

Morningstar DBRS Changes Trends on Parpública To Positive, Confirms at "A"

SOVEREIGNS

DBRS Ratings GmbH (Morningstar DBRS) changed the trend on Parpública - Participações Públicas (SGPS - Sociedade Gestora de Participações Sociais), S.A's (Parpública) Long-Term Issuer Rating to Positive from Stable and confirmed the ratings at "A". At the same time, Morningstar DBRS changed the trend on Parpública's Short-Term Issuer Rating to Positive from Stable and confirmed the ratings at R-1 (low).

KEY CREDIT RATING CONSIDERATIONS

The Positive trends on the Long-Term Issuer Rating and on the Short-Term Issuer Rating reflect the Positive Trend on the Long-Term Ratings and on the Short-Term Ratings of the Republic of Portugal published on the 19 July 2024. Morningstar DBRS considers that Parpública benefits from explicit support arrangements from the Portuguese government. Parpública's credit ratings are aligned with those of the Republic of Portugal ("A", Positive). Parpública's credit ratings are underpinned by: (1) the entity's full 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) 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; (3) the repayment of Parpública's debt not covered by its own resources through the direct funding from the General Directorate of Treasury and Finance (DGTF) of the Ministry of Finance given that Parpública has not been allowed to borrow since 1st January 2015; and (4) 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. Morningstar DBRS views the Portuguese government's commitment towards Parpública as credible, thanks to the strong institutional environment in Portugal.

CREDIT RATING DRIVERS

Parpública's credit ratings could be upgraded if Portugal's sovereign credit ratings are upgraded.

Parpública's trends on the credit ratings could return to Stable if the positive trends on Portugal's sovereign credit ratings are reverted to Stable.

Parpública's credit ratings could be downgraded if one or a combination of the following occurs (1) the credit ratings on the Republic of Portugal are downgraded; (2) our assessment on the likelihood that the Republic of Portugal will provide timely financial support weakens; or (3) the Portuguese State ceases to be the sole shareholder of Parpública.

CREDIT RATING RATIONALE

The Legal Commitment from the Republic of Portugal Drives Parpública's Credit Ratings.

Parpública is a holding company 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 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.

Moreover, the Decree-Law 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, Morningstar 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 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, Morningstar DBRS considers that this does not call into question the commitment of the Portuguese State to honour Parpública's debt obligations in a timely manner.

A Proven Track-Record of State Support

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 EUR 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). As a result of its classification in the general government accounts, Parpública is no longer authorised by the government to borrow from capital markets. When own resources are insufficient, Parpública's financing needs are fully covered by the DGTF, which reduces uncertainty over the sources of financing. This was for example the case in 2021 for EUR 633 million which covered a EUR 600 million maturing bond and EUR 33 million of interests related to the above-mentioned bond as well as the bond maturing in 2026. In 2022, the EUR 10.5 million of interest paid by Parpública was covered by its own cash, however, in 2023 the DGTF paid EUR 10.5 million of interest. Morningstar DBRS understands this should be the case also in 2024.

Parpública is under Central Government Supervision

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 of Directors' members as the latter are elected by the central government's representatives at Parpública's General Meeting. The central government fully oversees Parpública's operations through the Minister of Finance.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CONSIDERATIONS

ESG Considerations had a relevant effect on the credit analysis.

Social (S) Factors

The following Social factor had a relevant effect on the credit analysis: The Passed-through Social credit considerations have a relevant effect on the credit ratings, as the social factors affecting the Republic of Portugal's credit ratings are passed-through to

Parpública.

There were no Environmental or Governance factors that had a significant or relevant effect on the credit analysis.

Credit rating actions on Republic of Portugal are likely to have an impact on this credit rating. ESG factors that have a significant or relevant effect on the credit analysis of Republic of Portugal are discussed separately at <https://dbrs.morningstar.com/issuers/17486>.

A description of how Morningstar DBRS considers ESG factors within the Morningstar DBRS analytical framework can be found in the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings (23 January 2024) <https://dbrs.morningstar.com/research/427030>

RATING COMMITTEE SUMMARY

The main points discussed during the Rating Committee include the relationship between the Portuguese central government and Parpública, Parpública's 2023 operational activity and Parpública's financial performance up to the first half of 2023.

Notes:

All figures are in euros unless otherwise noted.

The principal methodology is the Global Methodology for Rating Government Related Entities (15 April 2024) <https://dbrs.morningstar.com/research/431178>. In addition Morningstar DBRS uses the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings <https://dbrs.morningstar.com/research/427030> in its consideration of ESG factors.

The credit rating methodologies used in the analysis of this transaction can be found at: <https://dbrs.morningstar.com/about/methodologies>.

The sources of information used for these credit ratings include the presentation and other analytical information provided by Parpública, Parpública's first half 2023 consolidated financial report, Parpública's statutes, Parpública report of shareholdings up to 30th June 2024, 2023 National Accounts of Republic of Portugal (Volume I - Tomo I), 2023 financial accounts of INCM, 2023 financial accounts of ESTAMO, 2023 financial accounts of Companhia das Lezírias, 2023 financial accounts of SIMAB, Ministry of Finance of the Republic of Portugal, IGCP for all legal documents. Morningstar DBRS considers the information available to it for the purposes of providing these credit ratings to be of satisfactory quality.

Morningstar 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.

The conditions that lead to the assignment of a Negative or Positive trend are generally resolved within a 12-month period. Morningstar DBRS' outlooks and ratings are under regular surveillance.

For further information on Morningstar DBRS historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: <https://registers.esma.europa.eu/cerep-publication>. For further information on Morningstar DBRS historical default rates published by the Financial Conduct Authority (FCA) in a central repository, see <https://data.fca.org.uk/#/ceres/craStats>.

The sensitivity analysis of the relevant key credit rating assumptions can be found at: <https://dbrs.morningstar.com/research/>

436821.

These credit ratings are endorsed by DBRS Ratings Limited for use in the United Kingdom.

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For more information on this credit or on this industry, visit dbrs.morningstar.com.

Ratings

Parpública

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
26-Jul-24	Long-Term Issuer Rating	Confirmed	A	Stb	EU U
26-Jul-24	Long-Term Issuer Rating	Trend Change	A	Pos	EU U
26-Jul-24	Short-Term Issuer Rating	Confirmed	R-1 (low)	Stb	EU U
26-Jul-24	Short-Term Issuer Rating	Trend Change	R-1 (low)	Pos	EU U

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