EUR 3bn 4.95% OT due 25 October 2023

PRESS POINTS

June 3rd 2008

Summary Terms

Issuer:	Republic of Portugal
Size:	EUR 3 billion
Pricing Date:	3rd June 2008
Settlement:	10th June 2008
Maturity:	25th October 2023
Coupon:	4.95%, annual, Act/Act (long first coupon)
Reoffer Spread:	+5bp vs. Mid Swaps, equivalent to +17.3 vs OAT 4.25% Oct 2023
Mid Swaps/OAT Oct 23:	4.930%/4.807%
Reoffer yield:	4.980%
Reoffer price:	99.624
Format:	Domestic with 144A option
Listing:	Euronext Lisbon, MTS Portugal
Denominations:	EUR 0.01
Lead Managers:	CaixaBI, Citi, HSBC, Lehman Brothers, Morgan Stanley

Highlights of the Transaction

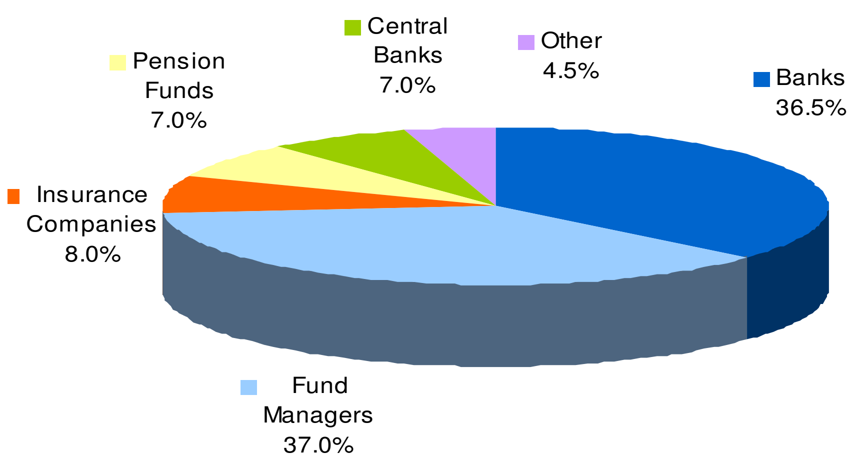
Pricing

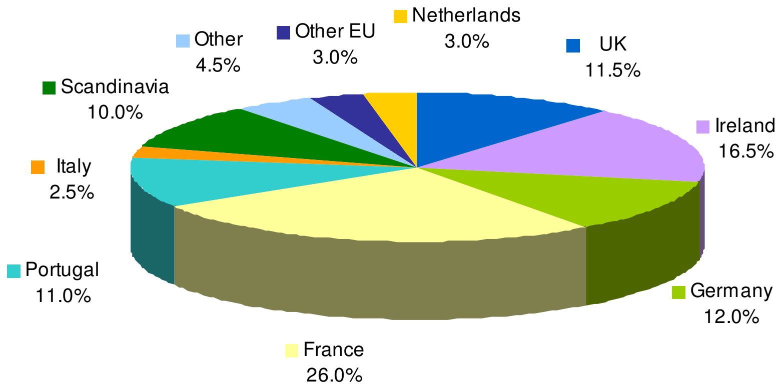
- The Republic of Portugal today priced its second syndicated transaction of 2008, a new Euro 3bn 15 year OT Benchmark, due 25 October 2023. This benchmark will complement and consolidate the comprehensive OT curve which offers liquid instruments of up to 30 years in maturity
- The current 15Y OT benchmark offering reaffirms Portugal commitment to the long end of the EUR benchmark curve, which was originally made with the issuance of the OT 2021 back in 2005 and subsequently reinforced with the OT 2037 in 2006
- This transaction was launched against a favourable backdrop of renewed investor demand for maturities beyond 10Y which materialized over the course of the past weeks
- Books opened on Monday 2nd June with an initial price guidance of Mid-Swaps + 3 to +6bp (equivalent to OAT 4.25% October 2023 + 17.5 to +20.5bp) and the order book reached EUR 3.8bn by 12:30 (just 4 hours after book opening). Books continued to grow in the afternoon and were closed at 16:00 when they had surpassed EUR 4.4 bn
- Price guidance was revised to Mid Swaps +4 to +5bp mid way through the bookbuilding
- The rapid growth of the order book implied a significant shortening of the timeline for the transaction for which pricing was brought forward to Tuesday morning
- The transaction priced at a spread of +5bp to Mid Swaps (equivalent to +17.3 bps above the OAT 4.25% October 2023, for a reoffer yield of 4.980%, and reoffer price of 99.624), at the tight end of the price guidance vs. OAT. This pricing implies a very limited new issue premium versus a fair value for the OT curve of Mid Swaps + 3.75bp, determined using the OT 2018 Mid-Swap spread (-3.25bp) and the average 10Y/15Y curve for EU Sovereigns (+7bp).

Distribution

- The transaction was well distributed across Europe with international investors accounting for 89% of the allocated amount, with France and Ireland leading. This reflects the strong international confidence in the Portuguese credit.
- Real money investors took down the vast majority of the issue. Pension Funds and Insurance companies combined accounted for 15% of the distribution
- It has been interesting to see Central Banks to participate for 7% of the issue size, thus extending beyond their typical maturity horizon of 10 years
- The order book gathered interest from over 80 accounts

Distribution Statistics





Performance and Liquidity

- Together with Italy and Greece, Portugal has been the only genuine benchmark issuer of 15-year paper in the Euro zone this year
- The 15-year OT benchmark provides attractive credit diversification in the long end of the Euro curve
- 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 15Y OT will be under MTS market making obligations as of tomorrow, June 4th. It will also be admitted as a benchmark issue by Tradeweb and Bondvision

Background

- Favourable political climate for reforms: as the Portuguese Government enjoys a strong absolute majority since 2005 and the absence of major elections before 2009, it enables it to remain committed to its public finances reform programme through the implementation of structural measures as outlined in Portugal's Stability and Growth Programme 2007-2011. For example:

- Budget deficit was reduced from 6.1% to 2.6% of GDP between 2005 and 2007. In 2008 the deficit is expected to reach 2.2% of GDP. To this the European Commission has commented:
  - "*Portugal is to be praised for bringing its deficit to 3%, and possibly less, in 2007, one year before the deadline. The recent pension reforms also significantly improve the long-term outlook of its finances. It is encouraged to pursue its budgetary strategy to help put the Portuguese economy back on a sustainable and dynamic catching-up path*" Recommendation from the EC on February 13th, 2008
- Portugal has a lower debt burden than the Euro area average and better than "core" Europe and other rating peers such as Italy, Greece and Belgium