

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

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

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**FORM 6-K**

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

**For the month of August, 2014**

**Commission File Number 1-15106**

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

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

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

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

Form 20-F  Form 40-F

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

Yes  No

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

Consolidated financial statements at  
June 30, 2014 with report of independent  
registered public accounting firm

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## Petróleo Brasileiro S.A. – Petrobras

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders

Petróleo Brasileiro S.A. – Petrobras

We have reviewed the accompanying condensed consolidated statement of financial position of Petróleo Brasileiro S.A. - Petrobras and its subsidiaries as of June 30, 2014, the related condensed consolidated statement of income, of cash flows and of comprehensive income for the six-month periods ended June 30, 2014 and June 30, 2013 and the condensed statement of changes in shareholders' equity for the six-month periods ended June 30, 2014 and June 30, 2013. This interim financial information is the responsibility of the Company's management.

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

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

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

/s/ PricewaterhouseCoopers  
Auditores Independentes

CRC 2SP000160/O-5 "F" RJ

Rio de Janeiro, Brazil

August 8, 2014

/s/ Marcos Donizete Panassol

Contador CRC 1SP155975

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

Consolidated Statement of Financial Position

June 30, 2014 and December 31, 2013

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

| <b>Assets</b> | <b>Note</b> | <b>06.30.2014</b> | <b>12.31.2013</b> | <b>Liabilities</b> | <b>Note</b> | <b>06.30.2014</b> | <b>12.31.2013</b> |
|---------------|-------------|-------------------|-------------------|--------------------|-------------|-------------------|-------------------|
|---------------|-------------|-------------------|-------------------|--------------------|-------------|-------------------|-------------------|

Current  
assets

Current liabilities



|                           |   |        |        |                |    |        |        |
|---------------------------|---|--------|--------|----------------|----|--------|--------|
| Cash and cash equivalents | 5 | 26,397 | 15,868 | Trade payables | 14 | 12,509 | 11,919 |
|---------------------------|---|--------|--------|----------------|----|--------|--------|

|                       |   |       |       |              |    |        |       |
|-----------------------|---|-------|-------|--------------|----|--------|-------|
| Marketable securities | 6 | 3,739 | 3,885 | Current debt | 15 | 10,667 | 8,001 |
|-----------------------|---|-------|-------|--------------|----|--------|-------|

|                                  |     |        |       |                           |      |    |    |
|----------------------------------|-----|--------|-------|---------------------------|------|----|----|
| Trade and other receivables, net | 7.1 | 10,630 | 9,670 | Finance lease obligations | 16.1 | 18 | 16 |
|----------------------------------|-----|--------|-------|---------------------------|------|----|----|

|             |   |        |        |                      |      |     |     |
|-------------|---|--------|--------|----------------------|------|-----|-----|
| Inventories | 8 | 16,984 | 14,225 | Income taxes payable | 19.1 | 380 | 281 |
|-------------|---|--------|--------|----------------------|------|-----|-----|

|              |      |     |       |             |      |       |       |
|--------------|------|-----|-------|-------------|------|-------|-------|
| Recoverable  | 19.1 | 896 | 1,060 | Other taxes | 19.2 | 4,640 | 4,669 |
| income taxes |      |     |       | payable     |      |       |       |

|                         |      |       |       |                   |      |   |       |
|-------------------------|------|-------|-------|-------------------|------|---|-------|
| Other recoverable taxes | 19.2 | 2,893 | 3,911 | Dividends payable | 21.2 | – | 3,970 |
|-------------------------|------|-------|-------|-------------------|------|---|-------|

|                       |     |     |   |       |       |
|-----------------------|-----|-----|---|-------|-------|
| Advances to suppliers | 706 | 683 | Payroll, profit sharing and related charges | 2,592 | 2,052 |
|-----------------------|-----|-----|---|-------|-------|

|                      |       |     |                              |    |     |     |
|----------------------|-------|-----|------------------------------|----|-----|-----|
| Other current assets | 1,340 | 946 | Pension and medical benefits | 20 | 867 | 816 |
|----------------------|-------|-----|------------------------------|----|-----|-----|



|        |        |        |       |       |
|--------|--------|--------|-------|-------|
| 63,585 | 50,248 | Others | 2,227 | 2,429 |
|--------|--------|--------|-------|-------|

33,900

34,153

|  |     |       |       |   |     |     |       |
|--|-----|-------|-------|---|-----|-----|-------|
| Assets<br>classified as<br>held for sale | 9.2 | 1,917 | 2,407 | Liabilities on<br>assets classified<br>as held for sale | 9.2 | 267 | 1,073 |
|--|-----|-------|-------|---|-----|-----|-------|

65,502

52,655

34,167

35,226



Non-current  
assets

Non-current  
liabilities

Long-term  
receivables

Non-current debt 15 128,945 106,235

|                                  |     |       |       |                           |      |    |    |
|----------------------------------|-----|-------|-------|---------------------------|------|----|----|
| Trade and other receivables, net | 7.1 | 5,748 | 4,532 | Finance lease obligations | 16.1 | 80 | 73 |
|----------------------------------|-----|-------|-------|---------------------------|------|----|----|



|                       |   |     |     |                       |      |        |       |
|-----------------------|---|-----|-----|-----------------------|------|--------|-------|
| Marketable securities | 6 | 136 | 131 | Deferred income taxes | 19.3 | 12,737 | 9,906 |
|-----------------------|---|-----|-----|-----------------------|------|--------|-------|

|                   |    |       |       |                              |    |        |        |
|-------------------|----|-------|-------|------------------------------|----|--------|--------|
| Judicial deposits | 28 | 2,904 | 2,504 | Pension and medical benefits | 20 | 13,105 | 11,757 |
|-------------------|----|-------|-------|------------------------------|----|--------|--------|

|                       |      |       |       |                                  |    |       |       |
|-----------------------|------|-------|-------|----------------------------------|----|-------|-------|
| Deferred income taxes | 19.3 | 1,079 | 1,130 | Provisions for legal proceedings | 28 | 1,511 | 1,246 |
|-----------------------|------|-------|-------|----------------------------------|----|-------|-------|

|                  |      |       |       |                                     |    |       |       |
|------------------|------|-------|-------|-------------------------------------|----|-------|-------|
| Other tax assets | 19.2 | 5,199 | 5,380 | Provision for decommissioning costs | 18 | 7,344 | 7,133 |
|------------------|------|-------|-------|-------------------------------------|----|-------|-------|

|                       |       |       |        |       |     |
|-----------------------|-------|-------|--------|-------|-----|
| Advances to suppliers | 3,175 | 3,230 | Others | 1,034 | 724 |
|-----------------------|-------|-------|--------|-------|-----|

|        |       |       |
|--------|-------|-------|
| Others | 2,254 | 1,875 |
|--------|-------|-------|

20,495

18,782

164,756

137,074

|                   |         |         |
|-------------------|---------|---------|
| Total liabilities | 198,923 | 172,300 |
|-------------------|---------|---------|





Shareholders' 21  
equity

|             |      |       |       |               |         |         |
|-------------|------|-------|-------|---------------|---------|---------|
| Investments | 10.1 | 7,114 | 6,666 | Share capital | 107,380 | 107,371 |
|-------------|------|-------|-------|---------------|---------|---------|

|                                     |      |         |         |                               |     |     |
|-------------------------------------|------|---------|---------|-------------------------------|-----|-----|
| Property,<br>plant and<br>equipment | 11.1 | 253,955 | 227,901 | Additional paid in<br>capital | 359 | 395 |
|-------------------------------------|------|---------|---------|-------------------------------|-----|-----|

|                   |      |        |        |                 |        |        |
|-------------------|------|--------|--------|-----------------|--------|--------|
| Intangible assets | 12.1 | 16,326 | 15,419 | Profit reserves | 78,937 | 75,689 |
|-------------------|------|--------|--------|-----------------|--------|--------|

|         |         |  |          |          |
|---------|---------|--|----------|----------|
| 297,890 | 268,768 | Accumulated<br>other<br>comprehensive<br>income (loss) | (22,907) | (34,928) |
|---------|---------|--|----------|----------|

|   |         |         |
|---|---------|---------|
| Attributable to the<br>shareholders of<br>Petrobras | 163,769 | 148,527 |
|---|---------|---------|

|                              |     |     |
|------------------------------|-----|-----|
| Non-controlling<br>interests | 700 | 596 |
|------------------------------|-----|-----|



|              |         |         |
|--------------|---------|---------|
| Total Equity | 164,469 | 149,123 |
|--------------|---------|---------|

|              |         |         |  |         |         |
|--------------|---------|---------|--|---------|---------|
| Total Assets | 363,392 | 321,423 | Total liabilities<br>and shareholder's<br>equity | 363,392 | 321,423 |
|--------------|---------|---------|--|---------|---------|

The Notes form an integral part of these Financial Statements.



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

## Consolidated Statement of Income

June 30, 2014 and 2013

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

|  | <b>Note</b> | <b>Jan-Jun/2014</b> | <b>Jan-Jun/2013</b> |
|--|-------------|---------------------|---------------------|
| Sales revenues   | 22          | 71,404              | 71,914              |
| Cost of sales  |             | (54,647)            | (53,428)            |
| Gross profit   |             | 16,757              | 18,486              |
| Income (expenses)  |             |                     |                     |
| Selling expenses   |             | (2,397)             | (2,383)             |
| General and Administrative expenses                                  |             | (2,240)             | (2,489)             |
| Exploration costs  |             | (1,454)             | (1,225)             |
| Research and development expenses                                    |             | (520)               | (624)               |
| Other taxes  |             | (278)               | (232)               |
| Other operating expenses, net  | 23          | (2,696)             | (911)               |
|  |             | (9,585)             | (7,864)             |
| Net income before financial results, profit sharing and income taxes |             | 7,172               | 10,622              |
| Finance Income   |             | 781                 | 926                 |
| Finance Expenses   |             | (1,788)             | (1,219)             |
| Foreign exchange and inflation indexation charges                    |             | 512                 | (726)               |
| Net finance income (expense)   | 25          | (495)               | (1,019)             |
| Share of profit / gains on interest in equity-accounted investments  |             | 343                 | 266                 |
| Profit sharing   | 20.1        | (282)               | (321)               |
| Net income before income taxes                                       |             | 6,738               | 9,548               |
| Income taxes   | 19.4        | (1,963)             | (2,879)             |
| Net income   |             | 4,775               | 6,669               |
| Net income (loss) attributable to:<br>Shareholders of Petrobras      |             | 4,505               | 6,850               |

|   |      |       |       |
|---|------|-------|-------|
| Non-controlling interests   |      | 270   | (181) |
|   |      | 4,775 | 6,669 |
| Basic and diluted earnings per<br>weighted-average of common and<br>preferred share in U.S. dollars | 21.3 | 0.35  | 0.53  |

The Notes form an integral part of these Financial Statements.

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

## Consolidated Statement of Comprehensive Income

June 30, 2014 and 2013

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

|   | <b>Jan-Jun/2014</b> | <b>Jan-Jun/2013</b> |
|---|---------------------|---------------------|
| Net income  | 4,775               | 6,669               |
| <b>Items that will not be reclassified to profit or loss:</b>         |                     |                     |
| Actuarial gains / (losses) on defined benefit pension plans           | —                   | (5)                 |
| Cumulative translation adjustments                                    | 8,371               | (12,102)            |
|   | 8,371               | (12,107)            |
| <b>Items that may be reclassified subsequently to profit or loss:</b> |                     |                     |
| Unrealized gains / (losses) on available-for-sale securities          |                     |                     |
| Recognized in shareholders' equity                                    | —                   | —                   |
| Reclassified to profit or loss  | —                   | (45)                |
| Deferred income tax   | —                   | 15                  |
|   | —                   | (30)                |
| Unrealized gains / (losses) on cash flow hedge                        |                     |                     |
| Recognized in shareholders' equity                                    | 2,943               | (3,852)             |
| Reclassified to profit or loss  | 334                 | 4                   |
| Deferred income tax   | (1,112)             | 1,311               |
|   | 2,165               | (2,537)             |
| Share of other comprehensive income of equity-accounted investments   | 97                  | (151)               |
|   | 2,262               | (2,718)             |
| Other comprehensive income (loss):                                    | 10,633              | (14,825)            |
| Total Comprehensive income (loss)                                     | 15,408              | (8,156)             |
| Comprehensive income (loss) attributable to:                          |                     |                     |
| Shareholders of Petrobras   | 15,278              | (7,919)             |
| Non-controlling interests   | 130                 | (237)               |
| Total comprehensive income (loss)                                     | 15,408              | (8,156)             |

The Notes form an integral part of these Financial Statements.



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

## Consolidated Statement of Cash Flows

June 30, 2014 and 2013

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

|  | <b>Jan-Jun/2014</b> | <b>Jan-Jun/2013</b> |
|--|---------------------|---------------------|
| Cash flows from Operating activities   |                     |                     |
| Net income attributable to the shareholders of Petrobras   | 4,505               | 6,850               |
| Adjustments for:   |                     |                     |
| Non-controlling interests  | 270                 | (181)               |
| Share of (profit) loss of equity-accounted investments   | (343)               | (266)               |
| Depreciation, depletion and amortization   | 6,471               | 6,572               |
| Impairment charges on property, plant and equipment and other assets                                       | 205                 | 231                 |
| Exploration expenditures written off   | 1,117               | 605                 |
| (Gains) / losses on disposal / write-offs of non-current assets, E&P areas returned and cancelled projects | (125)               | (677)               |
| Foreign exchange variation, indexation and finance charges   | 1,262               | 1,123               |
| Deferred income taxes, net   | 1,014               | 1,587               |
| Pension and medical benefits (actuarial expense)   | 983                 | 1,366               |
| Decrease / (Increase) in assets  |                     |                     |
| Trade and other receivables, net   | (1,365)             | 382                 |
| Inventories  | (2,072)             | (833)               |
| Other assets   | (954)               | (173)               |
| Increase/(Decrease) in liabilities   |                     |                     |
| Trade payables   | 84                  | (28)                |
| Taxes payable  | (867)               | (1,213)             |
| Pension and medical benefits   | (396)               | (385)               |
| Other liabilities  | 605                 | 321                 |
| Net cash provided by operating activities  | 10,394              | 15,281              |
| Cash flows from Investing activities   |                     |                     |
| Capital expenditures   | (17,336)            | (20,432)            |
| Investments in investees   | (128)               | (56)                |
| Proceeds from disposal of assets (divestment)  | 451                 | 1,542               |
| Investments in marketable securities   | 604                 | (96)                |
| Dividends received   | 279                 | 70                  |

|  |          |          |
|--|----------|----------|
| Net cash (used in) investing activities                      | (16,130) | (18,972) |
| Cash flows from Financing activities                         |          |          |
| Acquisition of Non-controlling interest                      | 3        | (98)     |
| Proceeds from long-term financing                            | 27,341   | 29,672   |
| Repayment of principal                                       | (4,807)  | (11,559) |
| Repayment of interest  | (2,892)  | (2,434)  |
| Dividends paid   | (3,916)  | (1,386)  |
| Net cash provided by financing activities                    | 15,729   | 14,195   |
| Effect of exchange rate changes on cash and cash equivalents | 536      | (893)    |
| Net increase/ (decrease) in cash and cash equivalents        | 10,529   | 9,611    |
| Cash and cash equivalents at the beginning of the year       | 15,868   | 13,520   |
| Cash and cash equivalents at the end of the period           | 26,397   | 23,131   |

The Notes form an integral part of these Financial Statements.

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

## Consolidated Statement of Changes in Shareholders' Equity

June 30, 2014 and 2013

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

|                                    | Share Capital | Additional paid in capital income                                  |                                    | Accumulated other comprehensive income |   |                            | Profit |
|------------------------------------|---------------|--|------------------------------------|--|---|----------------------------|--------|
|                                    |               | Incremental costs directly attributable to the issue of new shares | Change in interest in subsidiaries | Cumulative translation adjustment      | Actuarial gains (losses) on defined benefit pension plans | Other comprehensive income |        |
| Balance at January 1, 2013         | 107,362       | (279)  | 628                                | (6,732)                                | (7,748)   | 102                        | 7,364  |
| Capital increase with reserves     | 9             | —  | —                                  | —                                      | —   | —                          | —      |
| Realization of deemed cost         | —             | —  | —                                  | —                                      | —   | (2)                        | —      |
| Change in interest in subsidiaries | —             | —  | 22                                 | —                                      | —   | —                          | —      |
| Net income                         | —             | —  | —                                  | —                                      | —   | —                          | —      |
| Other comprehensive income         | —             | —  | —                                  | (12,871)                               | (5)   | (2,736)                    | —      |
| Appropriations:                    |               |  |                                    |  |   |                            |        |
| Allocation of net income           | —             | —  | —                                  | —                                      | —   | —                          | —      |
| Dividends                          | —             | —  | —                                  | —                                      | —   | —                          | —      |
| Balance at June 30, 2013           | 107,371       | (279)  | 650                                | (19,603)                               | (7,753)   | (2,636)                    | 7,364  |
| Balance at January 01, 2014        | 107,371       | (279)  | 674                                | (28,334)                               | (2,505)   | (4,089)                    | 7,919  |
| Capital increase with reserves     | 9             | —  | —                                  | —                                      | —   | —                          | —      |
|                                    | —             | —  | —                                  | —                                      | —   | (2)                        | —      |

|  |         |       |      |          |         |          |       |
|--|---------|-------|------|----------|---------|----------|-------|
| Realization of<br>deemed cost            |         |       |      |          |         |          |       |
| Change in<br>interest in<br>subsidiaries | —       | —     | (36) | —        | —       | —        | —     |
| Net income                               | —       | —     | —    | —        | —       | —        | —     |
| Other<br>comprehensive<br>income         | —       | —     | —    | 9,746    | —       | 2,277    | —     |
| Appropriations:                          |         |       |      |          |         |          |       |
| Allocation of<br>net income              | —       | —     | —    | —        | —       | —        | —     |
| Dividends                                | —       | —     | —    | —        | —       | —        | —     |
|  | 107,380 | (279) | 638  | (18,588) | (2,505) | (1,814)  | 7,919 |
| Balance at June<br>30, 2014              | 107,380 |       | 359  |          |         | (22,907) |       |

See the accompanying notes to the financial statements.

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

Notes to the financial statements

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

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

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

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

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

This interim financial information presents the significant changes which occurred in the period, avoiding repetition of certain notes to the financial statements previously reported. Hence it should be read together with the Company’s annual financial statements for the year ended December 31, 2013, which include the full set of notes.

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

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

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

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

The preparation of the interim financial information requires the use of estimates and assumptions for certain assets, liabilities and other transactions. These estimates include: oil and gas reserves, pension and medical benefits liabilities, depreciation, depletion and amortization, decommissioning costs, provisions for legal proceedings, fair value of financial instruments, present value adjustments of trade receivables and payables from relevant transactions and income taxes. Even though our management uses assumptions and judgments that are periodically reviewed, the actual results could differ from these estimates.

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

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

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

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

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***4. Summary of significant accounting policies**

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

**5. Cash and cash equivalents**

|   | <b>06.30.2014</b> | <b>12.31.2013</b> |
|---|-------------------|-------------------|
| Cash at bank and in hand  | 594               | 951               |
| Short-term financial investments                                      |                   |                   |
| - In Brazil   |                   |                   |
| Single-member funds (Interbank Deposit) and other short-term deposits | 3,469             | 3,493             |
| Other investment funds  | 40                | 53                |
| - Abroad  | 3,509             | 3,546             |
| Total short-term financial investments                                | 22,294            | 11,371            |
| Total cash and cash equivalents                                       | 25,803            | 14,917            |
|   | 26,397            | 15,868            |

**6. Marketable securities**

|                               | <b>06.30.2014</b> | <b>12.31.2013</b> |
|-------------------------------|-------------------|-------------------|
| Trading securities            | 3,733             | 3,878             |
| Available-for-sale securities | 13                | 17                |
| Held-to-maturity securities   | 129               | 121               |
|                               | 3,875             | 4,016             |
| Current                       | 3,739             | 3,885             |
| Non-current                   | 136               | 131               |

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

**7. Trade and other receivables****7.1. Trade and other receivables, net**

|  | <b>06.30.2014</b> | <b>12.31.2013</b> |
|--|-------------------|-------------------|
| Trade receivables                                  |                   |                   |
| Third parties                                      | 10,282            | 9,847             |
| Related parties (Note 17)                          |                   |                   |
| Investees  | 937               | 658               |
| Receivables from the electricity sector            | 3,294             | 2,156             |
| Petroleum and alcohol accounts -Federal Government | 381               | 357               |
| Other receivables                                  | 3,030             | 2,590             |
|  | 17,924            | 15,608            |
| Provision for impairment of trade receivables      | (1,546)           | (1,406)           |
|  | 16,378            | 14,202            |
| Current  | 10,630            | 9,670             |
| Non-current  | 5,748             | 4,532             |



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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***7.2. Changes in the provision for impairment of trade receivables**

|                                   | <b>06.30.2014</b> | <b>12.31.2013</b> |
|-----------------------------------|-------------------|-------------------|
| Opening balance                   | 1,406             | 1,452             |
| Additions (*)/ (**)               | 127               | 217               |
| Write-offs (*)                    | (76)              | (69)              |
| Cumulative translation adjustment | 89                | (194)             |
| Closing balance                   | 1,546             | 1,406             |
| Current                           | 936               | 800               |
| Non-current                       | 610               | 606               |

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

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

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

|                     | <b>06.30.2014</b> | <b>12.31.2013</b> |
|---------------------|-------------------|-------------------|
| Up to 3 months      | 472               | 840               |
| From 3 to 6 months  | 272               | 238               |
| From 6 to 12 months | 549               | 366               |
| More than 12 months | 2,128             | 1,696             |
|                     | 3,421             | 3,140             |

As of June 30, 2014, the balance of trade and other receivables past due includes US\$ 1,170 from Companhia de Gás do Amazonas - Cigás (US\$ 682 as of December 31, 2013) related to natural gas sales in the state of Amazonas. Negotiation regarding payment of the receivables past due is underway.

**8. Inventories**

|           | <b>06.30.2014</b> | <b>12.31.2013</b> |
|-----------|-------------------|-------------------|
| Crude Oil | 7,696             | 5,849             |

|                                |        |        |
|--------------------------------|--------|--------|
| Oil Products                   | 5,386  | 4,985  |
| Intermediate products          | 1,039  | 924    |
| Natural Gas and LNG (*)        | 547    | 401    |
| Biofuels                       | 239    | 158    |
| Fertilizers                    | 21     | 26     |
|                                | 14,928 | 12,343 |
| Materials, supplies and others | 2,120  | 1,935  |
|                                | 17,048 | 14,278 |
| Current                        | 16,984 | 14,225 |
| Non-current                    | 64     | 53     |

(\*) Liquid Natural Gas

Consolidated inventories are presented net of a US\$ 39 allowance reducing inventories to net realizable value (US\$ 88 as of December 31, 2013), mainly due to the volatility of international prices of crude oil and oil products. The amounts recognized in profit or loss as other operating expenses are set out in note 23.

A portion of the crude oil and/or oil products inventories have been pledged as security for the Terms of Financial Commitment (TFC) signed by Petrobras and Petros in the amount of US\$ 3,367 (US\$ 2,976 as of December 31, 2013), as set out in note 20.

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

Notes to the financial statements

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

### **9. Disposal of assets and legal mergers**

#### **9.1. Disposal of assets**

##### **Brasil PCH**

On June 14, 2013, Petrobras entered into an agreement with Cemig Geração e Transmissão S.A. (which further assigned the sale and purchase contract to Chipley SP Participações) for the disposal of its entire equity interest in Brasil PCH S.A., equivalent to 49% of its voting stock, for a consideration of US\$ 304, excluding contractual price adjustments.

On February 14, 2014, the remaining conditions precedent for this transaction were met and the disposal was concluded for a total amount of US\$ 301, including contractual price adjustments. A gain of US\$ 274 before taxes was recognized as other operating income (expenses).

##### **Innova S.A.**

On August 16, 2013, the Board of Directors of Petrobras approved the disposal of 100% of the share capital of Innova S.A. to Videolar S.A. and its controlling shareholder, at a consideration of U.S.\$ 369, subject to price adjustment before the transaction is concluded.

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements

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

On April 11, 2014 Petrobras disposed of its 10% interest in Usina Termelétrica Norte Fluminense (UTE - NF) to the Électricité de France (EDF) group for US\$ 82, recognizing a US\$ 37 gain as other operating income. There is no condition precedent regarding approval by Brazilian authorities.

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

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

|  |   |   |                      |               |              | <b>Consolidated</b>          |
|--|---|---|----------------------|---------------|--------------|------------------------------|
|  |   |   |                      |               |              | <b>06.30.2014 12.31.2013</b> |
|  | <b>Exploration<br/>and<br/>Production</b> | <b>Refining,<br/>Transport.<br/>&amp;<br/>Marketing</b> | <b>International</b> | <b>Others</b> | <b>Total</b> | <b>Total</b>                 |
| <b>Assets classified as held for sale</b>                |   |   |                      |               |              |                              |
| Property, plant and equipment                            | 52  | 127   | 1,343                | –             | 1,522        | 1,780                        |
| Trade receivables  | –   | 95  | 26                   | –             | 121          | 136                          |
| Inventories  | –   | 96  | 10                   | –             | 106          | 121                          |
| Investments  | –   | 10  | 10                   | –             | 20           | 54                           |
| Cash and Cash Equivalents                                | –   | 2   | 37                   | –             | 39           | 121                          |
| Others   | –   | 33  | 76                   | –             | 109          | 195                          |
|  | 52  | 363   | 1,502                | –             | 1,917        | 2,407                        |
| <b>Liabilities on assets classified as held for sale</b> |   |   |                      |               |              |                              |
| Trade Payables   | –   | (30)  | (19)                 | –             | (49)         | (164)                        |
| Provision for decommissioning costs                      | –   | –   | (10)                 | –             | (10)         | (30)                         |

|                  |   |      |       |   |       |         |
|------------------|---|------|-------|---|-------|---------|
| Non-current debt | – | (20) | –     | – | (20)  | (612)   |
| Others           | – | (29) | (159) | – | (188) | (267)   |
|                  | – | (79) | (188) | – | (267) | (1,073) |

### 9.3. Legal mergers

On April 2, 2014, the Shareholders' Extraordinary General Meeting of Petrobras approved the mergers of Termoçu S.A., Termoçar Ltda. and Companhia Locadora de Equipamentos Petrolferos – CLEP into Petrobras. These merges did not increase share capital or required any additional paid in capital.

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

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

Notes to the financial statements

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

|   | <b>06.30.2014</b> | <b>12.31.2013</b> |
|---|-------------------|-------------------|
| <b>Investments measured using equity method</b> |                   |                   |
| Braskem S.A.                                    | 2,440             | 2,201             |
| Petrobras Oil & Gas B.V - PO&G                  | 1,716             | 1,707             |
| State-controlled Natural Gas Distributors       | 590               | 533               |
| Guarani S.A.                                    | 546               | 510               |
| Petroritupano S.A.                              | 197               | 198               |
| Nova Fronteira Bioenergia S.A.                  | 188               | 170               |
| Petrowayu S.A.                                  | 184               | 185               |
| Other petrochemical investees                   | 94                | 84                |
| UEG Araucária Ltda                              | 85                | 59                |
| Transierra S.A.                                 | 74                | 68                |
| Petrokariña S.A.                                | 66                | 66                |
| Other associates                                | 914               | 863               |
|   | 7,094             | 6,644             |
| Other investees                                 | 20                | 22                |
|   | 7,114             | 6,666             |

**10.2. Investments in listed companies**

| Company                    | Thousand-share lot |            | Type   | Quoted stock exchange prices (US\$ per share) |            | Market value |            |
|----------------------------|--------------------|------------|--------|---|------------|--------------|------------|
|                            | 06.30.2014         | 12.31.2013 |        | 06.30.2014                                    | 12.31.2013 | 06.30.2014   | 12.31.2013 |
| <b>Indirect subsidiary</b> |                    |            |        |   |            |              |            |
| Petrobras                  |                    |            |        |   |            |              |            |
| Argentina                  | 1,356,792          | 1,356,792  | Common | 0.80  | 0.80       | 1,091        | 1,083      |
|                            |                    |            |        |   |            | 1,091        | 1,083      |

**Associate**

|         |         |         |           |      |      |       |       |
|---------|---------|---------|-----------|------|------|-------|-------|
| Braskem | 212,427 | 212,427 | Common    | 5.11 | 7.04 | 1,085 | 1,496 |
|         |         |         | Preferred |      |      |       |       |
| Braskem | 75,793  | 75,793  | A         | 6.40 | 8.96 | 485   | 680   |
|         |         |         |           |      |      | 1,570 | 2,176 |

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

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

Braskem's shares are publicly traded on stock exchanges in Brazil and abroad. The quoted market value as of June 30, 2014, was US\$ 1,570, based on the quoted values of both Petrobras' share in common stock (47% of the outstanding shares), and preferred stock (22% of the outstanding shares). However, there is extremely limited trading of the common shares, since non-signatories of the shareholders' agreement hold only approximately 3% of the common shares.

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

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



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

Notes to the financial statements

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

|   | <b>Land,<br/>buildings and<br/>improvement</b> | <b>Equipment<br/>and other<br/>assets</b> | <b>Assets under<br/>construction<br/>(* )</b> | <b>Exploration<br/>and<br/>development<br/>costs (Oil and<br/>producing<br/>properties)</b> | <b>Total</b> |
|---|--|---|---|---|--------------|
| Balance at January 1,<br>2013                                     | 8,164  | 81,708                                    | 81,663  | 33,366  | 204,901      |
| Additions   | 68   | 1,794                                     | 36,125  | 663   | 38,650       |
| Additions to / review of<br>estimates of<br>decommissioning costs | –  | –   | –   | (629)   | (629)        |
| Capitalized borrowing<br>costs                                    | –  | –   | 3,909   | –   | 3,909        |
| Business combinations   | 17   | 31  | 16  | –   | 64           |
| Write-offs  | (4)  | (121)                                     | (2,399)                                       | (25)  | (2,549)      |
| Transfers (***)   | 1,224  | 23,626                                    | (29,620)                                      | 25,896  | 21,126       |
| Depreciation,<br>amortization and<br>depletion                    | (518)  | (7,513)                                   | –   | (4,939)   | (12,970)     |
| Impairment recognition<br>(****)                                  | –  | (11)                                      | (6)   | (85)  | (102)        |
| Impairment reversal<br>(****)                                     | –  | 49  | –   | 72  | 121          |
| Cumulative translation<br>adjustment                              | (1,083)  | (9,158)                                   | (9,930)                                       | (4,449)   | (24,620)     |
| Balance at December<br>31, 2013                                   | 7,868  | 90,405                                    | 79,758  | 49,870  | 227,901      |
| Cost  | 10,729   | 133,368                                   | 79,758  | 77,117  | 300,972      |
| Accumulated<br>depreciation,<br>amortization and<br>depletion     | (2,861)  | (42,963)                                  | –   | (27,247)  | (73,071)     |
| Balance at December<br>31, 2013                                   | 7,868  | 90,405                                    | 79,758  | 49,870  | 227,901      |
| Additions   | 7  | 755                                       | 15,501  | 163   | 16,426       |

|   |                              |                   |          |          |                            |
|---|------------------------------|-------------------|----------|----------|----------------------------|
| Additions to / review of estimates of decommissioning costs | –                            | –                 | –        | (21)     | (21)                       |
| Capitalized borrowing costs                                 | –                            | –                 | 1,882    | –        | 1,882                      |
| Write-offs  | (7)                          | (27)              | (1,384)  | (66)     | (1,484)                    |
| Transfers   | 1,154                        | 7,166             | (10,683) | 5,531    | 3,168                      |
| Depreciation, amortization and depletion                    | (287)                        | (3,794)           | –        | (2,288)  | (6,369)                    |
| Cumulative translation adjustment                           | 500                          | 4,180             | 4,784    | 2,988    | 12,452                     |
| Balance at June 30, 2014                                    | 9,235                        | 98,685            | 89,858   | 56,177   | 253,955                    |
| Cost  | 12,551                       | 146,765           | 89,858   | 87,146   | 336,320                    |
| Accumulated depreciation, amortization and depletion        | (3,316)                      | (48,080)          | –        | (30,969) | (82,365)                   |
| Balance at June 30, 2014                                    | 9,235                        | 98,685            | 89,858   | 56,177   | 253,955                    |
| Weighted average of useful life in years                    | 25 (25 to 40 ) (except land) | 20 (3 to 31) (**) |          |          | Units of production method |

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

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

(\*\*\*) Includes the amount of US\$ 22,134, reclassified from Intangible Assets to Property, Plant and Equipment as a result of the declaration of commerciality of areas of the Assignment Agreement (Franco and Sul de Tupi).

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

As of June 30, 2014, property, plant and equipment includes assets under finance leases of US\$ 88 (US\$ 86 at December 31, 2013).

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

Notes to the financial statements

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

|                                      | <b>Rights and<br/>Concessions</b> | <b>Softwares<br/>Acquired</b> | <b>Developed<br/>in-house</b> | <b>Goodwill</b> | <b>Total</b> |
|--------------------------------------|-----------------------------------|-------------------------------|-------------------------------|-----------------|--------------|
| Balance at January 1, 2013           | 38,513                            | 188                           | 577                           | 461             | 39,739       |
| Addition                             | 2,931                             | 33                            | 128                           | –               | 3,092        |
| Capitalized borrowing costs          | –                                 | –                             | 12                            | –               | 12           |
| Write-offs                           | (80)                              | (2)                           | (3)                           | –               | (85)         |
| Transfers (**)                       | (22,222)                          | (15)                          | (14)                          | (17)            | (22,268)     |
| Amortization                         | (38)                              | (47)                          | (133)                         | –               | (218)        |
| Impairment recognition (***)         | (524)                             | –                             | –                             | –               | (524)        |
| Cumulative translation<br>adjustment | (4,199)                           | (15)                          | (71)                          | (44)            | (4,329)      |
| Balance at December 31,<br>2013      | 14,381                            | 142                           | 496                           | 400             | 15,419       |
| Cost                                 | 14,804                            | 607                           | 1,442                         | 400             | 17,253       |
| Accumulated amortization             | (423)                             | (465)                         | (946)                         | –               | (1,834)      |
| Balance at December 31,<br>2013      | 14,381                            | 142                           | 496                           | 400             | 15,419       |
| Addition                             | 77                                | 20                            | 50                            | –               | 147          |
| Capitalized borrowing costs          | –                                 | –                             | 4                             | –               | 4            |
| Write-offs                           | (84)                              | –                             | (11)                          | –               | (95)         |
| Transfers                            | 2                                 | 6                             | (1)                           | –               | 7            |
| Amortization                         | (19)                              | (32)                          | (51)                          | –               | (102)        |
| Impairment reversal (***)            | 6                                 | –                             | –                             | –               | 6            |
| Cumulative translation<br>adjustment | 883                               | 8                             | 31                            | 18              | 940          |
| Balance at June 30, 2014             | 15,246                            | 144                           | 518                           | 418             | 16,326       |
| Cost                                 | 15,689                            | 678                           | 1,576                         | 418             | 18,361       |
| Accumulated amortization             | (443)                             | (534)                         | (1,058)                       | –               | (2,035)      |
| Balance at June 30, 2014             | 15,246                            | 144                           | 518                           | 418             | 16,326       |
| Estimated useful life - years        | (*)                               | 5                             | 5                             | Indefinite      |              |

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

(\*\*) Includes the amount of US\$ 22,134, reclassified from Intangible Assets to Property, Plant and Equipment as a result of the declaration of commerciality of areas of the Assignment Agreement (Franco and Sul de Tupi).

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

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

As of June 30, 2014, the Company’s intangible assets include US\$ 11,087 (US\$ 10,424 at December 31, 2013) related to the Assignment Agreement, net of amounts paid as signature bonuses for Franco (now Campo de Búzios) and Sul de Tupi (now Campo de Sul de Lula) which have been transferred to property, plant and equipment, as set out in note 13.1 to our consolidated financial statements for the period ended December 31, 2013.

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

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

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

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

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

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

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

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

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

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

| <b>Capitalized Exploratory Well Costs / Capitalized Acquisition Costs (*)</b> | <b>06.30.2014</b> | <b>12.31.2013</b> |
|---|-------------------|-------------------|
| Property plant and equipment  |                   |                   |
| Opening Balance   | 8,802             | 10,649            |
| Additions to capitalized costs pending determination of proved reserves       | 2,209             | 4,981             |
| Capitalized exploratory costs charged to expense                              | (692)             | (1,251)           |
| Transfers upon recognition of proved reserves                                 | (517)             | (4,174)           |
| Cumulative translation adjustment   | 601               | (1,403)           |
| Closing Balance   | 10,403            | 8,802             |
| Intangible Assets (**)  | 14,708            | 13,880            |
| <b>Capitalized Exploratory Well Costs / Capitalized Acquisition Costs</b>     | <b>25,111</b>     | <b>22,682</b>     |

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

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

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

**Exploration costs recognized in profit or loss**

|   | <b>Jan-Jun/2014</b> | <b>Jan-Jun/2013</b> |
|---|---------------------|---------------------|
| Geological and Geophysical Expenses   | 309                 | 553                 |
| Exploration expenditures written off (incl.dry wells and signature bonuses) | 1,117               | 605                 |
| Other exploration expenses  | 28                  | 37                  |
| Total expenses  | 1,454               | 1,195               |

**Cash used in activities**

|                       | <b>Jan-Jun/2014</b> | <b>Jan-Jun/2013</b> |
|-----------------------|---------------------|---------------------|
| Operating activities  | 336                 | 685                 |
| Investment activities | 2,559               | 2,904               |
| Total cash used       | 2,895               | 3,589               |

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

|                           | <b>06.30.2014</b> | <b>12.31.2013</b> |
|---------------------------|-------------------|-------------------|
| Current Liabilities       |                   |                   |
| Third parties             |                   |                   |
| In Brazil                 | 5,150             | 5,346             |
| Abroad                    | 6,603             | 6,061             |
| Related parties (note 17) | 756               | 512               |
|                           | 12,509            | 11,919            |

**15. Finance debt**

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

|  |       |         |         |      |         |
|--|-------|---------|---------|------|---------|
| Opening balance at January 1 , 2013  |       |         |         |      |         |
| Additions (new funding obtained)   | 1,557 | 9,178   | 10,990  | 87   | 21,812  |
| Interest incurred during the period  | 1     | 14      | 36      | 8    | 59      |
| Foreign exchange/inflation indexation charges                              | 159   | 893     | 280     | 30   | 1,362   |
| Transfer from long term to short Term                                      | (671) | (1,310) | (418)   | (42) | (2,441) |
| Transfer to liabilities associated with assets classified as held for sale | —     | (393)   | —       | —    | (393)   |
| Cumulative translation adjustment (CTA)                                    | (286) | (958)   | 653     | (22) | (613)   |
| Balance at December 31, 2013   | 5,805 | 26,908  | 42,572  | 690  | 75,975  |
| Total Balance at December 31, 2013   | 5,805 | 55,908  | 43,783  | 739  | 106,235 |
| <b>Non-current</b>   |       |         |         |      |         |
| In Brazil  |       |         |         |      |         |
| Opening balance at January 1 , 2014  | —     | 29,000  | 1,211   | 49   | 30,260  |
| Additions (new funding obtained)   | —     | 3,674   | 359     | —    | 4,033   |
| Interest incurred during the period  | —     | 102     | 14      | —    | 116     |
| Foreign exchange/inflation indexation charges                              | —     | (547)   | 28      | 1    | (518)   |
| Transfer from long term to short Term                                      | —     | (765)   | (55)    | (4)  | (824)   |
| Cumulative translation adjustment (CTA)                                    | —     | 2,009   | 79      | 2    | 2,090   |
| Balance at June 30, 2014   | —     | 33,473  | 1,636   | 48   | 35,157  |
| Abroad   |       |         |         |      |         |
| Opening balance at January 1 , 2014  | 5,805 | 26,908  | 42,572  | 690  | 75,975  |
| Additions (new funding obtained)   | 281   | 6,421   | 13,766  | —    | 20,468  |
| Interest incurred during the period  | 2     | 11      | 24      | 4    | 41      |
| Foreign exchange/inflation indexation charges                              | (80)  | (558)   | 93      | (9)  | (554)   |
| Transfer from long term to short Term                                      | (425) | (1,026) | (1,260) | (26) | (2,737) |
| Cumulative translation adjustment (CTA)                                    | 86    | 389     | 109     | 11   | 595     |
| Balance at June 30, 2014   | 5,669 | 32,145  | 55,304  | 670  | 93,788  |
| Total Balance at June 30, 2014   | 5,669 | 65,618  | 56,940  | 718  | 128,945 |



| <b>Current debt</b>               | <b>30.06.2014</b> | <b>31.12.2013</b> |
|-----------------------------------|-------------------|-------------------|
| Short-term debt                   | 3,554             | 3,654             |
| Current portion of long-term debt | 5,640             | 3,118             |
| Accrued interest                  | 1,473             | 1,229             |
|                                   | 10,667            | 8,001             |

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Notes to the financial statements

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

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

| <b>Maturity in</b>                  | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019 and onwards</b> | <b>Total (*)</b> | <b>Fair value</b> |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------------------|------------------|-------------------|
| Financing in Brazilian Reais (BRL): |             |             |             |             |             |                         |                  |                   |
| Floating rate debt                  | 712         | 1,690       | 3,319       | 2,754       | 2,890       | 16,778                  | 28,143           | 25,479            |
| Fixed rate debt                     | 513         | 1,170       | 2,836       | 2,049       | 2,279       | 13,091                  | 21,938           |                   |
| Average interest rate               | 199         | 520         | 483         | 705         | 611         | 3,687                   | 6,205            |                   |
|                                     | 5.7%        | 8.1%        | 9.7%        | 8.9%        | 9.1%        | 9.3%                    | 9.1%             |                   |
| Financing in U.S.Dollars (USD):     |             |             |             |             |             |                         |                  |                   |
| Floating rate debt                  | 5,890       | 4,926       | 8,975       | 8,739       | 11,228      | 47,694                  | 87,452           | 88,988            |
| Fixed rate debt                     | 4,721       | 3,640       | 4,300       | 3,649       | 8,856       | 20,134                  | 45,300           |                   |
| Average interest rate               | 1,169       | 1,286       | 4,675       | 5,090       | 2,372       | 27,560                  | 42,152           |                   |
|                                     | 3.3%        | 2.5%        | 3.1%        | 3.0%        | 3.1%        | 4.2%                    | 3.7%             |                   |
| Financing in BRL indexed to USD:    |             |             |             |             |             |                         |                  |                   |
| Floating rate debt                  | 212         | 77          | 391         | 699         | 698         | 6,811                   | 8,888            | 9,945             |
| Fixed rate debt                     | 6           | 15          | 19          | 18          | 17          | 61                      | 136              |                   |
| Average interest rate               | 206         | 62          | 372         | 681         | 681         | 6,750                   | 8,752            |                   |
|                                     | 4.8%        | 3.6%        | 6.7%        | 6.4%        | 6.4%        | 7.3%                    | 7.0%             |                   |
| Financing in Pound Sterling (£):    |             |             |             |             |             |                         |                  |                   |
| Floating rate debt                  | 103         | –           | –           | –           | –           | 2,938                   | 3,041            | 2,995             |
| Fixed rate debt                     | –           | –           | –           | –           | –           | –                       | –                |                   |
| Average interest rate               | 103         | –           | –           | –           | –           | 2,938                   | 3,041            |                   |
|                                     | 6.2%        | –           | –           | –           | –           | 6.2%                    | 6.2%             |                   |
| Financing in Japanese Yen (¥):      |             |             |             |             |             |                         |                  |                   |
| Floating rate debt                  | 567         | 61          | 464         | 112         | 102         | –                       | 1,306            | 1,303             |
| Fixed rate debt                     | 102         | 51          | 102         | 102         | 102         | –                       | 459              |                   |
| Average interest rate               | 465         | 10          | 362         | 10          | –           | –                       | 847              |                   |
|                                     | 0.9%        | 0.8%        | 1.8%        | 0.8%        | 0.7%        | –                       | 1.2%             |                   |
| Financing in Euro (€):              |             |             |             |             |             |                         |                  |                   |
| Floating rate debt                  | 177         | 12          | 10          | 10          | 3,755       | 6,804                   | 10,768           | 11,380            |
| Fixed rate debt                     | 6           | 9           | 9           | 9           | 9           | 237                     | 279              |                   |
| Average interest rate               | 171         | 3           | 1           | 1           | 3,746       | 6,567                   | 10,489           |                   |

|                                |       |       |        |        |        |        |         |         |
|--------------------------------|-------|-------|--------|--------|--------|--------|---------|---------|
| Average interest rate          | 4.0%  | 2.8%  | 2.5%   | 2.5%   | 3.7%   | 4.2%   | 4.0%    |         |
| Financing in other currencies: | 10    | 1     | 3      | —      | —      | —      | 14      | 14      |
| Floating rate debt             | —     | —     | —      | —      | —      | —      | —       |         |
| Fixed rate debt                | 10    | 1     | 3      | —      | —      | —      | 14      |         |
| Average interest rate          | 12.8% | 15.3% | 15.3%  | —      | —      | —      | 13.5%   |         |
| Total as of June 30, 2014      | 7,671 | 6,767 | 13,162 | 12,314 | 18,673 | 81,025 | 139,612 | 140,104 |
| Total Average interest rate    | 3.4%  | 3.9%  | 4.8%   | 4.5%   | 4.3%   | 5.6%   | 5.0%    |         |
| Total as of December 31, 2013  | 8,001 | 7,266 | 12,692 | 8,679  | 16,051 | 61,547 | 114,236 | 115,238 |

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

## 15.2. Weighted average capitalization rate for borrowing costs

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

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Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***15.3. Funding – Outstanding balance**

| <b>Company</b>   | <b>Available (Line of Credit)</b> | <b>Used</b> | <b>Balance</b> |
|------------------|-----------------------------------|-------------|----------------|
| <b>Abroad</b>    |                                   |             |                |
| PGT              | 1,000                             | 700         | 300            |
| Petrobras        | 2,500                             | 530         | 1,970          |
| <b>In Brazil</b> |                                   |             |                |
| Transpetro (*)   | 4,543                             | 1,012       | 3,531          |
| Petrobras        | 6,494                             | 5,493       | 1,001          |
| PNBV             | 4,485                             | 203         | 4,282          |
| Liquigas         | 64                                | 59          | 5              |

(\*)Purchase and sale agreements for 46 vessels and 20 convoys were signed with six Brazilian shipyards in the amount of US\$ 5,017. Three contracts related to bunker-type vessels were rescinded in the amount of US\$ 50 with the company Superpesa Industrial Ltda.

**15.4. Guarantees**

Financial institutions do not require Petrobras to provide guarantees related to loans and financing, except for certain specific funding instruments to promote development, which are collateralized by tangible assets. Certain subsidiaries issue securities fully and unconditionally guaranteed by Petrobras, as set out in note 33.

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

**16. Leases****16.1. Future minimum lease payments / receipts – finance leases**

|             | <b>Minimum receipts</b> | <b>Minimum payments</b> |
|-------------|-------------------------|-------------------------|
| 2014        | 128                     | 20                      |
| 2015 - 2018 | 714                     | 85                      |

|  |         |       |
|--|---------|-------|
| 2019 and thereafter                          | 1,835   | 289   |
| Estimated lease receipts/payments            | 2,677   | 394   |
| Less Interest expense (annual)               | (1,166) | (296) |
| Present value of the lease receipts/payments | 1,511   | 98    |
| 2014   | 72      | 12    |
| 2015 - 2018                                  | 404     | 45    |
| 2019 and thereafter                          | 1,035   | 41    |
| Present value of the lease receipts/payments | 1,511   | 98    |
| Current                                      | 52      | 18    |
| Non-current                                  | 1,459   | 80    |
| As of June 30, 2014                          | 1,511   | 98    |
| Current                                      | 58      | 16    |
| Non-current                                  | 1,463   | 73    |
| As of December 31, 2013                      | 1,521   | 89    |

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Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***16.2. Future minimum lease payments - operating leases**

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

|                         |        |
|-------------------------|--------|
| 2014                    | 9,978  |
| 2015 - 2018             | 29,372 |
| 2019 and thereafter     | 12,766 |
| At June 30, 2014        | 52,116 |
| As of December 31, 2013 | 52,091 |

In the first half of 2014 the Company paid US\$ 5,237 (US\$ 5,579 in the first half of 2013) for operating lease installments, recognized as a period expense.

**17. Related parties**

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

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

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

|  | <b>Jan-Jun/2014 06.30.2014</b> |               |                    | <b>Jan-Jun/2013 12.31.2013</b> |               |                    |
|--|--------------------------------|---------------|--------------------|--------------------------------|---------------|--------------------|
|  | <b>Profit or<br/>Loss</b>      | <b>Assets</b> | <b>Liabilities</b> | <b>Profit or<br/>Loss</b>      | <b>Assets</b> | <b>Liabilities</b> |
| <b>Joint ventures<br/>and associates</b> |                                |               |                    |                                |               |                    |
| State-controlled<br>Gas distributors     | 2,240                          | 531           | 202                | 2,193                          | 424           | 209                |

|   |         |        |        |         |        |        |
|---|---------|--------|--------|---------|--------|--------|
| Petrochemical companies   | 3,855   | 160    | 189    | 4,084   | 94     | 120    |
| Other associates and joint ventures   | 570     | 246    | 303    | 401     | 140    | 193    |
|   | 6,665   | 937    | 694    | 6,678   | 658    | 522    |
| <b>Government entities</b>  |         |        |        |         |        |        |
| Government bonds  | 355     | 6,114  | —      | 479     | 6,247  | —      |
| Banks controlled by the Federal Government                                      | (1,206) | 3,398  | 32,010 | (1,447) | 2,801  | 29,791 |
| Receivables from the Electricity sector (Note 17.2)                             | 402     | 3,294  | —      | 397     | 2,156  | —      |
| Petroleum and alcohol account - Receivables from Federal government (Note 17.3) | —       | 381    | —      | —       | 357    | —      |
| Federal Government - Dividends and Interest on Capital                          | (26)    | —      | —      | (18)    | —      | 834    |
| Others  | 3       | 309    | 314    | 52      | 209    | 334    |
|   | (472)   | 13,496 | 32,324 | (537)   | 11,770 | 30,959 |
| Pension plans   | —       | —      | 73     | —       | —      | 156    |
|   | 6,193   | 14,433 | 33,091 | 6,141   | 12,428 | 31,637 |

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

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Notes to the financial statements

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

|  | <b>Jan-Jun/2014 06.30.2014</b> |               |                    | <b>Jan-Jun/2013 12.31.2013</b> |               |                    |
|--|--------------------------------|---------------|--------------------|--------------------------------|---------------|--------------------|
|  | <b>Profit or<br/>Loss</b>      | <b>Assets</b> | <b>Liabilities</b> | <b>Profit or<br/>Loss</b>      | <b>Assets</b> | <b>Liabilities</b> |
| Revenues<br>(mainly sales<br>revenues)                             | 7,073                          |               |                    | 7,139                          |               |                    |
| Foreign<br>exchange and<br>inflation<br>indexation<br>charges, net | (164)                          |               |                    | (852)                          |               |                    |
| Finance income<br>(expenses), net                                  | (716)                          |               |                    | (146)                          |               |                    |
| Current  |                                | 8,197         |                    |                                | 7,622         |                    |
| Non-current  |                                | 6,236         |                    |                                | 4,806         |                    |
| Current  |                                |               | 1,918              |                                |               | 3,568              |
| Non-Current  |                                |               | 31,173             |                                |               | 28,069             |
|  | 6,193                          | 14,433        | 33,091             | 6,141                          | 12,428        | 31,637             |

**17.2. Receivables from the electricity sector**

As of June 30, 2014, the Company had US\$ 3,294 of receivables from the Brazilian electricity sector (US\$ 2,156 as of December, 31, 2013), of which US\$ 2,858 were past due (US\$ 1,450 as of December 31, 2013).

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

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



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

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

As of June 30, 2014, the balance of receivables related to the Petroleum and Alcohol accounts was US\$ 381 (US\$ 357 as of December 31, 2013). Pursuant to Provisional Measure 2,181 of August 24, 2001, the Federal Government may settle this balance by using National Treasury Notes in an amount equal to the outstanding balance, or allow the Company to offset the outstanding balance against amounts payable to the Federal Government, including taxes payable, or both options.

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

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

### **17.4. Compensation of employees and officers**

Petrobras' key management compensation is set out following:

|  | <b>Jan-Jun/2014</b> |              |              | <b>Jan-Jun/2013</b> |              |              |
|--|---------------------|--------------|--------------|---------------------|--------------|--------------|
|  | <b>Officers</b>     | <b>Board</b> | <b>Total</b> | <b>Officers</b>     | <b>Board</b> | <b>Total</b> |
| Short-term compensation                              | 3.5                 | 0.3          | 3.8          | 2.8                 | 0.3          | 3.1          |
| Long-term compensation<br>(post-retirement benefits) | 0.2                 | –            | 0.2          | 0.1                 | –            | 0.1          |
| Total compensation                                   | 3.7                 | 0.3          | 4.0          | 2.9                 | 0.3          | 3.2          |
| Number of members                                    | 7                   | 10           | 17           | 7                   | 10           | 17           |

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Notes to the financial statements

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

In the first half of 2014 the compensation of board members and officers for the consolidated Petrobras group amounted to US\$ 14.3 (US\$ 14.5 in the first half of 2013).

**18. Provision for decommissioning costs**

| <b>Non-current liabilities</b>    | <b>06.30.2014</b> | <b>12.31.2013</b> |
|-----------------------------------|-------------------|-------------------|
| Opening balance                   | 7,133             | 9,441             |
| Revision of provision             | (31)              | (902)             |
| Payments made                     | (276)             | (506)             |
| Interest accrued                  | 105               | 199               |
| Others (*)                        | (33)              | 59                |
| Cumulative translation adjustment | 446               | (1,158)           |
| Closing balance                   | 7,344             | 7,133             |

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

**19. Taxes****19.1. Income taxes**

|                            | <b>06.30.2014</b> | <b>12.31.2013</b> |
|----------------------------|-------------------|-------------------|
| <b>Current assets</b>      |                   |                   |
| Taxes In Brazil            | 835               | 951               |
| Taxes Abroad               | 61                | 109               |
|                            | 896               | 1,060             |
| <b>Current liabilities</b> |                   |                   |
| Taxes In Brazil            | 269               | 158               |
| Taxes Abroad               | 111               | 123               |
|                            | 380               | 281               |



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*(Expressed in millions of US Dollars, unless otherwise indicated)***19.2. Other taxes**

|   | <b>06.30.2014</b> | <b>12.31.2013</b> |
|---|-------------------|-------------------|
| <b>Current assets</b>                       |                   |                   |
| Taxes In Brazil:                            |                   |                   |
| ICMS (VAT)                                  | 1,871             | 1,623             |
| PIS/COFINS (Taxes on Revenues)              | 790               | 2,069             |
| CIDE  | 16                | 20                |
| Others                                      | 169               | 151               |
|   | 2,846             | 3,863             |
| Taxes Abroad                                | 47                | 48                |
|   | 2,893             | 3,911             |
| <b>Non-current assets</b>                   |                   |                   |
| Taxes In Brazil:                            |                   |                   |
| Deferred ICMS (VAT)                         | 933               | 879               |
| Deferred PIS and COFINS (Taxes on Revenues) | 3,947             | 4,197             |
| Others                                      | 311               | 292               |
|   | 5,191             | 5,368             |
| Taxes Abroad                                | 8                 | 12                |
|   | 5,199             | 5,380             |
| <b>Current liabilities</b>                  |                   |                   |
| Taxes In Brazil:                            |                   |                   |
| ICMS (VAT)                                  | 1,407             | 1,164             |
| PIS/COFINS (Taxes on Revenues)              | 169               | 230               |
| CIDE  | 12                | 16                |
| Production Taxes                            | 2,368             | 2,432             |
| Withholding income taxes                    | 207               | 256               |
| Others                                      | 306               | 350               |
|   | 4,469             | 4,448             |
| Taxes abroad                                | 171               | 221               |
|   | 4,640             | 4,669             |

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

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

**a) Changes in deferred income taxes**

|   | <b>Property, Plant &amp; Equipment</b> |               | <b>Loans, trade and other receivables / payables and financing</b> |               | <b>Provision for legal proceedings</b> |  | <b>Tax losses</b> |      | <b>Interest on Inventories capital</b> |         | <b>Others</b> | <b>Total</b> |
|---|--|---------------|--|---------------|--|--|-------------------|------|--|---------|---------------|--------------|
|   | <b>Oil and gas exploration costs</b>   | <b>Others</b> |  | <b>leases</b> |  |  |                   |      |  |         |               |              |
| Balance at January 1, 2013                  | (12,677)                               | (3,111)       | 561  | (588)         | 346                                    |  | 1,109             | 467  | 1,050                                  | 2,144   |               | (10,699)     |
| Recognized in profit or loss for the year   | (2,567)                                | (1,487)       | 330  | (53)          | 133                                    |  | 3,481             | 177  | 351                                    | (767)   |               | (402)        |
| Recognized in shareholders' equity          | –                                      | –             | 1,407  | 53            | –                                      |  | 71                | –    | –                                      | (1,504) |               | 27           |
| Cumulative translation adjustment           | 1,842                                  | 427           | (221)  | 72            | (63)                                   |  | (330)             | (77) | (50)                                   | (350)   |               | 1,250        |
| Others                                      | (4)                                    | 165           | (93)   | (2)           | (7)                                    |  | 480               | 8    | (8)                                    | 509     |               | 1,048        |
| Balance at December 31, 2013                | (13,406)                               | (4,006)       | 1,984  | (518)         | 409                                    |  | 4,811             | 575  | 1,343                                  | 32      |               | (8,776)      |
| Recognized in profit or loss for the period | (1,193)                                | (913)         | (490)  | (43)          | 66                                     |  | 2,577             | 123  | (1,418)                                | 277     |               | (1,014)      |
| Recognized in                               | –                                      | –             | (874)  | (41)          | –                                      |  | (82)              | –    | –                                      | (165)   |               | (1,162)      |

|  |          |         |     |       |     |       |     |     |     |          |
|--|----------|---------|-----|-------|-----|-------|-----|-----|-----|----------|
| shareholders'<br>equity<br>Cumulative<br>translation<br>adjustment | (902)    | (284)   | 69  | (41)  | 28  | 249   | 33  | 68  | 90  | (690)    |
| Others   | —        | (25)    | 10  | —     | 1   | (4)   | 1   | —   | 1   | (16)     |
| Balance at<br>June 30,<br>2014                                     | (15,501) | (5,228) | 699 | (643) | 504 | 7,551 | 732 | (7) | 235 | (11,658) |
| Deferred tax<br>assets   |          |         |     |       |     |       |     |     |     | 1,130    |
| Deferred tax<br>liabilities  |          |         |     |       |     |       |     |     |     | (9,906)  |
| Balance at<br>December<br>31, 2013                                 |          |         |     |       |     |       |     |     |     | (8,776)  |
| Deferred tax<br>assets   |          |         |     |       |     |       |     |     |     | 1,079    |
| Deferred tax<br>liabilities  |          |         |     |       |     |       |     |     |     | (12,737) |
| Balance at<br>June 30,<br>2014                                     |          |         |     |       |     |       |     |     |     | (11,658) |

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.

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

Notes to the financial statements

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

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

|  | <b>Jan-Jun/2014</b> | <b>Jan-Jun/2013</b> |
|--|---------------------|---------------------|
| Income before income taxes   | 6,738               | 9,548               |
| Income taxes computed based on Brazilian Statutory Corporate Tax Rates (34%)             | (2,291)             | (3,246)             |
| Adjustments between Income Taxes based on Statutory Rates and on the Effective Tax Rate: |                     |                     |
| · Different jurisdictional tax rates for companies abroad                                | 448                 | 537                 |
| · Tax incentives   | 27                  | 11                  |
| · Tax loss carryforwards( unrecognized tax credits)                                      | (14)                | (103)               |
| · Deductible/(taxable) expenses, net (*)   | (176)               | (247)               |
| · Tax credits of companies abroad in the exploration stage                               | (1)                 | (2)                 |
| · Others   | 44                  | 171                 |
| Income taxes expense   | (1,963)             | (2,879)             |
| Deferred income taxes  | (1,014)             | (1,587)             |
| Current income taxes   | (949)               | (1,292)             |
| Effective Tax Rate   | 29.1%               | 30.2%               |

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





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

Notes to the financial statements

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

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

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

|  | <b>Petros Plan</b> |                  | <b>Medical Plan</b> | <b>Other plans</b> | <b>Total</b> |
|--|--------------------|------------------|---------------------|--------------------|--------------|
|  | <b>Petros</b>      | <b>Petros 2A</b> | <b>M S</b>          |                    |              |
| Balance at December 31, 2012                                   | 11,141             | 547              | 8,390               | 146                | 20,224       |
| (+) Remeasurement effects recognized in OCI                    | (5,733)            | (600)            | (910)               | (5)                | (7,248)      |
| (+) Costs incurred in the year                                 | 1,396              | 218              | 927                 | 25                 | 2,566        |
| (-) Contributions paid   | (255)              | –                | (364)               | (24)               | (643)        |
| (-) Payments related to the Term of Financial Commitment (TFC) | (153)              | –                | –                   | –                  | (153)        |
| Others   | –                  | –                | –                   | (13)               | (13)         |
| Cumulative translation adjustment                              | (1,054)            | (44)             | (1,044)             | (18)               | (2,160)      |
| Balance at December 31, 2013                                   | 5,342              | 121              | 6,999               | 111                | 12,573       |
| Current  | 456                | –                | 357                 | 3                  | 816          |
| Non-Current  | 4,886              | 121              | 6,642               | 108                | 11,757       |
|  | 5,342              | 121              | 6,999               | 111                | 12,573       |
| (+) Costs incurred in the period                               | 356                | 24               | 592                 | 11                 | 983          |
| (-) Contributions paid   | (116)              | –                | (178)               | (4)                | (298)        |
| (-) Payments related to the Term of Financial Commitment (TFC) | (100)              | –                | –                   | –                  | (100)        |
| Others   | –                  | –                | –                   | (10)               | (10)         |
| Cumulative translation adjustment                              | 349                | 9                | 461                 | 5                  | 824          |
| Balance at June 30, 2014                                       | 5,831              | 154              | 7,874               | 113                | 13,972       |
| Current  | 484                | –                | 379                 | 4                  | 867          |
| Non-Current  | 5,347              | 154              | 7,495               | 109                | 13,105       |
|  | 5,831              | 154              | 7,874               | 113                | 13,972       |

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

**Pension Plan**

|   | <b>Petros</b> | <b>Petros 2</b> | <b>Medical plan<br/>AMS</b> | <b>Other Plans</b> | <b>Total</b> |
|---|---------------|-----------------|-----------------------------|--------------------|--------------|
| Current service cost                          | 25            | 17              | 66                          | 5                  | 113          |
| Interest cost over net liabilities / (assets) | 331           | 7               | 449                         | 6                  | 793          |
| Others  | —             | —               | 77                          | —                  | 77           |
| Net costs for the period Jan-Jun/2014         | 356           | 24              | 592                         | 11                 | 983          |
| Related to active employees:                  |               |                 |                             |                    |              |
| Included in the cost of sales                 | 119           | 13              | 197                         | 1                  | 330          |
| Operating expenses in profit or loss          | 64            | 10              | 89                          | 9                  | 172          |
| Related to retired employees                  | 173           | 1               | 306                         | 1                  | 481          |
| Net costs for the period Jan-Jun/2014         | 356           | 24              | 592                         | 11                 | 983          |
| Net costs for the period Jan-Jun/2013         | 735           | 124             | 495                         | 12                 | 1,366        |

At June 30, 2014, the Company had crude oil and oil products of US\$ 3,367 pledged as security for the Terms of Financial Commitment (TFC), signed by Petrobras and Petros in 2008.

In the first half of 2014 the Company's contribution to the defined contribution portion of the Petros Plan 2 was US\$163.

On June 30, 2014, Petrobras Transporte S.A. - Transpetro expanded its medical care benefits (Programa de Assistência Multidisciplinar de Saúde - AMS) to cover post-employment medical care for active employees and retirees, as set out in the 2013-2015 collective bargaining agreement. The recognition of the net defined liability resulted in a US\$ 77 charge to profit or loss.

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

Notes to the financial statements

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

### **20.1. Profit sharing**

Profit sharing benefits comply with Brazilian legal requirements and those of the Brazilian Department of Coordination and Governance of State-Owned Enterprises (DEST), of the Ministry of Planning, Budget and Management, and of the Ministry of Mines and Energy, and is computed based on the consolidated net income attributable to the shareholders of Petrobras.

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

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

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

The amended rules were applied to determine profit sharing benefits for the year ended December 31, 2013, which were paid on May 2, 2014, resulting in an additional profit sharing expense of US\$ 164, recognized as other operating expenses.

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

For the first half of 2014 the consolidated result of the corporate indicators was 99.43%, resulting in a 6.1875% distribution (which was applied to the amounts in *reais*). A profit sharing expense of US\$ 282 was recognized in profit or loss.

The corporate indicators include maximum permissible levels of crude oil and oil products spill, lifting cost excluding production taxes in Brazil, crude oil and NGL production in Brazil, feedstock processed (excluding NGL) in Brazil, vessel operating efficiency and percentage of compliance with natural gas delivery schedule.

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

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

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

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

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

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

Notes to the financial statements

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

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

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

|                                   |       |
|-----------------------------------|-------|
| Opening balance at March 31, 2014 | 1,059 |
| Revision of provision (*)         | (9)   |
| Separations in the period         | (372) |
| Cumulative translation adjustment | 24    |
| Closing balance at June 30, 2014  | 702   |
| Current                           | 393   |
| Non-current                       | 309   |

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

**21. Shareholders' equity****21.1. Share capital**

At June 30, 2014, subscribed and fully paid share capital was US\$ 107,380, represented by 7,442,454,142 outstanding common shares and 5,602,042,788 outstanding preferred shares, all of which are registered, book-entry shares with no par value.

**Capital increase with reserves in 2014**

The Shareholders' Extraordinary General Meeting, held jointly with the Annual General Meeting on April 2, 2014 approved a capital increase through capitalization of a portion of the profit reserve relating to tax incentives, established in 2013 in the amount of US\$ 9. Share capital will increase from US\$ 107,371, to US\$ 107.380.

**21.2. Dividends**

**Dividends – 2013**

The Annual General Meeting on April 2, 2014 approved a dividend distribution in the form of interest on capital of US\$ 3,970, which corresponds to US\$ 0.2227 per common shares and US\$ 0.4129 per preferred share (translated into U.S. dollars using the closing rate for 2013). These dividends were paid on April 25, 2014 and the record date was April 2, 2014. Amounts paid were index adjusted based on the SELIC rate from December 31, 2013 to the date of payment.

**21.3. Earnings per Share**

|  | <b>Jan-Jun/2014</b> | <b>Jan-Jun/2013</b> |
|--|---------------------|---------------------|
| Net income attributable to Shareholders of Petrobras                       | 4,505               | 6,850               |
| Weighted average number of common and preferred shares outstanding         | 13,044,496,930      | 13,044,496,930      |
| Basic and diluted earnings per common and preferred share (US\$ per share) | 0.35                | 0.53                |

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

Notes to the financial statements

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

|                          | <b>Jan-Jun/2014</b> | <b>Jan-Jun/2013</b> |
|--------------------------|---------------------|---------------------|
| Gross sales              | 86,409              | 87,813              |
| Sales taxes              | (15,005)            | (15,899)            |
| Sales revenues (*)       | 71,404              | 71,914              |
| Domestic Market          | 55,274              | 55,050              |
| Exports                  | 6,430               | 7,348               |
| International Sales (**) | 9,700               | 9,516               |

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

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

**23. Other operating expenses, net**

|   | <b>Jan-Jun 2014</b> | <b>Jan-Jun 2013</b> |
|---|---------------------|---------------------|
| Expenditures on Voluntary Separation Incentive Plan - PIDV      | (1,005)             | –                   |
| Unscheduled stoppages and pre-operating expenses                | (528)               | (294)               |
| Pension and medical benefits - inactive employees               | (481)               | (476)               |
| Institutional relations and cultural projects                   | (383)               | (336)               |
| Legal, administrative and arbitration proceedings               | (342)               | (427)               |
| E&P areas returned and cancelled projects                       | (222)               | –                   |
| Inventory write-down to net realizable value                    | (211)               | (231)               |
| Expenditures on health, safety and environment                  | (74)                | (133)               |
| Impairment  | 6                   | –                   |
| Government Grants   | 77                  | 83                  |
| Expenditures/reimbursements from operations in E&P partnerships | 167                 | 123                 |
| Gains / (losses) on disposal/write-offs of assets               | 347                 | 677                 |
| Others *  | (47)                | 103                 |
|   | (2,696)             | (911)               |

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





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

Notes to the financial statements

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

|   | <b>Jan-Jun/2014</b> | <b>Jan-Jun/2013</b> |
|---|---------------------|---------------------|
| Raw material / products for resale  | (32,807)            | (29,319)            |
| Production taxes  | (7,151)             | (7,140)             |
| Employee Compensation   | (6,983)             | (6,410)             |
| Depreciation, depletion and amortization                                    | (6,471)             | (6,572)             |
| Changes in inventories  | 1,790               | 696                 |
| Materials, Freight, rent, third-party services and other related costs      | (10,090)            | (11,287)            |
| Exploration expenditures written off (inc. dry wells and signature bonuses) | (1,117)             | (605)               |
| Other taxes   | (278)               | (232)               |
| Legal, administrative and arbitration proceedings                           | (342)               | (427)               |
| Institutional relations and cultural projects                               | (383)               | (336)               |
| Unscheduled stoppages and pre-operating expenses                            | (528)               | (294)               |
| Expenditures on health, safety and environment                              | (74)                | (133)               |
| Inventory write-down to net realizable value (market value)                 | (211)               | (231)               |
| Impairment  | 6                   | –                   |
| Gains / (losses) on disposal/write-offs of assets                           | 347                 | 677                 |
| E&P areas returned and cancelled projects                                   | (222)               | –                   |
|   | <b>(64,514)</b>     | <b>(61,613)</b>     |
| Cost of sales   | (54,647)            | (53,428)            |
| Selling expenses  | (2,397)             | (2,383)             |
| General and Administrative expenses   | (2,240)             | (2,489)             |
| Exploration costs   | (1,454)             | (1,225)             |
| Research and development expenses   | (520)               | (624)               |
| Other taxes   | (278)               | (232)               |
| Other operating expenses, net   | (2,696)             | (911)               |
| Profit sharing  | (282)               | (321)               |
|   | <b>(64,514)</b>     | <b>(61,613)</b>     |

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

|   | <b>Jan-Jun/2014</b> | <b>Jan-Jun/2013</b> |
|---|---------------------|---------------------|
| Foreign exchange and inflation indexation charges on net debt (*) | 209                 | (367)               |
| Debt interest and charges   | (3,286)             | (2,640)             |
| Income from investments and marketable securities                 | 524                 | 552                 |
| Financial result on net debt                                      | (2,553)             | (2,455)             |
| Capitalized borrowing costs                                       | 1,886               | 1,818               |
| Gains (losses) on derivatives                                     | (17)                | (10)                |
| Interest income from marketable securities                        | 32                  | (21)                |
| Other finance expense and income, net                             | (154)               | (9)                 |
| Other exchange and indexation charges, net                        | 311                 | (342)               |
| Finance income (expenses), net                                    | (495)               | (1,019)             |
| Income  | 781                 | 926                 |
| Expenses  | (1,788)             | (1,219)             |
| Foreign exchange and inflation indexation charges, net            | 512                 | (726)               |

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

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

Notes to the financial statements

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

|  | <b>Jan-Jun/2014</b> | <b>Jan-Jun/2013</b> |
|--|---------------------|---------------------|
| Amounts paid/received during the period  |                     |                     |
| Income taxes paid  | 488                 | 781                 |
| Withholding income tax paid for third-parties  | 1,149               | 1,035               |
| Investing and financing transactions not involving cash                                |                     |                     |
| Purchase of property, plant and equipment on credit                                    | 4                   | 90                  |
| Amounts related to the recognition (reversal) of a provision for decommissioning costs | (21)                | –                   |

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

Notes to the financial statements

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

|                               | <b>Exploration</b>                | <b>Refining,</b>            | <b>Gas</b>      |                     |                      |                  |              |               |              |
|-------------------------------|-----------------------------------|-----------------------------|-----------------|---------------------|----------------------|------------------|--------------|---------------|--------------|
|                               | <b>and</b>                        | <b>Transportation &amp;</b> |                 |                     |                      |                  |              |               |              |
|                               | <b>Production &amp; Marketing</b> | <b>Power</b>                | <b>Biofuels</b> | <b>Distribution</b> | <b>International</b> | <b>Corporate</b> | <b>Other</b> | <b>Assets</b> | <b>Total</b> |
| Current assets                | 7,325                             | 21,326                      | 5,334           | 85                  | 4,326                | 4,608            | 28,622       | (6)           |              |
| Non-current assets            | 162,290                           | 83,409                      | 26,579          | 1,201               | 6,253                | 12,658           | 6,632        | (1)           |              |
| Long-term receivables         | 7,058                             | 4,813                       | 1,855           | 3                   | 3,330                | 1,911            | 2,580        | (1)           |              |
| Investments                   | 146                               | 2,569                       | 828             | 952                 | 6                    | 2,479            | 134          | –             |              |
| Property, plant and equipment | 140,488                           | 75,880                      | 23,507          | 246                 | 2,609                | 7,712            | 3,590        | (7)           |              |
| Operating assets              | 98,746                            | 38,052                      | 18,237          | 229                 | 2,008                | 4,431            | 2,471        | (7)           |              |
| Under construction            | 41,742                            | 37,828                      | 5,270           | 17                  | 601                  | 3,281            | 1,119        | –             |              |
| Intangible assets             | 14,598                            | 147                         | 389             | –                   | 308                  | 556              | 328          | –             |              |
| Total Assets                  | 169,615                           | 104,735                     | 31,913          | 1,286               | 10,579               | 17,266           | 35,254       | (7)           |              |

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

|                               |         |        |        |       |       |        |        |     |  |
|-------------------------------|---------|--------|--------|-------|-------|--------|--------|-----|--|
| Current assets                | 5,902   | 19,141 | 3,864  | 77    | 2,380 | 5,089  | 21,643 | (5) |  |
| Non-current assets            | 146,805 | 73,393 | 23,839 | 1,119 | 4,874 | 13,034 | 6,897  | (1) |  |
| Long-term receivables         | 6,251   | 4,411  | 1,853  | 2     | 2,229 | 1,987  | 3,168  | (1) |  |
| Investments                   | 94      | 2,318  | 749    | 895   | 6     | 2,511  | 93     | –   |  |
| Property, plant and equipment | 126,716 | 66,522 | 20,882 | 222   | 2,350 | 7,971  | 3,312  | (7) |  |
| Operating assets              | 90,888  | 32,635 | 16,698 | 205   | 1,687 | 3,792  | 2,312  | (7) |  |

|                    |         |        |        |       |       |        |        |     |
|--------------------|---------|--------|--------|-------|-------|--------|--------|-----|
| Under construction | 35,828  | 33,887 | 4,184  | 17    | 663   | 4,179  | 1,000  | –   |
| Intangible assets  | 13,744  | 142    | 355    | –     | 289   | 565    | 324    | –   |
| Total Assets       | 152,707 | 92,534 | 27,703 | 1,196 | 7,254 | 18,123 | 28,540 | (6) |

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

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***Consolidated Statement of Income by Business Area****Jan-Jun/2014****Exploration Refining, Gas****and Transportation &****Production & Marketing Power Biofuels Distribution International Corpora**

|                     |          |          |         |       |          |         |         |
|---------------------|----------|----------|---------|-------|----------|---------|---------|
| Sales revenues      | 34,359   | 56,264   | 8,692   | 113   | 20,647   | 7,409   | –       |
| Intersegments       | 34,150   | 19,987   | 769     | 98    | 578      | 498     | –       |
| Third parties       | 209      | 36,277   | 7,923   | 15    | 20,069   | 6,911   | –       |
| Cost of sales       | (17,245) | (59,924) | (7,501) | (129) | (18,961) | (6,502) | –       |
| Gross profit (loss) | 17,114   | (3,660)  | 1,191   | (16)  | 1,686    | 907     | –       |
| Income              |          |          |         |       |          |         |         |
| (expenses)          | (2,859)  | (2,133)  | (564)   | (44)  | (1,034)  | (422)   | (2,639) |
| Selling,            |          |          |         |       |          |         |         |
| administrative      |          |          |         |       |          |         |         |
| and general         |          |          |         |       |          |         |         |
| expenses            | (193)    | (1,505)  | (633)   | (25)  | (970)    | (372)   | (1,051) |
| Exploration costs   | (1,367)  | –        | –       | –     | –        | (87)    | –       |
| Research and        |          |          |         |       |          |         |         |
| development         |          |          |         |       |          |         |         |
| expenses            | (270)    | (85)     | (41)    | (7)   | –        | –       | (117)   |
| Other taxes         | (22)     | (50)     | (45)    | –     | (8)      | (48)    | (105)   |
| Other operating     |          |          |         |       |          |         |         |
| expenses, net       | (1,007)  | (493)    | 155     | (12)  | (56)     | 85      | (1,366) |
| Income / (loss)     |          |          |         |       |          |         |         |
| before financial    |          |          |         |       |          |         |         |
| results and         |          |          |         |       |          |         |         |
| income taxes        | 14,255   | (5,793)  | 627     | (60)  | 652      | 485     | (2,639) |
| Net finance         |          |          |         |       |          |         |         |
| income (expense)    | –        | –        | –       | –     | –        | –       | (495)   |
| Share of profit of  |          |          |         |       |          |         |         |
| equity-accounted    |          |          |         |       |          |         |         |
| investments         | (1)      | 97       | 141     | (21)  | –        | 124     | 3       |
| Profit sharing      | (96)     | (79)     | (11)    | –     | (20)     | (6)     | (70)    |
| Income / (loss)     |          |          |         |       |          |         |         |
| before income       |          |          |         |       |          |         |         |
| taxes               | 14,158   | (5,775)  | 757     | (81)  | 632      | 603     | (3,201) |
| Income taxes        | (4,814)  | 1,996    | (210)   | 20    | (215)    | (63)    | 1,201   |

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|                             |       |         |     |      |     |     |         |
|-----------------------------|-------|---------|-----|------|-----|-----|---------|
| Net income (Loss)           | 9,344 | (3,779) | 547 | (61) | 417 | 540 | (2,000) |
| Net income attributable to: |       |         |     |      |     |     |         |
| Shareholders of Petrobras   | 9,346 | (3,776) | 533 | (61) | 417 | 495 | (2,216) |
| Non-controlling interests   | (2)   | (3)     | 14  | —    | —   | 45  | 216     |
|                             | 9,344 | (3,779) | 547 | (61) | 417 | 540 | (2,000) |

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***Consolidated Statement of Income by Business Area \***

|                     | <b>Jan-Jun/2013</b>               |                       |                     |                      |                  |              |                             |              |
|---------------------|-----------------------------------|-----------------------|---------------------|----------------------|------------------|--------------|-----------------------------|--------------|
|                     | <b>Exploration</b>                | <b>Refining,</b>      | <b>Gas</b>          |                      | <b>and</b>       |              | <b>Transportation &amp;</b> |              |
|                     | <b>Production &amp; Marketing</b> | <b>Power Biofuels</b> | <b>Distribution</b> | <b>International</b> | <b>Corporate</b> | <b>Other</b> | <b>Income</b>               | <b>taxes</b> |
| Sales revenues      | 33,454                            | 56,669                | 7,912               | 225                  | 20,652           | 8,587        | –                           |              |
| Intersegments       | 33,184                            | 19,486                | 637                 | 193                  | 581              | 1,504        | –                           |              |
| Third parties       | 270                               | 37,183                | 7,275               | 32                   | 20,071           | 7,083        | –                           |              |
| Cost of sales       | (17,307)                          | (59,721)              | (6,418)             | (250)                | (18,767)         | (6,976)      | –                           |              |
| Gross profit (loss) | 16,147                            | (3,052)               | 1,494               | (25)                 | 1,885            | 1,611        | –                           |              |
| Income              |                                   |                       |                     |                      |                  |              |                             |              |
| (expenses)          | (1,916)                           | (1,957)               | (496)               | (47)                 | (997)            | 54           |                             | (2,596)      |
| Selling,            |                                   |                       |                     |                      |                  |              |                             |              |
| administrative      |                                   |                       |                     |                      |                  |              |                             |              |
| and general         |                                   |                       |                     |                      |                  |              |                             |              |
| expenses            | (209)                             | (1,612)               | (486)               | (27)                 | (1,013)          | (430)        |                             | (1,182)      |
| Exploration costs   | (1,174)                           | –                     | –                   | –                    | –                | (51)         |                             | –            |
| Research and        |                                   |                       |                     |                      |                  |              |                             |              |
| development         |                                   |                       |                     |                      |                  |              |                             |              |
| expenses            | (319)                             | (109)                 | (35)                | (12)                 | (1)              | (2)          |                             | (146)        |
| Other taxes         | (24)                              | (40)                  | (39)                | (1)                  | (10)             | (78)         |                             | (40)         |
| Other operating     |                                   |                       |                     |                      |                  |              |                             |              |
| expenses, net       | (190)                             | (196)                 | 64                  | (7)                  | 27               | 615          |                             | (1,228)      |
| Income / (loss)     |                                   |                       |                     |                      |                  |              |                             |              |
| before financial    |                                   |                       |                     |                      |                  |              |                             |              |
| results and         |                                   |                       |                     |                      |                  |              |                             |              |
| income taxes        | 14,231                            | (5,009)               | 998                 | (72)                 | 888              | 1,665        |                             | (2,596)      |
| Net finance         |                                   |                       |                     |                      |                  |              |                             |              |
| income (expense)    | –                                 | –                     | –                   | –                    | –                | –            |                             | (1,019)      |
| Share of profit of  |                                   |                       |                     |                      |                  |              |                             |              |
| equity-accounted    |                                   |                       |                     |                      |                  |              |                             |              |
| investments         | (1)                               | 17                    | 98                  | (13)                 | –                | 167          |                             | (2)          |
| Profit sharing      | (118)                             | (81)                  | (13)                | –                    | (18)             | (7)          |                             | (84)         |
| Income / (loss)     |                                   |                       |                     |                      |                  |              |                             |              |
| before income       |                                   |                       |                     |                      |                  |              |                             |              |
| taxes               | 14,112                            | (5,073)               | 1,083               | (85)                 | 870              | 1,825        |                             | (3,701)      |
| Income taxes        | (4,798)                           | 1,732                 | (334)               | 25                   | (296)            | (471)        |                             | 1,438        |



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|                             |       |         |     |      |     |       |         |
|-----------------------------|-------|---------|-----|------|-----|-------|---------|
| Net income (Loss)           | 9,314 | (3,341) | 749 | (60) | 574 | 1,354 | (2,263) |
| Net income attributable to: |       |         |     |      |     |       |         |
| Shareholders of Petrobras   | 9,295 | (3,341) | 721 | (60) | 574 | 1,315 | (1,996) |
| Non-controlling interests   | 19    | –       | 28  | –    | –   | 39    | (267)   |
|                             | 9,314 | (3,341) | 749 | (60) | 574 | 1,354 | (2,263) |

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

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***Statement of  
Income -  
breakdown of  
International  
Business  
Area**

|  | <b>Jan-Jun/2014</b>               |                             |                     |                  |                     |              |       |  |
|--|-----------------------------------|-----------------------------|---------------------|------------------|---------------------|--------------|-------|--|
|  | <b>Exploration</b>                | <b>Refining,</b>            | <b>Gas</b>          |                  |                     |              |       |  |
|  | <b>&amp;</b>                      | <b>Transportation &amp;</b> |                     |                  |                     |              |       |  |
|  | <b>Production &amp; Marketing</b> | <b>Power</b>                | <b>Distribution</b> | <b>Corporate</b> | <b>Eliminations</b> | <b>Total</b> |       |  |
| <b>Statement of<br/>income</b>   |                                   |                             |                     |                  |                     |              |       |  |
| Sales revenues   | 1,653                             | 3,992                       | 244                 | 2,560            | 9                   | (1,049)      | 7,409 |  |
| Intersegments  | 702                               | 820                         | 17                  | 1                | 7                   | (1,049)      | 498   |  |
| Third parties  | 951                               | 3,172                       | 227                 | 2,559            | 2                   | –            | 6,911 |  |
| Income before<br>financial<br>results, profit<br>sharing and<br>income taxes | 422                               | 76                          | 42                  | 76               | (116)               | (15)         | 485   |  |
| Net income<br>(loss)<br>attributable to<br>shareholders of<br>Petrobras      | 469                               | 85                          | 56                  | 72               | (172)               | (15)         | 495   |  |

|                                | <b>Jan-Jun/2013</b>               |                             |                     |                  |                     |              |       |  |
|--------------------------------|-----------------------------------|-----------------------------|---------------------|------------------|---------------------|--------------|-------|--|
|                                | <b>Exploration</b>                | <b>Refining,</b>            | <b>Gas</b>          |                  |                     |              |       |  |
|                                | <b>&amp;</b>                      | <b>Transportation &amp;</b> |                     |                  |                     |              |       |  |
|                                | <b>Production &amp; Marketing</b> | <b>Power</b>                | <b>Distribution</b> | <b>Corporate</b> | <b>Eliminations</b> | <b>Total</b> |       |  |
| <b>Statement of<br/>income</b> |                                   |                             |                     |                  |                     |              |       |  |
| Sales revenues                 | 2,574                             | 4,211                       | 293                 | 2,616            | –                   | (1,107)      | 8,587 |  |
| Intersegments                  | 1,532                             | 1,056                       | 19                  | 4                | –                   | (1,107)      | 1,504 |  |
| Third parties                  | 1,042                             | 3,155                       | 274                 | 2,612            | –                   | –            | 7,083 |  |

|  |       |    |    |    |       |   |       |
|--|-------|----|----|----|-------|---|-------|
| Income before financial results, profit sharing and income taxes | 1,724 | 13 | 17 | 50 | (140) | 1 | 1,665 |
| Net income (loss) attributable to shareholders of Petrobras      | 1,430 | 23 | 15 | 44 | (198) | 1 | 1,315 |

**Exploration Refining, Gas**

**& Transportation &**

**Production & Marketing Power Distribution Corporate Eliminations Total**

**Total assets -  
breakdown of  
International  
Business  
Area**

|               |        |       |     |       |       |         |        |
|---------------|--------|-------|-----|-------|-------|---------|--------|
| At 06.30.2014 | 12,878 | 2,647 | 551 | 1,046 | 2,574 | (2,430) | 17,266 |
| At 12.31.2013 | 13,656 | 2,652 | 602 | 1,085 | 1,970 | (1,842) | 18,123 |

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

Notes to the financial statements

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

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

**28.1. Provisions for legal proceedings**

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

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

| <b>Non-current liabilities</b> | <b>06.30.2014</b> | <b>12.31.2013</b> |
|--------------------------------|-------------------|-------------------|
| Labor claims                   | 689               | 569               |
| Tax claims                     | 92                | 94                |
| Civil claims                   | 681               | 545               |
| Environmental Claims           | 40                | 26                |
| Other claims                   | 9                 | 12                |
|                                | <b>1,511</b>      | <b>1,246</b>      |

|                                   | <b>06.30.2014</b> | <b>12.31.2013</b> |
|-----------------------------------|-------------------|-------------------|
| Opening Balance                   | 1,246             | 1,265             |
| New provisions, net               | 339               | 415               |
| Payments made                     | (181)             | (249)             |
| Accruals and charges              | 29                | 77                |
| Others                            | (8)               | (57)              |
| Cumulative translation adjustment | 86                | (205)             |
| Closing Balance                   | <b>1,511</b>      | <b>1,246</b>      |

**28.2. 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:

| <b>Non-current assets</b> | <b>06.30.2014</b> | <b>12.31.2013</b> |
|---------------------------|-------------------|-------------------|
| Labor                     | 1,000             | 882               |
| Tax                       | 1,153             | 1,002             |
| Civil                     | 651               | 529               |
| Environmental             | 92                | 83                |
| Others                    | 8                 | 8                 |
|                           | 2,904             | 2,504             |

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

Notes to the financial statements

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

**28.3. Contingent Liabilities**

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

The estimated contingent liabilities for legal proceedings for which the likelihood of loss is considered to be possible are set out in the table below.

| <b>Nature</b>         | <b>Estimate</b> |
|-----------------------|-----------------|
| Tax                   | 35,434          |
| Civil - General       | 3,215           |
| Labor                 | 4,723           |
| Civil - Environmental | 1,621           |
| Others                | 2               |
|                       | 44,995          |

A brief description of the nature of the main contingent liabilities (tax, civil, environmental and labor) is set out in the following tables.

**a) Tax Proceedings**

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

**Plaintiff: Secretariat of the Federal Revenue of Brazil**

1) Deduction of expenses from the renegotiation of the Petros Plan from the calculation basis of income tax (IRPJ) and social contribution (CSLL) and penalty charged.



Current status: Awaiting the hearing of an appeal at the administrative level. 2,160

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. 2,221

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 865 three administrative proceedings.

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

Current status: This claim involves lawsuits in different administrative and judicial stages, in which the Company is taking legal actions to ensure its rights. 6,306

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



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

1,689

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

Current status: This claim is at the judicial level, in which the Company is taking 758 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. 2,690

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. 1,886

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. 1,749

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

Current status: This claim involves lawsuits in administrative stages, in which the 1,083 Company is taking legal actions to ensure its rights.

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

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

Current status: This claim involves lawsuits in different administrative levels, in 1,733  
which the Company is taking legal actions to ensure its rights.

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

12) ICMS on exit operations of liquid natural gas (LNG) without issuance of tax document by the main establishment.



Current status: This claim involves lawsuits in different administrative stages, in 1,596 which the Company is taking legal actions to ensure its rights.

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

Current status: This claim involves lawsuits in administrative and judicial stages, 886 in which the Company is taking legal actions to ensure its rights.

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

14) Dispute over ICMS tax levy on the importing of a drilling rig – temporary admission in São Paulo and clearance in Rio de Janeiro and a fine for breach of accessory obligations.

Current status: This claim involves lawsuits in different administrative and judicial stages, in which the Company is taking legal actions to ensure its rights. 2,114

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

15) Alleged failure to withhold and collect tax on services provided offshore (ISSQN) in some municipalities located in the State of Espírito Santo, despite Petrobras having made the withholding and payment of these taxes to the municipalities where the respective service providers are established, in accordance with Complementary Law No. 116/03.



Current status: This claim involves lawsuits in different administrative and judicial stages, in which the Company is taking legal actions to ensure its rights. 916

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

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

Current status: This claim involves lawsuits in different judicial stages, in which 459  
the Company is taking legal actions to ensure its rights.

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

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

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

948

18) Other tax proceedings

5,375



Total tax proceedings

35,434



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

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

**b) Civil Proceedings – General**

| <b>Description of civil proceedings</b>   | <b>Estimate</b> |
|---|-----------------|
| <b>Plaintiff: Agência Nacional de Petróleo, Gás Natural e Biocombustíveis - ANP</b>   |                 |
| 1) Legal and administrative disputes on differences in the payment of special participation charge and royalties in several fields. In addition, ANP is claiming fines for alleged non-compliance with minimum exploratory programs and alleged irregularities in platform measurement systems. Current status: This claim involves proceedings in different administrative and judicial stages, in which the Company is taking legal actions to ensure its rights. | 1,698           |
| 2) Other civil proceedings  | 1,517           |
| Total for civil proceedings   | 3,215           |

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

Notes to the financial statements

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

| <b>Description of environmental proceedings</b>   | <b>Estimate</b> |
|---|-----------------|
| <b>Plaintiff: Ministério Público Federal, Ministério Público Estadual do Paraná, AMAR - Associação de Defesa do Meio Ambiente de Araucária e IAP - Instituto Ambiental do Paraná</b>  |                 |
| 1) Legal proceeding related to specific performance obligations, indemnification and compensation for damages related to an environmental accident that occurred in the State of Paraná on July 16, 2000.<br>Current status: The court partially ruled for the plaintiff, however both parties (the plaintiff and the Company) filed an appeal. | 867             |
| 2) Other environmental proceedings  | 754             |
| Total for environmental proceedings   | 1,621           |

**d) Labor Proceedings – General**

| <b>Description of labor proceedings</b>   | <b>Estimate</b> |
|---|-----------------|
| <b>Plaintiff : Sindipetro of Espírito Santo, Rio de Janeiro, Bahia, Minas Gerais, São José dos Campos and São Paulo.</b>  |                 |
| 1) Class actions requiring a review of how the minimum compensation based on the employee's position and work schedule (Remuneração Mínima por Nível e Regime - RMNR) is computed.<br>Current status: The proceedings were partially ruled for the plaintiff by the ordinary instances of the Labor Court. The Company has filed an appeal to overturn the decision in the Superior Labor Court.  | 1,596           |
| <b>Plaintiff : Sindipetro of Norte Fluminense and Sindipetro do Estado da Bahia</b>   |                 |
| 2) Class Actions regarding wage underpayments to certain employees due to alleged changes in the methodology used to factor overtime into the calculation of paid weekly rest, allegedly computed based on ratios that are higher than those established by Law No. 605/49.<br>Current status: The claim filed by Sindipetro/BA was partially ruled for the plaintiff by the ordinary instances of the Labor Court. The Company has appealed this decision and awaits judgment by the Superior Labor Court. The | 502             |

claim filed by Sindipetro Norte Fluminense (NF) was ruled for the plaintiff and the Company was condemned to pay the alleged differences. The Company has filed an appeal to overturn the decision in the Superior Labor Court and awaits judgment.

|                             |       |
|-----------------------------|-------|
| 3) Other labor proceedings  | 2,625 |
| Total for labor proceedings | 4,723 |

## **28.4. Contingent assets**

### **28.4.1. 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).

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

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

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

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

The Company has granted collateral to the Agência Nacional de Petróleo, Gás Natural e Biocombustíveis (ANP) in connection with the performance of the Minimum Exploration Programs established in the concession agreements for petroleum exploration areas in the total amount of US\$ 2,955, of which US\$ 2,609 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 US\$ 2,060 and bank guarantees in the amount of US\$ 549.

**30. Risk management**

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

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

**30.1. Derivative financial instruments**

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

|  | <b>Statement of Financial Position</b> |                   |                                   |                   |
|--|--|-------------------|-----------------------------------|-------------------|
|  | <b>Fair value</b>                      |                   |                                   |                   |
|  | <b>Notional value</b>                  |                   | <b>Asset Position (Liability)</b> |                   |
|  | <b>06.30.2014</b>                      | <b>12.31.2013</b> | <b>06.30.2014</b>                 | <b>12.31.2013</b> |
| <b>Derivatives not designated for hedge accounting</b> |  |                   |                                   |                   |
| Future contracts                                       | 6,366                                  | 10,224            | (7)                               | (20)              |

|   |          |          |      |        |      |
|---|----------|----------|------|--------|------|
| Long position/Crude oil and oil products                | 63,847   | 52,267   | –    | –      | 2014 |
| Short position/Crude oil and oil products               | (57,481) | (42,043) | –    | –      | 2014 |
| Options   | 3,335    | –        | (2)  | –      |      |
| Call/Crude oil and oil products                         | 485      | –        | –    | –      | 2014 |
| Put/Crude oil and oil products                          | 2,850    | –        | (2)  | –      | 2014 |
| Forward contracts                                       |          |          | 1    | (1)    |      |
| Long position/Foreign currency forwards                 | USD 130  |          | 1    | –      | 2014 |
| Short position/Foreign currency forwards                | USD 6    | USD 17   | –    | (1)    | 2014 |
| Swap  |          |          | –    | (0.6)  |      |
| Interest – Euribor / Fixed rate                         | EUR 7    | EUR 10   | –    | (0.6)  | 2015 |
| <b>Derivatives designated for hedge accounting</b>      |          |          |      |        |      |
| Swap  |          |          | 5    | (9)    |      |
| Foreign currency /                                      |          |          |      |        |      |
| Cross-currency Swap                                     | USD 298  | USD 298  | 28   | 11     | 2016 |
| Interest – Libor / Fixed rate                           | USD 430  | USD 440  | (23) | (20)   | 2020 |
| Total recognized in the Statement of Financial Position |          |          | (3)  | (30.6) |      |

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

Notes to the financial statements

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

|                                  | <b>Gains / (losses)<br/>recognized in Profit or<br/>Loss (*)</b> |                     | <b>Gains / (losses)<br/>recognized in the<br/>Shareholders' Equity (**)</b> |                     | <b>Guarantees given as<br/>collateral</b> |                   |
|----------------------------------|--|---------------------|---|---------------------|---|-------------------|
|                                  | <b>Jan-Jun/2014</b>  | <b>Jan-Jun/2013</b> | <b>Jan-Jun/2014</b>   | <b>Jan-Jun/2013</b> | <b>06.30.2014</b>                         | <b>12.31.2013</b> |
| Commodity derivatives (9)        | 52   | –                   | –   | –                   | 66  | 143               |
| Foreign currency derivatives (8) | (25)   | 5                   | 4   | –                   | –   | –                 |
| Cash flow hedge on exports (***) | (334)  | –                   | 3,273   | (3,856)             | –   | –                 |
| Interest rate derivatives –      | –  | (1)                 | 4   | –                   | –   | –                 |
| Embedded derivative - ethanol –  | (37)   | –                   | –   | –                   | –   | –                 |

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

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

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

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

| <b>Financial Instruments</b>                    | <b>Risk</b>                                | <b>Probable Scenario*</b> | <b>Stressed Scenario</b> | <b>Stressed Scenario</b> |
|---|--|---------------------------|--------------------------|--------------------------|
|   |  |                           | <b>(Δ of 25%)</b>        | <b>(Δ of 50%)</b>        |
| Derivatives not designated for hedge accounting |  |                           |                          |                          |
| Future contracts                                | Crude oil and oil products - price changes | (7)                       | (257)                    | (507)                    |



|   |  |      |       |       |
|---|--|------|-------|-------|
| Forward contracts                           | Foreign currency - appreciation of the BRL against the USD | 5    | (31)  | (62)  |
| Swap  | Interest - Euribor increase                                | —    | —     | —     |
| Options                                     | Crude oil and oil products - price changes                 | (2)  | (17)  | (31)  |
|   |  | (4)  | (305) | (600) |
| Derivatives designated for hedge accounting |  |      |       |       |
| Swap  | Foreign currency - depreciation of the JPY against the USD | (10) | 113   | 351   |
| Debt  | Foreign currency - appreciation of the JPY against the USD | 10   | (113) | (351) |
| Net effect                                  |  | —    | —     | —     |
| Swap  | Interest - LIBOR decline                                   | 2    | 2     | (1)   |
| Debt  | Interest - LIBOR increase                                  | (2)  | (2)   | 1     |
| Net effect                                  |  | —    | —     | —     |

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

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

Petrobras does not use derivative instruments to hedge exposures to commodity price cycles related to products purchased and sold to fulfill operational needs. Derivatives are used as hedging instruments to manage the price risk of certain transactions carried out abroad, which are usually short-term transactions similar to commercial transactions.

### 30.3. Foreign exchange risk management

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

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

Notes to the financial statements

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

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

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

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

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

**Changes in the Principal Amount**

|  | <b>US\$</b> |
|--|-------------|
| Amounts designated as of December 31, 2013 | 40,742      |
| New hedging instruments designated         | 13,994      |
| Exports affecting profit or loss           | (2,893)     |
| Principal repayments / amortization        | (2,984)     |
| Amounts designated as of June 30, 2014     | 48,859      |

**Consolidated**

**06.30.2014**

**2014 2015 2016 2017 2018 2019 2020 2021 2022 Total**

|                           |       |       |       |       |       |       |    |     |    |         |
|---------------------------|-------|-------|-------|-------|-------|-------|----|-----|----|---------|
| Expected reclassification | (203) | (461) | (584) | (594) | (453) | (415) | 99 | 247 | 29 | (2,335) |
|---------------------------|-------|-------|-------|-------|-------|-------|----|-----|----|---------|

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

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

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

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

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Notes to the financial statements

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

|                              |                    |             |                 | <b>Stressed</b>   | <b>Stressed</b>   |
|------------------------------|--------------------|-------------|-----------------|-------------------|-------------------|
|                              | <b>Exposure at</b> |             | <b>Probable</b> | <b>Scenario</b>   | <b>Scenario</b>   |
| <b>Financial Instruments</b> | <b>06.30.2014</b>  | <b>Risk</b> | <b>(*)</b>      | <b>(Δ of 25%)</b> | <b>(Δ of 50%)</b> |
| Assets                       | 3,173              |             | 140             | 793               | 1,587             |
| Liabilities                  | (61,448)           | Dollar      | (2,720)         | (15,362)          | (30,724)          |
| Cash flow hedge on exports   | 48,859             |             | 2,163           | 12,215            | 24,430            |
|                              | (9,416)            |             | (417)           | (2,354)           | (4,707)           |
| Liabilities (**)             | (820)              | Yen         | 22              | (205)             | (410)             |
|                              | (820)              |             | 22              | (205)             | (410)             |
| Assets                       | 7,688              | Euro        | (162)           | 1,922             | 3,844             |
| Liabilities                  | (18,193)           |             | 260             | (4,548)           | (9,096)           |
|                              | (10,505)           |             | 98              | (2,626)           | (5,252)           |
| Assets                       | 1,973              | Pound       | (35)            | 493               | 987               |
| Liabilities                  | (4,953)            | Sterling    | 51              | (1,238)           | (2,477)           |
|                              | (2,980)            |             | 16              | (745)             | (1,490)           |
| Assets                       | 391                | Peso        | (30)            | 98                | 196               |
| Liabilities                  | (707)              |             | 54              | (177)             | (354)             |
|                              | (316)              |             | 24              | (79)              | (158)             |
|                              | (24,037)           |             | (257)           | (6,009)           | (12,017)          |

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

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

The impact of foreign exchange depreciation / appreciation does not jeopardize the liquidity of the Company in the short term due to the balance between liabilities, assets, revenues and future commitments in foreign currency, since most of its debt mature in the long term.

**30.4. Interest rate risk management**



The Company considers that exposure to interest rate risk does not cause a significant impact and therefore, preferably does not use derivative financial instruments to manage interest rate risk, except for specific situations encountered by certain subsidiaries of Petrobras.

### **30.5. Credit risk**

Petrobras is exposed to the credit risk arising from commercial transactions and from cash management, related to financial institutions and to credit exposure to customers. Credit risk is the risk that a customer or financial institution will fail to pay amounts due, relating to outstanding receivables or to financial investments, guarantees or deposits with financial institutions.

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

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

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

Notes to the financial statements

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

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

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

| <b>Maturity</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020 and thereafter</b> | <b>Balance at June 30, 2014</b> | <b>Balance at December 31, 2013</b> |
|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------------|---------------------------------|-------------------------------------|
|                 | 8,657       | 13,956      | 19,467      | 18,025      | 23,395      | 30,126      | 78,435                     | 192,061                         | 155,175                             |

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

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

|                              | <b>Fair value measured based on</b> |                 |                  | <b>Total fair value recorded</b> |
|------------------------------|-------------------------------------|-----------------|------------------|----------------------------------|
|                              | <b>Level I</b>                      | <b>Level II</b> | <b>Level III</b> |                                  |
| <b>Assets</b>                |                                     |                 |                  |                                  |
| Marketable securities        | 3,746                               | –               | –                | 3,746                            |
| Commodity derivatives        | –                                   | –               | –                | –                                |
| Foreign currency derivatives | –                                   | 29              | –                | 29                               |
| Balance at June 30, 2014     | 3,746                               | 29              | –                | 3,775                            |
| Balance at December 31, 2013 | 3,895                               | 10              | –                | 3,905                            |

**Liabilities**

|                              |      |        |   |        |
|------------------------------|------|--------|---|--------|
| Commodity derivatives        | (9)  | –      | – | (9)    |
| Interest derivatives         | –    | (23)   | – | (23)   |
| Balance at June 30, 2014     | (9)  | (23)   | – | (32)   |
| Balance at December 31, 2013 | (20) | (20.6) | – | (40.6) |

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

**32. Subsequent events****Disposal of interest in Companhia de Gás de Minas Gerais S.A.**

On July 18, 2014 the Board of Directors of Petrobras approved the disposal of its 40% interest in Companhia de Gás de Minas Gerais S.A. (Gasmig) to Companhia Energética de Minas Gerais (Cemig) for US\$ 269. This transaction is part of the Petrobras Gas and Energy portfolio restructuring process as outlined in the 2014-2018 Business and Management Plan.

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

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

Notes to the financial statements

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

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

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

## **33. Information Related to Guaranteed Securities Issued by Subsidiaries**

### **33.1. Petrobras Global Finance B.V. (PGF)**

Petróleo Brasileiro S.A. - Petrobras has fully and unconditionally guaranteed the debt securities issued by Petrobras Global Finance B.V. (PGF), a 100-percent-owned finance subsidiary of Petrobras. There are no significant restrictions on the ability of Petrobras to obtain funds from PGF.

### **33.2. Petrobras International Finance Company – PifCo**

PGF acquired all of the outstanding shares of Petrobras International Finance Company S.A. (PifCo) on February 12, 2014. Petróleo Brasileiro S.A. - Petrobras has fully and unconditionally guaranteed the debt securities issued by PifCo, a 100-percent-owned finance subsidiary of Petrobras. There are no significant restrictions on the ability of Petrobras to obtain funds from PifCo.

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## SIGNATURE

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

Date: August 11, 2014

PETRÓLEO BRASILEIRO S.A--PETROBRAS

By:

/s/ Almir Guilherme Barbassa

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

## FORWARD-LOOKING STATEMENTS

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

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

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