

BRAZIL REOPENS 20 YEAR BOND ON EXTERNAL MARKET

On June 19, the National Treasury effected the third reopening of the Global BRL 2028 bond denominated in real, in the amount of R\$ 750 million. When added to the R\$ 3.037 billion sold (original issuance, first and second reopenings in February, March and May of this year), the market total of this security reached R\$ 3.787 billion.

Led by J.P. Morgan Securities Inc. and Credit Suisse Securities (USA) LLC and co-managed by BB Securities and Itaú Europa, issuance was made at the price of 115.50% of face value, resulting in a yield of 8.626% per year. Investors will receive 10.25% per year interest coupons paid half-yearly on January 10 and July 10 of each year, until final maturity on January 10, 2028. Payments will be made in dollars, at the average exchange rate (PTAX) in effect three days prior to payment.

reopening of the security, the National Treasury decided to discontinue this issue on the Asian market. The reason for this was that the bond in question performed very well during the day and rose in value after the closing of the North American market. Had issuance been made in the Asian market the National Treasury would have to offer a higher price concession than the one at the beginning of the operation.

BRL Market Performance



Source: Bloomberg

Issuance of Bonds of the Republic abroad in Real

Operation	Issuance Date	Volume Issued (R\$ million)	Benchmark maturity (years)	Yield
BRL 2016 (Issuance)	9/19/2005	3400	10	12.750%
BRL 2022 (Issuance)	6/9/2006	1600	15	12.875%
BRL 2022 (1 st Reopening)	5/10/2006	650	15	12.466%
BRL 2022 (2 nd Reopening)	4/12/2006	750	15	11.633%
BRL 2028 (Issuance)	7/2/2007	1500	20	10.680%
BRL 2028 (1 st Reopening)	3/20/2007	750	20	10.260%
BRL 2028 (2 nd Reopening)	5/10/2007	750	20	8.938%
BRL 2028 (3 rd Reopening)	06/19/2007	750	20	8.626%

This operation was initiated on the American and European markets. Contrary to the May

The rate of interest obtained in the operation was the lowest in external issuance of fixed rate securities by the National Treasury. This was a demonstration of growing foreign investor confidence in the solidity of Brazilian economic fundamentals.

Issuance follows the guidelines set down in the Annual Borrowing Plan - PAF, which states that DPF management in the 2007-2008 period will contemplate issuances qualitative in nature. The objectives are to consolidate the external interest curve (in BRL and in USD) through

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construction and maintenance of benchmarks in major security markets, while also expanding the investor base, with all of the benefits associated to such a policy.

With this issue, the National Treasury has demonstrated its commitment to improving the forward interest rate structure of federal public securities, while enhancing their efficiency. The Global 2028 has become the 20-year benchmark in the external interest curve denominated in real. At the same time, it has served as a benchmark for private sector funding operations.

Finally, one should stress that external issuance in real has not only reduced the

country's exchange risk exposure, but also played a role of fundamental importance in construction of the external benchmark interest curve in local currency, which will evidently aid in developing the medium and long-term domestic fixed rate curve. One should also mention that the fixed rate external market curve in real is complementary to the domestic curve, marked by various opportunities and differing maturities.

Characteristics of the Reopening of Global 2028, on 06/19/2007

Term	20 years
Maturity	01/10/2028
Interest coupon	10.25% per year
Issuance price	115.50% of face value
<i>Yield</i>	8.626% per year
Principal payment	single payment, at maturity
Interest payment	half-yearly payments

Source: National Treasury

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