

PETROBRAS - PETROLEO BRASILEIRO SA  
Form 6-K  
May 18, 2015

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## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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### FORM 6-K

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

**For the month of May, 2015**

**Commission File Number 1-15106**

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### PETRÓLEO BRASILEIRO S.A. - PETROBRAS

(Exact name of registrant as specified in its charter)

### Brazilian Petroleum Corporation - PETROBRAS

(Translation of Registrant's name into English)

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

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

Form 20-F  Form 40-F

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

Yes  No

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

Consolidated financial statements as of  
March 31, 2015, with report of independent  
registered public accounting firm

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

Index

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

|   |    |
|---|----|
| Report of Independent Registered Public Accounting Firm                 | 3  |
| Consolidated Statement of Financial Position                            | 4  |
| Consolidated Statement of Income  | 5  |
| Consolidated Statement of Comprehensive Income                          | 6  |
| Consolidated Statement of Cash Flows                                    | 7  |
| Consolidated Statement of Changes in Shareholders' Equity               | 8  |
| Notes to the financial statements                                       | 9  |
| 1 . The Company and its operations                                      | 9  |
| 2 . Basis of preparation  | 9  |
| 3 . The “Lava Jato” (Car Wash) Operation and its effects on the Company | 10 |
| 4 . Basis of consolidation  | 10 |
| 5 . Summary of significant accounting policies                          | 10 |
| 6 . Cash and cash equivalents and Marketable securities                 | 11 |
| 7 . Trade and other receivables   | 12 |
| 8 . Inventories   | 14 |
| 9 . Disposal of assets and legal mergers                                | 14 |
| 10 . Investments  | 15 |
| 11 . Property, plant and equipment                                      | 16 |
| 12 . Intangible assets  | 17 |
| 13 . Exploration for and evaluation of oil and gas reserves             | 17 |
| 14 . Trade payables   | 18 |
| 15 . Finance debt   | 18 |
| 16 . Leases   | 21 |
| 17 . Related party transactions   | 22 |
| 18 . Provision for decommissioning costs                                | 23 |
| 19 . Taxes  | 24 |
| 20 . Employee benefits (Post-Employment)                                | 26 |
| 21 . Shareholders' equity   | 28 |
| 22 . Sales revenues   | 29 |

|  |    |
|--|----|
| 23 . Other expenses, net   | 29 |
| 24 . Costs and Expenses by nature  | 30 |
| 25 . Net finance income (expense)  | 30 |
| 26 . Supplemental information on statement of cash flows                 | 31 |
| 27 . Segment Information   | 32 |
| 28 . Provisions for legal proceedings                                    | 36 |
| 29 . Collateral for crude oil exploration concession agreements          | 40 |
| 30 . Risk management   | 40 |
| 31 . Fair value of financial assets and liabilities                      | 44 |
| 32 . Subsequent events   | 45 |
| 33 . Information Related to Guaranteed Securities Issued by Subsidiaries | 45 |

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

Report of Independent Registered Public Accounting Firm

**Report of independent registered**

**public accounting firm**







To the Board of Directors and Shareholders

Petróleo Brasileiro S.A. - Petrobras

We have reviewed the accompanying condensed consolidated statement of financial position of Petróleo Brasileiro S.A. - Petrobras and its subsidiaries as of March 31, 2015, and the related condensed consolidated statements of income, comprehensive income, cash flows and changes in shareholders' equity for the three-month periods ended March 31, 2015 and March 31, 2014. This interim financial information is the responsibility of the Company's management.

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

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

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

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

/s/

PricewaterhouseCoopers

Auditores Independentes

Rio de Janeiro, Brazil

May 15, 2015

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

Consolidated Statement of Financial Position

March 31, 2015 and December 31, 2014

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

| <b>Assets</b> | <b>Note</b> | <b>03.31.2015</b> | <b>12.31.2014</b> | <b>Liabilities</b> | <b>Note</b> | <b>03.31.2015</b> | <b>12.31.2014</b> |
|---------------|-------------|-------------------|-------------------|--------------------|-------------|-------------------|-------------------|
|---------------|-------------|-------------------|-------------------|--------------------|-------------|-------------------|-------------------|

**Current  
assets**

**Current  
liabilities**

|                           |   |        |        |                |    |       |       |
|---------------------------|---|--------|--------|----------------|----|-------|-------|
| Cash and cash equivalents | 6 | 10,739 | 16,655 | Trade payables | 14 | 7,814 | 9,760 |
|---------------------------|---|--------|--------|----------------|----|-------|-------|

|                       |   |        |       |              |    |        |        |
|-----------------------|---|--------|-------|--------------|----|--------|--------|
| Marketable securities | 6 | 10,545 | 9,323 | Finance debt | 15 | 12,368 | 11,868 |
|-----------------------|---|--------|-------|--------------|----|--------|--------|

|                                  |   |       |       |                           |    |    |    |
|----------------------------------|---|-------|-------|---------------------------|----|----|----|
| Trade and other receivables, net | 7 | 6,464 | 7,969 | Finance lease obligations | 16 | 14 | 16 |
|----------------------------------|---|-------|-------|---------------------------|----|----|----|

|             |   |       |        |                      |      |     |     |
|-------------|---|-------|--------|----------------------|------|-----|-----|
| Inventories | 8 | 9,985 | 11,466 | Income taxes payable | 19.1 | 320 | 247 |
|-------------|---|-------|--------|----------------------|------|-----|-----|



|              |      |     |       |             |      |       |       |
|--------------|------|-----|-------|-------------|------|-------|-------|
| Recoverable  | 19.1 | 819 | 1,063 | Other taxes | 19.1 | 3,238 | 4,064 |
| income taxes |      |     |       | payable     |      |       |       |

|                         |      |       |       |   |       |       |
|-------------------------|------|-------|-------|---|-------|-------|
| Other recoverable taxes | 19.1 | 2,196 | 2,748 | Payroll, profit sharing and related charges | 1,923 | 2,066 |
|-------------------------|------|-------|-------|---|-------|-------|

|                          |     |     |                                 |    |     |     |
|--------------------------|-----|-----|---------------------------------|----|-----|-----|
| Advances to<br>suppliers | 357 | 423 | Pension and<br>medical benefits | 20 | 700 | 796 |
|--------------------------|-----|-----|---------------------------------|----|-----|-----|

|                      |       |       |        |       |       |
|----------------------|-------|-------|--------|-------|-------|
| Other current assets | 1,773 | 1,180 | Others | 1,790 | 2,301 |
|----------------------|-------|-------|--------|-------|-------|

42,878

50,827

28,167

31,118

Assets  
classified as  
held for sale

3

5

Liabilities on  
assets classified  
as held for sale

–

–

42,881

50,832

28,167

31,118





**Non-current  
assets**

**Non-current  
liabilities**

Long-term  
receivables

Finance debt      15    112,456    120,218

|                                  |   |       |       |                           |    |    |    |
|----------------------------------|---|-------|-------|---------------------------|----|----|----|
| Trade and other receivables, net | 7 | 4,991 | 4,832 | Finance lease obligations | 16 | 50 | 56 |
|----------------------------------|---|-------|-------|---------------------------|----|----|----|

|                       |   |    |     |                       |      |     |       |
|-----------------------|---|----|-----|-----------------------|------|-----|-------|
| Marketable securities | 6 | 92 | 109 | Deferred income taxes | 19.2 | 262 | 3,031 |
|-----------------------|---|----|-----|-----------------------|------|-----|-------|

|                   |      |       |       |                              |    |        |        |
|-------------------|------|-------|-------|------------------------------|----|--------|--------|
| Judicial deposits | 28.1 | 2,373 | 2,682 | Pension and medical benefits | 20 | 14,020 | 16,491 |
|-------------------|------|-------|-------|------------------------------|----|--------|--------|

|                       |      |     |       |                                  |      |       |       |
|-----------------------|------|-----|-------|----------------------------------|------|-------|-------|
| Deferred income taxes | 19.2 | 916 | 1,006 | Provisions for legal proceedings | 28.1 | 1,496 | 1,540 |
|-----------------------|------|-----|-------|----------------------------------|------|-------|-------|

|                  |      |       |       |                                     |    |       |       |
|------------------|------|-------|-------|-------------------------------------|----|-------|-------|
| Other tax assets | 19.1 | 3,329 | 4,008 | Provision for decommissioning costs | 18 | 6,757 | 8,267 |
|------------------|------|-------|-------|-------------------------------------|----|-------|-------|

|                       |       |       |        |     |     |
|-----------------------|-------|-------|--------|-----|-----|
| Advances to suppliers | 2,199 | 2,409 | Others | 831 | 988 |
|-----------------------|-------|-------|--------|-----|-----|



|        |       |       |         |         |
|--------|-------|-------|---------|---------|
| Others | 3,217 | 3,817 | 135,872 | 150,591 |
|--------|-------|-------|---------|---------|

17,117      18,863

|                   |         |         |
|-------------------|---------|---------|
| Total liabilities | 164,039 | 181,709 |
|-------------------|---------|---------|



Shareholders' 21.1  
equity

|             |    |       |       |   |         |         |
|-------------|----|-------|-------|---|---------|---------|
| Investments | 10 | 4,943 | 5,753 | Share capital (net<br>of share issuance<br>costs) | 107,101 | 107,101 |
|-------------|----|-------|-------|---|---------|---------|

|                                     |    |         |         |                                       |     |     |
|-------------------------------------|----|---------|---------|---------------------------------------|-----|-----|
| Property,<br>plant and<br>equipment | 11 | 190,579 | 218,730 | Change in interest<br>in subsidiaries | 148 | 148 |
|-------------------------------------|----|---------|---------|---------------------------------------|-----|-----|

|                   |    |       |       |                 |        |        |
|-------------------|----|-------|-------|-----------------|--------|--------|
| Intangible assets | 12 | 3,815 | 4,509 | Profit reserves | 68,286 | 66,423 |
|-------------------|----|-------|-------|-----------------|--------|--------|



|         |         |  |          |          |
|---------|---------|--|----------|----------|
| 216,454 | 247,855 | Accumulated<br>other<br>comprehensive<br>(deficit) | (80,848) | (57,400) |
|---------|---------|--|----------|----------|

|   |        |         |
|---|--------|---------|
| Attributable to the<br>shareholders of<br>Petrobras | 94,687 | 116,272 |
|---|--------|---------|

|                              |     |     |
|------------------------------|-----|-----|
| Non-controlling<br>interests | 609 | 706 |
|------------------------------|-----|-----|

|              |        |         |
|--------------|--------|---------|
| Total equity | 95,296 | 116,978 |
|--------------|--------|---------|

|              |         |         |  |         |         |
|--------------|---------|---------|--|---------|---------|
| Total assets | 259,335 | 298,687 | Total liabilities<br>and shareholder's<br>equity | 259,335 | 298,687 |
|--------------|---------|---------|--|---------|---------|

The Notes form an integral part of these Financial Statements.







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

## Consolidated Statement of Income

March 31, 2015 and 2014

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

|  | <b>Note</b> | <b>Jan-Mar/2015</b> | <b>Jan-Mar/2014</b> |
|--|-------------|---------------------|---------------------|
| Sales revenues   | 22          | 25,967              | 34,494              |
| Cost of sales  |             | (18,140)            | (26,388)            |
| Gross profit   |             | 7,827               | 8,106               |
| Income (expenses)  |             |                     |                     |
| Selling expenses   |             | (602)               | (1,154)             |
| General and administrative expenses  |             | (946)               | (1,083)             |
| Exploration costs  | 13          | (343)               | (646)               |
| Research and development expenses  |             | (197)               | (250)               |
| Other taxes  |             | (263)               | (138)               |
| Other expenses, net  | 23          | (818)               | (1,632)             |
|  |             | (3,169)             | (4,903)             |
| Net income before finance income (expense), share of earnings in equity-accounted investments, profit sharing and income taxes |             | 4,658               | 3,203               |
| Finance income   |             | 256                 | 441                 |
| Finance expenses   |             | (1,289)             | (782)               |
| Foreign exchange and inflation indexation charges  |             | (930)               | 268                 |
| Net finance income (expense)   | 25          | (1,963)             | (73)                |
| Share of earnings in equity-accounted investments  | 10.1        | 60                  | 221                 |
| Profit sharing   | 20.1        | (117)               | (142)               |
| Net income before income taxes   |             | 2,638               | 3,209               |
| Income taxes   | 19.3        | (1,056)             | (763)               |
| Net income   |             | 1,582               | 2,446               |

|  |      |       |       |
|--|------|-------|-------|
| Net income (loss) attributable to:   |      |       |       |
| Shareholders of Petrobras  |      | 1,862 | 2,280 |
| Non-controlling interests  |      | (280) | 166   |
|  |      | 1,582 | 2,446 |
| Basic and diluted earnings (loss) per weighted-average of common and preferred share - in U.S. dollars |      |       |       |
|  | 21.3 | 0.14  | 0.17  |

The Notes form an integral part of these Financial Statements.

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

## Consolidated Statement of Comprehensive Income

March 31, 2015 and 2014

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

|   | <b>Jan-Mar/2015</b> | <b>Jan-Mar/2014</b> |
|---|---------------------|---------------------|
| Net income  | 1,582               | 2,446               |
| <b>Items that will not be reclassified to the statement of income:</b>              |                     |                     |
| Actuarial gains (losses) on defined benefit pension plans                           | –                   | –                   |
| Cumulative translation adjustments  | (16,695)            | 4,480               |
|   | (16,695)            | 4,480               |
| <b>Items that may be reclassified subsequently to the statement of income:</b>      |                     |                     |
| Unrealized gains / (losses) on cash flow hedge - highly probable future exports     |                     |                     |
| Recognized in shareholders' equity  | (9,884)             | 1,645               |
| Reclassified to the statement of income   | 288                 | 199                 |
| Deferred income tax   | 3,263               | (627)               |
|   | (6,333)             | 1,217               |
| Unrealized gains / (losses) on cash flow hedge - others                             |                     |                     |
| Recognized in shareholders' equity  | (1)                 | 3                   |
| Reclassified to the statement of income   | –                   | 1                   |
| Deferred income tax   | –                   | –                   |
|   | (1)                 | 4                   |
|   | (6,334)             | 1,221               |
| <b>Share of other comprehensive income (losses) in equity-accounted investments</b> | <b>(358)</b>        | <b>59</b>           |
| Total other comprehensive income (loss):  | (23,387)            | 5,760               |
| Total comprehensive income (loss)   | (21,805)            | 8,206               |
| Comprehensive income (loss) attributable to:  |                     |                     |
| Shareholders of Petrobras   | (21,585)            | 8,162               |
| Non-controlling interests   | (220)               | 44                  |
| Total comprehensive income (loss)   | (21,805)            | 8,206               |

The Notes form an integral part of these Financial Statements.

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

## Consolidated Statement of Cash Flows

March 31, 2015 and 2014

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

|  | <b>03.31.2015</b> | <b>03.31.2014</b> |
|--|-------------------|-------------------|
| Cash flows from Operating activities   |                   |                   |
| Net income attributable to the shareholders of Petrobras   | 1,862             | 2,280             |
| Adjustments for:   |                   |                   |
| Non-controlling interests  | (280)             | 166               |
| Share of earnings in equity-accounted investments  | (60)              | (221)             |
| Depreciation, depletion and amortization   | 2,974             | 3,013             |
| Impairment of property, plant and equipment, intangible and other assets   | 101               | 117               |
| Exploration expenditures written off   | 201               | 447               |
| Allowance for impairment of trade receivables  | (301)             | 14                |
| (Gains) losses on disposal of assets, write-offs of non-current assets, E&P areas returned and cancelled projects, net | (141)             | (222)             |
| Foreign exchange, indexation and finance charges   | 2,198             | 599               |
| Deferred income taxes, net   | 714               | 290               |
| Pension and medical benefits (actuarial expense)   | 588               | 440               |
| Decrease (Increase) in assets  |                   |                   |
| Trade and other receivables, net   | 25                | (1,078)           |
| Inventories  | (358)             | (1,045)           |
| Other assets   | (1,018)           | (885)             |
| Increase (Decrease) in liabilities   |                   |                   |
| Trade payables   | (795)             | (205)             |
| Taxes payable  | 113               | (539)             |
| Pension and medical benefits   | (145)             | (142)             |
| Other liabilities  | 61                | 952               |
| Net cash provided by operating activities  | 5,739             | 3,981             |
| <b>Cash flows from Investing activities</b>  |                   |                   |
| Capital expenditures   | (6,115)           | (8,750)           |
| Investments in investees   | (63)              | (5)               |
| Proceeds from disposal of assets   | 180               | 368               |
|  | (1,455)           | (307)             |

|  |         |         |
|--|---------|---------|
| Divestment (investment) in marketable securities             |         |         |
| Dividends received   | 3       | 154     |
| Net cash (used in) investing activities                      | (7,450) | (8,540) |
| <b>Cash flows from Financing activities</b>                  |         |         |
| Acquisition of Non-controlling interest                      | 138     | (46)    |
| Financing and loans, net:                                    |         |         |
| Proceeds from long-term financing                            | 1,304   | 22,803  |
| Repayment of principal                                       | (2,948) | (2,595) |
| Repayment of interest  | (1,956) | (1,595) |
| Net cash provided by (used in) financing activities          | (3,462) | 18,567  |
| Effect of exchange rate changes on cash and cash equivalents | (743)   | 379     |
| Net increase (decrease) in cash and cash equivalents         | (5,916) | 14,387  |
| Cash and cash equivalents at the beginning of the year       | 16,655  | 15,868  |
| Cash and cash equivalents at the end of the period           | 10,739  | 30,255  |

The Notes form an integral part of these Financial Statements.

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

## Consolidated Statement of Changes in Shareholders' Equity

March 31, 2015 and 2014

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

|  | <b>Share capital<br/>(net of share<br/>issuance costs)</b> |   | <b>Accumulated other comprehensive income<br/>(deficit) and deemed cost</b> |   |  |  |          |
|--|--|---|---|---|--|--|----------|
|  | <b>Share<br/>Capital costs</b>                             | <b>Change in<br/>interest in<br/>subsidiaries</b> | <b>Cumulative<br/>translation<br/>adjustment</b>                            | <b>Cash flow<br/>hedge -<br/>highly<br/>probable<br/>future<br/>exports</b> | <b>Actuarial<br/>gains<br/>(losses)<br/>on<br/>defined<br/>benefit<br/>pension<br/>plans</b> | <b>Other<br/>comprehensive<br/>income (loss)<br/>and deemed<br/>cost</b> |          |
|  | 107,371  | (279)   | 674   | (26,440)  | (3,911)  | (2,505)  | (178)    |
| Balance at<br>January 1, 2014                  | 107,092  | 674   |   |   |  |  | (33,034) |
| Realization of<br>deemed cost                  |  |   |   |   |  |  | (1)      |
| Change in<br>interest in<br>subsidiaries       |  | (42)  |   |   |  |  |          |
| Net income                                     |  |   |   |   |  |  |          |
| Other<br>comprehensive<br>income               |  |   | 4,602   | 1,217   | –  |  | 63       |
| Appropriations:<br>Allocation of<br>net income |  |   |   |   |  |  |          |
| Dividends                                      | 107,371  | (279)   | 632   | (21,838)  | (2,694)  | (2,505)  | (116)    |
| Balance at<br>March 31, 2014                   | 107,092  | 632   |   |   |  |  | (27,153) |
|  | 107,380  | (279)   | 148   | (41,968)  | (7,699)  | (7,295)  | (438)    |
| Balance at<br>January 1, 2015                  | 107,101  | 148   |   |   |  |  | (57,400) |
| Realization of<br>deemed cost                  |  |   |   |   |  |  | (1)      |
| Change in<br>interest in                       |  | –   |   |   |  |  |          |

|                 |         |       |          |          |          |          |
|-----------------|---------|-------|----------|----------|----------|----------|
| subsidiaries    |         |       |          |          |          |          |
| Net income      |         |       |          |          |          |          |
| (loss)          |         |       |          |          |          |          |
| Other           |         |       |          |          |          |          |
| comprehensive   |         |       |          |          |          |          |
| income (loss)   |         |       | (16,755) | (6,333)  | –        | (359)    |
| Appropriations: |         |       |          |          |          |          |
| Transfer from   |         |       |          |          |          |          |
| reserves        |         |       |          |          |          |          |
| Dividends       |         |       |          |          |          |          |
|                 | 107,380 | (279) | 148      | (58,723) | (14,032) | (7,295)  |
| Balance at      |         |       |          |          |          |          |
| March 31, 2015  | 107,101 |       | 148      |          |          | (80,848) |

The Notes form an integral part of these Financial Statements.



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

Notes to the financial statements

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

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

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

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

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

This interim financial information presents the significant changes for the Company in the first quarter of 2015, and it does not repeat certain other recent significant changes that were previously reported in notes to the Company’s financial statements. As a result, this interim financial information should be read together with the Company’s annual financial statements for the year ended December 31, 2014, which include the full set of notes.

The Company has reclassified certain amounts from prior periods to provide a more appropriate presentation and consistent with the industry practice. Net income was not affected in any of the periods presented.

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

| <b>Brazilian Real x U.S. Dollar</b> | <b>Mar 2015</b> | <b>Mar 2014</b> | <b>Jun 2014</b> | <b>Sep 2014</b> | <b>Dec 2014</b> |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Quarterly average exchange rate     | 2.86            | 2.36            | 2.23            | 2.28            | 2.55            |
| Period-end exchange rate            | 3.21            | 2.26            | 2.2             | 2.45            | 2.66            |

The Company's Board of Directors in a meeting held on May 15, 2015 authorized the consolidated interim financial information for issue.

## **2.1. Accounting estimates**

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

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

Notes to the financial statements

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

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

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

In preparing its financial statements for the first quarter of 2015, the Company carefully considered all available information and does not expect that new developments in the investigations related to the “Lava Jato” (Car Wash) Operation by the Brazilian authorities, by the independent law firms conducting an internal investigation, or by newly set up internal commissions (or a review of the results of previous internal investigations) could materially impact or change the methodology adopted to recognize the write-off described above. Notwithstanding this expectation, the Company will continuously monitor the investigations for additional information and, as of March 31, 2015, has not identified any necessary adjustment based on existing information.

On May 13, 2015, the Company received US\$ 49 representing the first portion of amounts recovered from Pedro José Barusco Filho, a former executive manager of the Services area, who previously entered into a plea agreement with Brazilian authorities. This amount will be recognized as other income (amounts recovered – “overpayments incorrectly capitalized”) in the second quarter of 2015. To the extent that any of the proceedings resulting from the Lava Jato investigation involve leniency agreements with cartel members or plea agreements with individuals pursuant to which they agree to return funds, Petrobras may be entitled to receive a portion of such funds.

See note 28 for information about class actions and the Company’s other material legal proceedings.

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

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

There were no significant changes in the consolidated entities in the three-month period ended March 31, 2015.

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

### **5. Summary of significant accounting policies**

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

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

Notes to the financial statements

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

|   | <b>03.31.2015</b> | <b>12.31.2014</b> |
|---|-------------------|-------------------|
| Cash at bank and in hand  | 694               | 709               |
| Short-term financial investments                                      |                   |                   |
| - In Brazil   |                   |                   |
| Single-member funds (Interbank Deposit) and other short-term deposits | 1,561             | 1,999             |
| Other investment funds  | 39                | 41                |
| - Abroad  | 1,600             | 2,040             |
| Time deposits   | 4,052             | 8,700             |
| Automatic investing accounts  | 2,265             | 3,097             |
| Other financial investments abroad                                    | 2,128             | 2,109             |
|   | 8,445             | 13,906            |
| Total short-term financial investments                                | 10,045            | 15,946            |
| Total cash and cash equivalents                                       | 10,739            | 16,655            |

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

**Marketable securities**

|                               | <b>03.31.2015</b> | <b>12.31.2014</b> |
|-------------------------------|-------------------|-------------------|
| Trading securities            | 1,537             | 2,690             |
| Available-for-sale securities | 12                | 21                |
| Held-to-maturity securities   | 9,088             | 6,721             |
|                               | 10,637            | 9,432             |
| Current                       | 10,545            | 9,323             |
| Non-current                   | 92                | 109               |

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

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

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

Notes to the financial statements

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

|  | <b>03.31.2015</b> | <b>12.31.2014</b> |
|--|-------------------|-------------------|
| Trade receivables                                  |                   |                   |
| Third parties                                      | 8,772             | 10,022            |
| Related parties (Note 17)                          |                   |                   |
| Investees  | 636               | 863               |
| Receivables from the electricity sector            | 2,800             | 2,966             |
| Petroleum and alcohol accounts -Federal Government | 263               | 317               |
| Other receivables                                  | 1,605             | 2,005             |
|  | 14,076            | 16,173            |
| Provision for impairment of trade receivables      | (2,621)           | (3,372)           |
|  | 11,455            | 12,801            |
| Current  | 6,464             | 7,969             |
| Non-current  | 4,991             | 4,832             |

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

|                                   | <b>03.31.2015</b> | <b>12.31.2014</b> |
|-----------------------------------|-------------------|-------------------|
| Opening balance                   | 3,372             | 1,406             |
| Additions                         | 211               | 2,484             |
| Write-offs (*)                    | (512)             | (131)             |
| Cumulative translation adjustment | (450)             | (387)             |
| Closing balance                   | 2,621             | 3,372             |
| Current                           | 1,309             | 1,448             |
| Non-current                       | 1,312             | 1,924             |

(\*) Includes US\$ 452 related to companies from the isolated electricity sector in the quarter ended March 31, 2015, as set out in note 7.4.

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

|                     | <b>03.31.2015</b> | <b>12.31.2014</b> |
|---------------------|-------------------|-------------------|
| Up to 3 months      | 741               | 823               |
| From 3 to 6 months  | 363               | 178               |
| From 6 to 12 months | 238               | 181               |
| More than 12 months | 1,657             | 1,832             |
|                     | 2,999             | 3,014             |



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

Notes to the financial statements

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

|   | <b>03.31.2015</b>  |                |              | <b>12.31.2014</b>  |                |              |
|---|--------------------|----------------|--------------|--------------------|----------------|--------------|
|   | <b>Not yet due</b> | <b>Overdue</b> | <b>Total</b> | <b>Not yet due</b> | <b>Overdue</b> | <b>Total</b> |
| Clients   |                    |                |              |                    |                |              |
| Elektrobras Group (Note 17)                       | 2,105              | 695            | 2,800        | 2,536              | 430            | 2,966        |
| Companhia de Gás do Amazonas (CIGÁS)              | 1,011              | 309            | 1,320        | 1,266              | 167            | 1,433        |
| Others  | 33                 | 348            | 381          | 24                 | 394            | 418          |
|   | 3,149              | 1,352          | 4,501        | 3,826              | 991            | 4,817        |
| (-) Allowance for impairment of trade receivables | (511)              | (541)          | (1,052)      | (1,090)            | (621)          | (1,711)      |
| Total   | 2,638              | 811            | 3,449        | 2,736              | 370            | 3,106        |
| Related parties                                   | 2,054              | 499            | 2,553        | 2,473              | 165            | 2,638        |
| Third parties                                     | 584                | 312            | 896          | 263                | 205            | 468          |

As of March 31, 2015, US\$ 3,850 of the Company's receivables from the isolated electricity system in the northern region of Brazil, related to fuel oil, natural gas and other products sold to thermoelectric power plants (which are subsidiaries of Eletrobras), state-owned natural gas distribution companies and independent electricity producers (Produtores Independentes de Energia – PIE) located in the northern region of Brazil, were classified as non-current assets. The balance of those receivables was US\$ 4,501 as of March 31, 2015 (US\$ 4,817 as of December 31, 2014).

A portion of the costs related to the supply of fuel to thermoelectric power plants located in the northern region of Brazil is borne by funds from the Fuel Consumption Account (*Conta de Consumo de Combustível – CCC*), which is managed by Eletrobras.

Recently, funds transferred from the CCC to the electricity companies in the northern region of Brazil have not been sufficient for them to meet their financial obligations, and, as a result, some of these companies have experienced financial difficulties and have not been able to pay for the products supplied by Petrobras. The Company entered into a debt acknowledgement agreement with subsidiaries of Eletrobras on December 31, 2014 with respect to the balance of its receivables as of November 30, 2014. Eletrobras acknowledged

being indebted in the amount of US\$ 3,509. This amount is being updated based on the Selic interest rate (Brazilian short-term interest rate) every month. Under the agreement, the amounts started to be paid in 120 monthly installments beginning in February 2015 and US\$ 2,483 were guaranteed by collaterals, as of December 31, 2014.

In 2015, the Brazilian government implemented a new pricing policy for the electricity sector and has already implemented price increases in the first quarter of 2015. The new policy will strengthen the financial situation of the companies in the electricity sector and reduce their insolvency on payables from fuel oil and other products supplied. The Company expects that the impact of the higher electricity prices resulting from the new policy will be more significant after the first quarter of 2015, notably because the funds received from the end customer will be transferred to the CCC and used to refund the electricity generation companies.

The Company recognized an allowance for impairment of trade receivables in 2014 of US\$ 1,696 (US\$ 1,948 charged to selling expenses, partially offset by a US\$ 252 cumulative translation adjustment - CTA effect) to cover uncollateralized receivables as of October 31, 2014, including the balances of previous debt acknowledgement agreements and from companies that were not part of the most recent debt acknowledgment agreement with Eletrobras.

On March 31, 2015 the Company recognized a reversal of an allowance for impairment of trade receivables of US\$ 404 (a US\$ 452 reduction in selling expenses, partially offset by a US\$ 48 negative cumulative translation adjustment - CTA effect) due to the pledge of additional receivables the CCC has from the Brazilian Energy Development Account (*Conta de Desenvolvimento Energético - CDE*) as security on May 7, 2015, for an additional portion of the debt acknowledgement agreement entered into with Eletrobras in 2014.

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

Notes to the financial statements

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

|                                | <b>03.31.2015</b> | <b>12.31.2014</b> |
|--------------------------------|-------------------|-------------------|
| Crude oil                      | 3,621             | 3,977             |
| Oil products                   | 3,646             | 4,333             |
| Intermediate products          | 701               | 854               |
| Natural gas and LNG (*)        | 339               | 358               |
| Biofuels                       | 180               | 150               |
| Fertilizers                    | 39                | 34                |
|                                | 8,526             | 9,706             |
| Materials, supplies and others | 1,506             | 1,806             |
|                                | 10,032            | 11,512            |
| Current                        | 9,985             | 11,466            |
| Non-current                    | 47                | 46                |

(\*) Liquid natural gas

Inventories are presented net of a US\$ 103 allowance reducing inventories to net realizable value (US\$ 150 as of December 31, 2014), mainly due to the decrease in international prices of crude oil and oil products. In the quarter ended March 31, 2015 the Company recognized a US\$ 100 allowance reducing inventories to net realizable value recognized as cost of sales (US\$ 123 in the quarter ended March 31, 2014).

A portion of the crude oil and/or oil products inventories have been pledged as security for the Terms of Financial Commitment (TFC) signed by Petrobras and Petros in the amount of US\$ 1,806 (US\$ 2,316 as of December 31, 2014), as set out in note 20.

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

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

**Innova S.A.**

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

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

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

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

Notes to the financial statements

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

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

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

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

| <b>Investments accounted for using the equity method</b> | <b>Carrying amount of the investments</b> |                   | <b>Share of earnings in the investments</b> |                     |
|--|---|-------------------|---|---------------------|
|  | <b>03.31.2015</b>                         | <b>12.31.2014</b> | <b>Jan-Mar/2015</b>                         | <b>Jan-Mar/2014</b> |
| Braskem S.A.   | 1,153                                     | 1,711             | 25  | 54                  |
| Petrobras Oil & Gas B.V. - PO&G                          | 1,718                                     | 1,714             | 4   | 100                 |
| Guarani S.A.   | 391                                       | 518               | (3)   | (6)                 |
| State-controlled Natural Gas Distributors                | 295                                       | 340               | 15  | 29                  |
| Nova Fronteira Bioenergia S.A.                           | 133                                       | 163               | (2)   | 2                   |
| Petrowayu S.A.   | 136                                       | 136               | –   | –                   |
| Petroritupano S.A.                                       | 112                                       | 112               | –   | (1)                 |
| Other petrochemical investees                            | 55  | 66                | 1   | 11                  |
| UEG Araucária Ltda                                       | 66  | 73                | 11  | 11                  |
| Petrokariña S.A.   | 45  | 45                | –   | –                   |
| Transierra S.A.  | –   | –                 | –   | 3                   |
| Other associates   | 825                                       | 858               | 9   | 18                  |
|  | 4,929                                     | 5,736             | 60  | 221                 |
| Other investees  | 14  | 17                | –   | –                   |
|  | 4,943                                     | 5,753             | 60  | 221                 |

**10.2. Investments in listed companies**

| Company                    | Thousand-share lot |            | Type        | Quoted stock exchange prices (US\$ per share) |            | Market value |            |
|----------------------------|--------------------|------------|-------------|---|------------|--------------|------------|
|                            | 03.31.2015         | 12.31.2014 |             | 03.31.2015                                    | 12.31.2014 | 03.31.2015   | 12.31.2014 |
| <b>Indirect subsidiary</b> |                    |            |             |   |            |              |            |
| Petrobras Argentina S.A.   | 1,356,792          | 1,356,792  | Common      | 0.92  | 0.65       | 1,248        | 879        |
|                            |                    |            |             |   |            | 1,248        | 879        |
| <b>Associate</b>           |                    |            |             |   |            |              |            |
| Braskem S.A.               | 212,427            | 212,427    | Common      | 2.52  | 4.07       | 536          | 864        |
| Braskem S.A.               | 75,793             | 75,793     | Preferred A | 3.43  | 6.59       | 260          | 499        |
|                            |                    |            |             |   |            | 796          | 1,363      |

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

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

Braskem's shares are publicly traded on stock exchanges in Brazil and abroad. The quoted market value of the investment as of March 31, 2015, was US\$ 796, based on the quoted values of both Petrobras' interest in Braskem's common stock (47% of the outstanding shares), and preferred stock (22% of the outstanding shares). However, there is extremely limited trading of the common shares, since non-signatories of the shareholders' agreement hold only approximately 3% of the common shares.

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

Notes to the financial statements

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

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

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

**11. Property, plant and equipment**

|   | <b>Land,<br/>buildings and<br/>improvement</b> | <b>Equipment<br/>and other<br/>assets</b> | <b>Assets under<br/>construction<br/>(* )</b> | <b>Exploration<br/>and<br/>development<br/>costs (Oil and<br/>producing<br/>properties)</b> | <b>Total</b> |
|---|--|---|---|---|--------------|
| Balance at January 1,<br>2014                                     | 7,868  | 90,405                                    | 79,758  | 49,870  | 227,901      |
| Additions   | 30   | 2,031                                     | 30,362  | 580   | 33,003       |
| Additions to / review of<br>estimates of<br>decommissioning costs | –  | –   | –   | 1,999   | 1,999        |
| Capitalized borrowing<br>costs                                    | –  | –   | 3,592   | –   | 3,592        |
| Write-offs  | (9)  | (57)                                      | (4,024)                                       | (196)   | (4,286)      |
| Write-off - overpayments<br>incorrectly capitalized               | (35)   | (1,160)                                   | (1,078)                                       | (91)  | (2,364)      |
| Transfers (***)   | 2,685  | 25,371                                    | (36,178)                                      | 23,078  | 14,956       |
| Depreciation,<br>amortization and<br>depletion                    | (534)  | (7,381)                                   | –   | (4,888)   | (12,803)     |
| Impairment recognition<br>(****)                                  | (899)  | (1,398)                                   | (11,670)                                      | (2,839)   | (16,806)     |
| Impairment reversal<br>(****)                                     | –  | 17  | –   | 3   | 20           |
| Cumulative translation<br>adjustment                              | (1,071)  | (9,832)                                   | (7,819)                                       | (7,760)   | (26,482)     |

|   |                              |                   |         |                            |          |
|---|------------------------------|-------------------|---------|----------------------------|----------|
| Balance at December 31, 2014                                | 8,035                        | 97,996            | 52,943  | 59,756                     | 218,730  |
| Cost  | 10,979                       | 142,030           | 52,943  | 88,023                     | 293,975  |
| Accumulated depreciation, amortization and depletion        | (2,944)                      | (44,034)          | –       | (28,267)                   | (75,245) |
| Balance at December 31, 2014                                | 8,035                        | 97,996            | 52,943  | 59,756                     | 218,730  |
| Additions   | 6                            | 326               | 5,419   | 84                         | 5,835    |
| Additions to / review of estimates of decommissioning costs | –                            | –                 | –       | 24                         | 24       |
| Capitalized borrowing costs                                 | –                            | –                 | 505     | –                          | 505      |
| Write-offs  | (3)                          | (16)              | (255)   | (54)                       | (328)    |
| Transfers   | 248                          | 3,281             | (5,801) | 2,514                      | 242      |
| Depreciation, amortization and depletion                    | (138)                        | (1,594)           | –       | (1,203)                    | (2,935)  |
| Cumulative translation adjustment                           | (1,338)                      | (12,733)          | (7,485) | (9,938)                    | (31,494) |
| Balance at March 31, 2015                                   | 6,810                        | 87,260            | 45,326  | 51,183                     | 190,579  |
| Cost  | 9,459                        | 127,061           | 45,326  | 75,927                     | 257,773  |
| Accumulated depreciation, amortization and depletion        | (2,649)                      | (39,801)          | –       | (24,744)                   | (67,194) |
| Balance at March 31, 2015                                   | 6,810                        | 87,260            | 45,326  | 51,183                     | 190,579  |
| Weighted average of useful life in years                    | 40 (25 to 50 ) (except land) | 20 (3 to 31) (**) |         | Units of production method |          |

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

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

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

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



As of March 31, 2015, property, plant and equipment include assets under finance leases of US\$ 60 (US\$ 72 as of December 31, 2014).

The Company's property, plant and equipment include US\$ 23,319 related to the acquisition costs of areas in the Assignment Agreement.

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

Notes to the financial statements

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

|                                      | <b>Rights and<br/>Concessions</b> | <b>Software<br/>acquired</b> | <b>Software<br/>developed<br/>in-house</b> | <b>Goodwill</b> | <b>Total</b> |
|--------------------------------------|-----------------------------------|------------------------------|--|-----------------|--------------|
| Balance at January 1, 2014           | 14,381                            | 142                          | 496  | 400             | 15,419       |
| Addition                             | 92                                | 41                           | 118  | –               | 251          |
| Capitalized borrowing costs          | –                                 | –                            | 8  | –               | 8            |
| Write-offs                           | (93)                              | (5)                          | (10)                                       | –               | (108)        |
| Transfers (**)                       | (10,346)                          | 7                            | 9  | (1)             | (10,331)     |
| Amortization                         | (35)                              | (54)                         | (131)                                      | –               | (220)        |
| Impairment recognition               | (8)                               | –                            | –  | –               | (8)          |
| Impairment reversal                  | 6                                 | –                            | –  | –               | 6            |
| Cumulative translation<br>adjustment | (405)                             | (12)                         | (58)                                       | (33)            | (508)        |
| Balance at December 31,<br>2014      | 3,592                             | 119                          | 432  | 366             | 4,509        |
| Cost                                 | 4,003                             | 578                          | 1,281                                      | 366             | 6,228        |
| Accumulated amortization             | (411)                             | (459)                        | (849)                                      | –               | (1,719)      |
| Balance at December 31,<br>2014      | 3,592                             | 119                          | 432  | 366             | 4,509        |
| Addition                             | 3                                 | 5                            | 21   | –               | 29           |
| Capitalized borrowing costs          | –                                 | –                            | 1  | –               | 1            |
| Write-offs                           | (3)                               | –                            | –  | –               | (3)          |
| Transfers (**)                       | 2                                 | –                            | 3  | (1)             | 4            |
| Amortization                         | (6)                               | (9)                          | (24)                                       | –               | (39)         |
| Cumulative translation<br>adjustment | (553)                             | (17)                         | (73)                                       | (43)            | (686)        |
| Balance at March 31, 2015            | 3,035                             | 98                           | 360  | 322             | 3,815        |
| Cost                                 | 3,310                             | 502                          | 1,089                                      | 322             | 5,223        |
| Accumulated amortization             | (275)                             | (404)                        | (729)                                      | –               | (1,408)      |
| Balance at March 31, 2015            | 3,035                             | 98                           | 360  | 322             | 3,815        |
| Estimated useful life - years (*)    | (*)                               | 5                            | 5  | Indefinite      |              |

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

(\*\*) Includes US\$ 10,446 reclassified from Intangible Assets to Property Plant and Equipment in 2014, as a result of the declaration of commerciality of areas of the Assignment Agreement.

See Note 12.3 to the Company's consolidated financial statements for the year ended December 31, 2014.

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

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

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

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

Notes to the financial statements

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

| <b>Capitalized Exploratory Well Costs /<br/>Capitalized Acquisition Costs (*)</b> | <b>03.31.2015</b> | <b>12.31.2014</b> |
|---|-------------------|-------------------|
| Property plant and equipment  |                   |                   |
| Opening Balance   | 7,000             | 8,802             |
| Additions to capitalized costs pending<br>determination of proved reserves        | 833               | 4,272             |
| Capitalized exploratory costs charged to<br>expense                               | (180)             | (1,366)           |
| Transfers upon recognition of proved reserves                                     | (35)              | (3,835)           |
| Cumulative translation adjustment   | (1,198)           | (873)             |
| Closing Balance   | 6,420             | 7,000             |
| Intangible Assets   | 2,574             | 3,044             |
| Capitalized Exploratory Well Costs / Capitalized<br>Acquisition Costs             | 8,994             | 10,044            |

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

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

| <b>Exploration costs recognized in the<br/>statement of income</b>             | <b>Jan-Mar/2015</b> | <b>Jan-Mar/2014</b> |
|--|---------------------|---------------------|
| Geological and geophysical expenses  | 140                 | 179                 |
| Exploration expenditures written off (incl.dry<br>wells and signature bonuses) | 201                 | 447                 |
| Other exploration expenses   | 2                   | 20                  |
| Total expenses   | 343                 | 646                 |
| <b>Cash used in :</b>  | <b>Jan-Mar/2015</b> | <b>Jan-Mar/2014</b> |
| Operating activities   | 120                 | 198                 |
| Investment activities  | 875                 | 1,229               |
| Total cash used  | 995                 | 1,427               |

**14. Trade payables**

|                                | <b>03.31.2015</b> | <b>12.31.2014</b> |
|--------------------------------|-------------------|-------------------|
| Third parties in Brazil        | 3,851             | 4,949             |
| Third parties abroad           | 3,362             | 4,240             |
| Related parties                | 601               | 571               |
| Balance on current liabilities | 7,814             | 9,760             |

**15. Finance debt**

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

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

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

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

Notes to the financial statements

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

|   | <b>Export</b>   |                       |                       |               |              |
|---|-----------------|-----------------------|-----------------------|---------------|--------------|
|   | <b>Credit</b>   |                       |                       |               |              |
|   | <b>Agencies</b> | <b>Banking Market</b> | <b>Capital Market</b> | <b>Others</b> | <b>Total</b> |
| <b>Non-current</b>                            |                 |                       |                       |               |              |
| In Brazil                                     |                 |                       |                       |               |              |
| Opening balance at January 1 , 2014           | –               | 29,000                | 1,211                 | 49            | 30,260       |
| Additions (new funding obtained)              | –               | 4,319                 | 359                   | –             | 4,678        |
| Interest incurred during the year             | –               | 202                   | 2                     | –             | 204          |
| Foreign exchange/inflation indexation charges | –               | 1,033                 | 79                    | 1             | 1,113        |
| Transfer from long term to short term         | –               | (1,440)               | (156)                 | (18)          | (1,614)      |
| Cumulative translation adjustment (CTA)       | –               | (3,826)               | (194)                 | (4)           | (4,024)      |
| Balance at December 31, 2014                  | –               | 29,288                | 1,301                 | 28            | 30,617       |
| Abroad  |                 |                       |                       |               |              |
| Opening balance at January 1 , 2014           | 5,805           | 26,908                | 42,572                | 690           | 75,975       |
| Additions (new funding obtained)              | 281             | 6,710                 | 13,766                | –             | 20,757       |
| Interest incurred during the year             | 4               | 22                    | 46                    | 8             | 80           |
| Foreign exchange/inflation indexation charges | 103             | 412                   | (1,433)               | 20            | (898)        |
| Transfer from long term to short term         | (742)           | (3,411)               | (1,260)               | (42)          | (5,455)      |
| Cumulative translation adjustment (CTA)       | (207)           | (743)                 | 119                   | (27)          | (858)        |
| Balance at December 31, 2014                  | 5,244           | 29,898                | 53,810                | 649           | 89,601       |
| Total Balance at December 31, 2014            | 5,244           | 59,186                | 55,111                | 677           | 120,218      |
| <b>Non-current</b>                            |                 |                       |                       |               |              |
| In Brazil                                     |                 |                       |                       |               |              |
| Opening balance at January 1 , 2015           | –               | 29,288                | 1,301                 | 28            | 30,617       |
| Additions (new funding obtained)              | –               | 277                   | –                     | –             | 277          |
| Interest incurred during the year             | –               | 62                    | –                     | –             | 62           |
| Foreign exchange/inflation indexation charges | –               | 1,585                 | 30                    | –             | 1,615        |

|   |       |         |         |      |         |
|---|-------|---------|---------|------|---------|
| Transfer from long term to short term         | –     | (315)   | (64)    | (1)  | (380)   |
| Cumulative translation adjustment (CTA)       | –     | (5,145) | (220)   | (5)  | (5,370) |
| Balance as of March 31, 2015                  | –     | 25,752  | 1,047   | 22   | 26,821  |
| Abroad  |       |         |         |      |         |
| Opening balance at January 1 , 2015           | 5,244 | 29,898  | 53,810  | 649  | 89,601  |
| Additions (new funding obtained)              | –     | –       | –       | –    | –       |
| Interest incurred during the year             | 1     | 10      | 12      | 2    | 25      |
| Foreign exchange/inflation indexation charges | 217   | 1,084   | (1,210) | 29   | 120     |
| Transfer from long term to short term         | (242) | (9)     | (2,300) | (12) | (2,563) |
| Cumulative translation adjustment (CTA)       | (218) | (1,086) | (214)   | (30) | (1,548) |
| Balance as of March 31, 2015                  | 5,002 | 29,897  | 50,098  | 638  | 85,635  |
| Total Balance as of March 31, 2015            | 5,002 | 55,649  | 51,145  | 660  | 112,456 |

|                                   | <b>03.31.2015</b> | <b>12.31.2014</b> |
|-----------------------------------|-------------------|-------------------|
| Short-term debt                   | 3,412             | 3,484             |
| Current portion of long-term debt | 7,887             | 6,845             |
| Accrued interest                  | 1,069             | 1,539             |
|                                   | 12,368            | 11,868            |

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

Notes to the financial statements

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

| <b>Maturity in</b>                        | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020<br/>onwards</b> | <b>Total (*)</b> | <b>Fair<br/>value</b> |
|---|-------------|-------------|-------------|-------------|-------------|-------------------------|------------------|-----------------------|
| Financing in<br>Brazilian Reais<br>(BRL): | 1,255       | 2,296       | 1,989       | 2,153       | 3,492       | 8,522                   | 19,707           | 16,456                |
| Floating rate debt                        | 839         | 1,963       | 1,429       | 1,612       | 2,962       | 6,540                   | 15,345           |                       |
| Fixed rate debt                           | 416         | 333         | 560         | 541         | 530         | 1,982                   | 4,362            |                       |
| Average interest<br>rate                  | 10.0%       | 12.1%       | 11.9%       | 11.5%       | 10.7%       | 8.5%                    | 10.1%            |                       |
| Financing in<br>U.S.Dollars (USD):        | 7,501       | 8,997       | 8,757       | 11,098      | 17,894      | 30,250                  | 84,497           | 76,308                |
| Floating rate debt                        | 7,080       | 4,346       | 5,096       | 8,669       | 13,026      | 8,465                   | 46,682           |                       |
| Fixed rate debt                           | 421         | 4,651       | 3,661       | 2,429       | 4,868       | 21,785                  | 37,815           |                       |
| Average interest<br>rate                  | 2.1%        | 4.1%        | 4.4%        | 4.1%        | 4.0%        | 5.4%                    | 4.4%             |                       |
| Financing in BRL<br>indexed to USD:       | 109         | 395         | 705         | 704         | 701         | 6,123                   | 8,737            | 8,590                 |
| Floating rate debt                        | 17          | 23          | 23          | 22          | 19          | 55                      | 159              |                       |
| Fixed rate debt                           | 92          | 372         | 682         | 682         | 682         | 6,068                   | 8,578            |                       |
| Average interest<br>rate                  | 3.7%        | 7.2%        | 7.0%        | 7.1%        | 7.0%        | 7.0%                    | 7.0%             |                       |
| Financing in<br>Pound Sterling<br>(£):    | 49          | –           | –           | –           | –           | 2,546                   | 2,595            | 2,231                 |
| Fixed rate debt                           | 49          | –           | –           | –           | –           | 2,546                   | 2,595            |                       |
| Average interest<br>rate                  | 3.5%        | –           | –           | –           | –           | 6.0%                    | 5.9%             |                       |
| Financing in<br>Japanese Yen (¥):         | 338         | 391         | 94          | 85          | –           | –                       | 908              | 906                   |
| Floating rate debt                        | 87          | 85          | 85          | 85          | –           | –                       | 342              |                       |
| Fixed rate debt                           | 251         | 306         | 9           | –           | –           | –                       | 566              |                       |
| Average interest<br>rate                  | 1.0%        | 1.8%        | 0.8%        | 0.7%        | –           | –                       | 1.5%             |                       |
| Financing in Euro<br>(€):                 | 81          | 12          | 12          | 2,951       | 1,400       | 3,915                   | 8,371            | 7,638                 |
| Floating rate debt                        | 12          | 11          | 11          | 11          | 11          | 168                     | 224              |                       |
| Fixed rate debt                           | 69          | 1           | 1           | 2,940       | 1,389       | 3,747                   | 8,147            |                       |
| Average interest<br>rate                  | 1.3%        | 2.1%        | 2.1%        | 3.7%        | 3.8%        | 4.3%                    | 4.0%             |                       |



|                                |        |        |        |        |        |        |         |         |
|--------------------------------|--------|--------|--------|--------|--------|--------|---------|---------|
| Financing in other currencies: | 7      | 2      | –      | –      | –      | –      | 9       | 9       |
| Fixed rate debt                | 7      | 2      | –      | –      | –      | –      | 9       |         |
| Average interest rate          | 14.1%  | 15.3%  | –      | –      | –      | –      | 14.4%   |         |
| Total as of March 31, 2015     | 9,340  | 12,093 | 11,557 | 16,991 | 23,487 | 51,356 | 124,824 | 112,138 |
|                                | 3.1%   | 5.7%   | 5.8%   | 5.1%   | 5.1%   | 6.1%   | 5.5%    |         |
| Total as of December 31, 2014  | 11,868 | 12,572 | 11,948 | 17,789 | 24,189 | 53,720 | 132,086 | 115,238 |

\* The average maturity of outstanding debt as of March 31, 2015 is 5.66 years (6.1 years as of December 31, 2014).

The fair value of the Company's finance debt is determined primarily by quoted prices in active markets for identical liabilities (level 1), when applicable. When a quoted price for an identical liability is not available, the fair value is determined based on the yield curve of the Company's most liquid bonds (level 2).

The sensitivity analysis for financial instruments subject to foreign exchange variation is set out in note 30.2.

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

The capitalization rate used to determine the amount of borrowing costs eligible for capitalization was the weighted average of the borrowing costs applicable to the borrowings that were outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. In the first quarter of 2015, the capitalization rate was 4.89% p.a. (4.64% p.a. in the first quarter of 2014). This rate was applied to the balance of assets under construction as the basis for capitalizing borrowing costs, when eligible.

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

Notes to the financial statements

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

| <b>Company</b>            | <b>Available<br/>(Lines of<br/>Credit)</b> | <b>Used</b> | <b>Balance</b> |
|---------------------------|--|-------------|----------------|
| <b>Company<br/>Abroad</b> |  |             |                |
| PGT                       | 1,500                                      | 700         | 800            |
| Petrobras                 | 2,500                                      | 689         | 1,811          |
| <b>In Brazil</b>          |  |             |                |
| Transpetro                | 3,135                                      | 946         | 2,189          |
| Petrobras                 | 4,521                                      | 4,004       | 517            |
| PNBV                      | 3,079                                      | 357         | 2,722          |
| Liquigás                  | 44   | 42          | 2              |

**15.4. Collateral**

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

The loans obtained by structured entities are collateralized based on the projects' assets, as well as liens on receivables and shares of the structured entities. Certain subsidiaries issue securities fully and unconditionally guaranteed by Petrobras (note 33).

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

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

| <b>Estimated lease payments /<br/>receivable</b> | <b>Receipts</b>         |                            | <b>Payments</b>          |                         |                            |                          |
|--|-------------------------|----------------------------|--------------------------|-------------------------|----------------------------|--------------------------|
|  | <b>Future<br/>Value</b> | <b>Annual<br/>Interest</b> | <b>Present<br/>Value</b> | <b>Future<br/>Value</b> | <b>Annual<br/>Interest</b> | <b>Present<br/>Value</b> |
| 2015   | 154                     | (97)                       | 57                       | 15                      | (11)                       | 4                        |
| 2016 – 2019                                      | 762                     | (466)                      | 296                      | 72                      | (34)                       | 38                       |

|                         |       |         |       |     |       |    |
|-------------------------|-------|---------|-------|-----|-------|----|
| 2020 and thereafter     | 1,720 | (533)   | 1,187 | 197 | (175) | 22 |
| As of March 31, 2015    | 2,636 | (1,096) | 1,540 | 284 | (220) | 64 |
| Current                 |       |         | 72    |     |       | 14 |
| Non-current             |       |         | 1,468 |     |       | 50 |
| As of March 31, 2015    |       |         | 1,540 |     |       | 64 |
| Current                 |       |         | 59    |     |       | 16 |
| Non-current             |       |         | 1,455 |     |       | 56 |
| As of December 31, 2014 |       |         | 1,514 |     |       | 72 |

## 16.2. Future minimum lease payments – non-cancelable operating leases

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

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

Notes to the financial statements

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

|                         |         |
|-------------------------|---------|
| 2015                    | 13,690  |
| 2016 - 2019             | 41,028  |
| 2020 and thereafter     | 58,787  |
| At March 31, 2015       | 113,505 |
| As of December 31, 2014 | 118,404 |

As of March 31, 2015, the balance of estimated future minimum lease payments under operating leases includes US\$ 65,886 (US\$ 69,565 as of December 31, 2014) with respect to assets under construction, for which the lease term has not commenced.

In the three-month period ended March 31, 2015, the Company recognized expenditures of US\$ 3,581 (US\$ 2,701 in the three-month period ended March 31, 2014) for operating lease installments.

**17. Related party transactions**

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

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

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

|                                      | <b>Jan-Mar/<br/>2015<br/>Income<br/>(expense)</b> | <b>Assets</b> | <b>Jan-Mar/<br/>03.31.2015<br/>2014<br/>Income<br/>(expense)</b> | <b>Assets</b> | <b>Jan-Mar/<br/>12.31.2014<br/>Income<br/>(expense)</b> | <b>Liabilities</b> |
|--------------------------------------|---|---------------|--|---------------|---|--------------------|
| <b>Joint ventures and associates</b> |   |               |  |               |   |                    |

|   |         |        |        |       |        |        |
|---|---------|--------|--------|-------|--------|--------|
| State-controlled gas distributors   | 957     | 362    | 91     | 1,056 | 506    | 195    |
| Petrochemical companies   | 973     | 45     | 146    | 1,987 | 205    | 82     |
| Other associates and joint ventures   | 206     | 229    | 276    | 393   | 152    | 263    |
|   | 2,136   | 636    | 513    | 3,436 | 863    | 540    |
| <b>Government entities</b>  |         |        |        |       |        |        |
| Government bonds  | 127     | 2,932  | –      | 171   | 4,339  | –      |
| Banks controlled by the Federal Government  | (1,318) | 3,483  | 26,859 | (692) | 3,814  | 28,304 |
| Receivables from the Electricity sector (Note 7.4)                                | 181     | 2,800  | –      | 196   | 2,966  | –      |
| Petroleum and alcohol account - receivables from Federal government (Note 17.2) 1 |         | 263    | –      | –     | 317    | –      |
| Federal Government - dividends and interest on capital                            | –       | –      | –      | (20)  | –      | –      |
| Others  | 12      | 153    | 89     | 14    | 241    | 224    |
|   | (997)   | 9,631  | 26,948 | (331) | 11,677 | 28,528 |
| Pension plans   | –       | –      | 34     | –     | –      | 135    |
|   | 1,139   | 10,267 | 27,495 | 3,105 | 12,540 | 29,203 |
| Revenues (mainly sales revenues)  | 2,317   |        |        | 3,654 |        |        |
| Foreign exchange and inflation indexation charges, net                            | (778)   |        |        | (272) |        |        |
| Finance income (expenses), net  | (400)   |        |        | (277) |        |        |
| Current assets  |         | 4,902  |        |       | 6,715  |        |
| Non-current assets  |         | 5,365  |        |       | 5,825  |        |
| Current liabilities   |         |        | 3,549  |       |        | 1,855  |
| Non-current liabilities   |         |        | 23,946 |       |        | 27,348 |
|   | 1,139   | 10,267 | 27,495 | 3,105 | 12,540 | 29,203 |

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***17.2. Petroleum and Alcohol accounts - Receivables from Federal Government**

As of March 31, 2015, the balance of receivables related to the Petroleum and Alcohol accounts was US\$ 263 (US\$ 317 as of December 31, 2014). Pursuant to Provisional Measure 2,181 of August 24, 2001, the Federal Government may settle this balance by using National Treasury Notes in an amount equal to the outstanding balance, or allow the Company to offset the outstanding balance against amounts payable to the Federal Government, including taxes payable, or both options.

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

Following several negotiation attempts at the administrative level, the Company filed a lawsuit in July 2011 to collect the receivables. Court-ordered expert proceedings are ongoing.

**17.3. Compensation of employees and officers**

Petrobras' key management compensation is set out below:

|  | <b>Jan-Mar/ 2015</b> |              |              | <b>Jan-Mar/ 2014</b> |              |              |
|--|----------------------|--------------|--------------|----------------------|--------------|--------------|
|  | <b>Officers</b>      | <b>Board</b> | <b>Total</b> | <b>Officers</b>      | <b>Board</b> | <b>Total</b> |
| Wages and short-term benefits                            | 1.4                  | 0.1          | 1.5          | 1.2                  | 0.1          | 1.3          |
| Social security and other employee-related taxes (*)     | 0.4                  | –            | 0.4          | 0.3                  | –            | 0.3          |
| Post-employment benefits (pension plan)                  | 0.1                  | –            | 0.1          | 0.1                  | –            | 0.1          |
| Total compensation recognized in the statement of income | 1.9                  | 0.1          | 2.0          | 1.6                  | 0.1          | 1.7          |
| Total compensation paid                                  | 1.9                  | 0.1          | 2.0          | 1.8                  | 0.1          | 1.9          |
| Number of members  | 8                    | 10           | 18           | 7                    | 10           | 17           |

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

In the three-month period ended March, 31 2015 the compensation of board members and officers for the consolidated Petrobras group amounted to US\$ 5.5 (US\$ 6.5 in the three-month period ended March 31, 2014).

**18. Provision for decommissioning costs**

| <b>Non-current liabilities</b>    | <b>03.31.2015</b> | <b>12.31.2014</b> |
|-----------------------------------|-------------------|-------------------|
| Opening balance                   | 8,267             | 7,133             |
| Adjustment to provision           | 19                | 2,430             |
| Payments made                     | (283)             | (679)             |
| Interest accrued                  | 70                | 201               |
| Others                            | 96                | 75                |
| Cumulative translation adjustment | (1,412)           | (893)             |
| Closing balance                   | 6,757             | 8,267             |

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***19. Taxes****19.1. Income taxes and other taxes**

| <b>Income taxes</b> | <b>Current assets</b> |                   | <b>Current liabilities</b> |                   |
|---------------------|-----------------------|-------------------|----------------------------|-------------------|
|                     | <b>03.31.2015</b>     | <b>12.31.2014</b> | <b>03.31.2015</b>          | <b>12.31.2014</b> |
| Taxes in Brazil     | 775                   | 1,018             | 219                        | 139               |
| Taxes abroad        | 44                    | 45                | 101                        | 108               |
|                     | 819                   | 1,063             | 320                        | 247               |

| <b>Other taxes</b>  | <b>Current assets</b> |                   | <b>Non-current assets</b> |                   | <b>Current liabilities</b> |                   |
|---|-----------------------|-------------------|---------------------------|-------------------|----------------------------|-------------------|
|   | <b>03.31.2015</b>     | <b>12.31.2014</b> | <b>03.31.2015</b>         | <b>12.31.2014</b> | <b>03.31.2015</b>          | <b>12.31.2014</b> |
| Current /<br>Deferred ICMS<br>(VAT)                               | 1,401                 | 1,772             | 637                       | 787               | 1,060                      | 1,275             |
| Current /<br>Deferred PIS<br>and COFINS<br>(taxes on<br>revenues) | 672                   | 829               | 2,494                     | 2,983             | 452                        | 295               |
| CIDE  | 11                    | 13                | –                         | –                 | 6                          | 8                 |
| Production<br>taxes   | –                     | –                 | –                         | –                 | 922                        | 1,517             |
| Withholding<br>income taxes                                       | –                     | –                 | –                         | –                 | 384                        | 486               |
| Others  | 61                    | 73                | 189                       | 230               | 231                        | 281               |
|   | 2,145                 | 2,687             | 3,320                     | 4,000             | 3,055                      | 3,862             |
| Taxes abroad  | 51                    | 61                | 9                         | 8                 | 183                        | 202               |
|   | 2,196                 | 2,748             | 3,329                     | 4,008             | 3,238                      | 4,064             |





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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***19.2. Deferred income taxes - non-current**

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

**a) Changes in deferred income taxes**

|  | <b>Property, Plant &amp; Equipment</b> |               | <b>Loans, trade and other receivables / payables and financing</b> |                        | <b>Provision for legal proceedings</b> |  | <b>Tax losses Inventories</b> |      | <b>Interest on capital</b> |
|--|--|---------------|--|------------------------|--|--|-------------------------------|------|----------------------------|
|  | <b>Oil and gas exploration costs</b>   | <b>Others</b> |  | <b>Finances leases</b> |  |  |                               |      |                            |
| Balance at January 1, 2014                         | (13,406)                               | (4,006)       | 1,984  | (518)                  | 409                                    |  | 4,811                         | 575  | 1,343                      |
| Recognized in the statement of income for the year | (2,055)                                | 3,917         | 401  | (42)                   | 182                                    |  | 2,965                         | (7)  | (1,418)                    |
| Recognized in shareholders' equity                 | –                                      | –             | 1,949  | (41)                   | –                                      |  | (192)                         | –    | –                          |
| Cumulative translation adjustment                  | 1,814                                  | 302           | (441)  | 86                     | (75)                                   |  | (842)                         | (66) | 68                         |
| Others   | –                                      | (3)           | (70)   | (77)                   | 10                                     |  | (51)                          | 1    | –                          |
| Balance at December 31, 2014                       | (13,647)                               | 210           | 3,823  | (592)                  | 526                                    |  | 6,691                         | 503  | (7)                        |
| Recognized in the statement of income for the year | (485)                                  | (362)         | 239  | (67)                   | 76                                     |  | 1,270                         | 144  | 8                          |

|   |          |       |         |       |      |         |       |     |
|---|----------|-------|---------|-------|------|---------|-------|-----|
| Recognized<br>in<br>shareholders'<br>equity | —        | —     | 2,963   | —     | —    | (80)    | —     | —   |
| Cumulative<br>translation<br>adjustment     | 2,399    | 91    | (1,013) | 109   | (97) | (1,039) | (101) | (1) |
| Others                                      | —        | (99)  | 96      | —     | (1)  | (4)     | —     | —   |
| Balance at<br>March 31,<br>2015             | (11,733) | (160) | 6,108   | (550) | 504  | 6,838   | 546   | —   |

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

Deferred tax  
assets  
Deferred tax  
liabilities  
Balance at  
March 31,  
2015

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

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***19.3. Reconciliation between statutory tax rate and tax expense**

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

|  | <b>Jan-Mar/2015</b> | <b>Jan-Mar/2014</b> |
|--|---------------------|---------------------|
| Income before income taxes   | 2,638               | 3,209               |
| Nominal income taxes computed based on Brazilian statutory corporate tax rates (34%) | (897)               | (1,091)             |
| Adjustments to arrive at the effective tax rate:                                     |                     |                     |
| · Different jurisdictional tax rates for companies abroad                            | 230                 | 263                 |
| · Tax incentives   | 5                   | 8                   |
| · Tax loss carryforwards (unrecognized tax losses)                                   | (267)               | 69                  |
| · Non taxable income (deductible expenses), net (*)                                  | (156)               | (70)                |
| · Tax credits of companies abroad in the exploration stage                           | (1)                 | (1)                 |
| · Others   | 30                  | 59                  |
| Income taxes benefit (expense)   | (1,056)             | (763)               |
| Deferred income taxes  | (714)               | (290)               |
| Current income taxes   | (342)               | (473)               |
|  | (1,056)             | (763)               |
| Effective tax rate   | 40.0%               | 23.8%               |

(\*) Includes share of earnings in equity-accounted investees.

**20. Employee benefits (Post-Employment)****20.1. Pension and medical benefits**

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

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

|  | <b>Petros Plan</b> |          | <b>Medical Plan</b> |                    |              |
|--|--------------------|----------|---------------------|--------------------|--------------|
|  | <b>Petros</b>      | <b>2</b> | <b>AMS</b>          | <b>Other plans</b> | <b>Total</b> |
| Balance at December 31, 2013                                   | 5,342              | 121      | 6,999               | 111                | 12,573       |
| (+) Remeasurement effects recognized in OCI                    | 3,264              | 143      | 2,538               | 2                  | 5,947        |
| (+) Costs incurred in the year                                 | 794                | 49       | 1,155               | 24                 | 2,022        |
| (-) Contributions paid   | (245)              | —        | (396)               | (7)                | (648)        |
| (-) Payments related to the Term of Financial Commitment (TFC) | (203)              | —        | —                   | —                  | (203)        |
| Others   | 1                  | —        | —                   | (13)               | (12)         |
| Cumulative translation adjustment                              | (1,079)            | (26)     | (1,277)             | (10)               | (2,392)      |
| Balance at December 31, 2014                                   | 7,874              | 287      | 9,019               | 107                | 17,287       |
| Current  | 440                | —        | 354                 | 2                  | 796          |
| Non-Current  | 7,434              | 287      | 8,665               | 105                | 16,491       |
|  | 7,874              | 287      | 9,019               | 107                | 17,287       |
| (+) Costs incurred in the period                               | 253                | 22       | 306                 | 7                  | 588          |
| (-) Contributions paid   | (49)               | —        | (95)                | (3)                | (147)        |
| Others   | —                  | —        | —                   | 14                 | 14           |
| Cumulative translation adjustment                              | (1,374)            | (52)     | (1,573)             | (23)               | (3,022)      |
| Balance at March 31, 2015                                      | 6,704              | 257      | 7,657               | 102                | 14,720       |
| Current  | 405                | —        | 294                 | 1                  | 700          |
| Non-Current  | 6,299              | 257      | 7,363               | 101                | 14,020       |
|  | 6,704              | 257      | 7,657               | 102                | 14,720       |

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

Notes to the financial statements

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

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

|   | <b>Jan-Mar/2015</b>                |                 | <b>Medical<br/>Plan<br/>AMS</b> | <b>Other<br/>Plans</b> | <b>Total</b> |
|---|------------------------------------|-----------------|---------------------------------|------------------------|--------------|
|   | <b>Pension<br/>Plan<br/>Petros</b> | <b>Petros 2</b> |                                 |                        |              |
| Current service cost  | 24                                 | 13              | 38                              | 3                      | 78           |
| Interest cost over net liabilities /<br>(assets)              | 229                                | 9               | 268                             | 4                      | 510          |
| Net costs for the period<br>Jan-Mar/2015                      | 253                                | 22              | 306                             | 7                      | 588          |
| Related to active employees:<br>Included in the cost of sales | 75                                 | 12              | 73                              | –                      | 160          |
| Operating expenses in profit or<br>loss                       | 37                                 | 9               | 44                              | 7                      | 97           |
| Related to retired employees                                  | 141                                | 1               | 189                             | –                      | 331          |
| Net costs for the period<br>Jan-Mar/2015                      | 253                                | 22              | 306                             | 7                      | 588          |
| Net costs for the period<br>Jan-Mar/2014                      | 173                                | 12              | 250                             | 5                      | 440          |

As of March 31, 2015, the Company had the balance of crude oil and oil products of US\$ 1,806 pledged as security for the Terms of Financial Commitment (TFC), signed by Petrobras and Petros in 2008.

In the three month period ended March 31, 2015 the Company's contribution to the defined contribution portion of the Petros Plan 2 was US\$ 78 ( US\$ 83 in the three month period ended March 31, 2014).

**20.2. Profit sharing**

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

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

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

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

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

### **Profit sharing benefits for the quarter ended March 31, 2015**

Based on the consolidated result of the corporate indicators for the quarter ended March 31, 2015, a 6.25% distribution was applied to the net income expressed in *reais* and the Company recognized a profit sharing expense of US\$ 117.

### **20.3. Voluntary Separation Incentive Plan**

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

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

Notes to the financial statements

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

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

As of March 31, 2015, 5,118 separations and 500 cancellations of requests were made for voluntary separation of employees who enrolled in the PIDV. Changes in the provision are set out below:

|                                   |      |
|-----------------------------------|------|
| Balance as of December 31, 2014   | 390  |
| Revision of provision             | 9    |
| Separations in the period         | (25) |
| Cumulative translation adjustment | (66) |
| Balance as of March 31, 2015      | 308  |
| Current                           | 159  |
| Non-current                       | 149  |

**21. Shareholders' equity****21.1. Share capital (net of share issuance costs)**

As of March 31, 2015 subscribed and fully paid share capital was US\$ 107,380 and share issuance costs were US\$ 279 (US\$ 107,380 and US\$ 279 as of December 31, 2014), represented by 7,442,454,142 outstanding common shares and 5,602,042,788 outstanding preferred shares, all of which are registered, book-entry shares with no par value.

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

**21.2. Dividends**

The Company's Board of Directors did not propose a dividend distribution in 2015 for the year ended December 31, 2014, because the Company reported a loss for that fiscal year.

**21.3. Earnings per Share**



|  | <b>Jan-Mar/2015</b> | <b>Jan-Mar/2014</b> |
|--|---------------------|---------------------|
| Net income (loss) attributable to shareholders of Petrobras                | 1,862               | 2,280               |
| Weighted average number of common and preferred shares outstanding         | 13,044,496,930      | 13,044,496,930      |
| Basic and diluted earnings per common and preferred share (US\$ per share) | 0.14                | 0.17                |

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

Notes to the financial statements

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

|  | <b>Jan-Mar/2015</b> | <b>Jan-Mar/2014</b> |
|--|---------------------|---------------------|
| Gross sales  | 32,502              | 41,627              |
| Sales taxes  | (6,535)             | (7,133)             |
| Sales revenues (*)                                       | 25,967              | 34,494              |
| Diesel   | 8,366               | 9,793               |
| Automotive gasoline                                      | 4,667               | 5,620               |
| Fuel oil (including bunker fuel)                         | 770                 | 1,001               |
| Naphtha  | 574                 | 1,568               |
| Liquefied petroleum gas                                  | 760                 | 859                 |
| Jet fuel   | 901                 | 1,429               |
| Other oil products                                       | 938                 | 1,437               |
| Subtotal oil products                                    | 16,976              | 21,707              |
| Natural gas  | 1,702               | 1,873               |
| Ethanol, nitrogen products, renewables and other non-oil |                     |                     |
| products   | 993                 | 925                 |
| Electricity, services and others                         | 1,489               | 1,889               |
| Total domestic market                                    | 21,160              | 26,394              |
| Exports  | 1,985               | 3,480               |
| International sales (**)                                 | 2,822               | 4,620               |
| Sales revenues (*)                                       | 25,967              | 34,494              |

(\*) Analysis of sales revenues by business segment is set out in note 27.

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

**23. Other expenses, net**

|   | <b>Jan-Mar/ 2015</b> | <b>Jan-Mar/ 2014</b> |
|---|----------------------|----------------------|
| Pension and medical benefits - retirees                         | (331)                | (234)                |
| Unscheduled stoppages and pre-operating expenses                | (329)                | (225)                |
| Legal, administrative and arbitration proceedings               | (291)                | (161)                |
| Institutional relations and cultural projects                   | (133)                | (194)                |
| Health, safety and environment                                  | (25)                 | (35)                 |
| Voluntary Separation Incentive Plan - PIDV                      | (9)                  | (1,014)              |
| Gains / (losses) on decommissioning of returned/abandoned areas | (2)                  | -                    |

|   |       |         |
|---|-------|---------|
| Reversal / Recognition of impairment              | (1)   | 6       |
| E&P areas returned and cancelled projects         | –     | (25)    |
| Government grants                                 | 2     | 30      |
| Reimbursements from E&P partnership operations    | 49    | 72      |
| Gains / (losses) on disposal/write-offs of assets | 141   | 247     |
| Others (*)  | 111   | (99)    |
|   | (818) | (1,632) |

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

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

Notes to the financial statements

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

|  | <b>Jan-Mar/2015</b> | <b>Jan-Mar/2014</b> |
|--|---------------------|---------------------|
| Raw material / products for resale   | (8,724)             | (15,492)            |
| Materials, freight, rent, third-party services and other related costs       | (5,187)             | (5,320)             |
| Depreciation, depletion and amortization                                     | (2,974)             | (3,013)             |
| Employee compensation  | (2,708)             | (3,862)             |
| Production taxes   | (1,590)             | (3,588)             |
| Unscheduled stoppages and pre-operating expenses                             | (329)               | (225)               |
| Legal, administrative and arbitration proceedings                            | (291)               | (161)               |
| Other taxes  | (263)               | (138)               |
| Exploration expenditures written off (incl. dry wells and signature bonuses) | (201)               | (447)               |
| Institutional relations and cultural projects                                | (133)               | (194)               |
| Health, safety and environment   | (25)                | (35)                |
| Gains / (losses) on decommissioning of returned/abandoned areas              | (2)                 | –                   |
| Impairment   | (1)                 | 6                   |
| E&P areas returned and cancelled projects                                    | –                   | (25)                |
| Gains / (losses) on disposal/write-offs of assets                            | 141                 | 247                 |
| Allowance for impairment of trade receivables                                | 301                 | (14)                |
| Changes in inventories   | 560                 | 828                 |
|  | <b>(21,426)</b>     | <b>(31,433)</b>     |
| <b>In the Statement of income</b>  |                     |                     |
| Cost of sales  | (18,140)            | (26,388)            |
| Selling expenses   | (602)               | (1,154)             |
| General and administrative expenses  | (946)               | (1,083)             |
| Exploration costs  | (343)               | (646)               |
| Research and development expenses  | (197)               | (250)               |
| Other taxes  | (263)               | (138)               |
| Other expenses, net  | (818)               | (1,632)             |
| Profit sharing   | (117)               | (142)               |
|  | <b>(21,426)</b>     | <b>(31,433)</b>     |

**25. Net finance income (expense)****Jan-Mar/2015****Jan-Mar/2014**

|  |         |         |
|--|---------|---------|
| Foreign exchange gains/(losses) and inflation indexation charges on debt (*) | (883)   | 107     |
| Debt interest and charges  | (1,616) | (1,540) |
| Income from investments and marketable securities                            | 176     | 264     |
| Financial result on net debt   | (2,323) | (1,169) |
| Capitalized borrowing costs  | 506     | 946     |
| Gains (losses) on derivatives, net   | (5)     | 7       |
| Interest income from marketable securities                                   | 2       | 14      |
| Other finance expense and income, net  | (83)    | (41)    |
| Other foreign exchange gains/(losses) and indexation charges, net            | (60)    | 170     |
| Finance income (expenses), net   | (1,963) | (73)    |
| Income   | 256     | 441     |
| Expenses   | (1,289) | (782)   |
| Foreign exchange gains/ (losses) and inflation indexation charges, net       | (930)   | 268     |
|  | (1,963) | (73)    |

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

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

Notes to the financial statements

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

|  | <b>Jan-Mar/2015</b> | <b>Jan-Mar/2014</b> |
|--|---------------------|---------------------|
| Additional information on cash flows:                            |                     |                     |
| Amounts paid/received during the year:                           |                     |                     |
| Income taxes paid  | 217                 | 193                 |
| Withholding income tax paid on behalf of third-parties           | 381                 | 432                 |
| Capital expenditures and financing activities not involving cash |                     |                     |
| Purchase of property, plant and equipment on credit              | 3                   | 3                   |
| Recognition (reversal) of provision for decommissioning costs    | 24                  | 5                   |

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

Notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***27. Segment Information****Consolidated assets by Business Area - 03.31.2015**

|                               | <b>Exploration</b>                | <b>Refining,</b>            | <b>Gas</b>      |                     |                      |                  |              |     |  |
|-------------------------------|-----------------------------------|-----------------------------|-----------------|---------------------|----------------------|------------------|--------------|-----|--|
|                               | <b>and</b>                        | <b>Transportation &amp;</b> |                 |                     |                      |                  |              |     |  |
|                               | <b>Production &amp; Marketing</b> | <b>Power</b>                | <b>Biofuels</b> | <b>Distribution</b> | <b>International</b> | <b>Corporate</b> | <b>Other</b> |     |  |
| Current assets                | 5,995                             | 12,414                      | 3,414           | 57                  | 2,744                | 2,024            | 19,701       | (3) |  |
| Non-current assets            | 129,134                           | 45,681                      | 20,963          | 823                 | 3,489                | 10,454           | 6,886        | (9) |  |
| Long-term receivables         | 6,150                             | 2,950                       | 1,765           | 3                   | 1,381                | 1,604            | 4,187        | (9) |  |
| Investments                   | 205                               | 1,241                       | 452             | 651                 | 17                   | 2,234            | 143          | –   |  |
| Property, plant and equipment | 120,362                           | 41,294                      | 18,477          | 169                 | 1,900                | 6,090            | 2,340        | (5) |  |
| Operating assets              | 87,518                            | 34,635                      | 15,070          | 156                 | 1,471                | 4,519            | 1,937        | (5) |  |
| Under construction            | 32,844                            | 6,659                       | 3,407           | 13                  | 429                  | 1,571            | 403          | –   |  |
| Intangible assets             | 2,417                             | 196                         | 269             | –                   | 191                  | 526              | 216          | –   |  |
| Total Assets                  | 135,129                           | 58,095                      | 24,377          | 880                 | 6,233                | 12,478           | 26,587       | (4) |  |

**Consolidated assets by Business Area - 03.31.2014**

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

|                    |         |        |        |       |       |        |        |    |
|--------------------|---------|--------|--------|-------|-------|--------|--------|----|
| Under construction | 36,358  | 8,722  | 4,258  | 16    | 554   | 2,342  | 693    | —  |
| Intangible assets  | 2,916   | 240    | 327    | —     | 230   | 532    | 264    | —  |
| Total Assets       | 151,524 | 70,038 | 28,367 | 1,109 | 7,221 | 13,009 | 32,385 | (4 |



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

Notes to the financial statements

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

**Consolidated Statement of Income by Business Area**

**Jan-Mar/2015**

**Exploration Refining, Gas**

**and Transportation &**

**Production & Marketing Power Biofuels**