

PETROBRAS - PETROLEO BRASILEIRO SA  
Form 6-K  
August 11, 2014

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**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 6-K**

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

**For the month of August, 2014**

**Commission File Number 1-15106**

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**PETRÓLEO BRASILEIRO S.A. - PETROBRAS**  
(Exact name of registrant as specified in its charter)

**Brazilian Petroleum Corporation - PETROBRAS**  
(Translation of Registrant's name into English)

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

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

Form 20-F  Form 40-F

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

Yes  No

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**Petróleo Brasileiro S.A. – Petrobras**

Quarterly Information - ITR

At June 30, 2014 and report on review of

Quarterly Information

(A free translation of the original in Portuguese)

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**Petróleo Brasileiro S.A. – Petrobras**

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Report of Independent Registered Public Accounting Firm

(A free translation of the original in Portuguese)

**Report on review of quarterly information**

To the Board of Directors and Shareholders

Petróleo Brasileiro S.A. - Petrobras

**Introduction**

We have reviewed the accompanying parent company and consolidated interim accounting information of Petróleo Brasileiro S.A - Petrobras, included in the Quarterly Information Form for the quarter ended June 30, 2014, comprising the balance sheet as at that date and the statements of income, comprehensive income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company interim accounting information in accordance with the accounting standard CPC 21 (R1), Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and of the consolidated interim accounting information in accordance with CPC 21 (R1) and

International Accounting Standard IAS 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information. Our responsibility is to express a conclusion on this interim accounting information based on our review.

### **Scope of review**

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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**Conclusion on the parent**

**company interim information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 (R1) applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

**Conclusion on the consolidated**

**interim information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

**Other matters**

**Statements of value added**

We have also reviewed the parent company and consolidated statements of value added for the six-month period ended June 30, 2014. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Rio de Janeiro, August 8, 2014

/s/ PricewaterhouseCoopers

Auditores Independentes

CRC 2SP000160/O-5 "F" RJ

/s/ Marcos Donizete Panassol

Contador CRC 1SP155975/O-8 "S" RJ

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**Petróleo Brasileiro S.A. – Petrobras**

Company Data / Share Capital Composition

**Number of Shares**

**(Thousand)**

**Current Quarter  
06/30/2014**

From Paid-in Capital

Common

7,442,454

Preferred

5,602,043

Total

13,044,497

Treasury Shares

Common

0

Preferred

0

Total

0

**Petróleo Brasileiro S.A. – Petrobras**

## Company Data / Cash Dividends

| <b>Event</b>                     | <b>Approval</b> |  | <b>Payment</b> |                           | <b>Dividends<br/>Per Share<br/>(Reais/Share)</b> |
|----------------------------------|-----------------|--|----------------|---------------------------|--|
|                                  | <b>Date</b>     | <b>Type</b>                            | <b>Begin</b>   | <b>Type of<br/>Shares</b> |  |
| Board of<br>Directors<br>Meeting | 02/25/2014      | Interest on<br>Shareholders'<br>equity | 04/25/2014     | Preferred                 | 0.96720  |
| Board of<br>Directors<br>Meeting | 02/25/2014      | Interest on<br>Shareholders'<br>equity | 04/25/2014     | Common                    | 0.52170  |

**Petróleo Brasileiro S.A. – Petrobras**

## Individual Interim Accounting Information / Statement of Financial Position - Assets

*(R\$ Thousand)*

| <b>Account Code</b> | <b>Account Description</b>                       | <b>Current Quarter<br/>June 30,<br/>2014</b> | <b>Previous<br/>Fiscal Year<br/>December<br/>31, 2013</b> |
|---------------------|--|--|---|
| 1                   | Total Assets                                     | 656,420,000                                  | 633,173,000   |
| 1.01                | Current Assets                                   | 84,581,000                                   | 87,480,000  |
| 1.01.01             | Cash and Cash Equivalents                        | 6,945,000                                    | 7,917,000   |
| 1.01.02             | Marketable securities                            | 17,603,000                                   | 22,752,000  |
| 1.01.03             | Trade Receivables, Net                           | 19,115,000                                   | 16,301,000  |
| 1.01.04             | Inventories                                      | 30,272,000                                   | 27,476,000  |
| 1.01.06             | Recoverable Income Taxes                         | 5,850,000                                    | 9,281,000   |
| 1.01.06.01          | Current Recoverable Income Taxes                 | 5,850,000                                    | 9,281,000   |
| 1.01.06.01.01       | Current Income Tax and Social Contribution       | 992,000                                      | 1,468,000   |
| 1.01.06.01.02       | Other Recoverable Taxes                          | 4,858,000                                    | 7,813,000   |
| 1.01.08             | Other Current Assets                             | 4,796,000                                    | 3,753,000   |
| 1.01.08.01          | Assets classified as held for sale               | 733,000                                      | 781,000   |
| 1.01.08.03          | Others   | 4,063,000                                    | 2,972,000   |
| 1.01.08.03.01       | Advances to Suppliers                            | 1,402,000                                    | 1,407,000   |
| 1.01.08.03.02       | Others   | 2,661,000                                    | 1,565,000   |
| 1.02                | Non-Current Assets                               | 571,839,000                                  | 545,693,000   |
| 1.02.01             | Long-Term Receivables                            | 25,562,000                                   | 26,330,000  |
| 1.02.01.01          | Marketable securities measured at Fair Value     | 22,000                                       | 31,000  |
| 1.02.01.02          | Marketable securities measured at Amortized Cost | 234,000                                      | 226,000   |
| 1.02.01.03          | Trade Receivables, Net                           | 3,801,000                                    | 4,453,000   |
| 1.02.01.06          | Deferred income Taxes                            | 9,777,000                                    | 10,899,000  |
| 1.02.01.06.02       | Deferred Taxes and contributions                 | 9,777,000                                    | 10,899,000  |
| 1.02.01.09          | Other Non-Current Assets                         | 11,728,000                                   | 10,721,000  |
| 1.02.01.09.03       | Advances to Suppliers                            | 1,772,000                                    | 2,172,000   |
| 1.02.01.09.04       | Judicial Deposits                                | 5,301,000                                    | 4,826,000   |
| 1.02.01.09.05       | Other Long-Term Assets                           | 4,655,000                                    | 3,723,000   |
| 1.02.02             | Investments                                      | 83,200,000                                   | 83,497,000  |
| 1.02.03             | Property, Plant and Equipment                    | 429,839,000                                  | 402,567,000   |
| 1.02.04             | Intangible Assets                                | 33,210,000                                   | 33,289,000  |
| 1.02.05             | Deferred charges                                 | 28,000                                       | 10,000  |



**Petróleo Brasileiro S.A. – Petrobras**

## Individual Interim Accounting Information / Statement of Financial Position - Liabilities

*(R\$ Thousand)*

| <b>Account Code</b> | <b>Account Description</b>                                       | <b>Previous Fiscal</b> |                          |
|---------------------|--|------------------------|--------------------------|
|                     |  | <b>Current Quarter</b> | <b>Year</b>              |
|                     |  | <b>June 30, 2014</b>   | <b>December 31, 2013</b> |
| 2                   | Total Liabilities  | 656,420,000            | 633,173,000              |
| 2.01                | Current Liabilities  | 84,139,000             | 102,049,000              |
|                     | Payroll, profit sharing and related charges                      |                        |                          |
| 2.01.01             |  | 4,958,000              | 4,127,000                |
| 2.01.02             | Trade Payables   | 28,972,000             | 25,961,000               |
|                     | Current debt and Finance Lease Obligations                       |                        |                          |
| 2.01.04             |  | 36,453,000             | 48,411,000               |
| 2.01.04.01          | Current debt   | 35,013,000             | 46,627,000               |
| 2.01.04.03          | Finance Lease Obligations  | 1,440,000              | 1,784,000                |
| 2.01.05             | Other Liabilities  | 11,911,000             | 21,730,000               |
| 2.01.05.02          | Others   | 11,911,000             | 21,730,000               |
|                     | Dividends and interest on capital payable                        |                        |                          |
| 2.01.05.02.01       |  | –                      | 9,301,000                |
| 2.01.05.02.04       | Other taxes  | 9,182,000              | 9,734,000                |
| 2.01.05.02.05       | Other accounts payable   | 2,729,000              | 2,695,000                |
| 2.01.06             | Provisions   | 1,845,000              | 1,820,000                |
| 2.01.06.02          | Other Provisions   | 1,845,000              | 1,820,000                |
| 2.01.06.02.04       | Pension and Medical Benefits                                     | 1,845,000              | 1,820,000                |
| 2.02                | Non-Current Liabilities  | 211,430,000            | 182,984,000              |
|                     | Non-current debt and Finance Lease Obligations                   |                        |                          |
| 2.02.01             |  | 135,208,000            | 111,696,000              |
| 2.02.01.01          | Non-current debt   | 130,443,000            | 105,737,000              |
| 2.02.01.03          | Finance Lease Obligations  | 4,765,000              | 5,959,000                |
| 2.02.03             | Deferred Income Taxes  | 29,314,000             | 24,259,000               |
|                     | Deferred Income Tax and Social Contribution                      |                        |                          |
| 2.02.03.01          |  | 29,314,000             | 24,259,000               |
| 2.02.04             | Provisions   | 46,908,000             | 47,029,000               |
|                     | Provisions for legal proceedings (tax, labor, civil and pension) |                        |                          |
| 2.02.04.01          |  | 2,726,000              | 2,280,000                |
| 2.02.04.02          | Other Provisions   | 44,182,000             | 44,749,000               |
| 2.02.04.02.04       | Pension and Medical Benefits                                     | 27,150,000             | 26,077,000               |
| 2.02.04.02.05       | Provision for decommissioning costs                              | 14,937,000             | 15,320,000               |
| 2.02.04.02.06       | Other Provisions   | 2,095,000              | 3,352,000                |
| 2.03                | Shareholders' Equity   | 360,851,000            | 348,140,000              |
| 2.03.01             | Share Capital  | 205,432,000            | 205,411,000              |
| 2.03.02             | Capital Reserves   | 967,000                | 1,048,000                |
| 2.03.04             | Profit Reserves  | 148,904,000            | 148,925,000              |

|         |  |             |             |
|---------|--|-------------|-------------|
| 2.03.05 | Retained earnings                      | 10,308,000  | –           |
| 2.03.06 | Accumulated other comprehensive income | (4,760,000) | (7,244,000) |

**Petróleo Brasileiro S.A. – Petrobras**

## Individual Interim Accounting Information / Statement of Income

*(R\$ thousand)*

| <b>Account Code</b> | <b>Account Description</b>  | <b>Current Quarter<br/>04/01/2014<br/>to<br/>06/30/2014</b> | <b>Accumulated<br/>of the<br/>Current Year<br/>01/01/2014<br/>to<br/>06/30/2014</b> | <b>Same<br/>Quarter of<br/>the<br/>Previous<br/>Year<br/>04/01/2013<br/>to<br/>06/30/2013</b> | <b>Accumulated<br/>of the<br/>Previous<br/>Year<br/>01/01/2013<br/>to<br/>06/30/2013</b> |
|---------------------|---|---|---|---|--|
| 3.01                | Sales Revenues  | 66,015,000  | 129,665,000   | 57,706,000  | 114,630,000  |
| 3.02                | Cost of Sales   | (51,372,000)  | (101,707,000)   | (43,778,000)  | (87,634,000)   |
| 3.03                | Gross Profit  | 14,643,000  | 27,958,000  | 13,928,000  | 26,996,000   |
| 3.04                | Operating Expenses /<br>Income  | (8,108,000)   | (15,553,000)  | (4,875,000)   | (9,508,000)  |
| 3.04.01             | Selling Expenses<br>General and   | (3,374,000)   | (6,641,000)   | (3,157,000)   | (6,203,000)  |
| 3.04.02             | Administrative Expenses<br>Other Operating  | (1,765,000)   | (3,552,000)   | (1,823,000)   | (3,505,000)  |
| 3.04.05             | Expenses  | (5,051,000)   | (11,568,000)  | (3,496,000)   | (7,353,000)  |
| 3.04.05.01          | Other Taxes<br>Research and   | (209,000)   | (408,000)   | (89,000)  | (175,000)  |
| 3.04.05.02          | Development Expenses  | (592,000)   | (1,181,000)   | (583,000)   | (1,228,000)  |
| 3.04.05.03          | Exploration Costs   | (1,656,000)   | (3,132,000)   | (1,146,000)   | (2,383,000)  |
| 3.04.05.04          | Profit sharing<br>Other operating   | (252,000)   | (533,000)   | (313,000)   | (690,000)  |
| 3.04.05.05          | expenses, net<br>Share of profit / gains on<br>interest in  | (2,342,000)   | (6,314,000)   | (1,365,000)   | (2,877,000)  |
| 3.04.06             | equity-accounted<br>investments<br>Net income before<br>financial results, profit<br>sharing and income | 2,082,000   | 6,208,000   | 3,601,000   | 7,553,000  |
| 3.05                | taxes<br>Finance income   | 6,535,000   | 12,405,000  | 9,053,000   | 17,488,000   |
| 3.06                | (expenses), net   | 157,000   | 612,000   | (1,723,000)   | (521,000)  |
| 3.06.01             | Finance Income  | 1,271,000   | 2,549,000   | 670,000   | 1,419,000  |
| 3.06.01.01          | Finance Income<br>Foreign Exchange and<br>Inflation Indexation  | 844,000   | 1,621,000   | 670,000   | 1,419,000  |
| 3.06.01.02          | Charges, Net  | 427,000   | 928,000   | –   | –  |
| 3.06.02             | Finance Expenses  | (1,114,000)   | (1,937,000)   | (2,393,000)   | (1,940,000)  |

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|            |  |             |             |             |             |
|------------|--|-------------|-------------|-------------|-------------|
| 3.06.02.01 | Finance Expenses<br>Foreign Exchange and<br>Inflation Indexation | (1,114,000) | (1,937,000) | (426,000)   | (759,000)   |
| 3.06.02.02 | Charges, Net   | —           | —           | (1,967,000) | (1,181,000) |
| 3.07       | Net Income Before<br>Income Taxes                                | 6,692,000   | 13,017,000  | 7,330,000   | 16,967,000  |
| 3.08       | Income Tax and Social<br>Contribution                            | (1,752,000) | (2,714,000) | (1,164,000) | (3,171,000) |
| 3.08.02    | Deferred   | (1,752,000) | (2,714,000) | (1,164,000) | (3,171,000) |
| 3.09       | Net Income from<br>Continuing Operations                         | 4,940,000   | 10,303,000  | 6,166,000   | 13,796,000  |
| 3.11       | Income / Loss for the<br>Period                                  | 4,940,000   | 10,303,000  | 6,166,000   | 13,796,000  |
| 3.99       | Basic Income per Share<br>(Reais / Share)                        |             |             |             |             |
| 3.99.01    | Basic Income per Share   |             |             |             |             |
| 3.99.01.01 | Common   | 0.38000     | 0.79000     | 0.47000     | 1.06000     |
| 3.99.01.02 | Preferred  | 0.38000     | 0.79000     | 0.47000     | 1.06000     |
| 3.99.02    | Diluted Income per<br>Share                                      |             |             |             |             |
| 3.99.02.01 | Common   | 0.38000     | 0.79000     | 0.47000     | 1.06000     |
| 3.99.02.02 | Preferred  | 0.38000     | 0.79000     | 0.47000     | 1.06000     |



**Petróleo Brasileiro S.A. – Petrobras**

## Individual Interim Accounting Information / Statement of Comprehensive Income

*(R\$ thousand)*

| <b>Account Code</b> | <b>Account Description</b>   | <b>Current Quarter<br/>04/01/2014<br/>to<br/>06/30/2014</b> | <b>Accumulated<br/>of the<br/>Current Year<br/>01/01/2014<br/>to<br/>06/30/2014</b> | <b>Same<br/>Quarter of<br/>the<br/>Previous<br/>Year<br/>04/01/2013<br/>to<br/>06/30/2013</b> | <b>Accumulated<br/>of the<br/>Previous<br/>Year<br/>01/01/2013<br/>to<br/>06/30/2013</b> |
|---------------------|--|---|---|---|--|
| 4.01                | Net Income for the Period  | 4,940,000   | 10,303,000  | 6,166,000   | 13,796,000   |
| 4.02                | Other Comprehensive<br>Income  | 1,236,000   | 2,489,000   | (3,410,000)   | (3,806,000)  |
| 4.02.07             | Unrealized Gains /<br>(Losses) on Cash Flow<br>Hedge - Recognized in<br>Shareholders' Equity | 2,768,000   | 6,488,000   | (7,268,000)   | (7,268,000)  |
| 4.02.08             | Unrealized Gains /<br>(Losses) on Cash Flow<br>Hedge - Reclassified to<br>Profit or Loss     | 274,000   | 697,000   | –   | –  |
| 4.02.09             | Deferred Income Tax and<br>Social Contribution on<br>Cash Flow Hedge                         | (941,000)   | (2,206,000)   | 1,999,000   | 1,999,000  |
| 4.02.10             | Share of Other<br>Comprehensive Income of<br>Equity-accounted<br>Investments                 | (865,000)   | (2,490,000)   | 1,859,000   | 1,463,000  |
| 4.03                | Total Comprehensive<br>Income for the Period   | 6,176,000   | 12,792,000  | 2,756,000   | 9,990,000  |

**Petróleo Brasileiro S.A. – Petrobras**

## Individual Interim Accounting Information / Statement of Cash Flows – Indirect Method

*(R\$ Thousand)*

| <b>Account Code</b> | <b>Account Description</b>  | <b>Accumulated of<br/>the Current Year<br/>01/01/2014 to<br/>06/30/2014</b> | <b>Accumulated of<br/>the Previous<br/>Year 01/01/2013<br/>to 06/30/2013</b> |
|---------------------|---|---|--|
| 6.01                | Net cash provided by operating activities   | 10,101,000  | 23,197,000   |
| 6.01.01             | Cash provided by operating activities   | 23,284,000  | 23,399,000   |
| 6.01.01.01          | Net Income for the Period   | 10,303,000  | 13,796,000   |
| 6.01.01.03          | Pension and medical benefits (actuarial expense)  | 1,953,000   | 2,523,000  |
| 6.01.01.04          | Share of Profit of Equity-accounted Investments   | (6,208,000)   | (7,553,000)  |
| 6.01.01.05          | Depreciation, Depletion and Amortization  | 10,992,000  | 9,784,000  |
| 6.01.01.06          | Impairment charges on property, plant and equipment and other assets  | 317,000   | 130,000  |
| 6.01.01.07          | Exploration expenditures written off (Gains) / losses on disposal / write-offs of non-current assets, E&P areas returned and cancelled projects | 2,427,000   | 1,223,000  |
| 6.01.01.08          | Foreign Exchange variation, indexation and finance charges  | 69,000  | 64,000   |
| 6.01.01.09          | Deferred income taxes, net  | 717,000   | 261,000  |
| 6.01.01.10          | Decrease / (Increase) in assets / Increase/(Decrease) in liabilities  | 2,714,000   | 3,171,000  |
| 6.01.02             | Trade and Other Receivables   | (13,183,000)  | (202,000)  |
| 6.01.02.01          | Inventories   | (2,846,000)   | 2,825,000  |
| 6.01.02.02          | Other Assets  | (3,107,000)   | (854,000)  |
| 6.01.02.03          | Trade Payables  | (3,406,000)   | (713,000)  |
| 6.01.02.04          | Taxes payable   | (2,618,000)   | 380,000  |
| 6.01.02.05          | Pension and Medical Benefits  | (1,922,000)   | (1,883,000)  |
| 6.01.02.06          | Other Liabilities   | (854,000)   | (738,000)  |
| 6.01.02.07          | Net cash provided by (used in) investing activities   | 1,570,000   | 781,000  |
| 6.02                | Capital expenditures  | (19,840,000)  | (50,395,000)   |
| 6.02.01             | Investments in investees  | (31,100,000)  | (29,923,000)   |
| 6.02.02             | Proceeds from disposal of assets (divestment)   | (2,335,000)   | (8,708,000)  |
| 6.02.03             | Investments in marketable securities  | 893,000   | –  |
| 6.02.04             | Dividends Received  | 6,080,000   | (13,658,000)   |
| 6.02.05             |   | 2,412,000   | 1,894,000  |
| 6.02.06             |   | 4,210,000   | –  |

|         |   |              |
|---------|---|--------------|
|         | Cash and Cash Equivalents of Consolidated Companies previously accounted for by the equity method |              |
|         | Net cash provided by financing activities   |              |
| 6.03    | 8,767,000   | 37,159,000   |
| 6.03.02 | 42,514,000  | 84,905,000   |
| 6.03.03 | (22,563,000)  | (43,363,000) |
| 6.03.04 | (2,453,000)   | (1,512,000)  |
| 6.03.05 | (8,731,000)   | (2,871,000)  |
|         | Net increase/ (decrease) in cash and cash equivalents   |              |
| 6.05    | (972,000)   | 9,961,000    |
|         | Cash and cash equivalents at the beginning of the year  |              |
| 6.05.01 | 7,917,000   | 17,393,000   |
|         | Cash and cash equivalents at the end of the period  |              |
| 6.05.02 | 6,945,000   | 27,354,000   |

**Petróleo Brasileiro S.A. – Petrobras**

Individual Interim Accounting Information / Statement of Changes in Shareholders' Equity - 01/01/2014 to 06/30/2014

*(R\$ thousand)*

| <b>Account Code</b> | <b>Account Description</b>             | <b>Share Capital</b> | <b>Capital Reserves, Granted Options and Treasury Shares</b> | <b>Profit Reserves</b> | <b>Retained Earnings (Losses)</b> | <b>Accumulated Other Comprehensive Income</b> | <b>Shareholders' Equity</b> |
|---------------------|--|----------------------|--|------------------------|-----------------------------------|---|-----------------------------|
| 5.01                | Balance at the beginning of the period | 205,411,000          | 1,048,000  | 148,925,000            | –                                 | (7,244,000)                                   | 348,140,000                 |
| 5.03                | Adjusted Opening Balance               | 205,411,000          | 1,048,000  | 148,925,000            | –                                 | (7,244,000)                                   | 348,140,000                 |
| 5.04                | Transactions with owners               | 21,000               | (81,000)   | (21,000)               | 5,000                             | (5,000)                                       | (81,000)                    |
| 5.04.01             | Capital Increases                      | 21,000               | –  | (21,000)               | –                                 | –   | –                           |
| 5.04.08             | Change in Interest in Subsidiaries     | –                    | (81,000)   | –                      | –                                 | –   | (81,000)                    |
| 5.04.09             | Realization of the Deemed Cost         | –                    | –  | –                      | 5,000                             | (5,000)                                       | –                           |
| 5.05                | Total of Comprehensive Income          | –                    | –  | –                      | 10,303,000                        | 2,489,000                                     | 12,792,000                  |
| 5.05.01             | Net Income for the Period              | –                    | –  | –                      | 10,303,000                        | –   | 10,303,000                  |
| 5.05.02             | Other Comprehensive Income             | –                    | –  | –                      | –                                 | 2,489,000                                     | 2,489,000                   |
| 5.07                | Balance at the end of the period       | 205,432,000          | 967,000  | 148,904,000            | 10,308,000                        | (4,760,000)                                   | 360,851,000                 |



**Petróleo Brasileiro S.A. – Petrobras**

Individual Interim Accounting Information / Statement of Changes in Shareholders' Equity - 01/01/2013 to 06/30/2013

*(R\$ thousand)*

| <b>Account Code</b> | <b>Account Description</b>             | <b>Share Capital</b> | <b>Capital Reserves, Granted Options and Treasury Shares</b> | <b>Profit Reserves</b> | <b>Retained Earnings (Losses)</b> | <b>Accumulated Other Comprehensive Income</b> | <b>Shareholders' Equity</b> |
|---------------------|--|----------------------|--|------------------------|-----------------------------------|---|-----------------------------|
| 5.01                | Balance at the beginning of the period | 205,392,000          | 939,000  | 134,980,000            | –                                 | 2,129,000                                     | 343,440,000                 |
| 5.02                | Prior period adjustments               | –                    | –  | –                      | (154,000)                         | (14,505,000)                                  | (14,659,000)                |
| 5.03                | Adjusted Opening Balance               | 205,392,000          | 939,000  | 134,980,000            | (154,000)                         | (12,376,000)                                  | 328,781,000                 |
| 5.04                | Transactions with owners               | 19,000               | 50,000   | (19,000)               | 5,000                             | (5,000)                                       | 50,000                      |
| 5.04.01             | Capital Increases                      | 19,000               | –  | (19,000)               | –                                 | –   | –                           |
| 5.04.08             | Change in Interest in Subsidiaries     | –                    | 50,000   | –                      | –                                 | –   | 50,000                      |
| 5.04.09             | Realization of the Deemed Cost         | –                    | –  | –                      | 5,000                             | (5,000)                                       | –                           |
| 5.05                | Total of Comprehensive Income          | –                    | –  | –                      | 13,796,000                        | (3,806,000)                                   | 9,990,000                   |
| 5.05.01             | Net Income for the Period              | –                    | –  | –                      | 13,796,000                        | –   | 13,796,000                  |
| 5.05.02             | Other Comprehensive Income             | –                    | –  | –                      | –                                 | (3,806,000)                                   | (3,806,000)                 |
| 5.07                | Balance at the end of the period       | 205,411,000          | 989,000  | 134,961,000            | 13,647,000                        | (16,187,000)                                  | 338,820,000                 |

**Petróleo Brasileiro S.A. – Petrobras**

## Individual Interim Accounting Information / Statement of Added Value

*(R\$ Thousand)*

| <b>Account Code</b> | <b>Account Description</b>  | <b>Accumulated of<br/>the Current Year<br/>01/01/2014 to<br/>06/30/2014</b> | <b>Accumulated of<br/>the Previous<br/>Year 01/01/2013<br/>to 06/30/2013</b> |
|---------------------|---|---|--|
| 7.01                | Sales Revenues  | 199,990,000   | 179,177,000  |
| 7.01.01             | Sales of Goods and Services   | 161,832,000   | 145,122,000  |
| 7.01.02             | Other Revenues  | 4,043,000   | 2,965,000  |
|                     | Revenues Related to the Construction<br>of Assets to be Used in Own<br>Operations | 34,301,000  | 31,086,000   |
| 7.01.03             | Allowance / Reversal for Impairment of<br>Trade Receivables                       | (186,000)   | 4,000  |
| 7.01.04             | Inputs Acquired from Third Parties  | (111,597,000)   | (95,728,000)   |
| 7.02                | Cost of Sales   | (57,917,000)  | (46,453,000)   |
| 7.02.01             | Materials, Power, Third-Party Services<br>and Other Operating Expenses            | (40,692,000)  | (38,528,000)   |
| 7.02.02             | Impairment charges / reversals of<br>Assets                                       | (317,000)   | (130,000)  |
| 7.02.03             | Others  | (12,671,000)  | (10,617,000)   |
| 7.02.04             | Gross Added Value   | 88,393,000  | 83,449,000   |
| 7.03                | Retentions  | (10,992,000)  | (9,784,000)  |
| 7.04                | Depreciation, Amortization and<br>Depletion                                       | (10,992,000)  | (9,784,000)  |
| 7.04.01             | Net Added Value Produced  | 77,401,000  | 73,665,000   |
| 7.05                | Transferred Added Value   | 8,254,000   | 10,470,000   |
| 7.06                | Share of Profit of Equity-accounted<br>Investments                                | 6,208,000   | 7,553,000  |
| 7.06.01             | Finance Income  | 1,652,000   | 2,554,000  |
| 7.06.02             | Others  | 394,000   | 363,000  |
| 7.06.03             | Total Added Value to be Distributed   | 85,655,000  | 84,135,000   |
| 7.07                | Distribution of Added Value   | 85,655,000  | 84,135,000   |
| 7.08                | Employee compensation   | 13,196,000  | 10,423,000   |
| 7.08.01             | Salaries  | 9,825,000   | 6,678,000  |
| 7.08.01.01          | Fringe Benefits   | 2,839,000   | 3,271,000  |
| 7.08.01.02          | Unemployment benefits (FGTS)  | 532,000   | 474,000  |
| 7.08.01.03          | Taxes and contributions   | 40,669,000  | 39,292,000   |
| 7.08.02             | Federal   | 27,012,000  | 26,509,000   |
| 7.08.02.01          | State   | 13,543,000  | 12,726,000   |
| 7.08.02.02          | Municipal   | 114,000   | 57,000   |
| 7.08.02.03          | Return on third-party capital   | 21,487,000  | 20,624,000   |
| 7.08.03             | Interest  | 5,038,000   | 5,765,000  |
| 7.08.03.01          |   |   |  |

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|            |  |            |            |
|------------|--|------------|------------|
| 7.08.03.02 | Rental expenses                              | 16,449,000 | 14,859,000 |
| 7.08.04    | Return on Shareholders' Equity               | 10,303,000 | 13,796,000 |
| 7.08.04.03 | Retained Earnings (losses) for The<br>Period | 10,303,000 | 13,796,000 |



**Petróleo Brasileiro S.A. – Petrobras**

## Consolidated Interim Accounting Information / Statement of Financial Position - Assets

*(R\$ Thousand)*

| <b>Account Code</b> | <b>Account Description</b>         | <b>Previous Fiscal</b>      |                   |
|---------------------|------------------------------------|-----------------------------|-------------------|
|                     |                                    | <b>Current Quarter Year</b> | <b>12/31/2013</b> |
|                     |                                    | <b>06/30/2014</b>           |                   |
| 1                   | Total Assets                       | 800.370.000                 | 752.967.000       |
| 1.01                | Current Assets                     | 144.270.000                 | 123.351.000       |
| 1.01.01             | Cash and Cash Equivalents          | 58.140.000                  | 37.172.000        |
| 1.01.02             | Marketable securities              | 8.236.000                   | 9.101.000         |
| 1.01.03             | Trade and Other Receivables        | 23.412.000                  | 22.652.000        |
| 1.01.04             | Inventories                        | 37.408.000                  | 33.324.000        |
| 1.01.06             | Recoverable Income Taxes           | 8.344.000                   | 11.646.000        |
| 1.01.06.01          | Current Recoverable Income Taxes   | 8.344.000                   | 11.646.000        |
|                     | Current Income Tax and Social      |                             |                   |
| 1.01.06.01.01       | Contribution                       | 1.973.000                   | 2.484.000         |
| 1.01.06.01.02       | Other Recoverable Taxes            | 6.371.000                   | 9.162.000         |
| 1.01.08             | Other Current Assets               | 8.730.000                   | 9.456.000         |
| 1.01.08.01          | Assets classified as held for sale | 4.223.000                   | 5.638.000         |
| 1.01.08.03          | Others                             | 4.507.000                   | 3.818.000         |
| 1.01.08.03.01       | Advances to Suppliers              | 1.556.000                   | 1.600.000         |
| 1.01.08.03.02       | Others                             | 2.951.000                   | 2.218.000         |
| 1.02                | Non-Current Assets                 | 656.100.000                 | 629.616.000       |
| 1.02.01             | Long-Term Receivables              | 45.138.000                  | 44.000.000        |
|                     | Marketable securities measured at  |                             |                   |
| 1.02.01.01          | Fair Value                         | 22.000                      | 31.000            |
|                     | Marketable securities measured at  |                             |                   |
| 1.02.01.02          | Amortized Cost                     | 277.000                     | 276.000           |
| 1.02.01.03          | Trade and Other Receivables        | 12.660.000                  | 10.616.000        |
| 1.02.01.06          | Deferred Income Taxes              | 13.827.000                  | 15.250.000        |
|                     | Deferred Income Tax and Social     |                             |                   |
| 1.02.01.06.01       | Contribution                       | 2.377.000                   | 2.647.000         |
| 1.02.01.06.02       | Deferred Taxes and Contributions   | 11.450.000                  | 12.603.000        |
| 1.02.01.09          | Other Non-Current Assets           | 18.352.000                  | 17.827.000        |
| 1.02.01.09.03       | Advances to Suppliers              | 6.992.000                   | 7.566.000         |
| 1.02.01.09.04       | Judicial deposits                  | 6.395.000                   | 5.866.000         |
| 1.02.01.09.05       | Other Long-Term Assets             | 4.965.000                   | 4.395.000         |
| 1.02.02             | Investments                        | 15.669.000                  | 15.615.000        |
| 1.02.03             | Property, Plant and Equipment      | 559.335.000                 | 533.880.000       |
| 1.02.04             | Intangible Assets                  | 35.958.000                  | 36.121.000        |



**Petróleo Brasileiro S.A. – Petrobras**

## Consolidated Interim Accounting Information / Statement of Financial Position - Liabilities

*(R\$ Thousand)*

| <b>Account Code</b> | <b>Account Description</b>  | <b>Previous Fiscal</b>      |                   |
|---------------------|---|-----------------------------|-------------------|
|                     |   | <b>Current Quarter Year</b> | <b>12/31/2013</b> |
|                     |   | <b>06/30/2014</b>           | <b>12/31/2013</b> |
| 2                   | Total Liabilities   | 800.370.000                 | 752.967.000       |
| 2.01                | Current Liabilities   | 75.256.000                  | 82.525.000        |
|                     | Payroll, profit sharing and related charges                                   |                             |                   |
| 2.01.01             |   | 5.709.000                   | 4.806.000         |
| 2.01.02             | Trade Payables  | 27.551.000                  | 27.922.000        |
| 2.01.03             | Taxes   | 838.000                     | 659.000           |
| 2.01.03.01          | Federal Taxes   | 838.000                     | 659.000           |
|                     | Income Tax and Social Contribution Payable                                    |                             |                   |
| 2.01.03.01.01       |   | 838.000                     | 659.000           |
|                     | Current debt and Finance Lease Obligations                                    |                             |                   |
| 2.01.04             |   | 23.535.000                  | 18.782.000        |
| 2.01.04.01          | Current debt  | 23.495.000                  | 18.744.000        |
| 2.01.04.03          | Finance Lease Obligations   | 40.000                      | 38.000            |
| 2.01.05             | Other Liabilities   | 15.126.000                  | 25.930.000        |
| 2.01.05.02          | Others  | 15.126.000                  | 25.930.000        |
|                     | Dividends and interest on capital payable                                     |                             |                   |
| 2.01.05.02.01       |   | –                           | 9.301.000         |
| 2.01.05.02.04       | Other Taxes   | 10.221.000                  | 10.938.000        |
| 2.01.05.02.05       | Other accounts payable  | 4.905.000                   | 5.691.000         |
| 2.01.06             | Provisions  | 1.909.000                   | 1.912.000         |
| 2.01.06.02          | Other Provisions  | 1.909.000                   | 1.912.000         |
| 2.01.06.02.04       | Pension and Medical Benefits  | 1.909.000                   | 1.912.000         |
|                     | Liabilities associated with non-current Assets Held For Sale and Discontinued |                             |                   |
| 2.01.07             |   | 588.000                     | 2.514.000         |
|                     | Liabilities associated with Non-current Assets Held For Sale                  |                             |                   |
| 2.01.07.01          |   | 588.000                     | 2.514.000         |
| 2.02                | Non-Current Liabilities   | 362.874.000                 | 321.108.000       |
|                     | Non-current debt and Finance Lease Obligations                                |                             |                   |
| 2.02.01             |   | 284.177.000                 | 249.038.000       |
| 2.02.01.01          | Non-Current debt  | 284.001.000                 | 248.867.000       |
| 2.02.01.03          | Finance Lease Obligations   | 176.000                     | 171.000           |
| 2.02.03             | Deferred Income Taxes   | 28.054.000                  | 23.206.000        |
|                     | Deferred Income Tax and Social Contribution                                   |                             |                   |
| 2.02.03.01          |   | 28.054.000                  | 23.206.000        |
| 2.02.04             | Provisions  | 50.643.000                  | 48.864.000        |
|                     | Provisions for legal proceedings (tax, labor, civil and pension)              |                             |                   |
| 2.02.04.01          |   | 3.327.000                   | 2.918.000         |
| 2.02.04.02          | Other Provisions  | 47.316.000                  | 45.946.000        |

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|               |  |             |             |
|---------------|--|-------------|-------------|
| 2.02.04.02.04 | Pension and Medical Benefits           | 28.864.000  | 27.541.000  |
| 2.02.04.02.05 | Provision for decommissioning costs    | 16.176.000  | 16.709.000  |
| 2.02.04.02.06 | Other Provisions                       | 2.276.000   | 1.696.000   |
| 2.03          | Consolidated Shareholders' Equity      | 362.240.000 | 349.334.000 |
| 2.03.01       | Share Capital                          | 205.432.000 | 205.411.000 |
| 2.03.02       | Capital Reserves                       | 656.000     | 737.000     |
| 2.03.04       | Profit Reserves                        | 149.015.000 | 149.036.000 |
| 2.03.05       | Retained earnings                      | 10.357.000  | —           |
| 2.03.06       | Accumulated other comprehensive income | (4.760.000) | (7.244.000) |
| 2.03.09       | Non-controlling Interests              | 1.540.000   | 1.394.000   |

**Petróleo Brasileiro S.A. – Petrobras**

## Consolidated Interim Accounting Information / Statement of Income

*(R\$ Thousand)*

| <b>Account Code</b> | <b>Account Description</b>  | <b>Current Quarter<br/>04/01/2014<br/>to<br/>06/30/2014</b> | <b>Accumulated<br/>of the<br/>Current Year<br/>01/01/2014<br/>to<br/>06/30/2014</b> | <b>Same<br/>Quarter of<br/>the<br/>Previous<br/>Year<br/>04/01/2013<br/>to<br/>06/30/2013</b> | <b>Accumulated<br/>of the<br/>Previous<br/>Year<br/>01/01/2013<br/>to<br/>06/30/2013</b> |
|---------------------|---|---|---|---|--|
| 3.01                | Sales Revenues  | 82,298,000  | 163,843,000   | 73,626,000  | 146,162,000  |
| 3.02                | Cost of Sales   | (63,283,000)  | (125,374,000)   | (54,919,000)  | (108,598,000)  |
| 3.03                | Gross Profit  | 19,015,000  | 38,469,000  | 18,707,000  | 37,564,000   |
| 3.04                | Operating Expenses /<br>Income  | (10,208,000)  | (21,899,000)  | (7,211,000)   | (16,062,000)   |
| 3.04.01             | Selling Expenses<br>General and   | (2,772,000)   | (5,497,000)   | (2,552,000)   | (4,847,000)  |
| 3.04.02             | Administrative Expenses<br>Other Operating  | (2,580,000)   | (5,140,000)   | (2,590,000)   | (5,060,000)  |
| 3.04.05             | Expenses  | (5,127,000)   | (12,055,000)  | (2,459,000)   | (6,701,000)  |
| 3.04.05.01          | Other Taxes<br>Research and   | (313,000)   | (640,000)   | (249,000)   | (472,000)  |
| 3.04.05.02          | Development Expenses  | (601,000)   | (1,193,000)   | (594,000)   | (1,268,000)  |
| 3.04.05.03          | Exploration Costs   | (1,803,000)   | (3,328,000)   | (1,207,000)   | (2,488,000)  |
| 3.04.05.04          | Profit Sharing  | (312,000)   | (648,000)   | (235,000)   | (648,000)  |
| 3.04.05.05          | Other Operating<br>Expenses / Income, Net<br>Share of Profit in<br>Equity-Accounted | (2,098,000)   | (6,246,000)   | (174,000)   | (1,825,000)  |
| 3.04.06             | Investments<br>Net Income Before<br>Financial Results and                           | 271,000   | 793,000   | 390,000   | 546,000  |
| 3.05                | Income Taxes<br>Net Finance Income  | 8,807,000   | 16,570,000  | 11,496,000  | 21,502,000   |
| 3.06                | (Expense)   | (940,000)   | (1,114,000)   | (3,551,000)   | (2,161,000)  |
| 3.06.01             | Finance Income  | 1,303,000   | 2,977,000   | 909,000   | 1,881,000  |
| 3.06.01.01          | Finance Income<br>Foreign Exchange and<br>Inflation Indexation                      | 758,000   | 1,800,000   | 909,000   | 1,881,000  |
| 3.06.01.02          | Charges, Net  | 545,000   | 1,177,000   | –   | –  |
| 3.06.02             | Finance Expenses  | (2,243,000)   | (4,091,000)   | (4,460,000)   | (4,042,000)  |
| 3.06.02.01          | Finance Expenses  | (2,243,000)   | (4,091,000)   | (1,280,000)   | (2,479,000)  |
| 3.06.02.02          |   | –   | –   | (3,180,000)   | (1,563,000)  |

|            |  |             |             |             |             |
|------------|--|-------------|-------------|-------------|-------------|
|            | Foreign Exchange and<br>Inflation Indexation<br>Charges, Net |             |             |             |             |
|            | Net Income Before<br>Income Taxes                            | 7,867,000   | 15,456,000  | 7,945,000   | 19,341,000  |
| 3.07       | Income Tax and Social<br>Contribution                        | (2,676,000) | (4,479,000) | (2,266,000) | (5,827,000) |
| 3.08       | Current  | (1,063,000) | (2,183,000) | (1,182,000) | (2,621,000) |
| 3.08.01    | Deferred   | (1,613,000) | (2,296,000) | (1,084,000) | (3,206,000) |
| 3.08.02    | Net Income from<br>Continuing Operations                     | 5,191,000   | 10,977,000  | 5,679,000   | 13,514,000  |
| 3.09       | Consolidated Net Income<br>/ Loss for the Period             | 5,191,000   | 10,977,000  | 5,679,000   | 13,514,000  |
| 3.11       | Attributable to<br>Shareholders of<br>Petrobras              | 4,959,000   | 10,352,000  | 6,201,000   | 13,894,000  |
| 3.11.01    | Attributable to<br>Non-controlling Interests                 | 232,000     | 625,000     | (522,000)   | (380,000)   |
| 3.11.02    | Income per Share -<br>(Reais / Share)                        | —           | —           | —           | —           |
| 3.99       | Basic Income per Share                                       | —           | —           | —           | —           |
| 3.99.01    | Common   | 0.38000     | 0.79000     | 0.48000     | 1.07000     |
| 3.99.01.01 | Preferred  | 0.38000     | 0.79000     | 0.48000     | 1.07000     |
| 3.99.01.02 | Diluted Income per Share                                     | —           | —           | —           | —           |
| 3.99.02    | Common   | 0.38000     | 0.79000     | 0.48000     | 1.07000     |
| 3.99.02.01 | Preferred  | 0.38000     | 0.79000     | 0.48000     | 1.07000     |
| 3.99.02.02 |  |             |             |             |             |

**Petróleo Brasileiro S.A. – Petrobras**

## Consolidated Interim Accounting Information / Statement of Comprehensive Income

*(R\$ Thousand)*

| <b>Account Code</b> | <b>Account Description</b>  | <b>Current Quarter<br/>04/01/2014<br/>to<br/>06/30/2014</b> | <b>Accumulated<br/>of the<br/>Current Year<br/>01/01/2014<br/>to<br/>06/30/2014</b> | <b>Same<br/>Quarter of<br/>the<br/>Previous<br/>Year<br/>04/01/2013<br/>to<br/>06/30/2013</b> | <b>Accumulated<br/>of the<br/>Previous<br/>Year<br/>01/01/2013<br/>to<br/>06/30/2013</b> |
|---------------------|---|---|---|---|--|
| 4.01                | Consolidated Net Income for the Period  | 5,192,000   | 10,977,000  | 5,679,000   | 13,514,000   |
| 4.02                | Other Comprehensive Income  | 1,154,000   | 2,067,000   | (3,273,000)   | (3,751,000)  |
| 4.02.01             | Actuarial gains / (losses) on defined benefit pension plans                                   | (1,000)   | (1,000)   | (11,000)  | (11,000)   |
| 4.02.03             | Cumulative translation adjustments  | (1,032,000)   | (3,145,000)   | 2,343,000   | 1,887,000  |
| 4.02.05             | Unrealized Gains / (Losses) on Available-for-Sale Securities - Transferred to Profit or Loss  | —   | —   | —   | (90,000)   |
| 4.02.06             | Deferred income tax and social contribution on available-for-sale securities                  | —   | —   | —   | 31,000   |
| 4.02.07             | Unrealized Gains / (Losses) on Cash Flow Hedge - Recognized in Shareholders' Equity           | 2,884,000   | 6,780,000   | (8,019,000)   | (7,975,000)  |
| 4.02.08             | Unrealized Gains / (Losses) on Cash Flow Hedge - Reclassified to Profit or Loss               | 301,000   | 772,000   | 10,000  | 8,000  |
| 4.02.09             | Deferred income tax and social contribution on Unrealized gains / (losses) on cash flow hedge | (1,082,000)   | (2,565,000)   | 2,714,000   | 2,714,000  |
| 4.02.10             | Share of other comprehensive income of equity-accounted                                       | 84,000  | 226,000   | (310,000)   | (315,000)  |

|         |                           |           |            |           |            |
|---------|---------------------------|-----------|------------|-----------|------------|
|         | investments               |           |            |           |            |
|         | Total Comprehensive       |           |            |           |            |
| 4.03    | Income for the Period     | 6,346,000 | 13,044,000 | 2,406,000 | 9,763,000  |
|         | Attributable to           |           |            |           |            |
| 4.03.01 | Shareholders of Petrobras | 6,195,000 | 12,841,000 | 2,791,000 | 10,088,000 |
|         | Attributable to           |           |            |           |            |
| 4.03.02 | Non-controlling Interests | 151,000   | 203,000    | (385,000) | (325,000)  |



**Petróleo Brasileiro S.A. – Petrobras**

## Consolidated Interim Accounting Information / Statement of Cash Flows – Indirect Method

*(R\$ Thousand)*

| <b>Account Code</b> | <b>Account Description</b>  | <b>Accumulated of<br/>the Current Year<br/>01/01/2014 to<br/>06/30/2014</b> | <b>Accumulated of<br/>the Previous<br/>Year 01/01/2013<br/>to 06/30/2013</b> |
|---------------------|---|---|--|
| 6.01                | Net cash provided by operating activities   | 23,714,000  | 31,076,000   |
| 6.01.01             | Cash provided by operating activities   | 35,173,000  | 34,981,000   |
| 6.01.01.01          | Net Income for the Period   | 10,352,000  | 13,894,000   |
| 6.01.01.02          | Non-controlling Interests   | 625,000   | (380,000)  |
| 6.01.01.03          | Pension and medical benefits (actuarial expense)  | 2,252,000   | 2,775,000  |
| 6.01.01.04          | Share of Profit of Equity-accounted Investments   | (793,000)   | (546,000)  |
| 6.01.01.05          | Depreciation, Depletion and Amortization  | 14,833,000  | 13,366,000   |
| 6.01.01.06          | Impairment charges on property, plant and equipment and other assets  | 473,000   | 471,000  |
| 6.01.01.07          | Exploration expenditures written off (Gains) / losses on disposal / write-offs of non-current assets, E&P areas returned and cancelled projects | 2,552,000   | 1,231,000  |
| 6.01.01.08          | Foreign exchange variation, indexation and finance charges  | (313,000)   | (1,400,000)  |
| 6.01.01.09          | Deferred Income Tax, Net  | 2,896,000   | 2,364,000  |
| 6.01.01.10          | Decrease / (Increase) in assets / Increase/(Decrease) in liabilities  | 2,296,000   | 3,206,000  |
| 6.01.02             | Trade and Other Receivables   | (11,459,000)  | (3,905,000)  |
| 6.01.02.01          | Inventories   | (3,190,000)   | 777,000  |
| 6.01.02.02          | Other Assets  | (4,760,000)   | (1,637,000)  |
| 6.01.02.03          | Trade Payables  | (2,236,000)   | (339,000)  |
| 6.01.02.04          | Taxes payable   | 157,000   | (75,000)   |
| 6.01.02.05          | Pension and Medical Benefits  | (2,006,000)   | (2,493,000)  |
| 6.01.02.06          | Other Liabilities   | (901,000)   | (787,000)  |
| 6.01.02.07          | Net cash provided by (used in) investing activities   | 1,477,000   | 649,000  |
| 6.02                | Capital Expenditures  | (37,117,000)  | (38,664,000)   |
| 6.02.01             | Investments in investees  | (39,830,000)  | (41,610,000)   |
| 6.02.02             | Proceeds from disposal of assets (divestment)   | (288,000)   | (114,000)  |
| 6.02.03             | Investments in marketable securities  | 1,054,000   | 3,192,000  |
| 6.02.04             | Dividends Received  | 1,306,000   | (275,000)  |
| 6.02.05             |   | 641,000   | 143,000  |

|         |  |              |              |
|---------|--|--------------|--------------|
| 6.03    | Net cash provided by financing activities                    | 37,565,000   | 29,345,000   |
| 6.03.01 | Non-controlling interests                                    | 1,000        | (199,000)    |
| 6.03.02 | Proceeds from long-term financing                            | 64,026,000   | 61,150,000   |
| 6.03.03 | Repayment of principal                                       | (11,068,000) | (23,814,000) |
| 6.03.04 | Repayment of interest  | (6,663,000)  | (4,921,000)  |
| 6.03.05 | Dividends paid   | (8,731,000)  | (2,871,000)  |
| 6.04    | Effect of exchange rate changes on cash and cash equivalents | (3,194,000)  | 1,865,000    |
| 6.05    | Net increase/ (decrease) in cash and cash equivalents        | 20,968,000   | 23,622,000   |
| 6.05.01 | Cash and cash equivalents at the beginning of the year       | 37,172,000   | 27,628,000   |
| 6.05.02 | Cash and cash equivalents at the end of the period           | 58,140,000   | 51,250,000   |

**Petróleo Brasileiro S.A. – Petrobras**

Consolidated Interim Accounting Information / Statement of Changes in Shareholders' Equity - 01/01/2014 to 06/30/2014

*(R\$ Thousand)*

| <b>Account Code</b> | <b>Account Description</b>             | <b>Share Capital</b> | <b>Capital Reserves, Granted Options and Treasury Shares</b> | <b>Profit Reserves</b> | <b>Retained Earnings / Accumulated Losses</b> | <b>Other Comprehensive Income</b> | <b>Share Equity</b> |
|---------------------|--|----------------------|--|------------------------|---|-----------------------------------|---------------------|
| 5.01                | Balance at the beginning of the period | 205,411,000          | 737,000  | 149,036,000            | –   | (7,244,000)                       | 347,000             |
| 5.03                | Adjusted Opening Balance               | 205,411,000          | 737,000  | 149,036,000            | –   | (7,244,000)                       | 347,000             |
| 5.04                | Transactions with owners               | 21,000               | (81,000)   | (21,000)               | 5,000   | (5,000)                           | (81,000)            |
| 5.04.01             | Capital Increases                      | 21,000               | –  | (21,000)               | –   | –                                 | –                   |
| 5.04.06             | Dividends                              | –                    | –  | –                      | –   | –                                 | –                   |
| 5.04.08             | Change in Interest in Subsidiaries     | –                    | (81,000)   | –                      | –   | –                                 | (81,000)            |
| 5.04.09             | Realization of the Deemed Cost         | –                    | –  | –                      | 5,000   | (5,000)                           | –                   |
| 5.05                | Total of Comprehensive Income          | –                    | –  | –                      | 10,352,000                                    | 2,489,000                         | 12,841,000          |
| 5.05.01             | Net Income for the Period              | –                    | –  | –                      | 10,352,000                                    | –                                 | 10,352,000          |
| 5.05.02             | Other Comprehensive Income             | –                    | –  | –                      | –   | 2,489,000                         | 2,489,000           |
| 5.07                | Balance at the end of the period       | 205,432,000          | 656,000  | 149,015,000            | 10,357,000                                    | (4,760,000)                       | 360,000             |



**Petróleo Brasileiro S.A. – Petrobras**

Consolidated Interim Accounting Information / Statement of Changes in Shareholders' Equity - 01/01/2013 to 06/30/2013

*(R\$ Thousand)*

| <b>Account Code</b> | <b>Account Description</b>             | <b>Share Capital</b> | <b>Capital Reserves, Granted Options and Treasury Shares</b> | <b>Profit Reserves</b> | <b>Retained Earnings / Accumulated Losses</b> | <b>Other Comprehensive Income</b> | <b>Share Equity</b> |
|---------------------|--|----------------------|--|------------------------|---|-----------------------------------|---------------------|
| 5.01                | Balance at the beginning of the period | 205,392,000          | 630,000  | 134,929,000            | –   | 2,128,000                         | 343,049,000         |
| 5.02                | Prior period adjustments               | –                    | –  | –                      | (154,000)                                     | (14,504,000)                      | (14,658,000)        |
| 5.03                | Adjusted Opening Balance               | 205,392,000          | 630,000  | 134,929,000            | (154,000)                                     | (12,376,000)                      | 328,391,000         |
| 5.04                | Transactions with owners               | 19,000               | 48,000   | (19,000)               | 5,000   | (5,000)                           | 48,000              |
| 5.04.01             | Capital Increases                      | 19,000               | –  | (19,000)               | –   | –                                 | –                   |
| 5.04.08             | Change in Interest in Subsidiaries     | –                    | 48,000   | –                      | –   | –                                 | 48,000              |
| 5.04.09             | Realization of the Deemed Cost         | –                    | –  | –                      | 5,000   | (5,000)                           | –                   |
| 5.05                | Total of Comprehensive Income          | –                    | –  | –                      | 13,894,000                                    | (3,806,000)                       | 10,088,000          |
| 5.05.01             | Net Income for the Period              | –                    | –  | –                      | 13,894,000                                    | –                                 | 13,894,000          |
| 5.05.02             | Other Comprehensive Income             | –                    | –  | –                      | –   | (3,806,000)                       | (3,806,000)         |
| 5.07                | Balance at the end of the period       | 205,411,000          | 678,000  | 134,910,000            | 13,745,000                                    | (16,187,000)                      | 338,557,000         |



**Petróleo Brasileiro S.A. – Petrobras**

## Consolidated Interim Accounting Information / Statement of Added Value

*(R\$ Thousand)*

| <b>Account Code</b> | <b>Account Description</b>  | <b>Accumulated of<br/>the Current Year<br/>01/01/2014 to<br/>06/30/2014</b> | <b>Accumulated of<br/>the Previous<br/>Year 01/01/2013<br/>to 06/30/2013</b> |
|---------------------|---|---|--|
| 7.01                | Sales Revenues  | 243,743,000   | 223,845,000  |
| 7.01.01             | Sales of Goods and Services   | 198,256,000   | 178,477,000  |
| 7.01.02             | Other Revenues  | 5,339,000   | 5,663,000  |
|                     | Revenues Related to the Construction<br>of Assets to be Used in Own<br>Operations | 40,357,000  | 39,703,000   |
| 7.01.03             | Allowance / Reversal for Impairment of<br>Trade Receivables                       | (209,000)   | 2,000  |
| 7.01.04             | Inputs Acquired from Third Parties  | (134,185,000)   | (117,154,000)  |
| 7.02                | Cost of Sales   | (75,222,000)  | (59,529,000)   |
| 7.02.01             | Materials, Power, Third-Party Services<br>and Other Operating Expenses            | (44,968,000)  | (45,773,000)   |
| 7.02.02             | Impairment charges / reversals of<br>Assets                                       | (473,000)   | (471,000)  |
| 7.02.03             | Others  | (13,522,000)  | (11,381,000)   |
| 7.02.04             | Gross Added Value   | 109,558,000   | 106,691,000  |
| 7.03                | Retentions  | (14,833,000)  | (13,366,000)   |
| 7.04                | Depreciation, Amortization and<br>Depletion                                       | (14,833,000)  | (13,366,000)   |
| 7.04.01             | Net Added Value Produced  | 94,725,000  | 93,325,000   |
| 7.05                | Transferred Added Value   | 2,735,000   | 2,431,000  |
| 7.06                | Share of Profit of Equity-accounted<br>Investments                                | 793,000   | 546,000  |
| 7.06.01             | Finance Income  | 1,800,000   | 1,881,000  |
| 7.06.02             | Others  | 142,000   | 4,000  |
| 7.06.03             | Total Added Value to be Distributed   | 97,460,000  | 95,756,000   |
| 7.07                | Distribution of Added Value   | 97,460,000  | 95,756,000   |
| 7.08                | Employee compensation   | 16,089,000  | 13,036,000   |
| 7.08.01             | Salaries  | 11,940,000  | 8,743,000  |
| 7.08.01.01          | Fringe Benefits   | 3,543,000   | 3,750,000  |
| 7.08.01.02          | Unemployment benefits (FGTS)  | 606,000   | 543,000  |
| 7.08.01.03          | Taxes and contributions   | 55,846,000  | 53,800,000   |
| 7.08.02             | Federal   | 33,114,000  | 33,208,000   |
| 7.08.02.01          | State   | 22,546,000  | 20,465,000   |
| 7.08.02.02          | Municipal   | 186,000   | 127,000  |
| 7.08.02.03          | Return on third-party capital   | 14,548,000  | 15,406,000   |
| 7.08.03             | Interest  | 7,247,000   | 7,743,000  |
| 7.08.03.01          |   |   |  |

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|            |                                    |            |            |
|------------|------------------------------------|------------|------------|
| 7.08.03.02 | Rental expenses                    | 7,301,000  | 7,663,000  |
| 7.08.04    | Return on Shareholders' Equity     | 10,977,000 | 13,514,000 |
| 7.08.04.03 | Retained Earnings (losses) for The |            |            |
|            | Period                             | 10,352,000 | 13,894,000 |
| 7.08.04.04 | Non-controlling Interests          | 625,000    | (380,000)  |



## **Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(In millions of reais, except when indicate otherwise)*

### **1. The Company and its operations**

Petróleo Brasileiro S.A. - Petrobras is dedicated, directly or through its subsidiaries (referred to jointly as “Petrobras” or “the Company”) to prospecting, drilling, refining, processing, trading and transporting crude oil from producing onshore and offshore oil fields and from shale or other rocks, as well as oil products, natural gas and other liquid hydrocarbons. In addition, Petrobras carries out energy related activities, such as research, development, production, transport, distribution and trading of all forms of energy, as well as any other correlated or similar activities. The Company’s head office is located in Rio de Janeiro – RJ, Brazil.

### **2. Basis of preparation of interim financial information**

The consolidated interim financial information is being presented in accordance with IAS 34 - Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB) and also in accordance with the accounting practices adopted in Brazil for interim financial reporting (CPC 21 - R1).

The individual interim financial information has been prepared and is being presented in accordance with the accounting practices adopted in Brazil for interim financial reporting (CPC 21 - R1) and does not differ from the consolidated information, except for the maintenance of the noncurrent deferred charges account, as established in CPC 43 (R1) – *First-time adoption of Brazilian Accounting Pronouncements*. The reconciliation between the parent company’s and the consolidated shareholders’ equity and net income is presented in Note 3.1.

This interim financial information presents the significant changes which occurred in the period, avoiding repetition of certain notes to the financial statements previously reported, and presents the consolidated information, considering Management’s understanding that the consolidated information provides a more comprehensive view of the Company’s financial position and operational performance, along with some individual information of the parent company. Hence it should be read together with the Company’s annual financial statements for the year ended December 31, 2013, which include the full set of notes.

This interim financial information was authorized for issue by the Company’s Board of Directors in a meeting held on August 8, 2014.

#### **2.1. Accounting estimates**

The preparation of the interim financial information requires the use of estimates and assumptions for certain assets, liabilities and other transactions. These estimates include: oil and gas reserves, pension and medical benefits liabilities, depreciation, depletion and amortization, decommissioning costs, provisions for legal proceedings, fair value of financial

instruments, present value adjustments of trade receivables and payables from relevant transactions, and income tax and social contribution on net income (CSLL). Even though our management uses assumptions and judgments that are periodically reviewed, the actual results could differ from these estimates.

### **3. Basis of consolidation**

The consolidated interim financial information includes the quarterly information of Petrobras, its subsidiaries, joint operations and consolidated structured entities.

There were no significant changes in the consolidated entities in the six-month period ended June 30, 2014.

The main disposal of assets and legal mergers are set out in note 9.

**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***3.1. Reconciliation between shareholders' equity and net income for the parent company and consolidated**

|   | <b>Shareholders' equity</b> |                   | <b>Net income</b>       |                         |
|---|-----------------------------|-------------------|-------------------------|-------------------------|
|   | <b>06.30.2014</b>           | <b>12.31.2013</b> | <b>Jan-Jun<br/>2014</b> | <b>Jan-Jun<br/>2013</b> |
| Consolidated - IFRS                                   | 362,240                     | 349,334           | 10,977                  | 13,514                  |
| Non-controlling Interests                             | (1,540)                     | (1,394)           | (625)                   | 380                     |
| Deferred Expenses, Net of Income Tax                  | 151                         | 200               | (49)                    | (98)                    |
| Parent company - Brazilian Accounting Standards (CPC) | 360,851                     | 348,140           | 10,303                  | 13,796                  |

**4. Accounting policies**

The same accounting policies and methods of computation were followed in these consolidated and individual interim financial statements as those followed in the preparation of the annual financial statements of the Company for the year ended December 31, 2013.

**5. Cash and cash equivalents**

|   | <b>Consolidated</b> |                   |
|---|---------------------|-------------------|
|   | <b>06.30.2014</b>   | <b>12.31.2013</b> |
| Cash at bank and in hand  | 1,309               | 2,227             |
| Short-term financial investments                                      |                     |                   |
| - In Brazil   |                     |                   |
| Single-member funds (Interbank Deposit) and other short-term deposits | 7,640               | 8,182             |
| Other investment funds  | 89                  | 125               |
|   | 7,729               | 8,307             |
| - Abroad  | 49,102              | 26,638            |
| Total short-term financial investments                                | 56,831              | 34,945            |
| Total cash and cash equivalents                                       | 58,140              | 37,172            |

**6. Marketable securities**

|                               | <b>Consolidated</b> |                   |
|-------------------------------|---------------------|-------------------|
|                               | <b>06.30.2014</b>   | <b>12.31.2013</b> |
| Trading securities            | 8,223               | 9,085             |
| Available-for-sale securities | 29                  | 39                |
| Held-to-maturity securities   | 283                 | 284               |
|                               | 8,535               | 9,408             |
| Current                       | 8,236               | 9,101             |
| Non-current                   | 299                 | 307               |

Trading securities refer mainly to investments in government bonds that have maturities of more than 90 days. These assets are classified as current assets due to the expectation of their realization in the short term.

**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***7. Trade and other receivables****7.1. Trade and other receivables, net**

|   | <b>Consolidated<br/>06.30.2014</b> | <b>12.31.2013</b> |
|---|------------------------------------|-------------------|
| Trade receivables                                   |                                    |                   |
| Third parties                                       | 22,647                             | 23,067            |
| Related parties (Note 17)                           |                                    |                   |
| Investees   | 2,063                              | 1,542             |
| Receivables from the electricity sector             | 7,256                              | 5,050             |
| Petroleum and alcohol accounts - Federal Government | 839                                | 836               |
| Other receivables                                   | 6,671                              | 6,066             |
|   | 39,476                             | 36,561            |
| Provision for impairment of trade receivables       | (3,404)                            | (3,293)           |
|   | 36,072                             | 33,268            |
| Current   | 23,412                             | 22,652            |
| Non-current   | 12,660                             | 10,616            |

**7.2. Changes in the provision for impairment of trade receivables**

|                    | <b>Consolidated<br/>06.30.2014</b> | <b>12.31.2013</b> |
|--------------------|------------------------------------|-------------------|
| Opening balance    | 3,293                              | 2,967             |
| Additions (*) (**) | 288                                | 470               |
| Write-offs (*)     | (177)                              | (144)             |
| Closing balance    | 3,404                              | 3,293             |
| Current            | 2,061                              | 1,873             |
| Non-current        | 1,343                              | 1,420             |

(\*) Includes foreign exchange differences arising from the translation of the provision for impairment of trade receivables of companies abroad.

(\*\*) Amounts recognized in profit or loss as selling expenses.

**7.3. Trade and other receivables overdue - Third parties**

|                     | <b>Consolidated</b> |                   |
|---------------------|---------------------|-------------------|
|                     | <b>06.30.2014</b>   | <b>12.31.2013</b> |
| Up to 3 months      | 1,039               | 1,968             |
| From 3 to 6 months  | 598                 | 558               |
| From 6 to 12 months | 1,210               | 857               |
| More than 12 months | 4,688               | 3,974             |
|                     | 7,535               | 7,357             |

As of June 30, 2014, the balance of trade and other receivables past due includes R\$ 2,577 from Companhia de Gás do Amazonas - Cigás (R\$ 1,597 as of December 31, 2013) related to natural gas sales in the state of Amazonas. Negotiation regarding payment of the receivables past due is underway.

**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***8. Inventories**

|                                | <b>Consolidated</b> |                   |
|--------------------------------|---------------------|-------------------|
|                                | <b>06.30.2014</b>   | <b>12.31.2013</b> |
| Crude Oil                      | 16,951              | 13,702            |
| Oil Products                   | 11,863              | 11,679            |
| Intermediate products          | 2,288               | 2,165             |
| Natural Gas and LNG (*)        | 1,204               | 939               |
| Biofuels                       | 526                 | 370               |
| Fertilizers                    | 46                  | 60                |
|                                | 32,878              | 28,915            |
| Materials, supplies and others | 4,670               | 4,532             |
|                                | 37,548              | 33,447            |
| Current                        | 37,408              | 33,324            |
| Non-current                    | 140                 | 123               |

(\*) Liquid Natural Gas

Consolidated inventories are presented net of an R\$ 86 allowance reducing inventories to net realizable value (R\$ 205 as of December 31, 2013), mainly due to the volatility of international prices of crude oil and oil products. The amounts recognized in profit or loss, as other operating expenses are set out in note 23.

A portion of the crude oil and/or oil products inventories have been pledged as security for the Terms of Financial Commitment (TFC) signed by Petrobras and Petros in the amount of R\$ 7,415 (R\$ 6,972 as of December 31, 2013), as set out in note 20.

**9. Disposal of assets and legal mergers****9.1. Disposal of assets****Brasil PCH**

On June 14, 2013, Petrobras entered into an agreement with Cemig Geração e Transmissão S.A. (which further assigned the sale and purchase contract to Chipley SP Participações) for the disposal of its entire equity interest in Brasil PCH S.A., equivalent to 49% of its voting stock, for a consideration of R\$ 650, excluding contractual price adjustments.

On February 14, 2014, the remaining conditions precedent for this transaction were met and the disposal was concluded for a total amount of R\$ 711, including contractual price adjustments. A gain of R\$ 646 before taxes was recognized as other operating income (expenses).

**Innova S.A.**

On August 16, 2013, the Board of Directors of Petrobras approved the disposal of 100% of the share capital of Innova S.A. to Videolar S.A. and its controlling shareholder, at a consideration of R\$ 870, subject to price adjustment before the transaction is concluded.

The transaction was approved in a Shareholders' Extraordinary General Meeting held on September 30, 2013 and its conclusion is subject to certain conditions, including the approval by Conselho Administrativo de Defesa Econômica – CADE.

Due to the pending conditions precedent for conclusion of this transaction, the assets and associated liabilities involved in this transaction were classified as held for sale.



## **Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

### **Petrobras Colombia Limited (PEC)**

On September 13, 2013, the Board of Directors of Petrobras approved the disposal of 100% of the share capital of Petrobras Colombia Limited (PEC), a subsidiary of Petrobras International Braspetro B.V. (PIB BV), to Perenco Colombia Limited, for a consideration of U.S.\$ 380 million, subject to price adjustment until the closing of the transaction.

On April 30, 2014 the transaction was concluded, the respective assets and liabilities were transferred to Perenco and a US\$ 101 million gain was recognized as other operating income. This gain is subject to price adjustment, as set out in the agreement.

### **Petrobras Energia Peru. S.A.**

On November 13, 2013, the Board of Directors of Petrobras approved the disposal of 100% of Petrobras Energia Peru S.A. by Petrobras de Valores Internacional de España S.L. – PVIE and Petrobras International Braspetro B.V. – PIB BV to China National Petroleum Corporation (CNPC), for U.S.\$ 2,647 million, subject to price adjustment until the transaction is concluded.

The transaction is subject to certain conditions precedent, including approval by the Chinese and Peruvian governments, as well as compliance with the procedures under their "Joint Operating Agreement (JOA)", where applicable.

Due to the pending conditions precedent for the conclusion of this transaction, the assets and corresponding liabilities were classified as held for sale.

### **UTE Norte Fluminense**

On April 11, 2014 Petrobras disposed of its 10% interest in Usina Termelétrica Norte Fluminense (UTE - NF) to the Électricité de France (EDF) group for R\$ 182, recognizing a R\$ 83 gain as other operating income. There is no condition precedent regarding approval by Brazilian authorities.

## **9.2. Assets classified as held for sale**

Assets classified as held for sale and associated liabilities, classified under the Company's current assets and current liabilities are comprised of the following items and business segments:

|                    |                  |                      |               | <b>Consolidated</b>          |
|--------------------|------------------|----------------------|---------------|------------------------------|
|                    |                  |                      |               | <b>06.30.2014 12.31.2013</b> |
| <b>Exploration</b> | <b>Refining,</b> | <b>International</b> | <b>Others</b> | <b>Total</b>                 |
|                    |                  |                      | <b>Total</b>  |                              |

**and Transport.****Production & Marketing**

|   |     |       |       |   |       |         |
|---|-----|-------|-------|---|-------|---------|
| Assets classified as held for sale                |     |       |       |   |       |         |
| Property, plant and equipment                     | 114 | 280   | 2,957 | 1 | 3,352 | 4,169   |
| Trade receivables                                 | —   | 210   | 57    | — | 267   | 318     |
| Inventories                                       | —   | 211   | 22    | — | 233   | 283     |
| Investments                                       | —   | 23    | 23    | — | 46    | 126     |
| Cash and Cash Equivalents                         | —   | 4     | 81    | — | 85    | 283     |
| Others  | —   | 72    | 168   | — | 240   | 459     |
|   | 114 | 800   | 3,308 | 1 | 4,223 | 5,638   |
| Liabilities on assets classified as held for sale |     |       |       |   |       |         |
| Trade Payables                                    | —   | (67)  | (42)  | — | (109) | (383)   |
| Provision for decommissioning costs               | —   | —     | (21)  | — | (21)  | (70)    |
| Non-current debt                                  | —   | (44)  | —     | — | (44)  | (1,434) |
| Others  | —   | (63)  | (351) | — | (414) | (627)   |
|   | —   | (174) | (414) | — | (588) | (2,514) |

**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***9.3. Legal mergers**

On April 2, 2014, the Shareholders' Extraordinary General Meeting of Petrobras approved the following mergers of subsidiaries into Petrobras, which did not increase share capital or required any additional paid in capital: Termoçu S.A., Termoçaré Ltda. e Companhia Locadora de Equipamentos Petrolíferos – CLEP.

The objective of these mergers is to simplify the corporate structure of the Company, reduce costs and capture synergies. These mergers did not affect the consolidated financial statements.

**10. Investments****10.1. Investments in subsidiaries, joint ventures, joint operations and associates(Parent Company)**

|   | <b>06.30.2014</b> | <b>12.31.2013</b> |
|---|-------------------|-------------------|
| Subsidiaries:   |                   |                   |
| Petrobras Netherlands B.V. - PNBV                             | 30,923            | 29,631            |
| Petrobras Distribuidora S.A. - BR                             | 12,492            | 11,767            |
| Transportadora Associada de Gás S.A. - TAG (*)                | 8,446             | –                 |
| Petrobras Transporte S.A. - Transpetro                        | 4,684             | 4,666             |
| Companhia Integrada Têxtil de Pernambuco S.A. - Citepe        | 3,370             | 2,504             |
| Petrobras Logística de Exploração e Produção S.A. - PB-LOG    | 3,334             | 3,351             |
| Petrobras Internacional Braspetro - PIB BV                    | 2,940             | 3,837             |
| Petrobras Gás S.A. - Gaspetro (*)                             | 2,676             | 10,633            |
| Petrobras Biocombustível S.A. - PBIO                          | 2,028             | 2,121             |
| Companhia Petroquímica de Pernambuco S.A. - PetroquímicaSuape | 1,451             | 1,499             |
| Liquigás Distribuidora S.A. - Liquigás                        | 878               | 859               |
| Termomacaé Ltda   | 741               | 747               |
| Araucária Nitrogenados S.A.                                   | 740               | 789               |
| Breitener Energética S.A. - Breitener                         | 493               | 475               |
| 5283 Participações Ltda                                       | 392               | 518               |
| Termobahia S.A.   | 384               | 429               |
| Petrobras Comerc. de Energia Ltda - PBEN                      | 362               | 301               |
| Arembepe S.A.   | 342               | 314               |

|                                     |         |         |
|-------------------------------------|---------|---------|
| Companhia Locadora de Equipamentos  |         |         |
| Petrolíferos S.A. - CLEP (note 9.3) | –       | 1,530   |
| Termoaçu S.A. (note 9.3)            | –       | 666     |
| Termo Ceará Ltda (note 9.3)         | –       | 334     |
| Other subsidiaries                  | 799     | 871     |
| Joint operations                    | 192     | 218     |
| Joint ventures                      | 761     | 374     |
| Associates                          | 3,813   | 3,481   |
|                                     | 82,241  | 81,915  |
| Goodwill                            | 3,246   | 3,125   |
| Unrealized profits - Parent company | (2,313) | (1,570) |
| Other investments                   | 26      | 27      |
| Total investments                   | 83,200  | 83,497  |

(i) From the second quarter of 2014, TAG ceased to be a subsidiary of Gaspetro and became a direct subsidiary of Petrobras.

**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***10.2. Investments in joint ventures and associates (Consolidated)**

|   | <b>06.30.2014</b> | <b>12.31.2013</b> |
|---|-------------------|-------------------|
| <b>Investments measured using equity method</b> |                   |                   |
| Braskem S.A.                                    | 5,373             | 5,157             |
| Petrobras Oil & Gas B.V - PO&G                  | 3,779             | 3,999             |
| State-controlled Natural Gas Distributors       | 1,300             | 1,248             |
| Guarani S.A.                                    | 1,203             | 1,194             |
| Petroritupano S.A.                              | 433               | 464               |
| Nova Fronteira Bioenergia S.A.                  | 414               | 399               |
| Petrowayu S.A.                                  | 405               | 433               |
| Other petrochemical investees                   | 206               | 196               |
| UEG Araucária Ltda                              | 187               | 138               |
| Transierra S.A.                                 | 162               | 159               |
| Petrokariña S.A.                                | 145               | 155               |
| Other associates                                | 2,012             | 2,021             |
|   | 15,619            | 15,563            |
| Other investees                                 | 50                | 52                |
|   | 15,669            | 15,615            |

**10.3. Investments in listed companies**

| Company             | Thousand-share lot |            | Type   | Quoted stock exchange prices (R\$ per share) |            | Market value |            |
|---------------------|--------------------|------------|--------|--|------------|--------------|------------|
|                     | 06.30.2014         | 12.31.2013 |        | 06.30.2014                                   | 12.31.2013 | 06.30.2014   | 12.31.2013 |
| Indirect subsidiary |                    |            |        |  |            |              |            |
| Petrobras           |                    |            |        |  |            |              |            |
| Argentina           | 1,356,792          | 1,356,792  | Common | 1.77   | 1.87       | 2,402        | 2,537      |
|                     |                    |            |        |  |            | 2,402        | 2,537      |
| Associate           |                    |            |        |  |            |              |            |
| Braskem             | 212,427            | 212,427    | Common | 11.25  | 16.50      | 2,390        | 3,505      |
| Braskem             | 75,793             | 75,793     |        | 14.09  | 21.00      | 1,068        | 1,592      |

Preferred  
A

3,458

5,097

The market value of these shares does not necessarily reflect the realizable value of a large block of shares.

**Braskem S.A. - Investment in publicly traded associate:**

Braskem's shares are publicly traded on stock exchanges in Brazil and abroad. The quoted market value as of June 30, 2014, was R\$ 3,458, based on the quoted values of both Petrobras' share in common stock (47% of the outstanding shares), and preferred stock (22% of the outstanding shares). However, there is extremely limited trading of the common shares, since non-signatories of the shareholders' agreement hold only approximately 3% of the common shares.

In addition, given the operational relationship between Petrobras and Braskem, the recoverable amount of the investment, for impairment testing purposes, was determined based on value in use, considering the Company's share of the future cash flows projected for Braskem. As the recoverable amount was higher than the carrying amount, no impairment losses were recognized for this investment.

The main assumptions on which cash flow projections were based to determine Braskem's value in use are set out in note 14 to our audited consolidated financial statements for the year ended December 31, 2013.

**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***11. Property, plant and equipment****11.1. By class of assets**

|   | <b>Consolidated</b>                     |                                   |                                      |   | <b>Parent Company</b> |              |
|---|---|-----------------------------------|--------------------------------------|---|-----------------------|--------------|
|   | <b>Land, buildings and improvements</b> | <b>Equipment and other assets</b> | <b>Assets under construction (*)</b> | <b>Exploration and development costs (oil and gas producing properties)</b> | <b>Total</b>          | <b>Total</b> |
| Balance at January 1, 2013                                  | 16,684                                  | 166,972                           | 166,878                              | 68,182  | 418,716               | 279,824      |
| Additions   | 148                                     | 3,870                             | 78,156                               | 1,408   | 83,582                | 62,974       |
| Additions to / review of estimates of decommissioning costs | –                                       | –                                 | –                                    | (1,431)   | (1,431)               | (1,958)      |
| Capitalized borrowing costs                                 | –                                       | –                                 | 8,474                                | –   | 8,474                 | 6,514        |
| Business combinations                                       | 39                                      | 70                                | 36                                   | –   | 145                   | –            |
| Write-offs  | (9)                                     | (261)                             | (5,285)                              | (55)  | (5,610)               | (4,550)      |
| Transfers (***)   | 2,605                                   | 51,603                            | (64,706)                             | 58,516  | 48,018                | 80,642       |
| Depreciation, amortization and depletion                    | (1,115)                                 | (16,241)                          | –                                    | (10,643)  | (27,999)              | (21,028)     |
| Impairment - recognition (****)                             | –                                       | (26)                              | (13)                                 | (193)   | (232)                 | (119)        |
| Impairment - reversal (****)                                | –                                       | 112                               | –                                    | 165   | 277                   | 268          |
| Cumulative translation adjustment                           | 79                                      | 5,682                             | 3,300                                | 879   | 9,940                 | –            |
| Balance at December 31, 2013                                | 18,431                                  | 211,781                           | 186,840                              | 116,828   | 533,880               | 402,567      |
| Cost  | 25,134                                  | 312,427                           | 186,840                              | 180,654   | 705,055               | 531,928      |

|   |                                   |                         |          |          |           |                            |
|---|-----------------------------------|-------------------------|----------|----------|-----------|----------------------------|
| Accumulated depreciation, amortization and depletion        | (6,703)                           | (100,646)               | –        | (63,826) | (171,175) | (129,361)                  |
| Balance at December 31, 2013                                | 18,431                            | 211,781                 | 186,840  | 116,828  | 533,880   | 402,567                    |
| Additions   | 15                                | 1,741                   | 35,605   | 373      | 37,734    | 30,548                     |
| Additions to / review of estimates of decommissioning costs | –                                 | –                       | –        | (45)     | (45)      | –                          |
| Capitalized borrowing costs                                 | –                                 | –                       | 4,322    | –        | 4,322     | 3,987                      |
| Write-offs  | (18)                              | (62)                    | (3,145)  | (152)    | (3,377)   | (2,984)                    |
| Transfers   | 2,659                             | 16,257                  | (24,560) | 12,760   | 7,116     | 6,528                      |
| Depreciation, amortization and depletion                    | (658)                             | (8,698)                 | –        | (5,246)  | (14,602)  | (10,807)                   |
| Cumulative translation adjustment                           | (89)                              | (3,664)                 | (1,152)  | (788)    | (5,693)   | –                          |
| Balance at June 30, 2014                                    | 20,340                            | 217,355                 | 197,910  | 123,730  | 559,335   | 429,839                    |
| Cost  | 27,644                            | 323,249                 | 197,910  | 191,939  | 740,742   | 569,412                    |
| Accumulated depreciation, amortization and depletion        | (7,304)                           | (105,894)               | –        | (68,209) | (181,407) | (139,573)                  |
| Balance at June 30, 2014                                    | 20,340                            | 217,355                 | 197,910  | 123,730  | 559,335   | 429,839                    |
| Weighted average of useful life in years                    | 25<br>(25 to 40)<br>(except land) | 20<br>(3 to 31)<br>(**) |          |          |           | Units of production method |

(\*) See note 27 for assets under construction by business area.

(\*\*) Includes exploration and production assets depreciated based on the units of production method.

(\*\*\*) Includes the amount of R\$ 50,389, reclassified from Intangible Assets to Property, Plant and Equipment as a result of the declaration of commerciality of areas of the Assignment Agreement (Franco and Sul de Tupi).

(\*\*\*\*) Impairment charges and reversals are recognized in profit or loss as other operating expenses.



As of June 30, 2014, consolidated and parent company property, plant and equipment includes assets under finance leases of R\$ 194 and R\$ 9,270, respectively (R\$ 202 and R\$ 10,738 at December 31, 2013).

**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***12. Intangible assets****12.1. By class of assets**

|                                   | <b>Consolidated</b>           |                 |   |              | <b>Parent Company</b>     |          |
|-----------------------------------|-------------------------------|-----------------|---|--------------|---------------------------|----------|
|                                   | <b>Softwares</b>              |                 | <b>Goodwill from expectations of future profitability</b> | <b>Total</b> | <b>Total</b>              |          |
|                                   | <b>Rights and concessions</b> | <b>Acquired</b> |   |              | <b>Developed in-house</b> |          |
| Balance at January 1, 2013        | 78,702                        | 386             | 1,178   | 941          | 81,207                    | 77,349   |
| Additions                         | 6,665                         | 72              | 278   | –            | 7,015                     | 6,862    |
| Capitalized borrowing costs       | –                             | –               | 26  | –            | 26                        | 26       |
| Write-offs                        | (171)                         | (3)             | (7)   | –            | (181)                     | (138)    |
| Transfers (**)                    | (50,467)                      | (30)            | (26)  | (39)         | (50,562)                  | (50,474) |
| Amortization                      | (82)                          | (99)            | (287)   | –            | (468)                     | (336)    |
| Impairment - reversal (***)       | (1,139)                       | –               | –   | –            | (1,139)                   | –        |
| Cumulative translation adjustment | 182                           | 6               | –   | 35           | 223                       | –        |
| Balance at December 31, 2013      | 33,690                        | 332             | 1,162   | 937          | 36,121                    | 33,289   |
| Cost                              | 34,680                        | 1,423           | 3,379   | 937          | 40,419                    | 36,118   |
| Accumulated amortization          | (990)                         | (1,091)         | (2,217)   | –            | (4,298)                   | (2,829)  |
| Balance at December 31, 2013      | 33,690                        | 332             | 1,162   | 937          | 36,121                    | 33,289   |
| Additions                         | 178                           | 44              | 115   | –            | 337                       | 277      |
| Capitalized borrowing costs       | –                             | –               | 10  | –            | 10                        | 10       |
| Write-offs                        | (200)                         | –               | (25)  | –            | (225)                     | (201)    |
| Transfers                         | 5                             | 14              | (3)   | –            | 16                        | 2        |
| Amortization                      | (42)                          | (71)            | (118)   | –            | (231)                     | (167)    |
| Impairment - reversal (***)       | 15                            | –               | –   | –            | 15                        | –        |
|                                   | (66)                          | (2)             | (1)   | (16)         | (85)                      | –        |

|                                   |        |         |         |            |         |         |
|-----------------------------------|--------|---------|---------|------------|---------|---------|
| Cumulative translation adjustment |        |         |         |            |         |         |
| Balance at June 30, 2014          | 33,580 | 317     | 1,140   | 921        | 35,958  | 33,210  |
| Cost                              | 34,556 | 1,494   | 3,472   | 921        | 40,443  | 36,236  |
| Accumulated amortization          | (976)  | (1,177) | (2,332) | –          | (4,485) | (3,026) |
| Balance at June 30, 2014          | 33,580 | 317     | 1,140   | 921        | 35,958  | 33,210  |
| Estimated useful life - years     | (*)    | 5       | 5       | Indefinite |         |         |

(\*) See note 3.9 (Intangible assets) of the financial statements of December 31, 2013.

(\*\*) Includes the amount of R\$ 50,389, reclassified from Intangible Assets to Property, Plant and Equipment as a result of the declaration of commerciality of areas of the Assignment Agreement (Franco and Sul de Tupi).

(\*\*\*) Impairment charges and reversals are recognized in profit or loss as other operating expenses.

## **12.2. Concession for exploration of oil and natural gas - Assignment Agreement (“Cessão Onerosa”)**

As of June 30, 2014, the Company’s intangible assets include R\$ 24,419 (R\$ 24,419 at December 31, 2013) related to the Assignment Agreement, net of amounts paid as signature bonuses for Franco (now Campo de Búzios) and Sul de Tupi (now Campo de Sul de Lula) which have been transferred to property, plant and equipment, as set out in note 13.1 to the Company’s financial statements for the period ended December 31, 2013.

Petrobras, the Federal Government (assignor) and the Agência Nacional de Petróleo, Gás Natural e Biocombustíveis - ANP (regulator and inspector) entered into the Assignment Agreement in 2010, which grants the Company the right to carry out prospection and drilling activities for oil, natural gas and other liquid hydrocarbons located in blocks in the pre-salt area (Franco, Florim, Nordeste de Tupi, Entorno de Iara, Sul de Guará and Sul de Tupi), limited to the production of five billion barrels of oil equivalent in up to 40 (forty) years and renewable for a further 5 (five) years subject to certain conditions.

The agreement establishes that, immediately after the declaration of commerciality for each area, the review procedures, which must be based on independent technical appraisal reports, will commence. The review of the Assignment Agreement will be concluded after the date of the last declaration of commerciality.

## **Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

If the review determines that the value of acquired rights is greater than initially paid, the Company may be required to pay the difference to the Federal Government, or may proportionally reduce the total volume of barrels acquired under the agreement. If the review determines that the value of the acquired rights is lower than initially paid by the Company, the Federal Government will reimburse the Company for the difference by delivering cash or bonds, subject to budgetary regulations.

Once the effects of the aforementioned review become probable and can be reliably measured, the Company will make the respective adjustments to the purchase prices of the rights.

The agreement also establishes a compulsory exploration program for each of the blocks and minimum commitments related to the acquisition of goods and services from Brazilian suppliers in the exploration and development stages, which will be subject to certification by the ANP. In the event of non-compliance, the ANP may apply administrative sanctions pursuant to the terms in the agreement.

Based on drilling results obtained so far, expectations regarding the production potential of the areas are being confirmed and the Company will continue to develop its investment program and activities as established in the agreement.

### **13. Exploration for and evaluation of oil and gas reserves**

The exploration and evaluation activities include the search for oil and gas from obtaining the legal rights to explore a specific area until the declaration of the technical and commercial viability of the reserves.

Changes in the balances of capitalized costs directly associated with exploratory wells pending determination of proved reserves and the balance of amounts paid for obtaining rights and concessions for exploration of oil and natural gas (capitalized acquisition costs), are set out in the table below:

### **Consolidated**

**Exploratory costs recognized in Assets (\*) 06.30.2014**

**12.31.2013**

Property, plant and equipment

|                 |        |        |
|-----------------|--------|--------|
| Opening balance | 20,619 | 21,760 |
|-----------------|--------|--------|

Additions

5,081

10,680



Write offs

(1,586)

(2,754)

Transfers

(1,184)

(9,056)

Cumulative translation adjustment

(18)

(11)

|                 |        |        |
|-----------------|--------|--------|
| Closing balance | 22,912 | 20,619 |
|-----------------|--------|--------|

|                        |        |        |
|------------------------|--------|--------|
| Intangible Assets (**) | 32,395 | 32,516 |
|------------------------|--------|--------|

|                                     |        |        |
|-------------------------------------|--------|--------|
| Total Exploratory Costs Capitalized | 55,307 | 53,135 |
|-------------------------------------|--------|--------|



(\*) Amounts capitalized and subsequently expensed in the same period have been excluded from the table above.



(\*\*) The balance of intangible assets comprises mainly the amounts related to the Assignment Agreement (note 12.2).







Exploration costs recognized in profit or loss and cash used in oil and gas exploration and evaluation activities are set out in the table below:

**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

|   | <b>Consolidated</b> |                     |
|---|---------------------|---------------------|
| <b>Exploration costs recognized in profit or loss</b>                           | <b>Jan-Jun/2014</b> | <b>Jan-Jun/2013</b> |
| Geological and geophysical expenses   | 714                 | 1,121               |
| Exploration expenditures written off (includes dry wells and signature bonuses) | 2,552               | 1,231               |
| Other exploration expenses  | 62                  | 76                  |
| Total expenses  | 3,328               | 2,428               |

|                                | <b>Consolidated</b> |                     |
|--------------------------------|---------------------|---------------------|
| <b>Cash used in activities</b> | <b>Jan-Jun/2014</b> | <b>Jan-Jun/2013</b> |
| Operating activities           | 776                 | 1,389               |
| Investment activities          | 5,871               | 5,895               |
| Total cash used                | 6,647               | 7,284               |

**14. Trade payables**

|                            | <b>Consolidated</b> |                   |
|----------------------------|---------------------|-------------------|
| <b>Current liabilities</b> | <b>06.30.2014</b>   | <b>12.31.2013</b> |
| Third parties              |                     |                   |
| In Brazil                  | 11,342              | 12,523            |
| Abroad                     | 14,544              | 14,198            |
| Related parties (note 17)  | 1,665               | 1,201             |
|                            | 27,551              | 27,922            |

**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***15. Finance debt**

|  | <b>Consolidated<br/>Export<br/>Credit<br/>Agency</b> | <b>Banking<br/>Market</b> | <b>Capital<br/>Markets</b> | <b>Others</b> | <b>Total</b> |
|--|--|---------------------------|----------------------------|---------------|--------------|
| <b>Non-current</b>   |  |                           |                            |               |              |
| In Brazil  |  |                           |                            |               |              |
| Opening balance at January 1, 2013   | –  | 63,301                    | 2,564                      | 130           | 65,995       |
| Cumulative translation adjustment (CTA)                                    | –  | (6)                       | –                          | –             | (6)          |
| Additions (new funding obtained)   | –  | 22,576                    | 512                        | –             | 23,088       |
| Interest incurred during the period  | –  | 185                       | 35                         | 7             | 227          |
| Foreign exchange/inflation indexation charges                              | –  | 3,257                     | 117                        | 4             | 3,378        |
| Transfer from long term to short term                                      | –  | (21,348)                  | (391)                      | (27)          | (21,766)     |
| Transfer to liabilities associated with assets classified as held for sale | –  | (30)                      | –                          | –             | (30)         |
| Balance at December 31, 2013   | –  | 67,935                    | 2,837                      | 114           | 70,886       |
| Abroad   |  |                           |                            |               |              |
| Opening balance at January 1, 2013   | 10,310   | 39,816                    | 63,412                     | 1,285         | 114,823      |
| Cumulative translation adjustment (CTA)                                    | 1,032  | 5,134                     | 12,825                     | 155           | 19,146       |
| Additions (new funding obtained)   | 3,359  | 19,803                    | 23,713                     | 188           | 47,063       |
| Interest incurred during the period  | 2  | 30                        | 77                         | 17            | 126          |
| Foreign exchange/inflation indexation charges                              | 343  | 1,926                     | 605                        | 64            | 2,938        |
| Transfer from long term to short term                                      | (1,447)  | (2,826)                   | (902)                      | (91)          | (5,266)      |
| Transfer to liabilities associated with assets classified as held for sale | –  | (849)                     | –                          | –             | (849)        |
| Balance at December 31, 2013   | 13,599   | 63,034                    | 99,730                     | 1,618         | 177,981      |
| Total balance at December 31, 2013   | 13,599   | 130,969                   | 102,567                    | 1,732         | 248,867      |

|   |        |         |         |       |          |
|---|--------|---------|---------|-------|----------|
| <b>Non-current</b>                            |        |         |         |       |          |
| <b>In Brazil</b>                              |        |         |         |       |          |
| Opening balance at January 1, 2014            | –      | 67,935  | 2,837   | 114   | 70,886   |
| Cumulative translation adjustment (CTA)       | –      | (8)     | –       | –     | (8)      |
| Additions (new funding obtained)              | –      | 8,588   | 800     | –     | 9,388    |
| Interest incurred during the period           | –      | 232     | 32      | –     | 264      |
| Foreign exchange/inflation indexation charges | –      | (1,258) | 65      | 2     | (1,191)  |
| Transfer from long term to short term         | –      | (1,765) | (130)   | (10)  | (1,905)  |
| Balance at June 30, 2014                      | –      | 73,724  | 3,604   | 106   | 77,434   |
| <b>Abroad</b>                                 |        |         |         |       |          |
| Opening balance at January 1, 2014            | 13,599 | 63,034  | 99,730  | 1,618 | 177,981  |
| Cumulative translation adjustment (CTA)       | (611)  | (3,570) | (7,760) | (70)  | (12,011) |
| Additions (new funding obtained)              | 665    | 14,898  | 32,542  | –     | 48,105   |
| Interest incurred during the period           | 4      | 24      | 55      | 9     | 92       |
| Foreign exchange/inflation indexation charges | (184)  | (1,277) | 218     | (20)  | (1,263)  |
| Transfer from long term to short term         | (988)  | (2,309) | (2,979) | (61)  | (6,337)  |
| Balance at June 30, 2014                      | 12,485 | 70,800  | 121,806 | 1,476 | 206,567  |
| Total balance at June 30, 2014                | 12,485 | 144,524 | 125,410 | 1,582 | 284,001  |

**Current**

Short term debt  
Current portion of long term debt  
Accrued interest

**Consolidated**  
**06.30.2014 12.31.2013**  
7,827 8,560  
12,422 7,304  
3,246 2,880  
23,495 18,744



**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***15.1. Summarized information on current and non-current finance debt**

The sensitivity analysis for financial instruments subject to foreign exchange variation is set out in note 30.

| Maturity in                               | Consolidated |        |        |        |        | 2019<br>and<br>onwards | Total (*) | Fair<br>value |
|---|--------------|--------|--------|--------|--------|------------------------|-----------|---------------|
|   | 2014         | 2015   | 2016   | 2017   | 2018   |                        |           |               |
| Financing in<br>Brazilian Reais<br>(BRL): | 1,568        | 3,723  | 7,310  | 6,065  | 6,365  | 36,955                 | 61,986    | 56,117        |
| Floating rate debt                        | 1,130        | 2,578  | 6,246  | 4,512  | 5,020  | 28,834                 | 48,320    |               |
| Fixed rate debt                           | 438          | 1,145  | 1,064  | 1,553  | 1,345  | 8,121                  | 13,666    |               |
| Average interest<br>rate                  | 5.7%         | 8.1%   | 9.7%   | 8.9%   | 9.1%   | 9.3%                   | 9.1%      |               |
| Financing in U.S.<br>Dollars (USD):       | 12,972       | 10,849 | 19,766 | 19,248 | 24,730 | 105,048                | 192,613   | 195,997       |
| Floating rate debt                        | 10,397       | 8,016  | 9,470  | 8,037  | 19,505 | 44,346                 | 99,771    |               |
| Fixed rate debt                           | 2,575        | 2,833  | 10,296 | 11,211 | 5,225  | 60,702                 | 92,842    |               |
| Average interest<br>rate                  | 3.3%         | 2.5%   | 3.1%   | 3.0%   | 3.1%   | 4.2%                   | 3.7%      |               |
| Financing in BRL<br>indexed to USD:       | 467          | 169    | 860    | 1,541  | 1,538  | 15,002                 | 19,577    | 21,904        |
| Floating rate debt                        | 13           | 32     | 41     | 40     | 37     | 135                    | 298       |               |
| Fixed rate debt                           | 454          | 137    | 819    | 1,501  | 1,501  | 14,867                 | 19,279    |               |
| Average interest<br>rate                  | 4.8%         | 3.6%   | 6.7%   | 6.4%   | 6.4%   | 7.3%                   | 7.0%      |               |
| Financing in<br>Pound Sterling<br>(£):    | 227          | —      | —      | —      | —      | 6,471                  | 6,698     | 6,596         |
| Floating rate debt                        | —            | —      | —      | —      | —      | —                      | —         |               |
| Fixed rate debt                           | 227          | —      | —      | —      | —      | 6,471                  | 6,698     |               |
| Average interest<br>rate                  | 6.2%         | —      | —      | —      | —      | 6.2%                   | 6.2%      |               |
|   | 1,250        | 135    | 1,021  | 247    | 225    | —                      | 2,878     | 2,870         |

|                                |        |        |        |        |        |         |         |         |
|--------------------------------|--------|--------|--------|--------|--------|---------|---------|---------|
| Financing in Japanese Yen (¥): |        |        |        |        |        |         |         |         |
| Floating rate debt             | 225    | 112    | 224    | 224    | 224    | —       | 1,009   |         |
| Fixed rate debt                | 1,025  | 23     | 797    | 23     | 1      | —       | 1,869   |         |
| Average interest rate          | 0.9%   | 0.8%   | 1.8%   | 0.8%   | 0.7%   | —       | 1.2%    |         |
| Financing in Euro (€):         |        |        |        |        |        |         |         |         |
| Floating rate debt             | 391    | 25     | 21     | 21     | 8,269  | 14,986  | 23,713  | 25,065  |
| Fixed rate debt                | 14     | 19     | 19     | 19     | 19     | 523     | 613     |         |
| Average interest rate          | 377    | 6      | 2      | 2      | 8,250  | 14,463  | 23,100  |         |
| Average interest rate          | 4.0%   | 2.8%   | 2.5%   | 2.5%   | 3.7%   | 4.2%    | 4.0%    |         |
| Financing in other currencies: |        |        |        |        |        |         |         |         |
| Floating rate debt             | 22     | 3      | 6      | —      | —      | —       | 31      | 31      |
| Fixed rate debt                | —      | —      | —      | —      | —      | —       | —       |         |
| Average interest rate          | 22     | 3      | 6      | —      | —      | —       | 31      |         |
| Average interest rate          | 12.8%  | 15.3%  | 15.3%  | —      | —      | —       | 13.5%   |         |
| Total as of June 30, 2014      |        |        |        |        |        |         |         |         |
| Total Average interest rate    | 16,897 | 14,904 | 28,984 | 27,122 | 41,127 | 178,462 | 307,496 | 308,580 |
| Total Average interest rate    | 3.4%   | 3.9%   | 4.8%   | 4.5%   | 4.3%   | 5.6%    | 5.0%    |         |
| Total as of December 31, 2013  |        |        |        |        |        |         |         |         |
| Total Average interest rate    | 18,744 | 17,017 | 29,731 | 20,331 | 37,598 | 144,190 | 267,611 | 269,956 |

\* The average maturity of outstanding debt at June 30, 2014 is 6.48 years.

**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***15.2. Weighted average capitalization rate for borrowing costs**

The weighted average interest rate, of the costs applicable to borrowings that are outstanding, applied over the balance of assets under construction for capitalization of borrowing costs was 4.4% p.a. in the first half of 2014 (4.1% p.a. in the first half of 2013).

**15.3. Funding – Outstanding balance**

| <b>Company</b>                         | <b>Available (Line of Credit)</b> | <b>Used</b> | <b>Balance</b> |
|--|-----------------------------------|-------------|----------------|
| <b>Abroad (Amount in US\$ million)</b> |                                   |             |                |
| PGT                                    | 1,000                             | 700         | 300            |
| Petrobras                              | 2,500                             | 530         | 1,970          |
| <b>In Brazil</b>                       |                                   |             |                |
| Transpetro (*)                         | 10,007                            | 2,228       | 7,779          |
| Petrobras                              | 14,303                            | 12,099      | 2,204          |
| PNBV                                   | 9,878                             | 447         | 9,431          |
| Liquigás                               | 141                               | 129         | 12             |

(\*) Purchase and sale agreements for 46 vessels and 20 convoys were signed with six Brazilian shipyards in the amount of R\$ 11,116. Three contracts related to bunker-type vessels were rescinded in the amount of R\$ 110 with the company Superpesa Industrial Ltda.

**15.4. Guarantees**

Financial institutions do not require Petrobras to provide guarantees related to loans and financing, except for certain specific funding instruments to promote development, which are collateralized by tangible assets. Petrobras guarantees financial transactions carried out by subsidiaries, as set out in note 17.3 ("Guarantees Granted").

The loans obtained by structured entities are collateralized by the project's assets, liens on receivables and shares of the structured entities.



**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***16. Leases****16.1. Future minimum lease payments / receipts – finance leases**

|   | <b>Consolidated</b>     |                         |
|---|-------------------------|-------------------------|
|   | <b>Minimum receipts</b> | <b>Minimum payments</b> |
| 2014  | 282                     | 44                      |
| 2015 - 2018                                   | 1,573                   | 188                     |
| 2019 and thereafter                           | 4,042                   | 636                     |
| Estimated lease receipts/payments             | 5,897                   | 868                     |
| Less Interest expense (annual)                | (2,570)                 | (652)                   |
| Present value of the lease receipts/ payments | 3,327                   | 216                     |
| <br>  |                         |                         |
| 2014  | 158                     | 27                      |
| 2015 - 2018                                   | 889                     | 100                     |
| 2019 and thereafter                           | 2,280                   | 89                      |
| Present value of the lease receipts/ payments | 3,327                   | 216                     |
| Current                                       | 114                     | 40                      |
| Non-current                                   | 3,213                   | 176                     |
| As of June 30, 2014                           | 3,327                   | 216                     |
| Current                                       | 135                     | 38                      |
| Non-current                                   | 3,428                   | 171                     |
| As of December 31, 2013                       | 3,563                   | 209                     |

**16.2. Future minimum lease payments - operating leases**

Operating leases mainly include oil and gas production units, drilling rigs and other exploration and production equipment, vessels and support vessels, helicopters, land and building leases.

|                         | <b>Consolidated</b> |
|-------------------------|---------------------|
| 2014                    | 21,977              |
| 2015 - 2018             | 64,691              |
| 2019 and thereafter     | 28,117              |
| As of June 30, 2014     | 114,785             |
| As of December 31, 2013 | 122,027             |

In the first half of 2014, the Company paid R\$ 12,040 (R\$ 11,359 in the first half of 2013) for consolidated operating lease installments, recognized as a period expense.

## **17. Related parties**

### **17.1. Commercial transactions and other operations**

The Company carries out commercial transactions with its subsidiaries, joint arrangements, consolidated structure entities and associates at normal market prices and market conditions. As of June 30, 2014 and December 31, 2013, no losses were recognized on the statement of financial position for related party accounts receivable.

**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***17.1.1. By transaction**

|   | <b>Parent Company<br/>Jan-Jun/201406.30.2014</b> |                |                    | <b>Liabilities</b> |                    |                    |
|---|--|----------------|--------------------|--------------------|--------------------|--------------------|
|   | <b>Profit or<br/>Loss</b>                        | <b>Assets</b>  |                    | <b>Current</b>     | <b>Non-current</b> | <b>Total</b>       |
| <b>Profit or Loss</b>   |  | <b>Current</b> | <b>Non-current</b> | <b>Total</b>       | <b>Current</b>     | <b>Non-current</b> |
| Revenues<br>(mainly sales<br>revenues)  | 74,597   |                |                    |                    |                    |                    |
| Foreign<br>exchange and<br>inflation<br>indexation<br>charges, net                        | 930  |                |                    |                    |                    |                    |
| Financial<br>income<br>(expenses), net  | (2,130)  |                |                    |                    |                    |                    |
| <b>Assets</b>   |  |                |                    |                    |                    |                    |
| Trade and other<br>receivables  |  | 9,770          | 1,646              |                    |                    | 11,416             |
| Trade and other<br>receivables<br>(mainly from<br>sales)                                  |  | 8,679          | –                  |                    |                    | 8,679              |
| Dividends<br>receivable   |  | 766            | –                  |                    |                    | 766                |
| Intercompany<br>loans   |  | –              | 268                |                    |                    | 268                |
| Capital increase<br>(advance)<br>Related to<br>construction of<br>natural gas<br>pipeline |  | –              | 475                |                    |                    | 475                |
| Other<br>operations   |  | –              | 784                |                    |                    | 784                |
|   |  | 325            | 119                |                    |                    | 444                |
| <b>Liabilities</b>  |  |                |                    |                    |                    |                    |
| Finance leases  |  |                |                    |                    | (1,441)            | (4,707)            |
|   |  |                |                    |                    | (3,443)            | (1,659)            |
|   |  |                |                    |                    |                    | (6,148)            |
|   |  |                |                    |                    |                    | (5,102)            |

|   |        |       |       |        |          |          |  |           |
|---|--------|-------|-------|--------|----------|----------|--|-----------|
| Financing on credit operations                  |        |       |       |        |          |          |  |           |
| Intercompany loans                              |        |       |       |        | –        | (25,182) |  | (25,182)  |
| Prepayment of exports                           |        |       |       |        | (18,202) | (32,040) |  | (50,242)  |
| Accounts payable to suppliers                   |        |       |       |        | (14,483) | –        |  | (14,483)  |
| Purchases of crude oil, oil products and others |        |       |       |        | (10,077) | –        |  | (10,077)  |
| Affreightment of platforms                      |        |       |       |        | (3,665)  | –        |  | (3,665)   |
| Advances from clients                           |        |       |       |        | (708)    | –        |  | (708)     |
| Others  |        |       |       |        | (33)     | –        |  | (33)      |
| Other operations                                |        |       |       |        | –        | (90)     |  | (90)      |
| As of June 30, 2014                             | 73,397 | 9,770 | 1,646 | 11,416 | (37,569) | (63,678) |  | (101,247) |
| Jan-Jun/2013                                    | 62,050 |       |       |        |          |          |  |           |
| As of December 31, 2013                         |        | 9,020 | 2,364 | 11,384 | (36,098) | (46,071) |  | (82,169)  |



**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***17.1.2. By company**

|   | <b>Parent Company</b>          |                    |              |                |                    |              |          |
|---|--------------------------------|--------------------|--------------|----------------|--------------------|--------------|----------|
|   | <b>Jan-Jun/2014 06.30.2014</b> |                    |              |                |                    |              |          |
|   | <b>Profit or<br/>Loss</b>      | <b>Assets</b>      |              |                | <b>Liabilities</b> |              |          |
| <b>Current</b>                            |                                | <b>Non-current</b> | <b>Total</b> | <b>Current</b> | <b>Non-current</b> | <b>Total</b> |          |
| <b>Subsidiaries (*)</b>                   |                                |                    |              |                |                    |              |          |
| BR Distribuidora                          | 45,463                         | 1,823              | 20           | 1,843          | (279)              | (20)         | (299)    |
| PIB-BV Holanda                            | 10,700                         | 3,263              | 83           | 3,346          | (27,937)           | (58,881)     | (86,818) |
| Gaspetro                                  | 4,618                          | 1,166              | 784          | 1,950          | (357)              | –            | (357)    |
| PNBV                                      | 615                            | 970                | 20           | 990            | (4,479)            | –            | (4,479)  |
| Transpetro                                | 371                            | 959                | –            | 959            | (841)              | –            | (841)    |
| Fundo de Investimento Imobiliário         | (108)                          | –                  | –            | –              | (223)              | (1,288)      | (1,511)  |
| Petroquímica Suape                        | –                              | 24                 | 250          | 274            | –                  | –            | –        |
| Thermoelectrics                           | (109)                          | 25                 | 219          | 244            | (87)               | (1,042)      | (1,129)  |
| TAG                                       | 89                             | 146                | –            | 146            | (1,271)            | –            | (1,271)  |
| CITEPE                                    | –                              | 18                 | 157          | 175            | –                  | –            | –        |
| Cia Locadora de Equipamentos Petrolíferos | (27)                           | –                  | –            | –              | –                  | –            | –        |
| Other subsidiaries                        | 2,507                          | 835                | 108          | 943            | (524)              | –            | (524)    |
|   | 64,119                         | 9,229              | 1,641        | 10,870         | (35,998)           | (61,231)     | (97,229) |
| <b>Structured Entities</b>                |                                |                    |              |                |                    |              |          |
| Nova Transportadora do Nordeste - NTN     | (54)                           | 111                | –            | 111            | (392)              | –            | (392)    |
| Nova Transportadora do Sudeste - NTS      | (25)                           | 78                 | –            | 78             | (357)              | –            | (357)    |
| CDMPI                                     | (16)                           | –                  | –            | –              | (237)              | (1,563)      | (1,800)  |
| PDET Off Shore                            | (31)                           | –                  | –            | –              | (172)              | (814)        | (986)    |
|   | (126)                          | 189                | –            | 189            | (1,158)            | (2,377)      | (3,535)  |
| <b>Associates</b>                         |                                |                    |              |                |                    |              |          |
| Companies from the petrochemical sector   | 9,395                          | 352                | –            | 352            | (346)              | (70)         | (416)    |
| Other associates                          | 9                              | –                  | 5            | 5              | (67)               | –            | (67)     |

|        |       |       |        |          |          |           |
|--------|-------|-------|--------|----------|----------|-----------|
| 9,404  | 352   | 5     | 357    | (413)    | (70)     | (483)     |
| 73,397 | 9,770 | 1,646 | 11,416 | (37,569) | (63,678) | (101,247) |

(\*) Includes its subsidiaries and joint ventures.

### 17.1.3. Annual rates for intercompany loans

|                  | <b>Parent Company</b> |                   | <b>Liabilities</b> |                   |
|------------------|-----------------------|-------------------|--------------------|-------------------|
|                  | <b>Assets</b>         |                   |                    |                   |
|                  | <b>06.30.2014</b>     | <b>12.31.2013</b> | <b>06.30.2014</b>  | <b>12.31.2013</b> |
| Up to 5%         | —                     | —                 | (3,924)            | (4,288)           |
| From 5.01% to 7% | 3                     | —                 | (19,526)           | (20,267)          |
| From 7.01% to 9% | 78                    | —                 | (1,732)            | (1,719)           |
| More than 9.01%  | 187                   | 279               | —                  | —                 |
|                  | 268                   | 279               | (25,182)           | (26,274)          |

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*(Expressed in millions of reais, unless otherwise indicated)***17.2. Non standardized receivables investment fund (FIDC-NP)**

The Parent Company invests in the non-standardized receivables investment fund (FIDC-NP), which comprises mainly receivables and non-performing receivables arising from the operations performed by subsidiaries of the Petrobras Group. The balances of the operations of the Parent Company with FIDC-NP are the following:

|   | <b>Parent Company<br/>06.30.2014</b> | <b>12.31.2013</b>   |
|---|--------------------------------------|---------------------|
| Cash and cash equivalents and Marketable securities | 9,376                                | 14,748              |
| Assignment of receivables                           | (1,189)                              | (875)               |
| Total recognized within current assets              | 8,187                                | 13,873              |
| Assignments of non-performing receivables           | (10,618)                             | (22,042)            |
| Total recognized within current liabilities         | (10,618)                             | (22,042)            |
|   | <b>Jan-Jun/2014</b>                  | <b>Jan-Jun/2013</b> |
| Finance income FIDC-NP                              | 82                                   | 138                 |
| Finance expense FIDC-NP                             | (726)                                | (496)               |
| Net finance income (expense)                        | (644)                                | (358)               |

**17.3. Guarantees Granted**

The outstanding balance of financial operations carried out by these subsidiaries and guaranteed by Petrobras is set out below:

|                                   | <b>06.30.2014</b> |             |            |            |            |               | <b>12.31.2013</b> |              |              |
|-----------------------------------|-------------------|-------------|------------|------------|------------|---------------|-------------------|--------------|--------------|
| <b>Maturity date of the loans</b> | <b>PifCo</b>      | <b>PNBV</b> | <b>PGF</b> | <b>PGT</b> | <b>TAG</b> | <b>PB LOG</b> | <b>Others</b>     | <b>Total</b> | <b>Total</b> |
| 2014                              | 876               | 3,509       | –          | 3,304      | –          | –             | –                 | 7,689        | 8,271        |
| 2015                              | 2,753             | 2,865       | –          | –          | –          | 206           | –                 | 5,824        | 6,050        |
| 2016                              | 8,248             | 2,890       | 4,956      | –          | –          | –             | –                 | 16,094       | 17,980       |
| 2017                              | 3,854             | 2,253       | 6,608      | –          | –          | –             | 661               | 13,376       | 7,208        |
| 2018                              | 8,893             | 7,108       | 4,523      | 7,709      | –          | 994           | –                 | 29,227       | 26,196       |
| 2019                              | 6,057             | 6,057       | 11,628     | 15,197     | –          | –             | –                 | 38,939       | 40,234       |

|                     |        |        |        |        |        |       |       |         |         |
|---------------------|--------|--------|--------|--------|--------|-------|-------|---------|---------|
| 2020 and thereafter | 29,775 | 10,512 | 37,055 | 17,686 | 11,434 | –     | 1,516 | 107,978 | 79,296  |
|                     | 60,456 | 35,194 | 64,770 | 43,896 | 11,434 | 1,200 | 2,177 | 219,127 | 185,235 |

#### **17.4. Investment fund of subsidiaries abroad**

At June 30, 2014, a subsidiary of PIB BV had amounts invested in an investment fund abroad that held debt securities of other subsidiaries of Petrobras, mainly related to Gasene, Malhas, CDMPI, CLEP and Marlim Leste (P-53), among other investments, in the amount of R\$ 16,158 (R\$ 17,368 at December 31, 2013).

**Petróleo Brasileiro S.A. – Petrobras**

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*(Expressed in millions of reais, unless otherwise indicated)***17.5. Transactions with joint ventures, associates, government entities and pension funds**

The balances of significant transactions are set out in the table below:

|   | <b>Consolidated<br/>Jan-Jun/</b>   |               |                                   | <b>Jan-Jun/</b>                    |               |                                   |
|---|------------------------------------|---------------|-----------------------------------|------------------------------------|---------------|-----------------------------------|
|   | <b>2014<br/>Profit or<br/>Loss</b> | <b>Assets</b> | <b>06.30.2014<br/>Liabilities</b> | <b>2013<br/>Profit or<br/>Loss</b> | <b>Assets</b> | <b>12.31.2013<br/>Liabilities</b> |
| Joint ventures and associates   |                                    |               |                                   |                                    |               |                                   |
| State-controlled Gas distributors   | 5,135                              | 1,170         | 445                               | 4,460                              | 994           | 490                               |
| Petrochemical companies   | 8,862                              | 353           | 417                               | 8,287                              | 220           | 282                               |
| Other associates and joint ventures   | 1,324                              | 540           | 668                               | 814                                | 328           | 452                               |
|   | 15,321                             | 2,063         | 1,530                             | 13,561                             | 1,542         | 1,224                             |
| Government entities   |                                    |               |                                   |                                    |               |                                   |
| Government bonds  | 815                                | 13,465        | –                                 | 972                                | 14,634        | –                                 |
| Banks controlled by the Federal Government                                      | (2,784)                            | 7,484         | 70,501                            | (2,952)                            | 6,562         | 69,788                            |
| Receivables from the Electricity sector (note 17.6)                             | 923                                | 7,256         | –                                 | 807                                | 5,050         | –                                 |
| Petroleum and alcohol account - Receivables from Federal government (note 17.7) | –                                  | 839           | –                                 | –                                  | 836           | –                                 |
| Federal Government - Dividends and Interest on Capital                          | (61)                               | –             | –                                 | (37)                               | –             | 1,953                             |
| Others  | 11                                 | 682           | 690                               | 106                                | 491           | 781                               |
|   | (1,096)                            | 29,726        | 71,191                            | (1,104)                            | 27,573        | 72,522                            |
| Pension plans   | (1)                                | –             | 161                               | –                                  | –             | 366                               |
|   | 14,224                             | 31,789        | 72,882                            | 12,457                             | 29,115        | 74,112                            |

The line items effect in profit or loss and their carrying amounts in the statement of financial position are set out below:

|  | <b>Consolidated<br/>Jan-Jun/<br/>2014</b> |               | <b>06.30.2014</b>  |  | <b>Jan-Jun/<br/>2013</b>  |               | <b>12.31.2013</b>  |  |
|--|---|---------------|--------------------|--|---------------------------|---------------|--------------------|--|
|  | <b>Profit or<br/>Loss</b>                 | <b>Assets</b> | <b>Liabilities</b> |  | <b>Profit or<br/>Loss</b> | <b>Assets</b> | <b>Liabilities</b> |  |
| Revenues (mainly sales revenues)                       | 16,261                                    |               |                    |  | 14,498                    |               |                    |  |
| Foreign exchange and inflation indexation charges, net | (403)                                     |               |                    |  | (1,745)                   |               |                    |  |
| Finance income (expenses), net                         | (1,634)                                   |               |                    |  | (296)                     |               |                    |  |
| Current  |   | 18,054        | 4,224              |  |                           | 17,856        | 8,358              |  |
| Non-current  |   | 13,735        | 68,658             |  |                           | 11,259        | 65,754             |  |
|  | 14,224                                    | 31,789        | 72,882             |  | 12,457                    | 29,115        | 74,112             |  |

#### **17.6. Receivables from the electricity sector**

As of June 30, 2014, the Company had R\$ 7,256 of receivables from the Brazilian electricity sector, (R\$ 5,050 as of December, 31, 2013) of which R\$ 6,294 were past due (R\$ 3,396 as of December 31, 2013).

The Company supplies fuel to thermoelectric power plants located in the northern region of Brazil, which are direct or indirect subsidiaries of Eletrobras, the Federal Government electric energy company. Part of the costs for supplying fuel to these thermoelectric power stations is borne by the Fuel Consumption Account (Conta de Consumo de Combustível - CCC), managed by Eletrobras.

Beginning on August 1, 2014, fuel sales to the subsidiaries of Eletrobras are required to be paid in advance, in order not to increase the Company's exposure to credit risk.

Negotiations regarding payment of the receivables due from the Eletrobras group are underway.

#### **17.7. Petroleum and Alcohol accounts - Receivables from Federal Government**

As of June 30, 2014, the balance of receivables related to the Petroleum and Alcohol accounts was R\$ 839 (R\$ 836 as of December 31, 2013). Pursuant to Provisional Measure 2,181 of August 24, 2001, the Federal Government may settle this balance by using National Treasury Notes in an amount equal to the outstanding balance, or allow the Company to offset the outstanding balance against amounts payable to the Federal Government, including taxes payable, or both options.



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*(Expressed in millions of reais, unless otherwise indicated)*

The Company has provided all the information required by the National Treasury Secretariat (Secretaria do Tesouro Nacional - STN) in order to resolve disputes between the parties and conclude the settlement with the Federal Government.

Following several negotiation attempts at the administrative level, the Company filed a lawsuit in July 2011 to collect the receivables.

**17.8. Compensation of employees and officers**

Petrobras' key management compensation is set out following:

|   | <b>Jan-Jun 2014</b> |              |              | <b>Jan-Jun 2013</b> |              |              |
|---|---------------------|--------------|--------------|---------------------|--------------|--------------|
|   | <b>Officers</b>     | <b>Board</b> | <b>Total</b> | <b>Officers</b>     | <b>Board</b> | <b>Total</b> |
| Short-term compensation                           | 8.0                 | 0.6          | 8.6          | 5.6                 | 0.5          | 6.1          |
| Long-term compensation (post-retirement benefits) | 0.4                 | –            | 0.4          | 0.3                 | –            | 0.3          |
| Total compensation                                | 8.4                 | 0.6          | 9.0          | 5.9                 | 0.5          | 6.4          |
| Number of members                                 | 7                   | 10           | 17           | 7                   | 10           | 17           |

In the first half of 2014, the compensation of board members and officers for the consolidated Petrobras group amounted to R\$ 32.6 (R\$ 29.5 in the first half of 2013).

**18. Provision for decommissioning costs**

|                                | <b>Consolidated</b> |                   |
|--------------------------------|---------------------|-------------------|
|                                | <b>06.30.2014</b>   | <b>12.31.2013</b> |
| <b>Non-current liabilities</b> |                     |                   |
| Opening balance                | 16,709              | 19,292            |
| Revision of provision          | (68)                | (2,051)           |
| Payments made                  | (630)               | (1,092)           |
| Interest accrued               | 243                 | 426               |
| Others (*)                     | (78)                | 134               |
| Closing balance                | 16,176              | 16,709            |



(\*) Includes amounts related to current liabilities associated with assets classified as held for sale, as set out in note 9.

**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***19. Taxes****19.1. Income taxes**

|                     | <b>Consolidated<br/>06.30.2014</b> | <b>12.31.2013</b> |
|---------------------|------------------------------------|-------------------|
| Current assets      |                                    |                   |
| Taxes In Brazil     | 1,838                              | 2,229             |
| Taxes Abroad        | 135                                | 255               |
|                     | 1,973                              | 2,484             |
| Current liabilities |                                    |                   |
| Taxes In Brazil     | 592                                | 369               |
| Taxes Abroad        | 246                                | 290               |
|                     | 838                                | 659               |

**19.2. Taxes and contributions**

|   | <b>Consolidated<br/>06.30.2014</b> | <b>12.31.2013</b> |
|---|------------------------------------|-------------------|
| <b>Current assets</b>                       |                                    |                   |
| Taxes In Brazil                             |                                    |                   |
| ICMS (VAT)                                  | 4,121                              | 3,801             |
| PIS / COFINS (Taxes on Revenues)            | 1,741                              | 4,846             |
| CIDE  | 36                                 | 46                |
| Others                                      | 372                                | 353               |
|   | 6,270                              | 9,046             |
| Taxes Abroad                                | 101                                | 116               |
|   | 6,371                              | 9,162             |
| <b>Non-current assets</b>                   |                                    |                   |
| Taxes In Brazil                             |                                    |                   |
| Deferred ICMS (VAT)                         | 2,054                              | 2,059             |
| Deferred PIS and COFINS (Taxes on Revenues) | 8,693                              | 9,831             |
| Others                                      | 684                                | 684               |
|   | 11,431                             | 12,574            |
| Taxes Abroad                                | 19                                 | 29                |
|   | 11,450                             | 12,603            |

**Current liabilities**

|  |        |        |
|--|--------|--------|
| Taxes In Brazil                                      |        |        |
| ICMS (VAT)   | 3,100  | 2,727  |
| PIS / COFINS (Taxes on Revenues)                     | 372    | 538    |
| CIDE   | 27     | 37     |
| Production Taxes (Special Participation / Royalties) | 5,215  | 5,698  |
| Withholding income tax and social contribution       | 455    | 600    |
| Others   | 674    | 821    |
|  | 9,843  | 10,421 |
| Taxes Abroad   | 378    | 517    |
|  | 10,221 | 10,938 |

**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***19.3. Deferred income tax and social contribution - non-current**

Changes in deferred income tax and social contribution are set out below.

|  | <b>Consolidated<br/>Property, Plant and<br/>Equipment</b> |               | <b>Loans,<br/>trade and<br/>other<br/>receivables<br/>/ payables<br/>and<br/>financing</b> |               | <b>Provision for<br/>Financelegal<br/>proceedings losses</b> |      | <b>Tax</b> | <b>Inventories</b> | <b>Interest<br/>on<br/>capital</b> |
|--|---|---------------|--|---------------|--|------|------------|--------------------|------------------------------------|
|  | <b>Oil and gas<br/>exploration<br/>costs</b>              | <b>Others</b> |  | <b>leases</b> |  |      |            |                    |                                    |
| Balance at<br>January 1,<br>2013                     | (25,905)  | (6,357)       | 1,147  | (1,202)       |  | 707  | 2,267      | 955                | 2,14                               |
| Recognized<br>in profit or<br>loss for the<br>year   | (5,500)   | (3,208)       | 644  | (122)         |  | 270  | 7,912      | 386                | 1,01                               |
| Recognized<br>in<br>shareholders'<br>equity          | –   | –             | 3,037  | 120           |  | –    | 162        | –                  |                                    |
| Cumulative<br>translation<br>adjustment              | –   | (157)         | 12   | –             |  | (2)  | (58)       | (3)                |                                    |
| Others   | –   | 337           | (192)  | (10)          |  | (18) | 988        | 8                  | (1)                                |
| Balance at<br>December<br>31, 2013                   | (31,405)  | (9,385)       | 4,648  | (1,214)       |  | 957  | 11,271     | 1,346              | 3,14                               |
| Recognized<br>in profit or<br>loss for the<br>period | (2,737)   | (2,077)       | (1,137)  | (106)         |  | 152  | 5,722      | 267                | (3,16)                             |
| Recognized<br>in<br>shareholders'<br>equity          | –   | –             | (2,016)  | (97)          |  | –    | (189)      | –                  |                                    |
|  | –   | 5             | 21   | –             |  | (3)  | (163)      | –                  |                                    |

|                                   |          |          |       |         |       |        |       |    |  |
|-----------------------------------|----------|----------|-------|---------|-------|--------|-------|----|--|
| Cumulative translation adjustment |          |          |       |         |       |        |       |    |  |
| Others                            | –        | (59)     | 25    | –       | 3     | (10)   | –     |    |  |
| Balance at June 30, 2014          | (34,142) | (11,516) | 1,541 | (1,417) | 1,109 | 16,631 | 1,613 | (1 |  |
| Deferred tax assets               |          |          |       |         |       |        |       |    |  |
| Deferred tax liabilities          |          |          |       |         |       |        |       |    |  |
| Balance at December 31, 2013      |          |          |       |         |       |        |       |    |  |
| Deferred tax assets               |          |          |       |         |       |        |       |    |  |
| Deferred tax liabilities          |          |          |       |         |       |        |       |    |  |
| Balance at June 30, 2014          |          |          |       |         |       |        |       |    |  |

Management considers that the deferred tax assets will be realized in proportion to the realization of the provisions and the final resolution of future events, both of which are based on estimates.

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***19.4. Reconciliation between statutory tax rate and tax expense**

A reconciliation between tax expense and the product of “income before income taxes” multiplied by the Brazilian statutory corporate tax rates is set out in the table below:

|  | <b>Consolidated<br/>Jan-Jun 2014</b> | <b>Jan-Jun 2013</b> |
|--|--------------------------------------|---------------------|
| Income before income taxes   | 15,456                               | 19,341              |
| Income tax and social contribution computed based on Brazilian Statutory Corporate Tax Rates (34%) | (5,255)                              | (6,576)             |
| Adjustments between Income Taxes based on Statutory Rates and on the Effective Tax Rate:           |                                      |                     |
| Different jurisdictional tax rates for companies abroad  | 1,034                                | 1,100               |
| Tax incentives   | 61                                   | 21                  |
| Tax loss carryforwards (unrecognized tax credits)  | (21)                                 | (209)               |
| Deductible / (taxable) expenses, net (*)   | (401)                                | (507)               |
| Tax credits of companies abroad in the exploration stage   | (3)                                  | (4)                 |
| Others   | 106                                  | 348                 |
| Income tax and social contribution expense   | (4,479)                              | (5,827)             |
| Deferred income tax and social contribution expense  | (2,296)                              | (3,206)             |
| Current income tax and social contribution   | (2,183)                              | (2,621)             |
| Effective Tax Rate   | 29.0%                                | 30.1%               |

(\*) Includes adjustments to exclude share of profit of equity-accounted investments.

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***20. Employee benefits (Post-Employment)**

The Company sponsors defined benefit and variable contribution pension plans, in Brazil and for certain of its international subsidiaries, as well as defined benefit medical plans for employees in Brazil (active and inactive) and their dependents.

Changes in the pension and medical benefits to employees are set out following:

|   | <b>Consolidated</b>           |                 | <b>Medical<br/>Plan<br/>AMS</b> | <b>Other<br/>plans</b> | <b>Total</b> |
|---|-------------------------------|-----------------|---------------------------------|------------------------|--------------|
|   | <b>Petros Plan<br/>Petros</b> | <b>Petros 2</b> |                                 |                        |              |
| Balance at December 31, 2012                                      | 22,766                        | 1,117           | 17,145                          | 298                    | 41,326       |
| (+) Remeasurement effects<br>recognized in OCI                    | (12,369)                      | (1,294)         | (1,963)                         | (10)                   | (15,636)     |
| (+) Costs incurred in the year                                    | 3,000                         | 461             | 2,001                           | 53                     | 5,515        |
| (-) Contributions paid  | (551)                         | –               | (786)                           | (56)                   | (1,393)      |
| (-) Payments related to the Term<br>of Financial Commitment (TFC) | (331)                         | –               | –                               | –                      | (331)        |
| Others  | –                             | –               | –                               | (28)                   | (28)         |
| Balance at December 31, 2013                                      | 12,515                        | 284             | 16,397                          | 257                    | 29,453       |
| Current   | 1,068                         | –               | 836                             | 8                      | 1,912        |
| Non-current   | 11,447                        | 284             | 15,561                          | 249                    | 27,541       |
|   | 12,515                        | 284             | 16,397                          | 257                    | 29,453       |
| (+) Costs incurred in the period                                  | 814                           | 58              | 1,354                           | 26                     | 2,252        |
| (-) Contributions paid  | (266)                         | –               | (408)                           | (9)                    | (683)        |
| (-) Payments related to the Term<br>of Financial Commitment (TFC) | (224)                         | –               | –                               | –                      | (224)        |
| Others  | –                             | –               | –                               | (25)                   | (25)         |
| Balance as at June 30, 2014                                       | 12,839                        | 342             | 17,343                          | 249                    | 30,773       |
| Current   | 1,065                         | –               | 836                             | 8                      | 1,909        |
| Non-current   | 11,774                        | 342             | 16,507                          | 241                    | 28,864       |
|   | 12,839                        | 342             | 17,343                          | 249                    | 30,773       |

Pension and medical benefit expenses recognized in profit or loss are set out following:

|  | <b>Consolidated</b>            |                 | <b>Medical<br/>Plan<br/>AMS</b> | <b>Other<br/>Plans</b> | <b>Total</b> |
|--|--------------------------------|-----------------|---------------------------------|------------------------|--------------|
|  | <b>Pension Plan<br/>Petros</b> | <b>Petros 2</b> |                                 |                        |              |
| Current service cost                             | 56                             | 40              | 152                             | 11                     | 259          |
| Interest cost over net liabilities /<br>(assets) | 758                            | 18              | 1,031                           | 15                     | 1,822        |
| Others   | –                              | –               | 171                             | –                      | 171          |
| Net costs for the period Jan-Jun/<br>2014        | 814                            | 58              | 1,354                           | 26                     | 2,252        |
| Related to active employees:                     |                                |                 |                                 |                        |              |
| Included in the cost of sales                    | 274                            | 30              | 446                             | 4                      | 754          |
| Operating expenses in profit or<br>loss          | 146                            | 25              | 204                             | 19                     | 394          |
| Related to retired employees                     | 394                            | 3               | 704                             | 3                      | 1,104        |
| Net costs for the period Jan-Jun/<br>2014        | 814                            | 58              | 1,354                           | 26                     | 2,252        |
| Net costs for the period Jan-Jun/<br>2013        | 1,501                          | 250             | 1,000                           | 24                     | 2,775        |

At June 30, 2014, the Company had crude oil and oil products of R\$ 7,415 pledged as security for the Terms of Financial Commitment (TFC), signed by Petrobras and Petros in 2008.

In the first half of 2014, the Company's contribution to the defined contribution portion of the Petros Plan 2 was R\$ 375.

On June 30, 2014, Petrobras Transporte S.A. - Transpetro expanded its medical care benefits (Programa de Assistência Multidisciplinar de Saúde - AMS) to cover post-employment medical care for active employees and retirees, as set out in the 2013-2015 collective bargaining agreement. The recognition of the net defined liability resulted in an R\$ 171 charge to profit or loss.



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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***20.1. 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 of the Ministry of Mines and Energy, and is computed based on the consolidated net income attributable to the shareholders of Petrobras.

In March, 2014, the Company and the labor unions reached an agreement regarding a new profit sharing regulation, concluding negotiations started in the context of the 2013/2014 Collective Bargaining Agreement.

Pursuant to the amended rules, profit sharing benefits will be computed based on the results of six corporate indicators, for which annual goals are defined by Management.

The results of the six individual goals are factored into a consolidated result that will determine the percentage of the profit to be distributed as profit sharing benefit to employees.

The amended rules were applied to determine profit sharing benefits for the year ended December 31, 2013, which were paid on May 2, 2014, resulting in an additional profit sharing expense of R\$ 388, recognized as other operating expenses.

Profit sharing for 2013 and the estimated amount recognized for the first half of 2014 are set out following:

|   | <b>Jan-Jun/2014</b> | <b>2013</b> |
|---|---------------------|-------------|
| Consolidated net income attributable to shareholders of Petrobras                 | 10,352              | 23,570      |
| Profit sharing distribution percentage, based on overall achievement of goals (*) | 6.1875%             | 6.25%       |
| Profit sharing - New methodology  | 641                 | 1,473       |
| Profit sharing - Subsidiaries in Brazil   | 641                 | 1,085       |
| Additional amounts recognized in March 2014                                       | -                   | 388         |
| Profit sharing - Companies abroad   | 7                   | 17          |
| Profit sharing  | 648                 | 1,490       |

(\*) The percentage of overall achievement of goals (99.43%, in Jan-Jun/2014 and 100,85%, in 2013) is a result of the following Corporate indicators: maximum permissible levels of crude oil and oil products spill, lifting cost excluding production taxes in Brazil, crude oil and NGL production in Brazil, feedstock processed (excluding NGL) in Brazil, vessel operating efficiency and percentage of compliance with natural gas delivery schedule.

## **20.2. Voluntary Separation Incentive Plan**

In January 2014, the Company started a Voluntary Separation Incentive Plan (PIDV), which was developed within the context of its Productivity Optimization Plan (POP) to contribute to the achievement of the goals set out in the Business and Management Plan.

A total of 8,298 employees enrolled during the enrollment period, which ended on March 31, 2014. Those employees were divided into five categories, which determine when their separation will take place, between 2014 and 2017 based on a knowledge management plan or a management succession plan related to the business processes and activities in which such employees were engaged.

Employees who enrolled in the PIDV were aged 55 or over and had to have retired by the Brazilian Institute of Social Security (INSS) before the end of the enrollment period (March 31, 2014). Employees who leave any time before the agreed dates are not entitled to the separation program incentives.

The plan determines two types of separation incentives: fixed additional payments of ten monthly-salaries, between a floor of R\$ 180 thousand and a cap of R\$ 600 thousand; variable additional payments between 15% and 25% of a monthly-salary for every month worked after the seventh working month, until the date of separation.

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*(Expressed in millions of reais, unless otherwise indicated)*

On March 31, 2014 the Company recognized as other operating expenses in profit or loss a provision for the expected payments. The amounts are subject to changes resulting from employees, who cancel their requests for voluntary separation, impacts of Collective Bargaining Agreements, which might increase salaries before separation, inflation-indexation of the floor and the cap based on the Brazilian Consumer Price Index (IPCA), as well as variable additional incentives earned by employees.

From April to June 2014, the Company recognized 3,100 separations and 326 cancellations of requests for voluntary separation of employees who enrolled in the PIDV. Changes in the provision are set out below:

**Consolidated**

Opening balance at March 31, 2014

2,396

Revision of provision (\*)

(20)

Use for separations

(829)

Closing balance at June 30, 2014

1,547

Current

866



Non-current

681



(\* ) Includes cancellation of requests for voluntary separation of employees and inflation indexation charges of the floor and cap amounts.



## 21. Shareholders' equity

### 21.1. Share capital

At June 30, 2014, subscribed and fully paid share capital was R\$ 205,432, 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 2014

The Shareholders' Extraordinary General Meeting, held jointly with the Annual General Meeting on April 2, 2014 approved an increase in the Company's share capital from R\$ 205,411 to R\$ 205,432, through capitalization of a portion of the profit reserve relating to tax incentives, established in 2013, in the amount of R\$ 21.

### 21.2. Dividends

#### Dividends – 2013

The Annual General Meeting on April 2, 2014 approved a dividend distribution in the form of interest on capital of R\$ 9,301, which corresponds to R\$ 0.5217 per common shares and R\$ 0.9672 per preferred share. These dividends were paid on April 25, 2014 and record date was April 2, 2014. Amounts paid were index adjusted based on the SELIC rate from December 31, 2013 to the date of payment.

### 21.3. Earnings per share

|   | <b>Consolidated</b> |                 | <b>Parent Company</b> |                 |
|---|---------------------|-----------------|-----------------------|-----------------|
|   | <b>Jan-Jun/</b>     | <b>Jan-Jun/</b> | <b>Jan-Jun/</b>       | <b>Jan-Jun/</b> |
|   | <b>2014</b>         | <b>2013</b>     | <b>2014</b>           | <b>2013</b>     |
| Net income attributable to Shareholders of Petrobras                      | 10,352              | 13,894          | 10,303                | 13,796          |
| Weighted average number of common and preferred shares outstanding        | 13,044,496,930      | 13,044,496,930  | 13,044,496,930        | 13,044,496,930  |
| Basic and diluted earnings per common and preferred share (R\$ per share) | 0.79                | 1.07            | 0.79                  | 1.06            |

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***22. Sales revenues**

|                          | <b>Consolidated<br/>Jan-Jun/2014</b> | <b>Jan-Jun/2013</b> |
|--------------------------|--------------------------------------|---------------------|
| Gross sales              | 198,256                              | 178,477             |
| Sales taxes              | (34,413)                             | (32,315)            |
| Sales revenues (*)       | 163,843                              | 146,162             |
| Domestic Market          | 126,791                              | 111,912             |
| Exports                  | 14,804                               | 14,913              |
| International Sales (**) | 22,248                               | 19,337              |

(\*) See note 27 for a breakdown of sales revenues by business segment.

(\*\*) Sales revenues from operations outside of Brazil, other than exports.

**23. Other operating expenses, net**

|   | <b>Consolidated<br/>Jan-Jun/2014</b> | <b>Jan-Jun/2013</b> |
|---|--------------------------------------|---------------------|
| Expenditures on Voluntary Separation Incentive Plan - PIDV            | (2,376)                              | –                   |
| Unscheduled stoppages and pre-operating expenses                      | (1,208)                              | (597)               |
| Pension and medical benefits inactive employees                       | (1,104)                              | (967)               |
| Institutional relations and cultural projects                         | (880)                                | (683)               |
| (Losses) / Gains on legal, administrative and arbitration proceedings | (784)                                | (864)               |
| E&P areas returned and cancelled projects                             | (494)                                | –                   |
| Inventory write-down to net realizable value (market value)           | (488)                                | (470)               |
| Expenditures on health, safety and environment                        | (170)                                | (271)               |
| Reversal / Recognition of impairment                                  | 15                                   | –                   |
| Government Grants   | 175                                  | 170                 |
| Expenditures/reimbursements from operations in E&P partnerships       | 383                                  | 252                 |
| Gains / (Losses) on disposal / write-offs of assets                   | 807                                  | 1,400               |

|          |         |         |
|----------|---------|---------|
| Others * | (122)   | 205     |
|          | (6,246) | (1,825) |

\* In 2014, includes additional profit sharing benefit for 2013, as set out on note 20.1.

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***24. Expenses by nature**

|   | <b>Consolidated<br/>Jan-Jun/2014</b> | <b>Jan-Jun/2013</b> |
|---|--------------------------------------|---------------------|
| Raw material / products for resale  | (75,222)                             | (59,529)            |
| Production taxes  | (16,427)                             | (14,507)            |
| Employee Compensation   | (16,089)                             | (13,036)            |
| Depreciation, depletion and amortization  | (14,833)                             | (13,366)            |
| Changes in inventories  | 4,101                                | 1,363               |
| Materials, third-party services, freight, rent and other related costs          | (23,202)                             | (22,942)            |
| Exploration expenditures written-off (includes dry wells and signature bonuses) | (2,552)                              | (1,231)             |
| Other taxes   | (640)                                | (472)               |
| (Losses) / Gains on legal, administrative and arbitration proceedings           | (784)                                | (864)               |
| Institutional relations and cultural projects                                   | (880)                                | (683)               |
| Unscheduled stoppages and pre-operating expenses                                | (1,208)                              | (598)               |
| Expenditures on health, safety and environment                                  | (170)                                | (271)               |
| Inventory write-down to net realizable value (market value)                     | (488)                                | (470)               |
| Reversal / Recognition of impairment  | 15                                   | –                   |
| Gains / (Losses) on disposal / write-offs of assets                             | 807                                  | 1,400               |
| E&P areas returned and cancelled projects                                       | (494)                                | –                   |
|   | <b>(148,066)</b>                     | <b>(125,206)</b>    |
| Cost of sales   | (125,374)                            | (108,598)           |
| Selling expenses  | (5,497)                              | (4,847)             |
| General and Administrative expenses   | (5,140)                              | (5,060)             |
| Exploration costs   | (3,328)                              | (2,488)             |
| Research and development expenses   | (1,193)                              | (1,268)             |
| Other taxes   | (640)                                | (472)               |
| Other operating expenses, net   | (6,246)                              | (1,825)             |
| Profit sharing  | (648)                                | (648)               |
|   | <b>(148,066)</b>                     | <b>(125,206)</b>    |



**25. Net finance income (expense)**

|   | <b>Consolidated<br/>Jan-Jun/2014</b> | <b>Jan-Jun/2013</b> |
|---|--------------------------------------|---------------------|
| Foreign exchange and inflation indexation charges on net debt (*) | 481                                  | (826)               |
| Debt interest and charges   | (7,534)                              | (5,371)             |
| Income from investments and marketable securities                 | 1,203                                | 1,125               |
| Financial result on net debt                                      | (5,850)                              | (5,072)             |
| Capitalized borrowing costs                                       | 4,332                                | 3,701               |
| Gains (losses) on derivatives                                     | (37)                                 | (17)                |
| Interest income from marketable securities                        | 74                                   | (47)                |
| Other finance expense and income, net                             | (350)                                | (23)                |
| Other exchange and indexation charges, net                        | 717                                  | (703)               |
| Finance income (expenses), net (**)                               | (1,114)                              | (2,161)             |
| Income  | 1,800                                | 1,881               |
| Expenses  | (4,091)                              | (2,479)             |
| Foreign exchange and inflation indexation charges, net            | 1,177                                | (1,563)             |

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

(\*\*) Pursuant to item 3.06 of the income statement.

**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***26. Supplemental information on statement of cash flows**

|   | <b>Consolidated<br/>Jan-Jun/2014</b> | <b>Jan-Jun/2013</b> |
|---|--------------------------------------|---------------------|
| <b>Amounts paid / received during the period</b>                            |                                      |                     |
| Income tax and social contribution paid                                     | 1,114                                | 1,595               |
| Withholding income tax paid for third-parties                               | 2,620                                | 2,113               |
| Investing and financing transactions not involving cash                     |                                      |                     |
| Purchase of property, plant and equipment on credit                         | 10                                   | 186                 |
| Amounts related to the recognition of a provision for decommissioning costs | (45)                                 | –                   |

**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***27. Segment information****Consolidated assets by Business Area - 06.30.2014**

|                               | <b>Exploration<br/>and<br/>Production</b> | <b>Refining,<br/>Transportation<br/>&amp; Marketing</b> | <b>Gas &amp;<br/>Power</b> | <b>Biofuels</b> | <b>Distribution</b> | <b>International</b> | <b>Corporate</b> |
|-------------------------------|---|---|----------------------------|-----------------|---------------------|----------------------|------------------|
| Current assets                | 16,135                                    | 46,973  | 11,748                     | 188             | 9,527               | 10,150               | 63,037           |
| Non-current assets            | 357,446                                   | 183,708   | 58,538                     | 2,645           | 13,772              | 27,877               | 14,606           |
| Long-term receivables         | 15,544                                    | 10,600  | 4,085                      | 7               | 7,335               | 4,208                | 5,682            |
| Investments                   | 322                                       | 5,659   | 1,823                      | 2,096           | 13                  | 5,460                | 296              |
| Property, plant and equipment | 309,427                                   | 167,125   | 51,773                     | 542             | 5,746               | 16,985               | 7,906            |
| Operating assets              | 217,492                                   | 83,809  | 40,166                     | 504             | 4,422               | 9,759                | 5,442            |
| Under construction            | 91,935                                    | 83,316  | 11,607                     | 38              | 1,324               | 7,226                | 2,464            |
| Intangible assets             | 32,153                                    | 324   | 857                        | –               | 678                 | 1,224                | 722              |
| <b>Total Assets</b>           | <b>373,581</b>                            | <b>230,681</b>  | <b>70,286</b>              | <b>2,833</b>    | <b>23,299</b>       | <b>38,027</b>        | <b>77,643</b>    |

**Consolidated assets by Business Area - 12.31.2013 \***

|                               |         |         |        |       |        |        |        |
|-------------------------------|---------|---------|--------|-------|--------|--------|--------|
| Current assets                | 13,826  | 44,838  | 9,052  | 181   | 5,576  | 11,922 | 50,702 |
| Non-current assets            | 343,903 | 171,931 | 55,847 | 2,622 | 11,418 | 30,532 | 16,157 |
| Long-term receivables         | 14,643  | 10,333  | 4,341  | 5     | 5,222  | 4,655  | 7,422  |
| Investments                   | 219     | 5,429   | 1,755  | 2,097 | 14     | 5,883  | 218    |
| Property, plant and equipment | 296,846 | 155,835 | 48,919 | 520   | 5,505  | 18,671 | 7,757  |
| Operating assets              | 212,914 | 76,452  | 39,118 | 480   | 3,952  | 8,882  | 5,415  |
| Under construction            | 83,932  | 79,383  | 9,801  | 40    | 1,553  | 9,789  | 2,342  |

|              |         |         |        |       |        |        |        |
|--------------|---------|---------|--------|-------|--------|--------|--------|
| Intangible   |         |         |        |       |        |        |        |
| assets       | 32,195  | 334     | 832    | –     | 677    | 1,323  | 760    |
| Total Assets | 357,729 | 216,769 | 64,899 | 2,803 | 16,994 | 42,454 | 66,859 |

\* As from 2014, accountability for and management of Liquigás (a subsidiary) were attributed to the Distribution segment. Amounts previously reported for 2013 were restated for comparability purposes and the results previously reported for the Distribution segment are now presented under the RTM segment, pursuant to the management accounting premise adopted for the financial statements by business segment.

**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***Consolidated Statement of Income per Business Area – Jan-Jun/ 2014**

|   | <b>Exploration<br/>and<br/>Production</b> | <b>Refining,<br/>&amp; Marketing</b> | <b>Transportation<br/>Gas &amp;<br/>Power</b> | <b>Biofuels</b> | <b>Distribution</b> | <b>International</b> | <b>Corporate</b> |
|---|---|--------------------------------------|---|-----------------|---------------------|----------------------|------------------|
| Sales revenues  | 78,863                                    | 129,097                              | 19,924  | 256             | 47,371              | 16,993               | –                |
| Intersegments   | 78,384                                    | 45,824                               | 1,763   | 223             | 1,327               | 1,140                | –                |
| Third parties   | 479                                       | 83,273                               | 18,161  | 33              | 46,044              | 15,853               | –                |
| Cost of sales   | (39,568)                                  | (137,530)                            | (17,206)                                      | (294)           | (43,500)            | (14,911)             | –                |
| Gross profit  | 39,295                                    | (8,433)                              | 2,718   | (38)            | 3,871               | 2,082                | –                |
| Expenses  | (6,583)                                   | (4,903)                              | (1,283)                                       | (100)           | (2,377)             | (976)                | (6,075)          |
| Selling, general<br>and<br>administrative<br>expenses                     | (440)                                     | (3,454)                              | (1,452)                                       | (57)            | (2,224)             | (853)                | (2,413)          |
| Exploration costs   | (3,132)                                   | –                                    | –   | –               | –                   | (196)                | –                |
| Research and<br>development<br>expenses                                   | (618)                                     | (195)                                | (94)  | (14)            | (1)                 | (2)                  | (269)            |
| Other taxes   | (53)                                      | (113)                                | (103)   | (1)             | (18)                | (111)                | (241)            |
| Other operating<br>expenses, net  | (2,340)                                   | (1,141)                              | 366   | (28)            | (134)               | 186                  | (3,152)          |
| Income before<br>financial results,<br>profit sharing and<br>income taxes | 32,712                                    | (13,336)                             | 1,435   | (138)           | 1,494               | 1,106                | (6,075)          |
| Financial income<br>(expenses), net                                       | –   | –                                    | –   | –               | –                   | –                    | (1,114)          |
| Share of profit of<br>equity-accounted<br>investments                     | –   | 224                                  | 320   | (49)            | –                   | 291                  | 7                |
| Profit sharing  | (223)                                     | (182)                                | (25)  | –               | (45)                | (12)                 | (161)            |
| Net Income<br>before income<br>taxes                                      | 32,489                                    | (13,294)                             | 1,730   | (187)           | 1,449               | 1,385                | (7,343)          |
| Income tax and<br>social<br>contribution                                  | (11,046)                                  | 4,596                                | (480)   | 46              | (493)               | (135)                | 2,769            |
| Net income (loss)   | 21,443                                    | (8,698)                              | 1,250   | (141)           | 956                 | 1,250                | (4,574)          |
| Net income<br>attributable to:  |   |                                      |   |                 |                     |                      |                  |

|                           |        |         |       |       |     |       |         |
|---------------------------|--------|---------|-------|-------|-----|-------|---------|
| Shareholders of Petrobras | 21,447 | (8,691) | 1,217 | (141) | 956 | 1,146 | (5,073) |
| Non-controlling interests | (4)    | (7)     | 33    | —     | —   | 104   | 499     |
|                           | 21,443 | (8,698) | 1,250 | (141) | 956 | 1,250 | (4,574) |

**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***Consolidated Statement of Income per Business Area – Jan-Jun/ 2013 \***

|   | <b>Exploration<br/>and<br/>Production</b> | <b>Refining,<br/>&amp; Marketing</b> | <b>Transportation<br/>Gas &amp;<br/>Power</b> | <b>Biofuels</b> | <b>Distribution</b> | <b>International</b> | <b>Corporate</b> |
|---|---|--------------------------------------|---|-----------------|---------------------|----------------------|------------------|
| Sales revenues  | 67,954                                    | 115,180                              | 16,074  | 457             | 41,980              | 17,455               | –                |
| Intersegments   | 67,412                                    | 39,610                               | 1,292   | 393             | 1,180               | 3,051                | –                |
| Third parties   | 542                                       | 75,570                               | 14,782  | 64              | 40,800              | 14,404               | –                |
| Cost of sales   | (35,178)                                  | (121,329)                            | (13,044)                                      | (508)           | (38,156)            | (14,182)             | –                |
| Gross profit  | 32,776                                    | (6,149)                              | 3,030   | (51)            | 3,824               | 3,273                | –                |
| Expenses  | (3,888)                                   | (3,979)                              | (1,011)                                       | (93)            | (2,030)             | 134                  | (5,277)          |
| Selling, general<br>and<br>administrative<br>expenses                     | (424)                                     | (3,275)                              | (990)   | (54)            | (2,060)             | (875)                | (2,405)          |
| Exploration costs   | (2,383)                                   | –                                    | –   | –               | –                   | (105)                | –                |
| Research and<br>development<br>expenses                                   | (646)                                     | (222)                                | (72)  | (25)            | (2)                 | (4)                  | (297)            |
| Other taxes   | (47)                                      | (83)                                 | (79)  | (1)             | (21)                | (157)                | (84)             |
| Other operating<br>expenses, net  | (388)                                     | (399)                                | 130   | (13)            | 53                  | 1,275                | (2,491)          |
| Income before<br>financial results,<br>profit sharing and<br>income taxes | 28,888                                    | (10,128)                             | 2,019   | (144)           | 1,794               | 3,407                | (5,277)          |
| Financial income<br>(expenses), net                                       | –   | –                                    | –   | –               | –                   | –                    | (2,161)          |
| Share of profit of<br>equity-accounted<br>investments                     | (2)                                       | 35                                   | 198   | (27)            | (1)                 | 348                  | (5)              |
| Profit sharing  | (238)                                     | (164)                                | (26)  | –               | (34)                | (15)                 | (171)            |
| Net Income<br>before income<br>taxes                                      | 28,648                                    | (10,257)                             | 2,191   | (171)           | 1,759               | 3,740                | (7,614)          |
| Income tax and<br>social<br>contribution                                  | (9,741)                                   | 3,499                                | (678)   | 49              | (598)               | (961)                | 2,958            |
| Net income (loss)   | 18,907                                    | (6,758)                              | 1,513   | (122)           | 1,161               | 2,779                | (4,656)          |
| Net income<br>attributable to:  |   |                                      |   |                 |                     |                      |                  |

|                           |        |         |       |       |       |       |         |
|---------------------------|--------|---------|-------|-------|-------|-------|---------|
| Shareholders of Petrobras | 18,867 | (6,758) | 1,455 | (122) | 1,161 | 2,700 | (4,099) |
| Non-controlling interests | 40     | —       | 58    | —     | —     | 79    | (557)   |
|                           | 18,907 | (6,758) | 1,513 | (122) | 1,161 | 2,779 | (4,656) |

\* As from 2014, accountability for and management of Liquigás (a subsidiary) were attributed to the RTM segment. Results previously reported were restated for comparability purposes and the results previously attributable to the RTM segment are now presented under the RTM segment, pursuant to the management and accountability premises of the consolidated financial statements by business segment.



**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***Consolidated Statement per International Business Area**

| <b>Income statement</b>  | <b>Jan-Jun 2014</b>               |   |                        |                     |                  |                     | <b>Total</b> |
|--|-----------------------------------|---|------------------------|---------------------|------------------|---------------------|--------------|
|  | <b>Exploration and Production</b> | <b>Refining, Transportation &amp; Marketing</b> | <b>Gas &amp; Power</b> | <b>Distribution</b> | <b>Corporate</b> | <b>Eliminations</b> |              |
| Sales revenues   | 3,795                             | 9,153   | 561                    | 5,872               | 18               | (2,406)             | 16,993       |
| Intersegments  | 1,615                             | 1,874   | 39                     | 3                   | 15               | (2,406)             | 1,140        |
| Third parties  | 2,180                             | 7,279   | 522                    | 5,869               | 3                | –                   | 15,853       |
| Income before financial results, profit sharing and income taxes | 961                               | 173   | 97                     | 177                 | (267)            | (35)                | 1,106        |
| Net income (loss) attributable to shareholders of Petrobras      | 1,079                             | 195   | 129                    | 166                 | (388)            | (35)                | 1,146        |
| <b>Income statement</b>  | <b>Jan-Jun 2013</b>               |   |                        |                     |                  |                     | <b>Total</b> |
|  | <b>Exploration and Production</b> | <b>Refining, Transportation &amp; Marketing</b> | <b>Gas &amp; Power</b> | <b>Distribution</b> | <b>Corporate</b> | <b>Eliminations</b> |              |
| Sales revenues   | 5,232                             | 8,556   | 594                    | 5,323               | –                | (2,250)             | 17,455       |
| Intersegments  | 3,115                             | 2,140   | 38                     | 8                   | –                | (2,250)             | 3,051        |
| Third parties  | 2,117                             | 6,416   | 556                    | 5,315               | –                | –                   | 14,404       |
| Income before financial results, profit sharing and income taxes | 3,527                             | 23  | 33                     | 101                 | (279)            | 2                   | 3,407        |
| Net income (loss) attributable to shareholders                   | 2,930                             | 46  | 30                     | 90                  | (398)            | 2                   | 2,700        |

of Petrobras

| <b>Total assets</b> | <b>Exploration<br/>and<br/>Production</b> | <b>Refining,<br/>&amp;<br/>Transportation<br/>&amp; Marketing</b> | <b>Gas &amp;<br/>Power</b> | <b>Distribution</b> | <b>Corporate</b> | <b>Eliminations</b> | <b>Total</b> |
|---------------------|---|---|----------------------------|---------------------|------------------|---------------------|--------------|
| As of<br>06.30.2014 | 28,363                                    | 5,831   | 1,214                      | 2,303               | 5,669            | (5,353)             | 38,027       |
| As of<br>12.31.2013 | 31,989                                    | 6,213   | 1,411                      | 2,542               | 4,613            | (4,314)             | 42,454       |

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***28. Provisions for legal proceedings, contingent liabilities and contingent assets**

Provisions for legal proceedings, contingent liabilities and judicial deposits are set out following.

**28.1. Provisions for legal proceedings**

The Company has recognized provisions for the best estimate of the costs of proceedings for which it is probable that an outflow of resources embodying economic benefits will be required and that can be reasonably estimated. These proceedings are mainly comprised of labor claims, losses and damages resulting from the cancellation of an assignment of excise tax (IPI) credits to a third party and fishermen seeking indemnification from the Company for a January 2000 oil spill in the State of Rio de Janeiro.

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

| <b>Non-current liabilities</b> | <b>Consolidated<br/>06.30.2014</b> | <b>12.31.2013</b> |
|--------------------------------|------------------------------------|-------------------|
| Labor claims                   | 1,517                              | 1,332             |
| Tax claims                     | 203                                | 221               |
| Civil claims                   | 1,499                              | 1,276             |
| Environmental claims           | 87                                 | 62                |
| Other claims                   | 21                                 | 27                |
|                                | <b>3,327</b>                       | <b>2,918</b>      |

|                      | <b>Consolidated<br/>06.30.2014</b> | <b>12.31.2013</b> |
|----------------------|------------------------------------|-------------------|
| Opening Balance      | 2,918                              | 2,585             |
| New provisions, net  | 779                                | 841               |
| Payments made        | (419)                              | (542)             |
| Accruals and charges | 66                                 | 166               |
| Others               | (17)                               | (132)             |
| Closing Balance      | <b>3,327</b>                       | <b>2,918</b>      |

**28.2. Judicial Deposits**

Judicial deposits are set out in the table below according to the nature of the corresponding lawsuits:

| <b>Non-current assets</b> | <b>Consolidated</b> |                   |
|---------------------------|---------------------|-------------------|
|                           | <b>06.30.2014</b>   | <b>12.31.2013</b> |
| Labor                     | 2,203               | 2,067             |
| Tax                       | 2,540               | 2,348             |
| Civil                     | 1,434               | 1,240             |
| Environmental             | 202                 | 195               |
| Others                    | 16                  | 16                |
|                           | 6,395               | 5,866             |

**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

**28.3. Consolidated contingent liabilities for legal proceedings (not provided for)**

| <b>Nature</b>         | <b>Estimate</b> |
|-----------------------|-----------------|
| Tax                   | 78,046          |
| Civil - General       | 7,082           |
| Labor                 | 10,404          |
| Civil - Environmental | 3,571           |
| Others                | 4               |
|                       | 99,107          |

A brief description of the nature of the main contingent liabilities (tax, civil, environmental and labor), for which the expectation of loss is considered as possible is set out following.

**a) Tax Proceedings**

| <b>Description of tax proceedings</b> | <b>Estimate</b> |
|---------------------------------------|-----------------|
|---------------------------------------|-----------------|

**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. 4,758



2) Profits of subsidiaries and associates domiciled abroad in the years of 2005, 2006, 2007, 2008 and 2009 not included in Petrobras' calculation basis of IRPJ and CSLL.

Current status: Awaiting the hearing of an appeal at the administrative level. 4,892

3) Deduction from the calculation basis of IRPJ and CSLL of expenses incurred in 2007 and 2008 related to employee benefits and Petros.

Current status: This claim is being disputed at the administrative level, involving 1,906 three administrative proceedings.

4) Non-payment of withhold income tax (IRRF) and Contribution of Intervention in the Economic Domain (CIDE) over remittances for payment of platform charters.

Current status: This claim involves lawsuits in different administrative and judicial stages, in which the Company is taking legal actions to ensure its rights. 13,888

5) Non-payment of CIDE on imports of naphtha.

Current status: This claim is being discussed at the administrative level.

3,720



6) Non-payment of CIDE in the period from March 2002 to October 2003 in transactions with distributors and service stations that were holders of judicial injunctions that determined the sale of fuel without the gross-up of such tax.

Current status: This claim is at the judicial level, in which the Company is taking 1,669 legal actions to ensure its rights.

7) Non-payment of tax on financial operations (IOF) over intercompany loans with PifCo, Brasoil and BOC, in 2007, 2008 and 2009.

Current status: Awaiting the hearing of an appeal at the administrative level. 5,924

8) Non-payment of withhold income tax (IRRF) over remittances abroad for payment of crude oil imports.

Current status: This claim involves lawsuits in administrative and judicial levels, 4,155 in which the Company is taking legal actions to ensure its rights.

9) Tax credits recovery denied due to failure to comply with an accessory obligation.

Current status: Awaiting the hearing of an appeal at the administrative level. 3,852



10) Non-payment of social security contributions over allowances and contingent bonus.

Current status: This claim involves lawsuits in administrative stages, in which the 2,386 Company is taking legal actions to ensure its rights.

**Plaintiff: State Finance Department of AM, BA, DF, ES, PA, PE and RJ**

11) Non-payment of ICMS on crude oil and natural gas sales due to differences in measuring beginning and ending inventory.

Current status: This claim involves lawsuits in different administrative levels, in 3,817  
which the Company is taking legal actions to ensure its rights.



**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

**Plaintiff: State Finance Department of Rio de Janeiro**

12) 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 stages, in which the Company is taking legal actions to ensure its rights. 3,516



13) Dispute over ICMS tax levy in operations of sale of jet fuel, as Decree 36,454/2004 was declared as unconstitutional.

Current status: This claim involves lawsuits in 1,951  
administrative and judicial stages, in which the Company is  
taking legal actions to ensure its rights.

**Plaintiff: State Finance Department of São Paulo**

14) 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: This claim involves lawsuits in different administrative and judicial stages, in which the Company is taking legal actions to ensure its rights. 4,657

**Plaintiff: Municipal governments of Anchieta,  
Aracruz, Guarapari, Itapemirim, Marataízes,  
Linhares, Vila Velha, Vitória and Maragogipe.**

15) Alleged 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. 2,018



**Plaintiff: State Finance Departments of Rio de Janeiro and Sergipe**

16) Allegedly improper use of ICMS tax credits on the purchase of drilling rig bits and chemical products used in formulating drilling fluid.

Current status: This claim involves lawsuits in different 1,012  
judicial stages, in which the Company is taking legal actions  
to ensure its rights.

**Plaintiff: State Finance Department of SP, RS and SC**

17) Three states challenge the payment of VAT (ICMS) on imports of natural gas to the State of MS.

Current status: This claim involves lawsuits in different administrative and judicial stages, as well as three civil lawsuits in the Supreme Court. 2,088

18) Other tax proceedings

11,838

Total tax proceedings

78,046





**b) Civil Proceedings – General****Description of civil proceedings** **Estimate****Plaintiff: Agência Nacional de Petróleo, Gás Natural e Biocombustíveis - ANP**

1)

Legal and administrative disputes on differences in the payment of special participation charge and royalties in several fields. In addition, ANP is claiming fines for alleged non-compliance with minimum exploratory programs and alleged irregularities in platform measurement systems. Current status: This claim involves proceedings in different administrative and judicial stages, in which the Company is taking legal actions to ensure its rights.

3,741

2) Other civil proceedings

3,341

Total for civil proceedings

7,082

**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***c) Environmental Proceedings – General**

| <b>Description of environmental proceedings</b>   | <b>Estimate</b> |
|---|-----------------|
| <b>Plaintiff: Ministério Público Federal, Ministério Público Estadual do Paraná, AMAR - Associação de Defesa do Meio Ambiente de Araucária e IAP - Instituto Ambiental do Paraná</b>  |                 |
| 1) Legal proceeding related to specific performance obligations, indemnification and compensation for damages related to an environmental accident that occurred in the State of Paraná on July 16, 2000.<br>Current status: The court partially ruled for the plaintiff, however both parties (the plaintiff and the Company) filed an appeal. | 1,911           |
| 2) Other environmental proceedings  | 1,660           |
| Total for environmental proceedings   | 3,571           |

**d) Labor Proceedings – General**

| <b>Description of labor proceedings</b>  | <b>Estimate</b> |
|--|-----------------|
| <b>Plaintiff : Sindipetro do ES, RJ, BA, MG and SP.</b>  |                 |
| 1) Class actions requiring a review of how the minimum compensation based on the employee's position and work schedule (Remuneração Mínima por Nível e Regime - RMNR) is computed.<br>Current status: The proceedings were partially ruled for the plaintiff by the ordinary instances of the Labor Court. The Company has filed an appeal to overturn the decision in the Superior Labor Court. | 3,516           |
| <b>Plaintiff : Sindipetro of Norte Fluminense and Sindipetro da Bahia</b>  |                 |
| 2) Class Actions regarding wage underpayments to certain employees due to alleged changes in the methodology used to factor overtime into the calculation of paid weekly rest, allegedly computed based on ratios that are higher than those established by Law No. 605/49.  | 1,106           |

Current status: The claim filed by Sindipetro/BA was partially ruled for the plaintiff by the ordinary instances of the Labor Court. The Company has appealed this decision and awaits judgment by the Superior Labor Court. The claim filed by Sindipetro Norte Fluminense (NF) was ruled for the plaintiff and the Company was condemned to pay the alleged differences. The Company has filed an appeal to overturn the decision in the Superior Labor Court and awaits judgment.

|                             |        |
|-----------------------------|--------|
| 3) Other labor proceedings  | 5,782  |
| Total for labor proceedings | 10,404 |

## **28.4. Contingent assets**

### **28.4.1. Legal proceeding in the United States - P-19 and P-31**

In 2002, 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 on 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).

**Petróleo Brasileiro S.A. – Petrobras**

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*(Expressed in millions of reais, unless otherwise indicated)*

The Company is intensifying actions taken, in an attempt to settle this lawsuit. The amount of damages claimed is approximately US\$ 245 million.

**29. Collateral in connection with concession agreements for petroleum exploration**

The Company has granted collateral to the Agência Nacional de Petróleo, Gás Natural e Biocombustíveis (ANP) in connection with the performance of the Minimum Exploration Programs established in the concession agreements for petroleum exploration areas in the total amount of R\$ 6,508, of which R\$ 5,746 are still in force, net of commitments that have been undertaken. The collateral comprises crude oil from previously identified producing fields, pledged as security, amounting to R\$ 4,538 and bank guarantees in the amount of R\$ 1,208.

**30. Risk management**

The Company is exposed to a variety of risks arising from its operations, such as: price risk (related to crude oil and oil products prices), foreign exchange rates risk, interest rates risk, credit risk and liquidity risk and manages risks through a corporate policy established by its officers.

The objective of the overall risk management policy of the company is to support the achievement of its strategic goals through an adequate resource allocation and an appropriate balance between growth, return on investments and risk exposure level, which can arise from its normal activities or from the context within which the Company operates.

**30.1. Derivative financial instruments**

A summary of the positions held by the Company and recognized in other current assets and liabilities as of June 30, 2014, as well as the amounts recognized in profit or loss and other comprehensive income and the guarantees given is set out following:

| <b>Statement of Financial Position</b> |                   | <b>Fair value</b>                         |                   |
|--|-------------------|---|-------------------|
| <b>Notional value</b>                  |                   | <b>Asset Position (Liability)Maturity</b> |                   |
| <b>06.30.2014</b>                      | <b>12.31.2013</b> | <b>06.30.2014</b>                         | <b>12.31.2013</b> |

**Derivatives not  
designated for hedge  
accounting**

|  |          |          |      |      |      |
|--|----------|----------|------|------|------|
| Future contracts                             | 6,366    | 10,224   | (15) | (48) |      |
| Long position/Crude oil and<br>oil products  | 63,847   | 52,267   | –    | –    | 2014 |
| Short position/Crude oil<br>and oil products | (57,481) | (42,043) | –    | –    | 2014 |
| Options                                      | 3,335    | –        | (4)  | –    |      |
| Call/Crude oil and oil<br>products           | 485      | –        | 1    | –    | 2014 |
| Put/Crude oil and oil<br>products            | 2,850    | –        | (5)  | –    | 2014 |
| Forward contracts                            |          |          | 2    | (2)  |      |
| Long position/ Foreign<br>currency forwards  | USD 130  | –        | 2    | –    | 2014 |
| Short position/ Foreign<br>currency forwards | USD 6    | USD 17   | –    | (2)  | 2014 |
| Swap   |          |          | (1)  | (1)  |      |
| Interest – Euribor x Fixed<br>rate           | EUR 7    | EUR 10   | (1)  | (1)  | 2015 |

**Derivatives designated  
for hedge accounting**

|   |         |         |      |      |      |
|---|---------|---------|------|------|------|
| Swap  |         |         | 11   | (21) |      |
| Foreign currency -<br>Cross-currency Swap                     | USD 298 | USD 298 | 61   | 26   | 2016 |
| Interest – Libor /Fixed rate                                  | USD 430 | USD 440 | (50) | (47) | 2020 |
| Total recognized in the<br>Statement of Financial<br>Position |         |         | (7)  | (72) |      |

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*(Expressed in millions of reais, unless otherwise indicated)*

|  | <b>Gains/ (losses)<br/>recognized in Profit or<br/>Loss (*)</b> |                     | <b>Gains/ (losses)<br/>recognized in the<br/>Shareholders' Equity (**)</b> |                     | <b>Guarantees given as<br/>collateral</b> |                   |
|--|---|---------------------|--|---------------------|---|-------------------|
|  | <b>Jan-Jun/2014</b>   | <b>Jan-Jun/2013</b> | <b>Jan-Jun/2014</b>  | <b>Jan-Jun/2013</b> | <b>06.30.2014</b>                         | <b>12.31.2013</b> |
| Commodity derivatives (19)             | 108   | –                   | –  | –                   | 145                                       | 335               |
| Foreign currency derivatives (18)      | (52)  | 10                  | 8  | –                   | –   | –                 |
| Cash flow hedge on exports (***) (770) | –   | 7,545               | (7,982)  | –                   | –   | –                 |
| Interest rate derivatives –            | –   | (3)                 | 7  | –                   | –   | –                 |
| Embedded derivative - ethanol –        | (73)  | –                   | –  | –                   | –   | –                 |

(\*) Amounts recognized in finance income in the period.

(\*\*) Amounts recognized as other comprehensive income in the period.

(\*\*\*) Using non-derivative financial instruments as designated hedging instruments, as set out note 30.3(a)

A sensitivity analysis for the different types of market risks, to which the Company is exposed, based on the derivative financial instruments held as of June 30, 2014 is set out following:

| <b>Financial Instruments</b>                    | <b>Risk</b>  | <b>Consolidated</b>        |                                     |                                     |
|---|--|----------------------------|-------------------------------------|-------------------------------------|
|   |  | <b>Probable Scenario *</b> | <b>Stressed Scenario (Δ de 25%)</b> | <b>Stressed Scenario (Δ de 50%)</b> |
| Derivatives not designated for hedge accounting |  |                            |                                     |                                     |
| Future contracts                                | Crude oil and oil products - price changes                 | (15)                       | (566)                               | (1,117)                             |
| Forward contracts                               | Foreign currency - appreciation of the BRL against the USD | 12                         | (68)                                | (136)                               |
| Swap  | Interest - Euribor increase                                | –                          | –                                   | –                                   |

|   |  |      |       |         |
|---|--|------|-------|---------|
| Options                                     | Crude oil and oil products - price changes                 | (4)  | (38)  | (69)    |
|   |  | (7)  | (672) | (1,322) |
| Derivatives designated for hedge accounting |  |      |       |         |
| Swap  | Foreign currency - depreciation of the JPY against the USD | (21) | 249   | 772     |
| Debt  | Foreign currency - appreciation of the JPY against the USD | 21   | (249) | (772)   |
| Net effect                                  |  | —    | —     | —       |
| Swap  | Interest - LIBOR decline                                   | 4    | (2)   | (3)     |
| Debt  | Interest - LIBOR increase                                  | (4)  | 2     | 3       |
| Net effect                                  |  | —    | —     | —       |

(\*) The probable scenario was computed based on the following risks: BRL x U.S. Dollar - a 4.43% depreciation of the Real; Japanese Yen x U.S. Dollar - a 2.67% depreciation of the Japanese Yen; LIBOR Forward Curve - a 0.0828% increase throughout the curve; EURIBOR Forward Curve - a 0.181% increase throughout the curve; and crude oil and oil products based on the fair value as of June 30, 2014.

### 30.2. Risk management of price risk (related to crude oil and oil products prices)

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.

### 30.3. Foreign exchange risk management

Petrobras seeks to identify and manage foreign exchange rate risks based on an integrated analysis of natural hedges, to benefit from the correlation between income and expenses. Short-term risk management involves choosing the currency in which to hold cash, such as the Brazilian Real, U.S. dollar or other currency. The risk management strategy involves the use of derivative instruments to hedge certain liabilities, minimizing foreign exchange rate risk exposure.



**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***a) Cash Flow Hedge involving the Company's highly probable future exports**

Effective mid-May 2013, the Company designated hedging relationships to account for the effects of the existing natural hedge between a portion of its long term debt obligations denominated in U.S. dollars and a portion of its future export revenues in U.S. dollars, relative to foreign currency rates risk (spot rates).

Individual hedging relationships were designated in a one-to-one proportion, meaning that a portion of the total monthly exports will be the hedged transaction of an individual hedging relationship, hedged by a portion of the company's long-term debt (which has an average maturity of approximately 6.48 years).

The principal amounts, fair value as of June 30, 2014, and a schedule of the expected reclassification to profit or loss of the balance of losses recognized in other comprehensive income (shareholders' equity), based on a BRL/USD 2.2025 exchange rate, are set out below:

| <b>Hedging Instrument</b>            | <b>Hedged Transactions</b>   | <b>Nature of the Risk</b>               | <b>Maturity Date</b>     | <b>Principal Amount (US\$ million)</b> | <b>Carrying amount of the Hedging Instruments on June 30, 2014</b> |
|--------------------------------------|--|---|--------------------------|--|--|
| Non-Derivative Financial Instruments | Portion of Highly Probable – Real vs U.S. Future Monthly Export Revenues | Foreign Currency<br>Dollar<br>Spot Rate | July 2014 to<br>may 2022 | 48,859                                 | 107,611  |

**Changes in the Principal Amount**

Amounts designated as of December 31, 2013  
New hedging instruments designated

**US\$ million**

40,742  
13,994

|  |         |
|--|---------|
| Exports affecting profit or loss       | (2,893) |
| Principal repayments / amortization    | (2,984) |
| Amounts designated as of June 30, 2014 | 48,859  |

|                           | <b>Consolidated</b> |             |             |             |             |             |             |             |             |              |
|---------------------------|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
|                           | <b>06.30.2014</b>   |             |             |             |             |             |             |             |             |              |
|                           | <b>2014</b>         | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>Total</b> |
| Expected reclassification | (447)               | (1,015)     | (1,287)     | (1,309)     | (998)       | (914)       | 219         | 543         | 63          | (5,145)      |

**b) Cash flow hedges involving swap contracts - Yen x Dollar**

The Company has a cross currency swap to fix in U.S. dollars the payments related to bonds denominated in Japanese yen and does not intend to settle these contracts before the maturity. The relationship between the derivative and the bonds was designated for cash flow hedge accounting.

**c) Sensitivity analysis for foreign exchange risk on financial instruments**

A sensitivity analysis is set out below, showing the probable scenario for foreign exchange risk on financial instruments, computed based on external data, along with the stressed scenarios (a 25% and a 50% change in the foreign exchange rates), except for assets and liabilities of foreign subsidiaries, when transacted in a currency equivalent to their respective functional currencies.

**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

| <b>Financial Instruments</b> | <b>Exposure at<br/>06.30.2014</b> | <b>Risk</b> | <b>Consolidated</b>                  |   |   |
|------------------------------|-----------------------------------|-------------|--------------------------------------|---|---|
|                              |                                   |             | <b>Probable<br/>Scenario<br/>(*)</b> | <b>Stressed<br/>Scenario<br/>(Δ of 25%)</b> | <b>Stressed<br/>Scenario<br/>(Δ of 50%)</b> |
| Assets                       | 6,989                             |             | 309                                  | 1,747                                       | 3,495                                       |
| Liabilities                  | (135,340)                         | Dollar      | (5,991)                              | (33,835)                                    | (67,670)                                    |
| Cash flow hedge on exports   | 107,611                           |             | 4,764                                | 26,903                                      | 53,806                                      |
|                              | (20,740)                          |             | (918)                                | (5,185)                                     | (10,369)                                    |
| Liabilities (**)             | (1,807)                           | Yen         | 48                                   | (452)                                       | (904)                                       |
|                              | (1,807)                           |             | 48                                   | (452)                                       | (904)                                       |
| Assets                       | 16,932                            |             | (356)                                | 4,233                                       | 8,466                                       |
| Liabilities                  | (40,070)                          | Euro        | 572                                  | (10,018)                                    | (20,035)                                    |
|                              | (23,138)                          |             | 216                                  | (5,785)                                     | (11,569)                                    |
| Assets                       | 4,345                             | Pound       | (77)                                 | 1,086                                       | 2,173                                       |
| Liabilities                  | (10,910)                          | Sterling    | 113                                  | (2,727)                                     | (5,455)                                     |
|                              | (6,565)                           |             | 36                                   | (1,641)                                     | (3,282)                                     |
| Assets                       | 861                               |             | (65)                                 | 215   | 431   |
| Liabilities                  | (1,558)                           | Peso        | 118                                  | (389)                                       | (779)                                       |
|                              | (697)                             |             | 53                                   | (174)                                       | (348)                                       |
|                              | (52,947)                          |             | (565)                                | (13,237)                                    | (26,472)                                    |

(\*) The probable scenario was computed based on the following risks: Real x Dollar – a 4.43% depreciation of the Real / Yen x Dollar – a 2.67% depreciation of the Yen / Dollar x Euro: a 2.11% depreciation of the Euro / Dollar x Pound Sterling: a 1.79% depreciation of the Pound Sterling / Dollar x Peso: an 8.17% depreciation of the Peso. The data were obtained from the Focus Report of the Central Bank of Brazil and from Bloomberg.

(\*\*) A portion of the foreign currency exposure is hedged by a cross-currency swap.

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.

### **30.4. Interest rate risk management**

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 subsidiaries of Petrobras.

### **30.5. 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 aims at reconciling the need for minimizing risk and maximizing the result of commercial and financial transactions, through efficient credit analysis, granting and management based on quantitative and qualitative parameters that are appropriate for each of the market segments in which it operates.

The commercial credit portfolio is much diversified between clients from the domestic market and from foreign markets and credit granted to financial institutions is spread among "Investment Grade" international banks rated by the international rating agencies and highly-rated Brazilian banks.

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***30.6. Liquidity risk**

Liquidity risk is represented by the possibility of a shortage of cash or another financial assets in order to settle its obligations on the established dates and is managed by the Company based on policies such as: Centralized cash management, in order to optimize the level of cash and cash equivalents held and reduce working capital needed; a robust minimum cash level to ensure that the need of cash for investments and short-term obligations is met even in adverse market conditions; increasing the number of investors in the domestic and international markets through funding opportunities, developing a strong presence in the international capital markets and searching for new funding sources, including new markets and financial products.

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

| <b>Maturity</b> | <b>Consolidated</b> |             |             |             |             |             | <b>2020 and</b>   |                   |                   |
|-----------------|---------------------|-------------|-------------|-------------|-------------|-------------|-------------------|-------------------|-------------------|
|                 | <b>2014</b>         | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>thereafter</b> | <b>06.30.2014</b> | <b>12.31.2013</b> |
|                 | 19,067              | 30,738      | 42,876      | 39,700      | 51,528      | 66,353      | 172,752           | 423,014           | 363,513           |

**31. Fair value of financial assets and liabilities**

The hierarchy of recurring fair value measurements of financial assets and liabilities recognized is set out below:

|                              | <b>Fair value measured based on</b> |                 |                  | <b>Total fair value recorded</b> |
|------------------------------|-------------------------------------|-----------------|------------------|----------------------------------|
|                              | <b>Level I</b>                      | <b>Level II</b> | <b>Level III</b> |                                  |
| <b>Assets</b>                |                                     |                 |                  |                                  |
| Marketable securities        | 8,252                               | –               | –                | 8,252                            |
| Foreign currency derivatives | –                                   | 63              | –                | 63                               |
| Balance at June 30, 2014     | 8,252                               | 63              | –                | 8,315                            |
| Balance at December 31, 2013 | 9,124                               | 24              | –                | 9,148                            |
| <b>Liabilities</b>           |                                     |                 |                  |                                  |
| Commodity derivatives        | (19)                                | –               | –                | (19)                             |

|                              |      |      |   |      |
|------------------------------|------|------|---|------|
| Interest derivatives         | –    | (51) | – | (51) |
| Balance at June 30, 2014     | (19) | (51) | – | (70) |
| Balance at December 31, 2013 | (48) | (48) | – | (96) |

The estimated fair value for the Company's long term debt as of June 30, 2014, computed based on the prevailing market rates is set out in note 15.

### **32. Subsequent events**

#### **Disposal of interest in Companhia de Gás de Minas Gerais S.A.**

On July 18, 2014 the Board of Directors of Petrobras approved the disposal of its 40% interest in Companhia de Gás de Minas Gerais S.A. (Gasmig) to Companhia Energética de Minas Gerais (Cemig) for R\$ 600. This transaction is part of the Petrobras Gas and Energy portfolio restructuring process as outlined in the 2014-2018 Business and Management Plan.

The transaction is subject to certain conditions precedent, including approval by the Brazilian Antitrust Authority (Conselho Administrativo da Defesa Econômica - CADE) and the consent of the state concession regulator. From the date of approval until the conclusion of the transaction, the investment in Gasmig will be classified as held for sale in the Statement of Financial Position.

**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

**Disposal of interest in Transierra S.A.**

Petrobras disposed of its 44.5% interest in Transierra S.A. to Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) for US\$ 107 million. There is no condition precedent to the closing of the transaction.

**Petróleo Brasileiro S.A. – Petrobras**

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***33. Correlation between the notes disclosed in the complete annual financial statements as of December 31, 2013 and the interim statements as of June 30, 2014**

| <b>Notes to the Financial Statements</b>                                       | <b>Number of notes<br/>Annual<br/>for 2013</b> | <b>Quarterly<br/>information for<br/>2Q-2014</b> |
|--|--|--|
| The Company and its operations   | 1  | 1  |
| Basis of preparation of the financial statements                               | 2  | 2  |
| Basis of consolidation   | **   | 3  |
| Summary of significant accounting policies                                     | 3  | 4  |
| Cash and cash equivalents  | 6  | 5  |
| Marketable securities  | 7  | 6  |
| Trade receivables  | 8  | 7  |
| Inventories  | 9  | 8  |
| Acquisitions, disposal of assets and legal mergers                             | *  | 9  |
| Investments  | 11   | 10   |
| Property, plant and equipment  | 12   | 11   |
| Intangible assets  | 13   | 12   |
| Exploration for and evaluation of oil and gas reserves                         | 15   | 13   |
| Trade payables   | 16   | 14   |
| Finance debt   | 17   | 15   |
| Leases   | 18   | 16   |
| Related parties  | 19   | 17   |
| Provision for decommissioning costs  | 20   | 18   |
| Taxes  | 21   | 19   |
| Employee benefits (Post-employment)  | 22   | 20   |
| Shareholders' equity   | 24   | 21   |
| Sales revenues   | 25   | 22   |
| Other operating expenses, net  | 26   | 23   |
| Expenses by nature   | 27   | 24   |
| Net finance income (expense)   | 28   | 25   |
| Supplementary information on the statement of cash flows                       | 29   | 26   |
| Segment reporting  | 30   | 27   |
| Provisions for legal proceedings, contingent liabilities and contingent assets | 31   | 28   |
|  | 33   | 29   |



|  |     |    |
|--|-----|----|
| Guarantees for concession agreements for petroleum exploration |     |    |
| Risk management and derivative instruments                     | *** | 30 |
| Fair value of financial assets and liabilities                 | 35  | 31 |
| Subsequent events  | 37  | 32 |

(\*) Mergers, split-offs and other information about investments.

(\*\*) Summary of significant accounting policies

(\*\*\*) Risk management and derivative instruments

The notes to the annual report 2013 that were suppressed in the 2Q-2014 because they do not have significant changes and / or may not be applicable to interim financial information are as follows:

| <b>Notes to the Financial Statements</b>                  | <b>Number of notes</b> |
|---|------------------------|
| Critical accounting policies: key estimates and judgments | 4                      |
| New standards and interpretations                         | 5                      |
| Impairment  | 14                     |
| Profit sharing  | 23                     |
| Commitments for purchase of natural gas                   | 32                     |
| Insurance   | 36                     |

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## SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 11, 2014

PETRÓLEO BRASILEIRO S.A--PETROBRAS

By:

/s/ Almir Guilherme Barbassa

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**Almir Guilherme Barbassa**  
**Chief Financial Officer and Investor Relations**  
**Officer**

## FORWARD-LOOKING STATEMENTS

This press release may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act) that are not based on historical facts and are not assurances of future results. These forward-looking statements are based on management's current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.

All forward-looking statements are expressly qualified in their entirety by this cautionary statement, and you should not place reliance on any forward-looking statement contained in this press release. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason.

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