

PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
September 16, 2010

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

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

For the month of September, 2010

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

Rio de Janeiro August 13, 2010 Petrobras announces today its consolidated results expressed in millions of Brazilian Reals, in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The 2009 information was adjusted for comparative purposes.

Consolidated net income totaled R\$8,295 million in the second quarter and R\$16,021 million in the first half of 2010

Main Highlights

| R\$ million | | | | | | | |
|-------------|---------|---------|-----------------------|---|---------|---------|-------------------|
| 2nd Quarter | | | | 1st Half | | | |
| 1Q-2010 | 2010 | 2009 | 2Q10 X 1Q10 (%) | | 2010 | 2009 | 2010 X 2009 |
| 7,726 | 8,295 | 8,160 | 7 | Consolidated Net Income | 16,021 | 14,451 | 11 |
| 2,547 | 2,587 | 2,524 | 2 | Total Oil and Natural Gas Production (th. barrel/day) | 2,568 | 2,503 | 3 |
| 15,076 | 15,927 | 17,599 | 6 | EBITDA | 31,003 | 31,104 | - |
| 332,381 | 256,675 | 323,479 | (23) | Market Value (Parent Company) | 256,675 | 323,479 | (21) |

- Net income totaled R\$8,295 million in 2Q-2010, 7% up on the previous quarter, when the result was affected by legal contingencies.
- Net income increased by 11% over 1H-2009, chiefly due to higher export prices and the 11% upturn in domestic sales volume.
- First-half investments totaled R\$38,101 million, 17% up year-on-year, mostly allocated to oil and natural gas production, the petrochemical sector and refinery improvements.
- Current cash flow is sufficient to maintain projected investments and keep our leverage at an adequate level.
- Monthly oil production of 2,033,000 bbl/day in April 2010, a new Brazilian record.
- In 2Q-2010, the Company announced light crude discoveries in the Caratinga field. The importance of these discoveries lies in their proximity to already productive fields, thereby benefiting from the capacity of existing installations and, consequently, reducing production costs and ensuring rapid start-up.
- Operational start-up in 2Q-2010 of the FPSO Capixaba, in the Cachalote field, a region known as Parque das Baleias, underlining the Company's operational flexibility, as the production unit had been previously allocated to the Golfinho field and was rapidly adapted to operate in this new region.

www.petrobras.com.br/ri/english

Contacts: PETRÓLEO BRASILEIRO S. A. PETROBRAS

Investor Relations Department | E-mail: petroinvest@petrobras.com.br / acionistas@petrobras.com.br

Av. República do Chile, 65 2nd floor - 20031-912 - Rio de Janeiro, RJ | Tel.: 55 (21) 3224-1510 / 9947

This document may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act) 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 expressions, are used to identify such forward-looking statements. 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.

Dear shareholders and investors,

We are passing through an exceptional time in our history. In the first six months of 2010, we invested a record amount of R\$38.1 billion, 17% more than the same period last year. Spending was allocated to increasing oil and gas production capacity, modernizing and expanding the refineries, and reorganizing our interests in the petrochemical sector, particularly in regard to Braskem.

This substantial increase in capital expenditures is a reflection of the number and quality of projects in our investment portfolio, as reflected in the expansion of our strategic business plan. In June, we released the 2010-2014 Business Plan, in which we project investment spending of US\$ 224 billion, or approximately US\$ 45 billion per year. In the Plan we have maintained our aggressive production targets, which are based on existing reserves and projects already underway or in the planning stage, without taking into account the output that would result from acquiring the rights to produce five billion barrels of oil, as approved by the Congress in June.

The Exploration and Production segment, which commands the largest share of our capital spend, has been strengthened by recent exploration success and new projects. In April, a new exploratory well confirmed Tupi's light crude potential. In June, the Company announced probable oil reserves in the pre-salt layer in Albacora Leste and new discoveries of light crude in the Brava exploratory area of the Marlim field. On July 14, we began pre-salt production in the Baleia Franca field, in Espírito Santo, less than two years after these reserves were discovered. Initial output was around 13,000 bpd, which should reach the maximum of 20,000 bpd by the end of the year. And in the second half, we will begin the Tupi pilot project, with a capacity of 100,000 bpd.

Despite the E&P segment's evident importance and potential, I must emphasize that our investments are diversified and aimed at integrating our various operations. Petrobras is an energy company primarily focused on the oil and gas production chain, whose segments are integrated in order to optimize efficiencies and returns in the Brazilian market.

This is why we have increased our investments in the Refining, Transportation & Marketing segment, especially refining. Following a lengthy period when our expenditures on these assets were limited to maintenance, we accelerated our investments, not only to increase refining capacity, but also to bring production in line with demand, improve product quality and process the country's heavy crude. Brazil's burgeoning oil output, together with economic growth, has made it imperative to build new capacity to process our heavy crude oil for the domestic market. In addition we must continue to adapt our existing refineries meet the increasing demand for middle distillates and reduced sulfur.

Events in the Gulf of Mexico remind everyone of the importance of a total focus on health, safety and the environment (HSE). In 2009 alone we invested R\$ 4.5 billion in HSE. Since 2000, when we implemented one of the most comprehensive HSE programs in the world, we have developed around 4,000 projects for improving operational safety and protecting the environment both in Brazil and abroad. Between 2000 and 2009, we reduced our average annual incidence of spills by 96% and trained 400 workers who are entirely dedicated to responding to any type of accident, seven days a week, 24 hours a day. We also acquired a large amount of specialized equipment to cope with spills and other accidents. We currently have a fleet of 30 OSRVs (oil spill response vessels) and more than 300 km of spill boom. We have created and nurtured a culture that places safety and the environment as the leading concern.

Our financial results for the first half of 2010 are entirely compatible with higher investments and increased profitability, without neglecting social and environmental responsibility. With our dominant position in the Brazilian market, together with our pricing policy that stabilizes prices in the short term while following international prices over the long term, we generated operating cash flow of R\$31 billion in the first half of 2010. This is slightly above last year's cash flow for the same period, reflecting the stability created by our policy.

Our future is certainly challenging, but one that is full of opportunities for all our shareholders.

Main Items and Consolidated Economic Indicators

| R\$ million | | | | | | | |
|------------------------------------|--------|---------|-----------------------|----------|---------|---------|-----------------------|
| 2nd Quarter | | | | 1st Half | | | |
| 1Q-2010 | 2010 | 2009 | 2Q10 X 1Q10 (%) | | 2010 | 2009 | 2010 X 2009 (%) |
| 63,324 | 66,884 | 55,921 | | 6 | 130,208 | 109,557 | 19 |
| 50,412 | 53,631 | 44,611 | | 6 | 104,043 | 87,241 | 19 |
| 19,310 | 19,387 | 20,094 | | - | 38,697 | 36,909 | 5 |
| 11,617 | 12,303 | 14,095 | | 6 | 23,920 | 24,442 | (2) |
| (701) | (630) | (1,378) | | (10) | (1,331) | (1,719) | (23) |
| 7,726 | 8,295 | 8,160 | | 7 | 16,021 | 14,451 | 11 |
| 0.88 | 0.95 | 0.93 | | 8 | 1.83 | 1.65 | 11 |
| Business Area - Net Results | | | | | | | |
| 7,312 | 7,649 | 5,535 | | 5 | 14,961 | 8,036 | 86 |
| 1,116 | (108) | 5,540 | | (110) | 1,008 | 10,179 | (90) |
| 323 | 349 | 342 | | 8 | 672 | 200 | 236 |
| 362 | 268 | 308 | | (26) | 630 | 535 | 18 |
| 447 | 533 | 91 | | 19 | 980 | (247) | (497) |
| (1,262) | (957) | (2,528) | | (24) | (2,219) | (3,657) | (39) |
| 17,753 | 20,348 | 18,120 | | 15 | 38,101 | 32,500 | 17 |
| 38 | 36 | 45 | | 7 | 37 | 42 | (5) |
| 23 | 23 | 32 | | 9 | 23 | 28 | (5) |
| 15 | 15 | 18 | | 3 | 15 | 17 | (2) |
| 15,076 | 15,927 | 17,599 | | 6 | 31,003 | 31,104 | - |
| 76.24 | 78.30 | 58.79 | | 3 | 77.27 | 51.60 | 50 |
| 1.80 | 1.79 | 2.07 | | (1) | 1.80 | 2.19 | (18) |
| 1.78 | 1.80 | 1.95 | | 1 | 1.80 | 1.95 | (8) |

Price Indicators

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

| | | | | | | | |
|--------|--------|--------|----|--|--------|--------|------|
| 157.65 | 158.72 | 160.79 | 1 | Average Oil Products Realization Prices (R\$/bbl) | 158.20 | 162.15 | (2) |
| | | | | Average sale price - Brazil | | | |
| 72.92 | 73.79 | 48.68 | 1 | . Oil (US\$/bbl) | 73.35 | 40.74 | 80 |
| 14.39 | 19.73 | 23.85 | 37 | . Natural Gas(US\$/bbl) | 17.26 | 27.48 | (37) |
| | | | | Average sale price - International | | | |
| 62.02 | 66.20 | 48.92 | 7 | . Oil (US\$/bbl) | 64.24 | 44.34 | 45 |
| 14.81 | 14.82 | 11.23 | - | . Natural Gas(US\$/bbl) | 14.82 | 11.98 | 24 |

¹ Operating income before financial result, equity balance and taxes

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

3

2Q-2010 x 1Q-2010.

Net Income³

In 2Q-2010, net income totaled R\$8,295 million, 7% up on the quarter before, due to the increase in gas and oil product sales volume, which moved up by 14% and 3%, respectively, and the higher sales price, thanks to the slight upturn in international oil prices. These effects, however, were almost completely offset by the higher expenses with government take, also caused by the international price upturn, and growing demand for diesel, a high value added oil product whose import volume moved up.

Operating expenses fell by 8% in the 2Q-2010. It happened due to higher expenses in 1Q-2010 from provisions for impairment (R\$194 million), the write-off of dry or economically unviable wells (R\$358 million), and provisions for contingencies (R\$848 million). These factors were partially offset by certain expenses, including impairment provisions (R\$84 million), besides the additional legal contingency provision of R\$ 217 million.

The financial result remained flat over the previous three months, considering the lower Real depreciation during the 2Q-10 and the increase in the financings, alienated with the better hedge operations.

EBITDA

Second-quarter EBITDA came to R\$15,927 million, 6% more than in 1Q-2010, chiefly due to the booking of legal contingencies in the latter quarter.

Net debt/EBITDA ratio⁴

The net debt of the Petrobras System increased by 16% over March 31, 2010 and by 31% over December 31, 2009, due to funding operations to finance the intensive investment program. The level of indebtedness, measured by the net debt/EBITDA ratio, increased from 1.35 on March 31, 2010, to 1.52 on June 30, 2010.

³ For further details, see Appendix 2

⁴ For further details, see page 16

Net Income⁵

Net income totaled R\$16,021 million in the first half, 11% up year-on-year, reflecting the 3% upturn in total oil and gas production, higher export prices, and the recovery of domestic sales volume, which climbed by 11%. These effects more than offset the reduction in domestic diesel and gasoline prices and the upturn in costs with government take and imports, which were also affected by the higher oil prices.

Operating expenses climbed by 19%. In addition, the Company constituted provisions for contingencies related to the IPI credit-premium assignment (R\$459 million), the tax foreclosure suit related to P-36 ICMS-RJ (state VAT) (R\$449 million) and ICMS tax debits (R\$110 million).

The financial result improved by R\$388 million, given the FX gain on assets abroad combined with better commercial hedge operations, partially offset by the increase financial costs due to the raise in debt level.

Minority interests generated a positive impact of R\$2,802 million, thanks to the effect of the exchange variation on SPE debt, most of which is dollar-denominated, and the exercise of stock options in certain structured projects, as well as the revision of future receivable flows related to financial leasing operations, both at the end of 2009.

EBITDA

EBITDA came to R\$31,003 million, very close to the 1H-2009 figure, due to increased production, higher average export prices and international sales, in addition to higher domestic sales volume. These effects were partially offset by the upturn in unit costs, due to the increased government take and the higher share of imported oil products, and lower domestic sales prices, caused by the reduction in the price of diesel (15%) and gasoline (5%) in June 2009, in addition to higher operating expenses.

⁵ For further details, see Appendix 3

RESULTS BY BUSINESS AREA

Petrobras operates in an integrated manner, with the greater part of oil and gas production in the exploration and production area being transferred to other Company areas.

When reporting results per business area, transactions with third parties and transfers between business areas are valued in accordance with the internal transfer prices established between the various areas and assessment methodologies based on market parameters.

EXPLORATION AND PRODUCTION (E&P)

| 2nd Quarter | | | | Net Income | 1st Half | | |
|-------------|-------|-------|-----------------------|------------|----------|-------|-----------------------|
| 1Q-2010 | 2010 | 2009 | 2Q10 X 1Q10 (%) | | 2010 | 2009 | 2010 X 2009 (%) |
| 7,312 | 7,649 | 5,535 | 5 | | 14,961 | 8,036 | 86 |

(2Q-2010 x 1Q-2010): The upturn in net income was due to:

- Higher domestic oil and natural gas sale/transfer prices (1% and 37% in US\$/bbl respectively);
- Lower exploration costs (R\$349 million), chiefly due to the write-off of dry or economically unviable wells;
- Provisions for contingencies related to the levying of the ICMS/RJ tax on the P-36 platform (R\$449 million) in 1Q-2010.

Part of these effects was offset by higher costs with depletion, caused by the connection of new wells and expenses with corrective interventions.

The spread between the average domestic oil sale/transfer price and the average Brent price widened from US\$3.32/bbl in 1Q-2010 to US\$4.51/bbl in 2Q-2010.

(1H-2010 x 1H-2009): The increase in net income reflected higher domestic oil prices (80% in US\$/bbl), in turn due to the international market appreciation of "heavy versus light crudes and the 2% upturn in daily oil and LNG production.

These effects were partially offset by the higher government take and provisions for contingencies related to the levying of the ICMS/RJ tax on the P-36 platform (R\$449 million).

The spread between the average domestic oil sale/transfer price and the average Brent price fell from US\$10.86/bbl in 1H-2009 to US\$3.92/bbl in 1H-2010.

| 2nd Quarter | | | | Domestic Production (th. barrels/day) | 1st Half | | |
|-------------|-------|-------|-----------------------|---------------------------------------|-------------|-------|-----------------------|
| 1Q-2010 | 2010 | 2009 | 2Q10 X 1Q10 (%) | | 2010 | 2009 | 2010 X 2009 (%) |
| 1,985 | 2,010 | 1,964 | 1 | | Oil and NGL | 1,998 | 1,958 |
| 317 | 331 | 319 | 4 | Natural Gas ⁽⁶⁾ | 324 | 314 | 3 |

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

| | | | | | | | |
|-------|-------|-------|---|-------|-------|-------|---|
| 2,302 | 2,341 | 2,283 | 2 | Total | 2,322 | 2,272 | 2 |
|-------|-------|-------|---|-------|-------|-------|---|

(2Q-2010 x 1Q-2010): Increased output from the FPSO Cidade de Niterói (Marlim Leste), FPSO Frade (Frade) and FPSO Cidade de Vitória (Golfinho), the operational startup of FPSO Capixaba (Cachalote) and the beginning of the extended well test (EWT) in the Tiro field more than offset the decline caused by the scheduled stoppage to the P-43 platform (Barracuda) and the natural decline in the mature fields.

(1H-2010 x 1H-2009): Increased output from P-51 (Marlim Sul), P-53 (Marlim Leste), P-54 (Roncador), P-34 (Jubarte), the EWT in Tiro (SS-11) the EWT in Tupi (FPSO- Cidade de São Vicente), FPSO-Cidade de Niterói (Marlim Leste), FPSO-Frade (Frade), FPSO Cidade de Vitória (Golfinho) and FPSO Espírito Santo (Parque das Conchas), more than offset the natural decline in the mature fields.

⁶ Excludes liquefied gas and includes re-injected gas

6

| 2nd Quarter | | | | 1st Half | | | |
|---------------------|-------|-------|-----------------------|----------------------------------|-------|-----------------------|-----|
| 1Q-2010 | 2010 | 2009 | 2Q10 X 1Q10 (%) | <i>Lifting Cost - country</i> | | | |
| | | | | 2010 | 2009 | 2010 X 2009 (%) | |
| US\$/barrel: | | | | | | | |
| 9.40 | 9.79 | 8.72 | 4 | without government participation | 9.60 | 8.27 | 16 |
| 23.73 | 24.50 | 19.50 | 3 | with government participation | 24.12 | 17.11 | 41 |
| R\$/barrel: | | | | | | | |
| 16.95 | 17.54 | 17.58 | 3 | without government participation | 17.25 | 17.74 | (3) |
| 43.82 | 43.91 | 38.86 | - | with government participation | 43.87 | 36.56 | 20 |

Lifting Cost Excluding Government Take US\$/barrel

(2Q-2010 x 1Q-2010): Excluding the exchange variation, the unit lifting cost remained virtually flat.

(1H-2010 x 1H-2009): Excluding the exchange variation, the lifting cost climbed by 2% over the 1H-2009 due to the increased number of interventions in the Albacora Leste, Barracuda, Marlim Sul, Roncador, Marlim, Albacora and Bicudo fields, as well as higher personnel expenses.

Lifting Cost Including Government Take US\$/barrel

(2Q-2010 x 1Q-2010): Excluding the exchange variation, the upturn in the lifting cost was due to the higher tax rate in the Marlim Leste field, in turn caused by increased production from the operational start-up of new wells.

(1H-2010 x 1H-2009): Excluding the exchange variation, the unit lifting cost increased as a result of the higher reference price for local oil and the higher tax rate applied to the Marlim Sul and Marlim Leste fields, due to higher production.

REFINING, TRANSPORTATION & MARKETING

| 2nd Quarter | | | | Net Income | 1st Half | | |
|-------------|-------|-------|-----------------------|------------|----------|--------|-----------------------|
| 1Q-2010 | 2010 | 2009 | 2Q10 X 1Q10 (%) | | 2010 | 2009 | 2010 X 2009 (%) |
| 1,116 | (108) | 5,540 | (110) | | 1,008 | 10,179 | (90) |

(2Q-2010 x 1Q-2010): The quarter-on-quarter reduction in the result was due to the following factors:

The sale, in 1Q-2010, of inventories formed in a previous period at a lower acquisition cost;

The higher volume of diesel imports, due to the scheduled stoppage in REPLAN.

These effects were partially offset by higher average domestic and export sales volume and the 1% upturn in domestic market oil product sale prices, reflecting the behavior of those oil products whose prices are pegged to international prices.

(1H-2010 x 1H-2009): The reduction in net income reflected higher oil acquisition/transfer and oil product import costs (Brent, up by 50% in US\$/bbl).

These effects were partially offset by the increase in domestic oil product sales volume, chiefly gasoline (19%) and diesel (9%), higher average export prices and the upturn in the domestic price of those oil products whose prices are pegged to international prices, despite the reduction in the price of diesel (15%) and gasoline (5%) in June 2009.

| 2nd Quarter | | | | Imports and exports (th. barrels/day) | 1st Half | | |
|-------------|------------|------------|-----------------------|--|-------------------|------------|-----------------------|
| 1Q-2010 | 2010 | 2009 | 2Q10 X 1Q10 (%) | | 2010 | 2009 | 2010 X 2009 (%) |
| 347 | 330 | 361 | (5) | | Crude oil imports | 339 | 393 |
| 274 | 289 | 121 | 5 | Oil products imports | 281 | 131 | 115 |
| 621 | 619 | 482 | - | Import of crude oil and oil products | 620 | 524 | 18 |
| 555 | 561 | 512 | 1 | Crude oil exports ^{7,8} | 558 | 482 | 16 |
| 192 | 216 | 237 | 13 | Oil products exports | 204 | 226 | (10) |
| 747 | 777 | 749 | 4 | Export of crude oil and oil products ⁸ | 762 | 708 | 8 |
| 126 | 158 | 267 | 25 | Net exports (imports) crude oil and oil products | 142 | 184 | (23) |
| 6 | 28 | 10 | 367 | Other imports | 17 | 7 | 143 |
| 2 | - | 1 | (100) | Other exports ⁸ | 1 | 1 | - |

(2Q-2010 x 1Q-2010): The upturn in oil product exports was caused by higher gasoline supply, due to the normalization of ethanol supply following the off-season, and the increase in the ratio of anhydrous ethanol in the gasoline blend to 25%, following its government-decreed

reduction to 20% between February and April.

(1H-2010 x 1H-2009): The upturn in oil exports was caused by higher output and increased supply due to lengthier scheduled stoppages in distillation units in 1Q-2010, especially in REPLAN.

The increase in oil product imports reflected growing demand, especially for gasoline, due to the ethanol shortage in 1H-2010, and diesel, thanks to the improved grain harvest in 2010 and the works associated with the Growth Acceleration Program (PAC).

⁷ Includes oil exports by the Refining, Transportation & Marketing and E&P business areas

⁸ Includes ongoing exports

8

| 2nd Quarter | | | | Output Oil products (th. barrels/day) | 1st Half | | |
|-------------|-------|-------|----------|---|----------|-------|----------|
| 1Q-2010 | 2010 | 2009 | 2Q10 X | | 2010 | 2009 | 2010 X |
| | | | 1Q10 (%) | | | | 2009 (%) |
| 1,765 | 1,807 | 1,778 | | 2 Output Oil products | 1,786 | 1,774 | 1 |
| 1,942 | 1,942 | 1,942 | | - Primary Processed Installed Capacity ⁹ | 1,942 | 1,942 | - |
| 90 | 91 | 90 | | 1 Use of Installed Capacity | 90 | 90 | - |
| 80 | 81 | 79 | | 1 Domestic crude as % of total feedstock processed | 81 | 79 | 2 |

| 2nd Quarter | | | | Processed Feedstock Domestic (Th. barrels/day) | 1st Half | | |
|-------------|-------|-------|----------|--|----------|-------|----------|
| 1Q-2010 | 2010 | 2009 | 2Q10 X | | 2010 | 2009 | 2010 X |
| | | | 1Q10 (%) | | | | 2009 (%) |
| 1,738 | 1,760 | 1,747 | 1 | | 1,749 | 1,753 | - |

(2Q-2010 x 1Q-2010): Daily processed crude moved up by 1%, basically as a result of the scheduled stoppage to the REVAP refinery's distillation unit in 1Q-2010.

(1H-2010 x 1H-2009): Daily processed crude remained flat over the first half of 2009.

| 2nd Quarter | | | | Refining Cost Domestic | 1st Half | | |
|-------------|------|------|----------|-------------------------------|----------|------|----------|
| 1Q-2010 | 2010 | 2009 | 2Q10 X | | 2010 | 2009 | 2010 X |
| | | | 1Q10 (%) | | | | 2009 (%) |
| 3.64 | 3.93 | 3.07 | | 8 Refining Cost (US\$/barrel) | 3.79 | 2.83 | 34 |
| 6.52 | 7.03 | 6.34 | | 8 Refining Cost (R\$/barrel) | 6.78 | 6.11 | 11 |

(2Q-2010 x 1Q-2010): Excluding the exchange variation, refinery costs climbed by 7%, due to scheduled stoppages in the water treatment and coking units.

(1H-2010 x 1H-2009): Excluding the exchange variation, these costs increased by 12%, due to higher personnel expenses, the greater concentration of scheduled stoppages, and outsourced maintenance and technical repair services.

⁹ According to the ownership recognized by the ANP

GAS & POWER

| 1Q-2010 | 2nd Quarter | | | 2Q10 X 1Q10 (%) | Net Income | 1st Half | | |
|---------|-------------|------|---|-----------------------|------------|----------|------|-----------------------|
| | 2010 | 2009 | | | | 2010 | 2009 | 2010 X 2009 (%) |
| 323 | 349 | 342 | 8 | | 672 | 200 | 236 | |

(2Q-2010 x 1Q-2010): The upturn in net income was due to the following factors:

Higher revenue from power generation;

Higher sales of natural gas to the thermal generation segment;

Provisions for impairment losses in 1Q-2010 (R\$80 million);

Reduced operating expenses from thermoelectric plants, reflecting higher output (R\$73 million).

These factors were partially offset by higher natural gas import/transfer costs, accompanying the behavior of international prices, and narrower energy commercialization margins, due to the upturn in the average spot market acquisition cost.

(1H-2010 x 1H-2009): The year-on-year improvement was due to the following factors:

Higher sales of natural gas to the non-thermoelectric segment, accompanying industrial growth;

Increased fixed revenue from energy auctions (regulated market);

Higher energy commercialization (free market);

Increased hydroelectric reservoir levels, reducing the average energy acquisition cost and increasing commercialization margins, chiefly in the first quarter;

The reduction in natural gas import/transfer costs, accompanying the behavior of international prices.

These factors were partially offset by the reduction in energy export volume and the increase in selling expenses from LNG regasification vessels.

| 1Q-2010 | 2nd Quarter | | | 2Q10 X 1Q10 (%) | Gas Imports (Th. barrels/day) | 1st Half | | |
|---------|-------------|------|----|-----------------------|-------------------------------|----------|------|-----------------------|
| | 2010 | 2009 | | | | 2010 | 2009 | 2010 X 2009 (%) |
| 152 | 168 | 158 | 10 | | 160 | 142 | 13 | |

DISTRIBUTION

| 2nd Quarter | | | | Net Income | 1st Half | | |
|-------------|------|------|-----------------------|------------|----------|------|-----------------------|
| 1Q-2010 | 2010 | 2009 | 2Q10 X 1Q10 (%) | | 2010 | 2009 | 2010 X 2009 (%) |
| 362 | 268 | 308 | (26) | | 630 | 535 | 18 |

(2Q-2010 x 1Q-2010): The 4% upturn in sales volume was more than offset by non-recurring expenses from the settlement of ICMS tax debits with the state of Rio de Janeiro (R\$110 million) and provisions for doubtful debts (R\$25 million), causing a reduction in 2Q-2010 net income.

The Company recorded a 38.0% share of the fuel distribution market in 2Q-2010, versus 39.5% in the previous quarter.

(1H-2010 x 1H-2009): The year-on-year upturn in net income was due to the 9% increase in sales margins and sales volume, despite the increase in SG&A expenses (R\$212 million).

These effects were partially offset by the settlement of tax debits with the state of Rio de Janeiro (R\$110 million).

Distribution market share was 38.7% in the first half of 2010, against 38.4% in the 1H-2009.

INTERNATIONAL

| 1Q-2010 | 2nd Quarter | | | Net Income | 1st Half | | |
|---------|-------------|------|-----------------------|------------|----------|-------|-----------------------|
| | 2010 | 2009 | 2Q10 X 1Q10 (%) | | 2010 | 2009 | 2010 X 2009 (%) |
| 447 | 533 | 91 | 19 | | 980 | (247) | (497) |

(2Q-2010 x 1Q-2010): The increase in net income was chiefly due to higher sales volume in Nigeria;

(1H-2010 x 1H-2009): The reversal of the 1H-2009 loss was due to higher international commodity prices in 1H-2010, increased E&P sales volume and the operational start-up of the Akpo field in Nigeria in March 2009, as well as the 2009 recognition of losses from investments (R\$306 million).

| 1Q-2010 | 2nd Quarter | | | International Production (th. barrels/day) | 1st Half | | |
|------------|-------------|------------|-----------------------|--|------------|------------|-----------------------|
| | 2010 | 2009 | 2Q10 X 1Q10 (%) | | 2010 | 2009 | 2010 X 2009 (%) |
| | | | | Consolidated - International Production | | | |
| 142 | 146 | 130 | 3 | Oil and NGL | 144 | 122 | 18 |
| 95 | 92 | 101 | (3) | Natural Gas ¹⁰ | 94 | 98 | (4) |
| 237 | 238 | 231 | - | Total | 238 | 220 | 8 |
| 8 | 8 | 10 | - | Non Consolidated - Internacional Production ¹¹ | 8 | 11 | (27) |
| 245 | 246 | 241 | - | Total International Production | 246 | 231 | 6 |

(2Q-2010 x 1Q-2010): Consolidated oil and LNG production moved up due to the start-up of the new wells in the Akpo field, in Nigeria, offset by the decline of the mature fields in Argentina.

In 2Q-2010, consolidated natural gas production fell due to operational problems in Argentina. This effect was partially offset by higher production in Bolivia, fueled by increased Brazilian demand for Bolivian gas.

(1H-2010 x 1H-2009): Consolidated oil and LNG production moved up due to the start-up of the Akpo field, in Nigeria, in March/09, offsetting the reduced interest in the Guando field, in Colombia, for contractual reasons, and the decline in output from mature wells in Argentina.

In 1H-2010, natural gas production fell due to the decline in output from mature wells and operational problems in Argentina.

¹⁰ Excludes liquefied gas and includes re-injected gas

¹¹ Non-consolidated companies in Venezuela

| 2nd Quarter | | | | Lifting Cost - International (US\$/barrel) | 1st Half | | |
|--------------------|------|--------------------|----------|--|----------|--------------------|----------|
| 1Q-2010 | 2010 | 2009 | 2Q10 X | | 2010 | 2009 | 2010 X |
| | | | 1Q10 (%) | | | | 2009 (%) |
| 5.23 ¹² | 5.60 | 4.93 ¹³ | 7 | | 5.42 | 4.68 ¹³ | 16 |

(2Q-2010 x 1Q-2010): Higher number of well interventions and repairs in Argentina.

(1H-2010 x 1H-2009): Higher operating costs, caused by contractual price adjustments in Argentina.

| 2nd Quarter | | | | Processed feedstock International (th. barrels/day) | 1st Half | | |
|-------------|------|------|----------|---|----------|------|----------|
| 1Q-2010 | 2010 | 2009 | 2Q10 X | | 2010 | 2009 | 2010 X |
| | | | 1Q10 (%) | | | | 2009 (%) |
| 212 | 194 | 179 | (8) | | 203 | 189 | 7 |

(2Q-2010 x 1Q-2010): Processed crude output fell due to the scheduled stoppage in Japan.

(1H-2010 x 1H-2009): Improved operational performance in the U.S. refinery, due to the plant's increasing operational reliability, and wider margins in Argentina. These effects were offset by the scheduled stoppage in Japan.

| 2nd Quarter | | | | Oil Products International (th. barrels/day) | 1st Half | | |
|-------------|------|------|----------|--|----------|------|----------|
| 1Q-2010 | 2010 | 2009 | 2Q10 X | | 2010 | 2009 | 2010 X |
| | | | 1Q10 (%) | | | | 2009 (%) |
| 225 | 208 | 196 | (8) | Output Oil products | 216 | 208 | 4 |
| 281 | 281 | 281 | - | Primary Processed Installed Capacity | 281 | 281 | - |
| 73 | 63 | 60 | (10) | Use of Installed Capacity (%) | 68 | 64 | 4 |

| 2nd Quarter | | | | Refining Cost International (US\$/barrel) | 1st Half | | |
|-------------|------|--------------------|----------|---|----------|--------------------|----------|
| 1Q-2010 | 2010 | 2009 | 2Q10 X | | 2010 | 2009 | 2010 X |
| | | | 1Q10 (%) | | | | 2009 (%) |
| 3.32 | 3.68 | 5.90 ¹⁴ | 11 | | 3.49 | 5.27 ¹⁴ | (34) |

(2Q-2010 x 1Q-2010): Refinery costs were impacted by reduced production caused by the scheduled stoppage in the Japanese refinery.

(1H-2010 x 1H-2009): The improved operational reliability of the Pasadena refinery led to a reduction in expenses with maintenance and repairs, increasing the volume of processed crude.

¹² Revisions to the lifting cost of the Angola unit

¹³ Revisions to the lifting cost of the Nigeria unit

¹⁴ Revisions to total refinery operating costs in the Japanese refinery

13

Sales Volume thousand barrels/day

| 1Q-2010 | 2nd Quarter | | 2Q10 X 1Q10 (%) | | 1st Half | | |
|--------------|--------------|--------------|-----------------------|-----------------------------------|--------------|--------------|-----------------------|
| | 2010 | 2009 | | | 2010 | 2009 | 2010 X 2009 (%) |
| 733 | 802 | 753 | 9 | Diesel | 768 | 703 | 9 |
| 410 | 374 | 331 | (9) | Gasoline | 392 | 330 | 19 |
| 104 | 101 | 98 | (3) | Fuel Oil | 102 | 101 | 1 |
| 149 | 151 | 165 | 1 | Nafta | 150 | 158 | (5) |
| 203 | 221 | 212 | 9 | GLP | 212 | 203 | 4 |
| 84 | 85 | 74 | 1 | QAV | 84 | 73 | 15 |
| 168 | 164 | 136 | (2) | Other ¹⁵ | 166 | 123 | 35 |
| 1,851 | 1,898 | 1,769 | 3 | Total Oil Products | 1,874 | 1,691 | 11 |
| 81 | 93 | 92 | 15 | Alcohol, Nitrogens and other | 87 | 88 | (1) |
| 257 | 292 | 244 | 14 | Natural Gas | 275 | 234 | 18 |
| 2,189 | 2,283 | 2,105 | 4 | Total domestic market | 2,236 | 2,013 | 11 |
| 749 | 777 | 750 | 4 | Exports | 763 | 709 | 8 |
| 569 | 644 | 466 | 13 | International Sales | 607 | 580 | 5 |
| 1,318 | 1,421 | 1,216 | 8 | Total international market | 1,370 | 1,289 | 6 |
| 3,507 | 3,704 | 3,321 | 6 | Total | 3,606 | 3,301 | 9 |

First-half domestic sales volume moved up by 11% over 1H-2009, chiefly due to sales of the following products:

- Diesel (increase of 9%) due to the economic recovery, higher grain production and increased investments in infrastructure.
- Gasoline (increase of 19%) due to increased use of flex-fuel vehicles, as a result of the ethanol shortage at the beginning of 2010, the reduction in the ratio of anhydrous ethanol in the gasoline mix in February 2010, and higher urban consumption.
- Natural gas (increase of 18%) due to higher consumption by the non-thermal market, fueled by the industrial recovery.
- Jet fuel (increase of 15%) also influenced by the economic recovery affecting the domestic airline market.

Increased production caused by the operational start-up of several platforms in 1H-2010, combined with scheduled stoppages in the refineries, pushed up oil exports up by 8%.

International sales climbed by 5%, chiefly due to higher output in Nigeria and market opportunities in 2010.

Corporate Overhead (US\$ million)

| 1Q-2010 | 2nd Quarter | | 2Q10 X 1Q10 (%) | 1st Half | | |
|---------|-------------|------|-----------------------|----------|------|-----------------------|
| | 2010 | 2009 | | 2010 | 2009 | 2010 X 2009 (%) |

| | | | | | | | |
|-----|-----|-----|----|--|-------|-------|----|
| 651 | 725 | 567 | 11 | | 1,376 | 1,045 | 32 |
|-----|-----|-----|----|--|-------|-------|----|

(2Q-2010 x 1Q-2010): Excluding the exchange variation, corporate overhead increased by 11% over the previous quarter, due to higher expenses from marketing, advertising, rent, software licenses and sponsorship. Part of the expenses with sponsorship and advertising are recovered by a reduction in income tax payments.

(1H-2010 x 1H-2009): Excluding the exchange variation, corporate overhead climbed by 12%, due to higher personnel, rent, sponsorship and advertising expenses. Part of the expenses with sponsorship and advertising are recovered by a reduction in income tax payments.

¹⁵ Especially asphalt sales volume, due to increased consumption by infrastructure works

14

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.

| R\$ million | | | | | |
|--|---------------|------------|---------------|------------|-------------|
| | 1st Half | | | | |
| | 2010 | % | 2009 | % | Δ% |
| Own Investments | 36,277 | 95 | 29,198 | 90 | 24 |
| Exploration & Production | 15,745 | 41 | 14,793 | 45 | 6 |
| Supply | 13,781 | 36 | 6,415 | 20 | 115 |
| Gas & Power | 2,416 | 6 | 2,716 | 8 | -11 |
| International (I) | 2,530 | 7 | 4,171 | 13 | -39 |
| Distribution | 257 | 1 | 249 | 1 | 3 |
| Corporate 16 | 1,548 | 4 | 854 | 3 | 81 |
| Special Purpose Companies (SPCs)^(II) | 1,824 | 5 | 2,559 | 8 | (29) |
| Projects under Negotiation | - | - | 743 | 2 | - |
| Total Investments | 38,101 | 100 | 32,500 | 100 | 17 |
| | | | | | |
| (1) International | 2,530 | 100 | 4,171 | 100 | (39) |
| Exploration & Production | 2,320 | 92 | 1,825 | 44 | 27 |
| Supply | 126 | 5 | 1,163 | 28 | (89) |
| Gas & Power | 44 | 2 | 115 | 3 | (62) |
| Distribution | 28 | 1 | 1,054 | 25 | (97) |
| Other | 12 | - | 14 | - | (14) |
| | | | | | |
| (2) Projects Developed by SPCs | 1,824 | 100 | 2,559 | 100 | (29) |
| Exploration & Production | 243 | 13 | 442 | 17 | (45) |
| Supply | 237 | 13 | 468 | 18 | (49) |
| Gas & Power | 1,344 | 74 | 1,649 | 65 | (18) |

In line with its strategic objectives, Petrobras acts in consortiums with other companies as a concessionaire of oil and gas exploration, development and production rights. Currently the Company is a member of 101 consortiums, of which it operates 69.

¹⁶ Includes investments in biofuels, totaling R\$ 851 million in 1H-2010

Consolidated Debt

| | R\$ million | | |
|--|----------------|----------------|----------------|
| | 06.30.2010 | 03.31.2010 | 12.31.2009 |
| Short-term Debt ¹⁷ | 25,981 | 20,695 | 15,556 |
| Long-term Debt ¹⁷ | 92,430 | 87,502 | 85,341 |
| Total | 118,411 | 108,197 | 100,897 |
| Cash and cash equivalents | 24,210 | 26,951 | 29,034 |
| Net Debt ¹⁸ | 94,201 | 81,246 | 71,863 |
| Net Debt/(Net Debt + Shareholder's Equity) ¹⁷ | 34% | 32% | 30% |
| Total Net Liabilities ¹⁹ | 357,820 | 339,047 | 321,273 |
| Capital Structure | | | |
| (third parties net / total liabilities net) | 50% | 45% | 48% |

| | R\$ million | | |
|-----------------|---------------|---------------|---------------|
| | 06.30.2010 | 03.31.2010 | 12.31.2009 |
| Short-term Debt | 14,422 | 11,620 | 8,934 |
| Long-term Debt | 51,307 | 49,131 | 49,013 |
| Total | 65,729 | 60,751 | 57,947 |
| Net Debt | 52,290 | 45,618 | 41,272 |

¹⁷ Includes contractual commitments related to the transfer of benefits, risks and control of goods (R\$ 638 million on June 30, 2010, R\$704 million on March 31, 2010 and R\$739 million on December 31, 2009)

¹⁸ Total debt less cash and cash equivalents

¹⁹ Total liabilities net of cash and short-term financial investments

Income Statement Consolidated

| R\$ million | | | | | |
|--------------|--------------|---------------|---|---------------|---------------|
| 2nd Quarter | | | 1st Half | | |
| 1Q-2010 | 2010 | 2009 | | 2010 | 2009 |
| 63,324 | 66,884 | 55,921 | Gross Operating Revenues | 130,208 | 109,557 |
| (12,912) | (13,253) | (11,310) | Sales Deductions | (26,165) | (22,316) |
| 50,412 | 53,631 | 44,611 | Net Operating Revenues | 104,043 | 87,241 |
| (31,102) | (34,244) | (24,517) | Cost of Goods Sold | (65,346) | (50,332) |
| 19,310 | 19,387 | 20,094 | Gross profit | 38,697 | 36,909 |
| | | | Operating Expenses | | |
| (2,072) | (2,276) | (1,746) | Sales | (4,348) | (3,612) |
| (1,829) | (1,897) | (1,826) | General and Administratives | (3,726) | (3,575) |
| (1,003) | (626) | (718) | Exploratory Cost | (1,629) | (1,652) |
| (194) | - | - | Losses on recovery of assets | (194) | - |
| (391) | (415) | (368) | Research & Development | (806) | (705) |
| (153) | (225) | (176) | Taxes | (378) | (327) |
| (408) | (380) | (329) | Pension and Health Plan | (788) | (700) |
| (1,643) | (1,265) | (836) | Other | (2,908) | (1,896) |
| (7,693) | (7,084) | (5,999) | | (14,777) | (12,467) |
| | | | Operating Income before Financial Result and | | |
| 11,617 | 12,303 | 14,095 | Participation in Equity Income | 23,920 | 24,442 |
| | | | Net Financial Expenses | | |
| 760 | 922 | 900 | Income | 1,682 | 1,686 |
| (884) | (815) | (893) | Expenses | (1,700) | (1,544) |
| (571) | (380) | 7 | Net Monetary Variation | (950) | (110) |
| (6) | (357) | (1,392) | Net Exchange Variation | (363) | (1,751) |
| (701) | (630) | (1,378) | | (1,331) | (1,719) |
| (8,394) | (7,714) | (7,377) | | (16,108) | (14,186) |
| (179) | (231) | 379 | Participation in Equity Income | (410) | 25 |
| 10,737 | 11,442 | 13,096 | Operating Profit | 22,179 | 22,748 |
| (2,940) | (3,105) | (2,452) | Income Tax & Social Contribution | (6,045) | (5,382) |
| 7,797 | 8,337 | 10,644 | Net Income | 16,134 | 17,366 |
| (71) | (42) | (2,484) | Income attributed to non controllers | (113) | (2,915) |
| 7,726 | 8,295 | 8,160 | Net Income | 16,021 | 14,451 |

Balance Sheet Consolidated

| Assets | R\$ million | |
|--|--------------------|-------------------|
| | 06.30.2010 | 12.31.2009 |
| Current Assets | 71,980 | 74,374 |
| Cash and Cash Equivalents | 24,210 | 29,034 |
| Accounts Receivable | 15,962 | 14,062 |
| Inventories | 19,680 | 19,448 |
| Marketable Securities | 744 | 124 |
| Taxes Recoverable | 6,865 | 7,023 |
| Other | 4,519 | 4,683 |
| Non Current Assets | 310,050 | 275,933 |
| Long-term Assets | 38,027 | 34,923 |
| Petroleum & Alcohol Account | 818 | 817 |
| Advances to Suppliers | 5,416 | 5,365 |
| Marketable Securities | 4,641 | 4,639 |
| Deferred Taxes and Social Contribution | 18,272 | 16,231 |
| Prepaid Expenses | 1,733 | 1,432 |
| Accounts Receivable | 3,354 | 3,288 |
| Deposits - Legal Matters | 2,385 | 1,989 |
| Other | 1,408 | 1,162 |
| Investments | 8,489 | 5,660 |
| Fixed Assets | 255,024 | 227,079 |
| Intangible | 8,510 | 8,271 |
| Total Assets | 382,030 | 350,307 |

| Liabilities | R\$ million | |
|--------------------------------|--------------------|-------------------|
| | 06.30.2010 | 12.31.2009 |
| Current Liabilities | 63,321 | 54,829 |
| Short-term Debt | 25,619 | 15,166 |
| Suppliers | 16,340 | 17,082 |
| Taxes and Social Contribution | 8,966 | 10,590 |
| Salaries, Benefits and Charges | 2,557 | 2,304 |
| Dividends | 1,755 | 2,333 |
| Pension and Health Plan | 1,197 | 1,208 |
| Project Finance | 313 | 212 |
| Other | 6,574 | 5,934 |

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

| | | |
|--|----------------|----------------|
| Non Current Liabilities | 138,802 | 128,364 |
| Long-term Debt | 92,154 | 84,992 |
| Deferred Taxes and Social Contribution | 22,439 | 20,458 |
| Health Plan | 10,727 | 10,208 |
| Provision for well abandonment | 4,729 | 4,791 |
| Pension Plan | 4,099 | 3,956 |
| Deferred Income | 199 | 231 |
| Other | 4,455 | 3,728 |
| Shareholders Equity | 176,974 | 164,204 |
| Capital Stock | 85,108 | 78,967 |
| Reserves/Net Income | 91,866 | 85,237 |
| Minority Interest | 2,933 | 2,910 |
| Shareholders Equity | 179,907 | 167,114 |
| Total Liabilities | 382,030 | 350,307 |

Statement of Cash Flow Consolidated

| R\$ million | | | | | |
|-----------------|-----------------|-----------------|---|-----------------|-----------------|
| 2nd Quarter | | | 1st Half | | |
| 1Q-2010 | 2010 | 2009 | | 2010 | 2009 |
| 7,726 | 8,295 | 8,160 | Net Income | 16,021 | 14,451 |
| 1,950 | 4,964 | 954 | (+) Adjustments | 6,914 | 7,066 |
| 3,265 | 3,624 | 3,504 | Depreciation & Amortization | 6,889 | 6,662 |
| 1,116 | 1,265 | (1,392) | Charges on Financing and Connected Companies | 2,381 | (1,227) |
| 71 | 41 | 2,484 | Minority interest | 112 | 2,915 |
| 179 | 231 | (380) | Result of Equity Income | 410 | (25) |
| (446) | 1,541 | (1,408) | Income Tax and deferred contributions | 1,095 | (868) |
| (563) | 191 | (2,141) | Inventory Variation | (372) | (321) |
| (2,062) | 12 | (896) | Accounts Receivable Variation | (2,050) | (754) |
| (837) | 69 | (444) | Supplier Variation | (768) | (1,444) |
| 600 | 243 | 211 | Pension and Health Plan Variation | 844 | 476 |
| (1,077) | (2,097) | 870 | Tax Variation | (3,174) | 1,206 |
| 632 | 274 | 203 | Write-off of dry wells | 906 | 765 |
| 310 | 204 | (106) | Impairment | 514 | 138 |
| 762 | (634) | 449 | Other Adjustments | 127 | (457) |
| 9,676 | 13,259 | 9,114 | (=) Cash Generated by Operating Activities | 22,935 | 21,517 |
| (16,013) | (19,638) | (17,750) | (-) Cash used in Investment Activities | (35,651) | (32,176) |
| (7,286) | (7,700) | (7,628) | Investment in E&P | (14,538) | (14,663) |
| (4,934) | (9,365) | (3,879) | Investment in Refining and Transportation | (13,978) | (8,069) |
| (2,294) | (1,399) | (2,753) | Investment in Gas & Power | (3,693) | (4,569) |
| (90) | (136) | (116) | Investments in Distribution | (226) | (218) |
| (1,395) | (899) | (3,074) | Investment in International Segment | (2,294) | (4,024) |
| (14) | (1,103) | (562) | Other investments ²⁰ | (922) | (633) |
| (6,337) | (6,379) | (8,636) | (=) Free cash flow | (12,716) | (10,659) |
| 4,188 | 3,581 | (461) | (-) Cash used in Financing Activities | 7,770 | 5,137 |
| 4,212 | 7,292 | 5,937 | Financing | 11,505 | 11,546 |
| (24) | (3,711) | (6,398) | Dividends | (3,735) | (6,409) |
| 66 | 57 | (382) | (+) FX effect in cash and cash equivalents | 122 | (280) |
| (2,083) | (2,741) | (9,479) | (=) Cash generated in the period | (4,824) | (5,802) |
| 29,034 | 26,951 | 19,776 | Cash at the Beginning of Period | 29,034 | 16,099 |
| 26,951 | 24,210 | 10,297 | Cash at the End of Period | 24,210 | 10,297 |

²⁰ Includes biofuel investments totaling R\$ 873 million

Statement of Added Value Consolidated

| | R\$ million | |
|---|--------------------|---------------|
| | 1st Half | |
| | 2010 | 2009 |
| Revenue | | |
| Sale of products and services ²¹ | 132,081 | 111,621 |
| Assets construction | 32,407 | 24,809 |
| | 164,488 | 136,430 |
| Materials acquisitions from third parties | | |
| Raw Materials Used | (19,876) | (16,118) |
| Products for Resale | (19,723) | (10,513) |
| Energy, Services & Other | (34,350) | (30,449) |
| Tax | (10,144) | (7,660) |
| Impairment | (514) | (138) |
| | (84,607) | (64,878) |
| Gross Added Value | 79,881 | 71,552 |
| Retentions | | |
| Depreciation & Amortization | (6,889) | (6,662) |
| Net Added Value produced by company | 72,992 | 64,890 |
| Added Value Received | | |
| Equity Income Result | (410) | 25 |
| Financial Revenue - including monetary and exchange variation | 1,682 | 1,686 |
| Rent and Royalties and other | 597 | 615 |
| | 1,869 | 2,326 |
| Added Value to Distribute | 74,861 | 67,216 |
| Distribution of Added Value | | |
| Personnel and administratives | | |
| Salaries/Sharing Profit | | |
| Salaries | 6,182 | 5,476 |
| Benefits | | |
| Advantages | 353 | 376 |
| Health, Retirement and Pension Plan | 1,500 | 1,245 |
| FGTS | 355 | 321 |
| | 8,390 | 7,418 |

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

| Tax | | |
|---|---------------|---------------|
| Federal Government | 26,561 | 21,410 |
| States | 12,793 | 12,020 |
| Municipal | 103 | 101 |
| Foreign states | 2,570 | 2,445 |
| | 42,027 | 35,976 |
| Financial Institutions and Suppliers | | |
| Interest, FX Rate and Monetary Variation | 5,012 | 3,670 |
| Rent and freight expenses | 3,298 | 2,787 |
| | 8,310 | 6,457 |
| Shareholders | | |
| Interest on Own Capital | 3,510 | 2,632 |
| Minority Interest | 112 | 2,915 |
| Retained Earnings | 12,512 | 11,818 |
| | 16,134 | 17,365 |
| Distributed Added Value | 74,861 | 67,216 |

²¹ Net of provisions for doubtful accounts

20

Consolidated Statement by Business Area - 1H 2010 22, 23

| | R\$ MILLION | | | | | | | TOTAL |
|--|----------------|----------------|---------------------|----------------|----------------|----------------|-----------------|-----------------|
| | E&P | SUPPLY | GAS AND POWER | DISTRIB. | INTERN. | CORP. | ELIMIN. | |
| Net Operating Revenues | 46,900 | 85,525 | 6,485 | 30,976 | 12,150 | - | (77,993) | 104,043 |
| Intersegments | 46,646 | 27,373 | 819 | 655 | 2,500 | - | (77,993) | - |
| Third Parties | 254 | 58,152 | 5,666 | 30,321 | 9,650 | - | - | 104,043 |
| Cost of Goods Sold | (21,256) | (80,247) | (4,030) | (28,257) | (9,390) | - | 77,834 | (65,346) |
| Gross Profit | 25,644 | 5,278 | 2,455 | 2,719 | 2,760 | - | (159) | 38,697 |
| Operating Expenses | (3,012) | (3,164) | (1,375) | (1,763) | (1,463) | (4,135) | 135 | (14,777) |
| Sales, General & Administrative | (359) | (2,661) | (921) | (1,656) | (809) | (1,760) | 92 | (8,074) |
| Taxes | (112) | (49) | (24) | (14) | (75) | (104) | - | (378) |
| Exploratory Costs | (1,403) | - | - | - | (226) | - | - | (1,629) |
| Impairment | - | - | (80) | - | (114) | - | - | (194) |
| Research and Development | (414) | (138) | (56) | (4) | (1) | (193) | - | (806) |
| Health and Pension Plans | - | - | - | - | - | (788) | - | (788) |
| Other | (724) | (316) | (294) | (89) | (238) | (1,290) | 43 | (2,908) |
| Operating Profit (Loss) | 22,632 | 2,114 | 1,080 | 956 | 1,297 | (4,135) | (24) | 23,920 |
| Net of Interest Income (Expenses) | - | - | - | - | - | (1,331) | - | (1,331) |
| Equity Income | - | (343) | (12) | (1) | (12) | (42) | - | (410) |
| Income (Loss) Before Taxes and Minority | | | | | | | | |
| Interests | 22,632 | 1,771 | 1,068 | 955 | 1,285 | (5,508) | (24) | 22,179 |
| Income Tax & Social Contribution | (7,695) | (719) | (367) | (325) | (213) | 3,261 | 13 | (6,045) |
| Minority Interests | 24 | (44) | (29) | - | (92) | 28 | - | (113) |
| Net Income (Loss) | 14,961 | 1,008 | 672 | 630 | 980 | (2,219) | (11) | 16,021 |

Consolidated Statement by Business Area - 1H/2009 22, 23

| | R\$ MILLION | | | | | | | TOTAL |
|-------------------------------|---------------|---------------|---------------------|---------------|--------------|-------|-----------------|---------------|
| | E&P | SUPPLY | GAS AND POWER | DISTRIB. | INTERN. | CORP. | ELIMIN. | |
| Net Operating Revenues | 32,759 | 70,196 | 6,486 | 27,592 | 9,410 | - | (59,202) | 87,241 |
| Intersegments | 32,048 | 24,156 | 1,041 | 798 | 1,159 | - | (59,202) | - |
| Third Parties | 711 | 46,040 | 5,445 | 26,794 | 8,251 | - | - | 87,241 |

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

| | | | | | | | | |
|--|----------------|----------------|--------------|----------------|----------------|----------------|----------------|-----------------|
| Cost of Goods Sold | (18,337) | (52,069) | (5,153) | (25,294) | (7,608) | - | 58,129 | (50,332) |
| Gross Profit | 14,422 | 18,127 | 1,333 | 2,298 | 1,802 | - | (1,073) | 36,909 |
| Operating Expenses | (2,264) | (2,970) | (935) | (1,446) | (1,496) | (3,526) | 170 | (12,467) |
| Sales, General & Administrative | (354) | (2,416) | (493) | (1,444) | (891) | (1,683) | 94 | (7,187) |
| Taxes | (37) | (48) | (13) | (17) | (84) | (128) | - | (327) |
| Exploratory Costs | (1,395) | - | - | - | (257) | - | - | (1,652) |
| Research and Development | (280) | (165) | (15) | (6) | (1) | (238) | - | (705) |
| Health and Pension Plans | - | - | - | - | - | (700) | - | (700) |
| Other | (198) | (341) | (414) | 21 | (263) | (777) | 76 | (1,896) |
| Operating Profit (Loss) | 12,158 | 15,157 | 398 | 852 | 306 | (3,526) | (903) | 24,442 |
| Net of Interest Income (Expenses) | - | - | - | - | - | (1,719) | - | (1,719) |
| Equity Income | - | 328 | 85 | (27) | (364) | 3 | - | 25 |
| Income (Loss) Before Taxes and Minority | 12,158 | 15,485 | 483 | 825 | (58) | (5,242) | (903) | 22,748 |
| Interests | | | | | | | | |
| Income Tax & Social Contribution | (4,133) | (5,154) | (135) | (290) | (48) | 4,070 | 308 | (5,382) |
| Minority Interests | 11 | (152) | (148) | - | (141) | (2,485) | - | (2,915) |
| Net Income (Loss) | 8,036 | 10,179 | 200 | 535 | (247) | (3,657) | (595) | 14,451 |

²² Biofuel results are included in the corporate group

²³ The segmented information for 2010 and 2009 was prepared considering the changes to the business areas, due to the transfer of management of the Fertilizer business from Refining, Transportation & Marketing to Gas & Power

EBITDA (24) Consolidated Statement by Business Area - 1H 2010 25, 26

| | R\$ MILLION | | | | | | | TOTAL |
|------------------------------------|---------------|--------------|-------------------|--------------|--------------|----------------|-------------|-----------------|
| | E&P | SUPPLY | GAS & POWER | DISTRIB. | INTERN. | CORP. | ELIMIN. | |
| Operating Profit | 22,632 | 2,114 | 1,080 | 956 | 1,297 | (4,135) | (24) | (23,920) |
| Depreciation / Amortization | 4,125 | 921 | 504 | 177 | 901 | 261 | - | 6,889 |
| Impairment | - | - | 80 | - | 114 | - | - | 194 |
| EBITDA | 26,757 | 3,035 | 1,664 | 1,133 | 2,312 | (3,874) | (24) | (31,003) |

Statement of Other Operating Income (Expenses) - 1H 2010 25, 26

| | R\$ MILLION | | | | | | | TOTAL |
|---|--------------|--------------|-------------------|-------------|--------------|----------------|-----------|----------------|
| | E&P | SUPPLY | GAS & POWER | DISTRIB. | INTERN. | CORP. | ELIMIN. | |
| Losses and Contingencies related to Lawsuit | (489) | (146) | (9) | (160) | (11) | (548) | - | (1,363) |
| Institutional relations and cultural projects | (31) | (19) | (10) | (26) | (2) | (433) | - | (521) |
| Inventory adjustment | - | (38) | - | - | (281) | (2) | - | (321) |
| Non programmed stoppages in installations and production equipment | (207) | (13) | (56) | - | - | - | - | (276) |
| Operational expenses with thermoelectric | - | - | (243) | - | - | - | - | (243) |
| HSE Expenses | (38) | (33) | (2) | - | - | (100) | - | (173) |
| Incentive, Donations and Governmental Subvention | 75 | 216 | 7 | - | - | - | - | 298 |
| Others | (34) | (283) | 19 | 97 | 56 | (207) | 43 | (309) |
| | (724) | (316) | (294) | (89) | (238) | (1,290) | 43 | (2,908) |

Statement of Other Operating Income (Expenses) - 1H 2009 25, 26

| | R\$ MILLION | | | | | TOTAL |
|--|-------------|--------|-------------------|----------|---------|-------|
| | E&P | SUPPLY | GAS & POWER | DISTRIB. | INTERN. | |
| | | | | | | |

| | E&P | SUPPLY | POWER | DISTRIB. | | | | |
|---|--------------|--------------|--------------|-----------|--------------|--------------|-----------|----------------|
| Losses and Contingencies related to Lawsuit | (18) | (125) | (25) | (23) | (5) | (29) | - | (225) |
| Institutional relations and cultural projects | (32) | (12) | (8) | (21) | - | (347) | - | (420) |
| Inventory adjustment | - | (194) | - | - | (246) | (14) | - | (454) |
| Non programmed stoppages in installations and production equipment | (247) | (18) | (49) | - | - | - | - | (314) |
| Operational expenses with thermoelectric | - | - | (319) | - | - | - | - | (319) |
| HSE Expenses | (31) | (21) | (2) | - | - | (95) | - | (149) |
| Incentive, Donations and Governmental Subvention | 47 | 283 | 12 | - | - | - | - | 342 |
| Others | 83 | (254) | (23) | 65 | (12) | (292) | 76 | (357) |
| | (198) | (341) | (414) | 21 | (263) | (777) | 76 | (1,896) |

²⁴ Operating income before the financial result and equity income, excluding depreciation/amortization

²⁵ Biofuel results are included in the corporate group

²⁶ The segmented information for 2010 and 2009 was prepared considering the changes to the business areas, due to the transfer of management of the Fertilizer business from Refining, Transportation & Marketing to Gas & Power

Consolidated Assets by Business Area - 06.30.2010 27, 28

| | R\$ MILLION | | | | | | | TOTAL |
|--------------------------------|----------------|----------------|-------------------|---------------|---------------|---------------|-----------------|----------------|
| | E&P | SUPPLY | GAS & POWER | DISTRIB. | INTERN. | CORP. | ELIMIN. | |
| ASSETS | 144,565 | 101,228 | 47,292 | 11,480 | 31,082 | 57,123 | (10,740) | 382,030 |
| CURRENT ASSETS | 6,924 | 27,811 | 4,292 | 6,293 | 5,483 | 30,380 | (9,203) | 71,980 |
| CASH AND CASH EQUIVALENTS | - | - | - | - | - | 24,210 | - | 24,210 |
| OTHER | 6,924 | 27,811 | 4,292 | 6,293 | 5,483 | 6,170 | (9,203) | 47,770 |
| NON-CURRENT ASSETS | 137,641 | 73,417 | 43,000 | 5,187 | 25,599 | 26,743 | (1,537) | 310,050 |
| LONG-TERM ASSETS | 7,941 | 5,262 | 3,059 | 911 | 3,088 | 19,303 | (1,537) | 38,027 |
| INVESTMENTS | 1 | 5,511 | 273 | 14 | 1,760 | 930 | - | 8,489 |
| PROPERTY, PLANTS AND EQUIPMENT | 127,845 | 62,379 | 38,434 | 3,571 | 17,306 | 5,489 | - | 255,024 |
| INTANGIBLE | 1,854 | 265 | 1,234 | 691 | 3,445 | 1,021 | - | 8,510 |

Consolidated Assets by Business Area - 12.31.2009 27, 28

| | R\$ MILLION | | | | | | | TOTAL |
|--------------------------------|----------------|---------------|-------------------|---------------|---------------|---------------|-----------------|----------------|
| | E&P | SUPPLY | GAS & POWER | DISTRIB. | INTERN. | CORP. | ELIMIN. | |
| ASSETS | 132,171 | 87,853 | 44,939 | 10,950 | 28,378 | 56,555 | (10,539) | 350,307 |
| CURRENT ASSETS | 6,515 | 27,412 | 5,076 | 5,668 | 5,128 | 33,989 | (9,414) | 74,374 |
| CASH AND CASH EQUIVALENTS | - | - | - | - | - | 29,034 | - | 29,034 |
| OTHER | 6,515 | 27,412 | 5,076 | 5,668 | 5,128 | 4,955 | (9,414) | 45,340 |
| NON-CURRENT ASSETS | 125,656 | 60,441 | 39,863 | 5,282 | 23,250 | 22,566 | (1,125) | 275,933 |
| LONG-TERM ASSETS | 7,487 | 4,387 | 2,815 | 1,060 | 2,776 | 17,523 | (1,125) | 34,923 |
| INVESTMENTS | - | 3,330 | 273 | 25 | 1,882 | 150 | - | 5,660 |
| PROPERTY, PLANTS AND EQUIPMENT | 116,369 | 52,456 | 35,666 | 3,503 | 15,252 | 3,833 | - | 227,079 |
| INTANGIBLE | 1,800 | 268 | 1,109 | 694 | 3,340 | 1,060 | - | 8,271 |

²⁷ Biofuel results are included in the corporate group

²⁸ The segmented information for 2010 and 2009 was prepared considering the changes to the business areas, due to the transfer of management of the Fertilizer business from Refining, Transportation & Marketing to Gas & Power

Consolidated Results by International Business Area - 1H 2010

| | R\$ MILLION INTERNATIONAL | | | | | | TOTAL |
|--------------------------------|------------------------------|--------------|-------------------|--------------|--------------|----------------|---------------|
| | E&P | SUPPLY | GAS & POWER | DISTRIB. | CORP. | ELIMIN. | |
| ASSETS (06.30.2010) | 21,923 | 5,330 | 3,522 | 1,271 | 3,321 | (4,285) | 31,082 |
| Income Statement | | | | | | | |
| Net Operating Revenues | 3,255 | 6,462 | 1,078 | 3,460 | - | (2,105) | 12,150 |
| Intersegments | 2,641 | 1,786 | 172 | 32 | - | (2,131) | 2,500 |
| Third Parties | 614 | 4,676 | 906 | 3,428 | - | 26 | 9,650 |
| Operating Profit (Loss) | 1,334 | (43) | 184 | 58 | (221) | (15) | 1,297 |
| Net Income (Loss) | 1,123 | (35) | 111 | 53 | (257) | (15) | 980 |

Consolidated Results by International Business Area

| | R\$ MILLION INTERNATIONAL | | | | | | TOTAL |
|---------------------------------|------------------------------|--------------|-------------------|--------------|--------------|----------------|---------------|
| | E&P | SUPPLY | GAS & POWER | DISTRIB. | CORP. | ELIMIN. | |
| ASSETS (12.31.2009) | 19,950 | 5,068 | 3,470 | 1,163 | 3,910 | (5,183) | 28,378 |
| Income Statement 1H 2009 | | | | | | | |
| Net Operating Revenues | 2,444 | 5,526 | 1,104 | 2,310 | 4 | (1,978) | 9,410 |
| Intersegments | 1,569 | 1,354 | 164 | 50 | - | (1,978) | 1,159 |
| Third Parties | 875 | 4,172 | 940 | 2,260 | 4 | - | 8,251 |
| Operating Profit (Loss) | 492 | (99) | 175 | 35 | (360) | 63 | 306 |
| Net Income (Loss) | 347 | (323) | 150 | 28 | (512) | 63 | (247) |

Income Statement Parent Company

| R\$ million | | | | | |
|--------------|--------------|--------------|---|---------------|---------------|
| 1Q-2010 | 2nd Quarter | | | 1st Half | |
| | 2010 | 2009 | | 2010 | 2009 |
| 48,247 | 50,528 | 43,595 | Gross Operating Revenues | 98,775 | 83,578 |
| (11,295) | (11,614) | (9,908) | Sales Deductions | (22,909) | (19,419) |
| 36,952 | 38,914 | 33,687 | Net Operating Revenues | 75,866 | 64,159 |
| (21,342) | (23,925) | (18,032) | Cost of Products Sold | (45,267) | (35,256) |
| 15,610 | 14,989 | 15,655 | Gross Profit | 30,599 | 28,903 |
| | | | Operating Expenses | | |
| (1,750) | (2,148) | (1,587) | Sales | (3,898) | (3,291) |
| (1,225) | (1,280) | (1,251) | General & Administrative | (2,505) | (2,386) |
| (876) | (527) | (615) | Exploratory Cost | (1,403) | (1,396) |
| (380) | (384) | (366) | Research & Development | (764) | (698) |
| (81) | (75) | (92) | Taxes | (156) | (159) |
| (384) | (355) | (309) | Health and Pension Plans | (739) | (659) |
| (1,826) | (867) | (691) | Other | (2,693) | (1,941) |
| (6,522) | (5,636) | (4,911) | | (12,158) | (10,530) |
| | | | Operating Income before Financial Result and | | |
| 9,088 | 9,353 | 10,744 | Participation in Equity Income | 18,441 | 18,373 |
| | | | Net Financial | | |
| 912 | 898 | 1,835 | Income | 1,811 | 3,563 |
| (1,026) | (783) | (1,516) | Expenses | (1,809) | (2,865) |
| (219) | (157) | 521 | Net Monetary Variation | (377) | 385 |
| 448 | (9) | (4,552) | Net Exchange Variation | 439 | (5,099) |
| 115 | (51) | (3,712) | | 64 | (4,016) |
| (6,407) | (5,687) | (8,623) | | (12,094) | (14,546) |
| 993 | 1,408 | 2,297 | Participation in Equity Income | 2,401 | 3,638 |
| 10,196 | 10,710 | 9,329 | Operating Income | 20,906 | 17,995 |
| (2,505) | (2,473) | (1,006) | Income Tax / Social Contribution | (4,978) | (3,391) |
| 7,691 | 8,237 | 8,323 | Net Income | 15,928 | 14,604 |

Balance Sheet Parent Company

| Assets | R\$ million | |
|---------------------------------------|----------------|----------------|
| | 06.30.2010 | 12.31.2009 |
| Current Assets | 59,968 | 54,076 |
| Cash and Cash Equivalents | 17,842 | 16,798 |
| Marketable Securities | 2,647 | 1,718 |
| Accounts Receivable | 15,916 | 12,844 |
| Advances to Suppliers | 1,454 | 1,750 |
| Inventories | 15,001 | 14,437 |
| Dividends Receivable | 1,012 | 780 |
| Taxes Recoverable | 4,282 | 4,049 |
| Other | 1,814 | 1,700 |
| Non-current Assets | 284,557 | 265,976 |
| Long-term Assets | 65,822 | 73,467 |
| Oil & Alcohol Account | 818 | 817 |
| Subsidiaries and affiliated companies | 41,285 | 48,889 |
| Structured Projects | 850 | 2,330 |
| Advances to Suppliers | 1,386 | 1,900 |
| Marketable Securities | 4,364 | 4,180 |
| Taxes & Social Contribution Payable | 13,115 | 11,640 |
| Judicial Deposits | 1,981 | 1,691 |
| Anticipated Expenses | 1,083 | 830 |
| Other | 940 | 1,190 |
| Investments | 44,273 | 39,373 |
| Property, plant and equipment | 170,873 | 149,447 |
| Intangible | 3,230 | 3,216 |
| Deferred | 359 | 473 |
| Total Assets | 344,525 | 320,052 |

| Liabilities | R\$ million | |
|-------------------------------------|---------------|---------------|
| | 06.30.2010 | 12.31.2009 |
| Current Liabilities | 78,103 | 79,074 |
| Short-term Debt | 9,801 | 3,123 |
| Risk and assets control | 2,886 | 3,557 |
| Suppliers | 33,973 | 41,519 |
| Taxes & Social Contribution Payable | 7,017 | 8,268 |
| Dividends / Interest on Own Capital | 1,755 | 2,333 |
| Structured Projects | 452 | 351 |

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

| | | |
|---------------------------------------|----------------|----------------|
| Health and Pension Plans | 1,129 | 1,123 |
| Clients Anticipation | 325 | 134 |
| Receivable Cash Flow | 16,094 | 14,318 |
| Other | 4,671 | 4,348 |
| Long-term Liabilities | 88,837 | 76,070 |
| Long-term Debt | 30,421 | 26,004 |
| Risk and assets control | 16,085 | 10,904 |
| Subsidiaries and affiliated companies | 809 | 905 |
| Pension plan | 3,719 | 3,612 |
| Health Care Benefits | 10,012 | 9,535 |
| Deferred Taxes & Social Contribution | 18,893 | 16,855 |
| Provision for abandonment | 4,431 | 4,419 |
| Other | 4,467 | 3,836 |
| Shareholders' Equity | 177,585 | 164,908 |
| Capital | 85,109 | 78,967 |
| Capital Reserves | 92,476 | 85,941 |
| Total Liabilities | 344,525 | 320,052 |

1. Adoption of international financial reporting standards

The Company prepared its opening balance with January 1, 2009 as the transition date for the mandatory exceptions to and certain optional exemptions from the retroactive application of IFRS, in accordance with CPC 37 – Initial Adoption of International Accounting Standards.

A summary of those procedures that resulted in changes to the Company's financial statements in 2009 is presented in the 1Q-2010 earnings release, available on our investor relations website.

We present below the effects of these adjustments on the consolidated and parent company financial statements:

a) Reconciliation of Net Income

| | 1H 2009 | |
|---|---------------------|---------------|
| | Consolidated | Parent |
| Net income as divulged | 13,550 | 14,050 |
| Capitalized loan costs | 1,403 | 1,403 |
| Deferred taxes | (299) | (280) |
| Accrual of subsidiary unsecured liabilities | | (623) |
| Others | (203) | 54 |
| Net income adjusted to IFRS | 14,451 | 14,604 |

b) Reconciliation with the Consolidated Results

| | Results | | Net Income | |
|--|-------------------|-------------------|---------------------|---------------------|
| | 06.30.2010 | 12.31.2010 | Jan-Jun 2010 | Jan-Jun 2009 |
| Consolidated - IFRS | 179,907 | 167,114 | 16,134 | 17,366 |
| Minority Interest | (2,933) | (2,910) | (112) | (2,915) |
| Net Income | 176,974 | 164,204 | 16,021 | 14,451 |
| Deffered expenses not considering fiscal effect | 611 | 704 | (93) | 153 |
| Controlled adjusted to CPC accounting standards | 177,585 | 164,908 | 15,928 | 14,604 |

2. Analysis of Gross Profit (2Q-2010 x 1Q-2010)

| | | R\$ million | | |
|---|-------------------|-------------------|------------|--------|
| | | Change | | |
| | | 2Q-2010 x 1Q-2010 | | |
| Gross Profit Analysis - Main Items | | Net | Cost of | Gross |
| | | Revenues | Goods Sold | Profit |
| . Domestic Market: | - volumes sold | 1,358 | (629) | 729 |
| | - domestic prices | 137 | | 137 |
| . International Market: | - export volumes | 744 | (948) | (204) |
| | - export price | 33 | | 33 |
| . (Increase) decrease in expenses:⁽ⁱ⁾ | | | (742) | (742) |
| . Increase (decrease) in profitability of distribution segment | | 376 | (333) | 43 |
| . Increase (decrease) in profitability of trading operations | | 437 | (488) | (51) |
| . Increase (decrease) in international sales | | 129 | (43) | 86 |
| . FX effect on controlled companies abroad | | (35) | 33 | (2) |
| . Other | | 41 | 7 | 48 |
| | | 3,220 | (3,143) | 77 |

| ⁽ⁱ⁾ Expenses Composition: | Value |
|--|---------|
| - import of oil, oil products and gas | (1,478) |
| - salaries, benefits and charges | 26 |
| - domestic Government Take | 52 |
| - non-oil products, including alcohol, biodiesel and other | 81 |
| - materials, services, rents and depreciation | 253 |
| - transportation: maritime and pipelines ²⁹ | 324 |
| | (742) |

Due to the average inventory period of 60 days, international oil and oil product prices, as well as the impact of the exchange rate on imports and government take are not fully reflected in the cost of goods sold in the actual period, but in the subsequent period.

The chart below shows the estimated impact on COGS:

(*) The effect of sale of inventories formed at lower unit costs in previous periods was higher in 2Q-2010 than in 1Q-2010, despite the less accentuated upturn in international prices. Other factors compounded this effect, including the concentration of operations along the quarters (production, imports, sales), inventory volumes and the evolution of other expenses.

²⁹ Expenses with cabotage, terminals and pipelines

3. Analysis of Gross Profit (1H-2010 x 1H-2009)

| | | R\$ million | | |
|---|-------------------|-------------------|------------|---------|
| | | Change | | |
| | | 1H 2010 X 1H 2009 | | |
| Gross Profit Analysis - Main Items | | Net | Cost of | Gross |
| | | Revenues | Goods Sold | Profit |
| . Domestic Market: | - volumes sold | 4,698 | (1,668) | 3,030 |
| | - domestic prices | (1,705) | | (1,705) |
| . International Market: | - export volumes | 640 | (262) | 378 |
| | - export price | 5,139 | | 5,139 |
| . Increase (decrease) in expenses:⁽ⁱⁱ⁾ | | | (5,852) | (5,852) |
| . Increase (decrease) in profitability of distribution segment | | 3,605 | (3,185) | 420 |
| . Increase (decrease) in profitability of trading operations | | 3,435 | (3,867) | (432) |
| . Increase (decrease) in international sales | | 3,067 | (1,803) | 1,264 |
| . FX effect on controlled companies abroad | | (2,491) | 2,071 | (420) |
| . Other | | 414 | (448) | (34) |
| | | 16,802 | (15,014) | 1,788 |

| (ii) Expenses Composition: | Valor |
|---|---------|
| - import of crude oil and oil products and gas | (3,484) |
| - domestic Government Take | (2,338) |
| - oil products (domestic purchases) | (214) |
| - salaries, benefits and charges | (72) |
| - generation and purchase of energy for commercialization | 65 |
| - transportation: maritime and pipelines ³⁰ | 88 |
| - nitrogens | 103 |
| | (5,852) |

³⁰ Expenses with cabotage, terminals and pipelines

4. 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\$31,785 million.

| R\$ million | | | | | | | |
|--|---------------|---------------|-----------------------|--|---------------|---------------|-----------------------|
| 1Q-2010 | 2nd Quarter | | 2Q10 X 1Q10 (%) | | 1st Half | | |
| | 2010 | 2009 | | | 2010 | 2009 | 2009 X 2008 (%) |
| Economic Contribution - Country | | | | | | | |
| 6,117 | 6,683 | 6,274 | 9 | Value Added Tax on Sales and Services (ICMS) | 12,800 | 12,032 | 6 |
| 1,519 | 1,601 | 1,186 | 5 | CIDE ⁽³¹⁾ | 3,120 | 2,238 | 39 |
| 3,193 | 3,254 | 3,109 | 2 | PASEP/COFINS | 6,447 | 6,137 | 5 |
| 2,750 | 2,993 | 1,701 | 9 | Income Tax & Social Contribution | 5,743 | 4,406 | 30 |
| 621 | 730 | 832 | 18 | Other | 1,351 | 1,500 | (10) |
| 14,200 | 15,261 | 13,102 | 7 | Subtotal Country | 29,461 | 26,313 | 12 |
| 1,216 | 1,108 | 1,105 | (9) | Economic Contribution - Foreign | 2,324 | 2,184 | 6 |
| 15,416 | 16,369 | 14,207 | 6 | Total | 31,785 | 28,497 | 12 |

5. Government Take

| R\$ million | | | | | | | |
|----------------|--------------|--------------|-----------------------|-------------------------|---------------|--------------|-----------------------|
| 1Q-2010 | 2nd Quarter | | 2Q10 X 1Q10 (%) | | 1st Half | | |
| | 2010 | 2009 | | | 2010 | 2009 | 2010 X 2009 (%) |
| Country | | | | | | | |
| 2,333 | 2,396 | 1,954 | 3 | <i>Royalties</i> | 4,729 | 3,600 | 31 |
| 2,610 | 2,598 | 1,939 | | Special Participation | 5,208 | 3,217 | 62 |
| 32 | 29 | 37 | (9) | Surface Rental Fees | 61 | 66 | (8) |
| 4,975 | 5,023 | 3,930 | 1 | Subtotal Country | 9,998 | 6,883 | 45 |
| 125 | 121 | 108 | (3) | Foreign | 246 | 204 | 21 |
| 5,100 | 5,144 | 4,038 | 1 | Total | 10,244 | 7,087 | 45 |

The government take in the country in 2Q-2010 remained stable over the previous quarter, despite the higher tax rate applied to the Marlim Leste field, partially offset by the lower average reference price of local oil, which came to R\$123.05 (US\$68.75) in 2Q-2010, versus R\$124.27 (US\$69.00) in the previous quarter, reflecting international oil prices and the exchange variation.

The government take in the country in 1H-2010 increased by 45% over 1H-2009, due to the 31% upturn in the reference price for local oil, which averaged R\$123.66 (US\$68.88) in 1H-2010, versus R\$94.38 (US\$43.62) in the same period in 2009, reflecting international oil prices and

the higher tax rate in the Marlim Sul and Marlim Leste fields.

³¹ CIDE Economic Domain Contribution Charge

30

6. Indebtedness (Graphs)

31

7. Foreign Exchange Exposure

| Assets | R\$ million | |
|--|-----------------|-----------------|
| | 06.30.2010 | 12.31.2009 |
| Current Assets | 9,446 | 5,581 |
| Cash and Cash Equivalents | 7,309 | 4,035 |
| Other Current Assets | 2,137 | 1,546 |
| Non-current Assets | 19,932 | 17,876 |
| Amounts invested abroad by partner companies, in the international segment, in E&P equipments to be used in Brazil and in commercial activities. | 18,585 | 16,759 |
| Others Long-term Assets | 1,329 | 1,117 |
| Total Assets | 29,378 | 23,457 |
| Liabilities | R\$ million | |
| | 06.30.2010 | 12.31.2009 |
| Current Liabilities | (11,445) | (11,978) |
| Short-term Financing | (10,163) | (10,303) |
| Suppliers | (622) | (1,088) |
| Others Current Liabilities | (660) | (587) |
| Long-term Liabilities | (23,850) | (15,203) |
| Long-term Financing | (23,837) | (15,125) |
| Others Long-term Liabilities | (13) | (78) |
| Total Liabilities | (35,295) | (27,181) |
| Net Assets (Liabilities) in Reais | (5,917) | (3,724) |
| (-) FINAME Loans - dollar indexed reais | (148) | (179) |
| (-) BNDES Loans - dollar indexed reais | (25,849) | (25,368) |

Net Assets (Liabilities) in Reais

(31,914)

(29,271)

SIGNATURE

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

Date: September 16, 2010

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 within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act) that are not based on historical facts and are not assurances of future results. These forward-looking statements 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.

All forward-looking statements are expressly qualified in their entirety by this cautionary statement, and you should not place reliance on any forward-looking statement contained in this press release. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason.
