

EUR 3 bn 4.35 % OT due 16 October 2017

PRESS POINTS

April 25th 2007

Summary Terms

Size:	EUR 3 billion
Pricing Date:	25th April 2007
Settlement:	3rd May 2007
Maturity:	16th October 2017
Coupon:	4.35%, annual, Act/Act (short first coupon)
Spread:	+18.0 vs DBR 3.75% Jan 2017
DBR Jan 17:	96.57; 4.184%
Reoffer yield:	4.364%
Reoffer price:	99.907
Fees:	0.15%
Format:	Domestic with 144A option
Lead Managers:	BES, HSBC, Lehman Brothers, Morgan Stanley, SG CIB

Highlights of the Transaction

Pricing

- The Republic of Portugal today priced its first syndicated transaction of 2007, a new Euro 3bn 10 year OT Benchmark, due 16 October 2017. This benchmark will complement and consolidate the comprehensive OT curve which offers liquid instruments of up to 30 years in maturity
- Books opened on Tuesday 24th April with an initial price guidance of Bunds + 19bp area (equivalent to Mid Swaps – 8bp area) and the order book soared to

above EUR 10bn by 12:00 (just 4 hours after book opening), when books were closed

- The rapid growth of the order book – which was oversubscribed after just two hours of bookbuilding – implied a significant shortening of the timeline for the transaction for which pricing was brought forward from Thursday to Wednesday
- Price guidance was revised tighter to Bunds + 18bp (equivalent to Mid Swaps – 9bp) mid way through the morning
- The transaction priced at a spread of +18 bps versus the 3.75% DBR Jan 2017, for a reoffer yield of 4.364%, and reoffer price of 99.907
- Final oversubscription level of 3.5x and speed of execution act as testament to the strength of demand for the Portuguese credit

Distribution

- The transaction was well distributed across Europe with international investors accounting for 95% of the allocated amount, with France and the UK leading. This reflects increased international confidence on the stability of the Portuguese credit
- Real money investors (Fund Managers, Insurance, Pension Funds and Central Banks) took over 50% of the issue, with good participation from banks as well
- The order book gathered interest from over 90 accounts

Performance and Liquidity

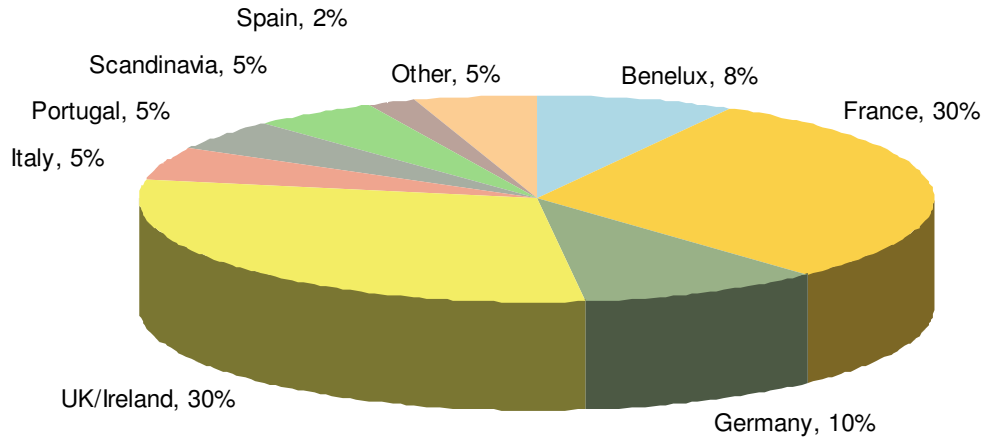
- The transaction priced in the context of strong performance in the Portuguese government bond market, where spreads have been on a continuous tightening trend over the last months
- The liquidity of this new benchmark will be guaranteed by Portugal's commitment to increase the transaction size to a minimum of EUR 5BN within the next six months
- This is in line with Portugal's strategy to foster an efficient and liquid secondary market by channelling liquidity into Euro benchmarks
- The new 10Y OT will be under MTS market making obligations as of tomorrow, April 26th

Background

- The strong performance of the Portuguese bond market over the recent months was supported by a favorable economic and political climate:

- Improved GDP growth (1.3% in 2006 vs. 0.5% in 2005) expected to continue. Forecasts are 1.8% in 2007 and 2.4% in 2008 (Source: SGP).
- As the Portuguese Government enjoys a strong majority and the absence of major elections before 2009, it enables it to remain committed to reducing budget deficit and public debt through the implementation of structural measures as outlined in Portugal's Stability and Growth Programme 2006-2010 (including detailed progress realised in 2006 and prospects in terms of budget deficit and debt/GDP ratio). For example:
- 2006 budget deficit reached 3.9% of GDP against an initial target of 4.6% (and vs. a 2005 deficit of 6%). Therefore the target of a budget deficit below 3% in 2008 appears reachable.
- After a significant increase over the past years, the Debt /GDP ratio should reach a peak in 2007, around the average of the Euro-zone, and begin to decline fast, as GDP grows faster and budgetary consolidation translates into lower borrowing needs.
- Moody's rating and outlook recently affirmed (Aa2 stable on 15 Feb 2007) and S&P rating and outlook affirmed on 12 July 2006 (AA stable).

Regional Distribution (lead + co-lead allocations)



Investor Type (lead + co-lead allocations)

