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The Portuguese government is set to privatise the country's remaining crown jewels, providing work for lawyers in a tough year

This time last year Portuguese lawyers were bracing themselves for turmoil, and turmoil duly arrived, with the country one of the hardest-hit jurisdictions in the ongoing eurozone crisis.

Pedro Cassiano Santos

The Portuguese economy is expected to contract by 3 per cent in 2012 and the country has been forced to accelerate its privatisation programme as a result of the terms of the €78bn (£64.8bn) financial aid package provided by the European Commission, the European Central Bank and the IMF. Stakes in Galp Energia, Portugal Telecom and the country's airport operator Aeroportos de Portugal are all due to be privatised.

Privatisations on parade

"Portugal's privatising some of the last jewels in the crown," says PLMJ managing partner Luís Sáragga Leal. "We've been involved in the major privatisations here and will also be involved in 2012."

"That's something that will hopefully keep us busy," says **Vieira de Almeida & Associados (VdA)** head of international relations **Nuno Castelão**. "The privatisation programme's comprehensive. It goes from the energy sector to the media sector."

The two most high-profile privatisations are those of Energias de Portugal (EdP) and national power grid Redes Energéticas Nacionais (REN). EdP operates in the area of electricity generation, supply and distribution, as well as the supply and distribution of gas. Along with Portugal, the organisation is present in Spain, France, Belgium, Poland, Romania, Brazil and the US.

China Three Gorges Corporation, a developer of hydropower projects, acquired a 21 per cent stake in EdP in December 2011 for approximately $3.5bn. Skadden Arps Slate Meagher & Flom advised China Three on that deal.

Public interest

EdP launched a public offer of bonds in late 2011 amounting to €200m, which was placed entirely with Portuguese domestic retail investors and was oversubscribed by

138 per cent. EdP's bond issue was placed through a public distribution offer opened for subscription by any retail investor in Portugal.

On the legal side, Morais Leitão Galvão Teles Soares da Silva advised EdP as the issuer, with VdA assisting the dealers.

This was the second time EdP issued bonds in 2011 and the first time a public distribution offer of bonds was conducted in Portugal in more than a decade.

"Portuguese issuers may resort to direct offers of this type as a means of attracting private investment from the general public, even when they don't belong to the financial sector," says VdA partner **Pedro Cassiano Santos**, who led on the transaction. "Also, from the investors' point of view - whether qualified or not - this is an alternative - solution for placing their savings and diversifying risk exposure that certainly merits being considered."

It is now thought that the move to privatise EdP may be followed by the State Grid - Corporation of China taking a stake in REN. As much as 40 per cent of shares will be sold under the plans for REN, and bidders must present proposals to buy between 5 and 25 per cent. State Grid is keen to buy a 25 per cent stake in REN and estimates suggest the power provider is offering more than €3 a share.

It is anticipated that the Portuguese government may allow for further Chinese investments in key sectors of the local economy, including banking, telecommunications and transport.

"We saw that in 2011 certain areas continued to be quite busy - for example privatisations," points out Uría Menéndez partner Duarte Garin. "But it's not going to make for a great year. At the end of the day, it's limited work."

Interest from abroad

It is likely, however, that interest in Portugal from international sources will continue.

Stirling Square Capital Partners, the pan-European private equity firm focused on transformational cross-border transactions, has announced a €40m growth capital investment into Portugal-based Omni Helicopters International.

Based in Lisbon, Omni owns a fleet of medium- and heavy-lift helicopters servicing the oil and gas industry and emergency medical transportation services. The fleet is operated by its Brazilian affiliate Omni Taxi Aéreo, Brazil's second-largest oil and gas helicopter service provider.

VdA was the legal adviser on Portuguese law, while Pinheiro Neto Advogados assisted on the Brazilian side. The transaction is testament to the economic activity taking place between the two Portuguese-speaking countries and the capacity of Brazil to boost Portugal's economy.

Into links

With Portugal's financial woes ongoing, it is little wonder that some firms have turned to international networks in a bid to strengthen their footholds and secure work. Autumn 2011 saw 14-partner Portuguese firm Rui Pena Arnaut & Associados (RPA) sign up to the CMS network. Following a decision by CMS's executive committee, the local outfit is now known as CMS Rui Pena & Arnaut (CMS RPA).

"Since 1964 we've been building a strong brand in the Portuguese market," says José Luís Arnaut, founding partner of RPA. "Joining CMS means we can build on that work and on reinforcing our Iberian strategy while overnight becoming a European powerhouse."

In addition, PLMJ has just joined the World Law Group, an alliance of 51 independent firms with nearly 15,000 lawyers operating in 275 business centres around the world.

s far as the World Law Group is concerned, Portugal, despite its current economic difficulties, is a transit centre for much of the foreign investment and other business flowing between lusophone countries.

"A global economy presents fresh challenges to independent law firms required to guarantee efficient and specialised legal services in an increasing number of remote jurisdictions where their clients operate," stresses PLMJ's Sáragga Leal.

Early 2011 also saw the start of an exclusive agreement between Portugal's Azevedo Neves Benjamim Mendes Carvalho & Associados and DLA Piper after months of talks. The former gains an exclusive referral relationship with DLA Piper, with both firms using the tie-up to boost their operations in lusophone Africa.

Strait expectations

It goes without saying that these are tough times for Portuguese firms.

"2011, as expected, was a difficult year," says Garin. "We were accustomed to rates of growth in the firm of around double digits, but basically we were repeating [the 2010 figures].

"And we're looking to 2012 with some concern - firms are competing for prime work and lowering their fees in a significant way."

Across the board, however, there are glimmers of hope.

"2011 was actually reasonably good," says Macedo Vitorino & Associados founding partner António de Macedo Vitorino. "We're expecting an increase in sales of some 5-10 per cent. We've also increased productivity. Portugal-originated work has declined by some 20 per cent. When we go to lunch with a client now, we pay. Traditional corporate clients are much keener to control costs than they were a couple of years ago."

Over at Abreu Advogados, the firm started 2011 with a conservative budget, but ended the year with an increase in turnover of 10 per cent. Average profit per partner also -

increased and managing partner Miguel Castro Pereira says debtor days decreased from 130 to 110.

Broad appeal

Portugal's economic climate has encouraged Abreu to develop other service areas. The firm has created a mass litigation team that addresses the concerns of its largest clients, such as banks, and optimises resources allocated to particular cases. The team accounts for 8 per cent of the firm's turnover.

"It's a source of income and provides us with continuous cashflow - for us it's quite interesting to have this model," says Castro Pereira.

In addition, Abreu has established a private notary service for land assets, while SRS Legal is starting to dabble in sports law.

"On the domestic front 2012 will be more of what we saw in 2011, but more demanding and harsher," predicts Cassiano Santos at VdA. "We'll endure the first semester for sure."

"Hopefully 2012 will mean that Portugal won't be like a casino anymore," Séragga Leal reflects. "People have been betting against indexes rather than trade."

"One thing is clear," stresses Castelão. "We'll have to work harder than ever to achieve our goals."

Bailout blues

Portugal's recent €78bn (£65bn) bailout was heralded for some time, and for the country's legal community came on top of a tough 2011. A number of privatisations could fill the gap left by a stagnant transactional market, but the coming year is still likely to be harsh.

Portugal's privatisations

Portugal's bailout by the EU, IMF and European Central Bank requires the government to privatise or part-privatise a number of companies.

Energias de Portugal (EDP)

Portugal's government has been privatising EDP for some time, with the most recent move being the December 2011 sale of 21.35 per cent of the company to China Three Gorges from state holding company Parpública.

Redes Energéticas Nacionais (REN)

The State Grid Corporation of China is the favourite bidder to acquire a 25 per cent stake in REN, with the sale currently ongoing.

Caixa Seguros

The insurance company is owned by state-controlled bank Caixa Geral de Depositos, but is set to be part of Portugal's privatisation programme.

Galp Energia

Formed in 2007 by amalgamating Gás de Portugal and refiner Petrogal. Partial privatisation in that year but will continue in 2012.

TAP

Portuguese airline TAP is wholly-owned by the state, but is likely to begin the privatisation process this year.

Aeroportos de Portugal (ANA)

A previous privatisation plan in 2008 was delayed, but ANA is on the list of companies to be sold during 2012. The construction of Lisbon International Airport, originally associated to the privatisation, has been delayed.

Rádio e Televisão de Portugal (RTP)

One of RTP's television channels is set to be sold under the terms of the privatisation programme.

Correios de Portugal (CTT)

State-owned postal operator CTT has been set for privatisation in the past, but the process has been delayed several times.

Águas de Portugal (AdP)

Water company AdP could be partially or wholly privatised.