QUESTAR CORP
Form 4
April 02, 2008

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
BECK TERESA

(Last) (First) (Middle)

180 E 100 S

(Street)

SALT LAKE CITY, UT 84111

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
QUESTAR CORP [STR]

3. Date of Earliest Transaction (Month/Day/Year)
03/31/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock								4,053.372	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount o Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amoun Numbe Shares
Phantom Stock Units	$ 56.56	03/31/2008		A		432.2843		(1)	(1)	Phantom Stock Units	432.2
Phantom Stock Units	$ 0							(1)	(1)	Phantom Stock Units	7,796
Stock Option	$ 7.5							08/08/2000	02/08/2010	Common Stock	12,8
Stock Option	$ 14.005							08/13/2001	02/13/2011	Common Stock	12,8
Stock Option	$ 11.475							08/11/2002	02/11/2012	Common Stock	12,8
Stock Option	$ 13.555							08/11/2003	02/11/2013	Common Stock	14,0

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BECK TERESA 180 E 100 S SALT LAKE CITY, UT 84111	X			

Signatures

Abigail L. Jones Attorney in Fact for T. Beck	04/01/2008
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) This date is unknown until I retire as a director.

(2) I defer my director's fees, and such fees are accounted for in phantom stock units that are credited with dividends.

(3) I have been granted restricted phantom stock units under Questar's Long-term Stock Incentive Plan. Such units are credited with dividends.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

1,102

1,730

475

82

870

1,427

Explanation of Responses:

Related to active employees:

Included in the cost of sales

222

125

227

574

131

91

212

Explanation of Responses:

434

105

42

168

315

Operating expense recognized in profit or loss

139

154

182

475

66

122

180

Explanation of Responses:

368

79

39

113

231

Related to retired employees

366

5

671

1,042

213

5

710

928

Explanation of Responses:

	291
	1
	589
	881
Net costs for the year	
	727
	284
	1,080
	2,091
	410
	218
	1,102
	1,730

Explanation of Responses:

475

82

870

1,427

56

Explanation of Responses:

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c) *Difference between estimated and actual amounts incurred*

The differences between estimated and actual amounts incurred in the last four years are set out in the table below:

	2012		2011	2010	2009
Pension plan gains/(losses)					
Experience adjustments on pension plan liabilities	3,347		(67)	71	(219)
Experience adjustments on pension plan assets	1,061	#	(472)	1,198	1,966
Medical plan gains/(losses)					
Experience adjustments on medical plan liabilities	1,654	#	704	248	381

d) *Changes in assumed medical costs*

The effect of a 100 basis points (bps) change in the assumed discount rate and medical cost trend rate is as set out below:

	Discount Rate				Medical Cost	
	Pension Benfits		Medical Benefits		Medical Benefits	
	+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps
Pension Obligation	(4,874)	6,184	(1,022)	1,258	1,370	(1,105)
Current Service cost and interest cost	2,538	3,098	(131)	163	182	(140)

e) Significant actuarial assumptions used by the independent actuary

	2012	**2011**
Discount rate	Inflation: 5.40% to 4.11% p.a [1] + Interest [2]: 3.75% p.a [2a]/3.81% p.a[2b]	Inflation 5.6% to 4.34% p.a + Interest: 5.58% p.a [2]
Salary growth rate	Inflation: 5.40% to 4.11% p.a[1] + 2.105% p.a[3a] / 3.370% p.a[3b]	Inflation 5.6% to 4.34% p.a. + 2.080% to 3.188% p.a
Expected return rate from the pension plan assets	-	Inflation 5.6% p.a. + interest: 6.49% p.a.
Turnover rate of medical plans	0.700% p.a [4]	0.652% p.a [4]
Turnover rate of pension plans	Null	Null
Variance assumed in medical and hospital costs	11.74% to 4.11%p.a [5]	8.96% to 4.34%p.a [5]
Mortality table	AT 2000 sex specific. 30% smoothing coefficient - female[6]	AT 2000, sex specific
Disability table	TASA 1927 [7]	TASA 1927 [7]
Mortality table for disabled participants	Winklevoss, sex specific - 20% smoothing coefficient [8]	AT 49, sex specific

(1) Expected inflation curve based on market expectations: 5.40% and 5.50% for 2013 and 2014, respectively and flat at 4.11% afterwards (based on the Company’s average scenario)

(2) The Company uses a methodology for computing an equivalent real interest rate based on the term structure of long-term government bonds with the longest maturities, considering the maturity profile of the pension and medical benefits obligations.

(2a) Petros Plan – Petrobras Group and Petros Plan 2

(2b) AMS Plan

(3a) Petros Plan – Petrobras Group

(3b) Petros Plan 2

(4) Average turnover which varies according to age and time of service. Except for BR (1.603%) and Liquigas (7.640%) in 2012.

(5) Decreasing rate for medical and hospital costs indexed to the long-term projected inflation for the next 30 years.

(6) Except for Petros Plan 2, which was based on AT 2000 (80% male + 20% female) Mortality Table.

(7) Except for Petros Plan 2, which was based on Álvaro Vindas disability table (2012) and Adjusted Zimmermann (2011).

(8) Except for Petros Plan 2, which was based on AT49 Male Mortality Table for disabled.

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20.6 Other defined contribution plans

Petrobras, through its subsidiaries in Brazil and abroad, also sponsors defined contribution employee retirement plans. Contributions paid in 2012, in the amount of US$ 6 were recognized in profit or loss.

21 Profit sharing

Profit sharing benefits comply with Brazilian legal requirements and those of the Brazilian Department of Coordination and Governance of State-Owned Enterprises (DEST), of the Ministry of Planning, Budget and Management, and by the Ministry of Mines and Energy, and are computed based on the consolidated income before profit sharing and non-controlling interests.

The company has recognized a profit sharing liability in the amount of US$ 524 (US$ 867 in 2011) pursuant to these regulations.

Profit sharing benefits for key management are subject to approval at the Annual General Meeting for 2013, in accordance with articles 41 and 56 of the Company’s bylaws and Brazilian Federal regulations.

22 Shareholders’ equity

22.1 Share capital

At December 31, 2012, subscribed and fully paid share capital was US$ 107,362, represented by 7,442,454,142 outstanding common shares and 5,602,042,788 outstanding preferred shares, all of which are registered, book-entry shares with no par value.

Capital increase with reserves in 2012

The Extraordinary General Meeting, held jointly with the Annual General Meeting on March 19, 2012, approved a capital increase through capitalization of a portion of the profit reserve relating to tax incentives, recognized in 2011 in the amount of US$ 7 (in compliance with article 35, paragraph 1, of Ordinance 2,091/07 of the Ministry for National Integration), without issue of new shares (pursuant to article 169, paragraph 1, of Law 6,404/76). Share capital increased from US$ 107,355 to US$ 107,362.

Capital increase with reserves in 2013

A proposal will be made to the Extraordinary General Meeting, to be held jointly with the Annual General Meeting in 2013 to increase capital through capitalization of a portion of the profit reserve for tax incentives established in 2012, of US$ 9. Share capital will increase from US$ 107,362 to US$ 107,371.

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22.2 Additional paid in capital

a) Incremental costs directly attributable to the issue of new shares

These include any transaction costs directly attributable to the issue of new shares, net of taxes. The amount of US$ 279, net of taxes, relating to incremental costs directly attributable to the global offering of new shares was recognized in 2010.

b) Change in interest in subsidiaries

These include any excess of amounts paid/received over the carrying value of the interest acquired/disposed. Changes in ownership interest in subsidiaries that do not result in loss of control of the subsidiary are equity transactions.

22.3 Profit reserves

a) Legal reserve

The legal reserve represents 5% of the net income for the year, calculated pursuant to article 193 of the Brazilian Corporation Law.

b) Statutory reserve

The statutory reserve is appropriated by applying a minimum of 0.5% of the year-end share capital and is retained to fund technology research and development programs. The balance of this reserve may not exceed 5% of the share capital, pursuant to article 55 of the Company’s bylaws.

c) Tax incentives reserve

Government grants are recognized in profit or loss and are appropriated from retained earnings to the tax incentive reserve in the shareholders’ equity pursuant toarticle 195-A of Brazilian Corporation Law. This reserve may only be used to offset losses or increasing share capital.

In 2012, government grants of US$ 9 related to reinvestments, using income taxes benefits, for the development of the Northeast of Brazil (Superintendências de Desenvolvimento do Nordeste – SUDENE) and the Amazon region (SUDAM) were appropriated from profit or loss.

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d) Profit retention reserve

Profit retention reserve shields funds intended for capital expenditures, primarily in oil and gas exploration and development activities, included in the capital budget of the Company, pursuant to article 196 of the Brazilian Corporation Law.

A retention of US$ 4,864, of which US$ 4,858 from 2012 profit and US$ 6 appropriated from retained earnings, was allocated to the annual investment program in the 2013 capital budget, which will be proposed and voted at the 2013 Annual General Meeting.

22.4 Accumulated other comprehensive income

a) Cumulative translation adjustment

This account comprises all exchange differences arising from the translation of the consolidated financial statements from the functional currency into the presentation currency, recognized as cumulative translation adjustments (CTA) within Accumulated other comprehensive income.

b) Other comprehensive income

This account comprises gains or losses arising from measurement at fair value of available-for-sale financial assets and cash flow hedges.

22.5 Dividends

Shareholders are entitled to receive minimum mandatory dividends (and/or interest on capital) of 25% of the adjusted net income for the year proportional to the number of common and preferred shares, pursuant to Brazilian Corporation Law.

Preferred shares have priority in case of capital returns and dividend distribution, which is based on the higher of 3% of the preferred shares' net book value, or 5% of the preferred share capital.

Dividends for 2012 of US$ 4,499 are to be voted at the 2013 Annual General Meeting and are consistent with the rights granted to preferred shares in the bylaws of the Company and to the minimum mandatory dividend for common shares. Dividends proposed for 2012 represent 44.73% of the adjusted net income in Brazilian Reais (adjusted in accordance with Brazilian Corporation Law), as 3% of the book value of shareholders' equity regarding preferred shares stake was higher than the minimum mandatory dividend (25% of the adjusted net income for the year).

An equal amount of dividends for common and preferred shares was proposed and approved in 2011 and represented 38.25% of the adjusted net income in Brazilian Reais, as 3% of the book value of shareholders' equity regarding preferred shares stake was higher than the minimum mandatory dividend.

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Dividends proposed for 2012 comprise interest on capital of US$ 4,499 and were approved by the Board of Directors, as set out below:

Payment	Date of approval by Board of Directors	Date of Record	Date of Payment	Common Share		Pref
				Amount	Amount per Share (Pre-Tax)	Amou
1st payment of interest on capital	04.27.2012	05.11.2012	05.31.2012	817	0.11	6
2nd payment of interest on capital	02.04.2013			983	0.13	2,0
				1,800	0.24	2,6

Interim distributions of interest on capital in 2012 will be deducted from the distribution to be made at the close of fiscal year 2012 and indexed based on the SELIC rate from the date of payment to December 31, 2012. The remaining amount of interest on capital will be indexed based on the SELIC rate from December 31, 2012 to the date of payment, which will be voted at the 2013 Annual General Meeting.

Interest on capital is subject to a withholding income tax rate of 15%, except for shareholders that are declared immune or exempt, pursuant to Law 9,249/95. Interest on capital is a form of dividend distribution, which is deductible for tax purposes in Brazil and is included in the dividend distribution for the year, as established in the Company’s bylaws. The tax credit from the deduction of interest on capital is recognized in profit or loss. An amount of US$ 1,530 was recognized in 2012 (US$ 2,064 in 2011) relating to tax benefits from the deduction of interest on capital. For accounting purposes, shareholders’ equity is reduced in a manner similar to a dividend, pursuant to CVM Deliberation 207/96.

22.6 Earnings per Share

	2012	2011
Net income atributable to Shareholders of Petrobras	11,034	20,121

Weighted average number of common and preferred shares in issue	13,044,496,930	13,044,496,930
Basic and diluted earnings per common and preferred share (US$ per share)	0.85	1.54

23 Sales revenues

	2012	2011	2010
Gross sales revenue	176,714	183,022	151,297
Sales taxes	(32,611)	(37,107)	(30,845)
Sales revenues	**144,103**	**145,915**	**120,452**

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24 Other operating expenses, net

	2012	**2011**	**2010**
Pension and medical benefits	(1,042)	(928)	(881)
Unscheduled stoppages and pre-operating expenses	(856)	(901)	(350)
Institutional relations and cultural projects	(777)	(884)	(339)
Inventory write-down to net realizable value (market value)	(742)	(643)	(694)
Losses / Gains on legal and administrative proceedings	(716)	131	(1,031)
Expenses related to collective bargaining agreement	(444)	(430)	(364)
Expenditures on health, safety and environment	(289)	(474)	(207)
Impairment	(137)	(369)	(38)
Government Grants	385	378	212
Expenditures/reimbursements from operations in E&P partnerships	268	10	26
Others	165	127	(129)
	(4,185)	**(3,983)**	**(3,965)**

25 Expenses by nature

	2012	**2011**
Raw material / products purchased	(61,856)	(57,27
Production taxes	(16,083)	(16,22
Employee Benefits	(12,071)	(12,20
Depreciation, depletion and amortization	(11,119)	(10,53
Changes in inventories	724	5,2
Freight, rent, third-party services and other related costs	(20,572)	(23,45
Exploration expenditures written off (includes dry wells and signature bonuses)	(2,847)	(1,48
Taxes expenses	(386)	(46
Losses / Gains on legal and administrative proceedings	(716)	1
Institutional relations and cultural projects	(777)	(88
Unscheduled stoppages and pre-operating expenses	(856)	(90
Expenditures on health, safety and environment	(289)	(47
Inventory write-down to net realizable value (market value)	(742)	(64
Impairment	(137)	(36
	(127,727)	**(119,49**

Cost of sales	(107,534)	(99,59
Selling expenses	(4,927)	(5,34
General and Administrative expenses	(5,034)	(5,16
Exploration costs	(3,994)	(2,63
Research and development expenses	(1,143)	(1,45
Other taxes	(386)	(46
Other operating expenses, net	(4,185)	(3,98
Profit sharing	(524)	(86
	(127,727)	**(119,49**

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26 Net finance income (expense)

	2012	**2011**	**2010**
Foreign exchange and inflation indexation charges net debt (*)	(3,327)	(2,918)	260
Expenses on debt	(5,152)	(4,866)	(4,070)
Income from investments and marketable securities	1,716	2,948	1,273
Financial result on net debt	**(6,763)**	**(4,836)**	**(2,537)**
Capitalized borrowing costs	3,807	4,403	3,156
Gains (losses) on derivatives	(52)	(215)	5
Interest income from marketable securities	919	286	369
Other finance expense and income, net	404	(39)	(2)
Other exchange and indexation charges, net	(241)	477	560
Finance income (expenses), net	**(1,926)**	**76**	**1,551**
Finance income (expenses), net			
Income	3,659	3,943	2,535
Expenses	(2,016)	(1,424)	(1,784)
Foreign exchange and inflation indexation charges, net	(3,569)	(2,443)	800
	(1,926)	**76**	**1,551**

(*) It includes indexation charges on debt in local currency indexed to the U.S. dollar.

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27 Provisions for Legal Proceedings, Contingent Liabilities and Contingent Assets

The Company is a defendant in numerous legal proceedings involving tax, civil, labor, corporate and environmental issues. Based on legal advice and management's best estimates, the Company reviews whether it is probable that an outflow of resources embodying economic benefits will be required to set the obligations.

27.1 Provisions for legal proceedings

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Significant proceedings, for which the Company has recognized a provision, mainly include: (i) withholding of income taxes for securities issued outside Brazil; (ii) losses and damages resulting from the cancellation of an assignment of excise tax (IPI) credits to a third party; and (iii) fishermen seeking indemnification from the Company for a January 2000 oil spill in the State of Rio de Janeiro.

In addition, the Federal Public Attorney's Office and the Public Attorney's Office of the State of Paraná filed lawsuits against Petrobras demanding compensation for moral damages, financial damages and environmental recovery due to oil spillages: (i) in Terminal São Francisco do Sul – Refinaria Presidente Vargas, on July 16, 2000, for which a provision was recognized in 2011 and its updated amount at December 2012 is US$ 34; and (ii) in the Araucária – Paranaguá pipeline (OLAPA), at the headwaters of Rio do Meio, in the town of Morretes – State of Paraná, on February 16, 2001. This legal proceeding resulted in a settlement agreement signed on April 26, 2012, for which a provision was recognized in March, 2012 in the amount of US$ 52, US$ 46 of which were paid in May, 2012 and US$ 6 are still recognized as a provision, in order to support the expenses to recover the area.

The Company has provisions for legal proceedings, in the amounts set out below:

Non-current liabilities	**2012**	**2011**
Labor claims	336	194
Tax claims	341	354
Civil claims	514	480
Environmental Claims	63	44
Other claims	11	16
	1,265	**1,088**

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	2012	**2011**
Opening Balance	**1,088**	**964**
Additional provisions	647	293
Amounts used during the year (payment)	(440)	(130)
Accretion expense	99	43
Others	(129)	(82)
Closing Balance	**1,265**	**1,088**

27.2 Judicial Deposits

Judicial deposits made in connection with legal proceedings and guarantees are set out in the table below according to the nature of the corresponding lawsuits:

	2012	**2011**
Non-current assets		
Labor	869	641
Tax	1,435	1,112
Civil	320	271
Environmental	69	52
Others	3	4
	2,696	**2,080**

27.3 Contingent Liabilities

Contingent liabilities for which the likelihood of loss is considered to be possible are not recognized in the financial statements but are disclosed unless the expected outflow of resources embodying economic benefits is considered remote.

The estimated contingent liabilities regarding legal proceedings which the likelihood of loss is considered to be possible is set out in the table below.

	Estimates
Tax	24,737
Civil	2,419
Labor	1,298
Environmental	325
Others	4
	28,783

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A brief description of the nature of the main contingent liabilities (tax and civil) are set out in the tables below:

a) Tax Proceedings

Description of tax proceedings	Estimate
Plaintiff: Secretariat of the Federal Revenue of Brazil	
1) Deduction of expenses from the renegotiation of the Petros Plan from the calculation basis of income tax (IRPJ) and social contribution (CSLL) and penalty charged. Current status: Awaiting the hearing of an appeal at the administrative level.	2,124
2) Profits of subsidiaries and associates domiciled abroad in the years of 2005, 2006, 2007 and 2008 not included in the calculation basis of IRPJ and CSLL. Current status: Awaiting the hearing of an appeal at the administrative level.	1,661
3) Deduction from the calculation basis of IRPJ and CSLL of expenses incurred in 2007 related to employee benefits and Petros. Current status: This claim is being disputed at the administrative level.	804
4) Withhold income tax (IRRF) and Contribution of Intervention in the Economic Domain (CIDE) over remittances for payment of platforms' affreightment. Current status: This claim involves lawsuits in different administrative and judicial stages, in which the Company is taking legal actions to ensure its rights.	4,458
5) Non payment of CIDE on imports of naphtha. Current status: This claim is being discussed at the administrative level.	1,722
6) Non-payment of CIDE in the period from March 2002 until October 2003 in transactions with distributors and service stations that were holders of judicial injunctions that determined the sale of gas without the gross-up of such tax. Current status: Awaiting the hearing of an appeal in the Higher Chamber of Tax Appeals (CSRF).	713
7) Non-payment of tax on financial operations (IOF) over intercompany loans. Current status: Awaiting the hearing of an appeal at the administrative level.	1,763

8) Withhold income tax (IRRF) over remittances abroad for payment of petroleum imports. Current status: Awaiting the hearing of an appeal at the administrative level.	1,871

Plaintiff: State Finance Department of Rio de Janeiro

9) ICMS on exit operations of liquid natural gas (LNG) without issuing a tax document in the ambit of the centralizing establishment. 9) ICMS on exit operations of liquid natural gas (LNG) without issuance of tax document by the main establishment. Current status: This claim involves lawsuits in different administrative and judicial stages, in which the Company is taking legal actions to ensure its rights.	1,392
10) Dispute over ICMS tax levy in operations of sale of aviation jet fuel, as Decree 36.454/2004 was declared as unconstitutional. Current status: This claim is being disputed at the administrative level and the company has presented its defense.	793

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b) Civil Proceedings – General

Description of tax proceedings	Estimate
Plaintiff: State Finance Department of São Paulo	
11) Dispute over ICMS tax levy 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. Current status: One of the legal proceedings is in its administrative stage and the other one was submitted to judicial dispute, in which the Company has obtained a favorable decision.	2,084
Plaintiff: Municipal governments of Anchieta, Aracruz, Guarapari, Itapemirim, Marataízes, Linhares, Vila Velha, Vitória and Maragogipe.	
12) 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 municipalities where the respective service providers are established, in accordance with Complementary Law No. 116/03. Current status: This claim involves lawsuits in different administrative and judicial stages, in which the Company is taking legal actions to ensure its rights.	929
Plaintiff: State Finance Departments of Rio de Janeiro and Sergipe	
13) Use of ICMS tax credits on the purchase of drilling bits and chemical products used in formulating drilling fluid. Current status: This claim involves lawsuits in different administrative and judicial stages, in which the Company is taking legal actions to ensure its rights.	462
14) Other tax proceedings	3,961
Total for tax proceedings	**24,737**

b) Civil Proceedings - General

Description of civil proceedings	Estimate
Plaintiff: Agência Nacional de Petróleo, Gás Natural e Biocombustíveis - ANP	
1) Dispute on differences in the payment of special participation charge in fields of the Campos Basin. In addition, the plaintiff is claiming fines for alleged non-compliance with minimum exploratory programs. Administrative proceedings are in course in connection with alleged irregularities in the platforms' measurement system. Current status: This claim involves processes in different administrative and judicial stages, in which the Company is taking legal actions to ensure its rights.	910
2) Other civil proceedings	1,509
Total for civil proceedings	**2,419**

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c) Other Proceedings

Plaintiff: Porto Seguro Imóveis Ltda.

On August 28, 2012, the Superior Court (STJ), unanimously upheld the special appeal filed by Petrobras, dismissing the plaintiff's claims. Porto Seguro Imóveis Ltda., a former minority shareholder of Petroquisa, filed a lawsuit related to alleged losses suffered as a result of the disposal of Petroquisa's interest in various petrochemical companies included in the National Privatization Program. Based on the aforementioned decision, the possibility of an outflow of resources related to this contingent liability, in the amount of US$ 3,996 was reassessed as remote.

27.4 Joint Ventures – Frade field

In November 2011, there was an oil spillage in the Frade field operated by Chevron Brasil, located in the Campos basin. Chevron Brasil, Chevron Latin America Marketing LLC and Transocean Brasil Ltda are being sued for US$ 10 billion in environmental damages by the federal public attorney's office. Transocean Brasil Ltda. operated the rig at Frade at the time of this spillage.

In April 2012, a new lawsuit was filed by the Federal Public Attorney's Office against Chevron and Transocean, due to new leaks on the seabed of the Frade field. In this suit the Federal Public Attorney's Office pleads to a further US$ 10 billion as compensation for damages.

The assessment by the Company's 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 lawsuit, as the oil was not identified on the surface, the existence of any actual damage to the community is inconceivable.

Although the Company is not being sued, due to its 30% ownership interest in the Frade consortium, Petrobras may be contractually obliged to pay 30% of the total contingencies related to the incidents that occurred in 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 of the damages.

27.5 Contingent assets

27.5.1 Recovery of maintenance/replacement costs – Barracuda & Caratinga

In 2006, Petrobras, as representative of Barracuda & Caratinga Leasing Company B.V. (BCLC), pursuant to the provisions of EPC Contract, submitted a matter for arbitration in New York against Kellog, Brown & Root, Inc – KBR, demanding payment of indemnification in the amount of approximately US$ 220 million plus interest for the costs of monitoring and replacing defective stud bolts and anchor bolts incurred on subsea oilfield flowlines in the Barracuda and Caratinga field, under the contractual guarantee period as well as costs and expenses of the arbitration.

On September 21, 2011, the arbitration court awarded BCLC, as pleaded in the arbitration, the full amount of US$ 166 (R$ 339 million, as the damages were incurred in this currency) and condemned KBR to pay almost the entirety costs incurred by Petrobras in the arbitration, including internal costs, legal fees and other arbitration costs. After the decision, the Company recognized the amount of US$ 166 as a non-current asset.

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In December 2012, Halliburton, as KBR guarantor, negotiated with BCLC to pay US$ 218, in order to settle the arbitration. This amount was paid on January 11, 2013.

27.5.2 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 claiming that paragraph 1 of article 3 of Law 9,718/98 is unconstitutional.

On November 9, 2005, the Federal Supreme Court declared such paragraph as unconstitutional.

On November 18, 2010, the Superior Court of Justice upheld the claim filed by Petrobras in 2006 to recover the COFINS for the period from January 2003 to January 2004. Petrobras then recognized the amount of US$ 290 as recoverable taxes in its non-current assets.

At December 31, 2012, the Company had US$ 1,084 related to this lawsuit that are not yet recognized in the financial statements due to the lack of final favorable decision.

27.5.3 Legal proceeding in the United States - P-19 and P-31

In 2002, Braspetro Oil Service Company (Brasoil) and Petrobras obtained a favorable decision in related lawsuits filed before U.S. courts by the insurance companies United States

Fidelity & Guaranty Company and American Home Assurance Company in which they were seeking to obtain (since 1997 and regarding Brasoil) a judicial order exempting them from their payment obligations under the performance bond related to platforms P- 19 and P-31, and seeking reimbursement from Petrobras for any amounts for which they could ultimately be held liable in the context of the execution proceedings of such performance bond.

On July 21, 2006, the U.S. courts issued an executive decision, conditioning the payment of the amounts owed to Brasoil to a definitive dismissal of the legal proceedings involving identical claims that are currently in course before Brazilian courts.

Brasoil, Petrobras and the insurance companies already pleaded the dismissal of the Brazilian legal proceedings but their definitive dismissal is awaiting the hearing of an appeal filed by the platforms' shipbuilding company before the Superior Court for Non-Constitutional Matters (STJ).

In 2012 the Company intensified actions taken, in an attempt to settle this lawsuit. The amount of damages pleaded is of approximately US$ 245.

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28 Natural Gas Purchase Commitments

Petrobras has entered into an agreement with Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) to purchase 201.9 billion m^3 of natural gas during the term of the agreement and to purchase minimum annual volume commitment at a price calculated based on a formula comprising the price of fuel oil. The agreement is valid until 2019, renewable until the total volume commitment has been consumed.

At December 31, 2012, the minimum purchase commitment from 2013 to 2019 is approximately 61.5 billion m^3 of natural gas, equivalent to 24.06 million m^3 per day, which corresponds to an estimated amount of US$ 17.9 billion.

29 Guarantees for concession agreements for petroleum exploration

The Company has guarantees for the Minimum Exploration Programs established in the concession agreements for exploration of areas by the *Agência Nacional de Petróleo, Gás Natural e Biocombustíveis* (“*ANP*”) in the total amount of US$ 3,134, of which US$ 2,753 are still in force, net of commitments that have been undertaken. The guarantees comprise crude oil from previously identified producing fields, pledged as security, with a value of US$ 1,563 and bank guarantees in the amount of US$ 1,190.

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30 Risk management and derivative instruments

The Company is exposed to a variety of risks arising from its operations: market risk (including price risk related to crude oil and oil products, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

30.1 Risk management

The objective of the overall risk management policy of the Company is to achieve an appropriate balance between growth, increased return on investments and risk exposure level, which can arise from its normal activities or from the context within which the Company operates, so that, through effective allocation of its physical, financial and human resources it may achieve its strategic goals.

Risk management is carried out by a Financial Integration Committee set up by the Executive Board to evaluate and establish guidelines for measuring, monitoring, and managing the risks periodically and to support the Board decisions. This Committee is always composed of the executive managers of the finance department. Executive managers of different business areas are convened to discuss specific matters.

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30.2 Market risk

30.2.1 Risk management of price risk (related to crude oil and oil products)

Petrobras does not use derivative instruments to hedge exposures to commodity price cycles related to products purchased and sold to fulfill operational needs.

Derivatives are used as hedging instruments to manage the price risk of certain transactions carried out abroad, which are usually short-term transactions similar to commercial transactions.

The main risk management techniques used by the Company to manage price risk of crude oil and oil products, in the transactions carried out abroad are operating Cash Flow at Risk (CFAR), Value at Risk (VAR) and Stop Loss.

a) Notional amount, fair value and guarantees of crude oil and oil products derivatives

	Notional value (in thousand of bbl)*		**Fair value recognized****		**Maturity**
Statement of financial position	**2012**	**2011**	**2012**	**2011**	
<u>Future Contracts</u>	**(3,380)**	**(6,217)**	**(18)**	**18**	**2013 / 2014**
Purchase commitments	16,500	30,193	0	0	
Sale commitments	(19,880)	(36,410)	0	0	

Options Contracts	**(2,050)**	**(2,130)**	**(1.49)**	**(2.53)**	**2013**
Call	**(1,080)**	**(730)**	**(1)**	**(2)**	
Long position	3,204	6,728	0	0	
Short position	(4,284)	(7,458)	0	0	
Put	**(970)**	**(1,400)**	**(0.49)**	**(0.53)**	
Long position	2,029	3,990		0	
Short position	(2,999)	(5,390)	0	0	
Forward contracts	**-**	**275**	**-**	-	**2012**
Long position	-	275	-	-	
Total recognized in other current assets and liabilities			**(19.49)**	**15.47**	

* Negative notional values (in bbl) represent short positions.

** Negative fair values were recognized as liabilities and positive fair values as assets.

Finance income	**2012**	**2011**
Loss recognized in profit or loss for the period	-103	-199

Guarantees given as collateral	**2012**	**2011**
Generally consist of deposits	103	90

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b) Sensitivity analysis of crude oil and oil products derivatives

The probable scenario is the fair value at December 31, 2012. The stressed scenarios consider price changes of 25% and 50% on the risk variable, respectively, comparatively to December 31, 2012.

Crude Oil and Oil Products	**Risk**	**Probable Scenario at 12.31.2012**	**Stressed Scenario (Δ25%)**	**Stressed Scenario (Δ50%)**
Brent	**Derivative** (Brent prices increase)	(21)	(156)	(291)
	Inventories (Brent prices decrease)	17	151	286
		(4)	(5)	(5)
Diesel	**Derivative** (Diesel prices decrease)	(2)	(50)	(97.4)
	Inventories (Diesel prices increase)	-	49	96.9
		(2)	(1)	(0.5)
Freight	**Derivative** (Freight costs decrease)	-	(0.5)	(1)
	Inventories (Freight costs increase)	0.5	0.5	1
		0.5	-	-
Gasoline	**Derivative** (Gasoline prices increase)	(2.0)	(2.9)	(4)
	Inventories (Gasoline prices decrease)	1.5	2.4	4
		(0.5)	(0.5)	-
Naphtha	**Derivative** (Naphtha prices decrease)	(0.5)	(4.9)	(9.8)

	Inventories (Naphtha prices increase)	1.0	5.4	10.3
		0.5	0.5	0.5
Fuel Oil	**Derivative** (Fuel Oil prices increase)	-	(67)	(134)
	Inventories (Fuel Oil prices decrease)	(3)	63	129
		(3)	(4)	(5)
WTI	**Derivative** (WTI prices decrease)	6	28	51
	Inventories (WTI prices increase)	(6)	(29)	(53)
		-	(1)	(2)

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Explanation of Responses:

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c) Embedded derivatives – sale of ethanol

The Company entered into an ethanol sales agreement on a price formula set when the contract was signed. The selling price of each ethanol cargo is based on the prices of two distinct references: ethanol and naphtha.

Since the market price of naphtha is not directly proportional to the cost or the market value of ethanol, a portion of the sales agreement, related to the derivative instrument, was measured at fair value (Level 3) through profit or loss (as finance income), separately from the rest of the agreement. The Company has measured the fair value of this agreement based on the difference between the spreads for naphtha and ethanol.

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

		Fair Value			Sensitivity analysis at 12.31.2012		
Forward Contract	**Notional value (in thousand of m³)**	**2012**	**2011**	**Risk**	**Probable Scenario***	**Stressed Scenario (Δ 25%)**	**Stressed Scenario (Δ 50%)**
Long position (maturity in 2015)	663	36	26	Decrease in spread Naphtha x Ethanol	(3)	(32)	(66)

The probable scenario was computed based on the difference between the future contracts of ethanol and naphtha expiring on March 31, 2013.

Finance Income	2012	2011
Gain (loss) recognized in profit or lossfor the period	10	-31

The price of ethanol on the Brazilian market (ESALQ) is used in the agreement. The stress scenarios were computed based on the future prices of ethanol and naphtha on the Chicago Board of Trade (CBOT) on the last working day of the reporting period.

30.2.2 Foreign exchange risk management

The Company is exposed to foreign exchange risk from recognized assets and liabilities, arising from the volatility of currency markets.

Petrobras seeks to identify and manage foreign exchange risk in an integrated manner, by recognizing and creating “natural hedges”, benefiting from the correlation between income and expenses. To mitigate short-term exchange risk exposure arising from transactions involving income and expenses in different currencies, the Company can use a natural hedge by choosing in which currency to hold cash, such as Brazilian Real, US dollar or another currency.

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Foreign exchange risk is managed based on the net exposure and reviewed periodically to support the Executive Board. The Company can use derivative instruments to hedge certain liabilities, minimizing foreign exchange exposure.

a) Main transactions and future commitments hedged by foreign exchange derivatives

Swap Contracts

Yen vs. Dollar

The Company entered into a cross currency swap to fix in U.S. dollars the payments related to bonds denominated in Japanese yen. The Company does not intend to settle these contracts before the maturity. The relationship between the derivative and the loan qualify as cash flow hedge and hedge accounting is applied.

The effective portion of changes in fair value, assessed on a quarterly basis, are recognized in accumulated other comprehensive income, in the shareholders' equity and reclassified to profit or loss in the periods when the hedged item affects profit or loss.

b) Notional value, fair value and guarantees

	Notional value (in million)		**Fair Value**	
Statement of financial position	**2012**	**2011**	**2012**	**2011**
Cross Currency Swap (maturity in 2016)			**76**	**130**

Long Position (JPY) - 2.15% p.a.	JPY 35.000	JPY 35.000	434	494
Short Position (USD) - 5.69% p.a.	USD 298	USD 298	(358)	(364)
Swap (maturity in 2012)			**-**	**17**
Long Position - USD		USD 127	-	128
Short Position - R$ CDI		BRL 199	-	(111)
Purchase of forward dollar				
U.S. dollar forward (short position)	USD1.077	USD 87	**0.5**	**(2)**
Total recognized in assets and liabilities			**76.5**	**145**

Finance result and shareholders' equity	**2012**	**2011**
Gain recognized in profit or loss for the period	41	15
Gain recognized in shareholders' equity	7	4

Margin is not required for the operations the Company has entered into, related to foreign currency derivatives.

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c) Sensitivity analysis for foreign exchange risk on financial instruments

The Company has assets and liabilities subject to foreign exchange risk. The main exposure involves the Brazilian Real, relative to the U.S. dollar. Foreign exchange risk arises on financial instruments that are denominated in a currency other than the Brazilian Real. Assets and liabilities of foreign subsidiaries, denominated in a currency other than the Brazilian Real are not included in the sensitivity analysis set out below when transacted in a currency equivalent to their respective functional currencies.

The probable scenario, computed based on external data, as well as the stressed scenarios (a 25% and a 50% change in the foreign exchange rates) are set out below:

Financial Instruments	**Exposure in 12.31.2012**	**Risk**	**Probable Scenario***	**Stressed Scenario (Δ of 25%)**	**Stressed Scenario (Δ of 50%)**
Financial Instruments (Assets)	4,114		37	1,029	2,057
Financial Instruments (Liabilities)	(44,426)	Dollar	(398)	(11,106)	(22,213)
Forward Derivative (Short Position)	(1,077)		(14)	(269)	(538)
	(41,389)		**(375)**	**(10,346)**	**(20,694)**
Financial Instruments (Assets)	-		-	-	-
Financial Instruments (Liabilities)	(1,125)	Yen	(48)	(281)	(562)
Cross-currency Swap	406		(1)	112	222
	(719)		**(49)**	**(169)**	**(340)**
Financial Instruments (Assets)	3,157		(94)	789	1,578
		Euro			

Financial Instruments (Liabilities)	(8,038)		239	(2,010)	(4,019)
	(4,881)		**145**	**(1,221)**	**(2,441)**
Financial Instruments (Assets)	859	Pound Sterling	(14)	215	429
Financial Instruments (Liabilities)	(2,555)		40	(639)	(1,277)
	(1,696)		**26**	**(424)**	**(848)**
Financial Instruments (Assets)	382	Peso	(14)	95	191
Financial Instruments (Liabilities)	(1,211)		45	(303)	(605)
	(829)		**31**	**(208)**	**(414)**
	(49,514)		**(222)**	**(12,368)**	**(24,737)**

* The probable scenario was computed based on the following changes for March, 31, 2013: Real x Dollar – a 0.9% appreciation of the Dollar relative to the Real / Dollar x Yen – a 4.53% appreciation of the Yen / Dollar x Euro: a 2.98% depreciation of the Euro / Dollar x Pound Sterling: a 1.57% depreciation of the Pound Sterling / Dollar x Peso: a 3.87% depreciation of the Peso. The data were obtained from the Focus Report of the Central Bank of Brazil and from Bloomberg.

Foreign exchange exposure is not considered significant, as the impact of foreign exchange depreciation / appreciation does not jeopardize the liquidity of the Company in the short term due to the balance between liabilities, assets, revenues and future commitments in foreign currency, since most of its debt mature in the long term.

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30.2.3 Interest rate risk management

The Company is mainly exposed to interest rate risk related to changes in the LIBOR rate, arising from debt issued in foreign currency and to changes in the Brazilian long-term interest rate (TJLP), arising from debt issued in Brazilian Real. An increase in interest rates causes a negative impact in the Company's finance expense and its financial position.

The Company considers that exposure to interest rate risk does not cause a significant impact and therefore, preferably does not use derivative financial instruments to manage interest rate risk, except for specific situations encountered by certain companies of the Petrobras group.

a) Main transactions and future commitments hedged by interest rate derivatives

Swap contracts

Floating-to-fixed swap (LIBOR USD) vs. Fixed rate (USD)

The Company entered into an interest rate swap, in order to exchange a floating interest rate for a fixed rate, aiming at eliminating the mismatch between the cash flows of assets and liabilities from investment projects. The Company does not intend to settle the operation before the maturity date, and therefore, adopted hedge accounting for the relationship between the finance debt and the derivative.

Other positions held are set out in the table below.

b) Notional value, fair value, guarantees and sensitivity analysis for interest rate derivatives

Statement of financial position	Notional value (in million) 2012	2011	Fair Value 2012	2011
Swaps (maturity in 2020)				
Short Position	USD 460	USD 478	**(42)**	**(36)**
Swaps (maturity in 2015)			**(1)**	**(1.5)**
Long Position - Euribor	EUR 15	EUR 20	0.5	0.5
Short Position - 4.19% Fixed rate	EUR 15	EUR 20	(1.5)	(2)
Total recognized in other assets and liabilities			**(43)**	**(37.5)**

Finance result and shareholders' equity	2012	2011
Loss recognized in profit or loss for the period	(0.5)	-
Loss recognized in shareholders' equity	(9)	-22

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Interest Rate Derivatives	**Risk**	**Probable Scenario***	**Stressed Scenario (? of 25%)**	**Stressed Scenario (? of 50%)**
HEDGE (Derivative - Swap)	Libor decline	(44)	(3)	(12)
Debt	Libor increase	44	3	12
Net Effect		-	-	-
HEDGE (Derivative - Swap)	Euribor decline	-	0.5	-
Debt	Euribor increase	-	(0.5)	-
Net Effect		**-**	**-**	**-**

*The probable scenario was computed based on LIBOR futures.

Margin is not required for the operations the Company has entered into, related to interest rate derivatives.

30.3 Credit risk

Petrobras is exposed to the credit risk arising from commercial transactions and from cash management, related to financial institutions and to credit exposure to customers. Credit risk is the risk that a customer or financial institution will fail to pay amounts due, relating to outstanding receivables or to financial investments, guarantees or deposits with financial institutions.

Credit risk management in Petrobras is a portion of its 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 Managers for Risk Management, Finance and Commercial Department.

The purpose of the Credit Commissions is to analyze credit management issues, relating to granting and managing credit; to encourage integration between the units that compose the Credit Commissions; 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 commercial and financial transactions, through an efficient credit analysis process and efficient credit granting and management processes.

The Company manages credit risk by applying quantitative and qualitative parameters that are appropriate for each of the market segments in which it operates.

The Company’s commercial credit portfolio is much diversified and the credits granted are divided between clients from the domestic market and from foreign markets.

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Credit granted to financial institutions is spread among the major international banks rated by the international rating agencies as Investment Grade and highly-rated Brazilian banks.

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

30.4 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 liquidity risk management policy adopted by the Company provides that the maturity of its debt continues to be lengthen, exploring the funding opportunities available in the domestic market and being significantly active in the international capital markets by broadening the investor’s base in fixed income.

Petrobras finances its working capital through a centralized cash management for the group and by assuming short-term debt, which is usually related to commercial transactions, such as export credit notes and advances on foreign exchange contracts. Investments in non-current assets are financed through long-term debt, such as bonds issued in the international market, funding from credit bureaus, financing and pre payment of exports, development banks in Brazil and abroad, and lines of credit with national and international commercial banks.

A maturity analysis of the long-term debt, including face value and interest payments is set out in the table below:

	Maturity
2013	11,164
2014	8,891
2015	12,023
2016	18,245
2017	12,935
2018	18,823
2019 and thereafter	53,987
Balance at December 31, 2012	**136,068**
Balance at December 31, 2011	**122,284**

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30.5 Financial investments (derivative financial instruments)

Operations with derivatives are, both in the domestic and foreign markets, earmarked exclusively for the exchange of indices of the assets that comprise the portfolios, and their purpose is to provide flexibility to the managers in their quest for efficiency in the management of short-term financial assets.

The market values of the derivatives held in the exclusive investment funds at December 31, 2012 are set out below:

Contract	Number of Contracts	Notional value	Fair value	Maturity
Future DI (Interbank Deposit)			**1**	**2013 to 2015**
Long position	117,174	5,323	0.5	
Short position	(164,166)	(7,373)	0.5	
Future dollar			**-**	**2013**
Long position	110	5	(0.5)	
Short position	(331)	(17)	0.5	
Swap			**1**	**2014**
Long Position	-	198	4	
Short Position	-	(198)	(3)	

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31 Fair value of financial assets and liabilities

Fair values are determined based on market prices, when available, or, in the absence thereof, on the present value of expected future 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 amounts.

Fair values are determined based on market prices, when available, or, in the absence thereof, on the present valu

At December 31, 2012, the estimated fair value for the Company’s long term debtwas US$ 93,701 and was computed based on the prevailing market rates for operations that have similar nature, maturity and risk to the contracts recognized and it may be compared to the carrying amount of US$ 88,484.

The hierarchy of the fair values of the financial assets and liabilities, recorded on a recurring basis, is set out below:

	Fair value measured based on			
	Prices quoted on active market (Level 1)	**Valuation technique supported by observable prices (Level 2)**	**Valuation technique without use of observable prices (Level 3)**	**Total Fair value recorded**
Assets				
Marketable securities	10,461	-	-	10,461
Commodity derivatives	-	-	36	36
Foreign currency derivatives	0.5	76	-	76.5
Financial Investment Derivatives	2	-	-	2
Balance at December 31, 2012	**10,463.5**	**76**	**36**	**10,575.5**
Balance at December 31, 2011	**11,922**	**130**	**26**	**12,078**
Liabilities				
Commodity derivatives	(19)	-	-	(19)
Interest derivatives	(43)	-	-	(43)
Balance at December 31, 2012	**(62)**	**-**	**-**	**(62)**
Balance at December 31, 2011	**(57)**	**(2)**	**-**	**(57)**

At December 31, 2012, the estimated fair value for the Company’s long term debt was US$ 93,701 and was compu

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32 Insurance

The Company’s insurance policies involve acquiring insurance to cover assets that might lead to material negative impacts in the shareholders’ equity (in the case of an eventual damage), as well as risks subject to legal or contractual mandatory insurance. The remaining risks are subject to self-insurance and Petrobras intentionally assumes the entire risk by abstaining from contracting insurance. The Company assumes a significant portion of its risk, by including franchises that may reach an amount equivalent to US$ 80 in its insurance policies.

The risk assumptions adopted are not part of the audit scope of the financial statements audit and therefore were not examined by independent auditors.

The main information concerning the insurance coverage outstanding at December 31, 2012 is set out below:

Assets	**Types of coverage**	**Amount insured**
Facilities, equipments inventory and products inventory	Fire, operational risks and engineering risks	146,642
Tankers and auxiliary vessels	Hulls	2,982
Fixed platforms, floating production systems and offshore drilling units	Oil risks	29,516
Total		**179,140**

At December 31, 2012, the estimated fair value for the Company’s long term debt was US$ 93,701 and was compu

Petrobras does not have loss of earnings insurance or insurance related to well control and pipeline networks in Brazil.

At December 31, 2012, the estimated fair value for the Company’s long term debt was US$ 93,701 and was compu

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33 Segment Information

Consolidated Statement of Income per Business Area - 2012

	2012 Exploration and Production	**Refining, Transportation & Marketing**	**Gas & Power**	**Biofuels**	**Distribution**	**International**	**C**
Sales revenues	**74,714**	**116,710**	**11,803**	**455**	**40,712**	**17,929**	
Intersegments	73,871	37,950	1,288	365	878	3,868	
Third parties	843	78,760	10,515	90	39,834	14,061	
Cost of sales	(33,622)	(130,088)	(9,621)	(481)	(36,997)	(14,082)	
Gross profit (loss)	**41,092**	**(13,378)**	**2,182**	**(26)**	**3,715**	**3,847**	
Income (expenses)	**(5,448)**	**(4,075)**	**(1,080)**	**(102)**	**(2,290)**	**(1,886)**	
Selling, administrative and general expenses	(494)	(3,052)	(967)	(64)	(2,235)	(922)	
Exploration costs	(3,613)	-	-	-	-	(381)	
Research and development expenses	(540)	(228)	(36)	(34)	(2)	-	
Other taxes	(53)	(66)	(57)	(1)	(12)	(111)	
Other operating expenses, net	(748)	(729)	(20)	(3)	(41)	(472)	
Income / (loss) before financial results and income taxes	**35,644**	**(17,453)**	**1,102**	**(128)**	**1,425**	**1,961**	
Net finance income (expense)	-	-	-	-	-	-	
Share of profit of equity-accounted investments	(1)	(104)	193	(27)	1	(14)	

At December 31, 2012, the estimated fair value for the Company's long term debt was US$ 93,701 and was compu

Profit sharing	(178)	(142)	(18)	(1)	(40)	(14)
Income / (loss) before income taxes	**35,465**	**(17,699)**	**1,277**	**(156)**	**1,386**	**1,933**
Income taxes	(12,057)	5,981	(367)	44	(472)	(1,147)
Net income (Loss)	**23,408**	**(11,718)**	**910**	**(112)**	**914**	**786**
Net income attributable to:						
Shareholders of Petrobras	23,406	(11,718)	861	(112)	914	719
Non-controlling interests	2	-	49	-	-	67
	23,408	**(11,718)**	**910**	**(112)**	**914**	**786**

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At December 31, 2012, the estimated fair value for the Company's long term debt was US$ 93,701 and was compu

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements

(Expressed in millions of US Dollars, unless otherwise indicated)

Consolidated Statement of Income per Business Area - 2011

	2011						
	Exploration and Production	**Refining, Transportation & Marketing**	**Gas & Power**	**Biofuels**	**Distribution**	**International**	**Corpor**
Sales revenues	**74,117**	**118,630**	**9,738**	**320**	**44,001**	**16,956**	
Intersegments	73,601	38,146	1,304	288	731	3,777	
Third parties	516	80,484	8,434	32	43,270	13,179	
Cost of sales	(32,883)	(122,897)	(5,698)	(351)	(40,347)	(12,933)	
Gross profit (loss)	**41,234**	**(4,267)**	**4,040**	**(31)**	**3,654**	**4,023**	
Income (expenses)	**(4,198)**	**(4,194)**	**(1,519)**	**(134)**	**(2,459)**	**(1,901)**	**(4,8**
Selling, administrative and general expenses	(489)	(3,306)	(1,038)	(66)	(2,403)	(928)	(2,4
Exploration costs	(2,182)	-	-	-	-	(448)	
Research and development expenses	(743)	(280)	(69)	(30)	(5)	-	(3
Other taxes	(48)	(53)	(97)	(1)	(24)	(113)	(1
Other operating expenses, net	(736)	(555)	(315)	(37)	(27)	(412)	(1,9
Income / (loss) before financial results and income taxes	**37,036**	**(8,461)**	**2,521**	**(165)**	**1,195**	**2,122**	**(4,8**
Net finance income (expense)	-	-	-	-	-	-	
Share of profit of equity-accounted investments	44	(98)	238	15	5	24	
Profit sharing	(271)	(194)	(34)	(1)	(66)	(29)	(2
	36,809	**(8,753)**	**2,725**	**(151)**	**1,134**	**2,117**	**(5,0**

Income / (loss) before income taxes							
Income taxes	(12,495)	3,025	(845)	56	(360)	(926)	4,
Net income (Loss)	**24,314**	**(5,728)**	**1,880**	**(95)**	**774**	**1,191**	**(8**
Net income attributable to:							
Shareholders of Petrobras	24,326	(5,718)	1,862	(95)	774	1,179	(7
Non-controlling interests	(12)	(10)	18	-	-	12	(1
	24,314	**(5,728)**	**1,880**	**(95)**	**774**	**1,191**	**(8**

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At December 31, 2012, the estimated fair value for the Company's long term debt was US$ 93,701 and was compu

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements

(Expressed in millions of US Dollars, unless otherwise indicated)

Consolidated Statement of Income per Business Area - 2011

					2011		
	Exploration and Production	**Refining, Transportation & Marketing**	**Gas & Power**	**Biofuels**	**Distribution**	**International**	**Corpor**
Sales revenues	**74,117**	**118,630**	**9,738**	**320**	**44,001**	**16,956**	
Intersegments	73,601	38,146	1,304	288	731	3,777	
Third parties	516	80,484	8,434	32	43,270	13,179	
Cost of sales	(32,883)	(122,897)	(5,698)	(351)	(40,347)	(12,933)	
Gross profit (loss)	**41,234**	**(4,267)**	**4,040**	**(31)**	**3,654**	**4,023**	
Income (expenses)	**(4,198)**	**(4,194)**	**(1,519)**	**(134)**	**(2,459)**	**(1,901)**	**(4,8**
Selling, administrative and general expenses	(489)	(3,306)	(1,038)	(66)	(2,403)	(928)	(2,4
Exploration costs	(2,182)	-	-	-	-	(448)	
Research and development expenses	(743)	(280)	(69)	(30)	(5)	-	(3
Other taxes	(48)	(53)	(97)	(1)	(24)	(113)	(1
Other operating expenses, net	(736)	(555)	(315)	(37)	(27)	(412)	(1,9
Income / (loss) before financial results and income taxes	**37,036**	**(8,461)**	**2,521**	**(165)**	**1,195**	**2,122**	**(4,8**
Net finance income (expense)	-	-	-	-	-	-	
Share of profit of equity-accounted investments	44	(98)	238	15	5	24	
Profit sharing	(271)	(194)	(34)	(1)	(66)	(29)	(2
	36,809	**(8,753)**	**2,725**	**(151)**	**1,134**	**2,117**	**(5,0**

At December 31, 2012, the estimated fair value for the Company's long term debt was US$ 93,701 and was compu

Income / (loss) before income taxes							
Income taxes	(12,495)	3,025	(845)	56	(360)	(926)	4,
Net income (Loss)	**24,314**	**(5,728)**	**1,880**	**(95)**	**774**	**1,191**	**(8**
Net income attributable to:							
Shareholders of Petrobras	24,326	(5,718)	1,862	(95)	774	1,179	(7
Non-controlling interests	(12)	(10)	18	-	-	12	(1
	24,314	**(5,728)**	**1,880**	**(95)**	**774**	**1,191**	**(8**

At December 31, 2012, the estimated fair value for the Company’s long term debt was US$ 93,701 and was compu

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements

(Expressed in millions of US Dollars, unless otherwise indicated)

Consolidated assets by Business Area - 12/31/2012

	Exploration and Production	**Refining, Transportation & Marketing**	**Gas & Power**	**Biofuels**	**Distribution**	**International**	**Corpor**
Current assets	**6,565**	**20,362**	**3,610**	**117**	**3,176**	**3,517**	**27,**
Non-current assets	**145,233**	**71,096**	**24,844**	**1,131**	**4,954**	**15,218**	**11,**
Long-term receivables	5,120	4,582	1,715	16	1,852	2,233	7,
Investments	80	2,897	1,160	860	15	937	
Property, plant and equipment	102,779	63,463	21,585	255	2,733	10,882	3,
Intangible assets	37,254	154	384	-	354	1,166	
At December 31, 2012	**151,798**	**91,458**	**28,454**	**1,248**	**8,130**	**18,735**	**39,**
Consolidated assets by Business Area - 12/31/2011							
Current assets	**5,617**	**21,966**	**2,509**	**128**	**4,241**	**4,410**	**32,**
Non-current assets	**135,496**	**62,364**	**25,136**	**1,161**	**3,697**	**15,017**	**12,**
Long-term receivables	4,140	4,217	1,626	17	716	2,913	9,
Investments	12	3,362	1,152	859	45	999	
Property, plant and equipment	90,633	54,629	21,968	285	2,510	9,871	3,
Intangible assets	40,711	156	390	-	426	1,234	

At December 31, 2012, the estimated fair value for the Company's long term debt was US$ 93,701 and was compu

At December 31, 2011	**141,113**	**84,330**	**27,645**	**1,289**	**7,938**	**19,427**	**45,**

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At December 31, 2012, the estimated fair value for the Company's long term debt was US$ 93,701 and was compu

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements

(Expressed in millions of US Dollars, unless otherwise indicated)

Consolidated Statement of Income per International Business Area

	2012						
	Exploration and Production	**Refining, Transportation & Marketing**	**Gas & Power**	**Distribution**	**Corporate**	**Eliminations**	**Tot**
Statement of income							
Sales revenues	**5,369**	**8,989**	**601**	**5,184**	-	**(2,214)**	**17,9**
Intersegments	3,834	2,194	38	16	-	(2,214)	3,8
Third parties	1,535	6,795	563	5,168	-	-	14,0
Income before financial results, profit sharing and income taxes	2,438	(407)	132	73	(291)	16	**1,9**
Net income attributable to shareholders of Petrobras	1,317	(400)	121	70	(403)	14	**7**

	2011						
	Exploration and Production	**Refining, Transportation & Marketing**	**Gas & Power**	**Distribution**	**Corporate**	**Eliminations**	**Tot**
Statement of income							

At December 31, 2012, the estimated fair value for the Company's long term debt was US$ 93,701 and was compu

Sales revenues	**5,148**	**8,510**	**543**	**4,972**	-	**(2,217)**	**16,9**
Intersegments	3,808	2,142	23	27	-	(2,223)	3,7
Third parties	1,340	6,368	520	4,945	-	6	13,1
Income before financial results, profit sharing and income taxes	2,379	(136)	115	80	(304)	(12)	**2,1**
Net income attributable to shareholders of Petrobras	1,331	(128)	158	67	(237)	(12)	**1,1**

	2010						
	Exploration and Production	**Refining, Transportation & Marketing**	**Gas & Power**	**Distribution**	**Corporate**	**Eliminations**	**Tot**
Statement of income							
Sales revenues	**3,738**	**7,498**	**548**	**4,125**	**-**	**(2,390)**	**13,5**
Intersegments	2,990	2,142	44	33	-	(2,414)	2,7
Third parties	748	5,356	504	4,092	-	24	10,7
Income before financial results, profit sharing and income taxes	1,217	43	70	5	(233)	(8)	**1,0**
Net income attributable to shareholders of Petrobras	863	52	85	5	(267)	(8)	**7**

Total Assets

	Exploration and Production	**Refining, Transportation & Marketing**	**Gas & Power**	**Distribution**	**Corporate**	**Eliminations**	**Tot**
Consolidated assets per International							

At December 31, 2012, the estimated fair value for the Company’s long term debt was US$ 93,701 and was compu

Business Area							
At December 31, 2012	15,080	2,404	759	1,085	1,580	(2,173)	18,7
At December 31, 2011	14,585	3,393	929	1,007	1,819	(2,306)	19,4

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At December 31, 2012, the estimated fair value for the Company’s long term debt was US$ 93,701 and was compu

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements

(Expressed in millions of US Dollars, unless otherwise indicated)

34 Subsequent events

Funding – PGT

On January 28, 2013 Petrobras Global Trading B.V. (PGT), an indirect subsidiary of Petrobras, signed a financing agreement in the amount of US$ 500. The agreement carries an interest rate of 6-month Libor rate + 1.95% p.a. and pays semi-annual coupons.

35 Information Related to Guaranteed Securities Issued by Subsidiaries

35.1 Petrobras Global Finance B.V. (PGF)

Petróleo Brasileiro S.A. - Petrobras has fully and unconditionally guaranteed the debt securities issued by Petrobras Global Finance B.V. (PGF), a 100-percent-owned finance subsidiary of Petrobras. There are no significant restrictions on the ability of Petrobras to obtain funds from PGF.

35.2 Petrobras International Finance Company - PiFCo

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 SEC Regulation SX 3-10 **(c)**. The financial statements of Petrobras and PifCo are presented using the equity method of accounting for investments in subsidiaries.

At December 31, 2012, the estimated fair value for the Company’s long term debt was US$ 93,701 and was compu

At December 31, 2012, the estimated fair value for the Company's long term debt was US$ 93,701 and was compu

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements

(Expressed in millions of US Dollars, unless otherwise indicated)

	12.31.2012				
Consolidated Statement of Financial Position	**Petrobras S.A. Guarantor**	**PifCo**	**All Other Consolidated Companies**	**Consolidating and Eliminating Adjustments**	**Consolidated**
Assets					
Current assets	**47,077**	**1,797**	**36,292**	**(27,372)**	**57,794**
Cash and cash equivalents	8,511	191	9,545	(4,727)	13,520
Marketable securities	11,441	-	3,391	(4,401)	10,431
Trade and other receivables, net	4,495	1	5,255	1,348	11,099
Intercompany receivable	4,007	7	13,682	(17,696)	-
Inventories	12,189	-	3,237	(874)	14,552
Other current assets	6,434	177	1,182	399	8,192
Discontinued operations	-	1,421	-	(1,421)	-
Non-current assets	**229,209**	**27,348**	**103,746**	**(86,452)**	**273,851**
Intercompany receivable	3,222	27,348	16,275	(46,845)	-
Marketable securities	141	-	4,429	(4,394)	176
Deferred tax assets	3,261	-	1,653	612	5,526
Other long-term assets	9,509	-	8,102	(208)	17,403
Investments	**37,972**	**-**	**2,647**	**(34,513)**	**6,106**

At December 31, 2012, the estimated fair value for the Company’s long term debt was US$ 93,701 and was compu

Property, plant and equipment , net	**136,934**	**-**	**69,058**	**(1,091)**	**204,901**
Intangible assets	**38,170**	**-**	**1,582**	**(13)**	**39,739**
Total assets	**276,286**	**29,145**	**140,038**	**(113,824)**	**331,645**
Liabilities					
Current liabilities	**33,276**	**2,683**	**17,039**	**(18,928)**	**34,070**
Current debt	449	2,569	4,461	-	7,479
Trade accounts payable	6,783	5	5,336	-	12,124
Intercompany payables	9,953	6	3,911	(13,870)	-
Taxes payable	5,147	-	981	-	6,128
Other current liabilities	10,944	101	2,350	(5,056)	8,339
Discontinued operations	-	2	-	(2)	-
Non-current liabilities	**75,123**	**27,720**	**80,232**	**(54,539)**	**128,536**
Long-term debt	23,292	27,720	37,472	-	88,484
Deferred tax liabilities	17,218	-	1,995	-	19,213
Intercompany payables	14,060	-	38,749	(52,809)	-
Other non-current liabilities	20,553	-	2,016	(1,730)	20,839
Petrobras shareholder's equity	**167,887**	**(1,258)**	**41,811**	**(40,553)**	**167,887**
Non-controlling interests	**-**	**-**	**956**	**196**	**1,152**
Total liabilities and shareholder's equity	**276,286**	**29,145**	**140,038**	**(113,824)**	**331,645**

At December 31, 2012, the estimated fair value for the Company’s long term debt was US$ 93,701 and was compu

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements

(Expressed in millions of US Dollars, unless otherwise indicated)

	12.31.2011				
Consolidated Statement of Financial Position	**Petrobras S.A. Guarantor**	**PifCo**	**All Other Consolidated Companies**	**Consolidating and Eliminating Adjustments**	**Consolidated**
Assets					
Current assets	**52,268**	**6,515**	**34,599**	**(28,790)**	**64,592**
Cash and cash equivalents	10,053	4,087	9,426	(4,509)	19,057
Marketable securities	12,595	558	12	(4,204)	8,961
Trade and other receivables, 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)	-
Non-current assets	**211,295**	**16,998**	**87,246**	**(60,217)**	**255,322**
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	1,713	-	1,835	739	4,287
Other long-term assets	7,712	-	7,593	(194)	15,111
Investments	**29,989**	**-**	**3,896**	**(27,355)**	**6,530**

At December 31, 2012, the estimated fair value for the Company’s long term debt was US$ 93,701 and was compu

Property, plant and equipment , net	**121,270**	**-**	**62,762**	**(1,114)**	**182,918**
Intangible assets	**41,722**	**-**	**1,690**	**-**	**43,412**
Total assets	**263,563**	**23,513**	**121,845**	**(89,007)**	**319,914**
Liabilities					
Current liabilities	**30,352**	**3,311**	**22,935**	**(20,234)**	**36,364**
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	2,434	(4,894)	8,587
Discontinued operations	-	163	-	(163)	-
Non-current liabilities	**57,373**	**20,930**	**60,813**	**(32,676)**	**106,440**
Long-term debt	21,790	20,930	29,998	-	72,718
Deferred tax liabilities	15,682	-	2,033	-	17,715
Intercompany payables	5,245	-	26,486	(31,731)	-
Other non-current liabilities	14,656	-	2,296	(945)	16,007
Petrobras shareholder's equity	**175,838**	**(728)**	**36,957**	**(36,229)**	**175,838**
Non-controlling interests	**-**	**-**	**1,140**	**132**	**1,272**
Total liabilities and shareholder's equity	**263,563**	**23,513**	**121,845**	**(89,007)**	**319,914**

At December 31, 2012, the estimated fair value for the Company’s long term debt was US$ 93,701 and was compu

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements

(Expressed in millions of US Dollars, unless otherwise indicated)

	12.31.2012				
Consolidated Statement of Income	**Petrobras S.A. Guarantor**	**PifCo**	**All Other Consolidated Companies**	**Consolidating and Eliminating Adjustments**	**Consolidated**
Sales revenues	**111,300**	-	**115,330**	**(82,527)**	**144,103**
Third parties	69,248	-	74,855	-	144,103
Intercompany	42,052	-	40,475	(82,527)	-
Cost of sales	(85,681)	-	(100,521)	78,668	(107,534)
Gross profit	**25,619**	-	**14,809**	**(3,859)**	**36,569**
Income (expenses)					
Selling expenses	(6,063)	-	(2,891)	4,027	(4,927)
Administrative and general expenses	(3,501)	(13)	(1,524)	4	(5,034)
Exploration costs	(3,624)	-	(370)	-	(3,994)
Research and development expenses	(1,132)	-	(11)	-	(1,143)
Other taxes	(172)	-	(316)	102	(386)
Other operating income and expenses, net	(3,752)	-	(491)	58	(4,185)
Net fi na nce i ncome (expens e)	794	(519)	(1,443)	(758)	(1,926)
Equity in results of non consolidated companies	4,591	-	146	(4,694)	43
Profit sharing	(396)	-	(128)	-	(524)
Net income from discontinuing operations	-	7	-	(7)	-
	12,364	**(525)**	**7,781**	**(5,127)**	**14,493**

At December 31, 2012, the estimated fair value for the Company's long term debt was US$ 93,701 and was compu

Income before income taxes					
Income tax	(1,330)	-	(2,134)	(98)	(3,562)
Net income	**11,034**	**(525)**	**5,647**	**(5,225)**	**10,931**
Net income (loss) attributable to:					
Shareholders	**11,034**	**(525)**	**5,534**	**(5,009)**	**11,034**
Non-controlling interests	**-**	**-**	**113**	**(216)**	**(103)**
	11,034	**(525)**	**5,647**	**(5,225)**	**10,931**

12.31.2011

Consolidated Statement of Income	**Petrobras S.A. Guarantor**	**PifCo**	**All Other Consolidated Companies**	**Consolidating and Eliminating Adjustments**	**Consolidated**
Sales revenues	**109,820**	**-**	**104,901**	**(68,806)**	**145,915**
Third parties	65,554	**-**	92,045	(11,684)	145,915
Intercompany	44,266	**-**	12,856	(57,122)	-
Cost of sales	(74,021)	-	(90,735)	65,161	(99,595)
Gross profit	**35,799**	-	**14,166**	**(3,645)**	**46,320**
Income (expenses)					
Selling expenses	(5,903)	-	(2,855)	3,412	(5,346)
Administrative and general expenses	(3,599)	(18)	(1,527)	(17)	(5,161)
Exploration costs	(2,187)	-	(443)	-	(2,630)
Research and development expenses	(1,403)	-	(51)	-	(1,454)
Other taxes	(165)	-	(397)	102	(460)
Other operating income and expenses, net	(3,484)	-	(701)	201	(3,984)
Financial income (expense), net	3,329	(477)	(1,718)	(1,058)	76
Equity in results of non consolidated companies	3,605	-	237	(3,612)	230
Profit sharing	(720)	-	(147)	-	(867)

Net income from discontinuing operations	-	119	-	(119)	-
Income before income taxes	**25,272**	**(376)**	**6,564**	**(4,736)**	**26,724**
Income tax	(5,151)	-	(1,649)	68	(6,732)
Net income	**20,121**	**(376)**	**4,915**	**(4,668)**	**19,992**
Net income (loss) attributable to:					
Shareholders	**20,121**	**(376)**	**4,865**	**(4,489)**	**20,121**
Non-controlling interests	-	-	**50**	**(179)**	**(129)**
	20,121	**(376)**	**4,915**	**(4,668)**	**19,992**

At December 31, 2012, the estimated fair value for the Company’s long term debt was US$ 93,701 and was compu

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements

(Expressed in millions of US Dollars, unless otherwise indicated)

			12.31.2012		
Statement of cash flows	**Petrobras S.A. Guarantor**	**PifCo**	**All Other Consolidated Companies**	**Consolidating and Eliminating Adjustments**	**Consolidated**
Cash from operating activities – continuing operations	22,151	(427)	5,447	717	27,888
Cash from operating activities – discontinuing operations	-	(34)	-	34	-
Net cash provided (used) in operating activities	**22,151**	**(461)**	**5,447**	**751**	**27,888**
Cash flows from Investment activities					
Investments in operating segments	(35,259)	-	(10,750)	5,579	(40,430)
Investments in Marketable securities	3,788	5,218	(4,857)	(2,098)	2,051
Net intercompany investing	-	(14,472)	-	14,472	-
Net cash provided (used) in investing activities	**(31,471)**	**(9,254)**	**(15,608)**	**17,953**	**(38,379)**

At December 31, 2012, the estimated fair value for the Company’s long term debt was US$ 93,701 and was compu

Cash flows from financing activities					
Capital issuance	-	-	5,385	(5,385)	-
Acquisition of non-controlling interest	-	-	(3)	258	255
Proceeds from borrowings	23,335	6,511	12,942	(17,581)	25,207
Repayments	(11,166)	(692)	(6,079)	1,817	(16,120)
Dividends paid	(3,273)	-	(1,556)	1,556	(3,273)
Net cash provided (used) in financing activities	**8,896**	**5,819**	**10,689**	**(19,335)**	**6,069**
Effect of exchange rate changes on cash and cash equivalents	(1,118)	-	(410)	413	(1,115)
Net increase (decrease) in cash and cash equivalents in the period	**(1,542)**	**(3,896)**	**118**	**(218)**	**(5,537)**
Cash and cash equivalents at beginning of period	**10,053**	**4,087**	**9,426**	**(4,509)**	**19,057**
Cash and cash equivalents at the end of period	**8,511**	**191**	**9,544**	**(4,727)**	**13,520**

			12.31.2011		
Statement of cash flows	**Petrobras S.A. Guarantor**	**PifCo**	**All Other Consolidated Companies**	**Consolidating and Eliminating Adjustments**	**Consolidated**
Cash from operating activities – continuing operations	21,208	(624)	13,592	(478)	33,698

Cash from operating activities – discontinuing operations	-	3,268	-	(3,268)	-
Net cash provided (used) in operating activities	**21,208**	**2,644**	**13,592**	**(3,746)**	**33,698**
Cash flows from Investment activities					
Investments in operating segments	(27,334)	(333)	(15,020)	1,384	(41,302)
Investments in Marketable securities	7,626	115	709	(1,767)	6,683
Net intercompany investing	-	(8,515)	-	8,515	-
Net cash provided (used) in investing activities	**(19,708)**	**(8,733)**	**(14,311)**	**8,132**	**(34,619)**
Cash flows from financing activities					
Capital issuance	-	-	(381)	381	-
Acquisition of non-controlling interest	-	-	-	27	27
Proceeds from borrowings	33,200	9,487	9,678	(28,414)	23,951
Repayments	(29,113)	(508)	(6,614)	22,911	(13,324)
Dividends paid	(6,422)	-	(1,443)	1,443	(6,422)
Net cash provided (used) in financing activities	**(2,335)**	**8,979**	**1,240**	**(3,652)**	**4,232**
Effect of exchange rate changes on cash and cash equivalents	(1,112)	-	(1,366)	569	(1,909)
Net increase (decrease) in cash and cash equivalents in the period	**(1,947)**	**2,890**	**(845)**	**1,304**	**1,402**
Cash and cash equivalents at beginning of period	**12,000**	**1,197**	**10,271**	**(5,813)**	**17,655**
Cash and cash equivalents at the end	**10,053**	**4,087**	**9,426**	**(4,509)**	**19,057**

At December 31, 2012, the estimated fair value for the Company's long term debt was US$ 93,701 and was compu

of period
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At December 31, 2012, the estimated fair value for the Company’s long term debt was US$ 93,701 and was compu

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements

(Expressed in millions of US Dollars, unless otherwise indicated)

Information on reserves (unaudited)

The regulatory framework for oil and gas exploration, development and production activities in Brazil was based on concession agreements until June 30, 2010, when the enactment of Law 12,276 introduced the Onerous Assignment Agreement (“Cessão Onerosa”) in specific pre-salt areas and Law 12,351, enacted in December 22, 2010, introduced the new regulatory framework that established a production-sharing model for pre-salt areas and strategic areas to be contracted by the Federal Government. Most of the contracts outside Brazil are based on concession agreements. Therefore, exploration and development expenses are capitalized and reported, instead of presenting the monetary value of the volume of reserves.

Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible - from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations.

Proved developed reserves are those proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well and through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

Proved undeveloped reserves are those proved reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

Reserve estimates include inherent uncertainties and therefore are subject to changes due to increased availability of geoscience (geological, geophysical, and geochemical), engineering, and economic data.

At December 31, 2012, the estimated fair value for the Company’s long term debt was US$ 93,701 and was compu

Proved oil and gas reserves estimated by the Company in accordance with the SEC criteria are set out below:

	Oil (billions of bbl)			**Gás (billions of m³)**			**Oil + Gas (billions**	
	Brazil	International	Total	Brazil	International	Total	Brazil	International
Balance at December 31, 2011	10.411	0.364	10.775	293.242	36.839	330.081	12.256	0.580
Change in reserves	0.815	0.073	0.888	0.649	0.308	0.956	0.822	0.076
Production	(0.687)	(0.047)	(0.734)	(19.790)	(3.255)	(23.045)	(0.815)	(0.067)
Balance at December 31, 2012	10.539	0.390	10.929	274.101	33.891	307.992	12.263	0.589
Reserve of non-consolidated companies								
Balance at December 31, 2011	-	0.030	0.030	-	1.231	1.231	-	0.037
Balance at December 31, 2012	-	0.024	0.024	-	1.352	1.352	-	0.032
Proved developed reserves								
Balance at December 31, 2011	6.974	0.181	7.155	181.134	14.506	195.640	8.113	0.267
Balance at December 31, 2012	6.398	0.196	6.594	180.486	13.453	193.939	7.533	0.275

International proved reserves does not include oil and gas reserves in Bolivia as the New Political Constitution of the State (NCPE) prohibits recognition and disclosure of oil and gas reserves in Bolivia by private companies.

At December 31, 2012, the estimated fair value for the Company's long term debt was US$ 93,701 and was compu

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: February 5, 2013

PETRÓLEO BRASILEIRO S.A--PETROBRAS

By: /s/ Almir Guilherme Barbassa

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 o f 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.

At December 31, 2012, the estimated fair value for the Company’s long term debt was US$ 93,701 and was compu