



# REPUBLIC OF PORTUGAL

€3,000,000,000

4.1% Obrigações do Tesouro Benchmark due April 15, 2037

Issue Price: 99.596%

Application has been made to list the Obrigações do Tesouro on the MEDIP/MTS Portugal and on the EUROMTS

**Banco Espírito Santo, S.A**

**BNP PARIBAS**

**Barclays Capital**

**CALYON Corporate and Investment  
Bank**

**Deutsche Bank**

**ABN AMRO**

**Caixa Geral de Depósitos**

**Citigroup**

**Goldman Sachs International**

**HSBC FRANCE**

**Millennium BCP Investimento**

**Morgan Stanley**

**Lehman Brothers**

**SG Corporate & Investment  
Banking**

**UBM - UniCredit Banca Mobiliare**

*This Information Memorandum primarily contains certain information in relation to the issue of €3,000,000,000 4.1% Obrigações do Tesouro Benchmark due April 15, 2037 (the "OTs") of the Republic of Portugal ("Portugal", the "Republic" or the "Issuer"). The delivery of this Information Memorandum at any time does not imply the information herein is correct as of any time subsequent to the date of this Information Memorandum. This Information Memorandum does not constitute an offer of or an invitation by or on behalf of Portugal to subscribe for or purchase any of the OTs.*

*The Issuer has taken all reasonable care to ensure that the information contained in this Information Memorandum is true and accurate in all material respects and is not misleading and there are no other facts the omission of which makes this Information Memorandum as a whole or any of such information or the expression of any opinions or intentions misleading. The Issuer accepts responsibility accordingly.*

*This Information Memorandum does not constitute an offer or an invitation by or on behalf of Portugal or by or on behalf of the Managers or any of them as defined in "Subscription and Sale" below, to subscribe or purchase any of the OTs. It may not be used for or in connection with any offer to, or solicitation by, anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The distribution of this Information Memorandum and the offering or sale of the OTs in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum comes are required by Portugal and the Managers to inform themselves about and to observe any such restrictions.*

*No person is authorised to give any information or to make any representation not contained in this Information Memorandum in connection with the issue and sale of the OTs, and if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer or any of the Managers. Neither the delivery of this Information Memorandum nor any sale made in connection with the issue of the OTs shall, under any circumstances, create any implication that there has been no change in the affairs of the Republic since the date hereof.*

*No action has been taken or will be taken by the Republic or the Managers that would permit a public offering of the OTs or the circulation or distribution of this Information Memorandum or any offering material in relation to the Republic or the OTs, in any country or jurisdiction where action for that purpose is required.*

*References herein to "€" and "Euro" are to the lawful currency of the member states participating in the European Monetary Union.*

*In connection with the distribution of the OTs, Banco Espírito Santo, S.A., or any person acting for it (the "Stabilisation Agent") may, to the extent permitted by any applicable laws and regulations, over-allot OTs (provided that, in the case of any OTs to be admitted to trading on a regulated market, the aggregate principal amount of OTs allotted does not exceed 105 per cent. of the aggregate Principal Amount of the OTs) or effect transactions with a view to supporting the market price of the OTs at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Agent (or persons acting on behalf of the Stabilisation Agent) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate disclosure of the terms of the offer of the OTs is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the OTs and 60 days after the date of the allotment of the OTs.*

## Table of Contents

<b>Description of the OTs</b> .....	4
Form and Denomination .....	4
Status.....	4
Interest .....	4
Redemption and Purchase.....	4
Payments .....	4
Taxation .....	4
Prescription .....	5
Notices .....	5
Further Issues and Consolidation.....	5
<b>General Information</b> .....	6
Authorisation .....	6
Subscription and Sale .....	6
Clearing and Settlement .....	6
Sales Restrictions .....	6
Listing Information .....	7
Use of Proceeds .....	7
Ratings.....	8
Litigation.....	8

## Description of the OTs

### Form and Denomination

The aggregate principal amount of the OTs is €3,000,000,000. The OTs are issued in book-entry form in the Portuguese securities depository and clearing system (the "Central de Valores Mobiliários" or the "CVM") in the denomination of €0.01. No definitive certificates will be issued.

### Status

The OTs and all obligations of the Republic under the OTs are direct, unconditional, unsecured, unsubordinated and general obligations of the Republic and rank *pari passu* without preference or priority among themselves and at least *pari passu* with all other existing and future unsecured Indebtedness of the Republic.

"Indebtedness" means all indebtedness of the Republic in respect of money borrowed by the Republic.

### Interest

The OTs bear interest from March 22, 2006 (the "Closing Date") at the rate of 4.1% per annum payable annually in arrear on April 15 of each year. The first interest payment will be made on April 15, 2007, for the period from and including March 22<sup>nd</sup>, 2006 to but excluding April 15<sup>th</sup>, 2007. The OTs will cease to bear interest from the Maturity Date (as defined below). Where interest is to be calculated in respect of a period of other than one year, it will be calculated on the basis of the actual number of days elapsed, divided by the actual number of days (365 or 366) of the respective interest period.

### Redemption and Purchase

Unless previously purchased and cancelled, the Republic will redeem the OTs at their principal amount on April 15, 2037 (the "Maturity Date").

The Republic shall have the right at anytime to purchase OTs in the open market or otherwise. Any OTs purchased as aforesaid will be cancelled forthwith and may not be reissued or sold.

### Payments

All payments in respect of the OTs will be made by Banco de Portugal following instructions of the Republic as issuer. Banco de Portugal will pay the CVM, which will then credit the respective accounts of its registered book-entry accountholders with positions in OTs, including, in the case of OTs held with Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme, Luxembourg ("Clearstream") the accounts with the CVM through which Euroclear and Clearstream hold their positions in the OTs.

If any date for payment of interest or principal on the OTs is not a business day of the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (a "TARGET Settlement Day") then payment will be made on the next succeeding TARGET Settlement Day without any interest or other sum being payable in respect of the delay in payment.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto.

### Taxation

The following summary is based on Portuguese tax laws in force on the date of this Information Memorandum and is subject to changes in tax laws, which may have a retroactive effect. This summary is not exhaustive and prospective purchasers of OTs are advised to consult their own tax advisers as to Portuguese law and other tax consequences of the purchase, ownership and disposition of the OTs.

Payments in respect of the OTs to holders which are the effective beneficiaries of the income and are non-residents of Portugal not acting through a permanent establishment in Portugal and other than residents of other jurisdictions regarded as tax havens for Portuguese tax purposes, as well as capital gains made by them on a sale or other disposition of the OTs, will be treated as exempt from taxation and therefore no Portuguese income taxes will be levied whether by withholding or otherwise (the "Withholding Tax Exemption"). The Republic will not pay any additional amounts to holders of the OTs in respect of any taxes, which are required to be withheld.

The above-mentioned Withholding Tax Exemption is foreseen and subject to the requirements set forth in Decree Law 193/2005 of November 7, as amended by Decree Law 25/2006 of February 8, which establishes the tax regime applicable to debt securities issued by Portuguese public or private entities and held by non-resident entities or individuals ("Decree Law 193/2005").

The Withholding Tax Exemption will apply to holders provided that they: (i) are not resident in the Republic of Portugal and do not have any registered or deemed permanent establishment on Portuguese territory to which the interest is attributable; (ii) are not located in any of the jurisdictions regarded as tax havens for Portuguese tax purposes; and (iii) provide the relevant certification in accordance with requirements set forth in Decree Law 193/2005.

The new European directive on taxation of savings (the "Savings Directive") has been implemented and, subject to a number of important conditions being met, Member States of the European Union shall apply it. The Savings Directive was implemented in the Portuguese jurisdiction by way of Decree Law no. 62/2005 of March 11, as amended by Law 39-A/2005 dated 29 July, under which Portugal is required to provide to the tax authorities of another Member State details of payments of interest paid by a paying agent - as defined in the Savings Directive - within its jurisdiction to an individual resident in that other Member State, subject to the fact that certain Member States will opt instead for a withholding system for a transitional period in relation to such payments.

### **Prescription**

Claims against the Republic for the payment of principal in respect of the OTs shall prescribe in ten years after the due date thereof. Claims against the Republic for the payment of interest in respect of the OTs shall be prescribed five years after the due date thereof.

### **Notices**

All notices in respect of any information concerning the OTs shall be published in the Official Gazette (*Diário da República - II Série*).

### **Further Issues and Consolidation**

The Republic may from time to time, without the consent of the holders of the OTs, create and issue further OTs so as to be consolidated and form a single issue with the OTs.

The OTs are governed by, and shall be construed in accordance with Portuguese law.

In relation to any legal action or proceedings arising out of or in connection with the OTs ("Proceedings"), the Republic irrevocably submits to the jurisdiction of the courts of the Republic of Portugal and waives any objection to Proceedings in any such courts whether on the grounds that the Proceedings have been brought in an inconvenient forum or otherwise. These submissions are made for the benefit of each of the holders of the OTs and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction, nor shall that taking of Proceedings in any court of competent jurisdiction preclude any of them from taking Proceedings in any other court of competent jurisdiction (whether concurrently or not) unless precluded by applicable laws. The Republic agrees that, in the event of Proceedings being brought against the Republic, no immunity from such Proceedings or execution of judgement shall be claimed by or on behalf of the Republic or with respect to its assets (save for any property or assets used for public utility purposes or in the public domain as provided by any applicable laws of the Republic), the Republic hereby irrevocably waives any such right of immunity that it or such assets have at the date of this Information Memorandum or may hereafter acquire except to the extent that any such waiver of immunity from Proceedings or from execution of judgement is excluded by applicable laws.

## General Information

### Authorisation

The issue of the OTs was authorised by a resolution of the Board of Directors of Instituto de Gestão do Crédito Público dated March 17, 2006.

### Subscription and Sale

ABN AMRO Bank N.V., Banco Espírito Santo, S.A., Banco Millennium BCP Investimento, S.A., Barclays Bank PLC, BNP Paribas, Caixa Geral de Depósitos, S.A., CALYON, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC FRANCE, Lehman Brothers International (Europe), Morgan Stanley & Co. International Limited, Société Générale and UniCredit Banca Mobiliare S.p.A. (the "Managers") have, pursuant to a Subscription Agreement dated March 21<sup>st</sup>, 2006, jointly and severally agreed with Portugal, subject to the satisfaction of certain conditions, to subscribe for the OTs at an issue price of 99.596% of their principal amount less a combined selling concession and underwriting commission of 0.275% of such principal amount. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to Portugal. The Managers have agreed to perform certain market making functions in relation to the OTs in accordance with Regulation n° 3/2002 of Instituto de Gestão do Crédito Público regarding the issuance of *Obrigações do Tesouro*.

### Clearing and Settlement

The OTs will be created in the book-entry account of the Republic with the CVM on the TARGET Settlement Day prior to the Closing Date. On the same day, the Republic will transfer the OTs free of payment to the book-entry account No. 22143 of the Republic with Euroclear, thus holding them in CVM through Euroclear. On the Closing Date, the OTs will be settled against payment through Banco Espírito Santo, S.A., Euroclear account No. 12418. Immediately thereafter, delivery of the OTs will be effected by Banco Espírito Santo, S.A., in accordance with current Euroclear and Clearstream procedures.

### Sales Restrictions

No action has been or will be taken by Portugal or any of the Managers that would permit a public offering of any of the OTs, or possession or distribution of this Information Memorandum (in proof or in final form) or any other offering material or any supplementary information memorandum, in any country or jurisdiction where action to that purpose is required. Accordingly, no OTs may be offered, sold or delivered nor may this Information Memorandum or any other offering or publicity material be distributed or published in any country or jurisdiction except in circumstances that will result in compliance with any applicable laws and regulations. In particular, no representation is made that the OTs may lawfully be sold in compliance with any applicable registration requirements and neither the Republic nor the Managers assume any responsibility for facilitating such sales. Persons into whose hands this Information Memorandum comes are required by the Republic to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver OTs or have in their possession or distribute this document, in each case at their own expense.

Each Manager has represented, warranted and agreed that it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by each of them in relation to the OTs in, from or otherwise involving the United Kingdom.

The OTs have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the "Securities Act") and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except that OTs may be offered or sold by the Managers directly or through their respective U.S. broker-dealer affiliates to Qualified Institutional Buyers in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A. Prospective purchasers are hereby notified that sellers of OTs may be relying on the exemption from the provisions of the section 5 of the Securities Act provided by Rule 144A.

In addition, until 40 days after the commencement of the offering of the OTs, an offer or sale of OTs within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Each of the Managers has agreed to deliver or cause to be delivered to each person to whom OTs are sold under Rule 144A, prior to the time of sale, a notice to the following effect:



"As a purchaser of the € 3,000,000,000 4.1% Obrigações do Tesouro Benchmark due April 15, 2037 (the "OTs") of the Republic of Portugal you will be deemed to have represented and agreed as follows:

- (1) You understand that the OTs have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except (A)(i) to a person whom you reasonably believe is a Qualified Institutional Buyer (as defined in Rule 144A under the Securities Act) in a transaction meeting the requirements of Rule 144A or (ii) in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S or (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if applicable) and (B) in accordance with all applicable securities laws of the United States and other jurisdictions. No representation can be made as to the availability of the exemption provided by Rule 144 for resales of the OTs. No representation is made by any of the Managers as to the truth, accuracy or completeness of any information regarding the Issuer. You have made such investigation of the Issuer and the OTs, including the tax consequences of ownership, as you have deemed necessary and have not relied on any investigation or verification that the Managers may have undertaken for the purposes of the offering. Investors will be deemed to have represented and agreed that they have relied on no such representation and have made their own assessment of the Issuer and the OTs.
- (2) If you are a U.S. Person you represent that (a) you are a Qualified Institutional Buyer, (b) you are aware that the sale of the OTs is being made to you in reliance upon Rule 144A, (c) you are acquiring the OTs for your own account or for the account of a Qualified Institutional Buyer, as the case may be, and (d) you are not acquiring such OTs with a view to any resale or distribution thereof other than in accordance with the restrictions set forth above."

#### NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR ANY TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Each of the Managers has represented and agreed that any OTs that are offered in The Netherlands shall, in order to comply with The Netherlands Securities Market Supervision Act 1995 (Wet toezicht effectenverkeer 1995), only be offered, as part of their initial distribution or by way of re-offering, to individuals or legal entities who or which trade or invest in securities in the conduct of a business or profession (which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, collective investment institutions, central governments, large international and supranational organisations, other institutional investors and other parties, including treasury departments of commercial enterprises, which as an ancillary activity regularly invest in securities; hereinafter, "Professional Investors"), provided that it must be made clear both upon making the offer and in any documents or advertisements in which a forthcoming offering of such OTs is publicly announced (whether electronically or otherwise) that such offer is exclusively made to such Professional Investors.

#### Listing Information

Application has been made for the OTs to be listed on the MEDIP/MTS Portugal and EUROMTS.

#### Use of Proceeds

The net proceeds of the sale of the OTs, amounting to €2,979,630,000 will be used to finance 2006 gross borrowing needs of the Republic of Portugal.

## **Ratings**

All outstanding debt of the Republic of Portugal is rated "Aa2" by Moody's Investors Service, Inc., "AA-" by Standard & Poor's, a division of McGraw-Hill Companies, Inc. and "AA" by Fitch Ratings Ltd.

## **Litigation**

To the best of its knowledge and belief, the Republic of Portugal is not involved in any litigation, arbitration or administrative proceedings which is material in the context of this issue of the OTs, and to the best of the knowledge of the Republic of Portugal, no such litigation, arbitration or administrative proceedings is threatened or contemplated.

Common Code: 024816117

ISIN Code: PTOTE5OE0007

CVM Code: OTE5OE



## **ISSUER**

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*represented by*

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