

Rating: None  
 S&P 500: 1548

## Petrobras

### Deep Water Oil Growth and Biofuels

<i>Symbol</i>	PBR	<i>Ebitda Next Twelve Months ending 6/30/08 (US\$mm)</i>	29,100
<i>Rating</i>		<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	68.34	<i>Natural Gas and Oil Production/Ebitda (%)</i>	79
<i>Pricing Date</i>	7/12/07	<i>Adjusted Reserves/Production NTM</i>	9.8
<i>Shares (mm)</i>	2194	<i>EV/Ebitda</i>	6.0
<i>Market Capitalization (US\$mm)</i>	149,900	<i>PV/Ebitda</i>	6.9
<i>Debt (US\$mm)</i>	26,000	<i>Undeveloped Reserves (%)</i>	55
<i>Enterprise Value (EV) (US\$mm)</i>	176,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	27.30
<i>Present Value (PV) (US\$mm)</i>	201,500	<i>Present Value Proven Reserves(US\$/boe)</i>	13.94
<i>Net Present Value (US\$/share)</i>	80	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.32
<i>Debt/Present Value</i>	0.13	<i>Earnings Next Twelve Months (US\$/sh)</i>	6.57
<i>McDep Ratio - EV/PV</i>	0.87	<i>Price/Earnings Next Twelve Months</i>	10
<i>Dividend Yield (%/year)</i>	2.5	<i>Indicated Annual Dividend (US\$/sh)</i>	1.70

Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.

Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

Estimated present value presumes a long-term price for oil of US\$66 a barrel and natural gas, \$11 a million btu.

The Brazilian Government has voting control and with public sector entities owns 40% of Petrobras' equity.

### Summary

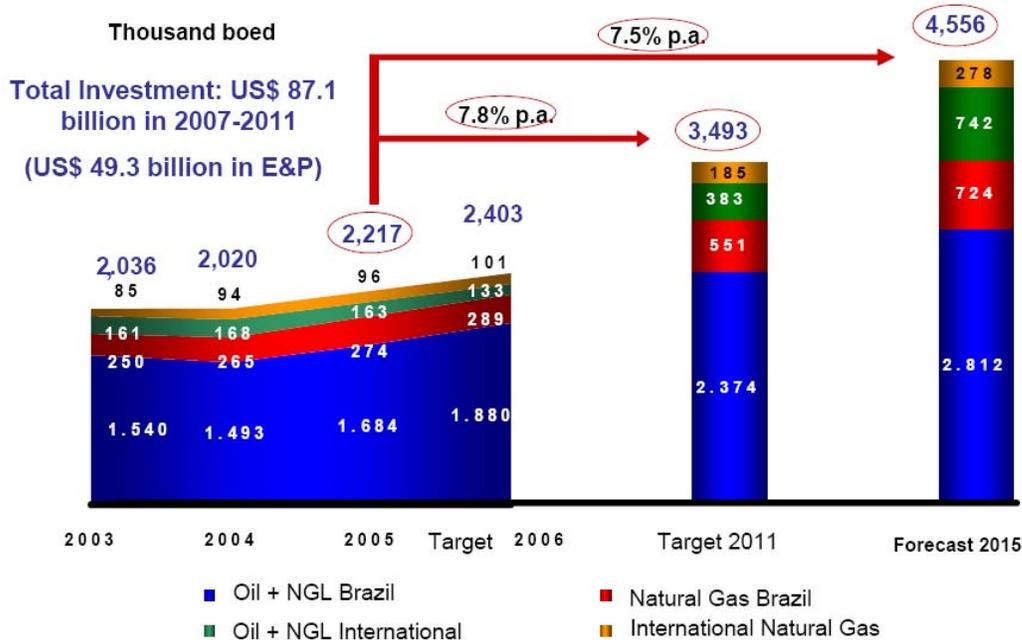
At estimated Net Present Value (NPV) of US\$80 a share, 60% widely-held **Petrobras (PBR)** offers attractive value in growing oil production from leading deep water basins with additional upside potential in fuel alcohol from sugar cane. The Brazilian champion is among the earliest and most successful oil producers operating in water more than a thousand feet deep. The skills borne out of necessity offshore Brazil have justified expanding to the deep water frontiers of the Gulf of Mexico and the waters offshore Africa, across the Atlantic Ocean from its home country. Proven reserves from all of the company's properties justify 85% of NPV (see table Functional Cash Flow and Present Value). Mainly covering downstream refined oil products and natural gas, the remaining 15% of NPV also includes alcohol at about 5% of domestic volume. Brazil may be the world's most efficient producer of ethanol that could see a large export market depending on consuming government support for biofuel and the reduction of the tariff that protects U.S. agriculture. The strong recent price performance carrying Petrobras stock to the top of our covered companies at 1.4 times its 200-day average may imply greater vulnerability to decline should the favorable industry and equity trends reverse for awhile in contrast to our positive long-term expectations.

Kurt H. Wulff, CFA

**Petrobras**  
**Functional Cash Flow and Present Value**

	<i>NTM Ebitda</i> <i>(US\$mm)</i>	<i>Adjusted</i> <i>R/P</i>	<i>PV/</i> <i>Ebitda</i>	<i>Present</i> <i>Value</i> <i>(US\$mm)</i>	
Rest of World Natural Gas	2,130	10.6	7.5	16,000	8%
Oil	20,800	9.6	7.5	155,000	77%
Downstream	6,210		4.8	30,000	15%
	29,140	9.8	6.9	201,000	100%
Debt (US\$mm)					26,000
Net Present Value (US\$mm)					175,000
Shares (mm)					2,194
Net Present Value - Standard Estimate (US\$/sh)					80
Net Present Value - Approximation by Correlation (US\$/sh)					79

**PETROBRAS**  
**Business Plan 2007-2011 - Total Production – Oil, NGL's and Natural Gas**



**Petrobras**  
**Next Twelve Months Operating and Financial Estimates**

	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Next Twelve Months</i>
	<i>2006</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007E</i>	<i>3/31/08</i>	<i>6/30/08</i>	<i>6/30/08</i>
<b>Volume</b>									
Natural Gas (mmcf)	<b>2,267</b>	2,274	2,274	2,274	2,274	<b>2,274</b>	2,274	2,274	<b>2,274</b>
Oil (mbd)	<b>1,920</b>	1,926	1,926	1,926	1,926	<b>1,926</b>	1,926	1,926	<b>1,926</b>
Total gas & oil (bcf)	<b>5,032</b>	1,245	1,259	1,272	1,272	<b>5,048</b>	1,245	1,259	<b>5,048</b>
Total gas & oil (mbd)	<b>2,298</b>	2,305	2,305	2,305	2,305	<b>2,305</b>	2,305	2,305	<b>2,305</b>
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	<b>7.23</b>	6.81	7.56	6.62	7.49	<b>7.12</b>	8.56	7.64	<b>7.58</b>
Company	<b>2.49</b>	4.62	5.13	4.49	5.08	<b>4.83</b>	5.81	5.18	<b>5.14</b>
Oil (\$/bbl)									
WTI Cushing	<b>66.05</b>	58.08	64.91	72.33	72.87	<b>67.05</b>	73.23	73.51	<b>72.99</b>
Company	<b>53.98</b>	47.48	53.06	59.13	59.57	<b>54.85</b>	58.86	59.09	<b>59.11</b>
Total gas & oil (\$/mcf)	<b>7.93</b>	7.37	8.23	8.97	9.13	<b>8.43</b>	9.15	9.08	<b>9.08</b>
NY Harbor 3-2-1 (\$/bbl)	<b>10.50</b>	11.68	24.96	22.76	14.66	<b>18.52</b>	14.20	16.95	<b>17.14</b>
<b>Revenue (\$mm)</b>									
Natural Gas	<b>2,057</b>	945	1,061	940	1,063	<b>4,010</b>	1,189	1,073	<b>4,265</b>
Oil	<b>37,830</b>	8,230	9,300	10,477	10,555	<b>38,562</b>	10,204	10,356	<b>41,593</b>
Other	<b>32,460</b>	9,225	9,225	9,225	9,225	<b>36,900</b>	9,225	9,225	<b>36,900</b>
Total	<b>72,347</b>	18,400	19,585	20,642	20,844	<b>79,471</b>	20,617	20,654	<b>82,757</b>
<b>Expense (\$mm)</b>									
	<b>45,944</b>	12,848	12,853	13,382	13,483	<b>52,566</b>	13,369	13,388	<b>53,622</b>
<b>Ebitda (\$mm)</b>									
Exploration and Production	<b>21,959</b>	4,000	5,180	5,709	5,809	<b>20,699</b>	5,696	5,715	<b>22,929</b>
Other	<b>4,444</b>	1,552	1,552	1,552	1,552	<b>6,207</b>	1,552	1,552	<b>6,207</b>
Total Ebitda	<b>26,403</b>	5,552	6,732	7,260	7,361	<b>26,906</b>	7,248	7,266	<b>29,136</b>
Exploration	<b>955</b>	302	302	302	302	<b>1,208</b>	302	302	<b>1,208</b>
Deprec., Deplet., & Amort.	<b>3,673</b>	1,157	1,157	1,157	1,157	<b>4,628</b>	1,157	1,157	<b>4,628</b>
Other non cash	<b>727</b>	680	180	180	180	<b>1,220</b>	180	180	<b>720</b>
<b>Ebit</b>	<b>21,048</b>	3,413	5,093	5,621	5,722	<b>19,850</b>	5,609	5,627	<b>22,580</b>
Interest	<b>1,340</b>	106	106	106	106	<b>424</b>	106	106	<b>424</b>
<b>Ebt</b>	<b>19,708</b>	3,307	4,987	5,515	5,616	<b>19,426</b>	5,503	5,521	<b>22,156</b>
Income Tax	<b>6,898</b>	1,157	1,745	1,930	1,966	<b>6,799</b>	1,926	1,932	<b>7,754</b>
<b>Net Income (\$mm)</b>									
Exploration and Production	<b>12,184</b>	2,321							
Other	<b>2,434</b>	933							
Unallocated	<b>(1,808)</b>	(1,104)							
Total	<b>12,810</b>	2,150	3,242	3,585	3,650	<b>12,627</b>	3,577	3,589	<b>14,401</b>
<b>Shares (millions)</b>									
	<b>2,194</b>	2,194	2,194	2,194	2,194	<b>2,194</b>	2,194	2,194	<b>2,194</b>
Per share (\$)	<b>5.84</b>	0.98	1.48	1.63	1.66	<b>5.76</b>	1.63	1.64	<b>6.57</b>
Ebitda Margin (E&P)	<b>55%</b>	44%	50%	50%	50%	<b>49%</b>	50%	50%	<b>50%</b>
Tax Rate	<b>35%</b>	35%	35%	35%	35%	<b>35%</b>	35%	35%	<b>35%</b>