

PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
August 13, 2013

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

For the month of June, 2013

Commission File Number 1-15106

PETRÓLEO BRASILEIRO S.A. - PETROBRAS

(Exact name of registrant as specified in its charter)

Brazilian Petroleum Corporation - PETROBRAS

(Translation of Registrant's name into English)

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

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

Form 20-F Form 40-F

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

Yes No

Petróleo Brasileiro S.A. – Petrobras

Consolidated Financial Statements

June 30, 2013 and 2012 with

Report of Independent Registered

Public Accounting Firm

Petróleo Brasileiro S.A. – Petrobras

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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 June 30, 2013, the related condensed consolidated statement of income, of cash flows and of comprehensive income for the six-month periods ended June 30, 2013 and June 30, 2012 and the condensed statement of changes in shareholders' equity for the six-month period ended June 30, 2013. 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).

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2012, and the related consolidated statements of income, of comprehensive income, of cash flows (not presented herein) and of shareholders' equity for the year then ended, and in our report dated February 4, 2013, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2012, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers

Auditores Independentes

Rio de Janeiro, Brazil

August 9, 2013

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Petróleo Brasileiro S.A. – Petrobras

Consolidated Statement of Financial Position

(In millions of US Dollars)

| Assets | Note | 06.30.2013 | 12.31.2012 | Liabilities | Note | 06.30.2013 | 12.31.2012 |
|----------------------------------|-------------|-------------------|-------------------|---|-------------|-------------------|-------------------|
| Current assets | | | | Current liabilities | | | |
| Cash and cash equivalents | 5 | 23,131 | 13,520 | Trade payables | 14 | 11,404 | 12,124 |
| Marketable securities | 6 | 9,831 | 10,431 | Current debt | 15 | 8,196 | 7,479 |
| Trade and other receivables, net | 7.1 | 9,988 | 11,099 | Finance lease obligations | 16.1 | 18 | 18 |
| Inventories | 8 | 14,035 | 14,552 | Taxes payable | 19.1 | 4,675 | 6,128 |
| Recoverable taxes | 19.1 | 6,085 | 5,572 | Dividends payable | 21.2 | 1,308 | 3,011 |
| Advances to suppliers | | 652 | 927 | Employee compensation (payroll, profit sharing and related charges) | | 2,195 | 2,163 |
| Non-current assets held for sale | | 206 | 142 | Pension and medical benefits | 20 | 716 | 788 |
| Others | | 1,385 | 1,551 | Others | | 2,253 | 2,359 |
| | | 65,313 | 57,794 | | | 30,765 | 34,070 |
| Non-current assets | | | | Non-current liabilities | | | |
| Long-term receivables | | | | Non-current debt | 15 | 104,102 | 88,484 |
| Trade and other receivables, net | 7.1 | 4,100 | 4,441 | Finance lease obligations | 16.1 | 87 | 86 |
| Marketable securities | 6 | 152 | 176 | Deferred taxes | 19.2 | 19,550 | 19,213 |
| Judicial deposits | 28.2 | 2,665 | 2,696 | Pension and medical benefits | 20 | 18,988 | 19,600 |

| | | | | | | | |
|-------------------------------|------|---------|---------|---|----|----------|----------|
| Deferred taxes | 19.2 | 9,239 | 8,535 | Provisions for legal proceedings | 28 | 1,489 | 1,265 |
| Other tax assets | 19.1 | 5,077 | 5,223 | Provision for decommissioning costs | 18 | 8,581 | 9,441 |
| Advances to suppliers | | 3,355 | 3,156 | Others | | 1,038 | 772 |
| Others | | 1,752 | 1,887 | | | | |
| | | 26,340 | 26,114 | | | 153,835 | 138,861 |
| | | | | Shareholders' equity | 21 | | |
| Investments | 10.1 | 6,594 | 6,106 | Share capital | | 107,371 | 107,362 |
| Property, plant and equipment | 11 | 203,716 | 204,901 | Additional paid in capital | | 371 | 349 |
| Intangible assets | 12 | 36,105 | 39,739 | Profit reserves | | 74,924 | 67,236 |
| | | | | Accumulated other comprehensive income (loss) | | (29,992) | (14,376) |
| | | 246,415 | 250,746 | Attributable to the shareholders of Petrobras | | 152,674 | 160,571 |
| | | | | Non-controlling interests | | 794 | 1,152 |
| | | | | Total Equity | | 153,468 | 161,723 |
| | | | | Total liabilities and shareholder's equity | | | |
| Total Assets | | 338,068 | 334,654 | | | 338,068 | 334,654 |

See the accompanying notes to the financial statements.

Petróleo Brasileiro S.A. – Petrobras

Consolidated Statement of Income

(In millions of Dollars, except earnings per share)

| | Note | Jan-Jun/2013 | Jan-Jun/2012 |
|---|-------------|---------------------|---------------------|
| Sales revenues | 22 | 71,914 | 72,069 |
| Cost of sales | | (53,428) | (52,461) |
| Gross profit | | 18,486 | 19,608 |
| Income (expenses) | | | |
| Selling expenses | | (2,383) | (2,528) |
| General and Administrative expenses | | (2,489) | (2,516) |
| Exploration costs | | (1,225) | (2,312) |
| Research and development expenses | | (624) | (512) |
| Other taxes | | (232) | (170) |
| Other operating expenses, net | 23 | (1,232) | (2,222) |
| | | (8,185) | (10,260) |
| Net income before financial results, profit sharing and income taxes | | 10,301 | 9,348 |
| Net finance income (expense) | 25 | (1,019) | (3,000) |
| Share of profit (loss) of equity-accounted investments | | 266 | (140) |
| Net income before income taxes | | 9,548 | 6,208 |
| Income taxes | 19.3 | (2,879) | (1,828) |
| Net income | | 6,669 | 4,380 |
| Net income (loss) attributable to: | | | |
| Shareholders of Petrobras | | 6,850 | 4,527 |
| Non-controlling interests | | (181) | (147) |
| | | 6,669 | 4,380 |
| Basic and diluted earnings per weighted-average of common and preferred share in U.S. dollars | 21.3 | 0.53 | 0.35 |

See the accompanying notes to the financial statements.

Petróleo Brasileiro S.A. – Petrobras

Consolidated Statement of Comprehensive Income

(In millions of US Dollars)

| | Jan-Jun/2013 | Jan-Jun/2012 |
|--|---------------------|---------------------|
| Net income | 6,669 | 4,380 |
| Other comprehensive income: | | |
| Items that will not be reclassified to profit or loss: | | |
| Deemed cost of associates | 2 | 2 |
| Cumulative translation adjustments | (12,927) | (12,932) |
| Actuarial gains / (losses) on defined benefit pension plans | (5) | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Unrealized gains / (losses) on available-for-sale securities | | |
| Recognized in shareholders' equity | 6 | 248 |
| Reclassified to profit or loss | (43) | 1 |
| Unrealized gains / (losses) on cash flow hedge | | |
| Recognized in shareholders' equity | (4,109) | (3) |
| Reclassified to profit or loss | (4) | 8 |
| Deferred income tax | 1,414 | (84) |
| | (15,666) | (12,760) |
| Total comprehensive income (loss) | (8,997) | (8,380) |
| Comprehensive income (loss) attributable to: | | |
| Shareholders of Petrobras | (8,760) | (8,129) |
| Non-controlling interests | (237) | (251) |
| Total comprehensive income (loss) | (8,997) | (8,380) |

See the accompanying notes to the financial statements.

Petróleo Brasileiro S.A. – Petrobras

Consolidated Statement of Changes in Shareholders' Equity

(In millions of US Dollars)

| | Additional paid in capital | | Accumulated other comprehensive income | | | Actuarial gains (losses) on defined benefit pension plans | Pro |
|---|----------------------------|--|--|-----------------------------------|----------------------------|---|------------|
| | Share Capital | Incremental costs of new shares directly attributable to the issue | Change in interest in subsidiaries | Cumulative translation adjustment | Other comprehensive income | | |
| Balance at December 31, 2011 | 107,355 | (279) | 595 | 7,697 | 246 | – | 6,8 |
| Impact of the amendment to IAS 19 | – | – | – | – | – | (4,399) | – |
| Balance at January 1, 2012 | 107,355 | (279) | 595 | 7,697 | 246 | (4,399) | 6,8 |
| Capital increase with reserves | 7 | – | – | – | – | – | – |
| Capital increase - issue of new shares | – | – | – | – | – | – | – |
| Cumulative translation adjustments | – | – | – | (12,828) | – | – | – |
| Unrealized gains on available-for-sale securities and cash flow hedge, net of taxes | – | – | – | – | 170 | – | – |
| Realization of deemed cost | – | – | – | – | (2) | – | – |
| Actuarial gains (losses) on defined benefit pension plans, net of taxes | – | – | – | – | – | – | – |
| Change in interest in | – | – | 40 | – | – | – | – |

| | | | | | | | | |
|--|---------|-------|-----|----------|---------|---------|-----|------|
| subsidiaries | | | | | | | | |
| Net income | — | — | — | — | — | — | — | — |
| Distributions: | | | | | | | | |
| Allocation of net income | — | — | — | — | — | — | — | — |
| Dividends | — | — | — | — | — | — | — | — |
| Balance at June 30, 2012 | 107,362 | (279) | 635 | (5,131) | 414 | (4,399) | 6,8 | |
| Balance at January 01, 2013 | 107,362 | (279) | 628 | (6,732) | 102 | (7,748) | 7,3 | |
| Capital increase with reserves | 9 | — | — | — | — | — | — | — |
| Change in interest in subsidiaries | — | — | — | — | — | — | — | — |
| Cumulative translation adjustments | — | — | — | (12,871) | — | — | — | — |
| Unrealized (losses) on available-for-sale securities and cash flow hedge, net of taxes | — | — | — | — | (2,736) | — | — | — |
| Realization of deemed cost | — | — | — | — | (2) | — | — | — |
| Actuarial gains (losses) on defined benefit pension plans, net of taxes | — | — | — | — | — | (5) | — | — |
| Change in interest in subsidiaries | — | — | 22 | — | — | — | — | — |
| Net income | — | — | — | — | — | — | — | — |
| Distributions: | | | | | | | | |
| Allocation of net income | — | — | — | — | — | — | — | — |
| Dividends | — | — | — | — | — | — | — | — |
| Balance at June 30, 2013 | 107,371 | 371 | 650 | (19,603) | (2,636) | (7,753) | 7,3 | 74,9 |

See the accompanying notes to the financial statements.

Petróleo Brasileiro S.A. – Petrobras

Consolidated Statement of Cash Flows

(In millions of US Dollars)

| | Jan-Jun/2013 | Jan-Jun/2012 |
|--|---------------------|---------------------|
| Cash flows from Operating activities | | |
| Net income attributable to the shareholders of Petrobras | 6,850 | 4,527 |
| Adjustments for: | | |
| Non-controlling interests | (181) | (147) |
| Share of (profit) loss of equity-accounted investments | (266) | 140 |
| Depreciation, depletion and amortization | 6,572 | 5,394 |
| Impairment | 231 | 473 |
| Exploration expenditures written off | 605 | 1,702 |
| Gains/(losses) on disposal of non-current assets | (677) | (16) |
| Foreign exchange variation, indexation and finance charges | 1,123 | 3,356 |
| Deferred income taxes, net | 2,541 | 1,045 |
| Pension and medical benefits (actuarial expense) | 1,366 | 1,082 |
| Increase/(Decrease) in assets | | |
| Trade and other receivables, net | 382 | (440) |
| Inventories | (833) | (1,265) |
| Other assets | (173) | (737) |
| Increase/(Decrease) in liabilities | | |
| Trade payables | (28) | 335 |
| Taxes payable | (2,167) | (581) |
| Pension and medical benefits | (385) | (393) |
| Other liabilities | 321 | (331) |
| Net cash provided by operating activities | 15,281 | 14,144 |
| Cash flows from Investing activities | | |
| Investments in exploration and production of oil and gas | (11,565) | (10,541) |
| Investments in refining, transportation and marketing | (6,386) | (6,357) |
| Investments in gas and power activities | (1,089) | (814) |
| Investments in international activities | (1,092) | (916) |
| Investments in distribution activities | (166) | (292) |
| Investments in biofuel activities | (37) | (16) |
| Other investments | (153) | (473) |
| | 1,542 | – |

| | | |
|--|----------|----------|
| Receipts from disposal of assets (disinvestment) | | |
| Investments in marketable securities | (96) | (752) |
| Dividends received | 70 | 89 |
| Net cash (used in) investing activities | (18,972) | (20,072) |
| Cash flows from Financing activities | | |
| Non-controlling interest | (98) | 43 |
| Financing and loans, net | | |
| Proceeds from long-term financing | 29,672 | 12,095 |
| Repayment of principal | (11,559) | (5,700) |
| Repayment of interest | (2,434) | (2,306) |
| Dividends paid | (1,386) | (3,265) |
| Net cash provided by financing activities | 14,195 | 867 |
| Effect of exchange rate changes on cash and cash equivalents | (893) | (976) |
| Net increase/ (decrease) in cash and cash equivalents in the period | 9,611 | (6,037) |
| Cash and cash equivalents at the beginning of the period | 13,520 | 19,057 |
| Cash and cash equivalents at the end of the period | 23,131 | 13,020 |

See the accompanying notes to the financial statements.

Petróleo Brasileiro S.A. – Petrobras

Consolidated 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 any other correlated or similar activities. The Company’s head office is located in Rio de Janeiro – RJ, Brazil.

2. Basis of preparation of interim financial information

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 which occurred in the period, avoiding repetition of certain notes to the financial statements previously reported. Hence it should be read together with the Company’s annual financial statements for the year ended December 31, 2012, which include the full set of notes.

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 rate at the date of the financial statements; income and expenses, as well as the cash flows are translated into U.S. dollars using the average exchange rates prevailing during the year. 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 in the consolidated statements of changes in shareholders’ equity.

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

The consolidated interim financial information was approved and authorized for issue by the Company’s Board of Directors in a meeting held on August 9, 2013.

2.1. Accounting estimates

public accounting firm

The preparation of the interim financial information requires the use of estimates and assumptions for certain assets, liabilities and other transactions. These estimates include: oil and gas reserves, pension and medical benefits liabilities, depreciation, depletion and amortization, decommissioning costs, provisions for legal proceedings, fair value of financial instruments, present value adjustments of trade receivables and payables from relevant transactions and income taxes. Notwithstanding Management uses assumptions and judgments that are reviewed periodically, the actual results could differ from these estimates.

2.2. New and amended standards adopted by the Company

New and amended standards issued by the IASB were effective for annual periods beginning on or after January 1, 2013 and were adopted by the Company as set out in note 4.17 (New standards and interpretations) of our consolidated financial statements for the year ended December 31, 2012.

Petróleo Brasileiro S.A. – Petrobras

Consolidated notes to the financial statements

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

The amended version of IAS 19 – Employee benefits eliminated the option to defer actuarial gains and losses (corridor approach) and requires net interest to be calculated by applying the discount rate used for measuring the obligation to the net benefit asset or liability.

The impact of the adoption of the amended standard on the consolidated financial statements for the year ended December 31, 2012 is an increase in net actuarial liability of US\$10,325 (US\$6,118 at January 1, 2012), an increase in deferred tax assets of US\$3,009 (US\$1,637 at January 1, 2012) and a decrease of US\$7,316 in the shareholders' equity (US\$4,481 at January 1, 2012), as set out below:

a) Statement of financial position

| | 12.31.2012 | | | 01.01.2012 | | |
|--|-------------------------|-----------------------------------|-----------------|-------------------------|-----------------------------------|-----------------|
| | As presented (*) | Impact of IAS 19 amendment | Restated | As presented (*) | Impact of IAS 19 amendment | Restated |
| Assets | | | | | | |
| Current assets | 57,794 | | 57,794 | 64,592 | | 64,592 |
| Long-term receivables | 23,105 | 3,009 | 26,114 | 22,462 | 1,637 | 24,099 |
| Investments | 6,106 | | 6,106 | 6,530 | | 6,530 |
| Property, plant and equipment | 204,901 | | 204,901 | 182,918 | | 182,918 |
| Intangible Assets | 39,739 | | 39,739 | 43,412 | | 43,412 |
| | 331,645 | 3,009 | 334,654 | 319,914 | 1,637 | 321,551 |
| Liabilities | | | | | | |
| Current liabilities | 34,070 | | 34,070 | 36,364 | | 36,364 |
| Non-current liabilities | 128,536 | 10,325 | 138,861 | 106,440 | 6,118 | 112,558 |
| Shareholder's equity attributable to the shareholders of Petrobras | 167,887 | (7,316) | 160,571 | 175,838 | (4,481) | 171,357 |
| Non-controlling interests | 1,152 | | 1,152 | 1,272 | | 1,272 |
| | 331,645 | 3,009 | 334,654 | 319,914 | 1,637 | 321,551 |

(*) As presented as at December 31, 2012

The adoption of the remaining new and amended standards had no material impact on the financial statements of the Company.

3. Basis of consolidation

The consolidated interim financial information includes the quarterly information of Petrobras, its subsidiaries and special purpose entities.

There were no significant changes in the consolidated entities in the period ended June 30, 2013.

The main acquisitions and disposal of assets are presented in note 9.

4. Summary of significant accounting policies

The same accounting policies and methods of computation were followed in this consolidated interim financial statements as those followed in the preparation of the annual financial statements of the Company for the year ended December 31, 2012, except for the adoption of new standards and revisions, as described in note 2.2.

Petróleo Brasileiro S.A. – Petrobras

Consolidated notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***5. Cash and cash equivalents**

| | 06.30.2013 | 12.31.2012 |
|---|-------------------|-------------------|
| Cash at bank and in hand | 1,135 | 990 |
| Short-term financial investments | | |
| - In Brazil | | |
| Single-member funds (Interbank Deposit) and other short-term deposits | 14,174 | 8,329 |
| Other investment funds | 135 | 208 |
| - Abroad | 14,309 | 8,537 |
| | 7,687 | 3,993 |
| Total short-term financial investments | 21,996 | 12,530 |
| Total cash and cash equivalents | 23,131 | 13,520 |

6. Marketable securities

| | 06.30.2013 | 12.31.2012 |
|-------------------------------|-------------------|-------------------|
| Trading securities | 9,709 | 10,222 |
| Available-for-sale securities | 130 | 239 |
| Held-to-maturity securities | 144 | 146 |
| | 9,983 | 10,607 |
| Current | 9,831 | 10,431 |
| Non-current | 152 | 176 |

Trading and available-for-sale securities refer mainly to investments in government Treasury notes that have maturities of more than 90 days. The current asset classification reflects the expectation of their realization in the short term.

7. Trade and other receivables**7.1. Trade and other receivables, net**

| | 06.30.2013 | 12.31.2012 |
|---|-------------------|-------------------|
| Trade Receivables | | |
| Third parties | 9,789 | 10,785 |
| Related parties (Note 17) | | |
| Joint ventures and associates | 796 | 780 |
| Receivables from the electricity sector | 1,887 | 1,937 |
| Petroleum and alcohol accounts - STN (*) | 377 | 409 |
| Other Receivables | 2,626 | 3,081 |
| | 15,475 | 16,992 |
| Provision for impairment of trade receivables | (1,387) | (1,452) |
| | 14,088 | 15,540 |
| Current | 9,988 | 11,099 |
| Non-current | 4,100 | 4,441 |

(*) Secretaria do Tesouro Nacional - National Treasury Secretariat

Petróleo Brasileiro S.A. – Petrobras

Consolidated notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***7.2. Changes in the provision for impairment of trade receivables**

| | 06.30.2013 | 12.31.2012 |
|-----------------------------------|-------------------|-------------------|
| Opening balance | 1,452 | 1,487 |
| Additions (*) | 103 | 300 |
| Write-offs / reversals (*) | (51) | (203) |
| Cumulative translation adjustment | (117) | (132) |
| Closing balance | 1,387 | 1,452 |
| Current | 785 | 854 |
| Non-current | 602 | 598 |

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

7.3. Trade and other receivables overdue - Third parties

| | 06.30.2013 | 12.31.2012 |
|---------------------|-------------------|-------------------|
| Up to 3 months | 506 | 769 |
| From 3 to 6 months | 199 | 156 |
| From 6 to 12 months | 155 | 181 |
| More than 12 months | 1,606 | 1,587 |
| | 2,466 | 2,693 |

8. Inventories

| | 06.30.2013 | 12.31.2012 |
|--|-------------------|-------------------|
| Products: | | |
| Oil products (*) | 4,707 | 5,880 |
| Fuel Alcohol (*) | 151 | 161 |
| | 4,858 | 6,041 |
| Raw materials, mainly crude oil (*) | 7,189 | 6,452 |
| Maintenance materials and supplies (*) | 1,786 | 1,882 |

| | | |
|-------------|--------|--------|
| Others | 244 | 222 |
| | 14,077 | 14,597 |
| Current | 14,035 | 14,552 |
| Non-current | 42 | 45 |

(*) Includes imports in transit.

Petróleo Brasileiro S.A. – Petrobras

Consolidated notes to the financial statements

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

9. Acquisitions and disposal of assets

Acquisition of Araucária Nitrogenados S.A.

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

The transaction price consideration was US\$ 234 which will be settled through Petrobras' leasing income from mineral rights for properties operated by Vale in Sergipe. The assessment of the fair value of assets and liabilities is ongoing and will be completed within 12 months from the date control of the company was granted.

Brasil PCH

On June 14, 2013, Petrobras entered into an agreement with Cemig Geração e Transmissão S.A. for the disposal of its entire equity interest in Brasil PCH S.A., equivalent to 49% of the voting stock, for a total of US\$304.

The completion of the transaction is subject to the approval of Conselho Administrativo de Defesa Econômica - CADE and consent of Agência Nacional de Energia Elétrica – ANEEL.

Due to the approval of the transaction by the Board of Directors of the Company on June 30, 2013 the carrying amount of Petrobras' interest in Brasil PCH, of US\$29 was reclassified to asset held for sale under current assets.

Formation of joint venture to operate in Exploration & Production in Africa

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

BTG Pactual E&P B.V. acquired 50% of the joint-venture shares of Petrobras Oil & Gas B.V. (PO&G), previously held by PIBBV, for the total amount of US\$ 1,548 million. The transaction was concluded on June 28, 2013 and the Company recognized earnings of US\$921, as set out below:

| | |
|----------------------------|-----|
| Gain on disposal of assets | 751 |
|----------------------------|-----|

| | |
|---|-------|
| Fair value measurement of remaining assets | 751 |
| Loss on carrying amount of investments in Angola and Tanzania | (581) |
| | 921 |
| Effects on Profit or Loss: | |
| Other operating income (expenses), net | 751 |
| Share of profit of equity-accounted investments | 170 |

As the transaction is subject to the approval by the governments of Angola and Tanzania, relatively to the assets located in those countries, the balance of US\$35 was reclassified to asset held for sale, under current assets, at June 30, 2013.

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

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Consolidated notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***10. Investments****10.1. Investments in associates and joint ventures**

| | 06.30.2013 | 12.31.2012 |
|-------------------------------------|-------------------|-------------------|
| Petrochemical investments | 2,435 | 2,856 |
| Petrobras Oil & Gas BV | 1,488 | – |
| Gas distributors | 530 | 555 |
| Guarani S.A. | 448 | 482 |
| Petroritupano - Orielo | 229 | 233 |
| Nova Fronteira Bioenergia S.A. | 181 | 203 |
| Petrowayu - La Concepción | 167 | 193 |
| Transierra S.A. | 67 | 69 |
| Petrokariña - Mata | 73 | 75 |
| UEG Araucária | 62 | 64 |
| Other associates and joint ventures | 827 | 1,256 |
| | 6,507 | 5,986 |
| Other investments | 87 | 120 |
| | 6,594 | 6,106 |

10.2. Investments in listed companies

| Company | Thousand-share lot | | Type | Quoted stock exchange prices (US\$ per share) | | Market value | |
|---------------------|--------------------|------------|-----------|---|------------|--------------|------------|
| | 06.30.2013 | 12.31.2012 | | 06.30.2013 | 12.31.2012 | 06.30.2013 | 12.31.2012 |
| Subsidiaries | | | | | | | |
| Petrobras | | | | | | | |
| Argentina | 1,356,792 | 1,356,792 | Common | 0.53 | 0.69 | 723 | 936 |
| | | | | | | 723 | 936 |
| Associates | | | | | | | |
| Braskem | 212,427 | 212,427 | Common | 5.33 | 4.70 | 1,132 | 998 |
| | | | Preferred | | | | |
| Braskem | 75,793 | 75,793 | A | 7.43 | 6.26 | 563 | 475 |
| | | | | | | 1,695 | 1,473 |

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

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*(Expressed in millions of US Dollars, unless otherwise indicated)***11. Property, plant and equipment****11.1. By class of assets**

| | Land, buildings and improvements | Equipment and other assets | Assets under construction (*) | Exploration and development costs (Oil and producing properties) | Total |
|---|---|---|---|---|--------------|
| Balance at December 31, 2011 | 6,588 | 66,362 | 84,529 | 25,439 | 182,918 |
| Additions | 50 | 2,073 | 32,571 | 1,703 | 36,397 |
| Additions to decommissioning assets / review of estimates | – | – | – | 5,207 | 5,207 |
| Capitalized borrowing costs | – | – | 3,792 | – | 3,792 |
| Business combination | 83 | 182 | 2 | – | 267 |
| Write-offs | (6) | (59) | (2,651) | (106) | (2,822) |
| Transfers | 2,504 | 24,818 | (30,413) | 6,994 | 3,903 |
| Depreciation, amortization and depletion | (477) | (6,626) | – | (3,765) | (10,868) |
| Impairment recognition | (20) | (178) | (37) | (149) | (384) |
| Impairment reversal | – | 44 | 134 | 65 | 243 |
| Cumulative translation adjustment | (558) | (4,908) | (6,264) | (2,022) | (13,752) |
| Balance at December 31, 2012 | 8,164 | 81,708 | 81,663 | 33,366 | 204,901 |
| Cost | 10,834 | 122,647 | 81,663 | 62,348 | 277,492 |
| Accumulated depreciation, amortization and depletion | (2,670) | (40,939) | – | (28,982) | (72,591) |
| Balance at December 31, 2012 | 8,164 | 81,708 | 81,663 | 33,366 | 204,901 |
| Additions | 34 | 913 | 17,373 | 450 | 18,770 |
| | – | – | 1,813 | – | 1,813 |

| | | | | | |
|--|------------------------------|-------------------|----------|----------------------------|----------|
| Capitalized borrowing costs | | | | | |
| Write-offs | (1) | (53) | (802) | (6) | (862) |
| Transfers (***) | 770 | 9,399 | (11,911) | 1,647 | (95) |
| Depreciation, amortization and depletion | (264) | (3,669) | – | (2,529) | (6,462) |
| Cumulative translation adjustment | (654) | (5,509) | (5,931) | (2,255) | (14,349) |
| Balance at June 30, 2013 | 8,049 | 82,789 | 82,205 | 30,673 | 203,716 |
| Cost | 10,813 | 124,598 | 82,205 | 58,490 | 276,106 |
| Accumulated depreciation, amortization and depletion | (2,764) | (41,809) | – | (27,817) | (72,390) |
| Balance at June 30, 2013 | 8,049 | 82,789 | 82,205 | 30,673 | 203,716 |
| Weighted average of useful life in years | 25 (25 to 40) (except land) | 20 (3 to 31) (**) | | Units of production method | |

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

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

(***) Includes US\$ 2,366 relative to PO&G, which has been unconsolidated, as set out in note 9.

At June 30, 2013 the property, plant and equipment includes assets under finance leases of US\$ 93 (US\$ 102 at December 31, 2012).

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

| | | Softwares | | | |
|--------------------------------------|---------------------------|-----------|-----------------------|------------|---------|
| | Rights and Concessions | Acquired | Developed in-house | Goodwill | Total |
| Balance at December 31, 2011 | 42,013 | 180 | 715 | 504 | 43,412 |
| Addition | 90 | 72 | 146 | – | 308 |
| Capitalized borrowing costs | – | – | 15 | – | 15 |
| Write-offs | (119) | (2) | (3) | – | (124) |
| Transfers | (80) | 12 | (97) | (14) | (179) |
| Amortization | (48) | (61) | (142) | – | (251) |
| Impairment reversal | 6 | – | – | – | 6 |
| Cumulative translation adjustment | (3,349) | (13) | (57) | (29) | (3,448) |
| Balance at December 31, 2012 | 38,513 | 188 | 577 | 461 | 39,739 |
| Cost | 38,920 | 715 | 1,444 | 461 | 41,540 |
| Accumulated amortization | (407) | (527) | (867) | – | (1,801) |
| Balance at December 31, 2012 | 38,513 | 188 | 577 | 461 | 39,739 |
| Addition | 39 | 10 | 61 | – | 110 |
| Capitalized borrowing costs | – | – | 5 | – | 5 |
| Write-offs | (44) | (2) | (2) | – | (48) |
| Transfers (**) | (588) | (17) | (13) | 2 | (616) |
| Amortization | (19) | (27) | (64) | – | (110) |
| Cumulative translation adjustment | (2,890) | (10) | (48) | (27) | (2,975) |
| Balance at June 30, 2013 | 35,011 | 142 | 516 | 436 | 36,105 |
| Cost | 35,429 | 604 | 1,466 | 436 | 37,935 |
| Accumulated amortization | (418) | (462) | (950) | – | (1,830) |
| Balance at June 30, 2013 | 35,011 | 142 | 516 | 436 | 36,105 |
| Estimated useful life years | (*) | 5 | 5 | Indefinite | |

(*) See note 4.7 (Intangible assets) of the financial statements of December 31, 2012.

(**) Includes US\$ 601 relative to PO&G, which has been unconsolidated, as set out in note 9.

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

At June 30, 2013, the Company’s intangible assets include US\$ 33,764 related to the Onerous Assignment agreement, entered into in 2010 by Petrobras, the Federal Government (assignor) and the Agência Nacional de Petróleo, Gás Natural e Biocombustíveis - ANP (regulator and inspector), granting the Company the right to carry out prospection and drilling activities for oil, natural gas and other liquid hydrocarbons located in blocks in the pre-salt area (Franco, Florim, Nordeste de Tupi, Entorno de Iara, Sul de Guará and Sul de Tupi), limited to the production of five billion barrels of oil equivalent in up to 40 years and renewable for a further five years upon certain conditions having been met.

The agreement establishes that at the time of the declaration of commerciality for the areas there will be a review of volumes and prices, based on independent technical appraisal reports.

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

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

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

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

13. Exploration for and Evaluation of Oil and Gas Reserves

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

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

| Capitalized Exploratory Well Costs / Capitalized Acquisition Costs (*) | 06.30.2013 | 12.31.2012 |
|---|-------------------|-------------------|
| Property plant and equipment | | |
| Opening Balance | 10,649 | 10,120 |
| Additions to capitalized costs pending determination of proved reserves | 2,717 | 6,640 |
| Capitalized exploratory costs charged to expense | (393) | (2,782) |
| Transfers upon recognition of proved reserves (***) | (1,878) | (2,628) |
| Cumulative translation adjustment | (875) | (701) |
| Closing Balance | 10,220 | 10,649 |
| Intangible Assets (**) | 34,498 | 37,968 |
| Capitalized Exploratory Well Costs / Capitalized Acquisition Costs | 44,718 | 48,617 |

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

(**) The balance of intangible assets comprises mainly the amounts related to the Onerous Assignment Agreement (note 12.2).

(***) Includes US\$ 736 relative to PO&G, which has been unconsolidated, as set out in note 9.

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

| Exploration costs recognized in profit or loss | Jan-Jun/2013 | Jan-Jun/2012 |
|---|---------------------|---------------------|
| Geological and Geophysical Expenses | 553 | 570 |
| Exploration expenditures written off (includes dry wells and signature bonuses) | 605 | 1,702 |
| Other exploration expenses | 37 | 40 |
| Total expenses | 1,195 | 2,312 |
| | | |
| Cash used in activities | Jan-Jun/2013 | Jan-Jun/2012 |
| Operating activities | 685 | 652 |
| Investment activities | 2,904 | 3,415 |
| Total cash used | 3,589 | 4,067 |

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Consolidated notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***14. Trade payables**

| | 06.30.2013 | 12.31.2012 |
|---------------------|-------------------|-------------------|
| Current Liabilities | | |
| Third parties | | |
| In Brazil | 5,858 | 6,511 |
| Abroad | 5,031 | 5,104 |
| Related parties | 515 | 509 |
| | 11,404 | 12,124 |

15. Finance Debt

| | Current | | Non-Current | |
|------------------------------|-------------------|-------------------|--------------------|-------------------|
| | 06.30.2013 | 12.31.2012 | 06.30.2013 | 12.31.2012 |
| Abroad | | | | |
| Financial institutions | 5,520 | 4,614 | 29,401 | 25,156 |
| Bearer bonds - Notes, Global | | | | |
| Notes and Bonds | 1,303 | 1,230 | 42,516 | 31,032 |
| Others | – | 245 | – | 2 |
| | 6,823 | 6,089 | 71,917 | 56,190 |
| In Brazil | | | | |
| Export Credit Notes | 74 | 142 | 8,451 | 6,261 |
| BNDES | 878 | 839 | 19,345 | 21,586 |
| Debentures | 129 | 140 | 257 | 345 |
| FINAME | 40 | 34 | 571 | 326 |
| Bank Credit Certificate | 15 | 50 | 1,628 | 1,765 |
| Others | 237 | 185 | 1,933 | 2,011 |
| | 1,373 | 1,390 | 32,185 | 32,294 |
| | 8,196 | 7,479 | 104,102 | 88,484 |
| Interest expense on debt | 1,126 | 1,018 | | |
| Long-term debt due within | | | | |
| one year (principal) | 3,201 | 2,795 | | |
| Short-Term debt | 3,869 | 3,666 | | |
| | 8,196 | 7,479 | | |

15.1. Scheduled maturity dates of non-current debt (principal and interest accrued)

| | 06.30.2013 |
|---------------------|-------------------|
| 2014 | 2,211 |
| 2015 | 7,137 |
| 2016 | 10,531 |
| 2017 | 8,897 |
| 2018 and thereafter | 75,326 |
| | 104,102 |

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*(Expressed in millions of US Dollars, unless otherwise indicated)***15.2. Annual interest rate range for non-current debt**

| | 06.30.2013 | 12.31.2012 |
|-----------------------|-------------------|-------------------|
| Abroad | | |
| Up to 4% p.a. | 39,600 | 31,819 |
| From 4.01 to 6% p.a. | 22,253 | 13,768 |
| From 6.01 to 8% p.a. | 9,416 | 9,916 |
| More than 8% p.a. | 646 | 687 |
| | 71,915 | 56,190 |
| In Brazil | | |
| Up to 6% p.a. | 2,873 | 3,384 |
| From 6.01 to 8% p.a. | 21,296 | 24,537 |
| From 8.01 to 10% p.a. | 7,561 | 3,826 |
| More than 10% p.a. | 457 | 547 |
| | 32,187 | 32,294 |
| | 104,102 | 88,484 |

15.3. Non-current debt by major currency

| | 06.30.2013 | 12.31.2012 |
|-----------------------------|-------------------|-------------------|
| U.S. Dollar | 63,498 | 48,306 |
| Real | 20,973 | 18,411 |
| Real indexed to U.S. Dollar | 11,213 | 13,733 |
| Euro | 5,835 | 5,134 |
| Pound Sterling | 1,706 | 1,814 |
| Japanese Yen | 877 | 1,086 |
| | 104,102 | 88,484 |

The sensitivity analysis for financial instruments subject to foreign exchange variation and the fair value of the long-term debt are disclosed in notes 30 and 31, respectively.

15.4. Weighted average capitalization rate for borrowing costs

The weighted average interest rate, of the costs applicable to borrowings that are outstanding, applied over the balance of assets under construction for capitalization of borrowing costs was 4.1% p.a. in the first half of 2013 (4.6% p.a. in the first half of 2012).

15.5. Funding

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

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The main long-term debt issuances in the first half of 2013 are set out below:

a) Abroad

| Description | Company | Date | Amount | Maturity |
|--|----------------|---------------------------|---------------|---------------------------|
| Global notes issued in the amount of US\$ 11,000. | PGF BV | May/13 | 11,000 | 2016, 2019, 2023 and 2043 |
| Financing in the amount of US\$ 3,400 obtained from a commercial bank. | PGT BV | Apr/13, May/13 and Jun/13 | 3,400 | 2019 |
| Financing in the amount of US\$ 1,500 obtained from commercial banks. | PGT BV | Feb/13; Mar/13 | 1,500 | 2019, 2020 |
| Credit line in the amount of US\$ 500 hired from a commercial bank, guaranteed by export credit agency. | PIB BV | Apr/13 | 500 | 2025 |
| Financing in the amount of € 350 million obtained from a commercial bank. | PGF BV | Apr/13 | 450 | 2030, 2038 |
| Financing in the amount of € 300 million obtained from a commercial bank. | PGF BV | Feb/13 | 408 | 2028, 2033 |
| Use of a credit line in the amount of US\$ 253 hired from an export credit agency and a commercial bank. | Petrobras | Apr/13 | 253 | 2025 |
| Financing in the amount of US\$ 137 obtained from a commercial bank. | PNBV | Mar/13 | 137 | 2023 |
| | | | 17,648 | |

b) In Brazil

| Description | Company | Date | Amount | Maturity |
|--|----------------|-------------------|---------------|-----------------|
| Financing from a commercial bank with issuance of export | Petrobras | May/13 and Jun/13 | 5,333 | 2020 |

credit note.

Financing from a commercial bank with issuance of export credit note.

| | | | |
|------------------|-----------------------------|-------|--|
| Petrobras | Apr/13 | 1,487 | 2021 2014, 2015, 2016, 2017, 2022, 2024 and 2026 |
| Petrobras | Feb/13 to Jun/13 | 1,243 | |
| Petrobras | Jan/13 Mar/13 and May/13 | 250 | 2015 and 2023 |
| BR Distribuidora | May/13 | 91 | 2015 |
| Petrobras | May/13 | 72 | 2023 |
| | | 8,476 | |

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*(Expressed in millions of US Dollars, unless otherwise indicated)***15.6. Funding – Outstanding balance****a) Abroad**

| Company | Amount in US\$ million | | Balance |
|----------------|-----------------------------------|-------------|----------------|
| | Available (Line of Credit) | Used | |
| PNBV | 1,000 | 173 | 827 |
| Petrobras | 1,000 | 253 | 747 |
| PGT BV | 1,000 | 400 | 600 |

b) In Brazil

| Company | Available (Line of Credit) | | Balance |
|----------------|-----------------------------------|-------------|----------------|
| | Available (Line of Credit) | Used | |
| Transpetro(*) | 4,515 | 709 | 3,806 |
| Petrobras | 5,635 | 3,489 | 2,146 |
| Liquigas | 51 | 37 | 14 |

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

15.7. Guarantees

Petrobras is not required to provide guarantees to financial institutions. Certain loans provided by development banks, such as BNDES are secured by the assets being financed.

The loans obtained by Special Purpose Entities (SPE) are guaranteed by the project assets, as well as a lien on credit rights and shares of the SPEs.

16. Leases

16.1. Future Minimum Lease Payments / Receipts – Finance Leases

| | 06.30.2013 | |
|--|-------------------------|-------------------------|
| | Minimum receipts | Minimum payments |
| 2013 | 102 | 17 |
| 2014 - 2017 | 715 | 83 |
| 2018 and thereafter | 2,037 | 286 |
| Estimated lease receipts/payments | 2,854 | 386 |
| Interest expense (annual) | (1,294) | (281) |
| Present value of the lease receipts/payments | 1,560 | 105 |
| Current | 60 | 18 |
| Non-current | 1,500 | 87 |
| At June 30, 2013 | 1,560 | 105 |
| Current | 60 | 18 |
| Non-current | 1,536 | 86 |
| At December 31, 2012 | 1,596 | 104 |

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*(Expressed in millions of US Dollars, unless otherwise indicated)***16.2. Future Minimum Lease Payments - Operating leases**

| | 06.30.2013 |
|----------------------|-------------------|
| 2013 | 10,488 |
| 2014 - 2017 | 40,464 |
| 2018 and thereafter | 33,135 |
| At June 30, 2013 | 84,087 |
| At December 31, 2012 | 81,585 |

In the first half of 2013 the Company paid US\$ 5,579 for operating lease installments, recognized as a period expense.

17. Related parties

The Company carries out commercial transactions with its subsidiaries, joint arrangements, special purpose entities and associates at normal market prices and market conditions. At June 30, 2013 and December 31, 2012, no losses were recognized on the statement of financial position for related party accounts receivable.

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

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

| | 06.30.2013 | | 12.31.2012 | |
|---------------------------------------|-------------------|--------------------|-------------------|--------------------|
| | Assets | Liabilities | Assets | Liabilities |
| Joint ventures and associates | 796 | 589 | 780 | 597 |
| Gas distributors | 549 | 250 | 446 | 216 |
| Braskem and its subsidiaries | 96 | 86 | 152 | 109 |
| Other associates and joint ventures | 151 | 253 | 182 | 272 |
| Government entities and pension funds | 21,845 | 33,717 | 24,433 | 34,907 |
| Government bonds | 16,260 | – | 18,086 | – |

| | | | | |
|---|--------|--------|--------|--------|
| Banco do Brasil S.A. (BB) | 472 | 5,497 | 968 | 4,409 |
| Judicial deposits (CEF and BB) | 2,648 | – | 2,668 | – |
| Receivables from the Electricity sector (Note 17.2) | 1,887 | – | 1,937 | – |
| Petroleum and alcohol account - Receivables from Federal government (Note 17.3) | 377 | – | 409 | – |
| BNDES | 3 | 20,853 | 3 | 23,425 |
| Caixa Econômica Federal (CEF) | – | 5,086 | – | 4,043 |
| Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (ANP) | – | 1,487 | – | 1,936 |
| Federal government - Dividends and Interest on Capital | – | 228 | – | 478 |
| Petros (Pension fund) | – | 72 | – | 163 |
| Others | 198 | 494 | 362 | 453 |
| | 22,641 | 34,306 | 25,213 | 35,504 |
| Current | 18,063 | 4,088 | 20,354 | 5,298 |
| Non-current | 4,578 | 30,218 | 4,859 | 30,206 |

17.2. Receivables from the electricity sector

At June 30, 2013, the Company had US\$ 1,887 of receivables from the Brazilian electricity sector (US\$ 1,937 at December, 31, 2012), of which US\$ 1,328 were classified to non-current assets following negotiations occurred in 2013.

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

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

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

The Company continues to vigorously pursue an agreement to recover these receivables in full and partial payments have been made. The balance of these receivables at June 30, 2013 was US\$ 1,705 (US\$ 1,723 at December 31, 2012), of which US\$ 984 was past due (US\$ 1,451 at December 31, 2012).

The Company also has electricity supply contracts with AME signed in 2005 by its subsidiary Breitenner Energética S.A., which, pursuant to the terms of the agreements, are considered a finance lease of the two thermoelectric power plants, since the contracts determine that the power plants should be returned to AME at the end of the agreement period with no residual value (20-year term), among other contractual provisions. The balance of these receivables was US\$ 182 (US\$ 214 at December 31, 2012) none of which was overdue.

17.3. Petroleum and Alcohol accounts - Receivables from Federal Government

At June 30, 2013, the balance of receivables related to the Petroleum and Alcohol accounts was US\$ 377 (US\$ 409 at December 31, 2012). Pursuant to Provisional Measure 2,181 of August 24, 2001, the Federal Government may settle this balance by using National Treasury Notes in an amount equal to the outstanding balance, or allow the Company to offset the outstanding balance against amounts payable to the Federal Government, including taxes payable, or both options.

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

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

17.4. Compensation of employees and officers

Petrobras' key management short-term compensation (which comprises salaries and other short-term benefits) during the first half of 2013 was US\$ 3.2, referring to seven officers and ten board members (US\$ 3.5 in the first half of 2012 referring to eight officers and ten board members).

In the first half of 2013 the compensation of board members and officers for the consolidated Petrobras group amounted to US\$ 14.5 (US\$ 13.6 in the first half of 2012).

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*(Expressed in millions of US Dollars, unless otherwise indicated)***18. Provision for decommissioning costs**

| Non-current liabilities | 06.30.2013 | 12.31.2012 |
|-----------------------------------|-------------------|-------------------|
| Opening balance | 9,441 | 4,712 |
| Revision of provision | – | 5,226 |
| Payments made | (248) | (286) |
| Interest accrued | 112 | 134 |
| Others | (3) | 4 |
| Cumulative translation adjustment | (721) | (349) |
| Closing balance | 8,581 | 9,441 |

19. Taxes**19.1. Taxes and contributions**

| Current assets | 30.06.2013 | 31.12.2012 |
|---|-------------------|-------------------|
| Taxes In Brazil: | | |
| ICMS (VAT) | 1,500 | 1,542 |
| PIS/COFINS (Taxes on Revenues) | 2,340 | 2,279 |
| CIDE | 21 | 23 |
| Income taxes | 1,699 | 1,255 |
| Others | 166 | 193 |
| | 5,726 | 5,292 |
| Taxes Abroad | 359 | 280 |
| | 6,085 | 5,572 |
| Non-current assets | | |
| Taxes In Brazil: | | |
| Deferred ICMS (VAT) | 875 | 903 |
| Deferred PIS and COFINS (Taxes on Revenues) | 3,911 | 4,051 |
| Others | 276 | 252 |
| | 5,062 | 5,206 |
| Taxes Abroad | 15 | 17 |
| | 5,077 | 5,223 |
| Current liabilities | | |
| Taxes In Brazil: | | |
| ICMS (VAT) | 1,213 | 1,488 |
| PIS/COFINS (Taxes on Revenues) | 413 | 491 |

| | | |
|--------------------------|-------|-------|
| CIDE | 16 | 17 |
| Production Taxes | 2,052 | 2,624 |
| Withholding income taxes | 167 | 565 |
| Current income taxes | 204 | 281 |
| Others | 325 | 360 |
| | 4,390 | 5,826 |
| Taxes abroad | 285 | 302 |
| | 4,675 | 6,128 |

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Consolidates 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

| | Property, Plant & Equipment | | | Loans, trade and other receivables | | | Provision for | | | Interes |
|--|--|---------------|--------------------------|---|------------------------------|-----------------------|----------------------|----------------|--|----------------|
| | Oil and gas exploration costs | Others | and financing | leases | legal proceedings | Tax losses | Inventories | capital | | |
| Balance at January 1, 2012 | (11,374) | (2,203) | (425) | (844) | 335 | 343 | 634 | 473 | | |
| Recognized in profit or loss for the year | (2,327) | (1,284) | 961 | 217 | 59 | 10 | (119) | 595 | | |
| Recognized in shareholders' equity | — | — | — | — | — | — | — | — | | |
| Cumulative translation adjustment | 1,038 | 341 | 24 | 77 | (76) | (213) | (48) | (18) | | |
| Others | (14) | 35 | 1 | (38) | 28 | 969 | — | — | | |
| Balance December 31, 2012 | (12,677) | (3,111) | 561 | (588) | 346 | 1,109 | 467 | 1,050 | | |
| Recognized in profit or loss for the period | (1,448) | (766) | 562 | 20 | 123 | 54 | 68 | (1,030) | | |
| Recognized in | — | — | 809 | — | — | — | — | — | | |

| | | | | | | | | |
|--|----------|---------|-------|-------|------|-------|------|------|
| shareholders' equity Cumulative translation adjustment | 1,104 | 235 | (122) | 43 | (38) | (108) | (41) | (13) |
| Others | (34) | 171 | (102) | 15 | 1 | 517 | 48 | (15) |
| Balance at June 30, 2013 | (13,055) | (3,471) | 1,708 | (510) | 432 | 1,572 | 542 | (8) |

Deferred tax
assets
Deferred tax
liabilities
Balance at
December
31, 2012 (*)

Deferred tax
assets
Deferred tax
liabilities
Balance at
June 30,
2013

(*) Includes the effects of the adoption of IAS 19 amendment as set out on note 2.2.

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

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Consolidated notes to the financial statements

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

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:

| | Jan-Jun/2013 | Jan-Jun/2012 |
|--|---------------------|---------------------|
| Income before income taxes | 9,548 | 6,208 |
| Income taxes computed based on Brazilian Statutory Corporate Tax Rates (34%) | (3,246) | (2,111) |
| Adjustments between Income Taxes based on Statutory Rates and on the Effective Tax Rate: | | |
| · Tax benefits from the deduction of interest on capital from income | – | 502 |
| · Different taxes rates for Companies abroad | 537 | 112 |
| · Tax incentives | 11 | 93 |
| · Tax losses not recorded as assets | (103) | (201) |
| · Deductible/(non-deductible) expenses, net* | (247) | (327) |
| · Tax credits of companies abroad in the exploration stage | (2) | – |
| · Others | 171 | 104 |
| Income taxes expense | (2,879) | (1,828) |
| Deferred income taxes | (2,541) | (1,047) |
| Current income taxes | (338) | (781) |
| | (2,879) | (1,828) |
| Effective Tax Rate | 30.2% | 29.4% |

* Includes share of profit of equity-accounted investments.

20. Employee benefits (Post-Employment)

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

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Consolidated notes to the financial statements

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

The changes in the benefits granted to employees are presented as follows:

| | Jan-Jun/2013 | | |
|--|---------------------|------------------|--------------|
| | Pension | Health | |
| | Plan | Care Plan | Total |
| Balance at December 31, 2011 | 2,697 | 6,942 | 9,639 |
| (+) Initial adoption of IAS 19 amendment | 4,811 | 1,307 | 6,118 |
| Balance at January 1, 2012 | 7,508 | 8,249 | 15,757 |
| (+) Costs incurred in the year | 1,011 | 1,080 | 2,091 |
| (-) Payment of contributions | (287) | (363) | (650) |
| (-) Payments related to the financial commitment agreement | (164) | – | (164) |
| (+) Remeasurement actuarial gains / losses (IAS 19) | 4,625 | 297 | 4,922 |
| Others | 1 | (1) | – |
| Cumulative translation adjustment | (845) | (723) | (1,568) |
| Balance at December 31, 2012 | 11,849 | 8,539 | 20,388 |
| Current | 475 | 313 | 788 |
| Non-Current | 11,374 | 8,226 | 19,600 |
| | 11,849 | 8,539 | 20,388 |
| (+) Costs incurred in the period | 871 | 495 | 1,366 |
| (-) Payment of contributions | (125) | (178) | (303) |
| (-) Payments related to the financial commitment agreement | (81) | – | (81) |
| Others | 1 | – | 1 |
| Cumulative translation adjustment | (976) | (691) | (1,667) |
| Balance at June 30, 2013 | 11,539 | 8,165 | 19,704 |
| Current | 428 | 288 | 716 |
| Non-Current | 11,111 | 7,877 | 18,988 |
| | 11,539 | 8,165 | 19,704 |

The amounts recognized in the income statement related to the pension and medical plans are set out below:

| | Pension Plan Defined benefit | Variable contribution | Medical plan | Total |
|--|---|----------------------------------|---------------------|--------------|
| Current service cost | 259 | 77 | 103 | 439 |
| Interest cost over net liabilities / (assets) | 488 | 27 | 392 | 907 |
| Others | – | 20 | – | 20 |
| Net costs for the period Jan-Jun/2013 | 747 | 124 | 495 | 1,366 |
| Related to: | | | | |
| Actives employees | 512 | 123 | 255 | 890 |
| Retired employees | 235 | 1 | 240 | 476 |
| Net costs for the period Jan-Jun/2013 | 747 | 124 | 495 | 1,366 |
| Net costs for the period Jan-Jun/2012 | 376 | 141 | 565 | 1,082 |

At June 30, 2013, the Company had the carrying amount of US\$ 2,854 related to crude oil and oil products pledged as security for the Terms of Financial Commitment (TFC), signed by Petrobras and Petros in 2008.

In the first half of 2013 the Company's contribution to the defined contribution portion of the Petros Plan 2 was US\$ 154.

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Consolidated notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***21. Shareholders' equity****21.1. Share capital**

At June 30, 2013, subscribed and fully paid share capital was US\$ 107,371, represented by 7,442,454,142 outstanding common shares and 5,602,042,788 outstanding preferred shares, all of which are registered, book-entry shares with no par value.

Capital increase with reserves in 2013

The Extraordinary General Meeting held jointly with the Annual General Meeting on April 29, 2013, approved an increase of capital through capitalization of a portion of the profit reserve for tax incentives established in 2012, of US\$ 9. Share capital increased from US\$ 107,362 to US\$ 107,371.

21.2. Dividends**Dividends for 2012**

The Annual General Meeting held on April 29, 2013 approved the dividends for 2012 of US\$ 4,499, which represents 44.73% of the adjusted net income in Brazilian Reais (adjusted in accordance with Brazilian Corporation Law), an amount of US\$ 0.24 per common share and US\$ 0.48 per preferred share. Dividends, in the form of interest on capital, are to be distributed as set out below:

| | Date of approval by Board of Directors | Ex-date | Date of Payment | Common Share | | Preferred Share | | Total Amount |
|---------------------|--|------------|-----------------|------------------|------------------|------------------|------------------|--------------|
| | | | | Amount (Pre-Tax) | Amount per Share | Amount (Pre-Tax) | Amount per Share | |
| 1st payment | 04.27.2012 | 05.11.2012 | 05.31.2012 | 817 | 0.11 | 615 | 0.11 | 1,432 |
| 2nd and 3rd payment | 02.04.2013 | 04.29.2013 | 08.30.2013 | 1,800 | 0.24 | 2,699 | 0.48 | 4,499 |

Interim distributions of interest on capital in 2012 has been deducted from the distribution approved at the close of fiscal year 2012 and indexed based on the SELIC rate from the date of payment to December 31, 2012. The remaining amount of interest on capital is being indexed based on the SELIC rate from December 31, 2012 to the date of payment.

21.3. Earnings per Share

| | Jan-Jun/2013 | Jan-Jun/2012 |
|--|---------------------|---------------------|
| Net income attributable to Shareholders of Petrobras | 6,850 | 4,527 |
| 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) | 0.53 | 0.35 |

22. Sales revenues

| | Jan-Jun/2013 | Jan-Jun/2012 |
|---------------------|---------------------|---------------------|
| Gross sales revenue | 87,813 | 88,918 |
| Sales taxes | (15,899) | (16,849) |
| Sales revenues | 71,914 | 72,069 |

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Consolidated notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***23. Other operating expenses, net**

| | Jan-Jun/2013 | Jan-Jun/2012 |
|---|---------------------|---------------------|
| Pension and medical benefits | (476) | (545) |
| Legal, administrative and arbitration proceedings | (427) | (454) |
| Institutional relations and cultural projects | (336) | (372) |
| Unscheduled stoppages and pre-operating expenses | (294) | (442) |
| Inventory write-down to net realizable value | (230) | (472) |
| Expenditures on health, safety and environment | (133) | (139) |
| Impairment | – | (1) |
| Government Grants | 83 | 304 |
| Gains on disposal of non-current assets | 677 | 16 |
| Others | (96) | (117) |
| | (1,232) | (2,222) |

24. Expenses by nature

| | Jan-Jun/2013 | Jan-Jun/2012 |
|---|---------------------|---------------------|
| Raw material / products for resale | (29,369) | (28,474) |
| Production taxes | (7,140) | (8,441) |
| Employee Benefits | (6,410) | (5,633) |
| Depreciation, depletion and amortization | (6,572) | (5,394) |
| Changes in inventories | 696 | 928 |
| Materials, Freight, rent, third-party services and other related costs | (11,238) | (11,971) |
| Exploration expenditures written off (includes dry wells and signature bonuses) | (605) | (1,702) |
| Other taxes | (232) | (170) |
| Losses/Gains on legal, administrative and arbitration proceedings | (427) | (454) |
| Institutional relations and cultural projects | (336) | (372) |
| Unscheduled stoppages and pre-operating expenses | (294) | (442) |

| | | |
|---|----------|----------|
| Expenditures on health, safety and environment | (133) | (139) |
| Inventory write-down to net realizable value (market value) | (230) | (472) |
| Impairment | — | (1) |
| Gains (losses) on disposal of non-current assets | 677 | 16 |
| | (61,613) | (62,721) |
| Cost of sales | (53,428) | (52,461) |
| Selling expenses | (2,383) | (2,528) |
| General and Administrative expenses | (2,489) | (2,516) |
| Exploration costs | (1,225) | (2,312) |
| Research and development expenses | (624) | (512) |
| Other taxes | (232) | (170) |
| Other operating expenses, net | (1,232) | (2,222) |
| | (61,613) | (62,721) |

Petróleo Brasileiro S.A. – Petrobras

Consolidated notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***25. Net finance income (expense)**

| | Jan-Jun/2013 | Jan-Jun/2012 |
|---|---------------------|---------------------|
| Foreign exchange and inflation indexation charges on net debt (*) | (4,223) | (2,939) |
| Debt interest and charges | (2,640) | (2,608) |
| Income from investments and marketable securities | 552 | 1,027 |
| Financial result on net debt | (6,311) | (4,520) |
| Capitalized borrowing costs | 1,818 | 1,968 |
| Cash flow hedge on future exports | 3,856 | – |
| Gains (losses) on derivatives | (10) | 45 |
| Interest income from marketable securities | (21) | 96 |
| Other finance expense and income, net | (9) | 47 |
| Other exchange and indexation charges, net | (342) | (636) |
| Finance income (expenses), net | (1,019) | (3,000) |
| Finance income (expenses), net | | |
| Income | 926 | 1,511 |
| Expenses | (1,219) | (933) |
| Foreign exchange and inflation indexation charges, net | (726) | (3,578) |
| | (1,019) | (3,000) |

(*) Includes indexation charges on debt in local currency indexed to the U.S. dollar.

26. Supplementary statement of cash flows information

| | Jan-Jun/2013 | Jan-Jun/2012 |
|---|---------------------|---------------------|
| Amounts paid and received during the period | | |
| Income taxes paid | 781 | 483 |
| Withholding income tax paid for third-party | 1,035 | 1,276 |
| Investing and financing transactions not involving cash | | |

| | | |
|---|----|-----|
| Purchase of property, plant and equipment on credit | 90 | 144 |
|---|----|-----|

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Consolidates notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***27. Segment Information****Consolidated assets by Business Area - 06.30.2013**

| | Exploration | Refining, | Gas | | | | | | |
|-------------------------------|------------------------|------------------|----------|--------------|---------------|-----------|--------|-----|--|
| | and | Transportation & | | | | | | | |
| | Production & Marketing | Power | Biofuels | Distribution | International | Corporate | | | |
| Current assets | 6,601 | 18,411 | 3,827 | 105 | 3,137 | 3,285 | 35,719 | (5) | |
| Non-current assets | 143,831 | 71,344 | 24,026 | 1,064 | 4,658 | 14,206 | 13,970 | (3) | |
| Long-term receivables | 5,553 | 4,635 | 1,960 | 15 | 1,684 | 2,353 | 10,484 | (3) | |
| Investments | 87 | 2,465 | 771 | 822 | 5 | 2,408 | 36 | – | |
| Property, plant and equipment | 103,854 | 64,100 | 20,925 | 227 | 2,645 | 8,871 | 3,094 | – | |
| Operating assets | 63,954 | 30,812 | 17,527 | 209 | 1,984 | 4,727 | 2,298 | – | |
| Under construction | 39,900 | 33,288 | 3,398 | 18 | 661 | 4,144 | 796 | – | |
| Intangible assets | 34,337 | 144 | 370 | – | 324 | 574 | 356 | – | |
| Total Assets | 150,432 | 89,755 | 27,853 | 1,169 | 7,795 | 17,491 | 49,689 | (6) | |

Consolidated assets by Business Area - 12.31.2012

| | | | | | | | | | |
|-------------------------------|---------|--------|--------|-------|-------|--------|--------|-----|--|
| Current assets | 6,565 | 20,362 | 3,610 | 117 | 3,176 | 3,517 | 27,382 | (6) | |
| Non-current assets | 145,233 | 71,096 | 24,844 | 1,131 | 4,954 | 15,218 | 14,752 | (3) | |
| Long-term receivables | 5,120 | 4,582 | 1,715 | 16 | 1,852 | 2,233 | 10,964 | (3) | |
| Investments | 80 | 2,897 | 1,160 | 860 | 15 | 937 | 157 | – | |
| Property, plant and equipment | 102,779 | 63,463 | 21,585 | 255 | 2,733 | 10,882 | 3,204 | – | |
| Operating assets | 64,455 | 29,327 | 18,106 | 237 | 2,061 | 6,814 | 2,237 | – | |

| | | | | | | | | |
|--------------------|---------|--------|--------|-------|-------|--------|--------|-----|
| Under construction | 38,324 | 34,136 | 3,479 | 18 | 672 | 4,068 | 967 | – |
| Intangible assets | 37,254 | 154 | 384 | – | 354 | 1,166 | 427 | – |
| Total Assets | 151,798 | 91,458 | 28,454 | 1,248 | 8,130 | 18,735 | 42,134 | (7) |

Petróleo Brasileiro S.A. – Petrobras

Consolidates notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***Consolidated Statement of Income by Business Area - 2013**

| | Jan-Jun/2013 | | | | | | | | |
|---------------------|-----------------------------------|-----------------------------|---------------------|----------------------|------------------|---------|---|---------|--|
| | Exploration | Refining, | Gas | | | | | | |
| | and | Transportation & | | | | | | | |
| | Production & Marketing | Power Biofuels | Distribution | International | Corporate | | | | |
| Sales revenues | 33,454 | 56,358 | 7,912 | 225 | 21,335 | 8,587 | – | | |
| Intersegments | 33,184 | 19,858 | 637 | 193 | 581 | 1,504 | – | | |
| Third parties | 270 | 36,500 | 7,275 | 32 | 20,754 | 7,083 | – | | |
| Cost of sales | (17,307) | (59,610) | (6,418) | (250) | (19,249) | (6,976) | – | | |
| Gross profit (loss) | 16,147 | (3,252) | 1,494 | (25) | 2,086 | 1,611 | – | | |
| Income | | | | | | | | | |
| (expenses) | (2,034) | (1,846) | (509) | (47) | (1,207) | 47 | | (2,680) | |
| Selling, | | | | | | | | | |
| administrative | | | | | | | | | |
| and general | | | | | | | | | |
| expenses | (209) | (1,422) | (486) | (27) | (1,203) | (430) | | (1,182) | |
| Exploration costs | (1,174) | – | – | – | – | (51) | | – | |
| Research and | | | | | | | | | |
| development | | | | | | | | | |
| expenses | (319) | (109) | (35) | (12) | (1) | (2) | | (146) | |
| Other taxes | (24) | (38) | (39) | (1) | (12) | (78) | | (40) | |
| Other operating | | | | | | | | | |
| expenses, net | (308) | (277) | 51 | (7) | 9 | 608 | | (1,312) | |
| Income / (loss) | | | | | | | | | |
| before financial | | | | | | | | | |
| results and | | | | | | | | | |
| income taxes | 14,113 | (5,098) | 985 | (72) | 879 | 1,658 | | (2,680) | |
| Net finance | | | | | | | | | |
| income (expense) – | – | – | – | – | – | – | | (1,019) | |
| Share of profit of | | | | | | | | | |
| equity-accounted | | | | | | | | | |
| investments | (1) | 16 | 98 | (13) | 1 | 167 | | (2) | |
| Income / (loss) | | | | | | | | | |
| before income | | | | | | | | | |
| taxes | 14,112 | (5,082) | 1,083 | (85) | 880 | 1,825 | | (3,701) | |
| Income taxes | (4,798) | 1,734 | (334) | 25 | (298) | (471) | | 1,438 | |
| Net income (Loss) | 9,314 | (3,348) | 749 | (60) | 582 | 1,354 | | (2,263) | |

| | | | | | | | |
|-----------------------------|-------|---------|-----|------|-----|-------|---------|
| Net income attributable to: | | | | | | | |
| Shareholders of Petrobras | 9,295 | (3,348) | 721 | (60) | 582 | 1,315 | (1,996) |
| Non-controlling interests | 19 | — | 28 | — | — | 39 | (267) |
| | 9,314 | (3,348) | 749 | (60) | 582 | 1,354 | (2,263) |

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Consolidates notes to the financial statements

*(Expressed in millions of US Dollars, unless otherwise indicated)***Consolidated Statement of Income by Business Area - 2012**

| | Jan-Jun/2012 | | | | | | | |
|---|-----------------------------------|-----------------------------|---------------------|----------------------|------------------|---------|---------|--|
| | Exploration | Refining, | Gas | | | | | |
| | and | Transportation & | | | | | | |
| | Production & Marketing | Power Biofuels | Distribution | International | Corporate | | | |
| Sales revenues | 38,839 | 59,265 | 5,315 | 212 | 19,818 | 9,072 | – | |
| Intersegments | 38,659 | 18,702 | 688 | 154 | 387 | 1,862 | – | |
| Third parties | 180 | 40,563 | 4,627 | 58 | 19,431 | 7,210 | – | |
| Cost of sales | (16,843) | (66,101) | (4,179) | (225) | (18,064) | (7,059) | – | |
| Gross profit (loss) | 21,996 | (6,836) | 1,136 | (13) | 1,754 | 2,013 | – | |
| Income (expenses) | (3,097) | (2,259) | (558) | (62) | (1,079) | (719) | (2,548) | |
| Selling, administrative and general expenses | (259) | (1,616) | (456) | (34) | (1,087) | (448) | (1,206) | |
| Exploration costs | (2,190) | – | – | – | – | (122) | – | |
| Research and development expenses | (231) | (97) | (14) | (20) | (1) | – | (149) | |
| Other taxes | (24) | (30) | (18) | (1) | (9) | (46) | (42) | |
| Other operating expenses, net | (393) | (516) | (70) | (7) | 18 | (103) | (1,151) | |
| Income / (loss) before financial results and income taxes | 18,899 | (9,095) | 578 | (75) | 675 | 1,294 | (2,548) | |
| Net finance income (expense) – | – | – | – | – | – | – | (3,000) | |
| Share of profit of equity-accounted investments | (1) | (181) | 85 | (32) | 1 | (6) | (6) | |
| Income / (loss) before income taxes | 18,898 | (9,276) | 663 | (107) | 676 | 1,288 | (5,554) | |
| Income taxes | (6,425) | 3,092 | (196) | 26 | (230) | (671) | 2,446 | |
| Net income (Loss) | 12,473 | (6,184) | 467 | (81) | 446 | 617 | (3,108) | |

| | | | | | | | |
|-----------------------------|--------|---------|-----|------|-----|-----|---------|
| Net income attributable to: | | | | | | | |
| Shareholders of Petrobras | 12,477 | (6,184) | 445 | (81) | 446 | 580 | (2,906) |
| Non-controlling interests | (4) | — | 22 | — | — | 37 | (202) |
| | 12,473 | (6,184) | 467 | (81) | 446 | 617 | (3,108) |

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Consolidates notes to the financial statements

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

| Statement of income | Jan-Jun/2013 | | | | | | | |
|--|---------------------|---|------------|--------------|---------------------|------------------|---------------------|--------------|
| | Exploration | Refining, & Transportation & Marketing | Gas | Power | Distribution | Corporate | Eliminations | Total |
| | Sales revenues | 2,574 | 4,211 | 293 | 2,616 | – | (1,107) | |
| Intersegments | 1,532 | 1,056 | 19 | 4 | – | (1,107) | | 1,504 |
| Third parties | 1,042 | 3,155 | 274 | 2,612 | – | – | | 7,083 |
| Income before financial results, profit sharing and income taxes | 1,721 | 12 | 17 | 49 | (142) | 1 | | 1,658 |
| Net income attributable to shareholders of Petrobras | 1,430 | 23 | 15 | 44 | (198) | 1 | | 1,315 |

| Statement of income | Jan-Jun/2012 | | | | | | | |
|--------------------------------|---------------------|---|------------|--------------|---------------------|------------------|---------------------|--------------|
| | Exploration | Refining, & Transportation & Marketing | Gas | Power | Distribution | Corporate | Eliminations | Total |
| | Sales revenues | 2,702 | 4,629 | 292 | 2,575 | – | (1,126) | |
| Intersegments | 1,913 | 1,053 | 18 | 4 | – | (1,126) | | 1,862 |
| Third parties | 789 | 3,576 | 274 | 2,571 | – | – | | 7,210 |
| | 1,537 | (184) | 32 | 39 | (132) | 2 | | 1,294 |

| | | | | | | | |
|--|-----|-------|----|----|-------|---|-----|
| Income before financial results, profit sharing and income taxes | | | | | | | |
| Net income attributable to shareholders of Petrobras | 896 | (182) | 14 | 38 | (186) | – | 580 |

**Exploration Refining, Gas
& Transportation &**

| | Production & Marketing | Power Distribution | Corporate | Eliminations | Total | | |
|---|-----------------------------------|---------------------------|------------------|---------------------|--------------|---------|--------|
| Consolidated assets by International Business Area | | | | | | | |
| At 06.30.2013 | 13,911 | 2,590 | 677 | 1,082 | 1,054 | (1,823) | 17,491 |
| At 12.31.2012 | 15,080 | 2,404 | 759 | 1,085 | 1,580 | (2,173) | 18,735 |

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*(Expressed in millions of US Dollars, unless otherwise indicated)***28. Provisions for Legal Proceedings, Contingent Liabilities and Contingent Assets**

The Company is a defendant in numerous legal proceedings involving tax, civil, labor, corporate and environmental issues, as a result of its normal course of business. Based on legal advice and management's best estimates, the Company reviews whether it is probable that an outflow of resources embodying economic benefits will be required to set the obligations.

28.1. Provisions for legal proceedings

The Company has recognized a provision for proceedings for which it is probable that an outflow of resources embodying economic benefits will be required and that can be reasonably estimated. These proceedings are mainly comprised of labor claims, withholding of income taxes for securities issued outside Brazil, losses and damages resulting from the cancellation of an assignment of excise tax (IPI) credits to a third party and fishermen seeking indemnification from the Company for a January 2000 oil spill in the State of Rio de Janeiro.

The Company has provisions for legal proceedings, in the amounts set out below:

| | 06.30.2013 | 12.31.2012 |
|-------------------------|-------------------|-------------------|
| Non-current liabilities | | |
| Labor claims | 462 | 336 |
| Tax claims | 400 | 341 |
| Civil claims | 561 | 514 |
| Environmental Claims | 56 | 63 |
| Other claims | 10 | 11 |
| | 1,489 | 1,265 |

| | 06.30.2013 | 12.31.2012 |
|--|-------------------|-------------------|
| Opening Balance | 1,265 | 1,088 |
| Additional provisions | 422 | 647 |
| Amounts used during the year (payment) | (111) | (440) |
| Interest accretion expense | 40 | 99 |
| Others | 3 | (26) |

| | | |
|-----------------------------------|-------|-------|
| Cumulative translation adjustment | (130) | (103) |
| Closing Balance | 1,489 | 1,265 |

28.2. Judicial Deposits

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

| | 06.30.2013 | 12.31.2012 |
|--------------------|-------------------|-------------------|
| Non-current assets | | |
| Labor | 807 | 869 |
| Tax | 1,197 | 1,117 |
| Civil | 575 | 638 |
| Environmental | 80 | 69 |
| Others | 6 | 3 |
| | 2,665 | 2,696 |

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28.3. Contingent Liabilities

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

The estimated contingent liabilities for legal proceedings for which the likelihood of loss is considered to be possible is set out in the table below.

| | Estimates |
|---------------|------------------|
| Tax | 26,986 |
| Civil | 2,076 |
| Labor | 1,897 |
| Environmental | 654 |
| Others | 6 |
| | 31,619 |

A brief description of the nature of the main contingent liabilities (tax and civil) are set out in the tables below:

a) Tax Proceedings

| Description of tax proceedings | Estimate |
|---------------------------------------|-----------------|
|---------------------------------------|-----------------|

Plaintiff: Secretariat of the Federal Revenue of Brazil

1) Deduction of expenses from the renegotiation of the Petros Plan from the calculation basis of income tax (IRPJ) and social contribution (CSLL) and penalty charged.

Current status: Awaiting the hearing of an appeal at the administrative level. 2,010

2) Profits of subsidiaries and associates domiciled abroad in the years of 2005, 2006, 2007 and 2008 not included in the calculation basis of IRPJ and CSLL.

Current status: Awaiting the hearing of an appeal at the administrative level. 1,593

3) Deduction from the calculation basis of IRPJ and CSLL of expenses incurred in 2007 related to employee benefits and Petros.

Current status: This claim is being disputed at the administrative level, involving 806 two lawsuits.

4) Withhold income tax (IRRF) and Contribution of Intervention in the Economic Domain (CIDE) over remittances for payment of platforms' affreightment.

Current status: This claim involves lawsuits in different administrative and judicial stages, in which the Company is taking legal actions to ensure its rights. 4,180

5) Non payment of CIDE on imports of naphtha.

Current status: This claim is being discussed at the administrative level.

1,598

6) Non-payment of CIDE in the period from March 2002 until October 2003 in transactions with distributors and service stations that were holders of judicial injunctions that determined the sale of fuel without the gross-up of such tax.

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Current status: Awaiting the hearing of an appeal in the Higher Chamber of Tax Appeals (CSRF). 669

7) Non-payment of tax on financial operations (IOF) over intercompany loans with, PifCo, Brasoil and BOC.

Current status: Awaiting the hearing of an appeal at the administrative level. 1,664

8) Withhold income tax (IRRF) over remittances abroad for payment of petroleum imports.

Current status: Awaiting the hearing of an appeal at the administrative level. 1,767

9) PIS and COFINS - Tax credits recovery denied due to failure to comply with an accessory obligation in the years of 2004, 2005 and 2006.

Current status: Awaiting the hearing of an appeal at the administrative level. 808

Plaintiff: State Finance Department of AM, BA, DF, ES, PA, PE and RJ

10) Non-payment of ICMS due to differences in measuring beginning and ending inventory.

Current status: This claim involves lawsuits in different administrative levels, in 1,654
which the Company is taking legal actions to ensure its rights.

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Plaintiff: State Finance Department of Rio de Janeiro

11) ICMS on exit operations of liquid natural gas (LNG) without issuance of tax document by the main establishment.

Current status: This claim involves lawsuits in different administrative and judicial stages, in which the Company is taking legal actions to ensure its rights. 1,624

12) Dispute over ICMS tax levy in operations of sale of aviation jet fuel, as Decree 36.454/2004 was declared as unconstitutional.

Current status: This claim is being disputed at the administrative level and the Company has presented its defense. 797

Plaintiff: State Finance Department of São Paulo

13) Dispute over ICMS tax levy on the importing of a drilling rig – temporary admission in São Paulo and clearance in Rio de Janeiro and a fine for breach of accessory obligations.

Current status: One of the legal proceedings is in its administrative stage and the other one was submitted to judicial dispute, awaiting judgment on appeal by the State Finance. 1,979

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

14) Failure to withhold and collect tax on services provided offshore (ISSQN) in some municipalities located in the State of Espírito Santo, despite Petrobras having made the withholding and payment of these taxes to the municipalities where the respective service providers are established, in accordance with Complementary Law No. 116/03.

Current status: This claim involves lawsuits in different administrative and judicial stages, in which the Company is taking legal actions to ensure its rights. 916

Plaintiff: State Finance Departments of Rio de Janeiro and Sergipe

15) Use of ICMS tax credits on the purchase of drilling bits and chemical products used in formulating drilling fluid.

Current status: This claim involves lawsuits in different administrative and judicial stages, in which the Company is taking legal actions to ensure its rights. 503

16) Other tax proceedings

4,418

Total for tax proceedings

26,986

b) Civil Proceedings – General

| Description of civil proceedings | Estimate |
|---|-----------------|
|---|-----------------|

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

1) Dispute on differences in the payment of special participation charge in fields of the Campos Basin. In addition, the plaintiff is claiming fines for alleged non-compliance with minimum exploratory programs. Administrative proceedings are in course in connection with alleged irregularities in the platforms' measurement system.

Current status: This claim involves processes in different administrative and judicial stages, in which the Company is taking legal actions to ensure its rights.

| | |
|-----------------------------|-------|
| 2) Other civil proceedings | 827 |
| Total for civil proceedings | 1,249 |
| | 2,076 |

28.4. Joint Ventures – Frade field

In November 2011, an oil spillage occurred in the Frade field located in the Campos basin which was operated by Chevron Brasil, located in the Campos basin. Chevron Brasil, Chevron Latin America Marketing LLC and Transocean Brasil Ltda are defending a lawsuit claiming US\$ 10 billion in environmental damages by the federal public attorney's office. Transocean Brasil Ltda. operated the rig at Frade at the time of this spillage.

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In April 2012, a new lawsuit was filed by the Federal Public Attorney's Office against Chevron and Transocean, following new seabed leaks in the Frade field. In this suit the Federal Public Attorney's Office claimed a further US\$ 10 billion as compensation for damages.

The assessment by the Company's lawyers is that the amounts claimed are not reasonable and are disproportionately high in relation to the extent of the damages caused. In the second lawsuit, as the oil was not identified on the surface, the existence of any actual damage to the community is inconceivable.

Although the Company is not being sued, due to its 30% ownership interest in the Frade consortium, Petrobras may be contractually obliged to pay 30% of the total contingencies related to the incidents that occurred in the Frade field. In the event Chevron is held legally responsible, Petrobras may be contractually subject to the payment of up to 30% of the costs of the damages.

28.5. Contingent assets

28.5.1. Legal proceeding in the United States - P-19 and P-31

In 2002, Braspetro Oil Service Company (Brasoil) and Petrobras obtained a favorable decision in related lawsuits filed before U.S. courts by the insurance companies United States Fidelity & Guaranty Company and American Home Assurance Company in which they were seeking to obtain (since 1997 and regarding Brasoil) a judicial order exempting them from their payment obligations under the performance bond related to platforms P- 19 and P-31, and seeking reimbursement from Petrobras for any amounts for which they could ultimately be held liable in the context of the execution proceedings of such performance bond.

On July 21, 2006, the U.S. courts issued an executive decision, conditioning the payment of the amounts owed to Brasoil to a definitive dismissal of the legal proceedings involving identical claims that are currently in course before Brazilian courts.

Brasoil, Petrobras and the insurance companies already pleaded the dismissal of the Brazilian legal proceedings but their definitive dismissal is awaiting the hearing of an appeal filed by the platforms' shipbuilding company before the Superior Court for Non-Constitutional Matters (STJ).

In 2012 the Company intensified actions taken, in an attempt to settle this lawsuit. The amount of damages claimed is approximately US\$ 245.

29. Guarantees for concession agreements for petroleum exploration

The Company has guarantees for the Minimum Exploration Programs established in the concession agreements for exploration of areas by the Agência Nacional de Petróleo, Gás Natural e Biocombustíveis (“ANP”) in the total amount of US\$ 2,650, of which US\$ 2,307 are still in force, net of commitments that have been undertaken. The guarantees comprise crude oil from previously identified producing fields, pledged as security, for US\$ 1,449 and bank guarantees in the amount of US\$ 858.

30. Risk management and derivative instruments

The Company is exposed to a variety of risks arising from its operations: market risk (including price risk related to crude oil and oil products), foreign exchange risk, interest rate risk, credit risk and liquidity risk.

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*(Expressed in millions of US Dollars, unless otherwise indicated)***30.1. Risk management**

The objective of the overall risk management policy of the Company is to achieve an appropriate balance between growth, increased return on investments and risk exposure level, which can arise from its normal activities or from the context within which the Company operates, so that, through effective allocation of its physical, financial and human resources it may achieve its strategic goals.

30.2. Market risk**30.2.1. Risk management of price risk (related to crude oil and oil products)**

Petrobras does not use derivative instruments to hedge exposures to commodity price cycles related to products purchased and sold to fulfill operational needs.

Derivatives are used as hedging instruments to manage the price risk of certain transactions carried out abroad, which are usually short-term transactions similar to commercial transactions.

The main risk management techniques used by the Company to manage price risk of crude oil and oil products, in the transactions carried out abroad are operating Cash Flow at Risk (CFAR), Value at Risk (VAR) and Stop Loss.

a) Notional amount, fair value and guarantees of crude oil and oil products derivatives

| Statement of Financial Position | Notional value | | | | Maturity |
|--|-------------------------------|-------------------|---------------------|-------------------|-----------------|
| | (in thousands of bbl)* | | Fair value** | | |
| | 06.30.2013 | 12.31.2012 | 06.30.2013 | 12.31.2012 | |
| Futures contracts | (6,239) | (3,380) | (5.4) | (18) | 2013/2014 |
| Purchase commitments | 38,426 | 16,500 | | | |
| Sale commitments | (44,665) | (19,880) | | | |
| Options contracts | (460) | (2,050) | (0.5) | (1.5) | 2013 |
| Call | – | (1,080) | (0.5) | (1) | |
| Long position | 1,725 | 3,204 | | | |
| Short position | (1,725) | (4,284) | | | |

| | | | | |
|--|---------|---------|-------|--------|
| Put | (460) | (970) | – | (0.5) |
| Long position | 2,394 | 2,029 | | |
| Short position | (2,854) | (2,999) | | |
| Total recognized in other current assets and liabilities | | | (5.9) | (19.5) |

* Negative notional values (in bbl) represent short positions.

** Negative fair values were recorded in liabilities and positive fair values in assets.

| | | |
|---|---------------------|---------------------|
| Finance income | Jan-Jun/2013 | Jan-Jun/2012 |
| Gain / (Loss) recognized in profit or loss for the period | 52 | 52 |

| | | |
|---------------------------------------|-------------------|-------------------|
| Guarantees given as collateral | 06.30.2013 | 12.31.2012 |
| Generally consist of deposits | 150 | 103 |

b) Sensitivity analysis of crude oil and oil products derivatives

The probable scenario is the fair value at June 30, 2013. The stressed scenarios consider price changes of 25% and 50% on the risk variable, respectively, comparatively to June 30, 2013.

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| Crude Oil and Oil Products | Risk | Probable Scenario at 06.30.2013 | Stressed Scenario (Δ of 25%) | Stressed Scenario (Δ of 50%) |
|-----------------------------------|--|--|-------------------------------------|-------------------------------------|
| Brent | Derivative (Brent prices increase) | 16 | (170) | (356) |
| | Inventories (Brent prices decrease) | (9) 7 | 180 10 | 367 11 |
| Diesel | Derivative (Diesel prices decrease) | (1.0) | (21.7) | (42) |
| | Inventories (Diesel prices increase) | 1.4 0.4 | 22.1 0.4 | 42 – |
| Freight | Derivative (Freight costs decrease) | – | (1) | (2) |
| | Inventories (Freight costs increase) | – – | 1 – | 2 – |
| Gasoline | Derivative (Gasoline prices increase) | (7.2) | (20) | (33) |
| | Inventories (Gasoline prices decrease) | 8.6 1.4 | 22 2 | 35 2 |
| Naphtha | Derivative (Naphtha prices increase) | 0.5 | (2) | (4) |
| | Inventories (Naphtha prices decrease) | 1.4 1.9 | 4 2 | 6 2 |
| Fuel Oil | Derivative (Fuel Oil prices increase) | 3 | (34) | (70) |
| | Inventories (Fuel Oil prices decrease) | (3) – | 34 – | 70 – |
| WTI | Derivative (WTI prices decrease) | (5) | (24) | (44) |
| | Inventories (WTI prices increase) | 1 (4) | 21 (3) | 41 (3) |

c) Embedded derivatives – sale of ethanol

On March 8, 2013 the Company entered into an agreement to amend the ethanol sale contract, modifying prices and quantities. The selling price of each future ethanol shipment will be based on the price of ethanol in the Brazilian market (ESALQ) plus a spread. The amended agreement therefore no longer has a derivative instrument measured as an embedded derivative.

The notional value, fair value and the sensitivity analysis of the swap are presented below:

| Forward Contract | Notional value (in thousands of m³) | Fair Value | | Sensitivity analysis at 06.30.2013 | | |
|----------------------------------|---|-------------------|-------------------|---|----------------------------------|----------------------------------|
| | | 06.30.2013 | 12.31.2012 | Risk | Probable Scenario (Δ 25%) | Stressed Scenario (Δ 50%) |
| Long position (maturity in 2015) | – | 36 | | Decrease in spread (Naphtha x Ethanol) – | – | – |

| Finance Income | Jan-Jun/ 2013 | Jan-Jun/ 2012 |
|--|----------------------|----------------------|
| Gain/ (loss) recognized in profit or loss for the period | (37) | (6) |

30.2.2. Foreign exchange risk management

The Company is exposed to foreign exchange risk from its assets and liabilities, arising from the volatility of currency markets.

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Petrobras seeks to identify and manage foreign exchange risk in an integrated manner, by recognizing and creating “natural hedges”, benefiting from the correlation between income and expenses. To mitigate short-term exchange risk exposure arising from transactions involving income and expenses in different currencies, the Company uses natural hedges by choosing the currency in which to hold cash, such as the Brazilian Real, US dollar or other currency.

Foreign exchange risk is managed based on the net exposure and reviewed periodically to support the Executive Board. The Company can use derivative instruments to hedge certain liabilities, minimizing foreign exchange exposure.

a) Hedge Accounting

i) Cash Flow Hedge involving the Company’s future exports

Effective mid-May 2013, the Company formally documented and designated cash flow hedging relationships to hedge a portion of its highly probable future monthly export revenues in U.S. dollars using a portion of its obligations denominated in U.S. dollars for foreign currency risks, related to changes in foreign currency spot rates.

Principal amounts of long-term debt (non-derivative financial instruments) and notional values of foreign currency forward contracts were designated as hedging instruments. The derivative financial instruments expired during the second quarter and were replaced by long-term debt principal amounts in the hedging relationships on which they had been designated. Both debt and derivative financial instruments are exposed to Brazilian Real vs. U.S. dollar foreign currency risks related to the spot rate. Monthly export revenues of US\$ 43,859 of monthly export revenues to occur between July 1st, 2013 and May 31st, 2020 were designated as hedged transactions.

The Company has prepared formal documentation in order to support the designation above, including an explanation of how the designation of the hedging relationship is aligned with the Company’s Risk Management Policy objective and strategy, identification of the hedging instrument, the hedged transactions, the nature of the risk being hedged and an analysis which demonstrates that the hedge is expected to be highly effective. The Company will reassess the prospective and retrospective effectiveness of the hedge on an ongoing basis comparing the foreign currency component of the carrying amount of the hedging instruments and of the highly probable future exports (spot-rate method).

Cash Flow Hedge accounting permits that gains and losses arising from the effect of changes in the foreign currency exchange rate on derivative and non-derivative hedging instruments not be immediately recognized in profit or loss, but be reclassified from equity to profit or loss in the same periods during which the future exports occur, thus allowing for a more

appropriate presentation of the results for the period reflecting the strategy in the Company's Risk Management Policy.

The principal amounts at the date of designation and the carrying amount of the hedging instruments at June 30, 2013, along with the foreign currency losses recognized in Other comprehensive income (equity) are set out below:

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| Hedging Instrument | Hedged Transactions | Nature of the Risk | Maturity Date | Principal Amount (US\$) | Carrying amount of the Hedging Instruments on 06.30.2013 (R\$) |
|--------------------------------------|---|--|-----------------------|--------------------------------|---|
| Non-Derivative Financial Instruments | Portion of Highly Probable Future Monthly Export Revenues | Foreign Currency – Real vs U.S. Dollar Spot Rate | July 2013 to May 2020 | 43,859 | 97,175 |

| Shareholders' equity | Jan-Jun/2013 | Jan-Jun/2012 |
|--|---------------------|---------------------|
| Gain/ (loss) recognized in other comprehensive income - shareholders' equity | (3,856) | – |

ii) Cash Flow Hedge involving swap contracts - Yen vs. Dollar

In September 2006 the Company entered into a cross currency swap to fix in U.S. dollars the payments related to bonds denominated in Japanese yen. The Company does not intend to settle these contracts before the maturity. The relationship between the derivative and the loan qualify as cash flow hedge and hedge accounting is applied.

The effective portion of changes in fair value, assessed on a quarterly basis, are recognized in accumulated other comprehensive income, in the shareholders' equity and reclassified to

profit or loss in the periods when the hedged transaction item affects profit or loss.

b) Notional value, fair value and guarantees of derivative financial instruments

| Statement of financial position | Notional value (in millions) | | Fair Value | |
|--|-------------------------------------|-------------------|-------------------|-------------------|
| | 06.30.2013 | 12.31.2012 | 06.30.2013 | 12.31.2012 |
| Cross Currency Swap (maturity in 2016) | | | 28 | 76 |
| Long Position (JPY) - 2.15% p.a. | JPY 35,000 | JPY 35,000 | 375 | 434 |
| Short Position (USD) - 5.69% p.a. | USD 298 | USD 298 | (347) | (358) |
| U.S. dollar forward | | | (9) | 0.5 |
| U.S. dollar forward (long position) | USD 41 | | 1 | – |
| U.S. dollar forward (short position) | USD 221 | USD 1,077 | (10) | 0.5 |
| Total recognized in other current assets and liabilities | | | 19 | 76.5 |

| Finance income and shareholders' equity | Jan-Jun/ 2013 | Jan-Jun/ 2012 |
|--|----------------------|----------------------|
| Gain /(loss) recognized in profit or loss for the period | (25) | (1) |
| Gain/ (loss) recognized in other comprehensive income - shareholders' equity | 4 | 8 |

Margin is not required for the operations the Company has entered into, related to foreign currency derivatives.

c) Sensitivity analysis for foreign exchange risk on financial instruments

The Company has assets and liabilities subject to foreign exchange risk. The main exposure involves the Brazilian Real, relative to the U.S. dollar. Foreign exchange risk arises on financial instruments that are denominated in a currency other than the Brazilian Real. Assets and liabilities of foreign subsidiaries, denominated in a currency other than the Brazilian Real are not included in the sensitivity analysis set out below when transacted in a currency equivalent to their respective functional currencies.

The probable scenario, computed based on external data, as well as the stressed scenarios (a 25% and a 50% change in the foreign exchange rates) are set out below:

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| Financial Instruments | Exposure in 06.30.2013 | Risk | Probable Scenario* | Stressed Scenario (Δ of 25%) | Stressed Scenario (Δ of 50%) |
|--|-----------------------------------|-------------|-------------------------------|---|---|
| Financial Instruments (Assets) | 2,621 | | (66) | 655 | 1,311 |
| Financial Instruments (Liabilities) | (54,822) | Dollar | 1,376 | (13,706) | (27,411) |
| Hedge accounting: Exports x Debt | 43,859 | | (1,101) | 10,965 | 21,929 |
| Forward Derivative (Net short Position) | (180) | | 5 | (45) | (90) |
| | (8,522) | | 214 | (2,131) | (4,261) |
| Financial Instruments (Assets) | – | | – | – | – |
| Financial Instruments (Liabilities) | (959) | Yen | 37 | (240) | (480) |
| Cross-currency Swap | 353 | | (21) | 146 | 375 |
| | (606) | | 16 | (94) | (105) |
| Financial Instruments (Assets) | 3,302 | Euro | (53) | 826 | 1,651 |
| Financial Instruments (Liabilities) | (8,921) | | 144 | (2,230) | (4,460) |
| | (5,619) | | 91 | (1,404) | (2,809) |
| Financial Instruments (Assets) | 835 | Pound | (6) | 209 | 417 |
| Financial Instruments (Liabilities) | (2,514) | Sterling | 19 | (629) | (1,257) |
| | (1,679) | | 13 | (420) | (840) |
| Financial Instruments (Assets) | 286 | Peso | (8) | 71 | 143 |
| Financial Instruments (Liabilities) | (1,199) | | 35 | (300) | (600) |
| | (913) | | 27 | (229) | (457) |
| | (17,339) | | 361 | (4,278) | (8,472) |

(*) The probable scenario was computed based on the following changes for June, 30, 2013: Real x Dollar – a 2.51% appreciation of the Dollar relative to the Real / Dollar x Yen – a 3.89% depreciation of the Yen / Dollar x Euro: a 1.61% depreciation of the Euro / Dollar x Pound

Sterling: a 0.74% depreciation of the Pound Sterling / Dollar x Peso: a 2.97% depreciation of the Peso. The data were obtained from the Focus Report of the Central Bank of Brazil and from Bloomberg.

The impact of foreign exchange depreciation / appreciation does not jeopardize the liquidity of the Company in the short term due to the balance between liabilities, assets, revenues and future commitments in foreign currency, since most of its debt mature in the long term.

30.2.3. Interest rate risk management

The Company is mainly exposed to interest rate risk related to changes in the LIBOR rate, arising from debt issued in foreign currency and to changes in the Brazilian long-term interest rate (TJLP), arising from debt issued in Brazilian Real. An increase in interest rates causes a negative impact in the Company's finance expense and its financial position.

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

a) Main transactions and future commitments hedged by interest rate derivatives

Swap contracts

Floating-to-fixed swap (LIBOR USD) vs. Fixed rate (USD)

In November 2010 the Company entered into an interest rate swap, in order to exchange a floating interest rate for a fixed rate, aiming at eliminating the mismatch between the cash flows of assets and liabilities from investment projects. The Company does not intend to settle the operation before the maturity date, and therefore, adopted hedge accounting for the relationship between the finance debt and the derivative.

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Other positions held are set out in the table below.

b) Notional value, fair value, guarantees and sensitivity analysis for interest rate derivatives

| Statement of Financial Position | Notional value | | Fair value | |
|---|-----------------------|-------------------|-------------------|-------------------|
| | 06.30.2013 | 12.31.2012 | 06.30.2013 | 12.31.2012 |
| Swaps (maturity in 2020) Short position | USD 450 | USD 460 | (24) | (42) |
| Swaps (maturity in 2015) Long position – Euribor | EUR 12 | EUR 15 | (1) | (1) |
| Short position – 4.19% Fixed rate | EUR 12 | EUR 15 | – | 0.5 |
| | | | (1) | (1.5) |
| Total recognized in other assets and liabilities | | | (25) | (43) |

| Finance income and shareholders' equity | Jan-Jun/2013 | Jan-Jun/2012 |
|---|---------------------|---------------------|
| Gain / (Loss) recognized in profit or loss for the period | – | (0.5) |
| Gain / (Loss) recognized in other comprehensive income - shareholders' equity | 4 | (11) |

| Interest Rate Derivatives | Risk | Probable | Stressed | Stressed |
|----------------------------------|-------------|-----------------|-----------------|-----------------|
|----------------------------------|-------------|-----------------|-----------------|-----------------|

| | | Scenario (*) | Scenario | Scenario |
|---------------------------|------------------|---------------------|-------------------|-------------------|
| | | | (Δ de 25%) | (Δ de 50%) |
| HEDGE (Derivative - Swap) | LIBOR decline | (11) | 0.5 | 0.5 |
| Debt | LIBOR increase | 11 | (0.5) | (0.5) |
| Net effect | | — | — | — |
| HEDGE (Derivative - Swap) | Euribor decline | 0.5 | — | — |
| Debt | Euribor increase | (0.5) | — | — |
| Net effect | | — | — | — |

(*) The probable scenario was obtained based on LIBOR futures.

Margin is not required for the operations the Company has entered into, related to interest rate derivatives.

30.3. Credit risk

Petrobras is exposed to the credit risk arising from commercial transactions and from cash management, related to financial institutions and to credit exposure to customers. Credit risk is the risk that a customer or financial institution will fail to pay amounts due, relating to outstanding receivables or to financial investments, guarantees or deposits with financial institutions.

Credit risk management in Petrobras is a portion of its financial risk management, which is performed by the Company's officers, under a corporate policy of risk management. The Credit Commissions are, each, composed of executive Managers for Risk Management, Finance and Commercial Department.

The purpose of the Credit Commissions is to analyze credit management issues, relating to granting and managing credit; to encourage integration between the units that compose the Credit Commissions; and to identify recommendations to be applied in the units involved or to be submitted to the appreciation of higher jurisdictions.

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

The credit risk management policy is part of the Company's global risk management policy and aims at reconciling the need for minimizing exposure to credit risk and maximizing the result of commercial and financial transactions, through an efficient credit analysis process and efficient credit granting and management processes.

The Company manages credit risk by applying quantitative and qualitative parameters that are appropriate for each of the market segments in which it operates.

The Company's commercial credit portfolio is much diversified and the credits granted are divided between clients from the domestic market and from foreign markets.

Credit granted to financial institutions is spread among the major international banks rated by the international rating agencies as Investment Grade and highly-rated Brazilian banks.

The maximum exposure to credit risk is represented mainly by the balance of accounts receivable and derivative financial instruments outstanding.

30.4. Liquidity risk

The Company's liquidity risk is represented by the possibility of a shortage of funds, cash or another financial asset in order to settle its obligations on the established dates.

The liquidity risk management policy adopted by the Company provides that the maturity of its debt continues to be lengthened, exploring the funding opportunities available in the domestic market and being significantly active in the international capital markets by broadening the investor's base in fixed income.

Petrobras finances its working capital through a centralized cash management for the group and by assuming short-term debt, which is usually related to commercial transactions, such as export credit notes and advances on foreign exchange contracts. Investments in non-current assets are financed through long-term debt, such as bonds issued in the international market, funding from credit bureaus, financing and pre-payment of exports, development banks in Brazil and abroad, and lines of credit with national and international commercial banks.

A maturity analysis of the long-term debt, including face value and interest payments is set out in the table below:

Maturity

| | |
|------|--------|
| 2013 | 8,507 |
| 2014 | 8,393 |
| 2015 | 12,264 |

| | |
|------------------------------|---------|
| 2016 | 15,547 |
| 2017 | 13,131 |
| 2018 | 18,767 |
| 2019 and thereafter | 78,159 |
| Balance at June 30, 2013 | 154,768 |
| Balance at December 31, 2012 | 136,068 |

30.5. Financial investments (derivative financial instruments)

Operations with derivatives are, both in the domestic and foreign markets, earmarked exclusively for the exchange of indices of the assets that comprise the portfolios, and their purpose is to provide flexibility to the managers in their quest for efficiency in the management of short-term financial assets.

The market values of the derivatives held in the exclusive investment funds at June 30, 2013 are set out below:

Petróleo Brasileiro S.A. – Petrobras

Consolidated notes to the financial statements

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

| Contract | Number of | | | Maturity |
|-------------------------------|--------------------|-----------------|--------------|---------------------------|
| | Contracts | Notional | Fair | |
| | (Thousands) | value | value | |
| Future DI (Interbank Deposit) | | | 7 | 2013; 2014; 2015; 2016 |
| Long position | 24,804 | 983 | (2) | |
| Short position | (152,702) | (6,026) | 9 | |
| U.S. dollar forward | | | 1 | 2013 |
| Long position | 1,205 | 61 | 1 | |
| Short position | – | – | – | |

31. Fair values of financial assets and liabilities

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

At June 30, 2013, the estimated fair value for the Company's long term debt was US\$ 105,914 and was computed based on the prevailing market rates for operations that have similar nature, maturity and risk to the contracts recognized and it may be compared to the carrying amount of US\$ 104,102.

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

| Prices | Fair value measured based on | | Total |
|------------------|-------------------------------------|------------------|-----------------|
| | Valuation | Valuation | |
| quoted | technique | technique | fair |
| on active | supported by | without | value |
| market | observable | use of | recorded |
| | prices | prices | |

| | (Level 1) | (Level 2) | observable prices (Level 3) | |
|------------------------------|------------------|------------------|--|----------|
| Assets | | | | |
| Marketable securities | 9,709 | — | — | 9,709 |
| Commodity derivatives | — | — | — | — |
| Foreign currency derivatives | — | 19 | — | 19 |
| Balance at June 30, 2013 | 9,709 | 19 | — | 9,728 |
| Balance at December 31, 2012 | 10,463.5 | 76 | 36 | 10,575.5 |
| Liabilities | | | | |
| Commodity derivatives | (6) | — | — | (6) |
| Interest derivatives | — | (25) | — | (25) |
| Balance at June 30, 2013 | (6) | (25) | — | (31) |
| Balance at December 31, 2012 | (62) | — | — | (62) |

Petróleo Brasileiro S.A. – Petrobras

Consolidated notes to the financial statements

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

32. Subsequent events

a) Acquisition of blocks in the 11th bid round from Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (ANP)

On May 15, 2013 Petrobras acquired 34 exploratory blocks available in the 11th bid round from ANP. Signature bonuses amounted to US\$ 659, US\$ 243 of which were paid by Petrobras and US\$ 416 by its partners. The Company will operate 12 of the 34 blocks acquired, 5 of which are involved in partnerships and 7 are exclusive for Petrobras. The remaining 22 blocks will be operated by partners. The signature bonus was paid in July 2013 and the concession agreements were signed in August 2013.

b) Financing Contracts

JBIC

On July 16, 2013 the Company contracted with Japan Bank for International Cooperation (JBIC) two financing programs amounting up to US\$ 1.5 billion. Mizuho Bank Ltd. will be the agent for the programs. The credit lines will be 60% financed by JBIC and 40% by private Japanese financial institutions.

BNP Paribas

On July 31, 2013, Petrobras Global Trading BV (PGT BV) contracted with BNP Paribas a line of credit in the amount of US\$ 1 billion.

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

33. Information Related to Guaranteed Securities Issued by Subsidiaries

33.1. Petrobras Global Finance B.V. (PGF)

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

33.2. Petrobras International Finance Company – PiFCo

Petróleo Brasileiro S.A. - Petrobras has fully and unconditionally guaranteed the debt securities of Petrobras International Finance Company - PifCo, a 100-percent-owned subsidiary of Petrobras.

The following condensed consolidated financial information is provided for Petróleo Brasileiro S.A. – Petrobras, as guarantor, and for Petrobras International Finance Company – PifCo, as issuer, as an alternative to providing separate financial statements for the issuer in accordance with SEC Regulation SX 3-10 (c). The financial statements of Petrobras and PifCo are presented using the equity method of accounting for investments in subsidiaries.

Petróleo Brasileiro S.A. – Petrobras

Consolidated notes to the financial statements

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

| Consolidated Statement of Financial Position Assets | 06.30.2013 | | | Consolidating and Eliminating Adjustments | Consolidated |
|--|---|--------------|---|--|---------------------|
| | Petrobras S.A. Guarantor | PifCo | All Other Consolidated Companies | | |
| Current assets | 55,312 | 3,789 | 47,166 | (40,954) | 65,313 |
| Cash and cash equivalents | 12,346 | 2,301 | 18,604 | (10,120) | 23,131 |
| Marketable securities | 16,847 | 38 | 954 | (8,008) | 9,831 |
| Trade and other receivables, net | 4,195 | – | 4,843 | 950 | 9,988 |
| Intercompany receivable | 3,478 | 1 | 18,189 | (21,668) | – |
| Inventories | 11,563 | – | 3,468 | (996) | 14,035 |
| Others | 6,883 | 28 | 1,108 | 309 | 8,328 |
| Discontinued operations | – | 1,421 | – | (1,421) | – |
| Non-current assets | 228,176 | 25,065 | 120,000 | (100,486) | 272,755 |
| Accounts receivable, net | | | | | |
| Intercompany receivable | 1,556 | 25,065 | 29,363 | (55,984) | – |
| Marketable securities | 116 | – | 6,634 | (6,598) | 152 |
| Deferred tax assets | 6,408 | – | 2,200 | 631 | 9,239 |
| Others | 9,107 | – | 8,003 | (161) | 16,949 |
| Investments | 39,815 | – | 4,089 | (37,310) | 6,594 |
| Property, plant and equipment , net | 136,039 | – | 68,733 | (1,056) | 203,716 |
| Intangible assets | 35,135 | – | 978 | (8) | 36,105 |
| Total assets | 283,488 | 28,854 | 167,166 | (141,440) | 338,068 |
| Liabilities | | | | | |
| Current liabilities | 31,146 | 1,076 | 17,285 | (18,742) | 30,765 |
| Current debt | 331 | 1,072 | 6,793 | – | 8,196 |
| Trade payables | 6,404 | – | 5,000 | – | 11,404 |
| Intercompany payables | 6,541 | 2 | 2,722 | (9,265) | – |
| Taxes payable | 3,923 | – | 752 | – | 4,675 |
| Others | 13,947 | – | 2,018 | (9,475) | 6,490 |

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| | | | | | |
|--|---------|--------|---------|-----------|---------|
| Discontinued operations | – | 2 | – | (2) | – |
| Non-current liabilities | 99,668 | 27,644 | 93,495 | (66,972) | 153,835 |
| Non-current debt | 24,218 | 27,517 | 52,367 | – | 104,102 |
| Deferred taxes | 18,145 | – | 1,405 | – | 19,550 |
| Intercompany payables | 29,354 | 127 | 37,114 | (66,595) | – |
| Others | 27,951 | – | 2,609 | (377) | 30,183 |
| Petrobras shareholder's equity | 152,674 | 134 | 55,442 | (55,576) | 152,674 |
| Non-controlling interests | – | – | 944 | (150) | 794 |
| Total liabilities and shareholder's equity | 283,488 | 28,854 | 167,166 | (141,440) | 338,068 |

Petróleo Brasileiro S.A. – Petrobras

Consolidated notes to the financial statements

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

| Consolidated Statement of Financial Position Assets | 12.31.2012 | | | Consolidating and Eliminating Adjustments | Consolidated |
|--|---|--------------|---|--|---------------------|
| | Petrobras S.A. Guarantor | PifCo | All Other Consolidated Companies | | |
| Current assets | 47,077 | 1,797 | 36,292 | (27,372) | 57,794 |
| Cash and cash equivalents | 8,511 | 191 | 9,545 | (4,727) | 13,520 |
| Marketable securities | 11,441 | – | 3,391 | (4,401) | 10,431 |
| Trade and other receivables, net | 4,495 | 1 | 5,255 | 1,348 | 11,099 |
| Intercompany receivable | 4,007 | 7 | 13,682 | (17,696) | – |
| Inventories | 12,189 | – | 3,237 | (874) | 14,552 |
| Others | 6,434 | 177 | 1,182 | 399 | 8,192 |
| Discontinued operations | – | 1,421 | – | (1,421) | – |
| Non-current assets | 231,690 | 27,348 | 104,274 | (86,452) | 276,860 |
| Accounts receivable, net | | | | | |
| Intercompany receivable | 3,222 | 27,348 | 16,275 | (46,845) | – |
| Marketable securities | 141 | – | 4,429 | (4,394) | 176 |
| Deferred tax assets | 6,126 | – | 1,797 | 612 | 8,535 |
| Others | 9,509 | – | 8,102 | (208) | 17,403 |
| Investments | 37,588 | – | 3,031 | (34,513) | 6,106 |
| Property, plant and equipment, net | 136,934 | – | 69,058 | (1,091) | 204,901 |
| Intangible assets | 38,170 | – | 1,582 | (13) | 39,739 |
| Total assets | 278,767 | 29,145 | 140,566 | (113,824) | 334,654 |
| Liabilities | | | | | |
| Current liabilities | 33,276 | 2,683 | 17,039 | (18,928) | 34,070 |
| Current debt | 449 | 2,569 | 4,461 | – | 7,479 |
| Trade payables | 6,783 | 5 | 5,336 | – | 12,124 |
| Intercompany payables | 9,953 | 6 | 3,911 | (13,870) | – |
| Taxes payable | 5,147 | – | 981 | – | 6,128 |
| Others | 10,944 | 101 | 2,350 | (5,056) | 8,339 |

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| | | | | | |
|--|---------|---------|---------|-----------|---------|
| Discontinued operations | – | 2 | – | (2) | – |
| Non-current liabilities | 84,920 | 27,720 | 80,760 | (54,539) | 138,861 |
| Non-current debt | 23,292 | 27,720 | 37,472 | – | 88,484 |
| Deferred taxes | 17,218 | – | 1,995 | – | 19,213 |
| Intercompany payables | 14,060 | – | 38,749 | (52,809) | – |
| Others | 30,350 | – | 2,544 | (1,730) | 31,164 |
| Petrobras shareholder's equity | 160,571 | (1,258) | 41,811 | (40,553) | 160,571 |
| Non-controlling interests | – | – | 956 | 196 | 1,152 |
| Total liabilities and shareholder's equity | 278,767 | 29,145 | 140,566 | (113,824) | 334,654 |

Petróleo Brasileiro S.A. – Petrobras

Consolidated notes to the financial statements

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

| Consolidated Statement of Income | June 30, 2013 | | | Consolidating and Eliminating Adjustments | Consolidated |
|---|---|--------------|---|--|---------------------|
| | Petrobras S.A. Guarantor | PifCo | All Other Consolidated Companies | | |
| Sales revenues | 56,400 | – | 54,987 | (39,473) | 71,914 |
| Third parties | 36,515 | – | 35,399 | – | 71,914 |
| Intercompany | 19,885 | – | 19,588 | (39,473) | – |
| Cost of sales | (43,097) | – | (47,540) | 37,209 | (53,428) |
| Gross profit | 13,303 | – | 7,447 | (2,264) | 18,486 |
| Income (expenses) | | | | | |
| Selling expenses | (3,050) | – | (1,476) | 2,143 | (2,383) |
| General and | | | | | |
| Administrative expenses | (1,723) | (8) | (761) | 3 | (2,489) |
| Exploration costs | (1,173) | – | (52) | – | (1,225) |
| Research and | | | | | |
| development expenses | (605) | – | (19) | – | (624) |
| Other taxes | (86) | – | (197) | 51 | (232) |
| Other operating expenses, net | (1,758) | – | 625 | (99) | (1,232) |
| Net finance income (expense) | (230) | (126) | (1,383) | 720 | (1,019) |
| Share of profit of equity-accounted investments | 3,730 | – | 365 | (3,829) | 266 |
| Net income from discontinuing operations | – | – | – | – | – |
| Net income before income taxes | 8,408 | (134) | 4,549 | (3,275) | 9,548 |
| Income taxes | (1,558) | – | (1,036) | (285) | (2,879) |
| Net income (loss) | 6,850 | (134) | 3,513 | (3,560) | 6,669 |
| Net income (loss) attributable to: | | | | | |
| Shareholders of Petrobras | 6,850 | (134) | 3,454 | (3,320) | 6,850 |
| Non-controlling interests | – | – | 59 | (240) | (181) |
| | 6,850 | (134) | 3,513 | (3,560) | 6,669 |

| Consolidated Statement of Income | June 30, 2012 | | | Consolidating and Eliminating Adjustments | Consolidated |
|---|---|--------------|---|--|---------------------|
| | Petrobras S.A. Guarantor | PifCo | All Other Consolidated Companies | | |
| Sales revenues | 55,650 | — | 57,795 | (41,376) | 72,069 |
| Third parties | 33,960 | — | 38,109 | — | 72,069 |
| Intercompany | 21,690 | — | 19,686 | (41,376) | — |
| Cost of sales | (41,560) | — | (50,237) | 39,336 | (52,461) |
| Gross profit | 14,090 | — | 7,558 | (2,040) | 19,608 |
| Income (expenses) | | | | | |
| Selling expenses General and | (3,101) | — | (1,399) | 1,972 | (2,528) |
| Administrative expenses | (1,772) | (6) | (739) | 1 | (2,516) |
| Exploration costs | (2,199) | — | (113) | — | (2,312) |
| Research and development expenses | (507) | — | (5) | — | (512) |
| Other taxes | (76) | — | (149) | 55 | (170) |
| Other operating expenses, net | (1,999) | — | (309) | 86 | (2,222) |
| Net finance income (expense) | (1,102) | (189) | (1,214) | (495) | (3,000) |
| Share of profit of equity-accounted investments | 1,972 | — | 73 | (2,185) | (140) |
| Net income from discontinuing operations | — | 4 | — | (4) | — |
| Net income before income taxes | 5,306 | (191) | 3,703 | (2,610) | 6,208 |
| Income taxes | (779) | — | (1,030) | (19) | (1,828) |
| Net income (loss) | 4,527 | (191) | 2,673 | (2,629) | 4,380 |
| Net income (loss) attributable to: | | | | | |
| Shareholders of Petrobras | 4,527 | (191) | 2,620 | (2,429) | 4,527 |
| Non-controlling interests | — | — | 53 | (200) | (147) |
| | 4,527 | (191) | 2,673 | (2,629) | 4,380 |

Petróleo Brasileiro S.A. – Petrobras

Consolidated notes to the financial statements

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

| Statement of cash flows | June 30, 2013 | | | Consolidating and Eliminating Adjustments | Consolidated |
|---|---------------------------------|--------------|---|--|---------------------|
| | Petrobras S.A. Guarantor | PifCo | All Other Consolidated Companies | | |
| Cash from operating activities – continuing operations | 11,347 | (379) | 3,975 | 338 | 15,281 |
| Cash from operating activities – discontinuing operations | – | 1 | – | (1) | – |
| Net cash provided by/(used in) operating activities | 11,347 | (378) | 3,975 | 337 | 15,281 |
| Cash flows from Investing activities | | | | | |
| Investments in operating segments | (18,045) | – | (4,336) | 3,505 | (18,876) |
| Investments in Marketable securities | (6,577) | (38) | 304 | 6,215 | (96) |
| Net intercompany investing | – | 2,415 | – | (2,415) | – |
| Net cash provided by/(used in) investing activities | (24,622) | 2,377 | (4,032) | 7,305 | (18,972) |
| Cash flows from financing activities | | | | | |
| Capital issuance | – | 1,520 | 13,863 | (15,383) | – |
| Acquisition of non-controlling interest | – | – | – | (98) | (98) |
| Proceeds from long-term financing | 8,552 | – | 21,120 | – | 29,672 |
| Intercompany Financing Proceeds (Payments) | 17,990 | (1,358) | (24,824) | 8,192 | – |
| Repayments | (7,145) | (51) | 625 | (7,422) | (13,993) |
| Dividends paid | (1,387) | – | (887) | 888 | (1,386) |
| Net cash provided by/(used in) financing activities | 18,010 | 111 | 9,897 | (13,823) | 14,195 |

| | | | | | |
|---|--------|-------|--------|----------|--------|
| Effect of exchange rate changes on cash and cash equivalents | (901) | – | (780) | 788 | (893) |
| Net increase/ (decrease) in cash and cash equivalents in the period | 3,834 | 2,110 | 9,060 | (5,393) | 9,611 |
| Cash and cash equivalents at the beginning of the period | 8,511 | 191 | 9,545 | (4,727) | 13,520 |
| Cash and cash equivalents at the end of the period | 12,346 | 2,301 | 18,604 | (10,120) | 23,131 |

| | June 30, 2012 | | | Consolidating and Eliminating Adjustments | Consolidated |
|---|---------------------------------|--------------|---|--|---------------------|
| Statement of cash flows | Petrobras S.A. Guarantor | PifCo | All Other Consolidated Companies | | |
| Cash from operating activities – continuing operations | 10,568 | 266 | 4,580 | (1,270) | 14,144 |
| Cash from operating activities – discontinuing operations | – | (111) | – | 111 | – |
| Net cash provided by/(used in) operating activities | 10,568 | 155 | 4,580 | (1,159) | 14,144 |
| Cash flows from investing activities | | | | | |
| Investments in operating segments | (16,803) | – | (6,189) | 3,672 | (19,320) |
| Investments in Marketable securities | (1,341) | 5,169 | (5,064) | 484 | (752) |
| Net intercompany investing | – | (13,242) | – | 13,242 | – |
| Net cash provided by/(used in) investing activities | (18,144) | (8,073) | (11,253) | 17,398 | (20,072) |
| Cash flows from financing activities | | | | | |
| Capital issuance | – | – | 2,569 | (2,569) | – |
| Acquisition of non-controlling interest | – | – | – | 43 | 43 |
| Proceeds from long-term financing | – | – | 12,095 | – | 12,095 |

| | | | | | |
|--|---------|---------|---------|----------|---------|
| Intercompany Financing | | | | | |
| Proceeds (Payments) | 16,844 | 6,462 | (6,762) | (16,544) | – |
| Repayments | (8,912) | (46) | (1,572) | 2,524 | (8,006) |
| Dividends paid | (3,265) | – | (821) | 821 | (3,265) |
| Net cash provided by/(used in) financing activities | 4,667 | 6,416 | 5,509 | (15,725) | 867 |
| Effect of exchange rate changes on cash and cash equivalents | | | | | |
| | (1,052) | – | (289) | 365 | (976) |
| Net increase/ (decrease) in cash and cash equivalents in the period | (3,961) | (1,502) | (1,453) | 879 | (6,037) |
| Cash and cash equivalents at the beginning of the period | | | | | |
| | 10,053 | 4,087 | 9,426 | (4,509) | 19,057 |
| Cash and cash equivalents at the end of the period | 6,092 | 2,585 | 7,973 | (3,630) | 13,020 |

SIGNATURE

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

Date: August 12, 2013

PETRÓLEO BRASILEIRO S.A--PETROBRAS

By:

/s/ Almir Guilherme Barbassa

Almir Guilherme Barbassa
Chief Financial Officer and Investor Relations
Officer

FORWARD-LOOKING STATEMENTS

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

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