

PHAROL, SGPS S.A.

1st SEMESTER 2016 RESULTS

- PHAROL presented a Net loss for the period of Eur. 8.3M, mainly explained by: (a) losses of Eur. 5.7M due to the decrease in value of the Call option, and (b) operating expenses amounting to some Eur. 3.3M.
- The book value of PHAROL's investment in Oi as of June 30, 2016 amounted to Eur. 99.8M. During 2Q16, this investment increased Eur. 53M mainly due to the increase in share value and the strengthening of the Real (Eur. 64.1M in gains in associates and Eur.-11.1M in Equity). The gain of Eur. 64.1M during 2Q16 almost completely offset the loss registered in 1Q16 amounting to Eur. 64.2M
- PHAROL reduced its Operational Costs by 64% comparing with 1H2015, (Eur. 3.3M against Eur. 9.2M).
- On June 9th, after the approval in the Shareholders' General Meeting, a dividend of 3 cents per share was paid to the shareholders.

Highlights of Oi's 1H2016 progress

- Recurring EBITDA amounted to 3,296 million Reals, a decrease of 17% comparing with 1H2015.
- While concentrating its efforts on the business transformation, as part of a long term plan based on four pillars: convergence, digitalization, austerity in costs and customer experience, Oi has been preparing to present the plan of Judicial Recovery within the defined legal deadlines.

MESSAGE FROM THE CEO

Luís Palha da Silva

"The second half of 2016 will be marked by the evolution of the judicial recovery process - a painful but inevitable measure, taken at the appropriate time, as now can be seen - in which its investee Oi is involved.

In other areas, with emphasis on the credit over Rio Forte, we will maintain our efforts to maximize the value of our assets and reduce the running costs of PHAROL."

Highlights

PHAROL

(Euro million)	1H16	1H15	2Q16	2Q15
EBITDA	(3.3)	(9.2)	(1.9)	(5.3)
Losses/(gains) in joint ventures and associates	(0.1)	(13.3)	(64.2)	(51.9)
Result from recurring operations	(8.3)	(14.2)	57.6	28.7

OI

(Reals million)	1H16	1H15	2Q16	2Q15
Net revenue	13,279	13,824	6,524	6,784
Routine EBITDA	3,296	3,958	1,520	1,947
Routine EBITDA Margin %	24.82%	28.63%	23.30%	28.70%
Net earnings	(2,299.7)	224.0	(655.5)	670.5
Net Debt	41,386	34,644	41,386	34,644
Capex	2,505	2,093	1,253	1,069

Contacts

Luís Sousa de Macedo
 Investor Relations
 Tel: +351 212 697 698 - Fax: +351 212 697 949
 E-mail: ir@pharol.pt

CONSOLIDATED R E P O R T

PHAROL, SGPS S.A.

CONSOLIDATED REPORT

FIRST SEMESTER 2016

01. FINANCIAL REVIEW	3
02. BUSINESS PERFORMANCE	9
03. MAIN RISKS AND UNCERTAINTIES	39
04. QUALIFIED HOLDINGS	41
05. OUTLOOK	46
06. STATEMENT FROM THE BOARD OF DIRECTORS	47
CONSOLIDATED FINANCIAL STATEMENTS	50

“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, 2016, PHAROL had as its main assets (1) 183,662,204 common shares of Oi, S.A. ("Oi"), representing 27.2% of total share capital of Oi (excluding treasury shares), (2) debt securities of Rio Forte Investments S.A. ("Rio Forte") with a nominal value of Euro 897 million, and (3) the Call Option on 42,691,385 common shares and 85,382,770 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. On June 30, 2016, as part of the option has reach its maturity, PHAROL's call option is from that date onwards 42,691,385 common shares and 85,382,770 preferred shares of Oi.

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 27.5% 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.

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 27.2% of total share capital of Oi (excluding treasury shares). PHAROL's voting rights in Oi are limited to 15% of the total common shares of Oi.

With the implementation of the New Structure on July 30, 2015, the shareholder's 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. Currently, PHAROL considers it has significant influence over Oi and classifies it as an associate company. As a result, from July 30, 2015, the investment in Oi continues to be accounted for according to the equity method, based on PHAROL's economic stake in Oi's results (27.2% as at June 30, 2016).

In the first semester of 2016, the consolidated net loss amounting to Euro 8.3 million, mainly reflects (1) the Euro 5.7 decrease in the value of the call option, (2) the Euro 3.3 million consolidated operational costs, and (3) a Euro 0.7 million gain in respect of the Real.

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT				
	Euro million			
	1H16	1H15	2Q16	2Q15
Wages and salaries	1.2	1.9	0.6	0.9
Supplies, external services and other expenses	1.8	6.0	1.1	3.5
Provisions and adjustments	-	-	-	-
Indirect taxes	0.3	1.1	0.1	0.6
Other operational expenses	0.1	0.2	0.1	0.2
Loss before financial results and taxes	(3.3)	(9.2)	(1.9)	(5.3)
Depreciations	0.0	0.0	0.0	0.0
Earnings before interest and taxes	(3.4)	(9.3)	(1.9)	(5.3)
Net other gains	0.1	0.3	0.1	0.3
Loss before financial results and taxes	(3.4)	(9.6)	(1.9)	(5.6)
Net interest income	(0.1)	(0.3)	(0.1)	(0.1)
Losses (gains) in losses of joint ventures and associates	(0.1)	(13.3)	(64.2)	(51.9)
Net losses on financial assets and other investments	5.7	11.5	5.1	11.5
Net other financial losses (gains)	(0.7)	7.0	(0.3)	6.5
Loss before taxes	(8.3)	(14.5)	57.6	28.5
Income taxes	0.0	0.0	0.0	-
Net loss	(8.3)	(14.5)	57.6	28.5
Attributable to non-controlling interests	-	-	-	-
Attributable to equity holders of PHAROL, SGPS S.A.	(8.3)	(14.5)	57.6	28.5

Consolidated operating costs amounted to Euro 3.3 million in the first semester of 2016 compared to Euro 9 million in the first semester of 2015. This decrease is explained by (1) lower third parties expenses mainly related to financial and legal services (2) lower wages and salaries expenses and (3) lower indirect taxes.

Gains in joint ventures and associates amounted to Euro 0.1 million in the first semester of 2016, which compares to Euro 13.3 million in the first semester of 2015, corresponding to the losses in the effective share of PHAROL in the results of Oi in the amount of Euro 142.2 million fully compensated by the reversion of a proportion of the impairment amounting to Euros 142.3 million, to reflect the Oi market value as at that date. This amount corresponds to PHAROL's effective share in the results of Oi until June 30, 2016. The gains recorded in 2015, amounting to Euro 13.3 million, reflect PHAROL's effective share in Oi's net income and the net losses of the controlling holding companies of Oi.

Losses on financial assets and other investments in 2016 totaled Euro 5.7 million, reflecting the decrease in value of the Call Option.

Net losses attributable to equity holders of PHAROL amounted to Euro 8.3 million in the first semester of 2016 compared to a Euro 14.2 million loss in the first semester of 2015. The net loss in 2016 reflects the effective stake of PHAROL in the negative Oi net income, decrease in value of the Call Option and operating costs.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Euro million	
	30 Jun 2016	31 Dec 2015
ASSETS		
Cash and cash equivalents	35.7	64.9
Accounts receivable	0.3	0.5
Investments in joint ventures and associates	99.8	102.2
Tangible assets	0.3	0.4
Other assets	136.1	141.0
Total assets	272.2	309.1
LIABILITIES		
Short-term debt	0.1	0.1
Accounts payable	1.7	1.7
Accrued expenses	8.0	6.5
Taxes payable	0.3	0.4
Provisions	0.1	0.1
Other liabilities	0.9	0.9
Total liabilities	11.1	9.8
Total equity	261.1	299.3
Total liabilities and shareholders' equity	272.2	309.1

The cash position net of gross debt, accounts payable, accrued expenses, and taxes payable was Euro 26.6 million at June 30, 2016 and Euro 56 million at December 31, 2015.

Investments in joint ventures and associates correspond to PHAROL's effective stake in Oi of 27.2% on June 30, 2016 and at December 31, 2015. On June 30, 2016 and December 31, 2015, PHAROL's investment in joint ventures and associates in Oi corresponded to a total investment of Euro 100 million and Euro 102 million, respectively, a Euro 2 million reduction mainly explained by (1) the effective participation of PHAROL in the negative net income of Oi in the first semester of 2016, representing Euro 142,2 million, (2) the reversal of a proportion of the impairment amounting to Euro 142.3 million, (3) strengthening of the Brazilian Real in the first semester of 2016, with a positive impact of Euro 2.5 million in investments.

Other assets at June 30, 2016, amounting to Euro 136.1 million, mainly include the fair value of assets received on March 30, 2015 in connection with the Exchange: (1) Euro 134.6 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 1.4 million related to the fair value of the Call Option.

Shareholders' equity amounted to Euro 261 million on June 30, 2016 compared to Euro 299 million on December 31, 2015, a decrease of Euro 38.2 million, mainly reflecting (1) the dividend payment to the shareholders amounting to Euro 25.9 million; (2) the loss of Euro 8.3 million recorded in the first semester of 2016, (3) the negative Euro 2.4 million impact in the Oi investment and booked inequity (4) the acquisition of own shares amounting to Euro 1.6 million.

OI RESULTS KEY HIGHLIGHTS

The information within this section is an excerpt from the First Semester 2016 Report of Oi.

Oi S.A. - Under Judicial Reorganization ("Oi S.A." or "Oi" or "Company") continues with its strategic plan focused on digitalization, convergence, data, cost control and improved user experience, and it has recorded operational advances in its business segments, especially the Residential segment.

Since its launch, the new portfolio of offers (Oi Total, Oi Livre, Oi Mais, Oi Mais Controle and Oi Mais Empresas) has substantially improved the Company's main KPIs, confirming the success of the strategy in offering convergent and high-end plans, in order to build customer loyalty and increase the profitability of the base while providing an improved user experience and higher-quality services.

In the Residential segment, ARPU continued to grow (+4.5% y.o.y.), reaching R\$ 82.1. All residential services (wireline, broadband and pay TV) recorded an increase of ARPU and gross adds, and lower churn. As a result, Residential revenues totaled R\$ 2,411 million, reversing its downward trend and presenting a sequential growth of 0.7% in the quarter.

The residential wireline segment recorded the lowest level of net disconnections since 2013, with 79,000 disconnections. In the broadband segment, the average speed of the customer base exceeded 6 Mbps for the first time and the average speed of gross adds reached 8.0 Mbps, with 57.6% of the sales with speeds equal to or greater than 10 Mbps in 2Q16 (+5.6 p.p. y.o.y.). Oi TV's penetration in households with Oi fixed lines came to 12.3% and the high-end offers accounted for over one quarter of the total pay TV base. It is worth noting that Oi TV's ARPU increased 19.0% y.o.y.

In the Personal Mobility segment, service revenues, which exclude handsets, totaled R\$ 1,878 million (-3.7% y.o.y.), mainly due to the cuts on interconnection tariffs and the decline in prepaid revenues, which were affected by the Brazilian macroeconomic environment. These effects were partially offset by the good performance of the postpaid segment and data revenues, which supported the improving trend in service

revenues. In addition, the recharger base (prepaid customers who make recharges) reversed its trend and began to grow in July, indicating better outlook for the next quarters.

Data revenues in the Personal Mobility segment grew 20.3% y.o.y., fueled by the launch of new plans (Oi Livre and Oi Mais), which offer more extensive data allowances, the increase in 3G/4G handset penetration in customer base, and investments in upgrading and expanding the capacity of the network.

The B2B segment is facing challenges in the macro environment, but the quality of its revenues continues to improve, based on digitalization and IT and data services. The Corporate segment maintained its focus on profitability by offering data, IT and other non-traditional services, in order to reduce dependence on voice services. Non-voice revenues already represent 67% of total Corporate revenues.

In the B2B segment, small and medium enterprises (SMEs), albeit more strongly affected by the adverse macroeconomic environment, presented an improvement in the main KPIs due to the new strategy implemented at the end of 2015, comprising the simplification of the portfolio focused on digitalization (Oi Mais Empresas), more efficient alternative channels and the acquisition of high-end customers.

Net revenues from the Brazilian operations totaled R\$ 6,323 million in 2Q16, 3.5% lower than in the same period last year, chiefly due to: (i) the macroeconomic deterioration, affecting especially the prepaid and B2B segments; (ii) the cut in the interconnection (MTR) and fixed-to-mobile (VC) regulated tariffs; and (iii) lower customer base. These effects were partially offset by the increase in revenues from broadband (+5.4%) and pay TV (+21.3%) in the Residential segment and the upturn in data revenues (+20.3%) in the Personal Mobility segment.

Routine Opex in the Brazilian operations increased 2.9% y.o.y., well below the level of inflation in the period (+8.9%), totaling R\$ 4,878 million in 2Q16, thanks to the cost control. Routine EBITDA in the Brazilian operations stood at R\$ 1,444 million, 20.5% down year-over-year.

Capex in Brazil totaled R\$ 1,215 million in 2Q16, presenting an annual increase of 16.7% y.o.y. Investments in modernizing and expanding the capacity of the network and IT allow the delivery of offers better suited to consumers' current needs, promoting greater possibilities of use and continuous improvement in user quality and experience.

Net debt closed 2Q16 at R\$ 41,386 million, mainly impacted by the payment of the last installment of the 3G license and severance costs, in addition to investments in working capital and the payment of judicial deposits.

Oi recorded a consolidated net loss of R\$ 656 million in 2Q16.

	in R\$ million*			
	1H16	1H15	2Q16	2Q15
Oi S.A. Pro-forma				
Total Net Revenues	13,279	13,824	6,524	6,784
EBITDA	3,201	3,910	1,435	1,899
EBITDA Margin (%)	24.1%	28.3%	22.0%	28.0%
Routine EBITDA	3,296	3,958	1,520	1,947
Routine EBITDA Margin (%)	24.8%	28.6%	23.3%	28.7%
Consolidated Net Earnings (Loss)	(2,300)	224	(656)	671
Net Debt	41,386	34,644	41,386	34,644
Available Cash	5,106	16,636	5,106	16,636
CAPEX	2,505	2,093	1,253	1,069

*Or otherwise stated

	in R\$ million*			
	1H16	1H15	2Q16	2Q15
BRAZIL				
Revenue Generating Unit ('000)	69,198	72,975	69,198	72,975
Residential	16,153	16,791	16,153	16,791
Personal Mobility	45,319	47,756	45,319	47,756
Corporate / PMEs	7,078	7,778	7,078	7,778
Public Telephones	648	651	648	651
Total Net Revenues	12,861	13,396	6,323	6,555
Net Services Revenues (1)	12,736	13,125	6,256	6,487
Residential	4,805	4,951	2,411	2,460
Personal Mobility	3,852	4,009	1,878	1,950
Clients (2)	3,524	3,557	1,740	1,757
Corporate / SMEs	3,973	4,022	1,908	2,001
Net Clients Revenues (2)	12,167	12,334	6,008	6,131
Routine EBITDA	3,130	3,745	1,444	1,816
Routine EBITDA Margin (%)	24.3%	28.0%	22.8%	27.7%
CAPEX	2,419	2,025	1,215	1,041
Routine EBITDA - CAPEX	711	1,719	229	775

(1) Excludes handset revenues.

(2) Excludes handset and network usage revenues.

02. BUSINESS PERFORMANCE

LIABILITY CLAIM FOR DAMAGES CAUSED BY THE INVESTMENT IN DEBT INSTRUMENTS ISSUED BY ENTITIES OF ESPÍRITO SANTO GROUP

On January 7, 2016, in accordance with the resolution taken by the Board of Directors held on May 27, 2015, the Company filed the judicial liability claim before the Lisbon's District Court, against Deloitte & Associados, SROC, S.A. and other entities of the Deloitte Network for breach of its contractual duties, namely as PHAROL's External Auditor, which are legal cause for the losses suffered with the investment in debt instruments issued by entities of Espírito Santo Group.

PHAROL claims an indemnity corresponding to the difference between Euro 897,000,000 and any amount that PHAROL eventually recovers in the context of the insolvency proceeding of Rio Forte, as well as other damages that may be evidenced during proceedings, plus interest counted from the date of service until effective and full payment.

On January 25, 2016, the Company filed a judicial liability claim before the Lisbon's District Court against its former directors Zeinal Bava, Henrique Granadeiro and Luís Pacheco de Melo, for breach of their respective legal and contractual duties, namely the duty to submit to the Board of Directors for approval any investments in debt instruments issued by entities of Espírito Santo Group, as well as the duty to implement an internal control system suitable for these forms of investment. Breach of the abovementioned duties caused several damages to PHAROL, such as Euro 54,900,000, as over time the amounts invested could not be used in the activities of PHAROL and other losses in amounts yet to be determined in execution of sentence.

The Board of Directors thereby complied with the resolution of PHAROL's General Meeting of Shareholders of July 31, 2015, within the six months' deadline.

CHANGE IN THE RATIO OF THE NUMBER OF COMMON SHARES OF OI REPRESENTED BY THE DEPOSITARY RECEIPTS

On January 22, 2016, Oi informed its shareholders and the Market in general of the change in the ratio of the number of common shares of Oi represented by the Depositary Receipts ("Common DRs") issued under its Level II Sponsored Depositary Receipts Program. Until that time, each Common DR represented one (1) common share issued by the Company. After the change in the ratio, each Common DR represented five (5) common shares.

Oi also informed that the other terms and conditions of its Common DR program will remain unchanged. Therefore, the Common DRs issued following the ratio change will be of the same type and will grant their holders the same rights as the Common DRs held prior to the ratio change.

UPDATE OF LETTERONE TECHNOLOGY REGARDING THE NEGOTIATIONS OF THE PROPOSAL TO MERGE OI WITH TIM IN BRAZIL

On February 25, 2016, and in furtherance with the Material Facts disclosed on October 26 and 30, 2015, Oi informed its shareholders and the market in general that LetterOne Technology (UK)LLP (“L1 Technology”) had issued a press release stating that it has been informed by TIM that TIM does not wish to enter into further discussions about a business combination with Oi in Brazil. L1 Technology’s press release stated that, without TIM’s participation, L1 Technology cannot proceed with the proposed transaction as previously envisaged.

Oi informed that it will evaluate the impact of this announcement on the possibility of consolidation of the Brazilian market. Oi informed that it will continue to undertake its efforts towards operational improvements and business transformation focusing on austerity, infrastructure optimization, revisions of procedures and commercial actions.

RETAINING BY OI OF FINANCIAL ADVISOR

On February 25, 2016, Oi informed its shareholders and the market in general that it had retained PJT Partners as financial advisor to assist Oi in evaluating financial and strategic alternatives to optimize its liquidity and debt profile.

Oi informed that it’s operational and commercial focus remains unchanged. Its customers remain its top priority. Oi is committed to continuing to make investments with the goal of permanently improving its quality of service, which it believes will allow it to continue to bring technological advances to its customers throughout Brazil. Oi continues to undertake efforts towards operational improvements and business transformation focusing on austerity, infrastructure optimization, revisions of procedures and commercial actions.

CHANGE IN OI DISCLOSURE POLICY

On March 24, 2016, Oi informed its shareholders and the market in general, that at a meeting held on March 23, 2016, the Board of Directors approved an amendment to the Company's Material Act or Fact Disclosure Policy, in order to include the possibility conferred by CVM Instruction No. 547/14, which allows the disclosure of material facts or acts at a newswire website on the world wide web that provides the entire disclosed information in a free-access section.

In this regard, Oi announced that it will hold its publications via the Portal NEO1 (<http://www.portalneo1.net>). Additionally, Oi notes that its material facts or acts, as well as other corporate information, will also continue to be disclosed through the CVM website (<http://www.cvm.gov.br/>), and Oi's Investor Relations website (<http://www.oi.com.br/ir>). Finally, Oi noted that it would update its Registration Form at the CVM website, in order to reflect the changes.

DISCONTINUANCE OF DISCLOSURE OF OI PROJECTIONS

On March 24, 2016, Oi informed its shareholders and the market in general, that it had decided to not disclose projections regarding future performance ("guidance") for 2016, to allow flexibility for Oi in light of the current macroeconomic instability, following the volatility in the past months, especially regarding benchmarks/assumptions that sustained the disclosed projections, such as, for example, the inflation rate and the national product growth rate.

ACQUISITION OF OWN SHARES

Pursuant to the terms and for the purposes of article 11, paragraph 2, item b) and of article 13 of the Regulation 5/2008 of the Portuguese Securities Code, and in accordance with the resolution of the General Shareholder's Meeting held on November 4, 2015, PHAROL has acquired 10,225,000 treasury shares for a total amount of Euro 1,603,908 (Euro 1,416,308 until March 31, 2015 and 187,600 thereafter). These transactions occurred between February 1 and April 11, 2016, in the Euronext Lisbon.

Following these transactions, PHAROL SGPS S.A. holds 30,865,000 own shares, corresponding to 3.4428% of the Company's share capital.

DEREGISTRATION

On March 28, 2016, PHAROL approved the termination of registration of its ordinary shares registered at SEC as *foreign private issuer*. On April 25, 2016, PHAROL filed a Form 15F with the U.S. Securities and Exchange Commission to voluntarily terminate the registration of its ordinary shares and its reporting obligations under the Exchange Act. On July 26, 2016, PHAROL finished the obligation of reporting filling in the SEC, including its obligations to file annual reports on Form 20-F and reports on Form 6-K.

CORPORATE REORGANIZATION OF PHAROL

On April 29, 2016, PHAROL, SGPS S.A. and Bratel B.V., informed, due to the corporate reorganization, the 57,145,521 common shares issued by Oi S.A., representing 6.92% of Oi S.A.'s capital stock, and held by PHAROL SGPS S.A. have been passed on to BRATEL B.V. with PHAROL reducing its direct shareholding in Oi S.A. to 71,067,957 common shares, representing 8.61% of Oi S.A.'s entire share capital (including treasury shares).

Bratel, due to the Corporate Reorganization, now holds 112,594,247 common shares of Oi S.A., which represent 13.63% of Oi S.A.'s entire share capital (including treasury shares).

On May 19, 2016, PHAROL, SGPS S.A. and Bratel B.V., informed, due to the corporate reorganization, that 71,067,957 common shares issued by Oi S.A., representing 8.61% of Oi S.A.'s capital stock, and held by PHAROL SGPS S.A. have been passed on to BRATEL B.V. with PHAROL no longer holding a direct shareholding position in Oi.

Bratel, due to the Corporate Reorganization, now holds 183,662,204 common shares of Oi S.A., which represent 22.24% of Oi S.A.'s entire share capital. Therefore, as PHAROL holds 100% of Bratel, PHAROL now indirectly holds 183,662,204 common shares of Oi S.A., representing 22.24% of the Oi S.A.'s entire share capital. Finally, Bratel holds Oi S.A. shares for investment purposes, without any intent to change Oi S.A.'s control.

DISCLOSURE OF THE 2016 FIRST QUARTER RESULTS

On May 12, 2016, Oi disclosed the 2016 first quarter results.

OI BOARD APPROVAL FOR NEGOTIATIONS WITH CERTAIN FINANCIAL CREDITORS

On May 16, Oi announced that its Board of Directors approved the start of negotiations by Oi's management in relation to the financial indebtedness of Oi and of its affiliated companies. Oi and its advisors have scheduled meetings that week in New York to begin formal discussions with Moelis & Company, who acts as advisor for a diverse Ad Hoc Committee of holders of bonds issued by Oi and its subsidiaries, Portugal Telecom International Finance B.V. and Oi Brasil Holdings Coöperatief U.A. Oi requests holders of these bonds that are not currently members of the Ad Hoc Committee to contact Moelis & Company and to join the Ad Hoc Committee.

PHAROL'S ANNUAL GENERAL MEETING OF SHAREHOLDERS

On May 24, 2016, following its Annual General Meeting of Shareholders, PHAROL informed its shareholders and the market in general that the following resolutions were adopted by the Shareholders

> Approval of the management reports, balance sheets and accounts, individual and consolidated, for the 2015 financial year.

> Approval of the proposal for application of results and an extraordinary dividends distribution as follows:

- Transfer of the 2015 net losses amounting to Eur. 693,892,303 to the retained earnings account.
- Payment to the Shareholders of the overall amount of Euro 25,969,425, corresponding to Euro 0.03 per share in respect of the total number of issued shares.
- The above mentioned amount of Euro 0.03 per share shall be paid to the Shareholders on June 9, 2016 (ex-dividend date: June 7, 2016).

> General appraisal of the Company's management and supervisory bodies, as well as a special praise to the Board of Directors, Fiscal Council and Statutory Auditor, and of each of their members, for the outstanding way in which the Company was led throughout the 2015 financial year.

> Non approval of the amendment of the statutory provisions that provide for the limitation of the number of votes that may be held or exercised by each shareholder;

> Approval of the statement of the Compensation Committee on the remuneration policy of the members of the Company's management and supervisory bodies.

At the General Meeting, Shareholders holding 42.51% of the share capital were present or represented.

DIVIDEND PAYMENT

On 24 May, 2016, PHAROL, SGPS S.A. announced that the following amounts per share would be paid on June 9, 2016, as set out below:

- Gross Amount - Euro 0.03
- Withholding Tax IRS/IRC (28%/25%) - Euro 0.0084 / Euro 0.0075
- Net Amount - Euro 0.0216 / Euro 0.0225

ECONOMIC POSITION OF RENAISSANCE TECHNOLOGIES LLC

On 2 June, 2016, PHAROL informed that an economic position of 2% of the share capital of PHAROL is attributable to Renaissance Technologies LLC, without voting rights, through derivative financial instruments with cash settlement, held by the funds GF Trading LLC and RIDGE Master Trading LP, that are managed by the entity above. This occurred as a result of equity swaps contracted by those funds, reported on 1 June, which establishes the right to acquire 18,003,736 shares of PHAROL.

RESIGNATION OF OI CHIEF EXECUTIVE OFFICER

On 10 June, 2016, Oi informed that Bayard De Paoli Gontijo delivered his resignation as Chief Executive Officer of the Company. The Board of Directors, on this date, elected, as Bayard De Paoli Gontijo's replacement, Marco Norci Schroeder as Chief Executive Officer of Oi, who will also continue in the role of Financial Administrative Officer, which he currently exercises.

SHAREHOLDING ACQUISITION OF OI BY BRIDGE

On 15 June, 2016, Oi informed that it had received a letter from Bridge informing that through the investment fund under its management, it has become the holder of 31,704,328 common shares and 17,190,300 preferred shares of Oi S.A. ("Company"), equivalent to 4.75% of the Company's voting capital and 10.90% of the Company's preferred shares, totaling 5.92% of the Company's share capital. BRIDGE clarifies that its Fund's acquisition does not aim to achieve a particular percentage of equity. BRIDGE informs that it does not intend to alter the control structure of the Company, whose capital stock is

dispersed in the market, but rather it aims to influence the Company's administrative structure. It states that it does not possess other securities and derivative financial instruments referred to in the acquired shares and it has not entered into any other contracts or agreements that regulate the exercise of voting rights or the purchase and sale of the Company's securities.

TERMINATION OF THE ARBITRATION PROCEEDINGS INITIATED AGAINST AFRICATEL KG

On 16 June, 2016, Oi informed that it had entered, via its whollyowned subsidiaries, PT Participações, SGPS, S.A ("PT Participações") and Africatel GmbH & Co. KG ("Africatel KG"), and 75%-owned subsidiary Africatel Holdings B.V. ("Africatel BV"), into a series of agreements with Samba Luxco S.à r. l. ("Samba" or "Helios"), an affiliate of Helios Investors LP and owner of the remaining 25% of Africatel BV, with the primary purpose of settling the arbitral proceedings commenced against Africatel KG in November 2014.

Pursuant to the Settlement and Share Exchange Agreement ("SSEA") executed that day, Samba will, upon completion: (i) withdraw the pending arbitral proceedings and release Oi's subsidiaries from all past and present claims relating to alleged breaches of the Africatel BV shareholders' agreement dated 13 August 2007 (as amended from time to time in accordance with its terms) (the "Africatel SHA") asserted in the arbitration, (ii) waive certain approval rights it has under the Africatel SHA, and (iii) transfer to Oi's subsidiary, Africatel BV, 11,000 shares with a nominal value of € 1 each in the share capital of Africatel BV, reducing Samba's stake in Africatel BV from 25% to 14%.

In exchange, Africatel BV will transfer to Samba its approximately 34% stake in the Namibian telecoms operator, Mobile Telecommunications Limited.

Completion is subject to necessary regulatory and antitrust approvals being obtained.

To give effect to the SSEA, the parties have also executed related amendments to the shareholders' agreement of Africatel BV dated 13 August 2007 and further amendment to this agreement will be executed upon completion.

SHAREHOLDING DISPOSAL OF OI BY ONTARIO TEACHER'S

On 16 June, 2016, Oi informed that it had received a letter from Ontario Teacher's Pension Plan Board ("OTPP"), informing that it has sold, in a series of transactions carried out on the dates of June 13 and 14, a total number of 7,034,767 common shares of Oi.

By virtue of this transactions, OTPP's participation in common shares of Oi has fallen below the 5% threshold established by CVM. OTPP had 39,366,866 common shares, which represented 5.86% of common shares, and currently has 32,332,099 common shares, which represents 4.84% of the common shares of Oi.

OTPP also inform that its equity interest in the company is held for investment purposes, with no intentions to change the control or influence the management structure. As of this date, OTPP does not hold any preferred shares issued by the company.

OI DEBT RENEGOTIATION

On 17 June, 2016, Oi informed that it has been involved in negotiations with members of an ad hoc group (the "Ad Hoc Group") made up of holders of, or managers of entities holding beneficial interests in, (i) the 9.750% Notes due 2016 issued by Oi S.A., (ii) the 5.125% Notes due 2017 issued by Oi S.A. and guaranteed by Telemar Norte Leste S.A. ("Telemar"), (iii) the 9.500% Notes due 2019 issued by Oi S.A. and guaranteed by Telemar, (iv) the 5.500% Notes Due 2020 issued by Oi S.A. and guaranteed by Telemar, (v) the 5.625% Notes due 2021 issued by Oi Brasil Holdings Coöperatief U.A. ("Oi Netherlands") and guaranteed by Oi S.A., (vi) the 5.750% Notes due 2022 issued by Oi Netherlands and guaranteed by Oi S.A., (vii) the 6.250% Notes due 2016 issued by Portugal Telecom International Finance B.V. ("PTIF") and guaranteed by Oi S.A., (viii) the 4.375% Notes due 2017 issued by PTIF and guaranteed by Oi S.A., (ix) the 5.875% Notes due 2018 issued by PTIF and guaranteed by Oi S.A., (x) the 5.000% Notes due 2019 issued by PTIF and guaranteed by Oi S.A., (xi) the 4.625% Notes due 2020 issued by PTIF and guaranteed by Oi S.A., (xii) the 4.500% Notes due 2025 issued by PTIF and guaranteed by Oi S.A., and (xiii) the 5.242% Notes due 2017 issued by PTIF and guaranteed by Oi S.A. (collectively, the "Notes," and such holders of the Notes, together with the managers of entities holding beneficial interests in the Notes, the "Noteholders").

Prior to the date hereof, the Company executed a confidentiality agreement (the "Confidentiality Agreement") with certain Ad Hoc Group members (the "Steering Committee") to facilitate discussions concerning the Company's capital structure and potential alternatives for a proposed restructuring of the Company. Pursuant to the Confidentiality Agreement, the Company agreed to disclose publicly, after the expiration of a period set forth in the Confidentiality Agreement, certain information regarding the discussions and/or negotiations that have taken place between the Company and the Steering Committee concerning a restructuring of the Company, as well as all material nonpublic information concerning the Company that the Company has provided to the Steering Committee (the "Confidential Information"). The information included in this press release and certain documents posted on the Company's website referenced herein are being furnished to satisfy the Company's public disclosure obligations under the Confidentiality Agreement. The Confidentiality Agreement has terminated in accordance with its terms, except as otherwise provided therein.

The information contained in the Documents, the Receivables Statement, the Company Term Sheet and the Noteholder Term Sheet is for discussion purposes only and shall not constitute a commitment to vote for or consummate any transaction described therein. Furthermore, the contents of the Documents, the Receivables Statement, the Company Term Sheet and the Noteholder Term Sheet shall not be construed as guidance by the Company in relation to its future results, and the Company waives any responsibility to update such contents or information at any time. The Company has published the Documents, the Company Term Sheet and the Noteholder Term Sheet, and will publish translations of such materials in Portuguese as soon as possible, on its website, available at <http://ir.oi.com.br> (English) and <http://oi.com.br/ri> (Portuguese).

MATERIAL FACT DISCLOSED BY OI - REQUEST FOR JUDICIAL REORGANIZATION

On 20 June, 2016, Oi informed that in conjunction with its wholly-owned direct and indirect subsidiaries, Oi Móvel S.A., Telemar Norte Leste S.A., Copart 4 Participações S.A, Copart 5 Participações S.A., Portugal Telecom International Finance BV and Oi Brasil Holdings Coöperatief U.A. (the "Oi Companies"), it had filed a request for judicial reorganization of the Oi Companies with the Court of the State of Rio de Janeiro.

As previously announced, the Oi Companies, together with their financial and legal advisors, are conducting efforts and studies to optimize their liquidity and indebtedness profile. The Company, together with its legal and financial advisors, also negotiated with its creditors and with Moelis & Company, a financial advisor to a group of bond holders, seeking mutual agreement as to the consensual restructuring of the Oi Companies' indebtedness and to strengthen their capital structure.

However, considering the challenges of the Oi Companies' economic and financial situation in connection with the maturity schedule of their financial debts, the threats to the assets of the Oi Companies represented by imminent attachments or freezings in judicial lawsuits and the urgent need to adopt measures that protect the Oi Companies, the Company decided that filing for judicial reorganization would be the most appropriate course of action at this time to (i) preserve the continuity of its offering of quality services to its customers, within the rules and commitments undertaken with the Brazilian National Telecommunications Agency - ANATEL, (ii) preserve the value of the Oi Companies, (iii) maintain the continuity of operations and corporate activities in an organized manner that protects the interests of the Oi Companies and their subsidiaries, their customers, shareholders and other stakeholders, and (iv) protect the Oi Companies' cash and cash equivalents.

The request for judicial reorganization was filed due to challenges confronted by the Company's management in finding a viable alternative with its creditors that enables the Company to achieve the abovementioned purposes, and to adequately protect the Oi Companies against creditors while preserving the continuity of the Oi Companies' operations. The total claims of persons not controlled by Oi listed in

documents filed with the request for judicial reorganization total, on this date, approximately R\$65.4 billion. The Management of the Oi Companies intends to take all necessary measures and take the necessary actions in all appropriate jurisdictions to guarantee the effectiveness of this request for judicial reorganization.

ADDITIONAL INFORMATION ABOUT MATERIAL FACT DISCLOSED BY OI

On June 21, 2016, as requested by CMVM, PHAROL, SGPS S.A. ("PHAROL") announced to its shareholders and the market in general that its subsidiary Oi, S.A. ("Oi"), in conjunction with its wholly-owned direct and indirect subsidiaries, Oi Móvel S.A., Telemar Norte Leste S.A., Copart 4 Participações S.A., Copart 5 Participações S.A., Portugal Telecom International Finance BV, and Oi Brasil Holdings Coöperatief U.A. ("the Oi Companies"), filed a request, as of June 20, 2016, for judicial reorganization of the Oi Companies with the Court of the State of Rio de Janeiro, pursuant to Art. 51 of Law No. 11,101/05 and Art. 122, of the Brazilian Corporations Law, pursuant to an urgent measure unanimously approved by the Company's Board of Directors - which has six directors of PHAROL - and unanimously approved by the other authorized governing bodies of the Oi Companies at meetings held on the same date.

As previously announced, the Oi Companies, together with their financial and legal advisors, are conducting efforts and studies to optimize their liquidity and indebtedness profile and lead negotiations with its creditors and with Moelis & Company, a financial advisor to a group of bond holders, seeking mutual agreement as to the consensual restructuring of the Oi Companies' indebtedness and to strengthen their capital structure.

The request for judicial reorganization would be submitted to a Company's General Shareholders' Meeting resolution, on July 22, 2016.

PHAROL also informed that, according to the disclosed Material Fact of Oi, there are no expected alterations to the management or staff structure of the Oi Companies during the judicial reorganization process, and if the request is accepted, all labor obligations and benefits are maintained.

FITCH'S REVIEW OF OI'S CREDIT RATING

On June 21, 2016, Oi informed that Fitch had announced its review of the credit rating attributed to Oi, downgrading the long-term global and domestic scale credit rating from C to D.

MOODY'S REVIEW OF OI'S CREDIT RATING

On June 21, 2016, Oi informed that Moody's had announced its review of the credit rating attributed to Oi, downgrading the long-term global scale credit rating from Caa1 to C.

STANDARD & POOR'S REVIEW OF OI'S CREDIT RATING

On June 21, 2016, Oi informed that Standard & Poor's had announced its review of the credit rating attributed to Oi, downgrading the long-term global scale credit rating from CCC- to D and the long-term domestic scale credit rating from brCCC- to D.

MATERIAL FACT DISCLOSED BY OI - GRANTING OF INJUNCTIVE RELIEF IN JUDICIAL RECOVERY

On June 22, 2016, Oi in line with the Material Fact dated June 20, 2016, informed that, on this date, the 7th Corporate Court of the State of Rio de Janeiro granted, in the judicial recovery proceeding requested by Oi and certain subsidiaries (the "Oi Companies"), a request for injunctive relief to determine the following:

- a) The suspension of all lawsuits and execution actions against the Oi Companies, for a period of 180 days, in order to avoid the imposition of judicial constraints during the period between the filing of the request for judicial recovery and the granting of its processing;
- b) An exemption from the requirement to present clearance certificates under any circumstance related to the Oi Companies, including for the exercise of their activities (including any debt clearance certificate regarding revenues managed by ANATEL and clearance certificate of distribution of bankruptcy and judicial claims).

PROVISIONAL RELIEF ORDER TO OI FROM THE US BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

On June 22, 2016, Oi informed that on this date, the United States Bankruptcy Court for the Southern District of New York entered an order granting the provisional relief (the "Provisional Relief Order") requested by Oi, Telemar Norte Leste S.A., Oi Brasil Holdings Coöperatief U.A. and Oi Móvel S.A. (together,

the "Debtors") in accordance with chapter 15 requests of US Bankruptcy code were decided on June 21, 2016.

Under the Provisional Relief Order, an injunction under 11 U.S.C. § 362 has been entered on a preliminary basis, which prevents creditors from initiating actions against the Debtors or their property located within the territorial jurisdiction of the United States and parties from terminating their existing U.S. contracts with the Debtors. This preliminary injunctive relief will remain in place until the Debtors obtain full recognition of their chapter 15 petitions from the U.S. Court. Upon recognition, a stay under 11 U.S.C. § 362 protecting the Debtors and their U.S. property will be imposed automatically by operation of law.

The hearing to consider the Debtors' petitions is scheduled for July 21, 2016. A copy of the Provisional Relief Order can be obtained at <https://ecf.nysb.uscourts.gov>.

JUDICIAL REORGANIZATION OF OI RECOGNIZED AS A FOREIGN MAIN PROCEEDING IN ENGLAND AND WALES

On June 23, 2016, Oi informed that, on this date, the High Court of Justice of England and Wales granted orders recognizing, in respect of the Company, Telemar Norte Leste S.A. and Oi Móvel S.A. (together, the "Debtors"), the commencement of judicial recovery proceedings (pursuant to Law No. 11,101/05 and the Brazilian Corporations Law) as a foreign main proceeding in accordance with the UNCITRAL Model Law on Cross-Border Insolvency (as set out in Schedule 1 to the Cross-Border Insolvency Regulations 2006 (S.I. 2006 No 1030)) (the "Recognition Orders").

The Recognition Orders provide that the commencement or continuation of proceedings (including any enforcement actions) in England and Wales relating to the Debtors' assets, rights, obligations or liabilities are stayed from 23 June 2016.

DISPOSAL OF OI'S SHAREHOLDING BY HSBC

On June 23, 2016, Oi informed that it has received a letter from HSBC Global Asset Management announcing that the sum of the portfolio share administered by HSBC, corresponds to 0.00% of shares of listed company capital.

DISPOSAL OF OI'S SHAREHOLDING BY BLACKROCK

On June 24, 2016, Oi has received a letter from BlackRock, Inc. ("BlackRock") announcing that, on behalf of certain of its clients and in its capacity as investment manager, that it sold preferred shares of Oi S.A. ("Company"), such that, on June 22, 2016, its aggregate equity interest totaled 5,189,650 preferred shares and 184,173 American Depositary Receipts ("ADRs") representing preferred shares, for a total of 5,373,823 preferred shares, representing approximately 3.40% of the Company's total preferred shares.

The equity interest in the Company is held strictly for investment purposes, with no intention to change the control or influence the management structure of the Company; and BlackRock has not executed any contracts or agreements that govern the exercise of the right to vote or the purchase and sale of the Company's securities.

MANAGEMENT TRANSACTIONS

On June 27, 2016, PHAROL informed that it was notified of the following transaction on the regulated market representing PHAROL shares, carried out on June 24, 2016, by the Chairman of the Board of Directors, Mr. Luís Maria Viana Palha da Silva:

DATE	QUANTITY	BUY/SELL	INSIDE	PRICE EUR:
24-06-2016	100,000	Buy	Inside	0.085

Luís Maria Viana Palha da Silva is a member of PHAROL's Board of Directors, and therefore he is a Director of PHAROL pursuant to paragraph 3 of article 248-B of the Portuguese Securities Code, thus having the obligation to notify the transaction above.

According to the information received by PHAROL, after these transaction Mr. Luís Maria Viana Palha da Silva held a total of 200,000 PHAROL shares, corresponding to 0.022% of PHAROL's share capital and corresponding voting rights.

NOTICE TO THE MARKET - INSOLVENCY PROCEEDING AGAINST OI BRASIL HOLDINGS COOPERATIEF U.A.

On June 27, 2016, Oi informed that on this date, Syzygy Capital Management Ltd filed an insolvency

proceeding in The Netherlands Court against Oi Brasil Holdings Cooperatief U.A. ("Oi Brasil Holdings"), one of Oi's financial vehicles in The Netherlands, based on the default by Oi Brasil Holdings of bonds that it had issued in the aggregate principal amount of U.S.\$800,000. This aggressive action by a minority holder was not unexpected, and Oi is fully prepared to take all available measures, including in The Netherlands, to protect against such actions and does not expect any impacts to the judicial reorganization process in Brazil.

In accordance with the Notice to the Market dated June 22, 2016, Oi and certain subsidiaries of Oi ("Oi Companies"), including Oi Brasil Holdings, obtained from the Brazilian Court overseeing Oi's judicial reorganization a preliminary decision granting broad protection against creditor actions in connection with the judicial reorganization request. Moreover, courts in the U.K. and the U.S. have also granted recognition and provisional relief protecting certain Oi Companies from creditor action in those jurisdictions.

Notwithstanding this recent action taken in The Netherlands, Oi looks forward to continuing to engage in constructive reorganization discussions with a majority of creditors in connection with the Oi Companies' judicial reorganization proceedings in Brazil. Oi intends to undertake all appropriate efforts in order to secure the protection of the interests of the Oi Companies and all of their stakeholders.

SHAREHOLDING ACQUISITION OF OI BY MORGAN STANLEY

On June 28, 2016, Oi informed that it received a letter from Morgan Stanley announcing that at, as of June 17, 2016, Morgan Stanley (in the aggregate, through its subsidiaries, Morgan Stanley Capital Services LLC, Morgan Stanley & Co. International plc, Morgan Stanley Uruguay Ltda., Morgan Stanley & Co. LLC, Morgan Stanley Smith Barney LLC, Caieiras Fundo de Investimento Multimercado and Formula XVI Fundo De Investimento Multimercado Credito Privado - Investimento No exterior) reached 50,503,269 common shares issued by the Oi SA (the "Company"), equivalent to 7.6% of the Company's outstanding common shares.

It has also reached a short position of 24,493,777 common shares, equivalent to 3.7% of the outstanding common shares of the Company.

In addition, Morgan Stanley reached long economic exposure through cash-settled derivative instruments referencing 3,201,100 or 0.5% of the outstanding common shares of the Company; and short economic exposure through cash-settled derivative instruments referencing 26,464,200 or 4.0% of the outstanding common shares of the Company. Finally, Morgan Stanley held a position of 1,684,436 borrowed common shares, and a position of 211,460 loaned common shares issued by the Company. Morgan Stanley does not intend to change the control or management of the Company.

GRANT OF PROCESSING OF THE JUDICIAL REORGANIZATION OF OI

On June 30, 2016, Oi informed that on June 29, 2016, the Judgment of the 7th Corporate Court of the Judicial District of the State Capital of Rio de Janeiro granted the processing of the request for the judicial reorganization of the Company and its direct and indirect wholly-owned subsidiaries, Oi Móvel S.A., Telemar Norte Leste S.A., Copart 4 Participações S.A, Copart 5 Participações S.A., Portugal Telecom International Finance B.V. and Oi Brasil Holdings Coöperatief U.A. (the "Oi Companies"), determining, among other measures, in particular:

- a) To request that ANATEL present, within five days, up to 5 names of legal entities with competence and expertise on the subject to be evaluated for appointment as trustee;
- b) The ratification of the decision to grant an emergency measure to exempt the Oi Companies from the requirement to present clearance certificates for the exercise of their activities;
- c) The ratification of the decision to grant an emergency measure in regards to the suspension of all lawsuit and execution actions for 180 business days;
- d) the suspension of the effectiveness of clauses inserted in contracts signed by the Oi Companies that cause the termination of such agreements due to the request for judicial reorganization;
- e) permission for the Oi Companies to participate in all forms of bidding processes;
- f) that the Oi Companies add "in judicial reorganization" after their respective business names, pursuant to Law No. 11,101 / 05;
- g) the suspension of publicity surrounding protests and enrollment in the credit protection agencies, with respect to the Oi Companies, for a period of 180 business days;
- h) the presentation by the Oi Companies of monthly statements of accounts throughout the judicial reorganization process, under penalty of dismissal of its officers;
- i) that all Presidencies and General Internal Affairs of Justice of Brazil (Superior, State and Federal Courts), and Internal Affairs of the Regional Courts and Superior Labor Court are officiated, and inform of the suspension of lawsuits, in accordance with the terms described in the decision, and requesting notice from the lower courts, in the sense that: i) the eligibility of loans subject to judicial reorganization shall be formalized in accordance with Law No. 11,101 / 05, not through an Official Letter, but rather by formal request of the creditor itself, as instructed in the appropriate debt clearance certificate, and ii) the ongoing

lawsuits, as plaintiffs or defendants, that demand a gross amount, as provided in Art.6, paragraph 1 of Law No. 11,101 / 05, shall continue the judgment in which they are being processed until execution; and the jurisdictional provisions reflecting asset constriction or in connection with a decision to block or pledge gross amounts that involve any kind of asset loss of the applicants or that interferes with the ownership of goods related to their business activity shall also be suspended, with the court processing the judicial reorganization being response for analyzing the specific case; and

j) the creditors may at any time request the convening of a General Shareholders' Meeting to establish a creditors committee or replace its members, subject to the provisions of Law No. 11,101 / 05.

The Court also ruled that the Oi Companies shall present their recovery plan within 60 business days of publication of the decision, which shall comply with the requirements of Law No. 11,101/05.

QUALIFIED HOLDING – HESTIA INVESTMENTS DAC

On July 5, 2016, PHAROL informed that Hestia Investments DAC, now holds 4.70% of the share capital of PHAROL.

On June 30, Hestia Investments DAC acquired 26,895,375 ordinary shares, representing approximately 3.0% of the share capital of PHAROL. As a result, Hestia Investments DAC now holds 42,112,574 ordinary shares, representing 4.7% of the share capital of PHAROL and of the voting rights of PHAROL.

QUALIFIED HOLDING – NOVO BANCO

On July 5, 2016, PHAROL informed that NOVO BANCO S.A. ("NOVO BANCO"), now holds 9.56% of the share capital of PHAROL.

On June 30, 2016 NOVO BANCO sold 26,895,375 ordinary shares representing approximately 3.0% of the share capital and voting rights of PHAROL, SGPS S.A. in an over-the-counter transaction and at an unit price of EUR 0.17 with financial settlement on 5 July 2016.

As a result of the above-mentioned sale, NOVO BANCO now holds 85,665,125 ordinary shares, representing approximately 9.56% of the share capital and voting rights of PHAROL.

MATERIAL FACT DISCLOSURE BY OI - EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING REQUEST

On July 7, 2016, Oi informed that, on this date, the shareholder Societé Mondiale Fundo de Investimento em Ações, represented by its manager Bridge Administradora de Recursos Ltda., shareholder of 6.64% of the Company's capital stock, requested that the Board of Directors convene an Extraordinary General Meeting of the Company within a period of eight days, based on art. 123, sole paragraph, subparagraph c of the Brazilian Corporations Law, to discuss the following matters:

(i) Discuss and assess the Company's current economic-financial position, as well as the challenges to be faced henceforth, contemplating any suggestions from shareholders, to be considered by the Company's management in the process of economic-financial uplift currently underway.

(ii) Decide on the dismissal, in individual polls, of the Board Members listed below:

a) Rafael Luis Mora Funes (member) and João do Passo Vicente Ribeiro (alternate);

b) João Manuel Pisco de Castro (member) and Pedro Guimarães e Melo de Oliveira Guterres (alternate);

c) Luís Maria Viana Palha da Silva (member) and Maria do Rosário Amado Pinto Correia (alternate);

d) André Cardoso de Menezes Navarro (member) and Nuno Rocha dos Santos de Almeida e Vasconcellos (alternate);

e) Pedro Zañartu Gubert Morais Leitão (member without alternate);

(iii) Decide on the dismissal of Board Member Marcos Grodetzky (member without alternate);

(iv) Decide on the election of members and alternate members of the Board of Directors, to replace those removed, and also for the vacant Board of Directors positions, as well as the vacant positions of Directors Sergio Franklin Quintella and Joaquim Dias de Castro, who recently submitted their resignations to the Board, to fulfill their respective remaining terms, in accordance with the provisions of art. 69 of the Company's Bylaws. The Board of Directors is evaluating the Request to convene the Meeting and will express its opinion on the matter within the period specified in the Brazilian Corporations Law.

DISCLOSED INFORMATION BY PHAROL REGARDING THE MATERIAL FACT DISCLOSURE BY OI – REQUEST FOR CALL OF GENERAL MEETING OF SHAREHOLDERS

Regarding to the material fact disclosure by Oi - Request For Call Of General Meeting Of Shareholders, PHAROL informed that has been acting in accordance with the interests of Oi and is of the opinion that the board of directors of the Company has been implementing the necessary actions to protect the assets of Oi and to overcome the economic and financial crisis that the Company is facing. The recent judicial recovery request by Oi is part of this strategy: the search for an organized process of restructuring its debt and the legal protection of all stakeholders of the Company.

PHAROL is persuaded that all members of the board of directors of Oi are compliant and will comply with their fiduciary duties and will act in the best interests of the Company, will resort to the governance measures set out in Oi's by-laws and the voting rights of shareholders, as legally established, in order to proceed with the existing strategy and plans, with the sole purpose of enabling its financial recovery.

In addition, PHAROL expects that the members of the board of directors of Oi remain alert to the possible appearance of investors – on the side of equity or on the side of the creditors – focused on the opportunistic return of their investments and who may act in order to obtain an advantageous negotiating position at the expense of the interests of companies going through financial difficulties. As a consequence, any measures that create unsteadiness, in breach of Oi's by-laws and interests may cause major material damage to Oi and to its image and should therefore be avoided by all shareholders.

OI REPLY TO BM&FBOVESPA OFFICIAL LETTER No 244

On July 8, 2016, regarding the CVM requested clarifications concerning the news published on the same date on the website "Portal G1" with the title: " TCU orders Anatel to suspend the agreement with Oi (TCU determina à Anatel suspensão de acordo com a Oi)", Oi informed that it was not officially notified of the Order referred to in the news, which was delivered in a proceeding classified as restricted to the Audit Court ("TCU"), of which is not a party. Thus, it is not possible for Oi to comment on the content of such Order.

Nonetheless, Oi believes that the information reported in the news does not change the situation previously disclosed to the market by this Company. According to the news report, "The suspension of the agreement is valid until the court makes the final decision on the subject." In the Notice to the Market dated May 20, 2016, whereby Oi disclosed the "Approval of Term of Adjustment of Conduct by ANATEL," it was recorded that the approval of the Term of Adjustment of Conduct by ANATEL ("TAC") was subject to approval by the TCU for its enforcement.

Thus, according to the news, it is not clear that the Order makes any changes to the suspension of the TAC pending approval of the TCU, previously disclosed to the market in general.

The purpose of the judicial reorganization process is to ensure for the Company economic viability that allows it to fulfill its obligations, including those undertaken under the TAC. This initiative will provide benefits to society through investments in telecommunications services tailored to the current demands of users, establishing a virtuous cycle to promote quality improvements in services and the economic and social development of the country.

RESIGNATION OF THE MEMBERS OF THE BOARD OF THE SHAREHOLDERS GENERAL MEETING

On July 11, 2016, PHAROL informed that the members of the Board of Shareholders General Meeting of PHAROL have presented the resignation to their positions to the Chairman of the Supervisory Board.

The Chairman of the Shareholders General Meeting, Mr. João Vieira de Almeida, sent his resignation for professional reasons and, following this decision, the Secretary of the Shareholders General Meeting also resigned.

SHAREHOLDING ACQUISITION OF OI BY POINTSTATE CAPITAL LP

On July 11, 2016, Oi informed that it has received a letter from PointState Capital LP announcing that it has become the indirect holder of the total amount of 34,500,000 (thirty-four million, five hundred thousand) common shares issued by Oi S.A. ("Company"), equivalent to 5.16% of the Company's outstanding shares, by means of the ownership of 6,900,000 American Depositary Receipts ("ADR") underlined by those shares issued by the Company.

PointState informs that it does not currently intend to change the control of the Company, and it does not currently intend to exert any influence to the management of the Company.

PointState declares, at last, that, in addition to the acquired ADRs mentioned hereby, it does not own any other securities issued by the Company and it has not executed any agreement that governs the exercise of the voting rights nor the purchase and sale of securities issued by the Company.

SHAREHOLDING ACQUISITION OF OI BY MARATHON ASSET MANAGEMENT L.P.

On July 12, 2016, Oi informed that it has received a letter from MARATHON ASSET MANAGEMENT L.P., announcing that it has acquired 14,500,000 preferred shares of Oi S.A. ("Company"), bringing its total holdings in the Company to 9.2% of the preferred capital stock of the Company.

Marathon further informs that (i) it does not intend to change or affect the control of the Company, or to change its management team; (ii) does not hold any other securities or derivatives referenced to the shares of the Company; and (iii) has no agreement relating to the exercise of voting rights, the purchase or the sale of shares.

MATERIAL FACT DISCLOSED BY OI - CLARIFICATION ON SHAREHOLDER INTEREST

On July 15, 2016, Oi informed that on July 14, 2016, the shareholder Société Mondiale Fundo de Investimento em Ações, that on July 7, 2016 required a call for an Extraordinary General Shareholders' Meeting of the Company, based on art. 123, sole paragraph, subparagraph c of the Brazilian Corporations Law and, as disclosed in a Material Fact on that same date, sent to the Company's Board of Directors correspondence with the following content: "SOCIÉTÉ MONDIALE FUNDO DE INVESTIMENTO EM AÇÕES, registered under corporate taxpayers' registry (CNPJ/MF) No. 20.588.268/0001-01, represented by its manager Bridge Administradora de Recursos Ltda., registered under corporate taxpayers' registry No. 11.010.779/0001-42 ("Shareholder"), informs that it extends the deadline to July 22, 2016 call notice for the Extraordinary General Shareholders' Meeting, as required on July 7, 2016. The Shareholder, however, reserves the right to convene said Meeting directly as allowed by law (Brazilian Corporations Law, art. 123, sole paragraph, subparagraph "c")."

OI SHAREHOLDERS' LETTER REGARDING THE REQUIRED EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING CALL

On July 15, 2016, Oi, pursuant to Article 12 of CVM Instruction 358/02, informs that it received correspondence from SOCIÉTÉ MONDIALE INVESTMENT FUND SHARES, with the information that follows below transcribed:

"01. SOCIÉTÉ MONDIALE FUNDO DE INVESTIMENTO EM AÇÕES, registered under corporate taxpayers' registry No. 20.588.268/0001-01 (the "Shareholder"), represented by its manager BRIDGE ADMINISTRADORA DE RECURSOS LTDA., registered under corporate taxpayers' registry No. 11.010.779/001-42, in response to the clarification request dated July 12, 2016 (the "Clarification Request"), hereby, informs the following:

02. The Clarification Request demanded (i) confirmation of the common and preferred shareholdings of shares issued by Oi S.A. ("Oi" or the "Company") held to-date by the Shareholder and (ii) clarification regarding the lack of notice to the Company regarding the change in shareholdings held by the Shareholder within the period between the notice dated June 14, 2016 and the notice of July 7, 2016.

03. Firstly, the Shareholder clarifies that, to-date, it holds 46,820,800 common shares and 7,934,624 preferred shares issued by Oi, representing 7.01% of the Company's common shares and 5.03% of the Company's preferred shares, respectively, representing an aggregate total of 6.63% of the Company's capital stock.

04. On June 14 and July 7, 2016, the Shareholder notified the Company of the acquisition of a relevant shareholding, pursuant to the governing law, and informed that there was no significant change in the shareholdings of the Shareholder between the aforementioned notices.

05. Furthermore, the Shareholder clarifies that the events that occurred after the notice to the market dated June 14, 2016 do not represent, together or in isolation, relevant variations to justify a need for the communication established in Article 12, paragraph 1 of CVM Instruction No. 358.

06. However, if the Company believes there is a need to disclose information on all milestones of share interest, represented by percentages and absolute numbers, the Shareholder will begin to observe the Company's interpretation of the legal rule.

07. Finally, the Shareholder takes this opportunity to clarify that the request to convene the Extraordinary General Meeting, submitted on July 7, 2016, was on an individual basis. The choice for the appointed names to integrate the Company's Board of Directors was made by the Shareholder, without the interference or participation of other Company investors.

08. The Shareholder does not have or represent the common interest of any other shareholder or group of the Company's shareholders, nor has it signed any type of shareholders' agreement, including voting rights agreement, which discusses shareholdings of Oi's capital stock or the decisions to be resolved at the Company's upcoming General Meetings.

09. For the reasons set forth above, the Shareholder hopes to have clarified the points raised by you and is available for any other necessary clarifications."

JUDICIAL REORGANIZATION OF OI RECOGNIZED AS A FOREIGN MAIN PROCEEDING IN THE UNITED STATES

On July 21, 2016, Oi, further to the Notice to the Market dated June 22, 2016, informs its that the hearing to consider the chapter 15 petitions of the Company, Telemar Norte Leste S.A. - In Judicial Reorganization, Oi Brasil Holdings Coöperatief U.A. - In Judicial Reorganization and Oi Móvel S.A. - In Judicial Reorganization (the "Debtors") was held on this date before United States Bankruptcy Court for the Southern District of New York (the "U.S. Bankruptcy Court"). The Debtors sought recognition of their jointly administered judicial reorganization (recuperação judicial) proceeding presently ongoing in the 7th Corporate Court of the Judicial District of the State of Rio de Janeiro (the "RJ Proceeding") as a "foreign main proceeding," as that term is defined in 11 U.S.C. § 1502(4), with respect to each of the Debtors.

No objections to recognition were made, and the U.S. Bankruptcy Court concluded the hearing by issuing an oral ruling granting recognition of the RJ Proceeding as a foreign main proceeding with respect to each of the Debtors. As a consequence of recognition, a stay under 11 U.S.C. § 362 is imposed automatically by operation of law, extending the provisional stay obtained on June 22, 2016 and barring actions in the United States against the Debtors and their U.S. assets, including actions to terminate or otherwise interfere with the Debtors' U.S. telecom operating contracts.

RATIFICATION OF THE REQUEST FOR JUDICIAL REORGANIZATION OF OI

On July 22, 2016, Oi in furtherance of the Material Facts dated June 20 and June 30, 2016, informs its shareholders and the market that the Company's shareholders, in an Extraordinary General Shareholders' Meeting held on this date, ratified the request for judicial reorganization of the Company, submitted together with its wholly-owned direct and indirect subsidiaries Oi Móvel S.A. - In Judicial Reorganization, Telemar Norte Leste S.A.- In Judicial Reorganization, Copart 4 Participações S.A.- In Judicial Reorganization, Copart 5 Participações S.A.- In Judicial Reorganization, Portugal Telecom International Finance BV - In Judicial Reorganization and Oi Brasil Holdings Coöperatief U.A.- In Judicial Reorganization (together with the Company, the "Oi Companies") as an urgent measure, as approved by the Company's Board of Directors and the relevant corporate bodies of the other Oi Companies on June 20, 2016.

The shareholders also authorized the Company's management to make arrangements and perform all acts necessary in relation to the judicial reorganization of the Oi Companies, as well as ratified all actions taken to date.

OI MEETING OF THE BOARD OF DIRECTORS

On July 22, 2016, Oi communicated that the Company's Board of Directors met on this date to assess the requirement for a call of an extraordinary general shareholders' meeting requested by Société Mondiale Fundo de Investimento em Ações.

In light mainly of the Judgment of the 7th Corporate Court of the District of the Capital of the State of Rio de Janeiro (where the Company's judicial reorganization is pending) which granted the request made by the Brazilian National Telecommunications Agency - ANATEL to determine that prior approval from ANATEL is required for, among others, the possible transfer of Oi's corporate control, including the replacement of the Company's Board of Directors, the Board of Directors of Oi believes that, before it resolves upon the possible call of an extraordinary general shareholders' meeting, the 7th Corporate Court of the District of the Capital of the State of Rio de Janeiro should be heard on the timeliness and propriety of the requested call, in order to fully comply with the abovementioned Judgment.

NOMINATION OF OI JUDICIAL ADMINISTRATOR

On July 25, 2016, Oi informed that, on July 22, 2016, the 7th Corporate Court of the Judicial District of Rio de Janeiro, which is processing the Company's judicial reorganization, nominated PricewaterhouseCoopers Assessoria Empresarial Ltda. and the law firm Arnaldo Wald to exercise the function of the judicial administrator of the Company, Telemar Norte Leste S.A. - In Judicial Reorganization, Oi Móvel S.A. - In Judicial Reorganization, Copart 4 Participações S.A. - In Judicial Reorganization, Copart 5 Participações S.A. - In Judicial Reorganization, Portugal Telecom International Finance BV - In Judicial Reorganization and Oi Brasil Holdings Coöperatief UA - In Judicial Reorganization. A copy of the decision by which the Judge made the nomination is available to shareholders of the Company at its headquarters, on its website (www.oi.com.br/ri), on the Brazilian Securities Commission's IPE System Empresas.Net (www.cvm.gov.br), as well as on the website of the BM&FBovespa (www.bmfbovespa.com.br). A copy of the translated decision will also be sent, as soon as possible, to the U.S. Securities and Exchange Commission on a Form 6-K.

CHANGES ON THE COMPOSITION OF THE BOARD OF DIRECTORS

On July 25, 2016, PHAROL announced that Francisco Ravara Cary has resigned, on this date, from the respective office as non-executive member of PHAROL's Board of Directors.

The Board of Directors has approved to appoint by co-optation, as member of the Board of Directors, to complete the current term of office (2015-2017), José Manuel Melo da Silva, to replace Francisco Ravara

Cary. Such co-optation will be submitted to ratification at the next General Meeting of Shareholders of PHAROL.

DISPOSAL OF OI SHAREHOLDING BY SOCIETE MONDIALE

On July 27, 2016, Oi informed that it received a letter from Société Mondiale Fundo de Investimento em Ações, announcing that, on the closing of July 26, 2016, its interest in preferred shares of Oi S.A. ("Company") was reduced to 3.45% of the total number of preferred shares issued by the Company. As a result, on this date, it informs that it holds 46,770,800 common shares representing 7.00% of the voting capital, 5,434,624 preferred shares representing 3.45% of the total number of issued preferred shares, totaling 6.32% of the Company's share capital.

SOCIETE informs that it does not intend to alter the control structure of the Company, whose capital stock is dispersed in the market, but rather it aims to influence the Company's administrative structure. It states that it does not possess other securities and derivative financial instruments referred to in the acquired shares and it has not entered into any other contracts or agreements that regulate the exercise of voting rights or the purchase and sale of the Company's securities.

OFFICIAL LETTER FROM ANATEL TO OI REGARDING "CORPORATE CHANGES"

On July 28, 2016, Oi informed that it gained access to Official Letter No. 324/2016/SEI/CPOE/SCP-ANATEL ("Official Letter") of the National Telecommunications Agency (Agência Nacional de Telecomunicações - ANATEL), titled "Corporate Changes - need to observe applicable regulations," with the following text:

"1. We make reference to the correspondence filed with Anatel's Electronic Information System (Sistema Eletrônico de Informações - SEI) No. 0679542, for the proceeding referenced above, in which Société Mondiale Fundo de Investimento em Ações, represented by its manager Bridge Administradora de Recursos Ltda., in its capacity as shareholder of Oi S.A., requested that this National Telecommunications Agency provide additional clarifications on its position expressed in Official Letter No. 320/2016/SEI/CPOE/SCP-ANATEL, dated July 18, 2016, SEI No. 0663608.

2. First, we reiterate the need for compliance with the provisions of the Rules of Assessment and Transfer of Control in Telecommunications Service Providers, approved by Resolution No. 101, dated February 4, 1999, especially with respect to the submission of the request for prior consent for an analysis of a transfer of corporate control.

3. In this context, it must be clarified, once again, that the aforementioned rule, and even the current regulatory framework, does not establish any prohibition with respect to the call for, occurrence of, and participation in the elective process for selecting members of the decision-making bodies of telecommunications service providers. As such, the exercise of political rights by any new controlling shareholders of Oi S.A. and its subsidiaries or affiliated providers, especially voting rights and veto power over the decisions of the Board of Directors, Management or similar organs, shall be conditioned on the agency's acknowledgement through the relevant procedure for prior consent.

4. In other words, the corporate acts necessary to the elective process at issue, governed by the Brazilian Corporations Law, can be performed up until the new members take office without the need for prior acknowledgement by this Agency. However, after taking office, the new members of the Boards of Directors, Management or similar bodies, elected by the potential new controlling shareholders of the Oi Group, shall excuse themselves from their duties pending the effective acknowledgement of the Agency pursuant to the Rules approved by Resolution No. 101 of 1999."

MATERIAL FACT DISCLOSED BY OI - REQUEST FOR EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING

On August 1, 2016, Oi communicated that, on July 29, 2016 at 6.57 p.m., shareholder Société Mondiale Fundo de Investimento em Ações, represented by its manager Bridge Administradora de Recursos Ltda., holder of 6.32% of the Company's capital stock, sent an e-mail requesting, on the basis of line "c" of the sole paragraph of Art. 123 of the Brazilian Corporation Law, that the Board of Directors call an Extraordinary General Shareholders' Meeting of the Company, within 8 days, to decide on the following matters:

(i) Annulment of the Extraordinary General Meeting of March 26, 2015. Decide on the annulment of Oi's extraordinary general shareholders' meeting that took place on March 26, 2015, in which the terms and conditions of the Exchange Agreement and the Call Option Agreement, both concluded between the Company, Portugal Telecom SGPS S.A. (currently Pharol SGPS S.A. - "Pharol") and others (the "Agreements"), were approved;

(ii) Liability lawsuit for illicit acts conducted against the Company. Decide on the filing of a lawsuit and demand for arbitration against Pharol, the principal shareholders of Pharol that may have participated in injurious acts towards Oi, and its wholly-owned subsidiary, Bratel B.V. ("Bratel"), for the reparation of all the damage caused to the Company due to the illicit acts perpetrated by Pharol during the payment of the shares subscribed under the Public Offering closed on May 6, 2014 ("Public Offering"), notably due to the transfer of overvalued and/or unsubstantiated assets in this payment of capital, as well as, if necessary, request the cancellation of the Agreements;

(iii) Liability lawsuit against the appraiser of the assets contributed to capital. Decide upon the filing of a lawsuit and possible correlated measures against Banco Santander (Brasil) S.A. ("Santander") for having contributed, significantly and decisively, through action or inaction, to the damage suffered by Oi during the subscription by Pharol of the shares issued during the Public Offering, by preparing an incorrect appraisal report on the economic reality of the assets contributed to the capital of the Company;

(iv) Lawsuit against the current and former management of Oi. To decide upon the filing of a lawsuit, with a basis in Art. 159 of the Brazilian Corporation Law and other applicable legal devices, whether judicial or arbitral, against, at least, without prejudice to other current or former members of the management that may be identified in the future: (a) Zeinal Abedin Mahomed Bava; (b) Shakhaf Wine; (c) Henrique Manuel Fusco Granadeiro; (d) Nuno Rocha dos Santos de Almeida e Vasconcellos; (e) Rafael Luis Mora Funes; (f) Luis Maria Viana Palha da Silva; (g) João Manuel Pisco de Castro; (h) Pedro Zañartu Gubert Moraes Leitão; (i) Francisco Ravara Cary; (j) Jorge Telmo Maria Freire Cardoso, due to the contribution, by commission or omission of each one to the consummation of damages caused to Oi, due to the subscription by Pharol of shares issued in the Public Offering with unsubstantiated assets, adopting all the means necessary for the success of this lawsuit, including the possible claims for the annulment of general shareholders' meetings.

(v) To decide upon the authorization for the management of Oi to adopt measures necessary for the implementation of what is to be decided in relation to items "i" through "iv," above, including the hiring of an independent top-tier auditor and other service providers to quantify accurately the damage suffered by the Company, and to identify any other stakeholders (management, former management and service providers in general) responsible for the commission of fraud against the Company.

OI MEETING OF THE BOARD OF DIRECTORS

On August 3, 2016, Oi communicated that the Company's Board of Directors met on this date to assess the new request for a call of an extraordinary general shareholders' meeting sent by Société Mondiale Fundo de Investimento em Ações, as disclosed in the Material Fact dated August 1, 2016. In assessing this request, the Board of Directors considered the following:

(i) there are doubts of legal nature regarding the authority of the general shareholders' meeting to decide upon certain matters in the request; and

(ii) with respect to any action for liability against its management, since it would imply a potential change of the Board of Directors, such matter would produce the same effects as those contained in the request to call a shareholders' meeting previously submitted by the same shareholder, which request is the subject of a consultation with the 7th Corporate Court of the District of the Capital of the State of Rio de Janeiro, where the Company's judicial reorganization is pending.

Regarding the possible lawsuit against its management, the Company's Board of Directors reiterates its view that, before it resolves upon the possible call of an extraordinary general shareholders' meeting, the 7th Corporate Court of the District of the Capital of the State of Rio de Janeiro should be heard on the timeliness and propriety of the requested call, in order to fully comply with the Court's decision mentioned in the Notice to the Market disclosed by the Company on July 22, 2016. With respect to the other items proposed in the request for the call of the meeting, in order to be able to assess the legality of such matters and resolve on the call in due course, the Board of Directors authorized the management to request a legal opinion of a legal professional with notable expertise in the matter.

SHAREHOLDING ACQUISITION OF OI BY MORGAN STANLEY

On August 8, 2016, Oi informed that it received a letter from Morgan Stanley, announcing as June 29, 2016, that Morgan Stanley (in the aggregate, through its subsidiaries, Morgan Stanley Capital Services LLC, Morgan Stanley & Co. International plc, Morgan Stanley Uruguay Ltda., Morgan Stanley & Co. LLC, Morgan Stanley Smith Barney LLC, Caieiras Fundo de Investimento Multimercado and Formula XVI Fundo De Investimento Multimercado Credito Privado – Investimento no exterior) reached 7,893,554 preferred shares issued by OI S.A. (the "Company"), equivalent to 5.0% of the Company's outstanding preferred shares. Such position already includes 121,900 loaned preferred shares and 2,903,019 borrowed preferred shares issued by the Company.

It has also reached a short position of 4,736,533 preferred shares, equivalent to 3.0% of the outstanding preferred shares of the Company.

Finally, Morgan Stanley reached long economic exposure through cash-settled derivative instruments referencing 3,200,000 or 2.0% of the outstanding preferred shares of the Company; and short economic exposure through cash-settled derivative instruments referencing 5,922,300 or 3.8% of the outstanding preferred shares of the Company. Morgan Stanley does not intend to change the control or management of the Company.

SUSPENSION OF PAYMENTS - OI BRASIL HOLDINGS COÖPERATIEF U.A.

On August 9, 2016, Oi informed its shareholders and the market in general that, on this date, the Court of Amsterdam granted the request of Oi Brasil Holdings Coöperatief U.A. - Under Judicial Reorganization ("Oi Brasil Holdings"), one of the Company's financial vehicles in the Netherlands, for a suspension of payments

proceeding, initiated in order to ensure compatibility in that jurisdiction with the Oi Companies' judicial reorganization proceeding in Brazil. Among other matters addressed, a judicial administrator was nominated to oversee Oi Brasil Holdings' suspension of payments in the Netherlands.

PRESS RELEASE

On August 10, 2016, PHAROL regarding the notices published on Tuesday (09.08.2016) by a shareholder of Oi, PHAROL, SGPS SA ("PHAROL") states that:

- The Board of Directors of Oi was legitimately elected in September 2015 with over 80% of votes until the approval of 2017 financial statements as article 69 of the Oi's bylaws.
- On 22.07.2016 was held Oi's extraordinary general meeting was held in which there was the ratification by more than 80% of the votes of all acts taken by the management to date, including the Request For Judicial Reorganization. Within the meeting, Societe Mondiale voted in favor.
- The judge of the Judicial Reorganization already issued a decision determining that any change of control or board members depends on prior approval, which was not subject to any appeal.
- The requests for meeting from Societe Mondiale are under evaluation of the Judge of the 7th Corporate Court of the Judicial District of Rio de Janeiro. This Court is responsible for the the Judicial Reorganization of the Company by the request of the Board of Directors of Oi. Was determined the prior approval of the Public Prosecutor and the Judicial Administrator. Even so, Societe Mondiale promoted the publication of notices disrespecting the decisions already handed down, and PHAROL already expressed in the official records of the Judicial Reorganization process.
- The requests for meeting for the purpose of deliberating on matters that are under consideration of the Judiciary is a clear attempt to disrupt the process underway.
- The recent proliferation of legal and administrative maneuvers promoted by a specific group of shareholders, is bringing instability to the company during its recovery plan.
- As Oi is the PHAROL's largest investment, PHAROL is completely interested in the success of the rehabilitation proceedings of Oi. There may be other interested shareholders at Oi, but none of them have a greater interest in the recovery of the Company than PHAROL.

CALL FOR A OI GENERAL SHAREHOLDERS' MEETINGS

On August 10, 2016, Oi informed in light of the questions received by the Company with respect to the publications of call notices for Extraordinary General Shareholders' Meetings of the Company, to be held

on September 8, 2016 ("Meetings"), put forth by shareholder Société Mondiale Fundo de Investimento em Ações, pursuant to Art. 123, sole paragraph, line "c" of Law No. 6,404/76, that the possibility of calling a general meeting to resolve upon matters that result in the possible replacement of board members is subject to prior judicial authorization, in accordance with the findings of the Judgment of the 7th Corporate Court of the Judicial District of the State of Rio de Janeiro dated July 14, July 26, July 28 and August 3, 2016, as stated in the Notices to the Market dated July 22 and August 3, 2016.

NOTICE TO THE MARKET RELEASED BY OI - EXTRAORDINARY GENERAL MEETINGS OF OI

On August 10, Oi informed that the material on the extraordinary general meetings and the information contained therein were supplied by the shareholder Société Mondiale Investment Fund Shares, through its Bridge management Administradora de Recursos Ltda., and that, pursuant to CVM Instruction 481/09, such shareholder is liable to the CVM for the information provided by the Company. The Company points out that it is not responsible for the accuracy, completeness or consistency of such information, nor corroborates the terms of the Assembly convened.

QUALIFIED HOLDING – HESTIA INVESTMENTS DAC

On August 11, 2016, PHAROL informed that Hestia Investments DAC, holds 5,01% of the share capital of PHAROL and of the voting rights of PHAROL since August 11, corresponding to 44,884,411 ordinary shares.

OI DISCLOSES THE SECOND QUARTER RESULTS

On August 11, 2016, Oi disclosed the 2016 second quarter results.

NOMINATION OF MEMBERS FOR THE BOARD OF DIRECTOR OF OI

On August 12, 2016, Oi informed that the Company's Board of Directors, in a meeting held on that date

date, unanimously nominated Messrs. Marcos Duarte Santos and Ricardo Reisen de Pinho to fill the vacancies of members of the Board of Directors for the remainder of their respective terms until the 2018 Ordinary General Shareholders' Meeting. Both are considered to be Independent Members under the terms of Novo Mercado Listing Regulation adopted by the Company's Bylaws.

Mr. Marcos Duarte holds a bachelor's degree in production engineering from the Universidade Federal do Rio de Janeiro and has vast experience in the financial and capital markets, having worked at Banco Icatu, Bankers Trust Company, CSFB - Garantia e Polo Gestão. He also held positions on the fiscal councils of various companies in the telecommunications sector, including Tim Nordeste, Tim Sul and Oi, where, since 2010, he has held a position on the Board of Directors of Casa and Vídeo.

Mr. Ricardo Reisen holds a bachelor's degree in mechanical engineering and a master's degree in finance from Pontifícia Universidade Católica do Rio de Janeiro. He has 30 years of experience in financial services and corporate governance, making relevant contributions to leading companies in various segments, including Banco Garantia, Banco Itaú and Cerbero Ltd. He is a Certified Advisor by the Brazilian Institute of Corporate Governance (Instituto Brasileiro de Governança Corporativa - IBGC) and a current member of the Advisory Board of Editora do Brasil and of the Boards of Directors of Light S/A, Brasil Insurance and Brado Logística, the latter in which he also serves as a member of the Finance, Compensation, Auditing and Compliance Committee.

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	<p>The main risk to which PHAROL is subject to derives from Oi's operational and financial performance, notably Oi's ability to generate profits and cash flow and pay dividends.</p> <p>Oi's performance is also dependent on the performance of the Brazilian economy and, at this time in particular, the evolution of the judicial recovery process that the Company has adopted. Despite the fact that this process can bring financial and operational stability to the Company, it depends on numerous wills not fully controlled by Oi. In the event of failure in negotiations with creditors, Oi may face serious difficulties in the normal development of their activities.</p>
Financial Risks	Exchange Rates	<p>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 translation of the results attributable to PHAROL, and therefore impact PHAROL's results and financial position.</p> <p>The Company does not have a hedging policy regarding the value of these investments.</p>
	Interest Rate	<p>Interest rate risks basically relate to financial expenses and the floating interest rate debt and cash applications. PHAROL is exposed to this risk specially in Brazil. It is important to point out that, at June 30, 2015, PHAROL has no debt.</p> <p>Regarding debt, Oi is consolidated by the equity method in PHAROL's Financial Statements.</p> <p>Market interest rates also affect the discount rates used for impairment testing to the various assets of the entity.</p>
	Treasury Applications	<p>PHAROL is mainly subject to credit risks in its treasury applications.</p> <p>In order to dilute these risks, in July 2014 the Board of Directors defined a policy for treasury applications.</p>
	Default by Rio Forte as to the reimbursement of the instruments that PHAROL holds following the execution of the Exchange	<p>The Rio Forte Instruments currently held by PHAROL, following the consummation of the Exchange on March 30 2015, 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>
	Exercise of the call option on Oi's shares	<p>The value of the Call Option on Oi's shares will depend primarily on the market price for Oi's ordinary and preferred shares, the price of which will depend, in its turn, on Oi's performance, including its operations, financial position and business outlook.</p> <p>The Board of Directors of PHAROL closely monitors Oi's business on regular basis and is further engaged in periodically following up the Call Option for purposes of financial statement recording, as well as the price of Oi's shares.</p>

Legal Risks	Court proceedings	The Board of Directors subcontracts the risk analysis as to court proceedings to external lawyers and consultants, so as to know, for each claim, their assessment as to PHAROL's liability (probable, possible and remote occurrence), the status of the proceedings, the amounts involved, provisioned and paid, and what steps should be taken to defend PHAROL's interests.
	Tax contingencies	PHAROL may incur future liabilities under its tax obligations with the Tax Authorities. In the context of the agreement with Oi, where Oi assumes responsibility for the direct payment of all contingencies until May 5, 2014, PHAROL remains directly and severally liable for these contingencies.
	Disputes or investigations triggered under the Rio Forte Instruments or the Business Combination	PHAROL may incur in liability under disputes and other future proceedings and incur in legal costs in such disputes or other proceedings. Any liability incurred may adversely affect PHAROL's financial position and the capacity to fully implement the Business Combination. On January 13, 2015, PHAROL received a subpoena ("Subpoena") from SEC in relation to a private inquiry demanding that PHAROL deliver documents and other information on several topics, including the Rio Forte Instruments and treasury applications in entities pertaining to the Espírito Santo Group, the Business Combination between PHAROL and Oi, communications made by PHAROL, internal controls and the investigation conducted by international auditors in relation to the procedures adopted and the actions undertaken by PHAROL in respect of the Rio Forte Instruments and other investments in entities pertaining to GES. On June 1, 2015, PHAROL received another subpoena asking for more information related to these matters. PHAROL is cooperating with SEC in respect of the investigation and the Subpoenas.
	SEC's comments on Form 20-F for 2013	In 2013, the PHAROL presented its financial statements to various entities and institutions. Form 20-F for 2013 is still subject to revision by SEC, which has requested additional information for its analysis. SEC's comments include topics related to the Rio Forte Instruments, the communication of information on related party transactions, communications on the concentration of credit risks, the accounting treatment of the investment in Unitel as of December 31, 2013 and other aspects. SEC's comments may lead to the amendment of Portugal Telecom's consolidated accounts for 2013 and previous years and other disclosures in Form 20-F or even financial penalties. PHAROL cannot predict when SEC's revision and comments will end. As to the 2013 Form 20-F, the Board of Directors appointed a law firm for purposes of legal advice and follow up of the progress of the procedure. General Secretariat have made efforts to respond to SEC's requests as fully and swiftly as possible. Additionally, a new timeline has been established with the new PHAROL External Auditor for compliance with the reporting periods established both by CMVM and by SEC.

04. QUALIFIED HOLDINGS

QUALIFIED HOLDINGS

As at June 30, 2016, qualified holdings represented over 36% of PHAROL share capital, as follows:

DATE OF INFORMATION	ENTITIES	NO. OF SHARES	% OF CAPITAL	% OF VOTING RIGHTS
31/may/12	Telemar Norte Leste	89,651,205	10.00%	10.00%
05/jul/16	Novo Banco	85,703,041	9.56%	9.56%
14/ago/15	Banco Comercial Português	55,304,969	6.17%	6.17%
30/jun/16	Hestia Investments DAC (a)	42,112,574	4.70%	4.70%
26/jul/16	Norges Bank (b)	28,983,570	3.23%	3.23%
02/jan/14	Grupo Visabeira	23,642,885	2.64%	2.64%

- (a) On 30 June, Hestia Investments DAC reported the change in its qualifying holding to 42,112,574 shares, corresponding to 4.7% of the share capital and voting rights of PHAROL. Later, on 11 August, Hestia Investments DAC reported new change in its qualifying holding to 44,884,411 shares, corresponding to 5.01% of the share capital and voting rights of PHAROL.
- (b) On 26 July, Norges Bank confirmed its position on June 30 of 28,983,570 shares corresponding to 3.23% of the share capital of PHAROL. Also on July 26, Norges Bank reported the change in its qualifying holding to 37,183,570 shares, equivalent to 4.15% of the share capital and voting rights of PHAROL.

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 third parties in PHAROL's share capital, which the company was informed about with reference to June 30, 2016 or the previous date, as indicated:

- On May 31, 2012, PHAROL announced that Telemar Norte Leste SA ("TMAR") held a qualifying stake in PHAROL corresponding to 89,651,205 shares, representing 10.0% of the respective share capital and voting rights. The only shareholder of TMAR is Oi.
- On July 5, 2015, Novo Banco reported the change in its qualifying holding to 85,665,125 shares, corresponding to 9.56% of the share capital and voting right of PHAROL. On August 2, 2016, Novo Banco confirmed that on June 30, 2016 it held 85,703,041, under the following terms:

ENTITIES	No. OF SHARES
Shares held by societies in a controlling relationship or group with Novo Banco, S.A.	15,916
Shares held by Novo Banco, S.A.	85,665,125
Shared held by Management Bodies	22,000
Total	85,703,041

- On August 14, 2015, PHAROL disclosed that Banco Comercial Português held an effective stake of 6.17% of the share capital and corresponding voting rights.
- On 30 June, Hestia Investments DAC reported the change in its qualifying holding to 42,112,574 shares, corresponding to 4.7% of the share capital and voting right of PHAROL.
- On 26 July, Norges Bank confirmed its position on June 30 of 28,983,570 shares corresponding to 3.23% of the share capital of PHAROL.
- On January 2, 2014, PHAROL announced that it attributed to the Visabeira SGPS Group, S.A. ("Visabeira Group", a company held 77.85% by Engineer Fernando Campos Nunes) a qualifying stake of 23,642,885 PHAROL shares, representing 2.637% of the share capital and voting rights, under the following terms:

ENTITIES	No. OF SHARES
Visabeira Group	11,523,213
Visabeira Estudos e Investimentos, S.A., (company held at 100% by Visabeira Participações Financeiras, SGPS, S.A., which in turn was held at 100% by the Visabeira Group)	12,119,672
Total	23,642,885

PHAROL was also informed that a participation corresponding to 78.2642% of the Visabeira Group's share capital and corresponding voting rights are directly held by the NCFGEST, SGPS, S.A. society, which is 100% held by Engineer Fernando Campo Nunes, by which the qualified holdings of the Visabeira Group are equally attributable to these entities.

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, 2016 or the previous date, as indicated:

Board of Directors

- Luís Palha da Silva owns 200,000 PHAROL shares. He was appointed for the Board of Directors of PHAROL on May 29, 2015 and he is also a member of the Board of Directors of Oi.
- André Cardoso de Meneses Navarro is not an owner of any marketable securities of PHAROL nor of other companies which are in a controlling or group relationship with it. He was co-opted non-executive Director of PHAROL on September 2, 2015. He is also a member of the Board of Directors of Oi.
- Francisco Ravara Cary owns 22,000 shares of PHAROL. He was co-opted non-executive Director of PHAROL on 16 September, 2014. He is also a member of the Board of Directors of Novo Banco, SA. He was also a member of the Board of Directors of Oi, until February 17, 2016, on which date he resigned his appointment. On July 25, 2016, he also resigned his appointment as member of the Board of Directors of PHAROL.
- João do Passo Vicente Ribeiro is not an owner of any marketable securities of PHAROL nor of other companies which are in a controlling or group relationship with it. He was appointed for the Board of Directors of PHAROL on May 29, 2015. He is an alternate member of the Oi Board of Directors.
- João Manuel Pisco de Castro is not an owner of any marketable securities of PHAROL nor of other companies which are in a controlling or group relationship with it. He was appointed for the Board of Directors of PHAROL on March 17, 2015. He is also Vice-President of Grupo Visabeira, SGPS, SA. He was alternate member of the Board of Directors of Oi up to February 17, 2016, date on which he became an effective member.
- Jorge Freire Cardoso is not an owner of any marketable securities of PHAROL nor of other companies which are in a controlling or group relationship with it. He was appointed for the Board of Directors of PHAROL on November 5, 2015. He is also a member of the Board of Directors and CFO of Novo Banco, SA. He was also a alternate member of the Board of Directors of Oi, until February 17, 2016, on which date he resigned his appointment.

- José Manuel Melo da Silva is not an owner of any marketable securities of PHAROL nor of other companies which are in a controlling or group relationship with it. He was co-opted non-executive Director of PHAROL on July 25, 2016.
- José Mauro Mettrau Carneiro da Cunha is not an owner of any marketable securities of PHAROL nor of other companies which are in a controlling or group relationship with it. He was appointed for the Board of Directors of PHAROL on 29 May, 2015 and he is also a member of the Board of Directors of Oi.
- Maria do Rosário Pinto-Correia owns 40 shares of PHAROL. She was co-opted non-executive Director of PHAROL on September 2, 2015. She is an alternate member of the Board of Directors of Oi since February 16, 2016.
- Pedro Zañartu Gubert Morais Leitão is not an owner of any marketable securities of PHAROL nor of other companies which are in a controlling or group relationship with it. He was appointed for the Board of Directors of PHAROL on May 29, 2015. He was an alternate member of the Oi Board of Directors until July 4, 2016, when he was appointed as a member of the Board of Directors of Oi.
- Rafael Luís Mora Funes is not an owner of any marketable securities of PHAROL nor of other companies which are in a controlling or group relationship with it. His spouse sold 501 shares of PHAROL on January 30, 2015. Rafael Luís Mora Funes is a member of the Board of Directors of PHAROL since June, 22, 2007 and he is also a member of the Board of Directors of Oi.
- Ricardo Malavazi Martins is not an owner of any marketable securities of PHAROL nor of other companies which are in a controlling or group relationship with it. He was appointed for the Board of Directors of PHAROL on May 29, 2015.

Fiscal Council

The fiscal council does not own any shares of PHAROL.

- José Maria Rego Ribeiro da Cunha
- Isabel Maria Beja Gonçalves Novo
- Pedro Miguel Ribeiro de Almeida Fontes Falcão

Executive Committee

- Luís Maria Viana Palha da Silva
- Rafael Luís Mora Funes

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

PHAROL's management intend to exclusively focus on the management of the Company's current portfolio, not foreseeing diversification in its activities nor relevant investments.

PHAROL holds as its main asset, its investment in Oi, being its most relevant shareholder with 183,662,204 common shares and a stake of 27.18% of its equity, and also holds a Call Option over 42,691,385 common shares and 85,382,770 preferred shares of Oi.

Having monitored Oi's management, Oi has followed the guidelines in its Strategic Plan, and that are based on a significant cost reduction programme and investment optimization program, focused on its investments and opportunities for growth and return, the exploring and identification of opportunities for consolidation in the Brazilian market and the strengthening of its balance sheet.

PHAROL additionally has a credit over Rio Forte and will continue to carefully monitor the ongoing liquidation process in Luxembourg, with a view to maximizing the settlement of the Rio Forte Instruments. Among the possible scenarios, there is the possibility to trigger legal proceedings against Rio Forte, the relevant related parties and others.

PHAROL will monitor the value of its Call Option on Oi shares and analyze the alternatives that enable the maximization of value which includes the possibility of monetizing the aforementioned instruments.

PHAROL's Financial Statements are characterized today by the absence of financial debt but with some risks and lawsuits, that may potentially lead to further liabilities, and that are identified throughout this report. These are mainly contingencies that have been transferred to Oi, but in which PHAROL is severally liable, and have occupied a significant part of the Company's leadership team efforts.

The optimization and distribution to shareholders of any cash surplus has been a concern of management and the Board of Directors has made significant steps in this direction by approving the dividend payment of Euro 0.03 per share, paid on June 9, 2016.

During the first semester of 2016, PHAROL's operating expenses were Euro 3.3 million representing a significant decrease - 64% on a comparable basis - and should maintain the same trend in 2016 and in the coming years.

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, August 30, 2016

Luís Maria Viana Palha da Silva, President of the Executive Committee and Chairman of the Board of Directors

André Cardoso de Meneses Navarro, Board Member

José Manuel Melo da Silva, Board Member (*)

João do Passo Vicente Ribeiro, Board Member

João Manuel Pisco de Castro, Board Member

Jorge Telmo Maria Freire Cardoso, Board Member

José Mauro Mettrau Carneiro da Cunha, Board Member

Maria do Rosário Pinto-Correia, Board Member

Pedro Zañartu Gubert Morais Leitão, Board Member

Rafael Luís Mora Funes, Member of the Executive Committee and Board Member

Ricardo Malavazi Martins, Board Member

(*) Francisco Ravara Cary resigned on July 25, 2016 and was appointed José Manuel Melo da Silva as new member of the Board of Directors of PHAROL

PHAROL, SGPS, S.A.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

PHAROL, SGPS S.A.					
CONSOLIDATED INCOME STATEMENT					
PERIODS ENDED JUNE 30 2016 AND 2015					
	Notes	1H16	1H15	2Q16	Euro 2Q15
COSTS, LOSSES AND (INCOME)					
Wages and salaries	5	1,159,885	1,907,156	568,991	901,247
Supplies, external services and other expenses	6	1,841,383	6,035,767	1,087,985	3,538,877
Indirect taxes	7	263,686	1,076,070	143,835	607,014
Depreciation		41,937	47,047	12,406	23,393
Net other losses (gains)		54,831	230,002	65,811	230,002
		3,361,722	9,347,341	1,879,028	5,351,832
Income (loss) before financial results and taxes		(3,361,722)	(9,347,341)	(1,879,028)	(5,351,832)
FINANCIAL LOSSES AND (GAINS)					
Net interest income	8	(114,910)	(313,886)	(52,801)	(113,618)
Net foreign currency exchange losses	12	(684,188)	5,935,604	(365,439)	5,961,862
Net losses on financial assets and other investments	12	5,737,470	11,477,002	5,086,927	11,477,002
Equity in losses of joint ventures and associates	11	(88,819)	(13,280,356)	(64,234,013)	(51,935,026)
Net other financial expenses		29,496	1,065,281	46,297	496,361
		4,879,048	4,883,645	(59,519,030)	(34,113,419)
Income (loss) before taxes		(8,240,771)	(14,230,986)	57,640,003	28,761,587
Income taxes		15,233	18,259	15,233	18,213
Net income (loss) for the period		(8,256,004)	(14,249,245)	57,624,770	28,743,374
Attributable to non-controlling interests		-	-	-	-
Attributable to equity holders of the parent		(8,256,004)	(14,249,245)	57,624,770	28,743,374
Earnings per share					
Basic	10	(0.01)	(0.02)	0.07	0.03
Diluted	10	-	(0.02)	-	0.03

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

	1H16	1H15	2Q16	Euro 2Q15
Net Income recognised in the income statement	(8,256,004)	(14,249,245)	57,624,770	28,743,374
Income (expenses) recognised directly in shareholders' equity				
Items that may be reclassified subsequently to the income statement				
Foreign currency translation adjustments (i)	(25,330,716)	3,965,523	(17,822,064)	28,624,842
Gains (expenses) recorded in shareholders' equity related to joint ventures (ii)	22,974,462	(142,884,664)	6,671,872	(143,097,927)
Items that will not be reclassified to the income statement				
Other expenses recognised directly in shareholders' equity, net		894,056	-	(517,734)
Total earnings recognised directly in shareholders' equity	(2,356,253)	(138,025,085)	(11,150,192)	(114,990,819)
Total comprehensive income	(10,612,257)	(152,274,330)	46,474,578	(86,247,445)
Attributable to non-controlling interests	-	-	-	-
Attributable to shareholders of PHAROL SGPS	(10,612,257)	(152,274,330)	46,474,578	(86,247,445)

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

(i) Losses recorded in the first quarter of 2016 and 2015 mainly relate to the impact of the depreciation of the Real against the Euro on the investments in Brazil as well as on Oi's investments outside Brazil.

(ii) This caption relates to the effective share of PHAROL in the fair value variations of Oi's financial instruments.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30 2016 AND DECEMBER 31 2015

		Euro	
	Notes	30 Jun 2016	31 Dec 2015
ASSETS			
Current Assets			
Cash and cash equivalents	16.d	35,700,322	64,879,371
Accounts receivable		297,509	542,036
Taxes receivable		58,461	24,437
Prepaid expenses		150,265	-
Total current assets		36,206,557	65,445,845
Non-Current Assets			
Taxes receivable		-	-
Investments in joint ventures and associates	11	99,766,365	102,230,974
Tangible assets		298,100	421,578
Other non-current assets	12	135,956,597	141,045,340
Total non-current assets		236,021,061	243,697,892
Total assets		272,227,618	309,143,737
LIABILITIES			
Current Liabilities			
Short-term debt		14,565	15,851
Accounts payable	13	1,748,973	1,729,138
Accrued expenses	14	7,951,095	6,539,596
Taxes payable		310,349	424,215
Provisions	15	75,858	75,858
Other current liabilities		867,147	905,214
Total current liabilities		10,967,986	9,689,871
Non-Current Liabilities			
Medium and long-term debt		112,979	121,281
Total non-current liabilities		112,979	121,281
Total liabilities		11,080,966	9,811,152
SHAREHOLDERS' EQUITY			
Share capital		26,895,375	26,895,375
Treasury shares		(179,675,734)	(178,071,827)
Legal reserve		6,773,139	6,773,139
Reserve for treasury shares		186,646,054	185,042,147
Other reserves and accumulated earnings		220,507,819	258,693,752
Total equity		261,146,653	299,332,586
Total liabilities and shareholders' equity		272,227,618	309,143,737

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

PHAROL, SGPS S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
PERIODS ENDED JUNE 31 2016 AND 2015

								Euro
	Share capital	Treasury shares	Legal reserve	Reserve for treasury shares	Other reserves and accumulated earnings	Equity excluding non-controlling interests	Non-controlling interests	Total equity
Balance as at December 31, 2014	26,895,375	(178,071,827)	6,773,139	185,042,147	1,111,862,169	1,152,501,003	-	1,152,501,003
Income (expenses) recognized directly in equity	-	-	-	-	(138,025,085)	(138,025,085)	-	(138,025,085)
Income recognized in the income statement	-	-	-	-	(14,249,245)	(14,249,245)	-	(14,249,245)
Balance as at June 30, 2015	26,895,375	(178,071,827)	6,773,139	185,042,147	959,587,838	1,000,226,672	-	1,000,226,672

								Euro
	Share capital	Treasury shares	Legal reserve	Reserve for treasury shares	Other reserves and accumulated earnings	Equity excluding non-controlling interests	Non-controlling interests	Total equity
Balance as at December 31, 2015	26,895,375	(178,071,827)	6,773,139	185,042,147	258,693,751	299,332,586	-	299,332,586
Acquisition of own shares	-	(1,603,908)	-	1,603,908	(1,603,908)	(1,603,908)	-	(1,603,908)
Dividends	-	-	-	-	(25,969,766)	(25,969,766)	-	(25,969,766)
Income (expenses) recognized directly in equity	-	-	-	-	(2,356,253)	(2,356,253)	-	(2,356,253)
Income recognized in the income statement	-	-	-	-	(8,256,004)	(8,256,004)	-	(8,256,004)
Balance as at June 30, 2016	26,895,375	(179,675,734)	6,773,139	186,646,054	220,507,819	261,146,653	-	261,146,653

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

CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30 2016 AND 2015

	Notes	1H16	Euro 1H15
OPERATING ACTIVITIES			
Payments to suppliers	16.a	(2,535,458)	(21,985,492)
Payments to employees		(1,108,007)	(2,355,853)
Payments relating to income taxes		(18,633)	488,222
Other cash receipts, net	16.b	1,737,212	566,579
Cash flows from operating activities (1)		(1,924,887)	(23,286,544)
INVESTING ACTIVITIES			
Cash receipts resulting from:			
Tangible and intangible assets		5,300	45,000
Interest and related income		123,157	270,209
		128,457	315,209
Payments resulting from:			
Tangible and intangible assets		(979)	(157,074)
		(979)	(157,074)
Cash flows from investing activities (2)		127,478	158,135
FINANCING ACTIVITIES			
Payments resulting from:			
Loans repaid		(9,587)	(47,604)
Interest and related expenses		(11,452)	(1,015,654)
Dividendos	16.c	(25,969,766)	-
Purchase of own shares	16.d	(1,603,908)	-
Cash flows from financing activities (3)		(27,594,714)	(1,063,257)
Cash and cash equivalents at the beginning of the period		64,879,371	109,511,599
Change in cash and cash equivalents (4)=(1)+(2)+(3)		(29,392,123)	(24,191,668)
Effect of exchange differences		213,074	(205,518)
Cash and cash equivalents at the end of the period	16.e	35,700,322	85,114,413

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT JUNE 30, 2016

(Amounts stated in Euros, except where otherwise mentioned)

1. Introduction

As at June 30, 2016 PHAROL holds, directly and indirectly through wholly owned subsidiaries, 183,662,204 common shares of Oi, representing 27.2% of total share capital of Oi (excluding treasury shares). PHAROL's voting rights in Oi are limited to 15% of the total common shares of Oi. Currently, PHAROL considers it has significant influence over Oi and classifies Oi as an associate company. As a result, from July 30, 2015 (the date of the end of shareholder agreements) the investment in Oi continues to be accounted for according to the equity method, based on PHAROL's economic stake in Oi's results.

Based on the agreements concluded on March, 30 2015 between PHAROL and Oi, PHAROL currently holds Rio Forte debt securities with a nominal value of Euro 897 million and a Call Option for shares of Oi. On March,31 2016, as a part of the options has reached maturity, PHAROL holds a call option on 42,691,385 common shares of Oi and 85,382,770 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, 2015. 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

At June 30, 2016 and December 31, 2015, assets and liabilities denominated in foreign currencies were translated to Euros using the following exchange rates to the Euro:

Currency	Euro	
	30 Jun 2016	31 Dec 2015
Real	3.5898	4.3117
USD	1.1102	1.0887

At June 30, 2016 and 2015, the statements of financial position, income statements and cash flows of subsidiaries and joint ventures denominated in foreign currencies were translated to euros using the following exchange rates to the Euro:

Currency	Euro	
	1H16	1H15
Real	4.1295	3.3101
USD	1.1159	1.1158

5. Wages and salaries

The composition of this caption in the first semester of 2016 and 2015 is as follows:

	Euro			
	1H16	1H15	2Q16	2Q15
Fixed and variable remuneration	905,994	1,592,991	435,633	724,982
Social security	221,214	292,651	109,151	162,217
Other	32,677	21,514	24,207	14,048
	1,159,885	1,907,156	568,991	901,247

6. Supplies, external services and other expenses

The composition of this caption in the first semester of 2016 and 2015 is as follows:

	Euro			
	1H16	1H15	2Q16	2Q15
Specialized work (i)	1,312,136	4,857,607	834,772	2,877,610
Insurance	164,714	225,639	70,740	73,786
Travel	83,495	245,501	26,821	143,091
Other	281,038	707,021	155,651	444,391
	1,841,383	6,035,767	1,087,985	3,538,877

(i) This caption reflects primarily non-recurring financial and legal services.

7. Indirect taxes

The composition of this caption in the first semester of 2016 and 2015 is as follows:

	1H16	1H15	2Q16	Euro 2Q15
VAT	259,474	1,072,486	142,664	603,430
Other	4,213	3,584	1,171	3,584
	263,686	1,076,070	143,835	607,014

8. Net interest income

The composition of this caption in the first semester of 2016 and 2015 is as follows:

	1H16	1H15	2Q16	Euro 2Q15
Interest income				
Related to cash and cash equivalents (i)	(114,910)	(311,754)	(52,801)	(144,512)
Other	-	(2,132)	-	30,894
	(114,910)	(313,886)	(52,801)	(113,618)

(i) Interest income obtained in these quarters essentially relates to cash amounts applied in term deposits by PHAROL SGPS and PHAROL Brasil.

9. Taxes and rates

In 2015, companies located in mainland Portugal are subject to Corporate Income Tax at a base rate of 21.0% (23.0% in 2014), 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 7.0% on taxable income in excess of Euro 35.0 million, resulting in a maximum aggregate tax rate of approximately 29.5% 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 and second quarter of 2016 and 2015 is as follows:

	1H16	1H15	2Q16	Euro 2Q15
Income tax				
Income tax - current	15,233	18,259	15,233	18,213
Deferred taxes	-	-	-	-
	15,233	18,259	15,233	18,213

10. Earnings per share

Earnings per share in the first semester and second quarter of 2016 and 2015 were as follows:

		1H16	1H15	2Q16	Euro 2Q15
Net loss attributable to equity holders of Pharol	(1)	(8,256,004)	(14,249,245)	57,624,770	28,743,374
Weighted average common shares outstanding in the period (i)	(2)	870,760,000	875,872,500	866,347,500	875,872,500
Earnings per share from continuing operations					
Basic	(1)/(2)	(0.01)	(0.02)	0.07	0.03

(i) In the first semester of 2016, weighted average shares outstanding were calculated considering the 896,512,500 issued shares and taking into account the amount of 20,640,000 owned shares on January 1, 2016 and adjusted for acquisitions in the period, culminating in a total of 30,865,000 owned shares.

In the second quarter of 2016, weighted average shares outstanding were calculated considering the 896,512,500 issued shares and taking into account the amount of 29,465,00 owned shares on April 1, 2016 and adjusted for acquisitions in the period culminating in a total of 30,865,00.

In the first semester and second quarter of 2015, weighted average shares outstanding were calculated considering the 896,512,500 issued shares and taking into account the amount of 20,640,000 owned shares.

11. Investments in Joint Ventures and Associates

This line item corresponds to investments in joint ventures and associates, including investments in Oi and its controlling holding companies.

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. As a result 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. 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, as at December 31, 2014 and measured according to the equity method of accounting.

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%. As at September 30, 2015, the Oi common shares owned by PHAROL (that carry voting rights) represented 36.5% of shares in circulation (excluding Oi treasury shares). 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 in 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 Depositary 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 was decreased from 27.4% to 27.2%.

In accordance with IAS 28 – Investments in Associates and Joint Ventures, there is a presumption that significant influence exists when voting rights are higher than 20%. For voting rights less than 20%, there should be clear indications through which significant influence may be exercised. The limitation to 15% of PHAROL's voting rights, in light of the remaining available voting rights, represented as at June 30, 2016, an effective voting right of 18.83%. By analogy, IFRS 10 – Consolidated financial statements considers that control may occur when there is a concentration of significant voting rights, with the remainder of voting rights largely dispersed ("de facto control"). In Oi's shareholder structure, over 24% of ordinary shares are dispersed in free float, and four other shareholders besides PHAROL have voting rights of between 5% and 7% each. Note also that although on June 30, 2016 Oi is in judicial recuperation, the majority of inherent statutory rights to shares held by PHAROL are not substantially affected by this situation.

As such, by analogy to the consideration of control in IFRS consolidated financial statements, PHAROL considers that it has significant influence over Oi, and as such, Oi is considered to be an associate. This investment is measured in accordance with the equity method, based on the economic share of Oi's earnings (27.2% as at June 30, 2016), reduced by any adjustments for impairment losses.

Accordingly, PHAROL resorted to an independent value, in order to determine Oi's value in use, in accordance with the market's best practices. It was determined that the market value corresponded to Oi's share price as at December 31, 2015. Thus, PHAROL's financial investment in Oi, on that date, was measured on the basis of its stock exchange valuation, amounting to Euro 102.2 million. An impairment loss of Euro 225.6 million was recognized, with reference to December 31, 2015.

As at June 30, 2016, given the maintenance of the main assumptions of the valuation, after application of the equity method and appropriation of the results of Oi, the investment in Oi was measured at its stock market value, amounting to Euro 99.8 million.

11.1. Detail of investments in joint ventures and associates

As described above, and in accordance with IAS 28, PHAROL's investment in Oi as at June 30, 2016 is measured in accordance with the equity method, reduced by any accumulated impairment losses.

The detail of these investments in joint ventures and associates was as follows:

	Euro million	
	30 Jun 2016	31 Dec 2015
Investment in each associate entity		
Oi - Equity method (i)	183	328
Oi - Impairment (i)	(83)	(226)
	100	102

(i) Following the simplification of the Oi shareholder structure, and the end of the Shareholder Agreements, this caption reflects the investment in Oi owned by PHAROL – 27.2% owned by Bratel, a wholly owned subsidiary of PHAROL. As previously commented, an impairment analysis was carried out at December 31, 2015 by an independent valuer, analysis which resulted in the measurement of the financial investment at its market value, corresponding to 183.7 million shares, R\$2.40 per share (Euro 0.56 per share), amounting to Euro 102.2 million. This valuation corresponds to the first fair value level of IFRS 13 – Fair value measurement. On June 30, 2016 and after the application of the equity method investment, Oi was also measured at market value corresponding to 183,700,000 shares measured at R \$ 1.9 per share (0.54 euros per share), representing approximately Euros 99.8 million.

The detail of the assets and liabilities of Oi, for purposes of application of the equity method, is as follows:

Oi, S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2015 AND 31 DECEMBER 2014

	Euro millions	
	30 Jun	
	2016	31 Dec 2015
Current Assets	6,985	8,829
Cash and cash equivalents	1,352	3,455
Accounts receivable	2,442	1,943
Financial investments	59	418
Derivative financial instruments	87	141
Current assets held for sale	1,622	1,783
Judicial deposits	335	292
Other current assets	1,088	797
Non-Current Assets	12,281	11,814
Judicial Deposits	3,870	3,043
Derivative financial instruments	-	1,573
Deferred taxes	2,171	2,060
Other non-current assets	6,239	5,138
Total assets	19,266	20,642
Current Liabilities	15,950	5,931
Short-term debt	12,984	2,739
Accounts payable	1,424	1,161
Derivative financial instruments	54	461
Licenses and concessions payable	17	212
Provisions	260	237
Liabilities related to assets held for sale	145	173
Other liabilities	1,066	949
Non-current Liabilities	2,413	13,228
Debt	-	11,144
Derivative financial instruments	-	121
Licenses and concessions payable	2	2
Provisions	1,051	792
Other liabilities	1,360	1,170
Total liabilities	18,363	19,159
Net Assets	902	1,483
Share to non-controlling interests of Oi	229	276
Net assets attributable to controlling interest of Oi	673	1,207
Effective share of PHAROL in Oi	27.2%	27.2%
Total Investment from Pharol in Oi	183	328

11.2. Detail of PHAROL's share in the earnings of joint ventures and associates

Gains/(losses) in joint ventures and associates were accounted for through the equity method of accounting - their composition for the periods ended June 30, 2016 and 2015 is as follows:

	1H16	1H15	2Q16	Euro million 2Q15
Joint ventures				
Direct share in the earnings of each entity (i)				
Oi	-	20	-	43
Telemar Participações	-	1	-	-
EDSP75 Participações	-	8	-	3
PASA Participações	-	8	-	3
Sayed RJ Participações	-	4	-	1
Venus RJ Participações	-	4	-	1
Other	-	-	-	-
Gain resulting from the increase in the interest held in Oi	-	109	-	-
Reversal of provision (v)	-	(141)	-	-
	-	13	-	52
Joint ventures				
Effective share in the earnings of each entity				
Oi (ii)	-	24	-	52
Oi Holding companies (iii)	-	22	-	(0)
Gain resulting from the increase in the interest held in Oi	-	109	-	-
Reversal of provision (v)	-	(141)	-	-
	-	13	-	52
Associates				
Effective share in the earnings of each entity				
Oi (ix)	(142)	-	(37)	-
Impairment Reversal/(Loss) (vi)	142	-	83	-
	-	-	47	-
Earnings of joint ventures and associates	-	13	47	52

(i) These captions, as explained above, reflect PHAROL's direct share in the earnings of each joint venture, including, in the case of Oi's controlling holding companies, their share of Oi's net income and also the net income generated by these same entities, excluding the equity method of accounting of Oi.

(ii) This caption reflects PHAROL's direct share in the earnings of Oi. The breakdown of Oi's earnings and losses used in the equity method accounting are outlined below.

(iii) This caption reflects PHAROL's effective share in the earnings and losses of Oi's controlling holding companies excluding these entities' share in the earnings of Oi, calculated through the equity method of accounting.

(iv) This caption corresponds to the gains recorded directly and indirectly, through the controlling holdings of Oi, by PHAROL totaling Euro 131 million, relating to the increase in the stake held in Oi as a result of the reduction in the number of Oi's outstanding shares following the completion of the Exchange.

(v) This cost of Euro 141 million corresponds to the estimated impact recorded on December 31, 2014 relative to the increase in the stake held in Oi, following the completion of the Exchange, which was deducted from the provision for the Exchange. This amount, net of the effective gain of Euro 131 million

recorded in 2015, as mentioned above, resulted in a total net loss of Euro 10 million recorded in 1Q15, mainly associated with the reduction in Oi's shareholders equity between 4Q14 and 1Q15.

(vi) During the Financial Statements on December 31, 2016, an impairment analysis was carried out by an independent valuer, analysis which resulted in the measurement of the financial investment at its market value, as at June 30, 2016.

(vii) This caption reflects PHAROL's effective share in the earnings and losses of Oi, during the first semester of 2016. The detail of the earnings and losses of Oi that were used for purposes of equity method of accounting are presented below.

The detail of the earnings and losses of Oi that were used for the application of the equity method of accounting, which were adjusted for the purchase price allocation, as well as other adjustments, to conform to PHAROL's accounting policies, are as follows:

	Euro millions			
	1H16	1H15	2Q16	2Q15
Services rendered and sales (i) (ii)	3,216	4,176	1,646	1,992
Operating expenses excluding amortization (i)	2,441	2,995	1,284	1,435
Interconnection (iii)	140	289	56	132
Personnel (iv)	346	374	188	183
Third-party services (v)	769	958	409	476
Grid maintenance service (vi)	243	290	130	147
Rentals and insurance (vii)	525	516	270	241
Other operating income (expenses), net (viii)	417	567	230	255
Operating income excluding amortization	775	1,181	362	557
Depreciation and amortisation	656	753	337	375
Income from operations	119	428	25	183
Financial expenses	310	749	(157)	355
Income before taxes	(191)	(321)	182	(172)
Income taxes	366	(61)	347	(42)
Net income from continuing operations	(557)	(259)	(165)	(130)
Net income from discontinued operations (ix)	0	326	0	336
Net income	(557)	68	(165)	207
Share to non-controlling interests	(34)	2	(41)	16
Net income attributable to controlling interests	(523)	66	(124)	191

PHAROL recorded its share in the earnings of Oi under the equity method of accounting based on its effective stake during the first semester of 2016 corresponding to 27.18% and in the first semester of 2015, corresponding to 22.8% until March 30, 2015 and 27.5% until June 30, 2015.

12. Other non-current assets

The composition of this caption mainly comprises (1) Euro 134.6 million related to the debt securities issued by Rio Forte on June 30, 2016 and December 31, 2015, and (2) Euro 1.4 and 6.4 million related to the value of the Call Option on June 30, 2016 and December 31, 2015, respectively.

13. Accounts Payable

On June 30, 2016 and December 31, 2015 the composition of this caption is as follows:

	Euro	
	30 Jun 2016	31 Dec 2015
Current accounts payable		
Current suppliers	166,383	1,367,580
Others	1,582,589	361,558
	1,748,973	1,729,138

14. Accrued Expenses

On June 30, 2016 and December 31, 2015, the composition of this caption is as follows:

	Euro	
	30 Jun 2016	31 Dec 2015
Supplies and external services (i)	7,488,750	6,118,641
Vacation pay and bonuses	451,437	394,271
Others	10,907	26,684
	7,951,095	6,539,596

15. Provisions

On June 30, 2016 and December 31, 2015, the composition of this caption is as follows:

	Euro	
	30 Jun 2016	31 Dec 2015
Provisions for risks and costs		
Litigation	73,500	73,500
Taxes	2,358	2,358
	75,858	75,858

16. Consolidated Statement of Cash Flows

(a) Payments to suppliers

During the semester of 2016 and 2015, payments to suppliers mainly reflect payments, related to third party suppliers and consultants.

(b) Cash receipts resulting from interest and related income

In the first quarter of 2016 this item includes a tax refund received from the Portuguese Government regarding the municipal tax, tax benefits and international taxation under the tax prior consolidation regime in which the PHAROL was the dominant society.

(c) Dividend payment

In the first semester of 2016, this item includes the amounts spent on the dividend payment of Euro 0.03 per share.

(d) Acquisition of own shares

In the first semester of 2016, this item includes the amounts spent on the acquisition of own shares by PHAROL.

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

On June 30, 2016 and 2015, the composition of this caption is as follows:

	Euro	
	30 Jun 2016	30 jun 2015
Cash	842	5,108
Demand deposits	16,105,910	1,732,017
Time deposits	19,593,570	81,000,000
Other bank deposits	-	2,377,288
	35,700,322	85,114,413

17. Guarantees and financial commitments

As at June 30, 2016 and December 31, 2015, this caption has the following composition:

	Euro	
	30 Jun 2016	31 Dec 2015
Provisions for risks and costs	384,314,678	384,314,678
Litigation	-	12,843,050
	384,314,678	397,157,728

(i) The bank and other guarantees presented to the tax authorities essentially include Euro 378 million 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 of security, thereby, avoids the payment of tax before the appeal decision or attachment of assets in enforcement proceedings. These guarantees were presented by PHAROL as the controlling company of the consolidated tax in the years in question, even though, as at June 30, 2016, the contingencies associated to these guarantees are not the Company's responsibility, having been contractually transferred to Oi.

18. Related parties

a) Associated Companies and Joint Ventures

During the first semester 2016 there were no costs or revenues related to associated companies and joint ventures. In the first semester of 2015, the costs related to associated companies and joint ventures amounted to Euro 681.470.

b) Other

During the periods years ended June 30, 2016 and 2015, the fixed remuneration of the Board members, which was established by the Remuneration Committee, amounted to Euro 0.38 million and 1.4 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 at June 30, 2016 and December 31, 2015, and the transactions occurred in June 30, 2016 and March 31, 2015 between PHAROL and the entities that are identified as shareholders with qualified holding and respective economic groups:

	30 jun 2016		Euro 31 dec 2015	
	Cash and cash equivalents	Accounts payable	Cash and cash equivalents	Accounts payable
Shareholder				
Banco Comercial Português, S.A. (i)	11,699,765	-	10,294,863	-
Novo Banco, S.A.	11,743,078	-	20,755,397	-
	23,442,844	-	31,050,260	-

	30 jun 2016		Euro 30 jun 2015	
	Costs and losses	Net interest income	Costs and losses	Net interest income
Shareholder				
Banco Comercial Português, S.A. (i)	5,973	16,178	-	-
Novo Banco, S.A.	1,083	28,194	570,311	-
	7,055	44,372	570,311	-

i) Transactions are only presented since the date of the start of the qualified holding.

20. Subsequent events

Oi's stock price evolution between June 30 and August 26, 2016 can be found below:

	30.Jun.16	26.Aug.16
Oi ON share price (Reais)	1.95	3.59
Oi PN share price (Reais)	1.32	2.37
Exchange rate Real/Euro	3.59	3.64
Oi ON share price (Euros)	0.54	0.99
Oi PN share price (Euros)	0.37	0.65

STATEMENT OF THE AUDIT COMMITTEE

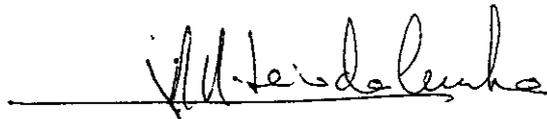
(Free translation from the original version in Portuguese)

(Sub-paragraph c), paragraph 1 of Article 246 of the Portuguese Securities Code)

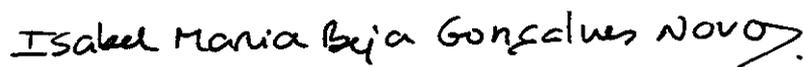
Under the terms and for the purposes of the sub-paragraph c), paragraph 1 of article 246 of the Portuguese Securities Code, the members of the Audit Committee of PHAROL, SGPS S.A. ("PHAROL") states that:

To the best of their knowledge the information provided for in paragraph a) of paragraph 1 of article 246 of the Portuguese Securities Code was drawn up in accordance with the applicable accounting standards, give a true and fair view of the assets and liabilities, financial position and the results of PHAROL and the undertakings included in the consolidation perimeter, and that the interim management report includes a fair review of important events that occurred in the period to which it relates and the impact on the respective financial statements, and a description of the principal risks and uncertainties for the next six months.

Lisbon, August 30, 2016



President: José Maria Rego Ribeiro da Cunha



Members: Isabel Maria Beja Gonçalves Novo



Pedro Miguel Ribeiro de Almeida Fontes Falcão

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