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LEGAL
BUSINESS

A photograph of three men in business suits standing in front of a large Union Jack flag. The man on the left is older, with glasses and a dark pinstriped suit. The man in the center has white hair and a dark suit with a patterned tie. The man on the right is younger, with a dark suit and a striped tie. They are all smiling or looking towards the camera.

FLYING THE FLAG

Brit firms fight back in
the Global 50

On the defensive

Portugal is embroiled in its two largest ever takeover battles. The country's law firms have reached a critical turning point

MIGUEL CORTEZ

THE PORTUGUESE MARKET HAS never seen anything like it. The country is gripped by two multi-billion-euro takeover battles involving two of the most high-profile companies in the market – national telecoms operator Portugal Telecom (PT) and local bank Banco BPI.

As the hostile bids for PT by retail and telecoms conglomerate Sonae, and for Banco BPI by Banco Comercial Português (BCP), have developed, it has become clear that the Portuguese legal market has reached a major turning point.

Sonae's €10.7bn bid for PT is the largest offer ever in Portugal and has seen a host of the leading firms pick up roles on the deal.

Morais Leitão Galvão Teles, Soares Da Silva & Associados is advising Sonae, while PT has enlisted four practices – Garrigues, Vieira de Almeida, PLMJ and Gonçalves Pereira Castelo Branco & Associados – to fight its corner. Meanwhile BCP's €4.33bn hostile bid for Banco BPI has pitched Morais Leitão against Linklaters' Lisbon practice.

The mid-market is being squeezed as Portugal's largest and most admired practices pick up the most sought after mandates in the market. As one mid-market managing partner reflects: 'You either have an international structure to support you or it is very hard to survive as a mid-sized firm. It's either boutiques with their low costs, doing very well, or the heavyweights. If I had to decide now, I'd go for the boutique strategy.' The takeover offers for

> PT and Banco BPI are redrawing Portugal's legal market.

Lines of defence

When the bid for PT was first announced in February, the telecoms company moved swiftly to build its defence team. It immediately declared the bid hostile and hired six investment banks and four major law firms to fend off Sonae's overtures. 'PT wanted to hire even more than those four firms,' says partner António Frutuoso de Melo, of leading banking and finance boutique António Frutuoso de Melo & Associados. 'No one ever really thought a deal this big was going to happen in Portugal, and when it did, everyone was in hysterics – the media, PT's shareholders, its board of directors.'

PT chose Spanish firm Garrigues as one of its four lead advisers in the bid. Garrigues' local Lisbon partner and capital markets expert Diogo Leónidas Rocha has long been considered the closest legal adviser to PT's board of directors. Leónidas has worked on every takeover and IPO involving the PT group and has advised in all five phases of the company's privatisation.

Vieira de Almeida's competition and regulatory teams were another natural choice to advise PT on the bid. The firm has a deep-seated knowledge of the Portuguese telecoms market and of the company itself. PT has also been one of Vieira de Almeida's key clients. Regulatory specialist Margarida Couto and competition partner Nuno Ruiz at Vieira de Almeida have acted for PT on numerous occasions.

One of the most recent matters was, in fact, a dispute against Sonae. The firm successfully defended PT before the European Commission, following a claim by Sonae accusing PT of abuse of its dominant position. 'PT has a 70% market share, so defending this kind of client is a fascinating challenge,' Ruiz says.

Alongside Garrigues and Vieira de Almeida, PT also hired PLMJ and Gonçalves Pereira, two of Portugal's largest law firms,



Galvão Teles: CMM is creating new regulations



Bleck: not aware of Sonae bid while at PT

PORTUGUESE FIRMS WITH INTERNATIONAL OFFICES

These Portuguese firms have not merged with, or are in any way integrated into, an international law firm.

Barrocas Sarmento Neves

Angola; Mozambique

Barrocas Sarmento Neves is one of the few mid-sized firms that has a well-established practice with a solid client base. Its presence in Angola and Mozambique enables the firm to be involved in relevant international work.

Coelho Ribeiro e Associados

East Timor (Dili)

Given Portugal's strong influence in the East Timorese legal and judicial system, managing partner Rui Botica Santos decided to open up shop there this year. The firm is the first international law firm in East Timor.

F Castelo Branco & Associados

Angola

F Castelo Branco's head of tax Vítor Félix is registered with the Angolan Bar Association.

Miranda Correia Amendoeira & Associados

Angola; Cape Verde; Equatorial Guinea; Guinea-Bissau; Macao; Mozambique; São Tomé and Príncipe; USA (Houston, Texas)

Miranda Correia Amendoeira has set up an impressive network of international offices called Miranda Alliance. The firm recently opened the first Portuguese office in the US and was nominated for the *Legal Business* European Law Firm/Office of the Year Award 2006.

Neville de Rougemont & Associados

London

Neville de Rougemont advises UK clients mainly on property investment in the Algarve region.

PACSA

London

Maria Cameira heads PACSA's London office and is involved in issues connected with UK investment in Portugal.

Raposo Bernardo & Associados

Angola; Cape Verde; Guinea-Bissau; Madrid; Mozambique; São Tomé and Príncipe;

Nélson Raposo Bernardo, managing partner of Raposo Bernardo & Associados, has spearheaded an impressive international expansion of the firm.

Sérvulo Correia & Associados

Madrid

Public law boutique Sérvulo Correia was the first Portuguese firm to open an office in Madrid.

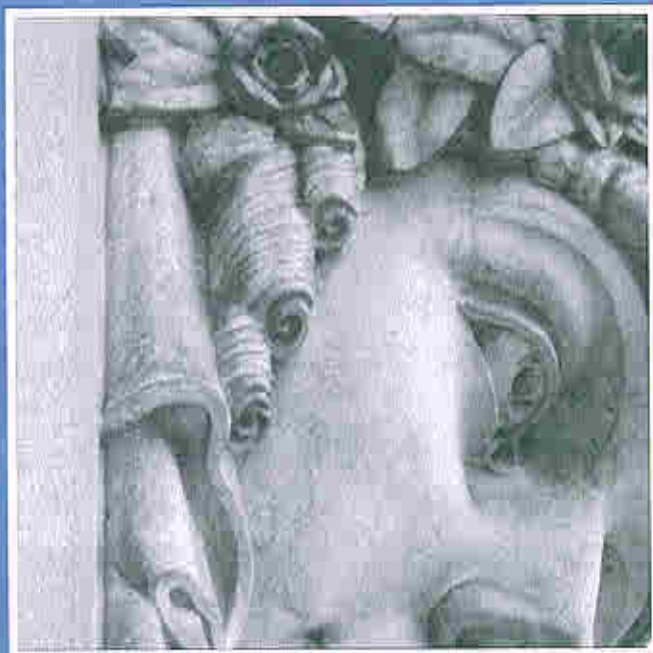
Vieira de Almeida

Brussels

With increasing work in competition, leading firm Vieira de Almeida has opened an office in Brussels in 2005.

MORAIS LEITÃO, GALVÃO TELES, SOARES DA SILVA

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➤ each boasting over 100 lawyers. Partner Jorge de Brito Pereira is PLMJ's lead corporate partner on the deal and is considered to be one of the best Portuguese lawyers in the field. Gonçalves Pereira corporate heavyweights Maria João Ricou and André Luiz Gomes completed PT's formidable team.

The company's controversial decision to instruct four leading law firms, three of them dealing specifically with corporate issues, immediately sparked allegations that its intention was to dry up the market. PT was seen to be preventing any other potential counter-bidder from having access to the best legal advice around.

'Was it absolutely necessary to have three advisers for capital markets issues?' Garrigues' Leónidas asks. 'No, but the client wanted the best firms; it was the client's decision. In a hostile bid, it is essential to have the best

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LISBOA
Rua Castilho, 20-6º
1250-069 Lisbon, Portugal
Tel: +351 21 030 86 00
Fax: +351 21 030 86 01
E-mail: lisboa@uria.com

PORTO
Rua Campo Alegre, 880-3º, Sala 12
4150-171 Porto, Portugal
Tel: +351 22 030 86 00
Fax: +351 22 030 86 01
E-mail: porto@uria.com

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ZURIGO

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BARROCAS SARMIENTO NEVES
SOCIETÀS DE AVVOCADOS

Amoreiras
Torre 2, 15º
1070-274 Lisbon - Portugal
Tel: +351 21 384 33 00
Fax: +351 21 387 02 65
Info@barrocas.com.pt
www.barrocas.com.pt

lawyers the market can provide.' But Linklaters' capital markets expert partner António Soares, who is advising Banco Santander, Sonae's financial adviser, points out: 'I don't think there is that much legal work to be done for the target company,' he says.

'Being involved in this kind of deal in Portugal brings a huge amount of prestige, but I wouldn't say it requires eight hours of daily work from four law firms,' Soares says. Paulo Olavo Cunha, corporate expert and of counsel at Vieira de Almeida, agrees, pointing out that Banco BPI chose only Linklaters to defend itself from BCP's hostile bid.

'No one ever really thought a deal this big was going to happen in Portugal and, when it did, everyone was in hysterics.'

António Frutuoso de Melo, Frutuoso de Melo & Associados

Buyout competition

Even though PT's hiring spree was met with criticism from the legal market, it seems the move was certainly effective. Investors who were reported to be interested in forging a counter-bid found it extremely hard to find local expert legal advice of the right calibre. Miguel Paes do Amaral, a local private

investor, emerged as a possible counter-bidder for PT, together with a group of private equity houses including Blackstone, Cinven, Kohlberg Kravis Roberts, Permira and Providence Equity. Freshfields Bruckhaus Deringer was instructed as international counsel. Paes do Amaral had used local leading mid-sized firm Abreu, Cardigos >

Contacts:

Luis Sáragga Leal
lsl@plmj.pt

Francisco de Oliveira Martins
fom@plmj.pt

José Miguel Júdice
jmj@plmj.pt

"Portuguese Law Firm of the Year"
IFLR Awards 2006
Who's Who Legal Awards 2006

"Portuguese Tax Firm of the Year"
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Lisboa (Head Office)

Edifício Eurolex
Av. da Liberdade, 224
1250-148 Lisboa
Tel. +351 21 319 73 00
Fax. +351 21 319 74 00

Email: plmj@plmj.pt

International Offices

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A CLOSE CALL: LINKLATERS AND PORTUGAL TELECOM

Soon after Sonae's bid for Portugal Telecom was announced, Linklaters picked up the mandate to advise Banco Santander, Sonae's financial adviser. This threw up what several observers deemed to be a potential conflict of interest as, up until a few days before Sonae's hostile bid was announced, Linklaters' then Lisbon managing partner Jorge Bleck had served on PT's board of directors. Bleck stepped down to concentrate on full-time fee-earning as *Legal Business* went to press. He was replaced as managing partner by Pedro Siza Vieira.

It is understood that the telecoms company asked one of its legal advisers to look into a possible conflict of interest over the Magic Circle firm's involvement in the bid with the Law Society in London. As one of the lawyers involved explains, 'these things wouldn't go anywhere in Portugal'. But the matter didn't progress further because all of PT's legal advisers were opposed to PT starting legal proceedings against Linklaters and Jorge Bleck. 'We were all against it,' one of the lawyers close to PT says. 'It would just be starting another complication that didn't have anything to do with defending

the takeover bid.' Jorge Bleck was appointed a non-executive director of PT back in 2003, a political appointment made directly by the former Portuguese Prime Minister Durão Barroso, now President of the EU. Because PT is a listed company, Bleck got written authorisation from Linklaters' senior partner Anthony Cann before he accepted the job.

'PT was understandably nervous because there was a board meeting the week before I resigned and they might have thought I was already aware of the bid,' Bleck explains. 'But I didn't know anything at all. Banco Santander contacted me saying they needed Linklaters' advice on a PT takeover a few days after the board meeting. I immediately communicated my resignation to the government and sent my letter of resignation to PT.'

Because of Bleck's former position on PT's board of directors, the matter was handed to Linklaters' capital markets expert partner António Soares. 'António Soares is totally in charge of this matter; it's actually his area of expertise,' Bleck says. 'There is absolutely no information that was passed on. I was on the PT board exclusively on a personal level.'

GONÇALVES PEREIRA, CASTELO BRANCO

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Praca Marques de Pombal, N.º 1 - 8
1250-160 Lisboa - Portugal
Tel: (+351) 21 355 38 00
Fax: (+351) 21 353 21 62
lisboa@gpcb.pt www.gpcb.pt

CONTACT:
Manuel Castelo Branco
Managing Partner

LANGUAGES: English, French, Portuguese, Spanish

Lisboa • Porto • Maputo • Bruxelles • New York • London • Paris • Madrid • Barcelona • Bilbao • Girona • Jerez de la Frontera • Lleida • Alicante • Palma de Mallorca • San Sebastián • Sevilla • Tarragona • Valencia • Zaragoza



Abreu, Cardigos & Associados
Sociedade de Advogados RL
Attorneys at Law

Av. das Forças Armadas, 125 - 12º - 1600-079 Lisboa
T: (+351) 21 723 18 00 F: (+351) 21 723 18 99
Rua António Patrício, 205 - 4150-100 Porto
T: (+351) 22 605 64 00 F: (+351) 22 606 18 16
E-mail: general@abreucardigos.com www.abreucardigos.com
Managing Partner: Carmo.S.Machado@abreucardigos.com
Number of Lawyers: 70
Languages spoken: English, French, German, Italian, Spanish, Danish, Finnish and Swedish

- M&A, MBOs, MBIs
miguel.t.abreu@abreucardigos.com
- International Taxation and Tax Planning
miguel.t.abreu@abreucardigos.com
- EU, Anti-Trust and Competition Law
miguel.avilez.pereira@abreucardigos.com
- IT and IP and Telecommunications Law
cesar.b.monteiro@abreucardigos.com
- Construction Law and Public Works
manuel.a.neves@abreucardigos.com
- Foreign Investment
pedro.c.reis@abreucardigos.com
- Commercial Property and Real Estate Law
armando.m.ferreira@abreucardigos.com
- Employment Law
carmo.s.machado@abreucardigos.com
- Banking and Financial Services, Swaps and Derivatives
pedro.c.reis@abreucardigos.com
- Local Taxation and Tax Litigation
duarte.athayde@abreucardigos.com
- Corporate and Commercial Law
rui.p.duarte@abreucardigos.com
- Capital Markets
miguel.c.pereira@abreucardigos.com
- Sports and Leisure Law
nuno.barbosa@abreucardigos.com
- Civil and Commercial Litigation
miguel.c.pereira@abreucardigos.com



Frutuoso de Melo: No one predicted a deal this size

> & Associados and his regular legal adviser, arbitration boutique Flaminio Roza, Pinto Duarte, Côte-Real & Associados, on an initial bid structure.

Freshfields ended up working with the coalition of small local firms set up by Flaminio Roza and comprising Mouteira Guerreiro, Rosa Amaral & Associados for capital markets, arbitration boutique Coelho Ribeiro e Associados for general corporate

and finance advice, and Paz Ferreira & Associados for competition and tax.

One of the key issues in the deal is whether a potential counter-bidder may or may not revise its first counter offer, which must be 5% higher than Sonae's initial €10.7bn bid. According to EU rules and new Portuguese legislation soon to be approved, this will be allowed. However, current Portuguese takeover rules allow only one

'The PT bid has had a significant impact of clearing the waters in the legal market.'

Nuno Ruiz, Vieira de Almeida



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LISBON

Avenida da Liberdade, 249, 1º
1250 - 143 Lisboa
Tel: +351 (0) 21 446 3300
Fax: +351 (0) 21 446 3301
fcb.lisboa@fcb-legal.com

PORTO

Rua Domingos Sequeira, 101
4050-212 Porto
Tel: +351 (0) 22 834 6140
Fax: +351 (0) 22 834 6141
porto@fcb-legal.com

ANGOLA

Av. 25 de Abril, 122, 1º, 15000
Rua Magde Mariluzina, 400, A
Lusanda, Angola
Tel: +351 (0) 22 834 6140
Fax: +351 (0) 22 834 6141
angola@fcb-legal.com

Offices in partnership with: Gen. de Janeiro, Rio de Janeiro, Atlanta

Contact: Miguel F. Castelo Branco

Website: www.fcb-legal.com

THE LEADING PORTUGUESE DEALS OF 2006

The past six months have seen the Portuguese market thrive, both in capital markets and M&A. Even though the market has picked up, with a lot of legal work to be done by leading law firms, there is no sign of the mid-market firms. The most important deals have involved either the largest Portuguese firms, international firms or specialised boutiques.

1. Acquisition of 20% stake in Galp Energia, €1.3bn

Américo Amorim, a private investor with a significant share of the Portuguese cork industry, became the second largest shareholder of Galp, the leading Portuguese oil company.

Key parties

Américo Amorim
Portuguese state (*Parpública*)
Galp Energia
Financing banks

Adviser

Linklaters
PLMJ
Gonçalves Pereira
Uría Menéndez

2. Privatisation of Galp Energia

The Portuguese state sold off a 20% stake in Galp Energia as part of its progressive privatisation of the Portuguese economy.

Key parties

Portuguese state (*Parpública*)
Financing Banks

Adviser

Gonçalves Pereira
Fruoso de Melo
Linklaters

3. Privatisation of Electricidade de Portugal

Electricidade de Portugal is Portugal's national energy company and started its multi-phased privatisation in 1997.

Key parties

Global co-ordinators
Portuguese state (*Parpública*)

Adviser

Uría Menéndez
Morais Leitão

4. Increase of share capital of Banco Espírito Santo: €1.3bn

Banco Espírito Santo (BES), one of the largest Portuguese banks, increased its share capital by €1.3bn in a move connected with its internationalisation.

Key parties

BES
Global co-ordinators

Adviser

PLMJ and Garrigues
Uría Menéndez

5. Acquisition of Enersis by Babcock & Brown

Babcock & Brown acquired Enersis from private conglomerate Semapa. Enersis is one of the largest, most successful renewable energy companies in Europe, with hydro and wind projects in Portugal, Spain and France.

Key parties

Babcock & Brown
Semapa

Adviser

Freshfields Bruckhaus
Deringer, PLMJ
Linklaters

6. Acquisition of Fundo Imobiliário Imodesenvolvimento: €350m

The acquisition of the Imodesenvolvimento investment fund by JPMorgan from Grupo José de Mello was Portugal's largest property finance deal ever.

Key parties

JPMorgan
Grupo José de Mello
Financing banks

Adviser

Vieira de Almeida
In-house counsel
Uría Menéndez

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ASSOCIADOS

SOCIEDADE DE ADVOGADOS, RL

ATTORNEYS AT LAW

RUA GENERAL FERMINO MIGUEL, Nº 3 TORRE 2, 12º
1600-100 LISBOA PORTUGAL
TEL: +351 21 723 40 00 TEL/FAX: +351 21 723 40 29
slem@slem.pt www.slem.pt

"All great things are simple,
and many can be expressed
in single words:
freedom, justice, honor, duty, mercy."

Sir Winston Churchill

➤ revision to the initial bidder, in this case Sonae. The Portuguese Securities Market Commission (CMVM) issued a communication stating that the new rules, if approved in the meantime, would not apply to the ongoing bid. Several other issues have arisen and the whole PT deal has been putting the Portuguese securities market and its regulator to the test. 'New capital markets regulation is effectively being created with all these decisions from CMVM interpreting the law,' explains Morais Leitão corporate partner Nuno Galvão Teles. 'One might say that firms that are not advising on the bid are at a disadvantage



Vieira de Almeida: paradigm of market has shifted

on future bids,' he says. 'A deal this big can only be a turning point for leading business law firms,' says de Brito Pereira, PLMJ's lead capital markets adviser to PT, 'especially considering its significance in building up a track record of top deals.' Vieira de Almeida's Ruiz also sees an effect on the legal market. 'The PT bid has had a significant impact of clearing the waters in the legal market,' he comments.

Top of the market

For the past few years, competition between the largest Portuguese firms has been fierce and very much based on growth. Five years ago, PLMJ had 101

lawyers, Vieira de Almeida 42, Morais Leitão had 51 and Gonçalves Pereira 46. Today PLMJ boasts 208 fee-earners, Vieira de Almeida 97, Morais Leitão 130 and Gonçalves Pereira 136.

While these firms have managed to stay at the top of the market, a few others have tried to catch up. The so-called mid-sized firms in Portugal are those that are roughly above the 40-lawyer mark. These are firms that have also tried to compete in growth, some even trying to reach the leading pack, hoping that when the market picked up they would get their share of major deals. There is a feeling in the market ➤



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> that things are not going the way mid-sized firms had planned.

Of the heavyweights there is little doubt that Morais Leitão has significantly strengthened its position at the top of the market. The firm's merger with Porto-based firm Osório de Castro, Verde Pinho, Vieira Peres, Lobo Xavier e Associados has made it the leading firm in Portugal's second city. The merger was announced shortly before founding partner João Morais Leitão's death earlier this year. Several years ago, however, the firm's position at the top of the market didn't look quite as assured.

In 2001 Morais Leitão had suffered a heavy blow when Jorge Bleck and a group of partners left the firm and soon after set up Linklaters' Lisbon office. But the firm was swift to react and in 2003 it merged with corporate boutique Galvão Teles, Soares da

THE BATTLES FOR PORTUGAL TELECOM AND BPI

PORTUGAL TELECOM TAKEOVER

TARGET: PT

Advisers:
PLMJ
Vieira de Almeida
Gonçalves Pereira
Garrigues

Bidder: Sonae

Advisers:
Morais Leitão
Linklaters for financial
adviser Santander

Potential bidder: Paes do Amaral and private equity consortium

Advisers:
International – Freshfields Bruckhaus
Deringer
Corporate – Flaminio Roza (co-ordinator)
Corporate – Coelho Ribeiro & Associados
Competition – Paz Ferreira & Associados
Capital markets – Mouteira Guerreiro, Rosa
Amaral & Associados

BPI TAKEOVER

TARGET: BPI

Adviser: Linklaters

Bidder: Banco Comercial Português

Adviser: Morais Leitão

Carlos Aguiar, P. Pinto & Associados
Sociedade de Advogados RL

**Carlos Aguiar, P. Pinto & Associados,
Sociedade de Advogados, RL**

Address : Avenida da Liberdade, 200 – 4.º Esq.
1250-147 Lisbon
Portugal

Tel : + 351 21 355 27 55

Fax : + 351 21 355 27 56

E-mail : cappa@mail.telepac.pt

Site : www.cappa.pt

Partners

Carlos Aguiar, Pedro Pinto, Tiago Ferreira de Lima
Inês Reis, Manuel Costa Salema

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Av. Eng. Duarte Pacheco, n.º 19, 12.º

1070-100 Lisbon, Portugal

Tel: (351) 21 382 63 00

Fax: (351) 21 382 63 19

E-mail: marquesmendes@marquesmendes.pt

www.marquesmendes.com

Contact:

Mário Marques Mendes

Pedro Vilarinho Pires

THE LEADING PORTUGUESE FIRMS

Firm	Turnover	Revenue per lawyer 2005	Revenue per equity partner 2005
PLMJ 205 lawyers, 20 equity partners	€29.7m	€153,480	€1.52m
Morais Leitão, Galvão Teles, Soares Da Silva* 130 lawyers, 12 equity partners	€28m	€262,910	€2.3m
Gonçalves Pereira, Castelo Branco & Associados 125 lawyers, 15 equity partners	€18.2m	€145,600	€1.25m
Vieira de Almeida 97 lawyers, 11 equity partners	€15.3m	€161,900	€1.39m
Uría Menéndez 80 lawyers, 10 equity partners	€11.2m	€145,430	€973,900
Linklaters 38 lawyers, 2 equity partners	€10m	€273,970	€5m

* Morais Leitão's turnover includes Osório de Castro, Verde Pinho, Vieira Peres, Lobo Xavier e Associados' turnover for 2005, which was €4m

Source: Legal Business

Silva & Associados. Today, the firm's position at the top of the market is recognised by a number of its competitors.

'Morais Leitão had already regained some muscle with the Galvao Teles, Soares da Silva deal,' says Garrigues' Leónidas. 'Now, with Osório de Castro, it has become very strong.'

Osório de Castro was Porto's largest and most respected law firm and well known for being Sonae's firm of choice. It came close to merging with PLMJ in 2004 but talks failed because of differences over partner remuneration. The Porto firm adds 31 lawyers and four partners to Morais Leitão, although only two of those partners have joined Morais Leitão's equity. As the firm has expanded

there has been a shift in its leadership. Co-managing partner João Soares da Silva, leading the firm's team for BCP in its €4.33bn bid for Banco BPI, and partner Carlos Osório de Castro, Sonae's lead adviser in the battle for PT, are seen as key voices in the enlarged firm.

'Morais Leitão has gone through a radical cultural change, where Soares da Silva and Osório de Castro are the leading forces,' says one of the firm's major competitors.

As a reinvigorated Morais Leitão continues to lead the market, it is clear that Portugal's legal landscape is evolving. Vieira de Almeida's managing partner João Vieira de Almeida sums up his view on how the

legal market is at a new turning point: 'Once again, the paradigm will change,' he says.

'In the old days it was the lawyer who had primacy over the client, and those who could speak English were kings. Then the climate changed and growth was the main focus of law firms. Speaking English was not enough any more, it was also essential to know how to write in English,' Vieira de Almeida says.

'This is what happened in the last five or six years. Now there is another shift to knowing who has the competitive advantages; who has the sustainable workflow.' Not all will survive. **LB**

miguel.cortez@legalease.co.uk

BCS
ADVOGADOS

Baião, Castro, Solla & Associados
Sociedade de Advogados, R.L.

Av. 5 de Outubro, 17 - 9º
1050-047 Lisboa . Portugal
telephone: +351 213 190 640
fax: +351 213 190 644
e-mail: bcslaw@bcs.pt

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