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

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

For the month of February, 2013

Commission File Number 1-15106

PETRÓLEO BRASILEIRO S.A. - PETROBRAS

(Exact name of registrant as specified in its charter)

Brazilian Petroleum Corporation - PETROBRAS

(Translation of Registrant's name into English)

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

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

Form 20-F ___X___ Form 40-F _______

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

Yes _______ No___X____

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

FOURTH QUARTER OF 2012

RESULTS

(A free translation from the original in Portuguese)

Rio de Janeiro – February 4, 2013 – Petrobras today announces its consolidated results stated in millions of Reais, prepared in accordance with International Financial Reporting Standards – IFRS issued by the International Accounting Standards Board – IASB.

Consolidated net income attributable to the shareholders of Petrobras reached R$ 7,747 million in the 4Q-2012 and R$21,182 million in the year ended December 31, 2012. The Adjusted EBITDA reached R$ 11,944 million in the 4Q-2012 and R$53,439 million in the year ended December 31, 2012, respectively.

Highlights

					Year ended December 31,		
4Q-2012	**3Q-2012**	**4Q12 X 3Q12 (%)**	**4Q-2011**		**2012**	**2011**	**2012 X 2011 (%)**
7,747	5,567	39	5,049	**Consolidated net income/(loss) attributable to the shareholders of Petrobras**	21,182	33,313	(36)
2,614	2,523	4	2,670	**Total domestic and international crude oil and natural gas production (mbbl/d)**	2,598	2,622	(1)
11,944	14,375	(17)	14,054	**Adjusted EBITDA**	53,439	62,246	(14)
254,852	273,754	(7)	291,564	**Market capitalization (Parent Company)**	254,852	291,564	(13)

The Company reported 4Q-2012 net income of R$ 7,747 million and the following highlights:

- Total proved reserves reached 16.44 billion barrels of oil equivalent (BOE) according to SPE/ANP criteria. In Brazil, the Reserves-to-Production ratio (R/P) was 19.3 years and the reserve replacement ratio was higher than 100% for the twenty-first consecutive year (103%).

- Crude oil production increased, mainly reflecting the production startup of the Baleia Azul pre-salt field, in the Campos Basin, in September 2012 and the improved operational efficiency of this basin.

- Higher gasoline and natural gas domestic sales volumes, mainly met by a higher share of imports.

- Gains on disposal of National Treasury Notes – B Series (NTN-B) helped to increase the finance income.

- The amount of R$ 8,876 million relating to dividends proposed comprise interest on capital in the amount of R$0.47 per common share and R$0.96 per preferred share, of which R$2,609 million were paid in advance during 2012. Interest on capital is a form of dividend distribution which is deductible for tax purposes in Brazil. An amount of R$2,131 million was recognized in the fourth quarter relating to tax benefits from interest on capital.

- The cost reduction targets for the Operating Costs Optimization Program (PROCOP) were announced in December 2012, with potential savings of R$32 billion in the 2013-2016 period.

Comments from the CEO

Mrs. Maria das Graças Silva Foster

Dear Shareholders and Investors,

Net income for 2012 was R$ 21 billion. This result, 36% below 2011 net income, was the result of growing oil product imports at higher prices, the depreciation of the Real, which impacts both our financial result and operating costs, and the increase in non-recurring expenses such the write-off of dry wells. Contributing to the lower income was the daily production of oil in Brazil, which although within our target range according to PNG 2012-2016, was 1,980 kbpd, 2% lower than 2011.

Our Brazilian refineries produced 1,997 kbpd of refined products, an increase of 5% over 2011. Improved operating efficiency (96% utilization factor) was responsible for the higher output, leading to record processing and reduced import needs. Natural gas consumption increased to 74.9 million m3/d, up 22% from the prior year, due to increased demand from thermoelectric power plants. Demand reached 89.4 million m3/d in the fourth quarter, as a result of record daily energy generation (5,883 MW on November 26), with domestic gas deliveries (49.6 million m3/d on October 11), reducing the need to import LNG and Bolivian gas.

Despite the adversities faced by Petrobras in 2012, I would like to reiterate my strong belief in the Company’s medium and long-term prospects. This Administration fully recognizes the difficulties we face and is working ceaselessly to overcome them. Following an extensive and detailed diagnosis of our operating problems, we defined priorities and implemented short and medium-term structuring initiatives to improve our financial and economic results. The Operating Cost Optimization Program (Procop), the Program to Increase the Operating Efficiency of the Campos Basin (Proef), the Divestment Program (Prodesin) and the Logistics Infrastructure Optimization Program (Infralog) are examples of these initiatives, which have built-in goals and indicators established by various working teams and approved by the Executive Board, and are currently being intensely monitored by top Management.

The positive results are already measurable. The Proef has already begun to reverse the sharp drop in the efficiency of the Campos Basin Operational Unit, which fell to as low as 67% in

April of 2012 when the program was implemented, but improved to 78% in December; the Procop established 515 cost reduction initiatives that will generate savings of R$32 billion between 2013 and 2016; and Infralog will rationalize the port, airport, pipeline and terminal project portfolios in order to meet expected oil and oil product output and market demand by 2020.

These new processes are now part of our daily routine and dialogue. I would like to highlight the Executive Board meetings, which are now held twice weekly to focus on the physical and financial monitoring of the principal projects in our investment plan. We have also implemented a number of important structural and organizational changes throughout the Company during 2012, enhancing efficiency, while at the same time promoting needed administrative changes. We are fully aware that only the constant pursuit of efficiency will allow us to achieve permanent gains that will improve the Company’s long term profitability, which is this Administration’s primary objective.

In 2013, we can only expect to maintain the current level of oil production. This is because of the concentration of scheduled maintenance stoppages of platforms that is needed in the first half of the year. Eventually offsetting the impact of the maintenance will be six new platforms to begin operations in the Sapinhoá, Baúna and Piracaba, Lula Nordeste, Papa-Terra and Roncador fields. These will contribute to growing production in the second half of the year, with the surge of output expected to continue into 2014. We will maintain the pace of our investments, which are estimated at R$97.6 billion in 2013, mostly allocated to oil and gas exploration and production in Brazil.

I am determined, together with the Executive Board and its leadership, to consolidate a process of improving management. Guided by transparency and pragmatism, we will continue to devote all our knowledge and efforts to achieving the goals of our Business and Management Plan, thereby generating more value for our shareholders and investors.

Maria das Graças Silva Foster

CEO

FINANCIAL HIGHLIGHTS

Main Items and Consolidated Economic Indicators

4Q-2012	3Q-2012	4Q12 X 3Q12 (%)	4Q-2011		Year ended December 31, 2012	2011	2012 X 2011 (%)
73,405	73,793	(1)	65,257	**Sales revenues**	281,379	244,176	15
16,562	18,086	(8)	17,306	**Gross profit**	70,907	77,237	(8)
6,120	8,864	(31)	7,752	**Net income before financial results, profit-sharing and income taxes**	32,397	45,403	(29)
2,788	(569)	-	400	**Net finance income (expense)**	(3,723)	122	-
7,747	5,567	39	5,049	**Consolidated net income/(loss) attributable to the shareholders of Petrobras**	21,182	33,313	(36)
0.59	0.43	37	0.39	**Basic and diluted earnings per share** [1]	1.62	2.55	(36)
254,852	273,754	(7)	291,564	**Market capitalization (Parent Company)**	254,852	291,564	(13)
23	25	(2)	27	**Gross margin (%)**	25	32	(7)
8	12	(4)	12	**Operating margin (%)** [2]	12	19	(7)
11	8	3	8	**Net margin (%)**	8	14	(6)
11,944	14,375	(17)	14,054	**Adjusted EBITDA – R$ million** [3]	53,439	62,246	(14)
				Net income before financial results, profit-sharing and income taxes by business segment (in millions of Reais)			
17,653	16,453	7	15,606	**. Exploration & Production**	69,214	61,852	12
(8,614)	(8,582)	-	(6,502)	**. Refining, Transportation and Marketing**	(34,168)	(14,508)	(136)
592	460	29	658	**. Gas & Power**	2,091	4,212	(50)
(47)	(60)	22	(86)	**. Biofuel**	(250)	(275)	9
824	652	26	433	**. Distribution**	2,796	1,885	48
6	1,341	-	1,626	**. International**	3,740	3,526	6
(2,691)	(2,308)	(17)	(2,331)	**. Corporate**	(9,641)	(8,008)	(20)
24,329	21,135	15	21,715	**Capital expenditures and investments (in millions of Reais)**	84,137	72,546	16

110.02	109.61	-	109.31	**Brent crude (US$/bbl)**	111.58	111.27	-
2.06	2.03	1	1.80	**Average commercial selling rate for U.S. dollar (R$/U.S.$)**	1.96	1.67	17
2.04	2.03	-	1.88	**Period-end commercial selling rate for U.S. dollar (R$/U.S.$)**	2.04	1.88	9
7.18	7.79	(1)	11.32	**Selic interest rate - average (%)**	8.54	11.67	(3)
				Average price indicators			
196.33	190.96	3	173.13	**Domestic basic oil products price (R$/bbl)**	186.55	167.87	11
				Sales price - Brazil			
100.56	101.80	(1)	103.10	**. Crude oil (U.S. dollars/bbl)** [4]	104.60	102.24	2
46.50	47.73	(3)	53.51	**. Natural gas (U.S. dollars/bbl)**	48.45	52.96	(9)
				Sales price - International			
93.43	90.42	3	97.11	**. Crude oil (U.S. dollars/bbl)**	94.37	91.37	3
13.80	17.45	(21)	21.31	**. Natural gas (U.S. dollars/bbl)**	17.99	17.28	4

[1] Basic and diluted earnings per share calculated based on the weighted average number of shares.

[2] Calculated based on net income before financial results, profit-sharing and income taxes.

[3] EBITDA + share of profit of equity-accounted investments and impairment.

[4] Average between exports and the internal transfer prices from Exploration & Production to Refining, Transportation and Marketing.

FINANCIAL HIGHLIGHTS

RESULTS OF OPERATIONS

4Q-2012 x 3Q-2012 Results:

Gross Profit

Gross profit was 8% lower (R$ 1,524 million) compared to the 3Q-2012, mainly due to:

Ø Sales revenues of R$ 73,405 million were virtually flat compared to the 3Q-2012. The increased domestic demand, mainly of gasoline (7%), natural gas (20%) and fuel oil (38%) and the higher electricity sales prices were offset by lower crude oil exports and trading operations.

Ø Costs of sales of R$ 56,843 million was 2% higher compared to the 3Q-2012 due to the increase of the domestic sales volume (4%), mainly met by a higher share of gasoline and LNG imports, partially offset by lower trading volumes.

Net income before financial results, profit-sharing and income taxes

Net income before financial results, profit-sharing and income taxes decreased by 31% (R$ 2,744 million) compared to the 3Q-2012, mainly due to the lower gross profit, to higher write-offs of dry or sub-commercial wells in Brazil (R$ 524 million) and to the decrease in the operating profit of the international segment (R$1,335 million), mainly as a result of impairment charges, inventory write-downs to market value and higher crude oil exploration costs.

Net finance income (expense)

Net finance income was R$2,788 million, R$ 3,357 million higher compared to the 3Q-2012 due to the higher finance income, primarily as a result of gains on disposal of National Treasury Notes – B Series (NTN-B) and monetary updating of judicial deposits (R$ 2,635 million).

Net income attributable to the shareholders of Petrobras

Net income attributable to the shareholders of Petrobras reached R$ 7,747 million, 39% higher compared to the 3Q-2012, reflecting tax benefits from deduction of interest on capital (R$ 2,131 million) and the higher net finance income, partially offset by lower net income before financial results, profit-sharing and income taxes.

FINANCIAL HIGHLIGHTS

RESULTS OF OPERATIONS

2012 x 2011 Results:

Gross Profit

Gross profit was 8% lower (R$ 6,330 million) compared to 2011, mainly due to:

Ø 15% increase in sales revenues (R$ 37,203 million), reflecting:

- Rising export prices and higher oil product prices in the domestic market due to increased gasoline and diesel prices and to the impact of the depreciation of the Real (17% impact) on oil products that are adjusted to reflect international prices;

- An 8% increase in domestic sales volumes, mainly of gasoline (17% increase), diesel (6%), jet fuel (5%) and natural gas (17%), partially offset by lower crude oil exports volumes due to higher feedstock processed and to the lower crude oil production.

Ø 26% increase in the cost of sales (R$ 43,533 million), due to:

- An 8% increase in domestic sales volumes of oil products, mainly met by imports;
- Higher crude oil and oil products imports costs, as well as higher production taxes driven by the depreciation of the Real relative to the U.S. dollar;
- Higher depreciation, depletion and amortization costs due to the operational start-up of new facilities.

Net income before financial results, profit-sharing and income taxes

Net income before financial results, profit-sharing and income taxes reached R$ 32,397 million, a 29% decrease compared to 2011, due to the lower gross profit and to a 21% increase in operating expenses, mainly as a result of:

- An increase in selling expenses (R$ 654 million), higher freight costs driven by the increase of sales volumes and higher employee compensation expenses arising from the 2011 and 2012 Collective Bargaining Agreements;

- An increase in general and administrative expenses (R$ 1,195 million), reflecting higher employee compensation expenses arising from the 2011 and 2012 Collective Bargaining Agreements, larger workforce and increased third-party technical services;

- Higher exploration costs (R$ 3,443 million), reflecting higher write-offs of dry or sub-commercial wells;

- Higher other operating expenses (R$ 1,607 million), mainly due to increased losses on legal and administrative proceedings.

Net finance income (expense)

Net finance expense of R$3,723 million (compared with a net finance income of R$122 million in 2011), driven by the effect of the depreciation of the Real relative to the U.S. dollar on a higher net debt.

Net income attributable to the shareholders of Petrobras

Net income attributable to the shareholders of Petrobras reached R$ 21,182 million in 2012, a 36% decrease compared with R$ 33,313 million in 2011, mainly reflecting the effect of the depreciation of the Real relative to the U.S. dollar on a higher net debt and lower net income before financial results, profit-sharing and income taxes.

FINANCIAL HIGHLIGHTS

NET INCOME BY BUSINESS SEGMENT

Petrobras is an integrated energy company, with the greater part of its oil and gas production in the Exploration & Production segment being transferred to other business segments of the Company.

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

EXPLORATION & PRODUCTION

				(R$ million)	Year ended December 31,		
4Q-2012	**3Q-2012**	**4Q12 X 3Q12 (%)**	**4Q-2011**	**Net Income**	**2012**	**2011**	**2012 X 2011 (%)**
11,521	10,808	7	10,328		45,446	40,594	12

(4Q-2012 x 3Q-2012): Net income increased due to a 4% increase of crude oil and NGL production, partially offset by higher write-offs of dry or sub-commercial wells.

The spread between the average domestic oil price (sale/transfer) and the average Brent price increased from U.S.$7.81/bbl in the 3Q-2012 to U.S.$9.46/bbl in the 4Q-2012.

(2012 X 2011): Net income was higher due to increased domestic crude oil prices (sales/transfer), reflecting the depreciation of the Real and to lower impairment charges. These effects were partially offset by higher maintenance and repair costs related to wells, freight costs for oil platforms, depreciation of equipments and production taxes due to the start-up of new systems/wells, along with higher write-offs of dry or sub-commercial wells mainly drilled between 2009 and 2012 (at higher costs), especially in areas of new exploratory frontiers.

The spread between the average domestic oil price (sale/transfer) and the average Brent price diminished from US$9.03/bbl in 2011 to US$6.98/bbl in 2012.

					Year ended December 31,		
4Q-2012	**3Q-2012**	**4Q12 X 3Q12 (%)**	**4Q-2011**	**Exploration & Production - Brazil (mbbl/d)** (*)	**2012**	**2011**	**2012 X 2011 (%)**
1,980	1,904	4	2,049	Crude oil and NGLs	1,980	2,022	(2)
398	377	6	367	Natural gas [5]	375	355	6
2,378	**2,281**	4	**2,416**	**Total**	**2,355**	**2,377**	(1)

(4Q-2012 x 3Q-2012): Crude oil and NGL production increased due to the operational start-up of FPSO Cidade de Anchieta, in Baleia Azul field in September (+57 mbd), to the increase in operational efficiency levels in Campos Basin driven by the Operational Efficiency Increase Program *(Programa de Aumento da Eficiência Operacional* – PROEF), to the interconnection of new wells in platforms P-53 (Marlim Leste field), P-51 and P-56 (Marlim Sul field) (+31 mbd), partially offset by the termination of the Iracema extended well test (EWT) and by the natural decline of production.

(2012 X 2011): Crude oil and NGL production decreased due to higher operational losses and to a stoppage in the Frade field, partially offset by the startup of new wells and by an increase in the operational efficiency levels in the Campos Basin.

Natural gas production increased due to the Uruguá, Mexilhão, Lula and Tambaú fields and to the higher efficiency in platforms in the Campos Basin.

(*) Not revised.

[5] Does not include LNG. Includes gas reinjection.

FINANCIAL HIGHLIGHTS

4Q-2012	3Q-2012	4Q12 X 3Q12 (%)	4Q-2011	Lifting Cost - Brazil (*)	Year ended December 31, 2012	2011	2012 X 2011 (%)
				U.S.$/barrel:			
13.94	15.42	(10)	12.49	Excluding production taxes	13.92	12.59	11
33.25	34.18	(3)	33.31	Including production taxes	33.83	32.52	4
				R$/barrel:			
28.60	31.15	(8)	22.47	Excluding production taxes	27.22	21.19	28
68.14	69.83	(2)	60.04	Including production taxes	66.16	55.04	20

Lifting Cost - Excluding production taxes – U.S.$/barrel

(4Q-2012 x 3Q-2012): Lifting cost excluding production taxes in U.S.$/barrel decreased by 10%. Excluding the impact of the depreciation of the Real it decreased by 9% due to the higher production and lower employee compensation costs, which included the payment of a non-recurring bonus in the 3Q-2012, related to the signing of the 2012 Collective Bargaining Agreement.

(2012 X 2011): Lifting cost excluding production taxes in U.S.$/barrel increased by 11%. Excluding the impact of the depreciation of the Real it increased by 22% due to higher maintenance and repair costs related to wells in the Marlim and Albacora fields, in connection with the Operational Efficiency Increase Program (*Programa de Aumento da Eficiência Operacional* – PROEF), as well as higher employee compensation costs arising from the 2011 and 2012 Collective Bargaining Agreements and higher workforce.

Lifting Cost - Including production taxes – U.S.$/barrel

(4Q-2012 x 3Q-2012): Lifting cost, including production taxes, in U.S.$/barrel, decreased by 3%. Excluding the impact of the depreciation of the Real it decreased by 2% due to the lower lifting cost excluding production taxes, partially offset by the higher special participation charges on Marlim Leste.

(2012 X 2011): Lifting cost including production taxes, in U.S.$/barrel, increased by 4%. Excluding the impact of the depreciation of the Real dollar it increased by 9% due to the effects described above for the lifting cost excluding production taxes and also due to the higher special participation charges on Jubarte, Marlim Sul and Lula fields. These effects were partially offset by a 2% decrease on the average reference price of domestic oil in U.S. dollars, used to compute the production taxes.

(*) Not revised.

FINANCIAL HIGHLIGHTS

REFINING, TRANSPORTATION AND MARKETING

4Q-2012	3Q-2012	4Q12 X 3Q12 (%)	4Q-2011	(R$ million) Net Income	Year ended December 31, 2012	2011	2012 X 2011 (%)
(5,650)	(5,652)	-	(4,412)		(22,931)	(9,955)	(130)

(4Q-2012 x 3Q-2012): The net loss was flat due to the higher costs with imports of oil products, mainly gasoline, offset by lower selling expenses due to the decrease in the exports volumes and by a reversal of impairment charges on petrochemical assets.

(2012 X 2011): Net losses were higher due to the impact of the depreciation of the Real on crude oil costs (acquisition/transfer) and oil product costs (imports), and also due to a higher share of oil product imports over sales volumes. These effects were partially offset by higher oil product sales prices (both domestic and exports) and by a 5% increase in oil product outputs.

4Q-2012	3Q-2012	4Q12 X 3Q12 (%)	4Q-2011	Imports and Exports of Crude Oil and Oil Products (mbbl/d)(*)	Yea Dec 201
301	385	(22)	380	Crude oil imports	34
505	437	16	394	Oil product imports	43

806	**822**	(2)	**774**	**Imports of crude oil and oil products**	**77**
236	375	(37)	361	Crude oil exports [6]	36
141	176	(20)	187	Oil product exports	18
377	**551**	(32)	**548**	**Exports of crude oil and oil products** [7]	**54**
(429)	**(271)**	(58)	**(226)**	**Exports (imports) net of crude oil and oil products**	**(23**
1	12	(92)	1	Other exports	

(4Q-2012 x 3Q-2012): Higher gasoline import volumes to meet the increased demand in the period.

Crude oil imports and exports decreased due to the higher share of domestic crude oil on the feedstock processed.

Crude oil exports were lower also due to part of the export volumes that remained in transit at the end of the period.

(2012 X 2011): Higher oil product import volumes, mainly gasoline and diesel, to meet the higher domestic demand.

Lower crude oil export volumes due to lower production and increased feedstock processed.

Oil product export volumes decreased due to the higher domestic demand.

(*) Not revised.

6 Include crude oil exports volumes of Refining, Transportation and Marketing and Exploration & Production segments.

7 Starting from the second quarter of 2012, this number only includes volumes delivered to third parties. We have adjusted the 2011 numbers for comparison purposes.

FINANCIAL HIGHLIGHTS

4Q-2012	3Q-2012	4Q12 X 3Q12 (%)	4Q-2011	Refining Operations (mbbl/d) (*)	Yea ende Decem 31, 2012	2
2,010	2,026	(1)	1,949	Output of oil products	1,997	1
2,018	2,013	-	2,013	Installed capacity [8]	2,018	2
98	98	-	94	Utilization of nominal capacity (%)	96	
1,970	1,974	-	1,894	Feedstock processed - Brazil	1,944	1
83	82	1	82	Domestic crude oil as % of total feedstock processed	82	

(4Q-2012 x 3Q-2012): The daily feedstock processed was virtually flat due to the operational stability of the processing units.

(2012 X 2011): Daily feedstock processed increased by 4% due to the lower scheduled maintenance stoppages and to the improved operating performance of the units.

4Q-2012	3Q-2012	4Q12 X 3Q12 (%)	4Q-2011	Refining Cost - Brazil (*)	Year ended December 31, 2012	2011	2012 X 2011 (%)
3.81	4.62	(18)	4.76	**Refining cost (U.S.$/barrel)**	4.14	4.98	(17)
7.90	9.31	(15)	8.57	**Refining cost (R$/barrel)**	8.10	8.37	(3)

(4Q-2012 x 3Q-2012): Refining cost in U.S.$/barrel decreased by 18%. In R$/barrel it decreased by 15%, mainly as a result of lower employee compensation costs, which included the payment of a non-recurring bonus in the 3Q-2012, related to the signing of the 2012 Collective Bargaining Agreement, and due to a decrease in scheduled stoppages.

(2012 X 2011): Refining cost in U.S.$/barrel decreased by 17%. In R$/barrel it decreased by 3%, due to lower scheduled stoppages expenses and higher feedstock processed, partially offset by higher employee compensation costs arising from the 2011 and 2012 Collective Bargaining Agreements.

(*) Not revised.

8 As registered by the National Petroleum, Gas and Biofuel Agency (ANP).

GAS & POWER

4Q-2012	3Q-2012	4Q12 X 3Q12 (%)	4Q-2011	(R$ million) Net Income	Year ended December 31, 2012	2011	2012 X 2011 (%)
500	345	45	483		1,638	3,109	(47)

(4Q-2012 x 3Q-2012): Net income increased due to higher electricity generation volumes and higher average prices of electricity, as a result of the lower hydroelectric availability, driven by lower rainfall levels in all Brazilian regions.

These effects were partially offset by higher natural gas import costs to meet the higher thermoelectric demand.

(2012 X 2011): Net income decreased due to lower margins on natural gas sales, driven by the impact of the appreciation of the U.S. dollar on LNG import costs and higher share of LNG imports over sales volumes, to meet the higher domestic thermoelectric demand, and also due to the positive impact of tax credits in 2011 (R$ 928 million).

These effects were partially offset by higher average electricity prices and sales volumes, due to the lower hydroelectric availability, driven by lower rainfall levels in all Brazilian regions.

4Q-2012	3Q-2012	4Q12 X 3Q12 (%)	4Q-2011	Physical and Financial Indicators [(*)]	Year ended December 31, 2012	2011	201 X 201 (%
2,363	2,496	(5)	2,214	Sales of electricity (contracts) - average MW	2,318	2,000	
5,279	1,977	167	524	Generation of electricity - average MW	2,699	653	3
308	131	135	42	Differences settlement price - R$/MWh [9]	161	29	4
107	54	98	19	Imports of LNG (mbbl/d)	63	15	3

199	155	28	164 Imports of Gas (mbbl/d)	173	169	2

(4Q-2012 x 3Q-2012): Electricity sales (contracts) were lower due to the lower proved capacity available in the 4Q-2012, as sales volumes were advanced on previous quarters.

LNG and in Bolivian gas imports were higher to meet the increase in the thermoelectric demand for electricity generation. The higher availability of domestic gas partially offset the need for imports.

(2012 X 2011): Electricity sales volumes increased due to the higher proved capacity available.

The electricity generation and the differences settlement price were higher, driven by the lower rainfall levels in the period.

LNG import volumes increased to meet the domestic thermoelectric demand.

(*) Not revised.

9 Weekly weighed prices per output level (light, medium and heavy), number of hours and submarket capacity.

FINANCIAL HIGHLIGHTS

BIOFUEL

				(R$ million)	Year ended December 31,		
4Q-2012	**3Q-2012**	**4Q12 X 3Q12 (%)**	**4Q-2011**	**Net Income**	**2012**	**2011**	**2012 X 2011 (%)**
(17)	(44)	61	(40)		(218)	(157)	(39)

(4Q-2012 x 3Q-2012): Net loss decreased due to the higher results on biodiesel operations driven by the improved performance at the 27th ANP auction, diversification of raw materials, higher operational efficiency and higher tax benefits. These effects were partially offset by the effect of the depreciation of the Real on the debt of associates from the ethanol sector and by the lower sales volume.

(2012 X 2011): Losses on biodiesel operations in 2012 were partially offset by changes in auction rules in the fourth quarter 2011. This effect was more than offset by a decrease in the share of profit of investments due to lower results from associates from the ethanol sector and by an increase in research and development expenses.

DISTRIBUTION

				(R$ million)	Year ended December 31,		
4Q-2012	**3Q-2012**	**4Q12 X 3Q12 (%)**	**4Q-2011**	**Net Income**	**2012**	**2011**	**2012 X 2011 (%)**
544	413	32	270		1,793	1,175	53

(4Q-2012 x 3Q-2012): Net income was higher due to a 14% increase in gross margins, driven by higher fuel oil and diesel sales for thermoelectric power plants of complement generation along with a 5% increase of sales volume in the period.

(2012 X 2011): Net income was higher due to a 16% increase in sales margins, driven by the impact of ethanol prices volatility in 2011, leading to inventory losses. Net income was higher also due to a 4% increase in sales volumes, as well as improved operational efficiency.

					Year ended December 31,		
4Q-2012	**3Q-2012**	**4Q12 X 3Q12 (%)**	**4Q-2011**		**2012**	**2011**	**2012 X 2011 (%)**
38.6%	37.6%	1	39.8%	**Market Share** (*)	38.1%	39.2%	(1)

(*) Not revised.

FINANCIAL HIGHLIGHTS

INTERNATIONAL

				(R$ million)	Year ended December 31,		
4Q-2012	**3Q-2012**	**4Q12 X 3Q12 (%)**	**4Q-2011**	**Net Income**	**2012**	**2011**	**2012 X 2011 (%)**
(629)	902	(170)	291		1,305	1,949	(33)

(4Q-2012 x 3Q-2012): Net income was lower in the 4Q-2012 due to: i) lower sales volumes in the U.S. Pasadena refinery and in the Akpo field in Nigeria, driven by maintenance stoppages; ii) impairment losses in the Pasadena Refinery (R$464 million); iii) higher exploration costs (R$56 million) and write-offs of wells (R$133 million); iv) provision for impairment of trade receivables in Angola (R$110 million), and inventory write-downs (R$154 million).

(2012 X 2011):