

BRAZIL ISSUES TEN-YEAR BOND IN EURO

On January 20th, Brazil returned to the international market by means of the Euro 2015 issuance. In this first foreign issuance in 2005, EUR 500 million (about US\$ 650 million) were issued, continuing the external financing programme launched last year.

With the end of the Agreement for the Transition of the Foreign Debt from the Central Bank to the National Treasury, late last year, this was the first operation under the exclusive National Treasury co-ordination, which starting from the beginning of 2005 has unified the management of both the domestic and the foreign debts, in tune with the best international debt management practices. Pursuant the new format, the National Treasury assigned the leadership of the operation to BNP Paribas and Deutsche Bank AG London.

The issuance was well received on the market, which was reflected in the outcomes achieved. The bond will pay an annual coupon of 7.375% p.y., and it was issued at the price of 98.80% of its face value, yielding 7.55% p.y. for investors. The spread remained 398.5 basis points above the German Treasury reference bond with maturity in January, 2015. It is worth highlighting that the spread obtained in this operation was significantly below the one obtained in the previous issuance on the European market, last September, in which

an eight-year bond was issued at 477 basis points above the German Treasury equivalent bond (bund), as well as above its reopening, which was at 439 basis points.

It is worth highlighting that, according to Federal Senate Resolution number 20, published in November, 2004, the funds obtained with the operation may be used both for paying the domestic and the foreign debt, giving more flexibility to the federal public debt managers to administrate such funds. With this operation, the issuances scheduled for 2005 already amount to US\$ 2.15 billion, and there remain to be issued throughout the year US\$ 3.85 billion out of the total scheduled for 2005 (up to US\$ 6.0 billion).

Characteristics of the Issuance on 01/20/2005

Maturity	10 years (maturity in 01/2015)
Interest coupon	7.375% p.y.
Issuance price	98.80% of face value
Yield	7.55% p.y.
Spread	398.5 basis points above the German Treasury reference bond
Placement commission	0.30%
Payment of principal	Unique instalment upon maturity
Payment of interests	in annual instalments

Source: STN/CODIP.

Public Debt Strategic Planning Department

Investors Relations

Staff:

Manager: Lena Oliveira de Carvalho

Deputy: Jeferson Luis Bittencourt

André Proite

Andrey Goldner Baptista Silva

Karla de Lima Rocha

e-mail: brazildebt@fazenda.gov.br

fax: ++ 55 61 412-1565

Brazilian National Treasury: <http://www.stn.fazenda.gov.br/>