

PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
February 26, 2014

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

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

For the month of February, 2014

Commission File Number 1-15106

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

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

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

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

Form 20-F 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

Petróleo Brasileiro S.A. – Petrobras

Financial Statements

December 31, 2013 and 2012

(A free translation of the original in Portuguese)

Petróleo Brasileiro S.A. – Petrobras

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Report of Independent Registered Public Accounting Firm

Independent auditor's report

To the Board of Directors and Shareholders

Petróleo Brasileiro S.A. - Petrobras

We have audited the accompanying financial statements of Petróleo Brasileiro S.A. Petrobras ("Company" or "Petrobras"), which comprise the balance sheet as of December 31, 2013 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We have also audited the accompanying consolidated financial statements of Petróleo Brasileiro S.A. - Petrobras and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as of December 31, 2013 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with accounting practices adopted in Brazil, and for the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the parent company financial statements

In our opinion, the parent company financial statements referred to above present fairly, in all material respects, the financial position of Petróleo Brasileiro S.A. - Petrobras as of December 31, 2013, and its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the Consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Petróleo Brasileiro S.A. - Petrobras and its subsidiaries as of December 31, 2013, and their financial performance and their cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

Emphasis of matter

As discussed in note 2 to these financial statements, the parent company financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Petróleo Brasileiro S.A. - Petrobras, these practices differ from IFRS applicable to separate financial statements only in relation to the measurement of investments in subsidiaries, associates and jointly-controlled entities based on equity accounting, while IFRS requires measurement based on cost or fair value, and the maintenance of the balances of deferred charges existing as at December 31, 2008, which are being amortized. Our opinion is not qualified in respect of this matter.

Other matters

Prior period financial statements audited by another audit firm

The accompanying financial statements mentioned in the first paragraph includes accounting information presented in the individual and consolidated balance sheet as of December 31, 2011 which were obtained from previously issued financial statements originally prepared prior to the adjustments described in Note 2.3., which were made as a result of the adoption of CPC 33 (R1) - Employee Benefits and IAS 19 (revised) - Employee Benefits. The examination of the financial statements for the year ended December 31, 2011, as originally prepared, was conducted by another independent firm who issued an unqualified audit report dated February 9, 2012. As part of our audit of the accompanying financial statements for the year ended December 31, 2013, we have audited the adjustments made in the balance sheet at December 31, 2011, as presented in the opening balance for January 1, 2012. Based on this audit, nothing came to our attention that such adjustments are not appropriate or were not properly recorded in all material respects. We were not engaged to audit, review or apply any other procedures on the balance sheet as of December 31, 2011 and, therefore, express no opinion or any form of assurance on these prior year financial statements.

Statements of added value

We have also audited the parent company and consolidated statements of value added for the year ended December 31, 2013, the presentation of which is required by Brazilian Corporation Law for public companies, which are the responsibility of the Company's management, considered as supplementary information by IFRS, which does not require the presentation of the statements of value added and social balance. These statements were submitted to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Rio de Janeiro, February 25, 2014

/s/ PricewaterhouseCoopers

Auditores Independentes

CRC 2SP000160/O-5 "F" RJ

/s/ Marcos Donizete Panassol

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

Petróleo Brasileiro S.A. – Petrobras

Statement of Financial Position

December 31, 2013 and 2012 and January 1, 2012 (In R\$ million, unless otherwise indicated)

| | | Consolidated | | Parent Company | | | | Consolidated | | Parent | | | |
|----------------------------------------------------------|------|--------------|---------|----------------|----------|--------|--------|--------------|------|--------|--------|----------|--------|
| | | Note | 2013 | 2012 | 01.01.12 | 2013 | 2012 | 01.01.12 | Note | 2013 | 2012 | 01.01.12 | 2013 |
| Assets | | | | (*) | (*) | | | | | | | | |
| Current assets | | | | | | | | | | | | | |
| Cash and cash equivalents | 6 | | 37,172 | 27,628 | 35,747 | 7,917 | 17,393 | 18,858 | 16 | 27,922 | 24,775 | 22,252 | 25,96 |
| Marketable securities | 7 | | 9,101 | 21,316 | 16,808 | 22,752 | 23,379 | 23,625 | 17 | 18,744 | 15,283 | 18,884 | 46,62 |
| Trade and other receivables, net | 8.1 | | 22,652 | 22,681 | 22,053 | 16,301 | 17,374 | 21,068 | 18.1 | 38 | 37 | 82 | 1,78 |
| Inventories | 9 | | 33,324 | 29,736 | 28,447 | 27,476 | 24,908 | 22,434 | 21.1 | 659 | 704 | 494 | - |
| Recoverable income taxes | 21.1 | | 2,484 | 2,989 | 3,786 | 1,468 | 1,831 | 2,212 | 21.2 | 10,938 | 11,818 | 10,475 | 9,73 |
| Other recoverable taxes | 21.2 | | 9,162 | 8,398 | 9,060 | 7,813 | 7,005 | 7,160 | 24.5 | 9,301 | 6,154 | 3,878 | 9,30 |
| Advances to suppliers | | | 1,600 | 1,895 | 1,389 | 1,407 | 1,682 | 1,040 | | 4,806 | 4,420 | 4,742 | 4,12 |
| Other current assets | | | 2,218 | 3,168 | 3,874 | 1,565 | 2,341 | 1,647 | 22 | 1,912 | 1,610 | 1,427 | 1,82 |
| | | | 117,713 | 117,811 | 121,164 | 86,699 | 95,913 | 98,044 | | 5,691 | 4,820 | 5,978 | 2,69 |
| Assets classified as held for sale | 10.3 | | 5,638 | 290 | - | 781 | 290 | - | | 80,011 | 69,621 | 68,212 | 102,04 |
| | | | 123,351 | 118,101 | 121,164 | 87,480 | 96,203 | 98,044 | 10.3 | 2,514 | - | - | - |
| | | | 82,525 | 69,621 | 68,212 | 102,04 | | | | 82,525 | 69,621 | 68,212 | 102,04 |
| Liabilities | | | | | | | | | | | | | |
| Current liabilities | | | | | | | | | | | | | |
| Trade payables | | | | | | | | | | | | | |
| Current debt | | | | | | | | | | | | | |
| Finance lease obligations | | | | | | | | | | | | | |
| Income taxes payable | | | | | | | | | | | | | |
| Other taxes payable | | | | | | | | | | | | | |
| Dividends payable | | | | | | | | | | | | | |
| Payroll, profit sharing and related charges | | | | | | | | | | | | | |
| Pension and medical benefits | | | | | | | | | | | | | |
| Others | | | | | | | | | | | | | |
| Liabilities on assets classified as held for sale | 10.3 | | 2,514 | - | - | - | - | - | 10.3 | 2,514 | - | - | - |

| Non-current assets | | | | | | | | Non-current liabilities | | | | | | |
|----------------------------------|------|---------|---------|---------|---------|---------|---------|-----------------------------------------------|------|---------|----------|---------|---------|--|
| Long-term receivables | | | | | | | | Non-current debt | 17 | 248,867 | 180,818 | 136,405 | 105,73 | |
| Trade and other receivables, net | 8.1 | 10,616 | 9,075 | 6,103 | 4,453 | 8,646 | 12,843 | Finance lease obligations | 18.1 | 171 | 176 | 183 | 5,95 | |
| Marketable securities | 7 | 307 | 359 | 5,747 | 257 | 288 | 5,219 | Deferred income taxes | 21.3 | 23,206 | 24,472 | 23,555 | 24,25 | |
| Judicial deposits | 31.2 | 5,866 | 5,510 | 3,902 | 4,826 | 4,676 | 3,410 | Pension and medical benefits | 22 | 27,541 | 39,716 | 28,243 | 26,07 | |
| Deferred income taxes | 21.3 | 2,647 | 2,608 | 1,475 | | | | Provisions for legal proceedings | 31.1 | 2,918 | 2,585 | 2,041 | 2,28 | |
| Other tax assets | 21.2 | 12,603 | 10,673 | 9,214 | 10,899 | 7,449 | 6,334 | Provision for decommissioning costs | 20 | 16,709 | 19,292 | 8,839 | 15,32 | |
| Advances to suppliers | | 7,566 | 6,449 | 5,892 | 2,172 | 2,061 | 1,011 | Others | | 1,696 | 1,577 | 2,310 | 3,35 | |
| Others | | 4,395 | 3,857 | 3,234 | 3,723 | 3,186 | 2,322 | | | 321,108 | 268,636 | 201,576 | 182,98 | |
| | | 44,000 | 38,531 | 35,567 | 26,330 | 26,306 | 31,139 | | | 403,633 | 338,257 | 269,788 | 285,03 | |
| | | | | | | | | Shareholders' equity | 24 | | | | | |
| Investments | 11 | 15,615 | 12,477 | 12,248 | 83,497 | 77,705 | 56,631 | Share capital | 24.1 | 205,411 | 205,392 | 205,380 | 205,41 | |
| Property, plant and equipment | 12 | 533,880 | 418,716 | 343,117 | 402,567 | 279,824 | 227,479 | Additional paid in capital | 24.2 | 737 | 630 | 563 | 1,04 | |
| Intangible assets | 13 | 36,121 | 81,207 | 81,434 | 33,289 | 77,349 | 77,709 | Profit reserves | 24.3 | 149,036 | 134,775 | 122,470 | 148,92 | |
| Deferred charges | | - | - | - | 10 | 119 | 246 | Accumulated other comprehensive income (loss) | 24.4 | (7,244) | (12,376) | (7,056) | (7,244) | |
| | | 629,616 | 550,931 | 472,366 | 545,693 | 461,303 | 393,204 | Non-controlling interests | | 1,394 | 2,354 | 2,385 | - | |
| | | | | | | | | | | 349,334 | 330,775 | 323,742 | 348,14 | |
| | | 752,967 | 669,032 | 593,530 | 633,173 | 557,506 | 491,248 | | | 752,967 | 669,032 | 593,530 | 633,17 | |

(*) Restated as set out in note 2.3.

The Notes form an integral part of these Financial Statements.

Petróleo Brasileiro S.A. – Petrobras

Statement of Income

December 31, 2013 and 2012 (In R\$ million, unless otherwise indicated)

| | Note | Consolidated | | Parent Company | |
|----------------------------------------------------------------------|-------------|---------------------|-------------|-----------------------|-------------|
| | | 2013 | 2012 | 2013 | 2012 |
| Sales revenues | 25 | 304,890 | 281,379 | 237,405 | 217,346 |
| Cost of sales | | (233,726) | (210,472) | (186,742) | (167,882) |
| Gross profit | | 71,164 | 70,907 | 50,663 | 49,464 |
| Income (expenses) | | | | | |
| Selling expenses | | (10,601) | (9,604) | (12,964) | (11,819) |
| General and administrative expenses | | (10,751) | (9,842) | (7,481) | (6,843) |
| Exploration costs | | (6,445) | (7,871) | (6,056) | (7,131) |
| Research and development expenses | | (2,428) | (2,238) | (2,389) | (2,217) |
| Other taxes | | (1,721) | (760) | (949) | (338) |
| Other operating expenses, net | 26 | (4,854) | (8,195) | (7,118) | (7,245) |
| | | (36,800) | (38,510) | (36,957) | (35,593) |
| Net income before financial results, profit sharing and income taxes | | 34,364 | 32,397 | 13,706 | 13,871 |
| Finance income (expenses), net: | 28 | (6,202) | (3,723) | (2,071) | 1,689 |
| Finance income | | 3,911 | 7,241 | 3,778 | 6,928 |
| Finance expenses | | (5,795) | (3,950) | (2,856) | (957) |
| Foreign exchange and inflation indexation charges | | (4,318) | (7,014) | (2,993) | (4,282) |
| Share of profit / gains on interest in equity-accounted investments | | 1,095 | 84 | 14,094 | 8,581 |
| Profit sharing | 23 | (1,102) | (1,005) | (908) | (815) |
| Net income before income taxes | | 28,155 | 27,753 | 24,821 | 23,326 |
| Income tax and social contribution | 21.4 | (5,148) | (6,794) | (1,413) | (2,431) |

| | | | | | |
|-----------------------------------------------|------|--------|--------|--------|--------|
| Net income | | 23,007 | 20,959 | 23,408 | 20,895 |
| Attributable to: | | | | | |
| Shareholders of Petrobras | | 23,570 | 21,182 | 23,408 | 20,895 |
| Non-controlling interests | | (563) | (223) | — | — |
| | | 23,007 | 20,959 | 23,408 | 20,895 |
| Basic and diluted earnings per share (in R\$) | 24.6 | 1.81 | 1.62 | 1.79 | 1.60 |

The Notes form an integral part of these Financial Statements.

Petróleo Brasileiro S.A. – Petrobras

Statement of Comprehensive Income

December 31, 2013 and 2012 (In R\$ million)

| | Consolidated | | Parent Company | |
|---------------------------------------------------------------------|---------------------|-----------------|-----------------------|-----------------|
| | 2013 | 2012 (*) | 2013 | 2012 (*) |
| Net income | 23,007 | 20,959 | 23,408 | 20,895 |
| Items that will not be reclassified to profit or loss: | | | | |
| Actuarial gains / (losses) on defined benefit pension plans | 15,636 | (9,173) | 14,415 | (8,902) |
| Deferred Income tax and social contribution | (4,647) | 2,996 | (4,364) | 2,901 |
| | 10,989 | (6,177) | 10,051 | (6,001) |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Cumulative translation adjustments | 3,103 | 1,016 | – | – |
| Unrealized gains / (losses) on available-for-sale securities | | | | |
| Recognized in shareholders' equity | (1) | 1,016 | (1) | 974 |
| Reclassified to profit or loss | (90) | (1,459) | – | (1,459) |
| Deferred income tax and social contribution | 31 | 148 | – | 164 |
| | (60) | (295) | (1) | (321) |
| Unrealized gains / (losses) on cash flow hedge | | | | |
| Recognized in shareholders' equity | (13,361) | (5) | (12,199) | – |
| Reclassified to profit or loss | 714 | 14 | 624 | – |
| Deferred income tax and social contribution | 4,315 | 1 | 3,199 | – |
| | (8,332) | 10 | (8,376) | – |
| Share of other comprehensive income of equity-accounted investments | (573) | 1 | 3,469 | 1,011 |
| Other comprehensive income | 5,127 | (5,445) | 5,143 | (5,311) |
| Total comprehensive income | 28,134 | 15,514 | 28,551 | 15,584 |

Comprehensive income attributable to:

| | | | | |
|----------------------------|--------|--------|--------|--------|
| Shareholders of Petrobras | 28,712 | 15,872 | 28,551 | 15,584 |
| Non-controlling interests | (578) | (358) | — | — |
| Total comprehensive income | 28,134 | 15,514 | 28,551 | 15,584 |

(*) Restated as set out in note 2.3.

The Notes form an integral part of these Financial Statements.

Petróleo Brasileiro S.A. – Petrobras

Statement of Cash Flows

December 31, 2013 and 2012 (In R\$ million, unless otherwise indicated)

| | Consolidated | | Parent Company | |
|----------------------------------------------------------------------|---------------------|-------------|-----------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Cash flows from Operating activities | | | | |
| Net income attributable to the shareholders of Petrobras | 23,570 | 21,182 | 23,408 | 20,895 |
| Adjustments for: | | | | |
| Non-controlling interests | (563) | (223) | – | – |
| Pension and medical benefits (actuarial expense) | 5,515 | 4,074 | 5,046 | 3,734 |
| Share of profit of equity-accounted investments | (1,095) | (84) | (14,094) | (8,581) |
| Depreciation, depletion and amortization | 28,467 | 21,766 | 21,474 | 15,738 |
| Impairment charges on property, plant and equipment and other assets | 2,508 | 1,747 | 324 | 491 |
| Exploratory expenditures written off | 4,169 | 5,628 | 4,040 | 5,268 |
| Gains / (Losses) on disposal / write-offs of non-current assets | (3,877) | 17 | (131) | 113 |
| Foreign Exchange variation, indexation and finance charges | 7,027 | 8,584 | 4,231 | 2,774 |
| Deferred income taxes, net | 323 | 2,222 | 1,412 | 2,430 |
| Increase (Decrease) in assets | | | | |
| Trade and other receivables, net | (2,693) | (3,068) | (3,737) | 4,480 |
| Inventories | (4,601) | (3,560) | (2,989) | (2,900) |
| Other assets | (432) | (4,051) | (1,121) | (6,059) |
| Increase (Decrease) in liabilities | | | | |
| Trade payables | 2,516 | 2,115 | (2,252) | 2,329 |
| Taxes payable | (3,000) | (307) | (2,489) | (488) |
| Pension and medical benefits | (1,724) | (1,443) | (1,580) | (1,345) |
| Other liabilities | 100 | (454) | 325 | 245 |
| Net cash provided by operating activities | 56,210 | 54,145 | 31,867 | 39,124 |
| Cash flows from Investing activities | | | | |
| Capital expenditures | (97,925) | (80,032) | (70,470) | (53,870) |
| Investments in investees | (429) | (285) | (14,569) | (18,905) |
| Receipts from disposal of assets (divestment) | 8,383 | 569 | 2,643 | 569 |
| Investments in marketable securities | 12,981 | 4,324 | 2,125 | 8,627 |

| | | | | |
|--------------------------------------------------------------------|----------|----------|----------|----------|
| Dividends received | 316 | 485 | 2,978 | 3,200 |
| Net cash provided by / (used in) investing activities | (76,674) | (74,939) | (77,293) | (60,379) |
| Cash flows from financing activities | | | | |
| Acquisition of non-controlling interest | (137) | 520 | — | — |
| Financing and loans, net: | | | | |
| Proceeds from long-term financing | 83,669 | 48,931 | 107,383 | 83,489 |
| Repayment of principal | (39,560) | (22,317) | (62,214) | (54,219) |
| Repayment of interest | (10,933) | (9,298) | (3,443) | (3,293) |
| Dividends paid to shareholders | (5,776) | (6,187) | (5,776) | (6,187) |
| Net cash provided by / (used in) financing activities | 27,263 | 11,649 | 35,950 | 19,790 |
| Effect of exchange rate changes on cash and cash equivalents | 2,745 | 1,026 | — | — |
| Net increase / (decrease) in cash and cash equivalents in the year | 9,544 | (8,119) | (9,476) | (1,465) |
| Cash and cash equivalents at the beginning of the year | 27,628 | 35,747 | 17,393 | 18,858 |
| Cash and cash equivalents at the end of the year | 37,172 | 27,628 | 7,917 | 17,393 |

The Notes form an integral part of these Financial Statements.

Petróleo Brasileiro S.A. – Petrobras

Statement of Changes in Shareholders' Equity

December 31, 2013 and 2012 (In R\$ million, unless otherwise indicated)

| | Share Capital | Additional paid in capital | | Accumulated other comprehensive income | | | Profit reserves | |
|-------------------------------------------|---------------|--------------------------------------------------------------------|------------------------------------|----------------------------------------|---------------------------------------------------|--------------------------------------------|-----------------|-----------|
| | | Incremental costs directly attributable to the issue of new shares | Change in interest in subsidiaries | Cumulative translation adjustment | Actuarial gains (losses) on defined benefit plans | Other comprehensive income and deemed cost | Legal | Statutory |
| Balance at January 1, 2012 (*) | 205,380 | (477) | 1,336 | 927 | (8,328) | 346 | 14,309 | 2,449 |
| Capital increase with reserves | 12 | — | — | — | — | — | — | — |
| Capital increase with issue of new shares | — | — | — | — | — | — | — | — |
| Realization of deemed cost of associates | — | — | — | — | — | (11) | — | — |
| Change in interest in subsidiaries | — | — | 80 | — | — | — | — | — |
| Net income for the year | — | — | — | — | — | — | — | — |
| Other comprehensive income | — | — | — | 1,151 | (6,177) | (285) | — | — |
| Distributions: | | | | | | | | |
| Allocation of net income | — | — | — | — | — | — | 1,045 | 1,027 |
| Dividends | — | — | — | — | — | — | — | — |
| Balance at December 31, 2012 (*) | 205,392 | (477) | 1,416 | 2,078 | (14,505) | 50 | 15,354 | 3,476 |

| | | | | | | | | |
|-------------------------------------------|---------|-------|-------|-------|---------|----------|--------|-------|
| | 205,392 | | 939 | | | (12,377) | | |
| Capital increase with reserves | 19 | — | — | — | — | — | — | — |
| Capital increase with issue of new shares | | | | | | | | |
| Realization of deemed cost of associates | — | — | — | — | — | (10) | — | — |
| Change in interest in subsidiaries | — | — | 109 | — | — | — | — | — |
| Net income for the year | — | — | — | — | — | — | — | — |
| Other comprehensive income | — | — | — | 3,118 | 10,989 | (8,964) | — | — |
| Distributions: | | | | | | | | |
| Allocation of net income | — | — | — | — | — | — | 1,170 | 1,027 |
| Dividends | — | — | — | — | — | — | — | — |
| Balance at December 31, 2013 | 205,411 | (477) | 1,525 | 5,196 | (3,516) | (8,924) | 16,524 | 4,503 |
| | 205,411 | | 1,048 | | | (7,244) | | |

(*) Restated as set out in note 2.3.

The Notes form an integral part of these Financial Statements.

Petróleo Brasileiro S.A. – Petrobras

Statement of Added Value

December 31, 2013 and 2012 (In R\$ million, unless otherwise indicated)

| | Consolidated | | Parent Company | |
|----------------------------------------------------------|---------------------|-------------|-----------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Income | | | | |
| Sales of products, services provided and other revenues | 387,775 | 353,066 | 309,058 | 282,551 |
| Provision for impairment of trade receivables | (157) | (76) | (60) | (10) |
| Revenues related to construction of assets for own use | 91,340 | 73,671 | 68,620 | 55,104 |
| | 478,958 | 426,661 | 377,618 | 337,645 |
| Inputs acquired from third parties | | | | |
| Materials consumed | (129,705) | (114,152) | (98,056) | (88,715) |
| Power, third-party services and other operating expenses | (107,368) | (93,546) | (87,702) | (74,979) |
| Tax credits on inputs acquired from third parties | (23,021) | (21,277) | (21,469) | (19,669) |
| Impairment | (2,508) | (1,747) | (324) | (491) |
| | (262,602) | (230,722) | (207,551) | (183,854) |
| Gross added value | 216,356 | 195,939 | 170,067 | 153,791 |
| Retentions | | | | |
| Depreciation, depletion and amortization | (28,467) | (21,766) | (21,474) | (15,738) |
| Net added value produced by the Company | 187,889 | 174,173 | 148,593 | 138,053 |
| Transferred added value | | | | |
| Share of profit of equity-accounted investments | 1,095 | 84 | 14,094 | 8,581 |
| Finance income - including indexation and foreign | 3,911 | 7,241 | 5,536 | 7,885 |

| | | | | | | | | | |
|-----------------------------------------------|---------|------|---------|------|---------|------|---------|------|--|
| exchange variation charges | | | | | | | | | |
| Rents, royalties and others | 226 | | 291 | | 749 | | 703 | | |
| | 5,232 | | 7,616 | | 20,379 | | 17,169 | | |
| Total added value to be distributed | 193,121 | | 181,789 | | 168,972 | | 155,222 | | |
| Distribution of added value | | | | | | | | | |
| Personnel and officers | | | | | | | | | |
| Direct compensation | | | | | | | | | |
| Salaries | 17,658 | 9% | 15,616 | 9% | 13,422 | 8% | 11,725 | 8% | |
| Profit sharing | 1,102 | 1% | 1,005 | 1% | 908 | 1% | 815 | 1% | |
| | 18,760 | 10% | 16,621 | 10% | 14,330 | 9% | 12,540 | 9% | |
| Benefits | | | | | | | | | |
| Short-term benefits | 1,070 | 0% | 937 | 1% | 702 | 0% | 581 | 0% | |
| Pension plan | 4,107 | 2% | 2,480 | 1% | 3,800 | 2% | 2,315 | 1% | |
| Medical plan | 2,474 | 1% | 2,580 | 1% | 2,258 | 1% | 2,295 | 1% | |
| | 7,651 | 3% | 5,997 | 3% | 6,760 | 3% | 5,191 | 2% | |
| FGTS | 1,139 | 1% | 1,008 | 1% | 1,005 | 1% | 880 | 1% | |
| | 27,550 | 14% | 23,626 | 14% | 22,095 | 13% | 18,611 | 12% | |
| Taxes | | | | | | | | | |
| Federal* | 55,600 | 29% | 58,228 | 32% | 49,795 | 29% | 52,165 | 34% | |
| State | 43,415 | 22% | 39,508 | 22% | 27,320 | 16% | 24,699 | 16% | |
| Municipal | 247 | 0% | 217 | 0% | 104 | 0% | 94 | 0% | |
| Abroad* | 6,796 | 4% | 6,390 | 4% | — | 0% | — | 0% | |
| | 106,058 | 55% | 104,343 | 58% | 77,219 | 45% | 76,958 | 50% | |
| Financial institutions and suppliers | | | | | | | | | |
| Interest, and exchange and indexation charges | 18,613 | 10% | 18,394 | 10% | 14,147 | 8% | 11,575 | 7% | |
| Rental and affreightment expenses | 17,893 | 9% | 14,467 | 6% | 32,103 | 20% | 27,183 | 18% | |
| | 36,506 | 19% | 32,861 | 16% | 46,250 | 28% | 38,758 | 25% | |
| Shareholders | | | | | | | | | |
| Dividends and/or interest on capital | 9,301 | 5% | 8,876 | 5% | 9,301 | 6% | 8,876 | 5% | |
| Non-controlling interests | (563) | 0% | (223) | 0% | — | 0% | — | 0% | |
| Retained earnings | 14,269 | 7% | 12,306 | 7% | 14,107 | 8% | 12,019 | 8% | |
| | 23,007 | 12% | 20,959 | 12% | 23,408 | 14% | 20,895 | 13% | |
| Added value distributed | 193,121 | 100% | 181,789 | 100% | 168,972 | 100% | 155,222 | 100% | |

(*) Includes government holdings.

The Notes form an integral part of these Financial Statements.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

December 31, 2013 and 2012 (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 financial information

The financial statements include:

Consolidated financial statements

- The consolidated financial information has been prepared and is being presented in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in accordance with accounting practices adopted in Brazil.

Individual financial statements

- The individual financial statements have been prepared in accordance with accounting practices adopted in Brazil, observing the provisions contained in the Brazilian Corporation Law, and they incorporate the changes introduced through Law 11,638/07 and Law 11,941/09, complemented by the standards, interpretations and orientations of the Accounting Pronouncements Committee (CPC), approved by resolutions of the Federal Accounting Council (CFC) and by rules of the Brazilian Securities Commission (CVM).

- The standards, interpretations and orientations of the Accounting Pronouncements Committee (CPC), approved by resolutions of the Federal Accounting Council (CFC) and rules of the Brazilian Securities Commission (CVM) converge with the International Accounting Standards issued by the International Accounting Standard Board (IASB). Accordingly, the individual financial statements do not present differences with respect to the consolidated financial statements under IFRS, except for the maintenance of deferred assets, as established in CPC 43 (R1) approved by CVM deliberation 651/10. See note 3.1.1 for a reconciliation between the parent company’s shareholders’ equity and net income with the consolidated financial statements.

The financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets, financial assets and financial liabilities measured at fair value (including derivative financial instruments at fair value through profit or loss), and certain current and non-current assets and liabilities, as detailed in the “summary of significant accounting policies”, set out below.

The annual financial statements were approved and authorized for issue by the Company’s Board of Directors in a meeting held on February 25, 2014.

2.1. Statement of added value

The statements of added value present information related to the value added by the Company (wealth created) and how it has been distributed. These statements are presented as supplementary information under IFRS and were prepared in accordance with CPC 09 – Statement of Added Value approved by CVM Deliberation 557/08.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

2.2. Functional currency

The functional currency of Petrobras and all of its Brazilian subsidiaries is the Brazilian Real. The functional currency of most of the entities that operate in the international economic environment is the U.S. dollar. The functional currency of Petrobras Argentina is the Argentine Peso.

The income statements and statement of cash flows of non-Brazilian Real functional currency subsidiaries, joint ventures and associates in stable economies are translated into Brazilian Real using the monthly average exchange rates prevailing during the year. Assets and liabilities are translated into Brazilian Real at the closing rate at the date of the financial statements and the equity items are translated using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured.

All exchange differences arising from the translation of the financial statements of non-Brazilian Real subsidiaries, joint ventures and associates are recognized as cumulative translation adjustments (CTA) within accumulated other comprehensive income in the shareholders' equity and transferred to profit or loss in the periods when the realization of the investments affects profit or loss.

2.3. Prior period restatements

The financial statements for December 31, 2012 and January 1, 2012 have been restated for comparative purposes, including the following effects:

a) Amendments to IAS 19 – “Employee benefits” (CPC33 – R1)

Effective for annual periods beginning on January 1, 2013, amendments to IAS 19 – “Employee benefits” eliminated the option to defer actuarial gains and losses (corridor approach) and requires net interest to be calculated by applying the discount rate used for measuring the obligation to the net benefit asset or liability.

The impact of such amendment in the consolidated financial statements for the year ended December 31, 2012 an increase in net actuarial liability of R\$ 20,764 (R\$ 11,590 at January 1, 2012), a decrease in deferred tax liabilities of R\$ 6,105 (R\$ 3,108 at January 1, 2012) and a decrease of R\$ 14,659 in the shareholders' equity (R\$ 8,482 at January 1, 2012).

b) Offsetting deferred income taxes

Deferred income tax assets were offset against deferred income tax liabilities by the Company, considering the balance of deferred income taxes of each of the consolidated

subsidiaries. The impact of such change is a decrease of R\$ 8,978 in assets and liabilities (R\$ 6,714 at January 1, 2012).

The effects of such changes, for comparative purposes, are set out below:

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

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

| | 12.31.2012 | | | 01.01.2012 | | | Deferred income and social contribution, net (b) |
|-------------------------------------|------------------|-----------------------------------|--------------------------------------------------|--------------|------------------|-----------------------------------|--------------------------------------------------|
| | As presented (*) | Impact of Amendment to IAS 19 (a) | Deferred income and social contribution, net (b) | Restated (*) | As presented (*) | Impact of Amendment to IAS 19 (a) | |
| Non-current assets | | | | | | | |
| Deferred income taxes | 11,293 | – | (8,685) | 2,608 | 8,042 | – | (6,567) |
| Non-current liabilities | | | | | | | |
| Pension and medical benefits | 18,952 | 20,764 | – | 39,716 | 16,653 | 11,590 | – |
| Deferred income taxes | 39,262 | (6,105) | (8,685) | 24,472 | 33,230 | (3,108) | (6,567) |
| Shareholders' equity | | | | | | | |
| Other comprehensive income (loss) | 2,129 | (14,505) | – | (12,376) | 1,272 | (8,328) | – |
| Retained earnings (profit reserves) | 134,929 | (154) | – | 134,775 | 122,624 | (154) | – |

(*) As presented for the period ended December 31, 2012.

Those restatements had no significant impact on the Company's profit or loss or cash flows.

3. Summary of significant accounting policies

The accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements.

3.1. Basis of consolidation

The consolidated financial statements include the financial information of Petrobras and the entities it controls (its subsidiaries). Control is achieved when Petrobras: i) has power over the investee; ii) is exposed, or has rights, to variable returns from involvement with the investee; and iii) has the ability to use its power to affect its returns.

Subsidiaries are consolidated from the date on which control is obtained until the date that such control no longer exists. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Company.

The consolidation procedures involve combining assets, liabilities, income and expenses, according to their function and eliminating all intragroup balances and transactions, including unrealized profits arising from intragroup transactions.

The entities and structured entities set out following are consolidated:

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

| Subsidiaries | Equity capital - Subscribed, paid in and voting % | |
|------------------------------------------------------------------------------|----------------------------------------------------------|-------------|
| | 2013 | 2012 |
| Petrobras Distribuidora S.A. - BR and its subsidiaries | 100.00 | 100.00 |
| Braspetro Oil Services Company - Brasoil and its subsidiaries (i) | 100.00 | 100.00 |
| Petrobras International Braspetro B.V. - PIBBV and its subsidiaries (i) (ii) | 100.00 | 100.00 |
| Petrobras Comercializadora de Energia Ltda. - PBEN (iii) | 100.00 | 100.00 |
| Petrobras Negócios Eletrônicos S.A. – E-PETRO (iv) | 100.00 | 100.00 |
| Petrobras Gás S.A. - Gaspetro and its subsidiaries | 99.99 | 99.99 |
| Petrobras International Finance Company - PifCo (i) | 100.00 | 100.00 |
| Petrobras Transporte S.A. - Transpetro and its subsidiaries | 100.00 | 100.00 |
| Downstream Participações Ltda. | 99.99 | 99.99 |
| Petrobras Netherlands B.V. - PNBV and its subsidiaries (i) | 100.00 | 100.00 |
| 5283 Participações Ltda. | 100.00 | 100.00 |
| Fundo de Investimento Imobiliário RB Logística - FII | 99.00 | 99.00 |
| Baixada Santista Energia S.A. | 100.00 | 100.00 |
| Sociedade Fluminense de Energia Ltda. – SFE (vi) | – | 100.00 |
| Termoaçu S.A. (vii) (viii) | 100.00 | – |
| Termo Ceará Ltda. | 100.00 | 100.00 |
| Termomacaé Ltda. | 100.00 | 100.00 |
| Termomacaé Comercializadora de Energia Ltda. | 100.00 | 100.00 |
| Termobahia S.A. | 98.85 | 98.85 |
| Ibiritermo S. A. (x) | 50.00 | 50.00 |
| Petrobras Biocombustível S.A. | 100.00 | 100.00 |
| Refinaria Abreu e Lima S.A. (vi) | – | 100.00 |
| Companhia Locadora de Equipamentos Petrolíferos S.A. – CLEP | 100.00 | 100.00 |
| Comperj Participações S.A. (vi) | – | 100.00 |
| Comperj Estirênicos S.A. (vi) | – | 100.00 |
| Comperj MEG S.A. (vi) | – | 100.00 |
| Comperj Poliolefinas S.A. (vi) | – | 100.00 |
| Cordoba Financial Services GmbH - CFS and its subsidiary (i) | 100.00 | 100.00 |

| | | |
|--------------------------------------------------------------------|--------|--------|
| Breitener Energética S.A. and its subsidiaries | 93.66 | 93.66 |
| Cayman Cabiunas Investment CO. (ix) | — | 100.00 |
| Innova S.A. | 100.00 | 100.00 |
| Companhia de Desenvolvimento de Plantas Utilidades S.A. - CDPU (v) | — | 100.00 |
| Companhia de Recuperação Secundária S.A. - CRSEC (vi) | — | 100.00 |
| Arembepe Energia S.A. | 100.00 | 100.00 |
| Energética Camaçari Muricy S.A. | 100.00 | 71.60 |
| Companhia Integrada Têxtil de Pernambuco S.A. - CITEPE | 100.00 | 100.00 |
| Companhia Petroquímica de Pernambuco S.A. - PetroquímicaSuape | 100.00 | 100.00 |
| Petrobras Logística de Exploração e Produção S.A. - PB-LOG | 100.00 | 100.00 |
| Liquigás S.A. | 100.00 | 100.00 |
| Araucária Nitrogenados S.A. (vii) | 100.00 | — |
| Fábrica Carioca de Catalizadores S.A. - FCC (viii) (x) | 50.00 | — |

(i) Foreign-incorporated companies with non-Brazilian Real consolidated financial statements.

(ii) 11.87% interest of 5283 Participações Ltda.

(iii) 0.09% interest of Petrobras Gás S.A. - Gaspetro.

(iv) 0.05% interest of Downstream.

(v) Companies merged into Comperj Participações S.A.

(vi) Companies merged into Petrobras

(vii) Acquisition of control (business combination).

(viii) Equity-method accounted investee in 2012.

(ix) Extinguished company

(x) Joint operation

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

| Consolidated structured entities | Country | Main segment |
|-------------------------------------------------------------------------------------|----------------|---------------------|
| Charter Development LLC – CDC (i) | U.S.A | E&P |
| Companhia de Desenvolvimento e Modernização de Plantas Industriais – CDMPI | Brazil | RT&M |
| PDET Offshore S.A. | Brazil | E&P |
| Nova Transportadora do Nordeste S.A. - NTN | Brazil | Gas & Power |
| Nova Transportadora do Sudeste S.A. - NTS | Brazil | Gas & Power |
| Fundo de Investimento em Direitos Creditórios Não-padronizados do Sistema Petrobras | Brazil | Corporate |

(i) Foreign-Incorporated companies with non-Brazilian Real consolidated financial statements.

Petrobras has no equity interest in the structured entities above, and control is not determined by voting rights, but by the power the Company has over the relevant operating activities of such entities.

3.1.1. Reconciliation between the parent company's shareholders' equity and net income with the consolidated financial

| | Shareholders' equity | | | Net income | |
|--------------------------------------|-----------------------------|-----------------|------------|-------------------|-------------|
| | 01.01.2012 | | | | |
| | 2013 | 2012 (*) | (*) | 2013 | 2012 |
| Consolidated - IFRS | 349,334 | 330,775 | 323,742 | 23,007 | 20,959 |
| Non-controlling Interests | (1,394) | (2,354) | (2,385) | 563 | 223 |
| Deferred Expenses, Net of Income Tax | 200 | 360 | 636 | (162) | (287) |
| Parent company - CPC | 348,140 | 328,781 | 321,993 | 23,408 | 20,895 |

(*) Restated due to the amendments to IAS 19 - Employee Benefits (CPC33 - R1), as described in note 2.3.

3.2. Business segment reporting

The information related to the operating segments (business areas) of the Company is prepared based on items directly attributable to each segment, as well as items that can be allocated to each segment on a reasonable basis.

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

Information for each business area is presented as defined by the current organizational structure. The Company operates under the following segments:

- a) Exploration and Production (E&P): this segment covers the activities of exploration, development and production of crude oil, NGL (natural gas liquid) and natural gas in Brazil for the purpose of supplying, primarily, our domestic refineries; and also selling the crude oil surplus and oil products produced in the natural gas processing plants to the domestic and foreign markets. The exploration and production segment also operates through partnerships with other companies.
- b) Refining, Transportation and Marketing (RT&M): this segment covers the refining, logistics, transport and trading of crude oil and oil products activities, exporting of ethanol, extraction and processing of shale, as well as holding interests in petrochemical companies in Brazil.
- c) Gas and Power: this segment covers the activities of transportation and trading of natural gas produced in Brazil and imported natural gas, transportation and trading of LNG (liquid natural gas), generation and trading of electricity, as well as holding interests in transporters and distributors of natural gas and in thermoelectric power stations in Brazil, in addition to being responsible for the fertilizer business.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

d) Biofuels: this segment covers the activities of production of biodiesel and its co-products, as well as the ethanol-related activities: equity investments, production and trading of ethanol, sugar and the surplus electric power generated from sugarcane bagasse.

e) Distribution: this segment includes mainly the activities of Petrobras Distribuidora, which operates through its own retail network and wholesale channels to sell oil products, ethanol and vehicle natural gas in Brazil to retail, commercial and industrial customers, as well as other fuel wholesalers.

f) International: this segment covers the activities of exploration and production of oil and gas, refining, transportation and marketing, gas and power, and distribution, carried out outside of Brazil in a number of countries in the Americas, Africa, Europe and Asia.

The corporate segment comprises the items that cannot be attributed to the other segments, notably those related to corporate financial management, corporate overhead and other expenses, including actuarial expenses related to the pension and medical benefits for retired employees and their dependents.

3.3. Financial instruments

3.3.1. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, term deposits with banks and short-term highly liquid financial investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and have a maturity of three months or less from the date of acquisition.

3.3.2. Marketable securities

Marketable securities comprise investments in debt or equity securities. These instruments are initially measured at fair value and are classified and subsequently measured as set out below:

- Fair value through profit or loss - includes securities purchased and held for trading in the short term. These instruments are subsequently measured at fair value with changes recognized in profit or loss.
- Held-to-maturity - includes securities with fixed or determinable payments, for which management has the ability and intent to hold until maturity. These instruments are

subsequently measured at amortized cost using the effective interest rate method.

- Available-for-sale – includes securities that are either designated in this category or not classified as fair value through profit or loss or held-to-maturity securities. These instruments are subsequently measured at fair value. Subsequent changes in fair value are recognized within other comprehensive income, in the shareholders' equity and reclassified to profit or loss when securities are derecognized.

Subsequent changes attributable to interest, foreign exchange, and inflation are recognized in profit or loss for all categories, when applicable.

3.3.3. Trade receivables

Trade receivables are initially measured at the fair value of the consideration to be received and, subsequently, at amortized cost using the effective interest rate method and adjusted for allowances for credit losses and impairment.

The Company recognizes a provision for impairment of trade receivables when there is objective evidence that a loss event occurred after the initial recognition of the receivable and has an impact on the estimated future cash flows, which can be reliably estimated. Such evidence includes insolvency, defaults or a significant probability of a debtor filing for bankruptcy.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

3.3.4. Loans and financing (Debt)

Loans and financing are initially recognized at fair value less transaction costs incurred and, after initial recognition, are measured at amortized cost using the effective interest rate method.

3.3.5. Derivative financial instruments

Derivative financial instruments are recognized in the statement of financial position as assets or liabilities and are initially and subsequently measured at fair value.

Gains or losses arising from changes in fair value are recognized in profit or loss as finance income (finance expense), unless the derivative is qualified and designated for hedge accounting.

3.3.6. Hedge accounting

Hedge accounting is formally documented at inception in terms of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge.

Hedging relationships which qualify for hedge accounting are classified as: (i) fair value hedge, when they involve a hedge of the exposure to changes in fair value of a recognized asset or liability unrecognized firm commitments; and (ii) cash flow hedges when they involve a hedging of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

In hedging relationships which qualify for fair value hedge accounting, the gain or loss from remeasuring the hedging instrument at fair value is recognized in profit or loss.

In hedging relationships which qualify for cash flow hedge accounting, the Company designates derivative financial instruments and long-term debt (non-derivative financial instruments) and gains or losses relating to the effective portion of the hedge are recognized within other comprehensive income, in the shareholders' equity and recycled to profit or loss in the periods when the hedged item affects profit or loss. The gains or losses relating to the ineffective portion are recognized in profit or loss.

When, the hedging instrument expires or is sold, terminated or exercised or no longer meets the criteria for hedge accounting or the Company revokes the designation, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income from the period when the hedge was effective remains separate in equity until the forecast transaction occurs. When, the forecast transaction is no longer expected to occur, the

cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is immediately reclassified from equity to profit or loss.

3.4. Inventories

Inventories are determined by the weighted average cost flow method and mainly comprise crude oil, intermediate products and oil products, as well as natural gas, liquid natural gas (LNG), fertilizers and biofuels, stated at the lower of the average cost, and their net realizable value.

Crude oil and liquid natural gas (LNG) inventories can be traded or used for production of oil products and/or electricity generation, respectively.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

Intermediate products are those product streams that have been through at least one of the refining processes, but still need further treatment, processing or converting to be available for sale.

Biofuels mainly include ethanol and biodiesel inventories.

Maintenance materials, supplies and others, other than raw material are mainly comprised of production supplies, and operating and consumption materials used in the operations of the Company, stated at the average purchase cost, not exceeding replacement cost.

Net realizable value is the estimated selling price of inventory in the ordinary course of business, less estimated cost of completion and estimated expenses to complete its sale.

The amounts presented in the categories above include imports in transit, which are stated at the identified cost.

3.5. Investments in other companies

An associate is an entity over which the company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint arrangement is an arrangement over which two or more parties have joint control. A joint arrangement is classified either as a joint operation or as a joint venture depending on the rights and obligations of the parties to the arrangement.

In a joint operation the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement and in a joint venture, the parties have rights to the net assets of the arrangement.

Profit or loss, assets and liabilities related to joint ventures and associates are accounted for by the equity method.

In a joint operation the Company recognizes the amount of its assets, liabilities and related income and expenses. In addition, the company recognizes its share of the sales revenue and expenses and the joint assets and joint liabilities.

In the individual financial statements, the investments in controlled companies are accounted for using the equity method. The definition of control is set out in note 3.1.

3.6. Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method when control is obtained. Combinations of entities under common control are not accounted for as business combinations.

The acquisition method requires that the identifiable assets acquired and the liabilities assumed be measured at the acquisition-date fair value. Amounts paid in excess of the fair value are recognized as goodwill. In the case of a bargain purchase, a gain is recognized in profit or loss when the acquisition cost is lower than the acquisition-date fair value of the net assets acquired.

Changes in ownership interest in subsidiaries that do not result in loss of control of the subsidiary are equity transactions. Any excess of the amounts paid/received over the carrying value of the ownership interest acquired/disposed is recognized in shareholders' equity as an additional paid in capital.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

Goodwill arising from investments in associates and joint ventures without change of control is accounted for as part of these investments. It is measured by the excess of the consideration transferred over the interest in the fair value of the net assets.

3.7. Oil and Gas exploration and development expenditures

The costs incurred in connection with the exploration, appraisal, development and production of oil and gas are accounted for using the successful efforts method of accounting, as set out below:

- Costs related to geological and geophysical activities are expensed when incurred.
- Amounts paid for obtaining concessions for exploration of oil and natural gas (capitalized acquisition costs) are initially capitalized.
- Costs directly associated with exploratory wells pending determination of proved reserves are capitalized within property, plant and equipment. Exploratory wells that have found oil and gas reserves, but those reserves cannot be classified as proved, continue to be capitalized if the well has found a sufficient quantity of reserves to justify its completion as a producing well and progress on assessing the reserves and the economic and operating viability of the project is under way. An internal commission of technical executives of Petrobras reviews these conditions monthly for each well, by analysis of geoscience and engineering data, existing economic conditions, operating methods and government regulations.
- Costs related to exploratory wells drilled in areas of unproved reserves are expensed when determined to be dry or non-economical (did not encounter potentially economic oil and gas quantities).
- Costs related to the construction, installation and completion of infrastructure facilities, such as platforms, pipelines, drilling of development wells and other related costs incurred in connection with the development of proved reserve areas and successful exploratory wells are capitalized within property, plant and equipment.

3.8. Property, plant and equipment

Property, plant and equipment are measured at the cost to acquire or construct, including all costs necessary to bring the asset to working condition for its intended use, adjusted during hyperinflationary periods, as well as by the present value of the estimated cost of dismantling

and removing the asset and restoring the site and reduced by accumulated depreciation and impairment losses.

Expenditures on major maintenance of industrial units and vessels are capitalized if the recognition criteria are met. Expenditures comprise: replacement of certain assets or parts of assets, equipment assembly services, as well as other related costs. Such maintenance occurs, on average, every four years. Capitalized expenditures are depreciated on a straight line basis based on the estimated time of the maintenance cycle.

General and specific borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized as part of the costs of these assets. General borrowing costs are capitalized based on the Company's weighted average of the cost of borrowings outstanding applied over the balance of assets under construction. Borrowing costs are amortized during the useful life or by applying the unit-of-production method to the related assets.

Except for assets with a useful life shorter than the life of the field, which are depreciated based on the straight line method, depreciation, depletion and amortization of proved oil and gas producing properties are accounted for pursuant to the unit-of-production method, as set out below:

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i) Depreciation (amortization) of oil and gas producing properties, including related equipment and facilities is computed based on a unit-of-production basis over the proved developed oil and gas reserves, applied on a field by field basis; and

ii) Amortization of amounts paid for obtaining concessions for exploration of oil and natural gas of producing properties, such as signature bonus (capitalized acquisition costs) is recognized using the unit-of-production method, computed based on the units of production over the total proved oil and gas reserves, applied on a field by field basis.

Except for land, which is not depreciated, other property, plant and equipment is depreciated on a straight line basis. See note 12 for further information about the estimated useful life by class of assets.

3.9. Intangible assets

Intangible assets are measured at the acquisition cost, less accumulated amortization and impairment losses and comprise rights and concessions, including the signature bonus paid for obtaining concessions for exploration of oil and natural gas (capitalized acquisition costs) and the Assignment Agreement, referring to 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 (“Cessão Onerosa”); public service concessions; trademarks; patents; software and goodwill.

Signature bonuses paid for obtaining concessions for exploration of oil and natural gas and amounts related to the Assignment Agreement are initially capitalized within intangible assets and are transferred to property, plant and equipment upon the declaration of commerciality. Signature bonuses and amounts related to the Assignment Agreement are not amortized until they are transferred to property, plant and equipment. Intangible assets with a finite useful life, other than amounts paid for obtaining concessions for exploration of oil and natural gas of producing properties, are amortized over the useful life of the asset on a straight-line basis.

Internally generated intangible assets are not capitalized and are expensed as incurred, except for development costs that meet the recognition criteria related to completion and use of assets, probable future economic benefits, and others.

Intangible assets with an indefinite useful life are not amortized but are tested annually for impairment considering individual assets or cash-generating units. Their useful lives are reviewed annually to determine whether events and circumstances continue to support an indefinite useful life assessment for those assets. If they do not, the change in the useful life

assessment from indefinite to finite is accounted for on a prospective basis.

3.10. Deferred charges

The Company maintained the balance of deferred charges as of December 31, 2008 in the individual financial statements, which is being amortized in up to 10 years and is subject to impairment testing, as allowed by Brazilian corporate law.

3.11. Impairment

Property, plant and equipment and intangible assets with definite useful lives are tested for impairment when there is an indication that the carrying amount may not be recoverable. Assets related to exploration and development of oil and gas and assets that have indefinite useful lives, such as goodwill acquired in business combinations are tested for impairment annually, irrespective of whether there is any indication of impairment.

The impairment test comprises a comparison of the carrying amount of an individual asset or a cash-generating unit with its recoverable amount. Whenever the recoverable amount of the unit is less than the carrying amount of the unit, an impairment loss is recognized to reduce the carrying amount to the recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. Considering the specificity of the Company's assets, value in use is generally used by the Company for impairment testing purposes, except when specifically indicated.

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Value in use is estimated based on the present value of the risk-adjusted (for specific risks) future cash flows expected to arise from the continuing use of an asset or cash-generating unit (based on assumptions that represent the Company's best estimates), discounted at a pre-tax discount rate. This rate is obtained from the Company's weighted average cost of capital post-tax (WACC). Cash flow projections are mainly based on the following assumptions: prices based on the Company's most recent strategic plan; production curves associated with existing projects in the Company's portfolio, operating costs reflecting current market conditions, and investments required for carrying out the projects.

For the impairment test, assets are grouped at the smallest identifiable group that generates largely independent cash inflows from other assets or groups of assets (the cash-generating unit). Assets related to exploration and development of oil and gas are tested annually for impairment on a field by field basis.

Reversal of previously recognized impairment losses is permitted for assets other than goodwill.

3.12. Leases

Leases that transfer substantially all the risks and rewards incidental to ownership of the leased item are recognized as finance leases.

For finance leases, when the Company is the lessee, assets and liabilities are recognized at amounts equal to the fair value of the lease property or, if lower, to the present value of the minimum lease payments, each determined at the inception of the lease.

Capitalized lease assets are depreciated on a systematic basis consistent with the depreciation policy the Company adopts for property, plant and equipment that are owned. Where there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, capitalized lease assets are depreciated over the shorter of the lease term or the estimated useful life of the asset.

When the Company is the lessor, a receivable is recognized at the amount of the net investment in the lease.

If a lease does not transfer all the risks and rewards, it is classified as an operating lease. Operating leases are recognized as expenses over the period of the lease.

Contingent rents are recognized as expenses when incurred.

3.13. Assets classified as held for sale

Assets, disposal groups and liabilities directly associated with those assets are classified as held for sale if their carrying amounts will principally be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is approved by the Company's management and the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale.

However, events or circumstances may extend past the period to complete the sale by more than one year if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence of the commitment to the plan to sell the asset.

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Assets (or disposal groups) classified as held for sale and the associated liabilities are measured at the lower of their carrying amount and fair value less costs to sell. Assets and liabilities are presented separately in the statement of financial position.

3.14. Decommissioning costs

Decommissioning costs are future obligations to perform environmental restoration, dismantle and remove a facility as it terminates operations due to the exhaustion of the area or economic conditions.

Costs related to the abandonment and dismantling of areas are recognized as part of the cost of an asset (associated with the obligation) based on the present value of the expected future cash outflows, discounted at a risk-adjusted rate when a future legal obligation exists and can be reliably measured.

A corresponding provision is recognized as a liability. Unwinding of the discount is recognized as a financial expense, when incurred. The asset is depreciated similarly to property, plant and equipment, based on the class of the asset.

Future decommissioning costs for oil and natural gas producing properties are initially recognized when a field is declared to be commercial, on a field by field basis, and are revised annually.

Decommissioning costs related to proved developed oil and gas reserves are depreciated by applying the unit-of-production method, computed based on a unit-of-production basis over the proved developed oil and gas reserves, applied on a field by field basis.

3.15. Provisions and contingent liabilities

Provisions are recognized when there is a present obligation (legal or constructive) that arises from past events and for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, which must be reasonably estimable.

Contingent liabilities for which the likelihood of loss is considered to be possible or which are not reasonably estimable are not recognized in the financial statements but are disclosed unless the expected outflow of resources embodying economic benefits is considered remote.

3.16. Income taxes

Income tax expense for the period comprises current and deferred tax.

The Company has adopted the Transition Tax Regime in Brazil (RTT) in order to avoid potential tax impacts from the adoption of IFRS in the determination of taxable profit. RTT is based on Brazilian tax/corporate regulations as of December 31, 2007.

a) Current income taxes

The tax currently payable is computed based on taxable profit for the year, calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Taxable profit differs from accounting profit due to certain adjustments required by tax regulations.

b) Deferred income taxes

Deferred tax is recognized on temporary differences between the tax base of an asset or liability and its carrying amount. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all temporary deductible differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

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Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3.17. Employee benefits (Post-Employment)

Actuarial commitments related to post-employment defined benefit plans and health-care plans are recognized as liabilities in the statement of financial position based on actuarial calculations which are revised annually by an independent actuary, using the projected unit credit method, net of the fair value of plan assets, when applicable, out of which the obligations are to be directly settled.

Under the projected credit unit method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to determine the final obligation.

Changes in the net defined benefit liability (asset) are recognized when they occur, as follows: i) service cost and net interest cost in profit or loss; and ii) remeasurements in other comprehensive income.

Service cost comprises: (i) current service cost, which is the increase in the present value of the defined benefit obligation resulting from employee service in the current period; (ii) past service cost, which is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction, changes to, or withdraw of a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan); and (iii) any gain or loss on settlement.

Net interest on the net defined benefit liability (asset) is the change during the period in the net defined benefit liability (asset) that arises from the passage of time.

Remeasurements of the net defined benefit liability (asset), recognized in other comprehensive income, comprise: (i) actuarial gains and losses; (ii) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (iii) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Actuarial assumptions include demographical and financial assumptions, medical costs estimates, as well as historical data related to expenses incurred and employee contributions.

The Company also contributes amounts to defined contribution plans, that are expensed when incurred and are computed based on a percentage over salaries.

3.18. Share Capital and Stockholders' Compensation

Share capital comprises common shares and preferred shares. Incremental costs directly attributable to the issue of new shares are classified as additional paid in capital and shown (net of tax) in shareholders' equity as a deduction from the proceeds.

Preferred shares have priority on returns of capital and dividends, which are based on the higher amount of 3% over the net book value of shareholders equity for preferred shares, or 5% of the share capital for preferred shares. Preferred shares do not grant any voting rights; are non-convertible into common shares and participate under the same terms as common shares, in capital increases resulting from the capitalization of reserves and profits.

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Dividend distribution comprises dividends and interest on capital determined in accordance with the limits defined in the Company's bylaws.

Interest on capital is a form of dividend distribution which is deductible for tax purposes in Brazil. Tax benefits from the deduction of interest on capital are recognized in profit or loss.

3.19. Government grants

A government grant is recognized when there is reasonable assurance that the grant will be received and the Company will comply with the conditions attached to the grant.

Government grants are recognized as revenue in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Government grants related to assets are initially recognized as deferred income and thereafter are transferred to profit or loss over the useful life of the asset on a straight-line basis.

3.20. Recognition of revenue, costs and expenses

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue and the costs incurred or to be incurred in the transaction can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for products sold and services provided in the normal course of business, net of returns, discounts and sales taxes.

Revenues from the sale of crude oil and oil products, petrochemical products, natural gas, biofuels and other related products are recognized when the Company retains neither continuing managerial involvement nor effective control over the products sold and the significant risks and rewards of ownership have been transferred to the customer, which is usually when legal title passes to the customer, pursuant to the terms of the sales contract. Sales revenues from freight and other services provided are recognized based on the stage of completion of the transaction.

Finance income and expense mainly comprise interest income on financial investments and government bonds, interest expense on debt, gains and losses on marketable securities measured at fair value, as well as net foreign exchange and inflation indexation charges. Finance expense does not include borrowing costs directly attributable to the construction of assets that necessarily take a substantial period of time to become operational, which are capitalized as part of the costs of these assets.

Revenue, costs and expenses are recognized on the accrual basis.

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4. Critical accounting policies: key estimates and judgments

The preparation of the consolidated financial information requires the use of estimates and judgments for certain transactions and their impacts on assets, liabilities, revenues and expenses. The assumptions are based on past transactions and other relevant information and are periodically reviewed by Management, although the actual results could differ from these estimates.

Information about those areas that require the most judgment or involve a higher degree of complexity in the application of the accounting practices and that could materially affect the Company's financial condition and results of operations are set out following.

4.1. Oil and gas reserves

Oil and gas reserves are estimated based on economic, geological and engineering information, such as well logs, pressure data and fluid sample core data and are used as the basis for calculating unit-of-production depreciation rates and for impairment assessments.

These estimates require the application of judgment and are reviewed at least annually and on an interim basis if objective evidence of significant changes becomes available based on a re-evaluation of already available geologic, reservoir or production data and new geologic, reservoir or production data, as well as changes in prices and costs that are used in the estimation of reserves. Revisions can also result from significant changes in development strategy or production equipment and facility capacity.

Oil and gas reserves include both proved and unproved reserves. According to the definitions prescribed by the SEC proved oil and gas reserves are the estimated quantities which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions (i.e., prices and costs as of the date the estimate is made). Proved reserves can be further subdivided into developed and undeveloped reserves.

Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods and represented 59.9% of the total proved reserves of the Company as of December 31, 2013.

Although the Company is reasonably certain that proved reserves will be produced, the timing and amount recovered can be affected by a number of factors including completion of development projects, reservoir performance, regulatory aspects and significant changes in long-term oil and gas price levels.

Other information about reserves is presented as supplementary information.

a) Oil and gas reserves: depreciation, amortization and depletion

Depreciation, amortization and depletion are measured based on estimates of reserves prepared by the Company's technicians in a manner consistent with SEC definitions. Revisions to the Company's proved developed and undeveloped reserves impact prospectively the amounts of depreciation and depletion recognized in profit or loss and the carrying amounts of oil and gas properties assets.

Therefore all other variables being equal, a decrease in estimated proved reserves would increase, prospectively, depreciation expense, while an increase in reserves would reduce depreciation.

See notes 3.8 and 12 for more detailed information about depreciation, amortization and depletion.

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b) Oil and gas reserves: impairment testing

The Company assesses the recoverability of the carrying amounts of oil and gas exploration and development assets based on their value in use, as defined in note 3.11. In general, analyses are based on proved reserves and probable reserves. The percentage of probable reserves that the company includes in cash flows does not exceed the Company's past success ratios in developing probable reserves.

The Company performs asset valuation analyses on an ongoing basis as a part of its management program by reviewing the recoverability of their carrying amounts based on estimated volumes of oil and gas reserves, as well as estimated future oil and natural gas prices.

The Company, typically, does not view temporarily low oil prices as a trigger event for conducting impairment tests. The markets for crude oil and natural gas have a history of significant price volatility and although prices will occasionally drop precipitously, industry prices over the long term will continue to be driven by market supply and demand fundamentals. Accordingly, any impairment tests that the Company performs make use of its long-term price assumptions used in its planning and budgeting processes and its capital investment decisions, which are considered reasonable estimates, given market indicators and experience.

Lower future oil and gas prices, considered long-term trends, as well as negative impacts of significant changes in reserve volumes, production curve expectations, lifting costs or discount rates could trigger the need for impairment assessment.

See notes 3.8 and 12 for more detailed information about oil and natural gas exploration and development assets.

4.2. Identifying cash-generating units for impairment testing

Identifying cash-generating units (CGU's) requires management assumptions and judgment, based on the Company's business and management model, and may significantly impact the results of the impairment tests of long-lived assets. The assumptions set out following have been consistently applied by the Company:

- Exploration and Production CGU's: i) Producing properties: oil and natural gas producing properties comprised of a group of exploration and development assets.
- Downstream CGU's: i) Refining assets CGU: a single CGU comprised of all refineries and associated assets, terminals and pipelines, as well as logistics assets operated by Transpetro.

This CGU was identified based on the concept of integrated optimization and performance management, which focus on the global performance of the CGU, allowing a shift of margins from one refinery to another. Pipelines and terminals complement and are an interdependent portion of the refining assets, to supply the market; ii) Petrochemical CGU: petrochemical plants from PetroquímicaSuape and Citepe; iii) Transportation CGU: the transportation CGU is comprised of the vessel fleet of Transpetro.

- Gas & Power CGU's: i) Natural gas CGU: comprised of natural gas pipelines, natural gas processing plants and fertilizers and nitrogen products plants; and ii) Power CGU: thermoelectric power generation plants.

- Distribution CGU: Comprised of the distribution assets related to the operations of Petrobras Distribuidora S.A. and Liquigás Distribuidora S.A.

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- Biofuels CGU's: i) Biodiesel CGU: group of assets that compose the biodiesel plants. The CGU reflects an integrated view of the biodiesel plants and is defined based on the production planning and operation process, considering domestic market conditions, the capacity of each plant, as well as the results of biofuels auctions and raw materials supply; ii) Ethanol CGU: comprised of investments in associates and joint ventures in the ethanol sector.
- International CGU: i) International Exploration and Production CGU: oil and natural gas producing properties comprised of a group of exploration and development assets outside of Brazil; ii) Other operations of the International business segment: smallest identifiable group of assets that generates largely independent cash inflows.

Investments in associates and joint ventures including goodwill are individually tested for impairment.

See notes 3.11 and 14 for more detailed information about impairment.

4.3. Pension and other post-retirement benefits

The actuarial obligations and net expenses related to defined benefit pension and health care post-retirement plans are computed based on several financial and demographic assumptions, of which the most significant are:

- Discount rate - comprises the projected future inflation curve and an equivalent real interest rate that matches the duration of the pension and health care obligations with the yield curve of long-term Brazilian government bonds; and
- Medical costs - comprise several projected annual growth rates based on per capita health care benefits paid for the last five years, which are used to set a starting point for the curve, which decreases gradually in 30 years, converging to a general inflation index.

These and other estimates are reviewed at least annually and may differ materially from actual results due to changing market and financial conditions, as well as actual results of actuarial assumptions.

The sensitivity analysis of discount rates and changes in medical costs as well as additional information about actuarial assumptions are set out in note 22.

4.4. Estimates related to contingencies and legal proceedings

The Company is a defendant in numerous legal proceedings involving tax, civil, labor, corporate and environmental issues arising from the normal course of its business for which estimates are made by Petrobras of the amounts of the obligations and the probability that an outflow of resources will be required, based on legal advice and management's best estimates.

See note 31 for more detailed information about contingencies and legal proceedings.

4.5. Dismantling of areas and environmental remediation

The Company has legal and constructive obligations to remove equipment and restore onshore and offshore areas at the end of operations at production sites. Its most significant asset removal obligations involve removal and disposal of offshore oil and gas production facilities in Brazil and abroad. Estimates of costs for future environmental cleanup and remediation activities are based on current information about costs and expected plans for remediation.

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These estimates require performing complex calculations that involve significant judgment because the obligations are long-term; the contracts and regulation have subjective descriptions of what removal and remediation practices and criteria will have to be met when the events actually occur; and asset removal technologies and costs are constantly changing, along with political, environmental, safety and public relations considerations.

The company is constantly conducting studies to incorporate technologies and procedures seeking to optimize the operations of abandonment, considering industry best practices. Notwithstanding, the timing and amounts of future cash flows are subject to significant uncertainty.

See notes 3.14 and 20 for more detailed information about the decommissioning provisions.

4.6. Derivative financial instruments

Derivative financial instruments are measured at fair value in the financial statements. Fair value measurement requires judgment related to the availability of identical or similar assets quoted in active markets or otherwise the use of alternate measurement models that can become increasingly complex and depend on the use of estimates such as future prices, long-term interest rates and inflation indices.

See notes 3.3.5 and 34 for more detailed information about derivative financial instruments.

4.7. Hedge accounting

Identifying hedging relationships between hedged items and hedging instruments (derivative financial instruments and long-term debt) requires critical judgments related to the existence of the hedging relationship and its effectiveness. In addition, the Company continuously assesses the alignment between the hedging relationships identified and the objectives and strategy of its risk management policy.

See notes 3.3.6 and 34 for more detailed information about hedge accounting.

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5. New standards and interpretations

a) IASB - International Accounting Standards Board

During 2013, new standards and amendments to standards and interpretations were issued by the International Accounting Standards Board (IASB), none of which had a significant effect on the consolidated financial statements for 2013, except for amendments to IAS 19 - Employee Benefits (CPC 33 - R1):

- The effects of the adoption of amendments to IAS 19 Employee Benefits (CPC33 - R1) are set out in note 2.3.
- Amendment to IAS 1 - 'Presentation of financial statements', regarding other comprehensive income requires for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially recycled to profit or loss subsequently.
- IFRS 10 "Consolidated Financial Statements" - defines principles and requirements for the preparation and presentation of consolidated financial statements when an entity controls one or more entities.
Establishes the concept of control as the basis for consolidation and sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee.
- IFRS 11 - "Joint Arrangements" - establishes principles for disclosure of financial statements of entities that are parties of joint agreements. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses.
Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- IFRS 12 - "Disclosure of Interests in Other Entities" - Consolidates all the requirements of disclosures that an entity should carry out when participating in one or more entities, including joint arrangements, associates and structured entities.
- IFRS 13 "Fair Value Measurement" – provides a precise definition of fair value, as well as a source of fair value measurement and disclosure. Does not extend the use of fair value accounting, but provides guidance on how it should be applied, where its use is already required or permitted by other standards.

- Amendments to IFRS 7- "Financial Instruments: Disclosures – regarding offsetting financial assets and financial liabilities" - Establishes disclosure requirements for compensation agreements of financial assets and liabilities.
- IAS 28 (revised 2011) - "Associates and joint ventures" - Includes the requirements for joint ventures, as well as associates, to be accounted for by the equity method, following the issue of IFRS 11.

A number of new standards and amendments to standards and interpretations issued by the International Accounting Standards Board (IASB) are not effective for 2013, as set out below. They have not been applied in preparing these financial statements at December 31, 2013:

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| Standards | Brief Description | Effective Date |
|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| IFRS 9, "Financial instruments" and Amendments | IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. IFRS 9 includes the new hedge accounting requirements IFRIC 21 is an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. | January 1, 2018 |
| IFRIC 21, "Levies" | IFRIC 21 addresses when an entity should recognize a liability to pay a government levy (other than income taxes). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This amendment addresses the disclosure of information about the recoverable amount of impaired assets. | January 1, 2014 |
| Amendment to IAS 36 - "Impairment of assets" on recoverable amount disclosures. | The amendments clarify that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. The amendments are required to be applied retrospectively. | January 1, 2014 |

None of the amendments and new standards listed above is expected to have a significant effect on the financial statements.

b) Brazilian Tax Law

On November 11, 2013 the Brazilian government enacted Provisional Measure No. 627, which:

- introduces changes to corporate income taxes (including income tax - IRPJ and social contribution on profits - CSLL), as well as changes to social contributions on revenues (including PIS/PASEP and COFINS);
- repeals the transitional tax regime (RTT), which was introduced by Federal Law No. 11,941 on May 27, 2009;
- revises the rules related to share of profits earned by controlled foreign companies (CFC) of Brazilian entities subject to corporate income taxes (IRPJ and CSLL) in Brazil;
- introduces changes to Federal Law No. 12,865/13, which reopened the federal tax settlement program (*REFIS da crise*), which was introduced by Federal Law No. 11,941/2009, for tax debts administered by the Brazilian Internal Revenue Service (*Receita Federal do Brasil*) and the Office of the Attorney-General of the National Treasury (Procuradoria Geral da Fazenda Nacional - PGFN);

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This Provisional Measure is under consideration by the National Congress (Congresso Nacional) and is thus subject to amendment before it can be signed into law. A number of clarifying regulations must be issued by the Brazilian Internal Revenue Service.

The Company has assessed the effects that these changes could produce and, based on the current text of the Provisional Measure, estimates no material impacts on the 2013 consolidated financial statements.

6. Cash and cash equivalents

| | Consolidated | | Parent Company | |
|-----------------------------------------------------------------------|---------------------|-------------|-----------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Cash at bank and in hand | 2,227 | 2,024 | 4 | 66 |
| Short-term financial investments | | | | |
| - In Brazil | | | | |
| Single-member funds (Interbank Deposit) and other short-term deposits | 8,182 | 17,021 | 5,312 | 15,570 |
| Other investment funds | 125 | 424 | 1,119 | 498 |
| | 8,307 | 17,445 | 6,431 | 16,068 |
| - Abroad | 26,638 | 8,159 | 1,482 | 1,259 |
| Total short-term financial investments | 34,945 | 25,604 | 7,913 | 17,327 |
| Total cash and cash equivalents | 37,172 | 27,628 | 7,917 | 17,393 |

Short-term financial investments in Brazil comprise single-member funds mainly composed by Brazilian Federal Government Bonds. In the Parent Company they also include investments in receivables investment funds (FIDC) of the Petrobras group.

Short-term financial investments abroad comprise time deposits and other short-term fixed income instruments that have maturities of three months or less from highly-ranked financial institutions.

7. Marketable securities

| | Consolidated | | Parent Company | |
|-------------------------------|---------------------|-------------|-----------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Trading securities | 9,085 | 20,888 | 9,085 | 20,888 |
| Available-for-sale securities | 39 | 488 | 37 | 191 |
| Held-to-maturity securities | 284 | 299 | 13,887 | 2,588 |
| | 9,408 | 21,675 | 23,009 | 23,667 |
| Current | 9,101 | 21,316 | 22,752 | 23,379 |
| Non-current | 307 | 359 | 257 | 288 |

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.

Held-to-maturities securities of the Parent Company include investments in the non-standardized receivables investment fund (FIDC-NP) as set out in note 19.2 and are presented in current assets.

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*(Expressed in millions of reais, unless otherwise indicated)***8. Trade and other receivables****8.1. Trade and other receivables, net**

| | Consolidated | | Parent Company | |
|-----------------------------------------------------|---------------------|-------------|-----------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Trade receivables | | | | |
| Third parties | 23,067 | 22,040 | 4,093 | 5,233 |
| Related parties (Note 19) | | | | |
| Investees | 1,542 | 1,593 | 11,384 | 16,077 |
| Receivables from the electricity sector | 5,050 | 3,958 | 905 | 911 |
| Petroleum and alcohol accounts - Federal Government | 836 | 835 | 836 | 835 |
| Other receivables | 6,066 | 6,297 | 4,009 | 3,376 |
| | 36,561 | 34,723 | 21,227 | 26,432 |
| Provision for impairment of trade receivables | (3,293) | (2,967) | (473) | (412) |
| | 33,268 | 31,756 | 20,754 | 26,020 |
| Current | 22,652 | 22,681 | 16,301 | 17,374 |
| Non-current | 10,616 | 9,075 | 4,453 | 8,646 |

8.2. Changes in the provision for impairment of trade receivables

| | Consolidated | | Parent Company | |
|--------------------|---------------------|-------------|-----------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Opening balance | 2,967 | 2,790 | 412 | 402 |
| Additions (*) (**) | 470 | 587 | 88 | 287 |
| Write-offs (*) | (144) | (410) | (27) | (277) |
| Closing balance | 3,293 | 2,967 | 473 | 412 |
| Current | 1,873 | 1,746 | 473 | 412 |
| Non-current | 1,420 | 1,221 | – | – |

(*) 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.

8.3. Trade and other receivables overdue - Third parties

| | Consolidated | | Parent Company | |
|---------------------|---------------------|-------------|-----------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Up to 3 months | 1,620 | 1,572 | 482 | 1,070 |
| From 3 to 6 months | 372 | 319 | 266 | 171 |
| From 6 to 12 months | 848 | 370 | 573 | 210 |
| More than 12 months | 3,848 | 3,243 | 660 | 475 |
| | 6,688 | 5,504 | 1,981 | 1,926 |

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***9. Inventories**

| | Consolidated | | Parent Company | |
|--------------------------------|---------------------|-------------|-----------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Crude Oil | 13,702 | 10,522 | 10,805 | 8,865 |
| Oil Products | 11,679 | 12,016 | 10,282 | 10,216 |
| Intermediate products | 2,165 | 1,987 | 2,165 | 1,987 |
| Natural Gas and LNG (*) | 939 | 617 | 697 | 348 |
| Biofuels | 370 | 576 | 44 | 155 |
| Fertilizers | 60 | 23 | 55 | 23 |
| | 28,915 | 25,741 | 24,048 | 21,594 |
| Materials, supplies and others | 4,532 | 4,087 | 3,547 | 3,386 |
| | 33,447 | 29,828 | 27,595 | 24,980 |
| Current | 33,324 | 29,736 | 27,476 | 24,908 |
| Non-current | 123 | 92 | 119 | 72 |

(*) Liquid Natural Gas

Consolidated inventories are presented net of R\$ 205 of allowance for reducing inventories to net realizable value (R\$ 184 in 2012), mainly related to the volatility of international prices of crude oil and oil products. The amounts recognized in profit or loss as other operating expenses, net are set out in note 26.

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\$ 6,972 (R\$ 5,974 in 2012), as set out in note 22.

10. Acquisitions, disposal of assets and legal mergers**10.1. Acquisition of assets****Araucária Nitrogenados S.A.**

On June 1, 2013, Petrobras assumed control over Araucária Nitrogenados S.A. (FAFEN-PR), under an agreement to acquire all shares of the company executed with Vale S.A. on December 18, 2012. The transaction was approved by the Brazilian Antitrust Authority (Conselho Administrativo de Defesa Econômica – CADE) on May 15, 2013.

The transaction price consideration was US\$ 234 million and will be paid to Vale through lease income from mineral rights for properties owned by Petrobras in Sergipe. The assessment of the fair value of assets and liabilities is ongoing and will be completed within 12 months from the date Petrobras assumed control of the investee. A R\$ 172 gain on bargain purchase has been recognized in profit or loss, gains on interest in equity-accounted investments, based on a preliminary assessment of the fair value of assets acquired and liabilities assumed (R\$ 671). Provisional amounts recognized may be adjusted during the measurement period.

Termoaçu

On May 14, 2013, Petrobras entered into a contractual arrangement with Neoenergia to acquire its 23.13% interest in the share capital of Termoaçu.

Petrobras increased its interest in Termoaçu to 100% upon the completion of the transaction, which was subject to: the approval by Agência Nacional de Energia Elétrica – ANEEL, obtained on June 14, 2013, consent of Conselho Administrativo de Defesa Econômica – CADE, obtained on July 17, 2013, as well as the arbitral award, regarding the performance of the sales and purchase agreement, awarded by the Arbitral Tribunal on August 14, 2013. The total consideration paid, after price adjustments, was R\$ 149.

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***10.2. 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 R\$ 650, excluding contractual price adjustments.

On February 14, 2014, the remaining conditions precedent for this transaction were concluded for a total amount of R\$ 711, including contractual price adjustments.

Due to the pending conditions precedent for conclusion of this transaction as of December 31, 2013, the assets and associated liabilities were classified as held for sale.

Formation of joint venture to operate in Exploration and Production (E&P) in Africa

On June 14, 2013, the Board of Directors of Petrobras approved the agreement between Petrobras International Braspetro B.V. (PIBBV), a subsidiary of Petrobras, and BTG Pactual E&P B.V, a subsidiary of Banco BTG Pactual S.A., to form a joint venture to operate in the exploration and production of oil and gas in Africa, comprised of assets in Angola, Benin, Gabon, Namibia, Nigeria and Tanzania.

BTG Pactual E&P B.V. acquired 50% of the joint-venture shares of Petrobras Oil & Gas B.V. (PO&G), previously held by PIBBV, for the total amount of R\$ 3,364, including R\$ 78 received as an advance for the disposal of assets in Angola and Tanzania. The transaction was concluded on June 28, 2013, and the Company recognized an R\$ 1,906 gain before taxes in other operating income (expenses), as set out below:

| | Consolidated |
|-------------------------------------------------------|---------------------|
| Proceeds from disposal | 3,286 |
| Carrying amount | (1,732) |
| Gain on disposal of assets (*) | 1,554 |
| Fair value measurement of uplift on retained interest | 1,554 |
| | 3,108 |
| Impairment of assets in Angola and Tanzania (**) | (1,202) |
| Total gain on contribution of assets to joint venture | 1,906 |

(*) Gain on disposed assets, other than Angola and Tanzania

(**) Impaired to reduce carrying amounts to fair value less cost of disposal

As the Angola and Tanzania portions of the transaction are subject to approval by their respective governments, the carrying amount of the assets located in those countries was classified as held for sale.

The partnership's investment in PO&G was classified as a joint venture, and was therefore unconsolidated, reflecting the corporate structure and the terms of the shareholders' agreement, signed on June 28, 2013.

Companhia Energética Potiguar

On August 16, 2013, Petrobras entered into an agreement with Global Participações Energia S.A. to dispose of its 20% interest in the voting capital of Companhia Energética Potiguar for R\$ 23, after contractual price adjustments.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

The approval by Conselho Administrativo de Defesa Econômica – CADE was obtained on September 25, 2013 and the transaction was concluded on October 31, 2013.

Coulomb field – USA

On August 16, 2013, the Board of Directors of Petrobras approved the disposal by Petrobras America Inc., a subsidiary of Petrobras International Braspetro B.V. (PIBBV), of its 33% interest in the Coulomb field, located at the Mississippi Canyon block 613 (MC 613) at a consideration of R\$ 418. Shell Offshore Inc., operator and holder of a 67% interest in the field, exercised its purchase right of first refusal.

After the price adjustment established in the farm-out agreement and the costs associated with the asset, a gain of R\$ 277, net, was recognized when the transaction was concluded, on September 27, 2013.

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, on December 31, 2013, the assets and associated liabilities involved in this transaction were classified as held for sale.

BC-10 Block - Parque das Conchas

On August 16, 2013, the Board of Directors of Petrobras approved the disposal of the total interest in the Parque das Conchas offshore project (BC-10 block), representing 35% of the joint-venture and 35% of Tambá BV – an equipment supplier, for a consideration of US\$ 1.54 billion.

The agreement with Sinochem Group established certain conditions precedent to the conclusion of the sale, including the right of first refusal of the parties in the joint venture and the approval of the transaction by Conselho Administrativo de Defesa Econômica (CADE) and

Agência Nacional de Petróleo, Gás e Biocombustíveis (ANP).

On September 17, 2013 Shell and ONGC Videsh exercised their rights of first refusal to purchase a 23% and a 12% interest, respectively.

After approval by ANP and CADE, the assets were disposed of on December 30, 2013. The transaction resulted in an R\$ 1,016 gain for the Company.

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. (PIBBV), for Perenco Colombia Limited, at a consideration of R\$ 847, subject to price adjustment before the closing of the transaction.

The transaction is subject to customary conditions precedent, including its approval by the Agência Nacional de Hidrocarburos – ANH.

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Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

Due to the pending conditions precedent for conclusion of this transaction, on December 31, 2013 the assets and associated liabilities involved in the transaction were classified as held for sale.

Exploration Blocks - Uruguai

On October 4, 2013, the Board of Directors of Petrobras approved the disposal to Shell of a 40% interest that Petrobras Uruguay Servicios y Operaciones S.A. – PUSO, a subsidiary of Petrobras Uruguay S.A. de Inversión had in Bizoy S.A. and Civeny S.A., for a consideration of R\$ 40. Bizoy S.A. and Civeny S.A. held exploration blocks 3 and 4, respectively, located in the Punta Del Este Basin, in Uruguai.

The transaction is subject to certain conditions precedent, mainly the approval by Administración Nacional de Combustibles Alcohol y Portland (ANCAP).

Due to the pending conditions precedent for conclusion of this transaction, 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 Internacional Braspetro BV –, PIB BV to China National Petroleum Corporation (CNPC), for R\$ 6,201, 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 related to the transaction objects were classified as held for sale.

10.3. 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:

Consolidated

| | | | | | | 2013 | 2012 |
|---------------------------------------------------|-------------------------|-------------------|--------------|----------------------|---------------|--------------|--------------|
| | Exploration | Refining, | Gas | | | | |
| | and | Transport. | & | | | | |
| | Production & | Marketing | Power | International | Others | Total | Total |
| | (*) | | | | | | |
| Assets classified as held for sale | | | | | | | |
| Property, plant and equipment | 116 | 293 | – | 3,759 | 1 | 4,169 | 290 |
| Trade receivables | – | 243 | – | 75 | – | 318 | – |
| Inventories | – | 182 | – | 101 | – | 283 | – |
| Investments | – | 36 | 65 | 25 | – | 126 | – |
| Cash and Cash Equivalents | – | 9 | – | 274 | – | 283 | – |
| Others | – | 35 | – | 424 | – | 459 | – |
| | 116 | 798 | 65 | 4,658 | 1 | 5,638 | 290 |
| Liabilities on assets classified as held for sale | | | | | | | |
| Trade Payables | – | (60) | – | (323) | – | (383) | – |
| Provision for decommissioning costs | – | – | – | (70) | – | (70) | – |
| Non-current debt | – | (36) | – | (1,398) | – | (1,434) | – |
| Others | – | (53) | – | (574) | – | (627) | – |
| | – | (149) | – | (2,365) | – | (2,514) | – |

(*) Net of impairment charges, as set out in note 14.3

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Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

10.4. Legal mergers, spin-offs and other information on investees

Partial spin-off of Petrobras International Finance Company S.A. - PifCo

On December 16, 2013, the Shareholders' Extraordinary General Meeting of Petrobras approved the partial spin-off of certain assets and liabilities of Petrobras International Finance Company S.A. – PifCo, with the subsequent merger of the spun-off portion into Petrobras, (not impacting share capital or additional paid in capital).

On February 12, 2014, Petrobras Global Finance B.V. (PGF), an indirect subsidiary of Petrobras, acquired the outstanding shares of PifCo for US\$ 224 (net book value as of January 31, 2014).

These events did not affect the consolidated financial statements.

Legal mergers of subsidiaries

In 2013, the following subsidiaries were merged into Petrobras, but did not increase share capital or additional paid in capital:

Date of the Shareholders' Extraordinary General Meeting / Company:

On September 30, 2013

Comperj Participações S.A
Comperj Estirênicos S.A
Comperj MEG S.A
Comperj Poliolefinas S.A.
Sociedade Fluminense de Energia Ltda. (SFE)

On December 16, 2013

Refinaria Abreu e Lima S.A. (RNEST)
Companhia de Recuperação Secundaria (CRSec)
Petrobras International Finance Company (PifCo) – partial spin-off

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.

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***11. Investments****11.1. Information about direct subsidiaries, joint arrangements and associates (Parent Company)**

| Subsidiaries | Main business segment | % Petrobras' ownership | % Petrobras' voting rights | Shareholders' equity (deficit) | Net income (loss) for the year | Country |
|-------------------------------------------------------------|------------------------------|-------------------------------|-----------------------------------|---------------------------------------|---------------------------------------|----------------|
| Petrobras Netherlands B.V. - PNBV | E&P | 100.00% | 100.00% | 30,537 | 5,929 | Netherlands |
| Petrobras Distribuidora S.A. - BR | Distribution | 100.00% | 100.00% | 11,900 | 2,132 | Brazil |
| Petrobras Gás S.A. - Gaspetro | Gas & Power | 100.00% | 100.00% | 10,634 | 1,662 | Brazil |
| Petrobras Transporte S.A. - Transpetro | RT&M | 100.00% | 100.00% | 4,827 | 892 | Brazil |
| Petrobras International Braspetro - PIB BV | International | 88.12% | 88.12% | 4,354 | 3,885 | Netherlands |
| Petrobras Logística de Exploração e Produção S.A. - PB-LOG | E&P | 100.00% | 100.00% | 3,351 | 197 | Brazil |
| Companhia Integrada Têxtil de Pernambuco S.A. - Citepe | RT&M | 100.00% | 100.00% | 2,504 | (216) | Brazil |
| Petrobras Biocombustível S.A. - PBIO | Biofuels | 100.00% | 100.00% | 2,121 | (323) | Brazil |
| Companhia Locadora de Equipamentos Petrolíferos S.A. - CLEP | E&P | 100.00% | 100.00% | 1,530 | 73 | Brazil |

| | | | | | | |
|-------------------------------------|---------------|---------|---------|---------|---------|----------------|
| Companhia | | | | | | |
| Petroquímica de Pernambuco S.A. - | | | | | | |
| PetroquímicaSuape | RT&M | 100.00% | 100.00% | 1,499 | (555) | Brazil |
| Petrobras International | | | | | | |
| Finance Company - | | | | | | |
| PifCo | Corporate | 100.00% | 100.00% | (1,132) | (1,569) | Luxembourg |
| Liquigás | | | | | | |
| Distribuidora S.A. Araucária | | | | | | |
| | Distribution | 100.00% | 100.00% | 859 | 23 | Brazil |
| Nitrogenados S.A. | | | | | | |
| | Gas & Power | 100.00% | 100.00% | 789 | (45) | Brazil |
| Termomacaé Ltda. | | | | | | |
| | Gas & Power | 99.99% | 99.99% | 747 | 115 | Brazil |
| Termoaçu S.A. | | | | | | |
| | Gas & Power | 100.00% | 100.00% | 691 | (54) | Brazil |
| INNOVA S.A. (*) | | | | | | |
| | RT&M | 100.00% | 100.00% | 579 | 172 | Brazil |
| 5283 Participações Ltda. | | | | | | |
| | International | 100.00% | 100.00% | 517 | 461 | Brazil |
| Breitener | | | | | | |
| Energética S.A. | | | | | | |
| | Gas & Power | 93.66% | 93.66% | 507 | (1) | Brazil |
| Termobahia S.A. | | | | | | |
| | Gas & Power | 98.85% | 98.85% | 434 | 21 | Brazil |
| Termo Ceará Ltda. | | | | | | |
| | Gas & Power | 100.00% | 100.00% | 334 | 60 | Brazil |
| Arembepe Energia S.A. | | | | | | |
| | Gas & Power | 100.00% | 100.00% | 314 | 93 | Brazil |
| Petrobras | | | | | | |
| Comercializadora de Energia Ltda. - | | | | | | |
| PBEN | Gas & Power | 99.91% | 99.91% | 301 | 81 | Brazil |
| Baixada Santista | | | | | | |
| Energia S.A. | | | | | | |
| | Gas & Power | 100.00% | 100.00% | 270 | 53 | Brazil |
| Fundo de Investimento | | | | | | |
| Imobiliário RB | | | | | | |
| Logística - FII | | | | | | |
| | E&P | 99.00% | 99.00% | 248 | 300 | Brazil |
| Energética | | | | | | |
| Camaçari Muriçy I | | | | | | |
| Ltda. | E&P | 100.00% | 100.00% | 181 | 97 | Brazil |
| Termomacaé | | | | | | |
| Comercializadora de Energia Ltda | | | | | | |
| | Gas & Power | 100.00% | 100.00% | 92 | 12 | Brazil |
| Braspetro Oil | | | | | | |
| Services Company - | | | | | | |
| Brasoil | E&P | 100.00% | 100.00% | (69) | (45) | Cayman Islands |
| Cordoba Financial | | | | | | |
| Services GmbH | | | | | | |
| | Corporate | 100.00% | 100.00% | 54 | 2 | Austria |
| Petrobras Negócios | | | | | | |
| Eletrônicos S.A. - | | | | | | |
| E-Petro | Corporate | 99.95% | 99.95% | 30 | 3 | Brazil |
| Downstream | | | | | | |
| Participações Ltda. | | | | | | |
| | Corporate | 100.00% | 100.00% | (2) | — | Brazil |
| Joint operations | | | | | | |

| | | | | | | |
|-----------------------------------------------------------------------------|--------|--------|-----|------|--------|--|
| Fábrica Carioca de Catalizadores S.A. - FCC | | | | | | |
| RT&M | 50.00% | 50.00% | 305 | 45 | Brazil | |
| Ibiritermo S.A. | | | | | | |
| Gas & Power | 50.00% | 50.00% | 132 | 41 | Brazil | |
| Joint ventures | | | | | | |
| Logum Logística S.A. | | | | | | |
| RT&M | 20.00% | 20.00% | 283 | (62) | Brazil | |
| Brasil PCH S.A. (*) | | | | | | |
| Gas & Power | 49.00% | 49.00% | 142 | 34 | Brazil | |
| Cia Energética Manauara S.A. | | | | | | |
| Gas & Power | 40.00% | 40.00% | 151 | 14 | Brazil | |
| Petrocoque S.A. Indústria e Comércio | | | | | | |
| RT&M | 50.00% | 50.00% | 123 | 22 | Brazil | |
| Brasympe Energia S.A. | | | | | | |
| Gas & Power | 20.00% | 20.00% | 83 | 6 | Brazil | |
| Participações em Complexos Bioenergéticos S.A. - PCBIOS | | | | | | |
| Biofuels | 50.00% | 50.00% | 62 | — | Brazil | |
| Refinaria de Petróleo Riograndense S.A. | | | | | | |
| RT&M | 33.20% | 33.33% | 51 | 2 | Brazil | |
| METANOR S.A. - Metanol do Nordeste | | | | | | |
| RT&M | 34.54% | 50.00% | 49 | 4 | Brazil | |
| Brentech Energia S.A. | | | | | | |
| Gas & Power | 30.00% | 30.00% | 49 | 12 | Brazil | |
| Companhia de Coque Calcinado de Petróleo S.A. - Coquepar | | | | | | |
| RT&M | 45.00% | 45.00% | 46 | (18) | Brazil | |
| Eólica Mangue Seco 4 - Geradora e Comercializadora de Energia Elétrica S.A. | | | | | | |
| Gas & Power | 49.00% | 49.00% | 43 | 1 | Brazil | |
| Eólica Mangue Seco 3 - Geradora e Comercializadora de Energia Elétrica S.A. | | | | | | |
| Gas & Power | 49.00% | 49.00% | 39 | 1 | Brazil | |
| Eólica Mangue Seco 1 - Geradora e Comercializadora de Energia Elétrica S.A. | | | | | | |
| Gas & Power | 49.00% | 49.00% | 38 | 4 | Brazil | |
| Eólica Mangue Seco 2 - Geradora e Comercializadora de Energia Elétrica | | | | | | |
| Gas & Power | 51.00% | 51.00% | 36 | 2 | Brazil | |

| | | | | | | |
|-----------------------------------------------------------|-------------|--------|--------|-------|-------|--------|
| S.A. GNL do Nordeste Ltda. | Gas & Power | 50.00% | 50.00% | – | – | Brazil |
| Associates Braskem S.A. | RT&M | 36.20% | 47.03% | 7,593 | 510 | Brazil |
| Fundo de Investimento em Participações de Sondas | E&P | 4.59% | 4.59% | 4,156 | 1,743 | Brazil |
| Sete Brasil Participações S.A. | E&P | 5.00% | 5.00% | 2,574 | 99 | Brazil |
| UTE Norte Fluminense S.A. | Gas & Power | 10.00% | 10.00% | 909 | 96 | Brazil |
| UEG Araucária Ltda. | Gas & Power | 20.00% | 20.00% | 702 | 36 | Brazil |
| Deten Química S.A. | RT&M | 27.88% | 27.88% | 299 | 70 | Brazil |
| Energética SUAPE II S.A. | Gas & Power | 20.00% | 20.00% | 216 | 84 | Brazil |
| Termoelétrica Potiguar S.A. - TEP | Gas & Power | 20.00% | 20.00% | 84 | – | Brazil |
| Nitroclor Ltda. Bioenergética | RT&M | 38.80% | 38.80% | 1 | – | Brazil |
| Britarumã S.A. | Gas & Power | 30.00% | 30.00% | – | – | Brazil |

(*) Classified as assets held for sale as of December 31, 2013, as set out in note 10.

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*(Expressed in millions of reais, unless otherwise indicated)***11.2. Investments (Parent Company)**

| | Balance at 12.31.2012 | Acquisition and paying in of capital | Additional paid in capital | Restructuring, capital decrease and others | Share of profits of investees | Other comprehensive income |
|--------------------|----------------------------------|---------------------------------------------------------|-------------------------------------------|---------------------------------------------------------------|----------------------------------------------|-------------------------------------------|
| Subsidiaries | | | | | | |
| PNBV | 20,512 | – | 1 | – | 5,555 | 3,563 |
| BR Distribuidora | 9,451 | 20 | – | – | 2,132 | 831 |
| Gaspetro | 10,322 | – | – | – | 1,662 | 3 |
| Transpetro | 3,767 | 257 | – | – | 868 | 122 |
| PIB BV | 852 | – | (18) | – | 3,425 | (422) |
| PB-LOG | 3,435 | – | – | – | 197 | – |
| Citepe | 1,801 | 919 | – | – | (216) | – |
| PBIO | 1,916 | 517 | 4 | – | (323) | 7 |
| CLEP | 1,502 | – | – | – | 73 | – |
| PetroquímicaSuape | 1,404 | 650 | – | – | (555) | – |
| Liquigás | 838 | – | – | – | 23 | 17 |
| Araucária | | | | | | |
| Nitrogenados | – | 659 | – | 172 | (44) | 2 |
| Termomacaé Ltda | 795 | – | – | – | 115 | 1 |
| Termoaçu | – | 150 | – | 569 | (56) | – |
| 5283 Participações | 115 | – | (2) | – | 462 | (57) |
| Breitener | 476 | – | – | – | (1) | – |
| Termobahia | 61 | – | 348 | – | 20 | – |
| Termo Ceará | 343 | – | – | – | 60 | 1 |
| Arembepe | 223 | – | – | 4 | 93 | – |
| PBEN | 257 | – | – | – | 81 | – |
| RNEST | 10,567 | 10,110 | – | (19,698) | (979) | – |
| Innova | 431 | – | – | (464) | 57 | – |
| Other subsidiaries | 1,554 | 38 | 10 | (1,103) | 561 | 1 |
| Joint operations | 766 | – | – | (569) | 43 | – |
| Joint ventures | 520 | 27 | – | (163) | 12 | 9 |
| Associates | 3,565 | 41 | – | 79 | 360 | (507) |
| | 75,473 | 13,388 | 343 | (21,173) | 13,625 | 3,571 |

Subsidiaries,
operations / joint
ventures and

associates
Goodwill
Unrealized profits of the Company
Other investments
Total investments

40

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***11.3. Investments in joint ventures and associates (Consolidated)**

| | 2013 | 2012 |
|------------------------------------------|-------------|-------------|
| Investments measured using equity method | | |
| Braskem S.A. | 5,157 | 5,523 |
| Petrobras Oil & Gas BV (i) | 3,999 | – |
| State Gas distributors | 1,248 | 1,134 |
| Guarani S.A. | 1,194 | 985 |
| Petroritupano - Orielo | 464 | 476 |
| Petrowayu - La Concepción | 433 | 394 |
| Nova Fronteira Bionergia S.A. | 399 | 414 |
| Other Petrochemical Investees | 196 | 314 |
| Transierra S.A. | 159 | 142 |
| Petrokariña - Mata | 155 | 154 |
| UEG Araucária | 138 | 131 |
| Termoaçu S.A. (ii) | – | 546 |
| Distrilec S.A. (iii) | – | 84 |
| Other associates | 2,021 | 1,936 |
| | 15,563 | 12,233 |
| Other investments | 52 | 244 |
| | 15,615 | 12,477 |

(i) Consolidated company in 2012, as described in note 10.

(ii) Acquisition of control in 2013, as described in notes 3.1 and 10.

(iii) Investment sold in January 2013 by Petrobras Argentina S.A.

11.4. Investments in listed companies

| Company | Thousand-share lot | | Type | Quoted stock exchange prices (R\$ per share) | | Market value | |
|----------------------------|--------------------|-----------|--------|----------------------------------------------|------|--------------|-------|
| | 2013 | 2012 | | 2013 | 2012 | 2013 | 2012 |
| Indirect subsidiary | | | | | | | |
| Petrobras Argentina | 1,356,792 | 1,356,792 | Common | 1.87 | 1.41 | 2,537 | 1,913 |
| | | | | | | 2,537 | 1,913 |

Associate

| | | | | | | | |
|---------|---------|---------|-----------|-------|-------|-------|-------|
| Braskem | 212,427 | 212,427 | Common | 16.50 | 9.60 | 3,505 | 2,039 |
| | | | Preferred | | | | |
| Braskem | 75,793 | 75,793 | A | 21.00 | 12.80 | 1,592 | 970 |
| | | | | | | 5,097 | 3,009 |

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

11.5. Non-controlling interest

The total amount of non-controlling interest at December 31, 2013 is R\$ 1,394 of which R\$ 1,388 is related to Petrobras Argentina S.A. Summarized information on Petrobras Argentina is set out following:

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(Expressed in millions of reais, unless otherwise indicated)

| | Petrobras Argentina | |
|-----------------------------------------|----------------------------|-------------|
| | 2013 | 2012 |
| Current assets | 2,295 | 2,282 |
| Long-term receivables | 407 | 593 |
| Property, plant and equipment | 3,438 | 3,529 |
| Other noncurrent assets | 1,490 | 1,559 |
| | 7,630 | 7,963 |
| Current liabilities | 1,447 | 1,803 |
| Non-current liabilities | 1,954 | 1,760 |
| Shareholders' equity | 4,229 | 4,400 |
| | 7,630 | 7,963 |
| Sales revenues | 547 | 528 |
| Net Income for the year | 299 | 253 |
| Net change in cash and cash equivalents | (86) | 148 |

Petrobras Argentina is an integrated energy company, indirectly controlled by Petrobras (directly controlled by PIB BV), whose main place of business is Argentina.

11.6. Summarized information on joint ventures and associates

The Company invests in joint ventures and associates in Brazil and abroad, whose activities are related to petrochemical companies, gas distributors, biofuels, thermoelectric power stations, refineries and other activities. Summarized accounting information is set out below:

| | 2013 | | Associates | |
|------------------------------------|-----------------------|---------------|-------------------|---------------|
| | Joint ventures | | In Brazil | Abroad |
| | In Brazil | Abroad | | |
| Current assets | 3,756 | 5,602 | 22,669 | 6,439 |
| Non-current assets | 1,944 | 4,370 | 7,268 | 123 |
| Property, plant and equipment, net | 3,839 | 16,558 | 30,784 | 6,520 |
| Other non-current assets | 2,186 | 119 | 6,899 | 166 |
| | 11,725 | 26,649 | 67,620 | 13,248 |
| Current liabilities | 4,060 | 2,290 | 15,812 | 6,001 |

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| | | | | |
|--------------------------|----------|----------|---------|----------|
| Non-current liabilities | 2,395 | 14,508 | 32,477 | 2,424 |
| Shareholders' equity | 5,248 | 9,492 | 19,186 | 4,823 |
| Non-controlling interest | 22 | 359 | 145 | – |
| | 11,725 | 26,649 | 67,620 | 13,248 |
| Sales revenues | 12,181 | 3,866 | 46,092 | 200 |
| Net Income for the year | 549 | 1,229 | 2,591 | 694 |
| Ownership interest - % | 20 a 83% | 34 a 50% | 5 a 49% | 11 a 49% |

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***12. Property, plant and equipment****12.1. By class of assets**

| | Consolidated | | | | Parent Company | |
|-------------------------------------------------------------|-----------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------------------------------------------------|-----------------------|--------------|
| | Land, buildings and improvements | Equipment and other assets | Assets under construction (*) | Exploration and development costs (oil and gas producing properties) | Total | Total |
| Balance at 1 January 2012 | 12,359 | 124,481 | 158,559 | 47,718 | 343,117 | 227,479 |
| Additions | 100 | 4,058 | 63,844 | 3,358 | 71,360 | 56,108 |
| Additions to / review of estimates of decommissioning costs | – | – | – | 10,719 | 10,719 | 10,481 |
| Capitalized borrowing costs | – | – | 7,400 | – | 7,400 | 5,348 |
| Business combinations | 169 | 370 | 4 | – | 543 | – |
| Write-offs | (11) | (119) | (5,232) | (215) | (5,577) | (5,151) |
| Transfers | 4,946 | 48,679 | (59,531) | 13,550 | 7,644 | 879 |
| Depreciation, amortization and depletion | (933) | (12,985) | – | (7,360) | (21,278) | (15,250) |
| Impairment - recognition (****) | (42) | (366) | (77) | (307) | (792) | (294) |
| Impairment - reversal (****) | – | 91 | 276 | 133 | 500 | 224 |
| Cumulative translation adjustment | 96 | 2,763 | 1,635 | 586 | 5,080 | – |
| Balance at December 31, 2012 | 16,684 | 166,972 | 166,878 | 68,182 | 418,716 | 279,824 |
| Cost | 22,140 | 250,630 | 166,878 | 127,408 | 567,056 | 390,435 |

| | | | | | | |
|-------------------------------------------------------------|---------------|-----------|----------|------------|-----------|-----------|
| Accumulated depreciation, amortization and depletion | (5,456) | (83,658) | – | (59,226) | (148,340) | (110,611) |
| Balance at December 31, 2012 | 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 |
| | 25 | 20 | | Unit of | | |
| | (25 to 40) | (3 to 31) | | production | | |
| | (except land) | (**) | | method | | |

(*) See note 30 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), as described in note 13; the amount related to PO&G (R\$ 4,898), which has ceased to be consolidated; and amounts transferred to assets classified as held for sale, as set out in note 10.

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

At December 31, 2013, consolidated and parent company property, plant and equipment includes assets under finance leases of R\$ 202 and R\$ 10,738, respectively (R\$ 208 and R\$ 10,287 at December 31, 2012).

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*(Expressed in millions of reais, unless otherwise indicated)***12.2. Estimated useful life - Consolidated**

| Estimated useful life | Buildings and improvements, equipment and other assets | | |
|------------------------------|---------------------------------------------------------------|---------------------------------|------------------------|
| | Cost | Accumulated depreciation | Balance at 2013 |
| 5 years or less | 12,638 | (7,636) | 5,002 |
| 6 - 10 years | 48,189 | (23,190) | 24,999 |
| 11 - 15 years | 2,210 | (978) | 1,232 |
| 16 - 20 years | 81,958 | (20,504) | 61,454 |
| 21 - 25 years | 37,225 | (11,729) | 25,496 |
| 25 - 30 years | 52,671 | (9,387) | 43,284 |
| 30 years or more | 53,725 | (10,635) | 43,090 |
| Units of production method | 47,262 | (23,290) | 23,972 |
| | 335,878 | (107,349) | 228,529 |
| Buildings and improvements | 23,451 | (6,703) | 16,748 |
| Equipment and other assets | 312,427 | (100,646) | 211,781 |

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*(Expressed in millions of reais, unless otherwise indicated)***13. Intangible assets****13.1. By class of assets**

| | Consolidated | | | | Parent Company | |
|-----------------------------------|---------------------|-----------------|------------------|----------------------|-----------------------|--------------|
| | Softwares | | | Goodwill from | | |
| | Rights and | | Developed | expectations | | |
| | concessions | Acquired | in-house | of future | Total | Total |
| | | | | profitability | | |
| Balance at 1 January 2012 | 78,804 | 337 | 1,344 | 949 | 81,434 | 77,709 |
| Additions Capitalized | 179 | 141 | 286 | – | 606 | 458 |
| borrowing costs | – | – | 30 | – | 30 | 30 |
| Write-offs | (229) | (3) | (6) | – | (238) | (231) |
| Transfers | (166) | 23 | (198) | (28) | (369) | (257) |
| Amortization | (91) | (119) | (278) | – | (488) | (360) |
| Impairment - reversal (***) | 12 | – | – | – | 12 | – |
| Cumulative translation adjustment | 193 | 7 | – | 20 | 220 | – |
| Balance at December 31, 2012 | 78,702 | 386 | 1,178 | 941 | 81,207 | 77,349 |
| Cost | 79,533 | 1,463 | 2,950 | 941 | 84,887 | 79,873 |
| Accumulated amortization | (831) | (1,077) | (1,772) | – | (3,680) | (2,524) |
| Balance at December 31, 2012 | 78,702 | 386 | 1,178 | 941 | 81,207 | 77,349 |
| Additions Capitalized | 6,665 | 72 | 278 | – | 7,015 | 6,862 |
| 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 - recognition (***) | (1,139) | – | – | – | (1,139) | – |
| | 182 | 6 | – | 35 | 223 | – |

| | | | | | | |
|-----------------------------------|--------|---------|---------|------------|---------|---------|
| Cumulative translation adjustment | | | | | | |
| 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 |
| Estimated useful life - years | (*) | 5 | 5 | Indefinite | | |

(*) See note 3.9 (Intangible assets).

(**) 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) areas, as described below, and the amount related to PO&G (R\$ 1,244), which has ceased to be consolidated, as described in note 10.

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

On December 19, 2013, the Company submitted to the Agência Nacional de Petróleo, Gás Natural e Biocombustíveis – ANP the declaration of commerciality of Franco and Sul de Tupi, located at the pre-salt area in the Santos basin. The exploration stage confirmed the volumes defined in the Assignment Agreement related to Franco (now Búzios) and Sul de Tupi (now Sul de Lula), of 3,058 billion barrels of oil equivalent and 128 million barrels of oil equivalent, respectively.

After the declaration of commerciality, the amounts of R\$ 48,621 and R\$ 1,768, paid to the Federal Government for the acquisition of Franco and Sul de Tupi, were reclassified from Intangible assets to Property, plant and equipment, according to the policy set out in note 3.9. These amounts will be the subject to the review of the Assignment Agreement, as set out in note 13.2.

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

At December 31, 2013, the Company’s Intangible Assets include R\$ 24,419 (R\$ 74,808 at December 31, 2012) 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.

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Petrobras, the Federal Government (assignor) and the Agência Nacional de Petróleo, Gás Natural e Biocombustíveis - ANP (regulator and inspector) entered into the 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 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 are 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 are 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 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.

13.3. Exploration rights returned to Agência Nacional de Petróleo, Gás Natural e Biocombustíveis (ANP)

Exploration areas returned to ANP in 2013, in the amount of R\$ 131 (R\$ 221 in 2012) are set out below:

Exclusive Concession Blocks (Petrobras):

- Campos Basin: C-M-95; C-M-96; C-M-119; C-M-120; C-M-403;
- Espírito Santo Basin: ES-M-523;
- Parecis Basin: PRC-T-104; PRC-T-105;
- Solimões Basin: SOL-T-150; SOL-T-173.

Blocks in partnership (returned by Petrobras or by its operators):

- Ceará Basin: BM-CE-1;
- Camamu Almada Basin: CAL-M-120; CAL-M-186;
- Campos Basin: C-M-593;
- Espírito Santo Basin: ES-M-588; ES-M-590; ES-M-592; ES-M-663;
- Paraíba-Pernambuco Basin: PEPB-M-837;
- Potiguar Basin: POT-T-699; POT-T-745; POT-T-774;
- São Francisco Basin: SF-T-101; SF-T-102; SF-T-111; SF-T-112;
- Santos Basin: S-M-172; S-M-674; S-M-789.

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13.4. Oil and Gas fields operated by Petrobras returned to ANP

During 2013 the following oil and gas fields were returned to ANP: Coral, Carataí, Corruíra, Biquara, Guaiúba, Iraí, Dentão, Acauã Leste, Guajá and Noroeste do Morro Rosado.

13.5. Service concession agreement - Distribution of piped natural gas

At December 31, 2013, intangible assets include service concession agreements related to piped natural gas distribution in Brazil, in the amount of R\$ 537 maturing between 2029 and 2043, which may be extended. According to the agreements, distribution service can be provided to industrial, residential, commercial, automotive, air conditioning, transport, and other sectors.

The consideration receivable is a factor of a combination of operating costs and expenses, and return on capital invested. The rates charged for gas distribution are subject to periodic reviews by the state regulatory agency.

The agreements establish an indemnity clause for investments in assets which are subject to return at the end of the service agreement, to be determined based on evaluations and appraisals.

14. Impairment

14.1. Property, plant and equipment and intangible

Value in use is calculated to assess the recoverable amount of the Cash-Generating Units, and the basis for estimates of cash flow projections include: an estimate of the useful life of the assets in the CGU; budgets, forecasts and assumptions approved by management; and pre-tax discount rate derived from the weighted average cost of capital (WACC) method.

The recoverable amount of the Distribution CGU (including goodwill) was calculated using value in use, and no impairment losses were recognized. The basis for estimates of cash flow projections include: average useful life of 17 years, non-growing perpetuity, budgets, forecasts and assumptions approved by management, and pre-tax discount rate derived from the WACC method.

Based on 2013 impairment tests, the following amounts were recognized as impairment losses / reversals in other operating expenses, in profit or loss:

Exploration and Production

Based on impairment tests, impairment losses of R\$ 132 were recognized in exploration and production assets, mainly related to mature oil and gas producing properties under concessions in Brazil.

A review of projects, which are now financially viable, along with the implementation of operational efficiency programs and of operating costs optimization programs in certain CGUs led to the reversal of impairment losses recognized in previous years, related to oil and gas producing properties under concessions in Brazil (R\$ 268).

International

Based on impairment tests , impairment losses of R\$ 26 were recognized in international assets, mainly related to mature oil and gas exploration and producing properties in the United States, representing the carrying amount of Garden Banks 200 and 201 blocks.

A R\$ 1,202 impairment loss was recognized to reduce the carrying amounts of exploration and production assets in Angola and Tanzania classified as held for sale to fair value less cost to sell, as set out in note 10.2.

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*(Expressed in millions of reais, unless otherwise indicated)***14.2. Investments in associates and joint ventures (including goodwill)**

Value in use is generally used for impairment test of goodwill associated to investments in associates and joint ventures. The basis for estimates of cash flow projections include: projections covering a period of 5 to 12 years, non-growing perpetuity, budgets, forecasts and assumptions approved by management, and pre-tax discount rate derived from the WACC method.

Based on 2013 impairment tests, no impairment losses were recognized, related to these assets. The carrying amounts and goodwill of the most significant investments in associates and joint ventures are set out below:

| Investment | Segment | Pre-tax discount rate (real interest rate) | Value in use | Carrying amount |
|--------------------------|----------------|---------------------------------------------------|---------------------|------------------------|
| Braskem S.A. | Petrochemical | 16% | 6,578 | 5,157 |
| Natural Gas Distributors | Natural gas | 7% to 14% | 5,991 | 1,248 |
| Guarani S.A. | Biofuels | 9% | 1,295 | 1,194 |

- Investment in publicly traded associate (Braskem S.A.):

Braskem's shares are publicly traded on stock exchanges in Brazil and abroad. The quoted market value as of December 31, 2013, was R\$ 5.097, 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. Thus if common shares and preferred shares were valued at the same price per share, market value would amount to R\$ 6.053.

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 future cash flow projections and the manner in which the Company can derive value from these investments via dividends and other distributions to arrive at value in use. As the recoverable amount was higher than the carrying amount, no impairment losses were recognized in 2013 for this investment.

Cash flow projections to determine the value in use of Braskem were based on the following key assumptions: (i) estimated average exchange rate of R\$ 2.23 to U.S.\$1.00 in 2014 (converging to R\$ 1.87 in the long term); (ii) Brent crude oil price of US\$ 105.00 for 2014, declining to U.S.\$ 95.00 in the long term; (iii) prices of feedstock and petrochemical products

reflecting projected international prices; (iv) petrochemical products sales volume estimates reflecting projected Brazilian and global G.D.P growth; and (v) increases in the EBITDA margin along with the next growth cycle of the petrochemical industry during the next years and declining in the long term.

14.3. Assets classified as held for sale

Due to the approval by the Board of Directors of the disposal of PI, PIII, PIV and PXIV drilling rigs, these assets were remeasured at fair value and impairment losses of R\$ 145 were recognized in the exploration and production segment.

15. 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.

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Movements on 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:

| Exploratory costs recognized in Assets (*) | Consolidated | |
|---------------------------------------------------|---------------------|-------------|
| | 2013 | 2012 |
| Property, plant and equipment | | |
| Opening balance | 21,760 | 18,983 |
| Additions | 10,680 | 12,982 |
| Write offs | (2,754) | (5,439) |
| Transfers (***) | (9,056) | (5,137) |
| Cumulative translation adjustment | (11) | 371 |
| Closing balance | 20,619 | 21,760 |
| Intangible Assets (**) | 32,516 | 77,588 |
| Total Exploratory Costs Capitalized | 53,135 | 99,348 |

(*) 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 13.2).

(***) Includes R\$ 1,523 relative to PO&G, which has been unconsolidated, as set out in note 10.

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:

| Exploration costs recognized in profit or loss | Consolidated | |
|---------------------------------------------------------------------------------|---------------------|-------------|
| | 2013 | 2012 |
| Geological and geophysical expenses | 2,069 | 1,994 |
| Exploration expenditures written off (includes dry wells and signature bonuses) | 4,169 | 5,628 |
| Other exploration expenses | 207 | 175 |

| | | |
|--------------------------------|---------------------|-------------|
| Total expenses | 6,445 | 7,797 |
| | Consolidated | |
| Cash used in activities | 2013 | 2012 |
| Operating activities | 2,275 | 2,226 |
| Investment activities | 18,892 | 12,982 |
| Total cash used | 21,167 | 15,208 |

15.1. Aging of Capitalized Exploratory Well Costs

An aging of the number of wells and the capitalized exploratory well costs based on the drilling completion date, along with the number of projects for which exploratory well costs have been capitalized for a period greater than one year are set out in the table below:

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*(Expressed in millions of reais, unless otherwise indicated)***Aging of capitalized exploratory well costs* Consolidated**

| | 2013 | 2012 |
|-------------------------------------------------------------------------------------------------------------------|-------------|------------------------|
| Capitalized exploratory well costs that have been capitalized for a period of one year | 6,016 | 8,621 |
| Capitalized exploratory well costs that have been capitalized for a period greater than one year | 14,603 | 13,139 |
| Ending balance | 20,619 | 21,760 |
| | | |
| Number of projects that have exploratory well costs that have been capitalized for a period greater than one year | 86 | 145 |
| | 2013 | Number of wells |
| 2012 | 5,773 | 39 |
| 2011 | 3,833 | 34 |
| 2010 | 2,098 | 18 |
| 2009 | 1,012 | 22 |
| 2008 and previous years | 1,887 | 15 |
| Ending balance | 14,603 | 128 |

(*) Amounts paid for obtaining rights and concessions for exploration of oil and natural gas (capitalized acquisition costs) are not included.

Of the amount of R\$ 14,603 for 86 projects that include wells suspended for more than one year since the completion of drilling, R\$ 2,316 are related to wells in areas for which drilling was under way or firmly planned for the near future, and for which an evaluation plan (“Plano de Avaliação”) has been submitted and is subject to approval by ANP, and R\$ 12,287 are related to costs incurred to assess the reserves and their potential development.

16. Trade payables

| | Consolidated | | Parent Company | |
|---------------------|---------------------|-------------|-----------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Current liabilities | | | | |
| Third parties | | | | |
| In Brazil | 12,523 | 13,306 | 10,696 | 10,868 |

| | | | | |
|---------------------------|--------|--------|--------|--------|
| Abroad | 14,198 | 10,430 | 4,410 | 2,994 |
| Related parties (note 19) | 1,201 | 1,039 | 10,855 | 13,056 |
| | 27,922 | 24,775 | 25,961 | 26,918 |

17. Finance debt

Funding requirements are related to the development of oil and gas production projects, building of vessels and pipelines, as well as construction and expansion of industrial plants, among other uses.

Changes in the noncurrent debt are set out below:

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Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

| | Consolidated | | | | | Parent Company |
|-----------------------------------------------|-------------------------------------|---------------------------|----------------------------|---------------|--------------|-----------------------|
| | Export Credit Agency | Banking Market | Capital Markets | Others | Total | Total |
| Non-current | | | | | | |
| In Brazil | | | | | | |
| Balance at January 1 , 2012 | – | 56,683 | 2,345 | 151 | 59,179 | 27,710 |
| Cumulative translation adjustment (CTA) | – | 31 | – | – | 31 | |
| Additions (new funding obtained) | – | 6,183 | 504 | – | 6,687 | 5,225 |
| Interest incurred during the period | – | 88 | 59 | 3 | 150 | 15 |
| Foreign exchange/inflation indexation charges | – | 2,315 | 99 | 6 | 2,420 | 835 |
| Transfer from long term to short Term | – | (1,999) | (443) | (30) | (2,472) | (425) |
| Balance at December 31, 2012 | – | 63,301 | 2,564 | 130 | 65,995 | 33,360 |
| Abroad | | | | | | |
| Balance at January 1 , 2012 | 9,386 | 27,067 | 39,441 | 1,332 | 77,226 | 15,345 |
| Cumulative translation adjustment (CTA) | 345 | 1,853 | 5,912 | 99 | 8,209 | |
| Additions (new funding obtained) | 1,718 | 11,473 | 18,616 | – | 31,807 | 19,409 |
| Interest incurred during the period | 6 | 9 | 396 | – | 411 | 827 |
| Foreign exchange/inflation indexation charges | 178 | 1,048 | 204 | 21 | 1,451 | 2,941 |
| Transfer from long term to short Term | (1,323) | (1,634) | (1,157) | (167) | (4,281) | (1,611) |
| Balance at December 31, 2012 | 10,310 | 39,816 | 63,412 | 1,285 | 114,823 | 36,911 |
| Total Balance at December 31, 2012 | 10,310 | 103,117 | 65,976 | 1,415 | 180,818 | 70,271 |
| Non-current | | | | | | |
| In Brazil | | | | | | |
| Balance at January 1 , 2013 | – | 63,301 | 2,564 | 130 | 65,995 | 33,360 |

| | | | | | | |
|--------------------------------------------------------------|---------|----------|---------|-------|----------|----------|
| Cumulative translation adjustment (CTA) | — | (6) | — | — | (6) | |
| Additions (new funding obtained) | — | 22,576 | 512 | — | 23,088 | 33,187 |
| Interest incurred during the period | — | 185 | 35 | 7 | 227 | 37 |
| Foreign exchange/inflation indexation charges | — | 3,257 | 117 | 4 | 3,378 | 679 |
| Transfer from long term to short Term | — | (21,348) | (391) | (27) | (21,766) | (18,944) |
| Transfer to liabilities associated with assets held for sale | — | (30) | — | — | (30) | — |
| Balance at December 31, 2013 | — | 67,935 | 2,837 | 114 | 70,886 | 48,319 |
| Abroad | | | | | | |
| Balance at January 1 , 2013 | 10,310 | 39,816 | 63,412 | 1,285 | 114,823 | 36,911 |
| 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 | 34,676 |
| Interest incurred during the period | 2 | 30 | 77 | 17 | 126 | 2,304 |
| Foreign exchange/inflation indexation charges | 343 | 1,926 | 605 | 64 | 2,938 | 10,331 |
| Transfer from long term to short Term | (1,447) | (2,826) | (902) | (91) | (5,266) | (26,804) |
| Transfer to liabilities associated with assets held for sale | — | (849) | — | — | (849) | — |
| Balance at December 31, 2013 | 13,599 | 63,034 | 99,730 | 1,618 | 177,981 | 57,418 |
| Total Balance at December 31, 2013 | 13,599 | 130,969 | 102,567 | 1,732 | 248,867 | 105,737 |

| Current | Consolidated | | Parent Company | |
|-----------------------------------|---------------------|-------------|-----------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Short Term Debt | 8,560 | 7,491 | 22,042 | 13,093 |
| Current Portion of Long Term Debt | 7,304 | 5,711 | 23,583 | 1,820 |
| Accrued Interest | 2,880 | 2,081 | 1,002 | 606 |
| | 18,744 | 15,283 | 46,627 | 15,519 |

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Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

17.1. Summarized information on current and non-current finance debt

Consolidated

| Maturity in | up to | 1 to 2 | 2 to 3 | 3 to 4 | 4 to 5 | 5 years and | Total | Fair |
|--------------------|--------------|---------------|---------------|---------------|---------------|-----------------------|--------------|--------------|
| | year | years | years | years | years | afterwards (*) | | value |

| | | | | | | | | |
|------------------------------|-------|-------|-------|-------|-------|--------|--------|--------|
| Financing in Reais (BRL): | 2,612 | 3,259 | 6,840 | 5,050 | 5,433 | 30,271 | 53,465 | 53,204 |
|------------------------------|-------|-------|-------|-------|-------|--------|--------|--------|

| | | | | | | | |
|--------------------|-------|-------|-------|-------|-------|--------|--------|
| Floating rate debt | 1,740 | 2,304 | 6,022 | 4,221 | 4,675 | 26,198 | 45,160 |
|--------------------|-------|-------|-------|-------|-------|--------|--------|

| | | | | | | | |
|-----------------|-----|-----|-----|-----|-----|-------|-------|
| Fixed rate debt | 872 | 955 | 818 | 829 | 758 | 4,073 | 8,305 |
|-----------------|-----|-----|-----|-----|-----|-------|-------|

| | | | | | | | |
|-----------------------|------|------|------|------|------|------|------|
| Average interest rate | 7.4% | 7.8% | 9.2% | 8.7% | 8.9% | 8.8% | 8.7% |
|-----------------------|------|------|------|------|------|------|------|

| | | | | | | | | |
|--------------------------------|--------|--------|--------|--------|--------|--------|---------|---------|
| Financing in US Dollars (USD): | 13,661 | 13,199 | 20,940 | 13,405 | 26,306 | 83,367 | 170,878 | 172,387 |
|--------------------------------|--------|--------|--------|--------|--------|--------|---------|---------|

| | | | | | | | |
|--------------------|--------|-------|--------|-------|--------|--------|--------|
| Floating rate debt | 11,119 | 9,953 | 10,009 | 8,501 | 20,757 | 31,802 | 92,141 |
|--------------------|--------|-------|--------|-------|--------|--------|--------|

| | | | | | | | |
|-----------------|-------|-------|--------|-------|-------|--------|--------|
| Fixed rate debt | 2,542 | 3,246 | 10,931 | 4,904 | 5,549 | 51,565 | 78,737 |
|-----------------|-------|-------|--------|-------|-------|--------|--------|

| | | | | | | | |
|-----------------------|------|------|------|------|------|------|------|
| Average interest rate | 3.1% | 3.3% | 3.1% | 3.0% | 3.1% | 4.3% | 3.7% |
|-----------------------|------|------|------|------|------|------|------|

| | | | | | | | | |
|----------------------------------------------|-----|-----|-----|-------|-------|--------|--------|--------|
| Financing in Reais indexed to US Dollars: | 562 | 243 | 871 | 1,597 | 1,597 | 15,824 | 20,694 | 21,121 |
|----------------------------------------------|-----|-----|-----|-------|-------|--------|--------|--------|

| | | | | | | | |
|--------------------|---|---|---|---|---|----|----|
| Floating rate debt | - | - | - | - | - | 12 | 12 |
|--------------------|---|---|---|---|---|----|----|

| | | | | | | | |
|-----------------|-----|-----|-----|-------|-------|--------|--------|
| Fixed rate debt | 562 | 243 | 871 | 1,597 | 1,597 | 15,812 | 20,682 |
|-----------------|-----|-----|-----|-------|-------|--------|--------|

| | | | | | | | |
|-----------------------|------|------|------|------|------|------|------|
| Average interest rate | 5.2% | 4.9% | 6.7% | 7.0% | 7.0% | 7.3% | 7.1% |
|-----------------------|------|------|------|------|------|------|------|

| | | | | | | | | |
|--------------------------|----|---|---|---|---|-------|-------|-------|
| Financing in Pounds (£): | 31 | – | – | – | – | 4,354 | 4,385 | 4,461 |
|--------------------------|----|---|---|---|---|-------|-------|-------|

| | | | | | | | |
|-----------------|----|---|---|---|---|-------|-------|
| Fixed rate debt | 31 | - | - | - | - | 4,354 | 4,385 |
|-----------------|----|---|---|---|---|-------|-------|

| | | | | | | | |
|-----------------------|------|------|------|------|------|------|------|
| Average interest rate | 5.6% | 0.0% | 0.0% | 0.0% | 0.0% | 5.9% | 5.9% |
|-----------------------|------|------|------|------|------|------|------|

| | | | | | | | | |
|-----------------------|-------|-----|-------|-----|-----|---|-------|-------|
| Financing in Yen (¥): | 1,361 | 276 | 1,046 | 254 | 231 | – | 3,168 | 3,217 |
|-----------------------|-------|-----|-------|-----|-----|---|-------|-------|

| | | | | | | | |
|--------------------|-----|-----|-----|-----|-----|---|-------|
| Floating rate debt | 230 | 230 | 230 | 230 | 230 | – | 1,150 |
|--------------------|-----|-----|-----|-----|-----|---|-------|

| | | | | | | | |
|-----------------|-------|----|-----|----|---|---|-------|
| Fixed rate debt | 1,131 | 46 | 816 | 24 | 1 | – | 2,018 |
|-----------------|-------|----|-----|----|---|---|-------|

| | | | | | | | |
|-----------------------|------|------|------|------|------|------|------|
| Average interest rate | 0.9% | 0.9% | 1.8% | 0.8% | 0.8% | 0.0% | 1.2% |
|-----------------------|------|------|------|------|------|------|------|

| | | | | | | | | |
|------------------------|-----|----|----|----|-------|--------|--------|--------|
| Financing in Euro (€): | 500 | 32 | 25 | 25 | 4,031 | 10,374 | 14,987 | 15,533 |
|------------------------|-----|----|----|----|-------|--------|--------|--------|

| | | | | | | | |
|-----------------|-----|----|----|----|-------|--------|--------|
| Fixed rate debt | 500 | 32 | 25 | 25 | 4,031 | 10,374 | 14,987 |
|-----------------|-----|----|----|----|-------|--------|--------|

| | | | | | | | |
|-----------------------|------|------|------|------|------|------|------|
| Average interest rate | 4.4% | 1.4% | 1.4% | 1.4% | 4.9% | 4.2% | 4.4% |
|-----------------------|------|------|------|------|------|------|------|

| | | | | | | | | |
|-----------------------------------|----|---|---|---|---|---|----|----|
| Financing in other currencies: | 17 | 8 | 9 | – | – | – | 34 | 33 |
|-----------------------------------|----|---|---|---|---|---|----|----|

| | | | | | | | |
|-----------------|----|---|---|---|---|---|----|
| Fixed rate debt | 17 | 8 | 9 | - | - | - | 34 |
|-----------------|----|---|---|---|---|---|----|

| | | | | | | | |
|-----------------------|-------|-------|-------|------|------|------|-------|
| Average interest rate | 12.5% | 15.3% | 15.3% | 0.0% | 0.0% | 0.0% | 14.0% |
|-----------------------|-------|-------|-------|------|------|------|-------|

Total as of December 18,744 17,017 29,731 20,331 37,598 144,190 267,611 269,956
31, 2013

| | | | | | | | |
|-----------------------------|------|------|------|------|------|------|------|
| Total Average interest rate | 3.6% | 4.2% | 4.6% | 4.7% | 4.3% | 5.6% | 5.0% |
|-----------------------------|------|------|------|------|------|------|------|

| | | | | | | | | |
|----------------------|--------|-------|--------|--------|--------|---------|---------|---------|
| Total as of December | 15,283 | 8,535 | 14,560 | 27,924 | 19,186 | 110,613 | 196,101 | 209,431 |
| 31, 2012 | | | | | | | | |

* The average maturity of debt in 2013 is 7.1 years.

The sensitivity analysis for financial instruments subject to foreign exchange variation and the fair value of the long-term debt are set out in note 34.

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Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

17.2. 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 4.5% p.a. in 2013 (4.5% p.a. in 2012).

17.3. Funding – Outstanding balance

a) Abroad

Amount in US\$ million

| Company | Available (Line of credit) | Used | Balance |
|----------------|---------------------------------------|-------------|----------------|
|----------------|---------------------------------------|-------------|----------------|

PGT

1,000

500

500

Petrobras

2,500

253

2,247

b) In Brazil

| Company | Available (Line of credit) | Used | Balance |
|----------------|---------------------------------------|-------------|----------------|
| Transpetro (*) | 10,007 | 2,059 | 7,948 |
| Petrobras | 13,971 | 8,889 | 5,082 |
| PNBV | 9,878 | — | 9,878 |
| Liquigas | 110 | 83 | 27 |

(*)Purchase and sale agreements for 49 vessels and 20 convoys were signed with six Brazilian shipyards in the amount of R\$ 11,116.

17.4. Guarantees

Financial institutions do not require Petrobras to provide guarantees related to loans and financing, except for funding from development banks, such as the BNDES, which are collateralized by the assets being financed. Financial transactions carried out by subsidiaries, which have corporate guarantees for Petrobras, are presented in note 19.3 ("Guarantees Granted").

The loans obtained by structured entities are collateralized by the project assets, as well as a lien on credit rights and shares of the structured entities.

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***18. Leases****18.1. Future minimum lease payments / receipts – finance leases**

| | Consolidated Minimum receipts | Minimum payments | Parent Company Minimum payments |
|------------------------------------------------|----------------------------------------------|-----------------------------|----------------------------------------------------|
| At December 31, 2013 | | | |
| 2014 | 399 | 51 | 2,363 |
| 2015 - 2018 | 1,649 | 181 | 5,279 |
| 2019 and thereafter | 4,266 | 623 | 3,034 |
| Estimated lease receipts/payments | 6,314 | 855 | 10,676 |
| Less Interest expense (annual) | (2,751) | (646) | (2,933) |
| Present value of minimum receipts/ payments | 3,563 | 209 | 7,743 |
| 2014 | 226 | 22 | 1,783 |
| 2015 - 2018 | 932 | 75 | 3,921 |
| 2019 and thereafter | 2,405 | 112 | 2,039 |
| Present value of minimum receipts/ payments | 3,563 | 209 | 7,743 |
| Current | 135 | 38 | 1,784 |
| Non-current | 3,428 | 171 | 5,959 |
| At December 31, 2013 | 3,563 | 209 | 7,743 |
| Current | 123 | 37 | 1,741 |
| Non-current | 3,139 | 176 | 6,021 |
| At December 31, 2012 | 3,262 | 213 | 7,762 |

18.2. Future minimum lease payments - operating leases

| | Consolidated | Parent Company |
|----------------------|---------------------|-----------------------|
| 2014 | 34,396 | 41,533 |
| 2015-2018 | 56,664 | 89,475 |
| 2019 and thereafter | 30,967 | 114,287 |
| At December 31, 2013 | 122,027 | 245,295 |

| | | |
|----------------------|---------|---------|
| At December 31, 2012 | 106,367 | 199,033 |
|----------------------|---------|---------|

During 2013, the Company paid R\$ 24,917 for consolidated operating lease installments and R\$ 31,693 in the Parent company), recognized as a period expense (during 2012, R\$ 20,443 for consolidated and R\$27,146 in the Parent company).

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

19. Related parties

19.1. Commercial transactions and other operations

Petrobras carries out commercial transactions with its subsidiaries, joint arrangements, consolidated structure entities and associates at normal market prices and market conditions. At December 31, 2013 and December 31, 2012, no losses were recognized on the statement of financial position for related party accounts receivable.

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***19.1.1. By transaction**

| | Parent Company 2013 Assets | | | Liabilities | | | |
|----------------------------------------------------------------------------|-------------------------------------------|----------------|--------------------|--------------------|----------------|--------------------|--------------|
| | Profit or Loss | Current | Non-current | Total | Current | Non-current | Total |
| Profit or Loss | | | | | | | |
| Revenues (mainly sales revenues) | 135,605 | | | | | | |
| Foreign exchange and inflation indexation charges, net | (3,121) | | | | | | |
| Financial income (expenses), net | (3,212) | | | | | | |
| Assets | | | | | | | |
| Trade and other receivables | | 9,020 | 2,364 | 11,384 | | | |
| Trade and other receivables (mainly from sales) | | 7,738 | – | 7,738 | | | |
| Dividends receivable | | 954 | – | 954 | | | |
| Intercompany loans | | – | 279 | 279 | | | |
| Capital increase (advance) Related to construction of natural gas pipeline | | – | 1,180 | 1,180 | | | |
| Other operations | | 328 | 153 | 481 | | | |
| Liabilities | | | | | | | |
| Finance leases | | | | | (1,785) | (5,897) | (7,682) |
| Financing on credit operations | | | | | (990) | (1,758) | (2,748) |
| Intercompany loans | | | | | – | (26,274) | (26,274) |
| Prepayment of exports | | | | | (22,468) | (12,019) | (34,487) |
| Accounts payable to suppliers | | | | | (10,855) | – | (10,855) |
| | | | | | (7,715) | – | (7,715) |

| | | | | | | | |
|-------------------------------------------------|---------|-------|-------|--------|----------|----------|----------|
| Purchases of crude oil, oil products and others | | | | | | | |
| Affreightment of platforms | | | | | (2,399) | – | (2,399) |
| Advances from clients | | | | | (708) | – | (708) |
| Others | | | | | (33) | – | (33) |
| Other operations | | | | | – | (123) | (123) |
| In 2013 | 129,272 | 9,020 | 2,364 | 11,384 | (36,098) | (46,071) | (82,169) |
| In 2012 | 123,139 | 9,191 | 6,886 | 16,077 | (20,478) | (28,730) | (49,208) |

19.1.2. By company

| | Parent Company 2013 Assets | | | | Liabilities | | |
|-------------------------------------------|----------------------------------|---------|-------------|--------|-------------|-------------|----------|
| | Profit or Loss | Current | Non-current | Total | Current | Non-current | Total |
| Subsidiaries (*) | | | | | | | |
| BR Distribuidora | 83,012 | 2,480 | 21 | 2,501 | (255) | (21) | (276) |
| PIB-BV Holanda | 15,292 | 2,812 | 83 | 2,895 | (28,045) | (40,051) | (68,096) |
| Gaspetro | 8,880 | 1,224 | 752 | 1,976 | (1,952) | (35) | (1,987) |
| PNBV | 806 | 751 | 21 | 772 | (2,761) | – | (2,761) |
| Transpetro | 615 | 433 | – | 433 | (779) | – | (779) |
| Fundo de Investimento Imobiliário | (459) | – | – | – | (208) | (1,291) | (1,499) |
| Petroquímica Suape | – | 24 | 210 | 234 | – | – | – |
| Termoelétricas | (118) | 74 | 230 | 304 | (115) | (1,028) | (1,143) |
| CITEPE | – | 18 | 945 | 963 | – | – | – |
| Cia Locadora de Equipamentos Petrolíferos | (163) | 247 | – | 247 | (787) | – | (787) |
| Other subsidiaries | 3,876 | 549 | 97 | 646 | (186) | – | (186) |
| | 111,741 | 8,612 | 2,359 | 10,971 | (35,088) | (42,426) | (77,514) |
| Structured Entities | | | | | | | |
| Nova Transportadora do Nordeste - NTN | 29 | 109 | – | 109 | (124) | (508) | (632) |
| Nova Transportadora do Sudeste - NTS | (3) | 68 | – | 68 | (107) | (494) | (601) |
| CDMPI | (77) | – | – | – | (301) | (1,675) | (1,976) |
| PDET Off Shore | (108) | – | – | – | (198) | (901) | (1,099) |
| | (159) | 177 | – | 177 | (730) | (3,578) | (4,308) |

AssociatesCompanies from the
petrochemical

| | | | | | | | |
|------------------|---------|-------|-------|--------|----------|----------|----------|
| sector | 17,671 | 226 | — | 226 | (222) | (67) | (289) |
| Other Associates | 19 | 5 | 5 | 10 | (58) | — | (58) |
| | 17,690 | 231 | 5 | 236 | (280) | (67) | (347) |
| | 129,272 | 9,020 | 2,364 | 11,384 | (36,098) | (46,071) | (82,169) |

(*) Includes its subsidiaries and joint ventures.

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***19.1.3. Annual rates for intercompany loans**

Intercompany loans are charged at interest rates based on market parameters and pursuant to applicable regulations, as set out below:

| | Parent Company | | Liabilities | |
|--------------------|-----------------------|-------------|--------------------|-------------|
| | Assets | | 2013 | 2012 |
| | 2013 | 2012 | | |
| Up to 7% | – | 4,307 | (24,555) | (20,301) |
| From 7.01% to 10% | – | – | (1,719) | (1,461) |
| From 10.01% to 13% | 78 | 1 | – | – |
| More than 13% | 201 | 277 | – | – |
| | 279 | 4,585 | (26,274) | (21,762) |

19.2. 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.

Investments in government bonds made by the FIDC-NP are recognized as cash and cash equivalents or marketable securities, according to their expected realization terms.

Capitalized finance charges from the disposal of receivables and/or non-performing receivables are recognized as other current assets.

The assignment of receivables is recognized as other current assets, while they are not received. The assignment of non-performing receivables is recognized as current debt within current liabilities.

| | Parent Company | |
|----------------------------------------|-----------------------|-------------|
| | 2013 | 2012 |
| Short-term financial investments | 1,088 | 79 |
| Marketable securities | 13,660 | 2,370 |
| Assignment of receivables | (875) | (1,068) |
| Total recognized within current assets | 13,873 | 1,381 |

| | | |
|---------------------------------------------|----------|---------|
| Assignments of non-performing receivables | (22,042) | (9,060) |
| Total recognized within current liabilities | (22,042) | (9,060) |
| Finance income FIDC-NP | 212 | 802 |
| Finance expense FIDC-NP | (1,393) | (1,217) |
| Net finance income (expense) | (1,181) | (415) |

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***19.3. Guarantees Granted**

Petrobras guarantees certain financial operations carried out by its subsidiaries abroad.

Petrobras, based on contractual clauses that support the financial operations between the subsidiaries and third parties, guarantees the payment of debt service in the event that a subsidiary defaults on a debt.

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

| Maturity date of the loans | 2013 | | | | | | | 2012 | |
|-----------------------------------|--------------|-------------|------------|------------|------------|---------------|---------------|--------------|--------------|
| | PifCo | PNBV | PGF | PGT | TAG | PB LOG | Others | Total | Total |
| 2013 | – | – | – | – | – | – | – | – | 6,939 |
| 2014 | 932 | 3,825 | – | 3,514 | – | – | – | 8,271 | 1,507 |
| 2015 | 2,928 | 2,761 | – | – | – | 361 | – | 6,050 | 4,992 |
| 2016 | 8,756 | 3,953 | 5,271 | – | – | – | – | 17,980 | 12,019 |
| 2017 | 4,100 | 2,405 | – | – | – | – | 703 | 7,208 | 7,220 |
| 2018 | 9,223 | 7,659 | – | 8,199 | – | 1,115 | – | 26,196 | 21,401 |
| 2019 and thereafter | 37,718 | 17,773 | 30,119 | 19,912 | 12,308 | – | 1,700 | 119,530 | 77,615 |
| | 63,657 | 38,376 | 35,390 | 31,625 | 12,308 | 1,476 | 2,403 | 185,235 | 131,693 |

19.4. Investment fund of subsidiaries abroad

At December 31, 2013, 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\$ 17,368 (R\$ 15,561 at December 31, 2012).

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

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

| | 2013 | | | 2012 | | |
|---------------------------------------------------------------------------------|---------------------------|---------------|--------------------|---------------------------|---------------|--------------------|
| | Profit or Loss | Assets | Liabilities | Profit or Loss | Assets | Liabilities |
| Joint ventures and associates | | | | | | |
| State Gas distributors | 8,457 | 994 | 490 | 6,254 | 912 | 442 |
| Petrochemicals companies | 16,087 | 220 | 282 | 15,038 | 311 | 222 |
| Other joint ventures and associates | 2,028 | 328 | 452 | 1,341 | 370 | 556 |
| | 26,572 | 1,542 | 1,224 | 22,633 | 1,593 | 1,220 |
| Government entities | | | | | | |
| Government bonds | 2,252 | 14,634 | — | 4,239 | 36,959 | — |
| Banks controlled by the Federal Government | (4,258) | 6,562 | 69,788 | (3,616) | 7,439 | 65,140 |
| Receivables from the electricity sector (note 19.6) | 1,611 | 5,050 | — | 1,810 | 3,958 | — |
| Petroleum and alcohol account - Receivables from Federal government (note 19.7) | — | 836 | — | — | 835 | — |
| Federal government - Dividends and interest on capital | (38) | — | 1,953 | 5 | — | 977 |
| Others | 199 | 491 | 781 | (227) | 742 | 926 |
| | (234) | 27,573 | 72,522 | 2,211 | 49,933 | 67,043 |
| Pension Plan | — | — | 366 | (12) | — | 334 |
| | 26,338 | 29,115 | 74,112 | 24,832 | 51,526 | 68,597 |

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

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Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

| | Consolidated | | 2013 | | 2012 | |
|--------------------------------------------------------|---------------------------|---------------|--------------------|---------------------------|---------------|--------------------|
| | Profit or Loss | Assets | Liabilities | Profit or Loss | Assets | Liabilities |
| Revenues (mainly sales revenues) | 28,402 | | | 24,169 | | |
| Foreign exchange and inflation indexation charges, net | (1,707) | | | (2,117) | | |
| Financial income (expenses), net | (357) | | | 2,780 | | |
| Current assets | | 17,856 | | | 41,594 | |
| Non-current | | 11,259 | | | 9,932 | |
| Current liabilities | | | 8,358 | | | 6,870 |
| Non-Current Liabilities | | | 65,754 | | | 61,727 |
| | 26,338 | 29,115 | 74,112 | 24,832 | 51,526 | 68,597 |

19.6. Receivables from the electricity sector

At December 31, 2013, the Company had R\$ 5,050 of receivables from the Brazilian electricity sector, (R\$ 3,958 at December, 31, 2012) of which R\$ 4,082 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.

Collections of amounts related to fuel supply to Independent Power Producers (Produtores Independentes de Energia - PIE), which are companies created for the purpose of generating power exclusively for Amazonas Distribuidora de Energia S.A. - AME, a direct subsidiary of Eletrobras rely directly on AME, which transfers funds to the Independent Power Producers.

In March 2013 a private instrument of debt acknowledgement was signed by AME, having Eletrobras as a guarantor. The amount of R\$ 850, will be paid in 60 successive monthly installments of R\$ 14, indexed to the SELIC interest rate.

The Company continues to vigorously pursue an agreement to recover these receivables in full and partial payments have been made. The balance of these receivables at December 31, 2013 was R\$ 4,631 (R\$ 3,520 at December 31, 2012), of which R\$ 3,396 was past due (R\$ 2,966 at December 31, 2012).

The Company also has electricity supply contracts with AME signed in 2005 by its subsidiary Breitener Energética S.A., which, pursuant to the terms of the agreements, are considered a finance lease of the two thermoelectric power plants, since the contracts determine that the power plants should be returned to AME at the end of the agreement period with no residual value (20-year term), among other contractual provisions. The balance of these receivables was R\$ 419 (R\$ 438 at December, 31, 2012), none of which was overdue.

19.7. Petroleum and Alcohol accounts - Receivables from Federal Government

At December 31, 2013, the balance of receivables related to the Petroleum and Alcohol accounts was R\$ 836 (R\$ 835 at December 31, 2012). 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.

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Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

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

19.8. Compensation of employees and officers

The criteria for compensation of employees and officers are established based on the current labor legislation and the Company's policies related to Positions, Salaries and Benefits (*Plano de Cargos e Salários e de Benefícios e Vantagens*).

The compensation of employees (including those occupying managerial positions) and officers in the month of December 2013 and December 2012 were:

| | Amounts refer to monthly compensation in reais | |
|--------------------------------------------------------|-------------------------------------------------------|-------------|
| | 2013 | 2012 |
| Compensation per employee | | |
| Lowest compensation | 2,430.21 | 2,324.30 |
| Average compensation | 12,979.59 | 11,701.22 |
| Highest compensation | 74,962.47 | 69,051.65 |
| Compensation per officer of Petrobras (highest) | 91,723.46 | 86,052.59 |

The total compensation of Petrobras' key management are set out below:

| | Officers | Board | 2013 Total | Officers | Board | 2012 Total |
|---------------------------------------------------|-----------------|--------------|-------------------|-----------------|--------------|-------------------|
| Short-term compensation | 10.0 | 1.1 | 11.1 | 10.0 | 0.9 | 10.9 |
| Long-term compensation (post-retirement benefits) | 0.7 | – | 0.7 | 0.6 | – | 0.6 |
| Total compensation | 10.7 | 1.1 | 11.8 | 10.6 | 0.9 | 11.5 |
| Number of members | 7 | 10 | 17 | 7 | 10 | 17 |

In 2013 the compensation of board members and officers for the consolidated Petrobras group amounted to R\$ 59.3 (R\$ 56.6 in 2012).

20. Provision for decommissioning costs

| Non-current liabilities | Consolidated | | Parent Company | |
|--------------------------------|---------------------|-------------|-----------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Opening balance | 19,292 | 8,839 | 18,391 | 8,241 |
| Revision of provision | (2,051) | 10,754 | (2,176) | 10,472 |
| Payments made | (1,092) | (571) | (1,062) | (571) |
| Interest accrued | 426 | 258 | 412 | 249 |
| Others (*) | 134 | 12 | (245) | – |
| Closing balance | 16,709 | 19,292 | 15,320 | 18,391 |

(*) Includes amounts related to current liabilities associated with assets classified as held for sale, as set out in note 10.

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***21. Taxes****21.1. Income taxes**

| | Consolidated | | Parent Company | |
|---------------------|---------------------|-------------|-----------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Current assets | | | | |
| Taxes In Brazil | 2,229 | 2,566 | 1,468 | 1,831 |
| Taxes abroad | 255 | 423 | | |
| | 2,484 | 2,989 | 1,468 | 1,831 |
| Current liabilities | | | | |
| Taxes In Brazil | 369 | 573 | – | – |
| Taxes abroad | 290 | 131 | | |
| | 659 | 704 | – | – |

21.2. Taxes and contributions

| | Consolidated | | Parent Company | |
|---------------------------------------------|---------------------|-------------|-----------------------|-------------|
| Current assets | 2013 | 2012 | 2013 | 2012 |
| Taxes in Brazil | | | | |
| ICMS (VAT) | 3,801 | 3,152 | 3,125 | 2,439 |
| PIS / COFINS (taxes on revenues) | 4,846 | 4,657 | 4,405 | 4,284 |
| CIDE | 46 | 47 | 46 | 46 |
| Others | 353 | 394 | 237 | 236 |
| | 9,046 | 8,250 | 7,813 | 7,005 |
| Taxes abroad | 116 | 148 | – | – |
| | 9,162 | 8,398 | 7,813 | 7,005 |
| Non-current assets | | | | |
| Taxes in Brazil | | | | |
| Deferred ICMS (VAT) | 2,059 | 1,845 | 1,981 | 1,704 |
| Deferred PIS and COFINS (taxes on revenues) | 9,831 | 8,279 | 8,918 | 5,745 |
| Others | 684 | 515 | – | – |
| | 12,574 | 10,639 | 10,899 | 7,449 |

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| | | | | |
|-----------------------------------|--------|--------|--------|--------|
| Taxes abroad | 29 | 34 | – | – |
| | 12,603 | 10,673 | 10,899 | 7,449 |
| Current liabilities | | | | |
| Taxes in Brazil | | | | |
| ICMS (VAT) | 2,727 | 3,040 | 2,389 | 2,725 |
| PIS / COFINS (taxes on revenues) | 538 | 1,004 | 465 | 848 |
| CIDE | 37 | 34 | 37 | 34 |
| Production Taxes (Special | | | | |
| Participation / Royalties) | 5,698 | 5,363 | 5,698 | 5,363 |
| Withholding Income tax and social | | | | |
| contribution | 600 | 1,155 | 544 | 1,059 |
| Others | 821 | 735 | 601 | 489 |
| | 10,421 | 11,331 | 9,734 | 10,518 |
| Taxes abroad | 517 | 487 | – | – |
| | 10,938 | 11,818 | 9,734 | 10,518 |

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***21.3. Deferred income tax and social contribution - non-current**

The nature of deferred income taxes recognized and the scheduling of the estimated timing of the reversal are set out in the tables below.

a) Changes in deferred income tax and social contribution are set out in the tables below:

| | Consolidated Property, plant and equipment | Loans, trade and other receivables / payables and financing | Finance leases | Provision for legal proceedings | Tax losses | Inventories | Interest on capital | |
|------------------------------------------------------|-----------------------------------------------------------|--------------------------------------------------------------------------------------------|-----------------------|------------------------------------------------|-----------------------|--------------------|------------------------------------|-------|
| | Oil and gas exploration costs | Others | | | | | | |
| Balance at January 1, 2012 (*) | (21,336) | (4,132) | (797) | (1,583) | 629 | 644 | 1,190 | 88 |
| Recognized in profit or loss for the year | (4,542) | (2,518) | 1,927 | 450 | 131 | 2,053 | (235) | 1,268 |
| Recognized in shareholders' equity | – | – | – | – | – | – | – | – |
| Cumulative translation adjustment | – | 220 | (6) | – | (107) | (392) | – | (9) |
| Others | (27) | 73 | 23 | (69) | 54 | (38) | – | – |
| Balance at December 31, 2012 (*) | (25,905) | (6,357) | 1,147 | (1,202) | 707 | 2,267 | 955 | 2,140 |
| Recognized in profit or loss for the period | (5,500) | (3,208) | 644 | (122) | 270 | 7,912 | 386 | 1,013 |

| | | | | | | | | |
|---------------------------------------------|----------|---------|-------|---------|------|--------|-------|-------|
| Recognized in shareholders' equity | - | - | 3,037 | 120 | - | 162 | - | - |
| Cumulative translation adjustment | - | (157) | 12 | - | (2) | (58) | (3) | 1 |
| Others | - | 337 | (192) | (10) | (18) | 988 | 8 | (15) |
| Balance at December 31, 2013 | (31,405) | (9,385) | 4,648 | (1,214) | 957 | 11,271 | 1,346 | 3,145 |
| Deferred tax assets | | | | | | | | |
| Deferred tax liabilities | | | | | | | | |
| Balance at December 31, 2012 (*) | | | | | | | | |
| Deferred tax assets | | | | | | | | |
| Deferred tax liabilities | | | | | | | | |
| Balance at December 31, 2013 | | | | | | | | |

(*) Restated as set out in note 2.3.

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***b) Timing of reversal of deferred income taxes**

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.

The estimated recovery / reversal dates of net deferred tax assets (liabilities) recoverable (payable) is set out in the following table:

| | Deferred income tax and social contribution | | | |
|-----------------------------------|----------------------------------------------------|--------------------|-----------------------|--------------------|
| | Consolidated | | Parent Company | |
| | Assets | Liabilities | Assets | Liabilities |
| 2014 | 259 | 238 | – | – |
| 2015 and thereafter | 2,388 | 22,968 | – | 24,259 |
| Recognized deferred tax credits | 2,647 | 23,206 | – | 24,259 |
| In Brasil | 1,505 | – | – | – |
| Abroad | 5,207 | – | – | – |
| Unrecognized deferred tax credits | 6,712 | – | – | – |
| Total | 9,359 | 23,206 | – | 24,259 |

At December 31, 2013, the Company had unused tax loss carryforwards from companies abroad, for which no deferred tax assets have been recognized, in the amount of R\$ 5,207 (R\$ 4,336 at December 31, 2012) resulting from net operating losses mainly from oil and gas exploration and production and refining activities in the United States in the amount of R\$ 3,936 (R\$ 2,715 at December 31, 2012), as well as from entities in Spain, in the amount of R\$ 1,271, subject to a applicable statute of limitations that lapse in 20 years from the date the losses are recognized.

An aging of the tax carryforwards not recognized, from companies abroad, by lapse of the applicable statute of limitations is set out below:

| | Consolidated | | | | | | | | | | 2013 |
|--|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | Total |
| | | | | | | | | | | | |

Lapse of statute of limitations

2030 and after-wards

Unrecognized deferred tax credits

| | | | | | | | | | | | |
|-----|-----|-----|-----|-----|----|-----|-----|-----|-----|-------|-------|
| 129 | 408 | 185 | 173 | 221 | 14 | 265 | 305 | 383 | 475 | 2,649 | 5,207 |
|-----|-----|-----|-----|-----|----|-----|-----|-----|-----|-------|-------|

21.4. Reconciliation between tax expense and accounting profit

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:

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Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

| | Consolidated | | Parent Company | |
|----------------------------------------------------------------------------------------------------|---------------------|-------------|-----------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Income before income taxes | 28,154 | 27,753 | 24,821 | 23,326 |
| Income tax and social contribution computed based on Brazilian statutory corporate tax rates (34%) | (9,572) | (9,436) | (8,439) | (7,931) |
| Adjustments between income taxes based on statutory rates and on the effective tax rate: | | | | |
| · Interest on capital, net | 2,974 | 3,172 | 2,812 | 3,018 |
| · Different taxes rates for companies abroad | 1,347 | 640 | – | – |
| · Tax incentives | 127 | 110 | 7 | 6 |
| · Tax losses not recorded as assets | 22 | (669) | – | – |
| · Deductible / (non-deductible) expenses, net (*) | (395) | (1,107) | 4,081 | 1,967 |
| · Tax credits of companies abroad in the exploration stage | (5) | (4) | – | – |
| · Others | 354 | 500 | 126 | 509 |
| Income tax and social contribution expense | (5,148) | (6,794) | (1,413) | (2,431) |
| Deferred income tax and social contribution | (323) | (2,222) | (1,413) | (2,431) |
| Current income tax and social contribution | (4,825) | (4,572) | | |
| | (5,148) | (6,794) | (1,413) | (2,431) |
| Effective tax rate | 18.3% | 24.5% | 5.7% | 10.4% |

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

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***22. Employee benefits (Post-employment)**

The carrying amounts of employee benefits (post-employment) are set out below:

| | Consolidated | | | Parent Company | | |
|-----------------------|---------------------|-------------|-------------------|-----------------------|-------------|-------------------|
| | 2013 | 2012 | 01.01.2012 | 2013 | 2012 | 01.01.2012 |
| Liabilities | | | | | | |
| Petros Pension Plan | 12,515 | 22,766 | 12,888 | 12,025 | 21,727 | 12,082 |
| Petros 2 Pension Plan | 284 | 1,117 | 1,137 | 211 | 1,004 | 1,049 |
| AMS Medical Plan | 16,397 | 17,145 | 15,408 | 15,661 | 16,112 | 14,347 |
| Other plans | 257 | 298 | 237 | | | |
| | 29,453 | 41,326 | 29,670 | 27,897 | 38,843 | 27,478 |
| Current | 1,912 | 1,610 | 1,427 | 1,820 | 1,518 | 1,341 |
| Non-current | 27,541 | 39,716 | 28,243 | 26,077 | 37,325 | 26,137 |
| | 29,453 | 41,326 | 29,670 | 27,897 | 38,843 | 27,478 |

The current balance relates to an estimate of the payments to be made in the next 12 months.

22.1. Petros Plan and Petros 2 Plan

The Company's post-retirement plans are managed by Fundação Petrobras de Seguridade Social (Petros), which was established by Petrobras as a nonprofit legal entity under private law with administrative and financial autonomy.

a) Petros Plan - Fundação Petrobras de Seguridade Social

The Petros plan was established by Petrobras in July 1970 as a defined-benefit pension plan and currently provides post-retirement benefits for employees of Petrobras and BR Distribuidora, in order to complement government social security benefits. The Petros Plan has been closed to new participants since September 2002.

Petros contracts with an independent actuary to perform an annual actuarial review of its costs using the capitalization method for most benefits. The employers (sponsors) make regular contributions in amounts equal to the contributions of the participants (active employees, assisted employees and retired employees), on a parity basis.

In the event an eventual deficit is determined, participants of the plan and employers (sponsors) shall cover this deficit, pursuant to Brazilian Law (Constitutional Amendment 20/1998 and Complementary Law 109/2001), on the basis of their respective proportions of regular contributions made to the plan during the year in which the deficit arose.

At December 31, 2013, the Terms of Financial Commitment (TFC), signed by Petrobras and Petros in 2008 comprise a balance of R\$ 8,232 (R\$ 7,943 Parent Company), including R\$ 490 (R\$ 472 Parent Company) related to interest expense due in 2014. The TCF are due in 20 years, with 6% p.a. semiannual coupon payments based on the updated balance. The carrying amount of R\$ 6,972 related to crude oil and oil products pledged as security for the TFC replaced the long-term National Treasury Notes that were previously held as collateral in July 2012.

The employers' expected contributions to the plan for 2014 are R\$ 1,068 (R\$ 1,016 Parent Company).

The duration of the actuarial liability related to the plan, as of December 31, 2013 is 12.26 years.

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b) Petros Plan 2 - Fundação Petrobras de Seguridade Social

Petros Plan 2 was established in July 2007 by Petrobras and certain subsidiaries as a variable contribution plan recognizing past service costs for contributions for the period from August 2002 to August 29, 2007 (or from the date the employee was hired, for those admitted during this period) in which the Petros Plan was closed and the participants did not have a pension plan. The plan is open to new participants although there will no longer be payments relating to past service costs.

Certain elements of the Petros Plan 2 have defined benefit characteristics, primarily the coverage of disability and death risks and the guarantee of minimum defined benefit and lifetime income. These actuarial commitments are treated as defined benefit components of the plan and are accounted for by applying the projected unit credit method. Contributions paid for actuarial commitments that have defined contribution characteristics are recognized in profit or loss and are intended to constitute a reserve for programmed retirement. The contributions for the portion of the plan with defined contribution characteristics were R\$ 721 in 2013 (R\$ 583 Parent Company).

The defined benefit portion of the contributions has been suspended from July 1, 2012 to June 30, 2014, as decided by the Deliberative Council of Petros, based on advice from by the actuarial consultants from Fundação Petros. Therefore, the entire contributions are being appropriated in the individual accounts of plan participants.

For 2014 the employers' expected contributions to the defined-benefit portion of the plan are R\$ 685 (R\$ 598 Parent Company).

The duration of the actuarial liability related to the plan, as of December 31, 2013 is 27.86 years.

22.2. Other plans

The Company also sponsors other pension and health care plans of certain of its Brazilian and international subsidiaries, including plans with defined benefit characteristics abroad, for subsidiaries in Argentina, Japan and other countries. Most of these plans are funded and their assets are held in trusts, foundations or similar entities governed by local regulations.

22.3. Pension Plans assets

Pension plans assets follow a long term investment strategy to meet the assessed risk of each different class of asset and provide for diversification, in order to lower portfolio risk. The portfolio must comply with the Brazilian National Monetary Council regulations. Portfolio

allocation limits for the period between 2014 and 2018 are: 30% to 60% in fixed-income securities, 30% to 50% in variable-income securities, 3.0% to 8.0% in real estate, 1.5% to 15% in loans to participants, 4% to 10% in structured finance projects and up to 1% in investments abroad.

Fundação Petros establishes investment policies for 5-year periods, annually reviewed. Based on the last investment policy established (2013-2017), Petros determined that an asset liability management model (ALM) be used to solve net cash flow mismatches of the benefit plans, based on liquidity and solvency parameters, simulating a 30-year period.

The pension plan assets by type are set out following:

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(Expressed in millions of reais, unless otherwise indicated)

| Type of asset | 2013 | | | 2012 | | |
|-----------------------------|----------------------------------------|------------------------|-------------------------|-------------|-------------------------|----------|
| | Quoted prices in active markets | Unquoted prices | Total fair value | % | Total fair value | % |
| Fixed income | 15,283 | 4,679 | 19,962 | 37% | 26,138 | 46% |
| Corporate bonds | – | 1,255 | 1,255 | | 1,763 | |
| Government bonds | 15,283 | – | 15,283 | | 20,434 | |
| Other investments | – | 3,424 | 3,424 | | 3,941 | |
| Variable income | 23,781 | 814 | 24,595 | 47% | 22,331 | 39% |
| Common and preferred shares | 23,781 | – | 23,781 | | 22,053 | |
| Other investments | – | 814 | 814 | | 278 | |
| Structured investments | – | 3,680 | 3,680 | 7% | 3,751 | 7% |
| Private equity funds | – | 3,429 | 3,429 | | 3,533 | |
| Venture capital funds | – | 69 | 69 | | 79 | |
| Real estate funds | – | 182 | 182 | | 139 | |
| Real estate properties | – | 3,251 | 3,251 | 6% | 2,669 | 5% |
| Loans to participants | 39,064 | 12,424 | 51,488 | 97% | 54,889 | 97% |
| | | | 1,774 | 3% | 1,686 | 3% |
| | | | 53,262 | 100% | 56,575 | 100% |

At December 31, 2013, the investments include Petrobras' common and preferred shares in the amount of R\$ 535 and R\$ 396, respectively, and real estate properties leased by the Company in the amount of R\$ 402.

Loans to participants are measured at amortized cost, which is considered to be an appropriate estimate of fair value.

22.4. Medical Benefits: Health Care Plan - Assistência Multidisciplinar de Saúde (“AMS”)

Petrobras and BR Distribuidora operate a medical benefit plan for employees in Brazil (active and inactive) and their dependents: the AMS health care plan. The plan is managed by the Company based on a self-supporting benefit assumption and includes health prevention and

health care programs. The plan is most significantly exposed to the risk of an increase in medical costs due to new technologies and new types of coverage or to a higher level of usage of medical benefits. The Company continuously improves the quality of its technical and administrative processes, as well as the health programs offered to beneficiaries in order to hedge such risks.

The employees make fixed monthly contributions to cover high-risk procedures and variable contributions for a portion of the cost of the other procedures, both based on the contribution tables of the plan, which are determined based on certain parameters, such as salary levels. The plan also includes assistance towards the purchase of certain medicines in registered drugstores throughout Brazil. There are no assets held as collaterals for the health care plan. Benefits are paid and recognized by the Company based on the costs incurred by the participants.

The duration of the actuarial liability related to the plan, as of December 31, 2013 is 20.34 years.

22.5. Net actuarial liabilities and expenses calculated by independent actuaries and fair value of plans assets

Aggregate information is presented for other plans, whose total assets and liabilities are not material. All plans are unfunded (excess of benefit liabilities over plan assets).

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***a) Movement in the actuarial liabilities, in the fair value of the assets and in the amounts recognized in the statement of financial position**

| | 2013 | | | | | 2012 (*) | | | | |
|-----------------------------------------------------------|------------------------|---------------------------|--------------------------|----------------|----------|------------------------|---------------------------|--------------------------|----------------|----------|
| | Pension Plan Petros | Medical Plan Petros | Medical Plan A M S | Other plans | Total | Pension Plan Petros | Medical Plan Petros | Medical Plan A M S | Other plans | Total |
| Changes in the present value of obligations | | | | | | | | | | |
| Obligations at the beginning of the year | 78,773 | 1,612 | 17,145 | 371 | 97,901 | 61,837 | 1,464 | 15,407 | 304 | 79,012 |
| Interest expense: | | | | | | | | | | |
| · Term of financial commitment (TFC) | 641 | – | – | – | 641 | 591 | – | – | – | 591 |
| · Actuarial Current service cost | 6,610 | 155 | 1,586 | 43 | 8,394 | 6,325 | 167 | 1,735 | 14 | 8,241 |
| Employee contributions | 1,040 | 311 | 415 | 19 | 1,785 | (17) | 382 | 285 | 14 | 664 |
| Benefits paid | 392 | – | – | – | 392 | 383 | 54 | – | – | 437 |
| Remeasurement: Experience (gains) / losses | (2,492) | (13) | (786) | (21) | (3,312) | (2,282) | (6) | (709) | (19) | (3,016) |
| Remeasurement: (gains) / losses - demographic assumptions | 3,671 | (254) | (4,267) | (4) | (854) | (5,464) | (1,374) | (3,397) | (14) | (10,249) |
| Remeasurement: (gains) / losses - financial assumptions | 697 | (67) | 5 | (10) | 625 | 1,420 | 70 | 688 | 12 | 2,190 |
| Others | (24,198) | (955) | 2,299 | 11 | (22,843) | 15,988 | 788 | 3,060 | 30 | 19,866 |
| Obligations at the end of the year | – | 41 | – | (55) | (14) | (8) | 67 | 76 | 30 | 165 |
| | 65,134 | 830 | 16,397 | 354 | 82,715 | 78,773 | 1,612 | 17,145 | 371 | 97,901 |

Changes in the fair value of plan assets

| | | | | | | | | | | |
|----------------------------------------------------------------|---------|------|-------|------|---------|---------|-----|-------|------|---------|
| Fair value of plan assets at the beginning of the year | 56,007 | 495 | – | 73 | 56,575 | 48,950 | 326 | – | 65 | 49,341 |
| Interest income | 5,291 | 46 | – | 9 | 5,346 | 5,513 | 49 | – | 2 | 5,564 |
| Contributions paid by the sponsor (Company) | 551 | – | 786 | 56 | 1,393 | 502 | 43 | 709 | 9 | 1,263 |
| Contributions paid by participants | 392 | – | – | – | 392 | 383 | 54 | – | – | 437 |
| Receipts from the Term of financial commitment (TFC) | 331 | – | – | – | 331 | 321 | – | – | – | 321 |
| Benefits paid | (2,492) | (13) | (786) | (21) | (3,312) | (2,282) | (6) | (709) | (19) | (3,016) |
| Remeasurement: Return on plan assets exceeding interest income | (7,461) | 18 | – | 7 | (7,436) | 2,617 | 15 | – | 3 | 2,635 |
| Others | – | – | – | (27) | (27) | 3 | 14 | – | 13 | 30 |
| Fair value of plan assets at the end of the year | 52,619 | 546 | – | 97 | 53,262 | 56,007 | 495 | – | 73 | 56,575 |

Amounts recognized in the Statement of Financial Position

| | | | | | | | | | | |
|--------------------------------------------|----------|-------|--------|------|----------|----------|-------|--------|------|----------|
| Present value of obligations | 65,134 | 830 | 16,397 | 354 | 82,715 | 78,773 | 1,612 | 17,145 | 371 | 97,901 |
| (-) Fair value of plan assets | (52,619) | (546) | – | (97) | (53,262) | (56,007) | (495) | – | (73) | (56,575) |
| Net actuarial liability as of December 31, | 12,515 | 284 | 16,397 | 257 | 29,453 | 22,766 | 1,117 | 17,145 | 298 | 41,326 |
| Changes in net actuarial liability | | | | | | | | | | |
| Balance as of December 31, 2011 | | | | | | 4,260 | 613 | 12,960 | 247 | 18,080 |
| (+) Adoption of amendments to IAS 19 | | | | | | 8,628 | 524 | 2,448 | (10) | 11,590 |
| | 22,766 | 1,117 | 17,145 | 298 | 41,326 | 12,888 | 1,137 | 15,408 | 237 | 29,670 |

| | | | | | | | | | | |
|---------------------------------------------------------------------------------------------------------------------|----------|---------|---------|------|----------|--------|-------|--------|------|---------|
| Balance as of January 1, (+) Remeasurement effects recognized in other comprehensive income | (12,369) | (1,294) | (1,963) | (10) | (15,636) | 9,327 | (531) | 351 | 26 | 9,173 |
| (+) Costs incurred in the period | 3,000 | 461 | 2,001 | 53 | 5,515 | 1,374 | 555 | 2,094 | 51 | 4,074 |
| (-) Contributions paid | (551) | — | (786) | (56) | (1,393) | (502) | (43) | (709) | (17) | (1,271) |
| (-) Payments related to Term of financial commitment (TFC) | (331) | — | — | — | (331) | (321) | — | — | — | (321) |
| Others | — | — | — | (28) | (28) | — | (1) | 1 | 1 | 1 |
| Balance as of December 31, | 12,515 | 284 | 16,397 | 257 | 29,453 | 22,766 | 1,117 | 17,145 | 298 | 41,326 |

(*). Amounts restated, as set out in note 2.3.

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***b) Components of defined benefit cost**

| | 2013 | | | | 2012 (*) | | | | | |
|---------------------------------------------------------------------|----------------------------------|-------------------------|------------|------------------------|-----------------|----------------------------------|-------------------------|------------|------------------------|--------------|
| | Pension Plan Petros 2 | Medical Plan | | Other Plans | Total | Pension Plan Petros 2 | Medical Plan | | Other Plans | Total |
| | | Petros | AMS | | | | Petros | AMS | | |
| | | | | | | | | | | |
| Service cost | 1,040 | 311 | 415 | 19 | 1,785 | (17) | 382 | 285 | 14 | 664 |
| Interest on net Liabilities (Assets) | 1,960 | 109 | 1,586 | 34 | 3,689 | 1,403 | 118 | 1,735 | 12 | 3,268 |
| Others | – | 41 | – | – | 41 | (12) | 55 | 74 | 25 | 142 |
| Net costs for the year | 3,000 | 461 | 2,001 | 53 | 5,515 | 1,374 | 555 | 2,094 | 51 | 4,074 |
| Related to active employees: Included in the cost of sales | 1,284 | 252 | 579 | 7 | 2,122 | 424 | 241 | 443 | 8 | 1,116 |
| Operating expense recognized in profit or loss | 764 | 203 | 452 | 41 | 1,460 | 236 | 302 | 345 | 43 | 926 |
| Related to retired employees | 952 | 6 | 970 | 5 | 1,933 | 714 | 12 | 1,306 | – | 2,032 |
| Net costs for the year | 3,000 | 461 | 2,001 | 53 | 5,515 | 1,374 | 555 | 2,094 | 51 | 4,074 |

(*) Amounts restated, as set out in note 2.3.

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Notes to the financial statements

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

The effect of a 100 basis points (bps) change in the assumed discount rate and medical cost trend rate is as set out below:

| | Consolidated Discount rate | | Medical Benefits | | Medical cost | |
|----------------------------------------|-----------------------------------|------------------|-------------------------|------------------|---------------------|------------------|
| | + 100 bps | - 100 bps | + 100 bps | - 100 bps | + 100 bps | - 100 bps |
| Pension Obligation | (6,299) | 7,628 | (1,667) | 2,026 | 2,298 | (1,906) |
| Current Service cost and interest cost | (279) | 327 | (109) | 130 | 367 | (301) |

d) Significant actuarial assumptions

| Assumptions | 2013 | 2012 |
|------------------------------------------------|----------------------------------------------------------------------|---------------------------------------------------------------|
| Discount rate | 12.88% (1) / 12.97% (2) / 12.90% (3) | 9.35% (1) (2) / 9.42% (3) |
| Salary growth rate | 8.03% (1) / 10.21% (2) | 7.62% (1) / 9.51% (2) |
| Medical plans turnover | 0.590% p.a (4) | 0.700% p.a (4) |
| Pension plans turnover | Null | Null |
| Variance assumed in medical and hospital costs | 11.62% to 4.09%p.a (5) Basic AT 2000, sex-specific, 20% smoothing | 11.74% to 4.11%p.a (5) AT 2000 sex specific. 30% smoothing |
| Mortality table | coefficient (6) | coefficient - female(6) |
| Disability table | TASA 1927 (7) | TASA 1927 (7) |
| Mortality table for disabled participants | Sex-specific Winklevoss, 20% smoothing coefficient (8) | Sex-specific Winklevoss, 20% smoothing coefficient (8) |

(1) Petros Plan for Petrobras Group.

(2) Petros 2 Plan.

(3) AMS Plan.

(4) Average turnover according to age and employment time. In 2013, except for BR (1.247%) and Liquigas (8.546%).

(5) Decreasing rate, converging by the end of the next 30 years to the long-term expected inflation.

(6) Except for Petros 2 Plan, for which AT 2000 (80% male + 20% female) 10%-smoothed has been used.

(7) Except for Petros 2 Plan, for which Álvaro Vindas invalidity table has been used.

(8) Except for Petros 2 Plan, for which tables IAPB 1957 (2013), and AT 49 Male (2012) for disabled have been applied.

e) Expected maturity analysis of pension and medical benefits

| | 2013 | | Medical Plan | Other Plans | Total |
|--------------|---------------------|-----------------|-------------------------|------------------------|--------------|
| | Pension Plan | | | | |
| | Petros | Petros 2 | AMS | | |
| Up to 1 Year | 4,018 | 27 | 836 | 8 | 4,889 |
| 1 To 2 Years | 3,939 | 32 | 856 | 7 | 4,834 |
| 2 To 3 Years | 3,852 | 34 | 851 | 4 | 4,741 |
| 3 To 4 Years | 3,747 | 35 | 886 | 4 | 4,672 |
| Over 4 Years | 49,578 | 702 | 12,968 | 331 | 63,579 |
| Total | 65,134 | 830 | 16,397 | 354 | 82,715 |

22.6. Other defined contribution plans

Petrobras, through its subsidiaries in Brazil and abroad, also sponsors defined contribution pension plans for employees. Contributions paid in 2013, in the amount of R\$ 7 were recognized in profit or loss.

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Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

23. 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 by the Ministry of Mines and Energy, and are computed based on the consolidated income before profit sharing and non-controlling interests.

The Company has recognized a profit sharing expenses in the amount of R\$ 1,102 (R\$ 1, 005 in 2012), pursuant to these regulations, as set out below:

2013

Net income

23,007

Profit sharing

1,102

| | |
|------------------------------------------------------|--------|
| Net income before profit sharing - calculation basis | 24,109 |
|------------------------------------------------------|--------|

Established percentage

4.5%

Profit sharing

1,085

Profit sharing of companies in Brazil

1,085

Profit sharing of companies abroad

17

A negotiation between the Company and the unions to determine a new method for determining profit sharing benefits is underway, as established in the 2013 Collective Bargaining Agreement.

24. Shareholders' equity

24.1. Share capital

At December 31, 2013, subscribed and fully paid share capital was R\$ 205,411, 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 2013

The Shareholders' Extraordinary General Meeting, held jointly with the Annual General Meeting on April 29, 2013, approved a capital increase through capitalization of a portion of the profit reserve relating to tax incentives recognized in 2012, in the amount of R\$ 19, (in compliance with article 35, paragraph 1, of Ordinance 2,091/07 of the Ministry for National Integration), without issue of new shares (pursuant to article 169, paragraph 1, of Law 6,404/76) Share capital increased from R\$ 205,392 to R\$ 205,411

Capital increase with reserves in 2014

A proposal will be made to the Shareholders' Extraordinary General Meeting, to be held jointly with the Annual General Meeting in 2014 to increase capital through capitalization of a portion of the profit reserve for tax incentives established in 2013, of R\$ 21. Share capital will increase from R\$ 205,411 to R\$ 205,432.

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Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

24.2. Additional paid in capital

a) Incremental costs directly attributable to the issue of new shares

These include any transaction costs directly attributable to the issue of new shares, net of taxes.

b) Change in interest in subsidiaries

These include any excess of amounts paid/received over the carrying value of the interest acquired/disposed. Changes in ownership interest in subsidiaries that do not result in loss of control of the subsidiary are equity transactions.

24.3. Profit reserves

a) Legal reserve

The legal reserve represents 5% of the net income for the year, calculated pursuant to article 193 of the Brazilian Corporation Law.

b) Statutory reserve

The statutory reserve is appropriated by applying a minimum of 0.5% of the year-end share capital and is retained to fund technology research and development programs. The balance of this reserve may not exceed 5% of the share capital, pursuant to article 55 of the Company's bylaws.

c) Tax incentives reserve

Government grants are recognized in profit or loss and are appropriated from retained earnings to the tax incentive reserve in the shareholders' equity pursuant to article 195-A of Brazilian Corporation Law. This reserve may only be used to offset losses or increasing share capital.

In 2013, government grants of R\$ 21 related to investments (using resources provided by income taxes benefits) for the development of the Northeast of Brazil (Superintendências de Desenvolvimento do Nordeste – SUDENE) and the Amazon region (SUDAM) were appropriated from profit or loss.

d) Profit retention reserve

Profit retention reserve appropriates funds intended for capital expenditures, primarily in oil and gas exploration and development activities, included in the capital budget of the Company, pursuant to article 196 of the Brazilian Corporation Law.

An appropriation of R\$ 11,745 to profit retention reserve, to provide partial funding for the Company's 2014 capital budget, will be proposed and voted at the 2014 Annual General Meeting.

24.4. Accumulated other comprehensive income

a) Cumulative translation adjustment

This account comprises all exchange differences arising from the translation of the financial statements of non-Brazilian Real subsidiaries, jointly controlled entities and associates (from the functional currency different than the Parent Company).

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***b) Other comprehensive income**

This account comprises gains or losses arising from measurement at fair value of available-for-sale financial assets; from cash flow hedges; and from remeasurements of the net pension and medical benefits liability.

24.5. Dividends

Shareholders are entitled to receive minimum mandatory dividends (and/or interest on capital) of 25% of the adjusted net income for the year proportional to the number of common and preferred shares, pursuant to Brazilian Corporation Law.

Preferred shares have priority in case of capital returns and dividend distribution, which is based on the highest of 3% of the preferred shares' net book value, or 5% of the preferred share capital.

Dividends for 2013 of R\$ 9.301 are to be voted at the 2014 Annual General Meeting and are consistent with the rights granted to preferred shares in the bylaws of the Company and to the minimum mandatory dividend for common shares. Dividends proposed for 2013 represent 41.85% of the adjusted net income in Brazilian Reais (adjusted in accordance with Brazilian Corporation Law), as 3% of the book value of shareholders' equity regarding preferred shares stake was higher than the minimum mandatory dividend (25% of the adjusted net income for the year).

Basic earnings for dividend calculation:

| | 2013 | 2012 |
|------------------------------------------|-------------|-------------|
| Net income for the year (Parent company) | 23,408 | 20,895 |
| Allocation: | | |
| Legal reserve | (1,170) | (1,045) |
| Tax incentive reserve | (21) | (19) |
| Other reversals/additions: | 10 | 11 |
| Basic profit for determining dividend | 22,227 | 19,842 |

Proposed dividends, equivalent to 41.85% of the basic profit - R\$ 0.5217 per common share and R\$ 0.9672 per preferred share, (44.73% in

2012, R\$ 0.47 per common and R\$ 0.96 per preferred share) as follows:

| | | |
|---------------------|-------|-------|
| Interest on capital | 9,301 | 8,876 |
|---------------------|-------|-------|

| | | |
|---------------------------------------------------------|-------|---------|
| Dividends | – | – |
| Total proposed dividends | 9,301 | 8,876 |
| Less: | | |
| Interim distributions of interest on capital | – | (2,609) |
| Updating of interim distribution of interest on capital | – | (113) |
| Balance of proposed dividends | 9,301 | 6,154 |

Interest on capital will be indexed based on the SELIC rate from December 31, 2013 to the date of payment, which will be voted at the 2014 Annual General Meeting.

Interest on capital is subject to a withholding income tax rate of 15%, except for shareholders that are declared immune or exempt, pursuant to Law 9,249/95. Interest on capital is a form of dividend distribution, which is deductible for tax purposes in Brazil and is included in the dividend distribution for the year, as established in the Company's bylaws. The tax credit from the deduction of interest on capital is recognized in profit or loss. An amount of R\$ 3,162 was recognized in 2013 (R\$ 3,018 in 2012) relating to tax benefits from the deduction of interest on capital. For accounting purposes, shareholders' equity is reduced in a manner similar to a dividend, pursuant to CVM Deliberation 207/96.

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***24.6. Earnings per share**

| | Consolidated | | Parent Company | |
|---------------------------------------------------------------------------|---------------------|----------------|-----------------------|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| Net income attributable to Shareholders of Petrobras | 23,570 | 21,182 | 23,408 | 20,895 |
| 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) | 1.81 | 1.62 | 1.79 | 1.60 |

25. Sales revenues

| | Consolidated | | Parent Company | |
|--------------------------|---------------------|-------------|-----------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Gross sales | 370,652 | 344,976 | 299,143 | 276,935 |
| Sales taxes | (65,762) | (63,597) | (61,738) | (59,589) |
| Sales revenues (*) | 304,890 | 281,379 | 237,405 | 217,346 |
| Domestic market | 229,259 | 196,715 | 205,644 | 176,649 |
| Exports | 32,767 | 43,127 | 31,761 | 40,697 |
| International sales (**) | 42,864 | 41,537 | – | – |

(*) See note 30 for a breakdown of sales revenues by business segment

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

26. Other operating expenses, net

| | Consolidated | | Parent Company | |
|--|---------------------|-------------|-----------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |

| | | | | |
|-----------------------------------------------------------------------|---------|---------|---------|---------|
| Unscheduled stoppages and pre-operating expenses | (2,032) | (1,678) | (1,914) | (1,619) |
| Pension and medical benefits (inactive) | (1,933) | (2,032) | (1,839) | (1,915) |
| Institutional relations and cultural projects | (1,790) | (1,518) | (1,588) | (1,354) |
| Inventory write-down to net realizable value (market value) | (1,269) | (1,465) | (382) | (420) |
| Impairment | (1,238) | (281) | 58 | (70) |
| Collective bargaining agreement | (957) | (902) | (856) | (798) |
| (Losses) / Gains on legal, administrative and arbitration proceedings | (505) | (1,392) | (949) | (1,014) |
| Expenditures on health, safety and environment | (482) | (568) | (461) | (531) |
| Gains / (Losses) on disposal / write-off of assets | 3,877 | (17) | 130 | (104) |
| Expenditures/reimbursements from operations in E&P partnerships | 522 | 545 | 525 | 472 |
| Government grants | 392 | 755 | 67 | 54 |
| Others | 561 | 358 | 91 | 54 |
| | (4,854) | (8,195) | (7,118) | (7,245) |

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***27. Expenses by nature**

| | Consolidated | | Parent Company | |
|---------------------------------------------------------------------------------|---------------------|-------------|-----------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Raw material / products for resale | (129,705) | (114,152) | (98,056) | (88,715) |
| Production taxes | (31,301) | (31,301) | (30,388) | (30,398) |
| Employee compensation | (27,551) | (23,625) | (22,095) | (18,611) |
| Depreciation, depletion and amortization | (28,467) | (21,766) | (21,474) | (15,738) |
| Changes in inventories | 3,618 | 1,297 | 2,614 | 2,479 |
| Materials, third-party services, freight, rent and other related costs | (48,893) | (47,133) | (45,113) | (42,589) |
| Exploration expenditures (includes dry wells and signature bonuses written off) | (4,169) | (5,628) | (4,040) | (5,268) |
| Other taxes | (1,721) | (760) | (949) | (338) |
| (Losses) / Gains on legal, administrative and arbitration proceedings | (505) | (1,392) | (949) | (1,014) |
| Institutional relations and cultural projects | (1,790) | (1,518) | (1,588) | (1,354) |
| Unscheduled stoppages and pre-operating expenses | (2,032) | (1,678) | (1,914) | (1,619) |
| Expenditures on health, safety and environment | (482) | (568) | (461) | (531) |
| Inventory write-down to net realizable value (market value) | (1,269) | (1,465) | (382) | (420) |
| Impairment | (1,238) | (281) | 58 | (70) |
| Gains / (Losses) on disposal / write-off of assets | 3,877 | (17) | 130 | (104) |
| | (271,628) | (249,987) | (224,607) | (204,290) |
| Cost of sales | (233,726) | (210,472) | (186,742) | (167,882) |
| Selling expenses | (10,601) | (9,604) | (12,964) | (11,819) |
| General and administrative expenses | (10,751) | (9,842) | (7,481) | (6,843) |
| Exploration costs | (6,445) | (7,871) | (6,056) | (7,131) |
| Research and development expenses | (2,428) | (2,238) | (2,389) | (2,217) |
| Other taxes | (1,721) | (760) | (949) | (338) |

| | | | | |
|-------------------------------|-----------|-----------|-----------|-----------|
| Other operating expenses, net | (4,854) | (8,195) | (7,118) | (7,245) |
| Profit sharing | (1,102) | (1,005) | (908) | (815) |
| | (271,628) | (249,987) | (224,607) | (204,290) |

28. Net finance income (expense)

| | Consolidated | | Parent Company | |
|---------------------------------------------------------------|---------------------|-------------|-----------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Foreign exchange/inflation indexation charges on net debt (*) | (3,648) | (6,585) | (2,128) | (4,164) |
| Debt interest and charges | (11,878) | (10,067) | (8,062) | (5,882) |
| Interest income from investments and marketable securities | 2,784 | 3,322 | 2,453 | 3,618 |
| Financial result on net debt | (12,742) | (13,330) | (7,737) | (6,428) |
| Capitalized borrowing costs | 8,500 | 7,430 | 6,540 | 5,378 |
| Gains (losses) on derivatives | (408) | (89) | (40) | 90 |
| Result from marketable securities | (217) | 1,862 | 699 | 2,019 |
| Other finance expense and income, net | (732) | 834 | (723) | 748 |
| Other foreign exchange and inflation indexation charges, net | (603) | (430) | (810) | (118) |
| Finance income (expenses), net | (6,202) | (3,723) | (2,071) | 1,689 |
| Income | 3,911 | 7,241 | 3,778 | 6,928 |
| Expenses | (5,795) | (3,950) | (2,855) | (957) |
| Foreign exchange and inflation indexation charges, net | (4,318) | (7,014) | (2,994) | (4,282) |

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

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***29. Supplementary information on statement of cash flows**

| | Consolidated | | Parent Company | |
|-----------------------------------------------------|---------------------|-------------|-----------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Amounts paid during the period | | | | |
| Income tax and social contribution paid | 2,650 | 2,170 | 28 | 24 |
| Withholding income tax paid for third-parties | 3,704 | 3,905 | 3,171 | 3,339 |
| Purchase of property, plant and equipment on credit | 458 | 371 | – | – |
| Finance leases | – | – | 1,725 | – |
| Provision (reversal) for decommissioning costs | (1,431) | 10,720 | (1,958) | 10,481 |

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***30. Segment information****Consolidated assets by Business Area - 12.31.2013**

| | Exploration and Production | Refining, Transportation & Marketing | Gas & Power | Biofuels | Distribution | International | Corporate | |
|-------------------------------|-------------------------------------------|---------------------------------------------------------|----------------------------|-----------------|---------------------|----------------------|------------------|---|
| Current assets | 13,826 | 44,659 | 9,052 | 181 | 5,755 | 11,922 | 50,702 | (|
| Non-current assets | 343,903 | 171,111 | 55,847 | 2,622 | 12,238 | 30,532 | 16,157 | (|
| Long-term receivables | 14,643 | 10,278 | 4,341 | 5 | 5,277 | 4,655 | 7,422 | (|
| Investments | 219 | 5,429 | 1,755 | 2,097 | 14 | 5,883 | 218 | . |
| Property, plant and equipment | 296,846 | 155,080 | 48,919 | 520 | 6,260 | 18,671 | 7,757 | (|
| Operation assets | 212,914 | 75,697 | 39,118 | 480 | 4,707 | 8,882 | 5,415 | (|
| Under construction | 83,932 | 79,383 | 9,801 | 40 | 1,553 | 9,789 | 2,342 | . |
| Intangible assets | 32,195 | 324 | 832 | – | 687 | 1,323 | 760 | . |
| Total Assets | 357,729 | 215,770 | 64,899 | 2,803 | 17,993 | 42,454 | 66,859 | (|

Consolidated assets by Business Area - 12.31.2012

| | | | | | | | | |
|-------------------------------|---------|---------|--------|-------|--------|--------|--------|---|
| Current assets | 13,415 | 41,610 | 7,377 | 239 | 6,490 | 7,186 | 55,956 | (|
| Non-current assets | 296,049 | 145,033 | 50,255 | 2,311 | 10,125 | 30,829 | 17,333 | (|
| Long-term receivables | 9,727 | 9,112 | 2,991 | 33 | 3,785 | 4,295 | 9,592 | (|
| Investments | 164 | 5,920 | 2,371 | 1,757 | 31 | 1,915 | 319 | . |
| Property, plant and equipment | 210,029 | 129,686 | 44,108 | 521 | 5,585 | 22,237 | 6,550 | . |
| Operation assets | 131,714 | 59,930 | 37,000 | 485 | 4,212 | 13,925 | 4,572 | . |
| Under construction | 78,315 | 69,756 | 7,108 | 36 | 1,373 | 8,312 | 1,978 | . |

| | | | | | | | | |
|--------------|---------|---------|--------|-------|--------|--------|--------|--|
| Intangible | | | | | | | | |
| assets | 76,129 | 315 | 785 | – | 724 | 2,382 | 872 | |
| Total Assets | 309,464 | 186,643 | 57,632 | 2,550 | 16,615 | 38,015 | 73,289 | |

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Notes to the financial statements

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

| | Exploration and Production | Refining, & Marketing | Transportation Gas & Power | Biofuels | Distribution | International | Corporate |
|---------------------------------------------------------------------------|-------------------------------------------|--------------------------------------|-----------------------------------------------|-----------------|---------------------|----------------------|------------------|
| Sales revenues | 147,281 | 239,363 | 30,011 | 832 | 89,081 | 35,062 | – |
| Intersegments | 144,809 | 82,000 | 2,558 | 693 | 2,126 | 4,554 | – |
| Third parties | 2,472 | 157,363 | 27,453 | 139 | 86,955 | 30,508 | – |
| Cost of sales | (73,917) | (258,057) | (26,124) | (926) | (80,969) | (29,951) | – |
| Gross profit | 73,364 | (18,694) | 3,887 | (94) | 8,112 | 5,111 | – |
| Expenses | (8,949) | (8,205) | (2,543) | (221) | (5,241) | (1,220) | (10,613) |
| Selling, general and administrative expenses | (957) | (5,990) | (2,360) | (119) | (5,218) | (1,855) | (5,201) |
| Exploration costs | (6,057) | – | – | – | – | (388) | – |
| Research and development expenses | (1,110) | (525) | (123) | (36) | (4) | (6) | (624) |
| Other taxes | (538) | (360) | (174) | (2) | (40) | (297) | (310) |
| Other operating expenses, net | (287) | (1,330) | 114 | (64) | 21 | 1,326 | (4,480) |
| Income before financial results, profit sharing and income taxes | 64,415 | (26,899) | 1,344 | (315) | 2,871 | 3,891 | (10,613) |
| Financial income (expenses), net | – | – | – | – | – | – | (6,202) |
| Share of profit of equity-accounted investments | 4 | 159 | 532 | (44) | 4 | 366 | 74 |
| Profit sharing | (381) | (284) | (48) | (2) | (85) | (31) | (271) |
| Net Income before income taxes | 64,038 | (27,024) | 1,828 | (361) | 2,790 | 4,226 | (17,013) |
| Income tax and social contribution | (21,772) | 9,242 | (441) | 107 | (947) | (451) | 9,001 |
| Net income (loss) | 42,266 | (17,782) | 1,387 | (254) | 1,843 | 3,775 | (8,013) |
| Net income attributable to: | | | | | | | |

| | | | | | | | |
|---------------------------|--------|----------|-------|-------|-------|-------|---------|
| Shareholders of Petrobras | 42,213 | (17,764) | 1,256 | (254) | 1,843 | 3,648 | (7,157) |
| Non-controlling interests | 53 | (18) | 131 | — | — | 127 | (856) |
| | 42,266 | (17,782) | 1,387 | (254) | 1,843 | 3,775 | (8,013) |

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 – 2012**

| | Exploration and Production | Refining, & Marketing | Transportation Gas & Power | Biofuels | Distribution | International | Corporate |
|---------------------------------------------------------------------------|-------------------------------------------|--------------------------------------|-----------------------------------------------|-----------------|---------------------|----------------------|------------------|
| Sales revenues | 145,573 | 227,643 | 23,209 | 895 | 79,601 | 34,985 | – |
| Intersegments | 143,873 | 74,166 | 2,503 | 719 | 1,724 | 7,542 | – |
| Third parties | 1,700 | 153,477 | 20,706 | 176 | 77,877 | 27,443 | – |
| Cost of sales | (65,651) | (253,895) | (19,010) | (945) | (72,316) | (27,499) | – |
| Gross profit | 79,922 | (26,252) | 4,199 | (50) | 7,285 | 7,486 | – |
| Expenses | (10,708) | (7,916) | (2,108) | (200) | (4,489) | (3,746) | (9,641) |
| Selling, general and administrative expenses | (963) | (5,935) | (1,896) | (125) | (4,373) | (1,805) | (4,647) |
| Exploration costs | (7,114) | – | – | – | – | (757) | – |
| Research and development expenses | (1,057) | (444) | (74) | (67) | (5) | (1) | (590) |
| Other taxes | (103) | (128) | (116) | (2) | (24) | (219) | (168) |
| Other operating expenses, net | (1,471) | (1,409) | (22) | (6) | (87) | (964) | (4,236) |
| Income before financial results, profit sharing and income taxes | 69,214 | (34,168) | 2,091 | (250) | 2,796 | 3,740 | (9,641) |
| Financial income (expenses), net | – | – | – | – | – | – | (3,723) |
| Share of profit of equity-accounted investments | (3) | (205) | 378 | (52) | 2 | (31) | (5) |
| Profit sharing | (342) | (267) | (38) | (2) | (83) | (29) | (244) |
| Net Income before income taxes | 68,869 | (34,640) | 2,431 | (304) | 2,715 | 3,680 | (13,611) |
| Income tax and social contribution | (23,417) | 11,709 | (698) | 86 | (922) | (2,244) | 8,222 |
| Net income (loss) | 45,452 | (22,931) | 1,733 | (218) | 1,793 | 1,436 | (5,391) |
| Net income attributable to: | | | | | | | |

| | | | | | | | |
|---------------------------|--------|----------|-------|-------|-------|-------|---------|
| Shareholders of Petrobras | 45,446 | (22,931) | 1,638 | (218) | 1,793 | 1,305 | (4,936) |
| Non-controlling interests | 6 | — | 95 | — | — | 131 | (455) |
| | 45,452 | (22,931) | 1,733 | (218) | 1,793 | 1,436 | (5,391) |

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Notes to the financial statements

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

| Income statement | 2013 | | | | | | |
|------------------------------------------------------------------|-----------------------------------|-------------------------------------------------|------------------------|---------------------|------------------|---------------------|--------------|
| | Exploration and Production | Refining, Transportation & Marketing | Gas & Power | Distribution | Corporate | Eliminations | Total |
| Sales revenues | 8,791 | 18,648 | 1,193 | 11,274 | 17 | (4,861) | 35,062 |
| Intersegments | 5,055 | 4,254 | 79 | 15 | 12 | (4,861) | 4,554 |
| Third parties | 3,736 | 14,394 | 1,114 | 11,259 | 5 | – | 30,508 |
| Income before financial results, profit sharing and income taxes | 4,231 | (55) | 144 | 229 | (655) | (3) | 3,891 |
| Net income attributable to shareholders of Petrobras | 3,425 | (34) | 150 | 200 | (90) | (3) | 3,648 |
| Income statement | 2012 | | | | | | |
| | Exploration and Production | Refining, Transportation & Marketing | Gas & Power | Distribution | Corporate | Eliminations | Total |
| Sales revenues | 10,468 | 17,533 | 1,175 | 10,133 | – | (4,324) | 34,985 |
| Intersegments | 7,472 | 4,290 | 73 | 31 | – | (4,324) | 7,542 |
| Third parties | 2,996 | 13,243 | 1,102 | 10,102 | – | – | 27,443 |
| Income before financial results, profit sharing and income taxes | 4,702 | (831) | 262 | 141 | (567) | 33 | 3,740 |
| Net income attributable to shareholders of Petrobras | 2,509 | (816) | 243 | 132 | (796) | 33 | 1,305 |

| Total assets | Exploration and Production | Refining, Transportation & Marketing | Gas & Power | Distribution | Corporate | Eliminations | Total |
|---------------------|-----------------------------------|-------------------------------------------------|------------------------|---------------------|------------------|---------------------|--------------|
| As of 12.31.2013 | 31,989 | 6,213 | 1,411 | 2,542 | 4,613 | (4,314) | 42,454 |
| As of 12.31.2012 | 30,817 | 4,913 | 1,551 | 2,217 | 2,958 | (4,441) | 38,015 |

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***31. Provisions for legal proceedings, contingent liabilities and contingent assets**

Legal proceedings provided for, contingent liabilities and judicial deposits are set out following.

31.1. 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:

| Non-current liabilities | Consolidated | | Parent Company | |
|--------------------------------|---------------------|--------------|-----------------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| Labor claims | 1,332 | 687 | 1,164 | 542 |
| Tax claims | 221 | 696 | 71 | 20 |
| Civil claims | 1,276 | 1,050 | 1,032 | 857 |
| Environmental claims | 62 | 128 | 13 | 85 |
| Other claims | 27 | 24 | – | – |
| | 2,918 | 2,585 | 2,280 | 1,504 |

| | Consolidated | | Parent Company | |
|----------------------|---------------------|--------------|-----------------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| Opening balance | 2,585 | 2,041 | 1,504 | 1,015 |
| Additions, net (*) | 841 | 1,256 | 1,159 | 880 |
| Payments made | (542) | (859) | (455) | (590) |
| Accruals and charges | 166 | 199 | 148 | 199 |
| Others | (132) | (52) | (76) | – |
| Closing balance | 2,918 | 2,585 | 2,280 | 1,504 |

(*) Includes reversal of tax claims provisions due to the adherence to REFIS, as set out in note 31.5.

31.2. Judicial deposits

Judicial deposits made in connection with legal proceedings and guarantees are set out in the table below according to the nature of the corresponding lawsuits:

| Non-current assets | Consolidated | | Parent Company | |
|---------------------------|---------------------|-------------|-----------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Labor | 2,067 | 1,775 | 1,825 | 1,611 |
| Tax | 2,348 | 2,283 | 1,686 | 1,708 |
| Civil | 1,240 | 1,302 | 1,120 | 1,215 |
| Environmental | 195 | 142 | 195 | 142 |
| Others | 16 | 8 | – | – |
| | 5,866 | 5,510 | 4,826 | 4,676 |

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Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

31.3. Consolidated contingent liabilities for legal proceedings (not provided for)

| Nature | Estimate |
|-----------------------|-----------------|
| Tax | 71,203 |
| Civil - General | 5,847 |
| Labor | 5,628 |
| Civil - Environmental | 2,924 |
| Others | 5 |
| | 85,607 |

A brief description of the nature of the main contingent liabilities (tax civil and environmental), for which the expectation of loss is considered as possible are set out in the following tables. Labor claims include a large number of individual claims and, therefore, are not presented.

a) Tax Proceedings

| Description of tax proceedings | Estimate |
|---------------------------------------|-----------------|
|---------------------------------------|-----------------|

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. 4,596

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. 4,732

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 three administrative proceedings.

1,842

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

Current status: This claim involves lawsuits in different administrative and judicial stages, in which the Company is taking legal actions to ensure its rights. 13,519

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

Current status: This claim is being discussed at the administrative level. 3,638

6) Non-payment of CIDE in the period from March 2002 until 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 in judicial stage, in which the 1,515
Company is taking 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. 5,709

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

Current status: This claim involves lawsuits in different administrative and judicial stages, in which the Company is taking legal actions to ensure its rights. 4,034

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. 4,246

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

10) 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 which the Company is taking legal actions to ensure its rights. 3,855

Plaintiff: State Finance Department of Rio de Janeiro

11) 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 and judicial stages, in which the Company is taking legal actions to ensure its rights. 3,200

12) 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 different administrative and judicial stages, in which the Company is taking legal actions to ensure its rights. 1,808

Plaintiff: State Finance Department of São Paulo

13) 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. 4,500

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

14) 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. 2,163

Plaintiff: State Finance Departments of Rio de Janeiro and Sergipe

15) 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 administrative and judicial stages, in which the Company is taking legal actions to ensure its rights. 959

16) Other tax proceedings

10,887

Total for tax proceedings

71,203

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***b) Civil Proceedings – General**

| Description of civil proceedings | Estimate |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Plaintiff: Agência Nacional de Petróleo, Gás Natural e Biocombustíveis - ANP | |
| 1) Dispute on differences in the payment of special participation charge in fields of the Campos Basin. In addition, the plaintiff is claiming fines for alleged non-compliance with minimum exploratory programs. Administrative proceedings are in course in connection with alleged irregularities in the platforms' measurement system. Current status: This claim involves proceedings in different administrative and/or judicial stages, in which the Company is taking legal actions to ensure its rights. | 2,934 |
| 2) Other civil proceedings | 2,913 |
| Total for civil proceedings | 5,847 |

c) Environmental Proceedings – General

| Description of environmental proceedings | Estimate |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Plaintiff: Ministério Público Federal, Ministério Público Estadual do Paraná, AMAR - Associação de Defesa do Meio Ambiente de Araucária e IAP - Instituto Ambiental do Paraná | |
| 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. Current Situation: The court partially ruled for the plaintiff, however both parties (the plaintiff and the Company) filed an appeal. | 1,790 |
| 2) Other environmental proceedings | 1,134 |

Total for environmental proceedings

2,924

82

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Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

31.4. Contingent assets

31.4.1. Legal proceeding in the United States - P-19 and P-31

In 2002, Braspetro Oil Service Company (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).

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

31.4.2. Recovery of PIS and COFINS

Petrobras and its subsidiaries filed a civil lawsuit against the Federal Government claiming to recover, through offsetting, amounts paid as taxes on financial income and foreign exchange variation gains (PIS) in the period between February 1999 and November 2002 and COFINS between February 1999 and January 2004 claiming that paragraph 1 of article 3 of Law 9,718/98 is unconstitutional.

On November 9, 2005, the Federal Supreme Court declared such paragraph as unconstitutional.

On November 18, 2010, the Superior Court of Justice upheld the claim filed by Petrobras in 2006 to recover the COFINS for the period from January 2003 to January 2004. Petrobras then recognized the amount of R\$ 497 (R\$349 in the Parent Company) as recoverable taxes in its non-current assets.

At December 31, 2013, the Company had R\$ 2,285 (R\$ 2,202 in the Parent Company) related to this lawsuit that is not yet recognized in the financial statements due to the lack of a final favorable decision.

31.5. Tax settlement program (REFIS)

In December 2013, the Company decided to adhere to the federal tax settlement program (Programa de Recuperação Fiscal – REFIS), introduced by Federal Laws No. 11,941/09 and No. 12,249/2010, whose deadlines were extended pursuant to Federal Law No. 12,865/2013.

REFIS includes tax debts and tax claims related to CIDE (taxation on fuel), II (import tax), IPI (tax on industrial production), IOF (tax on financial operations), IRRF (withholding income tax), as well as COFINS (tax on revenues). By deciding to adhere the program, the Company disbursed R\$ 1,297 related to tax expenses, along with the use of judicial deposits of R\$ 39, totaling R\$1,336.

The adherence to REFIS resulted in savings of R\$ 983 from penalties and interest reductions pursuant to regulations. Amounts recognized in profit or loss, including reversals of provisions related to tax claims are set out below:

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Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

| | |
|--------------------------------------------|-------------|
| | 2013 |
| Taxes | (675) |
| Finance income (expenses), net | (661) |
| | (1,336) |
| Other operating income (expenses), net (*) | 772 |
| Income taxes | 178 |
| | (386) |
| (*) Reversal of provision for tax claims | |

The Company has complied with all legal requirements necessary to adhere to the REFIS and is now awaiting approval from the Brazilian Internal Revenue Service (*Receita Federal do Brasil*) and the Office of the Attorney-General of the National Treasury (Procuradoria Geral da Fazenda Nacional - PGFN) regarding payments made in connection with the Company's adherence to the REFIS in order to settle such tax proceedings.

32. Natural Gas Purchase Commitments

Petrobras has entered into an agreement with Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) to purchase 201.9 billion m³ of natural gas during the term of the agreement and to purchase a minimum annual volume commitment at a price calculated based on a formula comprising the price of fuel oil. The agreement is valid until 2019, renewable until the total volume commitment has been consumed.

At December 31, 2013, the minimum purchase commitment from 2014 to 2020 is approximately 52.7 billion m³ of natural gas, equivalent to 24.06 million m³ per day, which corresponds to an estimated amount of US\$ 15.17 billion.

33. 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\$ 7,983, of which R\$ 7,235 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\$ 4,552 and bank guarantees in the amount of R\$

2,683.

34. Risk management and derivative instruments

The Company is exposed to a variety of risks arising from its operations: market risk (including price risk related to crude oil and oil products), foreign exchange risk, interest rate risk, credit risk and liquidity risk.

34.1. Risk management

Petrobras' officers are responsible for performing risk management based on a corporate policy. The objective of the overall risk management policy of the Company, which considers all positions held and their respective risks in the analysis and decisions made, is to achieve an appropriate balance between growth, increased return on investments and risk exposure level, which can arise from its normal activities or from the context within which the Company operates, so that, through effective allocation of its physical, financial and human resources it may achieve its strategic goals.

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***34.2. Market risk****34.2.1. Risk management of price risk (related to crude oil and oil products)**

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.

a) Notional amount, fair value and guarantees of crude oil and oil products derivatives

| Statement of Financial Position | Consolidated Notional value | | Fair Value ** | | Maturity |
|----------------------------------------------------------|-----------------------------|----------|---------------|------|----------|
| | (in thousands of bbl)* | | 2013 | 2012 | |
| | 2013 | 2012 | 2013 | 2012 | |
| Futures contracts | 10,224 | (3,380) | (48) | (36) | 2014 |
| Purchase commitments | 52,267 | 16,500 | – | – | |
| Sale commitments | (42,043) | (19,880) | – | – | |
| Options contracts | – | (2,050) | – | (3) | 2014 |
| Call | – | (1,080) | – | (2) | |
| Long position | 2,200 | 3,204 | – | – | |
| Short position | (2,200) | (4,284) | – | – | |
| Put | – | (970) | – | (1) | |
| Long position | 1,869 | 2,029 | | | |
| Short position | (1,869) | (2,999) | | | |
| Total recognized in other current assets and liabilities | | | (48) | (39) | |

* Negative notional values (in bbl) represent short positions.

** Negative fair values were recorded in liabilities and positive fair values in assets.

| | | |
|-----------------------------------------------------------|------------------------------|-------------|
| Finance income | Consolidated 2013 | 2012 |
| Gain / (Loss) recognized in profit or loss for the period | (250) | (192) |
| Guarantees given as collateral | Consolidated 2013 | 2012 |
| Generally consist of deposits | 335 | 211 |

b) Sensitivity analysis of crude oil and oil products derivatives

The probable scenario is the fair value at December 31, 2013. The stressed scenarios consider price changes of 25% and 50% on the risk variable, respectively, comparatively to December 31, 2013.

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Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

| | Risk | Consolidated | | |
|-----------------------------------|----------------------------------------|----------------------------------------|-------------------------------------|-------------------------------------|
| | | Probable Scenario at 12.31.2013 | Stressed Scenario (Δ of 25%) | Stressed Scenario (Δ of 50%) |
| Crude Oil and Oil Products | | | | |
| Crude oil | Derivative (WTI prices decrease) | (54) | (438) | (814) |
| | Inventories (WTI prices increase) | 38 (16) | 414 (24) | 789 (25) |
| Diesel | Derivative (Diesel prices decrease) | 16 | (77) | (168) |
| | Inventories (Diesel prices increase) | (18) (2) | 73 (4) | 165 (3) |
| Gasoline | Derivative (Gasoline prices increase) | (2) | (23) | (43) |
| | Inventories (Gasoline prices decrease) | 8 6 | 26 3 | 44 1 |
| Fuel Oil | Derivative (Fuel Oil prices increase) | (2) | (116) | (228) |
| | Inventories (Fuel Oil prices decrease) | 7 5 | 119 3 | 231 3 |
| Propane | Derivative (Propane prices increase) | (5) | (65) | (125) |
| | Inventories (Propane prices decrease) | 2 (3) | 62 (3) | 121 (4) |

c) Embedded derivatives - sale of ethanol

On March 8, 2013 the Company entered into an agreement to amend the ethanol sale contract, modifying prices and quantities. The selling price of each future ethanol shipment

will be based on the price of ethanol in the Brazilian market (ESALQ) plus a spread. The amended agreement therefore no longer has a derivative instrument measured as an embedded derivative.

The notional value, fair value and the sensitivity analysis of the swap are presented below:

| Forward contract | Notional value (in thousands of m ³) | Fair value | | Sensitivity analysis at 12.31.2013 | | | |
|-------------------------------------|-----------------------------------------------------|------------|------|--------------------------------------|-------------------|------------------------------|------------------------------|
| | | 2013 | 2012 | Risk | Probable Scenario | Stressed Scenario (Δ of 25%) | Stressed Scenario (Δ of 50%) |
| Long position (maturity in 2015) | | | 74 | Decrease in spread Naphtha X Ethanol | | | |

| Finance income | 2013 | 2012 |
|-----------------------------------------------------------|------|------|
| Gain / (Loss) recognized in profit or loss for the period | (73) | 22 |

34.2.2. Foreign exchange risk management

Petrobras seeks to identify and manage foreign exchange risk in an integrated manner, considering an integrated analysis of natural hedges, to benefit from the correlation between income and expenses. The Company chooses the currency in which to hold cash, such as the Brazilian Real, U.S. dollar or other currency for short-term risk management.

The risk management strategy of the Company may involve the use of derivative instruments to hedge certain liabilities, minimizing foreign exchange exposure.

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Notes to the financial statements

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

Effective mid-May 2013, the Company formally documented and designated hedging relationships to account for the effects of the existing natural hedge between a portion of its obligations denominated in U.S. dollars and a portion of its future export revenues in U.S. dollars, relative to foreign currency rates risk. The foreign currency rates risk is related to the spot rates and the hedged future exports are those considered highly probable.

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, for which a portion of the Company's long-term debt in U.S. dollars is the hedging instrument. The hedging instruments (long-term debt) have different maturities, with an average of approximately 7.1 years.

The principal amounts and the carrying amount of the hedging instruments as of December 31, 2013, along with the foreign currency losses recognized in other comprehensive income (shareholders' equity) are set out below:

| Hedging Instrument | Hedged Transactions | Nature of the risk | Maturity Date | Principal Amount (US\$ million) | Carrying amount of the Hedging Instruments on 12.31.2013 |
|--------------------------------------|--------------------------------------------------------------------------|--------------------------------------|-------------------------------|----------------------------------------|-----------------------------------------------------------------|
| Non-Derivative Financial Instruments | Portion of Highly Probable – Real vs U.S. Future Monthly Export Revenues | Foreign Currency Dollar Spot Rate | January 2014 to November 2020 | 40,742 | 95,443 |

Changes in the Principal Amount**US\$ million**

| | |
|--------------------------------------------|---------|
| Amounts designated in May 2013 | 43,859 |
| New hedging instruments designated | 3,062 |
| Exports affecting profit or loss | (2,904) |
| Principal repayments / amortization | (3,274) |
| Amounts designated as of December 31, 2013 | 40,742 |

| | Consolidated 2013 | 2012 |
|-------------------------------------------------------------------------------|------------------------------|-------------|
| Finance income and shareholders' equity | | |
| Gain / (Loss) recognized in profit or loss for the period | (692) | — |
| Gain / (Loss) recognized in other comprehensive income - shareholders' equity | (12,691) | — |

A schedule of the expected reclassification to profit or loss of the balance of losses recognized in other comprehensive income in the shareholders' equity as of December 31, 2013 is set out below:

| | | | | | | | | Consolidated 2013 Total |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------------------------|
| Period | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | |
| Expected reclassification | (1,757) | (1,825) | (2,208) | (2,358) | (2,005) | (1,786) | (752) | (12,691) |

ii) 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. The Company does not intend to settle these contracts before the maturity. The relationship between the derivative and the loan qualify as cash flow hedge and hedge accounting is applied.

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***b) Notional value, fair value and guarantees of derivative financial instruments**

| Statement of financial position | Consolidated Notional value (in millions) | | Fair value | |
|----------------------------------------------------------|--------------------------------------------------|-------------|-------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Cross Currency Swap (Maturity in 2016) | | | 26 | 156 |
| Long position (JPY) - 2.15% p.a. | JPY 35,000 | JPY 35,000 | 826 | 887 |
| Short position (USD) - 5.69% p.a. | USD 298 | USD 298 | (800) | (731) |
| U.S. dollar forward | | | (2) | 1 |
| U.S. dollar forward (short position) | USD 17 | USD 1,077 | (2) | 1 |
| Total recognized in other current assets and liabilities | | | 24 | 157 |

| Finance income and shareholders' equity | Consolidated 2013 | 2012 |
|-------------------------------------------------------------------------------|--------------------------|-------------|
| Gain / (Loss) recognized in profit or loss for the period | (85) | 82 |
| Gain / (Loss) recognized in other comprehensive income - shareholders' equity | 20 | 14 |

Margin is not required for the operations the Company has entered into, related to foreign currency derivatives.

c) Sensitivity analysis for foreign exchange risk on financial instruments

The Company has assets and liabilities subject to foreign exchange risk. The main exposure involves the Brazilian Real, relative to the U.S. dollar. Foreign exchange risk arises on financial instruments that are denominated in a currency other than the Brazilian Real. Assets and liabilities of foreign subsidiaries, denominated in a currency other than the Brazilian Real are

not included in the sensitivity analysis set out below when transacted in a currency equivalent to their respective functional currencies.

The probable scenario, computed based on external data, as well as the stressed scenarios (a 25% and a 50% change in the foreign exchange rates) are set out below:

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Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

| Financial Instruments | Exposure at 2013 | Risk | Consolidated | | |
|--------------------------------------------------------------------------|------------------------------|-------------|--------------------------------------|---------------------------------------------|---------------------------------------------|
| | | | Probable Scenario (*) | Stressed Scenario (Δ of 25%) | Stressed Scenario (Δ of 50%) |
| Assets | 6,128 | | 98 | 1,532 | 3,064 |
| Liabilities | (118,900) | Dollar | (1,898) | (29,725) | (59,450) |
| Cash flow hedge on exports Forward Derivative (net Short Position) | 95,443 (40) (17,369) | | 1,524 (1) (277) | 23,861 (10) (4,342) | 47,722 (20) (8,684) |
| Liabilities | (1,972) | Yen | (18) | (493) | (986) |
| Cross-currency Swap | 781 (1,191) | | 8 (10) | 275 (218) | 826 (160) |
| Assets | 7,697 | | (264) | 1,924 | 3,848 |
| Liabilities | (21,762) (14,065) | Euro | 747 483 | (5,441) (3,517) | (10,881) (7,033) |
| Assets | 2,167 | Pound | (57) | 542 | 1,083 |
| Liabilities | (6,235) (4,068) | Sterling | 163 106 | (1,559) (1,017) | (3,117) (2,034) |
| Assets | 861 | | (32) | 215 | 430 |
| Liabilities | (1,712) (851) (37,544) | Peso | 63 31 333 | (428) (213) (9,307) | (856) (426) (18,337) |

(*) The probable scenario was computed based on the following changes for December, 31, 2013: Real x Dollar – a 1.60% depreciation of the Real relative the Dollar / Yen x Dollar – a 0.91% appreciation of the Yen / Dollar x Euro: a 3.43% depreciation of the Euro / Dollar x Pound Sterling: a 2.61% depreciation of the Pound Sterling / Dollar x Peso: a 3.83% depreciation of the Peso. The data were obtained from the Focus Report of the Central Bank of Brazil and from Bloomberg.

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.

34.2.3. 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 companies of the Petrobras group.

a) Main transactions and future commitments hedged by interest rate derivatives

Swap contracts

Floating-to-fixed swap (LIBOR USD) vs. Fixed rate (USD)

The Company has an interest rate swap, in order to exchange a floating interest rate for a fixed rate, aiming at eliminating the mismatch between the cash flows of assets and liabilities from investment projects. The Company does not intend to settle the operation before the maturity date, and therefore, adopted hedge accounting for the relationship between the finance debt and the derivative.

Other positions held are set out in the table below.

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*(Expressed in millions of reais, unless otherwise indicated)***b) Notional value, fair value, guarantees and sensitivity analysis for interest rate derivatives**

| Statement of financial position | Consolidated Notional value (in millions) | | Fair value | |
|-----------------------------------------------------|--------------------------------------------------|-------------------|-------------------|-------------------|
| | 12.31.2013 | 12.31.2012 | 12.31.2013 | 12.31.2012 |
| Swaps (maturity in 2020) Short position | USD 440 | USD 460 | (47) | (85) |
| Swaps (maturity in 2015) Long position – Euribor | EUR 10 | EUR 15 | (1) | (2) |
| Short position – 4.19% Fixed rate | EUR 10 | EUR 15 | – | 1 |
| | | | (1) | (3) |
| Total recognized in other assets and liabilities | | | (48) | (87) |

| Finance income and shareholders' equity | Consolidated 2013 | 2012 |
|-------------------------------------------------------------------------------|--------------------------|-------------|
| Gain / (Loss) recognized in profit or loss for the period | – | (1) |
| Gain / (Loss) recognized in other comprehensive income - shareholders' equity | 48 | (18) |

| Interest rate derivatives Risk | Consolidated | | |
|---------------------------------------|------------------------------|-------------------------------------|-------------------------------------|
| | Probable Scenario (*) | Stressed Scenario (Δ de 25%) | Stressed Scenario (Δ de 50%) |
| Hedge (Derivative - Swap) | 10 | (1) | (2) |

| | | | | |
|------|----------|------|---|---|
| | LIBOR | | | |
| | decline | | | |
| Debt | LIBOR | | | |
| | increase | (10) | 1 | 2 |

(*) The probable scenario was obtained based on LIBOR futures.

Margin is not required for the operations the Company has entered into, related to interest rate derivatives.

34.3. Capital management

The Company's objectives when making its financial decisions is to achieve an adequate capital management and indebtedness level in order to safeguard its ability to continue as a going concern and to fund its Business and Management Plan (BMP), adding value to its shareholders.

The planned investments will be mainly financed by funds generated internally, debt issuance in the international capital markets, loan agreements with commercial banks, cash provided by asset disposals (divesting), among other sources, assuming that no new shares will be issued.

Petrobras has determined the upper limits of 2.5 times net debt to adjusted EBITDA ratio and 35% financial leverage ratio (net debt to net total capitalization) in order to maintain a strong financial situation and considering oil product prices in Brazil converging to international prices.

Net debt is calculated as total debt (short-term and long-term) less cash, cash equivalents and government bonds with maturities higher than 90 days. Adjusted EBITDA is calculated by adding back net finance income (expenses), income taxes, depreciation/amortization, share of profit of equity-accounted investments and impairment charges to net income. Net total capitalization is calculated by adding net debt to shareholders' equity. These measures are not defined by the International Financial Reporting Standards - IFRS (non-GAAP measures) and should neither be considered in isolation or as substitutes for profit, indebtedness and cash flow provided by operating activities as defined by the IFRS, nor be compared to those measures of other companies.

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Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

| | Consolidated | |
|-------------------------------------------------------|---------------------|-------------|
| | 2013 | 2012 |
| Total debt (current and non-current) | 267,820 | 196,314 |
| Cash and cash equivalents | 37,172 | 27,628 |
| Government securities (maturity of more than 90 days) | 9,085 | 20,869 |
| Net debt | 221,563 | 147,817 |
| Net debt/(net debt+shareholders' equity) | 39% | 31% |
| Adjusted EBITDA | 62,967 | 53,439 |
| Net debt/Adjusted EBITDA ratio | 3.52 | 2.77 |

Undertaking capital expenditures in the oil and gas industry is financial-capital intensive and involves long-term maturity. Thus the Company's ratios may temporarily exceed the established upper-limits during periods in which there is no cash flow from operations of ongoing capital expenditures.

34.4. 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 is a portion of its financial risk management, which is performed by the Company's officers, under a corporate policy of risk management.

The credit risk management policy is part of the Company's global risk management policy and aims at reconciling the need for minimizing exposure to credit risk and maximizing the result of commercial and financial transactions, through an efficient credit analysis process and efficient credit granting and management processes.

The Company manages credit risk by applying quantitative and qualitative parameters that are appropriate for each of the market segments in which it operates.

The Company's commercial credit portfolio is much diversified and the credits granted are divided between clients from the domestic market and from foreign markets.

Credit granted to financial institutions is spread among the major international banks rated by the international rating agencies as Investment Grade and highly-rated Brazilian banks.

34.4.1. Credit quality of financial assets

a) Trade and other receivables

Most of the company's customers have no credit agency ratings. Thus, credit commissions assess creditworthiness and define credit limits, which are regularly monitored, based on the client's main activity, commercial relationship and credit history with Petrobras, solvency, financial situation and external market assessment of the customer.

Allowances for impairment of trade and other receivables have been recognized in an amount considered adequate by management to cover losses on these assets.

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*(Expressed in millions of reais, unless otherwise indicated)***b) Other financial assets**

Credit quality of cash and cash equivalents, as well as marketable securities is based on external credit ratings provided by Standard & Poors, Moody's and Fitch. The credit quality of those financial assets, that are neither past due nor impaired, are set out below:

| | 2013 | Consolidado 2012 |
|----------------------------------|---------------|-----------------------------|
| Cash and cash equivalents | | |
| AAA | 54 | 125 |
| AA | 16 | 10 |
| A | 11,617 | 3,968 |
| BBB | 146 | 156 |
| AAA.br | 23,253 | 21,569 |
| AA.br | 1,082 | – |
| Other ratings | 1,004 | 1,800 |
| | 37,172 | 27,628 |
| | | Consolidado 2012 |
| Marketable securities | 2013 | |
| AAA.br | 9,321 | 21,225 |
| Other ratings | 87 | 450 |
| | 9,408 | 21,675 |

34.5. Liquidity risk

The Company's liquidity risk is represented by the possibility of a shortage of funds, cash or another financial asset in order to settle its obligations on the established dates.

Liquidity risk management by the Company involves several policies, such as: Centralized cash management, in order to optimize the level of cash and cash equivalents held and reduce working capital needs; 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; the use of several funding sources in the domestic and international markets, increasing the number of investors of the Company and development a strong presence in the international capital markets; along with the search 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 in the following table:

| Maturity | Consolidated |
|------------------------------|---------------------|
| 2014 | 28,775 |
| 2015 | 30,448 |
| 2016 | 36,480 |
| 2017 | 29,396 |
| 2018 | 39,282 |
| 2019 | 43,467 |
| 2020 and thereafter | 155,665 |
| Balance at December 31, 2013 | 363,513 |
| Balance at December 31, 2012 | 278,056 |

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***34.6. Financial investments (derivative financial instruments)**

Operations with derivatives are, both in the domestic and foreign markets, earmarked exclusively for the exchange of indices of the assets that comprise the portfolios, and their purpose is to provide flexibility to the managers in their quest for efficiency in the management of short-term financial assets.

The market values of the derivatives held in the exclusive investment funds at December 31, 2013 are set out below:

| Contract | Quantity (in thousand) | Notional value | Fair value | Maturity |
|------------------------------------------|-----------------------------------|---------------------------|-------------------|-----------------|
| Future DI (Interbank Deposit) | | | – | 2014 to 2016 |
| Long position | 4,821 | 437 | – | |
| Short position | (35,658) | (3,117) | – | |
| DDI (Foreign Exchange Coupon) forward | | | – | 2014 |
| Long position | 413 | 49 | – | |
| Short position | (73) | (9) | – | |

35. Fair value of financial assets and liabilities

Fair values are determined based on market prices, when available, or, in the absence thereof, on the present value of expected future cash flows. The fair values of cash and cash equivalents, trade accounts receivable, short term debt and trade accounts payable are the same as their carrying values. The fair values of other long-term assets and liabilities do not differ significantly from their carrying amounts.

The hierarchy of the fair values of the financial assets and liabilities, recorded on a recurring basis, is set out below:

- Level 1: inputs are the most reliable evidence of fair value: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs are unobservable inputs for the asset or liability.

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Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

| | Fair value measured based on | | | Total fair value recorded |
|------------------------------|-------------------------------------|-----------------|------------------|----------------------------------|
| | Level I | Level II | Level III | |
| Assets | | | | |
| Marketable securities | 9,124 | – | – | 9,124 |
| Foreign currency derivatives | – | 24 | – | 24 |
| Balance at December 31, 2013 | 9,124 | 24 | – | 9,148 |
| Balance at December 31, 2012 | 21,381 | 156 | 74 | 21,611 |
| Liabilities | | | | |
| Commodity derivatives | (48) | – | – | (48) |
| Interest derivatives | – | (48) | – | (48) |
| Balance at December 31, 2013 | (48) | (48) | – | (96) |
| Balance at December 31, 2012 | (126) | – | – | (126) |

The estimated fair value for the Company's long term debt as of December 31, 2013, computed based on the prevailing market rates for operations that have similar nature, maturity and risk to the contracts recognized, is set out in note 17.

36. Insurance

The Company's insurance policies involve acquiring insurance to cover assets that might lead to material negative impacts in the shareholders' equity (in the case of an eventual damage), as well as risks subject to legal or contractual mandatory insurance. The remaining risks are subject to self-insurance and Petrobras intentionally assumes the entire risk by abstaining from contracting insurance. The Company assumes a significant portion of its risk, by including franchises that may reach an amount equivalent to US\$ 80 million in its insurance policies.

The risk assumptions adopted are not part of the audit scope of the financial statements audit and therefore were not examined by independent auditors.

The main information concerning the insurance coverage outstanding at December 31, 2013 is set out below:

| Assets | Types of coverage | Amount insured | |
|--------------------------------------------------------------------------|-----------------------------------------------|-----------------------|-----------------------|
| | | Consolidated | Parent company |
| Facilities, equipment inventory and products inventory | Fire, operational risks and engineering risks | 422,467 | 261,361 |
| Tankers and auxiliary vessels | Hulls | 7,118 | – |
| Fixed platforms, floating production systems and offshore drilling units | Oil risks | 77,393 | 20,983 |
| Total | | 506,978 | 282,344 |

Petrobras does not have loss of earnings insurance or insurance related to well control, automobiles and pipeline networks in Brazil.

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Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***37. Subsequent events****a) Pricing of Global Notes**

On January 14, 2014, Petróleo Brasileiro – S.A. through Petrobras Global Finance B.V. (PGF), its wholly-owned indirect subsidiary, issued 4, 7 and 11-year Global Notes denominated in Euros (€) and 20-year Global Notes denominated in Pounds Sterling (£), as set out below:

| Currency | Amount | Maturity | Coupon* |
|-----------------|-----------------|-----------------|----------------|
| Euro | € 1,500 million | Jan/2018 | 2.75% p.a. |
| Euro | € 750 million | Jan/2021 | 3.75% p.a. |
| Euro | € 800 million | Jan/2025 | 4.75% p.a. |
| Pounds Sterling | £ 600 million | Jan/2034 | 6.625% p.a. |

(*) Coupon payments begin in 2015.

The Global Notes are unsecured and unsubordinated obligations of PGF B.V., unconditionally and irrevocably guaranteed by Petrobras.

a) China Development Bank Corporation

On January 29, 2014, Petrobras, through its indirect subsidiary Petrobras Global Trading BV (PGT BV), signed a credit line agreement of US\$ 3 billion in the banking market.

On February 14, 2014 Petrobras, through PGT BV, signed two credit line agreements of US\$ 1 billion in the banking market.

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Supplementary information

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

| 1 - Calculation basis | Consolidated 2013 | | | 2012 | | |
|--------------------------------------------------------------|------------------------------|-------------|-----------|---------------|-------------|-----------|
| Consolidated sales revenues (SR) | | | | 304,890 | | 281,379 |
| Consolidated net income before profit sharing and taxes (OI) | | | | 29,257 | | 28,758 |
| Consolidated gross payroll (GP) | | | | 27,025 | | 23,686 |
| | | % of | | | % of | |
| 2 - Internal Social Indicators | Amount | GP | SR | Amount | GP | SR |
| Meal and food | 1,063 | 3.93% | 0.35% | 890 | 3.76% | 0.32% |
| Compulsory payroll charges | 5,366 | 19.85% | 1.76% | 4,449 | 18.78% | 1.58% |
| Pension | 1,674 | 6.20% | 0.55% | 1,547 | 6.53% | 0.55% |
| Health Care | 1,266 | 4.68% | 0.42% | 1,137 | 4.80% | 0.40% |
| Health and Safety | 221 | 0.82% | 0.07% | 201 | 0.85% | 0.07% |
| Education | 215 | 0.80% | 0.07% | 175 | 0.74% | 0.06% |
| Culture | 20 | 0.07% | 0.01% | 10 | 0.04% | 0.00% |
| Professional training and development | 423 | 1.57% | 0.14% | 501 | 2.12% | 0.18% |
| Day-care assistance | 39 | 0.14% | 0.01% | 99 | 0.42% | 0.04% |
| Profit sharing | 1,102 | 4.08% | 0.36% | 1,005 | 4.24% | 0.36% |
| Other | 90 | 0.33% | 0.03% | 82 | 0.35% | 0.03% |
| Total - Internal social indicators | 11,479 | 42.51% | 3.75% | 10,096 | 42.62% | 3.58% |
| | | % of | | | % of | |
| 3 - External Social Indicators | Amount | OI | SR | Amount | OI | SR |
| Income and Work Opportunities Generated | 230 | 0.79% | 0.08% | 51 | 0.18% | 0.02% |
| Education for Professional Skills | 62 | 0.21% | 0.02% | 61 | 0.21% | 0.02% |
| Rights of Children and Adolescents Guarantee (I) | 74 | 0.25% | 0.02% | 60 | 0.21% | 0.02% |
| Culture | 203 | 0.69% | 0.07% | 189 | 0.66% | 0.07% |
| Sport | 57 | 0.19% | 0.02% | 61 | 0.21% | 0.02% |

| | | | | | | |
|---------------------------------------|---------|---------|--------|--------|---------|--------|
| Other | 25 | 0.09% | 0.01% | 29 | 0.10% | 0.01% |
| Total contributions for the community | 651 | 2.23% | 0.21% | 451 | 1.57% | 0.16% |
| Taxes (excluding payroll charges) | 101,507 | 346.95% | 33.29% | 96,646 | 336.07% | 34.35% |
| Total - External social indicators | 102,158 | 349.17% | 33.72% | 97,097 | 337.63% | 34.67% |

% of

% of

4 - Environmental Indicators

| | Amount | OI | SR | Amount | OI | SR |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|-----------|-----------|-------------------------------------------------------|-----------|-----------|
| Investments related to the Company's production/operation (i) | 3,219 | 11.00% | 1.06% | 2,827 | 9.83% | 1.00% |
| Investments in external programs and/or projects | 104 | 0.36% | 0.03% | 101 | 0.35% | 0.04% |
| Total environmental investments | 3,323 | 11.36% | 1.09% | 2,928 | 10.18% | 1.04% |
| With respect to establishing "annual goals" for minimizing wastage, input general consumption in production/operation and for increasing efficiency in the use of natural resources, the Company: | () does not have goals () attains from 51% to 75% | | | () does not have goals () attains from 51% to 75% | | |
| | () attains from 0 to 50% (x) attains from 76 to 100% | | | () attains from 0 to 50% (x) attains from 76 to 100% | | |

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Supplementary information

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

| 5 - Indicators for the staff | Consolidated | |
|------------------------------------------------------------------------------------------|---------------------|-------------------|
| | 2013 | 2012 |
| Nº of employees at the end of the period | 86,108 | 85,065 |
| Nº of hirings during the period (II) | 2,166 | 4,017 |
| Nº of contracted employees (outsourcing) | 360,180 | 360,372 |
| Nº of student trainees | 1,816 | 1,887 |
| Nº of employees older than 45 | 37,858 | 37,374 |
| Nº of women that work in the Company | 14,377 | 14,536 |
| % of leadership positions held by women | 15.4% | 15.0% |
| Nº of Negroes that work in the Company (III) | 20,908 | 20,158 |
| % of leadership positions held by Negroes (IV) | 25.2% | 25.0% |
| Nº of handicapped workers (V) | 1,127 | 1,120 |
| 6 - Significant information with respect to the exercise of corporate citizenship | 2013 | Goals 2014 |
| Ratio between the Company's highest and lowest | 30.8 | 30.8 |

| | | | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-----------------------------|---------------------------------------|-----------------------------------------|---------------------------------|------------------------------------------|
| compensation (VI) | | | | | | |
| Total number of work accidents | | | 5,465 | | | 6,111 |
| The social and environmental projects developed by the Company were defined by: | (X) directors and managers | (X) directors and managers | () all employees | () directors and managers | (X) directors and managers | () all employees |
| The health and safety standards in the work environment were defined by: | (X) directors and managers | () all the employees | () everyone + Cipa | (X) directors and managers | () all the employees | () everyone + Cipa |
| With respect to union freedom, the right to collective bargaining and internal representation of the employees, the Company: | () is not involved | () follows ILO standards | (X) encourages and follows ILO | () will not be involved | () will follow ILO standards | (X) will encourage and follow ILO |
| The pension benefits include: | () directors and managers | () directors and managers | (X) all employees | () directors and managers | () directors and managers | (X) all employees |
| Profit-sharing includes: | () directors and managers | () directors and managers | (X) all employees | () directors and managers | () directors and managers | (X) all employees |
| In the selection of suppliers, the same ethical standards and standards of social and environmental responsibility adopted by the Company: | () are not considered | () are suggested | (X) are required | () will not be considered | () will be suggested | (X) will be required |
| With respect to the participation of employees in voluntary work programs, the Company: | () is not involved in the Company | () gives support in Procon | (X) organizes and encourages in court | () will not be involved in the Company | () will give support in Procon | (X) will organize and encourage in court |
| Total number of complaints and criticisms from consumers: (VII) | 8,197 | 10 | 28 | 6,500 | 2 | 3 |
| % of claims and criticisms attended or resolved: (VII) | 99% | 10% | 25% | 99.1% | 50% | 33.3% |
| | In 2013: | | 193,121 | In 2012: | | 181,789 |

Total value added to
distribute
(Consolidated) -
value

| | | | | |
|-----------------------------|-----------------|-------------------|-----------------|-------------------|
| Distribution of added value | 55% government | 14% employees | 58% government | 14% employees |
| | 5% shareholders | 19% third parties | 5% shareholders | 16% third parties |
| | 7% retained | | 7% retained | |

7 - Other information

I. It includes R\$ 4.3 transferred to the Fund for Infancy and Adolescence (FIA).

II. Information for the Petrobras Group in Brazil, related to hiring through public selection processes.

III. Information related to the employees of the Parent Company, Petrobras Distribuidora, Transpetro and Liquigás who declared to be Negroes.

IV. Of the total leadership positions in the Parent Company held by employees who informed their color/race, 25.2% are held by people who declared to be Negroes.

V. Information related to the Parent company, Petrobras Distribuidora and Transpetro, where positions are reserved for disabled people.

VI. Information related to the Parent company.

VII. The information on the Company includes the number of complaints and criticisms received by the Parent Company, Petrobras Distribuidora and Liquigás. The goals for 2014 do not include the estimates for the Customer Service Centers of Petrobras Distribuidora.

(i) Unaudited information.

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Supplementary information on Oil and Gas Exploration and Production (unaudited)

(Expressed in millions of reais, unless otherwise indicated)

Supplementary information on Oil and Gas Exploration and Production (unaudited)

In accordance with Codification Topic 932 - Extractive Activities – Oil and Gas, this section provides supplemental information on oil and gas exploration and producing activities of the Company. The information included in items (a) through (c) provides historical cost information pertaining to costs incurred in exploration, property acquisition and development, capitalized costs and results of operations. The information included in items (d) and (e) present information on Petrobras' estimated net proved reserve quantities, standardized measure of estimated discounted future net cash flows related to proved reserves, and changes in estimated discounted future net cash flows.

The international geographic area includes activities in South America, which includes Argentina, Colombia, Ecuador, Peru, Uruguay and Venezuela; North America, which includes Mexico and the United States of America; Africa, which includes Angola, Libya, Tanzania, and Others, which includes Portugal and Turkey. The equity investments are composed of the operations of Petrobras Oil and Gas B.V. (PO&G) in Namibia and Nigeria, as well as Venezuelan companies involved in exploration and production activities. Information on asset sales transactions are disclosed in explanatory note 10.

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Supplementary information on Oil and Gas Exploration and Production (unaudited)

*(Expressed in millions of reais, unless otherwise indicated)***a) Capitalizes costs relating to oil and gas producing activities**

The following table summarizes capitalized costs for oil and gas exploration and production activities with the related accumulated depreciation, depletion and amortization, and asset retirement obligation assets:

| | Consolidated Entities | | | | | | Total | Equity Method Investees |
|--------------------------------------------|------------------------------|----------------------|----------------------|---------------|---------------|----------------------|--------------|--------------------------------|
| | Brazil | South America | North America | Africa | Others | International | | |
| December 31, 2013 | | | | | | | | |
| Unproved oil and gas properties | 49,806 | 1,936 | 1,342 | 51 | – | 3,329 | 53,135 | – |
| Proved oil and gas properties | 167,820 | 5,646 | 14,102 | – | – | 19,748 | 187,568 | 9,304 |
| Support equipments | 149,536 | 1,148 | (649) | (35) | 10 | 474 | 150,010 | 2 |
| Gross capitalized costs | 367,162 | 8,730 | 14,795 | 16 | 10 | 23,550 | 390,712 | 9,306 |
| Depreciation and depletion | (104,699) | (4,790) | (2,221) | – | (9) | (7,020) | (111,719) | (3,408) |
| | 262,463 | 3,940 | 12,574 | 16 | 1 | 16,530 | 278,993 | 5,898 |
| Construction and installations in progress | 66,579 | (306) | 7 | – | – | (298) | 66,280 | – |
| Net capitalized costs | 329,042 | 3,634 | 12,581 | 16 | 1 | 16,232 | 345,273 | 5,898 |
| December 31, 2012 | | | | | | | | |
| Unproved oil and gas properties | 98,609 | 1,440 | 3,210 | 3,066 | 51 | 7,767 | 106,376 | – |

| | | | | | | | | |
|--------------------------------------------|----------|---------|---------|---------|-----|----------|----------|-------|
| Proved oil and gas properties | 106,286 | 8,072 | 7,443 | 5,041 | – | 20,556 | 126,842 | 1,004 |
| Support equipments | 113,883 | 3,041 | 1 | 54 | 14 | 3,110 | 116,993 | – |
| Gross capitalized costs | 318,778 | 12,553 | 10,654 | 8,161 | 65 | 31,433 | 350,211 | 1,004 |
| Depreciation and depletion | (88,436) | (6,157) | (1,278) | (2,892) | (7) | (10,334) | (98,770) | (348) |
| | 230,342 | 6,396 | 9,376 | 5,269 | 58 | 21,099 | 251,441 | 656 |
| Construction and installations in progress | 55,816 | 22 | 5 | – | – | 27 | 55,843 | – |
| Net capitalized costs | 286,158 | 6,418 | 9,381 | 5,269 | 58 | 21,126 | 307,284 | 656 |
| December 31, 2012 | | | | | | | | |
| Unproved oil and gas properties | 97,116 | 981 | 3,560 | 1,112 | 68 | 5,721 | 102,837 | – |
| Proved oil and gas properties | 82,423 | 7,344 | 4,016 | 6,068 | – | 17,428 | 99,851 | 1,078 |
| Support equipments | 96,621 | 2,098 | 45 | (45) | 4 | 2,102 | 98,723 | 2 |
| Gross capitalized costs | 276,160 | 10,423 | 7,621 | 7,135 | 72 | 25,251 | 301,411 | 1,080 |
| Depreciation and depletion | (74,128) | (5,509) | (851) | (2,468) | (2) | (8,830) | (82,958) | (371) |
| | 202,032 | 4,914 | 6,770 | 4,667 | 70 | 16,421 | 218,453 | 709 |
| Construction and installations in progress | 44,344 | 537 | – | 170 | – | 707 | 45,051 | – |
| Net capitalized costs | 246,376 | 5,451 | 6,770 | 4,837 | 70 | 17,128 | 263,504 | 709 |

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*(Expressed in millions of reais, unless otherwise indicated)***b) Costs incurred in oil and gas property acquisition, exploration and development activities**

Costs incurred are summarized below and include both amounts expensed and capitalized:

| | | South | North | | | | | Equity |
|---------------------------|---------------|----------------|----------------|---------------|---------------|----------------------|--------------|------------------|
| | Brazil | America | America | Africa | Others | International | Total | Method |
| | | | | | | | | Investees |
| | | | | | | | | Total |
| December 31, 2013 | | | | | | | | |
| Acquisition of properties | | | | | | | | |
| Proved | – | 40 | 2,378 | – | – | 2,419 | 2,419 | – |
| Unproved | – | – | – | – | – | – | – | – |
| Exploration costs | 19,744 | 429 | 830 | 3 | 2 | 1,264 | 21,008 | – |
| Development costs | 39,197 | 1,536 | 387 | 660 | 6 | 2,589 | 41,786 | 556 |
| Total | 58,941 | 2,005 | 3,596 | 663 | 7 | 6,271 | 65,212 | 556 |
| December 31, 2012 | | | | | | | | |
| Acquisition of properties | | | | | | | | |
| Proved | – | 242 | 1,104 | – | – | 1,346 | 1,346 | – |
| Unproved | – | – | – | – | – | – | – | – |
| Exploration costs | 11,086 | 577 | 1,143 | 175 | 1 | 1,896 | 12,982 | – |
| Development costs | 31,623 | 1,551 | 1,099 | 583 | 122 | 3,355 | 34,978 | 38 |
| Total | 42,709 | 2,370 | 3,346 | 758 | 123 | 6,597 | 49,306 | 38 |
| December 31, 2011 | | | | | | | | |
| Acquisition of properties | | | | | | | | |
| Proved | – | 21 | – | – | 68 | 89 | 89 | 6 |
| Unproved | 8 | 364 | 645 | 28 | – | 1,037 | 1,045 | – |
| | 9,472 | 601 | 301 | 604 | 38 | 1,544 | 11,016 | 2 |

| | | | | | | | | |
|-------------------|--------|-------|-------|-----|-----|-------|--------|-----|
| Exploration costs | | | | | | | | |
| Development costs | 24,122 | 820 | 185 | — | — | 1,005 | 25,127 | 109 |
| Total | 33,602 | 1,806 | 1,131 | 632 | 106 | 3,675 | 37,277 | 117 |

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(Expressed in millions of reais, unless otherwise indicated)

c) Results of operations for oil and gas producing activities

The Company's results of operations from oil and gas producing activities for the years ended December 31, 2013, 2012 and 2011 are shown in the following table. The Company transfers substantially all of its Brazilian crude oil and gas production to the Refining, Transportation & Marketing segment in Brazil. The prices calculated by the Company's model may not be indicative of the price the Company would have realized had this production been sold in an unregulated spot market. Additionally, the prices calculated by the Company's model may not be indicative of the future prices to be realized by the Company. Gas prices used are those contracted prices to third parties.

Production costs are lifting costs incurred to operate and maintain productive wells and related equipment and facilities, including operating employees' compensation, materials, supplies, fuel consumed in operations and operating costs related to natural gas processing plants.

Exploration expenses include the costs of geological and geophysical activities and non-productive exploratory wells. Depreciation and amortization expenses relate to assets employed in exploration and development activities. In accordance with Codification Topic 932 – Extractive Activities – Oil and Gas, income taxes are based on statutory tax rates, reflecting allowable deductions. Interest income and expense are excluded from the results reported in this table.

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Supplementary information on Oil and Gas Exploration and Production (unaudited)

(Expressed in millions of reais, unless otherwise indicated)

| | Consolidated Entities | | | | | | Total | Equity Method Investees Total |
|-------------------------------------------------------------------------|------------------------------|----------------------|----------------------|---------------|---------------|----------------------|--------------|------------------------------------------|
| | Brazil | South America | North America | Africa | Others | International | | |
| December 31, 2013 | | | | | | | | |
| Net operation revenues: | | | | | | | | |
| Sales to third parties | 2,472 | 2,201 | 1,093 | 438 | – | 3,732 | 6,204 | 1,176 |
| Intersegment | 144,809 | 3,624 | – | 1,429 | – | 5,053 | 149,862 | 1,640 |
| | 147,281 | 5,826 | 1,093 | 1,867 | – | 8,786 | 156,067 | 2,816 |
| Production costs | (57,050) | (3,057) | (381) | (141) | – | (3,580) | (60,630) | (423) |
| Exploration expenses | (6,057) | (132) | (189) | (61) | (7) | (388) | (6,445) | (4) |
| Depreciation, depletion and amortization | (16,867) | (1,117) | (693) | (192) | (1) | (2,004) | (18,871) | (565) |
| Impairment of oil and gas properties | (9) | 2 | (30) | (1,205) | – | (1,233) | (1,242) | – |
| Other operating expenses | (2,883) | (552) | (161) | (108) | 3,763 | 2,943 | 60 | – |
| Results before income tax expenses | 64,415 | 969 | (361) | 160 | 3,756 | 4,524 | 68,939 | 1,823 |
| Income tax expenses | (21,901) | (304) | (3) | (790) | (1) | (1,099) | (23,000) | (750) |
| Results of operations (excluding corporate overhead and interest costs) | 42,514 | 665 | (365) | (630) | 3,754 | 3,425 | 45,939 | 1,073 |
| December 31, 2012 | | | | | | | | |

| | | | | | | | | |
|-------------------------------------------------------------------------|----------|---------|-------|---------|-------|---------|----------|-------|
| Net operation revenues: | | | | | | | | |
| Sales to third parties | | | | | | | | |
| | 1,700 | 2,240 | 37 | 719 | — | 2,996 | 4,696 | 362 |
| Intersegment | 143,873 | 3,232 | 566 | 3,674 | — | 7,472 | 151,345 | — |
| | 145,573 | 5,472 | 603 | 4,393 | — | 10,468 | 156,041 | 362 |
| Production costs | | | | | | | | |
| | (52,888) | (2,664) | (79) | (348) | — | (3,091) | (55,979) | (302) |
| Exploration expenses | | | | | | | | |
| | (7,114) | (352) | (96) | (163) | (112) | (723) | (7,837) | — |
| Depreciation, depletion and amortization | | | | | | | | |
| | (12,763) | (921) | (342) | (370) | (2) | (1,635) | (14,398) | (153) |
| Impairment of oil and gas properties | | | | | | | | |
| | (71) | (1) | — | (33) | — | (34) | (105) | — |
| Other operating expenses | | | | | | | | |
| | (3,523) | (384) | (218) | 340 | (82) | (344) | (3,867) | — |
| Results before income tax expenses | | | | | | | | |
| | 69,214 | 1,150 | (132) | 3,819 | (196) | 4,641 | 73,855 | (93) |
| Income tax expenses | | | | | | | | |
| | (23,533) | (295) | (1) | (1,820) | 2 | (2,114) | (25,647) | 28 |
| Results of operations (excluding corporate overhead and interest costs) | | | | | | | | |
| | 45,681 | 855 | (133) | 1,999 | (194) | 2,527 | 48,208 | (65) |
| December 31, 2011 | | | | | | | | |
| Net operation revenues: | | | | | | | | |
| Sales to third parties | | | | | | | | |
| | 863 | 1,734 | 14 | 494 | — | 2,242 | 3,105 | 486 |
| Intersegment | 123,165 | 2,615 | 182 | 3,576 | — | 6,373 | 129,538 | 11 |
| | 124,028 | 4,349 | 196 | 4,070 | — | 8,615 | 132,643 | 497 |
| Production costs | | | | | | | | |
| | (42,355) | (2,012) | (53) | (226) | — | (2,291) | (44,646) | (239) |
| Exploration expenses | | | | | | | | |
| | (3,674) | (383) | (48) | (157) | (166) | (754) | (4,428) | (2) |
| Depreciation, depletion and amortization | | | | | | | | |
| | (12,763) | (685) | (89) | (441) | (1) | (1,216) | (13,979) | (203) |
| Impairment of oil and gas properties | | | | | | | | |
| | (412) | 3 | — | — | — | 3 | (409) | (94) |
| Other operating | | | | | | | | |
| | (2,972) | (418) | (347) | 415 | (36) | (386) | (3,358) | — |

| | | | | | | | | |
|----------------|----------|-------|-------|---------|-------|---------|----------|------|
| expenses | | | | | | | | |
| Results before | | | | | | | | |
| income tax | | | | | | | | |
| expenses | 61,852 | 854 | (341) | 3,661 | (203) | 3,971 | 65,823 | (41) |
| Income tax | | | | | | | | |
| expenses | (21,030) | (266) | (1) | (1,395) | – | (1,662) | (22,692) | 6 |
| Results of | | | | | | | | |
| operations | | | | | | | | |
| (excluding | | | | | | | | |
| corporate | | | | | | | | |
| overhead and | | | | | | | | |
| interes costs) | 40,822 | 588 | (342) | 2,266 | (203) | 2,309 | 43,131 | (35) |

Petróleo Brasileiro S.A. – Petrobras

Supplementary information on Oil and Gas Exploration and Production (unaudited)

*(Expressed in millions of reais, unless otherwise indicated)***d) Reserve quantities information**

The Company's estimated net proved oil and gas reserves and changes thereto for the years 2013, 2012 and 2011 are shown in the following table. Proved reserves are estimated by the Company's reservoir engineers in accordance with the reserve definitions prescribed by the Securities and Exchange Commission.

Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations-prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

Developed oil and gas reserves are reserves of any category that can be expected to be recovered: (i) through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and (ii) through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

In some cases, substantial new investments in additional wells and related facilities will be required to recover these proved reserves. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of reserves are subject to change as additional information becomes available.

A summary of the annual changes in the proved reserves of oil is as follows (in millions of barrels):

| Proved developed and undeveloped reserves | Consolidated Entities | | | | | Synthetic Oil | Equity Method Investees | |
|------------------------------------------------------------------|------------------------------|--------------------------|--------------------------|---------------|------------------------|--------------------------|----------------------------------------|--------------|
| | Brazil | South America | North America | Africa | International** | | | Total |
| Reserves at December 31, | 10,379.0 | 209.8 | 10.1 | 124.9 | 344.8 | 7.4 | 10,731.2 | 333.5 |

| | | | | | | | | | |
|---------------------------------|----------|--------|-------|---------|---------|-------|----------|--------|--|
| 2010 | | | | | | | | | |
| Revisions of previous estimates | 571.6 | (2.5) | 36.4 | 8.1 | 42.0 | 2.4 | 616.0 | (1.1) | |
| Extensions and discoveries | 151.2 | 9.4 | 8.0 | — | 17.4 | — | 168.6 | — | |
| Improved Recovery | 1.9 | — | — | 6.1 | 6.1 | — | 8.0 | — | |
| Sales of reserves | — | — | — | — | — | — | — | — | |
| Purchases of reserves | — | — | — | — | — | — | — | — | |
| Production for the year | (692.5) | (25.5) | (0.8) | (21.0) | (47.3) | (1.2) | (741.0) | (2.8) | |
| Reserves at December 31, 2011 | 10,411.2 | 191.2 | 53.7 | 118.1 | 363.0 | 8.6 | 10,782.8 | 29.6 | |
| Revisions of previous estimates | 69.7 | (2.6) | 23.5 | 22.4 | 43.3 | 0.7 | 113.7 | (3.0) | |
| Extensions and discoveries | 424.4 | 11.4 | — | — | 11.4 | — | 435.8 | — | |
| Improved Recovery | 324.6 | 0.6 | — | 18.7 | 19.3 | — | 343.9 | — | |
| Sales of reserves | — | — | — | — | — | — | — | — | |
| Purchases of reserves | — | — | — | — | — | — | — | — | |
| Production for the year | (690.7) | (25.2) | (3.3) | (19.0) | (47.5) | (1.0) | (739.1) | (2.3) | |
| Reserves at December 31, 2012 | 10,539.2 | 175.4 | 74.0 | 140.2 | 389.6 | 8.3 | 10,937.1 | 124.3 | |
| Transfers by loss of control* | — | — | — | (140.2) | (140.2) | — | (140.2) | 140.2 | |
| Revisions of previous estimates | (110.0) | 13.4 | 21.9 | — | 35.4 | 1.3 | (73.4) | 1.8 | |
| Extensions and discoveries | 818.3 | — | 33.0 | — | 33.0 | — | 851.4 | — | |
| Improved Recovery | 124.2 | — | — | — | — | — | 124.2 | — | |
| Sales of reserves | (42.3) | — | (1.5) | — | (1.5) | — | (43.8) | (65.4) | |
| Purchases of reserves | 0.0 | — | — | — | — | — | 0.0 | — | |
| Production for the year | (671.0) | (22.8) | (4.3) | — | (27.1) | (0.8) | (698.9) | (16.5) | |
| Reserves at December 31, 2013 | 10,658.4 | 166.0 | 123.1 | (0.0) | 289.2 | 8.8 | 10,956.4 | 84.5 | |

*Amounts transferred from consolidated entities to equity-method entities, as the Company ceased to consolidate PO&G. See note 10.2 for further details.

** Includes 105 million barrels related to assets classified as held for sale.

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Supplementary information on Oil and Gas Exploration and Production (unaudited)

(Expressed in millions of reais, unless otherwise indicated)

A summary of the annual changes in the proved reserves of natural gas is as follows (in billions of cubic feet):

| Proved developed and undeveloped reserves | Consolidated Entities | | | | | | Synthetic Gas | Total | Equity Method Investees |
|-------------------------------------------|-----------------------|---------------|---------------|--------|-----------------|-------|---------------|--------|-------------------------|
| | Brazil | South America | North America | Africa | International** | Total | | | Total |
| Reserves at December 31, 2010 | 10,554.0 | 1,235.7 | 51.7 | 40.4 | 1,327.8 | 12.0 | 11,893.8 | 59.8 | |
| Revisions of previous estimates | 993.9 | (9.7) | 15.2 | (1.1) | 4.4 | 3.3 | 1,001.6 | (15.0) | |
| Extensions and discoveries | 192.3 | 76.3 | 9.1 | — | 85.4 | — | 277.7 | — | |
| Improved Recovery | 0.3 | — | — | — | — | — | 0.3 | — | |
| Sales of reserves | — | — | — | — | — | — | — | — | |
| Purchases of reserves | — | — | — | — | — | — | — | — | |
| Production for the year | (673.5) | (112.7) | (4.1) | — | (116.8) | (1.9) | (792.2) | (1.3) | |
| Reserves at December 31, 2011 | 11,067.0 | 1,189.6 | 71.9 | 39.3 | 1,300.8 | 13.4 | 12,381.2 | 43.5 | |
| Revisions of previous estimates | 373.4 | (18.3) | 2.7 | 6.2 | (9.4) | 1.8 | 365.8 | 5.2 | |
| Extensions and discoveries | 275.8 | 19.6 | — | — | 19.6 | — | 295.4 | — | |
| Improved Recovery | (624.3) | 0.8 | — | — | 0.8 | — | (623.5) | — | |
| Sales of reserves | — | — | — | — | — | — | — | — | |
| Purchases of reserves | — | — | — | — | — | — | — | — | |

| | | | | | | | | |
|---------------------------------|----------|---------|--------|--------|---------|-------|----------|--------|
| Production for the year | (747.3) | (108.0) | (6.9) | – | (114.9) | (1.9) | (864.1) | (0.9) |
| Reserves at December 31, 2012 | 10,344.6 | 1,083.7 | 67.7 | 45.5 | 1,196.9 | 13.3 | 11,554.8 | 47.8 |
| Transfers by loss of control* | – | – | – | (45.5) | (45.5) | – | (45.5) | 45.5 |
| Revisions of previous estimates | (291.2) | 75.2 | 2.6 | – | 77.8 | (0.1) | (213.5) | (8.0) |
| Extensions and discoveries | 1,113.0 | – | 80.4 | – | 80.4 | – | 1,193.4 | – |
| Improved Recovery | 916.0 | – | – | – | – | – | 916.0 | – |
| Sales of reserves | (17.3) | – | (13.4) | – | (13.4) | – | (30.7) | (22.8) |
| Purchases of reserves | 0.4 | – | – | – | – | – | 0.4 | – |
| Production for the year | (773.8) | (100.4) | (4.4) | – | (104.8) | (1.4) | (880.0) | (0.6) |
| Reserves at December 31, 2013 | 11,291.7 | 1,058.5 | 132.9 | 0.0 | 1,191.4 | 11.8 | 12,494.8 | 61.9 |

*Amounts transferred from consolidated entities to equity-method entities, as the Company ceased to consolidate PO&G. See note 10.2 for further details.

** Includes 363 billion cubic feet related to assets classified as held for sale.

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(Expressed in millions of reais, unless otherwise indicated)

The tables below present the volumes of proved developed and undeveloped reserves, net:

| | 2013 | | | 2012 | | | 2011 | | | |
|-------------------------------------------------|------------------------------------|----------------------------------------|-----------------------------------------|-------------------------------------------|------------------------------------|----------------------------------------|-----------------------------------------|-------------------------------------------|------------------------------------|----------------------------------------|
| | Crude Oil (millions of barrels) | Synthetic Oil (millions of barrels) | Natural Gas (billions of cubic feet) | Synthetic Gas (billions of cubic feet) | Crude Oil (millions of barrels) | Synthetic Oil (millions of barrels) | Natural Gas (billions of cubic feet) | Synthetic Gas (billions of cubic feet) | Crude Oil (millions of barrels) | Synthetic Oil (millions of barrels) |
| Net proved developed reserves: | | | | | | | | | | |
| Consolidated Entities | | | | | | | | | | |
| Brazil | 6,509.3 | 8.8 | 6,578.9 | 11.86 | 397.5 | 8.3 | 6,811.5 | 13.36 | 973.5 | |
| South America | 86.0 | – | 368.4 | – | 96.5 | – | 414.1 | – | 106.6 | |
| North America | 46.2 | – | 9.9 | – | 21.2 | – | 25.2 | – | 4.5 | |
| Africa | – | – | – | – | 77.8 | – | 35.8 | – | 70.3 | |
| Others | – | – | – | – | – | – | – | – | – | |
| International | 132.2 | – | 378.3 | – | 195.5 | – | 475.1 | – | 181.4 | |
| Total Consolidated Entities | 6,641.6 | 8.8 | 6,957.3 | 11.86 | 593.0 | 8.3 | 7,286.6 | 13.37 | 1,544.9 | |
| Nonconsolidated Entities | | | | | | | | | | |
| Brazil | – | – | – | – | – | – | – | – | – | |
| South America | 12.4 | – | 14.9 | – | 12.7 | – | 14.6 | – | 17.5 | |
| North America | – | – | – | – | – | – | – | – | – | |
| Africa | 37.3 | – | 15.7 | – | – | – | – | – | – | |
| Others | – | – | – | – | – | – | – | – | – | |
| International | 49.8 | – | 30.5 | – | 12.7 | – | 14.6 | – | 17.5 | |
| Total Nonconsolidated Entities | 49.8 | – | 30.5 | – | 12.7 | – | 14.6 | – | 17.5 | |
| Total Consolidated and Nonconsolidated Entities | 6,691.4 | 8.8 | 6,987.8 | 11.86 | 605.7 | 8.3 | 7,301.2 | 13.37 | 1,724.4 | |
| Net proved undeveloped reserves: | | | | | | | | | | |
| Consolidated Entities | | | | | | | | | | |

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| | | | | | |
|-------------------------------------------------|---------|-----------|-----------|-----------|-----------|
| Brazil | 4,149.1 | – 4,712.7 | – 4,141.7 | – 3,533.0 | – 3,437.5 |
| South America | 80.1 | – 690.1 | – 78.9 | – 669.5 | – 84.7 |
| North America | 77.0 | – 123.1 | – 52.8 | – 42.5 | – 49.3 |
| Africa | – | – | – 62.4 | – 9.8 | – 47.8 |
| Others | – | – | – | – | – |
| International | 157.1 | – 813.2 | – 194.1 | – 721.8 | – 181.8 |
| Total Consolidated Entities | 4,306.2 | – 5,525.9 | – 4,335.8 | – 4,254.8 | – 3,619.3 |
| Nonconsolidated Entities | | | | | |
| Brazil | – | – | – | – | – |
| South America | 8.8 | – 26.4 | – 11.6 | – 33.2 | – 12.1 |
| North America | – | – | – | – | – |
| Africa | 25.9 | – 4.9 | – | – | – |
| Others | – | – | – | – | – |
| International | 34.7 | – 31.3 | – 11.6 | – 33.2 | – 12.1 |
| Total Nonconsolidated Entities | 34.7 | – 31.3 | – 11.6 | – 33.2 | – 12.1 |
| Total Consolidated and Nonconsolidated Entities | | | | | |