

PORTUGUESE GOVERNMENT LAUNCHES TAP PRIVATISATION PROCESS

SUMMARY

The Portuguese government has initiated the privatisation of the national airline carrier, TAP, through the sale of up to 49.9% of TAP's share capital, 44.9% to a strategic investor and up to 5% to employees, while ensuring State majority ownership.

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The Portuguese government kicks off the privatization of TAP – Transportes Aéreos Portugueses, SA (TAP), Portugal's flag carrier, with the publication of Decree-Law No. 92/2025.

Under Decree-Law No. 92/2025, the Government has authorised the sale of up to 49.9% of TAP's share capital, ensuring that the State retains at least 50.1%.

The minority stake will be split between a strategic investor (or consortium of investors), who will acquire up to 44.9%, and up and the TAP Group employees, who will have the option to acquire up to 5%. If the employees do not acquire the full 5%, the remaining shares will be sold to the selected investor.

The primary objectives of TAP's reprivatization include maximising the recovery of public funds invested in TAP, enhancing the airline's brand and market position, and ensuring connectivity to key destinations, particularly those with historical, cultural, and social ties to Portugal.

Potential investors must satisfy certain participation requirements, including fit and proper status, financial capacity, certified air operator status, size, and any other specific conditions that the Council of Ministers may establish in the tender documents (*caderno de encargos*).

The sale process should include the following stages:

- **Expression of interest:** interested parties must submit their expression of interest within the timeframe specified in the tender documents;
- **Screening:** the Government will assess whether the interested parties meet the participation requirements;
- **Non-binding proposals:** interested parties will submit indicative (non-binding) offers, after which selected bidders may be invited to submit binding proposals;
- **Binding proposals:** selected bidders will submit binding offers, following which the contract will be awarded or the bidders may be invited to a negotiation phase (if applicable); and
- **Negotiation:** the Government will negotiate with the selected bidders, who will be asked to submit their best and final binding offers.

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Proposals (both non-binding and binding) will be evaluated according to the following criteria, among others which may be further specified in the tender documents to be approved by the Council of Ministers:

- **Financial proposal:** including, among other required elements, the price offered for the TAP shares;
- **Technical proposal:** including an industrial plan and strategic project aligned with the reprivatization objectives, in particular ensuring that TAP's headquarters and main establishment remain in Portugal, and that strategic routes are maintained;
- **Legal and financial standing:** absence of any legal or financial constraints that could hinder completion of the transaction within the required timeframe, affect the payment terms, or compromise conditions safeguarding the State's interests; and
- **Labour commitments:** including compliance with workers' rights and existing collective bargaining agreements.

Decree-Law No. 92/2025 includes additional safeguards to protect public interests, such as a potential five-year lock-up period for shares sold to the investor, preventing immediate resale or encumbrance. A 90-day lock-up period may also apply to the shares acquired by the employees.

Additionally, both the State and the investor will retain rights over future sales of TAP shares and the investor will have a tag along right in sales carried out by the State.

To regulate these rights and the investor's rights in the management of TAP, the State and the investor will enter into a shareholders' agreement.

TAP privatization decree also addresses the future of TAP's real estate assets near Humberto Delgado Airport. Given plans to eventually close this airport upon the opening of the Luís de Camões Airport, the State may retain these assets in the public sphere post-reprivatisation for independent valuation and development. This decision could have implications for companies or investors interested in real estate opportunities in the real estate market.

The reprivatisation is expected to provide TAP with the tools and scale needed to compete more effectively in the global aviation market, potentially leading to increased passenger traffic. This operation is closely tied to broader infrastructure projects in Portugal, such as the new Lisbon Airport, the high-speed train links and the third Tagus crossing.

The approval of TAP's privatization decree marks the beginning of a transformative chapter in TAP's history, seeking to ensure its long-term competitiveness in global aviation while safeguarding Portugal's strategic interests. The Government is expected to approve the tender documents in the coming days.

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