

CONSOLIDATED

REPORT AND ACCOUNTS

First Semester 2019

PHAROL, SGPS S.A.

FIRST SEMESTER 2019 RESULTS

- PHAROL's net income for the first half of 2019 was positive by 24.8 million Euros, mainly due to: (1) gain from the agreement between PHAROL and Oi which resulted in compensation for damages caused to PHAROL in the amount of Euros 36.8 million; (2) impairment of Euro 10.1 million as a result of the reduction in the expected value of Rio Forte, and (3) operating costs of Euro 2 million;
- The company's equity increased in the first half of 2019 by Euro 49.1 million, ending the first half of 2019 by Euro 195.3 million, reflecting: (1) the positive net income of Euro 24.8 million, and (2) the appreciation of Oi's interest in Euro 24.3 million;
- PHAROL's recurring operating costs amounted to Euro 2 million in the first half, a decrease of 14% over the same period of 2018, confirming the expected reversal of its costs as a result of the agreement reached with Oi and the consequent decrease in the legal support in the litigation between the two companies.

Highlights of Oi's evolution in the first quarter of 2019 released to the market::

- Net revenues amounted to R \$ 5,130 million in the first quarter of 2019, a decrease of -9.5% compared to the same period of 2018 mainly due to the fall in the residential segment;
- Routine EBITDA in the period amounted to R \$ 1,251 million, reflecting a sharp decrease of -20.4% over the same period in 2018, reducing EBITDA margin by 24.4% against 27.7%.

MESSAGE FROM CEO

Luís Palha da Silva

"The beginning of the first semester of 2019 was marked, for Pharol, with the reaching of an agreement with Oi to compensate damages suffered by decisions made in the Judicial Recovery process of our subsidiary.

A page that, once turned, allows both parties a clearer concentration of efforts and resources on the strategic, financial and operational challenges that the difficult Brazilian economic environment and a very competitive sectoral framework require.

With a reinforced balance sheet and soon freed from the restraints of the judicial reorganization process, Oi can now prepare for a new investment phase that enhances its strategic ability to compete, with increased efficiency and a decisive presence in the most profitable segments of the sector. of telecommunications.

In turn, Pharol will benefit from a significant reduction of part of its costs over the coming semesters, linked to the heavy legal litigation that resulted from the dispute with Oi."

Highlights

PHAROL

(Euro million)	1H2019	1H2018
EBITDA	(2.0)	(2.4)
Net Income	24.8	(2.8)
(Euro million)	30Jun19	31Dec18
Assets	210	161.7
Liabilities	14.7	15.4
Equity	195.3	146.2

Contactos

Luís Sousa de Macedo
 Investor Relations
 Tel: +351 212 697 698 - Fax: +351 212 697 949
 E-mail: ir@pharol.pt

PHAROL, SGPS S.A.

**CONSOLIDATED REPORT
FIRST SEMESTER 2019**

INDEX

01. FINANCIAL REVIEW	3
02. BUSINESS PERFORMANCE	7
03. MAIN RISKS AND UNCERTAINTIES	14
04. QUALIFIED HOLDINGS	16
05. OUTLOOK	19
06. STATEMENT FROM THE BOARD OF DIRECTORS	20
CONSOLIDATED FINANCIAL STATEMENTS	23

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

01. FINANCIAL REVIEW

FINANCIAL REVIEW

As at June 30, 2019, PHAROL had as its main assets (1) 326,259,859 common shares and 1,800,000 preferred shares of Oi, S.A. ("Oi"), representing 5.5% of total share capital of Oi (excluding treasury shares), and (2) debt securities of Rio Forte Investments S.A. ("Rio Forte") with a nominal value of Euro 897 million. PHAROL also holds a Call Option on 17,076,554 common shares and 34,153,108 preferred shares of Oi with an exercise price of R\$20.104 per common share and R\$18.529 per preferred share, adjusted by the Brazilian rate CDI plus 1.5% per annum, and with a 6-year maturity. The Call Option has partial expiration dates throughout the period, so the option volume is reduced by 10% at the end of the first year and by 18% per year thereafter and, since December 31 2019 presents a null fair value.

On December 30, 2014, after the capital increase of Oi, concluded on May 5, 2014 (the "Oi Capital Increase"), PHAROL held a 39.7% direct and indirect stake in Oi. This included a portion classified as a non-current asset held for sale, following the Exchange agreement ("Exchange") entered into on September 8, 2014 and completed on March 8, 2015, and the remaining stake of 22.8% classified as investment in joint ventures and associates and therefore accounted for using the equity method.

On March 30, 2015, the Exchange was completed, whereby PHAROL (1) transferred to Portugal Telecom International Finance, B.V. ("PT Finance"), a subsidiary of Oi, an aggregate amount of 47,434,872 common shares and 94,869,744 preferred shares of Oi, and (2) received from PT Finance debt securities of Rio Forte with a nominal value of Euro 897 million and a call option on the transferred shares ("Call Option"). After the completion of the Exchange, PHAROL held an effective stake of 27.48% 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 27.2% of total share capital of Oi (excluding treasury shares, which is the present situation). PHAROL's voting rights in Oi are limited to 15% of the total common shares of Oi.

With the implementation of the New Structure on July 30, 2015, the shareholder's agreements, through which joint control of Oi was exercised, were terminated. Up to that date, PHAROL accounted for its stake in Oi as an Investment in Joint Ventures. PHAROL has 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 was accounted according to the equity method, based on PHAROL's economic stake in Oi's results (27.18%).

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, 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 entire share capital (27.18% excluding treasury shares).

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

In December 2017, and after the decision by the Court of the 7th Business Court of Rio de Janeiro, which it handles the Judicial Recovery of Oi and which decided to withdraw the rights of the members of the Board of Directors of Oi in the approval of the Judicial Recovery Plan, 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, in the disclosure of its consolidated results for 2017, announced that it had restated its Consolidated Equity on January 1, 2016 and December 31, 2016, amounting to BRL 18 billion and BRL 19 billion, respectively. Following this restatement, PHAROL's investment in Oi, being recorded under the equity method, was restated and valued at zero in the periods of 1 January 2016 and 31 December 2016.

On June 30, 2018, PHAROL held 183,483,304 ordinary shares. On July 20, 2018, after the homologation of Capital Increase through debt convert of Oi, PHAROL hold less than 8%.

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

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

Consolidated net income for the first half of 2019 represents a gain of 24.8 million Euros and essentially reflects (1) the compensation for damages under the Agreement between Oi and Bratel Sarl of 36.8 million Euros, (2) a loss of Euro 10.1 million due to the reduction in the expected value of Rio Forte, and (3) operating costs of Euro 2 million.

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT		
	Euro million	
	1H19	1H18
Wages and salaries	0.8	0.8
Supplies, external services and other expenses	1.2	1.4
Indirect taxes	0.1	0.1
Loss before financial results and taxes	(2.0)	(2.4)
Depreciations	0.0	0.0
Earnings before interest and taxes	(2.1)	(2.4)
Net other gains	(12.6)	12.5
Loss before financial results and taxes	10.6	(14.9)
Net interest income	(0.0)	(0.0)
Net losses on financial assets and other investments	(26.7)	0.1
Net other financial losses (gains)	(0.1)	0.3
Loss before taxes	37.3	(15.3)
Income taxes	12.6	(12.5)
Attributable to equity holders of PHAROL, SGPS S.A.	24.8	(2.8)

Consolidated operating costs amounted to Euro 2.0 million in the first half of 2019 compared to Euro 2.4 million in the first half of 2018. This overall cost reduction was more pronounced in legal and advisory services. In 2019, other net gains include reversal of a provision made in 2018 amounting to Euro 12.5 million, detailed in the notes attached to this report.

Gains on financial assets and other net investments in the first half of 2019 amounted to Euro 26.7 million and reflect (1) compensation for damages under the Oi and Bratel Sarl Agreement amounting to Euro 36.8

million. , and (2) a loss of Euro 10.1 million due to the reduction in the expected value of Rio Forte. In the first half of 2018 this caption includes a loss of 128 thousand Euros resulting from the depreciation of the Call Option.

Following the signature of the already mentioned Agreement with Oi, in the first half of 2019, the gains from tax authority reimbursements of 12.5 million euros recorded in the first half of 2018 were reversed.

The net profit attributable to PHAROL shareholders in the first half of 2019 was a profit of 24.8 million euros and a loss of 2.8 million euros in the same period of 2018.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position		
	Euro million	
	30 jun 19	31 dec 18
ASSETS		
Cash and cash equivalents	22.5	38.1
Accounts receivable	2.2	1.9
Non-current assets held for distribution to holders	0.0	0.0
Investments in joint ventures and associates	0.0	0.0
Tangible assets	0.1	0.1
Taxes receivable	0.1	0.1
Financials assets	120.6	46.9
Other assets	64.6	74.7
Total assets	210.0	161.7
LIABILITIES		
Short-term debt	0.1	0.1
Accounts payable	0.0	0.1
Accrued expenses	1.0	1.7
Taxes payable	0.2	0.2
Provisions	0.0	12.5
Other liabilities	13.4	0.9
Total liabilities	14.7	15.4
Total equity	195.3	146.2
Total liabilities and shareholders' equity	210.0	161.7

The cash position, net of liabilities (excluding Provisions and Other Liabilities) is Euro 23.3 million as at 30 June 2019 and Euro 37.9 million as at 31 December 2018.

The financial assets correspond to the effective participation of PHAROL in Oi at June 30, 2019 and December 31, 2018, with a value of 120.6 million Euros and 46.9 million Euros, respectively. This increase of Euro 73.8 million is mainly explained by (1) damages compensation agreement with Oi with the offsetting of new shares given to Pharol in the amount of Euro 36.8 million, (2) capital increase in Oi made by Pharol in the equivalent amount of Euro 12 million and (3) net valuation of the share as well as of the Real against the Euro in the amount of Euro 24.9 million.

The "Other assets" at June 30, 2019 and December 31, 2018, in the amount of Euro 64.6 million and Euro 74.7 million respectively, correspond essentially to the fair value of the assets of the estimated value of the equity instruments issued by Rio Forte, with a nominal value of 897 million Euros.

Equity amounted to Euro 195.3 million as at 30 June 2019, compared with Euro 146.2 million as at 31 December 2018, an increase of Euro 49.1 million, reflecting (1) the result positive net income generated in the first half of 2019 in the amount of Euro 24.8 million, and (2) the appreciation of the interest in Oi in the amount of Euro 24.3 million.

OI RESULTS KEY HIGHLIGHTS

The information contained in this section comes from the disclosure of Oi's new Strategic Plan released on July 16, 2019.

Oi presented to the market on July 16, 2019 its new strategic plan, pursuing future strategic options, focusing on improving operating and financial performance through a sustainable business model, with the objective of maximizing the Company's value, in the context of the judicial reorganization process, having defined the following 4 pillars:

- **FIBER:** Undisputable leader in fiber and infrastructure
 - Leveraging non-replicable network to become the FTTH national leader and 5G enabler in the country
 - 4.6m homes expected to be passed by YE2019; 16m expected by YE2021; ~30m potential homes with attractive return
 - 30% expected to be CAGR 2019-24, offsetting revenue decline in copper by YE2021
 - Accelerating wholesale operations -> almost doubling expected revenues by YE2024 to achieve market leadership
- **MOBILE:** optimize and capture all pockets of value to maximize strategic optionality
 - Leveraging network capacity to grow -> expect full year growth in mobile revenues in 2019
 - Exploring all strategic options to maximize shareholder value
- **MATERIAL INCREMENTAL COST REDUCTIONS:** R\$ 1bn+ net annual cost reductions
 - To be achieved by YE 2021, above and beyond existing cost reduction efforts
 - Sustainable cost reduction opportunities identified
 - Expected EBITDA growth from 2019-2021
 - Signs of revenue stabilization since Feb/2019 and expected >2% revenue CAGR 2019-24
- **DIVESTMENT OF NON-CORE ASSETS AND CASH INFLOWS:** Potential impact of R\$ 12.5-14.5bn
 - Non-core assets: R\$ 6.5-7.5bn
 - PIS/Cofins: R\$ 2.1-3.1bn -> R\$ 2.1bn already under a favorable decision

In accordance with the best corporate governance practices, Oi stresses that the aforementioned plan contemplates projections and estimates (guidance) of the following indicators, based on reasonable assumptions, which are subject to various factors, many of which are not nor will be under the control of the Company:

Indicator	2019 - 2024
Net Service Revenues	CAGR ¹ > 2%

Indicator	2019
Routine EBITDA (R\$ billion)	Between 4.5 - 5.0

Indicator	2019 - 2021
Routine EBITDA	CAGR ¹ 15% - 20%

¹Compound Annual Growth Rate

02. BUSINESS PERFORMANCE

Below we list all the events that occurred between January 1 and July 25, 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:

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.

12/Mar/2019 | Adar Capital Partners Ltd. decreased its stake from 10.285% to 4.8% of PHAROL's share capital and voting rights.

12/Mar/2019 | High Bridge Unipessoal, Lda. Increased its stake from 6.17% to 9.99% of PHAROL's share capital and voting rights.

12/Mar/2019 | Blackhill Holding Limited, LLC. increased its share from 4.83% to 6.31% of PHAROL's share capital and voting rights.

25/Mar/2019 | Blackhill Holding Limited, LLC. increased its stake from 6.31% to 7.06% of PHAROL's share capital and voting rights.

17/Apr/2019 | Blackhill Holding Limited, LLC. decreases its stake from 7.06% to 4.85% of PHAROL's share capital and voting rights.

14/May/2019 | High Seas Investments, LLC decreased its stake from 2.41% to 1.39% of PHAROL's share capital and voting rights.

20/May/2019 | Blackhill Holding Limited, LLC. decreases its share from 4.85% to 1.92% 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:

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.

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 Sarmento Gomes Mota

Francisco José Queiroz de Barros Lacerda

Pedro Miguel Ribeiro de Almeida Fontes Falcão

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.

29/Mar/2019 | PHAROL informed that at the Annual General Shareholders' Meeting held the following resolutions were adopted by the Shareholders:

1. the management report, balance sheet and individual accounts for the financial year 2018;
2. the management report, balance sheet and consolidated accounts for the financial year 2018;
3. The proposed appropriation of results;
4. A vote of appreciation and confidence to the Board of Directors, the Supervisory Board and the Statutory Auditor and each of its members for the manner in which they conducted the management of the Company in 2018;
5. The acquisition and disposal of treasury shares by the Company, subject to a decision of the Board of Directors taking into account the market situation, for the period of eighteen months from the resolution, and the consideration, in the acquisitions, shall be within Up and down 25% on the lowest and average shares respectively of the shares to be acquired on Euronext Lisbon during the 3 regulated market sessions immediately prior to the date of acquisition or the constitution of the right to acquire or allocate shares, or correspond to the acquisition price resulting from contracted financial instruments and, on disposals, not less than 25% lower than the average Euronext Lisbon quotation of the shares to be disposed of during the 3 regulated market sessions immediately prior to the disposition, also setting the other conditions. applicable to such operations;
6. The statement of the Remuneration Committee regarding the remuneration policy of the members of the Company's management and supervisory bodies.

3/Apr/2019 | PHAROL has informed, in addition to its Notice issued on January 9, 2019, that the Approval of the Instrument of Agreement entered into on January 8, 2019 between Bratel S.à.r.l. ("Bratel") and Pharol (indirect shareholder of Oi) and Oi (collectively "Parties") became effective as a period of 15 (fifteen) business days from the publication of the judgment that granted it.

Accordingly, as determined in that Agreement, the date for the fulfillment of the second part of the obligations under both Parties shall begin on this date, including (a) the request to terminate all disputes involving the Parties indicated in the Agreement instrument (Litigation)) and (b) the delivery to Bratel of 33.8 million Oi shares held in its Treasury, of which 32 million common shares and 1.8 million preferred shares.

In addition, a number of obligations and rights of the Parties described in the Communiqué issued by Pharol and the Material Fact disclosed by Oi, both dated January 9, 2019, which could be resolved if not agreed, become definitively effective. had been approved by the Judicial Reorganization Court.

17/Apr/2019 | PHAROL reported that following the ratification of the agreement by the Judicial Reorganization Court and the subsequent transfer of 33.8 million shares held in Oi's Treasury, PHAROL became the holder of 326,259,859 common shares and 1,800,000 preferred shares, totaling 328,059,859 shares, representing 5.51% of Oi's share capital.

OTHER MATERIAL EVENTS OF PHAROL AND OI

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

01/Feb/2019 | PHAROL reported that it was subpoenaed by the curator of Espírito Santo International, SA, a Luxembourg-based company whose bankruptcy was declared in October 2014 ("ESI"), as a precautionary measure to interrupt any limitation period, with a view to possible annulment. Notes payments made by ESI during January 2014. PHAROL has reaffirmed that it does not owe any title to ESI and will therefore challenge the lawsuit and exercise all available and appropriate rights to protect PHAROL's stakeholders, in an action that the Company considers without basis.

OTHER MATERIAL EVENTS IN OI

Below we list other material events about Oi:

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

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

28/Feb/2019 | Oi informed that it became aware, on February 27, 2019, of the final decision rendered by the Arbitral Tribunal constituted in connection with the arbitration initiated by PT Ventures, SGPS SA, an indirect subsidiary of Companhia against the other shareholders of Unitel ("Other Shareholders of Unitel"), based on the shareholders agreement between PT Ventures and Unitel's Other Shareholders ("Shareholders Agreement").

27/Mar/2019 | Oi Announces Fourth Quarter 2018 Results

27/Mar/2019 | Oi announced the Call Notice - Ordinary and Extraordinary General Meeting

29/Apr/2019 | Oi announced to the market the filing of the Annual Report (Form 20-F) with the SEC.

14/May/2019 | Oi Releases First Quarter 2019 Results.

21/May/2019 | Oi has informed its shareholders and the market that its indirect subsidiary PT Ventures SGPS SA has sold and on that date transferred all the shares held by it in the Cape Verde telecommunications company Cabo Verde Telecom, SA ("CVT"), representing 40% of CVT's capital stock, for a total amount of US \$ 26.3 million, pursuant to the provisions of clauses 3.1.3 and 5.1 of the Judicial Reorganization Plan of Oi and its subsidiaries in judicial reorganization.

24/May/2019 | Oi informed the market about the RJ Judgment on the filing embargoes filed by Capricorn Capital and Goldentree Distressed Fund.

11/Jul/2019 | Oi provided the market with a clarification on a press release about a new capital increase for new resources.

16/Jul/2019 | Oi announces to the market a new Strategic Plan for the Company contemplating the projections and estimates (guidance) plan of Routine Net Revenue and EBITDA.

03. MAIN RISKS AND UNCERTAINTIES

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

Relevant Risks		
Economic Risks	Oi's Performance	<p>The main risk to which PHAROL is subject in Brazil still stems from the execution of Oi's Judicial Reorganization, as it is still possible until March 2020 to make a third capital increase with cash inflow, which could bring about further destruction of value, if subscription rights are quoted below their theoretical value.</p> <p>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.</p>
	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.
	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 June 30, 2019 PHAROL has no debt.
	Treasury Applications	<p>PHAROL is mainly subject to credit risks in its treasury applications.</p> <p>In order to dilute these risks, in July 2014 the Board of Directors defined a policy for treasury applications.</p>
	Default by Rio Forte as to the reimbursement of the instruments that PHAROL holds following the 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>
		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

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

04. QUALIFIED HOLDINGS

QUALIFIED HOLDINGS

As at June 30, 2019, qualified holdings represented over 34.35% of PHAROL share capital, as follows:

DATE OF INFORMATION	ENTITIES	NO. OF SHARES	% OF CAPITAL	% OF VOTING RIGHTS
12/03/2019	Adar Macro Fund LTD	43,032,601	4.8%	4.8%
	Adar Capital Partners Ltd.	43,032,601	4.8%	4.8%
	Adar Macro Fund Ltd.	43,032,601	4.8%	4.8%
	Total attributable	43,032,601	4.8%	4.8%
31/05/2012	Telemar Norte Leste S.A.	89,651,205	10.00%	10.00%
	Telemar's sole shareholder is OI S.A..			
	Total attributable	89,651,205	10,00%	10,00%
02/04/2018	Novo Banco S.A.	85,665,125	9.56%	9.56%
	Directly	85,665,125		
	Shares held by companies in a controlling or group relationship with Novo Banco, S.A.	916		
	Shares held by directors and members of the Corporate Bodies	595		
	Total attributable	85,666,636	9.56%	9.56%
12/03/2019	High Bridge Unipessoal, Lda.	89,551,746	9.99%	9.99%
	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	89,551,746	9.99%	9.99%

THE BOARD MEMBERS AND SUPERVISORY BODIES SHAREHOLDINGS

Under the terms of article 9, number 1 c), of Regulation number 5/2008 of CMVM, the following information is presented with respect to the qualified holdings held by the board members and supervisory bodies in PHAROL's share capital, which the company was informed about with reference to June 30, 2019 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.
- 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.
- 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.
- Nelson Sequeiros Rodriguez Tanure: since May 20, 2019, were attributed to him 17,241,517 shares, corresponding to 1,92% of PHAROL's capital and voting rights acquired by Blackhill Holding Limited LLC, of which it is an effective beneficiary and 10,000 shares representing 0.00111% held by his own.
- Bryan Schapira 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 May 25, 2018.
- Avelino Cândido Rodrigues 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 February 8, 2019.

- Isabel Maria Ferreira Possantes Rodrigues Cascão 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 February 8, 2019.

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
- João Manuel Pisco de Castro
- Paulo Ribeiro da Silva

Managing-Director

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

Statutory Auditor (“ROC”)

The Statutory Auditor does not own any shares of PHAROL.

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

05. OUTLOOK

Having seen its shareholding in Oi successively reduced from 39,7% to 5,51%, Pharol signed with its subsidiary in January 2019 an agreement providing for the withdrawal by both parties of all disputes. that they kept with each other. In addition to a financial compensation that compensates, albeit partially, the damages suffered by the solutions adopted by Oi in its Judicial Reorganization process, this agreement allows, beyond the entry into a new phase of PHAROL's participation in Oi's life, based on the contribution For the improvement of operating efficiency and investments in the Brazilian market, the significant reduction in legal litigation costs incurred so far.

In parallel, and as a result, Pharol, which had been focusing attention and resources on its limited portfolio of assets, now finds more room for possibly longer-lasting intervention by assessing participation in more diversified investments and creating value for its Shareholders and use of tax credits held by the company.

Also regarding the credit on Rio Forte and the lawsuits, there have been no developments that could give this asset greater value or liquidity. The length of court proceedings (including those filed against former Directors and the External Auditor) and the uncertainty surrounding its progress - both in identifying all claims and in valuing assets in the bankrupt estate - make it necessary prudent cost structure management in order to keep Pharol financially prepared for longer schedules.

PHAROL's operating costs, which amounted to Euro 2.0 M in the first half of 2019, fell by 14% over the previous year and optimizing organizational efficiency will continue to be one of the company's top priorities.

PHAROL's share, which at 31 December 2018 was quoted at 0.1632 euros, reached 0.151 euros at the end of 30 June, thus devaluing 7.5% in the first half. However, the liquidity of the security translated, in the same period, into an average daily sale of 3 million shares.

06. STATEMENT FROM THE BOARD OF DIRECTORS

For the purposes of article 246 of the Portuguese Securities Code, the members of the Board of Directors of PHAROL SGPS, S.A., identified hereunder, hereby declare, in their capacity and within their functions as described therein, that, as far as they are aware, and based on information that they have had access to, through the Board of Directors and/or Executive Committee, as applicable, while in office:

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

Lisbon, July 26, 2019

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

Aristóteles Luiz Menezes Vasconcellos Drummond, Board Member

Bryan Schapira, Board Member

Jorge Augusto Santiago das Neves, Board Member

Jorge Telmo Maria Freire Cardoso, Board Member

Maria do Rosário Amado Pinto Correia, Board Member

Nelson Sequeiros Rodriguez Tanure, Board Member

Maria Leonor Martins Ribeiro Modesto, Board Member

Pedro Zañartu Gubert Morais Leitão, Board Member

Avelino Cândido Rodrigues, Board Member

Isabel Maria Ferreira Possantes Rodrigues Cascão, Board Member

PHAROL, SGPS, S.A.



CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

PHAROL, SGPS S.A.			
CONSOLIDATED INCOME STATEMENT			
PERIODS ENDED JUNE 30, 2019 AND 2018			
			Euro
	Notes	1H19	1H18
COSTS, LOSSES AND (INCOME)			
Wages and salaries	5	750,163	787,833
Supplies, external services and other expenses	6	1,162,677	1,433,463
Indirect taxes	7	109,469	134,645
Depreciation		32,222	34,251
Net other losses (gains)		(12,631,850)	12,534,295
		(10,577,318)	14,924,487
Income (loss) before financial results and taxes		10,577,318	(14,924,487)
FINANCIAL LOSSES AND (GAINS)			
Net interest income	8	(6,183)	(12,545)
Net foreign currency exchange losses		(119,217)	240,574
Net losses on financial assets and other investments		(26,667,168)	127,619
Net other financial expenses		26,016	11,372
		(26,766,552)	367,021
Income (loss) before taxes		37,343,870	(15,291,508)
Income taxes	9	12,559,711	(12,528,602)
NET INCOME		24,784,159	(2,762,906)
Attributable to equity holders of the parent		24,784,159	(2,762,906)
Earnings per share			
Basic and Diluted	10	0.03	(0.00)

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

PHAROL, SGPS S.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
PERIODS ENDED JUNE 30, 2019 AND 2018

	Notes	1H19	Euro 1H18
Net Income recognised in the income statement		24,784,159	(2,762,906)
Income (expenses) recognised directly in shareholders' equity			
Items that may be reclassified subsequently to the income statement			
Foreign currency translation adjustments		619	104,333
Items that will not be reclassified to the income statement			
Gains (losses) on financial assets at fair value		24,269,839	(24,555,585)
Total earnings recognised directly in shareholders' equity		24,270,458	(24,451,252)
Total comprehensive income		49,054,617	(27,214,158)
Attributable to shareholders of PHAROL SGPS		49,054,617	(27,214,158)

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

PHAROL, SGPS S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
PERIODS ENDED JUNE 30 2019 AND DECEMBER 31 2018

	Notes	30 jun 19	31 dec 18
Euro			
ASSETS			
Current Assets			
Cash and cash equivalents	15	22,518,536	38,090,992
Accounts receivable		2,155,229	1,852,245
Taxes receivable		55,873	54,705
Prepaid expenses		61,078	14,554
Total current assets		24,790,715	40,012,495
Non-Current Assets			
Tangible assets		113,845	141,950
Financials assets	11	120,635,190	46,892,131
Other non-current assets	12	64,493,253	74,637,747
Total non-current assets		185,242,288	121,671,829
Total assets		210,033,003	161,684,324
LIABILITIES			
Current Liabilities			
Accounts payable	13	15,593	124,757
Accrued expenses	14	1,036,607	1,679,280
Taxes payable		186,548	174,835
Provisions	17	-	12,500,000
Other current liabilities	17	13,399,508	856,988
Total current liabilities		14,638,255	15,335,860
Non-Current Liabilities			
Medium and long-term debt		91,622	99,955
Total non-current liabilities		91,622	99,955
Total liabilities		14,729,877	15,435,815
SHAREHOLDERS' EQUITY			
Share capital		26,895,375	26,895,375
Treasury shares		(179,675,995)	(179,675,995)
Legal reserve		6,773,139	6,773,139
Reserve for treasury shares		186,646,315	186,646,315
Other reserves and accumulated earnings		154,664,292	105,609,675
Total equity		195,303,126	146,248,509
Total liabilities and shareholders' equity		210,033,003	161,684,324

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

PHAROL, SGPS S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
PERIODS ENDED JUNE 30, 2019 AND 2018

	Euro						
	Share capital	Treasury shares	Legal reserve	Reserve for treasury shares	Other reserves and accumulated	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					(24,451,252)	(24,451,252)	(24,451,252)
Income recognized in the income statement					(2,762,905)	(2,762,905)	(2,762,905)
Balance as at June 30, 2018	26,895,375	(179,675,995)	6,773,139	186,646,315	193,897,350	234,536,184	234,536,184

	Euro						
	Share capital	Treasury shares	Legal reserve	Reserve for treasury shares	Other reserves and accumulated	Equity excluding non-controlling interests	Total equity
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
Income (expenses) recognized directly in equity	-	-	-	-	24,270,458	24,270,458	24,270,458
Income recognized in the income statement	-	-	-	-	24,784,159	24,784,159	24,784,159
Balance as at June 30, 2019	26,895,375	(179,675,995)	6,773,139	186,646,315	154,664,292	195,303,126	195,303,126

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

PHAROL, SGPS S.A.

**CONSOLIDATED STATEMENT OF CASH FLOWS
PERIODS ENDED JUNE 30 2019 AND 2018**

		Euro	
	Notes	1H19	1H18
OPERATING ACTIVITIES			
Payments to suppliers	15.a	(1,773,036)	(1,425,362)
Payments to employees		(804,317)	(853,044)
Payments relating to income taxes		(52,992)	(36,168)
Other cash receipts, net		(357,015)	7,207,434
Cash flows from operating activities (1)		(2,987,360)	4,892,860
INVESTING ACTIVITIES			
Cash receipts resulting from:			
Financial investments		-	157,031
Interest and related income		625	4,318
		625	161,349
Payments resulting from:			
Financial investments		(12,591,430)	(34,971)
Tangible and intangible assets		(4,879)	-
		(12,596,309)	(34,971)
Cash flows from investing activities (2)		(12,595,684)	126,378
FINANCING ACTIVITIES			
Payments resulting from:			
Loans repaid		(8,333)	(8,072)
Interest and related expenses		(1,781)	(4,848)
		(10,114)	(12,920)
Cash flows from financing activities (3)		(10,114)	(12,920)
Cash and cash equivalents at the beginning of the period		38,090,992	25,152,142
Change in cash and cash equivalents (4)=(1)+(2)+(3)		(15,593,159)	5,006,318
Effect of exchange differences		20,702	(13,651)
Cash and cash equivalents at the end of the period	15.b	22,518,536	30,144,808

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT JUNE 30, 2018

(Amounts stated in Euros, except where otherwise mentioned)

1. Introduction

As of June 30, 2019, PHAROL indirectly holds through 100% owned subsidiaries, 326,259,859 common shares and 1,800,000 preferred shares of Oi, representing 5.51% of Oi's total share capital (excluding treasury shares).

Based on the agreements concluded on March 30, 2015 between PHAROL and Oi, PHAROL currently holds Rio Forte debt instruments with a nominal value of Euro 897 million and a Call Option on Oi shares. On March 30, 2019, as part of the options matured, PHAROL now holds the call option on 17,076,554 common shares and 34,153,108 preferred shares of Oi.

2. Basis of presentation

The interim consolidated financial statements were prepared according to the International Accounting Standard (IAS) 34 Interim Financial Reporting. Therefore, the financial statements do not include all information required by the International Financial Reporting Standards ("IFRS") as adopted by the European Union and so should be read in conjunction with the consolidated financial statements of December 31, 2018. Additionally, the interim management report discloses further explanations regarding major variations in income and expenses, and as such these interim consolidated financial statements should be read with the management report. The disclosed interim financial statements were not subject to external audit or review.

3. Changes in Accounting Policies

The presented financial statements follow the same accounting policies applied in the most recent annual financial statements. As mentioned in these most recent annual financial statements, as a result of the loss of significant influence it had on its associate Oi, on December 31, 2017, Pharol started to record this investment at market value and classified it as "Financial Assets". As of January 1, 2018, following the introduction of IFRS 9 - Financial Instruments, PHAROL chose to measure this investment at fair value through other comprehensive income for investments in equity instruments, as explained in Note 11.

4. Exchange rates used to translate foreign currency financial statements

At June 30, 2019 and December 31, 2018, assets and liabilities denominated in foreign currencies were translated to Euros using the following exchange rates to the Euro:

Currency	30 jun 19	31 dec 18
Real	4.3511	4.4440
USD	1.1380	1.1450

At June 30, 2019 and 2018, the statements of financial position, income statements and cash flows of subsidiaries and associated denominated in foreign currencies were translated to euros using the following exchange rates to the Euro:

Currency	1H19	1H18
Real	4.3455	4.1415
USD	1.1293	1.2104

5. Wages and salaries

The composition of this caption in the first semester of 2019 and 2018 is as follows:

	1H19	Euro 1H18
Fixed and variable remuneration	604,086	604,748
Social security	133,496	158,882
Other	12,582	24,203
	750,163	787,833

6. Supplies, external services and other expenses

The composition of this caption in the first semester of 2019 and 2018 is as follows:

	1H19	Euro 1H18
Specialized work (i)	864,415	916,807
Insurance	54,065	137,844
Travel	54,666	109,662
Other	189,531	269,150
	1,162,677	1,433,463

(i) This caption refers mainly to legal and consultancy services.

7. Indirect taxes

The composition of this caption in the first semester of 2019 and 2018 is as follows:

	Euro	
	1H19	1H18
VAT	108,331	131,322
Other	1,139	3,323
	109,469	134,645

8. Net interest income

The composition of this caption in the first semester of 2019 and 2018 is as follows:

	Euro	
	1H19	1H18
Net interest earned		
Related to cash and cash equivalents (i)	(6,183)	(12,545)
	(6,183)	(12,545)

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

9. Taxes and rates

In June 2019, 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 the first semester of 2019 and 2018 is as follows:

	Euro	
	1H19	1H18
Income tax		
Income tax - current	12,559,711	(12,528,602)
	12,559,711	(12,528,602)

In the first half of 2019, following the signature of the already mentioned Agreement with Oi, this caption essentially reflects the reversal of the funds received from the Tax Authority related to corporate income tax from previous years that had been recorded in the first half of 2018, in the amount of 12,542,510 euros.

10. Earnings per share

Earnings per share in the first semester of 2019 and 2018 were as follows:

		1H19	Euro 1H18
Net loss attributable to equity holders of Pharol	(1)	24,784,159	(2,762,906)
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)	0.03	(0.00)

11. Finance 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 June 30, 2019 and December 31, 2018, the accounting for Oi Investment, is as follows:

		30 jun 19	31 dec 18
Stock Price Oi (ON)	<i>R\$</i>	1.60	1.25
Shares Outstanding	<i>Million</i>	5,952	2,422
Market Cap.	<i>R\$ Million</i>	9,523	3,028
Number of shares owned by PHAROL	<i>Million</i>	328.1	166.7
% Participation	<i>%</i>	5.51%	6.88%
Market value R\$	<i>R\$ Million</i>	524.9	208.4
Market value Eur.	<i>Eur. Million</i>	120.6	46.9

12. Other non-current assets

The composition of this caption comprises an estimated future recovery of Euro 64.5 million related to the debt securities issued by Rio Forte on June 30, 2019.

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

"Expected recovery

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

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

The Board of Directors of PHAROL, after taking appropriate measures and supported by the analysis of its advisers, concluded, based on the principle of prudence, that the expected recoverability of the insolvent estate and, consequently, PHAROL's expected recoverability of its debt instruments of Rio Forte, have reduced. PHAROL's investment in the Rio Forte securities was initially valued at fair value upon initial recognition on March 30, 2015 and subsequently measured at amortized cost less any impairment losses. Based on the principles of IAS 39 (currently IFRS9), 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%.

On 30 June 2019 and 5 years after the filing of the Rio Forte credit claim, a new report by the Judicial Administrators was published on 30 April 2019, which essentially points to: 1) postponement of the results of the conclusion of the analysis. debt declarations; and 2) downward revision of Rio Forte's asset value in Latin America; Accordingly, and based on these new factors, the recovery in debt recovery was once again revised downwards to 7.19% of nominal value recovery, equivalent to a reduction of 10.1 million euros. Euro to the amount of Euro 64.5 million.

Furthermore, as part of the credit to Rio Forte, PHAROL in December 2017 was informed of a statement from the curators of Espirito Santo International, SA, ("ESI") stating that this bankrupt company will sue PHAROL, requesting the reimbursement of EUR 750 million without specifying the reasons for that request.

Following this announcement, as early as January 2019, PHAROL was summoned by ESI's trustee as a precautionary measure to discontinue any limitation period in view of any cancellation of ESI Notes payments made during January 2014

Upon examination of the abovementioned subpoena, PHAROL considers it highly unlikely that any PHAROL conviction on the subpoena could be based on the alleged facts. Accordingly, PHAROL did not record any provision in its financial statements.

13. Accounts Payable

On June 30, 2019 and December 31, 2018, the composition of this caption is as follows:

	30 jun 19	Euro 31 dec 18
Current accounts payable		
Current suppliers	1,894	141,666
Others	13,699	(16,910)
	15,593	124,757

14. Accrued Expenses

On June 30, 2019 and December 31, 2018, the composition of this caption is as follows:

	30 jun 19	Euro 31 dec 18
Supplies and external services	716,107	1,243,556
Vacation pay and bonuses	261,468	345,959
Others	59,032	89,765
	1,036,607	1,679,280

15. Consolidated Statement of Cash Flows

(a) Payments to suppliers

During the first semester of 2019 and 2018, payments to suppliers mainly reflect payments, related to third party suppliers and consultants.

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

On June 30, 2019 and 2018, the composition of this caption is as follows:

	30 jun 19	Euro 30 jun 18
Cash	2,059	4,400
Demand deposits	1,016,476	15,019,409
Time deposits	21,500,000	15,121,000
	22,518,536	30,144,809

16. Guarantees and financial commitments

As at June 30, 2019 and December 31, 2018, this caption has the following composition:

	30 jun 19	Euro 31 dec 18
Bank and other guarantees presented to the tax authorities	84,617,476	84,617,476
	84,617,476	84,617,476

(i) The bank and other guarantees presented to the tax authorities essentially include Euro 85 million on June 30, 2019 and 2018, 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 dominant company of the consolidated fiscal in the years in question, although as of June 30, 2019 the contingencies associated with these guarantees are not the responsibility of the Company, but were transferred to Oi, but remained the same. PHAROL jointly and severally. Notwithstanding the forfeiture and consequent cancellation of part of the Guarantees, tax proceedings remain ongoing and Oi remains liable for them and may amount to up to 381 million euros. Also within the scope of the agreements entered into, Oi is also required to replace the bank guarantees provided by PHAROL to the Tax Authority with guarantees provided by Oi. In cases where this substitution is not possible, Oi has undertaken to provide equivalent guarantees. in favor of PHAROL. Additionally, and as already mentioned above, under the Agreement signed between PHAROL and Oi, in case of sale of Oi's stake in Unitel, Oi will deposit the amounts received from the sale in PHAROL's guarantee account, in order to face any condemnation in assessed tax contingencies. as probable - as provided for in the obligation.

As such, on June 30, 2019, 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.

17. Provisions

On June 30, 2019 and December 31, 2018, the composition of this caption is as follows:

	30 jun 19	Euro 31 dec 18
Provisions		
Others	-	12,500,000
	-	12,500,000

The provision made in the first half of 2018 takes into account any liabilities arising from the position taken by the company with respect to tax refunds and tax benefits from previous years.

In June 2019, following the agreement signed with Oi that clarified the destination of these tax refunds from previous years, the existing provision was reversed and the Tax Authority refunds were recognized under the caption "Other current liabilities".

18. Related parties

a) Associated Companies

During the first semester 2019 and 2018 there were no costs or revenues related to associated companies.

b) Other

During the periods years ended June 30, 2019 and 2018, the fixed remuneration of the Board members, which was established by the Remuneration Committee, amounted to Euro 0.27 million and 0.26 million, respectively.

19. Shareholders with Qualified Holdings

The Company believes that it is relevant to disclose outstanding balances and transactions with its main shareholders, namely those with a qualified holding of more than 2% in PHAROL's share capital, and with all the entities reported by these shareholders as being part of the respective economic groups. The tables below present the balances as at June 30, 2019 and December 31, 2018, and the transactions occurred in June 30, 2019 and 2018 between PHAROL and the entities that are identified as shareholders with qualified holding and respective economic groups:

	Euro	
	30 jun 19	31 dec 18
		Cash and bank deposits
Shareholder		
Novo Banco	6,625,485	1,094,507
	6,625,485	1,094,507

	Euro			
	1H19		1H18	
	Costs and losses	Net interest income	Costs and losses	Net interest income
Shareholder				
Novo Banco	211	1,625	360	6,188
	211	1,625	360	6,188

20. Subsequent events

Oi's stock price evolution between June30 and July 25, 2019 can be found below:

	30 jun 19	25 jul 19
Oi ON share price (Reais)	1.6	1.45
Oi PN share price (Reais)	1.65	1.68
Exchange rate Real/Euro	4.3511	4.1771
Oi ON share price (Euro)	0.37	0.35
Oi PN share price (Euros)	0.38	0.40

PHAROL, SGPS, S.A.

STATEMENT OF THE AUDIT COMMITTEE

STATEMENT OF THE SUPERVISORY BOARD

(Free translation from the original version in Portuguese)

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

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

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

Lisbon, July 26, 2019

President: José Maria Rego Ribeiro da Cunha

Members: Isabel Maria Beja Gonçalves Novo

João Manuel Pisco de Castro

Contacts

Investor Relations

Luís Sousa de Macedo
Investor Relations Director
PHAROL, SGPS S.A.
Rua Joshua Benoliel, 1, 2c
Edifício Amoreiras Square
1250-133 Lisboa, Portugal
Tel: +351 21 269 7698
Fax: +351 21 269 7949
E-mail: ir@pharol.pt

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

Registered Office

Rua Joshua Benoliel, 1, 2c
Edifício Amoreiras Square
1250-133 Lisboa, Portugal
Tel: +351 21 269 7690
Registered with the Commercial Registry Office of Lisbon Under No. 503 215 058