

CONSOLIDATED ANNUAL REPORT

2017

PHAROL, SGPS S.A.

2017 RESULTS

- The 2017 financial year was marked by the accounting changes registered by PHAROL in its investment in Oi:
 - Oi S.A., on April 12, 2018, presented adjustments to its Equity, as of January 1, 2016 and December 31, 2016, of 18 Bi\$R and 19Bi\$R (18Bi\$R+1Bi\$R), respectively; these movements led to negative adjustments in PHAROL's equity of € 102m and € 140m, respectively on the same dates;
 - The Judicial Recovery Plan approved by the Brazilian courts, with dilution of the equity interest, and the suspension of its members in Oi's Board of Directors, determined, in relation to PHAROL, the removal of the condition of shareholder with significant influence and, consequently, the accounting of participation in Oi at market value (replacing the equity method), with two implications: (i) a gain of 167.7 M € from the (restated) valuation of 2016 and (ii) an accounting loss, without impact in equity, amounting to € 960.5 million, due to the cancelation of the accumulated foreign exchange reserves since the acquisition;
- PHAROL's operational costs, maintaining the reduction verified in previous years, declined by 31% when compared to 2016;
- Considering the effects of the accounting adjustments presented by Oi, Pharol's Net Loss was € 806 million; without these effects, the recurring net loss would have been by 13.5 M €, which compares with a loss of 61.9 M € registered in 2016;
- The company's equity increased from € 246.4 million to € 261.8 million;

Oi's Highlights in 2017:

- Net revenues in 2017 to reduce by 8% compared to the same period in 2016 ending the year with R \$ 23,790 million;
- EBITDA also followed the Revenue trend, decreasing in 2017 to R \$ 6,244 million, -7% over the same period in 2016, but presenting an improvement in EBITDA Margin of 0.5pp to 26.25%
- Consolidated losses were reduced compared to 2016, amounting to R \$ 6,365, an improvement of 21%, also as a result of the adjustment made in 2016. Without the effect of the adjustments made, the improvement over 2016 would be 11%.

MESSAGE FROM THE CEO

Luís Palha da Silva

"The year 2017 for Pharol ended up being marked by the presentation of an Oi Judicial Recovery Plan, approval at a General Meeting of Creditors and, later, in 2018, for its judicial approval. Not being able to comply with the fact that the proposal was not submitted at the said General Meeting by the legitimate bodies of the company and the solution presented was manifestly unbalanced in the defense of the interests of all stakeholders in presence, Pharol, through its subsidiary Bratel, has been making every effort in the appropriate legal spheres to uphold the legality and fairness of the final solution to be adopted by Oi. This effort has intensified throughout the first half of this year and Pharol will continue to do everything to defend its interest as shareholder of the company, while remaining fully available to support a Judicial Recovery Plan that, through negotiation, restores and balances the interests of the different stakeholders. "

Highlights

PHAROL

(Euro million)	2017	2016 ^{Re}	2016
EBITDA	(4.8)	(7.0)	(7.0)
Losses/(gains) in associates	792.7	-	13.2
Recurring net profit/(losses)¹	(13.5)	(61.9)	(61.9)
Net profit/(losses)	(806.5)	(61.9)	(75.1)
Equity	261.8	107.8	246.4

¹ Adjusted for non-recurring effects of Oi's Investment

OI

(Reals million)	2017	2016 ^{Re}	2016
Net Revenue	23,790	25,996	25,996
Routine EBITDA	6,244	6,697	6,697
Net profit/(Loss)	(6,365)	(8,028)	(7,121)
Net debt	47,621	40,342	40,342
Equity	(13,806)	(7,457)	11,665

Contacts

^{Re} Amounts restated as of Dec 31, 2016 as a result of adjustments in Oi

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PHAROL, SGPS S.A.

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“PHAROL”, “Group PHAROL”, “Group” and “Company” is a reference to the companies that are part of PHAROL, SGPS S.A. or to one of them, depending on the context.

01. MACROECONOMIC ENVIRONMENT

INTERNATIONAL ECONOMIC CONTEXT

In 2017, according to OECD data, world economic growth was 3.7%, compared to 3% in 2016.

The United States of America grew 2.3%, Japan 1.7% and the Euro Zone 2.5%. These values were mainly supported by the resumption of trade and private investment.

In developing countries, the best performances continued to be those of China and those of India, with values of 6.9% and 6.6%, respectively. Brazil and Russia, after having been in recession for the last two years, managed to grow by 1% and 1.5%, respectively.

For the year 2018, the projection for the global economy points to 3.9%.

The Euro Zone, (+ 2.5%), exceeded the expectations that had been made the previous year (1.6%). This evolution is driven by private consumption and investment. The unemployment rate fell to 9.1% and inflation remained low (1.5%).

For 2018, European Commission projections point to a slowdown in the growth rate, 2.1% in the Euro Zone, with unemployment falling to 8.5% and inflation to 1.4%.

The biggest challenges will be the negotiations on the exit from the United Kingdom of the European Union, possible increases in long-term interest rates and the appreciation of the Euro.

PORTUGAL

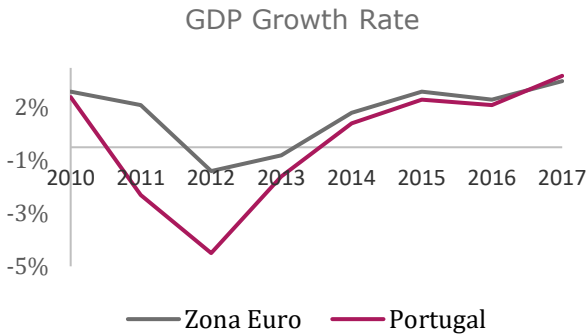
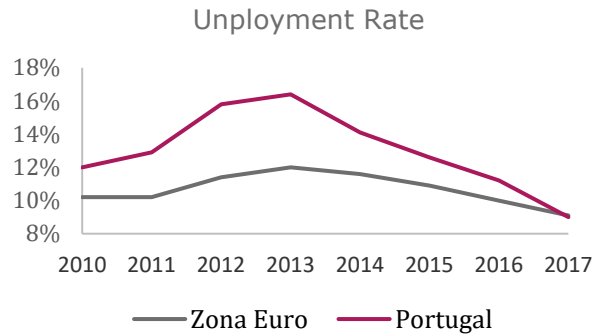
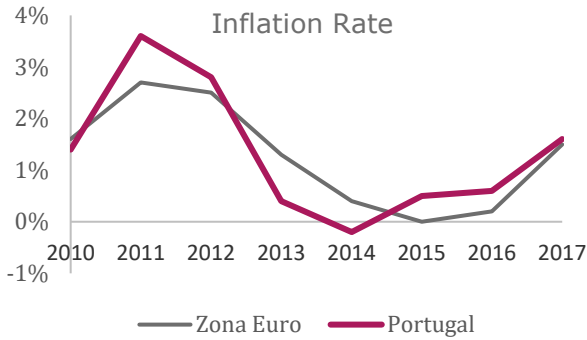
In Portugal, the year of 2017 brought a growth of 2.7%, according to data published by Banco de Portugal. This is the highest value since 2000 (3.8%), standing 0.2pp above the value of the Euro Zone.

As in the previous year, this evolution continues to be explained by increases in exports (both goods and services, especially tourism), private consumption and now investment.

The unemployment rate fell from 11.2% to 9% and inflation rose from 0.6% to 1.6%, thus converging with the figures presented by the Euro Zone.

For 2018, the Banco de Portugal forecasts a slowdown to 2.3%, explained by the maturity of the growth cycle, the expected international context and the existence of structural constraints in the national economy.

Unemployment rates of 7.3% and inflation of 1.2% are also foreseen.



BRAZIL

In 2017, in Brazil there was a positive evolution of 1%, according to OECD data, that is, the first growth after a two-year recession.

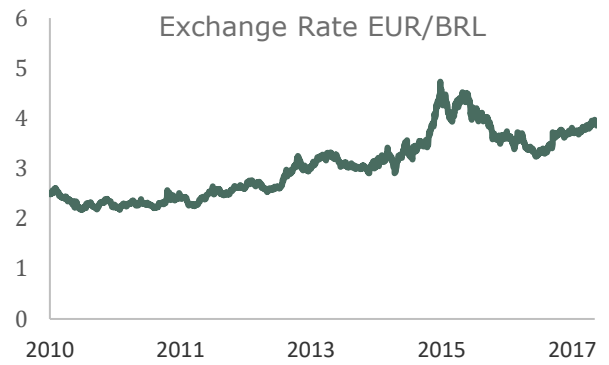
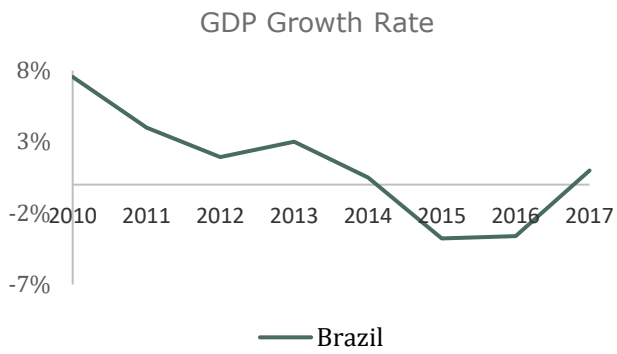
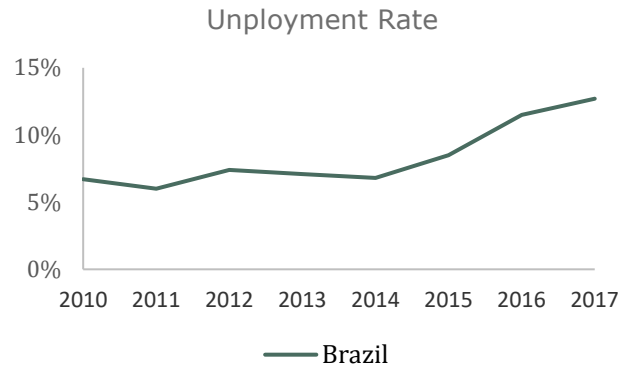
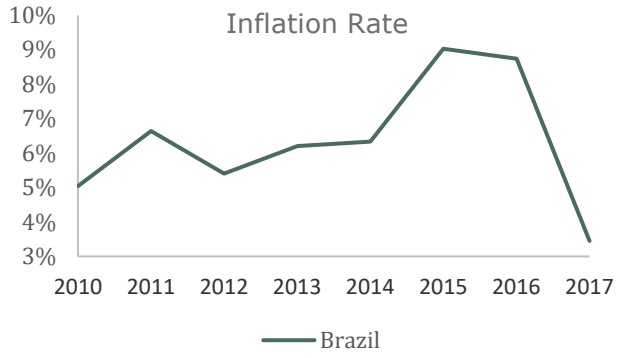
According to the Instituto Brasileiro de Geografia e Estatística (IBGE), the great driver of the recovery was the agricultural sector. There has also been a recovery in the services sector, but the industry has not improved because of rising energy costs.

Private consumption also grew and public spending declined. Investment has continued to fall with the construction sector still in crisis.

According to IBGE, the unemployment rate increased to 12.7% and according to OECD data, inflation fell from 8.7% in 2016 to 3.45% in 2017.

The exchange rate on December 29, 2017 was 3.97 EUR / BRL.

The OECD projects a growth of 2.2% in Brazil in 2018.



02. FINANCIAL REVIEW

FINANCIAL REVIEW

As at December 31, 2017, PHAROL main assets are composed of (1) 183,662,204 common shares of Oi, S.A. ("Oi"), representing 27.2% of the total share capital of Oi (excluding treasury shares), (2) debt securities of Rio Forte Investments S.A. ("Rio Forte") with a nominal value of Euro 897 million, and (3) the Call Option on 34,153,108 common shares and 68,306,216 preferred shares of Oi with an exercise price of R\$20.104 per common share and R\$18.529 per preferred share, adjusted by the Brazilian rate CDI plus 1.5% per annum, and with a 6-year maturity. The Call Option has partial expiration dates throughout the period, so the option volume is reduced by 10% at the end of the first year and by 18% per year thereafter. On March 30, 2018, as part of the option has reached its maturity, PHAROL's call option is from that date onwards on 25,614,831 common shares and 51,229,662 preferred shares of Oi.

As of December 31, 2014, after the capital increase of Oi, concluded on May 5, 2014 (the "Oi Capital Increase"), PHAROL held a 39.7% direct and indirect stake in Oi. This included a portion classified as a non-current asset held for sale, following the Exchange agreement ("Exchange") entered into on September 8, 2014 and completed on March 8, 2015, and the remaining stake of 22.8% classified as investment in joint ventures and associates and therefore accounted for using the equity method.

On March 30, 2015, the Exchange was completed, whereby PHAROL (1) transferred to Portugal Telecom International Finance, B.V. ("PT Finance"), a subsidiary of Oi, an aggregate amount of 47,434,872 common shares and 94,869,744 preferred shares of Oi, and (2) received from PT Finance debt securities of Rio Forte with a nominal value of Euro 897 million and a call option on the transferred shares ("Call Option"). After the completion of the Exchange, PHAROL held an effective stake of 27.48% in Oi corresponding to the 22.8% stake referred above plus 4.7% due to the decrease in the number of outstanding shares of Oi.

The relevant agreements for the implementation of the New Structure of Oi were signed on July 22, 2015. On September 1, 2015, a General Meeting of Shareholders of Oi was held where the New Structure was approved.

As of September 30, 2015, after the implementation of the New Structure, but prior to the voluntary conversion of preferred shares to ordinary shares of Oi, PHAROL held, directly or indirectly through wholly owned subsidiaries, 84,167,978 common shares and 108,016,749 preferred shares of Oi.

As of October 8, 2015, following the voluntary conversion of preferred shares into common shares of Oi, PHAROL now holds, directly and indirectly through wholly owned subsidiaries, 183,662,204 common shares of Oi, representing 27.18% of total share capital of Oi (excluding treasury shares), that represents the present situation. PHAROL's voting rights in Oi are limited to 15% of the total common shares of Oi.

With the implementation of the New Structure on July 30, 2015, the shareholders' agreements, through which joint control of Oi was exercised, were terminated. Up to that date, PHAROL accounted for its stake in Oi as an Investment in Joint Ventures. PHAROL considered it had significant influence over Oi and classifies it as an associate company. As a result, from July 30, 2015 the investment in Oi continued to be accounted for according to the equity method, based on PHAROL's economic stake in Oi's results (27.18% as at December 31, 2016).

On April 29 and May 19, 2016, PHAROL, due to a corporate reorganization, transferred direct ownership of 128,213,478 common shares issued by Oi S.A., to its 100% owned subsidiary BRATEL B.V.. Due to the Corporate Reorganization, BRATEL B.V. now directly holds (and PHAROL indirectly holds) 183,662,204 common shares of Oi S.A., which represent 22.24% of Oi S.A.'s entire share capital (27.18% excluding treasury shares).

On 15 September 2017, in order to concentrate all its operations in Luxembourg, PHAROL transferred the ownership of all the shares that BRATEL BV has in Oi SA to its subsidiary BRATEL S.à.r.l., 100% owned by BRATEL B.V.

In December 2017, and after the decision by the Court of the 7th Business Court of Rio de Janeiro, which it handles the Judicial Recovery of Oi and which decided to withdraw the rights of the members of the Board of Directors of Oi in the approval of the Judicial Recovery Plan, and subsequent events, it was understood that PHAROL lost the significant influence it had until then on its associate Oi. Consequently, on 31 December 2017, PHAROL began to measure its investment in Oi at market value, and was classified as "Financial Assets".

Oi S.A., in the disclosure of its consolidated results for 2017, announced that it had restated its Consolidated Equity on January 1, 2016 and December 31, 2016, amounting to BRL 18 billion and BRL 19 billion, respectively. Following this restatement, PHAROL's investment in Oi, being recorded under the equity method, was restated and valued at zero in the periods of 1 January 2016 and 31 December 2016.

In 2017, the consolidated net loss amounting to Euro 782.7 million, mainly reflecting (1) the loss of Euro 960.5 million as a result of the recycling of accumulated exchange reserves that have been recorded since the acquisition of the investment in Oi, and that due to the definitive loss of significant influence in Oi, they must be recognized in Results, (2) a gain of Euro 168 million resulting from the change in accounting for Oi's investment in the Equity Method for accounting for Market Value (3) a loss of Euro 11.1 million as a result of a downward revision of the recovery value of the Rio Forte debt instrument and (4) Euro 4.8 million consolidated operational costs.

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT		
	Euro million	
	2017	2016
		Restated
Wages and salaries	1.9	2.1
Supplies, external services and other expenses	2.7	4.4
Indirect taxes	0.3	0.6
Loss before financial results and taxes	(4.8)	(7.0)
Depreciations	0.1	0.1
Earnings before interest and taxes	(4.9)	(7.1)
Net other gains	(2.8)	0.0
Loss before financial results and taxes	(2.1)	(7.1)
Net interest income	(0.0)	(0.2)
Losses (gains) in losses of joint ventures and associates	792.7	-
Net losses on financial assets and other investments	11.3	54.4
Net other financial losses (gains)	0.5	0.4
Loss before taxes	(806.5)	(61.8)
Income taxes	0.0	0.0
Attributable to equity holders of PHAROL, SGPS S.A.	(806.5)	(61.9)

Consolidated operating costs amounted to Euro 4.8 million in 2017 compared to Euro 7 million in 2016. This evolution is explained by (1) significant reduction of third party expenses mainly related to financial and legal services (2) lower costs in wages and salaries and (3) lower indirect taxes.

With the recycling of accumulated exchange reserves that have been recorded since the acquisition of the investment in Oi, the losses in associates amounted to Euro 793 million in 2017. In 2016, this investment was valued at zero.

Losses on financial assets and other investments in 2017 totalled Euro 11.3 million, mainly reflecting (1) the impairment of the debt instruments issued by Rio Forte amounting to Euro 11.1 million and (2) the decrease of Euro 0.15 million in value of the Call Option.

Net losses attributable to equity holders of PHAROL amounted to Euro 806.5 million in 2017, compared to Euro 61.9 million losses of 2016. The net loss in 2017 reflects the losses from recycling of accumulated exchange reserves of Oi Investment, balanced by the appreciation of Oi Investment at market value, the update in the value of the Rio Forte debt and operating costs.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position		
	Euro million	
	2017	2016
		Restated
ASSETS		
Cash and cash equivalents	25.2	28.9
Accounts receivable	0.1	0.4
Non-current assets held for distribution to holders	0.0	0.0
Investments in joint ventures and associates	0.0	0.0
Tangible assets	0.1	0.3
Taxes receivable	0.1	0.1
Financials assets	167.8	0.0
Other assets	75.8	87.3
Total assets	269.1	117.0
LIABILITIES		
Short-term debt	0.1	0.1
Accounts payable	4.7	2.3
Accrued expenses	1.5	5.7
Taxes payable	0.2	0.1
Provisions	0.0	0.1
Other liabilities	0.9	0.9
Total liabilities	7.4	9.3
Total equity	261.8	107.8
Total liabilities and shareholders' equity	269.1	117.0

As notas fazem parte integrante destas demonstrações financeiras.

The cash position net of gross debt, accounts payable, accrued expenses, and taxes payable was Euro 18.6 million and Euro 20.6 million in December 31, 2017 and 2016, respectively.

The financial assets correspond essentially to the effective investment of PHAROL in Oi of 27.2% which at December 31, 2017 is recorded at market value. As explained above, this investment on December 31, 2016 was accounted for by the equity method and valued at zero euros.

"Other assets" at December 31, 2017, amounting to Euro 75.8 million, correspond essentially to the fair value of the assets received on March 30, 2015 under the Exchange, including (1) Euro 74.6 million Euros relating to the estimated value of the debt instruments issued by Rio Forte, whose nominal value amounts to 897 million Euros, and (2) 1.15 million Euros referring to the fair value attributed to the Call Option.

Equity amounted to Euro 261.8 million at December 31, 2017, compared to Euro 107.8 million at December 31, 2016, an increase of Euro 154 million, mainly reflecting (1) the gain accounting for the investment of Oi to the market value of Euro 167 million, (2) a loss of Euro 11.1 million as a result of a downward revision of the recoverable value of the Rio Forte debt instrument, and (3) consolidated operating costs of Euro 4.8 million.

OI RESULTS KEY HIGHLIGHTS

The information within this section arise from the 2017 Report of Oi.

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.

	in R\$ million*	
	2017	2016
Oi S.A. Pro-forma		
Total Net Revenues	23,790	25,996
EBITDA	6,244	6,697
EBITDA Margin (%)	26.2%	25.8%
Consolidated Net Earnings (Loss)	(6,365)	(8,028)
Net Debt	47,621	40,342
Available Cash	6,999	7,849
CAPEX	5,687	4,901

*Or otherwise stated

	in R\$ million*	
	2017	2016
BRAZIL		
Revenue Generating Unit ('000)	59,685	63,554
Residential	15,885	16,425
Personal Mobility	36,648	39,870
Corporate / PMEs	6,512	6,617
Public Telephones	640	642
Total Net Revenues	23,557	25,164
Net Services Revenues (1)	23,328	24,937
Residential	9,171	9,376
Personal Mobility	7,415	7,623
Clients (2)	6,915	6,996
Corporate / SMEs	6,486	7,606
Net Clients Revenues (2)	22,559	23,925
Routine EBITDA	6,190	6,340
Routine EBITDA Margin (%)	26.3%	25.2%
CAPEX	5,629	4,759
Routine EBITDA - CAPEX	561	1,581

*Or otherwise stated

*Or otherwise stated

- (1) Excludes handset revenues.
- (2) Excludes handset and network usage revenues.

03. BUSINESS PERFORMANCE

Below we list all the events that occurred between January 1, 2017 and April 23, 2018, that can be read in full at PHAROL's website (www.pharol.pt).

QUALIFIED PARTICIPATIONS IN PHAROL

The main changes in qualifying holdings of PHAROL were as follows:

10/Jan/2017 | Renaissance Technologies LLC holds a qualifying holding of 2.13% of the non-voting capital of PHAROL;

16/Jan/2017 | Discovery Capital Management LLC, holds a 2.02% qualifying holding of PHAROL's share capital and voting rights;

23/May/2017 | Banco Comercial Português no longer holds any share of PHAROL's share capital and voting rights;

24/May/2017 | Renaissance Technologies LLC holds a 1.97% stake in PHAROL's non-voting share capital;

24/May/2017 | High Bridge Unipessoal, Lda holds a qualifying holding of 6.17% of PHAROL's share capital and voting rights;

26/May/2017 | Credit Suisse Group AG holds a qualifying holding of 2.23% of PHAROL's share capital and voting rights;

29/May/2017 | Credit Suisse Group AG holds a 1.54% stake in PHAROL;

23/Jun/2017 | Discovery Capital Management LLC holds a qualifying holding of 5.14% of PHAROL's share capital and voting rights;

26/Jun/2017 | Norges Bank holds a qualifying holding of 3.08% of PHAROL's share capital and voting rights;

30/Jun/2017 | Solus Alternative Asset Management LP holds a qualifying holding of 2.16% of PHAROL's share capital and voting rights;

21/Sep/2017 | Norges Bank holds a qualifying holding of 3,084% of PHAROL's share capital and voting rights;

11/Dec/2017 | Norges Bank holds a qualifying holding of 3.079% of PHAROL's share capital and voting rights;

21/Dec/2017 | Hestia Investments Designated Activity Company decreased its share of 4.85% to 0.92% of PHAROL's share capital and voting rights;

11/Jan/2018 | Discovery Capital Management, LLC decreased its position from 5.14% to 4.89% of PHAROL's share capital and voting rights;

31/Jan/2018 | Grupo Visabeira SGPS, S.A. reported that it sold a total of 1,630,001 shares, representing 0.1818% of the share capital and voting rights of PHAROL

As a result of these sales, Grupo Visabeira SGPS, S.A. held 9,893,212 shares, representing 1.1035% of the share capital and voting rights of PHAROL, SGPS, S.A ..

Furthermore, pursuant to article 20 of the Portuguese Companies Code, Fernando Campos Nunes (Portuguese Tax ID: 175,776,083) is deemed to be responsible for the total of 16,067,041 shares representing the share capital of PHAROL SGPS, SA, corresponding to 1.7922% of the share capital and voting rights;

31/Jan/2018 | PHAROL informed that Grupo Visabeira SGPS, SA and Visabeira PRO - Estudos e Investimentos, SA sold a total of 7,575,844 shares, representing 0.846% of the share capital and voting rights of PHAROL SGPS, SA.

Because of the sales, Grupo Visabeira SGPS, SA became the holder of 9,893,212 shares representing 1.1035% of the share capital and voting rights of PHAROL, SGPS, SA, and Visabeira PRO - Estudos e Investimentos, SA now holds 6,173,829 shares representing 0.6886% of the share capital and voting rights of said company.

The shareholders identified above have thus jointly held a total of 16,067,041 shares, representing 1.7922% of the share capital and voting rights of PHAROL, SGPS, SA, with the sale of 2,000,000 shares on 28-12-2017, reduced their joint participation to less than 2% of the voting rights corresponding to the capital stock of PHAROL SGPS, SA.

02/Feb/2018 | Norges Bank holds a qualifying holding of 3,079% of PHAROL's share capital and voting rights;

14/Feb/2018 | Norges Bank holds a qualifying holding of 3.293% of PHAROL's share capital and voting rights;

14/Feb/2018 | Norges Bank holds a qualifying holding of 3.203% of PHAROL's share capital and voting rights;

26/Feb/2018 | Norges Bank holds a qualifying holding of 3.19% of PHAROL's share capital and voting rights;

08/Mar /2018 | Norges Bank holds a qualifying holding of 3.18% of PHAROL's share capital and voting rights;

19/Mar/2018 | Norges Bank holds a qualifying holding of 3.22% of PHAROL's share capital and voting rights;

20/Mar/2018 | Norges Bank holds a qualifying holding of 3.17% of PHAROL's share capital and voting rights.

02/Apr/2018 | Norges Bank now holds a qualifying holding of 3.23% of PHAROL's share capital and voting rights.

05/Apr/2018 | Norges Bank now holds a qualifying holding of 3.23% of PHAROL's share capital and voting rights.

11/Apr/2018 | Norges Bank hold a qualifying holding of 3.02% of PHAROL's share capital and voting rights.

16/Apr/2018 | Norges Bank now holds a qualifying 2.89% stake in PHAROL's share capital and voting rights, divided into 8,165,618 shares directly held and 17,735,853 shares in a loan with the right to recall at any time.

17/Apr/2018 | Discovery Capital Management, LLC decreased its stake from 4.89% to 1.99% of PHAROL's share capital and voting rights.

18/Apr/2018 | Solus Alternative Asset Management LP decreased its share of 2.16% to 1.86% of PHAROL's share capital and voting rights.

CORPORATE EVENTS OF PHAROL AND OI

Below we list the main corporate events of PHAROL and Oi:

07/Mar/2017 | Rafael Luis Mora Funes resigned to the respective positions of member of the Board of Directors and of the Executive Committee of PHAROL;

07/Mar/2017 | Rafael Luis Mora Funes resigned as member of the Board of Directors of Oi;

07/Mar/2017 | João do Passo Vicente Ribeiro becomes a member of the Board of Directors of Oi;

23/Mar/2017 | Board of Directors of PHAROL, on this date, decided to assign the duties of Managing Director to its President, Luís Palha da Silva;

29/Mar/2017 | Oi announces an AGM for April 28, 2017;

26/May/2017 | PHAROL reported on the resolutions adopted at the Shareholders' General Meetings held on this date;

05/Jun/2017 | André Cardoso Meneses Navarro resigned on this date to the position of non-executive member of the Board of Directors of PHAROL;

30/Jun/2017 | The Board of Directors decided to appoint, by co-optation, members of the Board of Directors to complete the current mandate (triennium 2015-2017), Jorge Santiago Neves, Nelson Sequeiros Rodriguez Tanure and Thomas Cornelius Azevedo Reichenheim;

14/Sep/2017 | João do Passo Vicente Ribeiro resigned on September 12, 2017 to his position as non-executive member of the Board of Directors of PHAROL;

28/Sep/2017 | On this date, the Board of Directors resolved to appoint, by co-optation, Mr. Aristotle Luiz Menezes Vasconcellos Drummond as a member of the Board of Directors to complete the current term (2015-2017);

02/Oct/2017 | Oi informed that Mr. Ricardo Malavazi Martins presented on this date resignation from the positions of Chief Financial and Investor Relations Officer of the Company, the Board of Directors appointed Mr. Carlos Augusto Machado Pereira de Almeida Brandão to internally cumulate his current duties as Director with the functions of Chief Financial and Investor Relations Officer until such time as the Board of Directors decides;

03/Nov/2017 | Oi informed that the Board of Directors approved by a majority the change in the Statutory Board, which will also be integrated by Board members Hélio Calixto da Costa and João do Passo Vicente Ribeiro, as Officers without specific designation, with accumulation of their current functions in the Board of Directors;

25/Nov/2017 | Oi informed that Mr. Marco Norci Schroeder presented on this date resignation from the position of Chief Executive Officer of the Company. At a meeting held on the same date, the Board appointed Mr. Eurico de Jesus Teles Neto to temporarily fill his current duties as Legal Officer with the functions of Chief Executive Officer until such time as the Board of Directors decides;

2/Nov/2017 | Oi informed that the Board of Directors resolved on this date to elect Mr. Eurico de Jesus Teles Neto to occupy the position of Chief Executive Officer of the Company, in addition to terms of office, cumulatively to the position of Legal Officer;

28/Dec/2017 | PHAROL announces that José Mauro Mettrau Carneiro da Cunha resigned on December 28, 2017 to his non-executive member of PHAROL's Board of Directors.

15/Jan/2018 | Oi informed that the Company's Annual General Meeting will be held on April 27, 2018;

28/Feb/2018 | Oi informed that the date of the Ordinary General Meeting of the Company ("OGM"), originally scheduled for April 27, 2018 was changed and the AGM shall be held on April 30, 2018;

07/Mar/2018 | Oi informed that the Board of Directors approved changes in the Company's organizational structure, which involved confirmation of the election of Mr. Carlos Augusto Machado Pereira de Almeida Brandão to the position of Chief Financial Officer and Investor Relations Officer of the Company and Mr. João do Passo Vicente Ribeiro of the position of Director without specific designation. At that meeting, the request for dismissal presented by Mr. Hélio Calixto da Costa was also received as Director without specific designation, which was accepted by the Board of Directors;

08/Mar/2018 | PHAROL informed that it took cognizance on this date of decision of the 7th Business Court of the District of Rio de Janeiro that determined (a) the suspension of the political rights of its subsidiary BRATEL S.À.R.L. ("Bratel"), (b) the removal of members of the Board of Directors who were allegedly elected and nominated by Bratel and (c) a manifestation of interest in the initiation of a mediation procedure;

22/Mar/2018 | Oi informed that the Board of Directors approved changes in the structure of its Advisory Committees and also changes in the Company's organizational structure.

Mr. José Claudio Moreira Gonçalves was appointed to the position of Operations Director, while Mr. Bernardo Kos Winik will hold the position of Commercial Director. Both were elected by the Board of Directors to join the Company's Statutory Board as Officers without specific designation.

29/Mar/2018 | Oi called AGO for April 30, 2018.

12/Apr/2018 | Oi released the 4Q17 Results.

12/Apr/2018 | Oi disclosed the meeting minutes of the fiscal council held on April 12, 2018.

20/Apr/2018 | Oi informed that it received from its shareholder Tempo Capital Principal Stock Investment Fund a request for appointment of a member and respective alternate for a separate vote by shareholders holding preferred shares upon the election of members to the Fiscal Council at the AGM.

OTHER MATERIAL EVENTS OF PHAROL AND OI

Below we list the other material events of PHAROL and Oi:

31/Jan/2017 | The Arbitration Procedure "Samba" was definitively extinguished and all the contractual conditions established between the parties and already communicated on June 16, 2016 were fulfilled;

30/Mar/2017 | Oi informed its shareholders and the market in general that it hired BDO RCS Auditores Independentes do Brasil ("BDO") to provide external audit services for the 2017-2019 triennium;

11/Apr/2017 | PHAROL informed that the Judicial Court of the District of Lisbon dismissed the action brought by Henrique Manuel Fusco Granadeiro against PHAROL in which it requested that the Court declare void or null the decision of the PHAROL General Assembly of 31 July 2015;

15/Sep/2017 | PHAROL reported that it undertook a Corporate Reorganization with the objective of concentrating operations in Luxembourg transferring the ownership of all the shares that BRATEL B.V. has in Oi S.A., to its subsidiary BRATEL S.à.r.l, 100% owned by BRATEL BV;

29/Sep/2017 | PHAROL reported that the Corporate Reorganization promoted by BRATEL B.V. and BRATEL S.à.r.l. is completed successfully after all necessary formalities have been completed;

14/Nov/2017 | PHAROL informed that it had been informed of a statement from the trustees of Espírito Santo International SA ("Insolvency") stating that this bankrupt company is going to sue PHAROL for the repayment of 750 million Euros;

15/Dec/2017 | PHAROL as the largest shareholder of Oi SA reported that its Board of Directors, at a meeting held on December 14, 2017, reviewed the Oi SA Recovery Plan submitted to the court by its CEO, Dr. Eurico Telles , on December 12, 2017.

PHAROL was informed that (a) this Recovery Plan was filed in court without prior information of its terms to the Board of Directors of Oi SA, which only happened at a meeting held on December 13, 2017 and (b) the Board of Oi SA, on December 14, 2017, requested the adoption of a judicial measure to prevent the proper functioning of its own Board of Directors and the regular exercise of the legitimate rights of its shareholders.

In view of this scenario of arbitrariness and disrespect for the governance adopted by Oi S.A. itself, Pharol SGPS expressly expresses its dissatisfaction and disagreement with the Recovery Plan of December 12, 2017;

21/Nov/2017 | Oi informed that it had received notice from the New York Stock Exchange (NYSE), granting, at the Company's request, an additional period of 6 months ("Additional Healing Period"), so that it may file its Annual Report on Form 20-F for the fiscal year ended December 31, 2016 ("2016 Annual Report") with the US Securities and Exchange Commission ("SEC");

05/Dec/2017 | Oi reported that the Bankruptcy Judge in the Southern District of New York issued a decision rejecting the requests of Mr. Jasper Berkenbosch (judicial administrator in the Netherlands of Oi Brazil Holdings Coöperatief UA - In Recovering Court - "Oi Coop") to revoke the Chapter 15 of the United

States Bankruptcy Code (Chapter 15), and recognition of Oi Coop's bankruptcy proceedings in the Netherlands as its principal foreign proceeding, while maintaining judicial reorganization currently underway before the 7th Business Court of the Court of Justice of the State of Rio de Janeiro, Brazil, as its main foreign proceeding. In order to arrive at its decision, the Judge understood that the main center of interests or "COMI" of Oi Coop was and continues being in Brazil.

22/Mar/2018 | Oi informed that Standard & Poor's ("S & P") announced today its review of the credit ratings assigned to the Company.

EVENTS RELATED TO THE OI JUDICIAL RECOVERY

Below we list the main events related to the judicial recovery of Oi:

01/Feb/2017 | BD – Board of Directors of Oi authorized Oi's Board of Executive Officers to continue negotiating with creditors, deepening some critical items, including, among others, the possibility of converting part of the debt into equity;

06/Mar/2017 | Recognition of the judicial recovery of Oi in Portugal;

22/Mar/2017 | BD of Oi approved the basic financial conditions as adjustments to the Oi Judicial Recovery Plan presented on 05.09.2016 and authorized the Board of Executive Officers and the Company's advisors to submit, as soon as possible, an addendum to the JRP to the 7th Business Court of the Region of the State of Rio de Janeiro;

28/Mar/2017 | Presentation to the Court of the new financial conditions as adjustments to Oi's JRP;

10/Apr/2017 | Oi announces that it has appointed the Arnaldo Wald Law Firm to take over and concentrate the judicial administrator function of the Oi Company;

19/Apr/2017 | I hereby inform you that the Netherlands Court of Appeal has appealed against the decisions rejecting the requests for conversion of the suspension of payments procedures relating to each of Oi's financial vehicles in the Netherlands and ordered that such procedures be converted into insolvency proceedings in Netherlands;

20/Apr/2017 | PHAROL clarified that the decision of the Dutch Court of Appeal is applicable only to the companies Portugal Telecom International Finance BV and Oi Brasil Holdings Coöperatief UA within the Dutch jurisdiction and the decision will be appealed to the Supreme Court under the current legislation in the Netherlands ;

16/May/2017 | Oi communicated that on May 15, 2017, the 7th Business Court of the Capital District of the State of Rio de Janeiro granted an extension of the stay period for a period of 180 business days, or until the General Meeting of Creditors was held, the first one to expire, as well as determined the application of additional guidelines in relation to the lawsuits in progress against Oi and its wholly-owned subsidiaries, directly and indirectly;

17/May/2017 | Oi communicated that the list of creditors of Oi Companies presented by the trustee to the 7th Business Court of the District of Rio de Janeiro ("Second List of Creditors") is already disclosed;

17/May/2017 | Oi announced that the Company received notice from the New York Stock Exchange ("NYSE") indicating that the Company is not in compliance with NYSE's continuing listing requirements as a result of failure to file its Annual Report on Form 20-F for the fiscal year ended December 31, 2016 ("2016 Annual Report");

29/May/2017 | Oi communicated that the Notice of the list of creditors of Oi Companies was published on this date and is available for consultation by the shareholders of Oi, by the market in general and by the creditors of Oi Companies on the website related to judicial recovery;

23/Jun/2017 | Oi announced that it will start as of June 26, 2017, a program for agreement with creditors of Oi Companies listed in the Creditors' Report of the trustee published on May 29, 2017;

07/Jun/2017 | Oi reports that the Dutch Supreme Court in Amsterdam, the Netherlands, has denied on this date the appeals filled by each of Oi's financial vehicles in the Netherlands, Oi Brasil Holdings Coöperatief UA - in the case of Oi Brasil Holdings and Portugal Telecom International Finance BV - In Judicial Recovery ("PTIF"), against decisions that had resulted in the conversion of their respective suspension of payments procedures in bankruptcy in the Netherlands;

19/Jul/2017 | Oi informed that its Board of Directors considered a proposal for capitalization of the Company presented by a working group set up in 2016 for the purposes of the judicial recovery process of Oi Companies;

09/Aug/2017 | Oi informed that he had received an Anatel Office announcing that at the meeting of August 1, 2017, the following topics were discussed: a) presentation on the status of the judicial recovery process of the company, which is now pending before the competent Court of Justice State of Rio de Janeiro (TJRJ); b) detailed disclosure of the operating balance; (c) information on negotiations with financial institutions and small creditors; d) situation of regulatory liabilities; e) prospects of capital increase; f) outline of a recovery plan to be presented to the TJRJ's recovery and bankruptcy court;

21/Aug/2017 | Oi informed that it had heard of a judgment handed down on 09.08.2017 by the Lisbon Commercial Court - Judge 5 of the Judicial Court of the Lisbon Region, whereby it was recognized, in relation to Oi Móvel SA - In Judicial Recovery, the decision that granted the processing of the application for judicial recovery formulated in Brazil;

25/Aug/2017 | Oi informed that the Court of the 7th Business Court of the Capital District of the State of Rio de Janeiro approved the dates suggested by the court administrator for the General Meeting of Creditors ("AGC"), designating the AGC to be held on 10 / 2017, on first call, and 10/23/2017, on second call;

28/Sep/2017 | Oi informed that it requested the adjournment of the date of the General Meeting of Creditors ("GMC") to be held on October 23, 2017, on first call, and on November 27, 2011, to the 7th Business Court of the Capital District of the State of Rio de Janeiro. .2017, on second call;

11/Oct/2017 | Oi informed that the Company held a meeting with certain holders of "Notes Holders", or administrators of entities holding economic participation;

11/Oct/2017 | Oi informed together with some of its affiliated companies that the Company was involved in discussions and negotiations with certain holders of (each a "Notes Holder"), or administrators of entities holding economic participation;

11/Oct/2017 | Oi informed that at a meeting held on October 10, 2017, of adjustments to the terms and conditions of the Judicial Recovery Plan of Oi and its subsidiaries was filed on today's date the new version of the Judicial Recovery Plan, in compliance with the determined term by justice;

20/Oct/2017 | Oi informed the adjournment of the General Meeting of Creditors ("GMC"), to be held on October 23 for 6.11.2017 on first call, and 27.11.2017 on second call;

23/Oct/2017 | Oi informed that the Company was involved in discussions and negotiations with individual persons (each a "Notes Holder") of, or managers of entities holding economic participation;

23/Oct/2017 | Oi informed the postponement of the date of the General Meeting of Creditors ("GMC"), to be held on 06.11.2017 on first call for 10.11.2017, keeping the date of November 27, 2017 for the GMC on the second convocation;

04/Nov/2017 | Oi informed that the Board of Directors decided to approve the final terms of a proposal to support the Plan Support Agreement ("PSA"), which will be offered to all the Notes Holders of the Company;

06/Nov/2017 | Oi informed jointly with some of its affiliated companies that the Company was involved in discussions with, and made certain information available to, certain holders of, or administrators of entities holding economic participation;

06/Nov/2017 | Oi informed of ANATEL's decision that, it ordered Oi, among other matters, to formally submit to ANATEL by the BD or the Company's Board of Directors, within 24 hours, the Plan Support Agreement, or "PSA "), And that it can not be signed prior to the consideration of the draft by the Directing Council of Anatel;

09/Nov/2017 | Oi informed that the Court of the 7th Business Court of the Capital District of the State of Rio de Janeiro determined the postponement of the General Meeting of Creditors, to be held on 11/11/2017 on first call, and on 11/27/2017 on second call, for 07/12/2017, at 11:00 on first call (may continue on 08/12/2017, if necessary), and for 01/02/2018, second call (may continue on 02/02/2018, if necessary);

17/Nov/2017 | Oi informed that he had heard of a decision of the 7th Court of Rio de Janeiro, before which he processed the Judicial Recovery ("Judgment"), which ordered that the Officers appointed by the Board of Directors in meeting held on November 3, 2017, refrain from interfering in matters related to judicial recovery;

22/Nov/2017 | Oi informed that the Board of Directors approved guidelines for adjustments to the terms and conditions of the Judicial Recovery Plan and the Plan Support Agreement (PSA) of Oi and its subsidiaries;

27/Nov/2017 | Oi provided clarifications on news published on 11/24/2017 on the websites Brazil Journal and O Globo;

27/Nov/2017 | Oi informed that it had taken note of the decision of the Directing Council of the National Telecommunications Agency (ANATEL), which, through Judgment No. 601, issued on that date ("Judgment"), ordered Oi, inter alia, the following:

"A.i) that does not execute the contract to support the Judicial Recovery Plan under the terms of the draft submitted to the scrutiny of this Agency;

a.ii) to refrain from entering into any contract to support the Judicial Recovery Plan or similar document containing clauses identical or analogous to those expressly mentioned in said analysis, in view of its ruinous potential to the interests of the company and the collectivity;

a.iii) to keep notifying the Superintendence of Competition of the meetings of the Board of Directors and of the Board of Executive Officers, on the same date as they are called;

a.iv) if the Superintendence of Competition deems it appropriate and convenient to send a representative to accompany the meetings referred to in item "a.iii", to be granted access to all relevant documents, such as accounting, legal, economic information financial and operational information so that it can immediately inform the Board of Directors of Anatel of any acts or facts relevant to the maintenance of the concession and compliance with the fiduciary duties by the Company's officers; and

av) that the non-compliance with the above determinations will lead to the application of sanctions to Oi SA and, if applicable, also to the members of the Board of Directors and to the Executive Officers of any contract to support the Judicial Recovery Plan or similar document, pursuant to Law No. 9,472 of July 16, 1997, the General Telecommunications Law and the Regulations for the Application of Administrative Sanctions, approved by Resolution No. 589 of May 7, 2012. ";

27/Nov/2017 | Oi reported that new versions were filled with changes to the Judicial Recovery Plan and the PSA;

27/Nov/2017 | Oi reported, in compliance with art. 157, paragraph 4 of Law 6,404 / 76 and pursuant to CVM Instruction 358/02, which, on this date, took cognizance of a decision of the 7th Business Court of the District of the Capital of the State of Rio de Janeiro, before which ("Judgment"), which re-examined requests from certain creditors of the Company, determining the following:

"1) I refuse requests for the suspension of the voting rights of the members of the Board of Directors of Oi S / A and of the minority shareholders included in the petition of fls. 241,856 / 241,984 (items ii and iii) and the petition of fls. 243,730 / 243,751 (items i, ii and iv).

2) Regarding the request to prohibit the signing of the plan support agreement negotiated by minority shareholders, I hereby clarify that ANATEL has already prohibited such signature; furthermore, it is not for the Court to assess the merits of the recovery plan.

3) I maintain the injunction that determined that the new Directors Helio Costa and João Vicente Ribeiro, appointed by the Board of Directors, refrain from interfering in any way in matters related to this judicial reorganization process, as well as to the negotiation and elaboration of the plan of judicial recovery, matters that will remain in the exclusive competence of the President of Grupo OI, under the penalties of civil and criminal law.

4) I appoint the current President of the OI Group, Eurico Teles, as the person in charge of conducting and concluding negotiations with the creditors of this recovery until 12/12/2017, when he shall personally present to this magistrate the recovery plan that shall be voted on at the General Meeting of Creditors, regardless of approval by the Board of Directors.

5) I am failing, for the time being, to request the Judicial Administrator to submit to GMC alternative plans, if any, submitted by relevant creditors.

(6) As a consequence of the measure adopted here, the postponement of the GMC is again required. I would emphasize that, if, on the one hand, the postponement of the GMC is a negative measure from the point of view of speed and compliance with this procedural step, on the other hand, in the exact case, due to the postponements of the Assembly, of 30 thousand agreements with creditors, within the mediation program that was established and is being carried out by the debtors, with the supervision of the Receiver. Whereas the list of JA has 55,093 creditors, the implementation of 30,042 agreements is highly positive and significant. When I deferred mediation, I emphasized that: "If successful, mediation could positively impact the lives of small suppliers, labor creditors and other creditors who are interested in participating in the procedure. It may also have a positive impact on the progress of this process, since 85% of the debtors' creditors have credits of up to R \$ 50,000.00, that is, more than 57 thousand creditors in a universe of 67 thousand. The representation in the General Meeting of Creditors is another positive aspect of the proposal, because, as we all know, the Oi Group has creditors spread all over the country, who would surely have difficulties in attending an GMC in Rio de Janeiro. In addition, it can not be denied that the possibility of extinction of more than 50 thousand cases in progress with the transfer of the amounts deposited judicially to an account available to this court in favor of the entire collectivity of creditors is another factor that stimulates and leads "I understand that the program is succeeding and bringing benefits to those involved, considering that 54% of the creditors have already mediated and received a significant part of their credit." I redesignated the first call of the General Meeting of Creditors to on 19/12/2017 at 11:00 am, and may continue on 12/20/2017, if necessary. The second call remains unchanged, that is, on 02/01/2018, at 11:00 am and can continue on 02/02/2018.

7) Partially revoked the decision that determined the filing of the recovery plan 10 days in advance of the AGC. The plan must be presented by the Company's President, in court, on 12/12/2017 and the GMC will take place on December 19, 2017. ";

12/Dec/2017 | Oi informed, together with some of its affiliated companies, the "Company", which was engaged in discussions and negotiations with certain individual holders (each, "Notes Holder") of, or managers of entities holding economic participation;

12/Dec/2017 | Oi informed that a new version was filled with amendments to the Judicial Recuperation Plan ("Plan"), which will be submitted to the General Meeting of Creditors to be held on December 19, 2017, at 11:00 am, on first call;

13/Dec/2017 | Oitogether with some of its affiliated companies, the "Company", informed its shareholders and the market in general that it was involved in discussions with, provided certain information to, and in principle reached an agreement with certain holders of , or administrators of entities holding economic participation;

20/Dec/2017 | Oi informed that on this date, the creditors of the Company and its subsidiaries approved the Judicial Recuperation Plan ("Plan"), with negotiated adjustments, pursuant to article 45 of Law 11,101 / 2005. The Plan was submitted to the approval of the 7th Business Court of the District of the Capital of the State of Rio de Janeiro, under the terms of the law;

20/Dec/2017 | Oi jointly reported with some of its affiliated companies, the "Company"), met with and was engaged in discussions and negotiations on the form, terms and provisions of a subscription and

commitment agreement and on certain proposed amendments to the recovery plan filled by the Company on December 12, 2017;

21 / Dec / 2017 | PHAROL informed that, to date, the Oi SA Recovery Plan has not become public, nor was it made available to its shareholders, which is why Pharol was not yet aware of its terms, despite having already been approved by the General Shareholders' Meeting of Creditors on December 19;

22 Dec 2017 | Oi informed that at the General Meeting of Creditors installed on December 19, 2017 ("AGC"), of the judicial recovery plan ("Plan") of Oi and its subsidiaries that were filled by the Receiver before the 7th District of the Capital of the State of Rio de Janeiro, where the judicial reorganization is being processed, the Plan and its annexes, as well as the minutes of the GMC that approved the Plan;

29 Dec 2017 | Oi informed that on December 28, 2017, the shareholder BRATEL S.À.R.L, holder of 22.24% of the Company's capital, requested the Board of Directors to convene an Extraordinary General Meeting of the Company, within a maximum period of 8 days, to deliberate on the matters that impact the Judicial Recovery Plan.

08 / Jan / 2017 | PHAROL announced that BRATEL S.À.R.L., a subsidiary of PHAROL, as the largest shareholder of Oi S.A., convened an Extraordinary Shareholders' Meeting of Oi, to be held, on first call, on February 7, 2018;

08 / Jan / 2018 | Oi informed that the Court of the 7th Business Court of the Capital District of the State of Rio de Janeiro granted the judicial recovery of the Company and its subsidiaries (all together, "Recuperandas"), and ratified the Judicial Recovery Plan for Recoveries "Plan"), with the following exceptions: "a) Section 11 of the Annex (called the Subscription and Commitment Agreement of the JRP) is invalid, with respect to the ability of the Reclaimers to repay expenses incurred by creditors in the search for satisfaction of its credits; b) the conditions set forth in item 5 of the same Annex, which provide for the payment of a commitment fee, extendable to all creditors under the same conditions ". The decision also called for an Extraordinary General Meeting of Shareholders to deliberate on matters that impact on the Plan, clarifying the following: "I consider, however, that the pertinent amendments, including the company's bylaws, approved in the JRP exempt the EGM and may be carried out by the company's management bodies, based on the authorization of the creditors' assembly, as provided for in the FRL, which is a special law in relation to the LSA in this regard. (...) The clause of the plan that governs governance during the transition phase is in line with Article 50 of the LRJ, and does not violate the Law of the S / A, insofar as it seeks to confer institutional stability to the corporate bodies and administrators of recoveries for purposes of compliance with the judicial recovery plan approved by the sovereign creditors' manifestation. Therefore, the convening of an EGM is absolutely unnecessary to give effect to the sovereign decision of the creditors. On the contrary, the convening of a shareholders' meeting, in this case, would reinstall the instability strongly rejected by the Judiciary throughout this judicial recovery process. "

09/Jan/2018 | PHAROL announced that on the afternoon of January 8 BRATEL S.À.R.L. filled a claim for part of the decision rendered by the Judicial Recovery Court, so that the clauses of the Judicial Recovery Plan that unduly alter the governance provided for in the Bylaws of Oi (Clause 9), or directly affect the rights reserved to shareholders, in particular with regard to capital increases (Clauses 4.3.3 and 6), have their effectiveness suspended until the Extraordinary Shareholders' Meeting of Oi, convened by BRATEL to be held in the first call on February 7, 2018;

15/Jan/2018 | Oi informed that on January 12, 2018, he took note of the decision of the Directing Council of the National Telecommunications Agency - ANATEL, regarding Oi's request for prior consent for the inauguration of the new members that will form the Transitional Board of Administration, as provided for in the judicial reorganization plan approved by the General Meeting of Creditors and ratified by the 7th Business Court of the Capital District of the State of Rio de Janeiro ("Plan"), and Anatel approved the execution of Mr. Marcos Grodetzky, Eleazar de Carvalho Filho and Marcos Bastos Rocha;

01/Feb/2018 | PHAROL, on the appeal filed by the Public Prosecutor's Office in which it appeals the decision that approved the Oi Judicial Recovery Plan, considers that the requests made by the Public Prosecutor's Office bring coherence to the discussion, since it clarifies that the conduct of a judicial recovery process must comply the Brazilian Corporate Law.

In the understanding of Pharol, any change in both the Bylaws and the composition of the Company's Board of Directors should be discussed by the shareholders at an Extraordinary General Meeting, as determined by the Brazilian Corporate Law and the CVM governance regulations, and not imposed in a Judicial Recovery Plan approved without any resolution of its Board.

Thus, the holding of the Extraordinary General Meeting scheduled for February 7, 2018 is essential to discuss the future of the company and the rights guaranteed by the law of its shareholders;

02/Feb/2018 | Oi informed its shareholders and the market that it will not hold an Extraordinary General Meeting ("EGM") on February 7, 2018, since the schedule contained in the notice convened on the initiative of one of its shareholders is contrary to the judicial decision, rendered on January 8, 2018, by the Court of the 7th Business Court of the District of the Capital of the State of Rio de Janeiro;

05/Feb/2018 | PHAROL informed that its subsidiary BRATEL S.À.RL, as the largest shareholder of Oi SA - In Judicial Recovery ("Oi"), ratifies on this date, the regular and legitimate convocation of the Extraordinary Shareholders' Meeting of Oi, to be held in first call on February 07, 2018;

05/Feb/2018 | Oi informed that on this date, a decision was issued by the Court of the 7th Business Court of the Capital District of the State of Rio de Janeiro, which approved the Judicial Recovery Plan of the Company and its subsidiaries (all together, "Recuperandas") and granted the judicial recovery of the Recuperandas.

As a result of the publication of the decision, the period of 20 days will begin, that is, from 00:00 from February 6, 2018 until 23:59 of February 26, 2018, so that the creditors of the Recuperandas can choose between the payment options of their respective claims;

06/Feb/2018 | Oi S.A. - In Legal Recovery ("Oi"), Portugal Telecom International Finance B.V. - In Judicial Recovery ("PTIF") and Oi Brasil Holdings Coöperatief U.A. - On Judicial Recovery announced today that they have initiated requests for payment option choices related to payments under the terms of the consolidated judicial reorganization plan applicable to the various bondholders;

06/Feb/2018 | Oi informed that it took cognizance of the decision of the 7th Business Court of the District of the Capital of the State of Rio de Janeiro, which rejected the request of the shareholder Bratel S.A.R.L. a partial reconsideration of the decision that approved the judicial reorganization plan, and this decision was entirely maintained, including in relation to the non-holding of the Extraordinary General Meeting of the Company convened by Bratel S.A.R.L for February 7, 2018;

06/Feb/2018 | PHAROL, reported that its subsidiary BRATEL S.À.RL, as Oi's largest shareholder, reiterates that, contrary to what was stated in the Notice to Shareholders held by Oi on this date, there is no judicial decision that would determine the cancellation of Extraordinary General Meeting that will have on its agenda other subjects besides those related to the Oi Judicial Recovery Plan presented by the Statutory Board of Executive Officers;

07/Feb/2018 | Oi informed its shareholders and the market in general that the 7th Business Court of the Capital District of the State of Rio de Janeiro ("Judicial Recovery Court") in appreciating the Company's petition regarding initiatives adopted by Bratel S.A.R.L. insisting on the holding of an Assembly convened for February 7, 2018, declared invalid and ineffective any extrajudicial deliberation that threatens the issues already approved in the Plan;

07/Feb/2018 | PHAROL informed that on this date General Meeting of Oi SA was held - In Judicial Recovery ("Oi"), in which it was approved the filing of a civil liability action, under the terms of article 159 of the Corporate Law, against the Directors Eurico de Jesus Teles Neto and Carlos Augusto Machado Pereira de Almeida Brandão.

Following the approval of the liability action, the aforementioned Officers are prevented from exercising their functions in the Company's management, which is why, pursuant to article 159, paragraph 2 of the Corporation Law, the shareholders approved the election of (i) Pedro Zañartu Gubert Moraes Leitão, to hold the position of Chief Executive Officer, and Mr. Thomas Cornelius Reichenheim shall perform this function on an interim basis, until the former obtains (ii) Thomas Cornelius Reichenheim for the position of Director of Finance and Investor Relations; and (iii) Leo Julian Simpson to act as Legal Officer;]

08/Feb/2018 | Oi informed of a decision of the 7th Business Court of the Capital District of the State of Rio de Janeiro ("Judicial Recovery Court") that granted the urgency protection required by the Company to stop the effects of all deliberations taken in the alleged Extraordinary General Meeting held between a group of shareholders of the Company on February 7, 2018, further determining the summons of the Commercial Board of the State of Rio de Janeiro - JUCERJA and the Securities and Exchange Commission so that they refrain from filling the minutes of said Meeting, or if it has already been done, that they be suspended until a subsequent judicial order of the Judicial Recovery Court;

27/Feb/2018 | Oi informed in complement to the Notice to the Market released on February 6, 2018, that at the end of February 26, 2018, the deadline for the creditors of the Company and its subsidiaries to choose among the payment options of their in accordance with the Judicial Recovery Plan ("Plan"). With respect exclusively to bondholders, the Company took cognizance of a decision of the 7th Business Court of the Capital District of the State of Rio de Janeiro, rendered on February 26, 2018, which, among other determinations, disposed of:

"In view of the omission of the trustees and the loss resulting from it, I hereby determine, in favor of the bondholders who have been forsaken at this time, the extension of the deadline for exercising the option of the form of payment.

Thus, bondholders who wish to individualize their credits (through petition in the case and subsequent choice in the electronic platform) can do so until 03/03/2018. " ;]

05/Mar/2018 | Oi informed that the Board of Directors approved the conditions for a capital increase of the Company, through the capitalization of part of the Unsecured Credits of the Qualified Bondholders, with the issuance of new common shares and subscription bonuses that will be attributed to the subscribers of the object shares of the increase, as provided for in Clauses 4.3.3.2 and 4.3.3.5 of the Judicial Recovery Plan of Oi and its subsidiaries, approved by the General Meeting of Creditors and approved by the Judicial Recovery Court ("Capitalization of Credits");

06/Mar/2018 | PHAROL informed its shareholders and the market in general that in the early afternoon of 05.03.2018, it was informed that in arbitration proceedings initiated by its subsidiary BRATEL S.À.R.L. ("Bratel") against Oi SA - In Judicial Recovery ("Oi") in the Market Arbitration Chamber ("CAM"), the Arbitrator appointed by CAM decided to partially approve the request for urgent measures presented by Bratel ;

06/Mar/2018 | Oi said that it became aware of a demonstration by the Arbitrator of Support in arbitration proceedings initiated against the Company by the shareholder Bratel S.À.R.L. ("Bratel") in the Market Arbitration Chamber, to address issues related to the implementation of the Judicial Recovery Plan approved by the appellate court ("Plan");

07/Mar/2018 | Oi informed of a decision of the 7th Business Court of the Capital District of the State of Rio de Janeiro ("Judicial Recovery Court"), which, fully accepting the opinion of the Public Prosecutor, suspended the political rights of the undersigned members of the Extraordinary General Meeting of Shareholders February 7, 2018, except for those who abstained from voting, and determined the removal of the members of the Board of Directors elected by them until the capital increase provided for in the Company's judicial recovery plan.

Because of the decision, Bratel S.A.RL, Société Mondiale Stock Investment Fund, Petrório SA and Aurélio Valporto, among others, have their rights suspended and, consequently, the members of the Board of Directors elected by them , Messrs. Luis Maria Viana Palha da Silva, Pedro Zañartu Gubert Morais Leitão and Helio Calixto da Costa, are removed from their positions.

The decision also ordered the subpoena of the current Executive Officers and Chairman of the Company and of the shareholders whose political rights were suspended, to express their interest in initiating a mediation procedure;

09/Mar/2018 | Oi informed that in addition to the Market Announcements released on February 06 and 27, 2018, to its shareholders and to the market in general, the deadline for the bondholders of the Company and its subsidiaries Oi Móvel SA - In Judicial Recovery, Copart 4 Participações SA - In Judicial Recovery, Copart 5 Participações SA - In Judicial Recovery, Portugal Telecom International Finance BV - In Judicial Recovery and Oi Brazil Holdings Coöperatief UA - In Judicial Recovery (collectively, "Recuperandas") to choose between the payment options of their respective credits, as provided in the Recovery Plan for Judicial Recovery ("Plan"), which had been extended by the 7th Business Court of the Capital of the State of Rio de Janeiro on February 26, 2018, ended at the end of March 08, 2018;

14/Mar/2018 | Oi informed that he took note on March 13, 2018, of a decision of Minister Marco Buzzi of the Second Section of the Superior Court of Justice that granted an injunction requesting a conflict of jurisdiction presented by the Company, suspending the effects of the decision rendered by the arbitral tribunal in the arbitration proceeding initiated against the Company by Bratel S.A.RL, appointing the 7th

Business Court of Rio de Janeiro / RJ to resolve, on a provisional basis, any urgent measures, pending further deliberation of that rapporteur;

14/Mar/2018 | Oi informed about the amount of the increase and the new capital stock deliberated by the board of directors;

16/Mar/2018 | Oi informed that it received a preliminary indication, subject to confirmations and documentary evidence, of the results of the choices made by the bondholders of the Company and its subsidiaries Oi Móvel SA - In Judicial Recovery, Telemar Norte Leste SA - In Judicial Recovery, Copart 4 Participações SA - In Judicial Recovery, Copart 5 Participações SA - In Judicial Recovery, Portugal Telecom International Finance BV - In Judicial Recovery and Oi Brazil Holdings Coöperatief UA - In Judicial Recovery (all together "Recuperandas") with respect to the payment options of their respective credits, as provided for in the Judicial Recovery Plan ("Plan"),

28/Mar/2018 | Oi informed that due to the complexity of the impacts of the judicial recovery process and the approval and homologation of its Judicial Recovery Plan in the preparation of the Company's financial statements and the independent auditors' report for the fiscal year of 2017, in the quality and adequacy of the treatment of its accounting information, the Company announces the postponement of the disclosure of its financial statements related to the fiscal year of 2017, from March 28, 2018 to April 12, 2018.

The Ordinary General Meeting of the Company was convened on March 29 to be held on April 30, 2018, according to the Annual Calendar of Corporate Events published by the Company, having as its agenda the management accounts for the fiscal year closed on December 31, 2017, the election of members of the Fiscal Council and their respective alternates and the determination of the annual global amount of the remuneration of the administrators and members of the Fiscal Council. The examination, discussion and voting of the financial statements shall be resolved at the Extraordinary General Meeting to be convened immediately after the disclosure of the audited financial statements.

Oi also proceeded to anticipate the following accounting information:

The process of judicial reorganization, with the approval and homologation of its Plan, and the commitment to the adequacy of the treatment of its accounting information and the quality of its disclosure to the market, led the Company to discuss with the external auditor details about the accounting recognition of certain assumptions of the Plan and its consequences on the opening balance of 2016 and on the Company's financial statements for the 2016 and 2017 fiscal years.

The accumulated accounting effects to be recorded in the Company's Shareholders' Equity for 2017 will be approximately R \$ 21 billion. Of this amount, the main items to be recognized in accounting are: (i) adjustment in the amount of the Deferred Income Tax provision recorded in relation to the projection of expected future profits; (ii) write-off of assets related to judicial deposits; (iii) write-off of the capital gain registered on the merger of Telemar Participações S.A. ("TmarPart") by the Company; and (iv) revision of the calculation criteria for provision for regulatory liabilities.

The other accounting effects not mentioned in this Material Fact will be duly detailed upon the disclosure of the financial statements related to the fiscal year of 2017.

The table below summarizes the main impacts of the adjustments made for the period in question.

The aforementioned accounting effects will result in a negative shareholders' equity in December 2017. Due to the adjustments expected for 2018 due to the recognition of the fair value of the new debt of the Company from the Plan approved and ratified, the value of the equity will be positive again in 2018.

The Company clarifies that such accounting effects will have no impact on its cash or routine EBITDA as of December 31, 2016 and 2017. It should be noted that these effects do not affect the Plan nor the financial flows used for the valuation of the Company and its subsidiaries in ("Recoveries") that demonstrate the viability of the Recuperandas, in line with the economic-financial report presented in conjunction with the Plan.

Given the postponement of the disclosure of the financial statements for the year 2017 and to ensure the stability of market expectations, the Company opted to anticipate the key financial indicators of its 2017 result not yet audited and used in the Plan:

The details of the settings are as follows:

(R\$ billion)	Estimated accrued impact on the 2017 Shareholders' Equity
Provision of the Deferred Income Tax	(7.5)
Write off of Assets related to Judicial Deposits	(6.3)
Write off of Goodwill net of taxes	(2.2)
Provision for regulatory liabilities	(1.7)

The aforementioned accounting effects will result in negative shareholders' equity as of December 31, 2017. The value of the shareholders' equity will become positive in 2018 due to the expected adjustments in 2018 resulting from the recognition of the fair value of the Company's new debt pursuant to the approved and confirmed Plan.

The Company clarifies that such accounting effects will not have an impact on its cash or routine EBITDA for the years ended December 31, 2016 and 2017. It is important to stress out that these accounting effects do not affect the Plan nor the financial flows used to evaluate the Company and its subsidiaries in judicial reorganization (the "Recovering Entities") that show the viability of the Recovering Entities, in line with the economic and financial report presented along with the Plan.

Given the postponement of the disclosure of the financial statements for the fiscal year 2017 and to ensure the stability of the market's expectations, the Company opted to disclose the key financial indicators related to its unaudited 2017 results and used in the Plan:

(R\$ billion)	2016	2017 (preliminary)	2017 (Plan)
Routine EBITDA	6.3	6.2	6.0
Cash	7.8	7.0	7.1

The details of the adjustments are described below:

- **Adjustment of the amount of the provision of deferred income tax**

This involves impairment and adjustments to equity accounts related to deferred income tax and social contribution that are calculated based on the forecast of profits to be earned by the Company. CVM

Normative Ruling No. 371, dated June 27, 2002, provides for the recording of deferred tax asset arising from temporary differences and tax losses and negative basis of social contribution, and allows such credits to be recognized or maintained in accordance with the following requirements:

- To present the history of profitability;
- To present expectation of the generation of future taxable income, based on technical feasibility study that allows the realization of deferred tax credits.

With the feasibility study annexed to the Plan, the Company was able to determine the expectation of the generation of future taxable income and therefore record in its accounts only the amount of the income tax and social contribution credit that adequately reflects this forecast.

• **Write-off of assets related to judicial deposits**

The judicial reorganization process allowed the Company to scrutinize and reconcile the accounting balances and amounts of judicial deposits, in addition to the corresponding contingencies. Basically, the following factors favored this scenario:

- the possibility of discussion with the major creditor banks that are deposit holders, with a more effective collection of financial information and statements for the reconciliation;
- the digitizing of proceedings and the resulting improvement in the access and use of the research tool in the websites of the Courts of Justice for the reconciliation of procedural developments;
- the stay period restricted the making of deposits and the blocking of accounts; and
- the reduction in the number of filings of court proceedings.

As a consequence, in 2017 the Company created internal interdisciplinary groups and began organizing the system and research bases for the work. In addition, it hired independent external consultants to seek the diagnostic, reconciliation and identification of gaps, adjustments and improvement opportunities in its controls and processes.

In February 2018, the Company, together with its consultants, prepared reports with structured information at an executive level for the adequacy of the Company's financial accounts and identified the aforementioned negative effect of R\$6.3 billion in shareholders' equity corresponding to the write-off of judicial deposits assets.

Oi reports that it has identified the need for improvements in its internal controls and processes and has been taking a number of initiatives to correct procedures, and has been implementing new controls and defining their periodic monitoring.

• **Write-off of goodwill net of taxes**

Following the merger of TmarPart with and into Oi on September 1, 2015, the Company recorded on its balance sheet the total net assets of the merged entity, including the goodwill of its assets.

With the approval of the Plan at the General Creditors' Meeting on December 20, 2017 and its confirmation by the Judicial Reorganization Court on February 5, 2018, the Company understood that the necessary conditions were met for the definition of the assumptions to be used in the annual impairment test of defined and long-term assets for the years ended December 31, 2016 and 2015 under CPC 01 - Reduction of the

Recoverable Value of Assets. The adjustment of this revaluation is reflected in a partial write-off of the appreciation of the asset, net of taxes, in the amount of R\$2.2 billion, in the Company's shareholders' equity as of December 31, 2017.

● **Provision for Regulatory Liabilities**

Clause 4.3.4 of the Plan clearly establishes the criteria and conditions for payment of the credits of regulatory agencies, including those of Anatel.

As such, as it also did for other types of creditors, the Plan separated the payment of the liquid credits, which are recorded in the Debt Roster, from those that are not liquid, as not yet registered and discussed in Anatel's administrative sphere.

It should be noted that these fines are still, mostly, under review in administrative and judicial proceedings, and there is no consistent case law on their merits. The Company believes that Anatel's claims arising from fines are based on disproportionate and unreasonable criteria.

In this context, the Company has increased the balance of provision for regulatory liabilities in R\$ 1.7 billion, in order to reflect the terms of payment approved under the Plan.

Oi notes that such information is preliminary and the Company's independent auditors have not completed their analysis of the information. The Company will keep its shareholders and the market informed of the development of the subject matters of this Material Fact.

02/Apr/2018 | PHAROL informed that the decision of the judge of the 7th Business Court of Rio de Janeiro was the decision to establish the mediation procedure between Bratel BV, Société Mondiale and the Recuperandas, and Dr. Juliana Loss was appointed as mediator of the conflict .

10/Apr/2018 | Oi reported that the Dutch Courts have set the dates for the verification meetings of the Dutch composition plans of PTIF and Oi Coop, both to be held on 1 June 2018, and that consent applications have been initiated with the intention of ensuring the European recognition for the RJ Plan.

11/Apr/2018 | Oi informed Qualified Bondholders with credits in the amount of US \$ 8,462,921,552.92 (or its equivalent in reais or euros) opted for the payment as provided in Sections 4.3.3.2 and following of the Plan (Option Unsecured Bonds of Qualified Bondholders). The total dilution resulting from the delivery of the financial instruments package provided for in said Plan Clause, in the context of the capital increase approved at the Board of Directors' Meeting held on March 5, 2018, will be 72.12%, in the event that all Bondholders Qualifiers take the necessary steps to participate in the Exchange Offer.

OTHER MATERIAL EVENTS IN OI

Below we list other material events about Oi:

30/Aug/2017 | Oi reported receiving correspondence from Goldman Sachs & Co. LLC. with the following information: on August 23, 2017, Goldman Sachs together with its affiliate Goldman Sachs International carried out transactions that resulted in a position equivalent to fourteen million, five hundred and sixteen thousand, two hundred and eighty-six (14,516,286) preferred shares issued by Oi SA - In Judicial Recovery (the "Company"), or 9.20% (nine point twenty percent) of the outstanding preferred shares of the Company;

06/Sep/2017 | Oi reported receiving correspondence from Goldman Sachs & Co. LLC. with the following information: Goldman Sachs & Co. LLC ("Goldman Sachs") hereby informs that on August 31, 2017, Goldman Sachs together with its affiliate Goldman Sachs International carried out transactions that resulted in a position equivalent to 16,642 (Sixteen million, six hundred and forty-two thousand, eight hundred and sixty-two) preferred shares issued by Oi SA - In Judicial Recovery (the "Company"), or 10.55% (ten point fifty-five outstanding preferred shares of the Company);

26/Sep/2017 | Oi informed in attendance to the Official B3 1559/2017-SAE, dated 09/22/2017, of the B3 - Stock Exchange, Brazil, Counter ("B3"), transcribed ("Official"), which in its understanding there are no facts or acts which could justify possible atypical fluctuations in the number of trades and quantity traded in the Company's shares;

28/Sep/2017 | Oi reported receiving correspondence from Goldman Sachs & Co. LLC. with the following information: Goldman Sachs & Co. LLC ("Goldman Sachs") hereby informs that, on September 22, 2017, Goldman Sachs together with its affiliate Goldman Sachs International (jointly "Goldman Entities") which resulted in a position equivalent to fifteen million, five hundred and fifty thousand, one hundred and fifty nine (15,550,159) preferred shares issued by Oi SA - In Judicial Recovery (the "Company"), or 9.86% (nine point eighty and six percent) of the outstanding preferred shares of the Company;

21/Oct/2017 | Oi informed that it received information from Bank of America Corporation that on October 17, 2017, it owned, through several subsidiaries, a total of 7,284,029 shares, representing 4.62% of OI SA's total outstanding preferred shares ("Companhia").

22/Jan/2018 | Oi received on this date, correspondence from SOCIÉTÉ MONDIALE INVESTMENT FUND IN SHARES, informing that it reduced, on January 19, 2018, its participation in the capital stock of Oi SA - in Judicial Recovery ("Company") of: (i) 43,637. 500 Common Shares, equivalent to 6.53% of the Common Shares issued by the Company for 30,306,300 Common Shares, equivalent to 4.54% of the total number of Common Shares issued by the Company, totaling a reduction of 5.28% 3.67%;

05/Feb/2018 | Oi informed that it received on this date, correspondence from JGP GESTÃO DE RECURSOS LTDA. and JGP GESTÃO PATRIMONIAL LTDA., to inform that the Investors acquired common shares issued by Oi SA ("Company"), holding thirty-four million, five hundred and two thousand and eight hundred (34,502,800) common shares issued by Company. This share of Investors represents 5.16% (five point sixteen percent) of the Company's common shares.

The aforementioned acquisitions are not intended to change the composition of the Company's control or administrative structure. There is no agreement or contract regulating the exercise of voting rights or the purchase and sale of securities issued by the Company by the Investors. ";

07/Feb/2018 | Oi informed that it received correspondence from JGP GESTÃO DE RECURSOS LTDA. and JGP GESTÃO PATRIMONIAL LTDA to inform that the Investors disposed of common shares issued by Oi SA ("Company"), holding thirty-one million, two hundred thirty-one thousand and two hundred (31,231,200) common shares issued by the Company.

The referred Investors' share represents 4.68% (four point sixty-eight percent) of the common shares issued by the Company. The aforementioned negotiations are not intended to change the composition of the control

or the administrative structure of the Company. There is no agreement or contract regulating the exercise of voting rights or the purchase and sale of securities issued by the Company by the Investors. ";

08/Feb/2018 | Oi, informed that it received correspondence from JGP GESTÃO DE RECURSOS LTDA. and JGP GESTÃO PATRIMONIAL LTDA., to inform that the Investors acquired common shares issued by Oi SA ("Company"), holding thirty four million, six hundred and forty thousand and three hundred (34,640,300) common shares issued by Company. Investors' interest represents 5.19% (five point nineteen percent) of the common shares issued by the Company and also that investors hold 4,145,000 (four million, one hundred and forty-five thousand) common shares referenced by instruments derivative financial instruments with exclusively financial liquidation.

The aforementioned acquisitions are not intended to change the composition of the Company's control or administrative structure. There is no agreement or contract regulating the exercise of the voting right or the purchase and sale of securities issued by the Company by the Investors ";

22/Feb/2018 | Oi informed, that it received on this date correspondence from JGP GESTÃO DE RECURSOS LTDA. and JGP GESTÃO PATRIMONIAL LTDA to inform that the Investors acquired common shares issued by Oi SA ("Company"), holding thirty-five million, two hundred and sixty-three thousand and two hundred (35,263,200) common shares issued by Company. The referred investor interest represents 5.28% (five point twenty-eight percent) of the common shares issued by the Company and also that investors hold 4,145,000 (four million, one hundred and forty-five thousand) common shares referenced by financial derivative instruments with exclusively financial liquidation.

The aforementioned acquisitions are not intended to change the composition of the Company's control or administrative structure. There is no agreement or contract regulating the exercise of voting rights or the purchase and sale of securities issued by the Company by the Investors. ";

28/Feb/2018 | Oi celebrated a memorandum of understanding with TIM Participações SA on February 26, 2018. The understanding between the companies was established by the CEOs of Oi, Eurico Teles and TIM, Stefano De Angelis, during the Mobile World Congress;

01/Mar/2018 | Oi informed the merger of Oi Internet S.A. ("Oi Internet") by Oi Móvel SA - In Judicial Recovery ("Oi Móvel"), both indirect subsidiaries of the Company;

08/Mar/2018 | Oi announces that on this date he received two letters from JGP GESTÃO DE RECURSOS LTDA. and JGP PATRIMONIAL MANAGEMENT LTDA .:

Investors sold in the days prior to March 7, 2018, common shares issued by Oi, holding 32,683,762 shares representing 4.89% common shares issued by the Company. They also informed that they hold 1,583,038 common shares referenced by financial derivative instruments with exclusively financial settlement forecast.

Investors sold in the days prior to March 8, 2018, common shares issued by Oi, holding 34,383,662 shares representing 5.15% common shares issued by the Company. They also informed that they hold 1,583,038 common shares referenced by financial derivative instruments with exclusively financial settlement forecast;

09/Mar/2018 | Oi communicates that JGP GESTÃO DE RECURSOS LTDA. and JGP GESTÃO PATRIMONIAL LTDA., reported that it had sold in the previous days common shares issued by Oi, which now holds 28,990,362 representing 4.34% common shares issued by the Company. They also informed that they hold

7,583,038 common shares referenced by financial derivative instruments with exclusively financial settlement forecast.

18/Apr/2018 | Oi reported receiving correspondence from Goldman Sachs & Co. LLC. with the following information: on April 12, 2018, Goldman Sachs together with its affiliate Goldman Sachs International carried out transactions that resulted in a position equivalent to 7,847,563 of Oi SA or 4.98% of the outstanding preferred shares of Company; and on April 13, 2018, Goldman Sachs together with its affiliate Goldman Sachs International conducted transactions that resulted in a position equivalent to 8,323,663 of Oi S.A or 5.28%.

04. MAIN RISKS AND UNCERTAINTIES

Among the various risks that may adversely affect the business of PHAROL, the following should be highlighted:

Relevant Risks		
Economic Risks	Oi's Performance	The main risk that PHAROL is subject in Brazil derives from Oi Judicial Recovery; the effect of the operational and financial performance is small compared to the possible impact from the <i>haircut</i> on debt predicted in the Judicial Recovery Plan.
Financial Risks	Exchange Rates	Foreign currency exchange rate risks relate mainly to PHAROL's investment in Oi (Brazil). Any exchange rate fluctuations of the Real against the Euro affect the valorization of Oi shares held by PHAROL, and therefore impact PHAROL's results and financial position.
	Interest Rate	Interest rate risks basically relate to financial expenses and the floating interest rate debt and cash applications. PHAROL is indirectly exposed to this risk specially in Brazil. It is important to point out that, at December 31, 2017 PHAROL has no debt.
	Treasury Applications	PHAROL is mainly subject to credit risks in its treasury applications. In order to dilute these risks, in July 2014 the Board of Directors defined a policy for treasury applications.
	Default by Rio Forte as to the reimbursement of the instruments that PHAROL holds following the execution of the Exchange	The Rio Forte Instruments currently held by PHAROL, are not guaranteed by assets. Therefore, even though there may exist amounts available for reimbursement to Rio Forte's creditors the right to reimbursement of PHAROL will be shared pro rata with the other unsecured creditors of Rio Forte and only after the repayment of all debts to any secured creditors, and after confirmation of the validity of the credits. PHAROL evaluates this instruments every year, with the supervision of the Fiscal Council and External Audit.
	Exercise of the call option on Oi's shares	The value of the Call Option on Oi's shares will depend primarily on the market price for Oi's ordinary and preferred shares, the price of which will depend, in its turn, on Oi's performance, including its operations, financial position, business outlook and its judicial reorganization develop. The Board of Directors of PHAROL closely monitors Oi's business on regular basis and is further engaged in periodically following up the Call Option for purposes of financial statement recording, as well as the price of Oi's shares.

Legal Risks	Court proceedings	The Board of Directors subcontracts the risk analysis as to court proceedings to external lawyers and consultants, to know, for each claim, their assessment as to PHAROL's liability (probable, possible and remote occurrence), the status of the proceedings, the amounts involved, provisioned and paid, and what steps should be taken to defend PHAROL's interests.
	Tax contingencies	In accordance with the agreements with Oi, Oi is responsible for the payment of all contingencies until May 5, 2014 and PHAROL remains and severally liable for these contingencies.
	Disputes or investigations triggered under the Rio Forte Instruments or the Business Combination	PHAROL may incur in liability under disputes and other future proceedings and incur in legal costs in such disputes or other proceedings. Any liability incurred may adversely affect PHAROL's financial position.

05. QUALIFIED HOLDINGS

QUALIFIED HOLDINGS

As at December 31, 2017, qualified holdings represented over 46% of PHAROL share capital, as follows:

DATE OF INFORMATION	ENTITIES	NO. OF SHARES	% OF CAPITAL	% OF VOTING RIGHTS
31/05/2012	Telemar Norte Leste S.A.	89.651.205	10,00%	10,00%
	Telemar's sole shareholder is OI S.A., which is directly controlled by Telemar Participações S.A.. Telemar Participações S.A. is in turn jointly controlled by the following entities: AG Telecom Participações, S.A., L.F. Tel S.A., BNDES Participações S.A. – BNDESPar., Bratel Brasil S.A., Fundação Atlântico de Seguridade Social, Caixa de Previdência dos Funcionários do Banco do Brasil – PREVI, Fundação dos Economizários Federais – FUNCEF and Fundação Petrobrás de Seguridade Social – PETROS			
	Total attributable	89.651.205	10,00%	10,00%
02/04/2018	Novo Banco S.A.	85.665.125	9,56%	9,56%
	Directly	85.665.125		
	Shares held by companies in a controlling or group relationship with Novo Banco, S.A.	916		
	Shares held by directors and members of the Corporate Bodies	595		
	Total attributable	85.666.636	9,56%	9,56%
24/05/2017	High Bridge Unipessoal, Lda.	55.304.969	6,17%	6,17%
	Full chain of controlled undertakings through which the voting rights and/or the financial instruments are effectively held starting with the ultimate controlling natural person or legal entity is formed Atlantis Global Investments, LLC.			
	Total attributable	55.304.969	6,17%	6,17%
05/12/2016	High Seas Investments LLC	46.657.016	5,20%	5,20%
	Full chain of controlled undertakings through which the voting rights and/or the financial instruments are effectively held starting with the ultimate controlling natural person or legal entity is formed Angra Capital Management LTD.			
	Total attributable	46.657.016	5,20%	5,20%

23/06/2017	Discovery Capital Management, LLC	46.073.261	5,14%	5,14%
	Mr. Robert K. Citrone		5,14%	5,14%
	Discovery Capital Management Holding Co, L.P., LLC		5,14%	5,14%
	Discovery Capital Management LLC (investment manager of the following entities)		5,14%	5,14%
	Discovery Global Opportunity Master Fund, Ltd.		2,77%	2,77%
	Discovery Global Macro Master Fund, Ltd.		1,02%	1,02%
	Discovery Global Focus Master Fund, Ltd.		0,69%	0,69%
	Quantum Partners LP		0,66%	0,66%
	Total attributable	46.073.261	5,14%	5,14%

11/12/2017	Norges Bank	27.602.331	3,08%	3,08%
	Total attributable	27.602.331	3,08%	3,08%

30/06/2017	Solus Alternative Asset Management LP	19.353.961	2,16%	2,16%
	Mr. Christopher Pucillo		2,16%	2,16%
	Solus GP LLC		2,16%	2,16%
	Solus Alternative Asset Management LP (investment manager of the following entities)		2,16%	2,16%
	Sola Ltd		2,02%	2,02%
	Ultra Master Ltd		0,06%	0,05%
	Solus Oppor- tunities Fund 5 LP.		0,08%	0,08%
	Total attributable	19.353.961	2,16%	2,16%

After December 31, 2017, the changes that occurred in qualifying holdings result in the following positions:

- On April 16, 2018, PHAROL received the information that Norges Bank holds a qualifying holding of 2.89% of PHAROL's share capital and its voting rights, through 8,165,618 shares held directly and 17,735,853 shares in a loan with right of recall at any time, since April 13, 2018.
- On April 17, 2018, PHAROL received the information that Discovery Capital Management, LLC, ceased to hold a qualifying holding, holding a 1.99% stake in PHAROL's share capital and respective voting rights, through 17,806,503 shares, since April 12. This entity has identified in its chain of control the following entities: Mr. Robert K. Citrone, Discovery Capital Management Holding Co., LP, LLC, Discovery Capital Management LLC, Discovery Global Opportunity Master Fund, Ltd., Discovery Global Focus Master Fund, Ltd. and Quantum Partners LP.
- On April 18, 2018, PHAROL received the information that Solus Alternative Asset Management LP ceased to hold a qualifying holding, maintaining a 1.86% stake in PHAROL's share capital and its voting rights, through 16,642,782 shares, since April 12. This entity identified in its chain of control the following entities: Mr. Christopher Pucillo, Solus GP LLC, Solus Alternative Asset Management LP, Sola Ltd, Ultra Master Ltd, Solus Opportunities Fund 5 LP and Ultra NB LLC.

THE BOARD MEMBERS AND SUPERVISORY BODIES SHAREHOLDINGS

Under the terms of article 9, number 1 c), of Regulation number 5/2008 of CMVM, the following information is presented with respect to the qualified holdings held by the board members and supervisory bodies in PHAROL's share capital, which the company was informed about regarding December 31, 2016 or the previous date, as indicated:

Board of Directors

- Luís Maria Viana Palha da Silva owns 200,000 shares of PHAROL. He was appointed for the Board of Directors of PHAROL on May 29, 2015 and he is also a member of the Board of Directors of Oi. With the suspension of the political rights of Bratel S.à.r.l. determined by the Judicial Recovery Judge, on March 7, 2018, remained in Oi suspended from that date.
- Aristotle Luiz Menezes Vasconcellos Drummond does not own any securities of PHAROL or any other companies that are in a control or group relationship. He was appointed for the Board of Directors of PHAROL on September 28, 2017.
- João Manuel Pisco de Castro does not hold any securities of PHAROL or other companies that are in a controlling or group relationship. He was appointed for the Board of Directors of PHAROL on March 17, 2015. He is also the Vice-Chairman of Grupo Visabeira, SGPS, SA (entity that held a qualifying holding of more than 2% of PHAROL's share capital and voting rights until December 28, 2017) and administrator of Oi. With the approval of the Oi Judicial Recovery Plan on January 8, 2018, after Oi's Board of Directors was replaced by a Transitional Board of Directors, his office was suspended.
- Jorge Augusto Santiago das Neves does not hold any securities of PHAROL or other companies that are in a controlling or group relationship. He was appointed for the Board of Directors of PHAROL on June 30, 2017.
- Jorge Telmo Maria Freire Cardoso does not own any securities of PHAROL or other companies that are in a domain or group relationship. He was appointed for the Board of Directors of PHAROL, on November 5, 2014. He is also an administrator of Novo Banco, SA. and served as an alternate member of Oi until February 17, 2016, when he resigned his position.
- José Manuel Melo da Silva does not own any securities of PHAROL or other companies that are in a controlling or group relationship. He was co-opted for the Board of Directors of PHAROL on July 25, 2016. He has been an alternate administrator of Oi since September 14, 2016. With the approval of the Oi Judicial Recovery Plan on January 8, 2018, after Oi's Board of Directors was replaced by a Transitional Board of Directors, his office was suspended.
- José Mauro Mettrau Carneiro da Cunha does not own any securities of PHAROL or other companies that are in a controlling or group relationship. He was appointed for the Board of Directors of PHAROL on May 29, 2015 and is simultaneously administrator of Oi. He resigned as director of PHAROL on December 28, 2017, with effect on January 31, 2018.
- Maria do Rosário Amado Pinto Correia is the holder of 40 PHAROL shares. She was co-opted for the Board of Directors of PHAROL on September 2, 2015. She has been an alternate member of Oi since

February 17, 2016. With the approval of the Oi Judicial Recovery Plan on January 8, 2018, after Oi's Board of Directors was replaced by a Transitional Board of Directors, his office was suspended.

- Nelson Sequeiros Rodriguez Tanure does not own any securities of PHAROL or other companies that are in a control or group relationship. He was appointed for the Board of Directors of PHAROL on June 30, 2017.
- Pedro Zañartu Gubert Morais Leitão does not own any securities of PHAROL or any other companies that are in a control or group relationship. He was appointed for the Board of Directors of PHAROL on May 29, 2015. He was an alternate member of the Oi Board of Directors until July 4, 2016, when he was appointed as a member of the Board of Directors of Oi. With the suspension of the political rights of Bratel S.à.r.l. determined by the Judicial Recovery Judge, on March 7, 2018, remained in Oi suspended from that date.
- Thomas Cornelius Azevedo Reichenheim does not own any securities of PHAROL or any of its controlled or group companies. He was appointed for the Board of Directors of PHAROL on June 30, 2017. He is also an administrator of Oi, and with the approval of the Oi Judicial Recovery Plan on January 8, 2018, after which Oi's Board of Directors was replaced by a Transitory Board of Directors, its functions were suspended.

Fiscal Council

The fiscal council members, identified below, do not own any shares of PHAROL.

- José Maria Rego Ribeiro da Cunha
- Isabel Maria Beja Gonçalves Novo
- Pedro Miguel Ribeiro de Almeida Fontes Falcão
- Paulo Ribeiro da Silva

Managing-Director

The managing-director Luís Maria Viana Palha da Silva is also member of the Board of Directors.

Statutory Auditor ("ROC")

The Statutory Auditor does not own any shares of PHAROL.

- Effective ROC - BDO & Associados - SROC, represented by Dr. Rui Carlos Lourenço Helena
- Substitute ROC - Dr. Pedro Manuel Aleixo Dias

06. OUTLOOK

PHAROL has remained exclusively focused on the management of its current asset portfolio, and diversification of activities and relevant investments are not currently foreseen.

PHAROL's main asset is the investment in Oi, being its most relevant shareholder, with 183,662,204 common shares and 27.18% of its capital, and a Call Option on 34,153,108 Common Shares and 68,306,216 Oi Preferred Shares.

Having monitored Oi's management, Oi has followed the guidelines in its Strategic Plan, and that are based on a significant cost reduction programme and investment optimization program, focused on its opportunities for growth and return. In 2017, PHAROL cooperated with Oi for the success of its the judicial reorganization plan and for its operations improvement strategy.

However, PHAROL was surprised by the judicial decision to entrust on Oi's President Director in negotiating with the other "stakeholders" without any intervention by the relevant corporate bodies and by the unbalanced solution, with disregard for the different interests involved (namely, the dilution level imposed on shareholders), which was presented and approved by the General Meeting of Creditors on December 19 and subsequently as early as January 2018, ratified by the courts. As a result, PHAROL has been challenging all decisions - of the company or the courts - which have unlawfully and unfairly prejudiced its interests but are always open to negotiations a quick and consensual execution of the Oi Judicial Recovery Plan.

PHAROL continues to monitor the value of the Call Option on Oi's shares and to analyse alternatives that allow it to maximize its value by monetizing the instrument or exercising it.

PHAROL also has a claim on Rio Forte and continues to carefully follow the liquidation process of this company that runs in Luxembourg, with the objective of maximizing the respective reimbursements.

PHAROL's balance sheet is characterized today by the inexistence of financial debt, but some risks and legal processes, potentially responsible and identified throughout this report - mainly due in due time to Oi, in which PHAROL remains a joint party responsible - have occupied a significant part of the efforts of the company's management team.

In 2017, PHAROL's operating costs decreased 32% to 4.8 million euros, maintaining the trend of reduction and cost control.

07. STATEMENT FROM THE BOARD OF DIRECTORS

For the purposes of article 245 of the Portuguese Securities Code, the members of the Board of Directors of PHAROL, SGPS S.A., identified hereunder, hereby declare, in their capacity and within their functions as described therein, that, as far as they are aware, and based on information that they have had access to, through the Board of Directors and/or Executive Committee, as applicable, while in office:

- The information featured in the management report, financial statements, and other accountability documents required by law or regulations concerning to 2017, was prepared in accordance with the applicable set of accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of PHAROL, SGPS S.A. and companies included in the respective consolidation perimeter;
- 2017 management report outlines the progress of the business activities, the performance and position of PHAROL, SGPS, SA and companies included in the respective consolidation perimeter, and it contains a correct description of the main risks and uncertainties that these entities face.

Lisbon, April 23, 2018

Luís Maria Viana Palha da Silva, Chairman of the Board of Directors and Managing Director

Aristóteles Luiz Menezes Vasconcellos Drummond, Board Member

João Manuel Pisco de Castro, Board Member

Jorge Augusto Santiago das Neves, Board Member

Jorge Telmo Maria Freire Cardoso, Board Member

José Manuel Melo da Silva, Board Member

Maria do Rosário Amado Pinto Correia, Board Member

Nelson Sequeiros Rodriguez Tanure, Board Member

Pedro Zañartu Gubert Morais Leitão, Administrador não executivo

Thomas Cornelius Azevedo Reichenheim, Board Member

08. ACTIVITIES OF THE NON-EXECUTIVE DIRECTORS

According to its Regulations, PHAROL's Board of Directors has restated the commitment to provide its Non-Executive members with effective powers to monitor, evaluate and supervise the executive management of the Company.

During 2017, PHAROL's Non-Executive Directors could carry out their duties effectively and without constraints of any kind. In this context, the following activities are highlighted:

- In addition to the performance of their role not delegated to the Managing-Director, PHAROL's Non-Executive Directors carried out their duties of supervising the activity of the executive management, under and for the purposes of Article 407, no. 8 of the Portuguese Companies Code and the Regulation of the Board of Directors. In fact, under those rules, the delegation of authority to the Managing-Director does not preclude the legal duty of general monitoring by the Non-Executive Directors;
- The effective performance of their functions by PHAROL's Non-Executive Directors was also enhanced by the significant number of independent members within the Board

In fact, PHAROL's Board includes 7 independent directors corresponding to 89% of the Non-Executive directors and more than 80% of the Board members, with an active and assiduous participation in the Board meetings.

Additionally, the concentration of the Chairman / Managing Director roles has not prejudiced in any way the effective performance of the functions of the Non-Executive Directors, being particularly adequate to the current stage of PHAROL's life, for the following reasons:

- Such concentration of roles in one person is fully in line with the efficient and rigorous performance of functions by Board members in the current period; the actual governance model maintains the segregation of powers between the Board and the Executive Committee, through the roles carried out by the Non-Executive Directors.
- In 2017, PHAROL's Board of Directors kept in place various practices and mechanisms aiming at facilitating the informed and independent decision making by Non-Executive Directors, including inter alia the following:
 - Managing Director providing detailed presentations during the meetings of the Board of Directors, regarding relevant issues concerning the activity developed, granting the Non-Executive Directors any additional information requested and promoting a productive debate regarding the activity of the Company (particularly in what regards strategic decisions);
 - The Non-Executive Directors gathering, jointly or separately, the information necessary or convenient to the exercise of their duties, allowing for an adequate and timely answer to be given;
 - Without prejudice to cases of acknowledged urgency, the meetings of the Board of Directors are convened with a minimum prior notice of five days and the agenda and supporting documentation of the meeting is made available at least three days in advance;

- The Non-Executive Directors frequently attending the meetings of the Board of Directors, which were held in a significant number (13 meetings), as well as informal meetings and presentations with Non-Executive Directors intended to clarify and debate specific issues concerning the financial information and the business of the Company.

In addition to these activities, it is important to note that, having the Company opted for the classic corporate governance model, its supervisory body is a Fiscal Council which, in the performance of their legal and regulatory duties, as well as those laid down in the articles of association, as described in the Company's Corporate Governance Report, presents the result of its activities in autonomous reports and opinions, including the report of supervisory activity and the opinions on the individual and consolidated annual reports, to be issued each year.

PHAROL, SGPS S.A.

CONSOLIDATED FINANCIAL STATEMENTS

2017

09. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

PHAROL, SGPS S.A.			
CONSOLIDATED INCOME STATEMENT			
PERIODS ENDED DECEMBER 31 2017 AND 2016			
		Euro	
	Notes	2017	2016
			Restated
CONTINUING OPERATIONS			
COSTS, LOSSES AND (INCOME)			
Wages and salaries	6	1,856,329	2,052,252
Supplies, external services and other expenses	7	2,694,538	4,389,268
Indirect taxes	8	273,999	566,329
Depreciation		79,495	83,638
Losses (gains) on disposal of fixed assets, net		-	42,946
Net other losses (gains)		(2,831,158)	(10,230)
		2,073,203	7,124,204
Income (loss) before financial results and taxes		(2,073,203)	(7,124,204)
FINANCIAL LOSSES AND (GAINS)			
Net interest income	9	(39,719)	(172,370)
Net foreign currency exchange losses		157,096	(716,113)
Net losses on financial assets and other investments	14	11,275,218	54,439,685
Equity in losses of associates	13	792,687,761	-
Net other financial expenses		313,135	1,165,026
		804,393,491	54,716,228
Income (loss) before taxes		(806,466,694)	(61,840,432)
Income taxes	10	30,195	21,550
NET INCOME		(806,496,890)	(61,861,982)
Attributable to equity holders of the parent		(806,496,890)	(61,861,982)
Earnings per share			
Basic and Diluted	11	(0.93)	(0.07)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
PERIODS ENDED DECEMBER 31 2017 AND 2016

	Notes	2017	Euro 2016 Restated
Net Income recognised in the income statement		(806,496,890)	(61,861,982)
Income (expenses) recognised directly in shareholders' equity			
Items that may be reclassified subsequently to the income statement			
Foreign currency translation adjustments	13	960,667,272	-
Gains (expenses) recorded in shareholders' equity related to joint ventures		-	-
Items that will not be reclassified to the income statement			
Other expenses recognised directly in shareholders' equity, net		(183,683)	97,948
Total earnings recognised directly in shareholders' equity		960,483,589	97,948
Total comprehensive income		153,986,699	(61,764,034)
Attributable to shareholders of PHAROL SGPS		153,986,699	(61,764,034)

The accompanying notes form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31 2017 AND 2016**

	Notes	2017	2016	Euro 1 Jan 2016
			Restated	Restated
ASSETS				
Current Assets				
Cash and cash equivalents	20	25.152.142	28.936.973	64.879.371
Accounts receivable		144.507	414.696	542.036
Taxes receivable	12	61.192	67.747	24.437
Prepaid expenses		14.520	14.064	-
Total current assets		25.372.360	29.433.480	65.445.845
Non-Current Assets				
Investments in joint ventures and associates	13	-	-	-
Tangible assets		133.607	270.430	-
Financials assets	13	167.810.365	-	421.578
Other non-current assets	14	75.790.173	87.324.070	141.045.340
Total non-current assets		243.734.144	87.594.500	141.466.919
Total assets		269.106.504	117.027.980	206.912.764
LIABILITIES				
Current Liabilities				
Short-term debt		3.065	8.430	15.851
Accounts payable	15	4.741.442	2.330.691	1.729.138
Accrued expenses	16	1.544.125	5.716.629	6.539.596
Taxes payable	12	158.654	137.841	424.215
Provisions	17	-	75.858	75.858
Other current liabilities		857.040	891.405	905.214
Total current liabilities		7.304.327	9.160.853	9.689.871
Non-Current Liabilities				
Medium and long-term debt		51.836	103.487	121.281
Total non-current liabilities		51.836	103.487	121.281
Total liabilities		7.356.163	9.264.339	9.811.152
SHAREHOLDERS' EQUITY				
Share capital	19	26.895.375	26.895.375	26.895.375
Treasury shares	19	(179.675.995)	(179.675.995)	(178.071.826)
Legal reserve	19	6.773.139	6.773.139	6.773.139
Reserve for treasury shares	19	186.646.315	186.646.315	185.042.146
Other reserves and accumulated earnings	19	221.111.507	67.124.807	156.462.777
Total equity		261.750.341	107.763.641	197.101.612
Total liabilities and shareholders' equity		269.106.504	117.027.980	206.912.764

The accompanying notes form an integral part of these financial statements.

PHAROL, SGPS S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
PERIODS ENDED DECEMBER 31 2017 AND 2016

										Euro
	Notes	Share capital	Treasury shares	Legal reserve	Reserve for treasury shares	Other reserves and accumulated earnings	Equity excluding non-controlling interests	Non-controlling interests	Total equity	
Balance as at December 31, 2015		26,895,375	(178,071,827)	6,773,139	185,042,147	156,462,777	197,101,611	-	197,101,611	
Own shares acquisition		-	(1,604,169)	-	1,604,169	(1,604,169)	(1,604,169)	-	(1,604,169)	
Dividends		-	-	-	-	(25,969,766)	(25,969,766)	-	(25,969,766)	
Income (expenses) recognized directly in equity		-	-	-	-	97,948	97,948	-	97,948	
Income recognized in the income statement		-	-	-	-	(61,861,982)	(61,861,982)	-	(61,861,982)	
Balance as at December 31, 2016		26,895,375	(179,675,996)	6,773,139	186,646,316	67,124,808	107,763,642	-	107,763,641	

										Euro
	Notes	Share capital	Treasury shares	Legal reserve	Reserve for treasury shares	Other reserves and accumulated earnings	Equity excluding non-controlling interests	Non-controlling interests	Total equity	
Balance as at December 31, 2016		26,895,375	(179,675,996)	6,773,139	186,646,316	67,124,808	107,763,642	-	107,763,642	
Income (expenses) recognized directly in equity	13	-	-	-	-	960,483,589	960,483,589	-	960,483,589	
Income recognized in the income statement	13	-	-	-	-	(806,496,890)	(806,496,890)	-	(806,496,890)	
Balance as at December 31, 2017		26,895,375	(179,675,995)	6,773,139	186,646,315	221,111,507	261,750,341	-	261,750,341	

The accompanying notes form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
PERIODS ENDED DECEMBER 31 2017 AND 2016**

	Notes	2017	Euro 2016
OPERATING ACTIVITIES			
Payments to suppliers	20.a	(4,718,245)	(5,895,914)
Payments to employees		(1,765,166)	(2,348,909)
Payments relating to income taxes		(50,054)	(50,253)
Other cash receipts, net		2,722,612	(269,101)
Cash flows from operating activities (1)		(3,810,853)	(8,564,176)
INVESTING ACTIVITIES			
Cash receipts resulting from:			
Tangible and intangible assets		34,500	5,300
Interest and related income		33,822	133,303
		68,322	138,603
Payments resulting from:			
Financial investments		-	-
Tangible and intangible assets		-	(979)
		-	(979)
Cash flows from investing activities (2)		68,322	137,624
FINANCING ACTIVITIES			
Payments resulting from:			
Loans repaid		(57,015)	(110,059)
Interest and related expenses		(16,031)	(17,432)
Dividends	20.b	-	(25,969,766)
Purchase of own shares	20.c	-	(1,603,908)
Cash flows from financing activities (3)		(73,046)	(27,701,165)
Cash and cash equivalents at the beginning of the period		28,936,973	64,879,371
Change in cash and cash equivalents (4)=(1)+(2)+(3)		(3,815,578)	(36,127,717)
Effect of exchange differences		30,746	185,319
Cash and cash equivalents at the end of the period	20.d	25,152,142	28,936,973

The accompanying notes form an integral part of these financial statements.

(Amounts stated in Euros, except where otherwise mentioned)

1. Introduction

On December 31, 2017, PHAROL now holds, indirectly through wholly owned subsidiaries, 183,662,204 common shares of Oi, representing 27.2% of total share capital of Oi (excluding treasury shares). PHAROL's voting rights in Oi are limited to 15% of the total common shares of Oi.

PHAROL considered it had significant influence over Oi and classifies Oi as an associate company. Between July 30, 2015 (the date of the end of shareholder agreements) and December 31, 2017, the investment in Oi was accounted for according to the equity method, based on PHAROL's economic stake in Oi's results. After PHAROL lost its significant influence over Oi, the investment started to be accounted by its market value.

Based on the agreements concluded on March 30, 2015 between PHAROL and Oi, PHAROL currently holds Rio Forte debt securities with a nominal value of Euro 897 million and a Call Option for shares of Oi. On March, 31 201, as a part of the options has reached maturity, PHAROL holds a call option on 34,153,108 common shares of Oi and 68,306,216 preferred shares of Oi.

2. Basis of presentation

The consolidated financial statements for the financial year ending on December 31, 2017 were approved by the Board of Directors and authorized for issue on 23 April 2018, but still subject to approval at the Shareholders' General Meeting, pursuant to applicable legislation.

The consolidated financial statements are presented in Euros since this is the operating currency of PHAROL. The financial statements of the investing companies given in foreign currency were converted to Euros according to the accounting policies described in Note 3.

The PHAROL consolidated financial statements were prepared according to the International Financial Reporting Standards ("IFRS") as adopted by the European Union, including all interpretations of the International Financial Reporting Interpretation Committee ("IFRIC") that were in effect on January 1, 2017, approved for adoption by the European Union (EU).

The consolidated financial statements were prepared on the assumption of continuity of operations.

In the preparation of the consolidated financial statements in compliance with IFRS, the Board of Directors adopted certain assumptions and estimates that affect the reported assets and liabilities, as well as income and costs relating to the reported periods (Note 3).

a) Principles of consolidation

Subsidiaries

PHAROL fully consolidated the financial statements of all controlled companies. A company is considered to be controlled when the Group is exposed, or has rights, to variable returns resulting from its involvement with the investee and has the ability to affect those returns through the same power it exercises over that

company. In situations where the Group has, in substance, control of other entities established for a specific purpose, even if it does not possess a majority of the voting rights, they are consolidated using the full consolidation method.

When there is a participation of third parties in the equity and net income of the consolidated companies is presented separately in the Consolidated Statement of Financial Position and the Consolidated Income Statement, respectively, in the "Non-controlling Interests" caption.

The assets, liabilities and contingent liabilities of a subsidiary are measured at their respective fair value at the acquisition date. Any excess of the cost of acquisition over the fair value of identifiable net assets is recorded as goodwill. In cases when the cost of acquisition is less than the fair value of identifiable net assets, the difference is recorded as a gain in the consolidated statement of results for the year. The interests of non-controlling shareholders are presented by the respective proportion of the fair value of identifiable assets and liabilities.

The results of subsidiaries acquired or sold during the period are included in the Consolidated Income Statement from the date of acquisition or up to the effective date of disposal, respectively.

Transactions and balances between subsidiaries are eliminated on consolidation. Capital gains arising from transactions between Group companies are also eliminated in the consolidation process.

Where necessary, adjustments are made to the financial statements of subsidiaries with a view to standardizing their accounting policies with the Group.

Associate

The classification of financial investments as associate is determined based on the existence significant influence. According to IAS 11, investments in associate are recognized using the equity method.

The assets, liabilities and contingent liabilities of associate resulting from the acquisition of shareholdings in other companies are measured at fair value as of the acquisition date. Any excess of the cost of acquisition over the fair value of identifiable net assets is included in the carrying amount of the investment.

Whenever necessary, adjustments are made to the financial statements associate with a view to standardizing their accounting policies with the Group.

The PHAROL Group consists of the following companies:

Company	Head office	Head office	Activity	Direct	dez/17 Effective	dez/16 Effective
Bratel BV	Amsterdam	Subsidiaries	Management of investments	Pharol SGPS (100%	100%	100%
PT Brasil	São Paulo	Subsidiaries	Management of investments	Bratel BV (100%)	100%	100%
Bratel S.a.r.l.	Luxembourg	Subsidiaries	Management of investments	Bratel BV (100%)	100%	n.a.
Oi S.A.	Rio de Janeiro	Associate	Provider of telecommunication services in Brazil	Bratel BV (27,18%	n.a.	27.18%

Restatement for the year 2016

PHAROL restated the Income Statement, the Statement of Financial Position and the Statement of Changes in Equity for the year ended 31 December 2016. This restatement is the result of the adjustments made by Oi to its initial and final assets in the year 2016 which consequently impacted on the appreciation of Investment in PHAROL. The impacts of this restatement are as follows:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31/12/16	Ajust.	31/12/16
	Before the Restatement	Adjustment	Restated
ASSETS			
Current Assets			
Cash and cash equivalents	28,936,973	-	28,936,973
Accounts receivable	414,696	-	414,696
Taxes receivable	67,747	-	67,747
Prepaid expenses	14,064	-	14,064
Total current assets	29,433,480	0	29,433,480
Non-Current Assets			
Investments in joint ventures and associates	140,805,013	-140,805,013	0
Tangible assets	270,430	-	270,430
Financials assets	87,324,070	-	87,324,070
Other non-current assets	228,399,513	-140,805,013	87,594,500
Total non-current assets	257,832,993	-140,805,013	117,027,980
Total assets			
LIABILITIES			
Current Liabilities			
Current Liabilities	8,430	-	8,430
Short-term debt	2,330,691	-	2,330,691
Accounts payable	5,716,629	-	5,716,629
Accrued expenses	0	-	0
Taxes payable	137,841	-	137,841
Provisions	75,858	-	75,858
Other current liabilities	891,405	-	891,405
Total current liabilities	9,160,853	0	9,160,853
Non-Current Liabilities			
Medium and long-term debt	103,487	-	103,487
Total non-current liabilities	103,487	0	103,487
Total liabilities	9,264,339	0	9,264,339
SHAREHOLDERS' EQUITY			
Share capital	26,895,375	-	26,895,375
Treasury shares	-179,675,995	-	-179,675,995
Legal reserve	6,773,139	-	6,773,139
Reserve for treasury shares	186,646,315	-	186,646,315
Other reserves and accumulated earnings	207,929,820	-140,805,013	67,124,807
Total equity	248,568,654	-140,805,013	107,763,641
Total liabilities and shareholders' equity	257,832,993	-140,805,013	117,027,980

CONSOLIDATED INCOME STATEMENT	2016	Ajust.	2016
	Before the Restatement	Adjustment	Restated
CONTINUING OPERATIONS			
COSTS, LOSSES AND (INCOME)			
Wages and salaries	2,052,252	-	2,052,252
Supplies, external services and other expenses	4,389,268	-	4,389,268
Indirect taxes	566,329	-	566,329
Provisions and adjustments	-	-	-
Depreciation	83,638	-	83,638
Losses (gains) on disposal of fixed assets, net	42,946	-	42,946
Net other losses (gains)	(10,230)	-	(10,230)
	7,124,204	-	7,124,204
Income (loss) before financial results and taxes	(7,124,204)	-	(7,124,204)
FINANCIAL LOSSES AND (GAINS)			
Net interest income	(172,370)		(172,370)
Net foreign currency exchange losses	(716,113)		(716,113)
Net losses on financial assets and other investments	54,439,685		54,439,685
Equity in losses of associates	13,215,195	(13,215,195)	-
Net other financial expenses	1,165,026		1,165,026
	67,931,423	(13,215,195)	54,716,228
Income (loss) before taxes	(75,055,626)	13,215,195	(61,840,432)
Income taxes	21,550		21,550
NET INCOME	(75,077,177)	13,215,195	(61,861,982)

3. Principal Accounting Policies, Judgements and Estimates

Principal Accounting Policies

a) Classification of the Consolidated Statement of Financial Position

Assets realizable up to one year from the date of the Consolidated Statement of Financial Position are classified as current. Liabilities are also classified as current when they are due in less than one year or when there is no unconditional right to defer their liquidation for a period of at least 12 months after the date of the Consolidated Statement of Financial Position.

b) Tangible Assets

Tangible assets are stated at acquisition cost, net of accumulated depreciation, investment subsidies and accumulated impairment losses, if any. Acquisition cost includes: (1) the amount paid to acquire the asset; (2) direct expenses related to the acquisition process; and (3) the estimated cost of dismantling or removal of the assets.

They are depreciated on a straight-line basis from the month they are available for use, during its expected useful life. The amortization period of tangible assets is monitored annually and adjusted whenever necessary to reflect its economic useful life. The amount of the asset to be depreciated is reduced by any residual estimated value. The depreciation rates used correspond to the following estimated average economic useful lives:

	Years
Buildings and other constructions	3 - 50
Transportation equipment	4 - 8
Tools	4 - 8
Administrative equipment	3 - 10
Other tangible fixed assets	4 - 8

Estimated losses resulting from the replacement of equipment before the end of their economic useful lives are recognized as a deduction to the corresponding asset's carrying value, against results of the period, as well as any impairment of these assets. The cost of recurring maintenance and repairs is charged to net income as incurred. Costs associated with significant renewals and betterments are capitalized if any future economic benefits are expected and those benefits can be reliably measured.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the assets, and is recognized in the Consolidated Income Statement under the caption "Gains on disposals of fixed assets, net" when occurred.

c) Intangible Assets

When existing, intangible assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses, if any. Intangible assets are recognized only if any future economic benefits are expected and those benefits as well as the cost of the asset can be reliably measured.

d) Investments in Associates

All entities over which PHAROL hold significant influence, that have not been deemed as Subsidiaries or Joint Ventures, have been considered as Associates. The existence of significant influence has been considered whenever there exists power to participate in the decisions pertaining the financial and operational policies of the investees, though such participation does not constitute neither control nor joint control over those policies (Note 13). The associates are accounted through the equity method, such that the financial investment is initially recognized at cost, while the book value is increased or decreased, in order to recognize the share of the investor in the investee's income/(losses). The distributions obtained from an investee reduce the financial investment's book value. It may also be necessary to perform adjustments to the financial investment's book value, to reflect changes to the investor's proportional interest in changes in the investee's equity, that have not been recognized in the investee's profit or loss. This share of equity changes is directly recognized in the investor's equity. If the Company's share over the losses of an associate equals or exceeds the amount of the financial investment, the recognition of additional losses is discontinued; following the reduction of the associate's book value to zero, the Company recognizes a liability if it has incurred in additional legal or constructive obligations. After the application of the equity method, the Company applies the requirements of IAS 39, in order to determine the need to recognize any additional impairment losses, with respect to the Company's interest in its associates.

e) Impairment of Tangible and Intangible Assets

The Group performs impairment tests for these assets if any event or change results in an indication of impairment. In case of any such indication, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of i) fair value less cost to sell, and ii) the value in use. In assessing fair value less cost to sell, the amount that could be received from an independent entity is considered, reduced by direct costs related to the sale. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the specific risk to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, an impairment loss is recognized immediately in the Consolidated Income Statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. A reversal of an impairment loss is recognized immediately in net income.

f) Provisions, Liabilities and Contingent Liabilities

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where any of the above-mentioned criteria does not exist, or is not accomplished, the Group discloses the event as a contingent liability, unless the cash outflow is remote.

Provisions for restructuring are only recognized if a detailed and formal plan exists and if the plan is communicated to the related parties.

Provisions are updated on the date of the Consolidated Statement of Financial Position, considering the best estimate of the Group's management.

Obligations for dismantling and removal costs are recognized from the month the assets are in use and if a reliable estimate of the obligation is possible (Notes 3.b). The amount of the obligation is discounted, being the corresponding effect of time value recognized in net income, under the caption "Net interest expense".

g) Financial Assets and Liabilities

Financial assets and liabilities are recognized in the Consolidated Statement of Financial Position when the Group becomes a party of the respective contractual relationship.

(i) Accounts Receivable

Accounts receivable, loans granted and other accounts receivable that have fixed or defined payments and that are not quoted in an active market are classified as accounts receivable or loans granted.

Accounts receivable do not have implicit interest, are presented at the respective nominal value deducted from estimated losses in yield, calculated essentially based (a) on the age of the balance receivable and (b) on the credit profile of the specific debtor.

(ii) Financial liabilities and Equity Instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities.

Equity instruments issued by the Group are recognized based on their proceeds, net of any issuance costs.

(iii) Accounts Payable (Note 15)

Trade payables are recognized at nominal value, which is substantially similar to their fair value.

(iv) Treasury Shares (Note 19)

Treasury shares are recognized as a deduction to shareholders' equity, under the caption "Treasury shares", at acquisition cost, and gains or losses obtained in the disposal of those shares are recorded under "Accumulated earnings".

(v) Cash and Cash Equivalents and Short-Term Investments (Note 20)

The amounts included under "Cash and Cash Equivalents" correspond to the cash values, bank deposits, terms deposits and others, maturing in three months or less and that may be immediately callable with insignificant risk of change in value. The heading "Cash and Cash Equivalents" also includes deposits from clients and other entities that were not yet compensated. For the purposes of the Consolidated Cash Flow Statement, the heading "Cash and Cash Equivalents" also includes bank overdrafts included on the Consolidated Statement of Financial Standing under the heading "Short-Term Debt," where applicable.

h) Leases (Company as Lessee)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The classification of leases depends on the substance of the transaction and not on the form of the contract.

Assets acquired under finance leases and the corresponding liability to the lessor are accounted for using the finance method, in accordance with the lease payment plan. Interest included in the rents and the depreciation of the assets are recognized in net income in the period they occur.

Expenses incurred during investigation are recognized in net income when incurred.

i) Income Tax

Income tax for the period is recognized in accordance with IAS 12 Income Taxes ("IAS 12") and is comprised of current tax and deferred tax.

Within income tax for the period, in addition to current tax, the effect of the deferred tax is also recognized, calculated based on the difference between the carrying amount of the assets and liabilities at a given time and the corresponding amount for tax purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are only recognized when there is reasonable assurance that they may be used to reduce future taxable profit, or when there is an offset with deferred tax liabilities that are expected to reverse in the same period.

Deferred tax assets are reviewed at the date of the Consolidated Statement of Financial Position and are reduced when it is no longer probable that they will be used in the future.

Tax amounts, either in respect of current or deferred tax, resulting from transactions or events recognized directly in shareholders' equity are recorded directly in those captions. The impact of changes in the tax rate is recognized in net income, except when it relates to items recognized directly in shareholders' equity, in which case the impact is also recognized directly in shareholders' equity.

j) Foreign Currency Transactions and Balances

Transactions denominated in foreign currencies are translated to the Euro at the exchange rates prevailing at the time the transactions are made. At the date of the Consolidated Statement of Financial Position, assets and liabilities denominated in foreign currencies are adjusted to reflect the exchange rates prevailing at such date. The resulting gains or losses on foreign exchange transactions are recognized in net income. Exchange differences on non-monetary items, including goodwill, and on monetary items representing an extension of the related investment and where settlement is not expected in the foreseeable future, are recognized directly in shareholders' equity under the caption "Cumulative foreign currency translation adjustments", and included in the Consolidated Statement of Comprehensive Income.

The financial statements of subsidiaries operating in other countries are translated to Euro, using the following exchange rates:

- Assets and liabilities at the exchange rates prevailing at the date of the Consolidated Statement of Financial Position;
- Profit and loss items at the average exchange rates for the reported period;
- Cash flow items at the average exchange rates for the reported period, where these rates approximate the effective exchange rates (and in the remaining cases, at the rate effective on the day the transaction occurred); and
- Share capital, reserves and retained earnings at historical exchange rates.

The effect of translation differences is recognized in shareholders' equity under the caption "Cumulative foreign currency translation adjustments" and is included in the Consolidated Statement of Comprehensive Income. In accordance with IAS 21, when a reduction of PHAROL's investment in a foreign entity occurs, through the sale or reimbursement of share capital, the accumulated effect of translation differences is transferred to the Consolidated Income Statement, considering the proportion of the reduction occurred.

PHAROL choose to use the exception under IFRS 1 relating to cumulative translation adjustments as of January 1, 2004 and transferred this amount from "Foreign currency translation adjustments" to "Accumulated earnings". As from January 1, 2004, the Group has been recognizing all translation adjustments directly in shareholders' equity and therefore these amounts are transferred to net income only if and when the related investments are disposed off or there is a repayment of the investment made.

k) Borrowing Costs

Borrowing costs are recognized as an expense when they are incurred. The Group does not capitalize borrowing costs, even those related to loans to finance the acquisition, construction or production of an asset, when the construction period of the tangible and intangible assets is relatively short.

I) Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows is prepared under IAS 7, using the direct method. PHAROL classifies as “Cash and cash equivalents” all highly liquid investments, with original maturity of up to three months and an insignificant risk of change in fair value. The “Cash and cash equivalents” item presented in the Consolidated Statement of Cash Flows also includes overdrafts, classified in the Consolidated Statement of Financial Position under “Short-term debt”.

Cash flows are classified in the Consolidated Statement of Cash Flows according to three main categories, depending on their nature: (1) operating activities; (2) investing activities; and (3) financing activities. Cash flows from operating activities include primarily collections from clients, payments to suppliers, payments to employees, payments relating to post retirement benefits and net payments relating to income taxes and indirect taxes. Cash flows from investing activities include primarily acquisitions and disposals of financial investments, dividends received from associated companies and purchase and sale of property, plant and equipment. Cash flows from financing activities include primarily borrowings and repayments of debt, payments relating to interest and related expenses, acquisition of treasury shares and payments of dividends to shareholders.

m) Subsequent Events (Note 24)

Events occurring after the date of the Consolidated Statement of Financial Position that could influence the value of the assets and liabilities existing on the date of said statement are considered when preparing the financial statements for the period. These events, if significant, are disclosed in the notes to the consolidated financial statements.

Judgements and Estimates

When preparing the consolidated financial statements in accordance with IFRS, PHAROL’s Board of Directors uses estimates and assumptions that affect the application of accounting policies and reported amounts. Estimates and judgments are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be probable under the circumstances on which the estimates are based, or as a result of new information or more experience. The main accounting estimates reflected in the consolidated financial statements are as follows:

- (a) Valuation of the investment in Oi** – On May 5, 2014, the Company valued its new stake in Oi based on Oi’s reference share price in the capital increase on that date, having as of that date, appropriated its stake in Oi’s income using the equity method. Additionally, from September 8, 2014, onwards, the portion of the investment to be delivered within the scope of the Exchange Agreement was classified as a non-current asset held for sale, and measured at fair value up till the execution of the Exchange Agreement on March 30, 2015. As at December 31, 2017, the measurement of the Company’s investment in Oi was based on its market value, namely the stock price, given that PHAROL has lost its significant influence. On December 31, 2016, this investment was valued by the equity method.
- (b) Valuation of the Rio Forte instruments** – On March 30, 2015, the Rio Forte instruments were obtained, following the execution of the Exchange Agreement, over Oi’s shares. As of that date, subsequent to a market consultation, the Company valued the instruments at 15% of their notional

value. This valuation was reviewed as at September 30, 2016, and was reduced to 9.65%. On December 31, 2017 this valuation was reviewed again to 8.32%.

(c) Valuation and useful life of intangible and tangible assets – PHAROL uses estimates to determine the useful life of its property, plant and equipment (Note 3).

(d) Recognition of provisions and adjustments – PHAROL is party to various ongoing legal claims for which, based on the opinion of its legal advisors, a judgment was made to determine the recognition of a possible provision for these contingencies (Note 17). Adjustments for accounts receivable are calculated based primarily on the aging of the accounts receivable, the risk profile of the customers and their financial situation.

The estimates were determined based on the best information available during the preparation of the consolidated financial statements, however, situations may arise in subsequent periods which, not foreseeable at that time, were not taken into consideration in these estimates. In accordance with IAS 8, changes to estimates which occur after the reporting date of the consolidated financial statements are applied prospectively in net income.

4. Changes in Accounting Policies

During fiscal year 2017, PHAROL has adopted the following standards issued by the International Accounting Standards Board (IASB) and approved by the European Union:

- (a) **IAS 12 (amendment), 'Recognition of deferred tax assets for unrealized losses'** This amendment clarifies how to account for deferred tax assets related to debt instruments measured at fair value.
- (b) **IAS 7 (Amendment), 'Disclosure Initiative'** This amendment requires entities to disclose information about changes in their funding liabilities so that investors can better understand changes in the entity's debt.
- (c) **Improvements to standards 2014 - 2016** This cycle of improvements affects the following standards: IFRS 12 Interest Disclosure of interests in other entities.

Below are standards, amendments to the existing standards and interpretations that were published before and which the application is mandatory for annual periods beginning on or after January 1, 2017 and that PHAROL decided not to adopt them in advance.

- (a) **IFRS 15 (new), 'Revenue from contracts with customers'** (effective for annual periods beginning on or after January 1, 2018). This standard is still subject to endorsement by European Union. This new standard, applies only to contracts with customers to provide goods or services, and requires an entity to recognize revenue when the contractual obligation to deliver the goods or services is satisfied and by the amount that reflects the consideration the entity is expected to be entitled to, following a five-step approach. The impacts pursuant to the adoption of this new standard are being evaluated by Management.

- (b) IFRS 9 (new), 'Financial instruments'** (effective for annual periods beginning on or after January 1, 2018). This standard is still subject to endorsement by the European Union. IFRS 9 replaces the guidance in IAS 39, regarding: (i) the classification and measurement of financial assets and liabilities; (ii) the recognition of credit impairment (through the expected credit losses model); and (iii) the hedge accounting requirements and recognition. The impacts pursuant to the adoption of this new standard are being evaluated by Management.
- (c) IFRS 16 (new), 'Leases'** (to be applied for annual periods beginning on or after 1 January 2019). This new standard establishes a single model for renters' accounting of leases, eliminating the distinction between operating leases and leases from the lessee's perspective. The impacts resulting from the adoption of this new standard are being evaluated by Management.
- (d) IFRS 15 (Amendment) 'Revenue from contracts with customers'** (to be applied for annual periods beginning on or after 1 January 2018). These changes to IFRS 15 have clarified some requirements and provide greater ease in the transition to the Entities that are implementing this Standard. The impacts resulting from this change are being evaluated by Management.
- (e) IFRS 2 (Amendment) 'Classification and measurement of share-based payment transactions'** (to be applied for annual periods beginning on or after 1 January 2018). These changes to IFRS 2 relate to classification and measurement aspects for a number of aspects where the guidance in the Standard was not very clear. Pharol SGPS does not estimate any impact from this change.
- (f) IFRS 4 (Amendment) 'Apply to IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'** (to be applied for periods beginning on or after 1 January 2018). These amendments to IFRS 4 address concerns about the implementation of the new standard on financial instruments (IFRS 9) prior to the implementation of the insurance contract standard that will replace IFRS 4 and is still in development. Pharol SGPS does not estimate any impact from this change.
- (g) Improvements to the 2014 - 2016 standards** (to be applied in fiscal years beginning on or after 1 January 2018). This cycle of improvements affects the following standards: IFRS 1 and IAS 28. Pharol SGPS does not estimate any impact arising from the adoption of this change.
- (h) IFRS 10 and IAS 28 (amendment), 'Sale or contribution of assets between an investor and its associate or joint venture'** (the date of application of these changes has not yet been defined). The process of endorsement by the European Union will only commence after confirmation of the date of application of the amendments by the IASB. This amendment clarifies the accounting treatment for transactions when a parent company loses control in a subsidiary by selling all or part of its interest in that subsidiary to an associate or joint venture accounted for using the equity method. Pharol SGPS does not consider any impact arising from the adoption of these changes.
- (i) IFRS 14 (new), 'Tariff deviations'** (to be applied for annual periods beginning on or after 1 January 2016). The European Commission has decided not to initiate the process of endorsing this transitional rule and is awaiting the final rule to be issued by the IASB. This standard allows first-time adopters of IFRS to continue to recognize regulatory assets and liabilities in accordance with the policy followed under the previous standard. However, to allow comparability with entities that already adopt IFRSs and do not recognize regulatory assets / liabilities, such amounts must be disclosed separately in the financial statements. Pharol SGPS does not estimate any impact arising from the adoption of this new standard.

- (j) IFRIC 22 (new) Transactions in foreign currency and prepayment** (to be applied to years beginning on or after 1 January 2018). IFRIC 22 establishes the exchange rate to be used in transactions involving a consideration paid or received in advance in foreign currency. Pharol SGPS does not consider any impact arising from the adoption of this new interpretation.
- (k) IAS 40 (Amendment) Transfers of Investment Property** (to be applied to financial years beginning on or after 1 January 2018). The amendments to IAS 40 Investment Properties clarify the requirements related to the transfer, to and from, Investment Properties. Pharol SGPS does not estimate any impact from this change.
- (l) IFRIC 23 (new) Uncertainties on the Treatment of Income Tax** (to be applied to years beginning on or after 1 January 2019). These changes are still subject to the process of endorsement by the European Union. IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 should be applied when there are uncertainties in accounting for income taxes. Pharol SGPS does not consider any impact arising from the adoption of this new interpretation.
- (m) IFRS 17 (new) Insurance Contracts** (to be applied to periods beginning on or after January 1, 2021). These changes are still subject to the process of endorsement by the European Union. IFRS 17 addresses the comparison problem created by IFRS 4 requiring that all insurance contracts be accounted for consistently, thereby benefiting both investors and insurance companies. Insurance liabilities are accounted for using current values instead of historical cost. The information is updated regularly, providing more useful information to the users of the financial statements. Pharol SGPS does not estimate any impact arising from the adoption of this new standard.
- (n) IFRS 9 (Amendment) Prepayment characteristics with negative compensation** (to be applied to financial years beginning on or after 1 January 2019). This amendment to IFRS 9 allows certain instruments to qualify for measurement at amortized cost or at fair value through other comprehensive income (depending on the business model) even if they do not meet the SPPI test conditions. Pharol SGPS does not estimate any impact from this change.
- (o) IAS 28 (Amendment) Long-term interests in associates and joint ventures** (to be applied to financial years beginning on or after 1 January 2019). These changes are still subject to the process of endorsement by the European Union. This amendment clarifies that an entity shall apply IFRS 9 to long-term interests in associates and joint ventures in which the equity method is not applied. Pharol SGPS does not estimate any impact from this change.
- (p) Improvements to the 2015-2017 standards** (to be applied for annual periods beginning on or after 1 January 2019). These changes are still subject to the process of endorsement by the European Union. This cycle of improvements affects the following standards: IFRS 3, IAS 12 and IAS 23. Pharol SGPS does not estimate any impact resulting from this change.

(q) IAS 19 (Amendment) Amendment, cut or liquidation of the plan (to be applied to financial years beginning on or after 1 January 2019). These changes are still subject to the process of endorsement by the European Union. This amendment requires an entity to use updated assumptions for remeasurement of current service cost and net cost of interest for the remaining period after the change in plan. PHAROL estimates no impact from this change.

5. Exchange rates used to translate foreign currency financial statements

As at December 31, 2017 and 2016, assets and liabilities denominated in foreign currencies were translated to Euros using the following exchange rates to the Euro:

Currency	2017	2017
Real	3.9729	3.4305
USD	1.1993	1.0541

During the years 2017 and 2016, the financial statements, income statements and cash flows of subsidiaries and joint ventures denominated in foreign currencies were translated to euros using the following exchange rates to the Euro:

Currency	2017	2016
Real	3.3028	3.8561
USD	1.1293	1.0541

6. Wages and Salaries

The composition of this caption in the 2017 and 2016 financial years is as follows:

	2017	Euro 2016
Fixed and variable remuneration	1,457,856	1,566,291
Social security	325,276	393,420
Other	73,198	92,541
	1,856,329	2,052,252

7. Supplies and external services

The composition of this caption in the 2017 and 2016 financial years is as follows:

	Euro	
	2017	2016
Specialized work (i)	1,790,201	3,299,120
Insurance	348,794	323,982
Travel	91,230	151,528
Other	464,312	614,638
	2,694,538	4,389,268

(i) In 2017 and 2016, this caption reflects mainly financial and legal services occurred in operational scope concerning the Oi investment in Brazil.

8. Indirect taxes

The composition of this caption in the 2017 and 2016 financial years is as follows:

	Euro	
	2017	2016
VAT	270,940	559,845
Other	3,059	6,484
	273,999	566,329

9. Net interest income

The composition of this caption in 2017 and 2016 is as follows:

	Euro	
	2017	2016
Interest income		
Related to cash and cash equivalents (i)	(39,719)	(172,370)
	(39,719)	(172,370)

(i) Interest income obtained in 2017 and 2016 essentially relates to cash amounts applied in term deposits by PHAROL and PHAROL Brazil.

10. Taxes and rates

In 2017, companies located in mainland Portugal are subject to Corporate Income Tax at a base rate of 21.0%, plus (1) up to a maximum of 1.5% of taxable income through a municipal tax, and (2) a state surcharge levied at the rates of 3.0% on taxable income between Euro 1.5 million and Euro 7.5 million, 5.0% on taxable income between Euro 7.5 million and Euro 35 million and 7.0% on taxable income in excess of Euro 35.0 million, resulting in a maximum aggregate tax rate of approximately 29.5% for taxable income higher than Euro 35 million. When calculating taxable income to which the above tax rate is applied, non-tax-deductible amounts are added to or subtracted from accounting records.

The composition of the corporate income tax for as at December 31, 2017 and 2016 is as follows:

	Euro	
	2017	2016
Income tax		
Income tax - current	30,195	21,550
Deferred taxes	-	-
	30,195	21,550

11. Earnings per Share

Earnings per share for 2017 and 2016 were as follows:

	Euro	
	2017	2016
Net loss attributable to equity holders of Pharol	(1)	(806,496,890) (61,861,982)
Weighted average common shares outstanding in the period (i)	(2)	865,647,500 870,760,000
Earnings per share from continuing operations		
Basic and diluted	(1)/(2)	(0.93) (0.07)

(i) During 2017 there were no changes in the number of shares outstanding. In December 31, 2016, weighted average shares outstanding were calculated considering the 896,512,500 issued shares and considering the amount of 20,640,000 own shares on January 1, 2016 and adjusted for acquisitions in the period, culminating in a total of 30,865,000 owned shares.

12. Taxes receivable and payable

On December 31, 2017 and 2016, this caption has the following composition:

	Euro			
	31 Dec 2017		31 Dec 2016	
	Receivable	Payable	Receivable	Payable
Current taxes				
Operations in Portugal				
Value-added tax		2,102	-	13,305
Income taxes		20,478	-	15,317
Personnel income tax withholdings		34,569	-	34,478
Social Security Contributions		92,340	-	68,045
Taxes in foreign countries	-	9,165	-	-
	-	158,654	-	131,145
Non-current taxes				
Taxes in foreign countries	61,192	0	67,747	6,696
	61,192	158,654	67,747	137,841

13. Investments in Associates

This line item corresponds to investments in joint ventures and associates, including investments in Oi.

On September 8, 2014, as explained above, PHAROL entered into an Exchange Agreement with Oi, for the Exchange of a portion of Oi shares held directly by PHAROL for the Rio Forte Investment and the Call Option

over the shares. The Exchange was completed on March 30, 2015, after obtaining all necessary approvals. Because of the Exchange, the portion of the investment in Oi delivered in connection with the Exchange was classified as a non-current asset held for sale and measured at fair value based on the price of Oi shares until the Exchange Agreement date. The remaining interest of 22.8%, including the interests of 15.9% and 3.0% held directly by PHAROL and Bratel Brasil, respectively, and the interest of 3.9% owned indirectly through the controlling holding companies of Oi, remained classified as an investment in joint ventures, measured according to the equity method of accounting. After the Exchange Agreement, on March 30, 2015, the interest was 27.5%.

As referred to above, leading up to the New Ownership Structure of Oi, the Shareholder Agreements through which Oi was jointly controlled were terminated on July 30, 2015. The simplification of the structure occurred on September 1, 2015, and led to the incorporation by Oi of several assets at fair value that were not previously booked by the holding companies.

As a result of the transaction, PHAROL's effective share in Oi reduced from 27.5% to 27.4%. Furthermore, during 2015, changes to Oi's bylaws were approved, which included a 15% limitation on the voting rights of any individual shareholder.

On October 8, 2015, Oi's Board of Directors homologated the voluntary conversion of Oi's preferred shares into common shares ("Voluntary Conversion of PSs"), approved the effective conversion of the preferred shares, object to the conversion manifestations in BM&FBovespa and in the Bank of Brazil, and accepted the conversion solicitations presented by the holders of American Depository Shares ("ADSs") representative of preferred shares ("Preferred ADSs"). The ADSs representative of the new common shares, resulting from the Offer to Exchange, related with the Voluntary Conversion of PSs, were issued on October 13, 2015. Following this operation, PHAROL's effective stake in Oi decreased from 27.4% to 27.2%.

In accordance with IAS 28 – Investments in Associates and Joint Ventures, there is a presumption that significant influence exists when voting rights are higher than 20%. For voting rights less than 20%, there should be clear indications through which significant influence may be exercised. The limitation to 15% of PHAROL's voting rights, considering the remaining available voting rights, represented as at December 31, 2016, an effective voting right of 18.83%. By analogy, IFRS 10 – Consolidated financial statements consider that control may occur when there is a concentration of significant voting rights, with the remainder of voting rights largely dispersed ("de facto control"). In Oi's shareholder structure, over 30% of ordinary shares are dispersed in free float, and two other shareholders besides PHAROL have voting rights of between 5% and 9% each.

However, in December 2017, and after the decision by the 7th Business Court of the District of the Capital of the State of Rio de Janeiro, before which it handles the Judicial Recovery ("Judgment"), which decided to withdraw the rights of the members of the Council Board of Directors of Oi in the approval of Oi's Judicial Recovery Plan in which Oi is located, and subsequent events, it was understood that PHAROL lost the significant influence it had until then on its associate Oi SA. Therefore as of December 31, 2017, PHAROL started to record its investment in Oi at market value, and it was classified as "Financial Assets".

In addition, as mentioned in Note 2.b), in the disclosure of its consolidated results for 2017, Oi SA announced that it had adjusted its financial position and consolidated results for 2016 in the amount of 18 billion reais,

equity. Following this adjustment, PHAROL's investment in Oi, accounted for under the equity method, was restated and valued at zero at December 31, 2016.

Therefore, as of December 31, 2017 and 2016, in the sequence described above, the accounting for investment Hi, is as follows:

	Euro million	
	2017	2016
Investment in each associate entity		
Oi - Equity method	-	-
Financial Assets		
Oi - Market Value	167	-
	167	-

The detail of the assets and liabilities of Oi, for purposes of application of the equity method, is as follows:

Oi, S.A.		
CONSOLIDATED STATEMENT OF FINANCIAL POSITION 31 DECEMBER 2016 AND 2017		
	Euro millions	
	2017	2016
		Reexpresso
Current Assets	5,977	7,683
Cash and cash equivalents	1,727	2,205
Accounts receivable	1,854	2,300
Financial investments	5	34
Current assets held for sale	1,177	1,575
Judicial deposits	258	327
Other current assets	956	1,242
Non-Current Assets	11,299	11,548
Judicial Deposits	2,087	2,403
Derivative financial instruments	-	-
Deferred taxes	-	(0)
Other non-current assets	9,213	9,145
Total assets	17,277	19,231
Current Liabilities	17,089	17,865
Short-term debt	13,722	14,017
Accounts payable	1,920	1,918
Derivative financial instruments	26	31
Licenses and concessions payable	5	31
Provisions	243	315
Liabilities related to assets held for sale	89	159
Other liabilities	1,084	1,394
Non-current Liabilities	3,589	3,309
Debt	(0)	-
Derivative financial instruments	-	-
Licenses and concessions payable	0	1
Provisions	1,717	1,378
Other liabilities	1,873	1,930
Total liabilities	20,678	21,174
Net Assets	(3,401)	(1,943)
Share to non-controlling interests of Oi	74	-
Net assets attributable to controlling interest of Oi	(3,475)	(1,943)

As PHAROL's investment in Oi is already valued at zero, PHAROL discontinued the recognition of its share in the losses of this associate. The detail of the results of Oi in 2017 and in 2016 is as follows:

	Euro millions	
	2017	2016
Services rendered and sales	6,603	6,742
Operating expenses excluding amortization	4,870	5,005
Interconnection	216	304
Personnel	775	740
Third-party services	1,729	1,659
Grid maintenance service	345	399
Rentals and insurance	1,155	1,123
Impairment losses	(1,305)	84
Other operating income (expenses), net	1,954	695
Operating income excluding amortization	1,733	1,737
Depreciation and amortisation	1,418	1,422
Income from operations	315	315
Financial expenses	887	957
Income before taxes	(573)	(642)
Income taxes	305	811
Net income from continuing operations	(877)	(1,452)
Net income from discontinued operations	0	0
Net income	(877)	(1,452)
Share to non-controlling interests	(81)	(46)
Net income attributable to controlling interests	(797)	(1,406)

14. Other non-current assets

The composition of this caption mainly comprises (1) an estimated future recovery of Euro 74.6 and Euro 85.7 million related to the debt securities issued by Rio Forte on December 31, 2017 and December 31, 2016, and (2) Euro 1.15 and Euro 1.6 million related to the value of the Call Option on December 31, 2017 and December 31, 2016, respectively.

Regarding the debt securities issued by Rio Forte, after having been made aware of the Report of the Judicial Administrators in the Rio Forte insolvency case (Rapport n° 4 des Curateurs), dated August 31, 2016, available at www.espiritosantoinvolucencies.lu, PHAROL began procedures to assess the financial, accounting and legal implications of the information contained in section 2.1.6., which is transcribed in a free translation as follows:

"Expected recovery

The information currently available to the Judicial Administrators does not allow an estimate of either the total recovery or the recovery to be made by the company currently in bankruptcy proceedings.

It cannot be excluded that judicial seizing and the eventual rights of third parties involved will prolong or even definitively prevent the bankrupt estate from recovering and distributing certain assets. In fact, it is not excluded that the judicial authorities have the objective of confiscating the assets now seized."

The Board of Directors of PHAROL, after taking appropriate measures and supported by the analysis of its advisers, concluded, based on the of principle of prudence, that the expected recoverability of the insolvent estate and, consequently, PHAROL's expected recoverability of its debt instruments of Rio Forte, have reduced. PHAROL's investment in the Rio Forte securities was initially valued at fair value upon initial recognition on March 30, 2015 and subsequently measured at amortized cost less any impairment losses. Based on the principles of IAS 39, taking into account available information, Management used its judgment in the definition of assumptions that culminated in a valuation of the amount due from Rio Forte at 85.7 million euros at December 31, 2016. This reflects an appraisal of some 9.5% of the nominal value, against

approximately 15% of the nominal value at December 31, 2015, which resulted in the accounting for an impairment of € 48.8 million.

In addition, in December 2017, the amount of credit claims considered in the last report of the Judicial Administrators was higher than previously considered, the debt recovery valuation was again revised downwards, registering in 8, 32% recovery, equivalent to a reduction of Euro 11.1 million to the amount of Euro 74.6 million.

15. Accounts Payable

As at December 31, 2017 and 2016, the composition of this caption is as follows:

	2017	Euro 2016
Current accounts payable		
Current suppliers	70,525	31,993
Others	4,670,918	2,298,697
	4,741,442	2,330,691

16. Accrued Expenses

As at December 31, 2017 and 2016, the composition of this caption is as follows:

	2016	Euro 2015
Supplies and external services (i)	5,307,865	6,118,641
Vacation pay and bonuses	370,915	394,271
Others	37,848	26,684
	5,716,629	6,539,596

This caption relates mainly to certain non-recurring financial consulting and legal fees incurred in connection with the business combination between PHAROL and Oi, which are completely recognized.

17. Provisions

As at December 31, 2017 and 2016, the composition of this caption is as follows:

	2017	Euro 2016
Provisions for risks and costs		
Litigation	-	73,500
Taxes	-	2,358
	-	75,858

18. Guarantees and financial commitments

As at December 31, 2016 and 2015, this caption has the following composition:

	2017	Euro 2016
Bank and other guarantees presented to the tax authorities	376,715,726	376,715,726
	376,715,726	376,715,726

The bank and other guarantees presented to the tax authorities essentially include Euro 377 million related to the tax assessments received by PHAROL. The company presented legal challenges to these assessments and, in accordance with the Portuguese Law, provided collateral, in order to avoid the initiation of enforcement proceedings, which, in the absence of guarantee or payment of the contested tax, would continue until the request of a pledge of sufficient assets to cover the requested tax. The Portuguese Law, while always allowing for the appeal over taxes liquidated by the tax authorities, only suspends enforcement proceedings upon payment of the tax, or the provision of a guarantee. Providing a guarantee, thereby, avoids the payment of tax before the appeal decision or attachment of assets in enforcement proceedings. These guarantees were presented by PHAROL as the controlling company of the consolidated tax in the years in question, even though, as at December 31, 2017, the contingencies associated to these guarantees are not the Company's responsibility, having been contractually transferred to Oi, while PHAROL remains r and severally liable for these contingencies. According to the agreements with Oi, Oi is obliged to substitute the bank guarantees provided by PHAROL to the tax authority for guarantees provided by Oi. In cases where this substitution is not possible, Oi has undertaken to provide guarantees with the same value in favor of PHAROL. As such, on December 31, 2017, a Pledge Agreement on the shares of Telemar Norte Leste with a maximum amount up to the limit of the potential liabilities currently, is in place.

19. Capital

19.1. Share capital

The share capital of PHAROL, which is fully subscribed and paid in, was as at December 31, 2017 and 2016, Euro 26,895,375, represented by 896,512,500 common shares, with a nominal value of three Euro cents each.

19.2. Treasury shares

As at December 31, 2017 and 2016, this caption is made up as follows:

	2017	Euro 2017
Shares held by PHAROL	179,675,995	179,675,995
	179,675,995	179,675,995

PHAROL, between February 1 and April 11, 2016, acquired 10,225,000 treasury shares, in the amount of Euro 1,603,908. After these purchase transactions, PHAROL held 30,865,000 treasury shares, corresponding to 3.44% of the share capital PHAROL

19.3. Legal reserve

Commercial law and PHAROL's articles of association provide that at least 5% of the net annual income must be appropriated to strengthen the legal reserve until this reserve represents 20% of the share capital. This

reserve is not available for distribution to shareholders, unless on company liquidation, but may be used to absorb losses, once all other reserves have been exhausted, or for incorporation in the share capital. As at December 31, 2017 and 2016, the legal reserve was Euro 6,773,139 and was already fully incorporated, corresponding to more than 20% of the share capital.

19.4. Reserve for treasury shares

The reserve for treasury shares relates to the recognition of a non-distributable reserve equivalent to the nominal value of the cancelled shares, or to the acquisition cost of treasury shares held by PHAROL. This reserve has the same legal regime as the legal reserve. As at December 31, 2017 and 2016, this reserve relates to shares cancelled on December 20, 2007, March 24, 2008, and December 10, 2008, in the amount of Euro 6,970,320, as well as the treasury shares acquired between 2014 and 2016, amounting to Euro 179,675,995.

19.5. Revaluation reserve, other reserves and accumulated earnings

As at December 31, 2017 and 2016, this caption was made up as follows:

	2017	Euro 2017
Retained earning	922,501,164	1,711,919,539
Net income	(806,496,890)	(61,861,982)
Free reserves	105,209,244	105,209,244
Cumulative foreign currency translation adjustments (i)	(102,010)	(960,769,284)
Income and expenses recognized directly in equity (ii)	-	(727,372,710)
	221,111,507	67,124,807

(i) The variation of this caption reflects mainly the reversal of accumulated foreign currency translation adjustment reserves related to the investment in Oi that have been considered since its acquisition date and that after the loss of significant influence had to be recycled by results of the year.

(ii) As of December 31, 2017, due to the derecognition of the investment of the associate Oi, all losses recognized directly in equity resulting from this investment were recognized in Retained Earnings.

20. Consolidated Statement of Cash Flows

(a) Payments to suppliers

During 2017, payments to suppliers mainly reflect payments of as third party suppliers and consultants.

(b) Dividend payment

In 2016, this item refers to the dividend payment of Euro 0.03 per share.

(c) Acquisition of own shares

In 2016, this item includes the amounts spent on the acquisition of own shares by PHAROL.

(d) Cash and cash and equivalents at the end of the period

As at December 31, 2017 and 2016, the composition of this caption is as follows:

	2017	Euro 2016
Cash	4,096	4,426
Demand deposits	12,148,045	7,521,591
Time deposits	13,000,000	21,410,956
	25,152,142	28,936,973

21. Related Parties

During the years ended December 31, 2017 and 2016, the fixed remuneration of the Board members, which was established by the Remuneration Committee, amounted to Euro 0.7 million and Euro 0.88 million, respectively.

On December 31, 2017 and 2016, no share-based payment was in force, nor any termination benefit program.

22. Shareholders with Qualified Holdings

The Company believes that it is relevant to disclose outstanding balances and transactions with its main shareholders, namely those with a qualified holding of more than 2% in PHAROL's share capital, and with all the entities reported by these shareholders as being part of the respective economic groups. The tables below present the balances as at December 31, 2017 and 2016, and the transactions occurred in the years ended December 31, 2017 and 2016 between PHAROL and the entities that are identified as shareholders with qualified holding and respective economic groups:

	2017	Euro 2017
		Cash and bank deposits
Shareholder		
Banco Comercial Português (i)	6,824,345	9,173,984
Novo Banco	11,058,551	9,422,106
	17,882,896	18,596,090

	2017		Euro 2016	
	Costs and losses	Net interest income	Costs and losses	Net interest income
Shareholder				
Banco Comercial Português (i)	1,876	11,814	3,678	20,149
Novo Banco	376	19,595	405	27,343
	2,251	31,409	4,083	47,492

(i) Banco Comercial Português ceased to hold a qualifying holding in the capital of PHAROL on May 23, 2017.

23. Financial instruments

23.1. Financial risks

PHAROL is exposed basically to (i) market risks related with changes in currency exchange rates and interest rates, (ii) credit risks. The main objective of risk management at PHAROL is to reduce these risks to an acceptable level.

23.1.1 Currency exchange risk

Currency exchange risks are essentially related with PHAROL investments in Brazil. On December 31, 2017 and 2016, net exposure (assets less liabilities, net of non-controlling interests) in Brazil amounted to R\$675.2 million (Euro 169.9 million) and R\$487.7 million (Euro 142.2 million), respectively. Risks relative to Company investments in operations abroad basically concern Oi investments. PHAROL does not have any contracted derivative instrument to hedge currency exchange risk associated with investments in foreign companies.

The effect on PHAROL's equity resulting from hypothetical changes in relevant risk variables is the impact of the valuation (devaluation) of the Real against the Euro in 0.1, from 3.97 to 4.07 (3.87), would be an increase (decrease) in net assets on December 31, 2017, of approximately Euro 4.2 million (Euro 4.4 million), corresponding to adjustments in currency exchange conversion for investments in Brazil.

23.1.2 Credit risks

Credit risk is essentially associated with the risk of a counterpart defaulting on contractual obligations, resulting in a financial loss to the Group. PHAROL is essentially subject to credit risk in its operational and treasury activities.

Criteria used to calculate adjustments to accounts receivable are based on a recoverability analysis of accounts receivable on a regular basis.

On December 31, 2017, the receivables balance was not considered as significant.

Risks associated with treasury activities essentially result from investments made by the Group in cash investments. As mentioned before, in order to mitigate this risk, PHAROL put into place an investment diversification policy as of July 2014, so that investment in a financial institution is not greater than 34% of the total treasury applications. Thus, it ensures that amounts are invested in short term applications in diverse and reputed financial institutions.

The Company is also subject to credit risk in its investment in Rio Forte Investments, but has adjusted the value accordingly. In addition, and in connection with the Rio Forte debt instruments, PHAROL was informed of a statement from the curators of Espírito Santo International, SA ("Insolvency"), stating that this bankrupt company is going to sue PHAROL for the conviction of this company refund of EUR 750 million, without specifying the grounds for such a request. In view of the lack of additional information on this matter and because it understands that it is not a debtor in any way from Espírito Santo International, SA, PHAROL has not set up any provision in its financial statements and awaits its announcement in the announced legal action to contest and exercise all their rights.

24. Subsequent events

On January 8, 2018, the judicial reorganization of Oi and its subsidiaries was granted and the Judicial Recovery Plan was ratified with the following exceptions:

"(A) Section 11 of the Annex (the so-called Subscription and Commitment Agreement of the PRJ) is invalid as regards the ability of Reclaimers to repay expenses incurred by creditors in seeking to meet their claims;
b) the conditions set forth in item 5 of the same Annex, which provide for the payment of a commitment fee, extendable to all creditors under the same conditions".

Oi's stock price evolution between December 31, 2017, and April 20, 2018, can be found below:

	31.Dez.2017	20.Abr.2018
Cotação Oi ON (Reais)	3.63	3.82
Cotação Oi PN (Reais)	3.47	3.37
Câmbio Real/Euro	3.9729	4.1892
Cotação Oi ON (Euro)	0.91	0.91
Cotação Oi PN (Euro)	0.87	0.80

PHAROL, SGPS S.A.

REPORT AND OPINION OF THE FISCAL COUNCIL

REPORT AND OPINION
OF THE FISCAL COUNCIL
Financial Year of 2017
(Consolidated accounts)

To the Shareholders of
PHAROL, SGPS S.A.

1. As required by Article 420.1 g) of the Portuguese Companies Code, it falls to us, as the members of the Fiscal Council of "PHAROL, SGPS, S.A." (referred to below as PHAROL) to issue our annual report on our audit activities and to issue our opinion on the management report and consolidated financial statements presented by the Board of Directors for the year ended December 31, 2017.

2. As the supervisory body, it is incumbent on us to mention that:
 - i) Judicial Recovery Plan of Oi, SA was approved at the General Meeting of Creditors on December 19, 2017 and was ratified by the 7th Business Court of the Capital District of the State of Rio de Janeiro on January 8, 2018 ;

 - ii) We obtained the collaboration of the Chief Executive Officer and of the Board of Directors, of the heads of the relevant areas, as well as of the Official Auditor and External Auditor.

3. Also, through the clarifications and information gathered from the above mentioned entities, we became aware of the development of the management and activity of PHAROL.

The Fiscal Council likewise proceeded to appreciate the financial information produced during 2017, having carried out the analysis and verifications judged to be convenient and necessary.

4. The Fiscal Council's work consisted, at all times, in complying with requirements established by law, permanent monitoring of PHAROL's affairs and checking that the valuation criteria adopted in preparing the accounts are in accordance with the reporting standards in force.

5. The Fiscal Council met seven times during 2017, and has undertaken a range of tasks, most notably:

- i) Monitoring the quality, integrity and effectiveness of the internal control and risk management systems, obtained from Statutory Auditors and External Auditors;
 - ii) Oversight of the preparation of the consolidated financial information;
 - iii) Checking that accounting records are duly kept and that the consolidated financial statements and reports are accurate;
 - iv) Verifying that the consolidated financial statements comply with the applicable legal requirements;
6. In accordance with the internal regulations that define the rules and procedures to be adopted in the Whistleblowing system, the Fiscal Council taken note of the semiannual reports of the activity developed by the Disclosure of Unethical Practices System, dated June 30, 2017 and 2 of January 2018, and no Participations were recorded during the 2017 financial year.
7. In the course of its duties, the Fiscal Council exercised its powers to confirm and check the qualifications and independence of the external auditor and statutory auditor, and to oversee the exercise of their duties, holding regular meetings with the statutory auditor, who at all times provide full explanations of technical and accounting matters, as deemed necessary.
8. It also took note of the findings of internal and external audits of the consolidated financial statements for the financial year of 2017, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity the consolidated statement of cash flows and respective notes.
9. We also took note of the content of the legal certification of accounts and audit report on the consolidated accounts, with reservations and emphasis, issued by the Statutory Auditor and External Auditor, a document that merited our agreement.

It is the understanding of the Statutory Auditor and External Auditor that the following are Key Audit Matters:

- i) Measurement of the investment in Oi, S.A.
- ii) Measurement of the investment in debt instruments issued by Rio Forte Investments, S.A.
- iii) Measurement of the call option of Oi, S.A. shares

In the areas mentioned above, relevant audit procedures were implemented, procedures were also developed in material areas.

10. In the course of its duties, the Fiscal Council confirmed that the Directors' report mentions the most significant administrative facts, complements the accounts and contains references to PHAROL's business activities, with adequate explanations of its management over the period.

11. In the exercise of its powers, and as required by Article 420.5 of the Portuguese Companies Code, the Fiscal Council also confirmed that the report issued on corporate governance structure and practices includes the disclosures required by Article 245-A of the Securities Code.

12. The Fiscal Council hereby declares that, as far as it is aware, the information required in Article 245.1 a) of the Securities Code, for the consolidated accounts :

- i) Was drawn up in accordance with the applicable accounting standards, providing a true and fair view of the assets and liabilities, the financial situation and the results of PHAROL and the companies included in its consolidated accounts;
- ii) Accurately describes the evolution of the affairs, performance and position of PHAROL and the companies included in the consolidated accounts; and
- iii) Contains a description of the main risks and uncertainties faced by PHAROL in its business activities.

13. On the basis of the report set out above, it is our opinion that the General Meeting of PHAROL should approve the management report and consolidated financial statements and reports for the financial year of 2017

14. Lastly, the members of the Fiscal Council wish to acknowledge and express their appreciation for the assistance provided by the Board of Directors, the senior managers and other staff of PHAROL.

Lisbon, April 23, 2018

THE FISCAL COUNCIL

José Maria Ribeiro da Cunha — Chairman

Isabel Maria Beja Gonçalves Novo — Member

Pedro Miguel Ribeiro de Almeida Fontes Falcão - Member

PHAROL, SGPS S.A.

STATUTORY AUDITORS' CERTIFICATION AND AUDIT REPORT

STATUTORY AUDITOR'S CERTIFICATION AND AUDIT REPORT

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Qualified Opinion

We have audited the accompanying consolidated financial statements of Pharol, SGPS, SA Group (Group), which comprise the consolidated statement of the financial position as at December 31, 2017 (showing a total of 269 106 504 euro and a total net equity of 261 750 341 euro, including a net loss of 806 496 890 euro) and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the “Basis for qualified opinion” section of our report, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Pharol, SGPS, SA Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union.

Basis for qualified opinion

Bearing in mind the Independent auditor's report on the individual and consolidated financial statements for the year ended December 31, 2017 of the significant component Oi, SA, dated April 12, 2018, we highlight the following text included in the respective “Material uncertainty as to going concern”, taking into account the note 13 to the present consolidated financial statements: *“We draw attention to Note 1 to the individual and consolidated financial statements, which describes that the Company has reported recurring losses and loss before Income and Social Contribution taxes amounting to R\$ 5,135,689 thousand and R\$ 5,557,540 thousand, respectively, parent company and consolidated, during the year ended December 31, 2017, resulting in deficit in equity in the amount of R\$ 13,805,980 thousand and R\$ 13,512,523*

thousand, respectively, parent company and consolidated, and that, on this date, the Company's current liabilities exceeds total current assets by R\$ 10,787,262 thousand and R\$ 44,143,859 thousand, respectively, parent company and consolidated. According to Note 1, on the section about the Company's going concern, the financial statements have been prepared assuming the continuity of the Company as a going concern, which consider the success of the implementation of the approved Judicial Reorganization Plan ("PRJ") including, among other matters, the satisfaction of the "Condition Precedents" informed in attachment 4.3.3.5 (c) of the PRJ related to: (i) conversion of credits of qualified bondholders into capital increase and into New Notes to be issued by the Company, which shall occur until July 31, 2018; and (ii) capital increase with new funds in the amount of R\$ 4,000,000 thousand, which shall occur up to February 28, 2019. These events or conditions indicate that there are significant uncertainties that may cast doubt on the Company's going concern. (...)". Taking into account the note 13 to the present consolidated financial statements, the investment in Oi, SA, as at December 31, 2017 is measured by the market value at that date, determined using the closing stock exchange listed market price. As presented in note 24 to the present consolidated financial statements, the listed market price of the shares of the significant component Oi, SA evolved from R\$ 3,63 (€ 0,914) as at December 31, 2017 to R\$ 3,82 (€ 0,912) as at April 20, 2018.

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section below. We are independent of the Group entities in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter

The chapter 4 of the management report and the notes 3 and 14 and 23 to the present consolidated financial statements, disclose, on one hand, that the measurement of the debt securities issued by Rio Forte Investments, SA reflects the management's best estimate



concerning the recoverable amount of those securities and, on the other hand, that the Group has become aware of an announcement issued by the insolvency curators of Espírito Santo International, SA by which the insolvency curators state that a reimbursement will be requested from Pharol, SGPS, SA (Pharol), without disclosing the reasons for such request.

As mentioned in the chapter 2 of the management report and in notes 13 and 24 to the present consolidated financial statements, the Judicial Reorganization Plan of the significant component Oi, SA was approved by the Court of Justice of the State of Rio de Janeiro on January 8, 2018. Following the process related to the preparation and approval of said Judicial Reorganization Plan, the significant component Oi, SA restated its comparative financial statements for the year 2016, and the Group made the corresponding restatement of its comparative financial statements, as described in note 2 to the present consolidated financial statements. The aforementioned facts make not applicable to the present consolidated financial statements the references to the judicial reorganization plan and the recoverable value of assets, contained in the first paragraph of the “Basis for qualified opinion” of our statutory auditor’s certification and audit report on the consolidated financial statements for the year ended December 31, 2016, dated April 27, 2017.

Our opinion is not modified in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	Synthesis of audit response
<i>Measurement of Oi, SA investment</i>	
<p>The equity investment in Oi, SA (voting rights of 18,33%) is presented as financial assets measured by the market value.</p> <p>Oi, SA is a large entity with high public and media profile, being highly relevant to the Group financial statements. Oi, SA is under a judicial reorganization process since June 2016. The respective financial statements were audited by other auditors.</p> <p>Related disclosures: Notes 2, 3 and 13 to the present consolidated financial statements.</p>	<p>The audit response involved, in synthesis, the performance of the following procedures:</p> <p>Verification of the maintenance, or not, of significant influence in Oi, SA in face of the respective judicial reorganization process;</p> <p>With regard to the work of the independent auditor of Oi, SA: (i) consultation of the working papers; (ii) holding of several meetings; (iii) direct procurement of questionnaires and other similar audit documentation; and (iv) obtaining clarification on the issues considered most relevant;</p> <p>Obtaining and analysing the independent auditor's report on the individual and consolidated financial statements for the year ended December 31, 2017 of Oi, SA;</p> <p>Evaluation of the adequacy of the accounting treatment given in the financial statements of the Group to the restatements made by Oi, SA;</p> <p>Analysis and validation of the calculations inherent to the measurement by market value;</p> <p>Evaluation of the recoverable amount of the investment in Oi, SA;</p> <p>Evaluation of the reasonableness of the financial statements' disclosures.</p>

Key audit matters	Synthesis of audit response
<i>Measurement of the investment in debt securities issued by Rio Forte Investments, SA</i>	
<p>At March 30, 2015 the debt securities issued by Rio Forte Investments, SA (Rio Forte) were returned to the Group, following the performance of the exchange contract signed on September 8, 2014 between Oi Group and the Group.</p> <p>Rio Forte is under an insolvency process taking place in Luxembourg, with high public and media profile. This investment is relevant within the scope of the Group financial statements and the respective measurement involves significant judgements.</p> <p>Related disclosures: Notes 3, 14 and 23 to the present consolidated financial statements.</p>	<p>The audit response involved, in synthesis, the performance of the following procedures:</p> <p>Analysis of the information present in the reports and announcements issued by the Rio Forte insolvency curators;</p> <p>Analysis of the judgements made by the management in determining the recoverable amount of the debt securities at December 31, 2017;</p> <p>Circularization of the banks where the debt securities are deposited;</p> <p>Monitoring of possible developments arising from an announcement issued by the insolvency curators of Espírito Santo International, SA;</p> <p>Meetings and circularization of the lawyers that handle the insolvency process;</p> <p>Evaluation of the reasonableness of the financial statements' disclosures.</p>
<i>Measurement of the call option over Oi shares</i>	
<p>Following the previously mentioned performance of the exchange contract, Pharol was left with the right to repurchase shares of Oi, SA for a period of 6 years, at certain strike prices.</p> <p>The measurement of this asset is complex and requires the use of specialists, since it is a derivative financial instrument.</p> <p>Related disclosures: Note 14 to the present consolidated financial statements.</p>	<p>The audit response involved, in synthesis, the performance of the following procedures:</p> <p>Analysis and follow-up of the call option respective contractual terms;</p> <p>Involvement of specialists to perform an independent appraisal of the call option;</p> <p>Analysis of the independent appraisal and comparison of the results with the carrying amount determined by the Group;</p> <p>Evaluation of the reasonableness of the financial statements' disclosures.</p>

Responsibilities of management and of the supervisory body for the consolidated financial statements

Management is responsible for:

- (i) the preparation of consolidated financial statements that give a true and fair view of the Group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union;

- (ii) preparation of the management report and the corporate governance report in accordance with the applicable laws and regulations;
- (iii) designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- (iv) the adoption of accounting policies and principles appropriate in the circumstances; and
- (v) assessing the Group's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Group's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (i) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- (ii) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- (iii) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- (iv) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (v) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (vi) obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group Audit. We remain responsible for our audit opinion.
- (vii) communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- (viii) determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes their public disclosure;
- (ix) provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the consolidated financial statements, and the verification

of the requirements as provided in numbers 4 and 5 of article 451.º of the Portuguese Companies' Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the management report

Pursuant to article 451.º, n.º 3, al. (e) of the Portuguese Companies' Code, it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatements.

On the corporate governance report

Complying with article 451.º, n.º 4, of the Portuguese Companies' Code, in our opinion, the corporate governance report includes the information required to Pharol to provide under article 245.º-A of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of that article.

On the additional matters provided in article 10.º of Regulation (EU) n.º 537/2014

Pursuant to article 10.º of the Regulation (EU) n.º 537/2014 of the European Parliament and of the Council, of 16 April 2014, in addition to the key audit matters mentioned above, we also report the following:

- We were appointed as auditors of Pharol in the shareholders general assembly held on May 29, 2015 for a first mandate from 2015 to 2017.
- Management has confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional scepticism, and we design audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work we have not identified any material misstatement on the consolidated financial statements due to fraud.



- We confirm that our audit opinion issued is consistent with the additional report that we prepared and delivered to the supervisory body of Pharol on April 23, 2018.
- We declare that we have not provide any prohibited services as described in article 77.º, number 8, of the Ordem dos Revisores Oficiais de Contas statutes, and we have remained independent of the Group in conducting the audit.
- We inform that, in addition to the audit, we have not provided to the Group any other services.

Lisbon, April 23, 2018

Rui Lourenço Helena, as representative of
BDO & Associados - SROC

CORPORATE GOVERNANCE REPORT
2017



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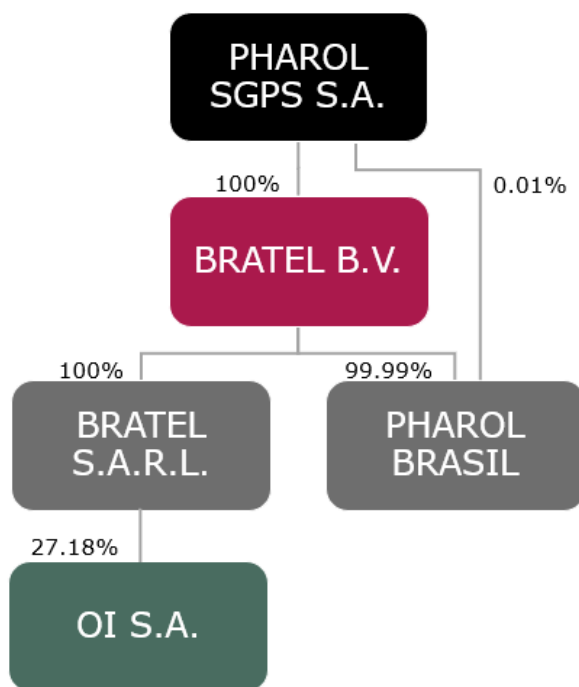
BASED; EXECUTIVE DIRECTORS KEEPING ANY SHARES GRANTED THEM IN THE COMPANY; ANY AGREEMENT EXECUTED AS TO SUCH SHARES, NOTABLY HEDGING OR RISK TRANSFER AGREEMENTS, THE LIMIT THEREOF, AND THEIR RELATIONSHIP TO THE AMOUNT OF THE OVERALL ANNUAL REMUNERATION	131
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INTRODUCTION

PHAROL, SGPS S.A. ("PHAROL" or "Society") is an open society, issuer of securities, admitted to trading on the Euronext Lisbon regulated market.

PHAROL investments and group structure as on 31 December 2017, was as follows:



A. SHAREHOLDER STRUCTURE

I. CAPITAL STRUCTURE

1. CAPITAL STRUCTURE

The share capital in PHAROL is, as from 10 December 2008, 26,895,375 Euros, and it is fully paid up and represented by 896,512,500 common shares with a par value of three Euro cents each.

Until 29 May, 2015, there were 500 shares of Class A, that after the PHAROL's bylaw changes in that date, were converted in common shares.

After the deliberation of Euronext to admit to trading these 500 shares, on April 6, 2017, all PHAROL ordinary shares are admitted to trading on the Euronext Lisbon regulated market.

PHAROL keeps ADRs program, traded in Over The Counter, allowing the trade to American investors.

2. RESTRICTIONS TO SHARE TRANSFERABILITY, SUCH AS CONSENT CLAUSES FOR DISPOSAL, OR LIMITATIONS TO SHARE OWNERSHIP

The Company does not adopt any specific limitations as to share transferability. However, the Bylaws provide that shareholders carrying out, directly or indirectly, a business competing with the business of companies in a control relationship with PHAROL may not be the owners, without the prior authorisation of the General Meeting of shareholders, of ordinary shares representing more than 10% of the share capital in the Company.

3. NUMBER OF OWN SHARES, CORRESPONDING CAPITAL PERCENTAGE AND CORRESPONDING VOTING RIGHTS PERCENTAGE

On 31 December 2017, the Company held 30,865,000 own shares.

The voting rights inherent to the own shares are suspended, in accordance with the applicable legislation.

4. SIGNIFICANT AGREEMENTS INCLUDING CHANGE OF CONTROL CLAUSES

There are no significant agreements entering into force in the event of change in control in PHAROL. Also, there are no measures requiring payment or assumption of fees by the Company in the event of change of control or change in the composition of the Board of Directors and which appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of Board members. PHAROL therefore complies with CMVM Recommendation no. I.5.

5. RENOVATION / REVOCATION OF DEFENSIVE MEASURES, IN PARTICULAR THOSE PROVIDING FOR THE RESTRICTION OF THE NUMBER OF VOTES THAT MAY BE HELD OR EXERCISED BY A SINGLE SHAREHOLDER

PHAROL's Bylaws include a limitation on the counting of votes, whereby any votes in excess of 10% of the total voting rights corresponding to the share capital cast by a single shareholder of ordinary shares, directly or through a representative, in his own name or as a representative of another shareholder, shall not be counted (article 13, 10).

The Company's bylaws provide a limitation on the counting of votes. On 24 May, 2016 the discussion of this

point was taken to the Shareholders' Meeting and it was decided to keep this limitation. Therefore, PHAROL complies with CMVM Recommendation I.4.

6. SHAREHOLDERS' AGREEMENTS OF WHICH THE COMPANY IS AWARE AND MIGHT LEAD TO RESTRICTIONS IN THE TRANSFER OF SECURITIES OR VOTING RIGHTS

The Company has no knowledge of the existence of any shareholders' agreements that might lead to restrictions in the transfer of securities or voting rights.

II. SHAREHOLDINGS AND BONDS

7. OWNERS OF QUALIFIED HOLDINGS, PERCENTAGE OF CAPITAL AND VOTES ATTRIBUTABLE, SOURCE AND CAUSES FOR ATTRIBUTION

As at 31 December 2017, qualified holdings represented about 46% of PHAROL share capital, as follows:

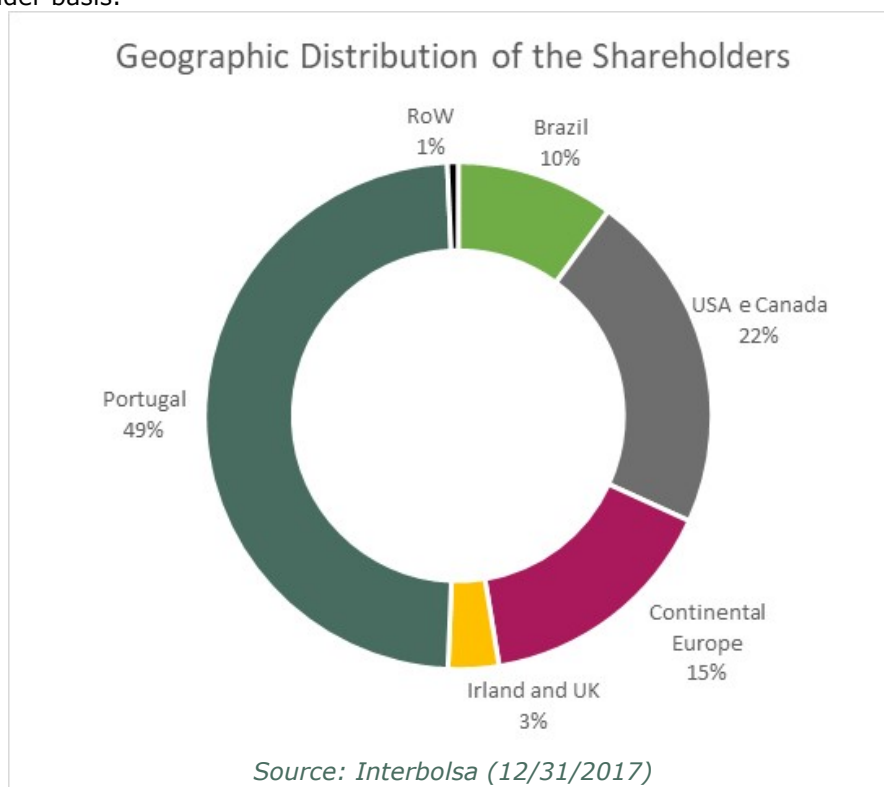
DATE OF INFORMATION	ENTITIES	NO. OF SHARES	% OF CAPITAL	% OF VOTING RIGHTS
31/05/2012	Telemar Norte Leste S.A.	89.651.205	10,00%	10,00%
	Telemar's sole shareholder is OI S.A., which is directly controlled by Telemar Participações S.A.. Telemar Participações S.A. is in turn jointly controlled by the following entities: AG Telecom Participações, S.A., L.F. Tel S.A., BNDES Participações S.A. - BNDESPar., Bratel Brasil S.A., Fundação Atlântico de Seguridade Social, Caixa de Previdência dos Funcionários do Banco do Brasil - PREVI, Fundação dos Economistas Federais - FUNCEF and Fundação Petrobrás de Seguridade Social - PETROS			
	Total attributable	89.651.205	10,00%	10,00%
02/04/2018	Novo Banco S.A.	85.665.125	9,56%	9,56%
	Directly	85.665.125		
	Shares held by companies in a controlling or group relationship with Novo Banco, S.A.	916		
	Shares held by directors and members of the Corporate Bodies	595		
	Total attributable	85.666.636	9,56%	9,56%
24/05/2017	High Bridge Unipessoal, Lda.	55.304.969	6,17%	6,17%
	Full chain of controlled undertakings through which the voting rights and/or the financial instruments are effectively held starting with the ultimate controlling natural person or legal entity is formed Atlantis Global Investments, LLC.			
	Total attributable	55.304.969	6,17%	6,17%
05/12/2016	High Seas Investments LLC	46.657.016	5,20%	5,20%
	Full chain of controlled undertakings through which the voting rights and/or the financial instruments are effectively held starting with the ultimate controlling natural person or legal entity is formed Angra Capital Management LTD.			
	Total attributable	46.657.016	5,20%	5,20%
23/06/2017	Discovery Capital Management, LLC	46.073.261	5,14%	5,14%
	Mr. Robert K. Citrone		5,14%	5,14%
	Discovery Capital Management Holding Co, L.P., LLC		5,14%	5,14%

Discovery Capital Management LLC (investment manager of the following entities)		5,14%	5,14%
Discovery Global Opportunity Master Fund, Ltd.		2,77%	2,77%
Discovery Global Macro Master Fund, Ltd.		1,02%	1,02%
Discovery Global Focus Master Fund, Ltd.		0,69%	0,69%
Quantum Partners LP		0,66%	0,66%
Total attributable		46.073.261	5,14% 5,14%

11/12/2017	Norges Bank	27.602.331	3,08%	3,08%
Total attributable		27.602.331	3,08%	3,08%

30/06/2017	Solus Alternative Asset Management LP	19.353.961	2,16%	2,16%
	Mr. Christopher Pucillo		2,16%	2,16%
	Solus GP LLC		2,16%	2,16%
	Solus Alternative Asset Management LP (investment manager of the following entities)		2,16%	2,16%
	Sola Ltd		2,02%	2,02%
	Ultra Master Ltd		0,06%	0,05%
	Solus Oppor- tunities Fund 5 LP.		0,08%	0,08%
Total attributable		19.353.961	2,16%	2,16%

PHAROL has a diversified shareholder structure, with around 51% of its share capital held by foreign shareholders, essentially divided between Europe, North America (US and Canada) and Brazil, representing 18%, 12% and 10% respectively of the shareholder basis. The Portuguese market represents around 49% of the shareholder basis.



For further information on the source and cause of the qualified holdings, please refer to the section called "Qualified Holdings" on the annual management report.

Updated information on qualified holdings in the Company may be consulted at www.pharol.pt and on CMVM website.

8. NUMBER OF SHARES AND BONDS HELD BY THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

Regarding this matter, please see item 17 of Part I below.

Members of the supervisory bodies do not hold PHAROL shares.

9. SPECIAL POWERS OF THE MANAGEMENT BODY, NOTABLY AS REGARDS CAPITAL INCREASE RESOLUTIONS

The powers of PHAROL's Board of Directors are described in item 21 below.

PHAROL's Bylaws authorize the Board of Directors, upon a favourable opinion by the Fiscal Council, to increase the share capital, one or more times, through contributions in cash in up to the amount of 15,000,000 Euros, provided however that this decision is preceded by a resolution of the General of Shareholders establishing the parameters to which such increase or increases are subject, such definition to be made as provided for under the Bylaws.

10. SIGNIFICANT COMMERCIAL RELATIONSHIPS BETWEEN OWNERS OF QUALIFIED HOLDINGS AND THE COMPANY

On 8 September 2014, PT SGPS and Oi entered into a *Contrato de Permuta* ("Exchange Agreement") and a *Contrato de Opção de Compra* ("Call Option Agreement"), both subject to the laws of Brazil, the most relevant terms and conditions of which are as follows:

- An exchange between PT SGPS and Oi's wholly-owned subsidiaries PT Portugal and PTIF (both referred to as "Oi's Subsidiaries") whereby PT SGPS acquired a credit over Rio Forte, corresponding to all short-term applications subscribed for or acquired by Oi's Subsidiaries in the subscribed for the amount of €897 million ("Rio Forte Instruments"), in consideration of the delivery by PT SGPS of 47,434,872* ordinary shares and 94,869,744* preferred shares in Oi representing around 16.9% of the share capital in Oi and 17.1% of the voting share capital in Oi (Oi's own shares excluded) ("Oi Shares Subject to Exchange") ("Exchange");
- At the same time, PT SGPS was given an irrevocable non-transferrable call option ("Call Option") to repurchase the Oi Shares Subject to Exchange ("Oi Shares Subject to Option") with an exercise price of R\$20.104* for ordinary shares and R\$18.529* for preferred shares, which price will be adjusted by the Brazilian CDI rate added by 1.5% per year;
- The Call Option became effective on the date of execution of the Exchange (i.e. 30 March 2015) and will have a 6-year maturity. The number of Oi Shares Subject to Option available to the exercise of the Call Option will be reduced in 10% on the first anniversary of the effective date of the Call Option and 18% on the following anniversaries;

* As a result of the grouping of Oi shares approved at the general meeting of shareholders held on 18 November 2014, the number of shares and the exercise price were adjusted.

- Any amount received as a result of the monetization of the Call Option through the issue of derivatives or back-to-back instruments must be used for exercising the Call Option;
- During the validity of the Call Option, PT SGPS may purchase Oi or CorpCo shares only through the exercise of the Call Option;
- The Call Option may be extinguished on the initiative of Oi if (i) PT SGPS's bylaws are amended in order to suppress or change the provision establishing that the votes cast by a single holder of ordinary shares, directly or through a representative, in his own name or a representative of another shareholder, that exceed 10% of the total voting rights corresponding to PT SGPS' share capital shall not be counted, other than in compliance with a legal provision or relevant government order, (ii) PT SGPS carries out, whether directly or indirectly, any business that competes with any business kept by Oi or any of its controlled companies in countries where these latter operate, therefore compromising the purpose of the Business Combination between PT SGPS and Oi as originally established between the parties, or (iii) PT SGPS violates certain obligations derived from the Call Option Agreement (limitation to the purchase of shares in Oi/CorpCo only upon exercise of the Call Option; limitation to the transfer of the Call Option and creation or assignment of any rights derived from the Call Option without Oi's prior authorisation; engagement to immediately allocate any resources obtained from the monetization of the Call Option to the purchase of shares in CorpCo by exercising the Call Option);
- Under the agreements, Oi and TmarPart have given PT SGPS and its directors, with the execution of the Exchange, acquaintance as to the subscription of the applications in Rio Forte Instruments, their subsequent use for the purpose of contributing to the Oi Capital Increase (settled on 5 May 2014) and any omissions or incompleteness in information specifically related to the Rio Forte Instruments, their position and any risks involved.

Taking into account that the Exchange implied the acquisition by the Oi Subsidiaries of Oi shares considered as own shares, the completion of the Exchange was submitted to the approval of the Brazilian Securities Commission (*Comissão dos Valores Mobiliários - "CVM"*), as well as keeping Oi shares (and after Oi's incorporation, of CorpCo shares) as own shares in a volume equivalent to the maximum number of Oi Shares Subject to Exchange, and the granting of the Call Option by the Oi Subsidiaries to PT SGPS in a volume equivalent to the maximum number of Oi Shares Subject to Option under the conditions provided for under the Call Option Agreement. On 4 March 2015, CVM authorised the Exchange and the Call Option in accordance with the terms of the agreements entered into on 8 September 2014, and the implementation of the Exchange and Call Option was subject to the following conditions: (i) the approval thereof by the general meeting of shareholders of Oi ("Oi GMS"), at which PT SGPS was not allowed to vote, and (ii) granting of voting rights to holders of preferred shares in Oi at the Oi GMS. The Oi GMS, which took place on 26 March 2015, approved the terms and conditions of the Exchange Agreement and Call Option Agreement entered into on 8 September 2014.

On 24 March 2015, Portugal Telecom entered into with Oi, the Oi Subsidiaries and CorpCo the *Instrumento Particular de Cessão de Direitos e Obrigações e Outras Avenças* (Private Act for Assignment of Rights and Obligations and Other Agreements) (the "Assignment Act") whereby PT Portugal transferred the Rio Forte Instruments held by PT Portugal to PTIF and assigned to PTIF all rights and obligations related thereto under the Exchange Agreement (the "Assignment").

The Assignment Act also provides that the delivery, upon the Exchange, of the Oi Shares Subject to Exchange could be implemented by means of transfer by PT SGPS of the Oi Shares Subject to Exchange or ADSs (American Depositary Shares) representing the Oi Shares Subject to Exchange, at the discretion of PT SGPS. Oi's ADR Programmes are governed (i) by the Deposit Agreement (Ordinary Shares) entered into on 27 February 2012, as amended, between Oi, the Bank of New York Mellon, in its capacity as depository (the "Depository") and all holders of ADSs ("ADSs ON") issued under the said Agreement; and (ii) by the Deposit Agreement (Preferred Shares) entered into on 27 February 2012, as amended, between Oi, the Depository and all holders of ADSs ("ADSs PN") issued under the said Agreement.

The Exchange was consummated on 30 March 2015, and thereby PT SGPS (i) deposited the Oi Shares Subject to Exchange with the Depository; and (ii) instructed the Depository to record the transfer to PTIF of 47,434,872 ADSs ON and 94,896,744 ADSs PN (jointly, the "ADSs Subject to Exchange") representing

the Oi Shares Subject to Exchange.

In this way, on 30 March 2015, PT SGPS transferred the ADSs Subject to Exchange to PTIF, and PTIF transferred to PT SGPS the Rio Forte Instruments in the total amount of €897 million.

The *Primeiro Aditivo ao Contrato de Opção* ("1st Amendment to the Option Agreement"), dated 31 March 2015, established the possibility for PT SGPS to assign or transfer the option to purchase Oi shares, provided such assignment or transfer covers at least a quarter of the Oi Shares Subject to Option, regardless of prior consent by Oi (subject to the right of first refusal as described in the paragraph below), and use any resources derived from such transactions freely. On the other hand, PT SGPS cannot, without the express prior consent of Oi, either create or grant any rights derived from the Call Option or else grant any security over the Call Option.

Under the 1st Amendment to the Option Agreement, Oi will have a right of first refusal in the acquisition of any portion of the Call Option that PT SGPS may be interested in assigning or transferring. PT SGPS shall give notice to Oi in the event PT SGPS receives a binding offer from a third party to dispose of the Call Option. Oi shall reply within no more than 20 days as from receipt of such notice.

The effectiveness of the 1st Amendment to the Option Agreement would be subject to approval at a General Meeting of Shareholders of Oi, together with the granting of voting rights to holders of preferred shares.

The shareholders in TmarPart approved, also on 31 March 2015, an alternative structure for the Business Combination, which does not involve the incorporation of Oi's shares in CorpCo or the migration of CorpCo to the Novo Mercado segment of BM&FBOVESPA. The parties agreed upon a new shareholder and management structure for Oi (the "New Structure"), which is characterized by the fact that all the corporate organisation and governance transformation takes place in Oi, and the need for creation of CorpCo is eliminated.

Relevant transactions executed during 2016 with other owners of qualified holdings, who are not related parties, are described in Note 22 the consolidated financial statements included in the Report and Consolidated Accounts 2016. There are no other relevant commercial relations between owners of qualified holdings and the Company.

B. CORPORATE BODIES AND COMMITTEES

I. GENERAL MEETING OF SHAREHOLDERS

The General Meeting of shareholders, composed of shareholders with the right to vote, ordinarily meets once a year or whenever it is requested to the Chairman of Board of the General Meeting of shareholders by the Board of Directors, the Fiscal Council or by shareholders representing at least 2% of the share capital.

The meetings are held at the registered office or other location as chosen by the Chairman of the Board pursuant to the law. They cannot take place by remote-access telematics means. The General Meeting of shareholders is called and conducted by the Chairman of its Board or, in his absence or impossibility to conduct the works, by the Secretary that will invite a shareholder to assist.

Shareholders may participate directly in the General Meeting or appoint their representatives, within the broadest terms provided for under the Portuguese Companies Code. A duly signed letter addressed to the Chairman of the Board of the General Meeting of shareholders is a sufficient instrument of representation.

For such purpose, shareholders may access the representation letter form made available on the website www.pharol.pt in accordance with information disclosed by the Company in the relevant General Meeting notice, in compliance with article 23 of the Portuguese Securities Code.

In carrying out their duties, notably in the preparation, call and conduction of General Meetings of shareholders, as well as in replying to queries raised or requests submitted by the shareholders, the Chairman of the Board of the General Meeting of shareholders, in addition to being assisted by the Secretary of the Board of the General Meeting of shareholders, has the support of the services of the Company's General Secretariat, which is provided with human and technical resources as required for the

General Meeting to be appropriately held, taking into account, inter alia, the number of participants and the agenda of each meeting. The Chairman of the Board of the General Meeting of shareholders is also provided with logistic support as required to carry out his duties, and the shareholders may contact the Board of the General Meeting of shareholders as follows:

Presidente da Mesa da Assembleia Geral
Rua Joshua Benoliel, 1, 2C, Edifício Amoreiras Square, 1250-133, Lisboa
Tel. - + 351800207369
Fax - + 351 212697949
E -mail: assembleia@pharol.pt

The members of the Board of the General Meeting of shareholders comply with the independence requirements of article 414,5 and incompatibility rules of article 414A,1, both of the Portuguese Companies Code, applicable by virtue of the provisions of article 374A of that same Code.

COMPOSITION OF THE BOARD OF THE GENERAL MEETING OF SHAREHOLDERS

11. IDENTIFICATION OF THE MEMBERS OF THE BOARD OF THE GENERAL MEETING OF SHAREHOLDERS, COMMENCEMENT AND EXPIRATION OF TERM OF OFFICE

Board of the General Meeting of Shareholders

Diogo Lacerda Machado	Chairman
Maria de Lourdes Cunha Trigos	Secretary

The members of the Board of the General Meeting of Shareholders were elected on 26 May 2017 to complete the 2015-2017 three-year term of office.

EXERCISE OF VOTING RIGHTS

12. POSSIBLE LIMITATIONS ON VOTING RIGHTS

Under the Company's Bylaws, each share grants the right to one vote. Only shareholders entitled to vote on the record date (i.e., on the fifth trading day prior to the General Meeting) and in compliance with the procedures and periods set forth in the notice for such purpose (in relation to the shareholders as well as the financial intermediaries with whom the respective individual securities accounts are open) may attend, participate and vote in a General Meeting of shareholders.

Within the framework of American Depositary Receipts (ADR) or Global Depositary Receipts (GDR) programmes having as their object Company shares, the holders of ADR or GDR are deemed to be the shareholders, while the entity in whose name the shares are registered is deemed a simple representative of the shareholders, provided however that such shareholders comply with the conditions set forth in the Bylaws for the exercise of such right. These conditions are communicated to the holders of the right to vote in each notice for the General Meeting of shareholders.

According to article 13 of the Company's Bylaws, the votes cast by a single holder of ordinary shares, directly or through a representative, in his own name or as a representative of another shareholder, that exceed 10% of the total voting rights corresponding to the share capital shall not be counted. Shares held by a person in situations as provided for under article 20 of the Portuguese Securities Code shall be deemed to belong to the shareholder, and the limitation on the counting of votes cast by each person affected by the said provision shall be proportional to the number of votes held and cast.

There are no shares not granting voting rights, without prejudice to the limitations described above.

The Company Bylaws provide that the voting by correspondence or by electronic means may encompass all matters contained in the notice, under the terms and conditions set forth therein, and votes cast in this way shall be considered at the time of the counting by adding the same to the voting rights exercised in the course of the General Meeting.

The Bylaws further provide that the terms and conditions for voting by correspondence or by electronic means shall be defined by the Chairman of the Board of the General Meeting of shareholders in the notice, in order to ensure their authenticity, regularity, security, reliability and confidentiality up to the time of voting rights exercised in their course of the General Meeting.

Correspondence vote authenticity shall be ensured before the Chairman of the Board of the General Meeting of shareholders by means of a communication with a legally acknowledged signature, in the case of corporations, or, in the case of individuals, with a simple signature together with a photocopy of the relevant identity card. In order to guarantee vote confidentiality, said communication shall be sent in a closed envelope that will only be considered at the time of vote counting.

In respect of voting by electronic means, and according to a practice implemented in the Company, shareholders may vote through the website www.pharol.pt in observance of the requirements established thereon, provided that, by the time and date scheduled on the notice for the General Meeting of shareholders, they deliver to the Chairman of the Board of the General Meeting a communication, prepared in accordance with the form made available on that same website, with a legally acknowledged signature (or, for individuals, a simple signature together with a copy of the relevant identity card), and setting out the post address to where the email and password should be sent by the Company.

Additionally, the Bylaws provide that votes cast by correspondence or by electronic means are deemed as negative votes as to any resolution proposals submitted after such votes were cast. The presence at a General Meeting of a shareholder who had exercised his voting rights by correspondence or by electronic means, or of his representative, determines the revocation of the vote so cast.

According to PHAROL's practice, the procedure for voting by correspondence shall be as follows:

- Shareholders entitled to vote may, according to article 22 of the Portuguese Securities Code, exercise such vote by correspondence, provided that, by the time and date scheduled on the notice, a communication addressed to the Chairman of the Board of the General Meeting is delivered to the latter, such communication to be with a legally acknowledged signature (or, for individuals, a simple signature together with a copy of the relevant identity card), and set out the address to where voting papers and other documentation should be sent. In reply, the voting papers and other relevant documentation will be sent to such shareholders, who shall send to the Chairman of the Board of the General Meeting, in such a way as to be received by the time and date scheduled on the notice for the General Meeting a closed envelope containing another closed envelope with the duly filled in voting papers;
- Notwithstanding the possibility of downloading the voting papers from the Internet according to the next paragraph, there are voting papers available to shareholders at the offices of the Company, and the same may also be provided by hand delivery, by post or by electronic mail;
- As an alternative, shareholders may also download the voting papers from the website www.pharol.pt, and send the same, addressed to the Chairman of the Board of the General Meeting, duly filled in and in a closed envelope, in such a way as to be received, together with an envelope containing a copy of the identity card (or, for corporations, a legally acknowledged signature), by the time and date scheduled on the notice for the General Meeting.

The period implemented for receipt of declarations of vote by correspondence according to PHAROL practice is 3 business days prior to the date of the General Meeting.

PHAROL's Bylaws do not provide for any system of detachment of patrimonial rights pertaining to the shares.

Considering the above described mechanisms for the participation and vote at the General Meeting, PHAROL fully complies with CMVM Recommendation No. I.1, promoting shareholder participation through voting by correspondence, by electronic means and by duly appointed representative in accordance with the legal and bylaw rules above.

13. MAXIMUM PERCENTAGE OF VOTING RIGHTS THAT MAY BE EXERCISED BY A SINGLE SHAREHOLDER OR BY SHAREHOLDERS CONNECTED TO THE FORMER THROUGH ANY OF THE RELATIONSHIPS SET FORTH IN ARTICLE 20.1 OF THE PORTUGUESE SECURITIES CODE

Regarding this matter, please see item 12 of Part I above.

14. SHAREHOLDER RESOLUTIONS WHICH, ACCORDING TO THE BYLAWS, CAN ONLY BE ADOPTED WITH QUALIFIED MAJORITY, APART FROM THOSE LEGALLY PROVIDED FOR

Under article 14 of the Company's Bylaws, the General Meeting of shareholders resolves, on a first or subsequent call, by a majority of votes cast, without prejudice to any qualified majority as required in cases as provided for by law.

In this way, the constitutive and resolute quorum of the General Meeting of shareholders established under PHAROL's Bylaws is no different from that established under the Portuguese Companies Code. PHAROL therefore complies with CMVM Recommendation No. I.2.

II. MANAGEMENT AND SUPERVISION

COMPOSITION

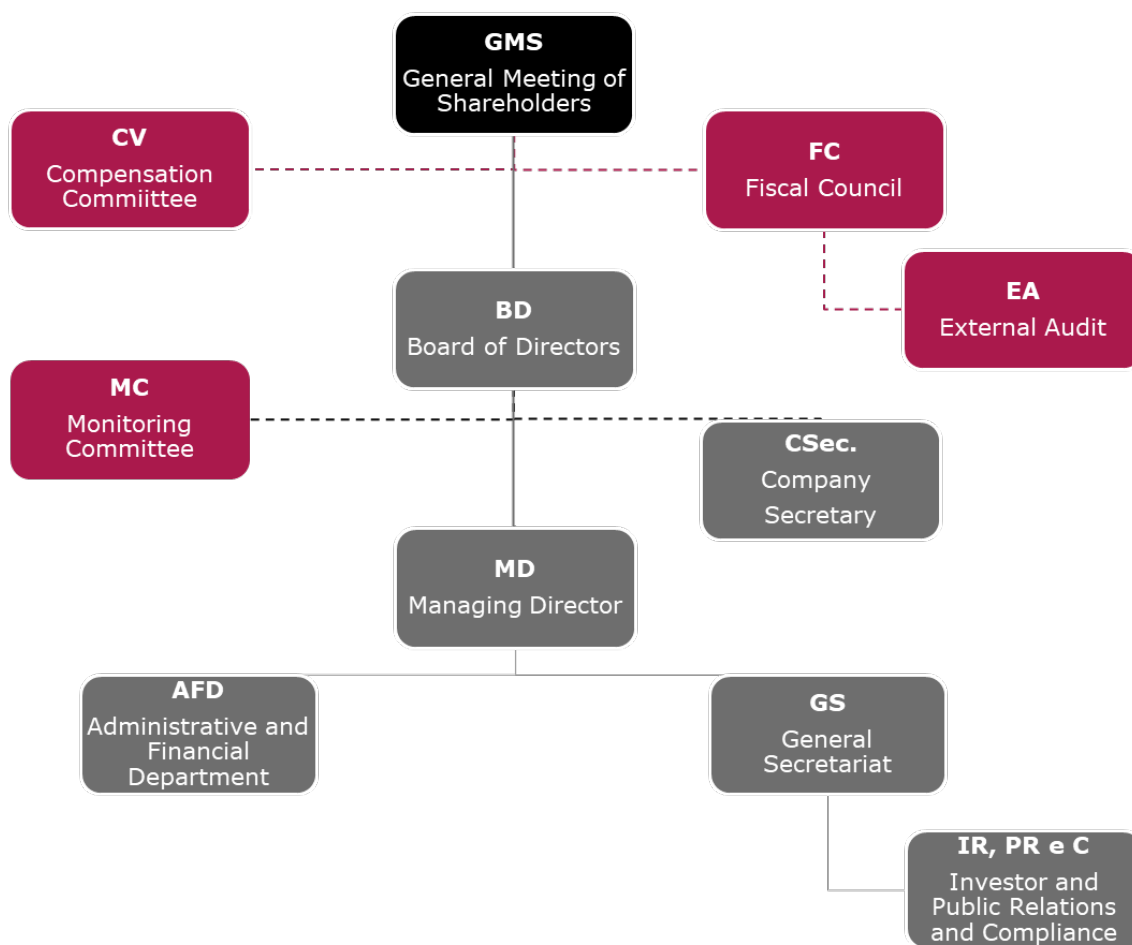
15. IDENTIFICATION OF THE CORPORATE GOVERNANCE MODEL

PHAROL follows a classic-type governance model, which is based on the existence of a Board of Directors and a Statutory Auditor ("ROC") elected by the General Meeting of shareholders upon a proposal by the Fiscal Council.

PHAROL's organisation structure further includes a Compensation Committee elected by the General Meeting of shareholders, which is responsible for determining the remunerations of the members of corporate bodies.

The members of the corporate bodies and of the Board of the General Meeting of Shareholders are elected for a three-year term of office, and they may be re-elected one or more times within the limits of the law.

On 31 December 2017, PHAROL's governance model could be schematised as follows:



Em 2017, a review of corporate governance mechanisms was made in order to adapt to the new reality of the Company, ensuring, on one hand, that the adopted governance model guarantees an effective performance and articulation of PHAROL's members of the corporate bodies and, on the other hand, contributes to the accountability of the Company and its management towards shareholders, investors and the market. In this way, the Board of Directors determined the PHAROL's governance structure should rely on an Managing Director with powers delegated by the Board of Directors, which would act on a predominantly operational basis.

The Board of Directors approved a Monitoring Committee and its functions. However, because the Board of Directors met regularly, analysing and discuss the issues that had been defined as the main attributes of the Monitoring Committee and because of the reduced size of the society, filling the posts of Monitoring Committee were not defined as a priority

Also, the costs associated with it were duly considered following the decision by the Compensation Committee which set certain compensation amounts for the performance of those places. The Board of Directors continues to assess this situation.

Under the terms and for the purposes of art. 446-A of the Portuguese Companies Code, the Company Secretary and his Alternate shall be appointed by the Board of Directors, having the powers established by law and terminating their duties upon termination of the functions of the Board of Directors that appointed them.

The Fiscal Council, together with the Statutory Auditor, perform the supervision functions set forth in the applicable laws and regulations.

PHAROL's General Meeting of shareholders, in its turn, resolves on matters as specially assigned by law or the Company's Bylaws, as well as on matters not comprised within the responsibilities of the other corporate bodies.

16. BYLAW RULES ON THE PROCEDURAL AND MATERIAL REQUIREMENTS FOR THE APPOINTMENT AND REPLACEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS

The members of the Board of Directors are elected by the General Meeting of shareholders as described in item 17 of Part I below.

The Bylaws determine that the absence of any director from more than half the ordinary meetings of the Board of Directors during one financial year, in a consecutive way or not, without a justification acceptable to the Board of Directors, shall be deemed as a definitive absence of such director. Such definitive absence shall be declared by the Board of Directors, and the director in question shall be replaced as provided for by law and the Bylaws.

17. COMPOSITION OF THE BOARD OF DIRECTORS

The members of the Board of Directors were elected on 29 May 2015 for the 2015-2017 three-year term of office.

On 31 December 2017, the composition of the Company's Board of Directors was as follows:

Members (date of first appointment)	Board of Directors	Independence (1)	No. of shares
Luís Maria Viana Palha da Silva (2015)	President		200.000
Aristóteles Luiz Menezes Vasconcellos Drummond (2017)	Member	Yes	
João Manuel Pisco de Castro (2015)	Member	Yes (*)	
Jorge Augusto Santiago das Neves (2017)	Member	Yes	
Jorge Telmo Maria Freire Cardoso (2014)	Member		
José Manuel Melo da Silva (2016)	Member	Yes	
José Mauro Mettrau Carneiro da Cunha (2015) (**)	Member		
Maria do Rosário Amado Pinto Correia (2015)	Member	Yes	40
Nelson Sequeiros Rodriguez Tanure (2017)	Member	Yes	
Pedro Zañartu Gubert Morais Leitão (2015)	Member	Yes	
Thomas Cornelius Azevedo Reichenheim (2017)	Member		

(*) With effect from December 28, 2017, date on which Visabeira ceased to hold a qualifying holding.

(**) Renounced on December 28, 2017, with effect from January 31, 2018.

(1) Evaluation of independence made in accordance with internal regulation, article 414-5 of the Portuguese Companies Code and item 18 of the form attached to CMVM Regulation no. 4/2013, as the case may be.

The Board of Directors of PHAROL is composed of a minimum of 9 and a maximum of 11 members, who are elected by a majority of the votes cast at the General Meeting of shareholders.

Directors are appointed for a three-year term of office. and may be re-elected one or more times within the limits of the law.

The Board of Directors non-executive members are the majority of the directors in office.

Executive members, as well as the nominated Managing-Director, reported on all of the relevant matters to all other members of the Board of Directors. Thus, the Company substantially complies with CMVM Recommendations no. II.1.6 and II.1.8.

In accordance with the above-mentioned regulation, each Director shall timely inform the Chairman of the Board of Directors of any conflict of interest, being in such case restrained from discussing and voting the matters in question.

18. EXECUTIVE AND NON-EXECUTIVE BOARD MEMBERS AND INDEPENDENCE CRITERIA

As referred to in item 17 above, as at 31 December 2017 the Company distinguishes executive and non-executive directors. In the same item, those directors that are considered independent are identified.

As at 31 December 2017, the Board of Directors of PHAROL has 7 independent directors, from among 11 members of the Board.

All directors deemed independent by PHAROL, as of 31 December 2017, as set out in item 17 above, meet the conditions required for the performance of their duties and compliance with their obligations to act diligently and in the interest of the Company in an independent manner. Thus, the Board of Directors considers that the Company's management body includes a number of independent members that is appropriate to its size and shareholder structure.

According to Internal Regulation no. 3,2017, the members of the Board of Directors of the Company, must send to the Chairman of the Board, within 10 business days as from their election or co-optation, and no later than 31 January of each year, declarations prepared in accordance with an Appendix to the said Internal Regulation.

Where the independence situation of any member of the Board of Directors is subsequently changed, the director in question must send to the Chairman of the Board an updated declaration, in the 10 business days following such subsequent change.

The Board of Directors assesses the independence of its non-executive members, on the basis of such declarations, as well as of any other information of which the Board may be aware.

Thus, it is considered to comply with CMVM Recommendations II.1.7.

19. PROFESSIONAL QUALIFICATIONS AND OTHER RELEVANT CURRICULUM ELEMENTS OF THE MEMBERS OF THE BOARD OF DIRECTORS

The *curricula* of PHAROL's directors are shown in Appendix I.

20. FAMILY, PROFESSIONAL OR COMMERCIAL RELATIONSHIPS, FREQUENT AND SIGNIFICANT, OF THE MEMBERS OF THE BOARD OF DIRECTORS WITH OWNERS OF QUALIFIED HOLDINGS ABOVE 2% OF THE VOTING RIGHTS

As at 31 December 2017:

- Luís Maria Viana Palha da Silva: he is a member of the Board of Directors of Oi, S.A., an entity having a qualified holding more than 2% of the share capital and voting rights in PHAROL. With the suspension of the political rights of Bratel S.à.r.l. determined by the Judge of the Oi Judicial Recovery, on March 7, 2018, was suspended from that date.
- Aristóteles Luiz Menezes Vasconcellos Drummond: has no family, professional or commercial relationships, frequent and significant, with owners of qualified holdings above 2% of the voting rights.
- João Manuel Pisco de Castro: he is an alternate member of the Board of Directors of Oi, S.A., an entity having a qualified holding in excess of 2% of the share capital and voting rights in PHAROL. With the approval of Oi Judicial Recovery Plan on January 8, 2018, after which Oi's Board of Directors was replaced by a Transitory Board of Directors, his functions were suspended. He is also Vice- President

of Grupo Visabeira, that had a qualified holding in excess of 2% of the share capital and voting rights in PHAROL until December 28, 2017.

- Jorge Augusto Santiago das Neves: has no family, professional or commercial relationships, frequent and significant, with owners of qualified holdings above 2% of the voting rights.
- Jorge Telmo Maria Freire Cardoso: he is director for the financial area of Novo Banco, S.A., an entity having a qualified holding more than 2% of the share capital and voting rights in PHAROL.
- José Manuel Melo da Silva: he is an alternate member of the Board of Directors of Oi, S.A., an entity having a qualified holding more than 2% of the share capital and voting rights in PHAROL. With the approval of Oi Judicial Recovery Plan on January 8, 2018, after which Oi's Board of Directors was replaced by a Transitory Board of Directors, his functions were suspended.
- Maria do Rosário Pinto Correia: she is an alternate member of the Board of Directors of Oi, S.A., an entity having a qualified holding more than 2% of the share capital and voting rights in PHAROL. With the approval of Oi Judicial Recovery Plan on January 8, 2018, after which Oi's Board of Directors was replaced by a Transitory Board of Directors, his functions were suspended.
- Nelson Sequeiros Rodriguez Tanure: he is an alternate member of the Board of Directors of Oi, S.A., an entity having a qualified holding more than 2% of the share capital and voting rights in PHAROL. With the approval of Oi Judicial Recovery Plan on January 8, 2018, after which Oi's Board of Directors was replaced by a Transitory Board of Directors, his functions were suspended.
- Pedro Zañartu Gubert Morais Leitão: he is a member of the Board of Directors of Oi, S.A., an entity having a qualified holding more than 2% of the share capital and voting rights in PHAROL. With the suspension of the political rights of Bratel S.à.r.l. determined by the Judge of the Oi Judicial Recovery, on March 7, 2018, was suspended from that date.
- Thomas Cornelius Azevedo Reichenheim: he is a member of the Board of Directors of Oi, S.A., an entity having a qualified holding more than 2% of the share capital and voting rights in PHAROL. With the approval of Oi Judicial Recovery Plan on January 8, 2018, after which Oi's Board of Directors was replaced by a Transitory Board of Directors, his functions were suspended.

During 2017, occurred the following changes:

- Rafael Luís Mora Funes: was a member of the Board of Directors of Oi, S.A., an entity having a qualified holding more than 2% of the share capital and voting rights in PHAROL. Resigned to the office on March,7 2017.
- André Cardoso de Meneses Navarro: was a member of the Board of Directors of Oi, S.A and performs his professional duties in Millennium BCP, entities having a qualified holding more than 2% of the share capital and voting rights in PHAROL. Resigned to the office in PHAROL on June 5, 2017.
- João do Passo Vicente Ribeiro: was a member of the Board of Directors of Oi, S.A., an entity having a qualified holding more than 2% of the share capital and voting rights in PHAROL. Resigned to the office in PHAROL on September 14, 2017.
- José Mauro Mettrau Carneiro da Cunha: he is Chairman of the Board of Directors of Oi, S.A., an entity having a qualified holding more than 2% of the share capital and voting rights in PHAROL. Resigned to the office in PHAROL on December 28, 2017.

21. DISTRIBUTION OF POWERS AMONG THE VARIOUS CORPORATE BODIES, COMMITTEES AND/OR DEPARTMENTS OF THE COMPANY

MANAGEMENT BODY

Board of Directors

Pursuant to the Bylaws, the Board of Directors is the corporate body responsible for managing the Company's businesses and practicing all acts regarding the corporate scope that are not within the powers of other corporate bodies. It establishes the strategic orientation of PHAROL and monitors the day-to-day management delegated by the Board of Directors to the Managing Director.

To guarantee the existence of a structure as appropriate for PHAROL's management needs, the Board of Directors, decided in 2017, to create the position of Managing-Director, under the terms of the law and the Bylaws. Within said delegation of powers, the Board of Directors assigned the Managing Director all powers necessary for the day-to-day management of the Company, except for those matters that are not delegable pursuant to article 407 of the Portuguese Companies Code listed below:

- a) Selection of the Chair of the Board of Directors;
- b) Co-opting directors;
- c) Request to convene General Meetings;
- d) Annual report and accounts, to be submitted to the General Meeting for approval;
- e) Acquisition, sale and disposal of real estate and capital holdings;
- f) Provision of real or personal sureties or guarantees by the Company, where the competence for this lies with the Board of Directors, without prejudice to the stipulations of sub-paragraph h) of article 15 of the Company's Articles of Association;
- g) Change in the location of the Company's registered offices;
- h) Projects for the merger, demerger or transformation of the company, to be submitted to the General Meeting, or any corporate acquisitions, disposals, mergers, demergers, strategic partnership agreements or other forms of long-lasting cooperation that involve the Company and/or its subsidiary(ies), whenever such operations do not constitute mere internal restructurings of the Company and/or its subsidiary(ies) that fall within the scope of the general objectives and fundamental principles approved by the General Meeting;
- i) Projects for increases in capital, to be submitted to the General Meeting;
- j) Changes to the articles of association, to be submitted to the General Meeting;
- k) Important extensions or reductions in the Company's business activities or important changes to the Company's organizational structure;
- l) Annual business plans, budgets or investment plans;
- m) Setting of the amount to be proposed each year to the General Meeting for the issue of bonds or other securities.

The Board of Directors thus consider that CMVM Recommendation no. II.1.2 is complied with, as no authority of the Board of Directors is delegated as regards: (i) the determination of the Company's general strategy and policies, and strategic decisions due to their amount, risk or special features, notably, regarding this latter, as a consequence of such matters being reserved to the powers of the Board of Directors pursuant to its Internal Regulation.

Regarding the Monitoring Committee, is it explained in item 15 the solution adopted.

Notwithstanding the Fiscal Council's powers, the Board of Directors is also responsible for ensuring the Company has implemented effective internal control and risk management procedures, in accordance with the rules of procedure. The implementation structures of these systems are described in C.III of Part I of this report.

Other than any matters excluded by law, the Board of Directors is forbidden from passing resolutions on matters assigned by the Bylaws to the General Meeting of shareholders. Shareholders, in their turn, may

only resolve on management matters at the request of the management body.

The Board of Directors is authorised to increase the share capital, following an opinion in favour issued by the Fiscal Council and a resolution approved by the General Meeting of shareholders, as described in item 9 of Part I of this report.

The Chairman of the Board of Directors simultaneously served as Chairman of the Executive Committee, until March 27, 2017, becoming Managing-Director after this day. In both models of delegations of powers used by the Company, the Company believes that the effective monitoring of the matters covered by the charges attributed and the respective report to the Board of Directors by the administrators allows to ensure coordination of the work of non-executive members.

To the extent that this mechanism allows all members of the Board of Directors to make informed decisions on the matters before them and is therefore considered appropriate and enough to ensure the objectives of the recommendation. II.1.10.

Powers of the Chairman of the Board of Directors

Pursuant to the Bylaws and to the Board of Directors' internal operating rules, the Chairman of the Board of Directors is entrusted with the following duties:

- Convening and directing the meetings of the Board of Directors;
- Representing the Board of Directors in legal and non-legal matters
- Co-ordinating the activity of the Board of Directors and apportioning tasks among members when recommended based on management expediency;
- Ensuring that the resolutions of the Board of Directors are properly complied with.

Managing-Director

In 2017, the Board of Directors delegated on a Managing-Director the daily management of the Company, according to the respective delegation of powers, retaining supervision and control functions.

Powers of the Managing Director

1. The Managing Director is responsible for the management of the the daily management of the Company, in accordance with the terms of the Portuguese Companies Code and the Bylaws.

2. Within the quantitative limits established by the Board of Directors, it is the responsibility of the Chief Executive Officer, namely:

- a) propose to the Board of Directors the goals and management policies of the Company;
- b) prepare annual activity and financial plans;
- c) manage the social affairs and practice all acts and operations related to the corporate purpose that do not fit in the competence attributed to other Bodies of the Company;
- d) represent the Company in and out of court, actively and passively, being able to withdraw, compromise and confess in any lawsuits, as well as to conclude arbitration agreements;
- e) to resolve on the issue of bonds and other securities in accordance with the Bylaws;
- f) establish the technical and administrative organization of the Company and the internal rules,

namely on personnel and their remuneration;

- g) to establish representatives with the powers they deem appropriate, including those to be replaced;
- h) exercise the other powers attributed to it by law or by the General Meeting.

Thus, it is considered to comply with CMVM Recommendations II.1.1.

SUPERVISORY BODIES

Fiscal Council

As a supervisory body, the Fiscal Council has, in addition to all other powers established in the law or the Bylaws, the following specific rules:

- a) Inspect the Company's management;
- b) Monitor compliance with the law and the Company's Bylaws;
- c) Confirm that the books, accounting records and their supporting documents are in due order;
- d) When it deems convenient and through the means it finds adequate, confirm available cash and the existence of any type of goods or values belonging to the Company or received by it as a guarantee, deposit or other purpose;
- e) Confirm the accuracy of the accounting statements and, generally, supervise the quality and integrity of the financial information specified in the Company's accounting statements;
- f) Check whether the accounting policies and the valuation criteria applied by the Company result in a correct valuation of its assets and results;
- g) Prepare an annual report on its inspection activities and issue an opinion on the report, accounts and proposals presented by the board;
- h) Convene the General Meeting, when such is not performed by the respective Chairman of the Board of the General Meeting of Shareholders;
- i) Inspect the quality, integrity and effectiveness of the risk management system, internal control system and internal audit system, including the annual review of its adequacy and effectiveness, and generally supervise the performance of any duties carried out within the scope of the Company's internal audit and internal control system;
- j) Receive notifications of deficiencies, claims and/or complaints submitted by shareholders, Company employees or others, and implement procedures to receive, record and process those notifications when related with aspects of accounting, auditing and internal control procedures in these matters;
- k) Contract services provided by experts to assist the members of the Fiscal Council members in carrying out their duties, whereby contracting and remuneration of said experts shall take into account the importance of the issues for which they are responsible and the Company's economic situation;
- l) Inspect the process for preparing and disclosing financial information;
- m) Propose to the General Meeting the appointment of the Statutory Auditor;
- n) Inspect the review of the Company's accounts and the auditing of its accounting statements, and also supervise and evaluate internal procedures regarding accounting and auditing matters;
- o) Inspect the independence of the Statutory Auditor, in particular any provisioning of additional services by the said auditor;

Fiscal Council has also the following duties:

- To analyze and issue its opinion on relevant issues related with accounting and auditing aspects and

the impact on the financial statements caused by alterations to accounting standards applicable to the Company and to its accounting policies;

- Direct and exclusive responsibility to appoint, contract, confirm or terminate duties and to stipulate the remuneration of the Company's independent auditors, as well as to inspect their qualifications and independence, and to approve the auditing services and/or other services to be rendered by the said independent auditors or by persons who are their associates;
- To settle any disputes between the Company's Board and the independent auditors indicated in the previous subparagraph, in regard to the financial information to be included in the accounting statements to be reported to the competent entities and in regard to the process of preparing the audit reports to be issued by the said independent auditors;
- To issue a statement and a prior opinion within the scope of its legal and statutory rules and, whenever it deems such necessary or convenient, about any reports, documentation or information to be disclosed or submitted by the Company to the competent authorities.

The Company therefore complies with CMVM Recommendations no. II.2.2 to II.2.5.

Statutory Auditor

Under articles 420,1(c), (d), (e) & (f) and 446,3 of the Portuguese Companies Code, it is the duty of the Statutory Auditor to control the regularity of the books, accounting records and documents supporting the same, as the Statutory Auditor deems fit and appropriate, the extension of cash and inventory of any kind of assets or values owned or received as collateral, deposit or otherwise by the Company, and furthermore the accuracy of individual and consolidated financial statements, as well as that the accounting policies and criteria adopted by the Company lead to a correct assessment of its assets and results.

Following entry into force of Decree-Law no. 185/2009 of 12 August 2009, similarly to the Statutory Auditor, it also became the duty of the Statutory Auditor to verify whether the Company's governance report disclosed each year includes all legally required data as regards, inter alia, qualified shareholdings in the Company capital, identification of shareholders of special rights and description of such rights, any restrictions in respect of voting rights, rules applicable to appointment and replacement of directors, Bylaw amendment and powers and resolutions of the management body, and the main constituents of the internal control and risk management systems implemented in the Company in connection with the financial information disclosure procedure.

COMMITTEES AND SUPPORTING STRUCTURES

FUNCTION

22. OPERATING RULES OF THE BOARD OF DIRECTORS

On 30 June 2015, the Board of Directors adopted its internal operation regulation. The full text of this regulation may be consulted on the Company's website, link:

http://conteudos.pharol.pt/Documents/EN/Regulation/2015/06_June/Regulamento_CA_en.pdf

Under the terms of article 24 of the Bylaws and the Board's Internal Regulation, the Board of Directors shall meet, at least, every three months of each year, and shall meet in extraordinarily sessions whenever convened by its Chairman, by two Directors or by the Fiscal Council.

The Board of Directors may not work without the presence of the majority of its members in office. The Chairman of the Board of Directors may, when clearly urgent, waive the presence of such majority if the same is ensured through voting by correspondence or through a power of attorney, although a director may not represent more than one other director.

The resolutions of the Board of Directors are passed by a majority of votes cast, and the Chairman has a casting vote.

23. NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS AND DEGREE OF ATTENDANCE OF EACH MEMBER

During the 2017 financial year, 13 meetings of the Board of Directors took place. The degree of attendance of directors at these meetings of the Board of Directors of PHAROL was 100%

The Managing-Director sends to the Board of Directors and to the Fiscal Council all his main decisions and informations, in order to allow for the adequate information and disclosures. In this way, CMVM Recommendation no. II.1.9 – as well as evaluation of compliance in material terms – are understood as applicable to PHAROL' management body and its Chairman.

24. INDICATION OF THE CORPORATE BODIES EMPOWERED TO CARRY OUT THE PERFORMANCE EVALUATION OF EXECUTIVE DIRECTORS

The Compensation Committee determines the remunerations of the members with executive functions based on objective criteria as approved by such Committee.

Furthermore, pursuant to the law, the General Meeting of shareholders makes an annual general appraisal of the management (and supervision) of the Company.

25. PRE-DETERMINED CRITERIA FOR THE PERFORMANCE EVALUATION OF EXECUTIVE DIRECTORS

On May 26, 2017, the General Meeting of Shareholders adopted the Declaration of the Compensation Committee on the Remuneration Policy for the members of the management and supervisory bodies, included on Annex II.

This Declaration complies with CMVM Recommendations no. II.3.3.

26. AVAILABILITY OF EACH MEMBER OF THE BOARD OF DIRECTORS AND INDICATION OF FUNCTIONS EXERCISED SIMULTANEOUSLY IN OTHER COMPANIES, INSIDE AND OUTSIDE THE GROUP, AND OTHER RELEVANT ACTIVITIES EXERCISED BY THE MEMBERS OF THE BOARD OF DIRECTORS

The functions exercised by the Company' directors in other companies as well as their other relevant activities are shown in Appendix I, there being highlighted the duties performed and the attendance and active participation of the directors in the meetings of the Board of Directors (in respect of all its members) – see item 23 of Part I above – evidence the availability of each member of the Board of Directors to perform duties as director of the Company.

COMMITTEES WITHIN THE MANAGEMENT OR SUPERVISION BODIES AND DELEGATED DIRECTORS

27. COMMITTEE CREATED WITHIN THE BOARD OF DIRECTORS AND LOCAL FOR THE CONSULTATION OF ITS OPERATING RULE

The Regulation for the Monitoring Committee may be consulted on the Company's website, link:

http://conteudos.pharol.pt/Documents/EN/Regulation/2015/06_June/RegulamentoComissaoAcompanhamento_en.pdf

28. COMPOSITION OF THE EXECUTIVE COMMITTEE AND/OR IDENTIFICATION OF MANAGING DIRECTORS

According to the Bylaws, the Board of Directors appoints the Managing Director.

As of December 31, 2017, the Managing Director was the Chairman of the Board of Directors, Luís Maria Viana Palha da Silva

29. DUTIES OF EACH COMMITTEE CREATED WITHIN THE BOARD OF DIRECTORS AND SUMMARY OF THE ACTIVITIES DEVELOPED IN THE EXERCISE OF SUCH DUTIES

Regarding this matter, please see items 21 and 27 of Part I above.

III. SUPERVISION

COMPOSITION

30. IDENTIFICATION OF THE SUPERVISORY BODY

The supervisory body is the Fiscal Council.

31. COMPOSITION OF THE FISCAL COUNCIL

The Fiscal Council is composed of three effective members and an alternate member, appointed by the General Meeting of shareholders.

As at December 31, 2017, the Fiscal Council was composed as follows:

José Maria Rego Ribeiro da Cunha	Chairman
Isabel Maria Beja Gonçalves Novo	Member
Pedro Miguel Ribeiro de Almeida de Fontes Falcão	Member
Paulo Ribeiro da Silva	Alternate member

32. IDENTIFICATION OF THE MEMBERS OF THE FISCAL COUNCIL COMMITTEE CONSIDERED INDEPENDENT UNDER ARTICLE 414,5 OF THE PORTUGUESE COMPANIES CODE

The Fiscal Council members meet the requirements on incompatibilities, independence and specialization arising from legal and regulatory requirements and other market rules to Corporate issuers of securities admitted to trading on a regulated market.

The Company therefore complies with CMVM Recommendations no. II.2.1.

33. PROFESSIONAL QUALIFICATIONS AND OTHER RELEVANT CURRICULUM ELEMENTS OF THE MEMBERS OF THE FISCAL COUNCIL

The *curricula* of the members of PHAROL's Fiscal Council are shown in Appendix I.

OPERATION

34. OPERATING RULES OF THE FISCAL COUNCIL

The Fiscal Council adopted its Internal Regulation, which may be consulted on the following electronic address:

http://conteudos.pharol.pt/Documents/EN/Regulation/2015/10_October/Regulamento_Conselho_Fiscal_en.pdf

According to such Regulation, the Fiscal Council meets at least once every three months, on the day and at the place established by its Chairman, although extraordinary meetings may be called upon by its Chairman or at the request of a majority of its members.

The Fiscal Council shall not function without the presence of the majority of its members in office. Its Chairman may, when clearly urgent or there is a justified impossibility, waive the presence of that majority if the same is ensured through voting by correspondence or by power of attorney.

The Fiscal Council's resolutions are approved by a majority of the votes cast, and its Chairman has a casting vote.

35. NUMBER OF MEETINGS OF THE FISCAL COUNCIL AND DEGREE OF ATTENDANCE OF EACH MEMBER

During the 2017 financial year, 7 meetings of the Fiscal Council took place. The degree of attendance of each member to these meetings was 100%.

36. AVAILABILITY OF EACH MEMBER OF THE FISCAL COUNCIL AND INDICATION OF FUNCTIONS EXERCISED SIMULTANEOUSLY IN OTHER COMPANIES, INSIDE AND OUTSIDE THE GROUP, AND OTHER RELEVANT ACTIVITIES EXERCISED BY THE MEMBERS OF THE FISCAL COUNCIL

The functions exercised by the members of PHAROL's Fiscal Council in other companies as well as their other relevant activities are shown in Appendix I.

COMPETENCES AND DUTIES

37. PROCEDURES AND CRITERIA APPLICABLE TO THE INTERVENTION OF THE SUPERVISORY BODY WHEN HIRING ADDITIONAL SERVICES FROM THE EXTERNAL AUDITOR

In the year 2017, PHAROL did not contract to the external auditor or any entity with a group relationship or that incorporate the same network, for any other services than audit services.

Therefore, PHAROL believes that it complies with CMVM Recommendation no. IV.2.

38. OTHER DUTIES OF THE SUPERVISORY BODIES

Regarding this matter, please see item 21 of Part I above.

IV. STATUTORY AUDITOR (REVISOR OFICIAL DE CONTAS / ROC)

39. IDENTIFICATION OF THE STATUTORY AUDITOR AND OF ITS REPRESENTING PARTNER

The 2015-2017 three-year term of office of the Statutory Auditor commenced on 29 May 2015, its effective member being the firm BDO & Associados, SROC. Lda., registered in the Statutory Auditor's Professional Association ("OROC") under no. 29 and at CMVM under no.20161384, represented by its partner and manager Rui Carlos Lourenço Helena, registered at OROC as Statutory Auditor, under no. 923.

40. NUMBER OF YEARS DURING WHICH THE STATUTORY AUDITOR PERFORMS DUTIES CONSECUTIVELY IN THE COMPANY AND/OR GROUP

The firm BDO & Associados, SROC. Lda., performs duties as Statutory Auditor in the Company since 29 May 2015.

Pursuant to its duties, PHAROL's Fiscal Council confirmed the independence of the Statutory Auditor, and appraised its work during the 2017 financial year.

41. OTHER SERVICES RENDERED TO THE COMPANY BY THE STATUTORY AUDITOR

In 2017, the Statutory Auditor also rendered the external audit service to PHAROL and there is no other services rendered.

V. EXTERNAL AUDITOR

42. IDENTIFICATION OF THE EXTERNAL AUDITOR AND OF ITS REPRESENTING PARTNER, AS WELL AS THEIR RESPECTIVE REGISTRY NUMBER BEFORE THE CMVM

PHAROL's current External Auditor, appointed in 2015 for the purposes of article 8 of the Portuguese Securities Code, is BDO & Associados - SROC, Lda., registered at OROC under no. 29 and at CMVM under no. 20161384, and it is represented by its partner and director Rui Carlos Lourenço Helena, registered at OROC as Statutory Auditor under no. 923.

43. NUMBER OF YEARS DURING WHICH THE EXTERNAL AUDITOR AND ITS REPRESENTING PARTNER PERFORM DUTIES CONSECUTIVELY IN THE COMPANY AND/OR GROUP

PHAROL's current External Auditor, appointed in 2015 for the purposes of article 8 of the Portuguese Securities Code, is BDO & Associados - SROC, Lda., registered at OROC under no. 29 and at CMVM under no. 20161384, began its functions in March 2015.

44. POLICY AND PERIOD FOR THE ROTATION OF THE EXTERNAL AUDITOR AND OF ITS REPRESENTING PARTNER

There is no internal policy for the External Auditor's mandatory rotation, apart from the one legally applicable to public interest entities. The mandatory rotation period applicable to the Statutory Auditor that represents the External Auditor in the performance of its duties results from article 54,2 of the OROC Statutes (7 years).

45. CORPORATE BODY RESPONSIBLE FOR THE EVALUATION OF THE EXTERNAL AUDITOR AND FREQUENCY FOR SUCH EVALUATION

The Fiscal Council annually evaluates the External Auditor's performance and independence, as described in the annual Report of the Fiscal Council's activities.

Pursuant to its duties and in line with CMVM Recommendation no. II.2.3, the Company's Fiscal Council assessed and confirmed the independence of BDO & Associados, SROC, Lda., and appraised its work relating to the 2015 financial audit of the Company.

46. SERVICES, OTHER THAN AUDITING SERVICES, PROVIDED BY THE EXTERNAL AUDITOR TO THE COMPANY AND/OR ENTITIES IN A CONTROL RELATIONSHIP, AS WELL AS INDICATION OF INTERNAL PROCEDURES FOR THE PURPOSES OF APPROVING THE HIRING OF THOSE SERVICES AND REASONS FOR SUCH HIRING

There were no services other than auditing services provided to the Company or to the companies in a control relationship with PHAROL by the External Auditor beyond the role of the Statutory Auditor.

47. INDICATION OF THE AMOUNT OF ANNUAL REMUNERATION PAID TO THE AUDITOR AND OTHER INDIVIDUALS OR CORPORATIONS IN THE SAME NETWORK SUPPORTED BY THE COMPANY AND OR BY CORPORATIONS IN A CONTROL OR GROUP RELATIONSHIP, AS WELL AS SPECIFICATION OF THE PERCENTAGE OF EACH TYPE OF SERVICE

BDO & Associados, SROC, Lda. for the external audit and Statutory Auditor simultaneously will represent a total cost of 165,280 euros to which VAT is added at the legal rate, referring to 2017.

C. INTERNAL ORGANIZATION

I. BYLAWS

48. RULES APPLICABLE TO AMENDMENT TO THE BYLAWS OF THE COMPANY

Constitutive quorum for the General Meeting of Shareholders

Where an amendment to the Bylaws is at issue, the General Meeting of shareholders may only resolve, on a first call, if shareholders owning shares corresponding to at least one-third of the share capital are present or represented. On a second call, no such requirement exists, and the General Meeting may resolve on any matter whatever the number of shareholders present.

Resolution quorum for the General Meeting of Shareholders

Decisions regarding the amendment of the Bylaws must be approved by a minimum of two thirds of the votes cast, whether the General Meeting meets first or second call, unless, in the latter case, shareholders holding at least half of the share capital, and such resolutions may then be taken by a majority of the votes cast (paragraphs 3 and 4 of article 386 of the Portuguese Companies Code).

However, if shareholders holding at least half the share capital are present or represented at a General Meeting held on second call, an amendment to the Bylaws may be resolved by a majority of the votes cast, and no two-third majority is therefore required.

Thus, PHAROL's Bylaws establish no quorum other than established by the law for the General Meeting to be held or to approve resolutions.

The Board of Directors is, however, authorised to increase the share capital, subject to an opinion in favour issued by the Fiscal Council and following a resolution of the General Meeting of shareholders, fixing the

parameters to which the increase or increases of capital are subject to. The Board of Directors may also move the registered office of the Company within the national territory.

II. WHISTLEBLOWING

49. WHISTLEBLOWING

In December 2016, PHAROL revised a set of procedures called regarding to the rules and the procediment to adopte in the System for Disisclosure of Unethical Practices or Whistleblowing.

Within Whistleblowing, "Unethical Practices e/ou irregularities" mean all acts or omissions, wilful or negligent, performed within the activities of the companies pertaining to PHAROL, that may have an impact on the financial statements or information sent to the Portuguese regulatory authority, CMVM, or those that cause damage to PHAROL's assets and reputation.

Suitable safety measures were implemented for the protection of information and data contained in communications. In particular, restricted access will be guaranteed, from a physical and logical perspective, to the System servers, and the means for gathering and filing information must be exclusive to the System.

Both confidentiality of the communication and anonymity of the person reporting will be ensured at all times, unless the person concerned unequivocally intends and declares otherwise.

In no case is any kind of retaliation against those that make the said communications tolerated.

Disclosure of Unethical Practices (Whistleblowing).is available on the Company's website

<http://pharol.pt/en-us/governo-sociedade/participacao-praticas-indevidas/pages/enquadramento.aspx>

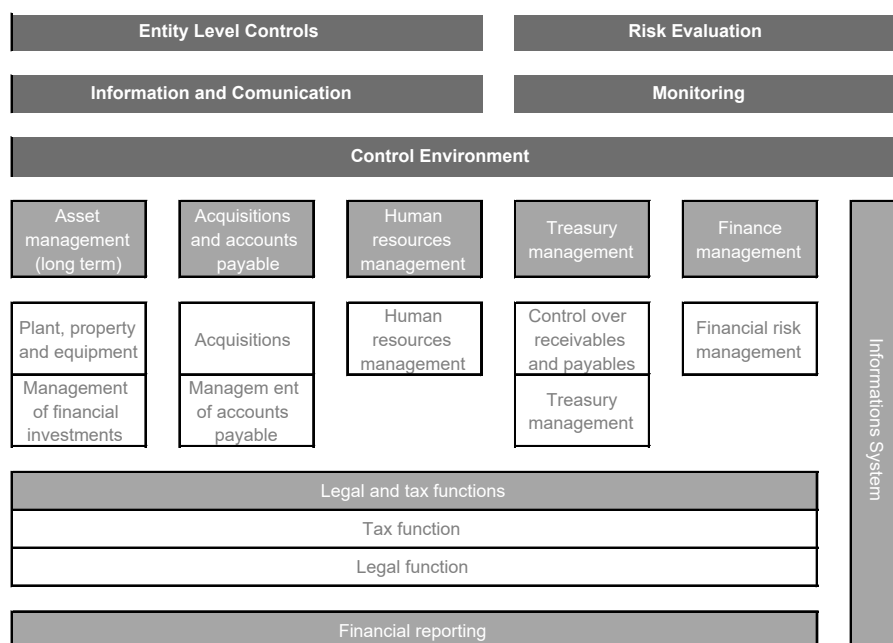
III. INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control System

The Internal Control System implemented at PHAROL was based on an internationally acknowledged model – COSO (Committee of Sponsoring Organisations of the Treadway Commission) – making use of the layers established according to such model, notably: (i) Entity Level Controls; (ii) IT Level Controls; and (iii) Process Level Controls.

PHAROL designed a manual and implemented controls for the most representative business cycles within the Company. As to lesser business cycles, and within the framework of improvement of internal control and risk management environment, PHAROL defined a set of minimum internal control requirements.

PHAROL's internal control manual and most relevant business cycles may be summarised in the table below:



The identification and design of the controls that are relevant to financial reporting, whether preventive, detective or corrective, are documented in the proper manual according to the layers established by COSO. The manual is revised where changes in the processes occur or periodically, in order to attest their adhesion to the reality of PHAROL's operations.

Currently, PHAROL has already identified around 62 controls, of which 39 are considered as key controls.

The internal control system is checked by the External Auditors and in full compliance with the CMVM Recommendation no. IV.1, the External Auditors also verify the implementation of remuneration policies and systems in force in the Company.

50. PERSONS, BODIES OR COMMITTEES RESPONSIBLE FOR INTERNAL AUDITING AND/OR IMPLEMENTATION OF INTERNAL CONTROL SYSTEMS

The Fiscal Council monitors PHAROL permanently as follows:

- a) evaluate internal procedures for accounting and auditing matters;
- b) assess the effectiveness of the Risk Management System regarding tax, legal, economic and financial aspects;
- c) evaluate the effectiveness of the internal control system;
- d) review the External Audit function.

The internal control system is monitored by the Board of Directors, which identifies the risks of the company, the results of the risk management process, the materiality level of financial reporting and proposes the implementation of measures.

51. HIERARCHICAL AND/OR FUNCTIONAL DEPENDENCE RELATIONS VIS-À-VIS OTHER CORPORATE BODIES OR COMMITTEES

The annual plan in respect of the External Audit and Risk Management function is annually approved by the Managing Director and informed to the Fiscal Council of PHAROL, wherein are defined the audits to be performed and the scope of internal control reviews. The objective of these procedures is to ensure that internal control mechanisms are in place to ensure the reliability and integrity of financial and operational reports, operational efficiency and compliance with applicable laws and regulations.

The progress of the execution of the annual audit plan as defined, as well as the aggregate results of

audits carried out, are reported to the Fiscal Council and to Managing Director for the follow-up of the progress of the internal control and risk management system and definition of action plans for mitigation and resolution of risks detected.

As referred to above, the Company considers itself to comply with CMVM Recommendations no. II.2.4 and no. II.2.5.

52. OTHER FUNCTIONAL AREAS HAVING RISK CONTROL POWERS ROLE

Risk Management is promoted by the Board of Directors and the Managing Director in such a way as to identify, assess and manage uncertainties, threats and opportunities that might affect the pursuance of the plan and strategic goals, to decide on the level of exposure and overall risk limits to be undertaken by PHAROL in its different activities and to ensure that management risk policies and procedures are followed.

PHAROL risk level results from the degree of the Board's acceptance for risk, which is kept within limits according to criteria as agreed between the Board of Directors, the Managing Director and the Fiscal Council, this latter under legal terms, responsible for evaluating the effectiveness of the Risk Management System under the fiscal, legal, economic and financial viewpoint.

Risk Management is entrusted to the Board of Directors, performed by the Managing Director, although it depends on the supervision of the Fiscal Council.

53. MAIN ECONOMIC, FINANCIAL AND LEGAL RISKS TO WHICH THE COMPANY IS EXPOSED IN THE CONDUCT OF ITS BUSINESS

Among the various risks that may adversely affect the business of PHAROL, the following should be highlighted:

Relevant Risks		
Economic Risks	Oi's Performance	The main risk that PHAROL is subject in Brazil derives from Oi Judicial Recovery; the effect of the operational and financial performance is small compared to the possible impact from the <i>haircut</i> on debt predicted in the Judicial Recovery Plan.
Financial Risks	Exchange Rates	Foreign currency exchange rate risks relate mainly to PHAROL's investment in Oi (Brazil). Any exchange rate fluctuations of the Real against the Euro affect the valorization of Oi shares held by PHAROL, and therefore impact PHAROL's results and financial position.
	Interest Rate	Interest rate risks basically relate to financial expenses and the floating interest rate debt and cash applications. PHAROL is indirectly exposed to this risk specially in Brazil. It is important to point out that, at December 31, 2017 PHAROL has no debt.
	Treasury Applications	PHAROL is mainly subject to credit risks in its treasury applications. In order to dilute these risks, in July 2014 the Board of Directors defined a policy for treasury applications.
	Default by Rio Forte as to the reimbursement of the instruments that PHAROL holds following the execution of the	The Rio Forte Instruments currently held by PHAROL, are not guaranteed by assets. Therefore, even though there may exist amounts available for reimbursement to Rio Forte's creditors the right to reimbursement of PHAROL will be shared pro rata with the other unsecured creditors of Rio Forte and only after the repayment of all debts to any secured creditors, and after confirmation of the validity of the credits.

	Exchange	PHAROL evaluates this instruments every year, with the supervision of the Fiscal Council and External Audit.
	Exercise of the call option on Oi's shares	<p>The value of the Call Option on Oi's shares will depend primarily on the market price for Oi's ordinary and preferred shares, the price of which will depend, in its turn, on Oi's performance, including its operations, financial position, business outlook and its judicial reorganization develop.</p> <p>The Board of Directors of PHAROL closely monitors Oi's business on regular basis and is further engaged in periodically following up the Call Option for purposes of financial statement recording, as well as the price of Oi's shares.</p>
Legal Risks	Court proceedings	The Board of Directors subcontracts the risk analysis as to court proceedings to external lawyers and consultants, to know, for each claim, their assessment as to PHAROL's liability (probable, possible and remote occurrence), the status of the proceedings, the amounts involved, provisioned and paid, and what steps should be taken to defend PHAROL's interests.
	Tax contingencies	In accordance with the agreements with Oi, Oi is responsible for the payment of all contingencies until May 5, 2014 and PHAROL remains and severally liable for these contingencies.
	Disputes or investigations triggered under the Rio Forte Instruments or the Business Combination	PHAROL may incur in liability under disputes and other future proceedings and incur in legal costs in such disputes or other proceedings. Any liability incurred may adversely affect PHAROL's financial position.

54. RISK IDENTIFICATION, ASSESSMENT, MONITORING, CONTROL AND MANAGEMENT PROCEDURE

Risk Management Procedure

The Risk Management procedure implemented in PHAROL is based on an internationally acknowledged methodology – COSO II, developed by the Committee of Sponsorship Organisations of the Treadway Commission. This approach is based on the identification and analysis of key value drivers and uncertainty factors that might affect value generation and compliance with the plan and strategic goals.

PHAROL's priority commitment consists in the implementation of mechanisms for assessment and management of risks that might affect its operations. Such mechanisms are based on an integrated transversal risk management model, which seeks to ensure, implementation of good corporate governance practices and transparency in communication to the market and shareholders.

The whole process is monitored and supervised by the Fiscal Council. Within the functions of this body regarding the supervision of the efficiency of the risk management system, we point out the analysis of the quality, integrity and effectiveness of the risk management system and internal control system, including the annual review of its adequacy and effectiveness, and generally supervise the execution of the functions performed by the Managing Director.

Risk Management Methodology

Considering PHAROL's need for clear assessment and management mechanisms for the risks affecting its businesses, the following components were defined in the implementation of the risk assessment and management procedure:

- **Risk Typology**, which defines the risk factors that might generally affect PHAROL.
- **Economic Risks:** reflect the risks from the macroeconomic environment as well as the impact of entities and assets not controlled by PHAROL;
- **Financial Risks:** associated to the PT SGPS' financial performance and to the transparency in its communication to the market;
- **Legal Risks:** result of past situations, current and future associated with hiring, assumption of rights and responsibilities and relationships with regulators and authorities.
- **Risk Management**, which formalises the analysis of processes and procedures, the mitigation and reporting of relevant risks.

Identified risks

The table below shows the risks currently identified at the level of the Risk Management Model of PHAROL on which all risk management procedures are developed.

Economic Risks	Oi's Performance
Financial Risks	Exchange rates Interest rates Credit Liquidity Default by Rio Forte as to the reimbursement of the instruments that PHAROL holds following the execution of the Exchange Exercise of the call option on Oi's shares
Legal Risks	Agreements with Oi / Business Combination Court proceedings Disputes or investigations triggered under the Rio Forte Instruments or the Business Combination

Risk assessment

In its risk assessment, the Board of Directors and Managing Director considers the existence of predictable and unpredictable events. While most events are recurrent and have already been dealt with in already prepared management programs and budgets, there are events that are often unpredictable. The Board of Directors and Managing Director assesses the risks that may cause a significant impact on the Company, taking into account both the inherent risk of materialization of the risk and the residual risk (the risk that still exists after measures have been taken by the Board of Directors and the Managing Director).

Risk monitoring, control and management

The Board of Directors allocates responsibilities to the Managing Director in order to formalise procedures that are aligned with the strategy and exposure level/risk tolerance determined for PHAROL, in such a way as to identify:

- Monitoring procedures to mitigate for each risk, according to the risk management strategy adopted by the Board of Directors and supervised by the Fiscal Council;
- Disclosure and reporting procedures for information issued regarding the risk management procedure.

Operational implementation of the risk management methodology is an interactive cyclical process that

may be summarised in the following table:

Risk Management Methodology	
Board of Directors	Identifies main risks affecting PHAROL; Decides on action and prioritisation of mitigating actions.
Managing Director	Implement policies and controls in accordance with the strategy set by the Board of Directors. Monitors the implementation of controls.
Fiscal Council	Supervises and evaluates risk management model; Proposes improvements & changes to model; Reviews the main risks.

55. MAIN ELEMENTS OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IMPLEMENTED IN THE COMPANY IN CONNECTION WITH THE FINANCIAL INFORMATION DISCLOSURE PROCEDURE

The wider scope of the internal control system implemented by PHAROL includes existing controls both as to the accuracy and completeness of disclosures and as to compliance thereof with the Company’s financial information. At the beginning of the process, the Managing Director, together with the Company services, the External Auditor and the Statutory Auditor, establish a timeline for the process and identify the participants/responsibility aimed at the preparation/disclosure of the financial information.

Before approval by the Board of Directors and by the Managing Director, financial information disclosures are submitted to the Fiscal Council within the context of the Company’s governance model. Both the Board’s approval and the Fiscal Council’s opinion are preceded by a set of validation and accuracy procedures carried out by the Company services.

The Company therefore complies with CMVM Recommendations no. II.1.5.

IV. INVESTOR SUPPORT

56. INVESTOR SUPPORT OFFICE, COMPOSITION, DUTIES, INFORMATION PROVIDED BY THE SAME AND CONTACT DETAILS

It is PHAROL’s policy to supply clear and transparent information, on a regular basis, to its shareholders and other members of the financial community.

The purpose of the Investor Relations Office consists in ensuring adequate relations with shareholders, investors, analysts and financial markets in general, in particular with the Markets and Stock Exchanges where PHAROL is listed and the respective regulatory entitie: CMVM.

PHAROL regularly prepares communications and press releases on interim and annual results, as well as any inside information affecting the Company. It also provides all sorts of clarifications to the financial community in general – shareholders, investors and analysts.

Any interested party may have access to the Investor Relations Office through the following contacts:

Luís Sousa de Macedo
Investor Relations Director

Telephone: +351.212.697.698

Fax: +351.212.697.949

E-mail:	ir@pharol.pt
Address:	Rua Joshua Benoliel, 1, 2C - Edifício Amoreiras Square 1250-133 Lisboa - Portugal
Company Switchboard:	+351.212.697.690
Website:	www.pharol.pt

In addition to other information, PHAROL keeps the following information updated on its website, in Portuguese and in English, fully complying with CMVM Recommendation no. VI.1:

- Company name, its nature of public company, registered office and other data pursuant to article 171 of the Portuguese Companies Code;
- The Bylaws;
- Operating rules of the corporate bodies and of the committees created within the Board of Directors;
- The identity of the members of the corporate bodies and of the representative for relations with the market;
- Duties of and access means to the Investor Relations Office as described above;
- For a period of five years, the annual, interim and quarterly financial statements;
- A schedule of corporate events, which includes, among other information, scheduled General Meetings of shareholders and disclosure of annual, interim and quarterly accounts;
- Notices of the General Meetings of shareholders, as well as proposals to be submitted to discussion and voting by the shareholders, at least 21 days in advance of the meeting date;
- Historical collection with the resolutions passed at the Company's General Meetings of shareholders, the share capital therein represented and the voting results, regarding the previous three years;
- In general, information allowing an updated knowledge about the Company's evolution and reality in economic, financial and corporate governance terms.

57. REPRESENTATIVE FOR RELATIONS WITH THE MARKET

Regarding this matter, please see item 56.

58. INFORMATION ON RESPONSE PROPORTION AND PERIOD TO INFORMATION REQUESTS MADE DURING THE YEAR OR PENDING FROM PREVIOUS YEARS

The Investor Relations Office regularly receives calls with various questions, including clarifications on dividends, General Meetings of shareholders and others, typically answered immediately, when the information is public.

In addition, the Investor Relations Office regularly receives requests by e-mail or post, and depending on the technical complexity of the query it may take longer to answer, but typically it takes less than five business days.

Therefore, PHAROL believes that its Investor Relations Office ensures a permanent contact with

investors, analysts and the market in general as well as a treatment of investors' requests in compliance with CMVM Recommendation no. VI.2.

V. INTERNET WEBSITE

59. ADDRESS

PHAROL makes available, through its website, , www.pharol.pt , all information of a legal nature or on corporate governance, updates on the conduct of the business of the Company, as well as a complete set of Company financial and operational data, in order to facilitate inspection and access to such information by PHAROL's shareholders, financial analysts and other parties concerned.

60. LOCATION OF INFORMATION ON THE COMPANY NAME, ITS NATURE OF PUBLIC COMPANY, REGISTERED OFFICE AND OTHER DATA PURSUANT TO ARTICLE 171 OF THE PORTUGUESE COMPANIES CODE

All information pursuant to article 171 of the Portuguese Companies Code may be found on PHAROL website at:

<http://pharol.pt/en-us/a-empresa/pages/informacao-corporativa.aspx>

61. LOCATION OF INFORMATION ON THE BYLAWS AND OPERATING RULES OF THE CORPORATE BODIES AND/OR COMMITTEES

The bylaws and operating rules of the corporate bodies and of the committees created within the Board of Directors may be found on PHAROL' website at:

<http://pharol.pt/en-us/governo-sociedade/pages/estatutos.aspx>

<http://pharol.pt/en-us/governo-sociedade/pages/conselho-fiscal.aspx>

<http://pharol.pt/en-us/governo-sociedade/comissoes-internas/pages/enquadramento.aspx>

62. LOCATION OF INFORMATION ON THE IDENTITY OF THE MEMBERS OF THE CORPORATE BODIES, THE REPRESENTATIVE FOR RELATIONS WITH THE MARKET, THE INVESTOR RELATIONS OFFICE OR EQUIVALENT, THEIR DUTIES AND ACCESS DETAILS

The identity of the members of the corporate bodies, the representative for relations with the market, the Investor Relations Office or equivalent, their duties and access details may be found on PHAROL' website at:

<http://pharol.pt/en-us/governo-sociedade/pages/conselho-administracao.aspx>

<http://pharol.pt/en-us/governo-sociedade/pages/conselho-fiscal.aspx>

<http://pharol.pt/en-us/contactos/pages/relacao-investidores.aspx>

63. LOCATION WHERE THE COMPANY MAKES AVAILABLE THE FINANCIAL STATEMENTS, WHICH MUST BE ACCESSIBLE FOR FIVE YEARS AT LEAST, AS WELL AS A SCHEDULE OF CORPORATE EVENTS, DISCLOSED AT THE BEGINNING OF EACH HALF-YEAR, INCLUDING, AMONG OTHERS, GENERAL MEETINGS OF SHAREHOLDERS, DISCLOSURE OF THE ANNUAL, HALF-YEAR AND, IF APPLICABLE, QUARTERLY FINANCIAL STATEMENTS

The financial statements, as well as the schedule of corporate events may be found on PHAROL' website

at:

<http://pharol.pt/en-us/informacao-financeira/relatorios/pages/2017.aspx>

<http://pharol.pt/en-us/informacao-financeira/calendario-financeiro/Pages/calendario-financeiro.aspx>

64. LOCATION WHERE THE COMPANY MAKES AVAILABLE NOTICES OF THE GENERAL MEETING OF SHAREHOLDERS AND ALL PREPARATORY AND SUBSEQUENT INFORMATION RELATED TO THE SAME

Notices of the General Meeting of Shareholders and all preparatory and subsequent information related to the same may be found on PHAROL's website at:

<http://pharol.pt/en-us/governo-sociedade/assembleia-geral-acionistas/Pages/assembleia-geral-acionistas.aspx>

65. LOCATION WHERE THE COMPANY MAKES AVAILABLE THE HISTORICAL COLLECTION WITH THE RESOLUTIONS PASSED AT THE GENERAL MEETINGS OF SHAREHOLDERS, THE SHARE CAPITAL THEREIN REPRESENTED AND THE VOTING RESULTS, REGARDING THE PREVIOUS THREE YEARS

The historical collection with the resolutions passed at the Company's General Meetings of shareholders, the share capital therein represented and the voting results may be found on PHAROL's website at:

<http://pharol.pt/en-us/governo-sociedade/assembleia-geral-acionistas/Pages/assembleia-geral-acionistas.aspx>

D. REMUNERATION

I. COMPETENCE FOR DETERMINATION

66. COMPETENCE FOR THE DETERMINATION OF THE REMUNERATION OF CORPORATE BODIES, MEMBERS OF THE EXECUTIVE COMMITTEE OR MANAGING DIRECTOR AND COMPANY OFFICERS

The Compensation Committee is elected by the shareholders at a General Meeting and serves the purpose of defining the remuneration policy of the members of the corporate bodies, determining the remunerations applicable and taking into consideration the performance and the economic position of the Company.

For the completion of this task, the Compensation Committee continuously follows up and evaluates the directors' and the Company's performance, checking the extent to which the proposed targets have been achieved. The Compensation Committee meets whenever necessary.

The remuneration policy applicable to the PHAROL's officers is determined by the Managing Director.

II. COMPENSATION COMMITTEE

67. COMPOSITION OF THE COMPENSATION COMMITTEE, INCLUDING THE IDENTIFICATION OF THE PERSONS OR CORPORATIONS HIRED TO SUPPORT IT AND INDEPENDENCE STATEMENT REGARDING EACH OF ITS MEMBERS AND CONSULTANTS

The current members of the Compensation Committee, elected for the 2015-2017 three-year term of office, are the following:

Composition

Álvaro Pinto Correia

Francisco de Lacerda

António Sarmiento Gomes Mota

Notwithstanding the necessary articulation of this Committee with the Board of Directors, the composition of the Compensation Committee seeks to obtain the highest possible level of independence of its members from the members of the management body. No member of the Compensation Committee is a member of any corporate body or committee within the Company, and no member of the Compensation Committee has any family connection to any member of the management body by way of marriage, kindred or affinity in a direct line and up to and including the third degree. PHAROL therefore complies with CMVM Recommendation no. II.3.1.

68. KNOWLEDGE AND EXPERIENCE OF THE MEMBERS OF THE COMPENSATION COMMITTEE IN THE MATTER OF REMUNERATION POLICY

All members of the Compensation Committee have knowledge and experience in the matter of remuneration policy. Some of them belong or have belonged to compensation committees of other listed companies. Appendix I hereto sets out the most relevant curriculum elements of the members of the Compensation Committee.

III. REMUNERATION STRUCTURE

69. DESCRIPTION OF THE REMUNERATION POLICY FOR THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES AS REFERRED TO UNDER ARTICLE 2 OF LAW NO. 28/2009 OF 19 JUNE 2009

The remuneration policy for executive and non-executive members of the Board of Directors (such policy including the members of the supervisory body) in force during the 2017 financial year is described on the statement of the Compensation Committee on this matter as approved by the 2014 Annual General Meeting of Shareholders on 26 May 2017, pursuant to article 2,1 of Law no. 28/2009, of 19 June 2009. Such declaration is reproduced in Appendix II hereto.

At the same time, the remuneration policy applicable to non-executive members of the Board of Directors does not include any variable component, -i.e - the value of which dependant on the performance of the Company or its value. Therefore, PHAROL complies with CMVM Recommendation no. III.1 and III.2.

70. INFORMATION ON HOW THE REMUNERATION IS STRUCTURED IN ORDER TO PERMIT THE ALIGNMENT OF THE DIRECTORS' INTERESTS WITH LONG TERM INTERESTS OF THE COMPANY, AS WELL AS HOW THE REMUNERATION IS BASED ON PERFORMANCE AND DISINCENTIVES EXCESSIVE RISK TAKING

As a result from the remuneration policy approved at the General Meeting of 26 May 2017 and presented in Annex II, the remuneration was based on a fixed and variable component.

71. REFERENCE, IF APPLICABLE, TO THE EXISTENCE OF A VARIABLE COMPONENT OF THE REMUNERATION AND INFORMATION ON THE WAY AS SUCH COMPONENT DEPENDS ON PERFORMANCE EVALUATION

Regarding this matter, please see the statement of the Compensation Committee Appendix II hereto.

72. DEFERMENT OF PAYMENT OF THE VARIABLE COMPONENT OF THE REMUNERATION, MENTIONING THE DEFERMENT PERIOD

Regarding this matter, please see the statement of the Compensation Committee Appendix II hereto.

PHAROL thus comply with CMVM Recommendations no. II.2.4 and no. II.2.5.

73. CRITERIA ON WHICH THE ALLOCATION OF A VARIABLE REMUNERATION IN SHARES IS BASED; EXECUTIVE DIRECTORS KEEPING ANY SHARES GRANTED THEM IN THE COMPANY; ANY AGREEMENT EXECUTED AS TO SUCH SHARES, NOTABLY HEDGING OR RISK TRANSFER AGREEMENTS, THE LIMIT THEREOF, AND THEIR RELATIONSHIP TO THE AMOUNT OF THE OVERALL ANNUAL REMUNERATION

Not applicable, since the remuneration policy in force does not include the allocation of a variable remuneration in shares.

74. CRITERIA ON WHICH THE ALLOCATION OF A VARIABLE REMUNERATION IN OPTIONS IS BASED, AND INDICATION OF DEFERMENT PERIOD AND EXERCISE PRICE

Not applicable, since the remuneration policy in force does not include the allocation of a variable remuneration in options.

75. MAIN PARAMETERS OF AND GROUNDS FOR ANY ANNUAL BONUS SYSTEM AND ANY OTHER NON-PECUNIARY BENEFITS

In 2017, there were no bonuses, annual bonuses or non-pecuniary benefit systems of any nature whatsoever in force in PHAROL.

76. MAIN CHARACTERISTICS OF COMPLEMENTARY PENSION OR EARLY RETIREMENT SYSTEMS FOR DIRECTORS, SPECIFYING WHETHER THE SAME WERE SUBJECT TO APPRAISAL, IN INDIVIDUAL TERMS, BY THE GENERAL MEETING OF SHAREHOLDERS

No PHAROL director is covered by complementary pension or early retirement system plan.

IV. REMUNERATION DISCLOSURE

77. REMUNERATION INDIVIDUALLY AND GLOBALLY EARNED BY THE MEMBERS OF THE COMPANY'S MANAGEMENT BODY

Pursuant to Law no. 28/2009 of 19 June 2009, individual and global gross remunerations paid to the members of the management body are shown hereinafter:

Board of Directors (year of designation)		Remunerations 2017 (euro)
André Cardoso de Meneses Navarro (2015)	(1)	16.760
Aristóteles Luiz Menezes Vasconcellos Drummond (2017)	(2)	9.063
João do Passo Vicente Ribeiro (2015)	(3)	28.731
João Manuel Pisco de Castro (2015)		35.000
Jorge Augusto Santiago das Neves (2017)	(4)	17.624
Jorge Telmo Maria Freire Cardoso (2014)		35.000
José Manuel Melo da Silva (2016)		35.000
José Mauro Mettrau Carneiro da Cunha (2015)	(5)	35.000
Luís Maria Viana Palha da Silva (2015)		294.000
Maria do Rosário Amado Pinto Correia (2015)		35.000
Nelson Sequeiros Rodriguez Tanure (2017)	(4)	17.624

Pedro Zañartu Gubert Morais Leitão (2015)		35.000
Rafael Luís Mora Funes (2007)	(6)	96.693
Thomas Cornelius Azevedo Reichenheim (2017)	(4)	17.624
Total		708.119

- (1) He resigned on June 5, 2017.
- (2) Co-optated on September 28, 2017.
- (3) He resigned on September 12, 2017.
- (4) Co-optated on June 30, 2017.
- (5) He resigned on December 28, 2017.
- (6) He resigned on March 7, 2017.

78. AMOUNTS PAID, FOR ANY REASON WHATSOEVER, BY OTHER COMPANIES IN A CONTROL OR GROUP RELATIONSHIP OR SUBJECT TO COMMON CONTROL

During 2017, no amounts were paid to PHAROL's members of the Board of Directors by companies in a control or group relationship or subject to common control.

79. REMUNERATION PAID IN THE FORM OF PROFIT SHARING AND/OR BONUS PAYMENT, AND THE REASONS WHY SUCH BONUSES AND/OR PROFIT SHARING WERE GRANTED

The remuneration policy of the members of the Board of Directors in 2017, which will be presented to the General Meeting of shareholders, does not provide for the allocation, in general terms, of this type of remuneration.

80. COMPENSATIONS PAID OR DUE TO FORMER EXECUTIVE DIRECTORS IN RESPECT OF TERMINATION OF OFFICE DURING THE FINANCIAL YEAR

During the year 2017, there is no compensation paid for the contract termination of executive directors.

81. REMUNERATION INDIVIDUALLY AND GLOBALLY EARNED BY THE MEMBERS OF THE COMPANY'S SUPERVISORY BODY

The remuneration of the Fiscal Council is composed of a fixed annual amount based on the Company's situation and market practices without the existence of a variable remuneration.

The gross remuneration of the Fiscal Council for the year 2017 was as follows:

Fiscal Council		Remunerations 2017 (euro)
José Maria Rego Ribeiro da Cunha		49.000,00
Isabel Maria Beja Gonçalves Novo		31.500,00
Paulo Ribeiro da Silva	(1)	NA
Pedro Miguel Ribeiro de Almeida Fontes Falcão		31.500,00
Total		112.000

(1) Alternate member, elected on May 26, 2017.

82. INDICATION OF THE REMUNERATION OF THE CHAIRMAN OF THE BOARD OF THE GENERAL MEETING OF SHAREHOLDERS

In 2017, due to the resignation of the former Chairman of the Board of the General Meeting, the Chairman

of the Fiscal Council, José Maria Ribeiro da Cunha, assumed these functions during the Extraordinary General Meeting, as provided for in the Fiscal Council's regulation, and his gross remuneration for these functions was Euro 4,000.

The Chairman of the Board of the General Meeting elected, Diogo Lacerda Machado, for his functions at the Annual Shareholders' Meeting granting the gross remuneration of Euro. 4,000.

V. AGREEMENTS WITH REMUNERATION IMPLICATIONS

83. CONTRACTUAL LIMITATION AS ESTABLISHED FOR ANY COMPENSATION TO BE PAID UPON REMOVAL WITHOUT JUST CAUSE OF A DIRECTOR, AND ITS RELATIONSHIP WITH THE VARIABLE COMPONENT OF THE REMUNERATION

There are no agreements that establish a right to compensations upon removal without just cause of a director, other than the ones provided by law.

84. AGREEMENTS WITH MEMBERS OF THE BOARD AND OFFICERS PROVIDING FOR COMPENSATION IN THE EVENT OF TERMINATION OF OFFICE FOLLOWING A CHANGE OF CONTROL

There are no agreements between PHAROL and the members of the management body or officers providing for compensation in the event of resignation, removal without just cause or termination of employment relationship following a change of control in the Company.

VI. SHARE ALLOTMENT OR STOCK OPTION PLANS

The information set forth in **items 85 to 87** of the form attached to CMVM Regulation no. 4/2013 is not applicable to PHAROL, as during the 2017 financial year, the Company did not adopt any share allotment or share call option plans, nor did any such plans remain in force, in regard to PHAROL directors, employees or any third parties.

88. CONTROL MECHANISMS PLANNED FOR ANY EMPLOYEE CAPITAL HOLDING SYSTEM TO THE EXTENT THAT VOTING RIGHTS ARE NOT EXERCISED BY SUCH EMPLOYEES

Not applicable, since there is no system specifically providing for any share capital holding by employees in the Company.

E. RELATED PARTY TRANSACTIONS

VII. CONTROL MECHANISMS AND PROCEDURES

89. MECHANISMS IMPLEMENTED BY THE COMPANY TO CONTROL RELATED PARTY TRANSACTIONS (IAS 24)

To ensure full compliance with PHAROL's obligations to disclose Related Party Transactions, the Company has implemented the procedures and internal control mechanisms designed to identify and ensure transparency of the decision-making processes for Transactions with Related Parties, and, secondly, determine the Transactions whose disclosure is relevant in accordance with the legal, regulatory and accounting rules to which it is bound.

For these purposes, the following transparency rules in the processes of deciding Related Party Transactions are fully complied by all stakeholders:

1. To preserve the transparency of PHAROL's decision-making processes when dealing with Related Party Transactions, such processes are subject to a general principle that no major corporate member and key contributor has formal authority within the PHAROL Group to authorize Transactions with himself, with any family member or entity under his control.
2. In such situations, approval of Related Party Transactions shall be held by an equivalent or superior member in the PHAROL Group hierarchy to ensure the independence of the decision-making process on the concerned Transaction.
3. Whenever Transactions of PHAROL or its Subsidiaries with Related Parties, or their renewals, whose aggregate value per entity exceeds Euro 200,000 (two hundred thousand euros) per semester, the realization thereof may only be approved once obtained prior favorable opinion of the supervisory body confirming that, in view of the reasoning given, the nature of the Related Party of the counterparty did not influence the decision to contract and the terms and conditions agreed.
4. The Transactions of PHAROL or its Subsidiaries held with shareholders holding a qualifying holding pursuant to article 16 of the Portuguese Securities Code or entities that with the latter are in one of the relations provided for in article 20 of the Code or its renewals, whose aggregate value per entity exceeds Euro 1,000,000 (one million euros) per year, are subject to approval by the Board of Directors, after obtaining a prior favorable opinion from the supervisory body, confirming that, given the reasons given, nature of a shareholder holding a qualifying holding or entity that is in one of the relationships provided for in article 20 of the CMVM of the counterparty did not influence the decision to contract or the terms and conditions agreed.
5. The transactions of PHAROL or its Subsidiaries made with members of the Board of Directors of PHAROL shall be subject to approval by the Board of Directors, regardless of the respective amount, pursuant to paragraph 2 of article 397 of the Commercial Companies Code.
6. Proposals for Transactions submitted by the above-mentioned bodies must be substantiated and should specifically mention the advantages inherent to the Transactions in question.
7. For the purposes set out in points 3 and 4 above, the Board of Directors shall be instructed to provide the following information regarding the Transaction on which it is called upon: (i) sufficient information on the characteristics of the transaction in question, in particular from a strategic, financial, legal and fiscal point of view; (ii) information on the nature of the relationship between PHAROL, or its Subsidiaries, and the counterparty concerned; (iii) the procedures and financial terms agreed in the scope of the operation; (iv) the evaluation procedure adopted and the respective assumptions, including prices used as a reference; (v) the hiring process; and (vi) the impact of the transaction on the financial position of the PHAROL Group.
8. The information referred to in item 7. above shall be prepared by the proposer of the Transaction.
9. The supervisory board shall inform the Board of Directors of opinions issued on Transactions not subject to approval by the Board of Directors of PHAROL at the meetings of the Board of Directors to approve the semiannual and annual financial information immediately following the issuance of said opinions.
10. Where the execution of any of the operations referred to in points 3 or 4 entails the successive completion of several transactions where the second and subsequent transactions are mere acts of execution of the first, as provided for in points 3 to 9. the first transaction.
11. The following transactions with related parties are therefore excluded from the scope of application of the said internal regulations:
 - a) Purchases of goods or services contracted with compliance with internal rules regarding purchases, suppliers and service providers that are in force at the time of hiring;
 - b) Banking operations of PHAROL and Subsidiaries, including collection, payment, deposits and other financial investments, short- and medium-term financing operations, commercial paper issuance, foreign exchange operations, hedging derivatives and guarantees provided that they do not exceed the aggregate value of Euro 300,000 (three hundred thousand euros) per year;
 - c) Between companies in a control or group relationship with PHAROL or between PHAROL and

PHAROL;

- d) where the consideration is determined based on official quotations (eg exchange or interest rate and commodity contracts) if the agreed ranges correspond to normal market practices;
- e) where the consideration is determined based on tariffs or charges fixed by the competent regulatory authorities to which it competes;
- f) The payment by the PHAROL Group of the remuneration of the main corporate members and key employees for the performance of their duties;
- g) The operations accessible to all employees or shareholders of the PHAROL Group under equivalent conditions;
- h) The acquisition of technical services, such as legal or tax consultancy, where the approval procedure provided for in this article may jeopardize the timely provision of such services, taking into account the specific nature of the services to be rendered, namely, taking into account the qualifications and degree of knowledge required for the provision of the services in question, as well as the time limit for their implementation;
- i) Transactions that constitute the execution of transactions already contracted under general contracts already in force in the PHAROL Group.

Thus, PHAROL considers CMVM Recommendation No. V.1 and V.2. complied.

90. TRANSACTIONS SUBJECT TO CONTROL

In 2017, there were no transactions subject to the rules described in paragraph 89.

91. INTERVENTION OF THE SUPERVISORY BODY IN THE PRIOR EVALUATION OF TRANSACTIONS WITH OWNERS OF A QUALIFIED HOLDING

In this respect, reference is made to point 89 of Part I above.

VIII. TRANSACTION DETAILS

92. LOCATION, IN THE ANNUAL FINANCIAL STATEMENTS, WHERE INFORMATION ON RELATED PARTY TRANSACTIONS, IN ACCORDANCE WITH IAS 24, IS AVAILABLE

Information on related party transactions is available on Note 21 to the consolidated financial statements for the year 2017. There were no transactions with related parties' to disclose in respect of the fiscal year ended on 31 December 2017.

Information on the transactions executed during the fiscal year ended on 31 December 2017 with owners of qualified holdings who are not related parties in accordance with IAS 24 is available in Note 22 to the consolidated financial statements for the year of 2017.

PART II – CORPORATE GOVERNANCE EVALUATION

1. IDENTIFICATION OF THE CORPORATE GOVERNANCE CODE ADOPTED

The Company has adopted the Corporate Governance Code of CMVM, since it believes that it ensures an adequate level of protection of shareholders' interests and transparency of Corporate Governance.

PHAROL is also subject to other internal standards adopted in its corporate governance structure such as various internal rules of conduct and transparency, specifically the Code of Ethics, the Rules on Management Transactions, Related Party Transactions and Transactions with Qualified Holders.

PHAROL, for the 2015-2017 three-year term, following the Annual General Meeting of Shareholders held in 2015, returned to its former management model, namely delegating functions in an Executive Committee. In 2017, the Board of Director decided to delegate the day-to-day management to Managing-Director.

Additionally, there are in force a set of internal rules that determine, notably (i) the obligation of dispersion of cash availabilities over several banks, (ii) the limitation of the kind of applications to term deposits, and (iii) the establishment of maximum quantitative limits within the scope of the delegation of certain binding powers, thus amending the previous situation under which certain transactions (as, for instance, short-term applications) were subject to delegation with no quantitative limit.

2. STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE ADOPTED

PHAROL complies in a high proportion with the recommendations set out in the CMVM's Corporate Governance Code, in the version published in July 2013 ("CMVM Code" or "CMVM Recommendations"), which assessment is set out in this report - with repercussions on its corporate governance model, of a classic nature, and provided for in item a) of paragraph 1 of article 278 of the Commercial Companies Code.- model of corporate governance, of a Classic type corporate governance model as provided in paragraph a) of no. 1 of article 278 of the Portuguese Companies Code.

Within this context, PHAROL's corporate governance model and principles:

- Observe all legal rules of a binding content applicable to the Classic-type corporate governance model as provided for under article 278,1(a) of the Portuguese Companies Code;
- Take in a significant set of recommendations and best practices in this field as established under the CMVM Code.

PHAROL adopts the CMVM Recommendations, available here:

[http://www.cmvm.pt/en/Legislacao/National legislation/Recommendations/Documents/Final.trad.Cod.Go v.Soc.09.10.2013.MM.pdf](http://www.cmvm.pt/en/Legislacao/National_legislation/Recommendations/Documents/Final.trad.Cod.Go v.Soc.09.10.2013.MM.pdf)

The items in Part I of this Corporate Governance Report that contain a description of the measures taken by the Company for compliance with the CMVM Recommendations are identified hereunder.

CMVM RECOMMENDATION		COMPLIANCE	REPORT
I. VOTING AND CORPORATE CONTROL			
I.1.	Companies shall encourage shareholders to attend and vote at general meetings and shall not set an excessively large number of shares required for the entitlement of one vote, and implement the means necessary to exercise the right to vote by mail and electronically.	Yes	Item 12
I.2.	Companies shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater than the one provided for by law.	Yes	Item 14

I.3.	Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each common share, unless duly justified in terms of long-term interests of shareholders.	Yes (a)	Item 5
I.4.	The articles of association that provide for the restriction of the number of votes that may be held or exercised by a sole shareholder, either individually or jointly with other shareholders, shall also foresee for a resolution by the General Meeting (5 year intervals), on whether that statutory provision is to be amended or prevails – without super quorum requirements as to the one legally in force – and that in said resolution all votes issued are to be counted without applying said restriction.	Yes (a)	Item 5
I.5.	Measures that require payment or assumption of fees by the company in the event of change of control or change in the composition of the Board and that which appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of Board members, shall not be adopted.	Yes	Item 4
II. SUPERVISION, MANAGEMENT AND OVERSIGHT			
II.1 SUPERVISION AND MANAGEMENT			
II.1.1.	Within the limits established by law, and except for the small size of the company, the board of directors shall delegate the daily management of the company and said delegated powers shall be identified in the Annual Report on Corporate Governance.	Yes	Item 21
II.1.2.	The Board of Directors shall ensure that the company acts in accordance with its objectives and shall not delegate its responsibilities as regards the following: (i) define the strategy and general policies of the company, (ii) define business structure of the group, (iii) decisions considered strategic due to the amount, risk and particular characteristics involved.	Yes	Item 21
II.1.3.	The General and Supervisory Board, in addition to its supervisory duties, shall take full responsibility at corporate governance level, whereby through the statutory provision or by equivalent means, shall enshrine the requirement for this body to decide on the strategy and major policies of the company, the definition of the corporate structure of the group and the decisions that shall be considered strategic due to the amount or risk involved. This body shall also assess compliance with the strategic plan and the implementation of key policies of the company.	Not Applicable	-
II.1.4.	Except for small-sized companies, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall create the necessary committees in order to: (a) Ensure a competent and independent assessment of the performance of the executive directors and its own overall performance, as well as of other committees; and (b) Reflect on the system structure and governance practices adopted, verify its efficiency and propose to the competent bodies, measures to be implemented with a view to their improvement.	Yes	Items 21 and 27
II.1.5.	The Board of Directors or the General and Supervisory Board, depending on the applicable model, should set goals in terms of risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals.	Yes	Items 50 to 55
II.1.6.	The Board of Directors shall include a number of non- executive members ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the board.	Yes	Item 17

II.1.7.	<p>Non-executive members shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the company, its shareholder structure and the relevant free float. The independence of the members of the General and Supervisory Board and members of the Fiscal Council shall be assessed as per the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any specific group of interests in the company nor is under any circumstance likely to affect an exempt analysis or decision, particularly due to:</p> <p>a. Having been an employee at the company or at a company holding a controlling or group relationship within the last three years;</p> <p>b. Having, in the past three years, provided services or established commercial relationship with the company or company with which it is in a control or group relationship, either directly or as a partner, board member, manager or director of a legal person;</p> <p>c. Being paid by the company or by a company with which it is in a control or group relationship besides the remuneration arising from the exercise of the functions of a board member;</p> <p>d. Living with a partner or a spouse, relative or any first degree next of kin and up to and including the third degree of collateral affinity of board members or natural persons that are direct and indirectly holders of qualifying holdings;</p> <p>e. Being a qualifying shareholder or representative of a qualifying shareholder.</p>	Yes	Item 18
II.1.8.	When board members that carry out executive duties are requested by other board members, said shall provide the information requested, in a timely and appropriate manner to the request.	Yes	Item 17
II.1.9.	The Chairman of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chairman of the Board of Directors, the Chairman of the Supervisory Board, the Chairman of the Fiscal Council, the Chairman of the General and Supervisory Board and the Chairman of the Financial Matters Board, the convening notices and minutes of the relevant meetings.	Yes	Item 23
II.1.10.	If the chairman of the board of directors carries out executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so these can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.	Yes	Item 21
II.2 SUPERVISION			
II.2.1.	Depending on the applicable model, the Chairman of the Supervisory Board, the Fiscal Council or the Financial Matters Committee shall be independent in accordance with the applicable legal standard, and have the necessary skills to carry out their relevant duties.	Yes	Item 32
II.2.2.	The supervisory body shall be the main representative of the External Auditor and the first recipient of the relevant reports, and is responsible, <i>inter alia</i> , for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the company.	Yes	Item 21
II.2.3.	The supervisory board shall assess the External Auditor on an annual basis and propose to the competent body its dismissal or termination of the contract as to the provision of its services when there is a valid basis for said dismissal.	Yes	Items 21 e 45
II.2.4.	The supervisory board shall assess the functioning of the internal control systems and risk management and propose adjustments as may be deemed necessary.	Yes	Items 21 e 51

II.2.5.	The Fiscal Council, the General and Supervisory Board and the Supervisory Board decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and should be recipients of reports made by these services at least when matters related to accountability, identification or resolution of conflicts of interest and detection of potential improprieties are concerned.	Yes	Items 21 e 51
II.3 REMUNERATION SETTING			
II.3.1.	All members of the Remuneration Committee or equivalent should be independent from the executive board members and include at least one member with knowledge and experience in matters of remuneration policy.	Yes	Item 67 e 68
II.3.2.	Any natural or legal person that provides or has provided services in the past three years to any structure under the board of directors, the board of directors of the company itself or who has a current relationship with the company or consultant of the company, shall not be hired to assist the Remuneration Committee in the performance of its duties. This recommendation also applies to any natural or legal person that is related by employment contract or provision of services with the above.	Yes	Item 67
II.3.3.	A statement on the remuneration policy of the management and supervisory bodies referred to in article 2 of Law no. 28/2009, of 19 June, shall also contain the following: a) Identification and details of the criteria for determining the remuneration paid to the members of the corporate bodies; b) Information regarding the maximum potential, in individual terms, and the maximum potential, in aggregate form, to be paid to members of corporate bodies, and identify the circumstances whereby these maximum amounts may be payable; d) Information regarding the enforceability or unenforceability of payments for the dismissal or termination of appointment of board members.	Yes	Items 25, 69 and Appendix II
II.3.4.	Approval of plans for the allotment of shares and/or options to acquire shares or based on share price variation to board members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said plan.	Not Applicable	
II.3.5.	Approval of any retirement benefit scheme established for members of corporate members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said scheme.	Not Applicable	
III. REMUNERATION			
III.1.	The remuneration of the executive members of the board shall be based on actual performance and shall discourage excessive risk-taking.	Yes	Item 69 and Appendix II
III.2.	The remuneration of non-executive board members and the remuneration of the members of the supervisory board shall not include any component whose value depends on the performance of the company or of its value.	Yes	Items 69, 77, 81 and Appendix II
III.3.	The variable component of remuneration shall be reasonable overall in relation to the fixed component of the remuneration and maximum limits should be set for all components.	Yes	Items 25, 69 and Appendix II
III.4.	A significant part of the variable remuneration should be deferred for a period not less than three years, and the right to receive it shall depend on the continued positive performance of the company during that period.	Yes	Items 25, 69 and Appendix II
III.5.	Members of the Board of Directors shall not enter into contracts with the company or with third parties which intend to mitigate the risk inherent to remuneration variability set by the company.	Yes	Appendix II

III.6.	Executive board members shall maintain the company's shares that were allotted to them by variable remuneration schemes, up to twice the value of the total annual remuneration, except for those that need to be sold for paying taxes on the gains of said shares, until the end of their term of office.	Not Applicable	Items 73 and Appendix II
III.7.	When the variable remuneration includes the allocation of options, the beginning of the exercise period shall be deferred for a period not less than three years.	Not Applicable	Items 74 and Appendix II
III.8.	When the removal of a board member is not due to serious breach of his duties nor to his unfitness for the normal exercise of his functions but is yet due to inadequate performance, the company shall be endowed with the adequate and necessary legal instruments so that any damages or compensation, beyond that which is legally due, is unenforceable.	Yes	Item 83 and Appendix II
IV. AUDITING			
IV.1.	The External Auditor shall, within the scope of its duties, verify the implementation of remuneration policies and systems of the corporate bodies as well as the efficiency and effectiveness of the internal control mechanisms and report any shortcomings to the supervisory body of the company.	Yes	Part I C.III
IV.2.	The company or any entity with which it maintains a control relationship shall not engage the External Auditor or any entity with which it finds itself in a group relationship or that incorporates the same network, for services other than audit services. If there are reasons for hiring such services - which must be approved by the supervisory board and explained in its Annual Report on Corporate Governance - said should not exceed more than 30% of the total value of services rendered to the company.	Yes	Item 37
IV.3.	Companies shall support auditor rotation after two or three terms of office, depending on the term of office being of four or three years, respectively. Its continuance beyond this period must be based on a specific opinion of the supervisory board that explicitly considers the conditions of the auditor's independence and the benefits and costs of its replacement.	Yes	Item 44
V. CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS			
V.1.	The company's business with holders of qualified holdings or entities with which they are in any type of relationship pursuant to article 20 of the Portuguese Securities Code shall be conducted in normal market conditions.	Yes	Item 89
V.2.	The supervisory or oversight board shall establish the necessary procedures and criteria to define the relevant level of significance of business with owners of qualified holdings or entities with which they are in any of the relationships described in article 20. of the Portuguese Securities Code. Execution of significant relevant business shall be dependent on prior opinion of said body.	Yes	Item 89
VI. INFORMATION			
VI.1.	Companies shall provide, via their websites in both Portuguese and English language, access to information on their progress as regards the economic, financial and governance state of play.	Yes	Items 56 and 59
VI.2.	Companies shall ensure the existence of an investor support and market liaison office, which responds to requests from investors in a timely fashion, and a record of the submitted requests and their processing shall be kept.	Yes	Items 56 and 58

a) As the Company's Bylaws considers a limitation on the counting of votes, this issue was taken to the shareholder's consideration in General Meeting on 24 May 2016. Was decided to keep this limitation.

APPENDIX I

Functions performed by members of the management body in other companies

The functions performed by each director in companies other than PHAROL are as follows:

Luís Maria Viana Palha da Silva (Chairman of the Board of Directors and Managing Director)

Member of Board of Directors of Oi S.A. (suspended since March 2018)
Director of Bratel B.V.
Director of Bratel S.à.r.l.
Chairman of the Fiscal Council of Seguradoras Unidas
Chairman of the Board of the General Meeting of Gesbanha – Gestão e Contabilidade, S.A.

Aristóteles Luiz Menezes Vasconcelos Drummond (Director)

Member of the Board of Directors of SEBRAE/RJ
Director and Vice-President of Associação Comercial do Rio de Janeiro since 1968
Member of the Advisory Committee – Associação Cultural da Arquidiocese do Rio de Janeiro
Director of Fundação Luso-Brasileira since 2000

João Manuel Pisco de Castro (Director)

Full member of the Board of Directors of Oi S.A. (suspended since January 2018)
President of Visabeira Global, SGPS S.A.
Director of Grupo Visabeira, SGPS S.A.
Chairman of Vista Alegre Atlantis, SGPS S.A.
Director of Visabeira Indústria, SGPS, S.A.
Chairman of Vista Alegre USA
Director of Real Life – Tecnologias de Informação, S.A.
Director of Gevisar, SGPS S.A.
Director da Constructel (Rússia)
Director of Birla – Visabeira LTD

Jorge Augusto Santiago das Neves (Director)

Lawyer at BAS Advogados, Lisbon

Jorge Telmo Maria Freire Cardoso (Director)

Member of the Board of Directors and CFO of Novo Banco, S.A.
Member of the Board of Directors of NB Finance, Ltd.
Chairman of the Board of Directors of Banque Espírito Santo et de la Vénétie, S.A.
Chairman of the Board of Directors of E.S. Teach Ventures, SGPS S.A.
Non-Executive Member of the Board of Directors of Enternext, S.A.

José Manuel Melo da Silva (Director)

Alternate Member of the Board of Directors of Oi S.A. (suspended since January 2018)
Senior Manager of Parvalorem, S.A.

Maria do Rosário Amado Pinto-Correia (Director)

Alternate Member of the Board of Directors of Oi S.A. (suspended since January 2018)
Executive Consultant of CEA / Católica Lisbon
Lecturer of licentiate, master's and Executive Education at Católica Lisbon School of Economics
Coordinator of Executive Education programmes at Católica Lisbon School of Business and Economics

Nelson Sequeiros Rodriguez Tanure (Director)

Pedro Zañartu Gubert Morais Leitão (Director)

Chairman of the Board of Directors of Prio Energy SGPS
Member of the Board of Directors of Oi S.A. (suspended since March 2018)
Non-Executive Director of Villas Boas ACE, S.A.
Managing Partner of MoteDALma SGPS
Managing Partner of Fikonline-Internet e Energia Lda

Thomas Cornelius Azevedo Reichenheim (Director)

Member of the Board of Directors of Oi S.A. (suspended since January 2018)
Member of the Board of Directors of Jereissati Telecom, S.A.
General Director of Carisma Comercial Lda.

Professional qualifications and professional activities performed during the last 5 years

Luís Maria Viana Palha da Silva (Chairman of the Board of Directors and Managing Director)
Portuguese, 62 years old

Vice Chairman of the Board of Directors da Galp Energia, SGPS, S.A. | Member of the Board of Directors of Petróleos de Portugal – Petrogal, S.A. | Member of the Board of Directors of Galp Exploração e Produção Petrolífera, S.A. | Member of the Board of Directors of GDP – Gás de Portugal, SGPS, S.A. (redenominated Galp Gas & Power, SGPS, S.A. in February 12, 2015) | Member of the Board of Directors of Galp Gás Natural Distribuição, S.A. | Member of the Board of Directors of Galp Energia, S.A. | Member of the Board of Directors of Galp Energia España, S.A. | Member of the Board of Directors of Galp Energia E&P B.V. | Member of the Board of Directors of Galp Exploração e Produção (Timor-Leste), S.A. | Chairman of the Board of Directors of Galp Marketing International, S.A. | Chairman of the Management Board of Petrogal Angola, Lda. | Chairman of the Management Board of Petrogal Guiné-Bissau, Lda. | Chairman of the Management Board of Petrogal Moçambique, Lda. | Chairman of the Executive Board of Galp Moçambique, Lda. | Chairman of the Board of Directors of Galp Gambia, Limited | Chairman of the Board of Directors of Galp Swaziland, Limited | Chairman of the Board of Directors of CLC – Companhia Logística de Combustíveis, S.A. | Director of Galp Sinopec Brazil Services B.V. | Member of the Board of Directors of Petrogal Brasil, S.A. | Member of the Board of Directors of Galp Energia Brasil, S.A. | Member of the Board of Directors of Fima – Produtos Alimentares, S.A. | Member of the Board of Directors of Victor Guedes Indústria e Comércio, S.A. | Member of the Board of Directors of Indústrias Lever Portuguesa, S.A. | Member of the Board of Directors of Olá – Produção de Gelados e Outros Produtos Alimentares, S.A. | Manager of Unilever Jerónimo Martins, Lda. | Manager of Gallo Worldwide, Lda. | Member of the Technologic and Scientific Committee of ISPG – Instituto de Petróleo e Gás, Associação para a Investigação e Formação Avançada | Chairman of APETRO – Associação Portuguesa de Empresas Petrolíferas | Chairman of the Board of AEM – Associação dos Emitentes Portugueses | Member of the Board of Directors (non executive) of NYSE Euronext and Member of Audit Committee of NYSE Euronext | Chairman of the Fiscal Council of the Companies Tranquilidade Vida, Logo e Açoreana | Chairman of the Fiscal Council of Fórum para a Competitividade | Chairman of the Fiscal Council of Fundação Francisco Manuel dos Santos | Chairman of the Board of EPIS - Empresários pela Inclusão Social | Chairman of the Fiscal Council of Companhia de Seguros Tranquilidade, S.A. and Açoreana de Seguros since 2017 Seguradoras Unidas, S.A. | Degree in Economics from Instituto Superior de Economia | Degree in Business Management from Universidade Católica Portuguesa | AMP – University of Pennsylvania – Wharton School of Economics.

Aristóteles Luiz Menezes Vasconcelos Drummond (Director)
Brazilian, 73 years old

Fiscal Council Member of CEMIG from 1999 to 2015 | Fiscal Council Member of Light from 2006 to 2015. Elected Chairman of the Board | Contributor to the Jornal do Brasil, Diário do Comércio – SP, Hoje em Dia – BH, Correio da Serra – Barbacena, Diário de Petrópolis - RJ, Destak, Edição Nacional, jornal O Dia – RJ, and others | Journalist registered as redator at DRT/RJ | Professional in Public Relations registered at Conselho Regional de Profissionais de Relações Públicas | Director registered at Conselho Regional de Administração.

João Manuel Pisco de Castro (Director)
Portuguese, 63 years old

President of MOB – Indústria de Mobiliário, S.A. to 2017 | President of Faianças da Capoa – Indústria de Cerâmica, S.A. to 2017 | President of Pinewells, S.A. to 2017 | President of Visagreen, S.A. to 2017 | Director of Visacasa, S.A. to 2017 | Director of Constructel (Bélgica) to 2017 | Director of Constructel Sweden AB to 2017 | Director of Constructel (UK) até 2017 | Director of Constructel GmbH to 2017 | Director of Constructel (France) to 2017 | President of Instituto de Gestão Financeira e de Infra-Estruturas da Justiça, I.P. from 2007 to 2009 | Member of the Board of Directors of Grupo Visabeira SGPS S.A. from 2002 to 2007 | Member of the Board of Director of Visabeira Telecomunicações e Construção, SGPS S.A. from 2002 to 2006 | Directors of Visabeira Serviços SGPS, S.A. from 2003 to 2005 | Graduated in Electrotechnical Engineering, Telecommunications and Electronics track from Instituto Superior Técnico (1983) | MBA from Faculdade de Economia, Universidade de Lisboa (1990).

Jorge Augusto Santiago das Neves (Director)

Portuguese, 57 years old

Chairman of the Fiscal Council of Hiperclima, S.A. from 1995 to 2017 | Counsel, Gomez Acebo & Pombo (2012-2014) | Partner, Gomez Acebo & Pombo (2010-2012) | Law Degree, Universidade Lusíada of Lisbon, 1986 | Master's Degree (LL.M.), Corporate and Commercial Law, University College of London, Reino Unido, 1987.

Jorge Telmo Maria Freire Cardoso (Director)

Portuguese, 46 years old

Non-Executive Member of the Board of Directors of Visabeira from April 2014 to September 2014 | Non-Executive Vice Chairman of the Board of Directors of Banco Caixa Totta Angola, S.A. from April 2014 to September 2014 | Non-Executive Chairman of the Board of Directors of Caixa Capital – Sociedade de Capital de Risco, S.A. from March 2014 to September 2014 | Non-Executive Chairman of the Board of Directors of Caixa Desenvolvimento, SGPS, S.A. from March 2014 to September 2014 | Non-Executive Vice Chairman of the Board of Directors of Banco Caixa Geral Brasil, S.A. from September 2013 to September 2014 | Non-Executive Chairman of the Board of Directors of Caixa – Banco de Investimento, S.A. from August 2013 to September 2014 | Non-Executive Member of the Board of Directors of Caixa Seguros e Saúde, SGPS, S.A. from August 2013 to September 2014 | Non-Executive Member of the Board of Directors of Gerbanca, SGPS, S.A. from August 2013 to September 2014 | Non-Executive Member of the Board of Directors of Partang, SGPS, S.A. from September 2013 to September 2014 | Non-Executive Chairman of the Board of Directors da Wolfpart, SGPS, S.A. from November 2013 to September 2014 | Member of the Board of Directors and Member of the Executive Committee of Caixa Geral de Depósitos, S.A. from July 2013 to September 2014 | Non-Executive Chairman of the Board of Directors of CGD Investimentos Corretora de Valores e Câmbio, S.A. from May 2012 to April 2014 | Director of CaixaBI Brasil – Serviços de Assessoria Financeira Ltda. from May 2012 to November 2013 | Chairman of the Executive Board of Caixa – Banco de Investimento, S.A. from May 2011 to August 2013 | Non-Executive Vice Chairman of the Board of Directors do Banco Nacional de Investimento, S.A. from May 2012 to December 2012 | Non-Executive Member of the Board of Directors of ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A. from January 2008 to July 2012 | Graduate in Economics by Universidade Nova de Lisboa | MBA by Insead.

José Manuel Melo da Silva (Director)

Portuguese, 59 years old

Senior Manager of Banco Português de Negócios, S.A. from 2010 to 2012 | Head of Treasury of Banco Efisa S.A. from 1997 to 2010 | Degree in Economics from Instituto Superior de Economia | Post-Graduation in Banking Management by ISFB/Universidade Católica Portuguesa, Lisboa.

Maria do Rosário Amado Pinto-Correia (Director)

Portuguese, 59 years old

Chairman of Ferreira Marques & Irmão / Topázio from 2012 to 2016 | Senior Advisor at Bewith and CEA/CLSBE from 2008 to 2012 | Director of Gestão do Conhecimento of PT Comunicações, Director of Qualidade e Satisfação do Cliente in Grupo Portugal Telecom, Board Member of PT Asia, Chairman da CTTC – Archway (Pequim) and CEO da Macau Cable TV from 2003 to 2008 | Head of Office da OgilvyOne from 1994 to 2002 | Publisher of the Marie Claire magazine from 1992 to 1994 | Director of Client Service at McCann – Erickson from 1987 to 1992 | Financial Products Manager, Director of the Direct Mail in CTT – Correios de Portugal from 1981 to 1987 | Degree in Economics by Universidade Católica de Lisboa | Master of Business by Universidade Nova de Lisboa | MBA by Wharton School.

Nelson Sequeiros Rodriguez Tanure

Brazilian, 66 years old

Qualified shareholder of Petrório S.A. since 2013 | Incorporates Intelig with TIM Brasil em 2010. From 2010 to 2015, Brazilian major shareholder of TIM Brasil | Chairman of CBM – Companhia Brasileira de Multimídia from 2000 to 2006 | Degree in Business Administration, Universidade Federal de Bahia, 1975 | Graduated from Institut des Hautes Etudes of Developpment Economique et Social – Université Paris I – 1976 | Graduated from Harvard Business School, Owner/President Management III Cambridge – Boston.

Pedro Zañartu Gubert Morais Leitão (Director)
Portuguese, 52 years old

Chairman of the Board of Directors of ONI, SGPS from 2012 to 2013 | Director of Unyleya Brasil and Unyleya Portugal from 2010 to 2011 | Graduated in Business Management from Universidade Católica Portuguesa de Lisboa | Masters in Business Management from Kellogg Graduate School of Management at Northwestern University in Chicago, EUA.

Thomas Cornelius Azevedo Reichenheim (Director)
Brazilian, 70 years old

Member of the Board of Directors of Didier Levy Associados from 1998 to 2010 | Member of the Board of Directors of the Group La Fonte Jereissati from 1984 to 2010 | Business Administration from Escola de Administração de Empresas, Fundação Getúlio Vargas (1973) | Law Degree from FMU (1972) | Post-graduated in Business Administration from Fundação Getúlio Vargas (1973) | CEAG Finanças from Fundação Getúlio Vargas (1974) | Fellow at NYU 1982 Portfolio Management | Fellow at NYU 1981 Portfolio Management.

CV data of the members of the Compensation Committee

Álvaro João Duarte Pinto Correia (Chairman of the Compensation Committee)

Member of the Compensation Committee since 2007.

Graduate in Civil Engineering by Instituto Superior Técnico, where he was an assistant professor.

Engineer at Sonefe in Portugal and Angola (Cambambe Dam) | State Secretary for Civil Construction and Housing and Urban Planning | Manager at Caixa Geral de Depósitos | Chairman of Banco Totta & Açores and Companhia de Seguros Fidelidade | Chair of the Negotiation Committee for the Debt of Angola | Director of Hidroeléctrica de Cahora Bassa | Chairman of the Fiscal Council of Montepio Geral – Associação Mutualista.

Chairman of Fundação Cidade de Lisboa since July 2000 | Chairman of the Inspection Board of Autoridade de Supervisão de Seguros e Fundos de Pensões de Portugal (ASF) since December 2004 | Chairman of INAPA – Investimentos e Participações e Gestão, S.A: since May 2010 | Chairman of the General and Supervisory Board of Caixa Económica Montepio Geral since October 2015 | Member of Portuguese Honour Orders: *Comendador da Ordem de Mérito Industrial* and *Grande Oficial da Ordem do Infante D. Henrique*.

Francisco de Lacerda (Member of the Compensation Committee)

Member of the Compensation Committee of PHAROL, SGPS S.A. (ex- Portugal Telecom, SGPS S.A.) since 2009 (suspended his office between August 2012 and March 2014).

Graduate in Business Administration and Management, Universidade Católica Portuguesa (1982).

Chief Executive Officer (CEO) of CTT – Correios de Portugal since August 2012, Chairman of Banco CTT, S.A. since 2015, Non-Executive Director of Endesa Energia (integrating into the Audit Committee and Nomination and Remuneration Committee) and Chairman of Cotec Portugal since 2015. All along 25 years up to 2008, he held various positions in investment, corporate and retail banking, including CEO of Banco Mello and Executive Member of the Board of Directors of Millennium BCP, and then CEO of Cimpor – Cimentos de Portugal SGPS, S.A., an international cement group operating in 12 countries, and Non-Executive Director of EDP Renováveis from 2008 to 2012.

Chairman of CTT Expresso – Serviços Postais e Logística, S.A. since 2014 | Chairman of Tourline Express Mensajería, S.L.U. since 2014 | Non-Executive Director of Norfin – Portuguese Property Group, S.A. from May to October 2014 | Chief Executive Officer (CEO) of CTT - Correios de Portugal, S.A. since 2012 and also Chairman of the Board of Directors from 2012 to 2017 and Vice Chairman since 2017 | Director of International Post Corporation from 2014 to 2017 | Member of the Directorate of AEM - Associação de

Empresas Emitentes de Valores Cotados em Mercado from 2014 to 2017 | Chairman of the Board of the General Meeting of Shareholders of Correio Expresso de Moçambique, S.A. since 2013 | Member of the General Council of Clube Naval de Cascais since 2006., Vice-Commodore since 2016.

António Sarmiento Gomes Mota (Member of the Compensation Committee)

Member of the Compensation Committee since 2013.

Graduate in Business Organisation and Management, ISCTE - Instituto Universitário de Lisboa (1981). MBA, Universidade Nova de Lisboa (1984). Doctor in Business Management, ISCTE (2000).

He has a corporate career of over 20 years in management positions in the banking, consulting and financial services fields. He was Director of ISCTE Business School from 2003 to 2012 and President of INDEG/ISCTE from 2005 to 2012. He is a Professor at ISCTE Business School since 2005. He has a large experience as consultant in the areas of strategy, corporate assessment and risk management for Portuguese and international corporations. He is the author of various reference works in the financial field. He has held leadership positions in various Boards of Directors and Supervisory Boards in Portuguese listed corporations.

Chairman of the Board of Directors of CTT, S.A., since 2017 and Vice Chairman from 2014 to 2017 | Vice Chairman of the Board of Directors (non-executive) of Soares da Costa Construção SGPS, S.A. from 2014 to 2015 | Chairman of the Board of Directors (non-executive) of SDC Investimentos, SGPS, S.A. from 2013 to 2016 | Chairman of the Instituto Português de Corporate Governance since 2016 | Member of the General and Supervisory Council; Member of the Audit Committee (2009/2015) and Performance and Competition (2012/2015) and Chairman of the Committee of EDP - Energias de Portugal, S.A. since 2015 | Non-Executive Member of the Board of Directors and Chairman of the Appointments and Remunerations Committee of CIMPOR – Cimentos de Portugal SGPS, S.A. from 2009 to 2012.

CV data of the members of the Fiscal Council

José Maria Rego Ribeiro da Cunha (Chairman of the Fiscal Council)

Degree in Finance from Instituto Superior de Ciências Económicas e Financeiras (ISCEF – 1972)

In 1981 he passed a Statutory Auditor examination. He is the member 497 of the Certified Auditor's Association.

Between 1975 and 1977 worked as auditor at the international company Arthur Andersen & Co.

Between 1977 and 1981 worked as auditor manager at the chartered accountant company "António Almeida e Augusto Martins Moreira".

In 1981 he joined and become partner of "Amável Calhau, Ribeiro da Cunha e Associados", being since then managing partner in the company since that date, performing several professional works within the following areas: auditing, evaluation of companies and consulting, among others.

"Amável Calhau, Ribeiro da Cunha e Associados" is Member of the Bar Association of Statutory Auditors registered under n.º 19 and Registered at the (CMVM) Portuguese Securities Market Commission under n.º 20161378.

Fluent in English, French and Spanish.

Since 1981, also, he has been working as Chartered Accountant in representation of the above-mentioned company, either as Statutory Auditor or integrating Supervisory Boards or Audit Committees, in a great deal of companies covering several business activity sectors, such as: Financial Institutions and Insurance, Industry and Construction, Public Entities, Services, Tourism, Commerce, etc.

On a personal basis he worked as supervisory board in:

- PHAROL- President of Supervisory Board
- Novo Banco dos Açores - President of Supervisory Board
- GNB Vida – Member of the Supervisory Board
- GNB Companhia de Seguros – Member of the Supervisory Board
- Haitong Capital SCR - President of Supervisory Board
- GNB Gestão de Activos, SGPS, SA - Member of the Supervisory Board

He works currently as Chairman or Member of the Supervisory Board of the following non-profits institutions:

- Associação de Ajuda ao Recém-Nascido (Banco do Bebé)
- BUS – Bens de Utilidade Social
- Plataforma para o Crescimento Sustentável

Isabel Maria Beja Gonçalves Novo (Member of the Fiscal Council)

Educational background and professional training

International Management Programme – INSEAD, Fontainebleau
Post graduation in Finance (European Business Certificate) – South Bank University, Londres
Graduated in Organization and Business Management – Instituto Superior de Ciências do Trabalho e da Empresa (ISCTE)
Managing for Success – BNP Paribas, Bruxelas
Leadership for Growth – Fortis Bank, Mello
Analysis and Credit Risk Control – NPF Pesquisa e Formação
Introduction of the International Accounting Standards – Instituto de Formação Bancária
Account Consolidation Course II – Centro Internacional de Formação e Apoio à Gestão
Certificate of Proficiency in English – Universidade de Cambridge, Lisbon
Diplôme Supérieur d'Études Françaises Modernes – Alliance Française, Lisbon
Pedagogical Skills Certificate – F607896/2013, Lisboa

Professional activity in the past five years

Current Positions:

Member of the Fiscal Council of Best – Banco Eletrónico de Serviço Total, S.A. (since December 2016)

Member of the Fiscal Council of PHAROL, SGPS S.A. (May 2015 to present)

Financial and Business Advisory (April 2013 to present)

Past Positions:

Director of the Credit Analysis Department, BNP Paribas Fortis – Portuguese Branch (September 2010 – October 2012)

Director of the Risk and Credit Analysis Department, Fortis Bank – Portuguese Branch (October 1995 – September 2010)

Vice-Chairman of Federação de Triatlo de Portugal (December 2012 - January 2017).

Pedro Miguel Ribeiro de Almeida Fontes Falcão (Member of the Fiscal Council)

Educational background and professional training

Graduated in Business Management (Universidade Católica Portuguesa, Lisbon)

MBA (Harvard Business School)

PhD in Management (ISCTE-IUL)

Professional activity in the past five years

Current Positions:

Member of the Fiscal Council of PHAROL, SGPS S.A. | Chairman of the Fiscal Council of Montepio Crédito since March 2018 | Member of Direção da Ordem dos Economistas since January 2018 | Member of the Fiscal Council of F&C Portugal since December 2017 | Visiting Assistant Professor in ISCTE since 2005 | Visiting Lecturer in INDEG – IUL and in Instituto Superior Técnico since 2005.

Past Positions:

Non-executive Member of the Board of Directors of Caixa Geral de Depósitos from July 2013 to August 2016 | Member of the Audit Commission of Caixa Geral de Depósitos from July 2013 to August 2016 | Member of the Remuneration Committee of Caixa Geral de Depósitos from 2015 to August 2016 | Associate Dean da ISCTE Business School from 2014 to 2017 | Director of the Executive MBA of INDEG-IUL from 2004 to 2017.

Paulo Ribeiro da Silva (Alternate Member of the Fiscal Council)

Educational background and professional training

Graduated in Financial Audit – ISCAL – Instituto Superior de Contabilidade e Administração de Lisboa

Post-graduated in Corporate Finance – INDEG/ISCTE

Post-graduated in Security and Computer Auditing – ISTECS – Instituto Superior de Tecnologias Avançadas

Professional activity in the past five years

Partner of Amável Calhau, Ribeiro da Cunha & Associados since 1995

Partner Manager of BRAVI – Fiscalidade e Consultoria, Lda. since November 2017

APPENDIX II

Declaration by the Wages Committee about the Remuneration Policy applicable to members of the management and audit bodies of PHAROL, SGPS, S.A.

Taking into account that:

1. Pursuant to Law no. 28/2009, of 19 June ("Remuneration Law") and to Decree-Law no. 225/2008, of 20 November, the management body or the Wages Committee, if it exists, of companies issuing securities admitted to trading on a regulated market shall annually submit to the General Meeting a declaration on the remuneration policy applicable to members of management and audit bodies ("Remuneration Policy Declaration");
2. Moreover, numbers 69 to 76 of section D. III. of the "Corporate Governance Report Model" approved in an annex to CMVM (Securities Market Commission) Regulation no. 4/2013 ("CMVM Governance Code") stipulates that the Corporate Governance Report of Issuing Companies include the Remuneration Policy Declaration and other information about, in particular, the remuneration structure and its alignment with the company's long-term interests, the performance evaluation and dissuasion of excessive risk taking, the relation between the performance evaluation and the variable remuneration component, payment deferral of the variable component, among other aspects.
3. At the General Meeting of 29 May 2015 the Wages Committee submitted to the Shareholders the remuneration policy applicable to members of the management and audit bodies for the 2015-2017 which was approved; In the General Meeting of 24 May 2016 the Wages Committee submitted to the Shareholders some amendments to the said policy which were also approved.

This Remuneration Policy Declaration is submitted to the General Shareholders Meeting to be held on 26 May of 2017 which essentially establishes the principles defined by the said remuneration policy approved at the General Meeting of 24 May 2016, as this is also the last year of the term of office of the members of the corporate bodies.

I – Remuneration policy for non-executive directors and for Audit Board members:

The remuneration of non-executive members of the Board of Directors and of Audit Board members shall comply with an unvarying model, consisting of a fixed annual remuneration defined by the Wages Committee (broken down into 14 payments per year), without attendance fees, whereby the remuneration shall be aligned with the average remuneration of non-executive directors at companies with a similar market capitalisation listed on EURONEXT Lisbon.

The fixed remuneration takes into account the fact that some directors also perform duties in one/some of the delegated committee(s) of the Board of Directors providing assistance to its operation and also carrying out their own non-delegable duties.

This remuneration policy is structured to allow an alignment with the company's interests and a remuneration level that promotes adequate performance. No means of variable remuneration are stipulated for non-executive members of the management body or for members of the audit body.

II. Remuneration policy for executive directors:

Remuneration for executive directors includes a fixed and a variable component, the latter consisting of a part that remunerates short-term performance and another part to remunerate long-term performance. This approach creates a reasonable balance between the dissuasion of taking excessive risks and an effective alignment between management interests and the interests of the company's shareholders.

A) Fixed remuneration

The fixed remuneration component considers market competitiveness, such that it must be aligned with the average remuneration of executive directors at companies with a similar market capitalisation listed on EURONEXT Lisbon and also aligned with the nature and complexity of duties and expertise required. The fixed component is stipulated based on the definition of a monthly salary paid 14 times per year. The following complementary benefits shall be added to the said amount according to practices in effect: option to use a company car (including fuel and toll payments), life and personal accident insurance, and use of a credit card for company representation expenses.

The Wages Committee took note of the resolution of the Board of Directors, from March 2017, that the Executive Board was extinguished and was replaced by the position of the Managing Director that, since then, is held by the Chief Executive Officer.

Taking into consideration the financial and economic performance of the Company, the nature of the change and the fact of the Corporate Bodies are in the last year of the term of office, the Wedges Committee decided that the fixed remuneration and other benefits of the Managing Director should be the same as those that were defined for the Chief Executive Officer, without any change in the determination model to establish the variable remuneration as explained in B).

B) Variable remuneration

The variable remuneration is linked to the performance of the executive directors and shall be paid according to the different fulfilment levels of specific and previously approved goals associated to objective, simple, transparent and measurable performance indicators. The Wages Committee analysed the evolution of the share's market price, the company's economic and operational setting and considered that shall maintain the variable remuneration model that was defined in 2015. Taking into consideration the share performance in the Stock Market in these last two years, the Wages Committee decided also to maintain for 2017, as has already done for 2016, a ceiling for the variable remuneration of 50% of the annual fixed remuneration.

Therefore, the variable remuneration for the years 2016 and 2017 is determined based on 2 indicators:

- i) The Total Shareholder Return (TSR) of the company's shares (75%)
- ii) The company's operating efficiency, measured by the relation between budgeted and actual costs (25%)

The variable remuneration value may vary between zero and a maximum that shall never exceed twice the annual fixed remuneration.

The variable remuneration shall be paid in cash, 50% in the month subsequent to the date on which the accounts are approved by the General Shareholders Meeting, and 50% within a 3-year deferral period and subject to confirmation of the company's positive performance in the period taken into account, as judged by the Wages Committee that shall take into account the financial sustainability and the economic situation of the company and of its sector, in addition to exceptional factors that cannot be controlled by the management but may affect the company's performance.

These principles and indicators determining the variable remuneration component aim to ensure a clear alignment between the interests of the executive directors and the company's interests, thereby promoting the pursuit and fulfilment of objectives, through quality, work capacity, dedication and business know-how, and an incentive and compensation policy that will make it possible to attract, motivate and maintain the best professionals.

The Wages Committee is also of the opinion that, due to the company's nature and objectives, if any extraordinary event representing an undeniable creation of value for shareholders takes place, the payment of an equally extraordinary premium may also be considered, within the terms to be defined and according to the concrete characteristics of the said event.

III – Assignment of shares and options

The company currently has no plans to assign shares or stock option plans for staff.

IV – Termination of duties by executive directors

If an executive director terminates his/her duties for any reason whatsoever other than dismissal for just cause, payment of the determined variable remuneration that has been deferred may be paid only at the time of termination of management duties if, until that date, there is sufficient and sustained evidence that the company's performance will be foreseeably positive in the remaining period within terms that, with all probability, would permit the payment of the said deferred component.

V – Alignment of the directors' interests with the company's interests

Consequent to the aforementioned, the variable remuneration of the company's executive directors depends on their performance and on the company's sustainability and capacity to attain specific strategic objectives.

The current remuneration policy will also create a reasonable overall balance between the fixed and variable components and the deferral of a significant part of the variable remuneration, payment of which, in accordance with the previously described terms, will therefore depend on the company's positive performance during that period. As such, the policy aims to contribute to maximising long-term performance and to dissuade decisions of excessive risk.

Additionally, with the aim to reinforce the component of evaluating the performance of the directors, save for agreement or deliberation by the Wages Committee to the contrary, the company and its directors shall act in accordance with the following principles:

- i) Directors shall not sign contracts, either with the company or third parties, that mitigate the risk inherent to the variability of the remuneration stipulated by the company;
- ii) In case of dismissal or resignation from management duties upon agreement, no compensation shall be paid to directors when the said dismissal or resignation has proven to have resulted from their inadequate performance.

VI – Remuneration policy for the Statutory Auditor

The company's statutory auditor is remunerated according to normal remuneration practices and conditions for similar services, consequent to the signing of a services rendering contract and through a proposal by the company's Fiscal Council.

The Compensation Committee of PHAROL, SGPS SA

APPENDIX III

Code of Ethics

PHAROL's Code of Ethics, approved in 2016, applies to all employees of the Company in order to guarantee a set of common ethical standards. Its implementation is permanently monitored by the management bodies.

The full text of the PHAROL's Code of Ethics is available for consultation on the Company's official website (www.pharol.pt) and may also be made available through the Investor Relations Office.

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Shareholders, investors, analysts and other interested parties should send their requests for information and clarifications (annual, half year, and quarter reports, press releases, etc.).

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Website

All publications and communications, as well as information regarding the businesses performed by the Company, are available on PHAROL's Internet page, at the following address: www.pharol.pt

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