

BRAZIL ISSUES a 20-YEAR BOND ABROAD

After only 10 days following the last international effort to raise funds, Brazil has returned to the market on January 31st, this time with the issuance of the Global 2025. In this second 2005 foreign issue, USD 1.25 billion were raised, giving continuity to the foreign financing programme that has begun last year (as it is still going on this year).

This was the second operation carried out under the exclusive co-ordination of the National Treasury, which since the beginning of 2005 unified the management of foreign and domestic debts in line with best international debt management practices. In this new configuration, the National Treasury has delegated the leadership of operations to banks *Deutsche Bank SEC. INC.* and *UBS Limited*.

The issue was well received by the market, with great demand for the bonds due to the good results reached by the Brazilian economy, particularly, the exceptional performance of the external accounts in 2004 and the robust fiscal results that were recently released. The bond, which will pay an annual coupon of 8.75 % p.y., were issued at 98.61% of its face value, yielding 8.9 % p.y. for the investor. The spread

was 431 basis points above the US Treasury reference bond with maturity in 2025.

It should be highlighted that this was the largest operation since January last year, when the government issued USD 1.5 billion with maturity in 2034. Comparing to the last Global issued (in October 2004 with a 15 year maturity), the current issuance obtained a spread of 61 basis points¹ below the one observed on that occasion, reflecting the widespread acceptance of the Brazilian bonds by the international market.

It is important to note that according to the Federal Senate Resolution #. 20, published in November 2004, the funds obtained with the raising effort can be used for paying both the domestic and foreign debt, lending more flexibility to federal public debt managers . With this operation, the issues programmed for 2005 already add up to approximately USD 3.4 billion, with USD 2.6 billion left to complete the total programmed for 2005 (up to USD 6 billion).

¹ Over the US Treasury reference bond.

Characteristics of the Issuance on 30/Jan/2005

Maturity	20 years (maturity on 04/Feb/2025)
Interest coupon	8.75 %p.y.
Issuance price	98.61 % of its face value
Yield	8.90 % p. y.
Spread	431 basis points over the US Treasury reference bond
Placement commission	0.30 %
Principal payment	Unique instalment upon maturity
Interest payment	In semestral instalments

Source: STN/CODIP.

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