

UNCERTIFIED ENGLISH TRANSLATION

**ADVICE PURSUANT TO ARTICLE 140 OF THE DUTCH  
BANKRUPTCY ACT IN THE BANKRUPTCY OF:**

**Portugal Telecom International Finance B.V. *em recuperação judicial***

Name company:	Portugal Telecom International Finance B.V. <i>em recuperação judicial</i>
Suspension of payments proceedings number:	S.13/16/43
Bankruptcy number:	F.13/17/164
Date appointment silent administrator:	13 September 2016
Date of (provisional) suspension of payments:	03 October 2016
Date of bankruptcy:	19 April 2017
Court:	Amsterdam
Bankruptcy Trustee:	J.L.M. Groenewegen
Supervisory judge:	A.E. de Vos
Date:	25 April 2018

CMS (Amsterdam Office)  
Atrium  
Parnassusweg 737  
1077 DG Amsterdam  
The Netherlands

## 1. INTRODUCTION

### 1.1 Silent administration

- 1.1.1 Portugal Telecom International Finance B.V. *em recuperação judicial* (**PTIF**) on 13 September 2013 requested the Amsterdam District Court to appoint a silent administrator.
- 1.1.2 The Amsterdam District Court then replied that it had the intention to appoint J.L.M. Groenewegen as bankruptcy trustee or administrator in the event that insolvency proceedings would be opened. The arrangement would run until 27 September 2016 at the latest. At PTIF's request, the term has been extended once, up to and including 4 October 2016.

### 1.2 Suspension of payments and bankruptcy

- 1.2.1 In its application of 30 September 2016, PTIF requested the Amsterdam District Court to grant PTIF a provisional suspension of payments. PTIF had enclosed a draft composition with its application.
- 1.2.2 In its decision of 3 October 2016, the Amsterdam District Court granted PTIF a provisional suspension of payments and determined, among other things, that no vote would be cast on the final granting of the suspension of payments and that the draft composition offered by PTIF to its creditors would be put to a vote on 18 May 2017.
- 1.2.3 The Amsterdam Court of Appeal declared PTIF bankrupt on 19 April 2017, whereby J.L.M. Groenewegen was appointed as bankruptcy trustee (the **Bankruptcy Trustee**). The provisional suspension of payments was withdrawn at the same time.

### 1.3 Information in public reports and on the website

- 1.3.1 As regards the background to the application for suspension of payments filed by PTIF, PTIF's activities and the events and developments since 13 September 2016, including the bankruptcy order, the Bankruptcy Trustee makes reference to the public reports pursuant to Article 227 and Article 73a of the Dutch Bankruptcy Act (*Faillissementswet*, hereinafter **DBA**) that have been published and that can be consulted at, among other things, [www.cms-dsb.com/ptif](http://www.cms-dsb.com/ptif) (the **Website**).
- 1.3.2 Unless stated otherwise below, the terms defined in this advice pursuant to Article 140 of the DBA will have the meaning given to them in the Bankruptcy Trustee's public reports.
- 1.3.3 The information and documents relevant to creditors of PTIF in relation to the developments concerning PTIF have also been made available on the Website. The majority of the documents referred to by the Bankruptcy Trustee in this advice can be consulted on the Website.

#### 1.4 **PTIF Draft Composition; the role of the Bankruptcy Trustee**

- 1.4.1 PTIF filed a composition raft plan with the registry of the Amsterdam District Court on 10 April 2018 (the **PTIF Draft Composition**). This plan will be the subject of the consultation and vote on 1 June 2018 at 10:00 hours at the Amsterdam District Court.
- 1.4.2 The Bankruptcy Trustee has neither been materially involved in the formation of the PTIF Draft Composition, nor in possible discussions on the content and consequences of the PTIF Draft Composition conducted between PTIF and some of its creditors.
- 1.4.3 The Bankrupt Trustee is not an advisor, legal or otherwise, of PTIF. Dutch and foreign lawyers and other advisors have assisted PTIF in the context of the provisional granting of the suspension of payments, the bankruptcy, the preparing of the PTIF Draft Composition, the preparations for the creditors' meeting of 1 June 2018 and the preparations for the consultation and vote on the PTIF Draft Composition.
- 1.4.4 The Bankruptcy Trustee's role in the process leading up to the consultation and vote on the PTIF Draft Composition on 1 June 2018 was to an important extent limited to discussions on the application pursuant to Article 108 and Article 80 DBA submitted to the supervisory judge by the Bankruptcy Trustee and PTIF jointly on 9 April 2018, for the purposes of, among other things, determining the date of the creditors' meeting and the date for filing the debt claims, and to determine certain (conditional) provisions for holders of notes issued by PTIF.
- 1.4.5 All creditors known to him have been informed by the Bankruptcy Trustee of the supervisory judge's decision of 10 April 2018 (the **108/80 Decision**) pertaining to the above-mentioned request by way of letters to this effect dated 12 April 2018, by electronic notice through Euroclear and through the so-called 12th Notice to Creditors of the Bankruptcy Trustee that has been published on the Website.

#### 1.5 **Complexity**

- 1.5.1 In PTIF's bankruptcy, the Bankruptcy Trustee is confronted with a number of legally complex matters. This is mainly due to the Brazilian judicial restructuring proceedings (the **RJ Proceedings**) that are also applicable to PTIF, the nature of PTIF's debts and the applicability of foreign law. The RJ Proceedings also pertain to other entities of the group of companies of which PTIF is part. This group is headed by the Brazilian company Oi S.A. (**Oi**).

#### 1.6 **Consolidation**

- 1.6.1 The Bankruptcy Trustee understands the way the RJ Proceedings are structured in such a way that it essentially starts from a complete consolidation of all assets and liabilities of the entities of the Oi Group which are subjected to the RJ Proceedings.

In fact – in spite of the fact that the entities continue to exist independently from a legal point of view – this amounts to a complete legal consolidation of these entities with regard to the situation as per the opening of the RJ Proceeding. This approach has been allowed by the Brazilian bankruptcy court.

## **1.7 Independent assessment PTIF Draft Composition by creditors**

- 1.7.1 The Bankruptcy Trustee is not an advisor of any individual creditor or the joint creditors of PTIF. Each creditor has the responsibility to form an independent opinion on the merits of the PTIF Draft Composition and obtain external legal and/or financial advice where necessary.
- 1.7.2 Each creditor of PTIF that is entitled to vote must personally weigh up the matter and take a decision on the substance of the PTIF Draft Composition and the consequences related to the acceptance or rejection of the substance thereof.

## **1.8 Advice pursuant to Article 140 DBA**

- 1.8.1 This advice concerns the Bankruptcy Trustee’s advice within the meaning of Article 140 DBA. Pursuant to this article, the bankruptcy trustee must issue a written advice at the meeting with regard to (the substance and “feasibility” of) a plan offered by a creditor to its creditors.
- 1.8.2 In the 108/80 Decision, the supervisory judge has determined certain (conditional) provisions that are relevant to noteholders of PTIF. This preliminary relief is related to Oi’s intention to, as guarantor, convene noteholders’ meetings regarding notes issued by PTIF. For the sake of brevity, the Bankruptcy Trustee in this context refers to Oi’s Consent Solicitation Memorandum dated 10 April 2018 (**CSM**) (published on the Website, among other things). In the context of the proceedings initiated by Oi for that purpose, the noteholders have the opportunity to issue a vote in those proceedings through the procedure described in the CSM.
- 1.8.3 Despite the fact that there was a short period of time between the filing of the PTIF Draft Composition and PTIF’s provision of the related financial analysis by Ernst & Young Assessoria Empresarial Ltda. in Rio de Janeiro (Brazil) to the Bankruptcy Trustee, and the Bankruptcy Trustee consequently had only very limited opportunity to assess the content of these documents, PTIF in the context of the above-mentioned proceedings, urgently requested the Bankruptcy Trustee to issue the advice referred to in Article 140 DBA considerably earlier than the time prescribed by law (the date of the creditors’ meeting, being of 1 June 2018).
- 1.8.4 PTIF requested the Bankruptcy Trustee to finish and publish this advice before 27 April 2018. After consultations with the supervisory judge, the Bankruptcy Trustee complied with PTIF’s request – taking into account the interests of the relevant noteholders (and other creditors) in being able to take note of the Bankruptcy Trustee’s view. In view of, in particular, the fact that the EY Analysis (as defined below) became available at such a late stage, earlier publication of this advice was not an option.

- 1.8.5 The Bankruptcy Trustee has given Dutch counsel of PTIF the opportunity to inspect the substance of this advice and the Bankruptcy Trustee's interpretation of the PTIF Draft Composition before issuing this advice. As a result of PTIF's urgent request to issue the present advice within the meaning of Article 140 DBA early, the Bankruptcy Trustee has not had the opportunity to discuss the substance of this advice at length with (the management of) PTIF before issuing it.
- 1.8.6 The Bankruptcy Trustee does not guarantee that the information contained in this advice is complete and correct in all respects. This advice is also not intended to give a complete overview of assessments of PTIF's financial position and the PTIF Draft Composition made by the Bankruptcy Trustee. It is intended only to describe the Bankruptcy Trustee's findings in broad outline.
- 1.8.7 This advice is published in the Dutch language, but the Bankruptcy Trustee will also publish an (uncertified) English-language translation of the advice. If there is any inconsistency or difference of interpretation between the Dutch and the English version, the Dutch version will prevail. Both the Dutch-language version and the English-language version of this advice will be published on the Website.
- 1.8.8 No rights can be derived from this report.

## 2. **PTIF'S OBLIGATION TO PROVIDE INFORMATION; EXPLANATION AND DEFENCE OF THE PTIF DRAFT COMPOSITION; APPROVAL OF THE PTIF DRAFT COMPOSITION**

- 2.1 The vote and consultation on the PTIF Draft Composition will take place at the (creditors') meeting of 1 June 2018 (10.00 am). The creditors are authorised to request the supervisory judge to ask PTIF to provide information on specific matters to be indicated by them during that meeting. PTIF's management is obliged to attend the (creditors') meeting and to provide all information regarding the causes of the bankruptcy and the condition of the estate upon request of the supervisory judge at the (creditors') meeting.
- 2.2 PTIF is also entitled to explain and defend the PTIF Draft Composition at the (creditors') meeting.
- 2.3 If the PTIF Draft Composition is adopted by the creditors (entitled to vote), the supervisory judge will, pursuant to Article 150(1) DBA, set the date on which the District Court will address the confirmation of the (approved) PTIF Draft Composition.
- 2.4 In the context of the confirmation decision, the District Court must, pursuant to Article 153 DBA, assess, *among other things*:
  - (a) whether the proceeds of PTIF's estate do not considerably exceed the payment offered to the creditors through the PTIF Draft Composition; and
  - (b) whether performance of the PTIF Draft Composition is sufficiently safeguarded; and

- (c) whether the PTIF Draft Composition is not the result of fraud, favouring of one or more creditors or using other unfair means, regardless of whether the bankrupt or another party has cooperated with that.

### 3. **RELEVANT DOCUMENTATION IN RELATION TO THE PTIF DRAFT COMPOSITION AND THE FINANCIAL POSITION OF PTIF**

#### 3.1 **PTIF Draft Composition and the RJ Plan**

- 3.1.1 The Bankruptcy Trustee assumes that the PTIF creditors with voting rights, in the context of the considerations to be made by them on the merits of the PTIF Draft Composition, have read the PTIF Draft Composition (including all accompanying annexes) and other relevant documentation – including third party documentation – as it was published by PTIF. PTIF publishes information it considers relevant, among other things, via the website [www.recjud.com.br](http://www.recjud.com.br).
- 3.1.2 The substance of the PTIF Draft Composition is strongly intertwined with and related to the substance of the composition offered to creditors in Brazil (the **RJ Plan**) by Oi and the other entities of the Oi Group (including PTIF) subject to the RJ Proceedings.
- 3.1.3 The RJ Plan was adopted in a general creditors’ meeting held in Rio de Janeiro (Brazil) on 19 and 20 December 2017 – after it was amended during the meeting – and subsequently approved by the Brazilian bankruptcy court on 8 January 2018. The RJ Plan then entered into effect on 5 February 2018 after the required publication of the aforementioned judgment had taken place. The Bankruptcy Trustee notes in this regard for the sake of completeness that the Brazilian bankruptcy court did not approve one component of the RJ Plan (see in this respect point 4.8.4 below).
- 3.1.4 Only the RJ Plan provides what payment creditors will actually receive. Hence, the PTIF Draft Composition essentially constitutes no more than a “mirror composition plan”.
- 3.1.5 The Bankruptcy Trustee was not materially involved in the RJ Proceedings, nor in the negotiations regarding and the realisation of the RJ Plan.

#### 3.2 **PTIF’s Draft Composition of 30 September 2016; other financial information in respect of PTIF**

- 3.2.1 In the framework of the request for granting a provisional suspension of payments, PTIF on 30 September 2016 filed a draft composition at the registry of the court. The substance of that draft composition is no longer relevant. Nevertheless, the Bankruptcy Trustee considers that document relevant because it contains an interim balance sheet as at 31 August 2016 drawn up by PTIF (page 32). For the sake of completeness, the Bankruptcy Trustee has enclosed a copy of this balance sheet as **Annex 1** to this advice.

- 3.2.2 This is the last version of PTIF's balance sheet known to the Bankruptcy Trustee which was drawn up under (the management of) PTIF's responsibility. This balance sheet therefore provides an account of the financial position (assets and liabilities) of PTIF shortly before the insolvency proceedings were opened in the Netherlands. The Bankruptcy Trustee notes in this respect that this interim balance sheet has not been audited.
- 3.2.3 Creditors who desire (more) insight into the financial position of PTIF can, in addition, read the unaudited financial statements for the 2015 financial year which PTIF filed with the commercial register of the Chamber of Commerce on 3 May 2016.
- 3.2.4 Furthermore, insight can be obtained into the financial position of Oi and its subsidiaries by reading the Financial Statements for the Years Ended December 31, 2015 and 2014 and the Independent Auditors' Report, filed with the commercial register of the Chamber of Commerce.

### 3.3 **Reports of the Brazilian administrator**

- 3.3.1 Lastly, the Bankruptcy Trustee draws the creditors' attention to the reports published by the administrator appointed by the Brazilian court in the RJ Proceedings, which contain information about the progress of the RJ Proceedings and information about the financial developments within the Oi Group during the RJ Proceedings. This information can be consulted via the website referred to above in section 3.1.1.

### 3.4 **Analysis Ernst & Young Assessoria Empresarial Ltda.**

- 3.4.1 Enclosed as Schedule 7 to the PTIF Draft Composition is an analysis by Ernst & Young Assessoria Empresarial Ltda. in Rio de Janeiro (Brazil) (**EY**) by instruction of Oi of the theoretical liquidation and going concern value of Oi and its subsidiaries (Liquidation and Going Concern analysis of Oi S.A.), dated 23 March 2018 (the **EY Analysis**).
- 3.4.2 This document is relevant because it is the only document known to the Bankruptcy Trustee in which a comparison is made of scenarios that are relevant to the creditors: on the one hand starting from the RJ Proceedings being unsuccessful and on the other hand starting from the RJ Proceedings being successful. The Bankruptcy Trustee understands the EY Analysis in such a way that EY provides a scenario which shows that successful RJ Proceedings (the going concern analysis) are more favourable to PTIF's creditors compared to unsuccessful RJ Proceedings (the liquidation analysis).
- 3.4.3 The EY Analysis constitutes reason for the Bankruptcy Trustee to make the following comments and remarks.
- 3.4.4 According to the covering letter of EY dated 23 March 2018 (page 2 of the EY Analysis) the EY Analysis was drawn up in accordance with an engagement letter addressed to Oi dated 7 July 2017 and a supplement thereto of 25 July 2017. The Bankruptcy Trustee is not aware of the substance of these letters.



- 3.4.5 It also becomes clear from the covering letter that EY imposes far-reaching restrictions on its client with regard to the use of the EY Analysis and that EY does not accept any liability with regard to the EY Analysis. Although EY allows Oi to provide the EY Analysis to the Bankruptcy Trustee for the benefit of this advice and to the court for the benefit of taking a decision on the approval of an adopted composition (page 2 of the EY Analysis), the Bankruptcy Trustee and the court may not derive any rights from the EY Analysis and they cannot rely on its contents (page 3 of the EY Analysis). This greatly reduces the usability of the EY Analysis for the present advice.
- 3.4.6 In addition, EY has relied to a significant degree on assumptions of Oi's management and information from Oi's management as per 30 June 2017 (page 3 of the EY Analysis), which assumptions and information – unless expressly agreed otherwise – have not been verified by EY in terms of accuracy, reliability and completeness (page 4 of the EY Analysis).
- 3.4.7 In the covering letter EY describes that the EY Analysis is highly sensitive to a number of essential assumptions that are based on estimates and expectations of Oi's management and legal opinions by Oi's advisors (page 4 of the EY Analysis). EY expressly points out that any change with regard to these assumptions could lead to a substantially different outcome of its analysis.
- 3.4.8 The information Oi's management provided to EY for the benefit of drawing up the EY analysis and the presumptions underlying it have not been disclosed to the Bankruptcy Trustee or been made available in any other way. The same is true for the other source documents mentioned in the EY Analysis. The Bankruptcy Trustee has therefore been unable to make an assessment of this information, nor of its correctness and completeness. Consequently, the Bankruptcy Trustee is unable to subject the EY Analysis and the sense of reality of the underlying presumptions of (the management of) Oi to a substantive review.
- 3.4.9 Because the EY Analysis became available at such a late stage, there was no opportunity for the Bankruptcy Trustee to have the EY Analysis reviewed by an independent third party and to discuss the outcomes of this review with PTIF (Oi) and its advisors and incorporate such in this advice.
- 3.4.10 The Bankruptcy Trustee therefore recommends the creditors to study the EY Analysis thoroughly and to form an independent opinion on the contents and merits thereof.

#### **4. THE BANKRUPTCY TRUSTEE'S REMARKS ON THE PTIF DRAFT COMPOSITION**

##### **4.1 Background to presenting the PTIF Draft Composition**

- 4.1.1 In chapter 2 of the PTIF Draft Composition, PTIF provides an explanation of the background to the PTIF Draft Composition. PTIF among other things states that the offering of the PTIF Draft Composition is related to the RJ Proceedings.



- 4.1.2 The purpose is – so the Bankruptcy Trustee understands – to prevent a liquidation scenario in the Netherlands, Brazil or any other relevant jurisdiction, to be able to continue in a going concern situation, and to pay the debts taking into account the PTIF Draft Composition and the RJ Plan.

## 4.2 **The PTIF Draft Composition distinguishes between two categories of creditors**

- 4.2.1 It follows from the PTIF Draft Composition that PTIF distinguishes two categories of creditors:

- (i) creditors classified as Main Creditors, and
- (ii) creditors with so-called Other Unsecured Non-preferred Claims.

The PTIF Draft Composition refers to these two categories jointly with the term *Plan Creditors*.

- 4.2.2 The various groups of creditors are treated differently in the PTIF Draft Composition. The Bankruptcy Trustee refers to chapter 3.1 and 3.2, and chapter 3.3, respectively, of the PTIF Draft Composition.

- 4.2.3 Also in view of this distinction, the Bankruptcy Trustee stresses the responsibility of each creditor to independently assess to which category he/she belongs. The Bankruptcy Trustee will not make such assessment.

- 4.2.4 To make this assessment, it is necessary that the relevant provisions of the PTIF Draft Composition are read carefully. The (overall) description in the words of the Bankruptcy Trustee given below cannot, however, serve as a basis for such assessment.

## 4.3 **Content of the PTIF Draft Composition for the Main Creditors**

- 4.3.1 It follows from the PTIF Draft Composition that the composition offered by PTIF to the Main Creditors takes into account two different scenarios:

- (i) a situation involving a regular completion of the RJ Proceedings, and
- (ii) a situation in which the RJ Proceedings are terminated early in respect of PTIF and Brazilian bankruptcy proceedings are opened against PTIF.

### Regular completion of the RJ Proceedings

- 4.3.2 In section 3.1.1 of the PTIF Draft Composition, PTIF describes this situation in essence: the Main Creditors is offered exactly that what is provided for in the RJ Plan to the PTIF creditors, under the same terms and conditions as set out in the RJ Plan (as modified and confirmed from time to time by the Brazilian court).

- 4.3.3 In section 3.1.2 of the PTIF Draft Composition, PTIF describes that the consideration to the Main Creditors under the PTIF Draft Composition will be made in accordance with the RJ Plan, and that it therefore does not involve a “separate” consideration under the PTIF Draft Composition in addition to what is made available under the RJ Plan, and hence does not constitute double counting. In that context, PTIF points

out that the performance of the obligations of PTIF under the PTIF Draft Composition will accordingly be fully satisfied by performance of the RJ Plan.

4.3.4 The PTIF Draft Composition thus mirrors the RJ Plan as far as the Main Creditors are concerned.

4.3.5 The definition of Main Creditors (Schedule 1 (Definitions and interpretation) to the PTIF Draft Composition) shows, briefly put, that this group of creditors includes:

- (i) Citicorp Trustee Company Limited (“**Citicorp**”) as trustee or the holders of the notes issued by PTIF, and
- (ii) the creditors with the so-called Pre-RJ Unsecured Non-Preferred Claims.

The definition of Pre-RJ Unsecured Non-Preferred Claims shows that this mainly involves debts of PTIF that existed on 20 June 2016. This is the date on which, in Brazil, PTIF and others submitted the application to open the RJ Proceedings to the Brazilian court.

4.3.6 The Bankruptcy Trustee interprets the PTIF Draft Composition, put succinctly, as entailing that all claims of the Main Creditors against PTIF are changed from the time that a confirmation decision pertaining to the PTIF Draft Composition becomes final and binding.

4.3.7 This change first of all means that the exigibility of those claims is suspended for the duration of the suspension period referred to in the PTIF Draft Composition (the Stand Still Period), which is in line with the duration of a regular completion of the RJ Proceedings.

4.3.8 PTIF subsequently assumes a separate and independent obligation in respect of the Main Creditors to pay each of them the amount they are entitled to by virtue of and under the terms of the RJ Plan.

4.3.9 This means that PTIF’s obligations in respect of the Main Creditors will be fully satisfied as soon as the RJ Plan has been performed in respect of them. PTIF’s debts in respect of the Main Creditors are therefore ultimately settled in accordance with what has been included in the RJ Plan in that regard.

4.3.10 For the Main Creditors, essential importance therefore attaches to reading the RJ Plan governed by Brazilian law.

4.3.11 As Schedule 8 to the PTIF Draft Composition, PTIF has submitted a summary of the contents of the RJ Plan. For the sake of brevity, the Bankruptcy Trustee makes reference to the substance of this summary, which provides what consideration the different creditors may expect. The Bankruptcy Trustee will discuss this in further detail in section 4.6 of this advice.

4.3.12 The RJ Plan is designed in such a way that it involves a novation under Brazilian law, of all claims of all creditors of the Oi entities that are subject to the RJ Proceedings. The Bankruptcy Trustee understands this novation such that the

creditors may be confronted with a change of the applicable law with regard to the legal relationship with PTIF.

- 4.3.13 The Bankruptcy Trustee further points to the granting of a far-reaching power of attorney by the Main Creditors to PTIF included in section 3.2.11 of the PTIF Draft Composition. This power of attorney entails that each Main Creditor grants PTIF the power to do all that PTIF deems necessary or desirable for the performance of the RJ Plan and the PTIF Draft Composition.
- 4.3.14 The Bankruptcy Trustee doubts whether, under Dutch (bankruptcy) law, creditors who have voted *against* the PTIF Draft Composition can nevertheless be bound to this provision as part of an adopted and approved Dutch-law bankruptcy composition. The Bankruptcy Trustee remarks here that he has understood from PTIF that creditors of PTIF who voted in favour of adopting the RJ Plan in Brazil have also undertaken to vote in favour of adopting the PTIF Draft Composition.

#### Early termination of RJ Proceedings

- 4.3.15 The Bankruptcy Trustee understands that under Brazilian law, there is the possibility that the RJ Proceedings are terminated irrevocably in respect of PTIF and, to the extent applicable, that these proceedings are converted into Brazilian bankruptcy proceedings by the Brazilian court.
- 4.3.16 If this indeed happens, there will no longer be any payments in accordance with the RJ Plan.
- 4.3.17 PTIF will then be obliged in respect of each Main Creditor, pursuant to the Draft Composition, to take the necessary steps for the realisation of PTIF's assets and for distribution of the net proceeds resulting therefrom to the Main Creditors on a pro rata basis, taking into account each creditor's rank. The Main Creditors will then automatically grant full and final discharge to PTIF. It is unclear to the Bankruptcy Trustee why in this liquidation scenario – which comes down to the usual settlement of a Dutch bankruptcy – the Main Creditors should grant this full and final discharge to PTIF.
- 4.3.18 In this scenario, too, the Main Creditors will grant PTIF a far-reaching power of attorney.

#### **4.4 Substance of the PTIF Draft Composition for creditors with *Other Unsecured Non-preferred Claims***

- 4.4.1 In section 3.3 of the PTIF Draft Composition, PTIF describes what creditors with Other Unsecured Non-preferred Claims will receive pursuant to the PTIF Draft Composition. For this category of creditors, no distinction is made between the various scenarios set out in section 4.3.1 of this advice.

- 4.4.2 PTIF states that this category includes creditors with *de minimis* trade receivables, which are largely owed to essential service providers of PTIF and which have arisen after 20 June 2016 and are therefore unaffected by the RJ Plan.
- 4.4.3 The Bankruptcy Trustee understands that PTIF also considers a claim of Citicorp to be part of this category, which claim amounts to a total of approximately between EUR 1.0 and EUR 1.5 million and is related to costs incurred by Citicorp after 20 June 2016.
- 4.4.4 Section 3.3.1 of the PTIF Draft Composition shows that the claims pertaining to this category will be paid in full after the court's confirmation decision has become final and irrevocable.
- 4.4.5 The PTIF Draft Composition furthermore entails for both categories of creditors that each creditor will irrevocably and unconditionally waive and grant discharge, to the extent permitted by the law, for – briefly put – every conceivable claim against parties that are part of the category of Released Parties.
- 4.4.6 According to its definition, the Released Parties among others include the current and former directors of PTIF, other entities belonging to the Oi Group and their directors and various advisors.
- 4.4.7 PTIF stresses that this provision also includes claims that are related to PTIF's intercompany loan to Oi Brasil Holdings Coöperatief U.A. (**Oi Coop**). With respect to, among other things, the legitimacy of providing this loan, proceedings were pending before the Amsterdam District Court at the time of the bankruptcy order between a PTIF noteholder as claimant and several (former) directors of and other parties (directly or indirectly) involved in PTIF. In a judgment rendered by the Amsterdam District Court on 21 March 2018, the claims of the claimant were rejected. At the date of this advice the term for lodging an appeal had not yet expired.
- 4.4.8 The Bankruptcy Trustee doubts whether, under Dutch (bankruptcy) law, creditors who have voted *against* the PTIF Draft Composition can nevertheless be bound to this provision – whereby claims against third parties (not being the bankrupt debtor) are waived and full and final discharge is granted to these third parties – as part of an adopted and approved bankruptcy composition. The Bankruptcy Trustee remarks here that he has understood from PTIF that creditors of PTIF who voted in favour of adopting the RJ Plan in Brazil have also undertaken to vote in favour of adopting the PTIF Draft Composition.
- 4.4.9 The Bankruptcy Trustee further points out the provisions of section 3.6 of the PTIF Draft Composition, from which it follows that PTIF is granted the power to, after confirmation of the PTIF Draft Composition, change the adopted and approved composition under the circumstances in the sense - non-substantively according to PTIF - mentioned in said section. Such change will be published on the website indicated for this purpose in said section at least 15 days before the change becomes effective. The Bankruptcy Trustee doubts whether, under Dutch (bankruptcy) law,

the substance of a composition can still be amended after having been adopted and approved, as this brings about uncertainty in respect of the substance of a composition.

- 4.4.10 The Bankruptcy Trustee considers it insufficient to only inform PTIF's creditors through an announcement on a website, forcing the creditors to regularly consult this website in order to ascertain what applies at the relevant time with regard to the substance of the PTIF Draft Composition. The Bankruptcy Trustee believes that it is at least desirable for PTIF to still commit vis-à-vis its creditors that PTIF will in such event notify them in writing or electronically.

#### 4.5 **Preferential Creditors**

- 4.5.1 The Bankruptcy Trustee understands that the PTIF Draft Composition does not apply to claims of creditors who can invoke priority within the meaning of Article 3:278 of the Dutch Civil Code. This is primarily of interest for the position of the Tax Department which pursuant to Article 21 Collection of State Taxes Act 1990 has a right of preference to all goods of PTIF.
- 4.5.2 The Bankruptcy Trustee assumes that as a consequence of the substance of the PTIF Draft Composition the Tax Authorities in time will impose an (additional) tax obligation on PTIF pursuant to Article 29 VAT Act 1968 in the context of PTIF's incomplete payment of creditors' claims, which includes an amount in turnover tax. The Bankruptcy Trustee assumes that PTIF will (have to) pay that (additional) tax obligation in full. The amount of this claim is currently still unknown – because it depends on the amount of the unsecured claims, which has yet to be determined definitively, and the extent to which PTIF is paying it – but will be very limited relative to PTIF's total debt burden.
- 4.5.3 Out of the available assets, the Bankruptcy Trustee will reserve an amount equal to the VAT component of the unsecured creditors' claims verified at the creditors' meeting, until it is clear which amount the aforesaid claim of the tax authorities involves.

#### 4.6 **The Bankruptcy Trustee's other remarks on the PTIF Draft Composition**

- 4.6.1 The Bankruptcy Trustee believes that a thorough examination of the PTIF Draft Composition and the RJ Plan is required to understand what each of PTIF's creditors will receive in the event that the PTIF Draft Composition is adopted and confirmed, or to understand what method is used to determine what each creditor will ultimately receive.
- 4.6.2 The Bankruptcy Trustee notes that he is currently unable to determine for each creditor of PTIF what the relevant creditor will ultimately receive.

##### *Pre-RJ Unsecured Non-Preferred Claims*

- 4.6.3 The Bankruptcy Trustee has the impression that the creditors referred to in the PTIF Draft Composition as creditors in relation to Pre-RJ Unsecured Non-Preferred

Claims are referred to as General Unsecured Creditors in the summary of the RJ Plan.

- 4.6.4 The RJ Plan apparently provided for three different choice options for these creditors to have their claims paid – in part or in full, depending on the situation. If a creditor has not made a choice, it will receive the Default Recovery defined in the RJ Plan.
- 4.6.5 To be eligible for payment other than by way of the Default Recovery, these creditors should have made their choice known in Brazil within 20 days of the confirmation of the RJ plan. This term has long passed by now. Therefore, as the Bankruptcy Trustee understands, that option is no longer open to PTIF's creditors. The Bankruptcy Trustee is not aware of whether and, if so, which creditors of PTIF have made such choice known.
- 4.6.6 As regards the Default Recovery, the Bankruptcy Trustee remarks that, apparently, it has not been established at the publication date of this advice what amount the relevant creditors will ultimately receive. It follows from the RJ Plan that the amount to be paid depends on the total amount of debts that will be paid under the Default Recovery. Due to this system the Bankruptcy Trustee is currently unable to determine the percentage that will be received by the creditors that fall into this category.
- 4.6.7 The Bankruptcy Trustee considers it desirable that PTIF will provide clarity in this respect at the creditors' meeting of 1 June 2018 and prior to the vote on the PTIF Draft Composition. Because the term for making a choice in Brazil has already lapsed, PTIF must be considered capable of providing that clarity.
- 4.6.8 It should be noted that under the RJ Plan, the payment term of these debts is set at 20 years.
- 4.6.9 The Bankruptcy Trustee however understands that the Oi Group has the possibility to proceed to earlier payment at any time, in which case payment of 15% of the outstanding claim will suffice. The Bankruptcy Trustee currently cannot make a comparison between the distribution percentage that follows from the system described above and this percentage of 15%.
- 4.6.10 Since under the RJ Plan earlier payment can be made at any time – and therefore as the Bankruptcy Trustee understands it: also shortly before expiry of the 20-year payment term – and that payment of 15% is then sufficient, it is not inconceivable that this option under the RJ Plan will also be used at a late stage if the distribution system under the system referred to above in section 4.6.9 is higher than 15%. Therefore, the Bankruptcy Trustee does not exclude the possibility that in practice 15% should be regarded as the upper limit.
- 4.6.11 The Bankruptcy Trustee will not discuss the various choice options available to this group of creditors under the RJ Plan. After all, the period in which such choice could be made has already expired. In addition, the Bankruptcy Trustee assumes that

creditors of PTIF that have made their choice known, already consider themselves bound by the RJ Plan.

#### Noteholders

- 4.6.12 The Main Creditors also include the individual noteholders or Citicorp as trustee. As was the case for creditors with Pre-RJ Unsecured Non-Preferred Claims, noteholders had a choice option under the RJ Plan. However, here, too, the term to make a choice has meanwhile lapsed. It becomes clear from the RJ Plan that noteholders who did not make a choice will receive compensation via the system of Default Recovery, which system the Bankruptcy Trustee has already described above. The remarks the Bankruptcy Trustee has made about that system also apply to the noteholders.

#### Other Unsecured Non-preferred Claims

- 4.6.13 The creditors with Other Unsecured Non-preferred Claims will be fully paid by PTIF. This group is treated differently by PTIF than the Main Creditors, since these are claims that have arisen after the submission date of the application to open the RJ Proceedings. It is the Bankruptcy Trustee's understanding that these claims fall outside the scope of the RJ Proceedings. PTIF informed the Bankruptcy Trustee in this respect that it is entitled under Brazilian law to pay these claims.
- 4.6.14 In section 3.3.1 of the PTIF Draft Composition, PTIF also provides insight into its motives why it is otherwise of the opinion that these claims should be paid in full. An assessment of the validity of this reasoning is beyond the ambit of this advice.
- 4.6.15 Under Dutch (bankruptcy) law, it is not prohibited or excluded to make different groups of creditors a different offer under a bankruptcy composition. PTIF uses that option.
- 4.6.16 This category also includes the claim of Citicorp with regard to costs incurred after 20 June 2016. PTIF has informed the Bankruptcy Trustee that, in its view, these costs must be paid, also because the cooperation of Citicorp as trustee under the relevant agreements with regard to PTIF's note program is necessary in order to allow all noteholders to present their claim in the PTIF bankruptcy and in some way to make their opinions heard. In addition, under the specific agreements these costs should always be paid first, before the noteholders can expect any payment on the notes they hold. For that reason, too, it is justified according to PTIF to fully pay these costs under the PTIF Draft Composition.
- 4.6.17 Because the notes issued by PTIF are governed by English (and, in some respects, Portuguese) law, the correctness of the reasoning advanced by PTIF in substantiation of the special treatment of Citicorp's claim must be assessed according to English (or Portuguese) law. An assessment thereof by the Bankruptcy Trustee is beyond the ambit of this advice.



#### 4.7 **Performance of the PTIF Draft Composition guaranteed?**

- 4.7.1 In section 2.3.12 of the PTIF Draft Composition, PTIF states that the feasibility of the PTIF Draft Composition is guaranteed. The Bankruptcy Trustee understands this in the sense that PTIF accordingly tries to say that performance of the PTIF Draft Composition is guaranteed.
- 4.7.2 Below, in sections 4.8 through 4.10, the Bankruptcy Trustee will address PTIF's assertion in respect of each category of creditors as defined in the PTIF Draft Composition.

#### 4.8 **Performance of the PTIF Draft Composition guaranteed vis-à-vis Main Creditors?**

- 4.8.1 PTIF advances the following with regard to the substantiation of its assertion that performance of the PTIF Draft Composition in respect of the Main Creditors is guaranteed.<sup>1</sup>
- 4.8.2 PTIF *expects* that the adoption of both the PTIF Draft Composition and the RJ Plan will allow the Oi Group to continue its activities on a going concern basis and, as such, to continue to generate revenues, which can then be applied to meet the Oi Group's debt obligations, including both PTIF's own obligations going forward (if any) and the debt obligations of the other entities of Oi Group towards the Main Creditors (as they will be after implementation of the PTIF Draft Composition, respectively the RJ Plan).
- 4.8.3 The Bankruptcy Trustee points out that PTIF's position is based on its *expectation* for future developments within the Oi Group. The substantiation provided in this regard is apparently based on the idea that PTIF does not expect the RJ Proceedings to fail, because the RJ Plan has been approved at the general meeting in the RJ Proceedings dated 19 and 20 December 2017, and has been confirmed by the Brazilian court (see above in section 3.1.3).<sup>2</sup>
- 4.8.4 As regards this confirmation decision, the Bankruptcy Trustee remarks that it emerges from several press releases that a number of parties in Brazil have used their right to file an appeal or request clarification in respect of this confirmation decision. One of the issues not yet clarified at the time of this advice is Oi's obligation formulated in the RJ Plan to pay costs of (certain) creditors in full. According to the Brazilian bankruptcy court, however, the provision in the RJ Plan that relates to this is not legally valid under Brazilian law.
- 4.8.5 Insofar as is known to the Bankruptcy Trustee, Oi is still negotiating with certain groups of creditors on a solution for the costs issue. The Bankruptcy Trustee is not involved in these negotiations and is unable to assess whether this issue has had a

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<sup>1</sup> Clause 2.3.12 PTIF Draft Composition, third sentence.

<sup>2</sup> Clause 2.3.13 PTIF Draft Composition, first sentence.

(material) effect on the RJ Plan or (the substance of) the PTIF Draft Composition. The Bankruptcy Trustee suffices with the remark that this issue, and therefore potential additional compensation for certain groups of creditors, is not referred to in the PTIF Draft Composition.

- 4.8.6 The Bankruptcy Trustee is not aware of the other objections put forward against the confirmation decision. Apparently, however, the fact that these proceedings are pending does not suspend the validity of the RJ Plan.
- 4.8.7 The Bankruptcy Trustee does not know within which term decisions in the pending appeal proceedings can be expected and which consequences these decisions might have for the RJ Plan (and therefore indirectly for the PTIF Draft Composition). Any disputes must be assessed under Brazilian law. Therefore, the Bankruptcy Trustee cannot give an opinion on the expectation voiced in the PTIF Draft Composition that the RJ Proceedings will not fail.
- 4.8.8 Superfluously, the Bankruptcy Trustee remarks that he considers it desirable that PTIF will further inform the creditors in this regard in the framework of consultation on the PTIF Draft Composition on 1 June 2018.
- 4.8.9 Nor can the Bankruptcy Trustee give an opinion as to the chances of success of the RJ Proceedings and performance of the RJ Plan. As far as the Bankruptcy Trustee can assess, whether or not these proceedings will be successful depends on a plurality of factors, which PTIF (seemingly) – in the Bankruptcy Trustee’s opinion – cannot influence or only barely, as these relate to the course of affairs at other entities of the Oi Group.
- 4.8.10 The expectations of PTIF and the other entities of the Oi Group regarding (commercial) developments of the Oi Group cannot be assessed by the Bankruptcy Trustee.
- 4.8.11 The Bankruptcy Trustee is therefore unable to offer a substantiated opinion in respect of the question whether performance of the PTIF Draft Composition is guaranteed.
- 4.8.12 On the other hand, in Brazil, creditors to a large extent supported the RJ Plan at the general meeting held there. The Brazilian court considered as follows in the confirmation decision of 8 January 2018:

*“This result shows that the overwhelming majority of creditors believes that the plan presented will uplift the companies that have a very important role in the economy of our country and, therefore, look forward to the confirmation of the plan by the Judiciary Branch.”*

- 4.8.13 In the context of the question whether performance of the PTIF Draft Composition is guaranteed, the Bankruptcy Trustee remarks that he has experienced since the period of silent administration that the Oi Group and PTIF have done their utmost to protect the RJ Proceedings and to complete these with a positive result. To the Oi Group and PTIF’s credit, they have shown a large amount of persistence and

dedication in doing so. The Bankruptcy Trustee infers from this that the parties are aware of the usefulness and necessity of doing everything required to secure the continuity of the Oi Group in the future as well and thereby enable PTIF to fulfil its obligations by virtue of the PTIF Draft Composition.

- 4.8.14 The Bankruptcy Trustee is aware that a large number of parties involved has significant (financial) interests in actually completing the RJ Proceedings successfully and to thereby enable to Oi Group to continue its activities on an actual going concern basis.
- 4.8.15 The Bankruptcy Trustee has understood that various parties will make considerable financial investments in the Oi Group if the RJ Plan becomes final in the form of payment for shares to be newly issued by Oi (this is said to concern an amount of EUR 4 billion). The summary of the RJ Plan (Schedule 8 to the PTIF Draft Composition) provides some information in this respect. The Bankruptcy Trustee deems it less plausible that third parties would be willing to make investments of this size in the Oi Group if they would have come to the conclusion that there is a large degree of uncertainty about the Oi Group's future prospects.
- 4.8.16 In addition, it is known to the Bankruptcy Trustee that the Oi Group was assisted by external financial experts in the analysis of the restructuring scenarios and in offering the RJ Plan. The Bankruptcy Trustee is not aware of the substance of that analysis. The Bankruptcy Trustee however assumes that the Oi Group has actually made a sound analysis of the feasibility of the RJ Plan it offered.
- 4.8.17 It additionally turns out that the activities of the Oi Group apparently are of great public interest in Brazil. An important part of all telecommunication, including the Internet, in Brazil is arranged for by the Oi Group. PTIF has also described this public interest in chapter 2.2 of the PTIF Draft Composition. Based on the existence of this public interest, it may be expected that the Oi Group will make an effort to realise its objective of continuing the business in a going concern.
- 4.8.18 Also against the background of these circumstances, the Bankruptcy Trustee is of the opinion that – assuming that the RJ Plan will become final – it does not seem impossible in advance that PTIF can actually meet this part of the PTIF Draft Composition and that this part will be met. The Bankruptcy Trustee cannot provide any certainty in this respect, so in that sense this advice has a neutral character out of necessity.

#### 4.9 **Performance of the PTIF Draft Composition guaranteed for creditors with Other Unsecured Non-preferred Claims?**

- 4.9.1 PTIF argues in substantiation of its position that performance of the PTIF Draft Composition is guaranteed for creditors with Other Unsecured Non-Preferred Claims, because these creditors will be paid in full as soon as possible after the approval and the confirmation decision in respect of the PTIF Draft Composition becomes final and irrevocable.

4.9.2 Based on the financial information known to the Bankruptcy Trustee at this time, it seems likely that performance of this part of the PTIF Draft Composition is guaranteed. The amount of PTIF's liquid assets available as at today to a large extent exceeds the amount of the claims of creditors in this category known today. For the sake of completeness, the Bankruptcy Trustee notes that the period for presenting claims to the Bankruptcy Trustee has not yet expired, for which reason he cannot yet give a final opinion in this regard. However, the Bankruptcy Trustee does not expect the amount of available liquid assets and the amount of these claims to change in such a way that performance of the PTIF Draft Composition will be impossible in this regard.

#### **4.10 Substantiation of PTIF's position in relation to the alternative liquidation scenario and the Bankruptcy Trustee's view**

4.10.1 The Bankruptcy Trustee remarks that the PTIF Draft Composition also includes the alternative scenario for handling the claims of the Main Creditors described in sections 4.3.15 et seq. of this advice.

4.10.2 Relevant in this context is that PTIF, according to section 3.2.5 of the PTIF Draft Composition, undertakes to refrain from acts that, briefly put, will adversely affect the position of the Main Creditors, such for the period that the payment obligations towards the Main Creditors have been suspended. According to section 3.2.13 of the PTIF Draft Composition, PTIF strives to, in that case, implement a structure for the Main Creditors that will contribute to the performance of this part of the PTIF Draft Composition. The way in which PTIF actually implements this in relevant cases is unclear and takes place outside of the Bankruptcy Trustee's control.

4.10.3 The Bankruptcy Trustee is of the opinion that he is unable to assess whether or not performance of this part of the PTIF Draft Composition is guaranteed and what consequences will arise from this part of the PTIF Draft Composition for the creditors. In this regard, too, the Bankruptcy Trustee can only take a neutral position out of necessity.

### **5. EXPECTATIONS FOR PTIF CREDITORS IN THE EVENT OF LIQUIDATION OF ASSETS; ASSETS AND DEBT BURDEN PRESENT**

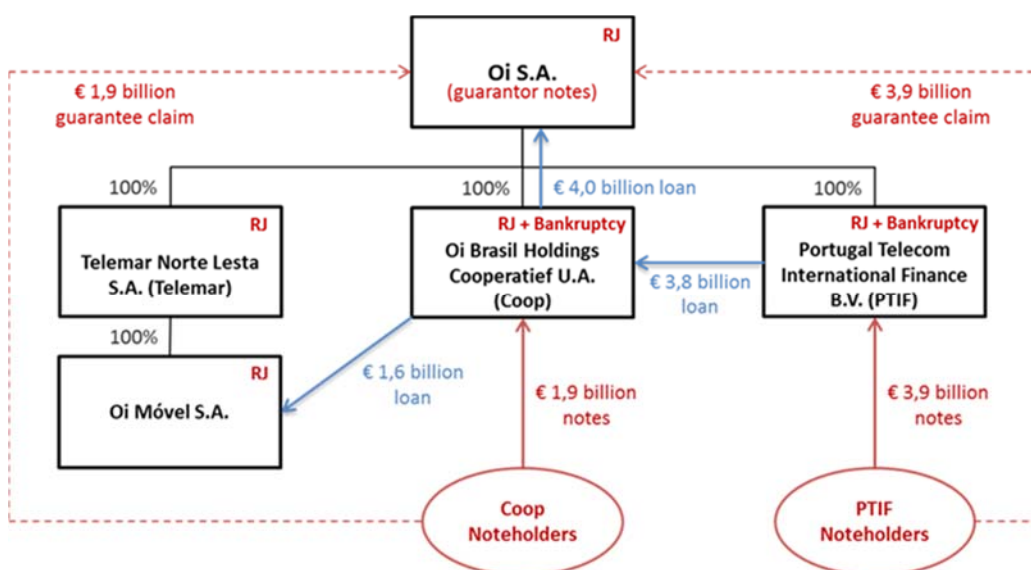
#### **5.1 General**

5.1.1 The expectations for creditors in the event of liquidation of the assets of PTIF can hardly be described as positive. The Bankruptcy Trustee expects that only a very limited percentage of the outstanding claims can be paid if the PTIF Draft Composition is not adopted and approved.

5.1.2 This expectation of the Bankruptcy Trustee is based on the amount of the debts in proportion to the expected value to be realised on PTIF's assets.

#### **5.2 Expectations with regard to proceeds generated on intercompany claim**

- 5.2.1 PTIF's main asset comprises a claim against Oi Coop. By virtue of intercompany loans, PTIF has a claim against Oi Coop of over EUR 3.8 billion. Insofar as the Bankruptcy Trustee is aware, Oi Coop's most important asset is an intercompany claim against Oi amounting to approximately EUR 4 billion and an intercompany claim of EUR 1.6 billion against Oi Móvel S.A. This is shown in the overview below:



- 5.2.2 It seems highly doubtful whether PTIF will be able to collect any payment on its claim against Oi Coop. Oi Coop currently does not have any assets from which claims can be recovered. Furthermore, there is a high degree of uncertainty as to whether Oi Coop will be able, in turn, to collect any amount from Oi and Oi Móvel. On the one hand this has to do with the financial position of these parties, but on the other hand legal (Brazilian law) impediments play an important role.
- 5.2.3 About the last point, the Bankruptcy Trustee remarks that he has experienced that it has proven virtually impossible for him to establish a position in Brazil. Several attempts – including via court proceedings – to exert influence and safeguard PTIF's interests in an appropriate handling of its claim against Oi Coop in the context of the RJ Proceedings or the RJ Plan have largely turned out fruitless. The same also applies to similar actions by the Dutch bankruptcy trustee of Oi Coop.
- 5.2.4 Like PTIF, Oi Coop offers its creditors a draft composition with contents similar to that of the PTIF Draft Composition. Oi Coop's draft composition was filed with the court registry of the Amsterdam District Court on 10 April 2018 as well and can be consulted via the Website (and by other means).
- 5.2.5 Under the composition offered by Oi Coop, PTIF will not receive payment on the intercompany claim. If that composition is not adopted or approved, Oi Coop will

end up in a liquidation scenario. The Bankruptcy Trustee does not expect in that case that any (substantial) amount can be paid on the intercompany claim.

- 5.2.6 Immediately after the first creditors' meeting of 1 June 2018 in the PTIF bankruptcy, a second creditors meeting will take place, which will include a vote pursuant to Article 84 DBA about the way the Bankruptcy Trustee will exercise creditors rights on behalf of PTIF with regard to the composition Oi Coop has offered its creditors.

### 5.3 **Expectation regarding the proceeds in respect of claims against Timor Telecom**

- 5.3.1 PTIF is a creditor of Timor Telecom S.A., a group company of Oi which is not involved in the RJ Proceedings. The amount of this claim is approximately EUR 19.4 million. The Bankruptcy Trustee understands from a public announcement that this entity may be transferred to a third party.
- 5.3.2 The Bankruptcy Trustee does not have such financial information regarding Timor Telecom as to allow a responsible estimate of the likelihood that the claim can be wholly or partly collected.

### 5.4 **Expectation regarding the proceeds generated by the shares in Oi held by PTIF**

- 5.4.1 According to a statement of PTIF's executive board to the administrator at the time the provisional suspension of payments was granted, PTIF holds approximately EUR 137 million worth of so-called ADR (American Depositary Receipt) shares in Oi (the "ADRs"). The book value is expected to have changed due to fluctuations of the price of the ADRs compared to mid-2016. The value has increased considerably compared to the value on the date the RJ Proceedings were opened. Compared to the date on which the (provisional) suspension of payments was granted, there was a (limited) decrease in value (status per 23 April 2018; source <https://www.nyse.com/quote/XNYS:OIBR.C>).
- 5.4.2 A liquidation scenario of PTIF could mean that other entities of the Oi Group are also liquidated. In that case there is a reasonable expectation that the value of the ADRs will be (more) limited. Given that the value is currently fluctuating, the Bankruptcy Trustee is unable to express a definitive expectation about the proceeds to be realised.

### 5.5 **Tax settlement agreement with regard to corporate tax**

- 5.5.1 The Bankruptcy Trustee expects a settlement agreement to be concluded with the tax authorities in the short term, allowing the parties to end a dispute about corporate income tax owed by PTIF for the years 2014 and 2016. It is expected that, by that virtue, PTIF will receive a tax refund of approximately EUR 2.5 million on balance.
- 5.5.2 This proceed is not addressed in the EY Analysis.

### 5.6 **Balance liquidation account and amount of debt burden PTIF**

- 5.6.1 As at today, an amount of EUR 8,518,203.00 is available on the liquidation account. However, estate costs must still be deducted from this amount.



5.6.2 The administrative accounts of PTIF show that it owes a total amount of EUR 3.9 billion under the notes it has issued. In addition, the Bankruptcy Trustee expects that unsecured creditors will present claims to a total amount of EUR 400,000 – EUR 600,000 for verification. The estimated total unsecured debt burden of PTIF therefore amounts to just under EUR 4 billion.

## 5.7 Expectation of distribution in the event of liquidation

5.7.1 Given all the uncertain factors regarding the realisation of any value on PTIF's assets, and in particular the problems regarding the intercompany claim against Oi Coop, the Bankruptcy Trustee considers it a reasonable expectation that in a liquidation scenario only a very low percentage can be paid on the claims.

5.7.2 The Bankruptcy Trustee is not able to make a more detailed estimate, such for the reasons set out in this advice. In this regard, too, the advice of the Bankruptcy Trustee is therefore neutral out of necessity.

## 5.8 Payment expectations as stated in the EY Analysis

5.8.1 EY has drawn up an analysis of the percentages creditors may expect in various liquidation scenarios. In the EY Analysis (page 47), the following table is included in which EY explains the results of the various scenarios:

Creditors List Recovery	Option*	Oi Coop		PTIF	
		Bondholder Recovery**	Bankruptcy Estate Recovery (1)	Bondholder Recovery**	Bankruptcy Estate Recovery (1)
A) Going Concern Oi Group	1	34% - 50%	34% - 50%	34% - 50%	34% - 50%
	2	30% - 38%	30% - 38%	30% - 38%	30% - 38%
B) Going Concern Oi, Liquidation Dutch SPV's	1	31% - 46%	-	31% - 46%	0,4%
	2	29% - 36%	-	29% - 36%	0,4%
C) Liquidation Oi Group	N.A.	3% - 22%	-	3% - 22%	0,4%

Source: EY Analysis

5.8.2 The Bankruptcy Trustee is unable to assess the correctness of this part of the EY Analysis.

## 6. POSITION REGARDING NECESSITY OF ADOPTION AND CONFIRMATION OF PTIF DRAFT COMPOSITION AND THE BANKRUPTCY TRUSTEE'S OPINION

### 6.1 PTIF's position

6.1.1 PTIF informed the Bankruptcy Trustee that the RJ Plan has come into effect subject to the terms set out therein, including a number of conditions subsequent.

6.1.2 One of these conditions subsequent concerns a capital injection that must have been made no later than 31 July 2018. This capital injection must take place by way of the issue of shares. In the RJ Plan, the RJ Debtors, including PTIF and Coop, have undertaken to perform or guarantee this share issue. Another resolute condition concerns the completion of the restructuring of the debts of the RJ Debtors, including the debts of PTIF and Coop to the noteholders. The conditions subsequent will come



into effect if the RJ Debtors have not met these obligations by 31 July 2018 at the latest. As of that date, the Brazilian RJ Plan will be terminated, the restructuring will (most likely) have failed and the RJ Debtors must nevertheless be liquidated, with all of the consequent losses involved. According to PTIF (and Oi), the deadline of 31 July 2018 is a strict deadline.

## 6.2 Bankruptcy Trustee's view

6.2.1 The Bankruptcy Trustee will refrain from offering an opinion on the conditions subsequent applicable to the RJ Plan. The Bankruptcy Trustee is unable to assess whether the deadline of 31 July 2018 is in fact as strict as PTIF and Oi argue. The Bankruptcy Trustee understands PTIF's wish for and the necessity of the adoption and confirmation of the PTIF Draft Composition.

## 7. CONCLUSION

- 7.1 All things considered, the Bankruptcy Trustee is of the opinion that both in the event that the PTIF Draft Composition is adopted and then approved and in the event of a liquidation of the assets, PTIF's creditors will be in uncertainty on the amount they can still expect to receive on their claims.
- 7.2 For the reasons indicated in this advice, the Bankruptcy Trustee is unable to offer a well-founded and substantiated advice in respect of the PTIF Draft Composition. It is for the same reasons that the Bankruptcy Trustee cannot offer an opinion on the question whether, in respect of the PTIF Draft Composition, the applicable confirmation requirements pursuant to Article 153 DBA (see above under 2.4) have been met.
- 7.3 All things considered, the Bankruptcy Trustee therefore issues a **neutral** advice in respect of the PTIF Draft Composition.

Amsterdam, 25 April 2018,

J.L.M. Groenewegen,  
Bankruptcy Trustee

**Annex 1**

Balance sheet PTIF as at 31 August 2016

**Portugal Telecom International Finance B.V. - Under Judicial Reorgani**  
**BALANCE SHEET**

**31 Aug 16**  
**EUR**

**ASSETS**

**FIXED ASSETS**

**Long-term investments**

Loan to Oi Brasil Holdings Coop U.A.

3 298 632 862

3 298 632 862

**CURRENT ASSETS**

Loan to Timor Telecom S.A.

18 412 017

Loan to Oi Brasil Holdings Coop U.A.

477 725 655

Financial Investments (Oi shares)

137 133 283

Other taxation

3 100 605

Interest receivable and other debtors

75 494 585

Cash at bank

11 517 246

723 383 392

**4 022 016 254**

**SHAREHOLDER'S EQUITY AND LIABILITIES**

**SHAREHOLDER'S EQUITY**

Issued share capital

21 000

Share premium reserve

752 090 368

Accumulated results

- 738 131 228

Result for the financial year

56 726 919

70 707 059

**LONG TERM LIABILITIES**

GMTN/ Exchangeable bonds/ credit facility

-

-

**CURRENT LIABILITIES**

GMTN/ Exchangeable bonds/ credit facility

3 856 984 879

Corporate income tax

922 853

Other payables

947 918

Interest GMTN/Exch bonds/credit facility

92 416 034

Accrued expenses

37 510

3 951 309 195

**4 022 016 254**