

- INFORMATIVE NOTE -

PRIVATIZATIONS IN PORTUGAL: AN UNIQUE OPPORTUNITY

In an era of change, Portugal seeks new forms of growth and development. At this stage, after years of protectionism interfering in the foreign private investment, new perspectives and measures are being implemented. One of the crucial commitments is the privatization of the State enterprise sector, as well as the abolition of golden shares. Due to the Memorandum of Understanding on specific economic policy conditionality, the “crown jewels” are on sale at a “bargain”.

The majority of the corporations targeted are some of the biggest Portuguese companies with a strong national and international presence. This accelerated sale is planned until 2013 and is irreversible.

The end of special right shares will contribute to the restructuring of sectorial and enterprise strategies. Acceding to external financing, this measure will also contribute to spread the capital amongst small subscribers. There is an overview of all companies:

- I. Portugal Telecom, SGPS – COMMUNICATIONS;
- II. GALP ENERGIA, SGPS, S.A. – ENERGY (OIL AND NATURAL GAS);
- III. Electricidade de Portugal – Energias de Portugal, S.A. – ENERGY (ELECTRICITY AND GAS);
- IV. REN – Redes Energéticas Nacionais, S.A. – ENERGY (ELECTRICITY AND NATURAL GÁS);
- V. Transportes Aéreos Portugueses, SGPS, S.A. – TRANSPORTATION (AIRLINE);

- VI.** CTT – Correios de Portugal, S.A. – COMMUNICATIONS (LOGISTICS);
- VII.** INAPA – Investimentos, Participações e Gestão, S.A. – PAPER INDUSTRY;
- VIII.** CP – Carga, S.A. – TRANSPORTATION (RAILROAD)
- IX.** Caixa Seguros e Saúde, SGPS, S.A. – FINANCIAL (INSURANCE);
- X.** ANA – Aeroportos de Portugal, S.A. – TRANSPORTATION (AVIATION AND AIRPORTS ADMINISTRATION);
- XI.** Edisoft, S.A. – DEFENSE INDUSTRY (SOFTWARE, COMMUNICATIONS, SYSTEMS);
- XII.** EID, S.A. – DEFENSE INDUSTRY (ELECTRONICS, COMMUNICATIONS AND SOFTWARE ENGINEERING);
- XIII.** Empordef – IT – DEFENSE INDUSTRY (PRODUCTS AND SERVICES IN SIMULATION, TRAINING, TESTING SYSTEM AND MAINTENANCE);
- XIV.** Sociedade Eléctrica de Cahora Bassa, S.A. – ENERGY (PRODUCTION OF ELECTRICITY);
- XV.** Sociedade Portuguesa de Empreendimentos, S.P.E., S.A. – MINE INDUSTRY;
- XVI.** EMEF – Empresa de manutenção de Equipamento Ferroviário, S.A. – TRANSPORTATION (RAILWAY TRANSPORTS – REPARATION);
- XVII.** Estaleiros Navais de Viana do Castelo, S.A. – SHIPBUILDING;
- XVIII.** CP – Exploration Lines – TRANSPORTATION;
- XIX.** Águas de Portugal – ENVIRONMENTAL;
- XX.** RTP, Rádio e Televisão de Portugal – COMMUNICATIONS (RADIO AND TELEVISION).

Portugal is experiencing times of implementation of financial and economical policies.

Such policies are addressed to the stability, productivity and growth of the country and are completed with a tax and incentives system aiming to stimulate national and foreign investments as well as to the avoidance of red tape.

On the other hand, workers are embracing flexibility, dynamism and qualification, without neglecting new technologies and innovation.

Allied to one of the lowest in costs production in the EU, Portugal is an access door to Europe, America and Africa where infrastructures, telecommunications and renewable energy sources are well developed.

One shall also take into consideration the existence of a stable political environment, a low crime rate and a low living cost. For all the above mentioned, Portugal is deemed as an attractive target for investment.

	Sectors	Abbreviation (Listed on stock exchange)	Billing (In millions of Euros, 2010)	State Participation
I. Portugal Telecom, SGPS	Communications	PTC.LS	1121.598	6,26%
II. GALP ENERGIA, SGPS, S.A.	Energy (Oil and Natural Gas)	GAL.LS	13.998	8.0%
III. Electricidade De Portugal – Energias de Portugal, S.A.	Energy (Electricity and Gas)	EDP.LS	14.170	25,73%
IV. REN – Redes Energéticas Nacionais, S.A.	Energy (Electricity and Natural Gas)	RENE.LS	4.460	51,08%
V. Transportes Aéreos Portugueses, SGPS, S.A.	Transportation (Airline)	NON EXISTENT	2.180,7	100%
VI. CTT – Correios de Portugal, S.A.	Communications (Logistics)	NON EXISTENT	31.362	100%
VII. INAPA – Investimentos, Participações e Gestão, S.A.	Paper Industry	NON EXISTENT	35.000	32,7%
VIII. CP – Carga, S.A.	Transportation (Railroad)	NON EXISTENT	0.813.300	100%
IX. Caixa Seguros e Saúde, SGPS, S.A.	Financial (Insurance)	NON EXISTENT	13.335	100%
X. ANA – Aeroportos de Portugal, S.A.	Transportation (Aviation and Airports Administration)	NON EXISTENT	17.8	100%
XI. Edisoft, S.A.	Defense Industry (Software, Communications, Systems)	NON EXISTENT	N.A.	60%
XII. EID, S.A.	Defense Industry (Electronics, Communications and Software Engineering)	NON EXISTENT	N.A.	38,57%
XIII. Empordef - IT	Defense Industry (Products and Services in Simulation, Training, Testing System and Maintenance).	NON EXISTENT	N.A.	100%
XIV. Sociedade Eléctrica de Cahora Bassa, S.A.	Energy (Production of Electricity)	NON EXISTENT	N.A.	15,0%
XV. Sociedade Portuguesa de Empreendimentos, S.P.E., S.A.	Mine Industry	NON EXISTENT	N.A.	81,1%
XVI. EMEF – Empresa de Manutenção de Equipamento Ferroviário, S.A.	Transportation (Railway Transports – Reparation, Conceiving)	NON EXISTENT	N.A.	100%
XVII. Estaleiros Navais de Viana do Castelo, S.A.	Shipbuilding	NON EXISTENT	N.A.	100%
XVIII. CP – Exploration Lines	Transportation	NON EXISTENT	N.A.	100%
XIX. Aguas de Portugal	Environmental	NON EXISTENT	724,5	100%
XX. RTP – Rádio e Televisão de Portugal	Communications (Radio and Television)	NON EXISTENT	378,681	100%

I. Portugal Telecom, SGPS, held in 6,26% by the Portuguese State, is known for its internationalization and innovation. With the entrance in the pay-TV business, PT is turning around its residential business, starting from an attacker position and, simultaneously, leveraging its position as a major integrated operator, aiming at offering broad and convergent products and services. In a converging world where individuals increasingly need to contact, communicate and consume seamless data services through all types of devices and everywhere – at their workplace, at home or on the move –, PT's unique skills and ability to offer integrated services are proving to be a true competitive advantage in Portugal.

II. GALP ENERGIA, SGPS, S.A. is an energy company – finding and extracting oil and natural gas from sites across four continents notably Portugal, Spain, Brazil, Angola, Venezuela, Mozambique, Cape Verde, Guinea-Bissau, Swaziland, Gambia, East Timor, Uruguay and Equatorial Guinea and delivering energy to millions of customers every day. The Portuguese State holds 8% of the company. The Galp Energia group consists of the company Galp Energia and its subsidiary companies, among them, Petróleos de Portugal - Petrogal S.A., GDP – Gás de Portugal, SGPS, S.A. and Galp Power, SGPS, S.A. Galp is Portugal's oil and natural gas integrated operator. The activities span from the exploration and production of oil and natural gas to refining and marketing oil products, natural gas marketing and sales and power generation.

III. EDP – Energias de Portugal, S.A. spreads across different continents and countries - the Iberian Peninsula (Portugal and Spain), France, Belgium, Poland, Romania, United States and Brazil. EDP is amongst the major European operators in the energy sector. It is also regarded as one of the largest energy operators of the Iberian Peninsula, the largest Portuguese industrial group and the third largest producer of wind energy in the world. Besides the electricity sector - generation, distribution and trading - EDP also has a significant presence in the gas sector of the Iberian Peninsula. EDP is the only Portuguese company that integrates the Dow Jones Sustainability Indexes (World and STOXX), the world's most demanding ranking, that distinguishes the best performing companies on issues related to transparency, sustainability and

excellence in economic management and social environment. The Portuguese State holds a 25,73% stake.

IV. REN – Redes Energéticas Nacionais, S.A. is held by the Portuguese State in 51,06%. REN's mission is to guarantee the uninterrupted supply of electricity and natural gas at the lowest cost, meeting quality and safety criteria, maintaining the balance between supply and demand in real time, defending the legitimate interests of market agents and reconciling its missions as a system and network operator. REN is engaged in two principal lines of business: electricity transmission, where it owns and operates the RNT (National Transport Network), the only electricity transmission network in mainland Portugal, and natural gas, where REN is engaged in the reception, storage and regasification of LNG, the operation of the national high-pressure gas transmission network, which REN owns and operates under respective concessions and the underground storage of natural gas. As a clear result of the national energy policy in the renewable energy area, the Portuguese State has granted, the concession for the operation of a pilot area for the generation of electricity from wave energy, for a 45 year period. Said concession is set for purposes of generation of electricity from wave energy and was granted to Enondas - Energia das Ondas, S.A., company which share capital is 100% owned by REN.

V. TAP, SGPS, S.A. 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, where TAP stands out as the international leading carrier in flight operations to Brazil. The company's worldwide route network comprises 67 destinations in 31 countries. On average, TAP currently operates over 1,850 weekly flights with a modern fleet of 55 Airbus aircrafts and 16 aircrafts operating in PGA colors, Thus, TAP's regional carrier, ascends to a total of 71 aircrafts in total. In its pursuit of a customer focused policy, TAP continuously accomplish to deliver safe, reliable and upgraded products & services, tailored to meet customers' expectations. Over the last 2 years, TAP has been recognized as the World's Leading Airline to South America at the World Travel Awards, in addition to being distinguished by UNESCO and by the International Union of

Geological Sciences with the IYPE Planet Earth Award 2010, in the category of Most Innovative Sustainable Product. Condé Nast Traveler magazine also announced TAP as the Best Airline Company in the world (April 2010). The Portuguese State holds a 100% share of this company. Group TAP includes TAP Portugal (Airlines), TAPGER (Cargo and services), PGA (Airlines) and Aero-LB.

VI. CTT – Correios de Portugal, S.A. is a multiservice platform aiming to satisfy the needs of citizens and economic players through a sales and logistics network. This company operating in the communication sector has the mission to establish a physical and electronic link among citizens, businesses, public administration and social organizations where logistics are placed at customer's service. The Portuguese State holds 100% of the company.

VII. INAPA – Investimentos, Participações e Gestão, S.A. operates in the paper sector and is present in Portugal, Spain, France, Germany, Belgium, Luxembourg, Switzerland and Angola. The Portuguese State holds 32,7% of this corporation that centers its activity on visual communication, packages and paper. As an European benchmark in the market, INAPA is dedicated to activity to the sale and distribution of paper to the graphic industry, editors, companies and offices. But INAPA also managed to innovate and consolidate its position in new support materials, printing technologies and communication concepts. This company also provides a large range of products and solutions like plastic bags, adhesive, harness, file boxes, pallets and other equipments and materials.

VIII. CP – Carga, S.A. offers logistical solutions to the railroad transportation of goods, containers, bulks, steel, construction materials, forest products and automobiles. This company is completely held by the Portuguese State. CP Carga guarantees a nationwide coverage through the adaptation of its means of transport to each type of material. In accordance with all regulatory requirements, this company provides services to companies from various sectors and is specialized in logistic operations, fitting customer's needs.

IX. Caixa Seguros e Saúde, SGPS, S.A. is the holding of Caixa Geral de Depositos' group for the insurance sector. Held by the Portuguese State in 100%, this company is a prestigious and solid institution in Portugal.

X. ANA – Aeroportos de Portugal, S.A. is made up of a set of businesses in the aviation sector, and as such, its economic base is linked to the evolution in the domain of passenger air travel. Analysis of trends in the civil aviation industry continues to confirm that air travel is a means of transportation in expansion. ANA's corporate structure is composed of five companies where ANA, S.A., the parent, owns equity stakes ranging from 49% in ADA to 100% in Portway. PORTWAY – Handling de Portugal, S.A assists and serves aircrafts on stop-overs at the Portuguese airports, commonly referred to as handling activity. NAER – Novo Aeroporto, S.A. develops the necessary projects for the preparation and execution of those decisions to be taken in the process of planning and launching a new airport on the Portuguese mainland. ANAM - Aeroportos e Navegação Aérea da Madeira, S.A. receives exclusively public funds and was established to study, plan, build and use the airports in the Autonomous Region of Madeira. ADA – Administração de Aeroportos, Lda administrates airports, specifically the Airport of Macao (AIM). The management contract granted to the company for the Airport of Macao is valid for fifteen years, with an option for renewal. FUTURO – Sociedade Gestora de Fundos de Pensões, S.A. is a pension fund management. The Portuguese State holds 100% of ANA

XI. EDISOFT, S. A. is a specialized Portuguese company that offers technologically advanced software solutions and highly qualified IT consulting services to the design, development and integration of critical real-time command, control, communications, computer and intelligence systems, being thus a reference in the national defense industry nucleus. EDISOFT also presents a solid technical and technological expertise in air traffic control systems, networking, information security and the integration of strategic collective security systems dedicated to the professional emergency and civil protection sector. EDISOFT also holds a profound knowledge in the development of integrated business solutions within the banking, civil service, telecommunications and logistic areas, and in the definition of decisional solutions based on geographical information systems, as well as a broad experience in international research and development projects in the space field of expertise. The

Portuguese State holds a 60% share. With tax identification number 502035447, EDISOFT is a public limited liability company (S.A.) with a registered office in Quinta dos Medronheiros-Lazarim, 2800 Almada. EDISOFT also presents a solid technical and technological expertise in air traffic control systems, networking, information security and the integration of strategic collective security systems dedicated to the professional emergency and civil protection sector. EDISOFT also holds a profound knowledge in the development of integrated business solutions within the banking, civil service, telecommunications and logistic areas, and in the definition of decisional solutions based on geographical information systems. Established in 1988, EDISOFT operate namely in Defense and Security, Space Systems, Integrated Business Solutions and Geospatial Infrastructures. Present in international markets, this company is specialist in the development of Software Engineering systems and solutions and in the provision of IT consultancy services, with a special emphasis in Real Time Systems. The research and development projects that have contributed to EDISOFT's reputation are: Telemil, Cincat, Dafusa, DaVinci, Esteem, Cash, Eumetsat Landsaf, PPF, Sanaris, Polaris, Egnos, Rims, Egnos – CPF, Galileo Phase B2, Gala, USE-ME.GOV.

The Primary Markets of EDISOFT are: Air Forces of (Portugal, Germany, France,, Greece, Turkey, Netherlands, Poland, Emirates, Venezuela, South Korea, Pakistan, Bangladesh, Malaysia) and companies (ANACOM, CTT, MITLECOM, ANA, S.A., NAV, E.P., Thales Group, Eurocopter, V.Castelo Naval Shipyards, Turbomeca, Meteorological Institute, Alcatel, Rolls-Royce, MTU, Alenia, ASTRIUM, ESA, EUMETSAT, European Commission, NATO).

- Certifications & Credentials: CMM (level 3); NPENISO 9001:95; COTEC Innovative SMEs Network; NATO Secret; EU Secret; NATIONAL Secret; Armament Commerce and Industry Authorization.

XII. EID, S.A. is one of the leading high-tech industries in Portugal, with a proven record and solid know-how in the fields of electronics, communications and software engineering. EID designs, manufactures and supplies advanced, high performance equipment and systems, mainly for the worldwide defense community as in the case of naval communications, tactical radio systems, vehicular intercom, tactical networks, field telephone systems, military messaging and systems integration. EID is active in multiple countries worldwide, with customers in Europe, Africa, South America, Middle East and Asia. The State's share in this company is of 38%. With tax identification

number 501400699, EID is a public limited liability company (S.A.) with a registered office in Quinta dos Medronheiros - Lazarim, 2825 Monte da Caparica, Almada, Setúbal.

From the organizational standpoint, EID has a simple and flexible structure, allowing a fast and efficient response to market demands and challenges.

The structure is based on Business Units, each one having the required competences to promote business development and implementation in its specific field of activity. Such valences include technical and technological skills, enabling the development of new products and solutions tailored to meet customer and market requirements. The subsequent phases, from sales to commissioning and servicing, are also under Business Units responsibility. Therefore a single, clear interface with the customer is established, covering not only the technical aspects but also the commercial and contractual ones. An efficient, internal communication network enforces synergies amongst the business units, broadening the field of application of the competences of each one towards the implementation of comprehensive solutions.

The organization also encompasses specific staff departments that perform administrative, finance, personnel, in-house information system support, quality management and marketing tasks. The company is managed by an executive committee composed by 3 members (each one a board member, appointed within the board of directors by each of the main shareholders). Striving to achieve excellence in these domains, EID has supplied numerous systems and equipment over the years, both at home and abroad. In fact, the export business is a significant share of the company turnover, thanks to the state-of-the-art technology and innovative character of EID products.

Besides the Portuguese Armed Forces, EID main customers are the following: Spanish, Dutch, UK, Australian and Brazilian navies; Malaysian, Egyptian, Bangladesh and Pakistani armies; Portuguese Ministry of Foreign Affairs; Portuguese harbor authorities; Viana do Castelo, Navantia, INACE, HDW and Palindo Marine shipyards; General Dynamics Land Systems and Rohde & Schwarz.

XIII. EMPORDEF-IT is a company specialized in providing products and services in simulation, training, testing system and support maintenance areas. This company that is 100% State property currently operates in National and International Defense Markets and is a reference in providing simulation solutions and services to the

Portuguese Air Force. This company is specialized in providing products and services in simulation, training, testing system and support maintenance areas. With tax identification number 502865695, EMPORDEF is a public limited liability company (S.A.) with a registered office in Parque Empresarial Geral Lazarim, Rua Quinta dos Medronheiros, 2825-027 Setúbal, Almada.

- Competences: (i) Modeling & Simulation; (ii) Systems Engineering; (iii) Software Architecture & Engineering; (iv) Real Time Programming; (v) Human Machine Interface (HMI); (vi) Distributed Architecture; (vii) Scenario Generation; (viii) Content Design; (ix) Visual Simulation.
- Certifications: (i) NP ISO 9001: 2008; (ii) AQAP 2110 (Under Process); (iii) AQAP 2210 (Under Process); (iv) EASA Qualifiable STD's; (v) Simbox Certified Organization (SIMCO)
- Security Credentials: (i) NATO Secret; (ii) EU Secret; (iii) National Secret; (iv) Po MoD Military Equipment Production and Sales Clearance.

XIV. Hidroeléctrica de Cahora Bassa, S.A. operates in the energy sector and is held by the Portuguese State in 15%. The dam is located in the Zambezi River and is the largest producer of electricity in Mozambique supplying the latter (with 250 MW) but also other countries such as South Africa (with 1100 MW) and Zimbabwe (with 400 MW).

XV. SOCIEDADE PORTUGUESA DE EMPREENDIMENTOS, S.P.E., S.A. is held by the Portuguese State in 81,1%. This company operates in the areas of metals, mines and geology and is present all around Portugal including Açores, Aveiro, Beja, Braga, Bragança, Castelo Branco, Coimbra, Évora, Faro, Guarda, Leiria, Lisboa, Madeira, Portalegre, Porto, Santarém, Setúbal, Viana do Castelo, Vila Real and Viseu.

XVI. EMEF – Empresa de Manutenção de Equipamento Ferroviário, S.A. is connected to the railway transports sector and develops its activity by repairing, rehabilitating, commissioning, conceiving, testing, manufacturing, innovating and

carrying out corrections and preventive maintenance. The Portuguese State holds 100% of this company

XVII. Estaleiros Navais de Viana do Castelo, S.A. is a medium sized Shipyard company in activity since 1944, located in the town of Viana do Castelo, on the Atlantic Coast in the very north of Portugal. Occupying an area of 400.000 sqm and employing 700 people, it is the major Portuguese shipbuilder. Since the early years Viana shipyard has developed its own design, so, at the present time, it has a great capacity to design, build, convert and repair different sophisticated and specialized ships. 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. The Portuguese State holds 100% of the company.

XVIII. Comboios de Portugal – exploration lines is fully held by the Portuguese State and the object of the company is the exploration, maintenance and management of train lines. The granting of its exploration to privates is also expected to take place between 2011 and 2013.

XIX. ADP - ÁGUAS DE PORTUGAL, SGPS S.A. is held by the Portuguese State in 100%. Aguas de Portugal is a leading group operating in the environmental sector in Portugal and its mission is to the pursuit of national objectives in water supply, wastewater sanitation and treatment and recovery of waste. Its goal is to protect and value the environment: the activities of group's companies include water collection, treatment, storage and supply; collection, treatment and disposal of urban and industrial wastewater, including its recycling and reuse; and waste treatment and recovery.

XX. RTP, Rádio e Televisão de Portugal, S.A. Rádio e Televisão de Portugal, S.A., 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 corporation funded by television advertising revenues grants, and the broadcasting contribution tax, which is included in electricity bills paid by consumers.

Our expertise: Do it the right and the efficient way

The abolition of “golden shares” will represent a challenge for Portuguese law firms. Knowledge, credibility and competence are essential in mergers and acquisitions area. However, a deep understanding and mastery in the different fields of activity of privatized companies with an international component is also required

Franco Caiado Guerreiro is specialized in M&A and has experienced, trained and updated lawyers. Present in different countries, FCG is also better known in areas such as: Corporate and Commercial Law, Banking and Financial Law, Tax and Fund law, Labour and Social Security Law, Real Estate and Intellectual Property, as well as the areas of internet, Telecommunications and IT Law. Ranked by “Legal 500” and “Chambers and Partners” directories among Portugal’s leading law firms, FCG aims to provide a professional and dedicated service of the highest quality combining technical excellence with commercial understanding and a pragmatic, constructive analysis pushing boundaries and seeking innovative approaches.

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The content of this information does not constitute legal advice and should not be relied on in that way. Specific advice should be sought about your specific circumstances. If you have any question on a matter of Portuguese law, please contact us directly.