

PETROBRAS - PETROLEO BRASILEIRO SA  
Form 6-K  
May 12, 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 May, 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**

Consolidated financial statements at  
March 31, 2014 with report of independent  
registered public accounting firm

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## Petróleo Brasileiro S.A. – Petrobras

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders  
Petróleo Brasileiro S.A. - Petrobras

We have reviewed the accompanying condensed consolidated statement of financial position of Petróleo Brasileiro S.A. - Petrobras and its subsidiaries as of March 31, 2014, the related condensed consolidated statement of income, of cash flows and of comprehensive income for the three-month periods ended March 31, 2014 and March 31, 2013 and the condensed statement of changes in shareholders' equity for the three-month periods ended March 31, 2014 and March 31, 2013. This interim financial information is the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial information for it to be in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2013, and the related consolidated statements of income, of comprehensive income, of cash flows (not presented herein) and of shareholders' equity for the year then ended, and in our report dated February 25, 2014, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2013, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

Rio de Janeiro, Brazil

May 9, 2014

/s/ PricewaterhouseCoopers

Auditores Independentes

CRC 2SP000160/O-5 "F" RJ

/s/ Marcos Donizete Panassol

Contador CRC 1SP155975

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

Consolidated Statement of Financial Position

March 31, 2014 and December 31, 2013

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

<b>Assets</b>	<b>Note</b>	<b>03.31.2014</b>	<b>12.31.2013</b>	<b>Liabilities</b>	<b>Note</b>	<b>03.31.2014</b>	<b>12.31.2013</b>
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Current  
assets

Current liabilities



Cash and cash equivalents	5	30,255	15,868	Trade payables	14	11,889	11,919
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Marketable securities	6	4,430	3,885	Current debt	15	9,635	8,001
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Trade and other receivables, net	7.1	10,624	9,670	Finance lease obligations	16.1	18	16
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Inventories	8	15,581	14,225	Income taxes payable	19.1	325	281
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Recoverable	19.1	1,148	1,060	Other taxes	19.2	4,460	4,669
income taxes				payable			

Other recoverable taxes	19.2	3,982	3,911	Dividends payable	21.2	4,210	3,970
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Advances to suppliers	679	683	Payroll, profit sharing and related charges	2,811	2,052
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Other current assets	1,451	946	Pension and medical benefits	20	887	816
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68,150	50,248	Others	2,265	2,429
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36,500

34,153

Assets classified as held for sale	9.2	2,405	2,407	Liabilities on assets classified as held for sale	9.2	506	1,073
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70,555

52,655

37,006

35,226



Non-current  
assets

Non-current  
liabilities

Long-term  
receivables

Non-current debt 15 126,440 106,235

Trade and other receivables, net	7.1	5,091	4,532	Finance lease obligations	16.1	74	73
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Marketable securities	6	130	131	Deferred income taxes	19.3	11,323	9,906
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Judicial deposits	28	2,699	2,504	Pension and medical benefits	20	12,428	11,757
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Deferred income taxes	19.3	1,187	1,130	Provisions for legal proceedings	28	1,362	1,246
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Other tax assets	19.2	5,825	5,380	Provision for decommissioning costs	18	7,307	7,133
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Advances to suppliers	3,213	3,230	Others	1,249	724
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Others	2,110	1,875
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20,255

18,782

160,183

137,074

Total liabilities	197,189	172,300
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Shareholders' 21  
equity

Investments	10.1	6,902	6,666	Share capital	107,371	107,371
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Property, plant and equipment	11.1	240,793	227,901	Additional paid in capital	353	395
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Intangible assets	12.1	15,898	15,419	Profit reserves	77,187	75,689
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283,848	268,768	Accumulated other comprehensive income (loss)	(28,264)	(34,928)
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Attributable to the shareholders of Petrobras	156,647	148,527
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Non-controlling interests	567	596
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Total Equity	157,214	149,123
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Total Assets	354,403	321,423	Total liabilities and shareholder's equity	354,403	321,423
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The Notes form an integral part of these Financial Statements.



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

Consolidated Statement of Income

March 31, 2014 and 2013

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

<b>Note</b>	<b>Jan-Mar/2014</b>	<b>Jan-Mar/2013</b>
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Sales revenues	22	34,494	36,345
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Cost of sales	(26,265)	(26,897)
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Gross profit	8,229	9,448
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Income (expenses)

Selling expenses	(1,154)	(1,150)
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General and Administrative expenses	(1,083)	(1,238)
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Exploration costs

(646)

(642)

Research and development expenses	(250)	(337)
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Other taxes

(138)

(112)



Other operating expenses, net	23	(1,755)	(827)
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(5,026)

(4,306)



Net income before financial results, profit sharing and income taxes	3,203	5,142
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Finance Income

441

487

Finance Expenses

(782)

(601)

Foreign exchange and inflation  
indexation charges

268

810



Net finance income (expense)	25	(73)	696
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Share of profit / gains on interest in  
equity-accounted investments

221

78



Profit sharing	20.1	(142)	(207)
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Net income before income taxes	3,209	5,709
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Income taxes	19.4	(763)	(1,784)
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Net income	2,446	3,925
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Net income (loss) attributable to:

Shareholders of Petrobras

2,280

3,854

Non-controlling interests

166

71





2,446

3,925



Basic and diluted earnings per weighted-average of common and preferred share in U.S. dollars	21.3	0.17	0.30
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The Notes form an integral part of these Financial Statements.







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

## Consolidated Statement of Comprehensive Income

March 31, 2014 and 2013

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

	<b>Jan-Mar/2014</b>	<b>Jan-Mar/2013</b>
Net income	2,446	3,925
Items that will not be reclassified to profit or loss:		
Cumulative translation adjustments	4,480	2,123
	4,480	2,123
Items that may be reclassified subsequently to profit or loss:		
Unrealized gains / (losses) on available-for-sale securities		
Reclassified to profit or loss	–	(45)
Deferred income tax	–	15
	–	(30)
Unrealized gains / (losses) on cash flow hedge		
Recognized in shareholders' equity	1,648	21
Reclassified to profit or loss	200	(1)
Deferred income tax	(627)	–
	1,221	20
Share of other comprehensive income of equity-accounted investments	59	–
	1,280	(10)
Other comprehensive income (loss):	5,760	2,113
Total Comprehensive income (loss)	8,206	6,038
Comprehensive income (loss) attributable to:		
Shareholders of Petrobras	8,162	5,992
Non-controlling interests	44	46
Total comprehensive income (loss)	8,206	6,038

The Notes form an integral part of these Financial Statements.



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

## Consolidated Statement of Cash Flows

March 31, 2014 and 2013

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

	<b>Jan-Mar/2014</b>	<b>Jan-Mar/2013</b>
Cash flows from Operating activities		
Net income attributable to the shareholders of Petrobras	2,280	3,854
Adjustments for:		
Non-controlling interests	166	71
Share of (profit) loss of equity-accounted investments	(221)	(78)
Depreciation, depletion and amortization	3,013	3,198
Impairment charges on property, plant and equipment and other assets	117	74
Exploration expenditures written off	447	304
(Gains) / losses on disposal / write-offs of non-current assets	(247)	(15)
Foreign exchange variation, indexation and finance charges	599	(528)
Deferred income taxes, net	290	1,063
Pension and medical benefits (actuarial expense)	440	703
Decrease / (Increase) in assets		
Trade and other receivables, net	(1,078)	187
Inventories	(1,045)	(1,165)
Other assets	(846)	(266)
Increase/(Decrease) in liabilities		
Trade payables	(205)	201
Taxes payable	(539)	(216)
Pension and medical benefits	(142)	(149)
Other liabilities	952	217
Net cash provided by operating activities	3,981	7,455
Cash flows from Investing activities		
Capital expenditures	(8,750)	(9,241)
Investments in investees	(5)	–
Receipts from disposal of assets (divestment)	368	4
Investments in marketable securities	(307)	1,046
Dividends received	154	14
Net cash (used in) investing activities	(8,540)	(8,177)

Cash flows from Financing activities		
Acquisition of Non-controlling interest	(46)	(52)
Proceeds from long-term financing	22,803	3,672
Repayment of principal	(2,595)	(1,539)
Repayment of interest	(1,595)	(1,566)
Net cash provided by financing activities	18,567	515
Effect of exchange rate changes on cash and cash equivalents		
	379	211
Net increase/ (decrease) in cash and cash equivalents		
	14,387	4
Cash and cash equivalents at the beginning of the year		
	15,868	13,520
Cash and cash equivalents at the end of the year		
	30,255	13,524

The Notes form an integral part of these Financial Statements.

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

Consolidated Statement of Changes in Shareholders' Equity

March 31, 2014 and 2013

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

**Additional paid in capital Accumulated other comprehensive Profit**  
**income**

<b>Share Capital</b>	<b>Incremental costs attributable to the issue of new shares</b>	<b>Change in interest in subsidiaries</b>	<b>Cumulative translation adjustment</b>	<b>Actuarial gains (losses) on defined benefit plans</b>	<b>Other comprehensive income and deemed cost</b>	<b>Legal</b>
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Balance at December 31, 2012	107,362 (279)	628	(6,732)	(7,748)	102	7,364
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Capital increase—	—	—	—	—	—	—
with reserves						



Realization of deemed cost	-	-	-	-	-	(1)	-
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Change in  
interest in  
subsidiaries

-       -               7               -               -               -               -

Net income	-	-	-	-	-	-	-
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Other comprehensive income	-	-	-	2,335	-	(10)	-
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Appropriations:

Allocation of  
net income

- - - - -

Dividends	-	-	-	-	-	-	-
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Balance at March 31, 2013	107,362 (279)	635	(4,397)	(7,748)	91	7,364
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Balance at January 1, 2014	107,371 (279)	674	(28,334)	(2,505)	(4,089)	7,919
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Capital increase—	—	—	—	—	—	—
with reserves						

Realization of deemed cost	-	-	-	-	-	(1)	-
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Change in  
interest in  
subsidiaries

— — (42) — — — —

Net income	-	-	-	-	-	-	-
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Other comprehensive income	-	-	-	5,385	-	1,280	-
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Appropriations:



Allocation of  
net income

- - - - -

Dividends      -            -            -            -            -            -            -

107,371 (279)	632	(22,949)	(2,505)	(2,810)	7,919
---------------	-----	----------	---------	---------	-------

Balance at	107,371	353	(28,264)
March 31, 2014			



The Notes form an integral part of these Financial Statements.







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

Notes to the financial statements

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

### **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 has been prepared and is being presented in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (IASB). The information is presented in U.S. dollars.

This interim financial information presents the significant changes which occurred in the period, avoiding repetition of certain notes to the financial statements previously reported. 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.

Petrobras has selected the U.S. Dollar as its presentation currency. The financial statements have been translated from the functional currency (Brazilian Real) into the presentation currency (U.S. Dollar) in accordance with IAS 21 - The effects of changes in foreign exchange rates. All assets and liabilities are translated into U.S. dollars at the closing rate at the date of the financial statements; income and expenses, as well as the cash flows are translated into U.S. dollars using the average exchange rates prevailing during the year. All exchange differences arising from the translation of the consolidated financial statements from the functional currency into the presentation currency are recognized as cumulative translation adjustments (CTA) within accumulated other comprehensive income in the consolidated statements of changes in shareholders’ equity.

The cumulative translation adjustments were set to nil at January 1, 2009 (the date of transition to IFRS).

The consolidated interim financial information was approved and authorized for issue by the Company’s Board of Directors in a meeting held on May 9, 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 taxes. Even though our management uses assumptions and judgments that are periodically reviewed, the actual results could differ from these estimates.

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***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 three-month period ended March 31, 2014.

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

**4. Summary of significant accounting policies**

The same accounting policies and methods of computation were followed in this consolidated 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>03.31.2014</b>	<b>12.31.2013</b>
Cash at bank and in hand	773	951
Short-term financial investments		
- In Brazil		
Single-member funds (Interbank Deposit) and other short-term deposits	6,703	3,493
Other investment funds	9	53
	6,712	3,546
- Abroad	22,770	11,371
Total short-term financial investments	29,482	14,917
Total cash and cash equivalents	30,255	15,868

**6. Marketable securities**

	<b>03.31.2014</b>	<b>12.31.2013</b>
Trading securities	4,423	3,878
Available-for-sale securities	13	17
Held-to-maturity securities	124	121
	4,560	4,016

Current	4,430	3,885
Non-current	130	131

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 US Dollars, unless otherwise indicated)***7. Trade and other receivables****7.1. Trade and other receivables, net**

	<b>03.31.2014</b>	<b>12.31.2013</b>
Trade receivables		
Third parties	10,509	9,847
Related parties (Note 17)		
Investees	871	658
Receivables from the electricity sector	2,700	2,156
Petroleum and alcohol accounts -Federal Government	370	357
Other receivables	2,708	2,590
	17,158	15,608
Provision for impairment of trade receivables	(1,443)	(1,406)
	15,715	14,202
Current	10,624	9,670
Non-current	5,091	4,532

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

	<b>03.31.2014</b>	<b>12.31.2013</b>
Opening balance	1,406	1,452
Additions (*)/ (**)	34	217
Write-offs (*)	(46)	(69)
Cumulative translation adjustment	49	(194)
Closing balance	1,443	1,406
Current	835	800
Non-current	608	606

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

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

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

	<b>03.31.2014</b>	<b>12.31.2013</b>
Up to 3 months	466	692
From 3 to 6 months	265	159
From 6 to 12 months	333	362
More than 12 months	1,814	1,643
	2,878	2,856

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

Notes to the financial statements

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

	<b>31.03.2014</b>	<b>31.12.2013</b>
Crude Oil	5,866	5,849
Oil Products	5,945	4,985
Intermediate products	1,028	924
Natural Gas and LNG (*)	409	401
Biofuels	269	158
Fertilizers	24	26
	13,541	12,343
Materials, supplies and others	2,104	1,935
	15,645	14,278
Current	15,581	14,225
Non-current	64	53

(\*) Liquid Natural Gas

Consolidated inventories are presented net of a US\$ 35 allowance reducing inventories to net realizable value (US\$ 88 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 US\$ 3,279 (US\$ 2,976 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 the voting stock, for a consideration of U.S.\$ 304, 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 U.S.\$ 301, including contractual price adjustments. A gain of U.S.\$ 274 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 U.S.\$ 369, 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 US Dollars, 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, subject to price adjustment before the closing of the transaction.

On April 30, 2014 the transaction was concluded and assets and liabilities were transferred to Perenco. Gains or losses on the transaction will be determined based on book values as of this date and other contractual adjustments.

Due to the pending conditions precedent for conclusion of this transaction as of March 31, 2014, the assets and associated liabilities involved in the transaction were classified as held for sale.

**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, subject to price adjustment before 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.

**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>03.31.2014</b>	<b>12.31.2013</b>
<b>Exploration</b>	<b>Refining, International</b>	<b>Total</b>	<b>Total</b>
<b>and</b>	<b>Transport.</b>		

**Production &  
Marketing**

**Assets classified  
as held for sale**

Property, plant and equipment	51	123	1,580	1	1,755	1,780
Trade receivables	—	120	28	—	148	136
Inventories	—	80	125	—	205	121
Investments	—	10	11	—	21	54
Cash and Cash Equivalents	—	—	67	—	67	121
Others	—	15	194	—	209	195
	51	348	2,005	1	2,405	2,407

**Liabilities on  
assets classified  
as held for sale**

Trade Payables	—	(14)	(71)	—	(85)	(164)
Provision for decommissioning costs	—	—	(31)	—	(31)	(30)
Non-current debt	—	(3)	(20)	—	(23)	(612)
Others	—	(56)	(311)	—	(367)	(267)
	—	(73)	(433)	—	(506)	(1,073)

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

Notes to the financial statements

*(Expressed in millions of US Dollars, 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 additional paid in capital:

- Termoaçú S.A.;
- Termoceará Ltda.;
- 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.

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***10. Investments****10.1. Investments in associates and joint ventures**

	<b>03.31.2014</b>	<b>12.31.2013</b>
<b>Investments measured using equity method</b>		
Braskem S.A.	2,363	2,201
Petrobras Oil & Gas BV	1,658	1,707
State-controlled Natural Gas Distributors	583	533
Guarani S.A.	529	510
Petroritupano - Orielo	197	198
Petrowayu - La Concepción	184	185
Nova Fronteira Bionergia S.A.	178	170
Other petrochemical investees	96	84
UEG Araucária	72	59
Transierra S.A.	70	68
Petrokariña - Mata	66	66
Other associates	883	863
	6,879	6,644
Other investments	23	22
	6,902	6,666

**10.2. Investments in listed companies**

<b>Company</b>	<b>Thousand-share lot</b>		<b>Type</b>	<b>Quoted stock exchange prices (US\$ per share)</b>		<b>Market value</b>	
	<b>03.31.2014</b>	<b>12.31.2013</b>		<b>03.31.2014</b>	<b>12.31.2013</b>	<b>03.31.2014</b>	<b>12.31.2013</b>
<b>Indirect subsidiary</b>							
Petrobras							
Argentina	1,356,792	1,356,792	Common	0.68	0.80	917	1,083
						917	1,083

**Associate**

Braskem	212,427	212,427	Common	6.18	7.04	1,312	1,496
			Preferred				
Braskem	75,793	75,793	A	7.86	8.96	596	680
						1,908	2,176

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 March 31, 2014, was US\$ 1,908, 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 to determine the value in use of Braskem were based are set out in note 14 to our audited consolidated financial statements for the year ended December 31, 2013.

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Notes to the financial statements

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

	<b>Land, buildings and improvement</b>	<b>Equipment and other assets</b>	<b>Assets under construction (* )</b>	<b>Exploration and development costs (Oil and producing properties)</b>	<b>Total</b>
Balance at January 1, 2013	8,164	81,708	81,663	33,366	204,901
Additions	68	1,794	36,125	663	38,650
Additions to / review of estimates of decommissioning costs	–	–	–	(629)	(629)
Capitalized borrowing costs	–	–	3,909	–	3,909
Business combinations	17	31	16	–	64
Write-offs	(4)	(121)	(2,399)	(25)	(2,549)
Transfers (***)	1,224	23,626	(29,620)	25,896	21,126
Depreciation, amortization and depletion	(518)	(7,513)	–	(4,939)	(12,970)
Impairment recognition (****)	–	(11)	(6)	(85)	(102)
Impairment reversal (****)	–	49	–	72	121
Cumulative translation adjustment	(1,083)	(9,158)	(9,930)	(4,449)	(24,620)
Balance at December 31, 2013	7,868	90,405	79,758	49,870	227,901
Cost	10,729	133,368	79,758	77,117	300,972
Accumulated depreciation, amortization and depletion	(2,861)	(42,963)	–	(27,247)	(73,071)
Balance at December 31, 2013	7,868	90,405	79,758	49,870	227,901
Additions	1	426	7,747	63	8,237

Additions to / review of estimates of decommissioning costs	–	–	–	5	5
Capitalized borrowing costs	–	–	944	–	944
Write-offs	(6)	(20)	(433)	(33)	(492)
Transfers	643	2,081	(5,511)	3,187	400
Depreciation, amortization and depletion	(141)	(1,773)	–	(1,050)	(2,964)
Cumulative translation adjustment	266	2,244	2,651	1,601	6,762
Balance at March 31, 2014	8,631	93,363	85,156	53,643	240,793
Cost	11,710	139,073	85,156	82,338	318,277
Accumulated depreciation, amortization and depletion	(3,079)	(45,710)	–	(28,695)	(77,484)
Balance at March 31, 2014	8,631	93,363	85,156	53,643	240,793
Weighted average of useful life in years	25 (25 to 40 ) (except land)	20 (3 to 31) (**)		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 US\$ 22,134, 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 March 31, 2014, property, plant and equipment includes assets under finance leases of US\$ 89 (US\$ 86 at December 31, 2013).

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

Notes to the financial statements

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

	<b>Rights and Concessions</b>	<b>Softwares</b>		<b>Goodwill</b>	<b>Total</b>
		<b>Acquired</b>	<b>Developed in-house</b>		
Balance at January 1, 2013	38,513	188	577	461	39,739
Addition	2,931	33	128	–	3,092
Capitalized borrowing costs	–	–	12	–	12
Write-offs	(80)	(2)	(3)	–	(85)
Transfers (**)	(22,222)	(15)	(14)	(17)	(22,268)
Amortization	(38)	(47)	(133)	–	(218)
Impairment recognition (***)	(524)	–	–	–	(524)
Cumulative translation adjustment	(4,199)	(15)	(71)	(44)	(4,329)
Balance at December 31, 2013	14,381	142	496	400	15,419
Cost	14,804	607	1,442	400	17,253
Accumulated amortization	(423)	(465)	(946)	–	(1,834)
Balance at December 31, 2013	14,381	142	496	400	15,419
Addition	57	8	27	–	92
Capitalized borrowing costs	–	–	2	–	2
Write-offs	(82)	–	(11)	–	(93)
Transfers	2	2	–	–	4
Amortization	(10)	(10)	(29)	–	(49)
Impairment reversal (***)	6	–	–	–	6
Cumulative translation adjustment	487	3	17	10	517
Balance at March 31, 2014	14,841	145	502	410	15,898
Cost	15,272	646	1,513	410	17,841
Accumulated amortization	(431)	(501)	(1,011)	–	(1,943)
Balance at March 31, 2014	14,841	145	502	410	15,898
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 US\$ 22,134, 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 March 31, 2014, the Company’s intangible assets include US\$ 10,791 (US\$ 10,424 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 our consolidated financial statements for the period ended December 31, 2013.

Petrobras, the Federal Government (assignor) and the 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 lara, 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 upon certain conditions having been met.

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.

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 in the terms of 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.

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

Notes to the financial statements

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

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 one 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:

<b>Capitalized Exploratory Well Costs / Capitalized Acquisition Costs (*)</b>	<b>03.31.2014</b>	<b>12.31.2013</b>
Property plant and equipment		
Opening Balance	8,802	10,649
Additions to capitalized costs pending determination of proved reserves	1,167	4,981
Capitalized exploratory costs charged to expense	(311)	(1,251)
Transfers upon recognition of proved reserves	(235)	(4,174)
Cumulative translation adjustment	329	(1,403)
Closing Balance	9,752	8,802
Intangible Assets (**)	14,300	13,880
Capitalized Exploratory Well Costs / Capitalized Acquisition Costs	24,052	22,682

(\*) 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:

<b>Exploration costs recognized in profit or loss</b>	<b>Jan-Mar/2014</b>	<b>Jan-Mar/2013</b>
Geological and Geophysical Expenses	179	321
Exploration expenditures written off (incl.dry wells and signature bonuses)	447	304
Other exploration expenses	20	17
Total expenses	646	642
<b>Cash used in activities</b>	<b>Jan-Mar/2014</b>	<b>Jan-Mar/2013</b>
Operating activities	198	383
Investment activities	1,229	1,564
Total cash used	1,427	1,947

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***14. Trade payables**

	<b>03.31.2014</b>	<b>12.31.2013</b>
Current Liabilities		
Third parties		
In Brazil	5,403	5,346
Abroad	5,676	6,061
Related parties (note 17)	810	512
	11,889	11,919

**15. Finance debt**

	<b>Export</b>				<b>Total</b>
	<b>Credit</b>	<b>Banking</b>	<b>Capital</b>	<b>Others</b>	
<b>Non-current</b>	<b>Agencies</b>	<b>Market</b>	<b>Market</b>	<b>Others</b>	<b>Total</b>
In Brazil					
Opening balance at January 1 , 2013	–	30,977	1,255	64	32,296
Additions (new funding obtained)	–	10,463	237	–	10,700
Interest incurred during the period	–	86	16	3	105
Foreign exchange/inflation indexation charges	–	1,510	54	2	1,566
Transfer from long term to short Term	–	(9,894)	(181)	(13)	(10,088)
Transfer to liabilities associated with assets classified as held for sale	–	(14)	–	–	(14)
Cumulative translation adjustment (CTA)	–	(4,128)	(170)	(7)	(4,305)
Balance at December 31, 2013	–	29,000	1,211	49	30,260
Abroad					
Opening balance at January 1 , 2013	5,045	19,484	31,031	629	56,189

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Additions (new funding obtained)	1,557	9,178	10,990	87	21,812
Interest incurred during the period	1	14	36	8	59
Foreign exchange/inflation indexation charges	159	893	280	30	1,362
Transfer from long term to short Term	(671)	(1,310)	(418)	(42)	(2,441)
Transfer to liabilities associated with assets classified as held for sale	—	(393)	—	—	(393)
Cumulative translation adjustment (CTA)	(286)	(958)	653	(22)	(613)
Balance at December 31, 2013	5,805	26,908	42,572	690	75,975
Total Balance at December 31, 2013	5,805	55,908	43,783	739	106,235
<b>Non-current</b>					
In Brazil					
Opening balance at January 1 , 2014	—	29,000	1,211	49	30,260
Additions (new funding obtained)	—	2,955	—	—	2,955
Interest incurred during the period	—	30	11	—	41
Foreign exchange/inflation indexation charges	—	(293)	15	1	(277)
Transfer from long term to short Term	—	(448)	(41)	(5)	(494)
Cumulative translation adjustment (CTA)	—	1,119	41	1	1,161
Balance at March 31, 2014	—	32,363	1,237	46	33,646
Abroad					
Opening balance at January 1 , 2014	5,805	26,908	42,572	690	75,975
Additions (new funding obtained)	283	4,337	13,766	—	18,386
Interest incurred during the period	1	5	13	2	21
Foreign exchange/inflation indexation charges	(51)	(240)	78	(6)	(219)
Transfer from long term to short Term	(302)	(161)	(1,260)	(15)	(1,738)
Cumulative translation adjustment (CTA)	44	210	109	6	369
Balance at March 31, 2014	5,780	31,059	55,278	677	92,794
Total Balance at March 31, 2014	5,780	63,422	56,515	723	126,440

**Current debt**

Short-term debt  
Current portion of long-term debt

**31.03.2014 31.12.2013**

3,665 3,654  
4,822 3,118

Accrued interest	1,148	1,229
	9,635	8,001

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Notes to the financial statements

*(Expressed in millions of US Dollars, 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.

<b>Maturity in</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019 and afterwards</b>	<b>Total (*)</b>	<b>Fair value</b>
Financing in Brazilian Reais (BRL):	1,256	1,496	3,195	2,579	2,743	15,482	26,751	23,989
Floating rate debt	823	705	2,716	1,958	2,175	12,131	20,508	
Fixed rate debt	433	791	479	621	568	3,351	6,243	
Average interest rate	7.4%	7.7%	9.6%	8.9%	9.1%	9.3%	9.1%	
Financing in U.S.Dollars (USD):	5,501	5,171	9,027	8,751	11,251	45,860	85,561	85,265
Floating rate debt	4,998	3,882	4,302	3,650	8,856	18,054	43,742	
Fixed rate debt	503	1,289	4,725	5,101	2,395	27,806	41,819	
Average interest rate	2.4%	3.4%	3.1%	2.8%	3.1%	4.3%	3.7%	
Financing in Brazilian Reais indexed to U.S. Dollars:	93	113	386	696	696	6,811	8,795	9,557
Floating rate debt	–	–	–	–	–	6	6	
Fixed rate debt	93	113	386	696	696	6,805	8,789	
Average interest rate	4.9%	5.8%	6.1%	6.2%	6.2%	6.2%	6.2%	
Financing in Pound Sterling (£):	–	–	–	–	–	2,916	2,916	2,817
Floating rate debt	–	–	–	–	–	–	–	
Fixed rate debt	–	–	–	–	–	2,916	2,916	
Average interest rate	–	–	–	–	–	6.2%	6.2%	
Financing in Japanese Yen (¥):	583	111	455	111	100	–	1,360	1,349
Floating rate debt	110	101	100	100	100	–	511	
Fixed rate debt	473	10	355	11	–	–	849	
Average interest rate	0.9%	0.8%	1.8%	0.8%	0.7%	0.0%	1.2%	
Financing in Euro (€):	4	3	1	1	3,785	6,882	10,676	10,872
Floating rate debt	–	–	–	–	–	208	208	
Fixed rate debt	4	3	1	1	3,785	6,674	10,468	
Average interest rate	7.0%	7.2%	14.5%	14.5%	3.7%	4.2%	4.0%	
Financing in other currencies:	11	2	3	–	–	–	16	15
Floating rate debt	–	–	–	–	–	–	–	
Fixed rate debt	11	2	3	–	–	–	16	

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Average interest rate	13.6%	15.3%	15.3%	–	–	–	14.1%
Total as of March 31, 2014	7,448	6,896	13,067	12,138	18,575	77,951	136,075 133,864
Total Average interest rate	3.2%	4.4%	4.7%	4.3%	4.2%	5.5%	5.0%
Total as of December 31, 2013	8,001	7,266	12,692	8,679	16,051	61,547	114,236 115,238

\* The average maturity of outstanding debt at March 31, 2014 is 6.5 years.



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*(Expressed in millions of US Dollars, 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 4.64% p.a. in the first quarter of 2014 (3.81% p.a. in the first quarter of 2013).

**15.3. Funding – Outstanding balance****a) Abroad**

<b>Company</b>	<b>Amount in US\$ million</b>		
	<b>Available (Line of Credit)</b>	<b>Used</b>	<b>Balance</b>
PGT	1,000	500	500
Petrobras	2,500	530	1,970

**b) In Brazil**

<b>Company</b>	<b>Available (Line of Credit)</b>		
	<b>Available (Line of Credit)</b>	<b>Used</b>	<b>Balance</b>
Transpetro (*)	4,422	929	3,493
Petrobras	6,269	5,195	1,074
PNBV	4,365	47	4,318
Liquigas	49	44	5

(\*)Purchase and sale agreements for 49 vessels and 20 convoys were signed with six Brazilian shipyards in the amount of US\$ 5,017.

**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, such as certain credit lines from the BNDES, which are collateralized by real assets. Certain

subsidiaries issue securities fully and unconditionally guaranteed by Petrobras, as set out in note 33.

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

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Notes to the financial statements

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

	<b>Minimum receipts</b>	<b>Minimum payments</b>
2014	147	19
2015 - 2018	707	93
2019 and thereafter	1,817	284
Estimated lease receipts/payments	2,671	396
Less Interest expense (annual)	(1,152)	(304)
Present value of the lease receipts/payments	1,519	92
2014	83	5
2015 - 2018	402	46
2019 and thereafter	1,034	41
Present value of the lease receipts/payments	1,519	92
Current	59	18
Non-current	1,460	74
As of March 31, 2014	1,519	92
Current	58	16
Non-current	1,463	73
As of December 31, 2013	1,521	89

**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.

2014	12,844
2015 - 2018	26,581
2019 and thereafter	13,925
At March 31, 2014	53,350
As of December 31, 2013	52,091

In the first quarter of 2014 the Company paid US\$ 2,701 (US\$ 2,563 in the first quarter of 2013) for operating lease installments, recognized as a period expense.

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Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***17. Related parties**

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 March 31, 2014 and December 31, 2013, no losses were recognized on the statement of financial position for related party accounts receivable.

**17.1. Transactions with joint ventures, associates, government entities and pension funds**

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

	<b>Jan-Mar/2014</b>		<b>03.31.2014</b>		<b>Jan-Mar/2013</b>		<b>12.31.2013</b>	
	<b>Profit or Loss</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Profit or Loss</b>	<b>Assets</b>	<b>Liabilities</b>		
<b>Joint ventures and associates</b>								
State-controlled								
Gas distributors	1,056	573	256	1,069	424	209		
Petrochemical companies	1,987	121	131	2,261	94	120		
Other associates and joint ventures	393	177	405	224	140	193		
	3,436	871	792	3,554	658	522		
<b>Government entities</b>								
Government bonds	171	9,693	–	260	6,247	–		
Banks controlled by the Federal Government	(692)	2,969	31,862	(571)	2,801	29,791		
Receivables from the Electricity sector (Note 17.2)	196	2,700	–	198	2,156	–		
	–	370	–	–	357	–		

Petroleum and alcohol account - Receivables from Federal government (Note 17.3)						
Federal Government - Dividends and Interest on Capital	(20)	–	883	(10)	–	834
Others	14	284	289	19	209	334
	(331)	16,016	33,034	(104)	11,770	30,959
Pension plans	–	–	91	–	–	156
	3,105	16,887	33,917	3,450	12,428	31,637

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

	<b>Jan-Mar/2014 03.31.2014</b>		<b>Jan-Mar/2013 12.31.2013</b>		
	<b>Profit or Loss</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Profit or Loss</b>	<b>Assets</b>
					<b>Liabilities</b>
Revenues (mainly sales revenues)	3,654			3,775	
Foreign exchange and inflation indexation charges, net	(272)			(249)	
Finance income (expenses), net	(277)			(76)	
Current		11,460			7,622
Non-current		5,427			4,806
Current			4,049		3,568
Non-Current			29,868		28,069
	3,105	16,887	33,917	3,450	12,428
					31,637

## 17.2. Receivables from the electricity sector

As of March 31, 2014, the Company had US\$ 2,700 of receivables from the Brazilian electricity sector (US\$ 2,156 as of December, 31, 2013), of which US\$ 2,151 were classified to

non-current assets.

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.

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Notes to the financial statements

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

In March 2013 a private instrument of debt acknowledgement was signed by AME, with Eletrobras as a guarantor. The amount of US\$ 422 will be paid in 60 successive monthly installments of US\$ 7, indexed to the SELIC interest rate.

**17.3. Petroleum and Alcohol accounts - Receivables from Federal Government**

As of March 31, 2014, the balance of receivables related to the Petroleum and Alcohol accounts was US\$ 370 (US\$ 357 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.

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.

**17.4. Compensation of employees and officers**

Petrobras' key management compensation is set out following:

	<b>Jan-Mar/2014</b>			<b>Jan-Mar/2013</b>		
	<b>Officers</b>	<b>Board</b>	<b>Total</b>	<b>Officers</b>	<b>Board</b>	<b>Total</b>
Short-term compensation	1.5	0.1	1.6	1.5	0.2	1.7
Long-term compensation (post-retirement benefits)	0.1	–	0.1	–	–	0
Total compensation	1.6	0.1	1.7	1.5	0.2	1.7
Number of members	7	10	17	7	10	17

In the first quarter of 2014 the compensation of board members and officers for the consolidated Petrobras group amounted to US\$ 6.5 (US\$ 7.2 in the first quarter of 2013).

**18. Provision for decommissioning costs**



<b>Non-current liabilities</b>	<b>03.31.2014</b>	<b>12.31.2013</b>
Opening balance	7,133	9,441
Revision of provision	(2)	(902)
Payments made	(105)	(506)
Interest accrued	52	199
Others (*)	(19)	59
Cumulative translation adjustment	248	(1,158)
Closing balance	7,307	7,133

(\*) Includes amounts related to 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 US Dollars, unless otherwise indicated)***19. Taxes****19.1. Income taxes**

	<b>03.31.2014</b>	<b>12.31.2013</b>
<b>Current assets</b>		
Taxes In Brazil	1,050	951
Taxes Abroad	98	109
	1,148	1,060
<b>Current liabilities</b>		
Taxes In Brazil	246	158
Taxes Abroad	79	123
	325	281

**19.2. Other taxes**

	<b>03.31.2014</b>	<b>12.31.2013</b>
<b>Current assets</b>		
Taxes In Brazil:		
ICMS (VAT)	1,598	1,623
PIS/COFINS (Taxes on Revenues)	2,171	2,069
CIDE	18	20
Others	153	151
	3,940	3,863
Taxes Abroad	42	48
	3,982	3,911
<b>Non-current assets</b>		
Taxes In Brazil:		
Deferred ICMS (VAT)	958	879
Deferred PIS and COFINS (Taxes on Revenues)	4,563	4,197
Others	295	292
	5,816	5,368
Taxes Abroad	9	12
	5,825	5,380
<b>Current liabilities</b>		
Taxes In Brazil:		
ICMS (VAT)	1,184	1,164

PIS/COFINS (Taxes on Revenues)	198	230
CIDE	14	16
Production Taxes	2,414	2,432
Withholding income taxes	151	256
Others	343	350
	4,304	4,448
Taxes abroad	156	221
	4,460	4,669

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Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***19.3. Deferred income taxes - non-current**

Income taxes in Brazil comprise corporate income tax (IRPJ) and social contribution on net income (CSLL). Brazilian statutory corporate tax rates are 25% and 9%, respectively. The changes in the deferred income taxes are presented as follows:

**a) Changes in deferred income taxes**

	<b>Property, Plant &amp; Equipment</b>		<b>Loans, trade and other receivables</b>		<b>Provision for</b>		<b>Interest</b>	
	<b>Oil and gas exploration costs</b>	<b>Others</b>	<b>/ payables and financing</b>	<b>Finance leases</b>	<b>legal proceedings</b>	<b>Tax losses</b>	<b>Inventories capital</b>	
Balance at January 1, 2013	(12,677)	(3,111)	561	(588)	346	1,109	467	1,050
Recognized in profit or loss for the year	(2,567)	(1,487)	330	(53)	133	3,481	177	351
Recognized in shareholders' equity	–	–	1,407	53	–	71	–	–
Cumulative translation adjustment	1,842	427	(221)	72	(63)	(330)	(77)	(50)
Others	(4)	165	(93)	(2)	(7)	480	8	(8)
Balance at December 31, 2013	(13,406)	(4,006)	1,984	(518)	409	4,811	575	1,343
Recognized in profit or loss for the period	(579)	(298)	(324)	(77)	36	(177)	(49)	8
Recognized in	–	–	(487)	(41)	–	(48)	–	–

shareholders' equity Cumulative translation adjustment	(497)	(156)	44	(23)	14	139	17	47
Others	—	(15)	19	—	—	(6)	(3)	—
Balance at March 31, 2014	(14,482)	(4,475)	1,236	(659)	459	4,719	540	1,398
Deferred tax assets								
Deferred tax liabilities								
Balance at December 31, 2013								
Deferred tax assets								
Deferred tax liabilities								
Balance at March 31, 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 US Dollars, 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>Jan-Mar/2014</b>	<b>Jan-Mar/2013</b>
Income before income taxes	3,209	5,709
Income taxes computed based on Brazilian Statutory Corporate Tax Rates (34%)	(1,091)	(1,941)
Adjustments between Income Taxes based on Statutory Rates and on the Effective Tax Rate:		
· Different jurisdictional tax rates for companies abroad	263	172
· Tax incentives	8	4
· Tax losses	69	(40)
· Non-deductible/(taxable) expenses, net (*)	(70)	(60)
· Tax credits of companies abroad in the exploration stage	(1)	(2)
· Others	59	83
Income taxes expense	(763)	(1,784)
Deferred income taxes	(290)	(1,063)
Current income taxes	(473)	(721)
Effective Tax Rate	23.8%	31.2%

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



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

Notes to the financial statements

*(Expressed in millions of US Dollars, 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>Petros Plan</b>		<b>Medical Plan</b>	<b>Other plans</b>	<b>Total</b>
	<b>Petros</b>	<b>Petros 2</b>	<b>A M S</b>		
Balance at December 31, 2012	11,141	547	8,390	146	20,224
(+) Effect of remeasurement recognized in OCI	(5,733)	(600)	(910)	(5)	(7,248)
(+) Costs incurred in the year	1,396	218	927	25	2,566
(-) Contributions paid	(255)	–	(364)	(24)	(643)
(-) Payments related to the Term of Financial Commitment (TFC)	(153)	–	–	–	(153)
Others	–	–	–	(13)	(13)
Cumulative translation adjustment	(1,054)	(44)	(1,044)	(18)	(2,160)
Balance at December 31, 2013	5,342	121	6,999	111	12,573
Current	456	–	357	3	816
Non-Current	4,886	121	6,642	108	11,757
	5,342	121	6,999	111	12,573
(+) Costs incurred in the period	173	12	250	5	440
(-) Contributions paid	(57)	–	(85)	(2)	(144)
Others	–	–	–	(9)	(9)
Cumulative translation adjustment	193	5	254	3	455
Balance at March 31, 2014	5,651	138	7,418	108	13,315
Current	514	–	369	4	887
Non-Current	5,137	138	7,049	104	12,428



5,651	138	7,418	108	13,315
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Pension and medical benefit expenses recognized in profit or loss are set out following:

	<b>Pension Plan</b>		<b>Medical plan</b>		<b>Total</b>
	<b>Petros</b>	<b>Petros 2</b>	<b>AMS</b>	<b>Other Plans</b>	
Current service cost	12	8	32	3	55
Interest cost over net liabilities / (assets)	161	4	218	2	385
Net costs for the period Jan-Mar/2014	173	12	250	5	440
Related to active employees:					
Included in the cost of sales	57	6	58	1	122
Operating expenses in profit or loss	32	6	42	4	84
Related to retired employees	84	—	150	—	234
Net costs for the period Jan-Mar/2014	173	12	250	5	440
Net costs for the period Jan-Mar/2013	373	73	252	5	703

At March 31, 2014, the Company had crude oil and oil products of US\$ 3,279 pledged as security for the Terms of Financial Commitment (TFC), signed by Petrobras and Petros in 2008.

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

Notes to the financial statements

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

In the first quarter of 2014 the Company's contribution to the defined contribution portion of the Petros Plan 2 was US\$ 83.

### **20.1. Profit sharing**

Profit sharing benefit complies 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 to a new profit sharing regulation, concluding negotiations started during 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 benefit for the year ended December 31, 2013, which was paid on May 2, 2014, resulting in an additional profit sharing expense of US\$ 164, recognized in other operating expenses.

The consolidated result of the corporate indicators was 100.85% for 2013, resulting in a 6.25% distribution percentage (which was applied to the amounts in *reais*).

For the first quarter of 2014 the consolidated result of the corporate indicators was 99.43%, resulting in a 6.1875% distribution percentage (which was applied to the amounts in *reais*). A profit sharing expense of US\$ 142 was recognized in profit or loss.

The corporate indicators include limit levels to 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, 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 finished 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 that such employees were engaged.

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

The plan determines two types of separation incentives: fixed additional payments of ten month-wages, limited to a floor of US\$ 80 thousand and a cap of US\$ 265 thousand; variable additional payments between 15% and 25% of a month-wage for every month worked after the seventh working month, to the date of separation.

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On March 31, 2014 the Company recognized as other operating expenses in profit or loss a provision for the expected payments in the amount of US\$ 1,014, with a current liability of US\$ 575 and a noncurrent liability of US\$ 484 recognized in the statement of financial position and a cumulative translation adjustment effect of US\$ 45 recognized in other comprehensive income in the shareholders' equity.

The amounts are subject to changes resulting from withdrawal of employees, Collective Bargaining Agreements, which might increase wages before separation, inflation-indexation of the floor and the cap based on the Brazilian Consumer Price Index (IPCA), as well variable additional incentives earned by employees.

### **21. Shareholders' equity**

#### **21.1. Share capital**

At March 31, 2014, subscribed and fully paid share capital was US\$ 107,371, 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 a capital increase through capitalization of a portion of the profit reserve relating to tax incentives, established in 2013 in the amount of US\$ 9. Share capital will increase from US\$ 107,371, to US\$ 107.380.

#### **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 US\$ 3,970, which corresponds to US\$ 0.2227 per common shares and US\$ 0.4129 per preferred share (translated at the closing date exchange rate for 2013). These dividends were paid on April 25, 2014 and the record date was April 2, 2014. Amounts paid were restated and indexed based on the SELIC rate from December 31, 2013 to the date of payment.

#### **21.3. Earnings per Share**

**Jan-Mar/2014**  
2,280

**Jan-Mar/2013**  
3,854

Net income attributable to Shareholders of Petrobras

Weighted average number of common and preferred shares outstanding	13,044,496,930	13,044,496,930
Basic and diluted earnings per common and preferred share (US\$ per share)	0.17	0.30

## 22. Sales revenues

	<b>Jan-Mar/2014</b>	<b>Jan-Mar/2013</b>
Gross sales	41,627	44,336
Sales taxes	(7,133)	(7,991)
Sales revenues (*)	34,494	36,345
Domestic Market	26,394	27,463
Exports	3,480	4,022
International Sales (**)	4,620	4,860

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

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

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***23. Other operating expenses, net**

	<b>Jan-Mar 2014</b>	<b>Jan-Mar 2013</b>
Expenditures on Voluntary Separation Incentive Plan - PIDV	(1,014)	–
Unscheduled stoppages and pre-operating expenses	(225)	(153)
Pension and medical benefits - inactive employees	(234)	(250)
Institutional relations and cultural projects	(194)	(151)
Inventory write-down to net realizable value	(123)	(74)
Legal, administrative and arbitration proceedings	(161)	(262)
Expenditures on health, safety and environment	(35)	(70)
Impairment	6	–
Expenditures/reimbursements from operations in E&P partnerships	72	42
Government Grants	30	22
Gains / (losses) on disposal/write-offs of assets	247	15
Others *	(124)	54
	<b>(1,755)</b>	<b>(827)</b>

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

**24. Expenses by nature**

	<b>Jan-Mar/2014</b>	<b>Jan-Mar/2013</b>
Raw material / products for resale	(15,492)	(15,659)
Production taxes	(3,588)	(3,657)
Employee Compensation	(3,862)	(3,151)
Depreciation, depletion and amortization	(3,013)	(3,198)
Changes in inventories	828	1,039
Materials, Freight, rent, third-party services and other related costs	(5,236)	(5,673)
Exploration expenditures written off (inc. dry wells and signature bonuses)	(447)	(304)
Other taxes	(138)	(112)
Legal, administrative and arbitration proceedings	(161)	(262)
Institutional relations and cultural projects	(194)	(151)
	<b>(225)</b>	<b>(153)</b>

Unscheduled stoppages and pre-operating expenses		
Expenditures on health, safety and environment	(35)	(70)
Inventory write-down to net realizable value (market value)	(123)	(74)
Impairment	6	—
Gains / (losses) on disposal/write-offs of assets	247	15
	(31,433)	(31,410)
Cost of sales	(26,265)	(26,897)
Selling expenses	(1,154)	(1,150)
General and Administrative expenses	(1,083)	(1,238)
Exploration costs	(646)	(642)
Research and development expenses	(250)	(337)
Other taxes	(138)	(112)
Other operating expenses, net	(1,755)	(827)
Profit sharing	(142)	(207)
	(31,433)	(31,410)

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***25. Net finance income (expense)**

	<b>Jan-Mar/2014</b>	<b>Jan-Mar/2013</b>
Foreign exchange and inflation indexation charges on net debt (*)	107	887
Debt interest and charges	(1,540)	(1,268)
Income from investments and marketable securities	264	247
Financial result on net debt	(1,169)	(134)
Capitalized borrowing costs	946	837
Gains (losses) on derivatives	7	(35)
Interest income from marketable securities	14	54
Other finance expense and income, net	(41)	51
Other exchange and indexation charges, net	170	(77)
Finance income (expenses), net	(73)	696
Income	441	487
Expenses	(782)	(601)
Foreign exchange and inflation indexation charges, net	268	810

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

**26. Supplemental information on statement of cash flows**

	<b>Jan-Mar/2014</b>	<b>Jan-Mar/2013</b>
Amounts paid/received during the period		
Income taxes paid	193	283
Withholding income tax paid for third-parties	432	400
Investing and financing transactions not involving cash		
Purchase of property, plant and equipment on credit	3	1
Amounts related to the recognition (reversal) of a provision for decommissioning costs	5	–





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Notes to the financial statements

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

**27. Segment Information**

**Consolidated assets by Business Area - 03.31.2014**

	<b>Exploration</b>	<b>Refining,</b>	<b>Gas</b>						
	<b>and</b>	<b>Transportation &amp;</b>							
	<b>Production &amp; Marketing</b>	<b>Power</b>	<b>Biofuels</b>	<b>Distribution</b>	<b>International</b>	<b>Corporate</b>	<b>ELI</b>		
Current assets	6,435	19,993	5,244	85	2,182	4,967	37,409	(5,000)	
Non-current assets	154,907	77,975	25,411	11,150	5,475	12,798	17,603	(1,000)	
Long-term receivables	6,738	4,599	1,909	3	2,682	2,027	13,692	(1,000)	
Investments	103	2,491	840	919	7	2,444	98	—	
Property, plant and equipment	133,864	70,740	22,291	228	2,486	7,772	3,488	(7,000)	
Operating assets									