

Rating: None
 S&P 500: 1456
 Intraday

Petrobras

U.S. Accounting Confirms Second Quarter

<i>Symbol</i>	PBR	<i>Ebitda Next Twelve Months ending 9/30/08 (US\$mm)</i>	30,300
<i>Rating</i>		<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	63.20	<i>Natural Gas and Oil Production/Ebitda (%)</i>	77
<i>Pricing Date</i>	9/7/07	<i>Adjusted Reserves/Production NTM</i>	9.8
<i>Shares (mm)</i>	2194	<i>EV/Ebitda</i>	5.5
<i>Market Capitalization (US\$mm)</i>	138,600	<i>PV/Ebitda</i>	6.7
<i>Debt (US\$mm)</i>	27,000	<i>Undeveloped Reserves (%)</i>	55
<i>Enterprise Value (EV) (US\$mm)</i>	166,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	27.90
<i>Present Value (PV) (US\$mm)</i>	202,700	<i>Present Value Proven Reserves(US\$/boe)</i>	13.80
<i>Net Present Value (US\$/share)</i>	80	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.30
<i>Debt/Present Value</i>	0.13	<i>Earnings Next Twelve Months (US\$/sh)</i>	6.67
<i>McDep Ratio - EV/PV</i>	0.82	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	2.7	<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

After recovering quickly from global stock market tumult the past month, the stock of **Petrobras (PBR)** has continued appeal for its oil production from leading deep water basins. Second quarter 2007 results reported by U.S. accounting standards on September 6 following reporting by Brazilian accounting principles on August 13 confirm the basis for our cash flow and earnings projections (see table Next Twelve Months Operating and Financial Estimates). The only noticeable change is a greater allocation of cash flow to exploration and production in the second quarter. That suggests that our projection of a cash flow (Ebitda) margin of 50% for future quarters is more conservative than previously. Thus we have additional confidence in our estimate of Net Present Value (NPV) of US\$80 a share (see table Functional Cash Flow and Present Value). In future quarters, we may take the more timely disclosure by Brazilian standards as our basis for projections unless we see greater difference by U.S. standards.

Kurt H. Wulff, CFA

Petrobras
Next Twelve Months Operating and Financial Estimates

	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Next Twelve Months</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>9/30/08</i>	<i>9/30/08</i>
Volume									
Natural Gas (mmcf)	2,274	2,298	2,298	2,298	2,292	2,298	2,298	2,298	2,298
Oil (mbd)	1,926	1,920	1,920	1,920	1,921	1,920	1,920	1,920	1,920
Total gas & oil (bcf)	1,245	1,257	1,271	1,271	5,045	1,257	1,257	1,271	5,057
Total gas & oil (mbd)	2,305	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.81	7.56	6.16	6.44	6.74	7.76	7.29	7.51	7.25
Company	4.62	4.94	4.02	4.21	4.44	5.07	4.77	4.91	4.74
Oil (\$/bbl)									
WTI Cushing	58.08	64.91	73.48	73.27	67.43	71.39	70.59	70.17	71.36
Company	47.48	56.34	63.78	63.60	57.85	60.97	60.28	59.92	61.36
Total gas & oil (\$/mcf)	7.37	8.65	9.53	9.54	8.78	9.32	9.17	9.14	9.29
NY Harbor 3-2-1 (\$/bbl)	11.68	24.96	12.70	10.21	14.89	12.19	15.75	15.01	13.29
Revenue (\$mm)									
Natural Gas	945	1,033	851	889	3,719	1,061	997	1,038	3,986
Oil	8,230	9,843	11,265	11,234	40,572	10,652	10,532	10,584	43,002
Other	9,225	9,688	9,688	9,688	38,289	9,688	9,688	9,688	38,752
Total	18,400	20,564	21,804	21,812	82,580	21,401	21,216	21,310	85,740
Expense (\$mm)									
	12,848	11,971	14,194	14,198	53,211	13,993	13,274	13,947	55,412
Ebitda (\$mm)									
Exploration and Production	4,000	6,415	6,058	6,062	22,535	5,857	5,764	5,811	23,494
Other	1,552	2,178	1,552	1,552	6,833	1,552	2,178	1,552	6,833
Total Ebitda	5,552	8,593	7,610	7,614	29,368	7,409	7,942	7,363	30,327
Exploration	302	204	250	250	1,006	250	250	250	1,000
Deprec., Deplet., & Amort.	1,157	1,382	1,382	1,382	5,303	1,382	1,382	1,382	5,528
Other non cash	680	218	218	218	1,334	218	218	218	872
Ebit									
	3,413	6,789	5,760	5,764	21,725	5,559	6,092	5,513	22,927
Interest	106	107	107	107	427	107	107	107	428
Ebt									
	3,307	6,682	5,653	5,657	21,298	5,452	5,985	5,406	22,499
Income Tax	1,157	2,339	1,978	1,980	7,454	1,908	2,095	1,892	7,875
Net Income (\$mm)									
Exploration and Production	2,321	3,351							
Other	933	1,187							
Unallocated	(1,104)	(195)							
Total	2,150	4,343	3,674	3,677	13,844	3,543	3,890	3,514	14,624
Shares (millions)									
	2,194	2,194	2,194	2,194	2,194	2,194	2,194	2,194	2,194
Per share (\$)	0.98	1.98	1.68	1.68	6.31	1.62	1.77	1.60	6.67
Ebitda Margin (E&P)	44%	59%	50%	50%	51%	50%	50%	50%	50%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

Petrobras
Functional Cash Flow and Present Value

	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<u><i>(US\$mm)</i></u>	<u><i>R/P</i></u>	<u><i>Ebitda</i></u>	<u><i>Value</i></u>	
				<u><i>(US\$mm)</i></u>	
Rest of World Natural Gas	1,990	10.5	8.0	16,000	8%
Oil	21,510	9.6	7.3	156,000	77%
Downstream	6,830		4.4	30,000	15%
	30,330	9.8	6.7	202,000	100%
Debt (US\$mm)				27,000	
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)				81	