

Wednesday 27th February 2008



Republic of Portugal
€3bn 4.45% OT due 15 June 2018
Issue price: 99.987%, Reoffer yield: 4.454%

Press Release

The Republic of Portugal (AA-/Aa2/AA) launched yesterday its first syndicated OT of 2008. The new EUR 3 billion benchmark matures on 15 June 2018, pays a coupon of 4.45%, and was priced at a spread of mid-swap –1bp (equivalent to +39.4 bp over the 4% BUND due 4 January 2018). Joint lead managers were Banco Espírito Santo, Barclays Capital, BNP Paribas, Calyon and Société Générale CIB.

Background/rationale

- In January, the IGCP announced the financing programme for the Republic of Portugal in 2008, anticipating an amount between EUR 10 and 12 billion to be issued through government bonds (Obrigações do Tesouro – OT), of which two new OT series would be issued in 2008.
- A 10-year due 2018 was the choice for the first new OT benchmark, allowing the IGCP to take a new step towards the completion of the yield curve and contributing to smooth Portugal's redemption profile.
- On the back of sustained demand seen at the 10-year point of the curve, Portugal decided to fulfil investor interest by issuing a new 10-year OT benchmark as its first syndicated government bond of the year.

Transaction execution

- The IGCP announced the mandate on Friday 15th February, with the intention to launch the new syndicated OT in the coming weeks, subject to market conditions.
- Senior IGCP management held conference calls with several investors, to explain its funding strategy and comment on Portugal's macro fundamentals and economic policy.
- The book building process started on Monday 25th February with initial price guidance of mid-swaps – 4 to – 2 bp, equivalent to DBR 4% Jan-18 +38 to +40 bp.
- Albeit market conditions turned very volatile, with government bonds underperforming the swap curve, the order book grew steadily, indicating the support of real money investors to the Portuguese credit.
- Due to continued swap volatility and to reflect changed secondary market valuations of government bonds versus swap, the decision was taken to revise the price guidance to mid-swap – 2 to – 1 bp in the morning of Tuesday 26th February.

- This decision showed the flexibility and willingness of the IGCP to adapt to changing market conditions and to provide the required comfort to investors to participate in its primary market bond issuance. This revision allowed the Joint Lead Managers to confirm all orders in spite of continuing market volatility, and to attract further demand both from real money and leveraged investors.
- Books closed at mid-day (12 pm) Tuesday 26th February with a global final order book size close to €4bn, with the majority of the orders coming from real money investors.
- The transaction priced on Tuesday around 3:00 pm at a spread of 39.4 bp over the 4% Bund due January 2018, or 1 bp below the mid-swap curve.
- The IGCP intends to bring the final size of this new OT benchmark to no less than EUR 6 billion via auctions, thus enhancing liquidity of the OT yield curve.
- The new OT 2018 will be traded on MTS Portugal, EuroMTS, TradeWeb and BondVision as of today, February 27th.

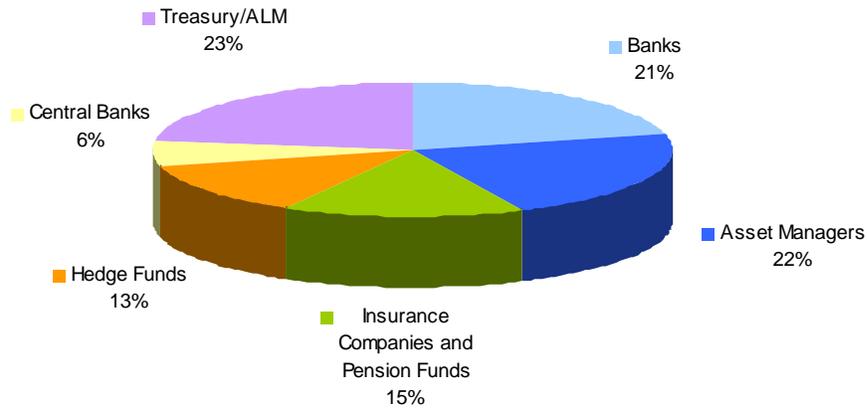
Market impact

- The investor response to the transaction in time of growing volatility and underperformance of the government bond market highlights the attractiveness of the Portuguese name in the Eurobond market.
- The transaction has allowed Portugal to renew its dialogue with an important range of investors, thereby cementing the broad distribution of Portuguese Government paper. The 2018 OT provides attractive credit diversification in the central part of the Euro curve and a new liquid reference point in the Portuguese benchmark curve.
- The new OT was priced at 39.4 bp over the reference Bund, within the initial spread guidance. The spread to mid-swaps was adjusted to reflect the performance of sovereign credit relative to the swap curve.

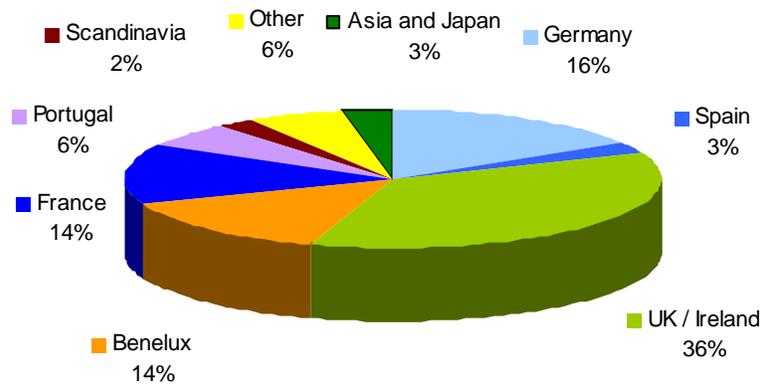
Distribution

- Over 90 investors participated in a well oversubscribed book. Over 60% of final allocations were to real money investors.
- The transaction saw a balanced distribution across Europe, as it has been the case for Portuguese transactions in the past. Particular highlights in relation to previous 10-year OT benchmark are a stronger demand from Germany (16%) and the Benelux (14%) as well as a participation from Asia (3%).
- The distribution was balanced also in terms of investor type, with an important participation from asset managers (22%) and insurance companies and pension funds (15%)
- Approximately 94% of the bonds were placed outside the domestic market, highlighting Portugal's diversified investor base.

Breakdown by investor type



Geographical Breakdown



REPUBLIC OF PORTUGAL 4.45% OT BENCHMARK DUE 15 JUNE 2018

FINAL TERMS AND CONDITIONS

Issuer:	Republic of Portugal (Aa2/AA-/AA)
Issue Amount:	EUR 3,000,000,000
Launch Date:	26 February 2008
Pricing Date:	26 February 2008
Payment Date:	4 March 2008
First Coupon Date:	15 June 2008, short first coupon
Maturity Date:	15 June 2018
Government Benchmark:	4% DBR Jan 4, 2018
Benchmark Bid Yield (p.a.):	4.06%
Re-offer Spread:	39.4 bps
Re-offer Yield:	4.454%
Annual Coupon (Act/Act):	4.45%
Issue/Re-offer Price:	99.987
Total Fees:	0.15%
All-in Cost (p.a.):	4.473%
All-in Cost Price:	99.837
All-in Cost Spread vs DBR:	41.3 bps
ISIN Code:	PTOTENOE0018
Common Code:	034910936
Net Proceeds:	2,995,110,000
Listing:	MEDIP/MTS Portugal
Denominations	EUR 0.01
Law:	Portuguese
144A Eligible	Yes
Joint Bookrunners:	Banco Espirito Santo S.A., Barclays, BNP Paribas, Calyon, Société Générale CIB