

PETROBRAS' 2020 STRATEGIC PLAN AND 2008-2012 BUSINESS PLAN HAVE BEEN APPROVED

- Investments of \$112.4 billion through 2012, with an annual average of \$22.5 billion
- Total oil & gas production (Brazil & abroad) expected to cap at 3,494,000 barrels/day in 2012
- \$104.4 billion own, dividend-free cash generation
- Investments in exploration set to grow 32%
- Biofuels will get \$1.5 billion

Petrobras' Board of Directors has approved both the company's Strategic Plan for 2020 and its 2008-2012 Business Plan, which maintains aggressive growth goals for the company and reinforces its challenges in the natural gas and biofuel markets.

The Strategic Plan for 2020, which establishes Petrobras' mission, vision, strategies, and its corporate objectives for the future, took the view of the company as a Latin American leader one step ahead, setting it as one of the world's five biggest integrated companies. The Plan maintains the strategy of expanding the oil, derivative, petrochemical, gas, energy, biofuel, and distribution markets, with profitability, social and environmental responsibility, and integrated growth.

The Plan also highlights performing with operating excellence in management, human resources, and technology, based on the following strategies:

- **Exploration & Production:** Grow oil & gas production and reserves in a sustainable manner and being acknowledged for excellence in E&P;
- **Downstream & distribution:** Expand, in Brazil and abroad, integrated performance in refining, marketing, logistics and distribution focusing on the Atlantic Basin;
- **Petrochemicals:** Boost performance in petrochemicals in Brazil and in South America, in an integrated manner with the other Petrobras System businesses;

- **Gas & Energy:** Develop and lead the Brazilian natural gas market and perform in an integrated manner in the gas & electric energy markets, focusing on South America;
- **Biofuels:** Perform, globally, in biofuel marketing and logistics, leading Brazilian biodiesel production and increasing participation in the ethanol business.

The new Plan also presents new management plans, including:

- **Capital Discipline:** Seek greater efficiency in project deployment (terms & costs); Stock Management; Operating and Administrative Cost Reduction, and Portfolio Management;
- **Human Resources:** Be an international reference, in the energy segment, in people management, with employees as the main asset ;
- **Social Responsibility:** Be an international reference in social responsibility in business management, contributing to sustainable development ;
- **Climate Change:** Reach levels of excellence, in the energy industry, seeking to reduce greenhouse effect gas emissions in processes and products, and, thus, contribute to business sustainability and to mitigating global climate change ;
- **Technology:** Be a global reference in technologies that contribute to the company's sustainable growth in the oil, natural gas, petrochemical, and biofuel industries.

The 2008-2012 business plan establishes oil & natural gas production goals for Brazil: the level will reach 3,058,000 barrels of oil equivalent per day (boed) in 2012 and 3,455,000 boed in 2015. In refining, maintaining balance between production growth and Domestic refinery capacity , the fresh load processed in Brazil in 2012 will be 2,061,000 barrels per day (bpd), with 90% Brazilian oil participation.

The international goals reflect the company's integrated growth, with production estimates of 436,000 boed of oil and gas in 2012 and processing of 348,000 bpd at the refineries abroad.

Petrobras' total production (Brazil and abroad), as estimated for 2012, was revised to 3,494,000 barrels per day, and the goal for 2015 set at 4,153,000 boed.

The integration also extends to petrochemicals, a sector in which the Company expects to increase its performance in Brazil and in Latin America, establishing synergies with the other Petrobras System businesses .

Corporate Goals

Indicators	Achieved 2006	Goal 2012	Forecast2015
Oil & Natural Gas Production – Brazil (Thousand bbl/day)	2,055	3,058	3,455
Oil & Natural Gas Production – Total (Thousand bbl/day)	2,298	3,494	4,153
Fresh load processed in Brazil (Thousand bbl/day)	1,746	2,061	2,659
Fresh processed load - Total (Thousand bbl/day)	1,872	2,409	3,007
Domestic oil processing (Thousand bbl/day)	1,388	1,853	2,445

The plan foresees investments in the order of \$112.4 billion, through 2012, representing an average of \$22.5 billion per year, 87% (\$97.4 billion) in Brazil and 13% (\$15.0 billion) abroad. This total represents a 29% increase over the previous Plan.

Among investments slated for Brazil, the spotlight is on growing the Exploration & Production (32% increase), Downstream (35% increase), and Petrochemical (30% increase) sectors, in addition to biofuels, which will get \$1.5 billion.

In the international activities, investments will be made mainly in the Exploration & Production area, focusing on Latin America, Western Africa, and on the Gulf of Mexico.

Increased investments include \$13.3 billion for new projects \$10.9 billion for higher costs due to the sector's heated equipment and service market, \$4.2 billion due to a higher exchange rate, and the rest factors such as project scope and business model changes, among others.

Investments (\$ billion)

Business Segment	Petrobras 2007-11	Petrobras 2008-12	Difference (%)
E&P	49.3	65.1	32
RTC	21.9*	29.6	35
G&E	7.3*	6.7	-8
Petrochemicals	3.3	4.3	30
Distribution	2.3	2.6	13
Biofuel	1.2	1.5	25
Corporate	1.8	2.5	39
Total	87.1	112.4	29

*The 2007-2011 plan included investments in biofuels

The above-mentioned investments include \$18.2 billion to be invested by the different areas in the Brazilian natural gas chain, seeking to develop, lead and ensure a reliable natural gas supply to the Brazilian markets. Petrobras' partners in the sector are expected to invest an additional \$1.0 billion in the same period.

The revised plan incorporates, in a realistic manner, increased oil prices in the international market. This rise has had reflexes in the entire productive chain, particularly with regards to costs involved in specialized oil sector services, maintenance, equipment, and operations, with impact on the lifting and downstream costs for all sector companies. The heated global economy also had a direct impact on several industrial segments that compose the industry's input and basic material vendor chain.

Costs

Indicators	Realized 2006	Goal 2012
Lifting cost – Brazil (*) (\$/boe)	6.59	6.13
Downstream operating cost - Brazil (\$/bbl)	2.29	3.69
Lifting cost – International (*) (\$/boe)	3.36	3.52
Downstream operating cost - International (\$/bbl)	1.73	2.24

* without government participation

The company has maintained a price policy that is in line with the international market in its 2008-2012 Business Plan. Petrobras expects to generate its own cash flow in the order of \$104.4 billion in the period (net of dividend payment), enough resources to cover 93% of the Investment Plan. It expects to raise \$19.4 billion in the financial market and amortize debts of \$11.4 billion.

Investment plan financability (\$ billion)

Sources and Uses	Sources	Uses
Third-party resources	19,4	-
Own dividend-free cash flow generation	104,4	-
Debt amortization	-	11.4
Investments	-	112.4

Petrobras will continue with its policy of extending debt terms and reducing leverage in such a manner as for the average financial leveraging to be lower than the previous plan's, despite increased investments.

Return and financial leveraging indicators

Indicators	Average BP 2007 -2011	Average BP 2008 -2012
Return on Capital Employed (ROCE) (%)	16	14
Net debt / Net debt + Assets (Financial Leveraging) (%)	25	20

A few quantitative premises related to global economy growth, exchange rates, and oil and derivative prices and margins were reassessed in order to be in line with the current economic scenario.

Macroeconomic premises

Indicators	2007-2011	2008-2012
GDP- World (% a year) – PPP*	4.2	4.3
GDP- Latin America (% a year) – PPP*	3.7	3.9
GDP- Brazil (% a year)	4.0	4.0
Exchange rate (R\$/US\$)	2.50	2.18
Brent for financability (\$/bbl)	2008 – 40.00 2009~2011 – 35.00	2008 – 55.00 2009 – 50.00 2010 – 45.00 2011~2012 – 35.00
Derivative Price	Parameterized by international market prices, with no change made to relative prices	Parameterized by international market prices, with no Change made to relative prices

- PPP – Purchasing power parity

So far as biofuels are concerned, the company seeks to become a global player in biofuel marketing and logistics, leading Brazilian biodiesel production and boosting its participation in the ethanol business. In line with this strategy, H-BIO represents a lever for growth in this market.

Biofuels

Indicators	Realized	2006	Goal 2012
HBIO processing capacity (Thous. m ³ /year)	-		1,600
Biodiesel availability capacity (Thous. m ³ /year)	-		938
Ethanol exports (Thous. m ³ /year)	80		4,750

Petrobras is committed to sustainable development based on profitability, integrated growth, and social and environmental responsibility.

Corporate Safety, Environment and Health Goals

Indicators	Realized 2006	Goal 2012
Maximum admissible leak volume in m ³	293	601
Frequency rate of accident victims with leaves (Composed TFCA) (# Accident victims / Million HHER)	0.77	0.50
Percentage of Time Lost (PTL) Own Employees (%)	2.06	2.18
Total Prevented Greenhouse Effect Gas Emissions (Millions of tons of CO ₂ Equivalent)	2.03	3.93

Press Management