Press Release

Date of Release: April 28, 2017

Insight beyond the rating.

DBRS Confirms 'BBB (low)' Rating to Parpública, Stable Trend

Industry: Public Finance--Sovereigns

DBRS Ratings Limited has confirmed the long-term issuer rating of BBB (low) and the short-term issuer rating of R-2 (middle) for Parpública – Participações Públicas (SGPS - Sociedade Gestora de Participações Sociais), S.A. The trends on both ratings are Stable. The ratings are aligned with the Republic of Portugal's long-term local currency issuer rating of BBB (low) with a Stable trend and short-term local currency issuer rating of R-2 (middle) with a Stable trend. The conditions to apply the sovereign rating to Parpública have been met, in accordance with the criteria The Link between Sovereign Ratings and Government Related Entities.

Parpública's ratings are aligned with that of the sovereign given: (1) the entity's public ownership: Parpública is 100% state-owned and has a public policy mandate, acting on behalf of the Portuguese State in managing and privatising state-owned assets; (2) the Republic of Portugal's legal obligation to honour Parpública's liabilities, as stipulated in the Decree-Law No. 209/2000 and the Portuguese Code of Commercial Companies; and (3) the central government's ability and willingness to provide timely financial support to Parpública as exemplified by the government's support to the entity in the past.

Parpública is subject to the legal regulations on companies, as approved by the Decree-Law No. 209/2000 of 2 September (the "Decree-Law of Incorporation of Parpública"). In particular, this legislation[*1] stipulates that the Portuguese Code of Commercial Companies applies to Parpública in terms of the "state equivalence" status, which also applies to autonomous regions, local authorities and the Institute of Social Security[*2]. Moreover, the Decree-Law[*3] stipulates the rights of the Portuguese State as a shareholder, executed by the Ministry of Finance, and indicates that the Commercial Companies Code also applies to the relation between the Portuguese State and Parpública. In this respect, DBRS believes that the Republic of Portugal, as the sole shareholder of Parpública, has an irrevocable and unconditional obligation to honour Parpública's liabilities.

The Companies Code[*4] specifies the legal responsibility of the parent company for the obligations incurred by the wholly-owned subsidiary, before and after the constitution of the total control relationship and while such relationship remains in place. Therefore, although the Portuguese government has not issued explicit guarantees for Parpública's debt obligations, the Portuguese State

is legally deemed responsible for all Parpública’s liabilities, for as long as the Republic of Portugal remains the sole shareholder. Payment from the State can only be claimed 30 days after a missed payment, according to article 501 of the Companies Code. However, this does not call into question the commitment of the Portuguese State to honour Parpública’s debt obligations.
The willingness of the Portuguese State to provide financial support to Parpública has also been evident in the past. Parpública’s commercial paper programme benefited from an explicit guarantee for €620 million in 2012, and the government diverted a syndicated loan to Parpública in 2013.
Parpública’s close ties with the Republic of Portugal are reinforced by the incorporation of Parpública within the general government perimeter as of 1st January 2015. This followed the adoption of the new European System of Accounts (ESA 2010) in 2014, together with new rules for sector classification of public entities by the national statistics office (Statistics Portugal).
Parpública is 100% owned by the Republic of Portugal. Its function is to manage the central government’s real estate assets and equity holdings, provide management support and technical and expertise coordinate privatisation processes. The entity’s financials and overall strategy are ultimately set by the central government which appoints all of Parpública’s board members and oversees its operations through the Minister of Finance.

RATING DRIVERS

Parpública’s ratings could be downgraded if the ratings on the Republic of Portugal were to be downgraded, or if our assessment on the likelihood that the Republic of Portugal will provide timely financial support weakens. The ratings could also come under downward pressure if the Portuguese State ceases to be the sole shareholder of Parpública. Alternatively, an upgrade of the Republic of Portugal’s ratings would likely lead to an upgrade of Parpública’s ratings.

Notes:
[*1] - Article 3 of the Decree-Law No. 209/2000 of 2 September
[*2] - Article 545 of the Portuguese Code of Commercial Companies
[*3] - Article 4 of the Decree-Law No. 209/2000 of 2 September
[*4] - Articles 501 to 503 of the Portuguese Code of Commercial Companies

All figures are in euro [EUR] unless otherwise noted.

The principal applicable criteria is The Link between Sovereign Ratings and Government Related Entities, and the principal applicable methodology is Rating Sovereign Governments, which can be found on the DBRS website under Methodologies. The principal applicable rating policies are Commercial Paper and Short-Term Debt, and Short-Term and Long-Term Rating Relationships, which can be found on our website under Rating Scales. These can be found on www.dbrs.com at: http://www.dbrs.com/about/methodologies

The sources of information used for this rating include Parpública, Ministry of Finance of the Republic of Portugal, IGCP and Statistics Portugal. DBRS considers the information available to it for the purposes of providing this rating was of satisfactory quality.

DBRS does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance.

Generally, the conditions that lead to the assignment of a Negative or Positive Trend are resolved within a twelve month period. DBRS's outlooks and ratings are under regular surveillance.

For further information on DBRS historical default rates published by the European Securities and Markets Authority ("ESMA") in a central repository, see:
http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml.
Ratings assigned by DBRS Ratings Limited are subject to EU regulations only.

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Initial Rating Date: 22 May 2015
Last Rating Date: 6 May 2016

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Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
Parpública	Long-Term Issuer Rating	Confirmed	BBB (low)	Stb	Apr 28, 2017

Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
Parpública	Short-Term Issuer Rating	Confirmed	R-2 (middle)	Stb	Apr 28, 2017

The full report providing additional analytical detail is available by clicking on the link under Related Research at the right of the screen or by contacting us at info@dbrs.com.

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Rating Report

Report Date:
28 April 2017

Previous Report:
6 May 2016

Insight beyond the rating.

Parpública – Participações Públicas (SGPS), S.A.

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Ratings

Issuer	Debt Rated	Rating	Trend
Parpública	Long-Term Issuer Rating	BBB (low)	Stable
Parpública	Short-Term Issuer Rating	R-2 (middle)	Stable

Rating Rationale

On 28 April, DBRS Ratings Limited confirmed the long-term issuer rating of BBB (low) and the short-term issuer rating of R-2 (middle) for Parpública – Participações Públicas (SGPS - Sociedade Gestora de Participações Sociais), S.A. The trends on both ratings are Stable. The ratings are aligned with the Republic of Portugal's long-term local currency issuer rating of BBB (low) with a Stable trend and short-term local currency issuer rating of R-2 (middle) with a Stable trend. The conditions to apply the sovereign rating to Parpública have been met, in accordance with the criteria *The Link between Sovereign Ratings and Government Related Entities*.

Parpública's ratings are aligned with that of the sovereign given: (1) the entity's public ownership: Parpública is 100% state-owned and has a public policy mandate, acting on behalf of the Portuguese State in managing and privatising state-owned assets; (2) the Republic of Portugal's legal obligation to honour Parpública's liabilities, as stipulated in the Decree-Law No. 209/2000 and the Portuguese Code of Commercial Companies; and (3) the central government's ability and willingness to provide timely financial support to Parpública as exemplified by the government's support to the entity in the past.

Parpública's ratings could be downgraded if the ratings on the Republic of Portugal were to be downgraded, or if our assessment on the likelihood that the Republic of Portugal will provide timely financial support weakens. The ratings could also come under downward pressure if the Portuguese State ceases to be the sole shareholder of Parpública. Alternatively, an upgrade of the Republic of Portugal's ratings would likely lead to an upgrade of Parpública's ratings.

Parpública is subject to the legal regulations on companies, as approved by the Decree-Law No. 209/2000 of 2 September (the "Decree-Law of Incorporation of Parpública"). In particular, this legislation[1] stipulates that the Portuguese Code of Commercial Companies applies to Parpública in terms of the "state equivalence" status, which also applies to autonomous regions, local authorities and the Institute of Social Security[2]. Moreover, the Decree-Law[3] stipulates the rights of the Portuguese State as a shareholder, executed by the Ministry of Finance, and indicates that the Commercial Companies Code also applies to the relation between the Portuguese State and Parpública. In this respect, DBRS believes that the Republic of Portugal, as the sole shareholder of Parpública, has an irrevocable and unconditional obligation to honour Parpública's liabilities.

The Companies Code[4] specifies the legal responsibility of the parent company for the obligations incurred by the wholly-owned subsidiary, before and after the constitution of the total control relationship and while such relationship remains in place. Therefore, although the Portuguese government has not issued explicit guarantees for Parpública's debt obligations, the Portuguese State is legally deemed responsible for all Parpública's liabilities, for as long as the Republic of Portugal remains the sole shareholder. (Continued on page 2)

Rating Considerations

Strengths
(1) Legal commitment from the State
(2) Links to the Republic of Portugal
(3) Parpública's strategic role for public policy

Challenges
(1) Economic and financial challenges in Portugal

[1] Article 3 of the Decree-Law No. 209/2000 of 2 September
[2] Article 545 of the Portuguese Code of Commercial Companies
[3] Article 4 of the Decree-Law No. 209/2000 of 2 September
[4] Articles 501 to 503 of the Portuguese Code of Commercial Companies

Rating Rationale (Continued from page 1)

Payment from the State can only be claimed 30 days after a missed payment, according to article 501 of the Companies Code. However, this does not call into question the commitment of the Portuguese State to honour Parpública's debt obligations.

The willingness of the Portuguese State to provide financial support to Parpública has also been evident in the past. Parpública's commercial paper programme benefited from an explicit guarantee for €620 million in 2012, and the government diverted a syndicated loan to Parpública in 2013. Parpública's close ties with the Republic of Portugal are reinforced by the incorporation of Parpública within the general government perimeter as of 1st January 2015. This followed the adoption of the new European System of Accounts (ESA 2010) in 2014, together with new rules for sector classification of public entities by the national statistics office (Statistics Portugal).

Parpública is 100% owned by the Republic of Portugal. Its function is to manage the central government's real estate assets and equity holdings, provide management support and technical expertise and coordinate privatisation processes. The entity's financials and overall strategy are ultimately set by the central government which appoints all of Parpública's board members and oversees its operations through the Minister of Finance.

Additional considerations and recent developments

As a result of its classification in the general government accounts, Parpública is no longer authorised by the government to borrow from capital markets. Parpública's financing needs are fully covered by the Directorate General of Treasury and Finance (DGTF) of the Ministry of Finance, which reduces uncertainty over the sources of financing.

Parpública continued to carry out privatisation processes in 2015. The privatisation of waste management firm EGF was completed and the sale of 61% of state-owned airline TAP (Transportes Aéreos Portugueses) was agreed. The current Socialist government renegotiated the transaction of TAP in the first semester of 2016, partially reversing the sale in order to retain a majority stake of 50%, though the national airline remains under private management. In 2017, DBRS points out that no major privatisations are expected.

As of 31 December 2016, Parpública's portfolio included 25 shareholdings including: public real-estate management company Estamo; business parks and land management company Baia do Tejo; water-supply company Aguas de Portugal; and agro forestry development, real estate, and tourist company Lazer and Floresta.

At the end of December 2016, Parpública's total consolidated assets amounted to €14.7 billion and total consolidated liabilities €9.6 billion (equivalent to 5.2% of Portugal's GDP), with total debt at €6.1 billion (3.3% of GDP). After recording a loss of €367 million in 2014, Parpública returned to profit in 2015 with a total consolidated net income of €771 million. In 2016, despite a decrease, Parpública's total net income remained positive at €203 million.

Regardless of Parpública's financial situation, DBRS does not consider an intrinsic assessment of Parpública necessary, given the legal provisions supporting the relation between Parpública and the Portuguese State, on which Parpública ratings are based.

Parpública

Report Date:
28 April 2017

Ratings History

Issuer	Debt Rated	Current	2016	2015
Parpública	Long-Term Issuer Rating	BBB (low)	BBB (low)	BBB (low)
Parpública	Short-Term Issuer Rating	R-2 (middle)	R-2 (middle)	R-2 (middle)

Notes:
All figures are in Euros unless otherwise noted.