

Over one year has passed since the execution of the Memorandum of Understanding on specific economic policy conditionality, entered into by and between the Portuguese State, the European Council, the European Central Bank and the International Monetary Fund, and that triggered the acceleration of the privatisation program envisaged by the Government.

After the privatisations of EDP and REN stole the spotlight at the start of the program, it is now time to refocus and have a closer look at the most relevant companies in the privatisation pipeline for the second semester of 2012 and beginning of 2013.

ANA - Aeroportos de Portugal, S.A.
("ANA")

Sector: Air Transportation

ANA has been granted the concession over the public airport service supporting civilian aviation in Portugal and is in charge of managing Portuguese airport infrastructures (which currently comprise airports in Lisbon, Porto, Faro, Ponta Delgada, Santa Maria, Horta and Flores).

The share capital of ANA is currently of € 200,000,000, being fully held by the Portuguese State (68,56% of it is held by the Portuguese State holding Parpública, SGPS, S.A.).

Among ANA's subsidiaries are ANAM - Aeroportos da Madeira, S.A., the company which is managing the Madeira airport at Funchal, and Portway – Handling de Portugal, S.A., the handling company currently operating in the Lisbon, Porto, Faro and Funchal airports.

Initially expected to be implemented during 2011, the privatisation of ANA is now lined up for completion until the end of 2012. Selection of the winning bid will not only be based on the revenues arising thereof to the Portuguese State, but also on the awarding of a business model presented by the bidder which evidences a strategic positioning in line with national interests, within the context of economic development in conjunction with other stakeholders (so as to ensure the reputed management of airports at an international level).



The privatisation process and tender requirements are expected to safeguard the particular characteristics inherent to each airport and the contribution they provide to local economic growth and development. Tender requirements should also stipulate the execution by the winning bidder of an investment plan for the modernisation of the airports managed by ANA, with a view to increase security, as well as ease operation and capacity restrictions, therefore subsequently increasing efficiency and traffic capabilities.

ANA's privatisation process is to be articulated with TAP's one, so as to ensure alignment of the strategies of both companies, in particular in what concerns maintenance and development of the Lisbon hub, including profiting with strategic routes for the Portuguese economy, such as Europe, South America and Africa.

TAP, SGPS, S.A.
("TAP")

Sector: Air Transportation

TAP holding controls not only the airline company TAP Portugal, but also, inter alia, the handling operator Groundforce Portugal (SPdH, S.A.), and the Brazilian maintenance company TAP Manutenção e Engenharia, S.A.

With a share capital of € 15,000,000, TAP is wholly held by the State-owned holding Parpública, SGPS, S.A.

TAP's subsidiary TAP Portugal is the leading Portuguese airline in operation since 1945, and a member of Star Alliance since March 2005, having its hub in Lisbon. This hub is considered to be a key European gateway at the crossroads of Africa, North and South America. TAP Portugal stands out as the international leading carrier in flight operations to Brazil, and has been elected by the World Travel Awards as the world's best airline to South America for three consecutive years. TAP Portugal was also voted by Global Traveler as the best European airline in 2011. With a worldwide route network comprising 75 destinations in 34 countries, TAP Portugal currently operates an average of over 2,250 weekly flights with a fleet of 71 aircrafts in total.

Contrary to initial estimates, the privatisation of TAP was not implemented during 2011, so the Portuguese Government is now aiming for completion until December 2012.

Further to the proceeds resulting from the sale of TAP, its privatisation tender requirements are expected to stipulate and value a business model in line with the national interest of retaining an air company with Portuguese flag. Required business model is also expected to maintain the connections between the Portuguese



mainland and the Azores and Madeira regions, maintain and develop a Portuguese hub, as well as develop international routes to Europe, Brazil, Africa and the Middle and Far East, thus contributing to reinforce the importance of these markets for the Portuguese economy. These factors are expected to be considered critical for the selection of a strategic partner for TAP.

CP Carga – Logística e Transportes Ferroviários de Mercadorias, S.A.
("CP Carga")

Sector: Rail Transportation

CP Carga is a rail-based logistic operator which carries out its activity mostly in the Iberian Peninsula, being the leader of cargo rail transportation in Portugal and the second largest rail-based logistic operator in the Iberian Peninsula.

CP Carga has a share capital of € 5,000,000 and is fully held by the State-owned company CP Comboios de Portugal, E.P.E.

Providing transportation services for a wide range of products and materials, CP Carga operates out of 3 main rail freight terminals and 9 smaller terminals, using 60 electric and diesel locomotives. Its fleet has been scaled to carry different kinds of goods, guaranteeing domestic and international coverage.

CP Carga provides turn-key services and complete logistic solutions for the rail transport of large-volume goods, including swap-bodies or containers, bulk cargo, steel products, building materials, forest products or vehicles.

The privatisation of CP Carga is expected to be launched by mid-2012. Criteria for the selection of the winning bidder will give priority to a strategic partner which makes CP Carga economically feasible within a competitive environment, and that upscales the company's operation scope in the national, Iberian and European markets.

CTT – Correios de Portugal
("CTT")

Sector: Communications

CTT is in charge of establishing, managing and exploiting public postal service infra-structures, as well as carrying out ancillary and subsidiary activities such as the sale of goods and the rendering of services deemed convenient or compatible with the management of public postal services (including the rendering of certain financial services).

Among its subsidiaries are CTT Expresso (specialized in urgent courier services), as well as Payshop (providing services for the



payment of domestic bills, transportation tickets, mobile phones and other).

CTT has a share capital of € 87,325,000, which is fully owned by the State. The privatisation of CTT is expected to be launched in the second half of 2012 and completed in early 2013.

Galp Energia, SGPS, S.A.
("Galp Energia")

Sector: Energy

Galp Energia, a listed company, is the holding of the only Portuguese oil and natural gas operator. Its activities span from exploration and production of oil and natural gas to refining and marketing of oil products (which are predominantly marketed in the Iberian Peninsula by its own network), marketing and sale of natural gas and power generation.

Galp Energia's activities expand worldwide and are predominantly located in Portugal, Spain, Brazil, Angola, Venezuela, Mozambique, Cape Verde, Guinea-Bissau, Swaziland, Gambia, East Timor, Uruguay and Equatorial Guinea.

With a share capital of € 829,250,635, approximately 8% of Galp Energia is held by the State (7% via its holding Parpública, SGPS, S.A. and 1% by the State held bank Caixa Geral de Depósitos).

At least the 7% of Galp Energia held by Parpública, SGPS, S.A. are expected to be sold on the free market as soon as market conditions improve.

Caixa Seguros e Saúde, SGPS, S.A.
("Caixa Seguros")

Sector: Insurance

Holding for the State's insurance sector fully owned by the bank Caixa Geral de Depósitos.

Among its subsidiaries are Companhia de Seguros Fidelidade Mundial (dedicated to technical life and non-life insurance policies), as well as Império Bonança, Companhia de Seguros (purposed for insuring several professional activities) and Via Directa – Companhia de Seguros (holder of the trademark "OK! Teleseguros" and operating in the sale of insurance policies via phone and internet).

Another relevant subsidiary is HPP - Hospitais Privados de Portugal, SGPS, S.A., further detailed below (as it is expected to be carved-out prior to the sale of Caixa Seguros). Caixa Seguros, which has a share capital of € 448,400,000, is expected to be directly sold by Caixa Geral de Depósitos still during 2012.



HPP - Hospitais Privados de Portugal, SGPS, S.A.
("HPP")

Sector: Healthcare

HPP is a holding held by Caixa Seguros and one of the three largest private healthcare operators in Portugal. It owns 5 private hospitals in Portugal (1 in the Lisbon area, 2 in the Porto area and 2 in the Algarve) and operates 1 in a public-private partnership in Cascais.

HPP has a share capital of € 32,333,333 and is expected to be carved-out of Caixa Seguros prior to the sale of the latter. HPP's assets are said to be evaluated in approximately 150 million Euros; in 2011 the consolidated operational turnover of HPP reached a total of 187 million Euros.

The most suitable sale model for HPP is currently under analysis, but sale of the holding should be preferred over the individual sale of each relevant asset (although at this stage separate offers for the Cascais hospital are being admitted).

Caixa Seguros is in the process of receiving non-binding offers from potential buyers, and a short-list of bidders should be closed during the beginning of June with a view to complete the sale still this Summer.

Other

Further to other companies already identified as suitable for privatisation, the envisaged program appears to be broadening its scope with some attractive additions being lined up for 2013:

- The Portuguese State is considering the partial sale of RTP - Rádio e Televisão de Portugal, the public TV and radio concessionaire.
- AdP - Águas de Portugal, SGPS, S.A. is also being considered for privatisation, this being a holding participating in a vast number of companies operating in water supply (through companies set up in partnership with Portuguese municipalities), wastewater sanitation and waste treatment and recovery.
- The Portuguese State is also considering the sale of concessions for public transport operators in Lisbon and Porto, upon completion of the restructuring procedure currently underway targeting relevant local public transportation companies.