

PETROBRAS - PETROLEO BRASILEIRO SA  
Form 6-K  
March 09, 2009

---

**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

---

**FORM 6-K**

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

**For the month of March, 2009**

**Commission File Number 1-15106**

---

**PETRÓLEO BRASILEIRO S.A. - PETROBRAS**  
(Exact name of registrant as specified in its charter)

**Brazilian Petroleum Corporation - PETROBRAS**  
(Translation of Registrant's name into English)

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

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

Form 20-F  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

---

**PETROBRAS ANNOUNCES RESULTS FOR THE FOURTH QUARTER OF 2008**

**(Rio de Janeiro March 6, 2009) PETRÓLEO BRASILEIRO S.A. Petrobras announces today its consolidated results expressed in millions of Brazilian Reais, in accordance with generally accepted accounting practices in Brazil (BR GAAP).** The consolidated financial statements presented in this report reflect the changes in Brazilian accounting practices introduced by Law 11.638/07. Given that these adjustments were effected in December 2008, in accordance with the law, the comments on the financial performance are based on Law 6.404/76, which precedes Law 11.638/07, in order to allow comparisons with previous periods.

**Consolidated net income in 2008 reached the record level of R\$ 33,915 million, 58% up on 2007.** This result was chiefly due to the upturn in average oil product sales prices, the 5% increase in oil and gas production, higher sales volume and exchange gains on dollar-denominated net assets.

**Consolidated net income in the 4Q-2008 rose by 46% year-on-year** despite the international economic crisis which led to successive reductions in oil prices and, consequently, in the sales price in Brazil and abroad, together with the increase in the cost of goods sold, given that part of the impact of the fourth-quarter price slide on import costs and the government take was retained in end-of-period inventories. These effects were offset by the gasoline and diesel price hike in May 2008, the 37% increase in export volume and exchange gains on net dollar-denominated assets. In addition, in the 4Q-2008, the Company booked provisions for interest on capital in the amount of R\$7,019 million, generating a tax benefit of R\$2,386 million.

Annual operating cash flow (EBITDA) moved up 14% over 2007, but final-quarter EBITDA fell by 39% over the 3Q-2008. In relation to the previous quarter, the operating result was especially affected by the reduction in the average global sales price, as already mentioned.

**This document is divided into five topics :**

| <b>PETROBRAS SYSTEM</b>      | <b>Page</b> | <b>PETROBRAS</b>  | <b>Page</b> |
|------------------------------|-------------|-------------------|-------------|
| <b>Financial Performance</b> | <b>03</b>   | <b>Financial</b>  |             |
| <b>Operating Performance</b> | <b>12</b>   | <b>Statements</b> | <b>44</b>   |
| <b>Financial Statements</b>  | <b>26</b>   |                   |             |
| <b>Appendices</b>            | <b>35</b>   |                   |             |

---

## PETROBRAS SYSTEM

Annual exports reached the record volume of 673,000 barrels/day, 9.4% up on 2007, and the 2008 trade surplus increased by 34%.

Total oil and gas production (domestic and international) moved up by 4% over 2007. Fourth-quarter output climbed by 6% year-on-year and remained stable over the 3Q-2008. The operational start-up of the new production platforms more than offset the natural decline of the fields themselves.

The overall Reserve Replacement Index (RRI) stood at 109%, according to the criteria of the SPE (Society of Petroleum Engineers) and at 38% according to SEC criteria (reserve/production ratios of 18.2 and 13.5 years, respectively). In Brazil, the RRI came to 123% using the SPE methodology and 27% according to the SEC methodology. These proven reserves do not reflect the oil and gas discoveries in the pre-salt layer.

The 2008 result primarily reflects alterations to the following practices:

- a) Changes in foreign exchange rates and the conversion of financial statements (CPC 02 - CVM Resolution 534/08)
- b) Leasing (CPC 06 - CVM Resolution 554/08);
- c) Government Subsidies and Assists (CPC 07 - CVM Resolution 555/08);
- d) Financial instruments: recognition, measurement and presentation (CPC14 - CVM Resolution 566/08).

For more details, see the appendices.

The Petrobras System invested R\$ 53,349 million in 2008, 18% up on the previous year. In the 4Q-2008, investments totaled R\$ 19,299 million, 31% more than in the 4Q-2007 and 47% up quarter-over-quarter. Most of the funds were allocated to boosting future oil and gas production capacity in Brazil.

The Petrobras System's added value was 11% higher than in 2007. The main beneficiary was the group of shareholders who saw their holdings appreciate by 33% in the same period.

**Statement by the CEO, José Sergio Gabrielli de Azevedo.**

Dear shareholders and investors,

We are pleased to announce the results for the fiscal year and fourth quarter 2008. Please note the annual results discussed below incorporate changes in accounting practices following the enactment of Law 11,638/07, which aims to align Brazilian accounting with international accounting practices.

The year's earnings are a reflection of the soundness of Petrobras' resources and the robustness of the integration of the Company's businesses. Our strengths became fully evident in the second half of the year, as the international financial crisis spread to the real economy. The period was characterized by a sharp global economic slowdown and a dramatic readjustment in commodity prices, as oil declining from a high of US\$147.00 per barrel to a low of US\$37.00/barrel.

With this new economic scenario, we must modify the way we manage our businesses. We have intensified the efficient use of available resources, optimizing costs and redesigning our processes – all with the purpose of reducing expenditures to preserve our capacity to invest and create jobs, and to add shareholder value.

In light of lower cash flows from declining commodity prices, we are prioritizing those investments that combine early generation of cash flow with greater economic return. This shift in focus was even more apparent in our revised Business Plan for the 2009-2013 period.

In 2008, capital expenditures at R\$ 53,349 million were the largest in Petrobras' history, 18% more than the preceding year. These investments were instrumental in allowing us to increase our oil and natural gas production by approximately 4.3%, reaching 2,400 thousand barrels/day and guaranteeing self-sufficiency in volume terms for our leading market. Our record level of capital expenditures reflects the enormity of our business portfolio and the outstanding growth potential offered by the Brazilian market.

It is worth mentioning that since the beginning of 2008 to the present, we have installed more than 475 thousand barrels of additional oil production capacity, with the start-up of the P-51, FPSO Cidade de Rio das Ostras, P-53 and FPSO Cidade de Niterói platforms. This additional capacity is indicative of our ability to manage major projects and it reaffirms our ability to meet the considerable challenges still before us, such as the pre-salt area. Together with our partners, we expect to bring on stream at least a further 230 thousand barrels per day of capacity by the end of 2009.

In the light of the foregoing, we can report a record annual net income of R\$ 32.988 million, 53% higher than 2007, achieved through greater production volumes, and higher price realizations in the domestic and export markets. The absence of non-recurring expenses from the renegotiation of the pension plan, which had affected 2007 results, and the foreign exchange rate gain on net assets denominated in dollars, also contributed to improved earnings.

At the Ordinary General Meeting to be held on April 8, we are proposing the distribution of dividends amounting to R\$ 9,915 million corresponding to gross earnings of R\$1.13 per common and preferred share.

It is important to emphasize our focus on operating costs and capital discipline. We are working to reduce our costs, at the same time monitoring the trend and impact on the goods, services and human resources supply chain in the hydrocarbons industry. An example of this process was the cancellation of bidding for the construction projects of P-61 and P-63 platforms in the light of the proposals received - considered excessive when measured against prevailing market conditions.



**PETROBRAS SYSTEM**

Financial Performance

There were many successes and achievements in the fourth quarter of 2008 and the beginning of this year. I would like to highlight some of them both in the operating as well as corporate fields.

On December 31 2008, our proved reserves of oil, condensate and natural gas in Brazil and overseas were 15,085 billion according to Society of Petroleum Engineers SPE criteria. Only 128 million boe of this total was from discoveries in the pre-salt. Thus we are confident we can continue to replace reserves and maintain our reserve to production ratio. For every barrel of oil equivalent produced in 2008, 1.09 barrels was appropriated to proved reserves, resulting in a Reserve Replacement Ratio RRR of 109%. The Reserve/Production (R/P) ratio was 18.2 years. For twenty successive years we have replaced over 100% of our production.

In addition, we also announced various discoveries both in Brazil - light oil in the pre-salt layer of Espírito Santo and the Jequitinhonha Basin as well as overseas, in the deep offshore waters in Angola. These give us greater confidence in executing our projects and in the consolidation of company growth.

Average oil, LNG and natural gas production in Brazil grew by 5% in relation to the preceding year, reaching 2,176 thousand boed. In the fourth quarter of 2008 the Company recorded an average of 2,195 thousand boed.

We recently announced our business plan for 2009-2013, which was reviewed and brought up to date in the light of changes in the panorama for the industry. We have maintained significant and realistic growth targets and incorporated resources for exploration and development of the pre-salt layer. The plan envisages capital expenditures of US\$ 174.4 billion up to 2013 for this area of Petrobras activities.

We have not been adversely affected by the difficult conditions in the credit markets. At the end of 2008 we concluded a number of new loans at a time of extreme market volatility. We continue to benefit from the support of major financial institutions who understand Petrobras's financial strengths and our commitment to a sound capital structure. The National Economic and Social Development Bank BNDES has committed to lend Petrobras \$Rs. 25 billion in 2009. Additionally, we borrowed \$6 billion from a syndicate of domestic and international banks. In the middle of February, we issued US\$ 1.5 billion ten year Global Notes in the international market. The new issue was 3.5 times oversubscribed, evidence of investor confidence and Petrobras's credibility in the credit markets.

Despite the adverse scenario of recent months, we believe that fiscal year 2008's results are testimony to the Company's entrepreneurial spirit and a ratification of its capacity to transform challenges into concrete achievements. These results drive us in the direction of continued growth, surpassing limits and creating a new concept for an energy company, all in our quest to become one of the world's five largest integrated energy companies.

## PETROBRAS SYSTEM

## Financial Performance

## Net Income and Consolidated Economic Indicators

Petrobras posted consolidated net income of R\$ 33,915 million in 2008, 58% up on 2007.

| R\$ million |         |         |       |                                     |         |         |         |       |
|-------------|---------|---------|-------|-------------------------------------|---------|---------|---------|-------|
| 4th Quarter |         |         |       | Fiscal Year                         |         |         |         |       |
| 3Q-2008     | 2008    | 2007    | Δ %   |                                     | 2008    | 2008    | 2007    | Δ %   |
| 81,482      | 76,925  | 57,922  | 33    | Gross Operating Revenues            | 266,494 | 284,579 | 218,254 | 30    |
| 67,460      | 63,262  | 45,417  | 39    | Net Operating Revenues              | 215,118 | 232,183 | 170,578 | 36    |
| 13,211      | 5,040   | 8,766   | (43)  | Operating Profit <sup>(1)</sup>     | 45,950  | 45,603  | 40,026  | 14    |
| 2,843       | 3,381   | (859)   | (494) | Financial Result                    | 3,129   | 4,022   | (4,021) | (200) |
| 10,852      | 7,355   | 5,053   | 46    | Net Income                          | 32,988  | 33,915  | 21,512  | 58    |
| 1.24        | 0.84    | 0.58    | 46    | Net Income per Share <sup>(3)</sup> | 3.76    | 3.87    | 2.45    | 58    |
|             |         |         |       | Market Value (Parent                |         |         |         |       |
| 344,092     | 223,991 | 429,923 | (48)  | Company)                            | 223,991 | 223,991 | 429,923 | (48)  |
| 31          | 24      | 36      | (12)  | Gross Margin (%)                    | 34      | 32      | 39      | (7)   |
| 20          | 8       | 19      | (11)  | Operating Margin (%)                | 21      | 20      | 23      | (3)   |
| 16          | 12      | 11      | 1     | Net Margin (%)                      | 15      | 15      | 13      | 2     |
| 15,650      | 9,577   | 11,952  | (25)  | EBITDA R\$ million <sup>(2)</sup>   | 57,170  | 57,213  | 50,156  | 14    |
|             |         |         |       | Financial and Economic              |         |         |         |       |
|             |         |         |       | Indicators                          |         |         |         |       |
| 115         | 55      | 89      | (38)  | Brent (US\$/bbl)                    | 97      | 97      | 73      | 34    |
|             |         |         |       | US Dollar Average Price -           |         |         |         |       |
| 1.67        | 2.28    | 1.78    | 28    | Sale (R\$)                          | 1.84    | 1.84    | 1.95    | (6)   |
|             |         |         |       | US Dollar Last Price - Sale         |         |         |         |       |
| 1.91        | 2.34    | 1.77    | 32    | (R\$)                               | 2.34    | 2.34    | 1.77    | 32    |

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

(2) For comparative purposes, earnings per share was recalculated for previous periods due to the share split approved by the EGM of March 24, 2008.

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

| R\$ million |       |       |     |   |        |        |        |    |
|-------------|-------|-------|-----|---|--------|--------|--------|----|
| 4th Quarter |       |       |     | Fiscal Year                                     |        |        |        |    |
| 3Q-2008     | 2008  | 2007  | Δ % | 2008 Law 11.638                                 | 2008   | 2007   | Δ %    |    |
|             |       |       |     |   |        |        |        |    |
| 16,192      | 7,592 | 7,800 | (3) | Operating Income as per Brazilian Corporate Law | 48,205 | 49,226 | 35,540 | 39 |

Edgar Filing: PETROBRAS - PETROLEO BRASILEIRO SA - Form 6-K

|               |              |               |       |                             |               |               |               |       |
|---------------|--------------|---------------|-------|-----------------------------|---------------|---------------|---------------|-------|
| (2,843)       | (3,381)      | 859           | (494) | (-) Financial Result        | (3,129)       | (4,022)       | 4,021         | (200) |
| (138)         | 829          | 107           | 675   | (-) Equity Income Result    | 874           | 399           | 465           | (14)  |
|               |              |               |       | Provision for Employees     |               |               |               |       |
| (660)         | (157)        | (102)         | 54    | Profit Sharing              | (1,345)       | (1,345)       | (1,012)       | 33    |
| <b>12,551</b> | <b>4,883</b> | <b>8,664</b>  | (44)  | <b>Operating Profit</b>     | <b>44,605</b> | <b>44,258</b> | <b>39,014</b> | 13    |
| 3,099         | 3,769        | 2,842         | 33    | Depreciation / Amortization | 11,632        | 12,030        | 10,696        | 12    |
| -             | 925          | 446           | 107   | Loss on assets recovery     | 933           | 925           | 446           | 107   |
| <b>15,650</b> | <b>8,652</b> | <b>11,506</b> | (20)  | <b>EBITDA</b>               | <b>57,170</b> | <b>57,213</b> | <b>50,156</b> | 14    |
| <b>23</b>     | <b>15</b>    | <b>26</b>     | (11)  | <b>EBITDA Margin (%)</b>    | <b>27</b>     | <b>25</b>     | <b>29</b>     | (4)   |

EBITDA is not a measure recognized by the accounting practices adopted in Brazil and other companies may define it in different ways. It should not be considered as an alternative indicator for measuring operating income, liquidity or cash flow from operating activities. EBITDA is an additional measure of the Company's capacity to amortize debt, maintain investments and cover working capital needs.



## PETROBRAS SYSTEM

## Financial Performance

The main factors contributing to the annual variation in operating income were as follows:

| R\$ MILLION                                     |               |
|---|---------------|
| CONSOLIDATED - LAW 6.404/76                     | 2008 x 2007   |
| Operating Income (2007)                         | 40,026        |
| Prices Effect                                   | 26,289        |
| Trading Operations                              | (1,010)       |
| Import of oil, oil products and gas             | (12,301)      |
| Government Take                                 | (6,011)       |
| Impairment                                      | (1,381)       |
| Losses on recovery of assets                    | (479)         |
| Expenses with Renegotiation of Petros Fund Plan | 1,748         |
| Write-off of dry wells                          | (608)         |
| Provision for area abandonment                  | (403)         |
| Other   | (267)         |
| Operating Income (2008)                         | <b>45,603</b> |

\* The net result of commodity sale hedge operations generated a positive variation of R\$ 1,075 million over 2007 and is recognized in the financial result.

The behavior of the other components of consolidated net income is shown below:

A R\$ 8,504 million increase in gross profit:

| Gross Profit Analysis - Main Items                                    | R\$ million  |   |              |
|---|--------------|---|--------------|
|   | Net Revenues | Change<br>2008 X 2007<br>Cost of Goods Sold | Gross Profit |
| <b>. Domestic Market:</b>   |              |   |              |
| - volumes sold  | 7,386        | (7,838)                                     | (452)        |
| - domestic prices   | 19,638       | -   | 19,638       |
| <b>. International Market:</b>  |              |   |              |
| - export volumes  | 1,073        | (655)                                       | 418          |
| - export price  | 6,651        | -   | 6,651        |
| <b>. Increase in expenses: (*)</b>                                    | -            | (19,537)                                    | (19,537)     |
| <b>. Increase (decrease) in profitability of distribution segment</b> | 1,132        | (748)                                       | 384          |
| <b>. Increase (decrease) in profitability of trading operations</b>   | 3,444        | (4,454)                                     | (1,010)      |
| <b>. Increase (decrease) in international sales</b>                   | 3,306        | (3,317)                                     | (11)         |
| <b>. FX effect on controlled companies abroad</b>                     | 12,453       | (11,261)                                    | 1,192        |
| <b>. Other</b>  | 6,522        | (5,291)                                     | 1,231        |

61,605 (53,101) 8,504

| (*) Expenses Composition:                                  | Value    |
|--|----------|
| - import of crude oil and oil products and gas             | (12,301) |
| - domestic Government Take                                 | (6,011)  |
| - materials, services and depreciation                     | 124      |
| - non-oil products, including alcohol, biodiesel and other | (728)    |
| - transportation: maritime and pipelines <sup>(1)</sup>    | (553)    |
| - third-party services                                     | (91)     |
| - generation and purchase of energy for commercialization  | (11)     |
| - salaries, benefits and charges                           | 34       |
|  | (19,537) |

(1) Expenses with transportation, terminals and pipelines.

**A R\$ 2,927 million increase in operating expenses, notably:**

Selling expenses (R\$ 1,579 million) due to higher sales volume in Brazil and abroad, reflecting increased charter expenses and international freight costs (R\$ 1,157 million), including the effect of the annual appreciation of the dollar (32%), plus the increase in provisions for doubtful debts (R\$ 103 million);

General and administrative expenses (R\$ 1,066 million), due to the rise in personnel costs as a result of the increase in the workforce and collective bargaining agreement in Brazil (R\$ 233 million) and abroad (R\$ 479 million), including the effect of the annual appreciation of the dollar, as well as third-party consulting, auditing and data processing services in Brazil (R\$ 164 million).

Exploration costs (R\$ 1,084 million), due to the write-off of dry and economically unviable wells in Brazil (R\$ 971 million), in turn caused by the continuous increase in the number of wells drilled in recent years as a result of the Company's investment program, the upturn in the unit drilling cost due to the pressure of heightened industrial activity on inputs, and the reduction in the successful exploration ratio, given prospective drilling in higher risk areas in the Santos and Espírito Santo Basins;

Losses from the impairment of Exploration and Production assets (R\$ 479 million), reflecting the reduction in oil prices;

Other operating expenses (R\$ 148 million), due to losses from the devaluation of inventories (R\$ 1,381 million), caused by the decline in commodity prices, offset by non-recurring expenses with the Petros Plan in 2007 (R\$ 1,050 million) and reduced expenses with health, safety and the environment and contractual charges and fines (R\$ 106 million).

**More than offsetting the reduction in the following expenses:**

Health and Pension Plan (R\$ 1,068 million), due to the commitments assumed with the Reciprocal Obligation Agreement in 2007 (R\$ 697 million), as well as the 2008 reduction in actuarial expenses thanks to the healthy performance of the Plan's assets (R\$ 185 million) and the implementation of the drugstore benefit in 2007 (R\$ 97 million);

Tax expenses (R\$ 355 million), due to the elimination of the CPMF financial transaction tax as of January/08 and the increase in foreign taxes, especially those on dividends and inter-company loans;

## PETROBRAS SYSTEM

## Financial Performance

**A higher financial result (R\$ 8,043 million), thanks to the exchange gains on investments in assets abroad, as shown below:**

|  | R\$ Million  |              |         |
|--|--------------|--------------|---------|
|  | JAN-DEC/2008 | JAN-DEC/2007 | Change  |
| FX Effect on Net Debt                        | (1,315)      | (688)        | (627)   |
| Monetary Variation in Financing              | (321)        | (110)        | (211)   |
| Net Financial Expenses                       | (2,566)      | (1,805)      | (761)   |
| Financial Result on Net Debt                 | (4,202)      | (2,603)      | (1,599) |
| FX Variation - International Subsidiaries    | 6,418        | (2,254)      | 8,672   |
| Hedge for comercial and financial operations |              |              |         |
| Comercial                                    | 665          | (410)        | 1,075   |
| Financial                                    | (22)         | (19)         | (3)     |
| Total Hedge                                  | 642          | (429)        | 1,071   |
| Marketable Securities                        |              |              |         |
| Other Net Financial Income (Expenses)        | 248          | 417          | (169)   |
| Other Net FX and Monetary Variation          | 584          | 941          | (357)   |
|  | 330          | (95)         | 425     |
| Net Financial Results - law 6.404/76         | 4,020        | (4,023)      | 8,043   |

**The positive effect on minority interests (R\$ 4,076 million), due to the reduction in the result of the SPC s (R\$ 2,718 million), caused by the impact of the exchange variation on their debt, and the reduction in the results of the subsidiaries (R\$ 1,358 million).**

**An increase in equity income (R\$ 66 million), chiefly due to the impact of the exchange variation on the conversion of foreign subsidiaries financial statements (R\$ 1,315 million), reflecting the 32% annual appreciation of the dollar, and gains from the change in holdings following the corporate restructuring of Quattor Participações (R\$ 409 million), offset by the performance of petrochemical interests (R\$ 878 million) and the amortization of goodwill (R\$ 273 million).**

## PETROBRAS SYSTEM

## Financial Performance

The main factors contributing to the quarterly variation in operating income were as follows:

| R\$ MILLION                         |              |
|-------------------------------------|--------------|
| CONSOLIDATED - LAW 6.404/76         | 4Q08 x 3Q08  |
| Operating Income (2007)             | 13,211       |
| Prices Effect                       | (6,479)      |
| Trading Operations                  | (964)        |
| Import of oil, oil products and gas | 1,427        |
| Government Take                     | 865          |
| Impairment                          | (1,089)      |
| Loss on assets recovery             | (925)        |
| Write-off of dry wells              | (202)        |
| Provision for area abandonment      | (56)         |
| Other                               | (748)        |
| Operating Income (2008)             | <b>5,040</b> |

\* The net result of commodity sale hedge operations generated a positive variation of R\$ 447 million over 2007 and is recognized in the financial result.

The behavior of the other components of consolidated net income is shown below:

A R\$ 5,212 million reduction in gross profit:

| Main Items  | R\$ million                 |                    |              |
|---|-----------------------------|--------------------|--------------|
|   | Change<br>4Q-2008 x 3Q-2008 |                    |              |
|   | Net Revenues                | Cost of Goods Sold | Gross Profit |
| <b>. Domestic</b>   |                             |                    |              |
| <b>Market:</b>  |                             |                    |              |
| - volumes sold  | (2,096)                     | 1,346              | (750)        |
| - domestic price  | (991)                       | -                  | (991)        |
| <b>. International</b>  |                             |                    |              |
| <b>Market:</b>  |                             |                    |              |
| - export volumes  | 2,747                       | (1,272)            | 1,475        |
| - export price  | (5,488)                     | -                  | (5,488)      |
| <b>. Decrease in expenses:*</b>                                       | -                           | 2,091              | 2,091        |
| <b>. Increase (decrease) in profitability of distribution segment</b> | (11)                        | (59)               | (70)         |
| <b>. Increase (decrease) in profitability of trading operations</b>   | (2,786)                     | 1,822              | (964)        |
| <b>. Increase (decrease) in international sales</b>                   | (3,440)                     | 3,178              | (262)        |
| <b>. FX effect on controlled companies abroad</b>                     | 9,338                       | (9,494)            | (156)        |
| <b>. Other</b>  | (1,471)                     | 1,374              | (97)         |

(4,198) (1,014) (5,212)

| (*) Expenses Composition:                                     | Value |
|---|-------|
| - import of crude oil and oil products and gas <sup>(1)</sup> | 1,427 |
| - domestic Government Take                                    | 865   |
| - non-oil products, including alcohol, biodiesel and other    | 210   |
| - transportation: maritime and pipelines <sup>(2)</sup>       | (10)  |
| - materials, services and depreciation                        | 38    |
| - salaries, benefits and charges                              | (202) |
| - generation and purchase of energy for commercialization     | (29)  |
| - third-party services  | (208) |
|   | 2,091 |

(1) The decrease is a result of the drop of the international oil price and the low import volume of diesel.

(2) Expenses with transportation, terminals and pipelines.

## PETROBRAS SYSTEM

## Financial Performance

Considering that the period for Petrobras oil and oil products inventories correspond to approximately 60 days, the change of oil price, fx rate and government take (special participation), do not affect the cost of the current quarter and a portion of the change is retained in inventories and only passed through in the subsequent period.

The table below presents an estimative of the effects in the last two quarters:

|  | 4Q - 2008 | 3Q-2008 | Change  |
|--|-----------|---------|---------|
| (A) Cost retained in inventories                                     | (1,856)   | 863     | (2,719) |
| (B) Realization of the cost retained in the last quarter inventories | (863)     | 1,050   | 187     |
| (C) = (A) + (B) Net Effect in the COGS                               | (2,719)   | (187)   | 2,532   |

( ) Increase of COGS/ Inventories decrease

**A R\$ 2.959 million increase in the following operating expenses:**

Selling expenses (R\$ 614 million), due to higher freight costs, in turn caused by the increase in export volume, plus provisions for and write-offs of bad debts and the increase in wages and benefits arising from the collective bargaining agreement;

Exploration costs (R\$ 593 million), from the write-off of dry and economically unviable wells (R\$ 202 million), geological and geophysical costs (R\$ 175 million) and the increase in provisions for abandoned wells (R\$ 56 million);

Losses from the impairment of Exploration and Production assets in the final quarter (R\$ 925 million);

Tax expenses (R\$ 285 million), chiefly due to increased expenses from the IOF financial operations tax, higher taxes on dividends received and tax hikes in Nigeria;

Other operating expenses (R\$ 247 million), from the increase in wages and benefits arising from the collective bargaining agreement, offset by the adjustment to market value of foreign subsidiaries oil and oil product inventories.

**A higher financial result (R\$ 538 million), thanks to gains from hedge operations based on oil price oscillations and from investments in marketable securities, as shown below:**

|                                 | 4Q-2008 | 3Q-2008 | Change  |
|---------------------------------|---------|---------|---------|
| FX Effect on Net Debt           | (1,230) | 44      | (1,274) |
| Monetary Variation in Financing | (64)    | (114)   | 50      |
| Net Financial Expenses          | (1,104) | (763)   | (341)   |

R\$ Million

|  |         |         |         |
|--|---------|---------|---------|
| Financial Result on Net Debt                 | (2,398) | (833)   | (1,565) |
| FX Variation - International Subsidiaries    | 4,370   | 3,452   | 918     |
| Hedge for comercial and financial operations |         |         |         |
| Comercial                                    | 603     | 156     | 447     |
| Financial                                    | (4)     | (11)    | 7       |
| Total Hedge                                  | 599     | 145     | 454     |
| Marketable Securities                        | 137     | (58)    | 195     |
| Other Net Financial Income (Expenses)        | 451     | 69      | 382     |
| Other Net FX and Monetary Variation          | 224     | 70      | 154     |
| Net Financial Results - law 6.404/76         | 3,383   | (2,845) | 538     |



- **A reduction in equity income (R\$ 967 million), primarily due to the results of the petrochemical sector and the amortization of goodwill in Pasadena (R\$ 719 million), as well as the petrochemical results exchange gains on foreign subsidiaries shareholders equity.**
- **The positive effect on minority interests (R\$ 1,089 million), due to the reduction in the result of the SPC s (R\$ 1,823 million), caused by the impact of the exchange variation on their debt, and the reduction in the results of the subsidiaries (R\$ 332 million).**
- **Reduced income tax and social contributions (R\$ 3,511 million), due to the tax benefits from the provisioning of interest on equity.**

## PETROBRAS SYSTEM

## Operating Performance

## Physical Indicators (\*)

| 3Q-2008   | 4th Quarter      |              |            |                                       | Fiscal Year      |              |             |
|---|------------------|--------------|------------|---------------------------------------|------------------|--------------|-------------|
|   | 2008             | 2007         | Δ %        |                                       | 2008             | 2007         | Δ %         |
| <b>Exploration &amp; Production - Thousand bpd</b>                |                  |              |            |                                       |                  |              |             |
| <b>Domestic Production</b>  |                  |              |            |                                       |                  |              |             |
| 1,883   | 1,865            | 1,782        | 5          | Oil and NGL                           | 1,855            | 1,792        | 4           |
| 330   | 330              | 277          | 19         | Natural Gas <sup>(1)</sup>            | 321              | 273          | 18          |
| <b>2,213</b>  | <b>2,195</b>     | <b>2,059</b> | <b>7</b>   | <b>Total</b>                          | <b>2,176</b>     | <b>2,065</b> | <b>5</b>    |
| <b>Consolidated - International Production</b>                    |                  |              |            |                                       |                  |              |             |
| 110   | 121              | 111          | 9          | Oil and NGL                           | 111              | 112          | (1)         |
| 100   | 98               | 101          | (3)        | Natural Gas <sup>(1)</sup>            | 99               | 108          | (8)         |
| <b>210</b>  | <b>219</b>       | <b>212</b>   | <b>3</b>   | <b>Total</b>                          | <b>210</b>       | <b>220</b>   | <b>(5)</b>  |
| <b>Non Consolidated - Internacional Production <sup>(2)</sup></b> |                  |              |            |                                       |                  |              |             |
| <b>14</b>   | <b>14</b>        | <b>14</b>    | <b>-</b>   | <b>Production <sup>(2)</sup></b>      | <b>14</b>        | <b>16</b>    | <b>(13)</b> |
| <b>224</b>  | <b>233</b>       | <b>226</b>   | <b>3</b>   | <b>Total International Production</b> | <b>224</b>       | <b>236</b>   | <b>(5)</b>  |
| <b>2,437</b>  | <b>2,428</b>     | <b>2,285</b> | <b>6</b>   | <b>Total production</b>               | <b>2,400</b>     | <b>2,301</b> | <b>4</b>    |
| (1) Does not include liquified gas and includes re-injected gas   |                  |              |            |                                       |                  |              |             |
| (2) Non consolidated companies in Venezuela.                      |                  |              |            |                                       |                  |              |             |
| <b>Refining, Transport and Supply - Thousand bpd</b>              |                  |              |            |                                       |                  |              |             |
| 423   | 276              | 400          | (31)       | <b>Crude oil imports</b>              | 373              | 390          | (4)         |
| 270   | 123              | 136          | (10)       | <b>Oil products imports</b>           | 197              | 148          | 33          |
| <b>Import of crude oil and oil products</b>                       |                  |              |            |                                       |                  |              |             |
| 693   | 399              | 536          | (26)       | <b>products</b>                       | 570              | 538          | 6           |
| 457   | 559              | 322          | 74         | <b>Crude oil exports</b>              | 439              | 353          | 24          |
| 200   | 231              | 253          | (9)        | <b>Oil products exports</b>           | 234              | 262          | (11)        |
| <b>Export of crude oil and oil products<sup>(3)</sup></b>         |                  |              |            |                                       |                  |              |             |
| 657   | 790              | 575          | 37         | <b>products<sup>(3)</sup></b>         | 673              | 615          | 9           |
| <b>Net exports (imports) crude oil and oil products</b>           |                  |              |            |                                       |                  |              |             |
| <b>(36)</b>   | <b>391</b>       | <b>39</b>    | <b>903</b> | <b>and oil products</b>               | <b>103</b>       | <b>77</b>    | <b>34</b>   |
| 213   | 182              | 199          | (9)        | <b>Import of gas and other</b>        | 197              | 171          | 15          |
| 3 <sup>(3)</sup>  | 1 <sup>(3)</sup> | 2            | (50)       | <b>Other exports</b>                  | 3 <sup>(3)</sup> | 3            | -           |
| <b>2,006</b>  | <b>1,917</b>     | <b>2,033</b> | <b>(6)</b> | <b>Output of oil products</b>         | <b>1,970</b>     | <b>2,046</b> | <b>(4)</b>  |
| 1,821   | 1,708            | 1,795        | (5)        | <b>Brazil</b>                         | 1,787            | 1,795        | -           |
| 185   | 209              | 238          | (12)       | <b>International</b>                  | 183              | 251          | (27)        |
| <b>2,223</b>  | <b>2,223</b>     | <b>2,167</b> | <b>3</b>   |                                       | <b>2,223</b>     | <b>2,167</b> | <b>3</b>    |

|       |       |       | <b>Primary Processed Installed Capacity</b>             |                             |       |       |      |
|-------|-------|-------|---|-----------------------------|-------|-------|------|
| 1,942 | 1,942 | 1,986 | (2)   | <b>Brazil<sup>(4)</sup></b> | 1,942 | 1,986 | (2)  |
| 281   | 281   | 181   | 55  | <b>International</b>        | 281   | 181   | 55   |
|       |       |       | <b>Use of Installed Capacity (%)</b>                    |                             |       |       |      |
| 93    | 87    | 90    | (3)   | <b>Brazil</b>               | 91    | 90    | 1    |
| 63    | 64    | 93    | (29)  | <b>International</b>        | 61    | 85    | (24) |
|       |       |       | <b>Domestic crude as % of total feedstock processed</b> |                             |       |       |      |
| 76    | 78    | 78    | -   |                             | 78    | 78    | -    |

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

(4) As per ownership recognized by the ANP.

#### Sales Volume - Thousand bpd

|              |              |              |      |   |              |              |      |
|--------------|--------------|--------------|------|---|--------------|--------------|------|
| 792          | 745          | 742          | 0    | Diesel                                  | 748          | 705          | 6    |
| 323          | 329          | 306          | 8    | Gasoline                                | 313          | 300          | 4    |
| 103          | 90           | 112          | (20) | Fuel Oil                                | 97           | 106          | (8)  |
| 141          | 143          | 169          | (15) | Nafta                                   | 151          | 166          | (9)  |
| 224          | 211          | 206          | 2    | GLP                                     | 213          | 206          | 3    |
| 75           | 74           | 72           | 3    | QAV                                     | 75           | 70           | 7    |
| 132          | 191          | 169          | 13   | Other                                   | 151          | 172          | (12) |
| <b>1,790</b> | <b>1,783</b> | <b>1,776</b> | -    | <b>Total Oil Products</b>               | <b>1,748</b> | <b>1,725</b> | 1    |
| 97           | 37           | 81           | (54) | Alcohol, Nitrogens, Biodiesel and other | 86           | 62           | 39   |
| 328          | 302          | 272          | 11   | Natural Gas                             | 312          | 248          | 26   |
| <b>2,215</b> | <b>2,122</b> | <b>2,129</b> | -    | <b>Total domestic market</b>            | <b>2,146</b> | <b>2,035</b> | 5    |
| <b>660</b>   | <b>791</b>   | <b>577</b>   | 37   | <b>Exports</b>                          | <b>676</b>   | <b>618</b>   | 9    |
| <b>580</b>   | <b>440</b>   | <b>480</b>   | (8)  | <b>International Sales</b>              | <b>552</b>   | <b>586</b>   | (6)  |
| <b>1,240</b> | <b>1,231</b> | <b>1,057</b> | 16   | <b>Total international market</b>       | <b>1,228</b> | <b>1,204</b> | 2    |
| <b>3,455</b> | <b>3,353</b> | <b>3,186</b> | 5    | <b>Total</b>                            | <b>3,374</b> | <b>3,239</b> | 4    |

## PETROBRAS SYSTEM

## Operating Performance

## Price and Cost Indicators (\*)

| 4th Quarter   |        |        |      | Fiscal Year   |        |        |     |
|---|--------|--------|------|---|--------|--------|-----|
| 3Q-2008   | 2008   | 2007   | Δ %  |   | 2008   | 2007   | Δ % |
| <b>Average Oil Products Realization Prices</b>                                  |        |        |      |   |        |        |     |
| 187.02  | 176.48 | 158.98 | 11   | <b>Domestic Market (R\$/bbl)</b>                        | 176.41 | 155.45 | 13  |
| <b>Average sales price - US\$ per bbl</b>                                       |        |        |      |   |        |        |     |
| <b>Brazil</b>   |        |        |      |   |        |        |     |
| 100.58  | 47.95  | 76.75  | (38) | <b>Crude Oil (US\$/bbl)<sup>(5)</sup></b>               | 81.55  | 61.57  | 32  |
| 51.01   | 34.76  | 34.67  | -    | <b>Natural Gas (US\$/bbl)<sup>(6)</sup></b>             | 40.15  | 35.14  | 14  |
| <b>International</b>  |        |        |      |   |        |        |     |
| 68.74   | 47.37  | 59.42  | (20) | <b>Crude Oil (US\$/bbl)</b>                             | 63.16  | 50.46  | 25  |
| 15.67   | 17.81  | 17.45  | 2    | <b>Natural Gas (US\$/bbl)</b>                           | 17.06  | 16.10  | 6   |
| (5) Average of the exports and the internal transfer prices from E&P to Supply. |        |        |      |   |        |        |     |
| (6) Internal transfer prices from E&P to Gas & Energy.                          |        |        |      |   |        |        |     |
| <b>Costs - US\$/barrel</b>  |        |        |      |   |        |        |     |
| <b>Lifting cost:</b>  |        |        |      |   |        |        |     |
| <b>Brazil</b>   |        |        |      |   |        |        |     |
| <b>without government participation</b>   |        |        |      |   |        |        |     |
| 10.21   | 8.24   | 8.60   | (4)  | <b>with government participation</b>                    | 9.26   | 7.70   | 20  |
| 30.27   | 18.11  | 23.16  | (22) | <b>International</b>                                    | 26.08  | 19.39  | 35  |
| 5.12 <sup>(7)</sup>   | 5.36   | 4.41   | 22   | <b>Refining cost</b>                                    | 4.73   | 4.17   | 13  |
| <b>Brazil</b>   |        |        |      |   |        |        |     |
| 3.46  | 2.33   | 3.60   | (35) | <b>International</b>                                    | 3.24   | 2.85   | 14  |
| 6.40 <sup>(8)</sup>   | 3.70   | 3.04   | 22   | <b>Corporate Overhead (US\$ million) Parent Company</b> | 5.34   | 2.96   | 80  |
| 853   | 589    | 794    | (26) |   | 2,792  | 2,517  | 11  |
| <b>Costs - R\$/barrel</b>   |        |        |      |   |        |        |     |
| <b>Lifting cost</b>   |        |        |      |   |        |        |     |
| <b>Brazil</b>   |        |        |      |   |        |        |     |
| <b>without government participation</b>   |        |        |      |   |        |        |     |
| 17.61   | 19.09  | 15.22  | 25   | <b>with government participation</b>                    | 17.08  | 14.88  | 15  |
| 54.40   | 41.48  | 40.98  | 1    | <b>Refining cost</b>                                    | 47.61  | 37.03  | 29  |
| <b>Brazil</b>   |        |        |      |   |        |        |     |
| 5.94  | 5.65   | 6.36   | (11) |   | 5.93   | 5.49   | 8   |

(7) Lifting cost of the US production revised due to Ike and Gustav hurricanes impacts.

(8) Recalculation of Japanese Refinery cost.



**PETROBRAS SYSTEM**

Operating Performance

**Exploration and Production - thousand barrels/day**

Increased output from FPSO-Cidade do Rio de Janeiro (Espadarte) and the start-up of the Cidade de Vitória (Golfinho), P-52 (Roncador) and P-54 platforms (Roncador) in the 4Q-2007 more than offset the natural decline in the mature fields.

Increased output from the new systems, especially the P-52 and P-54 platforms (Roncador) and the operational start-up of the P-53 platform (Marlim Leste) were offset by the natural decline in the mature fields and reduced production by certain units due to programmed stoppages.

International oil and NGL production by the consolidated companies fell due to the reduction in reservoir pressure in the USA, plus lower output from the mature fields in Argentina, Angola and Colombia due to the decline in the mature fields, partially offset by the startup of Nigerian production on July 29, 2008.

Gas production by the consolidated companies fell by 8%, also due to reduced reservoir pressure in the USA.

International oil and NGL production by the consolidated companies increased due to the start-up of Nigerian production on July 29, 2008 and the upturn in output in the 4Q-2008.

Gas production by the consolidated companies dipped by 2% due to the reduction in Brazil's imports of Bolivian gas in December/08 and the passage of the Ike and Gustav hurricanes in September/08.

**PETROBRAS SYSTEM**

Operating Performance

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

The annual reduction was due to the higher number of programmed stoppages in the distillation units.

In the fourth quarter, the reduction was due to the programmed stoppage in the REVAP distillation unit.

Processed crude in the overseas refineries fell 8% due to the scheduled stoppages in the Argentinean and U.S. refineries, the repairs to the catalytic cracking plant in the USA and the passage of the Ike and Gustav hurricanes in September/08, partially offset by output from the Japanese refinery acquired in April/08.

In the 4Q-2008, processed crude in the overseas refineries increased by 6% due to the return to normal operations in Pasadena (USA) following the passage of hurricane Ike and the conclusion of the repairs to the catalytic cracking plant in the USA.

**Costs**

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

Excluding the impact of the appreciation of the Real, the lifting cost in Brazil climbed by 16% over 2007 due to the higher number of well interventions and scheduled stoppages in the production units, the pay rises related to the 2007/08 and 2008/09 collective bargaining agreements, the expansion of the workforce and the higher initial unit cost of the new production systems, which will gradually come down as production moves up.

Excluding the impact of the depreciation of the Real, the unit lifting cost in Brazil fell by 3% quarter-over-quarter due to higher expenses in the 3Q-2008, fueled by increased intervention and maintenance in the Marlim, Roncador, Marlim Sul and Jubarte fields.

**PETROBRAS SYSTEM**

Operating Performance

The annual upturn in the lifting cost was due to the increase in the average Brazilian oil price used to calculate the government take, based on the international price, and the higher tax rate on the Roncador and Espadarte fields, due to output from the new production systems, FPSO-Cidade do Rio de Janeiro, P-52 and P-54.

The decline was caused by the reduction in the average Brazilian oil price used to calculate the government take, pulled down by the slide in international oil prices, partially offset by the higher tax rate, especially in the Roncador field, due to increased output from the new platforms.

The annual increase in the international lifting cost was caused by higher costs from outsourced services and the pay rise 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 USA.

The quarter-over-quarter upturn in the international lifting cost was due to increased workover and pulling services and the upturn in Argentinean service prices, as well as higher costs in Bolivia from the repair of well tool repair services in the fourth quarter, partially offset by increased output.



**PETROBRAS SYSTEM**

Operating Performance

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

Excluding the impact of the appreciation of the Real, the annual domestic refining cost moved up by 8% due to higher personnel expenses related to the 2007/08 and 2008/09 collective bargaining agreements, the increased number of programmed stoppages in quality and conversion units due to the heightened complexity of the refineries, and higher electricity costs due to the upturn in market prices.

Excluding the impact of the depreciation of the Real, the domestic refining cost fell by 6% due to reduced expenses from technical services and lower consumption of maintenance materials.

The international refining cost moved up due to higher costs in the USA caused by the programmed stoppage in the Pasadena refinery, technical problems in the catalytic cracking unit, and the slide in processed crude volume in 2008.

The quarter-over-quarter reduction was due to the completion of repairs to the Pasadena refinery following the passage of hurricane Ike and the return of the catalytic cracking unit to normal operations, plus the reduction in processed crude volume in the 4Q-2008.

**PETROBRAS SYSTEM**

Operating Performance

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

The 5% increase in annual corporate overhead was due to the growth and increased complexity of the Company's operations, leading to higher expenses from data processing, specialized technical and administrative support services and property rentals, as well as the upturn in personnel expenses due to the 2007/08 and 2008/09 collective bargaining agreements.

Discounting the depreciation of the Real against the dollar, corporate overhead fell by 5% over the 3Q-2008, due to reduced expenses from specialized technical services, data processing, advertising and sponsorships.

**Sales Volume thousand barrels/day**

Domestic sales volume moved up 5% over 2007, led by diesel, gasoline, jet fuel and natural gas. The 6% diesel increase was due to the upturn in GDP, the use of emergency diesel-driven thermal plants, and investments in infrastructure, mining and construction, as well as reduced output and imports by other players. The 4% upturn in gasoline sales was pushed by increased family consumption and the reduced share of other players, while the 7% increase in jet fuel sales was caused by GDP growth, the expansion of tourism and the entry of new aircraft and routes, which pushed up the number of flights. Natural gas sales increased by 26% due to the increased supply of imported and domestic gas (P- 52, P-54 and Piranema platforms).

International sales volume fell 6% year-on-year due to the stoppages in the Pasadena refinery, the sale of the Bolivian refineries in 2007, reduced production in the USA (lower pressure in Cottonwood and hurricane Ike) and Argentina (mature fields) and the reduction in Bolivian gas and oil sales volume, due to the new operational agreements, partially offset by the consolidation of sales by the Japanese refinery as of the 2Q-2008 and the beginning of Nigerian production in the 3Q-2008.

## PETROBRAS SYSTEM

## Operating Performance

| Result by Business Area R\$ million <sup>(1)</sup> |         |         |       |                                     |         |         |       |
|--|---------|---------|-------|-------------------------------------|---------|---------|-------|
| 4th Quarter  |         |         |       | Fiscal Year                         |         |         |       |
| 3Q-2008  | 2008    | 2007    | Δ %   |                                     | 2008    | 2007    | Δ %   |
|  |         |         |       | <b>EXPLORATION &amp;</b>            |         |         |       |
| 10,691   | 4,984   | 8,072   | (38)  | <b>PRODUCTION</b>                   | 36,661  | 26,828  | 37    |
| (1,969)  | (1,445) | 299     | (583) | <b>SUPPLY</b>                       | (4,032) | 5,985   | (167) |
| (98)   | (25)    | (486)   | (95)  | <b>GAS AND ENERGY</b>               | (282)   | (1,381) | (80)  |
| 308  | 301     | 105     | 187   | <b>DISTRIBUTION</b>                 | 1,233   | 777     | 59    |
| 79   | (2,083) | (940)   | 123   | <b>INTERNATIONAL <sup>(2)</sup></b> | (1,661) | (1,023) | 62    |
| 1,524  | 4,124   | (1,361) | (403) | <b>CORPORATE</b>                    | 1,588   | (8,213) | (119) |
| 317  | 1,499   | (636)   | (336) | <b>ELIMINATIONS</b>                 | 408     | (1,461) | (128) |
|  |         |         |       | <b>CONSOLIDATED NET</b>             |         |         |       |
| 10,852   | 7,355   | 5,053   | 46    | <b>INCOME</b>                       | 33,915  | 21,512  | 58    |

<sup>(1)</sup> Comments on the results by business area begin on page 20 and their respective financial statements on page 26.

<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.

**PETROBRAS SYSTEM**

Operating Performance

**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, using internal transfer prices established between the various areas as a benchmark, 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 entire financial result is allocated to the corporate group;
- d) Assets: refers to the assets as identified by each area. Equity accounts of a financial nature are allocated to the corporate group.

The higher annual result was due to the increase in average domestic oil prices and the 4% upturn in daily oil and NGL production

Part of these effects were offset by the higher government take, with estimated losses from the impairment of assets (due to the end-of-year reduction in international oil prices, which affected future projections) and the increase in exploration costs, chiefly 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\$ 10.95/bbl in 2007 to US\$ 15.44/bbl in 2008.

The quarter-over-quarter reduction was due to the change in the level of oil prices, in addition to the following factors:

Higher exploration costs from the write-off of dry or economically unviable wells, provisions for abandonment and geological and geophysical costs;

Estimated losses from the impairment of assets.

Part of these effects were offset by the 5% increase in total oil and NGL sales/transfer volume and the narrowing of the spread between the average domestic oil sale/transfer price and the average Brent price, which fell from US\$ 14.20/bbl in the 3Q-2008 to US\$ 6.96/bbl in the 4Q-2008, as well as the reduction in government take and lower expenses from the 2008/09 collective bargaining agreement.

**PETROBRAS SYSTEM**

Operating Performance

The annual reduction in the Supply result was due to higher oil acquisition/transfer costs and the increase in oil product import costs, together with the following factors:

Higher freight costs due to the increase in sales volume;

Losses from petrochemical investments, reflecting the impact of the devaluation of the Real against the dollar on debt and the upturn in naphtha prices;

Losses from the devaluation of inventories.

These effects were partially offset by the upturn in average oil product prices in Brazil and abroad and by gains from the change in holdings as a result of Quattor's corporate restructuring.

The result was due to reduced costs from the decline in international oil prices, despite the sale of inventories acquired at a higher average cost in the previous quarter and the maintenance of average gasoline and diesel sale prices on the domestic market, despite the decline in the price of the other oil products.

These effects were partially offset by the following factors:

Increased provisions for the reduction of inventories to market value;

Higher G&A expenses, due to increased freight charges on exports and trading transactions;

Reduced equity income, reflecting the impact of the devaluation of the Real against the dollar on the debt of petrochemical investees.

The improved result was due to wider gas and electricity sales margins thanks to higher sales prices and the increase in gas and electricity sales volume.

These effects were partially offset by provisions for the reduction of NGL inventories to market value.

The negative impact of the reduction in gas sales margins due to higher import costs and gas sales volume was more than offset by the reduction in expenses from R&D, employees profit sharing and the reversal of the write-off of bad debts, as well as the increase in equity income.

**PETROBRAS SYSTEM**

Operating Performance

The improved result was due to the 10% increase in sales volume and the reduction in operating expenses, chiefly thanks to the elimination of the CPMF financial transaction tax and the revision of the amounts involved in judicial processes in 2007.

The increase in sales volume helped raise the Company's share of the fuel distribution market from 34.3% in 2007 to 34.9% in 2008.

The upturn in equity income (from ALVO Distribuidora) and the reduction in expenses from judicial contingencies offset the narrower sales margins caused by the decline in average sales prices.

The segment recorded a 34.7% share of the fuel distribution market in the 4Q-2008, versus 34.8% in the previous quarter.

The main events impacting the 2008 reduction were: the constitution of provisions for the adjustment of inventories in the USA, Japan and Argentina to market value, due to the change in the level of oil and oil product prices as of September/08 (R\$ 699 million); provisions for legal disputes involving royalties (R\$ 220 million); losses from the devolution of block 31 in Ecuador (R\$ 178 million); the total amortization of goodwill from the acquisition of the Pasadena refinery (R\$ 374 million); and the gains from the sale of the Bolivian refineries and Argentinean companies in 2007 (R\$ 111 million). These effects were partially offset by the R\$ 1,002 million increase in gross profit due to the 32% appreciation of the U.S. dollar against the Real.

**PETROBRAS SYSTEM**

Operating Performance

The quarter-over-quarter reduction was due to the R\$ 346 million decrease in gross profit, caused by the decline in international oil and oil product prices, and losses from the devaluation of inventories in the USA, Japan and Argentina (R\$ 507 million).

Other factors contributing to the 4Q-2008 result included: the increase in exploration expenses (R\$ 711 million), especially the estimated impairment of assets (R\$ 300 million) and the write-off of wells in the USA (R\$ 145 million); the total amortization of goodwill from the acquisition of the Pasadena refinery (R\$ 374 million); and losses from the devolution of block 31 in Ecuador (R\$ 178 million).

The lower negative result was due to the following factors:

The reduction in net financial expenses (R\$ 8,043 million), dealt with on page 8;

The reversal of the minority interest, reflecting the devaluation of the Real against the dollar on the debt of the SPEs and subsidiaries which are not wholly owned by Petrobras and its subsidiaries.

The reduction in expenses from the pension and health plan (R\$ 1,196 million) due to the amendments to the Petros Plan regulations in 2007;

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 improved result was due to the following factors:

The increase in the net financial result (R\$ 538 million), dealt with on page 10;

The booking of interest on equity, which generated a tax benefit of R\$ 2,386 million;

These effects were partially offset by the reduction in equity income.

## PETROBRAS SYSTEM

## Operating Performance

## Consolidated Debt

|  | R\$ million              |            |     |
|--|--------------------------|------------|-----|
|  | 12.31.2008<br>Law 11.638 | 12.31.2007 | Δ % |
| <b>Short-term Debt</b> <sup>(1)</sup>  | 13,859                   | 8,960      | 55  |
| <b>Long-term Debt</b> <sup>(1)</sup>   | 50,854                   | 30,781     | 65  |
| <b>Total</b>   | 64,713                   | 39,741     | 63  |
| <b>Cash and cash equivalents</b>   | 15,889                   | 13,071     | 22  |
| <b>Net Debt</b> <sup>(2)</sup>   | 48,824                   | 26,670     | 83  |
| <b>Net Debt/(Net Debt + Shareholder's Equity)</b> <sup>(1)</sup>               | 26%                      | 19%        | 7   |
| <b>Total Net Liabilities</b> <sup>(1) (3)</sup>                                | 277,666                  | 219,590    | 26  |
| <b>Capital Structure</b><br><b>(third parties net / total liabilities net)</b> | 50%                      | 48%        | 2   |

(1) Includes contractual commitments involving the transfer of benefits, risk and the control of goods.

(2) Total debt less cash and cash equivalents.

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

|                                       | US\$ million             |            |     |
|---------------------------------------|--------------------------|------------|-----|
|                                       | 12.31.2008<br>Law 11.638 | 12.31.2007 | Δ % |
| <b>Short-term Debt</b> <sup>(1)</sup> | 5,930                    | 5,058      | 17  |
| <b>Long-term Debt</b> <sup>(1)</sup>  | 21,760                   | 17,378     | 25  |
| <b>Total</b>                          | 27,691                   | 22,436     | 23  |

The net debt of the Petrobras System increased by 83% over 2007 due to the period depreciation of the Real and domestic and overseas funding.

The level of indebtedness, measured by the net debt/EBITDA ratio, increased from 0.53, on December 31, 2007, to 0.85 on December 31, 2008. The portion of the capital structure represented by third parties was 50%, 2 percentage points up on the close of 2007.



## PETROBRAS SYSTEM

## Operating Performance

## 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 December 31, 2008, total investments amounted to R\$ 53,349 million, 18% up on the total on December 31, 2007.

|   | R\$ million   |            |                  |            |            |
|---|---------------|------------|------------------|------------|------------|
|   | 2008          |            | Fiscal Year 2007 |            | Δ %        |
|   |               | %          |                  | %          |            |
| <b>Own Investments</b>                  | <b>46,526</b> | <b>87</b>  | <b>38,785</b>    | <b>86</b>  | <b>20</b>  |
| Exploration & Production                | 24,662        | 46         | 18,418           | 41         | 34         |
| Supply                                  | 10,111        | 19         | 9,632            | 21         | 5          |
| Gas and Energy                          | 3,821         | 7          | 1,616            | 3          | 136        |
| International                           | 6,133         | 12         | 6,574            | 15         | (7)        |
| Distribution                            | 558           | 1          | 1,670            | 4          | (67)       |
| Corporate                               | 1,241         | 2          | 875              | 2          | 42         |
| <b>Special Purpose Companies (SPCs)</b> | <b>5,645</b>  | <b>11</b>  | <b>5,902</b>     | <b>13</b>  | <b>(4)</b> |
| <b>Projects under Negotiation</b>       | <b>1,178</b>  | <b>2</b>   | <b>598</b>       | <b>1</b>   | <b>97</b>  |
| <b>Total Investments</b>                | <b>53,349</b> | <b>100</b> | <b>45,285</b>    | <b>100</b> | <b>18</b>  |

|                          | R\$ million  |            |                  |            |            |
|--------------------------|--------------|------------|------------------|------------|------------|
|                          | 2008         |            | Fiscal Year 2007 |            | Δ %        |
|                          |              | %          |                  | %          |            |
| <b>International</b>     |              |            |                  |            |            |
| Exploration & Production | 5,252        | 86         | 5,759            | 88         | (9)        |
| Supply                   | 448          | 7          | 451              | 7          | (1)        |
| Gas and Energy           | 250          | 4          | 161              | 2          | 55         |
| Distribution             | 41           | 1          | 72               | 1          | (43)       |
| Other                    | 142          | 2          | 131              | 2          | 8          |
| <b>Total Investments</b> | <b>6,133</b> | <b>100</b> | <b>6,574</b>     | <b>100</b> | <b>(7)</b> |

|                                   | R\$ million |    |                  |    |      |
|-----------------------------------|-------------|----|------------------|----|------|
|                                   | 2008        |    | Fiscal Year 2007 |    | Δ %  |
|                                   |             | %  |                  | %  |      |
| <b>Projects Developed by SPCs</b> |             |    |                  |    |      |
| Gasene                            | 1,542       | 27 | 1,594            | 27 | (3)  |
| CDMPI                             | 723         | 13 | 662              | 12 | 9    |
| PDET Off Shore                    | 378         | 6  | 661              | 11 | (43) |

Edgar Filing: PETROBRAS - PETROLEO BRASILEIRO SA - Form 6-K

|                          |              |            |              |            |            |
|--------------------------|--------------|------------|--------------|------------|------------|
| Codajás                  | 1,525        | 27         | -            | -          | -          |
| Mexilhão                 | 651          | 12         | 487          | 8          | 34         |
| Marlim Leste             | 502          | 9          | 894          | 15         | (44)       |
| Malhas                   | 324          | 6          | 770          | 13         | (58)       |
| Amazônia                 | -            | -          | 834          | 14         | (100)      |
| <b>Total Investments</b> | <b>5,645</b> | <b>100</b> | <b>5,902</b> | <b>100</b> | <b>(4)</b> |

In line with its strategic objectives, 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 108 consortiums. These ventures will require total investments of around US\$ 14,705 million by the end of 2009.

## PETROBRAS SYSTEM

## Financial Statements

## Income Statement Consolidated

| R\$ million |          |          |                                  |                       |           |           |
|-------------|----------|----------|----------------------------------|-----------------------|-----------|-----------|
| 4th Quarter |          |          | Fiscal Year                      |                       |           |           |
| 3Q-2008     | 2008     | 2007     |                                  | 2008<br>Law<br>11.638 | 2008      | 2007      |
| 81,482      | 76,925   | 57,922   | <b>Gross Operating Revenues</b>  | 266,494               | 284,579   | 218,254   |
| (14,022)    | (13,663) | (12,505) | Sales Deductions                 | (51,376)              | (52,396)  | (47,676)  |
| 67,460      | 63,262   | 45,417   | <b>Net Operating Revenues</b>    | 215,118               | 232,183   | 170,578   |
| (46,757)    | (47,771) | (28,954) | Cost of Goods Sold               | (141,623)             | (157,499) | (104,398) |
| 20,703      | 15,491   | 16,463   | <b>Gross profit</b>              | 73,495                | 74,684    | 66,180    |
|             |          |          | <b>Operating Expenses</b>        |                       |           |           |
| (1,855)     | (2,469)  | (1,567)  | Sales                            | (7,162)               | (7,639)   | (6,060)   |
| (1,994)     | (2,327)  | (1,830)  | General and Administratives      | (7,247)               | (7,494)   | (6,428)   |
| (891)       | (1,484)  | (1,070)  | Exploratory Cost                 | (3,494)               | (3,654)   | (2,570)   |
| -           | (925)    | (446)    | Losses on recovery of assets     | (933)                 | (925)     | (446)     |
| (478)       | (437)    | (492)    | Research & Development           | (1,706)               | (1,706)   | (1,712)   |
| (170)       | (455)    | (305)    | Taxes                            | (863)                 | (901)     | (1,256)   |
| (356)       | (359)    | (442)    | Pension and Health Plan          | (1,427)               | (1,427)   | (2,495)   |
| (1,748)     | (1,995)  | (1,545)  | Other                            | (4,713)               | (5,335)   | (5,187)   |
| (7,492)     | (10,451) | (7,697)  |                                  | (27,545)              | (29,081)  | (26,154)  |
|             |          |          | <b>Net Financial Expenses</b>    |                       |           |           |
| 392         | 2,319    | 806      | Income                           | 3,494                 | 3,797     | 2,417     |
| (1,000)     | (2,596)  | (920)    | Expenses                         | (4,193)               | (5,246)   | (3,292)   |
| (27)        | (17)     | (141)    | Net Monetary Variation           | (353)                 | (353)     | (215)     |
| 3,478       | 3,675    | (604)    | Net Exchange Variation           | 4,181                 | 5,824     | (2,931)   |
| 2,843       | 3,381    | (859)    |                                  | 3,129                 | 4,022     | (4,021)   |
| (4,649)     | (7,070)  | (8,556)  |                                  | (24,416)              | (25,059)  | (30,175)  |
| 138         | (829)    | (107)    | Participation in Equity Income   | (874)                 | (399)     | (465)     |
| 16,192      | 7,592    | 7,800    | <b>Operating Profit</b>          | 48,205                | 49,226    | 35,540    |
| (5,641)     | (2,130)  | (2,357)  | Income Tax & Social Contribution | (15,962)              | (16,299)  | (11,273)  |
| 961         | 2,050    | (288)    | Minority Interest                | 2,090                 | 2,333     | (1,743)   |
| (660)       | (157)    | (102)    | Employees Profit Sharing         | (1,345)               | (1,345)   | (1,012)   |

|               |              |              |                   |               |               |               |
|---------------|--------------|--------------|-------------------|---------------|---------------|---------------|
| <b>10,852</b> | <b>7,355</b> | <b>5,053</b> | <b>Net Income</b> | <b>32,988</b> | <b>33,915</b> | <b>21,512</b> |
|---------------|--------------|--------------|-------------------|---------------|---------------|---------------|

Certain figures relating to previous periods have been reclassified to bring them into line with the current financial statements, thereby facilitating comparisons.

## PETROBRAS SYSTEM

## Financial Statements

## Balance Sheet Consolidated

| Assets                                 | R\$ million              |                |                |                |
|--|--------------------------|----------------|----------------|----------------|
|  | 12.31.2008<br>Law 11.638 | 12.31.2008     | 09.30.2008     | 12.31.2007     |
| <b>Current Assets</b>                  | <b>63,575</b>            | <b>64,695</b>  | <b>64,885</b>  | <b>53,374</b>  |
| Cash and Cash Equivalents              | 15,889                   | 15,889         | 10,776         | 13,071         |
| Accounts Receivable                    | 14,904                   | 14,904         | 16,924         | 11,329         |
| Inventories                            | 19,977                   | 20,290         | 25,977         | 17,599         |
| Marketable Securities                  | 289                      | 289            | 364            | 590            |
| Taxes Recoverable                      | 9,641                    | 9,898          | 7,725          | 7,782          |
| Other                                  | 2,875                    | 3,425          | 3,119          | 3,003          |
| <b>Long-term Assets</b>                | <b>228,589</b>           | <b>229,819</b> | <b>207,060</b> | <b>177,854</b> |
| <b>Long-term Assets</b>                | <b>21,255</b>            | <b>20,989</b>  | <b>22,310</b>  | <b>22,023</b>  |
| Petroleum & Alcohol Account            | 810                      | 810            | 805            | 798            |
| Marketable Securities                  | 4,066                    | 4,066          | 3,511          | 3,922          |
| Deferred Taxes and Social Contribution | 10,238                   | 9,918          | 10,072         | 8,333          |
| Advance for Pension Plan               | -                        | -              | 1,385          | 1,297          |
| Prepaid Expenses                       | 1,400                    | 1,454          | 1,416          | 1,514          |
| Accounts Receivable                    | 1,327                    | 1,327          | 2,043          | 2,902          |
| Deposits - Legal Matters               | 1,853                    | 1,853          | 1,743          | 1,693          |
| Other                                  | 1,561                    | 1,561          | 1,335          | 1,564          |
| <b>Investments</b>                     | <b>5,107</b>             | <b>5,304</b>   | <b>7,762</b>   | <b>7,822</b>   |
| <b>Fixed Assets</b>                    | <b>190,754</b>           | <b>192,053</b> | <b>168,178</b> | <b>139,941</b> |
| <b>Intangible</b>                      | <b>8,003</b>             | <b>8,003</b>   | <b>6,438</b>   | <b>5,532</b>   |
| <b>Deferred</b>                        | <b>3,470</b>             | <b>3,470</b>   | <b>2,372</b>   | <b>2,536</b>   |
| <b>Total Assets</b>                    | <b>292,164</b>           | <b>294,514</b> | <b>271,945</b> | <b>231,228</b> |

| Liabilities                   | R\$ million              |               |               |               |
|-------------------------------|--------------------------|---------------|---------------|---------------|
|                               | 12.31.2008<br>Law 11.638 | 12.31.2008    | 09.30.2008    | 12.31.2007    |
| <b>Current Liabilities</b>    | <b>62,557</b>            | <b>62,993</b> | <b>52,348</b> | <b>47,555</b> |
| Short-term Debt               | 13,274                   | 13,274        | 11,564        | 8,501         |
| Suppliers                     | 17,028                   | 18,010        | 17,421        | 13,791        |
| Taxes and Social Contribution | 12,741                   | 12,735        | 13,654        | 10,006        |
| Project Finance               | 189                      | 189           | 334           | 41            |
| Pension and Health Plan       | 1,152                    | 1,152         | 946           | 880           |

Edgar Filing: PETROBRAS - PETROLEO BRASILEIRO SA - Form 6-K

|  |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| Dividends                              | 9,915          | 9,915          | -              | 6,581          |
| Salaries, Benefits and Charges         | 2,016          | 2,016          | 2,282          | 1,689          |
| Other                                  | 6,242          | 5,702          | 6,147          | 6,066          |
| <b>Non Current Liabilities</b>         | <b>88,589</b>  | <b>87,133</b>  | <b>72,939</b>  | <b>63,513</b>  |
| Long-term Debt                         | 50,049         | 50,049         | 35,479         | 29,807         |
| Pension Fund                           | 3,476          | 3,476          | 4,669          | 4,520          |
| Health Plan                            | 10,297         | 10,297         | 10,099         | 9,272          |
| Deferred Taxes and Social Contribution | 13,100         | 12,592         | 11,911         | 10,353         |
| Provision for well abandonment         | 6,582          | 6,582          | 6,330          | 6,132          |
| Deferred Income                        | 1,293          | 1,216          | 1,770          | 1,392          |
| Other                                  | 3,792          | 2,921          | 2,681          | 2,037          |
| <b>Minority interest</b>               | <b>2,653</b>   | <b>6,030</b>   | <b>6,209</b>   | <b>6,306</b>   |
| <b>Shareholders Equity</b>             | <b>138,365</b> | <b>138,358</b> | <b>140,449</b> | <b>113,854</b> |
| Capital Stock                          | 78,967         | 78,967         | 78,967         | 52,644         |
| Reserves/Net Income                    | 59,398         | 59,391         | 61,482         | 61,210         |
| <b>Total Liabilities</b>               | <b>292,164</b> | <b>294,514</b> | <b>271,945</b> | <b>231,228</b> |

Certain figures relating to previous periods have been reclassified to bring them into line with the current financial statements, thereby facilitating comparisons.

## PETROBRAS SYSTEM

## Financial Statements

## Statement of Cash Flow Consolidated

|   | R\$ million     |                 |
|---|-----------------|-----------------|
|   | Fiscal Year     |                 |
|   | 2008            | 2007            |
| <b>Net Income</b>                                 | <b>32,988</b>   | <b>21,512</b>   |
| (+) Adjustments                                   | 16,964          | 20,727          |
| Depreciation & Amortization                       | 11,632          | 10,696          |
| Charges on Financing and Connected Companies      | 4,033           | (1,786)         |
| Minority interest                                 | (2,089)         | 1,743           |
| Result of Equity Income                           | 874             | 465             |
| Foreign Exchange on Fixed Assets                  | -               | 6,803           |
| Income Tax and deferred contributions             | 4,770           | 477             |
| Inventory Variation                               | (1,413)         | (1,430)         |
| Supplier Variation                                | 603             | 1,598           |
| Pension and Health Plan Variation                 | 1,546           | 2,791           |
| Tax Variation                                     | (3,642)         | 383             |
| Write-off of dry wells                            | 1,524           | 916             |
| Losses on recovery of assets                      | 2,658           | 446             |
| Other Adjustments                                 | (3,532)         | (2,375)         |
| <b>(=) Cash Generated by Operating Activities</b> | <b>49,952</b>   | <b>42,239</b>   |
| <b>(-) Cash used in Investment Activities</b>     | <b>(53,425)</b> | <b>(45,233)</b> |
| Investment in E&P                                 | (26,008)        | (20,405)        |
| Investment in Refining and Transportation         | (13,350)        | (9,647)         |
| Investment in Gas and Energy                      | (6,141)         | (5,199)         |
| Investments in Distribution                       | (1,179)         | (916)           |
| Investment in International Segment               | (5,440)         | (5,238)         |
| Marketable Securities                             | (274)           | (3,123)         |
| Dividends   | 232             | 71              |
| Other investments                                 | (1,265)         | (776)           |
| <b>(=) Free cash flow</b>                         | <b>(3,473)</b>  | <b>(2,994)</b>  |
| <b>(-) Cash used in Financing Activities</b>      | <b>5,624</b>    | <b>(11,422)</b> |
| Financing   | 11,837          | (3,948)         |
| Dividends   | (6,213)         | (7,474)         |
| FX effect in cash and cash equivalents            | 667             | (342)           |
| <b>(=) Cash generated in the period</b>           | <b>2,818</b>    | <b>(14,758)</b> |
| Cash at the Beginning of Period                   | 13,071          | 27,829          |
| Cash at the End of Period                         | 15,889          | 13,071          |

Certain figures relating to previous periods have been reclassified to bring them into line with the current financial statements, thereby facilitating comparisons.



## PETROBRAS SYSTEM

## Financial Statements

## Statement of Added Value Consolidated

|   | <b>R\$ million</b>               |                |
|---|----------------------------------|----------------|
|   | <b>Fiscal Year</b>               |                |
|   | <b>2008 after<br/>Law 11.638</b> | <b>2007</b>    |
| <b>Revenue</b>  |                                  |                |
| Sale of products and services*                                | 268,769                          | 220,050        |
| Assets construction   | 47,164                           | 26,057         |
|   | 315,933                          | 246,107        |
| <b>Materials acquisitions from third parties</b>              |                                  |                |
| Raw Materials Used  | (47,891)                         | (33,098)       |
| Products for Resale   | (53,990)                         | (29,888)       |
| Materials, Energy, Services & Other                           | (52,591)                         | (42,840)       |
| Tax   | (9,602)                          | (3,985)        |
| Losses on recovery of assets                                  | (2,658)                          | (481)          |
|   | (166,732)                        | (110,292)      |
| <b>Gross Added Value</b>                                      | 149,201                          | 135,815        |
| Depreciation & Amortization                                   | (11,632)                         | (10,696)       |
| <b>Net Added Value produced by company</b>                    | 137,569                          | 125,119        |
| <b>Added Value Received</b>                                   |                                  |                |
| Equity Income Result  | (116)                            | (367)          |
| Financial Revenue - including monetary and exchange variation | 3,494                            | 2,418          |
| Goodwill & discount amortization                              | (758)                            | (98)           |
| Rent and Royalties and other                                  | 1,294                            | 562            |
|   | 3,914                            | 2,515          |
| <b>Added Value to Distribute</b>                              | <b>141,483</b>                   | <b>127,634</b> |
| <b>Distribution of Added Value</b>                            |                                  |                |
| <b>Personnel and administratives</b>                          |                                  |                |
| <b>Salaries/ Sharing Profit</b>                               |                                  |                |
| Salaries  | 9,104                            | 7,041          |
| Employees Sharing Profit                                      | 1,345                            | 1,012          |

**Benefits**

|                                     |        |        |
|-------------------------------------|--------|--------|
| Advantages                          | 835    | 786    |
| Health, Retirement and Pension Plan | 2,642  | 4,817  |
| <b>FGTS</b>                         | 601    | 507    |
|                                     | 14,527 | 14,163 |

**Tax**

|                    |        |        |
|--------------------|--------|--------|
| Federal Government | 57,457 | 46,509 |
| States             | 22,339 | 22,993 |
| Municipal          | 148    | 115    |
| Foreign states     | 5,169  | 4,302  |
|                    | 85,113 | 73,919 |

**Financial Institutions and Suppliers**

|  |        |        |
|--|--------|--------|
| Interest, FX Rate and Monetary Variation | 1,891  | 7,386  |
| Rent and freight expenses                | 9,054  | 8,911  |
|  | 10,945 | 16,297 |

**Shareholders**

|                         |         |        |
|-------------------------|---------|--------|
| Interest on Own Capital | 7,019   | 6,581  |
| Minority Interest       | (2,090) | 1,743  |
| Retained Earnings       | 25,969  | 14,931 |
|                         | 30,898  | 23,255 |

**Distributed Added Value**

|                |                |
|----------------|----------------|
| <b>141,483</b> | <b>127,634</b> |
|----------------|----------------|

\* Net of Provisions for Doubtful Debts.

## PETROBRAS SYSTEM

## Financial Statements

## Consolidated Result by Business Area - 2008

## R\$ MILLION - BEFORE LAW 11.638/07 ADJUSTMENTS

|  | E&P             | SUPPLY         | GAS<br>&<br>ENERGY | DISTRIB.       | INTERN.        | CORPOR.        | ELIMIN.          | TOTAL           |
|--|-----------------|----------------|--------------------|----------------|----------------|----------------|------------------|-----------------|
| <b>Net Operating Revenues</b>                            | <b>106,208</b>  | <b>185,384</b> | <b>16,012</b>      | <b>55,763</b>  | <b>28,888</b>  | -              | <b>(160,072)</b> | <b>232,183</b>  |
| Intersegments  | 104,457         | 49,520         | 2,237              | 1,358          | 2,500          | -              | (160,072)        | -               |
| Third Parties  | 1,751           | 135,864        | 13,775             | 54,405         | 26,388         | -              | -                | 232,183         |
| Cost of Goods Sold                                       | (43,779)        | (184,103)      | (14,196)           | (51,130)       | (24,710)       | -              | 160,419          | (157,499)       |
| <b>Gross Profit</b>                                      | <b>(62,429)</b> | <b>1,281</b>   | <b>1,816</b>       | <b>4,633</b>   | <b>4,178</b>   | -              | <b>347</b>       | <b>74,684</b>   |
| <b>Operating Expenses</b>                                | <b>(5,432)</b>  | <b>(6,518)</b> | <b>(2,341)</b>     | <b>(2,803)</b> | <b>(5,059)</b> | <b>(7,201)</b> | <b>273</b>       | <b>(29,081)</b> |
| Sales, General & Administrative                          | (801)           | (5,245)        | (972)              | (2,816)        | (2,068)        | (3,497)        | 266              | (15,133)        |
| Taxes  | (110)           | (114)          | (68)               | (22)           | (311)          | (276)          | -                | (901)           |
| Exploratory Costs  | (2,551)         | -              | -                  | -              | (1,103)        | -              | -                | (3,654)         |
| Losses on recovery of assets                             | (603)           | -              | -                  | -              | (322)          | -              | -                | (925)           |
| Research & Development                                   | (899)           | (277)          | (73)               | (14)           | (5)            | (438)          | -                | (1,706)         |
| Health and Pension Plans                                 | -               | -              | -                  | -              | -              | (1,427)        | -                | (1,427)         |
| Other  | (468)           | (882)          | (1,228)            | 49             | (1,250)        | (1,563)        | 7                | (5,335)         |
| <b>Operating Profit (Loss)</b>                           | <b>56,997</b>   | <b>(5,237)</b> | <b>(525)</b>       | <b>1,830</b>   | <b>(881)</b>   | <b>(7,201)</b> | <b>620</b>       | <b>45,603</b>   |
| Net of Interest Income (Expenses)                        | -               | -              | -                  | -              | -              | 4,022          | -                | 4,022           |
| Equity Income  | -               | (554)          | 18                 | 77             | (379)          | 439            | -                | (399)           |
| <b>Income (Loss) Before Taxes and Minority Interests</b> | <b>56,997</b>   | <b>(5,791)</b> | <b>(507)</b>       | <b>1,907</b>   | <b>(1,260)</b> | <b>(2,740)</b> | <b>620</b>       | <b>49,226</b>   |
| Income Tax & Social Contribution                         | (19,228)        | 1,876          | 193                | (595)          | (553)          | 2,220          | (212)            | (16,299)        |
| Minority Interests                                       | (663)           | 164            | 73                 | -              | 249            | 2,510          | -                | 2,333           |
| Employees Profit Sharing                                 | (445)           | (281)          | (41)               | (79)           | (97)           | (402)          | -                | (1,345)         |
| <b>Net Income (Loss)</b>                                 | <b>36,661</b>   | <b>(4,032)</b> | <b>(282)</b>       | <b>1,233</b>   | <b>(1,661)</b> | <b>1,588</b>   | <b>408</b>       | <b>33,915</b>   |

## Consolidated Result by Business Area - 2007

| R\$ MILLION  |                |                |                    |                |                |                 |                  |                 |
|--|----------------|----------------|--------------------|----------------|----------------|-----------------|------------------|-----------------|
|  | E&P            | SUPPLY         | GAS<br>&<br>ENERGY | DISTRIB.       | INTERN.        | CORPOR.         | ELIMIN.          | TOTAL           |
| <b>Net Operating Revenues</b>                            | <b>81,093</b>  | <b>133,150</b> | <b>9,866</b>       | <b>45,078</b>  | <b>19,390</b>  | -               | <b>(117,999)</b> | <b>170,578</b>  |
| Intersegments  | 76,591         | 36,576         | 2,109              | 729            | 1,994          | -               | (117,999)        | -               |
| Third Parties  | 4,502          | 96,574         | 7,757              | 44,349         | 17,396         | -               | -                | 170,578         |
| Cost of Goods Sold                                       | (34,935)       | (118,921)      | (9,044)            | (40,829)       | (16,214)       | -               | 115,545          | (104,398)       |
| <b>Gross Profit</b>                                      | <b>46,158</b>  | <b>14,229</b>  | <b>822</b>         | <b>4,249</b>   | <b>3,176</b>   | -               | <b>(2,454)</b>   | <b>66,180</b>   |
| <b>Operating Expenses</b>                                | <b>(3,987)</b> | <b>(5,116)</b> | <b>(2,446)</b>     | <b>(2,981)</b> | <b>(3,282)</b> | <b>(8,581)</b>  | <b>239</b>       | <b>(26,154)</b> |
| Sales, General & Administrative                          | (571)          | (4,019)        | (1,132)            | (2,528)        | (1,404)        | (3,064)         | 230              | (12,488)        |
| Taxes  | (49)           | (147)          | (77)               | (176)          | (138)          | (669)           | -                | (1,256)         |
| Exploratory Costs  | (1,212)        | -              | -                  | -              | (1,358)        | -               | -                | (2,570)         |
| Losses on recovery of assets                             | (45)           | -              | -                  | -              | (401)          | -               | -                | (446)           |
| Research & Development                                   | (868)          | (333)          | (183)              | (12)           | (3)            | (313)           | -                | (1,712)         |
| Health and Pension Plan                                  | -              | -              | -                  | -              | -              | (2,495)         | -                | (2,495)         |
| Other  | (1,242)        | (617)          | (1,054)            | (265)          | 22             | (2,040)         | 9                | (5,187)         |
| <b>Operating Profit (Loss)</b>                           | <b>42,171</b>  | <b>9,113</b>   | <b>(1,624)</b>     | <b>1,268</b>   | <b>(106)</b>   | <b>(8,581)</b>  | <b>(2,215)</b>   | <b>40,026</b>   |
| Net of Interest Income (Expenses)                        | -              | -              | -                  | -              | -              | (4,021)         | -                | (4,021)         |
| Equity Income  | -              | 196            | 156                | (14)           | (25)           | (778)           | -                | (465)           |
| <b>Income (Loss) Before Taxes and Minority Interests</b> | <b>42,171</b>  | <b>9,309</b>   | <b>(1,468)</b>     | <b>1,254</b>   | <b>(131)</b>   | <b>(13,380)</b> | <b>(2,215)</b>   | <b>35,540</b>   |
| Income Tax & Social Contribution                         | (14,216)       | (3,033)        | 562                | (408)          | (526)          | 5,594           | 754              | (11,273)        |
| Minority Interests                                       | (764)          | (15)           | (447)              | -              | (310)          | (207)           | -                | (1,743)         |
| Employees Profit Sharing                                 | (363)          | (276)          | (28)               | (69)           | (56)           | (220)           | -                | (1,012)         |
| <b>Net Income (Loss)</b>                                 | <b>26,828</b>  | <b>5,985</b>   | <b>(1,381)</b>     | <b>777</b>     | <b>(1,023)</b> | <b>(8,213)</b>  | <b>(1,461)</b>   | <b>21,512</b>   |



## PETROBRAS SYSTEM

## Financial Statements

EBITDA<sup>(1)</sup> Consolidated Statement by Business Area - 2008

| R\$ MILLION - BEFORE LAW 11.638/07 ADJUSTMENTS |        |         |                    |          |         |         |         |        |
|--|--------|---------|--------------------|----------|---------|---------|---------|--------|
|  | E&P    | SUPPLY  | GAS<br>&<br>ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL  |
| Operating Profit (Loss)                        | 56,552 | (5,518) | (566)              | 1,751    | (978)   | 7,603   | 620     | 44,258 |
| Depreciation /<br>Amortization                 | 6,222  | 2,445   | 802                | 355      | 1,758   | 448     | -       | 12,030 |
| Impairment                                     | 603    | -       | -                  | -        | 322     | -       | -       | 925    |
| EBITDA <sup>(1)</sup>                          | 63,377 | (3,073) | 236                | 2,106    | 1,102   | 7,155   | 620     | 57,213 |

(1) Operating income before the financial results and equity income excluding depreciation /amortization.

## Statement of Other Operating Income (Expenses) - 2008

| R\$ MILLION - BEFORE LAW 11.638/07 ADJUSTMENTS                              |       |        |                    |          |         |         |         |         |
|---|-------|--------|--------------------|----------|---------|---------|---------|---------|
|   | E&P   | SUPPLY | GAS<br>&<br>ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL   |
| Inventory adjustment  | -     | (560)  | (122)              | -        | (699)   | -       | -       | (1,381) |
| Institutional relations<br>and cultural projects                            | (79)  | (57)   | (11)               | (77)     | -       | (1,004) | -       | (1,228) |
| Thermoelectric  | -     | -      | (593)              | -        | -       | -       | -       | (593)   |
| Labor Agreement   | (257) | (82)   | (19)               | -        | (18)    | (167)   | -       | (543)   |
| Losses and<br>Contingencies related to<br>Lawsuit                           | (37)  | (90)   | (23)               | (21)     | (225)   | (166)   | -       | (562)   |
| Fines and Contractual<br>Charges  | -     | -      | (434)              | -        | -       | -       | -       | (434)   |
| HSE Expenses  | (68)  | (61)   | (4)                | -        | -       | (250)   | -       | (383)   |
| Non programmed<br>stoppages in<br>installations and<br>production equipment | (121) | (85)   | -                  | -        | -       | -       | -       | (206)   |
| Contractual losses from<br>ship-or-pay transport<br>services                | -     | -      | -                  | -        | (128)   | -       | -       | (128)   |
| Other   | 94    | 53     | (22)               | 147      | (180)   | 24      | 7       | 123     |

(468) (882) (1,228) 49 (1,250) (1,563) 7 (5,335)

## Statement of Other Operating Income (Expenses) - 2007

R\$ MILLION

|   | E&P            | SUPPLY       | GAS<br>&<br>ENERGY | DISTRIB.     | INTERN.   | CORPOR.        | ELIMIN.  | TOTAL          |
|---|----------------|--------------|--------------------|--------------|-----------|----------------|----------|----------------|
| <b>Institutional relations and cultural projects</b>                      | (76)           | (64)         | -                  | (68)         | -         | (1,059)        | -        | <b>(1,267)</b> |
| <b>Thermoelectric</b>   | -              | -            | (523)              | -            | -         | -              | -        | <b>(523)</b>   |
| <b>Labor Agreement</b>  | (187)          | (114)        | (16)               | (24)         | (9)       | (132)          | -        | <b>(482)</b>   |
| <b>Losses and Contingencies related to Lawsuit</b>                        | (177)          | (73)         | -                  | (67)         | (17)      | (55)           | -        | <b>(389)</b>   |
| <b>Fines and Contractual Charges</b>                                      | -              | -            | (449)              | -            | -         | -              | -        | <b>(449)</b>   |
| <b>HSE Expenses</b>   | (22)           | (135)        | (4)                | -            | (9)       | (304)          | -        | <b>(474)</b>   |
| <b>Non programmed stoppages in installations and production equipment</b> | (27)           | (111)        | -                  | -            | -         | -              | -        | <b>(138)</b>   |
| <b>Contractual losses from ship-or-pay transport services</b>             | -              | -            | -                  | -            | (90)      | -              | -        | <b>(90)</b>    |
| <b>Expenses with Renegotiation of Petros Fund Plan</b>                    | (220)          | (128)        | (12)               | (40)         | (8)       | (642)          | -        | <b>(1,050)</b> |
| <b>ICMS tax recovery</b>  | -              | 101          | -                  | -            | -         | -              | -        | <b>101</b>     |
| <b>Other</b>  | (533)          | (93)         | (50)               | (66)         | 155       | 152            | 9        | <b>(426)</b>   |
|   | <b>(1,242)</b> | <b>(617)</b> | <b>(1,054)</b>     | <b>(265)</b> | <b>22</b> | <b>(2,040)</b> | <b>9</b> | <b>(5,187)</b> |

## PETROBRAS SYSTEM

## Financial Statements

## Statement of Extraordinary Items - 2008

## R\$ MILLION - BEFORE LAW 11.638/07 ADJUSTMENTS

|   | E&P           | SUPPLY         | GAS<br>&<br>ENERGY | DISTRIB      | INTER          | CORP           | ELIMIN     | TOTAL         |
|---|---------------|----------------|--------------------|--------------|----------------|----------------|------------|---------------|
| <b>Net Income (Loss) by Business Segment</b>                                  | <b>56,997</b> | <b>(5,237)</b> | <b>(525)</b>       | <b>1,830</b> | <b>(881)</b>   | <b>7,201</b>   | <b>620</b> | <b>45,603</b> |
| <b>Extraordinary Items:</b>   | -             | -              | -                  | -            | -              | -              | -          | -             |
| <b>Contractual fines</b>  | -             | -              | 434                | -            | -              | -              | -          | 434           |
| <b>Provision with Royalties</b>   | -             | -              | -                  | -            | -              | -              | -          | -             |
| <b>Litigation</b>   | -             | -              | -                  | -            | 220            | -              | -          | 220           |
| <b>Impairment</b>   | -             | 560            | 122                | -            | 699            | -              | -          | 1,381         |
| <b>Losses on recovery of assets</b>   | 602           | -              | -                  | -            | 323            | -              | -          | 925           |
| <b>Extraordinary Items Subtotal</b>   | <b>602</b>    | <b>560</b>     | <b>556</b>         | <b>-</b>     | <b>1,242</b>   | <b>-</b>       | <b>-</b>   | <b>2,960</b>  |
| <b>Operating Income (Loss) by business Segment before Extraordinary Items</b> | <b>57,599</b> | <b>(4,677)</b> | <b>31</b>          | <b>1,830</b> | <b>361</b>     | <b>(7,201)</b> | <b>620</b> | <b>48,563</b> |
| <b>Net Income (Loss) by Business Segment</b>                                  | <b>36,661</b> | <b>(4,032)</b> | <b>(282)</b>       | <b>1,233</b> | <b>(1,661)</b> | <b>1,588</b>   | <b>408</b> | <b>33,915</b> |
| <b>Extraordinary Items:</b>   | 602           | 560            | 556                | -            | 1,242          | -              | -          | 2,960         |
| <b>Taxes Effects</b>  | -             | -              | 148                | -            | -              | -              | -          | 148           |
| <b>Net Income without Extraordinary Items effects</b>                         | <b>37,263</b> | <b>(3,472)</b> | <b>422</b>         | <b>1,233</b> | <b>(419)</b>   | <b>1,588</b>   | <b>408</b> | <b>37,023</b> |

## Statement of Extraordinary Items - 4Q08

## R\$ MILLION - BEFORE LAW 11.638/07 ADJUSTMENTS

|  | E&P          | SUPPLY         | GAS<br>&<br>ENERGY | DISTRIB    | INTER          | CORP           | ELIMIN       | TOTAL        |
|--|--------------|----------------|--------------------|------------|----------------|----------------|--------------|--------------|
| <b>Net Income (Loss) by Business Segment</b> | <b>7,936</b> | <b>(1,402)</b> | <b>(250)</b>       | <b>402</b> | <b>(1,989)</b> | <b>(1,931)</b> | <b>2,275</b> | <b>5,041</b> |
| <b>Extraordinary Items:</b>                  | -            | -              | -                  | -          | -              | -              | -            | -            |
| <b>Contractual fines</b>                     | -            | -              | 59                 | -          | -              | -              | -            | 59           |
| <b>Provision with Royalties</b>              | -            | -              | -                  | -          | -              | -              | -            | -            |
| <b>Litigation</b>                            | -            | -              | -                  | -          | 45             | -              | -            | 45           |



|   |              |                |             |            |                |                |              |              |
|---|--------------|----------------|-------------|------------|----------------|----------------|--------------|--------------|
| <b>Impairment</b>                                     | -            | 363            | 123         | -          | 603            | -              | -            | <b>1,089</b> |
| <b>Losses on recovery of assets</b>                   | 602          | -              | -           | -          | 323            | -              | -            | <b>925</b>   |
| <b>Extraordinary Items Subtotal</b>                   | <b>602</b>   | <b>363</b>     | <b>182</b>  | -          | <b>971</b>     | -              | -            | <b>2,118</b> |
| <b>Operating Income (Loss) by business Segment</b>    |              |                |             |            |                |                |              |              |
| <b>before Extraordinary Items</b>                     | <b>8,538</b> | <b>(1,039)</b> | <b>(68)</b> | <b>402</b> | <b>(1,018)</b> | <b>(1,931)</b> | <b>2,275</b> | <b>7,159</b> |
| <b>Net Income (Loss) by Business Segment</b>          |              |                |             |            |                |                |              |              |
|   | <b>4,984</b> | <b>(1,445)</b> | <b>(25)</b> | <b>301</b> | <b>(2,083)</b> | <b>4,124</b>   | <b>1,499</b> | <b>7,355</b> |
| <b>Extraordinary Items:</b>                           | 602          | 363            | 182         | -          | 971            | -              | -            | <b>2,118</b> |
| <b>Taxes Effects</b>                                  | -            | -              | 20          | -          | -              | -              | -            | <b>20</b>    |
| <b>Net Income without Extraordinary Items effects</b> |              |                |             |            |                |                |              |              |
|   | <b>5,586</b> | <b>(1,082)</b> | <b>177</b>  | <b>301</b> | <b>(1,112)</b> | <b>4,124</b>   | <b>1,499</b> | <b>9,493</b> |

## Statement of Extraordinary Items - 2007

|  | R\$ MILLION   |              |                |              |                |                |                |               |
|--|---------------|--------------|----------------|--------------|----------------|----------------|----------------|---------------|
|  | E&P           | SUPPLY       | GAS & ENERGY   | DISTRIB      | INTER          | CORP           | ELIMIN         | TOTAL         |
| <b>Operating Income (Loss) by Business Segment</b>     | <b>42,171</b> | <b>9,113</b> | <b>(1,624)</b> | <b>1,268</b> | <b>(106)</b>   | <b>(8,581)</b> | <b>(2,215)</b> | <b>40,026</b> |
| <b>Extraordinary Items:</b>                            |               |              |                |              |                |                |                |               |
| <b>Expenses with Renegotiation of Petros Fund Plan</b> | 220           | 128          | 12             | 40           | 8              | 1,339          | -              | <b>1,747</b>  |
| <b>Contractual fines</b>                               | -             | -            | 449            | -            | -              | -              | -              | <b>449</b>    |
| <b>Losses on recovery of assets</b>                    | -             | -            | -              | -            | 401            | -              | -              | <b>401</b>    |
| <b>Extraordinary Items Subtotal</b>                    | <b>220</b>    | <b>128</b>   | <b>461</b>     | <b>40</b>    | <b>409</b>     | <b>1,339</b>   | -              | <b>2,597</b>  |
| <b>Operating Income before Extraordinary Items</b>     |               |              |                |              |                |                |                |               |
|  | <b>42,391</b> | <b>9,241</b> | <b>(1,163)</b> | <b>1,308</b> | <b>303</b>     | <b>(7,242)</b> | <b>(2,215)</b> | <b>42,623</b> |
| <b>Net Income (Loss) by Business Segment</b>           |               |              |                |              |                |                |                |               |
|  | <b>26,828</b> | <b>5,985</b> | <b>(1,381)</b> | <b>777</b>   | <b>(1,023)</b> | <b>(8,213)</b> | <b>(1,461)</b> | <b>21,512</b> |
| <b>Extraordinary Items:</b>                            | 220           | 128          | 461            | 40           | 409            | 1,339          | -              | <b>2,597</b>  |
| <b>Taxes Effects</b>                                   | (123)         | (23)         | (93)           | (33)         | (30)           | (495)          | -              | <b>(796)</b>  |
| <b>Net Income without Extraordinary Items effects</b>  |               |              |                |              |                |                |                |               |
|  | <b>26,925</b> | <b>6,090</b> | <b>(1,013)</b> | <b>784</b>   | <b>644</b>     | <b>(7,369)</b> | <b>(1,461)</b> | <b>23,313</b> |



## PETROBRAS SYSTEM

## Financial Statements

## Consolidated Assets by Business Area - 12.31.2008

## R\$ MILLION - BEFORE LAW 11.638/07 ADJUSTMENTS

|                                      | E&P            | SUPPLY        | GAS<br>&<br>ENERGY | DISTRIB.      | INTERN.       | CORP.         | ELIMIN.        | TOTAL          |
|--------------------------------------|----------------|---------------|--------------------|---------------|---------------|---------------|----------------|----------------|
| <b>ASSETS</b>                        | <b>118,225</b> | <b>64,783</b> | <b>36,180</b>      | <b>10,316</b> | <b>33,240</b> | <b>40,890</b> | <b>(9,120)</b> | <b>294,514</b> |
| <b>CURRENT ASSETS</b>                | <b>6,576</b>   | <b>23,620</b> | <b>5,344</b>       | <b>5,676</b>  | <b>5,848</b>  | <b>25,436</b> | <b>(7,805)</b> | <b>64,695</b>  |
| CASH AND CASH<br>EQUIVALENTS         | -              | -             | -                  | -             | -             | 15,889        | -              | 15,889         |
| OTHER                                | 6,576          | 23,620        | 5,344              | 5,676         | 5,848         | 9,547         | (7,805)        | 48,806         |
| <b>NON-CURRENT<br/>ASSETS</b>        | <b>111,649</b> | <b>41,163</b> | <b>30,836</b>      | <b>4,640</b>  | <b>27,392</b> | <b>15,454</b> | <b>(1,315)</b> | <b>229,819</b> |
| LONG-TERM<br>ASSETS                  | 4,241          | 1,891         | 2,323              | 735           | 1,335         | 11,679        | (1,215)        | 20,989         |
| PROPERTY,<br>PLANTS AND<br>EQUIPMENT | 103,592        | 35,845        | 27,025             | 3,193         | 20,081        | 2,361         | (44)           | 192,053        |
| OTHER                                | 3,816          | 3,427         | 1,488              | 712           | 5,976         | 1,414         | (56)           | 16,777         |

## Consolidated Assets by Business Area - 09.30.2008

## R\$ MILLION - BEFORE LAW 11.638/07 ADJUSTMENTS

|                               | E&P            | SUPPLY        | GAS<br>&<br>ENERGY | DISTRIB.      | INTERN.       | CORP.         | ELIMIN.         | TOTAL          |
|-------------------------------|----------------|---------------|--------------------|---------------|---------------|---------------|-----------------|----------------|
| <b>ASSETS</b>                 | <b>106,637</b> | <b>67,453</b> | <b>33,667</b>      | <b>10,610</b> | <b>29,497</b> | <b>35,380</b> | <b>(11,299)</b> | <b>271,945</b> |
| <b>CURRENT ASSETS</b>         | <b>7,525</b>   | <b>30,768</b> | <b>5,678</b>       | <b>5,785</b>  | <b>6,917</b>  | <b>19,235</b> | <b>(11,023)</b> | <b>64,885</b>  |
| CASH AND CASH<br>EQUIVALENTS  | -              | -             | -                  | -             | -             | 10,776        | -               | 10,776         |
| OTHERS                        | 7,525          | 30,768        | 5,678              | 5,785         | 6,917         | 8,459         | (11,023)        | 54,109         |
| <b>NON-CURRENT<br/>ASSETS</b> | <b>99,112</b>  | <b>36,685</b> | <b>27,989</b>      | <b>4,825</b>  | <b>22,580</b> | <b>16,145</b> | <b>(276)</b>    | <b>207,060</b> |
| LONG-TERM<br>ASSETS           | 4,140          | 1,392         | 2,568              | 571           | 878           | 13,007        | (246)           | 22,310         |
| PROPERTY,<br>PLANTS AND       | 91,580         | 31,347        | 24,389             | 2,842         | 16,172        | 1,878         | (30)            | 168,178        |

|                    |       |       |       |       |       |       |   |               |
|--------------------|-------|-------|-------|-------|-------|-------|---|---------------|
| EQUIPMENT<br>OTHER | 3,392 | 3,946 | 1,032 | 1,412 | 5,530 | 1,260 | - | <b>16,572</b> |
|--------------------|-------|-------|-------|-------|-------|-------|---|---------------|

**Consolidated Assets by Business Area - 12.31.2007**

|                                      | R\$ MILLION   |               |                    |              |               |               |                |                |
|--------------------------------------|---------------|---------------|--------------------|--------------|---------------|---------------|----------------|----------------|
|                                      | E&P           | SUPPLY        | GAS<br>&<br>ENERGY | DISTRIB.     | INTERN.       | CORP.         | ELIMIN.        | TOTAL          |
| <b>ASSETS</b>                        | <b>89,256</b> | <b>55,253</b> | <b>27,942</b>      | <b>9,890</b> | <b>22,406</b> | <b>36,409</b> | <b>(9,928)</b> | <b>231,228</b> |
| <b>CURRENT ASSETS</b>                | <b>5,174</b>  | <b>24,390</b> | <b>4,423</b>       | <b>4,946</b> | <b>4,212</b>  | <b>20,050</b> | <b>(9,821)</b> | <b>53,374</b>  |
| CASH AND CASH<br>EQUIVALENTS         | -             | -             | -                  | -            | -             | 13,071        | -              | 13,071         |
| OTHER                                | 5,174         | 24,390        | 4,423              | 4,946        | 4,212         | 6,979         | (9,821)        | 40,303         |
| <b>NON-CURRENT<br/>ASSETS</b>        | <b>84,082</b> | <b>30,863</b> | <b>23,519</b>      | <b>4,944</b> | <b>18,194</b> | <b>16,359</b> | <b>(107)</b>   | <b>177,854</b> |
| LONG-TERM<br>ASSETS                  | 4,046         | 1,335         | 1,841              | 702          | 1,088         | 13,101        | (90)           | <b>22,023</b>  |
| PROPERTY,<br>PLANTS AND<br>EQUIPMENT | 76,611        | 25,226        | 20,753             | 2,793        | 12,664        | 1,911         | (17)           | <b>139,941</b> |
| OTHER                                | 3,425         | 4,302         | 925                | 1,449        | 4,442         | 1,347         | -              | <b>15,890</b>  |

Certain figures relating to previous periods have been reclassified to bring them into line with the current financial statements, thereby facilitating comparisons.

## PETROBRAS SYSTEM

## Financial Statements

## Consolidated Results by International Business Area - 2008

| R\$ MILLION - BEFORE LAW 11.638/07 ADJUSTMENTS<br>INTERNATIONAL |               |                |                    |              |              |                |                |
|---|---------------|----------------|--------------------|--------------|--------------|----------------|----------------|
|   | E&P           | SUPPLY         | GAS<br>&<br>ENERGY | DISTRIB.     | CORPOR.      | ELIMIN.        | TOTAL          |
| <b>ASSETS (12.31.2008)</b>                                      | <b>24,207</b> | <b>6,387</b>   | <b>3,245</b>       | <b>859</b>   | <b>4,104</b> | <b>(5,562)</b> | <b>33,240</b>  |
| <b>Income Statement</b>   |               |                |                    |              |              |                |                |
| <b>Net Operating Revenues</b>                                   | <b>6,702</b>  | <b>19,047</b>  | <b>2,407</b>       | <b>6,255</b> | <b>5</b>     | <b>(5,528)</b> | <b>28,888</b>  |
| Intersegments   | 3,408         | 3,940          | 511                | 169          | -            | (5,528)        | 2,500          |
| Third Parties   | 3,294         | 15,107         | 1,896              | 6,086        | 5            | -              | 26,388         |
| <b>Operating Profit (Loss)</b>                                  | <b>962</b>    | <b>(1,331)</b> | <b>401</b>         | <b>23</b>    | <b>(939)</b> | <b>3</b>       | <b>(881)</b>   |
| <b>Net Income (Loss)</b>  | <b>99</b>     | <b>(1,423)</b> | <b>235</b>         | <b>16</b>    | <b>(591)</b> | <b>3</b>       | <b>(1,661)</b> |

## Consolidated Results by International Business Area

| R\$ MILLION<br>INTERNATIONAL   |               |               |                    |              |              |                |                |
|--------------------------------|---------------|---------------|--------------------|--------------|--------------|----------------|----------------|
|                                | E&P           | SUPPLY        | GAS<br>&<br>ENERGY | DISTRIB.     | CORPOR.      | ELIMIN.        | TOTAL          |
| <b>ASSETS (09.30.2008)</b>     | <b>19,688</b> | <b>7,721</b>  | <b>2,816</b>       | <b>881</b>   | <b>3,192</b> | <b>(4,801)</b> | <b>29,497</b>  |
| <b>Income Statement - 2007</b> |               |               |                    |              |              |                |                |
| <b>Net Operating Revenues</b>  | <b>4,638</b>  | <b>12,999</b> | <b>1,900</b>       | <b>3,654</b> | <b>25</b>    | <b>(3,826)</b> | <b>19,390</b>  |
| Intersegments                  | 2,589         | 2,818         | 372                | 41           | -            | (3,826)        | 1,994          |
| Third Parties                  | 2,049         | 10,181        | 1,528              | 3,613        | 25           | -              | 17,396         |
| <b>Operating Profit (Loss)</b> | <b>(55)</b>   | <b>178</b>    | <b>476</b>         | <b>(96)</b>  | <b>(583)</b> | <b>(26)</b>    | <b>(106)</b>   |
| <b>Net Income (Loss)</b>       | <b>(777)</b>  | <b>245</b>    | <b>326</b>         | <b>(71)</b>  | <b>(720)</b> | <b>(26)</b>    | <b>(1,023)</b> |
| <b>ASSETS (21.31.2007)</b>     | <b>14,987</b> | <b>4,636</b>  | <b>2,378</b>       | <b>819</b>   | <b>2,543</b> | <b>(2,957)</b> | <b>22,406</b>  |

## PETROBRAS SYSTEM

## Appendices

**1. Changes in accounting practices**

Law 11.638/07 of December 28, 2007, and Provisional Measure 449/08 of December 3, 2008, altered and revoked certain provisions dealing with accounting matters in Law 6.404/76 (Corporate Law) aiming to align Brazilian accounting practices with international standards (IFRS). The Accounting Pronouncements Committee (CPC) was set up in order to issue technical accounting pronouncements in line with IFRS norms. The following table lists those pronouncements that had been ratified by the CVM by December 31, 2008.

| CPC Pronouncement |   | CVM Resolution |                     |
|-------------------|---|----------------|---------------------|
| Number            | Title   | Number         | Date of publication |
| CPC               | Conceptual framework for the preparation and presentation of the financial statements       | 539/08         | March 14, 2008      |
| CPC 01            | Impairment of Assets  | 527/07         | November 1, 2007    |
| CPC 02            | The effects of changes in foreign exchange rates and the conversion of financial statements | 534/08         | January 29, 2008    |
| CPC 03            | Statement of cash flows   | 547/08         | August 13, 2008     |
| CPC 04            | Intangible assets   | 553/08         | November 12, 2008   |
| CPC 05            | Related party disclosures   | 560/08         | December 11, 2008   |
| CPC 06            | Leasing   | 554/08         | November 12, 2008   |
| CPC 07            | Government subsidies and assists  | 555/08         | November 12, 2008   |
| CPC 08            | Transaction costs and gains from the issue of marketable securities                         | 556/08         | November 12, 2008   |
| CPC 09            | Statement of added value  | 557/08         | November 12, 2008   |
| CPC 10            | Share-based payments  | 562/08         | December 17, 2008   |
| CPC 11            | Insurance contracts   | 563/08         | December 17, 2008   |
| CPC 12            | Adjustment to present value   | 564/08         | December 17, 2008   |
| CPC 13            | Initial adoption of Law 11.638/07 and Provisional Measure 449/08                            | 565/08         | December 17, 2008   |
| CPC 14            | Financial instruments: recognition, measurement and presentation                            | 566/08         | December 17, 2008   |

Provisional Measure 449/08 also instituted the Transitional Tax Regime, which establishes the treatment of the tax impact on the methods and criteria introduced by the new legislation.

The Company adopted these pronouncements for the first time (when applicable) in the preparation of the 2008 financial statements, pursuant to CVM Resolution 565/08 and Provisional Measure 449/08, having effected the initial adjustments on January 1, 2008, the transition date, to the retained earnings account with no retroactive effect on the 2007 statements.

There follows a summary of the pronouncements adopted:

#### 1.1 Statement of Cash Flows (SFC) and Statement of Added Value (SAV)

Even before reporting of SFC and SAV became compulsory, the Company reported them as additional information. However, a few changes were made to the structure of these statements, pursuant to CPC 03 and CPC 09.

#### 1.2 Impairment of assets

CPC 01 establishes procedures to ensure that the Company's assets are not booked at an amount higher than can be recovered through their use or sale. If there is clear evidence that assets are being valued at more than the future recoverable amount, the Company should immediately book the depreciation by constituting a provision for losses.

**PETROBRAS SYSTEM**

Appendices

Assets are valued based on the lowest cash generating unit, when applicable. The recoverable amount is the amount obtained from a given use based on future cash flows, discounted for interest before taxes.

The Company has already adopted this procedure. However, based on the current procedure, loss provisions may be reversed if there are indications that these can be recovered..

**1.3 The effects of changes in foreign exchange rates and the conversion of financial statements**

CPC 02 establishes the criteria for defining the functional currency and converting the financial statements of subsidiaries, associated companies and branch offices, whose functional currency differs from that of the holding company.

As a result of the adoption of CPC 02, the following procedures changed:

a) The exchange variations on investments in subsidiaries and associated companies, whose functional currency differs from the holding company s, are now booked under shareholders equity as accrued conversion adjustments and transferred to the result when investments are actually made.

Until 2007, the exchange variation affected the year s results as equity income.

b) In a stable economic scenario, the income statement of investee companies, whose functional currency differs from the holding company s, are now converted at the average monthly exchange rate, and other equity items at the historic rate.

Previously, the year-end exchange rate at was used to convert such items..

**1.4 Intangible assets**

CPC 04 establishes the accounting treatment for those intangible assets that are not specifically covered by other pronouncements.

The Company has already been reporting its intangible assets in accordance with CVM Resolution 488/05 of October 3, 2005.

Goodwill arising from the acquisition of a controlling interest (subsidiaries and jointly-owned companies) is now booked under intangible assets and goodwill from the acquisition of interests in associated companies continues to be booked under Investments.

As of 2009, these goodwill amounts will not be amortized over the period and extension of the projections that determined them, pursuant to CPC 13 (Initial Adoption of Law 11.638/07 and Provisional Measure 449/08) and are subject to the impairment test.

**1.5 Related party disclosures**

The Company has widened the scope of information disclosed in the notes to the financial statements on transactions and balances with related parties, pursuant to CPC 05.

**1.6 Contracts involving the transfer of benefits, risks and control of assets.**

CPC 06 establishes procedures for booking and disclosing transactions in which there are contractual commitments with or without the transfer of benefits, risks and control of assets.



The Company now books under fixed assets, based on the fair value or present value of the minimum contract payments, whichever is lower, the rights to physical assets used in the maintenance of the Company's business activities, arising from transactions involving the transfer of the benefits, risks and control of these assets, as well as the related liabilities.

Previously, these transactions were treated as costs/expenses related to freight, rent or the provision of services.

1.7 Government subsidies and assists

**PETROBRAS SYSTEM**

Appendices

CPC 07 defines the tax incentives arising from donations or government subsidies for investments, received on or after January 1, 2008, which are booked as revenue throughout the period against the expenses they are intended to offset on a systematic base, which is applied in Petrobras in the following manner:

- a) Subsidies with reinvestments: in the same ratio as the assets depreciation;
- b) Direct subsidies related to profits from exploration: directly in the result.

The amounts booked in the result in 2008 will be allocated to the Tax Incentive Reserve.

The balance of the capital reserve relating to donations and subsidies for investment on December 31, 2007, will be maintained under shareholders' equity until they are fully used, pursuant to Law 6.404/76.

#### 1.8 Transaction costs and gains from the issue of marketable securities

CPC 08 establishes the accounting procedures for recognizing, measuring and disclosing the transaction costs and gains from the issue of shares and/or debt securities.

The Company discloses share and debt positions at the amount received, net of said transaction costs, losses and gains.

#### 1.9 Adjustment to present value

CPC 12 establishes the basic conditions for applying the adjustment-to-present-value method for valuing assets and liabilities arising from long-term and material short-term transactions. The Company has already adopted this procedure for material transactions.

#### 1.10 Financial Instruments

CPC 14 establishes the principles for recognizing and measuring financial assets and liabilities and certain purchase agreements involving unfinanced items and the disclosure of financial derivative instruments.

As a result, the following changes were adopted:

Cash flow hedge transactions are now booked in the balance sheet at their fair value, when qualified as an effective hedge, with an impact on shareholders' equity, and subsequently reclassified in the result when the transaction that is the object of the hedge has an impact on the result. Previously, these transactions were recorded in the result on their financial settlement.

Financial derivative instruments used as a hedge against variations in oil and oil product prices are now marked to market throughout their validity periods, with an impact on the financial result. Previously, these adjustments were only recorded in the result on their financial settlement.

The adjustment to market value of securities classified as available for sale are now recorded under shareholders' equity until their settlement, when they are transferred to the result. Previously, these adjustments impacted the result.

#### 1.11 Equity investments

Pursuant to Provisional Measure 449/08, investments in associated companies in which management has substantial influence and in other companies that are part of the same group or jointly owned will be assessed by the equity method. No relevant effects were identified in regard to this item.

Previously, the equity method was only applied to significant investments in associated companies in which management had an influence, or in which the Company retained 20% or more of the capital.

1.12 Deferred charges

Provisional Measure 449/08 eliminated deferred charges, allowing the balance of December 31, 2008, to be maintained. This will continue to be amortized over 10 years, subject to the impairment test.

1.13 Future results

Future results were eliminated as of fiscal year 2008 due to the amendment of Law 6.404/76 by Provisional Measure 449/08. However, the existing balances on December 31, 2008 and 2007 were reclassified under non-current assets as deferred revenue.

Discounts arising from expected future results were reclassified under non-current liabilities in the consolidated financial statements.

#### 1.14 Revaluation reserve

Law 11.638/07 does not permit new spontaneous revaluations of fixed assets.

The Company opted to maintain the balance of the respective revaluation reserves on December 31, 2007 until their total realization.

#### 1.15 Non-operating revenue and expenses

Non-operating revenue and expenses were eliminated as of fiscal year 2008, due to the amendment of Law 6.404/76 by Provisional Measure 449/08. However, the existing balances on December 31, 2008 and 2007 arising from the sale and write-off of permanent assets were reclassified under other operating revenue and expenses, except for those arising from capital gains or losses from investments, which were reclassified under equity income.

#### 1.16 Effects of the adoption of Law 11.638/07 and Provisional Measure 449/08

The effects from the adoption of the new legislation on the result and shareholders' equity, net of tax effects when applicable, are shown below:

## PETROBRAS SYSTEM

## Appendices

## Consolidated Income Statement

|                          | R\$ Million     |             |            |                          |         |                  |
|--------------------------|-----------------|-------------|------------|--------------------------|---------|------------------|
|                          | 2008            |             |            |                          |         |                  |
|                          | Law<br>6.404/76 | Transaction | Subvention | Financial<br>Institution | Leasing | Law<br>11.638/07 |
| GROSS SALES              | 284,579         | (18,085)    |            |                          |         | 266,494          |
| SALES DEDUCTIONS         | (52,396)        | 1,020       |            |                          |         | (51,376)         |
| NET SALES                | 232,183         | (17,065)    |            |                          |         | 215,118          |
| COST OF GOODS SOLD       | (157,499)       | 15,350      |            |                          | 526     | (141,623)        |
| GROSS PROFIT             | 74,685          | (1,715)     |            |                          | 526     | 73,495           |
| OPERATING EXPENSES       |                 |             |            |                          |         |                  |
| .GENERAL AND             |                 |             |            |                          |         |                  |
| ADMINISTRATIVES SALES    | (15,133)        | 652         |            |                          | 72      | (14,409)         |
| .EXPLORATORY COSTS       | (3,654)         | 160         |            |                          |         | (3,494)          |
| .IMPAIRMENT              | (925)           | (8)         |            |                          |         | (933)            |
| OTHER                    | (9,369)         | 220         | 557        | (198)                    | 81      | (8,708)          |
|                          | (29,081)        | 1,024       | 557        | (198)                    | 153     | (27,544)         |
| NET FINANCIAL EXPENSES   | 4,021           | 508         | 0          | 200                      | (1,601) | 3,128            |
| EQUITY BALANCE RESULT    | (399)           | (475)       | 0          |                          |         | (874)            |
| OPERATING PROFIT         | 49,226          | (659)       | 557        | 1                        | (922)   | 48,205           |
| IR and CSLL              | (16,299)        | 199         |            | (110)                    | 248     | (15,962)         |
| NET INCOME INCLUDING     |                 |             |            |                          |         |                  |
| EMPLOYEES PROFIT SHARING |                 |             |            |                          |         |                  |
| AND MINORITY INTEREST    | 32,927          | (459)       | 557        | (109)                    | (674)   | 32,243           |
| EMPLOYEES PROFIT SHARING | (1,345)         |             |            |                          |         | (1,345)          |
| MINORITY INTEREST        | 2,333           | (177)       |            |                          | (66)    | 2,090            |
| NET INCOME               | 33,915          | (636)       | 557        | (109)                    | (740)   | 32,988           |

## PETROBRAS SYSTEM

## Appendices

## Consolidated Assets by Business Area - 2008

|  | R\$ MILLION    |                |                    |                |                |                |                  |                 |
|--|----------------|----------------|--------------------|----------------|----------------|----------------|------------------|-----------------|
|  | E&P            | SUPPLY         | GAS<br>&<br>ENERGY | DISTRIB        | INTER          | CORP           | ELIMIN           | TOTAL           |
| <b>Net Operating Revenues</b>                                    | <b>106,226</b> | <b>173,176</b> | <b>15,988</b>      | <b>55,763</b>  | <b>22,464</b>  | -              | <b>(158,499)</b> | <b>215,118</b>  |
| <b>Gross Profit</b>  | 62,593         | 1,061          | 1,810              | 4,633          | 3,050          | -              | 348              | 73,495          |
| <b>Operating Expenses</b>  | <b>(5,361)</b> | <b>(5,659)</b> | <b>(2,339)</b>     | <b>(2,800)</b> | <b>(4,344)</b> | <b>(7,315)</b> | 273              | <b>(27,545)</b> |
| <b>Operating Profit (Loss)</b>                                   | <b>57,232</b>  | <b>(4,598)</b> | <b>(529)</b>       | <b>1,833</b>   | <b>(1,294)</b> | <b>(7,315)</b> | 621              | <b>45,950</b>   |
| Interest Income (Expenses)                                       | -              | -              | -                  | -              | -              | 3,129          | -                | <b>3,129</b>    |
| <b>Income (Loss) Before<br/>Taxes and Minority<br/>Interests</b> | <b>57,232</b>  | <b>(5,152)</b> | <b>(511)</b>       | <b>1,910</b>   | <b>(1,709)</b> | <b>(4,186)</b> | 621              | <b>48,205</b>   |
| <b>Net Income (Loss)</b>   | <b>37,617</b>  | <b>(3,611)</b> | <b>(315)</b>       | <b>1,234</b>   | <b>(1,860)</b> | <b>(487)</b>   | <b>410</b>       | <b>32,988</b>   |

## Consolidated Assets by Business Area - 12.31.2008

|                               | R\$ MILLION    |               |                    |               |               |               |                |                |
|-------------------------------|----------------|---------------|--------------------|---------------|---------------|---------------|----------------|----------------|
|                               | E&P            | SUPPLY        | GAS<br>&<br>ENERGY | DISTRIB.      | INTERN.       | CORP.         | ELIMIN.        | TOTAL          |
| <b>ASSETS</b>                 | <b>116,175</b> | <b>64,783</b> | <b>36,180</b>      | <b>10,321</b> | <b>33,243</b> | <b>40,582</b> | <b>(9,120)</b> | <b>292,164</b> |
| <b>CURRENT ASSETS</b>         | <b>5,881</b>   | <b>23,620</b> | <b>5,344</b>       | <b>5,681</b>  | <b>5,848</b>  | <b>25,008</b> | <b>(7,807)</b> | <b>63,575</b>  |
| <b>NON-CURRENT<br/>ASSETS</b> | <b>110,294</b> | <b>41,163</b> | <b>30,836</b>      | <b>4,640</b>  | <b>27,395</b> | <b>15,574</b> | <b>(1,313)</b> | <b>228,589</b> |

## PETROBRAS SYSTEM

## Appendices

**2. Petroleum and Alcohol Accounts National Treasury**

In order to settle the accounts with the federal government, in accordance with Provisional Measure No. 2181 of August 24, 2001, Petrobras, after having submitted all the information required by the National Treasury (STN), is seeking to reconcile the remaining differences between the parties.

The account balance of R\$ 810 million on December 31, 2008 (R\$ 798 million on December 31, 2007), may be paid by the federal government through the issuance of National Treasury bonds, in an amount equal to the final settlement amount or with other amounts that Petrobras may owe to the federal government, including those related to taxes, or through a combination of these options.

**3. 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\$ 58,170 million.

|         |      | R\$ million |     |  |               |               |           |
|---------|------|-------------|-----|--|---------------|---------------|-----------|
|         |      | 4th Quarter |     |  | Fiscal Year   |               |           |
| 3Q-2008 | 2008 | 2007        | Δ % |  | 2008          | 2007          | Δ %       |
|         |      |             |     | <b>Economic Contribution - Country</b>       |               |               |           |
|         |      |             |     | <b>Value Added Tax on Sales and Services</b> |               |               |           |
|         |      |             |     | 81 (ICMS)                                    | 23,110        | 18,110        | 28        |
|         |      |             |     | (60) CIDE <sup>(1)</sup>                     | 5,409         | 7,823         | (31)      |
|         |      |             |     | (18) PASEP/COFINS                            | 12,495        | 11,948        | 5         |
|         |      |             |     | (5) Income Tax & Social Contribution         | 15,716        | 10,683        | 47        |
|         |      |             |     | (125) Other                                  | 1,440         | 2,783         | (48)      |
|         |      |             |     | <b>6 Subtotal Country</b>                    | <b>58,170</b> | <b>51,347</b> | <b>13</b> |
|         |      |             |     | (2) Economic Contribution - Foreign          | 4,438         | 3,504         | 27        |
|         |      |             |     | <b>6 Total</b>                               | <b>62,608</b> | <b>54,851</b> | <b>14</b> |

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

**4. Government Take**

|         |      | R\$ million |     |                |             |      |     |
|---------|------|-------------|-----|----------------|-------------|------|-----|
|         |      | 4th Quarter |     |                | Fiscal Year |      |     |
| 3Q-2008 | 2008 | 2007        | Δ % |                | 2008        | 2007 | Δ % |
|         |      |             |     | <b>Country</b> |             |      |     |

Edgar Filing: PETROBRAS - PETROLEO BRASILEIRO SA - Form 6-K

|              |              |              |                             |               |               |     |
|--------------|--------------|--------------|-----------------------------|---------------|---------------|-----|
| 3,003        | 1,934        | 2,182        | (11) <i>Royalties</i>       | 10,179        | 7,574         | 34  |
| 3,664        | 2,073        | 2,150        | (4) Special Participation   | 11,478        | 7,261         | 58  |
| 25           | 32           | 33           | (3) Surface Rental Fees     | 117           | 119           | (2) |
| <b>6,692</b> | <b>4,039</b> | <b>4,365</b> | (7) <b>Subtotal Country</b> | <b>21,774</b> | <b>14,954</b> | 46  |
| 262          | 162          | 197          | (18) <b>Foreign</b>         | 731           | 800           | (9) |
| <b>6,954</b> | <b>4,201</b> | <b>4,562</b> | (8) <b>Total</b>            | <b>22,505</b> | <b>15,754</b> | 43  |

The government take in Brazil increased by 46% over 2007, due to the 35% upturn in the reference price for local oil, reflecting the average Brent price on the international market, and the new tax rates for the Espadarte and, especially, the Roncador field, due to the increase in output triggered by the new production systems throughout 2008.

In the 4Q-2008, the government take in Brazil fell by 40% over the previous quarter, due to the 39% reduction in the reference price for local oil (R\$ 98.64 in the 4Q-2008, versus R\$ 162.30 in the 3Q-2008), reflecting the substantial decline in the average Brent price on the international market, which more than offset the changes in the tax rates due to increased production, especially in the Roncador field.



## PETROBRAS SYSTEM

## Appendices

## 5. Reconciliation of Consolidated Shareholders Equity and Net Income

|  | R\$ million         |         |
|--|---------------------|---------|
|  | Shareholders Equity | Results |
| . According to PETROBRAS information as of 12.31.2008        | 144,051             | 36,470  |
| . Profit in the sales of products in affiliated inventories  | (660)               | (660)   |
| . Reversal of profits on inventory in previous years         | -                   | 686     |
| . Capitalized interest                                       | (460)               | 38      |
| . Absorption of negative net worth in affiliated companies * | (4,160)             | (3,507) |
| . Other eliminations   | (406)               | (39)    |
| . According to consolidated information as of 12.31.2008     | 138,365             | 32,988  |

\* 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.

## 6. Performance of Petrobras Shares and ADRs

| 3Q-2008 | Nominal Change |        |                            |             |         |  |
|---------|----------------|--------|----------------------------|-------------|---------|--|
|         | 4th Quarter    |        |                            | Fiscal Year |         |  |
|         | 2008           | 2007   |                            | 2008        | 2007    |  |
| -25.21% | -34.89%        | 51.52% | <b>Petrobras ON</b>        | -47.64%     | 92.70%  |  |
| -24.04% | -34.93%        | 49.32% | <b>Petrobras PN</b>        | -48.33%     | 77.51%  |  |
| -37.95% | -44.28%        | 52.64% | <b>ADR- Level III - ON</b> | -57.50%     | 123.79% |  |
| -35.43% | -45.46%        | 48.72% | <b>ADR- Level III - PN</b> | -57.58%     | 107.46% |  |
| -23.80% | -24.20%        | 5.66%  | <b>IBOVESPA</b>            | -41.22%     | 43.65%  |  |
| -4.40%  | -19.12%        | -4.54% | <b>DOW JONES</b>           | -33.84%     | 6.43%   |  |
| -8.77%  | -24.61%        | -1.82% | <b>NASDAQ</b>              | -40.54%     | 9.81%   |  |

Petrobras' shares had a book value of R\$ 16.85 on December 31, 2008.

## 7. Statement of Adjusted Parent Company Net Income for Dividend Purposes

R\$ million  
Fiscal Year

|  | 2008    |
|--|---------|
| Net Income for the Year  | 36,470  |
| Apropriation:  |         |
| Statutory Reserve  | (1,824) |
|  | 34,646  |
| (+) Reversal of Reserves/Addition:   |         |
| Revaluation Reserve  | 51      |
| Fiscal Incentive Reserve   | (557)   |
| (=) Basic Profit for Dividend Purposes   | 34,140  |
| <br>   |         |
| Proposed dividend, equivalent to 29,04% of basic net income - R\$ 1,13 per share (31,44% in 2007, R\$ 0,75 per share), comprised of: |         |
| Interest on Own Capital  | 7,019   |
| Dividends  | 2,896   |
| Total proposed dividends   | 9,915   |

## PETROBRAS SYSTEM

## Appendices

## 8. Foreign Exchange Exposure

| Assets   | R\$ million   |               |               |
|--|---------------|---------------|---------------|
|  | 12.31.2008    | 09.30.2008    | 12.31.2007    |
| <b>Current Assets</b>  | <b>7,573</b>  | <b>6,884</b>  | <b>9,368</b>  |
| Cash and Cash Equivalents  | 4,643         | 2,153         | 4,037         |
| Other Current Assets   | 2,930         | 4,731         | 5,331         |
| <b>Non-current Assets</b>  | <b>30,766</b> | <b>26,498</b> | <b>21,178</b> |
| Amounts invested abroad by partner companies, in the international segment, in E&P equipments to be used in Brazil and in commercial activities. | 30,052        | 25,878        | 20,362        |
| Long-term Assets   | 525           | 570           | 480           |
| Property, plant and equipment  | 189           | 50            | 336           |
| <b>Total Assets</b>  | <b>38,339</b> | <b>33,382</b> | <b>30,546</b> |

| Liabilities                  | R\$ million     |                 |                 |
|------------------------------|-----------------|-----------------|-----------------|
|                              | 12.31.2008      | 09.30.2008      | 12.31.2007      |
| <b>Current Liabilities</b>   | <b>(9,063)</b>  | <b>(6,632)</b>  | <b>(7,601)</b>  |
| Short-term Financing         | (3,345)         | (3,733)         | (3,183)         |
| Suppliers                    | (4,387)         | (2,276)         | (2,122)         |
| Others Current Liabilities   | (1,331)         | (623)           | (2,296)         |
| <b>Long-term Liabilities</b> | <b>(12,470)</b> | <b>(12,845)</b> | <b>(12,199)</b> |
| Long-term Financing          | (11,292)        | (11,696)        | (11,062)        |
| Others Long-term Liabilities | (1,178)         | (1,149)         | (1,137)         |
| <b>Total Liabilities</b>     | <b>(21,533)</b> | <b>(19,477)</b> | <b>(19,800)</b> |

|   |               |               |               |
|---|---------------|---------------|---------------|
| Net Assets (Liabilities) in Reais         | <b>16,806</b> | <b>13,905</b> | <b>10,746</b> |
| ( + ) Investment Funds - Exchange         | 2             | 6             | 41            |
| ( - ) FINAME Loans - dollar indexed reais | (344)         | (328)         | (339)         |
| <b>Net Assets (Liabilities) in Reais</b>  | <b>16,464</b> | <b>13,583</b> | <b>10,448</b> |

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

## PETROBRAS

## Financial Statements

## Income Statement Parent Company

| R\$ million   |               |              |                                  |                       |               |               |
|---------------|---------------|--------------|----------------------------------|-----------------------|---------------|---------------|
| 4th Quarter   |               |              | Fiscal Year                      |                       |               |               |
| 3Q-2008       | 2008          | 2007         |                                  | 2008<br>Law<br>11.638 | 2008          | 2007          |
| 58,128        | 52,040        | 46,367       | <b>Gross Operating Revenues</b>  | 207,990               | 207,990       | 170,245       |
| (12,218)      | (11,636)      | (11,451)     | Sales Deductions                 | (46,280)              | (46,281)      | (43,478)      |
| 45,910        | 40,404        | 34,916       | <b>Net Operating Revenues</b>    | 161,710               | 161,709       | 126,767       |
| (28,480)      | (27,127)      | (20,712)     | Cost of Products Sold            | (97,344)              | (98,966)      | (70,445)      |
| 17,430        | 13,277        | 14,204       | <b>Gross Profit</b>              | 64,366                | 62,743        | 56,322        |
|               |               |              | <b>Operating Expenses</b>        |                       |               |               |
| (1,620)       | (1,808)       | (1,337)      | Sales                            | (6,326)               | (6,394)       | (5,314)       |
| (1,361)       | (1,454)       | (1,310)      | General & Administrative         | (5,012)               | (5,017)       | (4,484)       |
| (643)         | (849)         | (383)        | Exploratory Cost                 | (2,551)               | (2,551)       | (1,212)       |
| -             | (603)         | (45)         | Losses on recovery assets        | (603)                 | (603)         | (45)          |
| (475)         | (432)         | (488)        | Research & Development           | (1,690)               | (1,690)       | (1,700)       |
| (82)          | (196)         | (183)        | Taxes                            | (426)                 | (426)         | (717)         |
| (335)         | (336)         | (431)        | Health and Pension Plans         | (1,349)               | (1,344)       | (2,364)       |
| (1,340)       | (963)         | (1,025)      | Other                            | (3,366)               | (3,746)       | (4,611)       |
| (5,856)       | (6,641)       | (5,202)      |                                  | (21,323)              | (21,771)      | (20,447)      |
|               |               |              | <b>Net Financial</b>             |                       |               |               |
| 1,203         | 1,850         | 1,443        | Income                           | 5,992                 | 5,955         | 4,662         |
| (1,319)       | (1,789)       | (932)        | Expenses                         | (7,051)               | (5,487)       | (3,097)       |
| 3,309         | (2,933)       | 3,274        | Net Monetary Variation           | 17                    | 128           | (178)         |
| 2,250         | 9,865         | (4,408)      | Net Exchange Variation           | 8,239                 | 9,667         | (4,535)       |
| 5,443         | 6,993         | (623)        |                                  | 7,197                 | 10,263        | (3,148)       |
| (413)         | 352           | (5,825)      |                                  | (14,126)              | (11,508)      | (23,595)      |
| 615           | (308)         | (1,111)      | Participation in Equity Income   | 2,252                 | 2,230         | (644)         |
| 17,632        | 13,321        | 7,268        | <b>Operating Income</b>          | 52,492                | 53,465        | 32,083        |
| (5,674)       | (2,790)       | (2,053)      | Income Tax / Social Contribution | (14,884)              | (15,437)      | (9,210)       |
| (605)         | 111           | (45)         | Employees Profit Sharing         | (1,138)               | (1,138)       | (844)         |
| <b>11,353</b> | <b>10,420</b> | <b>5,170</b> | <b>Net Income</b>                | <b>36,470</b>         | <b>36,890</b> | <b>22,029</b> |

Certain figures relating to previous periods have been reclassified to bring them into line with the current financial statements, thereby facilitating comparisons.

## PETROBRAS

## Financial Statements

## Balance Sheet Parent Company

| Assets                                 | R\$ million              |                |                |                |
|--|--------------------------|----------------|----------------|----------------|
|  | 12.31.2008<br>Law 11.638 | 12.31.2008     | 09.30.2008     | 12.30.2007     |
| <b>Current Assets</b>                  | <b>51,257</b>            | <b>51,857</b>  | <b>57,577</b>  | <b>40,156</b>  |
| Cash and Cash Equivalents              | 11,268                   | 11,268         | 7,770          | 7,848          |
| Accounts Receivable                    | 17,370                   | 17,319         | 23,097         | 12,036         |
| Inventories                            | 13,848                   | 14,161         | 19,972         | 12,800         |
| Dividends Receivable                   | 988                      | 968            | 59             | 669            |
| Taxes Recoverable                      | 6,273                    | 6,534          | 4,687          | 5,126          |
| Other                                  | 1,510                    | 1,607          | 1,992          | 1,677          |
| <b>Non-current Assets</b>              | <b>259,754</b>           | <b>241,366</b> | <b>214,978</b> | <b>171,077</b> |
| <b>Long-term Assets</b>                | <b>107,619</b>           | <b>107,357</b> | <b>88,616</b>  | <b>63,947</b>  |
| Oil & Alcohol Account                  | 810                      | 810            | 805            | 798            |
| Subsidiaries and affiliated companies  | 91,089                   | 91,089         | 70,331         | 47,556         |
| Structured Projects                    | 2,039                    | 2,039          | 2,302          | 1,504          |
| Marketable Securities                  | 3,598                    | 3,598          | 3,216          | 3,387          |
| Advance for Pension Plan               | -                        | -              | 1,385          | 1,297          |
| Deferred Taxes and Social Contribution | 6,615                    | 6,298          | 7,118          | 5,557          |
| Judicial Deposits                      | 1,542                    | 1,542          | 1,468          | 1,446          |
| Anticipated Expenses                   | 445                      | 499            | 581            | 809            |
| Other                                  | 1,481                    | 1,482          | 1,410          | 1,593          |
| <b>Investments</b>                     | <b>28,307</b>            | <b>28,495</b>  | <b>29,495</b>  | <b>26,069</b>  |
| <b>Property, plant and equipment</b>   | <b>119,207</b>           | <b>101,442</b> | <b>93,013</b>  | <b>77,252</b>  |
| <b>Intangible</b>                      | <b>3,782</b>             | <b>3,233</b>   | <b>3,148</b>   | <b>3,075</b>   |
| <b>Deferred</b>                        | <b>839</b>               | <b>839</b>     | <b>706</b>     | <b>734</b>     |
| <b>Total Assets</b>                    | <b>311,011</b>           | <b>293,223</b> | <b>272,555</b> | <b>211,233</b> |

| Liabilities                | R\$ million              |                |               |               |
|----------------------------|--------------------------|----------------|---------------|---------------|
|                            | 12.31.2008<br>Law 11.638 | 12.31.2008     | 09.30.2008    | 12.31.2007    |
| <b>Current Liabilities</b> | <b>111,698</b>           | <b>107,138</b> | <b>92,933</b> | <b>60,385</b> |
| Short-term Debt            | 2,506                    | 2,506          | 3,267         | 749           |
| Risk and assets control    | 5,053                    | -              | -             | -             |
| Suppliers                  | 72,032                   | 72,531         | 65,141        | 36,457        |

Edgar Filing: PETROBRAS - PETROLEO BRASILEIRO SA - Form 6-K

|                                       |                |                |                |                |
|---------------------------------------|----------------|----------------|----------------|----------------|
| Taxes & Social Contribution Payable   | 10,538         | 10,538         | 11,804         | 8,493          |
| Dividends / Interest on Own Capital   | 9,915          | 9,915          | -              | 6,581          |
| Structured Projects                   | 401            | 401            | 576            | 408            |
| Health and Pension Plan               | 1,072          | 1,072          | 890            | 816            |
| Clients Anticipation                  | 298            | 298            | 236            | 120            |
| Receivable Cash Flow                  | 5,765          | 5,765          | 5,542          | -              |
| Other                                 | 4,118          | 4,112          | 5,477          | 6,761          |
| <b>Long-term Liabilities</b>          | <b>55,262</b>  | <b>42,483</b>  | <b>37,159</b>  | <b>34,836</b>  |
| Long-term Debt                        | 11,457         | 11,457         | 5,562          | 4,812          |
| Risk and assets control               | 12,702         | -              | -              | -              |
| Subsidiaries and affiliated companies | 1,101          | 1,101          | 829            | 2,374          |
| Pension plan                          | 2,966          | 2,966          | 4,206          | 4,139          |
| Health Care Benefits                  | 9,510          | 9,510          | 9,324          | 8,554          |
| Deferred Taxes & Social Contribution  | 10,822         | 10,822         | 10,049         | 8,434          |
| Provision for abandonment             | 5,976          | 5,976          | 5,937          | 5,854          |
| Other                                 | 728            | 651            | 1,252          | 669            |
| <b>Shareholders' Equity</b>           | <b>144,051</b> | <b>143,602</b> | <b>142,463</b> | <b>116,012</b> |
| Capital                               | 78,967         | 78,967         | 78,967         | 52,644         |
| Capital Reserves                      | 65,084         | 64,635         | 63,496         | 63,368         |
| <b>Total Liabilities</b>              | <b>311,011</b> | <b>293,223</b> | <b>272,555</b> | <b>211,233</b> |

Certain figures relating to previous periods have been reclassified to bring them into line with the current financial statements, thereby facilitating comparisons.



## PETROBRAS

## Financial Statements

## Statement of Cash Flow Parent Company

|   | R\$ million               |                 |
|---|---------------------------|-----------------|
|   | Fiscal Year               |                 |
|   | 2008, after<br>Law 11.638 | 2007            |
| <b>Net Income</b>                                 | <b>36,470</b>             | <b>22,029</b>   |
| (+) Adjustments                                   | 19,305                    | 18,177          |
| Depreciation & Amortization                       | 7,952                     | 5,819           |
| Oil and Alcohol Accounts                          | (12)                      | (685)           |
| Oil and Oil Products Supply - Foreign             | 31,839                    | 7,035           |
| Charges on Financing and Connected Companies      | (21,582)                  | 619             |
| Other Adjustments                                 | 1,108                     | 5,389           |
| <b>(=) Cash Generated by Operating Activities</b> | <b>55,775</b>             | <b>40,206</b>   |
| <b>(-) Cash used for Cap.Expend.</b>              | <b>(35,154)</b>           | <b>(29,910)</b> |
| Investment in E&P                                 | (18,982)                  | (14,696)        |
| Investment in refining and transport              | (10,621)                  | (8,761)         |
| Investment in Gas and Energy                      | (3,364)                   | (2,249)         |
| Investments in International Area                 | (75)                      | (27)            |
| Investment in Distribution                        | (706)                     | (390)           |
| Dividends   | 1,272                     | 929             |
| Marketable Securities                             | (96)                      | (3,260)         |
| Other Investments                                 | (1,256)                   | (775)           |
| <b>(=) Free Cash Flow</b>                         | <b>20,621</b>             | <b>10,296</b>   |
| (-) Cash used in Financing Activities             | (17,201)                  | (22,547)        |
| <b>(=) Cash Generated in the Period</b>           | <b>3,420</b>              | <b>(12,251)</b> |
| Cash at the Beginning of Period                   | 7,848                     | 20,099          |
| Cash at the End of Period                         | 11,268                    | 7,848           |

Certain figures relating to previous periods have been reclassified to bring them into line with the current financial statements, thereby facilitating comparisons.

## PETROBRAS

## Financial Statements

## Statement of Added Value - Parent Company

|  | R\$ million               |                |
|--|---------------------------|----------------|
|  | Fiscal Year               |                |
|  | 2008, after<br>Law 11.638 | 2007           |
| <b>Revenue</b>   |                           |                |
| Gross Revenue (Sales, Services and others)                   | 207,990                   | 170,245        |
| Other operating income                                       | 2,076                     | 1,705          |
| Provision for bad debt                                       | (89)                      | (15)           |
|  | 241,900                   | 192,416        |
| <b>Material acquisition from third parties</b>               |                           |                |
| Raw material from third parties                              | (44,899)                  | (32,003)       |
| Products for Resale  | (31,043)                  | (15,902)       |
| Material, energy, services and other                         | (41,120)                  | (33,653)       |
| Loss / Recovery assets value                                 | (891)                     | (87)           |
| <b>Gross Added Value</b>                                     | 123,947                   | 110,770        |
| Depreciation and Amortization                                | (7,952)                   | (5,799)        |
| <b>Net Added Value produced by the Company</b>               | 115,994                   | 104,972        |
| <b>Added Value received in transference</b>                  |                           |                |
| Equity Income  | 2,494                     | (641)          |
| Financial Income - including monetary and exchange variation | 7,254                     | 2,894          |
| Goodwill & discount amortization                             | (242)                     | (20)           |
| Rent and royalties   | 502                       | 443            |
| Dividendends received by cost method                         | 3                         | 6              |
| Donations  | 651                       | 7.81           |
|  | 10,663                    | 2,689          |
| <b>Total Distributed Added Value</b>                         | <b>126,657</b>            | <b>107,660</b> |
| <b>Distribution of Added Value</b>                           |                           |                |
| <b>Personnel</b>   |                           |                |
| <b>Salaries / Sharing Profit</b>                             |                           |                |
| Salaries, Benefits and Charges                               | 6,476                     | 5,065          |
| Executive Directors and Board Members Salaries               | 5                         | 4              |
| Sharing Profit   | 1,138                     | 844            |
|  | 7,619                     | 5,914          |
| <b>Benefits</b>  | 3,025                     | 5,094          |
| FGTS   | 526                       | 446            |

|   |                |                |
|---|----------------|----------------|
|   | 11,170         | 11,454         |
| <b>Taxes, Fees and Social Contributions</b> |                |                |
| Taxes, Fees and Social Contributions        | 38,788         | 41,598         |
| Taxes, Fees and Deffered Contributions      | 5,737          | 619            |
| Government Take                             | 21,774         | 14,954         |
|   | 66,299         | 57,171         |
| <b>Remuneration from third parties</b>      |                |                |
| Interest, FX Rate and Monetary Variation    | 57             | 5,929          |
| Rent and freight expenses                   | 12,661         | 11,077         |
|   | 12,719         | 17,006         |
| <b>Own Capital Remuneration</b>             |                |                |
| Dividends/Interest on Own Capital           | 7,019          | 6,581          |
| Net income in the period                    | 29,450         | 15,448         |
|   | 36,470         | 22,029         |
| <b>Distributed Added Value</b>              | <b>126,657</b> | <b>107,660</b> |

**PETROBRAS**

---

*[www.petrobras.com.br/ri/english](http://www.petrobras.com.br/ri/english)*

**Contacts:** PETRÓLEO BRASILEIRO S. A. PETROBRAS

Investor Relations Department | E-mail: [petroinvest@petrobras.com.br](mailto:petroinvest@petrobras.com.br) / [acionistas@petrobras.com.br](mailto:acionistas@petrobras.com.br)  
Av. República do Chile, 65 2<sup>nd</sup> floor - 20031-912 - Rio de Janeiro, RJ | Tel.: 55 (21) 3224-1510 / 9947

This document may contain forecasts that merely reflect the expectations of the Company's management. Such terms as anticipate, believe, expect, forecast, intend, plan, project, seek, should, along with similar or analogous terms are used to identify such forecasts. These predictions evidently involve risks and uncertainties, whether foreseen or not by the Company. Therefore, the future results of operations may differ from current expectations, and readers must not base their expectations exclusively on the information presented herein.

## 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: March 09, 2009

PETRÓLEO BRASILEIRO S.A--PETROBRAS

By:           /s/ Almir Guilherme Barbassa          

**Almir Guilherme Barbassa**  
**Chief Financial Officer and**  
**Investor Relations Officer**

## FORWARD-LOOKING STATEMENTS

This press release may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates 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.

---