

Portuguese privatisations finally nearing market

Law firms being appointed to complete sales as the Government continues to announce new austerity measures

Leading Lisbon law firm Morais Leitão Galvão Teles Soares da Silva (MLGTS) has been selected as the Government's adviser in the sale of its stake in domestic utility Energias de Portugal (EdP), as the country's privatisation programme moves up a gear.

MLGTS was appointed after a consultation exercise but there would have been surprise had MLGTS not won the mandate, suggest some.

The firm has been a longstanding adviser to EdP having advised on the €1.6bn IPO of its renewable business EdP Renováveis in June 2008, and last year represented the Government in the proceedings brought against it by the European Court of Justice over the retention of its "golden shares" in the company.

The form of the sale of the State's holding has yet to be decided, but lawyers close to the process state that in such a buyers' market it will inevitably be looking to maximise the revenues generated. The Government is under pressure to complete deals by the end of the year and to raise over €5.5bn by 2013.

Firms including Linklaters, Campos Ferreira Sá Carneiro, PLMJ, Serra Lopes Cortes Martins and Uría Menéndez - Proença de Carvalho are already reported to be involved in due diligence for potential bidders or acquirers of EdP shareholdings.

Under the terms of the €78bn financial assistance package being offered to Portugal by the "Troika" of the European Union (EU), European Central Bank (ECB) and International Monetary Fund (IMF), the Government has been forced to accelerate its planned privatisation programme.

Alongside EdP, it is progressing the sale of stakes in Galp, the electricity network REN (to which MLGTS is already an adviser) and Portugal Telecom. Airlines including Brazil's TAM and British Airways/Iberia have been linked to the sale of state operator TAP, while also progressing are plans for the privatisation of the country's airports operator ANA (Aerportos de Portugal).

TAP is also looking to sell its ground handling

subsidiary Ground Force, while ANA is looking to restructure and sell its comparable operation Portway.

To date, only MLGTS has been publicly announced as a favoured adviser, although all Lisbon's leading law firms are known to be playing significant roles in various aspects of the process.

Cuatrecasas Gonçalves Pereira notably advised on the €40m sale of nationalised bank Banco Português de Negócios (BPN) to the local arm of Angolan Banco BIC - advised by PLMJ - in a deal that also reportedly included significant Government guarantees to protect BIC from potential future losses.

Such developments come as many in the market suggest that the coming year will be among the most difficult for the Portuguese economy.

Popular protests have grown in frequency against the austerity measures being introduced by the Government, which include changes to personal tax and VAT, labour and employment legislation, and the structure of the public administration and justice systems.

Portuguese Prime Minister Pedro Passos Coelho has also now announced additional tax-raising measures targeted at companies with annual profits exceeding €10m, which will have to pay an additional tax of at least five percent in 2012. This follows the 2.5 percent tax announced before the bailout was agreed in May on businesses with yearly profits of more than €2m.

Lawyers are keen to emphasise however that the challenge facing Portugal is not overcoming systematic failure but one of tax-raising efficiency and competitiveness, in contrast to the structural issues experienced in Greece and Ireland.

The Government is actually going beyond what is expected of it under the terms of the financial package.

"The Troika has been pleased with the progress already made and we are confident that by the end of the financial adjustment programme Portugal will be able to return to the markets. There is light at the end of the tunnel," says Diogo Perestrelo, co-Managing Partner of Cuatrecasas in Lisbon.

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