

PETROBRAS - PETROLEO BRASILEIRO SA  
Form 6-K/A  
November 24, 2010

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

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**FORM 6-K/A**

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

**For the month of November, 2010**

**Commission File Number 1-15106**

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

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

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

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

Form 20-F  Form 40-F

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

Yes  No

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This report on Form 6-K is incorporated by reference in the Registration Statement on Form F-3 of Petróleo Brasileiro -- Petrobras (No. 333-163665).

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**Petróleo Brasileiro S.A. Petrobras and Subsidiaries**

Consolidated Financial Statements

September 30, 2010 and 2009

with Review Report of Independent

Registered Public Accounting Firm

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**PETRÓLEO BRASILEIRO S.A. - PETROBRAS**  
**AND SUBSIDIARIES**

Consolidated FINANCIAL STATEMENTS

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Review report of independent registered public accounting firm

To the Board of Directors and Shareholders of

Petróleo Brasileiro S.A. - Petrobras

Rio de Janeiro - Brazil

We have reviewed the accompanying condensed consolidated balance sheet of Petróleo Brasileiro S.A. - Petrobras and subsidiaries as of September 30, 2010, and the related condensed consolidated statements of operations, cash flows and changes in shareholders' equity for the nine-month periods ended September 30, 2010 and 2009. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modification that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

/s/ KPMG Auditores Independentes

KPMG Auditores Independentes

Rio de Janeiro, Brazil

November 23, 2010

**PETRÓLEO BRASILEIRO S.A. - PETROBRAS****AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

September 30, 2010 and December 31, 2009

Expressed in Millions of United States Dollars

	<b>September 30, 2010</b>	<b>December 31, 2009</b>
	<b>(unaudited)</b>	
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 5)	27,451	16,169
Marketable securities (Note 6)	6,795	72
Accounts receivable, net	11,283	8,115
Inventories (Note 7)	12,538	11,227
Deferred income taxes (Note 4)	451	660
Recoverable taxes (Note 8)	4,765	3,940
Advances to suppliers	913	1,026
Other current assets	1,776	1,435
	<b>65,972</b>	<b>42,644</b>
<b>Property, plant and equipment, net (Note 19)</b>	<b>206,278</b>	<b>136,167</b>
<b>Investments in non-consolidated companies and other investments</b>	<b>5,951</b>	<b>4,350</b>
<b>Non-current assets</b>		
Accounts receivable, net	2,577	1,946
Advances to suppliers	3,831	3,267
Petroleum and alcohol account - receivable from Federal Government (Note 9)	484	469
Marketable securities (Note 6)	2,892	2,659
Restricted deposits for legal proceedings and guarantees (Note 15 (a))	1,533	1,158
Recoverable taxes (Note 8)	6,315	5,462
Goodwill	141	139
Prepaid expenses	469	618
Other assets	1,693	1,391
	<b>19,935</b>	<b>17,109</b>
<b>Total assets</b>	<b>298,136</b>	<b>200,270</b>

See the accompanying notes to the consolidated financial statements.

**PETRÓLEO BRASILEIRO S.A. - PETROBRAS****AND SUBSIDIARIES**

## CONSOLIDATED BALANCE SHEETS (Continued)

September 30, 2010 and December 31, 2009

Expressed in Millions of United States Dollars (except number of shares)

	September 30, 2010 (unaudited)	December 31, 2009
<b>Liabilities and shareholders equity</b>		
<b>Current liabilities</b>		
Trade accounts payable	11,782	9,882
Current debt (Note 10)	12,521	8,553
Current portion of capital lease obligations (Note 12)	138	227
Income taxes payable	936	825
Taxes payable, other than income taxes	4,474	5,149
Payroll and related charges	2,314	2,118
Dividends and interest on capital payable (Note 14)	1,078	1,340
Employees postretirement benefits obligation Pension and Health Care (Note 13 (a))	745	694
Contingencies (Note 15 (a))	32	31
Other payables and accruals	3,461	2,146
	<b>37,481</b>	<b>30,965</b>
<b>Long-term liabilities</b>		
Long-term debt (Note 10)	54,131	48,149
Capital lease obligations (Note 12)	155	203
Employees postretirement benefits obligation Pension and Health Care (Note 13 (a))	11,861	10,963
Deferred income taxes (Note 4)	11,898	9,844
Provision for abandonment	2,929	2,812
Contingencies (Note 15 (a))	921	469
Other liabilities	1,946	1,445
	<b>83,841</b>	<b>73,885</b>
<b>Shareholders equity</b>		
Shares authorized and issued (Note 14)		
Preferred share 2010 5,489,244,532 shares and 2009 3,700,729,396 shares	44,514	15,106

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Common share - 2010	7,367,255,304 shares and 2009	5,073,347,344	<b>62,141</b>	
shares				21,088
Additional paid in capital			<b>(24)</b>	707
Capital reserve - fiscal incentive			-	296
Retained earnings				
Appropriated			<b>46,457</b>	36,691
Unappropriated			<b>12,322</b>	15,062
Accumulated other comprehensive income				
Cumulative translation adjustments			<b>10,822</b>	6,743

Postretirement benefit reserves adjustments net of tax ((US\$866) and (US\$848) for September 30, 2010 and December 31, 2009, respectively) - Pension cost and Health Care (Note 13 (a))	<b>(1,680)</b>	(1,646)
Unrealized gains on available-for-sale securities, net of tax	<b>56</b>	24
Unrecognized loss on cash flow hedge, net of tax	<b>(28)</b>	(13)
 Petrobras Shareholders Equity	 <b>174,580</b>	 94,058
 Noncontrolling interests	 <b>2,234</b>	 1,362
<b>Total shareholders equity</b>	<b>176,814</b>	95,420
<b>Total liabilities and shareholders equity</b>	<b>298,136</b>	200,270

See the accompanying notes to the consolidated financial statements.

**PETRÓLEO BRASILEIRO S.A. - PETROBRAS****AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME**

September 30, 2010 and 2009

Expressed in Millions of United States Dollars

(except number of shares and earnings per share)

*(Unaudited)*

	<b>Nine-month periods ended</b>	
	<b>September 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>Sales of products and services</b>	<b>110,407</b>	82,388
Less:		
Value-added and other taxes on sales and services	<b>(19,242)</b>	(14,702)
Contribution of intervention in the economic domain charge - CIDE	<b>(3,101)</b>	(2,017)
<b>Net operating revenues</b>	<b>88,064</b>	65,669
Cost of sales	<b>(51,185)</b>	(35,232)
Depreciation, depletion and amortization	<b>(6,208)</b>	(4,904)
Exploration, including exploratory dry holes	<b>(1,342)</b>	(1,194)
Impairment	<b>(94)</b>	-
Selling, general and administrative expenses	<b>(6,502)</b>	(5,126)
Research and development expenses	<b>(736)</b>	(545)
Employee benefit expenses for non-active participants	<b>(640)</b>	(519)
Other operating expenses	<b>(3,147)</b>	(2,052)
<b>Total costs and expenses</b>	<b>(69,854)</b>	(49,572)
<b>Operating income</b>	<b>18,210</b>	16,097
Equity in results of non-consolidated companies	<b>220</b>	372
Financial income (Note 11)	<b>1,479</b>	1,321
Financial expenses (Note 11)	<b>(1,263)</b>	(1,011)
Monetary and exchange variations (Note 11)	<b>311</b>	(276)
Other taxes	<b>(334)</b>	(209)

Other expenses, net (Note 18 (a))	40	(36)
	453	161
<b>Income before income taxes</b>	<b>18,663</b>	16,258

See the accompanying notes to the consolidated financial statements.

**PETRÓLEO BRASILEIRO S.A. - PETROBRAS****AND SUBSIDIARIES**

## CONSOLIDATED STATEMENTS OF INCOME (Continued)

September 30, 2010 and 2009

Expressed in Millions of United States Dollars

(except number of shares and earnings per share)

*(Unaudited)*

	<b>Nine-month periods ended September</b>	
	<b>2010</b>	<b>30, 2009</b>
<b>Income taxes expenses (Note 4)</b>		
Current	<b>(3,158)</b>	(4,042)
Deferred	<b>(1,872)</b>	(322)
	<b>(5,030)</b>	(4,364)
<b>Net income for the period</b>	<b>13,633</b>	11,894
Less: Net income attributable to the noncontrolling interests	<b>(345)</b>	(1,533)
<b>Net income attributable to Petrobras</b>	<b>13,288</b>	10,361
<b>Net income applicable to each Petrobras class of shares</b>		
Common	<b>7,683</b>	5,991
Preferred	<b>5,605</b>	4,370
	<b>13,288</b>	10,361
<b>Basic and diluted earnings per: (Note 14)</b>		
Common and Preferred share	<b>1.51</b>	1.18
Common and Preferred ADS	<b>3.02</b>	2.36
<b>Weighted average number of shares outstanding</b>		

Common	5,090,152,531	5,073,347,344
Preferred	3,713,832,071	3,700,729,396

See the accompanying notes to the consolidated financial statements.

**PETRÓLEO BRASILEIRO S.A. - PETROBRAS****AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

September 30, 2010 and 2009

Expressed in Millions of United States Dollars

*(Unaudited)*

	<b>Nine-month periods ended</b>	
	<b>September 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities</b>		
Net income for the period	13,633	11,894
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	6,208	4,904
Dry hole costs	731	495
Impairment	94	-
Equity in the results of non-consolidated companies	(220)	(372)
Foreign exchange (gain)/loss	(384)	(1,726)
Deferred income taxes	1,872	322
Other	1,010	345
Working capital adjustments		
Increase in accounts receivable, net	(2,999)	(81)
Increase in inventories	(1,188)	(210)
Increase in advances to suppliers	(439)	(362)
Increase (decrease) in recoverable taxes	(1,355)	363
Increase (decrease) in trade accounts payable	1,676	(756)
(Decrease) increase in taxes payable	(683)	251
Increase in employees post-retirement benefits - Pension and health care	545	481
Increase (decrease) in Contingencies	422	1,020
Increase (decrease) in payroll and related charges	133	487
Increase (decrease) in other working capital adjustments	(423)	950
<b>Net cash provided by operating activities</b>	<b>18,633</b>	<b>18,005</b>
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	(33,394)	(24,349)

Investments in affiliated companies	<b>(1,995)</b>	(424)
Marketable securities and other investments activities	<b>(6,796)</b>	(749)
<b>Net cash used in investing activities</b>	<b>(42,185)</b>	(25,522)
<b>Cash flows from financing activities</b>		
Short-term debt, net of issuances and repayments	<b>658</b>	(738)
Proceeds from issuance and draw-down of long-term debt	<b>14,451</b>	22,304
Issuance of common and preferred shares	<b>27,472</b>	-
Principal payments of long-term debt	<b>(5,401)</b>	(3,783)
Proceeds from project financing	<b>593</b>	1,739
Payments of project financing	<b>(592)</b>	(343)
Payments of capital lease obligations	<b>(158)</b>	(188)
Dividends and interest on shareholders equity paid to shareholders	<b>(3,071)</b>	(4,367)
<b>Net cash provided by (used in) financing activities</b>	<b>33,952</b>	14,624

**PETRÓLEO BRASILEIRO S.A. - PETROBRAS****AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

September 30, 2010 and 2009

Expressed in Millions of United States Dollars

*(Unaudited)*

	<b>Nine-month periods ended September 30, 2010 2009</b>	
Increase in cash and cash equivalents	<b>10,400</b>	7,107
Effect of exchange rate changes on cash and cash equivalents	<b>882</b>	2,989
Cash and cash equivalents at the beginning of the period	<b>16,169</b>	6,499
<b>Cash and cash equivalents at the end of the period</b>	<b>27,451</b>	16,595
<b>Supplemental cash flow information:</b>		
<b>Cash paid during the period for:</b>		
Interest, net of amount capitalized	<b>599</b>	641
Income taxes	<b>2,300</b>	3,884
	<b>2,899</b>	4,525
<b>Non-cash investing and financing transactions during the year</b>		
Recognition of asset retirement obligation ASC Topic 410-20	<b>46</b>	-
Capital increase with Financial Treasury Bill used for payment of part of the Assignment Agreement	<b>39,768</b>	-
	<b>39,814</b>	-

See the accompanying notes to the consolidated financial statements.



**PETRÓLEO BRASILEIRO S.A. - PETROBRAS****AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY**

September 30, 2010 and 2009

Expressed in Millions of United States Dollars

*(Unaudited)*

	<b>Nine-month periods ended September 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>Preferred shares</b>		
Balance at January 1,	<b>15,106</b>	15,106
Capital increase from capital reserve - tax incentive	<b>171</b>	-
Capital increase from statutory reserve	<b>300</b>	-
Capital increase from undistributed earnings reserve	<b>1,580</b>	-
Capitalization	<b>27,357</b>	-
<b>Balance at September 30,</b>	<b>44,514</b>	15,106
<b>Common shares</b>		
Balance at January 1,	<b>21,088</b>	21,088
Capital increase from capital reserve - tax incentive	<b>125</b>	-
Capital increase from statutory reserve	<b>219</b>	-
Capital increase from undistributed earnings reserve	<b>1,152</b>	-
Capitalization	<b>39,557</b>	-
<b>Balance at September 30,</b>	<b>62,141</b>	21,088
<b>Additional paid in capital</b>		
Balance at January 1,	<b>707</b>	-
Change in the period	<b>(489)</b>	(289)
Shares issuance costs	<b>(242)</b>	-
<b>Balance at September 30,</b>	<b>(24)</b>	(289)
<b>Capital reserve - fiscal incentive</b>		

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Balance at January 1,	<b>296</b>	221
Capital increase	<b>(296)</b>	-
Transfer from (to) unappropriated retained earnings	-	69
<b>Balance at September 30,</b>	<b>-</b>	<b>290</b>
<b>Cumulative translation adjustments</b>		
Balance at January 1,	<b>6,743</b>	(15,846)
Change in the period	<b>4,079</b>	20,347
<b>Balance at September 30,</b>	<b>10,822</b>	<b>4,501</b>
<b>Postretirement benefit reserves adjustments, net of tax - Pension Cost and Health Care</b>		
Balance at January 1,	<b>(1,646)</b>	37
Change in the period	<b>(52)</b>	22
Tax effect on above	<b>18</b>	(7)
<b>Balance at September 30,</b>	<b>(1,680)</b>	<b>52</b>

See the accompanying notes to the consolidated financial statements.

**PETRÓLEO BRASILEIRO S.A. - PETROBRAS**

**AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Continued)

September 30, 2010 and 2009

Expressed in Millions of United States Dollars

*(Unaudited)*

	<b>Nine-month periods ended</b>	
	<b>2010</b>	<b>September 30,</b>
		<b>2009</b>
<b>Unrecognized gains on available-for-sale securities, net of tax</b>		
Balance at January 1,	24	(144)
Unrealized gains	49	288
Tax effect on above	(17)	(97)
<b>Balance at September 30,</b>	<b>56</b>	<b>47</b>
<b>Unrecognized loss on cash flow hedge, net of tax</b>		
Balance at January 1,	(13)	(39)
Change in the period	(15)	18
<b>Balance at September 30,</b>	<b>(28)</b>	<b>(21)</b>
<b>Appropriated retained earnings</b>		
<b>Legal reserve</b>		
Balance at January 1,	5,419	3,257
Transfer from unappropriated retained earnings	1,015	2,049
<b>Balance at September 30,</b>	<b>6,434</b>	<b>5,306</b>
<b>Undistributed earnings reserve</b>		
Balance at January 1,	30,755	12,123
Capital increase	(2,732)	-
Transfer from unappropriated retained earnings	11,766	17,993
<b>Balance at September 30,</b>	<b>39,789</b>	<b>30,116</b>
<b>Statutory reserve</b>		
Balance at January 1,	517	217
Capital increase	(520)	-
Transfer from unappropriated retained earnings	237	290
<b>Balance at September 30,</b>	<b>234</b>	<b>507</b>
<b>Total appropriated retained earnings</b>	<b>46,457</b>	<b>35,929</b>

See the accompanying notes to the consolidated financial statements.

**PETRÓLEO BRASILEIRO S.A. - PETROBRAS**

**AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Continued)

September 30, 2010 and 2009

Expressed in Millions of United States Dollars

*(Unaudited)*

	<b>Nine-month periods ended September 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>Unappropriated retained earnings</b>		
Balance at January 1,	15,062	25,889
Net income attributable to Petrobras	13,288	10,361
Dividends and interest on shareholders' equity	(3,010)	(2,671)
Appropriation from (to) tax incentive reserves	-	(69)
Appropriation (to) reserves	(13,018)	(20,332)
<b>Balance at September 30,</b>	<b>12,322</b>	<b>13,178</b>
<b>Petrobras' shareholders' equity</b>	<b>174,580</b>	<b>89,881</b>
<b>Noncontrolling interests</b>		
Balance at January 1,	1,362	659
Net income for the period	345	1,533
Transfer to the controlling shareholder	372	-
Dividends and interest on shareholders' equity paid	-	(73)
Other changes in the period	155	270
<b>Balance at September 30,</b>	<b>2,234</b>	<b>2,389</b>
<b>Total shareholders' equity</b>	<b>176,814</b>	<b>92,270</b>
<b>Comprehensive income is comprised as follows:</b>		
Net income for the period	13,633	11,894
Cumulative translation adjustments	4,079	20,347
Postretirement benefit reserves adjustments, net of tax - pension and health care cost	(34)	15
Unrealized gain on available-for-sale securities	32	191
Unrecognized gain (loss) on cash flow hedge	(15)	18
<b>Comprehensive income</b>	<b>17,695</b>	<b>32,465</b>
<b>Less: Net comprehensive income attributable to noncontrolling interests</b>	<b>(500)</b>	<b>(1,803)</b>
<b>Comprehensive income attributable to Petrobras</b>	<b>17,195</b>	<b>30,662</b>

See the accompanying notes to the consolidated financial statements.

**PETRÓLEO BRASILEIRO S.A. - PETROBRAS**

**AND SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Expressed in Millions of United States Dollars

(except as otherwise indicated)

(unaudited)

## **1. Basis of Financial Statements Preparation**

The accompanying unaudited consolidated financial statements of Petróleo Brasileiro S.A. - Petrobras and its subsidiaries (together referred as the Company ) have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and the rules and regulations of the Securities and Exchange Commission (SEC) for interim financial statements. Accordingly they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These unaudited consolidated financial statements and the accompanying notes should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2009 and the notes thereto.

The balance sheet at December 31, 2009 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

The consolidated financial statements as of September 30, 2010 and for the nine-month periods ended September 30, 2010 and 2009, included in this report, are unaudited. However, in management's opinion, such consolidated financial statements reflect all normal recurring adjustments that are necessary for a fair presentation. The results for the interim periods are not necessarily indicative of trends or of results expected for the full year ending December 31, 2010.

The preparation of these financial statements requires the use of estimates and assumptions to reflect the assets, liabilities, revenues and expenses reported in the financial statements, as well as amounts included in the notes thereto. Management reviews its estimates periodically, including those related to oil and gas reserves, pension and health care

liabilities, depreciation, depletion and amortization, abandonment costs, contingencies and income taxes. While the Company uses its best estimates and judgements, actual results could differ from those estimates as further confirming events occur.

Certain prior years amounts have been reclassified to conform to current year presentation standards. These reclassifications are not significant to the consolidated financial statements and had no impact on the Company's net income.

Events subsequent to September 30, 2010, were evaluated until the time of the Form 6-K filing with the Securities and Exchange Commission.

## **PETRÓLEO BRASILEIRO S.A. - PETROBRAS**

### **AND SUBSIDIARIES**

#### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Expressed in Millions of United States Dollars

(except as otherwise indicated)

(unaudited)

Pursuant to Rule 436 (c) under the Securities Act of 1933 (the Act ), this is not a report and should not be considered a part of any registration statement prepared or certified within the meanings of Sections 7 and 11 of the Act and therefore, the independent accountant's liability under Section 11 does not extend to the information included herein.

## **2. Accounting Policies**

### **2.1 Recently Adopted Accounting Standards**

#### **a) Transfers and Servicing (ASC 860), Accounting for Transfers of Financial Assets (ASU 2009-16)**

The FASB issued ASU 2009-16 in December 2009. This standard removes the concept of a Qualifying Special Purpose Entity ( QSPE ) and the exception for QSPE consolidation and clarifies the requirements for financial asset transfers eligible for sale accounting. ASU 2009-16 was adopted on January 1, 2010, and did not impact the Company's results of operations, financial position or liquidity.

#### **b) Consolidation (ASC 810), Improvements to Financial Reporting by Enterprises Involved With Variable Interest Entities (ASU 2009-17)**

The FASB issued ASU 2009-17 in December 2009. This standard became effective for the Company on January 1, 2010. ASU 2009-17 requires the enterprise to qualitatively assess if it is the primary beneficiary of a variable-interest entity ( VIE ), and, if so, the VIE must be consolidated. Additionally, this Statement requires continuous assessments of whether an enterprise is the primary beneficiary of a VIE. ASU 2009-17 was adopted on January 1, 2010, and did not impact the Company's results of operations, financial position or liquidity.

## **2.2 Change in accounting estimates**

The Company changed at the beginning of 2010, as a consequence of the periodic assessment of the expected useful lives of its assets, depreciation rates from thermoelectric power plants and facilities from Refining, Transporting and Marketing segment, based on reports prepared by independent appraisers. The changes were accounted for prospectively in accordance ASC 250 (Accounting changes and error corrections) and the Company's results of operations were increased in US\$246, net of taxes, in the nine-month period ended September 30, 2010.

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(except as otherwise indicated)

(unaudited)

The table below provides the previous and the current depreciation rates as a result of the assessment:

	Estimated average useful life	
	Previous	Current
Refinery and other industrial facilities	10 years	20 years
Pipelines	10 years	31 years
Tanks	10 years	26 years
Thermoelectric power plants	20 years	23 years

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## **2. Accounting Policies (Continued)**

### **2.3 IFRS adoption for local purposes**

The Brazilian Corporation Law was amended in 2007 to permit Brazilian GAAP to converge with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. The adoption of IFRS in Brazil is mandatory for the year ended December 31, 2010 and it is tax neutral in accordance with the current income tax legislation.

The Company chose to present its financial statements for local purposes for the first time in accordance with IFRS in the first quarter of 2010. The Company's financial statements prepared in accordance with U.S. GAAP were not affected by the adoption of IFRS other than dividends and profit sharing payable to our employees, which are based on the net income calculated under IFRS.

### **3. Derivative Instruments, Hedging and Risk Management Activities**

The Company is exposed to a number of market risks arising from its normal course of business. Such market risks principally involve the possibility that changes in interest rates, foreign currency exchange rates or commodity prices will adversely affect the value of the Company's financial assets and liabilities or future cash flows and earnings.



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Petrobras risk management is performed by means of its Board of Directors pursuant to a corporate policy risk management. In March 2010, regarding the new corporate governance model developed by the Company, the Financial Committee, in place of the Risk Management Committee, was organized by the Executive Board. Such a Committee is sponsored by the Financial Board and made up of all executive managers from the Financial area, and executive managers of Business can also be called to discuss about specific subjects. Among the Financial Committee liabilities, it shall evaluate risk exposures and establish guidelines to measure, supervise and manage the risk concerning the Company's operation. The Board of Directors shall be liable to decide about the issues.

The risk management policy of Petrobras aims at contributing towards an appropriate balance between its objectives for growth and return and its level of risk exposure, whether inherent to the exercise of its activities or arising from the context within which it operates, so that, through effective allocation of its physical, financial and human resources the Company may attain its strategic goals.

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**3. Derivative Instruments, Hedging and Risk Management Activities (Continued)**

The Company may use derivative and non-derivative instruments to implement its corporate risk management strategy. However, by using derivative instruments, the Company exposes itself to credit and market risk. Credit risk is the failure of a counterparty to perform under the terms of the derivative contract. Market risk is the possible adverse effect on the value of an asset or liability, including financial instruments that results from changes in interest rates, currency exchange rates, or commodity prices. The Company addresses credit risk by restricting the counterparties to such derivative financial instruments to major financial institutions. Market risk is managed by the Company's executive officers. The Company does not hold or issue derivative financial instruments for trading purposes.

**a) Commodity price risk management**

The Company is exposed to commodity price risks as a result of the fluctuation of crude oil and oil product prices. The Company's commodity risk management activities are primarily undertaken through the uses of future contracts traded on stock exchanges; and options and swaps entered into with major financial institutions. The Company does not use derivative contracts for speculative purposes.

The Company usually does not use derivatives to manage overall commodity price risk exposure, taking into consideration that the Company's business plan uses conservative price assumptions associated to the fact that, under normal market conditions, price fluctuations of commodities do not represent a substantial risk to achieve strategic objectives.

The decision to enter into hedging or non-hedging derivatives is reviewed periodically and recommended, or not, to the Risk Management Committee. If entering into derivative is indicated, in scenarios with a significant probability of adverse events, and such decision is approved by the Board of Directors, the derivative transactions should be carried out with the aim of protecting the Company's solvency, liquidity and execution of the corporate investment plan, considering an integrated analysis of all the Company's risk exposures.

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Outstanding derivative contracts aimed to mitigate price risk exposures from specific transactions, in which positive or negative results in the derivative transactions are totally or partially offset by the opposite result in the physical positions. The transactions covered by commodity derivatives are certain cargoes traded from import and export operations and transactions between different geographical markets.

As a result of the Company's current price risk management, derivatives are contracted for short term operations, to mitigate the price risk of specific forecasted transactions. The operations are carried out on the New York Mercantile Exchange (NYMEX) and the Intercontinental Exchange (ICE), as well as on the international over-the-counter market.

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**3. Derivative Instruments, Hedging and Risk Management Activities (Continued)**

**a) Commodity price risk management (Continued)**

The Company's exposure from these contracts is limited to the difference between the contract value and market value on the volumes contracted. Crude oil future contracts are marked-to-market and related gains and losses are recognized in current period earnings, irrespective of when the physical crude sales occur.

The main parameters used in risk management for variations of Petrobras' oil and oil products prices are the cash flow at risk (CFAR) for medium-term assessments, Value at Risk (VAR) for short-term assessments, and Stop Loss. Corporate limits are defined for VAR and Stop Loss.

The hedges settled during the period from January to September 2010 corresponded to approximately 68% of the traded volume of imports and exports to and from Brazil plus the total volume of the products traded abroad.

The main counterparties of operations for derivatives for oil and oil products are the New York Stock Exchange (NYMEX), the Intercontinental Exchange, BNP Paribas, Shell (STASCO) and Morgan Stanley.

The commodity derivative contracts are reflected at fair value as either assets or liabilities on the Company's consolidated balance sheets, recognizing gain or losses in earnings, using market to market accounting, in the period of change.

As of September 30, 2010, the Company had the following outstanding commodity derivative contracts:

<b>Commodity Contracts</b>	<b>Notional amount in thousands of bbl*</b>
<b>Maturity in 2010</b>	<b>As of September 30, 2010</b>
Futures and Forward contracts	(10,673)
Option contracts	(9,834)

\* A negative notional value represents a sale position.

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**3. Derivative Instruments, Hedging and Risk Management Activities (Continued)**

**b) Foreign currency risk management**