

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

7 September 2018

BOARD OF DIRECTORS' PROPOSAL

ITEM 3 OF THE AGENDA:

(To resolve on the elimination of the preference right under Article 460 of the Portuguese Companies Code of Shareholders resident in the United States of America that do not certify to the Company that they are "qualified institutional buyers," as defined in Rule 144A under the Securities Act of 1933, as amended, and / or do not certify their eligibility to participate in the capital increase pursuant to an exemption from the registration obligations of the Securities Act.)

It is proposed to eliminate the preference right in the capital increase, to be resolved according to item 2 of the Agenda, under the terms of article 460 of the Commercial Companies Code, (1) of any Shareholders resident in the United States of America who cannot or are unable to certify in due course that they are "qualified institutional buyers," as defined in Rule 144A under the Securities Act of 1933, as amended, of the United States of America ("Securities Act") and / or cannot or are unable to certify their eligibility to participate in the capital increase pursuant to an exemption from the registration obligations of the Securities Act, on terms deemed satisfactory by the Company at its sole discretion, and (2) of the underlying shares of the American Depositary Receipts of the Company. Elimination of preference right of the Shareholders resident in the United States of America that cannot or are not able to certify its eligibility may be avoided, at the sole discretion of the Company, should the respective subscription rights be disposed in regulated market of Euronext Lisbon or in the over-the-counter market on behalf of these shareholders, in the period that shall be fixed in the Public Offering of Subscription Prospectus, always according to procedures that comply with the Securities Act and other applicable legal provisions.

The preference rights attributable to the shares underlying the American Depositary Receipts of the Company shall not be cancelled but the respective subscription rights shall be disposed on Euronext Lisbon or on the over-the-counter market on behalf of the holders of ADRs in the period set forth in the Public Offering of Subscription Prospectus, otherwise they will also be cancelled.

Lisbon, 16 August 2018

The Board of Directors

**REPORT OF THE BOARD OF DIRECTORS JUSTIFYING THE ELIMINATION OF
THE PREFERENCE RIGHT**

1. It is of the corporate interest to increase the Company sharecapital;
2. The Company no longer has securities admitted to trading on the NYSE;
3. The Company is not in a position, nor would the corporate interest justify it, to offer to the subscription of residents in the United States of America the capital increase through a public offering registered with the SEC;
4. In an attempt to safeguard the interests of shareholders resident in the United States of America, the capital increase will also be reserved for shareholders living in the United States of America who 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 of America ("Securities Act") and / or that certify their eligibility to participate in the capital increase, according to an exemption from the registration obligations of the Securities Act, on terms deemed satisfactory by the Company at its sole discretion.
5. Elimination of preference right of the Shareholders resident in the United States of America that cannot or are not able to certify its eligibility may be avoided, at the sole discretion of the Company, should the respective subscription rights be disposed in regulated market of Euronext Lisbon or in the over-the-counter market on behalf of these shareholders, in the period that shall be fixed in the Public Offering of Subscription Prospectus, always according to procedures that comply with the Securities Act and other applicable legal provisions.
6. The preference rights attributable to the shares underlying the American Depositary Receipts of the Company shall not be cancelled but the respective subscription rights shall be disposed on Euronext Lisbon or on the over-the-counter market on behalf of the holders of ADRs in the period set forth in the Public Offering of Subscription Prospectus, otherwise they will also be cancelled.

Lisbon, 16 August 2018

By The Board of Directors