



Petrobras success in suit against insurance companies in the United States

(Rio de Janeiro, May 24, 2004). – PETRÓLEO BRASILEIRO S/A - PETROBRAS, [Bovespa: PETR3/PETR4, NYSE: PBR/PBRA, Latibex: XPBR/XPBRA], a Brazilian international energy company, announces that on May 20, 2004 the US Appeals Court in New York, issued a ruling partially in favor of Petrobras/Brasoil in the suits issued by the United States Insurers, Fidelity & Guaranty Company and American Home Assurance Company (“Sureties”). Since 1997, when legal action was begun, the “Sureties” had been attempting to obtain a decision from the courts exempting them from honoring claims for losses caused to Petrobras/Brasoil by the consortia made up of Verolme Ishibras (IVI) and Sade Vigesa S.A., in the case of the P-19 unit, and Indústrias Verolme Ishibras (IVI), Sade Vigesa S.A and Internacional de Engenharia S.A. (IESA), in the case of P31 (Consortia). This reimbursement for losses was covered by Performance Bonds issued by the “Sureties” to guarantee compliance with the Consortia’s contractual liabilities in the construction of the above FPSO units.

The US Appeals Court judges confirmed the ruling of the New York South District Federal Court Judge, John Koeltl with respect to the Insurers responsibility under the insurance policies.

The Performance Bonds issued to cover losses from the Consortia’s non-performance were not honored at the time by the Insurers, alleging interference by Petrobras/Brasoil in the execution of the contract. Petrobras/Brasoil was obliged to inject further resources to complete the work and issued a suit against the Consortia and the Insurers in the Brazilian courts while the Insurers sought to avoid paying out on the guarantees through court action taken in the United States.

The estimated amount due from the legal ruling is in the region of US\$245 million excluding interest payable from July 2002 in favor of Petrobras/Brasoil.

<http://www.petrobras.com.br/ri/english>

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