PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
August 10, 2012

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 August, 2012

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).

Rio de Janeiro – August 3, 2012 – Petrobras today announced its consolidated results stated in U.S. dollars, prepared in accordance with International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board - IASB.

Consolidated net income attributable to the shareholders of Petrobras and adjusted EBITDA reached U.S.$4,527 million and U.S.$14,742 million, respectively, in the first half of 2012.

The Company reported a consolidated net loss of U.S.$685 million in the second quarter of 2012.

Highlights

					For the first half of		
2Q-2012	**1Q-2012**	**2Q12 X 1Q12 (%)**	**2Q-2011**		**2012**	**2011**	**2012 X 2011 (%)**
(685)	5,212		6,857	**Consolidated net income/(loss) attributable to the hareholders of Petrobras**	4,527	13,445	(66)
2,579	2,676	(4)	2,607	**Total domestic and international oil and natural gas production (mbbl/d)**	2,628	2,618	
5,397	9,345	(42)	9,967	**Adjusted EBITDA**	14,742	19,477	(24)

The net loss reported in the second quarter of 2012 was mainly a result of exchange variation, but was also affected by other operating and economic conditions:

· The appreciation of the U.S. Dollar against the Real significantly affected the net financial expenses due to the exchange variation on net debt as well as the dollar-related costs of the Company.

· Higher expenses with write-offs of dry or sub-commercial wells, mainly drilled between 2009 and 2012, primarily located in areas of new frontiers.

· Crude oil production decreased due to maintenance stoppages aiming to increase operational efficiency.

· Higher lifting costs due to stoppages and expenses with the operational efficiency improvement program of mature fields, which benefits did not occur in this period.

· The price of oil products sold in Brazil remained significantly lower than international prices, during greater part of this quarter, being partially adjusted on June, 25, 2012.

· The oil products demand increased and was primarily met by inventories purchased previously at higher costs and by a higher percentage of oil products imports in the sales mix, mainly diesel.

· The decrease in international prices at the end of the period generated inventory losses in the refineries outside of Brazil.

· LNG imports increased in order to meet higher thermoelectric demand while electricity sales margins decreased due to the higher differences settlement price. The thermoelectric demand diminished at the end of the period.

Comments from the CEO -

Mrs. Maria das Graças Silva Foster

Dear Shareholders and Investors,

Petrobras posted a loss in the second quarter of 2012, chiefly due to a combination of the following factors: the substantial depreciation of the Real against the U.S. dollar, the extraordinary expenses from dry wells mainly drilled between 2009 and 2012, the lower oil export as a result of reduced oil output due to scheduled stoppages to improve operational efficiency and safety, and the mismatch between domestic and international oil product prices.

We are doing everything possible to resume profitability. Since I was appointed CEO of Petrobras five months ago, I have been reiterating our commitment to international price parity. As part of our oil product adjustment policy in Brazil, we recently announced two price increases: 3.94% for diesel and 7.83% for gasoline as of June 25, and another 6% for diesel as of July 16. These increases are necessary to ensure the financial feasibility of our Business and Management Plan, enabling us to preserve our leverage limits and guarantee our profitability.

The new Plan focuses on oil and gas production in Brazil and is underpinned by realism, precise targets and rigorous project management with capital discipline. Since its publication, we have made advances with several important issues. Recent examples include the signature of contracts for the construction of drilling rigs and pre-salt replicant platform topsides. The Brazilian shipyards have also made progress, exemplified by the successful deck mating of the P-55 platform in the Navy Complex of Rio Grande and the definition of Estaleiro Atlântico Sul’s new technological partner. We will also continue with our efforts to recover the operational efficiency of the Campos Basin and optimize operating costs, two essential vectors for ensuring better results.

Two new systems are scheduled to begin operations in the second half of 2012: Cidade de Anchieta, with a capacity of 100,000 bbl/d (Baleia Azul) and Cidade de Itajaí, with a capacity of 80,000 mil bbl/d (Baúna & Piracaba), both of which, together with the start-up of new wells in other systems, will help us to increase production and reach our 2012 targets.

On the refining front, we have achieved excellent levels of operational efficiency, accompanied by new processing records. We continued to upgrade our infrastructure and the

Refinaria Presidente Getúlio Vargas (Repar) coking unit will begin operating at full capacity in August, increasing the diesel production.

Finally, I would like to reaffirm my firm confidence in Petrobras' privileged position in the oil and gas sector. Our reserves, expertise, highly qualified personnel, investments and track record of overcoming challenges will lift our Company to levels of excellence that will generate consistent returns for our shareholders.

FINANCIAL HIGHLIGHTS

Main Items and Consolidated Economic Indicators

2Q-2012	1Q-2012	2Q12 X 1Q12 (%)	2Q-2011	Income statement data (in millions of U.S. Dollars, excep per share data)
34,659	37,410	(7)	38,234	**Sales revenues**
8,157	11,451	(29)	12,518	**Gross profit**
2,689	6,659	(60)	7,446	**Net income before financial results and income taxes**
(3,263)	263		1,817	**Financial income (expenses), net**
(685)	5,212		6,857	**Consolidated net income/(loss) attributable to the shareholders of Petrobras**
(0.05)	0.40		0.53	**Basic and diluted earnings per share** [1]
				Other data
24	31	(7)	33	**Gross margin (%)** [2]
8	18	(10)	19	**Operating margin (%)** [3]
(2)	14	(16)	18	**Net margin (%)** [4]
5,397	9,345	(42)	9,967	**Adjusted EBITDA - U.S.$ million** [5]
				Net income by business segment (in millions of U.S. doll
5,440	7,037	(23)	6,632	**. Exploration & Production**
(3,584)	(2,600)	38	(1,440)	**. Refining, Transportation and Marketing**
46	399	(88)	464	**. Gas & Power**
(56)	(25)		(23)	**. Biofuel**
239	207	15	136	**. Distribution**
22	558	(96)	382	**. International**
(2,716)	(190)		786	**. Corporate**
10,520	10,194	3	10,109	**Capital expenditures and investments (in millions of U.S.dollars)**
				Financial and economic indicators
108.19	118.49	(9)	117.36	**Brent crude (U.S.$/bbl)**
1.96	1.77	11	1.60	**Average commercial selling rate for U.S. dollar (R$/U.S.$**
2.02	1.82	11	1.56	**Period-end commercial selling rate for U.S. dollar (R$/U.**
8.87	10.30	(1)	11.92	**Selic interest rate – average (%)**
				Average Price indicators

92.10	99.97	(8)	104.75	**Domestic basic oil products price (U.S.$/bbl)**
				Sales price - Brazil
104.29	111.56	(7)	108.97	**. Crude oil (U.S.$/bbl) [6]**
47.77	52.12	(8)	52.82	**. Natural gas (U.S.$/bbl) [7]**
				Sales price - International
93.48	99.99	(7)	91.09	**. Crude oil (U.S.$/bbl)**
20.34	20.15	1	15.32	**. Natural gas (U.S.$/bbl)**

---

[1] Net income per share calculated based on the weighted average number of shares.

[2] Gross margin equals sales revenues less cost of sales divided by sales revenues.

[3] Operating margin equals net income before financial income (expenses), net and income taxes divided by sales revenues.

[4] Net margin equals net income divided by sales revenues.

[5] Adjusted EBITDA equals income before financial income (expenses), net, income taxes, depreciation, depletion and amortization and equity in results of non-consolidated companies. Adjusted EBITDA is not an IFRS measure and it is possible that it may not be comparable with indicators with the same name reported by other companies. Adjusted EBITDA should not be considered as a substitute for operational profit or as a better measure of liquidity than operational cash flow, both of which are calculated in accordance with IFRS. We provide our Adjusted EBITDA to give additional information about our capacity to pay debt, carry out investments and cover working capital needs. See Consolidated Adjusted EBITDA Statement by Segment on page 21 for a reconciliation of our Adjusted EBITDA.

[6] Average exports and of the internal transfer prices from Exploration & Production to Refining, Transportation and Marketing.

[7] As of September 2011, we have reviewed natural gas realization prices previous values.

FINANCIAL HIGHLIGHTS

RESULTS OF OPERATIONS FOR THE FIRST HALF OF 2012 COMPARED TO THE FIRST HALF OF 2011

Virtually all of the revenues and expenses for our Brazilian activities are denominated and payable in Reais. When the Real weakens relatively to the U.S. dollar, as it did in the first half of 2012 (12.5% depreciation impact) the effect is to generally decrease both revenues and expenses when expressed in U.S. dollars. However, the appreciation of the U.S. dollar against the Real affects the line items discussed below in different ways. The following comparison between our results of operations in the first half of 2012 and in the first half of 2011 was impacted by the increase in the value of the U.S. dollar against the Real during that period.

Gross Profit

Gross profit reached U.S.$19,608 million in the first half of 2012, a 20% decrease compared to U.S.$24,447 million in the first half of 2011, mainly due to:

Sales revenues, which increased by 2% to U.S.$72,069 million in the first half of 2012 compared to U.S.$70,836 million in the first half of 2011, reflecting:

· Higher export prices and of domestic oil products indexed to international prices (Brent 2%) as well as exchange variation effects (12.5%);

· The 8% increase of domestic demand, mainly of gasoline (20%), reflecting its higher competitive advantage against ethanol, and of diesel (7%) and jet fuel (9%); and

· Increase in the domestic prices of gasoline and diesel of 10% and 2%, respectively, in November 2011.

Cost of sales, which increased by 13% to U.S.$52,461 million in the first half of 2012 compared to U.S.$46,389 million in the first half of 2011, due to:

· Increase of 8% in the domestic oil products sales volume, which were met mainly by imports;

· The impact of higher international prices and exchange variation effects on crude oil imports, oil products imports and production taxes; and

· Higher depreciation, depletion and amortization costs due to the operational start-up of new plants.

Net income before financial results and income taxes

Net income before financial results and income taxes decreased by 37% to U.S.$9,348 million in the first half of 2012 compared to U.S.$14,834 million in the first half of 2011, due to the lower gross profit and to the increase in operating expenses, mainly as a result of:

· An increase in administrative and general expenses, excluding exchange depreciation, generated by higher personnel expenses arose from the Collective Bargaining Agreement for 2011, by increased workforce and by increased third-party technical services;

· Higher exploration costs (U.S.$995 million), mainly as a result of higher write-offs of dry or sub-commercial wells, mainly drilled between 2009 and 2012, at higher costs, primarily located in areas of new exploratory frontiers; and

· Partially offset by a decrease in selling expenses. Excluding exchange depreciation, the net effect was an increase due to higher freight costs generated by higher sales volume and also by increased personnel expenses arose from the Collective Bargaining Agreement for 2011;

A breakdown of other operating expenses by segment is included on page 22.

Financial Income (Expenses), Net

Net financial expense of U.S.$3,000 million in the first half of 2012, due to the impact of a 7.2% appreciation of the U.S. dollar against the Real on our debt, compared to a net financial income of U.S.$3,046 million in the first half of 2011 due to the impact of a 6.7% depreciation of the U.S. dollar against the Real.

Consolidated net income/(loss) attributable to the shareholders of Petrobras

Consolidated net income attributable to the shareholders of Petrobras reached U.S.$4,527 million in the first half of 2012, a 66% decrease compared to U.S.$13,445 million in the first half of 2011, reflecting higher financial expenses and lower net income before financial results and income taxes.

FINANCIAL HIGHLIGHTS

NET INCOME BY BUSINESS SEGMENT

Petrobras is an integrated energy company, with the greater part of its oil and gas production in the Exploration & Production segment being transferred to other business segments of the Company.

In the computation of the results by business segment, transactions carried out with third parties and transfers between business segments are factored in. Inter-segment transactions are valued using internal transfer prices that are defined between business segments, using methodologies that are premised on market parameters.

We provide below the financial information from our different operating segments and related operating information.

EXPLORATION & PRODUCTION

The increase in the net income from the Exploration & Production segment for the first half of 2012 compared to the first half of 2011 was primarily due to higher domestic oil sales/transfer prices, reflecting the international prices and the appreciation of U.S. dollar against the Real.

These effects were partially offset by increased production taxes and by higher write-offs of dry or sub-commercial wells, mainly drilled between 2009 and 2012, at higher costs, primarily located in areas of new exploratory frontiers.

The spread between the average domestic oil sale/transfer price and the average Brent price diminished from U.S.$ 9.67/bbl in the first half of 2011 to U.S.$ 5.33/bbl in the first half of 2012.

Production – Brazil (mbbl/d) (*)	**For the first half of 2012**	**2011**	**2012 X 2011 (%)**
Crude oil and NGLs	2,018	2,031	(1)
Natural gas [8]	363	348	4
Total	**2,381**	**2,379**	

Natural gas production increased in the period due to the production start-up of Uruguá, Mexilhão and Lula fields and to the restart of production at the Lagosta well.

(*) Not revised.

[8] Does not include LNG. Includes reinjected gas.

FINANCIAL HIGHLIGHTS

Lifting Cost - Brazil (*)	For the first half of 2012	2011	2012 X 2011 (%)
U.S.$/barrel:			
Excluding production taxes	13.19	12.26	8
Including production taxes	33.96	32.75	4

Lifting Cost - Excluding production taxes

Our unit lifting cost in Brazil, excluding production taxes, increased by 8% in the first half of 2012 compared to the first half of 2011. Apart from the impact of exchange variation effects, our unit lifting cost in Brazil, excluding production taxes, increased by 18% in the period due to increased operational costs generated by higher water volumes associated with oil production, to higher water injection, to the higher number of maintenances and interventions in wells in Marlim, Albacora, Albacora Leste, Marlim Leste, Marlim Sul and Roncador fields, to the higher initial unit costs of the new production systems at the Lula, Uruguá, Mexilhão and Parque das Baleias fields as well as to the salary increases arose from the Collective Bargaining Agreement for 2011.

Lifting Cost - Including production taxes

Our unit lifting cost in Brazil, including production taxes, increased by 4% in the first half of 2012 compared to the first half of 2011. Excluding the impact of exchange variation effects, our unit lifting cost in Brazil, including production taxes, increased by 8% in the period, mainly as a result of the increase in the reference price for domestic oil, reflecting higher international prices.

(*) Not revised.

FINANCIAL HIGHLIGHTS

REFINING, TRANSPORTATION AND MARKETING

The net loss for our RTM segment in the first half of 2012 compared to the first half of 2011 was attributable to higher oil acquisition/transfer costs and increased costs with oil products imports, reflecting the appreciation of U.S. dollar against the Real, the higher international prices and the greater participation of the oil products imports in the sales mix.

These effects were partially offset by higher oil products sales prices (domestic and exports) and increased oil products production.

Imports and Exports of Crude Oil and Oil Products (mbbl/d) (*)	For the first half of		2012 X 2011 (%)
	2012	2011	
Crude oil imports	349	376	(7)
Oil products imports	395	326	21
Imports of crude oil and oil products	**744**	**702**	6
Crude oil exports [9]	424	447	(5)
Oil products exports	210	221	(5)
Exports of crude oil and oil products [10]	**634**	**668**	(5)
Exports (imports) net of crude oil and oil products	**(110)**	**(34)**	224
Other exports	6		

Higher volumes of diesel and gasoline imports to meet the higher demand.

Lower exports due to higher feedstock processed and to the decreased crude oil production in the period.

Lower crude oil imports in the first half of 2012 compared to the first half of 2011 when an increase of inventory levels was necessary.

(*) Not revised.

[9] Includes crude oil exports volumes of Refining, Transportation and Marketing and Exploration & Production segments.

[10] From the first quarter of 2012 on, retroactively to 2011 for comparison purposes, it has been considered only the delivered volumes to third parties.

FINANCIAL HIGHLIGHTS

Refining Operations (mbbl/d)(*)	For the first half of 2012	2011	2012 X 2011 (%)
Output of oil products	1,975	1,873	5
Installed capacity [11]	2,013	2,007	
Utilization (%)	95	92	3
Feedstock processed – Brazil	1,905	1,845	3
Domestic crude oil as % of total feedstock processed	82	81	1

The daily feedstock processed increased in the first half of 2012 compared to the first half of 2011 due to the increased usage of distillation units generated by the lower maintenance scheduled stoppages compared to 2011.

It is also important to mention the significant increase of oil products production, mainly middle distillates, motivated by higher feedstock processed, maximum utilization of conversion and quality units and reduction of operational gaps, as well as the increase of gasoline production due to the inclusion of high octane streams.

Refining Cost – Brazil*)	For the first half of 2012	2011	2012 X 2011 (%)
Refining cost (U.S.$/barrel)	4.09	5.01	(18)

Our refining cost in Brazil decreased by 18% in the first half of 2012 compared to the first half of 2011, due to the impact of the exchange variation effects. Excluding this effect, our refining cost in Brazil decreased by 7% in the period, due to lower expenses with scheduled stoppages, partially offset by increased maintenance and repair expenses as well as personnel expenses arose from the Collective Bargaining Agreement for 2011.

(*) Not revised.

[11] As registered by the Agência Nacional de Petróleo, Gás Natural e Biocombustíveis (ANP).

FINANCIAL HIGHLIGHTS

GAS & POWER

The decrease in the net income for our Gas & Power segment for the first half of 2012 compared to the first half of 2011 is mainly due to the lower margins of natural gas sales as a result of exchange variation effects on imports costs and the higher participation of LNG in the sales mix to meet the increase of thermoelectric demand.

These effects were partially offset by an increase on the average natural gas sales prices and by higher electricity export prices along with higher electricity sales resulting from lower water reservoir levels at the hydroelectric power plants.

Physical and Financial Indicators (*)	For the first half of		2012 X 2011 (%)
	2012	2011	
Sales of electricity (contracts) – MW average	2,204	1,991	11
Generation of electricity – MW average	1,749	699	150
Differences settlement price - U.S.$/MWH [12]	55	17	224
Imports of LNG (mbbl/d)	46	11	318
Imports of Gas (mbbl/d)	167	165	1

The 11% increase in sales of electricity was attributable to the increased additional sales due to the higher proved capacity available.

The increase in the electricity generation was attributable to higher dispatch of thermal plants by the National Electricity System Operator (Operador Nacional do Sistema Elétrico - ONS) motivated by lower rainfall levels.

The increase in the differences settlement price (the price of electricity in the spot market) was due to the lower water reservoir levels at the hydroelectric power plants, mainly at the beginning of 2012.

Higher LNG imports to meet the thermoelectric demand in the South and Southeast regions of Brazil.

(*) Not revised.

[12] Weekly weighted prices per output level (light, medium and heavy), number of hour and submarket capacity.

FINANCIAL HIGHLIGHTS

BIOFUEL

Changes occurred in auction rules in the last quarter of 2011 improved biodiesel operations margins in 2012. These effects were more than offset by losses in ethanol invested companies due to lower volumes and prices (20% in anhydrous ethanol), higher costs related to the lower productivity of sugarcane caused by climatic changes, besides the effects of the decrease on biological assets' value and the exchange variation effects, along with the increase on research and development expenses related to second-generation ethanol.

DISTRIBUTION

The increase in the net income for our Distribution segment in the first half of 2012 compared to the first half of 2011 was mainly due to a 12% increase in gross margins resulting from the realization, mainly in the second quarter of 2012, of inventories purchased previously at lower costs and a 3% increase in sales volume.

	For the first half of		
	2012	**2011**	**2012 X 2011 (%)**
Market Share [13] [(*)]	38.1%	39.0%	(1)

(*) Not revised.

[13] Our market share in the Distribution Segment in Brazil based on Petrobras Distribuidora estimates.

FINANCIAL HIGHLIGHTS

INTERNATIONAL

The decrease in the net income for our International segment in the first half of 2012 compared to the first half of 2011 was due primarily to higher Tax Oil charges in Nigeria (U.S.$279 million) and allowance for marking inventory to market value (U.S.$221 million), partially offset by an increase in sales prices, which have improved gross margins.

Production – International (mbbl/d)[14] (*)	For the first half of 2012	For the first half of 2011	2012 X 2011 (%)
Consolidated international production			
Crude oil and NGLs	142	137[15]	4
Natural gas	98	94	4
Total	**240**	**231**[15]	4
Non-consolidated international production	**7**	**8**	(13)
Total international production	**247**	**239**[15]	3

International consolidated crude oil and NGL production increased due to the production start-up of the Cascade field in the United States (USA) in February 2012, to the restarting of operations at the Coulomb field (USA) in October 2011, as decided by the operator of the field, Shell, and to the production start-up of a new well in the Cottonwood field (USA). These effects were partially offset by the production decline in the Agbami field in Nigeria.

Natural gas production increased in the first half of 2012 due to the performances of Coulomb and Cottonwood fields, as mentioned above, and also due to the increase in Bolivia due to higher gas sales to Brazil and to the production start-up of the Itaú field in February 2011, as well as the increase in Argentina due to the production start-up of new wells in the Neuquén field and of the operations of the Estância Água Fresca plant in the Austral and Neuquina basins.

(*) Not revised.

[14] Some of the countries that comprise the international production, such as Nigeria and Angola, are operating under the production-sharing model, with the production taxes charged in crude oil barrels.

[15] Values for Nigeria were reviewed for previous periods.

FINANCIAL HIGHLIGHTS

Lifting Cost - International (U.S.$/barrel) (*)	For the first half of 2012	2011	2012 X 2011 (%)
	8.17	6.48	26

The increase in our international lifting cost was due to the production start-up in the Cascade field (USA) from February 2012 on and also to contractual price adjustments of third-party services as well as increased well interventions and maintenances in Argentina.

Refining Operations - International (mbbl/d) (*)	For the first half of 2012	2011	2012 X 2011 (%)
Feedstock processed	189	190	(1)
Output of oil products	204	203	
Installed capacity	231	231	
Utilization (%)	73	67	6

Decrease in the feedstock processed due to the sale of the San Lorenzo Refinery in Argentina in May 2011, partially offset by the higher feedstock processed in Japan to meet the higher local demand (after the earthquake occurred in March 2011) and by the increase in output in the Pasadena Refinery (USA) due to scheduled stoppages in the fluid catalytic cracking unit between March 2011 and May 2011.

Refining Cost – International (U.S.$/barrel)(*)	For the first half of 2012	2011	2012 X 2011 (%)
	3.55	5.24	(32)

International refining cost decreased in the first half of 2012 compared to the first half of 2011 due to lower stoppages expenses in the Pasadena Refinery (USA), partially offset by higher expenses in the Okinawa Refinery in Japan due to the scheduled stoppage in April 2012.

(*) Not revised.

FINANCIAL HIGHLIGHTS

Sales Volumes – (mbbl/d) (*)

	For the first half of		
	2012	**2011**	**2012 X 2011 (%)**
Diesel	889	834	7
Gasoline	551	460	20
Fuel oil	76	83	(8)
Naphtha	168	162	4
LPG	221	218	1
Jet fuel	107	98	9
Others	192	188	2
Total oil products	**2,204**	**2,043**	8
Ethanol and other products	78	84	(7)
Natural gas	339	293	16
Total domestic market	**2,621**	**2,420**	8
Exports	641	667	(4)
International sales	494	528	(6)
Total international market	**1,135**	**1,195**	(5)
Total	**3,756**	**3,615**	4

Our domestic sales volumes increased 8% in the first half of 2012 compared to the first half of 2011, primarily due to:

· Diesel (increase of 7%) – The increase in diesel sales was primarily due to growth in the retail sector, responsible for 5% of the increase;

· Gasoline (increase of 20%) – The increase in gasoline sales volumes was due to a significant increase in the automotive flex-fuel fleet, to competitive gasoline prices compared to ethanol prices in most Brazilian federal states and to the reduction of the hydrated ethanol contents of Type C gasoline (from 25% to 20%) from October 2011 on;

· Fuel oil (decrease of 8%) – The decrease in fuel oil sales was due to a partial transition to natural gas at thermoelectric power plants and in the industrial sector;

· Jet fuel (increase of 9%) - The increase in jet fuel sales was due to growth in aviation sector;

· Natural gas (increase of 16%) – The increase in natural gas sales was due to higher industrial activity, growth of the Brazilian economy and partial replacement of fuel oil.

(*) Not revised.

FINANCIAL HIGHLIGHTS

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents

On June 30, 2012, we had cash and cash equivalents of U.S.$13,020 million compared to U.S.$19,057 million at December 31, 2011.

Net cash provided by operating activities decreased from U.S.$16,427 million in the first half of 2011 to U.S.$14,144 million in the first half of 2012, primarily due to the effects of higher international prices and the exchange variation effects on production taxes, crude oil and oil products imports as well as higher imports volumes.

Net cash used in investing activities increased from U.S.$17,413 million in the first half of 2011 to U.S.$20,072 million in the first half of 2012, primarily due to the capital expenditures and investments in business segments, the greater part of which was invested in Exploration & Production (U.S.$10,541 million) and Refining, Transportation and Marketing (U.S.$6,357 million) activities.

Cash provided by the issuance of debt (U.S.$12,095 million) along with operating activities (U.S.$14,144 million) sourced part of our capital expenditures needs, repayment of debts and payment of dividends. Our cash and cash equivalents decreased U.S.$6,037 million in the first half of 2012.

Our adjusted cash and cash equivalents[16] reached U.S.$22,731 million on June 30, 2012, which includes government securities with maturity of more than 90 days of U.S.$9,711 million, 9% higher compared to U.S.$8,948 million on December 31, 2011.

	06.30.2012	**12.31.2011**
Cash and cash equivalents	13,020	19,057
Government securities	9,711	8,948
Adjusted cash and cash equivalents [16]	22,731	28,005

[16] Our adjusted cash and cash equivalents are not computed in accordance with IFRS and should not be considered in isolation or as a substitute for cash and cash equivalents calculated in accordance with IFRS. Our calculation of adjusted cash and cash equivalents may not be comparable to adjusted cash and cash equivalents of other companies. Management believes that adjusted cash and cash equivalents is an appropriate supplemental measure that helps investors assess our liquidity and assists management in targeting leverage improvements.

FINANCIAL HIGHLIGHTS

Capital expenditures and investments

U.S. $ million					
	For the first half of				
	2012	**%**	**2011**	**%**	**Δ%**
Exploration & Production	10,934	53	9,077	46	20
Refining, Transportation and Marketing	7,115	34	7,518	38	(5)
Gas & Power	899	4	1,117	6	(20)
International	1,009	5	1,153	6	(12)
Exploration & Production	931	93	986	86	(6)
Refining, Transportation and Marketing	52	5	118	10	(56)
Gas & Power	2		27	2	(93)
Distribution	22	2	16	1	38
Other	2		6	1	(67)
Distribution	293	2	285	1	3
Biofuel	18		142	1	(87)
Corporate	446	2	337	2	32
Total capital expenditures and investments	**20,714**	**100**	**19,629**	**100**	**6**

In line with its strategic objectives, the Company operates through joint ventures with other companies, in Brazil and abroad, as a concessionaire of oil and gas exploration, development and production rights.

Currently the Company is a member of 93 consortiums in Brazil, of which it operates 66. Petrobras is a member of 141 partnerships abroad, of which it operates 84.

In the first half of 2012, we invested an amount of U.S.$20,714 million, which was primarily directed toward increasing production, modernizing and expanding our refineries, as well as the integration and expansion of our pipeline transportation and distribution systems.

15

FINANCIAL HIGHLIGHTS

Consolidated debt

	06.30.2012	12.31.2011	Δ%
Current debt [17]	8,712	10,111	(14)
Long-term debt [17]	79,931	72,816	10
Total	88,643	82,927	7
Cash and cash equivalents	13,020	19,057	(32)
Government securities (maturity of more than 90 days)	9,711	8,948	9
Adjusted cash and cash equivalents	22,731	28,005	(19)
Net debt [18]	65,912	54,922	20
Net debt/(net debt + shareholder's equity)	28%	24%	4
Total net liabilities [19]	287,973	291,405	(1)
Capital structure			
(Net third parties capital / total net liabilities)	42%	39%	3
Net debt/EBITDA ratio	2.24	1.47	52

The net debt of Petrobras and its consolidated subsidiaries in U.S. dollars increased 20% on June 30, 2012 compared to December 31, 2011, due to the raising of long-term debt, to the decreased cash and cash equivalents and to the impact of 7.2% from the appreciation of the U.S. dollar against the Real.

---

[17] Includes finance lease obligations (Current debt: U.S.$22 million on June 30, 2012 and U.S.$44 million on December 31, 2011; long-term debt: U.S.$96 million on June 30, 2012 and U.S.$98 million on December 31, 2011).

[18] Our net debt is not computed in accordance with IFRS and should not be considered in isolation or as a substitute for total long-term debt calculated in accordance with IFRS. Our

calculation of net debt may not be comparable to the calculation of net debt by other companies. Management believes that net debt is an appropriate supplemental measure that helps investors assess our liquidity and assists management in targeting leverage improvements.

[19] Total liabilities net of cash and cash equivalents and financial investments.

FINANCIAL HIGHLIGHTS

FINANCIAL STATEMENTS

Income Statement – Consolidated

				For the first half of	
2Q-2012	**1Q-2012**	**2Q-2011**		**2012**	**2011**
34,659	37,410	38,234	**Sales revenues**	72,069	70,836
(26,502)	(25,959)	(25,716)	Cost of sales	(52,461)	(46,389)
8,157	11,451	12,518	**Gross profit**	19,608	24,447
			Income (expenses)		
(1,197)	(1,331)	(1,349)	Selling expenses	(2,528)	(2,599)
(1,272)	(1,244)	(1,322)	Administrative and general expenses	(2,516)	(2,490)
(1,740)	(572)	(752)	Exploration costs	(2,312)	(1,317)
(219)	(293)	(330)	Research and development expenses	(512)	(625)
(86)	(84)	(68)	Other taxes	(170)	(215)
(954)	(1,268)	(1,251)	Other operating income and expenses, net	(2,222)	(2,367)
(5,468)	(4,792)	(5,072)		(10,260)	(9,613)
2,689	6,659	7,446	**Net Income before financial results and income taxes**	9,348	14,834
835	676	1,127	Financial income	1,511	2,187
(444)	(489)	(182)	Financial expense	(933)	(587)
(3,654)	76	872	Monetary and exchange variation	(3,578)	1,446
(3,263)	263	1,817	Financial income (expenses), net	(3,000)	3,046
					-
(217)	77	174	Equity in results of non-consolidated companies	(140)	420
(791)	**6,999**	**9,437**		**6,208**	**18,300**

			Income before income taxes		
(162)	(1,666)	(2,286)	Income taxes	(1,828)	(4,438)
(953)	**5,333**	**7,151**	**Net income**	**4,380**	**13,862**
			Net income (loss) attributable to:		
(685)	5,212	6,857	Shareholders of Petrobras	4,527	13,445
(268)	121	294	Non-controlling interests	(147)	417
(953)	**5,333**	**7,151**		**4,380**	**13,862**

FINANCIAL HIGHLIGHTS

Statement of Financial Position – Consolidated

	06.30.2012	12.31.2011
Current assets	**57,547**	**63,102**
Cash and cash equivalents	13,020	19,057
Marketable securities	9,730	8,961
Accounts receivable, net	11,317	11,756
Inventories	14,921	15,165
Recoverable taxes	5,879	5,358
Other current assets	2,680	2,805
Non-current assets	**253,157**	**256,308**
Long-term receivables	**21,577**	**23,447**
Accounts receivable, net	3,178	3,253
Marketable securities	3,112	3,064
Restricted deposits for legal proceedings and guarantees	1,548	1,575
Deferred tax assets	9,107	10,689
Advances to suppliers	2,924	3,141
Other long-term receivables	1,708	1,725
Investments	**5,870**	**6,530**
Property, plant and equipment, net	**184,997**	**182,465**
Intangible assets	**40,713**	**43,866**
Total assets	**310,704**	**319,410**

	06.30.2012	12.31.2011
Current liabilities	**31,125**	**36,364**
Current debt	8,712	10,111
Trade accounts payable	11,408	11,863
Taxes payable	5,459	5,847
Dividends payable		2,067
Payroll and related charges	1,700	1,696
Employee’s postretirement benefits obligation – pension and health care	704	761
Other current liabilities	3,142	4,019

Non-current liabilities	**111,921**	**105,936**
Long-term debt	79,931	72,816
Deferred tax liabilities	17,227	17,736
Employee’s postretirement benefits obligation – pension and health care	8,865	8,878
Provision for decommissioning cost	4,368	4,712
Legal proceedings provisions	808	726
Other non-current liabilities	722	1,068
Shareholders’ equity	**167,658**	**177,110**
Paid in capital	107,362	107,355
Reserves/Net income for the year	59,251	68,483
Non-controlling interests	**1,045**	**1,272**
Total liabilities and shareholders’ equity	**310,704**	**319,410**

18

FINANCIAL HIGHLIGHTS

Statement of Cash Flows Data – Consolidated

2Q-2012	**1Q-2012**	**2Q-2011**	
(685)	**5,212**	**6,857**	**Net income/(loss) attributable to the shareholders of Petrobra**
6,294	3,323	1,953	(+) Adjustments for:
2,708	2,686	2,521	Depreciation, depletion and amortization
3,640	(284)	(830)	Exchange variation, monetary and financial charges
(268)	121	294	Non-controlling interest
217	(77)	(174)	Equity in the results of non-consolidated companies
45	44	219	Losses (gains) on disposal of non-current assets
(274)	1,319	1,100	Deferred income taxes, net
1,394	308	444	Dry hole costs
392	81	129	Impairment
(557)	(708)	(1,370)	Inventories
(347)	(93)	(608)	Accounts receivable
606	(271)	(70)	Trade accounts payable
275	414	206	Employee's postretirement benefits obligation - Pension and Health Ca
(930)	349	(168)	Taxes payable
(607)	(566)	260	Other assets and liabilities
5,609	**8,535**	**8,810**	**(=) Net cash provided by operating activities**
(10,276)	**(9,796)**	**(11,825)**	**(-) Net cash used in investing activities**
(9,943)	(9,377)	(9,458)	Investments in operating segments
(333)	(419)	(2,367)	Investments in Marketable securities
(4,667)	**(1,261)**	**(3,015)**	**(=) Net cash flow**
(2,775)	**3,642**	**(1,960)**	**(-) Net cash provided (used) in financing activities**
3,885	8,210	4,160	Proceeds from borrowings
(3,669)	(2,031)	(2,752)	Repayment of principal
(981)	(1,325)	(848)	Repayment of interest
(2,042)	(1,223)	(2,528)	Dividends paid
32	11	8	Acquisition of non-controlling interest
(1,438)	462	675	(+) Effect of exchange rate changes on cash and cash equivalents
(8,880)	**2,843**	**(4,300)**	**(=) Net increase (decrease) in cash and cash equivalents in the period**
21,900	19,057	25,998	Cash and cash equivalents at beginning of period
13,020	21,900	21,698	Cash and cash equivalents at the end of period

See also the analysis of cash flow on page 14 – Liquidity and Capital Resources.

FINANCIAL HIGHLIGHTS

Consolidated Income Statement by Segment

	E&P	REFINING, TRANSPORT AND MARKETING	GAS & POWER	BIOFUEL	DISTRIB.	INTE
Sales revenues	**38,839**	**59,265**	**5,315**	**212**	**19,818**	**9,**
Intersegments	38,659	18,702	688	154	387	1,
Third parties	180	40,563	4,627	58	19,431	7,
Cost of sales	(16,843)	(66,101)	(4,179)	(225)	(18,064)	(7,0
Gross profit	**21,996**	**(6,836)**	**1,136**	**(13)**	**1,754**	**2,**
Income (expenses)	**(3,097)**	**(2,259)**	**(558)**	**(62)**	**(1,079)**	**(7**
Selling, administrative and general expenses	(259)	(1,616)	(456)	(34)	(1,087)	(4
Exploration costs	(2,190)					(1
Research and development expenses	(231)	(97)	(14)	(20)	(1)	
Other taxes	(24)	(30)	(18)	(1)	(9)	
Other operating income and expenses, net	(393)	(516)	(70)	(7)	18	(1
Net income before financial results and income taxes	**18,899**	**(9,095)**	**578**	**(75)**	**675**	**1,**
Financial income (expenses), net						
Equity in results of non-consolidated companies	(1)	(181)	85	(32)	1	
Income before income taxes	**18,898**	**(9,276)**	**663**	**(107)**	**676**	**1,**
Income taxes	(6,425)	3,092	(196)	26	(230)	(6
Net income	**12,473**	**(6,184)**	**467**	**(81)**	**446**	
Net income attributable to:						
Shareholders of Petrobras	**12,477**	**(6,184)**	**445**	**(81)**	**446**	
Non-controlling interests	(4)		22			
	12,473	**(6,184)**	**467**	**(81)**	**446**	

	E&P	REFINING, TRANSPORT AND MARKETING	GAS & POWER	BIOFUEL	DISTRIB.	INTE
Sales revenues	**36,306**	**58,193**	**4,631**	**148**	**21,427**	**8,**
Intersegments	36,149	18,802	652	123	383	2,
Third parties	157	39,391	3,979	25	21,044	6,
Cost of sales	(15,513)	(58,794)	(2,943)	(177)	(19,706)	(6,4
Gross profit	**20,793**	**(601)**	**1,688**	**(29)**	**1,721**	**1,**
Income (expenses)	**(2,286)**	**(1,987)**	**(727)**	**(55)**	**(1,172)**	**(9**
Selling, administrative and general expenses	(247)	(1,537)	(538)	(34)	(1,143)	(4
Exploration costs	(1,164)					(1
Research and development expenses	(336)	(111)	(32)	(5)	(3)	
Other taxes	(21)	(24)	(20)		(14)	
Other operating income and expenses, net	(518)	(315)	(137)	(16)	(12)	(2
Net income before financial results and income taxes	**18,507**	**(2,588)**	**961**	**(84)**	**549**	
Financial income (expenses), net						
Equity in results of non-consolidated companies		218	145	26	1	
Income before income taxes	**18,507**	**(2,370)**	**1,106**	**(58)**	**550**	
Income taxes	(6,289)	866	(327)	29	(191)	
Net income	**12,218**	**(1,504)**	**779**	**(29)**	**359**	
Net income attributable to:						
Shareholders of Petrobras	**12,227**	**(1,497)**	**775**	**(29)**	**359**	
Non-controlling interests	(9)	(7)	4			
	12,218	**(1,504)**	**779**	**(29)**	**359**	

20

FINANCIAL HIGHLIGHTS

Consolidated Adjusted EBITDA Statement by Segment

	E&P	REFINING, TRANSPORT AND MARKETING	GAS & POWER	BIOFUEL	DISTRIB.	INTERN.	CORP.
Net income	12,473	(6,184)	467	(81)	446	617	(3,108)
Depreciation, depletion and amortization	3,244	889	462	9	102	512	176
Financial income (expenses), net							3,000
Equity in results of non-consolidated companies	1	181	(85)	32	(1)	6	6
Income taxes	6,425	(3,092)	196	(26)	230	671	(2,446)
Adjusted EBITDA	**22,143**	**(8,206)**	**1,040**				