

PETROBRAS - PETROLEO BRASILEIRO SA

Form 6-K

August 13, 2008

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## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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### 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 August, 2008**

**Commission File Number 1-15106**

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### 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 ☒ 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 ☒

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**Petróleo Brasileiro S.A. - Petrobras**

Independent accountants' review report on the  
Quarterly Information (ITR) of the  
Quarter ended June 30, 2008

(A free translation of the original report in Portuguese, as filed with  
the Brazilian Securities Commission (CVM), prepared in accordance  
with rules of the CVM)

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(A free translation of the original report in Portuguese)

**FEDERAL PUBLIC SERVICE****BRAZILIAN SECURITIES COMMISSION (CVM)****ITR - QUARTERLY INFORMATION - As of - 06/30/2008****Corporation Law****COMMERCIAL, INDUSTRIAL & OTHER TYPES OF COMPANY**

**THE REGISTRATION WITH THE CVM DOES NOT IMPLY THAT ANY OPINION IS EXPRESSED ON THE COMPANY. THE INFORMATION PROVIDED IS THE RESPONSIBILITY OF THE COMPANY'S MANAGEMENT**

**1.01 - IDENTIFICATION**

|                                                             |                                                                        |                                                                 |
|-------------------------------------------------------------|------------------------------------------------------------------------|-----------------------------------------------------------------|
| 1 - CVM CODE<br><b>00951-2</b>                              | 2 - NAME OF THE COMPANY<br><b>PETRÓLEO BRASILEIRO S.A. - PETROBRAS</b> | 3 - CNPJ (Taxpayers Record Number)<br><b>33.000.167/0001-01</b> |
| 4 - BOARD OF TRADE INSCRIPTION NUMBER<br><b>33300032061</b> |                                                                        |                                                                 |

**01.02 - HEAD OFFICE**

|                                                                    |                            |                        |                                   |                 |
|--------------------------------------------------------------------|----------------------------|------------------------|-----------------------------------|-----------------|
| 1 - ADDRESS<br>Av. República do Chile, 65 - 24 <sup>th</sup> floor |                            |                        | 2 - QUARTER OR DISTRICT<br>Centro |                 |
| 3 - CEP (ZIP CODE)<br>20031-912                                    | 4 - CITY<br>Rio de Janeiro |                        |                                   | 5 - STATE<br>RJ |
| 6 - AREA CODE<br>021                                               | 7 - PHONE<br>3224-2040     | 8 - PHONE<br>3224-2041 | 9 - PHONE<br>-                    | 10 - TELEX      |
| 11 - AREA CODE<br>021                                              | 12 - FAX<br>3224-9999      | 13 - FAX<br>3224-6055  | 14 - FAX<br>3224-7784             |                 |
| 15 - E-MAIL<br>petroinvest@petrobras.com.br                        |                            |                        |                                   |                 |

**01.03 - DIRECTOR OF INVESTOR RELATIONS (BUSINESS ADDRESS)**

|                                                                    |                               |                            |                                   |                 |
|--------------------------------------------------------------------|-------------------------------|----------------------------|-----------------------------------|-----------------|
| 1 - NAME<br>Almir Guilherme Barbassa                               |                               |                            |                                   |                 |
| 2 - ADDRESS<br>Av. República do Chile, 65 - 23 <sup>rd</sup> floor |                               |                            | 3 - QUARTER OR DISTRICT<br>Centro |                 |
| 4 - CEP (ZIP CODE)<br>20031-912                                    | 5 - CITY<br>Rio de Janeiro    |                            |                                   | 6 - STATE<br>RJ |
| 7 - AREA CODE<br>021                                               | 8 - PHONE NUMBER<br>3224-2040 | 9 - PHONE NO.<br>3224-2041 | 10 - PHONE NO.<br>-               | 11 - TELEX      |
| 12 - AREA CODE<br>021                                              | 13 - FAX<br>3224-9999         | 14 - FAX<br>3224-6055      | 15 - FAX<br>3224-7784             |                 |
| 16 - E-MAIL<br>barbassa@petrobras.com.br                           |                               |                            |                                   |                 |

**01.04 - GENERAL INFORMATION/INDEPENDENT ACCOUNTANTS**

| CURRENT FISCAL YEAR |  | CURRENT QUARTER |  |         | PREVIOUS QUARTER |  |         |
|---------------------|--|-----------------|--|---------|------------------|--|---------|
|                     |  |                 |  | 5 - END |                  |  | 8 - END |

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| 1 -<br>BEGINNING                                                          | 2 -<br>ENDING | 3 -<br>QUARTER | 4 -<br>BEGINNING |            | 6 -<br>QUARTER | 7 -<br>BEGINNING                                      |            |
|---------------------------------------------------------------------------|---------------|----------------|------------------|------------|----------------|-------------------------------------------------------|------------|
| 01/01/2008                                                                | 12/31/2008    | 2              | 04/01/2008       | 06/30/2008 | 1              | 01/01/2008                                            | 03/31/2008 |
| 9- NAME OF INDEPENDENT ACCOUNTING FIRM<br>KPMG Auditores Independentes    |               |                |                  |            |                | 10- CVM CODE<br>00418-9                               |            |
| 11- NAME OF THE ENGAGEMENT PARTNER<br>Manuel Fernandes Rodrigues de Sousa |               |                |                  |            |                | 12- CPF (Taxpayers<br>registration)<br>783.840.017-15 |            |

**Pag: 1**

**01.05 - CURRENT BREAKDOWN OF PAID-IN CAPITAL**

| No. OF SHARES<br>(THOUSANDS) | 1- CURRENT QUARTER<br>06/30/2008 | 2 - PREVIOUS QUARTER<br>03/31/2008 | 3 - PREVIOUS YEAR<br>06/30/2007 |
|------------------------------|----------------------------------|------------------------------------|---------------------------------|
| <b>Capital Paid-in</b>       |                                  |                                    |                                 |
| 1 - Common                   | 5.073.347                        | 2.536.674                          | 2.536.674                       |
| 2 - Preferred                | 3.700.729                        | 1.850.364                          | 1.850.364                       |
| 3 - Total                    | 8.774.076                        | 4.387.038                          | 4.387.038                       |
| <b>Treasury Stock</b>        |                                  |                                    |                                 |
| 4 - Common                   | 0                                | 0                                  | 0                               |
| 5 - Preferred                | 0                                | 0                                  | 0                               |
| 6 - Total                    | 0                                | 0                                  | 0                               |

**01.06 - CHARACTERISTICS OF THE COMPANY**

|                                                                          |
|--------------------------------------------------------------------------|
| 1 - TYPE OF COMPANY<br>Commercial, Industrial and Other                  |
| 2 - SITUATION<br>Operational                                             |
| 3 - TYPE OF SHARE CONTROL<br>State Holding Company                       |
| 4 - ACTIVITY CODE<br>1010 - Oil and Gas                                  |
| 5 - MAIN ACTIVITY<br>Prospecting Oil/Gas, Refining and Energy Activities |
| 6 - TYPE OF CONSOLIDATION<br>Total                                       |
| 7 - TYPE OF SPECIAL REVIEW REPORT<br>Unqualified                         |

**01.07 - CORPORATIONS/PARTNERSHIPS EXCLUDED FROM THE CONSOLIDATED STATEMENTS**

|          |                                    |          |
|----------|------------------------------------|----------|
| 1 - ITEM | 2 - CNPJ (TAXPAYERS RECORD NUMBER) | 3 - NAME |
|----------|------------------------------------|----------|

**01.08 - DIVIDENDS/INTEREST ON CAPITAL APPROVED AND/OR PAID DURING AND AFTER THE CURRENT QUARTER**

| 1 -<br>ITEM | 2 -<br>EVENT | 3 -<br>APPROVAL<br>DATE | 4 - TYPE                    | 5 - PET BEGINS<br>ON | 6 - TYPE OF<br>SHARE | 7 - DIVIDENDS PER<br>SHARE |
|-------------|--------------|-------------------------|-----------------------------|----------------------|----------------------|----------------------------|
| 01          | RCA          | 12/27/2007              | Interest on Capital Payable | 04/30/2008           | ON                   | 0,3000000000               |
| 02          | RCA          | 12/27/2007              | Interest on Capital         | 04/30/2008           | PN                   | 0,3000000000               |

|    |     |            |                             |            |    |              |
|----|-----|------------|-----------------------------|------------|----|--------------|
|    |     |            | Payable                     |            |    |              |
| 03 | AGO | 04/04/2008 | Interest on Capital Payable | 06/03/2008 | ON | 0,1500000000 |
| 04 | AGO | 04/04/2008 | Interest on Capital Payable | 06/03/2008 | PN | 0,1500000000 |
| 05 | AGO | 04/04/2008 | Dividends                   | 06/03/2008 | ON | 0,0500000000 |
| 06 | AGO | 04/04/2008 | Dividends                   | 06/03/2008 | PN | 0,0500000000 |

**01.09 - SUBSCRIBED CAPITAL AND CHANGES IN THE CURRENT YEAR**

| 1 - ITEM | 2 - DATE OF CHANGE | 3 - CAPITAL (R\$ Thousand) | 4 - AMOUNT OF CHANGE (R\$ Thousand) | 5 - REASON FOR CHANGE                   | 7 - NUMBER OF SHARES ISSUED (Thousands) | 8 - SHARE ISSUE PRICE (R\$) |
|----------|--------------------|----------------------------|-------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------|
| 01       | 04/04/2008         | 78.966.691                 | 26.322.230                          | Revenue<br>Reserves/Capital<br>Reserves | 0                                       | 0,0000000000                |

**1.10 - INVESTOR RELATIONS DIRECTOR**

|          |               |
|----------|---------------|
| 1 - DATE | 2 - SIGNATURE |
|----------|---------------|

**Pag: 3**

**02.01 - UNCONSOLIDATED BALANCE SHEET - ASSETS (IN THOUSAND OF REAIS)**

| <b>1 - Code</b> | <b>2 DESCRIPTION</b>                        | <b>3 - 06/30/2008</b> | <b>4 - 03/31/2008</b> |
|-----------------|---------------------------------------------|-----------------------|-----------------------|
| 1               | Total Assets                                | 249.270.825           | 231.398.628           |
| 1.01            | Current Assets                              | 59.433.372            | 50.463.344            |
| 1.01.01         | Cash and Cash Equivalents                   | 17.357.995            | 15.088.074            |
| 1.01.01.01      | Cash and Banks                              | 776.449               | 418.821               |
| 1.01.01.02      | Short Term Investments                      | 16.581.546            | 14.669.253            |
| 1.01.02         | Accounts Receivable, net                    | 17.196.683            | 12.618.130            |
| 1.01.02.01      | Customers                                   | 17.196.683            | 12.618.130            |
| 1.01.02.01.01   | Customers                                   | 4.217.431             | 4.557.232             |
| 1.01.02.01.02   | Subsidiary and Affiliated Companies         | 11.657.738            | 7.288.614             |
| 1.01.02.01.03   | Other Accounts Receivable                   | 1.608.919             | 1.051.253             |
| 1.01.02.01.04   | Allowance for Doubtful Accounts             | (287.405)             | (278.969)             |
| 1.01.02.02      | Miscellaneous Credits                       | 0                     | 0                     |
| 1.01.03         | Inventories                                 | 17.664.945            | 15.353.961            |
| 1.01.04         | Other                                       | 7.213.749             | 7.403.179             |
| 1.01.04.01      | Dividends Receivable                        | 542.011               | 477.884               |
| 1.01.04.02      | Recoverable Taxes                           | 4.596.232             | 5.047.150             |
| 1.01.04.03      | Prepaid Expenses                            | 1.696.680             | 1.396.717             |
| 1.01.04.04      | Other Current Assets                        | 378.826               | 481.428               |
| 1.02            | Non-current Assets                          | 189.837.453           | 180.935.284           |
| 1.02.01         | Long-Term Assets                            | 70.421.637            | 67.472.421            |
| 1.02.01.01      | Miscellaneous Credits                       | 4.726.045             | 4.848.349             |
| 1.02.01.01.01   | Petroleum and Alcohol Accounts STN          | 801.042               | 799.362               |
| 1.02.01.01.02   | Marketable Securities                       | 3.335.993             | 3.418.573             |
| 1.02.01.01.03   | Investments in Privatization Process        | 1.366                 | 1.366                 |
| 1.02.01.01.04   | Other Accounts Receivable                   | 587.644               | 629.048               |
| 1.02.01.02      | Accounts Receivable, net                    | 52.766.994            | 50.229.564            |
| 1.02.01.02.01   | With Affiliates                             | 0                     | 0                     |
| 1.02.01.02.02   | With Subsidiaries                           | 52.766.994            | 50.229.564            |
| 1.02.01.02.03   | Other Companies                             | 0                     | 0                     |
| 1.02.01.03      | Other                                       | 12.928.598            | 12.394.508            |
| 1.02.01.03.01   | Project Financings                          | 2.077.050             | 1.823.525             |
| 1.02.01.03.02   | Deferred Income Tax and Social Contribution | 1.806.500             | 1.756.521             |
| 1.02.01.03.03   | Deferred Value-Added Tax (ICMS)             | 1.161.993             | 1.056.472             |
| 1.02.01.03.04   | Deferred PASEP/COFINS                       | 3.551.181             | 3.302.918             |
| 1.02.01.03.06   | Judicial Deposits                           | 1.458.367             | 1.465.844             |
| 1.02.01.03.07   | Advance for Migration - Pension Plan        | 1.346.948             | 1.335.876             |
| 1.02.01.03.08   | Advances to Suppliers                       | 321.646               | 376.930               |
| 1.02.01.03.09   | Prepaid Expenses                            | 682.904               | 722.625               |
| 1.02.01.03.10   | Inventories                                 | 214.683               | 235.995               |
| 1.02.01.03.11   | Other Non-Current Assets                    | 307.326               | 317.802               |
| 1.02.02         | Fixed Assets                                | 119.415.816           | 113.462.863           |
| 1.02.02.01      | Investments                                 | 28.658.866            | 27.940.104            |
| 1.02.02.02.01   | In Affiliates                               | 821.058               | 131.994               |

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|               |                                           |            |            |
|---------------|-------------------------------------------|------------|------------|
| 1.02.02.01.02 | Goodwill in Affiliates                    | 1.788.020  | 635.878    |
| 1.02.02.01.03 | In Subsidiaries                           | 25.390.943 | 24.659.550 |
| 1.02.02.01.04 | Goodwill in Subsidiaries                  | 309.655    | 1.061.766  |
| 1.02.02.01.05 | Other Investments                         | 349.190    | 349.521    |
| 1.02.02.01.06 | Rights/Advances - Acquisition Investments | 0          | 1.101.395  |
| 1.02.02.02    | Property, Plant and Equipment             | 86.886.370 | 81.690.078 |
| 1.02.02.03    | Intangible                                | 3.156.232  | 3.079.068  |
| 1.02.02.04    | Deferred Charges                          | 714.348    | 753.613    |

**Pag: 4**

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**02.02 - UNCONSOLIDATED BALANCE SHEET - LIABILITIES (IN THOUSAND OF REAIS)**

| <b>1 - CODE</b> | <b>2 DESCRIPTION</b>                                   | <b>3 - 06/30/2008</b> | <b>4 - 03/31/2008</b> |
|-----------------|--------------------------------------------------------|-----------------------|-----------------------|
| 2               | Liabilities and Stockholders' Equity                   | 249.270.825           | 231.398.628           |
| 2.01            | Current Liabilities                                    | 80.937.679            | 71.667.878            |
| 2.01.01         | Loans and Financings                                   | 2.844.566             | 756.815               |
| 2.01.01.01      | Financings                                             | 2.540.250             | 582.868               |
| 2.01.01.02      | Interest on Financings                                 | 304.316               | 173.947               |
| 2.01.02         | Debentures                                             | 0                     | 0                     |
| 2.01.03         | Suppliers                                              | 7.872.396             | 7.741.585             |
| 2.01.04         | Taxes, Contribution and Participation                  | 9.756.238             | 8.561.230             |
| 2.01.05         | Dividends payable                                      | 0                     | 2.091.002             |
| 2.01.05.01      | Dividends and Interest on Stockholders Capital Payable | 0                     | 2.091.002             |
| 2.01.06         | Accruals                                               | 2.983.433             | 2.739.937             |
| 2.01.06.01      | Payroll and Related Charges                            | 1.611.763             | 1.368.198             |
| 2.01.06.02      | Provision for Contingencies                            | 54.000                | 54.000                |
| 2.01.06.03      | Pension plan                                           | 386.091               | 386.091               |
| 2.01.06.04      | Healthcare benefits plan                               | 429.666               | 429.666               |
| 2.01.06.05      | Profit sharing for employees and management            | 501.913               | 501.982               |
| 2.01.07         | Debts with Subsidiaries and Affiliated Companies       | 39.992.406            | 35.331.544            |
| 2.01.07.01      | Suppliers                                              | 39.992.406            | 35.331.544            |
| 2.01.08         | Other                                                  | 17.488.640            | 14.445.765            |
| 2.01.08.01      | Advances from Customers                                | 198.899               | 163.232               |
| 2.01.08.02      | Project Financings                                     | 521.970               | 472.428               |
| 2.01.08.03      | Non-Standardized Credit Rights Investment Fund         | 14.698.536            | 11.134.392            |
| 2.01.08.04      | Other                                                  | 2.069.235             | 2.675.713             |
| 2.02            | Non-Current Liabilities                                | 37.223.438            | 36.967.289            |
| 2.02.01         | Non-Current Liabilities                                | 36.772.991            | 36.709.559            |
| 2.02.01.01      | Loans and Financings                                   | 5.919.948             | 6.023.776             |
| 2.02.01.01.01   | Financings                                             | 5.919.948             | 6.023.776             |
| 2.02.01.02      | Debentures                                             | 0                     | 0                     |
| 2.02.01.03      | Accruals                                               | 23.149.435            | 22.662.942            |
| 2.02.01.03.01   | Healthcare Benefits Plan                               | 9.074.125             | 8.818.779             |
| 2.02.01.03.02   | Provision for Contingencies                            | 197.002               | 210.942               |
| 2.02.01.03.03   | Pension Plan                                           | 4.226.544             | 4.169.171             |
| 2.02.01.03.04   | Deferred Income Tax and Social Contribution            | 9.651.764             | 9.464.050             |
| 2.02.01.04      | Subsidiaries and Affiliated Companies                  | 1.372.407             | 1.676.173             |
| 2.02.01.05      | Advance for Future Capital Increase                    | 0                     | 0                     |
| 2.02.01.06      | Others                                                 | 6.331.201             | 6.346.668             |
| 2.02.01.06.01   | Provision for Dismantling of Areas                     | 5.971.638             | 5.918.916             |
| 2.02.01.06.02   | Others Accounts and Expenses Payable                   | 359.563               | 427.752               |
| 2.02.02         | Deferred Income                                        | 450.447               | 257.730               |
| 2.04            | Shareholders Equity                                    | 131.109.708           | 122.763.461           |
| 2.04.01         | Capital                                                | 78.966.691            | 52.644.460            |

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|            |                                       |            |            |
|------------|---------------------------------------|------------|------------|
| 2.04.01.01 | Subscribed and Paid-In Capital        | 78.966.691 | 52.644.460 |
| 2.04.01.02 | Monetary Restatement of Capital       | 0          | 0          |
| 2.04.02    | Capital Reserves                      | 514.857    | 1.553.831  |
| 2.04.02.01 | AFRMM and Other                       | 0          | 169.142    |
| 2.04.02.02 | Fiscal Incentive - Income Tax         | 514.857    | 1.384.689  |
| 2.04.03    | Revaluation Reserve                   | 15.250     | 51.171     |
| 2.04.03.01 | Own Assets                            | 0          | 0          |
| 2.04.03.02 | Subsidiaries and Affiliated Companies | 15.250     | 51.171     |
| 2.04.04    | Revenue Reserves                      | 36.450.015 | 61.752.424 |
| 2.04.04.01 | Legal                                 | 7.612.508  | 7.612.508  |
| 2.04.04.02 | Statutory                             | 504.544    | 504.544    |

Pag: 5

**02.02 - UNCONSOLIDATED BALANCE SHEET - LIABILITIES (IN THOUSAND OF REAIS)**

| <b>1 - Code</b> | <b>2 DESCRIPTION</b>                   | <b>3 - 06/30/2008</b> | <b>4 - 03/31/2008</b> |
|-----------------|----------------------------------------|-----------------------|-----------------------|
| 2.04.04.03      | For Contingencies                      | 0                     | 0                     |
| 2.04.04.04      | Unrealized Earnings                    | 0                     | 0                     |
| 2.04.04.05      | Retention of Earnings                  | 28.332.963            | 53.635.372            |
| 2.04.04.06      | Undistributed Dividends                | 0                     | 0                     |
| 2.04.04.07      | Others Revenue Reserves                | 0                     | 0                     |
| 2.04.05         | Retained Earnings/(Accumulated losses) | 15.162.895            | 6.761.575             |
| 2.04.06         | Advance for Future Capital Increase    | 0                     | 0                     |

**03.01 - UNCONSOLIDATED STATEMENT OF INCOME FOR THE QUARTER (IN THOUSAND OF REAIS)**

| <b>1 - Code</b> | <b>2 - DESCRIPTION</b>                                    | <b>3 - 04/01/2008 a<br/>06/30/2008</b> | <b>4 - 01/01/2008 a<br/>06/30/2008</b> | <b>5 - 04/01/2008 a<br/>06/30/2007</b> | <b>6 - 01/01/2008 a<br/>06/30/2007</b> |
|-----------------|-----------------------------------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|
| 3.01            | Gross Operating Revenues                                  | 52.959.927                             | 97.821.529                             | 41.691.977                             | 79.677.910                             |
| 3.02            | Sales Deductions                                          | (11.373.235)                           | (22.426.512)                           | (10.866.494)                           | (20.984.344)                           |
| 3.03            | Net Operating Revenues                                    | 41.586.692                             | 75.395.017                             | 30.825.483                             | 58.693.566                             |
| 3.04            | Cost of Products and Services Sold                        | (23.704.404)                           | (43.359.005)                           | (16.179.783)                           | (31.461.629)                           |
| 3.05            | Gross profit                                              | 17.882.288                             | 32.036.012                             | 14.645.700                             | 27.231.937                             |
| 3.06            | Operating Expenses                                        | (6.166.809)                            | (10.284.777)                           | (5.172.214)                            | (10.966.656)                           |
| 3.06.01         | Selling                                                   | (1.479.565)                            | (2.965.643)                            | (1.236.910)                            | (2.493.608)                            |
| 3.06.02         | General and Administrative                                | (1.112.742)                            | (2.204.983)                            | (1.024.814)                            | (2.064.272)                            |
| 3.06.02.01      | Management and Board of Directors Remuneration            | (1.159)                                | (2.611)                                | (1.016)                                | (2.024)                                |
| 3.06.02.02      | Administrative                                            | (1.111.583)                            | (2.202.372)                            | (1.023.798)                            | (2.062.248)                            |
| 3.06.03         | Financial                                                 | 95.829                                 | 523.202                                | 233.051                                | 629.983                                |
| 3.06.03.01      | Income                                                    | 1.540.774                              | 2.901.996                              | 967.703                                | 1.953.337                              |
| 3.06.03.02      | Expenses                                                  | (1.444.915)                            | (2.378.794)                            | (734.652)                              | (1.323.354)                            |
| 3.06.04         | Other Operating Income                                    | 0                                      | 0                                      | 0                                      | 0                                      |
| 3.06.05         | Other Operating Expenses                                  | (4.796.516)                            | (7.561.094)                            | (3.650.706)                            | (7.598.074)                            |
| 3.06.05.01      | Taxes                                                     | (56.577)                               | (146.902)                              | (184.972)                              | (340.261)                              |
| 3.06.05.02      | Cost of Research and Technological Development            | (370.092)                              | (783.396)                              | (425.093)                              | (804.723)                              |
| 3.06.05.03      | Impairment                                                | 0                                      | 0                                      | 0                                      | 0                                      |
| 3.06.05.04      | Exploratory Costs for the Extraction of Crude Oil and Gas | (521.405)                              | (1.059.469)                            | (235.509)                              | (451.337)                              |
| 3.06.05.05      | Healthcare and Pension Plan                               | (335.942)                              | (671.884)                              | (423.988)                              | (847.975)                              |
| 3.06.05.06      | Monetary and Foreign Exchange Variations, Net             | (2.414.141)                            | (2.696.100)                            | (1.217.563)                            | (2.189.660)                            |
| 3.06.05.07      | Other Operating Expenses, Net                             | (1.098.359)                            | (2.203.343)                            | (1.163.581)                            | (2.964.118)                            |
| 3.06.06         | Equity Pick-up                                            | 1.126.185                              | 1.923.741                              | 507.165                                | 559.315                                |
| 3.07            | Operating Income                                          | 11.715.479                             | 21.751.235                             | 9.473.486                              | 16.265.281                             |
| 3.08            | Non-operating Income                                      | 337.377                                | 338.225                                | (33.743)                               | (34.467)                               |

**03.01 - UNCONSOLIDATED STATEMENT OF INCOME FOR THE QUARTER (IN THOUSAND OF REAIS)**

| <b>1 - Code</b> | <b>2 - DESCRIPTION</b>                        | <b>3 - 04/01/2008 a<br/>06/30/2008</b> | <b>4 - 01/01/2008 a<br/>06/30/2008</b> | <b>5 - 04/01/2008 a<br/>06/30/2007</b> | <b>6 - 01/01/2008 a<br/>06/30/2007</b> |
|-----------------|-----------------------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|
| 3.08.01         | Revenues                                      | (89.950)                               | 392.752                                | (563)                                  | 16.267                                 |
| 3.08.02         | Expenses                                      | 427.327                                | (54.527)                               | (33.180)                               | (50.734)                               |
| 3.09            | Income before Taxes/Profit Sharing            | 12.052.856                             | 22.089.460                             | 9.439.743                              | 16.230.814                             |
| 3.10            | Income Tax and Social Contribution            | (3.474.790)                            | (6.190.718)                            | (3.129.902)                            | (5.549.013)                            |
| 3.11            | Deferred Income Tax                           | (212.666)                              | (782.117)                              | 541.507                                | 505.867                                |
| 3.12            | Statutory Participations/Contributions        | 0                                      | 0                                      | 0                                      | 0                                      |
| 3.12.01         | Participations                                | 0                                      | 0                                      | 0                                      | 0                                      |
| 3.12.02         | Contributions                                 | 0                                      | 0                                      | 0                                      | 0                                      |
| 3.13            | Reversal of Interest on Stockholders' Capital | 0                                      | 0                                      | 0                                      | 0                                      |
| 3.15            | Net Income for the period                     | 8.365.400                              | 15.116.625                             | 6.851.348                              | 11.187.668                             |
|                 | Number of Shares. Ex-Treasury (Thousands)     | 8.774.076                              | 8.774.076                              | 4.387.038                              | 4.387.038                              |
|                 | Net Income per Share                          | 0,95342                                | 1,72287                                | 1,56173                                | 2,55016                                |
|                 | Loss per Share                                |                                        |                                        |                                        |                                        |

## **04.01 NOTES TO QUARTERLY INFORMATION**

### **1 Presentation of the quarterly financial information**

#### **1.1 Significant accounting policies**

The quarterly information has been produced in accordance with the accounting practices adopted in Brazil, in conformity with Brazilian Corporation Law and the standards and procedures laid down by the Brazilian Securities and Exchange Commission - CVM.

Certain balances relating to prior periods were reclassified in order to properly compare the interim financial information between the periods.

The authorization for concluding the preparation of these financial statements was granted at the Meeting of the Board of Directors held on August 11, 2008.

### **2 Conformity to Law No. 11.638/2007**

Law No. 11.638 of December 28, 2007 amended and revoked several provisions of Law No. 6.404/76 and 6.385/76 that address the preparation of the financial statements, with the objective to enable the future convergence of Brazilian accounting practices to international accounting standards (IFRS). These amendments are to be applied to the financial statements at the end of the financial year of 2008.

It should be noted that many of the provisions amended by the new law depend upon regulations to be issued by the Brazilian Securities and Exchange Commission - CVM.

On May 2, 2008, the CVM issued Instruction No. 469/08 that addresses the application of Law No. 11.638/07. In this instruction, companies are given the option as to whether to immediately apply all the accounting provisions contained in the new law to the Quarterly Information (ITRs) in the financial year of 2008, or to inform the amendments that could have effects on the financial statements at the end of the financial year of 2008 in the notes to the ITRs, estimating the possible effects on shareholders' equity and net income for the period.

Petrobras opted to inform the effects of the new Law in the notes to the ITRs, in addition to effectively recording in the financial statements of June 30, 2008 those items deemed mandatory by Instruction No. 469/08, namely:

**a.** Tax incentives resulting from government investment subsidies or donations will no longer be classified under capital reserve, and will instead now be included in the income statement for the period. Company Management may set aside the amount of net income that corresponds to these incentives to form a profit reserve, which may be excluded from the basis of calculation of the obligatory dividend.

The amounts of R\$ 450.447 thousand (in both the Parent Company and Consolidated statements) relating to the tax incentives of the first quarter of 2008 have been recorded as deferred income until this matter is regulated definitively.

**b.** Investments in affiliated companies in which management has significant influence, or in which it holds a 20% (twenty percent) or more interest in the voting capital, in subsidiaries and in other companies that form part of the same group or are under common control, are to be evaluated by the equity method.

The evaluation of investments in affiliated companies by the equity method, in line with the rule described above, must be reflected in the financial statements of June 30, 2008. However, no relevant effects have yet been identified in this respect.

**c.** Adjustments to present value of assets and liabilities resulting from long-term operations and relevant short-term operations.

Adjustments to present value of assets and liabilities resulting from long-term operations and relevant short-term operations, should be reflected in the financial statements of June 30, 2008, but no relevant effects have yet been identified with regard to these items.

Among the main amendments introduced by Law No. 11.638/07, we draw attention to the following issues that in the opinion of our Management will modify the form of presentation of our financial statements, as a result of the new criteria for determining the income and equity and financial position of the Company, as from the financial year of 2008. The effects presented were based on the Company's best estimates for the pro-forma financial statements of June 30, 2008, with no comparison with previous periods:

**a.** Increases and reductions in amounts attributed to items in the assets, as a result of their having been valued at market prices, as follows:

Investments in financial instruments, including derivatives, and in credit rights and securities in the current or long-term assets, when saleable or negotiable. Other financial instruments are to be restated at present value or adjusted to probable realization value, if this is lower.

**b.** In operations involving transformations, mergers, consolidations and spin-offs between independent parties and in which control is effectively transferred, the assets and liabilities of the company to be merged or resulting from consolidation or spin-off are to be recorded at market value.

The impact of the restructuring of the petrochemical sector during the second quarter of 2008 should be evaluated as supplementary regulations to be issued. Conservatively, in assessing the impacts of the new law, the Company reversal that gain.

**c.** Capitalization and recognition of debts relating to leasing expenses.

**d.** Existing balances of reassessment reserves may, optionally, be written back by the end of the financial year of 2008.

The Company decided to maintain the balances of the respective reassessment reserves, on June 30, 2008, in the amount of R\$15.250 thousand (both Parent Company and Cosolidated)

**e.** Classification under deferred assets has been restricted to pre-operating expenses and restructuring expenses that contribute to the increase in income in more than one financial period.

**f.** In addition, on January 29, 2008, the CVM issued CVM Resolution 534/08 which addresses the changes in foreign exchange rates and currency conversion of financial statements.

This resolution is applicable to the financial year ending December 31, 2008. Petrobras opted to inform the effects of this resolution in the notes to the Quarterly Information as from the first quarter of 2008.

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The estimate effects by the adoption of the this resolution totalized on the first semester of 2008 an increase on the net income by R\$ 235,782 thousand and R\$ 247,752 thousand in the Parent Company and Consolidated respectively and a reduction of R\$ 4,790 thousand in Consolidated Shareholders' equity on the process of conversion of the financial statements and exchange rate loss on investments in companies based abroad.

Considering the facts mentioned, the Company's Management will continue to evaluate the effects resulting from the future regulations.

**June 30, 2008**  
**R\$ thousand**

|                    | <b>06.30.08</b>     |                        |                       |                        | <b>03.31.08</b>     |                        |                       |                        |
|--------------------|---------------------|------------------------|-----------------------|------------------------|---------------------|------------------------|-----------------------|------------------------|
|                    | <b>Consolidated</b> |                        | <b>Parent Company</b> |                        | <b>Consolidated</b> |                        | <b>Parent Company</b> |                        |
|                    | 6.404/76            | Pro-forma<br>11.638/07 | 6.404/76              | Pro-forma<br>11.638/07 | 6.404/76            | Pro-forma<br>11.638/07 | 6.404/76              | Pro-forma<br>11.638/07 |
|                    | (as informed)       | (Estimated)*           | (as informed)         | (Estimated)*           | (as informed)       | (Estimated)*           | (as informed)         | (Estimated)*           |
| <b>Current</b>     |                     |                        |                       |                        |                     |                        |                       |                        |
| Cash and           |                     |                        |                       |                        |                     |                        |                       |                        |
| Cash               |                     |                        |                       |                        |                     |                        |                       |                        |
| Equivalents        | 11.046.248          | 11.046.24              | 17.357.99             | 17.357.99              | 11.559.610          | 11.559.61              | 15.088.07             | 15.088.0               |
| Accounts           |                     |                        |                       |                        |                     |                        |                       |                        |
| Receivable,        |                     |                        |                       |                        |                     |                        |                       |                        |
| net                | 15.600.860          | 15.515.16              | 17.196.68             | 17.196.68              | 12.945.569          | 12.945.56              | 12.618.13             | 12.618.1               |
| Dividends          |                     |                        |                       |                        |                     |                        |                       |                        |
| Receivable         | 2.882               | 2.88                   | 542.01                | 542.01                 | 51.236              | 51.23                  | 477.88                | 477.8                  |
| Inventories        | 22.998.563          | 22.998.56              | 17.664.94             | 17.664.94              | 19.395.378          | 19.395.67              | 15.353.96             | 15.353.9               |
| Taxes,             |                     |                        |                       |                        |                     |                        |                       |                        |
| Contributions      |                     |                        |                       |                        |                     |                        |                       |                        |
| and                |                     |                        |                       |                        |                     |                        |                       |                        |
| Participations     | 7.142.019           | 7.142.01               | 4.596.23              | 4.596.23               | 7.602.481           | 7.602.48               | 5.047.15              | 5.047.1                |
| Prepaid            |                     |                        |                       |                        |                     |                        |                       |                        |
| Expenses           | 1.628.173           | 1.316.45               | 1.696.68              | 1.384.96               | 1.522.448           | 1.522.44               | 1.396.71              | 1.048.8                |
| Other              |                     |                        |                       |                        |                     |                        |                       |                        |
| Current            |                     |                        |                       |                        |                     |                        |                       |                        |
| Assets             | 1.586.033           | 1.573.15               | 378.82                | 327.89                 | 1.654.601           | 1.659.90               | 481.42                | 486.7                  |
|                    | <b>60.004.778</b>   | <b>59.594.49</b>       | <b>59.433.37</b>      | <b>59.070.72</b>       | <b>54.731.323</b>   | <b>54.736.92</b>       | <b>50.463.34</b>      | <b>50.120.7</b>        |
| <b>Non-Current</b> |                     |                        |                       |                        |                     |                        |                       |                        |
| <b>Long-Term</b>   |                     |                        |                       |                        |                     |                        |                       |                        |
| <b>Assets</b>      |                     |                        |                       |                        |                     |                        |                       |                        |
| Accounts           |                     |                        |                       |                        |                     |                        |                       |                        |
| Receivable,        |                     |                        |                       |                        |                     |                        |                       |                        |
| net                | 2.653.642           | 22.653.64              | 53.354.63             | 53.354.63              | 2.529.497           | 2.529.49               | 50.858.61             | 50.858.6               |
| Petroleum          | 801.042             | 801.04                 | 801.04                | 801.04                 | 799.362             | 799.36                 | 799.36                | 799.3                  |
| and alcohol        |                     |                        |                       |                        |                     |                        |                       |                        |

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|                                      |                    |                   |                   |                   |                    |                   |                   |                  |
|--------------------------------------|--------------------|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|------------------|
| account - STN                        |                    |                   |                   |                   |                    |                   |                   |                  |
| Marketable securities                | 3.616.130          | 3.616.13          | 3.335.99          | 3.335.99          | 3.730.015          | 3.730.01          | 3.418.57          | 3.418.5          |
| Project financings                   |                    |                   | 2.077.05          | 2.077.05          |                    |                   | 1.823.52          | 1.823.5          |
| Advance to Suppliers                 | 365.813            | 365.81            | 321.64            | 321.64            | 421.098            | 421.09            | 376.93            | 376.9            |
| Judicial Deposits                    | 1.722.225          | 1.722.22          | 1.458.36          | 1.458.36          | 1.728.373          | 1.728.37          | 1.465.84          | 1.465.8          |
| Investments in privatization process | 3.228              | 3.22              | 1.36              | 1.36              | 3.228              | 3.22              | 1.36              | 1.3              |
| Prepaid Expenses                     | 1.414.403          | 769.71            | 682.90            | 38.21             | 1.480.125          | 1.478.95          | 722.62            | 42.5             |
| Advance for Migration - Pension Plan | 1.346.948          | 1.346.94          | 1.346.94          | 1.346.94          | 1.335.876          | 1.335.87          | 1.335.87          | 1.335.8          |
| Deferred Income Tax and Social       |                    |                   |                   |                   | 8.746.460          | 8.753.42          | 6.115.91          | 6.115.9          |
| Contribution                         | 9.069.910          | 9.121.08          | 6.519.67          | 6.539.03          |                    |                   |                   |                  |
| Inventories                          | 214.683            | 214.68            | 214.68            | 214.68            | 235.995            | 235.99            | 235.99            | 235.9            |
| Other Non-current Assets             | 793.894            | 757.26            | 307.32            | 270.69            | 816.039            | 816.03            | 317.80            | 317.8            |
|                                      | <b>22.001.918</b>  | <b>21.371.76</b>  | <b>70.421.63</b>  | <b>69.759.67</b>  | <b>21.826.068</b>  | <b>21.831.86</b>  | <b>67.472.42</b>  | <b>66.792.3</b>  |
| <b>Investments</b>                   | 7.650.941          | 5.213.49          | 28.658.86         | 28.811.15         | 7.840.916          | 4.982.51          | 27.940.10         | 30.098.7         |
| <b>Property, plant and equipment</b> | 152.271.715        | 153.717.37        | 86.886.37         | 104.792.49        | 146.983.563        | 148.506.67        | 81.690.07         | 99.436.4         |
| <b>Intangible assets</b>             | 5.751.259          | 7.824.76          | 3.156.23          | 4.344.83          | 5.737.547          | 8.673.79          | 3.079.06          | 5.558.5          |
| <b>Deferred assets</b>               | 2.583.726          | 2.485.55          | 714.34            | 657.40            | 2.756.911          | 2.710.15          | 753.61            | 708.5            |
|                                      | <b>190.259.559</b> | <b>190.612.94</b> | <b>189.837.45</b> | <b>208.365.56</b> | <b>185.145.005</b> | <b>186.705.00</b> | <b>180.935.28</b> | <b>202.594.5</b> |
|                                      | <b>250.264.337</b> | <b>250.207.43</b> | <b>249.270.82</b> | <b>267.436.26</b> | <b>239.876.328</b> | <b>241.441.93</b> | <b>231.398.62</b> | <b>252.715.3</b> |

\* Including the effects of CVM Resolution 534/08

**June 30, 2008**  
**R\$ thousand**

| Liabilities     | 06.30.08                  |                                        |                           |                                        | 03.31.08                  |                                        |                           |                                        |
|-----------------|---------------------------|----------------------------------------|---------------------------|----------------------------------------|---------------------------|----------------------------------------|---------------------------|----------------------------------------|
|                 | Consolidated              |                                        | Parent Company            |                                        | Consolidated              |                                        | Parent Company            |                                        |
|                 | 6.404/76<br>(as informed) | Pro-forma<br>11.638/07<br>(Estimated)* | 6.404/76<br>(as informed) | Pro-forma<br>11.638/07<br>(Estimated)* | 6.404/76<br>(as informed) | Pro-forma<br>11.638/07<br>(Estimated)* | 6.404/76<br>(as informed) | Pro-forma<br>11.638/07<br>(Estimated)* |
| <b>Current</b>  |                           |                                        |                           |                                        |                           |                                        |                           |                                        |
| Financings      | 7.520.850                 | 7.520.850                              | 2.540.250                 | 2.540.250                              | 6.514.246                 | 6.514.246                              | 582.868                   | 582.868                                |
| Interest on     |                           |                                        |                           |                                        |                           |                                        |                           |                                        |
| Financings      | 780.330                   | 780.330                                | 304.316                   | 304.316                                | 684.654                   | 684.654                                | 173.947                   | 173.947                                |
| Leasing         |                           |                                        |                           |                                        |                           |                                        |                           |                                        |
| obligations     |                           | 384.936                                |                           | 4.260.182                              |                           | 437.542                                |                           | 14.073.129                             |
| Suppliers       | 16.664.213                | 16.664.213                             | 47.864.802                | 47.864.802                             | 14.608.806                | 14.608.806                             | 43.073.129                | 43.073.129                             |
| Taxes,          |                           |                                        |                           |                                        |                           |                                        |                           |                                        |
| Contributions   |                           |                                        |                           |                                        |                           |                                        |                           |                                        |
| and             |                           |                                        |                           |                                        |                           |                                        |                           |                                        |
| Participations  | 11.430.060                | 11.430.060                             | 9.756.238                 | 9.756.238                              | 10.207.202                | 10.207.132                             | 8.561.230                 | 8.561.230                              |
| Dividends       |                           |                                        |                           |                                        |                           |                                        |                           |                                        |
| Proposed        |                           |                                        |                           |                                        | 2.091.202                 | 2.091.002                              | 2.091.002                 | 2.091.002                              |
| Project         |                           |                                        |                           |                                        |                           |                                        |                           |                                        |
| financings      | 238.378                   | 238.378                                | 521.970                   | 521.970                                | 147.250                   | 147.250                                | 472.428                   | 472.428                                |
| Provision for   |                           |                                        |                           |                                        |                           |                                        |                           |                                        |
| Pension plan    | 423.647                   | 423.647                                | 386.091                   | 386.091                                | 424.936                   | 424.936                                | 386.091                   | 386.091                                |
| Provision for   |                           |                                        |                           |                                        |                           |                                        |                           |                                        |
| Healthcare Plan | 455.736                   | 455.736                                | 429.666                   | 429.666                                | 455.214                   | 455.214                                | 429.666                   | 429.666                                |
| Payroll and     |                           |                                        |                           |                                        |                           |                                        |                           |                                        |
| related charges | 1.941.894                 | 1.941.894                              | 1.611.763                 | 1.611.763                              | 1.668.786                 | 1.668.786                              | 1.368.198                 | 1.368.198                              |
| Provision for   |                           |                                        |                           |                                        |                           |                                        |                           |                                        |
| Contingencies   | 54.000                    | 54.000                                 | 54.000                    | 54.000                                 | 54.000                    | 54.000                                 | 54.000                    | 54.000                                 |
| Advances        |                           |                                        |                           |                                        |                           |                                        |                           |                                        |
| from            |                           |                                        |                           |                                        |                           |                                        |                           |                                        |
| Customers       | 502.075                   | 502.075                                | 198.899                   | 198.899                                | 469.487                   | 469.487                                | 163.232                   | 163.232                                |
| Profit          |                           |                                        |                           |                                        |                           |                                        |                           |                                        |
| sharing for     |                           |                                        |                           |                                        |                           |                                        |                           |                                        |
| employees and   |                           |                                        |                           |                                        |                           |                                        |                           |                                        |
| management      | 570.196                   | 570.196                                | 501.913                   | 501.913                                | 584.432                   | 584.432                                | 501.982                   | 501.982                                |
| Non-standard    |                           |                                        |                           |                                        |                           |                                        |                           |                                        |
| Credit Rights   |                           |                                        |                           |                                        |                           |                                        |                           |                                        |
| Investment      |                           |                                        |                           |                                        |                           |                                        |                           |                                        |
| Fund            |                           |                                        | 14.698.536                | 14.698.536                             |                           |                                        | 11.134.392                | 11.134.392                             |
| Other           |                           |                                        |                           |                                        |                           |                                        |                           |                                        |
| Accounts and    |                           |                                        |                           |                                        |                           |                                        |                           |                                        |
| Expenses        |                           |                                        |                           |                                        |                           |                                        |                           |                                        |
| Payable         | 3.957.873                 | 4.009.799                              | 2.069.235                 | 2.069.235                              | 4.427.545                 | 4.427.545                              | 2.675.713                 | 2.675.713                              |

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|                                             | 44.539.252         | 44.976.114         | 80.937.679         | 85.197.861         | 42.337.560         | 42.775.032         | 71.667.878         | 71.782.000         |
|---------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Non-Current</b>                          |                    |                    |                    |                    |                    |                    |                    |                    |
| Financings                                  | 32.451.649         | 32.451.649         | 5.919.948          | 5.919.948          | 34.684.662         | 34.684.662         | 6.023.776          | 6.023.776          |
| Leasing obligations                         |                    | 730.198            |                    | 15.109.887         |                    | 991.084            |                    | 21.703.000         |
| Subsidiaries and affiliated companies       | 143.920            | 143.920            | 1.372.407          | 1.372.407          | 95.197             | 95.197             | 1.676.173          | 1.676.173          |
| Deferred Income Tax and Social Contribution | 11.990.494         | 12.876.884         | 9.651.764          | 10.407.958         | 11.639.439         | 11.606.858         | 9.464.050          | 9.431.000          |
| Provision for Pension plan                  | 4.658.400          | 4.658.400          | 4.226.544          | 4.226.544          | 4.564.735          | 4.564.735          | 4.169.171          | 4.169.171          |
| Provision for Healthcare Plan               | 9.830.104          | 9.830.104          | 9.074.125          | 9.074.125          | 9.557.596          | 9.557.596          | 8.818.779          | 8.818.779          |
| Provision for Contingencies                 | 692.795            | 692.795            | 197.002            | 197.002            | 758.379            | 758.379            | 210.942            | 210.942            |
| Provision for Dismantling of Areas          | 6.234.772          | 6.234.772          | 5.971.638          | 5.971.638          | 6.203.279          | 6.203.279          | 5.918.916          | 5.918.916          |
| Other Accounts and Expenses Payable         | 1.188.560          | 1.188.560          | 359.563            | 359.563            | 1.225.949          | 1.225.949          | 427.752            | 427.752            |
|                                             | <b>67.190.694</b>  | <b>68.807.282</b>  | <b>36.772.991</b>  | <b>56.639.072</b>  | <b>68.729.236</b>  | <b>69.687.739</b>  | <b>36.709.559</b>  | <b>58.381.000</b>  |
| <b>Deferred income</b>                      | 2.246.273          | 2.246.273          | 450.447            | 450.447            | 1.733.533          | 1,733.737          | 257.730            | 257.730            |
| <b>Minority Interests</b>                   | 6.580.201          | 6,418.819          |                    |                    | 6,240.475          | 6,882.272          |                    |                    |
| <b>Shareholders Equity</b>                  |                    |                    |                    |                    |                    |                    |                    |                    |
| Capital                                     | 78.966.691         | 78.966.691         | 78.966.691         | 78.966.691         | 52.644.460         | 52.644.460         | 52.644.460         | 52.644.460         |
| Capital Reserves                            | 514.857            | 514.857            | 514.857            | 514.857            | 1.553.831          | 1.553.831          | 1.553.831          | 1.553.831          |
| Equity adjustment                           |                    | (1.846.240)        |                    | (1.860.208)        |                    | (164.101)          |                    | (30.000)           |
| Reassessment Reserves                       | 15.250             | 15.250             | 15.250             | 15.250             | 51.171             | 51.171             | 51.171             | 51.171             |
| Revenue Reserves                            | 34.502.731         | 33.010.795         | 36.496.285         | 35.018.449         | 59.661.000         | 58.964.862         | 61.762.774         | 60.913.000         |
| <b>Net Income</b>                           | 15.708.388         | 17.097.595         | 15.116.625         | 16.493.863         | 6.925.062          | 7.312.928          | 6.751.225          | 7.158.000          |
|                                             | <b>129.707.917</b> | <b>127.758.948</b> | <b>131.109.708</b> | <b>129.148.902</b> | <b>120.835.524</b> | <b>120.363.151</b> | <b>122.763.461</b> | <b>122.293.000</b> |
|                                             | <b>250.264.337</b> | <b>250.207.436</b> | <b>249.270.825</b> | <b>267.436.282</b> | <b>239.876.328</b> | <b>241.441.931</b> | <b>231.398.628</b> | <b>252.713.000</b> |

\* Including the effects of CVM Resolution 534/08



**2<sup>nd</sup> Quarter 2008**  
**R\$ thousand**

| <b>Income</b>                                                    | <b>Consolidated</b>  |                      | <b>Parent Company</b> |                      |
|------------------------------------------------------------------|----------------------|----------------------|-----------------------|----------------------|
|                                                                  | <b>6.404/76</b>      | <b>Pro-forma</b>     | <b>6.404/76</b>       | <b>Pro-forma</b>     |
|                                                                  | <b>(as informed)</b> | <b>11.638/07</b>     | <b>(as informed)</b>  | <b>11.638/07</b>     |
|                                                                  |                      | <b>(Estimated) *</b> |                       | <b>(Estimated) *</b> |
| <b>Gross operational Revenues</b>                                |                      |                      |                       |                      |
| Sales                                                            |                      |                      |                       |                      |
| Products                                                         | 126.068.938          | 127.754.905          | 97.619.110            | 97.619.110           |
| Services, mainly freight                                         | 103.289              | 106.204              | 202.419               | 202.419              |
|                                                                  | <b>126.172.227</b>   | <b>127.861.109</b>   | <b>97.821.529</b>     | <b>97.821.529</b>    |
| <b>Sales Deductions</b>                                          | (24.710.435)         | (24.802.132)         | (22.426.512)          | (22.426.512)         |
| <b>Net Operating Revenues</b>                                    | <b>101.461.792</b>   | <b>103.058.977</b>   | <b>75.395.017</b>     | <b>75.395.017</b>    |
| Cost of Products and Services Sold                               | (62.970.892)         | (64.125.150)         | (43.359.005)          | (42.195.350)         |
| <b>Gross profit</b>                                              | <b>38.490.900</b>    | <b>38.933.827</b>    | <b>32.036.012</b>     | <b>33.199.667</b>    |
| <b>Other operating revenue (expenses)</b>                        |                      |                      |                       |                      |
| Sales                                                            | (3.314.759)          | (3.353.873)          | (2.965.643)           | (2.965.643)          |
| Financings                                                       |                      |                      |                       |                      |
| Expenses                                                         | (1.650.415)          | (2.000.367)          | (2.378.794)           | (3.142.737)          |
| Revenue                                                          | 1.086.134            | 1.336.449            | 2.901.996             | 3.037.017            |
| Monetary and Foreign Exchange Variations, net                    | (1.637.879)          | (4.148)              | (2.696.100)           | (877.722)            |
| General and Administrative                                       |                      |                      |                       |                      |
| Management and Directors Remuneration                            | (16.947)             | (17.133)             | (2.611)               | (2.611)              |
| Administrative                                                   | (3.156.076)          | (3.180.531)          | (2.202.372)           | (2.202.372)          |
| Taxes                                                            | (275.162)            | (278.806)            | (146.902)             | (146.902)            |
| Cost of Research and Technological Development                   | (790.313)            | (790.313)            | (783.396)             | (783.396)            |
| Exploratory Costs for the Oil and Gas Extraction                 | (1.279.384)          | (1.295.472)          | (1.059.469)           | (1.059.469)          |
| Healthcare and Pension Plans                                     | (712.145)            | (712.145)            | (671.884)             | (671.884)            |
| Other Operating Expenses, Net                                    | (2.099.869)          | (2.113.000)          | (2.203.343)           | (2.203.343)          |
|                                                                  | <b>(13.846.815)</b>  | <b>(12.409.339)</b>  | <b>(12.208.518)</b>   | <b>(11.019.062)</b>  |
| <b>Participation in Subsidiaries and Affiliated companies</b>    |                      |                      |                       |                      |
| Equity pick-up                                                   | (131.005)            | 158.317              | 1.923.741             | 2.357.631            |
| <b>Operating Income</b>                                          | <b>24.513.080</b>    | <b>26.682.805</b>    | <b>21.751.235</b>     | <b>24.538.236</b>    |
| <b>Non-operating expenses</b>                                    | 401.374              | (57.471)             | 338.225               | (271.481)            |
| <b>Income before Taxes/Profit Sharing and Minority Interests</b> | <b>24.914.454</b>    | <b>26.625.334</b>    | <b>22.089.460</b>     | <b>24.266.755</b>    |
| Social contribution                                              | (2.179.960)          | (2.438.546)          | (1.862.850)           | (2.074.630)          |

|                                                                                        |                   |                   |                   |                   |
|----------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Income Tax                                                                             | (6.348.474)       | (6.991.871)       | (5.109.985)       | (5.698.262)       |
| <b>Income before profit sharing for employees and management and minority interest</b> | <b>16.386.020</b> | <b>17.194.917</b> | <b>15.116.625</b> | <b>16.493.863</b> |
| Profit sharing for employees and management                                            |                   |                   |                   |                   |
| <b>Income before Minority Interest</b>                                                 | <b>16.386.020</b> | <b>17.194.917</b> | <b>15.116.625</b> | <b>16.493.863</b> |
| <b>Minority Interest</b>                                                               | <b>(677.632)</b>  | <b>(97.332)</b>   |                   |                   |
| <b>Net Income for the period</b>                                                       | <b>15.708.388</b> | <b>17.097.595</b> | <b>15.116.625</b> | <b>16.493.863</b> |

\* Including the effects of CVM Resolution 534/08

Pag: 15

**3 Cash and cash equivalents**

|                                        | <b>R\$ thousand</b> |                   | <b>R\$ thousand</b>   |                   |
|----------------------------------------|---------------------|-------------------|-----------------------|-------------------|
|                                        | <b>Consolidated</b> |                   | <b>Parent Company</b> |                   |
|                                        | <b>06.30.2008</b>   | <b>03.31.2008</b> | <b>06.30.2008</b>     | <b>03.31.2008</b> |
| <b>Cash and banks</b>                  | 2.072.151           | 1.714.885         | 776.449               | 418.821           |
| <b>Short Term Investments</b>          |                     |                   |                       |                   |
| <b>- Local:</b>                        |                     |                   |                       |                   |
| Exclusive investment funds:            |                     |                   |                       |                   |
| . Currency                             |                     |                   |                       |                   |
| . DI                                   | 2.014.471           | 1.828.284         | 1.028.110             | 19.421            |
| . Government Bonds                     | 686.853             | 614.936           |                       |                   |
| . Credit Rights                        |                     |                   | 13.382.680            | 10.779.696        |
| Financial investment funds:            |                     |                   |                       |                   |
| . Currency                             | 13.968              | 19.873            |                       |                   |
| . DI                                   | 1.610.151           | 1.545.405         |                       |                   |
| Other                                  | 378.505             | 483.609           |                       |                   |
|                                        | 4.703.948           | 4.492.107         | 14.410.790            | 10.799.117        |
| <b>- Foreign:</b>                      |                     |                   |                       |                   |
| . Time deposit                         | 2.504.667           | 2.199.113         | 1.429.640             | 1.964.897         |
| . Fixed-income securities              | 1.765.482           | 3.153.505         | 741.116               | 1.905.239         |
|                                        | 4.270.149           | 5.352.618         | 2.170.756             | 3.870.136         |
| Total short term Investments           | 8.974.097           | 9.844.725         | 16.581.546            | 14.669.253        |
| <b>Total cash and cash equivalents</b> | <b>11.046.248</b>   | <b>11.559.610</b> | <b>17.357.995</b>     | <b>15.088.074</b> |

Local short term investments provide immediate liquidity and are mainly comprised of quotas in exclusive funds, which are invested in federal public bonds and financial derivative operations, executed by fund managers and tied to US Dollar futures contracts and Interbank Deposits (DI) guaranteed by the Brazilian Stock and Futures Exchange (BM&F). Exclusive funds do not have any significant financial obligations and are limited to daily obligations of adjustments to the positions of the BM&F, auditing services, service fees regarding custody of assets and execution of financial operations and other administrative expenses. Short-term investment balances are recorded at cost plus accrued income, which is recognized proportionately up to the balance sheet date at amounts not exceeding their respective market values.

On June 30, 2008, the Parent Company had amounts invested in the Petrobras Group's Non-Standardized Credit Rights Investment Fund (FIDC-NP). This investment fund is predominantly intended for acquiring credit rights, performed and/or non-performed, of operations carried out by companies in the Petrobras System, and aims to optimize the financial management of the funds of the Parent Company and its Subsidiaries. Petrobras consolidates the FIDC-NP in its financial statements. The assignment of credit rights recorded in the current liabilities of the Parent Company in the amount of R\$ 14.698.536 thousand, was offset in the Consolidated statements by the amounts invested in the FIDC-NP. The investments in government bonds of the FIDC-NP are recorded under cash and cash equivalents (Consolidated statements) according to their respective terms.

At June 30, 2008 and March 31, 2008, the Company and its subsidiary PifCo had amounts invested abroad in an exclusive investment fund that held, among others, debt securities of some of the Petrobras System companies and a Special Purpose Company established in connection with the Company's projects, mainly the CLEP and Malhas projects, in the amount equivalent to R\$ 7.171.950 thousand and R\$ 7.481.013 thousand, respectively. This amount refers to consolidated companies and was offset against the balance of financing classified under current and non-current liabilities.

#### 4 Accounts receivable, net

|                                            | R\$ thousand      |                   |                   |                   |
|--------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                            | Consolidated      |                   | Parent Company    |                   |
|                                            | 06.30.2008        | 03.31.2008        | 06.30.2008        | 03.31.2008        |
| Customers                                  |                   |                   |                   |                   |
| Third parties                              | 16.296.820        | 13.903.409        | 4.217.431         | 4.557.232         |
| Related parties (Note 5.1)                 | 1.307.565         | 1.183.366         | 64.424.732(*)     | 57.518.178 (*)    |
| Other                                      | 2.940.507         | 2.737.303         | 2.196.563         | 1.680.301         |
|                                            | 20.544.892        | 17.824.078        | 70.838.726        | 63.755.711        |
| Less: Uncollectible accounts               | (2.290.390)       | (2.349.012)       | (287.405)         | (278.969)         |
|                                            | 18.254.502        | 15.475.066        | 70.551.321        | 63.476.742        |
| Less: long-term accounts receivable, net   | (2.653.642)       | (2.259.497)       | (53.354.638)      | (50.858.612)      |
| <b>Short-term accounts receivable, net</b> | <b>15.600.860</b> | <b>12.945.569</b> | <b>17.196.683</b> | <b>12.618.130</b> |

(\*) It does not include dividends receivable of R\$ 542.011 thousand as at June 30, 2008 (R\$ 477.884 thousand as at March 31, 2008) and reimbursements receivables of R\$ 1.532.408 thousand as at June 30, 2008 (R\$ 1.433.400 thousand as at March 31, 2008).

R\$ thousand

|                                                | Consolidated     |                  | Parent Company |                |
|------------------------------------------------|------------------|------------------|----------------|----------------|
| Change in provision for uncollectible accounts | 06.30.2008       | 03.31.2008       | 06.30.2008     | 03.31.2008     |
| Balance at beginning of the period             | 2.349.012        | 2.287.957        | 278.969        | 202.692        |
| Additions                                      | 22.115           | 101.477          | 10.573         | 80.060         |
| Write offs (*)                                 | (80.737)         | (40.422)         | (2.137)        | (3.783)        |
| <b>Balance at end of quarter</b>               | <b>2.290.390</b> | <b>2.349.012</b> | <b>287.405</b> | <b>278.969</b> |
| Short-term                                     | 1.416.888        | 1.392.946        | 287.405        | 278.969        |
| Long-term                                      | 873.502          | 956.066          |                |                |

(\*) Includes exchange variation of provision for uncollectible accounts constituted at foreign companies.

## 5 Related Parties

Petrobras carries out commercial transactions with its subsidiaries, affiliated companies and special purpose companies on normal market terms. The transactions for purchase of oil and oil products from the subsidiary PifCo carried out by Petrobras feature longer term for settlement, since PifCo is a subsidiary created for this purpose, considering the levy of the related changes in the period. The amounts related to export prepayments and international market funding are made at the same rate obtained by the subsidiary. The value, income and/or charges in connection with other transactions, especially intercompany loans, are established on normal market terms and/or in accordance with applicable legislation.

**Pag: 18**

**5.1 Assets**

|                                               | <b>R\$ thousand</b>                    |                           |                      |                              |                                                        |                         |                  |              |
|-----------------------------------------------|----------------------------------------|---------------------------|----------------------|------------------------------|--------------------------------------------------------|-------------------------|------------------|--------------|
|                                               | <b>Parent Company</b>                  |                           |                      |                              |                                                        |                         |                  |              |
|                                               | <b>Current Assets</b>                  |                           |                      |                              | <b>Long-term Assets</b>                                |                         |                  |              |
|                                               | Account receivables, mainly from sales | Cash and cash equivalents | Dividends receivable | Advance for capital increase | Amounts referring to the construction of gas pipelines | Intercompany operations | Other operations | Reimbursable |
| Petroquisa and its subsidiaries *             | 139.832                                |                           |                      |                              |                                                        | 4                       |                  |              |
| Petrobras Distribuidora and its subsidiaries* | 1.451.014                              |                           | 509.190              |                              |                                                        | 227.946                 |                  |              |
| Gaspetro and its subsidiaries*                | 637.408                                |                           | 32.821               | 8.028                        | 749.097                                                | 12.766                  |                  |              |
| PifCo and its subsidiaries                    | 6.369.394                              |                           |                      |                              |                                                        | 32.190.032              | 18.045           |              |
| PNBV and its subsidiaries                     | 17.041                                 |                           |                      | 7.828                        |                                                        |                         | 4.204            |              |
| Downstream and it subsidiary                  | 457.500                                |                           |                      |                              |                                                        | 275.102                 |                  |              |
| Transpetro and it subsidiary                  | 542.452                                |                           |                      |                              |                                                        |                         |                  |              |
| PIB-BV Holanda and its subsidiaries *         | 162.548                                |                           |                      |                              |                                                        |                         | 60.505           |              |
| Brasoil and it subsidiary                     | 43                                     |                           |                      |                              |                                                        | 18.173.533              | 4.131            |              |
| BOC                                           |                                        |                           |                      |                              |                                                        | 438.602                 | 45               |              |
| 17 de Maio and it subsidiary                  | 101.981                                |                           |                      |                              |                                                        |                         |                  |              |
| Petrobras Comercializadora de Energia Ltda.   | 50.245                                 |                           |                      |                              |                                                        |                         |                  |              |
| Quattor Participações and its subsidiaries    | 155.774                                |                           |                      |                              |                                                        |                         |                  |              |
| Credit Rights Investment Fund                 |                                        |                           |                      |                              |                                                        |                         |                  |              |
| **                                            | (300.688)                              | 13.382.680                |                      |                              |                                                        |                         |                  |              |
| Others                                        | 752.831                                |                           |                      | 144.810                      |                                                        | 452.305                 | 11               |              |
| Petrobras Negócios Eletrônicos                | 4.049                                  |                           |                      |                              |                                                        |                         |                  |              |

|                            |                   |                   |                |                |                |                   |               |                  |
|----------------------------|-------------------|-------------------|----------------|----------------|----------------|-------------------|---------------|------------------|
| Thermoelectrics            | 344.648           |                   |                | 144.810        |                | 452.305           |               |                  |
| Affiliated                 | 106.319           |                   |                |                |                |                   |               |                  |
| Other                      | 297.815           |                   |                |                |                |                   | 11            |                  |
| Specific Purpose Companies | 819.675           |                   |                |                |                |                   |               | 1.532.408        |
| <b>06/30/2008</b>          | <b>11.357.050</b> | <b>13.382.680</b> | <b>542.011</b> | <b>160.666</b> | <b>749.097</b> | <b>51.770.290</b> | <b>86.941</b> | <b>1.532.408</b> |
| <b>03/31/2008</b>          | <b>7.288.614</b>  | <b>10.779.696</b> | <b>477.884</b> | <b>322.344</b> | <b>847.903</b> | <b>48.960.349</b> | <b>98.969</b> | <b>1.433.399</b> |

\* Includes transactions with jointly-owned subsidiaries

\*\* Includes R\$377,776 thousand of prepaid expenses.

### R\$ thousand

#### Interest Rates of Intercompany Assets

| Index                | June-08           | March-08          |
|----------------------|-------------------|-------------------|
| TJLP + 5% p.a.       | 277.078           | 294.804           |
| LIBOR + 1 to 3% p.a. | 50.802.165        | 47.971.106        |
| 1,70% p.a.           | 275.102           | 342.806           |
| 101% of CDI          | 184.192           | 188.416           |
| 14,5% p.a.           | 86.987            | 85.102            |
| IGPM + 6% p.a.       | 144.761           | 78.111            |
| Other rates          | 5                 | 4                 |
|                      | <b>51.770.290</b> | <b>48.960.349</b> |

#### Bolivia-Brazil Gas pipeline

The Bolivian section of the gas pipeline is the property of Gás Transboliviano S.A. (GTB), in which Gaspetro holds a minority interest (11%).

A US\$ 350 million turn-key contract for the construction of the Bolivian section of the pipeline was signed by Petrobras and Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), which assigned its rights under this contract to GTB, to be paid over 12 years, from January 2000 onwards, in the form of transportation services.

On June 30, 2008, the balance of the rights to future transportation services, on account of costs already incurred in the construction up to that date, including interest of 10,7% p.a., is R\$ 422.616 thousand (R\$ 482.039 thousand on March 31, 2008), being R\$ 321.646 thousand (R\$ 376.930 thousand on March 31, 2008) classified under non-current assets as advances to suppliers. This amount also includes R\$ 98.270 thousand (R\$ 108.864 thousand on March 31, 2008) relating to the anticipated acquisition of the right to transport 6 million cubic meters of gas over a 40-year period (TCO - Transportation Capacity Option).

The Brazilian section of the gas pipeline is the property of Transportadora Brasileira Gasoduto Bolívia-Brasil S.A. (TBG), a Gaspetro subsidiary. On June 30, 2008, Petrobras' total receivables from TBG for management, recharge of costs and financing relating to the construction of the gas pipeline and anticipated acquisition of the right to transport 6 million cubic meters of gas over a 40-year period (TCO) amounted to R\$ 749.097 thousand (R\$ 847.903 thousand on March 31, 2008), classified under non-current assets as accounts receivable net.

**5.2 Liabilities**

| R\$ thousand                                         |                                                   |                              |                     |                                         |                                                             |                     |                       |                      |
|------------------------------------------------------|---------------------------------------------------|------------------------------|---------------------|-----------------------------------------|-------------------------------------------------------------|---------------------|-----------------------|----------------------|
| Parent Company                                       |                                                   |                              |                     |                                         |                                                             |                     |                       |                      |
| Current Liabilities                                  |                                                   |                              |                     |                                         | Non-Current Liabilities                                     |                     |                       |                      |
|                                                      | Suppliers of<br>mainly oil<br>and oil<br>products | Advance<br>from<br>customers | Oil rigs<br>freight | Operations<br>with Project<br>Financing | Non-<br>Standardized<br>Credit Rights<br>Investment<br>Fund | Other<br>Operations | Intercompany<br>Loans | Export<br>prepayment |
| Petroquisa and<br>its subsidiaries *                 | (16.938)                                          |                              |                     |                                         |                                                             | (134)               | (44.176)              |                      |
| Petrobras<br>Distribuidora and<br>its subsidiaries * | (230.358)                                         | (64.679)                     |                     |                                         |                                                             |                     |                       |                      |
| Gaspetro and<br>its subsidiaries *                   | (587.858)                                         | (157.471)                    |                     |                                         |                                                             |                     |                       |                      |
| PifCo and its<br>subsidiaries                        | (35.695.874)                                      | (45.997)                     |                     |                                         |                                                             |                     |                       | (581.12)             |
| PNBV and its<br>subsidiaries                         | (115.998)                                         |                              | (1.259.067)         |                                         |                                                             |                     |                       |                      |
| Downstream<br>and its subsidiary                     | (106.942)                                         |                              |                     |                                         |                                                             |                     |                       |                      |
| Transpetro and<br>its subsidiary                     | (721.173)                                         |                              |                     |                                         |                                                             | (50)                |                       |                      |
| PIB-BV                                               |                                                   |                              |                     |                                         |                                                             |                     |                       |                      |
| Holanda and its<br>subsidiaries *                    | (190.893)                                         | (25.578)                     |                     |                                         |                                                             | (354)               |                       |                      |
| Brasoil and its<br>subsidiary                        | (17.279)                                          | (834)                        | (13.232)            |                                         |                                                             |                     |                       |                      |
| Petrobras<br>Comercializadora<br>de Energia Ltda.    | (454)                                             |                              |                     |                                         |                                                             |                     |                       |                      |
| Quattor<br>participações                             | (50.126)                                          |                              |                     |                                         |                                                             |                     |                       |                      |
| Credit Rights<br>Investment Fund                     |                                                   |                              |                     |                                         | (14.698.536)                                                |                     |                       |                      |
| Other<br>subsidiaries and<br>associated<br>companies | (615.352)                                         | (32)                         |                     |                                         |                                                             | (34)                |                       |                      |
| Petrobras<br>Negócios<br>Eletrônicos                 | (5.259)                                           |                              |                     |                                         |                                                             |                     |                       |                      |
| Thermoelectrics                                      | (510.726)                                         |                              |                     |                                         |                                                             |                     |                       |                      |

Affiliated  
Companies  
Others  
Specific  
Purpose  
Companies

(72.367)

(27.000) (32)

(34)

(75.699)

(283.592)

**06/30/2008**

**(38.424.944)**

**(294.591) (1.272.299)**

**(283.592) (14.698.536)**

**(572)**

**(44.176)**

**(581.12)**

**03/31/2008**

**(33.724.784)**

**(294.190) (1.312.139)**

**(325.178) (11.134.392)**

**(431)**

**(43.181)**

**(667.72)**

\* Includes transactions with jointly-owned subsidiaries

**5.3 Income Statement**

| <b>R\$ thousand</b>                            |                                            |                                           |                                         |                    |
|------------------------------------------------|--------------------------------------------|-------------------------------------------|-----------------------------------------|--------------------|
| <b>Parent Company</b>                          |                                            |                                           |                                         |                    |
| <b>Income Statement</b>                        |                                            |                                           |                                         |                    |
|                                                | Operational<br>income mainly<br>from sales | Financial<br>income<br>(Expenses),<br>net | Monetary<br>Exchange<br>Variations, net | <b>TOTAL</b>       |
| Petroquisa and its Subsidiaries *              | 164.399                                    |                                           | 1.174                                   | <b>165.573</b>     |
| Petrobras Distribuidora and its Subsidiaries * | 23.278.806                                 | (66.473)                                  | 15.416                                  | <b>23.227.749</b>  |
| Gaspetro and its Subsidiaries *                | 2.076.716                                  | (6.718)                                   | (71.253)                                | <b>1.998.745</b>   |
| PifCo and its Subsidiaries                     | 10.238.316                                 | (30.142)                                  | (264.173)                               | <b>9.944.001</b>   |
| PNBV and its Subsidiaries                      |                                            |                                           | 134.369                                 | <b>134.369</b>     |
| Downstream and its Subsidiary                  | 2.023.630                                  | 2.354                                     | (12.514)                                | <b>2.013.470</b>   |
| Transpetro and its Subsidiary                  | 227.552                                    |                                           | 4.272                                   | <b>231.824</b>     |
| PIB-BV Holanda and its Subsidiaries *          | 63.130                                     |                                           | (4.443)                                 | <b>58.687</b>      |
| Brasoil and its Subsidiary                     |                                            | 614.285                                   | (1.993.656)                             | <b>(1.379.371)</b> |
| BOC                                            |                                            | 15.073                                    | (48.715)                                | <b>(33.642)</b>    |
| Petrobras Comercializadora de Energia Ltda     | 239.766                                    |                                           |                                         | <b>239.766</b>     |
| Ipiranga Asfaltos                              | 35.495                                     |                                           |                                         | <b>35.495</b>      |
| Quattor Participações and its Subsidiary       | 550.177                                    |                                           |                                         | <b>550.177</b>     |
| Refinaria Petroleo Ipiranga                    | 107.843                                    |                                           |                                         | <b>107.843</b>     |
| Credit Rights Investment Fund                  |                                            | 48.110                                    |                                         | <b>48.110</b>      |
| Other Subsidiaries and Associated Companies    | 3.210.318                                  | 16.048                                    | (11.527)                                | <b>3.214.839</b>   |
| Petrobras Negócios Eletrônicos                 | 3.650                                      |                                           | 103                                     | <b>3.753</b>       |
| Thermoeletrics                                 | 84.238                                     | 18.273                                    | (18.013)                                | <b>84.498</b>      |
| Affiliated companies                           | 3.122.430                                  | (2.225)                                   | 6.415                                   | <b>3.126.620</b>   |
| Others                                         |                                            |                                           | (32)                                    | <b>(32)</b>        |
| Specific Purpose Companies                     | 33.876                                     |                                           |                                         | <b>33.876</b>      |
| <b>06/30/2008</b>                              | <b>42.250.024</b>                          | <b>592.537</b>                            | <b>(2.251.050)</b>                      | <b>40.591.511</b>  |
| <b>06/30/2007</b>                              | <b>33.692.463</b>                          | <b>629.675</b>                            | <b>(1.674.350)</b>                      | <b>32.647.788</b>  |

\* Includes transactions with jointly-controlled subsidiaries.

**5.4 Transactions with Government Entities and Pension Funds**

The Company is controlled by the Federal Government and carries out several transactions with government entities in the normal course of its operations.

Significant transactions with government entities and the pension funds are presented as follows:

| <b>R\$ thousand</b>                     |                   |                    |                   |                    |
|-----------------------------------------|-------------------|--------------------|-------------------|--------------------|
| <b>Consolidated</b>                     |                   |                    |                   |                    |
|                                         | <b>06.30.2008</b> |                    | <b>03.31.2008</b> |                    |
|                                         | <b>Assets</b>     | <b>Liabilities</b> | <b>Assets</b>     | <b>Liabilities</b> |
| Petros (Pension Fund)                   | 1.346.948         | 594.797            | 1.335.876         | 559.484            |
| Banco do Brasil S.A.                    | 3.676.914         | 2.041.001          | 2.759.697         | 2.216.345          |
| BNDES                                   |                   | 7.703.183          |                   | 7.742.927          |
| Federal Government - Dividends Proposed |                   |                    |                   | 725.119            |
| Judicial Deposits (CEF and BB)          | 1.524.764         | 161.982            | 1.542.214         | 155.475            |
| Petroleum and alcohol account - Federal |                   |                    |                   |                    |
| Government Credits                      | 801.042           |                    | 799.362           |                    |
| Government Bonds                        | 4.184.665         |                    | 3.570.581         |                    |
| Other                                   | 789.617           | 640.438            | 651.870           | 393.514            |
|                                         | <b>12.323.950</b> | <b>11.141.401</b>  | <b>10.659.600</b> | <b>11.792.864</b>  |
| Current                                 | 4.758.932         | 1.194.064          | 3.165.310         | 3.739.898          |
| Non-current                             | 7.565.018         | 9.947.337          | 7.494.290         | 8.052.966          |

Balances are classified in Balance Sheet as follows:

| <b>R\$ thousand</b>                 |                   |                    |                   |                    |
|-------------------------------------|-------------------|--------------------|-------------------|--------------------|
| <b>Consolidated</b>                 |                   |                    |                   |                    |
|                                     | <b>06.30.2008</b> |                    | <b>03.31.2008</b> |                    |
|                                     | <b>Assets</b>     | <b>Liabilities</b> | <b>Assets</b>     | <b>Liabilities</b> |
| <b>Assets</b>                       |                   |                    |                   |                    |
| Current                             | 4.758.932         |                    | 3.165.310         |                    |
| Cash and cash equivalents           | 4.143.792         |                    | 2.709.177         |                    |
| Accounts receivable, net            | 196.155           |                    | 85.132            |                    |
| Other current assets                | 418.985           |                    | 371.001           |                    |
| Non-current                         | 7.565.018         |                    | 7.494.290         |                    |
| Petroleum and alcohol account - STN | 801.042           |                    | 799.362           |                    |
| Judicial deposits                   | 1.524.706         |                    | 1.542.214         |                    |
| Advances to pension plan            | 1.346.948         |                    | 1.335.876         |                    |

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|                           |                   |                   |                   |                   |
|---------------------------|-------------------|-------------------|-------------------|-------------------|
| Marketable securities     | 3.661.390         |                   | 3.569.733         |                   |
| Other long term assets    | 230.932           |                   | 247.105           |                   |
| <b>Liabilities</b>        |                   |                   |                   |                   |
| Current                   |                   | 1.194.064         |                   | 3.739.898         |
| Financing loans           |                   | 462.035           |                   | 2.105.627         |
| Proposed dividends        |                   |                   |                   | 725.119           |
| Other current liabilities |                   | 732.029           |                   | 909.152           |
| Non-current               |                   | 9.947.337         |                   | 8.052.966         |
| Financing loans           |                   | 9.438.064         |                   | 7.586.680         |
| Other liabilities         |                   | 509.273           |                   | 466.286           |
|                           | <b>12.323.950</b> | <b>11.141.401</b> | <b>10.659.600</b> | <b>11.792.864</b> |

Pag: 23

**6 Inventories**

|                                      | <b>R\$ thousand</b> |                   |                       |                   |
|--------------------------------------|---------------------|-------------------|-----------------------|-------------------|
|                                      | <b>Consolidated</b> |                   | <b>Parent Company</b> |                   |
|                                      | <b>06.30.2008</b>   | <b>03.31.2008</b> | <b>06.30.2008</b>     | <b>03.31.2008</b> |
| Products:                            |                     |                   |                       |                   |
| Oil products (*)                     | 7.223.736           | 6.171.078         | 5.219.834             | 5.028.331         |
| Fuel alcohol (*)                     | 251.820             | 323.394           | 71.611                | 107.159           |
|                                      | 7.475.556           | 6.494.472         | 5.291.445             | 5.135.490         |
| Raw materials, mainly crude oil (*)  | 10.889.875          | 8.161.855         | 8.606.474             | 6.424.899         |
| Maintenance materials and supply (*) | 3.071.086           | 3.050.285         | 2.700.102             | 2.661.925         |
| Advances to suppliers                | 1.300.156           | 1.456.771         | 1.257.600             | 1.305.272         |
| Other                                | 476.573             | 467.990           | 24.007                | 62.370            |
| <b>Total</b>                         | <b>23.213.246</b>   | <b>19.631.373</b> | <b>17.879.628</b>     | <b>15.589.956</b> |
| Short-term                           | 22.998.563          | 19.395.378        | 17.664.945            | 15.353.961        |
| Long-term                            | 214.683             | 235.995           | 214.683               | 235.995           |

(\*) includes imports in progress.

**7 Petroleum and alcohol account - STN**

In order to conclude the settlement of accounts with the Federal Government, 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 outstanding differences between the parties.

As at June 30, 2008, the balance of the account of R\$ 801.042 thousand (R\$ 799.362 thousand as at March 31, 2008) could be settled by the Federal Government by issuing National Treasury notes, equal in value to the final balance of the settlement of accounts or by offsetting against other amounts that Petrobras may owe the Federal Government at the time, including tax-related amounts or a combination of foregoing operations.

**8 Marketable securities**

Marketable securities classified as non-current assets are comprised as follows:

|                 | <b>R\$ thousand</b> |                   |                       |                   |
|-----------------|---------------------|-------------------|-----------------------|-------------------|
|                 | <b>Consolidated</b> |                   | <b>Parent Company</b> |                   |
|                 | <b>06.30.2008</b>   | <b>03.31.2008</b> | <b>06.30.2008</b>     | <b>03.31.2008</b> |
| NTN-B           | 3.327.564           | 3.410.210         | 3.327.564             | 3.410.210         |
| Bank securities |                     | 8.624             |                       |                   |
| B Certificates  | 108.327             | 133.981           |                       |                   |
| Other           | 180.239             | 177.200           | 8.429                 | 8.363             |
|                 | <b>3.616.130</b>    | <b>3.730.015</b>  | <b>3.335.993</b>      | <b>3.418.573</b>  |

The B Series National Treasury Notes will be used to guarantee future long term agreements entered into with Petros, to settle amounts owed by Petrobras. The face value of the NTN-Bs is restated based on variations in the Amplified Consumer Price Index - IPCA. Interest coupons will be paid at half-yearly intervals at the rate of 6% p.a. based on the present nominal value of these notes. The due dates of these notes are 2024 and 2035, with withdrawal to be made in full on their respective maturity dates.

The B certificates, which were received by Brasoil on account of the sale of platforms in 2000 and 2001, have semi-annual maturity dates until 2011 and yield interest equivalent to the Libor rate plus 0,70% p.a. to 4,25% p.a.

**9 Project financings**

Petrobras develops projects together with local and international finance agencies and companies in the oil and energy sector to establish operational partnerships for the purpose of making viable investments necessary in the business areas in which the Company operates.

Considering that the project financings are implemented by Special Purpose Companies (SPCs), the activities of which are, essentially, controlled by Petrobras, the expenditure incurred by the Company on projects being negotiated or which have been negotiated with third parties are classified in the consolidated financial statements as non-current assets - property, plant and equipment.

**9.1 Special purpose companies****a) Project Financings**

| <b>Project/<br/>Estimated<br/>Amount of<br/>Investment</b> | <b>Purpose</b>                                                                                                                                                                                                                                                                                                     | <b>Main<br/>guarantees</b>                                                            | <b>Current<br/>phase</b>                                   |
|------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|------------------------------------------------------------|
| <b>Barracuda and Caratinga</b><br><br>US\$ 3,1 billion     | To allow development of production in the fields of Barracuda and Caratinga in the Campos Basin. The SPC Barracuda and Caratinga Leasing Company B.V. (BCLC), is in charge of building all of the assets (wells, submarine equipment and production units) required by the project, and is also the owner of them. | Guarantee provided by Brasoil to cover BCLC's financial requirements.                 | In operation, with constitution of assets in final stages. |
| <b>Marlim</b><br><br>US\$ 1,5 billion                      | Consortium with Companhia Petrolífera Marlim (CPM), which furnishes Petrobras with submarine equipment for oil production at the Marlim field.                                                                                                                                                                     | 70% of the field production limited to 720 days.                                      | In operation.                                              |
| <b>NovaMarlim</b><br><br>US\$ 834 million                  | Consortium with NovaMarlim Petróleo S.A. (NovaMarlim) which furnishes submarine oil production equipment and refunds operating costs arising from operating and maintaining the field assets, by way of an advance already made to Petrobras.                                                                      | 30% of the field production limited to 720 days.                                      | In operation.                                              |
| <b>CLEP</b><br><br>US\$ 1,25 billion                       | Companhia Locadora de Equipamentos Petrolíferos (CLEP), furnishes Petrobras assets related to oil production located in the Campos Basin through a lease agreement for the period of 10 years, and at the end of it Petrobras will have the right to buy shares of the SPC or project assets.                      | Lease prepayments in case revenue is not sufficient to cover payables to the lenders. | In operation.                                              |
| <b>PDET</b><br><br>US\$ 1,18 billion                       | PDET Offshore S.A. is the future owner of the Project assets whose objective is to improve the infrastructure to transfer oil produced in the Campos Basin to the oil refineries in the Southeast Region and to export. The assets will later be leased to Petrobras for 12 years.                                 | All of the project's assets will be pledged as collateral.                            | In stage of constitution of assets.                        |



| Project/<br>Estimated<br>Amount of<br>Investment                            | Purpose                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Main<br>guarantees                                                                                                 | Current<br>phase                                                                                                                                                                                                                                                                     |
|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Malhas</b><br><br>US\$ 1,11 billion                                      | Consortium formed by Transpetro, Transportadora Associada de Gás (TAG) ex - TNS, Nova Transportadora do Sudeste (NTS) and Nova Transportadora do Nordeste (NTN). NTS and NTN contribute to Malhas Consortium through assets related to natural gas transportation. TAG (a 100% Gaspetro subsidiary) furnishes assets that have already been previously set up. Transpetro is the gas pipelines operator.                                                                                                        | Prepayments based on transportation capacity to cover any consortium cash insufficiencies.                         | It became operational on January 01, 2006. The Campinas - Rio stretch of the pipeline was completed on May 18, 2008 and is currently awaiting the operating license (OL) and authorization to operate (AO), while the Catu-Carmópolis pipeline is in the final stages of completion. |
| <b>Modernization of Revap</b><br><br>US\$ 900 million                       | The objective of this project is to raise the Henrique Lage (Revap) refinery's national heavy oil processing capacity, bringing the diesel it produces into line with the new national specifications and reducing pollution levels. To achieve this, the SPC Cia. de Desenvolvimento e Modernização de Plantas Industriais - CDMPI was founded, which will construct and lease to Petrobras a Retarded Coking plant, a Coke Naphtha Hydro-treatment plant and related plants to be installed at this refinery. | Prepaid rental to cover any cash deficiencies of CDMPI.                                                            | In stage of constitution of assets.                                                                                                                                                                                                                                                  |
| <b>Cabiúnas</b><br><br>US\$ 850 million                                     | Project with the objective of increasing gas production transportation from the Campos Basin. Cayman Cabiunas Investment Co. Ltd. (CCIC) furnishes assets to Petrobras under an international lease agreement.                                                                                                                                                                                                                                                                                                  | Pledge of 10,4 billion m <sup>3</sup> of gas.                                                                      | In operation.                                                                                                                                                                                                                                                                        |
| <b>Other (Albacora, Albacora/Petros and PCGC)</b><br><br>US\$ 495,5 million |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Ownership of the assets or additional lease payment if the revenue is not sufficient to cover payables to lenders. | In operation.                                                                                                                                                                                                                                                                        |



*b) Project financings in progress*

| Project/<br>Estimated<br>Amount of<br>Investment    | Purpose                                                                                                                                                                                                                                                                                                                  | Main<br>guarantees                                           | Current<br>phase                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Gasene</b><br><br>US\$ 2,96 billion              | Transportadora Gasene S.A. is responsible for the construction and future ownership of pipelines to transport natural gas with a total length of 1,4 thousand km and transportation capacity of 20 million cubic meters per day, connecting the Cabiúnas Terminal in Rio de Janeiro to the city of Catu, in Bahia state. | Pledge of credit rights.<br><br>Pledge of shares of the SPC. | Long term loan negotiated in December 2007 with BNDES in the amount equivalent R\$ 4,51 billion, including funds transferred from the China Development Bank (CDB) in the amount of US\$ 750 million. Loan obtained from BB Fund SPC of up to R\$800 million for the construction of the gas pipeline, with the issue of US\$ 210 million in Promissory Notes, in October 2006. The first stretch of the Gasene Project, the Cabiúnas-Vitória gas pipeline, is currently in the testing phase, while the second stretch, the Cacimbas-Catu pipeline is in the construction phase. |
| <b>Marlim Leste (P-53)</b><br><br>US\$ 1,78 billion | To develop production in the Marlim Leste field, Petrobras will use a Stationary Production Unit (UEP), P-53, to be chartered from Charter Development LLC. The Bare Boat Charter agreement will be effective for a 15-year period counted from the date of signing thereof.                                             | All assets of the projects were given in guarantee           | Short-term financing for conclude the platform in the amount of US\$ 186 million obtained through issuance of Promissory Notes by the SPC. The assets are in the construction stage, scheduled to be completed in the second half of 2008.                                                                                                                                                                                                                                                                                                                                        |

|                   |                                                                                                                                                                                                                                                                                                                                                                                                         |                                                              |                                                                                                                                                                                                                                                                                                                                                                  |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Amazônia</b>   | Development of a project in the Gas and Energy area that includes the construction of a 385 km gas pipeline between Coari and Manaus, and a 285 km GLP pipeline between Urucu and Coari, both under the responsibility of Transportadora Urucu -Manaus S.A. and the construction of a thermoelectric plant, in Manaus, with capacity of 488 MW through Companhia de Geração Termoelétrica Manauara S.A. | Pledge of credit rights.<br><br>Pledge of shares of the SPC. | A long-term loan obtained in December 2007 from BNDES in the amount of R\$ 2,49 billion. Loan obtained in the amount of R\$ 1 billion from the BB Fund SPC, of which US\$ 265 million have been issued in Promissory Notes. The Urucu-Coari and Coari-Manaus pipelines are under construction, and the Aparecida and Mauá branches are in the contracting stage. |
| US\$ 1,37 billion |                                                                                                                                                                                                                                                                                                                                                                                                         |                                                              |                                                                                                                                                                                                                                                                                                                                                                  |

|                  |                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Mexilhão</b>  | Construction of a platform (PMXL-1) to produce natural gas at Mexilhão and Cedros fields, in the Santos Basin, in São Paulo State through Companhia Mexilhão do Brasil (CMB), responsible for obtaining the funds necessary to build the platform. Once built, the PMXL-1 will be leased to Petrobras, holder of the exploration and production concession in the aforementioned fields. |                                                                                                                                                                                |
| US\$ 756 million | To be defined.                                                                                                                                                                                                                                                                                                                                                                           | Obtainment of short-term funds up to the amount of US\$ 416 million, through the issuance of Promissory Notes acquired by the BB Fund. Constitution of the assets is underway. |

## 9.2 Reimbursements receivable and ventures under negotiation

The receivable balance, net of advances received, referring to the costs incurred by Petrobras on projects already negotiated with third parties, is classified in the non-current assets, as Project Financings, and is broken down as follows:

|                                            | <b>R\$ thousand</b>   |                   |
|--------------------------------------------|-----------------------|-------------------|
|                                            | <b>Parent Company</b> |                   |
| <b>Projects</b>                            | <b>06.30.2008</b>     | <b>03.31.2008</b> |
| Cabiúnas                                   | 752.912               | 752.912           |
| PDET                                       | 1.129.396             | 1.075.784         |
| Malhas-Nordeste                            | 96.351                | 96.351            |
| Malhas-Sudeste                             | 77.769                | 77.480            |
| Other                                      | 129                   | 129               |
| <b>Total</b>                               | <b>2.056.557</b>      | <b>2.002.656</b>  |
| Advances                                   | (524.149)             | (569.256)         |
| <b>Total net reimbursements receivable</b> | <b>1.532.408</b>      | <b>1.433.400</b>  |
| Ventures under negotiation (*)             | 544.642               | 390.125           |
| <b>Total project financings</b>            | <b>2.077.050</b>      | <b>1.823.525</b>  |

(\*) Includes expenses already incurred by Petrobras on projects for which partners have not yet been specified.

**9.3 Project financings obligations**

| R\$ thousand             |            |                |                |
|--------------------------|------------|----------------|----------------|
| Parent Company           |            |                |                |
|                          | Project    | 06.30.2008     | 03.31.2008     |
| PDET Offshore S.A.       | PDET       | 200.333        | 200.333        |
| NovaMarlim Petróleo S.A. | NovaMarlim | 83.259         | 124.845        |
| <b>Total</b>             |            | <b>283.592</b> | <b>325.178</b> |

**a) NovaMarlim Project**

NovaMarlim Petróleo S.A. provided funding for the project, the balance of which, net of operating costs already incurred by Petrobras in the amount of R\$ 2.031.276 thousand (R\$ 1.989.690 thousand as of March 31, 2008) and transferred assets of R\$ 49.465 thousand. On June 30, 2008 the amount of the obligation reached R\$ 83.259 thousand (R\$ 124.845 thousand as of March 31, 2008) classified in the Current Liabilities as Project Financings.

**b) PDET Project**

PDET Offshore S.A passed to Petrobras R\$ 1.198.357 thousand as an advance for the future sale of assets and reimbursement of expenses incurred by Petrobras. In December 2007, Petrobras ceded a contract with Consórcio Norberto Odebrecht Engenharia S.A. (CNO) to PDET Offshore S.A. in the total amount of R\$ 998.024 thousand. This left Petrobras with a balance of R\$ 200.333 thousand, classified in the current liabilities as Project Financings.

**9.4 Accounts payable related to consortiums**

| R\$ thousand                                     |                |                |
|--------------------------------------------------|----------------|----------------|
| Consolidated                                     |                |                |
|                                                  | 06.30.2008     | 03.31.2008     |
| Cia. Petrolífera Marlim                          | 173.939        | 67.832         |
| Nova Marlim Petróleo                             | 41.602         | 60.771         |
| Fundação Petrobras de Seguridade Social - Petros | 22.837         | 18.647         |
| <b>Total</b>                                     | <b>238.378</b> | <b>147.250</b> |

Petrobras maintains consortium contracts for the purpose of supplementing the development of oil field production, of which the accounts payable to consortium partners amounted to R\$ 238.378 thousand as of June 30, 2008 (R\$147.250 thousand as of March 31, 2008), classified in the current liabilities as Project Financings.

**10 Judicial deposits**

The judicial deposits are presented in accordance to the nature of the claims, are as follows:

|              | <b>R\$ thousand</b> |                   |                       |                   |
|--------------|---------------------|-------------------|-----------------------|-------------------|
|              | <b>Consolidated</b> |                   | <b>Parent Company</b> |                   |
|              | <b>06.30.2008</b>   | <b>03.31.2008</b> | <b>06.30.2008</b>     | <b>03.31.2008</b> |
| Labor        | 603.569             | 577.902           | 579.298               | 551.287           |
| Tax (*)      | 836.891             | 883.445           | 634.169               | 683.603           |
| Civil (*)    | 273.112             | 255.688           | 242.141               | 227.997           |
| Other        | 8.653               | 11.338            | 2.759                 | 2.957             |
| <b>Total</b> | <b>1.722.225</b>    | <b>1.728.373</b>  | <b>1.458.367</b>      | <b>1.465.844</b>  |

(\*) Net of the judicial deposit relating to the judicial proceeding provisioned for, when applicable.

**Other information**

*Search and apprehension of ICMS/taxpayer substitution payments considered to be not due*

Petrobras was sued in the courts of Goiás, Tocantins, Bahia, Pará, Maranhão and in the Federal District, by oil distribution companies under the allegation that it does not pass on to state governments the Domestic Value-Added Tax (ICMS) collected according to the legislation upon fuel sales.

Of the total amount related to legal actions of approximately R\$ 728.895 thousand, up to June 30, 2008, R\$ 80.159 thousand had been withdrawn from the Company's accounts as a result of judicial rulings of advance relief, with a provision having been made for losses of R\$ 73.902 thousand. On appeal, these judicial rulings of advance relief were annulled.

Petrobras, with the support of the state and federal authorities, has succeeded in stopping the execution of other withdrawals, and is making all possible efforts to obtain reimbursement of the amounts that had been unduly withdrawn from its accounts.

*Other restricted deposits*

The courts have blocked other amounts due to labor claims that totaled R\$ 23.213 thousand as of June 30, 2008 (R\$ 40.643 thousand as of March 31, 2008), recorded in non-current assets as judicial deposits.

**11 Investments****11.1 Investments in Subsidiaries, Jointly-owned Subsidiaries and Affiliated Companies**

|                                                      | <b>R\$ thousand</b> |                   |
|------------------------------------------------------|---------------------|-------------------|
|                                                      | <b>06.30.2008</b>   | <b>03.31.2008</b> |
| <b>Subsidiaries</b>                                  |                     |                   |
| Petrobras Distribuidora S.A. - BR                    | 7.015.564           | 7.179.514         |
| Petrobras Gás S.A. - Gaspetro                        | 3.895.559           | 3.546.576         |
| Termorio S.A.                                        | 2.695.088           | 2.604.395         |
| Petrobras Química S.A - Petroquisa                   | 2.411.608           | 2.233.692         |
| Petrobras Transporte S. A. - Transpetro              | 1.781.378           | 1.700.255         |
| Petrobras Netherlands B.V - PNBV                     | 1.543.605           | 1.447.151         |
| Downstream Participações Ltda.                       | 1.115.416           | 1.065.862         |
| Petrobras Internacional Braspetro B.V. - PIB BV      | 848.905             | 831.699           |
| Termomacaé Ltda.                                     | 775.798             | 732.796           |
| 17 de Maio Participações S.A.                        | 663.954             |                   |
| Braspetro Oil Services Company - Brasoil             | 337.928             | 419.412           |
| Termobahia S.A.                                      | 316.459             | 313.337           |
| FAFEN Energia S.A.                                   | 236.899             | 233.666           |
| Baixada Santista Energia Ltda.                       | 217.876             | 218.456           |
| 5283 Participações Ltda.                             | 213.674             | 217.149           |
| Petrobras Comercializadora de Energia - PBEN         | 206.999             |                   |
| Termoceará Ltda.                                     | 186.429             | 174.127           |
| SFE - Sociedade Fluminense de Energia Ltda.          | 175.543             | 139.420           |
| UTE Juiz de Fora S.A.                                | 145.396             | 146.643           |
| Fundo de Investimento Imobiliário RB Logística - FII | 55.213              | 52.995            |
| Petrobras Negócios Eletrônicos S.A. - E-Petro        | 22.836              | 21.609            |
| Petrobras Bicombustível S.A.                         | 10                  |                   |
| Refinaria Abreu e Lima S.A.                          | 7                   |                   |
| Dapean Participações S.A                             |                     | 861.501           |
| Goodwill/Discount in subsidiaries                    | 309.655             | 1.061.766         |
|                                                      | 25.171.799          | 25.202.021        |
| <b>Jointly-Owned Subsidiaries</b>                    |                     |                   |
| Termoaçu S.A.                                        | 458.519             | 458.519           |
| UTE Norte Fluminense S.A.                            | 58.890              | 56.738            |
| Other                                                | 11.390              | 4.038             |
|                                                      | 528.799             | 519.295           |
| <b>Affiliated Companies</b>                          |                     |                   |
| Quattor Participações S.A.*                          | 688.716             |                   |
| UEG Araucária Ltda.                                  | 132.342             | 131.994           |
| Goodwill/discount in Affiliated companies            | 1.788.020           | 635.878           |
|                                                      | 2.609.078           | 767.872           |

**Rights and Advances for Acquisition of Investments**

|                                             |           |
|---------------------------------------------|-----------|
| Northern Distribution Assets - CBPI         | 1.101.395 |
| Refinaria de Petróleo Ipiranga S.A. (RPI)** |           |

1.101.395

**Other Investments**

349.190

349.521

**28.658.866**

**27.940.104**

\* New name of Dapean Participações S.A. after the incorporation of Fasciatus Participações S.A.

\*\* Provision for losses made in the amount of R\$ 8.828 thousand.

**Pag: 32**

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## 11.2 Goodwill and discount

Goodwill of US\$ 412 million, equivalent to R\$ 655.863 thousand, was recorded on the acquisition, in September 2006, of 50% of Pasadena Refining System Inc. (PRSI) through the intermediary of Petrobras America Inc. (PAI), of which US\$ 201 million, equivalent to R\$ 319.972 thousand, was based on the appreciation of assets, with amortization calculated in accordance with the useful life of the assets, and US\$ 211 million, equivalent to R\$ 335.891 thousand, on the expectation of future income, with amortization over 10 years.

In the acquisition of share control of Suzano Petroquímica S.A., through the intermediary of Pramoia Participações S.A., goodwill was calculated at R\$ 1.241.303 thousand, determined on the economic basis of expected future income, with amortization over 10 years.

In the merger of Grust Holding S.A. into Braskem, initiated by Petroquisa in order to integrate the Southern petrochemical assets, a discount with no economic basis was recorded amounting to R\$ 424.167 thousand, to be amortized only on the sale or disposal of the investment. Prior to this transaction, Grust Holding S.A. held a direct and indirect interest of 36,5% in Copesul and direct shareholdings of 40% in Ipiranga Química (IQ) and 40% in Petroquímica Paulínia (PPSA).

### *Changes in goodwill/discount*

|                                                           | R\$ thousand     |                  |
|-----------------------------------------------------------|------------------|------------------|
|                                                           | Consolidated     | Parent Company   |
| <b>Balance of goodwill/discount as of 12.31.2007</b>      | <b>1.619.927</b> | <b>1.075.958</b> |
| Goodwill on the acquisition of shares of Ipiranga Quimica | 669.841          | 669.841          |
| Goodwill on the acquisition of shares of Alvo             | 472.989          | 472.989          |
| Discount on the acquisition of shares of Braskem          | (424.167)        |                  |
| Amortization of goodwill                                  | (187.750)        | (143.164)        |
| Amortization of discount                                  | 22.303           | 4.331            |
| Other (*)                                                 | (22.876)         | 17.720           |
| <b>Balance of goodwill/discount as of 06.30.2008</b>      | <b>2.150.267</b> | <b>2.097.675</b> |

(\*) Includes foreign exchange variation on balances of companies abroad

In the parent Company financial statements, the balance of discount, in the amount of R\$ 259.824 thousand is recorded under investments and in the consolidated financial statements, the amount of R\$ 61.782 thousand is recorded as deferred income.

**11.3 Investments in listed companies**

Indirect investments in quoted companies whose shares are traded on the stock market are as follows:

| COMPANY                     | Lot of thousand shares |            | <u>Type</u> | Price on stock exchange<br>(R\$ per share) |            | Market value<br>R\$ |                  |
|-----------------------------|------------------------|------------|-------------|--------------------------------------------|------------|---------------------|------------------|
|                             | 06.30.2008             | 03.31.2008 |             | 06.30.2008                                 | 03.31.2008 | 06.30.2008          | 03.31.2008       |
| <b>Subsidiaries</b>         |                        |            |             |                                            |            |                     |                  |
| Pepsa                       | 1.249.717              | 1.249.717  | ON          | 2,02                                       | 2,04       | 2.524.428           | 2.549.423        |
| Pesa (*)                    | 229.729                | 229.729    | ON          | 5,26                                       | 4,70       | 1.208.375           | 1.079.726        |
|                             |                        |            |             |                                            |            | <b>3.732.803</b>    | <b>3.629.149</b> |
| <b>Affiliated Companies</b> |                        |            |             |                                            |            |                     |                  |
| Braskem                     | 59.014                 | 12.111     | ON          | 14,49                                      | 14,75      | 855.113             | 178.637          |
| Braskem                     | 93.517                 | 18.553     | PNA         | 12,76                                      | 14,90      | 1.193.277           | 276.440          |
| Quattor Petroquímica        | 50.588                 | 76.322     | PN          | 10,60                                      | 10,62      | 536.233             | 810.540          |
| PQU                         | 16.911                 | 8.738      | ON          | 14,25                                      | 14,45      | 240.982             | 126.264          |
| PQU                         | 15.406                 | 8.738      | PN          | 14,16                                      | 14,37      | 218.149             | 125.565          |
|                             |                        |            |             |                                            |            | <b>3.043.754</b>    | <b>1.517.446</b> |

(\*) These shares do not include Pepsa's interest.

The market value of these shares does not necessarily reflect the realization value of a representative lot of shares.

**11.4 Other Information****a) Investments in Ecuador****a.1) Agreement with Teikoku Oil Co. Ltd. on operations in Ecuador**

On January 11, 2007, the Ecuadorian Ministry of Mines approved the previous agreement executed in January 2005 for the sale by Petrobras Energia S.A. (Pesa) to Teikoku of 40% of the rights and obligations of the participation agreements in blocks 18 and 31 in Ecuador and the assignment of 40% of the oil transportation contract with Oleoducto de Crudos Pesados Ltd. (OCP). The parties are currently carrying out the necessary procedures to obtain the amendments to these participation agreements, which have to be approved by Petroecuador, to incorporate Teikoku Oil Ecuador S.A. as a partner in these blocks. Once these amendments have been made, the economic terms and conditions of this transaction will start to take effect.

In March 2008, Petroecuador notified EcuadorTLC S.A. about a request for prescription of the contract for block 18 filed by the Attorney General's Office (Ecuador), based on alleged irregularities in the process to assign 40% of its interest in block 18 and in Palo Azul to Teikoku Oil Ecuador, as well as an alleged failure to register that which the Attorney General understands to be necessary for forming a Consortium comprising the individual parties to the participation agreements and, in addition, for repeated penalties having been applied for infringements of the Hydrocarbons Law .

Ecuador TLC replied to Petroecuador's notification on April 2008, attaching all the documentation proving the allegations to be false, given that the transfer of the interest had been duly approved by all the government authorities involved and that a firm Ministerial Agreement exists that authorizes the assignment and obliges Petroecuador to amend the participation agreement and proceed to grant the respective deeds.

*a.2.) New Hydrocarbons Law*

In April 2006, the Ley Reformatória which amended the Ley de Hidrocarburos was enacted in Ecuador and regulated in July 2006, establishing that the Government shall hold a minimum interest of 50% in the extraordinary revenues generated by increases to the sale price of Ecuadorian oil as compared to the monthly average oil sale price established at the date the respective oil sale contracts were executed, stated in the currency of the month of settlement.

In January 2007, EcuadorTLC, a subsidiary of Pesa, paid the amount equivalent to R\$ 46.053 thousand charged by Petroecuador, relating to the period from April to December 2006, and from this date onwards, despite disagreeing with the change, EcuadorTLC began making the payments based on the criteria established by Petroecuador.

In July 2007, Petroecuador notified EcuadorTLC of the differences in the value calculated for the Palo Azul field relating to the period from January to June 2007 in the amount equivalent to R\$ 25.470 thousand, using a different methodology to calculate the shares. EcuadorTLC requested that Petroecuador reconsider the criteria utilized for the calculation, as it maintains that it had applied the criteria suggested by the Attorney General and the same method of calculation used by Petroecuador in January and February 2007.

In October 2007, the Dirección Nacional de Hidrocarburos (DNH) notified EcuadorTLC of a new charge, relating to the period from April 25, 2006 to December 31, 2006, including interest, which implies an additional expense of US\$ 30 million.

On October 18, 2007 the Hydrocarbons Law was amended, increasing the State's share in the extraordinary surpluses in the price of the oil to 99%, thus reducing the share of the oil companies to 1%. On December 28, Ecuador's Constituent Assembly passed the Ley de Equidad Tributaria, which implements a major tax reform, including new taxes, as from January 01, 2008

The set of changes produced by the above-mentioned reform altered the terms established by the parties with regard to the approval of the respective participation agreements, affecting projections of profitability of the current business operations in Ecuador and the ability to recoup the investments made. Consequently, in order to adjust the book value of the assets to their estimated recovery value, a provision amounting to R\$ 308.796 thousand (US\$ 174.333 thousand) was recognized as at December 31, 2007.

On January 18, 2008, Petroecuador informed the existence of a single debt of US\$ 66 million, corresponding to the differences accumulated between April 2006 and December 2007.

Based on the opinion of its legal counsel, EcuadorTLC S.A. considers Law 42/2006, to constitute a violation of the contractual rights. In line with this position, as from January 2008, EcuadorTLC stopped recording the amounts charged by Petroecuador with regard to that law. The amounts charged relating to the period from January to June 2008 total US\$ 166 million. The financial statements of June 30, 2008 do not include any provision for these contingencies.

In order to protect the position held by EcuadorTLC, a notification was sent to the Attorney General's Office of Ecuador with the terms provided in the Tratado de Protección de Reciproca de Inversiones entered into between the Republic of Ecuador and the Republic of Argentina, which once the timeframes for negotiation between the parties have expired, enables recourse to the forms of arbitration set forth in the treaty, in order to obtain a solution to the deadlock.

The Company is currently in negotiations with the Ecuadorian government to restore the economic equilibrium of the operations in blocks 18 and 31, which was upset as a result of the above mentioned measures. The Company is unable to guarantee that the economic and financial equilibrium of the operations in Ecuador, with regard to long term profitability, will be reestablished as a result of these negotiations.

***b) Investments in Argentina***

*Sale of shareholding in a power company in Argentina - Compañía Inversora en Transmisión Eléctrica S.A. - Citelec*

On December 14, 2007, the regulatory organizations and the competent authorities of Argentina approved the transfer, by Petrobras Energia S.A. - PESA, of the shares of Compañía Inversora en Transmisión Eléctrica S.A. - Citelec, which has a 52,67% interest in Compañía de Transporte en Energía Eléctrica en Alta Tensión - Transener S.A., to Energía Argentina S.A. - Enarsa and to Electroingeniería S.A., in equal parts.

The sale is part of a commitment undertaken by Petrobras Participaciones S.L. with the Argentinean government when it became the majority shareholder of PEPSA, the parent company of PESA.

The sale was made at a price of US\$ 54 million (R\$ 95.650 thousand) and did not generate any significant gains. The agreement provided for an additional amount to be paid, resulting from the full tariff review applicable to June 30, 2008. As up to this date no tariff review has been approved, there has been no corresponding revenue from this source.

***c) New Investments Abroad***

On 2008, Petrobras signed a share purchase agreement to buy 87,5% of the shares of the Japanese company Nansei Sekiyu Kabushiki Kaisha (NSS), that comprises a refinery with a capacity of 100.000 bpd, which refines light oil and produces high quality oil products, an oil and oil products terminal with a storage capacity of 9,6 million barrels, three piers with a capacity to receive ships laden with up to 97.000 deadweight tonnage (dwt) and a single point mooring for Very Large Crude Carrier (VLCC) vessels of up to 280.000 dwt.

Share control was effectively transferred in April 2008.

***d) Ipiranga Group***

On April 18, 2007, Ultrapar (on its own behalf), having Braskem S.A. and Petróleo Brasileiro S.A. - Petrobras (both through a commission agreement) as intervening parties, acquired control of the companies comprising the Ipiranga Group. Under the terms of the investment agreement signed by Ultrapar, Braskem and Petrobras, Ultrapar took control over the fuel and lubricant distribution businesses in the South and South-East regions ( Southern Distribution Assets ), Petrobras would control the fuel and lubricant distribution businesses in the North, NorthEast and Central-West regions ( Northern Distribution Assets ), and Braskem obtained the control over the petrochemical assets, represented by Ipiranga Química S.A. (IQ), Ipiranga Petroquímica S.A. (IPQ) and over this company's interests in Companhia Petroquímica do Sul (Copesul), with Petrobras also holding an interest in the petrochemical assets. The oil refinery assets held by Refinaria de Petróleo Ipiranga (RPI) are shared equally by Petrobras, Ultrapar and Braskem.

With regard to the fuel distribution businesses, within the scope of the Act of Concentration relating to the Petrobras Assets, an Agreement to Preserve Reversibility of Transaction (APRO) was entered into with the CADE that allows Petrobras to select an independent manager and negotiate the implementation of a governance policy that ensures the preservation of the assets and the rights of the minority shareholders. The timetable for the performance of the transaction remains unchanged.

The independent manager of the Northern distribution assets will present monthly reports on Petrobras' results, respecting the 60 day gap, to be sent to the CADE every month.

The operation to acquire the Ipiranga Group is in the final stage, in which Ultrapar is finalizing the process of corporate reorganization of the companies of the Ipiranga Group, with the objective to enable the separation and transfer of the Refinery Assets.

With regard to the distribution businesses, the spinoff of Companhia Brasileira de Petróleo Ipiranga - C.B.P.I. took effect on April 30, 2008 e, consequently, Alvo Distribuidora de Combustíveis Ltda. and Ipiranga Asfaltos S.A. - IASA began operating independently from CBPI.

On May 14, 2008, Ultrapar effected the transfer of the fuel and lubricants distribution assets located in the North, Northeast and Central-West and the asphalt assets received by Petrobras through a special purpose company called 17 de Maio Participações S.A. ( 17 de Maio ).

17 de Maio relevant assets are the asphalt assets, contained within IASA, and the distribution assets held by a limited company called Alvo Distribuidora de Combustíveis Ltda. In this phase, Petrobras disbursed the amount of R\$ 705.811 thousand.

On July 24, 2008, the CADE accepted Petrobras' request to revise the APRO so as to no longer impede immediate access to Alvo's accounting and financial information, removing the obligatory 60-day delay to such access.

With regard to the petrochemical business, Ultrapar transferred an interest of 40% of the shares comprising the share capital of Ipiranga Química S.A. to Petrobras on February 27, 2008. This was done through UPB Participações S.A. (UPB), a closed-capital corporation, created specifically for this purpose and whose only relevant asset is the interest described above. In this phase, Petrobras disbursed the amount of R\$ 412.386 thousand.

On March 24, 2008 Petrobras incorporated UPB, after approval at an EGM held on that date.

The goodwill on the petrochemical and fuel distribution businesses was determined on the economic basis of expected future income, with amortization over ten years.

In the refinery businesses, in the current phase with the incorporation of the shares, Petrobras now has the right to receive 33,33% of RPI from Ultrapar. Petrobras consolidates the financial statements of the refinery assets of RPI proportionately, in line with the shared control exercised by Petrobras, Braskem and Ultrapar.

***e) 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 the petrochemical assets held by Petrobras and Petroquisa would be integrated in Braskem. With the integration of these assets, the joint interest of Petrobras and Petroquisa in the voting capital of Braskem rose from 8,1% to 30% and, in the total share capital, from 6,8% to 25%.

The petrochemical assets involved in the transaction are: (i) 37,3% of the voting and total capital of Copesul; (ii) 40% of the voting capital and total capital of IPQ; (iii) 40% of the voting and total capital of IQ; (iv) until 100% of the voting and total capital of Petroquímica Triunfo (Triunfo); and (v) 40% of the voting and total capital of Petroquímica Paulínia (PPSA).

An addendum to the investment agreement was added on May 14, 2008, dividing the transaction into two stages. The first stage was completed on May 30, 2008, whereby Petrobras and Petroquisa merged Grust Holdings S.A., which holds a 36,5% interest in Copesul, and a 40% interest in both IQ and PPSA, into Braskem, and now hold 30% of the voting capital and 23,1% of the total capital of Braskem.

In the second stage, Petrobras and Petroquisa will have the option to make a capital contribution in Braskem up to 100% of the voting and total capital of Triunfo. In the event this does not occur, Petrobras and Petroquisa may contribute cash equivalent to the financial value of this asset, by which Petrobras and Petroquisa will come to hold 25% of the total capital of Braskem.

On May 30, 2008, Petrobras, Petroquisa, Odebrecht and Norquisa, with Braskem as the intermediary, entered into the new shareholder s agreement of Braskem.

The transaction was approved without restrictions by the Administrative Board for Economic Defense - CADE, Office of Economic Law on July 09, 2008.

***f) Acquisition of Suzano Petroquímica S.A.***

The acquisition of the controlling interest of Suzano Petroquímica S.A. (SZPQ) by acquiring Pramoá Participações S.A. (Pramoa) and its parent company, Dapean Participações S.A. (Dapean), equivalent to 99,9% of the total common shares and 76,57% of the total capital was concluded on November 30, 2007.

The payment by Petrobras to the seller shareholders totaled R\$ 2.100.402 thousand, which corresponds to R\$ 13,27 per common share and R\$ 10,61 per preferred share.

Petrobras incorporated Pramoá on March 24, 2008, after approval at the EGM held on that date.

On December 28, 2007, a request was filed with the Brazilian Securities and Exchange Commission (CVM) to register and hold a Public Offering (PO) to purchase the common and preferred shares of SZPQ held by its other shareholders for the price of R\$ 13,27 per common share and R\$ 10,61 per preferred share.

On April 30, 2008, the CVM approved the registration of the PO to purchase the shares of SZPQ, conditioned to certain adjustments which Petrobras has since fulfilled including restatement of the PO share price.

Petrobras published the Term of Public Offering resulting on May 12, 2008. The timeframe for qualification and adherence of the minority shareholders to the PO began on the same date, closing on June 19, 2008.

The PO of Suzano Petroquímica was held on June 20, 2008, in which Quattor Participações S.A., purchased (i) 102.906 of the common shares (92,7% of the total) for the price of R\$ 14,08 per common share; and (ii) 50.147.172 preferred shares (94,6% of the total) for the price of R\$ 11,26 per preferred share.

On June 30, the name of Suzano Petroquímica S.A. was changed to Quattor Petroquímica S.A.

***g) Investment Agreement with Unipar***

On November 30, 2007, Unipar, Petroquisa and Petrobras entered into an Investment Agreement, defining, among other matters, to the creation of an integrated company with control shared in the proportion of 60% for Unipar and the remaining 40% for the Petrobras and Petroquisa. The objective of creating the Petrochemical Company was to integrate their assets for the production of thermoplastic resins, basic petrochemicals and correlated activities, in order to attain a scale of production and high level of competitiveness on the world market.

The petrochemical assets that contributed by Petrobras and Petroquisa to form Petrochemical Company, the Petrobras Assets are: (i) 99,9% of the voting capital and 76,57% of the total capital of Suzano Petroquímica S.A. (SZPQ); and (ii) 17,48% of the voting capital and 17,44% of the total capital held by Petroquisa in Petroquímica União S.A. (PQU).

Similarly, Unipar would contribute with the Unipar Assets, namely: (i) 33,3% of the voting and capital of Rio Polímeros S.A. (Riopol); (ii) 54,96% of the voting capital and 51,35% of the total capital of PQU; (iii) 99,99% of the voting and total capital of Polietilenos União S.A (PU); (iv) all the assets, rights and obligations relating to the operation of Unipar Divisão Química (UDQ); and (v) the amount in cash of R\$ 380.000 thousand, which corresponds to the value of the price to be paid for: (a) 16,67% interest in the total share capital held by Petroquisa in Riopol; and 15,98% of SZPQ's interest in Riopol, for the understood and agreed price of R\$ 0,9152 per share.

On February 14, 2008, the shareholders of Dapean Participações S.A. (Dapean) decided to redeem all the class A preferred shares of the Company, thus reducing its share capital by R\$ 495.000 thousand.

On June 11, 2008, Petroquisa paid in its interest in PQU, valued at R\$ 152.927 thousand, into Dapean, subscribing 19.315.055 ONs and 10.060.727 PNRBs. The PNRB shares were redeemed on the same date for the amount of R\$ 52.375 thousand and the share capital of Dapean became shared between Petrobras and Petroquisa in the proportion of 79,8% and 20,2%, respectively.

On the same date, the parties equalized their shareholdings in Rio Polímeros as described in Note 11.4. i (Sale of part of the share capital of Rio Polímeros S.A).

Later, Dapean incorporated Fasciatus Participações S.A., a special purpose company that held the Unipar Assets, so as to concentrate all the Petrobras and Unipar Assets in Dapean. This merger was made at book value and the exchange ratio based on the economic value of the assets. The transaction generated non-operating income of R\$ 326.082 thousand (Parent Company) and R\$ 478.796 thousand (Consolidated), as a result of the gain through variation in shareholding percentages (see Note 2 - Conformity to Law No. 11.638/2007).

At the same time in the articles of this merger, Dapean had its registered name changed to Quattor Participações S.A. (Quattor) and Unipar became the majority shareholder with 60% of the voting and total capital of the company. The interest of the Petrobras Group in Quattor became 40% of the voting and total capital, distributed between Petrobras and Petroquisa, 31,9% and 8,1%, respectively.

The transaction was approved without restrictions by the Administrative Board for Economic Defense - CADE on July 09, 2008.

***h) Sale of part of the shares of Rio Polímeros S.A.***

On January 07, 2008, as part of the agreement between Petrobras and Unipar, the Board of Directors of Suzano Petroquímica S.A. (SZPQ), approved the sales of part of its shareholding in Rio Polímeros S.A. ( Riopol ), corresponding to 24,31% of the share capital, maintaining a 9,02% interest in the share capital. The right of preference for these shares, foreseen in the shareholders' agreement, was exercised in part and not proportionately: (i) 15,98% of the share capital was acquired by Unipar through its specific purpose company Fasciatus Participações Ltda. (Fasciatus); (ii) 8,33% by BNDES Participações and (iii) none of the shares held by the Company were purchased by Petroquisa.

On June 11, 2008, some of the shares held by SZPQ, representing 24,31% of the share capital of Rio Polímeros, were sold for the amount of R\$ 283.010 thousand to Fasciatus and BNDES.

On the same date, Petroquisa sold its 16,67% interest in the share capital of the Company to Fasciatus Participações S.A. for the amount of R\$ 194.007 thousand.

***i) Purchase of shares of Termobahia***

On April 03, 2008, Petrobras concluded the transaction to purchase all of the shares of Termobahia S.A. held by Blade Securities Limited for R\$ 9.363 thousand.

Blade is a special purpose company, which has its registered offices in Ireland and that by means of a financing agreement with the Inter-American Development Bank (IDB), held an interest in Termobahia.

With the early repayment to the IDB, all the obligations and restrictions deriving from this financing agreement ceased, thus eliminating the impediment to increase Petrobras' shareholding in Termobahia.

***j) Incorporation of a biofuels company***

Petrobras Biocombustível S.A. was incorporated on June 16, 2008, as a wholly owned subsidiary of Petrobras, for the purpose of developing production of ethanol, biodiesel and any other associated or similar products and activities, as well as to promote integration of various areas of the company with regard to the issue of biofuels, and to contribute to the environmental cause to reduce global warming.

With this subsidiary, Petrobras takes advantage of the business opportunity arising from the increase in world demand for biofuels and, in addition, strengthens its position as a company committed to the environment and social development. Besides contributing to reducing global warming, biofuels production generates jobs and income in rural areas, by employing family farms to produce the raw materials.

On July 29, 2008, Petrobras Biocombustível opened its first commercial biodiesel production plant in Candeias (Bahia). This plant will have an annual production capacity of 57 million liters of biodiesel. In August, Petrobras will finalize tests and start operating two more plants, in Montes Claros (Minas Gerais) and Quixadá (Ceará), both of which have the same production capacity as the Candeias unit. The investment in the three plants will total R\$ 295 million. This opening plant represents Petrobras expansion of its participation in the biodiesel chain of production, currently consolidated in the area of fuel distribution.

**12 Property, plant and equipment****12.1 By operating segment**

|                            | <b>R\$ thousand</b> |                    |
|----------------------------|---------------------|--------------------|
|                            | <b>Consolidated</b> |                    |
|                            | <b>06.30.2008</b>   | <b>03.31.2008</b>  |
|                            | <b>Net</b>          | <b>Net</b>         |
| Exploration and Production | 83.292.610          | 80.626.794         |
| Supply                     | 28.536.224          | 26.973.210         |
| Distribution               | 2.802.499           | 2.801.024          |
| Gas and Energy             | 22.962.965          | 21.754.611         |
| International              | 12.906.056          | 13.116.070         |
| Corporate                  | 1.771.361           | 1.711.854          |
| <b>Total</b>               | <b>152.271.715</b>  | <b>146.983.563</b> |

## 12.2 By type of asset

| R\$ thousand                                                         |                                      |                    |                             |                    |                    |
|----------------------------------------------------------------------|--------------------------------------|--------------------|-----------------------------|--------------------|--------------------|
| Consolidated                                                         |                                      |                    |                             |                    |                    |
|                                                                      |                                      |                    | 06.30.2008                  |                    | 03.31.2008         |
|                                                                      | Estimated<br>useful life<br>in years | Cost               | Accumulated<br>depreciation | Net                | Net                |
| Buildings and improvements                                           | 25 a 40                              | 7.989.563          | (3.379.835)                 | 4.609.728          | 4.385.482          |
| Equipment and other assets                                           | 3 a 30                               | 95.909.684         | (47.332.015)                | 48.577.669         | 49.834.268         |
| Land                                                                 |                                      | 881.394            |                             | 881.394            | 857.619            |
| Materials                                                            |                                      | 5.354.986          |                             | 5.354.986          | 4.654.641          |
| Advances to suppliers                                                |                                      | 3.446.359          |                             | 3.446.359          | 3.036.058          |
| Expansion projects                                                   |                                      | 47.979.254         |                             | 47.979.254         | 43.795.948         |
| Oil and gas exploration and<br>production development<br>costs (E&P) |                                      | 72.610.908         | (31.188.583)                | 41.422.325         | 40.419.547         |
|                                                                      |                                      | <b>234.172.148</b> | <b>(81.900.433)</b>         | <b>152.271.715</b> | <b>146.983.563</b> |

| R\$ thousand                                                         |                                      |                    |                             |                   |                   |
|----------------------------------------------------------------------|--------------------------------------|--------------------|-----------------------------|-------------------|-------------------|
| Consolidated                                                         |                                      |                    |                             |                   |                   |
|                                                                      |                                      |                    | 06.30.2008                  |                   | 03.31.2008        |
|                                                                      | Estimated<br>useful life<br>in years | Cost               | Accumulated<br>depreciation | Net               | Net               |
| Buildings and improvements                                           | 25 a 40                              | 4.267.057          | (1.711.643)                 | 2.555.414         | 2.438.355         |
| Equipment and other assets                                           | 3 a 30                               | 43.060.012         | (28.560.479)                | 14.499.533        | 14.557.970        |
| Land                                                                 |                                      | 425.019            |                             | 425.019           | 394.172           |
| Materials                                                            |                                      | 4.391.901          |                             | 4.391.901         | 3.959.353         |
| Advances to suppliers                                                |                                      | 1.165.692          |                             | 1.165.692         | 991.941           |
| Expansion projects                                                   |                                      | 29.132.695         |                             | 29.132.695        | 25.812.416        |
| Oil and gas exploration and<br>production development<br>costs (E&P) |                                      | 62.067.020         | (27.350.904)                | 34.716.116        | 33.535.871        |
|                                                                      |                                      | <b>144.509.396</b> | <b>(57.623.026)</b>         | <b>86.886.370</b> | <b>81.690.078</b> |

The equipment and fixtures relating to oil and gas production, captive to the respective wells developed, are depreciated according to the monthly production volume in relation to each production field s proven and developed

reserves. The straight-line method is used for assets with a useful life shorter than the life of the field or that are tied to fields at various stages of production. Other equipment and assets not related to oil and gas production are depreciated according to their estimated and useful life.

Relevant spending incurred on scheduled stoppages to maintain the industrial plants and ships, which include spare parts, and assembly and disassembly services, among others, are registered in Property, Plant and Equipment.

These stoppages occurred in scheduled periods occurring once every 4 years on average and the respective expenses are depreciated as production cost until the following stoppage.

### 12.3 Oil and gas exploration and development costs

|                                                 | R\$ thousand      |                   |                   |                   |
|-------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                 | Consolidated      |                   | Parent Company    |                   |
|                                                 | 06.30.2008        | 03.31.2008        | 06.30.2008        | 03.31.2008        |
| Capitalized costs                               | 72.610.908        | 71.106.007        | 62.067.020        | 60.189.084        |
| Accumulated depreciation                        | (30.256.471)      | (29.875.379)      | (26.484.380)      | (25.909.130)      |
| Amortization of provision for abandonment costs | (932.112)         | (811.081)         | (866.524)         | (744.083)         |
| <b>Net investment</b>                           | <b>41.422.325</b> | <b>40.419.547</b> | <b>34.716.116</b> | <b>33.535.871</b> |

Expenditure on exploration and development of oil and gas production is recorded according to the successful efforts method. This method determines the development costs for all the production wells and the successful exploration wells linked to economically viable reserves should be capitalized, while the costs of geological and geophysical work are to be considered as expenses for the period in which they were incurred and the costs of dry exploration wells and those related to non-commercial reserves are to be recorded in the income statement when they are identified as such.

The capitalized costs and the related assets are reviewed annually, on a field-by-field basis, to identify potential losses under the recovery, based on the estimated future cash flow.

The capitalized costs are depreciated using the units produced method in relation to proven and developed reserves. These reserves are estimated by the Company's geologists and petroleum engineers according to international standards and reviewed annually or when there are signs of significant alterations.

In accordance with the accounting practice adopted, supported by statement SFAS 143 - Accounting for Asset Retirement Obligations issued by the Financial Accounting Standards Boards - FASB, the future liability for abandoning wells and dismantling the production area is accounted for at its present value, discounted at a risk-free rate, and is fully recorded at the time of the declaration of commerciality of each field, as part of the cost of the related assets (property, plant and equipment) as a balancing item to the provision, recorded in the liabilities, that will bear these expenses.

The interest expense on the provision for the liability to the amount of R\$ 141.924 thousand from January to June 2008 has been classified as operating expenditure - expenses on prospecting and drilling to extract oil (item 3.06.05.04 of the Statement of Income - Quarterly Financial Information - Parent Company).

## 12.4 Depreciation

Depreciation expenses for the first semester of 2008 and 2007 are as follows:

|                                                     | <b>R\$ Thousand</b> |                      |                       |                      |
|-----------------------------------------------------|---------------------|----------------------|-----------------------|----------------------|
|                                                     | <b>Consolidated</b> |                      | <b>Parent Company</b> |                      |
|                                                     | <b>Jan-Jun/2008</b> | <b>Jan-Jun /2007</b> | <b>Jan-Jun/2008</b>   | <b>Jan-Jun /2007</b> |
| Portion absorbed in costing:                        |                     |                      |                       |                      |
| Of assets                                           | 2.623.473           | 2.491.181            | 1.248.844             | 853.401              |
| Of exploration and production costs                 | 1.273.505           | 1.588.785            | 1.055.556             | 1.293.243            |
| Of capitalization of/provision for well abandonment | 356.090             | 158.521              | 318.666               | 149.867              |
|                                                     | <b>4.253.068</b>    | <b>4.238.487</b>     | <b>2.623.066</b>      | <b>2.296.511</b>     |
| Portion recorded directly in income statement       | 508.469             | 545.110              | 246.391               | 248.911              |
|                                                     | <b>4.761.537</b>    | <b>4.783.597</b>     | <b>2.869.457</b>      | <b>2.545.422</b>     |

## 12.5 Leasing of platforms and ships

At June 30, 2008 and March 31, 2008, direct and indirect subsidiaries had leasing contracts for offshore platforms and vessels chartered to Petrobras, and the commitment assumed by the Parent Company is equivalent to the amount of the contracts. Petrobras also had leasing contracts with third parties for other offshore platforms.

The balances of property, plant and equipment, net of depreciation, and liabilities relating to offshore platforms which, if recorded as assets purchased under capital leases, are as follows:

|                                                    | <b>R\$ thousand</b> |                   |                       |                   |
|----------------------------------------------------|---------------------|-------------------|-----------------------|-------------------|
|                                                    | <b>Consolidated</b> |                   | <b>Parent Company</b> |                   |
|                                                    | <b>06.30.2008</b>   | <b>03.31.2008</b> | <b>06.30.2008</b>     | <b>03.31.2008</b> |
| Property, plant and equipment, Net of depreciation | 1.018.074           | 1.069.427         | 107.641               | 117.426           |
| Financing:                                         |                     |                   |                       |                   |
| Short-term (current)                               | 398.455             | 439.660           | 33.178                | 36.454            |
| Long-term (non-current)                            | 803.913             | 989.188           | 63.676                | 69.964            |

**1.202.368**

**1.428.848**

**96.854**

**106.418**

**Pag: 47**

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Expenditures on platform charters incurred in periods prior to the operational start-up are recorded by Petrobras as prepaid expenses and at June 30, 2008 totaled R\$ 956.407 thousand (R\$ 1.027.995 thousand at March 31, 2008), of which R\$ 664.690 thousand recorded as non-current assets (R\$ 680.097 thousand at March 31, 2008).

## **12.6 Lawsuits abroad**

### ***a) In the United States - P-19 and P-31***

After a decision from the Second Circuit Court of Appeals of New York on May 20, 2004, which upheld the right of Brasoil to receive the performance bonds amounting to approximately US\$ 245.000 thousand, owed by the insurers United States Fidelity & Guaranty Company and American Home Assurance Company, Brasoil and the insurance companies began talks towards the effective settlement of the amount.

On June 21, 2006, the US courts made payment of the amount owed to Brasoil subject to the permanent discontinuance of the legal proceedings involving identical claims in progress before the Brazilian courts, which the parties proceeded to do.

### ***b) In London - P-36***

Under a decision handed down by the court in London on February 2, 2004. Petromec Inc. and Marítima, Petróleo e Engenharia Ltda. were sentenced to reimburse Brasoil for the amount of US\$ 58.448 thousand plus interest, for the loan it made to Petromec.

In the current phase of the legal suit, Petromes is claiming the amount of US\$ 131.212 thousand plus interest and/or financial costs up to the date of the trial in additional costs for upgrading work carried out on the platform.

Judgment of Petromec's claim for additional costs is scheduled to take place in 2009.

***c) Other indemnity lawsuits***

Pursuant to the construction and conversion of vessels into FPSO - Floating Production, Storage and Offloading and FSO - Floating, Storage and Offloading, considering the contractual default of the constructors, Brasoil had contributed, on behalf of the constructors, with financial resources in the amount of US\$ 621 million, equivalent to R\$ 988.185 thousand on June 30, 2008 (R\$ 1.082.074 thousand on March 31, 2008), paid directly to the suppliers and subcontractors in order to avoid further delays in the construction/conversion activities and consequently losses to Brasoil.

Based on the opinion of Brasoil's legal advisers, these expenses should be reimbursed. However, as a result of the litigious nature of the assets and the uncertainties as regards to the probability of receiving all the amounts disbursed, the company conservatively recorded a allowance for doubtful accounts for all credits that are not backed by collateral, in the amount of US\$ 549 million, equivalent to R\$ 873.502 thousand on June 30, 2008 (R\$ 956.066 thousand on March 31, 2008).

**12.7 Return of exploration areas to the ANP**

During the second quarter of 2008, Petrobras returned to the National Agency for Oil, Natural Gas and Biofuels - ANP, the rights to Exploration licenses for Potiguar Terra Basin 42 - POT-T-575 (return of the entire block).

**12.8 Return of production fields operated by Petrobras to the ANP**

During the second quarter of 2008, Petrobras formally notified the National Agency for Oil, Natural Gas and Biofuels - ANP of its decision on the Early Termination of the Concession Contracts relating to the fields:.

- Lagoa Verde, Paramirim do Vencimento and Fazenda Sori - located in the state of Bahia;
- Rio Ibiribas and Rio Doce - located in the state of Espírito Santo.

**13 Intangible****13.1 By operating segment**

|                            | <b>R\$ thousand</b> |                   |
|----------------------------|---------------------|-------------------|
|                            | <b>Consolidated</b> |                   |
|                            | <b>06.30.2008</b>   | <b>03.31.2008</b> |
|                            | <b>Net</b>          | <b>Net</b>        |
| Exploration and Production | 1.742.170           | 1.743.154         |
| Supply                     | 202.095             | 222.484           |
| Distribution               | 106.841             | 108.555           |
| Gas and Energy             | 119.782             | 111.812           |
| International              | 2.449.371           | 2.490.369         |
| Corporate                  | 1.131.000           | 1.061.173         |
|                            | <b>5.751.259</b>    | <b>5.737.547</b>  |

**13.2 By type of assets**

|                        |                                       | <b>R\$ thousand</b> |                                 |                   |                  |
|------------------------|---------------------------------------|---------------------|---------------------------------|-------------------|------------------|
|                        |                                       | <b>Consolidated</b> |                                 |                   |                  |
|                        |                                       | <b>06.30.2008</b>   |                                 | <b>03.31.2008</b> |                  |
|                        | <b>Estimated useful life in years</b> | <b>Cost</b>         | <b>Accumulated depreciation</b> | <b>Net</b>        | <b>Net</b>       |
| Rights and concessions | 25                                    | 5.102.869           | (1.126.799)                     | 3.976.070         | 4.012.915        |
| Software               | 4                                     | 3.011.774           | (1.236.585)                     | 1.775.189         | 1.724.632        |
|                        |                                       | <b>8.114.643</b>    | <b>(2.363.384)</b>              | <b>5.751.259</b>  | <b>5.737.547</b> |

|                        |                                       | <b>R\$ thousand</b> |                                 |                   |            |
|------------------------|---------------------------------------|---------------------|---------------------------------|-------------------|------------|
|                        |                                       | <b>Consolidated</b> |                                 |                   |            |
|                        |                                       | <b>06.30.2008</b>   |                                 | <b>03.31.2008</b> |            |
|                        | <b>Estimated useful life in years</b> | <b>Cost</b>         | <b>Accumulated depreciation</b> | <b>Net</b>        | <b>Net</b> |
| Rights and concessions | 25                                    | 1.684.696           | (16.433)                        | 1.668.263         | 1.649.044  |

|          |   |                  |                    |                  |                  |
|----------|---|------------------|--------------------|------------------|------------------|
| Software | 4 | 2.569.793        | (1.081.824)        | 1.487.969        | 1.430.024        |
|          |   | <b>4.254.489</b> | <b>(1.098.257)</b> | <b>3.156.232</b> | <b>3.079.068</b> |

Expenditure on rights and concessions includes the subscription bonuses relating to bid offers for oil or natural gas exploration concessions, recorded at acquisition cost value and amortized according to the units produced in relation to the proven and developed reserves. In addition, software and trademarks and patents are also included in this group.

**14 Loans and financings**

|                                                    | <b>R\$ thousand</b> |                   |                    |                   |
|----------------------------------------------------|---------------------|-------------------|--------------------|-------------------|
|                                                    | <b>Consolidated</b> |                   |                    |                   |
|                                                    | <b>Current</b>      |                   | <b>Non-current</b> |                   |
|                                                    | <b>06.30.2008</b>   | <b>03.31.2008</b> | <b>06.30.2008</b>  | <b>03.31.2008</b> |
| <b>Foreign</b>                                     |                     |                   |                    |                   |
| Financial institutions                             | 3.536.940           | 4.264.549         | 8.216.058          | 9.327.639         |
| Bearer obligations - "Notes", Global Notes and     |                     |                   |                    |                   |
| Global Step-Up Notes                               | 789.561             | 809.224           | 11.141.012         | 12.496.120        |
| Trust Certificates - Senior/Junior                 | 110.366             | 120.987           | 737.000            | 845.375           |
| Suppliers                                          | 271                 | 275               | 21.934             | 20.125            |
| Other                                              | 9.180               | 9.077             | 159.190            | 174.910           |
| Subtotal                                           | 4.446.318           | 5.204.112         | 20.275.194         | 22.864.169        |
| <b>Local</b>                                       |                     |                   |                    |                   |
| Export Credit Notes                                | 2.049.812           |                   | 1.750.000          | 1.765.357         |
| BNDES - National Economic and Social               |                     |                   |                    |                   |
| Development Bank (state owned-company)             | 405.883             | 458.752           | 6.210.379          | 5.831.881         |
| Debentures                                         | 488.312             | 401.566           | 3.675.844          | 3.625.391         |
| FINAME - related to the construction of the        |                     |                   |                    |                   |
| Bolivia - Brazil gas pipeline                      | 68.859              | 82.542            | 202.743            | 272.428           |
| Advance on foreign exchange contract (ACC)         | 635.492             | 877.512           |                    |                   |
| Other                                              | 206.504             | 174.416           | 337.489            | 325.436           |
| Subtotal                                           | 3.854.862           | 1.994.788         | 12.176.455         | 11.820.493        |
|                                                    | <b>8.301.180</b>    | <b>7.198.900</b>  | <b>32.451.649</b>  | <b>34.684.662</b> |
| <b>Interest on loans and financings</b>            | (780.330)           | (684.654)         |                    |                   |
| Principal                                          | 7.520.850           | 6.514.246         |                    |                   |
| Current portion of the loans and financings in the |                     |                   |                    |                   |
| non-current liabilities                            | (4.417.176)         | (3.003.643)       |                    |                   |
| <b>Total short-term loans and financings</b>       | <b>3.103.674</b>    | <b>3.510.603</b>  |                    |                   |



R\$ thousand

## Parent Company

## Current

## Non-current

06.30.2008

03.31.2008

06.30.2008

03.31.2008

**Foreign**

|                        |         |         |         |           |
|------------------------|---------|---------|---------|-----------|
| Financial institutions | 350.452 | 400.733 | 885.060 | 1.069.061 |
| Subtotal               | 350.452 | 400.733 | 885.060 | 1.069.061 |

**Local**

|                                                                              |           |         |           |           |
|------------------------------------------------------------------------------|-----------|---------|-----------|-----------|
| Export Credit Notes                                                          | 2.049.812 |         | 1.750.000 | 1.765.357 |
| Debentures                                                                   | 306.877   | 220.773 | 3.013.821 | 2.906.333 |
| FINAME - related to the construction of the<br>Bolivia - Brazil gas pipeline | 65.864    | 79.531  | 196.179   | 251.477   |
| Other                                                                        | 71.561    | 55.778  | 74.888    | 31.548    |
| Subtotal                                                                     | 2.494.114 | 356.082 | 5.034.888 | 4.954.715 |

**2.844.566****756.815****5.919.948****6.023.776****Interest on loans and financings**

(304.316)

(173.947)

## Principal

2.540.250

582.868

Current portion of the loans and financings in  
the non-current liabilities

(2.540.250)

(582.868)

Total short-term loans and financings

**14.1 Non-current debt maturity dates**

R\$ thousand

06.30.2008

Consolidated

Parent  
Company

|      |           |           |
|------|-----------|-----------|
| 2009 | 4.024.579 | 719.463   |
| 2010 | 7.330.730 | 2.416.196 |

|              |                   |                  |
|--------------|-------------------|------------------|
| 2011         | 4.279.211         | 833.973          |
| 2012         | 3.441.644         | 1.698.708        |
| 2013         | 2.426.071         | 147.556          |
| 2014 onwards | 10.949.414        | 104.052          |
| <b>Total</b> | <b>32.451.649</b> | <b>5.919.948</b> |

**14.2 Non-current debt interest rates****R\$ thousand**

|                | <b>Consolidated</b> |                   | <b>Parent Company</b> |                   |
|----------------|---------------------|-------------------|-----------------------|-------------------|
|                | <b>06.30.2008</b>   | <b>03.31.2008</b> | <b>06.30.2008</b>     | <b>03.31.2008</b> |
| <b>Foreign</b> |                     |                   |                       |                   |
| Up to 6%       | 9.844.362           | 9.930.168         | 684.538               | 626.848           |
| From 6 to 8%   | 6.899.075           | 8.870.732         | 200.522               | 442.213           |
| From 8 to 10%  | 3.102.778           | 3.528.937         |                       |                   |
| From 10 to 12% | 58.088              | 125.872           |                       |                   |
| Over 12%       | 370.891             | 408.460           |                       |                   |
|                | 20.275.194          | 22.864.169        | 885.060               | 1.069.061         |
| <b>Local</b>   |                     |                   |                       |                   |
| Up to 6%       | 3.585.395           | 3.394.338         |                       | 15.357            |
| From 6 to 8%   | 235.397             | 634.520           | 196.179               |                   |
| From 8 to 10%  | 3.351.162           | 2.936.667         | 400.930               | 652.166           |
| From 10 to 12% | 3.502.778           | 3.362.025         | 3.151.358             | 3.032.369         |
| Over 12%       | 1.501.723           | 1.492.943         | 1.286.421             | 1.254.823         |
|                | 12.176.455          | 11.820.493        | 5.034.888             | 4.954.715         |
|                | <b>32.451.649</b>   | <b>34.684.662</b> | <b>5.919.948</b>      | <b>6.023.776</b>  |

**14.3 Non-current balances per currency****R\$ thousand**

|              | <b>Consolidated</b> |                   | <b>Parent Company</b> |                   |
|--------------|---------------------|-------------------|-----------------------|-------------------|
|              | <b>06.30.2008</b>   | <b>03.31.2008</b> | <b>06.30.2008</b>     | <b>03.31.2008</b> |
| US Dollar    | 20.922.493          | 22.707.586        | 818.955               | 958.888           |
| Japanese yen | 785.605             | 974.296           | 261.090               | 360.335           |
| Euro         | 112.646             | 128.265           | 1.194                 | 1.316             |
| Real         | 10.246.661          | 10.478.898        | 4.838.709             | 4.703.237         |
| Other        | 384.244             | 395.617           |                       |                   |
|              | <b>32.451.649</b>   | <b>34.684.662</b> | <b>5.919.948</b>      | <b>6.023.776</b>  |

The estimated fair value for the Parent Company's and Consolidated's long-term loans on June 30, 2008 were, respectively, R\$ 6.471.307 thousand, and R\$ 34.739.169 thousand, calculated at the market rates in force, taking into consideration the nature, term and risks, similar to those in the registered contracts and may be compared to their book

values of R\$ 5.919.948 thousand and R\$ 32.451.649 thousand.

The contracted hedge operations in connection with Notes issued abroad in foreign currency are disclosed in Note 25.

#### **14.4 Credit facility agreements to finance exports**

On April 04 and 11, 2008, Petrobras contracted credit facilities of R\$ 400.000 thousand and R\$ 1.600.000 thousand with the Banco do Brasil. The transaction was ensured by Export Credit Notes - NCE, the sole purpose of which is to increase Petrobras' exports of oil and oil products and was negotiated with the following terms:

- Term: 1 year, with settlement of interest half-yearly and the principal at the end of the term;
- Interest rate: 102% of the CDI + Flat Fee of 0,06% payable half-yearly in advance;
- Clause providing for early repayment as from 180 days of the withdrawal with no penalties;
- Exemption of IOF tax on presentation of proof of the export operations; and
- Waiver of guarantees.

#### **14.5 Other information**

Loans and financing are mainly intended to fund purchases of raw materials, development of oil and gas production projects, construction of vessels and pipelines and the expansion of industrial plants.

##### **a) Debentures**

The debentures issued through the BNDES to finance the anticipated acquisition of the right to use the Bolivia-Brazil Gas pipeline, over a 40-year period, to transport 6 million m<sup>3</sup>/day of gas ( TCO - Transportation Capacity Option ), totaled R\$ 430.000 thousand (43.000 notes with par value of R\$ 10) maturing February 15, 2015. These debentures are secured on common shares of TBG.

In August 2006, Alberto Pasqualini - Refap S.A. issued simple, nominative, book entry debentures, which as of June 30, 2008 that totalized R\$ 700.539 thousand, for the purpose of expanding and modernizing its industrial facilities. The issue was made on the following terms (basic terms approved by the BNDES and BNDESPAR on June 23, 2006): amortization over 96 months plus a six-month grace period; 90% of the debentures subscribed by the BNDES with interest at the Brazilian Long-term Interest Rate (TJLP) + 3,8% p.a.; and 10% of the debentures subscribed by BNDESPAR at the interest rate of the BNDES basket of currencies plus 2,3% p.a.

*a.1) Guarantees*

Petrobras is not required to provide guarantees to foreign financial institutions. Financing obtained from the BNDES is secured by the assets being financed (carbon steel pipes for the Bolivia-Brazil Pipeline and vessels).

On account of the guarantee contract issued by the Federal Government in favor of the Multilateral Credit Agencies, as a result of the loans raised by TBG, counter-guarantee contracts have been signed by the Federal Government, TBG, Petrobras, Petroquisa and Banco do Brasil S.A., whereby TBG undertakes to tie its revenues to the order of the National Treasury until the settlement of the obligations guaranteed by the Federal Government.

In guarantee of the debentures issued, Refap has a short-term investment account (bank deposits indexed to credit operations), tied to variations of the Interbank Deposit Certificate - CDI

Refap has to maintain three times the value of the sum of the last installment due of the amortization of the principal and related charges.

**b) Indebtedness of CIESA and TGS**

In order to clean up the finances of Compañía de Inversiones de Energía S.A. - CIESA, (a jointly-controlled company), Pesa transferred its interest of 7,35% in the capital of Transportadora de Gas Del Sur S.A. - TGS, a subsidiary of CIESA, to ENRON, and ENRON simultaneously transferred 40% of its interest in the capital of CIESA to a trustee.

In a second stage of the process, once the approvals required from Ente Nacional Regulador del Gas - ENARGAS (National Gas Regulatory Agency) and Comisión Nacional de Defensa de la Competencia (National Competition Defense Commission) have been obtained, ENRON shall transfer the remaining 10% interest in CIESA to the financial creditors in exchange for 4,3% of the class B common shares in TGS that CIESA will hand over to its financial creditors, in part payment of the debt. The remaining balance of the financial debt will be capitalized by the creditors.

As it is operating under long-term constraints which significantly hinder its capacity to transfer capital to investors, and until the process to clean up the finances of the company is not concluded, CIESA will continue to be excluded from the consolidation process of Petrobras, pursuant to CVM Instruction No. 247/96.

# 15 Financial income (expenses), net

Financial charges and net monetary and exchange variation, allocated to the income statement for the first semester of 2008 and 2007, are as follows:

|                                              | R\$ thousand       |                    |                    |                    |
|----------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                              | Consolidated       |                    | Parent Company     |                    |
|                                              | JAN-JUN/2008       | JAN-JUN/2007       | JAN-JUN/2008       | JAN<br>-JUN/2007   |
| Exchange income on cash and cash equivalents | (327.704)          | (735.368)          | (342.592)          | (782.708)          |
| Exchange income on loans and financing       | 199.612            | 381.558            | 119.058            | 272.383            |
|                                              | (128.092)          | (353.810)          | (223.534)          | (510.325)          |
| Monetary variation on loans and financing    | (143.541)          | 12.752             | (139.506)          | 12.734             |
| Loans and financing expenses                 | (1.055.039)        | (1.211.693)        | (330.751)          | (254.255)          |
| Earnings on short-term investments           | 357.044            | 509.559            | 74.063             | 290.116            |
| Earnings on FIDC NP                          |                    |                    | 48.109             |                    |
|                                              | (697.995)          | (702.134)          | (208.579)          | 35.861             |
| Debt restructuring expenses                  |                    | (112.387)          |                    |                    |
| Financial income on net indebtedness         | <b>(969.628)</b>   | <b>(1.155.579)</b> | <b>(571.619)</b>   | <b>(461.730)</b>   |
| Exchange variation on assets abroad          | (1.402.938)        | (1.289.746)        | (2.222.243)        | (1.583.286)        |
| Hedge on sales and financial transactions    | (100.561)          | (94.944)           | 83.556             | (63.976)           |
| Marketable securities                        | 168.951            | 190.863            | 53.261             | 100                |
| Other financial income and expenses, net     | 65.324             | 187.083            | 594.961            | 657.993            |
| Other monetary and exchange variations, net  | 36.692             | 92.143             | (110.814)          | (108.778)          |
| <b>Financial Income, Net</b>                 | <b>(2.202.160)</b> | <b>(2.070.180)</b> | <b>(2.172.898)</b> | <b>(1.559.677)</b> |



**16 Other operating expenses, net**

|                                                                   | R\$ thousand       |                    |                    |                    |
|-------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                                   | Consolidated       |                    | Parent Company     |                    |
|                                                                   | JAN-JUN/2008       | JAN-JUN/2007       | JAN-JUN/2008       | JAN<br>-JUN/2007   |
| Expenses relating to renegotiation of the pension plan (*)        |                    | (1.050.206)        |                    | (972.143)          |
| Institutional relations and cultural projects                     | (555.044)          | (547.219)          | (526.284)          | (498.404)          |
| Operating expenses on thermoelectric power stations               | (266.057)          | (245.116)          | (392.004)          | (190.537)          |
| Corporate expenditure on environment, healthcare and safety (SMS) | (173.016)          | (198.681)          | (173.016)          | (198.681)          |
| Classification and assessment of charges plan                     |                    | (123.405)          |                    | (121.405)          |
| Losses and contingencies with judicial processes                  | (289.982)          | (222.775)          | (145.702)          | (163.661)          |
| Contractual and regulatory fines                                  | (294.650)          |                    | (330.474)          |                    |
| Contractual charges on shipment services - ship or pay            | (40.808)           | (43.613)           |                    | (77.973)           |
| Unscheduled stoppages on production facilities and equipment      | (71.805)           | (90.280)           | (71.153)           | (81.150)           |
| Other                                                             | (408.507)          | (524.076)          | (564.710)          | (660.164)          |
|                                                                   | <b>(2.099.869)</b> | <b>(3.045.371)</b> | <b>(2.203.343)</b> | <b>(2.964.118)</b> |

(\*) Refers to the financial incentive paid to the participants and other related expenses, in order to enable the Plan to be renegotiated.

**17 Taxes, contributions and participations****17.1 Recoverable taxes**

| Current assets | R\$ thousand |            |                |            |
|----------------|--------------|------------|----------------|------------|
|                | Consolidated |            | Parent Company |            |
|                | 06.30.2008   | 03.31.2008 | 06.30.2008     | 03.31.2008 |
| Local:         |              |            |                |            |
| ICMS           | 2.670.792    | 2.906.483  | 2.259.473      | 2.418.544  |
| PASEP/COFINS   | 1.346.540    | 1.714.942  | 728.422        | 1.114.164  |
| CIDE           | 43.158       | 94.451     | 42.926         | 54.566     |

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|                                             |                  |                  |                  |                  |
|---------------------------------------------|------------------|------------------|------------------|------------------|
| Income tax                                  | 628.957          | 668.744          | 222.802          | 323.312          |
| Social contribution                         | 129.397          | 127.920          | 20.634           | 26.004           |
| Deferred income tax and social contribution | 1.413.637        | 1.244.710        | 1.132.546        | 925.842          |
| Other taxes                                 | 326.324          | 271.049          | 189.429          | 184.718          |
|                                             | 6.558.805        | 7.028.299        | 4.596.232        | 5.047.150        |
| Foreign:                                    |                  |                  |                  |                  |
| Value Added Tax - VAT                       | 241.015          | 161.508          |                  |                  |
| Deferred income tax and social contribution | 79.354           | 92.396           |                  |                  |
| Other taxes                                 | 262.845          | 320.279          |                  |                  |
|                                             | 583.214          | 574.183          |                  |                  |
|                                             | <b>7.142.019</b> | <b>7.602.482</b> | <b>4.596.232</b> | <b>5.047.150</b> |

Pag: 57

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**17.2 Taxes, contributions and participations payable**

| <b>Current liabilities</b>                  | <b>R\$ thousand</b> |                   |                       |                   |
|---------------------------------------------|---------------------|-------------------|-----------------------|-------------------|
|                                             | <b>Consolidated</b> |                   | <b>Parent Company</b> |                   |
|                                             | <b>06.30.2008</b>   | <b>03.31.2008</b> | <b>06.30.2008</b>     | <b>03.31.2008</b> |
| ICMS                                        | 1.918.187           | 1.818.027         | 1.735.983             | 1.576.684         |
| PASEP/COFINS                                | 835.948             | 952.350           | 653.307               | 760.512           |
| CIDE                                        | 355.081             | 547.393           | 322.288               | 488.010           |
| Special participation program/Royalties     | 4.185.814           | 3.110.879         | 4.144.574             | 3.077.644         |
| Income tax and social contribution          |                     |                   |                       |                   |
| retentions                                  | 412.415             | 423.741           | 370.857               | 393.152           |
| Current Income tax and social contribution  | 2.010.779           | 1.890.779         | 1.268.619             | 1.286.849         |
| Deferred income tax and social contribution | 1.379.829           | 1.092.901         | 1.159.329             | 877.693           |
| Other taxes                                 | 332.007             | 371.132           | 101.281               | 100.686           |
|                                             | <b>11.430.060</b>   | <b>10.207.202</b> | <b>9.756.238</b>      | <b>8.561.230</b>  |

**17.3 Deferred taxes and social contribution deferred - non-current**

|                                             | <b>R\$ thousand</b> |                   |                       |                   |
|---------------------------------------------|---------------------|-------------------|-----------------------|-------------------|
|                                             | <b>Consolidated</b> |                   | <b>Parent Company</b> |                   |
|                                             | <b>06.30.2008</b>   | <b>03.31.2008</b> | <b>06.30.2008</b>     | <b>03.31.2008</b> |
| <b>Non-current</b>                          |                     |                   |                       |                   |
| <b>Assets</b>                               |                     |                   |                       |                   |
| Deferred income tax and social contribution | 3.819.220           | 3.821.400         | 1.806.500             | 1.756.521         |
| Deferred ICMS                               | 1.396.350           | 1.275.036         | 1.161.993             | 1.056.472         |
| Deferred PASEP/COFINS                       | 3.709.327           | 3.432.286         | 3.551.181             | 3.302.918         |
| Other                                       | 145.013             | 217.737           |                       |                   |
|                                             | <b>9.069.910</b>    | <b>8.746.459</b>  | <b>6.519.674</b>      | <b>6.115.911</b>  |
| <b>Liabilities</b>                          |                     |                   |                       |                   |
| Deferred income tax and social contribution | 11.930.471          | 11.573.104        | 9.651.764             | 9.464.050         |
| Other                                       | 60.023              | 66.335            |                       |                   |
|                                             | <b>11.990.494</b>   | <b>11.639.439</b> | <b>9.651.764</b>      | <b>9.464.050</b>  |

**17.4 Deferred income tax and social contribution**

The grounds and expectations for the realization are presented as follows:

**a) Deferred income tax and social contribution assets**

**R\$ thousand**

**06.30.2008**

| <b>Nature</b>                                                             | <b>Consolidated</b> | <b>Parent Company</b> | <b>Basis for realization</b>                                                               |
|---------------------------------------------------------------------------|---------------------|-----------------------|--------------------------------------------------------------------------------------------|
| Pension Plan                                                              | 1.711.928           | 1.656.949             | By payment of the contributions of the sponsor.                                            |
| Unrealized profits between companies in the Group                         | 1.311.817           |                       | By means of effective profit accomplishment.                                               |
| Plan Provisions for contingencies and for uncollectible accounts          | 469.318             | 248.135               | By realization of losses in view of the outcome of legal suits and overdue credits.        |
| Tax losses                                                                | 373.700             |                       | With future taxable profits.                                                               |
| Provision for profit sharing                                              | 345.071             | 315.433               | By payment.                                                                                |
| Provision for ANP research and development investment                     | 193.208             | 193.208               | By realization of the expenditures.                                                        |
| Temporary difference between the accounting and tax depreciation criteria | 75.063              | 67.880                | To be realized during the period of depreciation of assets under the straight line method. |
| Absorption of conditional loans                                           | 68.824              |                       | End of the loan agreements.                                                                |
| Provision for ANP research and development investment                     | 378.054             | 378.054               | By acknowledgment of the revenues.                                                         |
| Other                                                                     | 385.228             | 79.387                |                                                                                            |
| <b>Total</b>                                                              | <b>5.312.211</b>    | <b>2.939.046</b>      |                                                                                            |
| Non-current                                                               | 3.819.220           | 1.806.500             |                                                                                            |
| Current                                                                   | 1.492.991           | 1.132.546             |                                                                                            |

**b) Deferred income tax and social contribution liabilities****R\$ thousand****06.30.2008**

| <b>Nature</b>                                                             | <b>Consolidated</b> | <b>Parent Company</b> | <b>Basis for realization</b>                                                                                        |
|---------------------------------------------------------------------------|---------------------|-----------------------|---------------------------------------------------------------------------------------------------------------------|
| Cost of prospecting and drilling activities for oil extraction            | 10.574.356          | 10.520.746            | Depreciation based on the unit-of production method in relation to the proven/developed reserves on the oil fields. |
| Temporary difference between the accounting and tax depreciation criteria | 614.138             | 68.945                | Based on the depreciation life of the asset or disposal.                                                            |
| Income tax and social contribution - foreign operations                   | 284.633             | 219.483               | Through occurrence of triggering events that generate income.                                                       |
| Investments in subsidiaries and affiliated companies                      | 178.487             |                       | Through occurrence of triggering events that generate income.                                                       |
| Foreign exchange variations on financing                                  | 1.188.840           |                       | Cash basis reporting                                                                                                |
| Other                                                                     | 469.846             | 1.919                 |                                                                                                                     |
| <b>Total</b>                                                              | <b>13.310.300</b>   | <b>10.811.093</b>     |                                                                                                                     |
| Non-current                                                               | 11.930.471          | 9.651.764             |                                                                                                                     |
| Current                                                                   | 1.379.829           | 1.159.329             |                                                                                                                     |

**c) Realization of deferred income tax and social contribution**

At the Parent Company level, realization of deferred tax credits amounting to R\$ 2.939.046 thousand does not depend on future income since these credits will be absorbed annually by realizing the deferred tax liability. In the consolidated statements, for the portion exceeding the Parent Company's balance, when applicable, the management of the subsidiaries expects to offset these credits over ten years, based on the projections made.

R\$ thousand

## Realization expectation

|                          | Consolidated                                                   |                                                                     | Parent Company                                                 |                                                                     |
|--------------------------|----------------------------------------------------------------|---------------------------------------------------------------------|----------------------------------------------------------------|---------------------------------------------------------------------|
|                          | Deferred<br>income<br>tax and social<br>contribution<br>assets | Deferred<br>income<br>tax and social<br>contribution<br>liabilities | Deferred<br>income<br>tax and social<br>contribution<br>assets | Deferred<br>income<br>tax and social<br>contribution<br>liabilities |
| 2008                     | 1.253.709                                                      | 1.165.064                                                           | 1.132.546                                                      | 1.159.329                                                           |
| 2009                     | 931.635                                                        | 1.894.535                                                           | 327.786                                                        | 1.159.329                                                           |
| 2010                     | 363.990                                                        | 1.427.839                                                           | 241.656                                                        | 1.160.814                                                           |
| 2011                     | 399.808                                                        | 1.419.791                                                           | 235.536                                                        | 1.167.849                                                           |
| 2012                     | 605.494                                                        | 1.405.905                                                           | 491.732                                                        | 1.175.213                                                           |
| 2013                     | 299.542                                                        | 1.359.217                                                           | 234.732                                                        | 1.167.500                                                           |
| 2014 and thereafter      | 1.458.033                                                      | 4.637.949                                                           | 275.058                                                        | 3.821.059                                                           |
| Amount accounted for     | 5.312.211                                                      | 13.310.300                                                          | 2.939.046                                                      | 10.811.093                                                          |
| Amount not accounted for | 1.419.190                                                      |                                                                     | 447.239                                                        |                                                                     |
| <b>Total</b>             | <b>6.731.401</b>                                               | <b>13.310.300</b>                                                   | <b>3.386.285</b>                                               | <b>10.811.093</b>                                                   |

The subsidiary Petrobras Energia S.A. (Pesa) and its subsidiaries have tax credits arising from accumulated tax losses amounting to approximately US\$ 112.000 thousand (R\$ 178.293 thousand), which were not recorded in their assets. In accordance with specific legislation in Argentina and other countries where Pesa has investments that define the expiration date for such credits, these credits may be offset against future taxes payable limited to US\$ 72.000 thousand (R\$ 114.617 thousand) until 2009 and, from 2010 onwards, US\$ 40.000 thousand (R\$ 63.676 thousand).

In addition, the subsidiary Petrobras America Inc. - PAI has unrecorded tax credits amounting to US\$ 223.054 thousand (R\$ 355.080 thousand) arising from accumulated tax losses, primarily from oil and gas exploration and production activities. In accordance with specific legislation in the United States, where PAI has its registered offices, tax credits expire after 20 years. As such, these credits may be offset against future taxes payable, limited to US\$ 84.089 thousand (R\$ 133.861 thousand) until 2027, US\$ 108.175 thousand (R\$ 172.204 thousand) until 2028 and US\$ 30.790 thousand (R\$ 49.015 thousand) until 2029.

Pag: 61

**17.5 Reconciliation of income tax and social contribution**

The reconciliation of income tax and social contribution determined in accordance with nominal rates and the related amounts recorded in the first six months of 2008 and 2007 is presented below:

***a) Consolidated***

|                                                                                        | <b>R\$ thousand</b> |                     |
|----------------------------------------------------------------------------------------|---------------------|---------------------|
|                                                                                        | <b>Jan-Jun/2008</b> | <b>Jan-Jun/2007</b> |
| Income for the period before tax and after profit sharing                              | 24.914.454          | 17.975.499          |
| Income tax and social contribution at nominal rates (34%)                              | (8.470.914)         | (6.111.670)         |
| Adjustments to determine effective rate:                                               |                     |                     |
| Permanent additions, net                                                               | (224.735)           | (127.012)           |
| Tax incentives                                                                         | 68.229              | 57.610              |
| Credits resulting from inclusion of Interest on share capital under operating expenses |                     | 745.796             |
| Tax credits of companies abroad in exploratory stage                                   | (74.748)            | (254.358)           |
| Other                                                                                  | 173.734             | (446.331)           |
| Expense for income tax and social contribution provisions                              | (8.528.434)         | (6.135.965)         |
| Deferred income tax and social contribution                                            | (1.058.390)         | 511.237             |
| Current income tax and social contribution                                             | (7.470.044)         | (6.647.202)         |
|                                                                                        | (8.528.434)         | (6.135.965)         |
| Effective rate of income tax and social contribution                                   | 34,2%               | 34,1%               |

**b) Parent Company**

|                                                               | <b>R\$ thousand</b> |                     |
|---------------------------------------------------------------|---------------------|---------------------|
|                                                               | <b>Jan-Jun/2008</b> | <b>Jan-Jun/2007</b> |
| Income for the period before tax and after profit sharing     | 22.089.460          | 16.230.814          |
| Income tax and social contribution at nominal rates (34%)     | (7.510.417)         | (5.518.477)         |
| Adjustments to determine effective rate:                      |                     |                     |
| Permanent additions, net                                      | (257.057)           | (372.895)           |
| Equity pick-up/Goodwill                                       | 654.071             | 190.167             |
| Tax incentives                                                | 65.943              | 56.970              |
| Credits resulting from inclusion of Interest on share capital |                     | 745.796             |
| Other                                                         | 74.625              | (144.707)           |
| Expense for income tax and social contribution provisions     | (6.972.835)         | (5.043.146)         |
| Deferred income tax and social contribution                   | (782.117)           | 505.867             |
| Current income tax and social contribution                    | (6.190.718)         | (5.549.013)         |
|                                                               | (6.972.835)         | (5.043.146)         |
| Effective rate of income tax and social contribution          | 31,6%               | 31,1%               |

**18 Employee benefits****18.1 Pension Plan - Fundação Petrobras de Seguridade Social (Petros)****a) Petros Plan**

Fundação Petrobras de Seguridade Social - Petros, set up by Petrobras, introduced the Petros Plan, a defined-benefit pension plan, in July of 1970 to ensure members a supplement to the benefits provided by Social Security. The Petros Plan is closed to employees of the Petrobras System who have joined since September 2002.

On June 30, 2008, the Petros Plan is represented by the following sponsor companies in the Petrobras System: Petrobras, Petrobras Distribuidora S.A. (BR), Petroquisa and Alberto Pasqualini - Refap S.A.

Evaluation of the Petros costing plan is performed by independent actuaries based on a capitalization system for the majority of the benefits, and currently, this Foundation receives monthly contributions from the sponsoring companies of the Petros Plan amounting to 12,93% of the payroll of employees who participate in the plan and contributions from employees and retirees. As at June 30, 2008, the ratio between contributions from sponsors and those from participants in the Petros Plan, taking into account only those attributable to Petrobras and its subsidiaries, was 1,08.

If a deficit is determined in the defined benefit plan, as established by Constitutional Amendment No. 20 of 1998, it should be settled by an adjustment to the normal contributions, by means of extraordinary contributions, to be equally shouldered by the sponsors and the participants.

The actuarial commitments with respect to the pension and retirement plan benefits are provided for in the Company's balance sheet based on calculations prepared by independent actuaries, in accordance with the projected unit of credit method. This method considers each period of service as generating an additional unit of benefit, net of the assets guaranteeing the plan, when applicable, with the costs relating to the increase in the present value of the obligation resulting from the service rendered by the employee being recognized over their working period.

On September 12, 2007, Petrobras and the subsidiaries sponsoring the Petros Plan, trade union organizations and Petros signed a Settlement Agreement that will cover commitments with pension plans in the amount of R\$ 4.766.152 thousand, which will be paid in installments over the next 20 years, as previously agreed during the renegotiation process. The process regarding the Agreement on Reciprocal Obligations is still awaiting judicial ratification, after which the sponsors will sign the Terms of Financial Commitment for the settlement thereof. This amount and other items of the terms will be adjusted, backdated to December 31, 2006 at the IPCA rate + 6% p.a.

On June 30, 2008, Petrobras held long-term National Treasury Notes in the amount of R\$ 3.327.564 thousand, purchased to set against amounts owed to Petros, which will be held in the Company's portfolio and used in the future as a guarantee for the abovementioned Term of Financial Commitment.

On June 30, 2008, Petrobras had an advance balance for the pension plan to the amount of R\$ 1.346.948 thousand (R\$ 1.335.876 thousand as at March 31, 2008), which may be used to settle Petrobras' commitments with the Petros Plan, as set forth in the Term of Financial Commitment.

***b) Petros Plan 2***

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.

Petrobras and the other sponsors fully assumed the contributions corresponding to the period in which the participants had no plan, from August 2002 or the date of admission onwards, up to August 29, 2007. The plan will continue to admit new subscribers after this date, but no longer including payment for the period relating to past service.

The disbursements relating to the cost of past service will be made on a monthly basis over the first months for contributions up to the total months the participant had no plan, and should therefore cover the portion relating to the participants and sponsors.

**18.2 Petrobras Energia S.A.**

***a) Defined contribution pension plan***

In 2005, Petrobras Energia S.A. (Pesa), implemented a voluntary defined contribution plan, available to all employees who meet certain conditions. The company contributes amounts equal to the contributions made by the employees, in accordance with the contribution specified for each wage level.

The plan's cost is recorded in accordance with the contributions made by the company, which in the 1<sup>st</sup> half of 2008 totaled the equivalent of R\$ 2.101 thousand (R\$ 2.103 thousand for the same period in 2007).

***b) Defined benefit pension plan***

***b.1) Termination Indemnity Plan***

This is a benefit plan by which, on retirement, employees meeting certain conditions are eligible to receive one month's salary for each year they have worked for the Company, on a sliding scale, according to the number of years the plan has existed.

*b.2) Fundo Compensador Plan*

This benefit is available to all Pesa employees who joined the defined contribution plans in force in the past and who joined the company prior to May 31, 1995 and have accumulated the required service time. The benefit is calculated in complement to the benefits awarded under these plans and by the system of retirement, so that the total benefit received by each employee is equal to the amount defined in this plan.

In accordance with the Pesa Bylaws, the Company contributes to the fund based on a proposal made to the Meeting by the Board of Directors up to the maximum amount equal to 1,5% of the net income in each year.

If a surplus is recorded and duly certified by an independent actuary in the funds allocated to trusts for payment of the defined benefits awarded by the plan, Pesa may use these funds by simply notifying the trustee of this fact.

**18.3 Healthcare benefits plan**

*a) Assistência Multidisciplinar de Saúde (AMS)*

Petrobras and its subsidiaries Petrobras Distribuidora, Petroquisa and Alberto Pasqualini - Refap S.A., maintain a healthcare benefit plan (AMS), which offers defined benefits and covers all employees of the companies in Brazil (active and inactive) and their dependents. The plan is managed by the Company, with the employees contributing a fixed amount to cover the principal risks and a portion of the costs relating to other types of coverage in accordance with participation tables defined by certain parameters including salary levels, in addition to the pharmacy benefit that provides special terms for AMS plan holders to purchase certain medications in registered pharmacies, distributed throughout the country.

The commitment of the Company relating to future benefits due to the employees participating in the plan is calculated annually by an independent actuary, based on the Projected Credit Unit method, in a manner similar to the calculations made for the commitments with pensions and retirements, described earlier.

The medical assistance plan is not covered by guaranteeing assets. The payment of the benefits is made by the Company based on the costs incurred by the participants.

**18.4 Other Defined Contribution Plans**

Some Petrobras subsidiaries sponsor retirement plans for their employees, based on the defined contribution model. These include Transpetro, Petroquímica Triunfo S.A., Ipiranga Asfalto S.A. and Transportadora Brasileira Gasoduto Bolívia-Brasil (TBG), the new plan of this last company having been approved by the Department of Coordination and Governance of State Companies (DEST), and is currently being examined by the Secretary for Supplementary Pension Funds (SPC), with approval expected in August 2008, after which the campaign to publicize the plan to employees may begin.

**18.5 The balance of the provisions for expenses associated with post-retirement benefits, calculated by independent actuaries, shows the following movements:**

|                                                       | R\$ thousand                 |                                |                             |                              |                                |                             |
|-------------------------------------------------------|------------------------------|--------------------------------|-----------------------------|------------------------------|--------------------------------|-----------------------------|
|                                                       | Consolidated                 |                                |                             | Parent Company               |                                |                             |
|                                                       | Defined Benefit Pension Plan | Variable Contrib. Pension Plan | Supplem. Medical Assistance | Defined Benefit Pension Plan | Variable Contrib. Pension Plan | Supplem. Medical Assistance |
| Balance at January 1, 2008                            | 4.927.134                    | 17.270                         | 9.727.919                   | 4.509.080                    | 15.683                         | 8.983.942                   |
| (+) Costs incurred during the period                  | 439.054                      | 68.421                         | 767.094                     | 366.275                      | 66.864                         | 717.083                     |
| (-) Payment of contributions                          | (227.832)                    | (143.219)                      | (209.173)                   | (207.631)                    | (137.636)                      | (197.234)                   |
| Others                                                | 1.219                        |                                |                             |                              |                                |                             |
| <b>Balance at end of 2<sup>nd</sup> Quarter, 2008</b> | <b>5.139.575</b>             | <b>(57.528)</b>                | <b>10.285.840</b>           | <b>4.667.724</b>             | <b>(55.089)</b>                | <b>9.503.791</b>            |
| Current liabilities                                   | 407.933                      | 15.714                         | 455.736                     | 370.408                      | 15.683                         | 429.666                     |
| Non-current liabilities                               | 4.731.642                    | (73.242)                       | 9.830.104                   | 4.297.316                    | (70.772)                       | 9.074.125                   |

According to calculations performed by independent actuaries, the net expense on pension and retirement benefits plans awarded and to be awarded to employees, retired employees and pensioners, and healthcare plans for 2008 includes the following components:

|                                       | R\$ thousand                 |                                |                             |                              |                                |                             |
|---------------------------------------|------------------------------|--------------------------------|-----------------------------|------------------------------|--------------------------------|-----------------------------|
|                                       | Consolidated                 |                                |                             | Parent Company               |                                |                             |
|                                       | Defined Benefit Pension Plan | Variable Contrib. Pension Plan | Supplem. Medical Assistance | Defined Benefit Pension Plan | Variable Contrib. Pension Plan | Supplem. Medical Assistance |
| Current service cost                  | 256.447                      | 80.914                         | 98.843                      | 201.828                      | 78.344                         | 90.070                      |
| Interest cost                         | 2.069.488                    | 18.969                         | 613.883                     | 1.939.355                    | 18.320                         | 573.033                     |
| Estimated return on the plan's assets | (1.720.151)                  | (16.392)                       |                             | (1.619.506)                  | (15.771)                       |                             |
| Amortization of unrecognized          |                              |                                |                             |                              |                                |                             |

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|                                                    |                |               |                |                |               |                |
|----------------------------------------------------|----------------|---------------|----------------|----------------|---------------|----------------|
| gains/losses                                       | 2.615          | 1.414         | 52.493         |                |               | 52.105         |
| Contributions from participants                    | (181.040)      | (53.582)      |                | (166.683)      | (51.056)      |                |
| Unrecognized cost of the past service              | 11.394         | 37.098        | 1.898          | 11.291         | 37.027        | 1.898          |
| Others                                             | 301            |               | (23)           | (10)           |               | (23)           |
| <b>Net cost up to 2<sup>nd</sup> Quarter, 2008</b> | <b>439.054</b> | <b>68.421</b> | <b>767.094</b> | <b>366.275</b> | <b>66.864</b> | <b>717.083</b> |

Pag: 67

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The restated provisions were recorded in the income statement for the year, as shown:

|                                                    | R\$ thousand                          |                                         |                                   |                                       |                                         |                                   |
|----------------------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------|
|                                                    | Consolidated                          |                                         |                                   | Parent Company                        |                                         |                                   |
|                                                    | Defined<br>Benefit<br>Pension<br>Plan | Variable<br>Contrib.<br>Pension<br>Plan | Supplem.<br>Medical<br>Assistance | Defined<br>Benefit<br>Pension<br>Plan | Variable<br>Contrib.<br>Pension<br>Plan | Supplem.<br>Medical<br>Assistance |
| <b>Relating to active employees:</b>               | <b>251.506</b>                        | <b>68.421</b>                           | <b>242.496</b>                    | <b>190.321</b>                        | <b>66.864</b>                           | <b>221.152</b>                    |
| Absorbed in the cost of operating activities       | 125.020                               | 36.643                                  | 137.456                           | 119.040                               | 36.367                                  | 133.013                           |
| Directly to income                                 | 126.487                               | 31.778                                  | 105.040                           | 71.282                                | 30.497                                  | 88.139                            |
| <b>Relating to inactive members</b>                | <b>187.547</b>                        |                                         | <b>524.598</b>                    | <b>175.953</b>                        |                                         | <b>495.931</b>                    |
| <b>Net cost up to 2<sup>nd</sup> Quarter, 2008</b> | <b>439.054</b>                        | <b>68.421</b>                           | <b>767.094</b>                    | <b>366.275</b>                        | <b>66.864</b>                           | <b>717.083</b>                    |

## 19 Deferred income

In accordance with CVM Instruction No. 469 dated May 02, 2008, donations and subsidies resulting from operations and events occurring as from the coming into force of Law No. 11.638 of 2007, are to be temporarily recorded in specific accounts under Deferred Income until the CVM issues a specific regulation on the matter.

At June 30, 2008, the balance of R\$ 450.447 thousand is comprised of R\$ 373.873 thousand from an investments subsidy incentive in the Northeast, within the region covered by the Northeast Development Agency (SUDENE), granting a 75% reduction in income tax payable, calculated on the profits of the exploration of the incentive activities, and R\$ 76.574 thousand relating to the portion of the reinvestment project approved by SUDENE.

The balances of the capital reserves refer to donations and investment subsidies that existed at the end of the financial year of 2007 and have been maintained in their respective accounts until they have been fully utilized, in accordance with Law 11.638.

## **20 Shareholders equity**

### **20.1 Paid-up Capital**

In the Extraordinary General Meeting, held together with the Ordinary General Meeting on April 04, 2008, approved the increase to the Company's share capital from R\$ 52.644.460 thousand to R\$ 78.966.691 thousand, by capitalizing part of the revenue reserves and part of the capital reserves, amounting to R\$ 26.322.231 thousand of which R\$ 1.019.822 thousand from the capital reserve, consisting of R\$ 169.142 thousand of the Merchant Navy AFRMM subsidy reserve and R\$ 850.680 thousand from the tax incentives reserve and R\$ 25.302.409 thousand from the retained earnings reserve, without issuing any new shares, in accordance with article 169, paragraph 1 of Law No. 6404/76.

As at June 30, 2008, subscribed and paid up capital amounts to R\$ 78.966.691 thousand and is divided into 5.073.347.344 common shares and 3.700.729.396 preferred shares, all of which are book-entry shares with no face value.

### **20.2 Tax incentives - Sudene**

Includes an investments aid incentive in the Northeast, within the region covered by the Northeast Development Agency (SUDENE), granting a 75% reduction in income tax payable, calculated on the profits of the exploration of the incentive activities, in the amount of R\$ 514.857 thousand as at June 30, 2008, and which may only be utilized to offset losses or for a capital increase, as provided for in Article 545 of the Income Tax Regulations. From 2008 onwards, tax incentives are being recorded under deferred income, as mentioned in Note 19.

### **20.3 Dividends**

The dividends relating to the financial year of 2007 approved by the Ordinary General Meeting held on April 04, 2008, in the amount of R\$ 877.408 thousand (after deducting those distributed earlier to shareholders on January 23, March 31 and April 30, 2008, totaling R\$ 5.703.149 thousand), were paid out to shareholders on June 03, 2008.

**21 Judicial actions and contingencies****21.1 Judicial actions and contingencies recorded**

Petrobras and its subsidiaries are involved in several legal actions for civil, tax, labor and environmental issues arising in the normal course of business. Based on the advice of its internal legal counsel and management's best judgment, the Company has recorded provisions in amounts sufficient to cover losses that are considered probable. As of June 30, 2008 these provisions are presented as follows, according to the nature of the lawsuits:

|                               | <b>R\$ thousand</b> |                   |                       |                   |
|-------------------------------|---------------------|-------------------|-----------------------|-------------------|
|                               | <b>Consolidated</b> |                   | <b>Parent Company</b> |                   |
|                               | <b>06.30.2008</b>   | <b>03.31.2008</b> | <b>06.30.2008</b>     | <b>03.31.2008</b> |
| Social security contingencies | 54.000              | 54.000            | 54.000                | 54.000            |
| Labor claims                  | 98.769              | 88.742            | 22.877                | 12.284            |
| Tax proceedings               | 151.012             | 207.714           | 10.503                | 10.219            |
| Civil proceedings ( * )       | 358.299             | 382.110           | 163.622               | 188.439           |
| Other contingencies           | 84.715              | 79.813            |                       |                   |
| Total non-current liabilities | 692.795             | 758.379           | 197.002               | 210.942           |
| <b>Total of contingencies</b> | <b>746.795</b>      | <b>812.379</b>    | <b>251.002</b>        | <b>264.942</b>    |

(\*) Net of Judicial Deposit, when applicable.

**Fishermen Federation of Rio de Janeiro - FEPERJ**

On behalf of its members, Feperj is making several claims for indemnification as a result of the oil spill in Guanabara Bay which occurred on January 18, 2000. At that time, Petrobras paid out extrajudicial indemnification to everyone who proved to be fishermen when the accident occurred. According to the records of the national fishermen's register, only 3,339 could claim indemnification.

On February 02, 2007 a decision, partly accepting the expert report, was published and, on the pretext of quantifying the value of the sentence, established the parameters for the calculation thereof, which, based on these criteria, would result in a value of R\$ 1.102.207 thousand. Petrobras appealed against this decision before the Rio de Janeiro Court of Appeal, as the parameters stipulated in the decision are different to those that had already been specified by the Rio de Janeiro Court of Appeal itself. The appeal was accepted. The decision handed down by the First Civil Chamber of the Court of Appeals of the State of Rio de Janeiro was published on June 29, 2007, denying approval of the appeal filed by Petrobras and approving the appeal filed by Feperj, which represents a significant increase in the value of the damages to be awarded, since in addition to having maintained the 10 years indemnification period, it increased the number of fishermen included in the claim. In September 2007, Petrobras obtained annulment of this decision, the court determining that the appeals be re-examined by the original court. We are waiting further expert accounting audits to redefine the amounts. Based on the Company's experts' assistants calculation, the recorded amount of R\$ 33.085 thousand was maintained, updated to June 30, 2008, as representing the amount that we understand will be set by the higher courts at the end of the process.

**Pag: 71**

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## 21.2 Legal suits not provided for

The chart on the following page shows the situation of the main lawsuits considered as probable losses:

| Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Current Situation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Plaintiff: Porto Seguro Imóveis Ltda.</b></p> <p><i>Nature: Civil</i></p> <p>Porto Seguro, a minority shareholder of Petroquisa, filed a lawsuit against Petrobras, relating to alleged losses deriving from the sale of the equity interest held by Petroquisa in several petrochemical companies in the National Privatization Program. The Plaintiff filed the aforesaid lawsuit to obtain an order obliging Petrobras, as the majority shareholder of Petroquisa, to compensate the loss inflicted on the assets of Petroquisa by the acts which approved the minimum sale price for its equity interest in the capital of the privatized companies.</p> | <p>On March 30, 2004, the Rio de Janeiro Court of Appeal unanimously granted the new appeal brought by Porto Seguro, ordering Petrobras to indemnify Petroquisa an amount equal to US\$ 2.370 million plus 5% as a premium and 20% attorneys' fees.</p> <p>Petrobras filed a Special and Extraordinary Appeal before the High Court of Justice (STJ) and the Federal Supreme Court (STF), which were rejected. Petrobras then filed an Interlocutory Appeal against this decision before the STJ and STF.</p> <p>In accordance with the decision published on June 05, 2006, Petrobras is now awaiting assignment of the agenda to re-examine the matter relating to the blocking of Petrobras' Special Appeal before the STJ and STF.</p> <p>Based on the opinion of its attorneys, the Company does not expect an unfavorable final decision in this proceeding.</p> <p>If the award is not reversed, the estimated indemnity to Petroquisa, including monetary correction and interest, would be R\$ 12.551.959 thousand as at June 30, 2008. As Petrobras owns 100% of Petroquisa's share capital, a portion of the R\$ 8.284.293 thousand, will not represent actual disbursement from the Petrobras Group. Additionally, Petrobras would have to indemnify Porto Seguro, the plaintiff, R\$ 627.598 thousand as a premium and R\$ 2.510.392 thousand to Lobo &amp; Ibeas for attorney's fees.</p> |
| <p><b>Plaintiff: Federal Revenue Office of Rio de Janeiro</b></p> <p><i>Nature: Tax</i></p> <p>Tax deficiency notice relating to Withholding Income Tax calculated on remittances of payments for chartering vessels referring to the period of 1998 and 1999 to 2002.</p>                                                                                                                                                                                                                                                                                                                                                                                         | <p>Petrobras submitted new Administrative Appeals to the Higher Chamber of Tax Appeals, the highest administrative level, which are pending judgment.</p> <p>Updated maximum exposure: R\$ 4.277.918 thousand.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |



| Description                                                                                                                                                                                                                                                                                                                                        | Current Situation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Plaintiff: Federal Revenue Inspectorate in Macaé</b></p> <p><i>Nature: Tax</i></p> <p>Interest and fines on II and IPI - Sinking of the P-36 platform</p>                                                                                                                                                                                    | <p>Lower court decision against Petrobras.</p> <p>A Voluntary Appeal has been filed which is pending judgment. Petrobras filed a writ of mandamus and obtained a favorable decision staying any tax collections until the investigations determining the reasons that caused the platform to sink have been concluded. The Federal Government/National Revenue Office have filed an appeal which is pending judgment.</p> <p>With the decision of the Maritime Court, the Company filed a Tax Debt Annulment Lawsuit and obtained an injunction suspending collection of the tax.</p> <p>Updated maximum exposure: R\$ 328.542 thousand</p> |
| <p><b>Plaintiff: SRP - Federal Social Security Office</b></p> <p><i>Nature: Tax</i></p> <p>Tax deficiency notices relating to social security charges deriving from administrative proceedings brought by the INSS which attribute joint liability to the Company for the engagement of civil construction and other services.</p>                 | <p>Of the amounts the Company disbursed to guarantee the filing of appeals and/or obtainment of the Debt Clearance Certificate from the INSS, R\$ 115.465 thousand is recorded as judicial deposits which could be recovered in the proceedings in progress, relating to 331 tax deficiency notices amounting to R\$ 363.293 thousand as at June 30, 2008. Petrobras legal department classifies the likelihood of loss with regard to these deficiency notices as possible, as it considers the risk of future disbursement to be minimal.</p>                                                                                             |
| <p><b>Plaintiff: Federal Revenue Office of Rio de Janeiro</b></p> <p><i>Nature: Tax</i></p> <p>Tax deficiency notice referring to Import Tax and Excise Tax (II and IPI), contesting the tax classification as Other Electricity Generation Groups for the import of the equipment belonging to the thermoelectric power station Termorio S.A.</p> | <p>On August 15, 2006, Termorio submitted a contestation of the tax deficiency notice to the Federal Revenue Office. On September 15, 2006, the case was referred to the Federal Revenue Office in Florianópolis, where it is still being examined under administrative proceedings.</p> <p>Updated maximum exposure: R\$ 609.165 thousand.</p>                                                                                                                                                                                                                                                                                             |
| <p><b>Plaintiff: Federal Revenue Office</b></p> <p><i>Nature: Tax</i></p> <p>CIDE - Fuels. Non-payment in the period March 2002 to October 2003, pursuant to court orders obtained by Distributors and Fuel Stations, protecting them from levying of this charge.</p>                                                                             | <p>The lower court ruled the charge was correct.</p> <p>The Company filed a Voluntary Appeal.</p> <p>Updated maximum exposure: R\$ 1.080.205 thousand.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <p><b>Plaintiff: State Revenue Office of São Paulo</b></p> <p><i>Nature: Tax</i></p>                                                                                                                                                                                                                                                               | <p>The lower court ruled the charge was correct.</p> <p>The Company filed a Voluntary Appeal.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

To exclude imports of natural gas from Bolívia from  
ICMS taxation. ICMS - Gasbol

Updated maximum exposure: R\$ 691.268 thousand.

| Description                                                                                                                                                                                                                                                          | Current Situation                                                                                                                                                                                                                                                                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Plaintiff: Federal Revenue Office</b><br/> <i>Nature: Tax</i></p> <p>IRRF - Withholding Income Tax on remittances to pay for oil imports.</p>                                                                                                                  | <p>The claim was accepted by the lower court. A Voluntary Appeal was filed by the Federal Revenue Office to the Council of Taxpayers, which was accepted. Petrobras is awaiting notification in order to file a voluntary appeal. Updated maximum exposure: R\$ 704.852 thousand.</p> |
| <p><b>Plaintiff: Federal Revenue Office of Rio de Janeiro</b><br/> <i>Nature: Tax</i></p> <p>Corporate Income Tax (IRPJ) and Contribution on Net Income (CSLL) relating to 2003 - Late payment fine on payment made by voluntary admission</p>                       | <p>The lower court ruled the charge was correct. The Company filed a Voluntary Appeal.</p> <p>Updated maximum exposure: R\$ 226.843 thousand.</p>                                                                                                                                     |
| <p><b>Plaintiff: Ibama</b><br/> <i>Nature: Civil</i></p> <p>Failure to comply with the Settlement and Commitment Agreement - TAC clause relating to Campos Basin of August 11, 2004 by continuing drilling without prior consent.</p>                                | <p>The lower administrative court sentenced Petrobras to pay for the non-compliance to the TAC. The company filed and administrative appeal which is awaiting judgment.</p> <p>Updated maximum exposure: R\$ 290.237 thousand.</p>                                                    |
| <p><b>Plaintiff: State Revenue Office of Alagoas</b><br/> <i>Nature: Tax</i></p> <p>Alleged issue of invoices for transfer on unprocessed natural gas (called "rich gas" by SEFAZ-AL) to the state of Sergipe at lower than market prices between 2000 and 2004.</p> | <p>The lower court ruled the charge was correct. The Company filed a Voluntary Appeal which is awaiting judgment.</p> <p>Updated maximum exposure: R\$ 254.495 thousand.</p>                                                                                                          |
| <p><b>Plaintiff: Federal Revenue Office</b><br/> <i>Nature: Tax</i></p> <p>Failure by Petrobras to withhold CIDE (Contribution of Intervention in the Economic Domain Charge) on Nafta import operations resold to Braskem.</p>                                      | <p>The lower court ruled, by a majority decision, that the charge was correct. Petrobras filed a voluntary appeal which is awaiting judgment.</p> <p>Updated maximum exposure: R\$ 1.384.495 thousand.</p>                                                                            |

| Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Current Situation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Author: Agência Nacional de Petróleo - ANP</b></p> <p><i>Nature: Tax</i></p> <p><i>Special Participation - Marlim Field - Campos Basin</i></p> <p>This governmental participation was established by the Brazilian Law on Oil No. 9.478/97 and is collected as a means of compensation for oil production activities, incident upon high volume production fields. The method used by Petrobras to calculate the special participation due for the Marlim field, is based on the legally legitimate interpretation of Directive 10 of January 14, 1999, approved by the National Petroleum Agency (ANP) itself.</p> <p>On August 16, 2006, the Full Board of Directors of the ANP approved the Report on the Certification of the Payment of the Special Participation in the Marlim Field that established the methodology to be applied with regard to the Special Participation in Marlim, and also determined that Petrobras make an additional payment in the amount of R\$ 400 million, relating to underpayments by Petrobras as a result of having used the calculation method initially determined by the ANP.</p> <p>Petrobras accepted the order of the ANP, on the grounds that the new methodology had not been applied retroactively, thus ensuring compliance with constitutional principles such as legal security and the perfect legal act and withheld the additional amount charged in accordance with the final decision at the highest level of decision-making at the ANP - its Full Board of Directors.</p> | <p>On July 18, 2007, Petrobras was notified of a new ANP Board Resolution stipulating the payment of further sums considered due, retroactively to 1998, annulling the earlier Board Resolution.</p> <p>Petrobras filed a petition of writ of mandamus and obtained an injunction to suspend the charge of the differences with regard to the Special Participation mentioned in ANP Resolution No. 400/2007, until the legal proceedings, currently underway in the Federal Courts of Rio de Janeiro, are concluded.</p> <p>The suspension of the administrative collection proceedings obtained by the injunction was lifted when the court handed down its decision denying Petrobras' petition. The Company filed an appeal with the Civil Appeals Court and also filed for a temporary stay, both of which are awaiting judgment by the Court.</p> <p>The value of the claim amounts to R\$ 3.013.556 thousand.</p> |

**a) Environmental issues**

The Company is subject to several environmental laws and regulations that regulate activities involving the discharge of oil, gas and other materials, and establish that the effects caused to the environment by the Company's operations should be remedied or mitigated by the Company. The status of the main environmental cases in which the likelihood of loss is regarded as possible is shown below.

In 2000, an oil spill at the São Francisco do Sul Terminal of Presidente Getúlio Vargas refinery - Repar, approximately 1,06 million gallons of crude oil was poured into the surrounding area. Approximately R\$ 74.000 thousand were spent at the time to clean up the affected area and to cover the fines applied by the environmental authorities. The following lawsuit refers to this spill:

| Description                                                                 | Current Situation                                                                                                                                                  |
|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Plaintiff: AMAR - Association for Environmental Defense of Araucária</b> | No lower court decision pronounced. Awaiting initiation of the expert investigation to quantify the amount.                                                        |
| <i>Nature: Environmental</i>                                                |                                                                                                                                                                    |
| Indemnification for moral and property damage to the environment.           | Updated maximum exposure: R\$ 98.895 thousand<br>The court determined that this suit and the suit brought by Paraná Environmental Institute - IAP be tried as one. |

In 2001, the company's Araucária-Paranaguá pipeline ruptured due to a seismic movement and caused the spill of approximately 15.059 gallons of fuel oil in several rivers in the State of Paraná. That time the clean up services of the surface of the river were concluded, recovering approximately, 13.738 gallons of oil. As a result of the accident, the following suit was filed against the Company:

| Description                                            | Current Situation                                                                                                                                                   |
|--------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Plaintiff: Paraná Environmental Institute - IAP</b> | Defense partly accepted by the lower court, reducing the fine. Appeal by Petrobras pending judgment at the court of appeal.                                         |
| <i>Nature: Environmental</i>                           |                                                                                                                                                                     |
| Fine levied on alleged environmental damages.          | Updated maximum exposure: R\$ 102.090 thousand.<br><br>The court determined an association with the proceedings brought by AMAR and that the suits be tried as one. |

On March 20, 2001, platform P-36 sank in the Campos Basin. As a result of the accident, the following lawsuit was filed against the Company:

| Description                                                                                                                                                  | Current Situation                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Plaintiff: Federal Public Attorney Office/RJ</b></p> <p><i>Nature: Civil</i></p> <p>Indemnification for property damage to the environment - P-36.</p> | <p>According to that published on May 23, 2007, the claim was considered to have grounds, in part, to sentence Petrobras to pay the amount of R\$ 100.000 thousand in damages for the damage caused to the environment, to be restated monthly and with 1% per month interest on arrears as counted from the date on which the event took place. Petrobras filed a motion for clarification, which is pending judgment.</p> <p>Updated maximum exposure: R\$ 192.574 thousand.</p> |

***b) Recovery of PIS and COFINS***

Petrobras and its subsidiary Gaspetro filed an ordinary lawsuit against the government before the Rio de Janeiro judiciary branch in order to recover, by means of an offset, the amounts paid as PIS on financial revenue and exchange variance gains between February 1999 and November 2002, and COFINS between February 1999 and January 2004, in light of the ruling that Law 9.718/98, article 3, paragraph 1 is unconstitutional.

On November 09, 2005, the Brazilian Supreme Court considered the abovementioned paragraph 1<sup>st</sup> of article 3<sup>th</sup> of Law N° 9.718/98 to be unconstitutional.

On January 9, 2006, in view of a final decision by the STF, Petrobras filed a new suit aiming to recover COFINS amounts relating to the period January 2003 to January 2004.

On June 30, 2008, the amounts of R\$ 2.044.106 thousand of Petrobras and R\$ 66.678 thousand of Gaspetro, related to the aforesaid cases, is not reflected in these financial statements.

**22 Commitments undertaken by the energy segment****22.1 Natural gas purchase commitment**

Petrobras signed an agreement with Yacimientos Petrolíferos Fiscales Bolivianos - YPFB to purchase a total of 201,9 billion m<sup>3</sup> of natural gas during the term of the contract, undertaking to purchase minimum annual volumes at a price calculated according to a formula tied to the price of fuel oil. The agreement is effective until 2019 and will be extended until the total contracted volume has been consumed.

During 2002 and 2005 Petrobras bought less than the minimum volume established in the agreement with YPFB and paid US\$ 81.409 thousand (equal to R\$ 129.531 thousand as of June 30, 2008) on account of unshipped volumes, the credits of which will be realized through withdrawals of future volumes.

| <b>Natural gas purchase commitment</b>           | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012 - onwards</b> |
|--------------------------------------------------|-------------|-------------|-------------|-------------|-----------------------|
| Volume commitment (millions m <sup>3</sup> /day) | 24          | 24          | 24          | 24          | 24/per year           |

**23 Guarantees on concession contracts for oil exploration**

Petrobras granted guarantees to the National Petroleum Agency - ANP amounting to R\$ 5.356.490 thousand for the Minimum Exploration Programs defined in the concession contracts for exploration areas, with R\$ 3.323.755 thousand remaining in force, net of commitments already undertaken. Of the total amount, R\$ 2.621.517 thousand refer to a lien on the oil from previously identified fields already in production, and R\$ 702.237 thousand refer to bank guarantees.

**24 Segment information**

Petrobras is an operationally integrated company, and the greater part of the production of crude oil and gas of the Exploration and Production Segment is transferred to other segments of Petrobras.

In the financial statements by business segment, the Company's operations are presented according to the new organization and management structure approved on October 23, 2000 by the Board of Directors of Petrobras, comprising the following business units:

- a)** Exploration and production: covers, by means of Petrobras, Brasoil, PNBV, PifCo, PIB B.V., BOC and Special Purpose Companies, the activities of exploration, production development and production of oil, LNG (liquefied natural gas) and natural gas in Brazil, for the purpose of supplying the refineries in Brazil as a priority, and also commercializing the surplus of crude oil as well as oil products produced at their natural gas processing plants;
- b)** Supply: encompasses, by means of Petrobras, Downstream (Refap), Transpetro, Petroquisa, PifCo, PIB B.V., Refinaria Ipiranga, Quattor Participações, PNBV, Refinaria Abreu Lima and Special Purpose Companies, the activities of refining, logistics, transport and sale of oil products, crude oil and alcohol, in addition to interests in petrochemical companies in Brazil and two fertilizer plants;
- c)** Gas and Energy: includes, by means of Petrobras, Gaspetro, Petrobras Comercializadora de Energia, Petrobras Distribuidora, Special Purpose Companies and Thermoelectric Companies, the transportation and sale of natural gas produced in Brazil or imported, the production and sale of electrical power, equity interests in natural gas transport and distribution companies and in thermoelectric plants;
- d)** Distribution: responsible for the distribution of oil products, ethanol and vehicular natural gas in Brazil, represented by the operations of Petrobras Distribuidora and 17 de Maio Participações;
- e)** International: comprises, by means of PIB B.V., PifCo, 5283 Participações, BOC and Petrobras, the activities of exploration and production of oil and gas, supply, gas and energy and distribution occurring overseas, in several countries in the Americas, Africa, Europe and Asia.

The items that cannot be attributed to the other areas are allocated to the group of corporate entities, especially those linked with corporate financial management, overhead relating to central administration and other expenses, including actuarial expenses relating to the pension and healthcare plans intended for retirees and beneficiaries.

The accounting information by business area was prepared based on the assumption of controllability, for the purpose of attributing to the business areas only items over which these areas have effective control.

## **25 Derivative financial instruments, hedging and risk management activities**

The Company is exposed to a series of market risks arising from the normal course of business. Such market risks mainly involve the possibility that changes in interest rates, 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. Petrobras maintains an overall risk management policy that is evolving under the direction of the Company's executive officers.

### **25.1 Characteristics of the markets in which Petrobras operates**

Petrobras' policy for the risk management of the price of oil and oil products consists basically in protecting the import and export margins in some specific short-term positions (up to six months). Future contracts, swaps, and options are the instruments used in these hedges. These operations are tied to actual physical transactions, that is, they are economic hedge transactions (not speculative), in which all positive or negative results are offset, total or part, by the reverse results of the actual physical market transaction.

In the period from January to June 2008, hedge transactions were conducted for 33,6% at Petrobras and considering the companies Petrobras, PifCo and Petrobras América Inc. achieved 64,6% of the total volume sold (imports and exports). On June 30, 2008, the open positions on the futures market, as compared to market value, would have presented a positive result of approximately R\$ 50.935 thousand at Petrobras, and a loss of R\$ 49.179 thousand at Petrobras, PifCo and Petrobras America Inc., if they had been settled on this date.

### **25.2 Financial risk management policy**

The risk management strategy involves the use of derivatives to minimize the Company's exposure to the effects of exchange rate fluctuations on certain obligations.

In September 2006, the subsidiary PifCo contracted a hedge operation called a cross currency swap to cover the yen bonds issued in order to fix the Company's costs in this operation in US Dollars. Interest rates in different currencies are swapped under the cross currency swap. The exchange rate between the yen and the US dollar is set at the start of the transaction and remains fixed throughout its term. As at June 30, 2008 this transaction had a fair value, which if it were recorded would result in a gain of R\$ 25.192 thousand. The Company does not intend to settle these contracts before they expire.

The subsidiary Petrobras Distribuidora had hedge currency transactions with a positive fair value of R\$ 12.860 thousand as of June, 2008. These transactions consist of the sale of forward short-term PTAX dollar contracts, which allow a fixed exchange rate and hedging against a possible devaluation in the period.

The fair value of derivatives is calculated on the basis of normal market practices, using the applicable exchange rates at the end of the period in question.

### **25.3 Risk assessment**

The Company's interest rate risk is a function of its long-term debt and, to a lesser extent, of its short-term debt. The Company's foreign currency floating rate debt is mainly subject to fluctuations in Libor and the Company's floating rate debt denominated in Reais is mainly subject to fluctuations in the Brazilian long-term interest rate (TJLP), as fixed by the Banco Central do Brasil. The Company currently does not use any derivative financial instruments to manage its exposure to fluctuations in interest rates.

### **25.4 Financial instruments**

In the normal course of its business activities, the Company acquires various types of financial instruments.

#### ***a) Concentrations of credit risk***

A substantial part of the Company's assets, including financial instruments, are located in Brazil. The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash and cash equivalents, government securities, accounts receivable and futures contracts.

The Company takes several measures to reduce its credit risk to acceptable levels.

***b) Fair value***

Fair values are derived either from quoted market prices where available, or, in their absence, the present value of expected cash flows. Fair values of cash and cash equivalents, trade receivables, short-term debt and trade payables approximate their book values. The fair value for the Company's available-for-sale government securities and other long-term assets and liabilities do not differ materially from their book values.

**26 Environment, health and safety**

The continued improvement in Petrobras' environmental performance, as specified in its Strategic Plan, is associated to the implementation of two major programs: Process Safety (PSP) and Excellence in Operational Safety and Environmental Management (Pegaso).

In the first half of 2008, total expenditure by the company on environment, health and safety (SMS), considering investments and operations, totaled R\$ 2.037.000 thousand, of which R\$ 1.015.000 thousand on safety, R\$ 850.000 thousand on environment and R\$ 172.000 thousand on healthcare. These totals do not include disbursements relating to the Multifaceted Health Plan (AMS) and support given to external environmental programs and/or projects.

In the first half of 2008, the Excellence in Operational Safety and Environmental Management Program (Pegaso) recorded total investments and operations in the order of R\$ 286.690 thousand.

**27 Subsequent Events**

***27.1 Transfer of shares of power companies***

On July 31, 2008, Petrobras Distribuidora's shareholdings in power companies were transferred to Petrobras by means of a share purchase agreement amounting to R\$ 183.509 thousand.

This share transfer operation will enable Petrobras to consolidate its power generation plants and to unify the management of these businesses in the holding company.

Petrobras and Petrobras Distribuidora gave ANEEL prior notice of the transaction. In addition, considering that the shareholdings remain within the group, Petrobras and Petrobras Distribuidora filed a joint notification with the Brazilian Competition Authorities (SBDC), informing that Petrobras had replaced Petrobras Distribuidora in the power companies' shareholders registers.

### ***27.2 Purchase of shares of Petroquímica União***

On August 01, 2008, Quattor Participações S.A. (Quattor) concluded its purchase of (i) 1.489.109 common shares and 1.314.256 preferred shares of Petroquímica União S.A. (PQU), all of which are book-entry shares with no face value, representing 2,67% of its share capital, held by Oxiten S.A. - Indústria e Comércio ( OXITENO ) and (ii) 1.670.279 common shares and 876.216 preferred shares of PQU, also book-entry shares with no face value, representing 2,43% of its share capital, held by Companhia Brasileira de Estireno S.A. ( CBE ). With these purchases, Quattor's direct and indirect shareholdings in PQU now totalize 86,91% of the company's voting capital and 82,31% of its total capital.

On the same date, the Shareholders' Agreement of PQU was amicably terminated.

### ***27.3 Acquisition of distribution interests in Chile***

On August 07, 2008, Petrobras signed an agreement to purchase ExxonMobil's interest in Esso Chile Petrolera and in other associated Chilean companies.

The agreement encompasses the retail, industrial and aviation fuels businesses (ExxonMobil's chemical, lubricants and special products businesses are not included in the agreement) and the transfer of control is scheduled to take place in the second quarter of 2009, together with the payment of approximately US\$ 400 million.

**05.01 - COMMENTS ON THE PERFORMANCE IN THE QUARTER****Net Income**

Petrobras recorded a net income of R\$ 8.366 million in the 2Q-2008, with an operational profit corresponding to 31,04% of the net operating revenue (32,03% in the 2Q-2007).

| 2 <sup>nd</sup> Quarter |         |         |      |                                   | 1 <sup>st</sup> Quarter |         |     |
|-------------------------|---------|---------|------|-----------------------------------|-------------------------|---------|-----|
| 1T 2008                 | 2008    | 2007    | Δ %  |                                   | 2008                    | 2007    | Δ % |
| 44.861                  | 52.961  | 41.691  | 27   | Gross operating revenue           | 97.822                  | 79.678  | 23  |
| 33.808                  | 41.587  | 30.825  | 35   | Net operating revenue             | 75.395                  | 58.694  | 28  |
| 9.092                   | 12.909  | 9.872   | 31   | Operational profit <sup>(1)</sup> | 22.001                  | 17.202  | 28  |
| 145                     | (2.318) | (985)   | 135  | Financial result                  | (2.173)                 | (1.560) | 39  |
| 798                     | 1.126   | 507     | 122  | Equity pick-up                    | 1.924                   | 559     | 244 |
| 6.751                   | 8.366   | 6.851   | 22   | Net income                        | 15.117                  | 11.188  | 35  |
| 1,54                    | 0,95    | 1,56    | (39) | Net income per share              | 1,72                    | 1,56    | 10  |
| 364.372                 | 457.401 | 244.659 | 87   | Market Value                      | 457.401                 | 244.659 | 87  |

<sup>(1)</sup> Before financial income and equity pick-up.

The main factors that contributed towards generating net income in the first half of 2008, in relation to the same period in 2007, were as follows:

A 28% increase in net operating revenue:

Increase in volume sold on the local market, particularly diesel (9%), LPG (35%) and aviation fuel (10%);

An increase in average realization prices (ARPs) on the local market and overseas, reflecting the increase in international oil prices.

A 30% increase in the average unit costs of the products sold, as a result of:

Higher spending on government participations and imports of petroleum and petroleum products due to the increase in international oil prices;

Higher spending on platform chartering, as new fields go into operation (FPSO Piranema, FPSO Golfinho, P52 and P54 Roncador).

Increase in the following expenses:

Selling expenses (R\$ 472 million), as a result of a provision for doubtful accounts (R\$ 78 million), greater volumes transported by the Malhas consortium and new gas pipelines coming into operation since July 2007 (R\$193 million) and higher expenditure on shipping, and price increases in the pipeline and terminals tariffs with Transpetro as from August 2007 (R\$ 128 million);

General and administrative expenses (R\$ 141 million), due to the increase in the workforce, wage increases determined by the collective labor agreements of 2007 and 2008, implementation of a new staffing and compensation plan and career advancement process;

Exploration costs (R\$ 608 million), related to higher spending on dry and economically unviable wells (R\$ 522 million);

Offset by the reduction in the following expenses:

Taxes (R\$ 193 million), primarily as a result of the extinction of CPMF tax as from January 2008, offset by the increase in IOF expenses when the rate was increased in January 2008;

Other operating expenses (R\$ 759 million), particularly due to the renegotiation of the Petros Plan in 2007 (R\$ 972 million), offset by higher spending on contractual fines relating to the supply of natural gas to the thermoelectric power stations (R\$ 330 million).

Negative impact of R\$ 613 million on the financial result, due to losses in monetary and foreign exchange variations (R\$ 506 million), reflecting the effects of the strengthening of the Brazilian Real on investments in the international market, by subsidiaries based abroad, in E&P equipment for use in their respective countries and commercial activities (R\$ 667 million);

An increase of R\$ 1.365 million in the result of shareholdings in subsidiaries, primarily due to the better performances presented by BR, Gaspetro, Transpetro, PIB BV and PNBV.

**Pag: 85**

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Higher non-operating income (R\$ 373 million) resulting from income earned from having made changes in shareholdings in relevant investments, such as Quattor (R\$ 326 million), and revenue from tax incentives, particularly the recovery of ICMS credits relating to the construction and importation of the P-52 platform (R\$45 million).

Increase in Income Tax and Social Contribution (R\$ 1.930 million), resulting, among other factors, from the effect of the tax benefit on share capital interest in the first half of 2007 (R\$ 746 million).

### Economic Indicators

Business conducted by Petrobras totaled, in the 1<sup>st</sup> half of 2008, R\$ 25 billion of income before financial income and expenses, earnings from shareholdings, taxes, depreciations and amortizations (EBITDA), representing an increase of 26,1% in relation to the same period of 2007.

| 1T 2008 | 2 <sup>nd</sup> Quarter |        |                        | 1 <sup>st</sup> Quarter |        |
|---------|-------------------------|--------|------------------------|-------------------------|--------|
|         | 2008                    | 2007   |                        | 2008                    | 2007   |
| 42      | 43                      | 48     | Gross Margin (%)       | 42                      | 46     |
| 27      | 31                      | 31     | Operational Margin (%) | 29                      | 29     |
| 20      | 20                      | 22     | Net Margin (%)         | 20                      | 19     |
| 10.633  | 14.517                  | 11.354 | EBITDA R\$ million     | 25.150                  | 19.944 |

The gross margin fell by 4 percentage points in comparison with that recorded for the 1<sup>st</sup> half of 2007, reflecting the increase in spending on government participations, costs of imports of petroleum and petroleum products related the increase in international oil prices and higher spending on platform chartering, as new oil fields come into operation. These effects were partially offset by the higher average global price of oil and taking into consideration the strengthening of the Real.

**06.01 - CONSOLIDATED BALANCE SHEET - ASSETS (IN THOUSAND OF REAIS)**

| <b>1 - Code</b> | <b>2 - Description</b>                      | <b>3 -<br/>06/30/2008</b> | <b>4 -<br/>03/31/2008</b> |
|-----------------|---------------------------------------------|---------------------------|---------------------------|
| 1               | Total Assets                                | 250.264.337               | 239.876.328               |
| 1.01            | Current Assets                              | 60.004.778                | 54.731.324                |
| 1.01.01         | Cash and Cash Equivalents                   | 11.046.248                | 11.559.610                |
| 1.01.01.01      | Cash and Banks                              | 2.072.151                 | 1.714.885                 |
| 1.01.01.02      | Short Term Investments                      | 8.974.097                 | 9.844.725                 |
| 1.01.02         | Accounts Receivable, net                    | 15.600.860                | 12.945.569                |
| 1.01.02.01      | Customers                                   | 15.600.860                | 12.945.569                |
| 1.01.02.01.01   | Customers                                   | 13.968.305                | 11.889.743                |
| 1.01.02.01.02   | Credits with Affiliated Companies           | 696.580                   | 340.518                   |
| 1.01.02.01.03   | Other Accounts Receivable                   | 2.352.863                 | 2.108.254                 |
| 1.01.02.01.04   | Allowance for Doubtful Accounts             | (1.416.888)               | (1.392.946)               |
| 1.01.02.02      | Miscellaneous Credits                       | 0                         | 0                         |
| 1.01.03         | Inventories                                 | 22.998.563                | 19.395.378                |
| 1.01.04         | Other                                       | 10.359.107                | 10.830.767                |
| 1.01.04.01      | Dividends Receivable                        | 2.882                     | 51.236                    |
| 1.01.04.02      | Recoverable Taxes                           | 7.142.019                 | 7.602.482                 |
| 1.01.04.03      | Prepaid Expenses                            | 1.628.173                 | 1.522.448                 |
| 1.01.04.04      | Other Current Assets                        | 1.410.397                 | 1.386.495                 |
| 1.01.04.05      | Marketable Securities                       | 175.636                   | 268.106                   |
| 1.02            | Non-current Assets                          | 190.259.559               | 185.145.004               |
| 1.02.01         | Long-Term Assets                            | 22.001.918                | 21.826.067                |
| 1.02.01.01      | Miscellaneous Credits                       | 6.463.057                 | 6.219.253                 |
| 1.02.01.01.01   | Petroleum and Alcohol Accounts - STN        | 801.042                   | 799.362                   |
| 1.02.01.01.02   | Marketable Securities                       | 3.616.130                 | 3.730.015                 |
| 1.02.01.01.03   | Investments in Privatization Process        | 3.228                     | 3.228                     |
| 1.02.01.01.04   | Accounts Receivable, net                    | 2.042.657                 | 1.686.648                 |
| 1.02.01.02      | Credits with Affiliated Companies           | 610.985                   | 842.849                   |
| 1.02.01.02.01   | With Affiliates                             | 610.985                   | 842.849                   |
| 1.02.01.02.02   | With Subsidiaries                           | 0                         | 0                         |
| 1.02.01.02.03   | Other Companies                             | 0                         | 0                         |
| 1.02.01.03      | Other                                       | 14.927.876                | 14.763.965                |
| 1.02.01.03.01   | Project Financings                          | 0                         | 0                         |
| 1.02.01.03.02   | Deferred Income Tax and Social Contribution | 3.819.220                 | 3.821.400                 |
| 1.02.01.03.03   | Deferred ICMS                               | 1.396.350                 | 1.275.036                 |
| 1.02.01.03.04   | Deferred PASEP/COFINS                       | 3.709.327                 | 3.432.286                 |
| 1.02.01.03.05   | Other Deferred Taxes                        | 145.013                   | 217.737                   |
| 1.02.01.03.06   | Judicial Deposits                           | 1.722.225                 | 1.728.373                 |
| 1.02.01.03.07   | Advance for Migration - Pension Plan        | 1.346.948                 | 1.335.876                 |
| 1.02.01.03.08   | Advance to Suppliers                        | 365.813                   | 421.098                   |
| 1.02.01.03.09   | Prepaid Expenses                            | 1.414.403                 | 1.480.125                 |

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|               |                                           |             |             |
|---------------|-------------------------------------------|-------------|-------------|
| 1.02.01.03.10 | Compulsory Loans - Eletrobras             | 10          | 10          |
| 1.02.01.03.11 | Inventories                               | 214.683     | 235.995     |
| 1.02.01.03.12 | Other Non-current Assets                  | 793.884     | 816.029     |
| 1.02.02       | Fixed Assets                              | 168.257.641 | 163.318.937 |
| 1.02.02.01    | Investment                                | 7.650.941   | 7.840.916   |
| 1.02.02.01.01 | In Affiliates                             | 4.468.268   | 2.880.062   |
| 1.02.02.01.02 | Goodwill in Affiliates                    | 1.386.221   | 1.859.702   |
| 1.02.02.01.03 | In Subsidiaries                           | 633.565     | 861.645     |
| 1.02.02.01.04 | Goodwill in Subsidiaries                  | 825.828     | 417.139     |
| 1.02.02.01.05 | Other Investments                         | 337.059     | 751.224     |
| 1.02.02.01.06 | Rights/Advances - Acquisition Investments | 0           | 1.071.144   |
| 1.02.02.02    | Property, Plant and Equipment             | 152.271.715 | 146.983.563 |
| 1.02.02.03    | Intangible                                | 5.751.259   | 5.737.547   |
| 1.02.02.04    | Deferred Charges                          | 2.583.726   | 2.756.911   |

Pag: 87

**06.02 - CONSOLIDATED BALANCE SHEET - LIABILITIES (IN THOUSAND OF REAIS)**

| <b>1 - Code</b> | <b>2 - DESCRIPTION</b>                           | <b>3 -<br/>06/30/2008</b> | <b>4 -<br/>03/31/2008</b> |
|-----------------|--------------------------------------------------|---------------------------|---------------------------|
| 2               | Liabilities and Stockholders' Equity             | 250.264.337               | 239.876.328               |
| 2.01            | Current Liabilities                              | 44.539.252                | 42.337.560                |
| 2.01.01         | Loans and Financings                             | 8.301.180                 | 7.198.900                 |
| 2.01.01.01      | Financings                                       | 7.520.850                 | 6.514.246                 |
| 2.01.01.02      | Interest on Financings                           | 780.330                   | 684.654                   |
| 2.01.02         | Debentures                                       | 0                         | 0                         |
| 2.01.03         | Suppliers                                        | 16.664.213                | 14.608.806                |
| 2.01.04         | Taxes, Contribution and Participation            | 11.430.060                | 10.207.202                |
| 2.01.05         | Dividends Payable                                | 0                         | 2.091.002                 |
| 2.01.06         | Accruals                                         | 3.445.473                 | 3.187.368                 |
| 2.01.06.01      | Payroll and Related Charges                      | 1.941.894                 | 1.668.786                 |
| 2.01.06.02      | Provision for Contingencies                      | 54.000                    | 54.000                    |
| 2.01.06.03      | Pension Plan                                     | 423.647                   | 424.936                   |
| 2.01.06.04      | Healthcare benefits plan                         | 455.736                   | 455.214                   |
| 2.01.06.05      | Profit sharing for employees and management      | 570.196                   | 584.432                   |
| 2.01.07         | Debts with Subsidiaries and Affiliated Companies | 0                         | 0                         |
| 2.01.08         | Other                                            | 4.698.326                 | 5.044.282                 |
| 2.01.08.01      | Advances from Customers                          | 502.075                   | 469.487                   |
| 2.01.08.02      | Project Financings                               | 238.378                   | 147.250                   |
| 2.01.08.03      | Other Current Liabilities                        | 3.957.873                 | 4.427.545                 |
| 2.02            | Non-current Liabilities                          | 69.436.967                | 70.462.769                |
| 2.02.01         | Long-Term Liabilities                            | 67.190.694                | 68.729.236                |
| 2.02.01.01      | Loans and Financings                             | 32.451.649                | 34.684.662                |
| 2.02.01.02      | Debentures                                       | 0                         | 0                         |
| 2.02.01.03      | Accruals                                         | 27.171.793                | 26.520.149                |
| 2.02.01.03.01   | Healthcare Benefits Plan                         | 9.830.104                 | 9.557.596                 |
| 2.02.01.03.02   | Contingency Accrual                              | 692.795                   | 758.379                   |
| 2.02.01.03.03   | Provision for Pension plan                       | 4.658.400                 | 4.564.735                 |
| 2.02.01.03.04   | Deferred Income Tax and Social Contribution      | 11.930.471                | 11.573.104                |
| 2.02.01.03.05   | Other Deferred Taxes                             | 60.023                    | 66.335                    |
| 2.02.01.04      | Subsidiaries and Affiliated Companies            | 143.920                   | 95.197                    |
| 2.02.01.05      | Advance for Future Capital Increase              | 0                         | 0                         |
| 2.02.01.06      | Others                                           | 7.423.332                 | 7.429.228                 |
| 2.02.01.06.01   | Provision for Dismantling of Areas               | 6.234.772                 | 6.203.279                 |
| 2.02.01.06.02   | Other Accounts and Expenses Payable              | 1.188.560                 | 1.225.949                 |
| 2.02.02         | Deferred Income                                  | 2.246.273                 | 1.733.533                 |
| 2.03            | Minority Interest                                | 6.580.201                 | 6.240.475                 |
| 2.04            | Shareholders Equity                              | 129.707.917               | 120.835.524               |
| 2.04.01         | Capital                                          | 78.966.691                | 52.644.460                |
| 2.04.01.01      | Subscribed and Paid-In Capital                   | 78.966.691                | 52.644.460                |

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|            |                                        |            |            |
|------------|----------------------------------------|------------|------------|
| 2.04.01.02 | Monetary Restatement of Capital        | 0          | 0          |
| 2.04.02    | Capital Reserves                       | 514.857    | 1.553.831  |
| 2.04.02.01 | AFRMM subsidy                          | 0          | 169.142    |
| 2.04.02.02 | Fiscal Incentive - Income Tax          | 514.857    | 1.384.689  |
| 2.04.03    | Revaluation Reserve                    | 15.250     | 51.171     |
| 2.04.03.01 | Own Assets                             | 0          | 0          |
| 2.04.03.02 | Subsidiaries and Affiliated Companies  | 15.250     | 51.171     |
| 2.04.04    | Revenue Reserves                       | 34.456.461 | 59.650.652 |
| 2.04.04.01 | Legal                                  | 7.612.508  | 7.612.508  |
| 2.04.04.02 | Statutory                              | 504.544    | 504.544    |
| 2.04.04.03 | For Contingencies                      | 0          | 0          |
| 2.04.04.04 | Unrealized Earnings                    | 0          | 0          |
| 2.04.04.05 | Retained Earnings                      | 26.339.409 | 51.533.600 |
| 2.04.04.06 | Undistributed Dividends                | 0          | 0          |
| 2.04.04.07 | Others Revenue Reserves                | 0          | 0          |
| 2.04.05    | Retained Earnings/(Accumulated losses) | 15.754.658 | 6.935.410  |
| 2.04.06    | Advance for Capital Increase           | 0          | 0          |

**07.01 - CONSOLIDATED STATEMENT OF INCOME FOR THE QUARTER (IN THOUSAND OF REAIS)**

| <b>1 - Code</b> | <b>2 - DESCRIPTION</b>                                    | <b>3 -<br/>04/01/2008<br/>a<br/>06/30/2008</b> | <b>4 -<br/>01/01/2008 a<br/>06/30/2008</b> | <b>5 -<br/>04/01/2007<br/>a<br/>06/30/2007</b> | <b>6 -<br/>01/01/2007 a<br/>06/30/2007</b> |
|-----------------|-----------------------------------------------------------|------------------------------------------------|--------------------------------------------|------------------------------------------------|--------------------------------------------|
| 3.01            | Gross Operating Revenues                                  | 67.014.696                                     | 126.172.227                                | 53.632.488                                     | 103.759.685                                |
| 3.02            | Sales Deductions                                          | (12.445.034)                                   | (24.710.435)                               | (11.834.813)                                   | (23.067.563)                               |
| 3.03            | Net Operating Revenues                                    | 54.569.662                                     | 101.461.792                                | 41.797.675                                     | 80.692.122                                 |
| 3.04            | Cost of Products and Services Sold                        | (33.331.468)                                   | (62.970.892)                               | (24.489.038)                                   | (48.181.022)                               |
| 3.05            | Gross profit                                              | 21.238.194                                     | 38.490.900                                 | 17.308.637                                     | 32.511.100                                 |
| 3.06            | Operating Expenses                                        | (7.681.564)                                    | (13.977.820)                               | (6.932.598)                                    | (14.587.104)                               |
| 3.06.01         | Selling                                                   | (1.723.142)                                    | (3.314.759)                                | (1.442.624)                                    | (2.857.545)                                |
| 3.06.02         | General and Administrative                                | (1.608.148)                                    | (3.173.023)                                | (1.497.570)                                    | (3.042.911)                                |
| 3.06.02.01      | Management and Board of Directors Remuneration            | (8.422)                                        | (16.947)                                   | (6.502)                                        | (14.749)                                   |
| 3.06.02.02      | Administrative                                            | (1.599.726)                                    | (3.156.076)                                | (1.491.068)                                    | (3.028.162)                                |
| 3.06.03         | Financial                                                 | (455.224)                                      | (564.281)                                  | (369.057)                                      | (568.193)                                  |
| 3.06.03.01      | Income                                                    | 380.992                                        | 1.086.134                                  | 399.129                                        | 1.083.186                                  |
| 3.06.03.02      | Expenses                                                  | (836.216)                                      | (1.650.415)                                | (768.186)                                      | (1.651.379)                                |
| 3.06.04         | Other Operating Income                                    | 0                                              | 0                                          | 0                                              | 0                                          |
| 3.06.05         | Other Operating Expenses                                  | (3.752.119)                                    | (6.794.752)                                | (3.520.182)                                    | (7.931.160)                                |
| 3.06.05.01      | Taxes                                                     | (126.034)                                      | (275.162)                                  | (323.208)                                      | (621.972)                                  |
| 3.06.05.02      | Cost of Research and Technological Development            | (373.461)                                      | (790.313)                                  | (427.936)                                      | (810.413)                                  |
| 3.06.05.03      | Impairment                                                | 0                                              | 0                                          | 0                                              | 0                                          |
| 3.06.05.04      | Exploratory Costs for The Extraction of Crude Oil and Gas | (593.947)                                      | (1.279.384)                                | (390.848)                                      | (1.046.126)                                |
| 3.06.05.05      | Healthcare and Pension Plan                               | (356.072)                                      | (712.145)                                  | (452.646)                                      | (905.291)                                  |
| 3.06.05.06      | Net Monetary and Exchanges Variation                      | (1.347.374)                                    | (1.637.879)                                | (765.844)                                      | (1.501.987)                                |
| 3.06.05.07      | Other Operating Expenses, Net                             | (955.231)                                      | (2.099.869)                                | (1.159.700)                                    | (3.045.371)                                |
| 3.06.06         | Equity Pick-up                                            | (142.931)                                      | 131.005                                    | (103.165)                                      | (187.295)                                  |

**07.01 - CONSOLIDATED STATEMENT OF INCOME FOR THE QUARTER (IN THOUSAND OF REAIS)**

| <b>1 - Code</b> | <b>2 - DESCRIPTION</b>                        | <b>3 -<br/>04/01/2008<br/>a<br/>06/30/2008</b> | <b>4 -<br/>01/01/2008<br/>a<br/>06/30/2008</b> | <b>5 -<br/>04/01/2007<br/>a<br/>06/30/2007</b> | <b>6 -<br/>01/01/2007<br/>a<br/>06/30/2007</b> |
|-----------------|-----------------------------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|
| 3.07            | Operating Income                              | 13.556.630                                     | 24.513.080                                     | 10.376.039                                     | 17.923.996                                     |
| 3.08            | Non-operating Income (Expenses)               | 414.151                                        | 401.374                                        | 24.684                                         | 51.503                                         |
| 3.08.01         | Income                                        | 428.989                                        | 428.989                                        | 61.958                                         | 99.163                                         |
| 3.08.02         | Expenses                                      | (14.838)                                       | (27.615)                                       | (37.274)                                       | (47.660)                                       |
| 3.09            | Income before Taxes/Employee profit sharing   | 13.970.781                                     | 24.914.454                                     | 10.400.723                                     | 17.975.499                                     |
| 3.10            | Income Tax and Social Contribution            | (4.236.545)                                    | (7.470.044)                                    | (3.785.153)                                    | (6.647.202)                                    |
| 3.11            | Deferred Income Tax                           | (321.213)                                      | (1.058.390)                                    | 617.123                                        | 511.237                                        |
| 3.12            | Profit Sharing/ Statutory Contribution        | 0                                              | 0                                              | 0                                              | 0                                              |
| 3.12.01         | Participations                                | 0                                              | 0                                              | 0                                              | 0                                              |
| 3.12.02         | Contributions                                 | 0                                              | 0                                              | 0                                              | 0                                              |
| 3.13            | Reversal of Interest on Stockholders' capital | 0                                              | 0                                              | 0                                              | 0                                              |
| 3.14            | Minority Interest                             | (629.697)                                      | (677.632)                                      | (432.341)                                      | (908.463)                                      |
| 3.15            | Net Income/loss for the period                | 8.783.326                                      | 15.708.388                                     | 6.800.352                                      | 10.931.071                                     |
|                 | Number of Shares. Ex-Treasury (Thousands)     | 8.774.076                                      | 8.774.076                                      | 4.387.038                                      | 4.387.038                                      |
|                 | Net income per Share (Reais)                  | 1,00105                                        | 1,79032                                        | 1,55010                                        | 2,49167                                        |
|                 | Loss per Share (Reais)                        |                                                |                                                |                                                |                                                |

## 08.01 QUARTERLY CONSOLIDATED PERFORMANCE OF THE COMPANY

**Consolidated net income in the 2Q-2008 was a record R\$ 8,783 million, up 29% versus the comparable period for 2007.** The result was due primarily to increases in the sales prices for oil and oil products, as well as increasing production of oil and gas in Brazil. Crude oil prices in particular increased substantially during the period, with Brent averaging US\$ 121 per barrel in the 2Q-2008 versus US\$ 69 in the 2Q-2007. As a result of rising crude oil prices, refining margins were substantially reduced during the quarter, in Brazil as well as internationally.

**In the 1H-2008, consolidated net income increase by 44% year-on-year, as a result of the upturn in average oil and oil product sale prices, higher sales volume and the non-recurring pension plan expenses in 2007.**

Operating cash flow (EBITDA) increased by 27% over the 2Q-2007 and by 31% over the previous quarter, generating resources to fund the Company's investment program while reducing debt.

The EBITDA margin of 33% remained flat year-on-year, but widened by 3 p.p. when compared to the prior quarter. Higher prices and volumes for oil and oil products, and increased production, as well as initiatives to reduce operating expenses (which remained stable versus the 2Q-2007 and fell by 3% versus the prior quarter) contributed to the improved margin.

Nevertheless, higher oil prices continue to create generalized cost pressures within the industry, and led to higher production taxes, which jumped 74% year-on-year and 27% quarter-over-quarter.



Average oil and gas production increased by 4% year-on-year due to the start-up of FPSO-Cidade do Rio de Janeiro (Espadarte), FPSO-Cidade de Vitória (Golfinho) and the P-52 and P-54 platforms (Roncador). The introduction of these units more than offset the decline in output from existing systems and fields. By the end of the year, 3 major new systems are scheduled for start-up in the Jabuti, Marlim Sul and Marlim Leste fields, adding production capacity of 460,000 barrels/day.

Capital expenditures on a fully consolidated basis totaled R\$ 20,899 million in the 1H-2008, 6% higher than the first half of 2007. The largest share of investment spending was allocated to boosting future oil and gas production capacity in Brazil.

The Added Value within Petrobras was 24% higher than in the 2Q-2007 and 17% more than in the 1Q-2008. The largest percentage increase in the Added Value went to shareholders, with an increase of 30% year-on-year.

## Net Income and Consolidated Economic Indicators

Petrobras posted a consolidated first-half net income of R\$ 15,708 million, 44% higher than in the 1H-2007.

| R\$ million |         |         |      |                                         |         |         |      |
|-------------|---------|---------|------|-----------------------------------------|---------|---------|------|
| 2nd Quarter |         |         |      | First Half                              |         |         |      |
| 1Q-2008     | 2008    | 2007    | Δ %  |                                         | 2008    | 2007    | Δ %  |
|             |         |         |      | <b>Gross Operating</b>                  |         |         |      |
| 59,158      | 67,014  | 53,633  | 25   | <b>Revenues</b>                         | 126,172 | 103,760 | 22   |
| 46,892      | 54,570  | 41,798  | 31   | <b>Net Operating Revenues</b>           | 101,462 | 80,692  | 26   |
| 11,344      | 15,502  | 11,614  | 33   | <b>Operating Profit <sup>(1)</sup></b>  | 26,846  | 20,181  | 33   |
| (400)       | (1,802) | (1,135) | 59   | <b>Financial Result</b>                 | (2,202) | (2,070) | 6    |
| 6,925       | 8,783   | 6,800   | 29   | <b>Net Income</b>                       | 15,708  | 10,931  | 44   |
| 1.58        | 1.00    | 1.55    | (35) | <b>Net Income per Share</b>             | 1.79    | 2.49    | (28) |
|             |         |         |      | <b>Market Value (Parent</b>             |         |         |      |
| 364,372     | 457,401 | 244,659 | 87   | <b>Company)</b>                         | 457,401 | 244,659 | 87   |
| 37          | 39      | 41      | (2)  | <b>Gross Margin (%)</b>                 | 38      | 40      | (2)  |
| 24          | 28      | 28      | -    | <b>Operating Margin (%)</b>             | 26      | 25      | 1    |
| 15          | 16      | 16      | -    | <b>Net Margin (%)</b>                   | 15      | 14      | 1    |
| 13,876      | 18,131  | 14,269  | 27   | <b>EBITDA R\$ million<sup>(2)</sup></b> | 32,007  | 25,247  | 27   |
|             |         |         |      | <b>Financial and Economic</b>           |         |         |      |
|             |         |         |      | <b>Indicators</b>                       |         |         |      |
| 97          | 121     | 69      | 77   | <b>Brent (US\$/bbl)</b>                 | 109     | 63      | 73   |
|             |         |         |      | <b>US Dollar Average Price</b>          |         |         |      |
| 1.74        | 1.66    | 1.98    | (17) | <b>- Sale (R\$)</b>                     | 1.70    | 2.05    | (17) |
|             |         |         |      | <b>US Dollar Last Price -</b>           |         |         |      |
| 1.75        | 1.59    | 1.93    | (17) | <b>Sale (R\$)</b>                       | 1.59    | 1.93    | (17) |

(1) Operating income before financial result, equity balance and taxes.

(2) Operating income before financial result, equity balance and depreciation/amortization.

| 2nd Quarter |        |        |     | First Half                      |        |        |      |
|-------------|--------|--------|-----|---------------------------------|--------|--------|------|
| 1Q-2008     | 2008   | 2007   | Δ % |                                 | 2008   | 2007   | Δ %  |
|             |        |        |     | <b>Operating Income as per</b>  |        |        |      |
| 10,956      | 13,557 | 10,376 | 31  | <b>Brazilian Corporate Law</b>  | 24,513 | 17,924 | 37   |
| 400         | 1,802  | 1,135  | 59  | <b>(-) Financial Result</b>     | 2,202  | 2,070  | 6    |
| (12)        | 143    | 103    | 39  | <b>(-) Equity Income Result</b> | 131    | 187    | (30) |
| 11,344      | 15,502 | 11,614 | 33  | <b>Operating Profit</b>         | 26,846 | 20,181 | 33   |
|             |        |        |     | <b>Depreciation /</b>           |        |        |      |
| 2,532       | 2,629  | 2,655  | (1) | <b>Amortization</b>             | 5,161  | 5,066  | 2    |
| 13,876      | 18,131 | 14,269 | 27  | <b>EBITDA</b>                   | 32,007 | 25,247 | 27   |

|    |    |    |                       |    |    |   |
|----|----|----|-----------------------|----|----|---|
| 30 | 33 | 34 | (1) EBITDA Margin (%) | 32 | 31 | 1 |
|----|----|----|-----------------------|----|----|---|

Pag: 94

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The behavior of the main components of consolidated net income, in relation to the 1H-2007, was as follows:

A R\$ 5,980 million increase in gross profit:

|                                                     |                   | R\$ Million       |                    |              |
|-----------------------------------------------------|-------------------|-------------------|--------------------|--------------|
|                                                     |                   | Changes           |                    |              |
|                                                     |                   | 1H-2008 X 1H-2007 |                    |              |
| Main Items                                          |                   | Net Revenues      | Cost of Goods Sold | Gross Profit |
| . Domestic Market:                                  | - volumes sold    | 3,724             | (2,452)            | 1,272        |
|                                                     | - domestic prices | 7,923             | -                  | 7,923        |
| . International Market:                             | - export volumes  | (575)             | 191                | (384)        |
|                                                     | - export price    | 5,787             | -                  | 5,787        |
| . Increase in expenses: (*)                         |                   | -                 | (10,505)           | (10,505)     |
| . Increase in profitability of distribution segment |                   | 257               | -                  | 257          |
| . Increase in profitability of trading operations   |                   | 4,053             | (3,390)            | 663          |
| . Increase in international sales                   |                   | 1,799             | (1,271)            | 528          |
| . FX effect on controlled companies abroad          |                   | (1,979)           | 1,647              | (332)        |
| . Others                                            |                   | (219)             | 990                | 771          |
|                                                     |                   | 20,770            | (14,790)           | 5,980        |

| (*) Expenses Composition:                                     | Value    |
|---------------------------------------------------------------|----------|
| - import of crude oil and oil products and gas <sup>(1)</sup> | (6,433)  |
| - domestic Government Take                                    | (2,074)  |
| - generation and purchase of energy for commercialization     | (1,344)  |
| - non-oil products, including alcohol, biodiesel and other    | (497)    |
| - transportation: maritime and pipelines <sup>(2)</sup>       | (280)    |
| - materials, services and depreciation                        | (100)    |
| - salaries, benefits and charges                              | 29       |
| - third-party services                                        | 194      |
|                                                               | (10,505) |

(1) CIF Values.

(2) Expenditures on cabotage, terminals and pipelines

\*\* Excludes hydrous ethanol sales.

**A R\$ 685 million reduction in operating expenses, notably:**

Tax expenses (R\$ 347 million), due to the elimination of the CPMF financial transaction tax as of January/08, offset by the increase in the IOF financial operations tax rate in the same month;

Other operating expenses (R\$ 945 million), especially from the non-recurring expenses with the Petros Plan (R\$ 1,050 million) and the bonus associated with the new jobs and salaries plan (R\$ 123 million) in 2007, partially offset by contractual fines related to natural gas supply (R\$ 295 million);

Offset by the following expenses:

Selling expenses (R\$ 457 million), due to higher sales volume and freight costs (R\$ 214 million), the increase in provisions for doubtful credits (R\$ 74 million);

Exploration costs (R\$ 233 million), from the write-off of dry and uneconomically wells in Brazil (R\$ 528 million), offset by the reduction in seismic costs abroad (R\$ 294 million);

General and administrative expenses (R\$ 130 million), due to the increase in the workforce, the 2007/08 collective bargaining agreement, the new jobs and salaries plan and the 2007 advancement and promotion plan.

**An increase in the non-operating result (R\$ 350 million), due to gains from the change in holdings provoked by the Quattor's corporate restructuring (R\$ 409 million).**

**Increase in income tax and social contributions (R\$ 2,392 million), due, among other factors, to the tax benefits of interest on own capital accrued in 2007 (R\$ 746 million).**

Net income in the 2Q-2008 totaled R\$ 8,783 million, 27% up on the (R\$ 6,925 million) posted in the 1Q-2008 due to the factors listed below:

A R\$ 3,985 million growth in gross profit:

|                                                     |                   | R\$ million       |                    |              |
|-----------------------------------------------------|-------------------|-------------------|--------------------|--------------|
|                                                     |                   | Changes           |                    |              |
|                                                     |                   | 2Q-2008 x 1Q-2008 |                    |              |
| Main Items                                          |                   | Net Revenues      | Cost of Goods Sold | Gross Profit |
| . Domestic Market:                                  | - volumes sold    | 1,856             | (1,319)            | 537          |
|                                                     | - domestic prices | 2,337             | -                  | 2,337        |
| . International Market:                             | - export volumes  | 1,243             | (600)              | 643          |
|                                                     | - export price    | 1,957             | -                  | 1,957        |
| . Increase in expenses: (*)                         |                   | -                 | (1,479)            | (1,479)      |
| . Increase in profitability of distribution segment |                   | 59                | -                  | 59           |
| . Increase in profitability of trading operations   |                   | 502               | (627)              | (125)        |
| . Increase in international sales                   |                   | 1,527             | (1,014)            | 513          |
| . FX effect on controlled companies abroad          |                   | (1,415)           | 1,257              | (158)        |
| . Other                                             |                   | (388)             | 89                 | (299)        |
|                                                     |                   | 7,678             | (3,693)            | 3,985        |

| (*) Expenses Composition:                                     | Value   |
|---------------------------------------------------------------|---------|
| - import of crude oil and oil products and gas <sup>(1)</sup> | (1,543) |
| - domestic Government Take                                    | (622)   |
| - non-oil products, including alcohol, biodiesel and other    | (303)   |
| - transportation: maritime and pipelines <sup>(2)</sup>       | 36      |
| - materials, services and depreciation                        | 80      |
| - salaries, benefits and charges                              | 101     |
| - generation and purchase of energy for commercialization     | 341     |
| - third-party services                                        | 431     |
|                                                               | (1,479) |

(1) CIF values.

(2) Expenditures on cabotage, terminals and pipelines.

**A reduction in the following operating expenses:**

Exploration costs (R\$ 91 million), primarily due to the reduction in geological, geophysical and seismic costs, especially abroad (R\$ 70 million).

Other operating expenses (R\$ 189 million), chiefly due to reduced costs from contractual charges and fines related to natural gas supply (R\$ 211 million).

These effects were offset by the increase in selling expenses (R\$ 131 million) due to the upturn in maritime freight charges.

**A negative impact on the net financial result (R\$ 1,402 million), due to the impact of the higher appreciation of the Real in the 2Q-2008 on investments abroad, commercial activities and, in the International segment, through subsidiaries, the use of foreign funds to acquire E&P equipment for use in Brazil.**

**Reduced holdings in relevant investments (R\$ 155 million), chiefly due to greater FX losses on foreign subsidiaries shareholders equity.**

**A positive impact on the non-operating result (R\$ 425 million), primarily due to gains from the change in relevant interests in Quattor (R\$ 409 million).**

## Physical Indicators (\*)

| 1Q-2008                                 | 2nd Quarter |       |      |                                             | First Half |       |      |
|-----------------------------------------|-------------|-------|------|---------------------------------------------|------------|-------|------|
|                                         | 2008        | 2007  | Δ %  |                                             | 2008       | 2007  | Δ %  |
| Exploration & Production - Thousand bpd |             |       |      |                                             |            |       |      |
|                                         |             |       |      | Domestic Production                         |            |       |      |
| 1,816                                   | 1,854       | 1,789 | 4    | Oil and LNG                                 | 1,835      | 1,795 | 2    |
| 304                                     | 321         | 269   | 19   | Natural Gas (1)                             | 312        | 271   | 15   |
| 2,120                                   | 2,175       | 2,058 | 6    | Total                                       | 2,147      | 2,066 | 4    |
|                                         |             |       |      | Consolidated - International Production     |            |       |      |
| 108                                     | 104         | 117   | (11) | Oil and LNG                                 | 106        | 114   | (7)  |
| 103                                     | 96          | 112   | (14) | Natural Gas (1)                             | 99         | 107   | (7)  |
| 211                                     | 200         | 229   | (13) | Total                                       | 205        | 221   | (7)  |
|                                         |             |       |      | Non Consolidated - Internacional Production |            |       |      |
| 14                                      | 14          | 16    | (13) | (2)                                         | 14         | 17    | (18) |
|                                         |             |       |      | Total International Production              |            |       |      |
| 225                                     | 214         | 245   | (13) |                                             | 219        | 238   | (8)  |
| 2,345                                   | 2,389       | 2,303 | 4    | Total production                            | 2,366      | 2,304 | 3    |

(1) Does not include liquified gas and includes re-injected gas

(2) Non consolidated companies in Venezuela.

**Refining, Transport and Supply - Thousand bpd**

|              |              |              |            |                                                         |              |              |            |
|--------------|--------------|--------------|------------|---------------------------------------------------------|--------------|--------------|------------|
| 351          | 441          | 410          | 8          | <b>Crude oil imports</b>                                | 396          | 375          | 6          |
| 228          | 167          | 159          | 5          | <b>Oil products imports</b>                             | 198          | 128          | 55         |
| 579          | 608          | 569          | 7          | <b>Import of crude oil and oil products</b>             | 594          | 503          | 18         |
| 314          | 425          | 321          | 32         | <b>Crude oil exports</b>                                | 369          | 349          | 6          |
| 258          | 245          | 271          | (10)       | <b>Oil products exports</b>                             | 252          | 259          | (3)        |
| 572          | 670          | 592          | 13         | <b>Export of crude oil and oil products (3)</b>         | 621          | 608          | 2          |
| (7)          | 62           | 23           | 170        | <b>Net exports (imports) crude oil and oil products</b> | 27           | 105          | (74)       |
| 194          | 197          | 157          | 25         | <b>Import of gas and others</b>                         | 195          | 151          | 29         |
| (3) 2        | 6(3)         | 3            | 100        | <b>Other exports</b>                                    | 4(3)         | 2            | 100        |
| <b>1,892</b> | <b>2,039</b> | <b>2,074</b> | <b>(2)</b> | <b>Output of oil products</b>                           | <b>1,974</b> | <b>2,058</b> | <b>(4)</b> |
| 1,776        | 1,846        | 1,796        | 3          | <b>Brazil</b>                                           | 1,811        | 1,789        | 1          |
| 116          | 193          | 278(5)       | (31)       | <b>International</b>                                    | 163          | 269(5)       | (39)       |
| <b>2,167</b> | <b>2,223</b> | <b>2,227</b> | <b>-</b>   | <b>Primary Processed Installed Capacity</b>             | <b>2,223</b> | <b>2,227</b> | <b>-</b>   |
| 1,986        | 1,942        | 1,986        | (2)        | <b>Brazil(4)</b>                                        | 1,942        | 1,986        | (2)        |
| 181          | 281          | 241(5)       | 17         | <b>International</b>                                    | 281          | 241(5)       | 17         |
|              |              |              |            | <b>Use of Installed Capacity (%)</b>                    |              |              |            |
| 89           | 95           | 89           | 6          | <b>Brazil</b>                                           | 93           | 89           | 4          |

|    |    |                   |      |                                               |    |    |      |
|----|----|-------------------|------|-----------------------------------------------|----|----|------|
| 60 | 64 | 85 <sup>(5)</sup> | (21) | <b>International</b>                          | 59 | 85 | (26) |
|    |    |                   |      | <b>Domestic crude as % of total feedstock</b> |    |    |      |
| 79 | 77 | 78                | (1)  | <b>processed</b>                              | 78 | 78 | -    |

(3) Volumes of oil and oil products exports include ongoing exports.

(4) As per ownership recognized by the ANP.

(5) Revision due to the consolidation of Bolivia refineries data until 06/25/2007 (sales' date)

#### Sales Volume - Thousand

| bpd          |              |              |    |                                   |              |              |     |
|--------------|--------------|--------------|----|-----------------------------------|--------------|--------------|-----|
| <b>1,703</b> | <b>1,765</b> | <b>1,709</b> | 3  | <b>Total Oil Products</b>         | <b>1,734</b> | <b>1,678</b> | 3   |
|              |              |              |    | Alcohol, Nitrogens, Biodiesel and |              |              |     |
| 76           | 90           | 51           | 76 | other                             | 82           | 53           | 55  |
| 302          | 315          | 234          | 35 | Natural Gas                       | 309          | 230          | 34  |
| <b>2,081</b> | <b>2,170</b> | <b>1,994</b> | 9  | <b>Total domestic market</b>      | <b>2,125</b> | <b>1,961</b> | 8   |
| <b>574</b>   | <b>676</b>   | <b>595</b>   | 14 | <b>Exports</b>                    | <b>625</b>   | <b>610</b>   | 2   |
| <b>557</b>   | <b>631</b>   | <b>619</b>   | 2  | <b>International Sales</b>        | <b>594</b>   | <b>637</b>   | (7) |
| <b>1,131</b> | <b>1,307</b> | <b>1,214</b> | 8  | <b>Total international market</b> | <b>1,219</b> | <b>1,247</b> | (2) |
| <b>3,212</b> | <b>3,477</b> | <b>3,208</b> | 8  | <b>Total</b>                      | <b>3,344</b> | <b>3,208</b> | 4   |

## Price and Cost Indicators (\*)

| 1Q-2008                                                                            | 2nd Quarter |                      |     |                           |       | First Half          |                      |     |
|------------------------------------------------------------------------------------|-------------|----------------------|-----|---------------------------|-------|---------------------|----------------------|-----|
|                                                                                    | 2008        | 2007                 | Δ % |                           |       | 2008                | 2007                 | Δ % |
| Average Oil Products Realization Prices                                            |             |                      |     |                           |       |                     |                      |     |
| 163.07                                                                             | 178.03      | 155.44               | 15  | Domestic Market (R\$/bbl) |       | 170.68              | 153.27               | 11  |
| Average sales price - US\$ per bbl                                                 |             |                      |     |                           |       |                     |                      |     |
| Brazil                                                                             |             |                      |     |                           |       |                     |                      |     |
| Crude Oil                                                                          |             |                      |     |                           |       |                     |                      |     |
| 86.13                                                                              | 105.46      | 57.04                | 85  | (US\$/bbl) <sup>(6)</sup> |       | 95.89               | 52.42                | 83  |
| Natural Gas                                                                        |             |                      |     |                           |       |                     |                      |     |
| 37.16                                                                              | 39.01       | 36.16                | 8   | (US\$/bbl) <sup>(7)</sup> |       | 38.12               | 34.36                | 11  |
| International                                                                      |             |                      |     |                           |       |                     |                      |     |
| 62.23                                                                              | 75.41       | 46.92 <sup>(8)</sup> | 61  | Crude Oil (US\$/bbl)      |       | 69.41               | 44.67 <sup>(8)</sup> | 55  |
| Natural Gas                                                                        |             |                      |     |                           |       |                     |                      |     |
| 16.98                                                                              | 17.88       | 16.82 <sup>(8)</sup> | 6   | (US\$/bbl)                |       | 17.41               | 15.63 <sup>(8)</sup> | 11  |
| (6) Average of the exports and the internal transfer prices from E&P to Supply.    |             |                      |     |                           |       |                     |                      |     |
| (7) Internal transfer prices from E&P to Gas & Energy.                             |             |                      |     |                           |       |                     |                      |     |
| (8) Revision of the volumes sold in Bolivia due to the new contracts of operation. |             |                      |     |                           |       |                     |                      |     |
| Costs - US\$/barrel                                                                |             |                      |     |                           |       |                     |                      |     |
| Lifting cost:                                                                      |             |                      |     |                           |       |                     |                      |     |
| Brazil                                                                             |             |                      |     |                           |       |                     |                      |     |
| without                                                                            |             |                      |     |                           |       |                     |                      |     |
| government                                                                         |             |                      |     |                           |       |                     |                      |     |
| 8.66                                                                               | 9.88        | 7.33                 | 35  | participation             | 9.28  | 7.27                | 28                   |     |
| with                                                                               |             |                      |     |                           |       |                     |                      |     |
| government                                                                         |             |                      |     |                           |       |                     |                      |     |
| 24.82                                                                              | 31.08       | 17.95                | 73  | participation             | 27.99 | 17.10               | 64                   |     |
| 4.01 <sup>(9)</sup>                                                                | 4.37        | 4.19                 | 4   | International             | 4.19  | 4.05                | 3                    |     |
| Refining cost                                                                      |             |                      |     |                           |       |                     |                      |     |
| 3.61                                                                               | 3.53        | 2.69                 | 31  | Brazil                    | 3.57  | 2.62                | 36                   |     |
| 6.16                                                                               | 5.58        | 2.83 <sup>(5)</sup>  | 97  | International             | 5.82  | 2.62 <sup>(5)</sup> | 122                  |     |
| Corporate                                                                          |             |                      |     |                           |       |                     |                      |     |
| Overhead (US\$                                                                     |             |                      |     |                           |       |                     |                      |     |
| million) Parent                                                                    |             |                      |     |                           |       |                     |                      |     |
| 648                                                                                | 702         | 552                  | 27  | Company                   | 1,350 | 1,082               | 25                   |     |
| Costs - R\$/barrel                                                                 |             |                      |     |                           |       |                     |                      |     |
| Lifting cost                                                                       |             |                      |     |                           |       |                     |                      |     |
| Brazil                                                                             |             |                      |     |                           |       |                     |                      |     |
| without                                                                            |             |                      |     |                           |       |                     |                      |     |
| government                                                                         |             |                      |     |                           |       |                     |                      |     |
| 15.16                                                                              | 16.34       | 14.45                | 13  | participation             | 15.76 | 14.83               | 6                    |     |
| 43.20                                                                              | 51.14       | 35.03                | 46  |                           | 47.22 | 34.58               | 37                   |     |

|      |      |      |    |                                                                           |      |      |    |
|------|------|------|----|---------------------------------------------------------------------------|------|------|----|
|      |      |      |    | <b>with<br/>government<br/>participation<br/>Refining cost<br/>Brazil</b> |      |      |    |
| 6.30 | 5.84 | 5.31 | 10 |                                                                           | 6.07 | 5.34 | 14 |

(9) Revision of lifting costs in  
Argentina.

**Exploration and Production    Thousand barrels/day**

Increased output from P-34 (Jubarte) and FPSO-Cidade do Rio de Janeiro (Espadarte), coupled with the start-up of FPSO-PRM (Piranema), FPSO-Cidade de Vitória (Golfinho) and the P-52 and P-54 platforms (Roncador) more than offset the natural decline in the mature fields.

Increased output from the new platforms, especially the P-52 and P-54 platforms (Roncador), which started up in the 4Q-2007, more than offset the natural decline in the mature fields.

**Pag: 101**

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International oil production by the consolidated companies fell due to the reduction in reservoir pressure in the United States, plus lower output from the mature fields in Argentina and Angola.

Gas production decreased due to the natural decline in the U.S. wells caused by reduced reservoir pressure.

International production was jeopardized by the 25-day strike in the Cuenca Austral field in Argentina and the diminished pressure in oil and gas reservoirs in the United States.

**Refining, Transportation and Supply    thousand barrels/day**

The year-on-year upturn in the first half was due to the lower number of scheduled stoppages in the distillation units and their increased reliability.

Domestic processed crude in the 2Q-2008 moved up 3% than in the 1Q-2008 due to the reduction in programmed stoppages.

Processed crude in the overseas refineries fell due to the sale of the Bolivian refineries in 2007 and the stoppages in the Argentinean and U.S. refineries, partially offset by output from the Japanese refinery acquired in April 2008.

Total processed throughput in the overseas refineries in the 2Q-2008 increased by 44% thanks to the return to normal operations of the Argentinean and U.S. refineries following the scheduled stoppages in the previous quarter, plus the volume added by the Japanese refinery acquired in April 2008

## **Costs**

### **Lifting Cost (US\$/barrel)**

Excluding the impact of the appreciation of the Real, the lifting cost in Brazil climbed by 15% year-on-year in the 1H-2008, due to higher expenses with drilling rigs and vessels, the more robust oil industry, the higher number of programmed platform stoppages, the wage increase, the expansion of the workforce and the higher initial unit cost of the new production systems that began operations in the 4Q-2007, which will gradually come down as production moves up.

Also excluding the impact of the appreciation of the Real, the unit lifting cost in Brazil climbed by 10% quarter-over-quarter, due to preventive maintenance stoppages in the P-26 and P-33 platforms and programmed stoppages in the platforms in the Marlim and Namorado fields.

The year-on-year upturn in the first-half lifting cost was due to higher extraction costs, plus the impact of the increase in international oil prices and the higher tax on production from the new FPSO-Cidade do Rio de Janeiro, P-52 and P-54 systems.

The quarter-over-quarter increase was due to the upturn in the average Brazilian oil price used to calculate the government take, based on the international price, and the higher taxes on the Roncador Field, due to the increase in production triggered by the recently-installed platforms.

The year-on-year increase in the international lifting cost was caused by the higher price of outsourced services and the wage hike in Argentina, as well as the upturn in the price of maintenance and surveillance services in Colombia, partially offset by the reduction in transport services in the United States.

The 2Q-2008 increase over the previous three months was due to the strike in the Cuenca Austral field and the May 2008 pay rise in Argentina, plus workover activities in Colombia.

**Refining Cost (US\$/barrel)**

Excluding the impact of the appreciation of the Real, the domestic refining cost moved up 16% year-on-year in the first half thanks to higher electricity consumption, maintenance and repair service, due to greater complexity of the existing refineries and oil industry over heated, demanding salary adjusted and higher programmed stoppages.

Also excluding the impact of the appreciation of the Real, the domestic refining cost fell 7% over the 1Q-2008 due to reduced expenses from maintenance and programmed stoppages.

**Pag: 107**

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The international refining cost moved up due to higher costs in the USA caused by the programmed stoppage in the Pasadena refinery, associated with the slide in processed crude volume in 2008.

The international refining cost fell over the 1Q-2008 due to the increase in the volume of processed crude, triggered by the end of the scheduled stoppages in the USA and Argentina.

**Corporate Overhead    Parent Company (US\$ million)**

Discounting the impact of the 17% appreciation of the Real, corporate overhead moved up 8% year-on-year in the 1H-2008 (all expenditures in this area are in Reais). The increase was due to the growth in the Company's operation and their greater complexity, leading to higher expenses from data processing, specialized technical and administrative support services, advertising, the pay rise and the upturn in the workforce.

Discounting the appreciation of the Real against the dollar, corporate overhead moved up by 4% quarter-over-quarter, chiefly due to higher expenses from technical support associated with solutions management and systemic processes and the increase in the workforce.

**Sales Volume    thousand barrels/day**

Domestic sales volume moved up 8% over the 1H-2007, led by diesel, aviation fuel and natural gas. The diesel increase was due to the improved performance of the economy, especially agribusiness, and the increased use of emergency diesel-driven thermo-plants, while aviation fuel sales were pushed by the expansion of tourism, leveraged by economic growth and the appreciation of the Real against the dollar. Gas sales increased by 34% due to higher sales to the thermo-plants and the increased supply of imported and domestic gas (Manati field and Espírito Santo Basin).

International sales volume fell 7% due to the programmed stoppage in the Pasadena refinery and the sale of the Bolivian refineries in 2007, partially offset by output from the Japanese refinery in the 2Q-2008.

Domestic sales volume climbed by 4% in the 2Q-2008 over the previous quarter, led by higher diesel sales due to the sugarcane harvest.

Oil and oil product exports increased 17% quarter-over-quarter due to higher oil output and the December/07 anticipation of shipments originally scheduled for January/08.

International sales recorded a 13% upturn over the 1Q-2008 due to the increase in offshore operations, the consolidation of the Japanese refinery as of the 2Q-2008, the programmed stoppages in Argentina in the 1Q-2008 and the beginning of VNG sales in Colombia as of March.

**Result by Business Area R\$ million <sup>(1)</sup>**

| 1Q-2008        | 2nd Quarter    |                |       |                                     | First Half     |                |         |
|----------------|----------------|----------------|-------|-------------------------------------|----------------|----------------|---------|
|                | 2008           | 2007           | Δ %   |                                     | 2008           | 2007           | Δ %     |
|                |                |                |       | <b>EXPLORATION &amp;</b>            |                |                |         |
| <b>9,430</b>   | <b>11,557</b>  | <b>6,416</b>   | 80    | <b>PRODUCTION</b>                   | <b>20,987</b>  | <b>11,499</b>  | 83      |
| <b>(566)</b>   | <b>(49)</b>    | <b>2,283</b>   | (102) | <b>SUPPLY</b>                       | <b>(615)</b>   | <b>4,409</b>   | (114)   |
| <b>(396)</b>   | <b>237</b>     | <b>(215)</b>   | (210) | <b>GAS AND ENERGY</b>               | <b>(159)</b>   | <b>(531)</b>   | (70)    |
| <b>313</b>     | <b>311</b>     | <b>215</b>     | 45    | <b>DISTRIBUTION</b>                 | <b>624</b>     | <b>404</b>     | 54      |
| <b>50</b>      | <b>293</b>     | <b>235</b>     | 25    | <b>INTERNATIONAL <sup>(2)</sup></b> | <b>343</b>     | <b>(26)</b>    | (1,419) |
| <b>(1,443)</b> | <b>(2,621)</b> | <b>(1,797)</b> | 46    | <b>CORPORATE</b>                    | <b>(4,064)</b> | <b>(4,377)</b> | (7)     |
| <b>(463)</b>   | <b>(945)</b>   | <b>(337)</b>   | 180   | <b>ELIMINATIONS</b>                 | <b>(1,408)</b> | <b>(447)</b>   | 215     |
|                |                |                |       | <b>CONSOLIDATED NET</b>             |                |                |         |
| <b>6,925</b>   | <b>8,783</b>   | <b>6,800</b>   | 29    | <b>INCOME</b>                       | <b>15,708</b>  | <b>10,931</b>  | 44      |

<sup>(1)</sup> Comments on the results by business area begin on page 18 and their respective financial statements on page 27.

<sup>(2)</sup> In the international business segment, given that all operations are executed abroad, comparisons between the periods are influenced by foreign exchange variations in dollars or in the currency of those countries in which the companies in question are headquartered. As a result, there may be substantial variations in Reais, primarily arising from and reflecting changes in the exchange rate.

## RESULTS BY BUSINESS AREA

Petrobras is a company that operates in an integrated manner, with the greater part of oil and gas production in the Exploration and Production area being sold or transferred to other Company areas.

The main criteria used to report results per business area are as follows:

- a) Net operating revenues: revenues from sales to external clients, plus intra-Company sales and transfers, based on internal transfer prices established between the various areas, with assessment methodologies based on market parameters;
- b) Operating income: net operating revenues, plus the cost of goods and services sold, which are reported per business area considering the internal transfer price and other operating costs for each area, plus the operating expenses effectively incurred by each area;
- c) The financial result is completely allocated to the corporate segment;
- d) Assets: refers to the assets as identified by each area. Equity accounts of a financial nature are allocated to the corporate segment.

The improved result was due to the increase in average domestic oil prices and the 2% upturn in daily oil and NGL production.

Part of these effects were offset by the higher government take and the increase in exploration costs, the latter due to the write-off of dry and economically unviable wells.

The spread between the average domestic oil sale/transfer price and the average Brent price widened from US\$ 10.84/bbl in the 1H-2007 to US\$ 13.25/bbl in the 1H-2008, due to the fact that heavy crude moved up less than light, together with the upturn in international transport costs.

The quarter-over-quarter improvement was due to higher average domestic oil prices and the 2% increase in daily oil and NGL production, partially offset by the higher government take.

The spread between the average domestic oil sale/transfer price and the average Brent price increased from US\$ 10.77/bbl in the 1Q-2008 to US\$ 15.92/bbl in the 2Q-2008, due to the fact that heavy crude moved up less than light, together with the upturn in international transport costs.

The year-on-year reduction in the Supply result in the 1H-2008 was due to higher oil acquisition/transfer costs and the increase in oil product import costs, reflecting the behavior of international prices.

These effects were partially offset by the upturn in oil product prices in Brazil and abroad.

The quarter-over-quarter improvement was due to the following factors:

The increase in average domestic oil product prices, led by gasoline and diesel in the domestic market;

Higher sales volume in Brazil and abroad;

The sale, in the 2Q-2008, of inventories acquired at a lower cost in the previous quarter;

Gains from the change in holdings provoked by the corporate restructuring of Quattor Participações (R\$ 409 million).

These effects were partially offset by higher average oil acquisition/transfer costs and the increase in oil product import costs.

The year-on-year improvement in the first-half Gas and Energy result was due to the wider gas sales margin and the increase in electricity sales volume.

These effects were partially offset by contractual fines and charges related to natural gas supply (R\$ 295 million).

The improved G&E result was due to the increase in electricity sales margins, higher gas prices and the reduction in contractual fines and charges related to natural gas supply (R\$ 211 million).

The result was positively impacted by the 14% increase in sales volume, which helped raise the Company's share of the fuel market from 33.8%, in the 1H-2007, to 35.2% in the 1H-2008.

The healthier sales margin was due to higher sales volume and prices, although these effects were partially offset by increased operating expenses related to third-party services and freight.

The segment recorded a 34.5% share of the national fuel distribution market, versus 35.9% in the 1Q-2008.

The upturn was caused by higher oil prices plus reduced seismic acquisition costs in Turkey, Angola, the USA and Libya, offset by lower sales margins and volume in the USA and the constitution of provisions for royalty contingencies.

The quarterly improvement in the result was due to the following factors:

Higher oil prices, higher sales volume in Ecuador and from the beginning of operations in the Japanese refinery;

Lower exploration costs in the USA and Nigeria;

The constitution of provisions for royalty contingencies in the 1Q-2008.

The higher result was due to the following factors:

The R\$ 632 million reduction in expenses from the amendments to the Petros Plan regulations in 2007;

The R\$ 224 million reduction in tax expenses due to the extinction of the CPMF financial transaction tax, partially offset by the increase in the IOF financial operations tax.

The 2Q-2008 downturn was due to the negative impact of net financial expenses, as detailed on page 9, plus the impact of the negative exchange variation on offshore investments.

**08.01 COMMENTS ON THE CONSOLIDATED PERFORMANCE IN THE QUARTER**

|                                                                  | R\$ million |            |     |
|------------------------------------------------------------------|-------------|------------|-----|
|                                                                  | 06.30.2008  | 03.31.2008 | Δ % |
| <b>Consolidated Debt</b>                                         |             |            |     |
| <b>Short-term Debt <sup>(1)</sup></b>                            | 8,699       | 7,639      | 14  |
| <b>Long-term Debt <sup>(1)</sup></b>                             | 33,256      | 35,674     | (7) |
| <b>Total</b>                                                     | 41,955      | 43,313     | (3) |
| <b>Cash and cash equivalents</b>                                 | 11,046      | 11,560     | (4) |
| <b>Net Debt <sup>(2)</sup></b>                                   | 30,909      | 31,753     | (3) |
| <b>Net Debt/(Net Debt + Shareholder's Equity) <sup>(1)</sup></b> | 19%         | 21%        | (2) |
| <b>Total Net Liabilities <sup>(1)</sup> (3)</b>                  | 240,420     | 229,746    | 5   |
| <b>Capital Structure</b>                                         |             |            |     |
| <b>(third parties net / total liabilities net)</b>               | 46%         | 47%        | (1) |

(1 )Includes debt from leasing contracts (R\$ 1,202 million on June 30, 2008 and R\$ 1,429 million on March 31, 2008).

(2)Total debt less cash and cash equivalents.

(3)Total liabilities net of cash/financial investments.

The net debt of the Petrobras Group on June 30, 2008, was 3% less than the amount recorded on March 31, 2008, due to the appreciation of the Real.

The level of indebtedness, measured by the net debt/EBITDA ratio, fell from 0.57, on March 31, 2008, to 0.48 on June 30, 2008. The portion of the capital structure represented by third parties was 46%, 1 percentage point down on March 31, 2008.

**Consolidated Investments**

In compliance with the goals outlined in its strategic plan, Petrobras continues to prioritize investments in the expansion of its oil and natural gas production capacity by investing its own funds and by structuring ventures with strategic partners. On June 30, 2008, total investments amounted to R\$ 20,899 million, 6% up on the total on June 30, 2007.

| R\$ million                             |               |            |               |            |            |
|-----------------------------------------|---------------|------------|---------------|------------|------------|
|                                         |               |            | First Half    |            |            |
|                                         | 2008          | %          | 2007          | %          | Δ %        |
| <b>Own Investments</b>                  | <b>17,850</b> | <b>85</b>  | <b>17,030</b> | <b>86</b>  | <b>5</b>   |
| Exploration & Production                | 9,733         | 46         | 9,092         | 46         | 7          |
| Supply                                  | 3,679         | 18         | 2,856         | 13         | 29         |
| Gas and Energy                          | 1,094         | 5          | 730           | 4          | 50         |
| International                           | 2,744         | 13         | 3,486         | 18         | (21)       |
| Distribution                            | 192           | 1          | 547           | 3          | (65)       |
| Corporate                               | 408           | 2          | 319           | 2          | 28         |
| <b>Special Purpose Companies (SPCs)</b> | <b>2,519</b>  | <b>12</b>  | <b>2,596</b>  | <b>13</b>  | <b>(3)</b> |
| <b>Projects under Negotiation</b>       | <b>530</b>    | <b>3</b>   | <b>169</b>    | <b>1</b>   | <b>214</b> |
| <b>Total Investments</b>                | <b>20,899</b> | <b>100</b> | <b>19,795</b> | <b>100</b> | <b>6</b>   |

| R\$ million              |              |            |              |            |             |
|--------------------------|--------------|------------|--------------|------------|-------------|
|                          |              |            | First Half   |            |             |
|                          | 2008         | %          | 2007         | %          | Δ %         |
| <b>International</b>     |              |            |              |            |             |
| Exploration & Production | 2,176        | 79         | 3,129        | 90         | (30)        |
| Supply                   | 333          | 12         | 202          | 6          | 65          |
| Gas and Energy           | 133          | 5          | 65           | 1          | 105         |
| Distribution             | 9            | -          | 26           | 1          | (65)        |
| Others                   | 93           | 4          | 64           | 2          | 45          |
| <b>Total Investments</b> | <b>2,744</b> | <b>100</b> | <b>3,486</b> | <b>100</b> | <b>(21)</b> |

| R\$ million                       |      |    |            |    |       |
|-----------------------------------|------|----|------------|----|-------|
|                                   |      |    | First Half |    |       |
|                                   | 2008 | %  | 2007       | %  | Δ %   |
| <b>Projects Developed by SPCs</b> |      |    |            |    |       |
| Gasene                            | 641  | 25 | 586        | 22 | 9     |
| CDMPI                             | 371  | 15 | 206        | 8  | 80    |
| PDET Off Shore                    | 239  | 10 | 186        | 7  | 28    |
| Codajás                           | 523  | 21 | -          | -  | -     |
| Mexilhão                          | 350  | 14 | 223        | 9  | 57    |
| Marlim Leste                      | 234  | 9  | 847        | 33 | (72)  |
| Malhas                            | 161  | 6  | 342        | 13 | (53)  |
| Amazônia                          | -    | -  | 206        | 8  | (100) |

|                          |              |            |              |            |            |
|--------------------------|--------------|------------|--------------|------------|------------|
| <b>Total Investments</b> | <b>2,519</b> | <b>100</b> | <b>2,596</b> | <b>100</b> | <b>(3)</b> |
|--------------------------|--------------|------------|--------------|------------|------------|

In line with its strategic goals, Petrobras acts in consortiums with other companies as a concessionaire of oil and natural gas exploration, development and production rights. Currently the Company is a member of 103 consortiums. These ventures will require total investments of around US\$ 11,068 million by the end of the current year.

**Pag: 118**

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**1. Consolidated Taxes and Contributions**

The economic contribution of Petrobras to Brazil, measured through the generation of current taxes, duties and social contributions, totaled R\$ 28,376 million.

| R\$ million   |               |               |           |                                             |               |               |           |
|---------------|---------------|---------------|-----------|---------------------------------------------|---------------|---------------|-----------|
| 1Q-2008       | 2nd Quarter   |               |           |                                             | First Half    |               |           |
|               | 2008          | 2007          | Δ %       |                                             | 2008          | 2007          | Δ %       |
|               |               |               |           | <b>Economic Contribution - Country</b>      |               |               |           |
| 4,550         | 4,883         | 4,484         | 9         | <b>Value Added Tax (ICMS)</b>               | 9,433         | 8,616         | 9         |
| 1,944         | 1,422         | 1,973         | (28)      | <b>CIDE <sup>(1)</sup></b>                  | 3,366         | 3,826         | (12)      |
| 3,046         | 3,214         | 2,974         | 8         | <b>PASEP/COFINS</b>                         | 6,260         | 5,723         | 9         |
|               |               |               |           | <b>Income Tax &amp; Social Contribution</b> |               |               |           |
| 3,888         | 4,265         | 3,005         | 42        |                                             | 8,153         | 5,897         | 38        |
| 577           | 587           | 658           | (11)      | <b>Other</b>                                | 1,164         | 1,314         | (11)      |
| <b>14,005</b> | <b>14,371</b> | <b>13,094</b> | <b>10</b> | <b>Subtotal Country</b>                     | <b>28,376</b> | <b>25,376</b> | <b>12</b> |
|               |               |               |           | <b>Economic Contribution - Foreign</b>      |               |               |           |
| 852           | 1,037         | 824           | 26        |                                             | 1,889         | 1,712         | 10        |
| <b>14,857</b> | <b>15,408</b> | <b>13,918</b> | <b>11</b> | <b>Total</b>                                | <b>30,265</b> | <b>27,088</b> | <b>12</b> |

<sup>(1)</sup> CIDE ECONOMIC DOMAIN CONTRIBUTION CHARGE

**2. Government Take**

| R\$ million  |              |              |           |                              |               |              |           |
|--------------|--------------|--------------|-----------|------------------------------|---------------|--------------|-----------|
| 1Q-2008      | 2nd Quarter  |              |           |                              | First Half    |              |           |
|              | 2008         | 2007         | Δ %       |                              | 2008          | 2007         | Δ %       |
|              |              |              |           | <b>Country</b>               |               |              |           |
| 2,397        | 2,847        | 1,778        | 60        | <i>Royalties</i>             | 5,244         | 3,405        | 54        |
| 2,430        | 3,313        | 1,647        | 101       | <i>Special Participation</i> | 5,743         | 3,156        | 82        |
| 30           | 26           | 28           | (7)       | <i>Surface Rental Fees</i>   | 56            | 61           | (8)       |
| <b>4,857</b> | <b>6,186</b> | <b>3,453</b> | <b>79</b> | <b>Subtotal Country</b>      | <b>11,043</b> | <b>6,622</b> | <b>67</b> |
| 146          | 161          | 186          | (13)      | <b>Foreign</b>               | 307           | 485          | (37)      |
| <b>5,003</b> | <b>6,347</b> | <b>3,639</b> | <b>74</b> | <b>Total</b>                 | <b>11,350</b> | <b>7,107</b> | <b>60</b> |

The Brazilian government take increased by 67% year-on-year in the 1H-2008, due to the 44% upturn in the reference price for local oil (R\$ 148.88 in the 1H-2008 versus R\$ 103.16 in the 1H-2007), reflecting the average Brent price on the international market, and the increase in output, due to the operational start-up of the FPSO-Cidade do RJ (Espadarte), P-52 (Roncador) and P-54 (Roncador) platforms.



In the 2Q-2008, the Brazilian government take moved up 27% over the previous quarter, due to the 9% upturn in the reference price for local oil (R\$ 155.28 in the 2Q-2008, versus R\$ 142.47 in the 1Q-2008), reflecting the average Brent price on the international market, plus increased output from the recently installed platforms in the Roncador field.

### 3. Reconciliation of Consolidated Shareholders' Equity and Net Income

|                                                             | R\$ million          |        |
|-------------------------------------------------------------|----------------------|--------|
|                                                             | Shareholders' Equity | Result |
| . According to PETROBRAS information as of 06.30.2008       | 131,110              | 15,117 |
| . Profit in the sales of products in affiliated inventories | (491)                | (491)  |
| . Reversal of profits on inventory in previous years        | -                    | 669    |
| . Capitalized interest                                      | (803)                | 7      |
| . Absorption of negative net worth in affiliated companies  | 135                  | 222    |
| . Other eliminations                                        | (243)                | 184    |
| . According to consolidated information as of 06.30.2008    | 129,708              | 15,708 |

\* Pursuant to CVM Instruction 247/96, losses considered temporary on investments evaluated by the equity method, where the investee shows no signs of stoppage or the need for financial support from the investor, must be limited to the amount of the controlling company's investment. Thus losses generated by unfunded liabilities (negative shareholders' equity) of the controlled companies did not affect the results or shareholders' equity of Petrobras on December 31, 2007, generating a conciliatory item between the Financial Statements of Petrobras and the Consolidated Financial Statements.

### 4. Performance of Petrobras Shares and ADRs

| Nominal Change |        |        |                     |         |        |
|----------------|--------|--------|---------------------|---------|--------|
| 2nd Quarter    |        |        | First Half          |         |        |
| 1Q-2008        | 2008   | 2007   | 2008                | 2007    |        |
| -14.60%        | 25.91% | 13.61% | Petrobras ON        | 7.52%   | 7.87%  |
| -16.30%        | 24.91% | 11.92% | Petrobras PN        | 4.55%   | 3.69%  |
| -11.39%        | 38.73% | 21.87% | ADR- Level III - ON | 22.93%  | 17.75% |
| -11.98%        | 36.85% | 19.40% | ADR- Level III - PN | 20.45%  | 15.01% |
| -4.57%         | 6.64%  | 18.75% | IBOVESPA            | 1.77%   | 22.30% |
| -7.55%         | -7.44% | 8.53%  | DOW JONES           | -14.44% | 7.59%  |
| -14.07%        | 0.61%  | 7.50%  | NASDAQ              | -13.55% | 7.78%  |

Petrobras' shares had a book value of R\$ 14.94 on June 30, 2008.

**5. Foreign Exchange Exposure**

| Assets                                                                                                                                                     | R\$ million      |                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                                                                                            | 06.30.2008       | 03.31.2008       |
| <b>Current Assets</b>                                                                                                                                      | <b>6,692</b>     | <b>8,334</b>     |
| Cash and Cash Equivalents                                                                                                                                  | 2,312            | 4,049            |
| Other Current Assets                                                                                                                                       | 4,380            | 4,285            |
| <b>Non-current Assets</b>                                                                                                                                  | <b>20,228</b>    | <b>18,626</b>    |
| Amounts invested abroad via<br>partner companies, in the international segment,<br>in E&P equipments to be used in Brazil and in<br>commercial activities. | 19,271           | 17,618           |
| Long-term Assets                                                                                                                                           | 488              | 554              |
| Property, plant and equipment                                                                                                                              | 469              | 454              |
| <b>Total Assets</b>                                                                                                                                        | <b>26,920</b>    | <b>26,960</b>    |
| Liabilities                                                                                                                                                | R\$ million      |                  |
|                                                                                                                                                            | 06.30.2008       | 03.31.2008       |
| <b>Current Liabilities</b>                                                                                                                                 | <b>(6,332)</b>   | <b>(4,859)</b>   |
| Short-term Debt                                                                                                                                            | (2,476)          | (2,435)          |
| Suppliers                                                                                                                                                  | (3,252)          | (1,792)          |
| Other Current Liabilities                                                                                                                                  | (604)            | (632)            |
| <b>Long-term Liabilities</b>                                                                                                                               | <b>(12,601)</b>  | <b>(14,124)</b>  |
| Long-term Debt                                                                                                                                             | (11,645)         | (13,024)         |
| Other Long-term Liabilities                                                                                                                                | (956)            | (1,100)          |
| <b>Total Liabilities</b>                                                                                                                                   | <b>(18,933)</b>  | <b>(18,983)</b>  |
| <br>Net Assets (Liabilities) in Reais                                                                                                                      | <br><b>7,987</b> | <br><b>7,977</b> |
| <br>( + ) Investment Funds - Exchange                                                                                                                      | <br>14           | <br>20           |
|                                                                                                                                                            |                  | 157              |

|                                           |              |              |
|-------------------------------------------|--------------|--------------|
| ( - ) FINAME Loans - dollar-indexed reais | (272)        | (355)        |
| <b>Net Assets (Liabilities) in Reais</b>  | <b>7,729</b> | <b>7,642</b> |

\* The results of investments in Exchange Funds are booked under Financial Revenue.

**Pag: 121**

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**10.01 - CHARACTERISTICS OF THE PUBLIC OR PRIVATE ISSUE OF DEBENTURES**

|                                            |                 |
|--------------------------------------------|-----------------|
| 01 - ITEM                                  | 01              |
| 02 - ISSUANCE ORDER NUMBER                 | 1               |
| 03 - CVM REGISTRATION NUMBER               |                 |
| 04 - DATE OF REGISTRATION WITH CVM         |                 |
| 05 - DEBENTURE SERIES ISSUED               | 1               |
| 06 - ISSUE TYPE                            | SIMPLE          |
| 07 - NATURE OF ISSUE                       | PRIVATE         |
| 08 - ISSUE DATE                            | 02/15/1998      |
| 09 - DUE DATE                              | 02/15/2015      |
| 10 - TYPE OF DEBENTURE                     | VARIABLE        |
| 11 - CURRENT REMUNERATION TERMS            | 2,5% above TJLP |
| 12 - PREMIUM/DISCOUNT                      |                 |
| 13 - FACE VALUE (REAIS)                    | 10.000,00       |
| 14 - AMOUNT ISSUED (IN THOUSANDS OF REAIS) | 430.000         |
| 15 - NUMBER OF DEBENTURES ISSUED (UNITS)   | 43.000          |
| 16 - DEBENTURES IN CIRCULATION (UNITS)     | 43.000          |
| 17 - DEBENTURES IN TREASURY (UNITS)        | 0               |
| 18 - DEBENTURES REDEEMED (UNITS)           | 0               |
| 19 - DEBENTURES CONVERTED (UNITS)          | 0               |
| 20 - DEBENTURES FOR PLACEMENT (UNITS)      | 0               |
| 21 - DATE OF THE LAST REPRICING            |                 |
| 22 - DATE OF THE NEXT EVENT                | 08/15/2008      |

**Pag: 122**

**10.01 - CHARACTERISTICS OF THE PUBLIC OR PRIVATE ISSUE OF DEBENTURES**

|                                            |                         |
|--------------------------------------------|-------------------------|
| 01 - ITEM                                  | 02                      |
| 02 - ISSUANCE ORDER NUMBER                 | 2                       |
| 03 - CVM REGISTRATION NUMBER               | CVM/SRE/DEB/2002/035    |
| 04 - DATE OF REGISTRATION WITH CVM         | 08/30/2002              |
| 05 - DEBENTURE SERIES ISSUED               | 1                       |
| 06 - ISSUE TYPE                            | SIMPLE                  |
| 07 - NATURE OF ISSUE                       | PUBLIC                  |
| 08 - ISSUE DATE                            | 08/01/2002              |
| 09 - DUE DATE                              | 08/01/2012              |
| 10 - TYPE OF DEBENTURE                     | VARIABLE                |
| 11 - CURRENT REMUNERATION TERMS            | IGPM plus 11% per annum |
| 12 - PREMIUM/DISCOUNT                      |                         |
| 13 - FACE VALUE (REAIS)                    | 1.000,00                |
| 14 - AMOUNT ISSUED (IN THOUSANDS OF REAIS) | 750.000                 |
| 15 - NUMBER OF DEBENTURES ISSUED (UNITS)   | 750.000                 |
| 16 - DEBENTURES IN CIRCULATION (UNITS)     | 750.000                 |
| 17 - DEBENTURES IN TREASURY (UNITS)        | 0                       |
| 18 - DEBENTURES REDEEMED (UNITS)           | 0                       |
| 19 - DEBENTURES CONVERTED (UNITS)          | 0                       |
| 20 - DEBENTURES FOR PLACEMENT (UNITS)      | 0                       |
| 21 - DATE OF THE LAST REPRICING            |                         |
| 22 - DATE OF THE NEXT EVENT                | 07/31/2008              |

**Pag: 123**

**10.01 - CHARACTERISTICS OF THE PUBLIC OR PRIVATE ISSUE OF DEBENTURES**

|                                            |                           |
|--------------------------------------------|---------------------------|
| 01 - ITEM                                  | 03                        |
| 02 - ISSUANCE ORDER NUMBER                 | 3                         |
| 03 - CVM REGISTRATION NUMBER               | CVM/SRE/DEB/2002/037      |
| 04 - DATE OF REGISTRATION WITH CVM         | 10/31/2002                |
| 05 - DEBENTURE SERIES ISSUED               | 1                         |
| 06 - ISSUE TYPE                            | SIMPLE                    |
| 07 - NATURE OF ISSUE                       | PUBLIC                    |
| 08 - ISSUE DATE                            | 10/04/2002                |
| 09 - DUE DATE                              | 10/01/2010                |
| 10 - TYPE OF DEBENTURE                     | VARIABLE                  |
| 11 - CURRENT REMUNERATION TERMS            | IGPM plus 10,3% per annum |
| 12 - PREMIUM/DISCOUNT                      |                           |
| 13 - FACE VALUE (REAIS)                    | 1.000,00                  |
| 14 - AMOUNT ISSUED (IN THOUSANDS OF REAIS) | 775.000                   |
| 15 - NUMBER OF DEBENTURES ISSUED (UNITS)   | 775.000                   |
| 16 - DEBENTURES IN CIRCULATION (UNITS)     | 775.000                   |
| 17 - DEBENTURES IN TREASURY (UNITS)        | 0                         |
| 18 - DEBENTURES REDEEMED (UNITS)           | 0                         |
| 19 - DEBENTURES CONVERTED (UNITS)          | 0                         |
| 20 - DEBENTURES FOR PLACEMENT (UNITS)      | 0                         |
| 21 - DATE OF THE LAST REPRICING            |                           |
| 22 - DATE OF THE NEXT EVENT                | 09/30/2008                |

**16.01 - OTHER INFORMATION THE COMPANY CONSIDERED SIGNIFICANT****STATEMENT OF CASH FLOW**

|                                                           | <b>R\$ thousand</b> |                     |                       |                     |
|-----------------------------------------------------------|---------------------|---------------------|-----------------------|---------------------|
|                                                           | <b>Consolidated</b> |                     | <b>Parent Company</b> |                     |
|                                                           | <b>06.30.2008</b>   | <b>06.30.2007</b>   | <b>06.30.2008</b>     | <b>06.30.2007</b>   |
| <b>Net Income for the Period</b>                          | <b>15.708.388</b>   | <b>10.931.071</b>   | <b>15.116.625</b>     | <b>11.187.668</b>   |
| <b>(+) Adjustments</b>                                    | <b>5.951.318</b>    | <b>9.947.861</b>    | <b>9.836.913</b>      | <b>11.055.913</b>   |
| Depreciation and amortization                             | 5.161.454           | 5.065.563           | 3.149.785             | 2.742.092           |
| Petroleum and alcohol accounts                            | (3.191)             | (7.311)             | (3.191)               | (7.311)             |
| Operation with supply of petroleum and oil products -     |                     |                     |                       |                     |
| foreign                                                   |                     |                     | 10.432.215            | 4.617.160           |
| Financial charges, related parties and project financings | (1.176.149)         | (1.224.117)         | 3.807.807             | 1.433.707           |
| Minority interest                                         | 677.632             | 908.463             |                       |                     |
| Income from holdings in relevant investments and          |                     |                     |                       |                     |
| Gains/Losses due to changes in shareholdings              | 131.005             | 187.295             | (2.264.900)           | (572.620)           |
| Net book value of fixed assets written off                | 451.895             | 326.045             | 371.745               | 30.942              |
| Deferred income tax and social contribution               | 1.058.390           | (511.237)           | 782.117               | (505.867)           |
| Exchange variation on fixed assets                        | 3.727.791           | 3.879.878           |                       |                     |
| Change in inventories                                     | (4.881.139)         | (1.024.157)         | (4.842.737)           | (278.501)           |
| Change in accounts receivable from third and related      |                     |                     |                       |                     |
| parties                                                   | (3.921.443)         | 1.320.196           | (5.100.036)           | 1.329.241           |
| Change in suppliers to third and related parties          | 2.747.880           | 273.923             | 976.033               | 800.420             |
| Change in taxes and contributions                         | 1.602.232           | 1.097.849           | 1.120.823             | 529.750             |
| Change in project financings                              |                     |                     | 196.908               | 27.996              |
| Change in pension and healthcare plans                    | 695.564             | 1.072.143           | 607.721               | 969.662             |
| Change in other assets and liabilities                    | (320.603)           | (1.416.672)         | 602.623               | (60.758)            |
| <b>(=) Cash Generated by Operating Activities</b>         | <b>21.659.706</b>   | <b>20.878.932</b>   | <b>24.953.538</b>     | <b>22.243.581</b>   |
| <b>(-) Cash Used in Investment Activities</b>             | <b>(21.039.298)</b> | <b>(18.388.763)</b> | <b>(14.232.795)</b>   | <b>(10.323.009)</b> |
|                                                           | (10.753.001)        | (9.385.821)         | (8.107.918)           | (6.583.809)         |

|                                                  |                    |                     |                    |                     |
|--------------------------------------------------|--------------------|---------------------|--------------------|---------------------|
| Investment in exploration, production and gas    |                    |                     |                    |                     |
| Investment in refining and transportation        | (4.635.049)        | (3.520.953)         | (3.775.204)        | (3.052.106)         |
| Investment in gas and energy                     | (2.916.958)        | (2.421.151)         | (1.396.745)        | (829.790)           |
| Investment in international segment              | (2.352.413)        | (2.841.645)         | (15.590)           | (7.965)             |
| Investment in distribution                       | (878.861)          | (158.538)           | (705.811)          |                     |
| Other investments                                | (476.243)          | (375.136)           | (392.265)          | (373.579)           |
| Marketable securities                            | 720.391            | 163.989             | 104.673            |                     |
| Dividends received                               | 252.836            | 150.492             | 661.097            | 753.430             |
| Ventures under negotiation                       |                    |                     | (605.032)          | (229.190)           |
| <b>(=) Net Cash Flow</b>                         | <b>620.408</b>     | <b>2.490.169</b>    | <b>10.720.743</b>  | <b>11.920.572</b>   |
| <b>(-) Cash Used in Financing Activities</b>     | <b>(2.645.009)</b> | <b>(12.465.332)</b> | <b>(1.210.697)</b> | <b>(20.632.916)</b> |
| Intercompany loans and financing activities, net | 3.539.849          | (4.993.642)         | (7.746.043)        | (13.161.226)        |
| Investment Fund in Non-standard Credit Rights    |                    |                     | 12.720.204         |                     |
| Dividends paid to shareholders                   | (6.184.858)        | (7.471.690)         | (6.184.858)        | (7.471.690)         |
| <b>(=) Cash Generated (Used) in the Period</b>   | <b>(2.024.601)</b> | <b>(9.975.163)</b>  | <b>9.510.046</b>   | <b>(8.712.344)</b>  |
| <b>At Beginning of the Period</b>                | <b>13.070.849</b>  | <b>27.829.105</b>   | <b>7.847.949</b>   | <b>20.098.892</b>   |
| <b>At End of the Period</b>                      | <b>11.046.248</b>  | <b>17.853.942</b>   | <b>17.357.995</b>  | <b>11.386.548</b>   |

**STATEMENT OF VALUE ADDED**

R\$ thousand

|                                                             | Consolidated |      |              |      | Parent Company |      |              |      |
|-------------------------------------------------------------|--------------|------|--------------|------|----------------|------|--------------|------|
|                                                             | 06.30.2008   |      | 06.30.2007   |      | 06.30.2008     |      | 06.30.2007   |      |
| Sales of products and services and non-operating income (*) | 127.480.899  |      | 104.916.812  |      | 98.695.874     |      | 80.322.185   |      |
| Consumed raw material                                       | (16.186.936) |      | (12.366.839) |      | (10.487.112)   |      | (6.547.208)  |      |
| Cost of products and services sold                          | (27.118.908) |      | (16.932.938) |      | (11.677.767)   |      | (4.870.449)  |      |
| Energy, third party services and other operating expenses   | (9.418.310)  |      | (12.568.603) |      | (7.178.748)    |      | (10.702.039) |      |
| GROSS VALUE ADDED                                           | 74.756.745   |      | 63.048.432   |      | 69.352.247     |      | 58.202.489   |      |
| Depreciation and amortization                               | (5.161.454)  |      | (5.065.563)  |      | (3.149.785)    |      | (2.742.092)  |      |
| Equity pickup                                               | 20.060       |      | (173.091)    |      | 2.041.374      |      | 548.893      |      |
| Financial income/monetary and foreign exchange variations   | 1.086.134    |      | 1.147.163    |      | 2.229.535      |      | 1.132.005    |      |
| Goodwill/discount - amortization                            | (151.065)    |      | (14.204)     |      | (117.633)      |      | 10.422       |      |
| Rental and royalties                                        | 300.600      |      | 250.869      |      | 238.198        |      | 195.368      |      |
| TOTAL VALUE ADDED AVAILABLE FOR DISTRIBUTION                | 70.851.020   |      | 59.193.606   |      | 70.593.936     |      | 57.347.085   |      |
| DISTRIBUTION OF VALUE ADDED                                 | 70.851.020   | 100% | 59.193.606   | 100% | 70.593.936     | 100% | 57.347.085   | 100% |
| Personnel                                                   | 5.501.215    | 8%   | 6.365.379    | 11%  | 4.143.950      | 6%   | 5.165.974    | 9%   |
| Salaries, benefits and charges                              | 5.501.215    | 8%   | 6.365.379    | 11%  | 4.143.950      | 6%   | 5.165.974    | 9%   |

|                                             |                   |            |                   |            |                   |            |                   |            |
|---------------------------------------------|-------------------|------------|-------------------|------------|-------------------|------------|-------------------|------------|
| <b>Government entities</b>                  | <b>41.615.004</b> | <b>59%</b> | <b>34.195.117</b> | <b>58%</b> | <b>41.481.627</b> | <b>59%</b> | <b>33.816.611</b> | <b>59%</b> |
| Taxes, charges and contributions            | 29.207.097        | 41%        | 27.599.539        | 47%        | 29.656.852        | 42%        | 27.700.816        | 48%        |
| Deferred income/social contribution taxes   | 1.058.390         | 1%         | (511.237)         | -1%        | 782.117           | 1%         | (505.867)         | -1%        |
| Government participations                   | 11.349.517        | 17%        | 7.106.815         | 12%        | 11.042.658        | 16%        | 6.621.662         | 12%        |
| <b>Financial institutions and suppliers</b> | <b>7.348.781</b>  | <b>10%</b> | <b>6.793.576</b>  | <b>11%</b> | <b>9.851.734</b>  | <b>14%</b> | <b>7.176.832</b>  | <b>13%</b> |
| Interest, monetary and exchange variations  | 3.288.293         | 5%         | 3.153.366         | 5%         | 4.402.433         | 6%         | 2.627.707         | 5%         |
| Leasing and charter expenses                | 4.060.488         | 5%         | 3.640.210         | 6%         | 5.449.301         | 8%         | 4.549.125         | 8%         |
| <b>Shareholders:</b>                        | <b>16.386.020</b> | <b>23%</b> | <b>11.839.534</b> | <b>20%</b> | <b>15.116.625</b> | <b>21%</b> | <b>11.187.668</b> | <b>19%</b> |
| Interest on capital and dividends           |                   |            | 2.193.519         | 4%         |                   |            | 2.193.519         | 4%         |
| Minority interest                           | 677.632           | 1%         | 908.463           | 1%         |                   |            |                   |            |
| Retained earnings                           | 15.708.388        | 22%        | 8.737.552         | 15%        | <b>15.116.625</b> | 21%        | 8.994.149         | 15%        |
| (*) Includes allowance for doubtful debts.  |                   |            |                   |            |                   |            |                   |            |

**CONSOLIDATED SEGMENT INFORMATION AS OF JUNE 30, 2008****Consolidated Assets by Operating Segment - 06.30.2008**

|                               | R\$ Thousands     |                   |                    |                   |                   |                   |                     |                    |
|-------------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|-------------------|---------------------|--------------------|
|                               | E&P               | SUPPLY            | GAS<br>&<br>ENERGY | DISTRIB.          | INTERN.           | CORP.             | ELIMIN.             | TOTAL              |
| <b>ASSETS</b>                 | <b>97.299.942</b> | <b>64.342.976</b> | <b>31.823.219</b>  | <b>10.180.762</b> | <b>23.891.188</b> | <b>34.131.065</b> | <b>(11.404.815)</b> | <b>250.264.337</b> |
| <b>CORRENT<br/>ASSETS</b>     | <b>6.674.639</b>  | <b>30.211.350</b> | <b>5.602.603</b>   | <b>5.440.603</b>  | <b>5.578.903</b>  | <b>17.707.196</b> | <b>(11.210.516)</b> | <b>60.004.778</b>  |
| Cash and cash equivalent      |                   |                   |                    |                   |                   | 11.046.248        |                     | 11.046.248         |
| Other current assets          | 6.674.639         | 30.211.350        | 5.602.603          | 5.440.603         | 5.578.903         | 6.660.948         | (11.210.516)        | 48.958.530         |
| <b>NO-Corrent<br/>assets</b>  | <b>90.625.303</b> | <b>34.131.626</b> | <b>26.220.616</b>  | <b>4.740.159</b>  | <b>18.312.285</b> | <b>16.423.869</b> | <b>(194.299)</b>    | <b>190.259.559</b> |
| Long-term Assets              | 3.912.655         | 1.275.563         | 2.118.892          | 535.997           | 992.573           | 13.338.968        | (172.730)           | 22.001.918         |
| Property, plant and equipment | 83.292.610        | 28.536.224        | 22.962.965         | 2.802.499         | 12.906.056        | 1.792.930         | (21.569)            | 152.271.715        |
| Other                         | 3.420.038         | 4.319.839         | 1.138.759          | 1.401.663         | 4.413.656         | 1.291.971         |                     | 15.985.926         |

**Consolidated Income Statement by Operating Segment - Jan-Jun 2008**

|                                  | R\$ Thousand      |                   |                    |                   |                  |       |                     |                    |
|----------------------------------|-------------------|-------------------|--------------------|-------------------|------------------|-------|---------------------|--------------------|
|                                  | E&P               | SUPPLY            | GAS<br>&<br>ENERGY | DISTRIB.          | INTERN.          | CORP. | ELIMIN.             | TOTAL              |
| <b>Income<br/>Statement</b>      |                   |                   |                    |                   |                  |       |                     |                    |
| <b>Net operating<br/>Revenue</b> | <b>54.806.701</b> | <b>82.211.158</b> | <b>7.190.638</b>   | <b>25.972.507</b> | <b>9.664.572</b> |       | <b>(78.383.784)</b> | <b>101.461.792</b> |
| Intersegment                     | 54.029.887        | 22.038.637        | 912.185            | 441.121           | 961.954          |       | (78.383.784)        |                    |
| Third parties                    | 776.814           | 60.172.521        | 6.278.453          | 25.531.386        | 8.702.618        |       |                     | 101.461.792        |
| Cost of Goods Sold               | (20.528.999)      | (81.078.873)      | (6.093.517)        | (23.717.106)      | (7.675.189)      |       | 76.122.792          | (62.970.892)       |

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|                                           |                    |                    |                    |                    |                    |                    |                    |                   |
|-------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|
| <b>Gross Profit</b>                       | <b>34.277.702</b>  | <b>1.132.285</b>   | <b>1.097.121</b>   | <b>2.255.401</b>   | <b>1.989.383</b>   |                    | <b>(2.260.992)</b> | 38.490.900        |
| <b>Operating Expenses</b>                 | <b>(2.056.833)</b> | <b>(2.612.521)</b> | <b>(1.146.687)</b> | <b>(1.308.526)</b> | <b>(1.197.032)</b> | <b>(3.451.606)</b> | <b>128.550</b>     | (11.644.655)      |
| Selling, General & Administrative         | (324.517)          | (2.234.866)        | (487.073)          | (1.302.259)        | (733.261)          | (1.531.232)        | 125.426            | (6.487.782)       |
| Taxes                                     | (33.823)           | (41.217)           | (14.922)           | (13.613)           | (65.909)           | (105.678)          |                    | (275.162)         |
| Prospecting & Drilling                    | (1.059.469)        |                    |                    |                    | (219.915)          |                    |                    | (1.279.384)       |
| Impairment                                |                    |                    |                    |                    |                    |                    |                    |                   |
| Research & Development                    | (389.516)          | (151.240)          | (52.809)           | (6.756)            | (1.871)            | (188.121)          |                    | (790.313)         |
| Healthy and Pension Plan                  |                    |                    |                    |                    |                    | (712.145)          |                    | (712.145)         |
| Other Operating expenses                  | (249.508)          | (185.198)          | (591.883)          | 14.102             | (176.076)          | (914.430)          | 3.124              | (2.099.869)       |
| <b>Operating Income (Loss)</b>            | <b>32.220.869</b>  | <b>(1.480.236)</b> | <b>(49.566)</b>    | <b>946.875</b>     | <b>792.351</b>     | <b>(3.451.606)</b> | <b>(2.132.442)</b> | <b>26.846.245</b> |
| Financial Expensesnet                     |                    |                    |                    |                    |                    | (2.202.160)        |                    | (2.202.160)       |
| Equity Pick-up                            |                    | 52.375             | (15.742)           | 7.650              | 56.200             | (231.488)          |                    | (131.005)         |
| Monetary restatement of the balance sheet |                    |                    |                    |                    |                    |                    |                    |                   |
| Non - operating Income (expenses)         | 10.042             | 388.662            | 13.501             | (12.328)           | (6.287)            | 7.784              |                    | 401.374           |
| <b>Gain (Loss) before Income tax and</b>  | <b>32.230.911</b>  | <b>(1.039.199)</b> | <b>(51.807)</b>    | <b>942.197</b>     | <b>842.264</b>     | <b>(5.877.470)</b> | <b>(2.132.442)</b> | <b>24.914.454</b> |
| Income tax and social contribution        | (10.958.509)       | 371.134            | 12.262             | (317.746)          | (339.270)          | 1.978.664          | 725.031            | (8.528.434)       |
| Minority Interests                        | (284.947)          | 53.402             | (119.538)          |                    | (160.967)          | (165.582)          |                    | (677.632)         |
| Employees Interests                       |                    |                    |                    |                    |                    |                    |                    |                   |
| <b>Net Income (Loss)</b>                  | <b>20.987.455</b>  | <b>(614.663)</b>   | <b>(159.083)</b>   | <b>624.451</b>     | <b>342.027</b>     | <b>(4.064.388)</b> | <b>(1.407.411)</b> | <b>15.708.388</b> |

Pag: 127

**Consolidated statement - International Business Area - Jan-Jun 2008**

|                      | R\$ Thousand   |               |                |                 |              |                |              |
|----------------------|----------------|---------------|----------------|-----------------|--------------|----------------|--------------|
| <b>INTERNATIONAL</b> | <b>E&amp;P</b> | <b>SUPPLY</b> | <b>G&amp;E</b> | <b>DISTRIB.</b> | <b>CORP.</b> | <b>ELIMIN.</b> | <b>TOTAL</b> |
| Assets (06.30.2008)  | 15.543.503     | 6.278.508     | 2.357.277      | 781.179         | 2.591.328    | (3.660.607)    | 23.891.188   |

**INCOME  
STATEMENT**

|                         |           |           |         |           |           |             |           |
|-------------------------|-----------|-----------|---------|-----------|-----------|-------------|-----------|
| Net Operating Revenue   | 2.401.869 | 6.023.653 | 885.229 | 2.128.176 | 2.532     | (1.776.887) | 9.664.572 |
| Intersegment            | 1.250.272 | 1.225.237 | 210.834 | 52.498    |           | (1.776.887) | 961.954   |
| Third parties           | 1.151.597 | 4.798.416 | 674.395 | 2.075.678 | 2.532     |             | 8.702.618 |
| Operating Profit (Loss) | 771.153   | 47.326    | 169.609 | 90.589    | (290.717) | 4.391       | 792.351   |
| Net Income (Loss)       | 398.506   | 35.196    | 91.371  | 66.341    | (253.778) | 4.391       | 342.027   |

**Statement of Other Operating Income (Expenses) - Jan-Jun 2008**

|                                                              | R\$ thousands |           |           |          |           |           |         |             |
|--------------------------------------------------------------|---------------|-----------|-----------|----------|-----------|-----------|---------|-------------|
|                                                              | E&P           | SUPPLY    | G&E       | DISTRIB. | INTERN.   | CORP      | ELIMIN. | TOTAL       |
| Cultural Projects and Institutional Relations                | (36.969)      | (30.493)  | (2.735)   | (25.489) |           | (459.358) |         | (555.044)   |
| Contractual Fines and Charges                                |               |           | (294.650) |          |           |           |         | (294.650)   |
| Losses and Contingencies with Judicial Actions               | (12.985)      | (26.357)  | (538)     | (7.805)  | (128.999) | (113.298) |         | (289.982)   |
| Operating Expenses on Thermoelectric Power Stations          |               |           | (266.057) |          |           |           |         | (266.057)   |
| Expenditure on Environment, Healthcare and Safety            | (8.564)       | (39.204)  | (1.735)   |          |           | (123.513) |         | (173.016)   |
| Unscheduled Stoppages on Production Facilities and Equipment | (30.440)      | (41.365)  |           |          |           |           |         | (71.805)    |
| Contractual charges on Shipment Services - Ship or Pay       |               |           |           |          | (40.808)  |           |         | (40.808)    |
| Other                                                        | (160.550)     | (47.779)  | (26.168)  | 47.396   | (6.269)   | (218.261) | 3.124   | (408.507)   |
|                                                              | (249.508)     | (185.198) | (591.883) | 14.102   | (176.076) | (914.430) | 3.124   | (2.099.869) |

**PETROBRAS SAREHOLDERS BREAKDOWN**

| Stockholders                                           | Composition of Stock Capital (12/31/2007) |              | Composition of Stock Capital (06/30/2008) |              |
|--------------------------------------------------------|-------------------------------------------|--------------|-------------------------------------------|--------------|
|                                                        | Shares                                    | %            | Shares                                    | %            |
| <b>Common Shares</b>                                   | <b>2.536.673.672</b>                      | <b>100,0</b> | <b>5.073.347.344</b>                      | <b>100,0</b> |
| Federal Union                                          | 1.413.258.228                             | 55,7         | 2.826.516.456                             | 55,7         |
| BNDESPar                                               | 47.246.164                                | 1,9          | 94.492.328                                | 1,9          |
| ADR Level 3                                            | 695.675.776                               | 27,4         | 1.347.913.454                             | 26,6         |
| FMP - FGTS PETROBRAS                                   | 102.326.421                               | 4,0          | 195.552.114                               | 3,9          |
| Foreigner (Resolution nº 2.689 C.M.N.)                 | 80.989.971                                | 3,2          | 176.667.328                               | 3,4          |
| Other transfer agents (*)                              | 197.177.112                               | 7,8          | 432.205.664                               | 8,5          |
| <b>Preferred Shares</b>                                | <b>1.850.364.698</b>                      | <b>100,0</b> | <b>3.700.729.396</b>                      | <b>100,0</b> |
| BNDESPar                                               | 287.023.667                               | 15,5         | 574.047.334                               | 15,5         |
| ADR Level 3 and Rule 144-A                             | 675.831.674                               | 36,5         | 1.264.238.324                             | 34,2         |
| Foreigner (Resolution nº 2689 C.M.N.)                  | 260.984.824                               | 14,1         | 496.839.188                               | 13,4         |
| Other transfer agents (*)                              | 626.524.533                               | 33,9         | 1.365.604.550                             | 36,9         |
| <b>Capital</b>                                         | <b>4.387.038.370</b>                      | <b>100,0</b> | <b>8.774.076.740</b>                      | <b>100,0</b> |
| Federal Union                                          | 1.413.258.228                             | 32,2         | 2.826.516.456                             | 32,2         |
| BNDESPar                                               | 334.269.831                               | 7,6          | 668.539.662                               | 7,6          |
| ADR (Common Shares)                                    | 695.675.776                               | 15,9         | 1.347.913.454                             | 15,4         |
| ADR (Preferred Shares)                                 | 675.831.674                               | 15,4         | 1.264.238.324                             | 14,4         |
| FMP - FGTS PETROBRAS                                   | 102.326.421                               | 2,3          | 195.552.114                               | 2,2          |
| Foreigner (Resolution nº 2689 C.M.N.)                  | 341.974.795                               | 7,8          | 673.506.516                               | 7,7          |
| Other transfer agents (*)                              | 823.701.645                               | 18,8         | 1.797.810.214                             | 20,5         |
| <b>(*) Includes Bovespa custody and other entities</b> |                                           |              |                                           |              |

**6. Consolidated Taxes and Contributions**

The economic contribution of Petrobras to the country, measured through the generation of current taxes, duties and social contributions, totaled R\$ 28,376 million.

| R\$ million   |               |               |           |                                             |               |               |           |
|---------------|---------------|---------------|-----------|---------------------------------------------|---------------|---------------|-----------|
| 2nd Quarter   |               |               |           | First Half                                  |               |               |           |
| 1Q-2008       | 2008          | 2007          | Δ %       |                                             | 2008          | 2007          | Δ %       |
|               |               |               |           | <b>Economic Contribution - Country</b>      |               |               |           |
|               |               |               |           | <b>Value Added Tax (ICMS)</b>               |               |               |           |
| 4,550         | 4,883         | 4,484         | 9         |                                             | 9,433         | 8,616         | 9         |
| 1,944         | 1,422         | 1,973         | (28)      | <b>CIDE <sup>(1)</sup></b>                  | 3,366         | 3,826         | (12)      |
| 3,046         | 3,214         | 2,974         | 8         | <b>PASEP/COFINS</b>                         | 6,260         | 5,723         | 9         |
|               |               |               |           | <b>Income Tax &amp; Social Contribution</b> |               |               |           |
| 3,888         | 4,265         | 3,005         | 42        |                                             | 8,153         | 5,897         | 38        |
| 577           | 587           | 658           | (11)      | <b>Other</b>                                | 1,164         | 1,314         | (11)      |
| <b>14,005</b> | <b>14,371</b> | <b>13,094</b> | <b>10</b> | <b>Subtotal Country</b>                     | <b>28,376</b> | <b>25,376</b> | <b>12</b> |
|               |               |               |           | <b>Economic Contribution - Foreign</b>      |               |               |           |
| 852           | 1,037         | 824           | 26        |                                             | 1,889         | 1,712         | 10        |
| <b>14,857</b> | <b>15,408</b> | <b>13,918</b> | <b>11</b> | <b>Total</b>                                | <b>30,265</b> | <b>27,088</b> | <b>12</b> |

<sup>(1)</sup> CIDE ECONOMIC DOMAIN CONTRIBUTION CHARGE

**7. Government Take**

| R\$ million  |              |              |           |                              |               |              |           |
|--------------|--------------|--------------|-----------|------------------------------|---------------|--------------|-----------|
| 2nd Quarter  |              |              |           | First Half                   |               |              |           |
| 1Q-2008      | 2008         | 2007         | Δ %       |                              | 2008          | 2007         | Δ %       |
|              |              |              |           | <b>Country</b>               |               |              |           |
| 2,397        | 2,847        | 1,778        | 60        | <i>Royalties</i>             | 5,244         | 3,405        | 54        |
| 2,430        | 3,313        | 1,647        | 101       | <i>Special Participation</i> | 5,743         | 3,156        | 82        |
| 30           | 26           | 28           | (7)       | <i>Surface Rental Fees</i>   | 56            | 61           | (8)       |
| <b>4,857</b> | <b>6,186</b> | <b>3,453</b> | <b>79</b> | <b>Subtotal Country</b>      | <b>11,043</b> | <b>6,622</b> | <b>67</b> |
| 146          | 161          | 186          | (13)      | <b>Foreign</b>               | 307           | 485          | (37)      |
| <b>5,003</b> | <b>6,347</b> | <b>3,639</b> | <b>74</b> | <b>Total</b>                 | <b>11,350</b> | <b>7,107</b> | <b>60</b> |

The government take in the country increased by 67% year-on-year in the 1H-2008, due to the 44% upturn in the reference price for local oil (R\$ 148.88 in the 1H-2008 versus R\$ 103.16 in the 1H-2007), reflecting the average Brent price on the international market, and the increase in output, due to the operational start-up of the FPSO-Cidade do RJ

(Espadarte), P-52 (Roncador) and P-54 (Roncador) platforms.

In the 2Q-2008, , the government take in the country moved up 27% over the previous quarter, due to the 9% upturn in the reference price for local oil (R\$ 155.28 in the 2Q-2008, versus R\$ 142.47 in the 1Q-2008), reflecting the average Brent price on the international market, plus increased output from the recently installed platforms in the Roncador field.

**8. Reconciliation of Consolidated Shareholders' Equity and Net Income**

|                                                              | R\$ million          |        |
|--------------------------------------------------------------|----------------------|--------|
|                                                              | Shareholders' Equity | Result |
| . According to PETROBRAS information as of 06.30.2008        | 131,110              | 15,117 |
| . Profit in the sales of products in affiliated inventories  | (491)                | (491)  |
| . Reversal of profits on inventory in previous years         | -                    | 669    |
| . Capitalized interest                                       | (803)                | 7      |
| . Absorption of negative net worth in affiliated companies * | 135                  | 222    |
| . Other eliminations                                         | (243)                | 184    |
| . According to consolidated information as of 06.30.2008     | 129,708              | 15,708 |

\* Pursuant to CVM Instruction 247/96, losses considered temporary on investments evaluated by the equity method, where the investee shows no signs of stoppage or the need for financial support from the investor, must be limited to the amount of the controlling company's investment. Thus losses generated by unfunded liabilities (negative shareholders' equity) of the controlled companies did not affect the results or shareholders' equity of Petrobras on December 31, 2007, generating a conciliatory item between the Financial Statements of Petrobras and the Consolidated Financial Statements.

**9. Performance of Petrobras Shares and ADRs**

| Nominal Change |        |        |                     |         |        |
|----------------|--------|--------|---------------------|---------|--------|
| 2nd Quarter    |        |        | First Half          |         |        |
| 1Q-2008        | 2008   | 2007   |                     | 2008    | 2007   |
| -14.60%        | 25.91% | 13.61% | Petrobras ON        | 7.52%   | 7.87%  |
| -16.30%        | 24.91% | 11.92% | Petrobras PN        | 4.55%   | 3.69%  |
| -11.39%        | 38.73% | 21.87% | ADR- Level III - ON | 22.93%  | 17.75% |
| -11.98%        | 36.85% | 19.40% | ADR- Level III - PN | 20.45%  | 15.01% |
| -4.57%         | 6.64%  | 18.75% | IBOVESPA            | 1.77%   | 22.30% |
| -7.55%         | -7.44% | 8.53%  | DOW JONES           | -14.44% | 7.59%  |
| -14.07%        | 0.61%  | 7.50%  | NASDAO              | -13.55% | 7.78%  |

Petrobras' shares had a book value of R\$ 14.94 on June 30, 2008.

**10. Foreign Exchange Exposure**

| Assets                                                                                                                                            | R\$ million     |                 |
|---------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
|                                                                                                                                                   | 06.30.2008      | 03.31.2008      |
| <b>Current Assets</b>                                                                                                                             | <b>6,692</b>    | <b>8,334</b>    |
| Cash and Cash Equivalents                                                                                                                         | 2,312           | 4,049           |
| Other Current Assets                                                                                                                              | 4,380           | 4,285           |
| <b>Non-current Assets</b>                                                                                                                         | <b>20,228</b>   | <b>18,626</b>   |
| Amounts invested abroad via partner companies, in the international segment, in E&P equipments to be used in Brazil and in commercial activities. | 19,271          | 17,618          |
| Long-term Assets                                                                                                                                  | 488             | 554             |
| Investments                                                                                                                                       |                 |                 |
| Property, plant and equipment                                                                                                                     | 469             | 454             |
| <b>Total Assets</b>                                                                                                                               | <b>26,920</b>   | <b>26,960</b>   |
| Liabilities                                                                                                                                       | R\$ million     |                 |
|                                                                                                                                                   | 06.30.2008      | 03.31.2008      |
| <b>Current Liabilities</b>                                                                                                                        | <b>(6,332)</b>  | <b>(4,859)</b>  |
| Short-term Debt                                                                                                                                   | (2,476)         | (2,435)         |
| Suppliers                                                                                                                                         | (3,252)         | (1,792)         |
| Other Current Liabilities                                                                                                                         | (604)           | (632)           |
| <b>Long-term Liabilities</b>                                                                                                                      | <b>(12,601)</b> | <b>(14,124)</b> |
| Long-term Debt                                                                                                                                    | (11,645)        | (13,024)        |
| Other Long-term Liabilities                                                                                                                       | (956)           | (1,100)         |
| <b>Total Liabilities</b>                                                                                                                          | <b>(18,933)</b> | <b>(18,983)</b> |
| Net Assets (Liabilities) in Reais                                                                                                                 | <b>7,987</b>    | <b>7,977</b>    |
| (+) Investment Funds - Exchange                                                                                                                   | 14              | 20              |
|                                                                                                                                                   |                 | 173             |

|                                                     |              |              |
|-----------------------------------------------------|--------------|--------------|
| (-) Empréstimos FINAME - em reais indexado ao dólar | (272)        | (355)        |
| <b>Net Assets (Liabilities) in Reais</b>            | <b>7,729</b> | <b>7,642</b> |

\* The results of investments in Exchange Funds are booked under Financial Revenue.

## **17.01 SPECIAL REVIEW REPORT**

### **Independent accountants review report**

(A free translation of the original report in Portuguese, as filed with the Brazilian Securities Commission (CVM), prepared in accordance with rules of the CVM)

To  
The Board of Directors and Shareholders of  
Petróleo Brasileiro S.A. - Petrobras  
Rio de Janeiro - RJ

We have reviewed the accounting information included in the Quarterly Information - ITR (Parent Company and Consolidated) of Petróleo Brasileiro S.A. - Petrobras and its subsidiaries for the quarter ended June 30, 2008, comprising the balance sheet and the related statements of income, cash flows and added value, the management report and the footnotes, which are the responsibility of its management.

Our review was performed in accordance with the review standards established by the IBRACON - Brazilian Institute of Independent Auditors and the Federal Council of Accountancy - CFC, which comprised, mainly: (a) inquiry and discussion with management responsible for the accounting, financial and operational areas of the Company and its subsidiaries, regarding the main criteria adopted in the preparation of the Quarterly Information; and (b) review of the information and subsequent events, which have, or may have, a material effect on the financial position and operations of the Company and its subsidiaries.

**Pag: 133**

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Based on our review, we are not aware of any material change that should be made to the accounting information included in the Quarterly Information referred to above, for them to be in accordance with the regulation issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information, including the CVM Instruction 469/08.

As mentioned in Note 2, Law 11.638 was enacted on December 28, 2007 and came into effect on January 1, 2008. This Law amended, revoked and introduced new provisions to Law 6.404/76 (Corporation Law) and caused changes in the accounting practices adopted in Brazil. Although this Law is already in force, some changes introduced depend on regulation by the regulatory authorities in order to be fully implemented by the companies. Therefore, during this transition phase, the CVM, by the CVM Instruction 469/08, has allowed the Quarterly Information (ITR) to be prepared without applying all the provisions of Law 11.638/07. As a result, the accounting information contained in the ITR for the quarter ended June 30, 2008, were prepared according to specific instructions of the CVM and does not take into consideration all modifications on the accounting practices introduced by Law 11.638/07.

Our review was performed with the objective of issuing a review report on the accounting information included in the Quarterly Information referred to in the first paragraph, taken as a whole. The statement of segment information for the quarter ended June 30, 2008, represents supplementary information to the quarterly information, is not required by the accounting practices adopted in Brazil and is being presented to facilitate additional analysis. This supplementary information was subject to the same review procedures as applied to the Quarterly Information and, based on our review, we are not aware of any material change that should be made for them to be adequately presented in relation to the Quarterly Information referred to in the first paragraph, taken as a whole.

August 11, 2008

KPMG Auditores Independentes  
CRC SP-14.428/O -6-F-RJ

Manuel Fernandes Rodrigues de Sousa Accountant  
CRC-RJ-052.428/O -2

| <b>ANNEX</b> | <b>FRAME</b> | <b>DESCRIPTION</b>                                                                      | <b>PAGE</b> |
|--------------|--------------|-----------------------------------------------------------------------------------------|-------------|
| 01           | 01           | IDENTIFICATION                                                                          | 1           |
| 01           | 02           | HEAD OFFICE                                                                             | 1           |
| 01           | 03           | DIRECTOR OF INVESTOR RELATIONS (BUSINESS ADDRESS)                                       | 1           |
| 01           | 04           | GENERAL INFORMATION/INDEPENDENT ACCOUNTANTS                                             | 1           |
| 01           | 05           | CURRENT BREAKDOWN OF PAID-IN CAPITAL                                                    | 2           |
| 01           | 06           | CHARACTERISTICS OF THE COMPANY                                                          | 2           |
| 01           | 07           | COPORATIONS/PARTNERSHIPS EXCLUDED FROM THE CONSOLIDATED STATEMENTS                      | 2           |
| 8301         | 08           | DIVIDENDS/INTEREST ON CAPITAL APPROVED AND/OR PAID DURING AND AFTER THE CURRENT QUARTER | 2           |
| 01           | 09           | SUBSCRIBED CAPITAL AND CHANGES IN THE CURRENT YEAR                                      | 3           |
| 01           | 10           | INVESTOR RELATIONS DIRECTOR                                                             | 3           |
| 02           | 01           | UNCONSOLIDATED BALANCE SHEET - ASSETS                                                   | 4           |
| 02           | 02           | UNCONSOLIDATED BALANCE SHEET - LIABILITIES                                              | 5           |
| 03           | 01           | UNCONSOLIDATED STATEMENT OF INCOME FOR THE QUARTER                                      | 7           |
| 04           | 01           | NOTES TO QUARTERLY INFORMATION                                                          | 9           |
| 05           | 01           | QUARTERLY PERFORMANCE OF THE COMPANY                                                    | 84          |
| 06           | 01           | CONSOLIDATED BALANCE SHEET - ASSETS                                                     | 87          |
| 06           | 02           | CONSOLIDATED BALANCE SHEET - LIABILITIES                                                | 88          |
| 07           | 01           | CONSOLIDATED STATEMENT OF INCOME FOR THE QUARTER                                        | 89          |
| 08           | 01           | QUARTERLY CONSOLIDATED PERFORMANCE OF THE COMPANY                                       | 91          |
| 10           | 01           | CHARACTERISTICS OF THE PUBLIC OR PRIVATE ISSUE OF DEBENTURES                            | 122         |
| 16           | 01           | OTHER INFORMATION WHICH THE COMPANY UNDERSTAND RELEVANTS                                | 125         |
| 17           | 01           | SPECIAL REVIEW REPORT                                                                   | 133         |

## 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: August 13, 2008

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 of future 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.

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