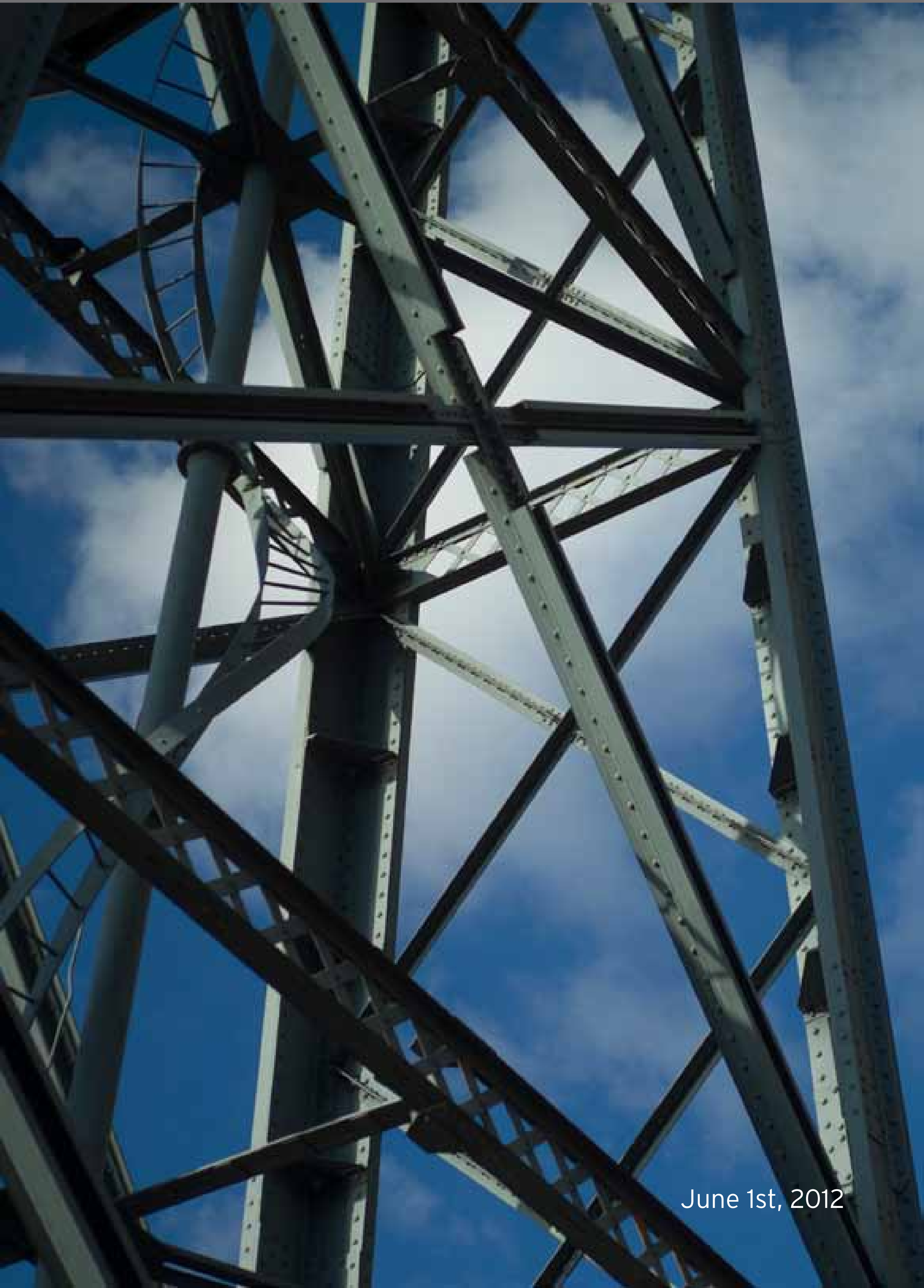
RSM Patrício, Moreira & Valente
Sociedade de Revisores Oficiais de Contas

Doing Business in Portugal



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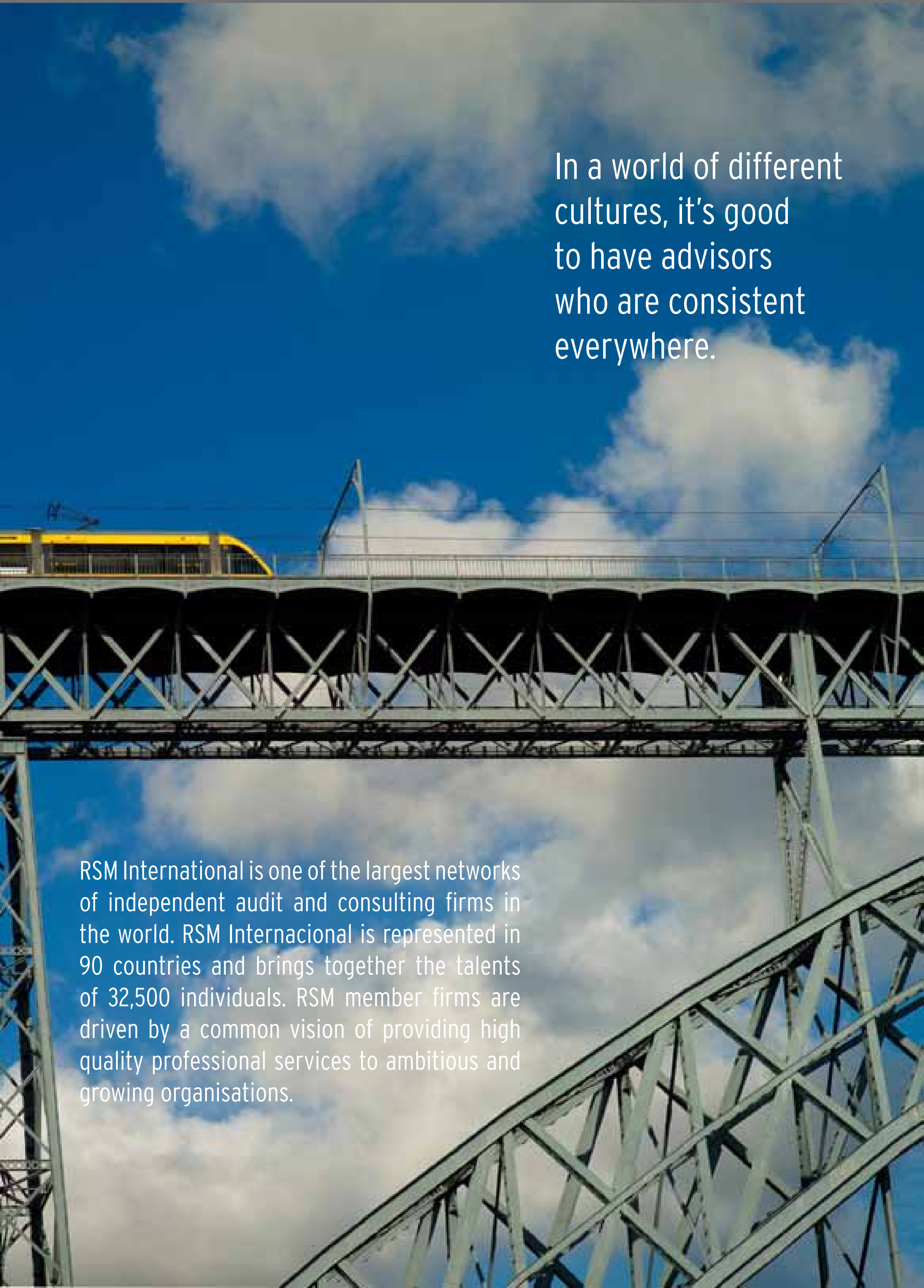


In a world of different cultures, it's good to have advisors who are consistent everywhere.

RSM International is one of the largest networks of independent audit and consulting firms in the world. RSM Internacional is represented in 90 countries and brings together the talents of 32,500 individuals. RSM member firms are driven by a common vision of providing high quality professional services to ambitious and growing organisations.

1. About RSM Portugal and RSM International

RSM in Portugal

RSM has a presence in Portugal since 1991. The member firm – Patrício, Moreira, Valente & Associados, SROC - already counts on over 30 years of experience. Along all these years, we grew and became more and more dynamic in a proactive way facing the market demands.

Our portfolio includes over 500 clients, from different business sectors. Some of these clients are listed in Euronext Lisbon stock market.

We are registered since 1981 at Ordem dos Revisores Oficiais de Contas (OROC) (Association of Chartered Certified Accountants), under no. 21. Additionally, since 1992, we are also registered and recognized by the Comissão do Mercado de Valores Mobiliários (CMVM Portuguese Stock Market), as auditors, under no. 196.

We are also included in the List of Chartered Accountants of IGF – Inspecção Geral de Finanças (Tax Administration), to be able to carry out assurance services related to community projects under the QREN and PROMAR Programmes.

RSM International

RSM International is a worldwide network of independent accounting and consulting firms. RSM International and the member firms are separate and independent legal entities.

RSM International does not provide itself accounting or consultancy services. All such services are provided by member firms practicing on their own account.

RSM is represented by independent members in 80 countries and brings together the talents of over 32,000 individuals in over 700 offices worldwide. The network´s total fee income of US$3.9bn places in amongst the six international accounting organizations worldwide.

Member firms are driven by common vision of providing high quality professional services, both in their domestic markets and in serving the international professional service needs of their client base.

RSM International is a member of the Forum of Firms. The objective of the Forum of Firms is to promote consistent and high quality standards of financial and auditing practices worldwide.

2. General

Portugal, located in Western Europe, bordered to the Atlantic Ocean and Spain, consists of continental Portugal, the Azores and the Madeira Islands. Its total area is about 94,000 square kilometers (36,000 square miles).

The Azores and Madeira Islands are autonomous territories with a special tax regime (lower VAT and Corporate Income Tax). Above and beyond this special tax regime, Madeira also offers through its International Business Center (IBC), a Free Trade Zone with a preferential tax regime approved by Portugal and by the European Union as a valid form of State Aid for regional development. This brings IBC of Madeira credibility and transparency.

A republic since 1910, Portugal, where the Atlantic meets Europe, became an independent state in 1143 and established its continental frontiers in 1297. It is one of the oldest nations in Europe. Situated on the west of the Iberian Peninsula, its position on the Atlantic coast soon determined its maritime vocation.

In 1415, an epic voyage commenced and made the Portuguese the first Europeans to discover the ocean routes to India, Brazil, China and Japan. At the same time, new settlements were founded on both east and west coasts of Africa.

Portugal is nowadays an exciting country to do business. Firmly anchored in the Euro zone and doing more than 80% of its external trade within Europe. With a stable parliamentary democracy, the country is reinventing itself and creating the right conditions for companies to be successful.

The Portuguese Constitution and Government

The 1976 Constitution, established a mixed presidential and parliamentary system. Both the President of the Republic and the Assembly of the Republic are elected by direct universal suffrage.

The head of state is the President, who is to monitor and supervise the public institutions in accordance to the Constitution. The government, headed by the Prime Minister, is responsible for defining policy and conducting economy.

The Parliament is currently composed of 230 members elected by direct universal suffrage of registered electors in the country and abroad.
The continent is divided in 18 administrative districts, reporting to the central government, and 2 autonomous regions, Madeira and Azores.

Domestic market
Area: 92 152 Km2
Population: 10.6 million (2012)
Working Age Population: 78,5% of the actives (2012)
Population density by Km2: 115 (2012)
Official Designation: Portuguese Republic
Capital:Lisboa
District capitals: Aveiro, Beja, Braga, Bragança, Castelo Branco, Coimbra, Évora, Faro, Funchal (in Madeira), Guarda, Lisboa, Leiria, Ponta Delgada (in Açores), Portalegre, Porto, Santarém, Setúbal, Viana do Castelo, Vila Real and Viseu
Language: Portuguese
Currency: Euro
Average Family Income: 30.642€
The Portuguese economy, with the help of the EU structural funds, but also based on appropriate promotion, quality, design and diversification, has evolved in line with the majority of European countries.

Distribution of Employment 2012
Services: 62%
Industry, Construction and Energy: 27,3%
Agriculture, Forestry and Fishing: 9,9%

Banking and insurance

The banks are very important to the Portuguese economy, contributing to a healthy financial dynamism. Banks established in Portugal tend to specialize in different areas of business following their own strategic options.

Insurance companies also play a crucial role in the Portuguese economic system. Today, as a consequence of the membership of the European Union, Portugal has a significant level of foreign investment in banking and insurance companies.

Stock markets

Portugal has a stock market in Lisbon. It is an open market for leading Portuguese companies, allowing sales either of government or corporate bond issues and shares.

The stock market also involves a significant control over Portuguese companies as they must respect a strict legal regimen that was designed to guarantee the transparency of information, in order to protect investors.

3. Advantages of Investing in Portugal

Foreign investment in Portugal has strongly increased in recent times, especially since Portugal became a member of the European Union. The necessary adjustments that were made so that Portugal could be included in the founding group of countries of the European currency had a strong effect on the Portuguese economy.

This economic stability, together with the tourism's potential has been decisive for investment in Portugal. In addition, Portugal's traditional presence in Africa and Brazil, is an advantage in the establishment of commercial contacts and business opportunities across these expanding markets.

Among others, note four major advantages to invest in Portugal:

(i) Strategic access to markets
The combination of Portugal's economic opening, strong ties with the EU and unique geostrategic location, make it a natural gateway to world markets. Portugal's ties with the African continent, Brazil and transatlantic link with the USA provides a low cost effective internationalization base.

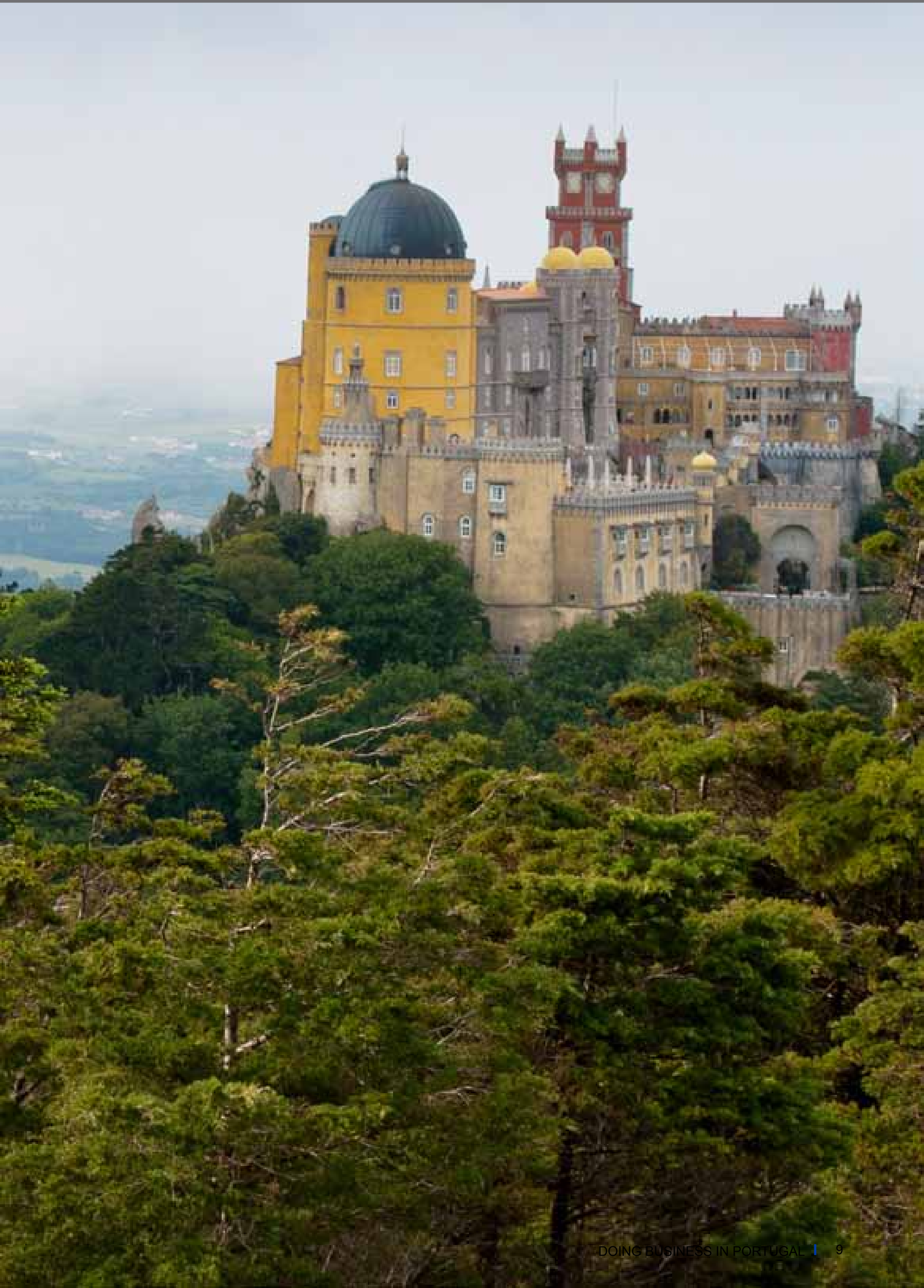
(ii) Costcompetitive, qualified and flexible workforce
Portuguese employees are known for their versatility and commitment to work, along with a positive attitude towards the adoption of new technologies and practices.

(iii) Excellent environment to live and work
The country has safe urban centers and suburbs. This environment that promotes a freedom impression to anyone that decides to live in Portugal. All major international studies consider Portuguese cities on the top of the ranking for conducting events and conferences.

(iv) Infrastructure
During the past decade, Portugal has invested heavily in modernizing its communications infrastructure. The result was an extensive network of land, air and maritime route facilities.

We may also enumerate ten other additional reasons to invest in Portugal:

- One of the lowest operational costs in Western Europe;
- A Founder member of and full participant in the European Monetary Union;
- A superb investments track record, with many firms involved in new projects ;
- One of Europe's youngest and most enthusiastic workforces, with first rate training facilities;
- One of the world's best and most flexible incentives packages;
- High levels of productivity growth in both manufacturing and services;
- A wide range of sites and buildings at highly competitive prices that are ready to use;
- High quality support services for investors, both during or after investment;
- One of Europe's best records for industrial relations;
- A high quality of life with one of the old continent's lowest crime rates.



4. Business Entities

The most common way to invest in Portugal is:

- Set up or acquire a company, or
- Set up of a branch

The most common type of companies in Portugal are the "SA" (shareholders company) and the "LDA" (limited liability company).

Both have in common the fact that the responsibility of the shareholders or quotaholders only involves the amount of the capital of the company.

Shareholders company (SA)

SA companies require five shareholders. Please note that Madeira offshore companies and subsidiaries of a Portuguese holding company, setting up a SA can be done with a single shareholder.

The company must be registered on the commercial registry. The minimum social capital is €50.000, that can be paid in cash or in kind: (In the latter case, it is necessary a document from a report issued by a statutory auditor attesting the value of the related assets).

In general, companies have a structure that includes a board of directors and a statutory auditor. In smaller companies the board of directors can be substituted by single executive.

Limited liability company (LDA)

Smaller companies tend to be LDA, and usually they decide for a lower nominal capital than the SA. The LDA must include, at least, two quota holders. Nevertheless, it is also possible to set up a LDA with a single quota holder, a Sociedade Unipessoal por Quotas (SUQ).

All LDA must be registered on the commercial registry. There is no minimum capital required. The management can be organized to suit the company's requirements.

The companies will also need a statutory auditor if two of the following three conditions are exceeded over two consecutive years:

- Total of balance sheet: €1.500.000
- Net sales: €3.000.000
- Average number of employees in the year: 50

Branch

The branch must be registered on the RNPC (National Registry of Collective Persons). To set up and register a branch in the Commercial Register, among others, the following documentation must be available:

- The parent company's incorporation deed;
- A copy of the parent General Assemble decision, regarding the existence of the brauch in Portuguese;
- A power of attorney.

Although less used, there are other ways of investing in Portugal, namely through joint ventures and partnerships.

Joint ventures

A joint venture involves cooperation on a project between two or more parties, where they may agree to share expenses or income, or both, derived from the project. Different forms of joint ventures may operate in Portugal, such as participating (unincorporated) associations or consortia formed to carry out specific purposes.

The Portuguese legislation also foresees the constitution of domestic groupings (ACE Agrupamento Complementar de Empresas) and groupings between companies based in different EU member states (EEIG – European Economic Interest Grouping).

Joint venture agreement

The Portuguese law allows and regulates this form of companies' cooperation, which is normally used for a specific project.

The agreement must be written and notarized. It must detail members' interests and profit shares. Large construction projects frequently use joint ventures agreements.

European economic interest grouping (AEIE)

Association of individual or collective members located on the EU Member States with unlimited liability.

Association of business enterprises

It is very similar to AEIE but it is mandatory that the members are Portuguese entities.

Partnerships

Partnerships are rarely used in Portugal as it involves unlimited liability. Nevertheless, liberal professions, such as lawyers, economists, engineers, etc, use these type of business entities.

The partnerships are normally set up by a deed which determines the contribution of each partner and the method of sharing profits as well as the admission of new partners.

Formalities

As a result of a simplification program (named SIMPLEX), introduced by the Government in 2007, the time required to incorporate a company has been substantially reduced. Under these new procedures it is no longer necessary to have a notary deed.

With the "Empresa na Hora" (On the Spot Firm) it is possible to create a company (LDA, SA or SUQ) in just one office (one stop office) in a single day (1h 14m).
From now on, investors will no longer have to obtain in advance a certificate of the company admissibility from the National Registry of Companies (RNPC). Plus, there is no need to sign a public deed, except in specific cases.

During the incorporation procedures, the definitive legal person identification card will be handed over, the Social Security number will be given, and the company will immediately receive the memorandum and articles of association and an extract of the entry in the Commercial Register.

" Empresa na Hora " was the first step on the way to simplifying the relationship between a firm and the Public Administration throughout its life cycle. Portugal has thus become a country in Europe where setting up a company is now:

- fast, taking an average of 1h 14m;
- less bureaucratic, requiring the completion of a single form;
- one of the cheapest (costing about 360 Euros).

5. Labour

Labour Law in Portugal is mainly provided by the Labour Code, in force since December 2003 which was amended in 2009, by Law n.º7/2009. Furthermore, there are several Collective Agreements entered between the employers and employees' representatives that provide specific rules for some sectors.

Portugal´s membership of the EU led to the incorporation of a series of European Directives regarding labour relations, which apply generally throughout the EU.

5.1. Employment contract

5.1.1 Types of contract

The Labour law identifies various types of employment contract, including the following:

- Permanent contracts;
- Employment contracts subject to a term;
- Part-time employment contracts;
- Intermittent employment contracts;
- E-work employment contracts;
- Agency contracts (i.e. temporary contracts).

5.1.2.Trial Period

The length of the trial period must be stipulated in writing, which varies according to the type of contract. For permanent contracts the trial period can be from 90 days to 240 days, according to the specific features and responsibilities of the employee and tasks to be undertaken by the same. In case of fixed term contracts the trial period is 15 or 30 days according to the length of contract (15 days if less than 6 months; 30 days if over 6 months).

5.1.3 Termination of employment contracts

Employment contracts can be terminated as follows:

- expiration of a particular term or on the completion of a particular task (for fixed or uncertain term contracts);

- revocation by mutual agreement;

- dismissal (with just cause, extinction of the labour post, collective dismissal or dismissal based on the lack of adaptation of the employee to new technologies);

- rescission by the employee with just cause;

- termination with a pre-notice period (only possible for the employee).

It should be noted that the dismissal without just cause is prohibited. The law provides some examples of situations that can be considered as grounds to dismissal with just cause by the employer. The dismissal must be preceded by disciplinary proceedings, entitling the employee the right of defense.
The employee can always claim in Court for unfair dismissal, regardless of the type of dismissal carried out by the employer.

5.2 Working Hours

The working day and the working week cannot exceed 8 hours and 40 hours, respectively. The employees cannot work more than 5 consecutive hours, having the right to a rest period of not less than one hour after that period.

Overtime is limited to a period of hours per year and according to each Collective Convention this limit can vary. There are also specific rules provided for working shifts, night work, etc. in the Collective Conventions.

The law allows flexible working time in specific conditions, subject to certain limits. The information of working hours must be sent to the Portuguese Authority for Work Conditions (ACT).

5.3 Vacation and Absences

5.3.1 Vacation

The employees are entitled to 22 working days of vacation per year.

The employee, in the beginning of the contract, acquires the right to 2 days per each month worked and can only enjoy vacation after 6 months of employment.

The employer is entitled to stipulate vacation dates, but, usually the period of vacation is agreed between the parties. In the event of disagreement, the employer should book the vacation dates between May 1st and October 31st.

5.3.2 Public holidays

Legally there are 13 national public holidays and one municipal public holiday. Public holidays are not movable and are not changed in order to minimize mid-week interruptions.

It is expectable the extintion of four public holidays in the year 2013.

5.3.3 Absences

Labour law lists a series of circumstances that can justify absences from work.
In cases of absence by reason of illness, Social security pays up to 65% of daily salary, after 3 days of absence (the amount can be superior in case of length of leave).

In what concerns maternity leave the mother can have 4 to 5 months period of leave, being also possible several licenses after the child's birth and until the child/children attain a certain age. There is also paternity leave rights for the father, after to the birth of the child and further licenses (as long as the mother does not enjoys the license at the same time).

5.4 Social Security

All employees and self employed persons must be covered by Social Security, although there are specific social security schemes for some activities.
Employers are liable to withhold 11% of the gross salary of the employee and pay further 23.75% on their behalf.

The regime for the self employed is based on the social supports index (IAS), from 1 x IAS up to a maximum of 12 x IAS. For 2011 the IAS is €419.22. To self-employed persons in general a social contribution of 29.6% is applied.

6. Taxation

6.1 Corporate Income Tax (IRC)

6.1.1 Taxable persons

IRC is applicable to:

- Resident companies whose main activity is of a commercial, industrial or agricultural nature. Taxation is applicable to all income, including that obtained outside of Portugal;
- Non-residents who carry out the activities mentioned above and have a permanent establishment in the Portuguese territory. Taxation is applicable to all income attributable to the permanent establishment located in Portugal;
- Non-residents who, despite not having a permanent establishment in Portugal, obtain income related mainly to rentals and capital investments in Portugal.

6.1.2 Rate

The standard IRC rates are:

Entities	Continente 2012	Madeira Island 2012	Azores 2012
Residents and Permanent Establishments of Non-Residents (a)	25%	25%	17,5%

(a)This rate has a municipal surcharge of up to 1.5% on the taxable profit of the company may be added, thus resulting in a maximum rate of 26.5%. This surtax is also not deductible for IRC purposes.

For entities with taxable profits between 1,5 million and 10 million euros there is a State Surcharge of 3%. For taxable profits that exceed 10 million euros the surcharge is 5%.

For entities with legal head office or effective management in Portugal and whose main activity is not directed for profit, a reduced rate of 21,5% is applied.

6.1.3 Taxable Income

Residents/Non-Residents

The taxable base is generally determined by means of the taxpayer's tax returns and accounting records. The calculation starts from the net profit/loss for the year and any positive or negative variations in equity as per the company's accounting records adjusted by exempt income, non deductible expenses and deducted by eligible prior years' losses and tax incentives.

6.1.4 Variations in equity

These include all movements in equity excluding mainly those regarding share-capital, paid in capital or those resulting from the use of the equity method.

6.1.5 Deductible expenses

These relate to all substantiated expenses which are deemed indispensable for the normal running of the company. Interest, royalties and service fees are
generally deductible, if actually due. Where related parties are involved, if the arms length principle is not followed, these expenses may be disregarded by the tax authorities.

6.1.6 Non deductible

These include direct or indirect taxes which relate to the net profit/loss; costs incurred which are not properly documented including those relating to personnel expenses; fines, charges or interest which do not have a contractual origin; indemnities for securable events; confidential expenses; interest paid to shareholders when these exceed the marketable rates.

6.1.7 Adjustments, Provisions and Depreciations

All fixed assets, except land/property, can be depreciated/amortised for tax purposes, either by the straight-line method (generic) or the declining-balance method (specific).
Depreciation of goodwill is not tax deductible unless formally recognised by the tax authorities.
Amortisation of surplus from the revaluation or net adjustments of fixed assets are not deductible unless these are fiscally authorised, in which case only 60% of the amortisation is tax deductible.

Adjustments for doubtful debts which age more than six months are tax deductible based on a sliding scale.
When any adjustments, depreciations, amortisations or provisions are not in accordance with those allowed for tax purposes, they can be used for future expenses. These entries are exclusively made in the tax declarations and depend on what is recorded on the balance sheet at FY.

6.1.8 Capital gains and losses

In general, 50% of the net amount of capital gains relating to fixed assets or parts of capital (provided these were held for more than one year) are excluded from taxation as long as the resulting proceeds are reinvested in the acquisition of qualifying assets between the year prior to or up to two years after the disposal. If only part of the proceeds are reinvested, then only the corresponding proportion of the gain qualifies for this relief.

50% of the negative net amount of capital gains and losses upon disposal and redemption of shares or paid in capital can be deductible for tax purposes. This is not applicable for shares held for less than three years or acquired from i) a related party or from an entity resident in one of the listed tax havens; ii) entities resident in Portugal which are subject to a special IRC regime or iii) when acquired by companies which had come from a different tax regime.

Specifically for holding companies incorporated as SGPS, venture capital companies/investors (SCRs or ICRs) capital gains and losses upon disposal of shares or other parts of capital held for at least one year and the corresponding costs incurred are, in general, excluded from the taxable income.

6.1.9 Set-off of tax losses

Carry forward: 5 economic years

This deduction will be limited to 75% of the taxable profit assessed in the fiscal year. These set-offs may be lost if the principal activity of the company changes significantly or if the shareholder structure or voting rights change in more than 50%, unless the deduction of the losses is requested to Tax Administration due to economical reasons.

6.2. Corporate tax incentives

6.2.1 Exemption from IRC

Pension and similar funds, retirement saving funds (FPR), education funds (PPE), retirement funds (PPR) share saving funds, forest management funds.

Shares and other securities sold by non-residents unless these are held in more than 25% by a resident entity or held by an entity based in a listed tax haven.

6.2.2 Employment tax benefit

150% of the costs relating to net increase in jobs for individuals younger than 35 years or long-term unemployment people can be deducted from the taxable income. This is a one-off incentive applicable for five years after the beginning of the employment contract.

6.2.3 Contractual tax incentives

Industrial investment projects carried out by December 31, 2010 > €5,000,000 and deemed to be of strategic interest may benefit from an IRC credit ranging from 10% to 20% and exemption from property tax, property transfer tax and stamp duties for 10 years.

6.2.4 Fiscal incentives for R&D

There are incentives to entities that develop agricultural, industrial or commercial activities or services, in form of corporate tax credits for eligible expenses in R&D.

6.2.5 Free trade zone of Madeira Island

Entities licensed between January 1, 2007 and December 31, 2013: IRC at 3% until 2009; 4% between 2010 and 2012; 5% between 2013 and 2020. In addition, for these entities with that license, there are exemptions from Stamp Duty, withholding tax on interests, royalties, technical assistance, etc.

6.3 Groups of companies

6.3.1 Special group taxation regime

Companies can opt to be taxed on an aggregated basis as long as, in general terms, the dominant company holds, directly or indirectly at least 90% of its subsidiaries and its participation provides the dominant 50% of the voting rights. Through this scheme the net profits and losses of each company are aggregated; set-off tax losses generated prior to this regime can only be used up to the profit attributable to the corresponding company and those generated by each company throughout the regime can only be used while that company is still part of the group.

The option must be previously communicated to the tax authorities.

6.4 Anti-Avoidance

6.4.1 Transfer Pricing

The arm's length principle must be applied to transactions between related parties. The Tax Authorities can make pricing adjustments. The applicable methods follow the OECD guidelines.

From January 1, 2008 taxpayers can conclude unilateral advance pricing agreements.

6.4.2 Thin-Capitalisation

The thin-cap rules are applicable to interest paid to related parties which are not resident in Portugal or any EU member state.

Interest paid, which exceeds two times the corresponding share capital participation, is deemed excessive and is not deductible, unless the taxpayer can prove otherwise. Creditors that are resident in a country, territory or region with a more favourable tax regime cannot claim for this proof.

6.4.3 Controlled Finance Company (CFC)

In general, the profits and incomes generated by CFC shall be attributed to the resident shareholders. Applicable to shareholders (or through a legal representative, fiduciary or intermediary) who own, directly or indirectly, at least 25% (or 10% if at least 50% is held by Portuguese entities) of the share capital of the non-resident company.

The CFC is not applicable to entities resident in the European Union or in the European Economic Area, if the entity liable to CIT proves that the incorporation and the functioning of that entity has valid economic reasons and it develops agricultural, commercial, industrial or services activities.

There are 83 listed low-tax jurisdictions which are deemed to be tax havens for the abovementioned purposes.

6.5 WITHHOLDING TAXES

Dividends

Residents	Non Residents	Note
25%	25%	0% when EC Parent- Subsidiary Directive applies/ Reduced Treaty Rates

Interest
(on shareholders loans)

Residents	Non Residents	Note
25%	25%	EC Interest – Royalties Directive as from 2013 applicable. Until 2013 a transition regime: WHT 5%/ Reduced Treaty rates

Royalties

Residents	Non Residents	Note
16,5%	15%	EC Interest – Royalties Directive as from 2013 applicable. Until 2013 a transition regime: WHT 5%/ Reduced Treaty rates

6.6 VALUE ADDED TAX (IVA)

IVA is levied on the consumptions of goods and services in the Portuguese territory, the import of goods and transactions with other EU members made in the Portuguese territory in accordance with the corresponding regulations.

Exports, transactions outside of Portugal with other EU members, most financial, insurance and banking transactions and rendered services relating to imports are exempt from VAT. Other exemptions should be analysed on a case by case basis.

Rate

Standard rate: 23% (16% in Madeira and Azores)
(Refers to all goods not covered within intermediate or reduced rate)

Intermediate rate: 13% (9% in Madeira and Azores)
(Includes bottled waters, exhibitions and entertainment)

Reduced rate: 6% (4% in Madeira and Azores)
(Includes essential goods, pharmaceuticals, books, journals)

The zero rate applies mainly to the export of goods and supply of goods within the EU.
There is an anti avoidance rule between related parties with limited VAT deduction.

6.7 PERSONAL INCOME TAX (IRS)

6.7.1 Taxable persons

IRS is applicable to:

- Residents in the Portuguese territory. Taxation is applicable to all income obtained by these both inside and outside the Portuguese territory;
- Non-residents: taxation applies to income obtained within the Portuguese territory;
- In general the following conditions determine whether or not the person is a resident:
    - Resides permanently in the Portuguese territory for more than 183 days;
    - Resides for less than 183 days but owns a property for residence in the Portuguese territory as at December 31 of the taxed year;
- A Portuguese national who has moved residence to a listed tax haven.

6.7.2 Nature of income

Income is classified into six categories:

Category	Income
A	Employment income, fringe benefits and fees of members or corporate bodies
B	Business and professional income
E	Income from investments
F	Real estate income
G	Net worth increases and capital gains
H	Pensions, including alimony and annuities

6.7.3 Rates

The rates applicable to 2012 are as follows:

Taxable Income		Rate	
Min €	Max €	Marginal %	Fixed Deduction €
-	4.898,00	11,50	0,00
4.898,00	7.410,00	14,00	122,45
7.410,00	18.375,00	24,50	900,50
18.375,00	42.259,00	35,50	2.921,75
42.259,00	61.244,00	38,00	3.978,23
61.244,00	66.045,00	41,50	6.121,77
66.045,00	153.300,00	43,50	7.442,67
153.300,00		46,50	12.041,67

The taxable income for married couples or those living together as a married couple for more than two years is divided by two in order to determine which rate must be applied.

6.7.4 Other information

The net amount to be paid results from the amount of IRS calculated, adjusted by specific deductions and tax benefits, subtracted by the withheld tax for IRS throughout the year.

The IRS taxable income may be determined by the tax authorities based on indirect methods when there are signs of wealth and when these signs differ significantly from the tax declared.

6.8 OTHER TAXES

6.8.1 Municipal property tax (IMI)

Municipal tax is levied annually on the property held by the registered owner, beneficiary or user of the property as at December 31 of the concerning year.
The amount due is calculated based on the tax value of the property. The rates range from 0.3% to 0,8%.

6.8.2 Municipal property transfer tax (IMT)

A municipal tax is levied on the transfer of any property located in Portugal. This tax is due by the acquirer (resident or non-resident). The rate is 5% on transfer of rural property, 6.5% for urban property and 10% if the purchaser is located in a listed tax haven.

6.8.3 Stamp duties (IS)

Stamp duties are levied on all acts, deeds, documents, shares and capital held, and records, papers and other events listed in the Stamp duty code. These cover almost all of the events that are not subject to value added tax (IVA).

The stamp duty is defined as a percentage or a lump sum rate as defined in the Stamp duty code. The most relevant items are as follow:

Type	Rates
Acquisition of property rights	0.8%
Cash donations made to individuals (including inheritance)	10%
Rentals for leased or subleased property	10%
Issuance of mortgages, guarantees and pledges:	
- less than one year (per month)	0.04%
- one or more years	0.5%
- five or more years without term	0.6%
Operations made through credit or financial entity	4% (1)
Use of credit facilities:	
- less than one year (per month)	0.04%
- one or more years	0.5%
- five or more years	0.6%
- without term (per month)	0.04%

(1) Except for commissions or guarantees which are subject to a 3% stamp duty

Inheritance/Gift Tax

Stamp Duty is applied at a 10% rate (unless the heir is spouse or descendant).

6.9 FILING PERIODS RETURNS

6.9.1 Corporate tax (IRC)

Generally, the accounting and tax period correspond with the calendar year, although exceptions are accepted if previously approved by tax authorities.

IRC submissions must be filed electronically by the last working day of May of the following year and amounts payable/receivable must be calculated by the taxpayer.

In addition, prepayments for IRC liabilities applicable to the running year must be made through payments on account and special payments on account.

Payment on account

Calculated considering the prior year tax paid net from withheld tax or reimbursements. These are calculated based on the prior year turnover and paid in three equal instalments. If prior year turnover is > €498,797,90 this is calculated as 90% of the tax amount of the prior year, if not, then 70% of the latter.

Additional payment on account

Is due by entities subject to the payment of the State surtax with reference to the previous tax year. Corresponds to 2% of the taxable income above 2 million euros. There are 3 additional payments on account in July, September and December.

Special payment on account

Generally, these are due to the difference between 1% of prior year turnover (with a minimum amount of €1,000 and 20% of the excess with a maximum limit of €70,000) and the amount of payment on account. This can be paid either in one instalment or two equal instalments.

6.9.2 VAT

IVA returns are prepared monthly for companies which present a yearly turnover greater than €650,000 and submitted by the 10th day of the second month after the concerning month. In all other cases, the returns are prepared every three months and submitted by the 15th day of the second month after the concerning period.

IVA credits can be transmitted to the following periods. If these credits age over 12 months and are greater than €250, the company may request the payment of the outstanding credit.

6.9.3 Personal income tax (IRS)

As a rule, individuals must file the income tax return on an annual basis on the subsequent year. The filing deadlines are, generally, March 15 for taxpayers who only receive category A or H income and April 30 for all others.

6.10 INTEREST AND PENALTIES

Late payment interests - 1% per month or fraction.
Compensatory interests – 4% day-by-day.

There are penalties for failure or delay on submission of tax returns. The fine can goes from a minimum of € 150 to € 3.750 for person subject to IRS, and from € 300 to € 7.500 for entities subject to IRC.

The person or entity that fails on the tax payment, as long it does not constitute a crime, shall be punished with a fine which varies from the tax in debt and its double.

6.11 EXTRA

6.11.1 Autonomous taxation

In addition to the Corporate Tax (IRC) a penalty tax is imposed separately as follows:

Type of expense	Rate
Non documented expenses	50% - 70% (1)
Entertainment expenses	10%
Passenger and commercial car expenses	10% or 20% (2)
Per diems and travel allowances granted to employees for the use of their private car that are neither invoiced to clients nor taxed in the scope of the employee	5%
Payments to residents of tax havens (3)	35% or 55% (1)
Profit/dividends distributed by entities subject to Corporate Income Tax, to tax payers that benefit, totally or partially from tax exemption, if the parts of capital to which the profits relate have not been held for a previous uninterrupted period of one year and are not held for at least one year.	25%
Costs or expenses with compensation of damages resulting from cease of functions of managers or board members	35%

The Autonomous taxation rates are increased in 10% regarding taxpayers that have tax losses during the tax period to which the referred expenses concern.

(1) The highest rate is applicable for entities exempt from tax or whose main activity is not of a commercial, industrial or agricultural nature.
(2) The highest rate, for 2012, is only applicable when the purchase price exceeds € 25.000.

(3) Unless taxpayer can prove that these expenses are essential to the operation of the company.

6.11.2 Double taxation treaties

As at January 2012, Portugal has ratified double taxation treaties with the following countries: Algeria, Austria, Belgium, Brazil, Bulgaria, Canada, Cape Verde, Chile, China, Cuba, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Guinea-Bissau, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Kuwait, Latvia, Lithuania, Luxembourg, Macau, Malta, Mexico, Moldova, Morocco, Mozambique, Netherlands, Norway, Pakistan, Poland, Romania, Russia, Singapore, Slovakia, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Tunisia, Turkey, Ukraine, United Kingdom, Uruguay, USA, Venezuela.

6.11.3 Social security

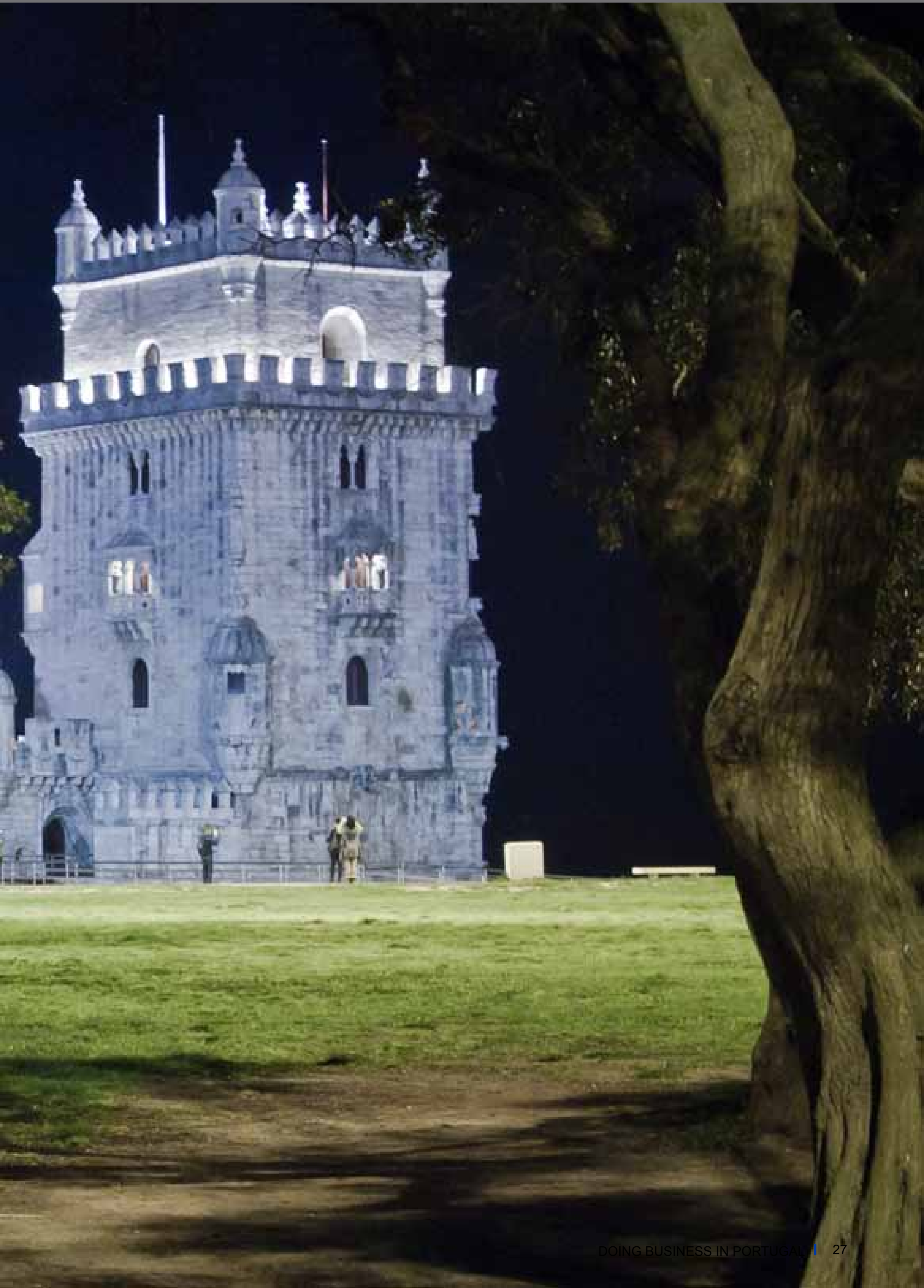
These include all remunerations of employees, management and contractors/self-employed people.

Contributions are shared between the employee and the employer as follows:

Type	Rate Employee	Employer
General regime	9.3%	20.3%
Corporate Management (1) Others	11%	23.75%
Contractors/self-employed (2)	29.5%	5%

(1) Based on actual remuneration within the maximum and minimum limits of one and 12 times the IAS (419,22 €).
(2) The 29,5% rate is applicable after 12 months of activity and if the gross annual income is above € 3.593,31. The 5% will be applicable if 80% or more of the services are rendered to the same person or to the same Group.

Social security declarations are submitted on a monthly basis by the 15th day of the following month.



7. Accounting & Reporting

Portugal has implemented the provisions of the Fourth EC Directive, giving rise to the publication of an Official Chart of Accounts in 1989. Since 2006 the financial statements of Financial Institutions as well as the consolidated financial statements of quoted companies are required to adopt accounting practices according to IAS. Since 2010, there are new accounting rules in line with the IAS.

Annual financial statements must be presented for each calendar year. However companies may opt to use a different accounting year. Financial statements must include a balance sheet, income statements, a cash flow statement and related notes.

Consolidated statements are required for companies in control of other companies. Consolidation rules and practices follow the Seventh EC Directive. Groups that do not exceed certain limits of assets, turnover and employees are exempt to present consolidated accounts. Financial statements must be approved up to March 31st of the following year and must be submitted via internet to the Finance Ministry until the end of June.

The financial statements of a company as well as all corporate tax returns, including VAT returns, must be submitted via internet by a registered accountant.

Portuguese legislation applies the 4th E.U. Directive since 1989. The adoption of the 7th E.U. Directive relating to the consolidation occurred in 1991.

All traders must have accounting books. If the turnover is higher than €150.000, all companies, individual establishment with limited liability and individual establishments regulated by the Commercial Code, are required to follow the SNC – Sistema de Normalização Contabilística (National Accounting Regulation).

It is mandatory that companies send their financial statements to the Commercial Registry. These financial statement include the report of the board, the balance sheet, the profit and loss statement, and the notes to the accounts. Companies that require a statutory auditor should also include the statutory report.

Audit requirements

All S.A. companies must have their financial statements audited by a registered Statutory Auditor. Likewise, LDA. companies that exceed two of the following three limits during two consecutive years are also required to appoint a registered auditor ("Revisor Oficial de Contas"):

Income amount: 3 million euros;
Total net assets: 1,5 million euros;
Number of employees:50.

The statutory auditor activity is regulated in Portugal in accordance with the 8th E.U. Directive. Only members (persons or companies) of the Association of Statutory Auditors can act as statutory auditors.

8. Other informations

8.1 Financial services

The incorporation of financial entities and financial services are ruled under the "Credit Institutions and Financial Companies General Regime". Banks and financial institutions are subject to the supervision of the Bank of Portugal.

The type of business that may qualify as a Credit or Financial Institution include:

- banks;
- leasing companies;
- factoring companies;
- stock exchange brokers;
- investment funds management companies;
- credit card issuers;
- exchange agencies.

8.2 Directors

In opposite to some countries, the Portuguese law doesn't require all members of management or all the board of directors to be independent.
However, under the new "Corporate Governance Code", beginning January 2009, a listed company is required to disclose in its corporate governance annual report whether its management includes an adequate number of independent members corresponding to at least one fourth of the entire board.

Moreover, by the Portuguese Law the majority of the members of the audit commitee must be independet according to the criteria established in the Portuguese Companies Code. All members of the audit committee have to fulfill the legal requirements concerning incompatibilities and expertise and that at least one of the independent members should satisfy legal requirements concerning expertise in auditing or accounting.

These principles are designed to strengthen the supervision of the audit function, to avoid conflicts of interest and to establish procedures and standards for related party transactions. Members of the audit committee will be deemed independent as long as they aren't associated with any specific interest groups neither in the company nor under any influence that might affect the neutrality of their analysis or decisions.

In particular, Portuguese law won't deem independent any holder, or any person acting on behalf or for the account of a holder of a qualifying holding equal or higher than 2% of the company's share capital, nor anyone being reelected for more than two terms whether subsequent or not.
A typical board of directors for a large listed Portuguese company is composed by a Chairman, a CEO, Executive board members and Nonexecutive board members.

8.3 Competition

Law 18/2003 was designed to maintain a competitive economy, disciplining restrictive competition practices. The law prohibits companies to enter into agreements that may affect, in a sensitive manner, the competition between economic agents in the national territory.
Likewise, companies are precluded to explore abusively a dominant position within the Portuguese market affecting or restricting the competition in such market.

The enforcement of the law is ensured by the Competition Authority.
Corporate reorganisations resulting in an increase of 30% in the market share or involving companies with a turnover of 150 million euros or more, are subject to previous authorisation from the Competition Authority.

8.4 Government Policy on Foreign Investment in Portugal

The agency leading Portugal's economic development policy is AICEP (the Portuguese Agency for Foreign Investment and Commerce).
AICEP is a public company that was created in 2007, as a result of the merger of API (the Portuguese Investment Agency) and ICEP (the Portuguese Foreign Business Institute).

AICEP is responsible for the promotion of global Portuguese trademarks, exports of goods and services, and attracting foreign direct investment (FDI). It serves as the point of contact for investors with projects over 25 million euros or companies with a consolidated turnover of more than 75 million euros.

8.5 Place of business or branch

An overseas company carrying out businesses in Portuguese territory may be required to incorporate a Portuguese Branch. The Portuguese Tax Law establishes in which situations the activities carried out by a non resident company in Portugal are deemed to constitute a Portuguese Permanent Establishment / Branch. When the nonresident company operating in Portuguese territory is a resident of a State with a Double Tax Treaty with Portugal, the provisions of the relevant treaty must be taken into consideration in determining if such operations should give rise, or not, to a Permanent Establishment in Portugal. When a nonresident company is considered to have a Permanent establishment in Portugal, such branch is in general, treated as a Portuguese resident company, with the same reporting and tax obligations, in the matters of the activities carried out in Portugal.

Note that the following situations don't give rise to a Permanent Establishment /Branch in Portugal:

- The use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the nonresident company;
- The maintenance of a stock of goods or merchandise belonging to the nonresident enterprise solely for the purpose of storage, display or delivery;
- The maintenance of a stock of goods or merchandise belonging to the nonresident enterprise solely for the purpose of processing by another company;
- The maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or of collecting information for the nonresident enterprise;
- The maintenance of a fixed place of business solely for the purpose of carrying out, for the nonresident enterprise, an activity of a preparatory or auxiliary character.

8.6 Venture capital

For higher levels of investment, Venture Capital Companies (VCC) provide a common source of equity funding, but never exceeding 49% of the issued capital.

Currently, the amounts of money potentially available by this source are significant, but success in securing such funding may not be easy.

VCCs typically demand a medium term return (in average 4 to seven years) on their investment and require evidence of a sound management track record, competitive products and a clear exit plan. In return, they may provide not only financial support but also, if they specialise in the business sector concerned, valuable relevant experience designed to assist rapid business growth.

This form of funding is normally available when one of the following conditions is met:
• Projects involving innovative ideas and technology, with high potential market;
• The entrepreneur is available to share the control of the company with external investors;
• The company is willing to enter in an IPO process.

8.7 Leasing

Leasing contracts are widely used by companies to finance investments in industrial equipment, hardware, company cars and real estate. The normal period of a leasing contract related to investments in real estate property is from 10 to 20 years while contracts to finance the acquisition of other type of assets have normally a duration from 3 to 5 years.

The sale of an asset followed of the leaseback of the same asset is occasionally used as a source of finance, providing the lender with the ownership of an asset as a security for the loan.

8.8 Residency in Portugal / Entering in Portugal

All foreign nationals entering Portugal must present a travel document valid for at least 3 months beyond the period of stay, or a visa, if applicable. All must have sufficient financial means and not be included on the national list of nonadmissible persons.

EU citizens and residents of some countries don't need a visa to enter
Portugal (however they must hold passports valid for three months longer than their stay). Visas should be obtained before the foreign national leaves to Portugal, from the local Portuguese embassy or consulate.

The residence card (Autorização de Residência) is mandatory for anyone who moves to Portugal, or anyone who is planning to stay longer than six months. This includes those who work, the selfemployed, the students, those intending to live off savings, retired people and family members of any of the above.

8.9 Copyright

A governmental office for author's rights (Office for the Rights of Authors) was established in 1997 (DecreeLaw 57/97) to provide information to the public and official support for new legislative initiatives by the government in copyright matters.

There are also private institutions for the management of copyright and related rights in terms of the national legislation: the Portuguese Authors Society (SPA, founded in 1925), the Management of Artists
Rights (GDA, founded in 1995) and the Association for the Management of Private Copies (AGECOP, founded in 1998).

8.10 Trade Marks

The registration of the trade mark gives the company the exclusive right to use it for the goods and/or services within Portugal.
According to the Industrial Property Code (CPI) a registered made mark must be renewed every 10 years to keep it in Portuguese legislation governing.

After a request to register a trademark is presented, it is published in the Official Industrial Property Bulletin. Then there follows a two month period in which the application may be challenged by any interested party. If this happens, the applicant has a further two monthsperiod to contest the challenge.

Only after the two or four month period has elapsed will INPI start examining the application. The purpose of the examination period is for INPI to ascertain and confirm whether the application is unique and cannot be confused with an already existing registered trademark. The application is only approved following this examination, after which it is registered and published in the Official Bulletin.

8.11 Patents

In Portugal, from the time an application for a patent is made to it's registation, takes an avarage of 24 months. This timeframe applies to both national and European patent applications and includes all the legal steps: presentation of the application, publication, examination of its eligibility by the relevant authority (INPI – The National Institute of Industrial Property) and any claims against its registration.

Portugal is a member of the WTO and the European Union, and as such enforces all the rules and regulations stipulated by international patent protection agreements. The applicable Portuguese legislation is DecreeLaw no. 36/2003 of 5 March, amended by DecreeLaw no. 318/2007 of September 26th, and DecreeLaw no. 143/2008 of July 25th.

9. Contacts in Portugal

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