

OFFERING CIRCULAR  
DATED: 21 September 2005

# PARPÚBLICA-PARTICIPAÇÕES PÚBLICAS (SGPS), S.A.

*(incorporated with limited liability (sociedade anónima) under the laws of the Republic of Portugal and registered  
at the Commercial Registry Office of Lisbon under number 1656)*

**EUR 500,000,000**  
**3.567 per cent. Bonds due 2020**  
**Issue Price: 100 per cent.**

The EUR 500,000,000 3.567 per cent. Bonds due 2020 (the "**Bonds**") will be issued by Parpública-Participações Públicas (SGPS) S.A. (the "**Issuer**").

The Bonds will bear interest from 22 September 2005 (the "**Closing Date**") at a rate of 3.567 per cent. per annum. Interest on each Bond will be payable in arrear on 22 September in each year commencing on 22 September 2006. Payments of interest on the Bonds will be made without deduction for or on account of taxes of the Republic of Portugal where Bondholders or Couponholders have provided either (i) certification of non-residence in the Republic of Portugal and a statement of beneficial ownership or (ii) a statement confirming that it is a Portuguese financial institution to the Issuer on the Certification Date (as defined in the Conditions) in respect of each Interest Payment Date. Where no certification is provided to the Issuer on such Certification Date by Bondholders or Couponholders, payments of interest on the Bonds will not be made free of withholding tax. See "Terms and Conditions of the Bonds - Taxation" and "Taxation –Portuguese Taxation".

Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on 22 September 2020. See "Terms and Conditions of the Bonds - Redemption and Purchase".

Applications have been made to admit the Bonds to listing on the Official List of the Financial Services Authority (in its capacity as competent authority (the "**UK Listing Authority**") under the Financial Services and Markets Act 2000 (the "**FSMA**")) and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Bonds to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market (the "**Market**"). The Market is a regulated market for the purposes of the Investment Services Directive 93/22/EC (the "**ISD**"). Application has also been made to Euronext Lisbon in its capacity as competent entity under the Portuguese Securities Code (Código dos Valores Mobiliários "**CVM**") for the Bonds to be admitted to trading on the Euronext Lisbon official market ("**Euronext Lisbon**"). References in this Offering Circular to Bonds being "listed" (and all related references) shall mean (i) that such Bonds have been admitted to trading on the Market and have been listed on the Official List, and/or (ii) that such Bonds have been admitted to trading on Euronext Lisbon.

The Bonds are expected to be publicly rated "Aa2" by Moody's Investors Services Limited ("**Moody's**") and "AA-" by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("**S&P**") on or shortly after issue. A credit rating is not a recommendation to buy, sell or hold a security and may be subject to revision or withdrawn at any time by Moody's and/or S&P. There can be no assurance that Moody's and/or S&P will continue to monitor their rating of the Bonds during the life of the Bonds or that such rating may not be downgraded or withdrawn.

The Bonds will be represented by a global bond (the "**Global Bond**"), without interest coupons, which will be deposited with a common depository on behalf of Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") and Euroclear Bank S.A./N.V., as operator of the Euroclear system ("**Euroclear**") on or about the Closing Date. Interests in the Global Bond will be exchangeable for definitive bonds (the "**Definitive Bonds**") only in certain limited circumstances. See "Summary of Provisions relating to the Bonds while in Global Form".

## Joint Lead Managers

**BARCLAYS CAPITAL**

**CAIXA-BANCO DE  
INVESTIMENTO**

**DEUTSCHE BANK**

## Co- Lead Managers

**BANIF Investment  
Banking**

**Depfa Bank plc**

**Dexia Capital Markets**

**Millenium BCP  
Investimento**

*The Issuer accepts responsibility for the information contained in this Offering Circular. The Issuer declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is to the best of its knowledge in accordance with the facts and does not omit anything likely to affect the import of such information.*

*This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer or Barclays Bank PLC, Caixa-Banco de Investimento, S.A. or Deutsche Bank AG, London Branch, (each a “**Joint Lead Manager**” and together the “**Joint Lead Managers**”) or BCP Investimento–Banco Commercial Português de Investimento S.A., BANIF-Banco de Investimento, S.A., Depfa Bank plc and Dexia Banque Internationale a Luxembourg, societe anonyme acting under the name Dexia Capital Markets (each a “**Co-Lead Manager**”, and, together with the Joint Lead Managers, the “**Managers**”) to subscribe or purchase, any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Bonds and distribution of this Offering Circular see “Subscription and Sale” below.*

***This Offering Circular does not comprise a prospectus for the purpose of Article 5 of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (the “Prospectus Directive”). This Offering Circular does not constitute an “Approved Prospectus” for the purposes of section 85 of FSMA.***

*This Offering Circular may only be used for the purposes for which it has been published.*

*This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference. This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.*

*No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Managers. The delivery of this Offering Circular at any time does not imply that the information contained in it is correct as at any time subsequent to its date.*

*The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States or to U.S. persons (as defined in Regulation S under the Securities Act).*

*This document is for distribution in the U.K. only to (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services And Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “**relevant persons**”). This document is directed only to relevant persons. Other persons should not act or rely on this document or any of its contents.*

*Bondholders and Couponholders should note that payments of interest on the Bonds will be made without deduction for or on account of taxes of the Republic of Portugal where Bondholders or Couponholders have provided either (i) certification of non-residence in the Republic of Portugal and a statement of beneficial ownership or (ii) a statement confirming that it is a Portuguese exempt institution to the Issuer on the Certification Date (as defined in the Conditions) in respect of each Interest Payment Date. Where no certification is provided to the Issuer on*

*such Certification Date by Bondholders or Couponholders, payments of interest on the Bonds will not be made free of withholding tax.*

*All references to "euro", "EUR" and "€" refer to the lawful currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended from time to time.*

IN CONNECTION WITH THE ISSUE OF BONDS DEUTSCHE BANK AG, LONDON BRANCH (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT BONDS (PROVIDED THAT THE ALLOTMENT DOES NOT EXCEED 105 PER CENT. OF THE AGGREGATE PRINCIPAL AMOUNT) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT DEUTSCHE BANK AG, LONDON BRANCH (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE SUCH STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OR THE BONDS 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 BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS.

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## **INCORPORATION BY REFERENCE**

The annual report of the Issuer and the following documents are incorporated by reference in this Offering Circular. Copies of these documents are available without charge during usual business hours at the specified offices of the Paying Agents as described in "General Information" below:

- (i) the audited non-consolidated financial statements of the Issuer as at and for the years ended 31 December 2003 and 2004;
- (ii) the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2003 and 2004; and
- (iii) the non-audited non-consolidated interim financial statements of the Issuer as at and for the periods ended 30 June 2004 and 2005.

The documents incorporated by reference herein have not been submitted to the clearance procedures or approved by the UK Listing Authority, the London Stock Exchange or Euronext Lisbon.

## TERMS AND CONDITIONS OF THE BONDS

The following is the text of the Terms and Conditions of the Bonds substantially in the form in which they will be endorsed on each Bond in definitive form, if issued:

The issue of the EUR 500,000,000 3.567 per cent. Bonds due 2020 (the “Bonds”) was approved by a resolution of the sole shareholder of Parública-Participações Públicas (SGPS), S.A. (the “Issuer”) passed on 08 March 2005 and authorised by the Board of Directors of the Issuer on 29 August 2005.

The Bonds are the subject of a fiscal agency agreement dated 22 September 2005 (the “Fiscal Agency Agreement”) between the Issuer, BNP Paribas Securities Services, Luxembourg Branch as fiscal agent (in such capacity, the “Fiscal Agent”, which expression includes any successor fiscal agent appointed from time to time in connection with the Bonds), BNP Paribas Securities Services, Luxembourg Branch as principal paying agent (in such capacity, the “Principal Paying Agent”), BNP Paribas Securities Services, London Branch as London paying agent (the “London Paying Agent”) and Caixa – Banco de Investimento, S.A. as Lisbon paying agent (the “Lisbon Paying Agent” and together with the Principal Paying Agent and the London Paying Agent, the “Paying Agents”, which expression shall include any successor or additional paying agents appointed from time to time in connection with the Bonds).

The holders of the Bonds and the holders of the Coupons (whether or not attached to the relevant Bonds) are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement applicable to them. Copies of the Fiscal Agency Agreement are available for inspection at the specified office of the Fiscal Agent.

### 1. Form, Denomination and Title

- (a) **Form and denomination:** The Bonds are serially numbered and in bearer form in the denomination of EUR 1,000 each with interest coupons (“Coupons”) attached on issue.
- (b) **Title:** Title to the Bonds and Coupons passes by delivery. The holder of any Bond or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it or its theft or loss) and no person will be liable for so treating the holder. In these Conditions, “Bondholder” (in relation to a Bond), “Couponholder” (in relation to a Coupon) and “holder” (in relation to a Bond or Coupon) means the bearer of any Bond or Coupon (as the case may be).

### 2. Status

The Bonds and Coupons constitute direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves with all its other present and future unsecured and unsubordinated obligations.

### 3. Interest

- (a) **Interest Payment Dates:** The Bonds bear interest from 22 September 2005 (the “Closing Date”) at the rate of 3.567 per cent. per annum, payable annually in arrear on 22 September in each year commencing on 22 September 2006 (each an “Interest Payment Date”).
- (b) **Calculation of Interest:** When interest is to be calculated in respect of a period of less than a full year it shall be calculated on the basis of the number of days in the relevant

period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last). The period beginning on the Closing Date and ending on the first Interest Payment Date and each successive period beginning on an Interest Payment Date, and ending on the next succeeding Interest Payment Date is an “Interest Period”.

- (c) **Interest Payments:** Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Fiscal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

- (d) **Interpretation:** For the purposes of these Conditions:

“Business Day” means a day on which commercial banks and foreign exchange markets settle payments in London, Luxembourg and Lisbon.

“EC Treaty” means the Treaty establishing the European Community as amended by the Treaty on European Union.

“Euronext Lisbon” means Euronext Lisbon’s official market.

“euro-zone” or “EU” means the region comprised by member states of the European Union that adopted the single currency in accordance with the EC Treaty.

“EUR” and “euro” are references to the currency of the member state of the EU.

“TARGET Business Day” means a day on which the TARGET (Trans-European Automated Real-time Gross settlement Express Transfer System) is open.

#### 4. **Redemption and Purchase**

- (a) **Final redemption:** Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 22 September 2020, subject as provided in Condition 5 (*Payments*).
- (b) **Purchase:** The Issuer may at any time purchase Bonds in the open market or otherwise at any price (provided that all unmatured Coupons relating to them are purchased at the same time). If purchases are made by tender, tenders must be made available to all Bondholders alike. The Bonds so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 7 and 11.
- (c) **Redemption at the Option of the Bondholders:** If at any time (A) the Republic of Portugal (i) ceases to own, whether directly or indirectly, 100 per cent. of the issued share capital of the Issuer; and/or (ii) ceases to control, whether directly or indirectly, the Issuer (where “control” has the meaning ascribed to it under Section 840 of the Income and Corporation Taxes Act 1988); and/or (B) an Issuer Event (as defined below) occurs each

Bondholder is entitled, at its option, to require the Issuer to redeem the Bonds of which it is the holder on any Interest Payment Date by giving to the Issuer and the Principal Paying Agent not less than 30 nor more than 60 days' prior notice of the date fixed for redemption, (the "**Put Date**"). Any Bond redeemed pursuant to this Condition 4(c) shall be redeemed in an amount equal to its principal amount outstanding on the Put Date. In order to exercise the option contained in this Condition 4(c), the holder of a Bond must not less than 30 nor more than 60 days before the Put Date deposit with any Paying Agent such Bond together with all unmatured Coupons relating thereto and a duly completed and signed notice (the "**Put Option Notice**") in the form obtainable from the specified office of any Paying Agent and in which the holder may specify a bank account complying with the requirements of Condition 5 (*Payments*) to which payment is to be made under this Condition. Payment in respect of any Bond so delivered shall be made, if the holder duly specifies a bank account in the Put Option Notice to which payment is to be made on the Put Date, by transfer to that bank account and, in every other case, on or after the Put Date, at any specified office of any Paying Agent, subject in each case to Condition 5 (*Payments*). No Bond once deposited with a duly completed Put Option Notice may be withdrawn; provided however, that if, prior to the relevant Put Date, any such Bond becomes immediately due and payable or, upon due presentation of any such Bond on the relevant Put Date payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Bondholder at such address as may have been given by such Bondholder in the relevant Put Option Notice and shall hold such Bond at its specified office for collection by the depositing Bondholder. For so long as any outstanding Bond is held by a Paying Agent the depositor of a Bond and not such Paying Agent shall be deemed to be the holder of such Bond for all purposes.

"Issuer Event" means a change in the law of the Republic of Portugal or in the interpretation thereof which would have the effect of the current Articles 501 to 503 of the Portuguese Companies Code not being applicable to the Issuer.

- (d) **Cancellation:** All Bonds so redeemed or purchased and any unmatured Coupons attached to or surrendered with them will be cancelled and may not be re-issued or resold.

## 5. Payments

(a) **Method of Payment:**

- Save as provided in Condition 5(b) below, payments of principal, premium, if any, and interest will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Bonds or the appropriate Coupons at the specified office of any Paying Agent by euro cheque drawn on, or by transfer to any account maintained by the payee with, a bank in the euro-zone. Payments of interest due in respect of any Bond other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Bond.
- Interest on the Bonds payable on any Interest Payment Date will be paid on such Interest Payment Date to those who were holders of the Bonds or Coupons as at 6:00 pm (in the city in which the Specified office of the Fiscal Agent is located) one TARGET Business Day prior to the relevant Interest Payment Date.
- Payment of interest in relation to Bonds traded on Euronext Lisbon will occur three Business Days after payment in London in order to allow the settlement of all transactions carried out on Euronext Lisbon up to the Business Day proceeding the

relevant Interest Payment Date in London (which is the date up to which payment of interest in relation to the Bonds is due).

From the Interest Payment Date in London (inclusive), the Bonds will be traded on Euronext Lisbon without a right to receive interest.

- (b) **Payments subject to fiscal law:** All payments are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 6 (*Taxation*). No commissions or expenses shall be charged to the Bondholders or Couponholders in respect of such payments.
- (c) **Unmatured Coupons:** Upon the due date for redemption of any Bond, unmatured Coupons relating to such Bond (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Bond is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (d) **Payments on business days:** A Bond or Coupon may only be presented for payment on a day which is a Business Day in the place of presentation and a TARGET Business Day. No further interest or other payment will be made as a consequence of the day on which the relevant Bond or Coupon may be presented for payment under this paragraph falling after the due date. In this Condition, "Business Day" means a day on which commercial banks and foreign exchange markets are open in such place of presentation.

## 6. Taxation

*The Bonds will bear interest from 22 September 2005 at a rate of 3.567 per cent. per annum. Interest on each Bond will be payable in arrear on 22 September in each year commencing on 22 September 2006. Payments of interest on the Bonds will be made without deduction for or on account of taxes of the Republic of Portugal where Bondholders or Couponholders have provided either (i) certification of non-residence in the Republic of Portugal and a statement of beneficial ownership or (ii) a statement confirming that it is a Portuguese exempt institution to the Issuer on the Certification Date (as defined below) in respect of each Interest Payment Date. Where no such certification and statement are provided to the Issuer on such Certification Date by Bondholders or Couponholders, payments of interest on the Bonds will not be made free of withholding tax.*

Under current Portuguese law, the Issuer is required to make certain deductions from payments of interest under the Bonds and Coupons at the applicable rate and to account for such deductions to the Portuguese tax authorities.

The Issuer has obtained from the Minister of Finance an exemption from the requirement to make such a deduction from payments of interest under the Bonds to Bondholders or Couponholders treated for tax purposes as non-residents in the Republic of Portugal (the "Withholding Tax Exemption"). The Withholding Tax Exemption will apply to Bondholders or Couponholders provided that: (i) the Bondholders or Couponholders 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 as proven pursuant to Article 7 of Decree-Law 219/2001 of 4 August, (ii) the Issuer holds a permanent record of Bondholders or Couponholders and provides the General Directorate of Taxes (*Direcção-Geral dos Impostos*) with the identification of such Bondholders or Couponholders and the amount of Bonds subscribed for and/or transferred within 90 days of such event; and (iii) such Bondholders or Couponholders provide a statement of beneficial ownership in the form provided by Clearstream Banking, société anonyme ("Clearstream, Luxembourg") and/or Euroclear Bank S.A./N.V., as operator of the Euroclear

system ("Euroclear") and signed by each Bondholder or Couponholder (as the case may be) pursuant to Article 119 of CIRS and Circular No. 6/2003 (the "Beneficial Ownership Statement"<sup>1</sup>). Information required pursuant to Article 7 of Decree-Law 219/2001 of 4 August (the "Residency Information") and the Beneficial Ownership Statement must be provided to Clearstream, Luxembourg and/or Euroclear by no later than 10:00 am (in the city in which the Specified office of the Fiscal Agent is located) on the third TARGET Business Day prior to the relevant Interest Payment Date (the "Certification Date"). Bondholders or Couponholders are required in each Beneficial Ownership Statement to, *inter alia*, identify the issue of the Bonds by the Issuer, the Common Code and International Securities Identification Number applicable to the Bonds, the relevant Interest Payment Date to which the Beneficial Ownership Statement relates, the tax identification number, the principal amount for the time being outstanding of the Bonds held by the relevant Bondholder or Couponholder and to include a statement to the effect that payments of interest to the Bondholder or Couponholder on the applicable Interest Payment Date are not liable to withholding tax in accordance with Article 27 of the Statute of Tax Benefits - exemption by way of decision ("despacho") of 18 May 2005 of the Secretary of State for Fiscal Affairs ("Secretário de Estado dos Assuntos Fiscais") notified to the Issuer by Ofício 15095 of 24 May 2005.

Additionally, payments of interest to certain Portuguese institutions (including financial institutions or branches in Portugal of foreign financial institutions (which include insurance companies), administrative public utility companies (*peçoas colectivas de utilidade pública administrativa*) and private social solidarity institutions (*instituições particulares de solidariedade social*) to which a tax exemption has been granted by the Minister of Finance which covers the type of income in question, pension funds (*fundos de pensões*), savings funds for retirement (*fundos poupança reforma*), savings funds for education (*fundos poupança educação*), stock savings funds (*fundos de poupança em acções*) and risk capital funds (*fundos de capital de risco*)) are exempt from the requirement to deduct tax from payments of interest under the Bonds (the "Portuguese Institutions Tax Exemption"), under the terms of the relevant Portuguese tax legislation.

The Portuguese Institutions Tax Exemption will apply to Bondholders or Couponholders provided that such Bondholders or Couponholders provide a Portuguese Exempt Institutions Statement<sup>2</sup> in the form provided by Clearstream, Luxembourg and/or Euroclear and signed by each Bondholder or Couponholder (as the case may be). The Portuguese Exempt Institutions Statement must be provided to Clearstream, Luxembourg and/or Euroclear by no later than the Certification Date.

As regards Bonds traded on Euronext Lisbon and cleared through the Portuguese clearing system (*Central de Valores Mobiliários*, the "**CVM**"), the funds for interest payments will be transferred to the Lisbon Paying Agent's account at Euroclear/Clearstream, Luxembourg, where the Bonds that are traded in Euronext Lisbon are registered, as Lisbon Paying Agent (and account holder at Euroclear/Clearstream, Luxembourg). The Lisbon Paying Agent will not be providing a Residency Information and Beneficial Ownership statement or a Portuguese Exempt Institutions Statement in respect of those Bonds that are traded on Euronext Lisbon, but will receive interest payments free of withholding tax in order to comply with tax obligations in Portugal.

Pursuant to Articles 71 (3.b) and 101 (2.) and (3.) of the *Código do IRS* (Individuals Tax Code, the "**CIRS**") and Article 88 (1.) and (7.) of the CIRC, payments of interest relating to bonds issued by a Portuguese entity which are registered or deposited in Portugal with a Portuguese financial intermediary (*depositário*) are subject to withholding tax at the rate of 20% unless any special exemptions are applicable in Portugal.

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<sup>1</sup> To be provided in the form set out under "Form of Beneficial Ownership Statement".

<sup>2</sup> To be provided in the form set out under Form of Portuguese Exempt Institutions Statement.

The Bonds which will be traded on Euronext Lisbon and cleared with the CVM are deemed to be bonds registered or deposited in Portugal with a Portuguese financial intermediary (*depositário*).

Pursuant to Portuguese law (Article 101 (2.) and (3.) of the CIRS and Article 88 (7.) of the CIRC), the 20% withholding tax must be effected by the Portuguese financial intermediary (*depositário*) making interest payments to the final investors. This will be the case with the Bonds traded in Euronext Lisbon and cleared through the CVM.

Given this, the Lisbon Paying Agent will receive from the Issuer (through the Fiscal and Principal Paying Agent and then through Euroclear/Clearstream, Luxembourg,) the interest payments in relation to the Bonds free of withholding tax and will then effect the relevant payments to the investors and/or other financial intermediaries (*depositários*). In order to receive free of withholding tax, the Lisbon Paying Agent will provide Euroclear/Clearstream, Luxembourg (on the Certification Date relating to the first Interest Payment Date (or where there is a change in Lisbon Paying Agent, the Certification Date relating to next following Interest Payment Date, or the Maturity Date if applicable, after such change) only) with a Lisbon Paying Agent Statement in the form set under "Form of Lisbon Paying Agent Statement" confirming that in its capacity as Lisbon Paying Agent for all the Bonds that are in its segregated Euroclear/Clearstream, Luxembourg account, withholding tax is not applicable and it should receive the income gross in its segregated Euroclear/Clearstream, Luxembourg account, so that the withholding is effected by the Portuguese financial intermediaries in accordance with applicable Portuguese legislation.

Such other financial intermediaries (as well as the Lisbon Paying Agent in relation to its own investors) will then effect the payments of interest in relation to the Bonds traded on Euronext Lisbon to the investors and pursuant to Portuguese tax law are under the obligation to effect the necessary withholding tax or apply the available tax exemptions if these are applicable. In the event that tax exemptions are applicable, the financial intermediaries effecting the interest payments to the final investors are under the obligation to collect the relevant certificates, namely the Residency Information and Beneficial Ownership Statement, from such investors prior to the relevant Interest Payment Date.

If the Issuer is required to make a withholding or deduction from interest payments in relation to the Bonds held by Bondholders or Couponholders that are not resident in the Republic of Portugal for tax purposes and who have provided appropriate Residency Information and Beneficial Ownership Statements as a result of either:

- (i) the Withholding Tax Exemption being withdrawn or deemed to have been withdrawn, as a result of any change in law or judicial interpretation, or claimed by the Portuguese tax authorities or the Minister of Finance not to apply; or
- (ii) any failure by the Issuer to provide the permanent record of Bondholders or Couponholders referred to above to the General Directorate of Taxes in the Republic of Portugal,

the Issuer will pay such additional amounts as will result in the receipt by the relevant Bondholders or Couponholders of such amounts as would have been received by them had no such withholding or deduction been required.

Where withholding or deduction is required by law, the Issuer will pay such additional amounts as will result in the receipt by the Bondholders or (as the case may be) the Couponholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable:

- (a) to Bondholders or Couponholders treated, for tax purposes, as residents in the Republic of Portugal; or
- (b) to Bondholders or Couponholders which are liable to such taxes or duties by reason of having some connection with the Republic of Portugal other than the mere holding of any Bonds or Coupons; or
- (c) to a Bondholder or Couponholder who fails to provide information in accordance with Article 7 of Decree Law 219/2001 of 4 August to Euroclear and/or Clearstream, Luxembourg in relation to its identity, residence, country of tax residence and that it is not acting through an establishment in the Republic of Portugal and a Beneficial Ownership Statement prior to Certification Date; or
- (d) more than 30 days after the date on which such payment first became due except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on such thirtieth day; or
- (e) in circumstances where any withholding or deduction required by the Paying Agent can be avoided by presentation of such Bond or Coupon to another Paying Agent; or
- (f) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Union Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Any references in these Conditions to principal or interest shall be deemed to include any additional amounts in respect thereof which may become payable pursuant to this Condition 6.

In these Conditions, "Relevant Date" means whichever is the later of (i) the date on which such payment first becomes due and payable and (ii) if the full amount payable has not been received in the city in which the Paying Agent is established by the Paying Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders in accordance with Condition 13 (*Notices*).

## 7. Events of Default

If any of the following events (each an "Event of Default") occurs and is continuing at the option of and upon written demand to the Fiscal Agent by the holder of any Bond, the Issuer shall, on the date such written demand is received by the Fiscal Agent, unless prior to such date the Issuer shall have cured the Event of Default in respect of such Bonds, be bound to redeem such Bond at its principal amount, plus interest accrued but unpaid to the date of redemption:

- (a) **Non Payment:** the Issuer fails to pay any principal or interest or any amount due under Condition 6 on any of the Bonds, when due and payable and such failure continues for a period of 14 days; or
- (b) **Breach of Other Obligations:** the Issuer fails to perform or comply with any one or more of its other obligations under the Bonds which failure is incapable of remedy or, if such failure is capable of remedy such failure continues for more than 30 days after written notice requiring such failure to be remedied shall have been given to the Issuer at the specified office of the Fiscal Agent by any Bondholder; or
- (c) **Cross Default:** (i) if any Financial Indebtedness (as defined below) of the Issuer becomes (or becomes capable of being declared) due and repayable prematurely by reason of default or non-performance (howsoever described) or (ii) the Issuer fails to make

any payment in respect of any Financial Indebtedness on the due date for payment as extended by any applicable grace period or (iii) any security given by the Issuer for any Financial Indebtedness becomes enforceable and steps are taken to enforce the same, provided that the aggregate amount of the relevant Financial Indebtedness, in respect of which one or more of the events mentioned above in this paragraph have occurred equals or exceeds EUR 100,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the EUR quoted by any leading bank on the day on which this paragraph operates); or

- (d) **Enforcement Proceedings:** if an encumbrancer takes possession or a receiver, administrative receiver, administrator or other similar official shall be appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer or a distress, attachment, sequestration, execution or other legal process is levied, enforced upon or sued on or against any part of the property, assets or revenues of the Issuer in the amount of EUR 100,000,000 (or the equivalent at the current exchange rates if denominated in any other currency or currencies) and is not discharged or stayed within 60 days; or
- (e) **Security Enforced:** any Security Interest created or assumed by the Issuer over a part of the property, assets or revenues of the Issuer in the amount of EUR 100,000,000 or the equivalent at the current exchange rates if denominated in any other currency or currencies becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person); or
- (f) **Insolvency:** the Issuer becomes or is declared or adjudicated by a competent court to be (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable or shall admit in writing its inability to pay its debts (within the meaning of Section 123(1) or (2) of the Insolvency Act 1986), stops, suspends or threatens to stop or suspend payment of all or part of (or of a particular type of) its debts in the amount of EUR 100,000,000 (or the equivalent at the current exchange rates if denominated in any other currency or currencies), proposes or makes any agreement for the deferral, rescheduling or other adjustment of its debts generally or proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such or a moratorium is agreed or declared in respect of or affecting all (under Section 1 of the Insolvency Act 1986) or any part of (or of a particular type of) the debts of the Issuer; or
- (g) **Winding-up:** an order is made by a competent court or an effective resolution is passed for the winding-up or dissolution of the Issuer; or
- (h) **Illegality:** it is or will be unlawful for the Issuer to perform or comply with any one or more of its obligations under the Bonds; or
- (i) **Ceases to Carry on the Whole of its Business:** the Issuer shall cease to carry on the whole or substantially the whole of its business, save in each case for the purposes of amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement the terms of which have previously been approved in writing by an Extraordinary Resolution of the Bondholders and save in each case if the Republic of Portugal retains ownership, whether direct or indirect, of 100 per cent. of the issued share capital of the Issuer; or
- (j) **Analogous Events:** the Issuer causes or is subject to any event with respect to it which, under the laws of any relevant jurisdiction (including but not limited to the Republic of

Portugal), has an analogous effect to any of the events referred to in paragraphs (f) and (g) above.

For the purposes of these Conditions:

“Accounts” means the consolidated annual accounts prepared for the purposes of articles 65, 413, 446 and 451 of the Portuguese Companies Code, as amended from time to time, and prepared, audited and reported upon by the Auditors, in accordance with Portuguese GAAP;

“Auditors” means the auditors for the time being of the Issuer or, if they are unable or unwilling to carry out any action requested of them, such other firm of chartered accountants as may be selected for the purpose by the Issuer;

“Financial Indebtedness” means any present or future indebtedness in respect of moneys borrowed or raised including (but not limited to):

- (a) moneys borrowed and debit balances at banks and other financial institutions;
- (b) any debenture, note, bond, loan stock or other security;
- (c) receivables sold or discounted with recourse;
- (d) all obligations to pay the deferred and unpaid purchase price of property, assets or services, which purchase price is due more than 120 days after the earlier of the date of placing such property in service or taking delivery and title thereof or the completion of such services;
- (e) finance leases;
- (f) net amount owing under any currency or interest swap, cap or collar arrangements or any other derivative or hedging instrument;
- (g) all obligations in respect of letters of credit or other similar instruments (including reimbursement obligations with respect thereto);
- (h) amounts raised under any other transaction having the commercial effect of a borrowing or raising of money; or
- (i) any guarantee, indemnity or similar assurance against financial loss in respect of any items falling within paragraphs (a) to (h) above;

“Portuguese GAAP” means generally accepted accounting principles in effect in the Republic of Portugal on the Closing Date; and

“Security Interest” means any mortgage, pledge, lien, charge, assignment, hypothecation or security interest or other preferential arrangement or any other agreement or arrangement having the effect of conferring security, but excludes for the avoidance of doubt but without limitation any rights of set-off arising under common law, in equity or under statute or regulation.

## 8. **Prescription**

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 5 (*Payments*) within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

## 9. Replacement of Bonds and Coupons

If any Bond or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Fiscal Agent subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued.

## 10. Agents

In acting under the Fiscal Agency Agreement and in connection with the Bonds and the Coupons, the Fiscal Agent and the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders or Couponholders.

The initial Fiscal Agent and Paying Agents and their initial specified offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Fiscal Agent or any Paying Agent and to appoint a successor Fiscal Agent and successor or additional paying agents; provided that the Issuer shall at all times maintain:

- (a) a Paying Agent with a specified office in one major European city and, in addition, for so long as the Bonds are listed on the London Stock Exchange, in London and for so long as the Bonds are listed on Euronext Lisbon, in Lisbon; and
- (b) a paying agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any change in the Fiscal Agent or Paying Agents or in the specified office of the Fiscal Agent or Paying Agents shall promptly be given to the Bondholders in accordance with Condition 13 (*Notices*).

## 11. Meetings of Bondholders, Modification, Waiver and Substitution

- (a) **Meetings of Bondholders:** The Fiscal Agency Agreement contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Fiscal Agency Agreement. Such a meeting may be convened by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on or to vary the method of calculating the rate of interest on the Bonds, (iii) to change the currency of payment of the Bonds or the Coupons or (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than two thirds, or at any adjourned meeting not

less than one third, in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

- (b) **Modification and Waiver:** The parties to the Fiscal Agency Agreement may agree, without the consent of the Bondholders or Couponholders, to (i) any modification of any of the provisions of the Fiscal Agency Agreement and these Conditions which is of a formal, minor or technical nature (including but not limited to any modifications to the Fiscal Agency Agreement and/or these Conditions which are required by the UK Listing Authority, the London Stock Exchange or Euronext Lisbon for the purposes of listing the Bonds) or which is made to correct a manifest error and (ii) any other modification and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Fiscal Agency Agreement which is in the opinion of such parties not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and the Couponholders and such modification shall be notified to the Bondholders as soon as practicable.

## 12. **Further Issues**

The Issuer may from time to time without the consent of the Bondholders or Couponholders create and issue further Bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) or upon such terms as the Issuer may determine at the time of their issue.

## 13. **Notices**

Notices to Bondholders will be valid if published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) and, so long as the Bonds are listed on Euronext Lisbon and the rules of Euronext Lisbon so require, a daily newspaper in Portugal (which is expected to be *Diário de Notícias*). Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Bondholders in accordance with this Condition 13 (*Notices*).

## 14. **Substitution**

The Issuer (acting with the consent of the Republic of Portugal) may at any time require the substitution of the Issuer as the principal debtor of the Bonds and the Coupons by the Republic of Portugal. Such substitution shall be subject to the following conditions precedent:

- (a) the confirmation in writing from a credit rating agency (being one of Moody's Investors Services Limited or Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc., or any successor to such credit rating agencies) that the circumstances pertaining to the substitution will not result in a downgrading of the then current credit rating of the Bonds assigned by such credit rating agency;
- (b) immediately before and after the substitution, no Event of Default, or no event that after notice or passage of time may become an Event of Default, occurs or is continuing;
- (c) the Republic of Portugal executes and delivers a formal assumption in a form acceptable to the Fiscal Agent assuming all of the obligations of the Issuer under the Bonds and the Coupons; and

- (d) an opinion of an international law firm, containing customary assumptions and reservations, is delivered to the Fiscal Agent in a form acceptable to the Fiscal Agent confirming that the formal assumption of the Republic of Portugal referred to in (c) above is a legal, valid, binding and enforceable obligation of the Republic of Portugal, all necessary consents, approvals and authorisations have been obtained, no registrations are required and that there are no adverse tax consequences of the substitution for the Bondholders or Couponholders.

15. **Governing Law**

- (a) **Governing Law:** The Fiscal Agency Agreement, the Bonds and the Coupons are governed by and shall be construed in accordance with English law.

(b) **Jurisdiction:**

- (i) Subject to Condition 14(b)(ii), the Issuer has irrevocably agreed that the English courts shall have exclusive jurisdiction in relation to any legal action or proceedings arising out of or in connection with the Fiscal Agency Agreement, the Bonds or the Coupons ("Proceedings") and waived any objection to Proceedings in such courts on the grounds of venue or on the grounds that Proceedings have been brought in an inappropriate forum.
- (ii) Condition 14(b)(i) operates for the benefit of the Bondholders and the Couponholders and accordingly the Bondholders and the Couponholders shall be entitled to take Proceedings in any other court or courts having jurisdiction.
- (c) **Service of Process:** The Issuer irrevocably appoints Simmlaw Services Limited of CityPoint, One Ropemaker Street, London, EC2Y 9SS as its process agent to receive on its behalf service of process of any Proceedings in England.
- (d) **Waiver of Immunity:** To the extent that the Issuer may be entitled in any jurisdiction to claim for itself or its assets immunity from any suit, execution, attachment (whether provisional or final, in aid of execution, before judgment or otherwise) or other legal process or to the extent that in any jurisdiction such immunity (whether or not claimed) may be attributed to it or its assets, it irrevocably agrees not to claim and irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction.

Specified Office of Principal Paying Agent and Fiscal Agent

**BNP Paribas Securities Services, Luxembourg Branch**

23, Avenue de la Porte Neuve  
L-2085 LUXEMBOURG

## **USE OF PROCEEDS**

The net proceeds of the issue of the Bonds, which, after deduction of the combined management and underwriting commission and selling concession payable to the Joint Lead Managers, are expected to amount to approximately EUR 499,125,000, will be used by the Issuer to replace short-term debt, thus extending the maturity of the Issuer's indebtedness.

## **SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM**

The Global Bond contains provisions which apply to the Bonds while it is in global form, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Circular. The following is a summary of certain of those provisions:

### **1. Exchange**

The Global Bond is exchangeable in whole but not, except as provided in the next paragraph, in part (free of charge to the holder) for Definitive Bonds (i) if the Global Bond is held on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, (ii) if principal in respect of any Bond is not paid when due and payable or (iii) if the Issuer would suffer a material disadvantage in respect of the Bonds as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of the relevant clearing system which would not be suffered were the Bonds in definitive form and a certificate to such effect signed by two Directors of the Issuer is delivered to the Fiscal Agent for display to Bondholders, by such holder giving notice to the Fiscal Agent, or (unless a default notice has been given as referred to in "Default" below) by the Issuer giving notice. Thereupon (in the case of (i) and (ii) above) the holder of the Global Bond may give notice to the Fiscal Agent, and (in the case of (iii) above) the Issuer may give notice to the Fiscal Agent and the Bondholders, of its intention to exchange the Global Bond for Definitive Bonds on or after the Exchange Date specified in the notice.

If principal in respect of the Bonds is not paid when due and payable the holder of the Global Bond may by notice to the Fiscal Agent (which may but need not be the default notice referred to in "Default" below) require the exchange of a specified principal amount of the Global Bond (which may be equal to or (provided that, if the Global Bond is held by or on behalf of a clearing system, that clearing system agrees) less than the outstanding principal amount of Bonds represented thereby) for Definitive Bonds on or after the Exchange Date (as defined below) specified in such notice. Clearstream, Luxembourg and Euroclear will not currently permit the exchange of a specified principal amount of the Global Bond less than the outstanding principal amount of Bonds represented thereby.

On or after the Exchange Date the holder of the Global Bond may surrender the Global Bond to or to the order of the Fiscal Agent. In exchange for the Global Bond, or part thereof to be exchanged, the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Bonds (having attached to them all Coupons in respect of interest which has not already been paid on the Global Bond), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in Schedule 1 to the Fiscal Agency Agreement. On exchange of the Global Bond, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with any relevant Definitive Bonds.

"Exchange Date" means a day falling not less than 60 days, or in the case of exchange pursuant to (ii) above 30 days, after the date on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and, except in the case of exchange pursuant to (i) above, in the cities in which the relevant clearing system is located.

## 2. **Payments**

Payments of principal and interest in respect of Bonds represented by a Global Bond will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Bonds, surrender of such Global Bond to or to the order of the Fiscal Agent. A record of each payment so made will be endorsed in the appropriate schedule to the Global Bond, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Bonds.

## 3. **Notices**

So long as the Bonds are represented by a Global Bond and such Global Bond is held on behalf of a clearing system, notices to Bondholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions except that so long as the Bonds are admitted to trading on the Market or Euronext Lisbon and the rules of the UK Listing Authority and/or Euronext Lisbon and/or the provisions of any applicable law or regulation so require, notices shall also be published in a leading newspaper having general circulation in the United Kingdom (which is expected to be the *Financial Times*) and/or the Republic of Portugal (which is expected to be *Diário de Notícias*).

## 4. **Delivery of Residency Information and Beneficial Ownership Statement or Portuguese Exempt Institutions Statement**

So long as the Bonds are represented by a Global Bond and such Global Bond is held on behalf of a clearing system and in order for payments of interest on the Bonds to be made without deduction for or on account of taxes of the Republic of Portugal, Bondholders must deliver, in respect of each Interest Payment Date, either (i) information in accordance with Article 7 of Decree Law 219/2001 of 4 August in relation to its residence and country of tax residence (“**Residency Information**”) and a Beneficial Ownership Statement or (ii) a Portuguese Exempt Institutions Statement to Clearstream, Luxembourg and/or Euroclear by no later than 10.00 a.m. (in the city of the specified office of the Fiscal Agent ) on the third TARGET Business Day prior to the relevant Interest Payment Date in accordance with Condition 6 (*Taxation*). On receipt of any such Residency Information and Beneficial Ownership Statements or Portuguese Exempt Institutions Statements from the Bondholders, Clearstream, Luxembourg and/or Euroclear will transfer copies of the Residency Information and Beneficial Ownership Statements or Portuguese Exempt Institutions Statements to the Fiscal Agent and the Common Depository by no later than noon (in the city of the specified office of the Fiscal Agent) on the second TARGET Business Day prior to the relevant Interest Payment Date.

## 5. **Prescription**

Claims against the Issuer in respect of principal and interest on the Bonds while the Bonds are represented by a Global Bond will become void unless it is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the date on which such payment first became due.

## 6. **Meetings**

The holder of a Global Bond will be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each EUR 1,000 in principal amount of Bonds for which the Global Bond may be exchanged.

## 7. **Purchase and Cancellation**

Cancellation of any Bond required by the Terms and Conditions of the Bonds to be cancelled following its purchase will be effected by reduction in the principal amount of the relevant Global Bond.

## 8. **Default**

The Global Bonds provide that the holder may cause such Global Bond or a portion of it to become due and payable in the circumstances described in Condition 7 (*Events of Default*) by stating in the notice to the Fiscal Agent the principal amount of Bonds which is being declared due and payable. If principal in respect of any Bond is not paid when due and payable, the holder of the Global Bond may elect that the Global Bond becomes void as to a specified portion and that the persons entitled to such portion as accountholders with a clearing system acquire direct enforcement rights against the Issuer under further provisions of the Global Bond executed by the Issuer as a deed poll.

## 9. **Clearing through the Portuguese clearing system (*Central de Valores Mobiliários*) and the *Liaison Agreement***

Pursuant to Portuguese law bonds traded on Euronext Lisbon must be cleared through the Portuguese clearing system (*Central de Valores Mobiliários*, the "**CVM**"), therefore requiring a local paying agent in Portugal. The Lisbon Paying Agent will make the relevant payments relating to the Bonds traded on Euronext Lisbon.

For bonds cleared through the CVM and another clearing system, Portuguese law requires the existence of a financial intermediary that effects the connection between the different clearing systems. On or about the Closing Date the Issuer and the Lisbon Paying Agent (in such capacity the "**Liaison Financial Intermediary**") will enter into a liaison agreement (the "**Liaison Agreement**") for the purpose of setting out the terms of the appointment of the Liaison Financial Intermediary and certain obligations imposed on the parties to the Liaison Agreement in respect of the admission of the Bonds to listing on Euronext Lisbon in Portugal.

The Liaison Financial Intermediary will implement the procedures which are necessary to register the entry and exit of the Bonds for the purposes of trading on Euronext Lisbon pursuant to Portuguese legislation (*Regulamento* of the CMVM 14/2000).

The announcement of payment of interest on the Bonds will be made on the same date in Portugal and London with prior notice of five business days in relation to the relevant Interest Payment Date.

Payment of interest in relation to the Bonds traded on Euronext Lisbon will occur three Business Days after payment in London in order to allow the settlement of all transactions carried out on Euronext Lisbon up to the Business Day proceeding the relevant Interest Payment Date in London (which is the date up to which payment of interest in relation to the Bonds is due).

From the Interest Payment Date in London (inclusive), the Bonds will be traded on Euronext Lisbon without a right to receive interest. On the Interest Payment Date in London and on the following two Business Days, the Bonds cannot enter and/or exit Euronext Lisbon and the CVM and no movements can be effected in relation to the Bonds in CVM accounts.

## DESCRIPTION OF THE ISSUER

### **Incorporation and status**

Parpública – Participações Públicas (SGPS), S.A. (“**Parpública**” or the “**Issuer**”) was incorporated as an S. A. (Sociedade Anónima) and as a “*sociedade de capitais exclusivamente públicos*” meaning that its share capital must permanently be held by public entities.

The Issuer was originally established as PARTEST - Participações do Estado (SGPS), S.A. by Decree-Law 452/91 as a holding company for the Portuguese Republic’s equity stakes in various Portuguese companies “considered of public interest or strategic in terms of the ongoing restructuring of the sector”.

By Decree-Law 209/2000 PARTEST was restructured and renamed “Parpública – Participações Públicas (SGPS), S.A.”, with its operational remit including extended responsibilities in order to also cover complementary components of the direct management of the State’s participations’ portfolio, including assistance and consulting services to be rendered to State-owned companies and assistance to the Government in decisions related to those companies, either for privatisation purposes or in restructuring and financial recovery procedures.

Parpública’s mandated duties as defined by Decree-Law 209/2000 comprise:

- i) to manage the State-held equity holdings included in its assets;
- ii) to manage, through subsidiaries with specialised corporate objects, the real estate assets owned by these companies;
- iii) to provide technical services to the State’s financial supervision, exercised by the Minister of Finance, over public sector companies and private sector companies licensed to provide services of general economic interest, as well as to the management of State financial assets;
- iv) to provide services in connection to the winding-up of companies dissolved by the State or by other public entities;
- v) to provide technical administration and management services to its subsidiaries.

The Issuer is regarded by law as equal to the State through the parent-subsidiary relationship defined in Articles 501 to 503 of the Portuguese Commercial Companies Code (“*Código das Sociedades Comerciais*”) which stipulate that in case of default Parpública’s indebtedness shall be assumed by the State.

### **Share capital and relationship with the State**

The share capital of the Issuer is wholly owned by the Portuguese State, acting through the Treasury (*Direcção Geral do Tesouro*).

Parpública’s legal authorised capital amounts to Euro 2,000,000,000 divided into 400,000,000 shares of € 5 each, 50.6% of which remains as unpaid capital.

The Issuer is under the tutelage of the Minister of Finance and it needs to obtain authorisation from the sole shareholder for the acquisition and disposal of stakes valued at or above 1% of its share capital and for raising new medium and long term financing.

The Government appoints all members of the Issuer's Board of Directors and the Statutory Auditor.

Pursuant to Portuguese law, a company which, directly or indirectly, originally or subsequently, is the only shareholder (the "**dominant entity**") of a *sociedade anónima* (public limited liability company) (the "**dominated company**") forms a group (the "**group relationship**") with the dominated company up to the moment at which the dominant entity holds less than 90% of the dominated company's share capital.

Pursuant to Article 501 of the *Código das Sociedades Comerciais* (the Portuguese Companies Code, the "**CSC**") a dominant entity is liable for the obligations of the dominated company which have been undertaken during the period of existence of the group relationship, even if such group relationship comes to an end.

Decree Law 209/2000, of 2 September, which creates the Issuer, states that articles 501 to 503 of the CSC are applied to the relationship between the Portuguese State (the dominant entity) and the Issuer (the dominated company) and therefore the Portuguese State is liable for the obligations of the Issuer.

### **Overview of the Issuer's Business Activities**

The Issuer is a 100% State-owned company whose role is to restructure and manage its own portfolio of equity investments in companies to be privatised through a privatisation process or in companies that already have a majority stake held by the private sector but in which the Portuguese state has decided to retain an investment interest. The Issuer also has a leading role in the management of real estate assets as well as in the provision of real estate advisory services to the Ministry of Finance. The Issuer also provides advisory services to the Ministry of Finance in matters relating to Public Private Partnerships.

Recent activities:

#### **i) Privatisations and Portfolio Management**

For the Issuer and its subsidiaries (the "**Group**"), 2004 was marked by the reprivatisation of its controlling position in Portucel S.A. and its subsidiaries, including Soporcel S.A. This operation, together with the reprivatisation of Gescartão, completed in 2003, and the reprivatisation of Portucel Tejo (a stake of 95% was sold in July 2005, while a decision about the remaining 5% retained by the Group has not yet been taken) marks the exit of the Group from this sector, at least as a controlling shareholder, leaving it with a significant financial stake in only Portucel S.A. and Inapa.

In contrast to its disinvestments in the pulp and paper sector, the Group invested approximately 780 million euros in reinforcing its shareholder position in EDP (Energias de Portugal, SA, an electricity company), which now stands at 15.59%, including the share capital increase carried out in 2004. The investment was affected by the purchase of shares from Caixa Geral de Depósitos and the Treasury and by the subscription of shares in the share capital increase.

In connection with the winding-up of IPE – Investimentos & Participações Empresariais, a stake of 5% in the share capital of Optimus – Telecomunicações, S.A. (a mobile telecommunications operator) was also acquired for 24 million euros. The Group's position in Galp Energia (an oil and gas company) was increased to 4.23%, also through a purchase from the Treasury, an operation involving 80 million euros.

Apart from the significant changes in the pulp and paper sector, 2004 was a year of continuity.

The Group continued to include three holding companies – Sagestamo SGPS, TAP SGPS and Portucel SGPS – although with respect to Portucel SGPS the process of merger by incorporation into Parpública has already begun and is expected to be completed during the third quarter of 2005.

Efforts to achieve sustainable profitability in the air transport sector continued with the privatization of the majority of the shares in SPdH - Sociedade Portuguesa de Handling, a company providing handling services in Portuguese civil airports, and the negotiation of the sector's inclusion in an important airline alliance (in early 2005 TAP's accession to the Star Alliance was completed), which will enable it to benefit from synergies in terms of occupancy rates and certain procurement costs.

Preliminary work continues on the splitting off of the air transport maintenance business, the integration of business areas and treasury departments and the creation of common services for the various companies of the TAP Group.

## **ii) Real Estate**

In the real estate segment, following the reorganization and strengthening of technical capabilities in 2003, work continued on the conversion of use and the rehabilitation of the properties included in Parpública's balance sheet, both those acquired from the State – via subsidiaries of Sagestamo – and those owned by companies resulting from the restructuring and privatization of activities (mainly the land formerly occupied with Seixal steelworks and the chemical industries of Barreiro in front of Lisbon on the other bank of the Tagus river).

Sagestamo SGPS, is a holding company 100% owned by Parpública for managing real estate assets. Sagestamo is focused on the development of real estate assets acquired from the State and from other public entities and in the rental of real estate to public entities.

## **iii) Other Activities**

Parpública is increasing its activities in technical support to the Ministry of Finance regarding mainly Public Private Partnerships within its legal framework approved in 2003.

## Equity holdings portfolio\* as at 31 July 2005

Company Name	% Stake	No of Shares	Book Value (cost) EUR million (*)
Companhia das Lezírias	100%	1,000,000	33.8
Imprensa Nacional Casa da Moeda	100%	5,500,000	80.9
Portucel - Empresa de Celulose Papel de Portugal,SGPS	100%	50,000,000	437.5
QUIMIPARQUE - Parques Empresariais	100%	11,800,000	68.2
Sagestamo - Sociedade Gestora de Participações Sociais Imob.	100%	36,800,000	183.2
SN - Empresa de Serviços	100%	997,596	6.6
TAP - SGPS	100%	1,500,000	12.7
URBINDUSTRIA - Soc. Urbaniz. e Infraestr. Imóveis	100%	1,000,000	3.4
ENVC - Sociedade Imobiliária	99.8%	2,595,000	12.9
Sagesecur - Estudo, Desenv. e Part. em Projectos de Invest. em Valores Mobiliários, S.A.	90%	450,000	2.2
Fábricas Mendes Godinho	75.00%	225,000	-
Margueira - Soc. Gestão de Fundos Invest. Imob.	51%	51,000	0.3
Sociedade Imobiliária do Autódromo Fernanda Pires da Silva	49.02%	6,002,662	16.7
Sociedade Gestora do Autódromo Fernanda Pires da Silva	49%	49,000	-
ADP - Águas de Portugal	45.268%	39,337,526	217.3
CVP - Sociedade de Gestão Hospitalar	45%	225,000	6.5
ANA - Aeroportos de Portugal	31.889%	4,783,357	71.3
Isotal - Imobiliária do Sotavento do Algarve	31.05%	18,632	0.1
REN - Rede Eléctrica Nacional	30%	32,040,000	251.3
Tertir - Terminais de Portugal	23.29%	1,607,022	18.0
EDP - Energias de Portugal	15.59%	569,951,698	1.104.0
SN Longos - Empresa de Produtos Longos	10.00%	1,000,000	20.3
OPTIMUS -Telecomunicações, S.A.	5.044%	21,437,802	24.1
Instituto Nacional de Habitação	5%	377,590,008	11.5
GALP Energia, SGPS	4.230%	7,015,175	97.2
SALVOR - Sociedade de Investimento Hoteleiro	2.45%	192,465	1.8
Lisnave - Infraestruturas Navais	2.08%	106,000	0.4
Salvador Caetano - Comércio de Automóveis	0.76%	72,319	0.1
Portugal Telecom	0.06%	801,332	-

\* Reflects direct shareholdings only. For the holdings that are accounted for using the equity method, no equivalence has been calculated for the first 7 months of 2005, since there is no data available regarding the real value of the equity in each of those companies.



## **Parública's Management**

The Board of Directors of Parública, has the following composition:

<b>NAME</b>	<b>TITLE</b>
João Manuel de Castro Plácido Pires	CEO
Mário Alberto Duarte Donas	Member of the Board
António Albuquerque	Member of the Board

The business address of the Board of Directors is Rua Laura Alves, 4º, 1050-138 Lisboa, Portugal.

The Statutory Auditor is José Manuel da Silva, ROC nº 445.

The Independent Auditor of Parública is Victor Franco & Lisboa Nunes, SROC nº 67, represented by Victor Domingues Seabra Franco, SROC nº 432.

## **Non-Consolidated Capitalisation**

As at 31 December 2004, the non-consolidated capitalisation of Parpública was as follows:

	<b>Euro Thousands</b>
Debts maturing in under one year <sup>(1)</sup>	82,089
Long term debt:	
Senior debt <sup>(2)</sup>	649,639
Subordinated debt	0
Other liabilities, accruals, deferred income, provisions for risks and liabilities	536,993
<b>Total Liabilities</b>	<b>1,268,722</b>
Shareholders' equity	
Share capital	2,000,000
Reserves	688,126
Adjustments to parts of capital held in associated companies and results carried forward	-23,587
Retained earnings / losses	-24,169
Anticipated Dividends	-60,000
Net profit for the financial year	151,253
<b>Total shareholders' equity</b>	<b>2,731,623</b>
<b>Total capitalisation <sup>(3)</sup></b>	<b>4,000,345</b>

### **Notes:**

- (1) (2) None of the short term or long term debt comprises convertible debt or debt issued with warrants attached.
- (2) The senior debt refers to bond issues "Partest 98", in the amount of € 149,640 thousand, and a Eurobond issued in October 2004 in the amount of € 500,000 thousand, both with initial maturities of 10 years.
- (3) There has been no material change to the capitalisation of Parpública since 31 December 2004.

## **Consolidated Capitalisation**

As at 31 December 2004, the consolidated capitalisation of Parpública was as follows:

	<b>Euro Thousand</b>
Debts maturing in under one year <sup>(1)</sup>	732,382
Long term debt:	
Senior debt <sup>(2)</sup>	729,801
Subordinated debt	
Other liabilities, accruals, deferred income, provisions for risks and liabilities <sup>(3)</sup>	1,216,267
<b>Total Liabilities</b>	<b>2,678,450</b>
<b>Minority Interests</b>	<b>20,378</b>
Shareholders' equity	
Share capital	2,000,000
Reserves	698,748
Adjustments to parts of capital held in associated companies and results carried forward	-72,118
Consolidation adjustments	17,304
Retained earnings/losses	-3,564
Anticipated Dividends	-60,000
Net profit for the financial year	151,253
<b>Total shareholders' equity</b>	<b>2,731,623</b>
<b>Total capitalisation<sup>(4)</sup></b>	<b>5,430,451</b>

### **Notes:**

- (1) (2) None of the short term or long term debt comprises convertible debt or debt issued with warrants attached.
- (2) Senior debt mainly refers to Parpública bond issues – which amount to € 649,639 thousand – the “Partest 98” bond issued in 1998 for €149,640 thousand, and a Eurobond issued in October 2004 for €500,000 thousand, both with initial maturities of 10 years - and a syndicated loan facility granted to Locacest (€ 37,999 thousand outstanding)
- (3) Includes TAP leasing rents totalling € 231,156 thousand
- (4) There has been no material change to the consolidated capitalisation of Parpública since 31 December 2004.

## REPORTS OF THE AUDITORS OF THE ISSUER FOR THE 2003 FINANCIAL YEAR

José Manuel da Silva  
Certified Auditor No. 445  
Rua do Arco do Carvalhão, 47 5º B.  
1070 - 008 Lisbon

### REPORT AND OPINION OF THE STATUTORY AUDITOR

To the Shareholders

1. In compliance with the law, namely the provisions of the Companies Code, the Statutory Auditor of PARPÚBLICA – Participações Públicas (SGPS) SA hereby submits for your approval his Opinion on the consolidated accounts of the Group, of which this is the parent company, for the financial year 2003.
2. I have examined the audit reports and opinions relating to the individual accounts of the companies included in the consolidation perimeter with the exception of Sociedade Imobiliária do Autódromo Fernanda Pires da Silva., SA, Sociedade Gestora do Autódromo Fernanda Pires da Silva., SA., CVP – Sociedade de Gestão Hospitalar SA., and Tertir – Terminais de Portugal SA, whose financial statements had not at the time been certified by their auditors.
3. The following companies were excluded from the consolidation: Tertir – Terminais de Portugal SA, and FMG - Fábricas Mendes Godinho, SA, because the relevant shareholding is being held with a view to its eventual disposal (Article 4, paragraph 3, subparagraph b) of Decree-Law 238/91 of 2/7)
4. I have also checked that:
  - the consolidation standards and methods set out in Decree-Law 238/91 of 2 July have been appropriately applied;
  - all the companies whose financial statements have been consolidated and which are listed in the annex have been part of the Group since at least the previous financial year, with the exception of the following companies:  
**ANA** – Aeroportos de Portugal, SA  
**EDP** – Electricidade de Portugal, SA  
**CVP** – Sociedade de Gestão Hospitalar, SA  
**SN** – Siderurgia Nacional - Empresa de Serviços, SA  
**TAP** – Transportes Aéreos Portugueses, (SGPS), SA
  - the analysis by segments complies with Accounting Directive no. 27, having regard to the type of business carried on by the companies included in the consolidation.
5. The Consolidated Directors' Report complies with the requirements of Article 508.C of the Companies Code, and its content is consistent with the consolidated accounts.
6. In the light of the above, and the fact that no aspect has come to light that might materially affect the true and fair presentation of the Group's financial situation and the consolidated

results of the companies included in the consolidation, and having regard to the comments in paragraph 3, I am of the opinion that you should approve the documents hereby submitted.

Lisbon, 11 May 2004

The Statutory Auditor

JOSÉ MANUEL DA SILVA  
Certified Auditor No. 445  
Rua do Arco do Carvalhão, 47 5º B.  
1070 – 008 Lisbon

## REPORT OF THE AUDITOR

### Introduction

1. I have examined the attached consolidated financial statements of Parpública – Participações Públicas (SGPS) SA, consisting of the Balance Sheet as at 31 December 2003, (showing a total of 5 073 589 000 euros and total equity of 2 711 509 000 euros, including a net profit of 72 267 000 euros), the consolidated Profit and Loss Accounts by nature and function and the Cash Flow Statement for the year ended on that date, and the related Notes.

### Responsibilities

2. The Board of Directors is responsible for preparing consolidated financial statements that give a true and fair view of the financial position of the group of companies included in the consolidation, the consolidated results of its operations and its consolidated cash flow, and for adopting appropriate accounting policies and criteria and maintaining suitable internal control systems.
3. My responsibility as auditor is to express an independent professional opinion based on my examination of the financial statements.

### Scope

4. My examination was undertaken in accordance with the Audit Standards and Directives of the Chamber of Certified Auditors, which require that an audit should be planned and performed to obtain a reasonable assurance that the consolidated financial statements are free from material misstatements. This examination included:
  - checking that the financial statements of the companies included in the consolidation have been appropriately examined and, in significant cases where this has not been done, checking on a sampling basis the supporting evidence for the amounts and disclosures in the financial statements, and reviewing estimates, based on the judgements and criteria adopted by the Board of Directors in their preparation;
  - checking the consolidation operations and the application of the asset equivalence method;
  - reviewing the adequacy of the accounting policies adopted, the uniformity of their application and their disclosure, in the light of the circumstances;
  - checking that the principle of continuity of operations has been applied; and
  - reviewing the adequacy, in general terms, of the presentation of the consolidated financial statements.

5. I believe that my examination and the reports of other auditors on the financial statements of the subsidiary companies provide a reasonable basis for my opinion.

### **Opinion**

6. In my opinion, based on my examination and the reports of the other auditors, the consolidated financial statements referred to in paragraph 1 above give a true and fair view, in all material respects, of the consolidated financial position of Parpública – Participações Públicas (SGPS) SA as at 31 December 2003 and of the consolidated results of its operations and of its consolidated cash flow for the financial year ended on that date, in accordance with generally accepted accounting standards in Portugal.

### **Observations**

7. Without affecting the opinion expressed in the preceding paragraph, I would draw attention to the following matters:

- 7.1 At 31 December 2003, the company changed the valuation criterion in respect of the shareholding in EDP – Electricidade de Portugal, SA. The effects of this alteration in Parpública are explained in note 43 of the Notes to the Financial Statements.

- 7.2 At 31 December 2003, the financial shareholding in TAP, Transportes Aéreos Portugueses, (SGPS), SA, is stated by the full consolidation method. The report of the auditors on the financial statements of that company as at 31 December 2003 makes reference to some uncertainties which were resolved subsequent to the date of issue of the report of the auditors, as explained in note 46 a) of the Notes to the Financial Statements.

Lisbon, 11 May 2004

José Manuel da Silva

## **AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

### **INTRODUCTION**

1. For the purposes of Article 245 of the Securities Code, we present our Audit Report on the consolidated financial statements of **PARPÚBLICA – PARTICIPAÇÕES PÚBLICAS (SGPS) SA**, for the financial year ended 31 December 2003, consisting of the Consolidated Directors' Report, the Consolidated Balance Sheet as at 31 December 2003 (showing a total of 5 073 589 000 euros and total equity of 2 711 509 000 euros, including a net profit of 72 267 000 euros), the Consolidated Profit and Loss Accounts by nature and function and the Consolidated Cash Flow Statement for the year ended on that date, and the related Notes.

### **RESPONSIBILITIES**

2. The Board of Directors is responsible for:
  - a) preparing consolidated financial statements that give a true and fair view of the financial position of the group of companies included in the consolidation, the consolidated results of its operations and its consolidated cash flow;
  - b) preparing the historical financial information in accordance with generally accepted accounting principles, and ensuring that it is complete, accurate, up to date, clear, objective and legal, as required by the Securities Code;
  - c) adopting appropriate accounting policies and criteria;
  - d) maintaining suitable internal control systems;
  - e) drawing attention to any material event that may have influenced the activities of the group of companies included in the consolidation, their financial position or results.
3. The financial statements of the group and associated companies, which contribute 1 795 870 000 euros to net assets, were examined by other Certified Auditors.
4. Our responsibility as auditors is to check the financial information contained in the above mentioned financial statements, in particular to check that it is complete, accurate, up to date, clear, objective and legal, as required by the Securities Code, and to express an independent professional opinion based on our examination of these consolidated financial statements and the opinions of the Certified Auditors of the group and associated companies.

### **SCOPE**

5. Our examination was undertaken in accordance with the Audit Standards and Directives of the Chamber of Certified Auditors, which require that an audit should be planned and performed to obtain a reasonable assurance that the consolidated financial statements are free from material misstatements. This examination included:
  - checking that the financial statements of the companies included in the consolidation have been appropriately examined and, in significant cases where

this has not been done, checking on a sampling basis the supporting evidence for the amounts and disclosures in the financial statements, and reviewing estimates, based on the judgements and criteria adopted by the Board of Directors in their preparation;

- checking the consolidation operations and the application of the asset equivalence method;
- reviewing the adequacy of the accounting policies adopted and their disclosure, in the light of the circumstances;
- checking that the principle of continuity of operations has been applied;
- reviewing the adequacy, in general terms, of the presentation of the consolidated financial statements; and
- checking that the consolidated financial information is complete, accurate, up to date, clear, objective and legal.

6. Our examination also included checking that the financial information contained in the Consolidated Directors' Report is consistent with the content of the financial statements.

7. We believe that our examination and the opinions expressed by the above mentioned Certified Auditors provide a reasonable basis for our opinion.

## **OPINION**

8. In our opinion, based on our examination and the reports of the other Certified Auditors, mentioned above, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of **PARPÚBLICA – PARTICIPAÇÕES PÚBLICAS (SGPS) SA** as at 31 December 2003 and of the consolidated results of its operations and of its consolidated cash flow for the financial year ended on that date, in accordance with generally accepted accounting standards in Portugal, and the information contained in them is complete, accurate, up to date, clear, objective and legal.

## **OBSERVATIONS**

9. Without affecting the opinion expressed in paragraph 8 above, we would refer to our Audit Report for the financial year 2002 which included a reservation as to limitation of scope resulting from the fact that we were unable to form an opinion on the value attributed by PARPÚBLICA, (SGPS), SA to the non-privatised shares of EDP and, consequently, the value of the corresponding Provision for Financial Investments.

During the 2003 financial year, following the opinion issued by the Accounting Standards Commission in Official Letter 77/03 of 05/11/2003, with which we agree, measurement of the financial shareholding of PARPÚBLICA, (SGPS), SA corresponding to these shares was changed to the asset equivalence method.

The quantitative effects of this change, in terms of the comparability of the Accounts for the 2002 and 2003 financial years, are set out in note 43 of the Notes to the Balance Sheet and Profit and Loss Account.

Lisbon, 11 May 2004

Certified Auditors  
VICTOR FRANCO & LISBOA NUNES, Certified Auditors no. 67  
Registered with the Stock Exchange Commission under no. 314  
Represented by its Partner,

**Victor Domingos Seabra Franco, Certified Auditor no. 432**

## REPORTS OF THE AUDITORS OF THE ISSUER FOR THE 2004 FINANCIAL YEAR

José Manuel da Silva  
Certified Auditor No. 445  
Rua do Arco do Carvalhão, 47– 5º B.  
1070 - 008 Lisbon

### REPORT AND OPINION OF THE STATUTORY AUDITOR

To the Shareholders

1. In compliance with the law, namely the provisions of the Companies Code, the Statutory Auditor of PARPÚBLICA – Participações Públicas (SGPS) SA hereby submits for your approval his Opinion on the consolidated accounts of the Group, of which this is the parent company, for the financial year 2004.
2. I have examined the audit reports and opinions relating to the individual accounts of the companies included in the consolidation perimeter with the exception of ADP – Águas de Portugal (SGPS) SA, whose financial statements, although approved by its Board of Directors, had not at the time been certified by its auditors.
3. The following companies were excluded from the consolidation: FMG – Fábricas Mendes Godinho, SA; CPK – Companhia Produtora de Papel, SA; IMOBILIÁRIA DO TOJAL – Compra, Venda e Gestão de Imóveis, SA; PORTUCEL TEJO – Empresa de Celulose do Tejo, SA; RIA MÃE – Criação de Peixes, Lda; SOCOCEL – Sociedade Produtora de Embalagens e Sacos de Papel, Lda; and SOSAPEL - Sociedade Comercial de Sacos de Papel., Lda., since the Group's intention is to dispose of these shareholdings.
4. The associated company TERTIR – Terminais de Portugal, S. A., was included in the financial statements at the value determined in the last year in which the asset equivalence method was applied, since the Group's intention is to dispose of this shareholding.
5. I have also checked that:
  - a) the consolidation standards and methods set out in Decree-Law 238/91 of 2 July have been appropriately applied;
  - b) all the companies whose financial statements have been consolidated and which are listed in the annex have been part of the Group since at least the previous financial year, with the exception of the following companies:

PORTOSIDER., SA.,  
PRESCOR, SA..
6. the analysis by segments complies with Accounting Directive no. 27, having regard to the type of business carried on by the companies included in the consolidation.

7. The Consolidated Directors' Report complies with the requirements of Article 508.C of the Companies Code, and its content is consistent with the consolidated accounts.
8. In the light of the above, and the fact that no aspect has come to light that might materially affect the true and fair presentation of the Group's financial situation and the consolidated results of the companies included in the consolidation, and having regard to the comments in paragraph 2, I am of the opinion that you should approve the documents hereby submitted.

Lisbon, 2 May 2005

The Statutory Auditor

JOSÉ MANUEL DA SILVA  
Certified Auditor No. 445  
Rua do Arco do Carvalhão, 47 – 5º B.  
1070 – 008 Lisbon

## REPORT OF THE AUDITOR

### Introduction

1. I have examined the attached consolidated financial statements of Parpública – Participações Públicas (SGPS) SA, consisting of the Balance Sheet as at 31 December 2004, (showing a total of 5 430 451 000 euros and total equity of 2 731 623 000 euros, including a net profit of 151 253 000 euros), the consolidated Profit and Loss Accounts by nature and function and the Cash Flow Statement for the year ended on that date, and the related Notes.

### Responsibilities

2. The Board of Directors is responsible for preparing consolidated financial statements that give a true and fair view of the financial position of the group of companies included in the consolidation, the consolidated results of its operations and its consolidated cash flow, and for adopting appropriate accounting policies and criteria and maintaining suitable internal control systems.
3. My responsibility as auditor is to express an independent professional opinion based on my examination of the financial statements.
4. My opinion on the financial information contained in the consolidated financial statements is based, exclusively, on the examinations conducted by other Certified Auditors, as provided for in the Technical Recommendations issued by the Chamber of Certified Auditors.

### Scope

5. My examination was undertaken in accordance with the Audit Standards and Directives of the Chamber of Certified Auditors, which require that an audit should be planned and performed to obtain a reasonable assurance that the consolidated financial statements are free from material misstatements. This examination included:
  - checking on a sampling basis the supporting evidence for the amounts and disclosures in the financial statements, and reviewing estimates, based on the judgements and criteria adopted by the Board of Directors in their preparation;
  - checking the consolidation operations and the application of the asset equivalence method;
  - reviewing the adequacy of the accounting policies adopted, the uniformity of their application and their disclosure, in the light of the circumstances;
  - checking that the principle of continuity of operations has been applied; and
  - reviewing the adequacy, in general terms, of the presentation of the consolidated financial statements.

6. I believe that my examination and the reports of other auditors on the financial statements of the subsidiary companies provide a reasonable basis for my opinion.

### **Opinion**

In my opinion, based on my examination and the reports of the other auditors, the consolidated financial statements referred to in paragraph 1 above give a true and fair view, in all material respects, of the consolidated financial position of Parpública – Participações Públicas (SGPS) SA as at 31 December 2004 and of the consolidated results of its operations and of its consolidated cash flow for the financial year ended on that date, in accordance with generally accepted accounting standards in Portugal.

### **Observations**

7. Without affecting the opinion expressed in the preceding paragraph, I would draw attention to the following matters:

7.1 The financial statements of the company included in the consolidation, ADP – Águas de Portugal, (SGPS), SA, although approved by its Board of Directors, have not as yet been certified by its auditors, as stated in Note 11 to the Balance Sheet and Profit and Loss Account.

7.2 PORTUCEL – Empresa de Celulose e Papel de Portugal, (SGPS), SA., is in the process of being merged with P ARPÚBLICA – Participações Públicas, (SGPS), SA., which owns 100% of the share capital of the former company, to be effected by incorporating the assets of the former into the latter company.

Lisbon, 2 May 2005

José Manuel da Silva

# **AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

## **INTRODUCTION**

1. For the purposes of Article 245 of the Securities Code, we present our Audit Report on the consolidated financial statements of **PARPÚBLICA – PARTICIPAÇÕES PÚBLICAS (SGPS) SA**, for the financial year ended 31 December 2004, consisting of the Consolidated Directors' Report, the Consolidated Balance Sheet as at 31 December 2004 (showing a total of 5 430 451 000 euros and total equity of 2 731 623 000 euros, including a net profit of 151 253 000 euros), the Consolidated Profit and Loss Accounts by nature and function and the Consolidated Cash Flow Statement for the year ended on that date, and the related Notes.

## **RESPONSIBILITIES**

2. The Board of Directors is responsible for:

**2.1** Preparing a consolidated Directors' Report and consolidated financial statements that give a true and fair view of the financial position of the group of companies included in the consolidation, the consolidated results of its operations and its consolidated cash flow;

**2.2** Preparing the historical financial information in accordance with generally accepted accounting principles, and ensuring that it is complete, accurate, up to date, clear, objective and legal, as required by the Securities Code;

**2.3** Adopting appropriate accounting policies and criteria;

**2.4** Maintaining suitable internal control systems;

**2.5** Drawing attention to any material event that may have influenced the activities of the group of companies included in the consolidation, their financial position or results.

3. The financial statements of the companies included in the consolidation perimeter have been examined by other Certified Auditors. This being the case, our opinion on the financial information contained in the consolidated accounts is solely based on the Audit Reports issued by them.
4. Our responsibility as auditors is to check the financial information contained in the above mentioned financial statements, in particular to check that it is complete, accurate, up to date, clear, objective and legal, as required by the Securities Code, and to express an independent professional opinion based on our examination of those consolidated financial statements and the opinions of the Certified Auditors of the group and associated companies.

## **SCOPE**

5. Our examination was undertaken in accordance with the Audit Standards and Directives of the Chamber of Certified Auditors, which require that an audit should be planned and performed to obtain a reasonable assurance that the consolidated financial statements are free from material misstatements. This examination included:

- 5.1** Checking that the financial statements of the companies included in the consolidation have been appropriately examined and, in significant cases where this has not been done, checking on a sampling basis the supporting evidence for the amounts and disclosures in the financial statements, and reviewing estimates, based on the judgements and criteria adopted by the Board of Directors in their preparation;
- 5.2** Checking the consolidation operations and the application of the asset equivalence method;
- 5.3** Reviewing the adequacy of the accounting policies adopted and their disclosure, in the light of the circumstances;
- 5.4** Checking that the principle of continuity of operations has been applied;
- 5.5** Reviewing the adequacy, in general terms, of the presentation of the consolidated financial statements; and
- 5.6** Checking that the consolidated financial information is complete, accurate, up to date, clear, objective and legal.
- 6.** Our examination also included checking that the consolidated financial information contained in the Consolidated Directors' Report is consistent with the content of the other financial statements.
- 7.** We believe that our examination and the opinions expressed by the above mentioned Certified Auditors provide a reasonable basis for our opinion.

## **OPINION**

- 8.** In our opinion, based on our examination and the reports of the other Certified Auditors mentioned above, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of **PARPÚBLICA – PARTICIPAÇÕES PÚBLICAS (SGPS) SA** as at 31 December 2004 and of the consolidated results of its operations and of its consolidated cash flow for the financial year ended on that date, in accordance with generally accepted accounting standards in Portugal, and the information contained in them is complete, accurate, up to date, clear, objective and legal.

Lisbon, 12 May 2005

**GRANT THORNTON & ASSOCIADOS – SROC, LDA.**

**Victor Domingos Seabra Franco, Certified Auditor no. 432**

## SUMMARY FINANCIAL INFORMATION OF THE ISSUER

The following information has been extracted from the English translations of the audited non-consolidated financial statements of the Issuer as at 31 December 2004 and 31 December 2003.

### Balance Sheet

	Unit: Euro Thousands	
	2004	2003
<b>ASSETS</b>		
<b>Fixed Assets</b>		
<u>Intangible Fixed Assets*:</u>		
Start up Costs.....	1,656	1,657
Industrial Property and other rights.....	0	0
Work in progress.....	0	0
<u>Tangible Fixed Assets*:</u>		
Land and Natural Resources.....	0	0
Buildings and Other Constructions.....	0	0
Basic Equipment.....	0	0
Transport Equipment.....	173	105
Tools and Utensils.....	0	0
Office Equipment.....	270	195
Other Tangible Assets.....	1	0
Work in Progress.....	0	0
Advances on account of tangible assets.....	0	0
Depreciation	-1,881	-1,801
<u>Financial Investments:</u>		
Investments in Group companies.....	847,838	930,218
Loans to Group companies.....	118,113	82,723
Investments in associated companies.....	1,877,488	905,773
Loans to associated companies.....	0	0
Securities and other financial investments.....	0	32,144
<b>Current Assets</b>		
<u>Inventory:</u>		
Raw materials and consumables.....	0	0
Goods.....	0	0
<u>Debtors – Medium and Long Term:</u>		
Share Capital Subscribers.....	1,013,314	1,013,314
<u>Accounts Receivable – Short Term:</u>		
Trade Debtors.....	1,620	1,749
Doubtful Debts.....	0	0
Group companies.....	15,421	158,427
Advances to suppliers.....	0	0
State and Other Public Sector Entities.....	1,016	766
Other Debtors.....	9,402	33,515
<u>Negotiable securities</u>	53,378	0
<u>Bank Deposits and Cash</u>	58,101	28,764

**Accruals and Deferrals**

Deferred Taxes.....	0	0
Accrued Income.....	167	0
Deferred Costs.....	4,267	1,490
<b>TOTAL ASSETS</b>	<b>4,000,345</b>	<b>3,189,039</b>

\*Figures for intangible and tangible fixed assets are presented gross of amortisation.

Unit: Euro Thousands

	2004	2003
<b>Shareholders Equity and Liabilities</b>		
<b>Equity</b>		
Share Capital.....	2,000,000	2,000,000
Adjustment of stakes in other affiliated and associated companies.....	-23,587	-19,105
<u>Reserves:</u>		
Reserves.....		
Legal Reserves.....	245,189	178,376
Statutory Reserves.....	0	0
Other Reserves.....	442,937	506,137
Retained earnings/losses.....	-24,169	-2,166
Net Profit for the Year.....	151,253	72,267
Anticipated Dividends	<b>60,000</b>	<b>24,000</b>
<b>TOTAL EQUITY</b>	<b>2,731,623</b>	<b>2,711,509</b>
<b>Liabilities</b>		
Provisions.....	2,111	34,720
<u>Accounts Payable - Medium and Long Term:</u>		
Senior Debts.....	649,639	231,729
<u>Accounts Payable - Short Term:</u>		
Short term Debts.....	505,000	0
Suppliers - Trade creditors.....	491	248
Suppliers - invoices pending.....	0	0
Fixed Assets Suppliers - Trade Creditors.....	0	0
Fixed Assets Suppliers - invoices pending.....	0	0
Other Loans.....	82,089	125,000
State and Other Public Sector Entities.....	340	101
Other Creditors.....	276	34,329
<u>Accruals and Deferrals:</u>		
Accrued Costs.....	6,267	1,426
Deferred Income.....	22,508	49,976
<b>TOTAL LIABILITIES</b>	<b>1,268,722</b>	<b>477,530</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4,000,345</b>	<b>3,189,039</b>

## Profit and Loss Account

Unit: Euro Thousands

	2004	2003
<b>Costs and Losses</b>		
Cost of goods sold and materials consumed.....	0	0
Supplies and External Services.....	2,372	2,053
<u>Personnel Costs:</u>		
Salaries and wages + Social Security charges	3,452	2,259
Depreciation and Amortization.....	80	52
Provisions.....	0	0
Taxes.....	468	87
Other Operational Costs and Losses.....	0	0
<b>(A)</b>	<b>6,372</b>	<b>4,451</b>
Costs and Losses related to group and associated companies	2,363	1,039
Amortization and provisions for financial investments.....	10,298	9,455
Interests and Similar Costs.....	19,379	12,768
<b>(C)</b>	<b>38,412</b>	<b>27,712</b>
Extraordinary Costs and Losses.....	34,471	35,381
<b>(E)</b>	<b>72,883</b>	<b>63,094</b>
Income Tax.....	6	3
<b>(G)</b>	<b>72,889</b>	<b>63,096</b>
Net Profit of the Year.....	151,253	72,267
<b>Income and Gains</b>		
Sales of Goods.....	0	0
Services Rendered.....	532	1,148
Production changes	0	0
Own work capitalized.....	0	0
Supplementary income.....	876	197
Operating subsidies.....	0	0
Other operating income and gains.....	0	0
<b>(B)</b>	<b>1,408</b>	<b>1,345</b>
Gains in group and associated companies.....	137,067	114,517
Income from Equity Holdings.....	4,315	133
Income from other negotiable securities	0	0
Interest and Similar Income.....	3,709	999
<b>(D)</b>	<b>146,499</b>	<b>116,994</b>
Extraordinary Income and Gains .....	77,641	18,369
<b>(F)</b>	<b>224,140</b>	<b>135,363</b>
<b>Operational Results: (B)-(A) =</b>	<b>-4,964</b>	<b>-3,105</b>
<b>Financial Results: [(D)-(B)]-[(C)-(A)] =</b>	<b>113,051</b>	<b>92,387</b>
<b>Current profit/loss: (D)-(C) =</b>	<b>108,087</b>	<b>89,282</b>
<b>Profit / loss before taxes: (F)-(E) =</b>	<b>151,259</b>	<b>72,269</b>
<b>Consolidated profit/loss: (F)-(G) =</b>	<b>151,253</b>	<b>72,267</b>

## Financial Statements

The following information has been extracted from the English translations of the non-audited non-consolidated financial statements of the Issuer as at and for the six months ended 30 June 2005 and 30 June 2004.

### Balance Sheet

	Unit: Euro Thousands	
	June 2005	June 2004
	Net Assets	Net Assets
<b>ASSETS</b>		
<b>Fixed Assets</b>		
<u>Intangible Fixed Assets:</u>	0	0
<u>Tangible Fixed Assets:</u>	250	170
<u>Financial Investments:</u>		
Investments in Group and associated companies.....	2,507,834	1,888,063
Loans to associated companies.....	119,215	140,716
Financial Investments	188,843	-
<b>Current Assets</b>		
<u>Inventory:</u>		
Raw materials and consumables.....	0	0
Goods.....	0	0
<u>Debtors – Medium and Long Term:</u>		
Group Companies.....	0	1,444
Share Capital Subscribers.....	1,013,314	1,013,314
<u>Accounts Receivable – Short Term:</u>		
Trade Debtors.....	51	1,543
Group companies	1,372	0
Advances to suppliers.....	0	0
State and Other Public Sector Entities.....	1,090	787
Other Debtors.....	9,404	33,518
<u>Negotiable securities</u>	53,377	0
<u>Bank Deposits and Cash</u>	19,585	94,878
<b>Accruals and Deferrals</b>		
Deferred Taxes.....	0	0
Accrued Income.....	334	0
Deferred Costs.....	2,802	673
<b>TOTAL ASSETS</b>	<b>3,917,470</b>	<b>3,175,106</b>

## SHAREHOLDERS'S EQUITY AND LIABILITIES

	Unit: Euro Thousands	
	June 2005	June 2004
<b>Equity and Liabilities</b>		
<b>Equity</b>		
Share Capital	2,000,000	2,000,000
Adjustment of stakes in other affiliated and associated companies.....	31,959	-25,946
<u>Reserves:</u>		
Reserves.....	695,689	688,126
Retained earnings/losses.....	-21,024	37,760
Net Profit for the Year.....	28,812	86,573
<b>TOTAL EQUITY</b>	<b>2,735,436</b>	<b>2,786,513</b>
<b>Liabilities</b>		
<u>Provisions:</u>		
Provisions.....	2,111	2,001
<u>Accounts Payable - Medium and Long Term:</u>		
Non convertible Bonds.....	649,639	149,639
<u>Accounts Payable - Short Term:</u>		
Non convertible Bonds.....	82,089	82,089
Commercial Paper.....	400,000	125,000
Group Companies	0	77
Other Loans	0	0
Suppliers	194	155
State and Other Public Sector Entities.....	4,321	932
Other Creditors.....	413	245
<u>Accruals and Deferrals:</u>		
Accrued Costs.....	20,805	5,278
Deferred Income.....	22,461	23,175
<b>TOTAL LIABILITIES</b>	<b>1,182,034</b>	<b>388,593</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,917,470</b>	<b>3,175,106</b>

## Profit and Loss Account

	Unit: Euro Thousands	
	June 2005	June 2004
<b>Costs and Losses</b>		
Cost of goods sold and materials consumed.....	0	0
Supplies and External Services.....	2,280	502
Personnel Costs	2,244	2,059
Depreciation and Amortization.....	40	30
Provisions.....	0	0
Taxes.....	33	28
Other Operational Costs and Losses.....	0	0
<b>(A)</b>	<b>4,596</b>	<b>2,619</b>
Costs and Losses related to group and associated companies	0	38,668
Amortization and provisions for financial investments.....	22,538	4,657
Interests and Similar Costs.....	19,879	5,291
<b>(C)</b>	<b>47,013</b>	<b>51,235</b>
Extraordinary Costs and Losses.....	130	33,164
<b>(E)</b>	<b>47,143</b>	<b>84,399</b>
Income Tax.....	1	0
<b>(G)</b>	<b>47,144</b>	<b>84,399</b>
Net Profit of the Year.....	28,812	86,573
<b>Income and Gains</b>		
Sales of Goods.....	0	0
Services Rendered.....	15	213
Production changes	0	0
Supplementary income.....	140	122
<b>(B)</b>	<b>155</b>	<b>335</b>
Gains in group and associated companies (*)	64,148	110,358
Income from other equity assets	10,308	296
Interest and Similar Income.....	1,268	1,022
<b>(D)</b>	<b>75,879</b>	<b>112,011</b>
Capital Gains.....	0	26,204
Extraordinary Income and Gains.....	77	32,758
<b>(F)</b>	<b>75,956</b>	<b>170,973</b>
<b>Operational Results: (B)-(A) =</b>	<b>-4,441</b>	<b>-2,284</b>
<b>Financial Results: [(D)-(B)]-[(C)-(A)] =</b>	<b>33,307</b>	<b>63,060</b>
<b>Current profit/loss: (D)-(C) =</b>	<b>28,866</b>	<b>60,776</b>
<b>Profit / loss before taxes: (F)-(E) =</b>	<b>28,813</b>	<b>86,574</b>
<b>Consolidated profit/loss: (F)-(G) =</b>	<b>28,812</b>	<b>86,574</b>

\*Since there is no available information on participated companies as of 30 June 2005, the equity method has been applied based on the target 2005 budget for those companies.

## Financial Statements of the Issuer

The following information has been extracted from the English translations of the audited consolidated financial statements of the Issuer as at 31 December 2004 and 31 December 2003.

<b>Balance Sheets</b>	<b>Unit: Euro Thousands</b>			
	<b>2004</b>		<b>2003</b>	
	<b>Gross Assets</b>	<b>Dep.&amp; Prov.</b>	<b>Net Assets</b>	<b>Net Assets</b>
<b>ASSETS</b>				
<i>Fixed Assets</i>				
<u>Intangible Fixed Assets:</u>				
Start up Costs	20,807	18,728	2,079	4,089
Leases	235	76	159	3,702
Industrial Property and other rights	4,116	230	3,886	23
Work in progress	146	0	146	179
Consolidation Differences	13,603	1,652	11,951	2,468
<u>Tangible Fixed Assets:</u>				
Land and Natural Resources	177,580	1,027	176,553	146,777
Buildings and Other Constructions	508,135	262,681	245,454	226,126
Basic Equipment	1,523,007	865,863	657,144	757,435
Transport Equipment	10,772	8,820	1,952	2,495
Tools and Utensils	16,811	11,013	5,798	4,753
Office Equipment	79,541	66,042	13,499	12,873
Other Tangible Assets	23,844	12,927	10,917	2,470
Work in Progress	13,463	0	13,463	18,913
Advances on account of tangible assets	238	0	238	243
<u>Financial Investments:</u>				
Loans to Group Companies	0	0	0	750,863
Loans to Associated Companies	3,389	3,284	105	2,619
Investments in associated/Group companies	2,104,415	11,878	2,092,537	1,045,007
Securities and other financial investments	253,971	57,715	196,256	39,946
Advances on account of financial investments	8	0	8	507
<i>Current Assets</i>				
<u>Inventory:</u>				
Raw materials and consumables	71,506	46,849	24,657	34,558
Goods and work in progress	69,190	7,323	61,867	25,756
By-products, offcuts, waste and scrap	1,110	0	1,110	0
Finished and part-finished products	9,900	2,477	7,423	0
Advances for Purchases	3,834	0	3,834	0
Goods	179,073	418	178,655	182,643
<u>Accounts Receivable – Medium and Long Term:</u>				
Group and associated companies	569	0	569	0
Other Debtors.....	14,437	6,841	7,596	8,887
Capital Subscribers	1,013,314	0	1,013,314	1,013,314
<u>Accounts Receivable – Short Term:</u>				
Trade Debtors	148,538	1,679	146,859	154,143
Trade Debtors - Doubtful Debts	29,140	27,029	2,111	1,992
Group and associated companies	17,408	0	17,408	233,177
Advances to suppliers.	4,144	0	4,144	2,161
Advances to Fixed Assets Suppliers	6	0	6	3
State and Other Public Sector Entities	30,339	0	30,339	32,895
Shareholder companies and subsidiaries	499	0	499	0
Other Debtors	130,058	1,658	128,400	138,973
<u>Marketable Securities</u>	73,417	0	73,417	17,562
<u>Bank Deposits and Cash</u>	207,884	0	207,884	143,099
<i>Accruals and Deferrals</i>	86,251		86,251	62,938
<b>TOTAL ASSETS</b>	<b>6,850,825</b>	<b>1,420,374</b>	<b>5,430,451</b>	<b>5,073,589</b>

## SHAREHOLDERS'S EQUITY AND LIABILITIES

Equity and Liabilities	2004	2003
<b>Equity</b>		
Share Capital.....	2,000,000	2,000,000
<u>Reserves:</u>		
Reserves.....		
Legal Reserves.....	253,745	178,376
Statutory Reserves.....	0	0
Other Reserves.....	445,003	506,137
Retained earnings/losses.....	-3,564	-2,166
Net Profit for the Year.....	151,253	72,267
Anticipated Dividends.....	<b>-60,000</b>	<b>-24,000</b>
Adjustment of stakes in other affiliated and associated companies....	-72,118	-36,406
Consolidation Differences.....	17,304	17,301
<b>TOTAL EQUITY</b>	<b>2,731,623</b>	<b>2,711,509</b>
<b>MINORITY INTERESTS</b>		
	20,378	5,219
<b>Liabilities</b>		
<u>Provisions:</u>		
Provisions.....	119,239	144,719
<u>Accounts Payable - Medium and Long Term:</u>		
Bank Debts.....	649,640	231,729
Debt to Credit Institutions.....	43,724	85,813
Other Loans.....	36,437	37,999
Suppliers - Trade creditors.....	2,899	2,851
Fixed Assets Suppliers - Trade Creditors.....	457,705	531,559
Associated companies, shareholder companies and subsidiaries.....	924	11,293
State and other public bodies.....	11,052	0
Other Creditors.....	56,682	2,421
<u>Accounts Payable - Short Term:</u>		
Loans secured by Bonds.....		
Non convertible Bonds.....	82,090	150,000
Commercial paper.....	505,000	125,000
Debt to Credit Institutions.....	143,730	362,421
Suppliers - Trade creditors.....	90,074	72,690
Suppliers - invoices pending.....	6,806	105,897
Fixed Assets Suppliers - Trade Creditors.....	69,607	61,417
Advances for sales.....	5,599	0
Group companies.....	132	25
Advances from customers.....	110,903	6,557
Other Loans.....	1,562	1,658
State and Other Public Sector Entities.....	30,409	35,853
Other Creditors.....	40,808	73,222
<u>Accruals and Deferrals:</u>		
Accrued Costs.....	109,994	138,255
Deferred Income.....	87,339	174,542
Deferred Taxation.....	16,095	940
<b>TOTAL LIABILITIES</b>	<b>2,678,450</b>	<b>2,356,861</b>
<b>TOTAL EQUITY, MINORITY INTERESTS AND LIABILITIES</b>	<b>5,430,451</b>	<b>5,073,589</b>

## Profit and Loss Account

Unit: Euro Thousands

	2004	2003
<b>Costs and Losses</b>		
Cost of goods sold and materials consumed.....	172,796	125,300
Supplies and External Services.....	792,475	697,778
<u>Personnel Costs:</u>		
Salaries and wages.....	347,072	320,899
Social Security charges.....	132,765	116,333
Depreciation and Amortization.....	106,109	109,120
Provisions.....	9,034	29,228
Taxes.....	10,679	8,214
Other Operational Costs and Losses.....	2,937	4,468
<b>(A)</b>	<b>1,573,867</b>	<b>1,411,340</b>
Amortization and provisions for financial investments.....	9,495	12,340
Interests and Similar Costs.....	83,829	74,788
<b>(C)</b>	<b>1,667,191</b>	<b>1,498,468</b>
Costs and Losses related to associated companies	5,892	13,074
Extraordinary Costs and Losses.....	45,065	47,040
<b>(E)</b>	<b>1,718,148</b>	<b>1,558,582</b>
Income Tax.....	12,326	13,370
Deferred Taxes.....	0	0
<b>(G)</b>	<b>1,730,474</b>	<b>1,571,952</b>
Minority Interests.....	(394)	(1,395)
Net Profit of the Year.....	151,253	72,267
<b>Income and Gains</b>		
Sales of Goods.....	209,090	159,241
Services Rendered.....	1,319,567	1,222,565
Production changes	(95)	2,863
Own work capitalized.....	3,071	4,264
Supplementary income.....	30,424	25,133
Operating subsidies.....	19,531	19,395
Other operating income and gains.....	279	273
<b>(B)</b>	<b>1,581,867</b>	<b>1,433,734</b>
Gains in group and associated companies.....	82,326	82,561
Income from Equity Holdings.....	4,315	1,444
Income from other negotiable securities	0	1,018
Interest and Similar Income.....	28,307	36,014
<b>(D)</b>	<b>1,696,815</b>	<b>1,554,771</b>
Extraordinary Income and Gains .....	184,518	88,053
<b>(F)</b>	<b>1,881,333</b>	<b>1,642,824</b>
<b>Operational Results: (B)-(A) =</b>	<b>8,000</b>	<b>22,394</b>
<b>Financial Results: [(D)-(B)]-[(C)-(A)] =</b>	<b>21,624</b>	<b>33,909</b>
<b>Current profit/loss: (D)-(C) =</b>	<b>29,624</b>	<b>56,303</b>
<b>Profit / loss before taxes: (F)-(E) =</b>	<b>163,185</b>	<b>84,242</b>
<b>Consolidated profit/loss: (F)-(G) =</b>	<b>150,859</b>	<b>70,872</b>

## TAXATION

*The following is a summary of the material Portuguese and EU tax consequences with respect to the Bonds. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular Bondholder, including tax considerations that arise from rules of general application or that are generally assumed to be known to Bondholder. This discussion is based on Portuguese law as it stands at the date of this Offering Circular and is subject to any change in law that may take effect after such date. Prospective investors in the Bonds should consult their professional advisers with respect to particular circumstances and the effects of state, local or foreign laws to which they may be subject. Bondholders who are in doubt as to their tax position should consult their professional advisers.*

### Portuguese Taxation

Under current Portuguese law, the Issuer is required to make certain deductions from payments of interest under the Bonds at a *prima facie* rate of 20% and to account for such deductions to the Portuguese tax authorities. The rate of withholding tax may be reduced pursuant to the terms of double tax treaties entered into by the Republic of Portugal, as applicable.

The Issuer has, pursuant to Article 27 of the Statute of Tax Benefits (*Estatuto dos Benefícios Fiscais*), obtained from the Minister of Finance an exemption from the requirement to make such a deduction from payments of interest under the Bonds held by Bondholders or Couponholders that are not resident in the Republic of Portugal for tax purposes (the "**Withholding Tax Exemption**"). This Withholding Tax Exemption has been granted to the Issuer and the beneficiaries of payments under the Bonds by way of decision (*despacho*) of 18 May 2005 of the Secretary of State of Fiscal Affairs (*Secretário de Estado dos Assuntos Fiscais*) notified to the Issuer by *Ofício* 15095 of 24 May 2005.

The terms of the Withholding Tax Exemption, as summarised in "Terms and Conditions of the Bonds – Taxation", require, *inter alia*, that the Issuer holds a permanent record of the Bondholders and provides the General-Directorate of Taxes (*Direcção-Geral dos Impostos*) with identification of the Bondholders and the amount of Bonds subscribed for and/or transferred within 90 days of such event. The Issuer will take all necessary steps to comply with such requirement, although currently, under Clearstream, Luxembourg and Euroclear operating procedures, the requisite level of information relating to transfers of Bonds may not necessarily flow through to the Issuer from their accountholders in order for the Issuer to maintain the record to the exact degree required. Pursuant to Condition 6 (*Taxation*), if the Issuer is required to make a withholding or deduction from interest payments in relation to the Bonds held by Bondholders or Couponholders who are not resident in the Republic of Portugal for tax purposes (and who have provided appropriate Residency Information and Beneficial Ownership Statements) as a result of any failure by the Issuer to provide the permanent record of Bondholders or Couponholders referred to above to the General Directorate of Taxes, the Issuer will pay such additional amounts as will result in the receipt by the relevant Bondholders or Couponholders of such amounts as would have been received by them had no such withholding or deduction been required.

The Withholding Tax Exemption will apply to the Bonds held by Bondholders or Couponholders that are not resident in the Republic of Portugal for tax purposes as set out in Condition 6 (*Taxation*).

In order to receive interest free of Portuguese withholding tax under the Withholding Tax Exemption, the following conditions must be met:

- (a) the relevant Bondholder or Couponholder must provide proof that it is not resident in the Republic of Portugal in accordance with the following provisions, which are applicable in

general to the residency certification of payees of interest that are exempt from withholding taxation in Portugal, as provided for in article 7 of Decree-Law of 219/2001, of 4<sup>th</sup> August 2001, in Decree-Law 88/94 of 2<sup>nd</sup> March 1994 and in article 33.14 of the Statute of Tax Benefit (*Estatuto dos Benefícios Fiscais*), a procedure which the Issuer has confirmed with the Portuguese Tax Authorities should also be followed in respect of the Bonds:

- (i) if a Bondholder or Couponholder is a central bank, public institution, international body, credit institution, financial company, property investment fund, collective investment scheme, pension fund, insurance company with its head office in any OECD country or in a country with which the Republic of Portugal has entered into a double taxation treaty and is subject to a special supervision regime or administrative registration, certification shall be made by means of the following: (A) its tax identification number; or (B) a certificate issued by the entity responsible for such supervision or registration confirming the legal existence of the Bondholder or Couponholder and its head office; or (C) a declaration of tax residence issued by the Bondholder or Couponholder itself, duly signed and authenticated, if a central bank, public law entity making up part of the public administration (either central, regional or peripheral, indirect or autonomous of the country of the relevant Bondholder or Couponholder) or an international body; or (D) proof of non-residence, pursuant to the terms of paragraph (iii) below, provided that the Bondholder or Couponholder provides one of the forms of confirmation referred to therein;
- (ii) if a Bondholder or Couponholder is a working emigrant it must prove its capacity as such by way of the documents prescribed by a decision (*despacho*) of the Minister of Finance regulating the emigrant savings system; or
- (iii) in any other case, information provided in accordance with the following rules: confirmation must be made by the relevant Bondholder or Couponholder by way of (x) a certificate of residence or equivalent document issued by the relevant tax authorities, (y) a document issued by the relevant Portuguese Consulate certifying residence abroad, or (z) a document specifically issued by an official entity which forms part of the public administration (either central, regional or peripheral, indirect or autonomous) of the relevant country; for these purposes, an identification document such as a passport or identification card (*bilhete de identidade*) or document by which it is indirectly possible to presume the relevant tax residence (such as a work or permanent residence permit) are not acceptable. There are specific rules relating to the originality and validity of the document, notably that the Bondholder or Couponholder must provide an original or a certified copy of the residency certificate or document and, as a rule, (i) if such document does not refer to a specific residency year and is not expired, it must have been issued within three years prior to the relevant payment or maturity; or (ii) such document must have been issued in the year of the relevant payment or maturity and refer to residency in that or the prior year;

and

- (b) each Bondholder or Couponholder must provide a notice to Euroclear/Clearstream, Luxembourg to be delivered to the Issuer through the Fiscal Agent containing the Beneficial Ownership Statement (as defined in Condition 6 (*Taxation*) in the form provided by Clearstream, Luxembourg and/or Euroclear and as set out in “Form of Beneficial Ownership Statement” below.

Additionally, payments of interest to certain Portuguese institutions (including financial institutions or branches in Portugal of foreign financial institutions (which include insurance companies), administrative public utility companies (*peçoas colectivas de utilidade pública administrativa*) and private social solidarity institutions (*instituições particulares de solidariedade social*) to which a tax exemption has been granted by the Minister of Finance which covers the type of income in question, pension funds (*fundos de pensões*), savings funds for retirement (*fundos poupança reforma*), savings funds for education (*fundos poupança educação*), stock savings funds (*fundos de poupança em acções*) and risk capital funds (*fundos de capital de risco*)) are exempt from the requirement to deduct tax from payments of interest under the Bonds (the "**Portuguese Institutions Tax Exemption**").

The Portuguese Institutions Tax Exemption will apply to Bondholders or Couponholders that provide Portuguese Exempt Institutions Statements in the form set out under "Form of Portuguese Exempt Institutions Statement" below and signed by each Bondholder or Couponholder (as the case may be).

As regards Bonds traded on Euronext Lisbon and cleared through the Portuguese clearing system (*Central de Valores Mobiliários*, the "**CVM**"), the funds for interest payments will be transferred to the Lisbon Paying Agent's segregated account at Euroclear or Clearstream, Luxembourg where the Bonds that are traded in Euronext Lisbon are registered, as Lisbon Paying Agent (and account holder at Euroclear or Clearstream, Luxembourg). The Lisbon Paying Agent will not be providing Residency Information and Beneficial Ownership statements or Portuguese Exempt Institutions Statements in respect of those Bonds that are traded on Euronext Lisbon, but will receive interest payments free of withholding tax in order to comply with tax obligations in Portugal.

Pursuant to Articles 71 (3.b) and 101 (2.) and (3.) of the *Código do IRS* (Individuals Tax Code, the "**CIRS**") and Article 88 (1.) and (7.) of the CIRC, payments of interest relating to bonds issued by a Portuguese entity which are registered or deposited in Portugal with a Portuguese financial intermediary (*depositário*) are subject to withholding tax at the rate of 20% unless any special exemptions are applicable in Portugal.

The Bonds which will be traded on Euronext Lisbon and cleared with the CVM are deemed to be bonds registered or deposited in Portugal with a Portuguese financial intermediary (*depositário*).

Pursuant to Portuguese law (Article 101 (2.) and (3.) of the CIRS and Article 88 (7.) of the CIRC), the 20% withholding tax must be effected by the Portuguese financial intermediary (*depositário*) making interest payments to the final investors. This will be the case with the Bonds traded on Euronext Lisbon and cleared through the CVM.

The Lisbon Paying Agent will receive from the Issuer (through the Fiscal and Principal Paying Agent and then through Euroclear or Clearstream, Luxembourg,) the interest payments in relation to the Bonds free of withholding tax and will then effect the relevant payments to the investors and/or other financial intermediaries (*depositários*). In order to receive free of withholding tax, the Lisbon Paying Agent will provide Euroclear or Clearstream, Luxembourg on the Certification Date relating to the first Interest Payment Date (or where there is a change in Lisbon Paying Agent, the Certification Date relating to next following Interest Payment Date, or the Maturity Date if applicable, after such change) only) with a Lisbon Paying Agent Statement in the form set out under "Form of Lisbon Paying Agent Statement" below confirming that in its capacity as Lisbon paying agent for all the Bonds that are in its segregated Euroclear or Clearstream, Luxembourg account, withholding tax is not applicable and it should receive the income gross in its segregated Euroclear or Clearstream, Luxembourg account, so that the withholding is effected by the Portuguese financial intermediaries in accordance with applicable Portuguese legislation.

Such other financial intermediaries (as well as the Lisbon Paying Agent in relation to its own investors) will then effect the payments of interest in relation to the Bonds traded on Euronext Lisbon to the investors and pursuant to Portuguese tax law are under the obligation to effect the necessary withholding tax or apply the available tax exemptions if these are applicable. In the event that tax exemptions are applicable, the financial intermediaries effecting the interest payments to the final investors are under the obligation to collect the relevant certificates, namely the Residency Information and Beneficial Ownership Statements, from such investors prior to the relevant Interest Payment Date.

### **EU Directive on the Taxation of Savings Income**

Under European Council Directive 2003/48/EC on the taxation of savings income Member States are required to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person within its jurisdiction to an individual resident in another Member State, except that for a transitional period, Belgium, Luxembourg and Austria will instead operate a withholding system unless during that period they elect otherwise (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries and territories). Certain other jurisdictions, including Switzerland, have enacted equivalent legislation which imposes a withholding tax in substantially the same circumstances as envisaged by the Directive. Holders of the Bonds who are individuals should note that should any payment in respect of the Bonds be subject to withholding imposed as a consequence of the Directive or under the equivalent legislation, no additional amounts would be payable by the Issuer pursuant to the provisions of Condition 6 (*Taxation*) of the Terms and Conditions.

**FORM OF BENEFICIAL OWNERSHIP STATEMENT**

The following corresponds to the wording and contents of the Beneficial Ownership Statement as contained in Circular No. 6/2003, which the Issuer has confirmed should be used in respect of the Bonds:

**BENEFICIAL OWNERSHIP STATEMENT**

The undersigned beneficiary:

Name:.....

Address:.....

.....  
Tax identification number: .....

holding via the following financial intermediary:

Name of the financial intermediary:.....

Account number: .....

the following securities:

Common/ISIN code:.....

Security name:.....

Payment date: .....

Nominal position:.....

1. Hereby declares that he/she/it is the beneficial owner of the above-mentioned securities and nominal position at the payment date \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_; and

2. Hereby declares that he/she/it is not liable to withholding tax, in accordance with the applicable legislation, indicated hereinafter.

Article 27 of the Portuguese Tax Benefits Statute

Exemption granted to Parpública - Participações Públicas (SGPS), S.A., dated 18 May 2005, notified by Ofício number 15095 of 24 May 2005.

This document is to be provided to the Portuguese tax authorities, if requested by the latter, as foreseen in section (b), no. 2 and section (b), no. 7, both of article 119 of CIRS.

Authorised signatory: \_\_\_\_\_ Name: \_\_\_\_\_

.....  
Function: \_\_\_\_\_

.....  
Signature: \_\_\_\_\_

.....

FORM OF PORTUGUESE EXEMPT INSTITUTIONS STATEMENT

**PORTUGUESE EXEMPT INSTITUTIONS STATEMENT**

The undersigned beneficiary:

Name:.....

Address:

.....  
Tax identification number: .....

Account number: .....

the following securities:

Common/ISIN code:.....

Security name:.....

Payment date: .....

Nominal position:.....

1. Hereby declares that it is the beneficial owner of the above-mentioned securities and nominal position at the payment date \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_; and

2. Hereby declares that it is not liable to withholding tax, in accordance with the relevant applicable legislation, indicated hereinafter.

Article 90, no.1, section (a) of the CIRC as it is a financial institution

Article 10, no. 1, section (a) of the CIRC as it is an administrative public utility company (*peessoa colectiva de utilidade pública administrativa*). Tax exemption recognised by Ministerial Decree-Regulation/Dispatch no \_\_\_\_\_ published in Official Journal \_\_\_\_\_ which covers the type of income in question.

Article 10, no 1, section (b) of the CIRC as it is a private social solidarity institution (*instituição particular de solidariedade social*). Tax exemption recognised by Ministerial Decree-Regulation/Dispatch no \_\_\_\_\_ published in Official Journal \_\_\_\_\_ which covers the type of income in question.

Article 14 no.1 of the Portuguese Tax Benefits Statute as it is a pension fund (*fundo de pensões*)

Article 21 no.1 of the Portuguese Tax Benefits Statute as it is a savings fund for retirement (*fundo poupança reforma*) / savings fund for education (*fundo poupança educação*)

Other — under the following legislation:

Article 24 of the Portuguese Tax Benefits Statute as it is a stock saving fund (*fundos de poupança em acções*).

Article 22-A of the Portuguese Tax Benefits Statute as it is a risk capital fund (*fundo de capital de risco*)

This document is to be provided to the Portuguese tax authorities, if requested by the latter, as foreseen in Article 120 of the CIRC and section (b), no. 2 of article 119 of CIRS.

Authorised signatory: \_\_\_\_\_ Name: \_\_\_\_\_

.....  
Function:

.....  
Signature:

.....

FORM OF LISBON PAYING AGENT STATEMENT

**LISBON PAYING AGENT STATEMENT**

To the attention of: [Euroclear/Clearstream]

The undersigned beneficiary:

Name: [ ]

Address:

.....  
Tax identification number: .....

Account number: .....

the following securities:

Common/ISIN code:.....

Security name:.....

1. Hereby declares that it holds in account number \_\_\_\_\_ the above-mentioned securities in its capacity as Lisbon Paying Agent; and

2. Hereby declares that in its capacity as the Lisbon Paying Agent it should receive the income gross and that withholding is effected by the Portuguese financial intermediaries that make the payments of income to the owners of the above-mentioned securities, in accordance with applicable legislation as indicated hereinafter.

Article 101 of the CIRS and article 88 (7) of the CIRC

This document is to be provided to the Portuguese tax authorities, if requested by the latter. This document shall be valid until revoked by the Lisbon Paying Agent.

Authorised signatory: Name:

.....  
Function:

.....  
Signature:

.....

## SUBSCRIPTION AND SALE

The Managers have, pursuant to a Subscription Agreement dated 21 September 2005 between the Issuer and the Managers (the “**Subscription Agreement**”), severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe the Bonds at 100 per cent. of their principal amount. The Issuer has agreed to pay to the Managers a combined management and underwriting commission and selling concession of 0.175 per cent. of the principal amount of the Bonds. In addition, the Issuer has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Bonds. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

### United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Bonds, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Bonds within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Bonds to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Bonds which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Bonds to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Bonds to the public**” in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### **United Kingdom**

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

### **Portugal**

Each Manager has represented and agreed that: (i) it has not advertised, offered or sold and will not, directly or indirectly, advertise, offer or sell the Bonds in circumstances which could qualify as a public offer of securities pursuant to the Portuguese Securities Code (*Código dos Valores Mobiliários*, the “CVM”), which would require the publication by the Issuer of a prospectus under the Prospectus Directive or in circumstances which would qualify as an issue or public placement of securities in the Portuguese market; (ii) it has not distributed or caused to be distributed to the public in the Republic of Portugal the Offering Circular or any other offering material relating to the Bonds; (iii) all applicable provisions of the CVM and any applicable *Comissão do Mercado de Valores Mobiliários* (Portuguese Securities Market Commission, the “CMVM”) Regulations have been complied with regarding the Bonds, in any matters involving the Republic of Portugal.

Under Portuguese law there are no holding restrictions for investors resident in Portugal or resident in a black listed jurisdiction as set-out in the Ministry of Finance Order 150/2004 of 13 February.

### **General**

No action has been or will be taken in any country or jurisdiction by the Issuer or any of the Managers that would permit a public offering of Bonds, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Offering Circular comes are required by the Issuer and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in

or from which they purchase, offer, sell or deliver Bonds or have in their possession or distribute such offering material, in all cases at their own expense.

The Subscription Agreement provides that the Managers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change or changes in official interpretation, after the date hereof, in applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Managers described in the preceding paragraph.

## GENERAL INFORMATION

1. The Bonds have been accepted for clearance through the Clearstream, Luxembourg and Euroclear systems with a Common Code of 023031574. The International Securities Identification Number for the Bonds is XS0230315748.
2. The issue of the Bonds was authorised by a resolution of the Board of Directors of the Issuer on 29 August 2005 and by a resolution of the sole shareholder of the Issuer on 08 March 2005.
3. The listing of the Bonds on the Official List and admission to trading on the Market will be expressed as a percentage of their principal amount (exclusive of accrued interest). Transactions will normally be effected for delivery on the third working day after the day of the transaction.
4. The admission of the Bonds to listing on the Official List of the UK Listing Authority and to trading on the Market of the London Stock Exchange is expected to take effect on or around 23 September 2005.
5. The listing of the Bonds on Euronext Lisbon is expected to take effect on or around 23 September 2005.
6. The Issuer has obtained all necessary consents, approvals and authorisations in the Republic of Portugal in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by orders 655/2005–SETF and 656/2005–SETF of the Secretary of State of the Treasury and Finance, both dated 8 March 2005 whereby Carlos António Lopes Pereira was appointed as the representative of the State to sign the resolution of the sole shareholder of the Issuer authorising the issue of the Bonds. Pursuant to joint order 1321/2004 of the Ministry of Finance and Public Administration and the Ministry of Justice dated 16 November 2004, the Issuer was authorised to issue bonds in an amount greater than the amount of paid up share capital.
7. Except as disclosed in this Offering Circular, there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2004.
8. Except as disclosed in this Offering Circular, the Issuer is not involved in any litigation or arbitration proceedings relating to claims or amounts which are material in the context of the issue of the Bonds nor, so far as the Issuer is aware, is any such litigation or arbitration pending or threatened.
9. The Bonds and Coupons will bear the following legend: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.
10. The Fiscal Agency Agreement will be available for inspection and copies of the most recently published annual report and annual non-consolidated financial statements of the Issuer (in the English language) will be available free of charge during usual business hours on any weekday (except Saturdays, Sundays and public holidays) at the specified offices of the Paying Agents in London, Lisbon and Luxembourg.
11. The Issuer prepares annual audited non-consolidated and consolidated financial statements. The non-consolidated financial statements of the Issuer for the year 2003 have been audited by José Manuel da Silva and Victor Franco & Lisboa Nunes and the

non-consolidated and consolidated financial statements of the Issuer for the year 2004 have been audited by José Manuel da Silva and Grant Thornton & Associados. The Issuer prepares interim non-audited non-consolidated financial statements.

**REGISTERED OFFICE OF THE ISSUER**

**Parública-Participações Públicas (SGPS) S.A.**

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**Statutory Auditor to the Issuer**

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