

EXTRAORDINARY GENERAL MEETING

PHAROL, SGPS SA

November 23rd, 2018

PROPOSAL OF THE BOARD OF DIRECTORS

ITEM 4 OF THE AGENDA: *(In case of approval of the proposal submitted under item 3 of the Agenda, authorize the Board of Directors to increase the share capital of the COMPANY, pursuant to article 4, numbers 3 and 4 of the by-laws of the COMPANY, determining the parameters of the share capital increase)*

- At the general meeting held on September 7th, 2018, the shareholders resolved to increase the share capital of the COMPANY *from €26.895.375,00 (twenty-six million, eight hundred and ninety-five thousand, three hundred and seventy-five euros) up to €55.482.427,11 (fifty-five million, four hundred eighty-two thousand and four hundred twenty-seven euros and eleven cents) or lower amount as necessary to participate in the share capital of Oi, SA – In Judicial Recovery (“Oi”), through new cash contributions, through the issue of up to 952.901.737 new ordinary, nominative and dematerialized (book entry) shares, with nominal value of € 0.03 (three cents of euro, each), reserved to the preferential subscription of shareholders and further established and approved conditions.”*

- Among these conditions and bearing in mind the purpose of participating in the share capital increase of Oi, this resolution was conditioned upon the disclosure by Oi, of the announcement to the market for the exercise of subscription rights in the context of the share capital increase of Oi, which should occur until 31st March 2019;

- Notwithstanding the above and considering the latest developments as regards the solution of the corporate issues of Oi, there remains some uncertainty on both the moment of the capital increase of Oi and the advantage to Pharol in participating in the same and under what conditions;

- On the other hand, article 4, numbers 3 and 4 of the by-laws of the COMPANY foresee the possibility of the Board of Directors being authorized to increase the share capital of the COMPANY, *one or more times, through cash contributions, up to 80,000,000 euros, if so authorized by the general meeting which shall establish the parameters for such capital increase or increases;*

- Against this background and bearing in mind the volatility of Oi's shares, and the variability of the circumstances that may originate the need to increase the share capital of PHAROL, it is our understanding that it is more appropriate to set the parameters for an eventual capital increase of the Company pursuant to article 4, numbers 3 and 4, of the by-laws, which may then be resolved and implemented by the Board of Directors;

- Therefore, we propose that the shareholders resolve:

“Pursuant to article 4, numbers 3 and 4 of the by-laws of the COMPANY, to authorize the Board of Directors to increase the nominal amount of the share capital of the COMPANY, from €26.895.375,00 (twenty-six million, eight hundred and ninety-five thousand three hundred and seventy-five euros) up to € 55.482.427,11 (fifty five million four hundred and eighty-two thousand, four hundred and twenty-seven euros and eleven euro cents), through new cash contributions, with or without premium, with the global maximum amount of authorized new money being €70.038.277,67 (seventy million, thirty eight thousand, two hundred and seventy, seven euros, and sixty seven cents), which shall obey to the following further conditions:

- *Category and nature: new cash contributions;*

- *Amount of capital increase: determined by the Board of Directors, depending on the market conditions prevailing at the time of its establishment and according to the necessity to allow the Company's participation in the capital increase of Oi, S.A., up to € 28.587.052,11 (twenty-eight million, five hundred and eighty-seven thousand and fifty-two euros and eleven euro cents), through the issuance of up to 952.901.737 new ordinary, nominative and dematerialized (book entry) shares, with nominal value of € 0.03 (three cents of euro, each);*

- *Maximum amount of authorized new money, considering the nominal value of the increase and eventual premium: €70.038.277,67 (seventy million, thirty eight thousand, two hundred and seventy, seven euros, and sixty seven cents);*

- *Subscription price: Determined by the Board of Directors between € 0,0735 and up to € 0,1576 per new share, which includes a share premium of € 0,0435 and up to € 0,1276, to be determined in accordance with the prevailing market conditions at the time of its establishment. If the number of shares subscribed does not correspond to a whole number of cents, rounding up shall be made to the nearest cent above, and the difference shall also constitute share premium;*

- *Payment time: the contributions must be fully paid in cash at the time of subscription;*
- *Addressees: Shareholders of the COMPANY in the exercise of their subscription rights or those who acquire new subscription rights;*
- *Incomplete subscription: the increase is limited to the subscriptions lodged, pursuant to no. 1 of article 457 of the Portuguese Companies Code.*
- *Further conditions: to be determined by the Board of Directors, depending upon the market conditions at the time of its resolution and as considered appropriate or convenient.”*

Lisbon, October 31st, 2018

The Board of Directors,