

BRAZILIAN PETROLEUM CORP
Form 6-K
August 21, 2007

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

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

For the month of August, 2007

Commission File Number 1-15106

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

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

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

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

Form 20-F Form 40-F

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

Yes No

(A free translation from the original in Portuguese)

**FEDERAL PUBLIC SERVICE
BRAZILIAN SECURITIES COMMISSION (CVM)
ITR - QUARTERLY INFORMATION - As of - 06/30/2007
COMMERCIAL, INDUSTRIAL & OTHER TYPES OF COMPANY**

Corporate Law

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

01.01 - IDENTIFICATION

1 - CVM CODE 00951-2	2 - NAME OF THE COMPANY PETRÓLEO BRASILEIRO S.A. - PETROBRAS	3 - CNPJ (Taxpayers Record Number) 33.000.167/0001-01
4 - NIRE 33300032061		

01.02 - HEAD OFFICE

1 - ADDRESS AV. REPÚBLICA DO CHILE, 65 2ª floor			2 - QUARTER OR DISTRICT CENTRO	
3 - CEP (ZIP CODE) 20031-912	4 - CITY RIO DE JANEIRO		5 - STATE RJ	
6 - AREA CODE 021	7 - PHONE 3224-2040	8 - PHONE 3224-2041	9 - PHONE -	10 - TELEX
11 - AREA CODE 021	12 - FAX 3224-9999	13 - FAX 3224-6055	14 - FAX 3224-7784	
15 - E-MAIL petroinvest@petrobras.com.br				

01.03 - DIRECTOR OF INVESTOR RELATIONS (BUSINESS ADDRESS)

1 - NAME ALMIR GUILHERME BARBASSA				
2 ADDRESS AV. REPÚBLICA DO CHILE, 65 2ª floor			3 - QUARTER OR DISTRICT CENTRO	
4 - CEP (ZIP CODE) 20031-912	5 - CITY RIO DE JANEIRO		6 - STATE RJ	
7 - AREA CODE 021	8 - PHONE NUMBER 3224-2040	9 - PHONE NO. 3224-2041	10 PHONE NO. -	11 - TELEX
12 - AREA CODE 021	13 - FAX No. 3224-9999	14 - FAX No. 3224-6055	15 - FAX No. 3224-7784	
16 - E-MAIL barbassa@petrobras.com.br				

01.04 GENERAL INFORMATION/INDEPENDENT ACCOUNTANTS

CURRENT FISCAL YEAR		CURRENT QUARTER			PREVIOUS QUARTER		
1 - BEGINNING	2 ENDING	3 - QUARTER	4 - BEGINNING	5 - END	6 - QUARTER	7 - BEGINNING	8 - END
01/01/2007	12/31/2007	2	01/04/2007	06/30/2007	1	01/01/2007	03/31/2007
9- NAME OF INDEPENDENT ACCOUNTING FIRM KPMG AUDITORES INDEPENDENTES						10- CVM CODE 00418-9	
11- NAME OF THE ENGAGEMENT PARTNER MANUEL FERNANDES RODRIGUES DE SOUSA						12- CPF (Taxpayers registration) 783.840.017-15	

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01.05 - CURRENT BREAKDOWN OF PAID-IN CAPITAL

No. OF SHARES (THOUSANDS)	1- CURRENT QUARTER 06/30/2007	2 - PREVIOUS QUARTER 03/31/2007	3 - SAME QUARTER IN THE YEAR 06/30/2007
Capital Paid-in			
1 - Common	2.536.674	2.536.674	2.536.674
2 - Preferred	1.850.364	1.850.364	1.849.478
3 - Total	4.387.038	4.387.038	4.386.152
Treasury Stock			
4 - Common	0	0	0
5 - Preferred	0	0	0
6 - Total	0	0	0

01.06 - CHARACTERISTICS OF THE COMPANY

1 - TYPE OF COMPANY Commercial, Industrial and Other
2 SITUATION Operational
3 - TYPE OF SHARE CONTROL State Holding Company
4 - ACTIVITY CODE 1010 Oil and Gas
5 - MAIN ACTIVITY PROSPECTING OIL/GAS, REFINING AND ENERGY ACTIVITIES
6 - TYPE OF CONSOLIDATION Total
7 - TYPE OF SPECIAL REVIEW REPORT Unqualified

01.07 - CORPORATIONS/PARTNERSHIPS EXCLUDED FROM THE CONSOLIDATED STATEMENTS

1 ITEM	2 CNPJ (TAXPAYERS RECORD NUMBER)	3 NAME

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

1 - ITEM	2 - EVENT	3 - APPROVAL DATE	4 - TYPE	5 - PET BEGINS ON	6 - TYPE OF SHARE	7 - DIVIDENDS PER SHARE
01	AGO/E	04/02/2007	Dividends	05/17/2007	Common	0,3500000000
02	AGO/E	04/02/2007	Dividends	05/17/2007	Preferred	0,3500000000
03	RCA	07/25/2007	Interest on Capital Payable	01/31/2008	Common	0,5000000000
04	RCA	07/25/2007		08/31/2008	Preferred	0,5000000000

		Interest on Capital Payable			
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01.09 - SUBSCRIBED CAPITAL AND CHANGES IN THE CURRENT YEAR

1 ITEM	2 - DATE OF CHANGE	3 - CAPITAL (R\$ Thousand)	4 - AMOUNT OF CHANGE (R\$ Thousand)	5 REASON FOR CHANGE	7 - NUMBER OF SHARES ISSUED (Thousands)	8 - SHARE ISSUE PRICE (R\$)
01	04/02/2007	52.644.460	4.380.477	Revenue Reserves	0	0,0000000000

1.10 - INVESTOR RELATIONS DIRECTOR

1 DATE 08/13/2007	2 SIGNATURE
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02.01 UNCONSOLIDATED BALANCE SHEET - ASSETS (THOUSANDS OF REAIS)

1 – Code	2 – DESCRIPTION	3 - 06/30/2007	4 - 03/31/2007
1	Total Assets	191.071.108	180.677.171
1.01	Current Assets	40.635.708	43.379.085
1.01.01	Cash and Cash Equivalents	11.386.548	13.138.974
1.01.01.01	Cash and Banks	2.998.878	1.115.043
1.01.01.02	Short Term Investments	8.387.670	12.023.931
1.01.02	Accounts Receivable, net	8.869.965	11.174.557
1.01.02.01	Customers	8.869.965	11.174.557
1.01.02.01.01	Customers	3.242.056	4.386.762
1.01.02.01.02	Subsidiary and Affiliated Companies	4.811.354	5.917.158
1.01.02.01.03	Other Accounts Receivable	1.009.886	1.051.728
1.01.02.01.04	Allowance for Doubtful Accounts	(193.331)	(181.091)
1.01.02.02	Miscellaneous Credits	0	0
1.01.03	Inventories	13.274.243	12.281.642
1.01.04	Other	7.104.952	6.783.912
1.01.04.01	Dividends Receivable	119.356	579.431
1.01.04.02	Recoverable Taxes	5.617.388	4.942.301
1.01.04.03	Prepaid Expenses	903.163	836.998
1.01.04.04	Other Current Assets	465.045	425.182
1.02	Non-current Assets	150.435.400	137.298.086
1.02.01	Long-Term Assets	57.741.129	49.216.348
1.02.01.01	Credits	802.655	798.770
1.02.01.01.01	Petroleum and Alcohol Accounts	793.102	789.278
1.02.01.01.02	Marketable Securities	8.187	8.126
1.02.01.01.03	Investments in Privatization Process	1.366	1.366
1.02.01.02	Accounts Receivable, net	45.514.446	37.737.696
1.02.01.02.01	With Affiliates	1.488	1.488
1.02.01.02.02	With Subsidiaries	45.297.155	37.513.865
1.02.01.02.03	Other Companies	215.803	222.343
1.02.01.03	Other	11.424.028	10.679.882
1.02.01.03.01	Projects Financings	1.255.522	1.005.765
1.02.01.03.02	Deferred Income Tax and Social Contribution	1.564.200	1.479.333
1.02.01.03.03	Deferred Value-Added Tax (ICMS)	760.410	852.549
1.02.01.03.04	Deferred Pasep/Cofins	2.353.111	2.003.063
1.02.01.03.05	Compulsory Loans – Eletrobrás	0	115.976
1.02.01.03.06	Judicial Deposits	1.385.174	1.358.348
1.02.01.03.07	Advance for Migration - Pension Plan	1.269.048	1.277.361
1.02.01.03.08	Advances to Suppliers	463.451	513.826
1.02.01.03.09	Prepaid Expenses	959.077	966.431
1.02.01.03.10	Inventories	437.781	453.120
1.02.01.03.11	Other Non-current Assets	976.254	654.110
1.02.02	Fixed Assets	92.694.271	88.081.738

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1.02.02.01	Investments	24,014,704	23,166,510
1.02.02.02.01	In Affiliates	561,004	126,521
1.02.02.01.02	Goodwill in Affiliates	0	0
1.02.02.01.03	In Subsidiaries	23,267,452	22,986,516
1.02.02.01.04	Goodwill in Subsidiaries	(164,276)	(179,398)
1.02.02.01.05	Other Investments	350,524	232,871
1.02.02.02	Property, Plant and Equipment	65,215,153	61,516,762
1.02.02.03	Intangible	2,843,401	2,825,275
1.02.02.04		621,013	573,191

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02.02 UNCONSOLIDATED BALANCE SHEET LIABILITIES (THOUSANDS OF REAIS)

1 - CODE	2 DESCRIPTION	3 - 06/30/2007	4 - 03/31/2007
2	Liabilities and Stockholders' Equity	191.071.108	180.677.171
2.01	Current Liabilities	51.800.229	47.020.859
2.01.01	Loans and Financing	1.282.360	1.280.683
2.01.01.01	Financing	1.020.704	1.096.159
2.01.01.02	Interest on Financing	261.656	184.524
2.01.02	Debentures	0	0
2.01.03	Suppliers	5.269.116	4.765.194
2.01.04	Taxes, Contribution and Participation	7.917.525	8.086.815
2.01.05	Dividends	2.193.519	1.581.966
2.01.06	Accruals	1.804.074	1.486.114
2.01.06.01	Payroll and Related Charges	1.339.176	1.138.568
2.01.06.02	Contingency Accrual	54.000	54.000
2.01.06.03	Provision for Pension plan	410.898	293.546
2.01.07	Debts with Subsidiaries and Affiliated Companies	29.079.064	24.512.657
2.01.07.01	Suppliers	29.079.064	24.512.657
2.01.08	Other	4.254.571	5.307.430
2.01.08.01	Advances from Customers	253.696	1.750.722
2.01.08.02	Projects Financings	1.510.120	1.551.181
2.01.08.03	Other	2.490.755	2.005.527
2.02	Non-Current Liabilities	29.980.673	29.937.658
2.02.01	Non-Current Liabilities	29.980.673	29.937.658
2.02.01.01	Loans and Financing	4.563.129	4.820.180
2.02.01.01.01	Financing	4.563.129	4.820.180
2.02.01.02	Debentures	0	0
2.02.01.03	Accruals	19.695.070	18.953.535
2.02.01.03.01	Provision for Healthcare Benefits	8.386.146	8.085.131
2.02.01.03.02	Contingency Accrual	183.767	182.519
2.02.01.03.03	Provision for Pension Plan	3.110.774	3.051.315
2.02.01.03.04	Deferred Income Tax and Social Contribution	8.014.383	7.634.570
2.02.01.03.05	Other deferred taxes	0	0
2.02.01.04	Subsidiaries and Affiliated Companies	1.984.652	2.599.776
2.02.01.05	Advance for Future Capital Increase	0	0
2.02.01.06	Other	3.737.822	3.564.167
2.02.01.06.01	Provision for Dismantling of Areas	3.211.029	3.009.738
2.02.01.06.02	Other Payables	526.793	554.429
2.02.02	Deferred Income	0	0
2.04	Shareholders Equity	109.290.206	103.718.654
2.04.01	Capital	52.644.460	48.263.983
2.04.01.01	Subscribed and Paid-Up Capital	52.644.460	48.263.983
2.04.01.02	Monetary Restatement	0	0
2.04.02	Capital Reserves	1.285.788	372.064
2.04.02.01	AFRMM and Other	158.298	158.298

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2.04.02.02	Tax Incentive Income Tax	1.127.490	213.766
2.04.03	Revaluation Reserve	62.787	64.614
2.04.03.01	Private Assets	0	0
2.04.03.02	Subsidiaries and Affiliated Companies	62.787	64.614
2.04.04	Revenue Reserves	46.303.022	50.681.673
2.04.04.01	Legal	6.511.073	6.511.073
2.04.04.02	Statutory Reserves	241.322	1.249.441

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02.02 UNCONSOLIDATED BALANCE SHEET LIABILITIES (THOUSANDS OF REAIS)

1 - Code	2 DESCRIPTION	3 - 06/30/2007	4 03/31/2007
2.04.04.03	Contingencies Reserves	0	0
2.04.04.04	Unrealized Earnings	0	0
2.04.04.05	Retention of Earnings	39.546.993	42.919.351
2.04.04.06	Undistributed Dividends	0	0
2.04.04.07	Other	3.634	1.808
2.04.05	Retained Earnings (Accumulated losses)	8.994.149	4.336.320
2.04.06	Advance for Future Capital Increase	0	0

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03.01 UNCONSOLIDATED STATEMENT OF INCOME FOR THE QUARTER (THOUSANDS OF REAIS)

1 - Code	2 DESCRIPTION	3- 04/01/2007 to 06/30/2007	4- 01/01/2007 to 06/30/2007	5- 04/01/2006 to 06/30/2006	6- 01/01/2006 to 06/30/2006
3.01	Gross Operating Revenues	41.691.977	79.677.910	38.871.455	76.791.779
3.02	Sales Deductions	(10.866.494)	(20.984.344)	(10.430.684)	(20.239.548)
3.03	Net Operating Revenues	30.825.483	58.693.566	28.440.771	56.552.231
3.04	Cost of Products and Services Sold	(16.179.783)	(31.461.629)	(14.614.652)	(28.672.534)
3.05	Gross profit	14.645.700	27.231.937	13.826.119	27.879.697
3.06	Operating Expenses	(5.172.214)	(10.966.656)	(3.245.741)	(6.945.862)
3.06.01	Selling	(1.236.910)	(2.493.608)	(1.175.765)	(2.338.862)
3.06.02	General and Administrative	(1.024.814)	(2.064.272)	(907.787)	(1.657.249)
3.06.02.01	Management and Board of Directors Remuneration	(1.016)	(2.024)	(953)	(1.905)
3.06.02.02	Administrative	(1.023.798)	(2.062.248)	(906.834)	(1.655.344)
3.06.03	Financial	311.846	693.959	275.975	89.555
3.06.03.01	Income	1.046.498	2.017.313	775.905	1.077.984
3.06.03.02	Expenses	(734.652)	(1.323.354)	(499.930)	(988.429)
3.06.04	Other Operating Income	0	0	0	0
3.06.05	Other Operating Expenses	(3.729.501)	(7.662.050)	(2.150.786)	(4.095.307)
3.06.05.01	Taxes	(184.972)	(340.261)	(217.382)	(333.649)
3.06.05.02	Cost of Research and Technological Development	(425.093)	(804.723)	(492.257)	(732.329)
3.06.05.03	Impairment	0	0	0	0
3.06.05.04	Exploratory Costs for The Extraction of Crude Oil and Gas	(235.509)	(451.337)	(280.911)	(386.614)
3.06.05.05	Healthy and Pension Plan	(423.988)	(847.975)	(455.848)	(911.696)
3.06.05.06	Net Monetary and Exchanges Variation	(1.217.563)	(2.189.660)	(10.017)	(502.876)
3.06.05.07	Other Operating Expenses, Net	(1.242.376)	(3.028.094)	(694.371)	(1.228.143)
3.06.06	Equity pick-up	507.165	559.315	712.622	1.056.001
3.07	Operating Income	9.473.486	16.265.281	10.580.378	20.933.835
3.08	Non-operating Income	(33.743)	(34.467)	31.976	(53.503)

03.01 UNCONSOLIDATED STATEMENT OF INCOME FOR THE QUARTER (THOUSANDS OF REAIS)

1 - Code	2 DESCRIPTION	3- 04/01/2007 to 06/30/2007	4- 01/01/2007 to 06/30/2007	5- 04/01/2006 to 06/30/2006	6- 01/01/2006 to 06/30/2006
3.08.01	Revenues	(563)	16.267	75.306	75.333
3.08.02	Expenses	(33.180)	(50.734)	(43.330)	(128.836)
3.09	Income before Taxes/Profit Sharing and Minority Interests	9.439.743	16.230.814	10.612.354	20.880.332
3.10	Income Tax and Social Contribution	(3.129.902)	(5.549.013)	(3.558.934)	(6.186.628)
3.11	Deferred Income Tax	541.507	505.867	46.557	(679.962)
3.12	Profit Sharing for Employee s and Management	0	0	0	0
3.12.01	Profit Sharing for Employee s and Management	0	0	0	0
3.12.02	Contributions	0	0	0	0
3.13	Reversal of Interest on share capital	0	0	0	0
3.15	Net Income/loss for the period	6.851.348	11.187.668	7.099.977	14.013.742
	Number of Shares. Ex-Treasury (Thousands)	4.387.038	4.387.038	4.386.152	4.386.152
	Net Income per Share	1,56173	2,55016	1,61873	3,19500
	Loss per Share	0	0	0	0

04.01 NOTES TO QUARTERLY INFORMATION**1. PRESENTATION OF THE QUARTERLY FINANCIAL INFORMATION****Significant accounting policies**

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

No changes were made to the main accounting guidelines followed by the Company in relation to those stated in the 2006 annual report.

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

2. CASH AND CASH EQUIVALENTS

	R\$ thousand			
	Consolidated		Parent Company	
	06.30.2007	03.31.2007	06.30.2007	03.31.2007
Cash and banks	4.569.930	2.413.976	2.998.878	1.115.043
Short Term Investments				
Local:				
Exclusive investment funds				
Currency	115.045	1.596.808		1.476.300
DI	3.735.312	3.924.556	2.670.625	2.613.174
Government Bonds	693.857	907.362		
Financial investment funds Currency	52.772	148.344		
Financial investment funds DI	750.842	1.449.652		
Other	652.505	687.567		
	6.000.333	8.714.289	2.670.625	4.089.474
Foreign:				
Time deposit	3.865.511	2.356.132	3.751.194	2.798.421
Fixed-income securities	3.418.168	6.978.298	1.965.851	5.136.036
	7.283.679	9.334.430	5.717.045	7.934.457
Total Short Term Investments	13.284.012	18.048.719	8.387.670	12.023.931
Total cash and cash equivalents	17.853.942	20.462.695	11.386.548	13.138.974

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

At June 30, 2007 and March 31, 2007, the Company and its subsidiary PifCo had amounts invested abroad in an exclusive investment fund that held, among others, debt securities of some of the Petrobras Group companies and a Special Purpose Company established in connection with the Company's projects, mainly CLEP and Malhas project, in the amount equivalent to R\$ 6.059.479 thousand and R\$ 4.341.816 thousand (not including Malhas), respectively. This amount refers to consolidated companies and was offset against the balance of financing classified under current and non-current liabilities.

3. ACCOUNTS RECEIVABLE, NET

Accounts receivable are broken down as follows:

	R\$ thousand			
	Consolidated		Parent Company	
	06.30.2007	03.31.2007	06.30.2007	03.31.2007
Customers				
Third parties	13.103.711	14.481.225	3.242.056	4.386.762
Related parties (Note 6a)	601.542	668.977	50.109.997 (*)	43.432.511 (*)
Other	3.140.264	3.445.806	1.225.689	1.274.071
	16.845.517	18.596.008	54.577.742	49.093.344
Less: Allowance for doubtful accounts	(2.340.851)	(2.393.619)	(193.331)	(181.091)
	14.504.666	16.202.389	54.384.411	48.912.253
Less: long-term accounts receivable, net	(2.085.664)	(1.829.510)	(45.514.446)	(37.737.696)
Short-term accounts receivable, net	12.419.002	14.372.879	8.869.965	11.174.557

(*) Does not include dividends receivable of R\$ 119.356 thousand on June 30, 2007 (R\$ 579.431 thousand on March 31, 2007) and reimbursements receivable of R\$ 1.193.152 thousand on June 30, 2007 (R\$ 950.794 thousand on March 31, 2007).

R\$ thousand

Change in allowance for doubtful accounts	Consolidated		Parent Company	
	06.30.2007	03.31.2007	06.30.2007	03.31.2007
Balance at April 1	2.393.619	2.437.636	181.091	187.482
Additions	35.228	30.214	17.569	3.186
Write-offs (*)	(87.996)	(74.231)	(5.329)	(9.577)
Balance at June 30	2.340.851	2.393.619	193.331	181.091
Short-term	1.263.650	1.251.668	193.331	181.091
Long-term	1.077.201	1.141.951		

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

4. RELATED PARTIES

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

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4.1. Assets

PARENT COMPANY

	CURRENT ASSETS		NON-CURRENT ASSETS					TOTAL ASSETS
	Accounts receivables, mainly from sales	Dividends Receivable	Advance for capital increase	Amounts related to the construction of gas pipeline	Loan Operations	Other operations	Reimbursement Receivable	
Petroquisa and its subsidiaries	70.734				4			70.738
Petrobras Distribuidora S.A. and its subsidiaries	969.796				314.069			1.283.865
Gaspetro and its subsidiaries	311.127	115.242	89.967	1.048.069	15.961			1.580.366
PifCo and its subsidiaries	1.049.599				38.866.055	9.906		39.925.560
PNBV and its subsidiaries	16.556		9.472		0	1.981		28.009
Downstream and its subsidiary	423.578				334.589			758.167
Transpetro and its subsidiary	361.806							361.806
PIB-BV and its subsidiaries	174.409				0	72.714		247.123
Brasoil and its subsidiaries	2.600				3.109.091			3.111.691
BOC and its subsidiaries	234			0	493.451			493.685
Pcel	34.259							34.259
Other subsidiaries and associated companies	1.396.656	4.114	530.474	0	402.822	18	0	2.334.084
Termo-electric power stations	142.912	4.114	457.604		402.822			1.007.452

Affiliated companies	260.946		1.488					262.434
Others	992.798		71.382		0	18		1.064.198
Specific Purpose Entities							1.193.152	1.193.152
06/30/2007	4.811.354	119.356	629.913	1.048.069	43.536.042	84.619	1.193.152	51.422.505
03/31/2006	5.917.158	579.431	277.805	1.139.839	36.012.321	85.388	950.794	44.962.736

R\$ Thousand

Intercompany loans

Index	June/2007	March/2007
TJLP + 5% p.a.	304.550	315.547
LIBOR + 1 to 3% p.a.	42.494.539	34.644.492
101% of CDI	295.250	576.243
IGPM + 6% p.a.	74.730	75.202
Other rates	366.973	400.837
	43.536.042	36.012.321

a) Bolivia-Brazil Gas pipeline

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

A turn-key contract amounting to US\$ 350 million was signed between Petrobras and Yacimientos Petrolíferos Fiscales Bolivianos - YPFB, which assigned its rights under such contract to GTB, for the construction of the Bolivian section, with payments to be rendered in the subsequent 12 years from January of 2000 in the form of transportation services.

On June 30, 2007, the balance of the rights to future transportation services, on account of costs already incurred in the construction up to that date, including interest of 10,07% p.a., is R\$ 586.324 thousand (R\$ 632.369 thousand on March 31, 2007), being R\$ 463.451 thousand (R\$ 513.826 thousand on March 31, 2007) classified under non-current assets as advances to suppliers. This amount also includes R\$ 122.816 thousand (R\$ 131.431 thousand on March 31, 2007) relating to the anticipated acquisition of the right to transport 6 million cubic meters of gas over a 40-year period (TCO - Transportation Capacity Option).

The Brazilian section of the gas pipeline is the property of Transportadora Brasileira Gasoduto Bolívia-Brasil S.A. - TBG, a Gaspetro subsidiary. On June 30, 2007, Petrobras' the total receivables from TBG for management, recharge of costs and financing relating to the construction of the gas pipeline and anticipated acquisition of the right to transport 6 million cubic meters of gas over a 40-year period (TCO) amounted to R\$ 1.048.069 thousand (R\$ 1.139.830 thousand on March 31, 2007), classified under non-current assets as accounts receivable net.

4.2. Liabilities

	PARENT COMPANY								
	CURRENT LIABILITIES				NON-CURRENT LIABILITIES				
	Suppliers of mainly oil and oil products	Advance from customers	Oil rigs freight	Operations with Projec tFinancing	Other Operations	Intercompany Loans	Export prepayments	Other Operations	TOTAL LIABILITIES
Petroquisa and its subsidiaries	(29.225)		27		(27)				(29.225)
Petrobras distribuidora A. and its subsidiaries	(240.984)	(18.653)						(1.112.928)	(1.372.565)
Petrobras aspetro and its subsidiaries	(98.483)	(113.676)							(212.159)
Petrobras Co and its subsidiaries	(25.988.489)	(105.692)					(831.1748)		(26.925.359)
Petrobras NBV and its subsidiaries	(39.489)	1.961							(965.033)
Petrobras downstream and its subsidiary	(48.132)	(160.573)							(208.705)
Petrobras transpetro and its subsidiary	(567.881)		50		(50)				(567.931)
Petrobras B and its subsidiaries	(182.489)	(76.876)	6.937		(5.292)				(266.300)
Petrobras casoil and its subsidiaries	(33.863)	(905)							(56.368)
Petrobras OC and its subsidiary	(7.325)								7.325 (452.733)
Petrobras other subsidiaries and associated companies	(371.064)	41.118				(40.550)			(7.096) (7.096)
Petrobras -Petro and subsidiary	(7.096)								(136.568)
Petrobras thermo-electric power stations filiates	(136.568)								(160.048)
Petrobras companies	(160.048)					40.550			(149.020)

Others	(67.352)	41.118							
Specific				(1.447.960)					(1.447.960)
purpose									
entities									
31/2007	(27.607.424)	(519.454)	(945.172)	(1.447.960)	(7.014)	(40.550)	(831.174)	(1.112.928)	(32.511.67)
31/2006	(23.037.932)	(570.071)	(899.285)	(1.489.547)	(5.639)	(39.710)	(918.528)	(1.641.538)	(28.601.98)

4.3. Income Statement

PARENT COMPANY				
INCOME STATEMENT				
	Operational income mainly from sales	Financial income (Expenses), net	Monetary Exchange Variations, net	TOTAL
Petroquisa and Subsidiaries	482.646	0	6.401	489.047
Petrobras Distribuidora S.A. and Subsidiaries	18.800.261	(82.148)	12.344	18.730.457
Gaspetro and Subsidiaries	1.159.458	37.483	(113.177)	1.083.764
PifCo and Subsidiaries	6.263.507	458.044	(1.259.986)	5.461.565
PNBV and Subsidiaries			83.855	83.855
Downstream and Subsidiary	1.791.752	19.254	(45.107)	1.765.899
Transpetro and Subsidiary	187.212	0	6.924	194.136
PIB-B.V. and Subsidiaries	88.282	0	35.308	123.590
Brasoil and Subsidiaries	0	132.019	(328.923)	(196.904)
BOC and Subsidiaries	0	20.978	(53.786)	(32.808)
Pcel	80.407	0	2.665	83.072
Other subsidiaries and associated companies	4.665.100	16.576	(20.868)	4.660.808
E-Petro and subsidiary	1.774	0	0	1.774
Others		(30)		(30)
Termo-eletric power stations	568	18.255	(22.923)	(4.100)
Affiliated companies	4.662.758	(1.649)	2.055	4.663.164
Specific Purpose Companies	173.838	0	0	173.838
1° half of 2007	33.692.463	602.206	(1.674.350)	32.620.319
1° half of 2006	31.465.764	256.217	(472.134)	31.249.847

4.4. Transactions with Government entities and Pension Fund

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

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

	Consolidated			
	06.30.2007		03.31.2007	
	Assets	Liabilities	Assets	Liabilities
Petros (Pension Fund)	1.269.048	272.322	1.277.361	254.031
Banco do Brasil S.A.	5.726.352	1.216.052	7.474.043	868.769
BNDES		6.178.013		7.382.915
Federal Government Dividends Proposed		706.629		509.621
Judicial Deposits (CEF and BB)	1.695.640	7.679	1.385.016	8.596
Petroleum and alcohol account Federal Government Credits	793.102		789.278	
Other	951.415	226.980	1.111.843	179.790
	10.435.557	8.607.675	12.037.541	9.203.722
Current	6.204.935	4.712.915	8.045.230	4.108.214
Non-current	4.230.622	3.894.760	3.992.311	5.095.508

Balances are classified in Balance Sheet as follows:

	Consolidated			
	06.30.2007		03.31.2007	
	Assets	Liabilities	Assets	Liabilities
Assets				
Current	6.204.935		8.045.230	
Cash and cash equivalents	5.678.311		7.416.587	
Accounts receivable, net	101.270		95.951	
Other current assets	425.354		532.692	
Non-current	4.230.622		3.992.311	
Petroleum and alcohol account - STN	793.102		789.278	
Judicial deposits	1.692.241		1.385.016	
Advances to pension plan	1.269.048		1.277.361	
Other assets	476.231		540.656	

Liabilities

Current	4,712,915			4,108,214
Financing loans	683,411			2,544,131
Proposed dividends	800,299			509,621
Other current liabilities	3,229,205			1,054,462
Non-current	3,894,760			5,095,508
Financing loans	3,847,269			4,977,768
Other liabilities	47,491			117,740
	10,435,557	8,607,675	12,037,541	9,203,722

5. INVENTORIES

	R\$ thousand			
	Consolidated		Parent Company	
	06.30.2007	03.31.2007	06.30.2007	03.31.2007
Products:				
Oil products (*)	4.472.808	4.020.164	3.574.689	3.403.285
Fuel alcohol	358.316	390.978	198.269	209.474
	4.831.124	4.411.142	3.772.958	3.612.759
Raw materials, mainly crude oil (*)	6.351.254	5.081.212	5.194.711	4.487.053
Maintenance materials and supply (*)	3.592.352	3.413.484	2.715.176	2.599.828
Advances to suppliers	2.146.808	2.109.048	2.000.162	2.014.469
Other	481.433	503.645	29.017	20.653
Total	17.402.971	15.518.531	13.712.024	12.734.762
Short-term	16.965.190	15.065.411	13.274.243	12.281.642
Long-term	437.781	453.120	437.781	453.120

(*) includes imports in transit.

6. PETROLEUM AND ALCOHOL ACCOUNT - STN**Settlement of accounts with the Federal Government**

In order to conclude the settlement process, as established by Provisional Measure No. 2.181, of August 24, 2001, Petrobras after having provided all needed information required by the Secretary of the National Treasury - STN is in articulation with this office seeking to resolve the remaining outstanding differences existing between the parts.

The remaining balance to the amount of R\$ 793.102 thousand (R\$ 789.278 thousand as of March 31, 2007) may be paid by the Federal Government with National Treasury Bonds issued at the same amount of the final balance of the settlement of accounts or other amounts that might be owed by Petrobras to the Federal Government, including those related to taxes, or a combination of the foregoing options.

7. MARKETABLE SECURITIES

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

	R\$ thousand			
	Consolidated		Parent Company	
	06.30.2007	03.31.2007	06.30.2007	03.31.2007
Tax incentives FINOR	5.317	9.797	4.815	4.815
B Certificates	176.119	216.625		
Bank securities	146.134	152.009		
NTN P	7.969	7.836	3.372	3.311
Other	249.786	151.254		
	585.325	537.521	8.187	8.126

B certificates, which were received by Brasoil on account of the sale of platforms in 2000 and 2001, have semi-annual maturity dates until 2011, which bear interest equivalent to the Libor rate plus 2,5% p.a. to 4,25% p.a..

Bank and corporate securities have a maturity date of 2014 and an interest yield of 6,06% to 8,50% p.a.

8. PROJECTS FINANCINGS

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

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

8.1. Reimbursements receivable and ventures under negotiation

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

Projects/companies	Parent Company	
	06.30.2007	03.31.2007
Cayman Cabiunas Investment Co. Ltda.	815.078	816.698
PDET Offshore S.A.	829.237	744.363
Nova Transportadora do Nordeste S.A. (NTN)	96.410	96.410
Nova Transportadora do Sudeste S.A. (NTS)	71.300	71.250
Other	1.110	1.018
Total	1.813.135	1.729.739
Advances	(620.074)	(778.945)
Total net of reimbursements receivable	1.193.061	950.794
Ventures under negotiation	62.461 (*)	54.971(*)
Total projects financings	1.255.522	1.005.765

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

8.2. Projects financings obligations

	Project	R\$ thousand	
		06.30.2007	03.31.2007
NovaMarlim Petróleo S.A.	NovaMarlim	249.603	291.190
PDET Offshore S.A.	PDET	1.198.357	1.198.357
Total		1.447.960	1.489.547

a) Marlim Project

NovaMarlim Petróleo S.A. provided funding for the project, the balance of which, net of operating costs already incurred by Petrobras to the amount of R\$ 1.864.931 thousand (R\$ 1.823.345 thousand up to March 31, 2007) and

transferred assets of R\$ 49.465 thousand, reached R\$ 249.603 thousand (R\$ 291.190 thousand up to March 31, 2007) classified in the current liabilities as Projects Financings.

b) PDET Project

PDET Offshore S.A passed to Petrobras R\$ 1.198.357 thousand as an advance for the future sale of assets and reimbursement of expenses incurred by Petrobras, classified in the current liabilities as Projects Financings.

8.3. Accounts payable related to consortiums

	R\$ thousand	
	06.30.2007	03.31.2007
Fundação Petrobras de Seguridade Social Petros	62.160	61.634
Total	62.160	61.634

Petrobras maintains consortium contracts for the purpose of supplementing the development of oil field production, of which the accounts payable to consortium partners amounted to, as of June 30, 2007, R\$ 62.160 thousand (R\$ 61.634 thousand to March 31, 2007), classified in the current liabilities as Projects Financings.

8.4. Special purpose companies**a) Projects financings in progress**

Project	Purpose	Main guarantees	Investment amount	Current phase
Barracuda and Caratinga	To allow development of production in the fields of Barracuda and Caratinga in the Campos Basin. The SPE is in charge of building all of the assets (wells, submarine equipment and production units) required by the project, and is also the owner of them.	Guarantee provided by Barracuda and Caratinga Leasing Company B.V. (BCLC), Brasoil to cover ;BCLC s financial requirements.	US\$ 3,1 billion.	In operation, with constitution of assets of final stages.
Marlim	Consortium with Companhia Petrolífera Marlim (CPM), which furnishes to Petrobras submarine equipment for oil production of the Marlim field.	70% of the field production limited to 720 days.	US\$ 1,5 billion.	In operation.
NovaMarlim	Consortium with NovaMarlim Petróleo S.A. (NovaMarlim) which furnishes submarine oil production equipment and refunds by way of advancement already made to Petrobras operating costs arising from operating and maintaining the field assets.	30% of the field production limited to 720 days.	US\$ 834 million.	In operation.
CLEP	Companhia Locadora de Equipamentos Petrolíferos - CLEP furnishes Petrobras assets related to oil production located in the Campos Basin through a lease agreement for the period of 10 years, and at the end of which period Petrobras will have the right to buy shares of the SPE or project assets.	CLEP Lease prepayments in case Petrobras revenue is not sufficient to cover payables to the lenders.	US\$ 1,25 billion.	In operation.

Project	Purpose	Main guarantees	Investment amount	Current phase
PDET	PDET Offshore S.A. is the future owner of the Project assets whose objective is that of improving the infrastructure to transfer oil produced in the Campos Basin to the oil refineries in the Southeast Region and export. The assets will be later leased to Petrobras for 12 years.	All of the project's assets will be pledged as collateral.	US\$ 1,27 billion.	In stage of constitution of assets.
Malhas	Consortium among Transpetro, Transportadora Nordeste Sudeste (TNS), Nova Transportadora do Sudeste (NTS) and Nova Transportadora do Nordeste (NTN). NTS and NTN contribute through assets related to natural gas transportation. TNS (a 100% Gaspetro subsidiary) furnishes assets that have already been previously set up. Transpetro is the gas pipes operator.	Prepayments based on transportation capacity to cover any consortium cash insufficiencies.	US\$ 1 billion.	The consortium became operational on January 1, 2006. However, some assets are still under construction.
Modernization of Revap	This project has the objective of raising the Henrique Lage (Revap) refinery's national heavy oil processing capacity, bringing the diesel it produces into line with the new national specifications and reducing pollution levels. To achieve this the SPE Cia. de Desenvolvimento e Modernização de Plantas Industriais - CDMPI was founded, which shall construct and lease to Petrobras a Retarded Coking plant, a Coke Naphtha Hydrotreatment plant and related plants to be installed at this refinery.	Prepaid rental to cover any cash deficiencies of CDMPI.	US\$ 900 million.	The financial structuring has been concluded. The contracts were executed on May 23, 2006. The assets are currently under construction.
Cabiúnas	Project with the objective of increasing gas production transportation from the Campos Basin. Cayman Cabiunas Investment Co. Ltd. (CCIC), furnishes assets to Petrobras under an international lease agreement.	Pledge of 10,4 billion m ³ of gas.	US\$ 850 million consolidated in the lease agreement.	In operation.

Project	Purpose	Main guarantees	Investment amount	Current phase
Other		Ownership of the assets or additional lease payment if the revenue is not sufficient to cover payables to lenders.	US\$ 495,5 million	In operation

b) Projects financings

Project	Purpose	Main guarantees	Investment amount	Current phase
Gasene	Transportadora Gasene S.A. is responsible for the construction and future ownership of pipelines to transport natural gas with a total length of 1,4 thousand km and transportation capacity of 20 million cubic meters per day, connecting the Cabiúnas Terminal in Rio de Janeiro to the city of Catu, in Bahia state.	To be defined.	US\$ 2 billion.	Attainment of bridge loans together with: (i) BNDES to the value of R\$ 1,36 billion, being R\$ 1,05 billion for the construction of the Gascac gas pipeline and R\$ 312 million for the construction of the Gascav pipeline and (ii) BB Fund SPC to the value of R\$800 million for the construction of the Gascav gas pipeline, with the issue of US\$ 210 million in Promissory Notes, in October of 2006.

Project	Purpose	Main guarantees	Investment amount	Current phase
Amazônia	Development of a project in the Gas and Energy area that includes the construction of a gas pipe with length of 385 km, between Coari and Manaus, and a GLP pipe with length of 285 Km between Urucu and Coari under the responsibility of Transportadora Urucu - Manaus S.A. and the construction of a thermoelectric plant, in Manaus, with capacity of 488 MW through Companhia de Geração Termelétrica Manauara S.A.	Being negotiated.	US\$ 1,3 billion.	A bridge loan in the amount of (i) R\$ 800 million was obtained from BNDES in December 2005, to begin construction of the gas pipeline; and (ii) R\$ 1 billion from the BB Fund SPC. Of this total US\$ 115 million was issued in Promissory Notes in February 2007.
Marlim Leste (P-53)	To develop production in the Marlim Leste field, Petrobras will use the Stationery Production Units (UEP), P-53, to be chartered from Charter Development LLC. The Bare Boat Charter agreement will be effective for a 15-year period counted from the date of signature.	<p><u>Completion:</u> the flow of charter payments to be made by Petrobras will begin at a certain date.</p> <p><u>Cost</u></p> <p><u>Overrun:</u> Any increase in P-53 construction costs will represent an increase in charter amounts payable by Petrobras.</p>	US\$ 1,59 billion.	Increase to the bridge loan amount from ABN AMRO, in August 2006 to US\$ 350 million. In September 2006, the syndicated loan was refinanced. The financing amount was increased to US\$ 750 million. Obtainment of short-term funds of US\$ 200 million, through the issuance of Promissory Notes. The assets are currently under construction.

Project	Purpose	Main guarantees	Investment amount	Current phase
Mexilhão	Construction of a platform (PMXL-1) to produce natural gas at Mexilhão and Cedros fields, in the Santos Basin, in São Paulo State through Companhia Mexilhão do Brasil (CMB), responsible for obtaining the funds necessary to build such platform. After building the PMXL-1 shall be leased to Petrobras, holder of the exploration and production concession in the aforementioned fields.	To be defined	US\$ 595 million.	Obtainment of short-term funds up to the amount of US\$ 241 million, through the issuance of Promissory Notes acquired by the BB Fund. Constitution of the assets at the initial stage.

9. JUDICIAL DEPOSITS

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

	R\$ thousand			
	Consolidated		Parent Company	
	06.30.2007	03.31.2007	06.30.2007	03.31.2007
Labor	575.843	554.007	532.828	514.567
Tax	815.739	813.774	627.157	628.555
Civil (*)	298.298	284.371	222.909	212.955
Other	7.544	11.206	2.280	2.271
Total	1.697.424	1.663.358	1.385.174	1.358.348

(*) Net of the judicial deposit related to the judicial proceeding provisioned for - in accordance with CVM Decision 489/05.

9.1. Other information

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

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

Of the total amount related to legal actions of approximately R\$ 895.795 thousand, up to June 30, 2007, some R\$ 80.159 thousand had been withdrawn from the Company's accounts as a result of judicial rulings of advance relief, which were annulled as a result of an appeal filed by the Company.

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

10. INVESTMENTS**10.1. Information about Subsidiaries, Jointly-owned Subsidiaries and Affiliated Companies**

	R\$ thousand	
	06.30.2007	03.31.2007
Subsidiaries		
Petrobras Distribuidora S.A. BR	6.714.508	6.481.617
Termorio S.A.	2.536.160	2.539.721
Petrobras Gás S.A. Gaspetro	2.456.649	2.302.894
Petrobras Internacional Braspetro B.V. PIB BV	2.366.694	2.448.405
Petrobras Química S.A. Petroquisa	1.852.520	1.798.658
Petrobras Transpetro S. A. Transpetro	1.592.778	1.569.662
Downstream Participações Ltda.	1.232.296	1.168.428
Petrobras Netherlands B.V. PNBV	1.114.245	1.010.210
Braspetro Oil Services Company Brasoil	726.752	796.461
Termomacaé Ltda.	708.856	677.623
5283 Participações Ltda.	596.331	616.934
FAFEN Energia S. A.	223.408	220.998
Baixada Santista Energia Ltda.	218.456	217.836
SFE - Sociedade Fluminense de Energia Ltda	134.738	107.584
Termoceaná Ltda.	133.792	141.337
Petrobras Comercializadora de Energia Ltda Pecel	108.500	341.361
Fundo de Investimento Imobiliário RB Logística FII	40.309	35.129
Petrobras Negócios Eletrônicos S.A. E-Petro	23.025	21.968
Goodwill/Negative Goodwill in parent companies	(164.276)	(179.398)
	22.615.741	22.317.428
Jointly-owned Subsidiaries		
Termoaçu S.A.	374.810	374.810
UTE Norte Fluminense S.A.	57.304	54.829
Termogaúcha Usinas Termoelétricas S.A (being extinguished)	30.191	30.191
Ibiritermo S.A.	15.319	8.871
Termobahia S.A.	9.521	20.699
GNL do Nordeste Ltda	290	290
Refinaria de Petróleo Ipiranga S.A. (RPI)*	0	0
	487.435	489.690
Affiliated companies		
Advancement for Ipiranga Química S.A. acquisition	433.019	
UEG Araucária Ltda	125.832	124.368
Companhia Petroquímica Paulista	2.153	2.153
	561.004	126.521
Other Investments	350.524	232.871

24.014.704

23.166.510

* Provision for losses made in the amount of R\$ 2.504 thousand.

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10.2. Investments in companies with shares traded on Stock Exchanges

As of June 30, 2007, Petrobras relevant investments in Companies with shares traded on Stock Exchanges are shown below:

COMPANY	LOT OF THOUSAND SHARES	TYPE	PRICE ON STOCK EXCHANGE	MARKET VALUE
			R\$ / SHARES	R\$ thousand
Subsidiaries				
Pepsa	1.249.717	ON	2,10	2.624.406
PESA (*)	229.729	ON	5,30	1.217.564
RPI (**)	2.203	ON	102,25	225.257
RPI (**)	759	PN	48,30	36.660
CBPI (**)	3.207	ON	56,14	180.041
CBPI (**)	298	PN	25,80	7.688
				4.291.616
Associated companies				
Copesul	23.482	ON	36,73	862.494
PQU	8.738	ON	13,00	113.594
PQU	8.738	PN	12,80	111.846
				1.087.934
Other investments				
Braskem	12.111	ON	16,56	200.558
Braskem	18.553	PNA	17,26	320.225
				520.783

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

(**) Shares purchased by Ultrapar for the account and order of Petrobras relating to the companies Refinaria de Petróleo Ipiranga S.A. and Companhia Brasileira de Petróleo Ipiranga.

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

10.3. Goodwill/Negative goodwill

Goodwill and negative goodwill recorded derive from expected future income, market value of assets or other fundamentals and are being amortized where applicable to the extent of the projections which determined it or the useful life of the assets.

Changes to the goodwill/negative goodwill

	R\$ thousand	
	Consolidated	Parent Company
Balance of goodwill (negative goodwill) as of December 31, 2006	833.738	(181.762)
Goodwill on acquisition of shares in Refinaria de Petróleo Ipiranga	3.013	3.013
Negative goodwill on acquisition of EVM	(915.758)	
Amortization:		
Goodwill	(91.390)	(3.016)
Negative Goodwill	18.429	17.486
Other (*)	(87.815)	3
Balance of goodwill (negative goodwill) as of June 30, 2007	(239.783)	(164.276)

(*) Includes exchange variation on balances of overseas companies.

At the parent company, the balance of negative goodwill in the amount of R\$ 268.086 thousand has been recorded as an investment and in the consolidated statement the amount of R\$ 201.751 thousand has been presented as deferred income.

10.4. Other Information**a) Investments in Ecuador***a.1) Sale and association agreement with Teikoku Oil Co. Ltd. on operations in Ecuador*

On January 11, 2007, the Ecuadorian Ministry of Mines approved the agreement executed in January 2005 for the sale by Petrobras Energia S.A. PESA to Teikoku of 40% of the rights and obligations of the participation contracts in blocks 18 and 31, in Ecuador. As a result of this approval, the parties are currently carrying out the necessary actions to incorporate Teikoku as a partner in these blocks.

a.2.) New Hydrocarbons Law

In April 2006, the Law which amended the Hydrocarbons Law (Ley de Hidrocarburos) was enacted in Ecuador, which establishes that the Government shall hold a minimum interest of 50% in the extraordinary revenues generated by increases to the sale price of Ecuadorian oil (average monthly effective FOB sale price) as compared to the monthly average oil sale price established at the date the respective oil sale contracts were executed, stated in the currency of the month of settlement. The regulations of this law were published in July 2006, which Ecuadortlc S.A., a subsidiary of PESA, and Petroecuador interpreted differently. In February 2007, Ecuadortlc paid the additional amount charged by Petroecuador and, according to its interpretation of the new legislation, relating to the period from April to December 2006, in the amount equivalent to R\$ 50.081 thousand. In July 2007, Petroecuador notified Ecuadortlc of the differences relating to the period from January to May 2007, totaling approximately R\$ 50.000 thousand. Based on legal arguments, Ecuadortlc requested that Petroecuador reconsider the criteria utilized to calculate the shares. To date, the responsible authorities have not ruled on the matter.

b) Investments in Bolivia

b.1) New Hydrocarbons Law

Supreme Decree 28.701 came into force in Bolivia on May 01, 2006, which nationalized all natural hydrocarbon resources, obliging companies currently producing gas and oil to transfer ownership of the entire hydrocarbon production to YPFB.

In addition, by means of the above mentioned decree, the Bolivian government nationalized the shares required for YPFB to obtain at least 50% plus 1 of the shares of Petrobras Bolivia Refinación S.A. PBR, in which Petrobras, indirectly, is the sole shareholder (Petrobras Bolivia Inversiones e Servicios S.A. 51% e Petrobras Energia Internacional S.A. 49%).

On October 28, 2006 Petrobras and its partners signed operating agreements with YPFB for the operations of the San Alberto, San Antonio, Rio Honda and Ingre blocks, that are operated by Petrobras, which were registered and came into effect on May 02, 2007. These contracts establish that the revenues, royalties, shareholdings, IDH, transportation and compression will be absorbed by YPFB, reimbursing the production costs and investments made by the Company to the titleholder (Petrobras), and paying remuneration calculated in accordance with the variable participation table, specified in the contracts.

As a result of Supreme Decree 29.122, issued on May 6, 2007, which established that YPFB would be the sole exporter of reconstituted petroleum and white gas, the main products commercialized by PBR, on May 7, 2007, Petrobras presented an offer to sell all the shares of PBR to YPFB, which was accepted by the Bolivian Government on May 12, 2007, by means of Supreme Decree 29.128. On June 25, 2007, a share purchase agreement for the shares of PBR was signed, transferring all the shares to YPFB for the amount of US\$ 112.000 thousand in 2 installments, the first of which was settled on June 11, 2007 and the second of which becomes due on August 13, 2007, guaranteed by a standby letter of credit.

The capital gains made by Petrobras in the sale of the shares of PBR is recorded in Other Non-Operating Income in the amount of R\$ 71.984 thousand.

In addition, the contract stipulates that the net income calculated by PBR for the period from April 1, 2007 to June 25, 2007 is to be paid to the seller by May 31, 2008, a provision having been recorded in the approximate amount of R\$ 43.000 thousand.

c) Investments in Argentina

c.1) Sales of the interest in a power company in Argentina

In January 2007, PESA signed a share purchase and sale agreement with a consortium formed by Merrill Lynch, Pierce, Fenner & Smith Inc and Sociedad Argentina de Energia S.A. to transfer its interest (9,19%) in Hidroneuquén S.A., which holds 59% of the capital stock of Hidroeléctrica Piedra del Aquila S.A.. This agreement specifies a sales price of US\$ 15 million.

d) Investments in Venezuela

d.1) Review of the operating partnerships in Venezuela

In April 2005, the Ministry of Energy and Petroleum of Venezuela (MEP) instructed the company Petróleos de Venezuela S.A. (PDVSA) to review the thirty-two operating partnerships executed by PDVSA's affiliates with oil companies between 1992 and 1997.

In March, 2006, through its subsidiaries and affiliated companies in Venezuela, PESA executed with PDVSA and Corporación Venezolana del Petróleo S.A. (CVP), Memoranda of Understanding (MOU) for the purpose of completing the migration of the operating partnerships to the form of mixed capital companies. The MOU establish that the interest held by the private partners in the mixed capital companies is 40%, with the Venezuelan government holding an interest of 60%. According to the terms of the MOU, CVP recognized divisible credits transferable to the private companies with an interest in the mixed capital companies, which shall not be charged interest and may be used as payment of the acquisition bonus for any new mixed capital company project, to develop oil exploration and production activities or to license the development of gas exploration and production operations in Venezuela. The credits assigned to PESA correspond to US\$ 88,5 million.

The migration of the contracts produced economic effects as from April 01, 2006. In August 2006, the conversion contracts for Oritupano Leona, La Concepción, Acema and Mata had been executed and the companies Petroritupano S.A., Petrowayú S.A., Petrovenbras S.A. and Petrokariña S.A. were formed, which will each operate in the abovementioned areas, respectively.

According to the corporate and governance structure specified for the mixed capital companies, as from April 01, 2006, PESA no longer recorded the assets, liabilities and results referring to the aforesaid operations in consolidated statements, presenting them as corporate investments in associated companies appraised according to the equity method. From this date onwards and until the mixed companies became operational, the activities were directed by a transitory executive committee mainly comprised of PDVSA representatives.

The operating results of the mixed companies for the 1st half of 2007 were estimated based on best available information. The materialization of certain estimates depends upon future facts, some of which are beyond the Company's direct control.

e) New Projects Overseas

An indirect subsidiary of Petrobras, Petrobras Energia S.A. PESA acquired from Conoco Phillips for US\$ 77,6 million, its interests of 25,67% and 52,37% of the assets in Sierra Chata and Parva Negra, respectively. Following this acquisition, PESA held an interest of 45,55% in Sierra Chata and 100% in Parva Negra. Sierra Chata is an active natural gas producer in Bacia Neuquina, with total proven reserves as of December 31, 2006 of 56 million barrels of oil and major proven and potential reserves. Parva Negra is a lot adjacent to and north of the Sierra Chata block, which has two drilled wells with signs of natural gas. The area's potential will be evaluated during the course of 2007.

On May 18, 2007, Petrobras signed an agreement with the Portuguese companies Galp Energia and Partex in Lisbon, for oil exploration and production in four blocks in the Lusitanian basin, on the Portuguese coast, north of Lisbon. Petrobras will be the operator, with a 50% interest, Galp Energia holding 30% and Partex 20%. The contract specifies an eight-year exploration period, involving seismic acquisition and drilling of exploratory wells. This will be the first oil exploration and production activity ever carried out on the Portuguese coast.

On June 4, 2007, in New Delhi, Petrobras signed a partnership agreement with ONGC, India's largest oil and gas company. Six deep water exploration blocks will be operated, three of which in Brazil and three off the east coast of India.

f) Operations of Thermoelectric Power Stations

In order to raise its energy generation capacity and eliminate contingency payments, gas supply commitments, energy purchases and reimbursement of operating expenses, Petrobras concluded the acquisition of the thermoelectric power stations embraced by the Priority Thermoelectricity Program, which were generated these contractual commitments. The final negotiations are summarized below:

f.1) Acquisition

Termoaçu S.A.

On March 07, 2007, the shareholders approved the capital increase of Termoaçu S.A. to the total amount of R\$ 53.569 thousand, increasing Petrobras' equity interest from 62,43% to 65,70%.

f.2) Write-off

Usina Termelétrica Nova Piratininga Ltda.

On February 28, 2007, Petrobras and its subsidiary, Gaspetro produced the articles of dissolution of Usina Termelétrica Nova Piratininga Ltda., in consequence of extinguishment of the Piratininga Consortium – São Paulo.

g) Other information

g.1) Ipiranga Group

On April 18, 2007, Ultrapar (on its own behalf), having Braskem S.A. and Petróleo Brasileiro S.A. – Petrobras (both through a commission agreement) as intervening parties, acquired control of the companies comprising the Ipiranga Group. The value of transaction is being disbursed in three installments totaling R\$ 5.486.235 thousand. On that date, Ultrapar, Braskem and Petrobras effected payment of the first installment amounting to R\$ 2.071.107 thousand, purchasing the shares held by the majority shareholders of the Ipiranga Group, of which R\$ 742.747 thousand was paid by Petrobras.

Under the agreement signed by Ultrapar, Braskem and Petrobras, Ultrapar took control over the fuel and lubricant distribution businesses in the South and SouthEast regions (Southern Distribution Assets) of Distribuidora de Produtos de Petróleo Ipiranga (DPPI) and Companhia Brasileira de Petróleo Ipiranga (CBPI), Petrobras assumed control over the fuel and lubricant distribution businesses in the North, North-East and Central-West regions (Northern Distribution Assets) of Distribuidora de Produtos de Petróleo Ipiranga (DPPI) and Companhia Brasileira de Petróleo Ipiranga (CBPI), and Braskem obtained control over the petrochemical assets, represented by Ipiranga Química S.A., Ipiranga Petroquímica S.A. (IPQ) and over this company's interests in Companhia Petroquímica do Sul (Copesul). The oil refinery assets held by Refinaria de Petróleo Ipiranga (RPI) are shared equally by Petrobras, Ultrapar and Braskem.

The transaction was presented to the Brazilian antitrust authorities (Administrative Board for Economic Defense CADE, Office of Economic Law – SDE, Secretary for Economic Monitoring – SEAE), within the timeframe and in accordance with the procedures specified in legislation in force.

Ultrapar is responsible for the corporate reorganization of the companies acquired in order to segregate the assets set aside for each company. This reorganization consists of the following stages:

- a) A Mandatory Tender Offer (Tag-Along) to purchase the common shares in RPI, DPPI and CBPI (filed with the CVM on May 2, 2007);
- b) Ultrapar will take over the shares of RPI, DPPI and CBPI;
- c) The assets will be segregated as follows: (i) the capital of RPI and CBPI will be reduced to transfer the petrochemical assets directly to Ultrapar, which will be later delivered to Braskem and Petrobras under the terms of the commission agreement, and (ii) CBPI will be split to transfer the Northern Distribution Assets to a company controlled by Petrobras.

This operation is currently at the stage to launch a Public Offering (PO) of the common shares issued by RPI, DPPI and CBPI. The request for registration was filed with the CVM on May 02, 2007 and is being examined by this authority.

With regard to the petrochemical businesses, on April 18, 2007, Petrobras and Braskem filed a request with the CVM to register a PO to close the capital of Copesul, which is also still in analysis. As regards IPQ, the same companies filed for a Tag-Along PO, on May 18, 2007, allowing private parties to purchase shares held by the minority shareholders as at June 28, 2007, with the financial settlement and transfer of the shares by the shareholders. The value of the transaction was estimated in R\$ 118.000 thousand and the vehicle utilized for the purchase was a special purpose company, EDSP67 Participações S.A., a subsidiary of Ipiranga Química S.A. On July 04, 2007, the CVM granted the application to waive this PO and, on July 18, 2007, the company's registration as a quoted company was cancelled.

After the 1st phase of the acquisition, in the petrochemical businesses, Petrobras holds 8,94% of the total capital and 27,13% of the voting capital of Ipiranga Química, recording the amount of R\$ 429.405 thousand as an advance under Investments and an equity adjustment of R\$ 7.662 thousand, and amortizing the goodwill thereon of R\$ 4.048 thousand. The calculation of the goodwill was estimated taking into account the installment paid in the 1st phase, the forecasted total value of the transaction, its percentage of total capital considered for equity adjustment and Petrobras shareholding at the end of the process (40%)

In the refinery businesses, Petrobras holds 10,1% of the total capital of RPI, and now consolidates proportionally the pro-forma financial statements of the refinery assets of RPI due to the shared control exercised by Petrobras, Braskem and Ultrapar. The goodwill of R\$ 3.013 thousand was reported and amortized in full, making a provision for loss in investments in the same amount due to the negative equity adjustment, reverting R\$ 509 thousand due to the results obtained through the refining operation in the 2Q-07.

As regards the fuel distribution market, the CADE explained that injunction 087000.001707/2007 -80 regarding acts of concentration, did not impede Petrobras and Ultrapar – the companies that had acquired the distribution businesses of the Ipiranga Group - from entering into understandings with the objective to formulate a structure of corporate governance that eliminates any risk to competition. The CADE authorized Petrobras and Ultrapar to hold meetings to discuss the matter and present an proposal.

On May 16, 2007, CADE unanimously approved an agreement replacing the terms of the injunction that impeded Petrobras from taking part in the strategic and commercial decisions relating to the acquisition of the distribution assets of the Ipiranga Group.

The document entitled Agreement to Preserve Reversibility of Transaction (APRO) allows Petrobras to choose a manager and negotiate the implementation of a governance policy that ensures the preservation of the assets and the rights of the minority shareholders. The timetable for the performance of the transaction remains unaltered.

With the agreement, the management of the distribution assets purchased by Petrobras will become separate from the management of the assets purchased by Ultrapar.

The manager of the Petrobras distribution assets has been selected from the market and is expected to run the businesses until the final decision on the transaction is made by CADE.

In the distribution business, Petrobras recorded the amount of R\$ 313.342 thousand, relating to the distribution assets, as an advance in Non-Current Assets, in long term receivables due to the APRO, awaiting the CADE's final decision on the transaction .

g.2) Exercise of option to purchase shares of EVML Leasing Co.

On June 18, 2007, for US\$ 123 million (equivalent to R\$ 234.278 thousand) and on the recommendation of Petrobras, Braspetro Oil Company (BOC) exercised its option to purchase all the shares of EVM Leasing Co., the owner of the assets, financed by the investors and financiers of the EVM project financing, in light of the conclusion of the financing structure and other contractual obligations of the project settled by Petrobras.

In the financial statements of Petrobras, the assets and liabilities of EVM were consolidated, as required under the terms of CVM Instruction No. 408/2004. In June 2007, EVM became a direct holding of BOC, which holds 100% of its voting capital, fully paid-up, and its consolidation was in compliance with CVM Instruction No. 247/96.

11. PROPERTY, PLANT AND EQUIPMENT**11.1. By operating segment****Consolidated**

	R\$ thousand			
	06.30.2007		03.31.2007	
	Cost	Accumulated Depreciation	Net	Net
Exploration and Production	111.013.092	(43.416.442)	67.596.650	65.338.290
Supply	38.416.381	(16.719.652)	21.696.729	20.655.515
Distribution	4.496.693	(1.824.010)	2.672.683	2.629.622
Gas and Energy	20.706.870	(3.538.521)	17.168.349	16.222.564
International	19.860.607	(7.759.693)	12.100.914	11.877.040
Corporate	2.580.610	(806.489)	1.774.121	1.572.276
	197.074.253	(74.064.807)	123.009.446	118.295.307

Parent Company

	R\$ thousand			
	06.30.2007		03.31.2007	
	Cost	Accumulated Depreciation	Net	Net
Exploration and Production	81.654.750	(36.874.242)	44.780.508	42.295.392
Supply	31.539.220	(15.112.491)	16.426.729	15.483.212
Gas and Energy	2.890.946	(552.555)	2.338.391	2.157.792
International	17.011	(9.136)	7.875	7.133
Corporate	2.447.826	(786.176)	1.661.650	1.573.233
	118.549.753	(53.334.600)	65.215.153	61.516.762

11.2. By type of asset**Consolidated**

	R\$ thousand				
	06.30.2007		03.31.2007		
	Estimated Useful Life in years	Cost	Accumulated Depreciation	Net	Net
Buildings and improvements	25 to 40	6.941.077	(2.637.039)	4.304.038	4.319.713
Equipment and other assets	3 to 30	86.465.812	(42.483.965)	43.981.847	43.643.807
Land		753.482		753.482	727.495
Materials		3.641.951		3.641.951	3.310.151
Advances to suppliers		1.452.864		1.452.864	1.554.111
Expansion projects		34.967.725		34.967.725	32.155.314
Oil and gas exploration and production development costs (E&P)		62.851.342	(28.943.803)	33.907.539	32.584.716
		197.074.253	(74.064.807)	123.009.446	118.295.307

Parent Company

	Estimated Useful Life in years	R\$ thousand			
		06.30.2007		03.31.2007	
		Cost	Accumulated Depreciation	Net	Net
Buildings and improvements	25 to 40	3.357.513	(1.451.533)	1.905.980	1.816.951
Equipment and other assets	4 to 20	40.859.260	(27.123.567)	13.735.693	13.121.063
Land		301.974		301.974	282.197
Materials		3.020.792		3.020.792	2.720.004
Advances to suppliers		493.667		493.667	403.080
Expansion projects		18.291.169		18.291.169	17.060.301
Oil and gas exploration and production development costs (E&P)		52.225.378	(24.759.500)	27.465.878	26.113.166
		118.549.753	(53.334.600)	65.215.153	61.516.762

The equipment and fixtures relating to oil and gas production captive to the respective wells developed, are depreciated according to the monthly production volume in relation to each production field's proven and developed reserves. The straight-line method is used for assets with a useful life shorter than the life of the field. Other equipment and assets not related to oil and gas production are depreciated according to their estimated and useful life.

The relevant expenses incurred on scheduled stoppages to maintain the industrial plants and ships, which include spare parts, and assembly and disassembly services, among others are registered in the fixed assets.

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

11.3 Oil and gas exploration and development costs

	R\$ thousand			
	Consolidated		Parent Company	
	06.30.2007	03.31.2007	06.30.2007	03.31.2007
Capitalized costs	62.851.342	60.441.891	52.225.378	50.100.095
Accumulated depreciation	(28.343.959)	(27.335.233)	(24.213.289)	(23.516.880)
Amortization of provision for abandonment costs	(599.844)	(521.942)	(546.211)	(470.049)
Net investment	33.907.539	32.584.716	27.465.878	26.113.166

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

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

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

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

The interest expense on the provision for the liability to the amount of R\$ 60.282 thousand in the first half of 2007 has been classified as operating expenditure expenses on prospecting and drilling to extract oil (item 3.06.05.04 of the Statement of Income Quarterly Financial Information Parent Company).

11.4. Depreciation

The depreciation expenses in the first half of 2007 and 2006 are as follows:

	R\$ thousand			
	Consolidated		Parent Company	
	Jan-Jun/2007	Jan-Jun/2006	Jan-Jun/2007	Jan-Jun/2006
Portion absorbed in costing:				
Of assets	1.964.320	2.360.953	733.980	901.643
Of exploration and production costs	1.996.225	1.176.528	1.293.243	846.235
Of capitalization of/provision for well abandonment	158.521	81.354	149.867	77.580
	4.119.066	3.618.835	2.177.090	1.825.458
Portion recorded directly in income statement	664.531	550.477	368.332	297.365
	4.783.597	4.169.312	2.545.422	2.122.823

11.5. Leasing of platforms and ships

As of June 30, 2007 and of March 31, 2007, direct and indirect subsidiaries had leasing contracts for offshore platforms and ships chartered to Petrobras, and the commitment assumed by the Parent Company is equivalent to the amount of the contracts. The Parent Company also had leasing contracts with third parties for other offshore platforms.

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

	R\$ thousand			
	Consolidated		Parent Company	
	06.30.2007	03.31.2007	06.30.2007	03.31.2007
Property, plant and equipment, net of depreciation	1.384.878	1.468.592	196.484	212.234
Financing:				
Short-term (current)	465.392	512.551	67.415	68.323
Long-term (non-current)	1.514.522	1.746.012	278.362	316.815
	1.979.914	2.258.563	345.777	385.138

Prepaid expenditures on platform charters incurred prior to the operational startup are recorded as prepaid expenses and amount to R\$ 1.154.117 thousand as of June 30, 2007 (R\$ 1.156.196 thousand as of March 31, 2007), with R\$ 898.161 thousand recorded in the non-current assets as of June 30, 2007 (R\$ 898.362 thousand as of March 31, 2007).

11.6. Lawsuits abroad

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

On July 25, 2002, Brasoil and Petrobras won a lawsuit filed with an American Court by the insurance companies United States Fidelity & Guaranty Company and American Home Assurance Company, which had attempted to obtain since 1997, a legal judgment in the United States to exempt them from the obligation to indemnify Brasoil for the construction (performance bond) of platforms P-19 and P-31, and from Petrobras, the refund of any amounts that they might be ordered to pay in the performance bond proceeding.

A court decision by the first level of the Federal Court of the District of New York recognized the right of Brasoil and Petrobras to receive indemnity for losses and damages in the amount of US\$ 237 million, plus interest and reimbursement of legal expenses on the date of effective receipt, relating to the performance bond, in a total of approximately US\$ 370 million.

The insurance companies have filed appeals against the decision with the United States Court of Appeals for the Second Circuit. A decision was handed down on May 20, 2004, when the Court partly maintained the verdict, confirming the insurance companies liability to pay the performance bonds and exempting the insurance companies from the obligation to pay liquidated damages, attorney s fees and expenses, reducing the indemnity to US\$ 245 million.

The insurance companies appealed against this decision to the full court, which rejected the appeal, thus confirming the unfavorable verdict as mentioned. In April 2005, the parties (Insurance companies and Brasoil) began discussions seeking to settle the credit of Brasoil, resulting in the execution of a Memorandum of Understanding, the effects of which, however, led to further queries and issues to be settled in court. On July 21, 2006, the U.S. Court delivered an executive decision specifying the points of divergence, and the interest due. However, it made payment of the amounts owed to Brasoil subject to the permanent discontinuance of the legal proceedings involving identical claims in progress before the Brazilian courts, which the parties proceeded to do.

b) Lawsuit in London P-36

Brasoil and Petrobras participate in several contracts relating to the conversion and acquisition of the P-36 Platform, which suffered a total loss in an accident (sinking) during 2001. Under these contracts, Brasoil and Petrobras had undertaken to deposit any insurance reimbursement, in the event of an accident, in favor of a Security Agent for the payment of creditors, in accordance with contractual terms. A legal action brought by companies that claiming part of these payments is currently in progress in a London Court, since Brasoil and Petrobras understand that they are entitled to these amounts in accordance with the distribution mechanism already mentioned.

In April 2003, Brasoil provided the Court with a bank guarantee obtained from a financial institution for the payment of insurance indemnity to the Security Agent. In order to facilitate the issue of the bank guarantee, Brasoil provided the financial institution with counter-guarantees in the amount of US\$ 175 million. Pursuant to the verdict handed down by the foreign Court on December 15, 2005, the following payment was made for the bank guarantee on April 30, 2004 amounting to US\$ 171 million. On January 4, 2006, the guarantee provider confirmed that the guarantee was cancelled.

The trial was divided into two stages. The first stage was in October 2003 with a decision being handed down on February 2, 2004. The terms of the decision are complex and subject to appeal. In summary: (i) neither Petrobras nor Brasoil have been considered to have defaulted on their obligations; (ii) Petromec and Maritima are subject to reimbursing Brasoil for approximately US\$ 58 million plus interest; and (iii) Petromec and Maritima are not liable for delays or unfinished work.

On July 15, 2005 a verdict was handed down determining that the insurance indemnification belongs to Brasoil, except the amount of US\$ 629 thousand plus interest that should be paid to the other parties in the litigation, as well as an additional amount of US\$ 1,5 million that should be held on deposit until the result of certain pending matters.

Following the trial in February 2004, Petromec amended the legal suit claiming the amount of US\$ 131 million in additional costs for upgrading work carried out and, alternatively, for damages for perjury, but without stipulating the amount of damages. The perjury trial took place between January 16 and February 09, 2006 and the verdict delivered on June 16, 2006 ruled Petromec's claims to be without merit. Petromec did not submit an appeal and this decision is final.

Judgment of the claim for additional costs will probably be made at the end of 2007 or in 2008.

c) Other indemnity lawsuits

Pursuant to the construction and conversion of vessels into FPSO - Floating Production, Storage and Offloading and FSO - Floating, Storage and Offloading, considering the contractual default of the constructors, by June 30, 2007, Brasoil had contributed, on behalf of the constructors, with financial resources in the amount of US\$ 612 million, equivalent to R\$ \$ 1.179.432 thousand (R\$ 1.251.151 thousand on March 31, 2007) paid directly to the suppliers and subcontractors in order to avoid further delays in the construction/conversion activities and consequently losses to Brasoil.

Based on the opinion of Brasoil's legal advisers, these expenses should be reimbursed, since they represent a right of Brasoil with respect to the constructors, for which reason judicial action was filed with international courts to obtain financial reimbursement. However, as a result of the litigious nature of the assets and the uncertainties as regards to the probability of receiving all the amounts disbursed, the company conservatively recorded a allowance for doubtful accounts for all credits that are not backed by collateral, in the amount of US\$ 540 million, equivalent to R\$ 1.040.666 thousand on June 30, 2007 (R\$ 1.103.437 thousand on March 31, 2007).

12. INTANGIBLE**12.1. Segment reporting****Consolidated**

	R\$ thousand			
	06.30.2007		03.31.2007	
	Cost	Accumulated Depreciation	Net	Net
Exploration and Production	1.769.983	(233.891)	1.536.092	1.524.453
Supply	287.507	(86.232)	201.275	186.101
Distribution	193.994	(88.005)	105.989	106.885
Gas and Energy	96.716	(20.652)	76.064	70.657
International	3.612.063	(1.148.947)	2.463.116	2.632.151
Corporate	1.594.036	(487.290)	1.106.746	1.108.052
	7.554.299	(2.065.017)	5.489.282	5.628.299

Parent Company

	R\$ thousand			
	06.30.2007		03.31.2007	
	Cost	Accumulated Depreciation	Net	Net
Exploration and Production	1.769.504	(233.803)	1.535.701	1.524.049
Supply	184.836	(54.495)	130.341	127.582
Gas and Energy	66.939	(4.788)	62.151	57.600
International	26.603	(7.890)	18.713	18.782
Corporate	1.560.868	(464.373)	1.096.495	1.097.262
	3.608.750	(765.349)	2.843.401	2.825.275

12.2. By asset type**Consolidated**

	R\$ thousand				
	06.30.2007		03.31.2007		
	Estimated Useful Life in years	Cost	Accumulated Depreciation	Net	Net
Rights and concessions	25	5.030.827	(1.173.937)	3.856.890	4.021.725
Software	4	2.523.472	(891.080)	1.632.392	1.606.574
		7.554.299	(2.065.017)	5.489.282	5.628.299

Parent Company

	R\$ thousand				
	06.30.2007		03.31.2007		
	Estimated Useful Life in years	Cost	Accumulated Depreciation	Net	Net
Rights and concessions	25	1.474.343	(14.121)	1.460.222	1.450.062

Software	4	2.134.407	(751.228)	1.383.179	1.375.213
		3.608.750	(765.349)	2.843.401	2.825.275

The expenses on rights and concessions includes the subscription bonus relating to offers to obtain the concession of areas for exploring the natural gas or oil recorded at acquisition cost value and amortized according to the units produced in relation to the proven and developed reserves. Software and trademarks and patents are also recorded as intangible.

13. LOANS AND FINANCING**Consolidated**

	R\$ thousand			
	Current		Non-current	
	06.30.2007	03.31.2007	06.30.2007	03.31.2007
Foreign				
Financial institutions	4.644.278	5.849.547	12.185.250	13.279.544
Bearer obligations - "Notes", Global Notes and Global step-up Notes	1.250.161	670.029	7.141.885	7.628.123
Suppliers		12.548	14.785	36.028
Trust Certificates Senior/Junior	132.317	140.541	831.175	918.528
Other	650.640	741.895	548.101	1.113.753
Subtotal	6.677.396	7.414.560	20.721.196	<u>22.975.976</u>
Local				
BNDES - National Economic and Social Development Bank (state owned-company)	2.389.274	2.491.732	2.155.221	4.055.058
Debentures	469.129	395.357	3.703.328	3.016.260
FINAME related to the construction of the Bolivia Brazil gas pipeline	83.069	97.684	325.804	389.290
Other	635.440	966.311	680.278	356.049
Subtotal	3.576.912	3.951.084	6.864.631	7.816.657
Total	10.254.308	11.365.644	27.585.827	30.792.633
Interest on loans and financing	(710.513)	(748.102)		
Principal	9.543.795	10.617.542		
Current portion of the loans and financing in the non-current liabilities	(4.452.041)	(4.099.864)		
Total short-term loans and financing	5.091.754	6.517.678		

Parent Company

	R\$ thousand			
	Current		Non-current	
	06.30.2007	03.31.2007	06.30.2007	03.31.2007
Foreign				
Financial institutions	520.674	558.523	1.411.513	1.612.448
Bearer obligations - "Notes"	365.334	377.683		
Subtotal	886.008	936.206	1.411.513	1.612.448
Local				
Debentures	283.668	210.225	2.772.032	2.763.507
FINAME related to the construction of the Bolivia Brazil gas pipeline	80.529	95.644	316.503	379.024
Other	32.155	38.608	63.081	65.201
Subtotal	396.352	344.477	3.151.616	3.207.732
Total	1.282.360	1.280.683	4.563.129	4.820.180
Interest on loans and financing	(261.656)	(184.524)		
Principal	1.020.704	1.096.159		
Current portion of the loans and financing in the non-current liabilities	(1.020.704)	(1.096.159)		
Total short-term loans and financing				

13.1. Non-current debt maturity dates

	R\$ thousand	
	06.30.2007	
	Consolidated	Parent Company
2008	2.035.092	320.638
2009	6.466.034	477.501
2010	4.180.291	1.536.967
2011	2.259.790	363.560
2012 and thereafter	12.644.620	1.864.463
	27.585.827	4.563.129

13.2. Non-current debt interest rates

	R\$ thousand			
	Consolidated		Parent Company	
	06.30.2007	03.31.2007	06.30.2007	03.31.2007
Foreign				
Up to 6%	4.618.527	7.495.521	1.074.106	791.577
From 6 to 8%	11.555.250	9.574.323	337.408	820.871
From 8 to 10%	3.935.543	4.693.143		
From 10 to 12%	137.638	727.743		
Up to 12%	474.238	485.246		
	20.721.196	22.975.976	1.411.514	1.612.448
Local				
Up to 6%	2.432.775	2.382.460	63.081	65.201
From 6 to 8%		381.375		
From 8 to 10%	1.554.772	1.693.463	783.120	845.080
From 10 to 12%	2.597.594	2.297.488	2.305.414	2.297.451
Up to 12%	279.490	1.061.871		
	6.864.631	7.816.657	3.151.615	3.207.732
	27.585.827	30.792.633	4.563.129	4.820.180

13.3. Non-current balances per currency

R\$ thousand

	Consolidated		Parent Company	
	06.30.2007	03.31.2007	06.30.2007	03.31.2007
U.S. dollar	21.348.985	23.716.943	1.307.187	1.464.241
Japanese yen	965.546	1.129.597	417.446	520.894
Euro	134.956	148.714	3.383	6.337
Real	3.263.667	4.707.819	2.835.113	2.828.708
Other	1.872.673	1.089.560		
	27.585.827	30.792.633	4.563.129	4.820.180

The estimated fair value for the Parent Company and Consolidated's long-term loans on June 30, 2007 were, respectively, R\$ 4.917.305 thousand, and R\$ 28.292.123 thousand, calculated at the market rates in force, taking into consideration the nature, deadline and risks, similar to those in the registered contracts and may be compared to their book values of R\$ 4.563.129 thousand and R\$ 27.585.827 thousand.

The hedge contracts in connection with Notes issued abroad in foreign currency are disclosed in Note 23.

13.4. Export prepayments

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

On June 30, 2007, the balance of export prepayments amounted to R\$ 831.175 thousand in the non-current liabilities (R\$ 918.528 thousand as of March 31, 2007) and R\$ 131.138 thousand in the current liabilities (R\$ 139.290 thousand as of March 31, 2007).

13.5. Financing for P-51 Platform

On December 05, 2005, Petrobras Netherlands B.V. - PNBV, a wholly owned subsidiary of Petrobras, entered into a financing agreement with BNDES, in the amount of up to US\$ 402 million, to purchase assets and contract services in Brazil to build the P-51 platform that will be used in oil production in the Marlim Sul field. Of the total funds available for withdrawal, PNBV used the amount of US\$ 204 million, which was invested in the construction of the asset.

Considering its favorable cash position, the present economic scenario and the higher rates of interest at the time the financing was contracted, the company opted to repay the debt earlier, and to cancel the balance of funds available at BNDES, in line with the strategic objectives of the Petrobras Group and to optimize its financial structure.

On June 15, 2007, PNBV settled the loan amounting to US\$ 205 million, including interest incurred up to that date.

13.6. Other information

The loans and financing are mainly intended to acquire raw materials, develop oil and gas production projects, construct ships and pipelines in addition to expanding industrial plants.

a) Debentures

The debentures issued through BNDES, for the anticipated-acquisition of the right to use the Bolivia-Brazil pipeline, over a 40-year period, to transport 6 million cubic meters of gas per day (TCO - Transportation Capacity Option), totaled R\$ 430.000 thousand (43.000 thousand of notes with par value of R\$ 10) maturing February 15, 2015. Gaspetro, as the intermediary in the transaction, provided a guarantee to the BNDES, secured on common shares issued by Transportadora Brasileira Gasoduto Bolívia-Brasil S.A. - TBG and held by Gaspetro, in respect of these debentures.

Petrobras is not required to provide guarantees to foreign financial institutions. Financing obtained from the National Economic and Social Development Bank BNDES (state owned-company) - is secured by the assets being financed (carbon steel tubes for the Bolívia-Brasil Pipeline and vessels).

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

On August 02, 2006, the Extraordinary General Meeting held by Alberto Pasqualini Refap S.A. approved the value of the private issue of simple, nominative, book entry debentures to the amount of R\$ 852.600 thousand. The debentures are being issued in order to expand and modernize the company's industrial facilities and to raise its oil processing capacity from 20.000 m³/day to 30.000 m³/day.

The issue was made on the following terms: issue on September 08, 2006 and amortization over 96 months plus a 6-month grace period; 90% of the debentures were subscribed by the BNDES with interest at the Brazilian long-term Interest Rate (TJLP) + 3,8% p.a.; 10% of the debentures were subscribed by BNDESPAR at the interest rate of the BNDES basket of currencies + 2,3% p.a.

b) Indebtedness of CIESA and TGS

In order to clean up the finances of Compañía de Inversiones de Energia S.A. - CIESA, a company jointly controlled by PESA and ENRON, PESA transferred its interest of 7,35% in the capital of Transportadora de Gas Del Sur S.A. (TGS, subsidiary of CIESA) to ENRON, and ENRON simultaneously transferred 40% of its interest in the capital of CIESA to a trustee. In a second stage of the process, once the approvals required from Ente Nacional Regulator del Gas - ENARGAS (National Gas Regulatory Agency) and Comisión Nacional de Defensa de la Competencia (National Competition Defense Commission) have been obtained, ENRON shall transfer the remaining 10% interest in CIESA to the financial creditors in exchange for 4,3% of the class B common shares in TGS held by CIESA, in part payment of the debt. The remaining balance of the financial debt shall be capitalized by the creditors.

The Ente Nacional Regulator del Gas sent the order to the Unidade de Renegociación de Contratos de Serviços Públicos (UNIREN) in order to issue it, as it is a matter of its competence. This was concluded in January 2007 and is currently awaiting action by ENARGAS.

As it is operating under long-term constraints which significantly hinder its capacity to transfer capital to investors, and until the process to clean up the finances of the company is concluded, CIESA will continue to be excluded from the consolidation process of PESA and consequently from the consolidation process of Petrobras, pursuant to CVM N° 247/96.

The Extraordinary General Meeting of the TGS Shareholders held on December 21, 2006 approved the creation of a global program for issuing marketable obligations to the amount of US\$ 650 million, as authorized by the Comisión Nacional de Valores (CNV), in Argentina, on January 18, 2007. On June 30, 2007, the financial debt of TGS was comprised, primarily, of US\$ 500 million in marketable obligations, issued through the abovementioned program.

c) PESA Issues Negotiable Scale Obligations

On May 07, 2007 Petrobras Energia S.A. - PESA, a company indirectly controlled by Petrobras, issued Negotiable Scale Obligations amounting to US\$ 300 million with a term of 10 years and 5,875% interest p.a. Interest will be paid semiannually and the capital will be paid in a single installment at maturity.

The negotiable scale obligations are guaranteed by Petrobras through a Standby Purchase Agreement. Under the agreement, in the event of failure to pay the capital, interest or any other commitments undertaken by PESA, Petrobras will be required to buy the rights to receive such payments from the note holders.

The issuance was made both in the Argentinean market and in the International market.

d) Global Notes

The subsidiary Petrobras International Finance Company - PifCo made a note exchange offer, with the transaction being settled on February 07, 2007. PifCo consequently received and accepted offers to the amount of US\$ 399 million (face value). The old securities received under the exchange were cancelled on the same date and as a result PifCo issued new securities on the transaction settlement date maturing in 2016 with a coupon of 6,125% p.a. to the amount of US\$ 399 million. The securities constitute a single, fungible issuance with the US\$ 500 million issued on October 06, 2006, amounting to US\$ 899 million in securities issued with maturity in 2016. PifCo also paid investors the amount equal to US\$ 56 million as a result of the offering to exchange the securities.

14. FINANCIAL INCOME (EXPENSES), NET

Financial charges and net monetary and exchange variation, allocated to the income statement for the first half of 2007 and 2006, are shown as follows:

	R\$ thousand			
	Consolidated		Parent Company	
	JAN-JUN/2007	JAN-JUN/2006	JAN-JUN/2007	JAN-JUN/2006
Financial expenses				
Loans and financing	(1.588.867)	(1.733.845)	(254.255)	(304.444)
Suppliers	(45.039)	(59.625)	(944.812)	(633.390)
Capitalized interest	377.175	118.960		
Other	(394.648)	(144.068)	(124.287)	(50.595)
	(1.651.379)	(1.818.578)	(1.323.354)	(988.429)
Financial revenue				
Short Term Investments	509.559	332.320	290.116	(176.094)
Subsidiaries, joint subsidiaries and associated companies			1.554.967	879.262
Advances to suppliers	26.060	30.509	26.060	30.509
Advances for pension plan	36.674	34.200	36.674	34.200
Other	574.870	574.973	109.496	310.107
	1.147.163	972.002	2.017.313	1.077.984
Monetary and exchange variation, Net	(1.501.987)	261.397	(2.189.660)	(502.876)
	(2.006.203)	(585.179)	(1.495.701)	(413.321)

15. OTHER OPERATING EXPENSES, NET

	R\$ thousand			
	Consolidated		Parent Company	
	JAN-JUN/2007	JAN-JUN/2006	JAN-JUN/2007	JAN-JUN/2006
Incentive to renegotiate the pension plan (*)	(1.050.206)		(971.708)	
Institutional relations and cultural projects	(547.219)	(449.516)	(498.598)	(403.488)
Operating expenses on thermoelectric power stations	(245.116)	(280.531)	(189.969)	(328.465)
Contractual charges on shipment services - ship or pay	(43.613)	(63.247)	(77.973)	(91.241)
Unscheduled stoppages on production facilities and equipment	(90.280)	(52.266)	(81.150)	(50.624)
Losses and contingencies with judicial process	(222.775)	(159.252)	(163.661)	(159.156)
Income from hedge transactions	(63.976)	31.178	(63.976)	31.177
Corporate expenditure on healthcare, environment and security (SMS)	(198.681)	(112.667)	(198.681)	(113.040)
Job classification and assessment plan	(123.405)		(121.405)	
Bonus received from partners		56.822		
Other	(524.077)	(274.320)	(660.973)	(113.306)
	(3.109.348)	(1.303.799)	(3.028.094)	(1.228.143)

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

16. TAXES, CONTRIBUTIONS AND PARTICIPATIONS**16.1. Recoverable taxes**

	R\$ thousand			
	Consolidated		Parent Company	
	06.30.2007	03.31.2007	06.30.2007	03.31.2007
Current assets				
Local:				
ICMS Domestic Value added tax	3.298.855	3.543.722	2.863.543	3.106.072
Pasep/Cofins	903.042	985.480	602.638	691.220
Cide Contribution on Intervention in the	49.966	40.118	49.961	40.118

Economic Domain

Income tax	616.243	454.295	246.154	165.153
Social contribution	121.531	111.388	27.660	11.244
Deferred income tax and social contribution	1.859.003	1.000.248	1.643.847	745.056
Other taxes	373.567	329.713	183.585	183.438
	7.222.207	6.464.964	5.617.388	4.942.301
Foreign:				
Value Added Tax VAT	230.991	243.592		
Deferred income tax and social contribution	70.919	60.906		
Other taxes	206.249	390.812		
	508.159	695.310		
	7.730.366	7.160.274	5.617.388	4.942.301

16.2. Taxes, contributions and participations payable

	R\$ thousand			
	Consolidated		Parent Company	
	06.30.2007	03.31.2007	06.30.2007	03.31.2007
Current liabilities				
ICMS	2.529.390	2.630.364	2.331.762	2.418.430
Cofins Tax for social security financing	733.744	865.168	593.440	718.770
Cide	607.277	629.244	556.878	578.886
Pasep Public service employee savings	159.138	170.395	131.886	143.589
Special participation program/royalties	2.315.003	2.168.741	2.285.310	2.055.485
Income tax and social contribution retentions	280.458	451.880	307.590	404.843
Income tax and social contribution current	902.614	1.053.375	443.774	570.061
Deferred income tax and social contribution	1.322.203	1.256.820	1.158.579	1.096.242
Other taxes	238.894	306.517	108.306	100.509
	9.088.721	9.532.504	7.917.525	8.086.815

(*) Net of R\$ 113.803 thousand, as at June 30, 2007, of the scrow account deposit related to the fiscal incentive for income tax (ADENE e ADA).

16.3. Deferred taxes and social contribution deferred non-current

	R\$ thousand			
	Consolidated		Parent Company	
	06.30.2007	03.31.2007	06.30.2007	03.31.2007
Assets non-current				
Deferred income tax and social contribution	3.695.992	3.579.285	1.564.200	1.479.333
ICMS deferred	1.036.896	1.133.692	760.410	852.549
Pasep/Cofins deferred	2.356.726	2.025.364	2.353.111	2.003.063
Other	269.846	213.211		
	7.359.460	6.951.552	4.677.721	4.334.945
Liabilities non-current				
Deferred income tax and social contribution	9.731.089	9.294.356	8.014.383	7.634.570
Other	97.498			
	9.828.587	9.294.356	8.014.383	7.634.570

16.4. Deferred income tax and social contribution

The grounds and expectations for the realization of the deferred tax assets and liabilities are presented as follows:

a) Deferred income tax and social contribution assets

R\$ Thousand			
06.30.2007			
Nature	Consolidate	Parent Company	Basis for realization
Provision for remuneration of shareholder JSCP	745.796	745.796	By individualized credit to the shareholder
Provisions for contingencies and allowance for doubtful accounts	381.752	188.073	By realization of losses in view of the outcome of legal suits and overdue credits.
Provision for profit sharing	420.440	379.199	By payment.
Pension Plan	1.345.226	1.315.601	By payment of the contributions of the sponsors.
Tax losses	412.763		Future taxable profits.
Unrealized profits	1.130.273		Effective profit accomplishment.
Temporary difference between the accounting and tax depreciation criteria.	128.850	60.534	Realization over depreciation of assets under the straight line method.
Provision for ANP research and development investment	157.910	157.910	By realization of the Expenditures.
Other	902.904	360.934	
Total	5.625.914	3.208.047	
Non-current	3.695.992	1.564.200	
Current	1.929.922	1.643.847	

b) Deferred income tax and social contribution liabilities**R\$ Thousand****06.30.2007**

Nature	Consolidate	Parent Company	Basis for realization
Cost of prospecting and drilling activities for oil extraction	8.900.760	8.900.760	Depreciation based on the unit-of production method in relation to the proven/developed reserves on the oil fields.
Temporary difference between the accounting and tax depreciation criteria	598.545		The difference in depreciation / amortization used for tax and accounting purposes.
Accelerated and special depreciation	34.116	34.116	Through depreciation over the useful life of the asset or write-off
Income tax and social contribution foreign operations	304.842	219.483	Through occurrence of triggering events that generate income.
Investments in subsidiaries and affiliated companies	108.310		Through occurrence of triggering Events that generate income.
Foreign exchange variations on loans	774.315		Cash basis reporting
Other	332.404	18.603	
Total	11.053.292	9.172.962	
Non-current	9.731.089	8.014.383	
Current	1.322.203	1.158.579	

c) Realization of deferred income tax and social contribution

At the Parent Company level, realization of deferred tax credits amounting to R\$ 3.208.047 thousand does not depend on future income since these credits will be absorbed annually by realizing the deferred tax liability.

For the portion exceeding the Parent Company's balance, when applicable, in the Consolidated statements the management of the subsidiaries expects to carry forward these credits up to ten years, based on the projections made.

	R\$ thousand			
	Realization expectation			
	Consolidated		Parent Company	
	Deferred income tax and social contribution assets	Deferred income tax and social contribution liabilities	Deferred income tax and social contribution assets	Deferred income tax and social contribution liabilities
2007	1.934.920	1.300.742	1.643.847	1.158.580
2008	570.886	1.382.908	259.550	1.158.548
2009	333.220	1.379.346	157.920	1.158.548
2010	485.279	1.375.550	151.800	1.166.345
2011	515.029	1.333.365	411.828	1.167.039
2012	253.973	1.843.239	151.800	1.158.548
2013 and thereafter	1.532.607	2.438.142	431.302	<u>2.205.354</u>
Amount accounted for	5.625.914	11.053.292	3.208.047	9.172.962
Amount not accounted for	872.089		318.549	
Total	6.498.003	11.053.292	3.526.596	9.172.962

The subsidiary Petrobras Energia S.A. - PESA has tax credits resulting from accumulated tax losses of approximately R\$ 553.540 thousand that are not recorded in its assets. As the specific tax legislation in Argentina and other countries where PESA has investments, stipulate a limitation period for such credits, they may only be used to offset future taxes, due until 2007, in the amount of R\$ 529.559 thousand, and from 2008 onwards, R\$ 23.981 thousand.

16.5. Reconciliation of income tax and social contribution

The reconciliation of income tax and social contribution determined in accordance with nominal rates and the related amounts recorded in the first half of 2007 and 2006 is presented as follows:

Consolidated

	R\$ thousand	
	JAN-JUN/2007	JAN-JUN/2006
Income before tax and after profit sharing for employees	17.975.499	22.319.218
Income tax and social contribution at nominal rates (34%)	(6.111.670)	(7.588.535)
Adjustments to determine effective rate:		
Permanent additions, net	(104.422)	(246.779)
Equity pick-up	(34.819)	(135.376)
Goodwill/Discount Amortization	12.229	8.995
Tax incentives	57.610	27.502
Prior year income tax and social contribution adjustment	(148.799)	139.985
Credit due to inclusion of JSCP as operating expenses	745.796	
Other items	(551.890)	60.904
 Expense for income tax and social contribution	 (6.135.965)	 (7.733.304)
 Deferred income tax and social contribution	 511.237	 (600.201)
Current income tax and social contribution	(6.647.202)	(7.133.103)
	(6.135.965)	(7.733.304)

Parent Company

	R\$ thousand	
	JAN-JUN/2007	JAN-JUN/2006
Income before tax and after profit sharing employees	16.230.814	20.880.332
Income tax and social contribution at nominal rates (34%)	(5.518.477)	(7.099.313)
Adjustments to determine effective rate:		
Permanent additions, net	(372.895)	(254.227)
Equity pick-up	186.624	356.941
Goodwill/Discount amortization	3.543	2.100
Tax incentives	56.970	27.287
Prior year income tax and social contribution adjustment	(144.707)	100.622
Overseas earnings		
Credit due to inclusion of JSCP as operating expenses	745.796	
 Expense for income tax and social contribution		
	(5.043.146)	(6.866.590)
 Deferred income tax and social contribution	505.867	(679.962)
Current income tax and social contribution	(5.549.013)	(6.186.628)
	(5.043.146)	(6.866.590)

17. EMPLOYEE BENEFITS**17.1. Pension Plan - Fundação Petrobras de Seguridade Social - Petros****a) Benefit plan currently in effect (Petros Plan)**

Fundação Petrobras de Seguridade Social - Petros, set up by Petrobras, introduced the Petros Plan, a defined-benefit pension plan, in July of 1970 to ensure members a supplement to the benefits provided by Social Security.

In 2001, subsequent to a process of separating participant groups, the Petros Plan was transformed into several distinct defined benefit plans, which as of June 30, 2007, are represented by the following sponsor companies in the Petrobras Group: Petróleo Brasileiro S.A. - Petrobras, the subsidiaries Petrobras Distribuidora S.A. - BR, Petrobras Química S.A. - Petroquisa, and Alberto Pasqualini - Refap S.A., a subsidiary of Downstream Participações Ltda.

The Petros Plan is now closed to new employees of the Petrobras system who have joined since September 2002 and the Company has taken out collective life insurance covering all those employees who joined the Company after that date. This insurance policy will be in force until August 29, 2007, as the new private pension plan, Petros-2, was introduced on July 1, 2007 and to ensure coverage during the 60-day period of enrolment.

Evaluation of the Petros costing plan is performed by independent actuaries based on a capitalization system on a general basis and currently this Foundation receives monthly contributions from the sponsoring companies of the Petros Plan amounting to 12,93% of the payroll of employees who participate in the plan and contributions from employees and retirees. As at June 30, 2007, the ratio between contributions from sponsors and those from participants in the Petros Plan, taking into account only those attributable to Petrobras and its subsidiaries, was 1,04.

If a deficit is determined in the defined benefit plan in accordance with the actuarial costing plan used by Petros, constitutional amendment N° 20 of 1998 governing supplementary pension plans of mixed capital companies establishes that this deficit shall be settled by an adjustment to the normal contributions, to be equally shouldered by the sponsors and the participants.

The assets guaranteeing the pension plan are shown as reducers of the net actuarial liability. The actuarial commitments with respect to the pension and retirement plan benefits, and those related to the healthcare plan are, described in greater detail later, provided for in the Company's balance sheet based on calculations prepared by independent actuaries. Their calculations are based on the projected unit of credit method, net of the assets guaranteeing the plan, when applicable, with the obligation increasing from year to year, in a manner that is proportional to the length of service of the employees during their working period.

The actuarial gains and losses generated by the differences between the values of the obligation and assets, determined on the basis of actuarial premises (biometric and economic assumptions), evolution of healthcare expenditure, and other projections, and the actual figures are respectively included or excluded from the calculation of the net actuarial liability. These gains and losses are amortized over the average remaining time of service of the active employees.

As of June 30, 2007, Petrobras had an advance balance for the pension plan to the amount of R\$ 1.269.048 thousand (R\$ 1.277.361 thousand as of March 31, 2007).

The Board of Directors of Petrobras presented to employee participants and retired members, through their union representatives, a proposal which sought to afford equilibrium to the current Petros Plan. Among the various conditions to the feasible and effective implementation of the plan is the renegotiation of the Regulations of the Petros Plan, with respect to means of readjusting the retirement benefits and pensions (IPCA), considering the en masse individual admittance of employees and retired members.

On February 28, 2007, the target for the minimum number of participants agreeing to the renegotiation (2/3 of the members) was achieved.

In return for accepting the renegotiation, the participants, retired members and pensioners received financial incentives totaling R\$ 968.058 thousand at the Parent Company and R\$ 1.046.555 thousand in the Consolidated statement.

The impacts of judicial agreements relating to the revision of the funding of the Petros Plan, together with the revision of the age limit for those participants who joined the Petros Plan in 78/79 and the changes in the benefits retroactive to September 2006 for pensioners and retired members who were included in the renegotiation will be assessed and recorded in the accounts as soon as all the formalities have been concluded and the necessary approvals have been obtained.

b) New benefits plan (Petros Plan 2)

On June 22, 2007, the Supplementary Pensions Office approved the introduction of a new supplementary pension plan called Petros Plan 2, which as from July 01, 2007, the Company initiated the campaign to include those employees currently with no plan.

This Plan was formulated according to the Variable Contribution CV, or mixed model, with the resources capitalized through particular accounts, retirement pensions established according to the account balances, in addition to the coverage for social security risks (disability and mortality before retirement) and the benefit payment options in case of perpetual assistance system, with estimated pension reversal for dependents after the death of the holder, or the quotas receiving regiment, for an unlimited period, in addition to the guarantee of a minimum benefit.

Petrobras and the other sponsors will fully assume the contributions corresponding to the period in which the new participants had no plan, since August 2002 or the date of admission, up to August 29, 2007.

The disbursements relating to the cost of past service will be conducted over the first months for contributions up to the total months the participant had no plan, and shall cover the portion relating to the participants and sponsor.

At the Parent Company the maximum estimated value of this actuarial commitment, based on one hundred percent adhesion, as of June 30, 2007, calculated actuarially was R\$ 220.000 thousand and R\$ 230.000 thousand in the consolidated statement.

The real impacts generated by implementing this new plan will be assessed by independent actuaries and accounted for by Petrobras and the other Plan s sponsors, upon conclusion of the accession process.

For the Company, the proposal to adapt the Supplementary Pension Model is fundamental for its management in order to maintain it attractive, financially transparent and strengthened as a powerful personnel management instrument.

17.2. Transportadora Brasileira Gasoduto Bolívia-Brasil (TBG)

The new TBG Pension Plan is a defined contributions plan, with equal contributions and not linked to Government pension plan, has been approved by the Company s Board of Directors and by the Deliberative Council of Petros.

The risk contributions, for incidents of job-related death, illness or disability will be passed to an Insurer, which will bear the financial consequences of the risks involved.

The TBG Pension Plan has received assent from the Ministry of Mining and Energy and at present is being examined by the Department of Coordination and Governance of State Companies DEST, after which the Regulations of the Plan will be sent to the Secretary for Supplementary Pension Funds SPC.

17.3. Transpetro

Transpetro maintains a defined-contribution private pension plan with Petros called Plano Transpetro, which receives monthly contributions equivalent to 5,32% of the payroll of the members and is equal to the contributions made by the participants.

17.4. Petrobras Energia S.A.

a) Defined contribution pension plan

In November 2005 the executive board of Petrobras Energia S.A. - PESA, an indirect subsidiary of Petrobras, approved implementation of a defined contribution plan which all Company employees could voluntarily join. Through this plan PESA makes contributions to a trustee. The contributions are made at amounts equal to the contributions of the employees participating in mutual investment funds or Pension Retirement Fund Administrator (AFJP). The contributions are made according to the defined contribution plan for each wage level. Participating employees may make voluntary contributions in excess of those established in the contribution plan, although the Company is not required to match them.

The plans' costs are recorded periodically and correspond to the contributions the Company makes to trust. As at June 30, 2007 PESA had recorded the amount equal to R\$ 2.103 thousand.

b) Defined benefit pension plan

b.1) Indemnity" Plan

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

b.2) Compensating Fund

This benefit is available to all PESA employees who participated in the defined contribution plans in force in the past and who joined the company prior to May 31, 1995 and have accumulated the required service time. The benefit is calculated based on the last wage of the workers participating in the plan and the number of years of service. The plan is supplementary. This means that the benefit received by the employee consists of the amount determined according to the plan's provisions, after deducting the benefits awarded under the aforementioned defined contribution plan and the retirement system, so that the total benefits received by each employee is equal to the amount defined in the plan.

The plan requires the Company contribute to a fund, to which the employees do not make any contribution whatsoever. The employees are simply required to contribute to the official public or private pension plan, based on their total salaries. The fund's assets have been attributed to a trustee, whose investment premises include the obligation to maintain the capital in US dollars, maintain liquidity and obtain the maximum market yield for 30-day investments. As a result of this, the funds are mainly invested in bonuses, marketable securities, common investment funds and fixed term deposits. The trustee is the Bank of New York.

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

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

17.5. Healthcare benefits

a) *Assistência Multidisciplinar de Saúde (AMS)*

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

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

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

The actuarial gains and losses arising from the difference between the total of liabilities based in actuarial premises and those effectively occurred, are respectively included or excluded when defining the net actuarial liability. These gains and losses are amortized over the average remaining time of service of the active employees.

b) Liquigás Distribuidora S.A.

The commitment of Liquigás Distribuidora S.A. relating to medical assistance for the active and retired employees managed by the Company itself, is calculated annually by an independent actuary. The method adopted to calculate the expenses and the items of an actuarial nature is the Projected Unit Credit. This method defines the cost of the benefit that will be allocated during the employee's active career, from the period between the date of admission to the company and the date on which of full eligibility for the benefit, which is established by the Collective Bargaining Agreements resulting from the union negotiations with the employees of the LPG category.

17.6. Changes to provisions made

	R\$ thousand			
	Consolidated		Parent Company	
	Retirement and Pensions	Supplementary Medical Assistance	Retirement and Pensions	Supplementary Medical Assistance
Balance at December 31, 2006	3.462.610	8.419.171	3.168.967	7.769.189
(+)Costs incurred during the period	615.470	868.358	547.417	809.721
(-)Payment of contributions	(211.150)	(205.121)	(194.712)	(192.764)
(+)Other	4.585			
Balance at June 30, 2007	3.871.515	9.082.408	3.521.672	8.386.146
Current liabilities	429.903		410.898	
Non-current liabilities	3.441.612	9.082.408	3.110.774	8.386.146

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According to actuarial calculations performed by an independent actuary, the net expense on the pension and retirement benefits plan awarded and to be awarded to employees, retired employees and pensioners for the period January through June 2007 includes the following components:

	R\$ thousand			
	Consolidated		Parent Company	
	Supplementary		Supplementary	
	Retirement and Pensions	Medical Assistance	Retirement and Pensions	Medical Assistance
Current service cost	215.162	98.946	188.706	90.063
Interest cost	1.931.181	614.233	1.817.189	571.874
Estimated return on the plan's assets	(1.496.302)		(1.412.671)	
Amortization of unrecognized losses	110.665	84.901	104.146	77.504
Contributions from participants	(159.938)		(150.447)	
Other	14.702	70.278	494	70.280
Net cost up to June 30, 2007	615.470	868.358	547.417	809.721

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

	R\$ thousand			
	Consolidated		Parent Company	
	Supplementary		Supplementary	
	Retirement and Pensions	Medical Assistance	Retirement and Pensions	Medical Assistance
Relating to active employees:				
Absorbed in the cost of operating activities	167.726	157.725	159.497	152.898
Directly to income	132.768	120.318	95.480	101.288

Relating to inactive members:
(recorded in other operating expenses and

revenue)	314.976	590.315	292.440	555.535
	615.470	868.358	547.417	809.721

18. SHAREHOLDERS EQUITY

18.1 Share Capital Increase

The Extraordinary General Meeting held on April 02, 2007 approved the increase to the Company's capital from R\$ 48.263.983 thousand to R\$ 52.644.460 thousand, by capitalizing part of the profit reserves made in prior years to the amount of R\$ 4.380.477 thousand, consisting of R\$ 1.008.119 thousand from the statutory reserve and R\$ 3.372.358 thousand from the retention of earnings. This capital increase does not entail the issuance of new shares, pursuant to article 169, paragraph 1 of Law 6.404/76.

On June 30, 2007, paid up capital amounts to R\$ 52.644.460 thousand is divided into 2.536.673.672 common shares and 1.850.364.698 preferred shares all of which are book-entry shares with no nominal value.

18.2. Share grouping in terms of ADRs

On May 11, 2007 the Board of Directors approved the change in the ratio between the shares that it issues and American Depositary Receipts (ADRs), from the present 4 (four) shares per ADR, to 2 (two) shares per ADR.

The objective of this change in the ADR ratio is to make it easier for the small investor to buy ADRs on the New York Stock Exchange (NYSE) and, consequently, increase the shareholder base. It also demonstrates the Company's confidence in its future results.

This change in the ADR ratio came into effect on July 02, 2007.

18.3. Share buyback

Pursuant to article 29, section II of the Company Bylaws, on December 15, 2006, the Board of Directors authorized the buyback of part of the preferred shares in circulation for future cancellation, using funds from the profit reserves subject to the following terms:

- (a) Objective: reduce the excess cash and enhance the capital structure, helping reduce the cost of Petrobras' capital.
- (b) Amount: up to 91.500.000 preferred shares, corresponding to 4,9% of the total of this class of share in circulation, which is 1.850.364.698 shares;
- (c) Price: the acquisition will occur on the Stock Exchange, at market values on the acquisition dates throughout the buyback term;
- (d) Term: up to 365 (three hundred and sixty-five) days as from December 15, 2006.

18.4. Capital reserve tax incentives

Includes an investments subsidy incentive in the Northeast, within the region covered by the Northeast Development Agency (ADENE), granting a 75% reduction in income tax payable, calculated on the profits of the exploration of the incentive activities, in the amount of R\$ 913.724 thousand up to June 2007, and which may only be utilized to offset losses or for a capital increase, as provided for in Article 545 of the Income Tax Regulations.

On May 10, 2007, the Brazilian Federal Revenue Office recognized Petrobras' right to deduct this incentive from income tax payable, covering the tax years of 2006 until 2015.

18.5. Dividends

The dividends referring to the year end 2006, approved at the Ordinary General Meeting held on April 02, 2007, amounting to R\$ 1.535.464 thousand (after deducting dividends paid out earlier on January 04 and March 30, 2007, in the amount of R\$ 6.361.205 thousand) were made available to shareholders on May 17, 2007.

On July 25, 2007, the Board of Directors of the Company approved early payment of dividends to shareholders, as interest on share capital, in the amount of R\$ 2.193.519 thousand, as provided for under Article 9 of Law No. 9.249/95 and Decrees No. 2.673/98 and 3.381/00.

These dividends will be made available to the shareholders by January 31, 2008, based on the share position as of August 17, 2007, corresponding to R\$0,50 per common and preference share, and will be deducted from the dividends to be distributed at the end of the financial year of 2007, restated according to variations in the Selic interest rate, if paid prior to December 31, 2007, from the actual date of payment to the end of that financial year. If paid out in 2008, the amount to be paid will be restated monthly according to variations in the Selic interest rate, from December 31, 2007 up to the date on which payment commences.

This interest on share capital is subject to 15% (fifteen percent) income tax, except for those shareholders who can claim immunity or exemption.

19. JUDICIAL ACTIONS AND CONTINGENCIES**19.1. Judicial actions and contingencies recorded**

Petrobras and its subsidiaries are involved in several legal actions for civil, tax, labor and environmental issues arising in the normal course of business. Based on the advice of its internal legal counsel and management's best judgment, the Company has recorded provisions in amounts sufficient to cover losses that are considered probable. As of June 30, 2007 these provisions are presented as follows, according to the nature of the lawsuits:

	Consolidated		Parent Company	
	06.30.2007	03.31.2007	06.30.2007	03.31.2007
Other pension liabilities	54.000	54.000	54.000	54.000
Total current liabilities	54.000	54.000	54.000	54.000
Labor claims	89.263	84.743	11.141	10.771
Tax proceedings	149.883	109.100	9.253	8.907
Civil proceedings (*)	215.995	202.551	163.373	162.841
Other contingencies	88.748	78.974		
Total non-current liabilities	543.889	475.368	183.767	182.519
Total	597.889	529.368	237.767	236.519

(*) Net of the judicial deposit related to the provisioned for judicial proceeding according to CVM Pronouncement n° 489/05

Fishermen Federation of Rio de Janeiro - FEPERJ

On behalf of its members, FEPERJ is making several claims for indemnification as a result of the oil spill in Guanabara Bay which occurred on January 18, 2000. At that time, Petrobras paid out extrajudicial indemnification to everyone who proved to be fishermen when the accident occurred. According to the records of the national fishermen's register, only 3.339 could claim indemnification.

On February 02, 2007 a decision, partly accepting the expert report, was published and, on the pretext of quantifying the value of the sentence, established the parameters for the calculation thereof, which, based on these criteria, would result in a present value to date of R\$ 1.102.207 thousand. Petrobras appealed against this decision before the Rio de Janeiro Court of Appeal, as the parameters stipulated in the decision are different to those that had already been specified by the Rio de Janeiro Court of Appeal itself. The appeal has been accepted. The decision handed down by the First Civil Chamber of the Court of Appeals of the State of Rio de Janeiro was published on June 29, 2007, denying approval of the appeal filed by Petrobras and approving the appeal filed by FEPERJ, which represents a significant increase in the value of the damages to be awarded, since in addition to having maintained the 10 years indemnification period, it increased the number of fishermen included in the claim. Petrobras will file to appeal this decision in the higher courts of Brasilia. We are waiting further expert accounting audits to redefine the amounts. Based on the Company's experts' assistants calculation, the recorded amount of R\$ 27.565 thousand was maintained, as representing the amount that we understand will be set by the higher courts at the end of the process.

19.2. Legal suits not provided for

The chart on the following page shows the situation of the main lawsuits not considered as probable losses:

Description	Nature	Probability of Loss	Current Situation
<p>Plaintiff: Porto Seguro Imóveis Ltda. Porto Seguro, a minority shareholder of Petroquisa, filed a lawsuit against Petrobras, relating to alleged losses deriving from the sale of the equity interest held by Petroquisa in several petrochemical companies in the National Privatization Programme. The Plaintiff filed the aforesaid lawsuit to obtain an order obliging Petrobras, as the major shareholder of Petroquisa, to compensate the “loss” inflicted on the assets of Petroquisa by the acts which approved the minimum sale price for its equity interest in the capital of the privatized companies.</p>	Civil	Possible	<p>On March 30, 2004, the Rio de Janeiro Court of Appeal unanimously granted the new appeal brought by Porto Seguro, ordering Petrobras to indemnify Petroquisa to an amount equal to US\$2.370 million plus 5% as a premium and 20% attorneys’ fees.</p> <p>Petrobras filed a Special and Extraordinary Appeal before the High Court of Justice (STJ) and the Federal Supreme Court (STF), which were rejected. It then filed an Interlocutory Appeal against this decision before the STJ and STF.</p> <p>In performance of the decision published on June 05, 2006, we are now awaiting assignment of the agenda to re-examine the matter relating to the blocking of Petrobras’ Special Appeal before the High Court of Justice and the Federal Supreme Court.</p> <p>Based on the opinion of its attorneys, the Company does not expect an unfavorable final decision in this proceeding.</p> <p>If the award is not reversed, the indemnity estimated to Petroquisa, including monetary correction and interest, would be R\$ 10.457.787 thousand as at 30 June, 2007. As Petrobras owns 100% of Petroquisa’s share capital, a portion of the indemnity estimated at R\$ 6.902.139 thousand, will not represent a disbursement from Petrobras’s Group.</p>

Description	Nature	Probability of Loss	Current Situation
<p>Plaintiff: Kallium Mineração S.A Indemnification lawsuit before the Rio de Janeiro state courts claiming losses, damages and lost earnings due to contractual termination.</p>	Civil	Possible	<p>Additionally, Petrobras would have to pay R\$ 522.889 thousand to Porto Seguro and R\$ 2.091.557 thousand to Lobo & Ideas by means of attorney's fees.</p> <p>Claim accepted by the lower court. The two parties filed appeals which were rejected. Petrobras is awaiting judgment of the extraordinary appeal filed before the STF and the special appeal at the High Court of Justice on December 18, 2003, both of which have been entertained. A special appeal brought by Kallium is also pending judgment. Petrobras' maximum exposure including monetary restatement as of June 30, 2007 is R\$ 108.739 thousand.</p>
<p>Plaintiff: EMA - Empresa Marambai Agro-Industrial S.A. Contractual civil liability.</p>	Civil		