

**RESULTS**

**3Q19**



Rio de Janeiro, December 2, 2019



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# REVISITING OUR STRATEGIC PLAN

Leadership in fiber and infrastructure, shareholder value creation and pursuit of strategic options for the future.



## OUR PAST

Revenue has high exposure to declining services and products.

- COPPER (VOICE AND BROADBAND)
- DTH
- REGULATED SERVICES
- PREPAID

## OUR FUTURE

Business migration to high-value added services

- FTTH
- B2B (CORPORATE & SME)- FOCUS ON INTEGRATED SOLUTIONS & ICT
- IPTV AND OTT
- PROVIDER OF TRANSPORT NETWORK AND 5G INFRASTRUCTURE
- MOBILE VALUE INCREASE AND POSTPAID GROWTH

## TO GET THERE

Our future depends on the execution of the strategic plan, supported by 3 pillars:

### 1. STRATEGIC INITIATIVES

- Great Fiber acceleration aiming to compensate the Copper decline.
- Continuity of Mobile's Growth Strategy.

### 2. FUNDING

- Sale of non-strategic assets ongoing.
- Fund raising process in progress.
- PIS / COFINS tax credit already being used

### 3. SIMPLIFICATION AND COST REDUCTION

- Projects are being implemented and financial impacts are already expected in 2020.

## 3Q19 HIGHLIGHTS

**3.6**  
MILLION

### HOMES PASSED (HPS) WITH FIBER (FTTH) AT THE END OF SEPTEMBER

HPs are expected to reach 4.6 million in 2019 and 16 million in 2021.

**11.4**  
%

### OF HOMES CONNECTED (HC) OVER HOMES PASSED (HPS) WITH FIBER IN SEPTEMBER

We closed the quarter with 408,000 customers connected to FTTH, up 72% from 2Q19.

**36**  
%

### MARKET SHARE OF NET ADDS IN POSTPAID IN 3Q19

Second-highest share of net adds in the market in the period. From January to August 2019, Oi reached 1.1 million net adds in the postpaid segment.

**13.8**  
%

### YEAR-ON-YEAR GROWTH IN POSTPAID CUSTOMER REVENUES

Strong base growth translates into accelerated revenue increase in the postpaid segment, adding value to the Mobile operation

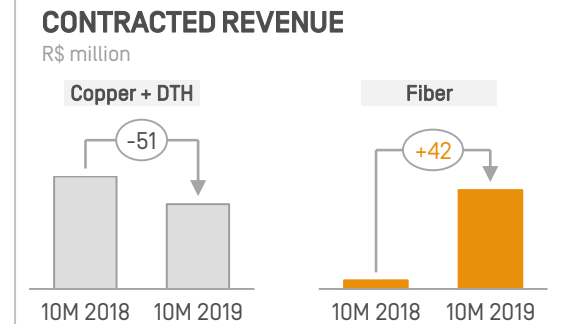
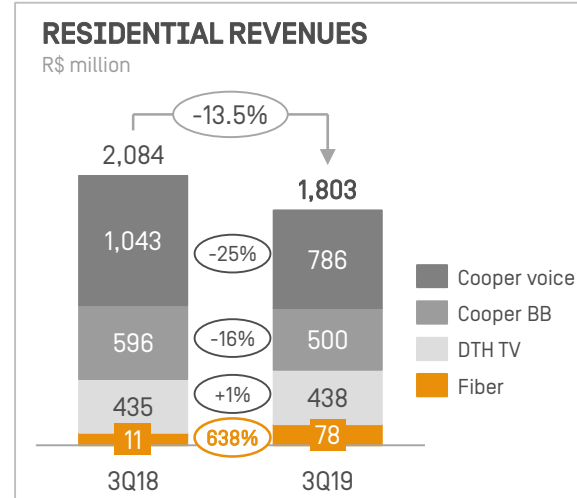
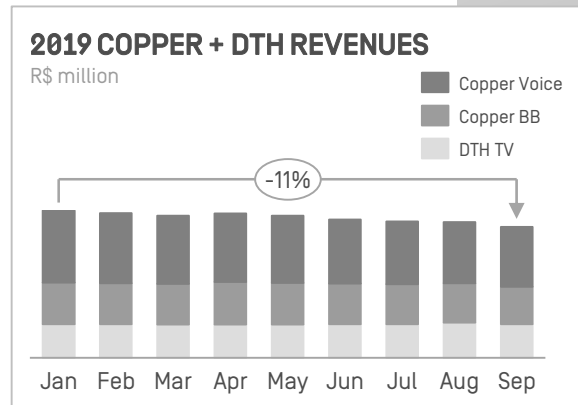
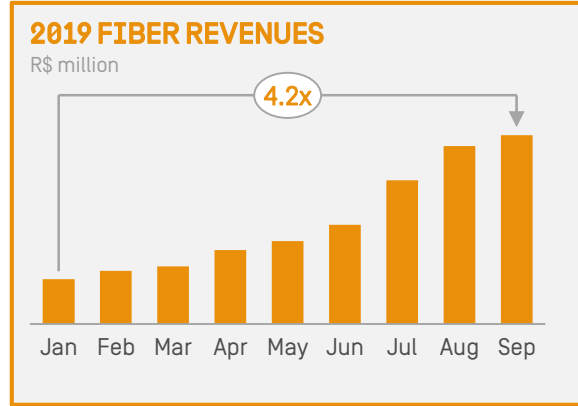
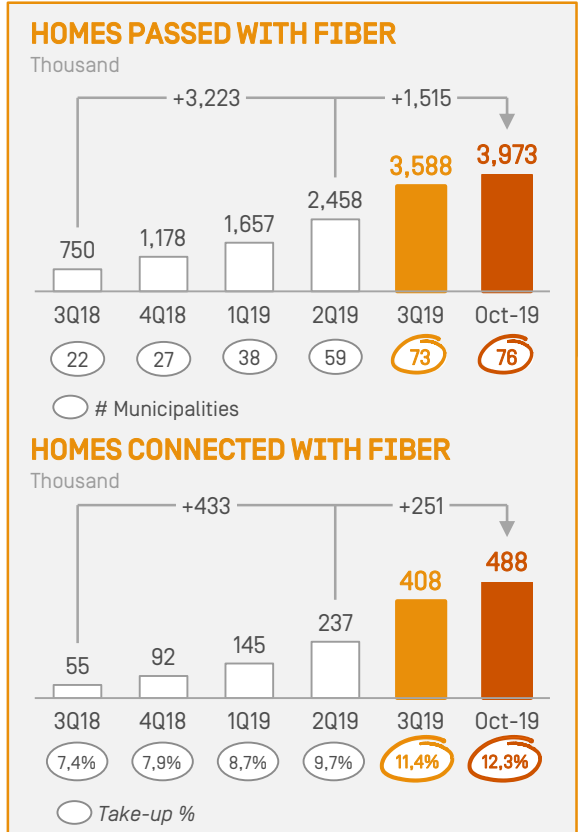
**192**  
%

### IT CONTRACTED REVENUE YEAR-ON-YEAR GROWTH, CONTRIBUTING TO THE TOTAL CORPORATE SEGMENT REVENUE GROWTH

IT revenues are one of the main growth drivers of the corporate segment, due to its high-value added products.



# FIBER OPERATIONAL AND FINANCIAL INDICATORS IN LINE WITH PLANNED, CONFIRMING THE EXECUTION OF THE STRATEGY AIMED AT REPLACING LEGACY COPPER REVENUES.





# CITIES WITH FIBER ALREADY SHOWING SIGNIFICANT IMPROVEMENT ON ALL BROADBAND INDICATORS.

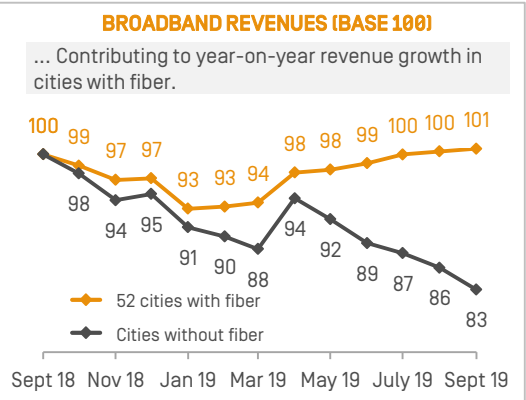
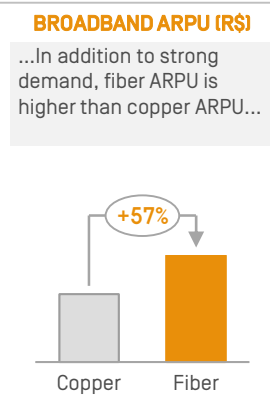
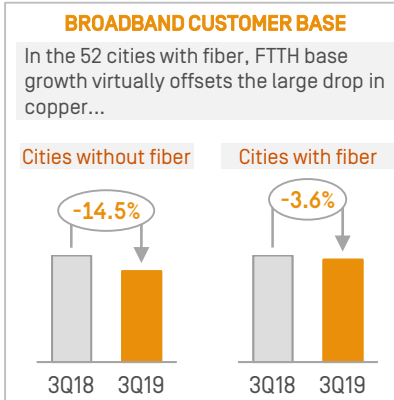
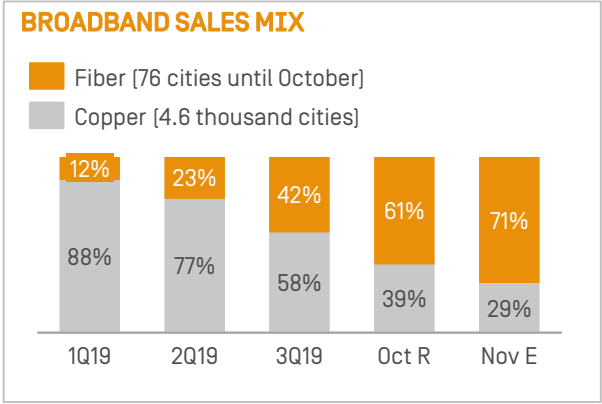
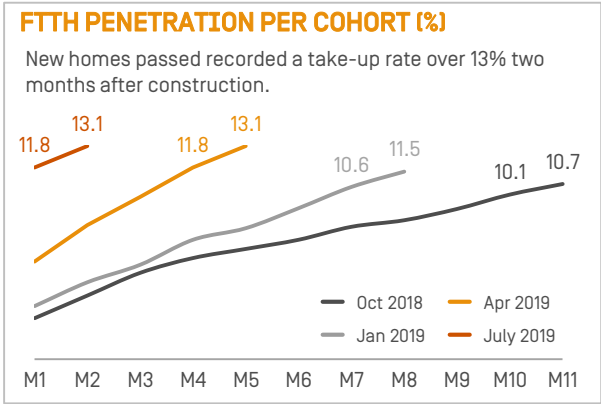
## OI FIBRA

Tenha a internet que conecta o Rock in Rio na sua casa. #OiFibraEuQuero

200 MEGA

Por R\$ **99,90** /MÊS

Eu quero





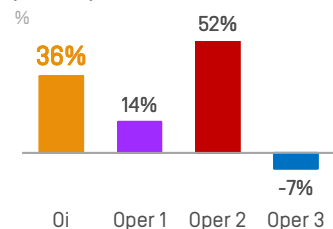
# MOBILITY REVENUE REVERSAL TRAJECTORY CONTINUES, WITH POSITIVE RESULTS IN POSTPAID AND BETTER THAN MARKET AVERAGE PERFORMANCE.



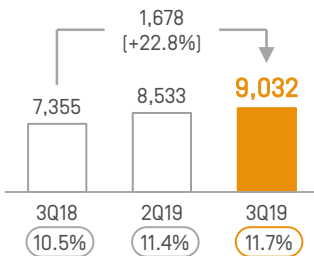
## POSTPAID

The successful migration of customers from prepaid to postpaid resulted in a 36% share of net adds in the quarter...

2019 share of net adds (ex-M2M)

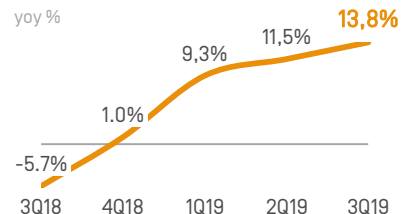


Customer base (Thousand)

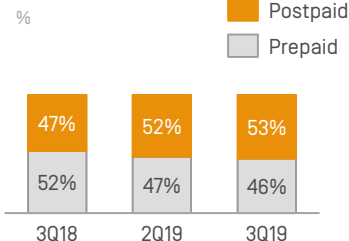


... consolidating the upward trend of postpaid revenues and the improvement in the mix of mobile revenues.

Postpaid Revenue trends<sup>1</sup>



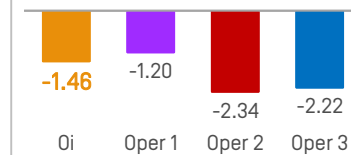
Revenue mix<sup>1</sup>



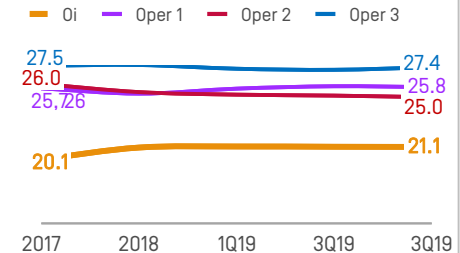
## PREPAID

Despite a highly competitive and shrinking market, we managed to increase our market share.

Net adds 2019 (Million)



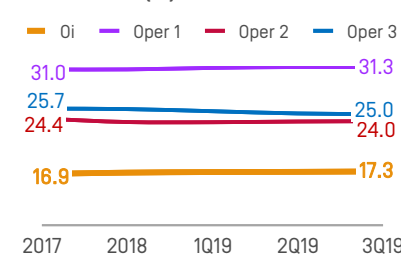
Market share [%]



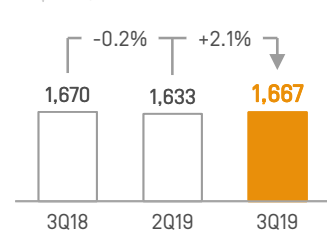
## MOBILITY

Growth in postpaid revenues offsets the decline in the prepaid segment, sustaining the reversal of personal mobility revenues.

Market share<sup>2</sup> [%]



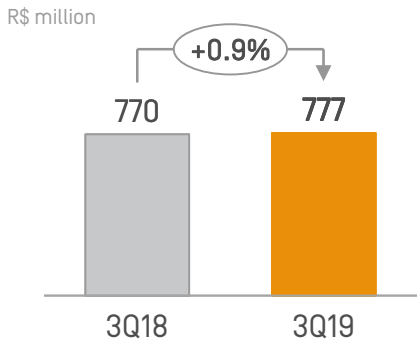
Mobile customer revenues<sup>1</sup> (R\$ million)



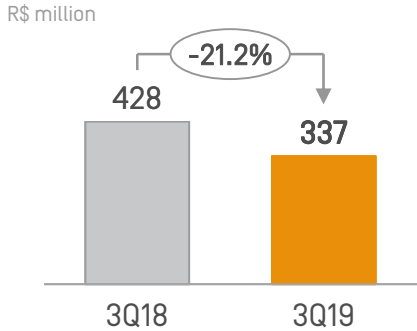


# CORPORATE REVENUE GROWS AND ALREADY CAPTURES THE FIRST RESULTS OF THE STRATEGIC PLAN EXECUTION.

## CORPORATE NET REVENUES



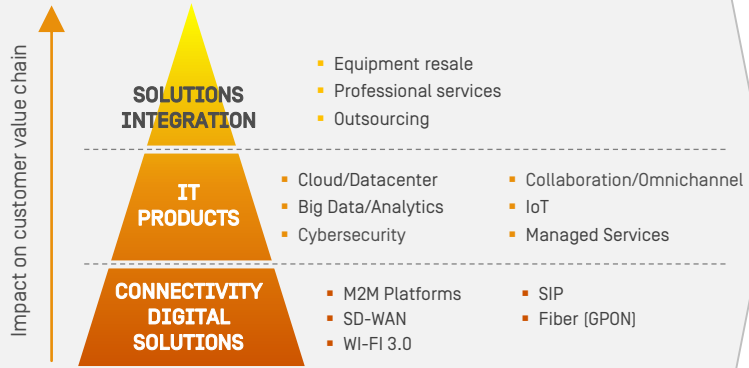
## SME'S NET REVENUES



### New positioning — Oi Solutions

- + Integrator and provider of telecom and ICT<sup>1</sup> Solutions.
- + Strategy of bringing complete solution to corporate clients.

### Comprehensive portfolio of Corporate ICT Solutions

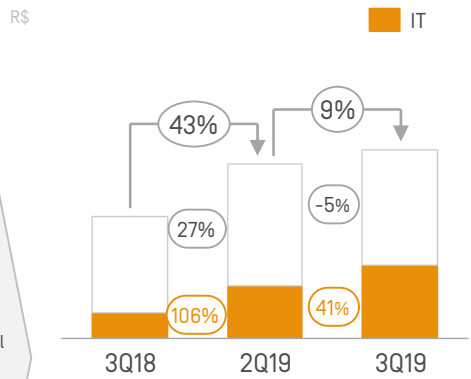


- + Partnership with startups and IT consolidated players
- + Experienced NOC, SOC and IT infrastructure management

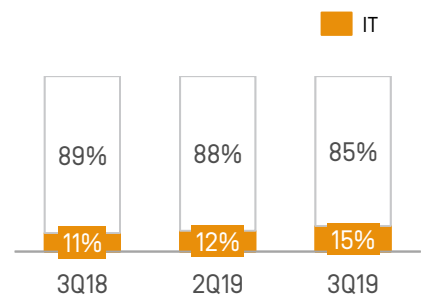
### SMEs strategy based on Fiber

- + Repositioning based on Fiber strategy and development of segment specific offers.

### CONTRACTED REVENUES



### NET REVENUES MIX



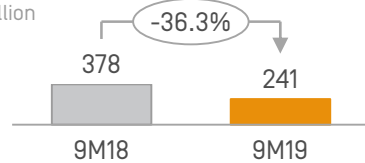
1. Information and Communications Technology



# WHOLESALE: STRATEGY FOCUSED ON UNREGULATED MARKET LEVERAGING INFRASTRUCTURE LEADERSHIP AND OFFERINGS FOR GROWING DEMANDS.

## REGULATED REVENUES

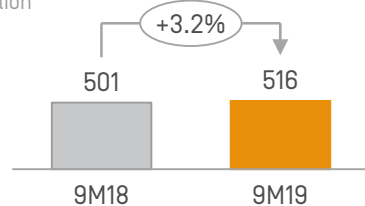
R\$ million



Impacted by -50 million mediation with partner provider in 2019

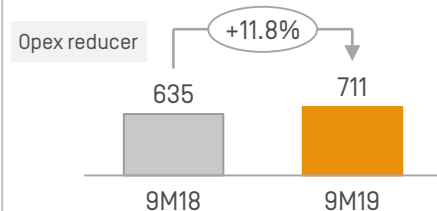
## UNREGULATED REVENUES

R\$ million



## INFRASTRUCTURE RENTAL REVENUES

R\$ million



Expand opportunities to unlock maximum potential from unregulated fiber market by leveraging non-replicable infrastructure...



### IP Connections (Fiber to the ISP - FTISP)

- Focus on ISPs with differentials of better network latency and resiliency, larger reach and local presence.



### Fiber to the Tower (FTT Tower)

- The capillarity and availability of Oi's fiber optic network are fundamental to support the exponential growth of data and video traffic in 4.5G and 5G



### Infrastructure monetization

- Offering a unique and robust backbone / backhaul transport network (Fiber to the City - FTTCity)

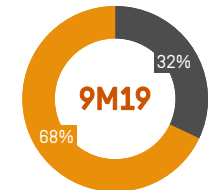
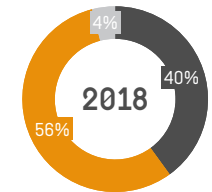
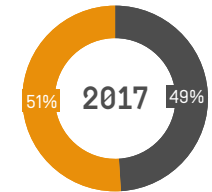


### Oi Franchises

- Capillarity – franchise model complementary to the transport network infrastructure
- Flexibility – meets the different characteristics and dimensions of business partners
- Readiness – franchise areas selected to monetize Oi's available assets (lower capex and better *time to Market*)

## NET REVENUES MIX

Regulated (Dark Grey) Other revenues (Light Grey)  
Unregulated (Orange)

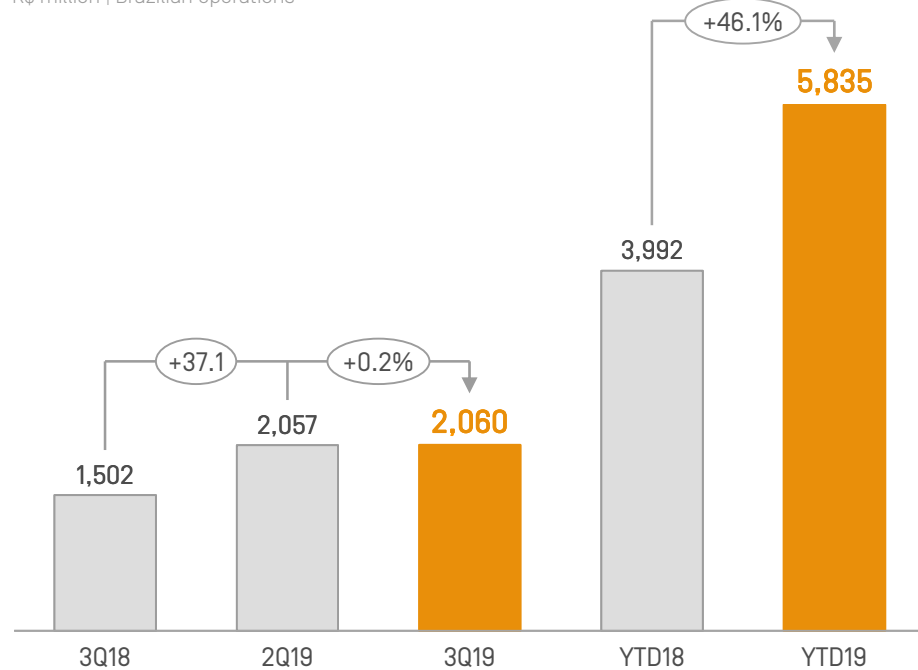




# COMPANY'S CAPEX IS IN LINE WITH ITS STRATEGIC PLAN, FOCUSED ON DEPLOYING HOMES PASSED WITH FIBER (HPS) AND REFORMING OF 1.8 GHZ SITES TO 4G AND 4.5G.

## CAPEX

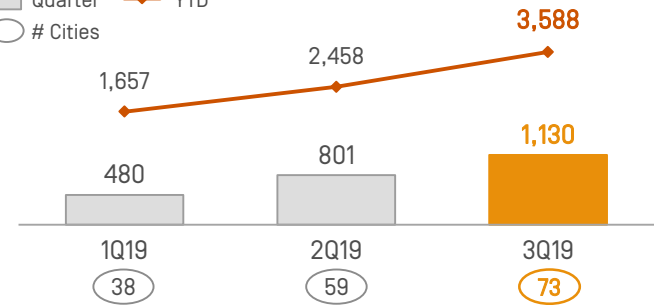
R\$ million | Brazilian operations



## HPs deployed (thousand)

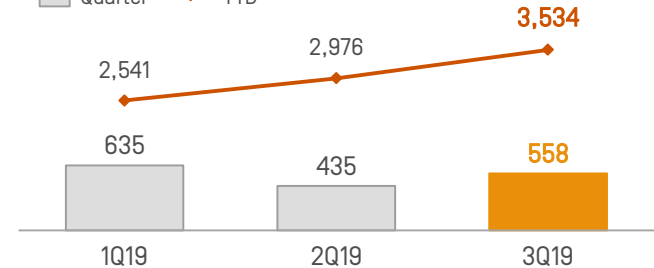
Quarter — YTD

○ # Cities



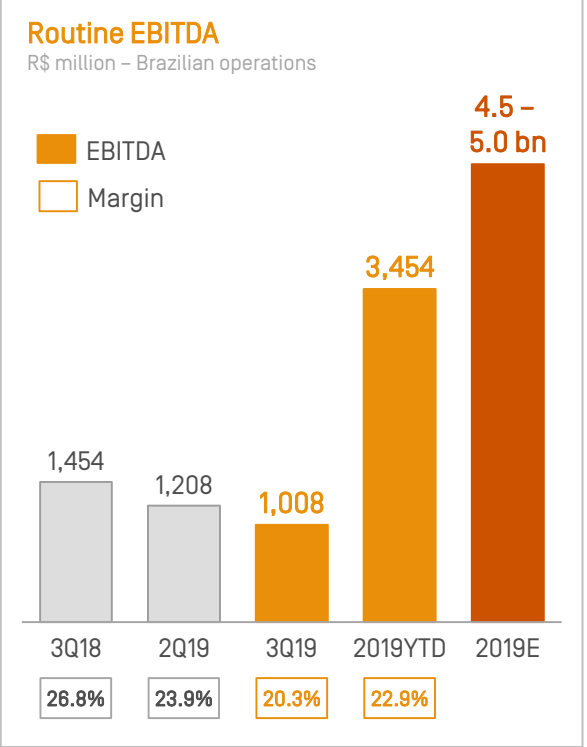
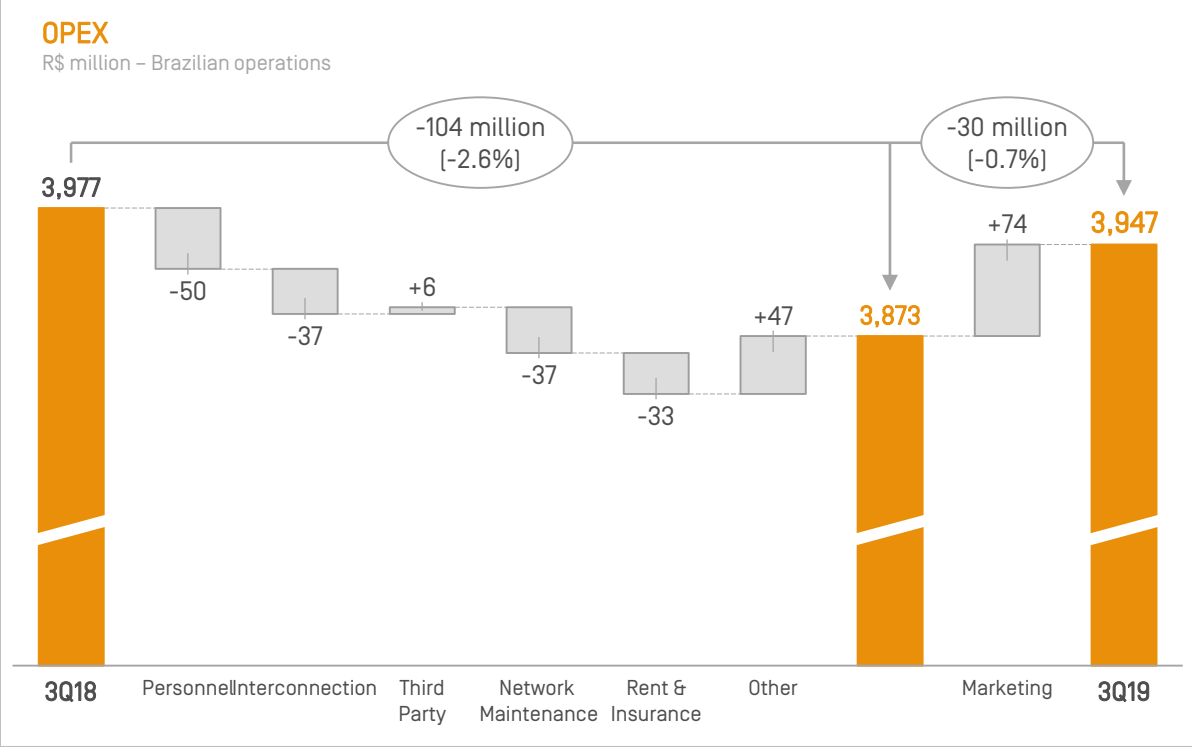
## Reforming 4G & 4.5G sites - 1.8 Ghz [2019]

Quarter — YTD





# OPERATIONAL EFFICIENCY AND DIGITIZATION INITIATIVES REFLECT IN COST SAVINGS, HELPING TO FUND THE REVENUE TRANSITION PERIOD TO FIBER.



1- Network maintenance and infrastructure leasing expenses



# OPERATIONAL SIMPLIFICATION AND COST REDUCTION ACTIONS INITIATED IN 2019 WILL HAVE POSITIVE IMPACTS ALREADY IN 2020.

		ESTIMATED IMPACT 2020 (ANNUAL BASE)	TARGETS PER SELECTED METRICS
<p><b>Sales, Mktg &amp; Customer Service</b></p>	<ul style="list-style-type: none"> <li>→ Portfolio Simplification - Migration to Flat Rate Plans;</li> <li>→ Reduction of legacy portfolio proactive selling actions;</li> <li>→ Digital sales channel acceleration</li> </ul>	R\$ 150 – 200 M	
<p><b>Process and Organization</b></p>	<ul style="list-style-type: none"> <li>→ Simplification Project with support of Visagio Consulting ;</li> <li>→ Financial functions centralized under the new CFO;</li> <li>→ Creation of an executive leadership position for Business Support and Operational Efficiency.</li> </ul>	R\$ 100 – 150 M	
<p><b>Business Support</b></p>	<ul style="list-style-type: none"> <li>→ Supply-Chain, Energy, Logistic, Business Management and Infrastructure;</li> <li>→ Back-office reduction through automation and BPO extension;</li> <li>→ Energy Efficiency Initiatives with own generation and renegotiations.</li> </ul>	R\$ 150 – 300 M	
<p><b>IT</b></p>	<ul style="list-style-type: none"> <li>→ Reduction / Interruption of IT legacy projects;</li> <li>→ Development of New IT Stack for Fiber Operations;</li> <li>→ Elevating Digital Initiative to company wide effort.</li> </ul>	R\$ 100 – 200 M	
<p><b>Network and Operations</b></p>	<ul style="list-style-type: none"> <li>→ Optimization and decommissioning of Legacy Networks (copper, DTH);</li> <li>→ Accelerated customer migration to fiber;</li> <li>→ Capex and Opex readjustment as a consequence of reduction of legacy sales efforts.</li> </ul>	R\$ 150 – 200 M	

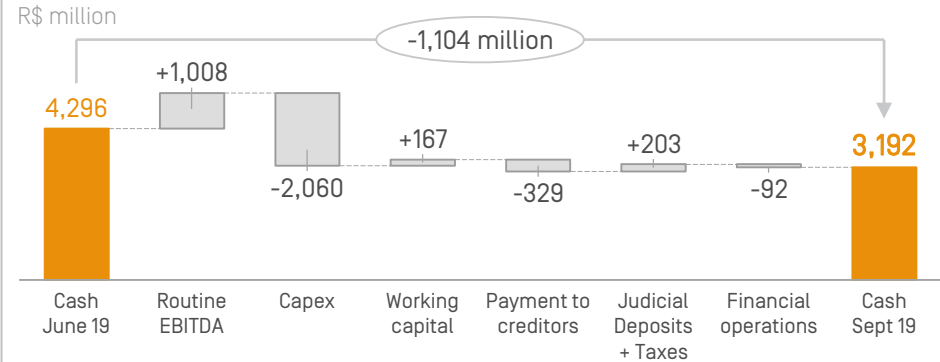
Current [3Q19] 2020 EOY

# FINANCING ALTERNATIVES EVOLVING AS PLANNED. CASH FLOW AND DEBT IN LINE WITH THE STRATEGIC PLAN.

## Status of Non Core Asset Sales

- + **Unitel:** expected to be concluded in 2019.
- + **Other Non-Core:** ongoing processes.
- + **Real State:** awaiting final dispatch from Anatel after successful due diligence for the Polidoro building in RJ, for an estimated value of R\$ 120 MM. Focus on the sale of 5 non-reversible assets, in the estimated amount of R\$ 300 million, over the next few months.
- + **PIS/COFINS:** all credits recognized and approved. Total of R\$ 3.1 billion with expected realization of R\$ 100 million per month, already in progress.

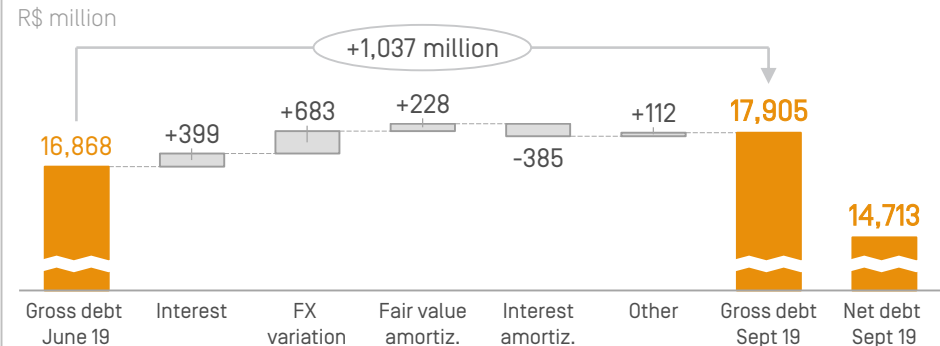
## Cash Flow



## Status of Funding Activities

- I. Structuring potential issuance of guaranteed **debt in the amount of R\$ 2.5 billion** as allowed by the Judicial Recovery Plan.
  - i. **US\$ 600 million** Bridge loan negotiation ongoing, with **US\$ 400 million** firm commitment
- II. Negotiation process for a credit line linked to the purchase of equipment up to **R\$ 2.0 billion** as provided in the Judicial Recovery Plan.

## Debt (fair value)



# TO CREATE THE FUTURE OI, OUR FOCUS IS ON STRATEGY, IMPLEMENTATION AND INVESTMENT CAPACITY.

## CASH/INVESTMENTS

- Sale of non-core assets (around R\$ 8.0 billion);
- PIS/COFINS (around R\$ 3.1 billion); and
- Debt issue and equipment financing (R\$ 2.5 - 4.5 billion).

## STRATEGIC INITIATIVES

- Pursuit of FTTH leadership;
- Corporate and B2B new focus;
- Acceleration of wholesale growth;
- Maintain and increase our mobile value;
- Fiber expansion through partnerships;
- Migration from DTH to IPTV and Oi Play;
- Copper cost reduction and optimization;
- Proactive approach to regulation.

## EFFICIENCY AND SIMPLIFICATION

- Structural cost reduction and digitalization programs in five fronts: Sales & Marketing; IT; Organizational Processes; Procurement; and Network.
- Target of R\$ 1.0 billion reduction in annual costs

## PEOPLE AND MANAGEMENT

- Transformation Management Office in place;
- Leadership changes to accelerate execution;
- Best company to work for.



## CUSTOMER EXPERIENCE

- Assertive communication in different channels;
- Purchase, usage and post-sales experience;
- Focus on digital and human customer service;
- Fair and simple offers.

## DIGITAL COMPANY

- AI, agility, DevOps, big data, data analysis, squads, microservices and self-service;
- Company wide effort
- Much more than technology.

## INNOVATION

- Focus on the future even if Cannibalizing the past;
- Value added;
- Accelerator, startups and OITO innovation hub;
- Co-branding and strategic alliances.

## EXCELLENCE

- Quality Governance;
- Planning, metrics and results;
- Successful resource allocation;
- Cross-functional vision.

# ADDITIONAL INFORMATION

SUMMARY CHART OF THE MAIN FINANCIAL  
AND OPERATIONAL INDICATORS



## MAIN FINANCIAL INDICATORS

R\$ million

	3Q19	3Q18	y-o-y.	1Q19	q-o-q.
<b>Brazil</b>					
<b>Total Net Revenue</b>	<b>4,955</b>	<b>5,431</b>	<b>-8.8%</b>	<b>5,046</b>	<b>-1.8%</b>
Residential	1,803	2,084	-13.5%	1,857	-3.0%
Personal Mobility	1,763	1,813	-2.8%	1,732	1.8%
<i>Customers<sup>1</sup></i>	<i>1,667</i>	<i>1,670</i>	<i>-0.2%</i>	<i>1,633</i>	<i>2.1%</i>
B2B	1,357	1,475	-8.0%	1,419	-4.4%
Other Services	32	59	-46.4%	38	-15.7%
<b>Routine OPEX</b>	<b>3,947</b>	<b>3,977</b>	<b>-0.7%</b>	<b>3,839</b>	<b>2.8%</b>
<b>Routine EBITDA</b>	<b>1,008</b>	<b>1,454</b>	<b>-30.7%</b>	<b>1,208</b>	<b>-16.6%</b>
Routine EBITDA Margin	20.3%	26.8%	-6.4 p.p.	23.9%	-3.6 p.p.
<b>Capex</b>	<b>2,060</b>	<b>1,502</b>	<b>37.1%</b>	<b>2,057</b>	<b>0.2%</b>
Capex / Net Revenue	41.6%	27.7%	13.9 p.p.	40.8%	0.8 p.p.
<b>Routine EBITDA – Capex</b>	<b>-1,053</b>	<b>-49</b>	<b>NA</b>	<b>-849</b>	<b>NA</b>
<b>Net Income [Loss]</b>	<b>-5,521</b>	<b>-1,366</b>	<b>304.3%</b>	<b>-1,402</b>	<b>NA</b>

1- Excludes handset and interconnection revenues;



## MAIN FINANCIAL INDICATORS

In thousands of RGUs

	3Q19	3Q18	y.o.y.	1Q19	q.o.q.
<b>Total - Brazil</b>	<b>55,191</b>	<b>58,832</b>	<b>-6.2%</b>	<b>55,870</b>	<b>-1.2%</b>
<b>Residential</b>	<b>13,532</b>	<b>15,173</b>	<b>-10.8%</b>	<b>14,011</b>	<b>-3.4%</b>
Fixed line	7,480	8,578	-12.8%	7,770	-3.7%
Broadband	4,531	5,016	-9.7%	4,672	-3.0%
Pay TV	1,522	1,579	-3.6%	1,569	-3.0%
<b>Residential ARPU</b>	<b>R\$ 79.2</b>	<b>R\$ 80.2</b>	<b>-1.2%</b>	<b>R\$ 78.9</b>	<b>0.4%</b>
<b>Personal Mobility</b>	<b>34,703</b>	<b>36,454</b>	<b>-4.8%</b>	<b>34,701</b>	<b>0.0%</b>
Prepaid	25,670	29,099	-11.8%	26,168	-1.9%
Postpaid	9,032	7,355	22.8%	8,533	5.8%
<b>B2B</b>	<b>6,702</b>	<b>6,565</b>	<b>2.1%</b>	<b>6,761</b>	<b>-0.9%</b>
Fixed line	3,359	3,561	-5.7%	3,420	-1.8%
Broadband	502	538	-6.7%	515	-2.4%
Mobile	2,825	2,452	15.2%	2,812	0.5%
Pay TV	16	13	18.1%	15	8.0%
<b>Public phones</b>	<b>254</b>	<b>640</b>	<b>-60.3%</b>	<b>396</b>	<b>-35.9%</b>

## INVESTOR RELATIONS



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