

Announcement:

Moody's Comments on Petrobras Capital Plan

New York, February 02, 2009 -- Moody's Investors Service commented that Petrobras's A2 GLCR and Baa1 FCBR will not be affected by the company's announced increase in its five-year spending plan and its substantial projected debt financing needs in 2009 and 2010. Petrobras recently announced a revised long-term capital plan for 2009-2013 totaling US\$174.4 billion, a 55% increase over the prior plan. The increase is primarily driven by higher exploration and development spending for large pre-salt discoveries. Accompanying the increased spending plan is a much larger projected financing need which, on a preliminary basis, the company estimates could reach more than \$18 billion per year in each of 2009 and 2010, including debt amortizations and new debt incurred.

We have not changed Petrobras's BCA of 8 (equivalent to Baa1) over a period of substantial and successful growth in reserves, production and oil exports, as well as debt reduction by the company. We believe that a large portion of the debt increase can be accommodated within the company's current BCA. In addition, Petrobras expects to show sizable increases in production from large developments currently underway, which at least for the next few years exclude any major contribution from pre-salt production. The elements of government support that underpin the company's A2 GLCR and Baa1 FCBR also continue to be in effect. Petrobras's resources are of national strategic importance to Brazil and the government, in addition to stepping in with support via long-term BNDES financing, will continue to play a major role managing the development of Petrobras's reserves and evolution of the pre-salt resources.

In a highly uncertain oil and gas pricing environment, the \$174.4 billion capital investment plan for the next five years reflects significant proportional increases in almost every area of Petrobras's operations. New projects account for almost \$50 billion of the increase, the bulk of which are in upstream exploration and production, but sizable investments are also planned in the downstream. Total estimated upstream spending is increased by 60% over the prior 2008 plan to almost \$105 billion, which includes for the first time some \$60 billion in exploration and development for the Tupi pilot system and three other pre-salt systems in the Tupi, Iara and Guare fields in the Santos and Campos basins.

Capital spending is budgeted at approximately \$28 billion in 2009 and higher in 2010. The cash flow deficits and implied financing needs will be large and well in excess of our earlier estimates of \$8-\$10 billion in incremental debt financing for Petrobras in 2009. We estimate that the additional debt could push Petrobras's proforma TD/Capitalization to over 40% by year-end 2010 (using Moody's standard debt adjustments). The company views the projected leverage increases at the upper end of its targeted leverage comfort range of 25%-35%.

The potential leverage increase are substantial and Petrobras faces sizable challenges both in arranging financing and relating to geology, technology, access to materials, rigs and services, staging of development, and the political environment. However, Moody's believes it is too early to determine the potential negative impact on Petrobras's A2 GLCR and Baa1 FCBR, given the uncertainty over commodity prices and the evolution of capital spending and debt levels, particularly in the next two to three years. In addition, the company has the flexibility to adjust capital spending and other means to manage leverage in response to changing industry conditions.

Moody's will continue to closely monitor Petrobras's capital spending and debt levels, its record on meeting its production and development targets, and the larger operating and political environment as development of the pre-salt progresses in the coming years.

The last rating action affecting Petrobras was on August 23, 2007, when its foreign currency bond rating was upgraded to Baa1. The principal methodologies used in rating Petrobras are Moody's Global Integrate Oil rating methodology and The Application of Joint Default Analysis to Government-Related Issuers, both of which can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered can also be found in the Credit Policy & Methodologies directory.

Petrobras is headquartered in Rio de Janeiro, Brazil.

New York
Steven Wood
Senior Vice President

Corporate Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

New York
Thomas S. Coleman
Senior Vice President
Corporate Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S (MIS) CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

© Copyright 2009, Moody's Investors Service, Inc. and/or its licensors including Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings and financial reporting analysis observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER. Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moody.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."