

Informative note

Portugal's Forthcoming Privatisation Plan

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In order to fully comply with the agreement entered into between Portugal, the European Council, the European Central Bank and the International Monetary Fund (the latter three commonly referred as "Troika"), generally designated as Memorandum of Understanding on Specific Economic Policy Conditionality ("MoU"), currently in its 9th revision, the Portuguese Government continues to implement its privatisation programme of several state-owned companies of the energy, water and waste management, communications, insurance, transportation, ship-building and TMT sectors.

The Government will further consider expanding the privatisation programme to include additional companies and assets for sale or concession in 2013 and 2014. However, to this date and according to the information available, the Portuguese Governments' privatisation programme includes the following companies:

ENERGY SECTOR

GALP ENERGIA SGPS, S.A. ("GALP"). GALP is a listed company and the holding company of GALP Group. GALP Group consists of the company Galp and its subsidiary companies, *inter alia*, Petróleos de Portugal - Petrolgal S.A., GDP – Gás de Portugal, SGPS, S.A., Galp Power, SGPS, S.A..

GALP's activities involve the exploration of oil and natural gas, refinery and distribution of oil derivatives, as well as the marketing and sale of natural gas and power generation.

The sale of GALP on the free market has been delayed until market conditions have improved.

REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. ("REN"). REN operates in two major business areas: the transmission in very high voltage electricity and overall technical management of the National Electricity System and the transport of high-pressure natural gas and overall technical management of the National Natural Gas System, guaranteeing the reception, storage and regasification of LNG and underground storage of natural gas. In addition, through the wholly owned subsidiary Enondas – Energia das Ondas, S.A., REN was granted the concession to operate a pilot area for wave energy generation.

REN also operates in the telecommunications business via RENTELECOM, which includes a range of services, such as infrastructure, managed services and consultancy.

REN's operations business abroad are taking their first steps following the entry of strategic international partners such as State Grid and Oman Oil Company S.A.O.C.¹ into the company capital as a result of the privatisation concluded in early 2012.

The sale of the remaining stake in REN on the free market will be carried out in 2014.

WATER AND WASTE MANAGEMENT

ADP - ÁGUAS DE PORTUGAL, S.A. ("ADP"). In water supply and wastewater sanitation, the ADP Group operations comprise the urban water cycle, integrating the water collection, treatment, storage and supply and urban and industrial wastewater collection, treatment and disposal, including its recycling and reuse.

The Government continues to implement the strategy to restructure ADP's water and waste water services with a view to allow its concession and sub-concession.

EGF - EMPRESA GERAL DO FOMENTO, S.A. ("EGF"). EGF is Águas de Portugal Group's sub-holding company responsible for guaranteeing the treatment and recovery of waste within a framework of environmental and economical sustainability.

EGF is active in the area of integrated management of Urban Solid Waste (USW), carrying out selective multi-material collection using waste recycling points strategically placed in built up areas, as well as collection centres set up in organised locations (aiming at the enabling and recovery of recyclable waste), promoting its adequate transportation (direct or backed up by transfer stations), sorting and dispatch and implementing and managing solutions for treatment, final destination and valorisation of USW, in a universe of companies that provide services to more than 60% of the Portuguese population that produce around 3,7 million tons of waste a year.

Recently, the Government amended the law regulating the access of private economic initiative to certain economic activities to allow, *inter alia*, the direct concession of the collection and treatment of urban solid waste in the case of multi municipality systems by the Portuguese State to private companies.

COMMUNICATIONS

CTT – CORREIOS DE PORTUGAL ("CTT"). CTT was granted a concession of the Universal Postal Service, effective until 31 December 2020, and is responsible for the management and operation of the public postal infra-structures, notably to provide mail, services (collection, processing, conveyance and delivery of documents, goods and other postal items domestically and internationally).

CTT is a fully owned State company and amongst its subsidiaries are CTT Expresso (which main activity is urgent courier services) and Payshop (provider of services for the payment of domestic bills, transportation tickets, mobile phones and others).

The privatisation of CTT is currently being launched, with an initial 70% stake, to be sold under an IPO and a direct sale to financial institutions.

¹ Gómez-Acebo & Pombo advised Oman Oil Company S.A.O.C. in the reprivatization of REN.

INSURANCE SECTOR

FIDELIDADE - COMPANHIA DE SEGUROS ("FIDELIDADE"), S.A., MULTICARE - SEGUROS DE SAÚDE, S.A. ("MULTICARE") AND CARES - COMPANHIA DE SEGUROS, S.A. ("CARES"). Caixa Geral de Depósitos Group ("**CGD**") is the major Portuguese banking and insurance group with a leading position in the insurance area in Portugal, operating through several companies in the life and non-life areas. CGD is wholly owned by the Portuguese State.

The Government decided the privatisation of 3 insurance companies ("**Insurance Companies**") wholly owned by Caixa Seguros e Saúde, SGPS, SA ("**Caixa Seguros**"), the holding of the insurance area of the Group: Fidelidade, Multicare and Cares.

Caixa Seguros performs insurance activities through Fidelidade, which is the leading life and non-life insurance market operator in Portugal. Multicare and Cares also operate in the non-life insurance business area, although essentially in reinsurance.

The privatisation will be carried out by Caixa Seguros, through the direct sale to national or foreign investors, up to the total amount of the share capital of the Insurance Companies together with a public offer of Fidelidade's shares exclusively directed to employees of the Insurance Companies.

Furthermore, the transaction may also include a sale of the minority stakes in the Insurance Companies by a public offer to the national market combined with a direct sale to one or more financial institutions that will carry out the subsequent dispersion of the shares with national and foreign investors.

The proceeds from the sale of the Insurance Companies capital revert in full to Caixa Geral de Depósitos, S.A..

The privatisation process is ongoing and non-binding offers have already been received.

AIR TRANSPORTATION

TAP - SGPS, S.A. ("TAP"). TAP is the leading Portuguese airline in operation since 1945, and a member of Star Alliance, since March 2005. TAP's hub in Lisbon is a key European gateway at the crossroads of Africa, North and South America, serving 75 destinations in 34 countries worldwide being the leading airline between Europe and Brazil. On average, TAP currently operates over 2,250 weekly flights with a modern fleet of 55 Airbus aircrafts and 16 aircrafts at the service of PGA, its regional airline.

TAP holding controls the airline company, TAP Portugal, and several other companies, notably the maintenance company TAP Maintenance and Engineering.

TAP's share capital is entirely held by the State-owned holding company Parpública, SGPS, S.A..

The sale of the airline did not go through in early 2013 due to inadequate financial assurances from the final bidder. However, the Government shall continue to monitor market conditions in order to re launch the privatisation process.

RAIL TRANSPORTATION

CP CARGA – LOGÍSTICA E TRANSPORTES FERROVIÁRIOS E MERCADORIAS S.A. (“CP CARGA”). Since its creation in 2009, CP Carga is the second largest rail-based logistics operator in the Iberian Peninsula, running freight operations in Portugal and abroad. The company engages in the most competitive solutions, providing rail transport for a variety of cargo and goods, owning 3000 wagons, many of its own logistics bases and 60 electric and diesel locomotives.

CP Carga is wholly owned by the State-owned company CP Comboios de Portugal, E.P.E..

The privatisation of CP Carga will only occur following the definition of the investments in railroad infrastructures to allow the Portuguese State to benefit from such investments.

PUBLIC TRANSPORTATION IN LISBON AND OPORTO

CARRIS - COMPANHIA CARRIS DE FERRO DE LISBOA S.A. (“CARRIS”). CARRIS is a centenary company of passenger’s public transport for urban surface vehicles (bus, tram and elevators) in Lisbon – founded in 18 September 1872. CARRIS is wholly owned by the Portuguese State.

METROPOLITANO DE LISBOA, E.P.E. (“METRO”). Metro provides a public passenger transport service, in metro mode. METRO is wholly owned by the Portuguese State.

SOCIEDADE DE TRANSPORTES COLECTIVOS DO PORTO, S.A. (“STCP”). STCP provides a public transport service of passengers in the metropolitan area of Porto (AMP), in conjunction with concerted road operators, rail and light rail. The Portuguese State is the sole shareholder of the company.

TRANSTEJO - TRANSPORTES TEJO, S.A. The Transtejo Group operates all waterborne connections in the Lisbon Metropolitan Area.

METRO DO PORTO, S.A. (“METRO DO PORTO”). METRO DO PORTO has been assigned by the Portuguese State the exclusive exploitation of light railway system in the metropolitan area of Oporto. As a result of the concession, METRO DO PORTO is entitled to operate the system and charge the end-user a price for the service provided during the period of the concession, i.e. until 31 December 2048.

According to the 2014 State Budget, the Government will carry out the concession of the operation of the Lisbon and Oporto public transportation following the conclusion of the ongoing restructuring process.

SHIPBUILDING INDUSTRY

ESTALEIROS NAVAIS DE VIANA DO CASTELO, S.A. (“ESTALEIROS DE VIANA”). ESTALEIROS DE VIANA is the major Portuguese shipbuilder in activity since 1944, located in the town of Viana do Castelo, on the Atlantic Coast in the very north of Portugal. It occupies an area of 400.000 sqm and employs 630 people. Since the early years, Estaleiros de Viana has developed its own design which has given it a great capacity to design, build, convert and repair different sophisticated and specialised vessels. So far, the yard has delivered more than 200 vessels including barges, tugboats, ferry boats, fishing vessels, general cargo and bulk carriers, container ships, oil and chemical tankers, LPG’s, cement carriers and war vessels. ESTALEIROS DE VIANA is wholly owned by the State-owned company EMPORDEF – Empresa Portuguesa de Defesa (SGPS) S.A.

On 31 July 2013, the Government has launched the public tender for the subconcession of the lands where the shipyard is located. Martifer, a Portuguese group, was the successful bidder in the tender process and is currently negotiating with the company the terms and conditions of the subconcession agreement.

TMT SECTOR

RTP, RÁDIO E TELEVISÃO DE PORTUGAL, S.A. ("RTP"). RTP commonly known as RTP, is Portugal's public service broadcasting company. It operates four terrestrial television channels and three national radio channels, as well as several satellite and cable offerings. RTP is a state-owned company funded by television advertising, revenues grants and the broadcasting contribution tax, which is included in electricity bills paid by consumers. The sale or concession of a television channel and radio station belonging to RTP has been postponed and its resumption will be subject to the company's ongoing restructuring process and appropriate market conditions.

This communication note was prepared on November, 2013 for information only. Its purpose is to provide a general overview of Portugal's forthcoming privatisation plan. It is not a legal opinion and may not therefore be deemed as legal advice on the specific area covered by it. A proper legal opinion should be sought in respect of any concrete matters.

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