PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
September 10, 2009

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of the
Securities Exchange Act of 1934

For the month of September, 2009

Commission File Number 1-15106

PETRÓLEO BRASILEIRO S.A. - PETROBRAS

(Exact name of registrant as specified in its charter)

Brazilian Petroleum Corporation - PETROBRAS

(Translation of Registrant's name into English)

Avenida República do Chile, 65
20031-912 - Rio de Janeiro, RJ
Federative Republic of Brazil
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F ___X___ Form 40-F _____

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes _____ No___X____

Petróleo Brasileiro S.A. - Petrobras and Subsidiaries

Consolidated Financial Statements
June 30, 2009 and 2008
with Review Report of Independent
Registered Public Accounting Firm

PETRÓLEO BRASILEIRO S.A. - PETROBRAS
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

Contents

Review Report of Independent Registered Public Accounting Firm	3
Consolidated Balance Sheets	4
Consolidated Statements of Income	6
Consolidated Statements of Cash Flows	8
Consolidated Statements of Changes in Shareholders' Equity	10
Notes to the Consolidated Financial Statements	13
1. Basis of Financial Statements Preparation	13
2. Recently Adopted Accounting Standards	14
3. Derivative Instruments, Hedging and Risk Management Activities	16
4. Income Taxes	27
5. Cash and Cash Equivalents	31
6. Marketable Securities.	32
7. Inventories	33
8. Recoverable Taxes	34
9. Petroleum and Alcohol Account, Receivable from Federal Government	35
10. Financings	36
11. Financial Income (Expenses), Net	44
12. Project Financings - (Variable Interest Entities - "VIE's")	45
13. Capital Lease Obligations	52
14. Employees' Postretirement Benefits and Other Benefits	53
15. Shareholders' Equity	57
16. Commitments and Contingencies	61
17. Fair Value Measurements	63
18. Segment Information	64
19. Acquisitions	73
20. Subsequent Events	78

Table of Contents

Review report of independent registered public accounting firm

To the Board of Directors and Shareholders of
Petróleo Brasileiro S.A. - Petrobras

We have reviewed the accompanying condensed consolidated balance sheet of Petróleo Brasileiro S.A. - Petrobras and subsidiaries as of June 30, 2009, and the related condensed consolidated statements of operations, cash flows and changes in shareholders equity for the six-month periods ended June 30, 2009 and 2008. These condensed consolidated financial statements are the responsibility of the Company s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modification that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

/s/ KPMG Auditores Independentes

KPMG Auditores Independentes

Rio de Janeiro, Brazil

September 09, 2009

Table of Contents

PETRÓLEO BRASILEIRO S.A. - PETROBRAS
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
June 30, 2009 and December 31, 2008
Expressed in Millions of United States Dollars

	June 30, 2009	December 31, 2008
Assets	**(unaudited)**	**(Note 1)**
Current assets		
Cash and cash equivalents (Note 5)	**4,870**	6,499
Marketable securities (Note 6)	**105**	124
Accounts receivable, net	**7,732**	6,613
Inventories (Note 7)	**9,152**	7,990
Deferred income taxes (Note 4)	**534**	500
Recoverable taxes (Note 8)	**4,016**	3,281
Advances to suppliers	**885**	626
Other current assets	**1,390**	1,125
	28,684	26,758
Property, plant and equipment, net	**110,076**	84,719
Investments in non-consolidated companies and other investments	**4,031**	3,198
Non-current assets		
Accounts receivable, net	**1,307**	923
Advances to suppliers	**3,285**	2,471
Petroleum and alcohol account - receivable from Federal Government (Note 9)	**418**	346
Marketable securities (Note 6)	**2,297**	1,738
Restricted deposits for legal proceedings and guarantees (Note 16 (a))	**939**	798
Recoverable taxes (Note 8)	**4,132**	3,095
Goodwill	**129**	118
Prepaid expenses	**551**	513
Other assets	**1,594**	1,018
	14,652	11,020

Total assets	**157,443**	125,695

See the accompanying notes to the consolidated financial statements.

Table of Contents

PETRÓLEO BRASILEIRO S.A. - PETROBRAS
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)
June 30, 2009 and December 31, 2008
Expressed in Millions of United States Dollars (except number of shares)

Liabilities and shareholders equity	**June 30, 2009 (unaudited)**	**December 31, 2008 (Note 1)**
Current liabilities		
Trade accounts payable	**7,784**	7,763
Short-term debt (Note 10)	**2,182**	2,399
Current portion of long-term debt (Note 10)	**1,809**	1,531
Current portion of project financings (Note 12)	**1,828**	1,780
Current portion of capital lease obligations (Note 13)	**249**	251
Income taxes payable	**1,708**	705
Taxes payable, other than income taxes	**3,837**	2,900
Payroll and related charges	**1,505**	1,398
Dividends and interest on capital payable (Note 15)	**3,086**	3,652
Employees postretirement benefits obligation Pension and Health Care (Note 14 (a))	**563**	492
Other payables and accruals	**2,883**	1,885
	27,434	24,756
Long-term liabilities		
Long-term debt (Note 10)	**23,017**	16,031
Project financings (Note 12)	**5,292**	5,015
Capital lease obligations (Note 13)	**262**	344
Employees postretirement benefits obligation Pension and Health Care (Note 14 (a))	**7,228**	5,787
Deferred income taxes (Note 4)	**8,258**	7,080
Provision for abandonment	**3,413**	2,825
Contingencies (Note 16 (a))	**413**	356
Other liabilities	**1,166**	933
	49,049	38,371
Shareholders equity		
Shares authorized and issued (Note 15)		
Preferred share - 2009 and 2008 - 3,700,729,396 shares	**15,106**	15,106

Common share - 2009 and 2008 - 5,073,347,344 shares	**21,088**	21,088
Additional paid in capital	**(289)**	-
Capital reserve - fiscal incentive	**264**	221
Retained earnings		
Appropriated	**32,735**	15,597
Unappropriated	**13,538**	25,889
Accumulated other comprehensive income		
Cumulative translation adjustments	**(3,327)**	(15,846)
Postretirement benefit reserves adjustments net of tax (US$24 and US$19 for June 30, 2009 and December 31, 2008, respectively) - Pension cost and Health Care (Note 14 (a))	**44**	37
Unrealized losses on available-for-sale securities, net of tax	**4**	(144)
Unrecognized loss on cash flow hedge, net of tax	**(17)**	(39)
Petrobras Shareholders Equity	**79,146**	61,909
Noncontrolling interest	**1,814**	659
Total Equity	**80,960**	62,568
Total liabilities and shareholders equity	**157,443**	125,695

See the accompanying notes to the consolidated financial statements.

Table of Contents

PETRÓLEO BRASILEIRO S.A. - PETROBRAS
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
June 30, 2009 and 2008
Expressed in Millions of United States Dollars
(except number of shares and earnings per share)
(Unaudited)

	Six-month periods ended June 30,	
	2009	**2008**
Sales of products and services	**49,900**	74,291
Less:		
Value-added and other taxes on sales and services	**(9,043)**	(12,493)
Contribution of intervention in the economic domain charge - CIDE	**(1,063)**	(1,961)
Net operating revenues	**39,794**	59,837
Cost of sales	**(20,882)**	(35,095)
Depreciation, depletion and amortization	**(2,891)**	(2,981)
Exploration, including exploratory dry holes	**(798)**	(743)
Selling, general and administrative expenses	**(3,125)**	(3,507)
Research and development expenses	**(322)**	(466)
Employee benefit expense for non-active participants	**(324)**	(427)
Other operating expenses	**(636)**	(1,112)
Total costs and expenses	**(28,978)**	(44,331)
Operating income	**10,816**	15,506
Equity in results of non-consolidated companies	**215**	334
Financial income (Note 11)	**822**	958
Financial expenses (Note 11)	**(482)**	(454)
Monetary and exchange variation (Note 11)	**(900)**	(695)
Other taxes	**(148)**	(175)
Other expenses, net (Note 19 (d))	**(77)**	94
	(570)	62

Income before income taxes	**10,246**	15,568

See the accompanying notes to the consolidated financial statements.

Table of Contents

PETRÓLEO BRASILEIRO S.A. - PETROBRAS
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (Continued)
June 30, 2009 and 2008
Expressed in Millions of United States Dollars
(except number of shares and earnings per share)
(Unaudited)

	Six-month periods ended June 30,	
	2009	**2008**
Income taxes expense (Note 4)		
Current	**(2,789)**	(4,085)
Deferred	**291**	(680)
	(2,498)	(4,765)
Net income for the period	**7,748**	10,803
Less: Net income attributable to the noncontrolling interest	**(1,121)**	(87)
Net income attributable to Petrobras	**6,627**	10,716
Net income applicable to each Petrobras class of shares		
Common	**3,832**	6,196
Preferred	**2,795**	4,520
	6,627	10,716
Basic and diluted earnings per: (Note 15)		
Common and Preferred share	**0.76**	1.22
Common and Preferred ADS	**1.52**	2.44
Weighted average number of shares outstanding		
Common	5,073,347,344	5,073,347,344
Preferred	3,700,729,396	3,700,729,396

See the accompanying notes to the consolidated financial statements.

Table of Contents

PETRÓLEO BRASILEIRO S.A. - PETROBRAS
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
June 30, 2009 and 2008
Expressed in Millions of United States Dollars
(Unaudited)

	Six-month periods ended June 30,	
	2009	**2008**
Cash flows from operating activities		
Net income for the period	**7,748**	10,803
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	**2,891**	2,981
Dry hole costs	**329**	423
Equity in the results of non-consolidated companies	**(215)**	(334)
Foreign exchange (gain)/loss	**155**	735
Deferred income taxes	**(291)**	680
Other	**233**	231
Working capital adjustments		
Decrease (increase) in accounts receivable, net	**(757)**	(2,521)
Decrease (increase) in inventories	**(207)**	(3,193)
Increase (decrease) in trade accounts payable	**(53)**	1,295
Increase in taxes payable	**824**	1,225
Increase in advances to suppliers	**(589)**	(516)
Increase in recoverable taxes	**(462)**	(202)
Increase (decrease) in other working capital adjustments	**165**	619
Net cash provided by operating activities	**9,771**	12,226
Cash flows from investing activities		
Additions to property, plant and equipment	**(14,271)**	(12,164)
Marketable securities and other investments activities	**(592)**	498
Net cash used in investing activities	**(14,863)**	(11,666)

Cash flows from financing activities		
Short-term debt, net issuances and repayments	**(231)**	(118)
Proceeds from issuance and draw-down of long-term debt	**7,037**	3,040
Principal payments of long-term debt	**(1,122)**	(1,267)
Proceeds from project financings	**763**	1,711
Payments of project financings	**(892)**	(1,228)
Payments of capital lease obligations	**(108)**	(127)
Dividends and interest on shareholders equity paid to shareholders	**(2,787)**	(3,977)
Net cash provided by (used in) financing activities	**2,660**	(1,966)
Increase (decrease) in cash and cash equivalents	**(2,432)**	(1,406)
Effect of exchange rate changes on cash and cash equivalents	**803**	1,067
Cash and cash equivalents at beginning of period	**6,499**	6,987
Cash and cash equivalents at end of period	**4,870**	6,648

See the accompanying notes to the consolidated financial statements.

Table of Contents

PETRÓLEO BRASILEIRO S.A. - PETROBRAS
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
June 30, 2009 and 2008
Expressed in Millions of United States Dollars
(Unaudited)

	Six-month periods ended June 30,	
	2009	**2008**
Supplemental cash flow information:		
Cash paid during the period for		
Interest, net of amount capitalized	**641**	645
Income taxes	**3,884**	3,125

See the accompanying notes to the consolidated financial statements.

Table of Contents

PETRÓLEO BRASILEIRO S.A. - PETROBRAS
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY
June 30, 2009 and 2008
Expressed in Millions of United States Dollars
(Unaudited)

	Six-month periods ended June 30,	
	2009	**2008**
Preferred shares		
Balance at January 1,	**15,106**	8,620
Capital increase from capital reserve - fiscal incentive	**-**	251
Capital increase from undistributed earnings reserve	**-**	6,235
Balance at June 30,	**15,106**	15,106
Common shares		
Balance at January 1,	**21,088**	12,196
Capital increase from capital reserve - fiscal incentive	**-**	345
Capital increase from undistributed earnings reserve	**-**	8,547
Balance at June 30,	**21,088**	21,088
Additional paid in capital		
Balance at January 1,	**-**	-
Change in the period	**(289)**	-
Balance at June 30,	**(289)**	-
Capital reserve - fiscal incentive		
Balance at January 1,	**221**	877
Capital increase	**-**	(596)
Transfer from unappropriated retained earnings	**43**	43
Balance at June 30,	**264**	324

Cumulative translation adjustments		
Balance at January 1,	**(15,846)**	4,155
Change in the period	**12,519**	8,094
Balance at June 30,	**(3,327)**	12,249
Postretirement benefit reserves adjustments, net of tax - Pension Cost and Health Care		
Balance at January 1,	**37**	(2,472)
Change in the period	**11**	(417)
Tax effect on above	**(4)**	142
Balance at June 30,	**44**	(2,747)

See the accompanying notes to the consolidated financial statements.

Table of Contents

PETRÓLEO BRASILEIRO S.A. - PETROBRAS
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY
(Continued)
June 30, 2009 and 2008
Expressed in Millions of United States Dollars
(Unaudited)

	Six-month periods ended June 30,	
	2009	**2008**
Unrecognized gains on available-for-sale securities, net of tax		
Balance at January 1	**(144)**	331
Unrealized gains (losses)	**224**	(365)
Tax effect on above	**(76)**	124
Balance at June 30,	**4**	90
Unrecognized loss on cash flow hedge, net of tax		
Balance at January 1	**(39)**	(9)
Change in the period	**22**	(5)
Balance at June 30,	**(17)**	(14)
Appropriated retained earnings		
Legal reserve		
Balance at January 1	**3,257**	4,297
Change in the period	**1,578**	484
Balance at June 30,	**4,835**	4,781
Undistributed earnings reserve		
Balance at January 1	**12,123**	30,280
Capital increase	**-**	(14,782)
Other change in the period	**15,315**	2,300
Balance at June 30,	**27,438**	17,798

Statutory reserve		
Balance at January 1	**217**	286
Change in the period	**245**	32
Balance at June 30,	**462**	318
Total appropriated retained earnings	**32,735**	22,897

See the accompanying notes to the consolidated financial statements.

Table of Contents

PETRÓLEO BRASILEIRO S.A. - PETROBRAS
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY
(Continued)
June 30, 2009 and 2008
Expressed in Millions of United States Dollars
(Unaudited)

	Six-month periods ended June 30,	
	2009	**2008**
Unappropriated retained earnings		
Balance at January 1	**25,889**	6,618
Net income attributable to Petrobras	**6,627**	10,716
Dividends and interest on shareholders equity paid	**(1,797)**	(501)
Appropriation (to) fiscal incentive reserves	**(43)**	(43)
Appropriation (to) reserves	**(17,138)**	(2,816)
Balance at June 30,	**13,538**	13,974
Petrobras shareholders' equity	**79,146**	82,967
Noncontrolling interest		
Balance at January 1	**659**	2,332
Net income for the period	**1,121**	87
Dividends and interest on shareholders equity paid	**(51)**	(313)
Other changes in the period	**85**	187
Balance at June 30,	**1,814**	2,293
Total equity	**80,960**	85,260
Comprehensive income is comprised as follows:		
Net income for the period	**7,748**	10,803
Cumulative translation adjustments	**12,519**	8,094
Postretirement benefit reserves adjustments, net of tax - pension and health care cost	**7**	(275)
Unrealized gain (loss) on available-for-sale securities	**148**	(241)
Unrecognized gain (loss) on cash flow hedge	**22**	(5)

Comprehensive income	**20,444**	18,376
Less: Net comprehensive income atributable to noncontrolling interest	**(1,206)**	(274)
Comprehensive income attributable to Petrobras	**19,238**	18,102

See the accompanying notes to the consolidated financial statements.

Table of Contents

PETRÓLEO BRASILEIRO S.A. - PETROBRAS
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Expressed in Millions of United States Dollars
(except when specifically indicated)
(unaudited)

1. Basis of Financial Statements Preparation

The accompanying unaudited consolidated financial statements of Petróleo Brasileiro S.A. - Petrobras (the Company) have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and the rules and regulations of the Securities and Exchange Commission (SEC) for interim financial statements. Accordingly they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These unaudited consolidated financial statements and the accompanying notes should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2008 and the notes thereto.

The balance sheet at December 31, 2008 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

The consolidated financial statements as of June 30, 2009 and for the six-month periods ended June 30, 2009 and 2008, included in this report, are unaudited. However, in management's opinion, such consolidated financial statements reflect all normal recurring adjustments that are necessary for a fair presentation. The results for the interim periods are not necessarily indicative of trends or of results expected for the full year ending December 31, 2009.

The preparation of these financial statements requires the use of estimates and assumptions that reflect the assets, liabilities, revenues and expenses reported in the financial statements, as well as amounts included in the notes thereto. Management reviews its estimates periodically, including those related to oil and gas reserves, pension and health care liabilities, depreciation, depletion and amortization, abandonment costs, contingencies and income taxes. While the Company uses its best estimates and judgements, actual results could differ from those estimates as further confirming events occur.

Certain prior years amounts have been reclassified to conform to current year presentation standards. These reclassifications are not significant to the consolidated financial statements and had no impact on the Company s net income.

Table of Contents

1. Basis of Financial Statements Preparation (Continued)

Events subsequent to June 30, 2009, were evaluated until the time of the Form 6-K filing with the Securities and Exchange Commission on September 09, 2009. Refer to Note 2 (d) for discussion of FASB Statement No. 165, Subsequent Events.

Pursuant to Rule 436 (c) under the Securities Act of 1933 (the Act), this is not a report and should not be considered a part of any registration statement prepared or certified within the meanings of Sections 7 and 11 of the Act and therefore, the independent accountant s liability under section 11 does not extend to the information included herein.

2. Recently Adopted Accounting Standards

a) FASB Statement No. 157, Fair value measurements (SFAS 157)

Effective January 1, 2009, the Company implemented SFAS No. 157, Fair Value Measurements for nonfinancial assets and nonfinancial liabilities measured at fair value, except those that are recognized or disclosed on a recurring basis (at least annually). There was no impact to the Company s consolidated financial statements from the implementation of SFAS No. 157 for nonfinancial assets and liabilities.

Table of Contents

2. Recently Adopted Accounting Standards (Continued)

b) FASB Statement No. 141 (revised 2007), Business Combinations (SFAS 141-R)

In December 2007, the FASB issued SFAS 141-R, which was subsequently amended by FASB Staff Position (FSP) FAS 141 (R)-1 in April 2009. SFAS 141-R apllies prospectively to all business combinations ocurring on or after January, 2009. This standard requires the acquiring entity in a business combination to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date to be measured at their respective fair values. SFAS 141-R changes the accounting treatment for the following items: acquisition-related costs and restructuring costs to be generally expensed when incurred; in-process research and development to be recorded at fair value as an indefinite-lived intangible asset at the acquisition date; changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition to be generally recognized in income tax expense. SFAS 141-R also includes a substantial number of new disclosures requirements.

c) FASB Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 (SFAS 160)

In December 2007, the FASB issued SFAS 160, which establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 was implemented on January 1, 2009. As a result of the implementation, the Company reclassified on June 30, 2009, noncontrolling interest (minority interest) of US$1,814 as equity in the consolidated financial statements, and net income of US$1,121 attributable to the noncontrolling interest was included in consolidated net income on the face of the income statement.

Table of Contents

2. Recently Adopted Accounting Standards (Continued)

d) FASB Statement No. 165, Subsequent Events (SFAS 165)

Effective April 1, 2009, the Company adopted SFAS 165, Subsequent Events. This Statement establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This Statement did not change significantly the current practice previously provided in auditing literature, except for introducing the concept of financial statements being available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. This Statement is not expected to result in any significant changes in the subsequent events reported by the Company. Refer to Note 1 for the SFAS 165 related disclosure for the quarter ended June 30, 2009.

3. Derivative Instruments, Hedging and Risk Management Activities

The Company is exposed to a number of market risks arising from its normal course of business. Such market risks principally involve the possibility that changes in interest rates, foreign currency exchange rates or commodity prices will adversely affect the value of the Company s financial assets and liabilities or future cash flows and earnings.

The Company maintains a corporate risk management policy that is executed under the direction of the Company s executive officers. In 2004, the Executive Committee of Petrobras set up the Risk Management Committee composed of executive managers from all the business departments and from a number of corporate departments. This committee, as well as having the objective of assuring integrated management of exposures to risks and formalizing the main guidelines for the Company s operation, aims at concentrating information and discussing actions for risk management, facilitating communication with the executive offices and the board of directors in aspects related to best corporate governance practices.

Table of Contents

3. Derivative Instruments, Hedging and Risk Management Activities (Continued)

The risk management policy of the Petrobras System aims at contributing towards an appropriate balance between its objectives for growth and return and its level of risk exposure, whether inherent to the exercise of its activities or arising from the context within which it operates, so that, through effective allocation of its physical, financial and human resources the Company may attain its strategic goals.

The Company may use derivative and non-derivative instruments to implement its corporate risk management strategy. However, by using derivative instruments, the Company exposes itself to credit and market risk. Credit risk is the failure of a counterparty to perform under the terms of the derivative contract. Market risk is the possible adverse effect on the value of an asset or liability, including financial instruments that results from changes in interest rates, currency exchange rates, or commodity prices. The Company addresses credit risk by restricting the counterparties to such derivative financial instruments to major financial institutions. Market risk is managed by the Company s executive officers. The Company does not hold or issue financial instruments for trading purposes.

(a) Commodity price risk management

The Company is exposed to commodity price risks as a result of the fluctuation of crude oil and oil product prices. The Company s commodity risk management activities are primarily undertaking through the uses of future contracts traded on stock exchanges; and options and swaps entered into with major financial institutions. The Company does not use derivatives contracts for speculative purposes.

The Company does not usually use derivatives to manage overall commodity price risk exposure, taking into consideration that the Company s business plan uses conservative price assumptions associated to the fact that, under normal market conditions, price fluctuations of commodities do not represent a substantial risk to achieving strategic objectives.

Table of Contents

3. Derivative Instruments, Hedging and Risk Management Activities (Continued)

(a) Commodity price risk management (Continued)

The decision to enter into hedging or non-hedging derivatives is reviewed periodically and recommended, or not, to the Risk Management Committee. If entering into derivative is indicated, in scenarios with a significant probability of adverse events, and such decision is approved by the Board of Directors, the derivative transactions should be carried out with the aim of protecting the Company s solvency, liquidity and execution of the corporate investment plan, considering an integrated analysis of all the Company s risk exposures.

Outstanding derivatives contracts were entered into in order to mitigate price risk exposures from specific transactions, in which positive or negative results in the derivative transactions are totally or partially offset by the opposite result in the physical positions. The transactions covered by commodity derivatives are: certain cargoes traded from import and export operations and transactions between different geographical markets.

As a result of the Company currently price risk management, the derivatives are contracted as short term operations, to mitigate the price risk of specific forecasted transactions. The operations are carried out on the New York Mercantile Exchange (NYMEX) and the Intercontinental Exchange (ICE), as well as on the international over-the-counter market.

The Company s exposure from these contracts is limited to the difference between the contract value and market value on the volumes contracted. Crude oil future contracts are marked-to-market and related gains and losses are recognized in currently period earnings, irrespective of when the physical crude sales occur.

The main parameters used in risk management for variations of Petrobras oil and oil product prices are the cash flow at risk (CFAR) for medium-term assessments, Value at Risk (VAR) for short-term assessments, and Stop Loss. Corporate limits are defined for VAR and Stop Loss.

Table of Contents

3. Derivative Instruments, Hedging and Risk Management Activities (Continued)

(a) Commodity price risk management (Continued)

The hedges settled during the period from January to June 2009 corresponded to approximately 13.1% of the traded volume of imports and exports to and from Brazil plus the total volume of the products traded abroad.

The main counterparts of operations for derivatives for oil and oil products are the New York Stock Exchange (NYMEX), IntercontinentalExhange (ICE), BP North America Chicago, Morgan Stanley and Shell (STASCO).

The commodity derivatives contracts are reflected at fair value as either assets or liabilities on the Company s consolidated balance sheets recognizing gain or losses in earnings, using market to market accounting, in the period of change.

As of June 30, 2009, the Company had the following outstanding commodity derivative contracts that were entered into:

Commodity Contracts Maturity 2009	Notional amount in thousands of bbl* as of June 30, 2009
Futures and Forwards contracts	7,470
Options contracts	4,600

* A negative notional value represents a sale position.

Table of Contents

3. Derivative Instruments, Hedging and Risk Management Activities (Continued)

(a) Commodity price risk management (Continued)

At June 30, 2009, the portfolio for commercial operations carried out abroad, as well as the derivatives for their protection through derivatives for oil and oil products, presented a maximum estimated loss per day (VAR - Value at Risk), calculated at a reliability level of 95%, of approximately US$15.

(b) Foreign currency risk management

Exchange risk is one of the financial risks that the Company is exposed to and it originates from changes in the levels or volatility of the exchange rate. With respect to the management of these risks, the Company seeks to identify and handle them in an integrated manner, seeking to assure efficient allocation of the resources earmarked for the derivative.

Taking advantage of operating in an integrated manner in the energy segment, the Company seeks, primarily, to identify or create natural risk mitigation , benefiting from the correlation between its income and expenses. In the specific case of exchange variation inherent to the contracts with the cost and remuneration involved in different currencies, this natural risk mitigation is carried out through allocating the cash investments between the real and the US dollar or another currency.

The management of risks is done for the net exposure. Periodical analyses of the exchange risk are prepared, assisting the decisions of the executive committee. The exchange risk management strategy involves the use of derivative instruments to minimize the exchange exposure of certain Company s obligations.

The Company entered into an over the counter contract, not designated as hedge accounting, for covering the trading margins inherent to exports (aviation segment) for foreign clients. The objective of the operation, contracted contemporaneously with the definition of the cost of the products exported, is to lock the trading margins agreed with the foreign clients. Internal policy limits the volume of derivative contracts to the volume of products exported.

Table of Contents

3. Derivative Instruments, Hedging and Risk Management Activities (Continued)

b) Foreign currency risk management (Continued)

The over the counter contract is reflected at fair value as either assets or liabilities on the Company s consolidated balance sheets recognizing gain or losses in earnings, using market to market accounting, in the period of change.

As of June 30, 2009, the Company had the following foreign currency derivative contracts, not designated as hedging accounting, that were entered into:

Foreign Currency Maturing in 2009	**Notional Amount US$ million**
Sell USD / Pay BRL	66

At June 30, 2009, the forward derivative contract presented a maximum estimated loss per day (VAR - Value at Risk), calculated at a reliability level of 95%, of approximately US$1.

During the second quarter, REFAP, the Company´s subsidiary, entered into a swap in order to mitigate its exposure in a debt denominated in US dollars. The swap exchanges US dollar for the interbank deposit certificate rate (CDI). CDI is the average rate for interbank deposits made during the day in Brazil.

As of June 30, 2009, the Company had the following swap, which was entered into:

Swaps Maturing in 2009	**%**	**Notional Amount (Million)**
Fixed to fixed		
Average Pay Rate (BRL)	CDI	BRL$254
Average Receive Rate (USD)	Cupom Cambial	US$116

Table of Contents

3. Derivative Instruments, Hedging and Risk Management Activities (Continued)

(b) Foreign currency risk management (Continued)

Cash flow hedge

In September 2006, the Company contracted a hedge known as a cross currency swap for coverage of the bonds issued in Yens in order to fix the Company s costs in this operation in dollars. In a cross currency swap there is an exchange of interest rates in different currencies. The exchange rate of the Yen for the US dollar is fixed at the beginning of the transaction and remains fixed during its existence. The Company does not intend to settle these contracts before the end of the term.

The Company has elected to designate its cross currency swap as cash flow hedges. Both at the inception of a hedge and on an ongoing basis, a cash flow hedge must be expected to be highly effective in achieving offsetting cash flows attributable to the hedged risk during the term of the hedge. Derivative instruments designated as cash flow hedges are reflected as either assets or liabilities on the Company s consolidated balance sheets. Change in fair value, to the extent the hedge is effective, is reported in accumulated other comprehensive income until the cash flows of the hedged item occurs.

Effectiveness tests are conducted quarterly in order to measure how the changes in the fair value or the cash flow of the hedged items are being absorbed by the hedge mechanisms. The effectiveness calculation indicated that the cross currency swap is highly effective in offsetting the variation in the cash flows of the bonds issued in Yens.

In the period in question operations were contracted in the amount of US$139. The volume of hedge executed for the exports occurring between January and June 2009 represented 67.5% of the total exported by the Company. The settlements of the operations that matured between January 1 and June 30, 2009 generated a positive result for the Company of US$6.

Table of Contents

3. Derivative Instruments, Hedging and Risk Management Activities (Continued)

b) Foreign currency risk management (Continued)

Cash flow hedge (Continued)

As of June 30, 2009, the Company had the following cross currency swap, which was entered into:

Cross Currency Swaps Maturing in 2016	**%**	**Notional Amount (Million)**
Fixed to fixed		
Average Pay Rate (USD)	5.69	US$298
Average Receive Rate (JPY)	2.15	JPY$35,000

At June 30, 2009, the cross currency swap presented a maximum estimated loss per day (VAR - Value at Risk), calculated at a reliability level of 95%, of approximately US$23.

(c) Interest rate risk management

The Company s interest rate risk is a function of the Company s long-term debt and to a lesser extent, its short-term debt. The Company s foreign currency floating rate debt is principally subject to fluctuations in LIBOR and the Company s floating rate debt denominated in Reais is principally subject to fluctuations in the Brazilian long-term interest rate (TJLP) as fixed by the National Monetary Counsel. The Company currently does not utilize derivative financial instruments to manage its exposure to fluctuations in interest rates.

Table of Contents

3. Derivative Instruments, Hedging and Risk Management Activities (Continued)

(d) Tabular presentation of the location and amounts of derivative fair values

The effect of derivative instruments on the statement of financial position for the six-month period ended June 30, 2009.

In millions of dollars	**Asset Derivatives**		**Liability Derivatives**	
As of June 30,	**2009**		**2009**	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under SFAS 133				
Foreign exchange contracts	Other current assets	46		-
Total		**46**		**-**
Derivatives not designated as hedging instruments under SFAS 133				
Foreign exchange contracts	Other current assets	4	Other payables and accruals	16
Commodity contracts	Other current assets	49	Other payables and accruals	59
Total		**53**		**75**
Total Derivatives		**99**		**75**

Table of Contents

3. Derivative Instruments, Hedging and Risk Management Activities (Continued)

(d) Tabular presentation of the location and amounts of derivative fair values (Continued)

The effect of derivative instruments on the statement of financial position for the year ended December 31, 2008.

In millions of dollars	**Asset Derivatives**		**Liability Derivatives**	
As of December 31,	**2008**		**2008**	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under SFAS 133				
Foreign exchange contracts	Other current assets	47		-
Total		**47**		**-**
Derivatives not designated as hedging instruments under SFAS 133				
Foreign exchange contracts	Other current assets	-	Other payables and accruals	2
Commodity contracts	Other current assets	69	Other payables and accruals	7
Total		**69**		**9**
Total Derivatives		**116**		**9**

Table of Contents

3. Derivative Instruments, Hedging and Risk Management Activities (Continued)

(d) Tabular presentation of the location and amounts of derivative fair values (Continued)

The effect of derivative instruments on the statement of financial position for the six-month period ended June 30, 2009.

Derivatives in SFAS 133 - Cash Flow Hedging Relationship	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) June 30, 2009	Location of Gain or (Loss) reclassified from Accumulated OCI into Income (Effective portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) June 30, 2009	Amount of Gain or (Loss) Recognized in income on derivative (Inefective Portion and Amount Excluded from Effectiveness Testing) June 30, 2009
Foreign exchange contracts	(6)	Financial Expenses	28	-
	(6)		**28**	**-**

The effect of derivative instruments on the statement of financial position for the six-month period ended June 30, 2008.

Derivatives in SFAS 133 - Cash Flow Hedging Relationship	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) June 30, 2008	Location of Gain or (Loss) reclassified from Accumulated OCI into Income (Effective portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) June 30, 2008	Amount of Gain or (Loss) Recognized in income on derivative (Inefective Portion and Amount Excluded from Effectiveness Testing) June 30, 2008
Foreign exchange				

contracts	8	Financial Expenses	(12)	-
	8		**(12)**	**-**

Table of Contents

3. Derivative Instruments, Hedging and Risk Management Activities (Continued)

(d) Tabular presentation of the location and amounts of derivative fair values (Continued)

Derivatives Not Designated as Hedging Instruments under SFAS 133	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative June 30, 2009
Foreign Exchange contracts	Financial income/expenses net	**(39)**
Commodity contracts	Financial income/expenses net	**(161)**
Total		**(200)**

Derivatives Not Designated as Hedging Instruments under SFAS 133	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative June 30, 2008
Foreign Exchange contracts	Financial income/expenses net	-
Commodity contracts	Financial income/expenses net	(16)
Total		(16)

4. Income Taxes

Income taxes in Brazil comprise federal income tax and social contribution, which is an additional federal income tax. The statutory enacted tax rates for income tax and social contribution have been 25% and 9%, respectively, for the six-month periods ended June 30, 2009 and 2008.

The Company s taxable income is substantially generated in Brazil and is therefore subject to the Brazilian statutory tax rate.

Table of Contents

4. Income Taxes (Continued)

The following table reconciles the tax calculated based upon the Brazilian statutory tax rate of 34% to the income tax expense recorded in these consolidated statements of income.

	Six-month periods ended June 30,	
	2009	**2008**
Income before income taxes and noncontrolling interest		
Brazil	**9,626**	15,073
International	**620**	495
	10,246	15,568
Tax expense at statutory rates - (34%)	**(3,484)**	(5,293)
Adjustments to derive effective tax rate:		
Non-deductible post-retirement and health-benefits	**(80)**	(122)
Tax benefits on interests on shareholders equity	**459**	-
Foreign income subject to different tax rates	**327**	94
Tax incentive **(1)**	**71**	292
Other	**209**	264
Income tax expense per consolidated statement of income	**(2,498)**	(4,765)

(1) On May 10, 2007, the Brazilian Federal Revenue Office recognized Petrobras' right to deduct certain tax incentives from income tax payable, covering the tax years of 2006 until 2015. During the six-month period ended June 30, 2009, Petrobras recognized a tax benefit in the amount of US$71 (US$292 on June 30, 2008) primarily related to these incentives in the Northeast, within the region covered by the Northeast Development Agency (ADENE), granting a 75% reduction in income tax payable, calculated on the profits of the exploration of the incentive activities and these have been accounted for under the flow through method.

Table of Contents

4. Income Taxes (Continued)

The following table shows a breakdown between domestic and international income tax benefit (expense) attributable to income from continuing operations:

	Six-month periods ended June 30,	
	2009	**2008**
Income tax expense per consolidated statement of income:		
Brazil		
Current	**(2,392)**	(3,892)
Deferred	**189**	(704)
	(2,203)	(4,596)
International		
Current	**(397)**	(193)
Deferred	**102**	24
	(295)	(169)
	(2,498)	(4,765)

Table of Contents

4. Income Taxes (Continued)

The major components of the deferred income tax accounts in the consolidated balance sheet are as follows:

	June 30, 2009	December 31, 2008
Current assets	**534**	505
Valuation allowance	**-**	(5)
Current liabilities	**(4)**	(8)
Net current deferred tax assets	**530**	492
Non-current assets		
Employees postretirement benefits, net of Accumulated postretirement benefit reserves adjustments	**119**	116
Tax loss carryforwards	**1,939**	1,944
Other temporary differences, not significant individually	**560**	742
Valuation allowance	**(1,588)**	(1,609)
	1,030	1,193
Non-current liabilities		
Capitalized exploration and development costs	**(7,051)**	(5,251)
Property, plant and equipment	**(1,661)**	(1,197)
Exchange variation	**(38)**	(1,226)
Other temporary differences, not significant individually	**(416)**	(476)
	(9,166)	(8,150)
Net non-current deferred tax liabilities	**(8,136)**	(6,957)
Non-current deferred tax assets	**122**	123
Non-current deferred tax liabilities	**(8,258)**	(7,080)
Net deferred tax liabilities	**(7,606)**	(6,465)

30

Table of Contents

4. Income Taxes (Continued)

The Company and its subsidiaries file income tax returns in Brazil and in many foreign jurisdictions. These tax returns are open to examination by the respective tax authorities in accordance with each local legislation.

As of and for the six-month period ended June 30, 2009, the Company did not have any material unrecognized tax benefits. Additionally, the Company does not expect that the amount of the unrecognized tax benefits will change significantly within the next twelve months.

5. Cash and Cash Equivalents

	June 30, 2009	**December 31, 2008**
Cash	**1,230**	1,075
Investments - Brazilian Reais **(1)**	**1,973**	2,813
Investments - U.S. dollars **(2)**	**1,667**	2,611
	4,870	6,499

(1) Comprised primarily federal public bonds with immediate liquidity and the securities are tied to the American dollar quotation or to the remuneration of the Interbank Deposits - DI.

(2) Comprised primarily by Time Deposit and securities with fixed income.

Table of Contents

6. Marketable Securities

	June 30, 2009	**December 31, 2008**
Marketable securities classification:		
Available-for-sale	**2,178**	1,608
Trading	**11**	57
Held-to-maturity	**213**	197
	2,402	1,862
Less: Current portion of marketable securities	**(105)**	(124)
Long-term portion of marketable securities	**2,297**	1,738

Available-for-sale securities are presented as Non-current assets , as they are not expected to be sold or liquidated within the next twelve months. As of June 30, 2009, Petrobras had a balance of US$1,824 linked to B Series National Treasury Notes, which are accounted for as available-for-sale securities in accordance with SFAS 115. On October 23, 2008, the B Series National Treasury Notes were used as a guarantee after the confirmation of the agreements into with Petros, Petrobras pension plan (see Note 14 (b)). The nominal value of the NTN-Bs is restated based on variations in the Amplified Consumer Price Index (IPCA). The maturities of these notes are 2024 and 2035 and they bear interest coupon of 6% p.a., which is paid semi-annually. At June 30, 2009, the balances of the National Treasury Notes - Series B (NTN-B) are updated in accordance with their market value, based on the average prices disclosed by the National Association of Open Market Institutions (ANDIMA).

Table of Contents

7. Inventories

	June 30, 2009	December 31, 2008
Products		
Oil products	**2,703**	2,770
Fuel alcohol	**306**	256
	3,009	3,026
Raw materials, mainly crude oil	**4,196**	3,301
Materials and supplies	**1,870**	1,578
Other	**113**	134
	9,188	8,039
Current inventories	**9,152**	7,990
Long-term inventories	**36**	49

Inventories are stated at the lower of cost or market. Due to the recently declines in the oil international market prices, the Company recognized a loss of US$205 for the six-month period ended June 30, 2009, which was classified as other operating expenses in the consolidated statement of income. The Company adopted the realizable value for inventory impairment purposes.

Table of Contents

8. Recoverable Taxes

Recoverable taxes consisted of the following:

	June 30, 2009	December 31, 2008
Local:		
Domestic value-added tax (ICMS) **(1)**	**2,644**	1,924
PASEP/COFINS **(2)**	**3,349**	2,622
Income tax and social contribution	**1,735**	1,176
Foreign value-added tax (IVA)	**67**	113
Other recoverable taxes	**353**	541
	8,148	6,376
Less: Long-term recoverable taxes	**(4,132)**	(3,095)
Current recoverable taxes	**4,016**	3,281

(1) Domestic value-added sales tax (ICMS) is composed of credits generated by commercial operations and by the acquisition of property, plant and equipment and can be offset with taxes of the same nature.

(2) Composed of credits arising from non-cumulative collection of PASEP and COFINS, which can be compensated with other federal taxes payable.

The income tax and social contribution recoverable will be offset against future income tax payable.

Petrobras plans to fully recover these taxes, and as such, no allowance has been provided.

Table of Contents

9. Petroleum and Alcohol Account - Receivable from Federal Government

The following summarizes the changes in the Petroleum and Alcohol account for the six-month period ended June 30, 2009:

	Six-month period ended June 30, 2009
Opening balance	**346**
Financial income	**3**
Translation gain	**69**
Ending balance	**418**

In order to conclude the settlement of accounts with the Federal Goverment, pursuant to Provisional Measure nº 2,181, of August 24, 2001, and after providing all the information required by the National Treasury Office - STN, Petrobras is seeking to settle all the remaining disputes between the parties.

The remaining balance of the Petroleum and Alcohol account may be paid as follows: (1) National Treasury Bonds issued at the same amount as the final balance of the Petroleum and Alcohol account; (2) offset of the balance of the Petroleum and Alcohol account, with any other amount owed by Petrobras to the Federal Government, including taxes; or (3) by a combination of the above options.

Table of Contents

10. Financings

a) Short-term debt

The Company's short-term borrowings are principally sourced from commercial banks and include import and export financing denominated in United States dollars, as follows:

	June 30, 2009	December 31, 2008
Imports - oil and equipment	**177**	479
Working capital	**2,005**	1,920
	2,182	2,399

The weighted average annual interest rates on outstanding short-term borrowings were 4.45% and 4.72% at June 30, 2009 and December 31, 2008, respectively.

Table of Contents

10. Financings (Continued)

b) Long-term debt

- Composition

	June 30, 2009	December 31, 2008
Foreign currency		
Notes	**7,334**	5,716
Financial institutions	**10,068**	5,938
Sale of future receivables	**515**	549
Suppliers credits	**76**	80
Assets related to export program to be offset against sales of future receivables	**(150)**	(150)
	17,843	12,133
Local currency		
National Economic and Social Development		
Bank - BNDES (state-owned company)	**867**	831
Debentures:		
BNDES (state-owned company)	**206**	186
Other Banks	**1,397**	1,182
Export Credit Notes	**2,574**	1,655
Bank Credit Certificate	**1,848**	1,543
Other	**91**	32
	6,983	5,429
Total	**24,826**	17,562
Current portion of long-term debt	**(1,809)**	(1,531)
	23,017	16,031

Table of Contents

10. Financings (Continued)

b) Long-term debt (Continued)

- Composition of foreign currency denominated debt by currency

	June 30, 2009	December 31, 2008
Currency		
United States dollars	**17,075**	11,388
Japanese Yen	**655**	630
Euro	**65**	69
Other	**48**	46
	17,843	12,133

- Maturities of the principal of long-term debt

The long-term portion at June 30, 2009 becomes due in the following years:

2010	**2,186**
2011	**9,645**
2012	**1,913**
2013	**1,467**
2014	**1,140**
2015 and thereafter	**6,666**
	23,017

Table of Contents

10. Financings (Continued)

b) Long-term debt (Continued)

The composition of annual interest rates on long-term debt are as follows:

	June 30, 2009	**December 31, 2008**
Foreign currency		
6% or less	**11,424**	7,721
Over 6% to 8%	**4,199**	2,175
Over 8% to 10%	**1,408**	2,178
Over 10% to 12%	**796**	42
Over 12% to 15%	**16**	17
	17,843	12,133
Local currency		
6% or less	**335**	786
Over 6% to 8%	**358**	563
Over 8% to 10%	**501**	201
Over 10% to 12%	**5,789**	3,848
Over 12% to 15%	**-**	31
	6,983	5,429
	24,826	17,562

Table of Contents

10. Financings (Continued)

b) Long-term debt (Continued)

Structured finance of exports

Petrobras and Petrobras Finance Ltd. - PFL have certain contracts (Master Export Contract and Prepayment Agreement) between themselves and a special purpose entity not related to Petrobras, PF Export Receivables Master Trust (PF Export), relating to the prepayment of export receivables to be generated by PFL by means of sales on the international market of fuel oil and other products acquired from Petrobras.

As at June 30, 2009, the balance of export prepayments amounted to US$298 in non-current liabilities (US$348 as of December 31, 2008) and US$69 in current liabilities (US$75 as of December 31, 2008).

Global Notes - PifCo

- On February 11, 2009, Petrobras International Finance Company - PifCo, a wholly owned subsidiary of Petrobras, completed the issue of US$1,500 Global Notes on the international capitals market, with maturity on March 15, 2019, an interest rate of 7.875% p.a. and half-yearly payment of interest as from September 1**,** 2009. The funds raised are being used for general corporate purposes, including financing the Petrobras Business Plan 2009-2013.

  This financing had issuing costs estimated at US$6, a premium of US$26 and an effective tax rate of 8.187% p.a. Global Notes constitute unsecured and unsubordinated obligations for PifCo and have the complete, unconditional guarantee of Petrobras.

Table of Contents

10. Financings (Continued)

b) Long-term debt (Continued)

Lines of Credit for PifCo

From March 24 to June 5, 2009, the Petrobras International Finance Company (PifCo) raised funds in the total amount of US$4,500 from lines of credit with Citibank Santander, HSBC Bank, Société General and JP Morgan Chase Bank, with maturity in 2011. These lines are subject to interest at Libor plus market spread. PifCo used these funds to finance its operations for exporting/importing of oil and oil products.

Approval of Financing by the Export-Import Bank of the United States

On April 29, 2009 the Export-Import Bank of the United Stated (U.S. Ex-Im Bank) approved a line of financing for Petrobras in the amount of US$2,000.

The amount financed can be drawn in different stages during the next two years, in accordance with the importing of goods and services, with a maximum term of payment of 10 years for each drawdown.

Credit facility agreement to finance exports

On March 06, 2009, Petrobras contracted a credit facility of US$256, with the Banco do Brasil. The transaction was ensured by an Export Credit Note, the sole purpose of which is to increase Petrobras exports of oil and oil products and was negotiated with the following terms:

Term: February 24, 2011, with interest payable every 6 months, beginning on September 24, 2009, and settlement of the principal at the end of the term;

Interest rate: 113% of average rate of the CDI **(1)** + Flat Fee of 0.85%;

Clause providing for early repayment as from 180 days of the withdrawal;

Exemption of IOF tax on presentation of proof of the export operations; and

Waiver of guarantees.

(1) CDI rate is the average rate for interbank deposits made during the day in Brazil.

Table of Contents

10. Financings (Continued)

b) Long-term debt (Continued)

On April 20, 2009, Petrobras took out financing of US$256 and US$102 from Banco do Brasil. The operation was made feasible through the issue of Export Credit Notes (NCE), the exclusive purpose of which was to increase Petrobras' exports of oil and oil products. This transaction was negotiated with the following conditions:

Term: Maturity of the principal on April 7, 2011 and maturity of the payments of the financial charges half-yearly as from November 7, 2009;

Interest rate: 113% of average rate of CDI + Flat Fee of 0.85%;

Prepayment clause as of 180 days of the drawdown;

Exemption of Tax on Financial Operations IOF (Tax on Financial Operations) upon proof of the export transactions; and

Waiver of the guarantees.

Line of Credit for REFAP

REFAP used short-term lines known as FINIMP to finance imports of crude oil. In the first half of 2009, a number of operations of up to 180 days were carried out in various financial institutions abroad in the amount of US$598, for which the effective average funding rate (LIBOR + spread) was 6.7% p.a.

Table of Contents

10. Financings (Continued)

b) Long-term debt (Continued)

Raising of funds for the international segment

In the period from January to June 2009, the subsidiaries of Petrobras abroad raised funds in the amount equivalent to US$2,247, basically to finance working capital and projects associated with the activities of exploration and production of oil and gas.

The most significant funds were raised by the following companies, indirect subsidiaries of Petrobras:

Refinaria Nansei Sekiyu K.K. It raised funding in the total amount of US$1,579, US$106 in long-term through Development Bank Japan, with average maturity of 365 days, at an average rate of 0.1% p.a.; and US$1,473 in short-term through Mizuo Bank Corp, Sumitomo Mitsui Bank Corp, MTBUFJ, Ryukyu and JOGMEC, at rates of Libor + 2% p.a. and expenses from 0.66% to 2.66% p.a., basically to finance the company s working capital.

Petrobras Energia S.A. - It raised short-term funding in the amount of US$297, through Banco HSBC, Itaú, BBVA, Banco Rio, Banco Ciudad, ABN Amro Bank, Banco do Brasil and Banco Santander, mainly through advances on export contracts (ACC) and exchange contracts (ACE), aiming at maintaining the company s working capital and replacing inventories. The operations have final maturity in 2010 and an average interest rate between 6% p.a. and 8% p.a. in United States Dollars, and from 20% to 28% p.a. in Argentine Pesos.

Table of Contents

11. Financial Income (Expenses), Net

Financial expenses, financial income and monetary and exchange variation, allocated to income for the six-month periods ended June 30, 2009 and 2008 are as follows:

	Six-month periods ended June 30,	
	2009	**2008**
Financial expenses		
Loans and financings	**(856)**	(559)
Project financings	**(159)**	(318)
Leasing	**(15)**	(26)
Losses on derivative instruments	**(330)**	(131)
Repurchased securities losses	**(16)**	(18)
Other	**(114)**	(247)
	(1,490)	(1,299)
Capitalized interest	**1,008**	845
	(482)	(454)
Financial income		
Investments	**285**	191
Marketable securities	**221**	360
Gains on derivative instruments	**130**	115
Clients	**50**	77
Other	**136**	215
	822	958
Monetary and exchange variation	**(900)**	(695)
	(560)	(191)

Table of Contents

12. Project Financings - (Variable Interest Entities - VIE's)

The Company has utilized project financings to provide capital for the continued development of the Company s exploration and production and related projects.

The VIE's associated with the project finance projects are consolidated based on FIN 46(R).

The Company s is the primary beneficiary of the VIE s due to the finance lease arrangements. The VIE s are the lessors and the Company is the lessee. At the conclusion of the leased term, the Company will have the option to purchase the leased assets or all the common stock from the VIE s. All risks associated with the use and development of the leased assets relie on the Company. The Company s payments funds the VIE s thirty party debt and return on equity payments. The Company s variable interest in these VIE s, the financial lease arrangement, will absorb the majority of expected losses and receive a majority of the expected residual returns.

The Company s responsibility under these contracts is to complete the development of the oil and gas fields, operate the fields, pay for all operating expenses related to the projects and remit a portion of the net proceeds generated from the fields to fund the special purpose companies debt and return on equity payments. At the conclusion of the term of each financing project, the Company will have the option to purchase the leased or transferred assets from the consolidated special purpose company.

Table of Contents

12. Project Financings - (Variable Interest Entities - VIE's) (Continued)

The following summarizes the liabilities related to the projects that were in progress at June 30, 2009 and December 31, 2008:

	June 30, 2009	**December 31, 2008**
Transportadora Gasene	**1,999**	1,640
Transportadora Urucu-Manaus **(1)**	**1,403**	1,073
CDMPI PDET On Shore	**882**	904
PDET Offshore	**828**	887
Charter Development - CDC **(2)**	**773**	765
Companhia Locadora de Equipamentos Petrolíferos - CLEP **(3)**	**705**	751
Cabiúnas	**491**	524
Barracuda/Caratinga	**401**	602
Other	**333**	398
Repurchased securities **(3)**	**(695)**	(749)
	7,120	6,795
Current portion of Project financings	**(1,828)**	(1,780)
Long-term portion of Project financings	**5,292**	5,015

(1) Codajás consolidates Transportadora Urucu - Manaus S.A. which is responsible for the Amazonia Project.

(2) Charter Development - CDC is responsible for Marlim Leste (P-53 project).

(3) As of June 30, 2009 and December 31, 2008, the Company had amounts invested abroad in an exclusive investment fund that held debt securities of some of the SPEs that the Company consolidates according to FIN 46(R), in the total amount of US$695 and US$749, respectively. These securities are considered to be extinguished, and thus the related amounts, together with applicable interest have been removed from the presentation of project financings.

Table of Contents

12. Project Financings - (Variable Interest Entities - VIE's) (Continued)

The Company has received certain advances amounting to US$321 which are recorded as project financings obligations and are related to assets under agreements with investors, which are included to the property, plant and equipment balance. Such asset and obligation amounts are presented gross as the obligation can only be settled through delivery of the fully constructed asset.

At June 30, 2009, the long-term portion of project financings becomes due in the following years:

2010	**579**
2011	**731**
2012	**470**
2013	**470**
2014	**546**
2015 and thereafter	**2,496**
	5,292

Table of Contents

a) Financing for Project Amazônia

In 2008, Transportadora Urucu Manaus S/A (TUM) raised from the National Bank for Economic and Social Development (BNDES) the amount of US$527 referring to the long term line of credit contracted on December 6, 2007, in the amount of US$1,276, with the intervention of Codajás Coari Participações Ltda. (Codajás).

The purpose of the raising of these funds was the construction by TUM of a gas pipeline of approximately 383 km for natural gas transportation, linking Coari to Manaus, as well as distribution lines to seven municipalities located along the pipeline, as well as other assets related to it, and a pipeline of, approximately, 279 km for liquid petroleum gas transportation (LPG), linking the Arara industrial park, in Urucu, to the Solimões Terminal, in Coari, and assets related to it, which are all in the State of Amazonas.

Part of the funds of US$664 released in December 2007, was used for payment on December 17, 2007, of the bridge loan of US$410 until then granted to TUM by the same bank.

Table of Contents

12. Project Financings - (Variable Interest Entities - VIE's) (Continued)

a) Financing for Project Amazônia (Continued)

This loan was negotiated with the following conditions:

Term: Maturity of the principal and payment of the financial charges in 48 quarterly installments (12 years);

Grace period for the principal and interest: until August 15, 2010;

Effective interest rate: TJLP + 1.96% p.a., with the establishment of guarantees at least 60 days before the termination of the grace period; and

Transaction costs and premiums: 0.2% due on the amount of the loan, as a fee for studies and structuring.

In January 2009, US$31 was released and US$26 was released in February 2009. From the contracted line of credit, there is still US$29 to be released by BNDES, through proof of the investments made in the Project.

b) Financing for the Gasene Project

b.1) Financing through BNDES foreign funds

During fiscal year 2008 and until the second quarter of 2009, Transportadora Gasene raised from the National Bank for Economic and Social Development (BNDES) the following amounts referring to the long-term credit lines contracted on December 27, 2007: (i) the amount of US$750 from the financing contract through onlending of foreign funds of BNDES (from the China Development Bank), and (ii) the amount of US$478 from the financing contract through funds of BNDES, itself, related to sub-loan A for GASCAV, and the amount of US$720 related to sub-loan B for GASCAC.

On February 26, 2008, the bridge loans taken out from BNDES, in the amount of US$1,039, were fully paid off with the bank considering the first receipt from the lines of credit.

Table of Contents

12. Project Financings - (Variable Interest Entities - VIE's) (Continued)

b) Financing for the Gasene Project (Continued)

b.1) Financing through BNDES foreign funds (Continued)

The purpose for raising these funds is the construction of the Cabiúnas-Vitória pipeline for natural gas transportation, which is approximately 300 km long and links Cabiúnas, in the municipality of Macaé, in the state of Rio de Janeiro, to the municipality of Vitória, in the state of Espirito Santo, and other related assets (GASCAV), as well as the Cacimbas-Catu pipeline for natural gas transportation, which is approximately 940 km long and links Cacimbas, in the state of Espírito Santo, to Catu, in the state of Bahia, and related assets (GASCAC), both of which are integral parts of Projeto Gasoduto Sudeste- Nordeste (the GASENE project).

These lines of credit were negotiated with the following conditions:

Amount of the contract: US$750;

Term: Maturity of the principal and payment of the financial charges on December 20, 2022;

Effective interest rate: 3.20% p.a.+ exchange rate; and

Transaction costs and premiums: 0.2% due on the value of the loan, as a fee for studies and structuring, totaling US$1.5, + an up front fee of 5.0% of US$750, totaling US$37.5, + a commitment fee of 0.3% p.a., totaling US$0.885.

Table of Contents

12. Project Financings - (Variable Interest Entities - VIE's) (Continued)

b) Financing for the Gasene Project (Continued)

b.2) Financing through BNDES own funds

Amount of the contract: US$1,621, of which US$487 refers to sub-loan A for GASCAV, and US$1,135 refers to sub-loan B for GASCAC;

Term: (i) Sub-loan A Maturity of the principal and payments of the financial charges on October 15, 2020, and (ii) sub-loan B Maturity of the principal and payment of the financial charges in 48 quarterly payments (12 years) after the start-up of Gascac operation;

Effective interest rate: TJLP + 1.96% p.a., with the establishment of guarantees at least 60 days before the termination of the grace period;

Transaction costs and premiums: 0.2% due on the amount of the loan, as a fee for studies and structuring, in the amount of US$3.

From the contracted line of credit there is still US$9 to be released by BNDES referring to sub-loan A , and US$415 referring to sub loan B , through proof of the investments made in the Project.

Table of Contents

13. Capital Lease Obligations

The Company leases certain offshore platforms and vessels, which are accounted for as capital leases. As of June 30, 2009, assets under capital leases had a net book value of US$692 (US$679 at December 31, 2008).

The following is a schedule by year of the future minimum lease payments as of June 30, 2009:

2009	**168**
2010	**231**
2011	**101**
2012	**32**
2013	**7**
2014	**7**
2015 and thereafter	**16**
Estimated future lease payments	**562**
Less amount representing interest at 6.2% to 12.0% annual	**(51)**
Present value of minimum lease payments	**511**
Less current portion of capital lease obligations	**(249)**
Long-term portion of capital lease obligations	**262**

Table of Contents

14. Employees Postretirement Benefits and Other Benefits

a) Employees postretirement benefits balances

The Company sponsors a contributory defined benefit pension plan covering substantially all of its employees and provides certain health care benefits for a number of active and retired employees. During 2009, the Company made contributions of US$220 to pension and health care plans (US$527 in 2008).

The balances related to Employees Postretirement Benefits are represented as follows:

	As of					
	June 30, 2009			December 31, 2008		
	Pension Benefits	Health Care Benefits	Total	Pension benefits	Health Care Benefits	Total
Current liabilities						
Defined-benefit plan	**249**	**269**	**518**	176	224	400
Variable Contribution plan	**45**	**-**	**45**	92	-	92
Employees postretirement projected benefits obligation	**294**	**269**	**563**	268	224	492
Long-term liabilities						
Defined-benefit plan	**2,190**	**5,038**	**7,228**	1,786	4,001	5,787
Employees postretirement projected benefits obligation	**2,484**	**5,307**	**7,791**	2,054	4,225	6,279
Shareholders equity - Accumulated other comprehensive income						
Defined-benefit plan	**372**	**(485)**	**(113)**	253	(404)	(151)
Variable Contribution plan	**45**	**-**	**45**	95	-	95
Tax effect	**(141)**	**165**	**24**	(118)	137	19
Net balance recorded in shareholders equity	**276**	**(320)**	**(44)**	230	(267)	(37)

Table of Contents

14. Employees Postretirement Benefits and Other Benefits (Continued)

b) Funded status of the plans

Net periodic benefit cost includes the following components:

	As of June 30,					
	2009			2008		
	Pension Plans			Pension Plans		
	Defined-Benefits	Variable Contribution	Health Care Benefits	Defined-Benefits	Variable Contribution	Health Care Benefits
Service cost-benefits earned during the period	**92**	**23**	**31**	132	48	58
Interest cost on projected benefit obligation	**1,009**	**8**	**268**	1,220	11	362
Expected return on plan assets	**(851)**	**(4)**	**-**	(999)	(10)	-
Amortization of net actuarial loss	**-**	**-**	**-**	1	-	31
Amortization of prior service cost	**22**	**3**	**1**	30	5	1
	272	**30**	**300**	384	54	452
Employees contributions	**(104)**	**(10)**	**-**	(107)	(32)	-
Net periodic benefit cost	**168**	**20**	**300**	277	22	452

b.1) Defined benefits plan

Petrobras and its subsidiaries sponsoring the Petros plan, trade unions and Petros executed a Financial Commitment Agreement on October 23, 2008, after legal homologation on August 25, 2008, to cover commitments with pension plans, which will be paid in semi-annually installments with interest of 6% p.a. on the debtor balance updated by the IPCA, for the next 20 years, as previously agreed during the renegotiation. At June 30, 2009, the balance of the obligation of Petrobras and subsidiaries referring to the Financial Commitment Agreement was US$1,879, of which US$13 matures in 2009.

Table of Contents

14. Employees Postretirement Benefits and Other Benefits (Continued)

b) Funded status of the plans (Continued)

b.1) Defined benefits plan (Continued)

The Company s obligation, through the Financial Commitment Agreement, presents a counterpart to the concessions made by the members/beneficiaries of the Petros Plan in the amendment of the plan's regulations, in relation to the benefits, and in the closing of existing litigations.

At June 30, 2009, Petrobras had long-term National Treasury Notes in the amount of US$1,824 (US$1,608 at December 31, 2008), acquired to balance liabilities with Petros, which will be held in the Company's portfolio and used as a guarantee for the Financial Commitment Agreement.

As from July 01, 2007, the Company implemented the new supplementary pension plan, a Variable Contribution (CV) or mixed plan, called Petros Plan 2, for employees with no supplementary pension plan.

Table of Contents

b.2) Variable contribution plan

A portion of this plan with defined benefits characteristics refers to the risk coverage for disability and death, a guarantee of a minimum benefit and a lifetime income, and the related actuarial commitments are recorded according to the projected credit unit method. The portion of the plan with defined contribution characteristics, earmarked for forming a reserve for programmed retirement, was recognized in the results for the year as the contributions are made. In the six-month period ended June 30, 2009, the contribution of Petrobras and subsidiaries to the defined contribution portion of this plan was US$44.

Petrobras an the other sponsors fully assumed the contributions corresponding to the period in which the participants had no plan. This past service shall consider the period as from August 2002, or from the date of hiring, until August 29, 2007. The plan will continue to admit new subscribers after this date but no longer including any payment for the period relating to past service.

Table of Contents

14. Employees Postretirement Benefits and Other Benefits (Continued)

b) Funded status of the plans (Continued)

b.2) Variable contribution plan (Continued)

The disbursements related to the cost of past service will be made on a monthly basis over the same number of months during which the participant had no plan and, therefore, should cover the part related to the participants and the sponsors.

15. Shareholders Equity

a) Capital

The Company s subscribed and fully paid-in capital at June 30, 2009 and at December 31, 2008 consisted of 5,073,347,344 common shares and 3,700,729,396 preferred shares. The preferred shares do not have any voting rights and are not convertible into common shares and vice-versa. Preferred shares have priority in the receipt of dividends and return of capital.

The Extraordinary General Meeting held on March 24, 2008, decided to effect a split of each Company s share into two, resulting: (a) in a free distribution of 1 (one) new share of the same type for each original share and based on the shareholding structure at April 25, 2008; (b) in a free distribution of 1 (one) new American Depository Shares (ADS) of the same type for each original ADS and based on the shareholding structure at April 25, 2008. At the same date, an amendment to article 4 of the Company s by-laws to cause capital be divided into 8,774,076,740 shares, of which 5,073,347,344 are common shares and 3,700,729,396 are preferred shares, with no nominal value, was approved. This amendment to the Company s bylaws is effective from April 25, 2008. The relation between the ADS and shares of each class remains of 2 (two) shares for one ADS.

Current Brazilian law requires that the Federal Government retain ownership of 50% plus one share of the Company s voting shares.

Table of Contents

15. Shareholders Equity (Continued)

a) Capital (Continued)

The Extraordinary General Meeting, held together with the Ordinary General Meeting on April 4, 2008, approved the increase of the Company s capital from US$20,816 (R$52,644 million) to US$36,194 (R$78,967 million), through the capitalization of part of retained earnings recorded during previous years amounting to US$14,782 (R$25,302 million) and part of the capital reserves, amounting to US$596 (R$1,020 million), consisting of US$99 (R$169 million) of the Merchant Navy AFRMM subsidy reserve and US$497 (R$851 million) from the tax incentives reserve, and without issuing any new shares, in accordance with article 169, paragraph 1 of Law Nº 6.404/76.

b) Dividends and interest on shareholders equity related to 2008 results

On April 08, 2009, the Ordinary General Meeting approved dividends referring to the year ended December 31, 2008, in the amount of US$4,242, conforms to the by-laws in regard to guaranteed rights of preferred shares (article 5), include interest on shareholders equity, already approved by the Board of Directors, in the amount of US$3,004. Interest on shareholders equity is subject to withholding tax at the rate of 15%, except for untaxed or exempt shareholders. The dividends were monetarily restated in accordance with the SELIC rate variation as from December 31, 2008 to the initial date of payment.

Table of Contents

Dividends and interest on shareholders equity are being distributed as follows:

On April 29, 2009, amounting to US$1,527 (R$3,334 million), which was made available to shareholders based on the shareholding position of December 26, 2008, monetarily restated in accordance with the SELIC rate variation as from December 31, 2008;

On June 24, 2009, amounting to US$1,690 (R$3,334 million), which was made available to shareholders based on the shareholding position of December 26, 2008, monetarily restated in accordance with the SELIC rate variation as from December 31, 2008;

The remaining balance of dividends relating to the financial year of 2008, was made available to shareholders on August 14, 2009

Table of Contents

15. Shareholders Equity (Continued)

c) Dividends and interest on shareholders equity related to 2009 results

On June 24, 2009, the Company s Board of Directors approved the early distribution of remuneration to shareholders under the form of interest on shareholders equity in the amount of US$1,349, as established in article 9 of Law 9.249/95 and Decrees 2.673/98 and 3.381/00.

The amount to be distributed to the shareholders will be made available not later than December 31, 2009, based on the share position of July 3, 2009.

The interest on shareholders equity, restated by the SELIC rate since the date of effective payment until the closing of the respective fiscal year, should be discounted from the remuneration that will be distributed at the closing of fiscal year 2009.

Interest on shareholders equity is subject to the levy of 15% (fifteen percent) income tax, except for shareholders that are declared immune or exempt.

Basic and diluted earnings per share amounts have been calculated as follows:

	Six-month periods ended June 30,	
	2009	**2008**
Net income for the period attributable to Petrobras	**6,627**	10,716
Less priority preferred share dividends	**(972)**	(1,031)
Less common shares dividends, up to the priority preferred shares dividends on a per-share basis	**(1,332)**	(1,413)
Remaining net income to be equally allocated to common and preferred shares	**4,323**	8,272
Weighted average number of shares outstanding:		
Common	**5,073,347,344**	5,073,347,344
Preferred	**3,700,729,396**	3,700,729,396
Basic and diluted earnings per:		
Common and preferred share	**0.76**	1.22
Common and preferred ADS	**1.52**	2.44

Table of Contents

16. Commitments and Contingencies

Petrobras is subject to a number of commitments and contingencies arising in the normal course of its business. Additionally, the operations and earnings of the Company have been, and may be in the future, affected from time to time in varying degrees by political developments and laws and regulations, such as the Federal Government's continuing role as the controlling shareholder of the Company, the status of the Brazilian economy, forced divestiture of assets, tax increases and retroactive tax claims, and environmental regulations. The likelihood of such occurrences and their overall effect upon the Company are not readily predictable.

a) Litigation

The Company is a defendant in numerous legal actions involving civil, tax, labor, corporate and environment issues arising in the normal course of its business. Based on the advice of its internal legal counsel and management s best judgment, the Company has recorded accruals in amounts sufficient to provide for losses that are considered probable and reasonably estimable.

At June 30, 2009 and December 31, 2008, the respective amounts accrued by type of claims are as follows:

	June 30, 2009	**December 31, 2008**
Labor claims	**60**	50
Tax claims	**97**	81
Civil claims	**244**	220
Commercials claims and other contingencies	**40**	28
Total	**441**	379
Current contingencies	**(28)**	(23)
Long-term contingencies	**413**	356

Table of Contents

16. Commitments and Contingencies (Continued)

a) Litigation (Continued)

As of June 30, 2009 and December 31, 2008, in accordance with Brazilian law, the Company had paid US$939 and US$798, respectively, into federal depositories to provide collateral for these and other claims until they are settled. These amounts are reflected in the balance sheet as restricted deposits for legal proceedings and guarantees.

b) Environmental matters

The Company is subject to various environmental laws and regulations. These laws regulate the discharge of oil, gas or other materials into the environment and may require the Company to remove or mitigate the environmental effects of the disposal or release of such materials at various sites.

The Company s management considers that any expenses incurred to correct or mitigate possible environmental impacts should not have a significant effect on operations or cash flows.

Table of Contents

17. Fair value Measurements

The Company s debt including project financing obligations, resulting from FIN 46(R) consolidation amounted to US$28,309 at June 30, 2009, and US$21,046 at December 31, 2008, and had estimated fair values of US$27,737 and US$20,032, respectively.

The fair value hierarchy for the Company s financial assets and liabilities accounted for at fair value on a recurring basis, at June 30, 2009, was:

	As of June 30, 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Marketable securities	**2,189**	**-**	**-**	**2,189**
Foreign exchange derivatives (Note 3)	**-**	**50**	**-**	**50**
Commodity derivatives (Note 3)	**49**	**-**	**-**	**49**
Total assets	**2,238**	**50**	**-**	**2,288**
Liabilities				
Commodity derivatives (Note 3)	**(59)**	**-**	**-**	**(59)**
Foreign exchange derivatives (Note 3)	**-**	**(17)**	**-**	**(17)**
Total liabilities	**(59)**	**(17)**	**-**	**(76)**

Table of Contents

18. Segment Information

The following presents the Company s assets by segment:

	As of June 30, 2009							
	Exploration and Production	**Supply**	**Gas and Energy**	**International (see separate disclosure)**	**Distribution**	**Corporate**	**Eliminations**	**T**
Current assets	**2,878**	**12,666**	**2,213**	**2,783**	**2,872**	**9,650**	**(4,378)**	**2**
Cash and cash equivalents	-	-	-	-	-	4,870	-	
Other current assets	2,878	12,666	2,213	2,783	2,872	4,780	(4,378)	2
Investments in non-consolidated companies and other investments	255	1,595	563	1,330	197	91	-	
Property, plant and equipment, net	59,587	22,287	14,945	9,477	1,981	1,825	(26)	11
Non-current assets	3,724	1,427	1,562	1,440	401	7,195	(1,097)	1
Total assets	**66,444**	**37,975**	**19,283**	**15,030**	**5,451**	**18,761**	**(5,501)**	**15**

Table of Contents

18. Segment Information (Continued)

	As of June 30, 2009						
	International						
	Exploration and Production	Supply	Gas and Energy	Distribution	Corporate	Eliminations	Total
Current assets	996	1,371	194	274	298	(350)	2,783
Investments in non-consolidated companies and other investments	871	34	232	38	155	-	1,330
Property, plant and equipment, net	7,988	1,150	250	268	130	(309)	9,477
Non-current assets	1,008	232	51	50	1,935	(1,836)	1,440
Total assets	10,863	2,787	727	630	2,518	(2,495)	15,030

Table of Contents

18. Segment Information (Continued)

	As of December 31, 2008							
	Exploration and Production	**Supply**	**Gas and Energy**	**International (see separate disclosure)**	**Distribution**	**Corporate**	**Eliminations**	**T**
Current assets	2,662	9,647	2,466	2,327	2,646	10,387	(3,377)	2
Cash and cash equivalents	-	-	-	-	-	6,499	-	
Other current assets	2,662	9,647	2,466	2,327	2,646	3,888	(3,377)	2
Investments in non-consolidated companies and other investments	171	1,168	474	1,142	166	77	-	
Property, plant and equipment, net	45,836	15,806	10,719	9,341	1,621	1,418	(22)	8
Non-current assets	2,657	900	1,334	629	342	5,701	(543)	1
Total assets	51,326	27,521	14,993	13,439	4,775	17,583	(3,942)	12

Table of Contents

18. Segment Information (Continued)

	As of December 31, 2008						
	International						
	Exploration and Production	**Supply**	**Gas and Energy**	**Distribution**	**Corporate**	**Eliminations**	**Total**
Current assets	817	1,275	243	141	238	(387)	2,327
Investments in non-consolidated companies and other investments	857	35	264	-	(14)	-	1,142
Property, plant and equipment, net	7,892	1,218	232	162	109	(272)	9,341
Non-current assets	708	64	68	51	1,472	(1,734)	629
Total assets	10,274	2,592	807	354	1,805	(2,393)	13,439

Table of Contents

18. Segment Information (Continued)

Revenues and net income by segment are as follows:

	Six-month period ended June 30, 2009							
	Exploration and Production	**Supply**	**Gas and Energy**	**International (see separate disclosure)**	**Distribution**	**Corporate**	**Eliminations**	**Total**
Net operating revenues to third parties	316	21,423	2,267	3,494	12,294	-	-	39,794
Inter-segment net operating revenues	14,712	10.956	475	501	333	-	(26,977)	-
Net operating revenues	15,028	32,379	2,742	3,995	12,627	-	(26,977)	39,794
Cost of sales	(6,887)	(23,829)	(2,076)	(2,992)	(11,572)	-	26,474	(20,882
Depreciation, depletion and amortization	(1,805)	(488)	(126)	(299)	(81)	(92)	-	(2,891
Exploration, including exploratory dry holes	(681)	-	-	(117)	-	-	-	(798
Selling, general and administrative expenses	(157)	(1,077)	(171)	(343)	(610)	(809)	42	(3,125
Research and development expenses	(126)	(73)	(7)	(1)	(3)	(112)	-	(322
Employee benefit expense	-	-	-	-	-	(324)	-	(324
Other operating expenses	70	(310)	(129)	(71)	26	(250)	28	(636
Costs and expenses	(9,586)	(25,777)	(2,509)	(3,823)	(12,240)	(1,587)	26,544	(28,978
Operating income (loss)	5,442	6,602	233	172	387	(1,587)	(433)	10,816
Equity in results of non-consolidated companies	(1)	148	46	21	-	1	-	215
Financial income (expenses), net	-	-	-	-	-	(560)	-	(560
Other taxes	(39)	(21)	(5)	(36)	(8)	(39)	-	(148
Other expenses, net	(26)	120	(7)	(156)	2	(10)	-	(77

Income (Loss) before income taxes	5,376	6,849	267	1	381	(2,195)	(433)	10,246
Income tax benefits (expense)	(1,828)	(2,280)	(75)	(295)	(129)	1,961	148	(2,498
Net income (loss) for the period	3,548	4,569	192	(294)	252	(234)	(285)	7,748
Less: Net income (loss) attributable to the noncontrolling interest	49	(46)	42	(50)	-	(1,116)	-	(1,121
Net income (loss) attributable to Petrobras	3,597	4,523	234	(344)	252	(1,350)	(285)	6,627

Table of Contents

18. Segment Information (Continued)

	Six-month period ended June 30, 2009						
			International				
	Exploration and Production	Supply	Gas and Energy	Distribution	Corporate	Eliminations	Total
Net operating revenues to third parties	386	1,897	171	1,038	2	-	3,494
Inter-segment net operating revenues	728	625	27	23	-	(902)	501
Net operating revenues	1,114	2,522	198	1,061	2	(902)	3,995
Cost of sales	(416)	(2,374)	(150)	(970)	(2)	920	(2,992)
Depreciation, depletion and amortization	(228)	(43)	(7)	(10)	(11)	-	(299)
Exploration, including exploratory dry holes	(117)	-	-	-	-	-	(117)
Selling, general and administrative expenses	(80)	(71)	(9)	(61)	(122)	-	(343)
Research and development expenses	-	-	-	-	(1)	-	(1)
Other operating expenses	(5)	(83)	(3)	5	7	8	(71)
Costs and expenses	(846)	(2,571)	(169)	(1,036)	(129)	928	(3,823)
Operating income (loss)	268	(49)	29	25	(127)	26	172
Equity in results of non-consolidated companies	15	3	3	4	(4)	-	21
Other taxes	(5)	(2)	-	(1)	(28)	-	(36)
Other expenses, net	(7)	(148)	-	-	(1)	-	(156)
Income (Loss) before income taxes	271	(196)	32	28	(160)	26	1
Income tax benefits (expense)	(80)	61	-	(3)	(273)	-	(295)

Net income (loss) for the period	191	(135)	32	25	(433)	26	(294)
Less: Net income (loss) attributable to the noncontrolling interest	(25)	9	-	-	(34)	-	(50)
Net income (loss) attributable to Petrobras	166	(126)	32	25	(467)	26	(344)

Table of Contents

18. Segment Information (Continued)

Six-month period ended June 30, 2008

	Exploration and Production	Supply	Gas and Energy	International (see separate disclosure)	Distribution	Corporate	Eliminations	Total
Net operating revenues to third parties	459	35,989	3,674	4,646	15,069	-	-	59,837
Inter-segment net operating revenues	31,882	13,097	497	493	260	-	(46,229)	-
Net operating revenues	32,341	49,086	4,171	5,139	15,329	-	(46,229)	59,837
Cost of sales	(10,494)	(48,066)	(3,450)	(3,955)	(13,999)	-	44,869	(35,095)
Depreciation, depletion and amortization	(1,619)	(645)	(179)	(267)	(107)	(164)	-	(2,981)
Exploration, including exploratory dry holes	(606)	-	-	(137)	-	-	-	(743)
Selling, general and administrative expenses	(215)	(1,200)	(222)	(391)	(698)	(860)	79	(3,507)
Research and development expenses	(232)	(89)	(31)	(1)	(4)	(109)	-	(466)
Employee benefit expense	-	-	-	-	-	(427)	-	(427)
Other operating expenses	1	(150)	(416)	(89)	27	(485)	-	(1,112)
Costs and expenses	(13,165)	(50,150)	(4,298)	(4,840)	(14,781)	(2,045)	44,948	(44,331)
Operating income (loss)	19,176	(1,064)	(127)	299	548	(2,045)	(1,281)	15,506

Equity in results of non-consolidated companies	-	163	61	109	-	1	-	334
Financial income (expenses), net	-	-	-	-	-	(191)	-	(191)
Other taxes	(28)	(30)	(11)	(36)	(8)	(62)	-	(175)
Other expenses, net	9	83	10	(1)	(8)	1	-	94
Income (Loss) before income taxes	19,157	(848)	(67)	371	532	(2,296)	(1,281)	15,568
Income tax benefits (expense)	(6,513)	343	44	(169)	(181)	1,275	436	(4,765)
Net income (loss) for the period	12,644	(505)	(23)	202	351	(1,021)	(845)	10,803
Less: Net income (loss) attributable to the noncontrolling interest	(130)	56	(48)	(55)	-	90	-	(87)
Net income (loss) attributable to Petrobras	12,514	(449)	(71)	147	351	(931)	(845)	10,716

Table of Contents

18. Segment Information (Continued)

	Six-month period ended June 30, 2008						
			International				
	Exploration and Production	Supply	Gas and Energy	Distribution	Corporate	Eliminations	Total
Net operating revenues to third parties	714	2,442	210	1,278	2	-	4,646
Inter-segment net operating revenues	769	744	25	34	-	(1,079)	493
Net operating revenues	1,483	3,186	235	1,312	2	(1,079)	5,139
Cost of sales	(411)	(3,268)	(181)	(1,181)	(2)	1,088	(3,955)
Depreciation, depletion and amortization	(197)	(43)	(8)	(12)	(7)	-	(267)
Exploration, including exploratory dry holes	(137)	-	-	-	-	-	(137)
Selling, general and administrative expenses	(105)	(87)	(16)	(63)	(120)	-	(391)
Research and development expenses	-	-	-	-	(1)	-	(1)
Other operating expenses	(117)	13	16	1	(2)	-	(89)
Costs and expenses	(967)	(3,385)	(189)	(1,255)	(132)	1,088	(4,840)
Operation income (loss)	516	(199)	46	57	(130)	9	299
Equity in results of non-consolidated companies	53	(6)	8	-	54	-	109
Other taxes	(5)	-	-	(1)	(30)	-	(36)
Other expenses, net	(2)	-	1	-	-	-	(1)
Income (Loss) before income taxes	562	(205)	55	56	(106)	9	371
Income tax benefits (expense)	(218)	39	(1)	(3)	14	-	(169)

Net income (loss) for the period	344	(166)	54	53	(92)	9	202
Less: Net income (loss) attributable to the noncontrolling interest	(102)	87	(15)	(11)	(14)	-	(55)
Net income (loss) attributable to Petrobras	242	(79)	39	42	(106)	9	147

Table of Contents

18. Segment Information (Continued)

Capital expenditures incurred by segment for the six-month periods ended June 30, 2009 and 2008 are as follows:

	Six-month periods ended June 30,	
	2009	**2008**
Exploration and Production	**6,849**	7,055
Supply	**3,784**	1,574
Gas and Energy	**2,058**	1,460
International		
Exploration and Production	**771**	1,202
Supply	**68**	128
Distribution	**4**	5
Gas and Energy	**37**	9
Distribution	**225**	125
Corporate	**475**	606
	14,271	12,164

Table of Contents

19. Acquisitions

a) Ipiranga current developments and restructuring of the petrochemical companies with Braskem

On March 6, 2009, the Board of Directors of Petrobras and BR Distribuidora authorized the transfer of the interests in Alvo and IASA, through a capital increase corresponding to the net equity of these companies.

On April 9, 2009, the Special General Shareholders' Meeting of BR Distribuidora approved the proposed capital increase in the amount of US$308, thus concluding the process for transfer of Alvo and IASA, which became subsidiaries of BR Distribuidora.

Table of Contents

19. Acquisitions (Continued)

a) Ipiranga current developments and restructuring of the petrochemical companies with Braskem (Continued)

a.1) Braskem Investment Agreement

On November 30, 2007, an investment agreement was signed between Braskem, Odebrecht, Petrobras, Petroquisa and Norquisa, by which it was agreed that some petrochemical assets held by Petrobras and Petroquisa would be integrated in Braskem in exchange for a participation interest in Braskem. On May 14, 2008, an addendum to the investment agreement was made dividing the exchange transaction into two stages.

The first stage was completed on May 30, 2008, whereby Petrobras and Petroquisa transferred to Braskem the following participation interests: (i) 37.30% of the voting and total capital of Copesul; (ii) 40% of the voting and total capital of IPQ; (iii) 40% of the voting and total capital of IQ; (iv) 40% of the voting and total capital of Petroquímica Paulínia (PPSA), in exchange for 21.9% of the voting capital and 16,3% of the total capital of Braskem. The exchange transaction was based on the fair value of the participation interest exchanged.

Table of Contents

Initiating the implementation of the second stage, on April 7, 2009 Braskem and Petroquímica Triunfo (Triunfo) executed a protocol and justification for merger of Triunfo by Braskem, through which Braskem takes over the net assets of the equity of Triunfo and will also succeed in all its rights and obligations, through issuing Braskem's preferred A class shares to the shareholders of Triunfo.

The merger of Petroquímica Triunfo S.A. (Triunfo) into Braskem, in the terms of the Protocol and Justification for Merger of April 7, 2009, was approved in the Special General Shareholder Meeting of Braskem held on April 30 and in the Special General Shareholders Meeting of Triunfo held on May 5. This transaction concluded the integration of assets established in the investment agreement between Braskem, Odebrecht, Petrobras, Petroquisa and Norquisa, executed in November 2007 and approved by CADE in July 2008. With this merger Petroquisa now holds 31.0% of the voting capital and 25.3% of the total capital of Braskem.

Table of Contents

19. Acquisitions (Continued)

b) Acquisition of distribution interests in Chile

On April 30, 2009, Petrobras, through its wholly owned subsidiaries Petrobras Venezuela Investments & Services B.V. e Petrobras Participaciones, S.L., located in the Netherlands and Spain, respectively, concluded the process for the acquisition of the distribution and logistics businesses of ExxonMobil in Chile, with the payment of US$400, net of the cash and cash equivalents of the purchased companies.

With this acquisition, Petrobras has guaranteed its participation in the Chilean fuel distribution market with a network of around 230 service stations, present in 11 airports, an interest in six distribution terminals, four of which are its own and two of which are joint ventures, and a 22% interest in the company Sociedad Nacional de Oleodutos and a 33.3% interest in the company Sociedad de Inversiones de Aviación.

c) Purchase option of Marlim Participações

On April 30, 2009, the executive committee of Petrobras approved the exercise of the purchase option by the Company of 100% of the capital of the company Marlim Participações S.A. (Marlimpar). The price for exercising the option was US$0.359 (R$700 - seven hundred Reais), as established in the Option Agreement for the Purchase of Shares of Project Marlim, entered into on June 22, 1999 between Petrobras and the former shareholders of MarlimPar.

Marlimpar holds full control of Companhia Petrolífera Marlim (CPM), a specific purpose entity created for the development of the production of petroleum from the Marlim Field, "Project Marlim". The acquisition of Marlimpar occurred after the full amortization of the investments of each one of the shareholders in Project Marlim, as well as after total fulfillment of all the financial obligations of Marlimpar and CPM.

Table of Contents

19. Acquisitions (Continued)

d) Sale option of the Pasadena refinery by Astra

In a decision handed down on April 10, 2009, in the existing arbitration process between Petrobras America Inc - PAI and others and Astra Oil Trading NV - ASTRA and others, the exercise of the put option exercised by ASTRA with respect to PAI of the remaining 49.13% of the shares of ASTRA in Pasadena Refinery Systems Inc. ("PRSI"), was considered valid. The operating, management and financial responsibilities have already been transferred to PAI, based on preliminary decision of October 24, 2008.

According to the decision on April 10, the amount to be paid by PAI for the remaining shareholding interest in the refinery and in the trading company in Pasadena was fixed at US$466. The payment will be made in three installments, the first in the amount of US$296 (originally due on April 27, 2009, according to the decision) and the following two payments in the amount US$85 each, with due dates fixed by the arbitrators for September 2009 and September 2010. ASTRA presented a request for clarification to the arbitration panel on certain points of the decision.

There are also judicial proceedings that are continuing in the progress aimed at defining, amongst other matters, aspects such as the partial confirmation/review of the arbitration report and requests, made by the parties, aimed at receiving reciprocal indemnities (in addition to those decided by the arbitrators) and the return by ASTRA of the books and documents of the companies whose shares it sold and which it is withholding incorrectly.

In March 2009, a loss was recognized in the amount of US$147, corresponding to the difference between the fair value of the net assets and the value defined by the arbitration panel.

In April 2009, the Company recorded a charge of US$289 in as Additional Paid in Capital due to the acquisition of the remaining 49.13% of the shares of ASTRA in Pasadena Refinery Systems Inc. ("PRSI"), which relates to the difference between the fair value of the shares acquired and the noncontrolling interest carrying amount at the closing date.

Table of Contents

20. Subsequent Events

a) Global Notes of PifCo

On July 9, 2009, Petrobras International Finance Company (PifCo) concluded the offer of US$1,250 for reopening its Global Notes with maturity on March 15, 2019 in the format of a unsubordinated senior debt, with a yield for the investor 1.25% lower than the yield of the original issue made in February 2009.

Coupon: 7.875% p.a.;

Yield for the investor: 6.875%;

Spread for the American Treasury Bond: 332.3 base points;

Date for payment of interest: March 15 and September 15 of each year, starting on September 15, 2009;

Ratings: Baa1 (Moody s); BBB- (S&P); BBB (Fitch);

Subscribers: Citi, HSBC, J.P. Morgan and Santander; and

Co-Managers: Banco do Brasil and Société Generale.

The funds raised with this issue will be earmarked to pay part of the two-year bridge loans taken out at the beginning of the year, which will represent the lengthening of the financing in line with what was announced during the disclosure of the 2009-2013 Business Plan.

This financing had issuing costs estimated at US$5, a premium of US$87 and an effective tax rate of 6.933% p.a. Global Notes constitute unsecured, unsubordinated obligations of PifCo and have the complete, unconditional guarantee of Petrobras.

Table of Contents

20. Subsequent Events (Continued)

b) Financing from BNDES

On July 30, 2009, Petrobras, jointly with its subsidiaries, Transportadora Associada de Gás S/A (TAG) and Refinaria Abreu e Lima S/A (RNEST), entered into a financing agreement in the amount of US$12,810 (R$25 billion) with the National Bank for Economic and Social Development (BNDES). This transaction was included in the 2009-2013 Business Plan as one of the sources for financing investments estimated at US$174,400 for the period.

The funds will be received as federal government bonds and their purpose is to finance investments related to increasing oil and gas production, amplifying refining capacity and expanding the existing network of gas pipelines in Brazil.

The cost of the financing is in line with that verified on the international capital market for a similar period and the main characteristics of the financing are:

A term of 19 years and 8 months;

Half-yearly amortization in September and March, with the first payment in September 2016;

Payment of half-yearly interest, also in September and March;

The currency of the agreement is the Real (R$); and

Indexed to the exchange variance of the US dollar.

c) Lines of Credit for PifCo

On July 13, 2009, Petrobras International Finance Company (PifCo) used US$500 of a line of credit from Banco Santander with maturity in June 2012. The cost of this line of credit is Libor plus market spread. The proceeds will be used by PifCo to finance the purchase of oil imports to Petrobras.

On September 01, 2009, PifCo borrowed US$600 under a line of credit with Banco do Brasil S.A. The loan will mature in August 2012 and bear interest at an initial rate of Libor plus a spread reflecting the prevailing rate at the time of incurrence. The proceeds will be used by PifCo to finance oil and oil products exports from Petrobras.

Table of Contents

20. Subsequent Events (Continued)

d) Tax contingencies

On July 16, 2009, Companhia Locadora de Equipamentos Petrolíferos (CLEP) received from the Rio de Janeiro Regional Office of the Federal Revenue Department notice of tax assessment in the amount of US$167, referring to questioning with respect to the rate for income tax withheld at source (IRRF) applicable to the issuing of notes abroad. There is the possibility of applying the Brazil Japan Treaty (Dec. 61.889/67). CLEP is taking appropriate measures for its defense.

e) New exploration and production regulatory model

The President of Brazil submitted to Congress the new proposed legislation for the oil and gas industry on August 31, 2009. The proposals are based on studies conducted by the Inter-Ministry Commission that was created to study and propose regulatory changes to the oil and gas sector.

The proposed legislation includes, among other things:

- the introduction of production-sharing contracts for oil and gas exploration and production in pre-salt layers and in potentially strategic areas as defined by the National Energy Policy Council (CNPE);

- the creation of a new state-run company that will represent the interests of the Brazilian government in the production-sharing contracts (the new company will not conduct upstream activities or engage in investments);

- the authorization to the Brazilian government to transfer to Petrobras, for a price, the oil and gas exploration and production activities in areas of the pre-salt layer that are not subject to concessions; and

- the authorization for the Brazilian government to subscribe for additional shares of capital stock of Petrobras.

For more information on the proposed legislation, see the Company´s report on Form 6-K furnished to the SEC on August 31, 2009.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.
Date: September 9, 2009

PETRÓLEO BRASILEIRO S.A--PETROBRAS

By: /s/ Almir Guilherme Barbassa

Almir Guilherme Barbassa
Chief Financial Officer and
Investor Relations Officer

FORWARD-LOOKING STATEMENTS

This press release may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates offuture economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.