

PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
March 25, 2010

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

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

For the month of March, 2010

Commission File Number 1-15106

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

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

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

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

Form 20-F Form 40-F

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

Yes No

Petróleo Brasileiro S.A. - Petrobras

Financial Statements

December 31, 2009 and 2008

(A translation of the original report in Portuguese as published in Brazil containing financial statement prepared in accordance with accounting practices adopted in Brazil)

Petróleo Brasileiro S.A. - Petrobras

Financial Statements

December 31, 2009 and 2008**Contents**

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Independent auditors' report

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

- 1.** We have examined the accompanying balance sheets of Petróleo Brasileiro S.A. - Petrobras (the Company) and the consolidated balance sheets of the Company and its subsidiaries as of December 31, 2009 and 2008, and the related statements of income, changes in shareholders' equity, cash flows and added value for the years then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.
- 2.** Our examinations were conducted in accordance with auditing standards generally accepted in Brazil and included:
a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal controls of the Company and its subsidiaries; b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and c) evaluation of the most significant accounting policies and estimates adopted by Company management and its subsidiaries, as well as the presentation of financial statements taken as a whole.
- 3.** In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Petróleo Brasileiro S.A. - Petrobras and the consolidated financial position of the Company and its subsidiaries as of December 31, 2009 and 2008, the results of its operations, changes in shareholders' equity, cash flows and added value for the years then ended, in conformity with accounting practices adopted in Brazil.

4. Our examinations were performed with the objective of expressing an opinion on the aforementioned financial statements, taken as a whole. The statements of segmentation of business and the accounting information included on social balance sheet, for the years ended December 31, 2009 and 2008, are supplementary to the aforementioned financial statements, are not required by accounting practices adopted in Brazil and have been included to facilitate additional analysis. These supplementary information were subject to the same audit procedures applied to the financial statements and in our opinion are presented fairly, in all material respects, in relation to the financial statements referred to in the first paragraph, taken as a whole.

Rio de Janeiro, March 19, 2010

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, 2009 and 2008

(In thousand of reais)

Assets	Note	Consolidated		Parent Company		Liabilities	Note	Consolidated	
		2009	2008	2009	2008			2009	2008
Current assets						Current liabilities			
Cash and cash equivalents	4	28.795.714	15.888.596	16.798.113	11.268.314	Financing	15	13.571.170	12.451
Marketable securities	9	123.824	288.751	1.717.566		Interest on financing	15	1.316.041	823
Trade accounts receivable, net	5	13.984.270	14.903.732	12.844.381	17.370.050	Contractual commitments with transfer of benefits, risks and control of assets	16	390.252	585
Dividends receivable	6.1	17.688	20.101	2.508.981	987.986	Accounts payable to suppliers		16.980.678	17.027
Inventories	7	21.424.651	19.977.171	16.186.906	13.847.969	Taxes, contributions and interests	19.2	12.747.880	12.741
Taxes, contributions and interests	19.1	9.650.733	9.641.247	6.345.641	6.273.161	Proposed dividends	22	2.333.053	9.914
Prepaid expenses		1.287.454	1.393.879	1.267.027	1.078.815	Project financing	10	212.359	188
Other current assets		1.389.681	1.461.801	432.694	430.312	Pension plan	20	641.774	627
						Health care plan	20	565.952	523
		76.674.015	63.575.278	58.101.309	51.256.607	Salaries, vacation pay and charges		2.293.528	2.016
						Provision for contingencies	23	54.000	54
								556.208	666

Non-current assets						Advances from clients			
						Provision for profit-sharing for employees and management		1.495.323	1.344
Long-term receivables						Deferred income		7.474	5
Trade accounts receivable, net	5	3.285.420	1.326.522	49.742.215	91.626.391	Fund Credit Rights Investments			
						Nonstandard Other accounts and expenses payable		4.863.945	3.586
Petroleum and alcohol account - STN	8	816.714	809.673	816.714	809.673				
Marketable securities	9	4.638.959	4.066.280	4.179.820	3.597.762			58.029.637	62.557
Project financing	10.2			2.330.497	2.039.293				
Deposits in court	11	1.988.688	1.853.092	1.690.787	1.542.378				
Prepaid expenses		1.294.277	1.400.072	688.699	444.904	Non-current liabilities			
Deferred income and social contribution taxes	19.3	12.931.807	10.238.308	8.935.164	6.614.741	Financing Contractual commitments with transfer of benefits risks and control of assets	15	84.702.691	50.049
Inventories	7	180.618	303.929	167.301	303.929				
Other long-term receivables		1.243.548	1.256.967	544.256	640.177		16	349.482	804
		26.380.031	21.254.843	69.095.453	107.619.248	Subsidiaries and affiliated companies	6.2	52.433	49
						Deferred income and	19.3	17.290.995	13.165

						social contribution taxes			
Investments	12	3.148.357	5.106.495	35.318.402	28.306.947	Pension plan	20	3.561.330	3.475
Property, plant and equipment	13	230.230.518	190.754.167	148.448.949	119.207.092	Health care plan	20	11.184.849	10.296
Intangible assets	14	6.808.331	8.003.213	3.746.889	3.781.716	Provision for contingencies	23	844.951	890
Deferred charges		2.365.998	3.469.846	613.163	839.257	Provision for dismantling of areas	3.14	4.896.343	6.581
						Deferred income		1.232.227	1.292
						Other accounts and expenses payable		2.387.546	1.982
		268.933.235	228.588.564	257.222.856	259.754.260			126.502.847	88.588
						Minority interest		1.610.167	2.653
						Shareholders' equity	22		
						Subscribed and paid in Capital		78.966.691	78.966
						Capital reserves		514.857	514
						Revaluation reserves		350	10
						Profit reserves		79.521.014	58.643
						Equity valuation adjustments		6.365	(405)
						Accumulated translation adjustments		455.322	636
								159.464.599	138.365
		345.607.250	292.163.842	315.324.165	311.010.867			345.607.250	292.163

See the accompanying notes to the financial statements

Petróleo Brasileiro S.A. - Petrobras

Statements of income

Years ended December 31, 2009 and 2008

(In thousand of reais, except net income per share at paid-up capital)

	Note	Consolidated		Parent Company	
		2009	2008	2009	2008
Gross operating income					
Sales					
Products		230.152.125	266.217.208	175.253.564	207.484.566
Services, mainly freight		351.859	276.872	317.375	505.883
		230.503.984	266.494.080	175.570.939	207.990.449
Sales charges		(47.793.927)	(51.375.544)	(41.537.085)	(46.280.943)
Net operating income		182.710.057	215.118.536	134.033.854	161.709.506
Cost of goods and services sold		(109.037.245)	(141.623.359)	(76.096.187)	(97.343.992)
Gross profit		73.672.812	73.495.177	57.937.667	64.365.514
Operating income (expenses)					
Sales		(7.151.979)	(7.162.264)	(6.245.049)	(6.325.507)
Financial					
Expenses	17	(5.854.389)	(4.193.135)	(6.958.883)	(7.050.686)
Revenues	17	3.505.187	3.494.430	6.310.512	5.991.531
Exchange and monetary variations, net	17	(488.652)	3.827.489	(6.018.045)	8.256.134
Administrative and general expenses					
Officers' and board of directors' fees		(34.303)	(35.792)	(5.249)	(5.153)
Administrative		(7.375.939)	(7.211.566)	(5.024.051)	(5.012.193)
Tax		(658.469)	(862.766)	(319.530)	(425.978)
Cost of research and technological development		(1.363.654)	(1.705.572)	(1.352.226)	(1.690.702)
Loss on recovery of assets		(544.168)	(933.088)	(551.609)	(602.675)
Exploration costs for the extraction of crude oil and gas		(3.458.094)	(3.494.258)	(2.520.966)	(2.550.569)
Health care and pension plans	20	(1.370.332)	(1.427.395)	(1.295.496)	(1.343.773)
Other operating income and expenses, net	18	(5.587.012)	(4.712.243)	(5.663.289)	(3.366.678)

		(30.381.804)	(24.416.160)	(29.643.881)	(14.126.249)
Equity in income of subsidiaries and associated companies					
Equity in earnings of investments	12	(84.397)	(874.218)	7.898.420	2.252.380
Operating income before income and social contribution taxes, employee and management profit-sharing and minority interest		43.206.611	48.204.799	36.192.206	52.491.645
Social contribution	19.5	(2.548.111)	(4.169.529)	(1.515.765)	(3.995.909)
Income tax	19.5	(7.429.095)	(11.792.449)	(4.093.169)	(10.888.109)
Income before employees' and directors' profit-sharing and minority interest		33.229.405	32.242.821	30.583.272	37.607.627
Employees' and directors' profit-sharing	21	(1.495.323)	(1.344.526)	(1.269.854)	(1.138.078)
Income before minority interest		31.734.082	30.898.295	29.313.418	36.469.549
Minority interest		(2.752.374)	2.089.497		
Net income for the year		28.981.708	32.987.792	29.313.418	36.469.549
Net income per share at the end of the year - R\$		3,30	3,76	3,34	4,16

See the accompanying notes to the financial statements.

Petróleo Brasileiro S.A. - Petrobras

Statements of changes in shareholders' equity

Years ended December 31, 2009 and 2008

(In thousand of reais)

	Subscribed and paid-in capital	Capital reserves			Profit reserves				I va adj
		AFRMM subsidies	Tax incentives	Revaluation reserve	Legal	Statutory	Tax incentives	Profit retention	
At January 1, 2008	52.644.460	169.142	1.384.689	61.520	7.612.508	504.542		53.635.374	
Prior year adjustments - Adoption of Law 11.638/07									
Capital increase on April 4, 2008	26.322.231	(169.142)	(850.679)					(25.302.410)	
Tax incentive adjustment			(19.153)						
Translation adjustment									
Realization of reserve				(51.236)					
Unrealised gains or losses on investments available for sale									
Net income for the year									
Distributions:									
Allocations of net income in reserves					1.823.477	394.834	557.185	23.779.347	
Proposed dividends									
Profit retention								1.437.926	

At December 31, 2008	78.966.691	514.857	10.284	9.435.985	899.376	557.185	53.550.237
Translation adjustment							
Realization of reserve			(9.934)				
Unrealised gains or losses on investments available for sale							
Net income for the year							
Distributions:							
Allocations of net income in reserves				1.465.671	394.834	554.447	18.573.027
Proposed dividends							
Profit retention							
	78.966.691	514.857	350	10.901.656	1.294.210	1.111.632	72.123.264
At December 31, 2009	78.966.691	514.857	350		85.430.762		

See the accompanying notes to the financial statements.

Petróleo Brasileiro S.A. - Petrobras

Statements of cash flows

Years ended December 31, 2009 and 2008

(In thousand of reais)

	Consolidated		Parent Company	
	2009	2008	2009	2008
Operating activities				
Net income for the year	28.981.708	32.987.792	29.313.418	36.469.549
Adjustments:				
Minority interest	2.752.374	(2.089.497)		
Equity in earnings (losses) of significant investments	84.001	115.790	(7.892.302)	(2.494.234)
Goodwill/discount - amortization	396	758.428	(6.118)	241.854
Depreciation, exhaustion and amortization	14.766.789	11.631.984	10.321.518	7.952.428
Loss on recovery of assets	1.144.312	2.658.224	676.038	891.258
Write-off of dry wells	2.264.407	1.524.143	1.780.676	1.291.395
Residual value of permanent assets written off	216.253	597.001	59.154	5.817
Exchange and monetary variations and financial charges on financing and loans and other operations	116.673	4.033.176	17.307.469	(21.581.932)
Deferred income and social contribution taxes, net	804.988	4.769.951	(261.091)	5.736.892
Increase/decrease in assets and liabilities				
Decrease/(increase) in accounts receivable	(382.803)	(210.111)	251.427	(1.079.071)
Decrease/(increase) in inventories	(3.000.414)	(1.413.136)	(2.326.738)	(1.205.349)
Increase in the petroleum and alcohol account - STN	(7.041)	(11.822)	(7.041)	(11.822)
Increase in other assets	(1.110.810)	(528.823)	(507.484)	(145.209)
Increase in accounts payable to suppliers	1.206.513	648.394	(516.085)	2.773.498
Increase/(decrease) in taxes, rates and contributions	622.747	(3.642.293)	303.350	(4.523.328)
Increase in obligations with project financing	23.500	147.389	23.500	147.389
Increase in obligations with health care and pension plans	1.052.465	1.546.437	968.805	1.336.498
Increase/(decrease) in other liabilities	2.276.487	(3.543.081)	(1.137.040)	919.651
Increase/(decrease) in short term operations with subsidiaries and affiliated companies				
Decrease/(increase) in accounts receivable	22.370	17.214	4.151.401	