

PHAROL, SGPS S.A.

1st SEMESTER 2017 RESULTS

- PHAROL presented a Net gain for the period of Eur. 61.8M, mainly explained by: (a) net gain on the Oi investment valorization leveraged by the market capitalization (b) the Euro 0,7M increase in the value of the Call Option, although on March 30, 2017, part of the option has reach its maturity.
- PHAROL remains reducing its Operational Costs, present less 20% costs comparing with 6M2017 (Eur. 2.6M against Eur. 3.3M).
- On June 30, 2017, the expected recoverable amount of the Rio Forte debt instrument remains 9.56% of its nominal value.

Highlights of Oi's 1H2017 progress

- Recurring EBITDA amounted to 3,340 million Reals on the first semester of 2017, 1,3% increase y.o.y.
- Notwithstanding the revenue decrease of 9.6% on the period, Oi maintains an improve on the EBITDA, reflecting the focus on the cost reducing and the operational efficiency.
- Net loss of R\$ 3.3 billion reflects the impact of the exchange rate on the financial result, as Oi terminated its hedging transactions due to the Judicial Reorganization.

MESSAGE FROM THE CEO

Luís Palha da Silva

"Judicial Reorganization of Oi can be near of it implementation; the meetings between the several stakeholders has been confirming that the flexibility of everyone is now mandatory. The schedule for the General Meeting of Creditors was recently set for October 9, 2017.

Despite the failure of some steps taken in the judicial courts in Luxembourg seeking more speed and transparency in the bankruptcy process of Rio Forte, PHAROL believes that there have been clarifications that may be very positive in the relationship with the Judicial Administrators.

Cost control efforts continue and in the first half of 2017 were frankly encouraging."

Highlights

PHAROL		
(Euro million)	1H17	1H16
EBITDA	(2.6)	(3.3)
Losses/(gains) in joint ventures and associates	(61.6)	(0.1)
Result from recurring operations	61.8	(8.3)
OI		
(Reals million)	1H17	1H16
Net revenue	11,998	13,279
Routine EBITDA	3,340	3,296
Routine EBITDA Margin %	27.84%	24.82%
Net earnings	(3,503.7)	(2,299.7)
Net Debt	44,499	41,386
Capex	2,501	2,505

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CONSOLIDATED

REPORT AND ACCOUNTS

PHAROL, SGPS S.A.

CONSOLIDATED REPORT

FIRST SEMESTER 2017

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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. FINANCIAL REVIEW

FINANCIAL REVIEW

As at June 30, 2017, PHAROL had as its main assets (1) 183,662,204 common shares of Oi, S.A. ("Oi"), representing 27.2% of 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, 2017, part of the option has reach its maturity, PHAROL's call option is from that date onwards 34,153,108 common shares and 68,306,216 preferred shares of Oi.

On December 30, 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 27.5% 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 27.2% of total share capital of Oi (excluding treasury shares, which is 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 shareholder's 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. Currently, PHAROL considers it has significant influence over Oi and classifies it as an associate company. As a result, from July 30, 2015, the investment in Oi continues to be accounted for according to the equity method, based on PHAROL's economic stake in Oi's results (27.18% as at June 30, 2017).

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).

In the first semester of 2017, the consolidated net gain amounting to Euro 61.8 million, mainly reflects (1) net gain of Euro 61.6 million on the Oi investment valorization (2) the Euro 746 thousand increase in the value of the call option, and (3) other financial cost including a Euro 402 thousand million gain in respect of the appreciation of the Real against the Euro.

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT		
	Euro million	
	1H17	1H16
Wages and salaries	1.0	1.2
Supplies, external services and other expenses	1.5	1.8
Indirect taxes	0.2	0.3
Loss before financial results and taxes	(2.6)	(3.3)
Depreciations	0.0	0.0
Earnings before interest and taxes	(2.7)	(3.3)
Net other gains	(2.5)	0.1
Loss before financial results and taxes	(0.2)	(3.4)
Net interest income	(0.0)	(0.1)
Losses (gains) in losses of joint ventures and associates	(61.6)	(0.1)
Net losses on financial assets and other investments	(0.7)	5.7
Net other financial losses (gains)	0.4	(0.7)
Loss before taxes	61.8	(8.2)
Income taxes	0.0	0.0
Attributable to equity holders of PHAROL, SGPS S.A.	61.8	(8.3)

Consolidated operating costs amounted to Euro 2.6 million in the first semester of 2017 compared to Euro 3.3 million in the first semester of 2016. This decrease is explained by (1) lower third parties expenses mainly related to financial and legal services (2) lower wages and salaries expenses. Operational costs are partially offset by the reversion of financial services costs which were renegotiated and reverted on June.

Gains in associates amounted to Euro 61.6 million in the first semester of 2017, which compares to Euro 0.1 million in the first semester of 2016, corresponding to the losses in the effective share of PHAROL in the results of Oi in the amount of Euro 248 million fully compensated by the reversion of a proportion of the impairment amounting to Euros 309.6 million, to reflect the Oi market value as at that date. This amount corresponds to PHAROL's effective share in the results of Oi until June 30, 2017. The gains recorded in 2016, amounting to Euro 0.1 million, reflect PHAROL's effective share in Oi's net income, compensated by the reversion of the impairment of that period.

Losses on financial assets and other investments in 2016 totaled Euro 5.7 million, reflecting the decrease in value of the Call Option. In the first semester of 2017, the Call Option had a valorization of Euro 746 thousand.

Net gains attributable to equity holders of PHAROL amounted to Euro 61.8 million in the first semester of 2017 compared to a Euro 8.3 million loss in the first semester of 2016. The net gain in 2017 reflects mainly the Oi investment valorization at market value and the increase in value of the Call Option. The net loss in reflects mainly the decrease in value of the Call Option and operating costs.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position		
	Euro million	
	30 jun 17	31 Dec 2016
ASSETS		
Cash and cash equivalents	23.0	28.9
Accounts receivable	0.2	0.4
Investments in joint ventures and associates	197.3	140.8
Tangible assets	0.2	0.3
Other assets	88.0	87.3
Total assets	308.8	257.8
LIABILITIES		
Short-term debt	0.1	0.1
Accounts payable	1.1	2.3
Accrued expenses	1.2	5.7
Taxes payable	0.2	0.1
Provisions	0.1	0.1
Other liabilities	0.9	0.9
Total liabilities	3.6	9.3
Total equity	305.3	248.6
Total liabilities and shareholders' equity	308.8	257.8

The cash position net of gross debt, accounts payable, accrued expenses, and taxes payable was Euro 20.1 million at June 30, 2017 and Euro 20.6 million at December 31, 2016.

Investments in associates correspond to PHAROL's effective stake in Oi of 27.2% on June 30, 2017 and at December 31, 2016. On June 30, 2017 and December 31, 2016, PHAROL's investment in associates in Oi

corresponded to a total investment of Euro 197 million and Euro 102 million, respectively, a Euro 56 million increase mainly explained by (1) the effective participation of PHAROL in the negative net income of Oi in the first semester of 2017, representing Euro 248 million, (2) the reversal of a proportion of the impairment amounting to Euro 309 million on 2016, (3) strengthening of the Brazilian Real net of other adjustments in equity in the first semester of 2017, with a positive impact of Euro 5.1 million in investments.

Other assets at June 30, 2017, amounting to Euro 87.9 million, mainly include the fair value of assets received on March 30, 2015 in connection with the Exchange: (1) Euro 85.6 million related to the estimated fair value of debt instruments issued by Rio Forte, the nominal value of which amounts to Euro 897 million, and (2) Euro 2.1 million related to the fair value of the Call Option.

Shareholders' equity amounted to Euro 305 million on June 30, 2017 compared to Euro 248 million on December 31, 2016, a increase of Euro 57.5 million, mainly reflecting (1) the net gain of Euro 61.8 million recorded in the first semester of 2017, (2) the effective participation of PHAROL in the net gains of Euro 16.9 million recorded by Oi directly on equity in the first semester of 2017 and (3) the currency translation adjustments resulting from the Oi Investment with a negative impact on the capital in the amount of Euro 21.9 million.

OI RESULTS KEY HIGHLIGHTS

The information within this section is an excerpt from the First Semester 2017 Report of Oi.

Oi once again reports year-on-year EBITDA and margin increase, with the Routine EBITDA totaled R\$ 1,601 million in 2Q17, 10.8% increase y.o.y. and a Routine EBITDA margin reached 27.6%, 4.8 p.p. increase y.o.y.

Oi reduces costs by R\$ 687 million in the quarter, totaling a R\$ 1.2 billion cost reduction in the first half of 2017, keeping the focus on reducing costs ensuring operational efficiency and business sustainability.

The continuous increase in infrastructure investments reinforce the commitment to business sustainability and Oi expanded its investments to R\$ 1.2 billion in 2Q17, 1.1% increase y.o.y. The Capex to net revenue ratio also increased, reaching 21.2%.

Despite higher investments, Oi's operational cash flow grows significantly in 2017. The operational cash flow (Routine EBITDA – Capex) moved up 62.4% in the quarter compared with the same period in 2016, driven by the significant EBITDA increase in the period.

The operational efficiency with continuous improvement in operational and quality indicators reflects in better customer experience. Operational initiatives focused on preventive and productivity measures, evolution of the customer care model and digitalization are directly lead to continuous improvement of operational, quality and complaint indicators, as well as operational efficiency gains. As a result of the

improvement in efficiency, Oi's opex fell 14.1% y.o.y. and 4.2% q.o.q., despite accumulated inflation of 3.0% in the last twelve months. The improvement of operational and quality indicators translates into a substantially better customer experience, with significant reductions in ANATEL, PROCON and Small Claims Court (JEC – Juizado Especial Cível) complaint indicators, down 28.6%, 21.6% and 58.7% y.o.y., respectively.

Net loss of R\$ 3.3 billion reflects the impact of the exchange rate on the financial result, as Oi terminated its hedging transactions due to the Judicial Reorganization.

Oi's Judicial Reorganization process continues to advance, despite the complexity of the process. Launch of unprecedented product in the market reinforces the Company's digital transformation process.

Oi Total Play is another pioneering Oi service that combines fixed line and broadband, including an extensive on demand video content.

	in R\$ million *			
	1H17	1H16	2T17	2T16
Oi S.A. Pro-forma				
Total Net Revenues	11,998	13,279	5,839	6,524
EBITDA	3,340	3,201	1,617	1,435
EBITDA Margin (%)	27.8%	24.1%	27.7%	22.0%
Routine EBITDA	3,340	3,296	1,617	1,520
Routine EBITDA Margin (%)	27.8%	24.8%	27.7%	23.3%
Consolidated Net Earnings (Loss)	(3,504)	(2,300)	(3,303)	(656)
Net Debt	44,499	41,386	44,499	41,386
Available Cash	7,431	5,106	7,431	5,106
CAPEX	2,501	2,505	1,234	1,253

*Or otherwise stated

	in R\$ million*			
	1H17	1H16	2T17	2T16
BRAZIL				
Revenue Generating Unit ('000)	63,216	69,198	63,216	69,198
Residential	16,272	16,153	16,272	16,153
Personal Mobility	39,802	45,319	39,802	45,319
Corporate / PMEs	6,501	7,078	6,501	7,078
Public Telephones	641	648	641	648
Total Net Revenues	11,858	12,861	5,792	6,323
Net Services Revenues (1)	11,742	12,736	5,733	6,256
Residential	4,581	4,805	2,227	2,411
Personal Mobility	3,704	3,852	1,814	1,878
Clients (2)	3,462	3,524	1,713	1,740
Corporate / SMEs	3,330	3,973	1,627	1,908
Net Clients Revenues (2)	11,366	12,167	5,573	6,008
Routine EBITDA	3,293	3,130	1,601	1,444
Routine EBITDA Margin (%)	27.8%	24.3%	27.6%	22.8%
CAPEX	2,455	2,419	1,229	1,215
Routine EBITDA - CAPEX	837	711	372	229

*Or otherwise stated

(1) Excludes handset revenues.

(2) Excludes handset and network usage revenues.

02. BUSINESS PERFORMANCE

QUALIFIED HOLDING – RENAISSANCE TECHNOLOGIES LLC

On January 10, 2017, PHAROL informed that Renaissance Technologies LLC now held an economic position of 2.13% of the share capital of PHAROL, without voting rights, through derivative financial instruments with cash settlement, held by the funds GF Trading LLC and RIDGE Master Trading LP, that are managed by the entity above.

This occurred as a result of a change in equity swaps contracted by those funds, which establishes the right to acquire 19,068,633 shares of PHAROL, on January 2, 2017.

QUALIFIED HOLDING – DISCOVERY CAPITAL MANAGEMENT, LLC

On January 16, 2017, PHAROL informed that Discovery Capital Management, LLC, held 2.02% of the share capital of PHAROL.

This situation occurred after the acquisition of 18,148,055 ordinary shares, representatives of 2.02% of share capital of PHAROL, on January 11, 2017.

TERMINATION OF THE ARBITRATION PROCEEDINGS AGAINST SUBSIDIARIES

On January 31, 2017, Oi informed, in continuity with and in addition to the information in the Notice to the Market disclosed by the Company on June 16, 2016, its shareholders and the market in general that, after satisfying all the precedent contractual conditions, the transactions contemplated in the Settlement and Share Exchange Agreement (“SSEA”) executed on June 16, 2016 were completed on this date by Oi’s wholly-owned subsidiaries PT Participações, SGPS, S.A and Africatel GmbH & Co. KG (“Africatel KG”), Oi’s 75%-owned subsidiary Africatel Holdings B.V. (“Africatel BV”), Samba Luxco S.à r. l. (“Samba” or “Helios”), owner of the remaining 25% of Africatel BV, and Pharol, SGPS, S.A. (“Pharol”, and together with Africatel KG and Africatel BV, the “Respondents”), former 75% holding company of Africatel BV, with the primary purpose of settling the arbitral proceedings commenced by Samba against the Respondents at the end of year 2014. As a result, Samba waived certain approval rights that it alleged it had under the Africatel BV shareholders’ agreement dated August 13, 2007 (as amended from time to time in accordance with its terms) (the “Africatel BV SHA”), as well as transferred to Africatel BV, 11,000 shares in the share capital of Africatel BV, reducing Samba’s stake in Africatel BV from 25% to 14%. In exchange, Africatel BV transferred to Samba its approximately 34% stake in the Namibian telecoms operator, Mobile Telecommunications Limited. The

parties also executed related amendments to the Africatel BV SHA. Given the completion of such transactions, Samba irrevocably and unconditionally discharges Africatel KG, Africatel BV, Pharol and their affiliates and successors from all claims brought in the arbitration. Samba and the Respondents shall further request that the arbitral tribunal constituted under the rules of the International Chamber of Commerce issue an Award by Consent in order to record the terms of the settlement contained in the SSEA, pursuant to which the arbitration shall be discontinued and Oi's subsidiaries released from all past and present claims by Samba relating to alleged breaches of the Africatel BV SHA asserted in the arbitration.

BOARD OF DIRECTOR ´S MEETING

On February 1, 2017, Oi informed, in continuity with and in addition to the information in the Notices to the Market disclosed by the Company on January 30 and 31, 2017, that, during a meeting of the Board of Directors held on that date, LaPlace, the Company's financial adviser, presented to the Board of Directors a few scenarios developed based on the feedbacks from the creditors, in order to allow the progress in the interactions, which scenarios were debated with the members of the Board. The Board authorized Oi's Executive Officers Board to continue with the discussions with the creditors, going deeper into some critical items, including, among others, the possibility of converting part of the debt into equity. Oi understands the interactions with creditors are progressing and reiterates that it shall continue to meet regularly with its creditors, other stakeholders and potential investors, with the intent of gathering impressions, comments and suggestions.

S&P ´S UPDATE ON OI ´S CREDIT RATING

On February 23, 2017, Oi informed that Standard & Poor's ("S&P") announced yesterday its research update on the credit rating attributed to the Company, affirming all debt and corporate ratings at D. At the same time, S&P withdrew the Company's recovery ratings, which the agency plans to reinstate once the Company's debt is restructured with an updated capital structure after emerging from its judicial reorganization.

RECOGNITION OF JUDICIAL REORGANIZATION PROCEEDING IN PORTUGAL

On March 6, 2017, Oi hereby informed that it learned of a judgment rendered on March 2, 2017 by the Commercial Court of Lisbon – Judge Number 3 of the Judicial Court of the Region of Lisbon, recognizing, with respect to the Company and Telemar Norte Leste S.A. – In Judicial Reorganization, the decision

rendered by the 7th Corporate Court of the District of the Capital of the State of Rio de Janeiro on June 29, 2016 granting the processing of the request for judicial reorganization submitted in Brazil, under the terms of Law No. 11,101/05 and the Brazilian Corporation Law.

RESIGNATION OF DIRECTOR

On March 7, 2017, PHAROL announced that Rafael Luis Mora Funes has resigned, on March 7, 2017, from his office as member of Board of Directors and as Executive Director.

RESIGNATION OF DIRECTOR

On March 7, 2017, Oi informed that the Chairman of the Board of Directors of the Company received a resignation letter from Mr. Rafael Luis Mora Funes as member of the Board of Directors of Oi on date. With his resignation, Mr. João do Passo Vicente Ribeiro, previously an alternate to Mr. Rafael Funes, will assumed the role as an effective member of the Board of Directors.

APPROVAL OF BASIC CONDITIONS FOR ADJUSTMENTS TO THE JUDICIAL REORGANIZATION PLAN

On March 22, 2017, Oi, in accordance with Article 157, paragraph 4 of Law No. 6,404/76 and pursuant to CVM Instruction No. 358/02, informed that during a meeting held on that date, the Board of Directors of the Company approved the basic financial conditions contained in the Exhibit to this Material Fact as adjustments to the Oi Companies' Judicial Reorganization Plan that was presented on September 5, 2016 ("JRP"), as well as authorized the Company's Executive Officers and advisors to file as soon as possible an amendment to the JRP with the 7th Corporate Court of the State of Rio de Janeiro, where the judicial reorganization of Oi and its subsidiaries is underway.

MANAGING DIRECTOR

On March 27, 2017, PHAROL informed that, pursuant to the terms of article 407º of the Portuguese Securities

Code and article 20º of Bylaws of PHAROL, the Board of Directors on 27 March 2017, decided to allocate the competences for Managing Director to the Chairman, Luís Palha da Silva.

PRESENTATION TO THE COURT OF THE NEW FINANCIAL CONDITIONS AS ADJUSTMENTS TO THE JRP

On March 28, 2017, Oi informed that, on this date, the company presented to the 7th Corporate Court of the State of Rio de Janeiro, where the Judicial Reorganization of Oi and its subsidiaries is currently underway, information about new financial conditions as adjustments to the Oi Companies' Judicial Reorganization Plan (Plano de Recuperação Judicial—"PRJ"), presented on September 5, 2016, as detailed in Oi's Material Fact dated March 22, 2017.

The new conditions were formulated on the basis of conversations held in more than 50 face-to-face meetings with various creditors of Oi in Brazil and abroad, as well as their respective advisors, considering the different credit profiles, including national and international banks, development institutions and bondholders. In addition, a number of other meetings and mediations were held with other groups of creditors, such as suppliers, Anatel and small creditors, among others. The company's management and advisors also participated in the meetings.

The discussions considered, in addition to the debt restructuring plan, a sustainable business plan for Oi. The company considered suggestions and contributions from these various creditors, represented in the four classes provided for in the company's Judicial Reorganization, as well as shareholders, to structure the presented conditions and to seek to balance the different interests and credit and investment profiles. The amended judicial reorganization plan will be presented as soon as possible, in accordance with Oi's Material Fact disclosed on March 22, 2017.

ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF OI, S.A.

On March 29, 2017, Oi informed that the Board of Directors of Oi S.A. calls the Shareholders to an Ordinary General Shareholders Meeting, to be held on April 28, 2017, at 11 p.m., at the Company's headquarters located at Rua do Lavradio No. 71, Centro, City and State of Rio de Janeiro, to discuss the following agenda:

(1) Take the Management's accounts and examine, discuss and vote on the Management's Report and the Financial Statements for the fiscal year ended December 31, 2016, together with the Independent Auditors' report and the Fiscal Council;

(2) Examine, discuss and vote on the Management Proposal for the allocation of the results for the fiscal year ended December 31, 2016;

(3) Determine the annual global amount of compensation for the Management and the members of the Company's fiscal council;

(4) Ratify the election of members nominated in the Board of Directors Meetings held on August 12, 2016 and September 14, 2016 to the Board of Directors, in the form provided for in Article 150 of Law 6,404/76; and

(5) Elect member of the Fiscal Council and their respective alternates.

REPLACEMENT OF EXTERNAL AUDITOR

On March 30, 2017, Oi informed that the Company has engaged BDO RCS Auditores Independentes do Brasil ("BDO") to provide external audit services for the fiscal years 2017-2019, pursuant to Brazilian laws and regulations, replacing the KPMG Auditores Independentes ("KPMG"), which will continue as Oi's auditor for financial statements to be filed with the SEC.

The Company explains that the engagement of BDO is exclusively due to the 5 (five) year term period provided for in Article 31 of CVM Instruction No. 308/99, and has been undertaken with the favorable opinion of the Fiscal Council and approval by Oi's Board of Directors, as well as with the consent of KPMG with respect to such substitution, in compliance with the requirements of Article 28 of CVM Instruction 308/99.

The work of BDO will begin with the review of the quarterly information of Oi for the first quarter of 2017.

NOMINATION OF ESCRITÓRIO DE ADVOCACIA ARNOLDO WALD FOR THE ROLE OF OI JUDICIAL ADMINISTRATOR

On April 10, 2017, Oi communicated that, on this date, the 7th Corporate Court of the City and State of Rio de Janeiro, where the Company's judicial reorganization process is underway, nominated Escritório de Advocacia Arnaldo Wald to fully assume and concentrate the role of judicial administrator of the Company, Telemar Norte Leste S.A. – In Judicial Reorganization, Oi Móvel S.A. – In Judicial Reorganization, Copart 4 Participações S.A. – In Judicial Reorganization, Copart 5 Participações S.A. – In Judicial Reorganization, Portugal Telecom International Finance BV – In Judicial Reorganization and Oi Brasil Holdings Coöperatief UA – In Judicial Reorganization, the judicial administrator being authorized to hire individuals or entities to

assist such administrator in the financial and accounting aspects of the role, as permitted by the Reorganization Law.

INFORMATION ABOUT JUDGMENT OF THE JUDICIAL COURT OF THE DISTRICT OF LISBON

On April 11, 2017, PHAROL informed that by judgment given on 29 March 2017, the Judicial Court of the District of Lisbon dismissed as unfounded the action that Henrique Manuel Fusco Granadeiro proceeded against PHAROL, in which was requested that the resolution of PHAROL's General Meeting of 31 July 2015 be declared null or cancelled. The said resolution approved a civil liability action against any member of the Board of Directors elected for the period 2012/2014 who had violated legal, fiduciary and/or contractual duties, for damages to the Company and/or related to the investments in debt instruments issued by Espirito Santo Group entities.

DECISION OF THE DUTCH COURT OF APPEAL ON REQUESTS FOR CONVERSION OF THE PROCEDURES FOR SUSPENSION OF PAYMENTS

On April 19, 2017, Oi, in continuance of and in addition to the information contained in the Notices to the Market disclosed by the Company on February 2, 2017, February 10, 2017, February 20, 2017 and March 29, 2017, informed its shareholders and the market in general that the Dutch Court of Appeals, Amsterdam, The Netherlands, granted the appeals against the decisions that had denied the requests for conversion of the suspension of payments proceedings for each of Oi's financial vehicles in the Netherlands, Oi Brasil Holdings Coöperatief UA – In Judicial Reorganization (“Oi Brasil Holdings”) and Portugal Telecom International Finance B.V. – In Judicial Reorganization (“PTIF”), and ordered that such suspension of payments proceedings shall be converted into Dutch bankruptcy proceedings. These judgments rendered today by the Dutch Court of Appeals are restricted to Dutch jurisdiction and law and are not definitive. Oi Brasil Holdings and PTIF are going to file an appeal against them with the Dutch Supreme Court. Oi reiterates that Oi Brasil Holdings and PTIF remain under judicial reorganization in Brazil and clarifies that today's judgments do not have any impact on the Company's day by day and operational activities. Oi continues with its healthy operations and strong commercial performance, as well as its sales, installation and maintenance activities, and investments. Oi reiterates that it has been progressing on the discussions with creditors, potential investors and other stakeholders about the best proposal of a Judicial Reorganization Plan in order to submit it for approval in a Creditors' Meeting, in accordance with the deadlines and rules provided by law. The goal is to ensure a proposal that guarantees the Company's operational viability and sustainability and serves all interested parties in a balanced way, allowing Oi to be strengthened at the end of this process.

CLARIFICATION REGARDING JUDICIAL DECISION TO APPROVE INSOLVENCY PROCEEDINGS OF OI'S NETHERLANDS SUBSIDIARIES

On April 20, 2017, PHAROL clarified that the decision of the Netherlands Appellate Court is applicable only to the companies Portugal Telecom International Finance B.V. and Oi Brasil Holdings Coöperatief UA - which are under Netherlands jurisdiction.

The decision will be appealed to the Supreme Court, in accordance with current legislation in the Netherlands.

The decision in question does not impact the activities of the companies under judicial recovery in Brazil nor does it impact the recovery proceedings of the 7th Corporate Court of Rio de Janeiro, which is the only competent entity to decide on the Judicial Recovery of the Oi group, under the terms of Brazilian Judicial Recovery legislation.

Besides appealing to the Netherlands Supreme Court, the Dutch administrators, to be appointed by the judicial authorities, will only have potential access to assets which are of lesser relevance to the Companies under recovery - under 10 million euros - since the disposal of assets is the competence of the Brazilian judicial authorities, which, together with the Brazilian appointed judicial administrator and the Public Prosecutors, defend the interests of the creditors as well as maintaining the corporate and financial health of the companies under recovery.

The Oi Group remains focused on negotiating with its creditors and all its stakeholders the best proposal to be submitted for approval by the Creditors' General Assembly, to be requested by the 7th Corporate Court of Rio de Janeiro, and the above decision does not affect either timelines or negotiations followed so far.

For PHAROL, shareholder of 27.18% of Oi, there is no direct impact from this decision.

Regarding bondholders of Portugal Telecom International Finance B.V., there is also no impact, as these remain considered in the Judicial Recovery Plan, as they have been thus far, without any change in their classification as creditors of Oi.

EXTENSION OF THE STAY PERIOD FOR OI

On May 16, 2017, Oi, in addition to the Material Facts disclosed by the Company on June 22 and June 30, 2016, communicated that, on May 15, 2017, the 7th Corporate Court of the Capital District of the State of Rio de Janeiro granted the extension of the stay period for 180 business days or until the General Meeting

of Creditors, whichever occurs first, as well as decided upon the application of the following guidelines with respect to the ongoing lawsuits against the Company and its wholly-owned subsidiaries, direct and indirect, Oi Móvel S.A. – In Judicial Reorganization, Telemar Norte Leste S.A. – In Judicial Reorganization, Copart 4 Participações S.A. – In Judicial Reorganization, Copart 5 Participações S.A. – In Judicial Reorganization, Portugal Telecom International Finance B.V. – In Judicial Reorganization (“PTIF”) and Oi Brasil Holdings Coöperatief U.A. – In Judicial Reorganization (“Oi Brasil Holdings” and, together with the other companies, the “Oi Companies”):

a) The suspension of all enforcement, whether extrajudicial or judicial, provisional or final, including enforcement proceedings to collect fines and/or administrative penalties imposed against the Oi Companies, with the exception of that which has been terminated by a judgment, or that in which, once the judicial constraint has taken place, the deadline for challenge by the debtor has elapsed, or a judgment rendered under judicial challenge or ban has become final. In such event, both the delivery of the judgment and the certification of the expiration of the time limit for challenging the debt or the final and unappealable judgment for the challenge presented by the debtor must have a final date that predates the decision granting emergency protection (June 21, 2016);

b) The termination of enforcements or certification of the expiration of the deadline for debtor to challenge the debt, authorizing the issuance of a permit or warrant if 2 there is already an amount deposited that predates the decision granting emergency protection (June 21, 2016);

c) The ongoing lawsuits, whether filed by Oi or with Oi as respondent, and those which demand and illiquid amount, in the manner foreseen in Article 6, paragraph 1 of the LRF, shall continue in the courts until execution;

d) Judicial proceedings that translate into equity or that relate to the blocking or seizure of a liquid or illiquid amount, which implicate any type of loss of the Oi Companies’ assets or interfere with the possession of assets that affect their business activity, should also be suspended, in line with the analysis of the formal case made to the 7th Corporate Court of the Capital District of Rio de Janeiro;

e) With respect to arbitration proceedings in which any of the debtor companies appear in, all arbitrations in which there is already a defined net amount owed by the Oi Companies shall be suspended.

The full text of the judicial decision granting the processing of the request for judicial reorganization is available to the Company’s shareholders at the Company’s headquarters, on its website (www.oi.com.br/ri), as well as in the IPE Module of the CVM’s Empresas.NET System, as well as the BM&FBovespa website (www.bmfbovespa.com.br). An English copy of such decision will also be sent, as soon as possible, to the US Securities and Exchange Commission under Form 6-K.

NOTICE TO THE MARKET DISCLOSED BY OI - SECOND LIST OF CREDITORS

On May 17, 2017, Oi, informed that the list of creditors of the Oi Companies presented by the judicial

administrator before the Judicial Reorganization Court (“Second List of Creditors”) is available from this date to its shareholders and the market in general and to the Oi Companies’ creditors on the website of the judicial reorganization of Oi Companies, which can be accessed through the <http://www.recjud.com.br> address and on the website of the Court of the judicial District of Rio de Janeiro, with access to the public at the website <http://www.tjrj.jus.br/consultas/relacaonominal-de-credores/7-vara-emp>. The Second List of Creditors will still be published, at which time the period for the offer of possible objections by those legitimated by the law will begin.

MATERIAL FACT DISCLOSED BY OI - FAILURE TO TIMELY FILE ANNUAL REPORT ON FORM 20-F

On May 17, 2017, Oi, announced that, on May 17, 2017, the Company received a notice from the New York Stock Exchange (the “NYSE”) indicating that the Company is not in compliance with the NYSE’s continued listing requirements under the timely filing criteria established in Section 802.01E of the NYSE Listed Company Manual as a result of its failure to timely file its Annual Report on Form 20-F for the fiscal year ended December 31, 2016 (the “2016 Annual Report”).

The Company was unable to file the 2016 Annual Report by its original deadline without unreasonable effort and expense because the Company has not been able to complete the preparation of its financial statements in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”).

Given the ongoing discussions with the Company’s creditors, potential investors and other stakeholders with respect to the best proposal for a judicial reorganization plan, the implementation of which depends on the receipt of sufficient approval of the Company’s creditors pursuant to Brazilian law, that will permit the Company to successfully emerge from its ongoing judicial reorganization (recuperação judicial) proceedings before the 7th Corporate Court of the Judicial District of the State Capital of Rio de Janeiro, the Company has been unable to determine a set of assumptions that are reasonably reliable upon which to prepare an enterprise valuation of the Company and its consolidated subsidiaries to support the asset impairment testing required under U.S. GAAP. As a result, the Company has not completed such asset impairment testing and is currently unable to do so as this impairment testing requires that the Company’s management complete an enterprise valuation of the Company and its consolidated subsidiaries. The completion of the Company’s U.S. GAAP financial statements for inclusion in the 2016 Form 20-F requires that the Company determine whether (1) the use of a going concern assumption as a basis for the preparation of these financial statements is appropriate, and (2) the effects on the balances of assets, liabilities and on items comprising the statements of income, comprehensive income, changes in shareholders’ equity and cash flows if these financial statements were not prepared under this going concern assumption.

The NYSE informed the Company that, under the NYSE rules, the Company will have six (6) months from May 17, 2017, which may be extended for an additional six (6) month period at the sole discretion of the

NYSE, to file the 2016 Annual Report with the U.S. Securities and Exchange Commission (the "SEC"). The Company is committed to filing the 2016 Annual Report as soon as practicable and that it can regain compliance with the NYSE continued listing requirements at any time prior to the stipulated deadline by filing the 2016 Annual Report with the SEC. The Company does not have the necessary information to estimate a specific date by which it will file the 2016 Annual Report.

QUALIFIED HOLDING – BANCO COMERCIAL PORTUGUÊS, S.A

On May 23, 2017, PHAROL informed that BANCO COMERCIAL PORTUGUÊS, S.A no longer holds any position of the share capital of PHAROL.

This situation occurred after the disposal of 55,304,969 ordinary shares, representatives of 6.17% of share capital of PHAROL, on May 23, 2017.

QUALIFIED HOLDING – RENAISSANCE TECHNOLOGIES LLC

On May, 24, 2017, PHAROL informed that Renaissance Technologies LLC now held an economic position of 1.97% of the share capital of PHAROL, without voting rights, through derivative financial instruments with cash settlement, held by the funds GF Trading LLC and RIDGE Master Trading LP, that are managed by the entity above.

This occurred as a result of a change in equity swaps contracted by those funds, which establishes the right to acquire 17,648,930 shares of PHAROL, on May 22, 2017.

QUALIFIED HOLDING – HIGH BRIDGE UNIPessoal, LDA.

On May 24, 2017, PHAROL informed that a High Bridge Unipessoal, Lda, S.A holds a position of 6.17% of the share capital of PHAROL.

This situation occurred after the acquisition of 55,304,969 ordinary shares, representatives of 6.17% of share capital of PHAROL, on May 23, 2017.

PHAROL'S GENERAL MEETINGS OF SHAREHOLDERS

On May 26, 2017, PHAROL, SGPS S.A. ("PHAROL") informs that the following resolutions were adopted by the Shareholders at the General Meetings of Shareholders held today:

Extraordinary General Meeting

- Approval of the election of the Members of the Board of the General Meeting mentioned below to complete the 2015-2017 term of office
 - President of the Board of the General Meeting: Diogo Campos Barradas de Lacerda Machado
 - Secretary of the Board of the General Meeting: Maria de Lourdes Vasconcelos Pimentel da Cunha Trigos
- Approval of the election of as Fiscal Council alternate member, the election of the person mentioned below to complete the 2015-2017 term of office
 - Fiscal Council alternate member: Paulo Ribeiro da Silva
- Ratification of the appointment of José Manuel Melo da Silva as director of the Company to complete the 2015-2017 term of office.

Annual General Meeting

- Approval of the management reports, balance sheets and accounts, individual, for the 2016 financial year.
- Approval of the management reports, balance sheets and accounts, consolidated, for the 2016 financial year.
- Approval of the proposal for application of results;
- Approval of a General appraisal of the Company's management and supervisory bodies, as well as a special praise to the Board of Directors, Fiscal Council and Supervisory Committee, and of each of their members, for the outstanding way in which the Company was led throughout the 2016 financial year;
- Approval of the statement of the Compensation Committee on the remuneration policy of the members of the Company's management and supervisory bodies.

At the Extraordinary General Meeting and Annual General Meeting, shareholders holding 49.47% and 49.54%, respectively, of the share capital were present or represented.

QUALIFIED HOLDING – CREDIT SUISSE GROUP AG

On May 26, 2017, PHAROL informed that Credit Suisse Group AG holds a position of 2.23% of the share capital of PHAROL.

This situation occurred after the acquisition of ordinary shares, total 19,949,794, representatives of 2.23% of share capital of PHAROL, on May 23, 2017.

QUALIFIED HOLDING – CREDIT SUISSE GROUP AG

On May 29, 2017, PHAROL informed that Credit Suisse Group AG holds a position of 1.54% of the share capital of PHAROL.

This situation occurred after the disposal of ordinary shares, remained 13,770,235, representatives of 2.23% of share capital of PHAROL, on May 24, 2017.

PUBLICATION OF PUBLIC NOTICE OF THE LIST OF OI CREDITORS

On May 29, 2017, Oi informed that the Public Notice of the list of creditors presented by the Brazilian Judicial Administrator (“Creditors List”) before the 7th Business Court of Rio de Janeiro (“Judicial Reorganization Court”) was published on this date and is available from this date to its shareholders, to the market in general and to creditors on the website of the judicial reorganization, which can be accessed through the <http://www.recjud.com.br> address and on the website of the Court of the judicial District of Rio de Janeiro, with access to the public at the website <http://www.tjrj.jus.br/documents/10136/1709761/relacao-credores-aj.pdf>. As of this date, begin the legal terms of (i) 10 business days to challenge the Creditors List before the Judicial Reorganization Court; and (ii) 30 business days to file objections to the judicial reorganization plan.

RESIGNATION OF DIRECTOR

On Jun 5, 2017, PHAROL informed, pursuant to the terms of subparagraph a) of article 3 of the Portuguese Securities Commission Regulation no. 5/2008 and article 248 of the Portuguese Securities Code, that André Cardoso Meneses Navarro has resigned, on 5 June of 2017, from the respective office as non-executive member of PHAROL’s Board of Directors.

OI’S CREDITORS SETTLEMENT PROGRAM

On Jun 23, 2017, Oi informed that, as authorized by the Judicial Reorganization court and the “Notice to the

Creditors” published on the date hereof in the media publications “O Globo” and “Folha de São Paulo,” we will initiate, as of June 26, 2017, the creditors settlement program for the creditors of the Oi Companies included in the Creditors List presented by the Brazilian Judicial Administrator, published on May 29, 2017 (“Oi Creditor” and “Creditors Settlement Program,” respectively).

The Creditors Settlement Program sets out pre-payment by the Oi Group of 90% of the credit amount for Oi Creditors whose credit is less than or equal to R\$50,000.00, upon acceptance by the Oi Creditor to the agreement and certain terms and conditions set out in the Creditors Settlement Program. The remaining 10% of such credit will be received after the confirmation of the reorganization plan (the “Plan”). Oi Creditors whose credit is more than R\$50,000.00 shall also be entitled to agree to the Creditors Settlement Program, in which case they shall receive a R\$50,000.00 pre-payment, upon acceptance by the Oi Creditor to the agreement and to certain terms and conditions set out in the Creditors Settlement Program and the exceeding credit amount will be paid as set out in the Plan. The Creditors Settlement Program proposed by the Oi Group will benefit the participating Oi Creditors given that it enables the pre-payment of part of the amount which is object of the program.

More information on the Creditors Settlement Program can be found in the Notice to the Creditors and at www.credor.oi.com.br, which can be accessed as of June 26, 2017, or at the Oi Group’s judicial reorganization website www.recjud.com.br.

QUALIFIED HOLDING – DISCOVERY CAPITAL MANAGEMENT, LLC

On Jun 23, 2017, PHAROL informed that Discovery Capital Management, LLC holds a position of 5.14% of the share capital of PHAROL.

This situation occurred after the acquisition of ordinary shares, total 46,073,261 ordinary shares, representatives of 5.14% of share capital of PHAROL, on June 21, 2017.

QUALIFIED HOLDING – NORGES BANK

On Jun 26, 2017, PHAROL informed that Norges Bank holds a position of 3.08% of the share capital of PHAROL.

This situation occurred after the disposal of ordinary shares, remained 27,643,738 ordinary shares, representatives of 3.08% of share capital of PHAROL, on June 22, 2017.

QUALIFIED HOLDING – SOLUS ALTERNATIVE ASSET MANAGEMENT LP

On June 30, 2017, PHAROL informed that Solus Alternative Asset Management LP holds a position of 2.16% of the share capital of PHAROL.

This situation occurred after the acquisition of ordinary shares, total 19.353.961 ordinary shares, representatives of 2.16% of share capital of PHAROL, on June 26, 2017.

CHANGES REGARDING THE COMPOSITION OF THE BOARD OF DIRECTORS

On Jun 30, 2017, PHAROL, pursuant to the terms of subparagraph a) of article 3 of the Portuguese Securities Commission Regulation no. 5/2008 and article 248 of the Portuguese Securities Code, announced that the Board of Directors has approved to appoint by co-optation, as members of the Board of Directors, to complete the current term of office (2015-2017), Jorge Santiago Neves, Nelson Sequeiros Rodriguez Tanure and Thomas Cornelius Azevedo Reichenheim.

Such co-optations will be submitted to ratification at the next General Meeting of Shareholders of PHAROL.

NOTICE TO THE MARKET DISCLOSED BY OI - DECISION OF THE DUTCH COURT OF APPEALS

On Jul 7, 2017, Oi, in continuance of and in addition to the information contained in the Notices to the Market disclosed by the Company on February 2, 2017, February 10, 2017, February 20, 2017, March 29, 2017 and April 19, 2017, informed its shareholders and the market in general that, on this date, the Dutch Supreme Court, in Amsterdam, The Netherlands, rejected the appeals filed by each of Oi's financial vehicles in the Netherlands, Oi Brasil Holdings Coöperatief UA – In Judicial Reorganization (“Oi Brasil Holdings”) and Portugal Telecom International Finance B.V. – In Judicial Reorganization (“PTIF”), against the decisions that had ordered the conversion of their respective suspension of payments proceedings into Dutch bankruptcy proceedings, maintaining the decision of Dutch Court of Appeals that such suspension of payments proceedings are converted into Dutch bankruptcy proceedings. These judgments rendered today by the Dutch Supreme Court do not have effects in Brazil nor in the other jurisdictions where the authority of the Brazilian Judiciary to process the judicial reorganization has been recognized.

Oi reiterates that Oi Brasil Holdings and PTIF remain under judicial reorganization in Brazil and clarifies that today's judgments do not have any impact on the Company's day by day and operational activities. Oi

continues with its healthy operations and strong commercial performance, as well as its sales, installation and maintenance activities, and investments.

The Company further reiterates that it has been progressing on the discussions with creditors, potential investors and other stakeholders about the best proposal of a Judicial Reorganization Plan in order to submit it for approval in a Creditors' Meeting, in accordance with the deadlines and rules provided by law. The goal is to ensure a proposal that guarantees the Company's operational viability and sustainability and serves all interested parties in a balanced way, allowing Oi to be strengthened at the end of this process.

UPDATES CONCERNING THE OI JUDICIAL REORGANIZATION PLAN

On Jul 19, 2017, Oi, pursuant to CVM Instruction No. 358/02 and in addition to the Material Facts dated September 5, 2016 and March 22, 2017 and the Notice to the Market dated June 30, 2017, informed that Oi's Board of Directors, at a meeting held today, resolved upon a capitalization proposal from a working group established during 2016 in order to facilitate the judicial reorganization of the Oi Companies.

Seeking to improve the financial condition of Oi's balance sheet and the approval of the Judicial Reorganization Plan, the Board of Directors authorized the Board of Executive Officers to discuss with creditors, potential investors and other stakeholders possible changes to the Judicial Reorganization Plan, so that it contemplates increases in the Company's share capital totaling R\$8 billion, which have yet to be detailed and are still subject to approval by the relevant corporate bodies. The intention is that the funds raised will be allocated to the expansion of Oi's investments, focusing mainly on new broadband projects and mobile network coverage, in order to initiate a new cycle of investment and expansion for Oi linked to the Judicial Reorganization Plan, generating an expected return for shareholders and creditors of the Company.

Also at the meeting of Oi's Board of Directors held today, the representative of the Brazilian Telecommunications Agency (Anatel) presented a notice issued by Anatel on this date, a full copy of which is attached to this Notice to the Market, stating that Anatel's Directors' Council (1) assigned a deadline of August 1, 2017 for the senior management of the Oi Group to present to the Directors' Council of Anatel the version of the Judicial Reorganization Plan approved by the Board of Directors of Oi, which it intends to submit to the General Meeting of Creditors, and (2) determined that this document be delivered at a meeting with the Board of Directors of Anatel, on that date, at 10:00 am.

The Anatel representative stated, also at this Board of Directors meeting, that the senior management of the Oi Group, referred to in the notice, should be represented at the meeting to be held with the Directors' Council of Anatel on August 1, 2017 by the Chief Executive Officer, the Chairman of the Board of Directors and by representatives of the Company's principal shareholders—namely Société Mondiale, Pharol and BNDES, the last two of which hold an interest in the Company by means of their vehicles Bratel B.V. and BNDESPar.

In light of this, Oi reiterates that it will continue to interact with creditors, potential investors and other stakeholders of the Company with respect to its Judicial Reorganization Plan, in order to obtain improvements to the Plan and enable its approval at the General Meeting of Creditors next September, ensuring the sustainability of the Company's business.

OI DISCLOSES THE SECOND QUARTER RESULTS

On August 9, 2017, Oi disclosed the 2017 second quarter results.

ANATEL OFFICIAL LETTER TO OI

On August 9, 2017, Oi informed that received an Official Letter from the Brazilian National Telecommunications Agency (Agência Nacional de Telecomunicações), or Anatel, which reads as follows:

"(...)

1. At the meeting held on August 1, 2017, at the Brazilian National Telecommunications Agency (Agência Nacional de Telecomunicações), or Anatel, previously called for by Anatel's Directors' Council, were in attendance Luís Maria Viana Palha da Silva, the Chairman of Oi's Board of Directors, due to the impediment of the titular Chairman José Mauro Mettrau Carneiro da Cunha, and the following members/shareholders: Ricardo Reisen de Pinho; Demian Fiocca; Thomas Conelius Azevedo Reichenheim; Hélio Calixto da Costa; Nelson Sequeiros Rodriguez Tanure, and Eliane Aleixo Lustosa de Andrade, representing BNDESpar, as well as members of the company's Board of Officers.
2. Pursuant to the call for the meeting, the meeting's purpose was circumscribed to the following topics: a) presentation on the status of the company's judicial reorganization proceeding, ongoing before the Justice Court of the State of Rio de Janeiro (Tribunal de Justiça do Estado do Rio de Janeiro), or TJRJ; b) detailed presentation of the operating balance sheet; c) information on the negotiations with financial institutions and small creditors; d) situation on the regulatory debt; e) perspectives on share capital increase; f) draft of a reorganization plan to be presented to the reorganization and bankruptcy court of the TJRJ.
3. In addition to specific issues and technical, legal and economic and financial details, the company, through its board members and officers, shared information on the schedule of contracts to be entered into before offering the judicial reorganization plan, which integrate the concept of Plain Support Agreement, or PSA, through which an estimated amount of eight billion Brazilian reais are expected to be obtained, be it through direct contribution, or through share capital increase. The company estimates a R\$13.3 billion debt, and proposes, in their judicial reorganization plan, the negotiation of 6.1 billion Brazilian reais, through Consent Decrees (Termos de Ajustamento de Conduta), or TACs, and of R\$7.2 billion, through the Regularization Program for Non Taxed Debts (Programa de Regularização de Débitos

Não Tributados), or PRD. The company also showed confidence in the mediation as a mechanism for debt renegotiation.

4. Anatel's Directors' Council, which was fully present, through interventions and questions to Oi's representatives, pursuant to the Public Notice disclosed that same day August 1, 2017, made it known that: a) it understands that an effective contribution of new capital to the company is necessary; b) the plan draft, although it is a version still subject to reexamination by the company, presents a margin for questioning on its timing reliability and capital contribution guarantees; c) regarding public credits, Anatel subjects itself to the legal rules that govern the differential treatment of public credits; d) Anatel subjects itself to the legal interpretations defended by the Office of the General Counsel for the Federal Government and by the Federal Attorney General, especially regarding the separation of credits by their nature.
5. Given the form and conditions presented in the meeting, Anatel's Directors' Council understands that a reformulated version of the judicial reorganization plan needs to be presented, in up to 15 (fifteen) days, counting from this Official Letter, which contemplates: a) demonstration that the company is in good conditions to obtain other sources of funding in the same amount which was set out for the bondholders, or to offer legal guarantee for the proposed funding; b) capital contribution alternatives, in addition to the bond conversion proposal; c) viable conditions for immediate funding or in a smaller time period than foreseen in the proposed plan; d) guarantees of execution and timing reliability of capital contribution; e) clarification regarding the interest and viability of settlement of debts before the Anatel, through non-tax credit recovery program, pursuant to Provisional Presidential Measure No. 780/2017."

APPROVAL OF THE DATES OF THE GENERAL MEETING OF CREDITORS OF OI

On August 25, 2017, Oi informed that the 7th Corporate Court of the Capital District of the State of Rio de Janeiro approved the dates suggested by the judicial administrator for the General Meeting of Creditors (Assembleia Geral de Credores, or "AGC"), designating October 9, 2017 for the first call of the AGC, and October 23, 2017 for the second call of the ACG, both to be held at Riocentro.

The full text of the aforementioned court decision is available to the Company's shareholders at the Company's headquarters, at its website (www.oi.com.br/ri), as well as at IPE Module of CVM's Empresas.NET System (www.cvm.gov.br), as well as the BM&FBovespa website (www.bmfbovespa.com.br).

03. MAIN RISKS AND UNCERTAINTIES

The events and circumstances described below could result in a significant or material adverse effect on the financial condition of PHAROL and a corresponding decline or increase in the market price of the ordinary shares of PHAROL.

Relevant Risks		
Economic Risks	Oi's Performance	<p>The main risk to which PHAROL is subject to derives from Oi's operational and financial performance, notably Oi's ability to generate profits and cash flow and pay dividends.</p> <p>Oi's performance is also dependent on the performance of the Brazilian economy and, at this time in particular, the evolution of the judicial recovery process that the Company has adopted. Despite the fact that this process can bring financial and operational stability to the Company, it depends on numerous wills not fully controlled by Oi.</p> <p>In the event of failure in negotiations with creditors, Oi may face serious difficulties in the normal development of their activities.</p>
Financial Risks	Exchange Rates	<p>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 translation of the results attributable to PHAROL, and therefore impact PHAROL's results and financial position.</p> <p>The Company does not have a hedging policy regarding the value of these investments.</p>
	Interest Rate	<p>Interest rate risks basically relate to financial expenses and the floating interest rate debt and cash applications. PHAROL is exposed to this risk specially in Brazil. It is important to point out that, at June 30, 2017, PHAROL has no debt.</p> <p>Regarding debt, Oi is consolidated by the equity method in PHAROL's Financial Statements.</p> <p>Market interest rates also affect the discount rates used for impairment testing to the various assets of the entity.</p>
	Treasury Applications	<p>PHAROL is mainly subject to credit risks in its treasury applications.</p> <p>In order to dilute these risks, in July 2014 the Board of Directors defined a policy for treasury applications.</p>
	Default by Rio Forte as to the reimbursement of the instruments that PHAROL holds following the	<p>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</p>

	execution of the Exchange	repayment of all debts to any secured creditors, and after confirmation of the validity of the credits.
	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 and business outlook and the 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, so as 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 the context of the agreement with Oi, where Oi has been assuming responsibility for the direct payment of all contingencies until May 5, 2014 and PHAROL remains 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 and the capacity to fully implement the Business Combination.

04. QUALIFIED HOLDINGS

QUALIFIED HOLDINGS

As at June 30, 2017, qualified holdings represented over 48.8% 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%
05/07/2016	Novo Banco S.A. (a)	85,665,125	9.56%	9.56%
24/05/2017	High Bridge Unipessoal, Lda.	55,304,969	6.17%	6.17%
05/12/2016	High Seas Investments LLC	46,657,016	5.20%	5.20%
23/06/2017	Discovery Capital Management, LLC	46,073,261	5.14%	5.14%
22/11/2016	Hestia Investments DAC	43,476,423	4.85%	4.85%
26/06/2017	Norges Bank	27,643,738	3.08%	3.08%
02/01/2014	Grupo Visabeira	23,642,885	2.64%	2.64%
30/06/2017	Solus Alternative Asset Management LP	19,353,961	2.16%	2.16%

(a) This holding refers only to the shares holding by Novo Banco and do not included shares held by societies in a controlling relationship or group, leaders and members of the Governing Bodies of Novo Banco.

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 third parties in PHAROL's share capital, which the company was informed about with reference to June 30, 2017 or the previous date, as indicated:

- On May 31, 2012, PHAROL announced that Telemar Norte Leste SA held a qualifying stake in PHAROL corresponding to 89,651,205 shares, representing 10.0% of the respective share capital and voting rights. The only shareholder of TMAR is Oi.
- On July 5, 2015, Novo Banco reported the change in its qualifying holding to 85,665,125 shares, corresponding to 9.56% of the share capital and voting right of PHAROL. On August 2, 2016, Novo Banco confirmed that on June 30, 2016 it held 85,703,041, under the following terms:

ENTITIES	No. OF SHARES
Shares held by societies in a controlling relationship or group with Novo Banco, S.A.	15,916
Shares held by Novo Banco, S.A.	85,665,125
Shared held by Management Bodies	22,000
Total	85,703,041

- On May 24, 2017, PHAROL disclosed that High Bridge Unipessoal, Lda. held an effective stake of 6.17% of the share capital and corresponding voting rights. High Bridge Unipessoal, Lda identified as part of its chain of controlled undertakings Atlantis Global Investments, LLC.
- On December 5, 2016, PHAROL announced that High Seas Investments LLC held a qualified holding of 46,657,016 shares, corresponding to 5.2% of the share capital and voting right of PHAROL, since

November 28, 2016. High Seas Investments LLC also informed that its chain of controlled encompasses the company Angra Capital Management LTD.

- On Jun 23, 2017, PHAROL informed that Discovery Capital Management, LLC holds a position of 5.14% of the share capital of PHAROL. This situation occurred after the aquisition of ordinary shares, total 46.073.261 ordinary shares, representatives of 5.14% of share capital of PHAROL, on June 21, 2017. Discovery Capital Management, LLC identified as part of its chain of controlled undertakings: Mr. Robert K. Citrone; Discovery Capital Management Holding Co, L.P, LLC; Discovery Capital Management, LLC; Discovery Global Opportunity Master Fund, Ltd.; Discovery Global Macro Master Fund, Ltd.; Discovery Global Focus Master Fund, Ltd.; Quantum Partners LP.
- On November 22, 2016, Hestia Investments DAC reported the change in its qualifying holding to 43,476,423 shares, corresponding to 4.85% of the share capital and voting right of PHAROL since November 21, 2016.
- On Jun 26, 2017, PHAROL informed that Norges Bank holds a position of 27,643,738 ordinary shares, representatives of 3.08% of share capital of PHAROL, on June 22, 2017.
- On January 2, 2014, PHAROL announced that it attributed to the Visabeira SGPS Group, S.A. (“Visabeira Group”, a company held 77.85% by Engineer Fernando Campos Nunes) a qualifying stake of 23,642,885 PHAROL shares, representing 2.637% of the share capital and voting rights, under the following terms:

ENTITIES	No. OF SHARES
Visabeira Group	11,523,213
Visabeira Estudos e Investimentos, S.A., (company held at 100% by Visabeira Participações Financeiras, SGPS, S.A., which in turn was held at 100% by the Visabeira Group)	12,119,672
Total	23,642,885

PHAROL was also informed that a participation corresponding to 78.2642% of the Visabeira Group’s share capital and corresponding voting rights are directly held by the NCFGEST, SGPS, S.A. society, which is 100% held by Engineer Fernando Campo Nunes, by which the qualified holdings of the Visabeira Group are equally attributable to these entities.

- On June 30, 2017, PHAROL disclosed that Solus Alternative Asset Management LP held a qualified holding of 19,353,961 shares, corresponding to 2.16% of the share capital and voting right of PHAROL, since June 26, 2016. Solus Alternative Asset Management LP also informed that its chain of controlled encompasses the company Christopher Pucillo; Solus GP LLC; Solus Alternative Asset Management LP; Sola Ltd; Ultra Master Ltd and Opportunities Fund 5 LP.

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 with reference to June 30, 2017 or the previous date, as indicated:

Board of Directors

- Luís Maria Viana Palha da Silva owns 200,000 PHAROL shares. 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.
- André Cardoso de Meneses Navarro owns 397 PHAROL shares. He was co-opted non-executive Director of PHAROL on September 2, 2015. He is also a member of the Board of Directors of Oi. On June 5, 2017, he resigned to the position in PHAROL.
- João do Passo Vicente Ribeiro is not an owner of any marketable securities of PHAROL nor of other companies which are in a controlling or group relationship with it. He was appointed for the Board of Directors of PHAROL on May 29, 2015. On December 31, 2016, he was an alternate member of the Oi Board of Directors. After the resignation of Rafael Mora, he became an effective member of the Board of Directors of Oi.
- João Manuel Pisco de Castro is not an owner of any marketable securities of PHAROL nor of other companies which are in a controlling or group relationship with it. He was appointed for the Board of Directors of PHAROL on March 17, 2015. He is also Vice-President of Grupo Visabeira, SGPS, SA. and member of the Board of Directors of Oi.
- Jorge Telmo Maria Freire Cardoso is not an owner of any marketable securities of PHAROL nor of other companies which are in a controlling or group relationship with it. He was appointed for the Board of Directors of PHAROL on November 5, 2015. He is also a member of the Board of Directors of Novo Banco, SA. He was an alternate member of the Board of Directors of Oi, until February 17, 2016, on which date he resigned his appointment.
- Jorge Augusto Santiago das Neves is not an owner of any marketable securities of PHAROL nor of other companies which are in a controlling or group relationship with it. He was appointed for the Board of Directors of PHAROL on June 30, 2016.
- José Manuel Melo da Silva is not an owner of any marketable securities of PHAROL nor of other companies which are in a controlling or group relationship with it. He was co-opted non-executive Director of PHAROL on July 25, 2016. He is also an alternate member of the Board of Directors of Oi, since September 14, 2016.
- José Mauro Mettrau Carneiro da Cunha is not an owner of any marketable securities of PHAROL nor of other companies which are in a controlling or group relationship with it. He was appointed for the

Board of Directors of PHAROL on 29 May, 2015 and he is also a member of the Board of Directors of Oi.

- Maria do Rosário Amado Pinto-Correia owns 40 shares of PHAROL. She was co-opted non-executive Director of PHAROL on September 2, 2015. She is an alternate member of the Board of Directors of Oi since February 16, 2016.
- Nelson Sequeiros Rodriguez Tanure is not an owner of any marketable securities of PHAROL nor of other companies which are in a controlling or group relationship with it. He was appointed for the Board of Directors of PHAROL on June 30, 2016. He is an alternate member of the Board of Directors of Oi since January, 6, 2017.
- Pedro Zañartu Gubert Morais Leitão is not an owner of any marketable securities of PHAROL nor of other companies which are in a controlling or group relationship with it. 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.
- Thomas Cornelius Azevedo Reichenheim is not an owner of any marketable securities of PHAROL nor of other companies which are in a controlling or group relationship with it. He was appointed for the Board of Directors of PHAROL on June 30, 2016. He is also a member of the Board of Directors of Oi since September 1, 2015.

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

- Luís Maria Viana Palha da Silva

Statutory Auditor (“ROC”)

The Statutory Auditor, identified below, 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

05. OUTLOOK

PHAROL's management intend to exclusively focus on the management of the Company's current portfolio, not foreseeing diversification in its activities nor relevant investments.

PHAROL holds as its main asset, its investment in Oi, being its most relevant shareholder with 183,662,204 common shares and a stake of 27.18% of its equity, and also holds a Call Option over 34,153,108 common shares and 68,306,2016 preferred shares of Oi.

Having monitored Oi's management, Oi has followed the guidelines in its Strategic Plan, and that are based on a significant cost reduction program and investment optimization program, focused on its opportunities for growth and return. In 2017, PHAROL will cooperate with Oi for the success of its the judicial reorganization plan and for its operations improvement strategy. At the same time, PHAROL will monitor the value of its Call Option on Oi shares and analyze the alternatives that enable the maximization of value which includes the possibility of monetizing the aforementioned instruments.

PHAROL additionally has a credit over Rio Forte and will continue to carefully monitor the ongoing liquidation process in Luxembourg, with a view to maximizing the settlement of the Rio Forte Instruments. Among the possible scenarios, there is the possibility to trigger legal proceedings against Rio Forte, the relevant related parties and others.

PHAROL's Financial Statements are characterized today by the almost absence of financial debt but with some risks and lawsuits, that may potentially lead to further liabilities, and that are identified throughout this report. These are mainly contingencies that have been transferred to Oi, but in which PHAROL is severally liable, and have occupied a significant part of the Company's leadership team efforts.

The optimization and distribution to shareholders of any cash surplus has been a concern of management and the Board of Directors has made significant steps in this direction by approving the dividend payment of Euro 0.03 per share, paid on June 9, 2016.

In 2016, PHAROL's operating expenses were Euro 7 million, representing a significant decrease - 57% on a comparable basis - and the Board is making efforts to maintain the same trend, as the first semester of 2017 confirmed.

06. STATEMENT FROM THE BOARD OF DIRECTORS

For the purposes of article 246 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 the first semester, 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;
- The first semester 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, August 28, 2017

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

João do Passo Vicente Ribeiro, Board Member

João Manuel Pisco de Castro, Board Member

Jorge Telmo Maria Freire Cardoso, Board Member

Jorge Augusto Santiago das Neves, 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, Board Member

Thomas Cornelius Azevedo Reichenheim, Board Member

PHAROL, SGPS, S.A.



CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

PHAROL, SGPS S.A.			
CONSOLIDATED INCOME STATEMENT			
PERIODS ENDED JUNE 30 2017 AND 2016			
	Notes	1H17	Euro 1H16
COSTS, LOSSES AND (INCOME)			
Wages and salaries	5	961,537	1,159,885
Supplies, external services and other expenses	6	1,477,503	1,841,383
Indirect taxes	7	175,173	263,686
Depreciation		41,680	41,937
Net other losses (gains)		(2,464,650)	54,831
		191,242	3,361,722
Income (loss) before financial results and taxes		(191,242)	(3,361,722)
FINANCIAL LOSSES AND (GAINS)			
Net interest income	8	(25,822)	(114,910)
Net foreign currency exchange losses	12	115,741	(684,189)
Net losses on financial assets and other investments	12	(746,830)	5,737,470
Equity in losses of joint ventures and associates	11	(61,614,993)	(88,819)
Net other financial expenses		286,886	29,496
		(61,985,019)	4,879,048
Income (loss) before taxes		61,793,777	(8,240,771)
Income taxes	9	17,105	15,233
NET INCOME		61,776,672	(8,256,004)
Attributable to equity holders of the parent		61,776,672	(8,256,004)
Earnings per share			
Basic and Diluted	10	0.07	(0.01)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
PERIODS ENDED JUNE 30 2017 AND 2016

	1H17	Euro 1H16
Net Income recognised in the income statement	61,776,672	(8,256,004)
Income (expenses) recognised directly in shareholders' equity		
Items that may be reclassified subsequently to the income statement		
Foreign currency translation adjustments (i)	4,401,441	(25,330,716)
Gains (expenses) recorded in shareholders' equity related to joint ventures (ii)	(9,490,996)	22,974,462
Total earnings recognised directly in shareholders' equity	(5,089,555)	(2,356,253)
Total comprehensive income	56,687,116	(10,612,257)
Attributable to shareholders of PHAROL SGPS	56,687,116	(10,612,257)

(i) Losses recorded in the first semester of 2017 and 2016 mainly relate to the impact of the depreciation of the Real against the Euro on the investments in Brazil as well as on Oi's investments outside Brazil.

(ii) This caption relates to the effective share of PHAROL in the fair value variations of Oi's financial instruments.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 JUNE 30 2017 AND DECEMBER 31 2016**

		Euro	
	Notes	30 jun 17	31 Dec 2016
ASSETS			
Current Assets			
Cash and cash equivalents	16	23,009,575	28,936,973
Accounts receivable		160,740	414,696
Taxes receivable		64,656	67,747
Prepaid expenses		150,718	14,064
Total current assets		23,385,690	29,433,480
Non-Current Assets			
Investments in joint ventures and associates	11	197,339,176	140,805,013
Tangible assets		200,462	270,430
Other non-current assets	12	87,891,546	87,324,070
Total non-current assets		285,431,184	228,399,513
Total assets		308,816,874	257,832,993
LIABILITIES			
Current Liabilities			
Short-term debt		4,715	8,430
Accounts payable	13	1,135,542	2,330,691
Accrued expenses	14	1,213,288	5,716,629
Taxes payable		180,363	137,841
Provisions	15	75,858	75,858
Other current liabilities		857,068	891,405
Total current liabilities		3,466,834	9,160,853
Non-Current Liabilities			
Medium and long-term debt		94,271	103,487
Total non-current liabilities		94,271	103,487
Total liabilities		3,561,105	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		264,616,935	207,929,820
Total equity		305,255,769	248,568,654
Total liabilities and shareholders' equity		308,816,874	257,832,993

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

PHAROL, SGPS S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
PERIODS ENDED JUNE 30 2017 AND 2016

	Euro							
	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	258,693,751	299,332,585	-	299,332,585
Aquisição de ações próprias	-	(1,603,908)	-	1,603,908	(1,603,908)	(1,603,908)	-	(1,603,908)
Pagamento de dividendos	-	-	-	-	(25,969,766)	(25,969,766)	-	(25,969,766)
Resultados reconhecidos diretamente no capital próprio	-	-	-	-	(2,356,253)	(2,356,253)	-	(2,356,253)
Resultados reconhecidos na demonstração dos resultados	-	-	-	-	(8,256,004)	(8,256,004)	-	(8,256,004)
Balance as at June 30, 2016	26,895,375	(179,675,735)	6,773,139	186,646,055	220,507,820	261,146,654	-	261,146,654

	Euro							
	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	(179,675,995)	6,773,139	186,646,315	207,929,819	248,568,653	-	248,568,653
Income (expenses) recognized directly in equity	-	-	-	-	(5,089,555)	(5,089,555)	-	(5,089,555)
Income recognized in the income statement	-	-	-	-	61,776,672	61,776,672	-	61,776,672
Balance as at June 30, 2017	26,895,375	(179,675,994)	6,773,139	186,646,314	264,616,935	305,255,769	-	305,255,769

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

CONSOLIDATED STATEMENT OF CASH FLOWS
PERIODS ENDED JUNE 30 2017 AND 2016

		Euro	
	Notes	1H17	1H16
OPERATING ACTIVITIES			
Payments to suppliers	16.a	(3,883,789)	(2,535,458)
Payments to employees		(838,330)	(1,108,007)
Payments relating to income taxes		(34,990)	(18,633)
Other cash receipts, net		(1,259,582)	1,737,212
Cash flows from operating activities (1)		(6,016,691)	(1,924,886)
INVESTING ACTIVITIES			
Cash receipts resulting from:			
Tangible and intangible assets		-	5,300
Interest and related income		24,154	123,157
		24,154	128,457
Payments resulting from:			
Financial investments		(44,627)	-
Tangible and intangible assets		-	(979)
		(44,627)	(979)
Cash flows from investing activities (2)		(20,474)	127,478
FINANCING ACTIVITIES			
Payments resulting from:			
Loans repaid		(12,930)	(9,587)
Interest and related expenses		(10,268)	(11,452)
Dividends	16.b	-	(25,969,766)
Purchase of own shares	16.c	-	(1,603,908)
Cash flows from financing activities (3)		(23,198)	(27,594,714)
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)		(6,060,363)	(29,392,123)
Effect of exchange differences		132,965	213,074
Cash and cash equivalents at the end of the period	16.d	23,009,575	35,700,322

As notas fazem parte integrante destas demonstrações financeiras.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT JUNE 30, 2017

(Amounts stated in Euros, except where otherwise mentioned)

1. Introduction

As at June 30, 2017 PHAROL holds, directly and 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. Currently, PHAROL considers it has significant influence over Oi and classifies Oi as an associate company. As a result, from July 30, 2015 (the date of the end of shareholder agreements) the investment in Oi continues to be accounted for according to the equity method, based on PHAROL's economic stake in Oi's results.

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 30, 2017, 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 interim consolidated financial statements were prepared according to the International Accounting Standard (IAS) 34 Interim Financial Reporting. Therefore, the financial statements do not include all information required by the International Financial Reporting Standards ("IFRS") as adopted by the European Union and so should be read in conjunction with the consolidated financial statements of December 31, 2016. Additionally, the interim management report discloses further explanations regarding major variations in income and expenses, and as such these interim consolidated financial statements should be read with the management report. The disclosed interim financial statements were not subject to external audit or review.

3. Changes in Accounting Policies

The presented financial statements follow the same accounting policies applied in the most recent annual financial statements.

4. Exchange rates used to translate foreign currency financial statements

At June 30, 2017 and December 31, 2016, assets and liabilities denominated in foreign currencies were translated to Euros using the following exchange rates to the Euro:

Currency	30 jun 17	31 dec 2016
Real	3.7600	3.4305
USD	1.1412	1.0541

At June 30, 2017 and 2016, the statements of financial position, income statements and cash flows of subsidiaries and associated denominated in foreign currencies were translated to euros using the following exchange rates to the Euro:

Currency	1H17	1H16
Real	3.4431	4.1295
USD	1.0830	1.1159

5. Wages and salaries

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

	1H17	Euro 1H16
Fixed and variable remuneration	749,641	905,994
Social security	165,611	221,214
Other	46,285	32,677
	961,537	1,159,885

6. Supplies, external services and other expenses

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

	1H17	Euro 1H16
Specialized work (i)	996,610	1,312,136
Insurance	183,818	164,714
Travel	35,648	83,495
Other	261,427	281,038
	1,477,503	1,841,383

7. Indirect taxes

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

	Euro	
	1H17	1H16
VAT	174,339	259,474
Other	834	4,213
	175,173	263,686

8. Net interest income

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

	Euro	
	1H17	1H16
Interest income		
Related to cash and cash equivalents (i)	(25,822)	(114,910)
	(25,822)	(114,910)

(i) Interest income obtained in these semesters relates to cash amounts applied in term deposits by PHAROL SGPS and PHAROL Brasil.

9. 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 the first semester of 2017 and 2016 is as follows:

	Euro	
	1H17	1H16
Income tax		
Income tax - current	17,105	15,233
Deferred taxes	-	-
	17,105	15,233

10. Earnings per share

Earnings per share in the first semester of 2017 and 2016 were as follows:

		1H17	Euro 1H16
Net loss attributable to equity holders of Pharol	(1)	61,776,672	(8,256,004)
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)	0.07	(0.01)

(i) In the first semester of 2016, weighted average shares outstanding were calculated considering the 896,512,500 issued shares and taking into account the amount of 20,640,000 owned shares on January 1, 2016 and adjusted for acquisitions in the period, culminating in a total of 30,865,000 owned shares.

11. Investments in Associates

This line item corresponds to investments in associates, including investments in Oi and its controlling holding companies.

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. As a result 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. 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, as at December 31, 2014 and measured according to the equity method of accounting.

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%. As at September 30, 2015, the Oi common shares owned by PHAROL (that carry voting rights) represented 36.5% of shares in circulation (excluding Oi treasury shares). 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 in 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 was 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, in light of the remaining available voting rights, represented as at June 30, 2017, an effective voting right of 18.83%. By analogy, IFRS 10 – Consolidated financial statements considers 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 32% of ordinary shares are dispersed in free float, and two other shareholders besides PHAROL have voting rights of 5%. Note also that although on June 30, 2017 Oi is in judicial recuperation, the majority of inherent statutory rights to shares held by PHAROL are not substantially affected by this situation.

As such, by analogy to the consideration of control in IFRS consolidated financial statements, PHAROL considers that it has significant influence over Oi, and as such, Oi is considered to be an associate. This investment is measured in accordance with the equity method, based on the economic share of Oi's earnings (27.2% as at June 30, 2017), reduced by any adjustments for impairment losses.

Accordingly, PHAROL resorted to an independent value, in order to determine Oi's value in use, in accordance with the market's best practices. It was determined that the market value corresponded to Oi's share price as at December 31, 2016. Thus, PHAROL's financial investment in Oi, on that date, was measured on the basis of its stock exchange valuation, amounting to Euro 140.8 million. An impairment loss of Euro 361 million was recognized, with reference to December 31, 2016.

As at June 30, 2017, given the maintenance of the main assumptions of the valuation, after application of the equity method and appropriation of the results of Oi, the investment in Oi was measured at its stock market value, amounting to Euro 197 million, with a recognized impairment of Euro 51 million.

11.1. Detail of investments in associates

As described above, and in accordance with IAS 28, PHAROL's investment in Oi as at June 30, 2017 and December 31, 2016, is measured in accordance with the equity method, reduced by any accumulated impairment losses.

The detail of these investments in associates was as follows:

	Euro million	
	30 jun 17	31 dec 2016
Investment in each associate entity		
Oi - Equity method (i)	249	502
Oi - Impairment (i)	(51)	(361)
	197	141

(i) Following the simplification of the Oi shareholder structure, and the end of the Shareholder Agreements, this caption reflects the investment in Oi owned by PHAROL – 27.2% owned by Bratel, a wholly owned subsidiary of PHAROL. As previously commented, an impairment analysis was carried out at December 31, 2016 by an independent valuer, analysis which resulted in the measurement of the financial investment at its market value, corresponding to 183.7 million shares, R\$2.60 per share (Euro 0.76 per share), amounting to Euro 141 million. This valuation corresponds to the first fair value level of IFRS 13 – Fair value measurement. On June 30, 2017 and after the application of the equity method investment, Oi was also measured at market value corresponding to 183,700,000 shares measured at R \$ 4.04 per share (1.074 euros per share), representing approximately Euros 197.4 million.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2017 AND 31 DECEMBER 2016

	Euro millions	
	30 jun 17	31 dec
Current Assets	7,015	7,785
Cash and cash equivalents	1,949	2,205
Accounts receivable	2,278	2,433
Financial investments	5	34
Derivative financial instruments	-	-
Current assets held for sale	1,320	1,575
Judicial deposits	203	285
Other current assets	1,259	1,253
Non-Current Assets	13,713	14,614
Judicial Deposits	3,811	4,117
Derivative financial instruments	-	-
Deferred taxes	947	1,534
Other non-current assets	8,955	8,963
Total assets	20,728	22,399
Current Liabilities	17,345	17,709
Short-term debt	13,783	14,017
Accounts payable	1,871	1,854
Derivative financial instruments	28	31
Licenses and concessions payable	3	31
Provisions	154	223
Liabilities related to assets held for sale	179	159
Other liabilities	1,327	1,394
Non-current Liabilities	2,377	2,614
Debt	-	-
Derivative financial instruments	-	-
Licenses and concessions payable	1	1
Provisions	1,213	1,196
Other liabilities	1,162	1,416
Total liabilities	19,722	20,322
Net Assets	1,006	2,077
Share to non-controlling interests of Oi	91	231
Net assets attributable to controlling interest of Oi	915	1,846
Effective share of PHAROL in Oi	27.2%	27.2%
Total Investment from Pharol in Oi	249	502

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

11.2. Detail of PHAROL's share in the earnings of associates

Gains/(losses) in associates were accounted for through the equity method of accounting - their composition for the periods ended June 30, 2017 and 2016 is as follows:

	Euro million	
	1H17	1H16
Associates		
Effective share in the earnings of each entity		
Oi (i)	(248)	(142)
Impairment Reversal/(Loss) (ii)	309.6	142
Earnings of associates	61.6	0.1

(i) An impairment analysis was carried out by an independent valuer, analysis which resulted in the measurement of the financial investment at its market value, as at June 30, 2016 as June 30, 2017.

(ii) This caption reflects PHAROL's effective share in the earnings and losses of Oi, during the first semester of 2016. The detail of the earnings and losses of Oi that were used for purposes of equity method of accounting are presented below.

The detail of the earnings and losses of Oi that were used for the application of the equity method of accounting, which were adjusted for the purchase price allocation, as well as other adjustments, to conform to PHAROL's accounting policies, are as follows:

	Euro millions	
	1H17	1H16
Services rendered and sales	3,485	3,216
Operating expenses excluding amortization	2,515	2,441
Interconnection	118	140
Personnel	370	346
Third-party services	914	769
Grid maintenance service	180	243
Rentals and insurance	618	525
Other operating income (expenses), net	316	417
Operating income excluding amortization	970	775
Depreciation and amortisation	756	656
Income from operations	215	119
Financial expenses	1,480	310
Income before taxes	(1,266)	(191)
Income taxes	(344)	366
Net income from continuing operations	(922)	(557)
Net income from discontinued operations	0	0
Net income	(922)	(557)
Share to non-controlling interests	(9)	(34)
Net income attributable to controlling interests	(912)	(523)

PHAROL recorded its share in the earnings of Oi under the equity method of accounting based on its effective stake during the first semester of 2016 corresponding to 27.18%

12. Other non-current assets

The composition of this caption mainly comprises (1) Euro 85.7 million related to the debt securities issued by Rio Forte on June 30, 2017 and December 31, 2016, and (2) Euro 2.1 and 1.6 million related to the value of the Call Option on June 30, 2017 and December 31, 2016, respectively.

13. Accounts Payable

On June 30, 2017 and December 31, 2016, the composition of this caption is as follows:

	Euro	
	30 jun 17	31 dec 2016
Current accounts payable		
Current suppliers	66,111	31,993
Others	1,069,431	2,298,697
	1,135,542	2,330,690

14. Accrued Expenses

On June 30, 2017 and December 31, 2016, the composition of this caption is as follows:

	Euro	
	30 jun 17	31 dec 2016
Supplies and external services	752,227	5,307,865
Vacation pay and bonuses	432,902	370,915
Others	28,160	37,848
	1,213,288	5,716,629

15. Provisions

On June 30, 2017 and December 31, 2016, the composition of this caption is as follows:

	Euro	
	30 jun 17	31 dec 2016
Provisions for risks and costs		
Litigation	73,500	73,500
Taxes	2,358	2,358
	75,858	75,858

16. Consolidated Statement of Cash Flows

(a) Payments to suppliers

During the first semester of 2017, payments to suppliers mainly reflect payments, related to third party suppliers and consultants.

(b) Dividend payment

During the first semester of 2017, there were no dividend payments. In the first semester of 2016, this item includes the amounts spent on the dividend payment of Euro 0.03 per share.

(c) Acquisition of own shares

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

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

On June 30, 2017 and 2016, the composition of this caption is as follows:

	30 jun 17	Euro 30 jun 16
Cash	2,530	842
Demand deposits	3,507,045	16,105,910
Time deposits	19,500,000	19,593,570
	23,009,575	35,700,322

17. Guarantees and financial commitments

As at June 30, 2017 and December 31, 2016, this caption has the following composition:

	30 jun 17	Euro 31 dec 2016
Provisions for risks and costs	376,715,726	376,715,726
	376,715,726	376,715,726

(i) 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 of security, 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, 2016, 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 June 3, 2017, a Pledge Agreement on the shares of Telemar Norte Leste with a maximum amount up to the limit of the potential liabilities currently.

18. Related parties

a) Associated Companies

During the first semester 2017 there were no costs or revenues related to associated companies.

b) Other

During the periods years ended June 30, 2017 and 2016, the fixed remuneration of the Board members, which was established by the Remuneration Committee, amounted to Euro 0.34 million and 0.38 million, respectively.

19. 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 June 30, 2017 and December 31, 2016, and the transactions occurred in June 30, 2017 and 2016 between PHAROL and the entities that are identified as shareholders with qualified holding and respective economic groups:

	30 jun 17		31 dec 16	
	Cash and cash equivalents	Accounts payable	Cash and cash equivalents	Accounts payable
Shareholder				
Banco Comercial Português, S.A. (i)	7,119,078	-	9,173,984	-
Novo Banco, S.A.	7,144,886	-	9,422,106	-
	14,263,964	-	18,596,090	-

	30 jun 17		30 jun 16	
	Costs and losses	Net interest income	Costs and losses	Net interest income
Shareholder				
Banco Comercial Português, S.A. (i)	2,207	5,213	5,973	16,178
Novo Banco, S.A.	244	5,294	1,083	28,194
	4,902	10,507	7,056	44,372

i) Banco Comercial Português, S.A. was a qualified shareholder until May 23, 2017.

20. Subsequent events

Oi's stock price evolution between June 30 and August 23, 2016 can be found below:

	30 jun 17	23 aug 2017
Oi ON Share Price (real)	4.04	4.140
Oi PN Share Price (real)	3.42	3.360
Exchange Rate real/euro	3.76	3.731
Oi ON Share Price (euros)	1.074	1.110
Oi PN Share Price (euro)	0.910	0.900

STATEMENT OF THE SUPERVISORY BOARD

(Free translation from the original version in Portuguese)

(Sub-paragraph c), paragraph 1 of Article 246 of the Portuguese Securities Code)

Under the terms and for the purposes of the sub-paragraph c), paragraph 1 of article 246 of the Portuguese Securities Code, the members of the Supervisory Board of PHAROL, SGPS S.A. ("PHAROL") states that:

To the best of their knowledge the information provided for in paragraph a) of paragraph 1 of article 246 of the Portuguese Securities Code was drawn up in accordance with the applicable accounting standards, giving a true and fair view of the assets and liabilities, financial position and the results of PHAROL and the undertakings included in the consolidation perimeter, and that the interim management report includes a fair review of important events that occurred in the period to which it relates and the impact on the respective financial statements, and a description of the main risks and uncertainties for the next six months.

Lisbon, August 28, 2017

President: José Maria Rego Ribeiro da Cunha

Members: Isabel Maria Beja Gonçalves Novo

Pedro Miguel Ribeiro de Almeida Fontes Falcão

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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.).

Depository bank

Deutsche Bank Trust Company Americas
ADR Division
Floor 27
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New York 10005-2836
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Holders of ADRs may also request additional information directly from PHAROL's depository bank for ADRs in New York.

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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