PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
February 06, 2013

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 February, 2013

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 ___X___ 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___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).

Petróleo Brasileiro S.A. - Petrobras

Consolidated Financial Statements

December 31, 2012, 2011 and 2010

with Report of Independent Registered
Public Accounting Firm

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Contents

Report of independent registered public accounting firm

To the Board of Directors and Shareholders of

Petróleo Brasileiro S.A. - Petrobras

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of income, of comprehensive income, of cash flows and of changes in stockholders' equity present fairly, in all material respects, the financial position of Petróleo Brasileiro S.A. - Petrobras and its subsidiaries (the "Company") at December 31, 2012, and the results of their operations and their cash flows for the year ended December 31, 2012 in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The accompanying consolidated balance sheet of Petróleo Brasileiro S.A. — Petrobras as of December 31, 2011 and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years ended December 31, 2011 and 2010, were audited by other auditors whose report thereon dated March 30, 2012, expressed an unqualified opinion on those statements.

Rio de Janeiro, February 4, 2013

PricewaterhouseCoopers

Auditores Independentes

CRC 2SP000160/O-5 "F" RJ

/s/

Marcos Donizete Panassol

Contador CRC 1SP155975/O-8 "S" RJ

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated Statement of Financial Position

At December 31, 2012 and 2011

(In millions of US Dollars)

Assets	**Note**	**2012**	**2011**	**Liabilities**
Current assets				**Current liabilities**
Cash and cash equivalents	5	13,520	19,057	Trade payables
Marketable securities	6	10,431	8,961	Current debt
Trade and other receivables, net	7.1	11,099	11,756	Finance lease obligations
Inventories	8	14,552	15,165	Taxes payable
Recoverable taxes	19.1	5,572	6,848	Dividends payable
Advances to suppliers		927	740	Employee compensation (payroll, profit and related charges)
Others		1,693	2,065	Pension and medical benefits
				Others
		57,794	**64,592**	
Non-current assets				
Long-term receivables				**Non-current liabilities**
Trade and other receivables, net	7.1	4,441	3,253	Non-currrent debt
Marketable securities	6	176	3,064	Finance lease obligations
Judicial deposits	27.2	2,696	2,080	Deferred taxes
Deferred taxes	19.2	5,526	4,287	Pension and medical benefits
Other tax assets	19.1	5,223	4,912	Provisions for legal proceedings
Advances to suppliers		3,156	3,141	Provision for decommissioning costs
Others		1,887	1,725	Others
		23,105	**22,462**	
Investments	10.2	6,106	6,530	
Property, plant and equipment	11	204,901	182,918	
Intangible assets	12	39,739	43,412	**Shareholders' equity**
		250,746	**232,860**	Share capital
				Additional paid in capital
				Profit reserves
				Accumulated other comprehensive inco
				Attributable to the shareholders of
				Non-controlling interests
				Total Equity
Total Assets		**331,645**	**319,914**	**Total liabilities and shareholder's e**

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated Statement of Income

Years ended December 31, 2012, 2011 and 2010

(In millions of Dollars, except earnings per share)

	Note	**2012**	**2011**	**2010**
Sales revenues	23	**144,103**	**145,915**	**120,452**
Cost of sales		(107,534)	(99,595)	(77,145)
Gross profit		**36,569**	**46,320**	**43,307**
Income (expenses)				
Selling expenses		(4,927)	(5,346)	(4,863)
General and Administrative expenses		(5,034)	(5,161)	(4,441)
Exploration costs		(3,994)	(2,630)	(2,168)
Research and development expenses		(1,143)	(1,454)	(989)
Other taxes		(386)	(460)	(509)
Other operating expenses, net	24	(4,185)	(3,984)	(3,965)
		(19,669)	**(19,035)**	**(16,935)**
Net income before financial results, profit sharing and income taxes		**16,900**	**27,285**	**26,372**
Net finance income (expense)	26	(1,926)	76	1,551
Share of profit of equity-accounted investments		43	230	347
Profit sharing	21	(524)	(867)	(996)
Net income before income taxes		**14,493**	**26,724**	**27,274**
Income taxes	19.3	(3,562)	(6,732)	(6,825)
Net income		**10,931**	**19,992**	**20,449**
Net income (loss) attributable to:				
Shareholders of Petrobras		**11,034**	**20,121**	**20,055**
Non-controlling interests		(103)	(129)	394

		10,931	**19,992**	**20,449**
Basic and diluted earnings per weighted-average of common and preferred share in U.S. dollars	22.6	**0.85**	**1.54**	**2.03**

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated Statement of Comprehensive Income

Years ended December 31, 2012, 2011 and 2010

(In millions of US Dollars)

	2012	2011	2010
Net income	**10,931**	**19,992**	**20,449**
Other comprehensive income:			
Cummulative translation adjustments	(14,558)	(21,859)	7,157
Deemed cost of associates	5	6	6
Unrealized gains / (losses) on available-for-sale securities			
Recognized in shareholders' equity	498	72	185
Reclassified to profit or loss	(714)	14	(4)
Unrealized gains / (losses) on cash flow hedge			
Recognized in shareholders' equity	(3)	(29)	8
Reclassified to profit or loss	7	4	(7)
Deferred income tax	73	(24)	(62)
	(14,692)	**(21,816)**	**7,283**
Total comprehensive income (loss)	**(3,761)**	**(1,824)**	**27,732**
Comprehensive income attributable to:			
Shareholders of Petrobras	(3,481)	(1,670)	27,382
Non-controlling interests	(280)	(154)	350
Total comprehensive income (loss)	**(3,761)**	**(1,824)**	**27,732**

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated Statement of Changes in Shareholders' Equity

Years ended December 31, 2012, 2011 and 2010

(In millions of US Dollars)

		Additional paid in capital		Capital reserves	co
	Share Capital	Incremental costs directly attributable to the issue of new shares	Change in interest in subsidiaries	Tax incentives	Cum trans adju
Balance at January 1, 2010	**33,790**	**-**	**849**	**220**	**2**
Capital increase with reserves	3,471	-	-	(220)	
Capital increase - issue of new shares	70,080	(279)	-	-	
Cumulative translation adjustments	-	-	-	-	
Unrealized gains / (losses) on available-for-sale securities and cash flow hedge	-	-	-	-	
Realization of deemed cost	-	-	-	-	
Change in interest in subsidiaries	-	-	(563)	-	
Net income	-	-	-	-	
Distributions:	-	-	-	-	
Allocation of net income	-	-	-	-	
Dividends	-	-	-	-	
Balance at December 31, 2010	**107,341**	**(279)**	**286**	**-**	**3**
Capital increase with reserves	14	-	-	-	
Capital increase - issue of new shares	-	-	-	-	
Cumulative translation adjustments	-	-	-	-	(2
Unrealized gains / (losses) on available-for-sale securities and cash flow hedge	-	-	-	-	
Realization of deemed cost	-	-	-	-	
Change in interest in subsidiaries	-	-	309	-	
Net income	-	-	-	-	
Distributions:					
Allocation of net income	-	-	-	-	
Dividends	-	-	-	-	
Balance at December 31, 2011	**107,355**	**(279)**	**595**	**-**	

Capital increase with reserves	7	-	-	
Capital increase - issue of new shares	-	-	-	
Cumulative translation adjustments	-	-	-	(1
Unrealized gains / (losses) on available-for-sale securities and cash flow hedge	-	-	-	
Realization of deemed cost	-	-	-	
Change in interest in subsidiaries	-	-	33	
Net income	-	-	-	
Distributions:				
Allocation of net income	-	-	-	
Dividends	-	-	-	
	107,362	(279)	628	-
Balance at December 31, 2012	**107,362**	**349**	**-**	

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated Statement of Cash Flows

Years ended December 31, 2012, 2011 and 2010

(In millions of US Dollars)

	2012	2011	20
Cash flows from Operating activities			
Net income attributable to the shareholders of Petrobras	11,034	20,121	20
Adjustments for:			
Non-controlling interests	(103)	(129)	
Share of profit of equity-accounted investments	(43)	(230)	
Depreciation, depletion and amortization	11,119	10,535	8
Impairment	880	1,056	
Exploration expenditures written off	2,847	1,480	
Gains/(Losses) on disposal of non-current assets	47	527	
Foreign Exchange variation, indexation and finance charges	4,308	3,799	
Deferred income taxes, net	2,254	3,599	3
Pension and medical benefits (actuarial expense)	2,091	1,730	
Increase/(Decrease) in assets			
Trade and other receivables, net	(1,522)	(2,326)	(2
Inventories	(1,864)	(5,035)	
Other assets	(1,990)	(2,537)	
Increase/(Decrease) in liabilities			
Trade payables	1,039	2,455	
Taxes payable	(1,139)	(1,991)	(2
Pension and medical benefits	(735)	(837)	
Other liabilities	(335)	1,481	
Net cash provided by / (used) operating activities	**27,888**	**33,698**	**30**
Cash flows from Investing activities			
"Cessão Onerosa" - Onerous Assignment Agreement - Acquisition of Rights	-	-	(43
Portion paid using National Treasury Bonds	-	-	39
Portion paid using Cash and Cash Equivalents	-	-	(4
Other investments in exploration and production of oil and gas	-	-	(16
Investments in exploration and production of oil and gas	(21,397)	(18,714)	(21
Investments in refining, transportation and marketing	(13,717)	(15,683)	(15
Investments in gas and power actitivies	(1,967)	(2,627)	(4
Investments in international activities	(2,354)	(2,360)	(2
Investments in distribution activities	(620)	(630)	
Investments in biofuel activities	(145)	(299)	
Other investments	(471)	(1,400)	
Investments in Marketable securities	2,051	6,683	(14
Dividends received	241	411	

Net cash provided by / (used) in investing activities	**(38,379)**	**(34,619)**	**(59,**

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Statement of Cash Flows (Continued)

Years ended December 31, 2012, 2011 and 2010

(In millions of US Dollars)

	2012	**2011**	**2010**
Cash flows from Financing activities			
Issue of Shares	-	-	70,08
Portion paid using National Treasury Bonds	-	-	(39,51
Net proceeds from Issue of Shares	-	-	30,56
Incremental costs directly attributable to the issue of new shares	-	-	(27
Acquisition of non-controlling interest	255	27	(34
Financing and loans, net			
Proceeds from long-term financing	25,205	23,951	21,78
Repayment of principal	(11,347)	(8,750)	(11,34
Repayment of interest	(4,772)	(4,574)	(3,65
Dividends paid	(3,272)	(6,422)	(5,39
Net cash provided by/(used) in financing activities	**6,069**	**4,232**	**31,31**
Effect of exchange rate changes on cash and cash equivalents	**(1,115)**	**(1,909)**	**(4**
Net increase/ (decrease) in cash and cash equivalents in the year	**(5,537)**	**1,402**	**1,43**
Cash and cash equivalents at the beginning of the year	**19,057**	**17,655**	**16,22**
Cash and cash equivalents at the end of the year	**13,520**	**19,057**	**17,65**

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements

(Expressed in millions of US Dollars, unless otherwise indicated)

1 The Company and its operations

Petróleo Brasileiro S.A. - Petrobras is dedicated, directly or through its subsidiaries (referred to jointly as "Petrobras" or "the Company") to prospecting, drilling, refining, processing, trading and transporting crude oil from producing onshore and offshore oil fields and from shale or other rocks, as well as oil products, natural gas and other liquid hydrocarbons. In addition, Petrobras carries out energy related activities, such as 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, Brazil.

2 Basis of preparation

2.1 Statement of compliance and authorization of financial statements

The consolidated financial statements have been prepared and are being presented in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). They are presented in U.S. dollars.

The financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets, financial assets and financial liabilities measured at fair value (including derivative financial instruments at fair value through profit or loss), and certain non-current assets and liabilities, as detailed in the accounting policies set out below.

Certain amounts from prior periods have been reclassified for comparability purposes relatively to the current period presentation. These reclassifications did not affect the net income or the shareholders' equity of the Company.

The annual consolidated financial statements were approved and authorized for issue by the Company's Board of Directors in a meeting held on February 4, 2013.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements

(Expressed in millions of US Dollars, unless otherwise indicated)

2.2 Business segment reporting

The information related to the operating segments (business areas) of the Company is prepared based on items directly attributable to each segment, as well as items that can be allocated to each segment on a reasonable basis.

The measurement of segment results includes transactions carried out with third parties and transactions between business areas which are charged at internal transfer prices defined between the areas using methods based on market parameters.

The Company operates under the following segments:

a) Exploration and Production: this segment covers the activities of exploration, development and production of crude oil, NGL (natural gas liquid) and natural gas in Brazil for the purpose of supplying, primarily, our domestic refineries; and also selling the crude oil surplus and oil products produced in the natural gas processing plants to the domestic and foreign markets. The exploration and production segment also operates through partnerships with other companies.

b) Refining, Transportation and Marketing: This segment covers the refining, logistics, transport and trading of crude oil and oil products activities, exporting of ethanol, extraction and processing of shale, as well as holding interests in companies from the petrochemical sector in Brazil.

c) Gas and Power: this segment covers the activities of transportation and trading of natural gas produced in Brazil and imported natural gas, transportation and trading of LNG (liquid natural gas), generation and trading of electricity, as well as holding 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) Biofuels: this segment covers the activities of production of biodiesel and its co-products, as well as the ethanol-related activities: equity investments, production and trading of ethanol, sugar and the surplus electric power generated from sugarcane bagasse.

e) Distribution: This segment includes mainly the activities of Petrobras Distribuidora, which operates through its own retail network and wholesale channels to sell oil products, ethanol and vehicle natural gas in Brazil to retail, commercial and industrial customers, as well as other fuel wholesalers.

f) International: this segment covers the activities of exploration and production of oil and gas, refining, transportation and marketing, gas and power, and distribution, carried out outside of Brazil in a number of countries in the Americas, Africa, Europe and Asia.

The corporate segment comprises the items that cannot be attributed to the other segments, notably those related to corporate financial management, corporate overhead and other expenses, including actuarial expenses related to the pension and medical benefits for retired employees and their dependents.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements

(Expressed in millions of US Dollars, unless otherwise indicated)

2.3 Functional and presentation currency

The functional currency of Petrobras and all Brazilian subsidiaries is the Brazilian Real. The functional currency of Petrobras International Finance Company – PifCo, Petrobras Global Finance B.V. (PGF) and certain subsidiaries and special purpose entities that operate in the international economic environment is the U.S. dollar. The functional currency of Petrobras Argentina is the Argentine Peso.

In the consolidated financial statements, the income statement and statement of cash flows of non-Brazilian Real functional currency subsidiaries, jointly controlled entities and associates in stable economies are translated into Brazilian Real using the average exchange rates prevailing during the year. Assets and liabilities are translated into Brazilian Real at the closing rate at the date of the financial statements and the equity items are translated using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured.

Petrobras has selected the U.S. Dollar as its presentation currency. The financial statements have been translated from the functional currency (Brazilian Real) into the presentation currency (U.S. Dollar) in accordance with IAS 21 - The effects of changes in foreign exchange rates. All assets and liabilities are translated into U.S. dollars at the closing rate at the date of the financial statements; income and expenses, as well as the cash flows are translated into U.S. dollars using the average exchange rates prevailing during the year. All exchange differences arising from the translation of the consolidated financial statements from the functional currency into the presentation currency are recognized as cumulative translation adjustments (CTA) within accumulated other comprehensive income in the consolidated statements of changes in shareholders’ equity.

The cumulative translation adjustments were set to nil at January 1, 2009 (the date of transition to IFRS).

2.4 Use of estimates and judgments

The preparation of the consolidated financial statements requires the use of estimates and assumptions for certain assets, liabilities and other transactions. These estimates include: oil and gas reserves, pension and medical benefits liabilities, depreciation, depletion and amortization, decommissioning costs, provisions for legal proceedings, fair value of financial instruments, present value adjustments of trade receivables and payables from relevant transactions and income taxes. Notwithstanding Management uses assumptions and judgments that are reviewed periodically, the actual results could differ from these estimates.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements

(Expressed in millions of US Dollars, unless otherwise indicated)

3 Basis of consolidation

The consolidated financial statements include the financial information of Petrobras, its subsidiaries and special purpose entities. Accounting policies of subsidiaries and special purpose entities have been changed, where necessary, to ensure consistency with the policies adopted by the Company. The subsidiaries and special purpose entities set out in the table below are consolidated.

		Interest - Subscribed, paid in and voting %	
Subsidiaries	**Country**	**2012**	**2011**
Petrobras Distribuidora S.A. - BR and its subsidiaries	Brazil	100.00	100.00
Braspetro Oil Services Company - Brasoil and its subsidiaries (i)	Cayman Islands	100.00	100.00
Braspetro Oil Company - BOC and its subsidiaries (i)	Cayman Islands	100.00	100.00
Petrobras International Braspetro B.V. - PIBBV and its subsidiaries (i) (ii)	Holland	100.00	100.00
Petrobras Comercializadora de Energia Ltda. - PBEN (iii)	Brazil	100.00	100.00
Petrobras Negócios Eletrônicos S.A. – E-PETRO (iv)	Brazil	100.00	100.00
Petrobras Gás S.A. - Gaspetro and its subsidiaries	Brazil	99.99	99.99
Petrobras International Finance Company - PifCo and its subsidiaries (i)	Cayman Islands	100.00	100.00
Petrobras Transporte S.A. - Transpetro and its subsidiaries	Brazil	100.00	100.00
Downstream Participações Ltda.	Brazil	99.99	99.99
Petrobras Netherlands B.V. - PNBV and its subsidiaries (i)	Holland	100.00	100.00
5283 Participações Ltda.	Brazil	100.00	100.00
Fundo de Investimento Imobiliário RB Logística - FII	Brazil	99.00	99.00
Baixada Santista Energia S.A.	Brazil	100.00	100.00
Sociedade Fluminense de Energia Ltda. – SFE	Brazil	100.00	100.00
Termoceará Ltda.	Brazil	100.00	100.00
Termomacaé Ltda.	Brazil	100.00	100.00
Termomacaé Comercializadora de Energia Ltda.	Brazil	100.00	100.00
Termobahia S.A.	Brazil	98.85	98.85
Ibiritermo S. A.	Brazil	50.00	50.00
Petrobras Biocombustível S.A.	Brazil	100.00	100.00
Refinaria Abreu e Lima S.A.	Brazil	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 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
Cordoba Financial Services Gmbh - CFS and its subsidiaries (i)	Austria	100.00	100.00
Breitener Energética S.A. and its subsidiaries	Brazil	93.66	65.00
Cayman Cabiunas Investiment CO. (i)	Cayman Islands	100.00	100.00
Innova S.A.	Brazil	100.00	100.00
Companhia de Desenvolvimento de Plantas Utilidades S.A. - CDPU (v)	Brazil	100.00	100.00
Companhia de Recuperação Secundária S.A. - CRSEC	Brazil	100.00	100.00
Petrobras Química S.A. - Petroquisa and its subsidiaries (vi)	Brazil	-	100.00
Arembepe Energia S.A. (vii)	Brazil	100.00	30.00
Energética Camaçari Muricy S.A. (vii)	Brazil	71.60	49.00
Companhia Integrada Têxtil de Pernanbuco S.A. - Citepe (viii)	Brazil	100.00	-
Companhia Petroquímica de Pernanbuco S.A. - PetroquímicaSuape (viii)	Brazil	100.00	-
Petrobras Logística de Exploração e Produção S.A. - PB-LOG (viii) and (ix)	Brazil	100.00	-
Liquigás S.A. (viii)	Brazil	100.00	-

(i) Foreign-Incorporated Companies with non-Brazilian Real consolidated financial statements.

(ii) 11.87% interest of 5283 Participações Ltda.

(iii) 0.09% interest of Petrobras Gás S. A. - Gaspetro.

(iv) 0.05% interest of Downstream.

(v) 20% interest of Comperj Participações S.A.

(vi) Companies merged into Petróleo Brasileiro S.A.

(vii) Acquisition of control (Business combinations).

(viii) Direct subsidiaries as from 2012(indirect in 2011) resulting from ownership restructuring.

(ix) At November 1, 2012 Empresa de Logística de E&P S.A. (ELEP), was renamed Petrobras Logística de Exploração e Produção S.A. (“PB-LOG”).

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements

(Expressed in millions of US Dollars, unless otherwise indicated)

Special purpose entities - SPE	Country	M ac
Charter Development LLC – CDC (i)	USA	Ex an Pr
Companhia de Desenvolvimento e Modernização de Plantas Industriais – CDMPI	Brazil	Re
PDET Offshore S.A.	Brazil	Ex an Pr
Nova Transportadora do Nordeste S.A. - NTN	Brazil	Lo
Nova Transportadora do Sudeste S.A. - NTS	Brazil	Lo
Fundo de Investimento em Direitos Creditórios Não-padronizados do Sistema Petrobras	Brazil	Co

(i) Foreign-Incorporated Companies with non-Brazilian Real consolidated financial statements.

The consolidation procedures involve combining assets, liabilities, income and expenses, according to their nature and eliminating all intragroup balances and transactions, including unrealized profits arising from intragroup transactions.

4 Summary of significant accounting policies

The accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements.

4.1 Financial assets and liabilities

4.1.1 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, term deposits with banks and short-term highly liquid financial investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and have a maturity of three months or less from the date of acquisition.

4.1.2 Marketable securities

Marketable securities are classified on initial recognition based on the management's business model for managing those securities as set out below:

- Trading securities - financial assets purchased and held for the purpose of resale in the short term and measured at fair value. Interest, inflation indexation charges and gains or losses arising from measurement at fair value are recognized in profit or loss;

- Held-to-maturity securities - financial assets for which management has the ability and intent to hold until maturity. Held-to-maturity securities are initially recognized at acquisition cost and are carried at amortized cost using the effective interest rate method. Interest and inflation indexation charges are recognized in profit or loss;

- Available-for-sale securities - non-derivative financial assets that are classified as available-for-sale or that are not classified in any other category. Available-for-sale securities are measured at fair value. Interest and inflation indexation charges are recognized in profit or loss; and gains or losses arising from measurement at fair value are recognized within other comprehensive income, in the shareholders' equity and reclassified to profit or loss, in the periods when securities are sold.

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4.1.3 Trade receivables

Trade receivables are initially measured at the fair value of the consideration to be received and, subsequently, at amortized cost using the effective interest rate method and adjusted for credit losses.

The Company recognizes a provision for impairment of trade receivables when there is evidence that some of its accounts receivable are uncollectible, due to insolvency, defaults or to a significant probability of a debtor filing for bankruptcy.

4.1.4 Loans and financing (Debt)

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

4.1.5 Derivative financial instruments and hedge operations

Derivative financial instruments are recognized in the statement of financial position as assets or liabilities and are measured at fair value.

The gains or losses arising from measurement at fair value of derivative instruments, other than hedging relationships qualified for hedge accounting are recognized in profit or loss as a finance income (finance expense).

In hedging relationships which qualify for cash flow hedge accounting, gains or losses relating to the effective portion of the hedge are recognized within other comprehensive income, in the shareholders' equity and reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gains or losses relating to the ineffective portion are recognized in profit or loss.

4.2 Inventories

Inventories are determined by the weighted average cost method and comprise:

- Raw material - mainly comprises crude oil and is stated at the lower of the average cost of crude oil production and imports, and their net realizable value;

- Products - comprise oil products and biofuels, and are stated at the lower of the average refining or purchase costs and their net realizable value;

- Maintenance materials and supplies – comprise materials and supplies used in the operation of the Company and consumed, other than raw material, and are stated at the average purchase cost, not exceeding replacement cost.

Net realizable value is the estimated selling price of inventory in the ordinary course of business, less estimated cost of completion and estimated expenses to complete its sale.

Imports in transit are stated at the identified cost.

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4.3 Investments in other companies

The Company accounts for its investments in jointly controlled entities and associates on which the Company has significant influence over the financial and operating policy decisions by applying the equity method of accounting.

4.4 Business combinations and goodwill

The Company determines on a case-by-case basis whether a transaction is a business combination or an asset acquisition. Combinations of entities under common control are not accounted for as business combinations.

Assets acquired and liabilities assumed on a business combination are accounted for by applying the acquisition method, based on which assets and liabilities are measured at their acquisition-date fair values. The excess of the acquisition cost over the acquisition-date fair value of the net assets acquired (the net of the amounts of the identifiable assets acquired and the liabilities assumed) is recognized as goodwill in intangible assets. In the case of a bargain purchase, a gain is recognized in profit or loss when the acquisition cost is lower than the acquisition-date fair value of the net assets acquired.

Changes in ownership interest in subsidiaries that do not result in loss of control of the subsidiary are equity transactions. Any excess of the amounts paid/received over the carrying value of the ownership interest acquired/disposed is recognized in shareholders' equity as an additional paid in capital.

Goodwill arising from investments in associates and jointly controlled entities without change of control is accounted for as part of these investments. It is measured by the excess of the consideration transferred over the Company's interest in net assets' fair value.

4.5 Oil and Gas exploration and development expenditures

The costs incurred in connection with the exploration, appraisal, development and production of oil and gas are accounted for using the successful efforts method of accounting, as set out below:

- Costs related to geological and geophysical activities are expensed when incurred.

-Amounts paid, for obtaining concessions for exploration of oil and natural gas (capitalized acquisition costs) are initially capitalized.

-Costs directly associated with exploratory wells pending determination of proved reserves are capitalized within property, plant and equipment. Exploratory wells that have found oil and gas reserves, but those reserves cannot be classified as proved, continue to be capitalized if the well has found a sufficient quantity of reserves to justify its completion as a producing well and progress on assessing the reserves and the economic and operating viability of the project is under way. An internal commission of technical executives of Petrobras reviews these conditions monthly for each well, by analysis of geoscience and engineering data, existing economic conditions, operating methods and government regulations.

-Costs related to exploratory wells drilled in areas of unproved reserves are expensed when determined to be dry or non-economical (did not encounter potentially economic oil and gas quantities).

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- Costs related to the construction, installation and completion of infrastructure facilities, such as platforms, pipelines, drilling of development wells and other related costs incurred in connection with the development of proved reserve areas and successful exploratory wells are capitalized within property, plant and equipment and depreciated from the commencement of production as described below.

4.6 Property, plant and equipment

Property, plant and equipment are measured at the cost to acquire or construct, including all costs necessary to bring the asset to working condition for its intended use, adjusted during hyperinflationary periods, as well as by the present value of the estimated cost of dismantling and removing the asset and restoring the site and reduced by accumulated depreciation and impairment losses.

Rights over tangible assets to be used in the normal course of business, arising from transactions which transfer substantially all the risks and rewards incidental to ownership of the asset (finance leases) are initially recognized at the lower of the fair value of the assets or the present value of the minimum payments of the contract. Capitalized lease assets are depreciated on a systematic basis consistent with the depreciation policy the Company adopts for property, plant and equipment that are owned. Where there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, capitalized lease assets are depreciated over the shorter of the lease term or the estimated useful life of the asset.

Expenditures on major maintenance of industrial units and vessels are capitalized if the recognition criteria of IAS 16 are met. These comprise the cost of replacement assets or parts of assets, equipment assembly services, as well as other related costs. Such maintenance occurs, on average, every four years and the respective expenses are depreciated as production costs through the date of the beginning of the following stoppage.

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized as part of the costs of these assets. Borrowing costs of funds borrowed generally are capitalized based on the Company's weighted average of the cost of borrowings outstanding applied over the balance of assets under construction. Borrowing costs are amortized during the useful life or by applying the unit-of-production method to the related assets.

Depreciation, depletion and amortization of proved oil and gas producing properties are accounted for pursuant to the unit-of-production method applied to the depreciable amount of the asset as set out below:

i) Depreciation (amortization) of oil and gas producing properties, including related equipment and facilities is computed based on a unit-of-production basis over the proved developed oil and gas reserves, applied on a field by field basis;

ii) The straight-line method is used for other assets, such as assets with a useful life shorter than the life of the field or related to fields with different development stages; and

iii) Amortization of amounts paid for obtaining concessions for exploration of oil and natural gas of producing properties, such as signature bonus (capitalized acquisition costs) is recognized using the unit-of-production method, computed based on the units of production over the total proved oil and gas reserves, applied on a field by field basis.

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Estimates of reserves, prepared in manner consistent with U.S. Securities and Exchange Commission (SEC) definitions by the Company's technicians, are reviewed at least annually and on interim basis if material changes occur (for depreciation, depletion and amortization purposes).

Except for land (which is not depreciated), other property, plant and equipment are depreciated on a straight line basis. See note 11 for further information about the estimated useful life by class of assets.

4.7 Intangible assets

Intangible assets are measured at the acquisition cost, less accumulated amortization and impairment losses and comprise rights and concessions, including the signature bonus paid for obtaining concessions for exploration of oil and natural gas (capitalized acquisition costs) and the Onerous Assignment Agreement, referring to the right to carry out prospection and drilling activities for oil, natural gas and other liquid hydrocarbons located in blocks in the pre-salt area ("*Cessão Onerosa*"); public service concessions; trademarks; patents; software and goodwill.

Signature bonuses paid for obtaining concessions for exploration of oil and natural gas and amounts related to the Onerous Assignment Agreement are initially capitalized within intangible assets and are transferred to property, plant and equipment upon recognition of proved reserves.

Signature bonuses and amounts related to the Onerous Assignment Agreement are not amortized until they are transferred to property, plant and equipment. Intangible assets with a finite useful life, other than amounts paid for obtaining concessions for exploration of oil and natural gas of producing properties, are amortized over the useful life of the asset on a straight-line basis.

Internally generated intangible assets other than development costs meeting recognition criteria (of IAS 38) are not capitalized and are expensed as incurred.

Intangible assets with an indefinite useful life are not amortized but are tested annually for impairment considering individual assets or cash-generating units. Their useful lives are reviewed annually to determine whether events and circumstances continue to support an indefinite useful life assessment for those assets. If they do not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

4.8 Impairment

Property, plant and equipment and intangible assets with definite useful lives are tested for impairment when there is an indication that the carrying amount may not be recoverable. Assets related to exploration and development of oil and gas and assets that have indefinite useful lives, such as goodwill acquired in business combinations are tested for impairment annually, irrespective of whether there is any indication of impairment.

The impairment test comprises a comparison of the carrying amount of an individual asset or a cash-generating unit with its recoverable amount. Whether the recoverable amount of the unit is less than the carrying amount of the unit, an impairment loss is recognized to reduce the carrying amount to the recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair

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value less costs of disposal and its value in use. Considering the specificity of the Company’s assets, value in use is generally used by the Company for impairment testing purposes, except when specifically indicated.

Value in use is estimated based on the present value of the risk-adjusted (for specific risks) future cash flows expected to arise from the continuing use of an asset or cash-generating unit (based on assumptions that represent the Company’s best estimates), discounted at a pre-tax discount rate. This rate is obtained from the Company’s weighted average cost of capital post-tax (WACC). Cash flow projections are mainly based on the following assumptions: prices based on the Company’s most recent strategic plan; production curves associated with existing projects in the Company's portfolio, operating costs reflecting current market conditions, and investments required for carrying out the projects.

For the impairment test, assets are grouped at the smallest identifiable group that generates largely independent cash inflows from other assets or group of assets (the cash-generating unit). Assets related to exploration and development of oil and gas are tested annually for impairment on a field by field basis.

Reversal of previously recognized impairment losses is permitted for assets other than goodwill.

4.9 Leases

Leases in which the Company has substantially all the risks and rewards incidental to ownership are recognized as finance lease liabilities. When the Company is the lessor the finance lease is recognized as a receivable.

If a lease does not transfer all the risks and rewards, it is classified as an operating lease. Operating leases are recognized as expenses on a straight-line basis over the period of the lease.

4.10 Decommissioning costs

Decommissioning costs are future obligations to perform environmental restoration, dismantle and remove a facility as it terminates operations due to the exhaustion of the area or economic conditions. Costs related to the abandonment and dismantling of areas are recognized as part of the cost of an asset (associated with the obligation) based on the present value of the expected future cash outflows, discounted at a risk-free credit adjusted rate when a future obligation exists and can be reliably measured. A corresponding provision is recognized as a liability. Unwinding of the discount is recognized as a financial expense, when incurred. The asset is depreciated similarly to other assets, based on the class of the asset.

Future decommissioning costs for oil and natural gas producing properties are recognized on a field by field basis, when a field is declared to be commercial and are revised annually. Decommissioning costs related to proved developed oil and gas reserves are depreciated by applying the unit-of-production method, computed based on a unit-of-production basis over the proved developed oil and gas reserves, applied on a field by field basis.

4.11 Income taxes

Income tax expense for the period comprises current and deferred tax. The Company has adopted the Transition Tax Regime in Brazil (RTT) in accordance with Law 11,941/09 and therefore the taxable profit is computed based on the criteria of Law 6,404/76 before the amendments introduced by Law 11,638/07. Temporary differences arising from the Transition Tax Regime were recognized as deferred income taxes and liabilities.

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Taxable profit differs from accounting profit due to certain adjustments required by tax regulations. Temporary differences are differences between the tax base of an asset or liability and its carrying amount. Deferred income tax assets and liabilities are recognized for temporary tax differences, available tax losses and tax credits. Deferred tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

4.12 Employee benefits (Post-Employment)

Actuarial commitments related to post-employment benefit plans and health-care plans are recognized as liabilities in the statement of financial position based on actuarial calculations which are revised annually by an independent actuary, using the projected unit credit method, net of the fair value of plan assets, when applicable, out of which the obligations are to be directly settled. The increases in the present value of the obligation resulting from employee service in the current period are recognized in profit or loss.

Under the projected credit unit method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to determine the final obligation.

Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognized over the expected average remaining working lives of the employees participating in each plan, in accordance with the corridor method.

Actuarial assumptions related to the variables that will determine the ultimate cost of providing post-retirement benefits include biological and economic assumptions, medical costs estimates, as well as historical data related to expenses incurred and employee contributions.

The Company also contributes amounts to defined contribution plans, that are expensed when incurred and are computed based on a percentage over salaries.

4.13 Share Capital and Stockholders' Compensation

Share capital comprises common shares and preferred shares. Incremental costs directly attributable to the issue of new shares or options are classified as additional paid in capital and shown (net of tax) in shareholders' equity as a deduction from the proceeds.

Preferred shares have priority on returns of capital and dividends, which are based on the higher amount of 3% over the net book value of shareholders equity for preferred shares, or 5% of the share capital for preferred shares. Preferred shares do not grant any voting rights; are non-convertible into common shares and participate under the same terms as common shares, in capital increases resulting from the capitalization of reserves and profits.

Dividend distribution comprises dividends and interest on capital determined in accordance with the limits defined in the Company's bylaws.

Interest on capital is a form of dividend distribution which is deductible for tax purposes in Brazil. Tax benefits from the deduction of interest on capital are recognized in profit or loss.

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4.14 Government grants

A government grant is recognized when there is reasonable assurance that the grant will be received and the Company will comply with the conditions attached to the grant.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes the related costs which they are intended to compensate as expenses. Government grants related to assets are initially recognized as deferred income and thereafter are transferred to profit or loss over the useful life of the asset on a straight-line basis.

4.15 Recognition of revenue, costs and expenses

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue and the costs incurred or to be incurred in the transaction can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for products sold and services provided in the normal course of business, net of returns, discounts and sales taxes.

Revenue from the sale of crude oil and oil products, petrochemical products, natural gas, biofuels and other related products are recognized when the Company retains neither continuing managerial involvement nor effective control over the products sold and the significant risks and rewards of ownership have been transferred to the customer, which is usually when legal title passes to the customer, pursuant to the terms of the sales contract. Sales revenues from freight and other services provided are recognized based on the stage of completion of the transaction.

Finance income and expense mainly comprise interest income on financial investments and government bonds, interest expense on debt, gains and losses on marketable securities measured at fair value, as well as net exchange and inflation indexation charges. Finance expense does not include borrowing costs directly attributable to the construction of assets that necessarily take a substantial period of time to become operational, which are capitalized as part of the costs of these assets.

Revenue, costs and expenses are recognized on the accrual basis.

4.16 New standards and interpretations

New standards and amendments to standards and interpretations issued by the International Accounting Standards Board (IASB) effective for annual periods beginning on January 1, 2012, none of which had a significant effect on the consolidated financial statements for 2012, are set out below:

-Amendments to IFRS 7: “Disclosures: Transfers of Financial Assets”.

-Amendments to IAS 12 – “Deferred Tax Recovery of Underlying Assets”. It establishes criteria for calculating the tax base of an asset.

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A number of new standards and amendments to standards and interpretations issued by the International Accounting Standards Board (IASB) are effective for annual periods beginning after January 1, 2012 as set out below. They have not been applied in preparing these consolidated financial statements at December 31, 2012.

Standards	Brief description	Effective Date (*)
Amendment to IAS 1	'Financial statement presentation', regarding other comprehensive income Requires for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).	January 1, 2013
Amendments to IAS 19	"Employee Benefits" Eliminates the corridor method for recognizing actuarial gains or losses, and require the calculation of finance costs on a net funding basis. Simplifies the presentation of changes in assets and liabilities of defined benefit plans and expands the disclosure requirements.	January 1, 2013
IFRS 10	"Consolidated Financial Statements" Defines principles and requirements for the preparation and presentation of consolidated financial statements when an entity controls one or more other entities. Establishes the concept of control as the basis for consolidation and sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee.	January 1, 2013
IFRS 11	"Joint Arrangements" Establishes principles for disclosure of financial statements of entities that are parties of joint agreements. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and	January 1, 2013

	expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.	
IFRS 12	“Disclosure of Interests in Other Entities” Consolidates all the requirements of disclosures that an entity should carry out when participating in one or more entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	January 1, 2013
IFRS 13	“Fair Value Measurement” Provides a precise definition of fair value; explains how to calculate it (one single source of measurement); and determines what must be disclosed. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards.	January 1, 2013
Amendments to IFRS 7	“Disclosures – Offesetting Financial Assets and Financial Liabilities” Establishes disclosure requirements for compensation agreements of financial assets and liabilities.	January 1, 2013
IAS 27 (revised 2011)	"Separate financial statements" Includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.	January 1, 2013
IAS 28 (revised 2011)	"Associates and joint ventures" Includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.	January 1, 2013
IFRS 9	"Financial instruments" and Amendments IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The Amendment postpones the date of enforcement from 2013 to 2015. Also eliminates the requirement for republication of comparative information and requires additional disclosures about the transition to IFRS 9.	January 1, 2015

(*) Effective for annual periods beginning on or after these dates.

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The estimated impact that initial application of Amendments to IAS 19 is expected to have, due to the elimination of the corridor method (which allowed companies to defer actuarial gains and losses) is an increase of US$ 10.3 billion in our net actuarial liability, as well as a corresponding increase of US$ 3 billion in our deferred tax assets and a decrease of US$ 7.3 billion in our shareholders' equity.

None of the other amendments and new standards listed above is expected to have a significant effect on the consolidated financial statements.

5 Cash and cash equivalents

	2012	**2011**
Cash at bank and in hand	990	1,989
Short-term financial investments		
- In Brazil		
Single-member funds (Interbank Deposit)	8,118	5,492
Other investment funds	419	2,279
	8,537	**7,771**
- Abroad	3,993	9,297
Total financial investments	**12,530**	**17,068**
Total cash and cash equivalents	**13,520**	**19,057**

Short-term financial investments in Brazil comprise single-member funds mainly composed by Brazilian Federal Government Bonds and, therefore, are considered cash and cash equivalents.

Short-term financial investments abroad comprise time deposits that have maturities of three months or less and other short-term fixed income instruments from highly-ranked financial institutions.

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6 Marketable securities

	2012	**2011**
Trading securities	10,222	8,949
Available-for-sale securities	239	2,921
Held-to-maturity securities	146	155
	10,607	**12,025**
Current	10,431	8,961
Non-current	176	3,064

Trading and available-for-sale securities refer mainly to investments in government Treasury notes that have maturities of more than 90 days. The current asset classification reflects the expectation of their realization in the short term.

Available-for-sale securities include Brazilian Government Treasury Notes previously pledged as collateral to Petros (Note 20).

7 Trade and other receivables

7.1 Trade and other receivables, net

	2012	**2011**
Trade Receivables		
Third parties	10,785	10,315
Related parties (Note 17)		
Jointly controlled entities and associates	780	826
Receivables from the eletricity sector	1,937	1,958

Petroleum and alcohol accounts - STN(*)	409	444
Other Receivables	3,081	2,953
	16,992	**16,496**
Provision for impairment of trade receivables	-1,452	-1,487
	15,540	**15,009**
Current	**11,099**	**11,756**
Non-current	**4,441**	**3,253**

(*) Secretaria do Tesouro Nacional - National Treasury Secretariat

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7.2 Changes in the provision for impairment of trade receivables

	2012	2011	2010
Opening balance	**1,487**	**1,609**	**1,454**
Additions (*)	300	283	201
Write-offs / reversals (*)	-203	-220	-118
Cumulative translation adjustment	-132	-185	72
Closing balance	**1,452**	**1,487**	**1,609**
Current	854	898	1,029
Non-current	598	589	580

(*) It includes exchange differences arising from translation of the provision for impairment of trade receivables in companies abroad.

7.3 Trade and other receivables overdue (Third parties)

	2012	2011
Up to 3 months	769	752
From 3 to 6 months	156	115
From 6 to 12 months	181	141
More than 12 months	1,587	1,590
	2,693	**2,598**

8 Inventories

	2012	2011
Products:		
Oil products (*)	5,880	4,886

Fuel Alcohol (*)	161	417
	6,041	5,303
Raw materials, mainly crude oil (*)	6,452	7,915
Maintenance materials and supplies (*)	1,882	1,796
Others	222	196
	14,597	**15,210**
Current	14,552	15,165
Non-current	45	45

(*)It includes imports in transit.

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9 Other information about investments

Signing of settlement agreement – Pasadena Refinery

On June 29, 2012, the Company entered into an out-of-court settlement to terminate all existing lawsuits between its subsidiaries and Belgium's Transcor/Astra Group, which controls Astra Oil Trading NV (Astra), including those related to the arbitration process which, in April 2009, recognized the exercise of Astra's put option for its stake (50%) in Pasadena Refining System Inc and PRSI Trading Company to Petrobras America S.A. - PAI.

The amount of US$ 70 was recognized in profit or loss in the second quarter of 2012, and the remaining portion had been recognized in prior periods. The total determined in the agreement was US$ 820.5.

After the execution of the settlement agreement and the payment of the respective amount (paid when the agreement was signed), both parties gave full and general release of all issues under dispute between them.

Fair Value Appraisal of GBD

The appraisal of the fair value of the assets acquired and the liabilities assumed from the subsidiary Gás Brasiliano Distribuidora S.A. – GBD was concluded in June 2012. Petrobras Gás S.A. - Gaspetro acquired 100% of GBD's shares in 2011. This appraisal resulted in a purchase price allocation of the total amount (US$ 280) to intangible assets (US$ 209) and other assets and liabilities, net (US$ 71). Therefore, no goodwill was recognized.

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10 Investments

10.1 Information about subsidiaries, jointly controlled entities and associates

	% Petrobras' ownership	Subscrib capital Decemb 31, 201
Subsidiaries		
Petrobras Netherlands B.V. - PNBV	100.00%	5,
Refinaria Abreu e Lima S.A.	100.00%	5,
Petrobras Distribuidora S.A. - BR	100.00%	2,
Petrobras Gás S.A. - Gaspetro	99.99%	3,
Petrobras Transporte S.A. - Transpetro	100.00%	1,4
Petrobras Logística de Exploração e Produção S.A. - PB-LOG	100.00%	1,
Petrobras International Finance Company - PifCo	100.00%	[illegible]
Petrobras Biocombustível S.A.	100.00%	1,
Companhia Integrada Têxtil de Pernambuco S.A. - Citepe	100.00%	1,
Companhia Locadora de Equipamentos Petrolíferos S.A. - CLEP	100.00%	4
Companhia Petroquímica de Pernambuco S.A. - PetroquímicaSuape	100.00%	8
Petrobras International Braspetro - PIB BV	88.12%	
Liquigás Distribuidora S.A.	100.00%	[illegible]
Termomacaé Ltda.	99.99%	[illegible]
Comperj Poliolefinas S.A.	100.00%	[illegible]
Breitener Energética S.A.	93.66%	[illegible]
INNOVA S.A.	100.00%	
Termoceará Ltda.	100.00%	
Petrobras Comercializadora de Energia Ltda. - PBEN	99.91%	
Arembepe Energia S.A.	100.00%	
Baixada Santista Energia S.A.	100.00%	
Sociedade Fluminense de Energia Ltda. - SFE	99.99%	
Termomacaé Comercializadora de Energia Ltda	100.00%	
5283 Participações Ltda.	100.00%	[illegible]
Energética Camaçari Muriçy I Ltda.	71.60%	

Comperj Estirênicos S.A.	100.00%
Fundo de Investimento Imobiliário RB Logística - FII	99.00%
Comperj MEG S.A.	100.00%
Termobahia S.A.	98.85%
Cordoba Financial Services GmbH	100.00%
Cayman Cabiunas Investment Co.	100.00%
Petrobras Negócios Eletrônicos S.A. - E-Petro	99.95%
Companhia de Desenvolvimento de Plantas Utilidades S.A. - CDPU	80.00%
Braspetro Oil Services Company - Brasoil	100.00%
Companhia de Recuperação Secundária S.A. - CRSEC	100.00%
Comperj Participações S.A.	100.00%
Downstream Participações Ltda.	99.99%
Braspetro Oil Company - BOC	100.00%
Jointly controlled entities	
UTE Norte Fluminense S.A.	10.00%
Termoaçu S.A.	76.87%
Fábrica Carioca de Catalizadores S.A. - FCC	50.00%
Logum Logística S.A.	20.00%
Brasil PCH S.A.	49.00%
Cia Energética Manauara S.A.	40.00%
Ibiritermo S.A.	50.00%
Petrocoque S.A. Indústria e Comércio	50.00%
Brasympe Energia S.A.	20.00%
Participações em Complexos Bioenergéticos S.A. - PCBIOS	50.00%
Refinaria de Petróleo Riograndense S.A.	33.20%
METANOR S.A. - Metanol do Nordeste	34.54%
Companhia de Coque Calcinado de Petróleo S.A. - COQUEPAR	45.00%
Eólica Mangue Seco 4 - Geradora e Comercializadora de Energia Elétrica S.A.	49.00%
Brentech Energia S.A.	30.00%
Eólica Mangue Seco 3 - Geradora e Comercializadora de Energia Elétrica S.A.	49.00%
Eólica Mangue Seco 2 - Geradora e Comercializadora de Energia Elétrica S.A.	51.00%
Eólica Mangue Seco 1 - Geradora e Comercializadora de Energia Elétrica S.A.	49.00%
GNL do Nordeste Ltda.	50.00%

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			Thousands of Share	
	% Petrobras' ownership	Subscribed capital at December 31, 2012	Common shares	Preferr share
Associates				
Braskem S.A.	36.20%	3,936	451,669	345,5
Fundo de Investimento em Participações de Sondas	5.00%	938	95,784(*)	
Sete Brasil Participações S.A.	5.00%	989	101,050	
UEG Araucária Ltda.	20.00%	346	707,440(*)	
Deten Química S.A.	27.88%	104	99,327,769	
Energética SUAPE II	20.00%	68	139,977	
Termoelétrica Potiguar S.A. - TEP	20.00%	18	11,259	
Companhia Energética Potiguar S.A.	20.00%	4	1	
Nitroclor Ltda.	38.80%	5	10,330(*)	
Bioenergética Britarumã S.A.	30.00%	-	110	

(*) Quota

(**) Lot of one share

(***) As of 09/30/12 – Date from latest financial reports available to the market.

10.2 Investments in jointly controlled entities and associates

	2012	2011
Associates and jointly controlled entities		
Petrochemical investments	2,856	3,320
Gas distributors	555	563
Guarani S.A.	482	452
Termoaçu S.A.	267	287
Petroritupano - Orielo	233	244

Nova Fronteira Bionergia S.A.	203	231
Petrowayu - La Concepción	193	176
Distrilec S.A.	41	115
Petrokariña - Mata	75	104
UEG Araucária	64	68
Transierra S.A.	69	65
Other associates and jointly controlled entities	948	783
	5,986	**6,408**
Other investments	120	122
	6,106	**6,530**

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10.3 Investments in listed companies

Company	Thousand - share lot 2012	2011	Type	Quoted Stock Exchange Prices (US$ per share) 2012	2011	Market value 2012	2011
Subsidiaries							
Petrobras Argentina (*)	1,356,792	678,396	Common	0.69	1.44	936	976
						936	**976**
Associates							
Braskem	212,427	212,427	Common	4.70	6.28	998	1,334
Braskem	75,793	75,793	Preferred A	6.26	6.82	475	517
						1,473	**1,851**

(*)On September 26, 2012 Petrobras Argentina S.A. increased share capital through the capitalization of profit reserves, as approved by an Extraordinary General Meeting held along with the Annual General Meeting on March 29, 2012. This capitalization was carried out by the issuance of 1,009,618,410 new class B common shares. This transaction did not affect the Company's shareholders' equity.

The market value of these shares does not necessarily reflect the realizable value of a large block of shares.

10.4 Summarized information on jointly controlled entities and associates

The Company invests in jointly controlled entities and associates in Brazil and abroad, whose activities are related to petrochemical companies, gas distributors, biofuels, thermoelectric power stations, refineries and other activities. Summarized accounting information is set out below:

	2012			
	Jointly controlled entities		**Associates**	
	In Brazil	**Abroad**	**In Brazil**	**Abroad**
Current assets	2,120	774	7,198	2,7
Non-current assets	954	168	3,225	1
Property, plant and equipment	3,170	2,310	11,852	2,0
Other non-current assets	1,425	66	4,493	
	7,669	**3,318**	**26,768**	**4,9**
Current liabilities	2,082	1,302	6,919	2,2
Non-current liabilities	1,754	949	11,003	7
Shareholders' equity	3,789	810	8,803	1,8
Non-controlling interest	44	257	43	
	7,669	**3,318**	**26,768**	**4,9**
Sales revenues	5,753	1,237	19,474	6
Net Income for the Year	452	60	(440)	1
Ownership interest - %	From 10% to 83%	From 22% to 50%	From 5 to 43%	From 22% to 5

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11 Property, plant and equipment

11.1 By class of asset

	Land, buildings and improvements	Equipment and other assets	Assets under construction (*)	Exploratio and developme costs (Oil a gas producing properties
Balance at December 31, 2010	**5,256**	**58,321**	**83,170**	**21,7**
Additions	101	1,570	31,840	2,1
Additions to decommissioning assets / review of estimates	-	-	-	1,4
Capitalized borrowing costs	-	-	4,382	
Business combination	-	-	12	
Write-offs	(25)	(262)	(1,296)	(33
Transfers	2,413	18,406	(23,598)	7,0
Depreciation, amortization and depletion	(473)	(5,800)	-	(3,95
Impairment - recognition	-	(50)	(150)	(21
Impairment - reversal	1	15	-	
Cumulative translation adjustment	(685)	(5,838)	(9,831)	(2,44
Balance at December 31, 2011	**6,588**	**66,362**	**84,529**	**25,4**
Cost	8,990	104,477	84,529	53,0
Accumulated depreciation, amortization and depletion	(2,402)	(38,115)	-	(27,59
Balance at December 31, 2011	**6,588**	**66,362**	**84,529**	**25,439**
Additions	50	2,073	32,571	1,7
Additions to decommissioning assets / review of estimates	-	-	-	5,2
Capitalized borrowing costs	-	-	3,792	
Business combination	83	182	2	
Write-offs	(6)	(59)	(2,651)	(10
Transfers	2,504	24,818	(30,413)	6,9
Depreciation, amortization and depletion	(477)	(6,626)	-	(3,76

Impairment - recognition	(20)	(178)	(37)	(14
Impairment - reversal	-	44	134	
Cumulative translation adjustment	(559)	(4,908)	(6,264)	(2,02
Balance at December 31, 2012	**8,164**	**81,708**	**81,663**	**33,3**
Cost	10,834	122,647	81,663	62,3
Accumulated depreciation, amortization and depletion	(2,670)	(40,939)	-	(28,98
Balance at December 31, 2012	**8,164**	**81,708**	**81,663**	**33,366**
Weighted average of useful life in years	25 (25 to 40) (except land)	20 (3 to 31) (**)		Units productio meth

(*) It includes oil and gas exploration and development assets

(**) It includes assets depreciated based on the units of production method.

At December 31, 2012 the property, plant and equipment includes assets under finance leases of US$ 102 (US$ 95 at December 31, 2011).

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11.2 Estimated useful life

Buildings and improvements, equipment and other assets			
Estimated useful life	**Cost**	**Accumulated depreciation**	**Balance at 12/31/2012**
5 years or less	5,360	(3,168)	2,192
6 - 10 years	20,148	(9,152)	10,996
11 - 15 years	1,974	(836)	1,138
16 - 20 years	33,865	(8,827)	25,038
21 - 25 years	24,938	(6,734)	18,204
25 - 30 years	23,541	(3,691)	19,850
30 years or more	2,739	(1,580)	1,159
Units of production method	20,115	(9,621)	10,494
	132,680	**(43,609)**	**89,071**
Buildings and improvements	10,033	(2,670)	7,363
Equipment and other assets	122,647	(40,939)	81,708

11.3 Impairment of assets

In 2012 the Company recognized impairment losses relating primarily to mature producing fields in Brazil (US$ 143) and to the review of the cash flows expected to be generated by the U.S. Pasadena Refinery operations (US$ 225).

Reversals of impairment were recognized in 2012 as the assessments revealed that impairment losses recognized in prior periods related to certain oil and gas fields in Brazil (US$ 109) and in the Suape Petrochemical complex (US$ 134) decreased or no longer exist.

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12 Intangible assets

12.1 By class of assets

		Software			
	Rights and Concessions	Acquired	Developed in-house	Goodwill	Total
Balance at December 31, 2010	**47,001**	**191**	**816**	**544**	**48,552**
Addition	414	64	198	11	687
Acquisition through business combination	-	-	-	2	2
Capitalized borrowing costs	-	-	21	-	21
Write-offs	(160)	(3)	(7)	-	(170)
Transfers	(58)	12	(22)	(4)	(72)
Amortization	(36)	(67)	(204)	-	(307)
Impairment - recognition	(1)	-	-	-	(1)
Cumulative translation adjustment	(5,147)	(17)	(87)	(49)	(5,300)
Balance at December 31, 2011	**42,013**	**180**	**715**	**504**	**43,412**
Cost	42,394	725	1,512	504	45,135
Accumulated amortization	(381)	(545)	(797)	-	(1,723)
Balance at December 31, 2011	**42,013**	**180**	**715**	**504**	**43,412**
Addition	90	72	146	-	308
Capitalized borrowing costs	-	-	15	-	15
Write-offs	(119)	(2)	(3)	-	(124)
Transfers	(80)	12	(97)	(14)	(179)
Amortization	(48)	(61)	(142)	-	(251)
Impairment - reversal	6	-	-	-	6
Cumulative translation adjustment	(3,349)	(13)	(57)	(29)	(3,448)
Balance at December 31, 2012	**38,513**	**188**	**577**	**461**	**39,739**
Cost	38,920	715	1,444	461	41,540
Accumulated amortization	(407)	(527)	(867)	-	(1,801)
Balance at December 31, 2012	**38,513**	**188**	**577**	**461**	**39,739**
Estimated useful life - years	(*)	5	5	Indefinite	

(*) See note 4.7 (Intangible assets) for further information.

12.2 Concession for exploration of oil and natural gas - Onerous Assignment Agreement (“Cessão Onerosa”)

At December 31, 2012, the Company’s intangible assets include US$ 36,608 related to the Onerous Assignment agreement, entered into in 2010 by Petrobras, the Federal Government (assignor) and the Agência Nacional de Petróleo, Gás Natural e Biocombustíveis - ANP (regulator and inspector), granting the Company the right to carry out prospection and drilling activities for oil, natural gas and other liquid hydrocarbons located in blocks in the pre-salt area (Franco, Florim, Nordeste de Tupi, Entorno de Iara, Sul de Guará e Sul de Tupi), limited to the production of five billion barrels of oil equivalent in up to 40 years and renewable for a further five years upon certain conditions having been met.

The agreement establishes that at the time of the declaration of commerciality for the reserves there will be a review of volumes and prices, based on independent technical appraisal reports.

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If the review determines that the value of acquired rights are greater than initially paid, the Company may be required to pay the difference to the Federal Government, or may proportionally reduce the total volume of barrels acquired in the terms of the agreement. If the review determines that the value of the acquired rights are lower than initially paid by the Company, the Federal Government will reimburse the Company for the difference by delivering cash or bonds, subject to budgetary regulations.

Once the effects of the aforementioned review become probable and can be reliably measured, the Company will make the respective adjustments to the purchase prices of the rights.

The agreement also establishes a compulsory exploration program for each one of the blocks and minimum commitments related to the acquisition of goods and services from Brazilian suppliers in the exploration and development stages, which will be subject to certification by the ANP. In the event of non-compliance, the ANP may apply administrative sanctions pursuant to the terms in the agreement.

In compliance with the exploration program, in 2012 the Company concluded the drilling of four wells in the Onerous Assignment, confirming the potential for hydrocarbon resources in the area. The Company will continue to develop its investment program and activities as established in the agreement.

12.3 Exploration rights returned to Agência Nacional de Petróleo, Gás Natural e Biocombustíveis (ANP)

Exploration areas returned to ANP in 2012, in the amount of US$ 113 (US$ 84 in 2011) are set out below.

- **Exclusive Concession Blocks (Petrobras):**

Espírito Santo Basin: ES-M-466;

Santos Basin: S-M-415, S-M-675; S-M-506; S-M-1358; S-M-1482; BM-S-17;

Potiguar Basin: POT-T-515; POT-T-560; POT-T-600; POT-T-602;

Sergipe Alagoas Basin: SEAL-T-252 e SEAL-T-253;

Recôncavo Baiano Basin: REC-T-209.

- **Blocks in partnership (returned by Petrobras or by its operators):**

Campos Basin: C-M-103; C-M-151;

Espírito Santo Basin: ES-T-410;

Santos Basin: S-M-330, S-M-322; S-M-508, S-M-1476; BM-S-22;

Potiguar Basin: POT-T-608; POT-T-556, POT-T-601; POT-T-564;

Potiguar Offshore Basin: BM-POT-13;

Pará-Maranhão Basin: PAMA-M-187.

12.4 Oil and Gas fields operated by Petrobras returned to ANP

No oil and gas fields were returned to ANP in 2012.

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12.5 Service concession agreement - Distribution of piped natural gas

At December 31, 2012, intangible assets include service concession agreements related to piped natural gas distribution in Brazil, in the amount of US$ 244 maturing between 2029 and 2043, which may be extended. According to the agreements, distribution service can be provided to industrial, residential, commercial, automotive, air conditioning, transport, and other sectors.

The consideration receivable is a factor of a combination of operating costs and expenses and returns on capital invested. The rates charged for gas distribution are subject to periodic reviews by the state regulatory agency.

The agreements establish an indemnity clause for investments in assets which are subject to return at the end of the service agreement, to be determined based on evaluations and appraisals.

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13 Exploration for and Evaluation of Oil and Gas Reserves

The exploration and evaluation activities include the search for oil and gas from obtaining the legal rights to explore a specific area until the declaration of the technical and commercial viability of the reserves.

Movements on capitalized costs directly associated with exploratory wells pending determination of proved reserves and the balance of amounts paid for obtaining rights and concessions for exploration of oil and natural gas (capitalized acquisition costs) are set out in the table below:

Capitalized Exploratory Well Costs / Capitalized Acquisition Costs (*)

	2012	2011
Property plant and equipment		
Balance at January 1	**10,120**	**7,742**
Additions to capitalized costs pending determination of proved reserves	6,640	6,258
Capitalized exploratory costs charged to expense	(2,782)	(1,391)
Transfers upon recognition of proved reserves	(2,628)	(1,612)
Cumulative translation adjustment	(701)	(877)
Balance at December 31	**10,649**	**10,120**
Intangible Assets (**)	**37,968**	**41,671**
Capitalized Exploratory Well Costs / Capitalized Acquisition Costs	**48,617**	**51,791**

(*) Amounts capitalized and subsequently expensed in the same period have been excluded from the table above.

(**) The balance of intangible assets comprises mainly the amounts related to the Onerous Assignment Agreement (note 12.2).

Exploration costs recognized in profit or loss and cash used in oil and gas exploration and evaluation activities are set out in the table below:

Exploration costs recognized in profit or loss	**2012**	**2011**	**2010**
Geological and Geophysical Expenses	1,022	1,024	80
Exploration expenditures written off (includes dry wells and signature bonuses)	2,847	1,480	1,21
Other exploration expenses	89	101	17
Total expenses	**3,958**	**2,605**	**2,19**

Cash used in activities	**2012**	**2011**	**2010**
Operating activities	1,139	1,107	83
Investment activities	6,640	6,258	9,36
Total cash used	**7,779**	**7,365**	**10,20**

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13.1 Aging of Capitalized Exploratory Well Costs

An aging of the number of wells and the capitalized exploratory well costs based on the drilling completion date, as well as the number of projects for which exploratory well costs have been capitalized for a period greater than one year are set out in the table below:

Aging of capitalized exploratory well costs (*)

	2012	**2011**
Capitalized exploratory well costs that have been capitalized for a period of one year	4,219	3,16
Capitalized exploratory well costs that have been capitalized for a period greater than one year	6,430	6,95
Ending balance	10,649	10,12
Number of projects that have exploratory well costs that have been capitalized for a period greater than one year	145	9

(*) Amounts paid for obtaining rights and concessions for exploration of oil and natural gas (capitalized acquisition costs) are not included.

	In thousand (US$)	**Number of wells**
2011	2,213	62
2010	1,083	24
2009	1,012	34
2008	590	11
2007 and previous years	1,531	18
Ending balance	**6,430**	**149**

Of the amount of US$ 6,430 for 145 projects that include wells suspended for more than one year since the completion of drilling, US$ 1,741 are related to wells in areas for which drilling was under way or firmly planned for the near future and US$ 4,543 are related to costs incurred to assess the reserves and their potential development.

14 Trade payables

	2012	2011
Current Liabilities		
Third parties		
In Brazil	6,511	6,535
Abroad	5,104	4,883
Related parties (Note 17)	509	445
	12,124	**11,863**

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15 Finance Debt

	Current		**Non-current**	
	2012	**2011**	**2012**	**2011**
Abroad				
Financial institutions	4,614	7,272	25,156	20,039
Bearer bonds - Notes, Global Notes and Bonds	1,230	428	31,032	21,026
Trust Certificates - Senior/Junior	-	-	-	3
Others	245	6	2	101
	6,089	**7,706**	**56,190**	**41,169**
In Brazil				
Export Credit Notes	142	72	6,261	6,921
BNDES	839	916	21,586	19,930
Debentures	140	988	345	529
FINAME	34	42	326	390
Bank Credit Certificate	50	27	1,765	1,922
Others	185	316	2,011	1,857
	1,390	**2,361**	**32,294**	**31,549**
	7,479	**10,067**	**88,484**	**72,718**

Interest expense on debt	1,018	879
Long-term debt due within one year (principal)	2,795	3,690
Short-Term debt	3,666	5,498
	7,479	**10,067**

15.1 Scheduled maturity dates of non-current debt (principal and interest accrued)

	2012
2014	4,177
2015	7,125
2016	13,665
2017	9,389

2018 and thereafter	54,128
Total	**88,484**

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15.2 Interest rate range for non-current debt

	2012	**2011**
Abroad		
Up to 4% p.a.	31,819	22,119
From 4.01 to 6% p.a.	13,768	9,442
From 6.01 to 8% p.a.	9,916	8,385
More than 8% p.a.	687	1,223
	56,190	**41,169**
In Brazil		
Up to 6% p.a.	3,384	2,870
From 6.01 to 8% p.a.	16,511	17,225
From 8.01 to 10% p.a.	11,852	1,930
More than 10% p.a.	547	9,524
	32,294	**31,549**
	88,484	**72,718**

15.3 Non-current debt by major currency

	2012	**2011**
U.S. Dollar	48,306	36,258
Real	18,411	17,529
Real indexed to U.S. Dollar	13,733	13,830
Euro	5,134	2,495
Pound Sterling	1,814	1,062
Japanese Yen	1,086	1,544
	88,484	**72,718**

The sensitivity analysis for financial instruments subject to foreign exchange variation and the fair value of the long-term debt are disclosed in notes 30 and 31, respectively.

15.4 Weighted average capitalization rate for borrowing costs

The weighted average interest rate, of the costs applicable to borrowings that are outstanding, applied over the balance of assets under construction for capitalization of borrowing costs was 4.5% p.a. in 2012 (4.6% p.a. in 2011).

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15.5 Funding

Funding requirements are mainly related to the development of oil and gas production projects, building of vessels and pipelines, and expansion of industrial plants.

The main long-term debt issuances in 2012 are set out below:

a) Abroad

Company	Date	Amount	Maturity	Description
PifCo	Feb/12	7,000	2015, 2017, 2021 and 2041	Global notes issued in the amounts of US$ 1,250, US$ 1,750, US$ 2,750 and US$1,250 with 2.875% p.a., 3.500% p.a., 5.375% p.a. and 6.750% p.a. coupon, respectively.
PNBV	Apr/12 to Jun/12	1,879	2018, 2019 and 2023	Financing in the amount of US$1,879 obtained from Morgan Stanley Bank , JP Morgan Chase, Citibank International PLC, and HSBC Bank PLC - Libor + market interest.
PNBV	Aug/12 to Sep/12	1,500	2019	Financing in the amount of US$1,500 obtained from Export Development Canadá and HSBC Holdings PLC - Libor + market interest.
PGT BV	Sep/12	1,500	2017 and 2018	Financing in the amount of US$1,500 obtained from Banco do Brasil S/A and Citibank N.A. - Libor + market interest.

PGT BV	Oct/12 to Dec/12	1,500	2017 and 2018	Financing in the amounts of US$1,000 and US$500 obtained from Bank of America and Standard Chartered - Libor + market interest.
PGF BV	Oct/12	2,580	2019 and 2023	Global notes issued in the amounts of € 1,300 and € 700 with 3.25% p.a. and 4.25% p.a. coupon, respectively.
PGF BV	Oct/12	726	2029	Global notes issued in the amounts of £ 450 with 5.375% p.a.
		16,685		

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b) In Brazil

Company	Date	Amount	Maturity	Description
Fundo de Investimento Imobiliário RB Logística	Jan/12	235	2023,2026 and 2028	Issuance of real state credit notes for the construction of a laboratory and an administrative building - IPCA + average spread of 5.3% p.a.
Fundo de Investimento Imobiliário FCM	May/12	254	2025 and 2032	Issuance of real state credit notes for the construction of the assets of Porto Nacional and Porto Cruzeiro do Sul projects - IPCA + 4.0933% p.a. and 4.9781%p.a.
Petrobras	Jul/12 to Sep/12	2,080	2015 and 2022	Financing obtained from BNDES to be used on the modernization of the domestic refining facilities and other infrastructure projects, as well as research and development projects and modernization and expansion of the technology park.
Petrobras	Nov/12 to Dec/12	347	2015, 2024 and 2026	Financing obtained from BNDES to be used on the modernization of the domestic refining facilities, construction of a regasification terminal for natural gas and deployment of industrial unit for the production of nitrogen fertilizers.
		2,916		

15.6 Funding – Outstanding balance

a) Abroad

		Amount in US$ million		
Company	**Financial Institution**	**Available (Line of Credit)**	**Used**	**Balance**
PNBV	Citibank International PLC	686	549	137
PNBV	HSBC Bank PLC	1,000	173	827
Petrobras	Japan Bank for International Cooperation (JBIC)	600	-	600
Petrobras	The Bank of Tokyo-Mitsubishi UFJ, Ltd (BTMU) *	400	-	400

(*)Japan Bank for International Cooperation (JBIC) will provide partial guarantees whether the line of credit is used.

b) In Brazil

Company	**Financial Institution**	**Available (Line of Credit)**	**Used**	**Balance**
Transpetro(*)	BNDES, Banco do Brasil and Caixa Econômica Federal - CEF	4,896	619	4,277
PB-LOG	BNDES	543	139	404
Petrobras	BNDES	5,077	2,427	2,650
Liquigas	BNDES	56	41	15

(*)Purchase and sale agreements of 49 vessels and 20 convoys were signed with six Brazilian shipyards in the amount of US$ 5,440, which 90% is financed by BNDES, Banco do Brasil and Caixa Econômica Federal – CEF.

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15.7 Guarantees

Petrobras is not required to provide guarantees to financial institutions. Certain BNDES loans are secured by the assets being financed.

The loans obtained by Special Purpose Entities (SPE) are guaranteed by the project assets, as well as a lien on credit rights and shares of the SPEs.

16 Leases

16.1 Future Minimum Lease Payments / Receipts – Finance Leases

	2012	
	Minimum receipts	Minimum payments
2013	188	21
2014 - 2017	725	87
2018 and thereafter	2,066	171
Estimated lease receipts/payments	**2,979**	**279**
Interest expense (annual)	(1,383)	(175)
Present value of the lease receipts/payments	**1,596**	**104**
Current	60	18
Non-current	1,536	86
At December 31, 2012	**1,596**	**104**
Current	120	44
Non-current	1,518	98
At December 31, 2011	**1,638**	**142**

16.2 Future Minimum Lease Payments - Operating leases

	2012
2013	16,723
2014-2017	35,313
2018 and thereafter	29,549
At December 31, 2012	**81,585**
At December 31, 2011	**55,513**

During 2012 the Company paid US$ 10,389 for operating lease installments, recognized as a period expense.

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17 Related parties

The Company carries out commercial transactions with its subsidiaries, special purpose entities and associates at normal market prices and market conditions. At December 31, 2012 and December 31, 2011, no losses were recognized on the balance of related party accounts receivable.

17.1 Transactions with jointly controlled entities, associates, government entities and pension funds

The balances of significant transactions are set out in the table below:

	2012		201	
	Assets	**Liabilities**	**Assets**	**Li**
Jointly controlled entities and associates	**780**	**597**	**826**	
Gas distributors	446	216	467	
Braskem and its subsidiaries	152	109	87	
Other associates and jointly controlled entities	182	272	272	
Government entities and pension funds	**24,433**	**34,907**	**22,881**	
Government bonds	18,086	-	14,120	
Banco do Brasil S.A. (BB)	968	4,409	1,566	
Judicial deposits (CEF and BB)	2,668	-	1,835	
Receivables from the Electricity sector (Note 17.2)	1,937	-	1,958	
Petroleum and alcohol account - Receivables from Federal government (Note 17.3)	409	-	444	
BNDES	3	23,425	4	
Caixa Econômica Federal (CEF)	-	4,043	2,735	
Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (ANP)	-	1,936	-	
Federal government - Dividends and Interest on Capital	-	478	-	
Petros (Pension fund)	-	163	-	
Others	362	453	219	

25,213	**35,504**	**23,707**

The classification of the transactions and their carrying amounts are set out below:

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	2012	
	Assets	**Liabilit**
Current assets	**20,354**	
Cash and cash equivalents	8,518	
Marketable securities	10,428	
Trade and other receivables, net	1,371	
Other current assets	37	
Non-current	**4,859**	
Petroleum and alcohol account - Receivables from Federal government (Note 17.3)	409	
Marketable securities	134	
Judicial deposits	2,668	
Other non-current assets	1,648	
Current liabilities		**5,2**
Current debt		1,4
Dividends Payable		1,1
Other current liabilities		2,6
Non-Current Liabilities		**30,2**
Non-current debt		30,0
Other non-current liabilities		1
	25,213	**35,5**

17.2 Receivables from the electricity sector

At December 31, 2012, the Company had a total amount of US$ 1,937 (US$ 1,958 at December, 31, 2011) of receivables from the Brazilian electricity sector, of which US$ 1,640 were classified as non-current assets after negotiations held during the year.

The Company supplies fuel to thermoelectric power plants located in the northern region of Brazil, which are direct or indirect subsidiaries of Eletrobras, the Federal Government electric energy company. Part of the costs for supplying fuel to these thermoelectric power stations is borne by the Fuel Consumption Account (Conta de Consumo de Combustível - CCC), managed by Eletrobras.

The Company also supplies fuel to Independent Power Producers (Produtores Independentes de Energia - PIE), which are companies created for the purpose of generating power exclusively for Amazonas Distribuidora de Energia S.A. - AME, a direct subsidiary of Eletrobras. The payment of amounts related to the fuel supplied is borne by AME, which transfers funds to the Independent Power Producers.

The balance of these receivables at December 31, 2012 was US$ 1,723 (US$ 1,715 at December 31, 2011), of which US$ 1,451 was past due (US$ 1,415 at December 31, 2011).

The Company has been using all available resources in order to recover these receivables and, following negotiations, Petrobras received US$ 494 on October 1, 2012 from AME.

The Company also has electricity supply contracts with AME signed in 2005 by its subsidiary Breitener Energética S.A., which, pursuant to the terms of the agreements, are considered a financial lease of the two thermoelectric power plants. The contracts determine the power plants be returned to AME at the end of the agreement period with no residual value (20-year term). The balance of these receivables was US$ 214 (US$ 243 at December, 31, 2011) none of which was overdue.

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17.3 Petroleum and Alcohol accounts - Receivables from Federal Government

At December 31, 2012, the balance of receivables related to the Petroleum and Alcohol accounts was US$ 409 (US$ 444 at December 31, 2011). Pursuant to Provisional Measure 2,181 of August 24, 2001, the Federal Government may settle this balance by using National Treasury Notes in an amount equal to the outstanding balance, or allow the Company to offset the outstanding balance against amounts payable to the Federal Government, including taxes payable, or both options.

The Company has provided all the information required by the National Treasury Secretariat (Secretaria do Tesouro Nacional - STN) in order to resolve disputes between the parties and conclude the settlement with the Federal Government.

Following several negotiation attempts at the administrative level, the Company decided to file a lawsuit in July 2011 related to collect the receivables.

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17.4 Compensation of employees and officers

The criteria for compensation of employees and officers are established based on the current labor legislation and the Company's policies related to Positions, Salaries and Benefits.

The compensation of employees (including those occupying managerial positions) and officers in the month of December 2012 and December 2011 were:

Amounts refer to monthly compensation in U.S. dollars	**2012**	**2011**
Compensation per employee		
Lowest compensation	1,118.64	1,102.12
Average compensation	5,631.54	5,799.06
Highest compensation	33,233.06	36,743.69
Compensation per officer of Petrobras (highest)	**41,415.24**	**44,253.39**

Petrobras' key management compensation (which comprises salaries and other short-term benefits) during 2012 was US$ 6.0 (US$ 7.3 in 2011, referring to seven officers and nine board members). At December 31, 2012 the Company had seven officers and ten board members.

In 2012 the compensation of board members and officers for the consolidated Petrobras group amounted to US$ 29 (US$ 26.8 in 2011).

As established in Brazilian Federal Law 12,353/2010, the Board of Directors of Petrobras is now composed of ten members, after the employees' representative was confirmed in the Annual General Meeting of March 19, 2012.

18 Provision for decommissioning costs

Non-current liabilities	**2012**	**2011**
Opening balance	**4,712**	**3,904**
Revision of provision	5,226	1,365
Use by Payment	(286)	(284)
Accrual of interest	134	125
Others	4	63
Cumulative translation adjustment	(349)	(461)
Closing balance	**9,441**	**4,712**

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19 Taxes

19.1 Taxes and contributions

Current assets	**2012**	**2011**
Taxes In Brazil:		
ICMS (VAT)	1,542	1,698
PIS/COFINS (Taxation on Revenues)	2,279	2,743
CIDE	23	77
Income taxes	1,255	1,528
Other taxes	193	225
	5,292	**6,271**
Taxes Abroad	**280**	**577**
	5,572	**6,848**
Non-current assets		
Taxes In Brazil:		
Deferred ICMS (VAT)	903	1,172
Deferred PIS and COFINS (Taxation on Revenues)	4,051	3,488
Others	252	241
	5,206	**4,901**
Taxes Abroad	17	11
	5,223	**4,912**
Current liabilities		
Taxes In Brazil:		
ICMS (VAT)	1,488	1,161
PIS/COFINS (Taxation on Revenues)	491	309
CIDE	17	254
Production Taxes	2,624	2,741
Withholding income taxes	565	443
Current income taxes	281	179
Other taxes	360	349
	5,826	**5,436**

Taxes abroad	302	411
	6,128	**5,847**

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19.2 Deferred income taxes - non-current

Income taxes in Brazil comprise corporate income tax (IRPJ) and social contribution on net income (CSLL). Brazilian statutory corporation tax rates are 25% and 9%, respectively.

The nature of deferred income taxes recognized and the scheduling of the estimated timing of the reversal are set out in the tables below.

a) Changes in deferred income taxes

	Property, Plant & Equipament				
	Exploration costs for the extraction of crude oil and natural gas	**Others**	**Trade and Other Receivables / Payables, loans and financing**	**Finance leases**	**Provision fo legal proceedings**
Balance at December 31, 2010	**(10,020)**	**(1,611)**	**(1,112)**	**(673)**	**298**
Recognized in profit or loss for the year	(2,388)	(1,289)	472	(110)	8
Recognized in shareholders’ equity	-	-	-	24	
Cumulative translation adjustment	1,032	594	73	83	(32
Others	2	103	142	(168)	(19
Balance at December 31, 2011	**(11,374)**	**(2,203)**	**(425)**	**(844)**	**335**
Recognized in profit or loss for the year	(2,327)	(1,284)	961	217	5
Recognized in shareholders’ equity	-	-	-	-	
Cumulative translation adjustment	1,038	341	24	77	(76
Others	(14)	35	1	(38)	2
Balance at December 31, 2012	**(12,677)**	**(3,111)**	**561**	**(588)**	**340**

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b) Timing of reversal of deferred income taxes

Management considers that the deferred tax assets will be recovered as provisions are settled and future events occur, both based on estimates that have been made.

The estimated recovery / reversal dates of net deferred tax assets (liabilities) recoverable (payable) is set out in the table below:

	Deferred income tax	
	Assets	**Liabilities**
2013	1,926	1,623
2014	464	1,291
2015	530	1,238
2016	496	1,124
2017	959	1,497
2018	165	1,215
2019	121	1,086
2020 and thereafter	865	10,139
Deferred tax credits recognized	5,526	19,213
Deferred tax credits not recognized	2,122	-
Total	**7,648**	**19,213**

At December 31, 2012, the Company had unused tax credits, for which no deferred tax assets have been recognized, in the amount of US$ 2,122 (US$ 833 at December 31, 2011) resulting from net operating tax losses mainly from oil and gas exploration and production activities in the United States in the amount of US$ 1,329 (US$ 639 at December 31, 2012) subject to a 20-year statute of limitations from the recognition of the losses based on the date the losses were recognized.

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19.3 Reconciliation between tax expense and accounting profit

A numerical reconciliation between tax expense and the product of “income before income taxes” multiplied by the applicable statutory corporation tax rates is set out in the table below:

	2012	**2011**	**2010**
Income before taxes	14,493	26,724	27,274
Income taxes computed based on Brazilian Statutory Corporation Tax Rates (34%)	(4,928)	(9,089)	(9,272)
Adjustments between Income Taxes based on Statutory Rates and on the Effective Tax Rate:			
· Tax benefits from the deduction of interest on capital from income	1,612	2,123	1,985
· Results of Companies abroad subject to different tax rates	335	422	339
· Tax incentives	58	220	89
· Carry-forward of tax losses	(341)	(345)	(47)
· Non-deductible expenses, net*	(559)	(268)	(119)
· Tax credits of companies abroad in the exploration stage	(2)	-	(18)
· Others	263	205	218
Income taxes expense	**(3,562)**	**(6,732)**	**(6,825)**
Deferred income taxes	(2,254)	(3,599)	(3,286)
Current income taxes	(1,308)	(3,133)	(3,539)
	(3,562)	**(6,732)**	**(6,825)**

Effective Tax Rate	24.6%	25.2%	25.0%

* It includes share of profit of equity-accounted investments.

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20 Employee benefits (Post-Employment)

The carrying amounts of employee benefits (post-employment) are set out below:

	2012	2011
Liabilities		
Pension benefits	3,009	2,697
Medical benefits	7,054	6,942
	10,063	**9,639**
Current	788	761
Non-current	9,275	8,878

The current balance relates to an estimate of the payments to be made in the next 12 months.

20.1 Pension plans in Brazil - Defined benefit and variable contribution

Fundação Petrobras de Seguridade Social (Petros) was established by Petrobras as a nonprofit legal entity under private law with administrative and financial autonomy.

a) Petros Plan - Fundação Petrobras de Seguridade Social

The Petros plan was established by Petrobras in July 1970 as a defined-benefit pension plan to provide post-retirement benefits for employees of the Company and its Brazilian subsidiaries in order to complement government social security benefits. The Petros Plan has been closed to new participants since September 2002.

Petros contracts with an independent actuary to perform an annual actuarial review of its costs using the capitalization method for most benefits. The employers (sponsors) make regular contributions in amounts equal to the contributions of the participants (active employees, assisted employees and retired employees), on a parity basis.

In the event an eventual deficit is determined, participants of the plan and employers (sponsors) shall cover this deficit, pursuant to Brazilian Law (Constitutional Amendment 20/1998 and Complementary Law 109/2001), on the basis of their respective proportions of regular contributions made to the plan during the year in which the deficit arose.

At December 31, 2012, the Terms of Financial Commitment (TFC), signed by Petrobras and Petros in 2008 comprise a balance of US$ 3,073, including US$ 185 related to interest expense due in 2013. The TCF are due in 20 years, with 6% p.a. semiannual coupon payments based on the updated balance. The carrying amount of US$ 2,923 related to crude oil and oil products pledged as security for the TFC are presented within inventories and replaced the long-term National Treasury Notes that were previously held as collateral in July 2012.

The employers' expected contributions to the plan for 2013 are US$ 450.

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b) Petros Plan 2 - Fundação Petrobras de Seguridade Social

Petros Plan 2 was established in July 2007 by the Company as a variable contribution plan recognizing past service costs for contributions for the period (from August 2002 to August 29, 2007) in which the Petros Plan was closed and the participants did not have a pension plan, or for those admitted during this period. The plan is open to new participants although there will no longer be payments relating to past service costs.

Certain elements of the Petros Plan 2 have defined benefit characteristics, primarily the coverage of disability and death risks, the guarantee of a minimum defined benefit and annuity. These actuarial commitments are treated as defined benefit components of the plan and are accounted for by applying the projected unit credit method. Contributions paid for actuarial commitments that have defined contribution characteristics are recognized in profit or loss and are intended to constitute a reserve for programmed retirement. The contributions for the portion of the plan with defined contribution characteristics were US$ 309 in 2012.

The defined benefit portion of the contributions has been suspended from July 1st, 2012 to June30, 2013, as decided by the Deliberative Council of Petros, based on advice from by the actuarial consultants from Fundação Petros. Therefore, the entire contributions are being appropriated in the individual accounts of plan participants.

For 2013 the employers' expected contributions to the defined-benefit portion of the plan are US$ 361.

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20.2 Pension plans abroad - Defined benefit

The Company also sponsors pension plans of certain of its international subsidiaries, with defined contribution characteristics, including those in Argentina, Japan and other countries. Most of these plans are funded and their assets are held in trusts, foundations or similar entities governed by local regulations. The Company paid US$ 8 in 2012 as contributions to these plans.

20.3 Pension Plans assets

Pension plans assets follow a long term investment strategy to meet the assessed risk profile of each different class of asset and provide for diversification to lower portfolio risk. The portfolio must comply with the Brazilian National Monetary Council regulations. Portfolio targets for the period between 2013 and 2017 are 40% to 60% in fixed-income securities, 30% to 45% in variable-income securities, 3% to 8% in real estate, up to 15% in loans to participants, 4% to 12% in structured finance projects and up to 3% in investments abroad.

The hierarchy of the fair values of the pension plan assets is set out below:

	2012					2011	
Class of Asset	**Prices quoted on an active market (Level 1)**	**Valuation supported by observable prices (Level 2)**	**Valuation without use of observable prices (Level 3)**	**Total fair value (Levels 1, 2 and 3)**	**%**	**Total fair value (Levels 1, 2 and 3)**	**%**
Fixed income	**9,906**	**2,963**	**-**	**12,869**	**46%**	**12,474**	**47%**
Corporate bonds	-	2,894	-	2,894		3,772	
Government bonds	9,906	-	-	9,906		8,614	

The hierarchy of the fair values of the pension plan assets is set out below: