

OI S.A.
Form 6-K
April 13, 2018

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 April 2018
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)

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(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

April 12, 2018

Conference Call in Portuguese

April 13, 2018

10:00 a.m. (Brasília)

9:00 a.m. (NY) / 1:00 p.m. (UK)

Webcast: [Click here](#)

Telephone: +55 (11) 2188-0155 /

+1 646 843 6054/ Code: Oi

Replay available until April 19, 2018:

+55 (11) 2188-0400 / Code: Oi

Conference Call in English

April 13, 2018

10:00 a.m. (Brasília)

9:00 a.m. (NY) / 1:00 p.m. (UK)

Webcast: [Click here](#)

Telephone: +1 646 843 6054 (USA) /

+55 (11) 2188-0155 (Other) / Code: Oi

Replay available until April 4, 2018:

+55 (11) 2188-0400 / Code: Oi

SIMULTANEOUS

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 of 2017.

4Q17 and 2017 HIGHLIGHTS

Stabilization of operations with cost efficiency, higher margins and operational improvements in 2017

In 2016 and 2017, the restructuring process on several fronts enabled the Company to stabilize its operation:

- Management's priorities were quality improvement, digital transformation, cost control, cash management and debt restructuring with the approval of the Judicial Reorganization. Important results on these fronts have been preparing Oi for a new investment cycle.

Initiatives designed to increase operational efficiency and improve customer experience resulted in consistently better quality and operational indicators.

- Infrastructure upgrade, network capacity expansion and preventive actions designed to increase productivity and improve customer service quality, as well as service and process digitalization, created synergies for the Company.

- As a result, Oi recorded an improvement in customer satisfaction in 2017, with continuous reductions in ANATEL (-23.0% y.o.y.) and Small Claims Court (JEC) (-46.3% y.o.y.) complaint indicators.

The intensification of the digital program enabled efficiency gains and a better customer experience, with process automation (robotization and artificial intelligence) and increased digitalization of sales and customer service (e-care, e-billing and e-commerce).

Cost reduction due to increased operational efficiency came to R\$ 1.5 billion in 2017, while routine EBITDA totaled R\$ 6.2 billion, 2.3% higher than the estimate in the Judicial Reorganization Plan.

Oi's cash position closed 2017 at R\$ 7.0 billion, in line with the Judicial Reorganization Plan's Report, which projects a cash position of R\$ 6.188 billion at the end of 2018.

The approval of the Judicial Reorganization Plan by a substantial majority will allow Oi to reduce its debt by over R\$ 35 billion, enabling us to resume the investment cycle.

Structural fronts have stabilized the operations and the Company is now preparing to begin a new growth cycle through the acceleration of investments funded by the capital increase.

- The additional CAPEX plan funded by the capital increase includes annual investments of R\$ 7 billion for the coming years, with strategies for the mobile and fixed line network supporting our business transformation, growth and sustainability.

Summary

4Q17 and 2017 HIGHLIGHTS

in R\$ million or otherwise stated	4Q17	4Q16	3Q17	YoY	QoQ	2017	2016	YoY
Total Net Revenues	5,828	6,323	5,964	-7.8%	-2.3%	23,790	25,996	-8.5%
Routine EBITDA	1,299	1,756	1,605	-26.1%	-19.1%	6,244	6,697	-6.8%
Routine EBITDA Margin (%)	22.3%	27.8%	26.9%	-5.5 p.p.	-4.6 p.p.	26.2%	25.8%	0.5 p.p.
Net Income (Loss) attributable to owners of the Company ⁽¹⁾	-3,690	-4,732	535	-22.0%	-789.3%	-6,365	-8,028	-20.7%
Net Debt	47,621	40,342	44,109	18.0%	8.0%	47,621	40,342	18.0%
Available Cash	6,999	7,849	7,717	-10.8%	-9.3%	6,999	7,849	-10.8%
CAPEX	1,840	1,393	1,346	32.2%	36.7%	5,687	4,901	16.0%
in R\$ million or otherwise stated	4Q17	4Q16	3Q17	YoY	QoQ	2017	2016	YoY
Revenue Generating Units - ('000)⁽²⁾	59,685	63,554	62,931	-6.1%	-5.2%	59,685	63,554	-6.1%
Residential	15,885	16,425	16,121	-3.3%	-1.5%	15,885	16,425	-3.3%
Personal Mobility	36,648	39,870	39,626	-8.1%	-7.5%	36,648	39,870	-8.1%
B2B	6,512	6,617	6,543	-1.6%	-0.5%	6,512	6,617	-1.6%
Public Telephones	640	642	641	-0.4%	-0.1%	640	642	-0.4%
Total Net Revenues⁽²⁾	5,782	6,110	5,918	-5.4%	-2.3%	23,557	25,164	-6.4%
Net Service Revenues⁽³⁾	5,722	6,052	5,863	-5.4%	-2.4%	23,328	24,937	-6.5%
Residential	2,269	2,315	2,321	-2.0%	-2.2%	9,171	9,376	-2.2%
Personal Mobility	1,827	1,886	1,884	-3.1%	-3.0%	7,415	7,623	-2.7%
Customer ⁽³⁾	1,693	1,730	1,761	-2.2%	-3.9%	6,915	6,996	-1.2%
B2B	1,560	1,790	1,596	-12.9%	-2.3%	6,486	7,606	-14.7%
Net Customer Revenues⁽⁴⁾	5,517	5,824	5,676	-5.3%	-2.8%	22,559	23,925	-5.7%
Routine EBITDA	1,300	1,675	1,597	-22.4%	-18.6%	6,190	6,340	-2.4%
Routine EBITDA Margin (%)	22.5%	27.4%	27.0%	-4.9 p.p.	-4.5 p.p.	26.3%	25.2%	1.1 p.p.
CAPEX	1,835	1,358	1,339	35.1%	37.0%	5,629	4,759	18.3%
Routine EBITDA - CAPEX	-535	318	258	-268.3%	-307.4%	561	1,581	-64.6%

(1) 3Q17, 2Q17, 1Q17, 4Q16 and 2016 data were adjusted 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.

OPERATING RESULTS

Net Revenues

Table 1 – Breakdown of Net Revenues

R\$ million	Quarter			YoY	QoQ	12 Months		YoY	Weight %	
	4Q17	4Q16	3Q17			2017	2016		4Q17	4Q16
Brazil ⁽¹⁾	5,782	6,110	5,918	-5.4%	-2.3%	23,557	25,164	-6.4%	99.2%	96.6%
Residential	2,269	2,315	2,321	-2.0%	-2.2%	9,171	9,376	-2.2%	38.9%	36.6%
Personal Mobility	1,887	1,945	1,939	-2.9%	-2.7%	7,645	7,849	-2.6%	32.4%	30.8%
Service	1,827	1,886	1,884	-3.1%	-3.0%	7,415	7,623	-2.7%	31.4%	29.8%
Customer	1,693	1,730	1,761	-2.2%	-3.9%	6,915	6,996	-1.2%	29.0%	27.4%
Network Usage	135	156	123	-13.4%	9.3%	500	627	-20.2%	2.3%	2.5%
Sales of handsets, SIM cards and others	60	59	55	2.1%	9.8%	230	226	1.7%	1.0%	0.9%
B2B	1,559	1,790	1,596	-12.9%	-2.3%	6,486	7,607	-14.7%	26.8%	28.3%
Other services	66	60	62	9.8%	6.8%	256	332	-23.0%	1.1%	1.0%
Others	46	212	46	-78.3%	0.4%	233	833	-72.1%	0.8%	3.4%
Net Service Revenues	5,722	6,052	5,863	-5.4%	-2.4%	23,328	24,937	-6.5%	98.2%	95.7%
Net Customer Revenues	5,517	5,824	5,676	-5.3%	-2.8%	22,559	23,925	-5.7%	94.7%	92.1%

(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.

In 4Q17, consolidated net revenues totaled R\$ 5,828 million (-7.8% y.o.y. and -2.3% q.o.q.). Net revenues from Brazilian operations (“Brazil”) came to R\$ 5,782 million, down 2.3% from the previous quarter and 5.4% from 4Q16, while net revenues from international operations (Africa and East Timor) totaled R\$ 46 million, virtually in line with the previous quarter and down 78.3% from 4Q16. The year-on-year decline was due to the reduction in the interest held by one of our companies in the capital stock of the Namibian telecom operator Mobile Telecommunications Limited in January 2017, as disclosed to the market on January 31, 2017.

In 2017, consolidated net revenues totaled R\$ 23,790 million, down 8.5% from 2016. Net revenues from Brazilian operations totaled R\$ 23,557 million in 2017, 6.4% less than in 2016, while net revenue from international operations came to R\$ 233 million, down 72.1% from 2016.

BRAZIL

Net revenues from the Brazilian operations totaled R\$ 5,782 million in 4Q17, down 5.4% from 4Q16 and 2.3% from 3Q17. The annual performance was due to the combination of: (i) the cut in the regulated interconnection (MTR, TU-RL and TU-RIU) and fixed-to-mobile (VC) tariffs; (ii) the natural downward trend in fixed voice traffic; and (iii) the decline in recharge volume, the recharger base in the prepaid segment and B2B revenues, due to the economic downturn and the higher unemployment rate compared with 4Q16. B2B revenues were also impacted by the judicial reorganization process, will be explained later on. On the other hand, continuous year-on-year growth in pay-TV revenues from the Residential segment and data and postpaid + control revenues from the Mobility segment partially offset these negative impacts in the year.

The sequential decline in net revenues from Brazilian operations was mainly due to the effect of the annual rate increase in 3Q17, which impacted churn in 4Q17, affecting both Residential and Mobility postpaid revenues, partially offset by higher data revenues and pay-TV revenues from the Residential segment in 4Q17.

Total net service revenues, which exclude handset revenues, stood at R\$ 5,722 million in 4Q17 (-5.4% y.o.y. and -2.4% q.o.q.), while total net customer revenues, which exclude handset and network usage revenues, came to R\$ 5,517 million (-5.3% y.o.y. and -2.8% q.o.q.). In 2017, total net service revenues came to R\$ 23,328 million, 6.5% less than in 2016, while total net customer revenues amounted to R\$ 22,559 million, down 5.7% from 2016. These changes were also caused by the above-mentioned reasons.

OPERATING RESULTS**Residential**

	4Q17	4Q16	3Q17	YoY	QoQ	2017	2016	YoY
Net Revenues (R\$ million) ⁽¹⁾	2,269	2,315	2,321	-2.0%	-2.2%	9,171	9,376	-2.2%
Revenue Generating Units (RGU) - ('000) ⁽¹⁾	15,885	16,425	16,121	-3.3%	-1.5%	15,885	16,425	-3.3%
Fixed Line in Service	9,233	9,947	9,465	-7.2%	-2.5%	9,233	9,947	-7.2%
Fixed Broadband	5,156	5,188	5,207	-0.6%	-1.0%	5,156	5,188	-0.6%
Pay TV	1,496	1,290	1,449	16.0%	3.3%	1,496	1,290	16.0%
ARPU Residential (R\$)	81.3	77.2	81.1	5.3%	0.2%	79.6	76.6	3.9%

(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 4Q17, net revenues from the Residential segment totaled R\$ 2,269 million, down 2.2% from 3Q17 and 2.0% lower than in 4Q16. In the annual comparison, net revenues fell 2.0%, mostly as a result of a shrinking customer base, lower voice traffic and the annual cut in the regulated interconnection (MTR, TU-RL and TU-RIU) and fixed-to-mobile (VC) tariffs, partially offset by growth in pay-TV revenues (+24.0% y.o.y.). The sequential decline in revenues was due to the decline in the customer base, intensified by the annual rate increase of service plans in 3Q17, which had a negative impact on churn in 4Q17 and accelerated the erosion of gains arising from the rate increase and other initiatives, such as the results of migration and plan adjustments in certain customer segments.

In 2017, net revenues from the Residential segment totaled R\$ 9,171 million, 2.2% less than in 2016, due to lower fixed voice and interconnection revenues, partially offset by higher broadband and pay-TV revenues.

Oi closed 4Q17 with 15,885 thousand RGUs in the Residential segment, down 1.5% from 3Q17 and 3.3% from 4Q16. The annual and sequential declines were mainly due to the reduction in the fixed line base, driven by: (i) a natural market trend and (ii) the combination of two rate increases during the year. The first increase was due to the decision of the Federal Supreme Court (STF) to levy ICMS tax on subscriptions that do not include allowances and the subsequent pass-through of this tax to customers' bills in the first half of 2017, and the second was caused by the annual rate increase of service plans in 3Q17. Nevertheless, the Company's gross adds climbed 4.6% over 4Q16, and annual gross adds were 14.3% higher than in 2016.

Residential ARPU

Residential ARPU totaled R\$ 81.3 in 4Q17, up 5.3% on 4Q16 and 0.2% on 3Q17, driven by an upturn in pay-TV ARPU (+7.2% y.o.y. and +1.4% q.o.q.), as well as growth in convergent offers, with continuous increase in the number of households with more than one Oi product (+2.6 p.p. y.o.y. and +0.5 p.p. q.o.q.).

Fixed line

Oi ended 4Q17 with 9,233 thousand fixed line customers in the Residential segment (-7.2% y.o.y. and -2.5% q.o.q.), driven by the slowdown in fixed line gross adds (-1.1% y.o.y. and -14.3% q.o.q.).

As a result of the Company's sales efforts focused on higher profitability offers, the share of low-end offerings in fixed line gross adds accelerated its downward trend in 4Q17, falling 10.3 p.p. from 4Q16 and 4.2 p.p. from 3Q17, while bundle revenues climbed 43.7% over 4Q16 and 7.5% over 3Q17. With a little over 2.0 million customers at the end of 4Q17, *Oi Total* convergent offerings continued to grow, accounting for 22.9% of the fixed line base at the end of the quarter, with 20.7% more customers than in 3Q17.

In addition to playing an important role in the strategy to increase profitability in this segment, convergent offers help build customer loyalty by increasing the number of households with more than one Oi product. At the end of 4Q17, *Oi Total Residential* (3P) had a churn rate 36.6% lower than the one recorded by the standalone offering, while the *Oi Voz Total* (OVT) offer, which still accounted for 9.9% of the fixed line base in the segment, recorded a churn rate 29.7% lower than that of the standalone offering.

OPERATING RESULTS

Continuing with the efforts initiated in 1Q16 to promote the organic migration from the previous convergent offer, *Oi Conta Total* (OCT), to *Oi Total*, 53.2% of gross adds of *Oi Total Solução Completa* (4P) in 4Q17 were former OCT (3P) customers. *Oi Total* and OCT together accounted for 25.4% of the fixed base in 4Q17, a significant increase of 9.0 p.p. over 4Q16 and 3.5 p.p. over 3Q17.

In line with the market trend of offering customers plans featuring unlimited minutes, Oi expanded unlimited fixed plans in the fixed line base, especially *Oi Total* offerings, reaching 44.2% of the fixed line customer base in 4Q17, 9.4 p.p. more than in 4Q16 and 2.9 p.p. more than in the previous quarter.

Broadband

Oi ended 4Q17 with 5,156 thousand fixed broadband RGUs in the Residential segment (-0.6% y.o.y. and -1.0% q.o.q.). Even in this adverse scenario, broadband gross adds moved up 8.6% over 4Q16, but fell 8.6% from 3Q17. Despite this slowdown, annual gross adds were 15.7% higher than in 2016.

As part of the strategy to increase profitability through convergence, Oi has been focusing on structural network investments in order to enable the sales of high-end offers, featuring higher broadband speeds. VDSL technology (broadband with speeds of up to 35 Mbps) has been boosting *Oi Total* sales, increasing the share of high-end offers featuring higher speeds in the base. Oi's broadband penetration in households with an Oi fixed line has been recording consistent growth, reaching 55.8% in 4Q17 (+3.7 p.p. y.o.y. and +0.8 p.p. q.o.q.), while the share of low-end offers in broadband gross adds continued to decline (-5.0 p.p. y.o.y. and -1.8 p.p. q.o.q.).

As a result of network investments, the average broadband base reached 8.3 Mbps, an increase of 21.7% over 4Q16 and 4.7% over 3Q17. The share of RGUs with speeds starting at 5 Mbps increased 8.1 p.p. over 4Q16 to 78.2%, while the share of RGUs with speeds starting at 10 Mbps grew 11.4 p.p. to 58.4% and the share of RGUs with speeds starting at 15 Mbps rose 11.4 p.p. to 24.2% in the same period. It is worth mentioning that the average speed of broadband gross adds, which exceeded the mark of 10 Mbps in 3Q17, reached 10.7 Mbps in 4Q17 (+13.7% y.o.y. and +3.5% q.o.q.). In 4Q17, 71.6% of gross adds had speeds starting at 10 Mbps (+9.3 p.p. y.o.y.) and 45.9% had speeds starting at 15 Mbps (+11.8 p.p. y.o.y.).

In July 2017, the Company launched *Oi Total Play*, a pioneering offer in the Brazilian market that has a value proposition for broadband and reinforces Oi's strategies of promoting digital transformation and expanding convergent residential services. *Oi Total Play* combines a fixed line with unlimited calls to any fixed line phone, up to 15 mega broadband, a Wi-Fi modem and extensive video content, including on-demand options, that can be accessed by various devices using the *Oi Play* platform, without the need to subscribe to a pay-TV package. The fourth-quarter results show that, on average, more than 10% of new *Oi Total Play* customers purchased paid content, 50% of whom accessed the wide range of films, series, sports and cartoons available on the platform in the first month after acquiring the service. In addition, the *Oi Total Play* portfolio helped increase by 24% the share of 100% new Oi customers, i.e. those who did not even have a fixed line, in the customer acquisition mix.

Pay TV

Oi closed 4Q17 with 1,496 thousand pay-TV RGUs in the Residential segment, recording growth in both annual and sequential terms for the seventh consecutive quarter, up 16.0% on 3Q16 and 3.3% on 3Q17. Oi TV has been directly contributing to growth in *Oi Total* sales and base, fueling the success of the convergence strategy in the Residential segment.

Oi TV's gross adds were 9.0% higher than in 4Q16 and 10.3% lower than in 3Q17, while the churn rate fell 0.2 p.p. and 0.4 p.p., respectively, in the same comparisons. The increase in gross adds and the reduction in the churn rate supported the upward trend of net adds in the annual comparison, totaling 206 thousand RGU net adds in 2017. In the sequential comparison, despite the decline in gross adds, the lower churn rate contributed to the 47 thousand RGU net adds in the fourth quarter.

Oi TV's penetration in households with Oi fixed line continued to grow, reaching 16.2% in 4Q17 (+3.2 p.p. y.o.y. and +0.9 p.p. q.o.q.). The share of high-end offers in Oi's pay-TV sales mix continued to increase, moving up 0.5 p.p. over the same period in 2016, while the share of high-end offers in the pay-TV customer base increased 3.6 p.p. to 30.9%. Growth in high-end pay-TV sales, driven by the healthy performance of *Oi Total* convergent offers, has been supporting the increase in pay-TV ARPU (+7.2% y.o.y. and +1.4% q.o.q.).

OPERATING RESULTS

Oi TV is a differentiated product because it offers full content, with high-definition channels (including open channels) in all its plans and up to 185 channels, 64 of which in HD, in the most complete offer. It 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), as well as *TV Everywhere*, a service that allows customers to watch content from 49 channels, including 28 with live content and more than 34 thousand on-demand titles, depending on the plan, in any device (smartphone, tablet or PC) connected to the Internet. *TV Everywhere* includes the *Oi Play* virtual platform, reinforcing Oi's positioning in providing more user autonomy and a better customer experience through the digitalization of services.

In order to cater to the different user profiles, the Company also offers an Oi TV prepaid service, with a choice between biweekly or monthly recharges (beginning at R\$ 44.90 and R\$ 69.90, respectively), which can be paid by credit card or through sharing the customer's mobile credits.

Personal Mobility

	4Q17	4Q16	3Q17	YoY	QoQ	2017	2016	YoY
Net Revenues (R\$ million)⁽¹⁾	1,887	1,945	1,939	-2.9%	-2.7%	7,645	7,849	-2.6%
Service	1,827	1,886	1,884	-3.1%	-3.0%	7,415	7,623	-2.7%
Customer ⁽²⁾	1,693	1,730	1,761	-2.2%	-3.9%	6,915	6,996	-1.2%
Network Usage	135	156	123	-13.4%	9.3%	500	627	-20.2%
Sales of handsets, SIM cards and others	60	59	55	2.1%	9.8%	230	226	1.7%
Revenue Generating Units (RGU) - ('000)⁽¹⁾	36,648	39,870	39,626	-8.1%	-7.5%	36,648	39,870	-8.1%
Prepaid Plans	29,917	32,997	32,807	-9.3%	-8.8%	29,917	32,997	-9.3%
Postpaid Plans ⁽³⁾	6,731	6,872	6,820	-2.1%	-1.3%	6,731	6,872	-2.1%

(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\$ 1,887 million in 4Q17, down 2.9% from 4Q16 and 2.7% from 3Q17. The sequential reduction was mainly due to the impact of the annual rate increase in the postpaid segment as of July 2017, influencing the churn rate in 4Q17, combined with the negative effect of seasonality on the prepaid segment in 4Q17, caused by the fact that the fourth quarter has fewer business days, reducing recharge volume compared to 3Q17, with a direct impact on revenues. The annual decline was due to: (i) the downturn in voice revenues, mainly driven by the reduction in prepaid recharge volume as a result of the country's high unemployment rates and (ii) lower network usage revenues, following the annual cuts in MTR interconnection tariffs.

In 4Q17, customer revenues, which exclude interconnection and handsets, totaled R\$ 1,693 million, down 2.2% from 4Q16 and 3.9% less than in 3Q17. Maintaining an upward trend, customer revenues from the postpaid + control segment (excluding long-distance revenues) continued to grow, climbing 4.6% over 4Q16. The annual increase in customer revenues was virtually offset by the 3.2% decline in prepaid revenues (also excluding long-distance revenues) in the period. Compared to 3Q17, customer revenues fell chiefly due to the effects of the rate increase in the postpaid segment and the fourth-quarter seasonal decline in prepaid recharge, as explained above.

Data revenues continued their upward trend, reaching R\$ 1,038 million (+7.4% y.o.y. and +0.1% q.o.q.) and accounted for 61.3% of total customer revenues in the quarter (+5.5 p.p. y.o.y. and +2.4 p.p. q.o.q.). In line with the market trend of migration from voice services to data, Oi has been offering increasingly high data allowances, reaching up to 30GB in postpaid offers, as well as resources that enable conversion between minutes and data for *Oi Livre* and *Oi Mais Controle* in the prepaid and control segments, respectively.

OPERATING RESULTS

Network usage revenues totaled R\$ 135 million in 4Q17, 9.3% more than in 3Q17, due to higher incoming traffic volume, as a result of the plans offering unlimited minutes available on the market Network usage revenues fell 13.4% from 4Q16, mainly due to the regulated MTR cuts. In February 2016, interconnection tariffs (MTR) declined to R\$ 0.09317, R\$ 0.10309 and R\$ 0.11218 in Regions I, II and III, respectively. In February 2017, these tariffs fell to R\$ 0.04928, R\$ 0.05387 and R\$ 0.06816 in Regions I, II and III, respectively. In February 2018, these same tariffs fell to R\$ 0.02606, R\$ 0.02815 and R\$ 0.04141. ANATEL approved the following future cuts for 2019: R\$ 0.01379, R\$ 0.01471 and R\$ 0.02517 in Regions I, II and III, respectively.

Handset revenues totaled R\$ 60 million in 4Q17 (+2.1% y.o.y. and +9.8% q.o.q.); smartphones accounted for almost 100% of sales and 82% of the handsets sold were 4G, whose penetration in the base increased 21.0 p.p. over 4Q16.

Oi closed 4Q17 with 36,648 thousand RGUs in the Personal Mobility segment, down 8.1% from 4Q16 and 7.5% from 3Q17. In 4Q17, Oi recorded 2,978 thousand net disconnections, comprising 88 thousand net disconnections in the postpaid segment and 2,890 thousand net disconnections in the prepaid segment (versus 156 thousand net disconnections in 3Q17). The increase in prepaid net disconnections in 4Q17 was in line with a strict disconnection policy for inactive customers, designed to reduce fee payments and preserve the Company's cash.

Oi's mobile customer base (Personal Mobility + B2B) reached 38,964 thousand RGUs in 4Q17, 36,648 thousand of which in the Personal Mobility segment and 2,316 thousand in the B2B segment. Gross adds in the Personal Mobility segment totaled 4.5 million, while net disconnections came to 2,969 thousand in 4Q17.

Prepaid

The prepaid customer base closed 4Q17 with 29,917 thousand RGUs (-9.3% y.o.y. and -8.8% q.o.q.). The annual comparison was mostly due to the SIM card consolidation movement observed in the market, the still slow recovery in the country's macroeconomic environment and an increase in disconnections of inactive customers. The sequential base decline was mainly caused by the disconnection of inactive customers.

Even in a delicate macro scenario, recharge per business day edged up 1.1 p.p. over 3Q17, although recharge volume fell 1.6% in the quarter because the fourth quarter had fewer business days than third quarter.

In order to attract customers and provide a better user experience, the Company also offers innovative solutions for the prepaid segment, such as *Oi Livre*, which features more extensive data allowances and the all-net model, and accounted for 66% of the prepaid customer base at the end of 4Q17 (+2.7 p.p. q.o.q. and +20.8 p.p. q.o.q.). Since the end of 2Q17, *Oi Livre* began offering a feature 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. As a result, prepaid ARPU continued to grow this quarter, moving up 7.5% over 4Q16 and 1.5% over 3Q17, driven by the increase in data revenues. In addition, at the end of 4Q17, *Oi Livre*'s average ticket was 14.2% higher than those of other offers, underlining the contribution of offers featuring data solutions to improving the base profile.

Postpaid

Oi closed the quarter with 6,731 thousand RGUs in the postpaid + control segment (-2.1% y.o.y. and -1.3% q.o.q.), accounting for 18.4% of the total Personal Mobility customer base, 1.1 p.p. up on 3Q17.

Postpaid revenues (excluding long-distance revenues) moved up 4.6% over 4Q16, contributing to the 5.3% annual increase in postpaid revenues (excluding MTR). Compared to the previous quarter, ARPU fell 4.9%, chiefly due to the

decline in revenues in the period, as explained above.

Oi Mais and *Oi Mais Controle*, the main offers in the postpaid + control segment, feature extensive data and minute allowances, enabling customers to call any operator anywhere in the country at competitive prices. These offers boosted sales and contributed to the increase in ARPU of gross adds in 4Q17 (+11.4% y.o.y. and +1.0% q.o.q.). At the end of 4Q17, *Oi Mais* and *Oi Mais Controle* accounted for 61% of the total postpaid + control base (versus 55% at the end of 3Q17).

OPERATING RESULTS

2G, 3G and 4G LTE Coverage

Oi's 2G coverage reached 3,407 municipalities at the end of 4Q17 (corresponding to 93% of the country's urban population), while 3G coverage reached 1,603 municipalities (+8.1% y.o.y.), or 81% of the Brazilian urban population.

At the end of 4Q17, 4G LTE coverage reached 813 municipalities, or 73% of Brazil's urban population, 10 p.p. more than in 4Q16.

Oi works in partnership with other operators to share the 3G/4G network in order to optimize investments and reduce costs while seeking to continuously improve the quality of services and customer experience. In this regard, in late February 2018, Oi entered into a Memorandum of Understanding (MOU) with TIM Participações S.A., beginning negotiations to solve old disputes and starting a new cycle of infrastructure sharing plans, in line with other current partnerships in the Brazilian telecom market. In order to meet the growing demand for data, Oi has also been focusing its efforts on improving its own 3G and 4G network capacity and coverage quality so as to allow consistent growth of data traffic in the network and equip us to achieve consistent improvements in ANATEL's network quality metrics.

Mobile ARPU

In 4Q17, mobile ARPU stood at R\$ 16.2, 4.7% higher than in 4Q16 and virtually in line (+0.6%) with the previous quarter. Excluding interconnection revenues, mobile ARPU increased 5.5% over 4Q16 and remained virtually flat (-0.3%) compared with 3Q17.

B2B

	4Q17	4Q16	3Q17	YoY	QoQ	2017	2016	YoY
Net Revenues (R\$ million) ⁽¹⁾	1,559	1,790	1,596	-12.9%	-2.3%	6,486	7,607	-14.7%
Revenue Generating Units (RGU) - ('000) ⁽¹⁾	6,512	6,617	6,543	-1.6%	-0.5%	6,512	6,617	-1.6%
Fixed	3,641	3,760	3,685	-3.2%	-1.2%	3,641	3,760	-3.2%
Broadband	543	553	539	-1.7%	0.8%	543	553	-1.7%
Mobile ⁽²⁾	2,316	2,290	2,307	1.1%	0.4%	2,316	2,290	1.1%
Pay TV	12	13	12	-9.6%	0.5%	12	13	-9.6%

(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).

In 4Q17, net revenues from the B2B segment totaled R\$ 1,559 million (-12.9% y.o.y. and -2.3% q.o.q.). The decline in B2B revenues was due to: (i) lower voice traffic, following the natural market trend; (ii) the cut in regulated interconnection (MTR) and fixed-to-mobile (VC) tariffs; (iii) the slowdown in the country's economic activity, with impacts on corporate and government customers, who tried to reduce costs, and small and medium enterprises, which are being downsized or closing; and (iv) the Company's judicial reorganization process, which made it difficult for the Company to enter into new agreements throughout 2017.

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Even in this adverse scenario, Oi remains focused on increasing profitability in the B2B segment, investing in improving the quality of its products and services, offering innovative products, digitalizing its services and adjusting offers to customers' needs. As a result of constant improvements in the quality of services, we saw an increase in customer satisfaction, measured by the consistent improvement in operational quality indicators in Large Companies (Corporate + Wholesale) and Small and Medium Enterprises (SMEs). In the Corporate segment, the Company continued investing in innovative IT and information security solutions and service digitalization in order to meet customers' needs and increase non-voice revenues. Thanks to these initiatives, non-voice B2B revenues already accounted for more than 60% of total revenues, while IT revenues in the B2B segment rose 24.4% over 4Q16. In the SMEs segment, Oi has been launching convergent offers focused on portability at prices that are both attractive for customers and sustainable for the Company, helping improve ARPU of gross adds and customer profitability.

The Company recorded 6,512 thousand RGUs in the B2B segment in 4Q17, falling 1.6% from 4Q16 and remaining in line with 3Q17. In the annual comparison, despite the base reduction, disconnections are slowing down (-104 thousand RGUs in 4Q17 vs. 4Q16, -140 thousand RGUs in 4Q16 vs. 4Q15 and -539 thousand RGUs in 4Q15 vs. 4Q14), thanks to operational improvements focused on increased efficiency and quality. It is also worth noting that the B2B mobile, broadband and pay-TV customer base grew slightly compared to the previous quarter and that the mobile base also increased in the annual comparison.

Corporate

Corporate was the segment most heavily impacted by the deterioration in the Brazilian macro environment and the public sector crisis, which affected large private, mixed-economy and government customers, who needed to reduce the scope of their activities and renegotiate agreements. In addition, the Company's judicial reorganization also created obstacles to the acquisition new corporate customers, due to uncertainty dating back from before the approval of the Judicial Recovery Plan (in December 2017) related to the debt restructuring and the Company's priorities, inhibiting new customers from entering into long-term agreements with Oi.

At the same time, the Corporate segment has been prioritizing the provision of high value-added alternative services in order to reduce their dependence on traffic revenues and increase non-voice revenues. The segment has been concentrating sales in high-margin services, including advanced data, Internet of Things (IoT), IT (Datacenter, Oi Smart Cloud, Colocation, Hosting), Big Data & Analytics and cybersecurity solutions, in line with the Company's strategy of digital transformation. As a result, non-voice service revenues accounted for over 70% of Corporate revenues, 0.5 p.p. more than in 4Q16, driven by growth in IT revenues, up 25.3% on 4Q16. Still on the digitalization front, throughout 2017, Oi worked to migrate from printed to digital bills, as a way to simplify payment for customers and reduce costs, thus generating gains for the Company. By the end of 4Q17, 60% of the total printed pages of Large Corporations (Corporate + Wholesale) had already been converted.

As a result of the focus on improving the operational service quality, Oi continues improving its indicators in the Large Companies segment, with a year-on-year decline of 7.1% in the average time until installation and 35.3% in billing complaints.

SMEs

The slowdown in the Brazilian economy also strongly impacted the SMEs segment, with a reduction in revenues and the customer base. In order to mitigate this external adverse impact, Oi has been focusing on improving operational indicators, launching offers better suited to customers' needs, the broadband upselling strategy and digitalization, in

order to increase customer loyalty and profitability, as well as the customer experience.

As a result of the Company's efforts to improve the quality of services, Oi continued to record better operational and quality indicators in the SMEs segment. At the end of 4Q17, the average time until installation fell 22.4% from 4Q16, while billing complaints declined 49.6% in the same period.

In 3Q17, Oi launched a new portfolio of mobile offers for SMEs, with more benefits to customers, without changing the strategy of offering competitive prices. These offer updates include (i) unlimited minutes in all postpaid plans; (ii) a more extensive voice allowance and unlimited national on-net traffic in the *Controle* plan; (iii) increase in the data allowance of the *Oi Mais* entry plan from 5GB to 6GB; and (iv) highly competitive prices in the sale of multiple accesses (over 50). These new offers were designed to meet customers' needs and help attract high-quality gross adds, increasing ARPU of the base and gross adds. Together with the portfolio update, the Company has been expanding its sales channels for SMEs, increasing the salesforce both in telesales and physical stores in order to support gross add growth. Oi managed to increase the store salesforce by 18.1% between 3Q17 and 4Q17.

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This segment's main offer is *Oi Mais Empresas*, featuring mobile plans with 4G data, unlimited minutes and fixed lines at a fixed monthly fee (flat fee model), allowing increased cash flow predictability, which adds to its appeal. At the end of 4Q17, this offer represented 50% of the fixed line customer base (+4.0 p.p. q.o.q.) and 47% of the mobile customer base (+4.0 p.p. q.o.q.) of this segment.

This offer also includes the *Oi Mais Empresas* app, which features a fully digital customer service channel that allows customers to contract plan upgrades, make bill complaints and request bill copies and repairs, among others, all via smartphone, without the need to contact our call center. More than 390 thousand small and medium enterprises have signed up for the new offering portfolio and are benefiting from the app, which has a user satisfaction level of 93%.

OPERATING RESULTS

Operating Costs and Expenses

Table 2 – Breakdown of Operating Costs and Expenses

R\$ million	4Q17	4Q16	3Q17	YoY	QoQ	2017	2016	YoY
Brazil	4,482	4,435	4,321	1.1%	3.7%	17,367	18,824	-7.7%
Personnel	829	630	673	31.6%	23.2%	2,749	2,750	0.0%
Interconnection	192	292	178	-34.3%	7.7%	771	1,142	-32.5%
Third-Party Services	1,483	1,534	1,553	-3.3%	-4.5%	6,149	6,244	-1.5%
Network Maintenance Service	298	269	326	10.8%	-8.7%	1,236	1,502	-17.7%
Handset Costs/Other (COGS)	62	71	45	-12.5%	38.4%	214	252	-15.1%
Marketing	128	146	115	-12.2%	10.7%	410	427	-4.0%
Rent and Insurance	953	1,097	1,078	-13.0%	-11.6%	4,153	4,285	-3.1%
Provision for Contingencies	145	131	121	11.4%	20.1%	469	860	-45.4%
Provision for Bad Debt	223	165	173	35.4%	28.7%	741	623	19.0%
Taxes and Other Expenses (Revenues)	168	102	58	65.2%	191.0%	475	739	-35.7%
Others	47	131	37	-64.0%	27.0%	178	476	-62.5%
Routine OPEX	4,529	4,566	4,358	-0.8%	3.9%	17,546	19,300	-9.1%

In 4Q17, consolidated routine opex, including international operations, totaled R\$ 4,576 million, in line with 4Q16 (+0.2%) and 5.0% higher than in 3Q17.

Routine opex in the Brazilian operations totaled R\$ 4,482 million in 4Q17, up 1.1% on 4Q16 and up 3.7% on 3Q17. Considering inflation (IPCA) of 2.95% in the last twelve months, this result corresponded to a decrease of 1.8% in real terms compared to 4Q16. In 2017, routine opex in Brazilian operations came to R\$ 17,367 million, a reduction of 7.7% in nominal terms or 10.3% in real terms from 2016.

It is important to highlight that this reduction in costs and expenses occurred in a diligent manner, planned so as not to compromise the quality of Oi's activities and services, as underlined by the improvement in operational and quality indicators, with a direct impact on customer satisfaction levels.

Personnel

Personnel expenses in Brazilian operations totaled R\$ 2,749 million in 2017, stable in relation to the R\$ 2,750 million in 2016, even considering the impacts related to the Collective Agreement on salaries and projects that culminated in the internalization of labor, thus increasing personnel expenses, but which have brought quality improvement and reduction in the Company's total costs. This result was achieved through initiatives that increased efficiency in some areas, as well as strict cost control related in personnel expenses.

In 4Q17, personnel expenses totaled R\$ 829 million, +31.6% versus 4Q16 and +23.2% versus 3Q17. These increases are mainly due to: i) continued structuring of internal teams to leverage strategic projects of the Company, in addition to the internalization of services rendered by third parties, with the purpose of improving productivity and quality in critical processes; ii) increases in provisions for payments of variable compensation related to the fulfillment of operational, financial and quality goals established for 2017 and foreseen in a collective bargaining agreement signed with the unions.

Interconnection

Interconnection costs in Brazilian operations came to R\$ 192 million in 4Q17, down 34.3% from 4Q16, chiefly due to the interconnection (MTR, TU-RL and TU-RIU) tariff cuts in February 2017. In the sequential comparison, interconnection costs climbed 7.7%, due to the increase in off-net traffic volume, as a result of the offers based on the all-net model.

Third-party Services

OPERATING RESULTS

In 4Q17, costs and expenses related to third-party services in Brazilian operations totaled R\$ 1,483 million, down 3.3% from 4Q16 and down 4.5% from 3Q17. These declines were mostly due to lower spending on legal advisory and consulting services and lower call center expenses in 4Q17, partially offset by higher content acquisition (TV and VAS) and sales commission expenses. It is important to point out that the reduction in consulting and call center expenses was