel have reached an agreement for the termination and extinction of any and all judicial and extrajudicial litigation in Brazil, Portugal and all the various countries where there are ongoing discussions involving companies of the two groups.

The agreement is in line with the most modern practices of alternative dispute resolution, which the 7th Corporate Court of Rio de Janeiro has already declared effective.

Oi´s and Pharol´s Boards of Directors have unanimously approved the agreement. Oi´s management and Pharol are in good faith aligned as to Oi’s best interests, so that the Company may focus entirely on its operational turnaround and eliminate the distractions and costs relating to litigation.

The terms of the agreement, which have been stipulated in detail in a specific legal instrument, will only be considered valid and effective after approval by the restructuring court. The terms and conditions of this legal instrument are summarized below:

I. Objective:

The extinction of all litigation between Oi and Pharol.

II. Conditions to be met by Oi:

a) EUR 25 million payment to Pharol.

b) Delivery of 33.8 million shares of Oi held in treasury to Pharol.
c) confirmation of obligations, assumed by Oi, with respect to the assumption of costs with judicial guarantees related to legal proceedings of Pharol in Portugal;

d) future deposits in an escrow account of amounts to cover losses relating to tax proceedings whose chance of loss is assessed as probable, according to obligation.

**III. Conditions to be met by Pharol:**

a) use of a minimum of EUR 25 million in the subscription of the Capital Increase – New Resources provided for the Company in its Judicial Reorganization Plan;

b) attendance and favorable vote in any of Oi’s General Shareholders Meetings concerning the approval or ratification of any act or measure contemplated in the Judicial Reorganization Plan;

c) maintenance of alignment with Oi and support in all instances for the implementation of the approved and ratified Judicial Reorganization Plan; and

d) authorization of Oi’s use of any amount returned to Pharol by the Portuguese Tax Authority beginning on March 24, 2015, with guarantee costs and tax-related contingencies, for the purposes of item II.c.d, above.

Oi will also have the right to nominate a member to Pharol’s Board of Directors for this mandate, and failure to implement this right is a condition for termination of the agreement.