

# Sharing at Petrobras

HIGHLIGHTS

## Production in Brazil increased by 5.4% in 2008

Petrobras' oil and natural gas production in Brazil in barrels of oil equivalent (boe) was 2.175.896 barrels/day in 2008, 5.4% more than the previous year. Factors that contributed to this result were the increased production of the three platforms that started up in late 2007 (P-52, P-54, and FPSO Cidade de Vitória) and production going online at the FPSO Cidade do Rio das Ostras (Badejo) and at the P-53 (Marlim Leste) in 2008, which allowed the natural decline in mature fields to be overcome. Adding the volume coming from the fields located in the nine countries where the company produces, Petrobras' total daily average rose to 2,399,958 barrels, a 4.3% increase over the 2007 average.

## Petrobras participates in exploration for oil off the coast of Cuba

Petrobras and the Companhia Cubana de Petróleo (Cupet) signed a shared oil exploration and production agreement for Block 37, in the Caribbean Sea. The agreement is the outcome of the negotiations between the two companies and foresees a 32-year term, seven of which for exploration and 25 for production. Initial investments are on the order of \$8 million, and the block covers an area of 1,600 square kilometers.

## Diesel with lower sulfur content

Petrobras has signed an agreement with the Federal Prosecutor's Office for the supply of S-50 diesel, which has 50 ppm (particles per million) of sulfur. The agreement was signed although the P-6 diesel engine is currently unavailable in Brazil, in a timeline to be defined by the Ministry of the Environment. S-50 diesel has a lower sulfur content than S-500, currently used in the metropolitan regions.

In January 2009, Petrobras started providing S-50 diesel for use by the urban bus fleets in the cities of São Paulo and Rio de Janeiro. The diesel is being marketed for the same price as the previous one, the S-500 (with 500 particles per million of sulfur). By 2011, the S-50 diesel fuel will be made available to the fleets in seven more Brazilian states.

## A world record in carbonate production

Petrobras set a new world record in oil production from carbonate reservoirs relative to the water depth, of 1,413 meters, in the Marlim Leste Field. The field known as Jabuti was the first commercial light oil accumulation (29° API) discovered in ultra-deep water carbonate reservoirs. In the past, it was believed that oil accumulation and retention capacity was lost at great depths.

## Petrobras presents its 2009-2013 Business Plan

Petrobras announced its Business Plan for 2009-2013 in January 2009. The Plan calls for **investments on the order of \$174.4 billion**, of which \$158.2 billion will go to projects in Brazil, with the remaining \$16.2 billion going to activities abroad.

The **investments focus on E&P**, which will get **\$104.6 billion** of the total, including Brazil and abroad, which is 59% of the total **approved for the period. Of this amount, some \$28.9 billion is destined to develop the pre-salt province**, which is expected to produce an average of 219,000 barrels per day in 2013. The new plan incorporates this newfound exploratory frontier, establishing more aggressive production growth goals compared to the previous plan. Total oil and natural gas production should reach 3,655,000 barrels of oil equivalent (boed) in 2013, with 3,314,000 boed in Brazil.

The **downstream segment** (Refining, Transportation and Trade) will get \$43.4 billion, or **25% of the total investments**, and the strategy of increasing the refining capacity to keep up with the increased oil production will be maintained. The investments will center on improving fuel quality, on boosting heavy oil processing, and on expanding the refining capacity, including investments in new refineries. With the Abreu e Lima Refinery going on stream in 2011, the Rio de Janeiro Petrochemical Complex (COMPERJ) kicking off operations in 2012, and the first phase of the Premium I Refinery going online in 2013, the amount of processed oil in Brazil is expected to **reach 2,270,000 bpd in 2013**.

Investments in **Gas & Energy** will total **\$11.8 billion**. Keeping up with the growing domestic production of natural gas, this backing will **allow the outflow capacity to be increased**, raising sales in the domestic market. The plan also includes investments in the Distribution, Corporate and Biofuels segments.

Most of the investments will be funded by the cash generation from operating activities, estimated at \$148.6 billion for the next five years, based on the premises of an average price of \$66 per barrel and an average annual production of 2.4 million barrels of oil equivalent. The rest of the investments will be made feasible by contracting new financing. The graph on the following page shows the performance of Petrobras' shares after the announcement of the Plan, indicating that the market was very receptive to the new strategies presented.

**Record net income**

PAGE 2

**Gasoline blend with 3% of ethanol in Japan**

PAGE 3

**US\$1.5 billion issued in global notes**

PAGE 4



# Results for the 2008 fiscal year <sup>(1)</sup>



volume, and the foreign exchange gains on the net monetary assets in dollars greatly contributed to this outcome.

The earnings before interest, taxes, depreciation and amortization (EBITDA) were **22.3% higher than in 2007**, ensuring resources for the **record investments in the year of US\$ 29.8 billion**, most of which was destined to the Exploration & Production area. The net operating revenue rose to US\$ 118,257 million, an increase of 35% in relation to 2007.

**Oil and natural gas production** in Brazil in 2008 was **2,176,000 barrels of oil equivalent per day (boed)**, **5.4% more than in 2007**, while the total oil and natural gas production, including Brazil and abroad, **grew 4.3%** compared to the 2007 average, rising to 2.4 million boed. **Exports increased to a record volume of 673,000 barrels/day**, 9.4% above the previous year's mark.

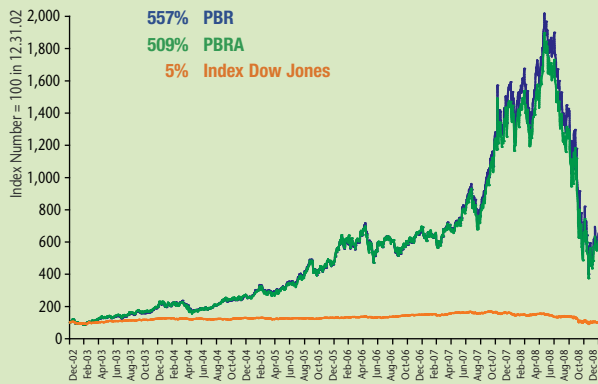
Total sales in the internal market rose 5,4% compared to 2007, with the spotlight on diesel, gasoline, aviation fuel, and natural gas. Natural gas sales **surged 26%**, thanks to the greater supply of imported and domestic gas (platforms P-52, P-54, and Piranema), in association with the expansion of the distribution network with the construction of new gas pipelines.

The excellent result achieved in 2008 allowed the Company to propose a **payment of dividends of R\$9,915 million for the 2008 fiscal year** (US\$ 4,242 million based on the exchange rate of December 31, 2008). The proposed dividend is equivalent to 29.04% of the adjusted Net Income, and R\$1.13 per share. In 2007, the rate had been R\$0.75 per share, after the share split.

**P**etrobras set a **net consolidated profit of US\$18,879 million in 2008, 43.7% more than in 2007**. The improved average oil and oil product realization prices, the increased domestic production of oil and natural gas (which rose 5.4%, the larger trade

(1) Annual amounts based on US GAAP numbers.

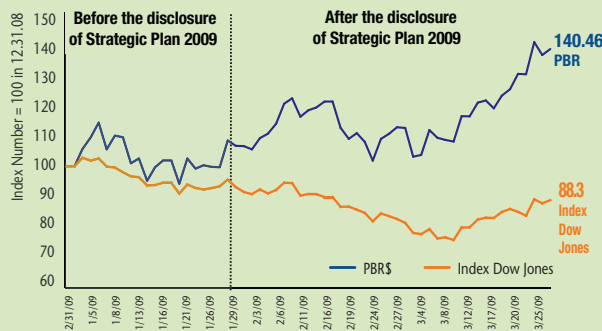
## Petrobras ADR versus Dow Jones Index



## Economic and Financial Figures

In US\$ million	2008	2007	Variation (%)
Sales of products and services	146,529	112,425	30.3
Net operating revenues	118,257	87,735	34.8
Operating income	25,294	20,451	26.6
Net income	18,879	13,138	43.7
Earnings per share (US\$)	2.15	1.50	43.3
Earnings per ADS (US\$)	4.30	3.00	43.3
Net cash provided by operating activities	28,220	22,664	24.5
Capital expenditures	29,874	20,978	42.4
Net debt	20,852	14,908	39.9
Total liabilities/shareholder equity (%)	50	48	+2
Ebida	31,308	25,604	22.3
Market value (US\$ bi)	96,8	241,6	(60)

## PBR versus Dow Jones Index



Source: Bloomberg

## Operating Performance

In thousand barrels of oil equivalent per day	2008	2007	Variation (%)
Total crude oil, NGLs and natural gas production	2,400	2,301	4.6
Total oil products production	1,970	2,046	(4)
Net exports of crude oil and oil products	103	77	34
Refining and marketing operations			
Brazil – Utilization	91%	90%	1 pp
Capacidade de utilização das refinarias			
International – Utilization	61%	85%	-24 pp
Domestic crude oil of total feedstock processed	78%	78%	–

## Petrobras' ADR's

	Dow Jones (%)	PBRA (%)	PBR (%)
8 years	84,26	290,59	240,73
5 years	83,95	235,48	206,46
1 year	63,00	-58,36	-58,40

## New partnerships boost business

Petrobras has signed agreements and a contract that enable the development of good business opportunities and **open new fronts** in two different continents where the company already has operations: **Asia** and **Europe**. The partners are companies from China and Portugal.

An agreement and two memoranda were signed with the **Chinese companies**. The memorandum, signed with the China Development Bank Corporation, the China Petrochemical Corporation (SINOPEC), and PetroChina aim to promote the economic development and trade between the two nations. The agreement with UNIPEC Asia Co. Ltd., a SINOPEC subsidiary, foresees the sale of 60,000 to 100,000 barrels of oil per day.

As for the **Portuguese firms** Galp Energia and EDP Energias, agreements were signed that allow for partnerships in different areas, such as biofuels, natural gas, power, and oil exploration and production. The documents foresee the implementation of the projects the two companies approved in technical, commercial, and financial terms.



## Three new platforms in production

Petrobras' increasing oil and gas production trend is expected to continue in 2009. Between late 2008 and early 2009, three more platforms went on stream and will **increase production by 460,000 barrels per day** when attaining top production. The new units (all in the Campos Basin) are the P-53, P-51, and FPSO Cidade de Niterói.

The **FPSO Cidade de Niterói** operates in Marlim Leste, at 120 km off the coast and at a water depth of 1,370 meters. It can produce 100,000 barrels of light oil and 3.5 million m<sup>3</sup> of gas per day.

The **P-51**, the first semi-submersible platform built entirely in Brazil, is in

Marlim Sul. At a water depth of 1,255 meters, and 150 km off the coast, it can produce 180,000 barrels of oil per day.

Installed in Marlim Leste, the **P-53** can produce up to 180,000 barrels of heavy oil and compress up to 6 million m<sup>3</sup> of gas per day. It is at a site 120 km from the coast where the water depth is 1,080 meters.

This year, two more Petrobras production units are scheduled to kick-off operations. These are FPSO (Floating Production, Storage, and Offloading) type units, the **Cidade de São Mateus** and the **BW Peace**, which will be installed in the Espírito Santo and Santos basins, respectively.

## Petrobras produces gasoline with ethanol in Japan



Brazil Japan Ethanol office in Tokyo

Petrobras has started producing a gasoline/ethanol blend with 3% ethanol in Japan. With this corporate initiative, **the company intends to show the Japanese business community** that it is **technically and economically feasible to use** this new, more efficient, and much more ecological fuel.

**Last March, Brazil Japan Ethanol inaugurated its first unit to produce E3**, fuel made out of the blend of gasoline with 3% ethanol. **The installation of this joint venture**

**between Petrobras and Japan Alcohol Trading is strategic**, since it is located in the city of Sodegaura, in the region of Kanto, which, for its central location in the country, accounts for **40% of the total volume of gasoline consumed in Japan**. Production capacity is estimated at up to 3,000,000 liters of E3 gasoline per month. The **Nansei Sekiyu refinery**, in the city of Okinawa, will supply the gasoline and ethanol blend. **Petrobras holds an 87.5% stake in the refinery.**

## Biodiesel plant delivers its first production

*The Montes Claros Biodiesel Plant, located in the northern region of the state of Minas Gerais, has made its first delivery of biodiesel production. The 75,000-liter cargo was destined to Petrobras Distribuidora. The plant expects to deliver 1.5 million liters of biodiesel in the first quarter of 2009.*

*The plant, as is the case of the Candeias (Bahia) and Quixadá (Ceará) plants, is capable of producing 57 million liters of biofuels per year. The plant production process is equipped with automated instrumentation and control systems. In addition, it has a flexible capacity in the processing of crude vegetable oils and in the use of various inputs, and can also process bovine fat and oil and grease residues (OGR).*

## Petrobras creates petrochemical complex

The Rio de Janeiro Petrochemical Complex (COMPERJ) will be composed of six companies, which are wholly-owned Petrobras subsidiaries. Initially, Petrobras will hold 100% of the total and voting capital of these companies, aiming to implement the relationship integration model for the newly-incorporated companies. In this way, it will create the needed synergy process derived



*The construction of the Rio de Janeiro Petrochemical Complex (COMPERJ) Integration Center*

from the fact the companies are located in the same production site. Beginning with the implementation process, Petrobras will transfer to the newly-formed companies, the goods, obligations, and rights relative to COMPERJ. This will allow the project to be prepared for the entry of potential partners. COMPERJ will process 150,000 barrels per day (bpd) of heavy oil coming from the Campos Basin. Aligned with Petrobras' strategic guidelines, it seeks to increase the production of basic petrochemical products and to perform in an integrated manner in petrochemicals, meeting the needs of the other Petrobras System businesses. In this way, it will add important conditions to Petrobras' value chain, such as: the expansion of the domestic petrochemicals market; the use of Campos Basin oil as a raw material; the promotion of synergy among the existing structures in the region; and an improved trade balance in the oil, oil products, and petrochemicals chain.

## Petrobras is leader in ethical reputation

Among 541 multinationals, Petrobras was elected one of the leaders in ethical reputation by the Covalence Ethical Ranking 2008 in Switzerland last January. It was the Brazilian company rated the best in the global ranking in all 18 evaluated categories and was ahead of 29 oil and gas multinationals.

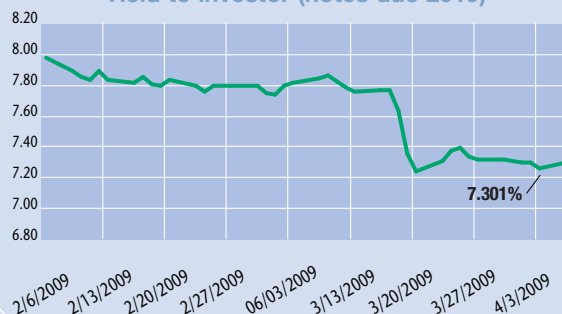
The Covalence Ethical Ranking 2008 evaluates various criteria, such as the environmental impact the company's production has, its position regarding social responsibility, its recycling policy, information for consumers, ecological innovation, international presence, environmental risk, labor standards, and anticorruption policy. This award, created by the Covalence Company, aims to offer and to facilitate conditions and information on sustainable development.

The global ranking places Petrobras as the best appraised Brazilian company in all sectors. Published since 2005, the Covalence Ethical Ranking is composed of a measurement system that is based on the gathering of qualitative data regarding 45 criteria and works as a thermometer of how multinationals are perceived concerning ethics. This assessment system also takes into consideration the integration of information published by the media, by companies, by NGOs and by research institutions.

## \$1.5 billion issued in global notes

In February, Petrobras issued, in the international capitals market, \$1.5 billion of Global Notes due on March 15, 2019, with a yield to investor of 8.125% p.a. The resources raised are destined to general corporate investments, including the funding of the Company's Business Plan. The operation had a demand that was 3.5 times over the final volume. It was destined to more than 230 investors, most of them dedicated to the fixed income market of high-grade companies and it was the first issuing made by a Brazilian company since July 2008, when the effects of the global financial crisis worsened.

Yield to investor (notes due 2019)



**PETROBRAS**



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