

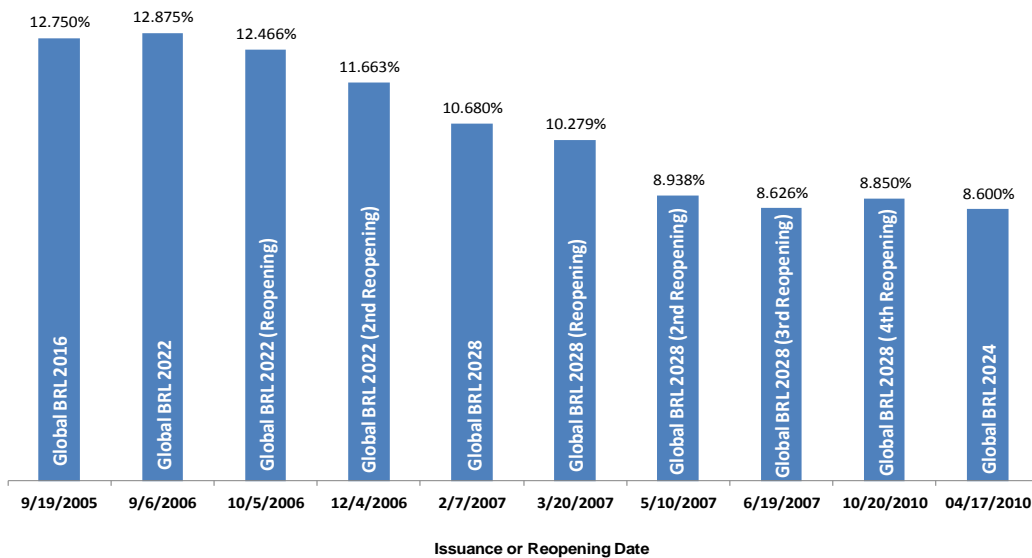


BRAZIL CARRIES OUT EXTERNAL LIABILITY MANAGEMENT TRANSACTION

The National Treasury carried out, on April 17th, the issuance of a new 10-year benchmark bond in Real in the external market, the Global BRL 2024, in the amount of R\$ 3.15 billion. The tranche achieved during US and European market hours amounted to R\$ 3 billion, followed by R\$ 150 million in the Asian market¹. Then, on April 18th, the Treasury repurchased R\$ 1.327 billion in securities denominated in local currency due 2016 and 2022 (Tender Offer Transaction).

BRL 2024 investors will receive coupon payments of 8.50% p.y., to be paid semi-annually every Jan-5th and Jul-5th, up to maturity in January 2024. The issuance, jointly managed by HSBC Securities (USA) Inc. and Goldman, Sachs & Co, was priced at 99.292% of its face value, resulting in yield of 8.60% p.y.. This is the lowest yield recorded in a Real-denominated bond issuance, as it can be seen in the graph below:

Graph 1 - Yield (% p.y.) of Issuances and Reopening of Brazilian Real-denominated Bonds



Source: National Treasury

¹ In the opportunity, The National Treasury used the Green Shoe mechanism, in which the issuance is launched in a compatible time with the US and European market and the issuer has the authority of reopening it immediately after in the Asian market, with predetermined volume and conditions. This strategy is especially beneficial to expand the investor base, and that is the reason why it has been applied frequently in Brazilian sovereign issuances.

National Treasury: <http://www.tesouro.fazenda.gov.br/english/index.asp>

The issuance at a historical low interest rate can be explained, in a large extent, by the increasingly investors confidence on the Brazilian economy. In 2011, the country received upgrades on its sovereign debt rating by the main international sovereign rating agencies – Fitch, Moody’s and S&P.

Regarding the Tender Offer Transaction, that was managed by the same banks that led the issuance, the National Treasury gave preference to repurchase bonds from those investors who participated in the issuance of BRL 2024. The aggregate principal amount of tendered bonds accepted, in face value, was R\$ 1.327 billion in bonds due 2016 and 2022, equivalent to R\$ 1.67 billion paid to investors , a value higher than the expected repurchase amount announced of \$ 1.5 billion². The following table summarizes the transaction:

Table 1 – April 18th, 2012 Tender Off Extract

Security	Maturity	Coupon	Aggregate Principal Amount ¹ (R\$ million)	Purchase Price ²	Maximum Purchase Amount (R\$ million)	Remaining Outstanding ¹ (R\$ million)
BRL 2016	01/05/2016	12.5	543.78	120.50%	655.25	2,856.22
BRL 2022	01/05/2022	12.5	783.59	130.00%	1,018.67	2,216.41
TOTAL			1,327.37		1,673.92	5,072.63

¹ The accepted face value for purchase and remanig outstanding are subject to revision after the settlement of the transaction.

² Price paid by Brasil for each purchased bond. The purchased price does not include accrued interest.

Source: National Treasury

This external liability management transaction in local currency is in line with the strategy proposed by the Treasury in its 2012 Annual Borrowing Plan for the external debt. The transaction aimed at increasing the efficiency of the external interest rates curve in Reais, keeping more concentrated and liquid maturities.

Characteristics of the Global BRL 2024, on 04/17/2012	
Term	10 years
Maturity	1/5/2024
Interest cupom	8.50% per year
Issuance price	99.292% of face value
Yield	8.60% per year
Principal payment	single payment, at maturity
Interest payment	semi-annual payments

Source: National Treasury

² The amount announced as repurchase expectation was R \$ 1.5 billion, but subject to be higher or lower at the discretion of the Republic.

National Treasury: <http://www.tesouro.fazenda.gov.br/english/index.asp>

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