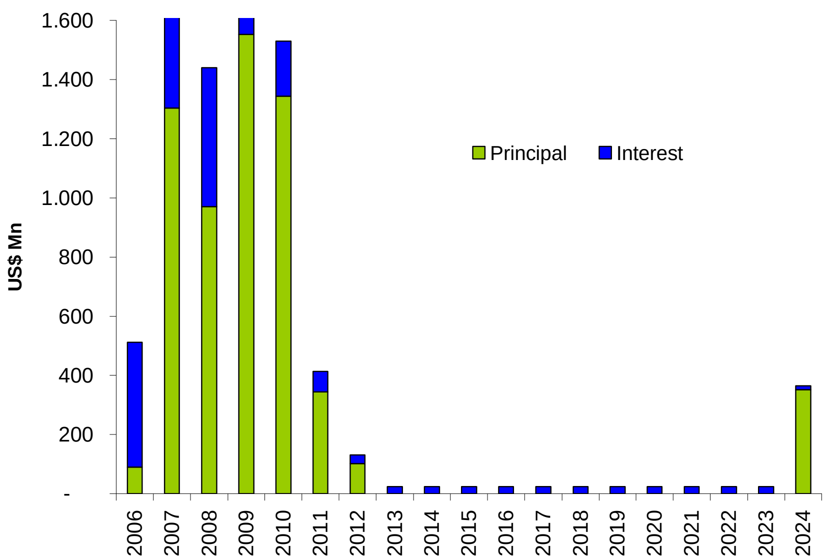
Press Release

BRAZILIAN EXTERNAL PUBLIC SECURITIES BUY BACK PROGRAM

The National Treasury Secretariat reports the outcome of the Public Securities Buy Back Program, initiated in January 2006 and terminated in December of the same year, conducted within the scope of the National Treasury's external borrowing strategy and executed by the Central Bank's Operations Desk. The Program included bonds of the External Federal Public Securities Debt - DPMFe with maturities up to 2012[1], in addition to all bonds of the re-structured debt, the so called Brady Bonds, independently of their maturities.

Throughout 2006, US$ 6.1 billion in face value were repurchased from the secondary market, equivalent to US$ 7.1 billion in financial value. Therefore, the main goal of the Buy Back Program - to reduce the short-term external borrowing requirements - was accomplished. The Buy Back reduced the external payment flows, between 2006 and 2024, in US$ 8.5 billion, of which US$ 6.1 billion corresponded to debt principal and US$ 2.5 billion corresponded to debt interest. The annual distribution of this amount is represented in the following graph.

Reduction of External Liabilities



It must be pointed out that in 2006, in addition to the Buy Back Program, other measures were taken that contributed simultaneously to the guidelines of reducing short-

1. Initially, the sovereign bonds to be repurchased were limited to the ones maturing up to 2010 (except for the Bradies that had no limitation). Afterwards this limit was extended to the bonds maturing up to 2012.

term external borrowing requirements and improving the external debt profile. Standing out among these measures there are the Bradies' call off the market, in which US$ 6.5 billion worth in bonds were repurchased at par, and the Tender Offer[2], that withdrew from the market US$ 1.3 billion in face value, equivalent to US$ 1.6 billion in financial value.

The bonds removed from the market by these operations caused a significant reduction in Brazilian's external outstanding debt, even if it is included the external bonds issued within the period of the Program. Moreover, since the majority of the repurchased bonds had short-term maturities, the buy back contributed to lengthen the average debt maturity.

Throughout 2006, most rating agencies mentioned the measures taken to improve the external debt profile – specially the buy back of short-term maturity bonds – as a positive factor in their evaluations, concurring for Brazil to receive upgrades in its ratings from the leading risk rating agencies.

Confirming the importance given by the rating agencies to these measures, the country risk presented significant reductions in this period. In January 3, 2006, date prior to the beginning of the Program, Brazil's country risk was 302 basis points; one year later, in January 3, 2007, the country risk reached its lowest historical level, 188 basis points. These figures certify the effectiveness and quality of the Program's execution and of the external borrowing strategy, under a broader point of view.

Therein, due to the excellent results obtained and aligned with the policy of improving the Republic's external fixed rate curve profile, the National Treasury informs that, from now on, it may buy back, observing market conditions, any bond of the DPMFe, independently of its maturity. The new stage of the Program will be carried out by the National Treasury external debt trade desk.

Brasília, January 15th, 2007.

[2] Public buy back offer of DPMFe bonds denominated in dollars and euros, carried out by the National Treasury in June 2006.