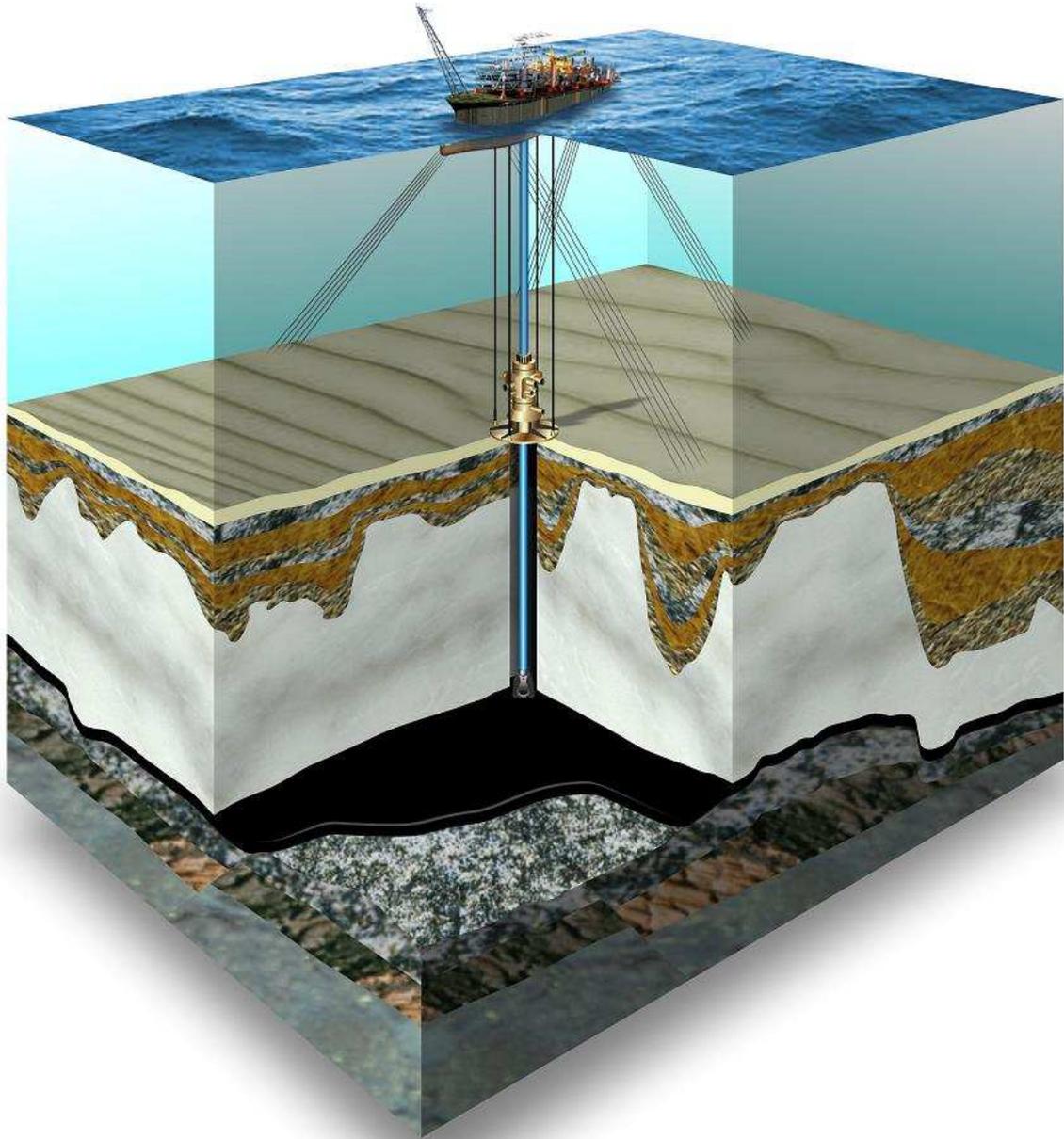


2009 Operational Report



Summary

PROFILE, MISSION, 2020 VISION

LEADING INDICATORS

MESSAGE FROM THE CEO

BUSINESS MANAGEMENT & RESULTS

- Oil market analysis
- Business strategy and performance
- New regulatory framework
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- Human Resources

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- Distribution
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- Power

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- Health, Safety & Environment

ADMINISTRATION

Profile

Petrobras, founded in 1953 and leader in the Brazilian oil sector, is a publicly-held company that closed 2009 as the fourth largest energy company in market capitalization according to the ranking of the consulting firm PFC Energy.

In the oil, gas and energy industry, the company has integrated, specialized operations in oil products, natural gas, power and biofuels exploration, production, refining, sale, transportation, petrochemical manufacturing, and distribution.

Mission

Operate in a safe and profitable manner in Brazil and abroad, with social and environmental responsibility, providing products and services that meet clients' needs and that contribute to the development of Brazil and the countries in which it operates.

2020 Vision

We will be one of the five largest integrated energy companies in the world and the preferred choice among our stakeholders.

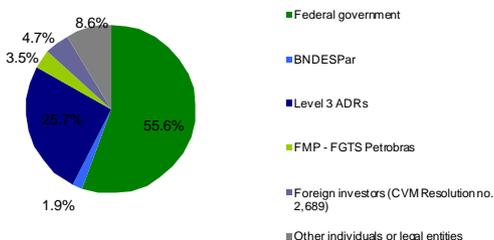
2020 Vision Characteristics

Our operations will be notable for:

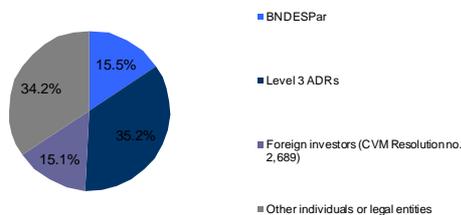
- Strong international presence
- World prominence in biofuels
- Operational excellence in management, energy efficiency, technology and human resources
- Profitability
- Setting a benchmark in social and environmental responsibility
- Commitment to sustainable development

OWNERSHIP STRUCTURE AT THE END OF 2009

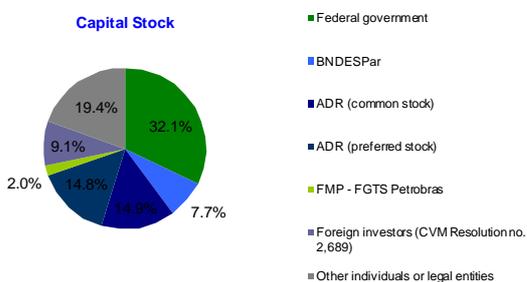
Voting Capital - Common Stock



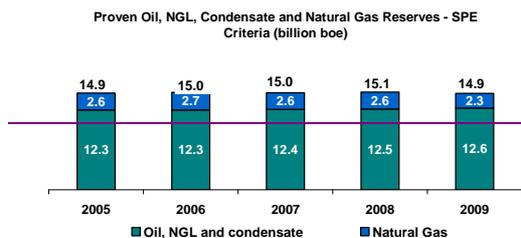
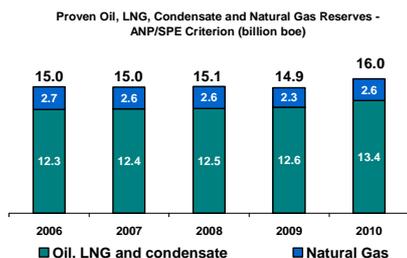
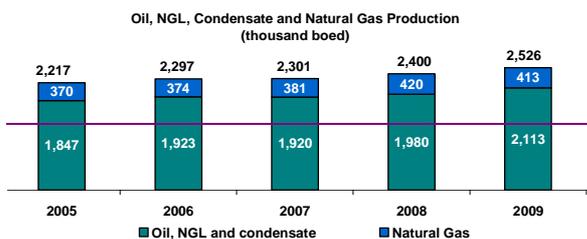
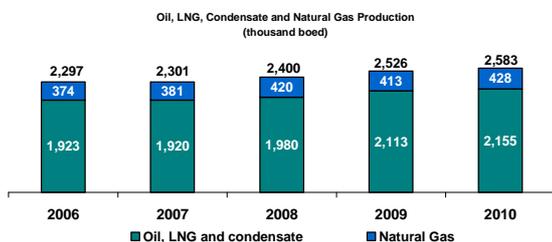
Non-Voting Capital - Preferred Stock

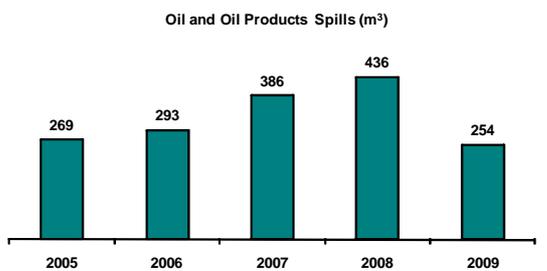
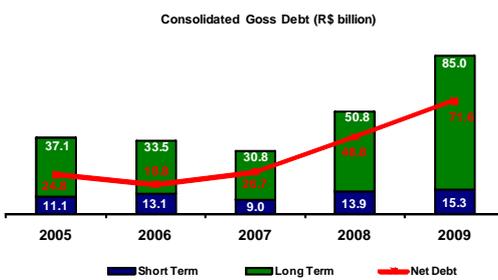
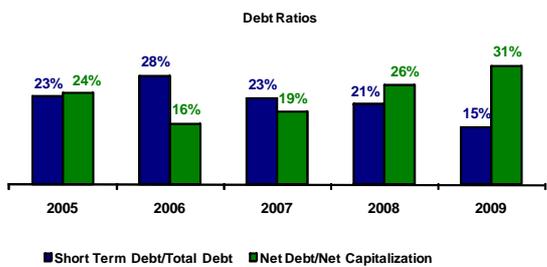
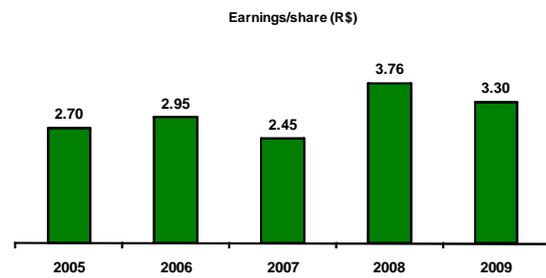
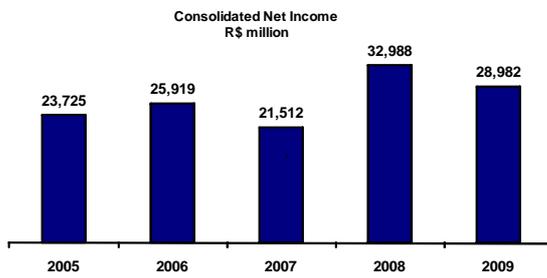


Capital Stock



LEADING INDICATORS





MESSAGE FROM THE CEO

Petrobras successfully overcame the instabilities of 2009, posting strong operating and financial results. The discovery of oil and gas reserves in the pre-salt layer off the Brazilian coast combined with successful financing operations enabled the company to maintain its ambitious production goals. Despite the global economic slowdown, we worked under the hypothesis of an upturn in oil prices, which was confirmed throughout the year. We intensified investments and the pace of our activities, tactics that proved effective and allowed us to sustain our corporate strategy of profitable integrated business expansion in accordance with social and environmental responsibility standards.

This audacious initiative made Petrobras the fourth largest company in terms of market capitalization among the world's publicly-held energy companies at US\$199.2 billion, twice the amount of the previous year. Petrobras also maintained its investment grade status and earned, for the fourth consecutive year, its inclusion in the Dow Jones Sustainability Index. This internationally recognized consistent performance has granted the company broad access to the capital market and has increased the value of Petrobras' stock and depositary receipts, securities that offered substantial return and gains to investors in 2009.

In 2009, the company's consolidated net income totaled R\$29 billion, a significant result considering the reduced prices and volumes of oil products traded on the international market. The average price of Brent crude stood at US\$62.40, 36.5% lower than in the previous year, while the global demand for oil products declined approximately 2% over 2008. Despite this market downturn, we have increased investments in all segments of the oil and gas chain by 33% over 2008 to a total of R\$70.8 billion. Most of these funds – 44% – went to Exploration and Production, totaling a record R\$30.8 billion.

Petrobras' production of oil and gas in Brazil and abroad achieved a daily average of 2.5 million barrels of oil equivalent (boe), 5.2% higher than the volume recorded in 2008, contributing to 8.9% growth in oil exports. Proven oil, condensate and natural gas reserves in Brazil and abroad came to 14.9 billion boe in 2009 according to the ANP/SPE criteria.

The year was marked by the consolidated success of exploratory activities in the pre-salt layer, with the operational start-up for the Long-Duration Test (LDT) in the Tupi field of the Santos Basin. We also concluded the formation tests in Guar and Iara, confirming the estimated recoverable oil volumes of four to six billion barrels of light crude and natural gas. The LDTs of Guar and Tupi Nordeste and the operational start-up of the Tupi pilot-system are scheduled for 2010. These tests are extremely important as they will provide information necessary to define the development strategy of these areas. We reiterate that estimated recoverable oil

and natural gas volumes in the tested pre-salt reserves, if confirmed, are enough to double Brazil's reserves.

Due to the new exploratory frontier in the pre-salt layer, with high potential and low exploratory risk, the Brazilian government proposed a specific regulatory framework for the exploration and production of oil and natural gas in this geological layer and in other areas that are considered strategic in the future. The proposal, pending congressional approval, does not alter the terms of the concession agreements that have already been signed, accounting for approximately 28% of the mapped pre-salt area. If approved, in addition to the concessions, the new framework will be composed by other two regimes for contracting exploration and production activities. The system of shared production will be adopted for pre-salt and strategic areas not yet put out to bid, with Petrobras operating all blocks with a minimum share of 30%. The bills also include the adoption of an onerous assignment of rights, which would grant Petrobras the right to exercise exploration and production activities in specific areas of the pre-salt layer up to the limit of five billion barrels of oil and natural gas. For this assignment, Petrobras would pay the federal government a pre-established amount in accordance with the best market practices. The bill stipulating onerous assignment also authorizes Petrobras to increase its capital in an amount two to three times the value of the assignment, allowing the company to solidly and sustainably increase its growing investments.

Investments in Supply totaled R\$16.5 billion in 2009, up 63% over 2008, which mainly went to increasing refining capacity and technological improvements to convert heavy crude from Brazilian fields into higher value oil products. Petrobras' 11 Brazilian refineries processed 1,791,000 barrels per day (bpd) of crude, and produced 1,823,000 bpd of oil products. Petrobras further expanded its operations in the petrochemical sector and diversified its product portfolio through mergers and construction of new units. The company also continued investing in increasing the international market for ethanol, chiefly in Asia and the United States; 2009 exports totaled approximately 330,000 m³.

Throughout the year, Petrobras once again increased the supply of natural gas and power. The domestic gas pipeline network grew 729 km to 7,659 km, and the company launched Brazil's second liquefied natural gas (NGL) regasification terminal, with production capacity of 20 million m³/day, in the Guanabara Bay. Petrobras' thermoelectric generation park, composed of 17 owned and rented plants, achieved installed capacity of 5,476 MW. Investments in gas and power amounted to R\$6.6 billion.

The company operates in 24 countries through its International Area. Due to the pre-salt discovery, the International Area redesigned its operational strategy. The new positioning aims at complementing the national portfolio, adding value to our business and contributing to the integration of the product chain. In 2009, we invested R\$6.8 billion in our international activities, especially in developing our production oil, gas and refining capacities.

As for the Distribution segment, the increase in demand for biofuels and the incorporation of Companhia Brasileira de Petróleo Ipiranga allowed the company to reach a new domestic sales record. The sales volume stood at 41,841,800 m³ in 2009, substantially contributing to Petrobras Distribuidora's R\$1.5 billion income, which, as a result, maintained the subsidiary's leadership in the Brazilian market with a 38% share. One year after its establishment, Petrobras Biocombustível operates with three biofuel production plants with an annual production capacity of 325,800 m³, with growth through mergers, facility expansion and new units planned for 2010.

Petrobras' dominance and pioneering in technology and deepwater and ultra-deepwater exploration, the expertise of its technical personnel and its adoption of the best corporate governance practices guaranteed strong results in 2009 and reinforced the company's confidence in the future despite the adverse economic scenario. The 2009-2013 business plan estimates investments of US\$174.4 billion, of which US\$28 billion will be allocated exclusively to the development of the pre-salt reserves. Given all this, Petrobras has been rewriting the history of Brazil's presence in the international oil and energy market, guaranteeing a considerable volume of reserves for the country and giving part of the company's results back to society.

José Sergio Gabrielli de Azevedo

CEO of Petrobras

BUSINESS MANAGEMENT & RESULTS

Oil market analysis

The impacts of the 2008 international financial crisis continued to affect the oil market and, consequently, commodity prices. The price per barrel of Brent crude varied considerably, from a low of US\$39.01 at the beginning of the year to a peak of US\$79.16 in late 2009. The price trajectory mainly accompanied the economic recovery and the improved expectations for economic recovery after the international crisis. The average annual price per barrel of Brent crude stood at US\$62.40, 36.5% lower than in 2008.

Oil demand declined in countries of the Organisation for Economic Co-operation and Development (OECD), influenced by the downturn in industrial activities and transportation, in addition to domestic budget cuts. Demand from non-OECD countries, however, was relatively stable. This market segment recovered faster from the economic crisis and contributed to the upturn in oil prices throughout the year. The countries with the highest demand growth continue to be China and India, recording better volumes than those of the last five years.

In terms of supply, non-OPEC countries increased production on the whole even with reductions in the North Sea and Mexico. Russia produced more than 10 million bpd of crude – a new post-Soviet record – and became the world's largest oil producer, surpassing Saudi Arabia. Other former Soviet-bloc countries, such as Kazakhstan and Azerbaijan, contributed to the increase in supply. South America and the Gulf of Mexico (United States) also posted production upturns. In 2009, OPEC maintained its production target of 24.8 million bpd of crude established in December of 2008. Nonetheless, demand and price recovery resulted in a lower number of member countries meeting this goal during the year. With this and the economic crisis, oil inventories remained high in 2009.

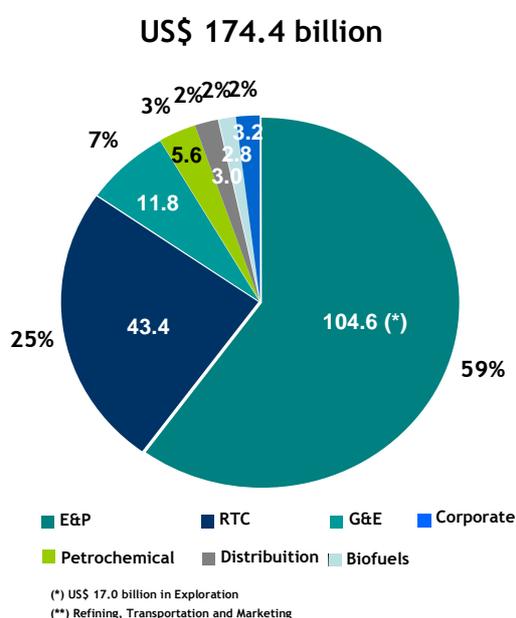
Geopolitical aspects such as Nigerian guerrillas and the Iranian nuclear weapons issue continued to influence the market, though without substantially affecting oil prices.

Business strategy and performance

Strategy

Our corporate strategy focuses on expanding all company business lines based on sustainability factors such as: integrated growth, profitability and social and environmental responsibility. The investment program in the 2009-2013 business plan aimed at achieving growth targets totals US\$174.4 billion, with US\$158.2 billion going to projects in Brazil and US\$16.2 billion to international activities, mainly in South America, the United States and Western Africa.

Business Plan 2009-2013



The Exploration and Production (E&P) segment accounts for the largest share of our investments, totaling US\$104.6 billion, 59% of total investments approved for the period. Of this amount, approximately US\$28 billion is allocated to the development of the pre-salt layer, estimated to produce 219,000 bpd of crude by 2013. The 2009-2013 business plan encompasses this new exploratory frontier and has more aggressive production growth targets than the previous plan. Total oil and natural gas production is expected to reach 3,655,000 boed in 2013, 3,314,000 boed of which will be produced in Brazil.

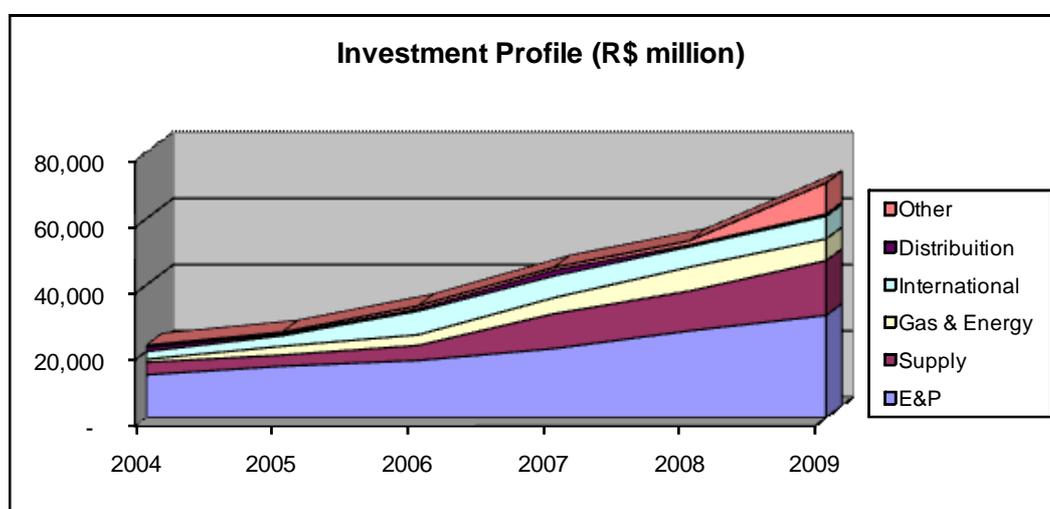
The company will invest US\$43.4 billion in the Refining, Transportation and Marketing (RTM) segment, equivalent to 25% of total investments. We will maintain our strategy of increasing refining capacity to match the company's oil production growth. Investments will focus on improving fuel quality, increasing heavy crude processing and expanding the refining capacity. With the operational start-up of the Abreu e Lima refinery in 2012, the Rio de Janeiro Petrochemical Complex

(Comperj), in 2012, and of Phase 1 of the Premium I and II refineries in 2013, crude processed in Brazil is expected to reach 2,270,000 bpd by 2013.

The US\$11.8 billion in Gas and Power investments will allow the company to expand its outflow capacity and boost domestic sales, in line with the growing domestic natural gas production.

The plan establishes a 64% Brazilian ownership threshold for projects and a US\$20 billion annual average volume of orders from Brazilian suppliers. We estimate nationwide direct and indirect job creation at 1 million.

Investments



In 2009, Petrobras maintained the R\$70.8 billion investment program outlined in the Strategic Plan, betting on a recovery in prices and medium and long-term demand. This amount was 33% higher than in 2008. The increased investments strengthen the company's integrated growth strategy focused on increasing its participation in crude, oil products, petrochemical products, gas and energy, biofuels and distribution target markets.

E&P investments were a record R\$30.8 billion in 2009. These funds were used to increase production and oil and natural gas reserves - more specifically projects to develop reserves in the pre-salt layer and, in particular, the Tupi pilot project, which is slated to begin operations in the last quarter of 2010.

Investments in RTM amounted to R\$16.5 billion, 23.3% of the total, allocated to increasing refining capacity and improving both the production profile and product quality. Refineries were also expanded, with continuing works on the Abreu e Lima refinery and Comperj. Petrobras also began investing in Premium refineries and the Potiguar Clara Camarão refinery. To support Petrobras' growing production, investments in pipelines and fleet expansion were also intensified.

Investments in the Gas and Power reached R\$6.6 billion, representing 9.3% of total investments. Funds mainly went to expanding the pipeline network to meet natural gas and electricity sales volumes established by the Strategic Plan. The Urucu-Coari-Manaus gas pipeline, for example, plays an important role in reducing greenhouse gas emissions in this region, as it will allow the replacement of the diesel and fuel oil currently used in thermal plants with natural gas. Other equally important gas pipelines are Cacimbas-Catu, connecting the Brazil's southeastern and northeastern regions, and Cabiúnas-Reduc (Gasduc III), extending from the Macaé terminal to the Duque de Caxias refinery in Rio de Janeiro State.

In order to maintain domestic market leadership and increase the visibility of the Petrobras brand among consumers, the Distribution area invested R\$0.6 billion, or 0.9% of total investments, mainly in projects targeting the automotive and consumer markets, as well as logistics and operations. Investments went to the expansion, modernization and maintenance of the retail infrastructure for oil product distribution, especially to rebrand the gas stations of Alvo Distribuidora, incorporated by Petrobras Distribuidora. The logistical infrastructure was improved to guarantee better customer service, product delivery and high quality services. These initiatives also contribute to the 3.6 p.p. market share increase.

Investments in the International Area totaled R\$6.8 billion, accounting for 9.7% of total investments, focusing on the company's strategic positioning. The segment's priorities were Latin America, the Gulf of Mexico and Western Africa. Exploration, refining and distribution projects continued to increase oil production and expand overseas refining and distribution capacity. The acquisition of Exxon Mobil's stake in Esso Chile Petrolera in 2009 was in line with the 2009-2013 Strategic Plan. This acquisition increased Petrobras' presence in distribution and the retail, industry and aviation markets, aggregating a point of sale network with operations in five countries: Argentina, Chile, Colombia, Paraguay and Uruguay. Another acquisition that stood out was of Chevron Chile SAC assets, including: a lubricant plant in Santiago, 23 storage tanks for raw-material and finished products and the assignment of brand rights.

New Regulatory Framework

The new exploratory frontier in the pre-salt layer, with high potential and low risk, made the government propose a new regulatory framework for exploration and production of oil and natural gas, pending approval by Brazil's Congress.

The proposal does not alter the terms of previously signed concession agreements, which represent approximately 28% of the mapped pre-salt area. If approved, the new framework will regulate only agreements signed after its publication.

Among the proposals being discussed, we highlight the creation of the joint production regime for future areas to be auctioned, not only in the pre-salt layer but also in other areas the federal government considers strategic. Petrobras would be the only operator with a minimum share of 30% in all projects. The company would therefore be responsible for conducting exploration and production activities and supplying vital resources to meet these objectives.

In the joint production regime, winning bids will offer the highest percentage of the production (profit oil) to the government after covering expenses (cost oil).

Another proposal under study is the onerous assignment of up to 5 billion boe. In this case, the federal government would onerously assign Petrobras the right to explore and produce oil and gas up to this volume. On the other hand, Petrobras would pay a fair value for this right, to be determined by the parties and certified by independent institutions, in accordance with the best global industry practices.

A capital increase of one to three times the total value of the assignment is also part of the plan, enabling the company to develop the projects outlined in the joint production model and acquire the 5 billion boe. In order to guarantee total transparency in the capitalization process, to be conducted in accordance with the provisions set forth in the Brazilian Corporation Law, the company's Board of Directors will create a Special Committee led by representatives of minority shareholders that will monitor all steps in the process. All minority shareholders will have the right to buy shares and depositary receipts in the same proportion as their current ownership.

Two other bills would complete the new regulatory framework. One of them would create a social fund, composed of proceeds from joint production agreements, signing bonuses and royalties. The second stipulates the constitution of 100% state-owned company that will assist the National Oil, Natural Gas and Biofuels Agency (ANP) and the National Energy Policy Council (CNPE), especially regarding cost management of joint production agreements.

Once the new regulatory framework is approved, the industry will have three production regimes: concession (current regime), joint production and onerous assignment.

Stock market performance

2009 was a year marked by a continuous increase in liquidity and better global economic growth prospects, resulting in higher oil prices. This price increase followed the sharp decline in the second half of 2008 caused by the international economic crisis. The more dynamic market behavior was in turn due to a recovery of international investments in developing countries such as Brazil. This was clear from the substantial appreciation on the Securities, Commodities and Futures Exchange (BM&FBovespa).

By proposing higher investments in early 2009 when the company announced its 2009-2013 business plan, Petrobras confirmed the high potential of its project portfolio, considered positive by the market. Petrobras stock and depositary receipts appreciated greatly this fiscal year, with substantial returns to its shareholders. This performance resulted from the company's good operating results, new oil and gas reserves discovered, the confirmation of the high potential of the pre-salt and the positive reaction of the market to the new regulatory framework for exploration and production of oil and gas, proposed by the Union.

The company's market value increased 100% in U.S. dollar terms, totaling US\$199.4 billion. In the same period, AmexOil, the index that includes all the sector's major companies, increased 9%. Petrobras recorded the largest market cap increase among all the world's leading oil and gas companies, similarly to its performance on the BM&FBovespa, with common shares (PETR3) appreciating 52%, and preferred (PETR4), 61% in the year. On the New York Stock Exchange (NYSE), common (PBR) and preferred (PBR/A) share receipts appreciated 95% and 108%, respectively. The differences in gains on these two markets were mainly in function of the exchange rate variation, with a substantial appreciation of the Brazilian real in the year (+25%).

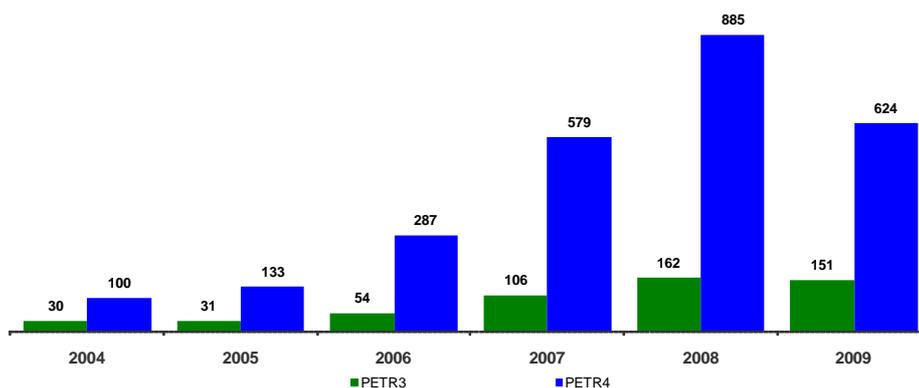
Despite the global economic recovery and increased investor appetite in 2009, stock exchanges recorded lower average financial volumes than in 2008. In 2009, however, the company's shares and depositary receipts still performed well, recording the highest trade volume both on BM&FBovespa and NYSE. The average financial turnover of Petrobras' securities traded daily on the stock exchanges was approximately US\$1.3 billion.

On December 31, 2009, Petrobras had 313,870 shareholders on the BM&FBovespa. Considering participants in Petrobras stock investment funds (402,510), Workers' Severance Indemnity Fund (FGTS) investment funds (92,867), and ADR holders (approximately 150,000), the company's total investors came to approximately 1 million.

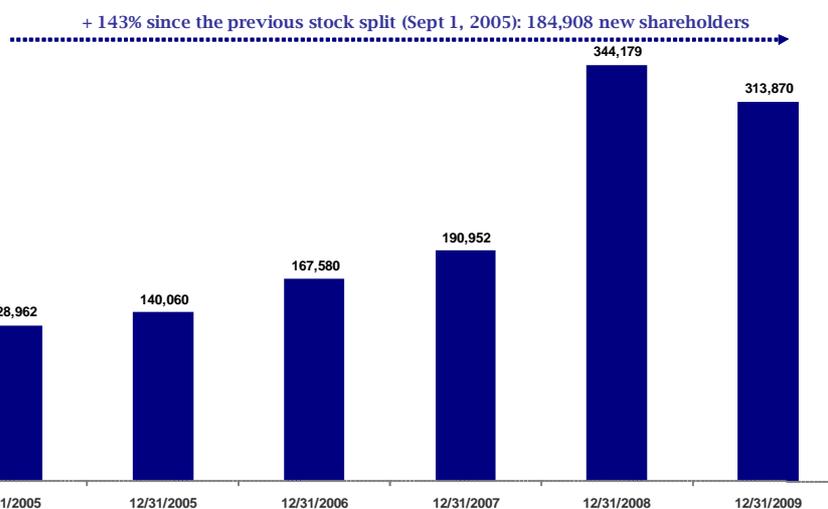
In 2009, the company paid gross dividends related to the 2008 fiscal year of R\$1.1882 per common or preferred share. Financial volume totaled R\$ 10.4 billion.

In addition, at the end of the year Petrobras approved and concluded three advance payments of Interest on Equity (IOE) for the 2009 fiscal year. In absolute terms, this payment totaled R\$0.70 per common or preferred share. Dividends paid amounted to R\$6.14 billion.

Financial Volume Traded on the BM&FBovespa average daily volume - R\$ million

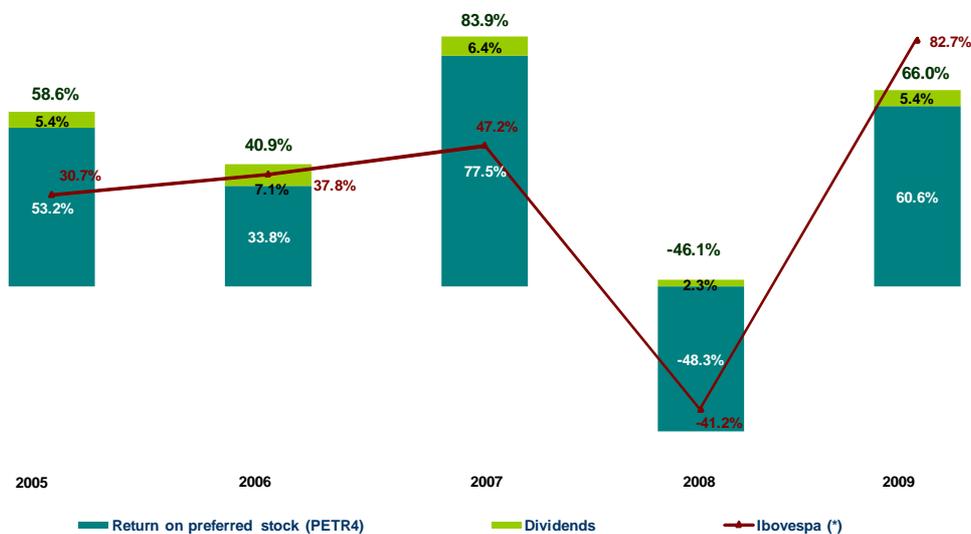


BM&FBovespa Shareholder Base (excluding Petrobras FGTS and investment funds)



Source: BM&FBovespa

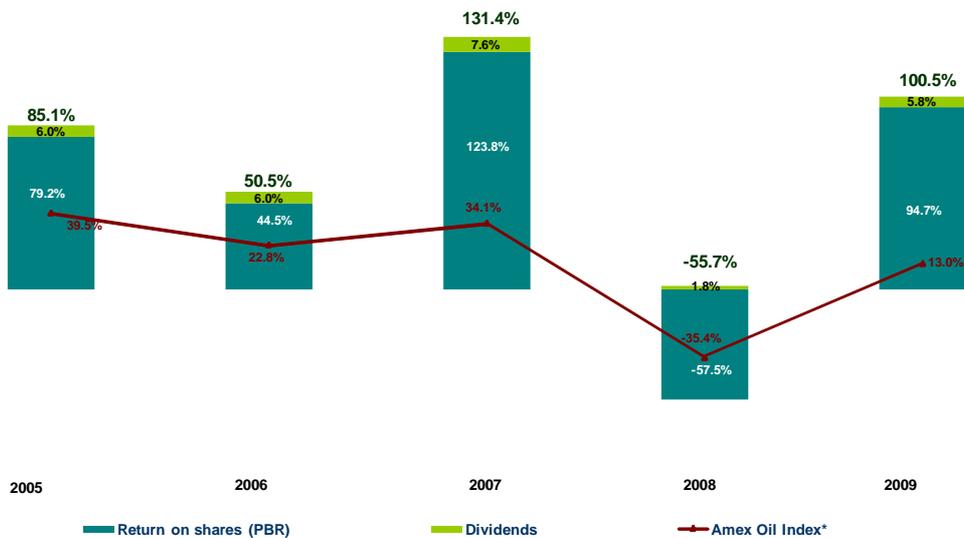
Comparison of Annual Yields: Petrobras (PETR4) vs Ibovespa
(presuming reinvestment of dividends)



Source: Bloomberg

(*) including dividends, for the purpose of comparison.

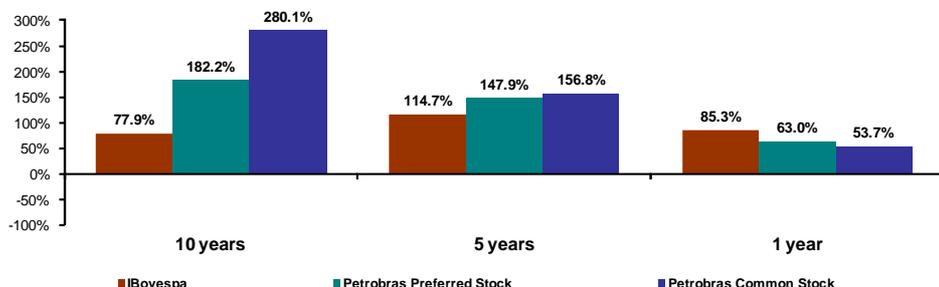
Comparison of Annual Yields: PBR vs Amex Oil
(presuming reinvestment of dividends)



Source: Bloomberg

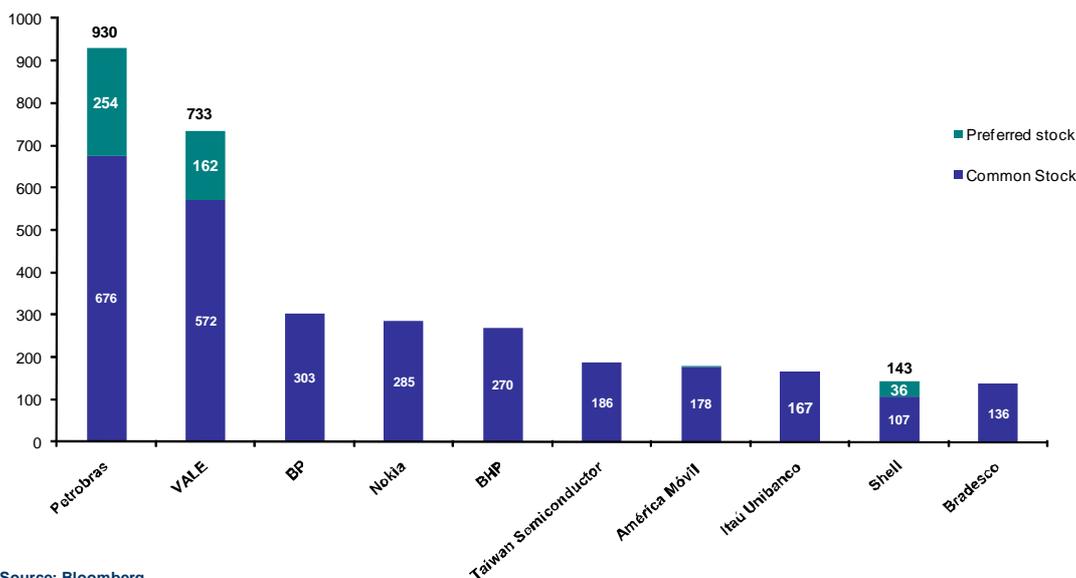
(*) including dividends, for the purpose of comparison.

Return on Petrobras Stock vs Ibovespa (*)
Real Accumulated Change



Financial volume traded on the NYSE (ADRs)
(average daily volume in 2009)

US\$ million



Source: Bloomberg

Corporate governance

Petrobras adopts the best corporate governance practices and can use the most advanced corporate management instruments. As a publicly-held company, Petrobras is subject to the regulations of the Brazilian Securities and Exchange Commission (CVM) and the Securities, Commodities and Future Exchange (BM&FBovespa). As for international markets, the company complies with the regulations of the U.S. Securities and Exchange Commission (SEC) and the New York Stock Stock Exchange (NYSE); Latibex of the Madri Stock Exchange, in

Spain; the Buenos Aires Stock Exchange and the Argentinean Securities and Exchange Commission (CNV).

The company follows management procedures in line with the regulations of the markets in which it operates, adopting internationally accepted transparency standards. As a result, Petrobras strengthens its credibility in the market and improves its relationship with all stakeholders, including shareholders, investors, clients, suppliers, employees and society.

Among the tools available for guaranteeing good corporate governance practices, Petrobras follows the Best Practices Code, which includes policies such as the Disclosure of Material Acts and Facts Policy and the Securities Trading Policy, related to the use of privileged information and the conduct of senior management.

The Code of Ethics defines the principles and ethical commitments that guide the actions of the Petrobras System: respect for life, integrity, truth, honesty, justice, equality, institutional loyalty, responsibility, merit, transparency, legality and impersonality.

The Corporate Governance Commission is responsible for the following and monitoring legislation and other applicable regulations, in addition to analyzing compliance and applicability of governance tools used by the company.

Petrobras' Ethics Commission, subordinated to the Chief Executive Officer, exists to manage ethical issues. In 2009, this commission focused on developing the Ethics Management System.

In accordance with Sarbanes-Oxley Act (SOX), one of the nine members of the company's Board of Directors elected at an Annual Shareholders' Meeting must be a financial specialist.

Internal Controls

The Internal Control Certifications of Petrobras and Petrobras International Finance Company (PifCo) related to 2008, in accordance with Section 404 of SOX and SEC regulations, were filed by the independent auditors in 2009 with no restrictions, repeating the successes of 2006 and 2007.

The Management was also pleased with the efficiency of internal controls related to the preparation of the company's consolidated financial statements of December 31, 2009.

These Certifications are planned and developed by the Internal Controls department and include the main processes of the parent company, subsidiaries and relevant controlled companies, in accordance with the SOX requirements.

The Internal Controls Management Committee, subordinated to the Board of Executive Officers, is responsible for oversight, monitored by the Board of Director's Audit Committee.

The company also continuously develops actions to integrate corporate and process controls. A large share of these actions is aimed at updating risk assessment and extending essential controls to all relevant Petrobras companies.

In 2009, the company adopted a new management and documentation system for internal controls to increase the automation of the annual certification process, facilitate the development of corporate governance practices and monitor self-evaluations.

The Internal Control Policy and Guidelines approved by the Board of Directors establishes principles to strengthen methodological uniformity and management integration of internal relevant risk controls. The implementation of this policy in control routines will enable the company to adjust its processes more efficiently and precisely.

Information on independent auditors' provision of services other than external auditing – CVM Instruction 381/2003

Petrobras uses corporate management tools based on its Code of Ethics and Code of Best Corporate Governance Practices and Guidelines.

Article 29 of the Company's Bylaws determines that independent auditors must not provide consulting services to Petrobras during the term of the auditing contract.

Petrobras has contracted KPMG Auditores Independentes for its Specialized Technical Accounting Audit Services in the 2006, 2007, 2008 fiscal years, since April of 2006. In April of 2009, the term of the contract was extended for another two years, for the 2009 and 2010 fiscal years.

Services provided by KPMG Auditores Independentes to Petrobras, its subsidiaries and controlled companies during the 2009 fiscal year are listed below.

	R\$ thousand
Accounting Audit	17,735
SOX Auditing	1,686
Services related to auditing	216
Tax auditing	457
Other	91
Total value of services	<u>20,185</u>

Corporate Governance Structure

Petrobras' Corporate Governance includes the Board of Directors and its committees, Board of Executive Officers, Fiscal Council, Internal Audit, Ombudsman, Business Committee and Management Committees.

Risk management

Petrobras' risk management is closely aligned to the objectives and goals established in its 2009-2013 business plan. The integrated risk structure is composed of policies and guidelines established and approved by the company's senior management, the Risk Management Committee and identification, quantification, response and risk control systems.

Factors such as oil and oil products price variations, domestic and international interest rates, exchange rate variations and other risk classes affect company results and need to be constantly monitored. For this reason, the risk management structure evolves constantly, always in line with the best corporate governance practices to balance the company's degree of tolerance to risks with growth goals and profitability estimates.

Market risks

In 2009, Petrobras limited derivatives operations to specific short-term transactions. According to this premise, operations with derivatives (futures, swaps and options) are performed exclusively to serve as collateral for transactions in the international market with physical cargo. In these hedge operations, positive or negative variations are totally or partially offset by the opposite result in physical cargo transactions.

These operations are only conducted within certain limits, established by a specific guideline for commodities risk management. Cash positions, debt and commercial transactions are taken into consideration when quantifying the company's net exposure to risks from exchange and interest rate variations to guide all operations in the derivatives market.

Petrobras' risk management policy, therefore, limits the use of derivatives to hedge operations and maintains strict control over its derivatives contracts.

Insurance

Petrobras takes out insurance policies to transfer to the insurance market risks from possible losses which could substantially affect the company's equity, as well as risks for which insurance is mandatory due to legal or contractual provisions.

Petrobras is capable of absorbing a large share of its risks and, as a result, the company may take out insurance policies with premiums of up to US\$50 million. Risks related to lost earnings and well control policies, as well as the most of the pipeline network in Brazil are not insured. Platforms, refineries and other facilities are covered by policies for operational and oil related risks. Cargos are covered by transportation policies, while ships are covered by hull and equipment insurance. Civil responsibility and environmental pollution are also covered by specific policies.

Projects and facilities under construction, with probable maximum loss higher than US\$50 million, are covered against engineering risks by insurance contracted preferably by Petrobras itself, or by contractors. Given the volume of investments forecast in the 2009-2013 business plan, the total amount of premiums paid for insurance to cover engineering risks related to new developments has been substantially increasing.

For insurance purposes, assets are valued by their replacement costs. The Maximum Indemnification Limit (MIL) of the operational risk policy amounts to US\$1 billion, considering the probable maximum damage to facilities. This limit totals US\$1.85 billion in the petroleum risk policy, representing the highest value for Petrobras' platform replacement.

In 2009, the final premium for the company's main policies (operational and petroleum risks) totaled US\$49.5 million, corresponding to covered assets worth US\$83 billion.

Petrobras constantly discloses its risk management practices and acts promptly and transparently in informing the market of any relevant information on events that could give rise to insurance claims.

Credit

The credit policy adopted by the company for granting and reviewing and customer credit comply with the provisions set forth by the Sarbanes-Oxley Act (SOX). After analysis, credit is approved by the Credit Commission or, at higher levels, by the Commercial and Financial Departments.

Despite the protection measures adopted in response to the financial crisis, the volume of credit granted in 2009 increased considerably, growing 33.8% over

2008. This increase was an important factor in boosting sales, chiefly in the international market.

The control of credit utilization by customers in Brazil and abroad is centralized and credit control and granting processes are constantly being improved, supporting the increasingly sustainable performance of sales, especially internationally. This allows the company to build closer relationships with its customers and increase the use of credit as a sales tool.

Financing

Corporate financing

Petrobras successfully implemented its financing plan in 2009, despite some setbacks in the beginning of the year when there were fewer reasonably priced options for accessing the credit market.

To enable the 2009-2013 business plan, with a forecasted financing volume of US\$18.1 billion in 2009, the company contracted in early 2009 a bridge loan in the amount of US\$6.5 billion with financial institutions. Petrobras also took out a loan of R\$25 billion with the Brazilian Development Bank (BNDES) to finance projects developed by the company and two of its subsidiaries: Abreu e Lima S.A. refinery (RNEST) and Transportadora Associada de Gás (TAG). After raising these funds, Petrobras was able to wait for the best opportunity to access the markets.

The acknowledgement of Petrobras' credit quality by banks, investors and official credit agencies created favorable financing conditions in terms of cost and maturity.

In the international credit market, PifCo, a wholly-owned Petrobras subsidiary, issued in February of 2009 10-year bonds with a 7.875% annual coupon and maturing in March of 2019. This transaction totaled US\$1.5 billion and offered return of 8.125% p.a. In July, the company reopened this bond, issuing US\$1.25 billion yielding 6.875% p.a.

In October, the company accessed the international capital market again through PifCo, with a US\$4 billion issue of bonds maturing in 10 and 30 years. The bonds maturing in January of 2020 raised US\$2.5 billion, with a 5.750% coupon and yielding 5.875% p.a., while the bond maturing in January of 2040 raised US\$1.5 billion, with a 6.875% coupon of and return of 7.000% p.a. This transaction's demand was 2.9 times higher than the issue volume, with the participation of more than 500 investors in the United States, Europe, Asia and Latin America, most of which are interested in the fixed income market of investment grade companies.

In 2009, funds obtained on the international market were mainly destined to corporate issues and to pay off bridge loans taken out by the company in early

2009, representing an extension of company's debt profile, in addition to cost reduction.

Petrobras raised R\$600 million on the domestic market with three private issues of Certificates of Real Estate Receivables (CRI) with 10 and 15 year maturities, acquired in their totality by financial institutions. These funds went to the conclusion of the new head offices in Vitória, Espírito Santo State, and the Rio Grande shipyard, a structure for platform construction and repair, in Rio Grande do Sul State.

2009 was a year in which the company accessed the credit market, guaranteeing liquidity during the international crisis. Financing operations totaled US\$10.2 billion on the international market and R\$3.6 billion on the domestic market at competitive prices, considering the changes in the international market due to the international financial crisis.

Through Petrobras Netherlands B.V. (PNBV), Petrobras raised US\$262 million from Export Credit Agencies (ECA) with Santander and Citibank, including credit insurance from EKF, the ECA in Denmark.

In order to support the company's business, we contracted bank guarantees amounting to US\$5.6 billion in Brazil market and abroad.

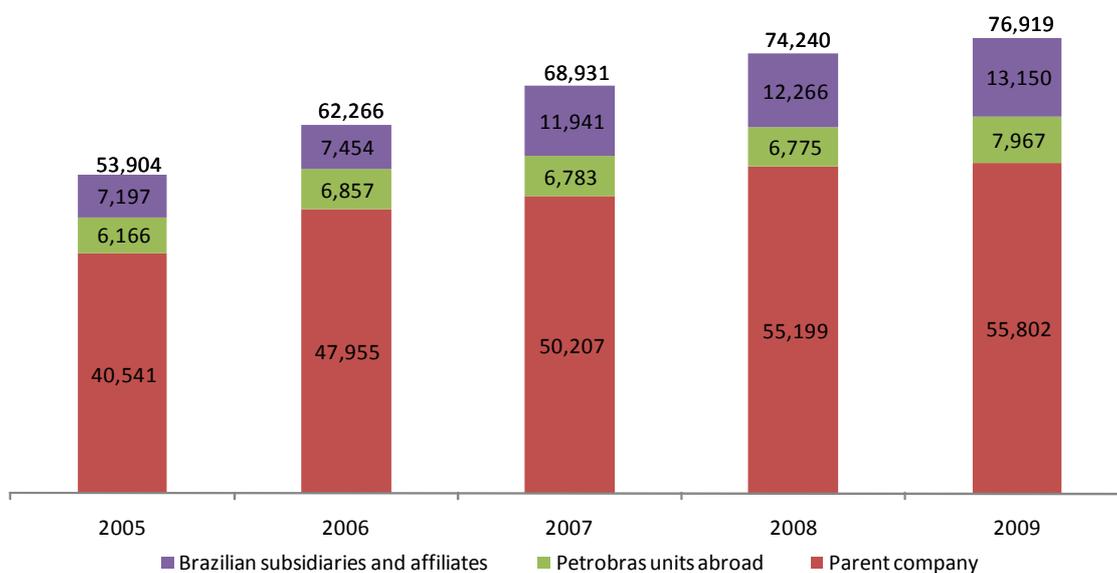
Human Resources

Due to Petrobras' initiatives in human resources management, the company was included in the Dow Jones Sustainability Index for the fourth consecutive year, being considered a benchmark in Human Capital Development. The company was also granted the Young Person's Dream Company award, for the fifth consecutive year. Brazilian youths see Petrobras as a company that stands out for the professional growth prospects offered to its employees.

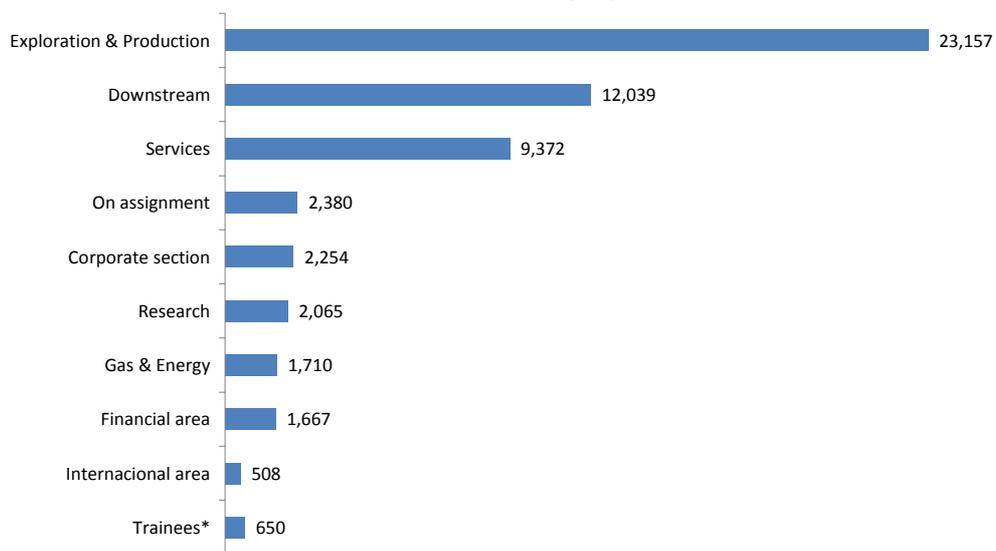
Workforce growth

The Petrobras System, which comprises the parent company, subsidiaries, controlled companies and international units, closed 2009 with 76,919 employees. The company's workforce increased by approximately 1.1% over 2008, expanding 17.6% at international units and 7.2% at controlled companies and affiliates. The Petrobras System posted a 3.6% increase in its workforce.

Staff - Petrobras System

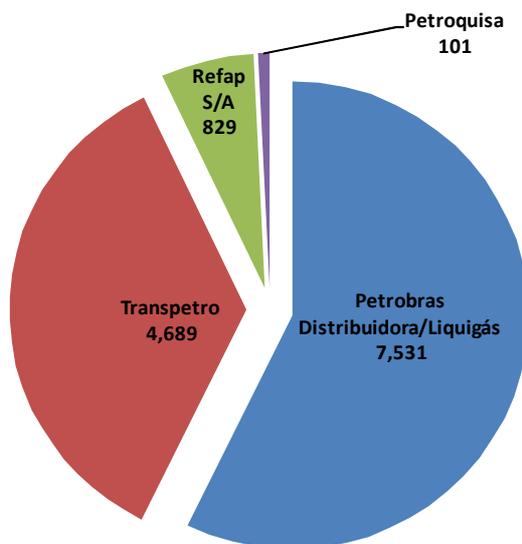


Staff - Parent Company

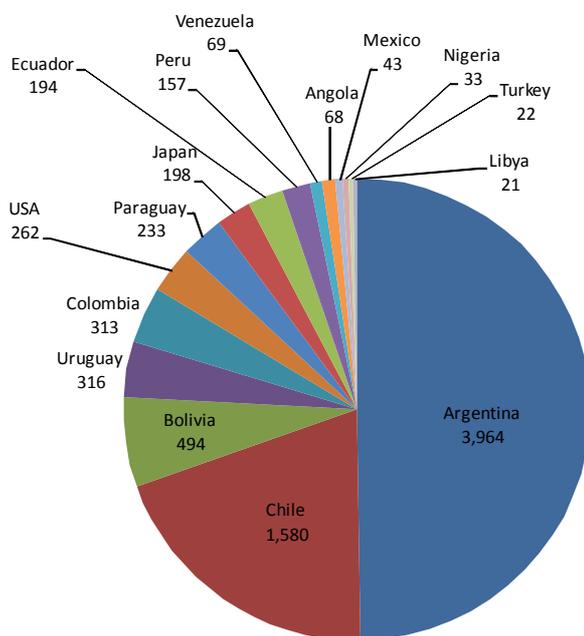


*Recently hired personnel, participants in Universidade Petrobras training course.

Staff - Subsidiaries



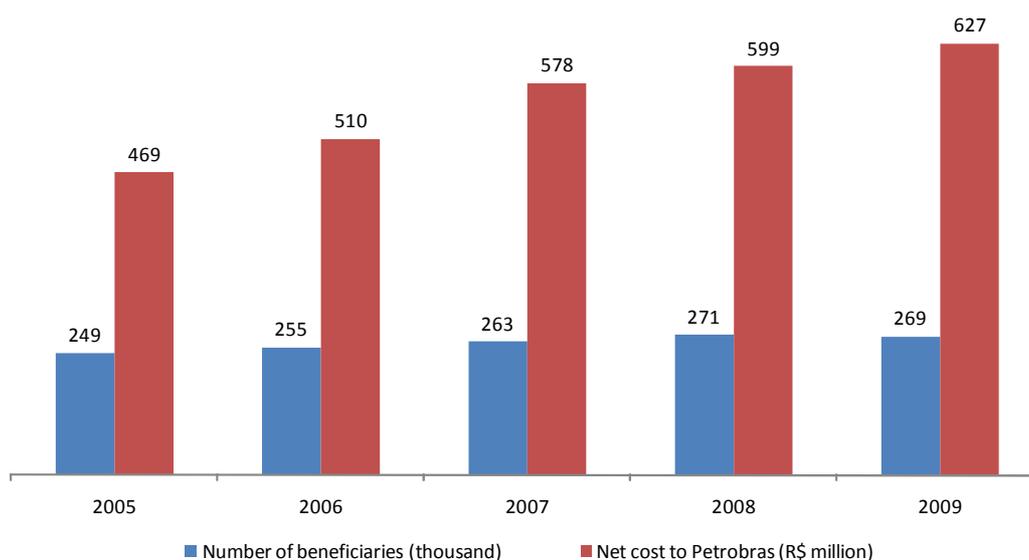
Staff - Petrobras abroad



Benefits

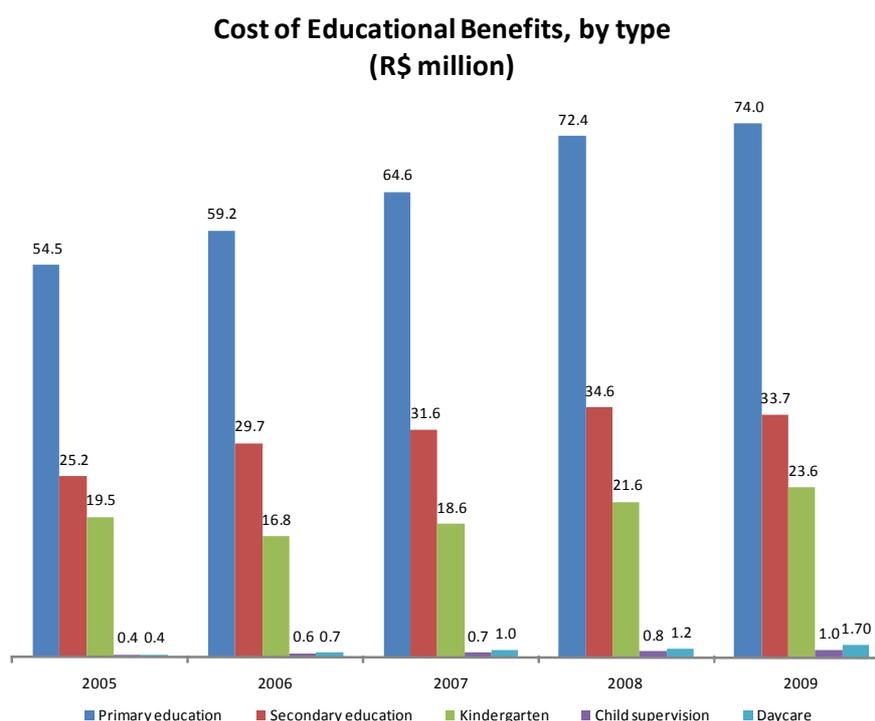
In 2009, the Multidisciplinary Health Care Plan (AMS) offered coverage to 269,000 beneficiaries at approximately 21,000 points of service. Expenses with medical consults, exams and hospitalizations amounted to R\$627 million.

Health Care Plan - Beneficiaries x Net Cost



In order to better manage the healthcare plan and its services to employees, human resources updated the records of Petrobras beneficiaries at the following subsidiaries: Petroquisa, Transpetro, Alberto Pasqualini refinery (Refap/RS) and Petrobras Distribuidora.

As for educational benefits, the company adjusted the reference tables of school tuition vouchers (kindergarten, primary and secondary education) in 2009. The company disbursed R\$134 million with this type of tuition, benefitting 25,622 employees and assisting 29,876 dependents.



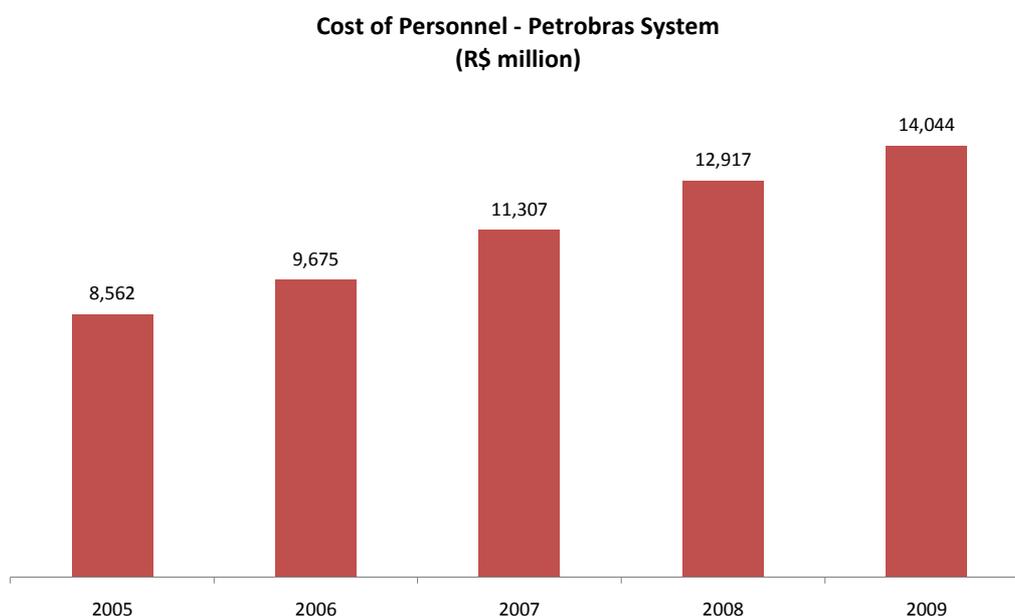
Collective bargaining agreement

In the 2009 collective bargaining agreement, Petrobras, the Federation of Petroleum Workers (FUP) and worker's unions approved a 4.36% wage increase, corresponding to an adjustment for inflation (consumer price index - IPCA), and 7.81% over the minimum compensation reference table. The real increase for employees came to 3.31%. Other important advances were the creation of the Young University Student Program, the extension of maternity leave to 180 days, the increase in the educational voucher reference table, adjustment of the AMS reference table for the payment of medical consults and the extension of the school tuition voucher to stepchildren covered by the AMS.

Personnel Costs and Profit Sharing Program

Personnel costs include employees' fixed compensation (expenses with salaries, benefits, perks, bonuses and labor taxes) and expenses with private pension plans, AMS and school tuition vouchers.

In 2009, this line totaled R\$10.8 billion for the parent company, up 8.7% over the previous year thanks to salary increases and a larger workforce, as well as the organic growth of payroll due to wage increases for time of service and employee promotions. In the Petrobras System, total personnel costs amounted to approximately R\$14 billion.



(*) includes all expenses with Personnel (operations, investments, structured projects, projects in negotiation and reimbursements)

The company will pay in 2010 R\$1.5 billion to its employees as profit sharing related to the 2009 fiscal year.

Human resources development

The company continued the training and development of its human resources at Universidade Petrobras. Corporate continuing education courses had 43,000 enrollees. Among new employees, 1,994 attended training courses for various positions. The new petroleum engineers received the Oil and Gas Engineering Specialist certificate from Universidade Petrobras after this course was recognized by the Ministry of Education (MEC) in 2008.

Universidade Petrobras maintained its ISO 9001:2000 certification. Some of the processes evaluated, among others, were the University's quality management

system and HR Development in the Exploration and Production, Gas and Power, Management and Business schools.

BUSINESS SEGMENTS

Exploration and Production

Exploration

In 2009, Petrobras proved its success with the exploration of the pre-salt layer in the sedimentary basins in the south and southeastern Brazil, strengthening the foundations for the sustainable growth of crude production in Brazil over the next decades.

BM-S-9

In the Santos Basin, the consortium of Petrobras (operator, with 45%), BG Group (30%) and Repsol (25%) confirmed the existence of another light crude deposit in block BM-S-9, located in ultra deepwater. This block is composed of two evaluation areas: the 1-SPS-50 (Carioca) and 1-SPS-55 (Guará) wells. The new well, 4-SPS-60 (Iguaçu), located within the Carioca evaluation area, approximately 340 km off the coast of São Paulo State at a water depth of 2,140 m. This discovery was proved by crude sample testing, in reservoirs approximately 4,900 m deep.

Also in the Carioca region, another oil and gas deposit was proven with the drilling of the 4-SPS-66C well (Abaré Oeste), approximately 290 km off the São Paulo State coast at a water depth of 2,163 m. This discovery was proved by crude sample testing in reservoirs approximately 5,150 m deep. The existence of oil and gas was proved in the four wells drilled in this block.

The formation test in the Guará well was concluded and revealed a volume of recoverable crude estimated between 1.1 and 2 billion barrels of good quality oil (approximately 30° API) and natural gas. Located at a water depth of 2,141 m, the well is approximately 310 km off the coast of São Paulo State and 55 km south-east of the Tupi field. Preliminary data confirmed that the reservoirs have high production potential, as the formation test revealed a flow rate of around 7,000 bpd of crude, limited by equipment capacity. Without this restriction, initial estimates for the production capacity would come to approximately 50,000 bpd of crude. This result makes the Guará area priority for receiving a pilot production system.

BM-S-11

In the BM-S-11 block (Tupi), located in ultra deepwater in the Santos Basin, the consortium composed of Petrobras (operator, with a 65% share), BG Group (25%) and Petrogal (10%) confirmed the estimated potential of 5 to 8 billion barrels of light crude and recoverable natural gas in the pre-salt reservoirs of that area. This was confirmed with the drilling of another well, 4-RJS-647 (Iracema), located 33 km

northwest of the exploratory drilling (1-RJS-628 well). We confirmed the existence of good quality crude (around 30° API) and reservoirs similar to those in the exploratory drilling in the Tupi field, strengthening our estimates for this area. Located at a water depth of 2,210 m, the 4-RJS-647 well is approximately 250 km off the coast of Rio de Janeiro State.

Two formation tests in this same well confirmed the high productivity of the pre-salt carbonate reservoir. The flow rate of each of the tests stood at approximately 5,500 bpd of light crude (32° API, approximately), limited to equipment capacity. We estimate the initial production of the well to reach up to 50,000 bpd, confirming the high production capacity of light crude in the northwest region of the Tupi field.

Also in the BM-S-11, the formation tests in the 1-RJS-656 well (lara) were concluded, confirming the area's exploration potential of good quality crude, with approximately 28° API. Results confirmed our estimates of a recoverable volume of up to 4 billion barrels of light crude and natural gas in lara, announced after the drilling was concluded in September of 2008. Located at a water depth of 2,230 m, the well is located 230 km of the Rio de Janeiro State coast. New tests in another well to be drilled in the same area are forecast for 2010.

BM-S-7

The consortium composed of Petrobras (operator, with a 63% share) and Repsol (37%) for the exploration of the BM-S-7 block, also in the Santos Basin, proved the existence of a thick gas column in reservoirs above the salt layer. The confirmation came after drilling the 6-SPS-53 well, located in shallow waters in the southern region of the basin in São Paulo State, which originated the Piracucá field. This well is approximately 210 km southeast of Santos at a water depth of 214 m and its drilling is one of the exploratory activities of the Evaluation Plan of the 1-BSS-68 well, approved by the National Petroleum, Natural Gas and Biofuel Agency (ANP). This discovery, very important due to its potential for gas production in shallow waters in the southern region of the Santos Basin, was confirmed by tests in the reservoirs located at depths starting at 3,970 m.

Other oil and gas discoveries

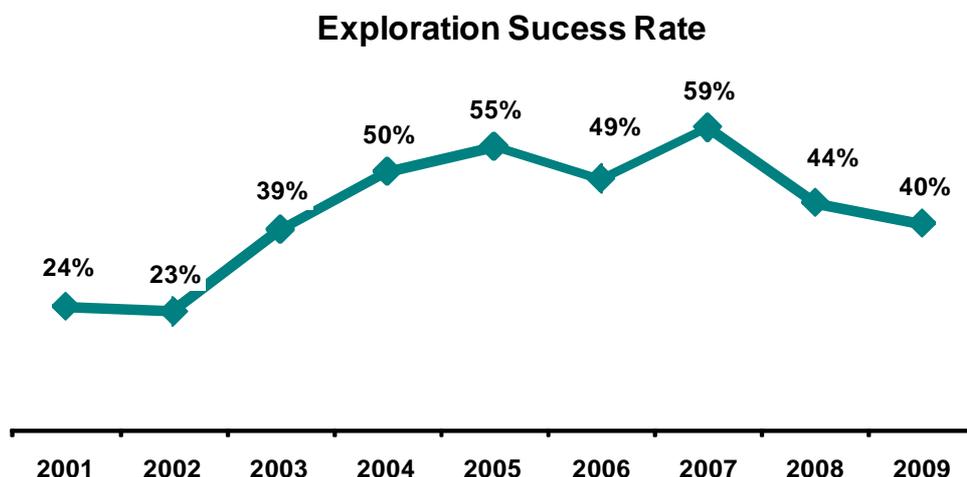
In 2009, Petrobras announced another discovery of good quality crude in the post-salt (carbonate reservoirs) layers of the Campos Basin with the drilling of the 1-RJS-661 well (Aruanã), in the BM-C-36 exploration concession (block C-M-401), where the company is the exclusive operator. Preliminary analyses indicate the presence of recoverable volumes of approximately 280 million barrels of 28° API crude. At a water depth of 976 m, the well is located 120 km off the coast of Rio de Janeiro State. The discovery was confirmed by cased well formation testing performed in reservoirs at depths of between 2,993 and 3,123 m and will be subject to an Evaluation Plan to be submitted to ANP.

Marlim Sul

In reservoirs that are geologically similar to those in Aruanã, Petrobras drilled the 6-MLS-146D-RJS well (Muçuã) in the Marlim Sul field of the Campos Basin, at a water depth of 1,200 m.

Muçuã's potential and the results obtained in 2007 with the drilling of the 6-MLS-122-RJS well (Jurará) generated a total estimate of 350 million recoverable barrels of 27° API crude.

In 2009, the number of wells drilled and concluded came to 558, 517 of which are onshore and 41, offshore. Exploration activity totaled 116 wells, 65 onshore and 51 offshore, with a success rate of 40%.



Drills	Drills in Operation (December 31)					
	2009		2008		2007	
	Contracted	Proprietary	Contracted	Proprietary	Contracted	Proprietary
TOTAL	67	22	56	19	41	21
Onshore	31	13	25	11	14	13
Offshore	36	9	31	8	27	8
Self-raising	2	5	2	4	1	4
Floating, by depth:	34	4	29	4	26	4
500 to 1,000 meters	9	2	9	2	6	2
1,000 to 1,500 meters	12	1	10	1	10	1
1,500 to 2,000 meters	8	1	7	1	7	1
2,000 to 2,500 meters	4	0	2	0	2	0
2,500 to 3,000 meters	1	0	1	0	1	0

Offshore and onshore areas

In 2009, Petrobras informed the ANP of the economic viability of 16 discoveries, 13 of which are onshore and 3 offshore; the offshore discoveries were in the Santos Basin (2) and Camamu (1), and the onshore, in the Espírito Santo (2), Recôncavo (2), Potiguar (5) and Sergipe/Alagoas basins (4).

New exploration blocks

ANP held no bidding processes in 2009. The portfolio of the company's exploration concessions, including acquisitions and returns, now comprises 225 blocks, totaling 123,400 km². In addition, the company is analyzing discoveries in another 33 areas across 13,700 km². The Petrobras' exploratory area amounts to 137,100 km².

Production

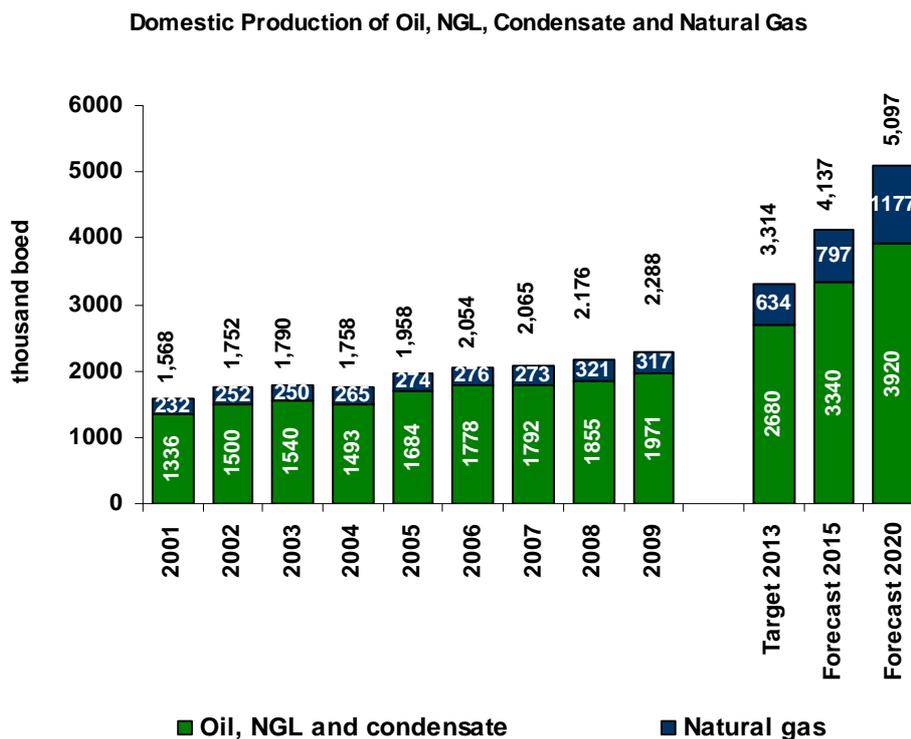
In early 2009, two new platforms started operating in the Campos Basin. In January, the Marlim Sul field saw the operational start-up of the P-51 platform, installed at a water depth of 1,255 m and 150 km off the coast of Macaé, with production capacity of up to 180,000 bpd of crude. In February, the FPSO Cidade de Niterói began operations, integrating Módulo II of Marlim Leste and with a production capacity of 100,000 bpd of crude and 3.5 million m³/day of gas.

With the operational start-up of the 7-MLL-54HP well, located at a depth of 1,419 m, Petrobras earned the global production per well record in carbonate reservoirs at this depth. In 2009, the company beat its own record, achieving production of 43,588 bpd of crude in this well on May 15.

In June of 2009, two units went on-line. In the Espírito Santo Basin's Camarupim field, there was the operational start-up of FPSO Cidade de São Mateus, a partnership between Petrobras (75%) and American company El Paso (25%). It is the first gas FPSO installed in Brazil, with a production capacity of 10 million m³/day of gas and 35,000 bpd of crude. In the Frade field of the Campos Basin, the consortium composed of Chevron (operator, 51.7%), Petrobras (30%) and Impex (18.3%) launched the FPSO Frade, with production capacity of up to 100,000 bpd of crude.

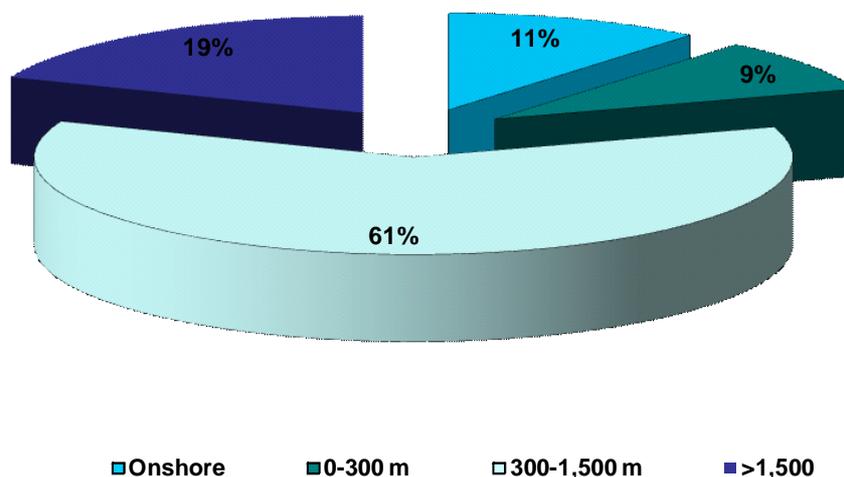
In July, the FPSO Espírito Santo, operated by Shell (50%) in partnership with Petrobras (35%) and ONGC (15%), started producing in Parque das Conchas (former BC-10) in the northern region of the Campos Basin, 110 km off the coast of Espírito Santo State where heavy crude reservoirs are located at a water depth of almost 2,000 m.

These projects, in addition to the increased production of platforms installed at the end of 2007 and 2008 (P-52, P-54, FPSO Cidade de Rio das Ostras and P-53), offset natural production decline and even guarantee a 6.3% upturn in domestic production of oil and NGL to 1,971,000 bpd.



**Domestic Oil, Condensate and NGL Production - Onshore and Offshore
(depth of water)**

Total Production: 1,971 thousand bpd



The average cost of extraction, excluding the government take, came to US\$8.78/boe, representing a 5.2% reduction over the previous year. Including the government take, cost totaled US\$20.51/boe, 21.4% lower than in 2008. In Brazilian reais, the average cost of extraction totaled R\$17.20/boe, up 0.7% year-on-year. Including the government take, cost came to R\$39.49, declining 17.1% over 2008.

Natural gas production

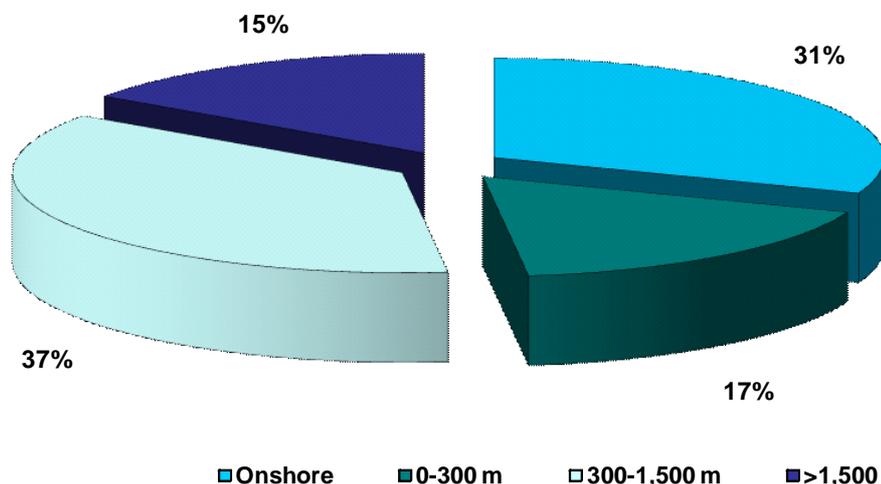
Domestic natural gas supply increased compared to 2008, chiefly due to the operational start-up of P-51 and P-53, of FPSO Cidade de Niterói and the beginning of production in the Santos Basin's Camarupim, Espírito Santo, and Lagosta fields. Factors contributing to this upturn were the higher gas supply from the Manati field in Bahia State and the operational start-up of the Coari-Manaus pipeline in November of 2009, enabling commercial availability of gas from the Urucu province in Amazonas.

The lower demand for gas during the year, however, kept the volume delivered to the market practically stable despite the increased supply. Natural gas production in 2009 totaled 50.3 million m³/day, practically stable in relation to 2008, mainly because of the decline in demand, forcing the closure of some non-associated gas fields.

Continuing the implementation of the projects forecast in the Anticipated Gas Production Plan (Plangás), Petrobras will start production in the Mexilhão, Uruguá and Tambaú fields of the Santos Basin, helping meet the demand driven by the expected recovery of the gas market in 2010.

**Domestic Natural Gas Production - Onshore and Offshore
(depth of water)**

Total Production: 50,343 thousand m³/day



Pre-salt

The largest discoveries in the pre-salt layer are in the Santos Basin's Tupi, Guará and Iara fields and the Parque das Baleias fields of the Campos Basin. Proven domestic reserves may double with the confirmation of recoverable volumes in these areas, estimated to be between 10.6 and 16 billion boe, with Petrobras' share being from 7.2 to 10.7 billion boe.

In 2009, Petrobras drilled five new wells in the Santos Basin, four which are exploratory and one of which is for production development. In addition, results of four formation tests confirmed the high potential and low risk of this area. On May 1, the company started the Long Duration Test (LDT) in the 1-RJS-646 well of the Tupi field, located at a depth of 2,140 m and linked to FPSO BW Cidade de São Vicente.

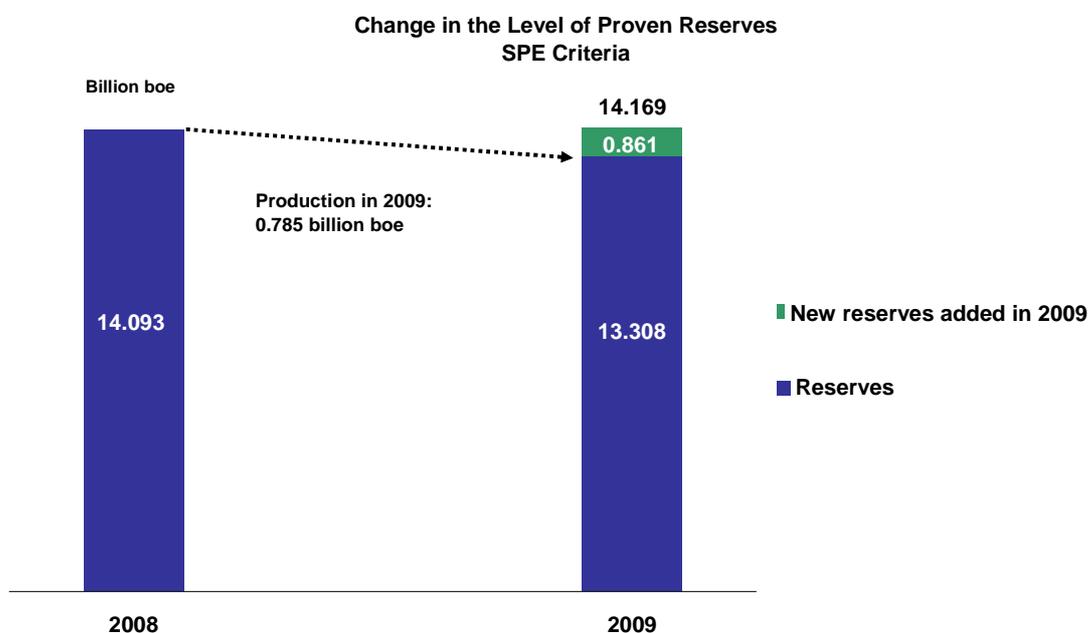
The LDT marked the start of production in the Santos Basin pre-salt layer, averaging 20,000 bpd of crude. The information obtained is crucial for the development of Tupi and other pre-salt deposits, influencing decisions on future production development projects.

Given these results, Petrobras has been revising the Plan for the Integrated Development of the Santos Basin Pre-Salt Layer (Plansal) to reflect the information obtained in 2009. The company expects to achieve daily production above 1 million barrels of crude in the pre-salt layer where it operates by 2017.

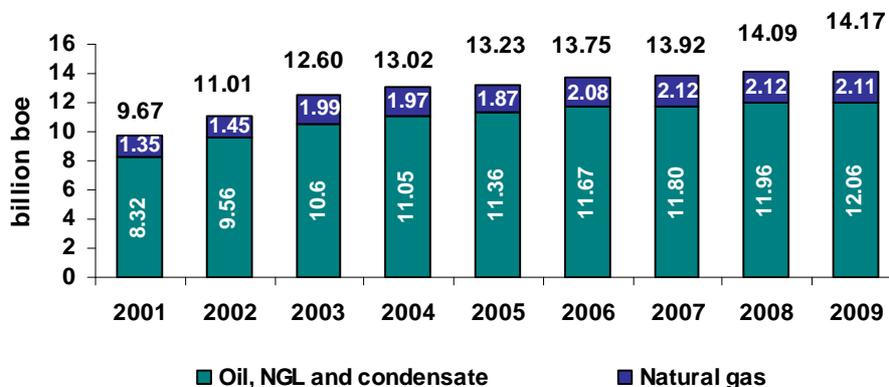
Proven reserves

Petrobras' proven oil, condensate and natural gas reserves in Brazil came to 14.169 billion boe in 2009 according to ANP/SPE criteria, corresponding to a 0.5% increase over the previous year. The company appropriated 861 million boe in reserves and produced 785 million boe, adding 76 million boe to its reserves, thereby maintaining the Reserve Replacement Index (RRI) at 110%. This means that for each barrel of oil equivalent produced during the year, reserves increased by 1.1 barrel. The Reserve/Production index (R/P) fell from 18.9 to 18 years.

In 2009, appropriations in existing fields through projects to increase recovery were, in part, responsible for the increase in proven reserves. Other factors contributing to this result were discoveries in exploratory blocks and new deposits. The Espírito Santo State pre-salt layer increased reserves by 182 million boe.



Proven Domestic Reserves of Oil, NGL e and Natural Gas
SPE Criteria



Projects

In 2010, various systems will be put in production, and the most important are listed below:

- **LDT in Tiro and Sidon** – information obtained in the long duration tests will help in the implementation of final development projects for the production of the Tiro and Sidon fields in Santos Basin. Platform SS-11, where initial tests will take place, has a production capacity of 20,000 bpd of crude and its production will be processed at FSO Avaré.
- **Uruguá and Tambaú fields** – the installation of FPSO Cidade de Santos in depth of 1,300 m will allow the integrated development of these fields in the Santos Basin. The production capacity of these fields will be of 10 million m³/day of gas and 35,000 bpd of crude. The company will also open a 174 km gas pipeline to the Mexilhão platform (PMXL-1).
- **Cachalote and Baleia Franca fields** – the integrated development of these Campos Basin fields will take place with the installation of FPSO Capixaba, at a depth of 1,480 m with processing capacity of 100,000 bpd of crude and 3.2 million m³/day of gas. This platform will also be connected to the wells in the Baleia Franca pre-salt layer.
- **Sul Capixaba Gas Treatment Unit (GTU)** – this unit will treat the gas produced in the fields in the southern Espírito Santo State (Cachalote, Baleia Franca and Parque das Conchas). Total processing capacity will amount to 2.5 million m³/day and the company will also open an 83 km gas pipeline with outflow capacity of 4.5 million m³/day.
- **Mexilhão field** – Located in the Santos Basin, the field will have a fixed platform installed at a depth of 170 m, with production capacity of 15 million m³/day of gas. The company will also open a 120 km gas pipeline extending to the Caraguatuba shore.

- **Caraguatatuba Gas Treatment Unit (GTU)** – this unit, located on the coast of São Paulo State will go online treating the gas from the Uruguá, Tambaú, Mexilhão and Tupi fields. Its production capacity will be 18 million m³/day of natural gas and 42,000 bpd of crude.

Other projects of note with operational start-up scheduled for 2010 in the Santos Basin's pre-salt layer are listed below:

- **LDT in Guar (BM-S-09)** – the purpose of the LDT is to obtain information that will help in the implementation of the projects for the final production development in the area. Tests will start as of the installation of the FPSO Dynamic Producer at a depth of approximately 2,150 m with processing capacity of 30,000 bpd of crude. The project will be executed by a consortium of Petrobras (operator, with a 45% share), BG (30%) and Repsol (25%).
- **LDT in Tupi Nordeste (BM-S-11)** – production tests will start as of the installation of FPSO BW So Vicente at depth of approximately 2,200 m. The production capacity will be 30,000 bpd of crude and the consortium includes Petrobras (operator, with a 65% share), BG (25%) and Repsol (10%).
- **Tupi pilot project (BM-S-11)** – the development of the area will start with the installation of the FPSO Cidade de Angra dos Reis at a depth of approximately 2,150 m. The processing capacity will be 100,000 bpd of crude and 5 million m³/day of gas. The company will also open a 250 km gas pipeline to the Mexilho platform (PMXL-1).

Also in 2010, construction and assembly of the following platforms will continue:

- **Guar FPSO pilot project** – area of Guar (BM-S-09), Santos Basin pre-salt layer.
- **SS P-55** – module 3 of the Roncador field in the Campos Basin.
- **SS P-56** – module 3 of the Marlim Sul field in the Campos Basin.
- **FPSO P-57** – phase 2 of the Jubarte field in the Campos Basin.

The company also expects the following platforms to be contracted and/or begin construction in 2010:

- **FPSO P-58** – Parque das Baleias, Campos Basin.
- **TLWP P-61 e FPSO P-63** – modules 1 and 2 of the Papa-Terra field in the Campos Basin.
- **P-62** – module 4 of the Roncador field in the Campos Basin.
- **Construction of 8 FPSOs tailored** to the development of the pre-salt cluster in the Santos Basin.
- **Construction of 9 proprietary drills** – drills specifically for operating in ultra deepwater of up to 3,000 m.

Refining and Marketing

Refining

In 2009, Petrobras' 11 refineries in Brazil processed 1,791,000 bpd of crude, and produced 1,823,000 bpd of oil products, with 92% average refining capacity utilization. Brazilian fields accounted for 79% of the total volume of oil processed.

The program for the operational optimization in refineries to increase diesel production contributed for a 5.9 million barrel reduction in imports of this oil derivative.

Due to the growing domestic production of heavy crude, the company has been investing in new refining units and technological improvements to convert this type of crude into higher value oil products. As part of this strategy the Duque de Caxias Refinery, a hydrotreating unit for the naphtha from the delayed coking plant, began operations in 2009.

The company also invested heavily in fuel quality in 2009, in addition to improving gasoline production in the following refineries: Presidente Bernardes (RPBC), Duque de Caxias (Reduc), Gabriel Passos (Regap), Landulpho Alves (RLAM), Presidente Getúlio Vargas (Repar), Henrique Lage (Revap), Capuava (Recap) and Paulínia (Replan). In order to reduce the sulfur content of diesel, we have been investing in the Revap, Repar, Recap and RLAM refineries. With these investments the oil products portfolio will be more in line with required demand and quality.

The Regap, Repar, Replan, RPBC and Revap refineries can process H-BIO technology, which enables the addition of vegetable oil to diesel in the production process, resulting in a highly pure product.

Propene (high added value product) production increased with the operational start-up of new units in the Repar and Replan refineries. Including Reduced, Revap and Refap – which were already operating – total capacity increased to 1,068,000 tonnes/year.

New developments

Abreu e Lima refinery

The Abreu e Lima refinery will have the capacity to process 230,000 bpd of heavy crude and will be able to produce up to 162,000 bpd of diesel with very low sulfur

content, in compliance with international specifications. This unit will also produce LPG, petrochemical naphtha, fuel oil for ships and petcoke.

Earthworks are being finalized and construction and assembly of the powerhouse, water and effluent treatment stations, administrative buildings and raw water, crude and oil and oil product tanks has begun. The operating and refinery-port pipeline network support agreements have been signed, in addition to those that regulate the construction and assembly of the main processing units (water treatment, distillation and coking). The refinery is expected to begin operations in 2012.

Premium refineries

Petrobras will build two premium refineries to produce high quality, low sulfur oil products from domestic crude. These refineries will focus on the production of middle distilleds as diesel and jet fuel (QAV). Part of the coke produced will be used in the units itself to generate steam and power.

The Premium I refinery, to be built in Bacabeira, Maranhão State, is scheduled to start operating in 2013 with a processing capacity of 300,000 bpd of crude. In the second phase, slated for 2015, the total production capacity will reach 600,000 bpd of crude. The refinery will have a port terminal to receive, store and dispatch liquid and solid cargo.

The Premium II refinery will be built in Caucaia, Ceará State, with a processing capacity of 300,000 bpd of crude and operational start-up expected for 2013. It will be connected to a port terminal in Pecém by 11 km of pipelines.

Potiguar Clara Camarão refinery

Construction for the expansion of the Potiguar Clara Camarão refinery (RPCC) facilities started in November in Guamaré, Rio Grande do Norte State. With a processing capacity of 30,000 bpd, this unit's crude supply comes entirely from Rio Grande do Norte and Ceará states. It currently produces 8,500 bpd of diesel and 1,500 bpd of jet fuel. In 2010, average daily production will total 10,100 barrels of diesel and 1,700 barrels of jet fuel.

In November, the company started construction of the gasoline unit, which will have a production capacity of approximately 4,500 bpd of gasoline and 1,900 bpd of petrochemical naphtha. Its operational start-up is planned for 2010, when the refinery will reach a capacity of 33,000 bpd.

Sales

Domestic market

Petrobras' 2009 sales volumes were affected by the global financial crisis. Domestic sales totaled 2,106,000 bpd, declining 1.9% over 2008. The top sellers were diesel, gasoline, natural gas, LPG and naphtha.

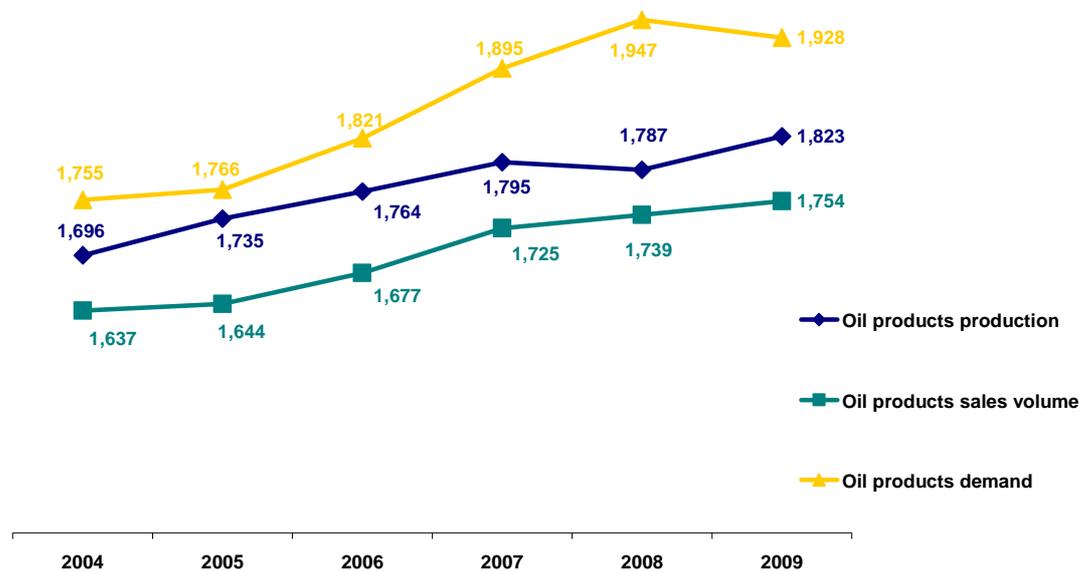
Despite that, naphtha sales climbed 8.6% in 2009, and this growth could have been higher if it were not for the reduction in demand in January and February. Jet fuel sales, on the other hand, increased 5.3%. Demand grew due to reduce prices on the international market, the entrance of new players in civil aviation and the airfare sales, factors that contributed to offset the adverse effects of the economic scenario in the first half of the year.

Primarily as a result of the decline in industrial activities, LPG sales fell 1.4%. Gasoline sales decreased 1.7% thanks to the reduction in the gasoline-powered vehicle fleet, in addition to the market share increase of other players, particularly gasoline blends, which affected Petrobras' market share.

Diesel sales fell 2.6% due to reduced industrial activity, a higher volume of third-party deliveries (imports and Ipiranga refinery), higher percentage of biodiesel and the stoppage of the diesel-fired thermoelectric plants on the National Interconnected System in 2009.

Sales of fuel oil (without bunker) decreased 7.3%, mostly because of reduced industrial and thermoelectric consumption driven by the satisfactory conditions of reservoirs of hydropower plants.

Oil Products Market (thousand bpd)



*Does not include ethanol, fertilizers, biodiesel, and natural gas

Exports x imports

Oil exports totaled 478,000 bpd in 2009, expanding 8.8% compared to 2008, while oil product exports decreased 2.9% over the previous year, amounting to 227,000 bpd. Oil imports increased 6.4% to 397,000 bpd, while oil product imports totaled 152,000 bpd, declining by 22.8%.

Imports of middle distillates, like diesel and jet fuel, fell due to the increase in production and continuous investments in the expansion and optimization of the refining park. 57,000 bpd of diesel was imported, 42.5% less than in 2008, while 22.2% less jet fuel was imported, totaling 21,000 bpd.

Despite its 1.2% decline over the previous year, fuel oil once again led exports in 2009, totaling 150,000 bpd.

Based on oil and oil product exports and imports, excluding natural gas, liquefied natural gas (NGL) and fertilizers, in 2009 Petrobras recorded a trade surplus of US\$2.9 billion.

Petrochemical products and Fertilizers

Petrochemical products

Petrobras' petrochemical activities are integrated with the company's other business lines, diversifying its product portfolio and adding value to oil and natural gas.

In 2009, Quattor Participações, composed of the petrochemical assets of Petrobras, Petroquisa and Unipar, completed another stage in its consolidation with the privatization of Petroquímica União (PQU) and its incorporation by Polietilenos União. As a result of the merger, the company changed its name to Quattor Química S.A.

After this transaction, Quattor Participações now holds 100% of the capital stock of Quattor Química, 99.4% of Quattor Petroquímica and 75% of Rio Polímeros. Quattor Participações is controlled by Unipar, with a 60% stake. The remaining capital stock is distributed among Petrobras, with 31.9%, and Petroquisa, with 8.1%.

In 2009, Quattor concluded the expansion of its polypropylene (PP) and cumene units. After this outlay, PP production capacity grew 190,000 tonnes/year, while cumene production capacity increased 100,000 tonnes/year.

The company also concluded the construction of its new polyethylene unit, with production capacity of 230,000 tonnes/year of high density polyethylene (HDPE) and linear low-density polyethylene (LLDPE), as well as the expansion of the basic chemical products unit, expected to increase production approximately 420,000 tonnes/year. These investments, included in the company's expansion plan, total R\$2.4 billion.

Braskem's incorporation of Petroquímica Triunfo S.A., in accordance with the Protocol of Incorporation and Justification of April 7, 2009, was approved at Braskem's and Triunfo's Extraordinary Shareholders' Meetings on April 30 and May 5, respectively. This transaction concluded the integration of assets established in the Investment Agreement between Braskem, Odebrecht, Petrobras, Petroquisa and Norquisa, entered into in November of 2007 and approved by the Brazilian anti-trust authority (CADE) in July of 2008. After the incorporation, Petroquisa now holds 31% of the Braskem's voting capital and 25.3% of Braskem's capital stock.

Higher market share in the petrochemical sector

Petrobras consolidated its presence in the petrochemical sector by increasing its interest in Braskem, a company which will become the largest thermoplastic resins producer in the Americas, giving it more competitive advantages in global operations.

In order to conclude this transaction, in January of 2010, three agreements were signed: of Investments, of Shareholders and of Partnership between Petrobras, its subsidiary Petrobras Química S.A. (Petroquisa), Braskem S.A., Odebrecht S.A. and Odebrecht Serviços e Participações S.A. Through these agreements, Petrobras increases its ownership on Braskem, with an investment of R\$ 2.5 billion (destined to increase the capital of the latter) and by incorporating its direct and indirect interest on Quattor Participações, also increasing its political rights on Braskem.

According to the Shareholders' Agreement, Odebrecht and Petrobras will have joint decision-making power at Braskem. Odebrecht will hold 50.1% of Braskem's voting. The difference between the direct and indirect interest of Odebrecht and Petrobras in the Total Capital will be 2.33%.

The agreements also establish that, under certain conditions, Braskem will be responsible for the companies developing the first and second generation petrochemicals of Comperj and will gradually acquire interest in the corporations conducting the businesses of the Petrochemical Complex of Suape.

Projects

Petrochemical sector investments forecast in the 2009-2013 business plan total US\$5.6 billion, accounting for approximately 3% of the total. The most important in 2009 were:

Rio de Janeiro Petrochemical Complex (Comperj) – It will comprise a system of first generation refining units that will supply basic petrochemical compounds (ethene, polyethylene and butadiene, among others) to second generation units, which will then transform these products into final petrochemical products. These compounds – such as polyethylene (PE), polypropylene (PP), styrene and ethylene glycol – are the transformation (third generation) industry's raw materials for the production of final goods.

In order to prepare for the incorporation new potential partners, six Comperj companies were established, initially as wholly-owned subsidiaries of Petrobras: Comperj Estirênicos S.A., Comperj MEG S.A., Comperj PET S.A., Comperj Petroquímicos Básicos S.A., Comperj Poliolefinas S.A. and Comperj Participações S.A.

Currently, works at Comperj include earthworks, assembly of the electrical substation for the job, and elaboration of the executive project to build the inspection building.

Companhia Petroquímica de Pernambuco (PetroquímicaSuape) – The earthwork has been concluded with construction and assembly have advanced significantly. The works for pile driving and laying the foundations at the PTA (purified terephthalic acid) unit site are still in progress. The main imported equipment are stored.

Companhia Integrada Têxtil de Pernambuco (Citepe) – The licenses for the construction and installation of POY (polyester fibers) and PET (Polyethylene terephthalate) units were granted. In addition, the negotiations for supplying technology and equipment to the PET unit were concluded. The agreement for the construction and assembly phase was also signed, while the earthworks are being concluded.

PetroquímicaSuape and Citepe are in the last stages of financing operations with financial institutions in Brazil and abroad. Negotiations for including new partners are still in progress.

Coquepar – In partnership with Energy Investments and Unimetal, Petrobras will build two units for calcining petroleum coke – in Rio de Janeiro and Paraná states – chiefly for the production of green coke. The plants will have a total capacity of 700,000 tonnes/year.

Fertilizers

In 2009, the global financial crisis depressed both the demand and prices of several products. Petrobras sold 707,000 tonnes of urea and 207,000 tonnes of ammonia, produced in two plants. Net revenue from sales of these products totaled R\$582 million, lower than the R\$925 million booked in 2008.

In 2009, Fábrica de Fertilizantes Nitrogenados da Bahia (Fafen-BA) produced 218,000 tonnes of urea, declining over the previous year's volume thanks to the scheduled maintenance stoppage in August and September, among other factors. The production volume of Fábrica de Fertilizantes Nitrogenados de Sergipe (Fafen-SE) amounted to 407,000 tonnes of urea, also decreasing in comparison to 2008.

In terms of new projects, the company has been developing viability studies for the installation of two new nitrogen-based fertilizer production units in the country. The annual production of Nitrogen-based Fertilizers Plant III (UFN III) will total 1.1 million tonnes of urea and 796,000 tonnes of ammonia, consuming 2.2 million m³/day of natural gas. The production of Nitrogen-based Fertilizers Plant IV (UFN IV) will produce 763,000 tonnes of urea, 1.1 million tonnes of methanol, among other products, and consume 4 million m³/day of natural gas.

In September, the Board of Directors approved the transfer of the Fertilizer business from the Downstream Executive Board to the Gas & Power Executive Board, to be effective as of 2010, in order to optimize the results of the natural gas chain.

The 2009 results of the Fertilizer segment remained a part of the Downstream business area.

Transportation

Transportation and storage

Petrobras Transporte S.A. (Transpetro), a subsidiary of Petrobras operating in the transportation and storage of petroleum, oil products, ethanol and natural gas, operates 7,453 km of oil pipelines, 5,416 km of gas pipelines and 47 terminals – 20 onshore and 27 offshore – in addition to 52 ships.

In 2009, 57.1 million tonnes of crude and oil products were transported in ships, decreasing 3.7% over 2008. In its pipelines, Transpetro handled 676 million m³ of liquids, a volume similar to that of 2008, and an average of 35 million m³/day of natural gas, 24% less than in the previous year due to reduced industrial demand and the lower thermoelectric generation.

New ships

Transpetro's Fleet Modernization and Expansion Program (Promef) comprises the construction of 49 ships, which will add 4 million dead weight tonnage (dwt) to the current fleet and require 680,000 tonnes of steel plates for its construction. Promef will allow ships to incorporate new technologies. Divided into two phases, the program was developed based on three premises: build ships in Brazil and achieve the minimum nationalization level of 65% in the first phase and 70% in the second phase.

In September of 2009, the company laid the keels of the first two vessels (when the first block is installed, in its final position in the shipbuilding dry dock). The first was of a Suezmax ship (for the transportation of crude oil), and the second was for a Product ship (for the transportation of crude and ethanol, with a 48,000 dwt capacity). We expect these vessels to be commissioned in 2010.

The second phase of the Promef has already begun, providing for the construction of 23 ships, 10 of which have already been contracted. Seven of these ships, built for the first time in Brazil, are latest generation relief vessels with dynamic positioning and bow-loading systems. Another three vessels are for bunker transportation (ship fuel oil).

In order to meet the biofuel (especially ethanol) transportation demand in the Tietê-Paraná waterway, Transpetro expects to build 20 convoys, each composed of one

tug and four barges. The total individual capacity of each convoy is approximately 7,200 m³.

Terminals and pipelines

At Rio Grande do Norte State's Guamaré Terminal, the offshore and onshore infrastructure will be expanded to facilitate product outflow from the Potiguar Refinery. The terminal will receive investments in the amount of R\$419 million and its operational start-up is scheduled for the second half of 2010.

In 2009, Transpetro-operated pipelines increased by approximately 900 km. Of this, 802 km are in the north, including the outgoing Urucu-Coari-Manaus gas pipeline and its branches, with the remainder in southeastern Brazil: 16 km of the Gasduc III line, 45 km of the Japeri-Reduc line and 15 km of the NGL branch in Guanabara Basin.

The new intermediate pumping station of the Osório-Canoas oil pipeline system in Rio Grande do Sul State started operating, increasing the supply capacity of the Alberto Pasqualini Refinery (Refap). Total investments in this gas pipeline amounted to R\$250 million.

Plangás

As part of the initiatives in the Anticipated Gas Production Plan (Plangás), new facilities were installed in the Cabiúnas Terminal (Tecab) in Macaé, Rio de Janeiro State to expand its natural gas processing capacity by 50% to 21 million m³/day.

In order to guarantee LPG outflow in the Guanabara Basin, Petrobras is expanding the Ilha Redonda terminal and building a new terminal in Ilha Comprida. The company is also building a new terminal in Barra do Riacho, Espírito Santo State.

Ethanol outflow program

The ethanol outflow corridor is a system of pipelines that will help Brazil meet its biofuel export and CO₂ emission reduction goals, in addition to increasing the safety and efficiency of services for the growing domestic market. This program includes improvements in Brazil's mid-west and southeast regions; construction of new pipelines, terminals, collection centers and intermediate pumping stations; and integration with other modals.

An example of this is the improvements to the Ilha d'Água facilities in Rio de Janeiro State, started in 2009, which will allow Petrobras to double its export capacity through this terminal in 2010.

The pipeline project makes use of existing extensions of lines, terminals and piers in regions with a high concentration of ethanol plants. In the stretch between

Senador Canedo and Paulínia, São Paulo State, PMCC, a company owned by Petrobras, Mitsui and Camargo Corrêa, will execute the project, while investments for the stretch between Paulínia and São Paulo will come entirely from Petrobras.

The Tietê Waterway will connect the producing areas of São Paulo, Mato Grosso, Mato Grosso do Sul, Minas Gerais and Goiás states to their consumer markets. This project involves the integration of highways, collection centers, waterway terminals, river transportation and pipelines to build a safe, efficient, large scale alternative for transporting ethanol, which is currently exclusively dependent on tank trucks.

Distribution

In 2009, Petrobras Distribuidora posted a new sales record of 41,841,800 m³, a volume 10.7% higher than in 2008, surpassing the market growth of 2%. With this, Petrobras Distribuidora maintained its industry leadership, increasing its market share. Contributing to this performance was the incorporation of Companhia Brasileira de Petróleo Ipiranga's fuel distribution business in the northern, northeast and mid-west regions.

Sales volume was the main driver of Petrobras Distribuidora's R\$1.5 billion net income, 11% more than in 2008. The subsidiary also maintained its leadership in the international fuel market with a 38% market share in 2009, corresponding to a 3.1 p.p. increase.

In the LPG market, Liquigás Distribuidora was the second largest distributor in the domestic market for the first time, achieving a market share of 22.4% no ano.

Investments in the distribution segment totaled R\$ 0.6 billion, mainly going to the development and modernization of the gas station network; improvements in the logistical and operating structure; support to distributors and industries; maintenance of the LPG distribution infrastructure; implementation of the LPG Operational Distribution Center in Duque de Caxias, Rio de Janeiro State; and Health, Safety and Environment programs.

It is also important to mention the sales launch of S-50, a less pollutant diesel with lower sulfur content, and the inauguration of two pioneering filling stations in the country: the charging station, in Rio de Janeiro, and the unit for hydrogen-powered vehicles in São Paulo.

In addition, Petrobras Distribuidora rebranded the *Programa De Olho no Combustível* (a fuel quality monitoring program) to better reflect the company's constant concern for fuel quality and add value to the Petrobras brand and its market leadership. By the end of 2009, 6,467 gas stations were certified.

Natural gas

Demand for natural gas continued to increase in 2009 due to the conclusion of major production infrastructure and distribution projects. Average production, including partners, totaled 57.6 million m³/day, up 13% over 2008. Domestic supply came to 23 million m³/day, excluding liquefied gas and gas used in the production process, injection and losses. Through the Bolívia-Brasil pipeline, the Brazilian domestic market received an average of 21.6 million m³/day, excluding gas used in the system. Total imported volume of regasified NLG stood at 0.67 million m³/day. Domestic supply of this product totaled 45.3 million m³/day.

In 2009, investments in the segment were substantial. Investments in transportation infrastructure amounted to R\$9.6 billion, 60% higher than in 2008. The segment's highlights were the conclusion of the NLG import terminals and the domestic gas pipeline capacity expansion.

Natural gas transportation

The Brazilian gas pipeline network increased 729 km in 2009 to 7,659 km, with the operational start-up of the following branches:

- **Japeri-Reduc** – 45 km extension connecting the Rio-São Paulo corridor (Gascar, in Japeri) to the Tecab-Reduc system (Gasduc III, in Reduc). This connection allows full use the NGL supply in Guanabara Bay and Tecab-Reduc system to serve the Rio de Janeiro and São Paulo markets. The production capacity of the Japeri-Reduc system totals 25 million m³/day.
- **Urucu-Coari-Manaus** – this line will enable the company to send gas from Urucu to be used in Manaus and also in the region between Coari and Manaus, as well as to replace fuel oil and diesel used in thermoelectric plants with natural gas. The line is 661 km long, of which, 383 km were concluded in 2009. Its outflow capacity amounts to 4.1 million m³/day and can increase to 5.5 million m³/day with the installation of compression stations.
- **Paulínia-Jacutinga** – This gas pipeline is 93 km long with an outflow capacity of 5 million m³/day. This branch of the Bolívia-Brasil gas pipeline connects Paulínia, in São Paulo State, to Jacutinga, in the southern region of Minas Gerais State.
- **Branch Gascav-UTG Sul Capixaba** – this 10 km branch starts at UTG Sul Capixaba in Anchieta, Espírito Santo State and splits into two branches - one to the Cabiúnas-Vitória pipeline (Gascav) and the other to the BR-ES distributor.
- **Gas pipeline branch of the NGL terminal in the Guanabara Bay** – 15 km extension connecting the NGL terminal to the Campos Elíseos station in Duque de Caxias, Rio de Janeiro State.

- **Gasduc III** – in December of 2009, the company concluded the construction and assembly of the Gasduc III gas pipeline, with 183 km in extension and a transportation capacity of 40 million m³/day. This line connects to the Cabiúnas-Vitória gas pipeline, the first stretch of the Gasene (southeast-northeast gas pipeline), transporting natural gas from the Campos and Espírito Santo basins to serve the southeast region. The inauguration of this line is scheduled for early 2010.
- **Gasene** – the works for this gas pipeline, connecting the southeast and northeast networks, are on schedule. The 949 km Cacimbas-Catu extension, with an outflow capacity of 20 million m³/day, will go on-line in 2010.

Liquefied natural gas

In 2009, the company launched Brazil's second liquefied natural gas (NGL) regasification terminal in the Guanabara Bay, with production capacity of 20 million m³/day. This terminal continues the work started with *Projeto GNL Petrobras* to provide more flexibility and safety to the natural gas supplied to the domestic market.

The Pecém terminal regasified 0.54 million m³/day in 2009, which went to the non-thermal market and electric power generation in the plants of Termoceará, Termofortaleza, Jesus Soares Pereira (Rio Grande do Norte State) and Termopernambuco.

Petrobras chartered another vessel, the Golar Winter, with a gasification capacity of 14 million m³/day. The ship has a storing capacity of up to 138,000 m³ of NGL, equivalent to 86 million m³ of natural gas.

In 2009, Petrobras and BG Group, Repsol and Petrogal formalized the creation of a joint venture to develop Front End Engineering and Design (FEED), aiming to build an onboard natural gas liquefaction unit (ONGU), the first project of its kind. One of the technological transportation solutions developed to distribute natural gas in the pre-salt layer, this unit will operate in the Santos Basin, 300 km off the coast. The processing capacity will be approximately 14 million m³/day of associated gas. In the ONGU unit, processed products are stored and transferred to methane tankers, which will transport the products to the market.

Natural gas sales

In 2009, Petrobras adopted a new type of short-term natural gas sale agreement and held nine electronic auctions to sell the product under the new system.

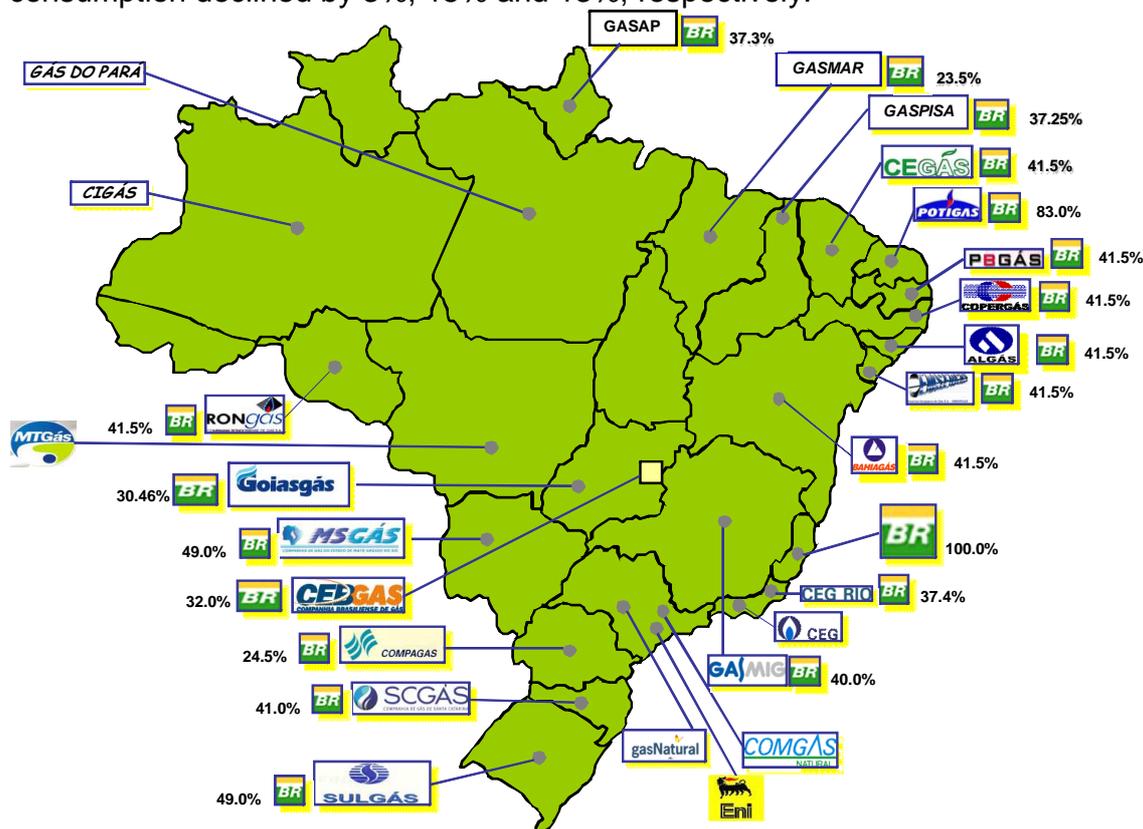
In the first eight auctions, the company offered the market the volume natural gas established in agreements with state distributors that had not been consumed at discounts of approximately 36% on contractual prices.

The ninth auction marked the initial development of Brazil's secondary natural gas market. In addition to the six-month supply period, new rules encourage a progressive reduction in prices with higher consumption volumes.

Natural gas distribution

The volume of natural gas sold by distributors averaged 37 million m³/day. Petrobras' take in 20 of Brazil's 27 state distributors, at percentages varying from 24% to 100%, remained stable in 2009.

Cogeneration consumption in non-thermal segments was 8% higher than in 2008 and residential consumption climbed 2%, while commercial, industrial and vehicle consumption declined by 3%, 15% and 13%, respectively.

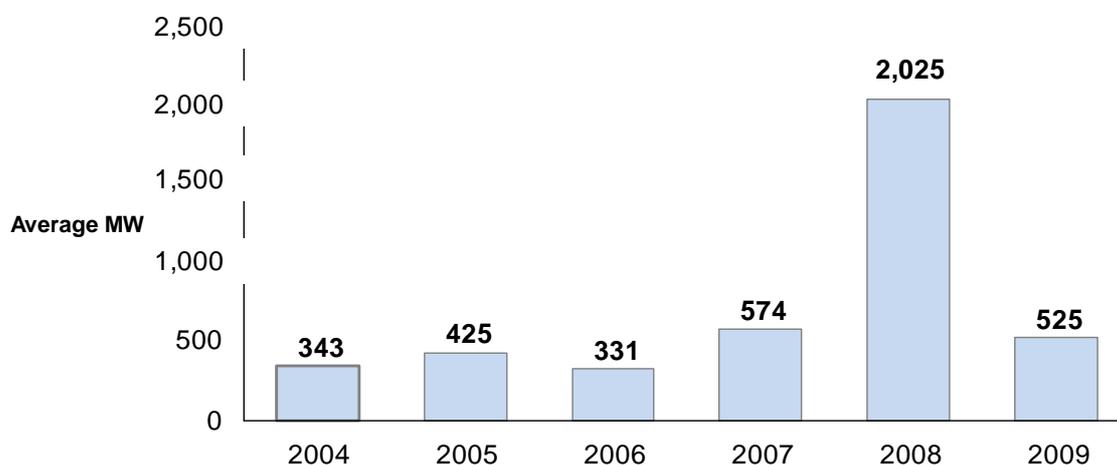


Power

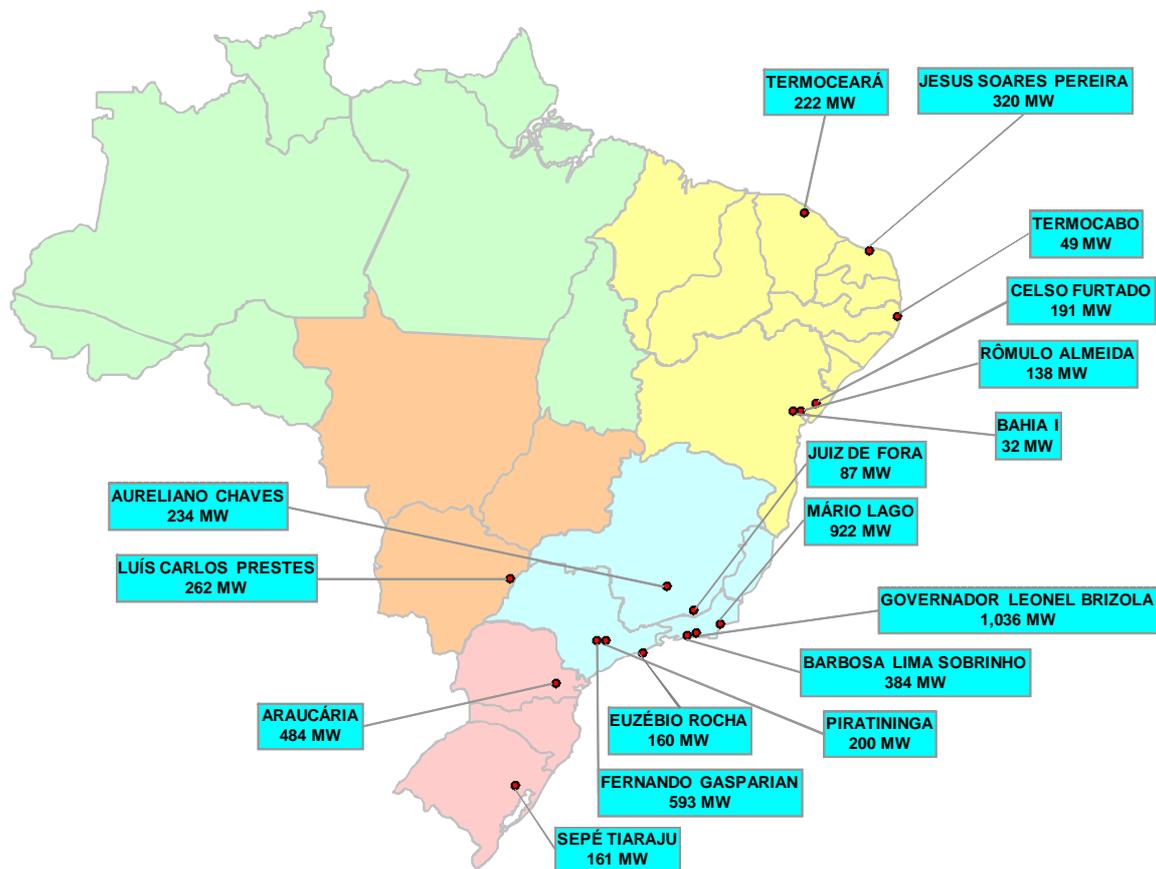
In 2009, Petrobras generated 525 average MW for the National Interconnected System (SIN) in the 17 owned and leased thermoelectric plants (UTE) that comprise the thermoelectric generation park, with installed capacity of 5,476 MW.

The decreased generation in 2009 versus 2008 was a result of favorable hydrological conditions in Brazil, maintaining the level of reservoirs at hydroelectric plants high and avoiding the need for energy from Petrobras thermoelectric plants during most of the year.

Petrobras Thermoelectric Power Generation



PRODUCTION CAPACITY OF PETROBRAS' THERMOELECTRIC PARK



Investments

Investments in the energy sector came to R\$1.4 billion, twice the volume recorded in the previous year.

Projects concluded in 2009:

- **UTE Euzébio Rocha** – Located in Cubatão, São Paulo State, the plant has an installed capacity of 208 MW and operates in the cogeneration system, producing power and steam from natural gas. Part of the energy generated will supply the National Interconnected System (SIN), as this plant was the winner of the A-5 bid to sell 141 MW as of 2010. The remaining power generated will supply the Presidente Bernardes refinery (RPBC) with 48 MW of power and 415 t/h of steam.
- **UTE Juiz de Fora, Minas Gerias State** – the works to convert the plant to be operational with two different types of fuel – gas and ethanol - were concluded. With the new technology, 42 MW of the installed capacity will focus on the production of ethanol. This will be the first thermoelectric plant to use this type of fuel to produce energy.

Project started in 2009:

- **Circuit closure at UTE Luiz Carlos Prestes (Três Lagoas/Mato Grosso do Sul State)** – project to increase the installed capacity of this plant from 262 MW to 368 MW by closing a circuit and installing four recovery boilers and two steam turbines. The expanded unit will start operating in 2011.

Petrobras' co-participation in power generation projects

The portfolio of the Gas & Power sector includes partnerships in 15 small hydroelectric plants (SHEPs) and eight oil-fired thermoelectric plants. Considering the commercially operational assets and those under construction, the installed capacity of these developments totals 1,471 MW.

Plants concluded in 2009:

- **Goiânia II oil-fired thermoelectric plant (Brentech)** – Located in Goiás State, it has an installed capacity of 140 MW and physical guarantee of 65 average MW. The project is a partnership between Petrobras (30%) and GenRent do Brasil Ltda. (70%).
- **Potiguar III diesel-fired thermoelectric plant** – Located in Rio Grande do Norte State, it has an installed capacity of 66 MW and physical guarantee of 29 average MW. The project is a partnership between Petrobras (20%) and Global Energia Participações Ltda. (80%).

- **Potiguar diesel-fired thermoelectric plant** – Located in Rio Grande do Norte State, it has an installed capacity of 53 MW and physical guarantee of 27 average MW. The project is a partnership between Petrobras (20%) and Global Energia Participações Ltda. (80%).
- **SHEP Monte Serrat** – Located in Rio de Janeiro State, it has an installed capacity of 25 MW and physical guarantee of 18.3 average MW. The project is a partnership between Petrobras (49%) and Global Energia Participações Ltda. (51%).
- **SHEP São Simão** – Located in Espírito Santo State, it has an installed capacity of 27 MW and physical guarantee of 15.2 average MW. The project is a partnership between Petrobras (49%) and Global Energia Participações Ltda. (51%).
- **SHEP São Pedro** – Located in Espírito Santo State, it has an installed capacity of 30 MW and physical guarantee of 18.4 average MW. The project is a partnership between Petrobras (49%) and Global Energia Participações Ltda. (51%).
- **SHEP Retiro Velho** – Located in Goiás State, it has an installed capacity of 18 MW and physical guarantee of 11.1 average MW. The project is a partnership between Petrobras (49%) and Global Energia Participações Ltda. (51%).

Petrobras' stakes in electricity generating enterprises

CURRENT STATUS	TYPE	PLANT	REGION	STATE	INSTALLED CAPACITY (MW)	PETROBRAS' STAKE (%)	PETROBRAS' CAPACITY (MW)	
Operational	SHEPs	São Joaquim	SE	ES	21	49	10.3	
		Fumaça 4		ES	4.5	49	2.2	
		São Pedro		ES	30	49	14.7	
		São Simão		ES	27	49	13.2	
		Calheiros		RJ	19	49	9.3	
		Santa Fé		RJ	30	49	14.7	
		Monte Serrat		RJ	25	49	12.3	
		Funil		MG	22.5	49	11.0	
		Carangola		MG	15	49	7.4	
		Bonfante		MG	19	49	9.3	
		Irara	MW	GO	30	49	14.7	
		Retiro Velho		GO	18	49	8.8	
		Jataí		GO	30	49	14.7	
			Total SHEPs					142.6
	F.O. UTEs	Tambaqui	N	AM	83	30	24.9	
		Jaraqui		AM	83	30	24.9	
		Manauara		AM	85	52	44.2	
				Total fuel oil UTEs				94.0
	D.F. UTEs	Brentech	MW	GO	140	30	42.0	
		CEP	NE	RN	118	20	23.6	
				Total diesel UTEs				65.6
	Total operational enterprises							302.2
Under construction	SHEPs	Areia	N	TO	11.4	14	1.6	
		Água Limpa		TO	14	14	2.0	
				Total SHEPs				3.6
	F.O. UTEs	Arembepe	NE	BA	148	30	44.4	
		Camaçari Muricy I		BA	148	49	72.5	
		Total fuel oil UTEs				116.9		
Total installed capacity (MW)					1,121.4			
PETROBRAS TOTAL							422.7	

Wind power

The company developed its own projects in regions where we have been measuring the potential of wind power for several years.

Macau Pilot Wind Farm, Petrobras' first wind power project, has an installed capacity of 1.8 MW and has been operating for six years. Since its implementation, the plant has produced 28,164 MWh and avoided emissions of approximately 1,200 tonnes/year of CO₂.

Petrobras participated in the first reserve power auction exclusively for the generation of wind power, selling 49 average MW, corresponding to an installed capacity of 104 MW. The four winning projects – Mangue Seco 1, 2, 3 and 5, in Rio Grande do Norte State – include 52 wind turbines and Petrobras' share in them are 49%, 51%, 49% and 49%, respectively.

Electric power auctions – New contractual modality

In 2009, the company held two electronic auctions, selling Power Purchase Agreements with terms ranging from one to six months. In the first auction, Petrobras sold 63 average MW to supply the markets in all Brazilian regions. In the second auction, the volume sold totaled 84 average MW.

BIOFUELS

Biodiesel

Petrobras Biocombustível operates with three biodiesel plants, located in Candeias, Bahia State, Quixadá, Ceará State and Montes Claros, Minas Gerais State. Investments in operational improvements in 2009 expanded the total production capacity of these plants from 171,000 to 326,000 m³/year. The works for duplicating the section of transesterification (process to separate glycerin from vegetable oil) in the Candeias plant, which will increase its installed capacity by 108,000 m³/year. In August of 2010, the scheduled date for the conclusion of the duplication, the total installed capacity of the three plants will come to 434,000 m³/year.

Petrobras Biocombustível recently acquired 50% of the Marialva biodiesel plant in Paraná State from BSBIOS. The operational start-up of the plant is scheduled for April of 2010, with a production capacity of 120,000 m³/year of diesel.

In addition to these projects, Petrobras Biocombustível has been adapting an experimental plant in Guamaré, Rio Grande do Norte State for commercial operation. This unit proved and consolidated Petrobras' biodiesel technology, allowing processing of a large variety of raw materials available in Brazil. The plant should be commercially operational as of the end of the first half of 2010, with a production capacity of 15,000 m³/year. A second experimental plant, also in Guamaré, will receive investments in 2010 to develop technology for 100% renewable biodiesel, replacing ethanol with methanol in the production process.

A new biodiesel plant, which will use palm oil as a raw material to be installed in the northern Brazil is being studying and planned. This development, with operational start-up scheduled for 2012, will increase the production capacity of Petrobras Biocombustível by 120,000 m³/year.

With all these developments, the total production capacity of Petrobras Biocombustível will come to 650,000 m³/year of biodiesel by 2012.

Agricultural supply

Petrobras Biocombustível operates in accordance with the guidelines of the National Program for Biodeisel Production and Use (PNPB). Its plants are certified with the *Selo Combustível Social* (social fuel seal – federal government incentive), created by the Brazilian Ministry of Agriculture Development. The company has been establishing partnerships with entities representing family farmers to supply oleaginous plants. The goal is to work with 80,000 families farming near plants through long-term contracts, guaranteeing fair prices, seed distribution and offering technical assistance, as well as an initial program for soil correction.

By the end of 2009, Petrobras Biocombustível had contracted 59,611 family farmers, guaranteeing 174,319 ha of planted area: 136,789 ha of castor oil plant and 37,530 ha of sunflower. The subsidiary's strategy of agriculture supply aims at guaranteeing an economically, socially and environmentally sustainable family agriculture production chain.

In order to increase the production of oleaginous plants in semiarid regions, as well as to obtain, maintain and use the Social Fuel Seal in the 2008/2009 harvest, the company distributed 261 tonnes of castor oil plant seeds and 145 tonnes of sunflower seeds, for a total of 407 tonnes. Technical assistance costs totaled approximately R\$12 million. In the same harvest, Petrobras Biocombustível bought 32,800 tonnes of grains from family farmers for approximately R\$34.7 million.

Ethanol

In December, Petrobras Biocombustível acquired 40.4% of Total Agroindústria Canavieira S.A. This partnership marks the start of ethanol production for the company.

Total Agroindústria Canavieira has an ethanol plant in the city of Bambuí, Minas Gerais State with installed capacity of 100 million liters/year of hydrous ethanol. The partnership will enable the expansion of the plant's capacity to 203 million liters/year, generating a 38.5 MW power surplus for sale from using sugarcane bagasse.

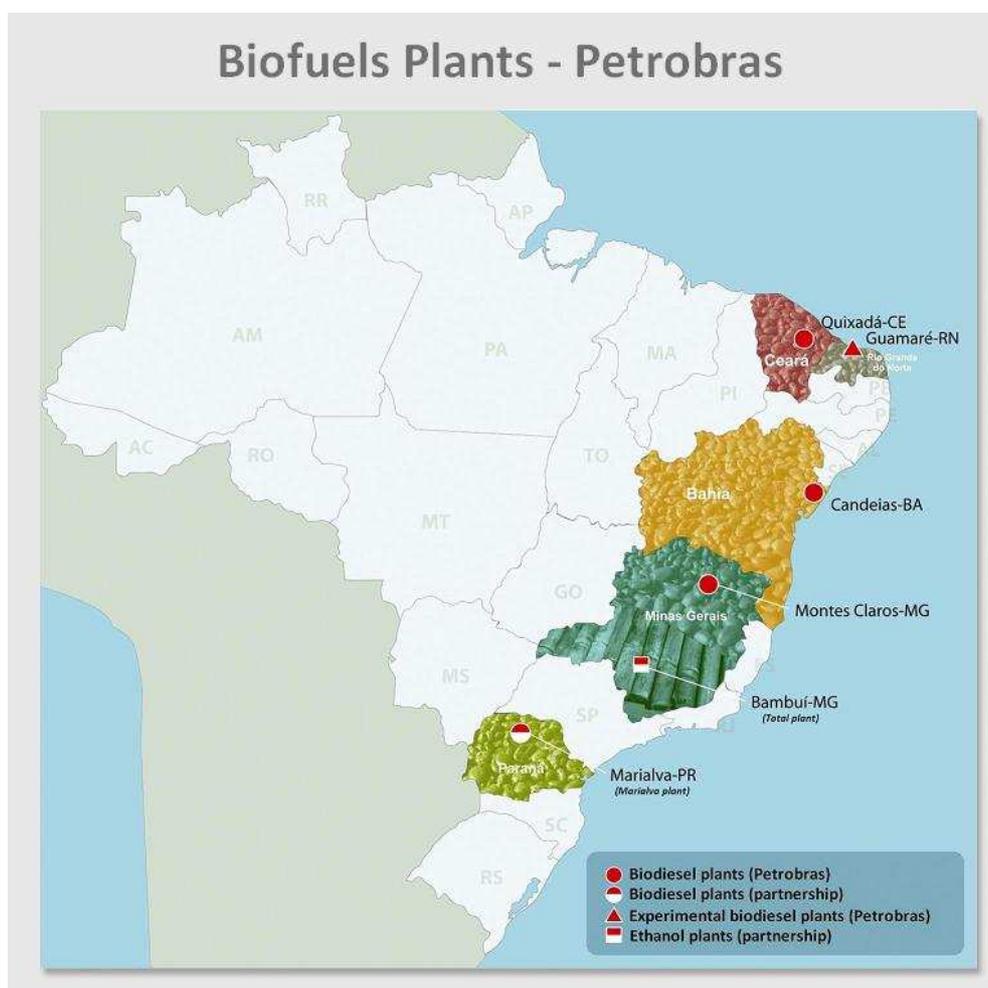
In 2009, Petrobras continued to invest strongly to expand the ethanol sales volume in the international market in order to consolidate long-term relationships with clients and open new global markets. Ethanol sales volumes totaled approximately 330,000 m³, exported chiefly to Asia and the United States, corresponding to 11% of Brazil's total export volume.

2009 exports resulted mainly from industrial alcohol operations to Asia (Korea and Japan) and hydrous ethanol operations performed through the CBI (Caribbean Basin Initiative), a mechanism created by the United States to boost economic development in Central American and Caribbean countries. This mechanism

grants these countries an exemption from import tariffs on industrialized products, including ethanol. This fiscal benefit helped maintain the profitability of exports to the United States and created new business opportunities in the European market.

As part of the ethanol sales strategy, we should mention the performance of Petrobras International Financial Company (PifCo), responsible for the company's offshore operations; Petrobras Singapore Private Ltd. (PSPL), responsible for industrial alcohol operations in Asia; and of Brazil Japan Ethanol (BJE), a joint venture between Petrobras and Nippon Alcohol Hanbai KK, specially created to develop the Japanese market.

To intensify its international operations, Petrobras allocated traders exclusively dedicated to ethanol in its London and Singapore offices, where the company's trading operations for the European and Asian markets are concentrated.



INTERNATIONAL

International Activities

Discoveries in the pre-salt layer realigned Petrobras' international operations strategy, which now includes the following guidelines, in addition to those in the national portfolio:

- Opening of new markets, downstream growth and alignment of the portfolio to domestic segments, in order to add value to the company's businesses, integrate the product chain and make them more profitable.
- Expansion of the natural gas businesses complementing the Brazilian market and fulfilling our commitment to responsibility for the country's energetic security.
- Integrated management of critical resources in upstream to optimize the allocation of company resources, allowing for the development of projects in Brazil and abroad.

In order to potentialize international strategies, the company operates in 24 countries and in all segments of the oil industry:

- **Exploration and Production** – Angola, Argentina, Bolivia, Colombia, Ecuador, United States, India, Iran, Libya, Mexico, Mozambique, Namibia, Nigeria, Pakistan, Peru, Portugal, Senegal, Tanzania, Turkey, Uruguay and Venezuela.
- **Refining** – Argentina, United States and Japan.
- **Distribution** - Argentina, Chile, Colombia, Paraguay and Uruguay.
- **Petrochemical products and power** – Argentina.

Petrobras has offices in New York, London, Tokyo, Beijing, Singapore and Lisbon and maintains cooperation agreements with several countries focused on reciprocal development of the oil production chain.

In 2009, international production totaled 140,700 bpd of crude and 16.5 million m³/day of natural gas, equivalent to 6.7% and 24.7%, respectively, of Petrobras' total production. Processed volume amounted to 196,600 bpd of crude at Petrobras' four international refineries (two in Argentina, one in Japan and one in the United States), with a total capacity adding up to 280,800 bpd of crude.

International proven reserves totaled 0.69 billion boe representing 5% of the company's total reserves according to the ANP/SPE criteria, down 30% over 2008 due to annual production (87 million boe) and the non-disclosure of proven reserves in Bolivia to meet the provisions in the Constitutional Reform in Bolivia, which prohibits the registration of private ownership of oil gas reserves in the country. This decline was partially offset by the inclusion of proven reserves in Nigeria.

In the year, international investments totaled R\$6.8 billion, 61% of which went to the E&P segment, 16% to exploration and 45% to oil and gas production. Investments in the Refining and Petrochemical segments accounted for 18% of the funds and investments in the Distribution, Gas & Power and Corporate segments came to 17%, 3% and 1% of total investments, respectively.

The company also invested in management, proceeding with the efforts launched by International Processes Integration Program (Proani). This program was developed to implement a unified management model to facilitate the identification of new business opportunities, exchange of information and the professional development of employees abroad. The company is integrating the United States into the program, having successfully implemented it in Argentina, Angola and Chile.

Business development

South America

In 2009, the company concluded its US\$400 million acquisition of Esso Chile Petrolera's distribution assets, including 230 gas stations, sales operations in airports and distribution terminals, representing 16% of the retail market and 7% of the industrial market. Petrobras also signed an agreement for the purchase of Chevron Chile SAC, which produces and sells lubricants for approximately US\$12 million. This acquisition, which comprises a lubricant plant with production capacity of 15,900 m³/year and 23 storage tanks, will enable the company to increase its Chilean lubricant market share by 6%. In August, the first Petrobras gas station was inaugurated in Chile, starting the process of rebranding the gas stations acquired.

The company also acquired the concession for the exploration of two blocks in Uruguay's Punta del Este Basin, in which Petrobras will be the operator with a 40% share, and two exploration areas in the province of Neuquén in Patagonia, Argentina.

Petrobras Energia, Petrobras' Argentine subsidiary, approved the sale of its fertilizer assets. The transaction will include the transfer of physical assets, brands, sales and personnel network related to the operation, including a fertilizer production plant in the city of Campana, Argentina.

North America

In 2009, Petrobras America Inc., a subsidiary of Petrobras in the United States, bought 50% of Transcor Astra Group in Pasadena Refining Systems, Inc. (PRSI). The amount of the transaction, defined and settled through arbitration, totaled US\$466 million, which was paid when Astra Group decided to exercise the option to sell its interest. After this transaction, Petrobras now holds 100% of PRSI's capital.

The company also announced the discovery of oil in the Tiber-1 well in the Gulf of Mexico, of which Petrobras holds 20%. In addition, the company converted the FPSO destined for the Cascade and Chinook fields (United States), where the operator will be established. In 2010, Petrobras will start its production in the Gulf of Mexico.

Africa

In Nigeria, the project for the development of the Egina field was approved and production in the Akpo field began. Petrobras holds 16% of each field.

In Angola, the company announced oil discoveries in the N'goma-1 and Cabaça Grande 1 wells – located in block 15/06, of which Petrobras holds a 5% share – and the Manganês-1 well in block 18/06, operated by Petrobras with a 30% share.

In Namibian waters, the company acquired interest in an exploration block.

Asia

In 2009, the production of gasoline with 3% ethanol started in Japan in partnership with Japan Alcohol Trading. The Okinawa refinery (Nansei Sekiyu Kabushiki Kaisha – NSS), controlled by Petrobras, will supply gasoline for the production of this more ecological and efficient new fuel.

In Turkey, the company signed an agreement for the assignment of a drill which will operate in the Black Sea's Sinop well, operated by Petrobras.

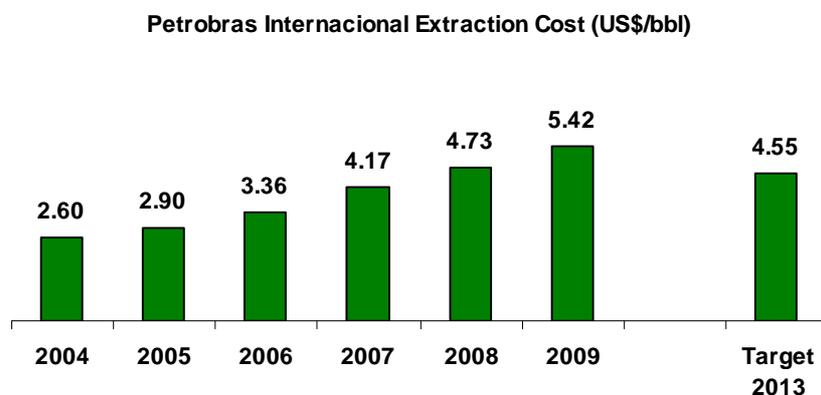
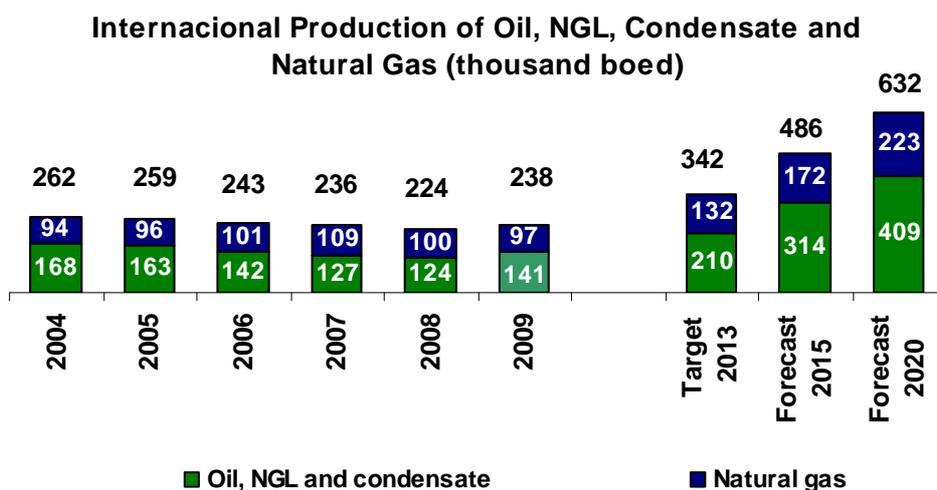
In the Samsung shipyard in South Korea, Petrobras concluded the construction and sea tests of the drillship Petrobras 10000, which continued its journey to Angola, where it will operate in blocks 18/06 and 26. The drillship Petrobras II 10000 is under construction in the same shipyard and it is expected to be concluded in June of 2010.

Europe

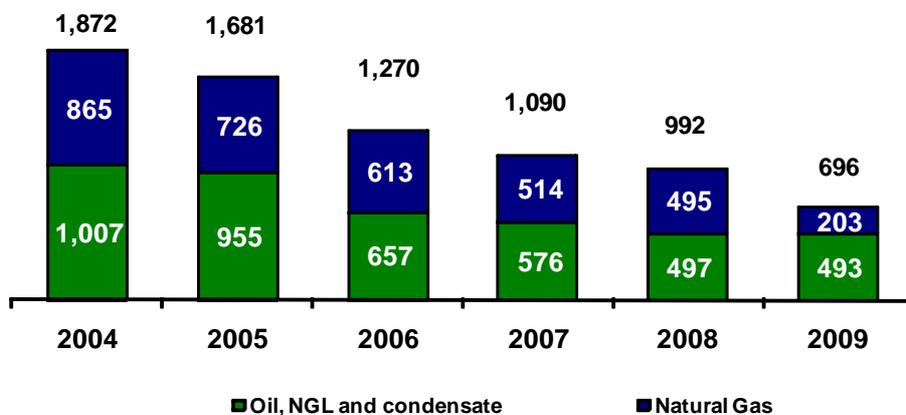
Petrobras established an office in Portugal at the same time exploration activities started off the coast of this country. The company holds the rights to four blocks, where it operates in partnership with other companies.

New Business

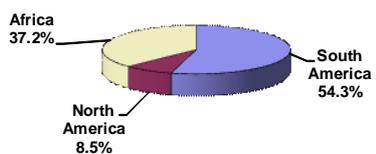
The 2009-2013 business plan establishes total investments of US\$15.9 billion for international activities. Investments in E&P will account for 79% of the total – the largest share destined to development and maintenance of asset production in the United States, Nigeria, Angola and Argentina. The Refining, Transportation, Sales and Petrochemical Products segments will receive 7% of total investments, of which approximately 40% will go to new businesses. Gas & Power and Distribution will receive 13% of total investments, mainly destined to new businesses.



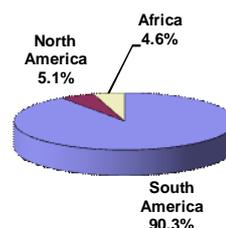
International Proven Reserves of Oil, NGL, Condensate and Natural Gas - SPE Criteria (million boe)



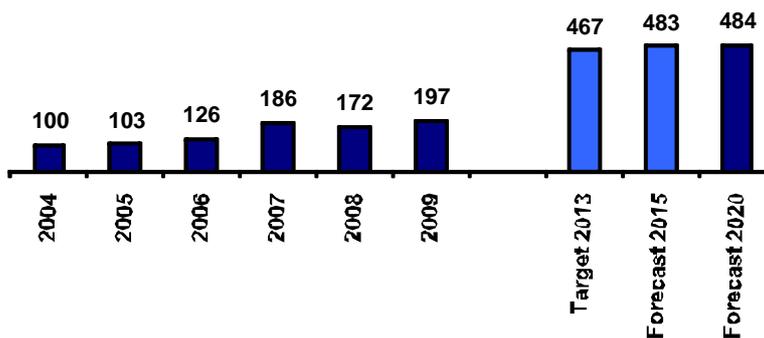
International Proven Oil and Condensate Reserves by region - SPE Criteria



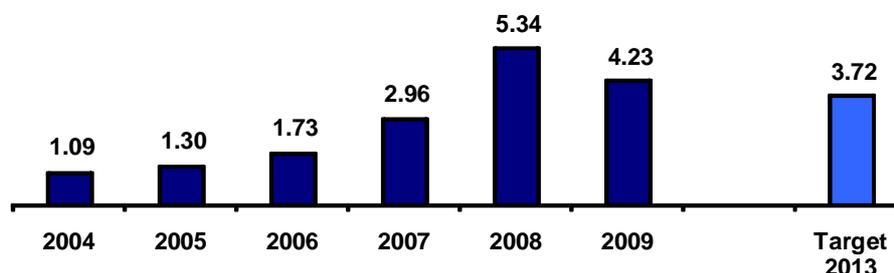
International Proven Natural Gas Reserves by region - SPE Criteria



Processed Throughput - International (thousand bpd)



Petrobras' Operating Cost of Refining - International
(US\$/barrel)



Research & Development

Technological capital

In order to guarantee technological support for our business area growth targets, Petrobras dedicates a substantial volume of funds to Research & Development (R&D). In 2009, the company invested approximately R\$1.5 billion in R&D.

A large share of these investments - approximately R\$500 million - went to projects with Brazilian universities and research institutes in partnerships that have been fostering domestic technological development in the energy sector. Internationally recognized laboratories dedicated to strategic themes to Petrobras businesses were inaugurated. With cutting-edge experimental facilities and advanced R&D projects in more than 80 science & technology institutions across several Brazilian states, Petrobras provides qualitative improvement to research in Brazil.

Petrobras' Leopoldo Américo Miguez de Mello Research & Development Center (Cenpes), the largest applied research center in the southern hemisphere, is being expanded. The expansion, to be concluded in 2010, will double the areas dedicated to R&D. The center has a highly qualified technical team of 2,100 employees, 60% of which have under-graduate degrees and, of these, 56% have master's or doctoral degrees.

Exploration and Production

Petrobras has dedicated itself to research in the development of pre-salt production and, in 2009, the company concluded important steps in this process. The geological models of the Santos, Campos and Espírito Santo basins were consolidated, enabling the company to more precisely determine the areas most likely to have new reservoirs.

Petrobras obtained important technological results for cost reduction in the pre-salt layer. Corrosion tests in adverse conditions and analyses of interaction effects between carbonate rocks (forming the pre-salt reservoirs) and materials used in production reduced drilling costs by 20% and generated savings in the amount of US\$20 million per well by replacing metals. There was a significant reduction in drilling time in the pre-salt layer, reducing the use of drills.

Research advances also helped increase oil recovery in the pre-salt layer, guaranteeing oil outflow and reducing the impact of precipitates (paraffins and asphaltenes) that can reduce the oil flow.

It is worth mentioning the standardization of projects for the processing plants or eight Floating Production, Storage and Offloading (FPSO) units, which will be used in pre-salt operations. This initiative helped define the economic and technical solution that best fits the new frontier.

Gas & Power

The company made technological advances in better explore the natural gas in the pre-salt layer. An example of this is the GTL technology (gas to liquids), by which natural gas is processed and transformed into synthetic oil. In order to carry out this process in offshore vessels, an onboard GTL pilot plant is in its final construction phase, and as of 2010 will enable Petrobras to evaluate this technology and use it in LDTs in pre-salt reservoirs.

Natural gas liquefaction is another alternative for the offshore transportation of gas. In partnership with large international engineering companies, Petrobras has been developing basic projects for floating liquefied natural gas units, with pioneering technology in the global scenario. These units will be able to receive and process gas from production units.

Supply

Aiming to increase the processing of national oil with high acidity, in 2009 Petrobras implemented a new method for improving the oil blend planning at refineries. This allowed a 60,000 bpd increase in oil processing, reducing imports of light oil and enhancing refining process dependability.

In the fuel area, a new formula was developed for the Podium Gasoline produced at the Presidente Bernardes refiner (RPBC), reducing the component imports and generating financial gains of 6% compared to the traditional method. Additionally, the H-BIO technology developed by Petrobras to produce diesel from co-processing vegetable oils was improved to reduce the formation of gases in the process.

Biofuels

Biodiesel production grew in 2009 due to the 90% expansion in the capacity of the Candeias, Bahia State, Quixadá, Ceará State and Montes Claros, Minas Gerais State industrial plants. The capacity of the Guamaré, Rio Grande do Norte State Experimental Unit, which produces biodiesel from sunflower or soybean oil, has also been increased and now maintains a continuous production system in order to conduct larger-scale technology tests.

Tests with enzymes and micro-organisms continued to be conducted in 2009 at a pilot plant with the purpose of streamlining the second-generation ethanol production process from sugarcane bagasse. Based on the information obtained, an experimental production unit will be built by 2011.

Environment and Sustainability

Regarding carbon capture, in 2009 Petrobras began testing a high-pressure CO₂ injection technique in the onshore Miranga field in Pojuca, Bahia State. CO₂ streams will no longer be released into the atmosphere but will be injected into the wells to increase the oil recovery factor. CO₂ separation, capture and storage will be tested in this process, and may contribute to future projects connected with the development of the pre-salt layer in the Santos Basin.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Social Responsibility Management

Social and environmental responsibility is one of the pillars of Petrobras' corporate strategy, next to profitability and growth, underpinning the company's relationship with its stakeholders. Petrobras embraces the ten principles of the United Nations Global Compact, to which it has been a signatory members since 2003.

In 2009, Petrobras approved the Requirements for Social and Environmental Responsibility Management. It also developed an Action Plan for the Statement of Compliance with these requirements in a pioneering initiative that will be implemented as of 2010.

Petrobras is a signatory member of and participant in the Regional Association of Latin American and the Caribbean Oil and Natural Gas Companies (ARPEL), the Extractive Industries Transparency Initiative (EITI), the Partnership Against Corruption Initiative (PACI) and the World Business Council for Sustainable Development (WBCSD).

In 2009, the company joined the working group that is preparing the Global Reporting Initiative (GRI) sector supplement with specific indicators for the oil, gas and energy sector. This group is comprised of major international companies in the industry, unions, investors and civil society representatives such as non-governmental organizations associated with social and environmental issues and indigenous peoples' rights.

Petrobras also is also helping prepare the ISO 26000, the future international social responsibility standard, and is a partner of the Brazilian Association of Technical Standards (ABNT) in raising awareness of this standard in Brazil.

In 2009 Petrobras published the findings of its Diversity Census, prepared according to the standards of the Brazilian Institute of Geography and Statistics (IBGE) and answered by 31,745 people, corresponding to 61.39% of the employees of the Petrobras parent company. This voluntary and self-declaratory involvement allowed the mapping of the human and cultural diversity of Petrobras' employees.

For the fourth consecutive year, Petrobras has been listed on the Dow Jones Sustainability Index, the most important global index in its category, used as a benchmark for the analysis of socially and environmentally responsible investors.

Health, Safety and Environment

In 2009, Petrobras invested R\$4.5 billion in initiatives targeted at the Health, Safety and Environment, (HSE)

The Excellence in HSE Project – which is an integral part of Petrobras' Strategic Agenda and joins the company's main initiatives in the area – was revised in order to provide for the significant growth and the diversification of businesses in the coming years.

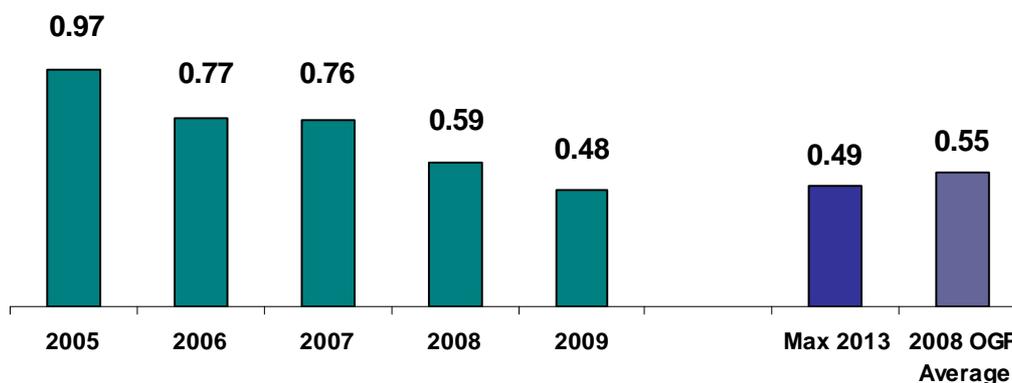
In 2009 global climate change was the subject of demanded a great deal of attention and mobilization at Petrobras. In addition to being involved in the most important Brazilian and international forums for discussion and negotiation on the subject, the company reviewed the Strategic Climate Change Project, which combines the most important corporate actions in the area.

Petrobras also decided to unify climate change and energy efficiency activity management to take advantage of the synergies between those areas and further improve the results of their actions.

Operational Security

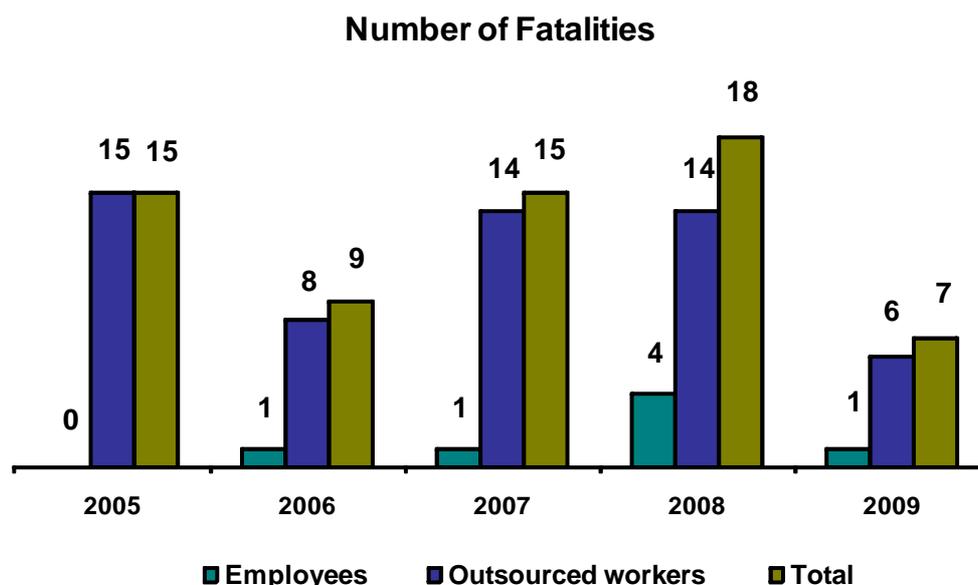
In 2009, Petrobras maintained the trend established over previous years of improvements in operational security conditions, as demonstrated by 0.48 per year Frequency Rate of Injuries in Time Off Work (TFCA). This result is in line with the Maximum Tolerable Limit (Max) established by the 2009-2013 Business Plan and is comparable with the best international gas and oil industry benchmarks.

Frequency Rate of Injuries in Time Off Work (TFCA)

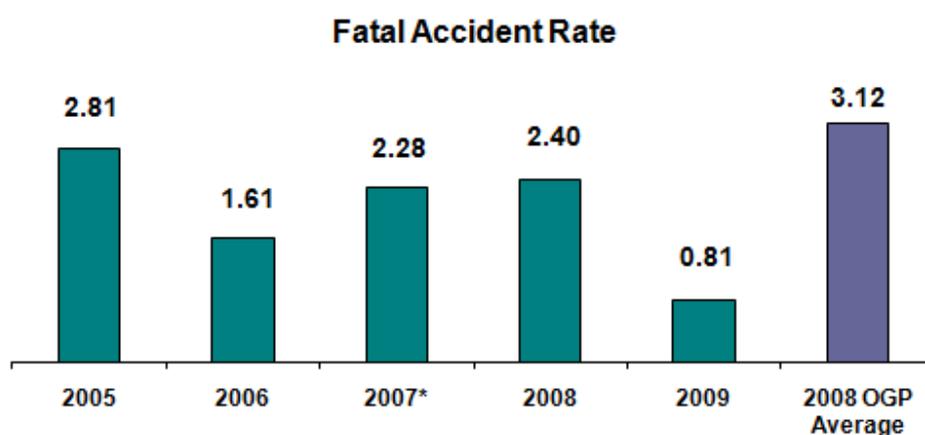


Max - Maximum Tolerable Limit
OGP - International Association of Oil and Gas Producers

The number of fatalities in the workforce (company's employees and outsourced) fell from 18 to 7, while the Fatal Accident Rate (TAF), equivalent to the number of fatalities per 100 million labor hours of risk exposure, decreased from 2.4 in 2008 to 0.81 in 2009. This downturn demonstrates Petrobras' continuous safety improvements.



Note: As of 2007, indicator includes fatalities of traffic accidents in the Distribution area.



*The figures include deaths in traffic accidents in relation to the distribution segment.

OGP - Internacional Association of Oil and Gas Producers

Environment

Petrobras' 2009 initiatives focused on minimizing impacts its operational activities on the environment to reduce consumption of natural resources and the effects of pollutions.

At the end of 2009, the environmental management systems of 93% of certifiable units, in Brazil and abroad operated in accordance with ISO 14001 standards, aligned with the certifications of domestic and international bodies.

Atmospheric emissions and climate change

Petrobras' main goal regarding mitigation of the effects of climate change is to reduce greenhouse gas emissions in its processes and products in order to reach excellence levels. As of 2002, the company prepares an annual inventory of its atmospheric emissions, including greenhouse gas emissions. The inventory results are verified by independent consultants and periodically disclosed.

Among mitigation initiatives, the following stand out: the increase in energy efficiency, the improved extraction of natural gas produced in association with oil, the use of renewable sources of energy and the introduction of operational and technological improvements in production processes.

From 2006 to 2009, Petrobras avoided emissions equivalent to approximately 5 million tonnes of CO₂ in its operations. The goal for 2013 is to avoid the emission of 4.5 million tonnes.

Water Resources and effluents

Petrobras seeks opportunities to rationalize water use and currently has 72 water treatment, distribution and reuse projects, among others, targeted at capturing and treating effluents. In 2009, the company captured approximately 174 million m³ of freshwater to be used in its operations, versus 195.2 million in 2008.

A successful example of water rationalization is the Capuava refiner (Recap), in Mauá, São Paulo State, which became the company's first industrial unit with zero effluent waste. All effluents are treated and reused by the refinery and by other companies of the Mauá petrochemical complex. Therefore, water capture from reservoirs is reduced by approximately 880,000 m³ per year, increasing the volume of water available for other uses.

The increase in the facilities' eco-efficiency is another opportunity which has been taken advantage of. The new Cenpes facility in Rio de Janeiro, has been projected for optimizing water usage. On average, 75% of the water consumed in the cooling towers will be supplied from the reuse of oil waste, sanitary sewage and other

effluents. The project, with operational start-up scheduled for 2010, will also allow an 80,000 m³ per year of rainwater capture, which will supply 65% of the volume needed for garden irrigation and toilet flushing.

Waste

Petrobras is environmentally responsible in its management of hazardous solid waste. In recent years, with the treatment and disposal of total quantities greater than those generated each year, the company is reaching its goal of reducing storage of untreated waste.

In 2009, taking into account the total hazardous solid waste from processes and environmental liabilities, 582,000 tonnes were treated, while 531,000 tonnes were generated. The 254,000 tonnes generated by Petrobras in its industrial processes have not exceeded the Max set forth for 2009 of 278,000 tonnes.

	2007	2008	2009
Production of hydrocarbons (millions of boe/day)	2.30	2.40	2.53
Production of oil products (millions de barrels/day)	2.04	1.97	2.01
Hazardous waste generated (thousand of tonnes)	296	233	254

Biodiversity

Since 2008, Petrobras has applied Risk and Biodiversity Impacts Management Standards in its operations. Among other requirements, this standard establishes that the company's units identify and characterize protected, sensible and vulnerable areas in regions impacted by its operations, assess the potential impacts of operations on those areas and implement initiatives to prevent and mitigate those impacts.

The Excellence in HSE Project now incorporates and monitors business area and subsidiary goals to be reached by 2015, focusing on the established excellence requirements.

Among the various projects, the following are worth mentioning:

- **Habitats Project – Environmental Diversity in the Campos Basin (2007-2012)** – Developed in partnership with 20 universities and research institutions, aims at expanding knowledge of biodiversity and the ecologic dynamics of the region.
- **Classification of Deepwater Corals in the Campos Basin Project (first phase 2004-2007, second phase 2008-2011)** – Aims at mapping and studying this ecosystem, involving seven universities and research institutions. In this project, a remote operation vehicle (ROV) robot is being employed for the first time in Brazil for deepwater biological research.

Emergencies

Although Petrobras' HSE initiatives are focused on prevention, it is imperative that the company always be to take the necessary actions in emergency situations such as leaks, minimizing human and environmental impacts.

Accordingly, Petrobras counts on ten permanent Environmental Defense Centers (EDCs) equipped with special vessels, oil collectors, contention and absorption barriers, in addition to qualified professionals. Thirteen advanced bases increase the coverage of EDCs. The company also maintains three permanently operating vessels specialized in emergency response: one in the Guanabara Bay, the second on the São Paulo coast and the third off the coast of Sergipe and Alagoas states.

To test its emergency system, in 2009 Petrobras conducted 15 regional drills involving the Brazilian Navy, National Guard, Firefighters and Military Police in addition to environmental organs, local governments and local communities.

Oil and oil product leaks

Oil and oil product leaks in 2009 amounted to 254 m³, 62% less than the volume set forth in the MAL for the year. The trend of leak levels well below 1 m³ per million barrels of oil produced has been maintained, representing an excellence benchmark in the global oil and gas industry.

Health

Petrobras monitors the results in the Health area through indicators such as the Lost Time Percentage (LTP), related to employee medical leaves due to sickness or accidents. In 2009, the LTP was 2.36%, 0.15 p.p. higher than the Max established for the year. In addition, to guide employee health promotion programs, the company now monitors two new proactive indicators in this area: Physically Active Employees, assessing the level of physical activity of employees, to combat sedentary lifestyles; and Cardiovascular Disease Risk, which maps the risk level for cardiovascular diseases among employees.

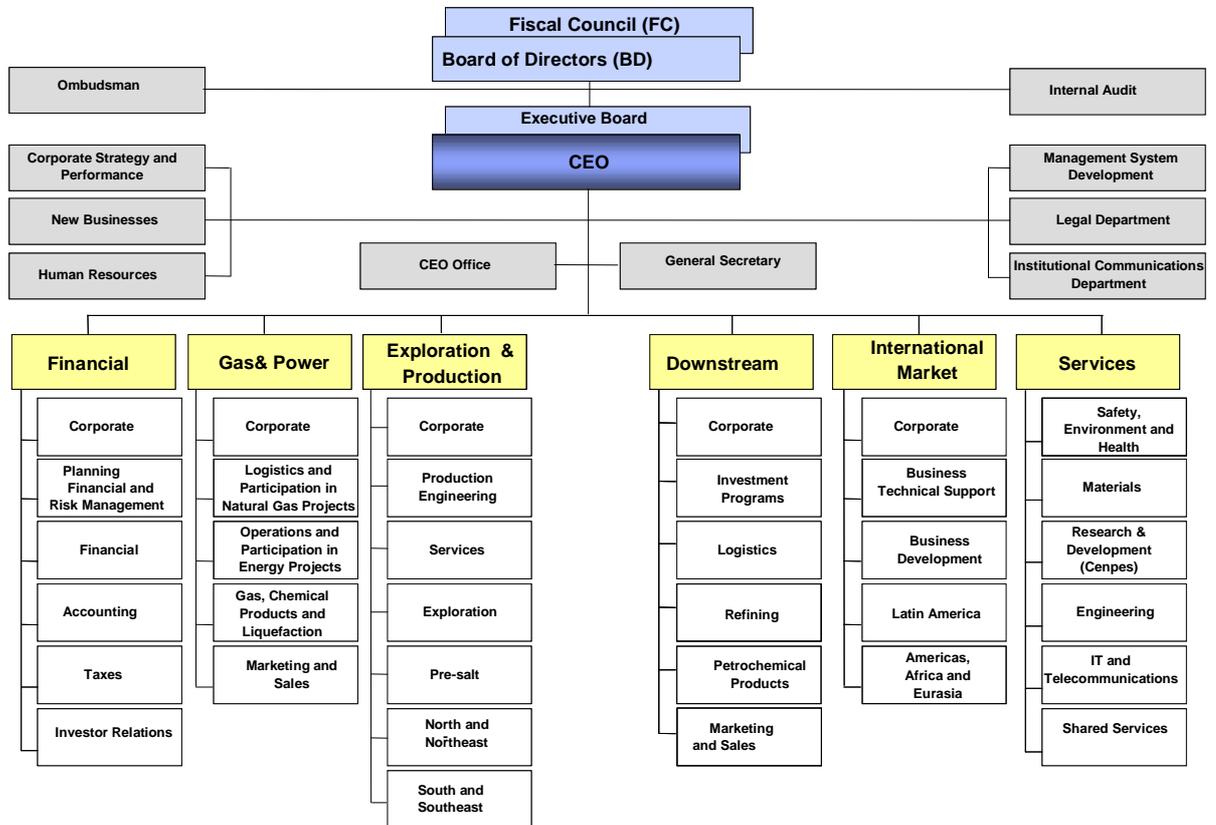
GENERAL ORGANIZATION OF PETROBRAS

Petrobras' organizational model has been improved in order to comply with the 2020 Strategic Plan. In this context, in 2009 changes in the organizational structure of company's units were made, especially in its general structure, which included:

- **Gas and Power Business Area** – Management of Gas, Chemical, and Liquefaction at the executive level was created, eliminating the Energy Development executive board, whose responsibilities were transferred to the Health, Safety and Environment executive board, aligned with the Services' Office.
- **Supply Business Area** – The Investment Programs executive board was created. Fertilizer Activities were transferred to the new Gas, Chemical and Liquefaction executive board (Gas and Power Business Area).
- **Corporate Area** – The Strategy and Corporate Performance executive board was divided into the Corporate Strategy and Corporate Performance executive boards, both in the implementation phase.

In addition, restructuring projects were conducted at various international units under the International Business Area.

CORPORATE STRUCTURE



Board of Directors

Dilma Vana Rousseff – Chairwoman
Silas Rondeau Cavalcante Silva
Guido Mantega
José Sergio Gabrielli de Azevedo
Francisco Roberto de Albuquerque
Fábio Colletti Barbosa
Jorge Gerdau Johannpeter
Luciano Galvão Coutinho
Sergio Franklin Quintella

Board of Executive Officers

José Sergio Gabrielli de Azevedo
Chief Executive Officer

Almir Guilherme Barbassa
Chief Financial Officer and Chief Investor Relations Officer

Renato de Souza Duque
Chief Services Officer

Guilherme de Oliveira Estrella
Chief Exploration and Production Officer

Paulo Roberto Costa
Chief Downstream Officer

Maria das Graças Silva Foster
Chief Gas and Power Officer

Jorge Luiz Zelada
Chief International Officer

Fiscal Council

Sitting members

Marcus Pereira Aucélio
César Acosta Rech
Túlio Luiz Zamin
Nelson Rocha Augusto
Maria Lúcia de Oliveira Falcón

Alternate members

Eduardo Coutinho Guerra
Edison Freitas de Oliveira
Ricardo de Paula Monteiro
Maria Auxiliadora Alves da Silva
Celso Barreto Neto