

ANNUAL REPORT

2020

PHAROL, SGPS S.A.

ANNUAL REPORT 2020

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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 MANAGEMENT REPORT

INTRODUCTION

As at December 31, 2020, PHAROL main assets are composed of (1) 319,414,859 common shares of Oi, S.A. ("Oi"), representing 5,37% (excluding treasury shares) of the total share capital of Oi, (2) debt securities of Rio Forte Investments S.A. ("Rio Forte") with a nominal value of Euro 897 million. Also, PHAROL has a Call Option on 8,538,276.96 common shares and 17,076,553.92 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 and to be corrected for the capital increases meanwhile carried out in Oi. This call option is currently valued at zero Euros.

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

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

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

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

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

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

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. hold (and PHAROL indirectly hold) 183,662,204 common shares of Oi S.A., which represented 22.24% of Oi S.A.'s entire share capital (27.18% excluding treasury shares).

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

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

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

On July 20, 2018, following the homologation of the Capital Increase through the conversion of debt into shares, Oi's share capital increased from 825,760,902 shares for a total of 2,340,060,505 shares, a dilution of PHAROL's participation in Oi to less than 8%.

On January 9, 2019, as part of the Capital Increase by the Entry of New Resources, Oi's share capital increased from 2,340,060,505 shares to a total of 5,954,205,001 shares representative of Oi's share capital, thereby diluting PHAROL's stake in Oi to less than 4%.

On April 2, 2019, with the approval of an agreement signed between PHAROL and Oi SA on January 8, 2019, in which Oi undertook to reimburse PHAROL through Oi shares and financial resources for the acquisition of Oi's shares, PHAROL now holds a 5.51% stake in Oi.

During 2020, PHAROL sold all preferred shares of Oi and a small portion of common shares, resulting in a final stake of 5.37% of Oi's share capital.

In 2020, PHAROL's negative results were essentially caused by the lack of developments in Rio Forte's bankruptcy process. To this inactivity helped the depreciation of economies in Latin America, justified, it is true, by the effects of the Covid-19 pandemic. Devaluations of the real and, to a lesser extent, of the Paraguayan peso led to a further downward revision of the amount to be recovered for Rio Forte's debts.

With regard to the Covid-19 Pandemic, which emerged with a special impact on the economy at a global level in the first quarter of 2020, there was no direct impact at the operational level at PHAROL. Indirect consequences were mainly seen in PHAROL's holdings, determined by the aforementioned devaluations of the real with respect to Oi and the real and the Paraguayan peso in the appreciation of credit over Rio Forte. However, it should be noted that, as a result of a strong appreciation of Oi's share price, PHAROL's equity

has grown significantly and its own share has evolved very favorably, having even allowed obtaining the best remuneration award for listed SMEs. at Euronext Lisbon, in 2020.

The net loss for 2020 was Euro 14.3 million, which compares with a gain of Euro 20.7 million in the same period of 2019.

The net loss in 2020 mainly reflects (1) a loss of Euro 11.1 million due to the reduction in the expected value of Rio Forte, and (2) costs of external supplies and services and personnel costs respectively at Euro 1.2 and 1.5 million.

The net result for 2019 reflects (1) the gain in associates because of the compensation for damages under the Agreement between Oi and Bratel Sarl of 35.7 million Euros, (2) a loss of Euro 11.6 million due to the reduction in the expected value of Rio Forte, and (3) costs of external supplies and services and personnel costs respectively at Euro 1.4 and 1.6 million.

BUSINESS OVERVIEW

Apart from managing its investments, the Company did not directly conduct any other business activity.

LEGAL INFORMATION

There are no outstanding amounts overdue to the Portuguese State and the Portuguese Social Security System.

The Company did not enter into any material businesses or transactions with the members of its Board of Directors and the Fiscal Council, except for those mentioned in Note 20 to the Consolidated Financial Statements as at December 31, 2020.

2019 EVENTS AND RECENT DEVELOPMENTS

The main events of the year ended December 31, 2020 and recent developments are described in the Consolidated Annual Report of PHAROL.

PROPOSAL FOR APPLICATION OF PROFITS

Considering that in the year ended December 31, 2020 a negative result of Euros 14,316,500 was obtained, the Board of Directors of PHAROL proposes that they be transferred to the Company's Retained Earnings.

Lisbon, March 15, 2020

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

Avelino Cândido Rodrigues, Board Member

Jorge Telmo Maria Freire Cardoso, Board Member

Maria do Rosário Amado Pinto Correia, Board Member

Maria Leonor Martins Ribeiro Modesto, Board Member

Pedro Zañartu Gubert Morais Leitão, Board Member

2 STANDALONE FINANCIAL STATEMENTS

PHAROL, SGPS, S.A.

BALANCE SHEET
31 DECEMBER 2020 AND 2019

	Notes	2020	Euro 2019
ASSETS			
Non-Current Assets			
Tangible assets		73,423	125,898
Financial investments - equity method of accounting	6	113,844,512	62,727,929
Other financial assets	7	51,905,456	63,022,881
Total non-current assets		165,823,391	125,876,709
Current Assets			
State and other public entities	10	4,651	5,383
Other accounts receivable		136,749	139,749
Deferrals		2,766	2,958
Cash and bank deposits	4	17,112,035	17,797,292
Total current assets		17,256,201	17,945,381
Total assets		183,079,592	143,822,090
SHAREHOLDERS' EQUITY			
Share capital	11	26,895,375	26,895,375
Treasury shares	11	(184,873,844)	(181,842,907)
Legal reserve	11	6,773,139	6,773,139
Other reserves	11	264,283,232	264,283,232
Adjustments to financial assets	11	(92,122,395)	(143,295,504)
Retained earnings	11	158,735,395	137,989,168
Net income		(14,316,500)	20,746,227
Total equity		165,374,402	131,548,730
LIABILITIES			
Non-Current Liabilities			
Loans obtained		67,503	77,543
Total non-current liabilities		67,503	77,543
Current Liabilities			
Suppliers	12	235,025	148,830
Investment suppliers		-	7,670
Accrued expenses	13	863,141	719,246
State and other public entities	10	133,083	219,876
Other accounts payable	19	16,406,438	11,100,195
Total current liabilities		17,637,687	12,195,817
Total liabilities		17,705,190	12,273,360
Total liabilities and shareholders' equity		183,079,592	143,822,090

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

**INCOME STATEMENT
FOR THE PERIODS ENDED 31 DECEMBER 2020 AND 2019**

	Notes	2020	2019
Equity in losses/(earnings) of subsidiary companies	14	(244,527)	35,696,903
Supplies and external services	15	(1,213,235)	(1,417,298)
Wages and salaries	16	(1,451,569)	(1,570,459)
Indirect taxes		(174,660)	(262,166)
Provisions ((increases)/reductions)		-	12,500,000
Increases/(reductions) in fair value	17	(11,116,693)	(11,617,900)
Other income and gains		2,578	166,316
Other expenses and losses		(28,951)	(33,166)
INCOME BEFORE DEPRECIATION AND AMORTISATION, FINANCING EXPENSES AND TAXES		(14,227,058)	33,462,230
Depreciation and amortisation ((expenses)/reversals)		(54,290)	(63,419)
OPERATING INCOME (BEFORE FINANCING EXPENSES AND TAXES)		(14,281,348)	33,398,811
FINANCIAL LOSSES AND (GAINS)			
Interest and related income		1,246	10,840
Interest and related expenses		(6,254)	(8,035)
INCOME BEFORE TAXES		(14,286,356)	33,401,616
Income taxes	10	(30,145)	(12,655,388)
Net income (loss) from continuing operations		(14,316,500)	20,746,227
Earnings per share			
Basic and Diluted	18	(0.02)	0.02

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
PERIODS ENDED 31 DECEMBER 2020 AND 2019

Euro

		Share capital	Treasury shares	Legal reserve	Other reserves	Adjustments to financial assets	Retained earnings	Net income	Total shareholders' equity
Balance as at 31 December 2018	A	26,895,375	(179,675,995)	6,773,139	264,283,232	(110,016,410)	143,637,610	(5,648,444)	146,248,507
Changes in the period:									
Acquisition of treasury shares		-	(2,166,912)	-	-	(33,279,094)	-	-	(35,446,006)
	B	-	(2,166,912)	-	-	(33,279,094)	-	-	(35,446,006)
Net income	C	-	-	-	-	-	-	20,746,227	20,746,227
Comprehensive income	B+C	-	-	-	-	-	-	20,746,227	20,746,227
Operations with shareholders:									
Application of the previous year's earnings		-	-	-	-	-	(5,648,443)	5,648,443	-
	D	-	-	-	-	-	(5,648,443)	5,648,443	-
Balance as at 31 December 2019	E=A+B+C+D	26,895,375	(181,842,907)	6,773,139	264,283,232	(143,295,504)	137,989,168	20,746,227	131,548,730
Changes in the period:									
Foreign currency translation adjustments		-	-	-	-	(2,421,649)	-	-	(2,421,649)
Other changes recognized in shareholders' equity		-	-	-	-	53,594,758	-	-	53,594,758
	F	-	-	-	-	51,173,109	-	-	51,173,109
Net income	G	-	-	-	-	-	-	(14,316,500)	(14,316,500)
Comprehensive income	F+G	-	-	-	-	-	-	(14,316,500)	(14,316,500)
Operations with shareholders:									
Application of the previous year's earnings		-	-	-	-	-	20,746,227	(20,746,227)	-
Acquisition of treasury shares		-	(3,030,937)	-	-	-	-	-	(3,030,937)
	H	-	(3,030,937)	-	-	-	20,746,227	(20,746,227)	(3,030,937)
Balance as at 31 December 2020	I=E+F+G+H	26,895,375	(184,873,844)	6,773,139	264,283,232	(92,122,395)	158,735,395	(14,316,500)	165,374,402

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

**STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED 31 DECEMBER 2020 AND 31 DECEMBER 2019**

	Notes	2020	Euro 2019
OPERATING ACTIVITIES			
Payments to suppliers		(1,306,696)	(2,326,964)
Payments to employees		(1,342,528)	(1,665,797)
Payments relating to income taxes		(111,202)	(32,576)
Other cash receipts, net	4.a.	5,308,573	(473,229)
Cash flows from operating activities related to continuing operations (1)		2,548,147	(4,498,566)
INVESTING ACTIVITIES			
Cash receipts resulting from:			
Financial investments	4.b.	-	22,500,000
Tangible and intangible assets		-	8,000
Interest and related income		1,246	7,508
		1,246	22,515,508
Payments resulting from:			
Financial investments		(188,000)	-
Tangible and intangible assets		(1,815)	(48,130)
		(189,815)	(48,130)
Cash flows from investing activities related to continuing operations (2)		(188,568)	22,467,378
FINANCING ACTIVITIES			
Payments resulting from:			
Loans repaid		(10,040)	(22,412)
Interest and related expenses		(3,552)	(4,815)
Acquisition of Own Shares		(3,031,244)	(2,166,912)
		(3,044,836)	(2,194,139)
Cash flows from financing activities related to continuing operations (3)		(3,044,836)	(2,194,139)
Cash and cash equivalents at the beginning of the period		17,797,292	2,022,619
Change in cash and cash equivalents (4)=(1)+(2)+(3)		(685,257)	15,774,673
Cash and cash equivalents at the end of the period	4.c.	17,112,035	17,797,292

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

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

December 31, 2020

(Amounts in Euro, otherwise it will be referred)

1. Introduction

a) Company Identification

PHAROL, SGPS, S.A. ("PHAROL", "PHAROL SGPS" or "Company") was founded on June 23, 1994 pursuant to Decree -Law No. 122/94, through the merger of the following companies: Telecom Portugal, S.A., Telefones de Lisboa e Porto (TLP), S.A. ("TLP") and Teledifusora de Portugal, S.A. ("TDP"), with reference to January 1, 1994. As a result of the privatization process, between June 1, 1995 and December 4, 2000, PHAROL's share capital is mainly owned by private shareholders. On December 12, 2000, Portugal Telecom, S.A. changed its name to Portugal Telecom, SGPS, S.A. ("PT SGPS") and its operation to a capital management company. On May 29, 2015, the company changes its name to PHAROL, SGPS S.A.

b) Oi Cash Capital Increase in 2014

On May 5, 2014, Oi underwent a capital increase amounting to 13,960 million reais, composed of: (1) 5,710 million reais (Euro 1,750 million based on the exchange rate as of February 21, 2014) corresponding to 1,045,803,934 ordinary shares and 1,720,252,731 preferred shares subscribed by PHAROL, through a contribution in kind of the PT Assets, defined as the PHAROL's 100% stake in PT Portugal, which as of that date included all operational businesses of the PHAROL Group, with the exception of the subsidiaries Bratel BV, Bratel Brasil, PTB2 and PHAROL, and of the investment in Oi, Contax and their controlling shareholders; and 8,250 million reais in cash subscribed by investors other than PHAROL. The valuation of PT Assets of 5,710 million reais was determined on the basis of the valuation of PT Portugal by Banco Santander (Brasil), SA on the date of the share capital increase. As a result of PHAROL' contribution for the capital increase of Oi, PHAROL increased its effective interest in Oi from 23.2%, previously held through Bratel Brasil, to an economic interest of 39.7%, held through a total direct interest of 35.8% (32.8% in PHAROL and 3.0% in Bratel Brasil) and an indirect interest of 3.9% held by Bratel Brasil through the controlling shareholders of Oi.

c) Initial acquisition of investment in Oi

On March 28, 2011, PHAROL completed the initial acquisition of investments in Telemar Norte Leste, S.A. ("Telemar"), which belongs to the Oi Group, and Contax, for the amount of 8,437 million reais, and entered into several agreements with the controlling shareholders of these companies. As a result of this transaction, PHAROL acquired an effective stake of 25.3% in TmarPart (parent company of the Oi Group on that date) and 14.1% in Contax. Within the scope of this acquisition, PHAROL, AG Telecom Participações ("AG") and LF Tel, SA ("LF"), two of the main shareholders of TmarPart, the controlling shareholder of Oi, entered into a shareholders' agreement with unanimous voting procedures for their representatives in the Board of Directors of TmarPart regarding the strategic, financial and operating decisions relating to the activity of the Oi Group. Whereby, in accordance with the provisions of NCRF 13 Interests in Joint Ventures and Investments in Associates ("NCRF 13"), the Company concluded that it contractually shares

the control of TmarPart, therefore the Oi investment was classified as a joint venture and thus accounted for in accordance with the equity method.

d) Investment in Rio Forte debt securities

On May 5, 2014, directly and indirectly, PHAROL held investments in debt securities issued by Rio Forte Investments, S.A. ("Rio Forte", a holding company of the Espírito Santo Group with registered address in Luxembourg essentially for their non-financial services) amounting to Euro 897 million, which formed part of the PT Assets and were contributed in the capital increase of Oi. The composition of the outstanding amount as of May 5, 2014 was as follows:

- Euro 200 million subscribed by PHAROL on April 15, 2014, and transferred to PT Portugal on May 5, 2014, in connection with the corporate reorganization of the Group, the maturity of which occurred on July 15, 2014;
- Euro 647 million subscribed by PT Finance on April 15, 2014, the maturity of which occurred on July 15, 2014;
- Euro 50 million subscribed by PT Finance on April 17, 2014, the maturity of which occurred on July 17, 2014.

On July 15 and 17, 2014 the maturity of these instruments occurred, but the issuer did not settle its obligations.

Rio Forte requested the adoption of the controlled management regime in accordance with the Luxembourg legislation, although it was their understanding that they did not have the financial capacity to meet their financial commitments, a situation which was thought to be the most protective of their creditors' interests, and that was rejected by the Luxembourg court. As a result of that rejection, Rio Forte was declared insolvent by the Luxemburg Court on December 8, 2014 and went into liquidation on the same date.

On July 28, 2014, following the default by Rio Forte, PHAROL and Oi agreed on the main terms for the exchange of debt securities of Rio Forte held on that date by PT Finance and PT Portugal, amounting to Euro 897 million for 47,434,872 common shares and 94,869,744 preferred shares of Oi (after the reverse stock split done by Oi in December 2014) held on that date by PHAROL. On September 8, 2014, this agreement was approved in the General Shareholders' Meeting of PHAROL and following such approval the parties involved concluded the respective final contracts, the terms of which established that:

- PHAROL would exchange with Oi the Rio Forte Instruments in exchange for 47,434,872 common shares plus 94,869,744 preferred shares of Oi, representing 16.9% of its share capital;
- An American non-transferable purchase option ("Call Option") would be attributed to PHAROL in order to reacquire the Oi Shares that are the Object of the Exchange (with the exercise price of 20.104 reais for common shares and 18.529 reais for preferred shares after the Oi reverse stock split), which would be adjusted by CDI plus 1.5% per year;
- The Call Option on the Oi Shares that are the Object of the Option would enter into effect on the date of the Exchange and would have a maturity of six years, with the possibility of exercising the

option by PHAROL terminating at 10% at the end of the first year and 18% at the end of each subsequent year;

- Any amount received as a result of monetization of the Call Option through the issue of derivative instruments would have to be used for the exercise of the Call Option;
- PHAROL could only acquire Oi or TmarPart shares through exercise of the Call Option;
- The Call Option would be canceled if (i) the bylaws of PHAROL were to be voluntarily altered to remove the 10% vote limitation; (ii) PHAROL were to act as a competitor of Oi or (iii) PHAROL were to violate certain obligations arising from definitive documentation; and
- The contracts were signed on September 8, 2014, subject to approval by the CVM Brasil and would be executed by March 31, 2015.

On December 31, 2014, as stated above, execution of the exchanges and the purchase option were pending approval by the CVM. On March 4, 2015, the CVM approved the above contracts, conditional upon their approval at Oi's General Shareholders' Meeting, which occurred on March 26, 2015. The exchange was executed on March 30, 2015. On March 24, 2015, PHAROL came to an agreement with Oi, PT Portugal, PT Finance and TmarPart for the Private Instrument of Assignment of Rights and Obligations and Other Fees ("Assignment Agreement"), by means of which PT Portugal transferred the Rio Forte Instruments to PT Finance, and conceded to PT Finance all pertaining rights and obligations in the terms of the Exchange Agreement ("Assignment").

On March 30, 2015, the Exchange was concluded, by means of which PHAROL (1) deposited Oi's shares object of the Exchange with the Depositary; and (2) instructed the Depositary to register the transfer of 47,434,872 ADSs ON and 94,896,744 ADSs PN to PT Finance, representing Oi's shares object of the Exchange. Therefore, on March 30, 2015, PHAROL transferred the ADSs Object of the Exchange to PT Finance, and PT Finance transferred to PHAROL the Rio Forte Instruments in the total main amount of Euro 897 million.

Still, on March 30, 2015, the Call Option was effective.

A change ("Amendment") was signed to the Share Purchase Option Contract and Other Agreements, entered into on September 8, 2014, such as mentioned above, which will enable PHAROL to liquidate its Oi share purchase option through sale on the market, giving Oi the right of first refusal in the acquisition of the Option if PHAROL should decide to sell it to third parties without previous consent by Oi. The Amendment is subject to approval of Oi's general shareholders' meeting and, if applicable, to the CVM's approval. Oi committed to convene a general meeting to discuss the Amendment, and the reference shareholders of Oi committed to vote in approval of the Amendment.

e) New model of Oi's corporate structure and governance ("New Structure")

On March 31, 2015, the Board of Directors of PHAROL concluded negotiations with the other shareholders pertaining to Oi to the extent of signing a new agreement between the parties in relation to the company structure and the administration of Oi. In view of the impossibility of implementing migration from CorpCo to the segment called Novo Mercado of the BM&FBovespa by March 31, 2015, the deadline stipulated

in the agreements signed on September 8, 2014, it became essential to sign a new agreement, which allowed Oi to anticipate the principal benefits announced to shareholders at the time that Oi's capital increase was realized on May 5, 2014, without, however, failing to make every effort to migrate to the Novo Mercado. Thus, the parties agreed to a new company structure model and administration of Oi ("New Structure"), that in addition to the benefits and objectives disclosed before, are characterized by the following:

- All company and corporate administration transformation will be done at Oi with elimination of the necessity of creating CorpCo.
- Approval of new Corporate Bylaws for Oi, as well as signing of an amendment to the provisional voting commitment from its shareholders, in effect until implementation of the New Structure ("Vote Commitment") that will enable: (i) implementation of a voluntary conversion program for preferred shares to ordinary shares issued by Oi at a rate of 0.9211 ordinary share per each preferred share, subject to a minimum buy-in of 2/3 of the preferred shares in order to give all of the shareholders the possibility of exercising the voting right and to maximize the possibility of existence of a single class of shares; (ii) implementation of the principle of one share, one vote. However, to preserve the equilibrium between shareholders and the distribution of desired control at the time of the Capital Increase of Oi, inclusion of a 15% limit on the voting right in Oi's Corporate Bylaws, applicable to all of its shareholders was agreed upon; this limitation will cease to exist through verification of certain events, namely in the case of capital increase, operation of company reorganization or public offering of shares, in any case that results in the dilution of the current shareholder base (or acquisition of a stake, where applicable) greater than 50%; (iii) leveraging increase in liquidity, eliminating subjection to lock-up agreements of any shareholder; (iv) the election of a new Board of Directors at Oi with significant participation of independents, where the previously existing parity in CorpCo between the PHAROL representatives and those of the Brazilian shareholders will be maintained; (v) extinction of TmarPart by incorporation into Oi, which will determine the end of the TmarPart and other controlling companies' shareholders' agreements, thus ensuring the distribution of Oi's shareholder control; (vi) possibility of using financial synergies through incorporation of Oi's controlling companies, directly and indirectly.

On July 22, the relevant documents for the implementation of the Oi's New Structure were signed and on September 1, 2015, Oi's General Assembly approved its implementation.

On September 30, 2015, after the implementation of the New Structure and prior to the voluntary conversion of preferred shares into common shares of Oi, PHAROL held, directly and through 100% subsidiaries, 84,167,978 ordinary shares and 108,016,749 preferred shares of Oi.

On October 8, 2015, following the approval of voluntary conversion of preferred shares into common shares of Oi, the PHAROL held, directly and indirectly through 100% subsidiaries owned, 183,662,204 common shares of Oi, representing 27.18% of the total share capital of Oi (excluding treasury shares). PHAROL's right to vote in Oi is limited to 15% of the total common shares.

The shareholders' agreements through which joint control of Oi was exercised, ended on July 30, 2015 with the implementation of the New Structure. Until then PHAROL proceeded to recognize its participation in Oi as an investment in joint ventures. PHAROL considered that it currently has significant influence over Oi, which is considered an associate. Thus, from July 30, 2015 participation in Oi continued to be measured according to the equity method, less any impairment, reflecting the stake in Oi's financial statements (27.18% as at December 31, 2016).

On April 29 and May 19, 2016, PHAROL, due to a corporate reorganization, transferred direct ownership of 128,213,478 common shares issued by Oi S.A., to its 100% owned subsidiary BRATEL B.V..

On 15 September 2017, in order to concentrate all its operations in Luxembourg, PHAROL transferred the ownership of all the shares that BRATEL BV has in Oi SA to its subsidiary 100% owned, BRATEL S.à.r.l., a company with its registered office in Luxembourg, at 69, Boulevard de la Pétrusse, L-2320 Luxembourg, and BRATEL BV ceased to hold a shareholding interest directly in Oi SA.

Accordingly, on December 31, 2018, PHAROL holds all the shares representing the capital stock of BRATEL BV which, in turn, holds all the shares representing BRATEL S.à.r.l. Both PHAROL and BRATEL BV indirectly own 183,662,204 common shares of Oi SA, representing as of December 31, 2016, the direct interest of BRATEL BV (and indirectly of PHAROL, SGPS SA) is 183,662,204 common shares of Oi SA, which represent approximately 22.24 % of the total share capital of Oi SA (27.18% excluding treasury shares).

On July 20, 2018, following the homologation of the Capital Increase through the conversion of debt into shares, Oi's share capital increased from 825,760,902 shares for a total of 2,340,060,505 shares, a dilution of PHAROL's participation in Oi to less than 8%.

On January 9, 2019, as part of the Capital Increase by the Entry of New Resources, Oi's share capital increased from 2,340,060,505 shares to a total of 5,954,205,001 shares representative of Oi's share capital, thereby diluting PHAROL's stake in Oi to less than 4%.

On April 2, 2019, with the approval of an agreement signed between PHAROL and Oi SA on January 8, 2019, in which Oi undertook to reimburse PHAROL through Oi shares and financial resources for the acquisition of Oi's shares, PHAROL now holds a 5.51% stake in Oi.

During 2020, PHAROL sold all preferred shares of Oi and a small portion of common shares, resulting in a final stake of 5.37% of Oi's share capital.

As at December 31, 2020, PHAROL main assets are composed of (1) 319,414,859 common shares of Oi, S.A. ("Oi"), representing 5,37% (excluding treasury shares) of the total share capital of Oi, (2) debt securities of Rio Forte Investments S.A. ("Rio Forte") with a nominal value of Euro 897 million. Also, PHAROL has a Call Option on 8,538,276.96 common shares and 17,076,553.92 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 and to be corrected for the capital increases meanwhile carried out in Oi. This call option is currently valued at zero Euros.

f) Bases of presentation

These financial statements are in respect of the Company individually and were prepared according to the generally accepted accounting principles in Portugal (Note 2). Financial investments are recorded according to the equity method, deducted of any eventual impairment losses, as referred to in Note 3.3. These individual financial statements consider the effect of the equity method, through the appropriation of the share held in the other changes in equity and in the results of the company's subsidiaries as at December 31, 2020 and 2019, in PHAROL's equity and net profit for the fiscal years ended on those dates, based on the respective financial statements, but not the effect of full consolidation of assets, liabilities, expenses and income.

In accordance with current legislation, the Company prepared consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"), published separately. These consolidated financial statements include the financial statements of the companies which PHAROL controls.

The disclosures presented in these consolidated financial statements are complementary, with the necessary adaptations, to the disclosures presented in these financial statements.

The financial statements for the year ended December 31, 2020 were approved by the Board of Directors and authorized for issue on March 15, 2021 and are still subject of approval by the General Meeting of Shareholders under the commercial legislation in Portugal.

2. Accounting standards for preparing the financial statements

These financial statements were prepared based on Decree-law n.º 158/2009, dated July 13, and in accordance with the Conceptual Framework, Accounting and Financial Reporting Standards ("NCRF") and Interpretative Standards, as approved by Notices n.º 15652/2009, 15653/2009 and 15655/2009 of the General- Secretariat of the Ministry of Finance, dated August 27, which make up the New Portuguese accounting system, named "Sistema de Normalização Contabilística" ("SNC").

PHAROL chose not to apply the NCRF 27 to these financial statements and has chosen to recognize, measure and disclose its financial instruments in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union.

The Company adopted NCRF for the first time in 2010 and applied for this purpose the "*NCRF 3 Adoption For The First Time of NCRF*" ("NCRF 3"), with the transition date being January 1, 2009 for the purposes of the presentation of these financial statements. As permitted by Decree-Law n.º 158/2009, the Company also applies the International Financial Reporting Standards ("IAS/IFRS") and related interpretations ("SIC/IFRIC") issued by the International Accounting Standards Board ("IASB"), in order to fill in the gaps or omissions in SNC regarding specific situations of certain transactions.

SNC was amended on July 29, 2015, with the publication of the Notice No. 8256/2015, applicable to periods beginning on January 1, 2016, which based on available information will not have significant impacts effects on the Company's financial statements.

The consolidated financial statements of PHAROL are prepared, since January 1, 2005, in accordance with IFRS as adopted by the European Union, which are applicable to listed companies in the European Union.

The PHAROL Group consists of the following companies:

Empresa	Head office	Company	Activity	Direct	dec/20 Effective	dec/19 Effective
Bratel BV	Amsterdam	Subsidiaries	Management of investments	Pharol SGPS (100%)	100%	100%
PT Brasil	São Paulo	Subsidiaries	Management of investments	Bratel BV (100%)	100%	100%
Bratel S.a.r.l.	Luxembourg	Subsidiaries	Management of investments	Bratel BV (100%)	100%	100%

It should be noted that PHAROL as of December 31, 2020 and 2019 had a stake in Oi of 5.37% and 5.51%, respectively.

3. Main Accounting Policies, judgments and estimates

These individual financial statements were prepared on a going concern basis of accounting. The main accounting policies used in the preparation of these individual financial statements are described below and were applied consistently.

3.1. Tangible fixed assets

Tangible fixed assets are recorded at acquisition cost, which includes the amount paid to acquire the asset and any expenses directly attributable to bringing the assets to the location and in the condition necessary for their operation.

Tangible fixed assets are depreciated on a straight-line basis from the month they are available for use. The depreciation rates reflect the useful life of each class of assets, as follows:

Asset class	Years of useful life
Transportation equipment	4
Administrative equipment	3 - 8
Other tangible fixed assets	4 - 8

The gains and losses resulting from any write-off or disposal are determined by the difference between the amount received and the carrying value of the asset and are recognized in the income statement when the write-off or disposal occurs.

3.2. Leases

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

Assets acquired under finance leases and the corresponding liabilities are accounted for at the beginning of the contract as the lower amount between the fair value of the assets and the present value of minimum lease payments. Rents include the reimbursement of the liability and interest expense, with interest being recognized in the income statement based on a periodic interest rate over the remaining liability.

Under operating leases, rents are recognized on a straight-line basis during the period of the lease.

3.3. Financial investments

Subsidiaries are those entities over which the Company has the power to govern the financial and operating policies of the entity, generally represented by the majority of the voting rights. Associate companies are entities over which the Company has a significant influence but not control, generally represented by stakes between 20% and 50% of voting rights. Joint venture is an economic activity with the engagement of two or more partners subject to joint control based on a contractual agreement.

Financial investments in subsidiaries, associate companies and joint ventures are recorded under the equity method of accounting. Under this method, financial investments are initially recorded at acquisition cost and subsequently adjusted for the changes, after the acquisition date, in the Company's share in the net assets of those entities, deducted for eventual impairment losses. PHAROL's earnings include its share in the earnings of its subsidiaries and associate companies.

Financial investments in foreign entities are translated to Euros using the exchange rates prevailing at the balance sheet date, while the Company's share in the earnings of those entities is computed based on the average exchange rates for the reported period. The effect of translation differences is recognized in shareholders' equity under the caption "Adjustments to financial assets" and is transferred to net income upon the disposal of a foreign entity or the transmission of the investment in another way. The exchange rates used in the translation of the main foreign entities (held directly or indirectly by PHAROL) are as follows:

Final		
Currency	2020	2019
Real	6.3735	4.5157
USD	1.2271	1.1234

Average		
Currency	2020	2019
Real	5.8943	4.4134
USD	1.1422	1.1195

Financial investments are evaluated whenever there is evidence that they may be impaired and the related impairment losses are recorded in the income statement.

Gains obtained in transactions with subsidiaries, associates companies and joint ventures are eliminated in proportion to the Company's share in those entities, against the financial investment.

Capital gains resulting from the disposal of subsidiaries and associated companies within the Group are deferred or reversed until the date these investments are disposed of to a third party. Whenever these gains are deferred, their recognition in earnings is made under the caption "Gains/(losses) of affiliated companies", in the proportion that goodwill or assets and liabilities identified in the allocation of the purchase price recorded by the acquirer is recognized in earnings.

Additional capital contributions and loans granted to subsidiaries, associates companies and joint ventures are recorded at nominal value, reduced by adjustments for estimated losses, if applicable.

3.4. Accrual basis of accounting

The Company records its revenue and expenses as they are generated or incurred, regardless of when they are received or paid, respectively.

With regard to the recognition of expenses with taxes on the purchase of external services (e.g. non-deductible value added tax), the amounts are classified as indirect taxes.

3.5. Income tax

Income tax expense corresponds to the sum of current and deferred taxes. Deferred taxes are recognized in earnings except when they relate to items recorded directly in shareholders' equity, in which case they are also recorded in shareholders' equity.

The current income tax is computed based on the estimated taxable income for corporate income tax purposes, based on the statutory tax rate in Portugal, which is increased by a municipal tax and/or by an additional state surcharge depending on the taxable profit of the year (Note 9).

The income tax expense recorded in the financial statements was determined in accordance with "*NCRF 25 Income Taxes*". In determining income tax expense for the year, besides the current tax based on profit before-tax adjusted in accordance with the tax legislation, it is also considered the effects of temporary differences between income before tax and taxable income originated in the year or in preceding years.

Deferred taxes correspond to the temporary differences between assets and liabilities for accounting purposes and the related amounts for taxable purposes. Deferred tax assets and liabilities are computed and evaluated annually, using the tax rates which are expected to be in force at the date of reversal of these temporary differences.

Deferred tax assets are recorded only when there is a reasonable expectation of sufficient future tax profits which allow for their use. As at the balance sheet date the Company conducts a reassessment of the temporary differences originating deferred tax assets, in order to record deferred tax assets not recognized previously and/or to reduce the amount of deferred tax assets that are recognized, based on the current estimate of its recoverable amount.

3.6. Accounts receivable

Accounts receivable are initially recognized at fair value, and subsequently measured at amortized cost, based on the effective interest rate method, reduced by impairment losses.

Impairment losses for doubtful accounts receivable are computed based on the evaluation of the estimated risks resulting from the non-collection of receivables and are recorded in the income statement.

3.7. Provisions and contingent liabilities

The Company recognizes provisions when there is a present obligation arising from past events provided that there will be it is probable as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where any of the above-mentioned criteria is not accomplished, the Company discloses the event as a contingent liability, unless the cash outflow is remote.

Provisions are recognized for an amount corresponding to the present value of the best estimate, at the reporting date, of the resources needed to settle the obligation. That estimate is determined

considering the risks and uncertainties associated with the obligation. Provisions are reviewed at the end of each year and adjusted for in order to reflect the best estimate as of that date.

3.8. Loans obtained

Loans obtained are initially recognized at fair value, net of transaction costs incurred, and subsequently presented at amortized cost, based on the effective interest method.

3.9. Treasury shares

Own shares are accounted for at their acquisition value as a reduction of shareholders' equity in the caption "Own shares", and the gains or losses inherent to their disposal are recorded in "Retained earnings"

3.10. Balance sheet classification

Realizable assets and liabilities due over a period greater than one year from the balance sheet date are classified under non-current assets and non-current liabilities, respectively, at present value.

3.11. Foreign currency transactions and balances

Transactions denominated in foreign currencies (different from the Company's domestic currency, "Euro") are translated to Euros at the exchange rates prevailing at the time the transactions are made. Assets and liabilities in foreign currency for which there is no agreement for fixing an exchange rate are translated to Euros using the exchange rates prevailing at the balance sheet date. Favorable or unfavorable exchange rate differences arising from the differences between exchange rates in force at the date of the respective transactions and those applying on the date of collection or payment or at the balance sheet date are recorded as gains and losses in the income statement.

Assets and liabilities as at December 31, 2020 and 2019 were translated into Euros using the following exchange rates to the Euro reported by the Portuguese Central Bank:

Final Currency	2020	2019
Real	6.3735	4.5157
USD	1.2271	1.1234

3.12. Financial Assets and Liabilities

Financial assets and liabilities are recognized in the balance sheet when the Company becomes part of the corresponding contractual terms, and are classified in the following categories: (a) at cost or amortized cost; and (b) at fair value, with the respective changes being recorded in the income statement.

a) Financial assets and liabilities at cost or amortized cost

Assets and liabilities are classified at cost or amortized cost if they: (a) have a defined maturity; (b) have a fixed or determined income; and (c) do not represent or include a derivative financial instrument.

Assets and liabilities classified in this category are measured at amortized cost reduced by accumulated impairment losses (for financial assets) and correspond primarily to the following asset and liability captions included in the Company's balance sheet:

- Loans obtained
- Other Accounts receivable and payable
- Other financial assets and liabilities
- Cash and cash equivalents
- Accrued expenses
- Suppliers

Amortized cost is determined through the effective interest method. The effective interest rate is the one that discounts the estimated future payments and receipts, during the term of the financial instrument, to the carrying value of the financial asset or liability.

b) Financial assets and liabilities at fair value

All remaining financial assets and liabilities not included in the category “cost or amortized cost” are recognized at fair value. These financial assets and liabilities correspond primarily to interest and exchange rate derivative financial instruments.

The changes in the fair value of these derivatives are recognized through shareholders’ equity or profit and loss, depending on whether those derivatives meet or not the criteria for hedge accounting, respectively. These changes in fair value are recorded under the caption “Increases/(reductions) in fair value” (Note 17).

c) Impairment of financial assets

Financial assets accounted as “cost or amortized cost” are subject to impairment tests at the end of each year. Such assets are impaired when there is clear evidence that, as a result of one or more events occurred after their initial recognition, their future estimated cash flows will be affected.

For assets measured at amortized cost, the impairment loss corresponds to the difference between the carrying amount of the asset and the present value of the revised future estimated cash flows discounted using the initial effective interest rate. For financial assets measured at cost, the impairment loss corresponds to the difference between the carrying amount of the asset and the best estimate of the asset’s fair value.

Subsequently, if there is a reduction in the impairment loss as a result of an event occurred after the initial recognition of the loss, the impairment should be reversed through earnings. The reversal is recognized up to the limit of the amount that would be recorded (at amortized cost) if the loss had not been initially recognized.

d) Derecognition of financial assets and liabilities

The Company derecognizes financial assets when its contractual rights to obtain the asset’s cash flows expire, or when it transfers to another entity all the significant risks and rewards associated with the ownership of those assets. The Company derecognizes financial liabilities only when the corresponding obligation is settled, cancelled or expires.

3.13. Main accounting estimates and judgments

When preparing the financial statements in accordance with the NCRF, the Company's Board of Directors uses estimates and assumptions that affect the application of accounting policies and reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered probable under the circumstances on which the estimates are based, or as a result of new information or more experience. The most significant accounting estimates reflected in the financial statements are as follows:

- (a) **Valuation of the investment in Oi** – On May 5, 2014, the Company valued its new stake in Oi based on Oi's reference share price in the capital increase on that date, having as of that date, appropriated its stake in Oi's income using the equity method. As at December 31, 2020, the measurement of the Company's investment in Oi was based on its market value, namely the stock price as at December 31, 2020.
- (b) **Valuation of the Rio Forte instruments** – On March 30, 2015, the Rio Forte instruments were obtained, following the execution of the Exchange Agreement, over Oi's shares. As of that date, subsequent to a market consultation, the Company valued the instruments at 15% of their notional value. This valuation was reviewed as at September 30, 2016, having reduced to 9.56% of the notional amount and on December 31, 2017 and 2019, to 8.32% and 7.02%, respectively. On December 31, 2020, the debt recovery valuation was again revised downwards, registering in 5,79% recovery, equivalent to a reduction of Euro 11.1 million to the amount of Euro 51.9 million. (see Note 7).
- (c) **Recognition of provisions and adjustments** – PHAROL is party to various ongoing legal claims for which, based on the opinion of its legal advisors, a judgment was made to determine the recognition of a possible provision for these contingencies. Adjustments for accounts receivable are calculated based primarily on the aging of the accounts receivable, the risk profile of the customers and their financial situation.

Estimates used are based on the best information available during the preparation of financial statements, although future events, neither controlled nor foreseeable by the Company, could occur and have an impact on those estimates. In accordance with "NCRF 4 Accounting Policies, Changes in Estimates and Errors" ("NCRF 4"), changes to these estimates that occur after the date of the financial statements are recognized in net income, using a prospective methodology.

3.14. Events that occurred after the balance sheet date

Events occurred after the balance sheet date that provide additional information about conditions existing at the balance sheet date are reflected in the financial statements. Events occurred after the balance sheet date that provide information about conditions that occur after the balance sheet date are not reflected in the financial statements but are disclosed in the notes to the financial statements, if material.

4. Cash Flows

The caption "Cash and cash equivalents" of the statement of cash flows includes cash on hand and bank deposits readily convertible to cash.

The Company is exposed to a liquidity risk if its sources of funding, including cash balances, operating cash inflows, divestments, credit lines and cash flows obtained from financing operations, do not match its financing needs, such as operating and financing outflows, investments, shareholder remuneration and debt repayments. The Company understands that it has the ability to fulfill its obligations.

The cash flow statement was prepared in accordance with “NCRF 2 Statement of Cash Flows”, with the following aspects worth mentioning.

a) Other net receipts

In 2020, other net receipts essentially include reimbursements made by the Portuguese Tax Authority in relation to taxes paid in previous years.

b) Receives resulting from financial investments

In 2019, following the Agreement with Oi signed on January 9, 2019, it was not necessary to use a large part of the capital increase of the funds transferred at the end of 2018 to Bratel BV and, therefore, this amount was returned to PHAROL in January 2019.

c) Cash and cash equivalents

As at December 31, 2020 and 2019, this caption is made up as follows:

	Euro	
	2020	2019
Cash	2,809	1,181
Bank deposits immediately available	17,109,226	17,796,111
	17,112,035	17,797,292

5. Changes to accounting policies and estimates, and mistakes

The Company did not adopt any new or revised standard or interpretation during the year ended December 31, 2020 and did not voluntarily change other accounting policies or accounting estimates.

During the year ended December 31, 2020, the Company did not adjust its financial statements for any material errors from previous years.

6. Equity Investments

6.1. Equity method

During 2020 and 2019, the movements occurred in this caption were as follows:

	Euro					
	2020					
	Investments in subsidiary companies	Additional paid in capital contributions in subsidiary	Investments in associated companies	Goodwill	Investments in joint ventures	Total
Opening balance	56,978,928	5,749,000	-	-	-	62,727,929
Increases			-	-	-	-
Reductions		(56,527)	-	-	-	(56,527)
Equity method	51,173,109		-	-	-	51,173,109
Closing balance	108,152,037	5,692,473	-	-	-	113,844,512

	Euro 2019					
	Investments in subsidiary companies	Additional paid in capital contributions in subsidiary	Investments in associated companies	Goodwill	Investments in joint ventures	Total
Opening balance	54,552,037	28,249,000	-	-	-	82,801,037
Increases			-	-	-	-
Reductions		(22,500,000)	-	-	-	(22,500,000)
Equity method	2,426,891		-	-	-	2,426,891
Closing balance	56,978,928	5,749,000	-	-	-	62,727,929

a) Equity

In the fiscal years 2020 and 2019, the movements occurred in adjustments to financial assets are the result from the use of the equity method of subsidiaries.

7. Other financial assets

The composition of this caption comprises an estimated future recovery near of Euro 51.9 million related to the debt securities issued by Rio Forte on December 31, 2020.

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

"Expected recovery

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

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

The Board of Directors of PHAROL, after taking appropriate measures and supported by the analysis of its advisers, concluded, based on the principle of prudence, that the expected recoverability of the insolvent estate and, consequently, PHAROL's expected recoverability of its debt instruments of Rio Forte, have reduced. PHAROL's investment in the Rio Forte securities was initially valued at fair value upon initial recognition on March 30, 2015 and subsequently measured at amortized cost less any impairment losses. Based on the principles of IAS 39, taking into account available information, Management used its judgment in the definition of assumptions that culminated in a valuation of the amount due from Rio Forte at 85.7 million euros at December 31, 2016. This reflects an appraisal of around 9.5% of the nominal value, against approximately 15% of the nominal value at December 31, 2015, which resulted in the accounting for an impairment of € 48.8 million.

On December 2017, after updating the amount of credit claims considered in the last report of the Judicial Administrators, that was higher than previously considered, the debt recovery valuation was again revised downwards, registering a recovery of 8.32% recovery, equivalent to a reduction of Euro 11.1 million to the amount of Euro 74.6 million. On December 31, 2018, the debt recovery value remains at 8.32%.

In April 2019 and 5 years after the filing of the Rio Forte credit claim, a new report by the Judicial Administrators was published on 30 April 2019, which essentially points to: 1) postponement of the results of the conclusion of the analysis. debt declarations; and 2) downward revision of Rio Forte's asset value in Latin America; Accordingly, and based on these new factors, the recovery in debt recovery was once again revised downwards to 7.19% of nominal value recovery, equivalent to a reduction of 10.1 million euros. Euro to the amount of Euro 64.5 million. At the end of 2019 and after the analysis of the last report issued by the Judicial Administrators, with effect on December 31, 2019, it was once again revised downwards, with the face value recovery set at 7.02 %, which is equivalent to an additional reduction of 1.5 million Euros to a total recovery amount of 63 million Euros. On December 31, 2020, a new downward revision of the nominal value recovery was carried out to 5.79%, essentially justified by the depreciation of assets held by Rio Forte in Latin America, which is equivalent to a reduction of 11.1 million of Euros to the amount of 51.9 million Euros.

Additionally, as part of the Rio Forte, in December 2017, PHAROL was informed of a statement from the trustees of Espírito Santo International, SA ("ESI") stating that the insolvent company will evaluate the possibility sue PHAROL, requesting that the latter be ordered to reimburse EUR 750 million, without specifying the grounds of that request.

Following this announcement, as of January 2019, PHAROL was notified by the curator of ESI as a precautionary measure to interrupt any limitation period, with a view to canceling ESI Notes payments during the month of January 2014.

After analyzing the abovementioned summons, PHAROL considers a very low probability, based on the alleged facts, obtain any conviction of PHAROL in the terms provided. Accordingly, PHAROL has not recorded any provision in its financial statements.

8. Related parties

8.1. Financial investments in subsidiaries and joint ventures

In 2020 and 2019, the financial investments in subsidiaries and joint ventures refer exclusively to direct participation in Bratel BV.

8.2. Other information

For the fiscal years ended December 31, 2020 and 2019, fixed remuneration of Board members, which were established by the Remuneration Committee, amounted to Euro 504 thousand and Euro 627 thousand, respectively.

At December 31, 2020 and 2019 no share-based program or termination benefit program were in place.

For the year ended December 31, 2020, the fees paid to the Statutory Auditor of PHAROL amounted to Euro 42,2 thousand, corresponding to audit fees of PHAROL.

For additional information related to the remuneration of members of the Board of Directors and key employees, we refer readers to the Corporate Governance Report included in the Annual Report.

9. Income tax

In 2020, the companies located in mainland Portugal were subject to Corporate Income Tax at a base rate of 21%, with an additional (1) Municipal Surtax of up to 1.5% levied on taxable income, and (2) a State Surtax of 3.0% levied on taxable profit between Euro 1.5 million and Euro 7.5 million, of 5.0% levied on taxable profit between Euro 7.5 million and Euro 35 million and of 9% levied on taxable profit in excess of Euro 35 million, resulting in a maximum aggregate tax rate of approximately 31.5%, for taxable profit with surpass Euro 35 million. In the calculating of taxable income, to which is applied above mentioned tax rate, income and expenses not deductible for tax purposes are added to or deducted from the accounting results.

According to the applicable legislation, the tax statements are subject to revision and correction by the fiscal authorities during a period of four years (five for Social Security) except if there have been fiscal losses, or if fiscal benefits have been granted, or if audits, claims or impeachments are being performed, in which case, depending on the circumstances, those periods may be extended or suspended.

10. State and other public entities

On December 31, 2020 and 2019, the debtor and creditor balances in respect of State and Other Public Entities are as follows:

	2020		2019	
	Receivable	Payable	Receivable	Payable
Current taxes				
Operations in Portugal				
Value-added tax	-	10,309	-	1,783
Income taxes	4,651	30,145	5,383	112,878
Personnel income tax withholdings	-	24,082	-	30,239
Social Security Contributions	-	68,429	-	74,873
Other	-	119	-	102
	4,651	133,083	5,383	219,876

11. Shareholders' equity

11.1. Share Capital

As at December 31, 2020, the Company's share capital was fully paid and amounted to Euro 26,895,375 and was represented by 896,512,500 common shares with a nominal value of 3 cents of Euro each.

11.2. Own shares

As of December 31, 2020 and 2019, the detail of this caption is as follows:

	2020	2019
Shares held by PHAROL	184,873,844	181,842,907
	184,873,844	181,842,907

As of December 31, 2020 and 2019, PHAROL held 74,822,140 e 50,071,714 treasury shares, respectively, corresponding to 8.31% and 5.6% of the share capital PHAROL.

11.3. Legal reserve

Portuguese law establishes that at least 5% of each annual profit must be allocated to a legal reserve until this reserve equals the minimum requirement of 20% of share capital. This reserve is not available for distribution to shareholders but may be capitalized or used to absorb losses, once all other reserves and retained earnings have been exhausted.

As at December 31, 2020, the legal reserve was already fully incorporated in accordance with Portuguese law and amounted to Euro 6,773,139.00.

11.4. Other reserves

The composition and the movements effected in this item during the years of 2020 and 2019 are as follows:

	Euro			
	Free reserve	Reserves for treasury shares cancelled	Own shares	Total
Balance as at 1 January 2019	77,636,917	6,970,320	179,675,995	264,283,232
Transfer to reserves for use in own shares	(2,166,912)	-	2,166,912	-
Transfer to retained earnings	-	-	-	-
Balance as at 31 December 2019	75,470,005	6,970,320	181,842,907	264,283,232
Transfer to reserves for use in own shares	(3,030,937)	-	3,030,937	-
Transfer to retained earnings	-	-	-	-
Balance as at 31 December 2020	72,439,068	6,970,320	184,873,844	264,283,232

11.5. Adjustments to financial assets

During the fiscal years of 2020 and 2019 the movements under this item were as follows:

	Euro
Balance as at 31 December 2018	(110,016,409)
Equity method (Note 6)	(33,279,094)
Balance as at 31 December 2019	(143,295,504)
Equity method (Note 6)	51,173,109
Balance as at 31 December 2020	(92,122,395)

The variation in "Other changes in shareholders' Equity" is essentially due to the devaluation of Oi's shares and Brazilian Real during 2020.

11.6. Application of earnings

Considering that in the year ended December 31, 2020 a negative result of Euros 14,316,500 was obtained, the Board of Directors of PHAROL proposes that it be transferred to the Company's Retained Earnings.

The result of Euros 20,746,227 obtained on 2019 was transferred to the Company's Retained Earnings.

12. Suppliers

The detail of this caption as at December 31, 2020 and 2019 is as follows:

	Euro	
	2020	2019
Suppliers	235,025	148,830
	235,025	148,830

13. Accrued expenses

The detail of this caption as at December 31, 2020 and 2019 is as follows:

	Euro	
	2020	2019
Supplies and external services	507,531	498,701
Vacation pay and bonuses	355,610	220,544
	863,141	719,246

14. Equity in earnings/(losses) of affiliated companies

The detail of this caption as at December 31, 2020 and 2019 is as follows:

	Euro	
	2020	2019
Gains and losses in affiliated companies - equity method	(244,527)	35,696,903
	(244,527)	35,696,903

The gains in subsidiaries in 2019 are essentially the result of the agreement signed with Oi in January 2019.

15. Supplies and external services

The detail of this caption as at December 31, 2020 and 2019 is as follows:

	Euro	
	2020	2019
Specialized work	709,123	827,323
Insurance	312,055	283,734
Travel	15,477	82,252
Other	176,579	223,989
	1,213,235	1,417,298

16. Wages and salaries

The detail of this caption as at December 31, 2020 and 2019 is as follows:

	Euro	
	2020	2019
Fixed and variable remuneration	1,138,408	1,286,325
Social security	214,228	257,201
Other	98,933	26,934
	1,451,569	1,570,459

17. Increases/(reductions) in fair value

This caption reflects the change in fair value of derivative financial instruments entered into by the Company and has the following composition in the years ended December 31, 2020 and 2019:

	2020	Euro 2019
Losses on non-current assets held for sale	(11,116,693)	(11,617,900)
	(11,116,693)	(11,617,900)

18. Net result per share

The net result per share for the years 2020 and 2019 was calculated as follows:

	2020	Euro 2019
Loss from continuing operations	(14,316,500)	20,746,227
Net loss considered in the computation of the diluted earnings per share	(14,316,500)	20,746,227
Weighted average common shares outstanding in the period	834,065,573	846,440,786
Basic and Diluted	(0.02)	0.02

19. Guarantees

As of December 31, 2020 and 2019, the Company had presented the following guarantees and comfort letters to third parties:

	2020	Euro 2019
Bank and other guarantees presented tax authorities and other public entities	84,617,476	84,617,476
	84,617,476	84,617,476

The bank and other guarantees presented to the fiscal authorities essentially include Euro 85 million, on December 31, 2020 and 2019, related to the tax assessments received by PHAROL. The Company presented legal challenges to these assessments and, in accordance with 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 request tax. Portuguese law, while always allowing for the appeal of taxes liquidated by the tax authorities, only suspends enforcement proceedings upon payment of the tax or the provision of a guarantee. Thereby, Providing a guarantee of security avoids the payment of tax before the appeal decision or attachment of assets in enforcement proceedings.

These guarantees were presented by PHAROL as a controlling company of the consolidated tax in the years in question, even though as at December 31, 2020, the contingencies associated to these guarantees are not the Company's responsibility, having been transferred to Oi, while PHAROL remains jointly and responsible.

Notwithstanding the expiration and consequent cancellation of part of the Guarantees, the tax proceedings are still ongoing and Oi is responsible for them that might arising to Euro 393 million. Under the agreements entered into with Oi, Oi has to substitute the bank guarantees provided by PHAROL to the Tax Authority and to the European Commission for guarantees provided by Oi. Where this substitution is not possible due to demands of the counterparty, Oi has undertaken to provide equivalent guarantees in favor of PHAROL.

As such, as of December 31, 2020, a Pledge Agreement for shares of Telemar Norte Leste is in force with a maximum amount up to the limit of the potential liabilities currently in existence.

In 2019, following the Private Instrument of Transaction and Other Covenants, signed between PHAROL and Oi on January 8, 2019, which clarified the destination to be given to the refunds of the Tax Authority, these were recognized under the heading "Other Current Liabilities".

In January 2020, as agreed in the aforementioned Instrument, Oi, through PT Participações SGPS, SA, has deposited in escrow 34,340,803.32 Euros, as a guarantee to PHAROL in the event of tax contingencies that shall be incurred by Oi.

20. Shareholders with qualified holdings

The Company believes that the disclosure of the outstanding debts and transactions performed with its main shareholders, notably 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 their related parties. The tables below present the balances as at December 31, 2020 and 2019, and the transactions that took place in the fiscal years ending December 31, 2020 and 2019, between the PHAROL Group and these entities identified as shareholders with qualified holdings and their related parties:

	Euro	
	2020	2019
	Cash and bank deposits	
Shareholder Novo Banco	2,836,027	5,389,599
	2,836,027	5,389,599

	Euro			
	2020		2019	
	Costs and losses	Net interest income	Costs and losses	Net interest income
Shareholder Novo Banco	252	469	922	3,849
	252	469	922	3,849

21. Events occurring after the balance date

- Oi's stock price evolution between December 31, 2020, and March 12, 2021, can be found below:

	31 dec 20	12 mar 21
Oi ON share price (Reais)	2.2	1.86
Exchange rate Real/Euro	6.3735	6.6421
Oi ON share price (Euro)	0.35	0.28

- Following the measures enacted by the Government in January 2021 that forced a new general containment, PHAROL implemented a response plan with the objective of maintaining the normal functioning of its services during the period in which these measures are maintained.

Despite the high uncertainty regarding the current economic situation, PHAROL does not anticipate significant impacts on the development of its activity or the continuity of its operations.

03 QUALIFIED HOLDINGS

As at December 31, 2020, qualified holdings represented 19.56% of PHAROL share capital, as follows:

DATE OF INFORMATION	ENTITIES	NO. OF SHARES	% OF CAPITAL	% OF VOTING RIGHTS
31/05/2012	Telemar Norte Leste S.A.	89,651,205	10.00%	10.00%
	Telemar's sole shareholder is OI S.A..			
	Total attributable	89,651,205	10.00%	10.00%
02/04/2018	Novo Banco S.A.	85,665,125	9.56%	9.56%
	Directly	85,665,125		
	Shares held by companies in a controlling or group relationship with Novo Banco, S.A.	916		
	Shares held by directors and members of the Corporate Bodies	595		
	Total attributable	85,666,636	9.56%	9.56%

04 INFORMATION TO BE PRESENTED UNDER THE TERMS OF THE ARTICLE 447 OF THE CODE FOR COMMERCIAL SOCIETIES

1. Number of shares and bonds issued by PHAROL and by companies that are in a controlling or group relationship held by the members of the management and supervisory bodies of PHAROL, as of December 31, 2020:

Board of Directors

- Luís Maria Viana Palha da Silva owns 200,000 shares of PHAROL. He was appointed for the Board of Directors of PHAROL on May 29, 2015.
- Avelino Cândido Rodrigues does not hold any securities of PHAROL or other companies that are in a controlling or group relationship. He was appointed for the Board of Directors of PHAROL on February 8, 2019.
- Jorge Telmo Maria Freire Cardoso does not own any securities of PHAROL or other companies that are in a domain or group relationship. He was appointed for the Board of Directors of PHAROL, on November 5, 2014. He was director of Novo Banco, SA., until november 30,2020, and served as an alternate member of Oi until February 17, 2016, when he resigned his position. On February 10, 2021, resigned as non-executive member of the Board of Directors of PHAROL, effective March 31, 2021.
- Maria do Rosário Amado Pinto Correia owns 40 shares of PHAROL. She was co-opted for the Board of Directors of PHAROL on September 2, 2015.
- Maria Leonor Martins Ribeiro Modesto does not hold any securities of PHAROL or other companies that are in a controlling or group relationship. She was appointed for the Board of Directors of PHAROL on September 7, 2018.
- Pedro Zañartu Gubert Morais Leitão does not own any securities of PHAROL or any other companies that are in a control or group relationship. He was appointed for the Board of Directors of PHAROL on May 29, 2015.

Fiscal Council

The fiscal council does not own any shares of PHAROL.

- José Maria Rego Ribeiro da Cunha
- Isabel Maria Beja Gonçalves Novo
- João Manuel Pisco de Castro
- Paulo Ribeiro da Silva

Managing-Director

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

Statutory Auditor (“ROC”)

The Statutory Auditor does not own any shares of PHAROL.

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

2. Transaction on shares and bonds issued by PHAROL, or by societies with which it has a controlling or group relationship, performed by members of the administrative and supervisory bodies of PHAROL:

6 / Jan / 2020 | Grupo Visabeira SGPS, S.A. reported that it has sold, on the stock exchange, a total of 1,700,000 shares, representing 0.1896% of PHAROL's share capital and voting rights.

As a result of the sales, Grupo Visabeira SGPS, S.A. became the holder of 12,367,041 shares, representing 1.3795% of PHAROL's share capital and voting rights.

26 / Feb / 2020 | Abante Asesores, S.A. reported that it held a qualifying holding through 18,200,000 shares, representing 2.03% of PHAROL's share capital and voting rights since August 28, 2019.

09 / Sep / 2020 | Abante Asesores, S.A. reported that it reduced its stake to 17,856,292 shares, representing 1.99% of PHAROL's share capital and voting rights on 8 September 2020.

16 / Dec / 2020 | Real Vida Seguros SA reported that it reduced its stake to 10,000,000 shares, representing 1.12% of PHAROL's share capital and voting rights on December 11, 2020.

4 / Jan / 2021 | Grupo Visabeira SGPS, S.A. reported that it sold a total of 2,400,000 shares on the stock exchange, representing 0.2677% of PHAROL's share capital and voting rights.

As a result of the sales, Grupo Visabeira SGPS, S.A. became the holder of 9,967,041 shares, representing 1.1118% of PHAROL's share capital and voting rights. He also informed that the existing shares are considered to be attributable to Fernando Campos Nunes (TIN: 175.776.083).

PHAROL, SGPS S.A.

REPORT AND OPINION OF THE FISCAL COUNCIL

FISCAL COUNCIL REPORT AND OPINION

PHAROL, SGPS S.A.

Financial year 2020 (individual accounts)

To the Shareholders of
PHAROL, SGPS S.A.

In compliance with the provisions of paragraph g) of number 1 of article 420 of the Commercial Companies Code, it is incumbent upon us, as members of the Fiscal Council of "PHAROL, SGPS S.A." (hereinafter "PHAROL"), issue the annual report on our supervisory action as well as give an opinion on the management report, the individual financial statements and the proposal for the application of results presented by the Board of Directors for the year ended in December 31, 2020 and, further, our assessment of the respective legal certification of the accounts and audit report issued by the company of statutory auditors.

I. Inspection activities

1. The Supervisory Board regularly performed the functions of its competence, through periodic meetings with those responsible for the relevant areas, as well as the additional information and clarifications obtained, including the presentation of the main trends and developments in terms of management development. and PHAROL's activity.

2. The Supervisory Board also assessed the financial information produced in the course of the 2020 financial year, having carried out the analyzes and verifications deemed convenient and necessary.

3. The work of the Supervisory Board has always consisted in complying with the legally established matters, in permanently monitoring PHAROL's activity, and in verifying that the individual financial statements have been prepared in accordance with the accounting framework in force.

4. During the fiscal year of 2020, the Fiscal Council met eleven times, having developed several actions, of which the following stand out:

i) Inspection of the quality, integrity and effectiveness of the internal control and risk management systems;

ii) Supervision of the preparation of individual financial information;

iii) Verification of the regularity of the accounting records and the accuracy of the documents
individual accountability;

iv) Appreciation of the accounting policies and valuation criteria adopted by PHAROL as to their adequacy and consistency, which aim to ensure the presentation of a true and appropriate image of the financial position and results;

v) Verification of the conformity of the individual financial statements with the applicable legal requirements;

vi) Analysis of the individual financial information disclosed.

5. Under the terms of the internal regulation that defines the rules and procedures to be adopted in the System of Qualified Participation of Undue Practices (Whistleblowing), the Fiscal Council became aware of the semiannual reports of the activity developed by the Nucleus for Analysis of Qualified Participations, dated 8 July 2020 and January 4, 2021, with no Participations occurring during the 2020 financial year.

6. The Supervisory Board, within the scope of its functions, exercised its powers in terms of supervising the qualifications, independence and exercise of functions of the external auditor and statutory auditor, having also met regularly with him, who always provided all clarifications, technical and accounting, deemed necessary.

It also became aware of the results of the audit and external audit work on the individual financial statements for the year 2020, which include the balance sheet, the income statement, the statement of changes in equity, the statement of cash flows. box and respective attachments.

The statutory auditor and external auditor followed the process of preparing PHAROL's individual financial statements, having informed the Supervisory Board of its conclusions and its agreement regarding the documents prepared by the Board of Directors.

Through the additional report sent to the Supervisory Board, the statutory auditor and external auditor communicated the relevant aspects of the work carried out and the respective conclusions.

The Fiscal Council became aware of the legal certification of the accounts on the individual financial information for the financial year 2020, issued with a reservation and two emphases, by the statutory auditor and external auditor, a document that deserved his agreement.

It is the understanding of the statutory auditor and external auditor that consists of relevant audit matters:

i) Measurement of investment in Oi, S.A.

ii) Measurement of investment in debt securities issued by Rio Forte Investments,

In these areas, audit procedures and tests were deemed relevant in the circumstances.

7. In the course of its duties, the Supervisory Board confirmed that the report of the Board of Directors refers to the most relevant aspects of the activity during the year and is consistent with the individual financial statements for the year.

8. Also within the scope of its powers, and as provided for in number 5 of article 420 of the Commercial Companies Code, the Board also verified that the PHAROL Corporate Governance Report disclosed includes the elements required under the terms of article 2452 - A of the Securities Code.

II. Declaration of responsibility

The Fiscal Council declares that, as far as it is aware, the information provided for in paragraph a) of number 1 of article 245 of the Portuguese Securities Code, for the individual accounts for the year ended December 31, 2020:

- i) It was prepared in accordance with the applicable accounting standards, giving a true and appropriate image of the assets and liabilities, the financial situation and the results of PHAROL;
- ii) Faithfully exposes the evolution of PHAROL's business, performance and position; and
- iii) It contains a description of the main risks and uncertainties that PHAROL faces in its activity.

III. Opinion

Based on the aforementioned report, the steps taken as well as the conclusions contained in the legal certification of the accounts and audit report and the additional report to the supervisory body on the individual financial information, and taking into account the information received from the Board of Directors, the services of PHAROL and the statutory auditor and external auditor, the Supervisory Board is of the opinion that the General Meeting approves:

- i) the management report and the individual financial statements for the financial year 2020;
- ii) the proposal for the allocation of profits presented by the Board of Directors Administration.

Finally, the members of the Fiscal Council express their recognition and recognition to the Board of Directors, the main responsible persons and other employees of PHAROL thanks for the collaboration provided in the performance of the duties.

Lisbon, March 15, 2021

José Maria Ribeiro da Cunha — Chairman

Isabel Maria Beja Gonçalves Novo — Member

João Manuel Pisco de Castro - Member

PHAROL, SGPS S.A.

STATUTORY AUDITORS' CERTIFICATION AND AUDIT REPORT

STATUTORY AUDITOR'S CERTIFICATION AND AUDIT REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified Opinion

We have audited the accompanying financial statements of Pharol, SGPS, SA (Pharol), which comprise the balance sheet as at December 31, 2020 (showing a total of 183 079 592 euro and a total net equity of 165 374 402 euro, including a net loss of 14 316 500 euro) and the income statement, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the “Basis for qualified opinion” section of our report, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of Pharol, SGPS, SA as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with Accounting and Financial Reporting Standards adopted in Portugal under the Portuguese Accounting System.

Basis for qualified opinion

The Independent auditor's report on the individual and consolidated financial statements for the year ended December 31, 2019 of Oi, SA, dated March 25, 2020, included a “Material uncertainty as to going concern” of Oi, SA. Bearing in mind the Independent auditor's review report on the interim individual and consolidated financial statements for the period ended September 30, 2020 of Oi, SA, dated December 2, 2020, we highlight the following paragraph of the Emphasis titled “Going concern”, taking also into account the note 13 to the consolidated financial statements: *“We draw attention to Note 1 to the individual and consolidated financial information, on the section about going concern, which informs that the individual and consolidated financial information has been prepared assuming the continuity of the Company as a going concern, which considers among other aspects: (i) the fulfilment of the requirements*



foreseen in the Judicial Reorganization Plan (“PRJ”), considering the new terms and conditions established in the amendment that was approved at the General Meeting of Creditors (AGC) and ratified by the Judicial Recovery Court on October 5, 2020, as well as the fulfilment of the requirements foreseen in Law No. 11.101/2005; (ii) the successful implementation of the strategic plan, which includes, among other conditions, the sale of the Isolated Productive Units (UPIs) related to the business of the telephony and data operations in the mobile communication market (“UPI Ativos Móveis”), of passive infrastructure (“UPI Torres” and “UPI Data Center”), the telecommunications networks operation (“UPI InfraCo”) and the TV business (“UPI TVCo”), to reverse the conditions that have been causing recurring losses. These events or conditions indicate that there are significant uncertainties that may cast significant doubt on the Company’s going concern. (...)”. Up to the present date, neither the individual and consolidated financial statements for the year ended December 31, 2020 of Oi, SA, nor the corresponding Independent auditor’s report, are yet available, situation that limits the scope and depth of the audit. As referred in the note 13 to the consolidated financial statements, the indirect investment in Oi, SA, as at December 31, 2020 is measured by the market value at that date, determined using the closing stock exchange listed market price. As presented in note 21 to the present financial statements, the listed market price of the ordinary shares of Oi, SA evolved from R\$ 2,20 (€ 0,35) as at December 31, 2020 to R\$ 1,86 (€ 0,28) as at March 12, 2021.

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

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



Emphasis of matter

The chapter 4 of the Consolidated Annual Report 2020 and the notes 3 and 7 to the present financial statements and note 22 to the consolidated financial statements, disclose, on one hand, that the measurement of the debt securities issued by Rio Forte Investments, SA reflects the management's best estimate concerning the recoverable amount of those securities and, on the other hand, that Pharol was summoned by the curators of Espírito Santo International SA (ESI), in view of a possible cancellation of Notes' payments, made by ESI, during the month of January 2014. Pharol considers a very low probability, based on alleged facts, of obtaining any conviction of Pharol under the terms provided.

The chapter 4 of the Consolidated Annual Report 2020 discloses that Pharol is subject to the potential economic effects that the pandemic may cause in the economies in which it operates, and may have a direct effect on the market value of the assets in which Pharol has a stake. The note 21 to the present financial statements also discloses that, following the measures enacted by the Government in 2021, which required a new general confinement, Pharol implemented a response plan with the objective of maintaining the normal functioning of its services, during the period in which these measures are maintained. Despite the high uncertainty regarding the current economic situation, Pharol does not anticipate significant impacts on the development of its activity or on the continuity of its operations.

Our opinion is not modified in respect of these matters.

Key audit matters

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

Key audit matters	Synthesis of audit response
<p data-bbox="212 342 608 371"><i>Measurement of Oi, SA investment</i></p> <p data-bbox="212 389 735 488">The indirect equity investment in Oi, SA (voting rights of 5,51%) is presented as financial assets measured by the market value.</p> <p data-bbox="212 506 735 712">Oi, SA is a large entity with high public and media profile, being highly relevant to the Pharol financial statements. Oi, SA is under a judicial reorganization process since June 2016. The respective financial statements are audited by other auditors.</p> <p data-bbox="212 730 735 792">Related disclosures: Notes 2, 3 and 13 to the consolidated financial statements.</p>	<p data-bbox="774 389 1278 452">The audit response involved, in synthesis, the performance of the following procedures:</p> <p data-bbox="774 470 1335 604">Confirmation of the shares held by the Group as at December 31, 2020, through the verification of the documentation from the custodian banks where these shares are deposited.</p> <p data-bbox="774 622 1326 721">Verification of the adequate form of classification and measurement of this investment, bearing in mind the provisions of the applicable IFRS.</p> <p data-bbox="774 739 1353 873">Obtaining and analysing the independent auditor’s review report on the most recent available individual and consolidated financial statements (as at September 30, 2020) of Oi, SA;</p> <p data-bbox="774 891 1335 954">Analysis and validation of the calculations inherent to the measurement by market value;</p> <p data-bbox="774 972 1310 1034">Evaluation of the reasonableness of the financial statements’ disclosures.</p>

Key audit matters	Synthesis of audit response
<i>Measurement of the investment in debt securities issued by Rio Forte Investments, SA</i>	
<p>At March 30, 2015 the debt securities issued by Rio Forte Investments, SA (Rio Forte) were returned to Pharol, following the performance of the exchange contract signed on September 8, 2014 between Oi Group and Pharol.</p> <p>Rio Forte is under an insolvency process taking place in Luxembourg, with high public and media profile. This investment is relevant within the scope of Pharol financial statements and the respective measurement involves significant judgements.</p> <p>Related disclosures: Notes 3 and 7 to the present financial statements and Note 22 to the consolidated financial statements.</p>	<p>The audit response involved, in synthesis, the performance of the following procedures:</p> <p>Analysis of the information present in the reports and announcements issued by the Rio Forte insolvency curators;</p> <p>Analysis of the judgements made by the management in determining the recoverable amount of the debt securities at December 31, 2020;</p> <p>Circularization of the banks where the debt securities are deposited;</p> <p>Monitoring of possible developments arising from an announcement issued by the insolvency curators of Espírito Santo International, SA issued in November 14, 2017 and the corresponding subpoena in the meanwhile received in 2019;</p> <p>Circularization of the lawyers that handle the insolvency process and analysis and appraisal of the respective response about the expected outcome for Pharol of the subpoena received from ESI referred before.</p> <p>Evaluation of the reasonableness of the financial statements' disclosures.</p>



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

Management is responsible for:

- (i) the preparation of financial statements that give a true and fair view of the Pharol's financial position, financial performance and cash flows in accordance with Accounting and Financial Reporting Standards adopted in Portugal under the Portuguese Accounting System;
- (ii) preparation of the management report and the corporate governance report in accordance with the applicable laws and regulations;
- (iii) designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- (iv) the adoption of accounting policies and principles appropriate in the circumstances; and
- (v) assessing Pharol's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about Pharol's ability to continue as a going concern.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- (i) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is

- higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- (ii) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pharol's internal control;
 - (iii) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
 - (iv) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Pharol's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Pharol to cease to continue as a going concern.
 - (v) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - (vi) communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
 - (vii) determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes their public disclosure;
 - (viii) provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the financial statements, and the verification of the requirements as provided in numbers 4 and 5 of article 451.º of the Portuguese Companies' Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the management report

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

On the corporate governance report

Complying with article 451.º, n.º 4, of the Portuguese Companies' Code, in our opinion, the corporate governance report includes the information required to Pharol to provide under article 245.º-A of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of n.º 1 of that article.

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

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

- We were appointed as auditors of Pharol in the shareholders general assembly held on May 29, 2015 for a first mandate from 2015 to 2017. We were appointed for a second mandate, from 2018 to 2020, as auditors of Pharol in the shareholders general assembly held on May 25, 2018.
- Management has confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and

executing our audit in accordance with ISAs we maintained professional scepticism, and we design audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work we have not identified any material misstatement on the financial statements due to fraud.

- We confirm that our audit opinion issued is consistent with the additional report that we prepared and delivered to the supervisory body of Pharol on March 15, 2021.
- We declare that we have not provide any prohibited services as described in article 77.º, number 8, of the Ordem dos Revisores Oficiais de Contas statutes, and we have remained independent of Pharol in conducting the audit.
- We inform that, in addition to the audit, we have not provided to Pharol and to the entities under its control any other services.

Lisbon, March 15, 2021

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

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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
60 Wall Street
New York 10005-2836
Fax: +1(732)544-6346

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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