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

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

For the month of February, 2013

Commission File Number 1-15106

PETRÓLEO BRASILEIRO S.A. - PETROBRAS

(Exact name of registrant as specified in its charter)

Brazilian Petroleum Corporation - PETROBRAS

(Translation of Registrant's name into English)

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

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

Form 20-F ___X___ Form 40-F _______

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

Yes _______ No___X____

This report on Form 6-K is incorporated by reference in the Registration Statement on Form F-3 of Petróleo Brasileiro -- Petrobras (No. 333-163665).

Petróleo Brasileiro S.A. - Petrobras

Financial Statements

December 31, 2012 and 2011

(Free translation of the original report in Portuguese)

Petróleo Brasileiro S.A. - Petrobras

Contents

Independent auditor's report

To the Board of Directors and Shareholders

Petróleo Brasileiro S.A. - Petrobras

We have audited the accompanying financial statements of Petróleo Brasileiro S.A. Petrobras ("Company" or "Petrobras"), which comprise the balance sheet as at December 31, 2012 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We have also audited the accompanying consolidated financial statements of Petróleo Brasileiro S.A. - Petrobras and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2012 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility
for the financial statements**

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with accounting practices adopted in Brazil, and for the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the parent company financial statements

In our opinion, the parent company financial statements referred to above present fairly, in all material respects, the financial position of Petróleo Brasileiro S.A. - Petrobras as at December 31, 2012, and its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Petróleo Brasileiro S.A. - Petrobras and its subsidiaries as at December 31, 2012, and their financial performance and their cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

Emphasis of matter

As discussed in note 2 to these financial statements, the parent company financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Petróleo Brasileiro S.A. - Petrobras, these practices differ from IFRS applicable to separate financial statements only in relation to the measurement of investments in subsidiaries, associates and jointly-controlled entities based on equity accounting, while IFRS requires measurement based on cost or fair value, and the maintenance of the balances of deferred charges existing as at December 31, 2008, which are being amortized. Our opinion is not qualified in respect of this matter.

Other matters

Audit of prior-year information

The financial statements of the Company for the year ended December 31, 2012, presented for comparison purposes, were audited by another firm of auditors whose report, dated February 9, 2012, expressed an unmodified opinion on those statements.

Statements of added value, business segment reporting and social balance

We have also audited the parent company and consolidated statements of value added for the year ended December 31, 2012, the presentation of which is required by Brazilian Corporation Law for public companies, the consolidated statements of business segment reporting and the consolidated accounting information contained in the social balance, which are the responsibility of the Company's management, considered as supplementary information by IFRS, which does not require the presentation of the statements of value added and social balance. These statements were submitted to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Rio de Janeiro, February 4, 2013

PricewaterhouseCoopers

Auditores Independentes

CRC 2SP000160/O-5 "F" RJ

/s/

Marcos Donizete Panassol

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

Petróleo Brasileiro S.A. - Petrobras

Statement of financial position

December 31, 2012 and 2011

(In millions of reais)

Assets	Note	Consolidated 2012	Consolidated 2011	Parent Company 2012	Parent Company 2012	Liabilities	Note	Consolidated 2012	Consolidated 2011	Parent Company 2012	Parent Company 2011
Current assets						**Current liabilities**					
Cash and cash equivalents	5	27,628	35,747	17,393	18,858	Trade payables	14	24,775	22,252	26,918	22,601
Marketable securities	6	21,316	16,808	23,379	23,625	Current debt	15	15,283	18,884	15,519	12,252
Trade and other receivables, net	7.1	22,681	22,053	17,374	21,068	Current portion of finance lease obligations	16.1	37	82	1,741	1,922
Inventories	8	29,736	28,447	24,908	22,434	Taxes payable	19.1	12,522	10,969	10,518	9,258
Recoverable taxes	19.1	11,387	12,846	8,836	9,372	Dividends payable	22.5	6,154	3,878	6,154	3,878
Advances to suppliers		1,895	1,389	1,682	1,040	Employee short-term benefits (compensation, profit sharing, charges)		4,420	4,742	3,801	4,015
Others		3,459	3,874	2,631	1,647	Pension and medical benefits	20	1,610	1,427	1,518	1,341
						Others		4,819	5,978	1,831	1,669
		118,102	**121,164**	**96,203**	**98,044**			**69,620**	**68,212**	**68,000**	**56,936**
Non-current assets						**Non-current liabilities**					
Long-term receivables						Non-current debt	15	180,818	136,405	70,271	43,055
Trade and other receivables, net	7.1	9,075	6,103	8,646	12,843	Finance lease obligations	16.1	176	183	6,021	7,422
Marketable securities	6	359	5,747	288	5,219	Deferred taxes	19.2	39,262	33,230	35,184	29,408

Judicial deposits	27.2	5,510	3,902	4,676	3,410	Pension and medical benefits	20	18,953	16,653	17,638	15,352
Deferred taxes	19.2	11,293	8,042	6,664	3,171	Provisions for legal proceedings	27	2,585	2,041	1,504	1,015
Other Tax assets	19.1	10,673	9,214	7,449	6,334	Provision for decommissioning costs	18	19,292	8,839	18,391	8,241
Advances to suppliers		6,449	5,892	2,061	1,011	Others		1,577	2,310	4,504	3,123
Others		3,855	3,234	3,186	2,322			**262,663**	**199,661**	**153,513**	**107,616**
		47,214	**42,134**	**32,970**	**34,310**						
						Shareholders' equity	22				
Investments	10	12,477	12,248	78,488	57,239	Share capital		205,392	205,380	205,392	205,380
Property, plant and equipment	11	418,716	343,117	279,824	227,479	Additional paid in capital		631	563	939	859
Intangible assets	12	81,207	81,434	77,349	77,709	Profit reserves		134,928	122,623	134,981	122,963
Deferred Assets		-	-	119	246	Accumulated other comprehensive income (loss)		2,128	1,273	2,128	1,273
								343,079	**329,839**	**343,440**	**330,475**
		559,614	**478,933**	**468,750**	**396,983**	**Non-controlling interests**		2,354	2,385	**-**	**-**
								345,433	**332,224**	**343,440**	**330,475**
Total assets		**677,716**	**600,097**	**564,953**	**495,027**	**Total liabilities and shareholder's equity**		**677,716**	**600,097**	**564,953**	**495,027**

See the accompanying notes to the financial statements.

Petróleo Brasileiro S.A. - Petrobras

Income Statement

December 31, 2012 and 2011

(In millions of reais, except earnings per share)

		Consolidated		Parent Company	
	Note	**2012**	**2011**	**2012**	**2011**
Sales revenues	23	**281,379**	**244,176**	**217,346**	**183,821**
Cost of sales		(210,472)	(166,939)	(167,882)	(124,320)
Gross profit		**70,907**	**77,237**	**49,464**	**59,501**
Income (expenses)					
Selling expenses		(9,604)	(8,950)	(11,819)	(9,915)
General and administrative expenses		(9,842)	(8,647)	(6,843)	(6,029)
Exploration costs		(7,871)	(4,428)	(7,131)	(3,674)
Research and development expenses		(2,238)	(2,444)	(2,217)	(2,361)
Other taxes		(760)	(777)	(338)	(278)
Other operating expenses, net	24	(8,195)	(6,588)	(7,245)	(5,770)
		(38,510)	**(31,834)**	**(35,593)**	**(28,027)**
Net income before financial results, profit sharing and income taxes		**32,397**	**45,403**	**13,871**	**31,474**
Financial income (expenses), net	26	(3,723)	122	1,689	5,581
Share of profit of equity-accounted investments		84	386	8,581	5,808
Profit sharing	21	(1,005)	(1,560)	(815)	(1,295)
Net income before income taxes		**27,753**	**44,351**	**23,326**	**41,568**
Income tax and social contribution	19.3	(6,794)	(11,241)	(2,431)	(8,467)

Net income		**20,959**	**33,110**	**20,895**	**33,101**
Attributable to:					
Shareholders of Petrobras		21,182	33,313	20,895	33,101
Non-controlling interests		(223)	(203)	-	-
		20,959	**33,110**	**20,895**	**33,101**
Basic and diluted earnings per share in R$	22.6	**1.62**	**2.55**	**1.60**	**2.54**

See the accompanying notes to the financial statements.

Petróleo Brasileiro S.A. - Petrobras

Statement of Comprehensive Income

December 31, 2012 and 2011

(In millions of reais)

	Consolidated		Parent Company	
	2012	**2011**	**2012**	**2011**
Net income	**20,959**	**33,110**	**20,895**	**33,101**
Other comprehensive income				
Cummulative translation adjustments	1,016	1,423	1,151	1,123
Deemed cost of associates	11	10	11	10
Unrealized gains / (losses) on available-for-sale securities				
Recognized in shareholders' equity	1,017	136	1,017	136
Reclassified to profit or loss	(1,459)	26	(1,459)	26
Unrealized gains / (losses) on cash flow hedge				
Recognized in shareholders' equity	(5)	(54)	(5)	(54)
Reclassified to profit or loss	14	8	14	8
Deferred income taxes	148	(46)	148	(46)
	742	**1,503**	**877**	**1,203**
Total comprehensive income (loss)	**21,701**	**34,613**	**21,772**	**34,304**
Attributable to:				
Shareholders of Petrobras	22,059	34,516	21,772	34,304
Non-controlling interests	(358)	97	-	-
Total comprehensive income (loss)	**21,701**	**34,613**	**21,772**	**34,304**

See the accompanying notes to the financial statements.

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Petróleo Brasileiro S.A. - Petrobras

Statement of Changes in Shareholders' Equity

December 31, 2012 and 2011

(In millions of reais)

		Additional paid in capital		Accumulated other comprehensive income			
	Share Capital	Incremental costs directly attributable to the issue of new shares	Change in interest in subsidiaries	Cumulative translation adjustment	Other comprehensive income	Legal	Statutory
	205,357	(477)	471	(196)	286	12,654	1,422
Balance at January 1, 2011	**205,357**	**(6)**		**90**		**101,876**	
Capital increase with reserves	23	-	-	-	-	-	-
Capital increase - issue of new shares	-	-	-	-	-	-	-
Cumulative translation adjustments	-	-	-	1,123	-	-	-
Unrealized gains / (losses) in available-for-sale securities and cash flow hedge	-	-	-	-	70	-	-
Realization of deemed cost of associates	-	-	-	-	(10)	-	-
Change in interest in subsidiaries	-	-	865	-	-	-	-
Net income for the year	-	-	-	-	-	-	-
Distributions:							
	-	-	-	-	-	1,655	1,027

Allocation of net income							
Dividends	-	-	-	-	-	-	-
	205,380	(477)	1,336	927	346	14,309	2,449
Balance at December 31, 2011	**205,380**	**859**		**1,273**			
Capital increase with reserves	12	-	-	-	-	-	-
Capital increase - issue of new shares	-	-	-	-	-	-	-
Cumulative translation adjustments	-	-	-	1,151	-	-	-
Unrealized gains / (losses) in available-for-sale securities and cash flow hedge	-	-	-	-	(285)	-	-
Realization of deemed cost of associates	-	-	-	-	(11)	-	-
Change in interest in subsidiaries	-	-	80	-	-	-	-
Net income for the year	-	-	-	-	-	-	-
Distributions:							
Allocation of net income	-	-	-	-	-	1,045	1,027
Dividends	-	-	-	-	-	-	-
	205,392	(477)	1,416	2,078	50	15,354	3,476
Balance at December 31, 2012	**205,392**	**939**		**2,128**			

See the accompanying notes to the financial statements.

Petróleo Brasileiro S.A. - Petrobras

Statement of Cash Flows

December 31, 2012 and 2011

(In millions of reais)

	Consolidated		**Parent Company**	
	2012	**2011**	**2012**	**2011**
Cash flows from Operating activities				
Net income attributable to the shareholders of Petrobras	21,182	33,313	20,895	33,101
Adjustments for:				
Non-controlling interests	(223)	(203)	-	-
Pension and medical benefits (actuarial expense)	4,074	2,893	3,734	2,635
Share of profit of equity-accounted investments	(84)	(386)	(8,581)	(5,808)
Depreciation, depletion and amortization	21,766	17,739	15,738	12,902
Impairment	1,747	1,824	491	744
Exploratory expenditures written off	5,628	2,504	5,268	2,243
Gains / (Losses) on disposal of non-current assets	80	885	113	195
Foreign Exchange variation, indexation and finance charges	8,584	6,238	2,774	(231)
Deferred income taxes, net	4,256	6,157	4,465	7,208
Increase / (Decrease) in assets				
Trade and other receivables, net	(3,068)	(3,848)	4,480	(3,127)
Inventories	(3,560)	(8,335)	(2,900)	(7,463)
Other assets	(4,051)	(4,207)	(6,059)	(4,099)
Increase / (Decrease) in liabilities				
Trade payables	2,115	4,112	2,329	(701)
Taxes payable	(2,341)	(3,405)	(2,523)	(791)
Pension and medical benefits	(1,443)	(1,410)	(1,345)	(1,314)
Other liabilities	(517)	2,451	245	(81)
Net cash provided by / (used in) operating activities	**54,145**	**56,322**	**39,124**	**35,413**

Cash flows from Investing activities				
Other investments in exploration and production of oil and gas				
Investments in exploration and production of oil and gas	(41,933)	(31,412)	(33,747)	(24,455)
Investments in refining, transportation and marketing	(26,932)	(26,339)	(34,266)	(18,586)
Investments in gas and power activities	(3,884)	(4,517)	(2,960)	(2,454)
Investment in international activities	(4,665)	(3,966)	(6)	(11)
Investments in distribution activities	(1,213)	(1,070)	-	-
investments in biofuel activities	(299)	(504)	(408)	(711)
Other investments	(822)	(2,316)	(819)	(2,193)
Investments in marketable securities	4,324	11,606	8,627	13,030
Dividends received	485	680	3,200	2,434
Net cash provided by / (used in) in investing activities	**(74,939)**	**(57,838)**	**(60,379)**	**(32,946)**

See the accompanying notes to the financial statements.

Petróleo Brasileiro S.A. - Petrobras

Statement of Cash Flows (continued)

December 31, 2012 and 2011

(In millions of reais)

	Consolidated		Parent Company	
	2012	**2011**	**2012**	**2011**
Cash flows from Financing activities				
Acquisition of non-controlling interest	520	46	-	-
Financing and loans, net				
Proceeds from long-term financing	48,931	40,433	47,199	55,928
Repayment of principal	(22,317)	(14,523)	(17,350)	(39,525)
Repayment of interest	(9,298)	(7,633)	(3,293)	(3,053)
Assignment of receivables (FIDC NP)	-	-	(579)	(6,295)
Dividends paid	(6,187)	(10,659)	(6,187)	(10,659)
Net cash provided by / (used in) financing activities	**11,649**	**7,664**	**19,790**	**(3,604)**
Effect of exchange rate changes on cash and cash equivalents	**1,026**	**183**	**-**	**-**
Net increase / (decrease) in cash and cash equivalents in the year	**(8,119)**	**6,331**	**(1,465)**	**(1,137)**
Cash and cash equivalents at the beginning of the year	**35,747**	**29,416**	**18,858**	**19,995**
Cash and cash equivalents at the end of the year	**27,628**	**35,747**	**17,393**	**18,858**

Consolidated

			Parent Company	
	2012	**2011**	**2012**	**2011**
Additional information on cash flows:				
Amounts paid and received during the year				
Income tax and social contribution paid	2,170	3,438	(24)	(1,176)
Withholding income tax paid for third-party	3,905	3,963	(3,339)	(3,389)
	6,075	**7,401**	**(3,363)**	**(4,565)**
Non-cash Transactions (Investing and Financing)				
Purchase of property, plant and equipment on credit	371	17	-	-
Finance leases	-	35	-	342
Provision for decommissioning costs - recognition	10,719	2,532	10,481	2,382

See the accompanying notes to the financial statements.

Petróleo Brasileiro S.A. - Petrobras

Statement of Added Value

December 31, 2012 and 2011

(In millions of reais)

	Consolidated		Parent company	
	2012	**2011**	**2012**	**2011**
Income				
Sales of products, services provided and other revenues	353,066	312,841	282,551	245,793
Provision for impairment of trade receivables	(76)	22	(10)	64
Revenues related to construction of assets for own use	73,671	66,853	55,104	49,939
	426,661	379,716	337,645	295,796
Inputs acquired from third parties				
Materials consumed	(121,064)	(95,484)	(95,627)	(68,529)
Power, third-party services and other operating expenses	(86,634)	(70,145)	(68,067)	(54,506)
Tax credits on inputs acquired from third parties	(21,277)	(21,292)	(19,669)	(16,283)
Impairment	(1,747)	(1,824)	(491)	(744)
	(230,722)	(188,745)	(183,854)	(140,062)
Gross added value	195,939	190,971	153,791	155,734
Retentions				
Depreciation, depletion and amortization	(21,766)	(17,739)	(15,738)	(12,902)
Net added value produced by the Company	174,173	173,232	138,053	142,832
Transferred added value				

Share of profit of equity-accounted investments	84		386		8,581		5,808	
Finance income - including indexation and foreign exchange variation charges	7,241		6,543		7,885		8,570	
Rents, royalties and others	291		920		703		728	
	7,616		7,849		17,169		15,106	
Total added value to be distributed	**181,789**		**181,081**		**155,222**		**157,938**	
					-			
Distribution of added value					-			
					-			
Personnel and officers					-			
Direct compensation					-			
Salaries	15,616	9%	13,513	7%	11,725	8%	10,213	6%
Profit sharing	1,005	1%	1,560	1%	815	1%	1,295	1%
	16,621		15,073		12,540		11,508	
Benefits								
Short-term benefits	937	1%	823		581		528	
Pension plan	2,480	1%	1,526	1%	2,315	1%	1,395	1%
Medical plan	2,580	1%	2,181	1%	2,295	2%	1,976	2%
FGTS	1,008	1%	861		880	1%	746	
	23,626	14%	20,464	10%	18,611	13%	16,153	10%
Taxes								
Federal*	58,228	32%	61,098	34%	52,165	34%	57,033	36%
State	39,508	22%	36,358	20%	24,699	15%	22,367	14%
Municipal	217		186		94		79	
Abroad*	6,390	4%	6,340	4%	-		-	
	104,343	58%	103,982	58%	76,958	49%	79,479	50%
Financial institutions and suppliers								
Interest, and exchange and indexation charges	18,394	10%	13,781	8%	11,575	7%	8,813	6%
Rental and affreightment expenses	14,467	6%	9,744	5%	27,183	18%	20,392	13%
	32,861	16%	23,525	13%	38,758	25%	29,205	19%
Shareholders								
Interest on capital	8,876	5%	10,436	6%	8,876	6%	10,436	7%
Dividends	-		1,565	1%	-		1,565	1%
Non-controlling interests	(223)		(203)		-		-	
Retained earnings	12,306	7%	21,312	12%	12,019	7%	21,100	13%
	20,959	12%	33,110	19%	20,895	13%	33,101	21%

Added value distributed	**181,789**	**100%**	**181,081**	**100%**	**155,222**	**100%**	**157,938**	**100%**

See the accompanying notes to the financial statements.

Petróleo Brasileiro S.A. - Petrobras

Segment Information

December 31, 2012 and 2011

(In millions of reais)

	2012						
	Exploration and Production	**Refining, Transportation & Marketing**	**Gas & Power**	**Biofuels**	**Distribution**	**International**	**Co**
Sales revenues	**145,573**	**227,643**	**23,209**	**895**	**79,601**	**34,985**	
Intersegments	143,873	74,166	2,503	719	1,724	7,542	
Third parties	1,700	153,477	20,706	176	77,877	27,443	
Cost of sales	(65,651)	(253,895)	(19,010)	(945)	(72,316)	(27,499)	
Gross profit (loss)	**79,922**	**(26,252)**	**4,199**	**(50)**	**7,285**	**7,486**	
Expenses	**(10,708)**	**(7,916)**	**(2,108)**	**(200)**	**(4,489)**	**(3,746)**	
Selling, administrative and general expenses	(963)	(5,935)	(1,896)	(125)	(4,373)	(1,805)	
Exploration costs	(7,114)	-	-	-	-	(757)	
Research and development expenses	(1,057)	(444)	(74)	(67)	(5)	(1)	
Other taxes	(103)	(128)	(116)	(2)	(24)	(219)	
Other operating expenses, net	(1,471)	(1,409)	(22)	(6)	(87)	(964)	
Income before financial results, profit sharing and income taxes	**69,214**	**(34,168)**	**2,091**	**(250)**	**2,796**	**3,740**	
Financial income (expenses), net	-	-	-	-	-	-	
Share of profit of equity-accounted investments	(3)	(205)	378	(52)	2	(31)	
Profit sharing	(342)	(267)	(38)	(2)	(83)	(29)	
Income before income taxes	**68,869**	**(34,640)**	**2,431**	**(304)**	**2,715**	**3,680**	
	(23,417)	11,709	(698)	86	(922)	(2,244)	

Income tax and social contribution						
Net income (loss)	**45,452**	**(22,931)**	**1,733**	**(218)**	**1,793**	**1,436**
Net income attributable to:						
Shareholders of Petrobras	45,446	(22,931)	1,638	(218)	1,793	1,305
Non-controlling interests	6	-	95	-	-	131
	45,452	**(22,931)**	**1,733**	**(218)**	**1,793**	**1,436**

See the accompanying notes to the financial statements.

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Petróleo Brasileiro S.A. - Petrobras

Segment Information

December 31, 2012 and 2011

(In millions of reais)

					2012		
	Exploration and Production	**Refining, Transportation & Marketing**	**Gas & Power**	**Biofuels**	**Distribution**	**International**	**Co**
Sales revenues	**124,028**	**198,516**	**16,295**	**535**	**73,633**	**28,374**	
Intersegments	123,165	63,833	2,182	482	1,223	6,320	
Third parties	863	134,683	14,113	53	72,410	22,054	
Cost of sales	(55,118)	(205,998)	(9,550)	(588)	(67,630)	(21,679)	
Gross profit (loss)	**68,910**	**(7,482)**	**6,745**	**(53)**	**6,003**	**6,695**	
Expenses	**(7,058)**	**(7,026)**	**(2,533)**	**(222)**	**(4,118)**	**(3,169)**	
Selling, administrative and general expenses	(819)	(5,536)	(1,739)	(111)	(4,024)	(1,554)	
Exploration costs	(3,674)	-	-	-	-	(754)	
Research and development expenses	(1,248)	(470)	(116)	(50)	(9)	(1)	
Other taxes	(80)	(90)	(165)	(1)	(41)	(192)	
Other operating expenses, net	(1,237)	(930)	(513)	(60)	(44)	(668)	
Income before financial results, profit sharing and income taxes	**61,852**	**(14,508)**	**4,212**	**(275)**	**1,885**	**3,526**	
Financial income (expenses), net	-	-	-	-	-	-	
Share of profit of equity-accounted investments	74	(165)	398	26	9	40	
Profit sharing	(488)	(348)	(61)	(2)	(118)	(52)	
Income before income taxes	**61,438**	**(15,021)**	**4,549**	**(251)**	**1,776**	**3,514**	
	(20,863)	5,051	(1,411)	94	(601)	(1,547)	

Income tax and social contribution						
Net income (loss)	**40,575**	**(9,970)**	**3,138**	**(157)**	**1,175**	**1,967**
Net income attributable to:						
Shareholders of Petrobras	40,594	(9,955)	3,109	(157)	1,175	1,949
Non-controlling interests	(19)	(15)	29	-	-	18
	40,575	**(9,970)**	**3,138**	**(157)**	**1,175**	**1,967**

See the accompanying notes to the financial statements.

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Petróleo Brasileiro S.A. - Petrobras

Segment Information

December 31, 2012 and 2011

(In millions of reais)

Assets	**Exploration and Production**	**Refining, Transportation & Marketing**	**Gas & Power**	**Biofuels**	**Distribution**	**International**	**Corpora**
Current assets	**13,415**	**41,610**	**7,377**	**239**	**6,490**	**7,186**	**55,9**
Non-current assets	**296,784**	**145,285**	**50,768**	**2,311**	**10,125**	**31,098**	**23,9**
Long-term receivables	10,462	9,364	3,504	33	3,785	4,564	16,
Investments	164	5,920	2,371	1,757	31	1,915	[illegible]
Property, plant and equipment	210,029	129,686	44,108	521	5,585	22,237	6,
Intangible assets	76,129	315	785	-	724	2,382	[illegible]
As of December 31, 2012	**310,199**	**186,895**	**58,145**	**2,550**	**16,615**	**38,284**	**79,9**
Current assets	**10,537**	**41,203**	**4,707**	**239**	**7,956**	**8,272**	**61,8**
Non-current assets	**254,164**	**116,982**	**47,150**	**2,180**	**6,936**	**28,167**	**23,9**
Long-term receivables	7,766	7,910	3,050	32	1,344	5,465	17,
Investments	23	6,306	2,160	1,612	84	1,873	
Property, plant and equipment	170,010	102,473	41,208	536	4,709	18,516	5,
Intangible assets	76,365	293	732	-	799	2,313	[illegible]
	264,701	**158,185**	**51,857**	**2,419**	**14,892**	**36,439**	**85,8**

As of December 31, 2011

See the accompanying notes to the financial statements.

Petróleo Brasileiro S.A. - Petrobras

Segment Information

December 31, 2012 and 2011

(In millions of reais)

			2012				
Income statement	**Exploration and Production**	**Refining, Transportation & Marketing**	**Gas & Power**	**Distribution**	**Corporate**	**Eliminations**	**Tot**
Sales revenues	**10,468**	**17,533**	**1,175**	**10,133**	**-**	**(4,324)**	**34,9**
Intersegments	7,472	4,290	73	31	-	(4,324)	7,5
Third parties	2,996	13,243	1,102	10,102	-	-	27,4
Income before financial results, profit sharing and income taxes	**4,702**	**(831)**	**262**	**141**	**(567)**	**33**	**3,7**
Net income attributable to shareholders of Petrobras	**2,509**	**(816)**	**243**	**132**	**(796)**	**33**	**1,3**

			2011				
Income statement	**Exploration and Production**	**Refining, Transportation & Marketing**	**Gas & Power**	**Distribution**	**Corporate**	**Eliminations**	**Tot**
Sales revenues	**8,615**	**14,241**	**909**	**8,320**	**-**	**(3,711)**	**28,3**
Intersegments	6,373	3,585	39	45	-	(3,722)	6,3
Third parties	2,242	10,656	870	8,275	-	11	22,0
Income before financial results, profit sharing and income taxes	**3,969**	**(226)**	**190**	**120**	**(507)**	**(20)**	**3,5**

Net income attributable to shareholders of Petrobras	**2,217**	**(213)**	**262**	**99**	**(396)**	**(20)**	**1,9**

Total assets	**Exploration and Production**	**Refining, Transportation & Marketing**	**Gas & Power**	**Distribution**	**Corporate**	**Eliminations**	**Tot**
As of 12.31.2012	**30,817**	**4,913**	**1,551**	**2,217**	**3,227**	**(4,441)**	**38,2**
As of 12.31.2011	**27,358**	**6,365**	**1,742**	**1,889**	**3,412**	**(4,327)**	**36,4**

See the accompanying notes to the financial statements.

Petróleo Brasileiro S.A. - Petrobras

Social balance

December 31, 2012 and 2011

(In millions of reais)

1 - Calculation basis	**Consolidated** **2012**	**2011**
Consolidated sales revenues (SR)	281,379	244,176
Consolidated net income before profit sharing and taxes (OI)	28,758	45,911
Consolidated gross payroll (GP)	15,511	13,026

2 - Internal Social Indicators (i)	**Amount**	**% of GP**	**SR**	**Amount**	**% of GP**	**SR**
Meal and food	890	5.74%	0.32%	845	6.49%	0.35%
Compulsory payroll charges	7,707	49.69%	2.74%	6,477	49.72%	2.65%
Pension	686	4.42%	0.24%	328	2.52%	0.13%
Health Care	2,888	18.62%	1.03%	2,427	18.63%	0.99%
Health and Safety	201	1.30%	0.07%	180	1.38%	0.07%
Education	175	1.13%	0.06%	133	1.02%	0.05%
Culture	10	0.06%	0.00%	11	0.08%	0.00%
Professional training and development	501	3.23%	0.18%	418	3.21%	0.17%
Day-care assistance	99	0.64%	0.04%	90	0.69%	0.04%
Profit sharing	1,005	6.48%	0.36%	1,560	11.98%	0.64%
Other	82	0.53%	0.03%	76	0.58%	0.03%
Total - Internal social indicators	14,244	91.84%	5.07%	12,545	96.30%	5.12%

3 - External Social Indicators (i)	**Amount**	**% of OI**	**SR**	**Amount**	**% of OI**	**SR**
Income and Work Opportunities Generated	51	0.18%	0.02%	48	0.10%	0.02%
Education for Professional Skills	61	0.21%	0.02%	57	0.12%	0.02%
Rights of Children and Adolescents Guarantee	60	0.21%	0.02%	70	0.15%	0.03%

(I)						
Culture	189	0.66%	0.07%	182	0.40%	0.07%
Sport	61	0.21%	0.02%	80	0.17%	0.03%
Other	29	0.10%	0.01%	33	0.07%	0.01%
Total contributions for the community	451	1.57%	0.16%	470	1.02%	0.19%
Taxes (excluding payroll charges)	100,087	348.03%	35.57%	97,826	213.08%	40.06%
Total - External social indicators	100,538	349.60%	35.89%	98,296	214.10%	40.26%

		% of		**Amount**	**% of**	
4 - Environmental Indicators (i)	**Amount**	**OI**	**SR**		**OI**	**SR**
Investments related to the Company's production/operation	2,827	9.83%	1.00%	2,550	5.55%	1.04%
Investments in external programs and/or projects	101	0.35%	0.04%	172	0.37%	0.07%
Total environmental investments	2,928	10.18%	1.04%	2,722	5.93%	1.11%
With respect to establishing "annual goals" for minimizing wastage, input general consumption in production/operation and for increasing efficiency in the use of natural resources, the Company:	( ) does not have goals	( ) attains from 51% to 75%		( ) does not have goals	( ) attains from 51% to 75%	
	( ) attains from 0 to 50%	(x) attains from 76 to 100%		( ) attains from 0 to 50%	(x) attains from 76 to 100%	

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Petróleo Brasileiro S.A. - Petrobras

Social balance

December 31, 2012 and 2011

(In millions of reais)

	Consolidated	
5 - Indicators for the staff (i)	**2012**	**2011**
Nº of employees at the end of the period	85,065	81,918
Nº of hirings during the period (II)	4,017	3,447
Nº of contracted employees (outsourcing)	360,372	328,133
Nº of student trainees	1,852	1,825
Nº of employees older than 45	37,373	35,927
Nº of women that work in the Company	14,536	13,860
% of leadership positions held by women	15%	14.40%
Nº of Negroes that work in the Company (III)	20,158	18,468
% of leadership positions held by Negroes (IV)	25%	24.90%
Nº of handicapped workers (V)	1,120	1,104

6 - Significant information with respect to the exercise of corporate citizenship (i)	**2012**			**Goals 2013**		
Ratio between the Company’s highest and lowest compensation (VI)			20.54			20.54
Total number of work accidents (VII)			6,680			6,350
The social and environmental projects developed by the Company were defined by:	( ) directors	(X) directors and managers	( ) all employees	( ) directors	(X) directors and managers	( ) all employees
The health and safety standards in the work environment were defined by:	(X) directors and managers	( ) all the employees	( ) everyone + Cipa	(X) directors and managers	( ) all the employees	( ) everyone + Cipa
With respect to union freedom, the right to collective bargaining and internal representation of the employees, the Company:	( ) is not involved	( ) follows ILO standards	(X) encourages and follows ILO	( ) will not be involved	( ) will follow ILO standards	(X) will encourage and follow ILO
The pension benefits include:	( ) directors	( ) directors and managers	(X) all employees	( ) directors	( ) directors and managers	(X) all employees
Profit-sharing includes:	( ) directors	( ) directors and managers	(X) all employees	( ) directors	( ) directors and managers	(X) all employees
In the selection of suppliers,	( ) are not considered	( ) are suggested	(X) are required	( ) will not be	( ) will be suggested	(X) will be required

the same ethical standards and standards of social and environmental responsibility adopted by the Company:				considered		
With respect to the participation of employees in voluntary work programs, the Company:	( ) is not involved	( ) gives support	(X) organizes and encourages	( ) will not be involved	( ) will give support	(X) will organize and encourage
Total number of complaints and criticisms from consumers:	**in the Company**	**in Procon**	**in court**	**in the Company**	**in Procon**	**in court**
(VIII)	16,752	10	32	8,300	-	-
% of claims and criticisms attended or resolved: (VIII)	**in the Company**	**in Procon**	**in court**	**in the Company**	**in Procon**	**in court**
	94.2%	30%	53%	99%	-	-
Total added value to be distributed (consolidated) - amount:	**In 2012:**		**181,789**	**In 2011:**		**181,081**
Distribution of added value	58% government 14% employees 5% shareholders 16% third parties 7% retained			58% government 10% employees 7% shareholders 13% third parties 12% retained		

(i) **Unaudited information**

7 - Other information

1) The Company does not use child or slave labor, it is not involved in prostitution or sexual exploitation of children or adolescents and is not involved in corruption.

2) The Company values and respects diversity, both internally and externally.

I. It includes R$ 3.3 transferred to the Fund for Infancy and Adolescence (FIA).

II. Information for the Petrobras Group in Brazil, related to hiring through public selection processes.

III. Information related to the employees of the Parent Company, Petrobras Distribuidora, Transpetro and Liquigás who declared to be Negroes.

IV. Of the total leadership positions in the Parent Company held by employees who informed their color/race, 24.6% are held by people who declared to be Negroes.

Petróleo Brasileiro S.A. - Petrobras

Social balance

December 31, 2012 and 2011

(In millions of reais)

V. Information related to the Parent company, Petrobras Distribuidora and Transpetro, which correspond to 5.6% of the permanent staff in jobs where positions are reserved for disabled people.

VI. It includes the following companies: the Parent Company, Petrobras Distribuidora, Transpetro, Liquigás and Petrobras Biocombustível.

VII. The numbers for 2012 have increased, since from 2012 on the numbers include first-aid assistance and non-health dismissal accidents, as well as the health-dismissal accidents (that were previously reported).

VIII. The information on the Company includes the number of complaints and criticisms received by the Parent Company, Petrobras Distribuidora and Liquigás. The goals for 2013 do not include the estimates for the Customer Service Centers of Petrobras Distribuidora.

Petróleo Brasileiro S.A. - Petrobras

Notes to the financial statements (Consolidated and Parent Company)

(In millions of reais, except when indicate otherwise)

1 The Company and its operations

Petróleo Brasileiro S.A. - Petrobras is dedicated, directly or through its subsidiaries (referred to jointly as “Petrobras” or “the Company”) to prospecting, drilling, refining, processing, trading and transporting crude oil from producing onshore and offshore oil fields and from shale or other rocks, as well as oil products, natural gas and other liquid hydrocarbons. In addition, Petrobras carries out energy related activities, such as research, development, production, transport, distribution and trading of all forms of energy, as well as any other correlated or similar activities. The Company’s head office is located in Rio de Janeiro – RJ, Brazil.

2 Basis of preparation of the financial statements

The financial statements include:

Consolidated financial statements

The consolidated financial statements have been prepared and are being presented in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in accordance with accounting practices adopted in Brazil.

Individual financial statements

- The individual financial statements have been prepared in accordance with accounting practices adopted in Brazil, observing the provisions contained in the Brazilian Corporation Law, and they incorporate the changes introduced through Law 11,638/07 and Law 11,941/09, complemented by the standards, interpretations and orientations of the Accounting Pronouncements Committee (CPC), approved by resolutions of the Federal Accounting Council (CFC) and by rules of the Brazilian Securities Commission (CVM).

- The standards, interpretations and orientations of the Accounting Pronouncements Committee (CPC), approved by resolutions of the Federal Accounting Council (CFC) and rules of the Brazilian Securities Commission (CVM) converge with the International Accounting Standards issued by the International Accounting Standard Board (IASB). Accordingly, the individual financial statements do not present differences with respect to the consolidated financial statements under IFRS, except for the maintenance of deferred assets, as established in CPC 43 (R1) approved by CVM deliberation 651/10. See note 3.1 for a reconciliation between the parent company’s shareholders’ equity and net income with the consolidated financial statements.

The financial statements have been prepared under the historical cost convention, as modified by certain non-current assets and liabilities and non-current financial instruments.

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

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

Petróleo Brasileiro S.A. - Petrobras

Notes to the financial statements (Consolidated and Parent Company)

(In millions of reais, except when indicate otherwise)

2.1 Business segment reporting

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

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

Information per business area are prepared and reported in accordance with the prevailing organizational structure, including the business areas set out below:

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

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

c) Gas and Power: This segment covers the activities of transportation and trading of natural gas produced in Brazil and imported natural gas, transportation and trading of LNG (liquid natural gas), generation and trading of electricity, as well as holding interests in transporters and distributors of natural gas and in thermoelectric power stations in Brazil, in addition to being responsible for the fertilizer business.

d) Biofuel: This segment covers the activities of production of biodiesel and its co-products, as well as the ethanol-related activities: equity investments, production and trading of ethanol, sugar and the surplus electric power generated from sugarcane bagasse.

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

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

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

2.2 Statement of added value

The statements of added value present information related to the value added by the Company (wealth created) and how it has been distributed. These statements are presented as supplementary information under IFRS and were prepared in accordance with CPC 09 – Statement of Added Value approved by CVM deliberation 557/08.

Petróleo Brasileiro S.A. - Petrobras

Notes to the financial statements (Consolidated and Parent Company)

(In millions of reais, except when indicate otherwise)

2.3 Social balance

The Social Balance presents social and environmental indices, number of employees and related information, as well as relevant information with respect to the exercise of corporate citizenship. Some information was obtained through the Company’s subsidiary records and managerial information. Social balance is presented as additional information.

2.4 Functional currency

The functional currency of Petrobras (Parent Company) and all Brazilian subsidiaries is the Brazilian Real. The functional currency of certain subsidiaries and special purpose entities that operate in the international economic environment is the U.S. dollar and the functional currency of Petrobras Argentina is the Argentine Peso.

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

All exchange differences arising from the translation of the financial statements of non-Brazilian Real subsidiaries, jointly controlled entities and associates are recognized as cumulative translation adjustments (CTA) within accumulated other comprehensive income in the shareholders’ equity and transferred to profit or loss in the periods when the realization of the investments affects profit or loss.

2.5 Use of estimates and judgments

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

Petróleo Brasileiro S.A. - Petrobras

Notes to the financial statements (Consolidated and Parent Company)

(In millions of reais, except when indicate otherwise)

3 Basis of Consolidation

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

		Equity capital - Subscribed, paid in and voting%	
Subsidiaries	**Country**	**2012**	**2011**
Petrobras Distribuidora S.A. - BR and its subsidiaries	Brazil	100.00	100.00
Braspetro Oil Services Company - Brasoil and its subsidiaries (i)	Cayman Islands	100.00	100.00
Braspetro Oil Company - BOC and its subsidiaries (i)	Cayman Islands	100.00	100.00
Petrobras International Braspetro B.V. - PIBBV and its subsidiaries (i) (ii)	Holland	100.00	100.00
Petrobras Comercializadora de Energia Ltda. - PBEN (iii)	Brazil	100.00	100.00
Petrobras Negócios Eletrônicos S.A. – E-PETRO (iv)	Brazil	100.00	100.00
Petrobras Gás S.A. - Gaspetro and its subsidiaries	Brazil	99.99	99.99
Petrobras International Finance Company - PifCo and its subsidiaries (i)	Cayman Islands	100.00	100.00
Petrobras Transporte S.A. - Transpetro and its subsidiaries	Brazil	100.00	100.00
Downstream Participações Ltda.	Brazil	99.99	99.99
Petrobras Netherlands B.V. - PNBV and its subsidiaries (i)	Holland	100.00	100.00
5283 Participações Ltda.	Brazil	100.00	100.00
Fundo de Investimento Imobiliário RB Logística - FII	Brazil	99.00	99.00
Baixada Santista Energia S.A.	Brazil	100.00	100.00

Sociedade Fluminense de Energia Ltda. – SFE	Brazil	100.00	100.00
Termoceará Ltda.	Brazil	100.00	100.00
Termomacaé Ltda.	Brazil	100.00	100.00
Termomacaé Comercializadora de Energia Ltda.	Brazil	100.00	100.00
Termobahia S.A.	Brazil	98.85	98.85
Ibiritermo S. A.	Brazil	50.00	50.00
Petrobras Biocombustível S.A.	Brazil	100.00	100.00
Refinaria Abreu e Lima S.A.	Brazil	100.00	100.00
Companhia Locadora de Equipamentos Petrolíferos S.A. – CLEP	Brazil	100.00	100.00
Comperj Participações S.A.	Brazil	100.00	100.00
Comperj Estirênicos S.A.	Brazil	100.00	100.00
Comperj MEG S.A.	Brazil	100.00	100.00
Comperj Poliolefinas S.A.	Brazil	100.00	100.00
Cordoba Financial Services Gmbh - CFS and its subsidiary (i)	Austria	100.00	100.00
Breitener Energética S.A. and its subsidiaries	Brazil	93.66	65.00
Cayman Cabiunas Investiment CO. (i)	Cayman Islands	100.00	100.00
Innova S.A.	Brazil	100.00	100.00
Companhia de Desenvolvimento de Plantas Utilidades S.A. - CDPU (v)	Brazil	100.00	100.00
Companhia de Recuperação Secundária S.A. - CRSEC	Brazil	100.00	100.00
Petrobras Química S.A. - Petroquisa and its subsidiaries (vi)	Brazil	-	100.00
Arembepe Energia S.A. (vii)	Brazil	100.00	30.00
Energética Camaçari Muricy S.A. (vii)	Brazil	71.60	49.00
Companhia Integrada Têxtil de Pernanbuco S.A. - CITEPE (viii)	Brazil	100.00	-
Companhia Petroquímica de Pernanbuco S.A. - SUAPE (viii)	Brazil	100.00	-
Petrobras Logística de Exploração e Produção S.A. - PB-LOG (viii) and (ix)	Brazil	100.00	-
Liquigás S.A. (viii)	Brazil	100.00	-

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

(ii) 11.87% interest of 5283 Participações Ltda.

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

(iv) 0.05% interest of Downstream.

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

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

(vii) Acquisition of control (Business combinations).

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

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(In millions of reais, except when indicate otherwise)

Special purpose entities - SPE	**Country**	**Main activity**
Charter Development LLC – CDC (i)	USA	Exploration and Production
Companhia de Desenvolvimento e Modernização de Plantas Industriais – CDMPI	Brazil	Refining
PDET Offshore S.A.	Brazil	Exploration and Production
Nova Transportadora do Nordeste S.A. - NTN	Brazil	Logistics
Nova Transportadora do Sudeste S.A. - NTS	Brazil	Logistics
Fundo de Investimento em Direitos Creditórios Não-padronizados do Sistema Petrobras	Brazil	Corporate

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

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

3.1 Reconciliation between the parent company's shareholders' equity and net income with the consolidated financial

	Shareholders' equity		**Net income**	
	2012	**2011**	**2012**	**2011**
Consolidated - IFRS	**345,433**	**332,224**	**20,959**	**33,110**
Non-controlling interests	(2,354)	(2,385)	223	203
Deferred expenses, net of income tax	361	636	(287)	(212)
Parent company - CPC	**343,440**	**330,475**	**20,895**	**33,101**

4 Summary of significant accounting policies

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

4.1 Financial assets and liabilities

4.1.1 Cash and cash equivalents

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

4.1.2 Marketable securities

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

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

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

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

4.1.3 Trade receivables

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

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

4.1.4 Loans and financing (Debt)

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

4.1.5 Derivative financial instruments and hedge operations

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

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

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

4.2 Inventories

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

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

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

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

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

Imports in transit are stated at the identified cost.

4.3 Investments in other companies

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

4.4 Business combinations and goodwill

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

Assets acquired and liabilities assumed on a business combination are accounted for by applying the acquisition method, based on which assets and liabilities are measured at their acquisition-date fair values.

The excess of the acquisition cost over the acquisition-date fair value of the net assets acquired (the net of the amounts of the identifiable assets acquired and the liabilities assumed) is recognized as goodwill in intangible assets. In the case of a bargain purchase, a gain is recognized in profit or loss when the acquisition cost is lower than the acquisition-date fair value of the net assets acquired.

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

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

4.5 Oil and Gas exploration and development expenditures

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

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

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

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

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

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

4.6 Property, plant and equipment

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

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

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

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

Depreciation, depletion and amortization of proved oil and gas producing properties are accounted for pursuant to the unit-of-production method applied to the depreciable amount of the asset as set out as follows: i) Depreciation (amortization) of oil and gas producing properties, including related equipment and facilities is computed based on a unit-of-production basis over the proved developed oil and gas reserves, applied on a field by field basis; ii) the straight-line method is used for other assets, such as assets with a useful life shorter than the life of the field or related to fields with different development stages. iii) Amortization of amounts paid for obtaining concessions for exploration of oil and natural gas of producing properties, such as signature bonus (capitalized acquisition costs) is recognized using the unit-of- production method, computed based on the units of production over the total proved oil and gas reserves, applied on a field by field basis.

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

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

4.7 Intangible assets

Intangible assets are measured at the acquisition cost, less accumulated amortization and impairment losses and comprise rights and concessions, including the signature bonus paid for obtaining concessions for exploration of oil and natural gas (capitalized acquisition costs) and the Onerous Assignment Agreement, referring to the right to carry out prospection and drilling activities for oil, natural gas and other liquid hydrocarbons located in blocks in the pre-salt area (“Cessão Onerosa”); public service concessions; trademarks; patents; software and goodwill. In the individual financial statements, goodwill arising from investments in subsidiaries, associates and jointly controlled entities is accounted for as part of these investments.

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

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

Internally generated intangible assets other than development costs meeting recognition criteria are not capitalized and are expensed as incurred.

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

4.8 Deferred Assets

The balance of deferred assets as of December 31, 2008 is presented in the individual statement of financial positions for the parent company and will be amortized in up to 10 years, subject to impairment testing in accordance with Law 11,941/09.

4.9 Impairment

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

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The impairment test comprises a comparison of the carrying amount of an individual asset or a cash-generating unit with its recoverable amount. Whether the recoverable amount of the unit is less than the carrying amount of the unit, an impairment loss is recognized to reduce the carrying amount to the recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. Considering the specificity of the Company's assets, value in use is generally used by the Company for impairment testing purposes, except when specifically indicated.

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

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

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

4.10 Leases

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

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

4.11 Decommissioning costs

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

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

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4.12 Income tax (IR) and social contribution on profits (CSLL)

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

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

4.13 Employee benefits (Post-Employment)

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

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

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

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

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

4.14 Share Capital and Stockholders' Compensation

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

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

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

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

4.15 Government grants

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

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

4.16 Recognition of revenue, costs and expenses

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

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

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

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

4.17 New standards and interpretations

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

Amendments to IFRS 7: "Disclosures: Transfers of Financial Assets".

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

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

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Standards	**Brief description**	**Effective Date (*)**
Amendment to IAS 1	‘Financial statement presentation’, regarding other comprehensive income Requires for entities to group items presented in ‘other comprehensive income’ (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).	January 1, 2013
Amendments to IAS 19	“Employee Benefits ” Eliminates the corridor method for recognizing actuarial gains or losses, and require the calculation of finance costs on a net funding basis. Simplifies the presentation of changes in assets and liabilities of defined benefit plans and expands the disclosure requirements.	January 1, 2013
IFRS 10	"Consolidated Financial Statements" Defines principles and requirements for the preparation and presentation of consolidated financial statements when an entity controls one or more other entities. Establishes the concept of control as the basis for consolidation and sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee.	January 1, 2013
IFRS 11	“Joint Arrangements” Establishes principles for disclosure of financial statements of entities that are parties of joint agreements. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.	January 1, 2013
IFRS 12	“Disclosure of Interests in Other Entities”	January 1, 2013

	Consolidates all the requirements of disclosures that an entity should carry out when participating in one or more entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	
IFRS 13	“Fair Value Measurement” Provides a precise definition of fair value , explains how to calculate it (one single source of measurement)and determines what must be disclosed. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards.	January 1, 2013
Amendments to IFRS 7	Disclosures – Offesetting Financial Assets and Financial Liabilities Establishes disclosure requirements for compensation agreements of financial assets and liabilities.	January 1, 2013
IAS 27 (revised 2011)	“Separate financial statements" Includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.	January 1, 2013
IAS 28 (revised 2011)	"Associates and joint ventures" Includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.	January 1, 2013
IFRS 9	"Financial instruments" and Amendments IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The Amendment postpones the date of enforcement from 2013 to 2015 . Also eliminates the requirement for republication of comparative information and requires additional disclosures about the transition to IFRS 9.	January 1, 2015

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

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The estimated impact that initial application of Amendments to IAS 19 is expected to have, due to the elimination of the corridor method (which allowed companies to defer actuarial gains and losses) is an increase of R$ 21.1 billion in our net actuarial liability, as well as a corresponding increase of R$ 6.1 billion in our deferred tax assets and a decrease of R$ 15 billion in the shareholders' equity of the Company.

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

5 Cash and cash equivalents

	Consolidated		**Parent company**	
	2012	**2011**	**2012**	**2011**
Cash at bank and in hand	2,024	3,731	66	672
Short-term financial investments				
- In Brazil				
Mutual funds - Interbank Deposit	16,589	10,301	15,570	9,210
Other investment funds	856	4,275	498	2,623
	17,445	**14,576**	**16,068**	**11,833**
- Abroad	8,159	17,440	1,259	6,353
Total financial investments	**25,604**	**32,016**	**17,327**	**18,186**
Total cash and cash equivalents	**27,628**	**35,747**	**17,393**	**18,858**

Short-term financial investments in Brazil comprise mutual funds mainly composed by Brazilian Federal Government Bonds. In the Parent Company they also include investments in receivables investment funds (FIDC) of the Petrobras group.

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

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6 Marketable securities

	Consolidated		Parent company	
	2012	**2011**	**2012**	**2011**
Trading securities	20,888	16,785	20,888	16,785
Available-for-sale securties	488	5,479	191	5,210
Held-to-maturity securities	299	291	2,588	6,849
	21,675	**22,555**	**23,667**	**28,844**
Current	**21,316**	**16,808**	**23,379**	**23,625**
Non-current	**359**	**5,747**	**288**	**5,219**

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

Available-for-sale securities include Brazilian Government Treasury Notes previously pledged as collateral to Petros (Note 20.1).

Held-to-maturity securities of the Parent Company include investments in the non-standardized receivables investment fund (FIDC-NP) in the amount of R$ 2,370 at December 31, 2012 and are presented in current assets.

7 Trade receivables

7.1 Trade receivables, net

	Consolidated		Parent company	
	2012	**2011**	**2012**	**2011**
Trade receivables				
Third parties	22,040	19,348	5,233	3,207
Related parties (Note 17)				
Subsidiaries, jointly controlled entities and associates	1,593	1,549	16,077	26,146
Receivables from the electricity sector	3,958	3,672	911	1,099
Petroleum and alcohol accounts - STN (*)	835	832	835	832
Other receivables	6,297	5,545	3,376	3,029
	34,723	**30,946**	**26,432**	**34,313**
Provision for impairment of trade receivables	(2,967)	(2,790)	(412)	(402)
	31,756	**28,156**	**26,020**	**33,911**
Current	**22,681**	**22,053**	**17,374**	**21,068**
Non-current	**9,075**	**6,103**	**8,646**	**12,843**

(*) Secretaria do Tesouro Nacional - National Treasury Secretariat.

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7.2 Changes in the provision for impairment of trade receivables

	Consolidated		Parent company	
	2012	**2011**	**2012**	**2011**
Opening balance	**2,790**	**2,681**	**402**	**466**
Additions **(*)**	587	586	287	238
Write-offs / Reversals **(*)**	(410)	(477)	(277)	(302)
Closing balance	**2,967**	**2,790**	**412**	**402**
Current	**1,746**	**1,685**	**412**	**402**
Non-current	**1,221**	**1,105**	**-**	**-**

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

7.3 Trade and other receivables overdue (Third parties)

	Consolidated		Parent company	
	2012	**2011**	**2012**	**2011**
Up to 3 months	1,572	1,411	1,070	800
From 3 to 6 months	319	215	171	82
From 6 to 12 months	370	264	210	64
More than 12 months	3,243	2,982	475	447
	5,504	**4,872**	**1,926**	**1,393**

8 Inventories

	Consolidated		**Parent company**	
	2012	**2011**	**2012**	**2011**
Products:				
Oil products **(*)**	12,016	9,166	10,216	7,550
Fuel Alcohol **(*)**	330	782	155	289
	12,346	9,948	10,371	7,839
Raw materials, mainly crude oil **(*)**	13,184	14,847	11,200	11,718
Maintenance materials and supplies **(*)**	3,846	3,369	3,386	2,911
Others	452	367	23	33
	29,828	**28,531**	**24,980**	**22,501**
Current	**29,736**	**28,447**	**24,908**	**22,434**
Non-current	**92**	**84**	**72**	**67**

(*) It includes imports in transit.

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9 Mergers, split-offs and other information about investments

Merger of Petroquisa and split-off of BRK

On January 27, 2012, the Extraordinary General Meeting of Petrobras approved the merger of Petrobras Química S.A. (Petroquisa) into Petrobras, the partial split-off of BRK Investimentos Petroquímicos S.A. (BRK) and the merger of the split-off portion into Petrobras, without capital increase.

Signing of settlement agreement – Pasadena Refinery

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

The amount of US$ 70 (R$ 140) was recognized in profit or loss in the second quarter of 2012, and the remaining portion had been recognized in prior periods. The total determined in the agreement was US$ 820.5. After the execution of the settlement agreement and the payment of the respective amount (paid when the agreement was signed), both parties gave full and general release of all issues under dispute between them.

Fair Value Appraisal of GBD

The appraisal of the fair value of the assets acquired and the liabilities assumed from the subsidiary Gás Brasiliano Distribuidora S.A. – GBD was concluded in June 2012. Petrobras Gás S.A. - Gaspetro acquired 100% of GBD’s shares in 2011. This appraisal resulted in a purchase price allocation of the total amount of R$ 444 (equivalent to US$ 280 million) to intangible assets of R$ 332 and other assets and liabilities, net of R$ 112. Therefore, no goodwill was recognized.

Petrobras Logística de Exploração e Produção S.A. - PBLOG

On July 31, 2012, Alberto Pasqualini S.A. - REFAP was renamed Empresa de Logística de E&P S.A., after transferring its refining assets to Petrobras, with the objective of providing logistics services to oil and gas exploration and production operations in Brazil. The shareholders' equity of the company (that has not yet started to operate) was not affected by the transfer of assets. On November 1, 2012 Empresa de Logística de E&P S.A was renamed Petrobras Logística de Exploração e Produção S.A. - PB-LOG.

Petróleo Brasileiro S.A. - Petrobras

Notes to the financial statements (Consolidated and Parent Company)

(In millions of reais, except when indicate otherwise)

10 Investments

10.1 Information about subsidiaries, jointly controlled entities and associates

			Thousands of shares				
	% Petrobras' ownership	**Subscribed capital at December 31, 2012**	**Common shares**		**Preferred shares**	**Shareholders' equity (deficit)**	**Net income (loss) for the year**
Subsidiaries							
Petrobras Netherlands B.V. - PNBV	100.00%	10,457	41,870	-	-	21,044	5,057
Refinaria Abreu e Lima S.A.	100.00%	11,014	11,013,815	-	-	10,567	(555)
Petrobras Distribuidora S.A. - BR	100.00%	4,182	34,777,774	-	-	10,358	1,891
Petrobras Gás S.A. - Gaspetro	99.99%	6,865	3,180	-	794	10,322	1,539
Petrobras Transporte S.A. - Transpetro	100.00%	2,946	2,946,300	-	-	3,906	720
Petrobras Logística de Exploração e Produção S.A. - PB-LOG	100.00%	3,162	2,388,987	-	-	3,435	8
Petrobras International Finance Company - PifCo	100.00%	531	300,050	-	-	(2,569)	(1,013)
Petrobras Biocombustível S.A.	100.00%	2,586	258,550	-	-	1,916	(217)
Companhia Integrada Têxtil de Pernambuco S.A. -	100.00%	2,127	2,127,229	-	-	1,801	11

Citepe Companhia Locadora de Equipamentos Petrolíferos S.A. - CLEP	100.00%	827	916,976	-	-	1,503	39
Companhia Petroquímica de Pernambuco S.A. - PetroquímicaSuape	100.00%	1,792	1,791,520	-	-	1,404	(83)
Petrobras International Braspetro - PIB BV	88.12%	6	2,837	-	-	969	557
Liquigás Distribuidora S.A.	100.00%	581	8,145	-	-	848	1
Termomacaé Ltda.	99.99%	634	634,015(*)		-	796	189
Comperj Poliolefinas S.A.	100.00%	651	65,108	-	-	651	-
Breitener Energética S.A.	93.66%	592	484,490	-	-	508	30
INNOVA S.A.	100.00%	307	57,600	-	5,748	431	68
Termoceará Ltda.	100.00%	275	275,226(*)		-	343	64
Petrobras Comercializadora de Energia Ltda. - PBEN	99.91%	217	216,852(*)		-	257	25
Arembepe Energia S.A.	100.00%	276	186,290,218	-	-	227	35
Baixada Santista Energia S.A.	100.00%	297	297,136	-	-	217	(24)
Sociedade Fluminense de Energia Ltda. - SFE	99.99%	56	55,556(*)		-	153	117
Termomacaé Comercializadora de Energia Ltda	100.00%	78	77,599(*)		-	147	87
5283 Participações Ltda.	100.00%	1,423	1,422,603(*)		-	115	66
Energética Camaçari Muriçy I Ltda.	71.60%	98	120,835	-	-	101	47
Comperj Estirênicos S.A.	100.00%	87	8,739	-	-	87	-
Fundo de Investimento Imobiliário RB Logística - FII	99.00%	1	117,127(*)		-	(82)	(93)
Comperj MEG S.A.	100.00%	77	7,696	-	-	77	-
Termobahia S.A.	98.85%	312	52	-	-	61	20
Cordoba Financial Services GmbH	100.00%	5	1(**)		-	46	(1)

Cayman Cabiunas Investment Co.	100.00%	-	100(**)		25,500	43	21
Petrobras Negócios Eletrônicos S.A. - E-Petro	99.95%	21	21,000	-	-	28	1
Companhia de Desenvolvimento de Plantas Utilidades S.A. - CDPU	80.00%	25	25,001	-	-	24	-
Braspetro Oil Services Company - Brasoil	100.00%	351	106,210	-	-	(14)	(244)
Companhia de Recuperação Secundária S.A. - CRSEC	100.00%	-	43,456	-	-	9	-
Comperj Participações S.A.	100.00%	22	2,150	-	-	(2)	(14)
Downstream Participações Ltda.	99.99%	1	1,412(*)		-	(1)	25
Braspetro Oil Company - BOC	100.00%	-	1(**)		-	-	-
Jointly controlled entities							
UTE Norte Fluminense S.A.	10.00%	481	481,432	-	-	935	131
Termoaçu S.A.	76.87%	700	699,737	-	-	740	19
Fábrica Carioca de Catalizadores S.A. - FCC	50.00%	120	502,145	-	-	282	55
Logum Logística S.A.	20.00%	300	430,556	-	-	212	(52)
Brasil PCH S.A.	49.00%	109	94,188	-	14,844	166	48
Cia Energética Manauara S.A.	40.00%	50	45,000	-	-	155	18
Ibiritermo S.A.	50.00%	8	7,652	-	-	112	42
Petrocoque S.A. Indústria e Comércio	50.00%	50	30,222	-	-	106	18
Brasympe Energia S.A.	20.00%	26	260,000	-	-	79	3
Participações em Complexos Bioenergéticos S.A. - PCBIOS	50.00%	63	62,850	-	-	62	-
Refinaria de Petróleo Riograndense S.A.	33.20%	32	5,158	-	15,296	57	12
	34.54%	67	98,693	-	197,386	45	(7)

METANOR S.A. - Metanol do Nordeste							
Companhia de Coque Calcinado de Petróleo S.A. - COQUEPAR	45.00%	62	62,056	-	-	45	(2)
Eólica Mangue Seco 4 - Geradora e Comercializadora de Energia Elétrica S.A.	49.00%	40	39,918	-	-	42	1
Brentech Energia S.A.	30.00%	30	25,901	-	-	40	13
Eólica Mangue Seco 3 - Geradora e Comercializadora de Energia Elétrica S.A.	49.00%	39	38,911	-	-	38	(2)
Eólica Mangue Seco 2 - Geradora e Comercializadora de Energia Elétrica S.A.	51.00%	35	35,353	-	-	35	(3)
Eólica Mangue Seco 1 - Geradora e Comercializadora de Energia Elétrica S.A.	49.00%	35	35,433	-	-	34	(1)
GNL do Nordeste Ltda.	50.00%	-	7,507(*)		-	-	-

Petróleo Brasileiro S.A. - Petrobras

Notes to the financial statements (Consolidated and Parent Company)

(In millions of reais, except when indicate otherwise)

			Thousands of shares			
	% Petrobras' ownership	Subscribed capital at December 31, 2012	Common shares	Preferred shares	Shareholders' equity (deficit)	Net income (loss) for the year
Associates						
Braskem S.A.	36.20%	8,043	451,669	345,597	8,295(***)	(972)(***)
Fundo de Investimento em Participações de Sondas	5.00%	1,916	95,784(*)	-	1,920	7
Sete Brasil Participações S.A.	5.00%	2,021	101,050	-	1,872	(51)
UEG Araucária Ltda.	20.00%	707	707,440(*)	-	666	28
Deten Química S.A.	27.88%	213	99,327,769	-	313	54
Energética SUAPE II	20.00%	140	139,977	-	148	36
Termoelétrica Potiguar S.A. - TEP	20.00%	37	11,259	-	84	(9)
Companhia Energética Potiguar S.A.	20.00%	9	1	-	64	56
Nitroclor Ltda.	38.80%	10	10,330(*)	-	1	-
Bioenergética Britarumã S.A.	30.00%	-	110	-	-	-

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

10.2 Changes in the Investments (Parent Company)

	Balance at 12/31/2011	Acquisition and paying in of capital	Additional paid in capital	Corporate restructuring /share capital decrease	Equity accounting	Other comprehen incom
Subsidiaries						
PNBV	13,740	27	48	-	5,161	
Refinaria Abreu e Lima	2,997	8,125	-	-	(555)	
Petrobras Distribuidora	9,960	-	-	(971)	1,891	
Gaspetro	10,574	262	36	(12)	1,539	
Transpetro	3,146	359	-	-	669	
PB Log	-	-	-	3,421	22	
PBIO	1,477	683	(22)	-	(217)	
Citepe	-	1,180	-	610	11	
CLEP	1,473	-	-	-	39	
PetroquímicaSuape	-	829	-	658	(83)	
PIBBV	400	-	88	-	491	
Liquigás	-	-	-	858	1	
Termomacaé Ltda	743	-	-	-	189	
COMPERJ Poliolefinas	651	-	-	-	-	
Breitener	30	433	(4)	-	17	
INNOVA	377	-	-	-	68	
Termoceará	319	-	-	-	64	
PBEN	270	-	-	-	25	
Arembepe	-	186	-	-	37	
Baixada Santista	241	-	-	-	(24)	
Petroquisa	4,516	-	-	(4,516)	-	
Downstream	1,124	2,300	-	(3,459)	35	
Other subsidiaries	591	24	29	-	347	
Jointly controlled entities	1,051	4	-	207	114	