

PETROBRAS - PETROLEO BRASILEIRO SA  
Form 6-K  
November 13, 2015

---

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

---

**FORM 6-K**

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

**For the month of November, 2015**

**Commission File Number 1-15106**

---

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

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

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

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

Form 20-F  Form 40-F

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

Yes  No

---

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

Consolidated financial statements as of  
September 30, 2015, with report of independent  
registered public accounting firm

---

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

Index

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

|  |    |
|--|----|
| Report of Independent Registered Public Accounting Firm                | 3  |
| Consolidated Statement of Financial Position                           | 4  |
| Consolidated Statement of Income                                       | 5  |
| Consolidated Statement of Comprehensive Income                         | 6  |
| Consolidated Statement of Cash Flows                                   | 7  |
| Consolidated Statement of Changes in Shareholders’ Equity              | 8  |
| Notes to the financial statements                                      | 9  |
| 1. The Company and its operations                                      | 9  |
| 2. Basis of preparation  | 9  |
| 3. The “Lava Jato” (Car Wash) Operation and its effects on the Company | 10 |
| 4. Basis of consolidation  | 10 |
| 5. Summary of significant accounting policies                          | 10 |
| 6. Cash and cash equivalents and Marketable securities                 | 11 |
| 7. Trade and other receivables   | 12 |
| 8. Inventories   | 15 |
| 9. Disposal of assets and legal mergers                                | 15 |
| 10. Investments  | 16 |
| 11. Property, plant and equipment                                      | 18 |
| 12. Intangible assets  | 19 |
| 13. Impairment   | 20 |
| 14. Exploration for and evaluation of oil and gas reserves             | 21 |
| 15. Trade payables   | 21 |
| 16. Finance debt   | 22 |
| 17. Leases   | 24 |
| 18. Related party transactions   | 25 |
| 19. Provision for decommissioning costs                                | 26 |
| 20. Taxes  | 27 |
| 21. Employee benefits (Post-Employment)                                | 31 |
| 22. Shareholders’ equity   | 33 |
| 23. Sales revenues   | 34 |
| 24. Other expenses, net  | 34 |
| 25. Costs and Expenses by nature                                       | 35 |

|   |    |
|---|----|
| 26. Net finance income (expense)  | 35 |
| 27. Supplemental information on statement of cash flows                 | 36 |
| 28. Segment Information   | 37 |
| 29. Provisions for legal proceedings                                    | 41 |
| 30. Collateral for crude oil exploration concession agreements          | 45 |
| 31. Risk management   | 46 |
| 32. Fair value of financial assets and liabilities                      | 50 |
| 33. Subsequent events   | 51 |
| 34. Information Related to Guaranteed Securities Issued by Subsidiaries | 52 |

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

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders

Petróleo Brasileiro S.A. - Petrobras

We have reviewed the accompanying condensed consolidated balance sheet of Petróleo Brasileiro S.A. - Petrobras and its subsidiaries as of September 30, 2015, and the related condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods ended September 30, 2015 and September 30, 2014 and the condensed consolidated changes in shareholders' equity and statement of cash flows for the nine-month periods ended September 30, 2015 and September 30, 2014. This interim financial information is the responsibility of the Company's management.

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

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

As discussed in Note 3 to the condensed consolidated financial statements, during the third quarter of 2014, the Company wrote off US\$ 2,527 million of overpayments on the acquisition of property plant and equipment incorrectly capitalized, according to testimony obtained from Brazilian criminal investigations.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of income, comprehensive income, cash flows (not presented herein) and changes in shareholders' equity for the year then ended, and, in our report dated April 22, 2015, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying

condensed accompanying consolidated statement of financial position as of December 31, 2014 is fairly stated in all material respects in relation to the accompanying consolidated statement of financial position from which it has been derived.

/s/

PricewaterhouseCoopers

Auditores Independentes

Rio de Janeiro, Brazil

November 12, 2015

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

Consolidated Statement of Financial Position

September 30, 2015 and December 31, 2014

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

| <b>Assets</b> | <b>Note</b> | <b>09.30.2015</b> | <b>12.31.2014</b> | <b>Liabilities</b> | <b>Note</b> | <b>09.30.2015</b> | <b>12.31.2014</b> |
|---------------|-------------|-------------------|-------------------|--------------------|-------------|-------------------|-------------------|
|---------------|-------------|-------------------|-------------------|--------------------|-------------|-------------------|-------------------|

**Current  
assets**

**Current  
liabilities**

|                           |   |        |        |                |    |       |       |
|---------------------------|---|--------|--------|----------------|----|-------|-------|
| Cash and cash equivalents | 6 | 25,138 | 16,655 | Trade payables | 15 | 6,706 | 9,760 |
|---------------------------|---|--------|--------|----------------|----|-------|-------|

|                       |   |       |       |              |    |        |        |
|-----------------------|---|-------|-------|--------------|----|--------|--------|
| Marketable securities | 6 | 1,102 | 9,323 | Finance debt | 16 | 13,424 | 11,868 |
|-----------------------|---|-------|-------|--------------|----|--------|--------|

|                                  |   |       |       |                           |    |    |    |
|----------------------------------|---|-------|-------|---------------------------|----|----|----|
| Trade and other receivables, net | 7 | 5,325 | 7,969 | Finance lease obligations | 17 | 11 | 16 |
|----------------------------------|---|-------|-------|---------------------------|----|----|----|

|             |   |       |        |                      |      |     |     |
|-------------|---|-------|--------|----------------------|------|-----|-----|
| Inventories | 8 | 8,202 | 11,466 | Income taxes payable | 20.1 | 216 | 247 |
|-------------|---|-------|--------|----------------------|------|-----|-----|

|              |      |     |       |             |      |       |       |
|--------------|------|-----|-------|-------------|------|-------|-------|
| Recoverable  | 20.1 | 711 | 1,063 | Other taxes | 20.1 | 3,310 | 4,064 |
| income taxes |      |     |       | payable     |      |       |       |

|                         |      |       |       |   |       |       |
|-------------------------|------|-------|-------|---|-------|-------|
| Other recoverable taxes | 20.1 | 1,850 | 2,748 | Payroll, profit sharing and related charges | 1,549 | 2,066 |
|-------------------------|------|-------|-------|---|-------|-------|

|                       |     |     |                              |    |     |     |
|-----------------------|-----|-----|------------------------------|----|-----|-----|
| Advances to suppliers | 133 | 423 | Pension and medical benefits | 21 | 567 | 796 |
|-----------------------|-----|-----|------------------------------|----|-----|-----|

|                      |       |       |        |       |       |
|----------------------|-------|-------|--------|-------|-------|
| Other current assets | 1,862 | 1,180 | Others | 1,784 | 2,301 |
|----------------------|-------|-------|--------|-------|-------|

44,323

50,827

27,567

31,118

|  |    |   |   |    |   |
|--|----|---|---|----|---|
| Assets<br>classified as<br>held for sale | 74 | 5 | Liabilities on<br>assets classified<br>as held for sale | 49 | — |
|--|----|---|---|----|---|

44,397

50,832

27,616

31,118



**Non-current  
assets**

**Non-current  
liabilities**

Long-term  
receivables

|              |    |         |         |
|--------------|----|---------|---------|
| Finance debt | 16 | 114,035 | 120,218 |
|--------------|----|---------|---------|

|                                  |   |       |       |                           |    |    |    |
|----------------------------------|---|-------|-------|---------------------------|----|----|----|
| Trade and other receivables, net | 7 | 4,283 | 4,832 | Finance lease obligations | 17 | 40 | 56 |
|----------------------------------|---|-------|-------|---------------------------|----|----|----|

|                       |   |    |     |                       |      |     |       |
|-----------------------|---|----|-----|-----------------------|------|-----|-------|
| Marketable securities | 6 | 86 | 109 | Deferred income taxes | 20.2 | 291 | 3,031 |
|-----------------------|---|----|-----|-----------------------|------|-----|-------|

|                   |      |       |       |                              |    |        |        |
|-------------------|------|-------|-------|------------------------------|----|--------|--------|
| Judicial deposits | 29.1 | 2,244 | 2,682 | Pension and medical benefits | 21 | 11,880 | 16,491 |
|-------------------|------|-------|-------|------------------------------|----|--------|--------|

|                          |      |       |       |                                     |      |       |       |
|--------------------------|------|-------|-------|-------------------------------------|------|-------|-------|
| Deferred<br>income taxes | 20.2 | 3,713 | 1,006 | Provisions for<br>legal proceedings | 29.1 | 1,651 | 1,540 |
|--------------------------|------|-------|-------|-------------------------------------|------|-------|-------|

|                  |      |       |       |                                     |    |       |       |
|------------------|------|-------|-------|-------------------------------------|----|-------|-------|
| Other tax assets | 20.1 | 2,688 | 4,008 | Provision for decommissioning costs | 19 | 5,078 | 8,267 |
|------------------|------|-------|-------|-------------------------------------|----|-------|-------|

|                       |       |       |        |     |     |
|-----------------------|-------|-------|--------|-----|-----|
| Advances to suppliers | 1,984 | 2,409 | Others | 646 | 988 |
|-----------------------|-------|-------|--------|-----|-----|

|        |       |       |         |         |
|--------|-------|-------|---------|---------|
| Others | 2,416 | 3,817 | 133,621 | 150,591 |
|--------|-------|-------|---------|---------|

17,414      18,863

|                   |         |         |
|-------------------|---------|---------|
| Total liabilities | 161,237 | 181,709 |
|-------------------|---------|---------|



Shareholders' 22.1  
equity

|             |    |       |       |   |         |         |
|-------------|----|-------|-------|---|---------|---------|
| Investments | 10 | 4,024 | 5,753 | Share capital (net<br>of share issuance<br>costs) | 107,101 | 107,101 |
|-------------|----|-------|-------|---|---------|---------|

|                                     |    |         |         |                                       |     |     |
|-------------------------------------|----|---------|---------|---------------------------------------|-----|-----|
| Property,<br>plant and<br>equipment | 11 | 165,590 | 218,730 | Change in interest<br>in subsidiaries | 148 | 148 |
|-------------------------------------|----|---------|---------|---------------------------------------|-----|-----|

|                   |    |       |       |                 |        |        |
|-------------------|----|-------|-------|-----------------|--------|--------|
| Intangible assets | 12 | 3,054 | 4,509 | Profit reserves | 67,397 | 66,423 |
|-------------------|----|-------|-------|-----------------|--------|--------|

|         |         |  |           |          |
|---------|---------|--|-----------|----------|
| 190,082 | 247,855 | Accumulated<br>other<br>comprehensive<br>(deficit) | (101,792) | (57,400) |
|---------|---------|--|-----------|----------|

|   |        |         |
|---|--------|---------|
| Attributable to the<br>shareholders of<br>Petrobras | 72,854 | 116,272 |
|---|--------|---------|

|                              |     |     |
|------------------------------|-----|-----|
| Non-controlling<br>interests | 388 | 706 |
|------------------------------|-----|-----|

|              |        |         |
|--------------|--------|---------|
| Total equity | 73,242 | 116,978 |
|--------------|--------|---------|

|              |         |         |  |         |         |
|--------------|---------|---------|--|---------|---------|
| Total assets | 234,479 | 298,687 | Total liabilities<br>and shareholder's<br>equity | 234,479 | 298,687 |
|--------------|---------|---------|--|---------|---------|

The Notes form an integral part of these Financial Statements.





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

## Consolidated Statement of Income

September 30, 2015 and 2014

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

|   | <b>Note</b> | <b>Jan-Sep/2015</b> | <b>Jan-Sep/2014</b> | <b>3Q-2015</b> | <b>3Q-2014</b> |
|---|-------------|---------------------|---------------------|----------------|----------------|
| Sales revenues  | 23          | 75,167              | 110,248             | 23,179         | 38,844         |
| Cost of sales   |             | (52,325)            | (84,717)            | (16,484)       | (29,859)       |
| Gross profit  |             | 22,842              | 25,531              | 6,695          | 8,985          |
| Income (expenses)   |             |                     |                     |                |                |
| Selling expenses  |             | (2,954)             | (5,356)             | (1,087)        | (2,959)        |
| General and administrative expenses   |             | (2,622)             | (3,430)             | (776)          | (1,190)        |
| Exploration costs   | 14          | (1,435)             | (2,471)             | (630)          | (1,017)        |
| Research and development expenses   |             | (553)               | (812)               | (157)          | (292)          |
| Other taxes   |             | (2,413)             | (521)               | (861)          | (243)          |
| Write-off - overpayments incorrectly capitalized  |             | –                   | (2,527)             | –              | (2,527)        |
| Other expenses, net   | 24          | (3,483)             | (5,209)             | (1,547)        | (2,724)        |
|   |             | (13,460)            | (20,326)            | (5,058)        | (10,952)       |
| Net income (loss) before finance income (expense), share of earnings in equity-accounted investments, profit sharing and income taxes |             | 9,382               | 5,205               | 1,637          | (1,967)        |
| Finance income  |             | 982                 | 1,297               | 526            | 516            |
| Finance expenses  |             | (4,904)             | (2,791)             | (1,805)        | (1,003)        |
| Foreign exchange and inflation indexation charges   |             | (3,236)             | 572                 | (1,947)        | 60             |
| Net finance income (expense)  | 26          | (7,158)             | (922)               | (3,226)        | (427)          |
| Share of earnings in equity-accounted investments   | 10.1        | 171                 | 430                 | 56             | 87             |
| Profit sharing  | 21.2        | (61)                | (338)               | 65             | (56)           |
|   |             | 2,334               | 4,375               | (1,468)        | (2,363)        |

Net income (loss) before  
income taxes

|                   |      |         |         |         |         |
|-------------------|------|---------|---------|---------|---------|
| Income taxes      | 20.4 | (1,877) | (2,014) | 49      | (51)    |
| Net income (loss) |      | 457     | 2,361   | (1,419) | (2,414) |

**Net income (loss)  
attributable to:**

|                           |  |       |       |         |         |
|---------------------------|--|-------|-------|---------|---------|
| Shareholders of Petrobras |  | 971   | 2,355 | (1,062) | (2,150) |
| Non-controlling interests |  | (514) | 6     | (357)   | (264)   |
|                           |  | 457   | 2,361 | (1,419) | (2,414) |

Basic and diluted earnings  
(loss) per weighted-average of  
common and preferred share -  
in U.S. dollars

|      |      |      |        |        |
|------|------|------|--------|--------|
| 22.3 | 0.07 | 0.18 | (0.09) | (0.17) |
|------|------|------|--------|--------|

The Notes form an integral part of these Financial Statements.

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

## Consolidated Statement of Comprehensive Income

September 30, 2015 and 2014

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

|   | <b>Jan-Sep/2015</b> | <b>Jan-Sep/2014</b> | <b>3Q-2015</b> | <b>3Q-2014</b> |
|---|---------------------|---------------------|----------------|----------------|
| Net income  | 457                 | 2,361               | (1,419)        | (2,414)        |
| <b>Items that will not be reclassified to the statement of income:</b>          |                     |                     |                |                |
| Actuarial gains (losses) on defined benefit pension plans                       | –                   | (5,234)             | –              | (5,234)        |
| Deferred income tax   | –                   | 920                 | –              | 920            |
| Cumulative translation adjustments  | (29,739)            | (6,011)             | (15,644)       | (14,378)       |
|   | (29,739)            | (10,325)            | (15,644)       | (18,692)       |
| <b>Items that may be reclassified subsequently to the statement of income:</b>  |                     |                     |                |                |
| Unrealized gains / (losses) on cash flow hedge - highly probable future exports |                     |                     |                |                |
| Recognized in shareholders' equity  | (22,131)            | (2,437)             | (13,988)       | (5,377)        |
| Reclassified to the statement of income   | 1,304               | 458                 | 525            | 124            |
| Deferred income tax   | 7,083               | 674                 | 4,578          | 1,786          |
|   | (13,744)            | (1,305)             | (8,885)        | (3,467)        |
| Unrealized gains / (losses) on cash flow hedge - others                         |                     |                     |                |                |
| Recognized in shareholders' equity  | 1                   | 7                   | –              | 4              |
| Reclassified to the statement of income   | –                   | –                   | –              | –              |
|   | 1                   | 7                   | –              | 4              |
|   | (13,743)            | (1,298)             | (8,885)        | (3,463)        |
| Share of other comprehensive income (losses) in                                 | (781)               | (84)                | (481)          | (181)          |

equity-accounted investments

|   |          |          |          |          |
|---|----------|----------|----------|----------|
| Total other comprehensive income (loss):            | (44,263) | (11,707) | (25,010) | (22,336) |
| Total comprehensive income (loss)                   | (43,806) | (9,346)  | (26,429) | (24,750) |
| <b>Comprehensive income (loss) attributable to:</b> |          |          |          |          |
| Shareholders of Petrobras                           | (43,418) | (9,233)  | (26,167) | (24,511) |
| Non-controlling interests                           | (388)    | (113)    | (262)    | (239)    |
| Total comprehensive income (loss)                   | (43,806) | (9,346)  | (26,429) | (24,750) |

The Notes form an integral part of these Financial Statements.

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

## Consolidated Statement of Cash Flows

September 30, 2015 and 2014

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

|  | <b>Jan-Sep/2015</b> | <b>Jan-Sep/2014</b> |
|--|---------------------|---------------------|
| Cash flows from Operating activities   |                     |                     |
| Net income attributable to the shareholders of Petrobras   | 971                 | 2,355               |
| Adjustments for:   |                     |                     |
| Non-controlling interests  | (514)               | 6                   |
| Share of earnings in equity-accounted investments  | (171)               | (430)               |
| Depreciation, depletion and amortization   | 8,580               | 9,563               |
| Impairment of property, plant and equipment, intangible and other assets                                   | 678                 | 613                 |
| Exploration expenditures written off   | 1,050               | 1,869               |
| Write-off - overpayments incorrectly capitalized   | —                   | 2,527               |
| Allowance for impairment of trade receivables  | 141                 | 1,831               |
| (Gains) losses on disposal of assets, write-offs of assets, E&P areas returned and cancelled projects, net | 274                 | 1,669               |
| Foreign exchange, indexation and finance charges   | 7,100               | 2,410               |
| Deferred income taxes, net   | 1,011               | 966                 |
| Pension and medical benefits (actuarial expense)   | 1,613               | 1,383               |
| Decrease (Increase) in assets  |                     |                     |
| Trade and other receivables, net   | 64                  | (1,987)             |
| Inventories  | (379)               | 103                 |
| Other assets   | (1,289)             | (2,666)             |
| Increase (Decrease) in liabilities   |                     |                     |
| Trade payables   | (839)               | (491)               |
| Taxes payable  | 1,378               | (112)               |
| Pension and medical benefits   | (510)               | (578)               |
| Other liabilities  | 178                 | 1,716               |
| Net cash provided by operating activities  | 19,336              | 20,747              |
| <b>Cash flows from Investing activities</b>  |                     |                     |
| Capital expenditures   | (16,915)            | (26,191)            |
| Investments in investees   | (81)                | (176)               |

|  |          |          |
|--|----------|----------|
| Proceeds from disposal of assets                             | 215      | 584      |
| Divestment (investment) in marketable securities             | 7,610    | (4,356)  |
| Dividends received   | 171      | 334      |
| Net cash (used in) investing activities                      | (9,000)  | (29,805) |
| <b>Cash flows from Financing activities</b>                  |          |          |
| Acquisition of Non-controlling interest                      | 119      | (22)     |
| Financing and loans, net:                                    |          |          |
| Proceeds from long-term financing                            | 15,830   | 29,548   |
| Repayment of principal                                       | (11,682) | (7,543)  |
| Repayment of interest  | (4,889)  | (4,560)  |
| Dividends paid   | —        | (3,924)  |
| Net cash provided by (used in) financing activities          | (622)    | 13,499   |
| Effect of exchange rate changes on cash and cash equivalents | (1,231)  | (63)     |
| Net increase (decrease) in cash and cash equivalents         | 8,483    | 4,378    |
| Cash and cash equivalents at the beginning of the year       | 16,655   | 15,868   |
| Cash and cash equivalents at the end of the period           | 25,138   | 20,246   |

The Notes form an integral part of these Financial Statements.

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

## Consolidated Statement of Changes in Shareholders' Equity

September 30, 2015 and 2014

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

|  | <b>Share capital<br/>(net of share<br/>issuance costs)</b> |                                     | <b>Accumulated other comprehensive income<br/>(deficit) and deemed cost</b> |  |   |  |  |
|--|--|-------------------------------------|---|--|---|--|--|
|  | <b>Share<br/>Capital</b>                                   | <b>Share<br/>issuance<br/>costs</b> | <b>Change in<br/>interest in<br/>subsidiaries</b>                           | <b>Cumulative<br/>translation<br/>adjustment</b> | <b>Cash flow<br/>hedge -<br/>highly<br/>probable<br/>future<br/>exports</b> | <b>Actuarial<br/>gains<br/>(losses)<br/>on<br/>defined<br/>pension<br/>plans</b> | <b>Other<br/>comprehensive<br/>income (loss)<br/>and deemed<br/>cost</b> |
| Balance at<br>January 1, 2014                | 107,371  | (279)                               | 674   | (26,440)   | (3,911)   | (2,505)  | (178)  |
| Capital increase<br>with reserves            | 9  |                                     |   |  |   |  |  |
| Realization of<br>deemed cost                |  |                                     |   |  |   |  | (3)  |
| Change in<br>interest in<br>subsidiaries     |  |                                     | (36)  |  |   |  |  |
| Net income                                   |  |                                     |   |  |   |  |  |
| Other<br>comprehensive<br>income             |  |                                     |   | (5,892)  | (1,305)   | (4,314)  | (77)   |
| Appropriations:<br>Transfer from<br>reserves |  |                                     |   |  |   |  |  |
| Dividends                                    |  |                                     |   |  |   |  |  |
|  | 107,380  | (279)                               | 638   | (32,332)   | (5,216)   | (6,819)  | (258)  |
| Balance at<br>September 30,<br>2014          | 107,380  | (279)                               | 148   | (41,968)   | (7,699)   | (7,295)  | (438)  |
|  |  |                                     |   |  |   |  |  |
| Balance at<br>January 1, 2015                | 107,380  | (279)                               | 148   |  |   |  | (44,625)   |
|  |  |                                     |   |  |   |  |  |
|  | 107,101  |                                     | 148   |  |   |  | (57,400)   |
|  |  |                                     |   |  |   |  |  |
|  | —  |                                     |   |  |   |  |  |

|                                    |         |         |     |          |          |         |           |
|------------------------------------|---------|---------|-----|----------|----------|---------|-----------|
| Capital increase with reserves     |         |         |     |          |          |         |           |
| Realization of deemed cost         |         |         |     |          |          |         | (3)       |
| Change in interest in subsidiaries |         | —       |     |          |          |         |           |
| Net income (loss)                  |         |         |     |          |          |         |           |
| Other comprehensive income (loss)  |         |         |     | (29,865) | (13,744) | —       | (780)     |
| Appropriations:                    |         |         |     |          |          |         |           |
| Transfer from reserves             |         |         |     |          |          |         |           |
| Dividends                          | 107,380 | (279)   | 148 | (71,833) | (21,443) | (7,295) | (1,221)   |
| Balance at September 30, 2015      |         | 107,101 | 148 |          |          |         | (101,792) |

The Notes form an integral part of these Financial Statements.

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

Notes to the financial statements

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

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

Petróleo Brasileiro S.A. - Petrobras is dedicated, directly or through its subsidiaries (referred to jointly as “Petrobras”, “the Company”, or “Petrobras Group”) 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 other related or similar activities. The Company’s head office is located in Rio de Janeiro – RJ, Brazil.

### **2. Basis of preparation**

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

This interim financial information presents the significant changes in the period, without repeating all information previously reported in notes to the Company’s financial statements. As a result, this interim financial information should be read together with the Company’s annual financial statements for the year ended December 31, 2014, which include the full set of notes.

The Company has reclassified certain amounts from prior periods to conform to current period presentations. Net income or shareholders’ equity were not affected in any of the periods presented and such reclassifications are set out in note 7.

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

| <b>Brazilian Real x U.S. Dollar</b> | <b>Mar 2015</b> | <b>Jun 2015</b> | <b>Sep 2015</b> | <b>Mar 2014</b> | <b>Jun 2014</b> | <b>Sep 2014</b> | <b>Dec 2014</b> |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Quarterly average exchange rate     | 2.86            | 3.07            | 3.55            | 2.36            | 2.23            | 2.28            | 2.55            |
| Period-end exchange rate            | 3.21            | 3.10            | 3.97            | 2.26            | 2.20            | 2.45            | 2.66            |

The Company's Board of Directors in a meeting held on November 12, 2015 authorized the consolidated interim financial information for issue.

## **2.1. Accounting estimates**

The preparation of interim financial information requires the use of estimates and assumptions for certain assets, liabilities and other transactions. These estimates include: write-off of overpayments incorrectly capitalized, oil and gas reserves, pension and medical benefits liabilities, depreciation, depletion and amortization, decommissioning costs, impairment of assets, hedge accounting, provisions for legal proceedings, fair value of financial instruments, present value adjustments of trade receivables and payables from relevant transactions, and income taxes (income tax – IRPJ and social contribution on net income – CSLL). Although our management uses assumptions and judgments that are periodically reviewed, the actual results could differ from these estimates.

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

Notes to the financial statements

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

### **3. The “Lava Jato” (Car Wash) Operation and its effects on the Company**

In the third quarter of 2014, the Company wrote off US\$2,527 of capitalized costs representing amounts that Petrobras overpaid for the acquisition of property, plant and equipment in prior years. For further information see note 3 to the Company’s December 31, 2014 consolidated financial statements.

In preparing its financial statements for the period ended September 30, 2015, the Company carefully considered all available information and does not believe that new developments in the investigations related to the “Lava Jato” (Car Wash) Operation by the Brazilian authorities, by the independent law firms conducting an internal investigation, or by newly set up internal commissions (or a review of the results of previous internal investigations) could materially impact or change the methodology adopted to recognize the write-off described above. Notwithstanding this belief, the Company will continuously monitor the investigations for additional information and, as of September 30, 2015, has not identified any necessary adjustment based on existing information.

On May 13, 2015 and on August 25, 2015, the Company received US\$ 51 and US\$ 21, respectively, representing funds recovered from Pedro José Barusco Filho, a former executive manager of the Services area, who had previously entered into a plea agreement with Brazilian authorities.

The amount of US\$ 72 was recognized as other income (amounts recovered – “overpayments incorrectly capitalized”). To the extent that any of the proceedings resulting from the Lava Jato investigation involve leniency agreements with cartel members or plea agreements with individuals pursuant to which they agree to return funds, Petrobras may be entitled to receive a portion of such funds.

See note 29 for information about the Company’s material legal proceedings, including those related to the “Lava Jato” investigation.

### **4. Basis of consolidation**

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

There were no significant changes in the consolidated entities in the nine-month period ended September 30, 2015.

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

**5. Summary of significant accounting policies**

The same accounting policies and methods of computation were followed in these consolidated interim financial statements as those followed in the preparation of the annual financial statements of the Company for the year ended December 31, 2014.

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***6. Cash and cash equivalents and Marketable securities****Cash and cash equivalents**

|   | <b>09.30.2015</b> | <b>12.31.2014</b> |
|---|-------------------|-------------------|
| Cash at bank and in hand  | 742               | 709               |
| Short-term financial investments                                      |                   |                   |
| - In Brazil   |                   |                   |
| Single-member funds (Interbank Deposit) and other short-term deposits | 2,665             | 1,999             |
| Other investment funds  | 39                | 41                |
|   | 2,704             | 2,040             |
| - Abroad  |                   |                   |
| Time deposits   | 13,262            | 8,700             |
| Automatic investing accounts and interest checking accounts           | 5,884             | 3,573             |
| Other financial investments   | 2,546             | 1,633             |
|   | 21,692            | 13,906            |
| Total short-term financial investments                                | 24,396            | 15,946            |
| Total cash and cash equivalents                                       | 25,138            | 16,655            |

Short-term financial investments in Brazil comprise investments in exclusive (single-member) funds, mainly holding Brazilian Federal Government Bonds. Short-term financial investments abroad are comprised of time deposits, highly-liquid automatic investing accounts, interest checking accounts and other short-term fixed income instruments with maturities of three months or less.

**Marketable securities**

|                               | <b>09.30.2015</b> |               |              | <b>12.31.2014</b> |               |              |
|-------------------------------|-------------------|---------------|--------------|-------------------|---------------|--------------|
|                               | <b>In Brazil</b>  | <b>Abroad</b> | <b>Total</b> | <b>In Brazil</b>  | <b>Abroad</b> | <b>Total</b> |
| Trading securities            | 1,099             | –             | 1,099        | 2,690             | –             | 2,690        |
| Available-for-sale securities | 1                 | 2             | 3            | 2                 | 19            | 21           |
| Held-to-maturity securities   | 71                | 15            | 86           | 102               | 6,619         | 6,721        |
|                               | 1,171             | 17            | 1,188        | 2,794             | 6,638         | 9,432        |

|             |       |    |       |       |       |       |
|-------------|-------|----|-------|-------|-------|-------|
| Current     | 1,099 | 3  | 1,102 | 2,690 | 6,633 | 9,323 |
| Non-current | 72    | 14 | 86    | 104   | 5     | 109   |

Trading securities refer mainly to investments in Brazilian Federal Government Bonds and held-to-maturity securities are mainly comprised of time deposits with highly-rated financial institutions abroad.

These financial investments have maturities of more than three months and are classified as current assets due to their maturity or the expectation of their realization in the short term.

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***7. Trade and other receivables****7.1. Trade and other receivables, net**

|   | <b>09.30.2015</b> | <b>12.31.2014</b> |
|---|-------------------|-------------------|
| Trade receivables                             |                   |                   |
| Third parties                                 | 7,253             | 10,022            |
| Related parties (*)                           | 4,001             | 4,146             |
| Other receivables                             | 1,184             | 2,005             |
|   | 12,438            | 16,173            |
| Allowance for impairment of trade receivables | (2,830)           | (3,372)           |
|   | 9,608             | 12,801            |
| Current                                       | 5,325             | 7,969             |
| Non-current                                   | 4,283             | 4,832             |

(\*) Includes joint ventures and associates, receivables from the electricity sector and petroleum and alcohol accounts, as set out in note 18.

Beginning in 2015 the Company started classifying performance bonuses advanced to customers as other long-term receivables (previously classified as non-current trade and other receivables, net) in order to provide a better presentation of its accounts receivable and to be consistent with the industry practice. As of December 31, 2014, US\$ 605 were reclassified.

**7.2. Trade receivables overdue - Third parties**

|                     | <b>09.30.2015</b> | <b>12.31.2014</b> |
|---------------------|-------------------|-------------------|
| Up to 3 months      | 248               | 823               |
| From 3 to 6 months  | 430               | 178               |
| From 6 to 12 months | 506               | 181               |
| More than 12 months | 1,600             | 1,832             |
|                     | 2,784             | 3,014             |

**7.3. Changes in the allowance for impairment of trade receivables**

|                                   | <b>09.30.2015</b> | <b>12.31.2014</b> |
|-----------------------------------|-------------------|-------------------|
| Opening balance                   | 3,372             | 1,406             |
| Additions                         | 1,201             | 2,484             |
| Write-offs                        | (64)              | (2)               |
| Reversals                         | (684)             | (128)             |
| Cumulative translation adjustment | (995)             | (388)             |
| Closing balance                   | 2,830             | 3,372             |
| Current                           | 1,416             | 1,448             |
| Non-current                       | 1,414             | 1,924             |

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***7.4. Trade receivables – electricity sector (isolated electricity system in the northern region of Brazil)**

|  | <b>As of<br/>December<br/>31, 2014</b> | <b>Amounts<br/>Sales received</b> | <b>Reversals</b> | <b>Transfers<br/>(*)</b> | <b>Inflation<br/>indexation</b> | <b>CTA</b> | <b>As of<br/>September<br/>30, 2015</b> |
|--|--|-----------------------------------|------------------|--------------------------|---------------------------------|------------|---|
| <b>Related parties<br/>(Eletrobras Group)</b>  |  |                                   |                  |                          |                                 |            |   |
| Amazonas Distrib. De Energia Centrais Elétricas de Rondônia                            | 2,253                                  | 637                               | (547)            | –                        | 898                             | 245        | (915) 2,571                             |
| Others   | 471                                    | 352                               | (143)            | –                        | –                               | 42         | (220) 502                               |
| Trade receivables - Eletrobras Group (-) Allowance for impairment of trade receivables | 242                                    | 167                               | (148)            | –                        | –                               | 15         | (87) 189                                |
| Trade receivables, net - Eletrobras Group  | 2,966                                  | 1,156                             | (838)            | –                        | 898                             | 302        | (1,222) 3,262                           |
| Trade receivables, net - Eletrobras Group  | (329)                                  | (224)                             | –                | 32                       | (284)                           | –          | 160 (645)                               |
| Trade receivables, net - Eletrobras Group  | 2,637                                  | 932                               | (838)            | 32                       | 614                             | 302        | (1,062) 2,617                           |
| <b>Third parties</b>   |  |                                   |                  |                          |                                 |            |   |
| Cigás Cia de Eletricidade do Amapá   | 1,433                                  | 536                               | (240)            | –                        | (898)                           | 28         | (460) 399                               |
| Others   | 243                                    | 66                                | (18)             | –                        | –                               | –          | (93) 198                                |
| Trade receivables - Third parties  | 175                                    | 303                               | (324)            | –                        | –                               | 5          | (57) 102                                |
| Trade receivables - Third parties  | 1,851                                  | 905                               | (582)            | –                        | (898)                           | 33         | (610) 699                               |

|   |         |       |         |     |       |     |         |       |
|---|---------|-------|---------|-----|-------|-----|---------|-------|
| (-) Allowance for impairment of trade receivables | (1,382) | (122) | –       | 568 | 284   | –   | 312     | (340) |
| Trade receivables, net - Third parties            | 469     | 783   | (582)   | 568 | (614) | 33  | (298)   | 359   |
| Trade receivables - Total                         | 4,817   | 2,061 | (1,420) | –   | –     | 335 | (1,832) | 3,961 |
| (-) Allowance for impairment of trade receivables | (1,711) | (346) | –       | 600 | –     | –   | 472     | (985) |
| Trade receivables, net - Total                    | 3,106   | 1,715 | (1,420) | 600 | –     | 335 | (1,360) | 2,976 |

(\*) Cigás assigned receivables from Amazonas Distribuidora de Energia to Petrobras, pursuant to the purchase and sale agreement.

As of September 30, 2015, US\$ 3,401 of the Company's trade receivables from the isolated electricity system in the northern region of Brazil, related to the sale of fuel oil, natural gas, electricity and other products to thermoelectric power plants (which are subsidiaries of Eletrobras), state-owned natural gas distribution companies and independent electricity producers (*Produtores Independentes de Energia – PIE*) operating in that region, were classified as non-current assets. The balance of those receivables was US\$ 3,961 as of September 30, 2015 (US\$ 4,817 as of December 31, 2014).

Historically, a significant portion of the funds used by those companies to pay for products supplied by the Company comes from the Fuel Consumption Account (*Conta de Consumo de Combustível – CCC*), which provides funds to cover a portion of the costs related to the supply of fuel to thermoelectric power plants located in the northern region of Brazil (operating in the isolated electricity system). However, as a result of changes in the CCC regulations over time, funds transferred from the CCC to the electricity companies in the northern region of Brazil have not been sufficient for them to meet their financial obligations and, as a result, some of these companies have experienced financial difficulties and have not been able to pay for the products supplied by Petrobras.

In 2013, a newly passed legislation significantly changed the sources of funds that were used to cover the cost of electricity generated in the Isolated Electricity System and the Brazilian Federal Government started to provide funds to cover costs that in the past were only borne by the CCC. This assistance from the Federal Government would be made available through funds deposited in the Energy Development Account (*Conta de Desenvolvimento Energético – CDE*) by the Brazilian National Treasury. Those funds, however, proved to be insufficient to

cover the operational costs of the thermoelectric power plants in the Isolated Electricity System.

In 2014, the transfer of funds from the CCC, which was already insufficient to cover the costs related to fuel supplied by the Company, significantly decreased. Following an increase in the amounts owed by the thermoelectric power plants operating in the Isolated Electricity System, the Company intensified negotiations with the state-owned natural gas distribution companies, the independent electricity producers (*PIEs*), subsidiaries of Eletrobras and other private companies. On December 31, 2014, the Company entered into a debt acknowledgement agreement with subsidiaries of Eletrobras (the Brazilian Ministry of Mines and Energy participated directly in the negotiations) with respect to the balance of its receivables as of November 30, 2014. Eletrobras acknowledged owing US\$ 2,165 to the Company. This amount is being updated monthly based on the Selic interest rate (Brazilian short-term interest rate). Under this agreement, the first of 120 monthly installments was paid in February 2015 and, as of May 7, 2015, US\$ 1,858 had been guaranteed by the collateralization of certain amounts payable by the *CDE* to the *CCC*.

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

Notes to the financial statements

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

In 2015, the Brazilian government reviewed its electricity price regulations and implemented a new pricing policy for the electricity sector, which has already resulted in increases in the tariffs charged to end customers since the first quarter of 2015. The Company expected that this new policy would strengthen the financial situation of the companies in the electricity sector and, consequently reduce the balance of their accounts payable with respect to fuel oil and other products supplied by the Company, which has not occurred. Due to the time lag between starting to charge higher electricity tariffs from end customers and the improvement of the financial situation of the companies in the electricity sector, the flow of payments from end customers that will be transferred to the CCC and used to refund the electricity generation companies for their costs related to fuel purchases is slow and those companies have not been fully refunded and, therefore, the default rates of those companies with respect to products supplied by the Company have increased.

However, following the approval of Normative Instruction 675 of the Brazilian National Electricity Agency (*Agência Nacional de Energia Elétrica - ANEEL*) on September 1, 2015, the Company expects that the flow of funds from the CCC to the Company will be accelerated due to the possibility of receiving funds directly from the CCC with respect to products supplied in the prior month and limited to 75% of the average payments made by the CCC in the previous three months. The Company is also adopting restrictive measures, such as requiring advanced payments to prevent the increase of overdue receivables, except when judicial injunctions require the Company to supply fuel without demanding advanced payments.

The Company is currently negotiating with those companies to enter into a debt acknowledgement agreement and to pledge additional credits of the CDE as collateral, in the amount of US\$ 645, as a result of a governmental authorization for a renegotiation of CDE's debt with companies that are creditors of the CCC related to overdue receivables between December 1, 2014 and June 30, 2015.

As a result, and based on Management's best judgment, the Company has recognized an allowance for impairment of trade receivables of US\$ 346 in 2015 (US\$ 1,948 in 2014) with respect to uncollateralized receivables related to products supplied after November 1, 2014, which were overdue as of September 30, 2015. In addition, the Company recognized a reversal of allowance for impairment of trade receivables of US\$ 600 in the nine-month period ended September 30, 2015, resulting from receivables from the CDE that were pledged as collaterals and from the existence of restricted funds deposited in an escrow account arising from payments related to a purchase and sale agreement.

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

Notes to the financial statements

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

|                                | <b>09.30.2015</b> | <b>12.31.2014</b> |
|--------------------------------|-------------------|-------------------|
| Crude oil                      | 2,959             | 3,977             |
| Oil products                   | 2,956             | 4,333             |
| Intermediate products          | 537               | 854               |
| Natural gas and LNG (*)        | 313               | 358               |
| Biofuels                       | 115               | 150               |
| Fertilizers                    | 38                | 34                |
|                                | 6,918             | 9,706             |
| Materials, supplies and others | 1,302             | 1,806             |
|                                | 8,220             | 11,512            |
| Current                        | 8,202             | 11,466            |
| Non-current                    | 18                | 46                |

(\*) Liquid natural gas

Inventories are presented net of a US\$ 49 allowance reducing inventories to net realizable value (US\$ 150 as of December 31, 2014), mainly due to the decrease in international prices of crude oil and oil products. In the nine-month period ended September 30, 2015 the Company recognized as cost of sales a US\$ 257 allowance reducing inventories to net realizable value (US\$ 485 in the nine-month period ended September 30, 2014).

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\$ 1,603 (US\$ 2,316 as of December 31, 2014), as set out in note 21.1.

**9. Disposal of assets and legal mergers****9.1. Disposal of assets****Disposal of assets in Argentina**

On March 30, 2015, Petrobras Argentina S.A., PESA, disposed of its interest in assets located in the Austral Basin in Santa Cruz to Compañía General de Combustibles S.A. (CGC) for a lump-sum payment of US\$ 101 made on the same date. The Company recognized a US\$ 77 gain in other income.

**Innova S.A.**

On August 16, 2013, the Board of Directors of Petrobras approved the disposal of 100% of the share capital of Innova S.A. to Videolar S.A. and its controlling shareholder for US\$ 369, subject to certain condition precedent, such as approval by the Brazilian Antitrust Regulator (Conselho Administrativo de Defesa Econômica – CADE).

On October 30, 2014 the transaction was concluded as set out in the sales and purchase agreement and a US\$ 57 gain was recognized in other income.

On March 31, 2015, a final price adjustment was agreed between the parties and was paid. The Company recognized the additional payment received of US\$ 78 in other income.

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***9.2. Legal mergers**

On January 30, 2015, the Shareholders' Extraordinary General Meeting of Petrobras approved the mergers of Arembepe Energia S.A. and Energética Camaçari Muricy S.A. into Petrobras.

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

**10. Investments****10.1. Investments in associates and joint ventures**

| <b>Investments accounted for using the equity method</b> | <b>Carrying amount of the investments</b> |                   | <b>Share of earnings in the investments</b> |                     |
|--|---|-------------------|---|---------------------|
|  | <b>09.30.2015</b>                         | <b>12.31.2014</b> | <b>Jan-Sep/2015</b>                         | <b>Jan-Sep/2014</b> |
| Petrobras Oil & Gas B.V. - PO&G                          | 1,731                                     | 1,714             | 67  | 183                 |
| Braskem S.A.   | 812                                       | 1,711             | 328   | 129                 |
| Investees in Venezuela                                   | 301                                       | 301               | (1)   | (5)                 |
| State-controlled natural gas distributors                | 250                                       | 340               | 52  | 86                  |
| Guarani S.A.   | 249                                       | 518               | (36)  | (16)                |
| Nova Fronteira Bioenergia S.A.                           | 109                                       | 163               | 1   | 10                  |
| Compañía de Inversiones de Energia S.A. - CIESA          | 61  | 68                | (1)   | (1)                 |
| UEG Araucária Ltda                                       | 50  | 73                | 19  | 27                  |
| Sete Brasil Participações                                | 45  | 144               | (86)  | (3)                 |
| Compañía Mega S.A. - MEGA                                | 45  | 31                | 17  | 3                   |
| Other petrochemical investees                            | 44  | 66                | 11  | 16                  |
| Fundo de Investimentos em Participações                  | 39  | 137               | (87)  | 2                   |
| Other associates (*)                                     | 277                                       | 470               | (113)                                       | (1)                 |
|  | 4,013                                     | 5,736             | 171   | 430                 |
| Other investees  | 11  | 17                | –   | –                   |
|  | 4,024                                     | 5,753             | 171   | 430                 |

(\*) Includes impairment losses of US\$ 95, as set out in note 13.2.

A US\$ 196 loss was recognized as a result of impairment losses in Sete Brasil and in FIP Sondas (*Fundo de Investimento em Participações – Sondas*), recognized as share of earnings in equity-accounted investments in the statement of income.

## 10.2. Investments in listed companies

| Company                    | Thousand-share lot |            | Type        | Quoted stock exchange prices (US\$ per share) |            | Market value |            |
|----------------------------|--------------------|------------|-------------|---|------------|--------------|------------|
|                            | 09.30.2015         | 12.31.2014 |             | 09.30.2015                                    | 12.31.2014 | 09.30.2015   | 12.31.2014 |
| <b>Indirect subsidiary</b> |                    |            |             |   |            |              |            |
| Petrobras Argentina S.A.   | 1,356,792          | 1,356,792  | Common      | 0.73  | 0.65       | 994          | 879        |
|                            |                    |            |             |   |            | 994          | 879        |
| <b>Associate</b>           |                    |            |             |   |            |              |            |
| Braskem S.A.               | 212,427            | 212,427    | Common      | 3.01  | 4.07       | 638          | 864        |
| Braskem S.A.               | 75,793             | 75,793     | Preferred A | 4.20  | 6.59       | 318          | 499        |
|                            |                    |            |             |   |            | 956          | 1,363      |

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

Notes to the financial statements

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

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

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

Braskem's shares are publicly traded on stock exchanges in Brazil and abroad. The quoted market value of the Company's investment as of September 30, 2015, was US\$ 956, based on the quoted values of both Petrobras' interest in Braskem's common stock (47% of the outstanding shares), and preferred stock (22% of the outstanding shares). However, there is extremely limited trading of the common shares, since non-signatories of the shareholders' agreement hold only approximately 3% of the common shares.

In addition, given the operational relationship between Petrobras and Braskem, on December 31, 2014, 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 this investment via dividends and other distributions to arrive at its value in use. As the recoverable amount was higher than the carrying amount, no impairment losses were recognized for this investment.

The main assumptions on which cash flow projections were based to determine Braskem's value in use are set out in note 14 to the Company's consolidated financial statements for the year ended December 31, 2014.

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

Notes to the financial statements

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

|   | <b>Land,<br/>buildings and<br/>improvement</b> | <b>Equipment<br/>and other<br/>assets</b> | <b>Assets under<br/>construction<br/>(* )</b> | <b>Exploration<br/>and<br/>development<br/>costs (Oil and<br/>producing<br/>properties)</b> | <b>Total</b> |
|---|--|---|---|---|--------------|
| Balance at January 1,<br>2014                                     | 7,868  | 90,405                                    | 79,758  | 49,870  | 227,901      |
| Additions   | 30   | 2,031                                     | 30,362  | 580   | 33,003       |
| Additions to / review of<br>estimates of<br>decommissioning costs | –  | –   | –   | 1,999   | 1,999        |
| Capitalized borrowing<br>costs                                    | –  | –   | 3,592   | –   | 3,592        |
| Write-offs  | (9)  | (57)                                      | (4,024)                                       | (196)   | (4,286)      |
| Write-off - overpayments<br>incorrectly capitalized               | (35)   | (1,160)                                   | (1,078)                                       | (91)  | (2,364)      |
| Transfers (***)   | 2,685  | 25,371                                    | (36,178)                                      | 23,078  | 14,956       |
| Depreciation,<br>amortization and<br>depletion                    | (534)  | (7,381)                                   | –   | (4,888)   | (12,803)     |
| Impairment recognition<br>(****)                                  | (899)  | (1,398)                                   | (11,670)                                      | (2,839)   | (16,806)     |
| Impairment reversal<br>(****)                                     | –  | 17  | –   | 3   | 20           |
| Cumulative translation<br>adjustment                              | (1,071)  | (9,832)                                   | (7,819)                                       | (7,760)   | (26,482)     |
| Balance at December<br>31, 2014                                   | 8,035  | 97,996                                    | 52,943  | 59,756  | 218,730      |
| Cost  | 10,979   | 142,030                                   | 52,943  | 88,023  | 293,975      |
| Accumulated<br>depreciation,<br>amortization and<br>depletion     | (2,944)  | (44,034)                                  | –   | (28,267)  | (75,245)     |
| Balance at December<br>31, 2014                                   | 8,035  | 97,996                                    | 52,943  | 59,756  | 218,730      |
| Additions   | 194  | 871                                       | 14,492  | 357   | 15,914       |
|   | –  | –   | –   | (12)  | (12)         |

|   |                                 |                      |          |                                  |          |
|---|---------------------------------|----------------------|----------|----------------------------------|----------|
| Additions to / review of estimates of decommissioning costs |                                 |                      |          |                                  |          |
| Capitalized borrowing costs                                 | —                               | —                    | 1,372    | —                                | 1,372    |
| Write-offs  | (7)                             | (27)                 | (1,298)  | (162)                            | (1,494)  |
| Transfers   | 563                             | 5,723                | (11,415) | 6,415                            | 1,286    |
| Depreciation, amortization and depletion                    | (376)                           | (4,734)              | —        | (3,358)                          | (8,468)  |
| Impairment recognition                                      | —                               | (2)                  | (309)    | (71)                             | (382)    |
| Cumulative translation adjustment                           | (2,639)                         | (24,512)             | (14,938) | (19,267)                         | (61,356) |
| Balance at September 30, 2015                               | 5,770                           | 75,315               | 40,847   | 43,658                           | 165,590  |
| Cost  | 8,156                           | 111,995              | 40,847   | 65,866                           | 226,864  |
| Accumulated depreciation, amortization and depletion        | (2,386)                         | (36,680)             | —        | (22,208)                         | (61,274) |
| Balance at September 30, 2015                               | 5,770                           | 75,315               | 40,847   | 43,658                           | 165,590  |
| Weighted average of useful life in years                    | 40 (25 to 50 )<br>(except land) | 20 (3 to 31)<br>(**) |          | Units of<br>production<br>method |          |

(\*) See note 28 for assets under construction by business area

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

(\*\*\*) Includes US\$ 10,446 reclassified from Intangible Assets to Property, Plant and Equipment in 2014, as a result of the declaration of commerciality of areas of the Assignment Agreement (See note 12.3 to the Company's consolidated financial statements for the year ended December 31, 2014).

(\*\*\*\*) For more detailed information, see Note 14 to the Company's consolidated financial statements for the year ended December 31, 2014.

As of September 30, 2015, property, plant and equipment include assets under finance leases of US\$ 123 (US\$ 72 as of December 31, 2014).

The Company's property, plant and equipment include US\$ 18,830 related to the acquisition costs of areas in the Assignment Agreement.

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

Notes to the financial statements

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

|                                      | <b>Rights and<br/>Concessions</b> | <b>Software<br/>Acquired</b> | <b>Developed<br/>in-house</b> | <b>Goodwill</b> | <b>Total</b> |
|--------------------------------------|-----------------------------------|------------------------------|-------------------------------|-----------------|--------------|
| Balance at January 1, 2014           | 14,381                            | 142                          | 496                           | 400             | 15,419       |
| Addition                             | 92                                | 41                           | 118                           | –               | 251          |
| Capitalized borrowing costs          | –                                 | –                            | 8                             | –               | 8            |
| Write-offs                           | (93)                              | (5)                          | (10)                          | –               | (108)        |
| Transfers (**)                       | (10,346)                          | 7                            | 9                             | (1)             | (10,331)     |
| Amortization                         | (35)                              | (54)                         | (131)                         | –               | (220)        |
| Impairment recognition               | (8)                               | –                            | –                             | –               | (8)          |
| Impairment reversal                  | 6                                 | –                            | –                             | –               | 6            |
| Cumulative translation<br>adjustment | (405)                             | (12)                         | (58)                          | (33)            | (508)        |
| Balance at December 31,<br>2014      | 3,592                             | 119                          | 432                           | 366             | 4,509        |
| Cost                                 | 4,003                             | 578                          | 1,281                         | 366             | 6,228        |
| Accumulated amortization             | (411)                             | (459)                        | (849)                         | –               | (1,719)      |
| Balance at December 31,<br>2014      | 3,592                             | 119                          | 432                           | 366             | 4,509        |
| Addition                             | 12                                | 13                           | 56                            | –               | 81           |
| Capitalized borrowing costs          | –                                 | –                            | 4                             | –               | 4            |
| Write-offs                           | (88)                              | –                            | (1)                           | –               | (89)         |
| Transfers                            | (1)                               | 3                            | 12                            | –               | 14           |
| Amortization                         | (17)                              | (25)                         | (70)                          | –               | (112)        |
| Impairment recognition               | (30)                              | –                            | –                             | –               | (30)         |
| Cumulative translation<br>adjustment | (1,062)                           | (36)                         | (142)                         | (83)            | (1,323)      |
| Balance at September 30,<br>2015     | 2,406                             | 74                           | 291                           | 283             | 3,054        |
| Cost                                 | 2,664                             | 421                          | 932                           | 283             | 4,300        |
| Accumulated amortization             | (258)                             | (347)                        | (641)                         | –               | (1,246)      |
| Balance at September 30,<br>2015     | 2,406                             | 74                           | 291                           | 283             | 3,054        |
| Estimated useful life - years (*)    | (*)                               | 5                            | 5                             | Indefinite      |              |

(\*) Mainly comprised of assets with indefinite useful lives, which are reviewed annually to determine whether events and circumstances continue to support an indefinite useful life

assessment.

(\*\*) Includes US\$ 10,446 reclassified from Intangible Assets to Property Plant and Equipment in 2014, as a result of the declaration of commerciality of areas of the Assignment Agreement. See Note 12.3 to the Company's consolidated financial statements for the year ended December 31, 2014.

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

Notes to the financial statements

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

### **13. Impairment**

The Company's assets are tested for impairment annually or when there is an indication that their carrying amount may not be recoverable.

Based on the new 2015 to 2019 Business and Management Plan - BMP (*Plano de Negócios e Gestão - PNG*), indicating a decrease in the Company's investment portfolio when compared to the previous BMP and due to the postponement of certain projects or removal from the BMP the Company assessed whether there were any indicators of possible impairment at June 30, 2015.

The Company did not identify any indication of impairment for the quarter ended September 30, 2015.

#### **13.1. Property, plant and equipment and intangible assets**

For impairment testing purposes, the Company has prioritized the use of the value in use of the assets for which there was an indication that their carrying amount may not be recoverable (individually or grouped into cash-generating units - CGUs). In measuring the value in use of an asset (or a CGU) the Company bases its cash flow projections on: (i) the estimated useful life of the asset or assets grouped into the CGU; (ii) assumptions and financial budgets/forecasts approved by Management for the period corresponding to the expected life cycle of each different business; and (iii) a pre-tax discount rate, which is derived from the Company's post-tax weighted average cost of capital (WACC). The Company's identified CGUs are set out in note 5.2 to its financial statements for the year ended December 31, 2014.

Projects postponed by the Company's Management did not result in impairment losses for the respective assets or cash-generating units.

However, considering changes in future circumstances and projections, projects removed from the 2015-2019 BMP were also removed from their cash-generating units (as set out in the Company's financial statements for the year ended December 31, 2014 and when no impairment losses had been recognized for those assets).

Impairment losses of US\$ 419 were recognized as other expenses in the quarter ended June 30, 2015 as a result of the stand-alone basis impairment tests carried out for those assets, as set out below:

| <b>Assets or CGU, by nature</b>   | <b>Impairment losses</b> | <b>Business segment</b> |
|-----------------------------------|--------------------------|-------------------------|
| Nitrogen Fertilizer Plant - UFN-V | 190                      | Gas & Power             |

|   |     |              |
|---|-----|--------------|
| RTM Assets  | 118 | RTM          |
| Producing properties: E&P activities in Brazil<br>(several CGUs) and assets held for sale (*) | 81  | E&P - Brazil |
| Signature bonuses (Intangible Assets) -<br>Petrobras America (PAI)                            | 30  | E&P - Int'l  |
|   | 419 |              |

(\*) Includes impairment losses of US\$ 8 in property, plant and equipment and US\$ 7 in accounts receivable related to the disposal of Bijupirá and Salema fields.

In the future, the Company will determine possible uses for these assets, including: (i) using parts and equipment from those projects in other projects; (ii) divesting; (iii) looking for partners for those projects; or (iv) writing off those assets.

### **13.2. Investments in associates and joint ventures**

The Company's impairment tests of investments in associates and joint ventures resulted in impairment losses of US\$ 54 in its biofuels segment, due to projects that were removed from the Company's 2015-2019 BMP. In addition, a US\$ 41 impairment loss was recognized in Copacabana Drilling B.V., Grumari Drilling B.V., Ipanema Drilling B.V., Leblon Drilling B.V., Leme Drilling B.V. and Marambaia Drilling B.V., which are associates of Petrobras Netherland B.V. (PNBV, a wholly-owned subsidiary of Petrobras) and are indirectly controlled by Sete Brasil.

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

Notes to the financial statements

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

Those losses of US\$ 95 were recognized in share of earnings in equity-accounted investments.

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

Exploration and evaluation activities include the search for oil and gas beginning with the acquisition of legal rights to explore a specific area through to 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 following table.

| <b>Capitalized Exploratory Well Costs / Capitalized Acquisition Costs (*)</b> | <b>09.30.2015</b> | <b>12.31.2014</b> |
|---|-------------------|-------------------|
| Property plant and equipment  |                   |                   |
| Opening Balance   | 7,000             | 8,802             |
| Additions to capitalized costs pending determination of proved reserves       | 1,840             | 4,272             |
| Capitalized exploratory costs charged to expense                              | (769)             | (1,366)           |
| Transfers upon recognition of proved reserves                                 | (620)             | (3,835)           |
| Cumulative translation adjustment   | (2,309)           | (873)             |
| Closing Balance   | 5,142             | 7,000             |
| Intangible Assets   | 2,028             | 3,044             |
| Capitalized Exploratory Well Costs / Capitalized Acquisition Costs            | 7,170             | 10,044            |

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

Exploration costs recognized in the statement of income and cash used in oil and gas exploration and evaluation activities are set out in the table below:

| <b>Exploration costs recognized in the statement of income</b> | <b>Jan-Sep/2015</b> | <b>Jan-Sep/2014</b> |
|--|---------------------|---------------------|
| Geological and geophysical expenses                            | 334                 | 568                 |

|   |       |       |
|---|-------|-------|
| Exploration expenditures written off (incl.dry wells and signature bonuses) | 1,050 | 1,869 |
| Other exploration expenses  | 51    | 34    |
| Total expenses  | 1,435 | 2,471 |

|                       |                     |                     |
|-----------------------|---------------------|---------------------|
| <b>Cash used in :</b> | <b>Jan-Sep/2015</b> | <b>Jan-Sep/2014</b> |
| Operating activities  | 385                 | 601                 |
| Investment activities | 2,178               | 3,748               |
| Total cash used       | 2,563               | 4,349               |

## 15. Trade payables

|                                |                   |                   |
|--------------------------------|-------------------|-------------------|
|                                | <b>09.30.2015</b> | <b>12.31.2014</b> |
| Third parties in Brazil        | 3,072             | 4,949             |
| Third parties abroad           | 3,140             | 4,240             |
| Related parties                | 494               | 571               |
| Balance on current liabilities | 6,706             | 9,760             |

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***16. Finance debt**

The Company obtains funding through debt financing for capital expenditures to develop crude oil and natural gas producing properties, construct vessels and pipelines, construct and expand industrial plants, among other uses.

The Company has covenants in its loan agreements and notes issued in the capital markets requiring, among other obligations, the presentation of interim financial statements within 90 days of the end of each quarter (not reviewed by independent auditors) and audited financial statements within 120 days of the end of each fiscal year. Non-compliance with these obligations do not represent immediate events of default and the grace period in which the Company has to deliver these financial statements ranges from 30 to 60 days, depending on the agreement. Delivering financial statements is an obligation included in most financing agreements and non-compliance with that obligation could trigger an event of default and a right to accelerate the debt.

A roll-forward of non-current debt is set out below:

|   | <b>Export</b>   |                       |                       |               |              |
|---|-----------------|-----------------------|-----------------------|---------------|--------------|
|   | <b>Credit</b>   |                       |                       |               |              |
|   | <b>Agencies</b> | <b>Banking Market</b> | <b>Capital Market</b> | <b>Others</b> | <b>Total</b> |
| <b>Non-current</b>                            |                 |                       |                       |               |              |
| In Brazil                                     |                 |                       |                       |               |              |
| Opening balance at January 1 , 2014           | –               | 29,000                | 1,211                 | 49            | 30,260       |
| Additions (new funding obtained)              | –               | 4,319                 | 359                   | –             | 4,678        |
| Interest incurred during the year             | –               | 202                   | 2                     | –             | 204          |
| Foreign exchange/inflation indexation charges | –               | 1,033                 | 79                    | 1             | 1,113        |
| Transfer from long term to short term         | –               | (1,440)               | (156)                 | (18)          | (1,614)      |
| Cumulative translation adjustment (CTA)       | –               | (3,826)               | (194)                 | (4)           | (4,024)      |
| Balance at December 31, 2014                  | –               | 29,288                | 1,301                 | 28            | 30,617       |
| Abroad  |                 |                       |                       |               |              |
| Opening balance at January 1 , 2014           | 5,805           | 26,908                | 42,572                | 690           | 75,975       |
| Additions (new funding obtained)              | 281             | 6,710                 | 13,766                | –             | 20,757       |
| Interest incurred during the year             | 4               | 22                    | 46                    | 8             | 80           |

|   |       |          |         |      |          |
|---|-------|----------|---------|------|----------|
| Foreign exchange/inflation indexation charges | 103   | 412      | (1,433) | 20   | (898)    |
| Transfer from long term to short term         | (742) | (3,411)  | (1,260) | (42) | (5,455)  |
| Cumulative translation adjustment (CTA)       | (207) | (743)    | 119     | (27) | (858)    |
| Balance at December 31, 2014                  | 5,244 | 29,898   | 53,810  | 649  | 89,601   |
| Total Balance at December 31, 2014            | 5,244 | 59,186   | 55,111  | 677  | 120,218  |
| <b>Non-current</b>                            |       |          |         |      |          |
| In Brazil                                     |       |          |         |      |          |
| Opening balance at January 1 , 2015           | –     | 29,288   | 1,301   | 28   | 30,617   |
| Additions (new funding obtained)              | –     | 4,731    | 990     | –    | 5,721    |
| Interest incurred during the year             | –     | 227      | –       | –    | 227      |
| Foreign exchange/inflation indexation charges | –     | 3,148    | 64      | 1    | 3,213    |
| Transfer from long term to short term         | –     | (1,184)  | (96)    | (3)  | (1,283)  |
| Cumulative translation adjustment (CTA)       | –     | (10,864) | (528)   | (9)  | (11,401) |
| Balance as of September 30, 2015              | –     | 25,346   | 1,731   | 17   | 27,094   |
| Abroad  |       |          |         |      |          |
| Opening balance at January 1 , 2015           | 5,244 | 29,898   | 53,810  | 649  | 89,601   |
| Additions (new funding obtained)              | 163   | 4,961    | 2,045   | –    | 7,169    |
| Interest incurred during the year             | 4     | 28       | 34      | 6    | 72       |
| Foreign exchange/inflation indexation charges | 449   | 1,814    | (832)   | 59   | 1,490    |
| Transfer from long term to short term         | (641) | (3,114)  | (4,864) | (35) | (8,654)  |
| Cumulative translation adjustment (CTA)       | (462) | (1,994)  | (222)   | (59) | (2,737)  |
| Balance as of September 30, 2015              | 4,757 | 31,593   | 49,971  | 620  | 86,941   |
| Total Balance as of September 30, 2015        | 4,757 | 56,939   | 51,702  | 637  | 114,035  |

|                                   | <b>09.30.2015</b> | <b>12.31.2014</b> |
|-----------------------------------|-------------------|-------------------|
| Short-term debt                   | 2,152             | 3,484             |
| Current portion of long-term debt | 9,846             | 6,845             |
| Accrued interest                  | 1,426             | 1,539             |
|                                   | 13,424            | 11,868            |



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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***16.1. Summarized information on current and non-current finance debt**

| <b>Maturity in</b>                        | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020<br/>onwards</b> | <b>Total (*)</b> | <b>Fair<br/>value</b> |
|---|-------------|-------------|-------------|-------------|-------------|-------------------------|------------------|-----------------------|
| Financing in<br>Brazilian Reais<br>(BRL): | 708         | 1,900       | 1,684       | 2,037       | 3,405       | 10,546                  | 20,280           | 17,142                |
| Floating rate debt                        | 501         | 1,655       | 1,229       | 1,589       | 2,967       | 8,828                   | 16,769           |                       |
| Fixed rate debt                           | 207         | 245         | 455         | 448         | 438         | 1,718                   | 3,511            |                       |
| Average interest<br>rate                  | 12.5%       | 13.8%       | 15.8%       | 14.0%       | 13.2%       | 11.0%                   | 12.4%            |                       |
| Financing in<br>U.S.Dollars (USD):        | 3,265       | 9,720       | 8,778       | 10,122      | 16,905      | 37,325                  | 86,115           | 65,402                |
| Floating rate debt                        | 3,018       | 4,883       | 5,114       | 7,692       | 12,038      | 13,528                  | 46,273           |                       |
| Fixed rate debt                           | 247         | 4,837       | 3,664       | 2,430       | 4,867       | 23,797                  | 39,842           |                       |
| Average interest<br>rate                  | 2.4%        | 4.0%        | 4.3%        | 3.9%        | 4.1%        | 5.8%                    | 4.8%             |                       |
| Financing in BRL<br>indexed to USD:       | 65          | 395         | 705         | 704         | 701         | 6,123                   | 8,693            | 6,955                 |
| Floating rate debt                        | 6           | 23          | 23          | 22          | 19          | 54                      | 147              |                       |
| Fixed rate debt                           | 59          | 372         | 682         | 682         | 682         | 6,069                   | 8,546            |                       |
| Average interest<br>rate                  | 7.1%        | 7.1%        | 7.0%        | 7.1%        | 7.0%        | 7.0%                    | 7.0%             |                       |
| Financing in<br>Pound Sterling<br>(£):    | 53          | 42          | –           | –           | –           | 2,594                   | 2,689            | 1,752                 |
| Fixed rate debt                           | 53          | 42          | –           | –           | –           | 2,594                   | 2,689            |                       |
| Average interest<br>rate                  | 5.7%        | 5.7%        | –           | –           | –           | 6.0%                    | 6.0%             |                       |
| Financing in<br>Japanese Yen (¥):         | 240         | 393         | 94          | 85          | –           | –                       | 812              | 796                   |
| Floating rate debt                        | 44          | 85          | 85          | 85          | –           | –                       | 299              |                       |
| Fixed rate debt                           | 196         | 308         | 9           | –           | –           | –                       | 513              |                       |
| Average interest<br>rate                  | 1.0%        | 1.8%        | 0.7%        | 0.6%        | –           | –                       | 1.3%             |                       |
| Financing in Euro<br>(€):                 | 40          | 202         | 13          | 3,070       | 1,457       | 4,077                   | 8,859            | 6,602                 |
| Floating rate debt                        | 6           | 12          | 12          | 12          | 12          | 175                     | 229              |                       |
| Fixed rate debt                           | 34          | 190         | 1           | 3,058       | 1,445       | 3,902                   | 8,630            |                       |
| Average interest<br>rate                  | 3.2%        | 3.6%        | 1.8%        | 3.8%        | 3.9%        | 4.4%                    | 4.1%             |                       |

|                                |        |        |        |        |        |        |         |         |
|--------------------------------|--------|--------|--------|--------|--------|--------|---------|---------|
| Financing in other currencies: | 10     | 1      | –      | –      | –      | –      | 11      | 10      |
| Fixed rate debt                | 10     | 1      | –      | –      | –      | –      | 11      |         |
| Average interest rate          | 14.4%  | 15.3%  | –      | –      | –      | –      | 14.5%   |         |
| Total as of September 30, 2015 | 4,381  | 12,653 | 11,274 | 16,018 | 22,468 | 60,665 | 127,459 | 98,659  |
| Total Average interest rate    | 4.1%   | 5.5%   | 6.2%   | 5.3%   | 5.6%   | 6.7%   | 6.1%    |         |
| Total as of December 31, 2014  | 11,868 | 12,572 | 11,948 | 17,789 | 24,189 | 53,720 | 132,086 | 122,713 |

\* The average maturity of outstanding debt as of September 30, 2015 is 7.49 years (6.10 years as of December 31, 2014).

The fair value of the Company's finance debt is determined primarily by quoted prices in active markets for identical liabilities (level 1), when applicable - US\$ 41,911 as of September 30, 2015. When a quoted price for an identical liability is not available, the fair value is determined based on a theoretical curve derived from the yield curve of the Company's most liquid bonds (level 2) - US\$ 56,748 as of September 30, 2015.

The sensitivity analysis for financial instruments subject to foreign exchange variation is set out in note 31.2.

## **16.2. Capitalization rate used to determine the amount of borrowing costs eligible for capitalization**

The capitalization rate used to determine the amount of borrowing costs eligible for capitalization was the weighted average of the borrowing costs applicable to the borrowings that were outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. In the nine-month period ended September 30, 2015, the capitalization rate was 4.99% p.a. (4.29% p.a. in the nine-month period ended September 30, 2014). This rate was applied to the balance of assets under construction as the basis for capitalizing borrowing costs, when eligible.

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***16.3. Lines of credit – Outstanding balance**

| <b>Company</b>   | <b>Available<br/>(Lines of<br/>Credit)</b> | <b>Used</b> | <b>Balance</b> |
|------------------|--|-------------|----------------|
| <b>Abroad</b>    |  |             |                |
| PGT              | 500  | –           | 500            |
| Petrobras        | 1,500                                      | –           | 1,500          |
| <b>In Brazil</b> |  |             |                |
| Transpetro       | 2,532                                      | 933         | 1,599          |
| Petrobras        | 801  | 648         | 153            |
| PNBV             | 2,486                                      | 369         | 2,117          |

**16.4. Collateral**

The financial institutions that have provided financing to the Company have not required Petrobras to provide collateral related to loans, except for certain specific funding instruments to promote economic development, which are collateralized by tangible assets.

The loans obtained by structured entities are collateralized based on the projects' assets, as well as liens on receivables of the structured entities. Certain wholly-owned subsidiaries issue securities that are fully and unconditionally guaranteed by Petrobras (note 34).

The Company's capital market financing relates primarily to unsecured global notes.

**17. Leases****17.1. Future minimum lease payments / receipts – finance leases**

| <b>Estimated lease payments /<br/>receivable</b> | <b>Receipts</b>         |                            | <b>Payments</b>          |                         |                            |                          |
|--|-------------------------|----------------------------|--------------------------|-------------------------|----------------------------|--------------------------|
|  | <b>Future<br/>Value</b> | <b>Annual<br/>Interest</b> | <b>Present<br/>Value</b> | <b>Future<br/>Value</b> | <b>Annual<br/>Interest</b> | <b>Present<br/>Value</b> |
| 2015   | 50                      | (31)                       | 19                       | 6                       | –                          | 6                        |
| 2016 – 2019                                      | 732                     | (448)                      | 284                      | 47                      | (21)                       | 26                       |
| 2020 and thereafter                              | 1,687                   | (525)                      | 1,162                    | 166                     | (147)                      | 19                       |
| As of September 30, 2015                         | 2,469                   | (1,004)                    | 1,465                    | 219                     | (168)                      | 51                       |
| Current  |                         |                            | 65                       |                         |                            | 11                       |
| Non-current                                      |                         |                            | 1,400                    |                         |                            | 40                       |

|                          |       |    |
|--------------------------|-------|----|
| As of September 30, 2015 | 1,465 | 51 |
| Current                  | 59    | 16 |
| Non-current              | 1,455 | 56 |
| As of December 31, 2014  | 1,514 | 72 |

**17.2. Future minimum lease payments – operating leases**

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

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

Notes to the financial statements

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

|                         |         |
|-------------------------|---------|
| 2015                    | 4,840   |
| 2016 - 2019             | 41,584  |
| 2020 and thereafter     | 58,590  |
| At September 30, 2015   | 105,014 |
| As of December 31, 2014 | 118,404 |

As of September 30, 2015, the balance of estimated future minimum lease payments under operating leases includes US\$ 61,991 (US\$ 69,565 as of December 31, 2014) with respect to assets under construction, for which the lease term has not commenced.

In the nine-month period ended September 30, 2015, the Company recognized expenditures of US\$ 7,849 (US\$ 7,877 in the nine-month period ended September 30, 2014) for operating lease installments.

**18. Related party transactions**

The Company has a related-party transactions policy, approved by its Board of Directors, which establishes rules to ensure that all decisions involving related parties and potential conflicts of interest take into account applicable laws in the countries in which the Company operates and the parties involved in negotiations.

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

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

|                                      | <b>Jan-Sep/2015</b> |               | <b>09.30.2015</b>  | <b>Jan-Sep/2014</b> |               | <b>12.31.2014</b>  |
|--------------------------------------|---------------------|---------------|--------------------|---------------------|---------------|--------------------|
|                                      | <b>Income</b>       |               |                    | <b>Income</b>       |               |                    |
|                                      | <b>(expense)</b>    | <b>Assets</b> | <b>Liabilities</b> | <b>(expense)</b>    | <b>Assets</b> | <b>Liabilities</b> |
| <b>Joint ventures and associates</b> |                     |               |                    |                     |               |                    |
| State-controlled gas distributors    | 2,444               | 297           | 78                 | 3,405               | 506           | 195                |
|                                      | 3,041               | 104           | 22                 | 5,721               | 205           | 82                 |

|   |         |       |        |         |        |        |
|---|---------|-------|--------|---------|--------|--------|
| Petrochemical companies   |         |       |        |         |        |        |
| Other associates and joint ventures   | 423     | 123   | 623    | 777     | 152    | 263    |
|   | 5,908   | 524   | 723    | 9,903   | 863    | 540    |
| <b>Government entities</b>  |         |       |        |         |        |        |
| Government bonds  | 317     | 1,787 | –      | 508     | 4,339  | –      |
| Banks controlled by the Federal Government                                      | (3,489) | 2,366 | 25,981 | (2,239) | 3,814  | 28,304 |
| Receivables from the Electricity sector (Note 7.4)                              | 570     | 3,262 | –      | 351     | 2,966  | –      |
| Petroleum and alcohol account - receivables from Federal government (Note 18.2) | –       | 215   | –      | –       | 317    | –      |
| Federal Government - dividends and interest on capital                          | –       | –     | –      | (26)    | –      | –      |
| Others  | 33      | 338   | 154    | (15)    | 241    | 224    |
|   | (2,569) | 7,968 | 26,135 | (1,421) | 11,677 | 28,528 |
| Pension plans   | –       | –     | 42     | –       | –      | 135    |
|   | 3,339   | 8,492 | 26,900 | 8,482   | 12,540 | 29,203 |
| Revenues (mainly sales revenues)  | 6,335   |       |        | 10,242  |        |        |
| Foreign exchange and inflation indexation charges, net                          | (1,594) |       |        | (656)   |        |        |
| Finance income (expenses), net  | (1,402) |       |        | (1,104) |        |        |
| Current assets  |         | 2,850 |        |         | 6,715  |        |
| Non-current assets  |         | 5,642 |        |         | 5,825  |        |
| Current liabilities   |         |       | 4,085  |         |        | 1,855  |
| Non-current liabilities   |         |       | 22,815 |         |        | 27,348 |
|   | 3,339   | 8,492 | 26,900 | 8,482   | 12,540 | 29,203 |

## 18.2. Petroleum and Alcohol accounts - Receivables from Federal Government

As of September 30, 2015, the balance of receivables related to the Petroleum and Alcohol accounts was US\$ 215 (US\$ 317 as of December 31, 2014). 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.

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

Notes to the financial statements

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

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. Court-ordered expert proceedings are ongoing.

**18.3. Compensation of employees and officers**

Petrobras' key management compensation is set out below:

|  | <b>Jan-Sep/ 2015</b> |   |              | <b>Jan-Sep/ 2014</b> |                            |              |
|--|----------------------|---|--------------|----------------------|----------------------------|--------------|
|  | <b>Officers</b>      | <b>Board<br/>(members<br/>and<br/>alternates)</b> | <b>Total</b> | <b>Officers</b>      | <b>Board<br/>(members)</b> | <b>Total</b> |
| Wages and short-term benefits                            | 3.0                  | 0.3   | 3.3          | 3.1                  | 0.4                        | 3.5          |
| Social security and other employee-related taxes (*)     | 0.8                  | 0.1   | 0.9          | 0.9                  | –                          | 0.9          |
| Post-employment benefits (pension plan)                  | 0.3                  | –   | 0.3          | 0.2                  | –                          | 0.2          |
| Total compensation recognized in the statement of income | 4.1                  | 0.4   | 4.5          | 4.1                  | 0.4                        | 4.5          |
| Total compensation paid                                  | 4.1                  | 0.4   | 4.5          | 5.2                  | 0.4                        | 5.6          |
| Number of members  | 8                    | 18  | 26           | 7                    | 10                         | 17           |

(\*) The compensation of executive officers and directors is based on legal requirements and guidelines established by the Brazilian Department of Oversight and Governance of State-controlled Companies (Departamento de Coordenação e Governança das Empresas Estatais - DEST). DEST determined that social security and other employee-related taxes were included in the key management compensation proposed at the Annual General Meeting of 2014. Those taxes had been included in 2014, but were not disclosed in the notes to the financial statements.

In the nine-month period ended September, 30 2015 the compensation of board members and officers for the consolidated Petrobras group amounted to US\$ 15.8 (US\$ 22.1 in the nine-month period ended September, 30 2014).

The Extraordinary General Meeting held on July 1, 2015 amended article 18 of the Company's Bylaws to allow board members to have alternates with mandates limited to a two-year period; and article 41 to permit that board members alternates may participate in all board meetings and receive a fixed monthly compensation, subject to the total board members compensation limits established in the General Meeting.

The Extraordinary General Meeting also voted to increase the total board members compensation established at the Annual General Meeting held on April 29, 2015, by US\$ 245 thousand, in order to cover the compensation of the alternate board members from July 2015 to March 2016.

### **19. Provision for decommissioning costs**

| <b>Non-current liabilities</b>    | <b>09.30.2015</b> | <b>12.31.2014</b> |
|-----------------------------------|-------------------|-------------------|
| Opening balance                   | 8,267             | 7,133             |
| Adjustment to provision           | (43)              | 2,430             |
| Payments made                     | (890)             | (679)             |
| Interest accrued                  | 184               | 201               |
| Others                            | 180               | 75                |
| Cumulative translation adjustment | (2,620)           | (893)             |
| Closing balance                   | 5,078             | 8,267             |

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***20. Taxes****20.1. Income taxes and other taxes**

| <b>Income taxes</b> | <b>Current assets</b> |                   | <b>Current liabilities</b> |                   |
|---------------------|-----------------------|-------------------|----------------------------|-------------------|
|                     | <b>09.30.2015</b>     | <b>12.31.2014</b> | <b>09.30.2015</b>          | <b>12.31.2014</b> |
| Taxes in Brazil     | 699                   | 1,018             | 158                        | 139               |
| Taxes abroad        | 12                    | 45                | 58                         | 108               |
|                     | 711                   | 1,063             | 216                        | 247               |

| <b>Other taxes</b>   | <b>Current assets</b> |                   | <b>Non-current assets</b> |                   | <b>Current liabilities</b> |                   | <b>Non-current</b> |
|--|-----------------------|-------------------|---------------------------|-------------------|----------------------------|-------------------|--------------------|
|  | <b>09.30.2015</b>     | <b>12.31.2014</b> | <b>09.30.2015</b>         | <b>12.31.2014</b> | <b>09.30.2015</b>          | <b>12.31.2014</b> | <b>09.30.2015</b>  |
| Current /<br>Deferred<br>ICMS (VAT)                                  | 931                   | 1,772             | 545                       | 787               | 921                        | 1,275             | –                  |
| Current /<br>Deferred<br>PIS and<br>COFINS<br>(taxes on<br>revenues) | 719                   | 829               | 1,995                     | 2,983             | 335                        | 295               | –                  |
| CIDE   | 17                    | 13                | –                         | –                 | 107                        | 8                 | –                  |
| Production<br>taxes  | –                     | –                 | –                         | –                 | 933                        | 1,517             | –                  |
| Withholding<br>income<br>taxes                                       | –                     | –                 | –                         | –                 | 456                        | 486               | 16                 |
| Tax on<br>financial<br>operations<br>(IOF)                           | –                     | –                 | –                         | –                 | 171                        | –                 | 56                 |
| Others   | 138                   | 73                | 140                       | 230               | 248                        | 281               | 5                  |
|  | 1,805                 | 2,687             | 2,680                     | 4,000             | 3,171                      | 3,862             | 77                 |
| Taxes<br>abroad  | 45                    | 61                | 8                         | 8                 | 139                        | 202               | –                  |

|       |       |       |       |       |       |    |
|-------|-------|-------|-------|-------|-------|----|
| 1,850 | 2,748 | 2,688 | 4,008 | 3,310 | 4,064 | 77 |
|-------|-------|-------|-------|-------|-------|----|

## 20.2. Tax amnesty program - *Programa de Recuperação Fiscal (REFIS)*

On July 16, 2015 Petrobras paid US\$ 445 (US\$ 333 in cash and US\$ 112 in tax credits) related to a definitive ruling at the administrative stage with respect to a tax deficiency notice issued by the Brazilian Federal Tax Authorities. The notice is related to the tax on financial operations (*Imposto sobre operações financeiras - IOF*) applicable to intercompany loans made by Petrobras to foreign subsidiaries in 2008.

In addition, Joint Ordinance 1,064 (*Portaria Conjunta RFB/PGFN 1.064*) issued by the Brazilian Federal Tax Authorities and by the Brazilian Federal Tax Attorney General's Office, and Normative Instruction 1,576/15 (*Instrução Normativa RFB 1.576/15*) issued by the Brazilian Federal Tax Authorities, both published on August 3, 2015, clarified that taxpayers had an opportunity for relief in connection with additional existing federal tax debts, through the tax amnesty program created under Law 12,996/14 – *Programa de Recuperação Fiscal (REFIS)*. The Company has decided to adhere to the *REFIS* to pay for the tax liabilities set out below:

- a) Pay amounts due according to the tax deficiency notices issued by the Brazilian Federal Tax Authorities related to the tax on financial operations (*IOF*) applicable to intercompany loans made by Petrobras to its foreign subsidiaries in 2007, 2009 and 2010, and to pay amounts due related to the *IOF* applicable to similar intercompany loans made in other periods, for which a tax deficiency notice has not been issued (2011 and 2012), in the amount of US\$ 977. The Company modified its procedures with respect to the payment of the *IOF* applicable to transactions in 2013 and, therefore, it does not expect any additional tax deficiency notices.
- b) pay the tax deficiency notices issued by the Brazilian Federal Tax Authorities related to the alleged failure to withhold income tax (*imposto de renda retido na fonte- IRRF*) on amounts Petrobras paid to its former subsidiary Petrobras International Finance Company (PifCo) with respect to crude oil and oil product imports between 1999 and 2002, 2004, 2005 and 2007 to 2012, in the amount of US\$ 800.

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

Notes to the financial statements

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

c) penalties for noncompliance with customs clearance procedures on crude oil and oil product imports from 2008 to 2013, in the amount of US\$ 13.

The Company will pay those federal tax liabilities in 30 monthly installments following an immediate payment of 20% of the total amount due (after the reductions provided by the tax amnesty program) and using tax credits (tax loss carryforwards) to pay for interest and penalties. The deadline to adhere to the *REFIS* was September 25, 2015.

As a result, the Company recognized a total expense of US\$ 2,304 in the nine-month period ended September 30, 2015, of which US\$ 1,550 was recognized as other taxes expenses and US\$ 754 as finance expenses. In the same period, the Company paid a total amount of US\$ 1,752, of which US\$ 890 was paid in cash, US\$ 509 by using tax credits and US\$ 353 by using judicial deposits.

### **20.3. Tax amnesty programs – State Tax (*Programas de Anistias Estaduais*)**

On July 1, 2015, Petrobras and the State of Rio de Janeiro entered into a Tax Conduct Adjustment Agreement (*Termo de Ajustamento de Conduta Tributária*) pursuant to State Law 7,020/2015 with respect to tax deficiency notices related to VAT tax (*ICMS*) in the amount of US\$ 182 and agreed to start calculating its VAT tax base pursuant to a methodology defined by both parties to cease the deferral of payment of VAT on natural gas sold to thermoelectric power plants located in the State of Rio de Janeiro.

On September 30, 2015 Petrobras entered into a tax amnesty in the State of Espírito Santo pursuant to Law 10,376/2015 to pay amounts due according to tax deficiency notices in the amount of US\$ 85 related to its failure to comply with VAT tax (*ICMS*) regulations in the State of Espírito Santo with respect to application of tax credits, as well as failure to pay VAT on the sale of natural gas products.

As a result of those settlement agreements, the Company recognized a total expense of US\$ 267, including US\$ 233 as other taxes expenses and US\$ 34 as finance expense.

### **20.4. Brazilian Tax Law – Law 12,973**

On May 14, 2014, Law 12,973 was enacted, establishing, among other matters, the repeal of the Transition Tax Regime (*Regime Tributário de Transição - RTT*) established by Law 11,941 enacted on May 27, 2009.

Regulation for this law was established by Normative Instruction 1,515, issued on November 24, 2014 and by Normative Instruction 1,520, issued on December 4, 2014, both issued by the Federal Revenue Secretariat of Brazil (Secretaria da Receita Federal do Brasil).

Management decided to adopt articles 1, 2 and 4 to 70 of Law 12,973/2014, with respect to the adoption of the new tax regime (repealing RTT), beginning in 2015.

**20.4.1. Brazilian income taxes on income of companies incorporated outside Brazil**

As of September 30, 2015 the Company has recognized additional income taxes expenses of US\$ 629 related to Brazilian income taxes on income generated during the nine-month period ended September 30, 2015 by companies incorporated outside Brazil, as set out in the amended Brazilian Tax Law.

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***20.5. Deferred income taxes - non-current**

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

**a) Changes in deferred income taxes**

|  | <b>Property, Plant &amp; Equipment</b> |               | <b>Loans, trade and other receivables / payables and financing</b> |                        | <b>Provision for legal proceedings</b> |  | <b>Tax losses</b> | <b>Inventories</b> | <b>Interest on capital</b> |
|--|--|---------------|--|------------------------|--|--|-------------------|--------------------|----------------------------|
|  | <b>Oil and gas exploration costs</b>   | <b>Others</b> |  | <b>Finances leases</b> |  |  |                   |                    |                            |
| Balance at January 1, 2014                           | (13,406)                               | (4,006)       | 1,984  | (518)                  | 409                                    |  | 4,811             | 575                | 1,343                      |
| Recognized in the statement of income for the year   | (2,055)                                | 3,917         | 401  | (42)                   | 182                                    |  | 2,965             | (7)                | (1,418)                    |
| Recognized in shareholders' equity                   | –                                      | –             | 1,949  | (41)                   | –                                      |  | (192)             | –                  | –                          |
| Cumulative translation adjustment                    | 1,814                                  | 302           | (441)  | 86                     | (75)                                   |  | (842)             | (66)               | 68                         |
| Others (*)   | –                                      | (3)           | (70)   | (77)                   | 10                                     |  | (51)              | 1                  | –                          |
| Balance at December 31, 2014                         | (13,647)                               | 210           | 3,823  | (592)                  | 526                                    |  | 6,691             | 503                | (7)                        |
| Recognized in the statement of income for the period | (1,197)                                | (870)         | 202  | (34)                   | 224                                    |  | 2,969             | 76                 | 8                          |

|   |          |       |         |       |       |         |       |     |
|---|----------|-------|---------|-------|-------|---------|-------|-----|
| Recognized<br>in<br>shareholders'<br>equity | —        | 67    | 7,456   | (67)  | —     | (435)   | —     | —   |
| Cumulative<br>translation<br>adjustment     | 4,782    | 312   | (2,591) | 222   | (207) | (1,943) | (177) | (1) |
| Use of tax<br>credits -<br>REFIS            | —        | —     | —       | —     | —     | (509)   | —     | —   |
| Others                                      | —        | (99)  | 96      | —     | (1)   | 28      | —     | —   |
| Balance at<br>September<br>30, 2015         | (10,062) | (380) | 8,986   | (471) | 542   | 6,801   | 402   | —   |

Deferred tax  
assets  
Deferred tax  
liabilities  
Balance at  
December  
31, 2014

Deferred tax  
assets  
Deferred tax  
liabilities  
Balance at  
September  
30, 2015

(\*) Relates, primarily, to disposal of interests in investees or mergers.

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

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***20.6. Reconciliation between statutory tax rate and effective tax expense rate**

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

|  | <b>Jan-Sep/2015</b> | <b>Jan-Sep/2014</b> |
|--|---------------------|---------------------|
| Income before income taxes   | 2,334               | 4,375               |
| Nominal income taxes computed based on Brazilian statutory corporate tax rates (34%) | (794)               | (1,488)             |
| Adjustments to arrive at the effective tax rate:                                     |                     |                     |
| · Different jurisdictional tax rates for companies abroad                            | 640                 | 839                 |
| · Brazilian income taxes on income of companies incorporated outside Brazil          | (629)               | –                   |
| · Tax loss carryforwards (unrecognized tax losses)                                   | (478)               | (396)               |
| · Write-off - overpayments incorrectly capitalized (note 3)                          | –                   | (907)               |
| · Non taxable income (deductible expenses), net (*)                                  | (587)               | (98)                |
| · Others   | (29)                | 36                  |
| Income taxes benefit (expense)   | (1,877)             | (2,014)             |
| Deferred income taxes  | (1,011)             | (966)               |
| Current income taxes   | (866)               | (1,048)             |
|  | (1,877)             | (2,014)             |
| Effective tax rate   | 80.4%               | 46.0%               |

(\*) Includes the principal portion of the IOF tax contingency, as set out in note 20.2 (only the interest and inflation indexation portions are deductible) and share of earnings in equity-accounted investees.

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***21. Employee benefits (Post-Employment)****21.1. Pension and medical benefits**

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

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

|  | <b>Petros Plan</b> |          | <b>Medical Plan</b> |                    | <b>Total</b> |
|--|--------------------|----------|---------------------|--------------------|--------------|
|  | <b>Petros</b>      | <b>2</b> | <b>AMS</b>          | <b>Other plans</b> |              |
| Balance at January 1, 2014                                     | 5,342              | 121      | 6,999               | 111                | 12,573       |
| (+) Remeasurement effects recognized in OCI                    | 3,264              | 143      | 2,538               | 2                  | 5,947        |
| (+) Costs incurred in the year                                 | 794                | 49       | 1,155               | 24                 | 2,022        |
| (-) Contributions paid   | (245)              | –        | (396)               | (7)                | (648)        |
| (-) Payments related to the Term of Financial Commitment (TFC) | (203)              | –        | –                   | –                  | (203)        |
| Others   | 1                  | –        | –                   | (13)               | (12)         |
| Cumulative translation adjustment                              | (1,079)            | (26)     | (1,277)             | (10)               | (2,392)      |
| Balance at December 31, 2014                                   | 7,874              | 287      | 9,019               | 107                | 17,287       |
| Current  | 440                | –        | 354                 | 2                  | 796          |
| Non-Current  | 7,434              | 287      | 8,665               | 105                | 16,491       |
|  | 7,874              | 287      | 9,019               | 107                | 17,287       |
| (+) Costs incurred in the period                               | 693                | 61       | 838                 | 21                 | 1,613        |
| (-) Contributions paid   | (138)              | –        | (274)               | (13)               | (425)        |
| (-) Payments related to the Term of Financial Commitment (TFC) | (88)               | –        | –                   | –                  | (88)         |
| Others   | –                  | –        | –                   | 28                 | 28           |
| Cumulative translation adjustment                              | (2,705)            | (108)    | (3,109)             | (46)               | (5,968)      |
| Balance at September 30, 2015                                  | 5,636              | 240      | 6,474               | 97                 | 12,447       |
| Current  | 329                | –        | 237                 | 1                  | 567          |
| Non-Current  | 5,307              | 240      | 6,237               | 96                 | 11,880       |
|  | 5,636              | 240      | 6,474               | 97                 | 12,447       |

Pension and medical benefit expenses recognized in the statement of income are set out below:

|  | <b>Jan-Sep/2015</b>                |                 | <b>Medical<br/>Plan<br/>AMS</b> | <b>Other<br/>Plans</b> | <b>Total</b> |
|--|------------------------------------|-----------------|---------------------------------|------------------------|--------------|
|  | <b>Pension<br/>Plan<br/>Petros</b> | <b>Petros 2</b> |                                 |                        |              |
| Current service cost                             | 65                                 | 36              | 105                             | 9                      | 215          |
| Interest cost over net liabilities /<br>(assets) | 628                                | 25              | 733                             | 12                     | 1,398        |
| Net costs for the period<br>Jan-Sep/2015         | 693                                | 61              | 838                             | 21                     | 1,613        |
| Related to active employees:                     |                                    |                 |                                 |                        |              |
| Included in the cost of sales                    | 207                                | 32              | 200                             | 1                      | 440          |
| Operating expenses                               | 104                                | 26              | 120                             | 19                     | 269          |
| Related to retired employees                     | 382                                | 3               | 518                             | 1                      | 904          |
| Net costs for the period<br>Jan-Sep/2015         | 693                                | 61              | 838                             | 21                     | 1,613        |
| Net costs for the period<br>Jan-Sep/2014         | 534                                | 37              | 792                             | 20                     | 1,383        |

As of September 30, 2015, the Company had the balance of crude oil and oil products of US\$ 1,603 pledged as security for the Terms of Financial Commitment (TFC), signed by Petrobras and Petros in 2008 (US\$ 2,316 as of December 31, 2014).

In the nine-month period ended September 30, 2015 the Company's contribution to the defined contribution portion of the Petros Plan 2 was US\$ 203 ( US\$ 244 in the nine-month period ended September 2014).

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

Notes to the financial statements

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

### **21.2. Profit sharing**

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

In March 2014, the Company and the labor unions reached an agreement regarding a new profit sharing regulation, following negotiations started in the context of the 2013/2015 Collective Bargaining Agreement.

Pursuant to the amended rules, profit sharing benefits will be computed based on the results of six corporate indicators, for which annual goals are defined by management (maximum permissible levels of crude oil and oil products spill, lifting cost excluding production taxes in Brazil, crude oil and NGL production in Brazil, feedstock processed - excluding NGL - in Brazil, vessel operating efficiency and percentage of compliance with natural gas delivery schedule).

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

Pursuant to the amended rules, in the event the Company records a net loss for the period, profit sharing benefit will be one half of the benefit paid in the prior year in addition to half a month's salary for each employee.

### **Profit sharing benefits for the nine-month period ended September 30, 2015**

Based on the consolidated result of the corporate indicators for the nine-month period ended September 30, 2015, a 6.25% distribution was applied to the net income expressed in *reais* and the Company recognized a profit sharing expense of US\$ 61.

### **21.3. Voluntary Separation Incentive Plan**

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

On March 31, 2014 the Company recognized in other expenses in the statement of income a provision for the estimated charges. The amounts are subject to changes resulting from employees who cancel their requests for voluntary separation, impacts of Collective Bargaining Agreements, which might increase salaries before separation, inflation-indexation

of the floor and the cap based on the Brazilian Consumer Price Index (IPCA), as well as variable additional incentives earned by employees.

As of September 30, 2015, 6,206 separations and 655 cancellations of requests were made for voluntary separation of employees who enrolled in the PIDV. Changes in the provision are set out below:

|                                   |       |
|-----------------------------------|-------|
| Balance as of December 31, 2014   | 390   |
| Revision of provision             | 35    |
| Separations in the period         | (174) |
| Cumulative translation adjustment | (98)  |
| Balance as of September 30, 2015  | 153   |
| Current                           | 102   |
| Non-current                       | 51    |

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***22. Shareholders' equity****22.1. Share capital (net of share issuance costs)**

As of September 30, 2015 subscribed and fully paid share capital was US\$ 107,380 and share issuance costs were US\$ 279 (US\$ 107,380 and US\$ 279 as of December 31, 2014), 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.

Preferred shares have priority on returns of capital, do not grant any voting rights and are non-convertible into common shares.

**22.2. Other comprehensive income**

In the nine-month period ended September 30, 2015 the Company recognized the following charges mainly as a result of a 49.6% depreciation of the Brazilian *real* against the U.S. dollar:

- Cumulative translation adjustment of US\$ 29,865;
- Foreign exchange variation losses of US\$ 20,827 (US\$ 13,744 after taxes) recognized in the Company's shareholders' equity in Jan-Sep/2015 as a result of its cash flow hedge accounting policy. The cumulative balance of foreign exchange variation losses as of September 30, 2015 was US\$ 32,489 (US\$ 21,433 after taxes), as set out in note 31.

**22.3. Earnings per Share**

|  | <b>Jan-Sep/2015</b> | <b>Jan-Sep/2014</b> |
|--|---------------------|---------------------|
| Net income (loss) attributable to shareholders of Petrobras                | 971                 | 2,355               |
| Weighted average number of common and preferred shares outstanding         | 13,044,496,930      | 13,044,496,930      |
| Basic and diluted earnings per common and preferred share (US\$ per share) | 0.07                | 0.18                |

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***23. Sales revenues**

|   | <b>Jan-Sep/2015</b> | <b>Jan-Sep/2014</b> |
|---|---------------------|---------------------|
| Gross sales                               | 94,177              | 133,268             |
| Sales taxes                               | (19,010)            | (23,020)            |
| Sales revenues (*)                        | 75,167              | 110,248             |
| Diesel                                    | 23,669              | 32,356              |
| Automotive gasoline                       | 12,404              | 17,917              |
| Fuel oil (including bunker fuel)          | 1,854               | 3,299               |
| Naphtha                                   | 2,128               | 4,428               |
| Liquefied petroleum gas                   | 2,218               | 2,855               |
| Jet fuel                                  | 2,595               | 4,289               |
| Other oil products                        | 2,739               | 4,472               |
| Subtotal oil products                     | 47,607              | 69,616              |
| Natural gas                               | 4,608               | 6,079               |
| Ethanol, nitrogen products and renewables | 2,912               | 2,817               |
| Electricity, services and others          | 3,774               | 6,394               |
| Total domestic market                     | 58,901              | 84,906              |
| Exports                                   | 7,571               | 11,098              |
| International sales (**)                  | 8,695               | 14,244              |
| Sales revenues (*)                        | 75,167              | 110,248             |

(\*) Analysis of sales revenues by business segment is set out in note 28.

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

**24. Other expenses, net**

|   | <b>Jan-Sep/ 2015</b> | <b>Jan-Sep/ 2014</b> |
|---|----------------------|----------------------|
| Pension and medical benefits - retirees           | (904)                | (656)                |
| Legal, administrative and arbitration proceedings | (893)                | (74)                 |
| Unscheduled stoppages and pre-operating expenses  | (843)                | (791)                |
| Impairment (losses) / reversals                   | (419)                | (128)                |
| Institutional relations and cultural projects     | (337)                | (584)                |
| E&P areas returned and cancelled projects         | (118)                | (222)                |
| Health, safety and environment                    | (75)                 | (111)                |
| Voluntary Separation Incentive Plan - PIDV        | (35)                 | (1,040)              |
| Gains / (losses) on disposal/write-offs of assets | (156)                | (1,447)              |
| Collective bargaining agreement                   | –                    | (435)                |
| Reimbursements from E&P partnership operations    | 303                  | 237                  |

|  |         |         |
|--|---------|---------|
| Amounts recovered – “overpayments incorrectly capitalized” | 72      | –       |
| Government grants  | 11      | 52      |
| Others (*)   | (89)    | (10)    |
|  | (3,483) | (5,209) |

(\*) Includes US\$ 164 in 2014 with respect to additional profit sharing benefits for 2013, as set out on note 22.7 of the Company's consolidated financial statements for the year ended December 31, 2014.

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***25. Costs and Expenses by nature**

|  | <b>Jan-Sep/2015</b> | <b>Jan-Sep/2014</b> |
|--|---------------------|---------------------|
| Raw material / products for resale   | (24,679)            | (47,322)            |
| Materials, freight, rent, third-party services and other related costs       | (14,719)            | (16,748)            |
| Depreciation, depletion and amortization                                     | (8,580)             | (9,563)             |
| Employee compensation  | (7,238)             | (10,400)            |
| Production taxes   | (5,023)             | (10,843)            |
| Unscheduled stoppages and pre-operating expenses                             | (843)               | (791)               |
| (Losses /Gains on legal, administrative and arbitration proceedings)         | (893)               | (74)                |
| Other taxes  | (2,413)             | (521)               |
| Exploration expenditures written off (incl. dry wells and signature bonuses) | (1,050)             | (1,869)             |
| Institutional relations and cultural projects                                | (337)               | (584)               |
| Health, safety and environment   | (75)                | (111)               |
| Impairment   | (419)               | (128)               |
| E&P areas returned and cancelled projects                                    | (118)               | (222)               |
| Amounts recovered – “overpayments incorrectly capitalized”                   | 72                  | –                   |
| Write-off - overpayments incorrectly capitalized                             | –                   | (2,527)             |
| Gains / (losses) on disposal/write-offs of assets                            | (156)               | (1,447)             |
| Allowance for impairment of trade receivables                                | (141)               | (1,831)             |
| Changes in inventories   | 766                 | (400)               |
|  | <b>(65,846)</b>     | <b>(105,381)</b>    |
| <b>In the Statement of income</b>  |                     |                     |
| Cost of sales  | (52,325)            | (84,717)            |
| Selling expenses   | (2,954)             | (5,356)             |
| General and administrative expenses  | (2,622)             | (3,430)             |
| Exploration costs  | (1,435)             | (2,471)             |
| Research and development expenses  | (553)               | (812)               |
| Other taxes  | (2,413)             | (521)               |
| Write-off - overpayments incorrectly capitalized                             | –                   | (2,527)             |
| Other expenses, net  | (3,483)             | (5,209)             |
| Profit sharing   | (61)                | (338)               |
|  | <b>(65,846)</b>     | <b>(105,381)</b>    |

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

|  | <b>Jan-Sep/2015</b> | <b>Jan-Sep/2014</b> |
|--|---------------------|---------------------|
| Foreign exchange gains/(losses) and inflation indexation charges on debt (*) | (3,482)             | (7)                 |
| Debt interest and charges  | (5,104)             | (5,108)             |
| Income from investments and marketable securities                            | 523                 | 774                 |
| Financial result on net debt   | (8,063)             | (4,341)             |
| Capitalized borrowing costs  | 1,376               | 2,795               |
| Gains (losses) on derivatives, net   | 150                 | 91                  |
| Interest income from marketable securities                                   | 25                  | (16)                |
| Other finance expense and income, net (**)                                   | (869)               | (36)                |
| Other foreign exchange gains/(losses) and indexation charges, net            | 223                 | 585                 |
| Finance income (expenses), net   | (7,158)             | (922)               |
| Income   | 982                 | 1,297               |
| Expenses   | (4,904)             | (2,791)             |
| Foreign exchange gains/ (losses) and inflation indexation charges, net       | (3,236)             | 572                 |
|  | (7,158)             | (922)               |

(\*) Includes debt raised in Brazil (in Brazilian reais) indexed to the U.S. dollar.

(\*\*) In 2015, includes US\$ 754 of finance expense related to the tax amnesty program (REFIS).

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***27. Supplemental information on statement of cash flows**

|  | <b>Jan-Sep/2015</b> | <b>Jan-Sep/2014</b> |
|--|---------------------|---------------------|
| Additional information on cash flows:                            |                     |                     |
| Amounts paid/received during the year:                           |                     |                     |
| Income taxes paid  | 512                 | 699                 |
| Withholding income tax paid on behalf of third-parties           | 836                 | 1,476               |
| Capital expenditures and financing activities not involving cash |                     |                     |
| Purchase of property, plant and equipment on credit              | 125                 | 4                   |
| Recognition (reversal) of provision for decommissioning costs    | (14)                | (13)                |

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***28. Segment Information****Consolidated assets by Business Area - 09.30.2015**

|                               | <b>Exploration</b>                | <b>Refining,</b>            | <b>Gas</b>           |                 |                  |              |        |     |  |
|-------------------------------|-----------------------------------|-----------------------------|----------------------|-----------------|------------------|--------------|--------|-----|--|
|                               | <b>and</b>                        | <b>Transportation &amp;</b> |                      |                 |                  |              |        |     |  |
|                               | <b>Production &amp; Marketing</b> | <b>Power Distribution</b>   | <b>International</b> | <b>Biofuels</b> | <b>Corporate</b> | <b>Other</b> |        |     |  |
| Current assets                | 3,556                             | 9,091                       | 2,327                | 2,141           | 2,038            | 51           | 28,144 | (2) |  |
| Non-current assets            | 114,949                           | 36,933                      | 17,057               | 2,865           | 10,516           | 552          | 7,498  | (2) |  |
| Long-term receivables         | 5,339                             | 2,298                       | 1,568                | 1,137           | 1,670            | 3            | 5,644  | (2) |  |
| Investments                   | 58                                | 884                         | 374                  | 12              | 2,239            | 412          | 45     | –   |  |
| Property, plant and equipment | 107,619                           | 33,593                      | 14,868               | 1,562           | 6,188            | 137          | 1,666  | (4) |  |
| Operating assets              | 77,896                            | 27,103                      | 11,903               | 1,309           | 4,998            | 124          | 1,453  | (4) |  |
| Under construction            | 29,723                            | 6,490                       | 2,965                | 253             | 1,190            | 13           | 213    | –   |  |
| Intangible assets             | 1,933                             | 158                         | 247                  | 154             | 419              | –            | 143    | –   |  |
| Total Assets                  | 118,505                           | 46,024                      | 19,384               | 5,006           | 12,554           | 603          | 35,642 | (3) |  |

**Consolidated assets by Business Area - 12.31.2014**

|                               |         |        |        |       |        |       |        |     |  |
|-------------------------------|---------|--------|--------|-------|--------|-------|--------|-----|--|
| Current assets                | 6,008   | 14,724 | 3,979  | 3,481 | 2,345  | 65    | 24,160 | (3) |  |
| Non-current assets            | 145,516 | 55,314 | 24,388 | 3,740 | 10,664 | 1,044 | 8,225  | (1) |  |
| Long-term receivables         | 6,729   | 3,605  | 1,411  | 1,211 | 1,848  | 3     | 5,029  | (9) |  |
| Investments                   | 200     | 1,807  | 524    | 15    | 2,226  | 836   | 145    | –   |  |
| Property, plant and equipment | 135,671 | 49,662 | 22,126 | 2,284 | 6,058  | 205   | 2,787  | (6) |  |
| Operating assets              | 99,313  | 40,940 | 17,868 | 1,730 | 3,716  | 189   | 2,094  | (6) |  |
|                               | 36,358  | 8,722  | 4,258  | 554   | 2,342  | 16    | 693    | –   |  |

|                                      |         |        |        |       |        |       |        |    |
|--------------------------------------|---------|--------|--------|-------|--------|-------|--------|----|
| Under construction Intangible assets | 2,916   | 240    | 327    | 230   | 532    | –     | 264    | –  |
| Total Assets                         | 151,524 | 70,038 | 28,367 | 7,221 | 13,009 | 1,109 | 32,385 | (4 |

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

Notes to the financial statements

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

|   | <b>Jan-Sep/2015</b> |                                   |                           |                      |                 |                  |                             |               |
|---|---------------------|-----------------------------------|---------------------------|----------------------|-----------------|------------------|-----------------------------|---------------|
|   | <b>Exploration</b>  | <b>Refining,</b>                  | <b>Gas</b>                |                      | <b>and</b>      |                  | <b>Transportation &amp;</b> |               |
|   | <b>and</b>          | <b>Production &amp; Marketing</b> | <b>Power Distribution</b> | <b>International</b> | <b>Biofuels</b> | <b>Corporate</b> | <b>Other</b>                | <b>Income</b> |
| Sales revenues  | 26,991              | 56,015                            | 9,962                     | 22,858               | 7,013           | 166              | –                           |               |
| Intersegments   | 26,575              | 18,700                            | 1,593                     | 433                  | 383             | 154              | –                           |               |
| Third parties   | 416                 | 37,315                            | 8,369                     | 22,425               | 6,630           | 12               | –                           |               |
| Cost of sales   | (18,734)            | (45,740)                          | (8,035)                   | (21,204)             | (5,933)         | (184)            | –                           |               |
| Gross profit (loss)   | 8,257               | 10,275                            | 1,927                     | 1,654                | 1,080           | (18)             | –                           |               |
| Income (expenses)   | (2,645)             | (3,123)                           | (1,055)                   | (1,356)              | (770)           | (36)             | (4,639)                     |               |
| Selling, general and administrative                                       | (330)               | (1,759)                           | (314)                     | (1,289)              | (581)           | (25)             | (1,443)                     |               |
| Exploration costs   | (1,324)             | –                                 | –                         | –                    | (111)           | –                | –                           |               |
| Research and development  | (218)               | (91)                              | (45)                      | –                    | (2)             | (8)              | (189)                       |               |
| Other taxes   | (117)               | (608)                             | (316)                     | (8)                  | (83)            | (1)              | (1,280)                     |               |
| Other expenses, net   | (656)               | (665)                             | (380)                     | (59)                 | 7               | (2)              | (1,727)                     |               |
| Income / (loss) before financial results, profit sharing and income taxes | 5,612               | 7,152                             | 872                       | 298                  | 310             | (54)             | (4,639)                     |               |
| Net finance income (expense) –  | –                   | –                                 | –                         | –                    | –               | –                | (7,158)                     |               |
| Share of earnings in equity-accounted investments                         | (170)               | 330                               | 81                        | (12)                 | 89              | (110)            | (37)                        |               |
| Profit sharing  | (9)                 | (24)                              | (3)                       | (21)                 | –               | –                | (4)                         |               |
| Income / (loss) before income taxes                                       | 5,433               | 7,458                             | 950                       | 265                  | 399             | (164)            | (11,838)                    |               |
| Income taxes  | (1,908)             | (2,423)                           | (295)                     | (94)                 | (66)            | 19               | 2,833                       |               |
| Net income (loss)   | 3,525               | 5,035                             | 655                       | 171                  | 333             | (145)            | (9,005)                     |               |

|                             |       |       |     |     |     |       |         |
|-----------------------------|-------|-------|-----|-----|-----|-------|---------|
| Net income attributable to: |       |       |     |     |     |       |         |
| Shareholders of Petrobras   | 3,532 | 5,039 | 576 | 171 | 254 | (145) | (8,344) |
| Non-controlling interests   | (7)   | (4)   | 79  | –   | 79  | –     | (661)   |
|                             | 3,525 | 5,035 | 655 | 171 | 333 | (145) | (9,005) |

(\*) A list of the Company's investees by business segment is set out in note 11.1 of the Company's annual report for the year ended December 31, 2014.

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

Notes to the financial statements

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

|                     | <b>Jan-Sep/2014 (*)</b>           |                             |                     |                      |                 |              |         |
|---------------------|-----------------------------------|-----------------------------|---------------------|----------------------|-----------------|--------------|---------|
|                     | <b>Exploration</b>                | <b>Refining,</b>            | <b>Gas</b>          |                      |                 |              |         |
|                     | <b>and</b>                        | <b>Transportation &amp;</b> |                     |                      |                 |              |         |
|                     | <b>Production &amp; Marketing</b> | <b>Power</b>                | <b>Distribution</b> | <b>International</b> | <b>Biofuels</b> | <b>Corpo</b> |         |
| Sales revenues      | 51,835                            | 86,649                      | 13,336              | 31,827               | 11,005          | 192          | –       |
| Intersegments       | 51,510                            | 30,267                      | 1,183               | 880                  | 589             | 167          | –       |
| Third parties       | 325                               | 56,382                      | 12,153              | 30,947               | 10,416          | 25           | –       |
| Cost of sales       | (26,503)                          | (91,682)                    | (11,735)            | (29,231)             | (9,854)         | (230)        | –       |
| Gross profit (loss) | 25,332                            | (5,033)                     | 1,601               | 2,596                | 1,151           | (38)         | –       |
| Income              |                                   |                             |                     |                      |                 |              |         |
| (expenses)          | (5,122)                           | (5,856)                     | (2,508)             | (2,072)              | (673)           | (52)         | (4,213) |
| Selling, general    |                                   |                             |                     |                      |                 |              |         |
| and                 |                                   |                             |                     |                      |                 |              |         |
| administrative      | (276)                             | (2,293)                     | (1,886)             | (1,925)              | (590)           | (36)         | (1,952) |
| Exploration costs   | (2,354)                           | –                           | –                   | –                    | (117)           | –            | –       |
| Research and        |                                   |                             |                     |                      |                 |              |         |
| development         | (414)                             | (138)                       | (63)                | –                    | –               | (11)         | (186)   |
| Other taxes         | (32)                              | (72)                        | (85)                | (9)                  | (77)            | –            | (246)   |
| Write-off -         |                                   |                             |                     |                      |                 |              |         |
| overpayments        |                                   |                             |                     |                      |                 |              |         |
| incorrectly         |                                   |                             |                     |                      |                 |              |         |
| capitalized         | (804)                             | (1,398)                     | (266)               | (9)                  | (9)             | –            | (41)    |
| Other expenses,     |                                   |                             |                     |                      |                 |              |         |
| net                 | (1,242)                           | (1,955)                     | (208)               | (129)                | 120             | (5)          | (1,788) |
| Income / (loss)     |                                   |                             |                     |                      |                 |              |         |
| before financial    |                                   |                             |                     |                      |                 |              |         |
| results, profit     |                                   |                             |                     |                      |                 |              |         |
| sharing and         |                                   |                             |                     |                      |                 |              |         |
| income taxes        | 20,210                            | (10,889)                    | (907)               | 524                  | 478             | (90)         | (4,213) |
| Net finance         |                                   |                             |                     |                      |                 |              |         |
| income (expense) –  | –                                 | –                           | –                   | –                    | –               | –            | (922)   |
| Share of earnings   |                                   |                             |                     |                      |                 |              |         |
| in                  |                                   |                             |                     |                      |                 |              |         |
| equity-accounted    |                                   |                             |                     |                      |                 |              |         |
| investments         | (4)                               | 137                         | 162                 | –                    | 174             | (42)         | 3       |
| Profit sharing      | (116)                             | (94)                        | (16)                | (20)                 | (8)             | –            | (84)    |
| Income / (loss)     | 20,090                            | (10,846)                    | (761)               | 504                  | 644             | (132)        | (5,216) |
| before income       |                                   |                             |                     |                      |                 |              |         |

taxes

|                             |         |         |       |       |       |       |         |
|-----------------------------|---------|---------|-------|-------|-------|-------|---------|
| Income taxes                | (7,104) | 3,258   | 223   | (174) | (176) | 31    | 1,959   |
| Net income (loss)           | 12,986  | (7,588) | (538) | 330   | 468   | (101) | (3,257) |
| Net income attributable to: |         |         |       |       |       |       |         |
| Shareholders of Petrobras   | 12,989  | (7,582) | (549) | 330   | 400   | (101) | (3,193) |
| Non-controlling interests   | (3)     | (6)     | 11    | —     | 68    | —     | (64)    |
|                             | 12,986  | (7,588) | (538) | 330   | 468   | (101) | (3,257) |

(\*) Beginning in 2014, the allowance to reduce inventories to net realizable value was reclassified from of sales.

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

Notes to the financial statements

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

|  | <b>Jan-Sep/2015</b>               |                             |              |                     |                  |                     |              |
|--|-----------------------------------|-----------------------------|--------------|---------------------|------------------|---------------------|--------------|
|  | <b>Exploration</b>                | <b>Refining,</b>            | <b>Gas</b>   |                     |                  |                     |              |
|  | <b>&amp;</b>                      | <b>Transportation &amp;</b> |              |                     |                  |                     |              |
|  | <b>Production &amp; Marketing</b> |                             | <b>Power</b> | <b>Distribution</b> | <b>Corporate</b> | <b>Eliminations</b> | <b>Total</b> |

**Statement of  
income**

|  |       |       |     |       |       |         |       |
|--|-------|-------|-----|-------|-------|---------|-------|
| Sales revenues   | 1,443 | 3,545 | 408 | 3,159 | 10    | (1,552) | 7,013 |
| Intersegments  | 746   | 1,152 | 26  | 1     | 10    | (1,552) | 383   |
| Third parties  | 697   | 2,393 | 382 | 3,158 | –     | –       | 6,630 |
| Income before<br>financial<br>results, profit<br>sharing and<br>income taxes | 267   | 96    | 49  | 66    | (178) | 10      | 310   |
| Net income<br>(loss)<br>attributable to<br>shareholders of<br>Petrobras      | 285   | 94    | 69  | 56    | (260) | 10      | 254   |

|  | <b>Jan-Sep/2014</b>               |                             |              |                     |                  |                     |              |
|--|-----------------------------------|-----------------------------|--------------|---------------------|------------------|---------------------|--------------|
|  | <b>Exploration</b>                | <b>Refining,</b>            | <b>Gas</b>   |                     |                  |                     |              |
|  | <b>&amp;</b>                      | <b>Transportation &amp;</b> |              |                     |                  |                     |              |
|  | <b>Production &amp; Marketing</b> |                             | <b>Power</b> | <b>Distribution</b> | <b>Corporate</b> | <b>Eliminations</b> | <b>Total</b> |

**Statement of  
income**

|   |       |       |     |       |       |         |        |
|---|-------|-------|-----|-------|-------|---------|--------|
| Sales revenues                                | 2,400 | 5,949 | 377 | 3,816 | 21    | (1,558) | 11,005 |
| Intersegments                                 | 949   | 1,158 | 26  | 1     | 13    | (1,558) | 589    |
| Third parties                                 | 1,451 | 4,791 | 351 | 3,815 | 8     | –       | 10,416 |
| Income before<br>financial<br>results, profit | 545   | (62)  | 67  | 113   | (176) | (9)     | 478    |

|  |                                   |                             |                     |                  |                     |              |  |        |
|--|-----------------------------------|-----------------------------|---------------------|------------------|---------------------|--------------|--|--------|
| sharing and<br>income taxes  |                                   |                             |                     |                  |                     |              |  |        |
| Net income<br>(loss)   |                                   |                             |                     |                  |                     |              |  |        |
| attributable to<br>shareholders of<br>Petrobras                                | 628                               | (31)                        | 80                  | 105              | (373)               | (9)          |  | 400    |
|  | <b>Exploration</b>                | <b>Refining,</b>            | <b>Gas</b>          |                  |                     |              |  |        |
|  | <b>&amp;</b>                      | <b>Transportation &amp;</b> |                     |                  |                     |              |  |        |
|  | <b>Production &amp; Marketing</b> | <b>Power</b>                | <b>Distribution</b> | <b>Corporate</b> | <b>Eliminations</b> | <b>Total</b> |  |        |
| <b>Total assets -<br/>breakdown of<br/>International<br/>Business<br/>Area</b> |                                   |                             |                     |                  |                     |              |  |        |
| As of  |                                   |                             |                     |                  |                     |              |  |        |
| 09.30.2015   | 9,540                             | 1,692                       | 470                 | 809              | 1,100               | (1,057)      |  | 12,554 |
| As of  |                                   |                             |                     |                  |                     |              |  |        |
| 12.31.2014   | 9,623                             | 1,861                       | 472                 | 940              | 1,230               | (1,117)      |  | 13,009 |

As an outcome of the creation of the position of Chief Governance, Risk and Compliance Officer, which replaced the position of Chief International Officer, the Company has recently approved the organizational structure adjustments in other business areas to allocate the international activities to other business segments. Considering the necessary steps to integrate the management of those activities, the Company has maintained the presentation of the results of international activities as a separate component.

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***29. Provisions for legal proceedings****29.1. Provisions for legal proceedings, judicial deposits and contingent liabilities**

The Company recognizes provisions for the best estimate of the costs of proceedings for which it is probable that an outflow of resources embodying economic benefits will be required and that can be reliably estimated. These proceedings are mainly comprised of labor claims, especially actions regarding the calculation of paid weekly rest; tax claims, including claims related to failure to pay VAT (*ICMS*) tax on jet fuel sales and to tax credits (*PIS* and *COFINS*) applied that were disallowed; and civil claims related to losses and damages proceedings resulting from the cancellation of an assignment of excise tax (*IPI*) credits to a third party, failure to pay royalties on oil shale extraction and fishermen seeking indemnification from the Company for a January 2000 oil spill in the State of Rio de Janeiro.

Provisions for legal proceedings, are set out below:

|                         | <b>09.30.2015</b> | <b>12.31.2014</b> |
|-------------------------|-------------------|-------------------|
| Non-current liabilities |                   |                   |
| Labor claims            | 664               | 717               |
| Tax claims              | 409               | 104               |
| Civil claims            | 535               | 666               |
| Environmental claims    | 40                | 40                |
| Other claims            | 3                 | 13                |
|                         | <b>1,651</b>      | <b>1,540</b>      |

|                                   | <b>09.30.2015</b> | <b>12.31.2014</b> |
|-----------------------------------|-------------------|-------------------|
| Opening Balance                   | 1,540             | 1,246             |
| Additions                         | 904               | 766               |
| Use of provision                  | (170)             | (314)             |
| Accruals and charges              | 56                | 66                |
| Others                            | (62)              | (8)               |
| Cumulative translation adjustment | (617)             | (216)             |
| Closing Balance                   | <b>1,651</b>      | <b>1,540</b>      |

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

| <b>Non-current assets</b> | <b>09.30.2015</b> | <b>12.31.2014</b> |
|---------------------------|-------------------|-------------------|
| Labor                     | 662               | 928               |
| Tax                       | 850               | 1,006             |
| Civil                     | 652               | 663               |
| Environmental             | 75                | 80                |
| Others                    | 5                 | 5                 |
|                           | 2,244             | 2,682             |

Contingent liabilities for which either the Company is unable to make a reliable estimate of the expected financial effect that will result from resolution of the proceeding, or a cash outflow is not probable, are not recognized as liabilities in the financial statements but are disclosed, unless the possibility of any outflow of resources embodying economic benefits is considered remote.

The estimated contingent liabilities for legal proceedings as of September 30, 2015 that are not considered remote are set out in the table below.

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

Notes to the financial statements

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

| <b>Nature</b>         | <b>Estimate</b> |
|-----------------------|-----------------|
| Tax                   | 23,528          |
| Civil - General       | 3,839           |
| Labor                 | 3,612           |
| Civil - Environmental | 1,317           |
| Others                | 1               |
|                       | 32,297          |

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

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

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

1) Dispute over alleged Failure to withhold and pay income tax (IRRF) and Contribution of Intervention in the Economic Domain (CIDE) on remittances for payment of platform charters.

Current status: This claim involves lawsuits in different administrative and judicial stages. 5,597

2) Tax credits applied were disallowed due to failure to comply with an ancillary tax obligation.

Current status: Awaiting the hearing of an appeal at the administrative level. 2,555

3) Deduction from taxable income (income tax - IRPJ and social contribution - CSLL) of expenses from Petros Plan renegotiation and penalties, in addition to deduction from taxable income of several employee benefit related expenses and actuarial expenses (PETROS) in 2007 and 2008.

Current status: Awaiting the hearing of an appeal at the administrative level. 1,845

4) Deduction from taxable income of income generated by subsidiaries and associates domiciled outside Brazil from 2005 to 2010.

Current status: Awaiting the hearing of an appeal at the administrative level. 1,620

5) Deduction from taxable income (income tax - IRPJ and social contribution - CSLL) of development costs.

Current status: Awaiting the hearing of an appeal at the administrative level. 1,259

6) Dispute over alleged failure to pay social security contributions over contingent bonuses paid to employees.

Current status: Awaiting the hearing of an appeal at the administrative level. 600

7) Alleged failure to pay Contribution of Intervention in the Economic Domain (CIDE) from March 2002 to October 2003 on transactions with fuel retailers and service stations protected by judicial injunctions determining that fuel sales were made without gross-up of such tax.

Current status: This claim involves lawsuits in different administrative and judicial stages. 504

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

8) Dispute over VAT (ICMS) levied on a drilling rig import – temporary admission in the state of São Paulo and clearance in the state of Rio de Janeiro and related fines for breach of ancillary tax obligations.

Current status: This claim involves lawsuits in administrative and judicial stages.

1,275

9) Tax notices from the State of São Paulo with respect to the deferral of payment of VAT (ICMS) taxes on B100 Biodiesel sales and to the application of alleged incorrect VAT rate (7%) on B100 Biodiesel inter-state sales, including States in the Midwest, North and Northeast regions of Brazil and the State of Espírito Santo.



Current status: This claim involves three tax notices and is 547 being disputed at the administrative level.

**Plaintiff: States of PR, AM, BA, DF, ES, PA, PE and RJ  
Finance Departments**

10) Dispute over VAT (ICMS) levied on crude oil and natural gas sales attributable to alleged differences in initial inventory and final inventory.

Current status: This claim involves lawsuits in different administrative and judicial levels. 406

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

11) VAT (ICMS) levied on dispatch of liquid natural gas (LNG) without issuance of tax document by the main establishment.

Current status: Awaiting the hearing of an appeal at the administrative level. 931

12) Dispute over VAT (ICMS) levied on jet fuel sales, as Decree 36,454/2004 was declared unconstitutional.

Current status: Awaiting the hearing of an appeal at the administrative level. 505

13) Alleged failure to write-down VAT (ICMS) credits related to tax-free or non-taxable sales made by the Company's customers.

Current status: Two Tax Deficiency Notices have been 458  
issued and are being disputed at the administrative level,  
but have not yet been judged.

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

14) Alleged failure to withhold and pay tax on services provided offshore (ISSQN) in some municipalities located in the State of Espírito Santo. Petrobras withheld and paid these taxes to the municipalities where the respective service providers were established, in accordance with Complementary Law 116/03.

Current status: This claim involves lawsuits in administrative and judicial stages.

662

**Plaintiff: States of SP, RS and SC Finance  
Departments**

15) Three States challenged VAT (ICMS) taxes paid on natural gas imports from Bolivia to the State of MS , although the latter, as the import destination, had the legal right to levy such taxes.

Current status: This claim involves lawsuits in different administrative and judicial stages, as well as three civil lawsuits in the Supreme Court. 525

**Plaintiff: States of Rio de Janeiro, São Paulo and  
Sergipe Finance Departments**

16) Dispute over VAT (ICMS) credits were allegedly applied improperly on the purchase of drilling rig bits and chemical products used in formulating drilling fluid.

Current status: This claim involves lawsuits in different administrative and judicial stages. 282

**Plaintiff: States of São Paulo, Ceará, Paraíba, Rio de Janeiro, Bahia and Pará Finance Departments**

17) Alleged failure to pay VAT (ICMS) and allegedly improper use of ICMS credits on exports, internal consumption and similar transactions involving bunker fuel.

Current status: This claim involves tax notices in different 309  
administrative and judicial stages.

**Plaintiff: State of Pernambuco Finance Department**

18) Alleged incorrect application of VAT (ICMS) tax base with respect to natural gas transport through citygates in the State of Pernambuco. The Finance Department of the State of Pernambuco understands that activity as being an industrial activity which could not be characterized as an interstate sale transaction (considering that the Company has facilities located in Pernambuco).

Current status: This claim involves several tax notices in 346  
different administrative and judicial stages.

19) Other tax matters

3,302

Total tax matters

23,528







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

Notes to the financial statements

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

**Description of civil matters**

**Estimate**

**Plaintiff: Agência Nacional de Petróleo, Gás Natural  
e Biocombustíveis - ANP**

1) Proceeding challenging an ANP order requiring Petrobras to pay special participation fees (government take) with respect to Baleia Anã, Baleia Azul, Baleia Franca, Cachalote, Caxaréu, Jubarte and Pirambu in the Parque das Baleias complex located in Campos Basin as a single (unitized) oil field.

Current status: The claim is being disputed in court and in 940  
an arbitration proceeding. As a result of a judicial decision  
and a Chamber of Arbitration ruling the levy has been  
suspended.

2) Legal and administrative disputes on differences in special participation charges and royalties paid in several oil fields. In addition, the Brazilian Oil, Natural Gas and Biofuels Agency (ANP) is claiming fines for alleged non-compliance with minimum exploratory programs and alleged irregularities in platform measurement systems.

Current status: This claim involves proceedings in different 917  
administrative and judicial stages.

**Plaintiff: Refinaria de Petróleo de Manguinhos S.A.**

3) Lawsuit seeking to recover damages for alleged anti-competitive practices with respect to gasoline and other oil products (Diesel and LPG) sales in the domestic market.

Current status: This claim is in judicial stage and was ruled 386 for the plaintiff in the first stage. The Company is taking legal actions to ensure its rights. The Brazilian Antitrust regulator (CADE) has analyzed this claim and did not consider the Company's practices anti-competitive.

4) Other civil matters

1,596

Total for civil matters

3,839





**Description of environmental matters**

**Estimate**

**Plaintiff: Ministério Público Federal, Ministério  
Público Estadual do Paraná**

**AMAR - Associação de Defesa do Meio Ambiente de  
Araucária and IAP - Instituto Ambiental do Paraná**

1) Legal proceeding related to specific performance obligations, indemnification and compensation for damages related to an environmental accident that occurred in the State of Paraná on July 16, 2000.

Current status: The court partially ruled in favor of the plaintiff, however both parties (the plaintiff and the Company) filed an appeal. 571

2) Other environmental matters

746

Total for environmental matters

1,317





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

Notes to the financial statements

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

| <b>Description of labor matters</b>  | <b>Estimate</b> |
|--|-----------------|
| <b>Plaintiff : Sindipetro of Espírito Santo, Rio de Janeiro, Bahia, Minas Gerais and São Paulo.</b>  |                 |
| 1) Class actions requiring a review of the methodology by which the minimum compensation based on an employee's position and work schedule (Remuneração Mínima por Nível e Regime - RMNR) is calculated.<br>Current status: The Company filed its collective bargaining agreement with the Superior Labour Court, and on October 19, 2015, the Court ruled in favor of the Company and notified the Regional Labour Courts of its understanding of the matter.   | 859             |
| <b>Plaintiff : Sindipetro of Norte Fluminense and Sindipetro of the state of Bahia</b>   |                 |
| 2) Class Actions regarding wage underpayments to certain employees due to alleged changes in the methodology used to factor overtime into the calculation of paid weekly rest, allegedly computed based on ratios that are higher than those established by Law No. 605/49.<br>Current status: The Company has appealed a decision with respect to the claim filed by Sindipetro/BA and awaits judgment by the Superior Labor Court. The Company has filed an appeal in the Superior Labor Court to overturn a decision with respect to the claim filed by Sindipetro Norte Fluminense (NF) and awaits judgment. | 311             |
| <b>Plaintiff : Sindipetro of Norte Fluminense – SINDIPETRO/NF</b>  |                 |
| 3)The plaintiff claims Petrobras to pay overtime for standby work time exceeding 12-hours per day. It also claims that Petrobras must respect a 12-hour limit per workday, subject to a daily fine.<br>Current status: Awaiting the Superior Labor Court to judge appeals filed by both parties.   | 272             |
| 4) Other labor matters   | 2,170           |
| Total for labor matters  | 3,612           |

## **29.2. Class action and other related proceedings**

Between December 8, 2014 and January 7, 2015, five putative securities class action complaints were filed against the Company in the United States District Court for the Southern District of New York (SDNY). These actions were consolidated on February 17, 2015 (the “Consolidated Securities Litigation”). The Court appointed a lead plaintiff, Universities Superannuation Scheme Limited (“USS”), on March 4, 2015. USS filed a consolidated amended complaint on March 27, 2015 that purports to be on behalf of investors who: (i) purchased or otherwise acquired Petrobras securities traded on the NYSE or pursuant to other transactions in the U.S. during the period January 22, 2010 and March 19, 2015, inclusive (the “Class Period”), and were damaged thereby; (ii) purchased or otherwise acquired the 2012 Notes pursuant to the 2009 Registration Statement, or the 2013 Notes or 2014 Notes pursuant to the 2012 Registration Statement during the Class Period, and were damaged thereby; and (iii) purchased or otherwise acquired Petrobras securities on the Brazilian stock exchange during the Class Period, who also purchased or otherwise acquired Petrobras securities traded on the NYSE or pursuant to other transactions in the U.S. during the same period.

The consolidated amended complaint alleges, among other things, that in the Company’s press releases, filings with the SEC and other communications, the Company made materially false and misleading statements and omissions regarding the value of its assets, the amounts of the Company’s expenses and net income, the effectiveness of the Company’s internal controls over financial reporting, and the Company’s anti-corruption policies, due to alleged corruption purportedly in connection with certain contracts, which allegedly artificially inflated the market value of the Company’s securities.

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

Notes to the financial statements

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

On April 17, 2015, Petrobras, PGF and underwriters of notes issued by the Company filed a motion to dismiss.

On July 9, 2015, the judge presiding over the Consolidated Securities Litigation ruled on the motion to dismiss, partially granting the Company's motion. Among other decisions, the judge dismissed claims relating to certain debt securities issued in 2012 under the Securities Act of 1933, as time barred by the Securities Act's statute of repose and ruled claims relating to securities purchased on the Brazilian stock exchange must be arbitrated, as established in the Company's Bylaws. The judge rejected other arguments presented in the motion to dismiss and, as a result, the Consolidated Securities Litigation will continue with respect to other claims alleged by the lead plaintiff.

In addition, to date, nineteen lawsuits have been filed by individual investors before the same judge in the SDNY, consisting of allegations similar to those in the consolidated amended complaint. On August 21, 2015, Petrobras, PGF and underwriters of notes issued by the Company filed a motion to dismiss certain of the individual lawsuits, and on October 15, 2015, the judge ruled on the motion to dismiss, partially granting the motion. Among other decisions, the judge dismissed several Exchange Act, Securities Act and state law claims as barred by the relevant statutes of repose. The judge denied other portions of the motion to dismiss and, as a result, these actions will continue with respect to other claims brought by these plaintiffs.

On October 31, 2015, the judge ordered that the individual lawsuits and the Consolidated Securities Litigation shall be tried together in a single trial that will not exceed a total of eight weeks. On November 5, 2015, the judge ordered that the trial shall begin on September 19, 2016.

These actions are in their early stages and involve highly complex issues that are subject to substantial uncertainties and depend on a number of factors such as the novelty of the legal theories, the pace of discovery, the court's scheduling order, the timing of court decisions, discovery from adverse parties or third parties, rulings by the court on key issues, analysis by retained experts, possible engagement in settlement negotiations and the adverse parties' willingness to negotiate in good faith toward a resolution.

In addition, the claims asserted are broad, span a multi-year period and involve a wide range of activities, and the plaintiffs have not specified an amount of alleged damages in the Consolidated Securities Litigation or the additional individual actions.

The uncertainties inherent in all such matters affect the amount and timing of the ultimate resolution of these actions. As a result, the Company is unable to make a reliable estimate of eventual loss arising from the litigation.

In the event that this litigation is decided against us, or we enter into an agreement to settle such matters, we may be required to pay substantial amounts, which could have a material adverse effect on the Company's financial condition, its consolidated results of operations or its consolidated cash flows for an individual reporting period.

The Company has engaged a U.S. firm as legal counsel and intends to defend these actions vigorously.

### **30. Collateral for crude oil exploration concession agreements**

The Company has granted collateral to the Brazilian Agency of Petroleum, Natural Gas and Biofuels (*Agência Nacional de Petróleo, Gás Natural e Biocombustíveis -ANP*) in connection with the performance of the Minimum Exploration Programs established in the concession agreements for petroleum exploration areas in the total amount of US\$ 1,598 of which US\$ 1,239 were still in force at September 30, 2015, net of commitments that have been undertaken. The collateral comprises crude oil from previously identified producing fields, pledged as security, amounting to US\$ 1,044 and bank guarantees of US\$ 195.

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***31. Risk management**

The Company is exposed to a variety of risks arising from its operations, including price risk (related to crude oil and oil products prices), foreign exchange rates risk, interest rates risk, credit risk and liquidity risk. The Company takes account of risks in its business decisions and manages any such risk in an integrated manner in order to enjoy the benefits of diversification. To manage market and financial risks the Company preferably takes structuring measures through an adequate capital and leverage management, minimizing the use of derivative financial instruments.

A summary of the derivative financial instruments positions held by the Company and recognized in other current assets and liabilities as of September 30, 2015, as well as the amounts recognized in the statement of income and other comprehensive income and the guarantees given is set out following:

|  | <b>Statement of Financial Position</b> |                   |                   |                   | <b>Maturity</b> |
|--|--|-------------------|-------------------|-------------------|-----------------|
|  | <b>Notional value</b>                  |                   | <b>Fair value</b> |                   |                 |
|  | <b>09.30.2015</b>                      | <b>12.31.2014</b> | <b>09.30.2015</b> | <b>12.31.2014</b> |                 |
| <b>Derivatives not designated for hedge accounting</b> |  |                   |                   |                   |                 |
| Future contracts - total (*)                           | (11,836)                               | (4,314)           | 65                | 70                |                 |
| Long position/Crude oil and oil products               | 67,521                                 | 84,544            | –                 | –                 | 2015            |
| Short position/Crude oil and oil products              | (79,357)                               | (88,858)          | –                 | –                 | 2015            |
| Options - total (*)                                    | 257                                    | (594)             | 30                | 0.7               |                 |
| Call/Crude oil and oil products                        | (3,700)                                | (364)             | 8                 | (0.4)             | 2015            |
| Put/Crude oil and oil products                         | 3,957                                  | (230)             | 22                | 1.1               | 2015            |
| Forward contracts - total                              |  |                   | –                 | 2                 |                 |
| Long position/Foreign currency forwards (ARS/USD)      | USD 0                                  | USD 10            | –                 | (1)               | 2015            |
| Short position/Foreign currency forwards (BRL/USD)     | USD 34                                 | USD 249           | –                 | 3                 | 2015            |
| Swap   | EUR 1                                  | EUR 5             | –                 | –                 | 2015            |

Interest – Euribor / Fixed  
rate

**Derivatives designated  
for hedge accounting**

|   |         |         |      |      |      |
|---|---------|---------|------|------|------|
| Swap - total  |         |         | (37) | (42) |      |
| Foreign currency /<br>Cross-currency Swap                     | USD 298 | USD 298 | (15) | (22) | 2016 |
| Interest – Libor / Fixed rate                                 | USD 396 | USD 419 | (22) | (20) | 2020 |
| Total recognized in the<br>Statement of Financial<br>Position |         |         | 58   | 30.7 |      |

(\*) Notional value in thousands of bbl

|   | <b>Gains (losses) recognized<br/>in the statement of<br/>income (*)</b> |                     | <b>Gains (losses) recognized<br/>in the Shareholders' Equity<br/>(**)</b> |                     | <b>Guarantees given as<br/>collateral</b> |                   |
|---|---|---------------------|---|---------------------|---|-------------------|
|   | <b>Jan-Sep/2015</b>   | <b>Jan-Sep/2014</b> | <b>Jan-Sep/2015</b>   | <b>Jan-Sep/2014</b> | <b>09.30.2015</b>                         | <b>12.31.2014</b> |
| Commodity<br>derivatives                  | 135   | 111                 | –   | –                   | 7   | 6                 |
| Foreign<br>currency<br>derivatives        | 21  | (9)                 | 4   | 7                   | –   | –                 |
| Interest<br>rate<br>derivatives           | (6)   | (11)                | (3)   | 2                   | –   | –                 |
| Embedded<br>derivative -<br>ethanol       | –   | –                   | –   | –                   | –   | –                 |
|   | 150   | 91                  | 1   | 9                   | 7   | 6                 |
| Cash flow<br>hedge on<br>exports<br>(***) | (1,304)   | (458)               | (20,827)  | (1,979)             | –   | –                 |
|   | (1,154)   | (367)               | (20,826)  | (1,970)             | 7   | 6                 |

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

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

(\*\*\*) Using non-derivative financial instruments as designated hedging instruments, as set out note 31.2.

A sensitivity analysis for the different types of market risks, to which the Company is exposed, based on the derivative financial instruments held as of September 30, 2015 is set out

following:

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

Notes to the financial statements

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

| <b>Financial Instruments</b>                           | <b>Risk</b>  |     | <b>Stressed</b>           |                   |                   |
|--|--|-----|---------------------------|-------------------|-------------------|
|  |  |     | <b>Scenario</b>           | <b>Scenario</b>   |                   |
| <b>Derivatives not designated for hedge accounting</b> |  |     | <b>Probable Scenario*</b> | <b>(Δ of 25%)</b> | <b>(Δ of 50%)</b> |
| Future contracts                                       | Crude oil and oil products - price changes           | 65  | (47)                      | (159)             |                   |
| Forward contracts                                      | Foreign currency - depreciation R\$ x USD            | 34  | 9                         | 17                |                   |
| Forward contracts                                      | Foreign currency - appreciation argentine peso x USD | —   | —                         | —                 |                   |
| Swap   | Interest - Euribor decrease                          | —   | —                         | —                 |                   |
| Options  | Crude oil and oil products - price changes           | 29  | (7)                       | (47)              |                   |
|  |  | 128 | (45)                      | (189)             |                   |
| <b>Derivatives designated for hedge accounting</b>     |  |     |                           |                   |                   |
| Swap   |  | (8) | (60)                      | (99)              |                   |
| Debt   | Foreign currency - appreciation JPY x USD            | 8   | 60                        | 99                |                   |
| Net effect   |  | —   | —                         | —                 |                   |
| Swap   |  | 3   | (1)                       | (2)               |                   |
| Debt   | Interest - LIBOR increase                            | (3) | 1                         | 2                 |                   |
| Net effect   |  | —   | —                         | —                 |                   |

(\*) The probable scenario was computed based on the following risks: R\$ x U.S. Dollar - a 0.2% depreciation of the Real; Japanese Yen x U.S. Dollar - a 1.8% depreciation of the Japanese Yen; Peso x U.S. Dollar - a 16.8% depreciation of the Peso; LIBOR Forward Curve - a 0.22% increase throughout the curve; EURIBOR Forward Curve - a 0.15% increase throughout the curve. Source: Focus and Bloomberg.

**31.1. Risk management of price risk (related to crude oil and oil products prices)**

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

### **31.2. Foreign exchange risk management**

Petrobras seeks to identify and manage foreign exchange rate risks based on an integrated analysis of its businesses and by enjoying the benefits of diversification. The Company's short-term risk management involves choosing the currency in which to hold cash, such as the Brazilian Real, U.S. dollar or other currency.

The foreign exchange risk management strategy involves the use of derivative instruments to hedge certain liabilities, minimizing foreign exchange rate risk exposure.

#### **a) Cash Flow Hedge involving the Company's highly probable future exports**

The Company designates hedging relationships to account for the effects of the existing hedge between a portion of its long-term debt obligations (denominated in U.S. dollars) and its U.S. dollar denominated future export revenues and to properly recognize that hedge in its financial statements.

Individual hedging relationships were designated in a one-to-one proportion, meaning that a portion of the total monthly exports will be the hedged transaction of an individual hedging relationship, hedged by a portion of the company's long-term debt (which has an average maturity of approximately 8.1 years).

The principal amounts, the fair value as of September 30, 2015, and a schedule of the expected reclassifications to statement of income of the balance of losses recognized in other comprehensive income (shareholders' equity) to be recycled to the statement of income based on a USD1.00 / R\$ 3.9729 exchange rate, are set out below:

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

Notes to the financial statements

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

| <b>Hedging Instrument</b>   | <b>Hedged Transactions</b>                                | <b>Nature of the Risk</b>                              | <b>Maturity Date</b>      | <b>Principal Amount (US\$ million)</b> | <b>Carrying amount as of September 30, 2015 (R\$ million)</b> |
|---|---|--|---------------------------|--|---|
| Non-Derivative Financial Instruments (debt: principal and interest) | Portion of Highly Probable Future Monthly Export Revenues | Foreign Currency<br>– Real vs U.S. Dollar<br>Spot Rate | October 2015 to July 2025 | 57,666                                 | 229,101   |

**Changes in the amounts of principal and interest**

|  | <b>US\$</b> | <b>R\$ million</b> |
|--|-------------|--------------------|
| Amounts designated as of December 31, 2014     | 50,858      | 135,088            |
| New hedging instruments designated             | 13,041      | 41,220             |
| Exports affecting profit or loss               | (3,999)     | (12,243)           |
| Principal repayments / amortization            | (2,234)     | (7,529)            |
| Foreign exchange variation (Jan to Sep/15) (*) | –           | 72,565             |
| Amounts designated as of September 30, 2015    | 57,666      | 229,101            |

(\*) Foreign exchange variation excludes R\$ 21 with respect to foreign exchange contracts meeting the definition of derivative financial instruments.

A schedule of the timing of the losses recognized in other comprehensive income (shareholders' equity) to be recycled to the statement of income as of September 30, 2015 is set out below:

**Consolidated  
09.30.2015**

|             | <b>2023 to</b> |             |             |             |             |             |             |             |              |
|-------------|----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| <b>2015</b> | <b>2016</b>    | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>2025</b> | <b>Total</b> |
| (960)       | (3,894)        | (4,360)     | (4,568)     | (4,020)     | (3,427)     | (3,280)     | (3,369)     | (4,611)     | (32,489)     |

Expected  
reclassification

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

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

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

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

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

Notes to the financial statements

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

|                              |                               |                 | <b>Probable Scenario</b> | <b>Stressed Scenario</b> | <b>Stressed Scenario</b> |
|------------------------------|-------------------------------|-----------------|--------------------------|--------------------------|--------------------------|
| <b>Financial Instruments</b> | <b>Exposure at 09.30.2015</b> | <b>Risk</b>     | <b>(*)</b>               | <b>(Δ of 25%)</b>        | <b>(Δ of 50%)</b>        |
| Assets                       | 2,302                         |                 | 4                        | 575                      | 1,151                    |
| Liabilities                  | (63,643)                      | Dollar/Real     | (114)                    | (15,911)                 | (31,822)                 |
| Cash flow hedge on exports   | 57,666                        |                 | 103                      | 14,416                   | 28,833                   |
|                              | (3,675)                       |                 | (7)                      | (920)                    | (1,838)                  |
| Liabilities (**)             | (605)                         | Yen/Dollar      | 11                       | (151)                    | (303)                    |
| Assets                       | 13                            | Euro/Real       | (1)                      | 3                        | 7                        |
| Liabilities                  | (2,289)                       |                 | 70                       | (572)                    | (1,145)                  |
|                              | (2,276)                       |                 | 69                       | (569)                    | (1,138)                  |
| Assets                       | 6,124                         | Euro/Dollar     | (200)                    | 1,531                    | 3,062                    |
| Liabilities                  | (12,597)                      |                 | 410                      | (3,149)                  | (6,298)                  |
|                              | (6,473)                       |                 | 210                      | (1,618)                  | (3,236)                  |
| Assets                       | 8                             | Pound           | –                        | 2                        | 4                        |
| Liabilities                  | (690)                         | Sterling/Real   | (14)                     | (172)                    | (345)                    |
|                              | (682)                         |                 | (14)                     | (170)                    | (341)                    |
| Assets                       | 1,658                         | Pound           | 31                       | 415                      | 829                      |
| Liabilities                  | (3,667)                       | Sterling/Dollar | (69)                     | (917)                    | (1,833)                  |
|                              | (2,009)                       |                 | (38)                     | (502)                    | (1,004)                  |
| Assets                       | 198                           | Peso/Dollar     | 28                       | 50                       | 99                       |
| Liabilities                  | (636)                         |                 | (92)                     | (159)                    | (318)                    |
|                              | (438)                         |                 | (64)                     | (109)                    | (219)                    |
|                              | (16,158)                      |                 | 167                      | (4,039)                  | (8,079)                  |

(\*) On September 30, 2015, the probable scenario was computed based on the following risks: Real x Dollar – a 0.2% depreciation of the Real / Yen x Dollar – a 1.8% depreciation of the Yen / Peso x Dollar: a 16.8% depreciation of the Peso/ Euro x Dollar: a 3.3% depreciation of the Euro / Pound Sterling x Dollar: a 1.9% appreciation of the Pound Sterling/ Real x Euro - a 3.1% appreciation of the Real / Real x Pound Sterling - 2.1% depreciation of the Real. Source: Focus and Bloomberg.

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

**31.3. Interest rate risk management**

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

#### **31.4. Credit risk**

Credit risk management in Petrobras aims at minimizing risk of not collecting receivables, financial deposits or collateral from third parties or financial institutions through efficient credit analysis, granting and management based on quantitative and qualitative parameters that are appropriate for each market segment in which the Company operates.

The commercial credit portfolio is very diversified and comprises clients from the domestic market and from foreign markets. Credit granted to financial institutions, related to collaterals received, cash surplus invested and derivative financial instruments is spread among “investment grade” international banks rated by international rating agencies and highly-rated Brazilian banks.

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***31.5. Liquidity risk**

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

This strategy is currently being achieved, for example, by seeking funding in the Asian banking market. During 2015 the Company is using traditional funding sources (export credit agencies – ECAs, banking market and capital markets) to obtain the necessary funding to repay debt and fund its capital expenditures. In addition, the Company's 2015/2016 divestment program will contribute to its funding needs.

A maturity schedule of the Company's finance debt (undiscounted), including face value and interest payments is set out following:

| <b>Maturity</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020 and thereafter</b> | <b>Balance at September 30, 2015</b> | <b>Balance at December 31, 2014</b> |
|-----------------|-------------|-------------|-------------|-------------|-------------|----------------------------|--------------------------------------|-------------------------------------|
|                 | 6,109       | 18,251      | 17,218      | 21,562      | 27,033      | 98,716                     | 188,889                              | 179,704                             |

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

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

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

- Level 1 inputs: are the most reliable evidence of fair value, quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2 inputs: are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs: are unobservable inputs for the asset or liability.

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

Notes to the financial statements

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

|                               | Fair value measured based on |          |           | Total fair value recorded |
|-------------------------------|------------------------------|----------|-----------|---------------------------|
|                               | Level I                      | Level II | Level III |                           |
| <b>Assets</b>                 |                              |          |           |                           |
| Marketable securities         | 1,102                        | –        | –         | 1,102                     |
| Commodity derivatives         | 95                           | –        | –         | 95                        |
| Foreign currency derivatives  | –                            | –        | –         | –                         |
| Balance at September 30, 2015 | 1,197                        | –        | –         | 1,197                     |
| Balance at December 31, 2014  | 2,781.7                      | 2        | –         | 2,783.7                   |
| <b>Liabilities</b>            |                              |          |           |                           |
| Foreign currency derivatives  | –                            | (15)     | –         | (15)                      |
| Interest derivatives          | –                            | (22)     | –         | (22)                      |
| Balance at September 30, 2015 | –                            | (37)     | –         | (37)                      |
| Balance at December 31, 2014  | –                            | (42)     | –         | (42)                      |

There are no material transfers between levels.

The estimated fair value for the Company's long term debt as of September 30, 2015, computed based on the prevailing market rates is set out in note 16.1.

**33. Subsequent events****Voluntary separation incentive plan - Plano de incentivo ao desligamento voluntário (PIDV) BR 2015**

On October 13, 2015, Petrobras Distribuidora S.A., a wholly-owned subsidiary of Petrobras, announced a voluntary separation incentive plan (*PIDV BR 2015*) in order to reduce its workforce to an adequate level, while taking into consideration its employees' expectations.

The deadline for employees to enroll in the plan is December 30, 2015 and the estimated cost of separations if all eligible employees enroll in the plan is US\$ 38.

**Sale and Leaseback of P-52 and P-57**

On October 13, 2015 the Company announced the conclusion of negotiations with the Industrial and Commercial Bank of China Leasing – ICBC Leasing with respect to a US\$ 2 billion financing agreement for 10 years, through a finance lease of two existing platforms (P-52 and P-57) from its wholly-owned subsidiary Petrobras Netherlands B.V. (PNBV).

The funds will be available for disbursement following the fulfillment of conditions precedent by both institutions.

### **Petrobras Gás S.A. – Gaspetro**

#### **Partial spin-off of Gaspetro and creation of Petrobras Logística de Gás S.A.**

On October 23, 2015 the Board of Directors approved the partial spin-off of Petrobras Gás S.A. (Gaspetro). The spin-off aims to segregate the assets and liabilities related to the natural gas distribution business from the Company's remaining assets and liabilities, turning Gaspetro into a holding company which will consolidate Petrobras' interests in natural gas distributors.

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

Notes to the financial statements

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

The Board of Directors also approved the creation of a new wholly-owned subsidiary of Petrobras (Petrobras Logística de Gás S.A.) with the purpose of holding assets and liabilities unrelated to the natural gas distribution business segregated from Gaspetro.

### **Disposal of interest in Gaspetro**

On October 23, 2015, the Board of Directors approved the disposal of 49% of Petrobras's interest in Petrobras Gás S.A. (Gaspetro), a holding company which will consolidate Petrobras' interests in natural gas distributors, to Mitsui Gás e Energia do Brasil Ltda. for US\$ 0.5 billion, subject to the usual conditions precedent, including approval by the Brazilian authorities.

This transaction is part of the Divestment Program in the 2015-2019 Business and Management Program.

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

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

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

## SIGNATURE

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

Date: November 13, 2015

PETRÓLEO BRASILEIRO S.A--PETROBRAS

By:

/s/ Ivan de Souza Monteiro

---

**Ivan de Souza Monteiro**  
**Chief Financial Officer and Investor Relations**  
**Officer**

## FORWARD-LOOKING STATEMENTS

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

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

---