

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)*

Assets	Note	March, 31 2012	December, 31 2011	Liabilities	Note	March, 31 2012	December, 31 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>Long-term 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, 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 March 31, 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, 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, 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, 2012</b>	<b>December 31, 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, 2012</b>	<b>December 31, 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, 2012</b>	<b>December 31, 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, 2012</b>	<b>December 31, 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, 2012</b>	<b>December 31, 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, 2012</b>	<b>December 31, 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, 2012</b>	<b>December 31, 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, 2012</b>	<b>December 31, 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**

12.1	By type of asset				
	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) excluding land	20 (3 to 31)		Unit of production 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 Concessions	Software		Goodwill	Total
		Acquired	Developed 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 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, 2012	December 31, 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>
	2012	2011
<b>Three-month periods ended March 31,</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, 2012	December 31, 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, 2012</b>	<b>December 31, 2011</b>	<b>March 31, 2012</b>	<b>December 31, 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, 2012</b>	<b>December 31, 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, 2012</b>	<b>December 31, 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, 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 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 receipts	Minimum 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, 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, 2012	December 31, 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 March 31, 2012	December 31, 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, 2012</b>	<b>December 31, 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, 2012</b>	<b>December 31, 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 & Equipment		Exploration costs for the extraction of crude oil and gas		Accounts receivable/payable, loans and financing		Financial leases		Provision for legal proceedings		Tax losses		Inventories		Interest on shareholders equity		Other	
<b>Balance at December 31, 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 results for the year	(2,388)	(1,289)		472	(110)		88	(21)		203		80	(634)					(3,599)
Recognized in shareholders equity (Comprehensive Income)						24											(28)	(4)
Cumulative translation 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 December 31, 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 results for the period	(670)	(307)		(249)	(26)		(50)	1		(40)			20					(1,321)
Recognized in shareholders equity (Comprehensive 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 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**

	<b>Three month periods ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<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 March 31, 2012				
	Exploration and Production	Refining, Transportation & Marketing	Gas & 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 and Production	Refining, Transportation & Marketing	Gas & 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 and Production</b>	<b>Refining, Transportation &amp; Marketing</b>	<b>Gas &amp; 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 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 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 and Production</b>	<b>Refining, Transportation &amp; Marketing</b>	<b>Gas &amp; 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 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 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, 2012</b>	<b>December 31, 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, 2012</b>	<b>December 31, 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 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 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 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 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.

511

## 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 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 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 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><u>Future Contracts</u></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><u>Options Contracts</u></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><u>Forward contracts</u></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, 2012</b>	<b>December 31, 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)
Asset position (JPY) - 2.15%p.a.	JPY 35,000	JPY 35,000	454	494	High of the dollar		6	
Liability position (USD) - 5.69%p.a.	USD 298	USD 298	(357)	(364)				
<i>Swap (maturity in 2012)</i>			12	17		12	(25)	(55)
Asset position - USD	USD 127	USD 127	130	128	High of the Real			
Liability position - R\$ CDI	BRL 199	BRL 199	(117)	(111)				
Sale of forward dollar	USD 93	USD 87	1	(2)	High of the dollar	1	(23)	(46)
<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>		
Gain (loss) recorded in the results for the period						<b>2012</b>		<b>2011</b>
Gain (loss) recorded in shareholders' equity						1		6
						(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 in March 31, 2012</b>	<b>Possible scenario (Δ of 25%)</b>	<b>Remote scenario (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> (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 quoted on active market (Level 1)</b>	<b>Valuation technique supported by observable prices (Level 2)</b>	<b>Valuation technique without use of observable prices (Level 3)</b>	<b>Total Fair value 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 of Financial Position	As of March 31, 2012				
	Petrobras S.A. Guarantor	PifCo	All Other Subsidiaries	Consolidating and Eliminating 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 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 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 of Financial Position	Petrobras S.A. Guarantor	PifCo	As of December 31,2011		Consolidated
			All Other Subsidiaries	Consolidating and Eliminating 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 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 of Income	As of March 31, 2012				
	Petrobras S .A. Guarantor	PifCo	All Other Subsidiaries	Consolidating and Eliminating 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 general expenses	(865)	(4)	(375)		(1,244)
Exploration costs	(521)		(51)		(572)
Research and development expenses	(291)		(2)		(293)
Other taxes	(42)		(70)	28	(84)
Other operating income and expenses, net	(1,304)		(3)	39	(1,268)
Financial income (expense), net	222	(216)	530	(273)	263
Equity in results of non consolidated companies	2,211		84	(2,218)	77
Net income from discontinuing operations		2		(2)	
<b>Income before income 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) 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 of Income	As of March 31, 2011				
	Petrobras S.A. Guarantor	PifCo	All Other Subsidiaries	Consolidating and Eliminating 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 general expenses	(794)	(4)	(368)	(2)	(1,168)
Exploration costs	(515)		(50)		(565)
Research and development expenses	(289)		(6)		(295)
Other taxes	(76)		(106)	35	(147)
Other operating income and expenses, net	(1,004)		(183)	71	(1,116)
Financial income (expense), net	1,073	(123)	594	(315)	1,229
Equity in results of non consolidated companies	1,916		172	(1,842)	246
Net income from discontinuing operations		84		(84)	
<b>Income before income 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) 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				Consolidated
	Petrobras S.A. Guarantor	PifCo	All Other Subsidiaries	Consolidating and Eliminating Adjustments	
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 exchangeratechanges on cash and cash equivalents	(467)		159	152	474
<b>Net increase (decrease) in cash and cash equivalents 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 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 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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