

PETROBRAS - PETROLEO BRASILEIRO SA  
Form 6-K  
May 17, 2012

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**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**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 May, 2012**

**Commission File Number 1-15106**

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**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

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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).

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

Consolidated financial statements  
March 31, 2012 and 2011 with  
Report of Independent Registered  
Public Accounting Firm

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# Petróleo Brasileiro S.A. - Petrobras and subsidiaries

## Consolidated financial statements

**March 31, 2012 and 2011**

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**Report of Independent Registered  
Public Accounting Firm**

To the Board of Directors and Shareholders

We have reviewed the accompanying condensed consolidated balance sheet of Petróleo Brasileiro S.A. Petrobras and its subsidiaries as of March 31, 2012, and the related condensed consolidated statements of income, of cash flows, of comprehensive income and of shareholders equity for the three-month period ended March 31, 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 as issued by the International Accounting Standards Board.

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 quarter ended March 31, 2011 were audited and reviewed, respectively, by other auditors who issued unqualified opinion and review reports dated February 9, 2012 and May 13, 2011, respectively.

/s/PricewaterhouseCoopers

**PricewaterhouseCoopers**

Auditores Independentes

Rio de Janeiro - Brazil

May 15, 2012

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

## Consolidated Statement of Financial Position

## March 31, 2012 and December 31, 2011

*(In millions of Dollars)*

|  |      | March,<br>31  | December,<br>31 |  |      | March,<br>31  | December,<br>31 |
|--|------|---------------|-----------------|--|------|---------------|-----------------|
| Assets   | Note | 2012          | 2011            | Liabilities  | Note | 2012          | 2011            |
| <b>Current assets</b>                                    |      |               |                 | <b>Current liabilities</b>   |      |               |                 |
| Cash and cash equivalents                                | 5    | 21,900        | 19,057          | Trade accounts payable   | 15   | 11,726        | 11,863          |
| Marketable securities                                    | 6    | 9,880         | 8,961           | Current debt   | 16   | 9,868         | 10,067          |
| Accounts receivable, net                                 | 7    | 11,809        | 11,756          | Current portion of finance lease obligations                             | 17.1 | 21            | 44              |
| Inventories  | 8    | 16,133        | 15,165          | Taxes payable  | 20.2 | 6,019         | 5,847           |
| Recoverable Taxes  | 20.1 | 6,684         | 6,848           | Dividends payable  | 22   | 1,432         | 2,067           |
| Advances to suppliers                                    |      | 861           | 740             | Payroll and related charges  |      | 1,632         | 1,696           |
| Other current assets                                     |      | 2,087         | 2,065           | Employees' postretirement benefits obligations - Pension and Health Care | 21   | 823           | 761             |
|  |      | <b>69,354</b> | <b>64,592</b>   | Other current liabilities  |      | 4,674         | 4,019           |
|  |      |               |                 |  |      | <b>36,195</b> | <b>36,364</b>   |
| <b>Non-current assets</b>                                |      |               |                 | <b>Non-current liabilities</b>   |      |               |                 |
| <b>Long-term receivables</b>                             |      |               |                 | <b>Non-current liabilities</b>   |      |               |                 |
| Accounts receivable, net                                 | 7    | 3,380         | 3,253           | Long-term debt   | 16   | 80,090        | 72,718          |
| Marketable Securities                                    | 6    | 3,298         | 3,064           | Finance lease obligations  | 17.1 | 103           | 98              |
| Restricted deposits for legal proceedings and guarantees | 9    | 1,663         | 1,575           | Deferred tax liabilities   | 20.3 | 19,539        | 17,736          |



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|  |      |                |                |  |    |                |                |
|--|------|----------------|----------------|--|----|----------------|----------------|
| Deferred tax assets                        | 20.3 | 8,954          | 9,199          | Employees' postretirement benefits obligations - Pension and Health Care | 21 | 9,486          | 8,878          |
| Advances to suppliers                      |      | 3,300          | 3,141          | Legal proceedings provisions   | 28 | 851            | 726            |
| Other long-term receivables                |      | 2,081          | 1,725          | Provision for decommissioning cost                                       | 19 | 4,843          | 4,712          |
|  |      | <b>22,676</b>  | <b>21,957</b>  | Other non-current liabilities  |    | 914            | 1,068          |
|  |      |                |                |  |    | <b>115,826</b> | <b>105,936</b> |
| <b>Investments</b>                         | 11.1 | 6,764          | 6,530          |  |    |                |                |
| <b>Property, plant and equipment , net</b> | 12   | 194,099        | 182,465        | <b>Shareholders' equity</b>  | 22 |                |                |
| <b>Intangible assets</b>                   | 13   | 45,078         | 43,866         | Paid in capital  |    | 107,362        | 107,355        |
|  |      | <b>245,941</b> | <b>232,861</b> | Additional paid in capital   |    | 314            | 316            |
|  |      |                |                | Profit reserves  |    | 63,816         | 60,224         |
|  |      |                |                | Accumulated other comprehensive income                                   |    | 13,050         | 7,943          |
|  |      |                |                | <b>Petrobras shareholder's equity</b>                                    |    | <b>184,542</b> | <b>175,838</b> |
|  |      |                |                | <b>Non-controlling interests</b>   |    | 1,408          | 1,272          |
|  |      |                |                | <b>Total Equity</b>  |    | <b>185,950</b> | <b>177,110</b> |
|  |      |                |                | <b>Total liabilities and shareholder's equity</b>                        |    | <b>337,971</b> | <b>319,410</b> |
| <b>Total Assets</b>                        |      | <b>337,971</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

**March 31, 2012 and 2011***(In millions of Dollars)*

|   |      |                | Three-month periods ended |
|---|------|----------------|---------------------------|
|   | Note | 2012           | March 31,<br>2011         |
| <b>Sales revenues</b>                                       | 23   | <b>37,410</b>  | <b>32,602</b>             |
| Cost of sales   | 24   | (25,959)       | (20,673)                  |
| <b>Gross profit</b>   |      | <b>11,451</b>  | <b>11,929</b>             |
| <b>Income (expenses)</b>                                    |      |                |                           |
| Selling expenses  | 24   | (1,331)        | (1,250)                   |
| Administrative and general expenses                         | 24   | (1,244)        | (1,168)                   |
| Exploration costs   | 14   | (572)          | (565)                     |
| Research and development expenses                           | 24   | (293)          | (295)                     |
| Other taxes   | 24   | (84)           | (147)                     |
| Other operating income and expenses, net                    | 25   | (1,268)        | (1,116)                   |
|   |      | <b>(4,792)</b> | <b>(4,541)</b>            |
| <b>Net income before financial results and income taxes</b> |      | <b>6,659</b>   | <b>7,388</b>              |
| Financial income (expenses), net                            | 26   | 263            | 1,229                     |
| Equity in results of non consolidated companies             |      | 77             | 246                       |
| <b>Income before income taxes</b>                           |      | <b>6,999</b>   | <b>8,863</b>              |
| Income tax  | 20.5 | (1,666)        | (2,152)                   |
| <b>Net income</b>   |      | <b>5,333</b>   | <b>6,711</b>              |

Net income (loss) attributable to:

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|                                  |              |              |
|----------------------------------|--------------|--------------|
| <b>Shareholders of Petrobras</b> | <b>5,212</b> | <b>6,588</b> |
| <b>Non-controlling interests</b> | 121          | 123          |
|                                  | <b>5,333</b> | <b>6,711</b> |

See the accompanying notes to the consolidated financial statements.

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

## Consolidated Statement of Comprehensive Income

**March 31, 2012 and 2011***(In millions of Dollars, except income per share)*

|   | 2012          | Three-month periods ended<br>March 31,<br>2011 |
|---|---------------|--|
| <b>Net income before non-controlling interest</b>   | <b>5,333</b>  | <b>6,711</b>                                   |
| <b>Other comprehensive income</b>                   |               |  |
| Cummulative translation adjustments                 | 4,848         | 4,396  |
| Deemed cost of associates                           | 1             |  |
| Unrealized results on available-for-sale securities |               |  |
| Recognized in shareholders' equity                  | 118           | (99)   |
| Reclassified to profit or loss                      | 2             | 5  |
| Unrealized results on cash flow hedge               |               |  |
| Recognized in shareholders' equity                  | 11            | (4)  |
| Reclassified to profit or loss                      | (10)          | (2)  |
| Deferred income tax                                 | (40)          | 34   |
|   | <b>4,930</b>  | <b>4,330</b>                                   |
| <b>Total comprehensive income (loss)</b>            | <b>10,263</b> | <b>11,041</b>                                  |
| <b>Comprehensive income attributable to:</b>        |               |  |
| Shareholders of Petrobras                           | 4,806         | 4,228  |
| Non-controlling interests                           | 124           | 102  |
| <b>Total comprehensive income (loss)</b>            | <b>4,930</b>  | <b>4,330</b>                                   |

See the accompanying notes to the consolidated financial statements.

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

## Consolidated Statement of Changes in Shareholders Equity

**March 31, 2012 and 2011***(In millions of Dollars, except income per share)*

|   | Additional paid in capital |                       | Capital reserves                   | Accumulated other comprehensive income |                                   |                            | Profit re    |            |                |
|---|----------------------------|-----------------------|------------------------------------|--|-----------------------------------|----------------------------|--------------|------------|----------------|
|   | Paid-in capital            | Shares issuance costs | Change in interest in subsidiaries | Tax incentives                         | Cumulative translation adjustment | Other comprehensive income | Legal        | Statutory  | Tax incentives |
| <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> | <b>571</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  | 537           |
| Dividends   |                |            |            |               |     |        |               |
|   | 107,355        | (279)      | 595        | 7,697 -       | 246 | 6,812  | 1,108         |
| <b>Balance at December 31, 2011</b>                           | <b>107,355</b> | <b>316</b> |            | <b>7,943</b>  |     |        | <b>60,224</b> |
| Capital increase with reserves                                | 7              |            |            |               |     |        |               |
| Capital increase with issuing of shares                       |                |            |            |               |     |        |               |
| Cumulative translation adjustments                            |                |            |            | 5,027         |     |        |               |
| Unrealized gains in investments available-for-sale securities |                |            |            |               |     | 81     |               |
| Realization of deemed cost                                    |                |            |            |               |     | (1)    |               |
| Change in interest in subsidiaries                            |                |            | (2)        |               |     |        |               |
| Net income  |                |            |            |               |     |        |               |
| Distributions:  |                |            |            |               |     |        |               |
| Allocations of net income in reserves                         |                |            |            |               |     |        |               |
| Dividends   |                |            |            |               |     |        |               |
|   | 107,362        | 316        | (2)        | 12,970 -      | 80  | 60,224 |               |
| <b>Balance at March 31, 2012</b>                              | <b>107,362</b> |            | <b>314</b> | <b>13,050</b> |     |        | <b>60,217</b> |

See the accompanying notes to the consolidated financial statements.

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

## Consolidated Statement of Cash Flows

**March 31, 2012 and 2011***(In millions of Dollars)*

|   | <b>Three-month periods ended</b> |                           |
|---|----------------------------------|---------------------------|
|   | <b>2012</b>                      | <b>March 31,<br/>2011</b> |
| <b>Cash flows from Operating activities</b>                               |                                  |                           |
| Net income attributable to the shareholders of Petrobras                  | 5,212                            | 6,588                     |
| <b>Adjustments for:</b>   |                                  |                           |
| Non-controlling interests   | 121                              | 123                       |
| Equity in results of non-consolidated companies                           | (77)                             | (246)                     |
| Depreciation, depletion and amortization                                  | 2,686                            | 2,122                     |
| Impairment  | 81                               | 98                        |
| Dry hole costs  | 308                              | 322                       |
| Losses (gains) on disposal of non-current assets                          | 44                               | 79                        |
| Exchange variation, monetary and finance charges                          | (284)                            | (553)                     |
| Deferred income taxes, net  | 1,319                            | 1,420                     |
| <b>Increase/decrease in assets</b>  |                                  |                           |
| Accounts receivable   | (93)                             | (689)                     |
| Inventories   | (708)                            | (2,564)                   |
| Other assets  | (721)                            | (600)                     |
| <b>Increase/decrease in liabilities</b>                                   |                                  |                           |
| Trade accounts payable  | (271)                            | 1,303                     |
| Taxes payable   | 349                              | (99)                      |
| Employee's post-retirement benefits obligations - Pension and health care | 414                              | 288                       |
| Other liabilities   | 155                              | 25                        |
| <b>Net cash provided by operating activities</b>                          | <b>8,535</b>                     | <b>7,617</b>              |
| <b>Cash flows from Investment activities</b>                              |                                  |                           |
| Investments in exploration and production of oil and gas                  | (4,879)                          | (4,020)                   |
| Investments in refining transportation and marketing                      | (3,108)                          | (3,396)                   |

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|   |                |                |
|---|----------------|----------------|
| Investments in gas and power                  | (380)          | (733)          |
| Investment in international segment           | (364)          | (496)          |
| Investments in distribution                   | (162)          | (145)          |
| Investments in biofuel                        | (1)            | (130)          |
| Other investments                             | (490)          | (232)          |
| Marketable securities                         | (419)          | 3,559          |
| Dividends received                            | 7              | 5              |
| <b>Net cash used in investment activities</b> | <b>(9,796)</b> | <b>(5,588)</b> |

See the accompanying notes to the consolidated financial statements.



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

## Consolidated Statement of Cash Flows (Continued)

**March 31, 2012 and 2011***(In millions of Dollars)*

|  | <b>Three-month periods ended</b> |                           |
|--|----------------------------------|---------------------------|
|  | <b>2012</b>                      | <b>March 31,<br/>2011</b> |
| <b>Cash flows from Financing activities</b>                                |                                  |                           |
| Acquisition of non-controlling interest                                    | 11                               | 4                         |
| Financing and loans, net   |                                  |                           |
| Proceeds from borrowings   | 8,210                            | 9,168                     |
| Repayment of principal   | (2,031)                          | (1,230)                   |
| Repayment of interest  | (1,325)                          | (1,000)                   |
| Dividends paid   | (1,223)                          | (1,102)                   |
| <b>Net cash provided by/(used) in financing activities</b>                 | <b>3,642</b>                     | <b>5,840</b>              |
| <b>Effect of exchange rate on cash and cash equivalents</b>                | <b>462</b>                       | <b>474</b>                |
| <b>Net increase/ (decrease) in cash and cash equivalents in the period</b> | <b>2,843</b>                     | <b>8,343</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>21,900</b>                    | <b>25,998</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)*

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### 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 statements are 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 statements are presented without repeating certain notes to the financial statements disclosed previously, but with an indication of the relevant changes occurring 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.

The Company s Board of Directors authorized the publication of these interim quarterly financial statements in a meeting held on May 15, 2012.

#### 2.1

#### Accounting estimates

In the preparation of the interim financial statements 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 plans, depreciation, depletion and amortization, abandonment costs, provisions for legal processes, market value of financial instruments, income tax and social contribution. 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 statements include the quarterly information of Petrobras and its subsidiaries, jointly controlled subsidiaries and specific purpose entities.

The Company did not present material changes in interests in consolidated companies in the period ended March 31, 2012.

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

## Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)***4. Accounting practices**

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

**5. Cash and cash equivalents**

|  | <b>March 31,<br/>2012</b> | <b>December 31,<br/>2011</b> |
|--|---------------------------|------------------------------|
| <b>Cash and banks</b>                  | 1,721                     | 1,989                        |
| <b>Financial investments</b>           |                           |                              |
| <i>- In Brazil</i>                     |                           |                              |
| Investment funds - Interbank Deposit   | 10,064                    | 5,492                        |
| Other investment funds                 | 5,343                     | 2,279                        |
|  | <b>15,407</b>             | <b>7,771</b>                 |
| <i>- Abroad</i>                        | 4,772                     | 9,297                        |
| Total financial investments            | <b>20,179</b>             | <b>17,068</b>                |
| <b>Total cash and cash equivalents</b> | <b>21,900</b>             | <b>19,057</b>                |

**6. Marketable securities**

|                    | <b>March 31,<br/>2012</b> | <b>December 31,<br/>2011</b> |
|--------------------|---------------------------|------------------------------|
| Trading securities | 9,873                     | 8,949                        |
| Available-for-sale | 3,145                     | 2,921                        |
| Held-to-maturity   | 160                       | 155                          |
|                    | <b>13,178</b>             | <b>12,025</b>                |
| <b>Current</b>     | 9,880                     | 8,961                        |
| <b>Non-current</b> | 3,298                     | 3,064                        |

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

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## 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**

| <b>7.1</b>                                 | <b>Accounts receivable, net</b> | <b>March 31,<br/>2012</b> | <b>December 31,<br/>2011</b> |
|--|---------------------------------|---------------------------|------------------------------|
| Trade Accounts Receivable                  |                                 |                           |                              |
| Third parties                              |                                 | 10,737                    | 10,688                       |
| Related parties (Note 18)                  |                                 |                           |                              |
| Associates and Jointly controlled entities |                                 | 918                       | 826                          |
| Receivables from the electricity sector    |                                 | 1,666                     | 1,574                        |
| Petroleum and alcohol accounts - STN       |                                 | 457                       | 444                          |
| Others                                     |                                 | 2,976                     | 2,964                        |
|  |                                 | <b>16,754</b>             | <b>16,496</b>                |
| Allowance for uncollectible accounts       |                                 | (1,565)                   | (1,487)                      |
|  |                                 | <b>15,189</b>             | <b>15,009</b>                |
| <b>Current</b>                             |                                 | <b>11,809</b>             | <b>11,756</b>                |
| <b>Non-current</b>                         |                                 | <b>3,380</b>              | <b>3,253</b>                 |

**7.2 Changes in the allowance for uncollectible accounts**

|                         | <b>March 31,<br/>2012</b> | <b>December 31,<br/>2011</b> |
|-------------------------|---------------------------|------------------------------|
| <b>Opening balance</b>  | <b>1,487</b>              | <b>1,609</b>                 |
| Additions (*)           | 54                        | 283                          |
| Write-offs              | (19)                      | (220)                        |
| Accumulated Translation | 43                        | (185)                        |
| <b>Closing balance</b>  | <b>1,565</b>              | <b>1,487</b>                 |
| <b>Current</b>          | <b>974</b>                | <b>898</b>                   |
| <b>Non-current</b>      | <b>591</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 US Dollars, except when specifically indicated)***7.3 Overdue accounts receivable - Third parties**

|                     | <b>March 31,<br/>2012</b> | <b>December 31,<br/>2011</b> |
|---------------------|---------------------------|------------------------------|
| Up to 3 months      | 718                       | 752                          |
| From 3 to 6 months  | 100                       | 115                          |
| From 6 to 12 months | 203                       | 141                          |
| More than 12 months | 1,631                     | 1,590                        |

**8. Inventories**

|  | <b>March 31,<br/>2012</b> | <b>December 31,<br/>2011</b> |
|--|---------------------------|------------------------------|
| Products:                              |                           |                              |
| Oil products (*)                       | 6,058                     | 4,886                        |
| Fuel Alcohol (*)                       | 412                       | 417                          |
|  | 6,470                     | 5,303                        |
| Raw materials, mainly crude oil (*)    | 7,573                     | 7,915                        |
| Maintenance materials and supplies (*) | 1,924                     | 1,796                        |
| Other                                  | 213                       | 196                          |
|  | <b>16,180</b>             | <b>15,210</b>                |
| <b>Current</b>                         | 16,133                    | 15,165                       |
| <b>Non-current</b>                     | 47                        | 45                           |

(\*) It includes imports in transit.

**9. Restricted deposits for legal proceedings and guarantees**

|  | <b>March 31,<br/>2012</b> | <b>December 31,<br/>2011</b> |
|--|---------------------------|------------------------------|
|--|---------------------------|------------------------------|

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|              |              |              |
|--------------|--------------|--------------|
| Labor        | 661          | 603          |
| Tax (*)      | 701          | 674          |
| Civil (*)    | 243          | 243          |
| Other        | 58           | 55           |
| <b>Total</b> | <b>1,663</b> | <b>1,575</b> |

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



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

### Consolidated notes to the financial statements (Continued)

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

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#### 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, 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 on March 6, 2012 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.

##### 10.2

##### **Acquisition of interests in jointly-controlled entities and in associates**

##### **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. Until March 2012, Petrobras paid in US\$ 5 and now holds 59.91% 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.

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

## Consolidated notes to the financial statements (Continued)

*(Expressed in millions of US Dollars, except when specifically indicated)***11. Investments****11.1 Investments**

|   | <b>March 31,<br/>2012</b> | <b>December 31,<br/>2011</b> |
|---|---------------------------|------------------------------|
| <b>Associates and Jointly controlled entities</b> |                           |                              |
| Petrochemical investments                         | 3,445                     | 3,319                        |
| Gas distributors                                  | 611                       | 563                          |
| Guarani S.A.                                      | 463                       | 452                          |
| Termoaçu S.A.                                     | 297                       | 287                          |
| Petroritupano - Orielo                            | 244                       | 244                          |
| Nova Fronteira Bionergia S.A.                     | 235                       | 231                          |
| Petrowayu - La Concepción                         | 176                       | 176                          |
| Petrokariña - Mata                                | 104                       | 104                          |
| Distrilec S.A.                                    | 87                        | 115                          |
| UEG Araucária                                     | 69                        | 68                           |
| Transierra S.A.                                   | 66                        | 65                           |
| Other associates and jointly controlled entities  | 842                       | 783                          |
|   | <b>6,639</b>              | <b>6,407</b>                 |
| <b>Other investments</b>                          | 125                       | 123                          |
|   | <b>6,764</b>              | <b>6,530</b>                 |

**11.2 Investments in listed companies**

| Company             | Lot of a thousand shares |                   | Type   | Quotation on stock exchange (US\$ per share) |                   | Market value   |                   |
|---------------------|--------------------------|-------------------|--------|--|-------------------|----------------|-------------------|
|                     | March 31, 2012           | December 31, 2011 |        | March 31, 2012                               | December 31, 2011 | March 31, 2012 | December 31, 2011 |
| <b>Subsidiaries</b> |                          |                   |        |  |                   |                |                   |
| Petrobras Argentina | 678,396                  | 678,396           | Common | 1.57   | 1.44              | 1,065          | 976               |
|                     |                          |                   |        |  |                   | <b>1,065</b>   | <b>976</b>        |

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**Associates**

|         |         |         |           |      |      |              |              |
|---------|---------|---------|-----------|------|------|--------------|--------------|
| Braskem | 212,427 | 212,427 | Common    | 6.86 | 6.28 | 1,457        | 1,334        |
|         |         |         | Preferred |      |      |              |              |
| Braskem | 75,793  | 75,793  | A         | 7.93 | 6.82 | 601          | 517          |
|         |         |         |           |      |      | <b>2,058</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               | By type of asset |                                  |                            |                               |                                  |                |
|--|------------------|----------------------------------|----------------------------|-------------------------------|----------------------------------|----------------|
|  | 12.1             | Land, buildings and improvements | Equipment and other assets | Assets under construction (*) | Oil and gas producing properties | Total          |
| <b>Balance at December 31, 2010</b>                  |                  | <b>5,256</b>                     | <b>58,321</b>              | <b>83,170</b>                 | <b>21,357</b>                    | <b>168,104</b> |
| Additions  |                  | 101                              | 1,570                      | 31,840                        | 2,059                            | 35,570         |
| Capitalized interest                                 |                  |                                  |                            | 4,382                         |                                  | 4,382          |
| Business combination                                 |                  |                                  |                            | 12                            |                                  | 12             |
| Write-offs   |                  | (25)                             | (262)                      | (1,296)                       | (326)                            | (1,909)        |
| Transfers  |                  | 2,413                            | 18,406                     | (23,598)                      | 8,401                            | 5,622          |
| Depreciation, amortization and depletion             |                  | (473)                            | (5,800)                    |                               | (3,904)                          | (10,177)       |
| Impairment - provision                               |                  |                                  | (50)                       | (150)                         | (213)                            | (413)          |
| Impairment - reversal                                |                  | 1                                | 15                         |                               | 36                               | 52             |
| Accumulated translation adjustment                   |                  | (685)                            | (5,838)                    | (9,831)                       | (2,424)                          | (18,778)       |
| <b>Balance at December 31, 2011</b>                  |                  | <b>6,588</b>                     | <b>66,362</b>              | <b>84,529</b>                 | <b>24,986</b>                    | <b>182,465</b> |
| Cost   |                  | 8,990                            | 104,477                    | 84,529                        | 52,272                           | 250,268        |
| Accumulated depreciation, amortization and depletion |                  | (2,402)                          | (38,115)                   |                               | (27,286)                         | (67,803)       |
| <b>Balance at December 31, 2011</b>                  |                  | <b>6,588</b>                     | <b>66,362</b>              | <b>84,529</b>                 | <b>24,986</b>                    | <b>182,465</b> |
| Additions  |                  | 8                                | 458                        | 7,694                         | 277                              | 8,437          |
| Capitalized interest                                 |                  |                                  |                            | 984                           |                                  | 984            |
| Write-offs   |                  | (2)                              | (12)                       | (289)                         | (6)                              | (309)          |
| Transfers  |                  | 477                              | 5,264                      | (7,229)                       | 2,437                            | 949            |
| Depreciation, amortization and depletion             |                  | (120)                            | (1,554)                    |                               | (944)                            | (2,618)        |
| Impairment - provision                               |                  |                                  | (1)                        |                               |                                  | (1)            |
| Accumulated translation adjustment                   |                  | 172                              | 1,252                      | 2,210                         | 558                              | 4,192          |
| <b>Balance at March 31, 2012</b>                     |                  | <b>7,123</b>                     | <b>71,769</b>              | <b>87,899</b>                 | <b>27,308</b>                    | <b>194,099</b> |
| Cost   |                  | 9,707                            | 111,859                    | 87,899                        | 55,823                           | 265,288        |
| Accumulated depreciation, amortization and depletion |                  | (2,584)                          | (40,090)                   |                               | (28,515)                         | (71,189)       |

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|   |                                 |               |               |                                 |                |
|---|---------------------------------|---------------|---------------|---------------------------------|----------------|
| <b>Balance at March 31, 2012</b>                | <b>7,123</b>                    | <b>71,769</b> | <b>87,899</b> | <b>27,308</b>                   | <b>194,099</b> |
| <b>Weighted average of useful life in years</b> | 25 (25 to 40)<br>excluding land | 20 (3 to 31)  |               | Unit of<br>production<br>method |                |

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

The property, plant and equipment of Consolidated includes finance lease assets in the amount of US\$ 124 in March 31, 2012 and 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**

|   | Rights and<br>Concessions | Software   |                       | Goodwill          | Total         |
|---|---------------------------|------------|-----------------------|-------------------|---------------|
|   |                           | Acquired   | Developed<br>in-house |                   |               |
| <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<br>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 - provision                      | (1)                       |            |                       |                   | (1)           |
| Accumulated 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  | 43,333                    | 725        | 1,512                 | 729               | 46,299        |
| Accumulated amortization                    | (866)                     | (545)      | (797)                 | (225)             | (2,433)       |
| <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                                    | 20                        | 17         | 27                    |                   | 64            |
| Capitalized interest                        |                           |            | 5                     |                   | 5             |
| Write-off                                   | (33)                      |            | (2)                   |                   | (35)          |
| Transfers                                   | 3                         | 6          | (5)                   | (5)               | (1)           |
| Amortization                                | (21)                      | (14)       | (38)                  |                   | (73)          |
| Accumulated translation adjustment          | 1,212                     | 5          | 21                    | 14                | 1,252         |
| <b>Balance at March 31, 2012</b>            | <b>43,648</b>             | <b>194</b> | <b>723</b>            | <b>513</b>        | <b>45,078</b> |
| Cost  | 44,558                    | 767        | 1,581                 | 513               | 47,419        |
| Accumulated amortization                    | (910)                     | (573)      | (858)                 |                   | (2,341)       |
| <b>Balance at March 31, 2012</b>            | <b>43,648</b>             | <b>194</b> | <b>723</b>            | <b>513</b>        | <b>45,078</b> |
| <b>Estimated useful life - years</b>        | <b>25</b>                 | <b>5</b>   | <b>5</b>              | <b>Indefinite</b> |               |



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

### Consolidated notes to the financial statements (Continued)

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

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At March 31, 2012, the Company's intangible assets include an Onerous Assignment agreement in the amount of US\$ 41,056, entered into in 2010 between the Federal Government (assignor) and the Agência Nacional do 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 Assignment Agreement provides that at the time of the declaration of the commerciality for a subsequent revision of the volume and the price, based on an independent third party assessment.

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, recognizing this difference as an intangible asset, or it 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 legal tender or bonds, subject to the budgetary laws, resulting in a decrease in the intangible assets by the amount of the reimbursement.

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.



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

### Consolidated notes to the financial statements (Continued)

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

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#### **13.2 Devolution of exploration areas to ANP**

During the first quarter of 2012, the rights to the exploration blocks returned to the Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (ANP) totaled US\$ 21 (US\$ 76 in the first quarter of 2011) and are the following:

- **Blocks Exclusive concession of Petrobras:**  
Recôncavo Basin: REC T 209.
- **Blocks in partnership (devolved by Petrobras or by its operators):**  
Campos Basin: C-M-103, C-M-151. Santos Basin: S-M- 675, S-M-506.

#### **13.3 Oil and natural gas fields operated by Petrobras returned to Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (ANP)**

During the first quarter of 2012 there were no devolutions to the Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (ANP) by Petrobras of rights to fields in the production stage.

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

## Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)***14. Exploration activities and valuation 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:

|  | March 31,<br>2012 | December 31,<br>2011                           |
|--|-------------------|--|
| <b>Capitalized balances in assets</b>  |                   |  |
| Intangible assets  | 42,842            | 41,671   |
| Property, plant and equipment  | 11,051            | 10,461   |
| <b>Total assets</b>  | <b>53,893</b>     | <b>52,132</b>                                  |
|  |                   | <b>Three-month periods ended<br/>March 31,</b> |
|  | <b>2012</b>       | <b>2011</b>                                    |
| <b>Exploration costs recognized in income</b>                                |                   |  |
| Expenses with geology and geophysics   | 241               | 202  |
| Wells without economic viability (It includes dry wells and signature bonus) | 308               | 323  |
| Other exploration expenses   | 23                | 40   |
| <b>Total expenses</b>  | <b>572</b>        | <b>565</b>                                     |
| <b>Cash used in activities</b>   |                   |  |
| Operating activities   | 255               | 232  |
| Investments activities   | 1,544             | 1,060  |
| <b>Total cash used</b>   | <b>1,799</b>      | <b>1,292</b>                                   |

**15. Trade accounts payable**

|                            | March 31,<br>2012 | December 31,<br>2011 |
|----------------------------|-------------------|----------------------|
| <b>Current liabilities</b> |                   |                      |
| Third parties              |                   |                      |

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|                 |               |               |
|-----------------|---------------|---------------|
| In Brazil       | 5,787         | 6,535         |
| Abroad          | 5,459         | 4,883         |
| Related parties | 480           | 445           |
|                 | <b>11,726</b> | <b>11,863</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. Loans and financing**

|  | <b>Current</b>            |                              | <b>Non-current</b>        |                              |
|--|---------------------------|------------------------------|---------------------------|------------------------------|
|  | <b>March 31,<br/>2012</b> | <b>December 31,<br/>2011</b> | <b>March 31,<br/>2012</b> | <b>December 31,<br/>2011</b> |
| <b>Abroad</b>                                |                           |                              |                           |                              |
| Financial institutions                       | 7,164                     | 7,272                        | 19,734                    | 20,039                       |
| Bearer bonds - Notes, Global Notes and Bonds | 283                       | 428                          | 28,318                    | 21,026                       |
| Other  | 7                         | 6                            | 0                         | 104                          |
|  | <b>7,454</b>              | <b>7,706</b>                 | <b>48,052</b>             | <b>41,169</b>                |
| <b>In Brazil</b>                             |                           |                              |                           |                              |
| Export Credit Notes                          | 252                       | 72                           | 7,126                     | 6,921                        |
| BNDES  | 691                       | 916                          | 20,047                    | 19,930                       |
| Debentures                                   | 1,044                     | 988                          | 504                       | 529                          |
| FINAME                                       | 52                        | 42                           | 392                       | 390                          |
| Bank Credit Certificate                      | 127                       | 27                           | 1,988                     | 1,922                        |
| Other  | 248                       | 316                          | 1,981                     | 1,857                        |
|  | <b>2,414</b>              | <b>2,361</b>                 | <b>32,038</b>             | <b>31,549</b>                |
|  | <b>9,868</b>              | <b>10,067</b>                | <b>80,090</b>             | <b>72,718</b>                |
| Interest on debt                             | 806                       | 879                          |                           |                              |
| Current portion of long-term debt            | 3,715                     | 3,690                        |                           |                              |
| Current debt                                 | 5,347                     | 5,498                        |                           |                              |
| <b>Total financing</b>                       | <b>9,868</b>              | <b>10,067</b>                |                           |                              |

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

March 31,  
2012

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|                     |               |
|---------------------|---------------|
| 2013                | 2,505         |
| 2014                | 4,428         |
| 2015                | 6,327         |
| 2016                | 13,456        |
| 2017                | 8,368         |
| 2018 and thereafter | 45,006        |
| <b>Total</b>        | <b>80,090</b> |

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

## Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)***16.2 Interest rates for debt in non-current liabilities**

|                     | <b>March 31,<br/>2012</b> | <b>December 31,<br/>2011</b> |
|---------------------|---------------------------|------------------------------|
| <b>Abroad</b>       |                           |                              |
| Up to 6% p.a.       | 36,377                    | 31,561                       |
| From 6 to 8% p.a.   | 10,039                    | 8,385                        |
| From 8 to 10% p.a.  | 1,527                     | 1,179                        |
| From 10 to 12% p.a. | 33                        | 34                           |
| More than 12% p.a.  | 76                        | 10                           |
|                     | <b>48,052</b>             | <b>41,169</b>                |
| <b>In Brazil</b>    |                           |                              |
| Up to 6% p.a.       | 2,896                     | 2,870                        |
| From 6 to 8% p.a.   | 17,329                    | 17,225                       |
| From 8 to 10% p.a.  | 1,963                     | 1,930                        |
| From 10 to 12% p.a. | 9,742                     | 9,421                        |
| More than 12% p.a.  | 108                       | 103                          |
|                     | <b>32,038</b>             | <b>31,549</b>                |
|                     | <b>80,090</b>             | <b>72,718</b>                |

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

|                | <b>March 31,<br/>2012</b> | <b>December 31,<br/>2011</b> |
|----------------|---------------------------|------------------------------|
| U.S. Dollars   | 43,266                    | 36,258                       |
| Japanese Yen   | 1,312                     | 1,544                        |
| Euro           | 2,570                     | 2,495                        |
| Real (*)       | 31,848                    | 31,359                       |
| Pound Sterling | 1,094                     | 1,062                        |
|                | <b>80,090</b>             | <b>72,718</b>                |

(\*) On March 31, 2012 it includes US\$13,837 in financing in local currency parameterized to the variation of the US dollar.

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.

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

### Consolidated notes to the financial statements (Continued)

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

#### 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 work in progress, was 4.36% p.a. in the first quarter of 2012 (5.27% p.a. in the first quarter of 2011).

#### 16.5 Capital marketing funding

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

The main long-term raising of capital carried out in the first quarter of 2012 are presented as follows:

##### a) Abroad

| Company | Date   | Amount | Maturity                  | Description   |
|---------|--------|--------|---------------------------|---|
| PifCo   | Feb/12 | 7,000  | 2015, 2017,<br>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. |

##### b) In Brazil

| Company               | Date | Amount | Maturity       | Description   |
|-----------------------|------|--------|----------------|---|
| Fundo de Investimento |      | 224    | 2023, 2026 and | Issuance of real state credit notes for the construction of a laboratory in the |



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|                |        |   |
|----------------|--------|---|
| Imobiliário RB | Jan/12 | administrative building - IPCA + average spread of 5.3% p.a |
| Logística      |        |   |
|                | 2028   |   |

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

## Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)***16.6 Funding in the banking market****a) Abroad**

| Company   | Agency                     | Contracted | Amount |         |
|-----------|----------------------------|------------|--------|---------|
|           |                            |            | Used   | Balance |
| Petrobras | China Development Bank     | 10,000     | 7,000  | 3,000   |
| PNBV      | Citibank International PLC | 686        | 343    | 343     |
| PNBV      | HSBC Bank PLC              | 1,000      |        | 1,000   |

**b) In Brazil**

| Company       | Agency  | Contracted | Used | Balance |
|---------------|---|------------|------|---------|
| Transpetro(*) | BNDES, Banco do Brasil and<br>Caixa Econômica Federal | 4,942      | 414  | 4,528   |
| REFAP         | BNDES   | 609        | 156  | 453     |
| Petrobras     | Caixa Econômica Federal                               | 165        |      | 165     |

(\*)Agreements were entered in force for purchase and sale of 41 ships and 20 convoy vessels with 6 Brazilian shipyards in the amount of US\$ 5,491, where 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)***16.1.1****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 specific 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 payments receipts of finance leases**

|   | <b>As of March 31, 2012</b> |                     |
|---|-----------------------------|---------------------|
|   | Minimum<br>receipts         | Minimum<br>payments |
| 2012  | 168                         | 21                  |
| 2013 - 2016   | 723                         | 86                  |
| 2017 and thereafter                                   | 2,250                       | 177                 |
| <b>Estimated receipts/payments of commitments</b>     | <b>3,141</b>                | <b>284</b>          |
| Less amount of annual interest                        | (1,244)                     | (160)               |
| <b>Present value of the minimum receipts/payments</b> | <b>1,897</b>                | <b>124</b>          |
| Current   | 81                          | 21                  |
| Non-current   | 1,816                       | 103                 |
| <b>At March 31, 2012</b>                              | <b>1,897</b>                | <b>124</b>          |
| Current   | 120                         | 44                  |

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|                             |              |            |
|-----------------------------|--------------|------------|
| 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)*

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#### 17.2 Future minimum payments of operating leases

|                                | <b>As of March 31,<br/>2012</b> |
|--------------------------------|---------------------------------|
| 2012                           | 10,672                          |
| 2013-2016                      | 34,354                          |
| 2017 and thereafter            | 23,121                          |
| <b>As of March 31, 2012</b>    | <b>68,147</b>                   |
| <b>As of December 31, 2011</b> | <b>55,513</b>                   |

In the first quarter of 2012 the Company paid the amount of US\$ 2,160 recognized as an expense for the period in the Consolidated related to operating leases.

#### 18. Related parties

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

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

## Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)***18.1 Transactions with jointly controlled entities, associates, government entities and pension funds**

The balances are classified in the Statement of financial position as follows:

|  | March 31,     |               | December 31,  |               |
|--|---------------|---------------|---------------|---------------|
|  | Assets        | Liabilities   | Assets        | Liabilities   |
| <b>Jointly controlled subsidiaries and associates</b>                          | <b>918</b>    | <b>565</b>    | <b>701</b>    | <b>417</b>    |
| Gas distributors   | 465           | 216           | 467           | 189           |
| Braskem and its subsidiaries   | 265           | 95            | 87            | 71            |
| Other associates and jointly controlled entities                               | 188           | 254           | 147           | 157           |
| <b>Government entities and pension funds</b>                                   | <b>27,740</b> | <b>36,214</b> | <b>22,355</b> | <b>36,141</b> |
| Government bonds   | 18,428        |               | 14,120        |               |
| Banco do Brasil S.A. (BB)  | 5,102         | 6,564         | 4,300         | 6,302         |
| Restricted deposits for legal proceedings and guarantees (CEF and BB)          | 1,766         |               | 1,693         |               |
| Receivable from the Electricity sector (Note 18.2)                             | 1,666         |               | 1,574         |               |
| Petroleum and alcohol account - receivable from Federal government (Note 18.3) | 457           |               | 444           |               |
| BNDES  | 3             | 21,626        | 4             | 21,799        |
| Caixa Econômica Federal (CEF)  | 1             | 4,449         | 1             | 4,363         |
| Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (ANP)              |               | 2,299         |               | 2,063         |
| Federal government - Proposed dividend and interest on shareholders' equity    |               | 752           |               | 597           |
| Petros (Pension fund)  |               | 68            |               | 188           |
| Other  | 317           | 456           | 219           | 829           |
|  | <b>28,658</b> | <b>36,779</b> | <b>23,056</b> | <b>36,558</b> |
| <b>Current</b>   | <b>23,107</b> | <b>6,798</b>  | <b>17,735</b> | <b>6,226</b>  |
| <b>Non-current</b>   | <b>5,551</b>  | <b>29,981</b> | <b>5,321</b>  | <b>30,332</b> |

**18.2 Receivables from the electricity sector**

The Company has receivables from the electricity sector related to the supplying of fuel to thermoelectric power stations, 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. (ADESA), a direct subsidiary of Eletrobras, whose payments for supplying fuel depend directly on the forwarding of funds from ADESA to these Independent Power Producers.

The balance of these receivables at March 31, 2012 was US\$ 1,666 (US\$ 1,574 at December 31, 2011), of which US\$ 1,408 was overdue (US\$ 1,293 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)*

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The Company has made systematic collections from the debtors and Eletrobras, itself, and partial payments have been made.

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

At March 31, 2012, the balance of the account was US\$ 457 (US\$ 444 at December 31, 2011) and this can be settled by the Federal Government by issuing National Treasury Bonds in an amount equal to the final balance for the settling of accounts with the Federal Government, in accordance with what is established in Provisional Measure 2,181, of August 24, 2001, or through offsetting against other amounts that Petrobras may be owing the Federal Government, at the time, including tax related amounts or a combination of the foregoing operations.

Aiming at concluding the settlement of accounts with the Federal Government, Petrobras provided all the information required by of the National Treasury Office (STN) seeking to settle all the remaining differences between the parties.

As the Company considers that the negotiation process between the parties at the administrative level has been exhausted, the Company decided on judicial collection of the aforementioned credit and, accordingly, it 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 quarter of 2012 was US\$ 2.2 referring to eight officers and nine board members (US\$ 1.8 in the first quarter of 2011 referring to seven officers and nine board members).

The fees of the executive board and the board of directors in the first quarter of 2012 in the consolidated totaled US\$ 7.0 (US\$ 6.4 in the first quarter 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)**

|                                    | March 31,<br>2012 | December 31,<br>2011 |
|------------------------------------|-------------------|----------------------|
| <b>Non-current liabilities</b>     |                   |                      |
| <b>Opening Balance</b>             | <b>4,712</b>      | <b>3,904</b>         |
| Revision of provision              | 7                 | 1,365                |
| Payment                            | (38)              | (284)                |
| Updating of interest               | 36                | 125                  |
| Other                              |                   | 63                   |
| Accumulated translation adjustment | 126               | (461)                |
| <b>Closing balance</b>             | <b>4,843</b>      | <b>4,712</b>         |

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

|                       | As of<br>March 31,<br>2012 | December 31,<br>2011 |
|-----------------------|----------------------------|----------------------|
| <b>Current assets</b> |                            |                      |
| In Brazil:            |                            |                      |
| ICMS                  | 1,615                      | 1,698                |
| PIS/COFINS            | 2,950                      | 2,743                |
| CIDE                  | 89                         | 77                   |
| Income taxes          | 1,342                      | 1,528                |
| Other taxes           | 229                        | 225                  |
|                       | <b>6,225</b>               | <b>6,271</b>         |
| Abroad                | 459                        | 577                  |
|                       | <b>6,684</b>               | <b>6,848</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>As of</b>              |                              |
|----------------------------------|---------------------------|------------------------------|
|                                  | <b>March 31,<br/>2012</b> | <b>December 31,<br/>2011</b> |
| ICMS                             | 1,118                     | 1,161                        |
| PIS/COFINS                       | 370                       | 309                          |
| CIDE                             | 261                       | 254                          |
| Special participation/ Royalties | 3,017                     | 2,767                        |
| Withholding income taxes         | 248                       | 443                          |
| Income taxes                     | 388                       | 263                          |
| Other taxes                      | 617                       | 650                          |
|                                  | <b>6,019</b>              | <b>5,847</b>                 |

**20.3 Deferred taxes - non-current**

| <b>Non-current assets</b>      | <b>As of</b>              |                              |
|--------------------------------|---------------------------|------------------------------|
|                                | <b>March 31,<br/>2012</b> | <b>December 31,<br/>2011</b> |
| Deferred income tax            | 4,253                     | 4,287                        |
| Deferred ICMS                  | 1,103                     | 1,172                        |
| Deferred PIS and COFINS        | 3,318                     | 3,488                        |
| Other                          | 280                       | 252                          |
|                                | <b>8,954</b>              | <b>9,199</b>                 |
| <b>Non-current liabilities</b> |                           |                              |
| Deferred income taxes          | 19,531                    | 17,715                       |
| Other                          | 8                         | 21                           |
|                                | <b>19,539</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 tax - 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 applicable official rates is 34%.

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

|  | Changes in net deferred taxes  |                |  |                |   |            |                     |            |                                       |              |               |           |             |  |                                       |  |       |                 |
|--|--------------------------------|----------------|--|----------------|---|------------|---------------------|------------|---------------------------------------|--------------|---------------|-----------|-------------|--|---------------------------------------|--|-------|-----------------|
|  | Property, Plant &<br>Equipment |                | Exploration<br>costs for the<br>extraction<br>of<br>crude oil<br>and gas |                | Accounts<br>receivable/payable,<br>loans and<br>financing |            | Financial<br>leases |            | Provision for<br>legal<br>proceedings |              | Tax<br>losses |           | Inventories |  | Interest on<br>shareholders<br>equity |  | Other |                 |
| <b>Balance at<br/>December 31,<br/>2010</b>                          | <b>(10,020)</b>                | <b>(1,611)</b> |  | <b>(1,112)</b> | <b>(673)</b>  | <b>298</b> |                     | <b>426</b> | <b>505</b>                            | <b>453</b>   |               | <b>32</b> |             |  |                                       |  |       | <b>(11,702)</b> |
| Recognized in the<br>results for the<br>year                         | (2,388)                        | (1,289)        |  | 472            | (110)   |            | 88                  | (21)       |                                       | 203          |               | 80        | (634)       |  |                                       |  |       | (3,599)         |
| Recognized in<br>shareholders<br>equity<br>(Comprehensive<br>Income) |                                |                |  |                |   | 24         |                     |            |                                       |              |               |           |             |  |                                       |  | (28)  | (4)             |
| Cumulative<br>translation<br>adjustments                             | 1,032                          | 594            |  | 73             | 83  |            | (32)                | (35)       |                                       | (74)         |               | (60)      | (45)        |  |                                       |  |       | 1,536           |
| Other  | 2                              | 103            |  | 142            | (168)   |            | (19)                | (27)       |                                       |              |               |           | 308         |  |                                       |  |       | 341             |
| <b>Balance at<br/>December 31,<br/>2011</b>                          | <b>(11,374)</b>                | <b>(2,203)</b> |  | <b>(425)</b>   | <b>(844)</b>  | <b>335</b> | <b>343</b>          | <b>634</b> | <b>473</b>                            | <b>(367)</b> |               |           |             |  |                                       |  |       | <b>(13,428)</b> |
| Recognized in the<br>results for the<br>period                       | (670)                          | (307)          |  | (249)          | (26)  |            | (50)                | 1          |                                       | (40)         |               |           | 20          |  |                                       |  |       | (1,321)         |
| Recognized in<br>shareholders<br>equity<br>(Comprehensive<br>Income) |                                |                |  |                |   |            |                     |            |                                       |              |               |           |             |  |                                       |  | (41)  | (41)            |

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|                                    |                 |                |              |              |            |            |            |            |              |                 |
|------------------------------------|-----------------|----------------|--------------|--------------|------------|------------|------------|------------|--------------|-----------------|
| Cumulative translation adjustments | (315)           | (57)           | 2            | (22)         | 10         | 6          | 21         | 14         | 8            | (333)           |
| Other                              |                 |                | (84)         | (29)         | 13         |            |            |            | (55)         | (155)           |
| <b>Balance at March 31, 2012</b>   | <b>(12,359)</b> | <b>(2,567)</b> | <b>(756)</b> | <b>(921)</b> | <b>308</b> | <b>350</b> | <b>615</b> | <b>487</b> | <b>(435)</b> | <b>(15,278)</b> |

Deferred tax assets 4,287

Deferred tax liabilities (17,715)

**Balance at December 31, 2011 (13,428)**

Deferred tax assets 4,253

Deferred tax liabilities (19,531)

**Balance at March 31, 2012 (15,278)**

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 them 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>Three- month periods ended March 31,</b> |                |
|---|---|----------------|
|   | <b>2012</b>                                 | <b>2011</b>    |
| Income before income taxes  | 6,999                                       | 8,863          |
| Income taxes at statutory rates (34%)                               | (2,380)                                     | (3,013)        |
| Adjustments for calculation of the effective rate:                  |   |                |
| · Tax benefit from interest on shareholders' equity                 | 502   | 532            |
| · Foreign income of companies abroad subject to different tax rates | 171   | 386            |
| · Tax incentives  | 8   | 12             |
| · Tax losses carryforwards  | (53)  | (50)           |
| · Permanent exclusions/ (additions), net *                          | (45)  |                |
| · Tax credits of companies abroad in the exploration stage          |   | (5)            |
| · Other   | 131   | (14)           |
| Income taxes expenses   | <b>(1,666)</b>                              | <b>(2,152)</b> |
| Deferred incometaxes  | (1,321)                                     | (1,421)        |
| Current income taxes  | (345)                                       | (731)          |
|   | <b>(1,666)</b>                              | <b>(2,152)</b> |
| Effective rate for income taxes                                     | 23.8%                                       | 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:

|   | Pension plan | Health Care<br>Benefits | Total         |
|---|--------------|-------------------------|---------------|
| <b>Balance at December 31, 2010</b>           | <b>2,878</b> | <b>7,074</b>            | <b>9,952</b>  |
| Costs incurred in the year                    | 626          | 1,104                   | 1,730         |
| Payment of contributions                      | (305)        | (365)                   | (670)         |
| Payment of the financial commitment agreement | (171)        |                         | (171)         |
| Other   | 13           |                         | 13            |
| Cumulative translation adjustments            | (344)        | (871)                   | (1,215)       |
| <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                  | 272          | 299                     | 571           |
| Payment of contributions                      | (81)         | (89)                    | (170)         |
| Other   | (2)          | 1                       | (1)           |
| Cumulative translation adjustments            | 73           | 197                     | 270           |
| <b>Balance at March 31, 2012</b>              | <b>2,959</b> | <b>7,350</b>            | <b>10,309</b> |
| <b>Current</b>                                | 466          | 357                     | 823           |
| <b>Non-Current</b>                            | 2,493        | 6,993                   | 9,486         |
|   | <b>2,959</b> | <b>7,350</b>            | <b>10,309</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:

|  | Pension plan    |                       | Healthcare | Total      |
|--|-----------------|-----------------------|------------|------------|
|  | Defined benefit | Variable contribution |            |            |
| Current service cost                           | 58              | 69                    | 41         | 168        |
| Cost of interest:                              |                 |                       |            |            |
| · With financial commitment agreement          | 83              |                       |            | 83         |
| · Actuarial                                    | 899             | 24                    | 247        | 1,170      |
| Estimated income from the plan's assets        | (846)           | (7)                   |            | (853)      |
| Amortization of unrecognized actuarial losses  | 58              | 3                     | 10         | 71         |
| Contributions by participants                  | (59)            | (15)                  |            | (74)       |
| Unrecognized past service cost                 | 3               | 1                     | 1          | 5          |
| Other  | 1               |                       |            | 1          |
| <b>Net costs for the period Jan-Mar/2012</b>   | <b>197</b>      | <b>75</b>             | <b>299</b> | <b>571</b> |
| Related to:                                    |                 |                       |            |            |
| Actives employees                              | 96              | 73                    | 114        | 283        |
| Retired employees                              | 101             | 2                     | 185        | 288        |
| <b>Net costs for the period Jan-March/2012</b> | <b>197</b>      | <b>75</b>             | <b>299</b> | <b>571</b> |
| <b>Net costs for the period Jan-March/2011</b> | <b>101</b>      | <b>55</b>             | <b>277</b> | <b>433</b> |

At March 31, 2012, the balances of the Terms of Financial Commitment, signed by the Company and Petros in 2008, totaled US\$ 2,866, of which US\$ 69 in interest falls due in 2012. On the same date, the Company held long-term National Treasury Notes in the amount of US\$ 3,084, which will be held in the Company's portfolio as a guarantee for the financial commitment agreements.

In the first quarter of 2012, the Company's contribution to the defined contribution portion of the Petros 2 plan was US\$ 67.

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

### Consolidated notes to the financial statements (Continued)

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

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#### **22. Shareholders equity**

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

At March 31, 2012, subscribed and fully paid-in capital in the amount of US\$ 107,362 represented by 7,442,454,142 outstanding common shares and 5,602,042,788 outstanding preferred shares, all with no par value.

##### **Capital increase with reserves in 2012**

The Extraordinary General Meeting, held jointly with the Annual General Meeting on March 19, 2012 approved the Company's capital increase from US\$ 107,355 to US\$ 107,362, through capitalization of part of the profit reserve from tax incentives recorded in 2011, in the amount of US\$ 7, in compliance with article 35, paragraph 1, of Ordinance 2,091/07 of the Government Minister for National Integration. This capitalization was made without issuing new shares, pursuant to article 169, paragraph 1, of Law 6,404/76.

##### **Amendment of the Company's By-Laws**

The Extraordinary General Meeting, held on February 28, 2012, approved the amendment of the Company's By-Laws as follows:

- a) Changed the wording of the heading of article 20 of the By-Laws, in order to increase the number of members of the Executive Board from one President and six Officers to one President and seven Officers; and
- b) Changed the sole paragraph of article 36 of the By-Laws, in order to provide that in the event of a tie at an Executive Board's deliberation, its President has the deciding vote, replacing the expression "may exercise" by the term "Shall Exercise".

##### **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.



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

## Consolidated notes to the financial statements (Continued)

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

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

| Payment   | Date of approval by Board of Directors | Date of Shareholder position | Date of Payment | Amount of Payment | Gross amount per share (ON and PN) (US\$) |
|---|--|------------------------------|-----------------|-------------------|---|
| 1st payment of interest on shareholders' equity | 04.29.2011                             | 05.11.2011                   | 05.31.2011      | 1,602             | 0.12                                      |
| 2nd payment of interest on shareholders' equity | 07.22.2011                             | 08.02.2011                   | 08.31.2011      | 1,671             | 0.12                                      |
| 3rd payment of interest on shareholders' equity | 10.28.2011                             | 11.11.2011                   | 11.30.2011      | 1,407             | 0.12                                      |
| 4th payment of interest on shareholders' equity | 12.22.2011                             | 01.02.2012                   | 02.29.2012      | 1,391             | 0.12                                      |
| Dividends                                       | 02.09.2012                             | 03.19.2012                   | 05.18.2012      | 834               | 0.07                                      |
|   |  |                              |                 | <b>6,905</b>      | <b>0.55</b>                               |

The payments of interest on shareholders equity distributed in advance in 2011 were discounted from the dividends approved for this year, and corrected by the benchmark (SELIC) rate from the date of their payment until December 31, 2011. The balances of the dividends are being monetarily restated as from December 31, 2011 until the initial date of payment, in accordance with the variation of the SELIC rate.

**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\$ 1,432, corresponding to a gross value of US\$ 0.10 per common and preferred shares, to be paid up to June 30, 2012, based on the shareholding position of May 11, 2012.

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 to 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.

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

## Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)***22.3 Earnings per Share**

|   | <b>Three-month periods ended March 31,</b> |                |
|---|--|----------------|
|   | <b>2012</b>                                | <b>2011</b>    |
| Net income attributable to Petrobras' shareholders  | 5,212                                      | 6,588          |
| 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)                | 0.40                                       | 0.51           |

**23. Sales revenues**

|                            | <b>Three month periods ended March 31,</b> |               |
|----------------------------|--|---------------|
|                            | <b>2012</b>                                | <b>2011</b>   |
| <b>Gross sales revenue</b> | 46,082                                     | 41,102        |
| Sales charges              | (8,672)                                    | (8,500)       |
| <b>Sales revenues</b>      | <b>37,410</b>                              | <b>32,602</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. Expenses by nature**

|  | <b>Three month periods ended March 31,</b> |                 |
|--|--|-----------------|
|  | <b>2012</b>                                | <b>2011</b>     |
| Raw material / products purchased  | (14,974)                                   | (12,354)        |
| Government interest  | (4,563)                                    | (3,753)         |
| Personnel expenses   | (2,988)                                    | (2,814)         |
| Depreciation, depletion and amortization                                   | (2,686)                                    | (2,122)         |
| Finished goods and work in progress inventories                            | 536  | 2,436           |
| Contracted services, freights, rents and general charges                   | (4,936)                                    | (5,503)         |
| Wells without economic viability (It includes dry wells and signing bonus) | (308)                                      | (322)           |
| Taxes expenses   | (84)                                       | (147)           |
| Losses with judicial and administrative procedures                         | (206)                                      | (29)            |
| Institutional relations and cultural projects                              | (201)                                      | (162)           |
| Unscheduled stoppages and pre-operating expenses                           | (193)                                      | (285)           |
| Expenditures on safety, environment and health                             | (67)                                       | (118)           |
| Adjustment to market value of inventories                                  | (80)                                       | (42)            |
| Impairment   | (1)  | 1               |
|  | <b>(30,751)</b>                            | <b>(25,214)</b> |
| Cost of sales  | (25,959)                                   | (20,673)        |
| Selling expenses   | (1,331)                                    | (1,250)         |
| Administrative and general expenses  | (1,244)                                    | (1,168)         |
| Exploration costs  | (572)                                      | (565)           |
| Research and development expenses  | (293)                                      | (295)           |
| Other taxes  | (84)                                       | (147)           |
| Other operating income and expenses, net                                   | (1,268)                                    | (1,116)         |
|  | <b>(30,751)</b>                            | <b>(25,214)</b> |

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

## Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)***25. Other operating income and expenses, net**

|   | <b>Three month periods ended March 31,</b> |                |
|---|--|----------------|
|   | <b>2012</b>                                | <b>2011</b>    |
| Healthcare and pension plans                          | (287)                                      | (235)          |
| Losses and contingencies with judicial proceedings    | (206)                                      | (29)           |
| Institutional relations and cultural projects         | (201)                                      | (162)          |
| Unscheduled stoppages and pre-operating expenses      | (193)                                      | (285)          |
| Adjustment to market value of inventories             | (80)                                       | (42)           |
| Corporate expenses on safety, environment and health  | (67)                                       | (118)          |
| Operating expenses with thermoelectric power stations | (36)                                       | (11)           |
| Impairment  | (1)  | 1              |
| Gains on disposal of non-current assets               | 55   | (10)           |
| Government Grants                                     | 38   | 37             |
| E&P joint arrangement charge/refund                   | 4  | (19)           |
| Others  | (294)                                      | (243)          |
|   | <b>(1,268)</b>                             | <b>(1,116)</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>Three month periods ended March 31,</b> |              |
|---|--|--------------|
|   | <b>2012</b>                                | <b>2011</b>  |
| Exchange and monetary variation on net debt (*)   | 360  | 453          |
| Expenses on debt                                  | (1,285)                                    | (1,144)      |
| Income from investments and marketable securities | 524  | 767          |
| <b>Financial result on net debt</b>               | <b>(401)</b>                               | <b>76</b>    |
| Capitalized financial charges                     | 989  | 1,063        |
| Gains (losses) on hedges                          | (111)                                      | (140)        |
| Income from marketable securities                 | 91   | 153          |
| Other financial expenses and income, net          | (21)                                       | (44)         |
| Other exchange and monetary variations, net       | (284)                                      | 121          |
| <b>Financial income (expenses), net</b>           | <b>263</b>                                 | <b>1,229</b> |
| <b>Financial income (expenses), net</b>           |  |              |
| Income  | 677  | 1,060        |
| Expenses  | (489)                                      | (405)        |
| Exchange and monetary variations, net             | 75   | 574          |
|   | <b>263</b>                                 | <b>1,229</b> |

(\*) It includes monetary variation on financing in local currency parameterized to the variation of the US dollar.

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

### Consolidated notes to the financial statements (Continued)

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

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

|   | Three month periods ended March 31, |      |
|---|-------------------------------------|------|
|   | 2012                                | 2011 |
| <b>Amounts paid and received during the period</b>              |                                     |      |
| Income taxes  | 139                                 | 344  |
| Withholding income tax  | 890                                 | 560  |
| <b>Investment and financing transactions not involving cash</b> |                                     |      |
| Formation of provision for decommissioning costs                | 7                                   | 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 - 03/31/2012**

| Assets                             | Exploration and Production | Refining, Transportation & Marketing | Gas & Power    | Biofuel      | Distribution | International | Corporate     | Eliminations   | Total          |
|------------------------------------|----------------------------|--------------------------------------|----------------|--------------|--------------|---------------|---------------|----------------|----------------|
| <b>Current assets</b>              | <b>5,626</b>               | <b>22,914</b>                        | <b>2,665</b>   | <b>128</b>   | <b>4,297</b> | <b>3,927</b>  | <b>37,171</b> | <b>(7,374)</b> | <b>69,354</b>  |
| <b>Non-current assets</b>          | <b>142,439</b>             | <b>67,739</b>                        | <b>R26,338</b> | <b>1,196</b> | <b>3,869</b> | <b>14,844</b> | <b>12,485</b> | <b>(293)</b>   | <b>268,617</b> |
| Long-term receivables              | 4,509                      | 4,595                                | 1,727          | 19           | 727          | 2,661         | 8,731         | (293)          | <b>22,676</b>  |
| Investments                        | 16                         | 3,497                                | 1,263          | 887          | 18           | 976           | 107           |                | <b>6,764</b>   |
| Property, plant and equipment, net | 95,934                     | 59,483                               | 22,947         | 290          | 2,685        | 9,620         | 3,140         |                | <b>194,099</b> |
| Intangible assets                  | 41,980                     | 164                                  | 401            | -            | 439          | 1,587         | 507           |                | <b>45,078</b>  |
| <b>As of March 31, 2012</b>        | <b>148,065</b>             | <b>90,653</b>                        | <b>29,003</b>  | <b>1,324</b> | <b>8,166</b> | <b>18,771</b> | <b>49,656</b> | <b>(7,667)</b> | <b>337,971</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>4,410</b>  | <b>32,990</b> | <b>(7,269)</b> | <b>64,592</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> | <b>15,017</b> | <b>12,336</b> | <b>(336)</b>   | <b>254,818</b> |
| Long-term receivables              | 4,140          | 4,217         | 1,626         | 17           | 663          | 2,913         | 8,717         | (336)          | <b>21,957</b>  |
| Investments                        | 12             | 3,362         | 1,152         | 859          | 45           | 999           | 101           |                | <b>6,530</b>   |
| Property, plant and equipment, net | 90,539         | 54,629        | 21,968        | 285          | 2,510        | 9,512         | 3,022         |                | <b>182,465</b> |
| Intangible assets                  | 40,805         | 156           | 390           |              | 426          | 1,593         | 496           |                | <b>43,866</b>  |
| <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> | <b>19,427</b> | <b>45,326</b> | <b>(7,605)</b> | <b>319,410</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

|   | Three-month period ended Mar     |  |                |             |                    |
|---|----------------------------------|--|----------------|-------------|--------------------|
|   | Exploration<br>and<br>Production | Refining,<br>Transportation<br>& Marketing | Gas &<br>Power | Biofuel     | Distribution Inter |
| <b>Sales revenues</b>                                       | <b>20,499</b>                    | <b>31,127</b>                              | <b>2,500</b>   | <b>104</b>  | <b>10,338</b>      |
| Intersegments   | 20,477                           | 9,688                                      | 330            | 86          | 210                |
| Third parties   | 22                               | 21,439                                     | 2,170          | 18          | 10,128             |
| Cost of sales   | (8,788)                          | (33,916)                                   | (1,648)        | (105)       | (9,464)            |
| <b>Gross profit</b>   | <b>11,711</b>                    | <b>(2,789)</b>                             | <b>852</b>     | <b>(1)</b>  | <b>874</b>         |
| <b>Income (expenses)</b>                                    | <b>(1,051)</b>                   | <b>(1,227)</b>                             | <b>(293)</b>   | <b>(28)</b> | <b>(561)</b>       |
| Selling, administrative and general expenses                | (133)                            | (864)                                      | (232)          | (17)        | (566)              |
| Exploration costs   | (521)                            |  |                |             |                    |
| Research and development expenses                           | (149)                            | (52)                                       | (4)            | (7)         | (1)                |
| Other taxes   | (13)                             | (14)                                       |                | (1)         | (7)                |
| Other operating income and expenses, net                    | (235)                            | (297)                                      | (57)           | (3)         | 13                 |
| <b>Net income before financial results and income taxes</b> | <b>10,660</b>                    | <b>(4,016)</b>                             | <b>559</b>     | <b>(29)</b> | <b>313</b>         |
| Financial income (expenses), net                            |                                  |  |                |             |                    |
| Equity in results of non-consolidated companies             |                                  | 50   | 46             | (6)         |                    |
| <b>Income before income taxes</b>                           | <b>10,660</b>                    | <b>(3,966)</b>                             | <b>605</b>     | <b>(35)</b> | <b>313</b>         |
| Income tax  | (3,625)                          | 1,366                                      | (190)          | 10          | (106)              |
| <b>Net income</b>   | <b>7,035</b>                     | <b>(2,600)</b>                             | <b>415</b>     | <b>(25)</b> | <b>207</b>         |
| Net income attributable to:                                 |                                  |  |                |             |                    |
| Shareholders of Petrobras                                   | 7,037                            | (2,600)                                    | 399            | (25)        | 207                |
| Non-controlling interests                                   | (2)                              |  | 16             |             |                    |
|   | <b>7,035</b>                     | <b>(2,600)</b>                             | <b>415</b>     | <b>(25)</b> | <b>207</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**

|   | Three-month period ended Mar     |  |                |             |                    |
|---|----------------------------------|--|----------------|-------------|--------------------|
|   | Exploration<br>and<br>Production | Refining,<br>Transportation<br>& Marketing | Gas &<br>Power | Biofuel     | Distribution Inter |
| <b>Sales revenues</b>                                       | <b>16,820</b>                    | <b>26,535</b>                              | <b>2,181</b>   | <b>92</b>   | <b>10,014</b>      |
| Intersegments   | 16,797                           | 8,813                                      | 310            | 79          | 184                |
| Third parties   | 23                               | 17,722                                     | 1,871          | 13          | 9,830              |
| Cost of sales   | (7,323)                          | (25,893)                                   | (1,482)        | (103)       | (9,134)            |
| <b>Gross profit</b>   | <b>9,497</b>                     | <b>642</b>                                 | <b>699</b>     | <b>(11)</b> | <b>880</b>         |
| <b>Income (expenses)</b>                                    | <b>(1,014)</b>                   | <b>(952)</b>                               | <b>(345)</b>   | <b>(26)</b> | <b>(544)</b>       |
| Selling, administrative and general expenses                | (113)                            | (737)                                      | (271)          | (20)        | (546)              |
| Exploration costs   | (515)                            |  |                |             |                    |
| Research and development expenses                           | (170)                            | (53)                                       | (9)            |             | (1)                |
| Other taxes   | (12)                             | (15)                                       | (15)           |             | (7)                |
| Other operating income and expenses, net                    | (204)                            | (147)                                      | (50)           | (6)         | 10                 |
| <b>Net income before financial results and income taxes</b> | <b>8,483</b>                     | <b>(310)</b>                               | <b>354</b>     | <b>(37)</b> | <b>336</b>         |
| Financial income (expenses), net                            |                                  |  |                |             |                    |
| Equity in results of non-consolidated companies             |                                  | 144  | 72             | 18          | 1                  |
| <b>Income before income taxes</b>                           | <b>8,483</b>                     | <b>(166)</b>                               | <b>426</b>     | <b>(19)</b> | <b>337</b>         |
| Income tax  | (2,884)                          | 105  | (120)          | 13          | (114)              |
| <b>Net income</b>   | <b>5,599</b>                     | <b>(61)</b>                                | <b>306</b>     | <b>(6)</b>  | <b>223</b>         |
| Net income attributable to:                                 |                                  |  |                |             |                    |
| Shareholders of Petrobras                                   | 5,595                            | (57)                                       | 311            | (6)         | 223                |
| Non-controlling interests                                   | 4                                | (4)  | (5)            | (6)         | (1)                |
|   | <b>5,599</b>                     | <b>(61)</b>                                | <b>306</b>     | <b>(6)</b>  | <b>223</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 – March 2012/2011**

|   | <b>Three-month period ended March 31, 2012</b> |   |                                |                     |                  |                     | <b>Total</b> |
|---|--|---|--------------------------------|---------------------|------------------|---------------------|--------------|
|   | <b>Exploration<br/>and<br/>Production</b>      | <b>Refining,<br/>Transportation<br/>&amp; Marketing</b> | <b>Gas<br/>&amp;<br/>Power</b> | <b>Distribution</b> | <b>Corporate</b> | <b>Eliminations</b> |              |
| <b>Income statement</b>   |  |   |                                |                     |                  |                     |              |
| <b>Sales revenues</b>   | <b>1,480</b>                                   | <b>2,357</b>  | <b>141</b>                     | <b>1,301</b>        |                  | <b>(549)</b>        | <b>4,730</b> |
| Intersegments   | 1,077  | 559   | 9                              | 1                   |                  | (549)               | 1,097        |
| Third parties   | 403  | 1,798   | 132                            | 1,300               |                  |                     | 3,633        |
| <b>Net income before financial<br/>results and income taxes</b> | <b>774</b>                                     | <b>36</b>   | <b>23</b>                      | <b>35</b>           | <b>(47)</b>      | <b>(3)</b>          | <b>818</b>   |
| <b>Net income attributable to<br/>shareholders of Petrobras</b> | <b>545</b>                                     | <b>37</b>   | <b>10</b>                      | <b>32</b>           | <b>(61)</b>      | <b>(5)</b>          | <b>558</b>   |

|   | <b>Three-month period ended March 31, 2011</b> |   |                                |                     |                  |                     | <b>Total</b> |
|---|--|---|--------------------------------|---------------------|------------------|---------------------|--------------|
|   | <b>Exploration<br/>and<br/>Production</b>      | <b>Refining,<br/>Transportation<br/>&amp; Marketing</b> | <b>Gas<br/>&amp;<br/>Power</b> | <b>Distribution</b> | <b>Corporate</b> | <b>Eliminations</b> |              |
| <b>Income statement</b>   |  |   |                                |                     |                  |                     |              |
| <b>Sales revenues</b>   | <b>1,265</b>                                   | <b>2,218</b>  | <b>137</b>                     | <b>1,218</b>        |                  | <b>(658)</b>        | <b>4,180</b> |
| Intersegments   | 1,059  | 623   | 11                             | 9                   |                  | (665)               | 1,037        |
| Third parties   | 206  | 1,595   | 126                            | 1,209               |                  | 7                   | 3,143        |
| <b>Net income before financial<br/>results and income taxes</b> | <b>484</b>                                     | <b>130</b>  | <b>34</b>                      | <b>(21)</b>         | <b>(111)</b>     |                     | <b>516</b>   |
| <b>Net income attributable to<br/>shareholders of Petrobras</b> | <b>448</b>                                     | <b>132</b>  | <b>40</b>                      | <b>(24)</b>         | <b>(96)</b>      |                     | <b>500</b>   |

**Total Assets**

|                                |               |              |            |              |              |                |               |
|--------------------------------|---------------|--------------|------------|--------------|--------------|----------------|---------------|
| <b>As of March 31, 2012</b>    | <b>14,223</b> | <b>3,441</b> | <b>778</b> | <b>1,056</b> | <b>1,594</b> | <b>(2,321)</b> | <b>18,771</b> |
| <b>As of December 31, 2011</b> | <b>14,585</b> | <b>3,393</b> | <b>929</b> | <b>1,007</b> | <b>1,819</b> | <b>(2,306)</b> | <b>19,427</b> |

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

### Consolidated notes to the financial statements (Continued)

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

#### 29. Legal proceedings and contingencies

The Company is party to various legal proceedings of a tax, civil, labor and environmental nature, arising from the normal course of its operations. The classification of the lawsuits in accordance with the expectation of loss as probable, possible or remote, as well as their estimated amounts, is prepared based on advice from its legal advisors and management's best judgment.

##### 29.1 Provisions for legal proceedings

The Company recorded provisions in an amount sufficient to cover the losses considered as probable and that could be reasonably estimated. Among which, the main proceedings are related to income tax withheld at source for issuing securities abroad, losses and damages as result of the cancellation of an assignment of a federal VAT (IPI) credits to a third party; and indemnifications for fishermen cruising out of an oil spillage that occurred in Rio de Janeiro in January 2000.

The Federal Public Attorney's Office and the Public Attorney's Office of the State of Paraná filed lawsuits against Petrobras with respect to compensation for pain and suffering, financial damages and environmental recovery due to oil spillages: (i) at Terminal São Francisco do Sul Refinaria Presidente Vargas, on July 16, 2000, where the amount of US\$ 36 was recorded as a provision in 2011, through an estimate; and (ii) in the Araucária Paranaguá polyduct (OLAPA), at the headwaters of Rio do Meio (the Meio river), in the town of Morretes PR, on February 16, 2001: which resulted in a reconciliation agreement signed on April 26, 2012, with a provision in March 2012 in the updated amount of US\$ 58.

The amounts recorded as provisions, net of restricted deposits for legal proceedings, are as follows:

| <b>Non-current liabilities</b> | <b>March 31,<br/>2012</b> | <b>December 31,<br/>2011</b> |
|--------------------------------|---------------------------|------------------------------|
| Labor claims                   | 166                       | 155                          |
| Tax claims                     | 395                       | 352                          |
| Civil claims (*)               | 168                       | 159                          |
| Other claims                   | 122                       | 60                           |
|                                | <b>851</b>                | <b>726</b>                   |

(\*) Net of restricted deposits for legal proceedings and guarantees, when applicable.

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

## Consolidated notes to the financial statements (Continued)

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


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|                                | <b>March 31,<br/>2012</b> | <b>December 31,<br/>2011</b> |
|--------------------------------|---------------------------|------------------------------|
| <b>Opening Balance</b>         | <b>726</b>                | <b>759</b>                   |
| Addition of provision          | 178                       | 319                          |
| Payments                       | (84)                      | (113)                        |
| Transfers by deposits in court |                           | (161)                        |
| Accrual of interest            | 18                        | 51                           |
| Other                          | 13                        | (129)                        |
| <b>Closing Balance</b>         | <b>851</b>                | <b>726</b>                   |

**29.2 Legal proceedings classified as possible losses (not provisioned for)**

|                              | <b>Estimates for March<br/>31, 2012</b> |
|------------------------------|---|
| Tax claims                   | 20,076                                  |
| Civil claims - General       | 5,885                                   |
| Civil claims - Environmental | 554                                     |
| Other                        | 920                                     |
|                              | <b>27,435</b>                           |

The following tables present in detail the main lawsuits of a tax and civil nature, whose expectations of loss are classified as possible:

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

### Consolidated notes to the financial statements (Continued)

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

*a) Proceedings of a tax nature*

| <b>Tax Claims</b>  | <b>Estimate as of<br/>March 31, 2012</b> |
|--|--|
| <b>Plaintiff: Federal Revenue Department of Brazil</b>   |  |
| 1) Deduction from the calculation basis of income tax (IRPJ) and social contribution (CSLL) and a fine on the renegotiation of the Petros Plan.                |  |
| <ul style="list-style-type: none"> <li>• Current situation: Awaiting a hearing of an administrative appeal at the 2nd instance.</li> </ul>                     | 1,747                                    |
| 2) Profit of subsidiaries and associates domiciled abroad in 2005, 2006 and 2007 not included in the calculation basis of IRPJ and CSLL.                       |  |
| <ul style="list-style-type: none"> <li>• Current situation: Awaiting a hearing of an administrative appeal at the 2nd instance.</li> </ul>                     | 1,103                                    |
| 3) Deduction from the calculation basis of IRPJ and CSLL of expenses incurred in 2007 related to benefits to the employees and Petros.                         |  |
| <ul style="list-style-type: none"> <li>• Current situation: The question is being argued in the ambit of two processes at the administrative level.</li> </ul> | 833                                      |

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

### Consolidated notes to the financial statements (Continued)

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

| <b>Tax Claims</b>  | <b>Estimate as of<br/>March 31, 2012</b> |
|--|--|
| <b>Plaintiff: Federal Revenue Department of Rio de Janeiro</b>   |  |
| 4) Income tax withheld at source (IRRF) on remittances for payment of affreightment of vessels in the period from 1999 to 2002.  |  |
| <ul style="list-style-type: none"> <li>• Current situation: The company is discussing the issue in the judicial sphere and has a preliminary decision that ensures the suspension of the tax liability.</li> </ul> | 2,591                                    |
| <b>Plaintiff: State Finance Department of Rio de Janeiro</b>   |  |
| 5) ICMS on exit operations of liquid natural gas (LNG) without issuing a tax document in the ambit of the centralizing establishment.  |  |
| <ul style="list-style-type: none"> <li>• Current situation: The question involves processes in various administrative and judicial stages, where the Company has sought to ensure its rights.</li> </ul>           | 1,493                                    |
| 6) Difference in ICMS rate in the sale of aviation kerosene, due to the declaration of unconstitutionality of Decree 36,454/2004.  |  |
| <ul style="list-style-type: none"> <li>• Current situation: The question involves processes which are in progress at the administrative level, where the Company has presented its defense.</li> </ul>             | 837                                      |



Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

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

| <b>Tax Claims</b>   | <b>Estimate as of<br/>March 31, 2012</b> |
|---|--|
| <b>Plaintiff: Federal Revenue Department of Brazil</b>  |  |
| 7) Non payment of CIDE on imports of naphtha sold to Braskem.   |  |
| <ul style="list-style-type: none"> <li>• Current situation: The issue is being debated at the administrative level.</li> </ul>  | 1,550                                    |
| 8) Non-payment of CIDE in the period from March 2002 till October 2003 in transactions with distributors and petrol stations that were holders of judicial injunctions that determined the sale without transfer of that tribute. |  |
| <ul style="list-style-type: none"> <li>• Current situation: Awaiting a hearing of an appeal in the Higher Chamber of Tax Appeals (CSRF).</li> </ul>   | 684                                      |
| <b>Plaintiff: State Finance Department of São Paulo</b>   |  |
| 9) Withdrawal of collection of ICMS on the importing of a drilling rig – temporary admission in São Paulo and clearance in Rio de Janeiro and a fine for breach of accessory obligations.   |  |
| <ul style="list-style-type: none"> <li>• Current situation: One of the processes is in the administrative stage and another was submitted to judicial proceedings, obtaining a decision favorable to the Company.</li> </ul>      | 2,214                                    |

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

### Consolidated notes to the financial statements (Continued)

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

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#### **Tax Claims**

**Estimate as of  
March 31, 2012**

**Plaintiffs: Municipal governments of Anchieta, Aracruz, Guarapari, Itapemirim, Marataízes, Linhares, Vila Velha and Vitória.**

10) Failure to withhold and collect tax on services provided offshore (ISSQN) in some municipalities located in the State of Espírito Santo, despite Petrobras having made the withholding and payment of these taxes to the coffers of the municipalities where the respective service providers are established, in accordance with Complimentary Law 116/03.

- Current situation: The question involves processes in various administrative and judicial stages, where the Company has sought to ensure its rights.

940

**Plaintiff: Federal Revenue Department of Brazil**

11) Non-payment of tax on financial operations (IOF) on intercompany loans.

- Current situation: Defense presented at the first administrative instance.

655

**Plaintiff: Federal Revenue Department of Brazil**

12) Income tax withheld at source (IRRF) on remittances abroad for payment of petroleum imports.

- Current situation: Awaiting a hearing at the 2nd administrative instance.

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

## Consolidated notes to the financial statements (Continued)

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


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| <b>Tax Claims</b>  | <b>Estimate as of<br/>March 31, 2012</b> |
|--|--|
| <b>Plaintiff: State Finance Departments of Rio de Janeiro and Sergipe</b>  |  |
| 13) Use of ICMS credits on the purchase of drilling bits and chemical products used in formulating drilling fluid.   |  |
| <ul style="list-style-type: none"> <li>• Current situation: The question involves processes in various administrative and judicial stages, where the Company has sought to ensure its rights.</li> </ul> | 474                                      |
| 14) Other proceedings of a tax nature  | 4,444                                    |
| <b>Total for processes of a tax nature</b>   | <b>20,076</b>                            |

| <b>Civil Claims - General</b>  | <b>Estimate as of<br/>March 31, 2012</b> |
|--|--|
| <b>Plaintiff: Porto Seguro Imóveis Ltda.</b>   |  |
| 1) Porto Seguro, a minority shareholder of Petroquisa, filed a lawsuit against Petrobras, related to alleged losses arising from the sale of the shareholding interests of Petroquisa in various petrochemical companies included in the National Privatization Program. The plaintiff claims that the Company indemnify it in 5% as a premium and 20% as lawyers' fees to Lobo & Ibeas Advogados. |  |
| <ul style="list-style-type: none"> <li>• Current situation: This matter is currently before the Superior Court and the Federal Supreme Court, awaiting trial docket designation in light of the special appeal brought by the Company, which appeal may be decided in the first half of 2012.</li> </ul>   | 3,994                                    |

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

## Consolidated notes to the financial statements (Continued)

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


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| <b>Civil Claims - General</b>  | <b>Estimate as of<br/>March 31, 2012</b> |
|--|--|
| <b>Plaintiff: Agência Nacional do Petróleo, Gás Natural e Biocombustíveis – ANP</b>  |  |
| 2) Differences in the payment of special participation charge in the Albacora, Carapeba, Cherne, Espadarte, Marimba, Marlim, Marlim Sul, Namorado, Pampo and Roncador fields – Campos Basin. In addition, the plaintiff is claiming fines for alleged non-compliance with minimum exploratory programs.        | 631                                      |
| • Current situation: With the conclusion of the administrative phase of this proceeding, this matter was brought before the judicial courts. The Company obtained an injunction suspending the collection of fines until the end of the trial process, which is currently in the production of evidence phase. |  |
| 3) Other proceedings of a civil nature   | 1,260                                    |
| <b>Total for process of a civil nature</b>   | <b>5,885</b>                             |

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

### Consolidated notes to the financial statements (Continued)

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

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#### **29.3 Joint Ventures Frade field**

In November 2011, there was an oil spillage in the Frade field, located in the Campos basin, which is operated by Chevron Brasil. The federal public prosecutor is conducting an investigation and has initiated a process claiming US\$ 11 billion in damages against Chevron Brazil, Chevron Latin America Marketing LLC and Transocean Brasil Ltda., where the latter was operator of the platform at the time of the spillage.

In April 2012, a new public civil suit was filed by the Federal Public Attorney's Office against Chevron and Transocean, due to droplets of oil identified in underwater images within the Frade field. In this suit the Federal Public Attorney's Office intends to condemn the defendants to a further US\$ 11 billion as compensation for damages to the community.

The assessment by our lawyers is that the amounts claimed are not reasonable and are disproportionately high in relation to the extent of the damages caused. In the second suit, as the oil was not identified on the surface, it is not even possible to conceive of the existence of any actual damage to the community.

Petrobras holds a 30% interest in the Frade consortium. Although it is not a party to the processes, because of its equity interest Petrobras may be contractually obliged to pay 30% of the total contingencies related to the Frade field. In the event Chevron is held legally responsible, Petrobras may be contractually subject to the payment of up to 30% of the costs referring to the compensations.

#### **29.4 Contingencies assets**

##### **29.4.1 Recovery of maintenance costs Barracuda & Caratinga**

In 2006, Petrobras, as representant of Barracuda & Caratinga Leasing Company B.V. (BCLC), filed to an arbitration abroad against Kellogg, Brown, Root, LLC (KBR), to obtain indemnifications for maintenance costs incurred on flexible lines of the Barracuda and Caratinga field, during the period covered by a contractual guarantee.

On September 21, 2011, the arbitration Court decided in favor of BCLC, definitively, condemning KBR to indemnify US\$ 186 plus arbitration costs incurred by Petrobras and legal fees. After the final decision, Petrobras recognized the amount of US\$ 186 in non-current assets.

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

### Consolidated notes to the financial statements (Continued)

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

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#### **29.4.2 Recovery of PIS and COFINS**

Petrobras and its subsidiaries filed a civil suit against the Federal Government claiming to recover, through offsetting, amounts paid as taxes on financial revenue and exchange gains (PIS) in the period between February 1999 and November 2002 and COFINS between February 1999 and January 2004, taking into consideration that paragraph 1 of article 3 of Law 9,718/98 is unconstitutional.

On November 9, 2005, the Federal Supreme Court considered paragraph 1 of article 3 of Law 9,718/98 is unconstitutional.

On November 18, 2010, the Superior Court of Justice upheld the claim by Petrobras, filed in 2006 to recover the COFINS for the period from January 2003 to January 2004. After the final decision, Petrobras recognized the amount of US\$ 273 as recoverable taxes in non current assets.

On March 31, 2012, the Company had US\$ 1,402 related to these suits that are not yet recognized in the financial statement due to the pending final favorable decision.

#### **29.4.3 Legal proceeding in the United States - P-19 e P-31**

In 2002, Brasoil and Petrobras won, in the first instance, before the U.S. Justice, related actions filed by the insurance companies United States Fidelity & Guaranty Company and American Home Assurance Company, where, through a final decision confirmed by the Federal Court of the Southern District of New York, the right was recognized to receipt by Brasoil and Petrobras for losses and damages, plus interest and reimbursement of legal expenses on the date of receipt, referring to the performance bond of platforms P-19 and P-31. The amount of the indemnification is approximately US\$ 290.

On July 21, 2006, the US court handed down an executive decision, conditioning the payment of the amounts owed to Brasoil to the permanent closing of legal proceedings involving identical claims in progress before the Brazilian courts, which the parties proceeded to do.

#### **30. Guarantees for concession agreements for oil exploration**

Petrobras gave guarantees to the Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (ANP) in the total amount of US\$ 3,432 for the Minimum Exploration Programs established in the concession agreements for exploration areas, with US\$ 3,108, net of commitments already undertaken, remaining in force. Of this amount, US\$ 1,855 corresponds to a lien on the oil from previously identified fields already in production, and US\$ 1,253 refers to bank guarantees.

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

### Consolidated notes to the financial statements (Continued)

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

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#### **31. Risk management and derivative instruments**

The Company is exposed to a series of financial risks arising from its operations. These risks include market risk related to the price of oil and oil products, exchange and interest rates, credit risk and liquidity risk.

##### **31.1 Management of risks**

The Petrobras risk management policy aims at contributing towards an appropriate equilibrium between its objectives for growth and return and its risk exposure level, whether inherent to the exercise of its activities or arising from the context within which it operates, so that, through effective allocation of its physical, financial and human resources, the Company may achieve its strategic goals.

The Executive Board, responsible for the management of Petrobras' risks, set up the Financial Integration Committee to periodically assess and establish guidelines for measuring, monitoring, and managing the risks, and to support its decisions. This Committee is permanently composed of all the executive managers of the financial department, and the executive managers of the business departments are convened for discussions of specific themes.

##### **31.2 Market risk**

###### **31.2.1 Risk management of prices of oil and oil products**

Petrobras maintains, as a preference, exposure to the prices cycle, not using derivatives for hedging the purchases and sales that aim at attending the Company's operational requirements.

Operations with derivatives are limited to hedging the expected results from transactions carried out abroad, which are usually short-term, accompanying the terms of commercial operations.

The main parameters used in risk management, for changes in Petrobras' prices of oil and oil products, in the transactions carried out abroad, are: operating cash flow at risk (CFAR), Value at Risk (VAR) and Stop Loss.

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

## Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)**a) Notional amount and fair value of derivative instruments of oil and oil products*

| Statement of financial position                             | Notional value (in thousand of bbl)* |                   | Fair value recorded** |                   |
|---|--------------------------------------|-------------------|-----------------------|-------------------|
|   | March 31, 2012                       | December 31, 2011 | March 31, 2012        | December 31, 2011 |
| <b>Future Contracts</b>                                     | <b>(3,508)</b>                       | <b>(3,731)</b>    | <b>10</b>             | <b>18</b>         |
| Purchase commitments  | 18,484                               | 18,121            |                       |                   |
| Sale commitments  | (21,992)                             | (21,852)          |                       |                   |
| <b>Options Contracts</b>                                    | <b>(1,251)</b>                       | <b>(1,278)</b>    | <b>2</b>              | <b>(2)</b>        |
| <b>Buy</b>  | <b>(438)</b>                         | <b>(438)</b>      | <b>1</b>              | <b>(2)</b>        |
| Bidding position  | 11,574                               | 4,038             |                       |                   |
| Short sale  | (12,012)                             | (4,476)           |                       |                   |
| <b>Sale</b>   | <b>(813)</b>                         | <b>(840)</b>      | <b>1</b>              | <b>(1)</b>        |
| Bidding position  | 14,200                               | 2,395             |                       |                   |
| Short sale  | (15,013)                             | (3,235)           |                       |                   |
| <b>Forward contracts</b>                                    | <b>110</b>                           | <b>165</b>        |                       |                   |
| Long position   | 110                                  | 165               |                       |                   |
| Short position  |                                      |                   |                       |                   |
| <b>Total recorded in the current assets and liabilities</b> |                                      |                   | <b>12</b>             | <b>16</b>         |

\* A negative notional value represents a seller position.

\*\* Negative fair values were recorded in liabilities and positive fair values in assets.

| Financial income  | Three month periods ended March 31, |       |
|---|-------------------------------------|-------|
|   | 2012                                | 2011  |
| Gain (loss) recorded in the income statement for the period | (112)                               | (146) |



|                                       | <b>March 31,<br/>2012</b> | <b>December 31,<br/>2011</b> |
|---------------------------------------|---------------------------|------------------------------|
| <b>Guarantees given as collateral</b> |                           |                              |
| Generally consist of deposits         | 66                        | 90                           |

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

## Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)***b) Sensitivity analysis of derivatives of oil and oil products**

The probable scenario is the fair value at March 31, 2012. The possible and remote scenarios consider a deterioration in the prices in the risk variable of 25% and 50%, respectively, with respect to the same date.

| Market derivatives for oil and oil products | Risk              | Probable scenario in March 31, 2012 | Possible scenario (Δ of 25%) | Remote scenario (Δ of 50%) |
|---|-------------------|-------------------------------------|------------------------------|----------------------------|
| Brent                                       | High in Brent Oil | 16                                  | (217)                        | (451)                      |
| Gasoline                                    | Low in Gasoline   | (3)                                 | (20)                         | (38)                       |
| Fuel Oil                                    | High of Fuel Oil  |                                     | (122)                        | (245)                      |
| Propane                                     | High of Propane   | 2                                   | (7)                          | (16)                       |
| WTI   | High WTI          | (9)                                 | (16)                         | (34)                       |
| Diesel                                      | Low of Diesel     |                                     | (23)                         | (65)                       |
| Ethanol                                     | Low of Ethanol    |                                     | (1)                          | (1)                        |
| Jet   | Low of Jet        |                                     | (1)                          | (1)                        |
| Naphtha                                     | High of Naphtha   | 2                                   | (2)                          | (6)                        |
| LLS   | Low of LLS Oil    | 1                                   | (18)                         | (37)                       |

**c) Embedded derivatives sale of ethanol**

The Company entered into a sales agreement of ethanol a price formula set in the time of signing the contract. The selling price is based on the prices of ethanol and of naphtha.

Considering that the quotation for naphtha does not have a strict relationship with the market cost or value of ethanol, the portion referring to the derivative instrument was separated from the main agreement and recognized at fair value (level 3), and classified as financial income. The Company determined the fair value of this agreement based on the difference between the spreads for naphtha and ethanol.

The notional and fair values and the sensitivity analysis of the swap are presented below:

| Forward Contract   | Notional value (in thousand of m <sup>3</sup> ) | Fair Value     |                   | Risk                                | Sensitivity analysis                |                              |                            |
|--------------------|---|----------------|-------------------|-------------------------------------|-------------------------------------|------------------------------|----------------------------|
|                    |   | March 31, 2012 | December 31, 2011 |                                     | Probable scenario in March 31, 2012 | Possible scenario (Δ of 25%) | Remote scenario (Δ of 50%) |
| Buyer position     |   |                |                   | Decrease in spread Naphta x Ethanol |                                     |                              |                            |
| (maturity in 2015) | 715   | 65             | 27                |                                     | 65                                  | 53                           | 38                         |

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

### Consolidated notes to the financial statements (Continued)

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

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The Company determined the fair value of this contract based on practices used on the market, where the difference between the spreads for naphtha and ethanol is calculated. The selling price of the ethanol in the agreement refers to the Brazilian market (ESALQ). The values of the parameters used in the calculation were obtained from market price quotations for ethanol and naphtha on the CBOT (Chicago Board of Trade) future market on the last working day of the period of the financial statements.

#### **31.2.2 Exchange risk management**

Exchange risk is one of the financial risks that the Company is exposed to and it originates from changes in the levels or volatility of the exchange rate that reference asset and liabilities positions.

As regards exchange risk management, Petrobras seeks to identify and handle them in an integrated manner, and treat them or create natural risk mitigation, benefiting from the correlation between its income and expenses. In the specific case of exchange variation inherent to the contracts with the cost and remuneration involved in different currencies, this natural risk mitigation is carried out through allocating the cash investments between the real and the US dollar or another currency.

The management of risks is done for the net exposure. Periodical analyses of the exchange risk are prepared, assisting the decisions of the executive committee. The exchange risk management strategy involves the use of derivative instruments to minimize the exchange exposure of certain Company's obligations.

#### **a) Main transactions and future commitments hedged by derivative operations**

##### **Cross Currency Swap**

##### **Yen vs. Dollar**

The Company contracted a cross currency swap, aimed at fixing in dollars the Company's bonds issued in yens. The Company does not intend to settle these contracts before the end of term.

For this relation between the derivative and the loan, qualified as cash flow hedge, the hedge accounting was adopted.

Changes in fair value, to the extent the hedge is effective, which is tested quarterly, are reported in accumulated other comprehensive income until the results of the hedged item occurs.

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

## Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)**b) Notional value, fair value, guarantees and sensitivity analysis of the foreign currency derivatives*

| Statement of financial position                               | Notional value (in million) |                   | Fair Value     |                   | Risk               | Sensitivity analysis                       |                              |                            |
|---|-----------------------------|-------------------|----------------|-------------------|--------------------|--|------------------------------|----------------------------|
|   | March 31, 2012              | December 31, 2011 | March 31, 2012 | December 31, 2011 |                    | Probable scenario in March 31, 2012        | Possible scenario (Δ of 25%) | Remote scenario (Δ of 50%) |
|   |                             |                   |                |                   |                    |  |                              |                            |
| <i>Cross Currency Swap (maturity in 2016)</i>                 |                             |                   | 97             | 130               |                    | 97   |                              | (54)                       |
|   |                             |                   |                |                   | High of the dollar |  | 6                            |                            |
| Asset position (JPY) - 2.15%p.a.                              | JPY 35,000                  | JPY 35,000        | 454            | 494               |                    |  |                              |                            |
| Liability position (USD) - 5.69%p.a.                          | USD 298                     | USD 298           | (357)          | (364)             |                    |  |                              |                            |
| <i>Swap (maturity in 2012)</i>                                |                             |                   | 12             | 17                |                    | 12   | (25)                         | (55)                       |
|   |                             |                   |                |                   | High of the Real   |  |                              |                            |
| Asset position - USD  | USD 127                     | USD 127           | 130            | 128               |                    |  |                              |                            |
| Liability position - R\$ CDI                                  | BRL 199                     | BRL 199           | (117)          | (111)             |                    |  |                              |                            |
| <i>Sale of forward dollar</i>                                 | USD 93                      | USD 87            | 1              | (2)               |                    | 1  | (23)                         | (46)                       |
|   |                             |                   |                |                   | High of the dollar |  |                              |                            |
| <b>Total recorded in other current assets and liabilities</b> |                             |                   | <b>110</b>     | <b>145</b>        |                    |  |                              |                            |
|   |                             |                   |                |                   |                    |  |                              |                            |
|   |                             |                   |                |                   |                    |  |                              |                            |
| <b>Financial result and shareholders' equity</b>              |                             |                   |                |                   |                    | <b>Three month periods ended March 31,</b> |                              |                            |
|   |                             |                   |                |                   |                    | <b>2012</b>                                |                              | <b>2011</b>                |
| Gain (loss) recorded in the results for the period            |                             |                   |                |                   |                    | 1  |                              | 6                          |
| Gain (loss) recorded in shareholders' equity                  |                             |                   |                |                   |                    | (10)                                       |                              | (2)                        |

The existing interest rate derivative operations do not require a guarantee margin deposit.

**c) Sensitivity analysis of net debt in foreign currency**

The probable scenario is the fair value at March 31, 2012, possible and remote scenarios consider the deterioration in the risk variable of 25% and 50%, respectively, for the same date.

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

## Consolidated notes to the financial statements (Continued)

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

| <b>Financing, net of cash and financial investments</b> | <b>Probable scenario<br/>in March 31, 2012</b> | <b>Possible<br/>scenario<br/>(Δ of 25%)</b> | <b>Remote scenario<br/>(Δ of 50%)</b> |
|---|--|---|---------------------------------------|
| Cash and Financial investments                          | 6,387  | 5,109                                       | 4,258                                 |
| Financing in Dollar                                     | (43,266)                                       | (54,082)                                    | (64,899)                              |
| Financing in Real <sup>1</sup>                          | (13,948)                                       | (17,435)                                    | (20,922)                              |
| Financing in Euro                                       | (2,570)  | (3,213)                                     | (3,856)                               |
| Financing in Yen  | (1,312)  | (1,640)                                     | (1,968)                               |
| Financing in Libra                                      | (1,093)  | (1,367)                                     | (1,640)                               |
|   | (55,802)                                       | (72,628)                                    | (89,027)                              |

<sup>1</sup> Financing in local currency parameterized to the variation of the dollar.

Currency risks arise from the devaluation of the Real against the foreign currencies.

Sensitivity analysis of net debt alone does not represent the Company's net exposure to currency risk. Considering the equilibrium of liabilities, assets, revenues and future commitments in foreign currency, the economic impact of possible foreign exchange fluctuations does not compromise the Company's liquidity since a large portion of its debt is due at the long-term.

### 31.2.3 Interest rate risk management

Petrobras is subject mainly to fluctuations of the LIBOR, in the financing expressed in foreign currency, and to the long-term interest rate, published by the Central Bank, in the financing expressed in Reais. An increase in the rates negatively impacts Petrobras's financial expenses and financial position.

Petrobras considers that the exposure to interest rate fluctuations will not have a material impact, and so, preferably, it does not use derivative financial instruments to manage this type of risk; except for specific situations presented by companies of the Petrobras' system.

#### a) Main transactions and future commitments hedged by operations with derivatives

##### Swap contracts

##### Floating interest rate ( Libor USD) vs. Fixed rate (USD)

The Company contracted an interest rate swap in order to transform financing tied to a floating rate into a fixed rate in order to eliminate the mismatch between the cash flows of assets and liabilities of an investment project. The Company does not intend to settle the operation before its

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

## Consolidated notes to the financial statements (Continued)

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

maturity and, therefore, adopted hedge accounting for the relationship between the financing and the derivative.

Other open operations are arranged in the table below:

**b) Notional value, fair value, guarantees and sensitivity analysis of the interest rate derivatives**

| Statement of financial position                               | Notional value (in million) |                   | Fair Value     |                   | Risk                    | Sensitivity analysis                |                              |                            |
|---|-----------------------------|-------------------|----------------|-------------------|-------------------------|-------------------------------------|------------------------------|----------------------------|
|   | March 31, 2012              | December 31, 2011 | March 31, 2012 | December 31, 2011 |                         | Probable scenario in March 31, 2012 | Possible scenario (Δ of 25%) | Remote scenario (Δ of 50%) |
|   |                             |                   |                |                   |                         |                                     |                              |                            |
| <b>Swaps</b><br>(maturity in 2020)                            |                             |                   |                |                   |                         |                                     |                              |                            |
| Liability position  | USD 469                     | USD 478           | (31)           | (36)              | Decrease in the Libor   | (31)                                | (52)                         | (65)                       |
| <b>Swaps</b> (maturity in 2015)                               |                             |                   | (2)            | (2)               | Decrease in the Euribor | (2)                                 | (2)                          | (2)                        |
| Asset position - Euribor                                      | EUR 19                      | EUR 20            |                |                   |                         |                                     |                              |                            |
| Liability position - Fixed rate of 4.19%                      | EUR 19                      | EUR 20            | (2)            | (2)               |                         |                                     |                              |                            |
| <b>Total recorded in other current assets and liabilities</b> |                             |                   | <b>(33)</b>    | <b>(38)</b>       |                         |                                     |                              |                            |

The existing interest rate derivative operations do not require a guarantee margin deposit.

**31.3 Credit risk**

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Petrobras is exposed to the credit risk of clients and financial institutions, resulting from its commercial operations and its cash management. These risks consist of the possibility of non-receipt of sales made and amounts invested, deposited or guaranteed by financial institutions.

Credit risk management in Petrobras is part of financial risk management, which is performed by the Company's officers, under a policy of corporate risk management. The Credit Commissions are, each, composed of Executive Manager for Finances and the Executive Manager for the commercial department.

The purpose of the Credit Commissions is to analyze questions connected with credit management, not only with respect to granting credit but also with respect to its management; to encourage integration between the units that compose them; and to identify recommendations to be applied in the units involved or to be submitted to the appreciation of higher jurisdictions.

The credit risk management policy is part of the Company's global risk management policy and aims at reconciling the need for minimizing exposure to credit risk and maximizing the result of



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

### Consolidated notes to the financial statements (Continued)

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

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sales and financial operations, through an efficient credit analysis, concession and management process.

In its management of credit risks, Petrobras uses quantitative and qualitative parameters that are appropriate for each of the market segments in which it operates.

The Company's commercial credit portfolio, is very diversified and the credits granted are divided between clients on the Brazilian domestic market and foreign markets.

Loans to financial institutions are distributed among the major international banks considered by the international risk classifiers as Investment Grade and the most important Brazilian banks.

The maximum exposure to credit risk is represented mainly by the balance of accounts receivable and derivative transactions outstanding.

#### **31.4 Liquidity risk**

The Company's liquidity risk is represented by the possibility of a shortage of funds, cash or another financial asset in order to settle its obligations on the established dates.

The policy on liquidity risk management adopted by the Company provides for the continued lengthening of the maturity of its debt, exploring the financing capacity of the domestic market and developing a strong presence in the international capital market by broadening the investor's base in fixed income.

Petrobras finances the working capital through the centralization of the System's cash and assuming short-term debt that are usually related to the flow of trade, as export credit notes and advances on exchange contracts. Investments in non-current assets are financed through long-term debt as issuing bonds in the international market, credit bureaus, financing and pre-payment of exports, development banks in Brazil and abroad, and lines of credit with national and international commercial banks.

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

## Consolidated notes to the financial statements (Continued)

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

| <b>Maturity</b>                     | <b>As of March 31, 2012</b> |
|-------------------------------------|-----------------------------|
| 2012                                | 12,506                      |
| 2013                                | 8,437                       |
| 2014                                | 9,222                       |
| 2015                                | 11,426                      |
| 2016                                | 18,585                      |
| 2017                                | 12,015                      |
| 2018 and thereafter                 | 60,915                      |
| <b>Balance at March 31, 2012</b>    | <b>133,106</b>              |
| <b>Balance at December 31, 2011</b> | <b>122,284</b>              |

**31.5 Financial investments (operations with derivatives)**

Operations with derivatives are, both in the domestic and foreign markets, earmarked exclusively for the exchange of indexes of the assets that comprise the portfolios, and their purpose is to provide the managers with greater flexibility in their quest for efficiency in the management of available funds.

The fair values of the derivatives held in the exclusive investment funds at March 31, 2012 are as follows:

| <b>Contract</b>             | <b>Quantity</b> | <b>Notional value</b> | <b>Fair value</b> | <b>Maturity</b>     |
|-----------------------------|-----------------|-----------------------|-------------------|---------------------|
| <b><u>Future DI</u></b>     | <b>(69,104)</b> | <b>(3,321)</b>        | <b>(1)</b>        | <b>2012 to 2014</b> |
| Long position               | 31,945          | 1,583                 |                   |                     |
| Short position              | (101,049)       | (4,904)               | (1)               |                     |
| <b><u>Future dollar</u></b> | <b>(553)</b>    | <b>(28)</b>           |                   | <b>2012 to 2014</b> |
| Long position               | 644             | 32                    |                   |                     |
| Short position              | (1,197)         | (60)                  |                   |                     |

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

## Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)***32. Fair value of financial assets and liabilities**

Fair values are determined based on market price quotations, when available, or, in the absence thereof, on the present value of expected cash flows. The fair values of cash and cash equivalents, trade accounts receivable, short term debt and trade accounts payable are the same as their carrying values. The fair values of other long-term assets and liabilities do not differ significantly from their carrying values.

At March 31, 2012, the estimated fair value for the Company's long term debt was US\$ 83,778 and calculated at prevailing market rates, considering natures, terms and risks similar to the recorded contracts, and it may be compared with the carrying value of US\$ 80,089.

The hierarchy of the fair values of the financial assets and liabilities, recorded on a recurring basis, is presented as follows:

|                                     | <b>Fair value measured based on</b>                             |   |   |  |
|-------------------------------------|---|---|---|--|
|                                     | <b>Prices<br/>quoted on<br/>active<br/>market<br/>(Level 1)</b> | <b>Valuation<br/>technique<br/>supported by<br/>observable<br/>prices (Level<br/>2)</b> | <b>Valuation<br/>technique<br/>without use of<br/>observable<br/>prices<br/>(Level 3)</b> | <b>Total Fair<br/>value<br/>recorded</b> |
| <b>Assets</b>                       |   |   |   |  |
| Marketable securities               | 13,018  |   |   | 13,018                                   |
| Foreign currency derivatives        | 12  | 98  |   | 110                                      |
| Commodity derivatives               | 12  |   | 65  | 77                                       |
| <b>Balance at March 31, 2012</b>    | <b>13,042</b>   | <b>98</b>   | <b>65</b>   | <b>13,205</b>                            |
| <b>Balance at December 31, 2011</b> | <b>13,421</b>   | <b>146</b>  | <b>29</b>   | <b>13,596</b>                            |
| <b>Liabilities</b>                  |   |   |   |  |
| Interest derivatives                | (33)  |   |   | (33)                                     |
| <b>Balance at March 31, 2012</b>    | <b>(33)</b>   |   |   | <b>(33)</b>                              |
| <b>Balance at December 31, 2011</b> | <b>(64)</b>   | <b>(2)</b>  |   | <b>(65)</b>                              |

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

### Consolidated notes to the financial statements (Continued)

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

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#### **33. Condensed Consolidated Financial Information Related to Guaranteed Securities Issued by Subsidiaries**

Petróleo Brasileiro S.A. - Petrobras has fully and unconditionally guaranteed the debt securities of Petrobras International Finance Company - PifCo, a 100-percent-owned subsidiary of Petrobras.

The following condensed consolidated financial information is provided for Petróleo Brasileiro S.A. Petrobras, as guarantor, and for Petrobras International Finance Company PifCo, as issuer, as an alternative to providing separate financial statements for the issuer in accordance with Reg SX 3-10 (c). The accounts of Petrobras and PifCo are presented utilizing the equity method of accounting for investments in subsidiaries.

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## 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<br>of Financial Position | As of March 31, 2012           |               |                           |  |                |
|---|--------------------------------|---------------|---------------------------|--|----------------|
|   | Petrobras<br>S.A.<br>Guarantor | PifCo         | All Other<br>Subsidiaries | Consolidating<br>and<br>Eliminating<br>Adjustments | Consolidated   |
| <b>Assets</b>                                   |                                |               |                           |  |                |
| <b>Current assets</b>                           | <b>62,994</b>                  | <b>3,712</b>  | <b>42,648</b>             | <b>(40,000)</b>                                    | <b>69,354</b>  |
| Cash and cash<br>equivalents                    | 14,477                         | 1,315         | 13,684                    | (7,576)  | 21,900         |
| Marketable securities                           | 17,313                         | 564           | 6                         | (8,003)  | 9,880          |
| Accounts receivable, net                        | 5,215                          | 1             | 6,381                     | 212  | 11,809         |
| Intercompany receivable                         | 6,042                          | 2             | 16,607                    | (22,651)   |                |
| Inventories                                     | 12,991                         |               | 4,290                     | (1,148)  | 16,133         |
| Other current assets                            | 6,956                          | 285           | 1,680                     | 711  | 9,632          |
| Discontinued operations                         |                                | 1,545         |                           | (1,545)  |                |
| <b>Non-current assets</b>                       | <b>223,832</b>                 | <b>26,620</b> | <b>96,415</b>             | <b>(78,250)</b>                                    | <b>268,617</b> |
| Intercompany receivable                         | 5,203                          | 22,050        | 13,515                    | (40,768)   |                |
| Marketable securities                           | 3,121                          | 4,570         | 2,779                     | (7,172)  | 3,298          |
| Deferred tax assets                             | 4,905                          |               | 3,326                     | 723  | 8,954          |
| Other long-term assets                          | 4,468                          |               | 6,227                     | (271)  | 10,424         |
| <b>Investments</b>                              | <b>33,606</b>                  |               | <b>2,756</b>              | <b>(29,598)</b>                                    | <b>6,764</b>   |
| <b>Property, plant and<br/>equipment, net</b>   | <b>129,503</b>                 |               | <b>65,746</b>             | <b>(1,150)</b>                                     | <b>194,099</b> |
| <b>Intangible assets</b>                        | <b>43,026</b>                  |               | <b>2,066</b>              | <b>(14)</b>  | <b>45,078</b>  |
| <b>Total assets</b>                             | <b>286,826</b>                 | <b>30,332</b> | <b>139,063</b>            | <b>(118,250)</b>                                   | <b>337,971</b> |

**Liabilities**

|   |                |               |                |                  |                |
|---|----------------|---------------|----------------|------------------|----------------|
| <b>Current liabilities</b>                        | <b>35,444</b>  | <b>3,079</b>  | <b>21,490</b>  | <b>(23,818)</b>  | <b>36,195</b>  |
| Current debt                                      | 1,477          | 2,941         | 5,450          |                  | 9,868          |
| Trade accounts payable                            | 6,008          | 5             | 5,713          |                  | 11,726         |
| Intercompany payables                             | 8,158          | 3             | 5,796          | (13,957)         |                |
| Taxes payable                                     | 5,048          |               | 971            |                  | 6,019          |
| Other current liabilities                         | 14,753         | 92            | 3,560          | (9,823)          | 8,582          |
| Discontinued operations                           |                | 38            |                | (38)             |                |
| <b>Non-current liabilities</b>                    | <b>66,840</b>  | <b>28,206</b> | <b>70,280</b>  | <b>(49,500)</b>  | <b>115,826</b> |
| Long-term debt                                    | 22,030         | 28,206        | 29,854         |                  | 80,090         |
| Deferred tax liabilities                          | 17,244         |               | 2,295          |                  | 19,539         |
| Intercompany payables                             | 12,296         |               | 35,882         | (48,178)         |                |
| Other non-current liabilities                     | 15,270         |               | 2,249          | (1,322)          | 16,197         |
| <b>Petrobras shareholder's equity</b>             | <b>184,542</b> | <b>(953)</b>  | <b>46,128</b>  | <b>(45,175)</b>  | <b>184,542</b> |
| <b>Non-controlling interests</b>                  |                |               | <b>1,165</b>   | <b>243</b>       | <b>1,408</b>   |
| <b>Total liabilities and shareholder's equity</b> | <b>286,826</b> | <b>30,332</b> | <b>139,063</b> | <b>(118,250)</b> | <b>337,971</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<br>of Financial Position | Petrobras<br>S.A.<br>Guarantor | PifCo         | As of December 31,2011    |  | Consolidated   |
|---|--------------------------------|---------------|---------------------------|--|----------------|
|   |                                |               | All Other<br>Subsidiaries | Consolidating<br>and<br>Eliminating<br>Adjustments |                |
| <b>Assets</b>                                   |                                |               |                           |  |                |
| <b>Current assets</b>                           | <b>52,268</b>                  | <b>6,515</b>  | <b>34,599</b>             | <b>(27,243)</b>                                    | <b>64,592</b>  |
| Cash and cash equivalents                       | 10,053                         | 4,087         | 9,426                     | (4,509)  | 19,057         |
| Marketable securities                           | 12,595                         | 558           | 12                        | (4,204)  | 8,961          |
| Accounts receivable, net                        | 3,989                          | 1             | 7,167                     | 599  | 11,756         |
| Intercompany receivable                         | 7,243                          | 2             | 11,363                    | (18,608)   |                |
| Inventories                                     | 11,960                         |               | 4,467                     | (1,262)  | 15,165         |
| Other current assets                            | 6,428                          | 320           | 2,164                     | 741  | 9,653          |
| Discontinued operations                         |                                | 1,547         |                           | (1,547)  |                |
| <b>Non-current assets</b>                       | <b>210,844</b>                 | <b>16,998</b> | <b>87,193</b>             | <b>(60,217)</b>                                    | <b>254,818</b> |
| Intercompany receivable                         | 6,107                          | 12,387        | 6,592                     | (25,086)   |                |
| Marketable securities                           | 2,782                          | 4,611         | 2,878                     | (7,207)  | 3,064          |
| Deferred tax assets                             | 5,090                          |               | 3,370                     | 739  | 9,199          |
| Other long-term assets                          | 3,884                          |               | 6,004                     | (194)  | 9,694          |
| <b>Investments</b>                              | <b>29,989</b>                  |               | <b>3,896</b>              | <b>(27,355)</b>                                    | <b>6,530</b>   |
| <b>Property, plant and<br/>equipment , net</b>  | <b>121,176</b>                 |               | <b>62,403</b>             | <b>(1,114)</b>                                     | <b>182,465</b> |
| <b>Intangible assets</b>                        | <b>41,816</b>                  |               | <b>2,050</b>              |  | <b>43,866</b>  |
| <b>Diferido</b>                                 |                                |               |                           |  |                |
| <b>Total assets</b>                             | <b>263,112</b>                 | <b>23,513</b> | <b>121,792</b>            | <b>(87,460)</b>                                    | <b>319,410</b> |
| <b>Liabilities</b>                              |                                |               |                           |  |                |
| <b>Current liabilities</b>                      | <b>30,352</b>                  | <b>3,311</b>  | <b>22,918</b>             | <b>(20,054)</b>                                    | <b>36,364</b>  |

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|   |                |               |                |                 |                |
|---|----------------|---------------|----------------|-----------------|----------------|
| Current debt                                      | 1,393          | 3,045         | 5,629          |                 | 10,067         |
| Trade accounts payable                            | 6,541          | 5             | 5,317          |                 | 11,863         |
| Intercompany payables                             | 6,531          | 3             | 8,643          | (15,177)        |                |
| Taxes payable                                     | 4,935          |               | 912            |                 | 5,847          |
| Other current liabilities                         | 10,952         | 95            | 2,417          | (4,877)         | 8,587          |
| Discontinued operations                           |                | 163           |                | (163)           |                |
| <b>Non-current liabilities</b>                    | <b>56,921</b>  | <b>20,930</b> | <b>60,777</b>  | <b>(32,693)</b> | <b>105,936</b> |
| Long-term debt                                    | 21,790         | 20,930        | 29,998         |                 | 72,718         |
| Deferred tax liabilities                          | 15,682         |               | 2,054          |                 | 17,736         |
| Intercompany payables                             | 5,245          |               | 26,486         | (31,731)        |                |
| Other non-current liabilities                     | 14,205         |               | 2,239          | (962)           | 15,482         |
| <b>Petrobras shareholder's equity</b>             | <b>175,838</b> | <b>(728)</b>  | <b>36,957</b>  | <b>(34,845)</b> | <b>175,838</b> |
| <b>Non-controlling interests</b>                  |                |               | <b>1,140</b>   | <b>132</b>      | <b>1,272</b>   |
| <b>Total liabilities and shareholder's equity</b> | <b>263,112</b> | <b>23,513</b> | <b>121,792</b> | <b>(87,460)</b> | <b>319,410</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<br>of Income                | As of March 31, 2012            |              |                           |  |               |
|--|---------------------------------|--------------|---------------------------|--|---------------|
|  | Petrobras S<br>.A.<br>Guarantor | PifCo        | All Other<br>Subsidiaries | Consolidating<br>and<br>Eliminating<br>Adjustments | Consolidated  |
| <b>Sales revenues</b>                              | <b>28,912</b>                   |              | <b>30,241</b>             | <b>(21,743)</b>                                    | <b>37,410</b> |
| Third parties                                      | 17,610                          |              | 19,800                    |  | 37,410        |
| Intercompany                                       | 11,302                          |              | 10,441                    | (21,743)   |               |
| Cost of sales                                      | (20,603)                        |              | (26,168)                  | 20,812   | (25,959)      |
| <b>Gross profit</b>                                | <b>8,308</b>                    |              | <b>4,073</b>              | <b>(931)</b>                                       | <b>11,451</b> |
| <b>Income (expenses)</b>                           |                                 |              |                           |  |               |
| Selling expenses                                   | (1,645)                         |              | (712)                     | 1,026  | (1,331)       |
| Administrative and<br>general expenses             | (865)                           | (4)          | (375)                     |  | (1,244)       |
| Exploration costs                                  | (521)                           |              | (51)                      |  | (572)         |
| Research and development<br>expenses               | (291)                           |              | (2)                       |  | (293)         |
| Other taxes  | (42)                            |              | (70)                      | 28   | (84)          |
| Other operating income<br>and expenses, net        | (1,304)                         |              | (3)                       | 39   | (1,268)       |
| Financial income<br>(expense), net                 | 222                             | (216)        | 530                       | (273)  | 263           |
| Equity in results of non<br>consolidated companies | 2,211                           |              | 84                        | (2,218)  | 77            |
| Net income from<br>discontinuing operations        |                                 | 2            |                           | (2)  |               |
| <b>Income before income<br/>taxes</b>              | <b>6,074</b>                    | <b>(218)</b> | <b>3,474</b>              | <b>(2,331)</b>                                     | <b>6,999</b>  |
| Income tax   | (862)                           |              | (752)                     | (52)   | (1,666)       |
| <b>Net income</b>                                  | <b>5,212</b>                    | <b>(218)</b> | <b>2,722</b>              | <b>(2,383)</b>                                     | <b>5,333</b>  |
| Net income (loss)<br>attributable to:              |                                 |              |                           |  |               |

|                                   |              |              |              |                |              |
|-----------------------------------|--------------|--------------|--------------|----------------|--------------|
| <b>Shareholders</b>               | <b>5,212</b> | <b>(218)</b> | <b>2,686</b> | <b>(2,468)</b> | <b>5,212</b> |
| <b>Non-con trolling interests</b> |              |              | <b>(36)</b>  | <b>85</b>      | <b>121</b>   |
|                                   | <b>5,212</b> | <b>(218)</b> | <b>2,722</b> | <b>(2,383)</b> | <b>5,333</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<br>of Income                | As of March 31,2011            |             |                           |  |               |
|--|--------------------------------|-------------|---------------------------|--|---------------|
|  | Petrobras<br>S.A.<br>Guarantor | PifCo       | All Other<br>Subsidiaries | Consolidating<br>and<br>Eliminating<br>Adjustments | Consolidated  |
| <b>Sales revenues</b>                              | <b>24,048</b>                  |             | <b>19,899</b>             | <b>(11,345)</b>                                    | <b>32,602</b> |
| Third parties                                      | 14,137                         |             | 22,981                    | (4,516)  | 32,602        |
| Intercompany                                       | 9,911                          |             | (3,082)                   | (6,829)  |               |
| Cost of sales                                      | (14,795)                       |             | (16,394)                  | 10,516   | (20,673)      |
| <b>Gross profit</b>                                | <b>9,253</b>                   |             | <b>3,505</b>              | <b>(829)</b>                                       | <b>11,929</b> |
| <b>Income (expenses)</b>                           |                                |             |                           |  |               |
| Selling expenses                                   | (1,350)                        |             | (579)                     | 679  | (1,250)       |
| Administrative and<br>general expenses             | (794)                          | (4)         | (368)                     | (2)  | (1,168)       |
| Exploration costs                                  | (515)                          |             | (50)                      |  | (565)         |
| Research and<br>development expenses               | (289)                          |             | (6)                       |  | (295)         |
| Other taxes  | (76)                           |             | (106)                     | 35   | (147)         |
| Other operating income<br>and expenses, net        | (1,004)                        |             | (183)                     | 71   | (1,116)       |
| Financial income<br>(expense), net                 | 1,073                          | (123)       | 594                       | (315)  | 1,229         |
| Equity in results of non<br>consolidated companies | 1,916                          |             | 172                       | (1,842)  | 246           |
| Net income from<br>discontinuing operations        |                                | 84          |                           | (84)   |               |
| <b>Income before income<br/>taxes</b>              | <b>8,214</b>                   | <b>(43)</b> | <b>2,979</b>              | <b>(2,287)</b>                                     | <b>8,863</b>  |
| Income tax   | (1,626)                        |             | (590)                     | 64   | (2,152)       |
| <b>Net income</b>                                  | <b>6,588</b>                   | <b>(43)</b> | <b>2,389</b>              | <b>(2,223)</b>                                     | <b>6,711</b>  |
| Net income (loss)<br>attributable to:              |                                |             |                           |  |               |

|                                  |              |             |              |                |              |
|----------------------------------|--------------|-------------|--------------|----------------|--------------|
| <b>Shareholders</b>              | <b>6,588</b> | <b>(43)</b> | <b>2,372</b> | <b>(2,329)</b> | <b>6,588</b> |
| <b>Non-controlling interests</b> |              |             | <b>(17)</b>  | <b>106</b>     | <b>123</b>   |
|                                  | <b>6,588</b> | <b>(43)</b> | <b>2,389</b> | <b>(2,223)</b> | <b>6,711</b> |

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

## Consolidated notes to the financial statements (Continued)

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

| Statement of cash flows                                      | As of March 31, 2012           |                |                           |  |                |
|--|--------------------------------|----------------|---------------------------|--|----------------|
|  | Petrobras<br>S.A.<br>Guarantor | PifCo          | All Other<br>Subsidiaries | Consolidating<br>and<br>Eliminating<br>Adjustments | Consolidated   |
| Cash from operating activities continuing operations         | 6,398                          | (171)          | (1,156)                   | 3,464  | 8,535          |
| Cash from operating activities discontinuing operations      |                                | (121)          |                           | 121  |                |
| <b>Net cash provided (used) in operating activities</b>      | <b>6,398</b>                   | <b>(292)</b>   | <b>(1,156)</b>            | <b>3,585</b>                                       | <b>8,535</b>   |
| <b>Cash flows from Investment activities</b>                 |                                |                |                           |  |                |
| Investments in operating segments                            | (8,600)                        |                | (2,822)                   | 2,045  | (9,377)        |
| Investments in Marketable securities                         | (4,129)                        | 85             | 59                        | 3,566  | (419)          |
| Net intercompany investing                                   |                                | (9,667)        |                           | 9,667  |                |
| <b>Net cash provided (used) in investing activities</b>      | <b>(12,729)</b>                | <b>(9,582)</b> | <b>(2,763)</b>            | <b>15,278</b>                                      | <b>(9,796)</b> |
| <b>Cash flows from financing activities</b>                  |                                |                |                           |  |                |
| Capital issuance   |                                |                | 8,266                     | (8,266)  |                |
| Acquisition of non-controlling interest                      |                                |                |                           | 11   | 11             |
| Proceeds from borrowings                                     | 16,467                         | 7,112          | (1,875)                   | (13,494)   | 8,210          |
| Repayments   | (4,659)                        | (10)           | 1,467                     | (154)  | (3,356)        |
| Dividends paid   | (1,223)                        |                | (7)                       | 7  | (1,223)        |
| <b>Net cash provided (used) in financing activities</b>      | <b>10,585</b>                  | <b>7,102</b>   | <b>7,851</b>              | <b>(21,896)</b>                                    | <b>3,642</b>   |
| Effect of exchange rate changes on cash and cash equivalents | 170                            |                | 326                       | (34)   | 462            |

|   |               |                |               |                |               |
|---|---------------|----------------|---------------|----------------|---------------|
| <b>Net increase (decrease) in cash and cash equivalents in the period</b> | <b>4,424</b>  | <b>(2,772)</b> | <b>4,258</b>  | <b>(3,067)</b> | <b>2,843</b>  |
| <b>Cash and cash equivalents at beginning of period</b>                   | <b>10,053</b> | <b>4,087</b>   | <b>9,426</b>  | <b>(4,509)</b> | <b>19,057</b> |
| <b>Cash and cash equivalents at the end of period</b>                     | <b>14,477</b> | <b>1,315</b>   | <b>13,684</b> | <b>(7,576)</b> | <b>21,900</b> |

| Statement of cash flows                                 | As of March 31, 2011     |                 |                        |   |                |
|---|--------------------------|-----------------|------------------------|---|----------------|
|   | Petrobras S.A. Guarantor | PifCo           | All Other Subsidiaries | Consolidating and Eliminating Adjustments | Consolidated   |
| Cash from operating activities continuing operations    | 2,037                    | (236)           | 3,336                  | 2,480                                     | 7,617          |
| Cash from operating activities discontinuing operations |                          | 3,897           |                        | (3,897)                                   |                |
| <b>Net cash provided (used) in operating activities</b> | <b>2,037</b>             | <b>3,661</b>    | <b>3,336</b>           | <b>(1,417)</b>                            | <b>7,617</b>   |
| <b>Cash flows from Investment activities</b>            |                          |                 |                        |   |                |
| Investments in operating segments                       | (6,398)                  |                 | (3,373)                | 624                                       | (9,147)        |
| Investments in Marketable securities                    | 3,859                    | (62)            | 742                    | (980)                                     | 3,559          |
| Net intercompany investing                              |                          | (10,144)        |                        | 10,144                                    |                |
| <b>Net cash provided (used) in investing activities</b> | <b>(2,539)</b>           | <b>(10,206)</b> | <b>(2,631)</b>         | <b>9,788</b>                              | <b>(5,588)</b> |
| <b>Cash flows from financing activities</b>             |                          |                 |                        |   |                |
| Capital issuance  |                          |                 | 253                    | (253)                                     |                |
| Acquisition of non-controlling interest                 |                          |                 |                        | 4   | 4              |
| Proceeds from borrowings                                | 17,776                   | 6,013           | 12,761                 | (27,382)                                  | 9,168          |
| Repayments  | (8,120)                  | (22)            | (12,582)               | 18,294                                    | (2,230)        |
| Dividends paid  | (1,102)                  |                 | 27                     |   | (1,102)        |
| <b>Net cash provided (used) in financing activities</b> | <b>8,554</b>             | <b>5,991</b>    | <b>432</b>             | <b>(9,137)</b>                            | <b>5,840</b>   |

|   |               |              |               |                |               |
|---|---------------|--------------|---------------|----------------|---------------|
| Effect of<br>exchangeratechanges on cash<br>and cash equivalents                  | (467)         |              | 159           | 152            | 474           |
| <b>Net increase (decrease) in<br/>cash and cash equivalents<br/>in the period</b> | <b>8,519</b>  | <b>(554)</b> | <b>1,296</b>  | <b>(918)</b>   | <b>8,343</b>  |
| <b>Cash and cash equivalents<br/>at beginning of period</b>                       | <b>12,000</b> | <b>1,197</b> | <b>10,271</b> | <b>(5,813)</b> | <b>17,655</b> |
| <b>Cash and cash equivalents<br/>at the end of period</b>                         | <b>20,519</b> | <b>643</b>   | <b>11,567</b> | <b>(6,731)</b> | <b>25,998</b> |

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

### Consolidated notes to the financial statements (Continued)

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

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#### **34. Subsequent events**

On April 25, 2012, Petrobras Netherlands B.V. (PNBV) raised funds from a line of financing with the bank J.P. Morgan, in the amount of US\$ 1 billion, with an average term of maturity of 6 years and market floating interest based on the 6 month Libor.

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## SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 17, 2012

PETRÓLEO BRASILEIRO S.A--PETROBRAS

By:

/s/ Almir Guilherme Barbassa

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**Almir Guilherme Barbassa**  
**Chief Financial Officer and Investor Relations**  
**Officer**

## FORWARD-LOOKING STATEMENTS

This press release may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act) that are not based on historical facts and are not assurances of future results. These forward-looking statements are based on management's current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.

All forward-looking statements are expressly qualified in their entirety by this cautionary statement, and you should not place reliance on any forward-looking statement contained in this press release. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason.

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