PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
May 31, 2011

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 May, 2011

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).

Rio de Janeiro – May 13, 2011 – Petrobras announces today its consolidated results expressed in millions of Brazilian Reais, in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Consolidated net income totaled R$10,985 million in 1Q-2011, a new quarterly record, while EBITDA increased by 10% over 4Q-2010

Main Highlights

R$ million

4Q-2010	1Q11 X 4Q10 (%)		First quarter 2011	2010	2011 X 2010 (%)
10,602	4	**Consolidated net income attributable to Petrobras shareholders**	10,985	7,726	42
2,628		**Total oil and natural gas production (th. barrel/day)**	2,627	2,547	3
14,584	10	**EBITDA**	16,093	15,076	7
380,247	6	**Market capitalization (parent company)**	402,487	332,381	21

- Production increased by 3% over 1Q-2010, chiefly due to higher output in the Marlim Leste, Cachalote/Baleia Franca, Jubarte, Uruguá/Tambaú and Frade fields, the operational start-up of the Piloto de Lula and Marlim Sul fields and the Tiro, Sidon and Guará extended well tests.

- New pre-salt discoveries in the Santos Basin, including Carioca Nordeste and Macunaíma. Petrobras also began extended well tests in the Marlim Leste field and the Brava region of the Marlim field, both in the pre-salt area of the Campos Basin.

- Approval of the first lot of seven drilling rigs to be built in Brazil. Sete Brasil S.A. will be responsible for the construction contract with Estaleiro Atlântico Sul (EAS).

- The Company raised US$6 billion through international bond issues maturing in 5, 10 and 30 years.

- In 1Q-2011, Petrobras paid R$2,218 million in interest on equity to its shareholders on the amount of R$0.12 per share and will pay dividends of R$1,565 million by June 27, 2011, as resolved by the Annual Shareholders' Meeting of April 28, 2011. On March 31, 2011, the Company provisioned R$2,609 million related to interest on equity on the amount of R$ 0.20 per share to be paid by July 30, 2011.

Index:

This document may contain forecasts that merely reflect the expectations of the Company's management. Such terms as "anticipate", "believe", "expect", "forecast", "intend", "plan", "project", "seek", "should", along with similar or analogous expressions, are used to identify such forecasts. These predictions evidently involve risks and uncertainties, whether foreseen or not by the Company. Therefore, the future results of operations may differ from current expectations, and readers should not base their expectations exclusively on the information presented herein.

Dear shareholders and investors,

We are pleased to announce our results for the first quarter of 2011, which was marked by continuing challenges and important operational and corporate achievements, leading to record net income of R$10,985 million.

Our operating performance improved substantially, particularly in the Exploration and Production segment. At the beginning of 2011, we announced that our proven oil and gas reserves had reached 15.986 billion barrels of oil equivalent (boe) in 2010, in accordance to SPE, 7.5% more than the previous year. This means that, for every boe extracted in 2010, we added 2.29, corresponding to a reserve replacement ratio of 229%. The reserve/production ratio (R/P) closed 2010 at 18.4 years, an exceptionally comfortable figure for our industry.

We continue to make progress in our development of the Santo pre-salt frontier, approving the chartering of two new FPSO platforms (oil and gas floating production, storage and offloading units) for the pilot projects in the Guará-Norte region and the Cernambi field.

Continuing with our strategy of ensuring key equipment for the development of our operations, we approved the construction of the first lot of seven drilling rigs to be built in Brazil. The rigs will be chartered from Sete Brasil S.A., which will be responsible for the construction contract with Estaleiro Atlântico Sul (EAS), in Pernambuco. This represents the first stage of a project involving up to 28 rigs, the first of which is scheduled for start-up by 2015. It is worth highlighting that the contracting of these rigs is fully compatible with a policy of local construction at internationally competitive costs.

Continuing with our exploration program, we announced several new and important discoveries, including the area known informally as Carioca Nordeste, where preliminary analyses indicate an accumulation of oil with an API gravity of 26° in a high-quality 200 meter reservoir, and the Macunaíma area, where the Company identified an oil accumulation also with an API gravity of 26° in the Santos Basin pre-salt reservoirs.

We began extended well tests (EWTs) in the Tracajá reservoir in the Marlim Leste field, and the Brava region of the Marlim field, both of which located in the pre-salt area of the Campos Basin, the latter being connected to the P-27 platform, avoiding the need for an additional production unit. The EWTs will provide us with more data on the characteristics of the reservoirs, thus helping to ensure the best means of developing production.

We entered into a Memorandum of Understanding and a General Technological Cooperation Agreement with the Chinese companies, Sinochem Corporation and Sinopec, respectively. These strategic alliances will ensure cooperation between the companies' activities in Brazil and abroad in areas of common interest in the oil and gas industry.

On the corporate front, we undertook the largest ever international debt issue by a Brazilian company, placing US$6 billion in bonds maturing in 5, 10 and 30 years. The proceeds will be used to finance the investments scheduled in our Business Plan, thereby maintaining an appropriate capital structure and financial leverage in line with our objectives.

In April, we announced the annual review of the Santos Basin Pre-Salt Integrated Development Plan (Plansal), incorporating the data from the new wells and the implementation of the various commercial strategies.

Finally, we cannot forget to mention the highly volatile international oil prices which, combined with the ethanol shortage in Brazil, have further underlined the correctness of Petrobras' strategy which is primarily aimed at increasing oil production and actively participating in the biofuel segment, not only capturing growing demand in these markets, but also ensuring that all the Company's human, financial and operational resources are put to the best possible use. We remain confident in our capacity to achieve the goals laid out in our Business Plan, thereby ensuring increasing returns for our shareholders and investors.

Main Items and Consolidated Economic Indicators

R$ million

4Q-2010	1Q11 X 4Q10 (%)		First quarter 2011	2010	2011 X 2010 (%)
54,492	1	**Revenue from sales**	54,800	50,412	9
18,880	7	**Gross profit**	20,204	19,310	5
10,773	16	**Income befor e financial result, profit sharing and taxes**	12,536	11,617	8
1,926	5	**Net financial result**	2,022	(701)	388
10,602	4	**Net income attributable to Petrobras shareholders**	10,985	7,726	42
0.81	4	**Earnings per share** [1]	0.84	0.88	(4)
		Result by business area			
7,848	19	**. Exploration & Production**	9,327	7,312	28
1,415	(107)	**. Refining, Transportation & Marketing**	(95)	1,116	(109)
332	55	**. Gas & Power**	515	323	59
(38)	(66)	**. Biofuels**	(13)	(22)	(41)
290	27	**. Distribution**	369	362	2
62	1,260	**. International**	843	447	89
1,449	(39)	**. Corporate**	880	(1,240)	171
19,911	(20)	**Consolidated investments**	15,871	17,753	(11)
35	2	**Gross margin (%)**	37	38	(1)
21	2	**Operating margin (%)** [2]	23	23	
19	1	**Net margin (%)**	20	15	5
14,584	10	**EBITDA – R$ million** [3]	16,093	15,076	7
86.48	21	**Brent (US$/bbl)**	104.97	76.24	38
1.70	(2)	**US Dollar average sell price (R$)**	1.67	1.80	(7)
1.67	(2)	**US Dollar final sell price (R$)**	1.63	1.78	(8)

		Average price indicators			
159.00	3	**Average Oil Products Realization Prices (R$/bbl)**	163.72	157.65	4
		Sale price - Brazil			
79.70	18	**. Oil (US$/bbl) [4]**	94.04	72.92	29
14.01	(37)	**. Natural gas (US$/bbl) [5]**	8.83	14.39	(39)
		Sale price - International			
73.90	18	**. Oil (US$/bbl)**	87.39	62.02	41
14.80	11	**. Natural gas (US$/bbl)**	16.36	14.81	10

[1] Earnings per share based on the weighted average of the number of shares.

[2] Calculated based on operating income before financial result, profit sharing and taxes.

[3] Operating income before financial result, equity balance and depreciation/amortization.

[4] Average of exports and domestic transfer prices from E&P to Refining, Transportation & Marketing.

[5] Domestic oil transfer price from E&P to Gas & Power.

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1Q-2011 x 4Q-2010:

Gross profit

Gross profit[6] totaled R$20,204 million in 1Q-2011, 7% up on the R$18,880 million posted in 4Q-2010, due to:

○ Relatively stable sales revenue (R$54,800 million in 1Q-2011, versus R$54,492 million in 4Q-2010), due to:

•The impact of higher international prices on export prices and the price of oil products whose prices are pegged to the international market;

•The price increases were almost entirely offset by the reduction in domestic sales volume, especially diesel, due to the decline in industrial activity, and natural gas, reflecting the seasonality of the industrial and thermal power segments.

○ A reduction of 3% in the cost of goods sold – COGS- (R$1,016 million), due to:

•The 7% decline in domestic sales volume (2,344 thousand barrels/day in 1Q-2011, versus 2,526 thousand barrels/day in 4Q-2010);

•The lower share of imports, especially diesel, in the COGS mix;

These effects were partially offset by the increase in extraction costs, which climbed by 17% in R$/bbl terms (including the government take).

Net Income

○ First quarter net income (R$10,985 million) improved by 4% over the previous quarter (R$10,602 million), mostly reflecting:

•Higher sales revenue;

•Lower COGS;

•The 5% reduction in expenses (R$439 million), chiefly due to reduced write-offs of economically unviable wells, mostly abroad (R$321 million).

These effects were partially offset by the R$754 million reduction in tax benefits from the payment of interest of equity.

Cash and Cash Equivalents, Investments and Debt

○ Cash and cash equivalents (including federal bonds maturing in more than 90 days) climbed by 13% (R$62,935 million in 1Q-2011, versus R$55,848 million in 4Q-2010).

○ First-quarter investments totaled R$15,871 million, 45% of which allocated to Exploration & Production.

○ Net debt stood at R$66,064 million, up by 6%, most of which in the long term, with a comfortable leverage of 17%, well below the Company's established maximum of 35% .

[6] For further details, see Appendix 2.

1Q-2011 x 1Q-2010.

Gross profit

Gross profit[7] totaled R$20,204 million in 1Q-2011, 5% up on 1Q-2010 (R$19,310 million), thanks to:

○ The 9% increase in revenue (R$4,388 million), basically due to:

•The 7% upturn in domestic sales volume (R$1,383 million), reflecting Brazil's economic growth, led by jet fuel (+18%), natural gas (+13%), diesel (+9%) and gasoline (+7%)[8].
•The increase in crude and oil product prices, chiefly oil exports (41% in US$), and the higher price of naphtha (+13%) and jet fuel (+20%);
•Increased revenue from the international market (R$1,094 million), due to higher prices abroad (R$1,077 million).

○ COGS increased by 11% over 1Q-2010 (R$3,494 million), due to:

•Higher import expenditures, mainly with diesel;
•The 16% increase in extraction expenses (including the government take), due to higher international crude prices and increased output;
•The 16% upturn in R$/bbl refining costs, excluding the exchange variation, due to higher expenses with personnel, materials, third-party services and scheduled stoppages.

Net Income

○ 1Q-2010, net income increased by 42% year-on-year, reaching a new quarterly record, mostly reflecting:

•The 29% increase in national oil prices in US$;
•The 4% upturn in LNG and natural gas production due to higher output in the Marlim Leste, Cachalote/Baleia Franca, Jubarte, Uruguá/Tambaú and Frade fields, the operational start-up of the Piloto de Lula and Marlim Sul fields and the extended well tests in Tiro, Sidon and Guará.
•Higher sales of natural gas, accompanying industrial growth and increased demand for power generation;
•The increase in the financial result (R$2,723 million), due to exchange gains on debt from the appreciation of the Real against the U.S. dollar, and higher returns on financial investments and federal bonds due to investment of the proceeds from the September 2010 capitalization.

Cash and Cash Equivalents, Investments and Debt

○ Net cash from operating activities amounted to R$12,924 million in 1Q-2011, 34% up year-on-year, reflecting higher output, increased sales, and favorable crude and oil product prices.

○ The Company has invested R$15,871 million to date, R$7,196 million of which in Exploration & Production and R$5,845 million in Refining, Transportation & Marketing.

○ Following the September 2010 capitalization, the company's leverage fell substantially and has been maintained at 17%, much lower than the Company's established limit of 35%.

[7] For further details, see Appendix 3.

[8] For further details, see page 14.

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RESULTS BY BUSINESS AREA

Petrobras operates in an integrated manner, with the greater part of oil and gas production in the exploration and production area being transferred to other Company areas.

When reporting results per business area, transactions with third parties and transfers between business areas are valued in accordance with the internal transfer prices established between the various areas and assessment methodologies based on market parameters.

EXPLORATION AND PRODUCTION (E&P)

4Q-2010	1Q11 X 4Q10 (%)		First quarter 2011	First quarter 2010	2011 X 2010 (%)
7,848	19	Net income	9,327	7,312	28

(1Q-2011 x 4Q-2010): The upturn in net income was caused by the increase in the domestic oil sale/transfer price (18% in US$/bbl), partially offset by the higher government take.

The spread between the average domestic oil sale/transfer price and the average Brent price widened from US$6.78/bbl in 4Q-2010 to US$10.93/bbl in 1Q-2011, reflecting higher international prices and the disparity between Brent crude and WTI prices.

(1Q-2011 x 1Q-2010): The increase in net income reflected higher domestic oil prices (29% in US$/bbl), partially offset by the higher government take.

Another contributing factor was the reduction in losses and lower contingencies for lawsuits (R$451million), chiefly due to provisions for tax contingencies related to the ICMS/RJ (state VAT) of the P-36 platform in 1Q-2010.

The spread between the average domestic oil sale/transfer price and the average Brent price widened from US$3.32/bbl in 1Q-2010 to US$10.93/bbl in 1Q-2011, reflecting the higher international prices and the disparity between Brent crude and WTI prices.

4Q-2010	1Q11 X 4Q10 (%)	Domestic production (th. barrels/day) (*)	First quarter 2011	First quarter 2010	2011 X 2010 (%)
2,030	1	Oil and NGL	2,044	1,985	3
354	(4)	Natural gas [9]	341	317	8

2,384	**Total**	**2,385**	**2,302**	4

(1Q-2011 x 4Q-2010): Oil and gas production remained flat over 4Q-2010.

(1Q-2011 x 1Q-2010): Higher output in the Marlim Leste, Cachalote/Baleia Franca, Jubarte, Uruguá/Tambaú, Frade, Piloto de Lula and Marlim Sul fields and the extended well tests (EWT) in Tiro, Sidon and Guará more than offset the natural decline in the remaining fields.

*Unaudited

9 Excludes liquefied gas and includes re-injected gas

7

4Q-2010	1Q11 X 4Q10 (%)	Lifting cost - country (*)	First quarter 2011	2010	2011X 2010 (%)
		US$/barrel:			
10.29	11	• without government take	11.38	9.40	21
25.58	19	• with government take	30.48	23.73	28
		R$/barrel:			
17.34	10	• without government take	19.00	16.95	12
43.47	17	• with government take	50.66	43.82	16

Lifting Cost Excluding Government Take – US$/barrel

(1Q-2011 x 4Q-2010): Excluding the exchange variation, lifting costs increased by 9%, due to the higher number of well interventions in the Marlim Sul and Albacora Leste fields and preventive maintenance in the Marlim field.

(1Q-2011 x 1Q-2010): Excluding the exchange variation, lifting costs climbed by 15% over 1Q-2010, due to the increased number of well interventions in the Marlim Leste, Roncador, Marlim Sul and Albacora Leste fields and preventive maintenance in the Marlim field.

Lifting Cost Including Government Take – US$/barrel

(1Q-2011 x 4Q-2010): Excluding the exchange variation, lifting cost increased by 19% due to the higher average reference price for local oil.

(1Q-2011 x 1Q-2010): Excluding the exchange variation, the lifting cost increased by 26% due to the higher average reference price for local oil.

(*) Unaudited.

REFINING, TRANSPORTATION & MARKETING

4Q-2010	1Q11 X 4Q10 (%)	Net income	First quarter 2011	2010	2011 X 2010 (%)
1,415	(107)		(95)	1,116	(109)

(1Q-2011 x 4Q-2010): The reduction in net income reflected higher oil acquisition/transfer and oil product import costs (Brent – up by 21% in US$/bbl) and the decline in domestic oil product sales volume.

These factors were partially offset by the sale of inventories formed at lower acquisition costs in previous periods, higher export prices and the upturn in the domestic price of those oil products whose prices are pegged to international prices.

(1Q-2011 x 1Q-2010): The year-on-year reduction in net income reflects higher oil acquisition/transfer and oil product import costs (Brent, up by 38% in US$/bbl), partially offset by the increase in oil product sales volume, higher export prices and the upturn in the domestic price of those oil products whose prices are pegged to international prices. Increased returns on interests in petrochemical investees (R$328 million) also helped offset the reduction.

4Q-2010	1Q11 X 4Q10 (%)	Imports and exports (th. barrels/day) (*)	First quarter 2011	2010	2011 X 2010 (%)
270	50	Crude oil imports	405	347	17
188	48	Oil product imports	279	274	2
458	49	**Crude oil and oil product imports**	684	621	10
441	(1)	Crude oil exports [10]	436	555	(21)
215	(2)	Oil product exports	210	192	9
656	(2)	**Crude oil and oil product exports** [11]	646	747	(14)
198	(119)	**Net crude oil and oil product exports (imports)**	**(38)**	**126**	(130)

(1Q-2011 x 4Q-2010): The increase in oil imports reflected the need to replenish inventories and process lighter crude at Replan, due to the stoppage of the refinery's fuel oil and gasoil

(1Q-2011 x 1Q-2010): Oil imports increased due to the need to replenish inventories and process lighter crude at Replan, due to the stoppage in the refinery's fuel oil and gasoil outflow pipeline.

outflow pipeline. Oil product imports also moved up, especially diesel.

Oil exports declined due to the need to build up inventories, and gasoline exports were also reduced to meet the increase in local demand caused by the ethanol shortage.

(*) Unaudited.

10 Includes oil exports by the Refining, Transportation & Marketing and E&P business areas.

11 Includes ongoing exports.

4Q-2010	1Q11 X 4Q10 (%)	Oil product output (th. barrels/day) (*)	First quarter 2011	2010	2011 X 2010 (%)
1,910	(2)	Oil product output	1,877	1,765	6
2,007		Primary installed processing capacity 12	2,007	1,942	3
93	(1)	Installed capacity use (%)	92	90	2
83	(1)	Domestic crude as % of total processed feedstock	82	80	2

4Q-2010	1Q11 X 4Q10 (%)	Processed Feedstock – Domestic (th. barrels/day) (*)	First quarter 2011	2010	2011 X 2010 (%)
1,862	(1)		1,852	1,738	7

(1Q-2011 x 4Q-2010): Daily processed feedstock remained stable over the previous quarter.

(1Q-2011 x 1Q-2010): Daily processed feedstock moved up by 7%, reflecting the reduction in scheduled stoppages in the distillation units.

4Q-2010	1Q11 X 4Q10 (%)	Refining Cost – Domestic(*)	First quarter 2011	2010	2011 X 2010 (%)
4.79	(5)	**Refining cost (US$/barrel)**	4.53	3.64	24
8.07	(6)	**Refining cost (R$/barrel)**	7.57	6.52	16

(1Q-2011 x 4Q-2010): Excluding the exchange variation, refining costs fell by 7%, due to lower expenses from scheduled stoppages, maintenance, repairs and materials.

(1Q-2011 x 1Q-2010): Excluding the exchange variation, these costs increased by 16%, due to higher expenses from scheduled stoppages in the conversion units (without no direct impact on throughput), as well as from personnel, materials, and third-party services, chiefly as a result of equipment maintenance and repairs.

(*) Unaudited

[12] According to the ownership recognized by the ANP.

GAS & POWER

4Q-2010	1Q11 X 4Q10 (%)	Net income	First quarter 2011	2010	2011 X 2010 (%)
332	55		515	323	59

(1Q-2011 x 4Q-2010): The increase in net income was due to the following factors:

• The upturn in the average gas sales price,reflecting the thermal market's reduced sales share;

• The reduction in domestic natural gasacquisition/transfer costs, accompanying the behavior of international prices and the appreciation of the Real against the U.S. dollar;

• Lower LNG import/consumption volume;

• Higher energy trading margins due to the increasein the average spot market acquisition cost.

These factors were partially offset by reduced sales volume of natural gas, reflecting demand seasonality, and electricity, due to the recovery of water levels in the hydro plant reservoirs.

(1Q-2011 x 1Q-2010): The annual improvement was due to the following factors:

• Higher sales of natural gas, accompanying industrialgrowth and greater demand for power generation;

• The reduction in domestic natural gasacquisition/transfer costs, accompanying the behavior of international prices and the appreciation of the Real against the U.S. dollar;

• Increased fixed revenue from energy auctions(regulated market) due to the operational start-up of two thermal plants and higher revenue from thermal generation;

• Estimated impairment losses in 1Q-2010 (R$80million);

These effects were partially offset by reduced power sales margins due to the increase in the average spot market acquisition cost and LNG import/consumption costs.

4Q-2010	1Q11 X 4Q10 (%)	**Physical and financial indicators (*)**	First quarter 2011	2010	2011 X 2010 (%)
171	(2)	Gas imports (th. barrels/day)	168	152	11
1,931	6	Electricity sales (agreements) - average MW	2,037	2,317	(12)
3,119	(75)	Electricity generation - average MW	773	456	70
115	(71)	Difference settlement price (PLD) - R$/MWh [13]	33	19	81

(1Q-2011 x 4Q-2010): The 2% reduction in Bolivian gas imports reflected the decline in thermal power generation.

(1Q-2011 x 1Q-2010): The 10% increase in Bolivian gas imports was due to higher demand for thermal power and the increase in industrial consumption.

Electricity sales volume climbed by 6%, reflecting the trading optimization policy through balance and short-term sales.

The 75% reduction in power generation was caused by lower dispatch by the ONS (National System Operator) due to the higher water levels.

The 71% decline in the difference settlement price reflected the slight increase in reservoir water levels.

The 12% downturn in electricity sales was caused by the increase in the difference settlement price in 1Q-2011, which reduced balance sales.

The 70% increase in power generation, reflected lower-than-expected water levels, together with high temperatures and increased dispatch by the ONS due to increased confidence in the System's reliability. The 81% upturn in the difference settlement price reflected the reduction in reservoir water levels in 2011.

(*) Unaudited.

[13] PLD – weekly prices weighted by load level (light, medium and heavy), number of hours and sub-market capacity.

BIOFUEL

4Q-2010	1Q11 X 4Q10 (%)		First quarter 2011	2010	2011 X 2010 (%)
38	66	**Net income**	13	(22)	(41)

(1Q-2011 x 4Q-2010): The reduction in losses reflected the increase in sales volume due to higher biofuel production and sales, the development of agribusiness activities and higher gains from the Company's interests in ethanol producing investees.

These effects were partially offset by higher operating costs.

Biodiesel operations are still being consolidated in Brazil, and current sales volume and auction price levels do not yet permit wider operating margins.

(1Q-2011 x 1Q-2010): The reduced losses were due to higher biodiesel sales volume and gains from the Company's interests in ethanol producing investees.

These factors were partially offset by higher biodiesel raw material acquisition and transportation costs, expenses from the implementation of new projects and higher operating expenses, reflecting the expansion of the business.

DISTRIBUTION

4Q-2010	1Q11 X 4Q10 (%)		First quarter 2011	2010	2011 X 2010 (%)
290	27	**Net income**	369	362	2

(1Q-2011 x 4Q-2010): The upturn in net income was due to the 6% increase in sales margins and the reduction in selling expenses with services, sales promotions and the 2010/2011 pay rise.

These effects were partially offset by the 7% reduction in sales volume.

The share of the fuel distribution market was 38.9% in 1Q-2011, versus 39.0% in the previous quarter.

(1Q-2011 x 1Q-2010): Net income remained flat given that the 3% increase in sales margins and the 6% upturn in sales volume were offset by the increase in selling expenses with services, provisions for doubtful debts and personnel, the latter explained by the 2010/2011 collective bargaining agreement.

The share of the fuel distribution market declined from 39.5% in 2010 to 38.9% in 2011.

INTERNATIONAL MARKET

4Q-2010	1Q11 X 4Q10 (%)	Net income	First quarter 2011	2010	2011 X 2010 (%)
62	1.260		843	447	89

(1Q-2011 x 4Q-2010): The increase in net income reflected the upturn in gross profit (R$454 million) due to higher commodity prices, and the reduction in exploration expenses and the write-off of wells in 1Q-2011 (R$577 million).

(1Q-2011 x 1Q-2010): The year-on-year increase was caused by higher international commodity prices in 2011 and increased sales volume in Nigeria due to the operational start-up of new production wells in 2010, affecting gross profit (R$464 million).

4Q-2010	1Q11 X 4Q10 (%)	International Production (th. barrels/day) (*)	First quarter 2011	2010	2011 X 2010 (%)
		Consolidated international production			
143	(2)	Oil and LNG	140	142	(1)
93		Natural gas	93	95	(2)
236	(1)	**Total**	**233**	**237**	(2)
8	13	**Non consolidated internacional production**	**9**	**8**	13
244	(1)	**Total international production**	**242**	**245**	(1)

(1Q-2011 x 4Q-2010): Consolidated oil and LNG production fell due to the termination of the Exploration & Production agreements in Ecuador and the decline in output from the mature fields in Colombia. Consolidated gas production remained flat over the previous quarter.

(1Q-2011 x 1Q-2010): Consolidated oil and LNG production fell due to the termination of the Exploration & Production agreements in Ecuador and the decline in output from the mature fields in Argentina and Colombia, offset by the operational start-up of new wells in the Akpo and Agbami fields in Nigeria.

The reduction in gas production was due to the decline in output from mature fields and disputes with unions in Argentina, offset by higher demand for Bolivian gas in Brazil.

(*) Unaudited.

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4Q-2010	1Q11 X 4Q10 (%)	Lifting Cost - International (US$/barrel) (*)	First quarter 2011	2010	2011 X 2010 (%)
6.80	(17)		5.65	5.11[14]	11

(1Q-2011 x 4Q-2010): Lower expenses from third-party services in Argentina, Colombia and Angola due to the reduction in well intervention and maintenance services.

(1Q-2011 x 1Q-2010): Increase in third-party and materials expenses in Argentina, due to contractual price adjustments and the higher volume of well intervention services.

4Q-2010	1Q11 X 4Q10 (%)	Processed Feedstock – International (th. barrels/day) (*)	First quarter 2011	2010	2011 X 2010 (%)
208	(5)		198	212	(7)

(1Q-2011 x 4Q-2010): Lower processed feedstock due to the scheduled maintenance stoppage at the FCC catalytic cracking unit in the USA.

(1Q-2011 x 1Q-2010): Reduction in processed feedstock due to the February stoppage at the hydrotreatment unit (HDT) in Bahia Blanca
(Argentina) and the scheduled stoppage at the FCC catalytic cracking unit in the USA in march/2011.

4Q-2010	1Q11 X 4Q10 (%)	Oil Product Output - International (*) (th. barrels/day)	First quarter 2011	2010	2011 X 2010 (%)
220	(4)	**Oil product output**	212	225	(6)
281	-	**Primary installed processing capacity**	281	281	-
70	(4)	**Installed capacity use (%)**	66	73	(7)

4Q-2010		Refining Cost – International (US$/barrel) (*)	First quarter 2011	2010	

		1Q11 X 4Q10 (%)
4.08		18

		2011 X 2010 (%)
4.81	3.32	45

(1Q-2011 x 4Q-2010): Higher maintenance expenses in the Pasadena refinery in the USA due to the scheduled stoppage in 1Q-2011.

(1Q-2011 x 1Q-2010): Refinery costs increased in the USA due to expenses from the scheduled stoppage at the FCC catalytic cracking unit in March 2011 and the reduction in total processed feedstock.

(*) Unaudited.

14 Revised lifting cost in the Nigerian unit.

Sales Volume – thousand barrels/day(*)

4Q-2010	1Q11 X 4Q10 (%)		First quarter 2011	First quarter 2010	2011 X 2010 (%)
841	(5)	Diesel	796	733	9
414	6	Gasoline	439	410	7
91	(8)	Fuel Oil	84	104	(19)
197	(22)	Naphtha	153	149	3
219	(5)	LPG	208	203	2
99		Jet fuel	99	84	18
191	(1)	Other	189	168	13
2,052	(4)	**Total oil products**	**1,968**	**1,851**	6
111	(23)	Alcohols, nitrogen-based compounds and others	85	81	