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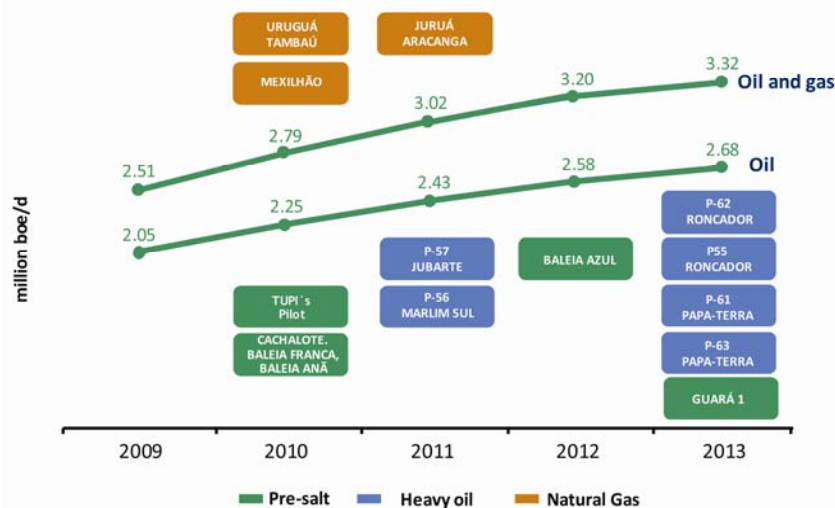
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From Quests February 09 Brazil Deepwater Insight monthly report:-

PETROBRAS SETS \$174.4BN BUSINESS PLAN FOR 2009-2013 WITH DOMESTIC E&P TO RECEIVE \$92BN

Petrobras has revealed its business plan for 2009 through 2013. The company estimates it will invest \$174.4 billion by 2013, some \$62 billion over the \$112.4 billion outlined in the company's previous plan. Petrobras notes that most of the investments will be earmarked for Exploration and Production (\$104.6 billion); followed by Downstream (\$43.4 billion); Gas and Energy (\$11.8 billion); Petrochemicals (\$5.6 billion); Distribution (\$3 billion); Corporate (\$3.2 billion); and Biofuels (\$2.8 billion). A total of \$28.6 billion is expected to be invested this year alone.

ROBUST PROJECT PIPELINE 2010 - 2013



Source: Petrobras

Petrobras' president José Sergio Gabrielli de Azevedo highlighted that the company will maintain its degree of investments, that it will endeavor to slash costs, and said it is in a privileged position when compared to other companies.

From the strategic viewpoint, the plan has a long-term vision, without taking the short-term conjuncture for granted, noted de Azevedo, stating, "Our price perspective is conservative. On one hand, we projected revenues based on prices that are at the minimum limit of the market projections, while, on the other costs at the peak of Q3 2008."

Speaking to analysts in New York, Gabrielli stated, "We are committing \$28.9 billion in the pre-salt investment from '09 to '13. But we are beginning a bidding process, for example, to do eight new FPSOs. And we are in the market right now with a bidding process for eight holes for FPSOs to be constructed in a drydock that we have in the south of Brasil. These are under

construction. Well, under contract right now, and we hope that is going to be under construction soon.”

Petrobras' Finance Director Almir Barbassa said the company's cash generation, in the next five years, is expected to range from \$120 billion and \$150 billion. Barbassa stated, “The two first years will be the most challenging, but we are in a very comfortable scenario.”

The company has already secured resources for its 2009 investments, with \$11.8 billion (R\$25 billion) in funds from the BNDES, and \$5 billion (R\$11 billion) from international banks, which will involve operations in the capitals market with the issuing of debentures in the upcoming years.

In 2010, the company intends to raise \$18 billion, and it can get \$10 billion in funds from the BNDES, if necessary. Barbassa noted that the loans are in line with market rates and within Petrobras' cost curve, without any type of subsidy. “It must be emphasized that the funding is for the very long term and is above what is needed to reach peak production at the pre-salt layer, giving Petrobras peace of mind to maintain its capital structure,” he said, when mentioning the loans' 30-year term.

Service director, Renato Duque, said the company will work on three fronts to optimize costs: project simplification and standardization, agreement clause revisions, and revisions of the company's culture. Duque said, “We will use new contracting approaches, reducing packages and increasing competition among companies. The market is already showing signs costs will fall because of the changed scenario.”

Duque said Petrobras intends to build 28 drilling rigs in Brasil, the first seven of which are expected to be delivered between 2013 and 2017.

The Exploration & Production (E&P) segment in Brasil will get \$92 billion, 49% of which to develop production, said Exploration & Production director, Guilherme Estrella. The goal for 2013 is to produce 2,680 MMbo/d by developing young fields and maintaining the old ones, still with a reduced participation of the pre-salt layer. In the gas area, the target is to reach 70 MMcm in 2011.

Petrobras estimates it will be producing 120,000 to 130,000 BOPD in 2013 in the pre-salt area, which includes the Santos Basin and the Parque das Baleias, in the Campos Basin (off the coast of the State of Espírito Santo).

“In terms of investments, we are foreseeing some \$29 billion for the entire pre-salt layer, \$19 billion of which in the Santos Basin,” said Estrella.

On the international front, Petrobras will invest \$15.9 billion, which is inline with previous company projections.

“We will maintain our investments in several assets abroad,” said International Area director, Jorge Luiz Zelada. To the director, resources may be reallocated from one project to another, according to the company's priorities.

The US concentrates the biggest volume of investments, at 28% of the total, trailed by Argentina (16%), Peru (5%), and Chile (3%). And the limelight is still on the African continent: Nigeria will get 12%, and Angola 5%. International Area Director Jorge Luiz Zelada stated that Nigeria's Akpo field is expected to go on stream in the first half of 2009, and exploratory activities are slated begin in five Angolan blocks yet this year.