

CONSOLIDATED

REPORT AND ACCOUNTS

PHAROL, SGPS S.A.

FIRST SEMESTER 2020 RESULTS

- PHAROL's net income in the first half of 2020 was negative by 1.7 million Euros, essentially justified by the recurring operating costs of 1.4 million Euros;
- The cost containment and discipline policy, intensified with the occurrence of the Covid-19 pandemic, allowed a 32% reduction in recurring operating costs;
- PHAROL's stake in Oi ended the semester with an appreciation of 1.9 million Euros, ending at 64.5 million Euros, being the gain in the quotation (20.6 million Euros) largely offset by the exchange devaluation of the Real in the investment (18.7 million Euros);
- The company's equity was increased in 154 thousand euros, ending the first half of 2020 at 131.7 million euros, reflecting (1) the appreciation of its stake in Oi by 1.9 million euros and (2) the negative net result in 1.7 million euros.

MESSAGE FROM CEO

Luís Palha da Silva

"The first semester of 2020 will be for all economies and all companies, marked by the onset of the pandemic COVID-19. The brutal reduction in activities as a result of lower consumption and the postponement or abandonment of investment projects dictated very serious consequences for citizens, companies and states in the short, medium and long term, which only did not reach greater proportions due to the rapid and massive interference of the monetary authorities. In this way, bankruptcies could be avoided, at least for a period, and the cost of financing economies could be kept at the low levels to which we have become accustomed.

Despite the less favorable environment and the devaluation of the Real, the quotation of Oi, Pharol's main asset, showed positive developments that, at the end of the semester, ended up translating into a gain in the value of the participation and allow frank optimism for the future in the short and medium term: widespread acceptance of the strategic plan, tangible results in the operational area, in particular in the increase in fiber revenue, considerable advances in the asset disposal process and increased credibility of the company's executive team. As far as the sale of assets is concerned, we received with great satisfaction the news of several offers for the mobile business, with values above the defined minimums, which allows us to foresee strong competition in the definition of the final price and an interesting impact on the investment capacity and on the Oi's stock market behavior.

Internally, the pandemic ended up being seen as a new incentive to optimize internal efficiency, with a strong 32% reduction in recurrent costs, which can only be a source of pride for our employees."

Highlights

PHAROL

(Euro million)	1H20	1H19
Recurring EBITDA	(1,4)	(2,0)
Net Income	(1,7)	24,8
(Euro million)	Jun20	Dec19
Assets	150.3	144.1
Liabilities	18.6	12.6
Equity	131.7	131.5

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 2020

INDEX

01.	FINANCIAL REVIEW	3
02.	BUSINESS PERFORMANCE	8
03.	MAIN RISKS AND UNCERTAINTIES	11
04.	QUALIFIED HOLDINGS	13
05.	OUTLOOK	16
06.	STATEMENT FROM THE BOARD OF DIRECTORS	17
07.	CONSOLIDATED FINANCIAL STATEMENTS	19

“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, 2020, 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 8,538,276.96 common shares and 17,076,553.92 preferred shares of Oi with an exercise price of R\$20.104 per common share and R\$18.529 per preferred share, adjusted by the Brazilian rate CDI plus 1.5% per annum, and with a 6-year maturity. The Call Option has partial expiration dates throughout the period, so the option volume is reduced by 10% at the end of the first year and by 18% per year thereafter and to be corrected for the capital increases meanwhile carried out in Oi. This call option is currently valued at zero Euros.

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 27.18% of total share capital of Oi (excluding treasury shares). PHAROL's voting rights in Oi were limited to 15% of the total common shares of Oi.

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

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

On 15 September 2017, in order to concentrate all its operations in Luxembourg, PHAROL transferred the ownership of all the shares that BRATEL BV 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, it was understood that PHAROL lost the significant influence it had until then on its associate Oi. Consequently, on 31 December 2017, PHAROL began to measure its investment in Oi at market value and classify it as "Financial Assets".

Oi S.A., in the disclosure of its consolidated results for 2017, announced that it had 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, was a dilution of PHAROL's participation in Oi to less than 8%.

On January 9, 2019, as part of the capital increase due to the Entry of New Resources, Oi went from 2,340,060,505 shares to a total of 5,954,205,001 shares representing its share capital, with a dilution of PHAROL's stake in Oi to less than 4%, even though it partially accompanied the referred capital increase.

On April 2, 2019, with the approval of an agreement between PHAROL and Oi on January 8, 2019, in which Oi committed itself to reimburse PHAROL for the damages suffered through Oi's shares and resources for the acquisition of Oi shares subscribed in the aforementioned capital increase, PHAROL now holds a 5.51% interest in Oi's share capital.

Consolidated net income for the first half of 2020 represents a loss of Euro 1.7 million and essentially reflects (1) operating costs of Euro 1.4 million and (2) other costs related to a CMVM fine of Euro 250 thousand.

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT		
	Euro million	
	1H20	1H19
Wages and salaries	0.6	0.8
Supplies, external services and other expenses	0.6	1.2
Indirect taxes	0.1	0.1
Loss before financial results and taxes	(1.4)	(2.0)
Depreciations	0.1	0.0
Earnings before interest and taxes	(1.4)	(2.1)
Net other gains	0.3	(12.6)
Loss before financial results and taxes	(1.7)	10.6
Net losses on financial assets and other investments	-	(26.7)
Net other financial losses (gains)	0.0	(0.1)
Loss before taxes	(1.7)	37.3
Income taxes	0.0	12.6
Attributable to equity holders of PHAROL, SGPS S.A.	(1.7)	24.8

Consolidated operating costs amounted to Euro 1.4 million in the first half of 2020 compared to Euro 2 million in the first half of 2019. This overall cost reduction was more pronounced in legal and advisory services.

In 2020, other costs include a CMVM fine of Euro 250 thousand. 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.

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

The net profit attributable to PHAROL shareholders in the first half of 2020 was a loss of Euro 1.7 million and a gain of Euro 24.8 million in the same period of 2019.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position		
	Euro million	
	30 jun 2020	31 dec 19
ASSETS		
Cash and cash equivalents	21.9	17.9
Accounts receivable	0.4	0.1
Tangible assets	0.3	0.3
Taxes receivable	0.0	0.1
Financials assets	64.5	62.6
Other assets	63.2	63.0
Total assets	150.3	144.1
LIABILITIES		
Short-term debt	0.2	0.3
Accounts payable	0.3	0.2
Accrued expenses	0.9	0.8
Taxes payable	0.3	0.2
Other liabilities	16.9	11.1
Total liabilities	18.6	12.6
Total equity	131.7	131.5
Total liabilities and shareholders' equity	150.3	144.1

The cash position, net of liabilities is Euro 4.4 million on June,30 2020 and Euro 6.4 million on December 31, 2019.

The financial assets correspond to the effective participation of PHAROL in Oi on June 30, 2020 and December 31, 2019, with a value of Euro 64.5 million and Euro 62.5 million, respectively. This increase of Euro 1.9 million is mainly explained by the valuation of Oi's share net of the devaluation of the Real against the Euro.

The "Other assets" at June 30, 2020 and December 31, 2019, in the amount of Euro 63.2 million and Euro 63 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 131.7 million on 30 June 2020, compared with Euro 131.5 million on December, 31, 2020, an increase of Euro 0.2 million, reflecting (1) the negative result generated in the first half of 2020 in the amount of Euro 1.7 million, and (2) the appreciation of the interest in Oi in the amount of Euro 1.9 million.

OI RESULTS KEY HIGHLIGHTS

The information contained in this section comes from the disclosure of Oi 1Q20 Earning Review, on June 15, 2020.

Oi continued to demonstrate solid execution of its plan at the beginning of 2020, allowing the company to move forward with its long-term strategic vision

Operational

- 1 Million Ftth customers reached
- 97 Thousand New ftth homes connected only in April
- 701% of annual Fiber revenue growth
- 12% annual growth in post-paid revenue
- 38% annual growth in its corporate revenue

Funding

- 1 Billion dollars from Unitel in January
- 2.5 Billion reais bridge loan closed

Efficiency and Simplification

- simplification initiatives generating savings in line with the target for the year

Strategic Options

- general creditors meeting (gcm) for plan amendments and company flexibility expected for august 2020
- market process for mobile sale in progress
- structural separation for value maximization: infra co and client co
- full regulatory campaign in place for future plc impact

	Milhões de Reais *		
	1T20	1T19	4T19
Oi S.A.			
Total Net Revenues	4,749	5,130	4,914
EBITDA	1,533	1,627	1,414
EBITDA Margin (%)	32.3%	31.7%	28.8%
Consolidated Net Earnings (Loss)	-6,280	568	-2,263
Net Debt	18,131	10,107	15,927
Available Cash	6,310	6,267	2,300
CAPEX	1,794	1,725	1,991

*Or otherwise stated

	Milhões de Reais*		
	1T20	1T19	4T19
BRAZIL			
Revenue Generating Unit ('000)	52,654	56,632	53,428
Residential	12,058	14,336	12,659
Personal Mobility	33,946	34,894	34,006
Corporate / SMES	6,481	6,774	6,591
Public Telephones	159	619	172
Total Net Revenues	4,700	5,086	4,862
Net Services Revenues (1)	4,678	5,038	4,828
Residential	1,654	1,880	1,724
Personal Mobility	1,681	1,699	1,743
Clients (2)	1,623	1,624	1,678
Corporate / SMEs	1,317	1,417	1,333
Net Clients Revenues (2)	4,582	4,919	4,719
Routine EBITDA	1,481	1,616	1,452
Routine EBITDA Margin (%)	31.5%	31.8%	29.9%
CAPEX	1,781	1,718	1,979
Routine EBITDA - CAPEX	-299	-102	-526

*Or otherwise stated

02. BUSINESS PERFORMANCE

Below we list all the events that occurred between January 1 and July 23, 2020, 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:

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

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

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

CORPORATE EVENTS OF PHAROL

Below we list the main corporate events of PHAROL:

08/Jan/2020 | PHAROL informs that, at the Extraordinary General Meeting of Shareholders, on Second Date, the Shareholders resolved:

1: Reduce the minimum and maximum number of members of the Company's Board of Directors, with the consequent amendment to paragraph 1 of Article Eighteenth of the Company's Bylaws, which will now read as follows: "The Board of Directors is composed of a minimum of three and a maximum of seven members";

2: As a result of the approval of the reduction of the maximum and minimum number of members of the Board of Directors and amendment of the Company's bylaws, under the scope of point One, approve the termination of functions by dismissal, with immediate effect, of the directors, Aristóteles Luiz Menezes Vasconcellos Drummond, Jorge Augusto Santiago das Neves and Nelson Sequeiros Rodriguez Tanure who, on 12.6.2019, had already resigned from his duties as a member of the Board of Directors.

29/Jan/2020 | PHAROL informed following the indirect sale, by Oi, of its participation in Unitel, SA, and as agreed in the Private Instrument of Transaction and Other Covenants, signed between PHAROL and Oi on January 8, 2019, Oi, through the PT Participações SGPS, SA, made a deposit in a guarantee account in the amount of Eur.34,340,803.32, intended to guarantee PHAROL in case of eventual condemnation in tax contingencies under Oi's responsibility.

27/Mar/2020 | PHAROL informs that, at Annual General Meeting, it was decided by the Shareholders to approve:

1. The management report, the balance sheet and the individual accounts for the financial year 2019;
2. The management report, the balance sheet and the consolidated accounts for the financial year 2019;
3. The proposal for the application of results;

4. A vote of appreciation and confidence to the Board of Directors, the Fiscal Council and the Statutory Auditor and to each of its members for the manner in which they conducted the management of the COMPANY in 2019;
5. The acquisition and sale of own shares by COMPANY, subject to a decision of the Board of Directors taking into account the market situation, for the eighteen-month period counted from the resolution, and the consideration in the acquisitions should be in a range of 25 % for less and more relative to the lower and average quotation, 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 assign shares, or corresponds to the acquisition price resulting from contracted financial instruments and, on disposals, not less than 25% of the average Euronext Lisbon quotation of the shares to be disposed of during the 3 regulated market sessions immediately prior to the sale, to such operations;
6. The statement of the Remuneration Committee regarding the remuneration policy of the members of the management and supervisory bodies of the COMPANY.

OTHER RELEVANT PHAROL EVENTS

Below we list other relevant PHAROL events:

26/Feb/2020 | PHAROL informed about the Report of Judicial Administrators in the insolvency process of Rio Forte (Rapport n° 14 des Curateurs), relative to December 31, 2019, available at www.espiritosantoinsovlencies.lu

16/Mar/2020 | PHAROL informed that it has been notified of the decision taken in administrative offence proceeding initiated by the Portuguese Securities Commission ("CMVM") against PHAROL and several former directors, due to the fact that the disclosure of consolidated reports and accounts for the years 2012 and 2013 and the first quarter of 2014, as well as the corporate governance reports for the years 2012 and 2013, did not comply with the information requirements.

PHAROL was sentenced to a single penalty of one million euros, and CMVM considered that "(a) an opportunity to the issuer and its new board of directors shall be granted, in order to proceed in compliance with the law and that (b) a limitation of the material impact of the penalty on the company is fair, under appropriate conditions" and therefore decided to partially suspend the penalty, in the amount of seven hundred and fifty thousand euros, for a period of two years.

Thus, if PHAROL appeal do not be accepted, the fine to be paid will be limited to two hundred and fifty thousand euros.

03/Jun/2020 | PHAROL informed that the Board of Directors of PHAROL has approved the termination of its ADS/ADR programme.

Following the delisting of the ADSs from the New York Stock Exchange ("NYSE") back in 2015, and subsequently ADSs being traded only in the U.S. over-the-counter market, this decision allows the COMPANY to reduce costs and consolidate Euronext Lisbon as PHAROL's primary market.

Termination will be implemented in accordance with the provisions of the Deposit Agreement and will take effect at 5:00PM (Eastern Time) on September 03, 2020.

01/Jul/2020 | PHAROL informed about the Report of Judicial Administrators in the insolvency process of Rio Forte (Rapport n° 15 des Curateurs), relative to April 30, 2020, available at www.espiritosantoinsovlencies.lu

OTHER MATERIAL EVENTS OF OI

Below we list the other material events of Oi:

24/Jan/2020 | Oi informed that its indirect subsidiary Africatel Holdings BV (“Africatel”) has just sold and transferred all the shares issued by the Portuguese holding company PT Ventures SGPS SA (“PT Ventures”) to the Angolan company Sociedade Nacional de Combustiveis de Angola, Empresa Publica - Sonangol EP (“Sonangol”). The total value of the transaction is US \$ 1 billion, of which: (i) US \$ 699.1 million paid to Africatel by Sonangol on this date, (ii) US \$ 60.9 million already paid to Africatel before the transfer of the shares of PT Ventures; and (iii) US \$ 240 million, fully guaranteed by a letter of guarantee issued by a first-tier bank, to be paid unconditionally by Sonangol to Africatel until July 31, 2020, with Africatel being guaranteed a minimum monthly flow of US \$ 40 million, starting in February 2020.

30/Jan/2020 | Oi informed that it entered into a private instrument of promise to sell property owned by itself, for the amount of R \$ 120.5 million, continuing its project to sell non-core assets, in line with the provisions of its Judicial Recovery Plan and in its Strategic Plan.

05/Feb/2020 | Oi informed about the conclusion of the subscription and payment of the 1st issue of simple debentures, not convertible into shares, of the type with real guarantee, with additional personal guarantee, in a single series, for private placement, of its subsidiary Oi Móvel SA - In Judicial Recovery, in the amount of R \$ 2.5 billion, pursuant to Clause 5.3 of the Judicial Reorganization Plan.

10/Feb/2020 | Oi informed about the decision issued by the Directing Council of the National Telecommunications Agency - Anatel that suspended the special monitoring carried out up to this date based on Judgment No. 226, of May 3, 2019, as it considers that the short-term liquidity risk has been resolved Company and its subsidiaries.

10/Feb/2020 | Oi informed that, in addition to the Notice to the Market dated January 30, 2020, the sale of the property of its property for the amount of R \$ 120.5 million, was concluded on February 21, with the transfer of said property to the buyer and the financial settlement of the transaction.

28/Feb/2020 | Oi informed that together with its subsidiaries in judicial reorganization, it filed a petition before the Court of the 7th Business Court of Rio de Janeiro exposing its interest in bringing to the creditors' deliberation, in a new General Meeting of Creditors, an amendment to the Recovery Plan Approved court, aiming at achieving greater operational and financial flexibility to continue its investment project and the fulfilment of its strategic transformation plan (“Strategic Plan”), both of which have already been widely disclosed to the market.

10/Mar/2020 | Oi informed that, in line with the implementation of its Strategic Plan for transforming its operations, Oi's financial advisor, Bank of America Merrill Lynch, received comments from third parties interested in the Company's mobile business.

11/May/2020 | Oi reported that the risk rating agency Standard & Poors announced the issuer review from “B” to “B-” on a global scale and from “brA-” to ‘brBBB’ on a national scale.

15/Jun/2020 | Oi released 1Q20 results.

15/Jun/2020 | Oi informed that the Company filed before the Court of the 7th Business Court of Rio de Janeiro a proposal to add to the approved Judicial Recovery Plan.

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.

Macro Risk	Sub-Risk	Risk Factors
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.
	COVID-19	PHAROL is subject to the potential economic shocks that a pandemic can cause in the economies in which the COMPANY operates and may have a direct effect on the market value of the assets in which PHAROL has a stake.
	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 valorisation 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. 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.

	<p>Default by Rio Forte as to the reimbursement of the instruments that PHAROL holds following the execution of the Exchange</p>	<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>Legal Risks</p>	<p>Court proceedings</p>	<p>PHAROL may incur in liabilities in connection with litigation or other future proceedings and incur in defence costs in such litigation or other proceedings. Any liability incurred could adversely affect PHAROL's financial situation.</p>
	<p>Disputes or investigations triggered under the Rio Forte Instruments or the Business Combination</p>	<p>The Rio Forte Instruments and the Business Combination carried specific risks due to the complexity of Rio Forte's insolvency process and the Business Combination with Oi.</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>

04. QUALIFIED HOLDINGS

QUALIFIED HOLDINGS

As at June 30, 2020, qualified holdings represented over 25.93% of PHAROL share capital, as follows:

DATE OF INFORMATION	ENTITIES	NO. OF SHARES	% OF CAPITAL	% OF VOTING RIGHTS
31/05/2012	Telemar Norte Leste S.A.	89.651.205	10,00%	10,00%
	Telemar's sole shareholder is OI S.A..			
	Total attributable	89.651.205	10,00%	10,00%
02/04/2018	Novo Banco S.A.	85.665.125	9,56%	9,56%
	Directly	85.665.125		
	Shares held by companies in a controlling or group relationship with Novo Banco, S.A.	916		
	Shares held by directors and members of the Corporate Bodies	595		
	Total attributable	85.666.636	9,56%	9,56%
09/10/2019	Real Vida Seguros S.A.	38.875.874	4,34%	4,34%
	Patris Investimentos SGPS SA	38.875.874	4,34%	
	Gonçalo Pereira Coutinho	Holds 54,518% Patris Investimentos SGPS SA		
	Total attributable	38.875.874	4,34%	4,34%
26/02/2020	Abante Asesores, S.A.	18.200.000	2,03%	2,03%
	Abante Asesores, S.A. holds 99.99% of Abante Asesores Gestión SGIIC, S.A. (management company of Abante Pangea Fund) and 99.99% of Abante Pensiones EGFP, S.A. (management company of Tempus 30-75 Pensiones F.P.)			
	Total attributable	18.200.000	2,03%	2,03%

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, 2020 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.
- 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.
- 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.

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

In its most relevant participation, the Brazilian telecommunications company Oi, Pharol, which initially expected to have 39.7% of the respective capital, now holds a position of 5.51%, being today Oi's second largest shareholder. In order to reach this position, this participation was reduced successively, first to 27.18%, with the return of a credit on Rio Forte, and, in 2018, to 6.8%, as a result of decided capital increases within the scope of the Judicial Reorganization that the company faced. In Oi's most recent capital increase and following an agreement reached by the two companies in January 2019, Pharol subscribed only part of the subscription rights attributed to it, diluting again its share in the capital of the Brazilian company.

In the last year, with a new executive management team, Oi has been concentrating its resources and efforts in the FTTH (Fiber to the Home) segment and, in order to face the large investment plan in this area, designed a program for the sale of assets that he presented to creditors and shareholders in the form of an amendment to the Judicial Reorganization Plan, which will be submitted shortly to the General Meeting of Creditors. In this plan, it is foreseen the creation of 4 Independent Production Units (UIP) to be sold in whole or in part, having already received expressions of interest in all of them (in mobile telephony, the UIP that can mobilize more financial resources, there are binding proposals). Thus, both in the operational field and in the advancement in the sale processes, the trends have been positive for Oi, which has justified the favourable behaviour of shares on the Bovespa market and that, even, the prices have already exceeded those registered before the pandemic. It should be noted, however, that Pharol's results and balance sheet have not kept up with this evolution due to the strong devaluation of the Real that was felt in the post-Covid period.

At Rio Forte, as a result of a certain procedural apathy experienced in this first semester, Luxembourg could not count on significant developments in the legal processes in which Pharol is involved: the list of creditors accepted by the bankruptcy administrator remains unpublished. and some court decisions and expert work have suffered considerable delay. In Portugal, it should be noted that, on a date after June 30, 2020, it became known that Rio Forte was accused in the so-called "Espirito Santo Universe" process, and the consequences that this fact may not yet be clear in the bankruptcy process in Luxembourg.

In this first half of 2020, as a result of the pandemic, extraordinary steps were taken in the management and rationalization of costs, having been possible to achieve, in the operational chapter, a reduction of 33% compared to the same period in 2019.

Affected in its routines by the Covid-19 pandemic, Pharol maintained throughout the semester all its activities without loss of quality and complying with plans and timetables, although, due to the respect of the sanitary and legal norms in force, it adapted the regimes of work of its Employees, promoting tele-work, detachment and rotation whenever possible and necessary.

In view of the extended timetable that the current circumstances in the different processes foresee, the policy of keeping in treasury the resources essential to the company's operation in the coming years was also continued.

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 24, 2020

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

Avelino Cândido Rodrigues, Board Member

Jorge Telmo Maria Freire Cardoso, Board Member

Maria do Rosário Amado Pinto Correia, Board Member

Maria Leonor Martins Ribeiro Modesto, Board Member

Pedro Zañartu Gubert Morais Leitão, Board Member

PHAROL, SGPS, S.A.

CONSOLIDATED FINANCIAL STATEMENTS

07. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

PHAROL, SGPS S.A.			
CONSOLIDATED INCOME STATEMENT			
PERIODS ENDED JUNE 30, 2020 AND 2019			
		Euro	
	Notes	1H20	1H19
COSTS, LOSSES AND (INCOME)			
Wages and salaries	5	649,147	750,163
Supplies, external services and other expenses	6	639,159	1,162,677
Indirect taxes	7	88,827	109,469
Depreciation		59,657	32,222
Net other losses (gains)	8	264,813	(12,631,850)
		1,701,601	(10,577,318)
Income (loss) before financial results and taxes		(1,701,601)	10,577,318
FINANCIAL LOSSES AND (GAINS)			
Net interest income	9	(1,246)	(6,183)
Net foreign currency exchange losses		17,775	(119,217)
Net losses on other non-current assets	12	-	(26,667,168)
Net other financial expenses		10,968	26,016
		27,496	(26,766,552)
Income (loss) before taxes		(1,729,098)	37,343,870
Income taxes	10	13,735	12,559,711
NET INCOME		(1,742,833)	24,784,159
Attributable to equity holders of the parent		(1,742,833)	24,784,159
Earnings per share			
Basic and Diluted	11	(0.00)	0.03

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
PERIODS ENDED JUNE 30, 2020 AND 2019

	Notes	1H20	Euro 1H19
Net Income recognised in the income statement		(1,742,833)	24,784,159
Income (expenses) recognised directly in shareholders' equity			
Items that may be reclassified subsequently to the income statement			
Foreign currency translation adjustments		3,073	619
Items that will not be reclassified to the income statement			
Gains (losses) on financial assets at fair value		1,893,718	24,269,839
Total earnings recognised directly in shareholders' equity		1,896,791	24,270,458
Total comprehensive income		153,958	49,054,617
Attributable to shareholders of PHAROL SGPS		153,958	49,054,617

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
PERIODS ENDED JUNE 30, 2020 AND DECEMBER 31, 2019

	Notes	30 jun 2020	31 dec 19
Euro			
ASSETS			
Current Assets			
Cash and cash equivalents	16	21,850,600	17,948,653
Accounts receivable		446,911	140,500
Taxes receivable		39,777	53,836
Prepaid expenses		153,685	13,850
Total current assets		22,490,974	18,156,839
Non-Current Assets			
Tangible assets		250,251	309,388
Financials assets	12	64,500,120	62,625,391
Other non-current assets	13	63,020,358	63,022,881
Total non-current assets		127,770,729	125,957,661
Total assets		150,261,703	144,114,500
LIABILITIES			
Current Liabilities			
Accounts payable	14	265,332	173,598
Accrued expenses	15	882,274	809,587
Taxes payable		279,263	220,924
Other current liabilities	17	16,901,581	11,100,627
Total current liabilities		18,328,450	12,304,737
Non-Current Liabilities			
Medium and long-term debt		232,959	263,427
Total non-current liabilities		232,959	263,427
Total liabilities		18,561,409	12,568,164
SHAREHOLDERS' EQUITY			
Share capital		26,895,375	26,895,375
Treasury shares		(181,842,907)	(181,842,907)
Legal reserve		6,773,139	6,773,139
Reserve for treasury shares		188,813,227	188,813,227
Other reserves and accumulated earnings		91,061,460	90,907,501
Total equity		131,700,294	131,546,335
Total liabilities and shareholders' equity		150,261,703	144,114,500

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, 2020 AND 2019

							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, 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	-	-	-	-	24,784,160	24,784,160	24,784,160
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
Balance as at December 31, 2018	26,895,375	(181,842,907)	6,773,139	188,813,227	90,907,501	131,546,335	131,546,335
Income (expenses) recognized directly in equity	-	-	-	-	1,896,791	1,896,791	1,896,791
Income recognized in the income statement	-	-	-	-	(1,742,833)	(1,742,833)	(1,742,833)
Balance as at December 31, 2019	26,895,375	(181,842,907)	6,773,139	188,813,227	91,061,460	131,700,294	131,700,294

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

CONSOLIDATED STATEMENT OF CASH FLOWS
PERIODS ENDED JUNE 30 2020 AND 2019

		Euro	
	Notes	1H20	1S19
OPERATING ACTIVITIES			
Payments to suppliers	16.a	(989,694)	(1,773,036)
Payments to employees		(704,766)	(804,317)
Payments relating to income taxes		(2,701)	(52,992)
Other cash receipts, net	16.b	5,618,646	(357,015)
Cash flows from operating activities (1)		3,921,485	(2,987,360)
INVESTING ACTIVITIES			
Cash receipts resulting from:			
Interest and related income		1,246	625
		1,246	625
Payments resulting from:			
Financial investments		7,916	(12,591,430)
Tangible and intangible assets		(520)	(4,879)
		7,397	(12,596,309)
Cash flows from investing activities (2)		8,643	(12,595,684)
FINANCING ACTIVITIES			
Payments resulting from:			
Loans repaid		(4,813)	(8,333)
Interest and related expenses		(2,409)	(1,781)
		(7,221)	(10,114)
Cash flows from financing activities (3)		(7,221)	(10,114)
Cash and cash equivalents at the beginning of the period		17,948,653	38,090,992
Change in cash and cash equivalents (4)=(1)+(2)+(3)		3,922,907	(15,593,159)
Effect of exchange differences		(20,960)	20,702
Cash and cash equivalents at the end of the period	16.c	21,850,600	22,518,536

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT JUNE 30, 2020

(Amounts stated in Euros, except where otherwise mentioned)

1. Introduction

As of June 30, 2020, 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, 2020, as part of the options matured, PHAROL now holds the call option on 8,538,276.96 common shares and 17,076,553.92 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, 2019. Additionally, the interim management report discloses further explanations regarding major variations in income and expenses, and as such these interim consolidated financial statements should be read with the management report. The disclosed interim financial statements were not subject to external audit or review.

3. Changes in Accounting Policies

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

4. Exchange rates used to translate foreign currency financial statements

On June 30, 2020 and December 31, 2019, assets and liabilities denominated in foreign currencies were translated to Euros using the following exchange rates to the Euro:

Currency	30 jun 20	31 dec 19
Real	6.1118	4.5157
USD	1.1198	1.1234

On June 30, 2020 and 2019, 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	1H20	1H19
Real	5.4104	4.3455
USD	1.1020	1.1293

5. Wages and salaries

The composition of this caption in the first semester of 2020 and 2019 is as follows:

	1H20	Euro 1H19
Fixed and variable remuneration	465,188	604,086
Social security	105,696	133,496
Other	78,262	12,582
	649,147	750,163

6. Supplies, external services and other expenses

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

	1H20	Euro 1H19
Specialized work (i)	370,857	864,415
Insurance	164,106	54,065
Travel	8,225	54,666
Other	95,970	189,531
	639,159	1,162,677

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

7. Indirect taxes

The composition of this caption in the first semester of 2020 and 2019 is as follows:

	1H20	Euro 1H19
VAT	87,840	108,331
Other	987	1,139
	88,827	109,469

8. Net other losses (gains)

In the semester ended on June 30, 2020, this caption has a value of Euro 264,813, mainly explained by the CMVM's fine of Euro 250,000, in the context of the administrative proceeding, initiated by the CMVM against PHAROL and several former directors, due to the fact that the disclosure of consolidated reports and accounts for the years 2012 and 2013 and the first quarter of 2014, as well as the corporate governance reports for the years 2012 and 2013, did not comply with the information requirements.

In the semester ended on June 30, 2019, this item had a gain of 12,631,850 euros, were the amount is basically related to the reversal of the refunds of the tax authority in the amount of 12.5 million euros that had been recorded in the first semester of 2018.

9. Net interest income

The composition of this caption in the first semester of 2020 and 2019 is as follows:

	Euro	
	1H20	1H19
Net interest earned		
Related to cash and cash equivalents (i)	(1,246)	(6,183)
	(1,246)	(6,183)

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

10. Income taxes

In June 2020, 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 2020 and 2019 is as follows:

	Euro	
	1H20	1H19
Income tax		
Income tax - current	13,735	12,559,711
	13,735	12,559,711

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.

11. Earnings per share

Earnings per share in the first semester of 2020 and 2019 were as follows:

		Euro	
		1H20	1H19
Net loss attributable to equity holders of Pharol	(1)	(1,742,833)	24,784,159
Weighted average common shares outstanding in the period	(2)	846,440,786	865,647,500
Earnings per share from continuing operations			
Basic and diluted	(1)/(2)	(0.00)	0.03

12. 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%.

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".

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.

Therefore, on June 30, 2020 and December 31, 2019, the accounting for Oi Investment, is as follows:

		1H20	31 dec 19
Stock Price Oi (ON)	R\$	1.20	0.86
Stock Price Oi (PN)	R\$	1.50	1.23
Shares Outstanding (ON)	Million	5,796	5,796
Shares Outstanding (PN)	Million	156	156
Market Cap.	R\$ Million	7,190	5,177
Number of shares owned by PHAROL (ON)	Million	326.3	326.3
Number of shares owned by PHAROL (PN)	Million	1.8	1.8
% Participation	%	5.51%	5.51%
Market value R\$	R\$ Million	394.2	282.8
Market value Eur.	Eur. Million	64.5	62.6

13. Other non-current assets

The composition of this caption comprises an estimated future recovery of Euro 63 million related to the debt securities issued by Rio Forte on June 30, 2020 and December 31, 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.espiritosantoinvolencies.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 (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 remained at 8.32%.

On 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. Even in the year of 2019 and after the analysis of the last report issued by the Judicial Administrators, with effect on December 31, 2019, it was once again revised downwards, with the face value recovery set at 7.02 %, which is equivalent to an additional reduction of Euro 1.5 million to a total recovery amount of Euro 63 million.

Furthermore, as part of the credit to Rio Forte, PHAROL in December 2017 was informed of a statement from the curators of Espírito Santo International, SA, ("ESI") stating that this bankrupt company will evaluate the possibility of 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 notify 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.

14. Accounts Payable

On June 30, 2020 and December 31, 2019, the composition of this caption is as follows:

	Euro	
	30 jun 20	31 dec 19
Current accounts payable		
Current suppliers	105,550	164,454
Others	159,176	9,144
	264,727	173,598

15. Accrued Expenses

On June 30, 2020 and December 31, 2019, the composition of this caption is as follows:

	Euro	
	30 jun 20	31 dec 19
Accrued expenses		
Supplies and external services	729,982	522,513
Vacation pay and bonuses	137,310	221,259
Others	14,982	65,815
	882,274	809,587

16. Consolidated Statement of Cash Flows

(a) Payments to suppliers

During the first semester of 2020 and 2019, payments to suppliers mainly reflect payments, related to third party suppliers and consultants.

(b) Other net receipts

In 2019, other net receipts essentially include reimbursements made by the Portuguese Tax Authority in relation to taxes paid in previous years.

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

On June 30, 2020 and 2019, the composition of this caption is as follows:

	Euro	
	30 jun 20	31 dec 19
Cash and cash equivalents		
Cash	2,510	1,247
Demand deposits	21,848,091	9,947,407
Time deposits	-	8,000,000
	21,850,600	17,948,653

17. Guarantees and financial commitments

As of June 30, 2020 and December 31, 2019, this caption has the following composition:

	Euro	
	30 jun 20	31 dec 19
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, 2020 and December 31, 2019, 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, 2020 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 389 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 favour of PHAROL.

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.

In 2019, following the Private Transaction Instrument and Other Covenants, signed between PHAROL and Oi on January 8, 2019, that clarified the destination to be given to the tax authority's refunds, these were recognized in the "Other accounts payable".

In January 2020, according to the aforementioned agreement, Oi, through PT Participações SGPS, SA, made a deposit in a guarantee account in the amount of 34,340,803.32 Euros, intended to guarantee PHAROL in the event of eventual condemnation in contingencies tax liability of Oi.

18. Related parties

a) Associated Companies

During the first semester 2020 and 2019 there were no costs or revenues related to associated companies.

b) Other

During the periods years ended June 30, 2020 and 2019, the fixed remuneration of the Board members, which was established by the Remuneration Committee, amounted to Euro 0,29 and 0.27 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 of June 30, 2020 and December 31, 2019, and the transactions occurred in June 30, 2020 and 2019 between PHAROL and the entities that are identified as shareholders with qualified holding and respective economic groups:

	Euro	
	30 jun 20	31 dec 19
	Cash and bank deposits	
Shareholder		
Novo Banco	6,074,893	5,389,599
	6,074,893	5,389,599

	1H20		Euro	
	1H20	1H20	1H19	1H19
	Costs and losses	Net interest income	Costs and losses	interest income
Shareholder				
Novo Banco	188	469	211	1,625
	188	469	211	1,625

20. Subsequent events

- Oi's stock price evolution between June 30 and July 23, 2019 can be found below:

	30 jun 20	23 jul 20
Oi ON share price (Reais)	1.2	1.6
Oi PN share price (Reais)	1.5	1.68
Exchange rate Real/Euro	6.1118	5.9524
Oi ON share price (Euro)	0.20	0.27
Oi PN share price (Euros)	0.25	0.28

- On July 14, 2020, under the Espirito Santo Universe process, the Portuguese Public Prosecutor's Office formally constituted 25 defendants (19 people and 6 companies), one of which was Rio Forte. At the date of this report, it is not possible to assess whether there will be any impact on the recoverable amount of Rio Forte, arising from this charge.

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") declares that:

As far as you are aware, the information the information provided for in paragraph a) of paragraph 1 of article 246 of the Portuguese Securities Code was prepared in accordance with the applicable accounting standards, giving a true and appropriate image of the assets and liabilities, the financial situation and the results of PHAROL and the companies included in the consolidation perimeter, and that the interim management report for the first half of 2020 faithfully exposes the important events that occurred in the period to which it refers and the impact on said financial statements, as well as contains a description of the main risks and uncertainties for the next six months.

Lisbon, July 24, 2020

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