

PETROBRAS - PETROLEO BRASILEIRO SA  
Form 6-K  
April 28, 2011

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## **SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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### **FORM 6-K**

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

**For the month of March, 2011**

**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

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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  X \_\_\_\_\_

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**

**Financial Statements**

**December 31, 2010 and 2009**

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# Petróleo Brasileiro S.A. - Petrobras

## Financial Statements

**December 31, 2010 and 2009**

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## Independent auditors report on the financial statements

To  
The Board of Directors and Shareholders  
Petróleo Brasileiro S.A. - Petrobras  
Rio de Janeiro - RJ

1. We have examined the accompanying individual and consolidated financial statements of Petróleo Brasileiro S.A. - Petrobras ( Company ), identified as Parent Company and Consolidated, respectively, which comprise the balance sheet as of December 31, 2010 and the respective statements of income, comprehensive income, changes in shareholders equity and cash flows for the year then ended, as well as a summary of significant accounting policies and other notes to the financial statements.

### **Management s responsibility for the financial statements**

2. The Company s management is responsible for the preparation and fair presentation of the individual financial statements in accordance with accounting practices adopted in Brazil and of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and in accordance with accounting practices adopted in Brazil, as well as for the internal control as it considers necessary to enable the preparation of financial statements free of material misstatements, regardless of whether due to fraud or error.

### **Independent auditor s responsibility**

3. Our responsibility is to express an opinion on these financial statements based on our audit, conducted in accordance with the Brazilian and International Standards on Auditing. These standards require compliance with ethical requirements by the auditor and that the audit is planned and performed for the purpose of obtaining reasonable assurance that the financial statements are free from material misstatement.

4. An audit involves performing selected procedures to obtain evidence with respect to the amounts and disclosures presented in the financial statements. The procedures selected depend on the auditor s judgment, and include the assessment of the risks of material misstatements of the financial statements, regardless of whether due to fraud or error. In the assessment of these risks, the auditor considers the relevant internal controls for the preparation and fair presentation of the Company s financial statements, in order to plan audit procedures that are appropriate in the circumstances, but not for purposes of expressing an opinion on the effectiveness of the Company s internal controls. An audit also includes evaluating the adequacy of the accounting practices used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements taken as a whole.

5. We believe that the audit evidence obtained is sufficient and appropriate for expressing our opinion.

**Opinion on the individual financial statements**

6. In our opinion, the aforementioned individual financial statements present fairly, in all material respects, the financial position of Petróleo Brasileiro S.A. - Petrobras as of December 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

**Opinion on the consolidated financial statements**

7. In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial position of Petróleo Brasileiro S.A. - Petrobras and its subsidiaries as of December 31, 2010, its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

**Emphasis**

8. As mentioned in Note 2, the Company's financial statements were prepared in accordance with accounting practices adopted in Brazil. In the case of Petróleo Brasileiro S.A. - Petrobras these practices differ from IFRS, applicable to the separate financial statements, only with respect to the valuation of the investments in subsidiaries, associated companies and jointly controlled subsidiaries by the equity accounting method, while for IFRS purposes it would be cost or fair value; and by the option for maintaining the balance of deferred assets, existing as of December 31, 2008, which is being amortized.

**Other matters**

**Statements of added value, segment reporting and social balance**

9. We have also examined the individual and consolidated statements of added value, segment reporting and accounting information contained in the social balance statement for the year ended December 31, 2010. These statements were submitted to the same audit procedures described above and, in our opinion, are presented fairly, in all material respects, in relation to the financial statements taken as a whole.

Rio de Janeiro, February 25, 2011

KPMG Auditores Independentes  
CRC SP-014428/O-6 F-RJ

Manuel Fernandes Rodrigues de Sousa  
Accountant CRC-RJ-052428/O-2



## Petróleo Brasileiro S.A. - Petrobras

## Balance Sheets

Years ended December 31, 2010 and 2009 and January 1, 2009

*(In millions of reais)*

Assets	Note	Consolidated			Parent company			Liabilities	Nota	Consolidated			Parent company		
		2010	2009	01.01.2009	2010	2009	01.01.2009			2010	2009	01.01.2009			
<b>Current assets</b>								<b>Current liabilities</b>							
Cash and cash equivalents	6	30,323	29,034	16,099	19,995	16,798	11,268	Financing	18	15,492	15,166	13,640	1,506	3,123	2,506
Marketable securities	7	26,017	124	289	33,731	1,718	0	Financial leases	19.1	176	390	585	3,149	3,557	5,053
Trade accounts receivable, net	8.1	17,334	14,062	14,969	16,178	12,844	17,370	Accounts payable to suppliers		17,044	17,082	17,168	9,567	9,670	10,187
Dividends receivable	11.1	251	18	20	1,523	780	988	Taxes, contributions and profit-sharing	21.2	10,250	10,590	8,555	7,837	8,268	6,468
Inventories	9	19,816	19,448	18,391	15,199	14,437	12,429	Proposed dividends	24.5	3,595	2,333	9,915	3,595	2,333	9,915
Taxes, contributions and profit-sharing	21.1	8,935	7,023	7,871	5,911	4,049	5,183	Salaries, vacation pay and charges		2,606	2,304	2,027	2,174	1,907	1,561
Advances to suppliers		1,310	1,981	1,594	1,048	1,750	1,419	Provision for profit-sharing for employees and officers	23	1,691	1,495	1,345	1,428	1,270	1,138
Other current assets		2,699	2,684	2,815	1,673	1,700	1,510	Healthcare and pension plans	22	1,303	1,208	1,152	1,209	1,123	1,072
		<b>106,685</b>	<b>74,374</b>	<b>62,048</b>	<b>95,258</b>	<b>54,076</b>	<b>50,167</b>	Subsidiaries and affiliated companies		149	128	147	30,113	46,167	67,610
								Other accounts and expenses payable		4,528	4,465	3,774	1,863	1,656	2,119
										<b>56,834</b>	<b>55,161</b>	<b>58,308</b>	<b>62,441</b>	<b>79,074</b>	<b>107,629</b>
<b>Non-current assets</b>								<b>Non-current liabilities</b>							
<b>Long-term receivables</b>															
Trade accounts receivable, net	8.1	4,956	3,288	1,331	29,760	49,742	91,626	Financing	18	102,051	86,545	51,162	36,430	26,004	11,457
	10	822	817	810	822	817	810	Financial leases	19.1	196	349	805	14,976	10,904	12,702

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Petroleum and alcohol account - STN

Marketable securities	7	5,208	4,639	4,066	4,749	4,180	3,598	Deferred income tax and social contribution	21.3	26,161	20,458	17,642	21,808	16,855	14,892
Deposits in court	12	2,807	1,989	1,853	2,426	1,691	1,542	Healthcare and pension plans	22	15,278	14,164	13,200	14,162	13,147	12,229
Deferred income tax and social contribution	21.3	17,211	16,231	13,010	11,790	11,640	8,045	Provision for legal proceedings	29	1,372	865	890	425	198	203
Advances to suppliers		4,976	5,365	5,444	964	1,900	2,209	Provision for dismantling of areas	20	6,505	4,791	5,417	6,072	4,419	4,811
Other long-term receivables		2,490	2,594	2,659	1,873	3,499	3,057	Subsidiaries and affiliated companies		179	52	49	404	905	1,101
		<b>38,470</b>	<b>34,923</b>	<b>29,173</b>	<b>52,384</b>	<b>73,469</b>	<b>110,887</b>	Other accounts and expenses payable		1,169	1,139	1,960	2,620	2,471	525
										<b>152,911</b>	<b>128,363</b>	<b>91,125</b>	<b>96,897</b>	<b>74,903</b>	<b>57,920</b>
<b>Investments</b>	14	8,879	5,772	5,768	50,955	38,318	24,670								
<b>Property, plant and equipment</b>	15	282,838	227,079	185,694	189,775	149,447	117,714								
<b>Intangible assets</b>	16	83,098	8,271	9,592	78,042	3,216	3,233	<b>Shareholders' equity</b>	24						
<b>Deferred charges</b>		0	0	0	241	472	604	Paid in capital		205,357	78,967	78,967	205,357	78,967	78,967
		<b>413,285</b>	<b>276,045</b>	<b>230,227</b>	<b>371,397</b>	<b>264,922</b>	<b>257,108</b>	Additional capital contribution		(6)	1,423	-	(6)	1,423	-
								Capital reserves		-	515	515	-	515	515
								Profit reserves		101,325	83,479	61,614	101,876	84,183	62,552
								Equity valuation adjustments		90	(67)	(308)	90	(67)	(308)
										306,766	164,317	140,788	307,317	165,021	141,726
								<b>Non-controlling interest</b>		3,459	2,578	2,054	0	0	0
										<b>310,225</b>	<b>166,895</b>	<b>142,842</b>	<b>307,317</b>	<b>165,021</b>	<b>141,726</b>
		<b>519,970</b>	<b>350,419</b>	<b>292,275</b>	<b>466,655</b>	<b>318,998</b>	<b>307,275</b>			<b>519,970</b>	<b>350,419</b>	<b>292,275</b>	<b>466,655</b>	<b>318,998</b>	<b>307,275</b>

See the accompanying notes to the financial statements.

## Petróleo Brasileiro S.A. - Petrobras

## Statements of income

Years ended December 31, 2010 and 2009

*(In millions of reais)*

	Note	Consolidated		Parent company	
		2010	2009	2010	2009
<b>Sales revenue</b>	25	<b>213,274</b>	<b>182,834</b>	<b>156,487</b>	<b>134,034</b>
Cost of goods and services sold	26	(136,052)	(108,707)	(96,134)	(75,977)
<b>Gross profit</b>		<b>77,222</b>	<b>74,127</b>	<b>60,353</b>	<b>58,057</b>
<b>Income (expenses)</b>					
Sales	26	(8,660)	(7,375)	(7,920)	(6,464)
Administrative and general expenses	26	(7,997)	(7,392)	(5,443)	(5,029)
Exploration costs for the extraction of crude oil and gas		(3,797)	(3,981)	(2,601)	(3,044)
Cost of research and technological development		(1,739)	(1,364)	(1,641)	(1,352)
Tax		(910)	(658)	(433)	(320)
Other operating income and expenses, net	27	(7,062)	(7,360)	(5,761)	(7,467)
		<b>(30,165)</b>	<b>(28,130)</b>	<b>(23,799)</b>	<b>(23,676)</b>
<b>Income before financial results, interests and taxes</b>		<b>47,057</b>	<b>45,997</b>	<b>36,554</b>	<b>34,381</b>
Financial results, net	28	2,563	(162)	1,634	(4,710)
Equity in earnings of investments		208	(65)	7,039	7,852
Employee and management profit-sharing		(1,691)	(1,495)	(1,428)	(1,270)
<b>Income before taxes</b>		<b>48,137</b>	<b>44,275</b>	<b>43,799</b>	<b>36,253</b>
Income tax and social contribution	24.5	(12,236)	(10,931)	(8,763)	(6,294)
<b>Net income</b>		<b>35,901</b>	<b>33,344</b>	<b>35,036</b>	<b>29,959</b>
<b>Net income attributable to non-controlling interests</b>		<b>(712)</b>	<b>(3,293)</b>	<b>0</b>	<b>0</b>
<b>Net income attributable to shareholders of Petrobras</b>		<b>35,189</b>	<b>30,051</b>	<b>35,036</b>	<b>29,959</b>

<b>Basic and diluted income per share</b>	3.57	3.43	3.55	3.42
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See the accompanying notes to the financial statements

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## Petróleo Brasileiro S.A. - Petrobras

## Comprehensive Statement of Income

Years ended December 31, 2010 and 2009

*(In millions of reais)*

	R\$ thousand			
	Consolidated		Parent company	
	2010	2009	2010	2009
<b>Net income before non-controlling interest</b>	<b>35,901</b>	<b>33,344</b>	<b>35,036</b>	<b>29,959</b>
<b>Others comprehensives incomes</b>				
Accumulated translation adjustments	(276)	(349)	(33)	(163)
Amortization of deemed cost	11	7	11	7
Unrealized gains / (losses) on securities available for sale	-	-	-	-
Recognized in shareholders' equity	309	603	309	603
Transferred to results	(6)	32	(6)	32
Unrecognized gains / (losses) on cash flow hedge	-	-	-	-
Recognized in shareholders' equity	13	(86)	13	(86)
Transferred to results	(12)	-	(12)	-
Deferred income tax and social contribution	(104)	(137)	(104)	(137)
<b>Comprehensive results</b>	<b>35,836</b>	<b>33,414</b>	<b>35,214</b>	<b>30,215</b>
<b>Comprehensive income attributable to:</b>				
Non-controlling	469	3,107	-	-
Shareholders of Petrobras	35,367	30,307	35,214	30,215
<b>Comprehensive result attributable to shareholders of Petrobras</b>	<b>35,836</b>	<b>33,414</b>	<b>35,214</b>	<b>30,215</b>

See the accompanying notes to the financial statements.

## Petróleo Brasileiro S.A. - Petrobras

## Statement of Changes in Shareholders Equity

Years ended December 31, 2010 and 2009

*(In millions of reais)*

	Additional capital contribution		Capital reserves	Equity valuation adjustment	Profit reserves					Retained earnings	
	Subscribed and paid-in capital	Expenditures with issuing of shares	Change in interest in subsidiaries	Tax incentives	Equity valuation adjustment	Accumulated translation adjustment	Legal	Statutory	Tax incentives	Profit retention	
<b>Adjusted balances at January 1, 2009</b>	<b>78,967</b>			<b>515</b>		<b>(308)</b>	<b>9,436</b>	<b>899</b>	<b>557</b>	<b>53,550</b>	<b>(1,890)</b>
Accumulated translation adjustment					(163)						
Unrealized gains in investments available for sale						411					
Realization of deemed cost						(7)					
Change in interest in subsidiaries			1,423								
Net income for the year											29,950
Distributions:											
Allocations of net income in reserves							1,466	395	554	18,573	(20,988)
Proposed dividends											(8,335)

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<b>Adjusted balances at December 31, 2009</b>	<b>78,967</b>	<b>1,423</b>	<b>515</b>	<b>(163)</b>	<b>96</b>	<b>10,902</b>	<b>1,294</b>	<b>1,111</b>	<b>72,123</b>	<b>(1,247)</b>
Capital increase with issuing of shares	6,141		(515)				(899)	(14)	(4,713)	
Capital increase with reserves	120,249	(477)								
Equity valuation adjustment				(33)						
Accumulated translation adjustment					201					
Unrealized gains in investments available for sale						(11)				
Realization of deemed cost			(952)							
Change in interest in subsidiaries										35,031
Net income for the year										
Distributions:						1,752	1,027	250	20,290	(23,319)
Allocations of net income in reserves										(11,728)
Dividends	205,357	(477)	471	(196)	286	12,654	1,422	1,347	86,453	
<b>Balance at December 31, 2010 - Current company</b>	<b>205,357</b>	<b>(6)</b>		<b>90</b>			<b>101,876</b>			

See the accompanying notes to the financial statements.

# Petróleo Brasileiro S.A. - Petrobras

## Statement of Cash Flows

Years ended December 31, 2010 and 2009

(In millions of reais)

	Consolidated		Parent company	
	2010	2009	2010	2009
<b>Operating activities</b>				
Net income attributable to shareholders of Petrobras	35,189	30,051	35,036	29,959
<b>Adjustments:</b>				
Non-controlling interest	712	3,293		
Equity in earnings of investments	(208)	65	(7,039)	(7,852)
Depreciation, depletion and amortization	14,881	14,457	10,813	10,380
Loss on recovery of assets	690	1,144	(33)	675
Write-off of dry wells	2,121	2,315	1,495	1,831
Residual value of permanent assets written off	337	216	40	59
Exchange and monetary variations and financial charges on financing and loans and other operations	(176)	(2,585)	(1,044)	15,351
Deferred income and social contribution taxes, net	5,794	1,759	5,149	436
<b>Increase/decrease in assets and liabilities</b>				
Marketable securities for trading				
Decrease/(increase) in accounts receivable	(4,718)	(404)	(2,178)	251
Decrease/(increase) in inventories	(900)	(2,999)	(715)	(2,327)
Increase in other assets	(47)	2,195	(206)	(2,507)
Increase/(decrease) in accounts payable to suppliers	373	1,215	(103)	(516)
Increase/(decrease) in taxes, rates and contributions	(3,857)	594	(3,276)	303
Increase in health care and pension plans	1,381	1,062	1,292	969
Increase/(decrease) in other liabilities	1,008	(1,053)	954	1,340
Increase/(decrease) in short term operations with subsidiaries and affiliated companies				
Decrease/(increase) in accounts receivable	707	22	(5,220)	4,151
Decrease/(increase) in accounts payable	148	3	(12)	(284)
Increase with operation for supply of oil and				



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oil products - Abroad			(20,528)	(29,669)
<b>Net funds provided by operating activities</b>	53,435	51,350	14,425	22,550
<b>Investment activities</b>				
Onerous assignment - concession rights acquired	(74,808)		(74,808)	
Settlement made through LFTS	67,816		67,816	
Settlement made through cash and cash equivalents	(6,992)		(6,992)	
Other investments in exploration and production of oil and gas	(30,557)	(32,096)	(23,479)	(23,372)
Investments in exploration and production of oil and gas	(37,549)	(32,096)	(30,471)	(23,372)
Investments in refining and transport	(28,127)	(19,413)	(21,253)	(16,876)
Investments in gas and energy	(7,561)	(10,478)	(384)	(4,634)
Investment in international segment	(4,086)	(6,391)	(1,073)	(16)
Investments in distribution	(814)	(581)		(3)
Other investments	(2,257)	(1,776)	(2,084)	(1,990)
Marketable securities available for sale	(25,406)	387	(32,014)	(1,356)
Dividends received	233	68	1,916	3,132
<b>Net funds used in investment activities</b>	(105,567)	(70,280)	(85,363)	(45,115)

See the accompanying notes to the financial statements.

## Petróleo Brasileiro S.A. - Petrobras

## Statement of Cash Flows (continued)

Years ended December 31, 2010 and 2009

*(In millions of reais)*

	Consolidated		Parent company	
	2010	2009	2010	2009
<b>Financing activities</b>				
Capital increase	120,249		120,249	
Contribution in LFTs	(67,816)		(67,816)	
Contribution in cash and cash equivalents	52,433		52,433	
Expenditures with issuing of shares	(710)		(710)	
Acquisition of non-controlling interest	(597)			
Financing and loans, net				
Funding	37,543	74,961	15,823	18,319
Amortization of principal	(19,100)	(23,972)	(6,259)	(2,033)
Amortization of interest	(6,296)	(3,384)	(2,913)	(1,200)
Intercompany loans			23,561	19,895
Assignments of credit rights - FIDC NP			1,615	8,554
Dividends paid to shareholders	(9,415)	(15,440)	(9,415)	(15,440)
<b>Net funds provided by/(used) in financing activities</b>	<b>53,858</b>	<b>32,165</b>	<b>74,135</b>	<b>28,095</b>
<b>Effect of exchange variation on cash and cash equivalents</b>	<b>(437)</b>	<b>(300)</b>		
<b>Net change in cash and cash equivalents in the year</b>	<b>1,289</b>	<b>12,935</b>	<b>3,197</b>	<b>5,530</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>29,034</b>	<b>16,099</b>	<b>16,798</b>	<b>11,268</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>30,323</b>	<b>29,034</b>	<b>19,995</b>	<b>16,798</b>

**Additional information on cash flows:****Amounts paid and received during the year**

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Interest paid, net of the capitalized amount	6,165	5,374	4,234	3,115
Interest received on loans	-	-	710	2,708
Income tax and social contribution	4,693	8,593	2,520	6,496
Third party income tax withheld at source	2,909	3,875	2,804	3,446
	<b>13,767</b>	<b>17,842</b>	<b>10,268</b>	<b>15,765</b>
<b>Investment and financing transactions not involving cash</b>		-		
Acquisition of property, plant and equipment on credit	54	121	-	-
Acquisition of property, plant and equipment on contract with the transfe	-	110	8,188	598
Capitalization of dividends receivable from affiliated companies or subsidiaries				
Capital increase with public bonds, used for purchase of exploration rights (onerous assignment)	67,816	-	67,816	-
Formation of provision for dismantling of areas	1,698	(737)	1,600	(778)

See the accompanying notes to the financial statements.

## Petróleo Brasileiro S.A. - Petrobras

## Statement of Added Value

Years ended December 31, 2010 and 2009

*(In millions of reais)*

	Consolidated		Parent company	
	2010	2009	2010	2009
<b>Income</b>				
Sales of products and services and other revenues	272,351	234,939	207,721	178,844
Allowance for doubtful accounts - formation	(226)	(70)	(160)	(15)
Revenues related to construction of assets for own use	68,073	56,556	50,440	41,245
	340,198	291,425	258,001	220,074
<b>Inputs acquired from third parties</b>				
Materials consumed	(39,487)	(34,994)	(23,784)	(22,363)
Cost of goods for sale	(39,427)	(25,005)	(29,621)	(16,899)
Power, third-party services and other operating expenses	(73,497)	(64,289)	(53,958)	(49,069)
Tax credits on inputs acquired from third parties	(19,237)	(16,959)	(15,110)	(13,417)
Loss on recovery of assets	(690)	(1,144)	33	(676)
	(172,338)	(142,391)	(122,440)	(102,424)
<b>Gross added value</b>	167,860	149,034	135,561	117,650
<b>Retentions</b>				
Depreciation, depletion and amortization	(14,881)	(14,457)	(10,813)	(10,380)
<b>Net added value produced by the Company</b>	152,979	134,577	124,748	107,270
<b>Transferred added value</b>				
Equity in earnings of investments	208	(65)	7,039	7,852
Financial income - including monetary and exchange variations	4,539	3,509	4,547	5,262
Rents, royalties and others	957	1,213	783	1,047
	5,704	4,657	12,369	14,161
<b>Total added value to be distributed</b>	158,683	139,234	137,117	121,431

**Distribution of added value**

**Personnel and officers**

**Direct remuneration**

Salaries	11,994	8%	10,216	7%	8,765	6%	7,392	6%
Employees' and directors' profit-sharing	1,691	1%	1,495	1%	1,428	1%	1,270	1%
	13,685		11,711		10,193		8,662	

**Benefits**

Advantages	841	1%	683	0%	579	0%	462	0%
Retirement and pension plan	1,373	1%	994	1%	1,264	1%	956	1%
Healthcare plan	1,830	1%	1,606	2%	1,660	2%	1,519	2%

**FGTS (Government severance indemnity fund)**

	747		673	0%	648	0%	585	0%
	18,476	12%	15,667	11%	14,344	10%	12,184	10%

**Taxes**

Federal*	55,976	36%	49,467	36%	49,571	36%	42,092	35%
State	28,581	18%	25,217	18%	15,281	10%	13,516	11%
Municipal	182		156	0%	86	0%	92	0%
Abroad*	5,290	3%	4,888	4%				
	90,029	57%	79,728	58%	64,938	46%	55,700	46%

**Financial institutions and suppliers**

Interest, and exchange and monetary variations	6,612	4%	4,481	3%	7,162	5%	10,253	8%
Rental and affreightment expenses	7,665	5%	6,014	4%	15,637	11%	13,335	11%
	14,277	9%	10,495	7%	22,799	17%	23,588	19%

**Shareholders**

Interest on shareholders' equity	10,163	6%	7,195	5%	10,163	7%	7,195	6%
Dividends	1,565	1%	1,141	1%	1,565	1%	1,141	1%
Non-controlling interest	712		3,293	2%				
Retained earnings	23,461	15%	21,715	16%	23,308	17%	21,623	18%
	35,901	22%	33,344	24%	35,036	26%	29,959	25%

<b>Added value distributed</b>	158,683	100%	139,234	100%	137,117	100%	121,431	100%
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\* Includes government interests.

See the accompanying notes to the financial statements.

## Petróleo Brasileiro S.A. - Petrobras

## Supplementary Information to the Financial Statements

## Statement of Business Segmentation (consolidated)

Years ended December 31, 2010 and 2009

*(In millions of reais)*

	2010							
	E&P	Supply	Gas & Energy	Distribution	International	Corporate (*)	Elimination	Total
<b>Net operating revenue</b>	<b>95,451</b>	<b>172,468</b>	<b>15,476</b>	<b>65,557</b>	<b>24,887</b>		<b>(160,565)</b>	<b>213,274</b>
Intersegments	95,026	57,175	1,905	1,320	5,139		(160,565)	
Third parties	425	115,293	13,571	64,237	19,748			213,274
Cost of goods sold	(44,302)	(160,362)	(10,942)	(59,896)	(19,376)		158,826	(136,052)
<b>Gross profit</b>	<b>51,149</b>	<b>12,106</b>	<b>4,534</b>	<b>5,661</b>	<b>5,511</b>		<b>(1,739)</b>	<b>77,222</b>
<b>Operating expenses</b>	<b>(5,825)</b>	<b>(6,391)</b>	<b>(2,595)</b>	<b>(3,616)</b>	<b>(3,462)</b>	<b>(8,575)</b>	<b>299</b>	<b>(30,165)</b>
Sales, administrative and general expenses	(794)	(5,198)	(1,941)	(3,478)	(1,667)	(3,754)	175	(16,657)
Tax	(2,601)				(1,196)			(3,797)
Exploration costs for the extraction of crude oil and gas	(774)	(380)	(129)	(9)	(2)	(445)		(1,739)
Cost of research and technological development	(218)	(120)	(58)	(29)	(219)	(264)	(2)	(910)
Other operating income and expenses, net	(1,438)	(693)	(467)	(100)	(378)	(4,112)	126	(7,062)
<b>Income (loss) before financial results, profit-sharing and taxes</b>	<b>45,324</b>	<b>5,715</b>	<b>1,939</b>	<b>2,045</b>	<b>2,049</b>	<b>(8,575)</b>	<b>(1,440)</b>	<b>47,057</b>
Net Financials						2,563		2,563
Stakeholding in material investments		280	9	(2)	(49)	(30)		208
Employee and management profit-sharing	(538)	(379)	(66)	(120)	(48)	(540)		(1,691)
	<b>44,786</b>	<b>5,616</b>	<b>1,882</b>	<b>1,923</b>	<b>1,952</b>	<b>(6,582)</b>	<b>(1,440)</b>	<b>48,137</b>
<b>Income (loss) before taxes and non-controlling interest</b>								
Income tax / social contribution	(15,228)	(1,814)	(637)	(655)	(493)	6,101	490	(12,236)

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<b>Net income</b>	<b>29,558</b>	<b>3,802</b>	<b>1,245</b>	<b>1,268</b>	<b>1,459</b>	<b>(481)</b>	<b>(950)</b>	<b>35,901</b>
Net income attributable to non-controlling interests	133	(80)	34	&nbsp;	(139)	(660)		(712)
<b>Net income attributable to shareholders of Petrobras</b>	<b>29,691</b>	<b>3,722</b>	<b>1,279</b>	<b>1,268</b>	<b>1,320</b>	<b>(1,141)</b>	<b>(950)</b>	<b>35,189</b>

(\*) It includes the results of the business dealings with biofuels.

See the accompanying notes to the financial statements.

## Petróleo Brasileiro S.A. - Petrobras

## Supplementary Information to the Financial Statements

## Statement of Business Segmentation (consolidated)

Years ended December 31, 2010 and 2009

*(In millions of reais)*

	2009							Total
	E&P	Supply	Gas & Energy	Distribution	International	Corporate (*)	Elimination	
<b>Sales revenue</b>	<b>76,183</b>	<b>146,152</b>	<b>12,244</b>	<b>58,277</b>	<b>21,291</b>		<b>(131,313)</b>	<b>182,834</b>
Intersegments	75,252	49,396	1,851	1,347	3,467		(131,313)	
Third parties	931	96,756	10,393	56,930	17,824			182,834
Cost of goods sold	(39,052)	(120,149)	(8,828)	(53,124)	(17,095)		129,541	(108,707)
<b>Gross profit</b>	<b>37,131</b>	<b>26,003</b>	<b>3,416</b>	<b>5,153</b>	<b>4,196</b>		<b>(1,772)</b>	<b>74,127</b>
<b>Operating expenses</b>	<b>(7,478)</b>	<b>(5,252)</b>	<b>(2,076)</b>	<b>(3,118)</b>	<b>(3,221)</b>	<b>(7,243)</b>	<b>258</b>	<b>(28,130)</b>
Sales, administrative and general expenses	(661)	(4,634)	(1,195)	(3,126)	(1,716)	(3,627)	192	(14,767)
Exploration costs for the extraction of crude oil and gas	(3,044)				(937)			(3,981)
Cost of research and technological development	(516)	(336)	(64)	(10)	(4)	(434)		(1,364)
Tax	(94)	(93)	(31)	(26)	(164)	(250)		(658)
Others	(3,163)	(189)	(786)	44	(400)	(2,932)	66	(7,360)
<b>Income (loss) before financial results, profit-sharing and taxes</b>	<b>29,653</b>	<b>20,751</b>	<b>1,340</b>	<b>2,035</b>	<b>975</b>	<b>(7,243)</b>	<b>(1,514)</b>	<b>45,997</b>
Net Financials						(162)		(162)
Stakeholding in material investments		182	68	(29)	(287)	1		(65)
Employee and management profit-sharing	(488)	(267)	(56)	(101)	(47)	(536)		(1,495)
	<b>29,165</b>	<b>20,666</b>	<b>1,352</b>	<b>1,905</b>	<b>641</b>	<b>(7,940)</b>	<b>(1,514)</b>	<b>44,275</b>
<b>Income (loss) before taxes and non-controlling interest</b>								
Income tax / social contribution	(9,916)	(6,965)	(437)	(658)	(570)	7,099	516	(10,931)
<b>Net income</b>	<b>19,249</b>	<b>13,701</b>	<b>915</b>	<b>1,247</b>	<b>71</b>	<b>(841)</b>	<b>(998)</b>	<b>33,344</b>
Net income attributable to minority interests	40	(180)	(212)		(186)	(2,755)		(3,293)



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<b>Net income attributable to shareholders of Petrobras</b>	<b>19,289</b>	<b>13,521</b>	<b>703</b>	<b>1,247</b>	<b>(115)</b>	<b>(3,596)</b>	<b>(998)</b>	<b>30,051</b>
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(\* ) It includes the results of the business dealings with biofuels.

The segmented information for 2010 and 2009 was prepared considering the change in the composition of the business departments, resulting from the transfer of the management of the Fertilizer business from the Supply department to the Gas and Energy department.

See the accompanying notes to the financial statements.

## Petróleo Brasileiro S.A. - Petrobras

## Supplementary Information to the Financial Statements

## Statement of Business Segmentation (consolidated)

Years ended December 31, 2010 and 2009

*(In millions of reais)*

Assets	E&P	Supply	Gas & Energy	Distribution	International	Corporate (*)	Elimination	Total
<b>Current</b>	<b>6,133</b>	<b>28,853</b>	<b>4,523</b>	<b>6,580</b>	<b>5,750</b>	<b>64,841</b>	<b>(9,995)</b>	<b>106,685</b>
<b>Non-current</b>	<b>221,468</b>	<b>88,772</b>	<b>45,652</b>	<b>5,700</b>	<b>24,119</b>	<b>27,610</b>	<b>(36)</b>	<b>413,285</b>
Long-term receivables	6,268	6,024	2,829	951	4,054	18,380	(36)	38,470
Investment		6,276	295	16	1,340	952		8,879
Property, plant and equipment	138,519	76,186	41,262	4,050	15,559	7,262		282,838
Intangible assets	76,681	286	1,266	683	3,166	1,016		83,098
<b>12.31.2010</b>	<b>227,601</b>	<b>117,625</b>	<b>50,175</b>	<b>12,280</b>	<b>29,869</b>	<b>92,451</b>	<b>(10,031)</b>	<b>519,970</b>
<b>Current</b>	<b>6,515</b>	<b>27,412</b>	<b>5,076</b>	<b>5,668</b>	<b>5,128</b>	<b>33,989</b>	<b>(9,414)</b>	<b>74,374</b>
<b>Non-current</b>	<b>125,657</b>	<b>60,553</b>	<b>39,863</b>	<b>5,282</b>	<b>23,250</b>	<b>22,566</b>	<b>(1,126)</b>	<b>276,045</b>
Long-term receivables	7,488	4,387	2,815	1,060	2,776	17,523	(1,126)	34,923
Investment		3,442	273	25	1,882	150		5,772
Property, plant and equipment	116,369	52,456	35,666	3,503	15,252	3,833		227,079
Intangible assets	1,800	268	1,109	694	3,340	1,060		8,271
<b>12.31.2009</b>	<b>132,172</b>	<b>87,965</b>	<b>44,939</b>	<b>10,950</b>	<b>28,378</b>	<b>56,555</b>	<b>(10,540)</b>	<b>350,419</b>
<b>Current</b>	<b>5,881</b>	<b>22,985</b>	<b>5,426</b>	<b>5,659</b>	<b>5,813</b>	<b>24,107</b>	<b>(7,823)</b>	<b>62,048</b>
<b>Non-current</b>	<b>108,900</b>	<b>41,071</b>	<b>30,494</b>	<b>4,646</b>	<b>28,911</b>	<b>17,460</b>	<b>(1,255)</b>	<b>230,227</b>
Long-term receivables	7,289	3,172	3,574	735	1,634	13,982	(1,213)	29,173
Investment		3,228	256	30	2,103	151		5,768
Property, plant and equipment	99,818	34,480	25,752	3,189	20,293	2,204	(42)	185,694
Intangible assets	1,793	191	912	692	4,881	1,123		9,592
<b>01.01.2009</b>	<b>114,781</b>	<b>64,056</b>	<b>35,920</b>	<b>10,305</b>	<b>34,724</b>	<b>41,567</b>	<b>(9,078)</b>	<b>292,275</b>

(\*) It includes the results of the business dealings with biofuels.

See the accompanying notes to the financial statements.

The segmented information for 2010 and 2009 was prepared considering the change in the composition of the business departments, resulting from the transfer of the management of the Fertilizer business from the Supply department to the Gas and Energy department.

See the accompanying notes to the financial statements.

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Petróleo Brasileiro S.A. - Petrobras

Supplementary Information to the Financial Statements

Statement of Business Segmentation (consolidated)

**Years ended December 31, 2010 and 2009**

*(In millions of reais)*

## Petróleo Brasileiro S.A. - Petrobras

## Supplementary Information to the Financial Statements

## Statement of Business Segmentation (consolidated) - International area

Years ended December 31, 2010 and 2009

*(In millions of reais)*

	2010						
	E&P	Supply	Gas & Energy	Distribution	Corporate	Elimination	Total
<b>Statement of Income</b>							
Net operating revenue	6,574	13,188	2,074	7,254	-	(4,203)	24,887
Intersegments	5,259	3,767	301	58	-	(4,246)	5,139
Third parties	1,315	9,421	1,773	7,196	-	43	19,748
<b>Income (loss) before financial results, profit-sharing and taxes</b>	<b>2,148</b>	<b>64</b>	<b>251</b>	<b>10</b>	<b>(409)</b>	<b>(15)</b>	<b>2,049</b>
<b>Net income attributable to shareholders of Petrobras</b>	<b>1,527</b>	<b>78</b>	<b>186</b>	<b>10</b>	<b>(466)</b>	<b>(15)</b>	<b>1,320</b>
	2009						
	E&P	Supply	Gas & Energy	Distribution	Corporate	Elimination	Total
<b>Statement of Income</b>							
Net operating revenue	5,766	11,727	2,151	5,416	29	(3,798)	21,291
Intersegments	4,025	2,822	325	89	9	(3,803)	3,467
Third parties	1,741	8,905	1,826	5,327	20	5	17,824
<b>Income (loss) before financial results, profit-sharing and taxes</b>	<b>1,161</b>	<b>(89)</b>	<b>394</b>	<b>45</b>	<b>(590)</b>	<b>54</b>	<b>975</b>
<b>Net income attributable to shareholders of Petrobras</b>	<b>778</b>	<b>(169)</b>	<b>303</b>	<b>44</b>	<b>(1,125)</b>	<b>54</b>	<b>(115)</b>
	E&P	Supply	Gas & Energy	Distribution	Corporate	Elimination	Total
<b>Assets</b>							
At 12.31.2010	20,715	5,433	3,213	1,645	2,801	(3,938)	29,869
At 12.31.2009	19,950	5,068	3,470	1,163	3,910	(5,183)	28,378
At 01.01.2009	24,204	6,387	4,730	859	4,106	(5,562)	34,724

See the accompanying notes to the financial statements.

## Petróleo Brasileiro S.A. - Petrobras

## Supplementary Information to the Financial Statements

## Social balance

Years ended December 31, 2010 and 2009

*(In millions of reais, except otherwise indicated)*

<b>1 - Calculation basis</b>	<b>2010</b>		<b>2009</b>	
Consolidated net earnings (NE)		213,274		182,834
Consolidated operating income (OI)		49,828		45,770
Gross payroll (GP)		11,462		10,195

<b>2 - Internal Social Indicators (i)</b>	<b>Amount</b>	<b>% of GP</b>	<b>% of NE</b>	<b>Amount</b>	<b>% of GP</b>	<b>% of NE</b>
Alimentation	741	6.46%	0.35%	665	6.52%	0.36%
Compulsory payroll charges	5475	47.77%	2.57%	4,585	44.97%	2.51%
Private pension	350	3.06%	0.16%	366	3.59%	0.20%
Healthcare	2,064	18.01%	0.97%	1,885	18.49%	1.03%
Work security and medicine	114	1.00%	0.05%	114	1.12%	0.06%
Education	118	1.03%	0.06%	107	1.05%	0.06%
Culture	10	0.09%	0.00%	7	0.07%	0.00%
Professional training and development	366	3.20%	0.17%	264	2.59%	0.14%
Crèche or day-care assistance	6	0.06%	0.00%	3	0.03%	0.00%
Profit sharing	1,691	14.75%	0.79%	1,495	14.66%	0.82%
Others	71	0.62%	0.03%	55	0.54%	0.03%
<b>Total - Internal social indicators</b>	<b>11,006</b>	<b>96.05%</b>	<b>5.15%</b>	<b>9,546</b>	<b>93.63%</b>	<b>5.21%</b>

<b>3 - External Social Indicators (i)</b>	<b>Amount</b>	<b>% of OI</b>	<b>% of NE</b>	<b>Amount</b>	<b>% of OI</b>	<b>% of NE</b>
Generation of Income and Work Opportunities	44	0.09%	0.02%	34	0.07%	0.02%
Education for Professional Skills	56	0.11%	0.03%	54	0.12%	0.03%
Guarantee of Rights of Children and Adolescents (I)	79	0.16%	0.04%	74	0.16%	0.04%
Culture	170	0.34%	0.08%	155	0.34%	0.08%
Sport	81	0.16%	0.04%	42	0.09%	0.02%
Others	20	0.04%	0.00%	11	0.02%	0.01%
<b>Total contributions for the company</b>	<b>450</b>	<b>0.90%</b>	<b>0.21%</b>	<b>370</b>	<b>0.80%</b>	<b>0.20%</b>
Taxes (excluding payroll charges)	84,235	169.05%	39.50%	77,969	170.35%	42.64%
<b>Total - External social indicators</b>	<b>84,685</b>	<b>169.95%</b>	<b>39.71%</b>	<b>78,339</b>	<b>171.15%</b>	<b>42.84%</b>

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<b>4 - Environmental Indicators (i)</b>	<b>Amount</b>	<b>% of OI</b>	<b>% of NE</b>	<b>Amount</b>	<b>% of OI</b>	<b>% of NE</b>
Investments related to the company's production/operation	2,165	4.34%	1.02%	1,872	4.09%	1.02%
Investments in external programs and/or projects	258	0.52%	0.12%	94	0.21%	0.05%
<b>Total investments in the environment</b>	<b>2,423</b>	<b>4.86%</b>	<b>1.14%</b>	<b>1,966</b>	<b>4.30%</b>	<b>1.07%</b>
With respect to establishing annual goals for minimizing waste products, consumption in general in production/operation and for increasing efficiency in the use of natural resources, the company:	( ) does not have goals	( ) attains from 51 to 75%	( ) does not have goals	( ) does not have goals	( ) attains from 51 to 75%	( ) attains from 51 to 75%
	( ) attains from 0 to 50%	(x) attains from 76 to 100%	( ) attains from 0 to 50%	( ) attains from 0 to 50%	(x) attains from 76 to 100%	(x) attains from 76 to 100%



## Petróleo Brasileiro S.A. - Petrobras

## Supplementary Information to the Financial Statements

Social balance (*continued*)

## Years ended December 31, 2010 and 2009

*(In millions of reais, except otherwise indicated)*

<b>5 - Indicators for the staff (i)</b>	<b>2010</b>	<b>2009</b>
N° of employees at the end of the period	80,492	76,919
N° of hirings during the period	4,353	2,519
N° of contracted employees	291,606	295,260
N° of student trainees	1,402	1,197
N° of employees older than 45	34,504	30,928
N° of women that work in the company	13,408	12,586
% of leadership positions held by women	13.30%	13.63%
N° of Negros that work in the company (II)	16,447	10,581
% of leadership positions held by Negros (II)	25.30%	29.94%
N° of handicapped workers (III)	1,093	1,077

  

<b>6 - Significant information with respect to the exercise of corporate citizenship</b>	<b>2010</b>	<b>Goals 2011</b>
Ratio between the company's highest and lowest remuneration - amount (i)	22,41	22,41
Total number of work accidents (IV) (i)	485	482
The social and environmental projects developed by the company were defined by: (i)	( ) directors and managers	( ) all the employees
The safety and health standards in the work environment were defined by: (i)	(x) directors and managers	( ) everyone + Cipa
With respect to union freedom, the right to collective bargaining and internal representation of the employees, the company: (i)	( ) is not involved	(x) encourages and follows ILO standards
The private pension includes: (i)	( ) directors and managers	( ) will follow ILO standards
Profit-sharing and participation in results includes: (i)	( ) directors and managers	(x) all the employees
In the selection of suppliers, the same ethical standards and standards of social and environmental responsibility adopted by the company: (i)	( ) are not considered	( ) will not be considered
With respect to the participation of employees in voluntary work programs, the company: (i)	( ) is not involved	( ) will not be involved
Total number of complaints and criticisms from consumers: (V) (i)	in the company 15,533	in Procon 16

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% of claims and criticisms attended or resolved: (V) (i)	in the company 99.5%	in Procon 62.5%	in court 0%	in the company 99.5%	in Procon 100%	in court 100%
Total added value to be distributed (consolidated) - amount:	<b>In 2010:</b>	<b>158,683</b>		<b>In 2009:</b>	<b>139,234</b>	
Distribution of added value	57% government 12% employees 7% shareholders 9% third parties 15% retained			58% government 11% employees 8% shareholders 7% third parties 16% retained		

## Petróleo Brasileiro S.A. - Petrobras

### Supplementary Information to the Financial Statements

#### Social balance (*continued*)

Years ended December 31, 2010 and 2009

(In millions of reais, except otherwise indicated)

#### 7 - Other information

- 1) This company does not use child or slave labor, it is not involved in prostitution or sexual exploitation of children or adolescents and is not involved in corruption.
- 2) Our company values and respects diversity, both internally and externally.
  
- I. It includes R\$ 26,6 million transferred from the Fund for Infancy and Adolescence (FIA).
- II. Information of the Petrobras system in Brazil relative to public selective process.
- III. Information related to the employees of the Petrobras Parent Company who declare that they are Negroes.
- IV. Of the total number of leadership positions in the Petrobras Parent Company held by employees who informed their color/race, 25.3% are held by people who declared that they are Negroes.
- V. Information with respect to the Petrobras Parent Company, Petrobras Distribuidora and Transpetro, which corresponds to 6.4% of the permanent staff in jobs where positions are reserved for persons with disabilities.
- VI. The information on the company includes the number of complaints and criticisms received by the Petrobras Parent Company and Petrobras Distribuidora. The goals for 2011 (company, Procon and courts) do not include the estimate for Petrobras Distribuidora.

(i) Unaudited.

# Petróleo Brasileiro S.A. - Petrobras

## Notes to the financial statements (Consolidated and Parent Company)

*(In millions of reais, except otherwise indicated)*

### **1 The Company and its operations**

Petróleo Brasileiro S.A. - Petrobras is a Brazilian petroleum company which, directly or through its subsidiaries (referred to jointly as Petrobras or the Company) is dedicated to prospecting, drilling, refining, processing, trading and transporting petroleum originating from wells, schist or other rocks, and oil products, natural gas and other liquid hydrocarbons, in addition to activities connected with energy and it may carry out research, development, production, transport, distribution and trading of all forms of energy, as well as any other correlated or similar activities. The Company's head office is located in Rio de Janeiro - RJ.

### **2 Presentation of the financial statements**

The financial statements include:

#### **Consolidated financial statements**

The consolidated financial statements are being presented in accordance with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) and they are also in accordance with accounting policies adopted in Brazil. These are the first financial statements presented by the Company in accordance with IFRS.

#### **Individual financial statements**

The individual financial statements are being presented in accordance with accounting practices adopted in Brazil, observing the provisions contained in the Corporation Law, and incorporate the changes introduced through Law 11,638/07 and Law 11,941/09, complemented by the new pronouncements, interpretations and orientations of the Accounting Pronouncements Committee (CPC), approved by resolutions of the Federal Accounting Council (CFC) and rules of the Brazilian Securities Commission (CVM).

The pronouncements, interpretations and orientations of the Accounting Pronouncements Committee (CPC), approved by resolutions of the Federal Accounting Council (CFC) and rules of the Brazilian Securities Commission are converging with the international accounting standards issued by the International Accounting Standard Board (IASB). Some adjustments were made in the individual financial statements aiming at aligning and adjusting them to consolidated financial statements in accordance with international financial reporting standards (IFRS), as required by CVM Resolution 610/09 (CPC 43 - Initial Adoption of Technical Pronouncements). Accordingly, the individual financial statements do not present differences in relation to the consolidated statements according to IFRS, except for the maintenance of deferred charges, as established in CPC 43. The reconciliations of shareholders' equity and results of the parent company with the consolidated statements are described in note 4.1.

## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

*(In millions of reais, except otherwise indicated)*

The financial statements were prepared using the historical cost as a value basis, except for the valuation of some non-current assets and liabilities, and financial instruments.

The Company's Board of Directors authorized the publication of these financial statements in a meeting held on February 25, 2011.

#### **Financial statements for 2009**

Until December 31, 2009, Petrobras presented its individual and consolidated financial statements in accordance with accounting practices generally accepted in Brazil, which incorporated the changes introduced through Law 11638/07 and Law 11941/09 (Provisional Measure 449/08), complemented by the pronouncements of the Accounting Pronouncements Committee (CPC), approved by resolutions of the Federal Accounting Council (CFC) and rules of the Brazilian Securities Commission (CVM) until December 31, 2008.

As established in CVM Resolution 609/09 (CPC 37 - Initial Adoption of International Accounting Standards), international standards were implemented retroactively to January 1, 2009. Accordingly, the accounting information originally disclosed was adjusted and is being presented in accordance with international accounting standards.

The comparison of the balance on the date of adoption of IFRS and the other adjusted information for 2009 with the amounts disclosed on those dates is presented in notes 3.2.

#### **2.1 Business segment reporting**

The accounting information per operating segment (business area) of the Company is prepared based on items directly attributable to the segment, as well as those that may be allocated on a reasonable basis.

In the computation of the results by business segment, transactions carried out with third parties and the transfers between the business departments are considered and they are valued by internal transfer prices defined between the departments using calculation methodologies based on market parameters.

The information per business department in the Company is segmented according to the organization and management structure, comprises the following departments: a) Exploration and Production: This covers the activities of exploration, production development and production of oil, LNG (liquefied natural gas) and natural gas in Brazil, for the purpose of supplying, as a priority, refineries in Brazil and, also, selling on the domestic and foreign markets the surplus petroleum and byproducts produced in their natural gas processing plants.

## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

*(In millions of reais, except otherwise indicated)*

b) Supply: This consists of the refining, logistics, transport and trading activities of oil and oil products, exporting of ethanol, extraction and processing of schist, as well as holding interests in companies of the petrochemical sector in Brazil. c) Gas and Energy: It covers the activities of transport and trading of natural gas produced in Brazil or imported, transport and trading of LNG, generation and trading of electric power, as well as the corporate interests in transporters and distributors of natural gas and in thermoelectric power stations in Brazil, in addition to being responsible for the fertilizer business. d) Distribution: It is responsible for the distribution of oil products, ethanol and compressed natural gas in Brazil, represented by the operations of Petrobras Distribuidora. e) International: It covers the activities for exploration and production of oil and gas, supply, gas and energy, and distribution, carried out abroad in a number of countries in the Americas, Africa, Europe and Asia.

The items that cannot be attributed to the other departments, notably those linked to corporate financial management, the overheads related to central administration and other expenses, including actuarial expenses related to the pension and healthcare plans for retired employees and pensioners, are allocated in the corporate agencies group. The business dealings with biofuels, represented mainly by the operations of Petrobras Biocombustível are also included in this group.

#### **2.2 Statement of added value**

The statements of added value present information related to the wealth created by the entity and the way in which this wealth is distributed. These statements were prepared in accordance with CPC 09 - Statement of Added Value and, for IFRS purposes, they are presented as supplementary information.

#### **2.3 Social balance**

The social balance presents social, environmental and functional quantitative indexes and relevant information with respect to the exercise of corporate citizenship. Some information was obtained through the Company's subsidiary records and managerial information. This balance is presented as additional information.

#### **2.4 Functional currency**

The functional currency of Petrobras, as well as all its Brazilian subsidiaries, is the real. The functional currency of some subsidiaries and special purpose entities that operate in the international economic environment is the US dollar and the functional currency of Petrobras Argentina S.A. is the Argentine peso.

## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

*(In millions of reais, except otherwise indicated)*

The exchange variations on investments in subsidiaries and affiliated companies with a functional currency different from the Parent Company are recorded in shareholders' equity, as an accumulated translation adjustment and are transferred to the statement of income upon realization of the investments.

The statements of income and cash flows of the invested companies in a stable economic environment with a functional currency different from the Parent Company are translated into Reais at the monthly average exchange rate, assets and liabilities are translated at the final rate and the other items of shareholders' equity are translated at the historical rate.

#### **2.5 Accounting estimates**

In the preparation of the financial statements it is necessary to use estimates for certain assets, liabilities and other transactions. These estimates include: oil and gas reserves, liabilities of pension and health plans, depreciation, depletion and amortization, abandonment costs, provisions for legal proceedings, market value of financial instruments, income tax and social contribution. Although Management uses assumptions and judgments that are reviewed periodically, the actual results may differ from these estimates.

#### **3 Adoption of international accounting standards**

In the balance for adoption of IFRS as of January 1, 2009, mandatory exceptions and certain optional exemptions for retroactive application of the IFRS were applied in accordance with CPC 37 and are presented as follows:

##### **3.1 Transition of the accounting practices**

###### *a) Exchange variations recorded in a specific shareholders' equity account*

The Company adopted CPC 02 - Effects of changes in exchange rates and translation of the financial statements (IAS 21) in fiscal year 2008. However, due to the date of the opening balance of January 1, 2009, the balance of accumulated translation adjustments existing as of December 31, 2008 was transferred to retained earnings in the amount of R\$ 636, aiming at equivalence to the exemption of CPC 37 (IFRS 1) from not calculating retroactively the exchange variations of investments in subsidiaries and affiliated companies with a functional currency different from the parent company.

## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

*(In millions of reais, except otherwise indicated)*

#### ***b) Capitalization of loan costs***

The Company capitalized financial charges only for the loans directly linked to a construction project, pursuant to CVM Resolution 193/96, in force until December 31, 2008. From January 1, 2009 onwards, the Company also capitalized financial charges based on an average funding rate applied to the balance of work in progress, thus adopting the exemption established in CPC 37 (IFRS 1) of not changing, retroactively, the criteria for computing capitalizable costs.

#### ***c) Business combinations***

Business combinations occurring up till December 31, 2008 were recorded in the accounting pursuant to CVM Instruction 247/96. On adopting IFRS, the Company chose not to apply, retroactively, the requirements of CPC 15 - Business Combinations (IFRS 3), as permitted by CPC 37 (IFRS 1), therefore, the goodwill existing at December 31, 2008, net of amortization, was maintained and is no longer amortized. The balances of negative goodwill existing as of December 31, 2008, in the amount R\$ 816, were recognized against retained earnings on the date of transition to IFRS, also resulting in the reversal of amortizations recognized in the Company's income statement.

The goodwill and discounts calculated on the acquisitions of non-controlling shareholder interests during fiscal year 2009 were recorded as investments. For IFRS purposes, these acquisitions are considered as transactions with partners, as owners, therefore, the amount of R\$ 1,423 was recognized as an additional capital contribution in shareholders' equity, pursuant to CPC 36 - Consolidated Statements (IAS 27).



## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

*(In millions of reais, except otherwise indicated)*

#### ***d) Provision for abandonment of wells and dismantling of areas***

The costs for abandonment of assets and dismantling of areas are calculated considering the future costs discounted at a rate free of risk recorded in assets and liabilities when the obligation is incurred.

Until December 31, 2008, Petrobras adopted as an accounting practice SFAS pronouncement 143 - Accounting for Asset Retirement Obligations of the Financial Accounting Standards Board (FASB), pursuant to which the future obligation with abandonment of wells and dismantling of production areas should be recorded in the accounting at its present value as a provision, considering the historical rates for each period for which the provision was recorded. With the adoption of ICPC 12 - Changes in liabilities for deactivation, restoration and other similar liabilities (IFRIC 1), the provision for abandonment of wells and dismantling of areas should reflect the effects of the changes in the current discount rate from one period to another.

## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

*(In millions of reais, except otherwise indicated)*

The Company recorded the amount of R\$ 1,273 in retained earnings on the transition date, adopting the exemption from not using the provision at the time that the liability was incurred, so that the cost of property, plant and equipment reflects the changes in the balance of the provision.

#### ***e) Post-retirement benefits***

The balance of unrecognized actuarial gains and losses post-employment benefits at December 31, 2008, in the amount of R\$ 566, was fully recorded against retained earnings on the transition date, thus adopting the exemption established in CPC 37 (IFRS 1). Actuarial gains and losses generated after the transition date will be recognized in the income statement by the corridor method.

#### ***f) Deferred income and expenses***

Law 11941/09 extinguished deferred assets, permitting maintaining the balance as of December 31, 2008, which will continue to be amortized in up to 10 years, subject to impairment testing, which was adopted by the Company in the individual accounting statements, in accordance with that established by CPC 43.

Pursuant to IFRS, pre-operating expenses and gains should be recorded as expenses and income, respectively, when incurred. With the adoption of IFRS, the amount of R\$ 1,241 was recorded in retained earnings in consolidated.

#### ***g) Public service concessions***

The Company exercises shared control over state gas distributors, which are consolidated in proportion to the stake Petrobras holds in the capital of these companies. These distributors operate under concessions and their activities are classified within the requirements of ICPC 01 - Concession Agreements (IFRIC 12). Consequently, rights presented as part of the property, plant and equipment of these companies, in the amount of R\$ 575, are now addressed as intangible assets.

#### ***h) Proportional consolidation of CIESA***

The financial statements of CIESA, a jointly controlled subsidiary of Petrobras Energia S.A, were not consolidated due to the existence of restrictions on the company's ability to transfer funds to its investors, pursuant to CVM Instruction 247/96. On adoption of IFRS, these statements were consolidated proportionally, regardless of the existence of this restriction, in compliance with CPC 19 - Investment in a Jointly Controlled Entity (IAS 31).

## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

*(In millions of reais, except otherwise indicated)*

#### ***i) Deemed cost***

The Company did not apply the deemed cost to the appreciation of its fixed assets, as the book values are not substantially different from their respective fair values, except for the petrochemical assets resulting from investments in affiliated companies, whose impact of R\$ 97 was recognized on January 1, 2009 in shareholders' equity as an equity evaluation adjustment.

#### ***j) Reclassifications***

The following reclassifications were made aiming at adjusting the Company's presentation to IFRS requirements.

- Advances to suppliers, which used to be presented as part of inventories or property, plant and equipment, were classified to specific lines for advances in current and non-current assets;
- Deferred income tax and social contribution, which used to be presented under current assets and liabilities, were reclassified to non-current assets and liabilities and, when applicable, are presented at their net amounts;
- Certain balances presented as part of deferred assets that met the criteria for recognition in IFRS were reclassified to prepaid expenses.

## Petróleo Brasileiro S.A. - Petrobras

Notes to the financial statements  
(Consolidated and Parent Company)*(In millions of reais, except otherwise indicated)***3.2 Effects of the adoption of international standards in the consolidated financial statements****3.2.1 Consolidated balance sheet**

	As published on 12/31/2008	Business combinations	Provision for abandonment	Post employment benefits	Deferred expenses and revenues	Inclusion Proportional Consolidatio n of CIESA	Deferred taxes	Others	Reclassifications	Adjust to IFRS 01/01/2008
Current assets	<b>63,575</b>	-	-	-	(48)	289	-	-	(1,768)	<b>62,048</b>
Long-term receivables	<b>21,255</b>	-	-	-	-	117	989	(1)	6,813	<b>29,163</b>
Investments	<b>5,106</b>	756	-	(14)	(188)	-	-	108	-	<b>5,662</b>
Property, plant and equipment	<b>190,754</b>	-	109	-	-	278	-	(62)	(5,385)	<b>185,694</b>
Intangible assets	<b>8,003</b>	-	-	-	-	1,014	-	-	575	<b>9,592</b>
Deferred charges	<b>3,470</b>	-	-	-	(3,235)	-	-	-	(235)	<b>235</b>
	<b>292,163</b>	<b>756</b>	<b>109</b>	<b>(14)</b>	<b>(3,471)</b>	<b>1,698</b>	<b>989</b>	<b>45</b>	<b>-</b>	<b>292,163</b>
Current liabilities	<b>62,557</b>	-	-	-	-	465	-	(541)	(4,173)	<b>58,443</b>
Non-current liabilities	<b>88,588</b>	(60)	(1,164)	(572)	(1,004)	841	26	297	4,173	<b>91,016</b>
Net income attributable to shareholders of Petrobras	<b>138,365</b>	816	1,273	566	(1,241)	45	611	353	-	<b>140,812</b>
Non-controlling interest	<b>2,653</b>	-	-	(8)	(1,226)	347	352	(64)	-	<b>2,022</b>
	<b>292,163</b>	<b>756</b>	<b>109</b>	<b>(14)</b>	<b>(3,471)</b>	<b>1,698</b>	<b>989</b>	<b>45</b>	<b>-</b>	<b>292,163</b>

## Petróleo Brasileiro S.A. - Petrobras

Notes to the financial statements  
(Consolidated and Parent Company)*(In millions of reais, except otherwise indicated)*

	As published on 12/31/2009	Capitalization of loan costs	Business combinations	Provision for abandonment	Post employment benefits	Deferred expenses and income	Deferred taxes	Inclusion Proportional Consolidation of CIESA	Others	Reclassific
Current assets	<b>76,674</b>	-	-	-	-	-	327	-	-	
Long-term receivables	<b>26,381</b>	-	-	-	-	-	91	659		
Investments	<b>3,148</b>	-	2,714	-	(1)	(180)	-	-	91	
Property, plant and equipment	<b>230,231</b>	2,645	(498)	328	-	-	173	-	(10)	
Intangible assets	<b>6,808</b>	18	-	-	-	-	683	-	-	
Deferred charges	<b>2,366</b>	-	-	-	-	(2,229)	-	-	-	
	<b>345,608</b>	<b>2,663</b>	<b>2,216</b>	<b>328</b>	<b>(1)</b>	<b>(2,409)</b>	<b>1,274</b>	<b>659</b>	<b>81</b>	
Current liabilities	<b>58,030</b>	-	-	-	-	-	383	-	(1,056)	
Non-current liabilities	<b>126,503</b>	-	(54)	(106)	(582)	(947)	616	805	(68)	
Net income attributable to shareholders of Petrobras	<b>159,465</b>	2,494	2,270	434	586	(951)	21	(158)	156	
Non-controlling interest	<b>1,610</b>	169	-	-	(5)	(511)	254	12	1,049	
	<b>345,608</b>	<b>2,663</b>	<b>2,216</b>	<b>328</b>	<b>(1)</b>	<b>(2,409)</b>	<b>1,274</b>	<b>659</b>	<b>81</b>	

## Petróleo Brasileiro S.A. - Petrobras

Notes to the financial statements  
(Consolidated and Parent Company)*(In millions of reais, except otherwise indicated)***3.2.2 Consolidated income statements for 2009**

	As published on 12/31/2009	Capitalization of loan costs	Business combinations	Provision for abandonment	Post employment benefits	Deferred expenses and income	Inclusion Proportional Consolidatio n of CIESA	Deferred taxes	Reclassifications and others	
<b>Sales revenue</b>	<b>182,710</b>	-	-	-	-	-	<b>367</b>	-	<b>(243)</b>	
Cost of good and services sold	(109,037)	(32)	16	(23)	-	149	(197)	-	417	
<b>Gross profit</b>	<b>73,673</b>	<b>(32)</b>	<b>16</b>	<b>(23)</b>	-	<b>149</b>	<b>170</b>	-	174	
Expenses	(27,544)	(53)	-	(472)	(11)	152	(29)	-	(173)	
<b>Income before financial results and profit-sharing</b>	<b>46,129</b>	<b>(85)</b>	<b>16</b>	<b>(495)</b>	<b>(11)</b>	<b>301</b>	<b>141</b>	-	<b>1</b>	
Financial results	(2,838)	2,786	-	(345)	-	337	(94)	-	(9)	
Equity in investments	(84)	-	16	-	13	8	-	-	(17)	
Employee and management profit-sharing	(1,495)	-	-	-	-	-	-	-	-	
<b>Income before income social contribution taxes</b>	<b>41,712</b>	<b>2,701</b>	<b>32</b>	<b>(840)</b>	<b>2</b>	<b>646</b>	<b>47</b>	-	<b>(25)</b>	
Income tax / social contribution	(9,977)	-	-	-	-	183	(31)	(1,106)	(0)	
<b>Net income</b>	<b>31,735</b>	<b>2,701</b>	<b>32</b>	<b>(840)</b>	<b>2</b>	<b>829</b>	<b>16</b>	<b>(1,106)</b>	<b>(25)</b>	
Net income attributable to non-controlling interest	(2,752)	(170)	-	-	-	(682)	(27)	338	-	
<b>Net income of attributable to shareholders of Petrobras</b>	<b>28,983</b>	<b>2,531</b>	<b>32</b>	<b>(840)</b>	<b>2</b>	<b>147</b>	<b>(11)</b>	<b>(768)</b>	<b>(25)</b>	



## Petróleo Brasileiro S.A. - Petrobras

Notes to the financial statements  
(Consolidated and Parent Company)*(In millions of reais, except otherwise indicated)***3.2.3 Consolidated cash flows**

	<b>2009</b>	
	<b>As published</b>	<b>Adjusted to IFRS</b>
Net income	28,982	30,051
Adjustments to reconcile net income	22,150	20,662
Changes in assets and liabilities	706	637
Cash provided by operating activities:	51,838	51,350
Cash used in investment activities	(70,280)	(70,280)
Cash provided by financing activities	31,627	32,165
Effect of exchange variation on cash and cash equivalents	(278)	(300)
<b>Net change in cash for the period</b>	<b>12,907</b>	<b>12,935</b>
<b>Cash</b> and cash equivalents at beginning of year	<b>15,889</b>	<b>16,099</b>
<b>Cash</b> and cash equivalents at end of year	<b>28,796</b>	<b>29,034</b>

**3.2.4 Effects of the adoption of international standards on the individual financial statements**

	Shareholders' equity		Net income
	01/01/2009	(*) 12/31/2009	2009
<b>Parent company net income as published</b>	<b>144,051</b>	<b>163,879</b>	<b>29,313</b>
Capitalization of loan costs		2,494	2,532
Business combinations	816	2,270	32
Post-retirement benefits	566	586	2
Provision for abandonment of wells and dismantling of areas	1,273	434	(840)
Absorption of unsecured liabilities of a subsidiary (**)	(3,961)	(3,584)	(527)
Deferred taxes	309	(405)	(685)



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Gain on sale of stocks in subsidiaries and affiliates (**)	(1,526)	(830)	195
Others	198	177	(63)
<b>Parent company net income adjusted to international accounting standards (CPC)</b>	<b>141,726</b>	<b>165,021</b>	<b>29,959</b>

(\*) Date of initial adoption

(\*\*) As required by CPC 18 - Investment in Affiliated Companies and Subsidiaries.

## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

*(In millions of reais, except otherwise indicated)*

#### **4 Consolidation basis**

The financial statements of subsidiaries, jointly controlled subsidiaries and specific purpose entities are included in the consolidated financial statements pursuant to the accounting policies adopted by Petrobras.

The consolidation process for the equity and income accounts corresponds to the horizontal sum of the accounts for assets, liabilities, income and expenses, according to their nature, plus the following:

elimination of investments in the capital and reserves held between them;

elimination of intercompany asset and liability account balances;

elimination from results for the year of current and non-current assets that correspond to economically unrealized results between the aforementioned companies; and

elimination of the effects arising from significant intercompany transactions.

# Petróleo Brasileiro S.A. - Petrobras

## Notes to the financial statements (Consolidated and Parent Company)

(In millions of reais, except otherwise indicated)

The consolidated financial statements comprise the financial statements of Petrobras and the following companies:

### a) Subsidiaries and jointly controlled subsidiaries

	Country	Ownership percentage - %		
		2010 Subscribed, paid in and voting	2009 Subscribed, paid in and voting	2008 Subscribed, paid in and voting
<b>Subsidiaries</b>				
Petrobras Química S.A. - Petroquisa and its subsidiaries (i)	Brazil	100.00	100.00	100.00
Petrobras Distribuidora S.A. - BR and its subsidiaries (i)	Brazil	100.00	100.00	100.00
Braspetro Oil Services Company - Brasoil and its subsidiaries (ii)	Cayman Islands	100.00	100.00	100.00
Braspetro Oil Company - BOC and its subsidiaries (ii)	Cayman Islands	99.99	99.99	99.99
Petrobras International Braspetro B.V. - PIBBV and its subsidiaries (i) (ii) (iii)	Holland	100.00	100.00	100.00
Petrobras Comercializadora de Energia Ltda. - PBEN (iv)	Brazil	100.00	100.00	100.00
Petrobras Negócios Eletrônicos S.A. - E-Petro and its subsidiary (i) (v)	Brazil	100.00	100.00	100.00
Petrobras Gás S.A. - Gaspetro and its subsidiaries (i)	Brazil	99.99	99.99	99.99
Petrobras International Finance Company - PifCo and its subsidiaries (ii)	Cayman Islands	100.00	100.00	100.00
Petrobras Transporte S.A. - Transpetro and its subsidiary	Brazil	100.00	100.00	100.00
Downstream Participações Ltda. and its subsidiary	Brazil	99.99	99.99	99.99
Petrobras Netherlands B.V. - PNBV and its subsidiaries (i) (ii)	Holland	100.00	100.00	100.00
FAFEN Energia S.A. and its subsidiary	Brazil	100.00	100.00	100.00
5283 Participações Ltda.	Brazil	100.00	100.00	100.00
Baixada Santista Energia Ltda.	Brazil	100.00	100.00	100.00
Sociedade Fluminense de Energia Ltda. - SFE	Brazil	100.00	100.00	100.00
Termorio S.A.	Brazil	100.00	100.00	100.00
Termoceaná Ltda.	Brazil	100.00	100.00	100.00

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Termomacaé Ltda	Brazil	100.00	100.00	100.00
Termomacaé Comercializadora de Energia Ltda.	Brazil	100.00	100.00	100.00
Fundo de Investimento Imobiliário RB Logística - FII	Brazil	99.00	99.00	99.00
Usina Termelétrica de Juiz de Fora S.A.	Brazil	100.00	100.00	100.00
Termobahia S.A.	Brazil	98.85	98.85	98.85
Petrobras Biocombustível S.A. (i)	Brazil	100.00	100.00	100.00
Refinaria Abreu e Lima S.A. (vi)	Brazil	100.00	100.00	100.00
Cordoba Financial Services Gmbh - CFS and its subsidiary (ii)	Austria	100.00	100.00	100.00
Companhia Locadora de Equipamentos Petrolíferos S.A. CLEP	Brazil	100.00	100.00	
Comperj Participações S.A.	Brazil	100.00	100.00	
Comperj Petroquímicos Básicos S.A.	Brazil	100.00	100.00	
Comperj PET S.A.	Brazil	100.00	100.00	
Comperj Estirênicos S.A.	Brazil	100.00	100.00	
Comperj MEG S.A.	Brazil	100.00	100.00	
Comperj Poliolefinas S.A.	Brazil	100.00	100.00	
Breitener Energética S.A.	Brazil	65.00	30.00	30.00
Cayman Cabiunas Investment CO. (ii)	Cayman Islands	100.00		
Marlim Participações S.A. and its subsidiary (vii)	Brazil		100.00	
NovaMarlim Participações S.A. and its subsidiary (vii)	Brazil		43.43	
Alvo Distribuidora de Combustíveis Ltda (ix)	Brazil			100.00
Ipiranga Asfalto S.A.(ix)	Brazil			100.00
<b>Jointly controlled subsidiaries (viii)</b>				
Usina Termoelétrica Norte Fluminense S.A.	Brazil	10.00	10.00	10.00
GNL do Nordeste Ltda.	Brazil	50.00	50.00	50.00
Ibiritermo S.A.	Brazil	50.00	50.00	50.00
Termoaçu S.A.	Brazil	76.87	76.87	74.80
Participações em Complexos Bioenergéticos S.A. - PC BIOS	Brazil	50.00	50.00	50.00
PMCC Projetos de Transporte de Álcool S.A.	Brazil	49.00	33.33	33.33
Brentech Energia S.A.	Brazil	30.00	30.00	30.00
Brasil PCH S.A.	Brazil	49.00	42.33	42.33
Brasympe Energia S.A.	Brazil	20.00	20.00	20.00
Cia Energética Manauara S.A	Brazil	40.00	40.00	40.00
Refinaria de Petróleo Riograndense S.A.	Brazil	33.20	33.20	
Eólica Mangue Seco 1 - Geradora e Comercializadora de Energia Elétrica S.A.	Brazil	49.00		
Eólica Mangue Seco 2 - Geradora e Comercializadora de Energia Elétrica S.A.	Brazil	51.00		
Eólica Mangue Seco 3 - Geradora e Comercializadora de Energia Elétrica S.A.	Brazil	49.00		
Eólica Mangue Seco 4 - Geradora e Comercializadora de Energia Elétrica S.A.	Brazil	49.00		

## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

*(In millions of reais, except otherwise indicated)*

- (i) Companies with a stake in jointly controlled subsidiaries.
- (ii) Companies headquartered abroad with financial statements prepared in a foreign currency.
- (iii) 11.45% interest in 2010 ( 20.13% in 2009 ) of 5283 Participações Ltda.
- (iv) 0.09% interest of Petrobras Gás S. A. - Gaspetro.
- (v) 0.05% interest of Downstream.
- (vi) 0.01% interest of Downstream.
- (vii) Companies merged into Petrobras Brasileiro S.A. in 2010.
- (viii) Companies with shared management, consolidated in proportion to the interests in their capital, except for Ibiritermo, whose activities are controlled by Petrobras and is therefore fully consolidated.
- (ix) Companies transferred to Petrobras Distribuidora in 2009.

# Petróleo Brasileiro S.A. - Petrobras

## Notes to the financial statements (Consolidated and Parent Company)

(In millions of reais, except otherwise indicated)

### b) Specific purpose entities - SPE

Specific purpose entities - SPE	Country	Main activity
Albacora Japão Petróleo Ltda.	Brazil	Exploration and Production
Charter Development LLC CDC (i)	USA	Exploration and Production
Companhia de Desenvolvimento e Modernização de Plantas Industriais CDMPI	Brazil	Refining
Companhia de Recuperação Secundária S.A. CRSEC	Brazil	Exploration and Production
Gasene Participações Ltda.	Brazil	Logistics
Nova Transportadora do Nordeste S.A. NTN	Brazil	Logistics
Nova Transportadora do Sudeste S.A. NTS	Brazil	Logistics
PDET Offshore S.A.	Brazil	Exploration and Production
Companhia Mexilhão do Brasil	Brazil	Exploration and Production
Non Standard Credit Rights Investment Fund of the Petrobras System	Brazil	Corporate

(i) Companies headquartered abroad with financial statements prepared in a foreign currency.

### 4.1 Reconciliation of the net equity and net income of consolidated with that of the parent company

	Shareholders' equity			Net income	
	12.31.2010	12.31.2009	01.01.2009	2010	2009
<b>Consolidated - IFRS</b>	<b>310,225</b>	<b>166,895</b>	<b>142,842</b>	<b>35,901</b>	<b>33,344</b>
Equity of non-controlling interest	(3,459)	(2,578)	(2,054)	(712)	(3,293)
Deferred assets net of income tax	551	704	938	(153)	(92)
<b>Parent company adjusted to international accounting standards (CPC)</b>	<b>307,317</b>	<b>165,021</b>	<b>141,726</b>	<b>35,036</b>	<b>29,959</b>

## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

*(In millions of reais, except otherwise indicated)*

#### **5 Description of significant accounting policies**

##### **5.1 Recognition of revenue, costs and expenses**

Sales revenue comprises the value of the consideration received or receivable for the sale of products and services, net of returns, discounts and charges on sales. Sales revenue from crude oil and oil products is recognized in the income statement when all the risks and benefits inherent to the product are transferred to the buyer. The sales revenue from freight and other services is recognized in proportion of completion of the service. The costs and expenses are recognized on the accrual basis.

The net financial results include mainly income from interest on financial investments and government bonds, expenses with interest on financing, gains and losses from valuation to fair value according to the classification of the security, as well as net exchange and monetary variations.

##### **5.2 Financial assets and liabilities**

###### **5.2.1 Cash and cash equivalents**

Cash and cash equivalents are represented by short-term investments of high liquidity which are readily convertible into cash, with maturity within three months of the date of acquisition.

###### **5.2.2 Marketable securities**

The Company classifies marketable securities on initial recognition, based on Management's strategies for these securities in the following categories:

- Securities for trading are stated at fair value. Interest, monetary restatement and changes resulting from the valuation to fair value are recorded in the income statement when incurred.
- Securities available for sale are stated at fair value. Interest and monetary restatement are recorded in the income statement, when incurred, while the changes resulting from valuation to fair value are recorded in equity valuation adjustments, in shareholders' equity, and transferred to the income statement for the year, upon settlement.
- Securities held until maturity are stated at cost of acquisition, plus interest and monetary restatement, which are recorded in the income statement when incurred.

## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

*(In millions of reais, except otherwise indicated)*

#### **5.2.3 Accounts receivable**

They are initially stated at the amount of the consideration to be received and, subsequently, at amortized cost, and they are deducted from the losses for doubtful accounts.

#### **5.2.4 Loans and financing**

They are initially recognized at fair value less transaction costs incurred and, after initial recognition, are stated at amortized cost using the effective interest rate method.

#### **5.2.5 Derivative financial instruments and hedge operations**

All the derivative instruments were recognized in the Company's balance sheet, both in assets and in liabilities, and are stated at fair value.

In the operations with derivatives, for hedge against variations in the prices of oil and oil products and currency, the gains and losses resulting from the changes in fair value are recorded in the financial results.

For cash flow hedges, the gains and losses resulting from the changes in their fair value are recorded in equity valuation adjustments, in shareholders' equity, until their settlement.

#### **5.2.6 Capital**

Common and preferred shares are classified as shareholders' equity. Expenditures with the issuing of shares are presented as a deduction from shareholders' equity, as an additional capital contribution, net of tax effects.

Preferred shares are given priority in the event of reimbursement of capital and receipt of dividends of at least 3% of the value of the net equity of the share, or 5% calculated on the part of the capital represented by this type of shares, where the higher amount shall always prevail, participating on the same terms as common shares, in the capital increases resulting from the incorporation of reserves and profits. Preferred shares are not assured voting rights and are not convertible into common shares and vice versa.

The minimum mandatory dividends comply with the limits defined in the Company's bylaws and are recognized as liabilities.



## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

*(In millions of reais, except otherwise indicated)*

#### **5.3 Inventories**

Inventories are presented as follows:

- Raw material comprises mainly the stocks of petroleum, which are stated at the average value of the costs for importing and production, adjusted, when applicable, to their realization value;
- Oil and alcohol products are stated at the average cost of refining or purchase, adjusted, when applicable, to their realization value;
- Materials and supplies are stated at the average purchase cost which does not exceed replacement cost. Imports in transit are stated at the identified cost.

#### **5.4 Corporate investments**

Investments in subsidiaries, jointly controlled subsidiaries and also in affiliated companies over which management has significant influence, and in other companies which are part of the same group or under common control, are valued by the equity accounting method.

#### **5.5 Business combinations and goodwill**

Assets and liabilities acquired in a business combination are stated in accordance with the method of acquisition and are recognized at their respective fair values. Any excess of the cost of acquisition over the fair value of the net assets acquired (identifiable net assets and liabilities acquired) is recognized as goodwill in intangible assets. When the cost of acquisition is less than the fair value of the net assets acquired, a gain is recognized in the income statement.

#### **5.6 Property, plant and equipment**

##### *Valuation*

They are stated at the cost of acquisition or construction, which represent the costs for bringing the asset to operating conditions, monetarily restated during hyperinflationary periods, less accumulated depreciation and losses through impairment. The rights that have as objects tangible assets intended for the maintenance of the Company's activities, resulting from operations that transfer the benefits, risks and control of these assets, are presented at fair value, or if lower, by the present value of the minimum payments of the contract

## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

*(In millions of reais, except otherwise indicated)*

The costs incurred with exploration, development and production of oil and gas are recorded according to the successful efforts method. This method establishes that the development costs of all the production wells and the successful exploration wells, linked to economically viable reserves, are capitalized, while the geology and geophysics costs are considered expenses for the period in which they occur and the costs for dry exploration wells and the costs linked to noncommercial reserves are recorded in the income statement when they are thus identified.

Material expenses with maintenance of the industrial units and ships, which include spare parts, dismantling and assembly services, amongst others, are recorded in property, plant and equipment.

The financial charges on loans taken out that are directly attributable to the acquisition or construction of assets are capitalized as part of the costs of these assets. The costs of loans that are not directly related to the assets are capitalized based on an average funding rate on the balance of the work in progress. These costs are amortized over the estimated useful lives of the respective assets or by the unit of production method.

#### ***Depreciation***

The equipment and facilities for petroleum and gas production monthly related to the respective developed wells are depreciated according to the volume of production in relation to the proven and developed reserves of each producing field. The straight-line method is used for the assets with a useful life shorter than the life of the field or that are linked to fields in various stages of production.

The stoppages for maintenance occur, on average, in programmed periods of four years, and the respective expenses are depreciated as a production cost until the beginning of the following stoppage.

Land is not depreciated. The other items of property, plant and equipment are depreciated according to the straight-line method, based on the following estimated useful lives:

<b>Class of assets</b>	<b>Useful life average weighted</b>
Buildings and improvements	25 years (25-40 years)
Equipment and other assets	20 years 3-31 years

## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

*(In millions of reais, except otherwise indicated)*

The Company reviewed the useful economic life of the assets, based on the reports by external appraisers, as follows:

<b>Estimated useful life</b>	<b>Avarege usefull life</b>	
	<b>Previous</b>	<b>New (average)</b>
Optic system equipment	7 years	20 years
Equipment and facilities of distribution	10 years	14 years
Industrial refining equipment and assemblies	10 years	20 years
Equipment and industrial plant fertilizer	10 years	22 years
Product storage tanks	10 years	26 years
Pipelines	10 years	31 years
Plataforms	16 years	17 years
Thermoelectric power plants	20 years	23 years
Vessels	20 years	25 years

The effects of the change in the estimated useful life of these assets were recognized as from January 1, 2010 and, therefore, the depreciation for fiscal year 2010 was decreased by R\$ 1,273 (R\$ 847 in the Parent company).

#### 5.7 Intangible assets

They are stated at the cost of acquisition, less accumulated amortization and impairment. They comprise rights and concessions that include, mainly, the signing bonus paid for obtaining concessions for exploration of petroleum or natural gas, burdensome assignment of exploration rights in blocks of the pre-salt area and public service concessions, in addition to trademarks and patents, software and goodwill from expectations of future profitability resulting from acquisition of a controlling interest (subsidiaries and jointly controlled subsidiaries). Goodwill resulting from acquisition of an interest in affiliated companies is presented in the investment.

The signing bonus and burdensome assignment are amortized by the unit of production method in relation to the total proven reserves, while the other intangible assets are amortized on a straight line basis according to their estimated useful life.

#### 5.8 Deferred charges

The Company maintained the balance of deferred assets as of December 31, 2008 in the individual statement, which will continue to be amortized in up to 10 years, subject to impairment testing pursuant to Law 11941/09.

## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

*(In millions of reais, except otherwise indicated)*

#### **5.9 Decrease to recoverable value - Impairment**

The Company evaluates the items of property, plant and equipment, intangible assets with a definite useful life and deferred charges (individual) when there are indications they will not recover their book values. The assets that have an indefinite useful life, such as goodwill for expectations of future profitability, are tested for impairment annually, regardless of whether there are indications of impairment or not.

When applying the impairment test to the recoverable value of assets, the carrying value of an asset or a cash generating unit is compared with its recoverable value. The recoverable value is the higher value between the net sales value of an asset and its value in use. Considering the particularities of the Company's assets, the recoverable value used for evaluation of the impairment test to recoverable value is the value in use, except when specifically indicated.

This use value is estimated based on the present value of future cash flows, resulting from the company's best estimates. The cash flows resulting from continuous use of the related assets are adjusted by the specific risks and use the pre-tax discount rate. This rate is derived from the structured post-tax rate on the weighted average cost of capital (WACC). The main assumptions for the cash flows are: prices based on the last strategic plan published, production curves associated with existing products in the Company's portfolio, market operating costs and investments required for carrying out the projects.

These evaluations are made at the lowest level of assets for which there are identifiable cash flows. Assets connected with the exploration and development of oil and gas production are reviewed annually, field by field, in order to identify possible losses on recovery based on the estimated future cash flow.

Reversal of previously recognized losses is permitted, except in relation to the decrease in the value of goodwill for expectations of future profitability.

#### **5.10 Leasing**

The liabilities of lease agreements with transfer of benefits, risks and control of the assets are recognized in liabilities as financial leasing. In the cases where the Company is lessor, these agreements are recognized as receivables in assets. The other lease agreements are classified as operating leases and the payments are recognized as an expense in the income statement during the term of the agreement.

## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

*(In millions of reais, except otherwise indicated)*

#### **5.11 Abandonment of wells and dismantling of areas**

The future liability for abandonment of wells and dismantling the production area is stated at its present value, discounted at a risk free rate and is fully recorded at the time of the declaration of commercial viability of each field, as part of the costs of the related assets (property, plant and equipment) as a contra entry to the provision recorded in the liabilities that will bear these expenses. The interest incurred through the updating of the provision is classified as a financial expense.

#### **5.12 Income tax and social contribution**

These taxes are calculated and recorded based on the rate of 25% for income tax and 9% for social contribution on taxable income. Deferred taxes and social contributions are recognized as a result of temporary differences, tax loss carry forwards and negative basis of social contribution, when applicable.

For purposes of calculating the income tax and social contribution on current income, the Company adopted the Transition Tax Regime, as established in Law 11941/09, i.e. for calculating taxable income it considered the accounting criteria of Law 6404/76 before the amendments of Law 11638/07. The taxes on temporary differences, generated by adopting the new corporate law, were provisioned for as deferred tax and social contribution assets and liabilities.

#### **5.13 Employee benefits**

Provisions are recorded for the actuarial commitments with pension and retirement plans and the healthcare plan, based on an actuarial calculation prepared annually by an independent actuary, in accordance with the projected credit unit method, net of the guarantor assets of the plan, when applicable, and the costs referring to the increase in the present amount of the liability, resulting from the service provided by the employee, recognized during the employees' time of service.

The projected credit unit method considers each period of service as a generating fact for an additional unit of benefit, which is accumulated for the computation of the final obligation. Additionally, other actuarial assumptions are used, such as estimates of the evolution of costs with healthcare benefits, biological and economic hypotheses and, also, past data on expenses incurred and contributions from employees.

The actuarial gains and losses resulting from adjustments based on experience and on changes in the actuarial assumptions are included or excluded, respectively, when determining the net actuarial commitment and are amortized over the average period of service remaining for the active employees.

## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

*(In millions of reais, except otherwise indicated)*

The Company also contributes to the national pension and social security plans of international subsidiaries, whose percentages are based on the payroll, and these contributions are taken to the income statement when incurred.

#### 5.14 Government subsidies and assistance

Government subsidiaries for investments are recognized as revenue throughout the period, compared with the expenses that it intends to offset on a systematic basis, and are invested in Petrobras in the following manner:

Subsidies for re-investments: in the same proportion as the depreciation of the asset, and

Direct subsidies related to the operating profit: directly in the income statement.

The amounts allocated in the income statement will be distributed to the tax incentive reserve, in shareholders' equity.

#### 5.15 New rules and interpretations not yet adopted

The process of convergence of accounting policies in Brazil to international standards establishes the adoption of a number of standards and amendments to the standards and interpretations of the IFRS, issued by the International Accounting Standards Board (IASB), which still have not come into force for the year ended December 31, 2010, and are the following:

Standard	Description	Valid as from the years beginning on or after:
Amendment to IAS 32	Classification of Rights Issues Applicable when a company issues, on a pro-rata basis to all the shareholders of a certain class, one or more purchase rights for a fixed number of additional shares.	February 1, 2010
Amendment to IFRIC 14	Prepayments of a Minimum Funding Requirement, with respect to defined benefit plans.	January 1, 2011
Amendment to IFRS 7	Disclosures: Transfers of Financial Assets	July 1, 2011
		January 1, 2012

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Amendment  
to IAS 12

Deferred Tax: Recovery of Underlying Assets, which established criteria for calculating the tax basis of an asset.

IFRC 9

Financial Instruments. It introduces new requirements for classifying and valuing financial assets and liabilities and should also replace the requirements of IAS 39 for sale and impairment of financial instruments, and hedge accounting.

January 1, 2013

The Company is assessing the impacts of these new standards on its financial statements.

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## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

(In millions of reais, except otherwise indicated)

#### 6 Cash and cash equivalents

	Consolidated			Parent company		
	12.31.2010	12.31.2009	01.01.2009	12.31.2010	12.31.2009	01.01.2009
Cash and banks	3,434	2,854	2,622	437	646	394
Financial investments	0	0	0	0	0	0
- In Brazil	0	0	0	0	0	0
Investment funds - Interbank Deposit	12,797	11,921	3,140	10,119	8,429	8
Other investment fund	749	7,202	3,732	325	3,556	6,424
	<b>13,546</b>	<b>19,123</b>	<b>6,872</b>	<b>10,444</b>	<b>11,985</b>	<b>6,432</b>
- Abroad	13,343	7,057	6,605	9,114	4,167	4,442
Total financial investments	<b>26,889</b>	<b>26,180</b>	<b>13,477</b>	<b>19,558</b>	<b>16,152</b>	<b>10,874</b>
<b>Total cash and cash equivalents</b>	<b>30,323</b>	<b>29,034</b>	<b>16,099</b>	<b>19,995</b>	<b>16,798</b>	<b>11,268</b>

Financial investments in Brazil are represented by investments funds whose resources are invested in federal government bonds and investments in quotas of the investment fund in credit rights (FIDC) of the Petrobras System.

Investments abroad comprise time deposits with terms of up to 3 months and other short-term fixed income instruments, made with first tier institutions.

#### 7 Marketable securities

	Consolidated			Parent company		
	12.31.2010	12.31.2009	01.01.2009	12.31.2010	12.31.2009	01.01.2009
Available for sale	5,303	4,468	3,773	5,125	4,171	3,589
For trading	25,651	-	132	25,588	-	-
Held until maturity	271	295	450	7,767	1,727	9
	<b>31,225</b>	<b>4,763</b>	<b>4,355</b>	<b>38,480</b>	<b>5,898</b>	<b>3,598</b>



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<b>Current</b>	26,017	124	289	33,731	1,718	-
<b>Non-current</b>	5,208	4,639	4,066	4,749	4,180	3,598

Securities available for sale include Series B National Treasury Notes (NTN-B) in the amount of R\$ 4,952 (R\$ 4,711 in the Parent company) as of December 31, 2010, indexed to the amplified consumer price index (IPCA), with payment of half yearly coupons of 6% p.a. and maturities in 2024 and 2035, and are presented in non-current assets. A part of these NTN-B was given in guarantee to Petros in 2008, after signing the Term of Financial Commitment, as described in Note 22.

The securities for trading refer to mostly investments in public bonds with maturity terms of more than 90 days and are presented in current assets considering their expectation of realization in the short term.

## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

(In millions of reais, except otherwise indicated)

The securities held until maturity in the Parent company include investments in the nonstandard credit assignment investment fund (FIDC-NP) related to non-performing credit rights of its operating activities in the amount of R\$ 7,758 at December 31, 2010 and are presented in current assets.

#### 8 Accounts receivable

##### 8.1 Accounts receivable, net

	Consolidated			Parent company		
	12.31.2010	12.31.2009	01.01.2009	12.31.2010	12.31.2009	01.01.2009
Clients						
Third parties	17,555	13,600	13,329	3,199	2,187	3,551
Related parties (11.1)	2,722	2,646	2,214	40,473 (*)	58,503 (*)	104,148 (*)
Others	4,729	3,646	3,571	2,732	2,202	1,588
	<b>25,006</b>	<b>19,892</b>	<b>19,114</b>	<b>46,404</b>	<b>62,892</b>	<b>109,287</b>
Less: allowance for doubtful accounts	(2,716)	(2,542)	(2,814)	(466)	(306)	(291)
	<b>22,290</b>	<b>17,350</b>	<b>16,300</b>	<b>45,938</b>	<b>62,586</b>	<b>108,996</b>
Less: non-current trade accounts receivable, net	(4,956)	(3,288)	(1,331)	(29,760)	(49,742)	(91,626)
<b>Short-term accounts receivable, net</b>	<b>17,334</b>	<b>14,062</b>	<b>14,969</b>	<b>16,178</b>	<b>12,844</b>	<b>17,370</b>

(\*) It does not include the balances of the dividends receivable of R\$ 1,523 at December 31, 2010 (R\$ 780 at December 31, 2009), reimbursements receivable of R\$ 447 at December 31 2010 (R\$ 1,511 at December 31, 2009) and a Credit Assignment Investment Fund of R\$ 7,768 at December 31, 2010 (R\$ 4,678 at December 31, 2009).

##### 8.2 Changes in the provision for doubtful accounts

Consolidated		Parent company	
12.31.2010	12.31.2009	12.31.2010	12.31.2009

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<b>Opening balance for the year</b>	<b>2,542</b>	<b>2,814</b>	<b>306</b>	<b>291</b>
Additions (*)	380	246	169	37
Write-offs (*)	(206)	(518)	(9)	(22)
<b>Balance at December 31</b>	<b>2,716</b>	<b>2,542</b>	<b>466</b>	<b>306</b>
Current	1,750	1,546	466	306
Non-current	966	996	0	0

(\*) It includes exchange variation on the allowance for doubtful accounts recorded in companies abroad.

## Petróleo Brasileiro S.A. - Petrobras

Notes to the financial statements  
(Consolidated and Parent Company)*(In millions of reais, except otherwise indicated)***8.3 Accounts receivable - overdue**

		<b>12.31.2010</b>		
		<b>Consolidated</b>		<b>Parent company</b>
Up to 3 months		905		500
From 3 to 6 months		229		56
From 6 to 12 months		352		41
More than 12 months		3,128		571

**9 Inventories**

	<b>Consolidated</b>			<b>Parent company</b>		
	<b>12.31.2010</b>	<b>12.31.2009</b>	<b>01.01.2009</b>	<b>12.31.2010</b>	<b>12.31.2009</b>	<b>01.01.2009</b>
Products:						
Oil products (*)	6,274	5,746	5,551	4,957	4,052	3,993
Alcohol (*)	522	472	594	123	237	281
	6,796	6,218	6,145	5,080	4,289	4,274
Raw materials, mainly crude oil (*)	9,547	9,724	8,309	7,300	7,261	5,298
Maintenance materials and supplies (*)	3,292	3,295	3,340	2,864	2,880	2,865
Others	272	249	710	14	33	105
	<b>19,907</b>	<b>19,486</b>	<b>18,504</b>	<b>15,258</b>	<b>14,463</b>	<b>12,542</b>
Current	19,816	19,448	18,391	15,199	14,437	12,429
Non-current	91	38	113	59	26	113

(\*) It includes imports in transit.

**10 Petroleum and alcohol accounts - STN**

In order to settle accounts with the Federal Government pursuant to Provisional Measure 2181, of August 24, 2001, after providing all the information required by the National Treasury Department (STN), Petrobras is seeking to settle the remaining differences between the parties.

At December 31, 2010, the balance of the account was R\$ 822 and this can be discharged by the Federal Government by issuing National Treasury Notes in an amount equal to the final balance for the settling of accounts or through offsetting against other amounts that Petrobras may be owing the Federal Government at the time, including tax related amounts or a combination of the foregoing operations.

# Petróleo Brasileiro S.A. - Petrobras

## Notes to the financial statements (Consolidated and Parent Company)

(In millions of reais, except otherwise indicated)

### 11 Related parties

Petrobras carries out commercial transactions with its subsidiaries and special purpose entities under normal market conditions. Intercompany loans are made in accordance with market conditions and applicable legislation.

At December 31, 2010 and 2009, losses were not expected on the realization of these accounts receivable.

#### 11.1 Assets

	CURRENT ASSETS			PARENT COMPANY NON-CURRENT ASSETS				TOTAL ASSETS
	Accounts receivable, mainly for sales	Dividends receivable	Advance for capital increase	Amounts related to construction of gas pipeline	Loans	Other operations	Reimbursement receivable	
<b>SUBSIDIARIES (*)</b>								<b>0</b>
BR Distribuidora	1,568	334	0	0	141	0	0	2,043
Gaspetro	1,080	289	340	811	0	0	0	2,520
PifCo	3,189	0	0	0	0	4	0	3,193
Downstream	207	0	0	0	183	0	0	390
Transpetro	281	128	0	0	0	0	0	409
PIB-BV Netherlands	264	0	0	0	551	58	0	873
Brasoil	0	0	0	0	26,603	7	0	26,610
BOC	0	0	0	0	30	1	0	31
Petrobras Comercializadora Energia Ltda	65	45	0	0	0	0	0	110
Petrobras Biocombustível S.A.	66	0	103	0	0	0	0	169
Breitener Energética	0	0	0	0	353	0	0	353
Thermoelectric power plants	119	11	14	0	224	0	0	368
Abreu e Lima Refinery	473	0	0	0	0	0	0	473

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Cayman Cabiúnas Investment	18	0	0	0	0	0	275	293
Cia Locadora de Equipamentos Petrolíferos	0	542	0	0	0	0	0	542
Other subsidiaries	160	112	8	0	0	7	0	287
	7,490	1,461	465	811	28,085	77	275	38,664
<b><u>SPECIFIC PURPOSE ENTITIES</u></b>								
Nova Transportadora do Nordeste - NTN	481	0	0	0	0	0	72	553
Nova Transportadora do Sudeste - NTS	468	0	0	0	0	0	35	503
PDET Off Shore	0	0	0	0	0	0	65	65
Other SPEs	45	0	0	0	0	0	0	45
	994	0	0	0	0	0	172	1,166
<b><u>AFFILIATED COMPANIES</u></b>								
	232	62	3	0	0	0	0	297
12/31/2010	8,716	1,523	468	811	28,085	77	447	40,127
12/31/2009	7,790	780	295	973	47,837	78	1,511	59,264

(\* ) It includes its subsidiaries and jointly controlled subsidiaries.

## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

(In millions of reais, except otherwise indicated)

#### Interest rates for active loans

Index	12.31.2010	12.31.2009
TJLP + 5% p.a.	26	49
LIBOR + 1 to 3% p.a.	24,174	44,798
1.70% p.a.	183	224
101% of CDI	115	171
14.5% p.a.	78	77
IGPM + 6% p.a.	146	146
Other rates	3,363	2,372
	<b>28,085</b>	<b>47,837</b>

#### Bolivia-Brazil gas pipeline

The section of the Bolivia-Brazil gas pipeline in Bolivia is the property of the company Gás Transboliviano S.A. (GTB), in which Gaspetro holds a minority interest (11%) in the capital of the Company.

A US\$ 350 million turnkey contract for the construction of the Bolivian section of the pipeline was entered into with Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), which was subsequently passed on to GTB, and, since January 2000, it is being paid off in the form of transport services over 12 years.

At December 31, 2010, the balance of the rights for future transport services, on account of costs already incurred in the construction up to that date, plus interest of 10.7% p.a., is R\$ 252 (R\$ 339 at December 31, 2009), of which R\$ 149 is classified in long term receivable as an advance to suppliers (R\$ 231 at December 31, 2009) which includes the amount of R\$ 94 (R\$ 102 at December 31, 2009) related to the acquisition in advance of the right to transport 6 million cubic meters of gas for a period of 40 years (TCO - Transportation Capacity Option).

The Brazilian section of the gas pipeline is the property of Transportadora Brasileira Gasoduto Bolívia-Brasil S.A. (TBG), a subsidiary of Gaspetro. At December 31, 2010, Petrobras total receivable from TBG for management, forwarding of costs and financing related to the construction of the gas pipeline and the acquisition in advance of the right to transport 6 million cubic meters of gas for a period of 40 years (TCO) was R\$ 811 (R\$ 973 at December 31, 2009), and is classified under long-term assets as accounts receivable, net.



## Petróleo Brasileiro S.A. - Petrobras

Notes to the financial statements  
(Consolidated and Parent Company)*(In millions of reais, except otherwise indicated)***11.2 Liabilities**

	PARENT COMPANY								TOTAL LIABILITIES
	CURRENT LIABILITIES				NON-CURRENT LIABILITIES				
	Suppliers, mainly for purchases of oil and oil products	Advances from clients	Affreightment of Platforms	Contractual commitments with transfer of benefits, risks and control of assets	Other operations	Contractual commitments with transfer of benefits, risks and control of assets	Loans	Other operations	
<b><u>SUBSIDIARIES</u></b>									
<b><u>(*)</u></b>									
BR Distribuidora	(384)	(6)	-	-	-	-	-	(26)	(416)
Gaspetro	(659)	(318)	-	-	-	-	-	-	(977)
PifCo	(9,514)	(102)	-	-	-	-	-	(324)	(9,940)
PNBV	(88)	-	(1,562)	-	-	-	-	-	(1,650)
Downstream	(145)	-	-	-	-	-	-	-	(145)
Transpetro	(561)	-	-	-	-	-	-	-	(561)
PIB-BV Netherlands	(337)	(1)	-	-	-	-	-	-	(338)
Brasoil	(158)	-	(7)	-	-	-	-	-	(165)
Thermoelectric power plants	(204)	-	-	(29)	-	(580)	-	-	(813)
Marlim Participações S.A	-	-	-	-	-	-	-	-	-
Cia Locadora de Equipamentos Petrolíferos	-	-	-	(2,192)	-	(2,113)	-	-	(4,305)
Other subsidiaries	(95)	(3)	-	(20)	-	(143)	-	-	(261)
	(12,145)	(430)	(1,569)	(2,241)	-	(2,836)		(350)	(19,571)
<b><u>SPECIFIC PURPOSE ENTITIES</u></b>									
PDET Offshore	-	-	-	(172)	(139)	(1,420)	-	-	(1,731)

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<b>Nova Transportadora do Nordeste - NTN</b>	-	-	(223)	-	(1,102)	-	-	(1,325)	
<b>Nova Transportadora do Sudeste - NTS</b>	-	-	(225)	-	(1,059)	-	-	(1,284)	
<b>Charter Development LLC</b>	-	-	-	-	-	-	-	-	
<b>Gasene Participações S/A</b>	-	-	(45)	-	(6,235)	-	-	(6,280)	
<b>CDMPI</b>	-	-	(245)	-	(2,272)	-	-	(2,517)	
<b>Other SPEs</b>	-	-	-	-	-	-	-	-	
			<b>(910)</b>	<b>(139)</b>	<b>(12,088)</b>			<b>(13,137)</b>	
<b>AFFILIATED COMPANIES</b>	<b>(84)</b>	<b>(2)</b>	-	-	-	<b>(54)</b>	-	<b>(140)</b>	
<b>12/31/2010</b>	<b>(12,229)</b>	<b>(432)</b>	<b>(1,569)</b>	<b>(3,151)</b>	<b>(139)</b>	<b>(14,924)</b>	<b>(54)</b>	<b>(350)</b>	<b>(32,848)</b>
<b>12/31/2009</b>	<b>(29,723)</b>	<b>(752)</b>	<b>(1,394)</b>	<b>(3,502)</b>	<b>(139)</b>	<b>(10,904)</b>	<b>(49)</b>	<b>(856)</b>	<b>(47,319)</b>

(\* ) It includes its subsidiaries and jointly controlled subsidiaries.

## Petróleo Brasileiro S.A. - Petrobras

Notes to the financial statements  
(Consolidated and Parent Company)*(In millions of reais, except otherwise indicated)***11.3 Results**

		Parent company		
		Results		
	Operating income, mainly from sales	Net financial income (expenses)	Exchange and monetary variations, net	TOTAL RESULTS
<b><u>SUBSIDIARIES (*)</u></b>				
Petroquisa	256	-	3	259
BR Distribuidora	57,953	(12)	22	57,963
Gaspetro	4,928	(32)	(7)	4,889
PifCo	19,772	(674)	220	19,318
PNBV	-	(1)	59	58
Downstream	3,548	7	18	3,573
Transpetro	555	-	33	588
PIB-BV Netherlands	111	25	(66)	70
Brasoil	-	1,117	(1,155)	(38)
Petrobras Comercializadora Energia Ltda	464	1	10	475
Thermoelectric power plants	52	(84)	(17)	(49)
Marlim Participações S.A	-	(102)	-	(102)
Cia Locadora de Equipamentos Petrolíferos	-	(531)	-	(531)
Abreu e Lima Refinery	258	-	-	258
Other subsidiaries	310	(2)	(23)	285
	88,207	(288)	(903)	87,016
<b><u>SPECIFIC PURPOSE ENTITIES</u></b>				
Nova Transportadora do Nordeste - NTN	-	(45)	-	(45)
Nova Transportadora do Sudeste - NTS	-	(29)	-	(29)
PDET Offshore	-	(92)	-	(92)
Charter Development LLC	-	(414)	152	(262)

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Gasene Participações S/A	-	(431)	-	(431)
Transportadora Gasene	130	-	-	130
Other SPEs	-	(25)	-	(25)
	130	(1,036)	152	(754)
<b><u>AFFILIATED COMPANIES</u></b>	<b>11,304</b>	<b>14</b>	<b>(27)</b>	<b>11,291</b>
12/31/2010	99,641	(1,310)	(778)	97,553
12/31/2009	85,900	1,514	(6,603)	80,811

(\*) It includes its subsidiaries and jointly controlled subsidiaries.

## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

*(In millions of reais, except otherwise indicated)*

#### 11.4 Non Standard Credit Rights Investment Fund - FIDC-NP

The Parent Company Petrobras has invested resources in the non standard credit rights investment fund (FIDC-NP) which is mainly earmarked for the acquisition of performing and/or non-performing credit rights of operations performed by subsidiaries of the Petrobras System.

The amounts invested in government bonds in the FIDC-NP are recorded under cash and cash equivalents and marketable securities according to their respective realization terms.

The financial charges allocable on the sales operations of performing and/or non-performing credit rights are recorded as other current assets.

The assignments of performing credit rights are classified as other current assets, while they are not offset. The assignment of non-performing credit rights are recorded as other accounts and expenses payable in current liabilities

	<b>12.31.2010</b>	<b>12.31.2009</b>
Financial investments	206	3,442
Marketable securities	7,758	1,718
Financial charges to allocate	426	356
Assignments of performing rights	(622)	(838)
<b>Total classified in current assets</b>	<b>7,768</b>	<b>4,678</b>
Assignments of non-performing rights	(15,933)	(14,318)
<b>Total classified in current liabilities</b>	<b>(15,933)</b>	<b>(14,318)</b>
<b>Financial income</b>	<b>184</b>	<b>1,397</b>

#### 11.5 Guarantees obtained and granted

Petrobras has a policy of granting guarantees to its subsidiaries for certain financial operations carried out abroad.

The guarantees offered by Petrobras are made based on contractual clauses that support the financial operations between the subsidiaries and third parties, guaranteeing the purchase of the debt in the event of default on the part of the subsidiaries.

## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

(In millions of reais, except otherwise indicated)

At December 31, 2010, the financial operations carried out by these subsidiaries and guaranteed by Petrobras present the following balances to be settled:

Date of maturity of operations	12/31/2010					12/31/2009	
	PNBV	PifCo	PIB-BV	Ref. Abreu e Lima	TAG	Total	Total
2010	0	0	0	0	0	0	4,927
2011	4,383	3,725	0	0	0	8,108	1,303
2012	449	1,000	83	0	0	1,532	2,706
2013	106	624	0	0	0	730	800
2014	477	1,140	167	0	0	1,784	2,044
2015	3,451	689	0	0	0	4,140	988
2015 onwards	6,736	18,318	1,000	8,681	5,003	39,738	37,684
	<b>15,602</b>	<b>25,496</b>	<b>1,250</b>	<b>8,681</b>	<b>5,003</b>	<b>56,032</b>	<b>50,452</b>

Petrobras has been importing and exporting equipment and material pursuant to Decree 4543/2002, which governs the special customs regime for exporting and importing assets intended for research activities and exploitation of oil and natural gas deposits (Repetro). The benefit of these operations made via Repetro is the temporary suspension of federal taxes for the period in which the aforementioned materials and equipment remain in Brazil. An appropriate surety, signed by third parties, as a way of guaranteeing the payment of the suspended taxes, is required.

The appropriate sureties are granted by Petrobras Distribuidora S/A (BR) and Petrobras Gás S/A (Gaspetro) and the remuneration charged is fixed at 0.30% p.a. on the amount of federal taxes that are suspended.

In the period from January to December 2010, the expenses incurred by Petrobras for obtaining the appropriate sureties were:

	2010	2009
<b>BR</b>	20	20
<b>Gaspetro</b>	19	10
<b>Total</b>	<b>39</b>	<b>30</b>

#### 11.6 Investment fund of subsidiaries abroad

At December 31, 2010 and 2009, the subsidiaries PifCo and Brasoil had amounts invested abroad in an investment fund that held, amongst others, debt securities of companies of the Petrobras System and a specific purpose entity related to the Company's projects, mainly the CLEP,

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Malhas and Marlim Leste (P-53) and Gasene projects, equivalent to R\$ 14,048 (R\$ 12,724 at December 31, 2009). These amounts refer to the consolidated companies and were offset against the balance of financing in current and non-current liabilities.

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# Petróleo Brasileiro S.A. - Petrobras

## Notes to the financial statements (Consolidated and Parent Company)

(In millions of reais, except otherwise indicated)

### 11.7 Transactions with affiliated companies, government entities and pension funds

The Company is controlled by the Federal Government and carries out various transactions with government entities in the normal course of its operations.

Significant transactions with affiliated companies, government entities and a pension fund resulted in the following balances:

	<b>Consolidated</b>			
	<b>12.31.2010</b>		<b>12.31.2009</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Affiliated companies</b>	<b>305</b>	<b>144</b>	<b>950</b>	<b>166</b>
Braskem	84	60	594	76
Quattor	78	43	260	41
Other affiliated companies	143	41	96	49
<b>Government entities and pension funds</b>	<b>42,824</b>	<b>56,007</b>	<b>16,650</b>	<b>49,156</b>
Government bonds	31,098	-	11,561	-
Banco do Brasil S.A.	5,067	9,415	1,484	7,294
Deposits subject to legal proceedings (CEF and BB)	2,466	-	1,716	63
Electricity sector	3,145	-	2,007	-
Petroleum and alcohol account - Federal government credits	822	-	817	-
BNDES	3	36,320	1	34,929
Caixa Econômica Federal	2	5,662	1	3,953
Federal government - Proposed dividends and interest on				
shareholders' capital	-	1,118	-	563
National Agency for Petroleum, National Gas and Biofuels	-	2,568	-	1,322
Petros (Pension fund)	-	501	-	523
Others	221	423	(937)	509
	<b>43,129</b>	<b>56,151</b>	<b>17,600</b>	<b>49,322</b>



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Current	34,481	8,393	10,394	5,982
Non-current	8,648	47,758	7,206	43,340

## Petróleo Brasileiro S.A. - Petrobras

Notes to the financial statements  
(Consolidated and Parent Company)*(In millions of reais, except otherwise indicated)*

The balances are classified in the Balance Sheet as follows:

	Consolidated			
	12.31.2010		12.31.2009	
	Assets	Liabilities	Assets	Liabilities
<b>Current assets</b>	<b>34,481</b>		<b>10,394</b>	
Cash and cash equivalents	5,424		8,369	
Marketable securities	25,525		-	
Trade accounts receivable, net	3,392		1,784	
Other current assets	140		241	
<b>Non-current</b>	<b>8,648</b>		<b>7,206</b>	
Petroleum and alcohol account - STN	822		817	
Marketable securities	5,177		4,583	
Deposits in court	2,468		1,716	
Other long-term assets realized	181		90	
<b>Current liabilities</b>		<b>8,393</b>		<b>5,982</b>
Financing		3,667		2,836
Proposed dividends		1,596		691
Other current liabilities		3,130		2,455
<b>Non-current liabilities</b>		<b>47,758</b>		<b>43,340</b>
Financing		47,634		43,210
Other non-current liabilities		124		130
	<b>43,129</b>	<b>56,151</b>	<b>17,600</b>	<b>49,322</b>

## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

*(In millions of reais, except otherwise indicated)*

#### **Receivables from the electricity sector**

The company has receivables from the electricity sector related to the supplying of fuel to thermoelectric power stations, direct and indirect subsidiaries of Eletrobrás, located in the northern region of Brazil. Part of the costs for supplying fuel to these thermoelectric power stations is borne by funds from the Fuel Consumption Account (CCC), managed by Eletrobrás.

The Company also supplies fuel to Independent Power Producers (PIE), companies created for the purpose of producing power exclusively for Amazônia Distribuidora S. A. (ADESA), a direct subsidiary of Eletrobrás, whose payments for supplying fuel depend directly on the forwarding of funds from ADESA to these Independent Power Producers.

The balance of these receivables at December 31, 2010 was R\$ 3,145 (R\$ 2,007 at December 31, 2009), presented in non-current assets and classified as receivables from related parties, of which R\$ 2,372 was overdue.

The Company has made systematic collections from the debtors and Eletrobrás, itself, and partial payments have been made.

## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

*(In millions of reais, except otherwise indicated)*

#### 11.8 Remuneration of officers and employees (expressed in reais)

The Petrobras Plan for Positions and Salaries and for Benefits and Advantages and the specific legislation establish the criteria for all the remunerations attributed by the Company to its officers and employees.

In fiscal year 2010, the highest and lowest remunerations attributed to employees occupying permanent positions, with respect to December, were R\$ 60,965.12 and R\$ 1,801.35 (R\$ 55,747.18 and R\$ 1,647.17 at December 31, 2009), respectively. The average remuneration in fiscal year 2010 was R\$ 9,522.21 (R\$ 8,638.66 at December 31, 2009).

With respect to the Petrobras's officers, the highest remuneration in 2010, using December as a base, was R\$ 69,539.03 (R\$ 59,465.04 at December 31, 2009).

The total remuneration for short-term benefits for the Petrobras's officers during fiscal year 2010 was R\$ 8,730,865.00 (R\$ 7,099,271.81 at December 31, 2009), which includes fees in amount of R\$ 6,442,020.83 (R\$ 5,248,780.31 in 2009) referring to seven officers and nine board members.

In consolidated, the fees for the officers and the board of directors total R\$ 44,613,649.20 in 2010 (R\$ 34,302,730.30 in 2009).

#### 12 Deposits in court

The deposits in court are presented according to the nature of the corresponding lawsuits:

	Consolidated			Parent company		
	12.31.2010	12.31.2009	01.01.2009	12.31.2010	12.31.2009	01.01.2009
Labor	940	726	608	888	694	582
Tax (*)	1,193	888	895	912	662	659
Civil (*)	596	362	340	558	330	299
Others	78	13	10	68	5	2
<b>Total</b>	<b>2,807</b>	<b>1,989</b>	<b>1,853</b>	<b>2,426</b>	<b>1,691</b>	<b>1,542</b>

(\*) Net of deposits related to judicial proceedings for which a provision is recorded, when applicable.

## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

*(In millions of reais, except otherwise indicated)*

#### **13 Acquisitions and sales of assets**

##### **13.1 Business Combination**

###### **Acquisition of the distribution and logistics businesses of ExxonMobil in Chile**

On April 30, 2009, Petrobras, through its wholly owned subsidiaries Petrobras Venezuela Investments & Services B.V and Petrobras Participaciones, S.L., located in the Netherlands and Spain, respectively, concluded the process for the acquisition of the distribution and logistics businesses of ExxonMobil in Chile, with the payment of US\$ 463 million, net of the cash and cash equivalents of the companies purchased. In 2010, the company conclude the evaluation of the fair value of the assets acquired was recognized the amount of R\$ 163 in Property, plant and equipment and R\$ 27 in Intangible assets; and goodwill through expectations of future profitability of R\$ 81.

###### **Breitener Energética S.A.**

Up till December 31, 2009, Petrobras held 30% of the capital of Breitener Energética S.A., a company established for the purpose of generating electric power, situated in the city of Manaus, in the state of Amazonas. On February 12, 2010, 35% of the interest in the capital was purchased for R\$ 3 thousand and Petrobras now holds shareholding control of the company. The appraisal of the fair value of the assets and liabilities has not been concluded and, therefore, was recognized preliminarily, a gain of R\$ 17.

##### **13.2 Acquisition of interests jointly controlled subsidiaries**

###### **BSBios Marialva Indústria e Comércio de Biodiesel Sul Brasil S.A.**

On December 8, 2009, Petrobras Biocombustível invested in the capital of the company BSBios Marialva Indústria e Comércio de Biodiesel Sul Brasil S.A., paying in the amount of R\$ 54 for acquisition of 50% of the total shares. In the evaluation of the fair value of the net assets acquired, a surplus value of R\$ 2 was identified in the property, plant and equipment.

###### **Bioóleo Industrial e Comercial S.A.**

On August 24, 2010, Petrobras Biocombustível entered into the capital of the company Bioóleo Industrial e Comercial S.A. paying in the total amount of R\$ 19 for acquisition of 50% of the total shares.

## Petróleo Brasileiro S.A. - Petrobras

### Notes to the financial statements (Consolidated and Parent Company)

*(In millions of reais, except otherwise indicated)*

#### **Nova Fronteira Bioenergia S.A.**

On November 1, 2010, Petrobras Biocombustível entered into the capital of the company Nova Fronteira Bioenergia S.A., paying in the amount R\$ 258, until December 27, for acquisition of 37.05% of the total shares, starting a partnership with Grupo São Martinho S.A. The Company intends to hold 49% of the shares by the end of 2011, as established in the investment agreement.

#### **Brasil Carbonos S.A.**

On December 22, 2010, the Company acquired 49% of the total shares of Brasil Carbonos S.A from the Unimetal Group for the amount of R\$ 45. In the evaluation of the fair value of the net assets acquired, a surplus value of R\$ 28 was identified in the property, plant and equipment.

### **13.3 Acquisition of affiliated companies**

#### **Total Agroindústria Canavieira S.A**

On January 18, 2010, Petrobras Biocombustível invested in the capital of Total Agroindústria Canavieira S.A., paying in the amount of R\$ 132 up till September 30, for acquisition of 40.37% of the total shares. The Company intends to hold 43.58% of the shares by March 2011, as established in the investment agreement.

#### **Investment agreement between Petrobras, Petroquisa, Braskem, Odebrecht and Unipar**

The Company, Odebrecht and Unipar executed an investment agreement on January 22, 2010 for integration of the petrochemical interests in Braskem. The consolidation process of the investments was concluded on December 27, through the following steps performed in 2010:

On February 8, BRK Investimentos Petroquímicos S.A. (BRK) became the holder of common shares issued by Braskem, corresponding to 93.3% of its voting capital, previously held by Petroquisa (31%) and Odebrecht (62.3%).

On April 14, 2010, the private capital call of Braskem S.A. was finalized with a capital increase in the amount of R\$ 3,743, of which R\$ 2,500 was paid in by the Company on April 5, 2010 and R\$ 1,000 by Odebrecht on March 30.

On April 27, 2010, Braskem acquired from Unipar 60% of Quattor Participações and, on May 10, 100% of Unipar Comercial and 33.33% of Polibutenos.

On June 18, the Company incorporated into Braskem 40% of the shares of Quattor Participações S.A. through the issuing of 18,000,087 new common shares.

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On August 17, there was the transfer of 1,515,433 preferred shares of Braskem, held by Odebrecht, to the Company for a nominal sum.

On August 30, 2010, also within the ambit of the agreement, Petrobras incorporated in Braskem 10% of the shares of Rio Polímeros S.A. (Riopol) through the issuing of 1,280,132 new preferred shares. This interest in Riopol was purchased from BNDESPAR on August 9, 2010 for R\$ 140 and payment will be made in 3 annual installments starting in 2015, restated by the long-term interest rate (TJLP) plus 2.5% p.a.

On December 27, there was the incorporation of shares of Quattor Petroquímica in Braskem.

As a result of the abovementioned steps, the Company now holds 36.1% of the total capital of Braskem.

Also, on January 22, 2010, the Company and Odebrecht entered into a joint venture agreement which establishes that Braskem will gradually assume the companies that develop the petrochemical businesses of the Suape and Rio de Janeiro complexes.

These transactions are aligned with the Company's strategic plan for operating in the petrochemical sector in a way that is integrated with its other businesses, adding value to its products and permitting more effective participation in Braskem.

#### **Guarani S.A.**

On May 14, 2010, Petrobras Biocombustível paid R\$ 683 into the capital of Cruz Alta Participações S.A (a subsidiary of Guarani S.A.), fulfilling the first of the three steps established for entry into the capital of Guarani. Of the other forecast steps, the delisting of shares of Guarani, with a subsequent exchange of the shares of Cruz Alta for shares of Guarani, was concluded on October 29, 2010 and the additional paying in of capital in order to reach a 45.7% interest in the capital of Guarani will take place over five years, reaching, together with the capital already paid in, a total amount of R\$ 1,611, as negotiated in the investment agreement. The agreement also establishes the possibility of additional contributions on the part of the partners up to the limit of a 49% interest by Petrobras Biocombustível.

### **13.4 Acquisition of noncontrolling interest**

#### **Acquisition of the entire Pasadena Refinery**

In a decision handed down in April 2009, in an arbitration process involving Petrobras America Inc. (PAI) and others and Astra Oil Trading NV (ASTRA) and others, the exercise of the put option by ASTRA was confirmed as valid with respect to PAI and subsidiaries of the remaining 50% of the shares of ASTRA in Pasadena Refining Systems Inc. ( PRSI ) and PRSI Trading Company LP, for the amount of US\$ 466 million.

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*(In millions of reais, except otherwise indicated)*

The amounts corresponding to the purchase of the shares and the reimbursement of the payment of the guarantee by BNP to ASTRA have been recognized in the accounting by the Company since the arbitration decision in April 2009. At December 31, 2010, these amounts corresponded to US\$ 513 million and US\$ 185 million, respectively, already considering the interest due up to this date.

Until now the parties have not reached an agreement with respect to the finalization of various pending items existing between them for signing the overall term of agreement that will put an end to the litigation and permit the payments that are the object of the arbitration decision.

In an arbitration decision before the State Court of Texas in December 2010 a sentence was handed down confirming the Arbitration Award. PAI and its subsidiaries filed an appeal against the decision of the State Court of Texas. To do this, the defendants presented a guarantee to the court. The hearing of the appeal may take up to one year.

The transfer of the shares of PRSI and PRSI Trading from ASTRA to PAI, through the put option is not the subject of questioning by the parties.

Judicial proceedings in which requests are made for reciprocal indemnifications made by the parties also continue in progress.

This transaction with minority shareholders resulted in a decrease of R\$ 520 in shareholders' equity attributable to the Company's shareholders, as an additional capital contribution.

#### **Option to sell of the Nansei Sekiyu refinery**

On April 1, 2010 the Sumitomo Corporation (Sumitomo) expressed to PIB B.V., a fully owned subsidiary of Petrobras, its interest in exercising the right of sale of 12.5% of the shares of the capital of the Nansei Sekiyu K.K. refinery (Nansei), as part of the rearrangement of its interests in the oil products sector.

The rest of the shareholding capital is already owned by PIB B.V. since 2008.

The share purchase agreement was signed on September 29, 2010 and payment, in the amount equivalent to R\$ 49 (JPY 2,365 millions), was made on October 20, 2010 through the delivery of the shares.

Nansei has a refinery located in the Japanese province of Okinawa, with a processing capacity 100 thousand barrels of light petroleum per day, and it produces high quality oil products to the standards of the Japanese market.

This transaction with minority shareholders resulted in a decrease of R\$ 18 in shareholders' equity attributable to the Company's shareholders, as an additional capital contribution.



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#### Acquisition of a shareholding interest in Refinaria Alberto Pasqualini S.A. - REFAP

On December 14, 2010 Downstream Participações Ltda signed the Agreement for Purchase and Sale of Shares with Repsol YPF for acquisition of 30% of the capital of Refinaria Alberto Pasqualini S.A. (Refap) for US\$ 350 million (equivalent to R\$ 594). This transaction with noncontrolling shareholders resulted in a decrease of R\$ 119 in the net equity attributable to the Company's shareholders, as an additional capital contribution.

With this acquisition, Downstream holds 100% of the control of the shares of Refap. Repsol had acquired a 30% interest in 2001, as a result of an exchange of assets made between the companies.

#### Purchase Options of Specific Purpose Entities (SPE)

In 2009 and 2010 the Company exercised its purchase option for the SPEs as established in the option agreement for the purchase of shares entered into with the shareholders of the SPEs.

These operations resulted in an increase of R\$ 1,936 in 2009 and a decrease of R\$ 826 in 2010, recorded in shareholders' equity attributable to the Company's shareholders as an additional capital contribution, as presented in the table below:

Date of option	Project	Corporate name of the SPE	% of shares		Value of option	Additional capital contribution	
			2009	2010		2009	2010
04/30/2009	Marlim	Marlim Participações S.A	100%			57	
12/11/2009	CLEP	Companhia Locadora de Equipamentos Petrolíferos	100%		90	1,878	
12/30/2009	NovaMarlim	NovaMarlim Participações S.A	43,43%	56,57%		1	1
03/16/2010	Cabuínas	Cayman Cabiúnnas Investment Co. Ltd.		100%	151		
08/05/2010	Amazônia	Transportadora Urucu Manaus S.A - TUM		100%			170
09/01/2010	Barracuda & Caratinga	Barracuda & Caratinga Holding Company B.V.		100%			(997)
					241	1,936	(826)

The transfer of the remaining shares of NovaMarlim Participações S.A. was made on May 7, 2010.

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On June 24, 2010, TUM acquired Cia. de Geração Termoeletrica Manauara for R\$ 10 thousand and then amalgamated it. On August 5, 2010 the Company exercised its purchase option of TUM and amalgamated it on August 18, 2010. As a consequence of these mergers, Codajás Coari Participações Ltda. and Manaus Geração Termoeletrica Participações Ltda., former parent companies of Cia. de Geração Termoeletrica Manauara and TUM, respectively, stopped being consolidated in Petrobras, as they are no longer involved in Project Amazônia.

On December 7, 2010, NovaMarlim Participações S.A. and Marlim Participações S.A. were merged into Petrobras.

#### **13.5 Sale of assets and other information**

##### **Sale of the San Lorenzo refinery and part of the distribution network in Argentina**

On May 4, 2010, Petrobras Argentina S.A. (formerly Petrobras Energia S.A.), approved the terms and conditions of the agreement for the sale to Oil Combustibles S.A. of refining and distribution assets in Argentina. The deal comprises a refinery located in San Lorenzo in the province of Santa Fé, a fluvial unit, and a fuel trading network connected to this refinery, consisting of 360 sales points and associated wholesaler clients.

The expected fair value of the transaction of R\$ 60 (US\$ 36 million), net of the selling costs, is less than the net carrying value, recording a loss R\$ 114. This asset held for sale is recorded under other current assets.

The transaction is in the process of approval by the administrative authorities required by the prevailing legislation in Argentina, and is expected to be completed in the first half of 2011.

##### **Gas Brasileiro Distribuidora S.A.**

On May 26, 2010, Petrobras Gás S.A. (Gaspetro) entered into an agreement with Ente Nazionale Idrocarburi S.p.A. (ENI) for acquisition of 100% of the shares of Gas Brasileiro Distribuidora S.A. (GBD), for the approximate amount of US\$ 250 million, subject to adjustments due to the value of the company's working capital on the settlement date of the transaction.

GBD holds the natural gas distribution service concession in the north west region of the State of São Paulo, in an area that covers 375 municipalities where it attends the industrial, commercial, residential and vehicular demands of the region. The concession agreement began in December 1999 for a duration of 30 years and may be extended for another 20 years. In 2009, the company's distribution network comprised 734.5 km and the volume of sales was approximately 529 thousand cubic meters of natural gas per day.

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Transfer of control will be made only after the conclusion of the transaction, which is conditioned to approval by the Regulatory Agency for Sanitation and Energy of the State of Sao Paulo (ARSESP).

#### **Establishment of Sete Brasil Participações S.A.**

The Minutes of the General Shareholders Meeting for the establishment of Sete Brasil Participações S.A. were carried out on December 22, 2010. Petrobras has a share holding interest of up to 10% in the capital, jointly with capital investors through a share investment fund (FIP Sondas).

Sete Brasil is a joint stock company established to hold interests in other companies to be created in order to build, operate and charter latest generation, high-performance, cost competitive, drilling rigs, built in Brazil, which are capable of operating fully in the Brazilian pre-salt area, to be chartered by companies, which are concessionaires of exploration blocks, or for clients that have agreements with these companies.

#### **Operations in Ecuador**

In 2006, the Ecuadorian government began a series of tax and regulatory reforms with respect to hydrocarbon activities, which significantly affected the agreements for participation in exploration blocks. As from November 24, 2010, all the exploration agreements in force until then had to migrate to service agreements.

Petrobras Argentina S.A. (PESA), through Sociedade Ecuador TLC S.A., holds a 30% interest in the exploration agreements for Block 18 and the unified Palo Azul field, located in the Oriente basin of Ecuador.

PESA decided not to accept the final proposal to migrate its agreements to the new contractual model, thus it is the responsibility of the Ecuadorian Government to indemnify the investments made in those exploration blocks.

Also in Ecuador, PESA has a Ship or Pay agreement entered into with Oleoducto de Crudos Pesados Ltd (OCP) for transporting oil, which is in force since November 10, 2003 with an effective term of 15 years. On account of the commitments assumed for the transport capacity contracted and not used due to the decrease in the volume of oil traded, it recorded liabilities of US\$ 85 million at December 31, 2010.

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#### 14 Investments

##### 14.1 Information on subsidiaries, jointly controlled subsidiaries and affiliated companies

	Subscribed capital as of December 31, 2010	Thousands of shares/quotas		Net Equity (unsecured liabilities)	Net income  (loss) for the year
		Common shares/quotas	Preferred shares		
<b>Subsidiaries:</b>					
Petrobras Distribuidora S.A. - BR	5,153	42,853,453		9,250	1,407
Petrobras Netherlands B.V. - PNBV	4,643	15,127		9,093	