



SUMMARY

The Portuguese Government approved the new tender specifications for the privatisation of TAP, the Portuguese flagship airline company, by means of direct sale. Although the tender comprises only 61% of TAP shares, the Portuguese State will hold a put option for two years regarding the remaining stake.

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Privatisation of TAP relaunched

Following a failed attempt to privatise the Portuguese flagship airline company, TAP – Transportes Aéreos Portugueses, S.A. (**TAP SA**), in 2014, the Government relaunched the privatisation by Decree-Law no. 181-A/2014, of 24 of December 2014, which approved a new privation procedure, including:

- A direct sale of up to 61% of the share capital of the holding company, TAP SGPS, S.A. (**TAP**); and
- An offer of up to 5% of the TAP shares to TAP employees.

Under the new privatisation procedure the Portuguese State will hold a put option in respect of the remaining shares held by it for a period of two years after the privatisation.

Following the agreement reached with the TAP trade unions, which prevented strikes in the Christmas season, the Government has approved the new tender specifications for the privatisation of TAP and the conditions of the offer of the shares to TAP employees under Council of Ministers Resolution no. 4-A/2015, of 20 January 2015.

According to the new privatisation tender specifications, the privatisation will be opened to national and international investors, which may bid individually or in consortia. The selection of the winning bid will include, among other criteria, the following:

- Improvement of TAP's economic and financial structure;
- Share purchase price;
- Capacity to assure TAP's public services obligations; and
- Technical and management expertise in the air transportation sector.

The binding offer must include a financial binding offer, a technical binding offer and documentation and legal and economic information regarding the bidder.

The financial binding offer must include:

- Bid stating the number of shares the bidder undertakes to buy and the proposed price;
- Proposed capitalisation plan for TAP and TAP SA; and
- Strategy to ensure compliance with TAP SA's legal framework and its status as EU airline operator.

The shares will be subject to a lock-up period of five years. After that period the Portuguese State will have a right of first refusal in any resale of TAP shares acquired by the winning bidder.

In general, the new privatisation conditions are more favourable to potential investors and the procedure is expected to be more flexible, which could attract more bidders.

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