

OI S.A.  
Form 6-K  
May 11, 2017

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 6-K**

**Report of Foreign Private Issuer**  
**Pursuant to Rule 13a-16 or 15d-16**  
**of the Securities Exchange Act of 1934**  
**For the month of May 2017**  
**Commission File Number: 1-15256**

**OI S.A.**

**(Exact Name as Specified in its Charter)**

**N/A**

**(Translation of registrant's name into English)**

**Rua General Polidoro, No. 99, 5th floor/part – Botafogo**

**22280-001 Rio de Janeiro, RJ**

**Federative Republic of Brazil**

**(Address of principal executive offices)**

Edgar Filing: OI S.A. - Form 6-K

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

**Form 20-F:**       **Form 40-F:**

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1)):

**Yes:**       **No:**

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7)):

**Yes:**       **No:**

(Indicate by check mark whether the registrant by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

**Yes:**       **No:**

If "Yes" is marked, indicate below the file number assigned to the  
registrant in connection with Rule 12g3-2(b):



**Earnings Release**

May 10, 2017

**Conference Call  
in Portuguese**

May 11, 2017

10:00 a. m. (Brasília)

9:00 a. m. (NY) / 2:00 p. m. (UK)

Webcast: [Click here](#)

Telephone: +55 (11) 3127-4971 /

+55 (11) 3728-5971 / Code: Oi

Replay available until 05/18/2017:

+55 (11) 3127-4999 / Code: 52919126

**Conference Call  
in English**

May 11, 2017

10:00 a. m. (Brasília)

9:00 a. m. (NY) / 2:00 p. m. (UK)

Webcast: [Click here](#)

SIMULTANEOUS  
TRANSLATION

Telephone: +1-866-866-2673 (USA) /

+1-516-300-1066 (Other) / Code: Oi

Replay available until 05/18/2017:

+55 (11) 3127-4999 / Code: 14002027

Consolidated Information and Earnings Release (Unaudited)

This report contains the operating and financial performance of Oi S.A. under Judicial Reorganization ( Oi S.A. or Oi or Company ) and its subsidiaries for the fourth quarter and full year of 2016.



## **OPERATIONS SUPPORT CASH, EBITDA EVOLUTION AND QUALITY IMPROVEMENTS**

### **Good operational performance supports continuous cash generation and net debt reduction**

- The Company generated R\$ 510 million of cash in 1Q17 (excluding the payment of the annual Fistel fee).
- Consolidated net debt fell R\$ 236 million between 1Q16 and 1Q17 to R\$ 40.6 billion.

### **Oi presents EBITDA and EBITDA margin improvements in both the annual and sequential comparisons**

- Routine EBITDA of Brazilian operations totaled R\$ 1,692 million in 1Q17, increasing 0.4% y.o.y. and 1.0% q.o.q.
- Routine EBITDA margin of Brazilian operations reached 27.9% (+2.1 p.p. y.o.y. and +0.5 p.p. q.o.q.).

### **Operational efficiency translates into sustainable cost reduction**

- Opex of Brazilian operations fell 9.9% y.o.y. and 1.4% q.o.q., despite inflation of 4.6% in the last twelve months.

### **Rising infrastructure investments reassure commitment to business sustainability**

- Oi invested R\$ 1.2 billion in 1Q17, +1.9% y.o.y. (of Brazilian operations), corresponding to 20.2% of Brazilian total net revenues.

### **Consistent improvement in operational and quality indicators reflects better customer experience**

- The Company recorded a substantial improvement in ANATEL, PROCON and Special Civil Court (JEC – *Juizado Especial Cível*) complaint indicators, which were down 28.2%, 21.5% and 55.7% y.o.y., respectively, as a result of efficiency initiatives.

### **Consolidated net loss draws back in the first quarter of 2017**

- Consolidated net loss totaled R\$ 200 million in 1Q17, versus R\$ 1,815 million registered in the same quarter of 2016.

### **Oi's Judicial Reorganization process continues to advance**

- Oi presented to the judge new financial conditions as adjustments to the Judicial Reorganization Plan on March 28, 2017.
- The Company has been complying with all the procedures required by law.

## Summary

in R\$ million or otherwise stated	1Q17	1Q16	4Q16	YoY	QoQ
<b>Total Net Revenues</b>	<b>6,160</b>	<b>6,755</b>	<b>6,323</b>	<b>-8.8%</b>	<b>-2.6%</b>
EBITDA	1,723	1,766	1,531	-2.4%	12.5%
EBITDA Margin (%)	28.0%	26.1%	24.2%	1.8 p.p.	3.8 p.p.
<b>Routine EBITDA</b>	<b>1,723</b>	<b>1,776</b>	<b>1,756</b>	<b>-3.0%</b>	<b>-1.9%</b>
Routine EBITDA Margin (%)	28.0%	26.3%	27.8%	1.7 p.p.	0.2 p.p.
Net Loss from Continuing Operations <sup>(1)</sup>	-200	-1,815	-3,306	-89.0%	-93.9%
Net Debt	40,608	40,844	40,342	-0.6%	0.7%
Available Cash	7,699	8,527	7,849	-9.7%	-1.9%
CAPEX	1,267	1,252	1,393	1.1%	-9.0%

in R\$ million or otherwise stated	1Q17	1Q16	4Q16	YoY	QoQ
<b>Revenue Generating Units - ('000)<sup>(2)</sup></b>	<b>63,371</b>	<b>69,499</b>	<b>63,554</b>	<b>-8.8%</b>	<b>-0.3%</b>
Residential	16,343	16,620	16,425	-1.7%	-0.5%
Personal Mobility	39,837	45,559	39,870	-12.6%	-0.1%
B2B	6,550	6,668	6,617	-1.8%	-1.0%
Public Telephones	641	651	642	-1.6%	-0.2%
<b>Total Net Revenues<sup>(2)</sup></b>	<b>6,066</b>	<b>6,539</b>	<b>6,110</b>	<b>-7.2%</b>	<b>-0.7%</b>
<b>Net Service Revenues<sup>(3)</sup></b>	<b>6,009</b>	<b>6,480</b>	<b>6,052</b>	<b>-7.3%</b>	<b>-0.7%</b>
Residential	2,354	2,348	2,315	0.2%	1.7%
Personal Mobility	1,890	1,968	1,886	-4.0%	0.2%
Customer <sup>(3)</sup>	1,748	1,779	1,730	-1.7%	1.1%
B2B	1,703	2,070	1,790	-17.7%	-4.9%
<b>Net Customer Revenues<sup>(4)</sup></b>	<b>5,794</b>	<b>6,159</b>	<b>5,824</b>	<b>-5.9%</b>	<b>-0.5%</b>
<b>Routine EBITDA</b>	<b>1,692</b>	<b>1,686</b>	<b>1,676</b>	<b>0.4%</b>	<b>1.0%</b>
Routine EBITDA Margin (%)	27.9%	25.8%	27.4%	2.1 p.p.	0.5 p.p.
CAPEX	1,227	1,204	1,358	1.9%	-9.7%
Routine EBITDA - CAPEX	465	482	318	-3.4%	46.4%

(1) The 1Q16 period was restated as explained in the Disclaimer section of this document.

(2) In 4Q16, the Company revised and changed the criteria for segmenting revenues and revenue generating units (RGUs) among the various business units (BUs), as it believes this new breakdown better reflects how the businesses are managed. Historical revenue and RGU figures were adjusted in order to reflect this change. To see the reclassified historical data, please refer to the Additional Information section of this document.

(3) Excludes handset revenues.

(4) Excludes handset and network usage revenues.

4

---

## Net Revenues

**Table 1 – Breakdown of Net Revenues**

R\$ million	Quarter			YoY	QoQ	Weight %	
	1Q17	1Q16	4Q16			1Q17	1Q16
<b>Brazil (1)</b>	<b>6,066</b>	<b>6,539</b>	<b>6,110</b>	<b>-7.2%</b>	<b>-0.7%</b>	<b>98.5%</b>	<b>96.8%</b>
<b>Residential</b>	<b>2,354</b>	<b>2,348</b>	<b>2,315</b>	<b>0.2%</b>	<b>1.7%</b>	<b>38.2%</b>	<b>34.8%</b>
<b>Personal Mobility</b>	<b>1,947</b>	<b>2,027</b>	<b>1,945</b>	<b>-3.9%</b>	<b>0.1%</b>	<b>31.6%</b>	<b>30.0%</b>
Service	1,890	1,968	1,886	-4.0%	0.2%	30.7%	29.1%
Customer	1,748	1,779	1,730	-1.7%	1.1%	28.4%	26.3%
Network Usage	141	189	156	-25.3%	-9.1%	2.3%	2.8%
Sales of handsets, SIM cards and others	57	58	59	-2.7%	-3.5%	0.9%	0.9%
<b>B2B</b>	<b>1,703</b>	<b>2,070</b>	<b>1,790</b>	<b>-17.7%</b>	<b>-4.9%</b>	<b>27.7%</b>	<b>30.6%</b>
<b>Other services</b>	<b>62</b>	<b>94</b>	<b>60</b>	<b>-33.7%</b>	<b>3.1%</b>	<b>1.0%</b>	<b>1.4%</b>
<b>Others</b>	<b>94</b>	<b>217</b>	<b>212</b>	<b>-56.7%</b>	<b>-55.9%</b>	<b>1.5%</b>	<b>3.2%</b>

Net Service Revenues 6,009 6,480 6,052 -7.3% -0.7% 97.6% 95.9%

Net Customer Revenues 5,794 6,159 5,824 -5.9% -0.5% 94.1% 91.2%

(1) In 4Q16, the Company revised and changed the criteria for segmenting revenues and revenue generating units (RGUs) among the various business units (BUs), as it believes this new breakdown better reflects how the businesses are managed. Historical revenue and RGU figures were adjusted in order to reflect this change. To see the reclassified historical data, please refer to the Additional Information section of this document.

In 1Q17, consolidated net revenues totaled R\$ 6,160 million, -8.8% y.o.y. and -2.6% q.o.q. Net revenues from Brazilian operations (“Brazil”) came to R\$ 6,066 million (-7.2% y.o.y. and -0.7% q.o.q.), while net revenues from other international operations (Africa and East Timor) totaled R\$ 94 million (-56.7% y.o.y. and -55.9% q.o.q.), basically due to the reduction of the participation of one of the Company's firms in the capital stock of Namibian telecommunications operator Mobile Telecommunications Limited, in January 2017, as announced to the market on January 31, 2017.

In 1Q17, net revenues from Brazilian operations totaled R\$ 6,066 million, 7.2% down from 1Q16 and 0.7% down from the previous quarter. The y.o.y. reduction was chiefly due to the cut in the interconnection (MTR, TU-RL and TU-RIU) and fixed-to-mobile (VC) regulated tariffs, the lower customer base, the decline in recharges in the prepaid segment and the reduction in revenues from the B2B segment, with these two segments being impacted by the adverse macroeconomic scenario and the unemployment rates in the country, affecting companies and governments.

On the other hand, revenues from the Residential segment grew both in the annual and quarterly comparisons, fueled by broadband and pay-TV growth, and supported by the Company's convergence strategy. In addition, customer revenues from the Personal Mobility segment grew 1.1% compared with the previous quarter, due to the postpaid revenues performance leveraged by the growth of data revenues.

Total net service revenues, which exclude handset revenues, stood at R\$ 6,009 million in 1Q17, 7.3% down from 1Q16 and 0.7% down from 4Q16. Total net customer revenues, which exclude network usage and handset revenues, came to R\$ 5,794 million, 5.9% lower than in 1Q16 and practically in line with 4Q16.

**Residential**

	1Q17	1Q16	4Q16	YoY	QoQ
<b>Net Revenues (R\$ million)<sup>(1)</sup></b>	<b>2,354</b>	<b>2,348</b>	<b>2,315</b>	<b>0.2%</b>	<b>1.7%</b>
<b>Revenue Generating Units (RGU) - ('000)<sup>(1)</sup></b>	<b>16,343</b>	<b>16,620</b>	<b>16,425</b>	<b>-1.7%</b>	<b>-0.5%</b>
Fixed Line in Service	9,802	10,336	9,947	-5.2%	-1.5%
Fixed Broadband	5,204	5,115	5,188	1.7%	0.3%
Pay TV	1,336	1,168	1,290	14.4%	3.6%
<b>ARPU Residential (R\$)</b>	<b>79.6</b>	<b>75.2</b>	<b>77.2</b>	<b>5.8%</b>	<b>3.1%</b>

(1) In 4Q16, the Company revised and changed the criteria for segmenting revenues and revenue generating units (RGUs) among the various business units (BUs), as it believes this new breakdown better reflects how the businesses are managed. Historical revenue and RGU figures were adjusted in order to reflect this change. To see the reclassified historical data, please refer to the Additional Information section of this document.

Net revenues from the Residential segment totaled R\$ 2,354 million in 1Q17 (+0.2% y.o.y. and +1.7% q.o.q.), mainly due to growth in broadband and pay-TV revenues, which offset the effects of the annual reduction in regulated interconnection (TU-RL and TU-RIU) and fixed-to-mobile (VC) tariffs and the lower fixed line base.

It is worth noting that customer revenues (which exclude interconnection revenues) in the Residential segment recorded 1.7% y.o.y. growth for the fourth consecutive quarter. It is also worth mentioning the q.o.q. growth (+1.6%) after two quarters of sequential decline. The better result was due to lower levels of net disconnections in fixed line, combined with an increase in broadband and pay TV net adds. This trend is a result of the convergence strategy, which, together with increased customer profitability, has been supporting the growth of Residential revenues.

In 1Q17, Oi registered 16,343 thousand RGUs in the Residential segment, 1.7% down from 1Q16, maintaining the trend of slowing year-on-year base reduction (-7.1% in 4Q15, -6.2% in 1Q16, -4.4% in 2Q16, -3.1% in 3Q16 and -2.1% in 4Q16). This slowdown was due to continued growth of gross adds in the three products of the segment, as a result of the Company's convergence strategy, reflected in the increase and high adhesion of customers to Oi's main convergent offer, *Oi Total*. This offer was designed to generate customer loyalty and profitability of our base, offering more products to households.

**Residential ARPU**

Residential ARPU moved up 5.8% y.o.y. and 3.1% q.o.q. to R\$ 79.6 in 1Q17, driven by broadband and pay TV, whose ARPU climbed 4.8% and 8.3%, respectively, over 1Q17, and also a results of the increase in the percentage of higher value customers and with more than one Oi product in their residence.

**Fixed line**

Oi ended 1Q17 with 9,802 thousand fixed line customers in the Residential segment, 5.2% down from 1Q16 and 1.5% lower than in 4Q16. It is important to mention the trend of slowing year-on-year fixed line base reduction, (-9.3% in

4Q15, -8.5% in 1Q16, -7.1% in 2Q16, -6.2% in 3Q16 and -5.4% in 4Q16), thanks to the growth of convergent offers. In 1Q17, gross adds grew a substantial 15.6% y.o.y. and 6.1% q.o.q.

The share of low-end offers in fixed line gross adds continued to decline in 1Q17 (-8.5 p.p. y.o.y. and -4.7 p.p. q.o.q.).

As a result of the focus of sales on convergent offers, *Oi Total* has been recording increases in its base, therefore expanding its share on Residential fixed base. At the end of 1Q17, the offer totaled 1.2 million customers corresponding to a share of 11.9% of the fixed base, and the *Oi Total* Residential (3P) offer had a churn rate 48.1% lower than the one recorded by the standalone offering. It is worth noting that *Oi Total*'s customer base surpassed the mark of one million customers in February 2017, less than one year after its national launch. This offer is appealing due to its complete and fully convergent solution, from sales to customer care and billing, at competitive prices.

After the nationwide launch of *Oi Total* in March 2016, the Company discontinued the sales of the former convergent offer, *Oi Conta Total* (OCT), which combined fixed line, broadband and mobility. Although the OCT base has been retained, the Company began an organic migration process to *Oi Total*, following a customer retention plan with profitability. Consequently, in 1Q17, 49.6% of *Oi Total Solução Completa* (4P)'s total gross were to former OCT (3P) customers, demonstrating an important initiative to increase customer profitability by adding more products to the customer's bill. *Oi Total* and OCT together accounted for 17.9% of the fixed base in 1Q17, increasing 5.5 p.p. over 1Q16.

*Oi Voz Total* (OVT), a convergent offer that combines fixed line and prepaid mobile, accounted for 12.1% of the Residential fixed line base in the end of the quarter, with a churn rate 33.4% lower than the one recorded by the standalone fixed line offer. The lower churn rates of convergent offers compared with those of standalone products underline the relevance of convergence to build customer loyalty.

## **Broadband**

The Company closed 1Q17 with 5,204 thousand fixed line customers in the Residential segment (+1.7% y.o.y. and +0.3% q.o.q.). At the end of the quarter, broadband gross adds grew 16.6% over 1Q16 and 6.9% over 4Q16, reaching their highest level since 4Q13. This increase in gross adds contributed to the growth of the broadband base, and consequently, the Company continued to present net adds in 1Q17 (of 16 thousand RGUs in the quarter and 89 thousand RGUs in the last 12 months). Broadband penetration in households with Oi fixed line reached 53.1% in the quarter (+3.6 p.p. y.o.y. and +0.9 p.p. q.o.q.).

Oi's strategy of increasing profitability by concentrating efforts on high-end offers led to the decrease of the share of low-end offers in gross adds, maintaining the downward trend (-6.5 p.p. y.o.y. and -0.8 p.p. q.o.q.). The delivery of higher broadband speed enabled by VDSL technology (broadband with speeds of up to 35 Mbps) has been boosting *Oi Total* sales and fueling the share of high-end offers in Oi's base. This reflects directly in the increase in broadband ARPU, which moved up 4.8% between 1Q16 and 1Q17.

The average speed of broadband customers reached 7.2 Mbps at the end of 1Q17 (+24.4% y.o.y. and +5.4% q.o.q.). The share of RGUs with speeds starting at 5 Mbps increased 9.3 p.p. over 1Q16 to 72.3%, while the share of RGUs with speeds starting at 10 Mbps increased 11.8 p.p. to 46.4% in the same period. Also, the share of RGUs with speeds starting at 15 Mbps moved up 8.8 p.p. over 1Q16 to 15.5% this quarter.

It is worth highlighting that the average speed of gross adds reached 9.6 Mbps (+26.9% y.o.y. and +2.3% q.o.q.), due to the Company's network investments aiming to offer higher speeds, thus providing a better user experience. In 1Q17, 84.7% of gross adds had speeds starting at 5 Mbps (+7.6 p.p. y.o.y.), 64.0% had speeds starting at 10 Mbps (+10.1 p.p. y.o.y.) and 36.2% had speeds starting at 15 Mbps (+23.4 p.p. y.o.y.).

## **Pay TV**

Oi closed 1Q17 with 1,336 thousand pay-TV RGUs in the Residential segment, accelerating its annual growth rate (+14.4% y.o.y. and +3.6% q.o.q.) and registering growth for the 13<sup>th</sup> consecutive month. As a result, Oi had the best performance among the major economic groups in this market in the annual comparison, expanding its share of the total pay-TV market from 6.2% in 1Q16 to 7.3% in 1Q17. It is worth mentioning that Oi TV plays an important role in the convergence strategy in the Residential segment and, thanks to its distinction, has contributed to Oi Total's good acceptance, as the Company's main convergent offer.

Pay TV has also been recording consistent y.o.y. growth in gross adds, moving up considerably 34.5% over 1Q16. Churn rate fell 0.1 p.p. in the same comparison. As a result, net adds totaled 168 thousand RGUs in 12 months and 46 thousand RGUs in the quarter. It is worth noting that Oi was the operator with the highest growth in the pay-TV market in the last 12 months.

As a result of the Company's strategy of increasing customer profitability, Oi TV's penetration in households with Oi fixed line continued to grow, reaching 13.6% in 1Q17 (+2.3 p.p. y.o.y. and +0.7 p.p. q.o.q.). Both Oi TV's superior quality and the strong sales performance of the *Oi Total* convergent offer contributed to increase the share of TV high-end offers by 4.3 p.p. y.o.y. to 28.4%. The intensification of sales of high-end offers has been sustaining Oi's consistent ARPU growth, climbing 8.3% over 1Q16.

Oi TV offers a full content, with high-definition channels (including open channels) in all of its plans and the most complete offer provides up to 184 channels, 60 of which are in HD. The product also offers services like PenVR (content recording and live/pause service via pen drive available in any plan) and iPPV (purchase of Pay-Per-View events by remote control), in addition to *TV Everywhere*, a service that allows customers to watch content from 46 channels, including 27 with live content and more than 30 thousand on-demand titles, from any device (smartphone, tablet or PC) connected to the Internet at no additional cost. This service, which includes the *Oi Play* virtual platform, reinforces Oi's positioning in providing more user autonomy and a better customer experience through the digitalization of its services.

In order to cater to the different user profiles, the Company also offers a prepaid service for Oi TV, in which customers have the option to share credits between their mobile phones and pay TV, with a choice between biweekly or monthly recharges (beginning at R\$ 29.90 and R\$ 54.90, respectively), which can be paid by credit card or through sharing the customer's mobile credits.

## Personal Mobility

	1Q17	1Q16	4Q16	YoY	QoQ
<b>Net Revenues (R\$ million)<sup>(1)</sup></b>	<b>1,947</b>	<b>2,027</b>	<b>1,945</b>	<b>-3.9%</b>	<b>0.1%</b>
Service	1,890	1,968	1,886	-4.0%	0.2%
Customer <sup>(2)</sup>	1,748	1,779	1,730	-1.7%	1.1%
Network Usage	141	189	156	-25.3%	-9.1%
Sales of handsets, SIM cards and others	57	58	59	-2.7%	-3.5%
<b>Revenue Generating Units (RGU) - ('000)<sup>(1)</sup></b>	<b>39,837</b>	<b>45,559</b>	<b>39,870</b>	<b>-12.6%</b>	<b>-0.1%</b>
Prepaid Plans	32,957	38,668	32,997	-14.8%	-0.1%
Postpaid Plans <sup>(3)</sup>	6,880	6,891	6,872	-0.2%	0.1%

(1) In 4Q16, the Company revised and changed the criteria for segmenting revenues and revenue generating units (RGUs) among the various business units (BUs), as it believes this new breakdown better reflects how the businesses are managed. Historical revenue and RGU figures were adjusted in order to reflect this change. To see the reclassified historical data, please refer to the Additional Information section of this document.

(2) Excludes handset and network usage revenues.

(3) Includes postpaid plans, *Oi Controle*, bundled mobile services and 3G (mini-modem).

Net revenues from the Personal Mobility segment totaled R\$ 1,947 million in 1Q17, a 3.9% y.o.y. reduction, substantially lower than the annual decline reported last quarter (-6.9%). Revenues were virtually in line with the previous quarter (+0.1%).

The year-on-year decline in net revenues from the Personal Mobility segment was mainly due to (i) the reduction in the volume of recharges in the prepaid segment influenced by high unemployment rates; and (ii) the reduction in network usage revenues, as a result of the annual cut in interconnection tariffs (MTR).

In 1Q17, customer revenues, which exclude interconnection and handsets, totaled R\$ 1,748 million, 1.7% down from 1Q16. Postpaid + control segments stood out in this quarter, with a y.o.y. growth of 14.5% in revenues (excluding long-distance revenues), but was offset by the annual decline in prepaid revenues, which fell 8.3% (also excluding long-distance revenues). The prepaid segment is still being impacted by the uncertain macroeconomic scenario and the high unemployment rate, which discourage mainly prepaid customers from recharging. In the sequential comparison, customer revenues registered a 1.1% growth, due to the increase in postpaid + control revenues (+8.2%), which outpaced the reduction in prepaid revenues (-3.8%).

Data revenues climbed 10.7% over 1Q16 to R\$ 947 million. This amount accounted for 54.1% of total customer revenues in the quarter (+6.1 p.p. versus 1Q16), thanks to the high penetration of smartphones in the customer base, the focus on high-end offers (*Oi Livre*, *Oi Mais* and *Oi Mais Controle*) featuring more extensive data allowances.

In 1Q17, network usage revenues fell 25.3% y.o.y. to R\$ 141 million, due to the regulated MTR cut. In February 2016, interconnection tariffs (MTR) fell to R\$ 0.09317, R\$ 0.10309 and R\$ 0.11218 in Regions I, II and III, respectively. In February 2017, these same tariffs declined to R\$ 0.04928, R\$ 0.05387 and R\$ 0.06816 in Regions I, II and III, respectively. Based on the future cuts approved by ANATEL, MTR tariffs will be as follows: (i) in 2018: R\$ 0.02606, R\$ 0.02815 and R\$ 0.04141; and (ii) in 2019: R\$ 0.01379, R\$ 0.01471 and R\$ 0.02517 in Regions I, II and III, respectively.

Handset revenues fell 2.7% y.o.y. to R\$ 57 million in 1Q17. Smartphones accounted for 100% of sales in the quarter.

Oi closed 1Q17 with 39,837 thousand RGUs in the Personal Mobility segment, 12.6% down from 1Q16 and 0.1% lower than in 4Q16. In 1Q17, net disconnections totaled approximately 32 thousand, comprising 40 thousand net disconnections in the prepaid segment and 7 thousand net additions in the postpaid segment. The Personal Mobility customer base reflects the decline in the Prepaid segment in the country, and this is due to the macroeconomic scenario and the chip consolidation movement itself, which is a consequence of the drop in MTR and the increase in the use of messaging and text tools.

Oi's mobile customer base (Personal Mobility + B2B) reached 42,100 thousand RGUs in 1Q17, 39,837 thousand of which in the Personal Mobility segment and 2,263 thousand in the B2B segment. Gross adds totaled 4.4 million, while net disconnections came to 60 thousand in 1Q17.

### **Prepaid**

The prepaid customer base came to 32,957 thousand RGUs in 1Q17, 14.8% down y.o.y., mainly due to the tough macroeconomic environment and the high unemployment rates in the country (13.7% as of March 2017). However, despite this challenging scenario, the customer base remained virtually flat (-0.1%) compared with the previous quarter, as did recharge volume per business day and the recharger base (number of active prepaid customers who make recharges). These results were due to adjustments to the *Oi Livre* offer, that were launched in December 2016, which, besides offering an extensive data allowance and a single tariff for calls to any operator anywhere in the country (all-net model), also provides customers a higher use flexibility (recharge expiration varying according to the recharge value), higher all-net allowances and more benefits.

In April 2017, Oi launched, in the *Oi Livre* (and *Oi Mais Controle*) offer, an unprecedented functionality that allows customers to choose whether they will use voice minutes or data directly on the *Minha Oi* app, with no exchange limits or additional costs. This functionality adjusts to users' different profiles and needs, offering more practicality and independence by providing digital tools that allow them to satisfy their demands more quickly and with greater autonomy, therefore improving customer experience.

At the end of the quarter, *Oi Livre* accounted for 50% of the total prepaid base (45% in 4Q16), with an average ticket 25.9% higher than that of other offers.

### **Postpaid**

Oi closed the quarter with 6,880 thousand RGUs in the postpaid segment, virtually in line with 1Q16 (-0.2%) and 4Q16 (+0.1%), increasing its share of the total Personal Mobility customer base from 15.1% in 1Q16 to 17.3% in 1Q17. It is important to highlight the annual postpaid ARPU growth (ex-MTR) of 9.3%, as a result of increased data revenues and the focus on increasing customer profitability.

Currently, the main offers in the postpaid segment are *Oi Mais* and *Oi Mais Controle*, with a more extensive data allowance with no use restrictions, as well as reduced single tariffs and minute allowances to call any operator anywhere in the country. In 1Q17, customers who adhered to *Oi Mais* and *Oi Mais Controle* accounted for 45% of the total postpaid + control base (38% in 4Q16). ARPU from *Oi Mais* customers was 21% higher than that of customers from other plans, while ARPU from *Oi Mais Controle* was 52% higher in 1Q17, underlining the offers' success in increasing customer profitability.

## 2G, 3G and 4G LTE Coverage

Oi's 2G coverage reached 3,404 municipalities in 1Q17 (93% of the country's urban population), while 3G coverage reached 1,488 municipalities (+12.9% y.o.y.), or 80% of the Brazilian urban population.

In the end of 1Q17, 4G LTE coverage reached 284 municipalities, or 62.5% of Brazil's urban population, 11.1 p.p. up on 1Q16.

Oi is working in partnership with other operators in the sharing of the 3G/4G network, in order to optimize its investments and reduce costs while seeking to consistently improve the quality of services and customer experience. The efforts to improve its 3G and 4G network capacity and coverage quality have allowed consistent growth of data traffic in the network, meeting the growing demand for data while improving ANATEL's network quality metrics.

## Mobile ARPU

In 1Q17, mobile ARPU stood at R\$ 16.2, 8.0% up on 1Q16 and 4.5% higher than in 4Q16. Excluding interconnection revenues, mobile ARPU increased 10.5% y.o.y.

Since last quarter, the Company began reporting mobile ARPU excluding revenues from traffic between Oi's mobile and fixed line divisions (intercompany), but including revenues from mobile long-distance calls in total mobile service revenues (Personal Mobility + B2B). This amount is then divided by the average customer base (Personal Mobility + B2B) to calculate the Company's mobile ARPU.

## B2B

	1Q17	1Q16	4Q16	YoY	QoQ
Net Revenues (R\$ million) <sup>(1)</sup>	1,703	2,070	1,790	-17.7%	-4.9%
Revenue Generating Units (RGU) - ('000) <sup>(1)</sup>	6,550	6,668	6,617	-1.8%	-1.0%
Fixed	3,727	3,875	3,760	-3.8%	-0.9%
Broadband	547	569	553	-4.0%	-1.1%
Mobile	2,263	2,211	2,290	2.3%	-1.2%
Pay TV	14	12	13	14.5%	5.6%

(1) In 4Q16, the Company revised and changed the criteria for segmenting revenues and revenue generating units (RGUs) among the various business units (BUs), as it believes this new breakdown better reflects how the businesses are managed. Historical revenue and RGU figures were adjusted in order to reflect this change. To see the reclassified historical data, please refer to the Additional Information section of this document.

(2) Includes postpaid plans, *Oi Controle*, bundled mobile services and 3G (mini-modem).

Net revenues in the B2B segment amounted to R\$ 1,703 million in 1Q17, 17.7% lower y.o.y and 4.9% lower q.o.q. The annual variation was impacted by additional service contracts and by agreements with operators in 1Q16. Excluding this effect, the annual decrease would have been 10.2%., due to the Brazilian macroeconomic scenario, which has been impacting the B2B market as a whole, and the cut in regulated interconnection (MTR) and fixed-to-mobile (VC) tariffs.

Despite the negative external effect in the segment, Oi has been presenting continuous evolution in the quality of services and customer experience, as can be seen in the indicators of average time of installation and volume of billing complaints. For large companies, average time of installation fell by 33.8% while billing complaints fell by 51.9%, both in the annual comparison. As for SMEs, average time of installation fell by 41.0% and billing complaints fell by 35.8% in the same comparison.

The Company recorded 6,550 thousand RGUs in the B2B segment in 1Q17 (-1.8% y.o.y. and -1.0% q.o.q.).

## Corporate

The economic slowdown in Brazil has been impact directly impacting Oi's Corporate segment. Private customers and mixed economy companies have sought to reduce costs, while state and municipal governments, which account for a large share of Oi's Corporate revenues, have reduced contracts, investments and new projects, as a result of the financial crisis in the public sector.

On the other hand, the segment has been presenting growth in non-traditional revenues, such as data and IT services, thus reducing its dependence on voice services (fixed line and mobile), which have been losing their appeal in the corporate market, as mentioned before. In 1Q17, the data, IT and value-added services offered by the Company, such as VPN networks, cloud services, ICT, datacenter, home office, management services, security solutions and M2M (Machine-to-Machine), continued to grow, accounting for 70.4% of Corporate revenues (+2.9 p.p. y.o.y.).

### **SMEs**

The Brazilian macroeconomic scenario has also been impacting the SMEs segment, affecting credit risk for these companies. Nevertheless, this segment has been presenting improvements in its operational indicators, including growth of 17.4% in sales, a 35.8% decline in the volume of billing complaints and a 5.9% increase in the ARPU of mobile gross adds, all of which compared with the same period last year. These improvements were mainly due to simplification of the offer portfolio and to digitalization, which contributed to improve customer experience.

In the SMEs segment, digitalization is represented by the *Oi Mais Empresas* app, which offers a fully digital customer service channel that allows customers to acquire services, contract plan upgrades, make complaints and request bill copies and repairs, among others, all via smartphone. More than 237 thousand small and medium enterprises have adhered to the new offering portfolio and are benefiting from the app, which has a user satisfaction level of 87%, 77% of the requests completed within the deadline and a Net Promoter Score (which measures the percentage of customers who would recommend Oi to other companies) of 65%.

*Oi Mais Empresas* features mobile plans with 4G data and fixed line at a fixed monthly fee (flat fee model), which allows higher cash flow predictability. This offer currently represents 39% of the fixed line customer base and 40% of the mobile customer base of this segment.

## Operating Costs and Expenses

**Table 2 – Breakdown of Operating Costs and Expenses**

<b>R\$ million</b>	<b>1Q17</b>	<b>1Q16</b>	<b>4Q16</b>	<b>YoY</b>	<b>QoQ</b>
<b>Brazil</b>	<b>4,374</b>	<b>4,853</b>	<b>4,435</b>	<b>-9.9%</b>	<b>-1.4%</b>
Personnel	642	657	630	-2.2%	2.0%
Interconnection	231	347	292	-33.6%	-21.1%
Third-Party Services	1,557	1,515	1,534	2.8%	1.5%
Network Maintenance Service	281	478			