

**EXTRAORDINARY GENERAL MEETING OF
SHAREHOLDERS
PHAROL, SGPS S.A.**

7 September 2018

PROPOSAL FROM THE BOARD OF DIRECTORS

ITEM 2 OF THE AGENDA:

(To resolve on the sharecapital increase, in cash and limited to shareholders, from €26.895.375,00 (twenty-six million, eight hundred and ninety-five thousand, three hundred and seventy-five euros) up to €55.482.427,11 (fifty-five million, four hundred eighty-two thousand and four hundred twenty-seven euros and eleven centimes), or a lower amount, as deemed convenient to participate in Oi's sharecapital increase)

Whereas:

- a) Following the Business Combination, Pharol - Sgps, S.A. ("**Company**") carries out its economic activity through the management of its shareholdings in **Oi, S.A. - In Judicial Recovery**, CNPJ / MF No. 76.535.764 / 0001 -43, NIRE 33.30029520-8, Open Company ("**Oi, S.A.**");
- b) A General Meeting of Oi, S.A. was convened for next September 03, 2018, in which an amendment of the limit of authorized capital will be resolved, which will enable the Board of Directors of Oi, S.A. to approve further capital increases;
- c) The Judicial Recovery Plan of Oi, S.A., approved by the Court of Rio de Janeiro on December 20, 2017, considers the completion of a capital increase of Oi, S.A. for new cash entries, given that the referred amendment to the limit of the authorized capital is intended to enable and grant celerity to the completion of this capital increase;
- d) It is necessary to provide the Company with the necessary and sufficient resources to subscribe the capital increase referred in c) above.

It is proposed to the General Meeting that resolves approval of capital increase of the Company under the following terms:

Increase of the nominal amount of the Company's sharecapital of twenty-six million, eight hundred and ninety-five thousand three hundred and seventy-five euros (€ 26.895.375,00) 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), in the form of new cash entries, through the issuance of up to 952.901.737 new ordinary shares, nominative and dematerialized (book entry) shares, with the unit par value of € 0,03

(three euro cents) reserved for the preferential subscription of the shareholders, being the cash value determined by the Board of Directors, in accordance with the prevailing market conditions at the time of their decision and as deemed necessary to allow the Company to participate in Oi, S.A. sharecapital increase, which will also decide on the subscription rights to be assigned to each shareholder in accordance with the shares held. The capital increase will result in a share premium corresponding to the difference between the nominal value of the shares and the subscription value that will be determined.

The capital increase proposed will be subject to the following terms and conditions:

Category and nature: new cash entries. The new shares issued resulting from the proposed capital increase will be of a similar nature to the remaining shares of the Company already issued, granting the same rights to its holders;

Amount of capital increase: 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), given that the realizable value in cash will be 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., which will also resolve on the subscription rights to be attributed to each shareholder based on the shares held. The capital increase will result in a share premium corresponding to the difference between the nominal value of the shares and the subscription value that will be determined;

Subscription price: 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;

Realization term: the entries must be fully paid in cash at the time of subscription, on dates to be announced in due course, and payment of the value of any additional subscription requests shall also be assured;

Addressees: Shareholders of the Company (subject to the limitations described in the paragraph entitled "Limitations applicable to shareholders residing in the United States of America and holders of *American Depositary Receipts* of the Company"), in the exercise of their preference rights or investors who acquire subscription rights in the over-the-counter market or on the Regulated Market Euronext Lisbon, managed by Euronext Lisbon - Sociedade Gestora de Mercados Regulados, S.A., under the terms of the prospectus of public offer for subscription ("**OPS**");

Limitations applicable to shareholders residing in the United States of America and holders of *American Depositary Receipts* of the Company: Shareholders resident in the United States of America can only participate in the capital increase if they certify to the Company that they are "qualified institutional buyers," as defined in Rule 144A under the Securities Act of 1933, as amended, of the United States ("*Securities Act*") and / or certify their eligibility to participate in the capital increase

pursuant to an exemption from the registration obligations of the Securities Act. The Company shall have the option to determine, in its sole and exclusive discretion, whether such certification was duly performed. Any U.S.A. resident shareholder who wants to participate in the capital increase shall explicitly request the Company and complete the applicable eligibility documentation, and shall also provide any other certifications, declarations and agreements that the Company may require. The capital increase will not be open to holders of American Depositary Receipts of the Company.

Type of subscription: public offer for subscription to be held in Portugal;

Admission to trading: will be requested admission to trading of the new shares resulting from the capital increase in the Regulated Market Euronext Lisbon managed by Euronext Lisbon - Sociedade Gestora de Mercados Regulamentados, S.A.;

Incomplete subscription: the increase is limited to the subscriptions lodged, pursuant to no. 1 of article 457 of the Commercial Companies Code.

Suspensive condition: Publication, by OI, of a market announcement for the exercise of preference rights in the subscription of the capital increase of OI, to be verified by March 31, 2019;

Powers granted to the Board of Directors: The Board of Directors also proposes that the remaining terms and conditions of the capital increase of this proposal and of the admission to trading on the regulated market Euronext Lisbon of the new shares to be issued within, including the realization of the amount of the increase, the realization of the maximum number of shares to be issued and the definition of the subscription price of the new shares within the price range defined above, to be determined according to the prevailing market conditions at the time of its determination 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., the declaration of the verification of the suspensive condition established above, as well as the definition of the procedural terms of the increase of capital, to be fixed by the Board of Directors, including the definition of additional conditions that become necessary or convenient, namely in order to obtain the approval of the operation by the competent authorities, the negotiation, approval and execution of the terms, conditions and final versions of the documents related to the capital increase and the execution of any other acts necessary or convenient for the full execution of the operation subject to this proposal.

Lisbon, 16 August 2018

By the Board of Directors

Important Notice: This Offer does not constitute an offering of securities in the United States of America. Shares that will be issued in any capital increase, and any rights to subscribe shares in the capital increase, were not and will not be registered under the

Securities Act of 1933, as amended, of the United States of America, and they may not be offered or sold in the United States if they are not registered or offered under an applicable registration exemption. The capital increase will also be subject to disclosure and information rules in Portugal that are different from the rules that would be applied in the United States.