

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  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

Edgar Filing: PETROBRAS - PETROLEO BRASILEIRO SA - Form 6-K

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 and subsidiaries**

Consolidated financial statements

June 30, 2012 and 2011 with  
Report of Independent Registered  
Public Accounting Firm

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated financial statements

**June 30, 2012 and 2011**

## Contents

Financial Review - Report of Independent Registered Public Accounting Firm	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Income	6
Consolidated Statement of Comprehensive Income	7
Consolidated Statement of Changes in Shareholders' Equity	8
Consolidated Statement of Cash Flows	9
Consolidated notes to the financial statements	11
1. The Company and its operations	11
2. Basis of presentation of interim financial information	11
3. Consolidation basis	11
4. Accounting practices	12
5. Cash and cash equivalents	12
6. Marketable securities	12
7. Accounts receivable	13
8. Inventories	14
9. Restricted deposits for legal proceedings and guarantees	15
10. Acquisitions and sales of assets	15
11. Investments	17
12. Property, plant and equipment, net	18
13. Intangible assets	19

14. Exploration and evaluation activities of oil and gas reserves	20
15. Trade accounts payable	21
16. Loans and financing	21
17. Leases	25
18. Related parties	26
19. Provision for decommissioning costs (non-current)	29
20. Taxes	29
21. Employee's benefits	33
22. Shareholders' equity	35
23. Sales revenues	36
24. Other operating income and expenses, net	37
25. Expenses by nature	37
26. Financial income (expenses), net	38
27. Supplementary information on the statement of cash flows	38
28. Segment Information	39
29. Legal proceedings and contingencies	43
30. Guarantees for concession agreements for oil exploration	48
31. Risk management and derivative instruments	48
32. Fair value of financial assets and liabilities	57
33. Subsequent events	58
34. Condensed Consolidated Financial Information Related to Guaranteed Securities Issued by Subsidiaries	59



**Report of independent registered**

**public accounting firm**



To the Board of Directors and Shareholders

Petróleo Brasileiro S.A. - Petrobras

We have reviewed the accompanying condensed consolidated statement of position of Petróleo Brasileiro S.A. - Petrobras and its subsidiaries as of June 30, 2012, and the related condensed consolidated statement of income, of cash flows, of comprehensive income and of shareholders' equity for the six-month period ended June 30, 2012. This interim financial information is the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial information for it to be in conformity International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements of the Company as of and for the year ended December 31, 2011 and the financial information as of and for the six-month period ended June 30, 2011 were audited and reviewed, respectively, by other auditors who issued unqualified opinion and review report dated February 9, 2012 and August 24, 2011, respectively.

# PricewaterhouseCoopers

Auditores Independentes

Rio de Janeiro, Brazil

August 3, 2012

## Petróleo Brasileiro S.A. - Petrobras and subsidiaries

## Consolidated Statement of Financial Position

**June 30, 2012 and December 31, 2011***(In millions of Dollars)*

Assets	Note	June 30, 2012	December 31, 2011	Liabilities	Note	June 30, 2012	December 31, 2011
<b>Current assets</b>				<b>Current liabilities</b>			
Cash and cash equivalents	5	13,020	19,057	Trade accounts payable	15	11,408	11,863
Marketable securities	6	9,730	8,961	Current debt	16	8,690	10,067
Accounts receivable, net	7	11,317	11,756	Current portion of finance lease obligations	17.1	22	44
Inventories	8	14,921	15,165	Taxes payable	20.2	5,459	5,847
Recoverable Taxes	20.1	5,879	5,358	Dividends payable	22		2,067
Advances to suppliers		828	740	Payroll and related charges		1,700	1,696
Other current assets		1,852	2,065	Employees' postretirement benefits obligations - Pension and Health Care	21	704	761
		<b>57,547</b>	<b>63,102</b>	Other current liabilities		3,142	4,019
						<b>31,125</b>	<b>36,364</b>
<b>Non-current assets</b>				<b>Non-current liabilities</b>			
<b>Long-term receivables</b>				<b>Long-term debt</b>			
Accounts receivable, net	7	3,178	3,253	Finance lease obligations	17.1	79,835	72,718
Marketable Securities	6	3,112	3,064	Deferred tax liabilities	20.3	17,227	17,736
Restricted deposits for legal proceedings and guarantees	9	1,548	1,575	Employees' postretirement benefits obligations - Pension and Health Care	21	8,865	8,878
Deferred tax assets	20.3	9,107	10,689	Legal proceedings provisions	29	808	726
Advances to suppliers		2,924	3,141		19	4,368	4,712
Other long-term receivables		1,708	1,725				
		<b>21,577</b>	<b>23,447</b>				

				Provision for decommissioning cost		
				Other non-current liabilities	722	1,068
					<b>111,921</b>	<b>105,936</b>
<b>Investments</b>	11.1	5,870	6,530			
<b>Property, plant and equipment , net</b>	12	184,997	182,465	<b>Shareholders' equity</b>	22	
<b>Intangible assets</b>	13	40,713	43,866	Paid in capital	107,362	107,355
		<b>231,580</b>	<b>232,861</b>	Additional paid in capital	356	316
				Profit reserves	63,934	60,224
				Accumulated other comprehensive income	(5,039)	7,943
				<b>Petrobras shareholder's equity</b>	<b>166,613</b>	<b>175,838</b>
				<b>Non-controlling interests</b>	1,045	1,272
				<b>Total Equity</b>	<b>167,658</b>	<b>177,110</b>
<b>Total Assets</b>		<b>310,704</b>	<b>319,410</b>	<b>Total liabilities and shareholder's equity</b>	<b>310,704</b>	<b>319,410</b>

See the accompanying notes to the consolidated financial statements.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated Statement of Income

**June 30, 2012 and 2011**

*(In millions of Dollars)*

	<b>Note</b>	<b>Six-month periods ended 2012</b>	<b>June 30, 2011</b>
<b>Sales revenues</b>	23	<b>72,069</b>	<b>70,836</b>
Cost of sales	25	(52,461)	(46,389)
<b>Gross profit</b>		<b>19,608</b>	<b>24,447</b>
<b>Income (expenses)</b>			
Selling expenses	25	(2,528)	(2,599)
Administrative and general expenses	25	(2,516)	(2,490)
Exploration costs		(2,312)	(1,317)
Research and development expenses	25	(512)	(625)
Other taxes	25	(170)	(215)
Other operating income and expenses, net	24	(2,222)	(2,367)
		<b>(10,260)</b>	<b>(9,613)</b>
<b>Net income before financial results and income taxes</b>		9,348	14,834
Financial income (expenses), net	26	(3,000)	3,046
Equity in results of non consolidated companies		(140)	420
<b>Income before income taxes</b>		<b>6,208</b>	<b>18,300</b>
Income tax	20.5	(1,828)	(4,438)
<b>Net income</b>		<b>4,380</b>	<b>13,862</b>
Net income (loss) attributable to:			
<b>Shareholders of Petrobras</b>		<b>4,527</b>	<b>13,445</b>
<b>Non-controlling interests</b>		(147)	417

		<b>4,380</b>	<b>13,862</b>
<b>Basic and diluted earnings per share in U.S. dollar</b>	22.3	<b>0.35</b>	<b>1.03</b>

See the accompanying notes to the consolidated financial statements.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated Statement of Comprehensive Income

**June 30, 2012 and 2011**

(In millions of Dollars)

	<b>Six-month periods ended June</b>	
	<b>2012</b>	<b>2011</b>
<b>Net income</b>	<b>4,380</b>	<b>13,862</b>
<b>Other comprehensive income</b>		
Cummulative translation adjustments	(12,626)	12,995
Deemed cost of associates	2	
Unrealized results on available-for-sale securities		
Recognized in shareholders' equity	248	(147)
Reclassified to profit or loss	1	9
Unrealized results on cash flow hedge		
Recognized in shareholders' equity	(3)	2
Reclassified to profit or loss	8	(5)
Deferred income tax	(84)	48
	<b>(12,454)</b>	<b>12,902</b>
<b>Total comprehensive income (loss)</b>	<b>(8,074)</b>	<b>26,764</b>
<b>Comprehensive income attributable to:</b>		
Shareholders of Petrobras	(7,823)	26,488
Non-controlling interests	(251)	276
<b>Total comprehensive income (loss)</b>	<b>(8,074)</b>	<b>26,764</b>

See the accompanying notes to the consolidated financial statements.



Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated Statement of Changes in Shareholders' Equity

**June 30, 2012 and 2011**

*(In millions of Dollars)*

	Additional paid in capital		Capital reserves	Accumulated other comprehensive income		Legal S	
	Paid-in capital	Shares issuance costs	Change in interest in subsidiaries	Tax incentives	Cumulative translation adjustment	Other comprehensive income	Legal S
<b>Balance at December 31, 2010</b>	<b>107,341</b>	<b>(279)</b>	<b>286</b>		<b>30,130</b>	<b>215</b>	<b>5,806</b>
Capital increase with reserves	14						
Capital increase with issuing of shares							
Cumulative translation adjustments					(22,433)		
Unrealized gains in investments available-for-sale securities and cash flow hedge						37	
Realization of deemed cost						(6)	
Change in interest in subsidiaries			309				
Net income							
Distributions:							
Allocations of net income in reserves							1,006
Dividends							

	107,355	(279)	595	7,697	246	6,812
<b>Balance at December 31, 2011</b>	<b>107,355</b>	<b>316</b>		<b>7,943</b>		
Capital increase with reserves	7					
Capital increase with issuing of shares						
Cumulative translation adjustments				(13,150)		
Unrealized gains in investments available-for-sale securities and cash flow hedge					170	
Realization of deemed cost					(2)	
Change in interest in subsidiaries			40			
Net income						
Distributions: Allocations of net income in reserves						
Dividends						
	107,362	(279)	635	(5,453)	414	6,812
<b>Balance at June 30, 2012</b>	<b>107,362</b>	<b>356</b>		<b>(5,039)</b>		

See the accompanying notes to the consolidated financial statements.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated Statement of Cash Flows

**June 30, 2012 and 2011**

*(In millions of Dollars)*

	<b>Six-month periods ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Cash flows from Operating activities</b>		
Net income attributable to the shareholders of Petrobras	4,527	13,445
<b>Adjustments for:</b>		
Non-controlling interests	(147)	417
Equity in results of non-consolidated companies	140	(420)
Depreciation, depletion and amortization	5,394	4,643
Impairment	473	227
Dry hole costs	1,702	766
Losses (gains) on disposal of non-current assets	89	298
Exchange variation, monetary and finance charges	3,356	(1,383)
Deferred income taxes, net	1,045	2,520
<b>Increase/decrease in assets</b>		
Accounts receivable	(440)	(1,297)
Inventories	(1,265)	(3,934)
Other assets	(737)	(1,013)
<b>Increase/decrease in liabilities</b>		
Trade accounts payable	335	1,233
Taxes payable	(581)	(267)
Employee's post-retirement benefits obligations - Pension and health care	689	494
Other liabilities	(436)	698
<b>Net cash provided by operating activities</b>	<b>14,144</b>	<b>16,427</b>
<b>Cash flows from Investment activities</b>		
Investments in exploration and production of oil and gas	(10,541)	(8,713)
Investments in refining transportation and marketing	(6,357)	(7,186)
Investments in gas and power	(814)	(900)
Investment in international segment	(916)	(1,093)
Investments in distribution	(292)	(276)
investments in biofuel	(16)	(152)
Other investments	(473)	(502)
Marketable securities	(752)	1,192
Dividends received	89	217
<b>Net cash used in investment activities</b>	<b>(20,072)</b>	<b>(17,413)</b>

See the accompanying notes to the consolidated financial statements.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated Statement of Cash Flows (Continued)

**June 30, 2012 and 2011**

*(In millions of Dollars)*

	<b>Six-month periods ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Cash flows from Financing activities</b>		
Acquisition of non-controlling interest	43	12
Financing and loans, net		
Proceeds from borrowings	12,095	13,328
Repayment of principal	(5,700)	(3,981)
Repayment of interest	(2,306)	(1,849)
Dividends paid	(3,265)	(3,630)
<b>Net cash provided by/(used) in financing activities</b>	<b>867</b>	<b>3,880</b>
<b>Effect of exchange rate on cash and cash equivalents</b>	<b>(976)</b>	<b>1,149</b>
<b>Net increase/ (decrease) in cash and cash equivalents in the period</b>	<b>(6,037)</b>	<b>4,043</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>19,057</b>	<b>17,655</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>13,020</b>	<b>21,698</b>

See the accompanying notes to the consolidated financial statements.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements

*(Expressed in millions of Dollars, except when specifically 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 oil originating from wells, shale or other rocks, and oil products, natural gas and other liquid hydrocarbons, in addition to activities connected with energy and it may carry out research, development, production, transport, distribution and trading of all forms of energy, as well as any other correlated or similar activities. The Company’s head office is located in Rio de Janeiro – RJ.

## **2. Basis of presentation of interim financial information**

The consolidated interim financial information is being presented in accordance with IAS 34 – Interim Financial Reporting – issued by the International Accounting Standards Board (IASB) in U.S. dollar.

This interim financial information is presented without repeating certain notes to the financial statements previously disclosed, but with an indication of the relevant changes occurred in the interim period and, therefore, they should be read together with the Company’s annual financial statements for the year ended December 31, 2011, which include the full set of notes.

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 Company’s Board of Directors authorized the publication of these interim quarterly financial statements in a meeting held on August 3, 2012.

## **2.1 Accounting estimates**

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

## **3. Consolidation basis**

The consolidated interim financial information includes the quarterly information of Petrobras and its subsidiaries and special purpose entities.

The Company did not present material changes in interests in consolidated companies in the period ended June 30, 2012.

See the accompanying notes to the consolidated financial statements.

#### 4. Accounting practices

The accounting practices and calculation methods used in this consolidated interim financial statements are the same as those adopted in the preparation of the annual financial statements of the Company for the year ended December 31, 2011.

#### 5. Cash and cash equivalents

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
<b>Cash and banks</b>	1,043	1,989
<b>Financial investments</b>		
- <i>In Brazil</i>		
Mutual funds - Interbank Deposit	5,706	5,492
Other investment funds	878	2,279
	<b>6,584</b>	<b>7,771</b>
- <i>Abroad</i>		
Total financial investments	5,393	9,297
<b>Total cash and cash equivalents</b>	<b>11,977</b>	<b>17,068</b>
	<b>13,020</b>	<b>19,057</b>

#### 6. Marketable securities

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
Trading securities	9,719	8,949
Available-for-sale	2,976	2,921
Held-to-maturity	147	155
	<b>12,842</b>	<b>12,025</b>
<b>Current</b>	9,730	8,961
<b>Non-current</b>	3,112	3,064

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





Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)*

## 7. Accounts receivable

### 7.1 Accounts receivable, net

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
Trade Accounts Receivable		
Third parties	9,764	10,315
Related parties (Note 18)		
Jointly controlled entities and associates	1,071	826
Receivables from the electricity sector	2,054	1,958
Petroleum and alcohol accounts - STN	413	444
Others	2,684	2,953
	<b>15,986</b>	<b>16,496</b>
Allowance for uncollectible accounts	(1,491)	(1,487)
	<b>14,495</b>	<b>15,009</b>
<b>Current</b>	<b>11,317</b>	<b>11,756</b>
<b>Non-current</b>	<b>3,178</b>	<b>3,253</b>

### 7.2 Changes in the allowance for uncollectible accounts

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
<b>Opening balance</b>	<b>1,487</b>	<b>1,609</b>
Additions (*)	180	283
Write-offs (*)	(63)	(220)
Cumulative translation adjustment	(113)	(185)
<b>Closing balance</b>	<b>1,491</b>	<b>1,487</b>
<b>Current</b>	<b>897</b>	<b>898</b>
<b>Non-current</b>	<b>594</b>	<b>589</b>

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

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)*

### 7.3 Overdue accounts receivable - Third parties

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
Up to 3 months	638	752
From 3 to 6 months	137	115
From 6 to 12 months	181	141
More than 12 months	1,505	1,590

### 8. Inventories

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
Products:		
Oil products (*)	5,508	4,886
Fuel Alcohol (*)	245	417
	5,753	5,303
Raw materials, mainly crude oil (*)	7,265	7,915
Maintenance materials and supplies (*)	1,754	1,796
Other	193	196
	<b>14,965</b>	<b>15,210</b>
<b>Current</b>	14,921	15,165
<b>Non-current</b>	44	45

(\*)It includes imports in transit.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)*

## 9. Restricted deposits for legal proceedings and guarantees

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
<b>Non-current asset</b>		
Labor	627	603
Tax (*)	628	674
Civil (*)	229	243
Other	64	55
<b>Total</b>	<b>1,548</b>	<b>1,575</b>

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

## 10. Acquisitions and sales of assets

### 10.1 Business Combinations

#### Arembepe Energia S.A.

On January 24, 2012, Petrobras exercised its right to subscribe to the total number of shares issued by the thermoelectric power station Arembepe Energia S.A. for US\$ 35, due to the fact that the partner Nova Cibe Energia S.A. had renounced its subscription right. Additionally, on March 6, 2012, Petrobras exercised its option to purchase the remaining shares owned by its partner for US\$ 36 thousand, as established in the Capital Contribution Agreement, and now holds 100% of the total capital (30% in 2011) of the thermoelectric power station.

The transaction was approved by ANEEL (Agência Nacional de Energia Elétrica) on February 28, 2012.

**Energética Camaçari Muricy I S.A.**

On January 23, 2012, Petrobras exercised its right to subscribe to the total number of shares issued by the thermoelectric power station Energética Camaçari Muricy I S.A. for US\$ 18, due to the fact that the partner MDC I Fundo de Investimento em Participações had renounced its subscription right.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)*

In the first quarter of 2012, Petrobras paid in US\$ 6 raising its interest to 59.91% of the total capital and, on July 20, 2012, paid in the remaining portion of US\$ 10, achieving 71.6% of the total capital (49% in 2011) of the thermoelectric power station.

The transaction was approved by ANEEL (Agência Nacional de Energia Elétrica) on February 28, 2012.

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

### **Signing of agreement – Pasadena Refinery**

On June 29, 2012, the Company entered into an out of court agreement which intended to terminate all existing lawsuits between Petrobras group companies and companies members of the Belgian Transcor/Astra group, which controls Astra Oil Trading NV (Astra), including those related to the arbitration process which, in April 2009, recognized Astra's right to exercise its put option, to sell its interest (50%) in Pasadena Refining System Inc and PRSI Trading Company to Petrobras America S.A. - PAI.

With the exception of US\$ 70, which was recognized in the second quarter of 2012, the amount of US\$ 820.5 defined in the agreement had been provided for in prior periods.

With the execution of the agreement and the payment of the respective amount, which occurred on the same day the agreement was signed, both parties give full and general release of all the disputes between them.

**Fair Value Appraisal of GBD**

The appraisal of the fair value of the assets acquired and the liabilities assumed from the subsidiary Gas Brasileiro 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 the allocation of the purchase price of US\$ 280 to intangible assets totaling US\$ 209 and to other assets and net liabilities of US\$ 71. Therefore, no goodwill was recognized.



Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)*

## 11. Investments

### 11.1 Investments in jointly controlled entities and associates

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
<b>Associates and jointly controlled entities</b>		
Petrochemical investments	2,870	3,320
Gas distributors	620	563
Guarani S.A.	391	452
Termoaçu S.A.	280	287
Petroritupano - Orielo	244	244
Nova Fronteira Bionergia S.A.	208	231
Petrowayu - La Concepción	176	176
Petrokariña - Mata	104	104
Distrilec S.A.	74	115
Transierra S.A.	68	65
UEG Araucária	64	68
Other associates and jointly controlled entities	659	783
	<b>5,758</b>	<b>6,408</b>
<b>Other investments</b>	112	122
	<b>5,870</b>	<b>6,530</b>

### 11.2 Investments in listed companies

<b>Lot of a thousand shares</b>	<b>Quotation on Stock Exchange (US\$ per share)</b>	<b>Market value</b>
-------------------------------------	---	---------------------

<b>Company</b>	<b>June 30, 2012</b>	<b>December 31, 2011</b>	<b>Type</b>	<b>June 30, 2012</b>	<b>December 31, 2011</b>	<b>June 30, 2012</b>	<b>December 31, 2011</b>
<b>Subsidiaries</b>							
Petrobras Argentina	678,396	678,396	Common	1.11	1.44	755	976
						<b>755</b>	<b>976</b>
<b>Associates</b>							
Braskem	212,427	212,427	Common	5.34	6.28	1,134	1,334
Braskem	75,793	75,793	Preferred A	6.62	6.82	502	517
						<b>1,636</b>	<b>1,851</b>

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

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)***12. Property, plant and equipment, net****12.1 By type of asset**

	<b>Land, buildings and improvements</b>	<b>Equipment and other assets</b>	<b>Assets under construction (* )</b>	<b>Oil and gas producing properties</b>
<b>Balance at December 31, 2010</b>	<b>5,256</b>	<b>58,321</b>	<b>83,170</b>	<b>21,357</b>
Additions	101	1,570	31,840	2,059
Capitalized interest			4,382	
Business combination			12	
Write-offs	(25)	(262)	(1,296)	(326)
Transfers	2,413	18,406	(23,598)	8,401
Depreciation, amortization and depletion	(473)	(5,800)		(3,904)
Impairment - formation		(50)	(150)	(213)
Impairment - reversal	1	15		36
Cumulative translation adjustment	(685)	(5,838)	(9,831)	(2,424)
<b>Balance at December 31, 2011</b>	<b>6,588</b>	<b>66,362</b>	<b>84,529</b>	<b>24,986</b>
Cost	8,990	104,477	84,529	52,272
Accumulated depreciation, amortization and depletion	(2,402)	(38,115)		(27,286)
<b>Balance at December 31, 2011</b>	<b>6,588</b>	<b>66,362</b>	<b>84,529</b>	<b>24,986</b>
Additions	14	1,089	15,516	748
Capitalized interest			1,959	
Write-offs	(4)	(20)	(1,664)	(10)
Transfers	1,173	13,233	(15,770)	3,360
Depreciation, amortization and depletion	(243)	(3,154)		(1,854)
Impairment - formation		(1)		
Cumulative translation adjustment	(491)	(4,118)	(5,496)	(1,737)
<b>Balance at June 30, 2012</b>	<b>7,039</b>	<b>73,391</b>	<b>79,074</b>	<b>25,493</b>
Cost	9,523	111,628	79,074	52,424
Accumulated depreciation, amortization and depletion	(2,484)	(38,237)		(26,931)
<b>Balance at June 30, 2012</b>	<b>7,039</b>	<b>73,391</b>	<b>79,074</b>	<b>25,493</b>

<b>Weighted average of useful life in years</b>	25 (25 to 40) excluding land	20 (3 to 31)	Unit of production method
---	------------------------------	--------------	---------------------------

(\*) It includes oil and gas exploration and development costs.

At June 30, 2012 the consolidated property, plant and equipment include finance lease assets in the amount of US\$ 112 (US\$ 95 at December 31, 2011).

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)***13. Intangible assets****13.1 By type of asset**

	<b>Rights and Concessions</b>	<b>Software Acquired</b>	<b>Software Developed in-house</b>	<b>Goodwill</b>	<b>Total</b>
<b>Balance at December 31, 2010</b>	<b>47,386</b>	<b>191</b>	<b>816</b>	<b>544</b>	<b>48,937</b>
Addition	496	64	198	11	769
Acquisition through business combination				2	2
Capitalized interest			21		21
Write-off	(167)	(3)	(7)		(177)
Transfers	5	12	(22)	(4)	(9)
Amortization	(87)	(67)	(204)		(358)
Impairment - formation	(1)				(1)
Cumulative translation adjustment	(5,165)	(17)	(87)	(49)	(5,318)
<b>Balance at December 31, 2011</b>	<b>42,467</b>	<b>180</b>	<b>715</b>	<b>504</b>	<b>43,866</b>
Cost	43,356	725	1,512	504	46,097
Accumulated amortization	(889)	(545)	(797)		(2,231)
<b>Balance at December 31, 2011</b>	<b>42,467</b>	<b>180</b>	<b>715</b>	<b>504</b>	<b>43,866</b>
Addition	37	33	62		132
Capitalized interest			9		9
Write-off	(91)	(2)	(3)		(96)
Transfers	12	7	(17)	(15)	(13)
Amortization	(41)	(28)	(74)		(143)
Cumulative translation adjustment	(2,958)	(10)	(50)	(24)	(3,042)
<b>Balance at June 30, 2012</b>	<b>39,426</b>	<b>180</b>	<b>642</b>	<b>465</b>	<b>40,713</b>
Cost	40,328	718	1,450	465	42,961
Accumulated amortization	(902)	(538)	(808)		(2,248)
<b>Balance at June 30, 2012</b>	<b>39,426</b>	<b>180</b>	<b>642</b>	<b>465</b>	<b>40,713</b>
<b>Estimated useful life - years</b>	25	5	5	Indefinite	

As of June 30, 2012, the Company's intangible assets include an Onerous Assignment agreement in the amount of US\$ 37,010, entered into in 2010 between the Federal Government (assignor) and the Agência Nacional de Petróleo, Gás Natural e Biocombustíveis - ANP (regulator and inspector), 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 (Franco, Florim, Nordeste de Tupi, Entorno de Iara, Sul de Guará e Sul de Tupi), limited to the production of 5 billion oil equivalent barrels in up to 40 years renewable for more five years upon certain conditions.

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

If the review determines that the acquired rights reach an amount greater than that initially paid, the Company may pay the difference to the Federal Government or may reduce the total volume acquired in the terms of the agreement. If the review determines that the acquired rights result in an amount lower than that initially paid by the Company, the Federal Government will reimburse the difference in cash or bonds, subject to the budgetary laws.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)*

When the effects of the abovementioned review become probable and measurable, the Company will make the respective adjustments to the purchase prices.

The agreement also establishes minimum commitments with respect to acquisition of goods and services from Brazilian suppliers in the exploration and development stages of production which will be subject to proof with ANP. In the event of non-compliance, ANP will be able to apply administrative and pecuniary sanctions established in the agreement.

#### **14. Exploration and evaluation activities 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. The amounts involved in these activities are as follows:

	<b>June 30, December 2012</b>	
<b>Capitalized balances in assets</b>		
Intangible assets	38,674	
Property, plant and equipment	10,563	
<b>Total assets</b>	<b>49,237</b>	5
		<b>Six-month p</b>
	<b>2012</b>	<b>Ju 201</b>
<b>Exploration costs recognized in results</b>		
Expenses with geology and geophysics	570	
Projects without economic viability (it includes dry wells and signature bonuses)	1,702	
Other exploration expenses	40	
<b>Total expenses</b>	<b>2,312</b>	

**Cash used in activities**

Operating activities	652
Investment activities	3,415
<b>Total cash used</b>	<b>4,067</b>



Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)***15. Trade accounts payable**

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
<b>Current Liabilities</b>		
Third parties		
In Brazil	6,039	6,535
Abroad	5,020	4,883
Related parties	349	445
	<b>11,408</b>	<b>11,863</b>

**16. Loans and financing**

	<b>Current</b>		<b>Non-current</b>	
	<b>June 30, 2012</b>	<b>December 31, 2011</b>	<b>June 30, 2012</b>	<b>December 31, 2011</b>
<b>Abroad</b>				
Financial institutions	5,825	7,272	21,279	20,039
Bearer bonds - Notes, Global Notes and Bonds	591	428	28,189	21,026
Other	6	6	5	104
	<b>6,422</b>	<b>7,706</b>	<b>49,473</b>	<b>41,169</b>
<b>In Brazil</b>				
Export Credit Notes	52	72	6,426	6,921
BNDDES	987	916	19,382	19,930
Debentures	1,012	988	442	529
FINAME	33	42	346	390
Bank Credit Certificate	26	27	1,790	1,922
Other	158	316	1,976	1,857
	<b>2,268</b>	<b>2,361</b>	<b>30,362</b>	<b>31,549</b>

	<b>8,690</b>	<b>10,067</b>	<b>79,835</b>	<b>72,718</b>
Interest on debt	1,026	879		
Current portion of long-term debt (principal)	3,690	3,690		
Current debt	3,974	5,498		
<b>Total current financing</b>	<b>8,690</b>	<b>10,067</b>		

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)*

### 16.1 Maturities of the principal and interest of debt in non-current liabilities

	<b>June 30, 2012</b>
2013	1,972
2014	4,326
2015	6,464
2016	13,191
2017	8,416
2018 and thereafter	45,466
<b>Total</b>	<b>79,835</b>

### 16.2 Interest rates for debt in non-current liabilities

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
<b>Abroad</b>		
Up to 6% p.a.	38,755	31,561
From 6 to 8% p.a.	9,440	8,385
From 8 to 10% p.a.	1,166	1,179
From 10 to 12% p.a.	34	34
More than 12% p.a.	78	10
	<b>49,473</b>	<b>41,169</b>
<b>In Brazil</b>		
Up to 6% p.a.	3,278	2,870
From 6 to 8% p.a.	16,870	17,225
From 8 to 10% p.a.	9,561	1,930
From 10 to 12% p.a.	569	9,421

More than 12% p.a.

84  
**30,362**  
**79,835**

103  
**31,549**  
**72,718**

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)*

### 16.3 Balances per currencies in non-current liabilities

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
U.S. Dollar	44,856	36,258
Real indexed to U.S. Dollar	13,639	13,830
Real	16,552	17,529
Euro	2,444	2,495
Japanese Yen	1,271	1,544
Pound Sterling	1,073	1,062
	<b>79,835</b>	<b>72,718</b>

The hedges contracted for coverage of Notes issued abroad in foreign currencies and the fair value of the long-term loans are disclosed in notes 31 and 32, respectively.

### 16.4 Weighted average rate for capitalization of interest

The weighted average rate of the financial charges on the debt, used for capitalization of interest on the balance of assets under construction, was 4.6% p.a. in the first half of 2012 (4.9% p.a. in the first half of 2011).

### 16.5 Capital market funding

The loans and the financing are intended mainly to the development of oil and gas production projects, the building of ships and pipelines, and the expansion of industrial units.

The main long-term funding carried out in the first half of 2012 is presented as follows:

**a) Abroad**

<b>Company</b>	<b>Date</b>	<b>Amount</b>	<b>Maturity</b>	<b>Description</b>
PifCo	Feb/12	7,000	2015, 2017, 2021, 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	Loan in the amount of US\$ 1,879 from Morgan Stanley Bank, JP Morgan Chase, Citibank Internacional PLC and HSBC Bank PLC at the LIBOR plus market interest.
		8,879		

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)*

## b) In Brazil

Company	Date	Amount	Maturity	Description
Fundo de Investimento Imobiliário RB Logística	Jan/12	202	2023, 2026 and 2028	Issuance of real state credit notes for the construction of a laboratory in the administrative building - IPCA + average spread of 5.3% p.a.
Fundo de Investimento Imobiliário FCM	May/12	254	2025 and 2032	Issuance of receivable certificates for the construction of assets of the Porto Nacional and Porto Cruzeiro do Sul projects - IPCA + 4.0933% p.a. and 4.9781%p.a.
		456		

## 16.6 Funding in the banking market

### a) Abroad

Company	Agency	Amount in US\$ million		Balance
		Contracted	Used	
Petrobras	China Development Bank	10,000	7,000	3,000
PNBV	Citibank International PLC	686	549	137
PNBV	HSBC Bank PLC	1,000	173	827
PNBV	Export Development Canada	500		500

### b) In Brazil

<b>Company</b>	<b>Agency</b>	<b>Contracted</b>	<b>Used</b>	<b>Balance</b>
Transpetro(*)	BNDES, Banco do Brasil and Caixa Econômica Federal - CEF	4,998	528	4,470
REFAP	BNDES	549	141	408
Petrobras	Caixa Econômica Federal	148		148

(\*)Purchase and sale agreements of 49 ships and 20 convoy vessels were signed with 6 Brazilian shipyards in the amount of US\$ 5,553, which 90% is financed by BNDES, Banco do Brasil and Caixa Econômica Federal – CEF.



Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)*

## 16.7 Guarantees

Petrobras is not required to provide guarantees to financial institutions. There are loans obtained from BNDES which are secured by the assets being financed (carbon steel pipes for the Bolivia-Brazil gas pipeline and vessels).

The loans obtained by special purpose entities (SPE) are guaranteed by the assets of the projects, as well as lien of credit rights and shares of the SPEs.

## 17. Leases

### 17.1 Minimum receipts/payments of finance leases

	<b>June 30, 2012</b>	
	Minimum receipts	Minimum payments
2012	110	23
2013 - 2016	716	80
2017 and thereafter	2,216	164
<b>Estimated receipts/payments of commitments</b>	<b>3,042</b>	<b>267</b>
Less amount of annual interest	(1,386)	(149)
<b>Present value of the minimum receipts/payments</b>	<b>1,656</b>	<b>118</b>
Current	87	22
Non-current	1,569	96
<b>At June 30, 2012</b>	<b>1,656</b>	<b>118</b>
Current	120	44
Non-current	1,518	98
<b>At December 31, 2011</b>	<b>1,638</b>	<b>142</b>



Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)*

## 17.2 Future minimum payments of operating leases

	<b>June 30,</b>
	<b>2012</b>
2012	7,727
2013-2016	38,844
2017 and thereafter	27,322
<b>As of June 30, 2012</b>	<b>73,893</b>
<b>As of December 31, 2011</b>	<b>55,513</b>

In the first half of 2012, the Company paid the amount of US\$ 4,743 recognized as an expense for the period related to operating leases.

## 18. Related parties

Petrobras carries out commercial transactions with its subsidiaries, special purpose entities and associates at normal market prices and market conditions. At June 30, 2012 and December 31, 2011, losses were not expected on the realization of accounts receivable.

### 18.1 Transactions with jointly controlled entities, associates, government entities and pension funds

The balances of significant transactions are as follows:



Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of Dollars, except when specifically indicated)

	<b>June 30, 2012</b>		<b>December 2011</b>
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>
<b>Jointly controlled entities and associates</b>	<b>1,072</b>	<b>445</b>	<b>826</b>
Gas distributors	466	189	467
Braskem and its subsidiaries	434	83	87
Other associates and jointly controlled entities	172	173	272
<b>Government entities and pension funds</b>	<b>22,213</b>	<b>32,219</b>	<b>22,739</b>
Government bonds	13,608		14,120
Banco do Brasil S.A. (BB)	4,309	5,099	4,300
Restricted deposits for legal proceedings and guarantees (CEF and BB)	1,647		1,693
Receivable from the Electricity sector (Note 18.2)	2,054		1,958
Petroleum and alcohol account - receivable from Federal government (Note 18.3)	413		444
BNDES	3	20,892	4
Caixa Econômica Federal (CEF)		4,039	1
Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (ANP)		1,940	
Federal government - Proposed dividend and interest on shareholders' equity			
Petros (Pension fund)		65	
Other	179	184	219
	<b>23,285</b>	<b>32,664</b>	<b>23,565</b>
<b>Current</b>	<b>18,012</b>	<b>4,327</b>	<b>18,020</b>
<b>Non-current</b>	<b>5,273</b>	<b>28,337</b>	<b>5,545</b>

## 18.2 Receivables from the electricity sector

As of June 30, 2012, the Company had a total amount of US\$ 2,054 (US\$ 1,958 at December, 31, 2011) of receivables from the electricity sector.

The Company supplies fuel to thermoelectric power plants, direct or indirect subsidiaries of Eletrobras, located in the northern region of Brazil. Part of the costs for supplying fuel to these thermoelectric power stations is borne by funds from the Fuel Consumption Account (CCC), managed by Eletrobras.

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

The balance of these receivables at June 30, 2012 was US\$ 1,833 (US\$ 1,715 at December 31, 2011), of which US\$ 1,411 was overdue (US\$ 1,415 at December 31, 2011).

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)*

The Company has been using all available resources in order to recover these receivables. The Company has also made a formal statement to Eletrobras, regarding the necessity of issuing warranties to its controlled entities in order to supply fuel from September 1, 2012 on.

Additionally, the Company has electricity supply contracts with AME signed in 2005 by its subsidiary Breitener Energética S.A., which, based on the conditions of the agreements, are considered a financial lease of the two thermoelectric power plants, as the contracts determine, among other conditions, the disposal of the power plants to the AME at the end of the agreement period with no restitution (20-year term). The balance of these receivables was US\$ 221 (US\$ 243 as of December, 31, 2011) and none of which were overdue.

### **18.3 Petroleum and Alcohol accounts - Receivable from Federal Government**

At June 30, 2012, the balance of accounts receivable regarding Petroleum and Alcohol accounts amounted US\$ 413 (US\$ 444 at December 31, 2011). It may be paid, pursuant to what is established by Provisional Measure 2,181 as follows: (1) National Treasury Bonds issued at the same amount as the final balance of the Petroleum and Alcohol account; (2) offset of the balance of the Petroleum and Alcohol account, with any other amount owed by Petrobras to the Federal Government, including taxes; or (3) by a combination of the options above.

In order to conclude the settlement with the Federal Government, the Company has provided all the information required by the National Treasury Office (STN) to mitigate divergences between the parties.

After exhausting negotiation process under the administrative level, the Company filed a lawsuit decided on judicial collection of the aforementioned credit and, accordingly, filed a lawsuit in July 2011.

#### **18.4 Remuneration of employees and officers**

The total remuneration for short-term benefits for the Company's officers during the first half of 2012 was US\$ 3.5 referring to eight officers and ten board members (US\$ 2.8 in the first half of 2011 referring to seven officers and nine board members).

The fees of the executive board and the board of directors in the first half of 2012 in the consolidated totaled US\$ 13.6 (US\$ 12.1 in the first half of 2011).

As established in Federal Law 12,353/2010, the Board of Directors of Petrobras is now composed of 10 members, after ratification of the employees' representative in the Annual General Meeting of March 19, 2012.



Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)***19. Provision for decommissioning costs (non-current)**

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
<b>Non-current liabilities</b>		
<b>Opening balance</b>	<b>4,712</b>	<b>3,904</b>
Revision of provision	15	1,365
Use by Payment	(103)	(284)
Accrual of interest	68	125
Other		63
Cumulative translation adjustment	(324)	(461)
<b>Closing balance</b>	<b>4,368</b>	<b>4,712</b>

**20. Taxes****20.1 Recoverable taxes**

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
<b>Current assets</b>		
Taxes In Brazil:		
ICMS	1,645	1,698
PIS/COFINS	1,743	1,253
CIDE	56	77
Income taxes	1,835	1,528
Other taxes	286	225
	<b>5,565</b>	<b>4,781</b>
Taxes Abroad	<b>314</b>	<b>577</b>
	<b>5,879</b>	<b>5,358</b>



Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)*

## 20.2 Taxes payable

<b>Current liabilities</b>	<b>June 30, 2012</b>	<b>December 31, 2011</b>
ICMS	1,161	1,161
PIS/COFINS	530	309
CIDE	180	254
Special Participation / Royalties	2,480	2,767
Withholding income taxes	132	443
Current income taxes	386	263
Other taxes	590	650
	<b>5,459</b>	<b>5,847</b>

## 20.3 Deferred taxes and social contribution - non-current

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
<b>Non-current assets</b>		
Deferred income taxes	3,494	4,287
Deferred ICMS	995	1,172
Deferred PIS and COFINS	4,349	4,978
Other	269	252
	<b>9,107</b>	<b>10,689</b>
<b>Non-current liabilities</b>		
Deferred income taxes	17,221	17,715
Other	6	21
	<b>17,227</b>	<b>17,736</b>



Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)*

## 20.4 Deferred income taxes - non-current

Income taxes in Brazil comprise income tax and the social contribution on net income, where the applicable official rates are 25% and 9%, respectively.

The changes in the deferred income taxes are presented as follows:

	<b>Property, Plant &amp; Equipment Exploration costs for the extraction of crude oil and gas</b>	<b>Other</b>	<b>Accounts receivable/payable, loans and financing</b>	<b>Financial leases</b>	<b>Pro pro</b>
<b>Balance at December 31, 2010</b>	<b>(10,020)</b>	<b>(1,611)</b>	<b>(1,112)</b>	<b>(673)</b>	
Recognized in the results for the year	(2,388)	(1,289)	472	(110)	
Recognized in shareholders' equity				24	
Cumulative translation adjustment	1,032	594	73	83	
Other	2	103	142	(168)	
<b>Balance at December 31, 2011</b>	<b>(11,374)</b>	<b>(2,203)</b>	<b>(425)</b>	<b>(844)</b>	
Recognized in the results for the period	(1,030)	(613)	1,008	6	
Recognized in shareholders' equity					
Cumulative translation adjustment	914	73	33	67	
Other	(14)	(8)	(80)	(38)	
<b>Balance at June 30, 2012</b>	<b>(11,504)</b>	<b>(2,751)</b>	<b>536</b>	<b>(809)</b>	

Management considers that the deferred tax assets will be realized in proportion to the realization of the provisions and the final resolution of future events, both of which are based on projections that have been made.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)*

## 20.5 Reconciliation of income taxes

The reconciliation of the taxes calculated in accordance with statutory rates and the amount of taxes recorded are presented as follows:

	<b>Six-month periods ended June</b>	
	<b>30,</b>	
	<b>2012</b>	<b>2011</b>
Income before income taxes	6,208	18,300
Income taxes at statutory rates (34%)	(2,111)	(6,222)
Adjustments for calculation of the effective rate:		
· Tax benefit from inclusion of interest on shareholders' equity as operating expenses	502	1,088
· Results of companies abroad subject to different tax rates	112	648
· Tax incentives	93	32
· Tax losses	(201)	(59)
· Permanent exclusions/ (additions), net *	(327)	(2)
· Other	104	77
Income taxes expenses	<b>(1,828)</b>	<b>(4,438)</b>
Deferred income taxes	(1,047)	(2,521)
Current income taxes	(781)	(1,917)
	<b>(1,828)</b>	<b>(4,438)</b>
Effective rate for income taxes	29.4%	24.3%

\* It includes equity accounting.





Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)*

## 21. Employee's benefits

The Company sponsors defined benefit and variable contribution pension plans, in Brazil and abroad, and has a health care plan, with defined benefits, that covers all present and retired employees of the companies in Brazil and their dependents.

The changes in the benefits granted to employees are presented as follows:

	<b>Pension plan</b>	<b>Health Care Plan</b>	<b>Total</b>
<b>Balance at December 31, 2010</b>	<b>2,878</b>	<b>7,074</b>	<b>9,952</b>
Costs incurred in the year	625	1,104	1,729
Payment of contributions	(305)	(365)	(670)
Payment of the financial commitment agreement	(171)		(171)
Other	13		13
Cumulative translation adjustment	(343)	(871)	(1,214)
<b>Balance at December 31, 2011</b>	<b>2,697</b>	<b>6,942</b>	<b>9,639</b>
<b>Current</b>	414	347	761
<b>Non-Current</b>	2,283	6,595	8,878
	<b>2,697</b>	<b>6,942</b>	<b>9,639</b>
Costs incurred in the period	517	565	1,082
Payment of contributions	(153)	(179)	(332)
Payment of the financial commitment agreement	(76)		(76)
Other	9	2	11
Cumulative translation adjustment	(223)	(532)	(755)
<b>Balance at June 30, 2012</b>	<b>2,771</b>	<b>6,798</b>	<b>9,569</b>
<b>Current</b>	382	322	704
<b>Non-Current</b>	2,389	6,476	8,865
	<b>2,771</b>	<b>6,798</b>	<b>9,569</b>



Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)*

The net expenditure with the pension and health care plans includes the following components:

	<b>Pension plan</b>		<b>Health care plan</b>	<b>Total</b>
	<b>Defined benefit</b>	<b>Variable contribution</b>		
Current service cost	110	131	75	316
Cost of interest:				
· With financial commitment agreement	151			151
· Actuarial	1,715	45	469	2,229
Estimated income from the plan's assets	(1,607)	(14)		(1,621)
Amortization of unrecognized actuarial losses	111	5	19	135
Contributions by participants	(113)	(29)		(142)
Unrecognized past service cost	7	2	2	11
Other	2	1		3
<b>Net costs for the period Jan-Jun/2012</b>	<b>376</b>	<b>141</b>	<b>565</b>	<b>1,082</b>
Related to:				
Actives employees	185	138	214	537
Retired employees	191	3	351	545
<b>Net costs for the period Jan-Jun/2012</b>	<b>376</b>	<b>141</b>	<b>565</b>	<b>1,082</b>
<b>Net costs for the period Jan-Jun/2011</b>	<b>207</b>	<b>112</b>	<b>567</b>	<b>886</b>

As of June 30, 2012, the balances of the Terms of Financial Commitment, signed by the Company and Petros in 2008, totaled US\$ 2,572, of which US\$ 25 in interest falls due in 2012. On the same date, the Company held long-term National Treasury Notes in the amount of US\$ 2,921. In July, 2012, this warranty was replaced by a crude oil and/or oil products deposit from the inventory of the Company.

In the first half of 2012, the Company's contribution to the defined contribution portion of the Petros Plan 2 was US\$ 125.



Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)*

## **22. Shareholders' equity**

### **22.1 Paid-in capital**

As of June 30, 2012, subscribed and fully paid-in capital in the amount of US\$ 107,362 is represented by 7,442,454,142 outstanding common shares and 5,602,042,788 outstanding preferred shares, all of which are registered, book-entry shares with no par value.

### **22.2 Dividends**

#### **a) Dividends - fiscal year 2011**

The Annual General Meeting held on March 19, 2012, approved dividends related to 2011, in the amount US\$ 6,905, corresponding to 38.25% of the basic profit for dividend purposes, and US\$ 0.55 per common and preferred share, without distinction, which comprise the capital.

These dividends include interest on shareholders' equity in the amount of US\$ 6,071 and are being distributed as follows:

<b>Payment</b>	<b>Date of approval by Board</b>	<b>Date of Shareholder position</b>	<b>Date of Payment</b>	<b>Amount of Payment</b>
----------------	----------------------------------	-------------------------------------	------------------------	--------------------------

**of  
Directors**

1st payment of interest on shareholders' equity	04.29.2011	05.11.2011	05.31.2011	1,602
2nd payment of interest on shareholders' equity	07.22.2011	08.02.2011	08.31.2011	1,671
3rd payment of interest on shareholders' equity	10.28.2011	11.11.2011	11.30.2011	1,407
4th payment of interest on shareholders' equity	12.22.2011	01.02.2012	02.29.2012	1,391
Dividends	02.09.2012	03.19.2012	05.18.2012	834
				<b>6,905</b>

**b) Interest on shareholders' equity – fiscal year 2012**

The Company's Board of Directors approved on April 27, 2012, the early distribution of remuneration to shareholders in the form of interest on shareholders' equity, as established in article 9 of Law 9,249/95 and Decrees 2,673/98 and 3,381/00, in the amount of US\$ 1,290 corresponding to a gross value of US\$ 0.10 per common and preferred shares, which payment occurred on May 31, 2012, based on the shareholding position of May 11, 2012.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)*

This interest on shareholders' equity should be discounted from the remuneration that will be distributed on the closing of fiscal year 2012. The amount will be monetarily restated in accordance with the variation of the SELIC rate since the date of effective payment until the end of the aforementioned year.

The interest on shareholders' equity is subject to 15% of withholding income tax, except for shareholders that are declared immune or exempt.

### 22.3 Earnings per Share

	<b>Six-month periods ended June</b>	
	<b>30,</b>	
	<b>2012</b>	<b>2011</b>
Net income attributable to Petrobras' shareholders	4,527	13,445
Weighted average of the number of common and preferred shares outstanding (No. of shares)	13,044,496,930	13,044,496,930
Basic and diluted earnings per common and preferred share (US\$ per share)	0.35	1.03

### 23. Sales revenues

	<b>Six-month periods ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Gross sales revenue</b>	88,918	89,052
Sales charges	(16,849)	(18,216)
<b>Sales revenues</b>	<b>72,069</b>	<b>70,836</b>





Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)*

## 24. Other operating income and expenses, net

	<b>Six-month periods ended June</b>	
	<b>2012</b>	<b>2011</b>
Pension and health care plans	(545)	(480)
Losses and contingencies with judicial proceedings	(454)	(108)
Institutional relations and cultural projects	(372)	(348)
Unscheduled stoppages and pre-operating expenditures	(442)	(402)
Adjustment to market value of inventories	(472)	(160)
Corporate expenditures on health, safety and environment	(139)	(191)
Operating expenses with thermoelectric power stations	(56)	(62)
Gains on disposal of non-current assets	16	(149)
Government Grants	304	133
E&P joint arrangement charge/refund	74	(82)
Other	(136)	(518)
	<b>(2,222)</b>	<b>(2,367)</b>

## 25. Expenses by nature

	<b>Six-month periods ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
Raw material / products purchased	(30,129)	(28,855)
Production taxes	(8,441)	(8,035)
Personnel expenses	(5,633)	(5,840)
Depreciation, depletion and amortization	(5,394)	(4,643)
Finished goods and work in progress inventories variation	928	3,600
Contracted services, freight, rent and general charges	(10,300)	(10,037)
Projects without economic viability (It includes dry wells and signature bonuses)	(1,702)	(766)

Taxes expenses	(170)	(215)
Losses with judicial and administrative procedures	(454)	(108)
Institutional relations and cultural projects	(372)	(348)
Unscheduled stoppages and pre-operating expenses	(442)	(402)
Expenditures on health, safety and environment	(139)	(191)
Adjustment to market value of inventories	(472)	(160)
Impairment	(1)	(2)
	<b>(62,721)</b>	<b>(56,002)</b>
Cost of sales	(52,461)	(46,389)
Selling expenses	(2,528)	(2,599)
Administrative and general expenses	(2,516)	(2,490)
Exploration costs	(2,312)	(1,317)
Research and development expenses	(512)	(625)
Other taxes	(170)	(215)
Other operating income and expenses, net	(2,222)	(2,367)
	<b>(62,721)</b>	<b>(56,002)</b>

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)*

## 26. Financial income (expenses), net

	<b>Six-month periods ended</b>	
	<b>June 30,</b>	
	<b>2012</b>	<b>2011</b>
Exchange and monetary variation on net debt (*)	(1,617)	1,293
Expenses on debt	(2,608)	(2,367)
Income from investments and marketable securities	1,027	1,570
<b>Financial result on net debt</b>	<b>(3,198)</b>	<b>496</b>
Capitalized financial charges	1,968	2,251
Gains (losses) on derivatives	47	(104)
Income from marketable securities	96	270
Other financial expenses and income, net	47	(20)
Other exchange and monetary variations, net	(1,960)	153
<b>Financial income (expenses), net</b>	<b>(3,000)</b>	<b>3,046</b>
<b>Financial income (expenses), net</b>		
Income	1,511	2,187
Expenses	(933)	(587)
Exchange and monetary variations, net	(3,578)	1,446
	<b>(3,000)</b>	<b>3,046</b>

(\*) Includes monetary variation on in local currency indexed to the variation of the US dollar.

## 27. Supplementary information on the statement of cash flows

	<b>Six-month periods ended</b>	
	<b>June 30,</b>	
	<b>2012</b>	<b>2011</b>

**Amounts paid and received during the period**

Income taxes	483	624
Third party withholding income taxes	1,276	1,141

**Investment and financing transactions not involving cash**

Acquisition of property, plant and equipment on credit	144	5
Formation of provision for decommissioning costs		3

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)***28. Segment Information****Consolidated assets by Business Segment -  
06/30/2012**

<b>Assets</b>	<b>Exploration and Production</b>	<b>Refining, Transportation &amp; Marketing</b>	<b>Gas &amp; Power</b>	<b>Biofuels</b>	<b>Distribution Internat</b>
<b>Current assets</b>	<b>5,742</b>	<b>21,372</b>	<b>2,923</b>	<b>132</b>	<b>3,798</b>
<b>Non-current assets</b>	<b>133,694</b>	<b>64,226</b>	<b>23,934</b>	<b>1,038</b>	<b>3,597</b>
Long-term receivables	4,207	4,234	1,599	17	665
Investments	28	2,895	1,101	763	17
Property, plant and equipment, net	91,674	56,944	20,861	258	2,517
Intangible assets	37,785	153	373		398
<b>As of June 30, 2012</b>	<b>139,436</b>	<b>85,598</b>	<b>26,857</b>	<b>1,170</b>	<b>7,395</b>

**Consolidated assets by Business Segment -  
12/31/2011**

<b>Current assets</b>	<b>5,617</b>	<b>21,966</b>	<b>2,509</b>	<b>128</b>	<b>4,241</b>
<b>Non-current assets</b>	<b>135,496</b>	<b>62,364</b>	<b>25,136</b>	<b>1,161</b>	<b>3,644</b>
Long-term receivables	4,140	4,217	1,626	17	663
Investments	12	3,362	1,152	859	45
Property, plant and equipment, net	90,539	54,629	21,968	285	2,510
Intangible assets	40,805	156	390		426
<b>As of December 31, 2011</b>	<b>141,113</b>	<b>84,330</b>	<b>27,645</b>	<b>1,289</b>	<b>7,885</b>

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)***Consolidated Statement of Income per Business Area - 2012**

	<b>Exploration and Production</b>	<b>Refining, Transportation &amp; Marketing</b>	<b>Six-mo Gas &amp; Power Bio</b>
<b>Sales revenues</b>	<b>38,839</b>	<b>59,265</b>	<b>5,315</b>
Intersegments	38,659	18,702	688
Third parties	180	40,563	4,627
Cost of sales	(16,843)	(66,101)	(4,179)
<b>Gross profit</b>	<b>21,996</b>	<b>(6,836)</b>	<b>1,136</b>
<b>Income (expenses)</b>	<b>(3,097)</b>	<b>(2,259)</b>	<b>(558)</b>
Selling, administrative and general expenses	(259)	(1,616)	(456)
Exploration costs	(2,190)		
Research and development expenses	(231)	(97)	(14)
Other taxes	(24)	(30)	(18)
Other operating income and expenses, net	(393)	(516)	(70)
<b>Income before financial results and income taxes</b>	<b>18,899</b>	<b>(9,095)</b>	<b>578</b>
Financial income (expenses), net			
Equity in results of non-consolidated companies	(1)	(181)	85
<b>Income before income taxes</b>	<b>18,898</b>	<b>(9,276)</b>	<b>663</b>
Income taxes	(6,425)	3,092	(196)
<b>Net income</b>	<b>12,473</b>	<b>(6,184)</b>	<b>467</b>
Net income attributable to:			
Shareholders of Petrobras	12,477	(6,184)	445
Non-controlling interests	(4)		22
	<b>12,473</b>	<b>(6,184)</b>	<b>467</b>

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)***Consolidated Statement of Income per Business Area - 2011**

	<b>Exploration and Production</b>	<b>Refining, Transportation &amp; Marketing</b>	<b>Six-mo Gas &amp; Power Bio</b>
<b>Sales revenues</b>	<b>36,306</b>	<b>58,193</b>	<b>4,631</b>
Intersegments	36,149	18,802	652
Third parties	157	39,391	3,979
Cost of sales	(15,513)	(58,794)	(2,943)
<b>Gross profit</b>	<b>20,793</b>	<b>(601)</b>	<b>1,688</b>
<b>Income (expenses)</b>	<b>(2,286)</b>	<b>(1,987)</b>	<b>(727)</b>
Selling, administrative and general expenses	(247)	(1,537)	(538)
Exploration costs	(1,164)		
Research and development expenses	(336)	(111)	(32)
Other taxes	(21)	(24)	(20)
Other operating income and expenses, net	(518)	(315)	(137)
<b>Income before financial results and income taxes</b>	<b>18,507</b>	<b>(2,588)</b>	<b>961</b>
Financial income (expenses), net			
Equity in results of non-consolidated companies		218	145
<b>Income before income taxes</b>	<b>18,507</b>	<b>(2,370)</b>	<b>1,106</b>
Income taxes	(6,289)	866	(327)
<b>Net income</b>	<b>12,218</b>	<b>(1,504)</b>	<b>779</b>
Net income attributable to:			
Shareholders of Petrobras	12,227	(1,497)	775
Non-controlling interests	(9)	(7)	4
	<b>12,218</b>	<b>(1,504)</b>	<b>779</b>

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)*

**Consolidated Statement per International Business Segment – June 2012/2011**

	<b>Six-month period ended June 30, 2012</b>				
	<b>Exploration and Production</b>	<b>Refining, Transportation &amp; Marketing</b>	<b>Gas &amp; Power Distribution</b>	<b>Corporate</b>	<b>Elimination</b>
<b>Income statement</b>					
<b>Sales revenues</b>	<b>2,702</b>	<b>4,629</b>	<b>292</b>	<b>2,575</b>	<b>(1,120)</b>
Intersegments	&n				