

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

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

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

For the month of February, 2014

Commission File Number 1-15106

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

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

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

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

Form 20-F Form 40-F

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

Yes No

Petróleo Brasileiro S.A. – Petrobras

Financial Statements

December 31, 2013 and 2012

(A free translation of the original in Portuguese)

Petróleo Brasileiro S.A. – Petrobras

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Report of Independent Registered Public Accounting Firm

Independent auditor's report

To the Board of Directors and Shareholders

Petróleo Brasileiro S.A. - Petrobras

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

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

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion on the parent company financial statements

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

Opinion on the Consolidated financial statements

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

Emphasis of matter

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

Other matters

Prior period financial statements audited by another audit firm

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

Statements of added value

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

Rio de Janeiro, February 25, 2014

/s/ PricewaterhouseCoopers

Auditores Independentes

CRC 2SP000160/O-5 "F" RJ

/s/ Marcos Donizete Panassol

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

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

(*) Restated as set out in note 2.3.

The Notes form an integral part of these Financial Statements.

Petróleo Brasileiro S.A. – Petrobras

Statement of Income

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

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

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

The Notes form an integral part of these Financial Statements.

Petróleo Brasileiro S.A. – Petrobras

Statement of Comprehensive Income

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

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

Comprehensive income attributable to:

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

(*) Restated as set out in note 2.3.

The Notes form an integral part of these Financial Statements.

Petróleo Brasileiro S.A. – Petrobras

Statement of Cash Flows

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

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

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

The Notes form an integral part of these Financial Statements.

Petróleo Brasileiro S.A. – Petrobras

Statement of Changes in Shareholders' Equity

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

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

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

(*) Restated as set out in note 2.3.

The Notes form an integral part of these Financial Statements.

Petróleo Brasileiro S.A. – Petrobras

Statement of Added Value

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

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

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

(*) Includes government holdings.

The Notes form an integral part of these Financial Statements.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

December 31, 2013 and 2012 (In millions of reais, except when indicate otherwise)

1. The Company and its operations

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

2. Basis of preparation of financial information

The financial statements include:

Consolidated financial statements

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

Individual financial statements

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

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

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

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

2.1. Statement of added value

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

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Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

2.2. Functional currency

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

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

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

2.3. Prior period restatements

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

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

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

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

b) Offsetting deferred income taxes

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

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

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

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

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

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

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

3. Summary of significant accounting policies

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

3.1. Basis of consolidation

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

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

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

The entities and structured entities set out following are consolidated:

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(Expressed in millions of reais, unless otherwise indicated)

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

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

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

(ii) 11.87% interest of 5283 Participações Ltda.

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

(iv) 0.05% interest of Downstream.

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

(vi) Companies merged into Petrobras

(vii) Acquisition of control (business combination).

(viii) Equity-method accounted investee in 2012.

(ix) Extinguished company

(x) Joint operation

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(Expressed in millions of reais, unless otherwise indicated)

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

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

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

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

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

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

3.2. Business segment reporting

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

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

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

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

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

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

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

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

3.3. Financial instruments

3.3.1. Cash and cash equivalents

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

3.3.2. Marketable securities

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

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

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

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

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

3.3.3. Trade receivables

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

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

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3.3.4. Loans and financing (Debt)

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

3.3.5. Derivative financial instruments

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

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

3.3.6. Hedge accounting

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

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

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

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

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

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

3.4. Inventories

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

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

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

Biofuels mainly include ethanol and biodiesel inventories.

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

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

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

3.5. Investments in other companies

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

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

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

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

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

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

3.6. Business combinations and goodwill

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

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

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

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

3.7. Oil and Gas exploration and development expenditures

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

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

3.8. Property, plant and equipment

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

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

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

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

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

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

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

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

3.9. Intangible assets

Intangible assets are measured at the acquisition cost, less accumulated amortization and impairment losses and comprise rights and concessions, including the signature bonus paid for obtaining concessions for exploration of oil and natural gas (capitalized acquisition costs) and the Assignment Agreement, referring to the right to carry out prospection and drilling activities for oil, natural gas and other liquid hydrocarbons located in blocks in the pre-salt area (“Cessão Onerosa”); public service concessions; trademarks; patents; software and goodwill.

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

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

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

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

3.10. Deferred charges

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

3.11. Impairment

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

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

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

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

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

3.12. Leases

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

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

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

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

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

Contingent rents are recognized as expenses when incurred.

3.13. Assets classified as held for sale

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

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

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

3.14. Decommissioning costs

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

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

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

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

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

3.15. Provisions and contingent liabilities

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

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

3.16. Income taxes

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

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

a) Current income taxes

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

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

b) Deferred income taxes

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

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

3.17. Employee benefits (Post-Employment)

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

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

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

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

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

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

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

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

3.18. Share Capital and Stockholders' Compensation

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

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

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

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

3.19. Government grants

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

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

3.20. Recognition of revenue, costs and expenses

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

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

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

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

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4. Critical accounting policies: key estimates and judgments

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

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

4.1. Oil and gas reserves

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

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

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

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

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

Other information about reserves is presented as supplementary information.

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

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

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

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

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b) Oil and gas reserves: impairment testing

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

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

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

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

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

4.2. Identifying cash-generating units for impairment testing

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

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

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

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

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

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

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

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

4.3. Pension and other post-retirement benefits

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

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

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

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

4.4. Estimates related to contingencies and legal proceedings

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

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

4.5. Dismantling of areas and environmental remediation

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

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

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

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

4.6. Derivative financial instruments

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

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

4.7. Hedge accounting

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

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

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5. New standards and interpretations

a) IASB - International Accounting Standards Board

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

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

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

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

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

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

b) Brazilian Tax Law

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

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

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

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

6. Cash and cash equivalents

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

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

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

7. Marketable securities

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

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

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

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

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

8.2. Changes in the provision for impairment of trade receivables

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

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

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

8.3. Trade and other receivables overdue - Third parties

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

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

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

(*) Liquid Natural Gas

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

A portion of the crude oil and/or oil products inventories have been pledged as security for the Terms of Financial Commitment (TFC) signed by Petrobras and Petros in the amount of R\$ 6,972 (R\$ 5,974 in 2012), as set out in note 22.

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

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

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

Termoaçu

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

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

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*(Expressed in millions of reais, unless otherwise indicated)***10.2. Disposal of assets****Brasil PCH**

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

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

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

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

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

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

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

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

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

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

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

Companhia Energética Potiguar

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

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

Coulomb field – USA

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

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

Innova S.A.

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

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

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

BC-10 Block - Parque das Conchas

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

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

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

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

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

Petrobras Colombia Limited (PEC)

On September 13, 2013, the Board of Directors of Petrobras approved the disposal of 100% of the share capital of Petrobras Colombia Limited (PEC), a subsidiary of Petrobras International Braspetro B.V. (PIBBV), for Perenco Colombia Limited, at a consideration of R\$ 847, subject to price adjustment before the closing of the transaction.

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

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

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

Exploration Blocks - Uruguai

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

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

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

Petrobras Energia Peru .S.A.

On November 13, 2013, the Board of Directors of Petrobras approved the disposal of 100% of Petrobras Energia Peru S.A. by Petrobras de Valores Internacional de España S.L. – PVIE and Petrobras Internacional Braspetro BV –, PIB BV to China National Petroleum Corporation (CNPC), for R\$ 6,201, subject to price adjustment until the transaction is concluded.

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

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

10.3. Assets classified as held for sale

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

Consolidated

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

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

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

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

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

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

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

These events did not affect the consolidated financial statements.

Legal mergers of subsidiaries

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

Date of the Shareholders' Extraordinary General Meeting / Company:

On September 30, 2013

Comperj Participações S.A

Comperj Estirênicos S.A

Comperj MEG S.A

Comperj Poliolefinas S.A.

Sociedade Fluminense de Energia Ltda. (SFE)

On December 16, 2013

Refinaria Abreu e Lima S.A. (RNEST)

Companhia de Recuperação Secundaria (CRSec)

Petrobras International Finance Company (PifCo) – partial spin-off

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

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Notes to the financial statements

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

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

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

Joint operations

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

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

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

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Notes to the financial statements

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

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

Subsidiaries,
operations / joint
ventures and

associates
Goodwill
Unrealized profits of the Company
Other investments
Total investments

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Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

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

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

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

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

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

11.4. Investments in listed companies

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

Associate

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

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

11.5. Non-controlling interest

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

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Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

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

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

11.6. Summarized information on joint ventures and associates

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

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

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

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Notes to the financial statements

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

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

Accumulated depreciation, amortization and depletion	(5,456)	(83,658)	–	(59,226)	(148,340)	(110,611)
Balance at December 31, 2012	16,684	166,972	166,878	68,182	418,716	279,824
Additions	148	3,870	78,156	1,408	83,582	62,974
Additions to / review of estimates of decommissioning costs	–	–	–	(1,431)	(1,431)	(1,958)
Capitalized borrowing costs	–	–	8,474	–	8,474	6,514
Business combinations	39	70	36	–	145	–
Write-offs	(9)	(261)	(5,285)	(55)	(5,610)	(4,550)
Transfers (***)	2,605	51,603	(64,706)	58,516	48,018	80,642
Depreciation, amortization and depletion	(1,115)	(16,241)	–	(10,643)	(27,999)	(21,028)
Impairment - recognition (****)	–	(26)	(13)	(193)	(232)	(119)
Impairment - reversal (****)	–	112	–	165	277	268
Cumulative translation adjustment	79	5,682	3,300	879	9,940	–
Balance at December 31, 2013	18,431	211,781	186,840	116,828	533,880	402,567
Cost	25,134	312,427	186,840	180,654	705,055	531,928
Accumulated depreciation, amortization and depletion	(6,703)	(100,646)	–	(63,826)	(171,175)	(129,361)
Balance at December 31, 2013	18,431	211,781	186,840	116,828	533,880	402,567
	25	20		Unit of		
	(25 to 40)	(3 to 31)		production		
	(except land)	(**)		method		

(*) See note 30 for assets under construction by business area.

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

(***) Includes the amount of R\$ 50,389, reclassified from Intangible Assets to Property, Plant and Equipment as a result of the declaration of commerciality of areas of the Assignment Agreement (Franco and Sul de Tupi), as described in note 13; the amount related to PO&G (R\$ 4,898), which has ceased to be consolidated; and amounts transferred to assets classified as held for sale, as set out in note 10.

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

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

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Notes to the financial statements

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

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

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

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

	Consolidated				Parent Company	
	Softwares			Goodwill from		
	Rights and		Developed	expectations		
	concessions	Acquired	in-house	of future	Total	Total
				profitability		
Balance at 1 January 2012	78,804	337	1,344	949	81,434	77,709
Additions Capitalized	179	141	286	–	606	458
borrowing costs	–	–	30	–	30	30
Write-offs	(229)	(3)	(6)	–	(238)	(231)
Transfers	(166)	23	(198)	(28)	(369)	(257)
Amortization	(91)	(119)	(278)	–	(488)	(360)
Impairment - reversal (***)	12	–	–	–	12	–
Cumulative translation adjustment	193	7	–	20	220	–
Balance at December 31, 2012	78,702	386	1,178	941	81,207	77,349
Cost	79,533	1,463	2,950	941	84,887	79,873
Accumulated amortization	(831)	(1,077)	(1,772)	–	(3,680)	(2,524)
Balance at December 31, 2012	78,702	386	1,178	941	81,207	77,349
Additions Capitalized	6,665	72	278	–	7,015	6,862
borrowing costs	–	–	26	–	26	26
Write-offs	(171)	(3)	(7)	–	(181)	(138)
Transfers (**)	(50,467)	(30)	(26)	(39)	(50,562)	(50,474)
Amortization	(82)	(99)	(287)	–	(468)	(336)
Impairment - recognition (***)	(1,139)	–	–	–	(1,139)	–
	182	6	–	35	223	–

Cumulative translation adjustment						
Balance at December 31, 2013	33,690	332	1,162	937	36,121	33,289
Cost	34,680	1,423	3,379	937	40,419	36,118
Accumulated amortization	(990)	(1,091)	(2,217)	–	(4,298)	(2,829)
Balance at December 31, 2013	33,690	332	1,162	937	36,121	33,289
Estimated useful life - years	(*)	5	5	Indefinite		

(*) See note 3.9 (Intangible assets).

(**) Includes the amount of R\$ 50,389, reclassified from Intangible Assets to Property, Plant and Equipment as a result of the declaration of commerciality of areas of the Assignment Agreement (Franco and Sul de Tupi) areas, as described below, and the amount related to PO&G (R\$ 1,244), which has ceased to be consolidated, as described in note 10.

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

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

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

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

At December 31, 2013, the Company’s Intangible Assets include R\$ 24,419 (R\$ 74,808 at December 31, 2012) related to the Assignment agreement, net of amounts paid as signature bonuses for Franco (now Campo de Búzios) and Sul de Tupi (now Campo de Sul de Lula) which have been transferred to Property, Plant and Equipment, as set out in note 13.1.

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

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

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

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

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

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

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

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

Exclusive Concession Blocks (Petrobras):

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

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

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

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

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

13.5. Service concession agreement - Distribution of piped natural gas

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

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

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

14. Impairment

14.1. Property, plant and equipment and intangible

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

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

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

Exploration and Production

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

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

International

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

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

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

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

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

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

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

Braskem's shares are publicly traded on stock exchanges in Brazil and abroad. The quoted market value as of December 31, 2013, was R\$ 5.097, based on the quoted values of both Petrobras' share in common stock (47% of the outstanding shares), and preferred stock (22% of the outstanding shares). However, there is extremely limited trading of the common shares, since non-signatories of the shareholders' agreement hold only approximately 3% of the common shares. Thus if common shares and preferred shares were valued at the same price per share, market value would amount to R\$ 6.053.

In addition, given the operational relationship between Petrobras and Braskem, the recoverable amount of the investment, for impairment testing purposes, was determined based on value in use, considering future cash flow projections and the manner in which the Company can derive value from these investments via dividends and other distributions to arrive at value in use. As the recoverable amount was higher than the carrying amount, no impairment losses were recognized in 2013 for this investment.

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

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

14.3. Assets classified as held for sale

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

15. Exploration for and evaluation of oil and gas reserves

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

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

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

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

(**) The balance of intangible assets comprises mainly the amounts related to the Assignment Agreement (note 13.2).

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

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

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

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

15.1. Aging of Capitalized Exploratory Well Costs

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

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

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

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

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

16. Trade payables

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

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

17. Finance debt

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

Changes in the noncurrent debt are set out below:

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(Expressed in millions of reais, unless otherwise indicated)

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

Cumulative translation adjustment (CTA)	—	(6)	—	—	(6)	
Additions (new funding obtained)	—	22,576	512	—	23,088	33,187
Interest incurred during the period	—	185	35	7	227	37
Foreign exchange/inflation indexation charges	—	3,257	117	4	3,378	679
Transfer from long term to short Term	—	(21,348)	(391)	(27)	(21,766)	(18,944)
Transfer to liabilities associated with assets held for sale	—	(30)	—	—	(30)	—
Balance at December 31, 2013	—	67,935	2,837	114	70,886	48,319
Abroad						
Balance at January 1 , 2013	10,310	39,816	63,412	1,285	114,823	36,911
Cumulative translation adjustment (CTA)	1,032	5,134	12,825	155	19,146	
Additions (new funding obtained)	3,359	19,803	23,713	188	47,063	34,676
Interest incurred during the period	2	30	77	17	126	2,304
Foreign exchange/inflation indexation charges	343	1,926	605	64	2,938	10,331
Transfer from long term to short Term	(1,447)	(2,826)	(902)	(91)	(5,266)	(26,804)
Transfer to liabilities associated with assets held for sale	—	(849)	—	—	(849)	—
Balance at December 31, 2013	13,599	63,034	99,730	1,618	177,981	57,418
Total Balance at December 31, 2013	13,599	130,969	102,567	1,732	248,867	105,737

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

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

Consolidated

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

Financing in Reais (BRL):	2,612	3,259	6,840	5,050	5,433	30,271	53,465	53,204
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Floating rate debt	1,740	2,304	6,022	4,221	4,675	26,198	45,160
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Fixed rate debt	872	955	818	829	758	4,073	8,305
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Average interest rate	7.4%	7.8%	9.2%	8.7%	8.9%	8.8%	8.7%
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Financing in US Dollars (USD):	13,661	13,199	20,940	13,405	26,306	83,367	170,878	172,387
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Floating rate debt	11,119	9,953	10,009	8,501	20,757	31,802	92,141
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Fixed rate debt	2,542	3,246	10,931	4,904	5,549	51,565	78,737
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Average interest rate	3.1%	3.3%	3.1%	3.0%	3.1%	4.3%	3.7%
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Financing in Reais indexed to US Dollars:	562	243	871	1,597	1,597	15,824	20,694	21,121
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Floating rate debt	-	-	-	-	-	12	12
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Fixed rate debt	562	243	871	1,597	1,597	15,812	20,682
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Average interest rate	5.2%	4.9%	6.7%	7.0%	7.0%	7.3%	7.1%
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Financing in Pounds (£):	31	-	-	-	-	4,354	4,385	4,461
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Fixed rate debt	31	-	-	-	-	4,354	4,385
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Average interest rate	5.6%	0.0%	0.0%	0.0%	0.0%	5.9%	5.9%
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Financing in Yen (¥):	1,361	276	1,046	254	231	–	3,168	3,217
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Floating rate debt	230	230	230	230	230	–	1,150
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Fixed rate debt	1,131	46	816	24	1	–	2,018
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Average interest rate	0.9%	0.9%	1.8%	0.8%	0.8%	0.0%	1.2%
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Financing in Euro (€):	500	32	25	25	4,031	10,374	14,987	15,533
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Fixed rate debt	500	32	25	25	4,031	10,374	14,987
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Average interest rate	4.4%	1.4%	1.4%	1.4%	4.9%	4.2%	4.4%
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Financing in other currencies:	17	8	9	–	–	–	34	33
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Fixed rate debt	17	8	9	-	-	-	34
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Average interest rate	12.5%	15.3%	15.3%	0.0%	0.0%	0.0%	14.0%
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Total as of December 18,744 17,017 29,731 20,331 37,598 144,190 267,611 269,956
31, 2013

Total Average interest rate	3.6%	4.2%	4.6%	4.7%	4.3%	5.6%	5.0%
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Total as of December	15,283	8,535	14,560	27,924	19,186	110,613	196,101	209,431
31, 2012								

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

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

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17.2. Weighted average capitalization rate for borrowing costs

The weighted average interest rate, of the costs applicable to borrowings that are outstanding, applied over the balance of assets under construction for capitalization of borrowing costs was 4.5% p.a. in 2013 (4.5% p.a. in 2012).

17.3. Funding – Outstanding balance

a) Abroad

Amount in US\$ million

Company	Available (Line of credit)	Used	Balance
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PGT

1,000

500

500

Petrobras	2,500	253	2,247
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b) In Brazil

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

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

17.4. Guarantees

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

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

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

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

18.2. Future minimum lease payments - operating leases

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

At December 31, 2012	106,367	199,033
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During 2013, the Company paid R\$ 24,917 for consolidated operating lease installments and R\$ 31,693 in the Parent company), recognized as a period expense (during 2012, R\$ 20,443 for consolidated and R\$27,146 in the Parent company).

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

19. Related parties

19.1. Commercial transactions and other operations

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

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Notes to the financial statements

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

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

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

19.1.2. By company

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

AssociatesCompanies from the
petrochemical

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

(*) Includes its subsidiaries and joint ventures.

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Notes to the financial statements

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

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

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

19.2. Non standardized receivables investment fund (FIDC-NP)

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

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

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

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

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

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

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Notes to the financial statements

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

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

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

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

	2013							2012	
Maturity date of the loans	PifCo	PNBV	PGF	PGT	TAG	PB LOG	Others	Total	Total
2013	–	–	–	–	–	–	–	–	6,939
2014	932	3,825	–	3,514	–	–	–	8,271	1,507
2015	2,928	2,761	–	–	–	361	–	6,050	4,992
2016	8,756	3,953	5,271	–	–	–	–	17,980	12,019
2017	4,100	2,405	–	–	–	–	703	7,208	7,220
2018	9,223	7,659	–	8,199					