

PHAROL, SGPS S.A.
Form 6-K
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United States
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of the
Securities Exchange Act of 1934

For the month of August 2015

Commission File Number 1-13758

PHAROL, SGPS S.A.

(Exact name of registrant as specified in its charter)

Rua Joshua Benoliel, 1, 2C, Edifício Amoreiras Square

1250 -133 Lisboa, Portugal
(Address of principal executive office)

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Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

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PHAROL, SGPS S.A.

First Half 2015 RESULTS

- **PHAROL had a good progression in the first semester of 2015: Net results, excluding non-recurring items, were losses of EUR 14.2mn (losses of 66.9mn in the first semester of 2014).**
- **PHAROL net results in 2Q15 were positive, amounting to EUR 28.7mn.**
- **Oi performance was solid and showed a positive progression in a challenging macro-economic environment. Contribution from Oi to earnings was EUR 24mn in the first semester of 2015.**

MESSAGE FROM THE CEO

Mr. Luís Palha da Silva

We are satisfied with the progression of our different business lines in the first semester: Oi has performed solidly in a complicated economic environment in Brazil. The Company is successfully growing its added value services across businesses, bringing strict cost analysis criteria and implementing strict rules to Capex. At PHAROL Holding level, the externalisation of services and the strict cost containment criteria are bringing substantial savings to our cost structure.

I am confident to see an adequate progression in all key dimensions in the second semester of the year.

PHAROL remains fully immersed in the continuous evaluation of our strategic alternatives to optimize Oi and Rio Forte assets to determine the best options to improve remuneration to Company Shareholders. Contributing, as Shareholder, to a consolidation process, in Brazil, will remain our top priority.

Highlights

PHAROL

(Million Euro)	1H15	1H14	2Q15	2Q14
EBITDA	(9.0)	(12.8)	(5.0)	(8.1)
Losses (gains) in joint ventures	13.3	(57.8)	51.9	(41.1)
Result from recurring operations	(14.2)	(66.9)	28.7	(52.9)

OI

(Million Reais)	1H15	1H14	2Q15	2Q14
Net revenues	13,824	14,255	6,784	7,154
Routine EBITDA	3,958	3,581	1,947	1,754
Routine EBITDA Margin %	28.6%	25.1%	28.7%	24.5%
Net earnings	224	10	671	(217)
Capex	2,093	2,700	1,069	1,427

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i. Highlights of PHAROL First Semester results:

- Strong effort to control costs in the Holding Company: PHAROL operational expenses in the first semester of 2015 reached EUR 9mn (including c.3.5mn of non-recurring expenses) versus 12.8mn in the same period of 2014.
- Equity accounted earnings of EUR 13.3mn (compared to 57.8mn losses in H114): EUR 24mn on PHAROL participation in Oi earnings and EUR 10.7mn loss provision (due to the increased stake of PHAROL in Oi in the second quarter of 2015 and the subsequent adjustment in provisions).
- Losses of EUR 18.5mn on the depreciation of the R\$ and the mark to market value of Oi call option.

ii. Highlights of Oi First Semester results:

- Oi's evolution in the first semester of 2015 has been solid: despite a very challenging macroeconomic situation in the country, recurring EBITDA in the semester increased by 10.5% to R\$3,958mn (an outstanding 350bp increase in its EBITDA margin to 28.6%).
- Especially remarkable was the cost containment effort and the progression achieved in the second quarter: EBITDA margin reached 28.7% (24.5% in Q214).
- These results show the increasing focus of Oi on its key strategic axes: growth of added value services across the different business lines, cost containment program and increasing efficiency of its investment plan.

- Oi's earnings guidance for the full 2015 has been reiterated: recurring EBITDA in the range of R\$ 7-7.4bn and Operating Cash Flow in the R\$ 1.2-1.8b.

OTHER RELEVANT INFORMATION

As of June 30, 2015, PHAROL, SGPS S.A. was the owner of a 27.5% stake in Oi, debt instruments on Rio Forte (nominal value EUR 897mn) and a call option on additional Oi shares (which if exercised in full will increase PHAROL stake in Oi to 39.7%).

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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.

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01 FINANCIAL REVIEW

FINANCIAL REVIEW

As of 31 December 2014, following the capital increase of Oi S.A. (Oi), concluded on 5 May 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 (Note 12), in connection with the Exchange agreement (Exchange) entered into on 8 September, 2014 and completed on 30 March, 2015, and the remaining stake of 22.8% classified as investment in joint ventures (Note 13) and therefore accounted for using the equity method.

On 30 March, 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 Investments S.A. (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 holds (1) an effective stake of 27.5% 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, (2) the debt securities of Rio Forte with nominal value of Euro 897 million, and (3) the Call Option on 47,434,872 common shares and 94,869,744 preferred shares of Oi with an exercise price of R\$20.104 per common share and R\$18.529 per preferred share 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.

The relevant agreements for the implementation of the New Structure of Oi, further described in detail in the next chapter, were signed on 22 July, 2015. Subsequently, a General Meeting of Shareholders of Oi to approve the New Structure was called, and will be held on 1 September, 2015. After the execution of the New Structure, but prior to the voluntary conversion of preferred shares to ordinary shares of Oi, PHAROL will hold, directly or indirectly through wholly owned subsidiaries, 84,167,978 ordinary shares and 108,016,749 preferred shares of Oi. PHAROL 's voting rights in Oi will be limited to 15% of the total ordinary shares of Oi, as per the changes to be introduced in Oi 's bylaws.

In 1H15, the consolidated net loss amounting to Euro 14 million, mainly reflects (1) the Euro 13 million gain corresponding to (a) the effective interest of PHAROL (22.8% up to 30 March, 2015 and 27.5% up to 30 June 2015) in the R\$224 million 1H15 Oi net income, and (b) a loss of Euro 10 million corresponding to the impact of the increase in PHAROL 's effective stake in Oi from 22.8% to 27.5% related to the completion of the Exchange, which occurred on 30 March, 2015, which reflects the negative change in Oi 's shareholders equity between 4Q14 and 1Q15, which was more than offset by (2)

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the Euro 9 million 1H15 consolidated operational costs, which included non recurring financial and legal services, and (3) a 17 million loss relative to the reduction in the fair value of the Call Option during the 2Q15, associated with the Real devaluation and the Oi share price reduction (registered in net losses on financial assets and other investments and other net financial losses).

The net income in 2Q15 reached Euro 29 million and was positively affected by the accounting impacts in Oi's results of R\$1.1 billion related to results from the discontinued operations of PT Portugal. This figure includes the positive effect related to foreign exchange gains/(losses) over PT Portugal's book value, which was registered in shareholders' equity at that time. With the completion of the PT Portugal sale in 2Q15, this amount was reclassified to net results from discontinued operations, together with expenses associated to the sale.

CONSOLIDATED INCOME STATEMENT

	Euro million			
	2Q15	2Q14 Restated	1H2015	1H14 Restated
Wages and salaries	0.9	3.3	1.9	6.5
Supplies, external services and other expenses	3.5	3.5	6.0	4.4
Provisions and adjustments		0.1		0.1
Indirect taxes	0.6	1.1	1.1	1.8
Other operational expenses				
Loss before financial results and taxes	(5.0)	(8.1)	(9.0)	(12.8)
Depreciations	0.0	0.0	0.0	0.1
Earnings before interest and taxes	(5.1)	(8.1)	(9.1)	(12.8)
Net other gains	0.3	(0.4)	0.3	(0.9)
Loss before financial results and taxes	(5.4)	(7.6)	(9.3)	(11.9)
Net interest income	(0.1)	(3.7)	(0.3)	(10.5)
Losses/ (gains) of joint ventures	(51.9)	41.1	(13.3)	57.8
Net losses on financial assets and other investments	11.5		11.5	
Net other financial losses (gains)	6.5	10.3	7.0	10.1
Loss before taxes	28.8	(55.4)	(14.2)	(69.3)
Income taxes	0.0	(2.5)	0.0	(2.4)
Net loss from continuing operations	28.7	(52.9)	(14.2)	(66.9)
Net income from discontinued operations		461.8		470.7
Net income	28.7	408.9	(14.2)	403.8
Attributable to non-controlling interests		4.0		13.6
Attributable to equity holders of PHAROL	28.7	405.0	(14.2)	390.2

Consolidated operating costs amounted to Euro 9.0 million in 1H15 compared to Euro 12.8 million in 1H14, a decrease explained by lower personnel costs due to lower variable remunerations. This effect was partially offset by higher third party expenses mainly related to non recurring financial and legal services associated with the Business Combination with Oi and the tender offer that PHAROL was subject to.

Interest income amounted to Euro 0.3 million in 1H15 compared to Euro 10.5 million in 1H14. Interest income in 1H14 mainly reflects cash amounts at Bratel Brasil that were used in 5 May 2014, under the Business Combination's scope, to subscribe debentures (convertible into equity) issued by the controlling holding companies of Oi, where Bratel Brasil held a stake.

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Gains in joint ventures amounted to Euro 13.3 million in 1H15, which compares to a Euro 57.8 million loss in 1H14, corresponding to the effective share of PHAROL in Oi and its controlling holding companies results, based on the equity method of accounting. Gains recorded in 1H15 reflect (1) a gain of Euro 24 million corresponding to PHAROL's effective stake (22.8% up to 30 March 2015 and 27.5% up to 30 June 2015) in the net income recorded by Oi in 1H15, and (2) a loss of Euro 10 million corresponding to the impact of the increase in PHAROL's effective stake in Oi from 22.8% to 27.5% related to the completion of the Exchange, which occurred on 30 March 2015, which reflects the negative change in Oi's shareholders' equity between 4Q14 and 1Q15. Oi's 1H15 net income was positively affected by the accounting impacts of R\$1.1 billion related to results from the discontinued operations of PT Portugal. This figure includes the positive effect related to foreign exchange gains/(losses) over PT Portugal's book value, which was registered in shareholders' equity at that time. With the completion of the PT Portugal sale in 2Q15, this amount was reclassified to net results from discontinued operations, together with expenses associated to the sale.

The losses recorded in 1H14, amounting to Euro 57.8 million, reflect (1) a loss of Euro 32 million corresponding to PHAROL's effective share in Oi's 1H14 net income, and (2) a loss of Euro 27 million corresponding to PHAROL's effective stake in the net losses of the controlling holding companies of Oi, which mainly reflect interest expenses incurred by these entities associated with their gross debt at the time, which was fully repaid on 5 May, 2014.

The Euro 17.9 million losses in net losses on financial assets and other investments and net other financial losses mainly reflect the reduction in the fair value of the Call Option during 2Q15, associated with the Brazil real devaluation and the Oi share price reduction.

Net income from discontinued operations amounted to Euro 470.7 million in 1H14 and includes the income from businesses contributed to the Oi Capital Increase on 5 May, 2014. This mainly reflects a gain recorded in the capital increase of Oi, totaling Euro 699 million, partially offset by the write-off of deferred tax assets relating to reportable tax losses, amounting to Euro 208 million, recorded on the same day due to the discontinuation of businesses in Portugal that supported the recognition of these deferred tax assets.

The result attributable to non-controlling interests amounted to Euro 13.6 million in 1H14, primarily reflecting the minority stake in the Africa businesses in 2014 until May 5, 2014, when they were contributed to the capital increase of Oi.

Net loss amounted to Euro 14.2 million in 1H15 compared to a Euro 390.2 million gain in 1H14. In 1H15 the net loss mainly reflects the gain corresponding to the effective interest of PHAROL in the R\$224 million 1H15 Oi net income, net of the loss related to the completion of the Exchange, which was more

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than offset by the consolidated operational costs and the reduction during 2Q15 of the fair value of the Call Option.

The 1H14 net income mainly reflects (1) the gain recorded in the capital increase of Oi, as explained above, and (2) losses in joint ventures registered according to the equity method.

The net income in 2Q15 reached Euro 29 million and was positively affected by the accounting impacts in Oi's results of R\$1.1 billion related to results from the discontinued operations of PT Portugal. This figure includes the positive effect related to exchange variation gains over PT Portugal's book value, which was registered on the shareholders' equity at that time. With the completion of PT Portugal sale in 2Q15, this amount was reclassified to net results from discontinued operations, together with expenses associated to the sale.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Euro million	
	30 Jun 2015	31 Dec 2014
ASSETS		
Cash and cash equivalents	85.1	109.5
Accounts receivable	0.3	0.1
Investments in joint ventures	731.1	714.2
Tangible assets	0.3	0.2
Taxes receivable	5.4	6.1
Non-current assets held for sale	0.0	388.4
Other assets	203.1	0.0
Total assets	1,025.4	1,218.5
LIABILITIES		
Short-term debt	0.1	0.1
Accounts payable	10.3	9.0
Accrued expenses	12.9	23.4
Taxes payable	1.0	5.4
Provisions	0.1	27.2
Other liabilities	0.9	0.9
Total liabilities	25.2	66.0
Total shareholders' equity	1,000.2	1,152.5
Total liabilities and shareholders' equity	1,025.4	1,218.5

Net cash position net of gross debt, accounts payable, accrued expenses, and taxes payable was Euro 60.9 million and Euro 71.6 million in 30 June, 2015 and 31 December, 2014, respectively. The reduction during 1H15 was impacted by third party expenses mainly related to non-recurring financial and legal services associated with the Business Combination with Oi and the tender offer that PHAROL was subject to.

Investments in joint ventures mainly correspond to PHAROL's effective stake in Oi (1) of 22.8% on 31 December, 2014, which was impacted by the classification of a portion of the investment as non-current assets held for sale under the Exchange, and (2) of 27.5% on 30 June, 2015, reflecting the share gain

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compared to 31 December, 2014 due to the decrease in outstanding shares of Oi after the completion of the Exchange. On 30 June, 2015 and 31 December, 2014, PHAROL's investment in joint ventures in Oi corresponded to a total investment of Euro 712 million and Euro 693 million, respectively, a Euro 19 million increase mainly explained by the share gain as referred to above and Oi's 1H15 net income. This effect more than compensated the depreciation of the Real in 1H15, and PHAROL's effective participation in Oi from 22.8% to 27.5%, as a consequence of the reduction in outstanding shares of Oi after the completion of the Exchange. In addition to the effective stake in Oi, this line item also reflects PHAROL's effective stake in the controlling holding companies of Oi, amounting to Euro 19 million on 30 June, 2015 and Euro 21 million on 31 December, 2014. Investments in joint ventures are measured using the equity method of accounting.

Non-current assets held for sale as of 31 December, 2014 correspond to the fair value of Oi shares in connection with the Exchange entered into with Oi. The fair value of these shares was based on the Oi share price as of 31 December, 2014.

Other assets at 30 June 2015, amounting to Euro 203 million, mainly correspond to the fair value of assets received on 30 March, 2015 in connection with the Exchange including (1) Euro 135 million related to the estimated fair value of debt instruments issued by Rio Forte, the nominal value of which amounts to Euro 897 million, and (2) Euro 68 million related to the fair value of the Call Option.

Provisions on 31 December, 2014 include an amount of Euro 27 million related to the financial impact of the Exchange. This provision included (1) Euro 168 million related to the difference between the accounting value of the shares to be exchanged and the fair value of assets to be received, (2) net of an amount of Euro 141 million (Note 17) corresponding to the estimated gain of the increase in PHAROL's effective participation in Oi from 22.8% to 27.5%, as a consequence of the reduction in outstanding shares of Oi after the completion of the Exchange.

Shareholders' equity amounted to Euro 1,000 million on 30 June, 2015 compared to Euro 1,153 million on 31 December, 2014, a decrease of Euro 152 million, mainly reflecting (1) the negative net income of Euro 14 million recorded in 1H15, and (2) the effective participation of PHAROL in the net losses recorded by Oi directly in its shareholders equity during 1H15, which mainly reflect the reversal, at the time of the sale, of the positive foreign currency translation adjustments since May 2014, in the amount of Euro 131 million, related to the change in value of the stake in PT Portugal.

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Oi RESULTS KEY HIGHLIGHTS

In a difficult macro-economic environment, once again Oi has delivered results consistent with its commitment to the market. Oi reiterates its 2015 guidance of routine EBITDA of R\$7.0 to 7.4 billion and Operating Cash flow (OCF) improvement of R\$ 1.2 to 1.8 billion, both for Brazilian operations.

In 2Q15, Oi increased its routine EBITDA of Brazilian operations by +10.7% y.o.y to deliver EBITDA of R\$1,816 million. This result is the product of their ongoing business transformation. Despite inflation of 8.9% in 2Q15 (higher than the 8.1% in 1Q15) Oi reduced Brazilian operations opex by 10.5% y.o.y. in the quarter, an acceleration of cost reduction versus 1Q15. Operating costs and expenses reached R\$4,739 million in 2Q15, resulting in an EBITDA margin of Brazilian operations of 27.7%, an expansion versus last year of 4.1 p.p. (2Q14). Oi is confident that there are still great opportunities ahead.

In Brazil, routine EBITDA minus Capex reached R\$775 million in the quarter, an increase of 198% over the same quarter last year, as a result of EBITDA growth, business transformation and increased focus on investment efficiency. In this quarter, Capex in Brazil was R\$1,041 million (-24.5% y.o.y), of which 88% was allocated for improvement and expansion of the network. Their largest and most important infrastructure projects are coming in ahead of schedule and below budget despite current challenging conditions. As a result, Oi is not only reducing capex but also delivering objective network improvements. In wireless, data drop rates have declined by 1.3 p.p. y.o.y, while data traffic has increased by 20% in 2G and by 67% in 3G. In fixed broadband, average delivery speeds have increased by 21.4% y.o.y. and this month Oi will launch a VDSL service.

Total net revenues in Brazil reached R\$6,555 million (-5.5% y.o.y), mainly impacted by the MTR decline and the reduction in handset revenues. In April, Oi outsourced its handset operations, generating a negative impact of approximately R\$140 million in handset revenues in the mobility segment. It is important to highlight that, on the other hand, this change will lead to higher margins and better working capital.

Net service revenues, which excludes handset revenues, reached R\$6,486 million, a fall of 3.3% y.o.y., mainly impacted by lower interconnection tariffs (MTR) in mobile and the more challenging macroeconomic environment, especially in the Corporate / SMEs segment.

Net revenues in the Residential segment reached R\$2,460 million, -2.4% y.o.y, a stable trend from the previous quarter, driven by broadband and pay TV revenues (+8.0% e +50.9%, respectively), as a result of new offers, better sales mix, and a continued focus on bundled offers and upselling. This focus on profitability resulted in another quarter of ARPU growth in all products, making residential ARPU accelerate growth and reach R\$78.5 (+ 6.2% y.o.y) in the quarter.

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In Personal Mobility, net customer revenues (excluding MTR and handset revenues) totaled R\$1,757 million, +3.5% y.o.y, due to the 2.7% growth in prepaid recharges combined with the 7.4% annual increase in the postpaid ARPU (ex-MTR), both driven by the data usage growth. Data revenue growth of 51% continues to underpin success. Oi has increased its smartphone penetration and the migration of customers to its 3G and 4G network, improving customers' service and experience. As a result, data revenues represented 40% of total customer revenues for 2Q15.

Net revenues in Corporate/SMEs reduced by 4.5% y.o.y in the quarter, mainly impacted by the macroeconomic environment in Brazil.

Routine operating cash flow remained stable in the quarter. Net debt increased to R\$34,644 million, mainly affected by the annual 3G license payment, the bi-annual payment of the concession fee and financial expenses. In the second half cash burn is expected to be lower as one offs from 1H15 do not recur. Oi has begun its liability management program in the wake of the sale of PT Portugal and is focused on continuing asset sales, reduction of financial expenses, extension of maturities and strengthening the balance sheet.

	in R\$ million or otherwise stated			
	2T15	2T14	1S15	1S14
Oi S.A. Pro-forma (1)				
Total Net Revenues	6,784	7,154	13,824	14,255
EBITDA	1,899	1,833	3,910	4,907
EBITDA Margin (%)	28.0%	25.6%	28.3%	34.4%
Routine EBITDA	1,947	1,754	3,958	3,581
Routine EBITDA Margin (%)	28.7%	24.5%	28.6%	25.1%
Consolidated Net Earnings (Loss) (2)	671	-217	224	10
Net Debt	34,644	46,239	34,644	46,239
Available Cash	16,636	5,988	16,636	5,988
CAPEX	1,069	1,427	2,093	2,700

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in R\$ million or otherwise stated

	2T15	2T14	1S15	1S14
BRASIL				
Revenue Generating Unit (000)	72,975	74,895	72,975	74,895
Residential	16,791	17,514	16,791	17,514
Personal Mobility	47,756	48,618	47,756	48,618
Corporate / PMEs	7,778	8,108	7,778	8,108
Public Telephones	651	656	651	656
Total Net Revenues	6,555	6,935	13,396	13,811
Net Services Revenues (3)	6,486	6,711	13,125	13,465
Residential	2,460	2,519	4,951	5,072
Personal Mobility	1,950	2,023	4,009	4,075
Clients (4)	1,757	1,698	3,557	3,352
Corporate / SMEs	2,001	2,080	4,019	4,163
Routine EBITDA	1,816	1,640	3,745	3,350
Routine EBITDA Margin (%)	27.7%	23.7%	28.0%	24.3%
CAPEX	1,041	1,380	2,025	2,588
Routine EBITDA - CAPEX	775	260	1,719	762

(1) Pro-forma figures, except net earnings, net debt and available cash.

(2) Consolidated Net Earnings include the discontinuation of the operations of PT Portugal. Net Earnings from Discontinued Operations include the positive effect related to exchange variation gains over PT Portugal's book value, which was registered in shareholders' equity in 4Q14. With the completion of the PT Portugal sale in 2Q15, this amount was reclassified to net results from discontinued operations, together with expenses associated to the sale.

(3) Excludes handset revenues. The handset operations outsourced in this quarter had a negative impact of approximately R\$140 million in handset revenues in the Personal Mobility segment.

(4) Includes: subscriptions, outgoing calls, mobile long distance, roaming and value added services.

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02 BUSINESS PERFORMANCE

BUSINESS COMBINATION OF PHAROL AND Oi

Following the memorandum of understanding, disclosed in a timely manner to the market on 2 October, 2013 (Memorandum of Understanding), PHAROL, Oi and the major shareholders of both companies announced their intention to proceed with a business combination of PHAROL and Oi (the Business Combination) merging them into a single listed entity under Brazilian law, it having been decided that such company would be Telemar Participações, S.A. (TmarPart).

The Business Combination, as initially envisioned, involved three main phases:

- A first phase, involving the Oi Capital Increase, was completed on 5 May, 2014, with the issuance of common shares and preferred shares in an offering for an aggregate amount of R\$8,250 million in cash, including the exercise of a greenshoe, and common shares and preferred shares in favor of PHAROL, in exchange for the contribution in kind, by PHAROL to Oi of (i) all of the operating assets of PHAROL, except the shares held directly or indirectly - through Bratel Brasil and PTB2, S.A. (PTB2) - in Oi, Contax Participações S.A. (Contax) and Bratel B.V. (Bratel), and (ii) substantially all of PHAROL's liabilities on the date of the contribution, valued in net terms (assets less liabilities) in accordance with the respective appraisal report at R\$5,709.9 million. Simultaneously with the Oi Capital Increase, PHAROL, through its subsidiaries in Brazil, subscribed to debentures convertible into shares of companies belonging to the control groups of AG Telecom Participações S.A. (AG Telecom) and of LF Tel S.A. (LF Tel), and these entities subscribed to debentures convertible into shares of TmarPart, which have been fully converted. As a result of such conversion, PHAROL came to hold an additional shareholding stake in companies belonging to the control groups of AG Telecom and of LF Tel, and indirectly in TmarPart and Oi;
- A second phase, involved the merger of shares, under Brazilian law (the Merger of Oi), under which, subject to approval of holders of common shares of Oi and of TmarPart, all shares of Oi not belonging to TmarPart would be exchanged for common shares of TmarPart, with Oi becoming a wholly owned subsidiary of TmarPart and, at the same time, the latter would be listed on the Novo Mercado segment of BM&FBOVESPA S.A. Bolsa de Valores, Mercadorias e Futuros (BM&FBOVESPA). Simultaneously with the Merger of Oi, a simplification of the corporate structure of TmarPart was planned, by means of the corporate reorganization of several direct and indirect shareholder holding companies of TmarPart, by which, among other things, PHAROL would come to directly hold shares of Oi corresponding to its indirect stake in TmarPart (Corporate Reorganization); and
- A third phase, involving the subsequent merger under Portuguese and Brazilian law, of PHAROL with and into TmarPart (the PHAROL Merger), and under the terms of which the shareholders of PHAROL would receive a total number of TmarPart shares equal to the number of shares of such company held by PHAROL immediately prior

to the PHAROL Merger. The shares of TmarPart, the

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surviving entity of the above referenced transactions, would be listed on the Novo Mercado segment of BM&FBOVESPA, on the regulated market NYSE Euronext Lisbon (Euronext Lisbon) and the New York Stock Exchange (NYSE).

The transaction was agreed to, and its execution was delegated to the management of both companies (which included common members amongst themselves, by virtue of the reciprocal stake the companies held in the share capital of each other), subject to the approval at a general shareholders meeting. In the specific case of PHAROL, the first and third stages were subject to approval at a general shareholders meeting.

PHASE 1 Oi CAPITAL INCREASE

As part of the process leading to the Business Combination, the Oi Capital Increase was carried out, and as planned, part of the newly issued shares of Oi were subscribed by PHAROL and paid by means of a contribution in kind corresponding to all of the shares held by PHAROL in PT Portugal SGPS, S.A. (PT Portugal), a company that then owned all of the operating assets of the business of the companies of the PHAROL group (with the exception of shares directly or indirectly held in Oi, Contax and Bratel) and the respective liabilities at the date of its contribution (PT Assets). The PT Assets were contributed at a value based on a proposal by the Oi Board of Directors at a general shareholders meeting of Oi, supported by an appraisal report conducted by an independent company - Banco Santander (Brasil) S.A., hired for such purpose by Oi - in accordance with applicable Brazilian law. The report was approved at a general shareholders meeting of Oi, held on 27 March, 2014.

As mentioned above, PHAROL s participation in the Oi Capital Increase, given the importance of the matter, was submitted to approval by a meeting of PHAROL s general shareholders.

On 27 March, 2014, the shareholders of Oi approved the appraisal report referred to above and the contribution of PT Assets to Oi, valued at R\$5,709.9 million - corresponding to the equivalent of Euro 1,750 million, applying the real to Euro exchange rate on 20 February 2014 (i.e., 3.2628 reais per Euro), as provided for in previous agreements - an amount which the shareholders of PHAROL, at a meeting also held on 27 March, 2014, approved for the contribution of such PT Assets in connection with the Oi Capital Increase.

On 5 May, 2014, the Oi Capital Increase was settled, with PHAROL subscribing to 1,045,803,934 common shares and 1,720,252,731 preferred shares, which represented the share capital of Oi received in return for the contribution in kind of the entire share ownership of PT Portugal, holder of the PT Assets. As a result, PHAROL came to hold on such date, as its only significant asset, a direct and indirect stake of 39.7% in the share capital of Oi, comprising a stake of 39.0% of the voting share capital (excluding the indirect stake held by TmarPart, AG Telecom and LF Tel in Oi).

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Among the PT Assets, contributed in connection with the Oi Capital Increase, was a creditor position on Rio Forte a company in the Espírito Santo Group (GES) which corresponded to short-term investments subscribed or acquired by two entities that were at the time, wholly owned subsidiaries of PHAROL - namely PT Portugal and PT Finance - with a par value of Euro 897 million, identified as the Rio Forte Investments.

SHAREHOLDER AGREEMENTS

The TmarPart shareholder agreements (TmarPart Shareholders Agreements) were in effect as of 30 June, 2015, having been entered into or amended on 25 January, 2011, 19 February, 2014 and 8 September, 2014, the quorums laid down in the agreements having been adjusted to take into account the percentage of stakes held by AG Telecom, LF Tel, by BNDES Participações S.A. - BNDESPAR (BNDESPAR), the Caixa de Previdência dos Funcionários do Banco do Brasil (PREVI), the Fundação Atlântico de Seguridade Social (FATL), Fundação Petrobras de Seguridade Social PETROS (PETROS), the Fundação dos Economiários Federais FUNCEF (FUNCEF) and Bratel Brasil, to ensure that the voting rights of these shareholders will be identical to those held on 19 February, 2014, and provided that such shareholders have not reduced their respective stakes through the sale of shares to third parties who are not original signatories of the Global Shareholders Agreement (as defined below) or their related parties.

The TmarPart Shareholders Agreements comprise (a) a general shareholders agreement, signed by all of the shareholders of TmarPart - AG Telecom, LF Tel, FATL, Bratel Brasil, BNDESPAR, PREVI, PETROS and FUNCEF - as parties, and by TmarPart and PHAROL, as intervening parties (Global Shareholders Agreement) and (b) a shareholders agreement entered into only by AG Telecom, LF Tel and FATL as parties and by TmarPart as an intervening party (Group Control Shareholders Agreement).

These agreements were terminated on 30 June, 2015 after the general shareholders meeting of Oi relative to the implementation of the New Structure was called. The agreements will become effective again should the New Structure fail to be implemented, within 32 days of the date in which the mentioned general shareholders meeting was called.

The TmarPart Shareholders Agreements provide for the following relevant rights and obligations:

(1) Global Shareholders Agreement:

(i) The initial period of the Global Shareholders Agreement expires on 25 April, 2048, or on the date on which the last concession or authorization to lapse, held by TmarPart or any of its subsidiaries, expires, whichever is later, subject to the agreement of the parties of the Global Shareholders Agreement. The duration of the Global Shareholders Agreement may be extended for successive ten year periods with the consent of all of the respective parties.

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(ii) The following rules apply to the election of members of the board of directors and officers, and to the vote of the respective shares of TmarPart and each of the subsidiaries of TmarPart that have net operating income equal to or greater than R\$100 million, which will be referred to as controlled subsidiaries :

a. The Board of Directors of TmarPart will be composed of eleven members and an equal number of alternates;

b. AG Telecom, LF Tel and FATL will together hold the right to appoint the majority of members of the Board of Directors of TmarPart and of each of the controlled subsidiaries;

c. Each increment of 7% of the share capital with voting rights of TmarPart held by a party to the Global Shareholders Agreement, will assign to such party, the right to appoint a member of the board of directors of TmarPart and of each of the controlled subsidiaries and the respective alternate;

d. While it holds at least 7% of the share capital with voting rights of TmarPart, PHAROL will have the right to appoint a member of the board of directors of TmarPart and two members of the Board of Directors of Oi and their respective alternates, from among executive administrators and executive officers of PHAROL;

e. Each increment of 7% of the share capital with voting rights of TmarPart held together by BNDESPAR, PREVI, PETROS and by FUNCEF, will give these entities the right to collectively appoint (a) a member of the Board of Directors of TmarPart and each of the controlled subsidiaries and the respective alternate; and (b) one member and respective alternate of the Board of Directors of Oi;

f. The executive board of TmarPart will be composed of four directors;

g. AG Telecom, LF Tel and FATL will, together, be entitled to appoint the CEO of TmarPart and another director of TmarPart;

h. While they together hold at least 12% of the share capital with voting rights of TmarPart, PREVI, PETROS and FUNCEF will together hold the right to appoint a director of TmarPart;

i. While PHAROL holds at least 12% of the share capital with voting rights of TmarPart, it will have the right to elect a director of TmarPart;

j. AG Telecom, LF Tel, BNDESPAR, Bratel Brasil, FATL, PREVI, PETROS and FUNCEF will jointly elect, pursuant to the rules of the Global Shareholders Agreement, the CEO of each of the controlled subsidiaries;

k. BNDESPAR, PREVI, PETROS and FUNCEF hold the right to together appoint a member of the Audit Committee of TmarPart, when functioning, and of each of the controlled subsidiaries; and

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i. AG Telecom, LF Tel, BNDESPAR, Bratel Brasil, FATL, PREVI, FUNCEF and PETROS will hold prior meetings before shareholder meetings and the Board of Directors of TmarPart and the controlled subsidiaries, and will exercise their voting rights at TmarPart and the controlled subsidiaries and instruct their representatives on these Boards of Directors to vote, in accordance with the decisions made at previous meetings. Said parties may not exercise their votes, including the shares held directly in Oi and other relevant subsidiaries, to prevent the approval of matters previously approved at a prior meeting held under this Shareholders Agreement.

(iii) Under the Global Shareholders Agreement, each of the parties agreed:

a. Not to enter into other shareholders agreements relating to shares of TmarPart, other than (i) the Global Shareholders Agreement, (ii) the Group Control Shareholders Agreement, (iii) the shareholders agreements entered into by Bratel Brasil, Andrade Gutierrez S.A. (AGSA) and Jereissati Telecom S.A. (Jereissati Telecom), and (iv) the shareholders agreement entered into by BNDESPAR, PREVI, FUNCEF and PETROS;

b. Not to change the Global Shareholders Agreement, the Group Control Shareholders Agreement, the shareholders agreements entered into by Bratel Brasil, AGSA and Jereissati Telecom, nor the shareholders agreement entered into by BNDESPAR, PREVI, and FUNCEF PETROS, without the consent of all parties to the Global Shareholders Agreement;

c. To not form any onus on the shares they hold in TmarPart, except for pledge or collateral, in accordance with the Global Shareholders Agreement;

d. To assign certain rights of first refusal and monitoring in the event of sale (*tag along*) to other parties to the Global Shareholders Agreement in relation to any transfer of shares that they hold in TmarPart and to any transfer of the controlling shares of TmarPart;

e. That other parties of the Global Shareholders Agreement have the right to sell, and PHAROL (through Bratel Brasil) has a duty to buy, all of the shares held in TmarPart by the other parties, if Bratel Brasil acquires control of TmarPart;

f. To offer shares that it holds to other parties to the Global Shareholders Agreement, if the shareholder suffers a change of control; and

g. That the other shareholders have the right to acquire all shares of TmarPart held by Bratel Brasil in the event of a change of control of PHAROL.

(2) Control Group Shareholders Agreement

(i) The initial period of the Group Control Shareholders Agreement expires on 25 April, 2048 and may be extended for successive ten year periods with the consent of all of the respective parties.

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- (ii) Under the Group Control Shareholders Agreement, each of the parties agreed:
- a. To have prior meetings before the prior meetings to take place under the Global Shareholders Agreement, and exercise the voting rights attached to their common shares in TmarPart in accordance with the decisions taken at such previous meetings;
 - b. That any common shares of TmarPart sold by a party to the Group Control Shareholders Agreement to any other party of the same agreement will remain subject to this agreement; and
 - c. If a party to the Group Control Shareholders Agreement sells all or part of their shares in TmarPart to any other party or a third party, the buyer(s) and the seller, as appropriate, will be considered a block for purposes of exercising voting rights under the Group Control Shareholders Agreement (even if the buyer(s) is(are) already party(ies) to this Agreement) and such block will have prior meetings before the prior meetings of the parties to the Group Control Shareholders Agreement.

AGREEMENT ON THE TERMS TO PROCEED WITH THE BUSINESS COMBINATION

On 28 July, 2014, following the default by Rio Forte, PHAROL and Oi announced that they had reached an agreement on the definitive terms of the main agreements to be signed following a new Memorandum of Understanding announced on 16 July, 2014. The main terms of these contracts established that:

- PHAROL would exchange Rio Forte Investments amounting to Euro 897 million with Oi, in exchange for 474,348,720 common shares plus 948,697,440 preferred shares of Oi (Exchange Shares) - adjusting for the effect of the reverse split of Oi shares on 22 December, 2014, corresponding to 47,434,872 common shares and 94,869,744 preferred shares representing 16.9% of its share capital;
- PHAROL would be assigned an American non-transferable call option (Call Option) to acquire the Exchange Shares (with the strike price of R\$2.0104 for common shares and R\$1.8529 for preferred shares) which, adjusting to the effect of the reverse split of Oi shares, corresponds to R\$20.104 for common shares and R\$18.529 for preferred shares, after the reverse split, which would be adjusted by the Brazilian CDI rate plus 1.5% per year;

- The Call Option on the Exchange Shares would enter into force on the date of the Exchange and mature in six years, the possibility of PHAROL exercising this option expiring by 10% at the end of the first year, and 18% at the end of each subsequent year;
- Any amount received as a result of monetization of the Call Option by issuing any derivative instruments would have to be used to acquire shares pursuant to the exercise the Call Option;
- PHAROL could only acquire shares of Oi or TmarPart through the exercise of the Call Option;

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- The Call Option would be canceled if (i) the bylaws of PHAROL were to be voluntarily altered to remove the 10% voting limitation, (ii) PHAROL were to act as a competitor of Oi, or (iii) PHAROL were to violate certain obligations arising from the definitive documentation, and
- The contracts would be concluded as soon as all corporate approvals were obtained and the Exchange, which was completed on 30 March, 2015, would be subject to approval by CVM.

The terms of the agreements also included an alternative agreement to the previously announced merger of PHAROL by TmarPart, in order to achieve the following objectives:

- Allow the merger of Oi into TmarPart and the migration to the Novo Mercado segment of BM&FBOVESPA be implemented as soon as possible, with the listing of TmarPart on BM&F Bovespa, Euronext Lisbon and NYSE;
- Subject to approval by the Board of Directors and at a general shareholders meeting convened specifically for this purpose, the implementation of an alternative structure to the PHAROL Merger which would allow for the unification of the shareholder basis of both companies, in the fastest and most efficient way possible, and of the attribution to the shareholders of PHAROL of all the TmarPart shares held by PHAROL, after executing the Exchange and before exercising the Call Option, corresponding to a stake of 25.6% in TmarPart, adjusted by treasury shares, and
- PHAROL would continue to be listed, with the Rio Forte Investments, Call Option, and its relevant assets.

The terms of the agreements, as described above, were approved on 8 September, 2014 at the general shareholders meeting of PHAROL, and the definitive agreements were signed on the same day. Implementation of the Exchange was in the meanwhile approved by the CVM.

COMPLETION OF THE EXCHANGE AGREEMENT

On 24 March, 2015, PHAROL entered into an agreement with Oi, PT Portugal, PT Finance and TmarPart - Private Agreement for the Assignment of Rights and Obligations (Assignment Agreement), by means of which PT Portugal transferred to PT Finance the Rio Forte debt securities held by PT Portugal, and ceded to PT Finance all pertaining rights and obligations in connection with the Exchange Agreement (Assignment). The Assignment Agreement also stipulated that the delivery of the Exchange Shares could be implemented by means of the transfer, by PHAROL, of the Exchange Shares, or American Depositary Shares (ADS) of Oi, representative of the Exchange Shares, at PHAROL's criteria. Oi's ADR Program is regulated by (1) the Depositary Agreement (Ordinary Shares), signed on 17 February, 2012, as amended, between Oi, the Bank of New York Mellon, acting as depositary (Depositary), and all periodical holders of ADSs (American Depositary Shares) (ADSs ON), issued in the terms of the abovementioned Agreement; and (2) by the Depositary Agreement (Preferential

Shares) signed on 27

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February, 2012, as amended, between Oi, the Depositary, and all periodical holders of ADSs (American Depositary Shares) (ADSs PN), issued in the terms of the abovementioned Agreement.

On 30 March, 2015, the Exchange was concluded, by means of which PHAROL (1) deposited Oi s shares object of the Exchange with the Depositary; and (2) instructed the Depositary to register the transfer of 47,434,872 ADSs ON and 94,869,744 ADSs PN (as a whole, the Exchange ADSs) to PT Finance, representing Oi s shares object of the Exchange.

Therefore, on 30 March, 2015, PHAROL transferred the Exchange ADSs to PT Finance, and PT Finance transferred to PHAROL the Rio Forte Investments in the total nominal amount of 897 million Euros.

On 30 March, 2015, the Call Option was in force and effective.

CONCLUSION OF THE NEGOTIATIONS WITH OI TO IMPLEMENT THE NEW STRUCTURE

Negotiations between PHAROL and the major remaining shareholders of Oi were concluded on 31 March, 2015. Such negotiations were aimed at defining a new agreement between the parties concerning the Oi corporate structure and governance model, given the impossibility of migrating TmarPart to the Novo Mercado segment of BM&FBovespa as of 31 March, 2015. The drafting of a new agreement was key to anticipate the main benefits disclosed to shareholders at the time of the Oi Capital Increase, settled on 5 May, 2014. This agreement does not limit the efforts to achieve listing on the Novo Mercado segment of BM&FBOVESPA. The parties have agreed to a new corporate structure and governance model for Oi (the New Structure) which, in addition to the benefits and objectives disclosed following the Memorandum of Understanding, will allow Oi to anticipate a new governance model that will cover the main characteristics of the Novo Mercado, and has the following key features:

- All of the corporate and management restructuring will take place in Oi, eliminating the need to list TmarPart;
- Approval of new Bylaws of Oi, as well as an additional agreement regarding the provisional voting agreement of the shareholders, which will be in effect until the execution of the New Structure, which will allow:
(i) the execution of a voluntary exchange program of preferred shares into common shares issued by Oi, with a ratio of 0.9211 common share to each preferred share, subject to the participation of at least two-thirds of the preferred shares within a period of 30 days following the general shareholders meeting of Oi, in order to provide to all shareholders the right to vote and to maximize the possibility of a single class of shares; (ii) the implementation of the principle of one share, one vote. However, in order to preserve the balance between shareholders and the dispersion of shareholding control envisaged at the moment of the Oi Capital Increase, a 15% limitation of voting rights applicable to all the shareholders of Oi was

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agreed to be included in the bylaws of Oi. This limitation will cease to be applicable upon the occurrence of certain events, including a capital increase, a corporate restructuring or a tender offer, which result in a dilution of the existing shareholder base (or the acquisition of shares, as the case may be) greater than 50%; (iii) to further improve liquidity, eliminating the lock-up agreements of all shareholders; (iv) the appointment of a new Board of Directors of Oi, with significant participation of independent members, in which the previous parity in TmarPart between the representatives of PHAROL and of the Brazilian shareholders will remain in force; (v) the extinction of TmarPart, which will be merged into Oi, which will result in the termination of the existing shareholders' agreements, ensuring the dispersion of shareholder control of Oi; and (vi) the possibility of benefiting from financial synergies, through the merger of the controlling companies of Oi, directly and indirectly; and

- All these significant alterations to Oi's corporate structure will be submitted for approval at a general shareholders' meeting of Oi and will be implemented as quickly as possible, after approval from Agência Nacional de Telecomunicações Brasileira (ANATEL).

Considering the completion, on 30 March, 2015, of the Exchange between PHAROL and PT Finance of ordinary and preferential shares of Oi's capital, for Rio Forte Investments (the Exchange), the Call Option Agreement, signed on 8 September, 2014 (Call Option Agreement), came into effect. An amendment (Amendment) to the Call Option Agreement was entered into, as was disclosed at the time, which will allow PHAROL to achieve liquidity for its Call Option through a market sale, independent of previous consent from Oi, with Oi having a right of first refusal if PHAROL decides to transfer the Call Option to a third party. The Amendment is subject to approval by a general shareholders meeting of Oi to be convened by 31 August, 2015, occurring until 30 September, 2015, and, if applicable, approval by the CVM, and the primary shareholders of Oi have committed to vote in favor of approving the Amendment.

EXECUTION OF THE NEW STRUCTURE

On 22 July, 2015, PHAROL signed together with Oi and the controlling holding companies of Oi, the relevant documentation for the corporate restructuring, which include all the provisions relevant for the implementation of the New Structure of Oi.

The New Structure was approved by ANATEL and was submitted for approval at a general shareholders meeting of Oi, to be held on 1 September, 2015. The agenda of the general meeting includes:

- Approval of the relevant corporate actions required for the Merger of TmarPart within Oi;
- Approval of the new bylaws of Oi;
- The approval of the proposal, terms and conditions and the opening of the period for the voluntary exchange of preferred shares of Oi into ordinary shares; and

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- The election of the Board of Directors of Oi, which will have a mandate that runs until the general shareholders meeting that approves the 2017 financial statements.

RIO FORTE INVESTMENTS

As mentioned above, included in the PT Assets contributed by PHAROL in the Oi Capital Increase were short-term investments in commercial paper obligations issued by Rio Forte, and originally subscribed by PHAROL and PT Finance, in the amount of Euro 897 million. The composition of the outstanding amount of the Rio Forte Investments at the time of the Oi Capital Increase on 5 May, 2014 was as follows:

- a) On 15 April, 2014, PT Finance subscribed to Euro 647 million in notes issued by Rio Forte, with maturity on 15 July, 2014. The terms and conditions of this transaction defined the notes as unsecured and unsubordinated debt, pari passu in terms of payment with the issuer's other unsecured and unsubordinated indebtedness, with a yield of 3.75% per annum. The jurisdiction for dispute resolution was Luxembourg.
- b) On 15 April, 2014, PHAROL subscribed to Euro 200 million in notes issued by Rio Forte, with maturity on 15 July, 2014. On 5 May 2014, which were transferred to PT Portugal as part of the process of transferring all assets and liabilities directly held by PHAROL to PT Portugal in preparation for the contribution of PT Portugal in the Oi Capital Increase. These issuances were made through a private placement under the prospectus prepared by the issuer and dated 21 December, 2012, entitled "Eur 1,000,000,000 Euro Medium Term Note Programme", which was approved by the Luxembourg Commission de Surveillance du Secteur Financier. The terms and conditions of this operation defined the notes as senior unsecured and unsubordinated debt, pari passu in terms of payment with the issuer's other unsecured and unsubordinated indebtedness, with a yield of 3% per annum. The jurisdiction for dispute resolutions was Luxembourg; and
- c) On 17 April, 2014, PT Finance subscribed to Euro 50 million in notes issued by Rio Forte, with maturity on 17 July, 2014. This issuance was made through a private placement under the prospectus prepared by the issuer and dated 21 September, 2012, entitled "Eur 1,000,000,000 Euro Medium Term Note Programme", which was approved by the Luxembourg Commission de Surveillance du Secteur Financier. The terms and conditions of this transaction defined the notes as senior unsecured and unsubordinated debt, pari passu in terms of payment with the issuer's other unsecured and unsubordinated indebtedness, with a yield of 3.75% per annum. The jurisdiction for dispute resolutions was Luxembourg.

As a result of the Oi Capital Increase, PT Portugal and PTIF and their rights as creditors under the Rio Forte Investments were contributed by PHAROL. On 15 and 17 July, 2014, Rio Forte defaulted on the Rio Forte Investments held by PT Portugal and PTIF.

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On 22 July, 2014, Rio Forte filed for creditor protection/controlled management (gestion contrôlée) under Luxembourg law. Even though it recognized that it did not have the financial capacity to meet its financial commitments, it understood that the best protection for its creditors would be the adoption of this legal regime, a request that was denied by a Luxembourg court on 17 October, 2014. Following this rejection, Rio Forte went into liquidation and was declared bankrupt by the Luxembourg Court on 8 December, 2014. According to the most recent public announcement of the liquidation trustees, the deadline to present claims for this debt was extended and will now end on 30 September, 2015.

As a result of the engagement of PricewaterhouseCoopers in Portugal to conduct an independent analysis of the proceedings and acts related to the investments in treasury applications issued by entities of GES, and of an external law firm to prepare an analysis of the liabilities arising out of or in connection with the investments in entities of GES, the Board of Directors of PHAROL decided on 27 May, 2015, to file legal action against the prior external auditor.

On 4 June, 2015, the liquidation trustees of Rio Forte informed that, as a result of the seizure of several Rio Forte assets, they had suspended the sale of certain securities held by Rio Forte that have Herdade da Comporta as an underlying asset.

On 31 July, 2015, PHAROL's general shareholders meeting resolved that the Company shall file a liability claim against all members of the Board of Directors, elected for the three-year term of 2012/2014, who have breached legal, fiduciary and/or statutory duties, among others, either by action or by omission, for the damages caused to PHAROL as a consequence and/or related with the investments in debt instruments issued by entities of GES.

According to the shareholders resolution, PHAROL shall file an indemnity claim, within six months counted as of the resolution of the general shareholders meeting, against the Board Members that held office during the three-year term of 2012/2014 and that had direct involvement in, or that according to their responsibilities could have prevented, the decisions taken concerning the GES investments.

OI SHAREHOLDER REMUNERATION

On 29 January, 2015, the Board of Directors of Oi reported the cancellation of the Shareholders Remuneration Policy for the 2013-2016 fiscal years, a policy that was communicated on 13 August, 2013. In view of the decision made, Oi is only subject to the provisions of Law 6,404/76, and the Company's Bylaws. The canceled policy provided for dividends for the 2013-2016 fiscal years, an estimated amount of R\$500 million, which represented the minimum dividend that met the following objectives: i) payment of dividends corresponding to the greater of 25% of the adjusted net income for the fiscal year, 3% of Net Assets or 6% of the Share Capital; and ii) to ensure equitable payments among the classes of common and preferred shares.

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DELISTING OF THE PHAROL ADSs

On 9 March, 2015 the Board of Directors of PHAROL approved the delisting of its ADSs from the NYSE. 27 March, 2015 was the last day PHAROL ADSs were traded at the NYSE and the delisting of PHAROL ADSs from trading at the NYSE became effective on 30 March, 2015. After the delisting of ADS from the NYSE, the PHAROL ADSs have traded on the U.S. over-the-counter market and PHAROL shares continue to trade on the Euronext Lisbon. The decision was made after (i) PHAROL has received a letter from the NYSE, dated 6 February, 2015, giving notice that PHAROL was below the continued listing criteria set forth in Section 801.02C of the NYSE Listed Company Manual because the average closing price of its ADSs had been less than US\$1.00 over a 30 consecutive trading day period. In light of these factors, and in order to achieve cost savings by eliminating costs associated with maintaining a listing on the NYSE, PHAROL decided to delist the ADSs. PHAROL currently intends to maintain its American Depositary Receipt facility, which will enable investors to retain their ADSs and trade those ADSs in the U.S. over-the-counter market. In addition, PHAROL will continue to be subject to the reporting requirements of the U.S. Securities Exchange Act of 1934, including the requirement to file annual reports on Form 20-F and to submit reports on Form 6-K.

CHANGE TO OI MANAGEMENT

Oi's Board of Directors approved on 21 April, 2015 a change to the management structure, thereby creating (i) the Office of Corporate Finance, responsible for the Finance, Investor Relations, M&A and Controllershship departments; and (ii) the Office of Financial Administration, responsible for the Supply, Accounting, Financial Services, Property, Logistics, and International Operations departments.

Mr. Flavio Nicolay Guimarães was elected to the position of Chief Financial Officer and Investor Relations Officer, assuming responsibility for the Office of Corporate Finance. Mr. Marco Norci Schroeder was elected to the position of Executive Officer, assuming responsibility for the Office of Financial Administration.

ANNUAL GENERAL SHAREHOLDER MEETING OF PHAROL

The Annual General Meeting of Shareholders of PHAROL held on 29 May, 2015 approved the following:

- Management reports, balance sheets and accounts, individual and consolidated, for the year 2014;

- The transfer of the net loss for the year ended on December 31, 2014, in the amount of 175,082,979 Euros, to retained earnings;

- Ratification of the approval of the members of the Board of Directors Rolando António Durão Ferreira de

Oliveira, Francisco Ravara Cary, Marco Norci Schroeder, Eurico de Jesus Teles Neto, Jorge Telmo Maria Freire Cardoso and João Manuel Pisco de Castro for the remaining of the three-year period 2012-2014 term office;

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- Ratification of the appointment of the Director Alfredo Jose Silva de Oliveira Baptista as member of the Audit Committee for the remainder of the three-year period 2012-2014 term office;
- Ratification of the appointment of the Directors João Manuel de Mello Franco and José Guilherme Xavier de Basto, respectively, as Chairman of the Board of Directors and Chairman of the Audit Committee for the remainder of the three-year period 2012-2014 term office, respectively;
- Approval of a partial amendment of the Articles of Association, including the amendment to the Company's corporate name to Pharol, SGPS, S.A. and its registered office to Rua Carlos Alberto da Mota Pinto 17, piso 7-A, 1070-313 in Lisbon. Other approved amendments were, namely, the amendment for each share to correspond to one vote and the Company's governance model, which will be composed by a Board of Directors and a Fiscal Council, and the creation of a Monitoring Committee;
- Election of the members of the corporate bodies and of the Compensation Committee for the 2015-2017 term of office, as follows:

Board of the General Meeting of Shareholders:

Chairman: João Vieira de Almeida

Secretary: Sofia Barata

Board of Directors:

Chairman: Luís Maria Viana Palha da Silva

Members:

Francisco Ravara Cary

João do Passo Vicente Ribeiro

João Manuel Pisco de Castro

Jorge Freire Cardoso

José Mauro Mettrau Carneiro da Cunha

Milton Almicar Silva Vargas

Nuno Rocha dos Santos de Almeida e Vasconcellos

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Pedro Zañartu Gubert Morais Leitão

Rafael Luis Mora Funes

Ricardo Malavazi Martins

Fiscal Council:

Chairman: José Maria Rego Ribeiro da Cunha

Members:

Isabel Maria Beja Gonçalves Novo

Pedro Miguel Ribeiro de Almeida Fontes Falcão

Compensation Committee:

Álvaro Pinto Correia

António Gomes Mota

Francisco Lacerda

- Election of BDO & Associados SROC, Lda., represented by Rui Carlos Lourenço Helena, as Statutory Auditor, for the term of office of 2015-2017, and of Pedro Manuel Aleixo Dias as alternate Statutory Auditor.

- Approval of the statement of the Compensation Committee on the Compensation Policy for the members of the management and supervisory bodies of the Company.
- Approval of the creation of an ad hoc committee to establish the compensation of the members of the Compensation Committee, composed by André Magalhães Luiz Gomes, Bernardo Miguel Carrilho da Silva Malha, Gonçalo Faria de Carvalho and Paulo Alexandre Ramos Vasconcelos.

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CLOSING OF THE SALE OF PT PORTUGAL S SHARES TO ALTICE

After satisfying all of the contractual conditions precedent, the sale by Oi of all shares held in PT Portugal to Altice Portugal, S.A. (Altice Portugal) occurred on 2 June, 2015, which mainly includes the operations conducted by PT Portugal in Portugal and Hungary.

Altice Portugal disbursed the total amount of Euro 5.789 billion for the acquisition of PT Portugal, of which Euro 4.92 billion were paid in cash to Oi and Euro 869 million were allocated to immediately repay outstanding indebtedness of PT Portugal in Euros. The final purchase price is subject to post-closing adjustments to be calculated within the next months as a result of changes in the cash, indebtedness and working capital positions on the closing date.

CHANGE OF PHAROL S REGISTERED OFFICE

On 31 July, 2015, PHAROL changed its registered office to Rua Joshua Benoliel, 1, 2C, Edifício Amoreiras Square, 1250 -133, Lisboa. Such change was duly registered in the Portuguese Company Registry (Conservatória do Registo Comercial).

CORPORATE BODIES

In addition to the changes approved at the annual general shareholder meeting of PHAROL, the following changes were made to the governing bodies of PHAROL, throughout 1H15:

- Termination of duties due to resignation of the members of the Board of Directors:

- Francisco Teixeira Pereira Soares, on 27 February, 2015

- Paulo José Lopes Varela, on 16 March, 2015

- Luís Pacheco de Melo, on 18 March, 2015

- Maria Helena Vaz de Carvalho Nazaré, on 31 March, 2015

- Milton Almicar Silva Vargas, on 30 June, 2015

- Designation, by appointment, of the members of the Board of Directors:

- João Manuel Pisco de Castro, on 17 March, 2015

- Designation of a new responsible for investor relations and interaction with the Portuguese Securities and Exchange Commission:

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- Luís Manuel da Costa de Sousa de Macedo, on 26 January, 2015

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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 in the market price of the ordinary shares of PHAROL or the PHAROL ADSs, as the case may be.

Relevant Risks

Economic Risks

Oi s Performance

The main risk to which the Company is subject derives from Oi s operational and financial performance, notably Oi s ability to generate profits and cash flow and pay dividends.

Exchange Rates

Foreign currency exchange rate risks relate mainly to PHAROL investments in Oi (Brazil). Any exchange rate fluctuations of the Real against the Euro affect the translation of the results attributable to PHAROL, and therefore impact PHAROL s results and asset position.

The Company does not have a hedging policy regarding the value of these investments.

Interest rate risks basically impact the Group s financial expenses and income on floating interest rate debt and cash applications. PHAROL is exposed to this risk primarily in the Euro zone and in Brazil. It is important to point out that, at the end of 1H15, PHAROL has no banking debt.

Financial Risks

Interest Rates

Oi s debt is consolidated under the equity method in PHAROL Financial Statements.

Market interest rates also affect discount rates used for purposes of testing impairments as to the Company s various assets.

Credit