Fitch Rates Petrobras Energia's $300MM Senior Unsecured Notes Due 2017 'BB+'

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Fitch Ratings-Buenos Aires/Chicago-27 April 2007: Fitch Ratings has assigned a 'BB+' rating to Petrobras Energia S.A.'s (PESA) $300 million unsecured notes due 2017. The senior unsecured notes are supported by a standby purchase agreement provided by Petrobras International Finance Company (PIFCO) a subsidiary of Petrobras Brasileiro S.A. (Petrobras) both of which are rated 'BB+' by Fitch. Under the terms of the standby purchase agreement and in the event that PESA fails to make payment on the notes, Petrobras is obligated to buy the rights of noteholders and make payment on the notes to the trust. The Rating Outlook is Stable. The ratings of the issuance are based on the 'Standby Purchase Agreement' by Petrobras and its credit quality. Petrobras' ratings are supported by substantial proved hydrocarbon reserves and increasing upstream output, recognized leadership in offshore exploration and production, a favorable international product price environment, successful corporate and industry restructuring during the past decade, a transition to more transparent financial standards, and dominant domestic market shares. The company further benefits from material international operations and its shift to a net export position in 2005, which supports the generation of foreign currency cash flow. These factors are tempered by vulnerability to fluctuations in international commodity prices, exposure to local political interference, currency risk, domestic market revenue concentration, and significant medium-term capital-investment requirements linked to the company's ambitious strategic plan. The announced nationalization of Petrobras' Bolivian energy investments, while negative, is not expected to affect materially the company's credit quality or ratings. The combination of ultimate government control, which underscores the ability to influence corporate strategy and long-term policy decisions, and a significant domestic market focus, continues to affect the company's rating. Petrobras' 2007-2011 business plan, which primarily reflects new projects to increase production and refining both in Brazil and internationally, the increase in costs of related services and equipment in the production chain, and a stronger local currency, all of which increases capital spending when expressed in U.S. dollars. Under the new business plan, Petrobras estimates it will invest $87.1 billion through 2011, an increase of $34.7 billion (66%) for the comparable period under the previous plan. Approximately $49 billion (56% of total), up from $31 billion (59%), has been allocated to exploration and production (E&P) activities, representing a slight shift in allocation percentage toward downstream activities. Fitch views the planned increase in E&P investment, including additional investment in natural gas E&P, to be positive for the long-term credit quality of the company. Management projects no significant changes on the main corporate strategic targets or pressures on the financial profile, as approximately 87% of Petrobras' funding needs (investments and debt amortizations) should continue to be met via internal cash flows, with the rest to be financed with conventional financing mechanisms, project structures, and special-purpose vehicles. Fitch recognizes the positive credit effect of the market-oriented measures implemented in the past five years as well as improvements in corporate governance. The opening to private participation and deregulation, strong management commitment to increased financial transparency, corporate reorganization and modernization, and aggressive upstream production development, coupled with value-chain strategies, should strengthen credit fundamentals. While there has been close coordination of business plans with federal authorities, it does not appear to have affected market-oriented efforts to improve operational efficiencies, increase upstream production volumes, or adhere to capital discipline guidelines. Petrobras is a mixed-capital company, with the government owning approximately 40% of Petrobras' total capital and 55.7% of its voting capital. The remainder of the shares is publicly traded, and an estimated 40% is held by foreign investors. Despite Fitch's concerns generated by the significant imbalance between local currency revenues and hard currency expenses and liabilities, it is important to note that Petrobras' operations are of vital economic importance to the nation, suggesting the government has a prime incentive to ensure Petrobras' access to hard currency for servicing foreign obligations. Petrobras' financial profile remains strong, with solid credit-protection measures continuing to benefit from increased production and the global rise in hydrocarbon and product prices. The company reported total debt/EBITDA of 1.3 times (x) and Operating EBITDA/interest expense of 15.8x under U.S. GAAP for fiscal year end 2006. Petrobras maintains strong liquidity in relation to short-term debt obligations. The company posted fiscal year 2006 total consolidated debt of $21.3 billion, of which approximately 27% was classified as short term. The company's sizeable $12.7 billion in cash and equivalents resulted in total net debt of $8.7 billion. Petrobras' management has indicated its preference to maintain a substantial cash balance going forward, partially debt funded, to minimize its exposure to international capital market volatility. Petrobras is an integrated international oil and gas company engaged in the exploration, development and production of hydrocarbons and in the refining, marketing, transportation and distribution of oil and a wide range of petroleum products, petroleum derivatives, petrochemicals and liquid petroleum gas. Petrobras is also an integrated power company with operations in electric power generation, transmission and distribution. By law, the federal government must hold at least a majority of Petrobras' voting stock. Contacts: Ana Paula Ares +5411-5235-8121, Buenos Aires; or Gianna Bern +1-312-368-3217, Chicago. Media Relations: Christopher Kimble, New York, Tel: +1 212-908-0226. 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