

PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
April 23, 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 April, 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

FOURTH QUARTER OF 2014

RESULTS

Rio de Janeiro – April 22, 2015 - (A free translation from the original in Portuguese).

Petrobras announces today its audited consolidated results for 4Q-2014 and the full year 2014, stated in millions of *Reais*, prepared in accordance with International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board - IASB. In addition, the Company has published today its consolidated interim financial statements for 3Q-2014 and the nine-month period ended September 30, 2014 reviewed by the Company's independent auditors. Those interim financial statements, and the information in this release about the Company's 3Q-2014 results, supersede the unreviewed information in *Reais* that the Company published on January 28, 2015.

The R\$ 21,587 million loss in 2014 resulted from impairment charges in the amount of R\$ 44,636 million. Write-offs of overpayments incorrectly capitalized in the amount of R\$ 6,194 million were recognized in the 3Q-2014 related to the payment scheme uncovered by the investigations of the "Lava Jato (Car Wash) Operation" (referred to below as *write-offs of overpayments incorrectly capitalized*).

Key events

Jan-Dec

(21,587)	23,570	(192)	Consolidated net income (loss) attributable to the shareholders of Petrobras	(26,600)	(5,339)	(398)	6,281
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2,669	2,539	5	Total domestic and international crude oil and natural gas production (Mbb/d)	2,799	2,746	2	2,534
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59,140	62,967	(6)	Adjusted EBITDA	20,057	8,488	136	15,553
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The Company reported a R\$ 26,600 million loss in the 4Q-2014, due mainly to the following key events:

- Pre-tax impairment charges of R\$ 44,345 million (R\$ 32,089 million after taxes), mainly related to the following assets:
 - i) domestic refineries (R\$ 30,976 million), resulting from testing the second refining unit of Refinaria Abreu e Lima (RNEST) and Complexo Petroquímico do Rio de Janeiro (COMPERJ) individually for impairment purposes, due to the postponement of these projects for an extended period of time as a result of the Company's measures to preserve cash and of the implications to the Company's suppliers of the "Lava Jato" investigation. The impairment charges are mainly attributable to project planning deficiencies, to the use of a higher discount rate (which included a risk premium related to the stand-alone view of the assets), to the impact of a delay in expected cash inflows and lower projected economic growth;
 - ii) assets related to exploration and production of crude oil and natural gas (R\$ 10,002 million) attributable to lower international crude oil prices; and
 - iii) petrochemical assets (R\$ 2,978 million) as a result of decreased demand and lower margins.

In addition, the Company had the following key events for the 4Q-2014:

- Diesel (5%) and gasoline (3%) price increases on November 7, 2014.
- Higher domestic crude oil and NGL production (a 3% increase, 60 thousand barrels/day) due to the ramp-up of P-55, P-62 and P-58 platforms and the ramp-up of FPSOs Cidade de São Paulo and Cidade de Paraty, as well as the production start-up of FPSOs Cidade de Mangaratiba and Cidade de Ilhabela. The Company reached a crude oil production monthly record level of 666 thousand barrels per day at the pre-salt layer in December 2014.
- A R\$ 3,286 million gain on the disposal of the Company's interest in Petrobras Energia Peru S/A, with a R\$ 6,691 million increase in cash and cash equivalents.

When compared to the financial statements published on January 28, 2015, which reported a R\$ 3,087 million net income, 3Q-2014 financial statements report a R\$ 5,339 million loss attributable to the shareholders of Petrobras, resulting from *the write-off of overpayments incorrectly capitalized* (R\$ 6,194 million) and from an increase in the allowance for impairment of trade receivables from the electricity sector (R\$ 1,602 million, after taxes). Restated information about the 3Q-2014 and the nine-month period ended September 30, 2014 is set out in "Additional Information".

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Comments from the CEO

Mr. Aldemir Bendine

Dear Shareholders and Investors,

Petrobras has overcome an important obstacle by publishing its 2014 audited financial statements, following a collective effort that highlights our ability to meet challenges under adverse circumstances. This experience has given me even more confidence to address the strategic issues that we face in pursuing the Company's business plan in an efficient manner that creates value for the Company.

We have developed a methodology to estimate the overpayments incorrectly capitalized related to the payment scheme uncovered by the investigations of the "Lava Jato (Car Wash) Operation." The write-offs related to those incorrectly capitalized overpayments were recognized in the third quarter 2014.

In addition, changes in Petrobras' business context, including the decline in oil prices, the appreciation of the U.S. Dollar and the need to reduce our level of indebtedness, have prompted a review of the Company's future prospects and ultimately led to the reduction in the pace of the Company's capital expenditures.

As a result, the Company has decided to postpone the completion of some of the assets and projects in its 2014-2018 Business and Management Plan. The postponement of those projects had an impact on our impairment tests, and we recognized impairment charges in the fourth quarter of 2014.

Now that we have published our financial statements, we will turn our focus to our medium and long-term challenges. We are developing a new business plan, in which we will include financial assumptions that reflect current oil industry conditions.

We are revising our capital expenditure plans to prioritize oil and gas exploration and production activities, which is our most profitable business segment. We are focusing on building a sustainable business plan from a cash flow perspective, considering potential effects on our supply chain and, consequently, on our production curve.

I would like to conclude this message by emphasizing my strong belief that Petrobras is and will remain a profitable and efficient Company, which has made substantial improvements in its corporate governance and increased its dedication to generating returns for its shareholders and investors.

Aldemir Bendine, CEO.

NOTE ABOUT “LAVA JATO OPERATION”

The note below provides a general summary of the Lava Jato (Car Wash) operation and its impact on the Company. For a more detailed description, see Note 3 of the Company’s audited consolidated financial statements of the period ended December 31, 2014.

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

In the third quarter of 2014, the Company wrote off R\$ 6,194 million of capitalized costs representing amounts that Petrobras overpaid for the acquisition of property, plant and equipment in prior years.

According to testimony from Brazilian criminal investigations that became available beginning October 2014, senior Petrobras personnel conspired with contractors, suppliers and others from 2004 through April 2012 to establish and implement an illegal cartel that systematically overcharged the Company in connection with the acquisition of property, plant and equipment. Two Petrobras executive officers (*diretores*) and one executive manager were involved in this payment scheme, none of whom has been affiliated with the Company since April 2012; they are referred to below as the “former Petrobras personnel.” The overpayments were used to fund improper payments to political parties, elected officials or other public officials, individual contractor personnel, former Petrobras personnel and other individuals involved in the payment scheme. The Company itself did not make the improper payments, which were made by the contractors and suppliers and by intermediaries acting on behalf of the contractors and suppliers.

Petrobras believes that the amounts it overpaid pursuant to this payment scheme should not have been included in historical costs of its property, plant and equipment. However, Petrobras cannot specifically identify either the individual contractual payments that include overcharges or the reporting periods in which overpayments occurred. As a result, Petrobras developed a methodology to estimate the aggregate amount that it overpaid under the payment scheme, in order to determine the amount of the write-off representing the overstatement of its assets resulting from overpayments used to fund improper payments.

Background

Over the course of 2014, the investigations of the Lava Jato Operation, led by the Brazilian Federal Prosecutor’s Office, uncovered a broad payment scheme that involved a wide range of participants, including former Petrobras personnel. Based on the information available to Petrobras, the payment scheme involved a group of 27 companies that, between 2004 and April 2012, colluded to obtain contracts with Petrobras, overcharge the Company under those contracts and use the overpayment received under the contracts to fund improper payments to political parties, elected officials or other public officials, individual contractor personnel, former Petrobras personnel and other individuals involved in the scheme. Petrobras refers to this scheme as the “payment scheme” and to the companies involved in the scheme as “cartel

members.” In addition to the payment scheme, the investigation pointed out specific cases where other companies also charged additional costs and allegedly used these values to fund payments to certain former employees of Petrobras, including a former director of the International area. These companies are not members of the cartel and acted individually.

As announced on January 28, 2015, the Company considered whether it could develop a surrogate or proxy to quantify the errors to be corrected. The proposed proxy would involve determining the fair value of each affected asset and estimating the amount of overcharges by contractors and suppliers as being the difference between the fair value of each affected asset and its carrying amount.

The difference between fair value and carrying amount would conceptually be attributed to improper payments. However, after the difference was measured, the Company concluded that the shortfall between the fair value and the carrying amount of the assets was significantly larger than any reasonable estimate of the improper payments uncovered in the context of the Lava Jato investigation. Fair value shortfalls originate not primarily from improper payments, but from different sources (both related to the method of measuring the fair value and to changes in the business context), including: the fair value of the assets was measured on a stand-alone basis and did not consider value that would be added to the assets when used in an integrated manner; the discount rate used by the appraisers considered a risk premium related to the acquisition of a single asset by a third party inside a market highly concentrated in a single large-scale player (Petrobras); changes in economic and financial variables (exchange rate, discount rate, risk metrics and cost of capital); changes in estimates of prices and margins of inputs; changes in projections of prices, margins and demand for products sold in light of recent changes in market conditions; changes in equipment and input prices, wages and other correlated costs; the impact of local content requirements; and project planning deficiencies (especially in the Engineering and Downstream areas).

Therefore, the Company concluded that using the fair value as a surrogate or proxy to adjust its property, plant and equipment would not have been appropriate.

Approach adopted by the Company to adjust its property, plant and equipment for overpayments

The information available to the Company is generally consistent with respect to the existence of the payment scheme, the companies involved in the payment scheme, the former Petrobras personnel involved in the payment scheme, the period during which the payment scheme was in effect, and the maximum amounts involved in the payment scheme relative to the contract values of affected contracts.

As it is impracticable to identify specific periods and amounts for the overpayments by the Company, the Company considered all the information available (as described above) to quantify the impact of the payment scheme.

1. Identify contractual counterparties: the Company listed all the companies identified in public testimony, and using that information the Company identified all of the contractors and suppliers that were either so identified or were consortia including entities so identified.

2. Identify the period: the Company concluded from the testimony that the payment scheme was operating from 2004 through April 2012.
3. Identify contracts: the Company identified all contracts entered into with the counterparties identified in step 1 during the period identified in step 2, which included supplemental contracts when the original contract was entered into between 2004 and April 2012. It has identified all of the property, plant and equipment related to those contracts.
4. Identify payments: the Company calculated the total contract values under the contracts identified in step 3.
5. Apply a fixed percentage to the total contract values: the Company estimated the aggregate overpayment by applying a percentage indicated in the depositions (3%) to the total amounts for identified contracts.

For overpayments attributable to non-cartel members, unrelated to the payment scheme, the Company included in the write-off for incorrectly capitalized overpayments the specific amounts of improper payments or percentages of contract values, as described in the testimony, which were used by those suppliers and contractors to fund improper payments.

Along with the write-off to reduce the carrying amount of specified property, plant and equipment, the impact in the current period includes write-offs of tax credits (VAT and correlated taxes) and a provision for credits applied in prior periods with respect to property, plant and equipment that has been written-down, as well as the reversal of depreciation of affected assets beginning on the date they started operating.

As previously discussed, the testimony does not provide sufficient information to allow the Company to determine the specific period during which the Company made specific overpayments. Accordingly, the write-off of overpayments incorrectly capitalized was recognized in the third quarter of 2014, because it is impracticable to determine the period-specific effect in each prior period. The Company believes this approach is the most appropriate pursuant to the requirements of IFRS for the correction of an error.

The Company has not recovered and cannot reliably estimate any recoverable amounts at this point. Any amounts ultimately recovered would be recorded as income when received (or when their realization becomes virtually certain).

As previously mentioned, Petrobras believes that the amounts it overpaid pursuant to the payment scheme should not have been included in the historical cost of the property, plant and equipment. Therefore, under Brazilian tax legislation, this write-off is considered a loss resulting from unlawful activity and subject to the evolution of the investigations in order to establish the actual extent of the losses before they can be deducted from an income tax perspective.

As a result, at September 30, 2014, it is not possible for the Company to estimate the amounts that will ultimately be considered deductible or the timing for the deduction.

Accordingly no deferred tax assets were recognized for the write-off of overpayments incorrectly capitalized.

Petrobras believes that this methodology produces the best estimate for the aggregate overstatement of its property, plant and equipment resulting from the payment scheme, in the sense that it represents the upper bound of the range of reasonable estimates.

The Company carefully considered all available information and, as discussed above, does not expect that new developments in the investigations by the Brazilian authorities, by the independent law firms conducting an internal investigation, or by new internal commissions set up (or a review of the results of previous internal investigations) could materially impact or change the methodology described above. Notwithstanding this expectation, the Company will continuously monitor the investigations for additional information and will review its potential impact on the adjustment.

The total impact of the adjustments by business area, in millions of Reais, is set out below.

**“Write-off –
overpayments
incorrectly capitalized”**

Payment scheme:

Total contract amounts (*)	62,679	110,867	21,233	757	752	3,322	199,610
Estimated aggregate overpayments (3%)	1,880	3,326	637	23	23	99	5,988
Unrelated payments (outside the cartel)	139	1	10	–	–	–	150
	2,019	3,327	647	23	23	99	6,138
Reversal of depreciation of the affected assets	(87)	(198)	(52)	–	–	(9)	(346)
Impact on property, plant and equipment	1,932	3,129	595	23	23	90	5,792
Write-down of tax credits related to affected assets (**)	37	298	57	–	–	10	402
Write-off – overpayments incorrectly capitalized	1,969	3,427	652	23	23	100	6,194

(*) Of this amount, R\$ 44,115 million represents amounts scheduled to be paid after September 30, 2014.

(**) Write-down of tax credits that will not be applicable in the future.

The Company's response to the facts uncovered in the investigation

While the internal and external investigations are ongoing, the Company is taking the necessary procedural steps with Brazilian authorities to seek compensation for the damages it has suffered, including those related to its reputation. 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. The proceedings will also include civil proceedings against cartel members, which Petrobras would have the right to join as a plaintiff, and it expects to do so. The civil proceedings typically result in three types of relief: effective damages, civil fines and moral damages. Petrobras would be entitled to any effective damages and possibly civil fines. Moral damages would typically be contributed to a federal fund, although Petrobras may seek to obtain moral damages once it joins the proceedings as a plaintiff.

Petrobras does not tolerate corruption or any illegal business practices of its contractors or suppliers or the involvement of its employees in such practices, and it has therefore undertaken the following initiatives in furtherance of the investigation of irregularities involving its business activities and to improve its corporate governance system:

- The Company has established several Internal Investigative Committees (*Comissões Internas de Apuração – CIA*) to investigate instances of non-compliance with corporate rules, procedures or regulations. We have provided the findings of the internal commissions that have been concluded to Brazilian authorities.
- On October 24 and 25, 2014, the Company engaged two independent law firms, U.S. firm Gibson, Dunn & Crutcher LLP and Brazilian firm Trench, Rossi e Watanabe Advogados, to conduct an independent internal investigation.
- The Company has been cooperating fully with the Brazilian Federal Police (Polícia Federal), the Brazilian Public Prosecutor's Office (Ministério Público Federal), the Brazilian Judiciary, and other Brazilian authorities (the Federal Audit Court – Tribunal de Contas da União – TCU, and the Federal General Controller – Controladoria Geral da União – CGU).
- The Company has established committees to analyze the application of sanctions against contractors and suppliers, and imposed a provisional ban on contracting with the cartel members (and entities related to them) mentioned in the testimony that has been made public.
- The Company has developed and implemented measures to improve corporate governance, risk management and control, which are documented in standards and minutes of management meetings that establish procedures, methods, responsibilities and other guidelines to integrate such measures into the Company's practices.
- The Company has created a position of Governance, Risk and Compliance Officer, with the aim of supporting the Company's compliance programs and mitigating risks in its activities, including fraud and corruption. The new Officer participates in the decisions of the Executive Board, and any matter submitted to the Executive Board for approval must previously be approved by this Officer as they relate to governance, risk and compliance.

- On January 13, 2015 the Board of Directors appointed Mr. João Adalberto Elek Junior to the position of Governance, Risk and Compliance Officer. Mr. João Adalberto Elek Junior took office on January 19, 2015. He will serve a three-year term, which may be renewable, and may only be removed by a vote of the Board of Directors, including the vote of at least one Board Member elected by the non-controlling shareholders or by the preferred shareholders.
- A Special Committee was formed to act independently and to serve as a reporting line to the Board of Directors for the firms conducting the independent internal investigation. The Special Committee is composed of Ellen Gracie Northfleet, retired Chief Justice of the Brazilian Supreme Court (as chair of the Committee), Andreas Pohlmann, Chief Compliance Officer of Siemens AG from 2007 to 2010, and the executive officer of Governance, Risk and Compliance, João Adalberto Elek Junior.

FINANCIAL AND OPERATING HIGHLIGHTS

Main Items and Consolidated Economic Indicators

Jan-Dec

85,040	88,377	(4)	81,028	Sales revenues	337,260	304,890	11
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22,015	20,441	8	16,583	Gross profit	80,437	69,895	15
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(32,826)	(4,921)	(567)	7,036	Net income (loss) before finance income (expense), share of earnings in equity-accounted investments, profit sharing and income taxes	(21,322)	34,364	(162)
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(1,814)	(972)	(87)	(3,021)	Net finance income (expense)	(3,900)	(6,202)	37
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(26,600)	(5,339)	(398)	6,281	Consolidated net income (loss) attributable to the shareholders of Petrobras	(21,587)	23,570	(192)
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(2.04)	(0.41)	(398)	0.48	Basic and diluted earnings	(1.65)	1.81	(191)
				(losses) per share ¹			

127,506	229,723	(44)	214,688	Market capitalization (Parent Company)	127,506	214,688	(41)
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26	23	3	20	Gross margin (%)	24	23	1
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(39) 1 (40) 9 **Operating margin (%)** ² (4) 11 (15)

(31)	(6)	(25)	8	Net margin (%)	(6)	8	(14)
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20,057	8,488	136	15,553	Adjusted EBITDA ³	59,140	62,967	(6)
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**Net income (loss) before
finance income (expense),
share of earnings in
equity-accounted
investments, profit sharing
and income taxes by
business segment**

4,055 13,405 (70) 17,845 . **Exploration & Production** 50,172 64,415 (22)

(32,185) (11,840) (172) (8,213) **. Refining, Transportation and Marketing** (57,361) (26,842) (114)

459 (3,538) 113 (332) . **Gas & Power** (1,644) 1,344 (222)

(57) (67) 15 (44) . **Biofuel** (262) (315) 17

669	(295)	327	558	. Distribution	1,868	2,814	(34)
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(2,776) (18) - 264 . **International** (1,688) 3,891 (143)

(4,478) (3,586) (25) (2,513) . **Corporate** (14,139) (10,615) (33)

24,598	21,043	17	35,153	Capital expenditures and investments	87,140	104,416 (17)
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76.27	101.85	(25)	109.27	Brent crude (US\$/bbl)	98.99	108.66	(9)
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2.54	2.27	12	2.27	Average commercial selling	2.35	2.16	9
				rate for U.S. dollar			

2.66	2.45	8	2.34	Period-end commercial selling rate for U.S. dollar	2.66	2.34	13
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8.4	11.3	(3)	5.0	Variation of the period-end commercial selling rate for U.S. dollar (%)	13.4	14.6	(1)
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11.22	10.90	–	9.52	Selic interest rate - average (%)	10.86	8.19	3
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Average price indicators

228.81	224.52	2	215.33	Domestic basic oil products	226.52	209.17	8
				price (R\$/bbl)			

Domestic Sales Price

66.49	90.73	(27)	96.92	. Crude oil (U.S. dollars/bbl) ⁴	87.84	98.19	(11)
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45.54	49.28	(8)	45.08	. Natural gas (U.S. dollars/bbl)	47.93	47.68	1
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International Sales Price

73.66	84.05	(12)	86.43	. Crude oil (U.S. dollars/bbl)	82.93	89.86	(8)
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22.26	19.16	16	21.70	. Natural gas (U.S. dollars/bbl)	21.18	21.08	–
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¹ Basic and diluted earnings (losses) per share calculated based on the weighted average number of shares.

² Operating margin calculated based on net income (loss) before finance income (expense), share of earnings in equity-accounted investments, profit sharing and income taxes, excluding *write-offs of overpayments incorrectly capitalized*.

³ EBITDA + share of earnings in equity-accounted investments, impairment and *write-offs of overpayments incorrectly capitalized*.

⁴ Average between the exports prices and the internal transfer prices from Exploration & Production to Refining, Transportation and Marketing.

FINANCIAL AND OPERATING HIGHLIGHTS

RESULTS OF OPERATIONS

2014 x 2013 Results:

Gross Profit

Gross profit increased by 15% (R\$ 10,542 million), mainly due to:

Ø Sales revenues of R\$ 337,260 million, 11% higher, when compared to 2013, resulting from:

- Higher oil product prices in the domestic market attributable to diesel and gasoline price increases and to the impact of foreign currency depreciation (9%) on the price (in *reais*) of oil products that are adjusted to reflect international prices, as well as higher electricity and natural gas prices; and
- A 3% increase in the domestic demand for oil products, mainly diesel (2%), gasoline (5%) and fuel oil (21%), and an increase in crude oil export volumes (12%), partially offset by a decrease in oil product export volumes (15%).

Ø Cost of sales of R\$ 256,823 million, 9% higher when compared to 2013, due to:

- Higher import costs and production taxes attributable to foreign currency depreciation;
- Domestic oil products sales volumes were 3% higher and increased LNG import volumes to meet the demand; and
- Higher electricity costs due to an increase in the electricity prices in the spot market.

Net loss before finance income (expense), share of earnings in equity-accounted investments, profit sharing and income taxes

Net loss before finance income (expense), share of earnings in equity-accounted investments, profit sharing and income taxes reached R\$ 21,322 million in 2014, compared to a R\$ 34,364 million net income of in 2013. This result reflects:

- Impairment charges (R\$ 44,636 million);
- *Write-offs of overpayments incorrectly capitalized* (R\$ 6,194 million);
- Allowance for impairment of trade receivables from the isolated electricity sector (R\$ 4,511 million);
- Write-off of the capitalized costs of Premium I and Premium II refineries (R\$ 2,825 million);

- The impact of the Company's Voluntary Separation Incentive Plan - PIDV (R\$ 2,443 million);
- A review of the Company's estimates of decommissioning costs (R\$ 1,128 million);
- Write-off of E&P areas returned to the Brazilian Agency of Petroleum, Natural Gas and Biofuels - ANP (R\$ 610 million); and
- The review of the Company's pension and medical benefit obligations (R\$ 505 million).

These effects were partially offset by a higher gross profit.

Net finance expense

Net finance expense of R\$ 3,900 million, R\$ 2,302 million lower when compared to 2013, resulting from:

- A decrease in foreign exchange variation charges on lower net liabilities in U.S. dollar;
- Foreign exchange gain attributable to the appreciation of the U.S. dollar compared to other currencies, mainly against the Euro;
- Inflation indexation gains on a contingent asset with respect to undue taxes paid on finance income – PIS and COFINS from February 1999 to December 2002; and
- Inflation indexation on debt confession agreements related to receivables of electricity sector.

Those effects were partially offset by higher interest expenses resulting from an increase in the Company's finance debt.

Net loss attributable to the shareholders of Petrobras

Net loss attributable to the shareholders of Petrobras reached R\$ 21,587 million in 2014, resulting mainly from impairment charges in refining, exploration and production of oil and natural gas and petrochemical assets.

FINANCIAL AND OPERATING HIGHLIGHTS

RESULTS OF OPERATIONS

4Q-2014 x 3Q-2014 Results:

Gross Profit

Gross profit increased 8% (R\$ 1,574 million), mainly due to:

Ø Sales revenues of R\$ 85,040 million, 4% lower as a result of:

- Decreased crude oil export volumes and average prices resulting, respectively, from a higher domestic crude oil processing in the domestic refineries and lower international oil prices; and
- Lower domestic oil product demand (mainly diesel).

Those effects were partially offset by diesel (5%) and gasoline (3%) price increases on November 7, 2014.

Ø Costs of sales of R\$ 63,025 million, 7% lower when compared to the 3Q-2014, due to lower domestic oil product sales volumes, as well as to a decrease in crude oil import costs and production taxes, resulting from a decrease in international prices.

Net loss before finance income (expense), share of earnings in equity-accounted investments, profit sharing and income taxes

Net loss before finance income (expense), share of earnings in equity-accounted investments, profit sharing and income taxes of R\$ 32,826 million resulted from:

- Impairment charge of R\$ 44,345 million, mainly on refining assets, exploration and production of crude oil and natural gas and petrochemical assets.

This effect was partially offset by:

- Gain on the disposal of the Company's interest in Petrobras Energia Peru S/A (R\$ 3,286 million) ;
- Lower allowance for impairment of trade receivables from the electricity sector (R\$ 3,003 million); and
- Higher gross profit.

In addition, a R\$ 6,194 million *write-off of overpayments incorrectly capitalized* was recognized in the 3Q-2014 along with a R\$ 2,707 million write-off of the capitalized costs of Premium I and Premium II refineries.

Net finance expense

Net finance expense of R\$ 1,814 million was R\$ 842 million higher than in the 3Q-2014, resulting from a exchange variation losses on decreased net liabilities in Euro, due to a 3.8% appreciation of the U.S. dollar against the Euro in the 4Q-2014 compared to a 7.7% appreciation in the 3Q-2014. Those effects were partially offset by a foreign exchange variation gain attributable to a lower 8.4% depreciation of the Real against the U.S. Dollar on net liabilities in U.S. Dollars (compared to a 11.3% depreciation in the 3Q-2014).

Net loss attributable to the shareholders of Petrobras

Net loss attributable to the shareholders of Petrobras was R\$ 26,600 million, resulting mainly from impairment charges in refining, exploration and production of oil and natural gas and petrochemical assets.

FINANCIAL AND OPERATING HIGHLIGHTS

NET INCOME BY BUSINESS SEGMENT

Petrobras is an integrated energy company and most of the crude oil and natural gas production from the Exploration & Production segment is transferred to other business segments of the Company. Our results by business segment include transactions carried out with third parties, transactions between companies of Petrobras's Group and transfers between Petrobras's business segments that are calculated using internal transfer prices defined through methodologies based on market parameters.

EXPLORATION & PRODUCTION

Jan-Dec

Net Income

2,672 8,145 (67) 11,733

32,264 42,213 (24)

(4Q-2014 x 3Q-2014): The lower net income was due to a decrease in crude oil sales/transfer prices resulting from lower international prices and to impairment charges. These effects were partially offset by an increase in crude oil and NGL production (3%), by the impact of the depreciation of the Real against the U.S. dollar on crude oil sales/transfer prices and by lower exploration costs (mainly write-offs of dry and/or sub-commercial wells).

The spread between the average domestic oil price (sale/transfer) and the average Brent price decreased from U.S.\$ 11.12/bbl in the 3Q-2014 to U.S.\$ 9.78/bbl in the 4Q-2014.

(2014 x 2013): The lower net income was due to impairment charges, to *write-off of overpayments incorrectly capitalized*, to the impact of the Company's voluntary separation incentive plan (PIDV), to a review of the Company's estimated decommissioning costs, to write-off of E&P areas returned to the ANP and to higher operating costs, such as equipment depreciation, equipment maintenance, interventions on wells, oil platform chartering, materials and increased employee compensation costs. These effects were partially offset by the higher crude oil and NGL production (5%). This net result in 2014, when compared to 2013, is further impacted by the fact that in 2013 we recognized a gain on the disposal of Parque das Conchas offshore project (BC-10).

The spread between the average domestic oil price (sale/transfer) and the average Brent price increased from US\$10.47/bbl in 2013 to US\$ 11.15/bbl in 2014.

Jan-Dec

**Exploration & Production -
Brazil (Mbb/d) (*)**

2,150	2,090	3	1,960	Crude oil and NGLs	2,034	1,931	5
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453	441	3	380	Natural gas ⁵	426	389	10
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2,603	2,531	3	2,340	Total	2,460	2,320	6
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(4Q-2014 x 3Q-2014): The 3% increase in crude oil and NGL production is attributable to the ramp-up of P-55 (Roncador), P-62 (Roncador), P-58 (Parque das Baleias) and FPSOs Cidade de São Paulo (Sapinhoá) and Cidade de Paraty (Lula NE), as well as the production start-up of FPSOs Cidade de Mangaratiba (Iracema Sul) and Cidade de Ilhabela (Sapinhoá). Natural gas production increased by 3% due to a higher production in FPSOs Cidade de São Paulo (Sapinhoá) and Cidade de Paraty (Lula NE), as well as the production start-up of FPSOs Cidade de Mangaratiba (Iracema Sul) and Cidade de Ilhabela (Sapinhoá).

(2014 x 2013): Crude oil and NGL production increased by 5% in 2014 resulting from the start-up of platforms P-58 (Parque das Baleias) and P-62 (Roncador) and FPSOs Cidade de Mangaratiba (Iracema Sul) and Cidade de Ilhabela (Sapinhoá), as well as from the ramp-up of P-63 (Papa-Terra), P-55 (Roncador) production systems, FPSO Cidade de Itajaí (Baúna), Cidade de Paraty (Lula NE) and Cidade de São Paulo (Sapinhoá). The natural decline of certain fields partially offset these effects. The 10% increase in natural gas production is attributable to the production start-up of platforms P-58 (Parque das Baleias) and P-62 (Roncador) and of FPSOs Cidade de Mangaratiba (Iracema Sul) and Cidade de Ilhabela (Sapinhoá), as well as the ramp-up of P-55 (Roncador).

(*) Not audited by independent auditor.

⁵ Does not include LNG. Includes gas reinjection.

FINANCIAL AND OPERATING HIGHLIGHTS

Jan-Dec

Lifting Cost - Brazil (*)

U.S.\$/barrel:

14.21 15.33 (7) 14.33 Excluding production taxes 14.57 14.76 (1)

25.72	31.37	(18)	33.10	Including production taxes	30.54	32.98	(7)
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R\$/barrel:

36.12	35.18	3	32.66	Excluding production taxes	34.26	31.94	7
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66.41	73.94	(10)	75.70	Including production taxes	72.04	71.66	1
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Lifting Cost - Excluding production taxes – U.S.\$/barrel

(4Q-2014 x 3Q-2014): Lifting cost excluding production taxes in U.S.\$/barrel decreased by 7%. Excluding the impact of foreign exchange variation, it was flat in the period.

(2014 x 2013): Lifting cost excluding production taxes in U.S.\$/barrel decreased by 1% in 2014, when compared to 2013. Excluding the impact of foreign exchange variation, it increased by 4% due to higher maintenance costs in platforms, higher engineering and subsea maintenance costs in the Campos Basin and to the start-up of the FPSOs Cidade de Mangaratiba (Iracema Sul) and Cidade de Ilhabela (Sapinhoá), which have higher costs per unit produced during the start-up period.

Lifting Cost - Including production taxes – U.S.\$/barrel

(4Q-2014 x 3Q-2014): The 18% decrease in lifting cost including production taxes is attributable to a decrease in the average reference price for domestic crude oil in U.S. dollars (28%), which is used to calculate production taxes in Brazil, resulting from lower international crude oil prices.

(2014 x 2013): The 7% decrease in lifting cost including production taxes in 2014 when compared to 2013 is attributable to lower average reference price for domestic crude oil in U.S. dollars (a 10% decrease), which is used as parameter to calculate production taxes in Brazil, as a result of lower international crude oil prices in 2014 when compared to 2013.

(*) Not audited by independent auditor.

FINANCIAL AND OPERATING HIGHLIGHTS

REFINING, TRANSPORTATION AND MARKETING

Jan-Dec

Net Income

(21,333) (8,903) (140) (5,468)

(38,927) (17,734) (120)

(4Q-2014 x 3Q-2014): The higher net loss results from impairment charges, partially offset by an increase in diesel (5%) and gasoline (3%) prices on November 7, 2014 and by a decrease in crude oil acquisition/transfer costs due to lower international crude oil and oil product prices.

(2014 x 2013): Net losses were higher in 2014 when compared to 2013, as a result of impairment charges, *write-off of overpayments incorrectly capitalized* and of the write-off of capitalized costs in Premium I and Premium II refineries and from the impact of the Company's Voluntary Separation Incentive Plan (PIDV). Those effects were partially offset by higher average oil product selling prices due to diesel and gasoline price increases in 2013 and 2014, and by an increase in oil product production (2%).

Jan-Dec

**Imports and Exports of
Crude Oil and Oil Products
(Mbb/d) (*)**

371	303	22	354	Crude oil imports	392	404	(3)
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412	410	–	426	Oil product imports	413	389	6
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783	713	10	780	Imports of crude oil and oil products	805	793	2
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270	323	(16)	242	Crude oil exports ⁶	232	207	12
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123	168	(27)	160	Oil product exports	158	186	(15)
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393 **491** (20) **402** **Exports of crude oil and oil 390** **393** (1)
products

(390)	(222)	(76)	(378)	Exports (imports) net of crude oil and oil products	(415)	(400)	(4)
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2	5	(60)	2	Other exports	3	2	50
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(4Q-2014 x 3Q-2014): Higher crude oil imports due to the fact that the 3Q-2014 was impacted by the anticipation of crude oil processing in the 2Q-2014 to make use of economic indication.

Crude oil exports decreased due to higher domestic crude oil processing in the Brazilian refineries.

(2014 x 2013): Crude oil exports were higher in 2014, resulting from higher crude oil production, even considering the increase in the share of domestic crude oil processed in the Brazilian refineries. Oil product imports were higher in order to meet a higher domestic demand.

Fuel oil exports decreased because domestically produced fuel oil was sold to thermoelectric power plants for electricity generation.

(*) Not audited by independent auditor.

⁶ It includes crude oil exports volumes of Refining, Transportation and Marketing and Exploration & Production segments.

FINANCIAL AND OPERATING HIGHLIGHTS

Jan-Dec

**Refining Operations
(Mbb/d) (*)**

2,171	2,204	(1)	2,105	Output of oil products	2,170	2,124	2
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2,176 2,102 4 2,102 Reference feedstock⁷ 2,176 2,102 4

98	100	(2)	95	Refining plants utilization factor (%) ⁸	98	97	1
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2,085	2,094	–	1,994	Feedstock processed (excluding NGL) - Brazil ⁹	2,065	2,029	2
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2,127 2,138 (1) 2,039 Feedstock processed - Brazil ¹⁰2,106 2,074 2

84	80	4	83	Domestic crude oil as % of total feedstock processed	82	82	—
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(4Q-2014 x 3Q-2014): Daily feedstock processed remained relatively flat in the period. Reference feedstock increased when the first refining set of RNEST refinery started-up.

(2014 x 2013): Daily feedstock processed was 2% higher in 2014 when compared to 2013, resulting from a sustainable improvement of the performance of the Company's refineries.

Jan-Dec

Refining Cost - Brazil (*)

2.71	3.17	(15)	2.88	Refining cost (U.S.\$/barrel)	2.90	3.09	(6)
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6.90	7.33	(6)	6.62	Refining cost (R\$/barrel)	6.82	6.67	2
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(4Q-2014 x 3Q-2014): Refining cost, in US\$/barrel, decreased by 15%. Refining cost, in R\$/barrel, decreased by 6% due to lower employee compensation costs compared with the 3Q-2014, which was affected by the 2014 Collective Bargaining Agreement.

(2014 x 2013): Refining cost, in US\$/barrel, decreased by 6%. Refining cost, in R\$/barrel, increased by 2%, mainly attributable to higher maintenance and repair costs and from higher employee compensation costs arising from the 2014 Collective Bargaining Agreement.

(*) Not audited by independent auditor.

⁷ Reference feedstock or Installed capacity of primary processing considers the maximum sustainable feedstock processing reached at the distillation units at the end of each period, respecting the project limits of equipments and the safety, environment and product quality requirements. It is lower than the authorized capacity set by ANP (including temporary authorizations) and by environmental protection agencies.

⁸ Refining plants utilization factor is the relation between the feedstock processed (excluding NGL) and the reference feedstock.

⁹ Feedstock processed (excluding NGL) – Brazil is the volume of crude oil processed in the Company's refineries and is factored into the calculation of the Refining Plants Utilization Factor.

¹⁰ Feedstock processed – Brazil includes crude oil and NGL processing.

FINANCIAL AND OPERATING HIGHLIGHTS

GAS & POWER

Jan-Dec

Net Income

357	(2,510)	114	(6)	(936)	1,256	(175)
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(4Q-2014 x 3Q-2014): The net income in the 4Q-2014 resulted from an increase in electricity generation and to the higher average sales prices. These effects were partially offset by higher LNG import costs to meet thermoelectric demand and by the additional allowance for impairment of trade receivables from the electricity sector. The 3Q-2014 net loss was mainly attributable to the allowance for impairment of trade receivables from the electricity sector.

(2014 x 2013): Our net loss in 2014 is attributable to higher LNG and natural gas import costs to meet thermoelectric demand, to the impacts of an agreement as to the import of Bolivian natural gas, to an allowance for impairment of trade receivables from the electricity sector, to the *write-off of overpayments incorrectly capitalized* and to the effects of the Company's Voluntary Separation Incentive Plan (PIDV). These effects were partially offset by higher average electricity prices attributable to higher spot prices, as a result of lower water reservoir levels, and by a R\$ 646 million gain from the disposal of 100% of the Company's interest in Brasil PCH S.A.

Jan-Dec

**Physical and Financial
Indicators (*)**

1,128	1,196	(6)	2,147	Electricity sales (Free contracting market - ACL) - average MW	1,183	2,056	(42)
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2,671	2,671	-	1,798	Electricity sales (Regulated contracting market - ACR) - average MW	2,425	1,798	35
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4,941	4,789	3	2,866	Generation of electricity - average MW	4,637	3,983	16
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724	671	8	292	Electricity price in the spot market - Differences settlement price (PLD) - R\$/MWh ¹¹	674	262	157
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190	116	64	88	Imports of LNG (Mbb/d)	144	98	47
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201 210 (4) 199 Imports of natural gas (Mbb/d) 205 198 4

(4Q-2014 x 3Q-2014): Electricity sales volumes were 6% lower on the Free Contracting Environment – ACL due to lower demand.

The 3% increase on electricity generation and the 8% increase on electricity prices in the spot market resulted from lower rainfall levels in the period.

The 64% increase on LNG imports was due to higher thermoelectric demand.

The 4% decrease in natural gas imports from Bolivia is due to a lower natural gas supply attributable to scheduled maintenances on producing fields in Bolivia.

(2014 x 2013): Electricity sales volumes were 42% lower in 2014 when compared to 2013 resulting from the shift of the sale of a portion of our available capacity (574 average MW) towards the Brazilian electricity regulated market (Ambiente de Contratação Regulada – ACR). The termination of our lease agreement for Araucária thermoelectric power plant, which reduced our availability of electricity for trading (349 average MW) also reduced our sales volumes.

Electricity generation was 16% higher and spot prices increased by 157% due to lower rainfall levels in the period.

LNG imports and natural gas imports from Bolivia were 47% and 4% higher, respectively, to meet a higher thermoelectric demand in Brazil.

(*) Not audited by independent auditor.

¹¹ Weekly weighed prices per output level (light, medium and heavy), number of hours and submarket capacity.

FINANCIAL AND OPERATING HIGHLIGHTS

BIOFUEL

Jan-Dec

Net Income

(67)	(90)	26	(36)		(298)	(254)	(17)
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(4Q-2014 x 3Q-2014): Net losses were lower, due to a decrease in the share of losses from ethanol investees and by higher biodiesel average sales prices.

(2014 x 2013): Biofuel net losses were higher in 2014, when compared to 2013, mainly due to the higher share of losses from biodiesel investees and to the impact of the Company's voluntary separation incentive plan (PIDV). These effects were partially offset by lower losses on biodiesel operations and by a decrease in inventory write-downs to net realizable value (market value).

DISTRIBUTION

Jan-Dec

Net Income

432	(203)	313	359		1,185	1,813	(35)
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(4Q-2014 x 3Q-2014): Net income in the 4Q-2014 is attributable to higher sales volumes. The net loss in the 3Q-2014 was mainly attributable to an allowance for impairment of trade receivables from the electricity sector and to higher employee compensation costs arising from 2014 Collective Bargaining Agreement.

(2014 x 2013): Net income was lower due to higher selling expenses attributable to an allowance for impairment of trade receivables from the electricity sector and to the impact of the Company's Voluntary Separation Incentive Plan (PIDV), partially offset by an increase in sales volumes and higher average margins in fuel trading.

Jan-Dec

Market Share (*)

37.8% 38.1% – 37.4%

37.9% 37.5% –

(4Q-2014 x 3Q-2014): The Company's market share was lower mainly due to a decrease in the total volume sold in the diesel market, in which BR Distribuidora has a significant share. BR Distribuidora increased its market share in diesel volumes, however, the change in the sales mix led to an overall decrease in its market share.

(2014 x 2013): Our market share increased mainly due to higher sales volumes necessary to meet a higher thermoelectric demand from the Brazilian integrated electricity system.

(*) Not audited by independent auditor.

FINANCIAL AND OPERATING HIGHLIGHTS

INTERNATIONAL

Jan-Dec

Net Income

(4,131) (219) (1,786) 640

(3,204) 3,648 (188)

(4Q-2014 x 3Q-2014): The 4Q-2014 result was affected by impairment charges recognized on E&P activities in the United States and Bolivia and on Japanese refining, mainly attributable to a decrease in international crude oil and oil product prices. An allowance for losses in investments in Venezuela and Africa was also recognized, in addition to higher inventory write-downs to net realizable value (market value) in the United States and in Japan. These effects were partially offset by a gain on the disposal of the Company's interest in Petrobras Energia Peru S/A, concluded in November 2014.

(2014 x 2013): Our net loss in 2014 is attributable to impairment charges recognized on E&P activities in the United States and Bolivia and on our Japanese refinery, mainly resulting from a decrease in international crude oil and oil product prices, a recognition of an allowance for losses in investments in Venezuela, Ecuador and Africa, higher inventory write-downs to net realizable value (market value) in Japan, as well as a lower gross profit, mainly in international E&P operations, due to divestments completed and to a decrease in international commodities prices. These effects were partially offset by a gain on disposal of the Company's interest in Peruvian operations and on onshore assets in Colombia, concluded in 2014.

The net result in 2014, when compared to 2013, was further affected by the fact that in 2013 we recognized a gain on the disposal of 50% of the Company's assets in Africa.

Jan-Dec

**Exploration &
Production-International
(Mbb/d)¹² (*)**

**Consolidated international
production**

75	86	(13)	73	Crude oil and NGLs	85	109	(22)
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90 96 (6) 89 Natural gas 93 91 2

165	182	(9)	162	Total consolidated international production	178	200	(11)
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31	33	(6)	32	Non-consolidated international production	31	19	63
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196	215	(9)	194	Total international production	209	219	(5)
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(4Q-2014 x 3Q-2014): Crude oil and NGL production decreased by 13% due to the disposal of assets in Peru concluded in November 2014.

Natural gas production decreased by 6% also due to the disposal of assets in Peru.

(2014 x 2013): Consolidated crude oil and NGL production decreased by 22% in 2014, attributable to the disposal of onshore areas in Colombia, concluded in April 2014, in Peru in November 2014 and from the disposal of the Puesto Hernandez asset in Argentina in January 2014 and of the disposal of 50% of the Company's interest in companies in Nigeria, completed in June 2013. Our production share in Nigerian assets (our 50% remaining interest) was accounted for as non-consolidated production. These effects were partially offset by an increase in the crude oil and NGL production in the United States due to the production start-up of new wells in Cascade and Chinook fields, beginning on January 2014.

Natural gas production was higher, mainly in Peru, due to the start-up of Kinteroni field in March 2014.

(*) Not audited by independent auditor.

¹² Some of the countries that comprise the international production are operating under the production-sharing model, with the production taxes charged in crude oil barrels.

FINANCIAL AND OPERATING HIGHLIGHTS

Jan-Dec

**Lifting Cost - International
(U.S.\$/barrel) (*)**

10.40	8.84	18	11.72	8.98	9.50	(5)
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(4Q-2014 x 3Q-2014): Lifting cost increased by 18%, mainly in Argentina, due to higher costs with well repairs, and in the United States due to maintenance costs on production lines in the Cottonwood field.

(2014 x 2013): International lifting cost was 5% lower in 2014, mainly in Argentina, resulting from the depreciation of the Argentine Peso against the U.S. dollar and from the disposal of the Company's Puesto Hernández asset, which had higher-than-average production costs when compared to other assets in the international segment. In addition, production was higher in Cascade and Chinook fields in the United States.

Jan-Dec

**Refining Operations -
International (Mbb/d) (*)**

149 162 (8) 175 Total feedstock processed ¹³ 163 169 (4)

157	175	(10)	196	Output of oil products	175	185	(5)
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230 230 – 231 Reference feedstock ¹⁴ 230 231 –

64	68	(4)	74	Refining plants utilization factor (%) ¹⁵	69	70	(1)
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(4Q-2014 x 3Q-2014): Feedstock processed was 8% lower due to a decrease in the output of oil products and in the capacity utilization, mainly in Japan, attributable to the lower fuel oil demand from electricity generation companies. Maintenance stoppages in catalytic cracking units in the United States in the 4Q-2014 also contributed to a decrease in feedstock processed. These effects were partially offset in Argentina due to the return of operations after scheduled stoppages in the 3Q-2014 in several processing units.

(2014 x 2013): Our total international feedstock processed was 4% lower due to a decrease in oil product production and lower capacity utilization, resulting from a scheduled stoppage in Argentina in 2014, to the lower fuel oil demand in Japan and to maintenance stoppages in the catalytic cracking units in the United States.

Jan-Dec

**Refining Cost -
International (U.S.\$/barrel)
(*)**

5.25	4.02	31	4.44			4.14	4.06	2
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(4Q-2014 x 3Q-2014): Refining cost per unit increased by 31% mainly due to maintenances at the catalytic cracking unit in the United States and to a decrease in feedstock processed in Japan, attributable to lower oil fuel demand.

(2014 x 2013): International refining cost per unit was 2% higher in 2014 when compared to 2013, mainly in the United States, due to higher expenses with effluent water treatment in refining and to maintenance stoppages of the catalytic cracking unit in the period. These effects were partially offset by lower refining costs in Argentina, when expressed in U.S. dollars, attributable to the depreciation of the Argentine Peso against the U.S. dollar.

(*) Not audited by independent auditor.

¹³ Total feedstock processed is the crude oil processed abroad at the atmospheric distillation plants, plus the intermediate products acquired from third parties and used as feedstock in other refining units.

¹⁴ Reference feedstock is the maximum sustainable crude oil feedstock reached at distillation plants.

¹⁵ Refining Plants Utilization Factor is the relation between the crude oil processed at the distillation plant and the reference feedstock.

FINANCIAL AND OPERATING HIGHLIGHTS

Sales Volumes – (Mbbbl/d)^(*)

Jan-Dec

1,010	1,049	(4)	1,005	Diesel	1,001	984	2
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644 616 5 610 Gasoline 620 590 5

126	126	-	99	Fuel oil	119	98	21
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152 160 (5) 164 Naphtha 163 171 (5)

233 247 (6) 235 LPG 235 231 2

113	110	3	108	Jet fuel	110	106	4
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209	225	(7)	204	Others	210	203	3
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2,487	2,533	(2)	2,425	Total oil products	2,458	2,383	3
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113	98	15	106	Ethanol, nitrogen fertilizers, renewables and other products	99	91	9
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455	449	1	392	Natural gas	446	409	9
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3,055	3,080	(1)	2,923	Total domestic market	3,003	2,883	4
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395	496	(20)	404	Exports	393	395	(1)
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560	567	(1)	567	International sales	571	514	11
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955	1,063	(10)	971	Total international market	964	909	6
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4,010	4,143	(3)	3,894	Total	3,967	3,792	5
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(4Q-2014 x 3Q-2014): Our domestic sales volumes decreased by 1% when compared to the 3Q-2014, primarily due to:

- Diesel (a 4% decrease) – due to seasonal demand, considering that the economic activity is higher in the third quarter, and an increase in the percentage of biodiesel, from 6% to 7% in November 2014;
- Gasoline (a 5% increase) – due to higher salaries as a result of Christmas bonuses and an increase in gasoline-moved light vehicle fleet;
- LPG (a 6% decrease) – due to the seasonal demand resulting from higher average temperatures and lower economic activity in the 4Q-2014; and
- Natural gas (a 1% increase) – due to a higher demand on the electricity sector.

(2014 x 2013): Our domestic sales volumes increased by 4% in 2014 compared to 2013, primarily due to:

- Diesel (a 2% increase) – higher consumption by infrastructure construction projects in Brazil, an increase in the Brazilian diesel-moved light vehicle fleet (vans, pick-ups and SUVs) and higher thermoelectric consumption by the Brazilian Integrated Electricity System;
- Gasoline (a 5% increase) – an increase in the automotive gasoline-moved fleet attributable to the higher competitive advantage of gasoline prices relatively to ethanol in most Brazilian states and to a higher household consumption. An increase in the anhydrous ethanol content requirement for Type C gasoline (from 20% to 25%) in 2014 partially offset these effects;
- Fuel oil (a 21% increase) – due to higher demand from thermoelectric plants in several Brazilian states; and
- Natural gas (a 9% increase) – due to a higher demand on the electricity sector.

(*) Not audited by independent auditor.

FINANCIAL AND OPERATING HIGHLIGHTS

LIQUIDITY AND CAPITAL RESOURCES

Consolidated Statement of Cash Flows Data – Summary¹⁶

Jan-Dec

70,259	66,363	57,879	Adjusted cash and cash equivalents at the beginning of period ¹⁷	46,257	48,497
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(20,635)	(8,223)	(18,529)	Government bonds and time deposits at the beginning of period	(9,085)	(20,869)
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49,624	58,140	39,350	Cash and cash equivalents	37,172	27,628
			at the beginning of period		

16

14,974	23,553	10,776	Net cash provided by (used in) operating activities	62,241	56,210
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(16,980)	(31,111)	(18,420)	Net cash provided by (used in) investing activities	(85,208)	(76,674)
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(22,189)	(20,129)	(32,109)	Capital expenditures and investments in operating segments	(81,795)	(98,038)
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8,043	302	3,997	Proceeds from disposal of assets (divestment)	9,399	8,383
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(2,834)	(11,284)	9,692	Investments in marketable securities	(12,812)	12,981
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(2,006)	(7,558)	(7,644)	(=) Net cash flow	(22,967)	(20,464)
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(6,163)	(4,998)	4,553	Net financings	35,134	33,176
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3,823	5,022	12,828	Proceeds from long-term financing	72,871	83,669
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(9,986)	(10,020)	(8,275)	Repayments	(37,737)	(50,493)
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14	(18)	(2)	Dividends paid to shareholders (8,735)	(5,776)
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(194)	(57)	63	Acquisition of non-controlling interest	(250)	(137)
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2,964	4,115	852	Effect of exchange rate changes on cash and cash equivalents	3,885	2,745
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44,239	49,624	37,172	Cash and cash equivalents	44,239	37,172
			at the end of period	¹⁶	

24,707	20,635	9,085	Government bonds and time deposits at the end of period	24,707	9,085
--------	--------	-------	---	--------	-------

68,946	70,259	46,257	Adjusted cash and cash equivalents at the end of period ¹⁷	68,946	46,257
---------------	---------------	---------------	--	---------------	---------------

As of December 31, 2014, the balance of cash and cash equivalents increased 19% when compared to December 31, 2013 and the balance of adjusted cash and cash equivalents¹⁷ increased by 49%. Our principal uses of funds in 2014 were for capital expenditures and payment of dividends. We met these requirements with cash provided by operating activities of R\$ 62,241 million, net long-term financing of R\$ 35,134 million and disposal of assets of R\$ 9,399 million.

Net cash provided by operating activities increased by 11% in 2014 when compared to 2013, mainly due to a higher gross profit and a decrease in the level of inventories (R\$ 5,979 million). Capital expenditures and investments were 17% lower in 2014, mainly due to a decrease in RTM (R\$ 10,272 million) and in E&P capital expenditures (R\$ 3,743 million). Proceeds from disposal of assets reached R\$ 9,399 million, resulting from the disposal of Petrobras Energia Peru, Brasil PCH, Innova and Gasmig. Proceeds from long-term financing, net of repayments, amounted to R\$ 35,134 million in 2014. The principal sources of long-term financing were the issuance of notes for a total of US\$ 13.6 billion in capital markets, as well as long-term financing obtained in the domestic and international banking markets.

The Company's ability to invest its available funds has been limited as a result of a decrease in expected future operating revenues following the decline of oil prices, along with the devaluation of the Brazilian real, which has increased the Company's cash outflows to service debt in the near term, most of which is denominated in foreign currencies. For a variety of reasons, including the current economic environment in Brazil, Petrobras is currently unable to access the capital markets. As a result, the Company has recently determined to postpone projects impacted by complications due to contractor insolvency or to a lack of availability of qualified suppliers (mainly as a result of the Lava Jato investigation).

The Company is currently seeking funding in the Asian banking market as a part of its strategy to increase funding opportunities and as an alternative for its current context .. The Company intends to use different funding sources (banking market, Export Credit Agencies - ECAs and capital markets) in 2015 to obtain the necessary funding to repay debt and fund its capital expenditures. In addition, the Company's divestment program (of US\$ 13.7 billion) will contribute to its funding needs.

¹⁶ For more details, see the Consolidated Statement of Cash Flows Data on page 24.

¹⁷ Our adjusted cash and cash equivalents include government bonds and time deposits from high level financial institutions abroad with maturities of more than 3 months as from the date of deposit, considering the expected realization of those financial investments in the short-term. This measure is not defined under the International Financial Reporting Standards – IFRS and should not be considered in isolation or as a substitute for cash and cash equivalents computed in accordance with IFRS. It may not be comparable to adjusted cash and cash equivalents of other companies, however management believes that it is an appropriate supplemental measure that helps investors assess our liquidity and supports leverage management.

FINANCIAL AND OPERATING HIGHLIGHTS

Capital expenditures and investments

Jan-Dec

Exploration & Production	56,898	66	59,993	58	(5)
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Refining, Transportation and Marketing	18,264	21	30,740	29	(41)
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Gas & Power	6,002	7	5,919	6	1
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International

3,593

4

5,127

5

(30)

Exploration & Production	3,174	88	4,592	90	(31)
--------------------------	-------	----	-------	----	------

Refining, Transportation and Marketing	246	7	345	7	(29)
--	-----	---	-----	---	------

Gas & Power	62	2	56	1	11
-------------	----	---	----	---	----

Distribution

99

3

115

2

(14)

Other	12	–	19	–	(37)
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Distribution	1,053	1	1,120	1	(6)
--------------	-------	---	-------	---	-----

Biofuel

281

–

322

–

(13)

Corporate

1,049

1

1,195

1

(12)

Total capital expenditures and investments	87,140	100	104,416	100	(17)
---	---------------	------------	----------------	------------	-------------

Pursuant to the Company's strategic objectives, it operates through joint ventures in Brazil and abroad, as a concessionaire of oil and gas exploration, development and production rights.

In 2014, we invested R\$ 87,140 million, primarily aiming at increasing production and modernizing and expanding our refineries.

FINANCIAL AND OPERATING HIGHLIGHTS

Consolidated debt

Current debt ¹⁸	31,565	18,782	68
----------------------------	--------	--------	----

Non-current debt ¹⁹	319,470	249,038	28
--------------------------------	---------	---------	----

Total	351,035	267,820	31
-------	---------	---------	----

Cash and cash equivalents	44,239	37,172	19
---------------------------	--------	--------	----

Government securities and time deposits (maturity of more than 3 months)	24,707	9,085	172
--	--------	-------	-----

Adjusted cash and cash equivalents	68,946	46,257	49
------------------------------------	--------	--------	----

Net debt ²⁰

282,089

221,563

27

Net debt/(net debt+shareholders' equity)	48%	39%	9
--	-----	-----	---

Total net liabilities ²¹	724,429	706,710	3
-------------------------------------	---------	---------	---

Capital structure

(Net third parties capital / total net liabilities)	57%	51%	6
---	-----	-----	---

Net debt/Adjusted EBITDA ratio	4.77	3.52	36
--------------------------------	------	------	----

Current debt ¹⁸	11,884	8,017	48
----------------------------	--------	-------	----

Non-current debt ¹⁹	120,274	106,308	13
--------------------------------	---------	---------	----

Total	132,158	114,325	16
-------	---------	---------	----

Net debt ²⁰

106,201

94,579

12

Summarized information on financing

Floating rate debt	173,977	138,463	26
--------------------	---------	---------	----

Fixed rate debt	176,868	129,148	37
-----------------	---------	---------	----

Total	350,845	267,611	31
--------------	----------------	----------------	----

Reais

62,223

53,465

16

US Dollars

252,787

191,572

32

Euro

25,820

14,987

72

Other currencies	10,015	7,587	32
------------------	--------	-------	----

Total	350,845	267,611	31
--------------	----------------	----------------	----

until 1 year

31,523

18,744

68

1 to 2 years

33,397

17,017

96

2 to 3 years

31,742

29,731

7

3 to 4 years

47,254

20,331

132

4 to 5 years

64,252

37,598

71

5 years and thereafter	142,677	144,190	(1)
------------------------	---------	---------	-----

Total	350,845	267,611	31
--------------	----------------	----------------	----

Consolidated net debt in Reais increased by 27% when compared to December 31, 2013 as a result of long-term financing and of the 13.4% impact from the depreciation of the Real against the U.S. dollar in 2014.

¹⁸ Includes Finance lease obligations (R\$ 42 million on December 31, 2014 and R\$ 38 million on December 31, 2013).

¹⁹ Includes Finance lease obligations (R\$ 148 million on December 31, 2014 and R\$ 171 million on December 31, 2013).

²⁰ Net debt is not a measure defined in the International Standards -IFRS and should not be considered in isolation or as a substitute for total long-term debt calculated in accordance with IFRS. Our calculation of net debt may not be comparable to the calculation of net debt by other companies. Management believes that net debt is an appropriate supplemental measure that helps investors assess our liquidity and supports leverage management.

²¹ Total liabilities net of adjusted cash and cash equivalents.

FINANCIAL AND OPERATING HIGHLIGHTS

FINANCIAL STATEMENTS

Income Statement - Consolidated ²² ²³

Jan-Dec

85,040	88,377	81,028	Sales revenues	337,260	304,890
--------	--------	--------	-----------------------	---------	---------

(63,025)	(67,936)	(64,445)	Cost of sales	(256,823)	(234,995)
----------	----------	----------	---------------	-----------	-----------

22,015	20,441	16,583	Gross profit	80,437	69,895
--------	--------	--------	---------------------	--------	--------

(3,744)	(6,733)	(2,892)	Selling expenses	(15,974)	(10,601)
---------	---------	---------	------------------	----------	----------

(3,376)	(2,707)	(2,888)	General and administrative expenses	(11,223)	(10,751)
---------	---------	---------	-------------------------------------	----------	----------

(1,493)	(2,314)	(1,742)	Exploration costs	(7,135)	(6,445)
---------	---------	---------	-------------------	---------	---------

(731)	(665)	(570)	Research and development expenses	(2,589)	(2,428)
-------	-------	-------	-----------------------------------	---------	---------

(609)	(552)	(1,030)	Other taxes	(1,801)	(1,721)
-------	-------	---------	-------------	---------	---------

-	(6,194)	-	Write-off - overpayments incorrectly capitalized	(6,194)	-
---	---------	---	---	---------	---

(44,345)	(306)	(1,238)	Impairment	(44,636)	(1,238)
----------	-------	---------	------------	----------	---------

(543)	(5,891)	813	Other income and expenses, net	(12,207)	(2,347)
-------	---------	-----	-----------------------------------	----------	---------

(54,841) (25,362) (9,547) (101,759) (35,531)

(32,826)	(4,921)	7,036	Net income (loss) before finance income (expense), share of earnings in equity-accounted investments, profit sharing and income taxes	(21,322)	34,364
-----------------	----------------	--------------	--	-----------------	---------------

1,660	1,174	825	Finance income	4,634	3,911
-------	-------	-----	----------------	-------	-------

(2,882)	(2,282)	(2,076)	Finance expenses	(9,255)	(5,795)
---------	---------	---------	------------------	---------	---------

(592)	136	(1,770)	Foreign exchange and inflation indexation charges	721	(4,318)
-------	-----	---------	--	-----	---------

(1,814)	(972)	(3,021)	Net finance income (expense)	(3,900)	(6,202)
---------	-------	---------	------------------------------	---------	---------

(540)	198	56	Share of earnings in equity-accounted investments	451	1,095
-------	-----	----	--	-----	-------

(270)	(127)	(225)	Profit-sharing	(1,045)	(1,102)
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(35,450)	(5,822)	3,846	Net income (loss) before income taxes	(25,816)	28,155
-----------------	----------------	--------------	--	-----------------	---------------

8,488	(117)	2,105	Income taxes	3,892	(5,148)
-------	-------	-------	--------------	-------	---------

(26,962)	(5,939)	5,951	Net income (loss)	(21,924)	23,007
-----------------	----------------	--------------	--------------------------	-----------------	---------------

Net income (loss) attributable
to:

(26,600)	(5,339)	6,281	Shareholders of Petrobras	(21,587)	23,570
----------	---------	-------	---------------------------	----------	--------

(362) (600) (330) Non-controlling interests (337) (563)

(26,962) (5,939) 5,951 (21,924) 23,007

²² Beginning in the 1Q-2014, a line item for profit sharing benefits has been included, as previously disclosed in the Company's annual consolidated financial statements. The amounts for 2013 were reclassified for comparison purposes.

²³ Beginning in 2014, the amount of inventory write-downs to net realizable value (market value) was reclassified from Other Income and Expenses to Cost of Sales. The amounts for 2013 were reclassified for comparison purposes.

FINANCIAL AND OPERATING HIGHLIGHTS

Statement of Financial Position – Consolidated

Current assets	135,023	123,351
-----------------------	----------------	----------------

Cash and cash equivalents	44,239	37,172
---------------------------	--------	--------

Marketable securities	24,763	9,101
-----------------------	--------	-------

Trade and other receivables, net	21,167	22,652
----------------------------------	--------	--------

Inventories

30,457

33,324

Recoverable taxes	10,123	11,646
-------------------	--------	--------

Assets classified as held for sale	13	5,638
------------------------------------	----	-------

Other current assets	4,261	3,818
----------------------	-------	-------

Non-current assets

658,352

629,616

Long-term receivables	50,104	44,000
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Trade and other receivables, net	14,441	10,616
----------------------------------	--------	--------

Marketable securities

290

307

Judicial deposits	7,124	5,866
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Deferred taxes	2,673	2,647
----------------	-------	-------

Other tax assets	10,645	12,603
------------------	--------	--------

Advances to suppliers

6,398

7,566

Other non-current assets	8,533	4,395
--------------------------	-------	-------

Investments

15,282

15,615

Property, plant and equipment

580,990

533,880

Intangible assets	11,976	36,121
--------------------------	---------------	---------------

Total assets

793,375

752,967

Current liabilities

82,659

82,525

Trade payables	25,924	27,922
----------------	--------	--------

Current debt	31,565	18,782
--------------	--------	--------

Taxes payable	11,453	11,597
---------------	--------	--------

Dividends payable	–	9,301
-------------------	---	-------

Employee compensation (payroll, profit-sharing and related charges)	5,489	4,806
---	-------	-------

Pension and medical benefits	2,115	1,912
------------------------------	-------	-------

Liabilities associated with assets classified as held for sale	–	2,514
--	---	-------

Other current liabilities	6,113	5,691
---------------------------	-------	-------

Non-current liabilities

399,994

321,108

Non-current debt	319,470	249,038
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Deferred taxes	8,052	23,206
----------------	-------	--------

Pension and medical benefits	43,803	27,541
------------------------------	--------	--------

Provision for decommissioning costs	21,958	16,709
-------------------------------------	--------	--------

Provisions for legal proceedings	4,091	2,918
----------------------------------	-------	-------

Other non-current liabilities	2,620	1,696
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Shareholders' equity

310,722

349,334

Share capital	205,432	205,411
---------------	---------	---------

Profit reserves and others	103,416	142,529
----------------------------	---------	---------

Non-controlling interests

1,874

1,394

Total liabilities and shareholders' equity	793,375	752,967
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FINANCIAL AND OPERATING HIGHLIGHTS

Statement of Cash Flows Data – Consolidated

Jan-Dec

(26,600)	(5,339)	6,281	Net income (loss) attributable to the shareholders of Petrobras	(21,587)	23,570
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41,574	28,892	4,495	(+) Adjustments for:	83,828	32,640
--------	--------	-------	----------------------	--------	--------

8,808	7,036	7,504	Depreciation, depletion and amortization	30,677	28,467
-------	-------	-------	--	--------	--------

2,954	2,611	2,636	Foreign exchange and inflation indexation and finance charges	8,461	7,027
-------	-------	-------	--	-------	-------

(362) (600) (330) Non-controlling interests (337) (563)

540	(198)	(56)	Share of earnings in equity-accounted investments	(451)	(1,095)
-----	-------	------	--	-------	---------

–	6,194	–	Write-off - overpayments incorrectly capitalized	6,194	–
---	-------	---	---	-------	---

1,392	3,954	109	Allowance for impairment of trade receivables	5,555	157
-------	-------	-----	---	-------	-----

(3,025)	4,081	(2,134)	(Gains) / losses on disposal / write-offs of non-current assets, returned areas and cancelled projects	743	(3,835)
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(10,213)	(108)	(3,344)	Deferred income taxes, net	(8,025)	323
----------	-------	---------	----------------------------	---------	-----

786	1,710	1,254	Exploration expenditures written-off	5,048	4,169
-----	-------	-------	---	-------	-------

44,345	306	1,238	Impairment of property, plant and equipment and other assets	44,636	1,238
--------	-----	-------	--	--------	-------

1,349	625	432	Inventory write-downs to net realizable value (market value)	2,461	1,269
-------	-----	-----	---	-------	-------

1,612	909	1,380	Pension and medical benefits (actuarial expense)	4,773	5,515
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1,189	4,949	200	Inventories	1,378	(4,601)
-------	-------	-----	-------------	-------	---------

(1,324)	(1,415)	(3,283)	Trade and other receivables, net	(5,929)	(2,693)
---------	---------	---------	-------------------------------------	---------	---------

(1,832)	(1,307)	1,742	Trade payables	(2,982)	2,516
---------	---------	-------	----------------	---------	-------

(651)	(415)	(590)	Pension and medical benefits	(1,967)	(1,724)
-------	-------	-------	------------------------------	---------	---------

(2,883)	1,718	(105)	Taxes payable	(3,171)	(3,000)
---------	-------	-------	---------------	---------	---------

(1,111)	(1,158)	(2,158)	Other assets and liabilities	(3,236)	(530)
---------	---------	---------	------------------------------	---------	-------

14,974	23,553	10,776	(=) Net cash provided by (used in) operating activities	62,241	56,210
---------------	---------------	---------------	--	---------------	---------------

(16,980)	(31,111)	(18,420)	(-) Net cash provided by (used in) investing activities	(85,208)	(76,674)
-----------------	-----------------	-----------------	--	-----------------	-----------------

(22,189)	(20,129)	(32,109)	Capital expenditures and investments in operating segments	(81,795)	(98,038)
----------	----------	----------	--	----------	----------

8,043	302	3,997	Proceeds from disposal of assets (divestment)	9,399	8,383
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(2,834)	(11,284)	9,692	Investments in marketable securities	(12,812)	12,981
---------	----------	-------	--------------------------------------	----------	--------

(2,006)	(7,558)	(7,644)	(=) Net cash flow	(22,967)	(20,464)
----------------	----------------	----------------	--------------------------	-----------------	-----------------

(6,343)	(5,073)	4,614	(-) Net cash provided by (used in) financing activities	26,149	27,263
----------------	----------------	--------------	--	---------------	---------------

3,823	5,022	12,828	Proceeds from long-term financing	72,871	83,669
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(6,334)	(6,226)	(6,272)	Repayment of principal	(23,628)	(39,560)
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(3,652)	(3,794)	(2,003)	Repayment of interest	(14,109)	(10,933)
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14	(18)	(2)	Dividends paid to shareholders (8,735)	(5,776)
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(194)	(57)	63	Acquisition of non-controlling interest	(250)	(137)
-------	------	----	---	-------	-------

2,964	4,115	852	Effect of exchange rate changes on cash and cash equivalents	3,885	2,745
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(5,385)	(8,516)	(2,178)	(=) Net increase (decrease) 7,067	9,544
			in cash and cash	
			equivalents in the period	

49,624	58,140	39,350	Cash and cash equivalents at the beginning of period	37,172	27,628
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44,239	49,624	37,172	Cash and cash equivalents at the end of period	44,239	37,172
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FINANCIAL AND OPERATING HIGHLIGHTS

SEGMENT INFORMATION ²⁴

Consolidated Income Statement by Segment – 2014²⁵

Sales revenues	153,705	263,570	42,062	624	98,010	32,573	–	(253,284)	33
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Intersegments	152,515	92,080	4,009	560	2,647	1,473	–	(253,284)	–
---------------	---------	--------	-------	-----	-------	-------	---	-----------	---

Third parties	1,190	171,490	38,053	64	95,363	31,100	-	-	33
---------------	-------	---------	--------	----	--------	--------	---	---	----

Cost of sales	(82,457)	(271,643)	(35,921)	(728)	(90,446)	(30,109)	–	254,481	(25
---------------	----------	-----------	----------	-------	----------	----------	---	---------	-----

Gross profit	71,248	(8,073)	6,141	(104)	7,564	2,464	-	1,197	80
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Expenses

(21,076)(49,288)(7,785)(158)(5,696)(4,152)(14,139)535

(10

Selling, general and administrative expenses	(1,051)	(6,440)	(5,994)	(118)	(5,231)	(1,937)	(6,964)	538	(27
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Exploration costs	(6,720)	-	-	-	-	(415)	-	-	(7,
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Research and
development
expenses

(1,290)	(452)	(199)	(32)	(4)	(5)	(607)	–	(2,
---------	-------	-------	------	-----	-----	-------	---	-----

Other taxes	(126)	(221)	(295)	(2)	(28)	(263)	(866)	-	(1,
-------------	-------	-------	-------	-----	------	-------	-------	---	-----

Impairment	(5,665)	(33,954)	(260)	-	-	(4,757)	-	-	(44
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Write-off -
overpayments
incorrectly
capitalized

(1,969)	(3,427)	(652)	-	(23)	(23)	(100)	-	(6,
---------	---------	-------	---	------	------	-------	---	-----

Other income and expenses, net	(4,255)	(4,794)	(385)	(6)	(410)	3,248	(5,602)	(3)	(12)
--------------------------------	---------	---------	-------	-----	-------	-------	---------	-----	------

Net income (loss) before finance income (expense), share of earnings in equity-accounted investments, profit sharing and income taxes	50,172	(57,361)	(1,644)	(262)	1,868	(1,688)	(14,139)	1,732	(21
--	---------------	-----------------	----------------	--------------	--------------	----------------	-----------------	--------------	------------

Net finance income	-	-	-	-	-	-	(3,900)	-	(3,900)
(expense)									

Share of earnings in 46 equity-accounted investments	272	453	(124)	(1)	(200)	5	–	45
--	-----	-----	-------	-----	-------	---	---	----

Profit-sharing	(359)	(298)	(48)	(2)	(60)	(20)	(258)	–	(1,
----------------	-------	-------	------	-----	------	------	-------	---	-----

Net income (loss) before income taxes	49,859	(57,387)	(1,239)	(388)	1,807	(1,908)	(18,292)	1,732	(25
--	---------------	-----------------	----------------	--------------	--------------	----------------	-----------------	--------------	------------

Income taxes	(17,607)	18,440	353	90	(622)	(1,200)	5,026	(588)	3,8
--------------	----------	--------	-----	----	-------	---------	-------	-------	-----

Net income (loss) 32,252 (38,947) (886) (298) 1,185 (3,108) (13,266) 1,144 (21

Net income (loss)
attributable to:

Shareholders of Petrobras	32,264	(38,927)	(936)	(298)	1,185	(3,204)	(12,815)	1,144	(21
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Non-controlling interests	(12)	(20)	50	–	–	96	(451)	–	(33
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32,252 (38,947) (886) (298) 1,185 (3,108) (13,266) 1,144 (21

Consolidated Income Statement by Segment - 2013

Sales revenues	147,281,240,693	30,011,832	86,183	35,062	–	(235,172)304
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Intersegments	144,809	80,436	2,558	693	2,122	4,554	–	(235,172)	–
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Third parties	2,472	160,257	27,453	139	84,061	30,508	–	–	304
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Cost of sales	(73,927)	(258,978)	(26,132)	(996)	(78,941)	(30,671)	–	234,650	(23
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Gross profit	73,354	(18,285)	3,879	(164)	7,242	4,391	-	(522)	69,
---------------------	---------------	-----------------	--------------	--------------	--------------	--------------	----------	--------------	------------

Expenses

(8,939) (8,557) (2,535) (151) (4,428) (500) (10,615)194

(35

Selling, general and administrative expenses	(957)	(6,786)	(2,360)	(119)	(4,422)	(1,855)	(5,201)	348	(21)
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Exploration costs	(6,057)	-	-	-	-	(388)	-	-	(6,445)
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Research and
development
expenses

(1,110)	(525)	(123)	(36)	(4)	(6)	(624)	–	(2,4
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Other taxes	(538)	(367)	(174)	(2)	(33)	(297)	(310)	–	(1,7
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Impairment	(9)	-	-	-	-	(1,229)	-	(1,2
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Write-off -
overpayments
incorrectly
capitalized

- - - - -

Other income and expenses, net	(268)	(879)	122	6	31	3,275	(4,480)	(154)	(2,3
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Net income (loss) before finance income (expense), share of earnings in equity-accounted investments, profit sharing and income taxes	64,415	(26,842)	1,344	(315)	2,814	3,891	(10,615)	(328)	34,
--	---------------	-----------------	--------------	--------------	--------------	--------------	-----------------	--------------	------------

Net finance income	-	-	-	-	-	-	(6,202)	-	(6,202)
(expense)									

Share of earnings in 4 equity-accounted investments	165	532	(44)	(2)	366	74	—	1,0
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Profit-sharing	(381)	(304)	(48)	(2)	(65)	(31)	(271)	–	(1,1
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Net income (loss) before income taxes	64,038	(26,981)	1,828	(361)	2,747	4,226	(17,014)	(328)	28,
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Income taxes	(21,772)	9,229	(441)	107	(934)	(451)	9,001	113	(5,1
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Net income (loss) 42,266 (17,752) 1,387 (254) 1,813 3,775 (8,013) (215) 23,

Net income (loss)
attributable to:

Shareholders of Petrobras	42,213	(17,734)	1,256	(254)	1,813	3,648	(7,157)	(215)	23,
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Non-controlling interests	53	(18)	131	-	-	127	(856)	-	(56)
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42,266 (17,752) 1,387 (254) 1,813 3,775 (8,013) (215) 23,

²⁴ Beginning in 2014, management of Liquigás (a subsidiary) was allocated to the RTM segment (previously Distribution). Amounts previously reported for 2013 were restated for comparability purposes and the results previously attributable to the Distribution segment are now presented under the RTM segment, pursuant to the management and accountability premise adopted for the financial statements by business segment.

²⁵ Beginning in 2014, the amount of inventory write-downs to net realizable value (market value) was reclassified from Other Income and Expenses to Cost of Sales. The amounts for 2013 were reclassified for comparison purposes.

FINANCIAL AND OPERATING HIGHLIGHTS

Other Income and Expenses, Net by Segment - 2014²⁶

Unscheduled stoppages and pre-operating expenses	(1,894)	(279)	(293)	—	—	(61)	(38)	—
--	---------	-------	-------	---	---	------	------	---

Voluntary Separation Incentive (983) (497) (152) (10) (158) (23) (620) –
Plan - PIDV

Pension and medical benefits - - - - - (2,438) -
retirees

Institutional relations and cultural projects	(113)	(76)	(11)	–	(190)	(27)	(1,325) –
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Gains / (losses) on decommissioning of returned/abandoned areas	(1,128)	-	-	-	-	-	-	-
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Collective bargaining agreement	(395)	(219)	(40)	–	(58)	(10)	(280)	–
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E&P areas returned and cancelled projects	(610)	-	-	-	-	-	-	-
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(Losses)/gains on legal, administrative and arbitral proceedings	303	(224)	1	(1)	(111)	(80)	(368)	–
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Health, safety and environment(65) (64) (23) (1) - (10) (173) -

Gains / (losses) on disposal/write-offs of assets	(581)	(3,369)	80	(1)	36	3,762	(60)	–
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Governmental Grants	23	77	17	-	-	-	22	-
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(Expenditures)/reimbursements855	-	-	-	-	-	-	-
from operations in E&P							
partnerships							

Others	333	(143)	36	7	71	(303)	(322)	(3)
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(4,255)(4,794)(385) (6) (410) 3,248 (5,602)(3)

Other Income and Expenses, Net by Segment - 2013

Unscheduled stoppages and pre-operating expenses	(1,460)	(242)	(228)	—	—	(63)	(39)	—	(2,
--	---------	-------	-------	---	---	------	------	---	-----

Pension and medical benefits -	-	-	-	-	-	-	(1,933)	-	(1,
retirees									

Institutional relations and cultural projects	(278)	(81)	(14)	–	(150)	(30)	(1,237)	–	(1,
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Gains / (losses) on decommissioning of returned/abandoned areas	125	-	-	-	-	-	-	-	12
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Collective bargaining agreement	(369)	(208)	(32)	–	(50)	(11)	(287)	–	(95)
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E&P areas returned and cancelled projects	(42)	-	-	-	-	-	-	-	(42)
---	------	---	---	---	---	---	---	---	------

(Losses)/gains on legal, administrative and arbitral proceedings	436	(188)	(11)	–	(54)	(40)	(648)	–	(50)
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Health, safety and environment(72) (158) (14) - - (31) (207) - (48

Gains / (losses) on disposal/write-offs of assets	843	(131)	7	–	44	3,246	(132)	–	3,8
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Governmental Grants	39	97	167	-	-	82	7	-	39
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(Expenditures)/reimbursements525	-	-	-	-	(3)	-	-	52
from operations in E&P								
partnerships								

Others

(15) 32 247 6 241 125 (4) (154) 47

(268) (879)122 6 31 3,275 (4,480)(154) (2

Consolidated Assets by Segment - 12.31.2014

Total assets	402,478,186,033,753,350	2,947	19,180	34,553,86,024(13,190)793,375
---------------------	--------------------------------	--------------	---------------	-------------------------------------

Current assets	15,959	39,111	10,570	173	9,246	6,229	64,174	(10,439)	135,023
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Non-current assets **386,519** **146,922** **64,780** **2,774** **9,934** **28,324** **21,850** **(2,751)** **658,352**

Long-term receivables	17,874	9,573	3,749	8	3,217	4,908	13,359	(2,584)	50,104
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Investments	531	4,800	1,393	2,221	39	5,912	386	-	15,282
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Property, plant and equipment	360,368	131,914	58,770	545	6,066	16,091	7,403	(167)	580,990
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Operating assets	263,794	108,747	47,460	502	4,595	9,870	5,562	(167)	440,363
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Assets under construction	96,574	23,167	11,310	43	1,471	6,221	1,841	-	140,627
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Intangible assets	7,746	635	868	–	612	1,413	702	–	11,976
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Consolidated Assets by Segment - 12.31.2013

Total assets	357,729,216,769	64,899,280	3,169,994	42,454,668	59(15,540)	752,967
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Current assets	13,826	44,838	9,052	181	5,576	11,922	50,702	(12,746)	123,351
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Non-current assets 343,903 171,931 55,847 2,622 11,418 30,532 16,157 (2,794) 629,616

Long-term receivables	14,643	10,333	4,341	5	5,222	4,655	7,422	(2,621)	44,000
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Investments	219	5,429	1,755	2,097	14	5,883	218	-	15,615
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Property, plant and equipment	296,846	155,835	48,919	520	5,505	18,671	7,757	(173)	533,880
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Operating assets	212,914	76,452	39,118	480	3,952	8,882	5,415	(173)	347,040
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Assets under construction	83,932	79,383	9,801	40	1,553	9,789	2,342	–	186,840
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Intangible assets	32,195	334	832	–	677	1,323	760	–	36,121
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²⁶ Beginning in 2014, the amount of inventory write-downs to net realizable value (market value) was reclassified from Other Income and Expenses to Cost of Sales. The amounts for 2013 were reclassified for comparison purposes.

FINANCIAL AND OPERATING HIGHLIGHTS

Consolidated Adjusted EBITDA Statement by Segment - 2014

Net income (loss)	32,252	(38,947)	(886)	(298)	1,185	(3,108)	(13,266)	1,144	(21,924)
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Net finance	-	-	-	-	-	-	3,900	-	3,900
income (expense)									

Income taxes	17,607	(18,440)	(353)	(90)	622	1,200	(5,026)	588	(3,892)
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Depreciation, depletion and amortization	18,091	6,877	1,989	30	407	2,370	913	—	30,677
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EBITDA	67,950	(50,510)	750	(358)	2,214	462	(13,479)	1,732	8,761
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Share of earnings (46)	(272)	(453)	124	1	200	(5)	—	(451)
in								
equity-accounted								
investments								

Impairment losses / (reversals)	5,665	33,954	260	—	—	4,757	—	—	44,636
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Write-down of costs improperly capitalized	1,969	3,427	652	–	23	23	100	–	6,194
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Adjusted EBITDA	75,538	(13,401)	1,209	(234)	2,238	5,442	(13,384)	1,732	59,140
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Consolidated Adjusted EBITDA Statement by Segment - 2013

Net income (loss)	42,266	(17,752)	1,387	(254)	1,813	3,775	(8,013)	(215)	23,007
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Net finance	-	-	-	-	-	-	6,202	-	6,202
income (expense)									

Income taxes	21,772	(9,229)	441	(107)	934	451	(9,001)	(113)	5,148
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Depreciation, depletion and amortization	16,867	5,912	1,995	24	380	2,305	984	—	28,467
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EBITDA	80,905	(21,069)	3,823	(337)	3,127	6,531	(9,828)	(328)	62,824
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Share of earnings (4) in equity-accounted investments	(165)	(532)	44	2	(366)	(74)	—	(1,095)
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Impairment losses / (reversals)	9	-	-	-	-	1,229	-	-	1,238
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**Adjusted
EBITDA**

80,910 (21,234) 3,291 (293) 3,129 7,394 (9,902) (328) 62,967

Consolidated Income Statement for International Segment

**Income Statement - Jan-Dec
2014**

Sales revenues	7,022	17,313	1,151	12,168	50	(5,131)	32,573
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Intersegments	2,903	3,584	79	5	33	(5,131)	1,473
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Third parties	4,119	13,729	1,072	12,163	17	-	31,100
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Net income (loss) before finance income (expense), share of earnings in equity-accounted investments, profit sharing and income taxes	140	(1,414)165	218	(789)	(8)	(1,688)
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Net income (loss) attributable to the shareholders of Petrobras	(1,395)	(1,211)	213	182	(985)	(8)	(3,204)
--	----------------	----------------	------------	------------	--------------	------------	----------------

**Income Statement - Jan-Dec
2013**

Sales revenues	8,791	18,648	1,193	11,274	17	(4,861)	35,062
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Intersegments	5,055	4,254	79	15	12	(4,861)	4,554
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Third parties	3,736	14,394	1,114	11,259	5	–	30,508
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Net income (loss) before finance income (expense), share of earnings in equity-accounted investments, profit sharing and income taxes	4,231	(55)	144	229	(655)	(3)	3,891
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Net income (loss) attributable to the shareholders of Petrobras	3,425	(34)	150	200	(90)	(3)	3,648
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Consolidated Assets for International Segment

Total assets on December 31, 2014	25,557	4,944	1,255	2,497	3,267	(2,967)	34,553
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Total assets on December 31, 2013	31,989,621	1,411	2,542	4,613	(4,314)	42,454
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APPENDIX

1. Impairment

Assets or CGUs, by nature

Comperj	25,820	3,987	21,833	RTM - Brazil
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2nd refining unit of RNEST	16,488	7,345	9,143	RTM - Brazil
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Oil and gas producing properties 8,302 abroad	3,873	4,429	E&P - Inter.
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Producing properties: assets related to E&P activities in Brazil (several CGUs)	17,067	12,918	4,149	E&P - Brazil
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Complexo Petroquímico Suape	7,563	4,585	2,978	RTM - Brazil
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Oil and gas production and drilling equipment	2,898	1,474	1,424	E&P - Brazil
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Nansei Sekiyu K.K. refinery	343	–	343	RTM - Inter.
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Araucária (fertilizers plant)	927	667	260	Gas & Power
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Others

71

86

(15)

Total	79,479	34,935	44,544
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(*) Impairment losses and reversals.

(**) Excludes impairment charges on assets classified as held for sale of R\$ 92 million.

For more detailed information about impairment charges, see Note 14 to the Company's audited consolidated financial statements.

2. Trade receivables - electricity sector (isolated electricity system in the northern region of Brazil)

Clients

Eletronbras Group	6,736	1,143	7,879	1,553	2,779	4,332
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Companhia de Gás do Amazonas (CIGÁS)	3,364	442	3,806	–	1,597	1,597
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Others	63	1,046	1,109	101	617	718
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10,163 2,631 12,794 1,654 4,993 6,647

(-) Allowance for impairment of trade receivables	(2,895)	(1,650)	(4,545)	–	(34)	(34)
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Total	7,268	981	8,249	1,654	4,959	6,613
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Related parties	6,569	437	7,006	1,553	2,763	4,316
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Third parties	699	544	1,243	101	2,196	2,297
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The Company's Management has determined that an allowance for impairment of trade receivables was required to cover receivables as of October 31, 2014 with no guarantees, including the balances of previous debt acknowledgement agreements and from companies that were not part of the most recent debt acknowledgment agreement with Eletrobras. An allowance for impairment of trade receivables of R\$ 4,511 million was recognized in 2014. No charges were recognized for companies that were not insolvent or for receivables from sales after November 1, 2014, because those amounts were included in the calculation of the Brazilian Electricity Agency - *Agência Nacional de Energia Elétrica (ANEEL)*'s new pricing policy. For more detailed information about receivables from the electricity sector, see Note 8.4 to the Company's audited consolidated financial statements of the period ended December 31, 2014.

APPENDIX

3. Reconciliation of Adjusted EBITDA

Jan-Dec

(26,962)	(5,939)	(354)	5,951	Net income (loss)	(21,924)	23,007	(195)
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1,814	972	87	3,021	Net finance income (expense)	3,900	6,202	(37)
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(8,488)	117	-	(2,105)	Income taxes	(3,892)	5,148	(176)
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8,808	7,036	25	7,504	Depreciation, depletion and amortization	30,677	28,467	8
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(24,828)	2,186	(1,236)	14,371	EBITDA	8,761	62,824	(86)
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540	(198)	373	(56)	Share of earnings in equity-accounted investments	(451)	(1,095)	59
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44,345	306	-	1,238	Impairment losses / (reversals)	44,636	1,238	-
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-	6,194	(100)	-	Write-off - overpayments incorrectly capitalized	6,194	-	-
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20,057	8,488	136	15,553	Adjusted EBITDA	59,140	62,967	(6)
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24	10	14	19	Adjusted EBITDA margin (%) ²⁷	18	21	(3)
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Our adjusted EBITDA (according to CVM Instruction 527 of October 4, 2012) is the net income before net finance income (expense), income taxes, depreciation, depletion and amortization, share of earnings in equity-accounted investments and impairment, which provides an additional information about our ability to pay debt, carry out investments and cover our working capital needs. Adjusted EBITDA is not an IFRS measure and may not be comparable with the same measure as reported by other companies.

In 2014, the Company decided not to include in the calculation of the Adjusted EBITDA the *write-off of overpayments incorrectly capitalized*, because the Company's future cash generation and its current balance of cash and cash equivalents are not impacted by those adjustments, thus providing a more appropriate information about the potential of gross cash generation.

4. Effect of weighted average cost flow on the cost of sales (R\$ million)

Products remain in inventory for an average of 60 days and, therefore, the changes on international crude oil and oil products prices and the effect of the exchange rate variation on imports and on production taxes do not fully impact the costs of sales for the period, fully impacting only the following period. The estimated effects on the cost of sales are set out in the table below:

R\$ million

Effect of the average cost on the cost of sales	(682)	(1,951)	(1,270)
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* In the 4Q-2014, the effect of the average cost on the cost of sales was not favorable (but less unfavorable when compared to the 3Q-2014), due to the realization of unit costs of inventories acquired in periods of higher international prices, already considering the appreciation of the U.S. dollar against the Real.

() The amount in parenthesis demonstrates the negative effect on the cost of sales.

²⁷ Adjusted EBITDA margin equals Adjusted EBITDA divided by sales revenues.

APPENDIX

5. Consolidated Taxes and Contributions

The economic contribution of Petrobras, measured by taxes and contributions, was R\$ 71,247 million.

Jan-Dec

**Economic
Contribution - Brazil**

12,934	12,530	3	11,469	Domestic Value-Added	47,991	43,383	11
				Tax (ICMS)			

4,649	4,045	15	4,032	PIS/COFINS	16,183	15,851	2
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(9,457)	(1,007)	(839)	(1,929)	Income Tax and Social Contribution	(5,635)	4,580	(223)
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2,194	1,305	68	2,036	Others	6,153	4,773	29
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10,320	16,873	(39)	15,608	Subtotal - Brazil	64,692	68,587	(6)
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1,903	1,555	22	1,416	Economic Contribution -6,555	6,135	7
				International		

12,223	18,428	(34)	17,024	Total	71,247	74,722	(5)
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6. Production Taxes

Jan-Dec

Brazil

3,385	4,041	(16)	4,044	Royalties	15,474	15,057	3
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3,080	4,026	(23)	4,264	Special participation charges	14,803	15,161	(2)
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40	42	(5)	40	Rental of areas	164	170	(4)
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6,505	8,109	(20)	8,348	Subtotal - Brazil	30,441	30,388	-
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257	290	(11)	226	International	1,148	913	26
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6,762	8,399	(19)	8,574	Total	31,589	31,301	1
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(4Q-2014 x 3Q-2014): Production taxes in Brazil decreased 20% mainly due to the 20% decrease in the reference price for domestic oil in Reais that reached an average of R\$/bbl 165.40 (US\$/bbl 65.30) in the 4Q-2014 compared to R\$/bbl 205.57 (US\$/bbl 90.44) in the 3Q-2014, despite the higher production in the period.

(2014 x 2013): Production taxes in Reais in Brazil remained relatively flat in the period, due mainly to the 2% decrease in the reference price for domestic oil, that reached an average of R\$/bbl 203.41 (US\$/bbl 87.14) in Jan-Dec/2014 compared to R\$/bbl 208.40 (US\$/bbl 96.59) in Jan-Dec/2013, which offset the production increase in the period.

7. Impact of Cash Flow Hedge on Exports

Jan-Dec

(10,166)	(11,813)	14	(6,027)	Total inflation indexation and foreign exchange variation	(13,257)	(17,009)	22
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10,185	12,231	(17)	4,578	Foreign Exchange Variation recognized in Shareholders' Equity	15,641	13,384	17
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(611)	(282)	(117)	(321)	Reclassification from Shareholders' Equity to the Statement of Income	(1,663)	(693)	—
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(592)	136	(535)	(1,770)	Net Inflation indexation 721 and foreign exchange variation	(4,318)	117
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APPENDIX

8. Assets and Liabilities subject to Exchange Variation

The Company has assets and liabilities subject to foreign exchange rate variation, for which the main exposure is to the Real relative to the U.S. dollar and the U.S. dollar relative to the Euro. Beginning in mid-May 2013, the Company extended the use of the hedge accounting practice to hedge highly probable future exports.

The Company designates hedging relationships to account for the effects of the existing natural hedge between a portion of its long-term debt obligations (denominated in U.S. dollars) and its U.S. dollar denominated exports and to properly recognize that hedge in its financial statements. Approximately 70% of the total net debt exposed to changes in foreign exchange rate was designated as hedging instruments to hedge a seven-year period of highly probable future exports.

Through the extension of the hedge accounting practice, foreign exchange gains or losses from debt denominated in U.S. dollars will only affect the Company's statement of income when the future exports affect its statement of income. Until our future exports are realized, such foreign exchange variations will be recognized in our shareholders' equity.

The balances of assets and liabilities in foreign currency of controlling companies outside of Brazil are not included on the exposure below when transacted in a currency equivalent to their respective functional currencies. On December 31, 2014, the Company had a net liability position regarding foreign exchange exposure. Therefore, the appreciation of the Real relative to other currencies results in a foreign exchange variation income, while the depreciation of the Real results in a foreign exchange variation expense.

Assets	30,600	16,853
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Liabilities

(222,279) (150,581)

Hedge Accounting

135,088

95,443

Total

(56,591) (38,285)

Real/ U.S. Dollars

(20,844)

(17,329)

Real/ Yen

–

1

Real/ Euro

(6,860)

(6,741)

Real/ Pound Sterling

(1,919)

(1,772)

U.S. Dollars/ Yen

(1,728)

(1,973)

U.S. Dollars/ Euro

(18,562) (7,324)

U.S. Dollars/ Pound Sterling

(5,376)

(2,296)

Peso/ U.S. Dollars

(1,302)

(851)

Total

(56,591) (38,285)

The main foreign exchange variation exposures from 2013 to 2014 were: Real x U.S. dollars – 13.39% depreciation of the Real; U.S. dollars x Euro – 11.79% appreciation of U.S. dollars; U.S. dollars x Yen – 13.87% appreciation of U.S. dollars; U.S. dollars x Pound Sterling – 5.71% appreciation of U.S. dollars.

ADDITIONAL INFORMATION

THIRD QUARTER RESULT

Reconciliation of the net income reported on 01.28.2015 with the net income reviewed by independent auditors.

R\$
million

Net income reported on 01.28.2015

13,464

Write-off - overpayments incorrectly capitalized

(6,194)

Additional allowance for impairment of trade receivables from the electricity sector (1,602)

Others

(630)

Net income (reviewed by independent auditors)

5,038

Attributable to:

Shareholders of Petrobras

5,013

Non-controlling shareholders

25

The adjustments include:

- *Write-offs of overpayments incorrectly capitalized* (R\$ 6,194 million);
- Recognition of an additional allowance for impairment of trade receivables from the electricity sector of R\$ 2,427 million (R\$ 1,602 million after taxes) to cover unsecured receivables from certain electricity companies;
- Lower profit sharing expense, due to changes in the net income previously reported, mainly attributable to the allowance for impairment of trade receivables from the electricity sector; and
- Change on income tax expenses, mainly due to an allowance for impairment of trade receivables from the electricity sector.

In addition, R\$ 1,112 million were reclassified from other expenses, net to cost of sales, with respect to inventory write-downs to net realizable value (market value).

ADDITIONAL INFORMATION

FINANCIAL STATEMENTS

Income Statement - Consolidated ²⁸ ²⁹

Jan-Sep

88,377	82,298	77,700	Sales revenues	252,220	223,862
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(67,936)	(63,480)	(61,482)	Cost of sales	(193,798)	(170,550)
----------	----------	----------	---------------	-----------	-----------

20,441	18,818	16,218	Gross profit	58,422	53,312
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(6,733)	(2,772)	(2,862)	Selling expenses	(12,230)	(7,709)
---------	---------	---------	------------------	----------	---------

(2,707)	(2,580)	(2,803)	General and administrative expenses	(7,847)	(7,863)
---------	---------	---------	-------------------------------------	---------	---------

(2,314)	(1,803)	(2,214)	Exploration costs	(5,642)	(4,702)
---------	---------	---------	-------------------	---------	---------

(665)	(601)	(590)	Research and development expenses	(1,858)	(1,858)
-------	-------	-------	-----------------------------------	---------	---------

(552)	(313)	(219)	Other taxes	(1,192)	(691)
-------	-------	-------	-------------	---------	-------

(6,194)	–	–	Write-off - overpayments incorrectly capitalized	(6,194)	–
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(6,197)	(1,901)	(1,807)	Other income and expenses, net	(11,955)	(3,162)
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(25,362) (9,970) (10,495) (46,918) (25,985)

(4,921)	8,848	5,723	Net income (loss) before finance income (expense), share of earnings in equity-accounted investments, profit sharing and income taxes	11,504	27,327
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1,174	758	1,205	Finance income	2,974	3,086
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(2,282)	(2,243)	(1,240)	Finance expenses	(6,373)	(3,719)
---------	---------	---------	------------------	---------	---------

136	545	(985)	Foreign exchange and inflation indexation charges	1,313	(2,548)
-----	-----	-------	--	-------	---------

(972)	(940)	(1,020)	Net finance income (expense)	(2,086)	(3,181)
-------	-------	---------	------------------------------	---------	---------

198	271	493	Share of earnings in equity-accounted investments	991	1,039
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(127)

(312)

(229)

Profit-sharing

(775)

(877)

(5,822)	7,867	4,967	Net income (loss) before income taxes	9,634	24,308
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(117)	(2,676)	(1,425)	Income taxes	(4,596)	(7,252)
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(5,939)	5,191	3,542	Net income (loss)	5,038	17,056
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Net income (loss) attributable
to:

(5,339)	4,959	3,395	Shareholders of Petrobras	5,013	17,289
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(600)	232	147	Non-controlling interests	25	(233)
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(5,939)	5,191	3,542	5,038	17,056
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²⁸ Beginning in the 1Q-2014, a line item for profit sharing benefits has been included, as previously disclosed in the Company's annual consolidated financial statements. The amounts for 2013 were reclassified for comparison purposes.

²⁹ Beginning in 2014, the amount of inventory write-downs to net realizable value (market value) was reclassified from Other Income and Expenses to Cost of Sales. The amounts for 2013 were reclassified for comparison purposes.

ADDITIONAL INFORMATION

Statement of Financial Position – Consolidated

Current assets	142,950	123,351
-----------------------	----------------	----------------

Cash and cash equivalents	49,624	37,172
---------------------------	--------	--------

Marketable securities	20,674	9,101
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Trade and other receivables, net	21,549	22,652
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Inventories

32,437

33,324

Recoverable taxes	8,603	11,646
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Assets classified as held for sale	5,052	5,638
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Other current assets	5,011	3,818
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Non-current assets

672,791

629,616

Long-term receivables	47,875	44,000
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Trade and other receivables, net	12,708	10,616
----------------------------------	--------	--------

Marketable securities

294

307

Judicial deposits	6,740	5,866
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Deferred taxes	2,431	2,647
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Other tax assets	11,231	12,603
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Advances to suppliers	7,245	7,566
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Other non-current assets	7,226	4,395
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Investments

15,537

15,615

Property, plant and equipment

591,606

533,880

Intangible assets	17,773	36,121
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Total assets

815,741

752,967

Current liabilities

84,708

82,525

Trade payables	27,658	27,922
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Current debt	28,243	18,782
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Taxes payable	12,973	11,597
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Dividends payable	–	9,301
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Employee compensation (payroll, profit-sharing and related charges)	7,931	4,806
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Pension and medical benefits	2,198	1,912
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Liabilities associated with assets classified as held for sale	591	2,514
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Other current liabilities	5,114	5,691
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Non-current liabilities

388,637

321,108

Non-current debt	303,461	249,038
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Deferred taxes	21,923	23,206
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Pension and medical benefits	40,986	27,541
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Provision for decommissioning costs	15,996	16,709
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Provisions for legal proceedings	3,978	2,918
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Other non-current liabilities	2,293	1,696
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Shareholders' equity

342,396

349,334

Share capital	205,432	205,411
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Profit reserves and others	135,893	142,529
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Non-controlling interests

1,071

1,394

Total liabilities and shareholders' equity	815,741	752,967
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ADDITIONAL INFORMATION

Statement of Cash Flows Data – Consolidated

Jan-Sep

(5,339)	4,959	3,395	Net income (loss) attributable to the shareholders of Petrobras	5,013	17,289
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28,892	9,340	10,963	(+) Adjustments for:	42,254	28,145
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7,036	7,710	7,597	Depreciation, depletion and amortization	21,869	20,963
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2,611	1,479	2,027	Foreign exchange and inflation indexation and finance charges	5,507	4,391
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(600)	232	147	Non-controlling interests	25	(233)
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(198)	(271)	(493)	Share of earnings in equity-accounted investments	(991)	(1,039)
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6,194	–	–	Write-off - overpayments incorrectly capitalized	6,194	–
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3,954	177	49	Allowance for impairment of trade receivables	4,163	47
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4,081	271	(343)	(Gains) / losses on disposal / write-offs of non-current assets	3,768	(1,743)
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(108)	1,614	461	Deferred income taxes, net	2,188	3,666
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1,710	1,495	1,684	Exploration expenditures written-off	4,262	2,915
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931	197	366	Impairment of property, plant and equipment and other assets	1,404	837
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909	1,211	1,360	Pension and medical benefits (actuarial expense)	3,161	4,135
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4,949	(2,290)	(3,164)	Inventories	189	(4,801)
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(1,415)	(641)	(188)	Trade and other receivables, net	(4,605)	590
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(1,307)	644	849	Trade payables	(1,150)	774
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(415)	(566)	(347)	Pension and medical benefits	(1,316)	(1,134)
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1,718	(732)	(401)	Taxes payable	(288)	(2,895)
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(1,158)	(1,190)	1,359	Other assets and liabilities	(2,126)	1,672
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23,553	14,299	14,358	(=) Net cash provided by (used in) operating activities	47,267	45,434
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(31,111)	(16,924)	(19,590)	(-) Net cash provided by (used in) investing activities	(68,228)	(58,254)
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(20,129)	(19,141)	(24,348)	Capital expenditures and investments in operating segments	(59,606)	(65,929)
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302	185	1,194	Proceeds from disposal of assets (divestment)	1,356	4,386
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(11,284)	2,032	3,564	Investments in marketable securities	(9,978)	3,289
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(7,558)	(2,625)	(5,232)	(=) Net cash flow	(20,961)	(12,820)
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(5,073)	(6,327)	(6,696)	(-) Net cash provided by (used in) financing activities	32,492	22,649
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5,022	10,119	9,692	Proceeds from long-term financing	69,048	70,841
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(6,226)	(4,933)	(9,474)	Repayment of principal	(17,294)	(33,288)
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(3,794)	(2,892)	(4,009)	Repayment of interest	(10,457)	(8,930)
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(18)	(8,731)	(2,904)	Dividends paid to shareholders (8,749)	(5,774)
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(57)	110	(1)	Acquisition of non-controlling interest	(56)	(200)
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4,115	(1,375)	28	Effect of exchange rate changes on cash and cash equivalents	921	1,893
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(8,516)	(10,327)	(11,900)	(=) Net increase (decrease)	12,452	11,722
			in cash and cash		
			equivalents in the period		

58,140	68,467	51,250	Cash and cash equivalents at the beginning of period	37,172	27,628
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49,624	58,140	39,350	Cash and cash equivalents at the end of period	49,624	39,350
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ADDITIONAL INFORMATION

Consolidated debt

Current debt ³⁰	28,243	18,782	50
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Non-current debt ³¹	303,461	249,038	22
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Total	331,704	267,820	24
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Cash and cash equivalents	49,624	37,172	33
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Government securities and time deposits (maturity of more than 3 months)	20,635	9,085	127
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Adjusted cash and cash equivalents	70,259	46,257	52
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Net debt ³²

261,445

221,563

18

Net debt/(net debt+shareholders' equity)	43%	39%	4
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Total net liabilities ³³	745,482	706,710	5
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Capital structure

(Net third parties capital / total net liabilities)	54%	51%	3
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Net debt/Adjusted EBITDA ratio	5.02	3.52	43
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Current debt ³⁰	11,523	8,017	44
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Non-current debt ³¹	123,811	106,308	16
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Total	135,334	114,325	18
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Net debt ³²

106,669

94,579

13

Summarized information on financing

Floating rate debt	169,554	138,463	22
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Fixed rate debt	161,947	129,148	25
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Total

331,501 267,611 24

Reais

63,087

53,465

18

US Dollars

233,616

191,572

22

Euro

24,599

14,987

64

Other currencies	10,199	7,587	34
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Total	331,501	267,611	24
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2014

13,293

18,744

(29)

2015

19,390

17,017

14

2016

31,421

29,731

6

2017

29,792

20,331

47

2018

45,017

37,598

20

2019 and thereafter	192,588	144,190	34
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Total	331,501	267,611	24
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Consolidated net debt in Reais increased by 18% when compared to December 31, 2013 as a result of long-term financing and of the 4.6% impact from the depreciation of the Real against the U.S. dollar.

³⁰ Includes Finance lease obligations (R\$ 39 million on September 30, 2014 and R\$ 38 million on December 31, 2013).

³¹ Includes Finance lease obligations (R\$ 164 million on September 30, 2014 and R\$ 171 million on December 31, 2013).

³² Net debt is not a measure defined in the International Standards -IFRS and should not be considered in isolation or as a substitute for total long-term debt calculated in accordance with IFRS. Our calculation of net debt may not be comparable to the calculation of net debt by other companies. Management believes that net debt is an appropriate supplemental measure that helps investors assess our liquidity and supports leverage management.

³³ Total liabilities net of adjusted cash and cash equivalents.

ADDITIONAL INFORMATION

SEGMENT INFORMATION ³⁴

Consolidated Income Statement by Segment – Jan-Sep/2014³⁵

Sales revenues	118,625	198,227	30,491	436	72,806	25,175	–	(193,540)	25
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Intersegments	117,882	69,212	2,706	380	2,013	1,347	-	(193,540)	-
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Third parties	743	129,015	27,785	56	70,793	23,828	-	-	25
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Cost of sales	(60,640)	(209,786)	(26,840)	(523)	(66,866)	(22,537)	–	193,394	(19
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Gross profit	57,985	(11,559)	3,651	(87)	5,940	2,638	-	(146)	58
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Expenses

(11,868)(13,617)(5,754)(118)(4,741)(1,550)(9,661) 391 (46

Selling, general and administrative expenses	(633)	(5,246)	(4,302)	(82)	(4,396)	(1,349)	(4,462)	393	(20
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Exploration costs	(5,377)	-	-	-	-	(265)	-	-	(5,
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Research and
development
expenses

(946) (315) (144) (22) (2) (3) (426) -

(1,

Other taxes	(76)	(162)	(195)	(1)	(21)	(176)	(561)	-	(1,
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Write-off - overpayments incorrectly capitalized	(1,969)	(3,427)	(652)	–	(23)	(23)	(100)	–	(6,
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Other income and expenses, net	(2,867)	(4,467)	(461)	(13)	(299)	266	(4,112)	(2)	(11
--------------------------------	---------	---------	-------	------	-------	-----	---------	-----	-----

Net income (loss) before finance income (expense), share of earnings in equity-accounted investments, profit sharing and income taxes	46,117	(25,176)	(2,103)	(205)	1,199	1,088	(9,661)	245	11
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Net finance income	-	-	-	-	-	-	(2,086)	-	(2,086)
(expense)									

Share of earnings in (6) equity-accounted investments	316	368	(96)	(1)	404	6	—	99
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Profit-sharing	(269)	(215)	(37)	–	(45)	(16)	(193)	–	(77)
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Net income (loss) before income taxes	45,842	(25,075)	(1,772)	(301)	1,153	1,476	(11,934)	245	9,6
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Income taxes	(16,258)	7,468	506	70	(400)	(392)	4,494	(84)	(4,
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Net income (loss)	29,584	(17,607)	(1,266)	(231)	753	1,084	(7,440)	161	5,0
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Net income (loss)
attributable to:

Shareholders of Petrobras	29,592	(17,594)	(1,293)	(231)	753	927	(7,302)	161	5,0
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Non-controlling interests	(8)	(13)	27	-	-	157	(138)	-	25
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29,584 (17,607) (1,266) (231) 753 1,084 (7,440) 161 5,0

Consolidated Income Statement by Segment – Jan-Sep/2013

Sales revenues	107,450,176,309	23,160,655	63,245	25,926	–	(172,883)223
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Intersegments	105,746	59,214	1,920	549	1,618	3,836	–	(172,883)	–
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Third parties	1,704	117,095	21,240	106	61,627	22,090	-	-	223
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Cost of sales	(53,863)	(188,949)	(19,663)	(807)	(57,811)	(22,273)	–	172,816	(17
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Gross profit	53,587	(12,640)	3,497	(152)	5,434	3,653	-	(67)	53,
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Expenses

(7,017) (5,989) (1,821) (119) (3,178) (26) (8,102) 267 (25

Selling, general and administrative expenses	(679)	(5,015)	(1,706)	(86)	(3,174)	(1,357)	(3,808)	253	(15)
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Exploration costs	(4,440)	-	-	-	-	(262)	-	-	(4,702)
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Research and
development
expenses

(925) (344) (88) (42) (2) (5) (452) -

(1,8

Other taxes	(71)	(112)	(129)	(2)	(23)	(216)	(138)	–	(69)
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Write-off -
overpayments
incorrectly
capitalized

- - - - -

Other income and expenses, net	(902)	(518)	102	11	21	1,814	(3,704)	14	(3,1
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Net income (loss) before finance income (expense), share of earnings in equity-accounted investments, profit sharing and income taxes	46,570	(18,629)	1,676	(271)	2,256	3,627	(8,102)	200	27,
--	---------------	-----------------	--------------	--------------	--------------	--------------	----------------	------------	------------

Net finance income	-	-	-	-	-	-	(3,181)	-	(3,1
(expense)									

Share of earnings in 5 equity-accounted investments	180	276	(39)	(1)	623	(5)	—	1,0
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Profit-sharing	(311)	(229)	(39)	–	(53)	(22)	(223)	–	(87)
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Net income (loss) before income taxes	46,264	(18,678)	1,913	(310)	2,202	4,228	(11,511)	200	24,
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Income taxes	(15,728)	6,412	(557)	92	(748)	(1,108)	4,454	(69)	(7,2
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Net income (loss)	30,536	(12,266)	1,356	(218)	1,454	3,120	(7,057)	131	17,
--------------------------	---------------	-----------------	--------------	--------------	--------------	--------------	----------------	------------	------------

Net income (loss)
attributable to:

Shareholders of Petrobras	30,480	(12,266)	1,262	(218)	1,454	3,008	(6,562)	131	17,
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Non-controlling interests	56	-	94	-	-	112	(495)	-	(23
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30,536 (12,266) 1,356 (218) 1,454 3,120 (7,057) 131 17,

³⁴ Beginning in 2014, management of Liquigás (a subsidiary) was allocated to the RTM segment (previously Distribution). Amounts previously reported for 2013 were restated for comparability purposes and the results previously attributable to the Distribution segment are now presented under the RTM segment, pursuant to the management and accountability premise adopted for the financial statements by business segment.

³⁵ Beginning in 2014, the amount of inventory write-downs to net realizable value (market value) was reclassified from Other Income and Expenses to Cost of Sales. The amounts for 2013 were reclassified for comparison purposes.

ADDITIONAL INFORMATION

Other Income and Expenses, Net by Segment - Jan-Sep/2014³⁶

Gains / (losses) on disposal/write-offs of assets	(509)	(3,335)	207	(1)	28	440	(105)	-
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Voluntary Separation Incentive (995) (494) (151) (11) (159) (24) (621) –
Plan - PIDV

Unscheduled stoppages and pre-operating expenses	(1,534)	(45)	(164)	-	-	(35)	(29)	-
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Pension and medical benefits - - - - - (1,509) -
retirees

Institutional relations and cultural projects	(83)	(52)	(8)	–	(130)	(14)	(1,050) –
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Collective bargaining agreement	(397)	(226)	(44)	–	(58)	(11)	(254)	–
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E&P areas returned and cancelled projects	(493)	-	-	-	-	-	-	-
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Impairment (losses) / reversals – – (306) – – 15 – –

Health, safety and environment(51)	(51)	(16)	-	-	(7)	(130)	-
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(Losses)/gains on legal, administrative and arbitral proceedings	361	(138)	(24)	(1)	(91)	(32)	(250)	–
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Governamental Grants	19	57	24	-	-	-	17	-
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(Expenditures)/reimbursements542	-	-	-	-	-	-	-
from operations in E&P							
partnerships							

Others	273	(183)	21	-	111	(66)	(181)	(2)
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(2,867)(4,467)(461) (13) (299) 266 (4,112)(2)

Other Income and Expenses, Net by Segment - Jan-Sep/2013

Gains / (losses) on disposal/write-offs of assets	113	(98)	(4)	–	40	1,697	(5)	–	1,74
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Unscheduled stoppages and pre-operating expenses	(779)	(47)	(177)	-	-	(53)	(27)	-	(1,0
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Pension and medical benefits -	-	-	-	-	-	-	(1,438)	-	(1,4
retirees									

Institutional relations and cultural projects	(199)	(58)	(9)	–	(66)	(20)	(840)	–	(1,1
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Collective bargaining agreement	(359)	(178)	(33)	–	(50)	(11)	(242)	–	(873)
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Impairment (losses) / reversals – – – – – – – – – –

Health, safety and environment(51) (139) (9) - - (26) (163) - (388)

(Losses)/gains on legal, administrative and arbitral proceedings	(68)	(103)	(9)	–	(64)	(26)	(859)	–	(1,1
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Governamental Grants	29	53	37	-	-	84	1	-	204
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(Expenditures)/reimbursements	404	-	-	-	-	(3)	-	-	401
from operations in E&P									
partnerships									

Others

8 52 306 11 161 172 (131) 14 593

(902)(518)102 11 21 1,814 (3,704)14 (3,1

Consolidated Assets by Segment – 09.30.2014

Total assets	390,313,222,435,67,868	2,748	22,921	40,918,83,465(14,927)	815,741
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Current assets	16,527	42,458	9,765	172	9,459	10,374	66,461	(12,266)	142,950
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Non-current assets 373,786 179,977 58,103 2,576 13,462 30,544 17,004 (2,661) 672,791

Long-term receivables	17,047	9,821	3,843	7	6,910	4,418	8,321	(2,492)	47,875
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Investments	376	5,365	1,418	2,030	38	5,983	327	–	15,537
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Property, plant and equipment	342,508	164,465	51,986	539	5,834	18,804	7,639	(169)	591,606
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Operating assets	248,832	95,648	41,072	492	4,459	10,907	5,709	(169)	406,950
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Assets under construction	93,676	68,817	10,914	47	1,375	7,897	1,930	-	184,656
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Intangible assets	13,855	326	856	–	680	1,339	717	–	17,773
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Consolidated Assets by Segment - 12.31.2013

Total assets	357,729,216,769	64,899,280	3,169,994	42,454,668,859	(15,540,752,967)
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Current assets	13,826	44,838	9,052	181	5,576	11,922	50,702	(12,746)	123,351
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Non-current assets 343,903 171,931 55,847 2,622 11,418 30,532 16,157 (2,794) 629,616

Long-term receivables	14,643	10,333	4,341	5	5,222	4,655	7,422	(2,621)	44,000
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Investments	219	5,429	1,755	2,097	14	5,883	218	–	15,615
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Property, plant and equipment	296,846	155,835	48,919	520	5,505	18,671	7,757	(173)	533,880
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Operating assets	212,914	76,452	39,118	480	3,952	8,882	5,415	(173)	347,040
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Assets under construction	83,932	79,383	9,801	40	1,553	9,789	2,342	-	186,840
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Intangible assets	32,195	334	832	–	677	1,323	760	–	36,121
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³⁶ As from 2014, the amount of inventory write-down to net realizable value (market value) was reclassified from Other Income and Expenses to Cost of Sales. The amounts for 2013 were reclassified for comparison purposes.

ADDITIONAL INFORMATION

Consolidated Adjusted EBITDA Statement by Segment – Jan-Sep/2014

Net income (loss)	29,584	(17,607)	(1,266)	(231)	753	1,084	(7,440)	161	5,038
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Net finance	-	-	-	-	-	-	2,086	-	2,086
income (expense)									

Income taxes	16,258	(7,468)	(506)	(70)	400	392	(4,494)	84	4,596
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Depreciation, depletion and amortization	12,786	4,821	1,507	21	297	1,814	623	—	21,869
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EBITDA	58,628	(20,254)	(265)	(280)	1,450	3,290	(9,225)	245	33,589
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Share of earnings 6	(316)	(368)	96	1	(404)	(6)	—	(991)
in								
equity-accounted								
investments								

Impairment losses / (reversals)	-	-	306	-	-	(15)	-	-	291
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Write-off - overpayments incorrectly capitalized	1,969	3,427	652	—	23	23	100	—	6,194
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Adjusted EBITDA	60,603	(17,143)	325	(184)	1,474	2,894	(9,131)	245	39,083
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Consolidated Adjusted EBITDA Statement by Segment - Jan-Sep/2013

Net income (loss)	30,536	(12,266)	1,356	(218)	1,453	3,120	(7,057)	132	17,056
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Net finance	-	-	-	-	-	-	3,181	-	3,181
income (expense)									

Income taxes	15,728	(6,412)	557	(92)	748	1,108	(4,454)	69	7,252
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Depreciation, depletion and amortization	12,553	4,218	1,551	31	281	1,792	536	—	20,963
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EBITDA	58,817	(14,460)	3,464	(279)	2,482	6,020	(7,794)	201	48,452
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Share of earnings (5) in equity-accounted investments	(180)	(276)	39	1	(623)	5	—	(1,039)
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Impairment
losses /
(reversals)

- - - - -

Write-off -
overpayments
incorrectly
capitalized

- - - - -

Adjusted EBITDA	58,812	(14,640)	3,188	(240)	2,483	5,397	(7,789)	201	47,413
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Consolidated Income Statement for International Segment

**Income Statement - Jan-Sep
2014**

Sales revenues	5,493	13,606	864	8,730	46	(3,564)	25,175
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Intersegments	2,175	2,643	60	4	29	(3,564)	1,347
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Third parties	3,318	10,963	804	8,726	17	–	23,828
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Net income (loss) before finance income (expense), share of earnings in equity-accounted investments, profit sharing and income taxes	1,240	(141)	154	261	(404)	(22)	1,088
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Net income (loss) attributable to the shareholders of Petrobras	1,438	(67)	183	241	(846)	(22)	927
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**Income Statement - Jan-Sep
2013**

Sales revenues	6,995	13,381	881	8,196	-	(3,527)	25,926
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Intersegments	4,014	3,278	58	13	–	(3,527)	3,836
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Third parties	2,981	10,103	823	8,183	-	-	22,090
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Net income (loss) before finance income (expense), share of earnings in equity-accounted investments, profit sharing and income taxes	3,843	(54)	90	161	(405)	(8)	3,627
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Net income (loss) attributable to the shareholders of Petrobras	3,443	(41)	66	148	(600)	(8)	3,008
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Consolidated Assets for International Segment

Total assets on September 30, 2014	31,513	5,606	1,152	2,431	6,167	(5,951)	40,918
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Total assets on December 31, 2013	31,989	6,213	1,411	2,542	4,613	(4,314)	42,454
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ADDITIONAL INFORMATION

Trade and other receivables - Electricity Sector (Isolated Power System)

Clients

Eletronbras Group (Note 19.5)	1,066	5,211	6,277	1,553	2,779	4,332
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Companhia de Gás do Amazonas (CIGÁS)	2,589	489	3,078	–	1,597	1,597
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Others	122	836	958	101	617	718
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3,777 6,536 10,313 1,654 4,993 6,647

(-) Provision for impairment of trade receivables	(1,955)	(1,836)	(3,791)	–	(34)	(34)
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Total	1,822	4,700	6,522	1,654	4,959	6,613
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Related parties	1,063	4,438	5,501	1,553	2,763	4,316
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Third parties	759	262	1,021	101	2,196	2,297
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SIGNATURE

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

Date: April 23, 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.
