PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K/A
March 10, 2014

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K/A

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

Securities Exchange Act of 1934

For the month of March 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 ___X___ 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___X____

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REASON FOR AMENDMENT

The reason for this amendment is to include Management's Report on Internal Control over Financial Reporting and the report of KPMG Auditores Independentes with our consolidated financial statements that were furnished to the SEC in a report on Form 6-K on February 26, 2014, and to implement minor typographical corrections.

Management's Report on Internal Control over Financial Reporting

Petróleo Brasileiro S.A. – Petrobras announces that its management is responsible for establishing and maintaining effective internal control over financial reporting and for its assessments of the effectiveness of internal control over financial reporting.

Our internal control over financial reporting is a process designed by, or under the supervision of our Audit Committee and our Chief Executive Officer and Chief Financial Officer, and effected by our board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS, as issued by the IASB.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Therefore even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of the effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on such assessment and criteria, the Company's management has concluded that Company's internal control over financial reporting was effective as of December 31, 2013.

On May 14, 2013, COSO published an updated *Internal Control - Integrated Framework* (2013) and related illustrative documents. As of December 31, 2013, the company is utilizing the original framework published in 1992. The transition period for adoption of the updated framework ends December 15, 2014.

The effectiveness of our internal control over financial reporting as of December 31, 2013, has been audited by PricewaterhouseCoopers Auditores Independentes, an independent registered public accounting firm, as stated in their report dated February 25, 2014 included in our 2013 Audited Financial Statements.

Petróleo Brasileiro S.A. – Petrobras

Consolidated financial statements at

December 31, 2013, 2012 and 2011 with

report of independent registered
public accounting firm

Petróleo Brasileiro S.A. – Petrobras

Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of

Petróleo Brasileiro S.A. - Petrobras

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of income and comprehensive income, changes in equity and cash flows present fairly, in all material respects, the financial position of Petróleo Brasileiro S.A. - Petrobras and its subsidiaries (the “Company”) at December 31, 2013, and December 31, 2012, and the results of their operations and their cash flows for the years ended December 31, 2013, and December 31, 2012, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013 based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

We also have audited the adjustments to the 2011 financial statements to retrospectively apply the change in accounting for employee benefit plans for the revisions to IAS 19 Employee Benefits as described in Note 2.3. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2011 consolidated financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2011 consolidated financial statements taken as a whole.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Rio de Janeiro, February 25, 2014

/s/ PricewaterhouseCoopers

Auditores Independentes

CRC 2SP000160/O-5 “F” RJ

/s/ Marcos Donizete Panassol

Contador CRC 1SP155975

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of

Petróleo Brasileiro S.A. – Petrobras

Rio de Janeiro - RJ

We have audited, before the effects of the adjustments to retrospectively apply the change in accounting described in Note 2.3, the accompanying consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows of Petróleo Brasileiro S.A. – Petrobras and subsidiaries for the year ended December 31, 2011. The 2011 financial statements before the effects of the adjustments discussed in note 2.3 are not presented herein. The 2011 consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 financial statements, before the effects of the adjustments to retrospectively apply the change in accounting described in note 2.3, present fairly, in all material respects, the consolidated results of Petrobras and its subsidiaries' operations and their cash flows for the year ended December 31, 2011, in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively apply the change in accounting described in note 2.3 and, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by a successor auditor.

/s/ KPMG Auditores Independentes

KPMG Auditores Independentes

Rio de Janeiro, Brazil

March 30, 2012

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Petróleo Brasileiro S.A. – Petrobras

Consolidated Statement of Financial Position

December 31, 2013, 2012 and January 1, 2012 (In millions of US Dollars)

Assets	**Note**	**12.31.2013**	**12.31.2012 (*)**	**01.01.2012 (*)**	**Liabilities**	**Note**	**12.31.2013**	**12.31.2 (*)**
Current assets					**Current liabilities**			
Cash and cash equivalents	6	15,868	13,520	19,057	Trade payables	16	11,919	12,124
Marketable securities	7	3,885	10,431	8,961	Current debt	17	8,001	7,479
Trade and other receivables, net	8.1	9,670	11,099	11,756	Finance lease obligations	18.1	16	18
Inventories	9	14,225	14,552	15,165	Income taxes payable	21.1	281	345
Recoverable income taxes	21.1	1,060	1,462	2,018	Other taxes payable	21.2	4,669	5,783
Other recoverable taxes	21.2	3,911	4,110	4,830	Dividends payable	21.2	3,970	3,011
Advances to suppliers		683	927	740	Payroll, profit sharing and related charges		2,052	2,163
Other current assets		946	1,550	2,065	Pension and medical benefits	22	816	788
		50,248	57,651	64,592	Others		2,429	2,359
							34,153	34,070
Assets classified as held for sale	10.3	2,407	143	–	Liabilities on assets classified as held for sale	10.3	1,073	–
		52,655	57,794	64,592			35,226	34,070
Non-current assets					**Non-current liabilities**			
Long-term receivables					Non-current debt	17	106,235	88,484
Trade and other receivables,	8.1	4,532	4,441	3,253	Finance lease obligations	18.1	73	86

net								
Marketable securities	7	131	176	3,064	Deferred income taxes	21.3	9,906	11,976
Judicial deposits	31	2,504	2,696	2,080	Pension and medical benefits	22	11,757	19,436
Deferred income taxes	21.3	1,130	1,277	787	Provisions for legal proceedings	31	1,246	1,265
Other tax assets	21.2	5,380	5,223	4,912	Provision for decommissioning costs	20	7,133	9,441
Advances to suppliers		3,230	3,156	3,141	Others		724	772
Others		1,875	1,887	1,725				
		18,782	18,856	18,962			137,074	131,460
					Total liabilities		172,300	165,530
					Shareholders' equity	24		
Investments	11.2	6,666	6,106	6,530	Share capital		107,371	107,362
Property, plant and equipment	12.1	227,901	204,901	182,918	Additional paid in capital		395	349
Intangible assets	13.1	15,419	39,739	43,412	Profit reserves		75,689	67,238
		268,768	269,602	251,822	Accumulated other comprehensive income (loss)		(34,928)	(14,235)
					Attributable to the shareholders of Petrobras		148,527	160,714
					Non-controlling interests		596	1,152
					Total Equity		149,123	161,866
Total Assets		321,423	327,396	316,414	Total liabilities and shareholder's equity		321,423	327,396

(*) Amounts restated, as set out in note 2.3.
The Notes form an integral part of these Financial Statements.

Petróleo Brasileiro S.A. – Petrobras

Consolidated Statement of Income

December 31, 2013, 2012 and 2011 (In millions of US Dollars, unless otherwise indicated)

	Note	2013	2012	2011
Sales revenues	25	141,462	144,103	145,915
Cost of sales		(108,254)	(107,534)	(99,595)
Gross profit		33,208	36,569	46,320
Income (expenses)				
Selling expenses		(4,904)	(4,927)	(5,346)
General and Administrative expenses		(4,982)	(5,034)	(5,161)
Exploration costs		(2,959)	(3,994)	(2,630)
Research and development expenses		(1,132)	(1,143)	(1,454)
Other taxes		(780)	(386)	(460)
Other operating expenses, net	26	(2,237)	(4,185)	(3,984)
		(16,994)	(19,669)	(19,035)
Net income before financial results, profit sharing and income taxes		16,214	16,900	27,285
Finance Income		1,815	3,659	3,943
Finance Expenses		(2,673)	(2,016)	(1,424)
Foreign exchange and inflation indexation charges		(1,933)	(3,569)	(2,443)
Net finance income (expense)	28	(2,791)	(1,926)	76
Share of profit / gains on interest in equity-accounted investments		507	43	230
Profit sharing	23	(520)	(524)	(867)
Net income before income taxes		13,410	14,493	26,724
Income taxes	21.4	(2,578)	(3,562)	(6,732)
Net income		10,832	10,931	19,992
Net income (loss) attributable to:				
Shareholders of Petrobras		11,094	11,034	20,121
Non-controlling interests		(262)	(103)	(129)
		10,832	10,931	19,992

Basic and diluted earnings per weighted-average of common and preferred share in U.S. dollars	24.6	0.85	0.85	1.54

The Notes form an integral part of these Financial Statements.

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Petróleo Brasileiro S.A. – Petrobras

Consolidated Statement of Comprehensive Income

December 31, 2013, 2012 and 2011 (In millions of US Dollars)

	2013	**2012 (*)**	**2011 (*)**
Net income	10,832	10,931	19,992
Items that will not be reclassified to profit or loss:			
Actuarial gains / (losses) on defined benefit pension plans	7,248	(4,693)	(1,807)
Deferred income tax	(2,153)	1,533	710
Cumulative translation adjustments	(20,397)	(14,049)	(21,859)
	(15,302)	(17,209)	(22,956)
Items that may be reclassified subsequently to profit or loss:			
Unrealized gains / (losses) on available-for-sale securities			
Recognized in shareholders' equity	1	498	81
Reclassified to profit or loss	(43)	(714)	8
Deferred income tax	15	72	(30)
	(27)	(144)	59
Unrealized gains / (losses) on cash flow hedge			
Recognized in shareholders' equity	(6,265)	(3)	(33)
Reclassified to profit or loss	312	7	5
Deferred income tax	2,030	1	−
	(3,923)	5	(28)
Share of other comprehensive income of equity-accounted investments	(236)	−	6
	(4,186)	(139)	37
Other comprehensive income (loss):	(19,488)	(17,348)	(22,919)
Total Comprehensive income (loss)	(8,656)	(6,417)	(2,927)
Comprehensive income (loss) attributable to:			
Shareholders of Petrobras	(8,263)	(6,136)	(2,773)
Non-controlling interests	(393)	(281)	(154)
Total comprehensive income (loss)	(8,656)	(6,417)	(2,927)

(*) Amounts restated, as set out in note 2.3.
The Notes form an integral part of these Financial Statements.

Petróleo Brasileiro S.A. – Petrobras

Consolidated Statement of Cash Flows

December 31, 2013, 2012 and 2011 (In millions of US Dollars)

	2013	**2012**	**2011**
Cash flows from Operating activities			
Net income attributable to the shareholders of Petrobras	11,094	11,034	20,121
Adjustments for:			
Non-controlling interests	(262)	(103)	(129)
Share of (profit) loss of equity-accounted investments	(507)	(43)	(230)
Depreciation, depletion and amortization	13,188	11,119	10,535
Impairment charges on property, plant and equipment and other assets	1,125	880	1,056
Exploration expenditures written off	1,892	2,847	1,480
(Gains) / losses on disposal / write-offs of non-current assets	(1,764)	2	527
Foreign exchange variation, indexation and finance charges	3,167	4,308	3,799
Deferred income taxes, net	402	1,266	3,599
Pension and medical benefits (actuarial expense)	2,566	2,091	1,730
Decrease / (Increase) in assets			
Trade and other receivables, net	(1,142)	(1,522)	(2,326)
Inventories	(2,128)	(1,864)	(5,035)
Other assets	(212)	(1,990)	(2,537)
Increase/(Decrease) in liabilities			
Trade payables	1,108	1,039	2,455
Taxes payable	(1,517)	(151)	(1,991)
Pension and medical benefits	(796)	(735)	(837)
Other liabilities	75	(290)	1,481
Net cash provided by operating activities	26,289	27,888	33,698
Cash flows from Investing activities			
Capital expenditures	(45,110)	(40,802)	(41,377)
Investments in investees	(199)	(146)	(336)
Receipts from disposal of assets (divestment)	3,820	276	−
Investments in marketable securities	5,718	2,051	6,683
Dividends received	146	241	411
Net cash (used in) investing activities	(35,625)	(38,379)	(34,619)
Cash flows from Financing activities			
Acquisition of Non-controlling interest	(70)	255	27

Proceeds from long-term financing	39,542	25,205	23,951
Repayment of principal	(18,455)	(11,347)	(8,750)
Repayment of interest	(5,066)	(4,772)	(4,574)
Dividends paid	(2,656)	(3,272)	(6,422)
Net cash provided by financing activities	13,295	6,069	4,232
Effect of exchange rate changes on cash and cash equivalents	(1,611)	(1,115)	(1,909)
Net increase/ (decrease) in cash and cash equivalents	2,348	(5,537)	1,402
Cash and cash equivalents at the beginning of the year	13,520	19,057	17,655
Cash and cash equivalents at the end of the year	15,868	13,520	19,057

The Notes form an integral part of these Financial Statements.

Petróleo Brasileiro S.A. – Petrobras

Consolidated Statement of Changes in Shareholders' Equity

December 31, 2013, 2012 and 2011 (In millions of US Dollars)

		Additional paid in capital		**Accumulated other comprehensive income**			**Profit**
	Share Capital	**Incremental costs 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**
Balance at January 1, 2011 (*)	107,341	(279)	286	30,130	(3,343)	215	5,806
Capital increase with reserves	14						
Realization of deemed cost						(6)	
Change in interest in subsidiaries			309				
Net income							
Other comprehensive income				(22,433)	(1,097)	37	
Appropriations:							
Allocation of net income							1,006
Dividends							
Balance at December 31, 2011 (*)	107,355	(279)	595	7,697	(4,440)	246	6,812
Capital increase with reserves	7						
Realization of deemed cost						(5)	
Change in interest in subsidiaries			33				

Net income							
Other comprehensive income				(14,434)	(3,160)	(139)	
Appropriations:							
Allocation of net income							552
Dividends							
Balance at December 31, 2012 (*)	107,362	(279)	628	(6,737)	(7,600)	102	7,364
Capital increase with reserves	9						
Realization of deemed cost						(5)	
Change in interest in subsidiaries			46				
Net income							
Other comprehensive income				(21,597)	5,095	(4,186)	
Distributions:							
Allocation of net income							555
Dividends							
	107,371	(279)	674	(28,334)	(2,505)	(4,089)	7,919
Balance at December 31, 2013	107,371		395			(34,928)	

(*) Amounts restated, as set out in note 2.3.
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 (Expressed in millions of US Dollars, unless otherwise indicated)

1. The Company and its operations

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

2. Basis of preparation

2.1. Statement of compliance and authorization of 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). The information is presented in U.S. dollars.

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 and certain current and non-current assets and liabilities, as detailed in the accounting policies set out below.

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

2.2. Functional and presentation currency

The functional currency of Petrobras and all Brazilian subsidiaries is the Brazilian Real. The functional currency of most of the entities that operate outside Brazil is the U.S. dollar. The functional currency of Petrobras Argentina is the Argentine Peso.

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

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

2.3. Prior period restatements

The Statements of Financial Position as of December 31, 2012 and January 1, 2012 have been restated for comparative purposes, including the following effects:

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

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

a) Amendments to IAS 19 – "Employee benefits"

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 amendments, for the year ended December 31, 2012 is: an increase in the Company's net actuarial liability of US$10,161 (US$6,179 at January 1, 2012), as well as a corresponding decrease in deferred tax liabilities of US$2,988 (US$1,657 at January 1, 2012) and a decrease of US$7,173 in the shareholders' equity (US$4,522 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 for the year ended December 31, 2012 was a decrease of US$ 4,249 in noncurrent assets and liabilities (US$ 3,500 at January 1, 2012).

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

The effects of such changes in the statement of financial position, statement of changes in shareholders' equity and statement of comprehensive income, for comparative purposes, are set out following:

	12.31.2012				**01.01.2012**		
Statement of Financial Position	**As presented (*)**	**(a) Impact of IAS 19 amendment**	**(b) Offsetting Deferred Income Taxes**	**Restated**	**As presented (*)**	**(a) Impact of IAS 19 amendment**	**(b) Offsettin Deferred Income Taxes**
Non-current assets							
Deferred income taxes	5,526	–	(4,249)	1,277	4,287	–	(3,500)
Non-current liabilities							
Pension and medical benefits	9,275	10,161		19,436	8,878	6,179	

Deferred income taxes	19,213	(2,988)	(4,249)	11,976	17,715	(1,657)	(3,500)
Shareholders' equity							
Other comprehensive income (loss)	(7,144)	(7,091)	–	(14,235)	7,943	(4,440)	–
Retained earnings (profit reserves)	67,320	(82)		67,238	60,224	(82)	–

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

Statement of Shareholders' Equity	**12.31.2012 Actuarial gains (losses) on defined benefit plans**	**Retained earnings**	**12.31.2011 Actuarial gains (losses) on defined benefit plans**	**Retained earnings**	**01.01.2011 Actuarial gains (losses) on defined benefit plans**	**Retained earnings**
Other comprehensive income						
As presented (*)	–	–	–	–	–	–
Restated	(7,600)	–	(4,440)	–	(3,343)	–
Retained earnings						
As presented (*)	–	–	–	–	–	–
Restated	–	(82)	–	(82)	–	(82)

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

Statement of comprehensive income	**2012 As presented (*)**	**Restated**	**2011 As presented (*)**	**Restated**
Other comprehensive income				
Actuarial gains (losses) on defined benefit plans	–	(4,693)	–	1,807
Deferred income taxes on actuarial gains (losses)	–	1,533	–	(710)

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

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

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

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.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

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

The entities and structured entities set out following are consolidated:

	Equity capital - Subscribed, paid in and voting %	
Subsidiaries	**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	–
Termoceará 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 US Dollars, 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.

3.2. 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.

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.

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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.

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.

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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, or an identifiable portion of such assets, liabilities or 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.

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.

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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 polices.

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.

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.

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.

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-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:

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.

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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. 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.

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.

3.11. Leases

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

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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.

3.12. 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.

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.

3.13. 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.

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3.14. 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.

3.15. 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 exclude 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.

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.

3.16. 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.

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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.

3.17. 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.

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.

3.18. 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.

3.19. 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.

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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.

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 geological, reservoir or production data and new geological, 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.

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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.

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 3.10. 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, 12 and 14 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: producing properties: oil and natural gas producing properties comprised of a group of exploration and development assets.

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- 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..

- 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 3.10 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 rate 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.

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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.

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.

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) effective for annual periods beginning on January 1, 2013, 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):

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- The effects of the adoption of amendments to IAS 19 – “Employee benefits” 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 adopted in preparing these financial statements at December 31, 2013.

Standards	**Brief Description**	**Effective Date**
IFRS 9, "Financial instruments" and Amendments	IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. IFRS 9 includes the new hedge accounting requirements	January 1, 2018
IFRIC 21, "Levies"	IFRIC 21 is an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. 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.	January 1, 2014
Amendment to IAS 36 - "Impairment of assets" on recoverable amount disclosures.	This amendment addresses the disclosure of information about the recoverable amount of impaired assets. The amendments clarify that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. The amendments are required to be applied retrospectively.	January 1, 2014

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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 issued 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 foreign subsidiaries (FS) of Brazilian entities subject to corporate income taxes (IRPJ and CSLL) in Brazil;

- introduces changes to Federal Law No. 12,865/2013, which reopened the federal tax amnesty and refinancing program (*REFIS da crise*), which was introduced by Federal Law No. 11,941/2009, for tax debts claimed 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);

This Provisional Measure is under consideration by the National Congress (Congresso Nacional) and is thus subject to amendment before it can be enacted 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.

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6. Cash and cash equivalents

	2013	**2012**
Cash at bank and in hand	951	990
Short-term financial investments		
- In Brazil		
Single-member funds (Interbank Deposit) and other short-term deposits	3,493	8,329
Other investment funds	53	208
	3,546	8,537
- Abroad	11,371	3,993
Total short-term financial investments	14,917	12,530
Total cash and cash equivalents	15,868	13,520

Short-term financial investments in Brazil comprise single-member (exclusive) funds mainly holding Brazilian Federal Government Bonds and short-term financial investments abroad comprised of time deposits and other short-term fixed income instruments from highly-ranked financial institutions.

Those investments have maturities of three months or less and therefore are considered cash and cash equivalents.

7. Marketable securities

	2013	**2012**
Trading securities	3,878	10,222
Available-for-sale securities	17	239
Held-to-maturity securities	121	146
	4,016	10,607
Current	3,885	10,431
Non-current	131	176

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.

8. Trade and other receivables

8.1. Trade and other receivables, net

	2013	**2012**
Trade receivables		
Third parties	9,847	10,785
Related parties (Note 19)		
Investees	658	780
Receivables from the electricity sector	2,156	1,937
Petroleum and alcohol accounts -Federal Government	357	409
Other receivables	2,590	3,081
	15,608	16,992
Provision for impairment of trade receivables	(1,406)	(1,452)
	14,202	15,540
Current	9,670	11,099
Non-current	4,532	4,441

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8.2. Changes in the provision for impairment of trade receivables

	2013	**2012**	**2011**
Opening balance	1,452	1,487	1,609
Additions (*)/ (**)	217	300	283
Write-offs (*)	(69)	(203)	(220)
Cumulative translation adjustment	(194)	(132)	(185)
Closing balance	1,406	1,452	1,487
Current	800	854	898
Non-current	606	598	589

(*) 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

	2013	**2012**
Up to 3 months	692	769
From 3 to 6 months	159	156
From 6 to 12 months	362	181
More than 12 months	1,643	1,587
	2,856	2,693

9. Inventories

	2013	**2012**
Crude Oil	5,849	5,149
Oil Products	4,985	5,880
Intermediate products	924	972
Natural Gas and LNG (*)	401	302

Biofuels	158	282
Fertilizers	26	12
	12,343	12,597
Materials, supplies and others	1,935	2,000
	14,278	14,597
Current	14,225	14,552
Non-current	52	45

(*) Liquid Natural Gas

Consolidated inventories are presented net of a US$ 88 million allowance reducing inventories to net realizable value (US$ 90 million in 2012), mainly due to the volatility of international prices of crude oil and oil products. The amounts recognized in profit or loss as other operating expenses are set out in note 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 US$ 2,976 (US$ 2,923 in 2012), as set out in note 22.

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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 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 US$ 76 gain on bargain purchase has been recognized in profit or loss, as gains on interest in investees, based on a preliminary assessment of the fair value of assets acquired and liabilities assumed (US$ 310). 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 US$74.

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 US$304, excluding contractual price adjustments.

On February 14, 2014, the remaining conditions precedent for this transaction were concluded for a total amount of US$ 297, 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 US$ 1,548, including US$ 36 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 a US$877 gain before taxes in other operating income (expenses), as set out below:

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Proceeds from disposal	1,512
Carrying amount	(797)
Gain on disposal of assets (*)	715
Fair value measurement of uplift on retained interest	715
	1,430
Impairment of assets in Angola and Tanzania (**)	(553)
Total gain on contribution of assets to joint venture	877

(*) 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 US$ 10, after contractual price adjustments.

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 Mississipi Canyon block 613 (MC 613) for US$ 184. 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 US$ 121, 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. (Innova) to Videolar S.A. and its controlling shareholder, at a consideration of US$ 369, subject to price adjustment before the transaction is concluded.

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

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

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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 a US$ 446 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), to Perenco Colombia Limited, for a consideration of US$ 380, 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.

Due to the pending conditions precedent for conclusion of this transaction, at 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 US$ 18. 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 US$ 2,669, 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.

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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:

						2013	Consolidated 2012
	Exploration and Production (*)	**Refining, Transport. & Marketing**	**Gas & Power**	**International**	**Others**	**Total**	**Total**
Assets classified as held for sale							
Property, plant and equipment	50	125	–	1,605	–	1,780	143
Trade receivables	–	104	–	32	–	136	–
Inventories	–	78	–	43	–	121	–
Investments	–	15	28	11	–	54	–
Cash and Cash Equivalents	–	4	–	117	–	121	–
Others	–	15	–	180	–	195	–
	50	341	28	1,988	–	2,407	143
Liabilities on assets classified as held for sale							
Trade Payables	–	(26)	–	(138)	–	(164)	–
Provision for decommissioning costs	–	–	–	(30)	–	(30)	–

Non-current debt	–	(15)	–	(597)	–	(612)	–
Others	–	(23)	–	(244)	–	(267)	–
	–	(64)	–	(1,009)	–	(1,073)	–

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

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).

See note 38 for further details about the transactions, which did not affect the consolidated financial statements.

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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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11. Investments

11.1. Information about direct subsidiaries, joint arrangements and associates

	Main business segment	% Petrobras' ownership	% Petrobras' voting rights	Shareholders' equity (deficit)	Net income (loss) for the year	Country
Subsidiaries						
Petrobras Netherlands B.V. - PNBV	E&P	100.00%	100.00%	13,036	2,748	Netherlands
Petrobras Distribuidora S.A. - BR	Distribution	100.00%	100.00%	5,080	988	Brazil
Petrobras Gás S.A. - Gaspetro	Gas & Power	100.00%	100.00%	4,539	770	Brazil
Petrobras Transporte S.A. - Transpetro	RT&M	100.00%	100.00%	2,061	413	Brazil
Petrobras International Braspetro - PIB BV	International	88.12%	88.12%	1,859	1,801	Netherlands
Petrobras Logística de Exploração e Produção S.A. - PB-LOG	E&P	100.00%	100.00%	1,430	91	Brazil
Companhia Integrada Têxtil de Pernambuco S.A. - Citepe	RT&M	100.00%	100.00%	1,069	(100)	Brazil
Petrobras Biocombustível S.A. - PBIO	Biofuels	100.00%	100.00%	905	(150)	Brazil
Companhia Locadora de Equipamentos Petrolíferos S.A. - CLEP	E&P	100.00%	100.00%	653	34	Brazil
Companhia Petroquímica de Pernambuco S.A. - PetroquímicaSuape	RT&M	100.00%	100.00%	640	(257)	Brazil
Petrobras International Finance Company - PifCo	Corporate	100.00%	100.00%	(483)	(727)	Luxembourg
Liquigás Distribuidora S.A.	Distribution	100.00%	100.00%	367	11	Brazil
Araucária Nitrogenados S.A.	Gas & Power	100.00%	100.00%	337	(21)	Brazil
Termomacaé Ltda.	Gas & Power	99.99%	99.99%	319	53	Brazil
Termoaçu S.A.	Gas & Power	100.00%	100.00%	295	(25)	Brazil
INNOVA S.A. (*)	RT&M	100.00%	100.00%	247	80	Brazil
5283 Participações Ltda.	International	100.00%	100.00%	221	214	Brazil
Breitener Energética S.A.	Gas & Power	93.66%	93.66%	216	–	Brazil
Termobahia S.A.	Gas & Power	98.85%	98.85%	185	10	Brazil
Termoceará Ltda.	Gas & Power	100.00%	100.00%	143	28	Brazil

Arembepe Energia S.A.	Gas & Power	100.00%	100.00%	134	43	Brazil
Petrobras Comercializadora de Energia Ltda. - PBEN	Gas & Power	99.91%	99.91%	128	38	Brazil
Baixada Santista Energia S.A.	Gas & Power	100.00%	100.00%	115	25	Brazil
Fundo de Investimento Imobiliário RB Logística - FII	E&P	99.00%	99.00%	106	139	Brazil
Energética Camaçari Muriçy I Ltda.	Gas & Power	100.00%	100.00%	77	45	Brazil
Termomacaé Comercializadora de Energia Ltda	Gas & Power	100.00%	100.00%	39	6	Brazil
Braspetro Oil Services Company - Brasoil	E&P	100.00%	100.00%	(29)	(21)	Cayman Islands
Cordoba Financial Services GmbH	Corporate	100.00%	100.00%	23	1	Austria
Petrobras Negócios Eletrônicos S.A. - E-Petro	Corporate	99.95%	99.95%	13	1	Brazil
Downstream Participações Ltda.	Corporate	100.00%	100.00%	(1)	–	Brazil
Joint operations						
Fábrica Carioca de Catalizadores S.A. - FCC	RT&M	50.00%	50.00%	130	21	Brazil
Ibiritermo S.A.	Gas & Power	50.00%	50.00%	56	19	Brazil
Joint ventures						
Logum Logística S.A.	RT&M	20.00%	20.00%	121	(29)	Brazil
Brasil PCH S.A. (*)	Gas & Power	49.00%	49.00%	61	16	Brazil
Cia Energética Manauara S.A.	Gas & Power	40.00%	40.00%	64	6	Brazil
Petrocoque S.A. Indústria e Comércio	RT&M	50.00%	50.00%	53	10	Brazil
Brasympe Energia S.A.	Gas & Power	20.00%	20.00%	35	3	Brazil
Participações em Complexos Bioenergéticos S.A. - PCBIOS	Biofuels	50.00%	50.00%	26	–	Brazil
Refinaria de Petróleo Riograndense S.A.	RT&M	33.20%	33.33%	22	1	Brazil
METANOR S.A. - Metanol do Nordeste	RT&M	34.54%	50.00%	21	2	Brazil
Brentech Energia S.A.	Gas & Power	30.00%	30.00%	21	6	Brazil
Companhia de Coque Calcinado de Petróleo S.A. - Coquepar	RT&M	45.00%	45.00%	20	(8)	Brazil
Eólica Mangue Seco 4 - Geradora e Comercializadora de Energia Elétrica S.A.	Gas & Power	49.00%	49.00%	18	–	Brazil
Eólica Mangue Seco 3 - Geradora e Comercializadora de Energia Elétrica S.A.	Gas & Power	49.00%	49.00%	17	–	Brazil
Eólica Mangue Seco 1 - Geradora e Comercializadora de Energia Elétrica S.A.	Gas & Power	49.00%	49.00%	16	2	Brazil
Eólica Mangue Seco 2 - Geradora e Comercializadora de Energia Elétrica S.A.	Gas & Power	51.00%	51.00%	15	1	Brazil

GNL do Nordeste Ltda.	Gas & Power	50.00%	50.00%	–	–	Brazil
Associates						
Braskem S.A.	RT&M	36.20%	47.03%	3,241	236	Brazil
Fundo de Investimento em Participações de Sondas	E&P	4.59%	4.59%	1,774	808	Brazil
Sete Brasil Participações S.A.	E&P	5.00%	5.00%	1,099	46	Brazil
UTE Norte Fluminense S.A.	Gas & Power	10.00%	10.00%	388	44	Brazil
UEG Araucária Ltda.	Gas & Power	20.00%	20.00%	300	17	Brazil
Deten Química S.A.	RT&M	27.88%	27.88%	128	32	Brazil
Energética SUAPE II S.A.	Gas & Power	20.00%	20.00%	92	39	Brazil
Termoelétrica Potiguar S.A. - TEP	Gas & Power	20.00%	20.00%	36	–	Brazil
Nitroclor Ltda.	RT&M	38.80%	38.80%	–	–	Brazil
Bioenergética 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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11.2. Investments in associates and joint ventures

	2013	2012
Investments measured using equity method		
Braskem S.A.	2,201	2,703
Petrobras Oil & Gas BV (i)	1,707	−
Gas distributors	533	555
Guarani S.A.	510	482
Petroritupano - Orielo	198	233
Petrowayu - La Concepción	185	193
Nova Fronteira Bionergia S.A.	170	203
Other petrochemical investments	84	153
Transierra S.A.	68	69
Petrokariña - Mata	66	75
UEG Araucária	59	64
Termoaçu S.A. (ii)	−	267
Distrilec S.A. (iii)	−	41
Other associates and joint ventures	863	948
	6,644	5,986
Other investments	22	120
	6,666	6,106

(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.

11.3. Investments in listed companies

Company	Thousand-share lot 2013	2012	Type	Quoted stock exchange prices (US$ per share) 2013	2012	Market value 2013	2012
Indirect subsidiary							
Petrobras Argentina	1,356,792	1,356,792	Common	0.80	0.69	1,083	936
						1,083	936
Associate							

Braskem	212,427	212,427	Common	7.04	4.70	1,496	998
Braskem	75,793	75,793	Preferred A	8.96	6.26	680	475
						2,176	1,473

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

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11.4. Non-controlling interest

The total amount of non-controlling interest at December 31, 2013 is US$ 596, of which US$ 593 is related to Petrobras Argentina S.A. Summarized information on Petrobras Argentina is set out following:

	Petrobras Argentina	
	2013	**2012**
Current assets	980	1,117
Long-term receivables	174	290
Property, plant and equipment	1,468	1,727
Other noncurrent assets	636	763
	3,258	3,897
Current liabilities	618	882
Non-current liabilities	834	861
Shareholder's equity	1,805	2,153
	3,257	3,896
Sales revenues	254	270
Net income	139	129
Net change in cash and cash equivalents	(40)	76

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

11.5. 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			
	Joint ventures		**Associates**	
	In Brazil	**Abroad**	**In Brazil**	**Abroad**
Current assets	1,603	2,391	9,677	2,749
Non-current assets	830	1,865	3,103	53
Property, plant and equipment	1,639	7,068	13,141	2,783
Other non-current assets	933	51	2,945	71

	5,005	11,375	28,866	5,656
Current liabilities	1,733	978	6,750	2,562
Non-current liabilities	1,022	6,193	13,864	1,035
Shareholders' equity	2,240	4,052	8,190	2,059
Non-controlling interest	9	153	62	−
	5,004	11,376	28,866	5,656
Sales revenues	5,646	1,792	21,363	93
Net Income for the Year	254	570	1,201	322
Ownership interest - %	20 to 83%	34 to 50%	5 to 49%	11 to 49%

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12. Property, plant and equipment

12.1. By class of assets

	Land, buildings and improvements	Equipment and other assets	Assets under construction (*)	Exploration and development costs (Oil and gas producing properties)	Total
Balance at January 1, 2012	6,588	66,362	84,529	25,439	182,918
Additions	50	2,073	32,571	1,703	36,397
Additions to / review of estimates of decommissioning costs	−	−	−	5,207	5,207
Capitalized borrowing costs	−	−	3,792	−	3,792
Business combinations	83	182	2	−	267
Write-offs	(6)	(59)	(2,651)	(106)	(2,822)
Transfers	2,504	24,818	(30,413)	6,994	3,903
Depreciation, amortization and depletion	(477)	(6,626)	−	(3,765)	(10,868)
Impairment recognition (****)	(20)	(178)	(37)	(149)	(384)
Impairment reversal (****)	−	44	134	65	243
Cumulative translation adjustment	(558)	(4,908)	(6,264)	(2,022)	(13,752)
Balance at December 31, 2012	8,164	81,708	81,663	33,366	204,901
Cost	10,834	122,647	81,663	62,348	277,492
Accumulated depreciation,	(2,670)	(40,939)	−	(28,982)	(72,591)

amortization and depletion					
Balance at December 31, 2012	8,164	81,708	81,663	33,366	204,901
Additions	68	1,794	36,125	663	38,650
Additions to / review of estimates of decommissioning costs	−	−	−	(629)	(629)
Capitalized borrowing costs	−	−	3,909	−	3,909
Business combinations	17	31	16	−	64
Write-offs	(4)	(121)	(2,399)	(25)	(2,549)
Transfers (***)	1,224	23,626	(29,620)	25,896	21,126
Depreciation, amortization and depletion	(518)	(7,513)	−	(4,939)	(12,970)
Impairment recognition (****)	−	(11)	(6)	(85)	(102)
Impairment reversal (****)	−	49	−	72	121
Cumulative translation adjustment	(1,083)	(9,158)	(9,930)	(4,449)	(24,620)
Balance at December 31, 2013	7,868	90,405	79,758	49,870	227,901
Cost	10,729	133,368	79,758	77,117	300,972
Accumulated depreciation, amortization and depletion	(2,861)	(42,963)	−	(27,247)	(73,071)
Balance at December 31, 2013	7,868	90,405	79,758	49,870	227,901
Weighted average of useful life in years	25 (25 to 40) (except land)	20 (3 to 31) (**)		Units of production 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 US$ 22,134, reclassified from Intangible Assets to Property, Plant and Equipment as a result of the declaration of commerciality of areas of the Assignment Agreement (Franco and Sul de Tupi), as described in note 13; the amount related to PO&G (US$ 2,366), which have ceased to be consolidated; and amounts transferred to assets classified as held for sale, set out in note 10.3.
(****) Impairment charges and reversals are recognized in profit or loss as other operating expenses.

At December 31, 2013, property, plant and equipment includes assets under finance leases of US$ 86 (US$ 102 at December 31, 2012).

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12.2. Estimated useful life

Buildings and improvements, equipment and other assets

Estimated useful life	**Cost**	**Accumulated depreciation**	**Balance at 2013**
5 years or less	5,396	(3,260)	2,135
6 - 10 years	20,571	(9,899)	10,671
11 - 15 years	944	(417)	526
16 - 20 years	34,986	(8,753)	26,233
21 - 25 years	15,890	(5,007)	10,884
25 - 30 years	22,484	(4,007)	18,477
30 years or more	22,934	(4,540)	18,394
Units of production method	20,175	(9,942)	10,233
	143,380	(45,825)	97,553
Buildings and improvements	10,011	(2,861)	7,150
Equipment and other assets	133,368	(42,963)	90,405

13. Intangible assets

13.1. By class of assets

		Softwares			
	Rights and Concessions	**Acquired**	**Developed in-house**	**Goodwill**	**Total**
Balance at January 1, 2012	42,013	180	715	504	43,412
Addition	90	72	146	−	308
Capitalized borrowing costs	−	−	15	−	15
Write-offs	(119)	(2)	(3)	−	(124)
Transfers	(80)	12	(97)	(14)	(179)
Amortization	(48)	(61)	(142)	−	(251)
Impairment - reversal (***)	6	−	−	−	6
Cumulative translation adjustment	(3,349)	(13)	(57)	(29)	(3,448)
Balance at December 31, 2012	38,513	188	577	461	39,739
Cost	38,920	715	1,444	461	41,540
Accumulated amortization	(407)	(527)	(867)	−	(1,801)

Balance at December 31, 2012	38,513	188	577	461	39,739
Addition	2,931	33	128	−	3,092
Capitalized borrowing costs	−	−	12	−	12
Write-offs	(80)	(2)	(3)	−	(85)
Transfers (**)	(22,222)	(15)	(14)	(17)	(22,268)
Amortization	(38)	(47)	(133)	−	(218)
Impairment recognition (****)	(524)	−	−	−	(524)
Cumulative translation adjustment	(4,199)	(15)	(71)	(44)	(4,329)
Balance at December 31, 2013	14,381	142	496	400	15,419
Cost	14,804	607	1,442	400	17,253
Accumulated amortization	(423)	(465)	(946)	−	(1,834)
Balance at December 31, 2013	14,381	142	496	400	15,419
Estimated useful life - years	(*)	5	5	Indefinite	

(*) See note 3.9 (Intangible assets).
(**) Includes the amount of US$ 22,134, reclassified from Intangible Assets to Property, Plant and Equipment as a result of the declaration of commerciality of areas of the Assignment Agreement (Franco and Sul de Tupi) areas, as described below; and the amount related to PO&G (US$ 601), which have 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.

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After the declaration of commerciality, the amounts of US$ 21,357 and US$ 777, 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 US$ 10,424 (US$ 36,608 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.

Petrobras, the Federal Government (assignor) and the 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 years and renewable for a further 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 US$ 61 (US$ 113 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;

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- 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.

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 US$ 229 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

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Based on impairment tests, impairment losses of US$ 58 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 (US$ 118).

- International

Based on impairment tests, impairment losses of US$ 11 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 US$ 553 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.

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 included: 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 those assets. The carrying amounts and goodwill of the most significant investments in associates and joint ventures are set out below:

Investments	**Segment**	**Pre-tax discount rate (real interest rate)**	**Value in use**	**Carrying Amount**
Braskem S.A.	Petrochemical	16%	2,808	2,201
Natural Gas Distributors	Natural Gas	7% to 14%	2,557	533

Guarani S.A.	Biofuels	9%	553	510

- 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 U.S.$ 2,176, 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 US$ 2,584.

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.

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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 US$ 64 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.

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

Capitalized Exploratory Well Costs / Capitalized Acquisition Costs (*)	**2013**	**2012**
Property plant and equipment		
Opening Balance	10,649	10,120
Additions to capitalized costs pending determination of proved reserves	4,981	6,640
Capitalized exploratory costs charged to expense	(1,251)	(2,782)
Transfers upon recognition of proved reserves (***)	(4,174)	(2,628)
Cumulative translation adjustment	(1,403)	(701)
Closing Balance	8,802	10,649
Intangible Assets (**)	13,880	37,968
Capitalized Exploratory Well Costs / Capitalized Acquisition Costs	22,682	48,617

(*) 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 US$ 736 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	**2013**	**2012**	**2011**
Geological and Geophysical Expenses	968	1,022	1,024
Exploration expenditures written off (incl.dry wells and signature bonuses)	1,892	2,847	1,480
Other exploration expenses	99	89	101
Total expenses	2,959	3,958	2,605

Cash used in activities	**2013**	**2012**	**2011**
Operating activities	1,073	1,139	1,107
Investment activities	8,605	6,640	6,258
Total cash used	9,678	7,779	7,365

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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:

Aging of capitalized exploratory well costs (*)	**2013**	**2012**
Capitalized expl. well costs that have been capitalized for a period of one year	2,568	4,219
Capitalized expl. well costs that have been capitalized for a period greater than one year	6,234	6,430
Ending balance	8,802	10,649
Number of projects that have expl. well costs that have been capitalized for a period greater than one year	86	145

	Amounts capitalized	**Number of wells**
2012	2,464	39
2011	1,636	34
2010	896	18
2009	432	22
2008 and previous years	806	15
Ending balance	6,234	128

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

Of the amount of US$ 6,234 for 86 projects that include wells suspended for more than one year since the completion of drilling, US$ 989 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 US$ 5,245 are related to costs incurred to assess the reserves and their potential development.

16. Trade payables

	2013	**2012**
Current Liabilities		
Third parties		
In Brazil	5,346	6,511
Abroad	6,061	5,104
Related parties (note 19)	512	509
	11,919	12,124

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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 and the balance of current debt in 2013 and 2012 are set out below:

	Export Credit Agencies	**Banking Market**	**Capital Market**	**Others**	**Total**
Non-current					
In Brazil					
Opening balance at January 1 , 2012	−	30,218	1,250	80	31,548
Additions (new funding obtained)	−	3,163	258	−	3,421
Interest incurred during the period	−	45	30	2	77
Foreign exchange/inflation indexation charges	−	1,184	51	3	1,238
Transfer from long term to short Term	−	(1,023)	(227)	(15)	(1,265)
Cumulative translation adjustment (CTA)	−	(2,610)	(107)	(6)	(2,723)
Balance at December 31, 2012	−	30,977	1,255	64	32,296
Abroad					
Opening balance at January 1 , 2012	5,004	14,430	21,026	710	41,170
Additions (new funding obtained)	879	5,870	9,524	−	16,273
Interest incurred during the period	3	5	203	−	211
Foreign exchange/inflation indexation charges	91	536	104	11	742
Transfer from long term to short Term	(677)	(836)	(592)	(85)	(2,190)
Cumulative translation adjustment (CTA)	(255)	(521)	766	(8)	(18)
Balance at December 31, 2012	5,045	19,484	31,031	628	56,188
Total Balance at December 31, 2012	5,045	50,461	32,286	692	88,484
Non-current					
In Brazil					
Opening balance at January 1 , 2013	−	30,977	1,255	64	32,296
Additions (new funding obtained)	−	10,463	237	−	10,700
Interest incurred during the period	−	86	16	3	105
Foreign exchange/inflation indexation charges	−	1,510	54	2	1,566
Transfer from long term to short Term	−	(9,894)	(181)	(13)	(10,088)
Transfer to liabilities associated with assets classified as held for sale	−	(14)	−	−	(14)
Cumulative translation adjustment (CTA)	−	(4,128)	(170)	(7)	(4,305)
Balance at December 31, 2013	−	29,000	1,211	49	30,260

Abroad					
Opening balance at January 1 , 2013	5,045	19,484	31,031	629	56,189
Additions (new funding obtained)	1,557	9,178	10,990	87	21,812
Interest incurred during the period	1	14	36	8	59
Foreign exchange/inflation indexation charges	159	893	280	30	1,362
Transfer from long term to short Term	(671)	(1,310)	(418)	(42)	(2,441)
Transfer to liabilities associated with assets classified as held for sale	−	(393)	−	−	(393)
Cumulative translation adjustment (CTA)	(286)	(958)	653	(22)	(613)
Balance at December 31, 2013	5,805	26,908	42,572	690	75,975
Total Balance at December 31, 2013	5,805	55,908	43,783	739	106,235

Current debt	**2013**	**2012**
Short-term debt	3,654	3,666
Current portion of long-term debt	3,118	2,795
Accrued interest	1,229	1,018
	8,001	7,479

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

Maturity in	up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 years and afterwards	Total	Fair value
Financing in Brazilian Reais (BRL):	1,115	1,392	2,920	2,156	2,320	12,922	22,825	22,712
Floating rate debt	743	984	2,571	1,802	1,996	11,183	19,279	
Fixed rate debt	372	408	349	354	324	1,739	3,546	
Average interest rate	7.4%	7.8%	9.2%	8.7%	8.9%	8.8%	8.7%	
Financing in U.S.Dollars (USD):	5,832	5,635	8,939	5,722	11,230	35,583	72,941	73,588
Floating rate debt	4,747	4,249	4,273	3,629	8,861	13,576	39,335	
Fixed rate debt	1,085	1,386	4,666	2,093	2,369	22,007	33,606	
Average interest rate	3.1%	3.3%	3.1%	3.0%	3.1%	4.3%	3.7%	
Financing in Brazilian Reais indexed to U.S. Dollars:	240	104	372	682	682	6,755	8,835	9,016
Floating rate debt	−	−	−	−	−	5	5	
Fixed rate debt	240	104	372	682	682	6,750	8,830	
Average interest rate	5.2%	4.9%	6.7%	7.0%	7.0%	7.3%	7.1%	
Financing in Pound Sterling (£):	13	−	−	−	−	1,859	1,872	1,904
Fixed rate debt	13	−	−	−	−	1,859	1,872	
Average interest rate	5.6%	−	−	−	−	5.9%	5.9%	
Financing in Japanese Yen (¥):	581	118	446	108	98	−	1,351	1,373
Floating rate debt	98	98	98	98	98	−	490	
Fixed rate debt	483	20	348	10	−	−	861	
Average interest rate	0.9%	0.9%	1.8%	0.8%	0.8%	−	1.2%	
Financing in Euro (€):	213	14	11	11	1,721	4,428	6,398	6,631
Fixed rate debt	213	14	11	11	1,721	4,428	6,398	
Average interest rate	4.4%	1.4%	1.4%	1.4%	4.9%	4.2%	4.4%	
Financing in other currencies:	7	3	4	−	−	−	14	14
Fixed rate debt	7	3	4	−	−	−	14	
Average interest rate	12.5%	15.3%	15.3%	−	−	−	14.0%	
Total as of December 31, 2013	8,001	7,266	12,692	8,679	16,051	61,547	114,236	115,238
Total Average interest rate	3.6%	4.2%	4.6%	4.7%	4.3%	5.6%	5.0%	

Total as of December 31, 2012	7,479	4,177	7,125	13,665	9,389	54,128	95,963	102,486

* The average maturity of outstanding debt at December 31, 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**
PGT	1,000	500	500
Petrobras	2,500	253	2,247

b) In Brazil

Company	**Available (Line of Credit)**	**Used**	**Balance**
Transpetro (*)	4,272	879	3,393
Petrobras	5,964	3,795	2,169
PNBV	4,217	−	4,217
Liquigas	47	35	12

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

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. Certain subsidiaries issue securities fully and unconditionally guaranteed by Petrobras, as set out in note 38.

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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18. Leases

18.1. Future minimum lease payments / receipts – finance leases

	2013 **Minimum receipts**	**Minimum payments**
At December 31, 2013		
2014	170	22
2015 - 2018	704	77
2019 and thereafter	1,821	266
Estimated lease receipts/payments	2,695	365
Less Interest expense (annual)	(1,174)	(276)
Present value of the lease receipts/payments	1,521	89
2014	96	9
2015 - 2018	398	32
2019 and thereafter	1,027	48
Present value of the lease receipts/payments	1,521	89
Current	58	16
Non-current	1,463	73
At December 31, 2013	1,521	89
Current	60	18
Non-current	1,536	86
At December 31, 2012	1,596	104

18.2. Future minimum lease payments - operating leases

	2013
2014	14,683
2015 - 2018	24,189
2019 and thereafter	13,219
At December 31, 2013	52,091
At December 31, 2012	52,051

During 2013 the Company paid US$ 11,520 (US$ 10,389 in 2012) for operating lease installments, recognized as a period expense. Those operating leases include oil and gas production units, drilling rigs, exploration and production equipment, vessels and support vessels, thermoelectric power plants, helicopters, land and building leases.

19. Related parties

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

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

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

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	2013 Profit or Loss	**Assets**	**Liabilities**	**2012 Profit or Loss**	**Assets**	**Liabilities**
Joint ventures and associates						
Natural gas distributors	3,920	424	209	3,200	446	216
Petrochemical companies	7,456	94	120	7,693	152	109
Other associates and joint ventures	940	140	193	686	182	272
	12,316	658	522	11,579	780	597
Government entities						
Government bonds	1,044	6,247	−	2,169	18,086	−
Banks controlled by the Federal Government	(1,973)	2,801	29,791	(1,850)	3,640	31,877
Receivables from the Electricity sector (Note 19.2)	747	2,156	−	926	1,937	−
Petroleum and alcohol account - Receivables from Federal government (Note 19.3)	−	357	−	−	409	−
Federal Government - Dividends and Interest on Capital	(18)	−	834	3	−	478
Others	92	209	334	(117)	361	452
	(108)	11,770	30,959	1,131	24,433	32,807
Pension plan (Petros)	−	−	156	(6)	−	163
	12,208	12,428	31,637	12,704	25,213	33,567

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

	2013 Profit or Loss	**Assets**	**Liabilities**	**2012 Profit or Loss**	**Assets**	**Liabilities**

Revenues (mainly sales revenues)	13,164			12,365		
Foreign exchange and inflation indexation charges, net	(791)			(1,083)		
Finance income (expenses), net	(165)			1,422		
Current assets		7,622			20,354	
Non-current assets		4,806			4,859	
Current liabilities			3,568			3,361
Non-Current Liabilities			28,069			30,206
	12,208	12,428	31,637	12,704	25,213	33,567

19.2. Receivables from the electricity sector

At December 31, 2013, the Company had US$ 2,156 of receivables from the Brazilian electricity sector (US$ 1,937 at December, 31, 2012), of which US$ 1,743 were classified to non-current assets.

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

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

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

The Company continues to vigorously pursue an agreement to recover these receivables in full and partial payments have been made. The balance of these receivables at December 31, 2013 was US$ 1,977 (US$ 1,723 at December 31, 2012), of which US$ 1,450 was past due (US$ 1,451 at December 31, 2012).

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The Company also has electricity supply contracts with AME signed in 2005 by its subsidiary Breitener Energética S.A., which, pursuant to the terms of the agreements, are considered a finance lease of the two thermoelectric power plants, since the contracts determine that the power plants should be returned to AME at the end of the agreement period with no residual value (20-year term), among other contractual provisions. The balance of these receivables was US$ 179 (US$ 214 at December, 31, 2012) none of which was overdue.

19.3. Petroleum and Alcohol accounts - Receivables from Federal Government

At December 31, 2013, the balance of receivables related to the Petroleum and Alcohol accounts was US$ 357 (US$ 409 at December 31, 2012). Pursuant to Provisional Measure 2,181 of August 24, 2001, the Federal Government may settle this balance by using National Treasury Notes in an amount equal to the outstanding balance, or allow the Company to offset the outstanding balance against amounts payable to the Federal Government, including taxes payable, or both options.

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

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

19.4. Compensation of employees and officers

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

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

	2013	**2012**
Amounts refer to monthly compensation in U.S. dollars		
Compensation per employee		
Lowest compensation	1,169.61	1,118.64
Average compensation	6,246.79	5,631.54
Highest compensation	36,077.81	33,233.06

Compensation per officer of Petrobras (highest)	44,144.51	41,415.24

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

	2013			2012		
	Officers	**Board**	**Total**	**Officers**	**Board**	**Total**
Short-term compensation	4.6	0.5	5.1	5.1	0.6	5.7
Long-term compensation (post-retirement benefits)	0.3	−	0.3	0.3	−	0.3
Total compensation	5.0	0.5	5.5	5.4	0.6	6.0
Number of members	7	10	17	7	10	17

In 2013 the compensation of board members and officers for the consolidated Petrobras group amounted to US$ 27.6 (US$ 29.0 in 2012).

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20. Provision for decommissioning costs

Non-current liabilities	**2013**	**2012**
Opening balance	9,441	4,712
Revision of provision	(902)	5,226
Payments made	(506)	(286)
Interest accrued	199	134
Others (*)	59	4
Cumulative translation adjustment	(1,158)	(349)
Closing balance	7,133	9,441

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

21. Taxes

21.1. Income taxes

	2013	**2012**
Current assets		
Taxes In Brazil	951	1,255
Taxes Abroad	109	207
	1,060	1,462
Current liabilities		
Taxes In Brazil	158	280
Taxes Abroad	123	65
	281	345

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21.2. Other taxes

Current assets	**2013**	**2012**
Taxes In Brazil:		
ICMS (VAT)	1,623	1,542
PIS/COFINS (Taxes on Revenues)	2,069	2,279
CIDE	20	23
Others	151	193
	3,863	4,037
Taxes Abroad	48	73
	3,911	4,110
Non-current assets		
Taxes In Brazil:		
Deferred ICMS (VAT)	879	903
Deferred PIS and COFINS (Taxes on Revenues)	4,197	4,051
Others	292	252
	5,368	5,206
Taxes Abroad	12	17
	5,380	5,223
Current liabilities		
Taxes In Brazil:		
ICMS (VAT)	1,164	1,488
PIS/COFINS (Taxes on Revenues)	230	491
CIDE	16	17
Production Taxes	2,432	2,624
Withholding income taxes	256	565
Others	350	360
	4,448	5,545
Taxes abroad	221	238
	4,669	5,783

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21.3. Deferred income taxes - non-current

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

a) Changes in deferred income taxes

	Property, Plant & Equipment							
	Oil and gas exploration costs	**Others**	**Loans, trade and other receivables / payables and financing**	**Finance leases**	**Provision for legal proceedings**	**Tax losses**	**Inventories**	**Interes on capital**
Balance at January 1, 2012 (*)	(11,374)	(2,203)	(425)	(844)	335	343	634	473
Recognized in profit or loss for the year	(2,327)	(1,284)	961	217	59	998	(119)	595
Recognized in shareholders' equity	–	–	–	–	–	–	–	–
Cumulative translation adjustment	1,038	341	24	77	(76)	(213)	(48)	(18)
Others	(14)	35	1	(38)	28	(19)	–	–
Balance at December 31, 2012(*)	(12,677)	(3,111)	561	(588)	346	1,109	467	1,050
Recognized in profit or loss for the period	(2,567)	(1,487)	330	(53)	133	3,481	177	351
Recognized in shareholders' equity	–	–	1,407	53	–	71	–	–
Cumulative translation	1,842	427	(221)	72	(63)	(330)	(77)	(50)

adjustment								
Others	(4)	165	(93)	(2)	(7)	480	8	(8)
Balance at December 31, 2013	(13,406)	(4,006)	1,984	(518)	409	4,811	575	1,343
Deferred tax assets								
Deferred tax liabilities								
Balance at December 31, 2012 (*)								
Deferred tax assets								
Deferred tax liabilities								
Balance at December 31, 2013								

(*) Restated, as set out on note 2.3.

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

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b) Timing of reversal of deferred income taxes

Management considers that the deferred tax assets will be recovered as provisions are settled and future events occur, both based on estimates that have been made.

At December 31, 2013 the estimated recovery / reversal dates of net deferred tax assets (liabilities) recoverable (payable) is set out in the following table:

	Deferred income tax	
	Assets	**Liabilities**
2014	111	102
2015 and thereafter	1,019	9,804
Recognized deferred tax credits	1,130	9,906
Brazil	642	−
Abroad	2,223	−
Unrecognized deferred tax credits	2,865	−
Total	3,995	9,906

At December 31, 2013, the Company had unused tax loss carryforwards from companies abroad, for which no deferred tax assets have been recognized, in the amount of US$ 2,223 (US$ 2,122 at December 31, 2012) resulting from net operating losses mainly from oil and gas exploration and production and refining activities in the United States in the amount of US$ 1,680 (US$ 1,329 at December 31, 2012), as well as from entities in Spain, in the amount of US$ 543, subject to applicable statute of limitations that lapse in 20 years from the date the losses are recognized.

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

												2013
Lapse of Statute of Limitations	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030 and afterwards**	**Total**
Unrecognized deferred tax credits	55	174	79	74	94	6	113	130	163	203	1,132	2,223

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21.4. Reconciliation between statutory tax rate and tax expense

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

	2013	**2012**	**2011**
Income before income taxes	13,410	14,493	26,724
Income taxes computed based on Brazilian Statutory Corporate Tax Rates (34%)	(4,558)	(4,928)	(9,089)
Adjustments between Income Taxes based on Statutory Rates and on the Effective Tax Rate:			
· Tax benefits from the deduction of interest on capital distribution	1,306	1,612	2,123
· Different jurisdictional taxes rates for Companies abroad	644	335	422
· Tax incentives	57	58	220
· Tax losses not recorded as assets	(1)	(341)	(345)
· Non-deductible/(deductible) expenses, net (*)	(198)	(559)	(268)
· Tax credits of companies abroad in the exploration stage	(2)	(2)	−
· Others	174	263	205
Income taxes expense	(2,578)	(3,562)	(6,732)
Deferred income taxes	(402)	(1,266)	(3,599)
Current income taxes	(2,176)	(2,296)	(3,133)
	(2,578)	(3,562)	(6,732)
Effective Tax Rate	19.2%	24.6%	25.2%

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

22. Employee benefits (Post-Employment)

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

	2013	**2012**	**01.01.2012**
Liabilities			
Petros Pension Plan	5,342	11,141	6,871
Petros 2 Pension Plan	121	547	606
AMS Medical Plan	6,999	8,390	8,214

Other plans	111	146	127
	12,573	20,224	15,818
Current	816	788	761
Non-current	11,757	19,436	15,057
	12,573	20,224	15,818

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

22.1. Petros Plan and Petros 2 Plan

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

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a) Petros Plan - Fundação Petrobras de Seguridade Social

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

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

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

At December 31, 2013, the Terms of Financial Commitment (TFC), signed by Petrobras and Petros in 2008 comprise a balance of US$ 3,514, including US$ 209 related to interest expense due in 2014. The TCF are due in 20 years, with 6% p.a. semiannual coupon payments based on the updated balance. The carrying amount of US$ 2,976 related to crude oil and oil products pledged as security for the TFC replaced the long-term National Treasury Notes that were previously held as collateral in July 2012.

The employers' expected contributions to the plan for 2014 are US$ 456.

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

b) Petros Plan 2 - Fundação Petrobras de Seguridade Social

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

Certain elements of the Petros Plan 2 have defined benefit characteristics, primarily the coverage of disability and death risks and the guarantee of minimum defined benefit and lifetime income. These actuarial commitments are treated as defined benefit components of the plan and are accounted for by applying the projected unit credit method. Contributions paid for actuarial commitments that have defined contribution characteristics are recognized in profit or loss and are intended to constitute a reserve for programmed retirement. The contributions for the portion of the plan with defined contribution characteristics were US$ 308 in 2013.

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

For 2014 the employers' expected contributions to the defined-benefit portion of the plan are US$ 292. The duration of the actuarial liability related to the plan, as of December 31, 2013 is 27.86 years.

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22.2. Other plans

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

22.3. Pension Plans assets

Pension plans assets follow a long term investment strategy to meet the assessed risk of each different class of asset and provide for diversification, in order to lower portfolio risk. The portfolio must comply with the Brazilian National Monetary Council regulations. Portfolio allocation limits for the period between 2014 and 2018 are 30% to 60% in fixed-income securities, 30% to 50% in variable-income securities, 3.0% to 8.0% in real estate, 1.5% to 15% in loans to participants, 4% to 10% in structured finance projects and up to 1% in investments abroad.

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

The pension plan assets by type are set out following:

	2013				**2012**	
Type of asset	**Quoted prices in active markets**	**Unquoted prices**	**Total fair value**	**%**	**Total fair value**	**%**
Fixed income	6,523	1,998	8,521	37%	12,792	46%
Corporate bonds	−	536	536		863	
Government bonds	6,523	−	6,523		10,000	
Other investments	−	1,462	1,462		1,929	
Variable income	10,152	347	10,499	47%	10,928	39%
Common and preferred shares	10,152	−	10,152		10,792	
Other investments	−	347	347		136	
Structured investments	−	1,571	1,571	7%	1,836	7%
Private equity funds	−	1,464	1,464		1,729	
Venture capital funds	−	29	29		39	
Real estate Funds	−	78	78		68	

Real estate properties	−	1,388	1,387	6%	1,304	5%
	16,675	5,304	21,978	97%	26,860	97%
Loans to participants			757	3%	825	3%
			22,735	100%	27,685	100%

At December 31, 2013, the investments include Petrobras' common and preferred shares in the amount of US$ 228 and US$ 169, respectively, and real estate properties leased by the Company in the amount of US$ 172.

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

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

Petrobras and BR Distribuidora operate a medical benefit plan for employees in Brazil (active and inactive) and their dependents: the AMS health care plan. The plan is managed by the Company based on a self-supporting benefit assumption and includes health prevention and health care programs. The plan is most significantly exposed to the risk of an increase in medical costs due to new technologies and new types of coverage or to a higher level of usage of medical benefits. The Company continuously improves the quality of its technical and administrative processes, as well as the health programs offered to beneficiaries in order to hedge such risks.

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

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

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

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

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a) Movement in the actuarial liabilities, in the fair value of the assets and in the amounts recognized in the statement of financial position

	2013					**2012 (*)**				
	Pension plan		**Medical Plan**			**Pension plan**		**Medical Plan**		
	Petros	**Petros 2**	**A M S**	**Other plans**	**Total**	**Petros**	**Petros 2**	**A M S**	**Other plans**	**Total**
Changes in the present value of obligations										
Obligations at the beginning of the year	38,548	789	8,390	182	47,909	32,966	780	8,214	162	42,122
Interest expense:	3,373	73	735	20	4,201	3,551	86	892	8	4,537
· Term of financial commitment (TFC)	298	–	–	1	299	303	(1)	(5)	3	300
· Actuarial	3,075	73	735	19	3,902	3,248	87	897	5	4,237
Current service cost	484	145	192	10	831	(9)	197	146	7	341
Contributions paid by participants	182	–	–	–	182	197	28	–	–	225
Benefits paid	(1,155)	(6)	(364)	(10)	(1,535)	(1,168)	(3)	(363)	(10)	(1,544)
Remeasurement: Experience (gains) / losses	1,701	(118)	(1,978)	(2)	(397)	(2,795)	(703)	(1,738)	(6)	(5,242)
Remeasurement: (gains) / losses - demographic assumptions	323	(31)	2	(5)	289	726	36	352	6	1,120
Remeasurement: (gains) / losses - financial assumptions	(11,215)	(443)	1,066	5	(10,587)	8,180	403	1,566	15	10,164
Others	–	22	–	(27)	(5)	(6)	32	40	20	86
Cumulative Translation	(4,437)	(77)	(1,044)	(22)	(5,580)	(3,094)	(67)	(719)	(20)	(3,900)

Adjustment Obligations at the end of the year	27,804	354	6,999	151	35,308	38,548	789	8,390	182	47,909
Changes in the fair value of plan assets										
Fair value of plan assets at the beginning of the year	27,407	242	−	36	27,685	26,096	174	−	35	26,305
Interest income	2,461	22	−	4	2,487	2,829	25	−	2	2,856
Contributions paid by the sponsor (Company)	255	−	364	24	643	257	22	363	5	647
Contributions paid by participants	182	−	−	−	182	196	28	−	−	224
Receipts from the Term of financial commitment (TFC)	153	−	−	−	153	164	−	−	−	164
Benefits Paid	(1,155)	(6)	(364)	(10)	(1,535)	(1,168)	(3)	(363)	(10)	(1,544)
Remeasurement: Return on plan assets exceeding interest income	(3,458)	8	−	3	(3,447)	1,339	8	−	2	1,349
Others	−	−	−	(13)	(13)	2	7	−	7	16
Cumulative Translation Adjustment	(3,383)	(33)	−	(4)	(3,420)	(2,308)	(19)	−	(5)	(2,332)
Fair value of plan assets at the end of the year	22,462	233	−	40	22,735	27,407	242	−	36	27,685
Amounts recognized in the Statement of Financial Position										
Present value of obligations	27,804	354	6,999	151	35,308	38,548	789	8,390	182	47,909
(-) Fair value of plan assets	(22,462)	(233)	−	(40)	(22,735)	(27,407)	(242)	−	(36)	(27,685)
Net actuarial liability as of December 31,	5,342	121	6,999	111	12,573	11,141	547	8,390	146	20,224
Changes in the net actuarial liability										

Balance as of December 31, 2011						2,271	327	6,909	132	9,639
(+) Adoption of amendments to IAS 19						4,600	279	1,305	(5)	6,179
Balance as of January 1,	11,141	547	8,390	146	20,224	6,871	606	8,214	127	15,818
(+) Remeasurement effects recognized in other comprehensive income	(5,733)	(600)	(910)	(5)	(7,248)	4,772	(272)	180	13	4,693
(+) Costs incurred in the period	1,396	218	927	25	2,566	705	284	1,077	25	2,091
(-) Contributions paid	(255)	−	(364)	(24)	(643)	(257)	(22)	(363)	(5)	(647)
(-) Payments related to Term of financial commitment (TFC)	(153)	−	−	−	(153)	(164)	−	−	−	(164)
Others	−	−	−	(13)	(13)	−	(1)	1	1	1
Cumulative Translation Adjustment	(1,054)	(44)	(1,044)	(18)	(2,160)	(786)	(48)	(719)	(15)	(1,568)
Balance as of December 31,	5,342	121	6,999	111	12,573	11,141	547	8,390	146	20,224

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

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b) Defined benefit costs

	2013					**2012 (*)**					**2011 (*)**		
	Pension Plans		**Medical Plan**			**Pension Plans**		**Medical Plan**			**Pension Plans**		**M P**
	Petros	**Petros 2**	**AMS**	**Other Plans**	**Total**	**Petros**	**Petros 2**	**AMS**	**Other Plans**	**Total**	**Petros**	**Petros 2**	**A**
Service cost	484	145	192	10	831	(9)	197	146	7	341	(9)	182	1
Interest on net Liabilities (Assets)	912	51	735	16	1,714	722	61	892	6	1,681	629	33	9
Others	−	22	−	(1)	21	(8)	26	39	12	69	(226)	3	3
Net costs for the year	1,396	218	927	25	2,566	705	284	1,077	25	2,091	394	218	1
Related to active employees:													
Included in the cost of sales	597	119	267	3	986	218	124	228	4	574	123	91	2
Operating expense recognized in profit or loss	355	94	211	20	680	121	153	180	21	475	58	122	1
Related to retired employees	444	5	449	2	900	366	7	669	−	1,042	213	5	7
Net costs for the year	1,396	218	927	25	2,566	705	284	1,077	25	2,091	394	218	1

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

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c) Sensitivity analysis of the defined benefit plans

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

	Discount Rate				Medical Cost	
	Pension Benefits		Medical Benefits		Medical Benefits	
	+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps
Pension Obligation	(2,689)	3,256	(712)	865	981	(814)
Current Service cost and interest cost	(119)	140	(47)	55	157	(128)

d) Significant actuarial assumptions

Assumptions	**2013**	**2012**
Discount rate	12.88% (1) / 12.97% (2) / 12.90% (3)	9.35% (1) (2) / 9.42% (3)
Salary growth rate	8.03% (1) / 10,21% (2)	7.62% (1) / 9.51% (2)
Medical plans turnover	0.590% p.a (4)	0.700% p.a (4)
Pension plans turnover	Null	Null
Variance assumed in medical and hospital costs	11.62% to 4.09%p.a (5)	11.74% to 4.11%p.a (5)
Mortality table	Basic AT 2000, sex-specific, 20% smoothing coefficient (6)	AT 2000 sex specific. 30% smoothing coefficient - female(6)
Disability table	TASA 1927 (7)	TASA 1927 (7)
Mortality table for disabled participants	Sex-specific Winklevoss, 20% smoothing coefficient (8)	Sex-specific Winklevoss, 20% smoothing coefficient (8)

(1) Petros Plan for Petrobras Group.
(2) Petros 2 Plan.
(3) AMS Plan.
(4) Average turnover according to age and employment time. In 2013, except for BR (1.247%) and Liquigas (8.546%).
(5) Decreasing rate, converging by the end of the next 30 years to the long-term expected inflation.
(6) Except for Petros 2 Plan, for which AT 2000 (80% male + 20% female) 10%-smoothed has been used.
(7) Except for Petros 2 Plan, for which Álvaro Vindas invalidity table has been used.

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

e) Expected maturity analysis of pension and medical benefits

	2013				
	Pension Plan		**Medical Plan**		
	Petros	**Petros 2**	**AMS**	**Other Plans**	**Total**
Up to 1 Year	1,715	12	357	3	2,087
1 To 2 Years	1,681	14	365	3	2,063
2 To 3 Years	1,644	15	363	2	2,024
3 To 4 Years	1,600	15	378	2	1,995
Over 4 Years	21,164	298	5,536	141	27,139
	27,804	354	6,999	151	35,308

22.6. Other defined contribution plans

Petrobras, through its subsidiaries in Brazil and abroad, also sponsors defined contribution pension plans for employees. Contributions paid in 2013, in the amount of US$ 3 were recognized in profit or loss.

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23. Profit sharing

Profit sharing benefits comply with Brazilian legal requirements and those of the Brazilian Department of Coordination and Governance of State-Owned Enterprises (DEST), of the Ministry of Planning, Budget and Management, and by the Ministry of Mines and Energy, and are computed based on the consolidated income before profit sharing and non-controlling interests.

The Company has recognized profit sharing expenses in the amount of US$ 520 (US$ 524 in 2012) pursuant to these regulations, considering a 4.5 percentage applied over the income before profit sharing and non-controlling interest in Brazilian *reais*.

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

24. Shareholders' equity

24.1. Share capital

At December 31, 2013, subscribed and fully paid share capital was US$ 107,371, represented by 7,442,454,142 outstanding common shares and 5,602,042,788 outstanding preferred shares, all of which are registered, book-entry shares with no par value.

Capital increase with reserves in 2013

The Shareholders' Extraordinary General Meeting, held jointly with the Annual General Meeting on April 29, 2013 approved a capital increase through capitalization of a portion of the profit reserve relating to tax incentives, recognized in 2012 in the amount of US$ 9 (in compliance with article 35, paragraph 1, of Ordinance 2,091/07 of the Ministry for National Integration), without issue of new shares (pursuant to article 169, paragraph 1, of Law 6,404/76). Share capital increased from US$ 107,362 to US$ 107,371.

Capital increase with reserves in 2014

A proposal will be made to the Shareholders' Extraordinary General Meeting, to be held jointly with the Annual General Meeting in 2014 to increase capital through capitalization of a portion of the profit reserve for tax incentives established in 2013, of US$ 9. Share capital will increase from US$ 107,371 to US$ 107,380.

24.2. Additional paid in capital

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

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

b) Change in interest in subsidiaries

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

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24.3. Profit reserves

a) Legal reserve

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

b) Statutory reserve

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

c) Tax incentives reserve

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

In 2013, government grants of US$ 9 related to investments (using resources provided by income taxes benefits) for the development of the Northeast of Brazil (Superintendências de Desenvolvimento do Nordeste – SUDENE) and the Amazon region (SUDAM) were appropriated from profit or loss.

d) Profit retention reserve

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

An appropriation of US$ 7,277 to profit retention reserve, to provide partial funding for our 2014 capital budget, will be proposed and voted at the 2014 Annual General Meeting.

24.4. Accumulated other comprehensive income

a) Cumulative translation adjustment

This account comprises all exchange differences arising from the translation of the consolidated financial statements from the functional currency (Brazilian *real*) into the presentation currency (U.S. dollar), recognized as cumulative translation adjustments (CTA) within accumulated other comprehensive income.

b) Other comprehensive income

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

24.5. Dividends

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

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

Dividends for 2013 of US$ 3,970 are to be voted at the 2014 Annual General Meeting and are consistent with the rights granted to preferred shares in the bylaws of the Company and to the minimum mandatory dividend for common shares. Dividends proposed for 2013 represent 41.85% of the adjusted net income in Brazilian Reais (adjusted in accordance with Brazilian Corporation Law), as 3% of the book value of shareholders' equity regarding preferred shares stake was higher than the minimum mandatory dividend (25% of the adjusted net income for the year).

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

Interest on capital is subject to a withholding income tax rate of 15%, except for shareholders that are declared immune or exempt, pursuant to Law 9,249/95. Interest on capital is a form of dividend distribution, which is deductible for tax purposes in Brazil and is included in the dividend distribution for the year, as established in the Company's bylaws. The tax credit from the deduction of interest on capital is recognized in profit or loss. An amount of US$ 1,389 was recognized in 2013 (US$ 1,612 in 2012) relating to tax benefits from the deduction of interest on capital. For accounting purposes, shareholders' equity is reduced in a manner similar to a dividend, pursuant to CVM Deliberation 207/96.

24.6. Earnings per Share

	2013	**2012**	**2011**
Net income attributable to Shareholders of Petrobras	11,094	11,034	20,121
Weighted average number of common and preferred shares outstanding	13,044,496,930	13,044,496,930	13,044,496,930
Basic and diluted earnings per common and preferred share (US$ per share)	0.85	0.85	1.54

25. Sales revenues

	2013	2012	2011
Gross sales	172,016	176,714	183,022
Sales taxes	(30,554)	(32,611)	(37,107)
Sales revenues (*)	141,462	144,103	145,915
Domestic Market	106,464	100,497	98,941
Exports	15,172	22,353	24,649
International Sales (**)	19,826	21,253	22,325

(*) See note 30 for a breakdown of sales revenues by business segment
(**) Sales revenues from operations outside of Brazil, other than exports

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26. Other operating expenses, net

	2013	2012	2011
Unscheduled stoppages and pre-operating expenses	(923)	(856)	(901)
Pension and medical benefits - inactive employees	(900)	(1,042)	(928)
Institutional relations and cultural projects	(821)	(777)	(884)
Inventory write-down to net realizable value	(580)	(742)	(643)
Collective bargaining agreement	(419)	(444)	(430)
Legal, administrative and arbitration proceedings	(269)	(716)	130
Expenditures on health, safety and environment	(225)	(289)	(474)
Impairment	(544)	(137)	(369)
Expenditures/reimbursements from operations in E&P partnerships	241	268	10
Government Grants	181	385	378
Gains / (losses) on disposal/write-offs of assets	1,764	(2)	7
Others	258	167	120
	(2,237)	(4,185)	(3,984)

27. Expenses by nature

	2013	2012	2011
Raw material / products for resale	(60,116)	(58,410)	(57,274)
Production taxes	(14,498)	(16,083)	(16,228)
Employee Compensation	(12,769)	(12,071)	(12,207)
Depreciation, depletion and amortization	(13,188)	(11,119)	(10,535)
Changes in inventories	1,681	724	5,278
Materials, Freight, rent, third-party services and other related costs	(22,608)	(24,016)	(23,457)
Exploration expenditures written off (inc. dry wells and signature bonuses)	(1,892)	(2,847)	(1,480)
Other taxes	(780)	(386)	(460)
	(269)	(716)	130

Legal, administrative and arbitration proceedings			
Institutional relations and cultural projects	(821)	(777)	(884)
Unscheduled stoppages and pre-operating expenses	(923)	(856)	(901)
Expenditures on health, safety and environment	(225)	(289)	(474)
Inventory write-down to net realizable value (market value)	(580)	(742)	(643)
Impairment	(544)	(137)	(369)
Gains / (losses) on disposal/write-offs of assets	1,764	(2)	7
	(125,768)	(127,727)	(119,497)
Cost of sales	(108,254)	(107,534)	(99,595)
Selling expenses	(4,904)	(4,927)	(5,346)
General and Administrative expenses	(4,982)	(5,034)	(5,161)
Exploration costs	(2,959)	(3,994)	(2,630)
Research and development expenses	(1,132)	(1,143)	(1,454)
Other taxes	(780)	(386)	(460)
Other operating expenses, net	(2,237)	(4,185)	(3,984)
Profit sharing	(520)	(524)	(867)
	(125,768)	(127,727)	(119,497)

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28. Net finance income (expense)

	2013	**2012**	**2011**
Foreign exchange and inflation indexation charges on net debt (*)	(1,603)	(3,327)	(2,918)
Debt interest and charges	(5,491)	(5,152)	(4,866)
Income from investments and marketable securities	1,278	1,716	2,948
Financial result on net debt			