

Petroleo Brasileiro S.A.
Revise to Neutral – Stop Loss

Symbol	Price (\$/sh)		Market Cap (\$mm)	Net Present Value (\$/sh)		Debt/ Present Value	McDep Ratio	EV/ Sales NTM	EV/ Ebitda NTM	P/E NTM	Div'd NTM (%)	PV/ Ebitda NTM
	27-Sep 2002	Shares (mm)		Present Value	Value							
PBR	10.10	1,086	11,000	30.00	0.27	0.52	1.0	2.6	2	13.4	5.0	

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

EV = Enterprise Value = Market Cap and Debt:

US\$m 23,300

Ebitda = Earnings before interest, tax, depreciation and amortization:

US\$m 9,000

NTM = Next Twelve Months Ended June 30, 2003; P/E = Stock Price to Earnings

PV = Present Value of energy businesses:

US\$m 44,800

Present Value of Equity:

US\$m 32,600

Summary and Recommendation

We withdraw our recommendation for current purchase of the shares of Petroleo Brasileiro (Petrobras) because the shares have declined too much in a short period. Aside from political uncertainty in Brazil there are no fundamental developments in the energy industry to account for the magnitude of the decline in market value. Moreover there may not be much intellectual justification for taking stop loss action, but it is a practical course for the times we live in. We regret any losses sustained and will continue to provide fundamental coverage of the stock. At a new rating of neutral, Petrobras will not appear in the McDep Energy Portfolio except as a past transaction that did not work out profitably.

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