

# Results Announcement

4<sup>nd</sup> Quarter 2010  
(IFRS)

Conference Call / Webcast  
Almir Guilherme Barbassa  
CFO and Investor Relations Officer

March 01st, 2011



# DISCLAIMER



## FORWARD-LOOKING STATEMENTS:

### DISCLAIMER

The presentation may contain forward-looking statements about future events within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are not based on historical facts and are not assurances of future results. Such forward-looking statements merely reflect the Company's current views and estimates of future economic circumstances, industry conditions, company performance and financial results. Such terms as "anticipate", "believe", "expect", "forecast", "intend", "plan", "project", "seek", "should", along with similar or analogous expressions, are used to identify such forward-looking statements. Readers are cautioned that these statements are only projections and may differ materially from actual future results or events. Readers are referred to the documents filed by the Company with the SEC, specifically the Company's most recent Annual Report on Form 20-F, which identify important risk factors that could cause actual results to differ from those contained in the forward-looking statements, including, among other things, risks relating to general economic and business conditions, including crude oil and other commodity prices, refining margins and prevailing exchange rates, uncertainties inherent in making estimates of our oil and gas reserves including recently discovered oil and gas reserves, international and Brazilian political, economic and social developments, receipt of governmental approvals and licenses and our ability to obtain financing.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason. Figures for 2010 on are estimates or targets.

All forward-looking statements are expressly qualified in their entirety by this cautionary statement, and you should not place reliance on any forward-looking statement contained in this presentation.

## NON-SEC COMPLIANT OIL AND GAS RESERVES:

### CAUTIONARY STATEMENT FOR US INVESTORS

We present certain data in this presentation, such as oil and gas resources, that we are not permitted to present in documents filed with the United States Securities and Exchange Commission (SEC) under new Subpart 1200 to Regulation S-K because such terms do not qualify as proved, probable or possible reserves under Rule 4-10(a) of Regulation S-X.

# 2010 HIGHLIGHTS



FPSO Cidade de Angra dos Reis

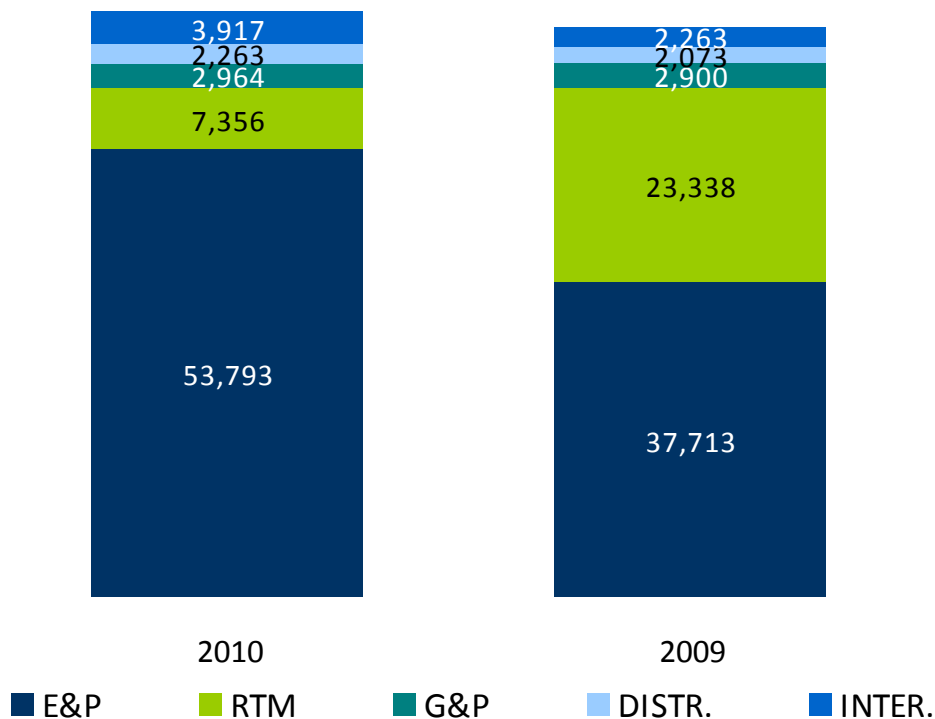


- o Oil production records in Brazil:
  - o Daily: 2,256 th. barrels (Dec, 27th)
  - o Monthly: 2,122 th. bpd (December)
  - o Annual: 2,004 th. bpd in 2010
- o International production increased 3%, reaching 245 th. bpd;
- o Declaration of commerciality of Lula and Cernambi and operational start-up of the Lula Pilot System, in the Santos Pre-salt area;
- o Proven reserves totaled 15,986 billion boe, according to the SPE/ANP criterion. Santos Pre-salt added 1,071 billion boe. Campos Pre-salt, 0,210 billion boe;
- o Start-up of 6 new production systems and 2 natural gas treatment units;
- o Oil products domestic sales grew 11%. Natural gas sales increased 33%;
- o World's largest capitalization, totaling R\$ 120,2 billion;
- o Acquisition of rights to produce, in the Pre-salt area, 5 billion boe, through the Transfer of Rights Agreement;
- o Investments of R\$ 76,411 billion in 2010, versus R\$ 70,757 in 2009.

# KEY OPERATING STATISTICS



## EBITDA by segment\* (R\$ million)



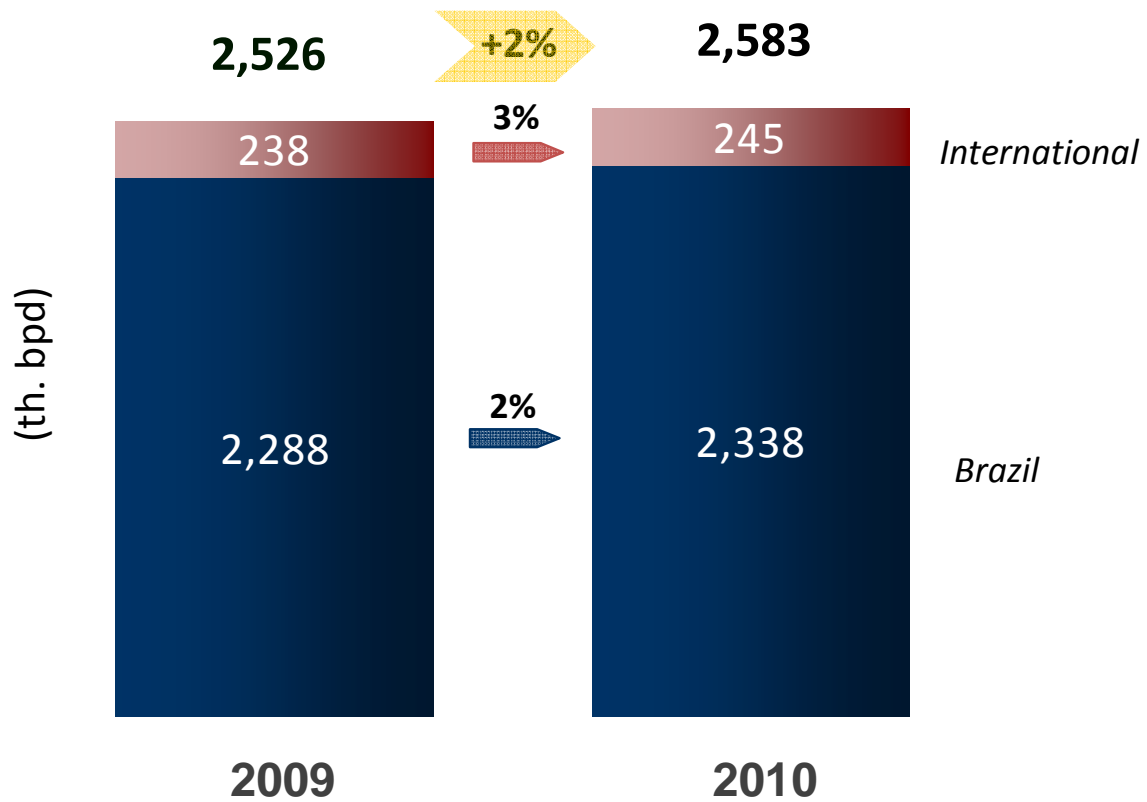
	2010	2009	Δ%
Net Income (R\$/million)	35,189	30,051	17%
EBITDA (R\$/million)	60,323	59,502	1%
ARP (R\$/bbl)	158.43	157.77	0.4%
ARP (US\$/bbl)	89.95	79.52	13%
Brent (US\$/bbl)	79.47	61.51	29%
US\$ Average Sell Price (R\$)	1.76	2.00	-12%
Production (th. bpd)	2,583	2,526	2,3%
Inflation (IPCA)	5.91%	4.31%	37%

\* Excluding Corporate and Eliminations (total value of -R\$ 9,970 million in 2010)

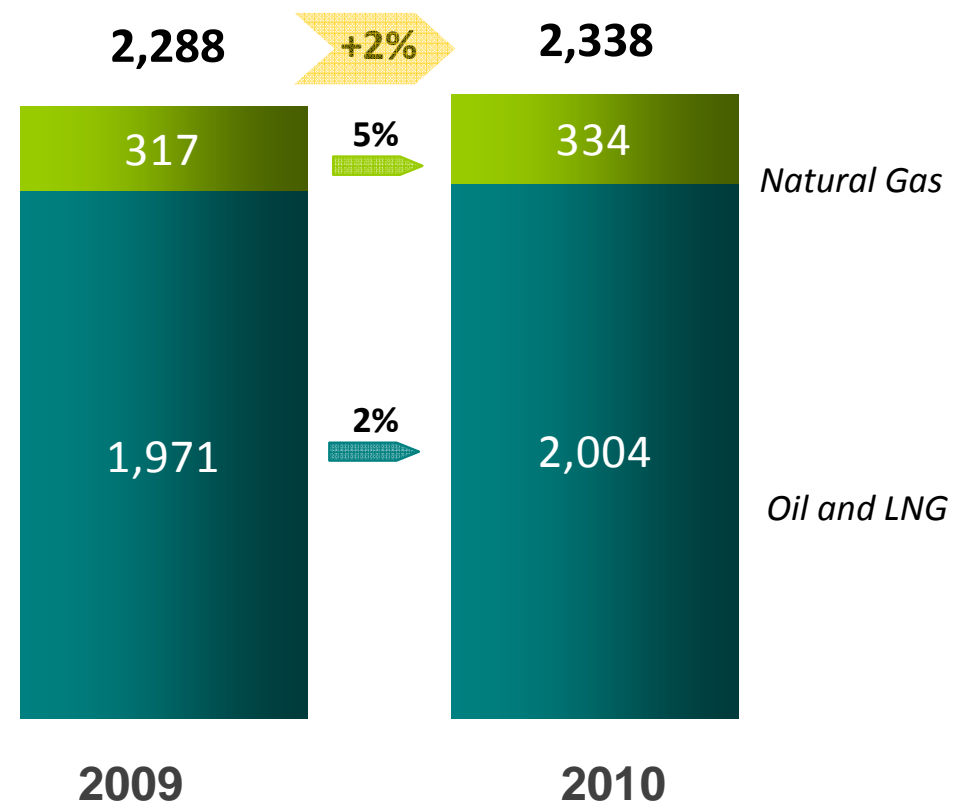
# OIL AND GAS PRODUCTION - 2010 vs 2009



Total Production (daily average)



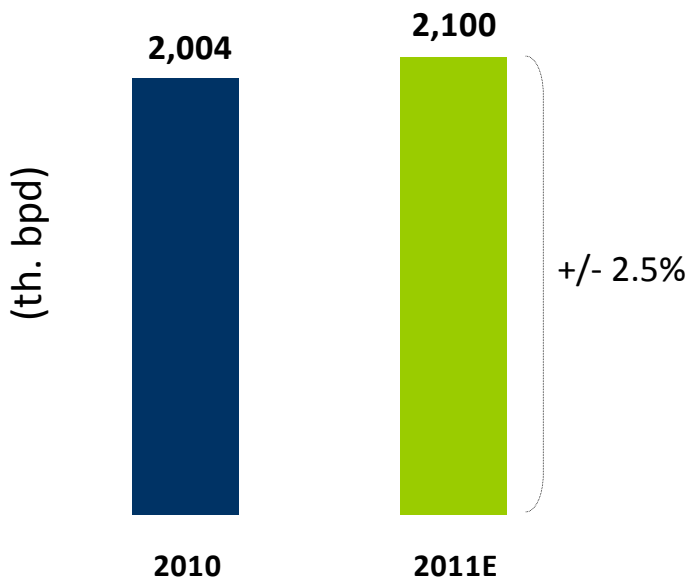
Brazilian Production (daily average)



- o Growth of 375 th. bpd of oil production installed capacity in 2010. Most of the increase took place in 4Q10: 310 th bpd.
- o Natural gas installed capacity expanded in 17 million m<sup>3</sup>/day;
- o Production growth was impacted by: unplanned stoppages requested by ANP; the need to reduce Marlim Leste's production in order to increase the pressure of reservoir; delays in the start-up of production systems, such as Guar and Tiro-Sdon

# PRODUCTION GROWTH

## Brazilian production



## Main new projects 2010

Guará EWT  
30 th. bpd

Cidade de Angra dos Reis  
100 th. bpd  
5 million m<sup>3</sup>/d gas

P-57  
180 th bpd  
2 million m<sup>3</sup>/d gas

Uruguá-Tambaú  
35 th. bpd  
10 million m<sup>3</sup>/d gas

SS-11 (Tiro EWT)  
30 th. bpd

## Main new projects 2011

Mexilhão

Aruanã EWT

P-56  
Marlim Sul

Lula NE EWT

Carioca NE EWT

Cernambi (Iracema) EWT

## Main assumptions for reaching 2011 production target

- o Forecast of 60 new offshore wells, which will add to the annual daily average:
  - i) **120 th. barrels** from development wells in existing platforms (Caratinga, Marlim Sul, Marlim Leste and Roncador concessions)
  - ii) **55 th barrels** from P-57
  - iii) **30 th. barrels** from P-56 (start-up in July/2011)
  - iv) **30 th. barrels** from Campos Basin (Marlim, Albacora and Aruanã EWT)
  - v) **30 th. barrels** from Santos Pre-salt

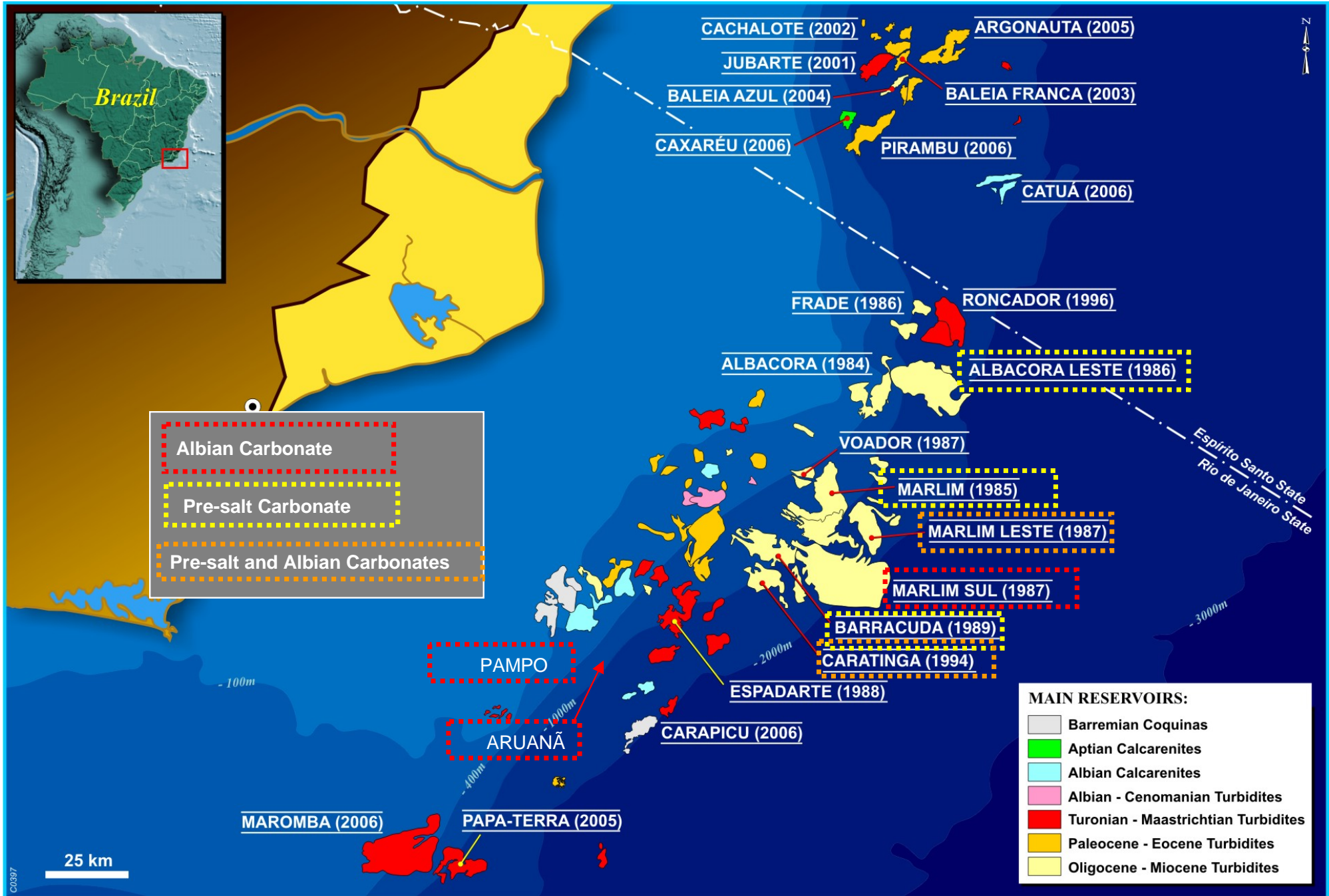
# 2009/2010 DISCOVERIES: ALBIAN CARBONATES AND CAMPOS BASIN PRE-SALT



Recoverable volumes:

Post-salt Albian Carbonates: 1,105 MM bbl

Pre-salt Carbonates: at least 780 MM bbl



# PRE-SALT - SANTOS BASIN



## 2010 Accomplishments

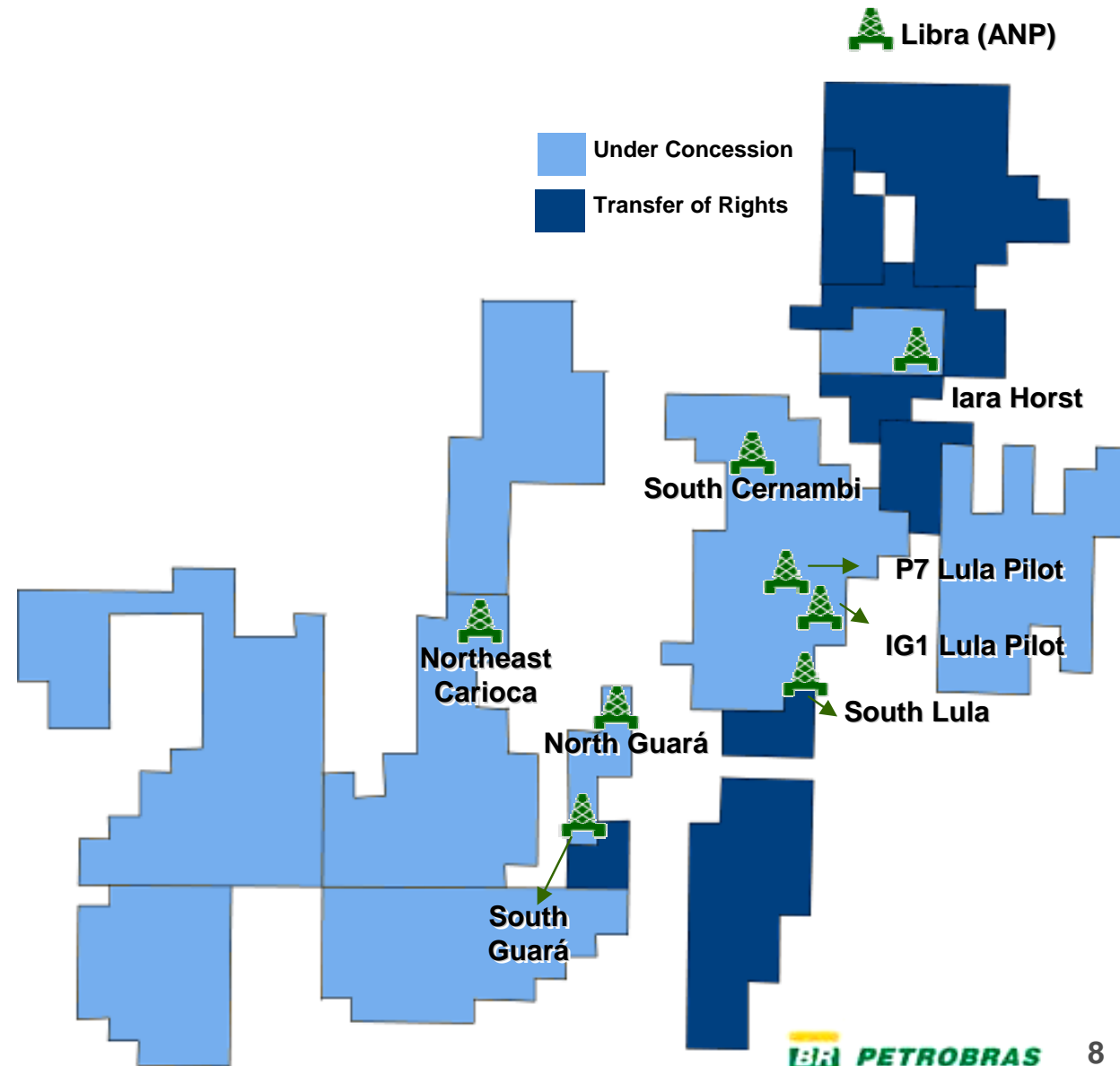
- Transfer of rights to produce 5 billion boe in specific areas of the pre-salt that are not under concession.
- Start up of FPSO Cidade de Angra dos Reis in Lula (Pilot Project).
- Start up of Guara Extended Well Test.
- 8 more wells drilled, taking Santos Basin Pre-Salt total to 20 wells drilled.

## 2011 Activities

- 9 rigs currently operating in the Pre-Salt Cluster (1 ANP), up to 3 new rigs to arrive.
- 4 new wells with drilling concluded, up to 20 additional wells to be drilled.
- Start-up of Northeast Lula Early Production System (BM-S-11): first semester 2011.
- Start-up of Northeast Carioca Extended Well Test (BM-S-9): mid 2011.
- Production start-up of South Cernambi Early Production System (BM-S-11): late 2011.



\*\* Wells Petrobras: Drilling or completion or test.

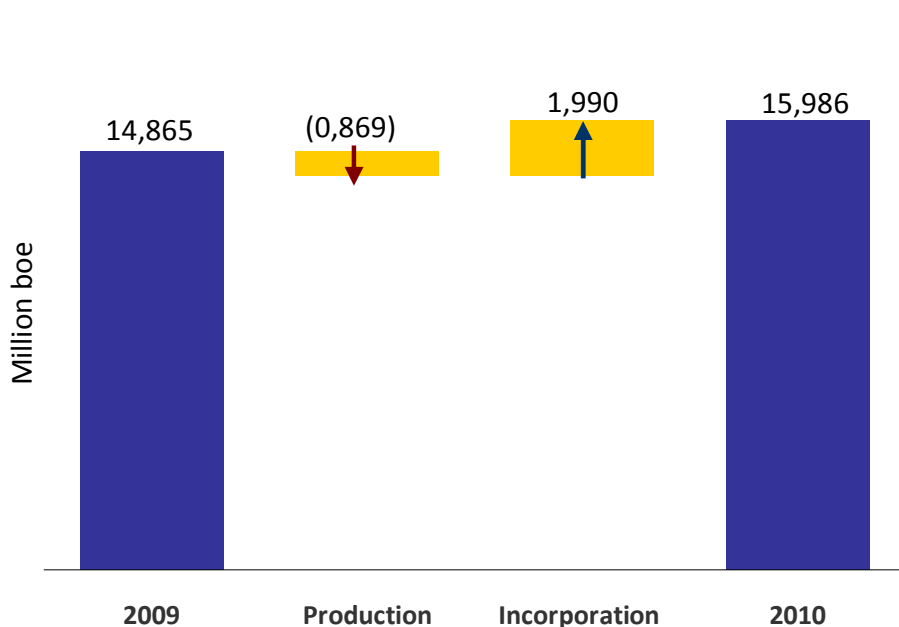




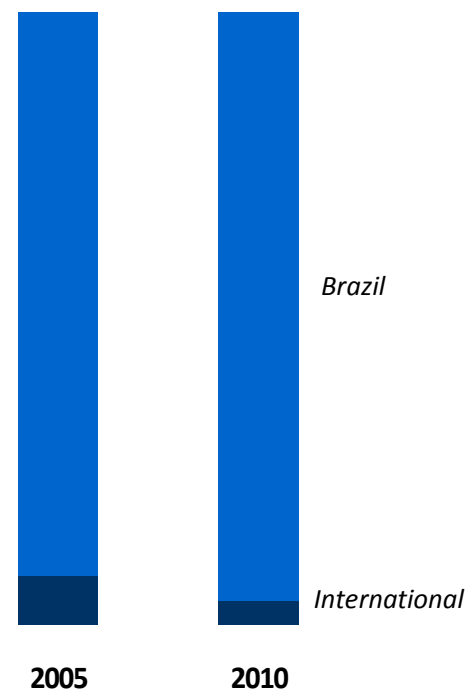
# PROVEN RESERVES (ANP/SPE CRITERION)



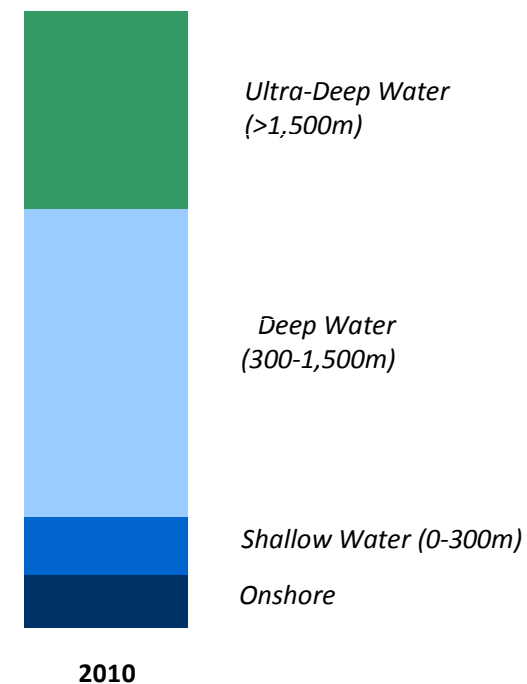
## Proven Reserves 2010 vs. 2009



## By Region



## By type (Brazil)



- o 18th consecutive year of fully replacing Brazilian production.
- o In Brazil, 240% reserve replacement rate and R/P ratio of 19.2 years in 2010.
- o Lula and Cernambi contributed with 1.071 billion boe for 2010 proven reserves.

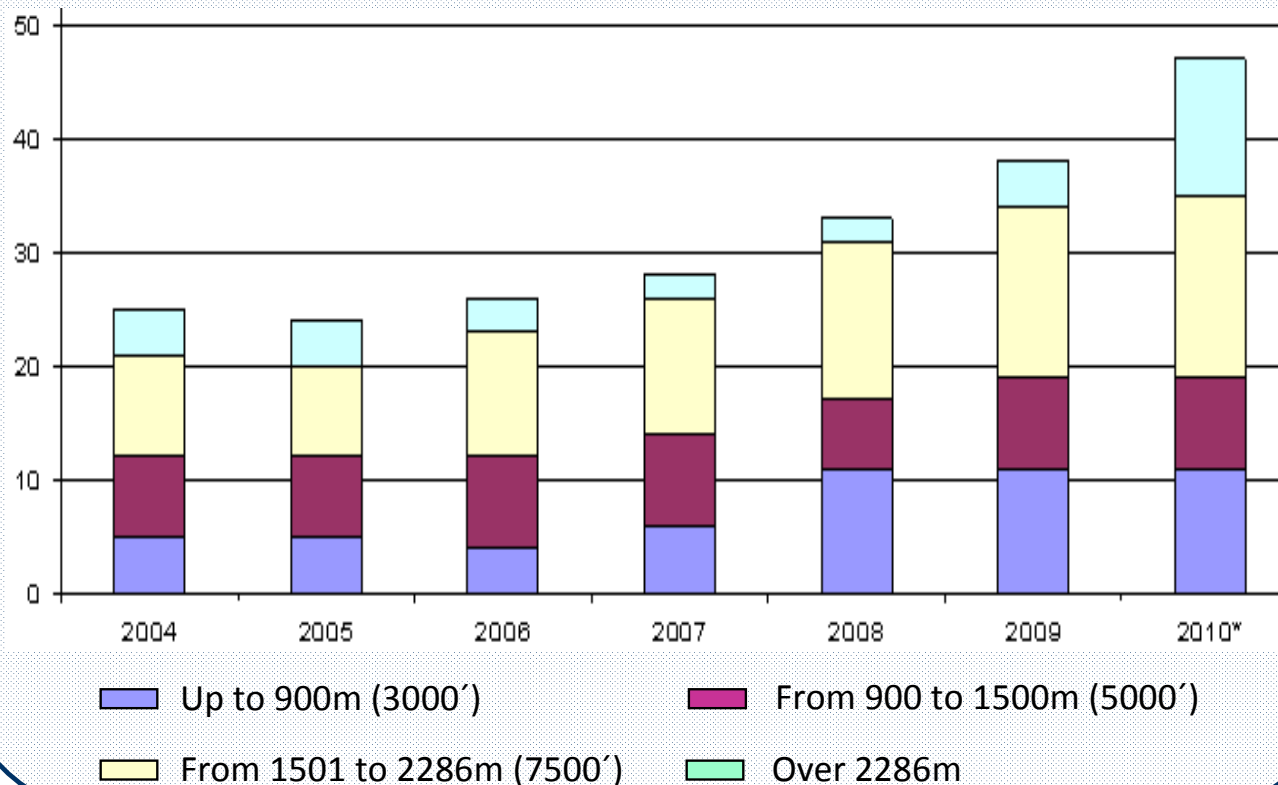
# DRILLING RIGS



- o Approval for procurement/charter of the first round of 7 rigs to be constructed in Brazil:
  - o Deliveries beginning in 2015
  - o Local content specification of 65%



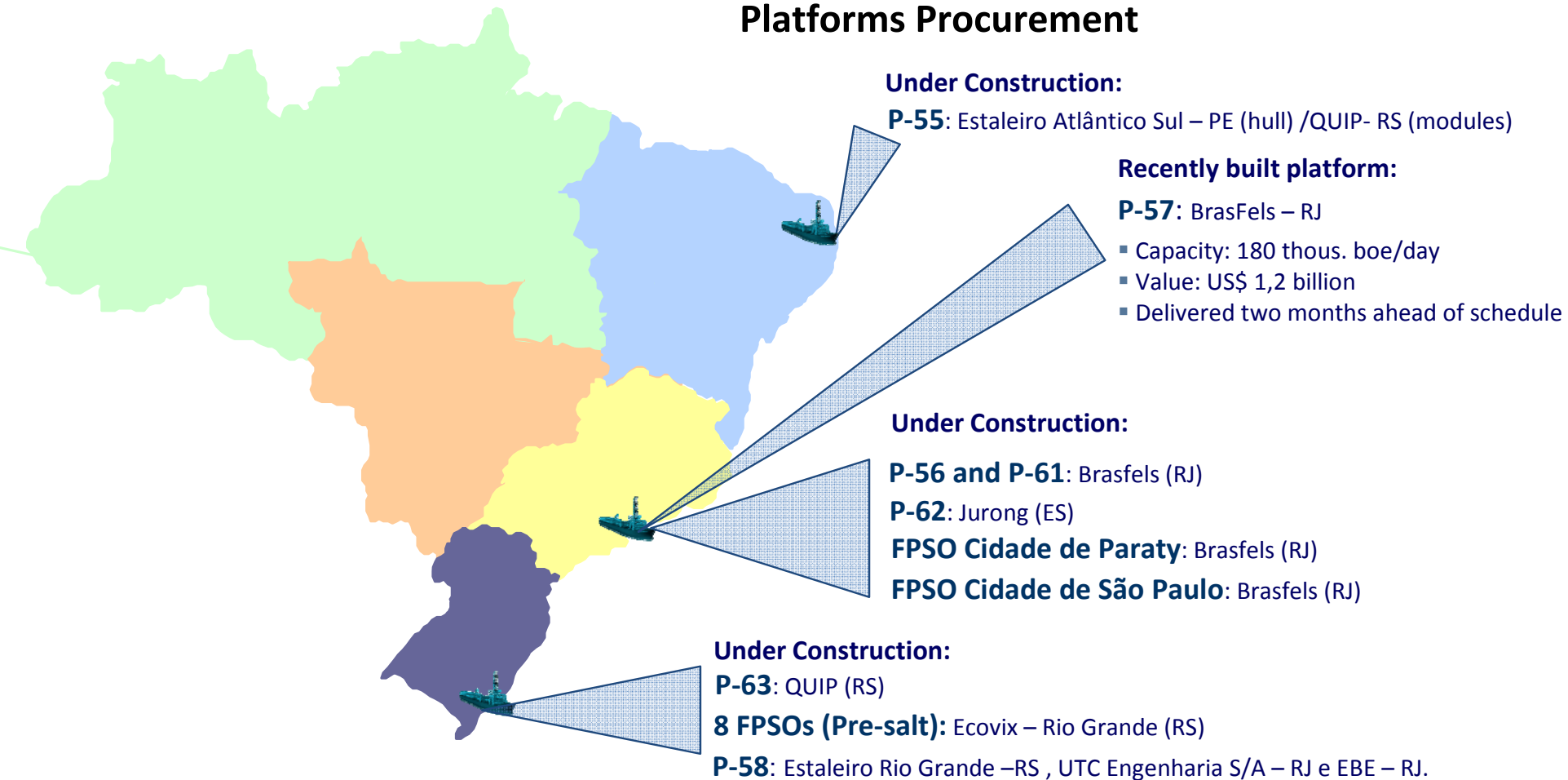
Petrobras fleet (units operating by year)



- o 14 rigs scheduled for 2011: 12 to operate in a water depth equal or greater than 2.000 m, with the fleet totaling 60 units;
- o Bidding process for 28 units still under way;
- o 7 rigs to start-up in 2012



## Platforms Procurement



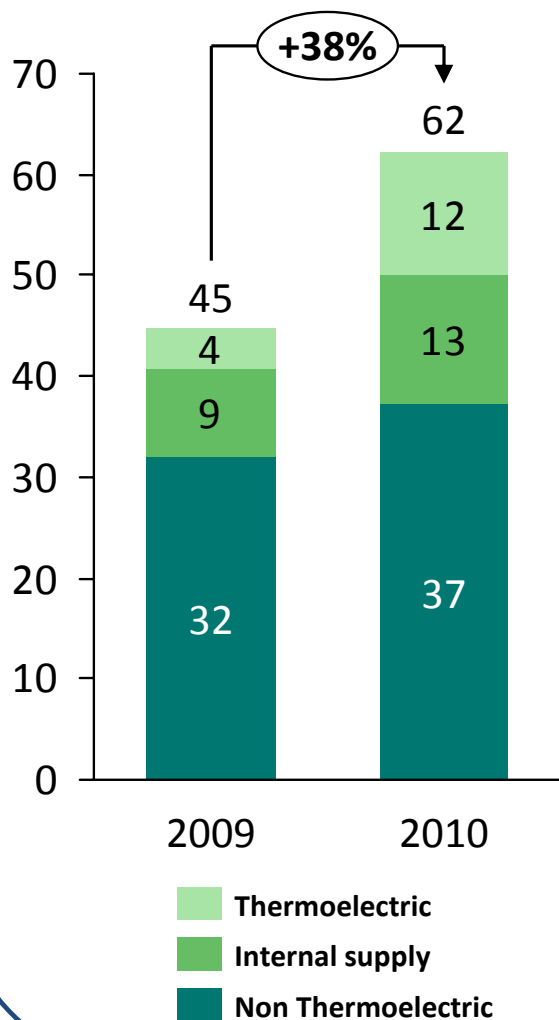
- o Index of local content rose from 57% in 2003 to 74% in 2010
- o P-57 was delivered in 32 months, two months ahead of schedule and under competitive costs as compared to international prices. Reduction in construction time and cost.
- o Inclusion of 900 new suppliers per year in Petrobras' Corporate Vendor List;
- o 13 new shipyards currently under construction, raising the total number to 50\*.

# NATURAL GAS 2009/2010

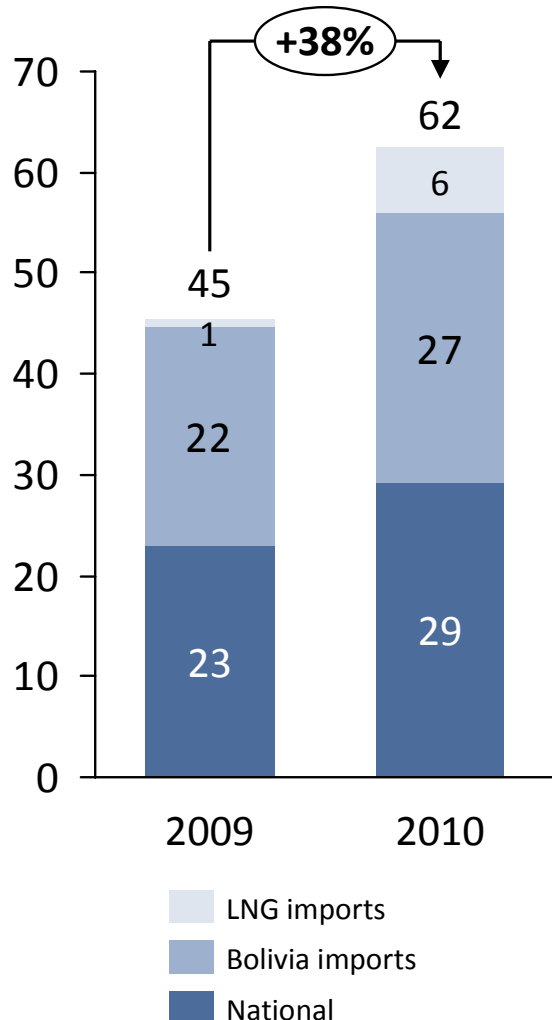


NATURAL GAS 2009:2010 (Million m<sup>3</sup>/d)

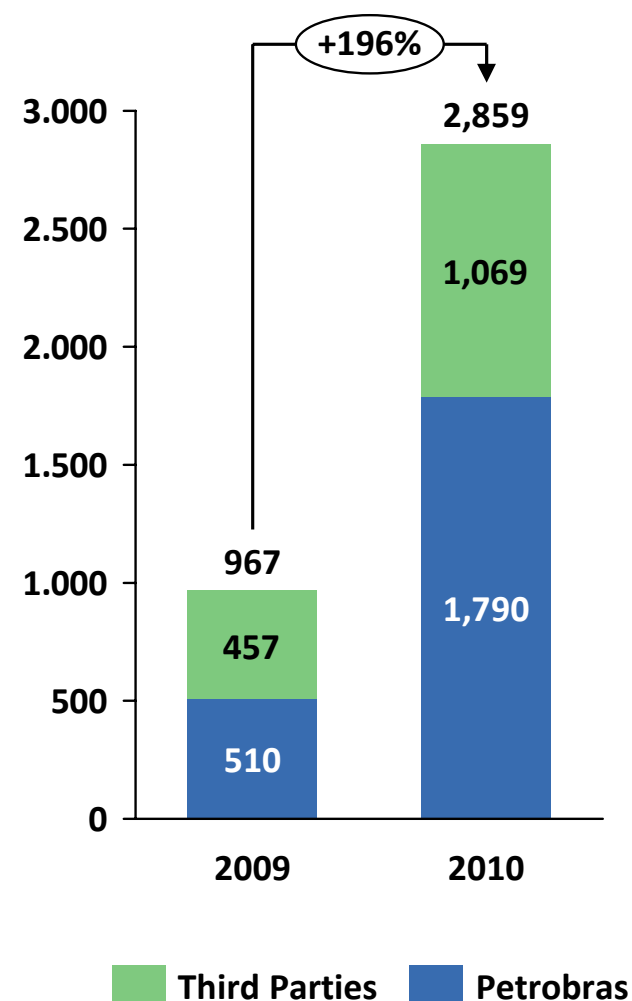
Volume Delivered



Supply



Electricity Generation (average MW)



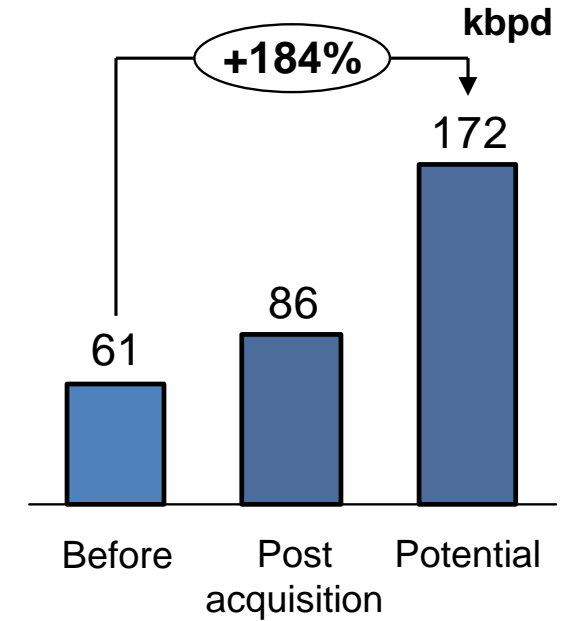
Internal supply: Intersegment (RTM) and G&P consumption (Fafens and Petrobras thermoelectric plants)

# INCREASED CAPACITY UTILIZATION

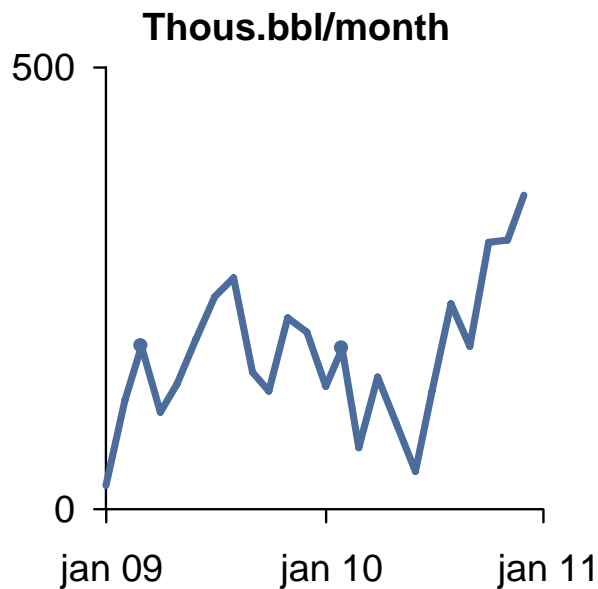


Activity	2010									
	apr	may	jun	jul	aug	sep	oct	nov	dec	
REPLAN - Expansion		▶								
REVAP – HDT Diesel						▶				
REVAP – Coke							▶			
REVAP – HDT Naphtha Ck									▶	
REFAP – Acquisition 30%									▶	

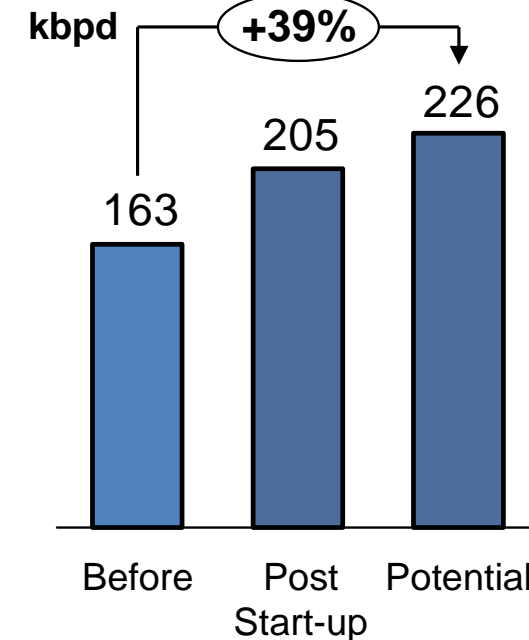
## More domestic oil in REFAP



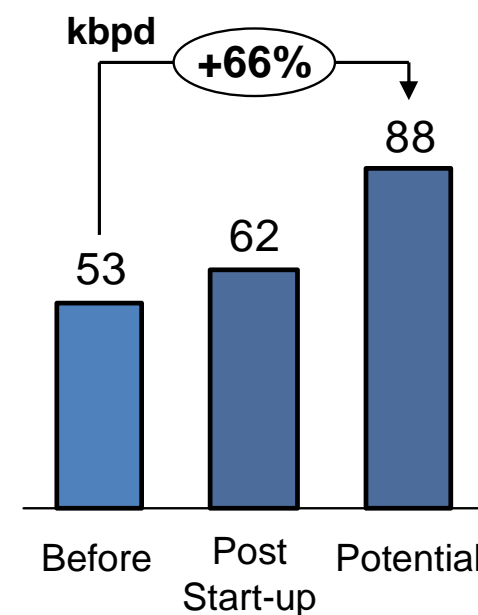
## Higher production of QAV at REPLAN



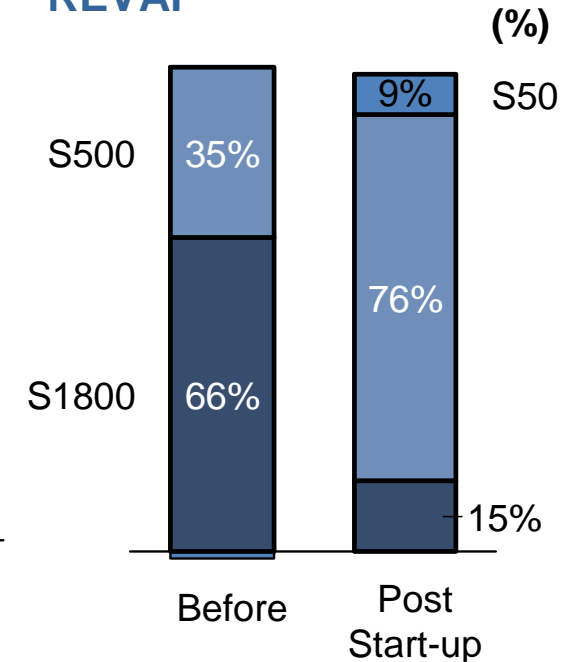
## Higher throughput at REPLAN\*



## Increased production of diesel in REVAP

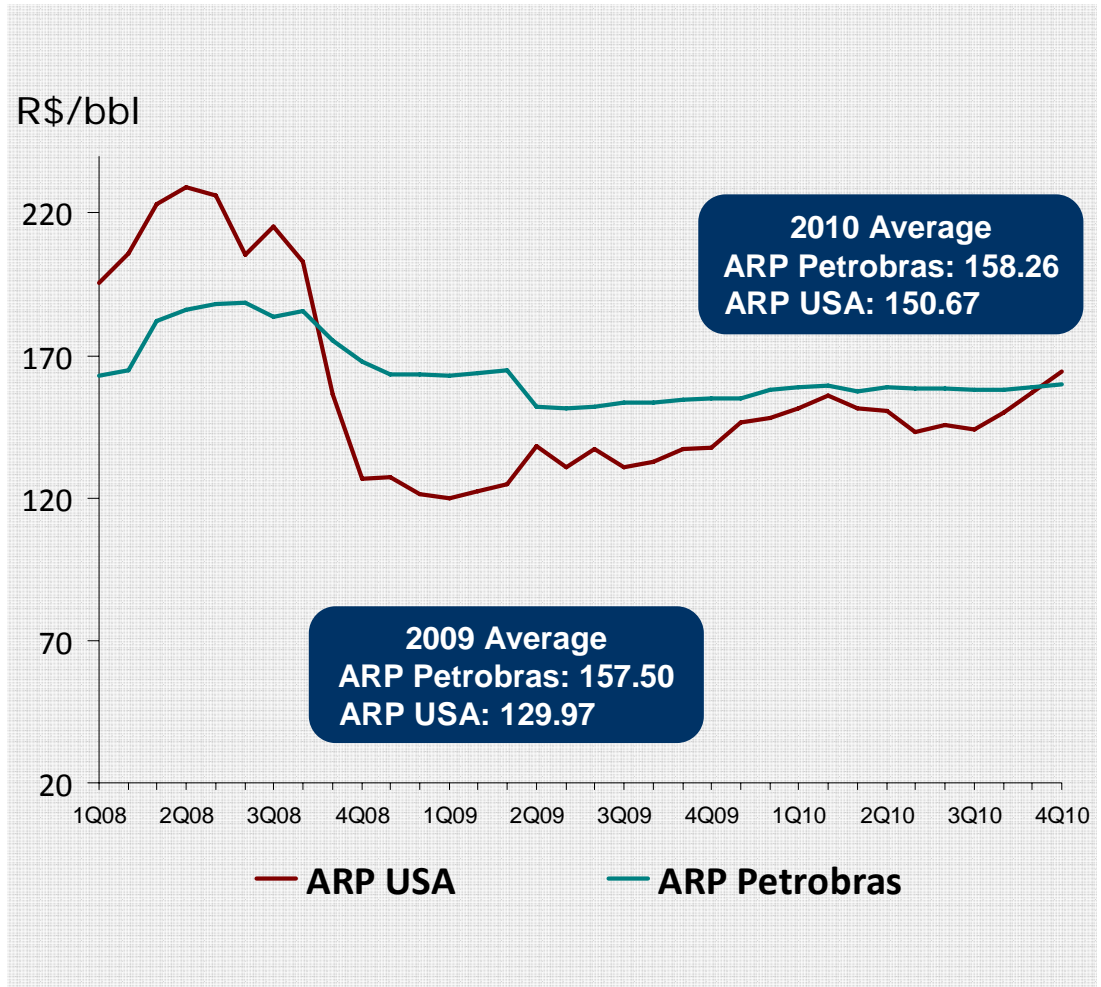
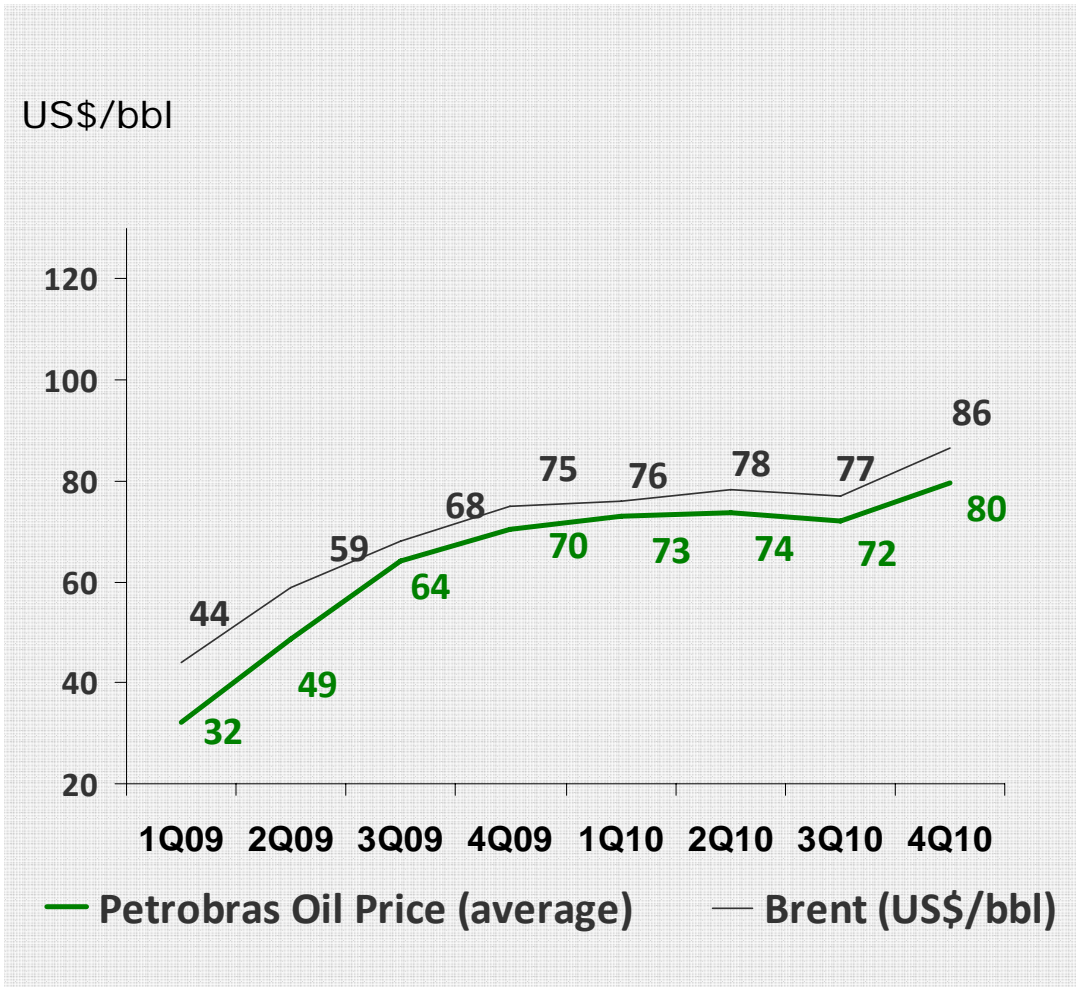


## Higher quality diesel in REVAP



\* Values for only the distillation of U200 REPLAN .

# AVERAGE REALIZATION PRICES



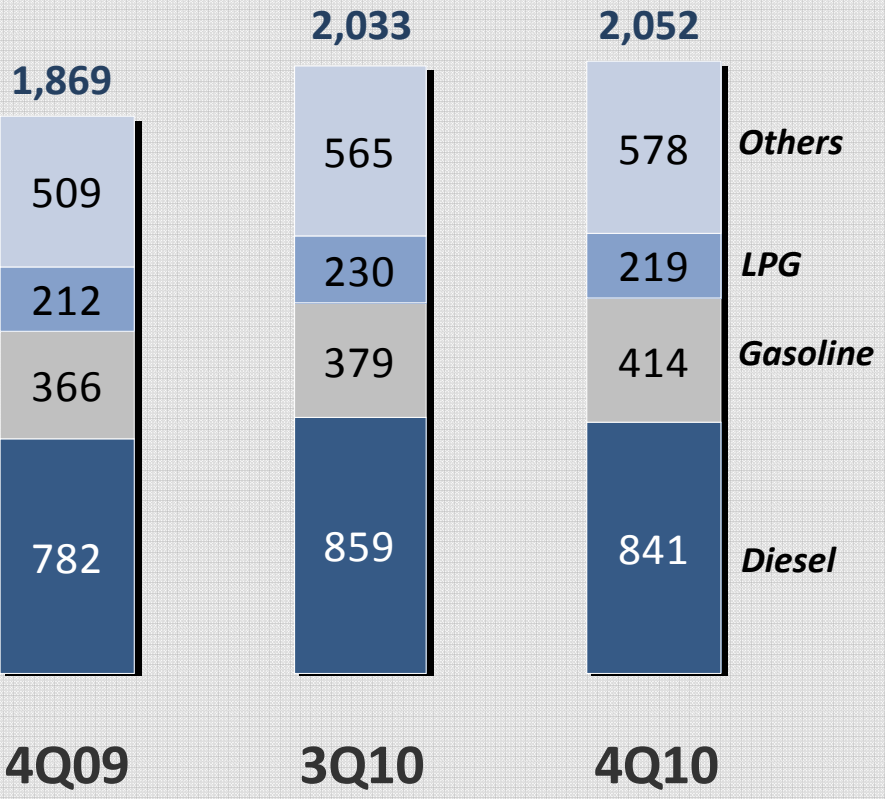
- o Pricing policy follows long term international prices
- o ARP in reais stable in 2010 compared to 2009. In dollars, ARP increased from US\$ 79.52 in 2009 to US\$ 89.95 in 2010
- o Light/heavy spread: back to historical levels

# OIL PRODUCTS AND NATURAL GAS SALES IN DOMESTIC MARKET

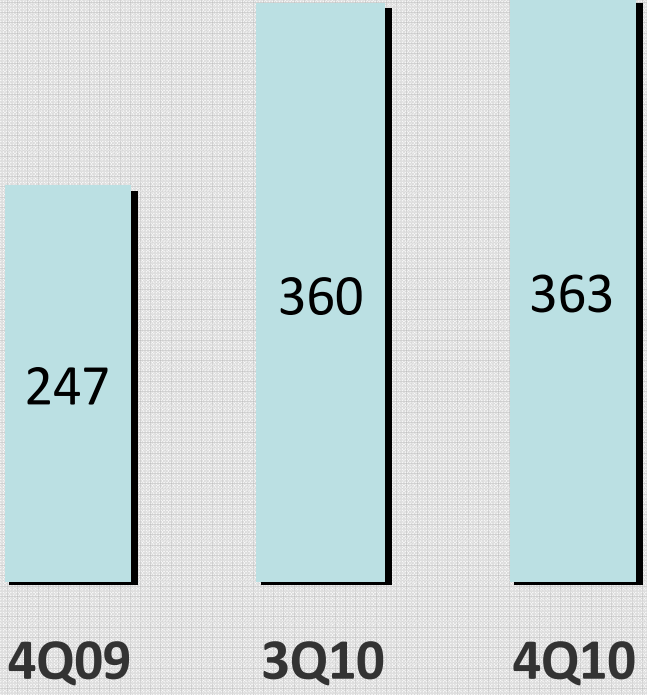


## Oil Products

Thous. bpd

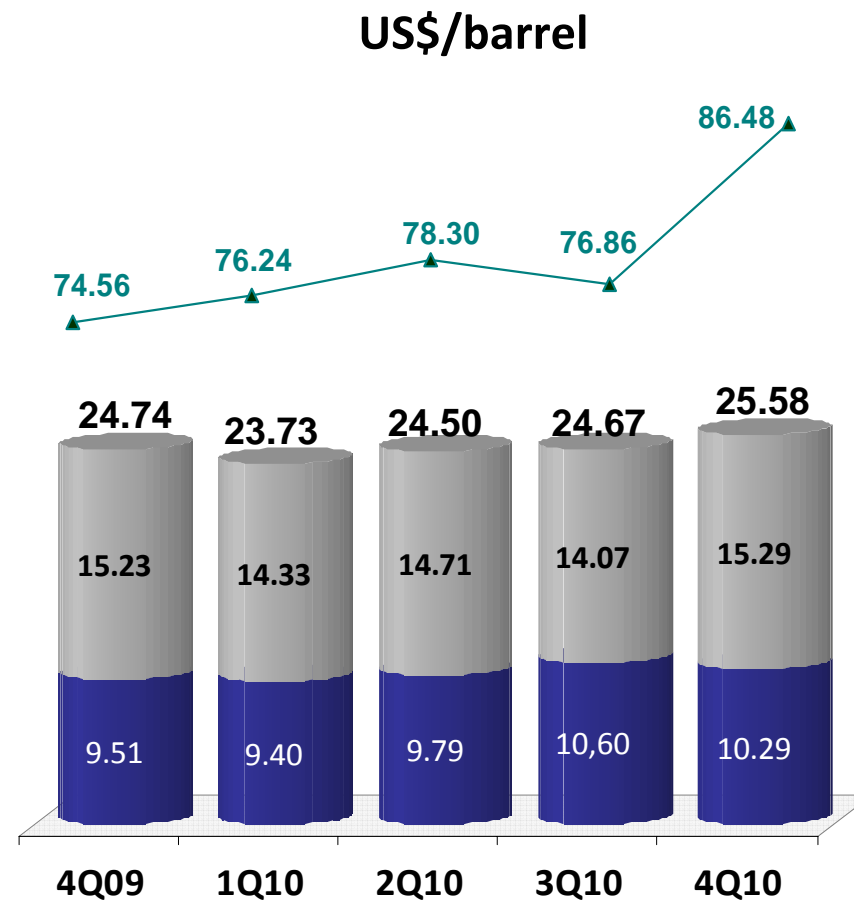
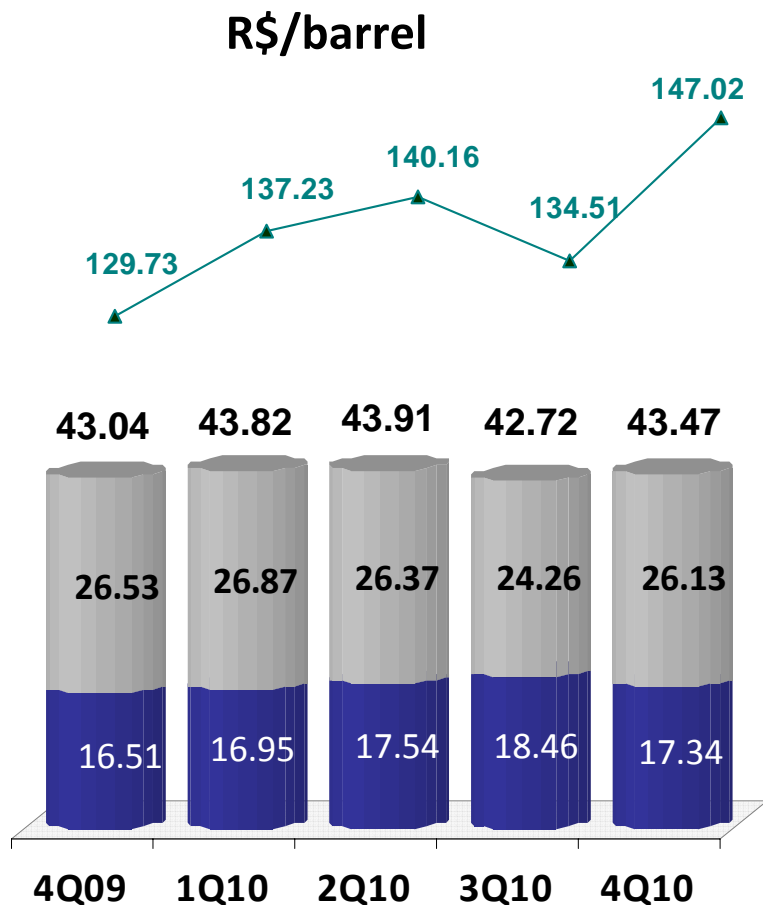


## Natural Gas



- o In 2010, oil products sales increased 11% vs. 2009, surpassing the growth of Brazilian economy (7%);
- o Strong growth in natural gas sales (33%) in 2010;
- o Stable sales in domestic market on the 4Q10 vs 3Q10 comparison, highlighting:
  - o Gasoline (increased 9%) – due to higher ethanol prices
  - o Jet fuel (increased 6%) – reflecting the growth of Brazilian economy

# LIFTING COST IN BRAZIL



o Comparing 4Q 2010 vs 3Q 2010:

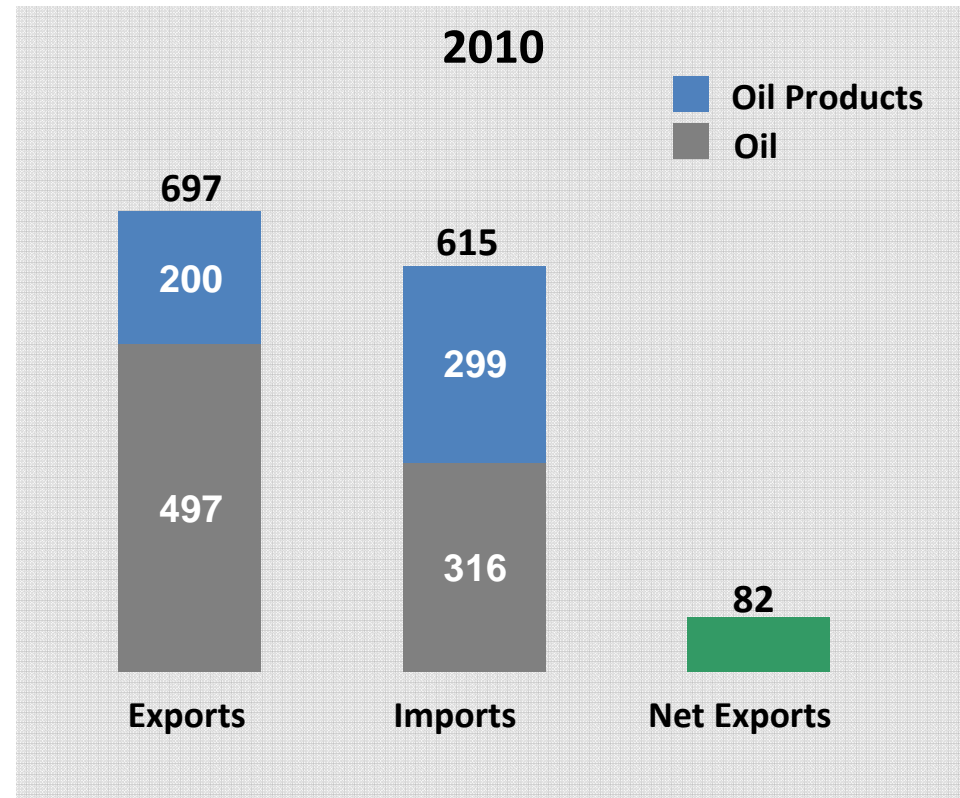
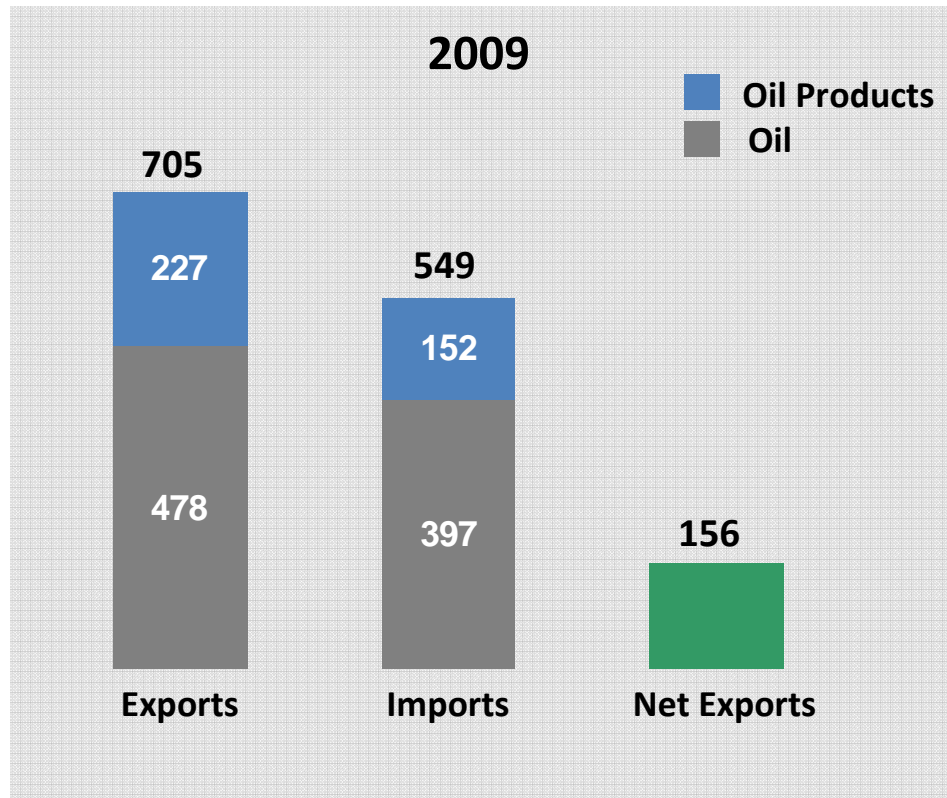
- o In Reais, lifting cost decreased 6%, due to lower personnel expenses, exchange rate effect and higher production on 4Q;
- o Higher government take due to the increase in average reference price for Brazilian oil



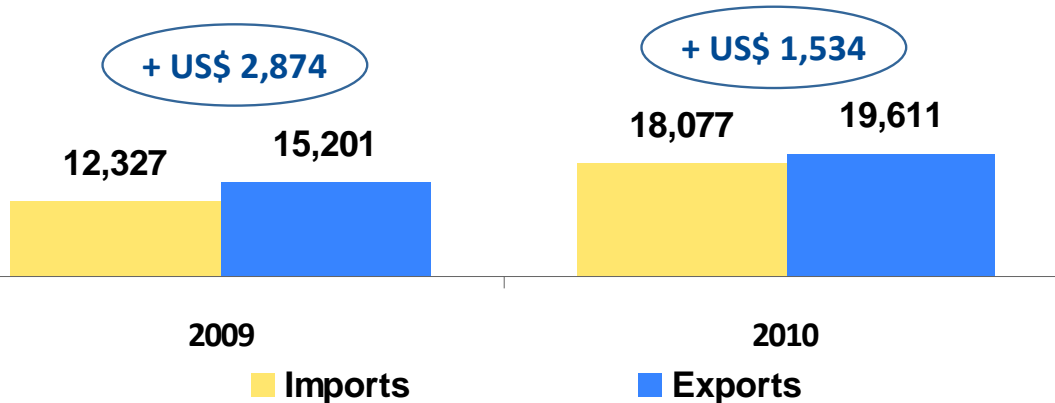
# TRADE BALANCE



(Thous. Barrels/day)



## Financial Volume (US\$ Million)

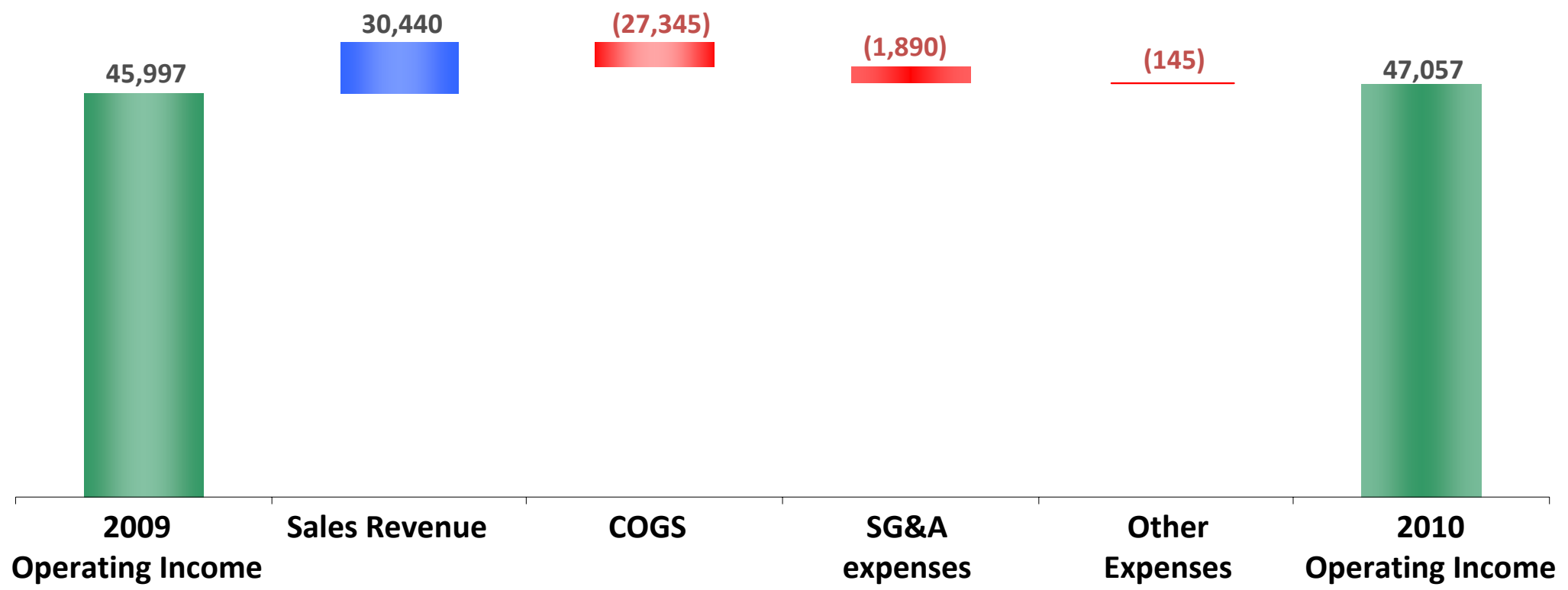


- o Increase of oil products imports in 2010 reflects the growth of the demand at the domestic market, specially on diesel and gasoline;
- o Increase of oil exports due to the production growth and availability caused by the shutdown in Replan.

# OPERATING INCOME 2010 vs 2009

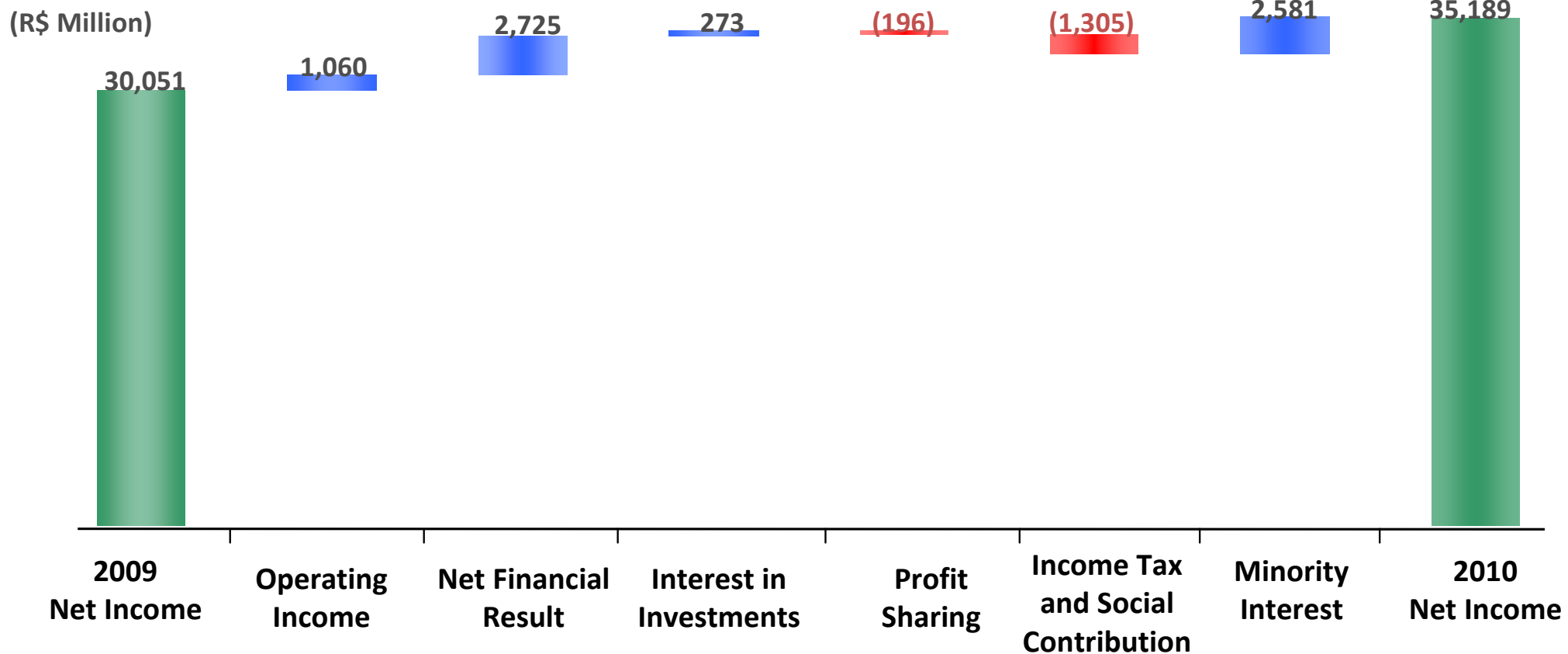


(R\$ million)



- o Higher sales revenue due to an increase of oil products demand (11%):
  - Diesel (increase of 9%): Industrial recovery and higher agricultural output
  - Gasoline (increase of 17%): Higher ethanol prices in 2010 and the lower percentage of ethanol blended with gasoline
- o Oil production increase (2%) and higher oil sales prices (38% in Dollars) also explain a better revenue in 2010;
- o COGS increased 25% as a consequence of larger Oil products imports (96%) and a higher Govt. Take due to international prices ramp-up

# NET INCOME 2010 vs 2009



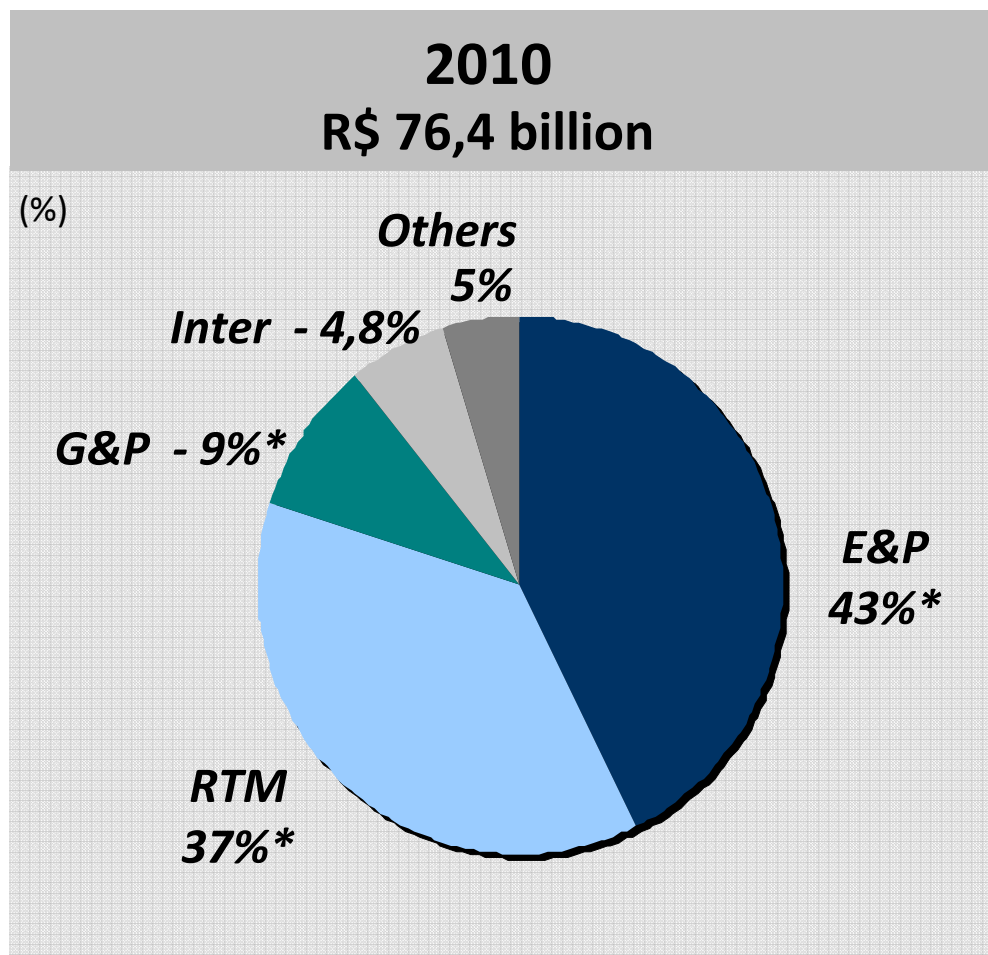
- o The 17% net income growth is explained by:
  - Growth in operating income (+2%);
  - Higher net financial results (+ R\$ 2,725 billion);
  - Smaller minority interest (R\$ 2,581 billion)
- o Better financial results were due to exchange rate-related gains over 2010 net debt, while in 2009 the Company suffered losses on net dollar-denominated assets.
- o Lower minority interest resulted from the impact of the exchange rate variation on SPE's debt, exercise of stock options in certain structured projects and the revision of future receivable flows related to financial leasing operations.

# NET INCOME 4Q10 vs 3Q10

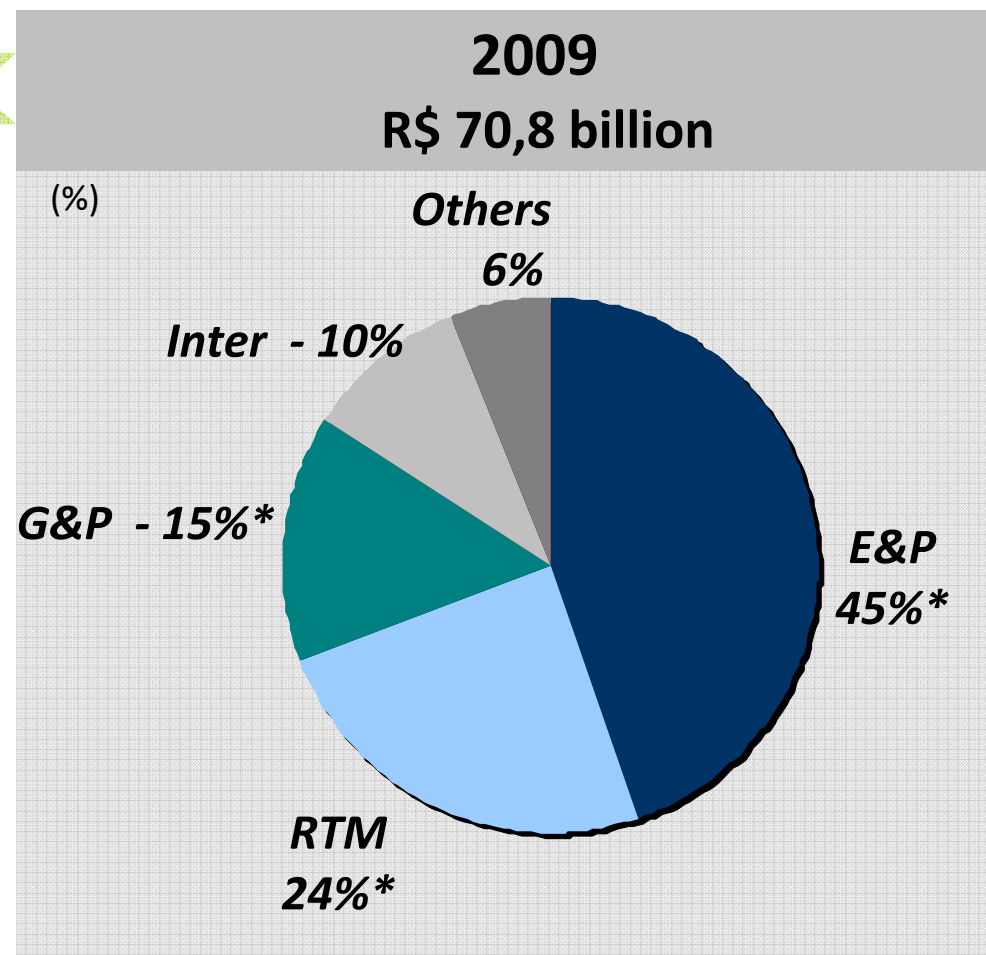


R\$ million	4Q10	3Q10	Δ\$	Δ%
<b>Revenue from sales</b>	54,492	54,739	(247)	-0,5%
<b>Cost of products sold</b>	(35,612)	(35,094)	(518)	1,5%
<b>Gross Profit</b>	18,880	19,645	(765)	-3,9%
<b>Expenses</b>	(7,606)	(8,526)	920	-10,8%
<b>Operating Income</b>	11,274	11,119	155	1,4%
<b>EBITDA</b>	14,584	14,736	(152)	-1,0%
<b>Net financial result</b>	1,926	1,968	(42)	-2,1%
<b>Income tax and social contribution</b>	(2,452)	(3,739)	1,287	-34,4%
<b>Minority interest</b>	(34)	(565)	531	-94,0%
<b>Net Income</b>	10,602	8,566	2,036	23,8%

# INVESTMENTS 2010 vs 2009



8%

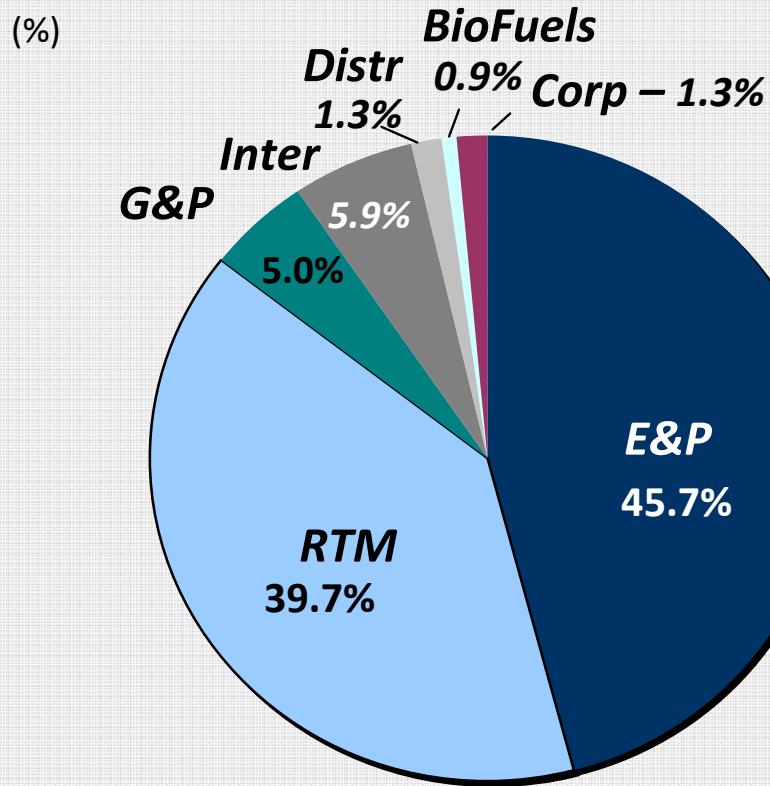


- o E&P: Growth of investment for development of the pre-salt;
- o RTM: improvement of quality of products, new units to expand the internal capacity, conversion and petrochemicals;
- o G&P: infrastructure on final phase - improvement in transportation of natural gas.

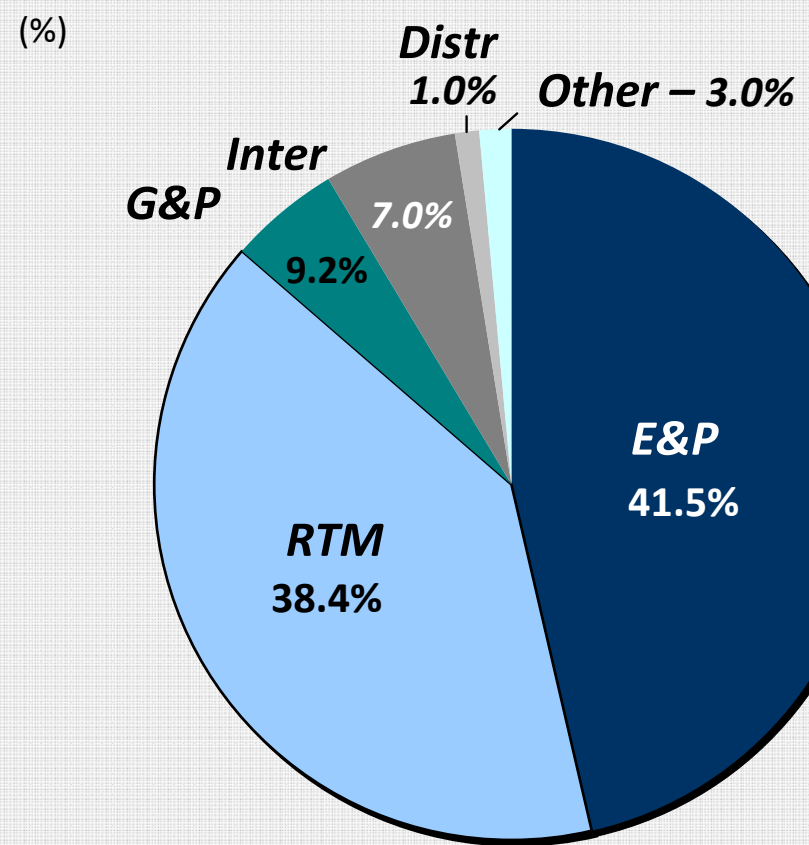
\*Includes projects developed by SPEs



**Annual Investment Budget 2011**  
R\$ 93,67 billion

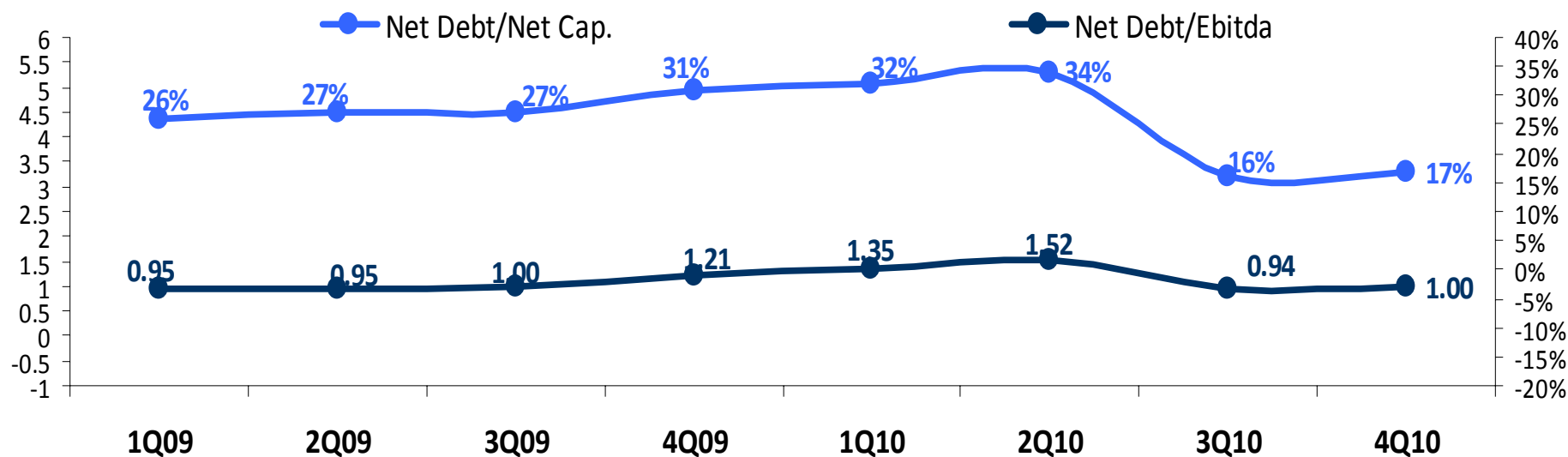


**Annual Investment Budget 2010**  
R\$ 88,54 billion



- o PAN 2011: 5,8% higher than PAN 2010. Approximately same portfolio included on Business Plan 2010-2014, plus the initial investments at Transfer of Rights Area.

# LEVERAGE



R\$ Billion	12/31/10	12/31/09
Short Term Debt	15.7	15.6
Long Term Debt	102.2	86.9
<b>Total Debt</b>	<b>117.9</b>	<b>102.5</b>
Cash and Cash Equivalents	30.3	29.0
Tradeable Securities	25.5	-
Adjusted Cash and Cash Equivalents	55.8	29.0
<b>Net Debt</b>	<b>62.1</b>	<b>73.4</b>
<b>Net Debt/Ebitda</b>	<b>1,0X</b>	<b>1.2X</b>
US\$ Billion	12/31/10	12/31/09
<b>Net Debt</b>	<b>37.3</b>	<b>42.2</b>

- o Petrobras' Leverage dropped abruptly (2009: 31%; 2010: 17%) due to capitalization process;
- o At the end of 2010, Net Debt dropped 15% and the Adjusted Cash and Cash Equivalents (including Government Securities) increased 92%.



Information:

Investor Relations

+55 21 3224-1510

[petroinvest@petrobras.com.br](mailto:petroinvest@petrobras.com.br)