

CONSOLIDATED ANNUAL REPORT

2018

PHAROL, SGPS S.A.

2018 RESULTS

- In 2018 PHAROL presented net losses of Eur.5,6 million mainly explained by the operational costs;
- 2018 was the year in which the Judicial Recovery Plan of Oi SA began to be implemented, and the company significantly strengthened its balance sheet by converting a large part of the debt into equity as well as new capital increase with the entry of new funds already made in 2019; on the other hand, in addition to the decrease in the value of the share, these operations had the effect of diluting PHAROL's stake, which stood at 6,88% as at 31 December 2018, and that, if the agreement to which PHAROL arrived with Oi to be homologated by the Judge of the judicial recovery in Brazil, should come to stand at 5.58%;
- The company's shareholders' equity decreased by Eur. 115.5 million and ended 2018 Euro by Eur. 146.2 million, mainly due to: 1) the depreciation of the stake in Oi in the amount of Eur. 109.9 million, as a result of the fall of the Oi quotation by -66% and the devaluation of the Real against the Euro by 11%, and 2) recurring operating costs in the amount of 5.3 million Euros;
- Recurring operating costs increased by 11% compared to the previous year, mainly explained by the increase in legal costs, at the most critical phase of Oi's judicial recovery process, namely with lawyers in Portugal and, in Brazil, also with arbitration.

Oi's Highlights in the first 9 months 2018:

- With the execution of the Judicial Recovery Plan and the implementation of the capital increase by debt conversion, Oi achieved a reduction of 75.1% in net debt, from September 30, 2018 to R \$ 10,976 million;
- Net revenues with a 7.1% decrease compared to the same period of 2017, ending the first 9 months of 2018 in R\$ 16,695 million;
- Routine EBITDA amounted to R\$ 4,594 million, -7.1% over the same period in 2017, maintaining the EBITDA margin at 27.5%.

MESSAGE FROM THE CEO

Luís Palha da Silva

" The year 2018 for Pharol was marked by the progress of the Oi Judicial Recovery and by the stagnation of Rio Forte bankruptcy process in Luxembourg.

Deprived of its ability to intervene directly in the management of Oi, our company not only saw its shareholding decrease substantially in percentage of participation as it was obliged to recur increasingly to the legal ways at its disposal, with repercussions on the operating costs. These efforts, however, paid off and, by 2019, it was possible to reach an agreement with Oi which ultimately minimized the losses suffered during the judicial recovery process. There is now a period when Oi, with a strengthened balance sheet, will be able to concentrate more on improving its operational efficiency, allowing PHAROL to reduce its costs substantially. Cost containment, moreover, will continue to be one of the priorities and should have strong visibility in 2019."

Highlights

PHAROL

(Euro million)	2018	2017
EBITDA	(5.3)	(4.8)
Net losses	(5.6)	(806.5)
Assets	161.7	269.1
Liabilities	15.4	7.4
Equity	146.2	261.8

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

01. FINANCIAL REVIEW

FINANCIAL REVIEW

As at December 31, 2018, PHAROL main assets are composed of (1) 166,710,904 common shares of Oi, S.A. (“Oi”), representing 6.8% 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, and (3) the Call Option on 25,614,830.88 common shares and 51,229,661.76 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.

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

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

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

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

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

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

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

Corporate Reorganization, BRATEL B.V. now directly holds (and PHAROL indirectly holds) 183,662,204 common shares of Oi S.A., which represent 22.24% of Oi S.A.'s entire share capital (27.18% excluding treasury shares).

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

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

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

In 2018, the consolidated net loss amounting to Euro 5.6 million, mainly reflecting (1) consolidated operating costs of Euro 5.3 million, (2) a loss of Euro 1.15 million resulting from a downward revision of the value of the Call Option on Oi 's shares, and (3) with a gain on a credit note received in the amount of about Euro 800 thousand.

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT		
	Euro million	
	2018	2017
Wages and salaries	1.6	1.9
Supplies, external services and other expenses	3.3	2.7
Indirect taxes	0.4	0.3
Loss before financial results and taxes	(5.3)	(4.8)
Depreciations	0.1	0.1
Earnings before interest and taxes	(5.4)	(4.9)
Net other gains	11.6	(2.8)
Loss before financial results and taxes	(17.0)	(2.1)
Net interest income	(0.0)	(0.0)
Losses in associates	-	792.7
Net losses on financial assets and other investments	0.9	11.3
Net other financial losses (gains)	0.2	0.5
Loss before taxes	(18.2)	(806.5)
Income taxes	(12.5)	0.0
Attributable to equity holders of PHAROL, SGPS S.A.	(5.6)	(806.5)

Consolidated operating costs amounted to Euro 5.3 million in 2018 compared to Euro 4.8 million in 2017.

This evolution is mainly explained by (1) an increase in costs with legal services and legal assistance in relation to the various processes between PHAROL and Oi in 2018, (2) an increase in indirect tax costs resulting from the contracting of more services, and (3) partially compensated by a reduction in wages and salaries costs.

In 2017, as a result result of the recycling of accumulated exchange reserves that have been recorded since the acquisition of the investment in Oi, the net losses on associates amounted to Euro 793 million. In 2018, following the adoption of IFRS 9, all changes in the value of the investment in Oi are recorded directly in Shareholders' Equity and are not reflected in the results.

Losses on financial assets and other net investments on December 31, 2018 include the devaluation of the value of the Call Option in the amount of Euro 926 thousand.

In 2017 the devaluation of financial assets amounted to Euro 11.3 million and reflect (1) the updating of the recovery value of the Rio Forte debt instrument, representing a loss of Euro 11.1 million and (2) the devaluation of the value of the Call Option to Euro 0.15 million.

The net profit attributable to PHAROL's Shareholders decreased by Euro 5.6 million in 2018 compared to a loss of Euro 806.5 million in the same period in 2017. The net loss in 2018 mainly reflects the consolidated operating costs of Euro 5,3 million, and (2) a loss of Euro 1,15 million resulting from a devaluation of the Call Option. The net result for 2017 reflects the reversal of Oi's foreign exchange reserves since the acquisition in the amount of 960.5 million Euros, partially compensated by the appreciation of Oi's investment to the market value of 167.7 million Euros, the recoverable amount of the investment in the securities issued by Rio Forte and operating costs.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position		
	Euro million	
	2018	2017
ASSETS		
Cash and cash equivalents	38.1	25.2
Accounts receivable	1.9	0.1
Tangible assets	0.1	0.1
Taxes receivable	0.1	0.1
Financials assets	46.9	167.8
Other assets	74.7	75.8
Total assets	161.7	269.1
LIABILITIES		
Short-term debt	0.1	0.1
Accounts payable	0.1	4.7
Accrued expenses	1.7	1.5
Taxes payable	0.2	0.2
Provisions	12.5	0.0
Other liabilities	0.9	0.9
Total liabilities	15.4	7.4
Total equity	146.2	261.8
Total liabilities and shareholders' equity	161.7	269.1

The cash position and accounts receivable, net of liabilities related to gross debt, accounts payable, accrued costs and taxes payable represented Euro 38 million at December 31, 2018 and Euro 18.8 million at December 31, 2017.

The financial assets correspond essentially to the effective investment of PHAROL in Oi of 6.8%, which at December 31, 2018 and 2017 is recorded at market value.

"Other assets" on December 31, 2018, amounting to Euro 74.7 million, correspond essentially to the fair value of the assets received on March 30, 2015 under the Exchange, including Euro 74.6 million estimated value of the debt instruments issued by Rio Forte, whose nominal value amounts to Euro 897 million, and on December 31, 2018 no realizable value was attributed in relation to the Call Option.

Equity amounted to Euro 146.3 million at December 31, 2018, compared to Euro 261.8 million at December 31, 2017, a decrease of Euro 115.5 million, mainly reflecting (1) a loss on the value of the investment of Oi to the market value in the amount of Euro 120 million, (2) operating costs in the amount of Euro 5.3 million, and was partially compensated (3) by the gain from the sale of shares and of exercise rights for the capital increase of Oi.

OI RESULTS KEY HIGHLIGHTS

The information within this section arise from the 3Q2018 Report of Oi.

- Oi anticipates the beginning of the investment cycle provided in the Incremental CAPEX Plan, leveraging the robustness and capillarity of its network, enabling the expansion of the fiber broadband service to the client's house and the expansion of 4G and 4.5G coverage.
 - Capex reached R\$1.5 billion in the quarter, up 12.2% year-over-year and 10% quarter-over-quarter.
- The network reuse approach to promote the massification of fiber leverages the structuring strategy for growth of high-speed broadband.
 - At the end of October, Oi reached the year's target of 25 cities with FTTH and the expectation is to end 2018 with over 1 million HPs with FTTH.
- Ongoing improvement of the operational efficiency and strict control of costs.
 - In 3Q18, routine Opex fell 8% year-over-year, decrease of 12% in real terms, considering the inflation in the period.
- Revenue from Mobile segment had positive results and sequential performance better than the market, with new portfolio of plans.
 - In 3Q18, mobile customer revenue reversed the downward trend, up 1.9% over the previous quarter.
- Residential segment reduced pace of decline in revenue, sustained by Pay TV growth above the market and greater intensification of commercial activity with regionalized market approach in broadband.
 - Sequential decline in revenue was 1.5% in 3Q18, comparing to 3.9% in 2Q18.
- B2B had an increase in new contracted revenues and is increasingly offering digital services.
 - Company focuses on IT services and digitization and reinforces the customer loyalty and retention of Corporate clients.
- EBITDA is in line with the Judicial Reorganization Plan.
 - Routine EBITDA from Brazilian operations totaled R\$ 1.45 billion in 3Q18, with a routine EBITDA margin of 26.8%

	in R\$ million*			
	9M18	9M17	3T18	3T17
Oi S.A. Pro-forma				
Total Net Revenues	16,695	17,962	5,481	5,964
EBITDA	4,594	4,945	1,459	1,605
EBITDA Margin (%)	27.5%	27.5%	26.6%	26.9%
Consolidated Net Earnings (Loss)	27,949	-4,338	-1,336	-19
Net Debt	10,976	44,109	10,976	44,109
Available Cash	5,161	7,717	5,161	7,717
CAPEX	4,021	3,847	1,526	1,346

*Or otherwise stated

	in R\$ million*			
	9M18	9M17	3T18	3T17
BRAZIL				
Revenue Generating Unit ('000)	58,832	62,931	58,832	62,931
Residential	15,173	16,121	15,173	16,121
Personal Mobility	36,454	39,626	36,454	39,626
Corporate / SMES	6,565	6,543	6,565	6,543
Public Telephones	640	641	640	641
Total Net Revenues	16,543	17,775	5,431	5,918
Net Services Revenues (1)	16,409	17,606	5,382	5,863
Residential	6,399	6,902	2,084	2,321
Personal Mobility	5,289	5,588	1,765	1,884
Clients (2)	4,944	5,222	1,670	1,761
Corporate / SMEs	4,546	4,926	1,474	1,596
Net Clients Revenues (2)	15,884	17,042	5,230	5,676
Routine EBITDA	4,576	4,890	1,454	1,597
Routine EBITDA Margin (%)	27.7%	27.5%	26.8%	27.0%
CAPEX	3,992	3,794	1,502	1,339
Routine EBITDA - CAPEX	583	1,095	-49	258

*Or otherwise stated

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

02. BUSINESS PERFORMANCE

Below we list all the events that occurred between January 1, 2018 and February 22, 2019, that can be read in full at PHAROL's website (www.pharol.pt).

QUALIFIED PARTICIPATIONS IN PHAROL

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

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

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

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

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

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

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

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

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

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

16/Feb/2018 | Norges Bank held a qualifying holding of 3.203% of PHAROL's share capital and voting rights.

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

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

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

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

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

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

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

16/Apr/2018 | Norges Bank held a qualifying holding of 2.89% stake in PHAROL's share capital and voting rights.

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

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

23/Apr/2018 | Norges Bank held a qualifying holding of 1.37% of PHAROL's share capital and voting rights, divided into 6,573,482 shares directly held and 5,712,423 shares in a loan with the right to recall at any time.

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

25/Apr/2018 | Adar Capital Partners Ltd. held a qualifying holding of 7.01% of PHAROL's share capital and voting rights.

27/Apr/2018 | Adar Capital Partners Ltd. held a qualifying 10.28% stake in PHAROL's share capital and voting rights, divided into 76,444,022 indirectly owned shares and 15,758,280 shares through a swap agreement.

03/Jan/2019 | Blackhill Holding Limited, LLC. held a qualifying holding of 43,311,406 shares, representing 4.83% of PHAROL's share capital and voting rights.

03/Jan/2019 | High Seas Investments, LLC decreased its share of 7.24% to 2.41% of PHAROL's share capital and voting rights.

04/Jan/2019 | Grupo Visabeira SGPS, S.A. reported that it sold a total of 1,000,000 shares, representing 0.1115% of the share capital and voting rights of PHAROL.

As a result of the sales, Grupo Visabeira SGPS, S.A. became the holder of 15,067,041 shares, representing 1.6806% of the share capital and voting rights of PHAROL.

Furthermore, pursuant to the provisions of article 20 of the Portuguese Securities Code, in view of the existing holdings, Fernando Campos Nunes (NIF: 175,776,083) is deemed to be responsible for the total of 15,067,041 shares representing the share capital of PHAROL SGPS, SA, corresponding to 1.6806% of the share capital and voting rights.

10/Jan/2019 | Blackhill Holding Limited, LLC reported that are attributable to Nelson Tanure 43,311,406 shares representing 4.83% of the capital and voting rights of PHAROL acquired by Blackhill Holding Limited LLC, of which he is a beneficial owner, and further informed that Nelson Tanure holds a personal title of 10,000 shares representing 0.00111%. In total, 43,321,406 shares are attributable to Nelson Tanure, corresponding to 4.83% of PHAROL's share capital and voting rights.

CORPORATE EVENTS OF PHAROL AND OI

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

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

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

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

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

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

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

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

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

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

14/May/2018 | Oi issued the minutes of the Extraordinary General Meeting of Oi, held on May 14, 2018.

16/May/2018 | Oi informed that its Comprehensive Annual Report (Form 20-F) for the years ended December 31, 2016 and December 31, 2017 has been filed with the United States Securities and Exchange Commission (SEC) on this date.

25/Apr/2018 | PHAROL reported on Notice to the Annual Shareholders' Meeting of May 25, 2018.

18/May/2018 | PHAROL informed that, following the receipt of a letter from Mrs. Maria Rita de Sousa Coutinho, a member of the list proposed by the Shareholders for the Board of Directors to be elected for the 2018/2020 triennium, in which she stated that did not collected the conditions to assume the director position, for personal reasons, the Chairman order that "In view of the supervening impossibility, I understand that the name of Mrs. Rita de Sousa Coutinho should be removed from the list to be submitted to the General Meeting.

25/May/2018 | PHAROL informed that that the following resolutions were adopted by the Shareholders at the Annual Meetings of Shareholders:

1. Approval of the management report, balance sheet and accounts for the year 2017;
2. Approval of the consolidated management report, balance sheet and accounts for the year 2017;
3. Approval of the transfer of the net loss for the year ended on December 31, 2017, in the amount of 782,767,357 Euros, to retained earnings;
4. Approval of a general appraisal of the Company's management and supervision;
5. Approval of on the ratification of new members of the Board of Directors, Jorge Augusto Santiago das Neves, Nelson Sequeiros Rodriguez Tanure, Thomas Cornelius Azevedo Reichenheim e Aristóteles Luiz Menezes Vasconcelos Drumond for the remaining of the three-year period 2015-2017;
6. Election of the members of the corporate bodies and the Compensation Committee for the three-year period 2018-2020:

Board of the General Meeting

Chairman: Diogo Campos Barradas de Lacerda Machado

Secretary: Maria de Lourdes Vasconcelos Pimentel da Cunha Trigoso

Board of Directors

Chairman: Luís Maria Viana Palha da Silva

Directors:

Jorge Telmo Maria Freire Cardoso

Nelson Sequeiros Rodriguez Tanure

Aristóteles Luiz Menezes Vasconcellos Drummond

Bryan Schapira

Maria do Rosário Amado Pinto Correia

Pedro Zañartu Gubert Morais Leitão

Jorge Augusto Santiago das Neves

João Manuel Pisco de Castro

Fiscal Council

Chairman:

José Maria Rego Ribeiro da Cunha

Members:

Isabel Maria Beja Gonçalves Novo

Thomas Cornelius Azevedo Reichenheim

Alternate Member:

Paulo Ribeiro da Silva

Remuneration Committee

Chairman:

António Sarmiento Gomes Mota

Francisco José Queiroz de Barros Lacerda

Pedro Miguel Ribeiro de Almeida Fontes Falcão

7. Election of BDO & Associados – SROC, Lda., represented by Rui Carlos Lourenço Helena, as Statutory Auditor, for the term of office of 2018-2020, and of Pedro Manuel Aleixo Dias as alternate Statutory Auditor.
8. Approval of the Amendment of article 4, number 3 and article 8 number 3 of the by-laws of the Company;
9. Approval of the acquisition and disposition of own shares;
10. Approval of the statement of the Compensation Committee on the remuneration policy for the members of the management and supervisory bodies of the Company.

08/Jun/2018 | PHAROL informed that, at a meeting held on May 25, 2018, its Board of Directors resolved to appoint as Secretary of the Company, for the term of office 2018-2020, Luís Manuel da Costa de Sousa de Macedo (effective) and Maria de Lourdes Vasconcelos Pimentel da Cunha Trigo (alternate).

02/Aug/2018 | Oi convened an Extraordinary General Meeting for September 3, 2018 to deliberate on: (1) To approve the amendment to Article 5 of the Bylaws, in view of the partial approval of the Capital Increase - Capitalization of Credits, pursuant to Clause 4.3.3.5 of the Company's Judicial Reorganization Plan, by the Board of Directors on July 20, 2018; (2) To approve the proposed amendment to the Company's authorized capital limit, with the consequent alteration of Article 6 of the Bylaws; (3) To approve the proposed amendment to the new Article in the Section " Final and Transitory Provisions" of the Bylaws in order to adapt the Bylaws to the provisions of the Company's Judicial Reorganization Plan with respect to the composition of the New Board of Directors; (4) To approve the broad reform of the Bylaws, as amended by the Management Proposal, among which the following should be highlighted: (a) the termination of the positions of alternate members of the Board of Directors; (b) the adjustment of certain rules for the election of the Chairman and the Vice Chairman of the Board of Directors; (c) the adjustment of certain rules of disability or temporary absence of the Chairman of the Board of Directors; (d) the adjustment of certain

powers of the Board of Directors; (e) the adjustment of the rules regarding the creation of Advisory Committees by the Board of Directors; and (f) the adjustment of the rules related to the transfer of control of the Company, cancellation of the company's registration as a publicly-held company and the removal from the special listing segments of B3; and (5) To ratify the election of the Consensual Sheet indicated by the Company's management for the composition of the New Board of Directors, pursuant to Clause 9.3 and subclauses of the Company's Judicial Reorganization Plan.

18/Aug/2018 | Oi reported on the postponement of the Extraordinary General Meeting for September 17, 2018.

07/Sep/2018 | PHAROL informed that the following resolutions were adopted by the Shareholders at the Extraordinary General Meeting Of Shareholders:

1. Election for diretor Mrs. Maria Leonor Martins Ribeiro Modesto;
2. Approval of the share capital increase, in cash and limited to shareholders, from €26,895,375.00 (twenty-six million, eight hundred and ninety-five thousand, three hundred and seventy-five euros) up to €55,482,427.11 (fifty-five million, four hundred eighty-two thousand and four hundred twenty-seven euros and eleven cents), or a lower amount, as deemed convenient to participate in Oi's share capital increase;
3. Approval of the amendment of Article 4 of the Company's Articles of Association (Share capital).

13/Sep/2018 | PHAROL informed that, at the 7th section of the Commercial Court of the Capital of Rio de Janeiro State, following request by the companies under recovery that the undergoing suspension of Directors' mandates be lifted, on 10th September, the court decided as follows:

"(...) the request, by the companies under recovery, that the Board members return shall not be accepted in so far as the suspension of the political rights remains in force until such companies complete the capital increase procedure (meaning with new funds)"

PHAROL further informs that, on what concerns the injunction filed against OI and its subsidiaries in Portugal, PT Ventures SGPS, S.A., PT Participações, SGPS, S.A., TPT – Telecomunicações Públicas de Timor, S.A., Oi – Investimentos Internacionais, S.A. and Directel – Listas Telefónicas Internacionais, Lda., referred to in the announcement dated 22nd June 2018, the injunction was rejected and an appeal against this decision is pending as well.

18/Sep/2018 | PHAROL reported that it was not present at the Oi's EGM on September, 17, because, although the duly mandated representative of PHAROL appeared at the place of the EGM, Oi prevented the shareholders whose votes are suspended by decision taken in the Judicial Recovery process of Oi from attending the EGM.

11/Oct/2018 | PHAROL informed that the Brazilian Superior Court of Justice – STJ, concluded the rulling on the Conflict of Jurisdiction raised by Oi S.A. (in judicial reorganization), being recognized the claim presented by PHAROL by means of it's subsidiary Bratel S.à.r.l., directly interested as Oi's largest individual shareholder. The STJ's Second Section, by 5 votes against 2, "declared the Arbitration Court of the Câmara de Arbitragem do Mercado de São Paulo – SP competent to rule the corporate disputes arising from the Corporation Law or Oi's Bylaws".

23/Oct/2018 | PHAROL informed that, following a preliminary injunction requested by the shareholder Telemar Norte Leste, SA - In Judicial Recovery ("Telemar Norte"), a wholly-owned entity owned by Oi, SA - In Judicial Recovery ("Oi"), the Court (Tribunal de Comércio de Lisboa) has decided to suspend the resolution for the election of corporate bodies for the three-year period of 2018/2020 taken at the General Meeting of May 25, 2018.

29/Oct/ 2018 | PHAROL informed that on October 26, 2018 the Arbitrator indicated by the Câmara de Arbitragem do Mercado of São Paulo Stock Exchange issued a decision staying the effects of any deliberation related to the capital increase of Oi S.A. – under judicial reorganization ("Oi") in the amount of BRL 4,000,000,000.00, as provided for Section 6 of Oi's judicial reorganization plan.

08/Nov/2018 | PHAROL informed that has filed in the Civil Court – Judge 18 of the Judicial Court of the District of Lisbon, the main court action against Oi, S.A. requesting the payment to PHAROL an indemnity in the total amount of € 2.017.108.646,58, including due and falling interest.

23 / Nov / 2018 | PHAROL informed that at the Extraordinary General Meeting of Shareholders held today, the Shareholders resolved:

- To revoke the share capital increase resolution, dated September 7th, 2018;
- To amend article 4, number 3 of the by-laws of PHAROL, which will be worded as follows: "3. Upon favourable opinion of the Fiscal Council, the Board of Directors may increase the share capital, on one or more occasions, through capital contributions in cash, up to Euro 80,000,000.00 after a resolution has been passed at the General Meeting of Shareholders fixing the parameters to which such share capital increase or increases shall be subject. The global authorized amount includes not only the nominal value of each issue of capital but also any eventual issue premium(s). For the calculation of the global amount of Euro 80,000,000.00 any convertible bonds issued as per article eight of the by-laws are accounted for as well."
- Pursuant to article 4, numbers 3 and 4 of the by-laws of the Company, to authorize the Board of Directors to increase the nominal amount of the share capital of the Company, from €26.895.375,00 up to € 55.482.427,11, through new cash contributions, with or without premium, with the global maximum amount of authorized new money being €70.038.277,67, destined to the shareholders of the Company in the exercise of their subscription rights or those who acquire such subscription rights, and established the further parameters of the authorized capital increase.

The Shareholders further resolved to suspend the meeting until 11 January 2019. Information on the resumption of the meeting will be published on a separate notice.

12/Dec/2018 | PHAROL informed that existing market conditions are not favourable to a share capital increase of PHAROL. On the other hand, the COMPANY may resort to other instruments in order to follow its interests in Oi. More specifically, its participation in the capital increase of Oi may be implemented through a combined management of its cash, subscription rights and shares in Oi.

09/Jan/2019 | PHAROL informed that Oi and its shareholder Pharol/Bratel have reached an agreement for the termination and extinction of any and all judicial and extrajudicial litigation in Brazil, Portugal and all the various countries where there are ongoing discussions involving companies of the two groups.

The agreement is in line with the most modern practices of alternative dispute resolution, which the 7th Corporate Court of Rio de Janeiro has already declared effective.

Oi's and Pharol's Boards of Directors have unanimously approved the agreement. Oi's management and Pharol are in good faith aligned as to Oi's best interests, so that the Company may focus entirely on its operational turnaround and eliminate the distractions and costs relating to litigation.

The terms of the agreement, which have been stipulated in detail in a specific legal instrument, will only be considered valid and effective after approval by the restructuring court. The terms and conditions of this legal instrument are summarized below:

I.Objective:

The extinction of all litigation between Oi and Pharol.

II.Conditions to be met by Oi:

- a) EUR 25 million payment to Pharol.
- b) Delivery of 33.8 million shares of Oi held in treasury to Pharol.
- c) confirmation of obligations, assumed by Oi, with respect to the assumption of costs with judicial guarantees related to legal proceedings of Pharol in Portugal;
- d) future deposits in an escrow account of amounts to cover losses relating to tax proceedings whose chance of loss is assessed as probable, according to obligation.

III.Conditions to be met by Pharol:

- a) use of a minimum of EUR 25 million in the subscription of the Capital Increase – New Resources provided for the Company in its Judicial Reorganization Plan;
- b) attendance and favorable vote in any of Oi's General Shareholders Meetings concerning the approval or ratification of any act or measure contemplated in the Judicial Reorganization Plan;
- c) maintenance of alignment with Oi and support in all instances for the implementation of the approved and ratified Judicial Reorganization Plan; and
- d) authorization of Oi's use of any amount returned to Pharol by the Portuguese Tax Authority beginning on March 24, 2015, with guarantee costs and tax-related contingencies, for the purposes of item II.c.d, above.

Oi will also have the right to nominate a member to Pharol's Board of Directors for this mandate, and failure to implement this right is a condition for termination of the agreement.

11/Jan/2019 | PHAROL informed that at the Extraordinary General Meeting of Shareholders held today, the Shareholders resolved to suspend the meeting until 8 February 2019.

15/Jan/2019 | Oi convened the AGM for April 30, 2019.

28/Jan/2019 | Oi informed that on January 25, 2019, 1,604,268,162 new common shares, corresponding to the balance of new common shares not subscribed by the shareholders during the exercise period of the preemptive right and the period for subscription of excess shares in the Capital Increase – New Resources.

28/Jan/2019 | PHAROL informed that has subscribed 127,548,955 new shares in the context of the capital increase of Oi, which the final figures were disclosed today. Using its own funds, PHAROL subscribed 41,827,181 new shares. In addition to the 166,710,904 shares previously held, if the agreement is approved and these operations take effect, PHAROL will hold 328,059,859 shares, representing 5.51% of Oi's share capital.

08/Feb/2019 | PHAROL informed that the following resolutions were adopted by the Shareholders at the Annual Meetings of Shareholders held today:

1. Election of the members of the corporate bodies and the Compensation Committee for the three-year period 2018-2020:

Board of the General Meeting

Chairman: Diogo Campos Barradas de Lacerda Machado

Secretary: Maria de Lourdes Vasconcelos Pimentel da Cunha Trigo

Board of Directors

Chairman: Luís Maria Viana Palha da Silva

Directors:

Jorge Telmo Maria Freire Cardoso

Nelson Sequeiros Rodriguez Tanure

Bryan Schapira

Maria do Rosário Amado Pinto Correia

Pedro Zañartu Gubert Morais Leitão

Jorge Augusto Santiago das Neves

Avelino Cândido Rodrigues

Maria Leonor Martins Ribeiro Modesto

Isabel Maria Ferreira Possantes Rodrigues Cascão

Aristóteles Luiz Menezes Vasconcellos Drummond

Fiscal Council

Chairman:

José Maria Rego Ribeiro da Cunha

Members:

Isabel Maria Beja Gonçalves Novo

João Manuel Pisco de Castro

Alternate Member:

Paulo Ribeiro da Silva

Remuneration Committee

Chairman:

António Sarmiento Gomes Mota

Francisco José Queiroz de Barros Lacerda

Pedro Miguel Ribeiro de Almeida Fontes Falcão

29/Jan/2019 | Oi informed that the date of the AGM convened changed to April 26, 2019.

09/Feb/2019 | Oi informed that it approved the repurchase aims to guarantee that the Company will undertake its commitment assumed by the Company to transfer the shares of its issuance held in escrow to Bratel S.À.R.L. ("Bratel"), wholly-owned subsidiary of Pharol SGPS, S.A., pursuant to the agreement executed between them, as disclosed in the Material Fact dated as of January 8, 2019.

OTHER MATERIAL EVENTS OF PHAROL AND OI

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

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

22/Jun/2018 | PHAROL informed that it has filed, before the judge 18 of the Civil Central Division of the First Instance Court of Lisbon, an injunction against Oi, S.A. - In Judicial Reorganization and its subsidiaries with headquarters in Portugal, PT Ventures, SGPS, S.A., PT Participações, SGPS, S.A., TPT – Telecomunicações Públicas de Timor, S.A., Oi Investimentos Internacionais, S.A. and Directel – Listas Telefónicas Internacionais, Lda., requesting the seizure of goods, money and rights. This seizure aims to ensure the payment of Oi, S.A. to PHAROL of an indemnity in terms to be determined in the main proceedings.

01/Feb/2019 | PHAROL informed that the curators of Espírito Santo International SA, a Luxemburg law company, declared bankrupted in October 2014 ("ESI"), have summoned PHAROL as a precautionary measure to interrupt any period of limitation, in view of a possible cancellation of Notes' payments, made by ESI, during the month of January 2014. PHAROL reaffirmed that it does not owe any moneys whatsoever to ESI. PHAROL will therefore challenge the proceedings and exercise all available and adequate rights, for the protection of PHAROL's stakeholders. PHAROL furthermore reaffirms that the case is totally ungrounded.

EVENTS RELATED TO THE OI JUDICIAL RECOVERY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

09/Mar/2018 | Oi informed that in addition to the Market Announcements released on February 06 and 27, 2018, to its shareholders and to the market in general, the deadline for the bondholders of the Company and its subsidiaries Oi Móvel SA - In Judicial Recovery, Copart 4 Participações SA - In Judicial Recovery, Copart 5 Participações SA - In Judicial Recovery, Portugal Telecom International Finance BV - In Judicial Recovery and Oi Brazil Holdings Coöperatief UA - In Judicial Recovery (collectively, "Recuperandas") to

choose between the payment options of their respective credits, as provided in the Recovery Plan for Judicial Recovery ("Plan"), which had been extended by the 7th Business Court of the Capital of the State of Rio de Janeiro on February 26, 2018, ended at the end of March 08, 2018.

14/Mar/2018 | Oi informed that he took note on March 13, 2018, of a decision of Minister Marco Buzzi of the Second Section of the Superior Court of Justice that granted an injunction requesting a conflict of jurisdiction presented by the Company, suspending the effects of the decision rendered by the arbitral tribunal in the arbitration proceeding initiated against the Company by Bratel S.A.RL, appointing the 7th Business Court of Rio de Janeiro / RJ to resolve, on a provisional basis, any urgent measures, pending further deliberation of that rapporteur.

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

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

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

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

Oi also proceeded to anticipate the following accounting information:

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

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

The other accounting effects not mentioned in this Material Fact will be timely detailed when the financial statements for the 2017 fiscal year are disclosed.

The table below summarizes the main impacts of the adjustments made with respect to the period at hand.

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

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

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

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

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

The details of the adjustments are described below:

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

This involves impairment and adjustments to equity accounts related to deferred income tax and social contribution that are calculated based on the forecast of profits to be earned by the Company. CVM Normative Ruling No. 371, dated June 27, 2002, provides for the recording of deferred tax asset arising from temporary differences and tax losses and negative basis of social contribution, and allows such credits to be recognized or maintained in accordance with the following requirements:

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

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

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

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

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

– the reduction in the number of filings of court proceedings.

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

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

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

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

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

With the approval of the Plan at the General Creditors' Meeting on December 20, 2017 and its confirmation by the Judicial Reorganization Court on February 5, 2018, the Company understood that the necessary conditions were met for the definition of the assumptions to be used in the annual impairment test of defined and long-term assets for the years ended December 31, 2016 and 2015 under CPC 01 - Reduction of the Recoverable Value of Assets. The adjustment of this revaluation is reflected in a partial write-off of the appreciation of the asset, net of taxes, in the amount of R\$2.2 billion, in the Company's shareholders' equity as of December 31, 2017.

• **Provision for Regulatory Liabilities**

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

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

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

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

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

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

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

11/Apr/2018 | Oi informed Qualified Bondholders with credits in the amount of US \$ 8,462,921,552.92 (or its equivalent in reais or euros) opted for the payment as provided in Sections 4.3.3.2 and following of the Plan (Option Unsecured Bonds of Qualified Bondholders). The total dilution resulting from the delivery

of the financial instruments package provided for in said Plan Clause, in the context of the capital increase approved at the Board of Directors' Meeting held on March 5, 2018, will be 72.12%, in the event that all Bondholders Qualifiers take the necessary steps to participate in the Exchange Offer.

04/Jun/2018 | Oi informed that the verification meetings of Portugal Telecom International Finance B.V. – In Judicial Reorganization and Oi Brasil Holdings Coöperatief U.A. – In Judicial Reorganization were held starting at 10.00 am (CET) on 1 June 2018 at the Court of Amsterdam, the Netherlands in relation to each of their Dutch law composition plans will give effect to the RJ Plan internationally.

11/Jun/2018 | Oi informed that the PTIF and Oi Coop ratification hearings were held at the Amsterdam Court of the Netherlands, and that the Amsterdam Court subsequently confirmed the Plans at the type-approval hearing. The approval decision is subject to a period of 8 days for appeal, after which the Plans will take effect and, in accordance with Dutch Law, PTIF and Oi Coop will be exempt from bankruptcy.

11/Jun/2018 | Oi informed about the conditions for the exercise of preemptive rights by the holders of Oi's common and preferred shares with respect to the common shares, nominative and without par value to be issued in the Company's capital increase by means of the capitalization of part of the Unsecured Credits of the Qualified Bondholders as approved by the Company's Board of Directors in a meeting held on March 5, 2018.

11/Jun/2018 | Oi informed that the waiver of the conditions precedent to the Capital Increase – Capitalization of Credits was approved at a Creditor's Meeting held on this date.

14/Jun/2018 | Oi informed that the United States Bankruptcy Court for the Southern District of New York issued an order granting the relief requested in the motion submitted on behalf of Oi, Telemar Norte Leste S.A. – in Judicial Reorganization, Oi Brasil Holdings Coöperatief U.A. – in Judicial Reorganization and Oi Móvel S.A. – in Judicial Reorganization (all debtors together, the "Chapter 15 Debtors") seeking full force and effect the RJ Plan in the United States and for purposes of U.S. law with respect to each of the Chapter 15 Debtors. The order also authorizes steps required to consummate the RJ Plan.

15/Jun/2018 | Oi reported that PTIF and Oi Coop initiated the settlement procedures for bondholders.

19/Jun/2018 | Oi informed that it has been aware of the order given by the Brazilian Competition Authority (Conselho Administrativo de Defesa Econômica – CADE), which approved the Company's application for a declaration that there is no need to adjudicate on the capital increase of the Company through the capitalization of part of the Unsecured Credits held by the Qualified Unsecured Bondholders ("Capital Increase"), in accordance with the judicial reorganization plan.

20/Jun/2018 | Oi informed that no appeal has been filed at the Amsterdam Court of Appeal against the decision that was rendered by the District Court of Amsterdam at the homologation hearing held on June 11, 2018 and confirmed the Dutch law composition plans. Given the expiration of the appeal period, the Plans are now effective as a matter of Dutch law and the bankruptcies of PTIF and Oi Coop have terminated.

03/Jul/2018 | Oi and PTIF announce that they have amended the terms of the settlement procedures set forth in the Information Statement, dated June 15, 2018.

05/Jul/2018 | Oi informed that is aware of the term for the filing of opposing statements against the order given by the Brazilian Competition Authority, which approved Oi's application for a declaration that there is no need to adjudicate on the capital increase of the Company through the capitalization of part of the Unsecured Credits held by the Qualified Unsecured Bondholders, in accordance with the judicial reorganization plan approved has expired with no opposing statements. Therefore, since the aforementioned decision has been fully confirmed, the proceeding before CADE has terminated and all Conditions Precedent set forth in the Plan for the Capital Increase have been duly satisfied or waived.

10/Jul/2018 | PHAROL, for its special relevance, reports an opinion by Gesner Oliveira - Professor of the Getúlio Vargas Foundation in São Paulo - on the "Analysis of the Socioeconomic Impacts of the Approval of the Oi Judicial Reorganization Plan" and an article by the same professor published on June 29, 2018 entitled "Judicial Reorganization of Oi generate a Legal Insecurity in the Country."

17/Jul/2018 | Oi informed that the term for the exercise of the preemptive right by the Company's shareholders to subscribe to the common shares to be issued in the capital increase, by means of Capitalization of Unsecured Credits of Qualified Bondholders ended on July 16, 2018.

18/Jul/2018 | PHAROL clarifies that, regarding to the Oi Judicial Recovery Plan, two capital increases were planned:

a) Capital Increase - Capitalization of Credits

Through issuance of new shares to Bondholders who opted to convert their credits into capital of Oi, and the minimum price of the issuance of these new shares was established at R \$ 7.00.

The issuance of these new shares should observe the pre-emptive right to the current shareholders, as provided for in Brazilian Law.

b) Capital Increase - New Resources

Through cash inflows in the amount of R \$ 4 billion, whose conditions are not yet known.

Regarding the Capital Increase - Capitalization of Credits, the deadline for the use of the right of subscription reserved for the current shareholders ended on July 16.

Considering the price at which the subscription right could be exercised and the current price per share of Oi, in compliance with the decision of the PHAROL Board at its meeting on 4 July, PHAROL did not subscribe the capital increase in a).

The Board of Directors of PHAROL has not yet taken any decision on the capital increase referred to in b) above.

20 / Jul / 2018 | Oi informed about the approval of the capital increase and extinction of the statutory restriction of voting.

23/Jul/2018 | Oi informed that due to the confirmation in part of the Capital Increase, the Company will refund the amounts paid to by the subscribers that conditioned their participation in the Capital Increase to the subscription of the maximum amount of shares of the Capital Increase, without interest or monetary restatement, through custodians of such subscribers, on July 25, 2018.

01/Aug/2018 | Oi informed that it learn on this date of a judgement rendered on July 30, 2018 by the Commercial Court of Lisbon – Judge Number 2 of the Judicial Court of the District of the Region of Lisbon, which reject at this moment the request submitted by the Company and its subsidiaries seeking the recognition in Portugal of the decision rendered by the 7th Corporate Court of the Judicial District of the Capital of the State of Rio de Janeiro on January 8, 2018 and published on February 5, 2018, which approved the Judicial Recovery Plan of the Recovering Entities approved at the General Meeting of Creditors held on December 19 and 20, 2017.

04/Sep/2018 | Oi informed it filed a registration statement on Form F-1 with the U.S. Securities and Exchange Commission of the proposed offer of rights to its common shares as provided in Clause 6 of the judicial reorganization plan.

03/Oct/2018 | Oi informed that on October 26, 2018 the Company's Board of Directors will meet to deliberate on the Company's capital increase through the private issuance of new common shares in the amount of R \$ 4,000,000,000, 00.

26/Oct/2018 | Oi informed that the Board of Directors approved the terms of the Company's capital increase by privately issuing new common shares as provided for in Clause 6 of the Judicial Recovery Plan.

26/Oct/2018 | Oi informed that it took cognizance of a decision rendered by the Lisbon Court of Appeal, in the context of the appeal filed by the Company and its Subsidiaries, which it recognized in Portugal and ordered the publication of the approval decision of the Recovery Plan Judicial

06/Nov/2018 | Oi informed that it had taken note of the decision rendered by the Arbitrator of Support in the arbitration proceeding initiated against the Company by the shareholder Bratel S.À.R.L. in the Market Arbitration Chamber, which reconsidered its previous decision, and the Company was authorized to proceed with the acts necessary to effect the Capital Increase - New Resources.

13/Nov/2018 | Oi informed the market about the conditions of Capital Increase - New Resources.

14/Nov/2018 | Oi reported 3Q2018 results.

11 / Dec / 2018 | Oi informed that the deadline for the exercise of preemptive rights related to Capital Increase - New Resources began on November 22, 2018, with an expiration scheduled to occur on December 26, 2018.

OTHER MATERIAL EVENTS IN OI

Below we list other material events about Oi:

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

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

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

27/Apr/2018 | Oi informed that it received on this date correspondence from JGP GESTÃO DE RECURSOS LTDA. and JGP GESTÃO PATRIMONIAL LTDA to inform that the Investors acquired common shares issued by Oi, to hold 39,027,862 shares of the Company's common stock. The aforementioned ownership represents 5.84% of the Company's common stock. 26,790,962 are common shares held directly by investors and 10,500,000 are shares acquired through stock loans. The investors hold 16,571,638 common shares referenced by unsecured derivatives instruments with exclusive financial liquidation and that do not aim to change the ownership of control or the administrative structure of the Company. There is no agreement or contract among the Investors regulating the exercise of voting rights or the purchase and sale of the securities issued by the Company.

12/Jun/2018 | Oi informed that it received on this date correspondence from JGP GESTÃO DE RECURSOS LTDA. and JGP GESTÃO PATRIMONIAL LTDA to inform that "as a result of trades made in the past days at the Bolsa de Valores de São Paulo – BOVESPA, the Investors sold common stock of Oi and now own 26,243,562 of the Company's common stock. The aforementioned ownership represents 3.93% of the Company's common stock. We further inform that the investors hold 19,583,038 common shares referenced by unsecured derivatives instruments with exclusive financial liquidation. The abovementioned trades do not aim to change the ownership of control or administrative structure of the Company. There is no understanding or agreement among the Investors regarding the exercise of voting rights or the purchase and sale of the securities issued by the Company."

25/Jun/2018 | Oi reported receiving correspondence from Goldman Sachs & Co. LLC. with the following information: On June 18, 2018, Goldman Sachs together with its affiliate Goldman Sachs International carried out transactions that resulted in a financial settlement derivative position equivalent to 36,064,923 Oi common shares or 5.4% of the company's common shares.

06/Jul/2018 | Oi reported receiving correspondence from Goldman Sachs & Co. LLC. with the following information: on July 2, 2018, Goldman Sachs together with its affiliate Goldman Sachs International conducted transactions that resulted in a financial derivative position equivalent to 30,581,120 common shares issued by Oi or 4, 58%.

19/Jul/2018 | Oi informed that it had received correspondence regarding the rectification of the share sale declaration of July 5, 2018, rectifying the transactions carried out that resulted in a position in financial settlement derivatives equivalent to 7,250,020 common shares issued by Oi or 1,09 % and to 12,375,663 preferred shares issued by Oi or 7.85%.

03. MAIN RISKS AND UNCERTAINTIES

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

Relevant Risks		
Economic Risks	Oi's Performance	With the Judicial Recovery measures already in their final phase of implementation and consequently PHAROL had suffered a dilution in its participation, PHAROL will again be subject in Brazil to the operational performance of the company Oi.
	Information Security	PHAROL is exposed on a daily basis to security risks, including the availability, integrity and confidentiality of the information.
Financial Risks	Exchange Rates	Foreign currency exchange rate risks relate mainly to PHAROL's investment in Oi (Brazil). Any exchange rate fluctuations of the Real against the Euro affect the valorization of Oi shares held by PHAROL, and therefore impact PHAROL's results and financial position. The Company does not have a hedging policy regarding the value of these investments.
	Interest Rate	Interest rate risks basically relate to financial expenses and the floating interest rate debt and cash applications. PHAROL is indirectly exposed to this risk specially in Brazil. It is important to point out that, at December 31, 2018 PHAROL has no debt. Market interest rates also affect the discount rates used for impairment testing to the various assets of the company.
	Treasury Applications	PHAROL is mainly subject to credit risks in its treasury applications.
		In order to dilute these risks, in July 2014 the Board of Directors defined a policy for treasury applications and this policy is annually rewied.
	Default by Rio Forte as to the reimbursement of the instruments that PHAROL holds following the execution of the Exchange	The Rio Forte Instruments currently held by PHAROL, are not guaranteed by assets. Therefore, even though there may exist amounts available for reimbursement to Rio Forte's creditors the right to reimbursement of PHAROL will be shared pro rata with the other unsecured creditors of Rio Forte and only after the repayment of all debts to any secured creditors, and after confirmation of the validity of the credits. PHAROL evaluates this instrument every year, with the supervision of the Fiscal Council and External Audit.
	The value of the Call Option on Oi's shares will depend primarily on the market price for Oi's ordinary and preferred shares, the price of	

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

04. QUALIFIED HOLDINGS

On December 31, 2018, qualified holdings represented about 41.21% of PHAROL share capital, as follows:

DATE OF INFORMATION	ENTITIES	NO. OF SHARES	% OF CAPITAL	% OF VOTING RIGHTS
02/05/2018	Adar Macro Fund LTD	92,202,302	10.28%	10.00%
	Adar Capital Partners Ltd.	92,202,302	10.28%	10.00%
	Adar Macro Fund Ltd.	92,202,302	10.28%	10.00%
	Total attributable	92,202,302	10.28%	10.00%
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	9.56%	
	Shares held by companies in a controlling or group relationship with Novo Banco, S.A.	916	0.00%	
	Shares held by directors and members of the Corporate Bodies	595	0.00%	
	Total attributable	85,666,636	9.56%	0.00%
24/05/2017	High Bridge Unipessoal, Lda.	55,304,969	6.17%	6.17%
	Full chain of controlled undertakings through which the voting rights and/or the financial instruments are effectively held starting with the ultimate controlling natural person or legal entity is formed Atlantis Global Investments, LLC.			
	Total attributable	55,304,969	6.17%	6.17%
05/12/2016	High Seas Investments LLC	46,657,016	5.20%	5.20%
	Full chain of controlled undertakings through which the voting rights and/or the financial instruments are effectively held starting with the ultimate controlling natural person or legal entity is formed Angra Capital Management LTD.			
	Total attributable	46,657,016	5.20%	5.20%

After December 31, 2018, there were changes in qualifying holdings as follows:

- **Jan 3, 2019** | Blackhill Holding Limited, LLC. holds a qualifying holding of 43,311,406 shares, representing 4.83% of PHAROL's share capital and voting rights.

- **Jan 3, 2019** | High Seas Investments, LLC has decreased its stake to 2.41% of PHAROL's share capital and voting rights.

- **Jan 10, 2019** | Blackhill Holding Limited, LLC reported that are attributable to Nelson Tanure 43,311,406 shares representing 4.83% of the capital and voting rights of PHAROL acquired by Blackhill Holding Limited LLC, of which he is a beneficial owner, and further informed that Nelson Tanure holds a personal title of 10,000 shares representing 0.00111%. In total, 43,321,406 shares are attributable to Nelson Tanure, corresponding to 4.83% of PHAROL's share capital and voting rights.

THE BOARD MEMBERS AND SUPERVISORY BODIES SHAREHOLDINGS

Under the terms of article 9, number 1 c), of Regulation number 5/2008 of CMVM, the following information is presented with respect to the qualified holdings held by the board members and supervisory bodies in PHAROL's share capital, which the company was informed about regarding December 31, 2018 or the previous date, as indicated:

Board of Directors

- Luís Maria Viana Palha da Silva owns 200,000 shares of PHAROL. He was appointed for the Board of Directors of PHAROL on May 29, 2015.
- Aristotle Luiz Menezes Vasconcellos Drummond does not own any securities of PHAROL or any other companies that are in a control or group relationship. He was appointed for the Board of Directors of PHAROL on September 28, 2017.
- João Manuel Pisco de Castro does not hold any securities of PHAROL or other companies that are in a controlling or group relationship. He finished his term on February 8, 2019.
- Jorge Augusto Santiago das Neves does not hold any securities of PHAROL or other companies that are in a controlling or group relationship. He was appointed for the Board of Directors of PHAROL on June 30, 2017.
- Jorge Telmo Maria Freire Cardoso does not own any securities of PHAROL or other companies that are in a domain or group relationship. He was appointed for the Board of Directors of PHAROL, on November 5, 2014. He is also an administrator of Novo Banco, SA. and served as an alternate member of Oi until February 17, 2016, when he resigned his position.
- 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.
- Nelson Sequeiros Rodriguez Tanure owns 10,000 shares of PHAROL. He was appointed for the Board of Directors of PHAROL on June 30, 2017.

- Pedro Zañartu Gubert Morais Leitão does not own any securities of PHAROL or any other companies that are in a control or group relationship. He was appointed for the Board of Directors of PHAROL on May 29, 2015.

In 2019, the following changes occurred:

- Nelson Sequeiros Rodriguez Tanure: on January 3, 2019, were attributed to him 43,321,406 shares, corresponding to 4.83% of PHAROL's capital and voting rights, through 43,311,406 shares representing 4.83% acquired by Blackhill Holding Limited LLC, of which it is an effective beneficiary and 10,000 shares representing 0.00111% held by his own.

Fiscal Council

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

- José Maria Rego Ribeiro da Cunha
- Isabel Maria Beja Gonçalves Novo
- 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

05. OUTLOOK

PHAROL, SGPS, SA, has been focusing its attention on a limited portfolio of assets. Resulting from an unsuccessful merger with the Brazilian telecommunications company Oi, PHAROL reduced its stake in the company from around 39.7% initially forecast to 27.18%, and in 2018 saw its presence diluted successively to 7.8% and 6.8%, as a result of the capital increases decided in the scope of the Judicial Recovery in which Oi is involved. Also as a result of the failure of the merger, PHAROL received a claim on the Luxembourg company Rio Forte, which in 2014 went bankrupt.

The valuation of the assets has been demanding a continuous exercise of legal rights in the most diverse spheres, most of the time through litigation. It is therefore not surprising that a great part of PHAROL's costs have been incurred by contentious activities, using external lawyers.

In January 2019, PHAROL and Oi signed an agreement aiming at the withdrawal by both parties of all disputes between them, opening the door to a new phase of PHAROL's participation in Oi's life, based on the contribution to improvement operational efficiency and investments in the Brazilian market. This agreement also depends on judicial approval, but PHAROL is convinced that the advantages for both companies and their stakeholders are very relevant, hoping for a favorable decision, a scenario in which PHAROL's stake in Oi will increase to 5.51%.

With regard to Rio Forte, there continues to be a great deal of delays and complexity in the bankruptcy process, which has neither allowed nor transparency regarding the time horizon of judicial decisions nor any prospects of credit transactions.

The conviction that, despite significant progress in the case of Oi, the resolution of some of PHAROL's main problems should not have an immediate outcome has led the company to manage its cost structure with prudence and to keep in treasury the necessary resources to a longer schedule.

PHAROL has also been studying possibilities for managing these financial resources in diversified investment that, in addition to creating value for its shareholders, can also efficiently use the high tax credit that PHAROL holds as a result of the high losses in its participation in Oi and of impairment in the credit for Rio Forte, which have already been recorded.

06. STATEMENT FROM THE BOARD OF DIRECTORS

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

- The information featured in the management report, financial statements, and other accountability documents required by law or regulations concerning to 2018, was prepared in accordance with the applicable set of accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of PHAROL, SGPS S.A. and companies included in the respective consolidation perimeter;
- 2017 management report outlines the progress of the business activities, the performance and position of PHAROL, SGPS, SA and companies included in the respective consolidation perimeter, and it contains a correct description of the main risks and uncertainties that these entities face.

Lisbon, February 28, 2019

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

Aristóteles Luiz Menezes Vasconcellos Drummond, Board Member

Avelino Cândido Rodrigues, Board Member

Bryan Schapira, Board Member

Isabel Maria Ferreira Possantes Rodrigues Cascão, Board Member

Jorge Augusto Santiago das Neves, Board Member

Jorge Telmo Maria Freire Cardoso, Board Member

Maria do Rosário Amado Pinto Correia, Board Member

Maria Leonor Martins Ribeiro Modesto, Board Member

Nelson Sequeiros Rodriguez Tanure, Board Member

Pedro Zañartu Gubert Morais Leitão, Administrador não executivo

07. ACTIVITIES OF THE NON-EXECUTIVE DIRECTORS

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

During 2018, PHAROL's Non-Executive Directors could carry out their duties effectively and without constraints of any kind. In this context, the following activities are highlighted:

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

On December 31, 2018, PHAROL's Board includes 7 independent directors corresponding to 89% of the Non-Executive directors and more than 80% of the Board members, with an active and assiduous participation in the Board meetings.

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

- Such concentration of roles in one person is fully in line with the efficient and rigorous performance of functions by Board members in the current period; the actual governance model maintains the segregation of powers between the Board and the Executive Committee, through the roles carried out by the Non-Executive Directors.
- In 2018, PHAROL's Board of Directors kept in place various practices and mechanisms aiming at facilitating the informed and independent decision making by Non-Executive Directors, including inter alia the following:
 - Managing Director providing detailed presentations during the meetings of the Board of Directors, regarding relevant issues concerning the activity developed, granting the Non-Executive Directors any additional information requested and promoting a productive debate regarding the activity of the Company (particularly in what regards strategic decisions);
 - The Non-Executive Directors gathering, jointly or separately, the information necessary or convenient to the exercise of their duties, allowing for an adequate and timely answer to be given;
 - Without prejudice to cases of acknowledged urgency, the meetings of the Board of Directors are convened with a minimum prior notice of five days and the agenda and supporting documentation of the meeting is made available at least three days in advance;

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

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

PHAROL, SGPS S.A.



CONSOLIDATED FINANCIAL STATEMENTS

2018

08. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

PHAROL, SGPS S.A.			
CONSOLIDATED INCOME STATEMENT			
PERIODS ENDED DECEMBER 31, 2018 AND 2017			
	Notes	2018	Euro 2017
CONTINUING OPERATIONS			
COSTS, LOSSES AND (INCOME)			
Wages and salaries	6	1,611,521	1,856,329
Supplies, external services and other expenses	7	3,338,945	2,694,538
Indirect taxes	8	388,204	273,999
Depreciation		66,786	79,495
Net other losses (gains)	17	11,624,353	(2,831,158)
		17,029,809	2,073,203
Income (loss) before financial results and taxes		(17,029,809)	(2,073,203)
FINANCIAL LOSSES AND (GAINS)			
Net interest income	9	(21,424)	(39,719)
Net foreign currency exchange losses	13	187,621	157,096
Net losses on financial assets and other investments	13	926,029	11,275,218
Equity in losses of associates	13	-	792,687,761
Net other financial expenses		31,754	313,135
		1,123,979	804,393,491
Income (loss) before taxes		(18,153,788)	(806,466,694)
Income taxes	10	(12,505,345)	30,195
NET INCOME		(5,648,443)	(806,496,890)
Attributable to equity holders of the parent		(5,648,443)	(806,496,890)
Earnings per share			
Basic and Diluted	11	(0.01)	(0.93)

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

	Notes	2018	Euro 2017
Net Income recognised in the income statement		(5,648,443)	(806,496,890)
Income (expenses) recognised directly in shareholders' equity			
Items that may be reclassified subsequently to the income statement			
Foreign currency translation adjustments		44,666	960,667,272
Items that will not be reclassified to the income statement			
Gains (losses) on financial assets at fair value	19.5.	(109,898,055)	(183,683)
Total earnings recognised directly in shareholders' equity		(109,853,389)	960,483,589
Total comprehensive income		(115,501,832)	153,986,699
Attributable to shareholders of PHAROL SGPS		(115,501,832)	153,986,699

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2018 AND 2017

	Notes	2018	Euro 2017
ASSETS			
Current Assets			
Cash and cash equivalents	20	38,090,992	25,152,142
Accounts receivable		1,852,245	144,507
Taxes receivable		54,705	61,192
Prepaid expenses		14,554	14,520
Total current assets		40,012,495	25,372,360
Non-Current Assets			
Tangible assets		141,950	133,607
Financials assets	13	46,892,131	167,810,365
Other non-current assets	14	74,637,747	75,790,173
Total non-current assets		121,671,829	243,734,144
Total assets		161,684,324	269,106,504
LIABILITIES			
Current Liabilities			
Short-term debt		-	3,065
Accounts payable	15	124,757	4,741,442
Accrued expenses	16	1,679,280	1,544,125
Taxes payable		174,835	158,654
Provisions	17	12,500,000	-
Other current liabilities		856,988	857,040
Total current liabilities		15,335,860	7,304,327
Non-Current Liabilities			
Medium and long-term debt		99,955	51,836
Total non-current liabilities		99,955	51,836
Total liabilities		15,435,815	7,356,163
SHAREHOLDERS' EQUITY			
Share capital	19	26,895,375	26,895,375
Treasury shares	19	(179,675,995)	(179,675,995)
Legal reserve	19	6,773,139	6,773,139
Reserve for treasury shares	19	186,646,315	186,646,315
Other reserves and accumulated earnings	19	105,609,675	221,111,507
Total equity		146,248,509	261,750,341
Total liabilities and shareholders' equity		161,684,324	269,106,504

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
PERIODS ENDED DECEMBER 31 2018 AND 2017

								Euro
	Share capital	Treasury shares	Legal reserve	Reserve for treasury shares	Other reserves and accumulated earnings	Equity excluding non-controlling interests	Total equity	
Balance as at December 31, 2016	26,895,375	(179,675,995)	6,773,139	186,646,315	67,124,807	107,763,641	107,763,641	
Income (expenses) recognized directly in equity					960,483,589	960,483,589	960,483,589	
Income recognized in the income statement					(806,496,889)	(806,496,889)	(806,496,889)	
Balance as at December 31, 2017	26,895,375	(179,675,995)	6,773,139	186,646,315	221,111,508	261,750,342	261,750,342	

								Euro
	Share capital	Treasury shares	Legal reserve	Reserve for treasury shares	Other reserves and accumulated earnings	Equity excluding non-controlling interests	Total equity	
Balance as at December 31, 2017	26,895,375	(179,675,995)	6,773,139	186,646,315	221,111,507	261,750,341	261,750,341	
Income (expenses) recognized directly in equity	-	-	-	-	(109,853,389)	(109,853,389)	(109,853,389)	
Income recognized in the income statement	-	-	-	-	(5,648,443)	(5,648,443)	(5,648,443)	
Balance as at December 31, 2018	26,895,375	(179,675,995)	6,773,139	186,646,315	105,609,675	146,248,509	146,248,509	

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

CONSOLIDATED STATEMENT OF CASH FLOWS
PERIODS ENDED DECEMBER 31 2018 AND 2017

	Notes	2018	Euro 2017
OPERATING ACTIVITIES			
Payments to suppliers	20.a	(3,260,066)	(4,718,245)
Payments to employees		(1,665,421)	(1,765,166)
Payments relating to income taxes		(21,700)	(50,054)
Other cash receipts, net	20.b	6,915,727	2,722,612
Cash flows from operating activities (1)		1,968,539	(3,810,853)
INVESTING ACTIVITIES			
Cash receipts resulting from:			
Tangible and intangible assets		30,001	34,500
Interest and related income		25,858	33,822
Capital gains and other equity instruments	20.c	10,925,697	-
		10,981,555	68,322
Payments resulting from:			
Short-term financial applications			
Tangible and intangible assets		(1,210)	-
		(1,210)	-
Cash flows from investing activities (2)		10,980,345	68,322
FINANCING ACTIVITIES			
Cash receipts resulting from:			
Other financing activities		91,473	-
		91,473	0
Payments resulting from:			
Loans repaid		(46,419)	(57,015)
Interest and related expenses		(4,164)	(16,031)
		(50,583)	(73,046)
Cash flows from financing activities (3)		40,890	(73,046)
Cash and cash equivalents at the beginning of the period		25,152,142	28,936,973
Change in cash and cash equivalents (4)=(1)+(2)+(3)		12,989,775	(3,815,578)
Effect of exchange differences		40,549	30,746
Cash and cash equivalents at the end of the period	20.d	38,182,465	25,152,142

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

(Amounts stated in Euros, except where otherwise mentioned)

1. Introduction

On December 31, 2018, PHAROL now holds, indirectly through wholly owned subsidiaries, 166.710.904 common shares of Oi, representing 6.8% of total share capital of Oi.

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

Based on the agreements concluded on March 30, 2015 between PHAROL and Oi, PHAROL currently holds Rio Forte debt securities with a nominal value of Euro 897 million and a Call Option for shares of Oi.

2. Basis of presentation

The consolidated financial statements for the financial year ending on December 31, 2018 were approved by the Board of Directors and authorized for issue on February 28, 2019, but still subject to approval at the Shareholders' General Meeting, pursuant to applicable legislation.

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

The PHAROL consolidated financial statements were prepared according to the International Financial Reporting Standards ("IFRS") as adopted by the European Union, including all interpretations of the International Financial Reporting Interpretation Committee ("IFRIC") that were in effect on January 1, 2018, approved for adoption by the European Union (EU).

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

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

a) Principles of consolidation

Subsidiaries

PHAROL fully consolidated the financial statements of all controlled companies. A company is considered to be controlled when the Group is exposed, or has rights, to variable returns resulting from its involvement with the investee and has the ability to affect those returns through the same power it exercises over that company. In situations where the Group has, in substance, control of other entities established for a specific purpose, even if it does not possess a majority of the voting rights, they are consolidated using the full consolidation method.

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

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

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

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

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

Associate

The classification of financial investments as associate is determined based on the existence significant influence. According to IAS 28, investments in associate are recognized using the equity method.

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

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

The PHAROL Group consists of the following companies:

Company	Head office	Type of Company	Activity	Direct	dec/18 Effective	dec/17 Effective
Bratel BV	Amsterdam	Subsidiaries	Management of investme	Pharol SGPS (10C	100%	100%
PT Brasil	São Paulo	Subsidiaries	Management of investme	Bratel BV (100%)	100%	100%
Bratel S.a.r.l.	Luxembourg	Subsidiaries	Management of investme	Bratel BV (100%)	100%	100%

In addition, it should be noted that PHAROL as of December 31, 2018 and 2017 held an indirect interest through its subsidiary Bratel S.a.r.l. in the capital of Oi of 6.8% and 22.24%, respectively.

3. Principal Accounting Policies, Judgements and Estimates

Principal Accounting Policies

a) Classification of the Consolidated Statement of Financial Position

Assets realizable up to one year from the date of the Consolidated Statement of Financial Position are classified as current. Liabilities are also classified as current when they are due in less than one year or

when there is no unconditional right to defer their liquidation for a period of at least 12 months after the date of the Consolidated Statement of Financial Position.

b) Tangible Assets

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

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

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

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

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

c) Intangible Assets

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

d) Investments in Associates

All entities over which PHAROL hold significant influence, that have not been deemed as Subsidiaries or Joint Ventures, have been considered as Associates. The existence of significant influence has been considered whenever there exists power to participate in the decisions pertaining the financial and operational policies of the investees, though such participation does not constitute neither control nor joint control over those policies (Note 13). The associates are accounted through the equity method, such that the financial

investment is initially recognized at cost, while the book value is increased or decreased, in order to recognize the share of the investor in the investee's income/(losses). The distributions obtained from an investee reduce the financial investment's book value. It may also be necessary to perform adjustments to the financial investment's book value, to reflect changes to the investor's proportional interest in changes in the investee's equity, that have not been recognized in the investee's profit or loss. This share of equity changes is directly recognized in the investor's equity. If the Company's share over the losses of an associate equals or exceeds the amount of the financial investment, the recognition of additional losses is discontinued; following the reduction of the associate's book value to zero, the Company recognizes a liability if it has incurred in additional legal or constructive obligations. After the application of the equity method, the Company applies the requirements of IAS 39, in order to determine the need to recognize any additional impairment losses, with respect to the Company's interest in its associates.

e) Impairment of Tangible and Intangible Assets

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

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

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

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

f) Provisions, Liabilities and Contingent Liabilities

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

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

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

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

g) Financial Assets and Liabilities

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

(i) Accounts Receivable

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

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

(ii) Financial liabilities and Equity Instruments

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

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

(iii) Accounts Payable (Note 15)

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

(iv) Treasury Shares (Note 19)

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

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

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

h) Leases (Company as Lessee)

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

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

Rentals from operating leases are recognised in the consolidated income statement as expense over the lease contract period.

i) Income Tax

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

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

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are only recognized when there is reasonable assurance that they may be used to reduce future taxable profit, or when there is an offset with deferred tax liabilities that are expected to reverse in the same period. Deferred tax assets are reviewed at the date of the Consolidated Statement of Financial Position and are reduced when it is no longer probable that they will be used in the future.

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

j) Foreign Currency Transactions and Balances

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

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

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

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

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

k) Borrowing Costs

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

l) Consolidated Statement of Cash Flows

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

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

m) Subsequent Events (Note 24)

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

Judgements and Estimates

When preparing the consolidated financial statements in accordance with IFRS, PHAROL's Board of Directors uses estimates and assumptions that affect the application of accounting policies and reported amounts. Estimates and judgments are continually evaluated and are based on experience and other factors, including

expectations of future events that are believed to be probable under the circumstances on which the estimates are based, or as a result of new information or more experience. The main accounting estimates reflected in the consolidated financial statements are as follows:

- (a) Valuation of the investment in Oi** – On May 5, 2014, the Company valued its new stake in Oi based on Oi's reference share price in the capital increase on that date, having as of that date, appropriated its stake in Oi's income using the equity method. Additionally, from September 8, 2014, onwards, the portion of the investment to be delivered within the scope of the Exchange Agreement was classified as a non-current asset held for sale, and measured at fair value up till the execution of the Exchange Agreement on March 30, 2015. As at December 31, 2018, the measurement of the Company's investment in Oi was based on its market value, namely the stock price, given that PHAROL has lost its significant influence. On December 31, 2016, this investment was valued by the equity method.
- (b) Valuation of the Rio Forte instruments** – On March 30, 2015, the Rio Forte instruments were obtained, following the execution of the Exchange Agreement, over Oi's shares. As of that date, subsequent to a market consultation, the Company valued the instruments at 15% of their notional value. This valuation was reviewed as at September 30, 2016, and was reduced to 9.65%. On December 31, 2017 this valuation was reviewed again to 8.32%, which is maintained on December 31, 2018.
- (c) Valuation and useful life of intangible and tangible assets** – PHAROL uses estimates to determine the useful life of its property, plant and equipment (Note 3).
- (d) Recognition of provisions and adjustments** – PHAROL is party to various ongoing legal claims for which, based on the opinion of its legal advisors, a judgment was made to determine the recognition of a possible provision for these contingencies (Note 17). Adjustments for accounts receivable are calculated based primarily on the aging of the accounts receivable, the risk profile of the customers and their financial situation.

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

4. Changes in Accounting Policies

During fiscal year 2018, PHAROL has adopted the following standards issued by the International Accounting Standards Board (IASB) and approved by the European Union:

- (a) Adoption of IFRIC 22: Transactions in Foreign Currency and Advance Remuneration (Regulation 2018/519, of March 28)**: IFRIC 22 establishes the date of the transaction as the determining factor for the calculation of the exchange rate to be used in the payments paid or received in advance in foreign currency.
- (b) Transfers of Investment Property - Amendments to IAS 40 (Regulation 2018/400, March 14)**: The amendments to IAS 40 - Investment Property - clarify that asset transfer can only be

effected when there is evidence of change of use, and the change of management decision is not sufficient to carry out the transfer.

(c) Classification and measurement of share-based payment transactions - Amendments to IFRS 2 (Regulation 2018/289, of February 26): These changes to IFRS 2 relate to classification and measurement aspects for a number of aspects where the guidelines in the Standard were not very clear.

(d) Annual improvements: cycle 2014-2016 (Regulation 2018/182, of 7 February): The improvements include minor amendments to three international accounting standards, two of which are applicable to years beginning on or after 1 January 2018 :

- **IFRS 1 First-time Adoption of IFRS:** This improvement eliminates the temporary exemptions provided for in the transition to IFRS 7, IFRS 10 and IAS 19.

- **IAS 28 Investments in Associates and Joint Ventures:** This improvement clarifies that investments in associates or joint ventures held by a venture capital company can be individually measured at fair value. The improvement further states that an entity that is not an investment entity but holds investments in associates and joint ventures that are investment entities may maintain the measurement at the fair value of the interest that those associates or joint ventures have in their own subsidiaries, in the application of MEP (equity method).

(e) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (Regulation 2017/1988, of 3 November): These amendments to IFRS 4 address the concerns of entities whose predominant activity is that of implementation of the new standard on financial instruments (IFRS 9) before the entry into force of IFRS 17 - Insurance Contracts.

(f) IFRS 15: Customer Contracts Revenue (Regulation 2016/1905, September 22): This new standard applies to contracts for the delivery of products or services, and requires the entity to recognize the revenue when the contractual obligation to deliver assets or services is satisfied and at the amount that reflects the consideration to which the entity is entitled, as provided in the "5 step methodology".

(g) Customer Contracts Revenue - Clarifications to IFRS 15 (Regulation 2017/1987, of October 31): These amendments to IFRS 15 clarified some requirements and provide a greater ease in the transition to Entities that are implementing this Standard such as: a) the determination of the performance obligations of a contract; b) determination of the moment of recognition of the revenue of an intellectual property license; c) selection of new transitional regimes for the implementation of IFRS 15.

(h) IFRS 9: Financial Instruments (Regulation no. 2016/2067, of November 22): IFRS 9 replaces the requirements of IAS 39 for: (i) the classification and measurement of financial assets and liabilities; (ii) recognition of impairment on receivables (through the expected loss model); and (iii) the requirements for the recognition and classification of hedge accounting. The adoption of this

standard also entails: (i) amendments to IAS / IFRS and interpretations (IFRIC / SIC): IAS 1, IAS 2, IAS 8, IAS 10, IAS 12, IAS 20, IAS 21, IFRS 2, IFRS 4, IFRS 4, IFRS 4, IFRS 5, IFRS 7, IFRS 7, IFRS 13, IFRIC 2, IFRIC 5, IFRIC 10, IFRIC 12, IFRIC 16, IFRIC 19, SIC 27; and (ii) revocation of IFRIC 9 Embedded Derivatives Revaluation.

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

Below are standards, changes to existing standards and interpretations that have already been published and whose application is mandatory for annual periods beginning on or after January 1, 2019, or at a later date, and that Pharol SGPS has decided not to adopt advance:

- (a) **Amendments to IFRS 9: Negative contribution prepayment characteristics (Regulation 2018/498, of March 22)**: This amendment to IFRS 9 allows certain instruments to qualify for measurement at amortized cost or value fair through other comprehensive income (depending on the business model) even though they do not meet the SPPI test conditions. Applicable to annual periods beginning on or after 1 January 2019.
- (b) **IFRS 16: Leases (Regulation 2017/1986, of October 31)**: IFRS 16 establishes the principles applicable to the recognition, measurement, presentation and disclosure of leases. The purpose of the standard is to ensure that tenants and lessors provide relevant information in a manner that faithfully represents these transactions, revoking IAS 17 - Leases, as well as a set of interpretations (SIC and IFRIC), namely: IFRIC 4 - Determine whether a Agreement Contains a Rental; SIC 15 - Operating Leases - Incentives; and SIC 27 - Evaluation of the Substance of Transactions Involving the Legal Form of a Lease. This rule will apply to fiscal years beginning on or after January 1, 2019.
- (c) **Adoption of IFRIC 23: Uncertainty regarding the treatment of income tax (Regulation 2018/1595, of 23 October)**: This interpretation clarifies how the recognition and measurement requirements of IAS 12 should be applied when there are uncertainties regarding to the treatment of income tax. This interpretation shall apply to fiscal years beginning on or after 1 January 2019.
- (d) **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued by the IASB on 11 September 14)**: This amendment clarifies the accounting treatment for transactions when a parent company loses control in a subsidiary by selling all or part of its interest in that subsidiary to an associate or joint venture accounted for under the equity method. The date of application of these amendments has not yet

been defined, and the European Union endorsement process will only start after confirmation of the date of application of the amendments by the IASB.

(e) IFRS 14: Accounting for Regulatory Deferrals (issued by the IASB at 30 January 14): This standard allows first-time adopters of IFRS to continue to recognize regulatory assets and liabilities in accordance with the policy followed under the previous standard. However, to allow comparability with entities that already adopt IFRSs and do not recognize regulatory assets and liabilities, such amounts must be disclosed separately in the financial statements. Applicable to annual periods beginning on or after 1 January 2016, the European Commission has decided not to initiate the process of endorsing this transitional rule and to wait for the final rule to be issued by the IASB.

(f) IFRS 17: Insurance Contracts (issued by the IASB on 18 January 17): IFRS 17 solves the comparison problem created by IFRS 4 requiring that all insurance contracts be accounted for consistently, thus benefiting both investors and companies insurance. Insurance liabilities are accounted for using current values instead of historical cost. The information is updated regularly, providing more useful information to the users of the financial statements. Applicable to annual periods beginning on or after 1 January 2021, this new standard being still subject to the process of endorsement by the European Union.

(g) Amendments to IAS 28: Long-term interests in associates and joint ventures (issued by IASB on 12 October 17): This amendment clarifies that an entity shall apply IFRS 9 to long-term interests in associates and joint ventures in which the entity equity method is not applied. Applicable to fiscal years beginning on or after January 1, 2019, this new standard being still subject to the process of endorsement by the European Union.

(h) Annual Improvements: 2015-2017 cycle (issued by the IASB on 12 December 17): The improvements include minor amendments to three international accounting standards as follows:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements
- IAS 12 Income taxes
- IAS 23 Borrowing costs

These amendments will apply to financial years beginning on or after 1 January 2019 and are still subject to the endorsement process by the European Union.

(i) Amendments to IAS 19: Amendment, reduction or settlement of defined benefit plan (issued by IASB at 7 fev18): This amendment requires an entity to use updated assumptions for remeasurement of current service cost and net cost of interest for the remaining period after the modification of the plan. Applicable to annual periods beginning on or after 1 January 2019, this change being still subject to the endorsement process by the European Union.

(j) Amendments to the references to the revised IFRS Framework (issued by the IASB on March 29): In March 2018, the IASB reviewed the IFRS Framework. For entities that use the Framework to develop accounting policies when no IFRS applies to a particular transaction, the revised Framework is effective for annual periods beginning on or after January 1, 2020. The required changes to the various IFRSs arising of the revision of the Conceptual Framework were also

already issued by the IASB and this change is still subject to the process of endorsement by the European Union.

(k) Amendments to IFRS 3 - Business Combinations (issued by the IASB on 22 Oct 18): These amendments to IFRS 3 refine the definition of business activity concentration, helping entities to determine whether a particular acquisition actually refers to a business activity or just a set of assets. In addition to changing the definition, this amendment provides some additional guidance. Applicable to annual periods beginning on or after 1 January 2020, this new standard being still subject to the endorsement process by the European Union.

(l) Amendments to IAS 1 and IAS 8: Definition of Material (issued by the IASB on 31 October 18): These amendments to IAS 1 and IAS 8 update the definition of "material" in order to facilitate the judgments made by the entities about materiality. The definition of "material", an important accounting concept in IFRS, helps the entity to decide whether or not the information should be included in the financial statements. The changes clarify the definition of "material" and how it should be used by including in the definition of guidelines that have not been part of IFRS so far. In addition, the explanations accompanying this definition have been improved. Finally, the changes made ensure that the definition of "material" is consistent across all IFRSs. Applicable to annual periods beginning on or after 1 January 2020, this new standard being still subject to the endorsement process by the European Union.

5. Exchange rates used to translate foreign currency financial statements

As at December 31, 2018 and 2017, assets and liabilities denominated in foreign currencies were translated to Euros using the following exchange rates to the Euro:

Currency	2018	2017
Real	4.4440	3.9729
USD	1.1450	1.1993

During the years 2018 and 2017, the financial statements, income statements and cash flows of subsidiaries and joint ventures denominated in foreign currencies were translated to euros using the following exchange rates to the Euro:

Currency	2018	2017
Real	4.3085	3.3028
USD	1.1810	1.1293

6. Wages and Salaries

The composition of this caption in the 2018 and 2017 financial years is as follows:

	Euro	
	2018	2017
Fixed and variable remuneration	1,290,535	1,457,856
Social security	273,759	325,276
Other	47,227	73,198
	1,611,521	1,856,329

7. Supplies and external services

The composition of this caption in the 2018 and 2017 financial years is as follows:

	Euro	
	2018	2017
Specialized work (i)	2,447,551	1,790,201
Insurance	274,643	348,794
Travel	163,427	91,230
Other	453,324	464,312
	3,338,945	2,694,538

(i) In 2018 and 2017, this caption reflects mainly financial and legal services occurred in operational scope concerning the Oi investment in Brazil.

8. Indirect taxes

The composition of this caption in the 2018 and 2017 financial years is as follows:

	Euro	
	2018	2017
VAT	374,430	270,940
Other	13,775	3,059
	388,204	273,999

9. Net interest income

The composition of this caption in 2018 and 2017 is as follows:

	Euro	
	2018	2017
Net interest earned		
Related to cash and cash equivalents (i)	(21,424)	(39,719)
	(21,424)	(39,719)

(i) Interest income obtained in 2018 and 2017 essentially relates to cash amounts applied in term deposits by PHAROL and PHAROL Brazil.

10. Taxes and rates

In 2018, companies located in mainland Portugal are subject to Corporate Income Tax at a base rate of 21.0%, plus (1) up to a maximum of 1.5% of taxable income through a municipal tax, and (2) a state

surcharge levied at the rates of 3.0% on taxable income between Euro 1.5 million and Euro 7.5 million, 5.0% on taxable income between Euro 7.5 million and Euro 35 million and 9.0% on taxable income in excess of Euro 35.0 million, resulting in a maximum aggregate tax rate of approximately 31.5% for taxable income higher than Euro 35 million. When calculating taxable income to which the above tax rate is applied, non-tax-deductible amounts are added to or subtracted from accounting records.

The composition of the corporate income tax for as at December 31, 2018 and 2017 is as follows:

	Euro	
	2018	2017
Income tax		
Income tax - current	(12,505,345)	30,195
	(12,505,345)	30,195

In 2018, this caption essentially reflects the reimbursements received from the Tax Authority relating to IRC from previous years, amounting to EUR 12,542,510.

11. Earnings per Share

Earnings per share for 2018 and 2017 were as follows:

		Euro	
		2018	2017
Net loss attributable to equity holders of Pharol	(1)	(5,648,443)	(806,496,890)
Weighted average common shares outstanding in the period	(2)	865,647,500	865,647,500
Earnings per share from continuing operations			
Basic and diluted	(1)/(2)	(0.01)	(0.93)

12. Taxes receivable and payable

On December 31, 2018 and 2017, this caption has the following composition:

	31 Dec 2018		Euro 31 Dec 2017	
	Receivable	Payable	Receivable	Payable
Current taxes				
Operations in Portugal				
Value-added tax		8,379		2,102
Income taxes		27,194		20,478
Personnel income tax withholdings		33,460		34,569
Social Security Contributions		77,166		92,340
Other		196		
		146,395		149,488
Taxes in foreign countries		28,440		9,165
		174,835		158,654
Non-current taxes				
Taxes in foreign countries	54,705	-	61,192	-
	54,705	174,835	61,192	158,654

13. Financial Assets

This caption corresponds to the investment in Oi, which since December 2017 has been measured at fair value. Until that date, Oi was classified as associate and measured by the equity method.

On September 8, 2014, as explained above, PHAROL entered into an Exchange Agreement with Oi, for the Exchange of a portion of Oi shares held directly by PHAROL for the Rio Forte Investment and the Call Option over the shares. The Exchange was completed on March 30, 2015, after obtaining all necessary approvals. Because of the Exchange, the portion of the investment in Oi delivered in connection with the Exchange was classified as a non-current asset held for sale and measured at fair value based on the price of Oi shares until the Exchange Agreement date. The remaining interest of 22.8%, including the interests of 15.9% and 3.0% held directly by PHAROL and Bratel Brasil, respectively, and the interest of 3.9% owned indirectly through the controlling holding companies of Oi, remained classified as an investment in joint ventures, measured according to the equity method of accounting. After the Exchange Agreement, on March 30, 2015, the interest was 27.5%.

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

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

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

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

However, in December 2017, and after the decision by the 7th Business Court of the District of the Capital of the State of Rio de Janeiro, before which it handles the Judicial Recovery ("Judgment"), which decided to withdraw the rights of the members of the Council Board of Directors of Oi in the approval of Oi's Judicial Recovery Plan in which Oi is located, and subsequent events, it was understood that PHAROL lost the

significant influence it had until then on its associate Oi SA. Therefore as of December 31, 2017, PHAROL started to record its investment in Oi at market value, and it was classified as "Financial Assets".

Therefore, on December 31, 2018 and 2017, the accounting for Oi Investment, is as follows:

		2018	2017
Stock Price Oi (ON)	<i>R\$</i>	1.25	3.63
Shares Outstanding	<i>Million</i>	2,422	676
Market Cap.	<i>R\$ Million</i>	3,028	2,453
Number of shares owned by PHAROL	<i>Million</i>	166.7	183.7
% Participation	<i>%</i>	6.88%	27.18%
Market value R\$	<i>R\$ Million</i>	208.4	666.7
Market value Eur.	<i>Eur. Million</i>	46.9	167.8

14. Other non-current assets

The composition of this caption mainly comprises (1) an estimated future recovery of Euro 74.6 million related to the debt securities issued by Rio Forte on December 31, 2018 and December 31, 2017, and (2) Euro 1.15 and million related to the value of the Call Option on December 31, 2017. On December 31, 2018, the Call Option has value of zero.

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.espiritosantoinsoleucies.lu, PHAROL began procedures to assess the financial, accounting and legal implications of the information contained in section 2.1.6., which is transcribed in a free translation as follows:

"Expected recovery

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

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

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

In addition, in December 2017, the amount of credit claims considered in the last report of the Judicial Administrators was higher than previously considered, the debt recovery valuation was again revised downwards, registering in 8, 32% recovery, equivalent to a reduction of Euro 11.1 million to the amount of Euro 74.6 million. On December 31, 2018, the debt recovery value remains at 8.32%.

It should be noted that, as evidenced by the last available report of the Judicial Administrators, in the insolvency proceeding of Rio Forte, the administrative analysis of debt declarations is still in progress, and therefore confirmation by the Judicial Administrators of the qualification of the credits claimed is pending.

15. Accounts Payable

As at December 31, 2018 and 2017, the composition of this caption is as follows:

	2018	Euro 2017
Current accounts payable		
Current suppliers	141,666	861,132
Others	(16,910)	3,880,310
	124,757	4,741,442

16. Accrued Expenses

As at December 31, 2018 and 2017, the composition of this caption is as follows:

	2018	Euro 2017
Supplies and external services	1,243,556	1,075,808
Vacation pay and bonuses	345,959	430,943
Others	89,765	37,374
	1,679,280	1,544,125

On December 31, 2018, this caption relates mainly to certain non-recurring financial consulting and legal fees incurred in connection with the business combination between PHAROL and Oi, Oi's Capital Increase and other judicial procedures afterwards.

17. Provisions

As at December 31, 2018 and 2017, the composition of this caption is as follows:

	2018	Euro 2017
Provisions		
Others	12,500,000	-
	12,500,000	-

The provision made in 2018 takes into account eventual liabilities resulting from the position assumed by the company with respect to tax refunds and tax benefits from previous years.

This provision was recorded as a contra entry to the statement of income "Other costs (gains), net".

18. Guarantees and financial commitments

As at December 31, 2018 and 2017, this caption has the following composition:

	2018	Euro 2017
Bank and other guarantees presented to the tax authorities	84,617,476	376,715,726
	84,617,476	376,715,726

The bank and other guarantees presented to the tax authorities essentially include Euro 85 and 377 million on December 31, 2018 and 2017, respectively, related to the tax assessments received by PHAROL. The company presented legal challenges to these assessments and, in accordance with the Portuguese Law, provided collateral, in order to avoid the initiation of enforcement proceedings, which, in the absence of guarantee or payment of the contested tax, would continue until the request of a pledge of sufficient assets to cover the requested tax. The Portuguese Law, while always allowing for the appeal over taxes liquidated by the tax authorities, only suspends enforcement proceedings upon payment of the tax, or the provision of a guarantee. Providing a guarantee, thereby, avoids the payment of tax before the appeal decision or attachment of assets in enforcement proceedings. The change in the value of the guarantees provided in 2018 occurred due to cancellation due to the expiration of part of the guarantees.

These guarantees were presented by PHAROL as the controlling company of the consolidated tax in the years in question, even though, as at December 31, 2018, the contingencies associated to these guarantees are not the Company's responsibility, having been contractually transferred to Oi, while PHAROL remains r and severally liable for these contingencies. Notwithstanding the expiration and consequent cancellation of part of the Guarantees, the tax proceedings are still ongoing and Oi is responsible for them and may amount to up to 378 million euros. According to the agreements with Oi, Oi is obliged to substitute the bank guarantees provided by PHAROL to the tax authority for guarantees provided by Oi. In cases where this substitution is not possible, Oi has undertaken to provide guarantees with the same value in favor of PHAROL.

As such, on December 31, 2018, a Pledge Agreement on the shares of Telemar Norte Leste with a maximum amount up to the limit of the potential liabilities currently, is in place.

19. Capital

19.1. Share capital

The share capital of PHAROL, which is fully subscribed and paid in, was as at December 31, 2018 and 2017, Euro 26,895,375, represented by 896,512,500 common shares, with a nominal value of three Euro cents each.

19.2. Treasury shares

As at December 31, 2018 and 2017, this caption is made up as follows:

	2018	Euro 2017
Shares held by PHAROL	179,675,995	179,675,995
	179,675,995	179,675,995

PHAROL held 30,865,000 treasury shares, corresponding to 3.44% of the share capital PHAROL

19.3. Legal reserve

Commercial law and PHAROL's articles of association provide that at least 5% of the net annual income must be appropriated to strengthen the legal reserve until this reserve represents 20% of the share capital. This reserve is not available for distribution to shareholders, unless on company liquidation, but may be used to absorb losses, once all other reserves have been exhausted, or for incorporation in the share capital. As at December 31, 2018 and 2017, the legal reserve was Euro 6,773,139 and was already fully incorporated, corresponding to more than 20% of the share capital.

19.4. Reserve for treasury shares

The reserve for treasury shares relates to the recognition of a non-distributable reserve equivalent to the nominal value of the cancelled shares, or to the acquisition cost of treasury shares held by PHAROL. This reserve has the same legal regime as the legal reserve. As at December 31, 2018 and 2017, this reserve relates to shares cancelled on December 20, 2007, March 24, 2008, and December 10, 2008, in the amount of Euro 6,970,320, as well as the treasury shares acquired between 2014 and 2016, amounting to Euro 179,675,995.

19.5. Revaluation reserve, other reserves and accumulated earnings

As at December 31, 2018 and 2017, this caption was made up as follows:

	2018	Euro 2017
Retained earning	116,004,274	922,501,164
Net income	(5,648,443)	(806,496,890)
Free reserves	105,209,244	105,209,244
Cumulative foreign currency translation adjustments (i)	(57,344)	(102,010)
Income and expenses recognized directly in equity (ii)	(109,898,055)	-
	105,609,675	221,111,507

(i) The variation of this caption reflects mainly the exchange effect arising from the transfer of the subsidiary Pharol Brasil.

(ii) As of December 31, 2017, due to the derecognition of the investment of the associate Oi, which started to be classified as an investment in equity instruments at fair value through other comprehensive income, all the fair value changes occurred in this investment were recognized in equity.

20. Consolidated Statement of Cash Flows

(a) Payments to suppliers

During 2018, payments to suppliers mainly reflect payments of as third party suppliers and consultants.

(b) Other net receipts

In 2018, other net receipts essentially include reimbursements made by the Portuguese Tax Authority in relation to taxes paid in previous years.

(c) Capital Realization and other equity instruments

In 2018, this heading relates to the sale of shares and subscription rights in capital increase of the company Oi S.A..

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

At 31 December 2018 and 2017, the composition of this caption is as follows:

	Euro	
	2018	2017
Cash	1,767	4,096
Demand deposits	38,089,225	12,148,045
Time deposits	-	13,000,000
	38,090,992	25,152,142

21. Related Parties

During the years ended December 31, 2018 and 2017, the fixed remuneration of the Board members, which was established by the Remuneration Committee, amounted to Euro 605 and 708 thousand, respectively.

On December 31, 2018 and 2017, no share-based payment was in force, nor any termination benefit program.

22. Shareholders with Qualified Holdings

The Company believes that it is relevant to disclose outstanding balances and transactions with its main shareholders, namely those with a qualified holding of more than 2% in PHAROL's share capital, and with all the entities reported by these shareholders as being part of the respective economic groups. The tables below present the balances as at December 31, 2018 and 2017, and the transactions occurred in the years ended December 31, 2018 and 2017 between PHAROL and the entities that are identified as shareholders with qualified holding and respective economic groups:

	Euro	
	2018	2017
	Cash and bank deposits	
Shareholder		
Novo Banco	1,094,507	11,058,551
	1,094,507	11,058,551

	Euro			
	2018		2017	
	Costs and losses	Net interest income	Costs and losses	Net interest income
Shareholder				
Banco Comercial Português (i)	NA	NA	1,876	11,814
Novo Banco	613	9,584	376	19,595
	613	9,584	2,251	31,409

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

23. Financial instruments

23.1. Financial risks

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

23.1.1 Currency exchange risk

Currency exchange risks are essentially related with PHAROL investments in Brazil. On December 31, 2018 and 2017, net exposure (assets less liabilities, net of non-controlling interests) in Brazil amounted to R\$219 million (Euro 49.4 million) and R\$675.2 million (Euro 169.9 million), respectively. Risks relative to Company investments in operations abroad basically concern Oi investments. PHAROL does not have any contracted derivative instrument to hedge currency exchange risk associated with investments in foreign companies.

The effect on PHAROL's equity resulting from hypothetical changes in relevant risk variables is the impact of the valuation (devaluation) of the Real against the Euro in 0.1, from 4.44 to 4.54 (4.34), would be an increase (decrease) in net assets on December 31, 2018, of approximately Euro 1.09 million (Euro 1.14 million), corresponding to adjustments in currency exchange conversion for investments in Brazil.

23.1.2 Credit risks

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

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

On December 31, 2018, the receivables balance was not considered as significant.

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

PHAROL is also subject to credit risk in its investment in Rio Forte Investments, but has adjusted the value accordingly. In addition, and in connection with the Rio Forte debt instruments, PHAROL was informed of a statement from the curators of Espírito Santo International, SA ("Insolvency"), stating that this bankrupt company is going to sue PHAROL for the conviction of this company refund of EUR 750 million, without specifying the grounds for such a request.

Following this announcement, as of January 2019, PHAROL was summoned by the curator of Espírito Santo International, SA, 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 it highly remote that, on the basis of the alleged facts, it is possible to obtain any conviction of PHAROL in the terms provided. Accordingly, PHAROL has recorded any provision in its financial statements.

24. Subsequent events

Oi's stock price evolution between December 31, 2018, and February 27, 2019, can be found below:

	31 dec 18	27 feb 19
Oi ON share price (Reais)	1.25	1.72
Oi PN share price (Reais)	1.26	1.72
Exchange rate Real/Euro	4.444	4.245
Oi ON share price (Euro)	0.28	0.41
Oi PN share price (Euros)	0.28	0.41

Contacts

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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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PHAROL, SGPS S.A.

REPORT AND OPINION OF THE FISCAL COUNCIL

REPORT AND OPINION OF THE FISCAL COUNCIL

PHAROL, SGPS S.A.

Financial Year of 2018 (Consolidated accounts)

To the Shareholders of
PHAROL, SGPS S.A.

As required by Article 420.1 g) of the Portuguese Companies Code, it falls to us, as the members of the Fiscal Council of "PHAROL, SGPS, S.A." (referred to below as PHAROL) to issue our annual report on our audit activities and to issue our opinion on the management report and consolidated financial statements presented by the Board of Directors for the year ended December 31, 2018, as well as our assessment of the respective legal certification of the accounts and the audit report issued by the audit firm.

I. Introduction

As announced by PHAROL of January 9, 2019, as a supervisory body, we must mention that:

- i) Oi, SA (hereinafter referred to as "Oi") and its shareholder PHAROL / Bratel have reached a consensus to close and extinguish any and all judicial and extrajudicial litigation in Brazil, Portugal and in all the different countries where they exist discussions involving companies from both groups;
- ii) The Boards of Directors of Oi and PHAROL approved the agreement unanimously. The management of Oi and PHAROL are aligned, in good faith, with Oi's best interests so that it has an absolute focus on operational turnaround and eliminates dispersion and costs related to litigation;
- iii) The agreement, whose clauses are detailed in a specific instrument, will only be valid and effective after ratification by the Judicial Recovery Court, Rio de Janeiro.

II. Supervisory Activities

1. The Fiscal Council regularly performed its functions by holding periodic meetings with those responsible for the relevant areas, as well as the information and further clarifications obtained, including the presentation of the main trends and developments in management development and the activity of PHAROL.
2. The Fiscal Council also examined the financial information produced during the 2018 financial year, and carried out the analyzes and checks deemed necessary and necessary.
3. The work of the Fiscal Council has consistently been to comply with legally established matters, to continuously monitor the activity of PHAROL, and to verify that the consolidated financial statements have been prepared in accordance with the accounting framework in force.

4. During fiscal year 2018, the Fiscal Council met nine times, having developed several actions, of which the following stand out:
 - i) Monitoring the quality, integrity and effectiveness of internal control and risk management systems;
 - ii) Supervision of the preparation of consolidated financial information;
 - iii) Verification of the regularity of accounting records and the accuracy of the consolidated financial statements;
 - iv) an appraisal of the accounting policies and valuation criteria adopted by PHAROL as to their suitability and consistency, with a view to ensuring a true and fair view of the financial position and results;
 - v) Verification of the conformity of the consolidated financial statements with the applicable legal requirements;
 - vi) Analysis of the consolidated financial information disclosed.
5. In accordance with the internal regulations that define the rules and procedures to be adopted in the Whistleblowing System, the Fiscal Council has taken note of the semiannual reports of the activity carried out by the Qualified Holdings Analysis Center, dated 2 July 2018 and January 2, 2019, and no Participations were recorded during the 2018 fiscal year.
6. The Fiscal Council, within the scope of its functions, exercised its competences regarding the supervision of the qualifications, independence and exercise of functions of the external auditor and statutory auditor, and also met on a regular basis with the latter, which provided all the necessary technical and accounting clarifications.

It also took note of the results of the audit and external audit work on the consolidated financial statements for the year 2018, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, consolidated statement of changes in equity, the consolidated statement of cash flows and the related annexes.

The statutory auditor and external auditor monitored the preparation of PHAROL's consolidated financial statements and informed the Audit Board of its conclusions and its agreement on the documents prepared by the Board of Directors.

Through the additional report to the Fiscal Council, the statutory auditor and external auditor communicated the relevant aspects of the work carried out and their conclusions.

The Fiscal Council took note of the legal certification of the accounts on the consolidated financial information for the year 2018, issued with a reservation and an emphasis, by the auditor and external auditor, which document was approved.

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

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

In these areas, audit procedures and tests considered relevant under the circumstances have been developed.

- 7. In the course of its duties, the Fiscal Council has verified that the Board of Directors' report refers to the most relevant aspects of the activity during the year and is consistent with the consolidated financial statements for the year.
- 8. Also within the scope of its powers, and as provided in number 5 of article 420 of the Commercial Companies Code, the Supervisory Board also verified that the Corporate Governance Report of PHAROL disclosed includes the elements required under article 245 - A of the Securities Code.

III. Declaration of responsibility

The Statutory Audit Board declares that, to the best of its knowledge, the information provided for in paragraph 1 a) of article 245 of the Securities Code, for the consolidated accounts for the year ended December 31, 2018:

- i) It was prepared in accordance with applicable accounting standards, giving a true and fair view of the assets and liabilities, financial position and results of PHAROL and the companies included in the consolidation perimeter;
- ii) It faithfully presents the evolution of the business, performance and position of PHAROL and the companies included in the consolidation perimeter; and
- iii) It contains a description of the main risks and uncertainties that PHAROL faces in its activity.

IV. Opinion

On the basis of the above report, the measures taken and the conclusions drawn from the legal certification of accounts and audit report and the additional report to the supervisory body on consolidated financial information and taking into account the information received from the Board of Directors, of the services of PHAROL and of the statutory auditor and external auditor, the Fiscal Council is of the opinion that the General Meeting approve the management report and the consolidated financial statements for the year 2018.

Lastly, the members of the Supervisory Board express their appreciation to the Board of Directors, principals and other employees of PHAROL for their cooperation in the performance of their duties.

Lisbon, February 28, 2019

FISCAL COUNCIL

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 CONSOLIDATED FINANCIAL STATEMENTS

Qualified Opinion

We have audited the accompanying consolidated financial statements of Pharol, SGPS, SA Group (Group), which comprise the consolidated statement of the financial position as at December 31, 2018 (showing a total of 161 684 325 euro and a total net equity of 146 248 509 euro, including a net loss of 5 648 443 euro) and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the “Basis for qualified opinion” section of our report, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Pharol, SGPS, SA Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union.

Basis for qualified opinion

The Independent auditor's report on the individual and consolidated financial statements for the year ended December 31, 2017 of Oi, SA, dated April 12, 2018, 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, 2018 of Oi, SA, dated November 13, 2018, we highlight the following paragraph of the Emphasis titled “Going concern”, taking also into account the note 13 to the present consolidated financial statements: *“We draw attention to Note 1 to the individual and consolidated interim financial information, on the section about going concern, that informs that the individual and consolidated interim financial information has been prepared assuming the continuity of the*

Company as a going concern, which consider the success of the implementation of the approved Judicial Reorganization Plan (“PRJ”) including, among other matters, the satisfaction of specific “Condition Precedents” informed in attachment 4.3.3.5 (c) of the PRJ, at times satisfied and/or dismissed, as well as the capital increase with new funds in the amount of R\$4.000.000 thousand, which shall occur up to February 28, 2019. These events or conditions indicate that there are significant uncertainties that may cast significant doubt on the Company’s ability to continue as a going concern. (...)”. In January 28, 2019, Pharol communicated a Relevant Fact disclosed in the same date by Oi, SA, according to which “(...) the Company concluded the Capital Increase - New Resources, provided for in Clause 6 of the Judicial Reorganization Plan, with the subscription and payment for 3,225,806,451 new common shares issued in the Capital Increase - New Resources (“Shares of the Capital Increase - New Resources”), representing the contribution of new funds to the Company for a total of R\$4.0 billion.” Up to the present date, neither the individual and consolidated financial statements for the year ended December 31, 2018 of Oi, SA, nor the corresponding Independent auditor’s report, are yet available. As referred in the note 13 to the present consolidated financial statements, the investment in Oi, SA, as at December 31, 2018 is measured by the market value at that date, determined using the closing stock exchange listed market price. As presented in note 24 to the present consolidated financial statements, the listed market price of the shares of Oi, SA evolved from R\$ 1,25 (€ 0,28) as at December 31, 2018 to R\$ 1,72 (€ 0,41) as at February 27, 2019.

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

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

Emphasis of matter

The chapter 3 of the Consolidated Annual Report 2018 and the notes 3 and 14 and 23 to the present consolidated financial statements, disclose, on one hand, that the measurement of the debt securities issued by Rio Forte Investments, SA reflects the management's best estimate concerning the recoverable amount of those securities and, on the other hand, that the Group 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. Our opinion is not modified in respect of this matter.

Key audit matters

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

Key audit matters	Synthesis of audit response
<i>Measurement of Oi, SA investment</i>	
<p>The equity investment in Oi, SA (voting rights of 7,36%) is presented as financial assets measured by the market value.</p> <p>Oi, SA is a large entity with high public and media profile, being highly relevant to the Group financial statements. Oi, SA is under a judicial reorganization process since June 2016. The respective financial statements are audited by other auditors.</p> <p>Related disclosures: Notes 2, 3 and 13 to the present consolidated financial statements.</p>	<p>The audit response involved, in synthesis, the performance of the following procedures:</p> <p>Confirmation of the shares held by the Group as at December 31, 2018, through the verification of the documentation from the custodian banks where these shares are deposited.</p> <p>Verification of the adequate form of classification and measurement of this investment, bearing in mind the provisions of the applicable IFRS.</p> <p>Obtaining and analysing the independent auditor's review report on the most recent available individual and consolidated financial statements (as at September 30, 2018) of Oi, SA;</p> <p>Analysis and validation of the calculations inherent to the measurement by market value;</p> <p>Evaluation of the reasonableness of the financial statements' disclosures.</p>

Key audit matters	Synthesis of audit response
<i>Measurement of the investment in debt securities issued by Rio Forte Investments, SA</i>	
<p>At March 30, 2015 the debt securities issued by Rio Forte Investments, SA (Rio Forte) were returned to the Group, following the performance of the exchange contract signed on September 8, 2014 between Oi Group and the Group.</p> <p>Rio Forte is under an insolvency process taking place in Luxembourg, with high public and media profile. This investment is relevant within the scope of the Group financial statements and the respective measurement involves significant judgements.</p> <p>Related disclosures: Notes 3, 14 and 23 to the present consolidated financial statements.</p>	<p>The audit response involved, in synthesis, the performance of the following procedures:</p> <p>Analysis of the information present in the reports and announcements issued by the Rio Forte insolvency curators;</p> <p>Analysis of the judgements made by the management in determining the recoverable amount of the debt securities at December 31, 2018;</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, already in 2019;</p> <p>Analysis and appraisal of the legal opinion about the expected outcome for Pharol of the subpoena received from ESI referred before, prepared by Pharol's legal consultants that are following this process.</p> <p>Meetings and circularization of the lawyers that handle the insolvency process;</p> <p>Evaluation of the reasonableness of the financial statements' disclosures.</p>
<i>Measurement of the call option over Oi shares</i>	
<p>Following the previously mentioned performance of the exchange contract, Pharol was left with the right to repurchase shares of Oi, SA for a period of 6 years, at certain strike prices.</p> <p>The measurement of this asset is complex and requires the use of specialists, since it is a derivative financial instrument.</p> <p>Related disclosures: Note 14 to the present consolidated financial statements.</p>	<p>The audit response involved, in synthesis, the performance of the following procedures:</p> <p>Analysis and follow-up of the call option respective contractual terms;</p> <p>Involvement of specialists to perform an independent appraisal of the call option;</p> <p>Analysis of the independent appraisal and comparison of the results with the carrying amount determined by the Group;</p> <p>Evaluation of the reasonableness of the financial statements' disclosures.</p>

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

Management is responsible for:

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

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

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

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

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

- (i) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to

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

- (ix) provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the management report

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

On the corporate governance report

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

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

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

- We were appointed as auditors of Pharol in the shareholders general assembly held on May 29, 2015 for a first mandate from 2015 to 2017. 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 consolidated financial statements due to fraud. As a result of our work we have not identified any material misstatement on the consolidated financial statements due to fraud.
- We confirm that our audit opinion issued is consistent with the additional report that we prepared and delivered to the supervisory body of Pharol on February 28, 2019.
- We declare that we have not provide any prohibited services as described in article 77.º, number 8, of the Ordem dos Revisores Oficiais de Contas statutes, and we have remained independent of the Group in conducting the audit.
- We inform that, in addition to the audit, we have not provided to the Group any other services.

Lisbon, February 28, 2019

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

CORPORATE GOVERNANCE REPORT
2018



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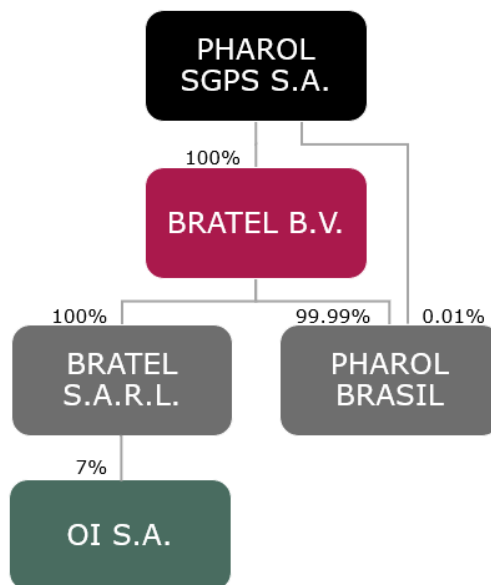
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INTRODUCTION

PHAROL, SGPS SA, is headquartered at Rua Joshua Benoliel, 1, 2C, Edifício Amoreiras Square, 1250-133 Lisboa, with a share capital of EUR 26,895,375.00, registered on the Commercial Registry Office under unique registration and personal number collective 503215058 ("PHAROL" or "Company") is public listed company, issuer of securities admitted to trading on the regulated market of Euronext Lisbon.

In this report, PHAROL complies with the recommendations contained in the Corporate Governance Code of the Portuguese Institute of Corporate Governance ("CGS IPCG") which entered into force on January 1, 2018 and continues to prepare the Report in accordance with the annex to Regulation of CMVM n° 4/2013 of January 1, 2014 and with the circular issued by the same Commission on January 11, 2019. This Report intends to reflect the adjustment and the pertinence of each recommendation to the reality and conjuncture of the Company with reflecting its classic corporate governance model and the provisions of paragraph a) of no. 1 of article 278 of the Commercial Companies Code.

The structure and investment of the PHAROL Group as of December 31, 2018 are as follows:



A. SHAREHOLDER STRUCTURE

I. CAPITAL STRUCTURE

1. CAPITAL STRUCTURE

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

All PHAROL ordinary shares are admitted to trading on the Euronext Lisbon regulated market.

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

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

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

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

On 31 December 2018, the Company held 30,865,000 own shares.

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

4. SIGNIFICANT AGREEMENTS INCLUDING CHANGE OF CONTROL CLAUSES

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

Nevertheless, as announced to the market on January 9, 2019, Oi and its shareholder PHAROL/BRATEL, after negotiations, reached a consensus to close and extinguish judicial and extrajudicial litigation in Brazil, Portugal and all countries where there are discussions involving companies of the two Groups, which is pending approval.

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

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

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

point was taken to the Shareholders' Meeting and it was decided to keep this limitation.

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

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

II. SHAREHOLDINGS AND BONDS

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

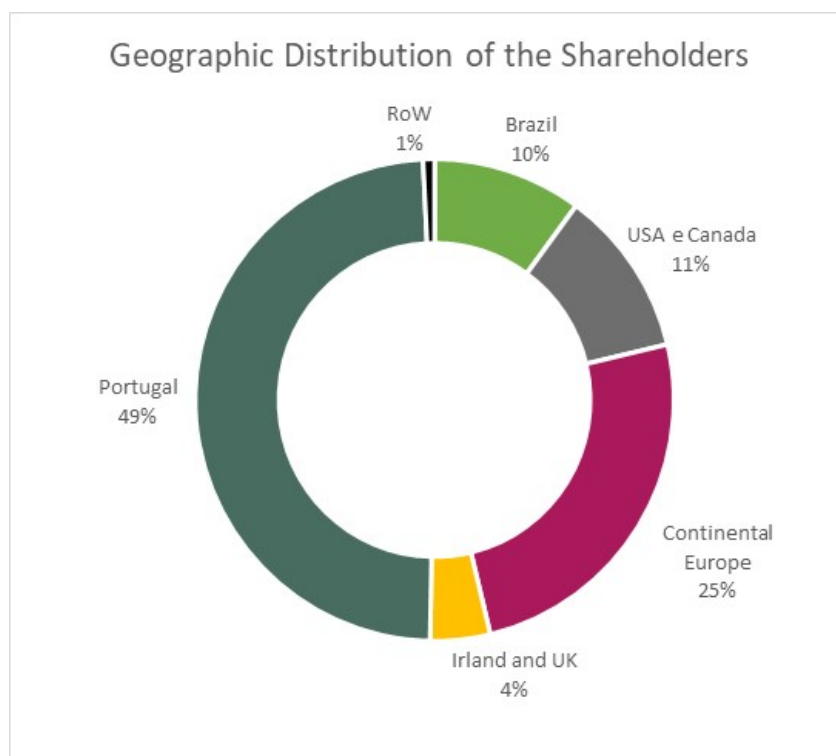
As at 31 December 2018, qualified holdings represented about 41.21% of PHAROL share capital, as follows:

DATE OF INFORMATION	ENTITIES	NO. OF SHARES	% OF CAPITAL	% OF VOTING RIGHTS
02/05/2018	Adar Macro Fund LTD	92,202,302	10.28%	10.00%
	Adar Capital Partners Ltd.	92,202,302	10.28%	10.00%
	Adar Macro Fund Ltd.	92,202,302	10.28%	10.00%
	Total attributable	92,202,302	10.28%	10.00%
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	9.56%	
	Shares held by companies in a controlling or group relationship with Novo Banco, S.A.	916	0.00%	
	Shares held by directors and members of the Corporate Bodies	595	0.00%	
	Total attributable	85,666,636	9.56%	0.00%
24/05/2017	High Bridge Unipessoal, Lda.	55,304,969	6.17%	6.17%
	Full chain of controlled undertakings through which the voting rights and/or the financial instruments are effectively held starting with the ultimate controlling natural person or legal entity is formed Atlantis Global Investments, LLC.			
Total attributable	55,304,969	6.17%	6.17%	
05/12/2016	High Seas Investments LLC	46,657,016	5.20%	5.20%
	Full chain of controlled undertakings through which the voting rights and/or the financial instruments are effectively held starting with the ultimate controlling natural person or legal entity is formed Angra Capital Management LTD.			
Total attributable	46,657,016	5.20%	5.20%	

After December 31, 2018, there were changes in qualifying holdings as follows:

- **Jan 3, 2019** | Blackhill Holding Limited, LLC. holds a qualifying holding of 43,311,406 shares, representing 4.83% of PHAROL's share capital and voting rights.
- **Jan 3, 2019** | High Seas Investments, LLC has decreased its stake to 2.41% of PHAROL's share capital and voting rights.
- **Jan 10, 2019** | Blackhill Holding Limited, LLC reported that are attributable to Nelson Tanure 43,311,406 shares representing 4.83% of the capital and voting rights of PHAROL acquired by Blackhill Holding Limited LLC, of which he is a beneficial owner, and further informed that Nelson Tanure holds a personal title of 10,000 shares representing 0.00111%. In total, 43,321,406 shares are attributable to Nelson Tanure, corresponding to 4.83% of PHAROL's share capital and voting rights.

PHAROL has a diversified shareholder structure, with around 51% of its share capital held by foreign shareholders, essentially divided between Europe, North America (US and Canada) and Brazil, representing 29%, 11% and 10% respectively of the shareholder basis. The Portuguese market represents around 49% of the shareholder basis.



Source: Interbolsa (12/31/2018)

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

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

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

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

Members of the supervisory bodies do not hold PHAROL shares.

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

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

Prior to the resolution of the General Meeting setting parameters for capital reinforcement or reinforcement, PHAROL's bylaws authorize the Board of Directors, with the favorable opinion of the Fiscal Council, to resolve to increase the capital stock by one or more times, and by cash inflows, in value up to 80,000,000 euros. The total amount of the authorized capital increase includes not only the nominal value of the issue(s) and the issue premium(s). For the calculation of the overall limit of 80,000,000.00, convertible bonds issued under Article 8 of the bylaws shall always be taken into account.

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

PHAROL does not have significant commercial relationships with holders of any qualifying holdings.

Nevertheless, PHAROL and Oi still have a Call Option Agreement under which PHAROL holds a call option to repurchase Oi shares that were the subject of the Exchange Agreement entered into in September 2014. Currently, this option concern over 25,614,830.88 common shares and 51,229,661.76 preferred shares of Oi, with an exercise price of 20.104 reais for common shares and 18.529 reais for preferred shares, to be adjusted by the Brazilian CDI rate plus one, 5% per year from March 30, 2015, and a maturity of 6 years, with the possibility of exercising the option for PHAROL at 10% at the end of the first year and at 18% at the end of each subsequent year.

Relevant transactions executed during 2018 with other owners of qualified holdings, who are not related parties, are described in Note 21 the consolidated financial statements included in the Report and Consolidated Accounts 2018. There are no other relevant commercial relations between owners of qualified holdings and the Company.

B. CORPORATE BODIES AND COMMITTEES

I. GENERAL MEETING OF SHAREHOLDERS

COMPOSITION OF THE BOARD OF THE GENERAL MEETING OF SHAREHOLDERS

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

Shareholders may participate directly in the General Meeting or appoint their representatives, within the broadest terms provided for under the Portuguese Companies Code, using the form available at www.pharol.pt and the specific information given in the respective notice.

The Compensation Committee is represented in all General Meetings.

The Chairman of the Board of the General Meeting of shareholders is also provided with logistic support as required to carry out his duties, and the shareholders may contact the Board of the General Meeting of shareholders as follows:

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

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

Board of the General Meeting of Shareholders

Diogo Lacerda Machado	Chairman
Maria de Lourdes Cunha Trigos	Secretary

The members of the Board of the General Meeting of Shareholders were elected on 25 May 2017 to complete the 2015-2017 three-year term of office and re-elected at the Annual General Meeting of May 25, 2018 for the three-year period 2018-2020.

This last resolution was suspended by a court decision of October 23, 2018, resulting from a protective order to suspend of social deliberation requested by Telemar Norte Leste, S.A. - in Judicial Recovery ("Telemar").

As released on January 9, 2019, between Oi and PHAROL / BRATEL, an agreement was concluded to close all judicial and extrajudicial disputes, which is pending homologation in Brazil. Following this agreement, the suspension of proceedings pending in Portugal was requested and granted, which, however, does not affect the suspension ordered.

At the extraordinary general meeting of February 8, 2019, the Social Bodies were elected, thus rendering such suspension null and void.

EXERCISE OF VOTING RIGHTS

12. POSSIBLE LIMITATIONS ON VOTING RIGHTS

Under the Company's Bylaws, each share grants the right to one vote. Only shareholders entitled to vote on the record date (i.e., on the fifth trading day prior to the General Meeting) and in compliance with the procedures and periods set forth in the notice.

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

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

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

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

The Bylaws further provide that the terms and conditions for voting by correspondence or by electronic

means shall be defined by the Chairman of the Board of the General Meeting of shareholders in the notice, in order to ensure their authenticity, regularity, security, reliability and confidentiality up to the time of voting rights exercised in their course of the General Meeting.

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

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

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

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

- Shareholders entitled to vote may, according to article 22 of the Portuguese Securities Code, exercise such vote by correspondence, provided that, by the time and date scheduled on the notice, a communication addressed to the Chairman of the Board of the General Meeting is delivered to the latter, such communication to be with a legally acknowledged signature (or, for individuals, a simple signature together with a copy of the relevant identity card), and set out the address to where voting papers and other documentation should be sent. In reply, the voting papers and other relevant documentation will be sent to such shareholders, who shall send to the Chairman of the Board of the General Meeting, in such a way as to be received by the time and date scheduled on the notice for the General Meeting a closed envelope containing another closed envelope with the duly filled in voting papers;
- Notwithstanding the possibility of downloading the voting papers from the Internet according to the next paragraph, there are voting papers available to shareholders at the offices of the Company, and the same may also be provided by hand delivery, by post or by electronic mail;
- As an alternative, shareholders may also download the voting papers from the website **Error! Hyperlink reference not valid.** and send the same, addressed to the Chairman of the Board of the General Meeting, duly filled in and in a closed envelope, in such a way as to be received, together with an envelope containing a copy of the identity card (or, for corporations, a legally acknowledged signature), by the time and date scheduled on the notice for the General Meeting.

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

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

Considering the above described mechanisms for the participation and vote at the General Meeting, PHAROL promotes shareholder participation through voting by correspondence, by electronic means and by duly appointed representative in accordance with the legal and bylaw rules above.

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

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

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

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

In this way, the constitutive and resolute quorum of the General Meeting of shareholders established under PHAROL's Bylaws is no different from that established under the Portuguese Companies Code.

II. MANAGEMENT AND SUPERVISION

COMPOSITION

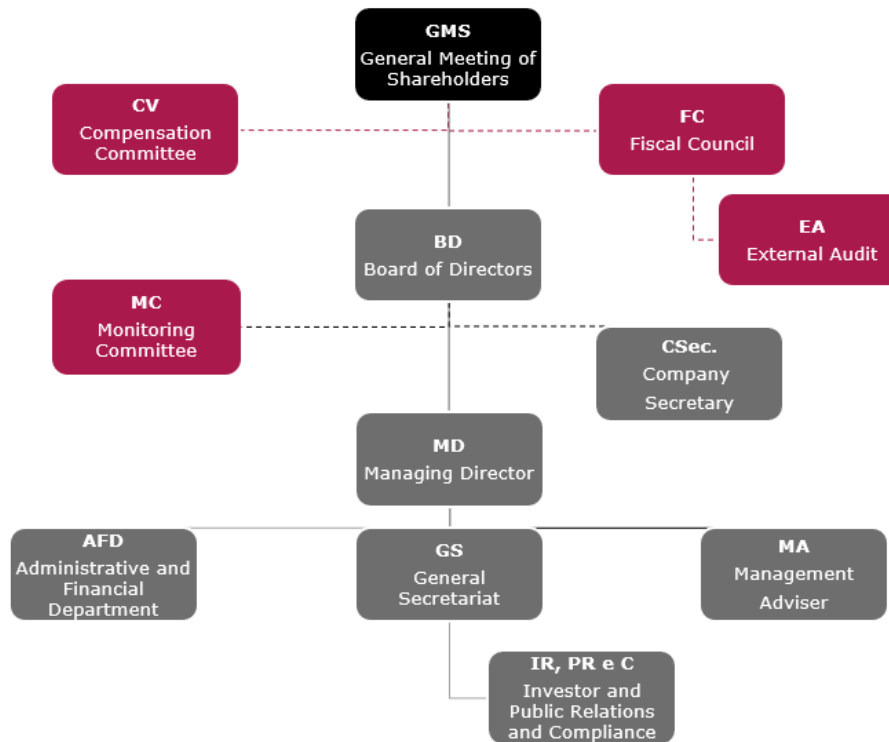
15. IDENTIFICATION OF THE CORPORATE GOVERNANCE MODEL

PHAROL follows a governance model, which is based on the existence of a Board of Directors and a Statutory Auditor ("ROC") elected by the General Meeting of shareholders upon a proposal by the Fiscal Council. In 2017, the Board of Directors appointed a Managing Director with an operational role, and a Monitoring Committee, which, however, was not fulfilled considering the size of the company and the high frequency of meetings of the Board of Directors.

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

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

On 31 December 2018, PHAROL's governance model could be schematised as follows:



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

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

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

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

17. COMPOSITION OF THE BOARD OF DIRECTORS

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

The Company is also subject to the provisions of Law no. 62/2017, of August 1 (regime of balanced representation between women and men in the administrative and supervisory bodies of the entities of the public sector and companies listed). Under the terms of this law, the proportion of persons of each sex reassigned to each management and supervisory body of each company may not be less than 20% from the first elective general meeting after January 1, 2018.

The term of office of the directors is three years, and may be re-elected one or more times, within the

limits established by law.

On May 25, 2018, PHAROL's General Assembly was held, among other matters, to elect the members of the Governing Bodies and the Remuneration Committee for the three-year period 2018-2020.

In this general meeting the following administrators were elected, indicating the year of their first appointment:

- Aristotles Luiz Menezes Vasconcellos Drummond (2017)
- Bryan Schapira (2018)
- João Manuel Pisco de Castro (2015)
- Jorge Augusto Santiago das Neves (2017)
- Jorge Telmo Maria Freire Cardoso (2014)
- Luís Maria Viana Palha da Silva (2015)
- Maria do Rosário Amado Pinto Correia (2015)
- Nelson Sequeiros Rodriguez Tanure (2017)
- Pedro Zañartu Gubert Morais Leitão (2015)

At the Shareholders' Meeting held on September 7, 2018, Maria Leonor Ribeiro Martins Modesto was elected, in order to comply with the provisions of Law 62/2017 of 1 August.

Telemar Norte Leste, SA - in judicial reorganization ("Telemar") filed a precautionary measure against PHAROL for the suspension of corporate resolutions, aiming at the deliberations of appointment of the corporate bodies taken at said general meetings of May 25, 2018 and December 7, 2018. September 2018.

On 23 October 2018, a decision was passed suspending the resolution of the election of the members of the corporate bodies held at PHAROL's General Meeting on May 25, 2018. Telemar has, however, withdrawn from the second precautionary measure.

In compliance with the decision of the court, on the one hand, and in view of the need to ensure the functioning of the Company, on the other hand, only former directors whose term has not been terminated by virtue of a new designation or incompatibility those who were in office until the end of the 2015-2017 term and had been re-elected in May 2018, but not those who in the meanwhile have definitively abandoned any functions in the Company or have been held incompatible with the function of administrator). by virtue of the decree of the injunction, the board of directors effectively in office was as follows:

Members (date of first appointment)	Board of Directors	Independence ⁽¹⁾	No. of shares
Luís Maria Viana Palha da Silva (2015)	President		200.000
Aristóteles Luiz Menezes Vasconcellos Drummond (2017)	Member	Yes	
João Manuel Pisco de Castro (2015)	Member	Yes	
Jorge Augusto Santiago das Neves (2017)	Member	Yes	
Jorge Telmo Maria Freire Cardoso (2014)	Member		
Maria do Rosário Amado Pinto Correia (2015)	Member	Yes	
Nelson Sequeiros Rodriguez Tanure (2017)	Member	Yes ⁽²⁾	
Pedro Zañartu Gubert Morais Leitão (2015)	Member	Yes	
Maria Leonor Martins Ribeiro Modesto (setembro 2018)	Member	Yes	

(1) Evaluation of independence made in accordance with internal regulation, article 414-5 of the

Portuguese Companies Code and item 18 of the form attached to CMVM Regulation no. 4/2013, as the case may be.

(2) Changed on January 2019.

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

The Managing-Director reported on all of the relevant matters to all other members of the Board of Directors.

At the extraordinary general meeting of February 8, 2019, the Social Bodies were elected, thus rendering such suspension null and void.

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

As referred to in item 17 above, as at 31 December 2018 the Company distinguishes executive and non-executive directors. In the same item, those directors that are considered independent are identified.

As at 31 December 2018, the Board of Directors of PHAROL has 7 independent directors, from among 9 members of the Board. On January 2019, the number of independent directors decreased to 6 (from among 9).

All directors deemed independent by PHAROL, as of 31 December 2018, as set out in item 17 above, meet the conditions required for the performance of their duties and compliance with their obligations to act diligently and in the interest of the Company in an independent manner. Thus, the Board of Directors considers that the Company's management body includes a number of independent members that is appropriate to its size and shareholder structure.

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

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

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

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

PHAROL complies with the provisions of Article 245-A of the CVM, namely in the following points:

"1 - Issuers of shares admitted to trading on a regulated market located or operating in Portugal shall disclose, in a chapter of the annual management report specially prepared for this purpose or in an annex thereto, a detailed report on the structure and practices of government company, containing at least the following elements: (...)

(r) a description of the diversity policy applied by the company to its management and supervisory bodies, in particular in terms of age, sex, qualifications and professional background, the objectives of that diversity policy, the way it was applied and the results in the reference period.

2 - If the policy referred to in point r) of the previous number is not applied, the detailed report on the structure and practices of corporate governance should contain an explanation for this fact.

3 - The obligation set forth in sub-paragraph r) of paragraph 1 shall not apply to issuers that are small and

medium-sized enterprises, pursuant to paragraphs 2 and 3 of article 9 of Decree-Law no. 158/2009, of July 13, with the wording given by Decree-Law No. 98/2015, of June 2.

4 - Issuers of shares admitted to trading on a regulated market subject to Portuguese personal law disclose information on corporate governance structure and practices under the terms defined in a CMVM regulation, where the information required in the previous paragraph is included.

5 - The management body of issuers of shares admitted to trading on a regulated market subject to Portuguese personal law shall submit annually to the shareholders' meeting an explanatory report on the matters referred to in paragraph 1. "

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

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

As at 31 December 2018:

No member of the board of directors has no family, professional or commercial relationships, frequent and significant, with owners of qualified holdings above 2% of the voting rights, except:

- Jorge Telmo Maria Freire Cardoso: he is director for the financial area of Novo Banco, S.A., an entity having a qualified holding more than 2%

In 2019, the following changes occurred:

- Nelson Sequeiros Rodriguez Tanure: on January 3, 2019, 43,321,406 shares, corresponding to 4.83% of PHAROL's capital and voting rights, were attributed to him through 43,311,406 shares representing 4.83% acquired by Blackhill Holding Limited LLC, of which it is an effective beneficiary and still of 10,000 shares representing 0.00111% held in a personal capacity of the share capital and voting rights in PHAROL.

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

MANAGEMENT BODY

Board of Directors

Pursuant to the Bylaws, the Board of Directors is the corporate body responsible for managing the Company's businesses and practicing all acts regarding the corporate scope that are not within the powers of other corporate bodies. It establishes the strategic orientation of PHAROL and monitors the day-to-day management delegated to the Managing Director, designated in 2017 to ensure the existence of a structure more suited to the management needs of PHAROL.

Within the delegation of powers, the Board of Directors assigned the Managing Director all powers necessary for the day-to-day management of the Company, except for those matters that are not delegable pursuant to article 407 of the Portuguese Companies Code listed below:

- a) Selection of the Chair of the Board of Directors;
- b) Co-opting directors;
- c) Request to convene General Meetings;
- d) Annual report and accounts, to be submitted to the General Meeting for approval;

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

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

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

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

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

All members of the Board of Directors take informed decisions on the matters submitted to them, considering that the current report to the Board of Directors is sufficient to ensure the objectives of the recommendation of the IPCG III.1.

The Board of Directors during 2018 met with high frequency, having held 16 meetings, between ordinary and extraordinary meetings.

The Board discussed the main issues relevant to the Company, namely discussing its Strategic Plan and approving the Budget, as well as all other matters of importance to the Company's management. Budgetary deviations and in-depth strategic options were regularly assessed for each of the assets included in PHAROL's portfolio.

The Board of Directors met with the Audit Board whenever necessary or imposed by the rules and regulations and received periodic information notes on the main issues and decisions made by the Chief Executive Officer.

The participation and contribution of all Directors for the evaluation and deliberation of all situations brought to the Board was a constant.

Do to the information received from the Managing Director and the regularity with which the Board met, the Board of Directors has maintained that it is not necessary for a Commission to follow up on it.

Powers of the Chairman of the Board of Directors

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

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

Managing-Director

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

Powers of the Managing Director

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

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

- a) propose to the Board of Directors the goals and management policies of the Company;
- b) prepare annual activity and financial plans;
- c) manage the social affairs and practice all acts and operations related to the corporate purpose that do not fit in the competence attributed to other Bodies of the Company;
- d) represent the Company in and out of court, actively and passively, being able to withdraw, compromise and confess in any lawsuits, as well as to conclude arbitration agreements;
- e) to resolve on the issue of bonds and other securities in accordance with the Bylaws;
- f) establish the technical and administrative organization of the Company and the internal rules, namely on personnel and their remuneration;
- g) to establish representatives with the powers they deem appropriate, including those to be replaced;
- h) exercise the other powers attributed to it by law or by the General Meeting.

SUPERVISORY BODIES

Fiscal Council

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

- a) Inspect the Company's management;

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

Fiscal Council has also the following duties:

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

Statutory Auditor

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

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

COMMITTEES AND SUPPORTING STRUCTURES

FUNCTION

22. OPERATING RULES OF THE BOARD OF DIRECTORS

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

http://conteudos.pharol.pt/Documents/EN/Regulation/2018/Regulamento_CA_en.pdf

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

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

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

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

During the 2018 financial year, 16 meetings of the Board of Directors took place. The degree of attendance of directors at these meetings of the Board of Directors of PHAROL was 100%

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

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

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

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

On May 25, 2018, the General Meeting of Shareholders adopted the Declaration of the Compensation Committee on the Remuneration Policy for the members of the management and supervisory bodies, included on Appendix II.

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

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

COMMITTEES WITHIN THE MANAGEMENT OR SUPERVISION BODIES AND DELEGATED DIRECTORS

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

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

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

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

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

As of December 31, 2018, the Managing Director was the Chairman of the Board of Directors, Luís Maria Viana Palha da Silva

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

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

III. SUPERVISION

COMPOSITION

30. IDENTIFICATION OF THE SUPERVISORY BODY

The supervisory body is the Fiscal Council.

31. COMPOSITION OF THE FISCAL COUNCIL

Pursuant the Company Bylaws, the Fiscal Council is composed of three effective members and one alternate

member, appointed by the General Meeting of shareholders.

As mentioned above, on May 25, 2018 PHAROL's General Meeting took place, in which the following members of the Fiscal Council were appointed:

José Maria Rego Ribeiro da Cunha	Chairman
Isabel Maria Beja Gonçalves Novo	Member
Thomas Cornelius Azevedo Reichenheim	Member
Paulo Ribeiro da Silva	Alternate member

As a result of the injunction ordered by Telemar against PHAROL, only those members of the Audit Committee who had previously been elected and whose term of office had not been terminated could continue to exercise their functions.

Thus, as at December 31, 2018, the Fiscal Council was composed as follows:

José Maria Rego Ribeiro da Cunha	Chairman
Isabel Maria Beja Gonçalves Novo	Member
Paulo Ribeiro da Silva	Alternate member

As announced to the market, on January 9, 2019, between Oi and PHAROL / BRATEL, an agreement was concluded to close all judicial and extrajudicial disputes, which is pending homologation in Brazil. Following this agreement, the suspension of proceedings in Portugal was requested and granted. Such suspension of proceedings, however, does not affect the suspension of the social deliberation that had been enacted on October 23, 2018.

At the extraordinary general meeting of February 8, 2019, the Social Bodies were elected, thus rendering such suspension null and void.

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

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

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

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

OPERATION

34. OPERATING RULES OF THE FISCAL COUNCIL

All powers of the Fiscal Council are described in the Company's Bylaws, in addition to the Fiscal Council having adopted an internal regulation of operation, which may be consulted at the following link:

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

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

In addition, the Fiscal Council regularly monitors the company's plans and budget.

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

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

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

During the 2018 financial year, 9 meetings of the Fiscal Council took place. The degree of attendance of each member to these meetings was 100%.

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

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

COMPETENCES AND DUTIES

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

In the year 2018, PHAROL did not contract to the external auditor or any entity with a group relationship or that incorporate the same network, for any other services than audit services.

38. OTHER DUTIES OF THE SUPERVISORY BODIES

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

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

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

The Statutory Auditor effective for the period from 2018-2020 is BDO & Associados, SROC, Lda., registered in the Statutory Auditor's Professional Association ("OROC") under no. 29 and at CMVM under no. 20161384, represented by its partner and manager Rui Carlos Lourenço Helena, registered at OROC as Statutory Auditor, under no. 923.

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

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

May 2015. Pursuant to its duties, PHAROL's Fiscal Council confirmed the independence of the Statutory Auditor, and appraised its work during the 2018 financial year.

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

In 2018, the Statutory Auditor also rendered the external audit service to PHAROL and there is no other services rendered.

V. EXTERNAL AUDITOR

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

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

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

PHAROL's current External Auditor is BDO & Associados – SROC, Lda., registered at OROC under no. 29 and at CMVM under no. 20161384, began its functions in March 2015.

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

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

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

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

Pursuant to its duties, the Company's Fiscal Council assessed and confirmed the independence of BDO & Associados, SROC, Lda., and appraised its work relating to the 2018 financial audit of the Company.

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

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

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

BDO & Associados, SROC, Lda. for the external audit and Statutory Auditor simultaneously will represent a total cost of 80,000 euros to which VAT is added at the legal rate, referring to 2018.

C. INTERNAL ORGANIZATION

I. BYLAWS

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

Constitutive quorum for the General Meeting of Shareholders

The PHAROL's Bylaws do not establish a constitutive quorum higher than that established by law.

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

Resolution quorum for the General Meeting of Shareholders

The PHAROL's Bylaws do not establish a resolution quorum higher than that established by law.

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

The Board of Directors may move the Company's headquarters within the national territory and decide to increase the share capital, provided, in this case, previously authorized by the General Meeting and with the favorable opinion of the Fiscal Council, which will determine changes to the bylaws of the Company.

II. WHISTLEBLOWING

49. WHISTLEBLOWING

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

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

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

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

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

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

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

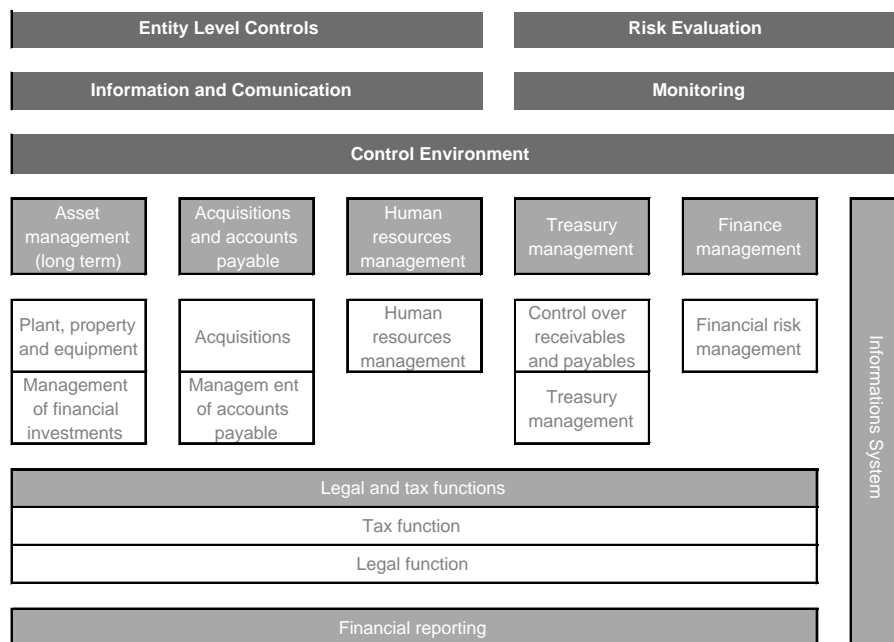
III. INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control System

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

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

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



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

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

The internal control system is checked by the External Auditors and the External Auditors also verify the implementation of remuneration policies and systems in force in the Company.

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

The Fiscal Council monitors PHAROL permanently as follows:

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

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

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

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

The progress of the execution of the annual audit plan as defined, as well as the aggregate results of audits carried out, are reported to the Fiscal Council and to Managing Director for the follow-up of the progress of the internal control and risk management system and definition of action plans for mitigation and resolution of risks detected.

52. OTHER FUNCTIONAL AREAS HAVING RISK CONTROL POWERS ROLE

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

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

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

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

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

Relevant Risks		
Economic Risks	Oi’s Performance	With the Judicial Recovery measures already in their final phase of implementation and consequently PHAROL had suffered a dilution in its participation, PHAROL will again be subject in Brazil to the

		operational performance of the company Oi.
	Information Security	PHAROL is exposed on a daily basis to security risks, including the availability, integrity and confidentiality of the information.
Financial Risks	Exchange Rates	<p>Foreign currency exchange rate risks relate mainly to PHAROL's investment in Oi (Brazil). Any exchange rate fluctuations of the Real against the Euro affect the valorization of Oi shares held by PHAROL, and therefore impact PHAROL's results and financial position.</p> <p>The Company does not have a hedging policy regarding the value of these investments.</p>
	Interest Rate	<p>Interest rate risks basically relate to financial expenses and the floating interest rate debt and cash applications. PHAROL is indirectly exposed to this risk specially in Brazil. It is important to point out that, at December 31, 2018 PHAROL has no debt.</p> <p>Market interest rates also affect the discount rates used for impairment testing to the various assets of the company.</p>
	Treasury Applications	<p>PHAROL is mainly subject to credit risks in its treasury applications.</p> <p>In order to dilute these risks, in July 2014 the Board of Directors defined a policy for treasury applications and this policy is annually rewied.</p>
	Default by Rio Forte as to the reimbursement of the instruments that PHAROL holds following the execution of the Exchange	<p>The Rio Forte Instruments currently held by PHAROL, are not guaranteed by assets. Therefore, even though there may exist amounts available for reimbursement to Rio Forte's creditors the right to reimbursement of PHAROL will be shared pro rata with the other unsecured creditors of Rio Forte and only after the repayment of all debts to any secured creditors, and after confirmation of the validity of the credits.</p> <p>PHAROL evaluates this instrument every year, with the supervision of the Fiscal Council and External Audit.</p>
	Exercise of the call option on Oi's shares	<p>The value of the Call Option on Oi's shares will depend primarily on the market price for Oi's ordinary and preferred shares, the price of which will depend, in its turn, on Oi's performance, including its operations, financial position, business outlook and its judicial reorganization develop.</p> <p>The Board of Directors of PHAROL closely monitors Oi's business on regular basis and is further engaged in periodically following up the Call Option for purposes of financial statement recording, as well as the price of Oi's shares.</p>
	Legal Risks	Court proceedings
Tax contingencies		In accordance with the agreements with Oi, Oi is responsible for the payment of all contingencies until May 5, 2014 and PHAROL remains and severally liable for these contingencies.

<p>Disputes or investigations triggered under the Rio Forte Instruments or the Business Combination</p>	<p>PHAROL may incur in liability under disputes and other future proceedings and incur in legal costs in such disputes or other proceedings. Any liability incurred may adversely affect PHAROL's financial position.</p>
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54. RISK IDENTIFICATION, ASSESSMENT, MONITORING, CONTROL AND MANAGEMENT PROCEDURE

Risk Management Procedure

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

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

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

Risk Management Methodology

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

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

Identified risks

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

Economic Risks	Oi's Performance
	Information Security

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

Risk assessment

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

Risk monitoring, control and management

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

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

Operational implementation of the risk management methodology is an interactive cyclical process that may be summarised in the following table:

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

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

The wider scope of the internal control system implemented by PHAROL includes existing controls both as to the accuracy and completeness of disclosures and as to compliance thereof with the Company's financial information. At the beginning of the process, the Managing Director, together with the Company services,

the External Auditor and the Statutory Auditor, establish a timeline for the process and identify the participants/responsibility aimed at the preparation/disclosure of the financial information.

Before approval by the Board of Directors and by the Managing Director, financial information disclosures are submitted to the Fiscal Council within the context of the Company's governance model. Both the Board's approval and the Fiscal Council's opinion are preceded by a set of validation and accuracy procedures carried out by the Company services.

IV. INVESTOR SUPPORT

56. INVESTOR SUPPORT OFFICE, COMPOSITION, DUTIES, INFORMATION PROVIDED BY THE SAME AND CONTACT DETAILS

It is PHAROL's policy to supply clear and transparent information, on a regular basis, to its shareholders and other members of the financial community.

The purpose of the Investor Relations Office consists in ensuring adequate relations with shareholders, investors, analysts and financial markets in general, in particular with the Markets and Stock Exchanges where PHAROL is listed and the respective regulatory entity: CMVM.

PHAROL regularly prepares communications and press releases on interim and annual results, as well as any inside information affecting the Company. It also provides all sorts of clarifications to the financial community in general – shareholders, investors and analysts.

Any interested party may have access to the Investor Relations Office through the following contacts:

Luís Sousa de Macedo

Investor Relations Director

Telephone: +351.212.697.698

Fax: +351.212.697.949

E-mail: ir@pharol.pt

Address: Rua Joshua Benoliel, 1, 2C - Edifício Amoreiras Square
1250-133 Lisboa - Portugal

Company Switchboard: +351.212.697.690

Website: www.pharol.pt

In addition to other information, PHAROL keeps the following information updated on its website, in Portuguese and in English:

- Company name, its nature of public company, registered office and other data pursuant to article 171 of the Portuguese Companies Code;
- The Bylaws;
- Operating rules of the corporate bodies and of the committees created within the Board of Directors;
- The identity of the members of the corporate bodies and of the representative for relations with the market;
- Duties of and access means to the Investor Relations Office as described above;

- For a period of five years, the annual, interim and quarterly financial statements;
- A schedule of corporate events, which includes, among other information, scheduled General Meetings of shareholders and disclosure of annual, interim and quarterly accounts;
- Notices of the General Meetings of shareholders, as well as proposals to be submitted to discussion and voting by the shareholders, at least 21 days in advance of the meeting date;
- Historical collection with the resolutions passed at the Company's General Meetings of shareholders, the share capital therein represented and the voting results, regarding the previous three years;
- In general, information allowing an updated knowledge about the Company's evolution and reality in economic, financial and corporate governance terms.

57. REPRESENTATIVE FOR RELATIONS WITH THE MARKET

Regarding this matter, please see item 56.

58. INFORMATION ON RESPONSE PROPORTION AND PERIOD TO INFORMATION REQUESTS MADE DURING THE YEAR OR PENDING FROM PREVIOUS YEARS

The Investor Relations Office regularly receives calls with various questions, including clarifications on dividends, General Meetings of shareholders and others, typically answered immediately, when the information is public.

Also, receives requests by e-mail or post and depending on the technical complexity of the query it may take longer to answer, but typically it takes less than five business days.

Therefore, PHAROL believes that its Investor Relations Office ensures a permanent contact with investors, analysts and the market in general as well as a treatment of investors' requests.

V. INTERNET WEBSITE

59. ADDRESS

PHAROL makes available, through its website, , www.pharol.pt ,all information of a legal nature or on corporate governance, updates on the conduct of the business of the Company, as well as a complete set of Company financial and operational data, in order to facilitate inspection and access to such information by PHAROL's shareholders, financial analysts and other parties concerned.

60. LOCATION OF INFORMATION ON THE COMPANY NAME, ITS NATURE OF PUBLIC COMPANY, REGISTERED OFFICE AND OTHER DATA PURSUANT TO ARTICLE 171 OF THE PORTUGUESE COMPANIES CODE

All information pursuant to article 171 of the Portuguese Companies Code may be found on PHAROL website at:

<http://pharol.pt/en-us/a-empresa/pages/informacao-corporativa.aspx>

61. LOCATION OF INFORMATION ON THE BYLAWS AND OPERATING RULES OF THE CORPORATE BODIES AND/OR COMMITTEES

The bylaws and operating rules of the corporate bodies and of the committees created within the Board of

Directors may be found on PHAROL' website at:

<http://pharol.pt/en-us/governo-sociedade/pages/estatutos.aspx>

<http://pharol.pt/en-us/governo-sociedade/pages/conselho-fiscal.aspx>

<http://pharol.pt/en-us/governo-sociedade/comissoes-internas/pages/enquadramento.aspx>

62. LOCATION OF INFORMATION ON THE IDENTITY OF THE MEMBERS OF THE CORPORATE BODIES, THE REPRESENTATIVE FOR RELATIONS WITH THE MARKET, THE INVESTOR RELATIONS OFFICE OR EQUIVALENT, THEIR DUTIES AND ACCESS DETAILS

The identity of the members of the corporate bodies, the representative for relations with the market, the Investor Relations Office or equivalent, their duties and access details may be found on PHAROL' website at:

<http://pharol.pt/en-us/governo-sociedade/pages/conselho-administracao.aspx>

<http://pharol.pt/en-us/governo-sociedade/pages/conselho-fiscal.aspx>

<http://pharol.pt/en-us/contactos/pages/relacao-investidores.aspx>

63. LOCATION WHERE THE COMPANY MAKES AVAILABLE THE FINANCIAL STATEMENTS, WHICH MUST BE ACCESSIBLE FOR FIVE YEARS AT LEAST, AS WELL AS A SCHEDULE OF CORPORATE EVENTS, DISCLOSED AT THE BEGINNING OF EACH HALF-YEAR, INCLUDING, AMONG OTHERS, GENERAL MEETINGS OF SHAREHOLDERS, DISCLOSURE OF THE ANNUAL, HALF-YEAR AND, IF APPLICABLE, QUARTERLY FINANCIAL STATEMENTS

The financial statements, as well as the schedule of corporate events may be found on PHAROL' website at:

<http://pharol.pt/en-us/informacao-financeira/relatorios/pages/2017.aspx>

<http://pharol.pt/en-us/informacao-financeira/calendario-financeiro/Pages/calendario-financeiro.aspx>

64. LOCATION WHERE THE COMPANY MAKES AVAILABLE NOTICES OF THE GENERAL MEETING OF SHAREHOLDERS AND ALL PREPARATORY AND SUBSEQUENT INFORMATION RELATED TO THE SAME

Notices of the General Meeting of Shareholders and all preparatory and subsequent information related to the same may be found on PHAROL's website at:

<http://pharol.pt/en-us/governo-sociedade/assembleia-geral-acionistas/Pages/assembleia-geral-acionistas.aspx>

65. LOCATION WHERE THE COMPANY MAKES AVAILABLE THE HISTORICAL COLLECTION WITH THE RESOLUTIONS PASSED AT THE GENERAL MEETINGS OF SHAREHOLDERS, THE SHARE CAPITAL THEREIN REPRESENTED AND THE VOTING RESULTS, REGARDING THE PREVIOUS THREE YEARS

The historical collection with the resolutions passed at the Company's General Meetings of shareholders, the share capital therein represented and the voting results may be found on PHAROL' website at:

<http://pharol.pt/en-us/governo-sociedade/assembleia-geral-acionistas/Pages/assembleia-geral-acionistas.aspx>

D. REMUNERATION

I. COMPETENCE FOR DETERMINATION

66. COMPETENCE FOR THE DETERMINATION OF THE REMUNERATION OF CORPORATE BODIES, MEMBERS OF THE EXECUTIVE COMMITTEE OR MANAGING DIRECTOR AND COMPANY OFFICERS

The Compensation Committee is elected by the shareholders at a General Meeting and serves the purpose of defining the remuneration policy of the members of the corporate bodies, determining the remunerations applicable and taking into consideration the performance and the economic position of the Company.

For the completion of this task, the Compensation Committee continuously follows up and evaluates the directors' and the Company's performance, checking the extent to which the proposed targets have been achieved. The Compensation Committee meets whenever necessary.

Within the delegation of powers, the remuneration policy applicable to the PHAROL's officers is determined by the Managing Director.

II. COMPENSATION COMMITTEE

67. COMPOSITION OF THE COMPENSATION COMMITTEE, INCLUDING THE IDENTIFICATION OF THE PERSONS OR CORPORATIONS HIRED TO SUPPORT IT AND INDEPENDENCE STATEMENT REGARDING EACH OF ITS MEMBERS AND CONSULTANTS

At the General Meeting of May 25, 2018, the following members of the Remuneration Committee (also known as the Remuneration Committee) were elected:

- António Sarmento Gomes Mota
- Francisco José Queiróz de Barros Lacerda
- Pedro Miguel Ribeiro de Almeida Fontes Falcão

As previously mentioned, the resolution of appointment of the Corporate Bodies and the Remuneration Committee is suspended by a court decision of October 23, 2018, resulting from a precautionary measure to suspend the social resolution required by Telemar. On January 9, 2019, between Oi and PHAROL / BRATEL, an agreement was signed to close all judicial and extrajudicial disputes, which is pending ratification in Brazil. Following this agreement, the suspension of proceedings in Portugal was requested and granted.

This procedural suspension, however, does not affect the suspension of the social resolution of appointment, reason why only the members of the previous Remuneration Committee that in the meantime has not abandoned this exercise can only be in office.

Thus, the members of the Remuneration Committee in effective exercise of functions as of December 31, 2018 were as follows:

- António Sarmento Gomes Mota
- Francisco José Queiróz de Barros Lacerda

At the extraordinary general meeting of February 8, 2019, the Social Bodies were elected, thus rendering such suspension null and void.

Notwithstanding the necessary articulation of this committee with the Board of Directors, the composition of the Compensation Committee seeks to obtain the highest possible level of independence of

its members from the members of the management body.

No member of the Compensation Committee is a member of any corporate body or committee within the Company, and no member of the Compensation Committee has any family connection to any member of the management body by way of marriage, kindred or affinity in a direct line and up to and including the third degree.

68. KNOWLEDGE AND EXPERIENCE OF THE MEMBERS OF THE COMPENSATION COMMITTEE IN THE MATTER OF REMUNERATION POLICY

All members of the Compensation Committee have knowledge and experience in the matter of remuneration policy. Some of them belong or have belonged to compensation committees of other listed companies. Appendix I hereto sets out the most relevant curriculum elements of the members of the Compensation Committee.

III. REMUNERATION STRUCTURE

69. DESCRIPTION OF THE REMUNERATION POLICY FOR THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES AS REFERRED TO UNDER ARTICLE 2 OF LAW NO. 28/2009 OF 19 JUNE 2009

The remuneration policy for executive and non-executive members of the Board of Directors (such policy including the members of the supervisory body) in force during the 2018 financial year is described on the statement of the Compensation Committee on this matter as approved by the Annual General Meeting of Shareholders on 25 May 2018, pursuant to article 2,1 of Law no. 28/2009, of 19 June 2009. Such declaration is reproduced in Appendix II hereto.

At the same time, the remuneration policy applicable to non-executive members of the Board of Directors does not include any variable component, -i.e - the value of which dependant on the performance of the Company or its value.

70. INFORMATION ON HOW THE REMUNERATION IS STRUCTURED IN ORDER TO PERMIT THE ALIGNMENT OF THE DIRECTORS' INTERESTS WITH LONG TERM INTERESTS OF THE COMPANY, AS WELL AS HOW THE REMUNERATION IS BASED ON PERFORMANCE AND DISINCENTIVES EXCESSIVE RISK TAKING

As a result from the remuneration policy approved at the General Meeting of 25 May 2018 and presented in Annex II, the remuneration was based on a fixed and variable component.

71. REFERENCE, IF APPLICABLE, TO THE EXISTENCE OF A VARIABLE COMPONENT OF THE REMUNERATION AND INFORMATION ON THE WAY AS SUCH COMPONENT DEPENDS ON PERFORMANCE EVALUATION

Regarding this matter, please see the statement of the Compensation Committee Appendix II hereto.

72. DEFERMENT OF PAYMENT OF THE VARIABLE COMPONENT OF THE REMUNERATION, MENTIONING THE DEFERMENT PERIOD

Regarding this matter, please see the statement of the Compensation Committee Appendix II hereto.

73. CRITERIA ON WHICH THE ALLOCATION OF A VARIABLE REMUNERATION IN SHARES IS BASED; EXECUTIVE DIRECTORS KEEPING ANY SHARES GRANTED THEM IN THE COMPANY; ANY AGREEMENT EXECUTED AS TO SUCH SHARES, NOTABLY HEDGING OR RISK TRANSFER AGREEMENTS, THE LIMIT THEREOF, AND THEIR RELATIONSHIP TO THE AMOUNT OF THE OVERALL ANNUAL REMUNERATION

Not applicable, since the remuneration policy in force does not include the allocation of a variable remuneration in shares.

74. CRITERIA ON WHICH THE ALLOCATION OF A VARIABLE REMUNERATION IN OPTIONS IS BASED, AND INDICATION OF DEFERMENT PERIOD AND EXERCISE PRICE

Not applicable, since the remuneration policy in force does not include the allocation of a variable remuneration in options.

75. MAIN PARAMETERS OF AND GROUNDS FOR ANY ANNUAL BONUS SYSTEM AND ANY OTHER NON-PECUNIARY BENEFITS

In 2018, there were no bonuses, annual bonuses or non-pecuniary benefit systems of any nature whatsoever in force in PHAROL.

76. MAIN CHARACTERISTICS OF COMPLEMENTARY PENSION OR EARLY RETIREMENT SYSTEMS FOR DIRECTORS, SPECIFYING WHETHER THE SAME WERE SUBJECT TO APPRAISAL, IN INDIVIDUAL TERMS, BY THE GENERAL MEETING OF SHAREHOLDERS

No PHAROL director is covered by complementary pension or early retirement system plan.

IV. REMUNERATION DISCLOSURE

77. REMUNERATION INDIVIDUALLY AND GLOBALLY EARNED BY THE MEMBERS OF THE COMPANY'S MANAGEMENT BODY

Pursuant to Law no. 28/2009 of 19 June 2009, individual and global gross remunerations paid to the members of the management body are shown hereinafter:

Board of Directors (year of designation)	Fixed Remuneration 2018	Variable Remuneration 2018
Aristóteles Luiz Menezes Vasconcellos Drummond (2017)	35,000	
Bryan Schapira (2018) (1)	12,962	
João Manuel Pisco de Castro (2015)	35,000	
Jorge Augusto Santiago das Neves (2017)	35,000	
Jorge Telmo Maria Freire Cardoso (2014)	35,000	
José Manuel Melo da Silva (2016) (2)	20,133	
José Mauro Mettrau Carneiro da Cunha (2015) (3)	8,137	
Luis Maria Viana Palha da Silva (2015)	294,000	49,539
Maria do Rosário Amado Pinto Correia (2015)	35,000	
Maria Leonor Martins Ribeiro Modesto (2018) (4)	11,015	
Nelson Sequeiros Rodriguez Tanure (2017)	35,000	
Pedro Zañartu Gubert Morais Leitão (2015)	35,000	
Thomas Cornelius Azevedo Reichenheim (2017) (2)	14,237	
Total	605,484	49,539

(1) Was in office from May 25 to October 23, 2018, date of the suspension of the social deliberation for the appointment of the elected corporate bodies for the 2018-2020 triennium.

(2) Was in office until May 25, 2018.

(3) Resigned on December 28, 2017, effective January 28, 2018.

(4) Elected on September 7, 2018.

78. AMOUNTS PAID, FOR ANY REASON WHATSOEVER, BY OTHER COMPANIES IN A CONTROL OR GROUP RELATIONSHIP OR SUBJECT TO COMMON CONTROL

During 2018, no amounts were paid to PHAROL's members of the Board of Directors by companies in a control or group relationship or subject to common control.

79. REMUNERATION PAID IN THE FORM OF PROFIT SHARING AND/OR BONUS PAYMENT, AND THE REASONS WHY SUCH BONUSES AND/OR PROFIT SHARING WERE GRANTED

The remuneration policy of the members of the Board of Directors in 2018, which was presented to the General Meeting of shareholders May 2015, 2018, does not predict the provide for the allocation, in general terms, of this type of remuneration.

80. COMPENSATIONS PAID OR DUE TO FORMER EXECUTIVE DIRECTORS IN RESPECT OF TERMINATION OF OFFICE DURING THE FINANCIAL YEAR

During the year 2018, there is no compensation paid for the contract termination of executive directors.

81. REMUNERATION INDIVIDUALLY AND GLOBALLY EARNED BY THE MEMBERS OF THE COMPANY'S SUPERVISORY BODY

The remuneration of the Fiscal Council is composed of a fixed annual amount based on the Company's situation and market practices without the existence of a variable remuneration.

The gross remuneration of the Fiscal Council for the year 2018 was as follows:

Fiscal Council		Remunerations 2018
José Maria Rego Ribeiro da Cunha		49.000,00
Isabel Maria Beja Gonçalves Novo		31.500,00
Paulo Ribeiro da Silva	(1)	N/A
Pedro Miguel Ribeiro de Almeida Fontes Falcão	(2)	12.813,48
Thomas Cornelius Azevedo Reichenheim (2017)	(3)	13.471
Total		106.785

(1) Alternate member.

(2) Was in office until May 25, 2018.

(3) Was in office from May 25 to October 23, 2018, date of the suspension of the social deliberation for the appointment of the elected corporate bodies for the 2018-2020 triennium.

82. INDICATION OF THE REMUNERATION OF THE CHAIRMAN OF THE BOARD OF THE GENERAL MEETING OF SHAREHOLDERS

The Chairman of the Board of the General Meeting, Diogo Lacerda Machado, for his functions at General Meetings granting the gross remuneration of Euro. 12,000.

V. AGREEMENTS WITH REMUNERATION IMPLICATIONS

83. CONTRACTUAL LIMITATION AS ESTABLISHED FOR ANY COMPENSATION TO BE PAID UPON REMOVAL WITHOUT JUST CAUSE OF A DIRECTOR, AND ITS RELATIONSHIP WITH THE VARIABLE COMPONENT OF THE REMUNERATION

There are no agreements that establish a right to compensations upon removal without just cause of a director, other than the ones provided by law.

84. AGREEMENTS WITH MEMBERS OF THE BOARD AND OFFICERS PROVIDING FOR COMPENSATION IN THE EVENT OF TERMINATION OF OFFICE FOLLOWING A CHANGE OF CONTROL

There are no agreements between PHAROL and the members of the management body or officers providing for compensation in the event of resignation, removal without just cause or termination of employment relationship following a change of control in the Company.

VI. SHARE ALLOTMENT OR STOCK OPTION PLANS

The information set forth in **items 85 to 87** of the form attached to CMVM Regulation no. 4/2013 is not applicable to PHAROL, as during the 2018 financial year, the Company did not adopt any share allotment or share call option plans, nor did any such plans remain in force, in regard to PHAROL directors, employees or any third parties.

88. CONTROL MECHANISMS PLANNED FOR ANY EMPLOYEE CAPITAL HOLDING SYSTEM TO THE EXTENT THAT VOTING RIGHTS ARE NOT EXERCISED BY SUCH EMPLOYEES

Not applicable, since there is no system specifically providing for any share capital holding by employees in the Company.

E. RELATED PARTY TRANSACTIONS

I. CONTROL MECHANISMS AND PROCEDURES

89. MECHANISMS IMPLEMENTED BY THE COMPANY TO CONTROL RELATED PARTY TRANSACTIONS (IAS 24)

To ensure full compliance with PHAROL's obligations to disclose Related Party Transactions, the Company has implemented the procedures and internal control mechanisms designed to identify and ensure transparency of the decision-making processes for Transactions with Related Parties, and, secondly, determine the Transactions whose disclosure is relevant in accordance with the legal, regulatory and accounting rules to which it is bound.

For these purposes, the following transparency rules in the processes of deciding Related Party Transactions are fully complied by all stakeholders:

1. To preserve the transparency of PHAROL's decision-making processes when dealing with Related Party Transactions, such processes are subject to a general principle that no major corporate member and key contributor has formal authority within the PHAROL Group to authorize Transactions with himself, with any family member or entity under his control.
2. In such situations, approval of Related Party Transactions shall be held by an equivalent or superior member in the PHAROL Group hierarchy to ensure the independence of the decision-making process on the concerned Transaction.
3. Whenever Transactions of PHAROL or its Subsidiaries with Related Parties, or their renewals, whose aggregate value per entity exceeds Euro 200,000 (two hundred thousand euros) per semester, the realization thereof may only be approved once obtained prior favorable opinion of the supervisory body confirming that, in view of the reasoning given, the nature of the Related Party of the counterparty did not influence the decision to contract and the terms and conditions agreed.
4. The Transactions of PHAROL or its Subsidiaries held with shareholders holding a qualifying holding pursuant to article 16 of the Portuguese Securities Code or entities that with the latter are in one of the relations provided for in article 20 of the Code or its renewals, whose aggregate value per entity exceeds Euro 1,000,000 (one million euros) per year, are subject to approval by the Board of Directors, after obtaining a prior favorable opinion from the supervisory body, confirming that, given the reasons given, nature of a shareholder holding a qualifying holding or entity that is in one of the relationships provided for in article 20 of the CMVM of the counterparty did not influence the decision to contract or the terms and conditions agreed.
5. The transactions of PHAROL or its Subsidiaries made with members of the Board of Directors of PHAROL shall be subject to approval by the Board of Directors, regardless of the respective amount, pursuant to paragraph 2 of article 397 of the Commercial Companies Code.
6. Proposals for Transactions submitted by the above-mentioned bodies must be substantiated and should specifically mention the advantages inherent to the Transactions in question.
7. For the purposes set out in points 3 and 4 above, the Board of Directors shall be instructed to provide the following information regarding the Transaction on which it is called upon: (i) sufficient information on the characteristics of the transaction in question, in particular from a strategic, financial, legal and fiscal point of view; (ii) information on the nature of the relationship between PHAROL, or its Subsidiaries, and the counterparty concerned; (iii) the procedures and financial terms agreed in the scope of the operation; (iv) the evaluation procedure adopted and the respective assumptions, including prices used as a reference; (v) the hiring process; and (vi) the impact of the transaction on the financial position of the PHAROL Group.
8. The information referred to in item 7. above shall be prepared by the proposer of the Transaction.
9. The supervisory board shall inform the Board of Directors of opinions issued on Transactions not subject to approval by the Board of Directors of PHAROL at the meetings of the Board of Directors to approve the semiannual and annual financial information immediately following the issuance of said opinions.

10. Where the execution of any of the operations referred to in points 3 or 4 entails the successive completion of several transactions where the second and subsequent transactions are mere acts of execution of the first, as provided for in points 3 to 9. the first transaction.
11. The following transactions with related parties are therefore excluded from the scope of application of the said internal regulations:
- a) Purchases of goods or services contracted with compliance with internal rules regarding purchases, suppliers and service providers that are in force at the time of hiring;
 - b) Banking operations of PHAROL and Subsidiaries, including collection, payment, deposits and other financial investments, short- and medium-term financing operations, commercial paper issuance, foreign exchange operations, hedging derivatives and guarantees provided that they do not exceed the aggregate value of Euro 300,000 (three hundred thousand euros) per year;
 - c) Between companies in a control or group relationship with PHAROL or between PHAROL and PHAROL;
 - d) where the consideration is determined based on official quotations (eg exchange or interest rate and commodity contracts) if the agreed ranges correspond to normal market practices;
 - e) where the consideration is determined based on tariffs or charges fixed by the competent regulatory authorities to which it competes;
 - f) The payment by the PHAROL Group of the remuneration of the main corporate members and key employees for the performance of their duties;
 - g) The operations accessible to all employees or shareholders of the PHAROL Group under equivalent conditions;
 - h) The acquisition of technical services, such as legal or tax consultancy, where the approval procedure provided for in this article may jeopardize the timely provision of such services, taking into account the specific nature of the services to be rendered, namely, taking into account the qualifications and degree of knowledge required for the provision of the services in question, as well as the time limit for their implementation;
 - i) Transactions that constitute the execution of transactions already contracted under general contracts already in force in the PHAROL Group.

90. TRANSACTIONS SUBJECT TO CONTROL

In 2018, there were no transactions subject to the rules described in paragraph 89.

91. INTERVENTION OF THE SUPERVISORY BODY IN THE PRIOR EVALUATION OF TRANSACTIONS WITH OWNERS OF A QUALIFIED HOLDING

In this respect, reference is made to point 89 of Part I above.

II. TRANSACTION DETAILS

92. LOCATION, IN THE ANNUAL FINANCIAL STATEMENTS, WHERE INFORMATION ON RELATED PARTY TRANSACTIONS, IN ACCORDANCE WITH IAS 24, IS AVAILABLE

Information on related party transactions is available on Note 21 to the consolidated financial statements for the year 2018. There were no transactions with related parties' to disclose in respect of the fiscal year

ended on 31 December 2018.

Information on the transactions executed during the fiscal year ended on 31 December 2018 with owners of qualified holdings who are not related parties in accordance with IAS 24 is available in Note 22 to the consolidated financial statements for the year of 2018.

PART II – CORPORATE GOVERNANCE EVALUATION

1. IDENTIFICATION OF THE CORPORATE GOVERNANCE CODE ADOPTED

As previously mentioned, the Company has adopted the Corporate Governance Code of IPCG, ensuring an adequate level of protection of shareholders' interests and transparency of Corporate Governance.

PHAROL is also subject to other internal standards adopted in its corporate governance structure such as various internal rules of conduct and transparency, specifically the Code of Ethics, the Rules on Management Transactions, Related Party Transactions and Transactions with Qualified Holders.

PHAROL, held in 2018 the management model delegating the day-to-day management to Managing-Director.

2. STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE ADOPTED

PHAROL complies with the recommendations set out in the IPCG Corporate Governance Code, which entered into force in January 1, 2018.

Within this context, PHAROL's corporate governance model and principles:

- Observe all legal rules of a binding content applicable to the Classic-type corporate governance model as provided for under article 278,1(a) of the Portuguese Companies Code;
- Take in a significant set of recommendations and best practices in this field as established under the IPCG Code, duly substantiating duly its corporate governance options in accordance with the "comply or explain" principle.

PHAROL adopts the IPCG Recommendations published in June 2018, available here:

<https://cgov.pt/images/ficheiros/2018/codigo-en-2018-ebook.pdf>

The items in Part I of this Corporate Governance Report that contain a description of the measures taken by the Company for compliance with the IPCG Recommendations are identified hereunder.

RECOMENDAÇÃO DO IPCG		COMPLIANCE	REPORT
Chapter I · GENERAL PROVISIONS			
I.1. Company's relationship with investors and disclosure			
I.1.1	The Company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts, and to the markets in general.	Complied	Itens 56, 58 and 59
I.2. Diversity in the composition and functioning of the company's governing bodies			
I.2.1.	Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.	Complied	Item 19 and Appendix I
I.2.2.	The company's managing and supervisory boards, as well as their committees, should have internal regulations —	Complied	Itens 21, 22, 27, 31 and 34

	namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members —, and detailed minutes of the meetings of each of these bodies should be carried out.		
I.2.3.	The internal regulations of the governing bodies — the managing body, the supervisory body and their respective committee — should be disclosed, in full, on the company's website.	Complied	Itens 22, 27, 34 and 61
I.2.4.	The composition, the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.	Complied	Itens 17, 23, 31, 35, 59
I.2.5.	The company's internal regulations should provide for the existence and ensure the functioning of mechanisms to detect and prevent irregularities, as well as the adoption of a policy for the communication of irregularities (whistleblowing) that guarantees the suitable means of communication and treatment of those irregularities, but safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality requested.	Complied	Itens 21 and 49
I.3. Relationships between the company bodies			
I.3.1.	The bylaws, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information.	Complied	Itens 22, 34 and 61
I.3.2.	Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.	Complied	Itens 22, 34 and 61
I.4. Conflicts of interest			
I.4.1.	The duty should be imposed, to the members of the company's boards and committees, of promptly informing the respective board or committee of facts that could constitute or give rise to a conflict between their interests and the company's interest.	Complied	Itens 17 and 89
I.4.2.	Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.	Complied	Itens 17 and 89
I.5. Related party transactions			
I.5.1.	The managing body should define, in accordance with a previous favourable and binding opinion of the supervisory body, the type, the scope and the minimum individual or aggregate value of related party transactions that: (i) require the previous authorization of the managing board, and (ii) due to their increased value require an additional favourable report of the supervisory body.	Complied	Itens 17 and 89

I.5.2.	The managing body should report all the transactions contained in Recommendation 1.5.1. to the supervisory body, at least every six months.	Complied	Items 17 and 89
Chapter II · SHAREHOLDERS AND GENERAL MEETINGS			
II.1.	The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.	Complied	Item 12
II.2.	The company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.	Complied	Item 14
II.3.	The company should implement adequate means for the exercise of voting rights through postal votes, including by electronic means.	Complied	Item 12
II.4.	The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.	Complied	Item 12
II.5.	The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution — without increased quorum in comparison to the legally established — and in that resolution, all votes cast will be counted without observation of the imposed limits.	Complied (a)	Item 5
II.6.	The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.	Complied	Item 4
Chapter III · NON - EXECUTIVE MANAGEMENT, MONITORING AND SUPERVISION			
III.1.	Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1.	Complied	Item 21
III.2.	The number of non-executive members in the managing body, as well as the number of members of the supervisory body and the number of members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed.	Complied	Items 17, 18, 21 and 31
III.3.	In any case, the number of non-executive directors should be higher than the number of executive directors.	Complied	Items 17, 18 and 21

III.4.	<p>Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to:</p> <ul style="list-style-type: none"> i. having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis; ii. having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years; iii. having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person; iv. having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties; v. having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings, or vi. having been a qualified holder or representative of a shareholder of qualifying holding. 	Complied	Items 17 and 18
III.5.	The provisions of (i) of recommendation III.4 does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (cooling-off period).	Complied	Item 17
III.6.	Non-executive directors should participate in the definition, by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	Complied	Item 21
III.7.	The supervisory body should, within its legal and statutory competences, collaborate with the managing body in defining the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	Not Applicable	
III.8.	The supervisory body, in observance of the powers conferred to it by law, should, in particular, monitor, evaluate, and pronounce itself on the strategic lines and the risk policy defined by the managing body.	Complied	Item 21 and 34
III.9.	Companies should create specialised internal committees that are adequate to their dimension and complexity, separately or cumulatively covering matters of corporate governance, remuneration, performance assessment, and appointments.	Complied	Item 15
III.10.	Risk management systems, internal control and internal audit systems should be structured in terms adequate to the dimension of the company and the complexity of the inherent risks of the company's activity.	Complied	Items between 50 to 55

III.11.	The supervisory body and the committee for financial affairs should supervise the effectiveness of the systems of risk management, internal control and internal audit, and propose adjustments where they are deemed to be necessary	Complied	Item 34
III.12.	The supervisory body should provide its view on the work plans and resources of the internal auditing service, including the control of compliance with the rules applied to the company (compliance services) and of internal audit, and should be the recipient of the reports prepared by these services, at least regarding matters related with approval of accounts, the identification and resolution of conflicts of interest, and the detection of potential irregularities.	Complied	Itens 21, 34 and 51
Chapter IV . EXECUTIVE MANAGEMENT			
IV.1.	The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.	Not Applicable	
IV.2.	The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: i. the definition of the strategy and main policies of the company; ii. the organisation and coordination of the business structure; iii. matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.	Complied	Item 21
IV.3.	In matters of risk assumption, the managing body should set objectives and look after their accomplishment.	Complied	Item 52
IV.4.	The supervisory board should be internally organised, implementing mechanisms and procedures of periodic control that seek to guarantee that risks which are effectively incurred by the company are consistent with the company's objectives, as set by the managing body	Complied	Itens 21 and 51
Chapter V · EVALUATION OF PERFORMANCE, REMUNERATION AND APPOINTMENT			
V.1. Annual evaluation of performance			
V.1.1.	The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	Complied	Item 21
V.1.2.	The supervisory body should supervise the company's management, especially, by annually assessing the accomplishment of the company's strategic plans and of the budget, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	Complied	Item 34
V.2. Remuneration			
V.2.1.	The remuneration should be set by a committee, the composition of which should ensure its independence from management.	Complied	Itens 67 and 68
V.2.2.	The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and committees, including the respective fixed	Complied	Appendix II

	components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.		
V.2.3.	The statement on the remuneration policy of the managing and supervisory bodies, pursuant to article 2 of Law no. 28/2009, 19th June, should additionally contain the following: i. the total remuneration amount itemised by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how the performance requirements were applied; ii. remunerations from companies that belong to the same group as the company; iii. the number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date; iv. information on the possibility to request the reimbursement of variable remuneration; v. information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation; vi. information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.	Complied	Appendix II
V.2.4.	For each term of office, the remuneration committee should also approve the directors' pension benefit policies, when provided for in the bylaws, and the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.	Not Applicable	Appendix II
V.2.5.	In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.	Complied	Item I. General Meeting
V.2.6.	Within the company's budgetary limitations, the remuneration committee should be able to decide, freely, on the hiring, by the company, of necessary or convenient consulting services to carry out the committee's duties. The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorization of the committee.	Complied	Appendix II
V.3. Director remuneration			
V.3.1.	Taking into account the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the	Complied	Item 69 and Appendix II

	sustained performance of the company, and not stimulating the assumption of excessive risks.		
V.3.2.	A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.	Complied	Itens 25, 72 and Appendix II
V.3.4.	When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.	Complied	Appendix II
V.3.5.	The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.	Complied	Itens 69, 77 and Appendix II
V.3.6.	The company should be provided with suitable legal instruments so that the termination of a director's time in office before its term does not result, directly or indirectly, in the payment to such director of any amounts beyond those foreseen by law, and the company should explain the legal mechanisms adopted for such purpose in its governance report.	Complied	Itens 83 and Appendix II
V.4. Appointments			
V.4.1.	The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.	Complied	Item 19 and Appendix I
V.4.2.	The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size.	Not Applicable	
V.4.3.	This nomination committee includes a majority of nonexecutive, independent members.	Not Applicable	
V.4.4.	The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organisation, a suitable diversity, including gender diversity.	Not Applicable	
Chapter VI · RISK MANAGEMENT			
VI.1.	The managing body should debate and approve the company's strategic plan and risk policy, which should include a definition of the levels of risk considered acceptable.	Complied	Item 54
VI.2.	Based on its risk policy, the company should establish a system of risk management, identifying (i) the main risks it is subject to in carrying out its activity; (ii) the probability of occurrence of those risks and their respective impact; (iii) the devices and measures to adopt towards their mitigation; (iv) the monitoring procedures, aiming at their accompaniment; and (v) the procedure for control, periodic evaluation and adjustment of the system.	Complied	Itens 53, 54 and 55
VI.3.	The company should annually evaluate the level of internal compliance and the performance of the risk management system, as well as future perspectives for amendments of the structures of risk previously defined.	Complied	Item 51

Chapter VII · FINANCIAL STATEMENTS AND ACCOUNTING

VII.1. Financial information

VII.1.1.	The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.	Complied	Items 21 and 34
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VII.2. Statutory audit of accounts and supervision

VII.2.1.	Through the use of internal regulations, the supervisory body should define: i. the criteria and the process of selection of the statutory auditor; ii. the methodology of communication between the company and the statutory auditor; iii. the monitoring procedures destined to ensure the independence of the statutory auditor; iv. the services, besides those of accounting, which may not be provided by the statutory auditor.	Complied	Items 21 and 34
VII.2.2.	The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.	Complied	Item 21
VII.2.3.	The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their functions, and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.	Complied	Items 21 and 45
VII.2.4.	The statutory auditor should, within their powers, verify the application of policies and systems of remuneration of governing bodies, the effectiveness and the functioning of the mechanisms of internal control, and report any irregularities to the supervisory body.	Complied	Items 21 and 51
VII.2.5.	The statutory auditor should collaborate with the supervisory body, immediately providing information on the detection of any relevant irregularities as to the accomplishment of the duties of the supervisory body, as well as any difficulties encountered whilst carrying out their duties.	Complied	Items 21 and 51

a) As the Company's Bylaws considers a limitation on the counting of votes, this issue was taken to the shareholder's consideration in General Meeting on 24 May 2016. Was decided to keep this limitation.

APPENDIX I

Functions performed by members of the management body in other companies

The functions performed by each director in companies other than PHAROL are as follows:

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

Director of Bratel B.V.
Director of Bratel S.à.r.l.
Chairman of the Fiscal Council of Seguradoras Unidas, S.A.
Non-executive Director of Sovena
Chairman of the Board of the General Meeting of Gesbanha – Gestão e Contabilidade, S.A.

Aristóteles Luiz Menezes Vasconcellos Drummond (Director)

Member of the Board of Directors of SEBRAE/RJ
Director and Vice-President of Associação Comercial do Rio de Janeiro since 1968
Member of the Advisory Committee – Associação Cultural da Arquidiocese do Rio de Janeiro
Director of Fundação Luso-Brasileira since 2000
Alternate Member of the Board of Directors of Light Energia S.A. (03.09.2018)
Alternate Member of the Board of Directors of Light Serviços de Eletricidade S.A. (03.09.2018)
Alternate Member of the Board of Directors of Light S.A. (03.09.2018)

João Manuel Pisco de Castro (Director)

President of Visabeira Global, SGPS S.A.
Director of Grupo Visabeira, SGPS S.A.
Director of Vista Alegre Atlantis, SGPS S.A.
Director of Visabeira Indústria, SGPS, S.A.
Chairman of Vista Alegre USA
Director of Empreendimentos Turísticos Montebelo, SGPS, S.A.
Director of Real Life – Tecnologias de Informação, S.A.
Director of Gevisar, SGPS S.A.
Director da Constructel (Rússia)
Director of Birla – Visabeira LTD
Director of MJQueen Holdings LTD

Jorge Augusto Santiago das Neves (Director)

Lawyer at BAS Advogados, Lisbon

Jorge Telmo Maria Freire Cardoso (Director)

Member of the Board of Directors and CFO of Novo Banco, S.A.
Member of the Board of Directors of NB Finance, Ltd.
Chairman of the Board of Directors of E.S. Teach Ventures, SGPS S.A.
Non-Executive Member of the Board of Directors of Enternext, S.A.

Maria do Rosário Amado Pinto-Correia (Director)

Board Member and CEO of Experienced Management S.A.
Member of the Advisory Board of Fundiestamo, S.A.
General Manager of Rocotota, Lda. and Rolling Power Lda.
Lecturer of licentiate programs and Executive Education at Catolica Lisbon School of Economics
Coordinator of Executive Education programs at Catolica Lisbon School of Business and Economics

Nelson Sequeiros Rodriguez Tanure (Director)

Doesn't perform any function in another Companies.

Pedro Zañartu Gubert Morais Leitão (Director)

Chairman of the Board of Directors of Prio Energy SGPS
Non-Executive Director of Villas Boas ACE, S.A.
Managing Partner of MoteDALma Lda.
Managing Partner of Fikonline-Internet e Energia Lda

Maria Leonor Martins Ribeiro Modesto (Director)

Full Professor of Economics, Universidade Católica Portuguesa, June 2008 to present
President of the Scientific Council of Católica Lisbon School of Business and Economics since October 2015
Managing Partner of Modelling Mind Lda. since June 2010

Professional qualifications and professional activities performed during the last 5 years

*Luís Maria Viana Palha da Silva (Chairman of the Board of Directors and Managing Director)
Portuguese, 63 years old*

Member of Board of Directors of Oi S.A. from 2015 to 2018 | Vice Chairman of the Board of Directors da Galp Energia, SGPS, S.A. | Member of the Board of Directors of Petróleos de Portugal – Petrogal, S.A. | Member of the Board of Directors of Galp Exploração e Produção Petrolífera, S.A. | Member of the Board of Directors of GDP – Gás de Portugal, SGPS, S.A. (redenominated Galp Gas & Power, SGPS, S.A. in February 12, 2015) | Member of the Board of Directors of Galp Gás Natural Distribuição, S.A. | Member of the Board of Directors of Galp Energia, S.A. | Member of the Board of Directors of Galp Energia España, S.A. | Member of the Board of Directors of Galp Energia E&P B.V. | Member of the Board of Directors of Galp Exploração e Produção (Timor-Leste), S.A. | Chairman of the Board of Directors of Galp Marketing International, S.A. | Chairman of the Management Board of Petrogal Angola, Lda. | Chairman of the Management Board of Petrogal Guiné-Bissau, Lda. | Chairman of the Management Board of Petrogal Moçambique, Lda. | Chairman of the Executive Board of Galp Moçambique, Lda. | Chairman of the Board of Directors of Galp Gambia, Limited | Chairman of the Board of Directors of Galp Swaziland, Limited | Chairman of the Board of Directors of CLC – Companhia Logística de Combustíveis, S.A. | Director of Galp Sinopec Brazil Services B.V. | Member of the Board of Directors of Petrogal Brasil, S.A. | Member of the Board of Directors of Galp Energia Brasil, S.A. | Member of the Board of Directors of Fima – Produtos Alimentares, S.A. | Member of the Board of Directors of Victor Guedes Indústria e Comércio, S.A. | Member of the Board of Directors of Indústrias Lever Portuguesa, S.A. | Member of the Board of Directors of Olá – Produção de Gelados e Outros Produtos Alimentares, S.A. | Manager of Unilever Jerónimo Martins, Lda. | Manager of Gallo Worldwide, Lda. | Member of the Technologic and Scientific Committee of ISPG – Instituto de Petróleo e Gás, Associação para a Investigação e Formação Avançada | Chairman of APETRO – Associação Portuguesa de Empresas Petrolíferas | Chairman of the Board of AEM – Associação dos Emitentes Portugueses | Member of the Board of Directors (non executive) of NYSE Euronext and Member of Audit Committee of NYSE Euronext | Chairman of the Fiscal Council of the Companies Tranquilidade Vida, Logo e Açoreana | Chairman of the Fiscal Council of

Fórum para a Competitividade | Chairman of the Fiscal Council of Fundação Francisco Manuel dos Santos | Chairman of the Board of EPIS - Empresários pela Inclusão Social | Chairman of the Fiscal Council of Companhia de Seguros Tranquilidade, S.A. and Açoreana de Seguros since 2017 Seguradoras Unidas, S.A. | Degree in Economics from Instituto Superior de Economia | Degree in Business Management from Universidade Católica Portuguesa | AMP – University of Pennsylvania – Wharton School of Economics.

Aristóteles Luiz Menezes Vasconcellos Drummond (Director)
Brazilian, 74 years old

Fiscal Council Member of CEMIG from 1999 to 2015 | Fiscal Council Member of Light from 2006 to 2015. Elected Chairman of the Board | Contributor to the *Jornal do Brasil*, *Diário do Comércio* – SP, *Hoje em Dia* – BH, *Correio da Serra* – Barbacena, *Diário de Petrópolis* - RJ, *Destak*, *Edição Nacional*, *jornal O Dia* – RJ, and others | Journalist registered as redator at DRT/RJ | Professional in Public Relations registered at Conselho Regional de Profissionais de Relações Públicas | Director registered at Conselho Regional de Administração.

João Manuel Pisco de Castro (Director)
Portuguese, 64 years old

President of MOB – Indústria de Mobiliário, S.A. to 2017 | President of Faianças da Capoa – Indústria de Cerâmica, S.A. to 2017 | President of Pinewells, S.A. to 2017 | President of Visagreen, S.A. to 2017 | Director of Visacasa, S.A. to 2017 | Director of Constructel (Belgium) to 2017 | Director of Constructel Sweden AB to 2017 | Director of Constructel (UK) até 2017 | Director of Constructel GmbH to 2017 | Director of Constructel (France) to 2017 | President of Instituto de Gestão Financeira e de Infra-Estruturas da Justiça, I.P. from 2007 to 2009 | Member of the Board of Directors of Grupo Visabeira SGPS S.A. from 2002 to 2007 | Member of the Board of Director of Visabeira Telecomunicações e Construção, SGPS S.A. from 2002 to 2006 | Director of Visabeira Serviços SGPS, S.A. from 2003 to 2005 | Graduated in Electrotechnical Engineering, Telecommunications and Electronics track from Instituto Superior Técnico (1983) | MBA from Faculdade de Economia, Universidade de Lisboa (1990).

Jorge Augusto Santiago das Neves (Director)
Portuguese, 58 years old

Chairman of the Fiscal Council of Hiperclima, S.A. from 1995 to 2017 | Counsel, Gomez Acebo & Pombo (2012-2014) | Partner, Gomez Acebo & Pombo (2010-2012) | Law Degree, Universidade Lusíada of Lisbon, 1986 | Master's Degree (LL.M.), Corporate and Commercial Law, University College of London, Reino Unido, 1987.

Jorge Telmo Maria Freire Cardoso (Director)
Portuguese, 47 years old

Non-Executive Chairman of the Board of Directors of Banque Espírito Santo et de la Vénétie, S.A. from April 2017 to December 2018 | Non-Executive Member of the Board of Directors of Banque Espírito Santo et de la Vénétie, S.A. from April 2016 to April 2017 | Non-Executive Member of the Board of Directors of Visabeira from April 2014 to September 2014 | Non-Executive Vice Chairman of the Board of Directors of Banco Caixa Totta Angola, S.A. from April 2014 to September 2014 | Non-Executive Chairman of the Board of Directors of Caixa Capital – Sociedade de Capital de Risco, S.A. from March 2014 to September 2014 | Non-Executive Chairman of the Board of Directors of Caixa Desenvolvimento, SGPS, S.A. from March 2014 to September 2014 | Non-Executive Vice Chairman of the Board of Directors of Banco Caixa Geral Brasil, S.A. from September 2013 to September 2014 | Non-Executive Chairman of the Board of Directors of Caixa – Banco de Investimento, S.A. from August 2013 to September 2014 | Non-Executive Member of the Board of Directors of Caixa Seguros e Saúde, SGPS, S.A. from August 2013 to September 2014 | Non-Executive Member of the Board of Directors of Gerbanca, SGPS, S.A. from August 2013 to September 2014 | Non-Executive Member of the Board of Directors of Partang, SGPS, S.A. from September 2013 to September 2014 | Non-Executive Chairman of the Board of Directors da Wolfpart, SGPS, S.A. from November 2013 to

September 2014 | Member of the Board of Directors and Member of the Executive Committee of Caixa Geral de Depósitos, S.A. from July 2013 to September 2014 | Non-Executive Chairman of the Board of Directors of CGD Investimentos Corretora de Valores e Câmbio, S.A. from May 2012 to April 2014 | Graduate in Economics by Universidade Nova de Lisboa | MBA by Insead.

Maria do Rosário Amado Pinto-Correia (Director)
Portuguese, 60 years old

Alternate Board Member and Member of the Remuneration Committee at Oi S.A. from 2016 to 2018 | Executive Consultant at CEA – Católica from 2016 to 2018 | Chairman of Ferreira Marques & Irmão / Topázio from 2012 to 2016 | Senior Advisor at Bewith and CEA/CLSBE from 2008 to 2012 | Director of Gestão do Conhecimento of PT Comunicações, Director of Qualidade e Satisfação do Cliente in Grupo Portugal Telecom, Board Member of PT Asia, Chairman da CTTC – Archway (Pequim) and CEO da Macau Cable TV from 2003 to 2008 | Head of Office da OgilvyOne from 1994 to 2002 | Publisher of the Marie Claire magazine from 1992 to 1994 | Director of Client Service at McCann – Erickson from 1987 to 1992 | Financial Products Manager, Director of the Direct Mail in CTT – Correios de Portugal from 1981 to 1987 | Master of Business by Universidade Nova de Lisboa | MBA by Wharton School | Degree in Economics by Universidade Católica de Lisboa.

Nelson Sequeiros Rodriguez Tanure
Brazilian, 67 years old

Qualified shareholder of Petrório S.A. since 2013 | Incorporates Intelig with TIM Brasil em 2010. From 2010 to 2015, Brazilian major shareholder of TIM Brasil | Chairman of CBM – Companhia Brasileira de Multimídia from 2000 to 2006 | Degree in Business Administration, Universidade Federal de Bahia, 1975 | Graduated from Institut des Hautes Etudes of Developpment Economique et Social – Université Paris I – 1976 | Graduated from Harvard Business School, Owner/President Management III Cambridge – Boston.

Pedro Zañartu Gubert Morais Leitão (Director)
Portuguese, 53 years old

Chairman of the Board of Directors of ONI, SGPS from 2012 to 2013 | Director of Unyleya Brasil and Unyleya Portugal from 2010 to 2011 | Graduated in Business Management from Universidade Católica Portuguesa de Lisboa | Masters in Business Management from Kellogg Graduate School of Management at Northwestern University in Chicago, EUA.

Maria Leonor Martins Ribeiro Modesto (Director)
Portuguese, 60 years old

Director of CEA (Centre for Applied Studies), December 2008 to January 2017 | Associate Dean for Research of CLSBE, 2012 – May 2014 | Director of CUBE – Unidade de Investigação da CLSBE, 2007 – May 2014 | Agregação, Universidade Católica Portuguesa, July 2004 | Docteur en Sciences Economiques, Université Catholique de Louvain and European Doctoral Program, Belgium September 1987 | Licenciatura in Economics, Universidade Católica Portuguesa, 1980.

CV data of the members of the Compensation Committee

António Sarmento Gomes Mota (Member of the Compensation Committee)

Member of the Compensation Committee since 2013.

Graduate in Business Organisation and Management, ISCTE - Instituto Universitário de Lisboa (1981). MBA, Universidade Nova de Lisboa (1984). Doctor in Business Management, ISCTE (2000).

He has a corporate career of over 20 years in management positions in the banking, consulting and financial services fields. He was Director of ISCTE Business School from 2003 to 2012 and President of INDEG/ISCTE from 2005 to 2012. He is a Professor at ISCTE Business School since 2005. He has a large experience as consultant in the areas of strategy, corporate assessment and risk management for Portuguese and international corporations. He is the author of various reference works in the financial field. He has held leadership positions in various Boards of Directors and Supervisory Boards in Portuguese listed corporations.

Chairman of the Board of Directors of CTT, S.A., since 2017 and Vice Chairman from 2014 to 2017 | Vice Chairman of the Board of Directors (non-executive) of Soares da Costa Construção SGPS, S.A. from 2014 to 2015 | Chairman of the Board of Directors (non-executive) of SDC Investimentos, SGPS, S.A. from 2013 to 2016 | Chairman of the Instituto Português de Corporate Governance since 2016 | Member of the General and Supervisory Council from 2009 to 2018; Member of the Audit Committee (2009/2015) and Performance and Competition (2012/2015) and Chairman of the Audit Committee (2015/2018) of EDP - Energias de Portugal, S.A. | Non-Executive Member of the Board of Directors and Chairman of the Appointments and Remunerations Committee of CIMPOR – Cimentos de Portugal SGPS, S.A. from 2009 to 2012.

Francisco de Lacerda (Member of the Compensation Committee)

Member of the Compensation Committee of PHAROL, SGPS S.A. (ex- Portugal Telecom, SGPS S.A.) since 2009 (suspended this role between August 2012 and March 2014).

Graduate in Management & Business Administration, Universidade Católica Portuguesa (1982).

Chief Executive Officer (CEO) of CTT – Correios de Portugal since 2012, Chairman of Banco CTT, S.A. since 2015, Non-Executive Independent Director of Endesa Energia (also member of the Audit Committee and the Nomination and Remuneration Committee) and Chairman of Cotec Portugal from 2015 to 2018. During 25 years up to 2008 he held various positions in investment, corporate and retail banking, including CEO of Banco Mello and Executive Member of the Board of Directors of Millennium BCP, from 2010 to 2012 CEO of Cimpor – Cimentos de Portugal SGPS, S.A., then an international cement group operating in 12 countries, and from 2008 to 2012 Non-Executive Independent Director of EDP Renováveis (also Member of the Audit Committee and then the Remuneration Committee).

Member of the Board of Cotec Portugal since 2015, Chairman from 2015 to 2018 | Chairman of CTT Expresso – Serviços Postais e Logística, S.A. since 2014 | Chairman of Tourline Express Mensajería, S.L.U. since 2014 | Non-Executive Director of Norfin – Portuguese Property Group, S.A. from May to October 2014 | Chief Executive Officer (CEO) of CTT - Correios de Portugal, S.A. since 2012 and also Chairman of the Board of Directors from 2012 to 2017 and Vice Chairman since 2017 | Director of the Board of Directors of International Post Corporation from 2014 to 2017 | Member of the Board of AEM - Associação de Empresas Emitentes de Valores Cotados em Mercado from 2014 to 2017 | Chairman of the Board of the General Meeting of Shareholders of Correio Expresso de Moçambique, S.A. since 2013 | Member of the General Council of Clube Naval de Cascais since 2006., Vice-Commodore since 2016.

CV data of the members of the Fiscal Council

José Maria Rego Ribeiro da Cunha (Chairman of the Fiscal Council)

Degree in Finance from Instituto Superior de Ciências Económicas e Financeiras (ISCEF – 1972)

In 1981 he passed a Statutory Auditor examination. He is the member 497 of the Certified Auditor's Association.

Between 1975 and 1977 worked as auditor at the international company Arthur Andersen & Co.

Between 1977 and 1981 worked as auditor manager at the chartered accountant company “António Almeida e Augusto Martins Moreira, SROC”.

In 1981 he joined and has become partner of “Amável Calhau, Ribeiro da Cunha & Associados”, having been since managing partner in the company since that date. Performed several professional works within the following areas: auditing, evaluation of companies and consulting, among others.

In 2018, as part of a restructuring, he constituted JM Ribeiro da Cunha & Associados, SROC, Lda., a company of which is also a managing partner.

JM Ribeiro da Cunha & Associados, SROC is:

- Member of the Bar Association of Statutory Auditors, registered under n.º 325; and
- Registered at the (CMVM) Portuguese Securities Market Commission under n.º 20180024

Fluent in English, French and Spanish.

Since 1981, also, he has been working as Chartered Accountant in representation of the above-mentioned company, either as Statutory Auditor or integrating Supervisory Boards or Audit Committees, in a great deal of companies covering several business activity sectors, such as: Financial Institutions and Insurance, Industry and Construction, Public Entities, Services, Tourism, Commerce, etc.

On a personal basis he worked as supervisory board in:

- PHAROL, SGPS S.A. - Chairman of the Supervisory Board
- Haitong Capital SCR, S.A. – Chairman of the Supervisory Board
- Mellogere, SGPS, S.A. – Chairman of the Supervisory Board
- GNB Gestão de Activos, SGPS, S.A. - Member of the Supervisory Board

He works as Chairman or Member of the Supervisory Board of the following non-profits institutions:

- Associação de Ajuda ao Recém-Nascido (Banco do Bebê)
- BUS – Bens de Utilidade Social
- Plataforma para o Crescimento Sustentável

Isabel Maria Beja Gonçalves Novo (Member of the Fiscal Council)

Educational background and professional training

International Management Programme – INSEAD, Fontainebleau

Post graduation in Finance (European Business Certificate) – South Bank University, London

Graduated in Business Management and Organisation – Instituto Superior de Ciências do Trabalho e da Empresa (ISCTE)

Managing for Success – BNP Paribas, Brussels

Leadership for Growth – Fortis Bank, Mello

Certificate of Proficiency in English – Universidade de Cambridge, Lisbon

Diplôme Supérieur d’Études Françaises Modernes – Alliance Française, Lisbon

Pedagogical Skills Certificate – F607896/2013, Lisbon

Professional activity in the past five years

Current Positions:

Member of the Supervisory Board of Best – Banco Eletrónico de Serviço Total, S.A. (since December 2016)

Member of the Supervisory Board of PHAROL, SGPS S.A. (since May 2015)

Financial and Business Advisory (since April 2013)

Past Positions:

Head of the Credit Analysis Department, BNP Paribas Fortis – Portuguese Branch (September 2010 – October 2012)

Head of Credits, Fortis Bank – Portuguese Branch (October 1995 – September 2010)

Vice-Chairman of Federação de Triatlo de Portugal (December 2012 - January 2017).

Paulo Ribeiro da Silva (Alternate Member of the Fiscal Council)

Educational background and professional training

Graduated in Financial Audit – ISCAL – Instituto Superior de Contabilidade e Administração de Lisboa

Post-graduated in Corporate Finance – INDEG/ISCTE

Post-graduated in Security and Computer Auditing – ISTECS – Instituto Superior de Tecnologias Avançadas

Professional activity in the past five years

Partner of JM Ribeiro da Cunha & Associados, SROC, Lda. since 2018

Partner Manager of BRAVI – Fiscalidade e Consultoria, Lda. since November 2017

Declaration by the Wages Committee about the Remuneration Policy applicable to members of the management and audit bodies of PHAROL, SGPS, S.A.

Taking into account that:

1. Pursuant to Law no. 28/2009, of 19 June (“Remuneration Law”) and to Decree-Law no. 225/2008, of 20 November, the management body or the Wages Committee, if it exists, of companies issuing securities admitted to trading on a regulated market shall annually submit to the General Meeting a declaration on the remuneration policy applicable to members of management and audit bodies (“Remuneration Policy Declaration”);
2. Moreover, numbers 69 to 76 of section D. III. of the “Corporate Governance Report Model” approved in an annex to CMVM (Securities Market Commission) Regulation no. 4/2013 (“CMVM Governance Code”) stipulates that the Corporate Governance Report of Issuing Companies include the Remuneration Policy Declaration and other information about, in particular, the remuneration structure and its alignment with the company’s long-term interests, the performance evaluation and dissuasion of excessive risk taking, the relation between the performance evaluation and the variable remuneration component, payment deferral of the variable component, among other aspects.
3. At the General Meeting of 29 May 2015 the Wages Committee submitted to the Shareholders the remuneration policy applicable to members of the management and audit bodies for the 2015-2017 which was approved; In the General Meeting of 24 May 2016 the Wages Committee submitted to the Shareholders some amendments to the said policy which were also approved; In the General Meeting of 26 May 2017 the same policy submitted in the previous year was also approved.

This Remuneration Policy Declaration is submitted to the General Shareholders Meeting to be held on 25 May of 2018 which, being the final declaration of the 2015-2017, essentially establishes the principles defined by the said remuneration policy approved at the General Meeting of 26 May 2017, because at end of the term of office it’s not considered appropriate to launch the guidelines of the remuneration policy of the corporate bodies that will be elected for the next term of office. The Wages Committee that will be elected in the General Meeting will define the guidelines and their implementation. Therefore, for the purpose of this declaration, have been set out the principles defined for the last term of office of the members of the corporate bodies.

I – Remuneration policy for non-executive directors and for Audit Board members:

The remuneration of non-executive members of the Board of Directors and of Audit Board members shall comply with an unvarying model, consisting of a fixed annual remuneration defined by the Wages Committee (broken down into 14 payments per year), without attendance fees, whereby the remuneration shall be aligned with the average remuneration of non-executive directors at companies with a similar market capitalisation listed on Euronext Lisbon.

The fixed remuneration takes into account the fact that some directors also perform duties in one/some of the delegated committee(s) of the Board of Directors providing assistance to its operation and also carrying out their own non-delegable duties.

This remuneration policy is structured to allow an alignment with the company's interests and a remuneration level that promotes adequate performance. No means of variable remuneration are stipulated for non-executive members of the management body or for members of the audit body.

II. Remuneration policy for executive directors:

Remuneration for executive directors that has been implemented from 27 March 2017 on the remuneration of the Managing Director, includes a fixed and a variable component, the latter consisting of a part that remunerates short-term performance and another part to remunerate long-term performance. This approach creates a reasonable balance between the dissuasion of taking excessive risks and an effective alignment between management interests and the interests of the company's shareholders.

A) Fixed remuneration

The fixed remuneration component takes into account market competitiveness, such that it must be aligned with the average remuneration of executive directors at companies with a similar market capitalisation listed on Euronext Lisbon and also aligned with the nature and complexity of duties and expertise required. The fixed component is stipulated based on the definition of a monthly salary paid 14 times per year. The following complementary benefits shall be added to the said amount according to practices in effect: option to use a company car (including fuel and toll payments), life and personal accident insurance, and use of a credit card for company representation expenses.

The Wages Committee took note of the resolution of the Board of Directors, from March 2017, that the Executive Board was extinguished and was replaced by the position of the Managing Director that, since then, is held by the Chief Executive Officer.

Taking into consideration the financial and economic performance of the Company, the nature of the change and the fact of the Corporate Bodies are in the last year of the term of office, the Wages Committee decided that the fixed remuneration and other benefits of the Managing Director should be the same as those that were defined for the Chief Executive Officer, without any change in the determination model to establish the variable remuneration as explained in B).

B) Variable remuneration

The variable remuneration is linked to the performance of the Managing Director and shall be paid according to the different fulfilment levels of specific and previously approved goals associated to objective, simple, transparent and measurable performance indicators. The Wages Committee analysed the evolution of the share's market price, the company's economic and operational setting and decided a ceiling for the variable remuneration of 50% of the annual fixed remuneration.

Therefore, the variable remuneration is determined based on 2 indicators:

- i) The Total Shareholder Return (TSR) of the company's shares (75%)
- ii) The company's operating efficiency, measured by the relation between budgeted and actual costs (25%)

The variable remuneration shall be paid in cash, 50% in the month subsequent to the date on which the accounts are approved by the General Shareholders Meeting, and 50% within a 3-year deferral period and subject to confirmation of the company's positive performance in the period taken into account, as judged by the Wages Committee that shall take into account the financial sustainability and the economic situation of the company and of its sector, in addition to exceptional factors that cannot be controlled by the management but may affect the company's performance.

These principles and indicators determining the variable remuneration component aim to ensure a clear alignment between the interests of the executive directors and the company's interests, thereby promoting the pursuit and fulfilment of objectives, through quality, work capacity, dedication and business know-how, and an incentive and compensation policy that will make it possible to attract, motivate and maintain the best professionals.

III – Assignment of shares and options

The company currently has no plans to assign shares or stock option plans for staff.

IV – Termination of duties by executive directors

If an executive director terminates his/her duties for any reason whatsoever other than dismissal for just cause, payment of the determined variable remuneration that has been deferred may be paid only at the time of termination of management duties if, until that date, there is sufficient and sustained evidence that the company's performance will be foreseeably positive in the remaining period within terms that, with all probability, would permit the payment of the said deferred component.

V – Alignment of the directors' interests with the company's interests

Consequent to the aforementioned, the variable remuneration of the company's executive directors depends on their performance and on the company's sustainability and capacity to attain specific strategic objectives.

The current remuneration policy will also create a reasonable overall balance between the fixed and variable components and the deferral of a significant part of the variable remuneration, payment of which, in accordance with the previously described terms, will therefore depend on the company's positive performance during that period. As such, the policy aims to contribute to maximising long-term performance and to dissuade decisions of excessive risk.

Additionally, with the aim to reinforce the component of evaluating the performance of the directors, save for agreement or deliberation by the Wages Committee to the contrary, the company and its directors shall act in accordance with the following principles:

- i) Directors shall not sign contracts, either with the company or third parties, that mitigate the risk inherent to the variability of the remuneration stipulated by the company;
- ii) In case of dismissal or resignation from management duties upon agreement, no compensation shall be paid to directors when the said dismissal or resignation has proven to have resulted from their inadequate performance.

VI – Remuneration policy for the Statutory Auditor

The company's statutory auditor is remunerated according to normal remuneration practices and conditions for similar services, consequent to the signing of a services rendering contract and through a proposal by the company's Fiscal Council.

Lisbon, 9 April 2018

The Compensation Committee

APPENDIX III

Code of Ethics

PHAROL's Code of Ethics, approved in 2016, applies to all employees of the Company in order to guarantee a set of common ethical standards. Its implementation is permanently monitored by the management bodies.

The full text of the PHAROL's Code of Ethics is available for consultation on the Company's official website (www.pharol.pt) and may also be made available through the Investor Relations Office.

Contacts

Investor Relations

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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

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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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