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

4Q-2012	**3Q-2012**	**4Q12 X 3Q12 (%)**	**4Q-2011**		**Year ended December 31, 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