

PETROBRAS - PETROLEO BRASILEIRO SA  
Form 6-K  
March 22, 2016

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

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**FORM 6-K**

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

**For the month of March, 2016**

**Commission File Number 1-15106**

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

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

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

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

Form 20-F  Form 40-F

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

Yes  No

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*(Expressed in millions of reais, unless otherwise indicated)*

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## Independent auditor's report

To the Board of Directors and Shareholders

Petróleo Brasileiro S.A. - Petrobras

We have audited the accompanying parent company financial statements of Petróleo Brasileiro S.A. Petrobras ("Company" or "Petrobras"), which comprise the balance sheet as of December 31, 2015 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We have also audited the accompanying consolidated financial statements of Petróleo Brasileiro S.A. - Petrobras and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as of December 31, 2015 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with accounting practices adopted in Brazil, and for the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion on the parent company financial statements**

In our opinion, the parent company financial statements referred to above present fairly, in all material respects, the financial position of Petróleo Brasileiro S.A. - Petrobras as of December 31, 2015, and its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

### **Opinion on the consolidated financial statements**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Petróleo Brasileiro S.A. - Petrobras and its subsidiaries as of December 31, 2015, and their financial performance and their cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

### **Emphasis – Impact of the “Lava Jato Operation” on the Company**

We draw attention to note 3 to the financial statements which describes the impact of the "Lava Jato Operation" on the Company, including:

- (i) the write-off, in 2014, of R\$ 6,194 million in the consolidated financial statements (R\$ 4,788 million in the parent company financial statements) related to overpayments incorrectly capitalized on the acquisition of property, plant and equipment;
- (ii) actions being taken in response to this matter, including internal investigations which are being conducted by outside legal counsel under the supervision of a Special Committee created by the Company;

(iii) the investigation being conducted by the U.S. Securities and Exchange Commission – SEC; and

(iv) the Civil Inquiry by the State of São Paulo Public Prosecutor's Office to determine potential damages caused to investors in the Brazilian stock market.

We also draw attention to note 30.4 to the financial statements which describes legal actions filed against the Company, for which a possible loss, or range of possible losses, cannot be reasonably estimated due to their current status.

Our opinion is not modified as a result of these matters.

### **Other matters**

Supplementary information - Statements of added value

We have also audited the parent company and consolidated statements of value added for the year ended December 31, 2015, the presentation of which is required by Brazilian Corporation Law for publicly listed companies, which are the responsibility of the Company's management, considered as supplementary information for IFRS, which does not require the presentation of the statements of value added. These statements were submitted to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Rio de Janeiro, March 21, 2016

PricewaterhouseCoopers

Auditores Independentes

CRC 2SP000160/O-5 "F" RJ

Marcos Donizete Panassol

Contador CRC 1SP155975/O-8 "S" RJ





## Statement of Financial Position

December 31, 2015 and 2014 (In R\$ million, unless otherwise indicated)

| Assets                             | Note | Consolidated |         | Parent Company |        | Liabilities                                       | Note | Consolidated |         | Parent Company |
|------------------------------------|------|--------------|---------|----------------|--------|---|------|--------------|---------|----------------|
|                                    |      | 2015         | 2014    | 2015           | 2014   |   |      | 2015         | 2014    |                |
| <b>Current assets</b>              |      |              |         |                |        | <b>Current liabilities</b>                        |      |              |         |                |
| Cash and cash equivalents          | 7    | 97,845       | 44,239  | 16,553         | 5,094  | Trade payables                                    | 16   | 24,913       | 25,924  | 28,172         |
| Marketable securities              | 7    | 3,047        | 24,763  | 10,794         | 15,472 | Finance debt                                      | 17   | 57,334       | 31,523  | 52,913         |
| Trade and other receivables, net   | 8    | 22,659       | 21,167  | 20,863         | 19,319 | Finance lease obligations                         | 18   | 48           | 42      | 1,568          |
| Inventories                        | 9    | 29,057       | 30,457  | 24,015         | 24,461 | Income taxes payable                              | 21.1 | 410          | 657     | –              |
| Recoverable income taxes           | 21.1 | 3,839        | 2,823   | 1,520          | 1,297  | Other taxes payable                               | 21.1 | 13,139       | 10,796  | 11,762         |
| Other recoverable taxes            | 21.1 | 6,893        | 7,300   | 4,986          | 5,609  | Payroll, profit sharing and related charges       |      | 5,085        | 5,489   | 4,212          |
| Advances to suppliers              |      | 421          | 1,123   | 208            | 923    | Pension and medical benefits                      | 22   | 2,556        | 2,115   | 2,436          |
| Other current assets               |      | 5,225        | 3,138   | 2,979          | 1,965  | Other current liabilities                         |      | 7,599        | 6,113   | 3,696          |
|                                    |      | 168,986      | 135,010 | 81,918         | 74,140 |   |      | 111,084      | 82,659  | 104,750        |
| Assets classified as held for sale | 10.3 | 595          | 13      | 535            | 10     | Liabilities on assets classified as held for sale | 10.3 | 488          | –       | 488            |
|                                    |      | 169,581      | 135,023 | 82,453         | 74,150 |   |      | 111,572      | 82,659  | 105,240        |
| <b>Non-current assets</b>          |      |              |         |                |        | <b>Non-current liabilities</b>                    |      |              |         |                |
| Long-term receivables              |      |              |         |                |        | Finance debt                                      | 17   | 435,313      | 319,322 | 245,430        |
| Trade and other receivables, net   | 8    | 14,327       | 12,834  | 6,361          | 10,671 | Finance lease obligations                         | 18   | 154          | 148     | 5,426          |
| Marketable securities              | 7    | 342          | 290     | 260            | 249    | Deferred income taxes                             | 21.6 | 906          | 8,052   | –              |

|                               |      |         |         |         |         |                                     |      |          |          |          |
|-------------------------------|------|---------|---------|---------|---------|-------------------------------------|------|----------|----------|----------|
| Judicial deposits             | 30.2 | 9,758   | 7,124   | 8,590   | 5,927   | Pension and medical benefits        | 22   | 47,618   | 43,803   | 44,546   |
| Deferred income taxes         | 21.6 | 23,490  | 2,673   | 15,156  | –       | Provisions for legal proceedings    | 30.1 | 8,776    | 4,091    | 7,282    |
| Other tax assets              | 21.1 | 11,017  | 10,645  | 9,485   | 8,943   | Provision for decommissioning costs | 20   | 35,728   | 21,958   | 34,641   |
| Advances to suppliers         |      | 6,395   | 6,398   | 1,017   | 1,056   | Other non-current liabilities       |      | 2,138    | 2,620    | 1,334    |
| Other non-current assets      |      | 9,550   | 10,140  | 8,216   | 8,206   |                                     |      | 530,633  | 399,994  | 338,668  |
|                               |      | 74,879  | 50,104  | 49,085  | 35,052  |                                     |      | 642,205  | 482,653  | 443,911  |
|                               |      |         |         |         |         | <b>Shareholders' equity</b>         |      |          |          |          |
| Investments                   |      |         |         |         |         | Share capital                       | 23.1 | 205,432  | 205,432  | 205,432  |
| Property, plant and equipment | 11   | 13,772  | 15,282  | 115,536 | 82,481  | Capital transactions                | 23.2 | 21       | (646)    | 237      |
| Intangible assets             | 12   | 629,831 | 580,990 | 442,439 | 437,150 | Profit reserves                     | 23.3 | 92,612   | 127,438  | 92,396   |
|                               | 13   | 12,072  | 11,976  | 9,133   | 9,108   | Other comprehensive income          | 23.4 | (43,334) | (23,376) | (43,334) |
|                               |      | 730,554 | 658,352 | 616,193 | 563,791 |                                     |      | 254,731  | 308,848  | 254,731  |
|                               |      |         |         |         |         | Non-controlling interests           | 11.5 | 3,199    | 1,874    | –        |
|                               |      | 900,135 | 793,375 | 698,646 | 637,941 |                                     |      | 257,930  | 310,722  | 254,731  |
|                               |      |         |         |         |         |                                     |      | 900,135  | 793,375  | 698,646  |

The Notes form an integral part of these Financial Statements.

## Statement of Income

December 31, 2015 and 2014 (In R\$ million, unless otherwise indicated)

|  | <b>Note</b> | <b>Consolidated</b> |             | <b>Parent Company</b> |             |
|--|-------------|---------------------|-------------|-----------------------|-------------|
|  |             | <b>2015</b>         | <b>2014</b> | <b>2015</b>           | <b>2014</b> |
| Sales revenues   | 24          | 321,638             | 337,260     | 251,023               | 269,568     |
| Cost of sales  |             | (223,062)           | (256,823)   | (174,717)             | (208,174)   |
| Gross profit   |             | 98,576              | 80,437      | 76,306                | 61,394      |
| Income (expenses)  |             |                     |             |                       |             |
| Selling expenses   |             | (15,893)            | (15,974)    | (15,130)              | (17,430)    |
| General and administrative expenses  |             | (11,031)            | (11,223)    | (7,561)               | (7,983)     |
| Exploration costs  | 15          | (6,467)             | (7,135)     | (5,261)               | (6,720)     |
| Research and development expenses  |             | (2,024)             | (2,589)     | (2,011)               | (2,562)     |
| Other taxes  |             | (9,238)             | (1,801)     | (7,730)               | (1,045)     |
| Impairment of property, plant and equipment, intangible and other assets   | 14          | (47,676)            | (44,636)    | (33,468)              | (34,814)    |
| Write-off - overpayments incorrectly capitalized   | 3           | –                   | (6,194)     | –                     | (4,788)     |
| Other expenses, net  | 25          | (18,638)            | (12,207)    | (17,547)              | (15,436)    |
|  |             | (110,967)           | (101,759)   | (88,708)              | (90,778)    |
| Loss before finance income (expense), share of earnings in equity-accounted investments, profit sharing and income taxes |             | (12,391)            | (21,322)    | (12,402)              | (29,384)    |
| Net finance income (expenses):   | 27          | (28,041)            | (3,900)     | (26,187)              | (3,737)     |
| Finance income   |             | 4,867               | 4,634       | 3,303                 | 3,312       |
| Finance expenses   |             | (21,545)            | (9,255)     | (18,951)              | (5,804)     |
| Foreign exchange and inflation indexation charges, net   |             | (11,363)            | 721         | (10,539)              | (1,245)     |
| Share of earnings in equity-accounted investees  | 11          | (797)               | 451         | (4,294)               | 3,730       |
| Profit sharing   | 22.7        | –                   | (1,045)     | –                     | (856)       |
| Loss before income taxes   |             | (41,229)            | (25,816)    | (42,883)              | (30,247)    |
| Income taxes   | 21.7        | 6,058               | 3,892       | 8,047                 | 8,555       |

|  |      |          |          |          |          |
|--|------|----------|----------|----------|----------|
| Loss for the year  |      | (35,171) | (21,924) | (34,836) | (21,692) |
| Loss attributable to:  |      |          |          |          |          |
| Shareholders of Petrobras  |      | (34,836) | (21,587) | (34,836) | (21,692) |
| Non-controlling interests  |      | (335)    | (337)    | —        | —        |
|  |      | (35,171) | (21,924) | (34,836) | (21,692) |
| Basic and diluted loss per<br>common and preferred share (in<br>R\$) | 23.6 | (2.67)   | (1.65)   | (2.67)   | (1.66)   |

The Notes form an integral part of these Financial Statements.

## Statement of Comprehensive Income

December 31, 2015 and 2014 (In R\$ million)

|  | <b>Consolidated</b> |             | <b>Parent Company</b> |             |
|--|---------------------|-------------|-----------------------|-------------|
|  | <b>2015</b>         | <b>2014</b> | <b>2015</b>           | <b>2014</b> |
| Loss for the year  | (35,171)            | (21,924)    | (34,836)              | (21,692)    |
| Items that will not be reclassified to the statement of income:      |                     |             |                       |             |
| Actuarial losses on defined benefit pension plans                    | (202)               | (13,724)    | (208)                 | (12,908)    |
| Deferred Income tax and social contribution                          | (53)                | 2,695       | (2)                   | 2,540       |
|  | (255)               | (11,029)    | (210)                 | (10,368)    |
| Unrealized gains / (losses) on cash flow hedge - exports             |                     |             |                       |             |
| Recognized in shareholders' equity                                   | (68,739)            | (15,650)    | (60,712)              | (13,918)    |
| Reclassified to the statement of income                              | 7,088               | 1,673       | 6,200                 | 1,344       |
| Deferred tax   | 20,961              | 4,752       | 18,534                | 4,275       |
|  | (40,690)            | (9,225)     | (35,978)              | (8,299)     |
| Unrealized gains / (losses) on cash flow hedge - others              |                     |             |                       |             |
| Recognized in shareholders' equity                                   | 35                  | 14          | –                     | –           |
| Reclassified to the statement of income                              | –                   | 2           | –                     | –           |
|  | 35                  | 16          | –                     | –           |
| Cumulative translation adjustments in investees (*)                  | 24,545              | 4,721       | 23,826                | 4,763       |
| Share of other comprehensive results in equity-accounted investments | (2,864)             | (647)       | (7,586)               | (2,218)     |
| Total other comprehensive results                                    | (19,229)            | (16,164)    | (19,948)              | (16,122)    |
| Total comprehensive results  | (54,400)            | (38,088)    | (54,784)              | (37,814)    |
| Comprehensive results attributable to:                               |                     |             |                       |             |
| Shareholders of Petrobras  | (54,785)            | (37,709)    | (54,784)              | (37,814)    |
| Non-controlling interests  | 385                 | (379)       | –                     | –           |
| Total comprehensive results  | (54,400)            | (38,088)    | (54,784)              | (37,814)    |

(\*) Includes, in the consolidated, R\$ 2,825 (R\$ 756 in 2014) related to cumulative translation adjustments in associates and joint ventures.

The Notes form an integral part of these Financial Statements.

## Statement of Cash Flows

December 31, 2015 and 2014 (In R\$ million, unless otherwise indicated)

|  | <b>Consolidated</b> |                   | <b>Parent Company</b> |                   |
|--|---------------------|-------------------|-----------------------|-------------------|
|  | <b>12.31.2015</b>   | <b>12.31.2014</b> | <b>12.31.2015</b>     | <b>31.12.2014</b> |
| <b>Cash flows from Operating activities</b>  |                     |                   |                       |                   |
| Loss for the year  | (35,171)            | (21,924)          | (34,836)              | (21,692)          |
| Adjustments for:   |                     |                   |                       |                   |
| Pension and medical benefits (actuarial expense)   | 6,388               | 4,773             | 5,872                 | 4,225             |
| Share of earnings in equity-accounted investments  | 797                 | (451)             | 4,294                 | (3,730)           |
| Depreciation, depletion and amortization   | 38,574              | 30,677            | 28,039                | 22,518            |
| Impairment of property, plant and equipment, intangible and other assets                                   | 47,676              | 44,636            | 33,468                | 34,814            |
| Inventory write-down to net realizable value (market value)  | 1,547               | 2,461             | 14                    | 493               |
| Allowance for impairment of trade receivables  | 3,641               | 5,555             | 669                   | 4,401             |
| Exploratory expenditures written off   | 4,921               | 5,048             | 3,784                 | 4,828             |
| Write-off - overpayments incorrectly capitalized   | –                   | 6,194             | –                     | 4,788             |
| Gains / (Losses) on disposal / write-offs of non-current assets, E&P returned areas and cancelled projects | 2,893               | 743               | 3,075                 | 4,282             |
| Foreign exchange variation, indexation and unrealized charges and other operations                         | 30,784              | 8,461             | 26,094                | 6,254             |
| Deferred income taxes, net   | (8,911)             | (8,025)           | (8,047)               | (8,555)           |
| Increase (Decrease) in assets  |                     |                   |                       |                   |
| Trade and other receivables, net   | (1,496)             | (5,929)           | 1,485                 | (5,712)           |
| Inventories  | 1,730               | 1,378             | 546                   | 2,542             |
| Judicial deposits  | (2,526)             | (1,194)           | (2,640)               | (1,067)           |
| Other assets   | (2,474)             | (5,272)           | (3,191)               | (6,515)           |
| Increase (Decrease) in liabilities   |                     |                   |                       |                   |
| Trade payables   | (3,890)             | (2,982)           | (11,896)              | 856               |
| Taxes payable  | 2,716               | (3,171)           | 3,740                 | (2,513)           |

|  |          |          |          |          |
|--|----------|----------|----------|----------|
| Pension and medical benefits                                       | (2,367)  | (1,967)  | (2,232)  | (1,867)  |
| Other liabilities  | 1,575    | 3,230    | 1,802    | 2,618    |
| Net cash provided by operating activities                          | 86,407   | 62,241   | 50,040   | 40,968   |
| <b>Cash flows from Investing activities</b>                        |          |          |          |          |
| Capital expenditures   | (71,311) | (81,909) | (50,589) | (60,873) |
| Increase (Decrease) in investments                                 | (344)    | (787)    | (29,229) | 685      |
| Proceeds from disposal of assets                                   | 2,592    | 9,399    | 2,157    | 2,194    |
| Divestment (Investments) in marketable securities (*)              | 25,971   | (12,812) | 6,054    | 8,908    |
| Dividends received   | 874      | 901      | 4,699    | 3,506    |
| Net cash (used in) investing activities                            | (42,218) | (85,208) | (66,908) | (45,580) |
| <b>Cash flows from Financing activities</b>                        |          |          |          |          |
| Acquisition of non-controlling interest                            | 243      | (250)    | –        | –        |
| Financing and loans, net: Proceeds from long-term financing        | 56,158   | 72,871   | 117,844  | 92,540   |
| Repayment of principal   | (49,741) | (23,628) | (82,544) | (76,329) |
| Repayment of interest  | (20,851) | (14,109) | (6,973)  | (5,687)  |
| Dividends paid   | –        | (8,735)  | –        | (8,735)  |
| Net cash provided by / (used in) financing activities              | (14,191) | 26,149   | 28,327   | 1,789    |
| Effect of exchange rate changes on cash and cash equivalents       | 23,608   | 3,885    | –        | –        |
| Net increase / (decrease) in cash and cash equivalents in the year | 53,606   | 7,067    | 11,459   | (2,823)  |
| Cash and cash equivalents at the beginning of the year             | 44,239   | 37,172   | 5,094    | 7,917    |
| Cash and cash equivalents at the end of the year                   | 97,845   | 44,239   | 16,553   | 5,094    |

(\*) Reclassification in the parent company, in 2014, of R\$ 231, as detailed in note 2.3.

The Notes form an integral part of these Financial Statements.





## Statement of Changes in Shareholders' Equity

December 31, 2015 and 2014 (In R\$ million, unless otherwise indicated)

|  | Share capital (including share issuance costs) | Capital transactions | Accumulated other comprehensive income |                         |  | Profit re   |          |
|--|--|----------------------|--|-------------------------|--|---|----------|
|  |  |                      | Cumulative on translation adjustment   | Losses on pension plans | Cash flow hedge - highly probable future exports | Other comprehensive income (loss) and deemed cost | Legal S  |
|  | 205,411  | 1,048                | 5,196                                  | (3,516)                 | (8,376)  | (548)   | 16,5244, |
| Balance as of January 1, 2014            | 205,411  | 1,048                |  |                         |  | (7,244)   |          |
| Capital increase with reserves           | 21   |                      |  |                         |  |   |          |
| Realization of deemed cost of associates |  |                      |  |                         |  | (10)  |          |
| Change in interest in subsidiaries       |  | (1,478)              |  |                         |  |   |          |
| Loss for the year                        |  |                      |  |                         |  |   |          |
| Other comprehensive income (loss)        |  |                      | 4,763                                  | (11,029)                | (9,225)  | (631)   |          |
| Distributions:                           |  |                      |  |                         |  |   |          |
| Offsetting of loss against reserves      |  |                      |  |                         |  |   |          |
| Dividends                                |  |                      |  |                         |  |   |          |
| Balance as of December 31, 2014          | 205,432  | (430)                | 9,959                                  | (14,545)                | (17,601)   | (1,189)   | 4,       |
|  | 205,432  | (430)                |  |                         |  | (23,376)  | 16,524   |
| Realization of deemed cost of associates |  |                      |  |                         |  | (10)  |          |
| Change in interest in subsidiaries       |  | 667                  |  |                         |  |   |          |
| Loss for the year                        |  |                      |  |                         |  |   |          |

|                                     |         |     |        |          |          |          |        |
|-------------------------------------|---------|-----|--------|----------|----------|----------|--------|
| Other comprehensive income (loss)   |         |     | 23,826 | (255)    | (40,690) | (2,829)  |        |
| Distributions:                      |         |     |        |          |          |          |        |
| Offsetting of loss against reserves |         |     |        |          |          |          |        |
| Dividends                           |         |     |        |          |          |          |        |
| Balance as of December 31, 2015     | 205,432 | 237 | 33,785 | (14,800) | (58,291) | (4,028)  | 16,524 |
|                                     | 205,432 | 237 |        |          |          | (43,334) |        |

The Notes form an integral part of these Financial Statements.

## Statement of Added Value

December 31, 2015 and 2014 (In R\$ million, unless otherwise indicated)

|  | <b>Consolidated</b> |             | <b>Parent Company</b> |             |
|--|---------------------|-------------|-----------------------|-------------|
|  | <b>2015</b>         | <b>2014</b> | <b>2015</b>           | <b>2014</b> |
| <b>Income</b>  |                     |             |                       |             |
| Sales of products, services provided and other revenues                  | 414,859             | 425,341     | 338,059               | 346,278     |
| Gains and losses on impairment of trade receivables                      | (3,641)             | (5,555)     | (669)                 | (4,401)     |
| Revenues related to construction of assets for own use                   | 68,703              | 82,389      | 53,634                | 68,223      |
|  | 479,921             | 502,175     | 391,024               | 410,100     |
| <b>Inputs acquired from third parties</b>                                |                     |             |                       |             |
| Materials consumed and products for resale                               | (94,453)            | (136,809)   | (67,401)              | (108,578)   |
| Materials, power, third-party services and other operating expenses      | (109,876)           | (114,879)   | (88,143)              | (97,797)    |
| Tax credits on inputs acquired from third parties                        | (22,311)            | (26,199)    | (19,753)              | (24,340)    |
| Impairment of property, plant and equipment, intangible and other assets | (47,676)            | (44,636)    | (33,468)              | (34,814)    |
| Inventory write-down to net realizable value (market value)              | (1,547)             | (2,461)     | (14)                  | (493)       |
| Write-off - overpayments incorrectly capitalized                         | –                   | (6,194)     | –                     | (4,788)     |
|  | (275,863)           | (331,178)   | (208,779)             | (270,810)   |
| Gross added value  | 204,058             | 170,997     | 182,245               | 139,290     |
| Depreciation, depletion and amortization                                 | (38,574)            | (30,677)    | (28,039)              | (22,518)    |
| Net added value produced by the Company                                  | 165,484             | 140,320     | 154,206               | 116,772     |
| <b>Transferred added value</b>   |                     |             |                       |             |
| Share of profit of equity-accounted investments                          | (797)               | 451         | (4,294)               | 3,730       |
| Finance income   | 4,867               | 5,355       | 6,208                 | 6,080       |
| Rents, royalties and others  | 377                 | 314         | 420                   | 809         |
|  | 4,447               | 6,120       | 2,334                 | 10,619      |

|                                     |         |         |         |         |
|-------------------------------------|---------|---------|---------|---------|
| Total added value to be distributed | 169,931 | 146,440 | 156,540 | 127,391 |
|-------------------------------------|---------|---------|---------|---------|

**Distribution of added value****Personnel and officers**

## Direct compensation

|                |        |        |        |        |
|----------------|--------|--------|--------|--------|
| Salaries       | 19,068 | 18,832 | 14,219 | 14,973 |
| Profit sharing | –      | 1,045  | –      | 856    |
|                | 19,068 | 19,877 | 14,219 | 15,829 |

**Benefits**

|                          |        |        |        |        |
|--------------------------|--------|--------|--------|--------|
| Short-term benefits (**) | 1,452  | 3,661  | 1,110  | 3,106  |
| Pension plan             | 4,133  | 3,004  | 3,705  | 2,606  |
| Medical plan             | 3,778  | 3,253  | 3,433  | 2,788  |
|                          | 9,363  | 9,918  | 8,248  | 8,500  |
| FGTS                     | 1,301  | 1,234  | 1,151  | 1,093  |
|                          | 29,732 | 31,029 | 23,618 | 25,422 |

**Taxes**

|             |         |         |        |        |
|-------------|---------|---------|--------|--------|
| Federal (*) | 50,297  | 47,599  | 45,198 | 40,475 |
| State       | 51,888  | 48,021  | 33,074 | 29,313 |
| Municipal   | 725     | 431     | 377    | 237    |
| Abroad (*)  | 6,879   | 6,785   | –      | –      |
|             | 109,789 | 102,836 | 78,649 | 70,025 |

**Financial institutions and suppliers**

|   |        |        |        |        |
|---|--------|--------|--------|--------|
| Interest, and exchange and indexation charges | 38,768 | 17,705 | 37,180 | 17,628 |
| Rental and affreightment expenses             | 26,813 | 16,794 | 51,929 | 36,008 |
|   | 65,581 | 34,499 | 89,109 | 53,636 |

**Shareholders**

|                           |          |          |          |          |
|---------------------------|----------|----------|----------|----------|
| Non-controlling interests | (335)    | (337)    | –        | –        |
| Absorbed losses           | (34,836) | (21,587) | (34,836) | (21,692) |
|                           | (35,171) | (21,924) | (34,836) | (21,692) |

|                         |         |         |         |         |
|-------------------------|---------|---------|---------|---------|
| Added value distributed | 169,931 | 146,440 | 156,540 | 127,391 |
|-------------------------|---------|---------|---------|---------|

(\*) Includes government holdings.

(\*\*) In 2015, include R\$ 418 in the Consolidated (R\$ 2,443 in 2014), related to spending on Voluntary Separation Incentive Plan - PIDV (R\$ 326 in 2015 and R\$ 2,285 in 2014 in the Parent Company), as described in note 22.8.

The Notes form an integral part of these Financial Statements.

## Notes to the financial statements

*(In millions of reais, except when indicate otherwise)*

### **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” or “Petrobras Group”) to prospecting, drilling, refining, processing, trading and transporting crude oil from producing onshore and offshore oil fields and from shale or other rocks, as well as oil products, natural gas and other liquid hydrocarbons. In addition, Petrobras carries out energy related activities, such as research, development, production, transport, distribution and trading of all forms of energy, as well as other related or similar activities. The Company’s head office is located in Rio de Janeiro – RJ, Brazil.

### **2. Basis of preparation of financial statements**

The financial statements include:

#### Consolidated financial statements

- The consolidated financial statements are being presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPC) and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and presents all relevant information related to the financial statements, and only them, corresponding the information used by the Company’s management.

#### Individual financial statements

- The individual financial statements are being presented in accordance with accounting practices adopted in Brazil, observing the provisions contained in the Brazilian Corporation Law, and they incorporate the changes introduced through Law 11,638/07 and Law 11,941/09, complemented by the standards, interpretations and orientations of the Accounting Pronouncements Committee (CPC), approved by resolutions of the Federal Accounting Council (CFC) and by rules of the Brazilian Securities Commission (CVM).

- The standards, interpretations and orientations of the Accounting Pronouncements Committee (CPC), approved by resolutions of the Federal Accounting Council (CFC) and rules of the Brazilian Securities Commission (CVM) converge with the International Accounting Standards issued by the International Accounting Standard Board (IASB). Accordingly, the individual financial statements do not present differences with respect to the consolidated

financial statements under IFRS, except for the maintenance of deferred assets, which was fully amortized by December 31, 2014, as established in CPC 43 (R1) approved by CVM deliberation 651/10. See note 4.1.1 for a reconciliation between the parent company's shareholders' equity and net income with the consolidated financial statements.

The financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets, financial assets and financial liabilities measured at fair value (including derivative financial instruments at fair value through profit or loss), and certain current and non-current assets and liabilities, as detailed in the "summary of significant accounting policies", set out below.

The annual financial statements were approved and authorized for issue by the Company's Board of Directors in a meeting held on March 21, 2016.

### **2.1. Statement of added value**

The statements of added value present information related to the value added by the Company (wealth created) and how it has been distributed. These statements are presented as supplementary information under IFRS and were prepared in accordance with CPC 09 – Statement of Added Value approved by CVM Deliberation 557/08.

### **2.2. Functional currency**

The functional currency of Petrobras and all of its Brazilian subsidiaries is the Brazilian Real, which is the currency of its primary economic environment of operation. The functional currency of most of the entities that operate in the international economic environment is the U.S. dollar. The functional currency of Petrobras Argentina is the Argentine Peso.

## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

The income statements and statement of cash flows of non-Brazilian Real functional currency subsidiaries, joint ventures and associates in stable economies are translated into Brazilian Real using the monthly average exchange rates prevailing during the year. Assets and liabilities are translated into Brazilian Real at the closing rate at the date of the financial statements and the equity items are translated using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured.

All exchange differences arising from the translation of the financial statements of non-Brazilian Real subsidiaries, joint ventures and associates are recognized as cumulative translation adjustments (CTA) within accumulated other comprehensive income in the shareholders' equity and transferred to profit or loss in the periods when the realization of the investments affects profit or loss.

### **2.3. Reclassifications**

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

- Performance bonuses advanced to customers, in the amount of R\$ 1,607, in the consolidated, previously classified as trade and other receivables, net, in non-current assets, started to be classified as other long-term receivables, in order to provide a better presentation of its accounts receivable, aligned with market practices.
- Capitalized finance charges from the disposal of performing receivables (FIDC P), in the parent company, previously classified as a reduction of trade and other receivables, net, in current assets in the amount of R\$ 1,536, started to be classified as current debt, in current liabilities.
- The portion of financial investments in investment funds of performing receivables, previously classified as cash and cash equivalents, in the parent company, started to be presented as marketable securities. (R\$231).

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

In 2009, the Brazilian federal police began an investigation called “Lava Jato” (Car Wash) aimed at criminal organizations engaged in money laundering in several Brazilian states. The Lava Jato investigation is extremely broad and involves numerous investigations into several criminal practices focusing on crimes committed by individuals in different parts of the country and sectors of the Brazilian economy.



Beginning in 2014, and over the course of 2015, the Brazilian Federal Prosecutor's Office focused part of its investigation on irregularities involving Petrobras's contractors and suppliers and uncovered a broad payment scheme that involved a wide range of participants, including former Petrobras personnel. Based on the information available to Petrobras, the payment scheme involved a group of companies that, between 2004 and April 2012, colluded to obtain contracts with Petrobras, overcharge the Company under those contracts and use the overpayment received under the contracts to fund improper payments to political parties, elected officials or other public officials, individual contractor personnel, former Petrobras personnel and other individuals involved in the scheme. Petrobras refers to this scheme as the "payment scheme" and to the companies involved in the scheme as "cartel members".

In addition to the payment scheme, the investigations identified several specific instances of other contractors and suppliers that allegedly overcharged Petrobras and used the overpayment received from their contracts with the Company to fund improper payments, unrelated to the payment scheme, to certain Petrobras employees, including the former Petrobras personnel. Those contractors and suppliers are not cartel members and acted individually. Petrobras refers to these specific cases as the "unrelated payments."

Certain former executives of Petrobras were arrested and/or charged for money-laundering and passive corruption. Other former executives of the Company as well as executives of Petrobras contractors and suppliers were or are expected to be charged as a result of the investigation. The amounts paid by Petrobras related to contracts with contractors and suppliers involved in the payment scheme were included in historical costs of its property, plant and equipment. However, the Company believes that, under International Accounting Standard IAS 16 – Property, Plant and Equipment, the portion of the payments made to these companies and used by them to make improper payments, which represents additional expenses incurred as a result of the payments scheme, should not have been capitalized. Thus, in the third quarter of 2014, the Company wrote off R\$ 6,194 (R\$ 4,788 in the parent company) of capitalized costs representing amounts that Petrobras overpaid for the acquisition of property, plant and equipment in prior years.

The Company has continuously monitored the investigations for additional information and to assess any potential impact on the adjustments made. No additional information has been identified that impacted the adopted calculation methodology or the recorded adjustment in 2014 for the preparation of the financial statements for the year ended December 31, 2015.

## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

Petrobras will continue to monitor the results of the investigations and the availability of other information concerning the payment scheme. If information becomes available that indicates with sufficient precision that the estimate described above should be adjusted, Petrobras will evaluate whether the adjustment is material and, if so, recognize it.

### **3.1. The Company's response to the facts uncovered in the investigation**

The Company has been closely monitoring the investigations and cooperating fully with the Brazilian Federal Police (Polícia Federal), the Brazilian Public Prosecutor's Office (Ministério Público Federal), the Brazilian Judiciary, and other Brazilian authorities (the Federal Audit Court – Tribunal de Contas da União – TCU, and the Federal General Controller – Controladoria Geral da União – CGU) in the investigation of all crimes and irregularities. We have responded to numerous requests for documents and information from these authorities.

The Company has also cooperated with the U.S. Securities and Exchange Commission (SEC) and the United States Department of Justice (DOJ), which, since November 2014, have been investigating potential violations of U.S. law based on information disclosed as a result of the Lava Jato investigation.

We have been formally recognized as a victim of the crimes identified under the Lava Jato investigation by the Brazilian Federal Prosecutor's Office and by the court hearing the case. As a result, we have entered the criminal proceedings as an assistant to the prosecutor and we have renewed our commitment to continue cooperating to clarify the issues and report them regularly to our investors and to the public in general.

We do not tolerate corrupt practices and illegal acts perpetuated by any of our employees. Accordingly, in 2015 the Company continued to implement measures to improve its corporate governance and compliance systems as part of the process of strengthening the internal control structure.

With respect to Corporate Governance, the Company's bylaws were amended to provide for the Advisory Committees, including the Audit Committee and the Compensation and Succession Committee, which is responsible for determining the qualifications for nominations of executive managers, executive officers and Board members. In addition, the Strategic Committee and Finance Committee were both created. Also, under our new corporate governance rules, the Company must be represented by two officers, acting jointly.

Additionally, Petrobras' scope of authority was reviewed and a shared authority procedure was implemented, in which at least two managers are needed for decision-making.

With respect to the compliance systems, the Company has restructured its General Ombudsman providing for a single channel for complaints. Petrobras has reviewed and updated the Petrobras Corruption Prevention Program Guide, as well as its contractual instruments and Procurement Guide. The Company is implementing qualification procedures

related to the integrity measures requirements for all its contractors, providing due diligence integrity and a system of red flags (alerts). The provisional ban of contracting companies identified by the investigation has also been an important initiative adopted by the Company. A Correction Committee was formed as part of Company's organizational structure to guide, standardize and monitor the implementation of disciplinary sanctions in cases involving fraud or corruption.

In June 2015, the Company approved a revised Business Risk Management Policy (*Política de Gestão de Riscos Empresariais*), which outlines authorities, responsibilities, principles and guidelines to guide risk management initiatives in Petrobras.

Internal investigations are still in progress and are being carried out by two independent firms hired in October 2014, which report directly to a Special Committee that serves as a reporting line to the Board of Directors. The Special Committee is composed of our Governance, Risk and Compliance Officer, João Adalberto Elek Junior and two other independent and recognized experts: Ellen Gracie Northfleet, retired Chief Justice of the Brazilian Supreme Court, recognized internationally as a jurist with great experience in analyzing complex legal issues; and Andreas Pohlmann from Germany, who has broad experience in compliance and corporate governance matters.

We established Internal Investigative Committees (Comissões Internas de Apuração) to investigate instances of non-compliance with corporate rules, procedures or regulations. The Committees' investigation results are shared with the Brazilian authorities in accordance with their progresses.

In addition, the Company has been taking the necessary procedural steps to seek compensation for damages suffered from the improper payments scheme, including those related to its reputation.

Accordingly, the Company joined five public civil suits addressing acts of administrative misconduct, with the Brazilian Public Prosecutor's Office on February 20, 2015, and in another suit with the same subject filed by the Federal Government, including demands for compensation for reputation damages.

## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

In order to secure future compensation to Petrobras for each civil action related to misconduct, the courts granted cautionary orders to impound defendants' property.

To the extent that any of the proceedings resulting from the Lava Jato investigation involve leniency agreements with cartel members or plea agreements with individuals pursuant to which they agree to return funds, the Company may be entitled to receive a portion of such funds.

Following a plea agreement with the Brazilian authorities, in 2015 the Company received R\$ 230 (R\$ 157 on May 13, 2015 and R\$ 73 on August 25, 2015) from the funds repatriated by Pedro José Barusco Filho (a former executive manager of the service area) as compensation for damages.

Nevertheless, the Company is unable to reliably estimate further recoverable amounts at this moment. Any recoverable amount will be recognized as income when received or when their economic benefits become virtually certain.

### **3.2. Approach adopted by the Company to adjust its property, plant and equipment for overpayments**

As it is not possible to specifically identify the amounts of each overpayment to contractors and suppliers, or periods over which such payments occurred, Petrobras developed a methodology to estimate the aggregate amount that it overpaid under the payment scheme, in order to determine the amount of the write-off representing the overstatement of its assets resulting from overpayments used to fund improper payments.

It continues to be impracticable to identify the exact date and amount of each overpayment by the Company to the contractors and suppliers because of the limitations described below:

- The information available to the Company in the testimony identifies the companies involved in the payment scheme and the period of time it was in effect and indicates several affected contracts, but does not specify individual contractual payments that include overcharges or the reporting periods in which overpayments occurred.
- Petrobras itself did not make or receive any improper payments. They were made by outside contractors and suppliers, so the exact amounts that the Company overpaid to fund these payments cannot be identified. The information to determine the amount by which the Company was overcharged by the cartel members is not contained within the Company's accounting records. These records reflect the terms of the contract entered into by the Company, which entailed payments that were inflated because of the conspiracy among the cartel members and the former Petrobras personnel to overcharge Petrobras. Since the Company cannot identify the amount of overpayments for specific contractual payments or in specific accounting periods, it cannot determine the period in which to adjust property, plant and equipment.

- Two independent firms are conducting an independent internal investigation, under the direction of the Special Committee mentioned above. The independent internal investigation continues and is not expected to provide additional quantitative information of a kind to support an adjustment to the Company's financial statements. The information available to the investigators is limited to internal information of Petrobras, so it will not be able to produce specific identified information on the amount by which the Company was overcharged. The money-laundering activities alleged to have occurred were designed to hide the origins and amounts of the funds involved, so specific accounting should not be expected.
  
- The ongoing investigations by Brazilian authorities focus on the criminal liability of individuals, and not on establishing a full accounting of the amounts that Petrobras was overcharged by the cartel members or all improper payments made by contractors and suppliers from the Company's contract payments. These investigations may take several years before all the evidence and allegations are evaluated.

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

- The Brazilian authorities have filed actions against contractors and suppliers and their respective representatives. In these actions, the prosecutors have sought judicial remedies for administrative misconduct (*ação de improbidade administrativa*) using 3% of the contract prices paid to the contractors and suppliers to measure the actual damages attributable to the payment scheme, which is consistent with the methodology used by the Company to account for the effects of the payment scheme. The scope of this process is not expected to produce a full accounting of all improper payments, even after the significant amount of time the investigations by Brazilian authorities may take. Brazilian law does not provide for discovery in civil proceedings, so the information that is produced in these proceedings would not be expected to exceed the information produced in the investigation and the criminal proceedings.

As it is impracticable to identify the periods and amounts of overpayments incurred, the Company developed a methodology to estimate the adjustment incurred in property, plant and equipment in the third quarter of 2014 using the five steps described below:

- (1) Identify contractual counterparties: the Company listed all the companies identified as cartel members, and using that information the Company identified all of the contractors and suppliers that were either so identified or were consortia including entities so identified.
- (2) Identify the period: the Company concluded from the testimony that the payment scheme was operating from 2004 through April 2012.
- (3) Identify contracts: the Company identified all contracts entered into with the counterparties identified in step 1 during the period identified in step 2, which included supplemental contracts when the original contract was entered into between 2004 and April 2012. It has identified all of the property, plant and equipment related to those contracts.
- (4) Identify payments: the Company calculated the total contract values under the contracts identified in step 3.
- (5) Apply a fixed percentage to the amount determined in Step 4: the Company estimated the aggregate overpayment by applying a percentage indicated in the depositions (3%) to the total amounts for identified contracts.

The calculation considered all the recorded amounts in the Company's books and records from 2004 through September 2014 with respect to contracts initially entered into between 2004 and April 2012, and any related supplemental contracts, between the companies of the Petrobras group and the cartel members (individually or in a consortium). This broad scope was used to produce the best estimate for quantifying the aggregate amount of the overpayment, even if there was no specific evidence of overcharging or improper payments under every affected contract. The Company also identified amounts recorded in its books and records concerning specific contracts and projects with the non-cartel members to account for the amounts those companies overcharged Petrobras to fund improper payments

they made, unrelated to the payment scheme and the cartel.

The Company clarifies that, since 2015, any supplemental contract involving the Company and companies included in the scope of this methodology requires specific compliance processes aiming to mitigate risk of fraud and corruption, and an analysis of the indispensability of the supplemental contract to the Company's business purposes. The assessment includes an economic and financial analysis to determine that the supplemental contract, independently of the analysis of the original contract, is advantageous for the Company and will not involve improper payments. Accordingly, supplemental contracts signed since 2015 do not impact the previous adjustment made.

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

The Company has a number of ongoing projects in which the original contract was entered into between 2004 and April 2012. The approach adopted by the Company considers that the overcharge was applied over total contract values. These include contract payments to be incurred by Petrobras in future periods, because it is impracticable to allocate the aggregate overpayments to specific periods and the portion of the overcharge that relates to future contract payments may have been charged to the Company in prior periods. Therefore, the write-off of overpayments incorrectly capitalized took into account the total contract values and not only contract payments already incurred. However, as mentioned above, based on the available information, the Company believes that the activity of the cartel associated with the improper payment scheme ceased after April 2012 and that, considering all the developments in the ongoing criminal investigation, the improper payments related to the payment scheme have stopped.

Petrobras believes that this methodology produces the best estimate for the aggregate overstatement of its property, plant and equipment resulting from the payment scheme, in the sense that it represents the upper bound of the range of reasonable estimates. The estimate assumes that all contracts with the identified counterparties were affected and that 3% represents the amount by which the Company overpaid on those contracts. Both assumptions are supported by the testimony, even though some testimony indicated lower percentages with respect to certain contracts, a shorter period (2006 to 2011), or fewer contractors involved.

## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

The Company considered all available information for purposes of the preparation of the financial statements for the year ended December 31, 2015 and did not identify any additional information that would impact the adopted calculation methodology and consequently require additional write-offs. Information available to the Company included:

- Testimonies obtained through plea agreement by the Brazilian Public Prosecutor's Office that have been made public;
- Actions of administrative misconduct filed by the Brazilian Public Prosecutor's Office against cartel members for material damages attributable to the improper payments scheme;
- Criminal actions filed by the Brazilian Public Prosecutor's Office against individuals involved in the improper payments scheme, as representatives of contractors, intermediaries or former employees of Petrobras;
- Court decisions in the actions of administrative misconduct and criminal actions filed by the Brazilian Public Prosecutor's Office: including a decree of property unavailability of part of defendants, acceptance of provisional arrest of investigated persons, receipt of complaints, among others;
- Issuance of lower court judgments in certain of the criminal actions filed by the Brazilian Public Prosecutor's Office;
- Leniency agreement of a cartel member Setal Engenharia e Construções with Brazilian authorities;
- Statement of Conduct Cessation of Construções e Comércio Camargo Correa, a cartel member, with the Brazilian authorities;
- Technical Note 38/2015 of the Administrative Council for Economic Defense - CADE , that justified the initiation of administrative proceedings of the alleged cartel members.

Petrobras closely monitored the progress of both the investigation by Brazilian authorities and the independent law firms throughout 2015 when substantial progress was made. As a result of their work, no new facts that materially impact the Company's previously recorded adjustments or change the methodology adopted were discovered. The Company will continuously monitor the investigations for additional information and will review its potential impact on the adjustment made.

### **3.3. Investigations involving the Company**

Petrobras is not a target of the Lava Jato investigation and is formally recognized as a victim of the improper payments scheme by the Brazilian Authorities.



On November 21, 2014, Petrobras received a subpoena from the U.S. Securities and Exchange Commission (SEC) requesting certain documents and information about the Company. The Company has been complying with the subpoena and intends to continue to do so, working with the independent Brazilian and U.S. law firms that were hired to conduct an independent internal investigation.

On December 15, 2015, the State of São Paulo issued the Order of Civil Inquiry Public Prosecutor's Office 01/2015, establishing a civil proceeding to investigate the existence of potential damages caused by Petrobras to investors in the stock market. The Company will provide all relevant information required by the authorities.

### **3.4. Legal proceedings involving the Company**

Note 30 provides information about class actions and other material legal proceedings.

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

The accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements.

### **4.1. Basis of consolidation**

The consolidated financial statements include the financial information of Petrobras and the entities it controls (its subsidiaries), joint operations and consolidated structured entities.

## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

Control is achieved when Petrobras: i) has power over the investee; ii) is exposed, or has rights, to variable returns from involvement with the investee; and iii) has the ability to use its power to affect its returns.

Subsidiaries are consolidated from the date on which control is obtained until the date that such control no longer exists. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by Petrobras.

Note 11 sets out the consolidated entities and other direct investees.

Petrobras has no equity interest in certain structured entities and control is not determined by voting rights, but by the power the Company has over the relevant operating activities of such entities. Consolidated structured entities are set out below:

| <b>Consolidated structured entities</b>   | <b>Country</b> | <b>Main segment</b> |
|---|----------------|---------------------|
| Charter Development LLC – CDC   | U.S.A          | E&P                 |
| Companhia de Desenvolvimento e Modernização de Plantas Industriais – CDMPI          | Brazil         | RT&M                |
| PDET Offshore S.A.  | Brazil         | E&P                 |
| Fundo de Investimento em Direitos Creditórios Não-padronizados do Sistema Petrobras | Brazil         | Corporate           |
| Fundo de Investimento em Direitos Creditórios Padronizados do Sistema Petrobras     | Brazil         | Corporate           |

The consolidation procedures involve combining assets, liabilities, income and expenses, according to their function and eliminating all intragroup balances and transactions, including unrealized profits arising from intragroup transactions.

#### **4.1.1. Reconciliation between the parent company's shareholders' equity and loss with the consolidated financial**

|   | <b>Shareholders' equity</b> |                   | <b>Loss</b> |             |
|---|-----------------------------|-------------------|-------------|-------------|
|   | <b>12.31.2015</b>           | <b>12.31.2014</b> | <b>2015</b> | <b>2014</b> |
| Consolidated - IFRS / CPC                             | 257,930                     | 310,722           | (35,171)    | (21,924)    |
| Non-controlling Interests                             | (3,199)                     | (1,874)           | 335         | 337         |
| Deferred Expenses, Net of Income Tax (*)              | –                           | –                 | –           | (105)       |
| Parent company - Brazilian Accounting Standards (CPC) | 254,731                     | 308,848           | (34,836)    | (21,692)    |

(\*) Deferred expenses were fully amortized by December 31, 2014.

#### **4.2. Business segment reporting**

The information related to the Company's operating segments (business areas) is prepared based on items directly attributable to each segment, as well as items that can be allocated to each segment on a reasonable basis.

The measurement of segment results includes transactions carried out with third parties and transactions between business areas, which are charged at internal transfer prices defined by the relevant areas using methods based on market parameters.

The information by business area is segmented according to the management of the Company's business.

Due to the extinction of the international department in 2015, international business management was transferred to the E&P, RTM and Gas & Power business areas, based on the respective businesses which they operate.

The Company operates under the following business areas:

a) Exploration and Production (E&P): this segment covers the activities of exploration, development and production of crude oil, NGL (natural gas liquid) and natural gas in Brazil and abroad, for the primary purpose of supplying its domestic refineries and the sale of surplus crude oil and oil products produced in the natural gas processing plants to the domestic and foreign markets. The E&P segment also operates through partnerships with other companies.

b) Refining, Transportation and Marketing (RTM): this segment covers the refining, logistics, transport and trading of crude oil and oil products activities, in Brazil and abroad, exporting of ethanol, extraction and processing of shale, as well as holding interests in petrochemical companies in Brazil.

## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

c) Gas and Power: this segment covers the activities of transportation and trading of natural gas produced in Brazil and abroad, and imported natural gas, transportation and trading of LNG (liquid natural gas), generation and trading of electricity, as well as holding interests in transporters and distributors of natural gas and in thermoelectric power plants in Brazil, in addition to being responsible for the fertilizer business.

d) Biofuels: this segment covers the activities of production of biodiesel and its co-products, as well as the ethanol-related activities: equity investments, production and trading of ethanol, sugar and the surplus electric power generated from sugarcane bagasse.

e) Distribution: this segment includes the activities of Petrobras Distribuidora S.A., which operates through its own retail network and wholesale channels to sell oil products, ethanol and vehicle natural gas in Brazil to retail, commercial and industrial customers, as well as other fuel wholesalers. This segment also includes oil products distribution operations abroad (South America).

The corporate segment comprises the items that cannot be attributed to the other segments, notably those related to corporate financial management, corporate overhead and other expenses, including actuarial expenses related to the pension and medical benefits for retired employees and their dependents.

Assets and the statement of income by business area are presented in note 29.

### **4.3. Financial instruments**

#### **4.3.1. Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, term deposits with banks and short-term highly liquid financial investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and have a maturity of three months or less from the date of acquisition.

#### **4.3.2. Marketable securities**

Marketable securities comprise investments in debt or equity securities. These instruments are initially measured at fair value, are classified according to the Company's intention and ability and are subsequently measured as set out below:

- Fair value through profit or loss – includes financial instruments purchased and held for trading in the short term. These instruments are subsequently measured at fair value with changes recognized in the statement of income in finance income (expenses).
- Held-to-maturity – includes non-derivative financial instruments with fixed or determinable payments and fixed maturity, for which Management has the clear intention and ability to

hold to maturity. These instruments measured at amortized cost using the effective interest rate method.

- Available-for-sale – includes non-derivative financial instruments that are designated as available for sale or are not classified as financial assets at fair value through profit or loss or held-to-maturity investments. These instruments are measured at fair value and changes are recognized in other comprehensive income, in the shareholders' equity and recycled to the statement of income when the instruments are derecognized.

Subsequent value changes attributable to the change in interest rates (or interest income), foreign exchange rate, and inflation (price indices) are recognized in the statement of income for all categories, when applicable.

#### **4.3.3. Trade receivables**

Trade receivables are initially measured at the fair value of the consideration to be received and, subsequently, at amortized cost using the effective interest rate method and adjusted for allowances for impairment or uncollectible receivables.

The Company recognizes an allowance for impairment of trade receivables when there is objective evidence that a loss event occurred after the initial recognition of the receivable and has an impact on the estimated future cash flows, which can be reliably estimated. Impairment losses on trade receivables are recognized in the statement of income in selling expenses.

## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

### **4.3.4. Loans and financing (Debt)**

Loans and financing are initially recognized at fair value less transaction costs incurred and subsequently measured at amortized cost using the effective interest rate method.

### **4.3.5. Derivative financial instruments**

Derivative financial instruments are recognized in the statement of financial position as assets or liabilities and are initially and subsequently measured at fair value.

Gains or losses arising from changes in fair value are recognized in the statement of income in finance income (expense), unless the derivative is qualified and designated for hedge accounting.

### **4.3.6. Cash flow hedge accounting**

The Company mitigates the risk of its results through the use of derivative and non-derivative instruments, some of which qualify for cash flow hedge accounting.

Hedging relationships qualify for cash flow hedges when they involve the hedging of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

Gains or losses relating to the effective portion of the hedge are recognized in other comprehensive income, in the shareholders' equity and recycled to the statement of income in finance income (expense) in the periods when the hedged item affects the statement of income. The gains or losses relating to the ineffective portion are immediately recognized in the statement of income.

When the hedging instrument expires or is sold, terminated or exercised or no longer meets the criteria for hedge accounting or the Company revokes the designation, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income from the period when the hedge was effective is recorded separately in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is immediately reclassified from equity to the statement of income.

## **4.4. Inventories**

Inventories are determined by the weighted average cost flow method and mainly comprise crude oil, intermediate products and oil products, as well as natural gas, LNG, fertilizers and biofuels, stated at the lower of the average cost, and their net realizable value.

Crude oil and LNG inventories can be traded or used for production of oil products and/or electricity generation, respectively.

Intermediate products are those product streams that have been through at least one of the refining processes, but still need further treatment, processing or converting to be available for sale.

Biofuels mainly include ethanol and biodiesel inventories.

Maintenance materials, supplies and others are mainly comprised of production supplies, and operating and consumption materials used in the operations of the Company, stated at the average purchase cost, not exceeding replacement cost.

Net realizable value is the estimated selling price of inventory in the ordinary course of business, less estimated cost of completion and estimated expenses to complete its sale.

The amounts presented in the categories above include imports in transit, which are stated at the identified cost.

#### **4.5. Investments in other companies**

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not the ability to exercise control or joint control over those policies. The definition of control is set out in note 4.1.

## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

A joint arrangement is an arrangement over which two or more parties have joint control (pursuant to contractual provisions). A joint arrangement is classified either as a joint operation or as a joint venture depending on the rights and obligations of the parties to the arrangement.

In a joint operation the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement and in a joint venture, the parties have rights to the net assets of the arrangement.

In the parent company's financial statements, investments in associates, subsidiaries and joint ventures are accounted for by the equity method from the date on which they become an associate, a joint venture or a subsidiary. In the parent company's financial statements, only joint operations structured through separate vehicles (i.e. incorporated entities) are accounted for by the equity method. For other joint operations the Company recognizes the amount of its share of assets, liabilities and related income and expenses.

Accounting policies of joint ventures and associates have been modified, where necessary, to ensure consistency with the policies adopted by Petrobras. Distributions received from an investee reduce the carrying amount of the investment.

### **4.6. Business combinations and goodwill**

Acquisitions of businesses are accounted for using the acquisition method when control is obtained. Combinations of entities under common control are not accounted for as business combinations.

The acquisition method requires that the identifiable assets acquired and the liabilities assumed be measured at the acquisition-date fair value. Amounts paid in excess of the fair value are recognized as goodwill. In the case of a bargain purchase, a gain is recognized in the statement of income when the acquisition cost is lower than the acquisition-date fair value of the net assets acquired.

Changes in ownership interest in subsidiaries that do not result in loss of control of the subsidiary are equity transactions. Any excess of the amounts paid/received over the carrying value of the ownership interest acquired/disposed is recognized in shareholders' equity as changes in interest in subsidiaries.

### **4.7. Oil and Gas exploration and development expenditures**

The costs incurred in connection with the exploration, appraisal, development and production of crude oil and natural gas are accounted for using the successful efforts method of accounting, as set out below:

- Costs related to geological and geophysical activities are expensed when incurred.



- Amounts paid for obtaining concessions for exploration of crude oil and natural gas (capitalized acquisition costs) are initially capitalized.

- Costs directly attributable to exploratory wells pending determination of proved reserves are capitalized within property, plant and equipment. Unsuccessful exploratory wells are charged to expense when they are considered dry holes, uneconomic (did not encounter potentially economic oil and gas quantities) or were abandoned due to mechanical accidents. Exploratory wells that have discovered oil and gas reserves, which cannot be classified as proved when drilling is completed, continue to be capitalized if the well has found a sufficient quantity of reserves to justify its completion as a producing well and progress on assessing the reserves and the economic and operating viability of the project is under way. An internal commission of technical executives of Petrobras reviews these conditions monthly for each well, by analysis of geoscience and engineering data, existing economic conditions, operating methods and government regulations.

- Costs related to exploratory wells drilled in areas of unproved reserves are charged to expense when determined to be dry or uneconomic.

- Costs related to the construction, installation and completion of infrastructure facilities, such as drilling of development wells, construction of platforms and natural gas processing units, construction of equipment and facilities for the extraction, handling, storing, processing or treating crude oil and natural gas, pipelines, storage facilities, waste disposal facilities and other related costs incurred in connection with the development of proved reserve areas are capitalized within property, plant and equipment.

#### **4.8. Property, plant and equipment**

Property, plant and equipment are measured at the cost to acquire or construct, including all costs necessary to bring the asset to working condition for its intended use and the estimated cost of dismantling and removing the asset and restoring the site, reduced by accumulated depreciation and impairment losses.

## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

A condition of continuing to operate certain items of property, plant and equipment, such as industrial plants, offshore plants and vessels is the performance of regular major inspections and maintenance. Those expenditures are capitalized if the recognition criteria are met or otherwise expensed when incurred. The capitalized costs are depreciated over the period through to the next major maintenance date.

Spare parts are capitalized when they are expected to be used during more than one period and can only be used in connection with an item of property, plant and equipment. These are depreciated over the useful life of the item of property, plant and equipment to which they relate.

General and specific borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized as part of the costs of these assets. General borrowing costs are capitalized based on the Company's weighted average of the cost of borrowings outstanding applied over the balance of assets under construction. Borrowing costs are amortized during the useful lives of the assets or by applying the unit-of-production method to the related assets. The Company suspends capitalization of borrowing costs during extended periods in which it suspends active development of a qualifying asset.

Except for assets with useful lives shorter than the life of the field, which are depreciated based on the straight-line method, depreciation, depletion and amortization of proved oil and gas producing properties are accounted for pursuant to the unit-of-production method.

Assets with useful lives shorter than the life of the field, floating platforms and assets that are unrelated to oil and gas production are depreciated based on the straight line method.

The unit-of-production method of depreciation (amortization) is computed based on a unit-of-production basis (monthly production) over the proved developed oil and gas reserves, applied on a field-by-field basis.

Amortization of amounts paid for obtaining concessions for exploration of oil and natural gas of producing properties, such as signature bonuses (capitalized acquisition costs) and the acquisition costs with respect to the Assignment Agreement (note 12.3), referring to the right to carry out prospection and drilling activities for oil, natural gas and other liquid hydrocarbons located in blocks in the pre-salt area is recognized using the unit-of-production method, computed based on the units of production over the total proved oil and gas reserves, applied on a field-by-field basis.

Except for land, which is not depreciated, other property, plant and equipment are depreciated on a straight-line basis. Note 12 provides further information about the estimated useful life by class of assets.

### **4.9. Intangible assets**

Intangible assets are measured at the acquisition cost, less accumulated amortization and impairment losses and comprise rights and concessions, including the signature bonus paid for obtaining concessions for exploration of oil and natural gas (capitalized acquisition costs); public service concessions; trademarks; patents; software and goodwill for expectations of future profitability, resulting from the acquisition of a controlling interest. In the individual financial statements, this goodwill is presented in investments.

Signature bonuses paid for obtaining concessions for exploration of oil and natural gas are initially capitalized within intangible assets and are transferred to property, plant and equipment upon the declaration of commerciality. The acquisition costs with respect to the Assignment Agreement were reclassified to property, plant and equipment, as set out in note 12.3. On December 29, 2014 the Company submitted the declaration of commerciality of the last area of the agreement to the Brazilian Agency of Petroleum, Natural Gas and Biofuels (*Agência Nacional de Petróleo, Gás Natural e Biocombustíveis*) - ANP. Signature bonuses are not amortized until they are transferred to property, plant and equipment. Intangible assets with a finite useful life, other than amounts paid for obtaining concessions for exploration of oil and natural gas of producing properties, are amortized over the useful life of the asset on a straight-line basis.

Internally generated intangible assets are not capitalized and are expensed as incurred, except for development costs that meet the recognition criteria related to completion and use of assets, probable future economic benefits, and others.

Intangible assets with an indefinite useful life are not amortized but are tested annually for impairment considering individual assets or cash-generating units. Their useful lives are reviewed annually to determine whether events and circumstances continue to support an indefinite useful life assessment for those assets. If they do not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

#### **4.10. Impairment**

Property, plant and equipment and intangible assets with definitive lives are tested for impairment when there is an indication that the carrying amount may not be recoverable. Assets related to development of oil and gas and assets that have indefinite useful lives, such as goodwill acquired in business combinations are tested for impairment annually, irrespective of whether there is any indication of impairment.

## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

The impairment test is performed by a comparison of the carrying amount of an individual asset or a cash-generating unit (CGU) with its recoverable amount. Whenever the recoverable amount is less than the carrying amount, an impairment loss is recognized to reduce the carrying amount to the recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. Considering the specificity of the Company's assets, the existing synergies between the Company's assets and businesses, as well as the expectation of the use of its assets for their remaining useful lives, value in use is generally used by the Company for impairment testing purposes, except when specifically indicated.

Value in use is estimated based on the present value of the risk-adjusted (for specific risks) future cash flows expected to arise from the continuing use of an asset or cash-generating unit (based on assumptions that represent the Company's best estimates), discounted at a pre-tax discount rate. This rate is obtained from the Company's post-tax weighted average cost of capital (WACC). Cash flow projections are mainly based on the following assumptions: prices based on the Company's most recent strategic plan; production curves associated with existing projects in the Company's portfolio, operating costs reflecting current market conditions, and investments required for carrying out the projects.

For purposes of the impairment test, assets are grouped at the smallest identifiable group that generates largely independent cash inflows from other assets or groups of assets (the cash-generating unit). Assets related to exploration and development of oil and gas are tested annually for impairment on a field-by-field or group of fields basis, based on cash flow projections.

Reversal of previously recognized impairment losses is permitted for assets other than goodwill.

### **4.11. Leases**

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

For finance leases, when the Company is the lessee, assets and liabilities are recognized at the lower of the fair value of the leased property or the present value of the minimum lease payments, both determined at the inception of the lease.

Capitalized lease assets are depreciated on a systematic basis consistent with the depreciation policy the Company adopts for property, plant and equipment that are owned. Where there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, capitalized lease assets are depreciated over the shorter of the lease term or the estimated useful life of the asset.

When the Company is the lessor, a receivable is recognized at the amount of the net investment in the lease.

If a lease does not transfer substantially all the risks and rewards incidental to ownership of the leased item, it is classified as an operating lease. Operating leases are recognized as expenses over the period of the lease.

Contingent rents are recognized as expenses when incurred.

#### **4.12. Assets classified as held for sale**

Non-current assets, disposal groups and liabilities directly associated with those assets are classified as held for sale if their carrying amounts will, principally, be recovered through the sale transaction rather than through continuing use.

The Company approved a divestment plan and is considering opportunities to sell different assets and businesses. The divestment portfolio is dynamic because changes in market conditions and/or in the Company's evaluation of its different businesses may affect any ongoing negotiation or potential transaction.

The condition for classification as held for sale is met only when the sale is approved by the Company's Board of Directors and the asset or disposal group is available for immediate sale in its present condition and there is the expectation that the sale occurs within 12 months after the classification as held for sale. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale.

However, events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the Company's control and there is sufficient evidence that it remains committed to its plan to sell the assets (or disposal groups).

## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

Assets (or disposal groups) classified as held for sale and the associated liabilities are measured at the lower of their carrying amount and fair value less costs to sell. Assets and liabilities are presented separately in the statement of financial position.

### **4.13. Decommissioning costs**

Decommissioning costs are future obligations to perform environmental restoration, dismantle and remove a facility when it terminates its operations due to the exhaustion of the area or economic feasibility.

Costs related to the abandonment and dismantling of areas are recognized as part of the cost of an asset (with a corresponding liability) based on the present value of the expected future cash outflows, discounted at a risk-adjusted rate when a future legal obligation exists and can be reliably measured.

The estimates for abandonment and dismantling of areas are revised annually and depreciated similarly to property, plant and equipment, based on the class of the asset. Unwinding of the discount of the corresponding liability is recognized as a finance expense, when incurred.

Future decommissioning costs for oil and natural gas producing properties are initially recognized after a field is declared to be commercially viable, on a field by field basis, and are revised annually.

### **4.14. Provisions, contingent assets and contingent liabilities**

Provisions are recognized when there is a present obligation (legal or constructive) that arises from past events and for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, which must be reasonably estimable.

Contingent assets are not recognized, except when the realization of income is virtually certain.

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

### **4.15. Income taxes**

Income tax expense for the period comprises current and deferred tax.

#### **Current income taxes**

Brazil has enacted corporate tax reform, Law 12.973 as of May 13, 2014. Beginning in 2015, the Company has adopted the provisions of the enacted law in order to determine its taxable profit for the year. The prior tax regime, called the Transition Tax Regime (Regime Tributário de Transição - RTT) was revoked and the impact of the adoption of the new tax regime is set out in note 21.5.

Current tax expense is computed based on taxable profit for the year, calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current income taxes are offset when they relate to income taxes levied on the same taxable entity and tax authority, when a legally right and intention to set off current tax assets and current tax liabilities exists.

### **Deferred income taxes**

Deferred income taxes are recognized on temporary differences between the tax base of an asset or liability and its carrying amount. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and carryforward of unused tax losses or credits to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized. When there are insufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, a deferred tax is recognized to the extent that it is probable that the entity will have sufficient taxable profit in future periods, based on projections supported by the Company's Business and Management plan and approved by Management.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

Deferred tax assets and deferred tax liabilities are offset when they relate to income taxes levied on the same taxable entity, when a legally enforceable right to set off current tax assets and current tax liabilities exists and when the deferred tax assets and deferred tax liabilities relate to taxes levied by the same tax authority on the same taxable entity.

### **4.16. Employee benefits (Post-Employment)**

Actuarial commitments related to post-employment defined benefit plans and health-care plans are recognized as liabilities in the statement of financial position based on actuarial calculations which are revised annually by an independent qualified actuary (updating for material changes in actuarial assumptions and estimates of expected future benefits), using the projected unit credit method, net of the fair value of plan assets, when applicable, from which the obligations are to be directly settled.

Actuarial assumptions include demographic assumptions, financial assumptions, medical costs estimates, historical data related to benefits paid and employee contributions.

Under the projected credit unit method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to determine the final obligation.

Changes in the net defined benefit liability (asset) are recognized when they occur, as follows: i) service cost and net interest cost in the statement of income; and ii) remeasurements in other comprehensive income.

Service cost comprises: (i) current service cost, which is the increase in the present value of the defined benefit obligation resulting from employee service in the current period; (ii) past service cost, which is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction, modification, or withdrawal of a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan); and (iii) any gain or loss on settlement.

Net interest on the net defined benefit liability (asset) is the change during the period in the net defined benefit liability (asset) that arises from the passage of time.

Remeasurement of the net defined benefit liability (asset) is recognized in shareholders' equity, in other comprehensive income, and comprises: (i) actuarial gains and losses and; (ii) the return on plan assets, less interest income earned on these assets.

The Company also contributes amounts to defined contribution plans, that are expensed when incurred and are computed based on a percentage of salaries.

### **4.17. Share Capital and Stockholders' Compensation**



Share capital comprises common shares and preferred shares. Incremental costs directly attributable to the issue of new shares (share issuance costs) are presented (net of tax) in shareholders' equity as a capital transactions.

To the extent the Company proposes distributions to shareholders, such dividends and interest on capital are determined in accordance with the limits defined in the Brazilian Corporation Law and in the Company's bylaws.

Interest on capital is a form of dividend distribution which is deductible for tax purposes in Brazil to the entity distributing interest on capital. Tax benefits from the deduction of interest on capital are recognized in the statement of income.

#### **4.18. Other comprehensive income**

Other comprehensive income include changes in fair value of available-for-sale financial instruments, effective portion of cash flow hedge, actuarial gains and losses (remeasurement of the net defined benefit liability) and cumulative translation adjustment.

#### **4.19. Government grants**

A government grant is recognized when there is reasonable assurance that the grant will be received and the Company will comply with the conditions attached to the grant.

## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

Government grants related to expenses are recognized as revenue in the statement of income on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Government grants related to assets are initially recognized as deferred income and transferred to the statement of income over the useful life of the asset on a straight-line basis.

### **4.20. Recognition of revenue, costs and expenses**

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue and the costs incurred or to be incurred in the transaction can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable for products sold and services provided in the normal course of business, net of returns, discounts and sales taxes.

Revenues from the sale of crude oil and oil products, petrochemical products, natural gas, biofuels and other related products are recognized when the Company retains neither continuing managerial involvement nor effective control over the products sold and the significant risks and rewards of ownership have been transferred to the customer, which is usually when legal title passes to the customer, pursuant to the terms of the sales contract. Sales revenues from freight and other services provided are recognized based on the stage of completion of the transaction.

Finance income and expense mainly comprise interest income on financial investments and government bonds, interest expense on debt, gains or losses on marketable securities measured at fair value, as well as net foreign exchange and inflation indexation charges. Finance expense does not include borrowing costs which are capitalized as part of the costs of these assets.

Revenue, costs and expenses are recognized on the accrual basis.

## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

### **5. Critical accounting policies: key estimates and judgments**

The preparation of the consolidated financial information requires the use of estimates and judgments for certain transactions and their impacts on assets, liabilities, income and expenses. The assumptions are based on past transactions and other relevant information and are periodically reviewed by Management, although the actual results could differ from these estimates.

Information about those areas that require the most judgment or involve a higher degree of complexity in the application of the accounting practices and that could materially affect the Company's financial condition and results of operations are set out following:

#### **5.1. Oil and gas reserves**

Oil and gas reserves are estimated based on economic, geological and engineering information, such as well logs, pressure data and drilling fluid sample data and are used as the basis for calculating unit-of-production depreciation, depletion and amortization rates and for impairment tests.

These estimates require the application of judgment and are reviewed at least annually based on a re-evaluation of already available geological, reservoir or production data and new geological, reservoir or production data, as well as changes in prices and costs that are used in the estimation of reserves. Revisions can also result from significant changes in the Company's development strategy or in the production capacity of equipment and facilities.

The Company determines its oil and gas reserves both pursuant to the SEC and the ANP/SPE (Brazilian Agency of Petroleum, Natural Gas and Biofuels / Society of Petroleum Engineers) criteria. The main differences between the two criteria are: selling price of crude oil (ANP/SPE establishes the use of the Company's forecasted price, while SEC determines the use an average price considering the each first day of the last 12 months); concession period (ANP permits for the use of reserve quantities after the concession period). Additionally, pursuant to the SEC criteria, only proved reserves are determined, while proved and unproved reserves are determined pursuant to the ANP/SPE criteria.

#### **a) Oil and gas reserves: depreciation, depletion and amortization**

Depreciation, depletion and amortization are measured based on estimates of reserves prepared by the Company's technicians in a manner consistent with SEC definitions. Revisions to the Company's proved developed and undeveloped reserves impact prospectively the amounts of depreciation, depletion and amortization recognized in the statement of income and the carrying amounts of oil and gas properties assets.

Therefore all other variables being constant, a decrease in estimated proved reserves would increase, prospectively, depreciation, depletion and amortization expense, while an increase

in reserves would prospectively reduce the amount of expenses with depreciation, depletion and amortization.

See notes 4.8 and 12 for more detailed information about depreciation, amortization and depletion.

**b) Oil and gas reserves: impairment testing**

The Company assesses the recoverability of the carrying amounts of oil and gas exploration and development assets based on their value in use, as defined in note 4.10. In general, analyses are based on proved reserves and probable reserves pursuant to the ANP/SPE definitions.

The Company performs asset valuation analyses on an ongoing basis as a part of its management program by reviewing the recoverability of their carrying amounts based on estimated volumes of oil and gas reserves, as well as estimated future oil and natural gas prices.

Oil and gas exploration and production assets are tested annually for impairment, irrespective of whether there is any indication of impairment.

The markets for crude oil and natural gas have a history of significant price volatility and although prices can drop precipitously, industry prices over the long term will continue to be driven by market supply and demand fundamentals. The impairment tests that the Company performs make use of its long-term price assumptions used in its planning and budgeting processes and its capital expenditure decisions, which are considered reasonable estimates, given market indicators and experience. When determining the value in use of those assets, short-term price volatility affects the cash flow estimates for the first years.

Lower future oil and gas prices, when considered long-term trends, as well as negative impacts of significant changes in reserve volumes, production curve expectations, lifting costs or discount rates could trigger the need for impairment assessment.

## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

See notes 4.8 and 12 for more detailed information about oil and natural gas exploration and development assets.

### **5.2. Identifying cash-generating units for impairment testing**

Identifying cash-generating units (CGUs) requires management assumptions and judgment, based on the Company's business and management model.

Changes in the aggregation of assets into Cash-Generating units (CGUs) could result in additional impairment charges or reversals. Such changes may occur when investment, strategic or operational factors result in changes in the interdependencies between those assets and, consequently, alter the aggregation of assets into CGUs.

The assumptions set out below have been consistently applied by the Company:

#### a) Exploration and Production CGUs:

i) Crude oil and natural gas producing properties CGU: comprised of exploration and development assets related to crude oil and natural gas fields and groups of fields in Brazil and abroad. As of December 31, 2015, the Company changed the aggregation of certain crude oil and natural gas producing properties located in mid-southern Campos Basin into a cash-generating unit (the Centro-Sul group of crude oil and natural gas producing properties). Certain fields were disaggregated from the CGU and impairment tests were run separately for those individual fields. The manner by which the CGU is identified was changed as a result of: (a) the beginning of production shutdown in the Bicudo field; (b) the sale of Bijupirá and Salema fields; and (c) a reassessment of the areas' natural gas production process, reflecting an increase in the domestic demand for natural gas in the thermoelectric industry, which resulted in a decrease in the need for natural gas reinjection. Accordingly, the following fields have been disaggregated from the CGU: Espadarte, Linguado, Bicudo, Badejo, Pampo, Trilha, Tartaruga Verde and Tartaruga Mestiça; and

ii) Drilling Rigs CGU: comprised of drilling rigs, where each drilling rig represents an independent CGU. Refining, transportation and marketing CGU's.

#### b) Downstream CGUs:

i) Downstream CGU: a single CGU comprised of all refineries and associated assets, terminals and pipelines, as well as logistics assets operated by Transpetro. This CGU was identified based on the concept of integrated optimization and performance management, which focus on the global performance of the CGU, allowing a shift of margins from one refinery to another. Pipelines and terminals are an integral part and interdependent portion of the refining assets, required to supply the market. During the quarter ended December 31, 2014, Complexo Petroquímico do Rio de Janeiro (Comperj) and the second refining unit of Refinaria Abreu e Lima (RNEST), both assets under construction, were removed from the Downstream

CGU and assessed for impairment individually due to a range of circumstances that include: a) postponement of projects; b) a decrease in expected future operating revenues following the decline in international crude oil prices, c) the devaluation of Brazilian Real, d) difficulties in accessing the capital markets, and e) insolvency of contractor and suppliers and a consequent shortage of qualified contractors and suppliers (as a result of the difficulties created for suppliers by the Lava Jato investigation or otherwise);

ii) Petrochemical CGU: the *PetroquímicaSuape* and *Citepe* petrochemical plants;

iii) Transportation CGU: Transpetro's fleet of vessels;

iv) SIX CGU: shale processing plant; and

v) other operations in Brazil and abroad defined as the smallest group of assets that generates independent cash flows.

c) Gas & Power CGU's:

## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

i) Natural gas CGU: comprised of natural gas pipelines, natural gas processing plants and fertilizers and nitrogen products plants. During the quarter ended December 31, 2014, after the interruption of the construction of the fertilizer plant *Unidade de Fertilizantes Nitrogenados III* (UFN III) (MS), the Company terminated the construction contract with *Consórcio UFN III* due to poor performance. After this interruption, the Company decided to re-evaluate its implementation schedule, postponing the necessary actions of hiring a new company to execute the remaining scope as long as measures to preserve the Company's capital are in place. In addition, during 2015, the updated 2015-2019 Business and Management Plan excluded the fertilizer plant *Unidade de Fertilizantes Nitrogenados V* (UFN V). As a result, the Company excluded the assets under construction UFN III and UFN V from the Gas & Power CGU and each one was assessed for impairment separately;

ii) Power CGU: thermoelectric power generation plants; and

iii) other operations in Brazil and abroad defined as the smallest group of assets that generates largely independent cash flows.

d) Distribution CGU:

Comprised of the distribution assets related to the operations of Petrobras Distribuidora S.A.

e) Biofuels CGU's:

Biodiesel CGU: an integrated unit of biodiesel plants defined based on the production planning and operation process, considering domestic market conditions, the production capacity of each plant, as well as the results of biofuels auctions and raw materials supply; and

Investments in associates and joint ventures including goodwill are individually tested for impairment.

See notes 4.10 and 14 for more detailed information about impairment.

### **5.3. Pension and other post-retirement benefits**

The actuarial obligations and net expenses related to defined benefit pension and health care post-retirement plans are computed based on several financial and demographic assumptions, of which the most significant are:

- Discount rate: comprises the projected future inflation in addition to an equivalent real interest rate that matches the duration of the pension and health care obligations with the future yield curve of long-term Brazilian Government Bonds; and
- Medical costs: comprise the projected annual growth rates based on per capita health care benefits paid over the last five years, which are used as a basis for projections,

decreasing gradually over 30 years, to converge with a general price inflation index.

These and other estimates are reviewed at least annually and may differ materially from actual results due to changing market and financial conditions, as well as actual results of actuarial assumptions.

The sensitivity analysis of discount rates and changes in medical costs as well as additional information about actuarial assumptions are set out in note 22.

#### **5.4. Estimates related to contingencies and legal proceedings**

The Company is a defendant in numerous legal proceedings involving tax, civil, labor, corporate and environmental issues arising from the normal course of its business for which estimates are made by Petrobras of the amounts of the obligations and the probability that an outflow of resources will be required. Those estimates are based on legal advice and Management's best estimates.

See note 30 for more detailed information about contingencies and legal proceedings.



## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

### **5.5. Dismantling of areas and environmental remediation**

The Company has legal and constructive obligations to remove equipment and restore onshore and offshore areas at the end of operations at production sites. Its most significant asset removal obligations involve removal and disposal of offshore oil and gas production facilities in Brazil and abroad. Estimates of costs for future environmental cleanup and remediation activities are based on current information about costs and expected plans for remediation.

These estimates require performing complex calculations that involve significant judgment because the obligations are long-term; the contracts and regulations contain subjective definitions of the removal and remediation practices and criteria involved when the events actually occur; and asset removal technologies and costs are constantly changing, along with regulations, environmental, safety and public relations considerations.

The Company is constantly conducting studies to incorporate technologies and procedures to optimize the operations of abandonment, considering industry best practices. However, the timing and amounts of future cash flows are subject to significant uncertainty.

Notes 4.13 and 20 provides further detailed information about the decommissioning provisions.

### **5.6. Deferred income taxes**

The recognition of deferred tax liabilities and deferred tax assets involves significant estimates and judgments by the Company. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized or it is probable that the entity will have sufficient taxable profit in future periods. Deferred tax liabilities are recognized for all taxable temporary differences.

In evaluating whether it will have sufficient taxable profit in future periods to support the recognition of deferred tax assets, the Company uses future projections and estimates based on its Business and Management Plan (BMP), approved by the Board of Executive Officers annually. Future taxable profits projections are mainly based on the following assumptions: i) Brent crude oil prices; ii) foreign exchange rates; and iii) the Company's projected net finance expenses (income).

Changes in deferred tax assets and liabilities are presented in note 21.6.

### **5.7. Cash flow hedge accounting involving the Company's future exports**

For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable. The Company determines the portion of its future exports that meet the criteria of being "highly probable future exports" by determining a percentage of total forecast exports

based on a time series comparing realized and forecast exports (based on its five-year Business and Management Plan - BMP and its long-term Strategic Plan projections). Forecast future exports are reviewed whenever the Company reviews its BMP and Strategic Plan assumptions. The ratio of highly probable future exports to total forecast exports is reviewed annually, at least.

Projections of future exports are determined based on the Company's operational and capital expenditure optimization model and are affected by different assumptions, including crude oil and oil products prices, the Company's projected crude oil and natural gas production and domestic demand.

See note 33.2 for more detailed information about cash flow hedge accounting and a sensitivity analysis of the cash flow hedge involving future exports.

#### **5.8. Write-off – overpayments incorrectly capitalized**

As described in note 3, in the third quarter of 2014, the Company wrote off US\$2,527 of capitalized costs representing the estimated amounts that Petrobras had overpaid for the acquisition of property, plant and equipment.

To account for these overpayments, the Company developed an estimation methodology, as set out in note 3. Petrobras acknowledges the degree of uncertainty involved in the estimation methodology and continues to monitor the ongoing investigations and the availability of other information concerning the amounts it may have overpaid in the context of the payment scheme. If reliable information becomes available that indicates with sufficient precision that the Company's estimate should be modified, it will evaluate materiality and, if so, adjust.

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

However, as previously discussed, the Company believes it has used the most appropriate methodology and assumptions to determine the amounts of overpayments incorrectly capitalized and there is no evidence that would indicate the possibility of a material change in the amounts written-off.

**5.9. Allowance for impairment of trade receivables**

Management continuously assesses whether there is objective evidence that trade receivables are impaired and recognizes allowances for impairment of trade receivables to cover losses. Such evidence includes insolvency, defaults, judicial recovery claims a significant probability of a debtor filing for bankruptcy and others.

See note 8 for more detailed information about allowance for impairment of trade receivables.

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

**6. New standards and interpretations**

**a) IASB - International Accounting Standards Board**

The following standards and amendments to standards were issued by the IASB and are not effective as of December 31, 2015. The Company did not early adopt those standards:

| <b>Standards</b>                             | <b>Brief Description</b> | <b>Effective Date</b> |
|--|--------------------------|-----------------------|
| Amendment to IFRS 11<br>"Joint Arrangements" |                          |                       |

Requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation (as defined under IFRS 11) that constitutes a "business (as defined under IFRS 3)." January 1, 2016

Amendment to IFRS 10  
"Consolidated Financial  
Statements" and to IAS 28  
"Investments in Associates  
and Joint Ventures"

States that when an asset is sold to, or contributed in an associate or a joint venture, and the asset meets the definition of business (IFRS 3), the gain or loss shall be fully recognized by the investor (regardless of the participation of third parties in the associate or joint venture). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business. However, if the sale or contribution does not meet the definition of business as defined by IFRS 3/CPC 15, any gain or loss shall be recognized by the investor in proportion to the participation of third parties in the associate or joint venture. Indefinitely postponed

IFRS 15 – “Revenue from Contracts with Customers”

Sets out requirements for revenue recognition, measurement and disclosure. According to IFRS 15, revenue is recognized when a customer obtains control of a good or service sold. It changes the current model, based on which revenue is recognized when significant risks and rewards of ownership are transferred. In addition IFRS 15 provides guidance for revenue recognition in more complex cases. January 1, 2018

IFRS 9 - "Financial Instruments"

Establishes a new model of financial assets classification, based on their cash flow characteristics and entity's business model objective for them. This standard also changes the assumptions of financial assets impairment recognition based on expected losses. January 1, 2018





Adds new requirements regarding hedge accounting.

The Company is assessing the impact the new standards and amendments to standards may have on future periods.

### **IFRS 16 – “Leases”**

On January 13, 2016, the IASB issued IFRS 16 "Leases", which will be effective for fiscal years beginning on or after January 1, 2019 and will replace IAS 17 "Leases" and related interpretations.

IFRS 16 sets out requirements for leases identification, recognition, measurement, presentation and disclosure according to the lessee and lessor perspectives.

Among the changes for lessees, IFRS 16 eliminates classification between financial and operating leases, required by IAS 17. Therefore, it will be a single model in which all leases will result in the recognition of assets related to the use of rights of assets leased. If the payments provided for in the commercial leases are due over time, financial liabilities should be recognized as well.

For lessors, IFRS 16 will maintain the classification as either financial or operating leases as required by IAS 17. IFRS 16 will not substantially change the way leases will be accounted for lessors when compared to IAS 17.

The Company is assessing the impacts of this new standard and believes that the adoption of IFRS 16 may cause a significant increase in assets and liabilities in its consolidated statement of financial position. Accordingly, the Company may also need to negotiate some covenants in its loan agreements with BNDES – (Brazilian Development Bank) when a reliable estimate of these impacts can be made.

### **b) Brazilian Tax Law**

On December 30, 2015, the State of Rio de Janeiro enacted two laws that increase the tax burden on the oil industry, from March 2016, as follows:

- Law 7.182 – establishes a new levy for the Rate Control, Monitoring and Supervision of Research, Mining, Oil and Gas Exploration and Utilization Activities (Taxa de Controle, Monitoramento e Fiscalização das Atividades de Pesquisa, Lavra, Exploração e Aproveitamento de Petróleo e Gás – TFPG), over each barrel of crude oil or equivalent unit of natural gas extracted in the State of Rio de Janeiro; and

## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

- Law 7.183 – establishes a new tax charge on transactions involving the crude oil cycle - 18% VAT (ICMS).

The Company believes that neither of these laws have a basis as valid legal statutes and plans to file appeals to the Brazilian Federal Supreme Court to prove that they are unconstitutional.

**7. Cash and cash equivalents and Marketable securities**

| <b>Cash and Cash Equivalents</b>                                      | <b>Consolidated</b> |                   | <b>Parent Company</b> |                   |
|---|---------------------|-------------------|-----------------------|-------------------|
|   | <b>12.31.2015</b>   | <b>12.31.2014</b> | <b>12.31.2015</b>     | <b>12.31.2014</b> |
| Cash at bank and in hand  | 3,157               | 1,884             | 4                     | 2                 |
| Short-term financial investments                                      |                     |                   |                       |                   |
| - In Brazil   |                     |                   |                       |                   |
| Single-member funds (Interbank Deposit) and other short-term deposits | 3,599               | 5,311             | 1,100                 | 4,182             |
| Other investment funds (*)  | 42                  | 107               | 2                     | 51                |
|   | 3,641               | 5,418             | 1,102                 | 4,233             |
| - Abroad  |                     |                   |                       |                   |
| Time deposits   | 51,842              | 23,110            | –                     | –                 |
| Automatic investing and interest checking accounts                    | 34,471              | 9,491             | 15,447                | –                 |
| Other financial investments   | 4,734               | 4,336             | –                     | 859               |
|   | 91,047              | 36,937            | 15,447                | 859               |
| Total short-term financial investments                                | 94,688              | 42,355            | 16,549                | 5,092             |
| Total cash and cash equivalents                                       | 97,845              | 44,239            | 16,553                | 5,094             |

(\*) Reclassification in 2014 of R\$ 231 in the parent company, as detailed in note 2.3.

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

**Marketable securities**

|                                 | <b>Consolidated<br/>12.31.2015</b> |               |              | <b>12.31.2014</b>    |               |              | <b>Parent Company<br/>12.31.2015 12.31.2014</b> |              |
|---------------------------------|------------------------------------|---------------|--------------|----------------------|---------------|--------------|---|--------------|
|                                 | <b>In<br/>Brazil</b>               | <b>Abroad</b> | <b>Total</b> | <b>In<br/>Brazil</b> | <b>Abroad</b> | <b>Total</b> | <b>Total</b>                                    | <b>Total</b> |
| Trading securities              | 3,042                              | –             | 3,042        | 7,146                | –             | 7,146        | 2,982   | 7,092        |
| Available-for-sale securities   | 21                                 | 5             | 26           | 6                    | 50            | 56           | 2   | 52           |
| Held-to-maturity securities (*) | 271                                | 50            | 321          | 270                  | 17,581        | 17,851       | 8,070   | 8,577        |
|                                 | 3,334                              | 55            | 3,389        | 7,422                | 17,631        | 25,053       | 11,054  | 15,721       |
| Current                         | 3,042                              | 5             | 3,047        | 7,146                | 17,617        | 24,763       | 10,794  | 15,472       |
| Non-current                     | 292                                | 50            | 342          | 276                  | 14            | 290          | 260   | 249          |

(\*) Reclassification in 2014 of R\$ 231 in the parent company, as detailed in note 2.3.

Trading securities refer mainly to investments in Brazilian Government Bonds and held-to-maturity securities are mainly comprised of time deposits in highly-rated financial institutions. These financial investments have maturities of more than three months and are classified as current assets due to the expectation of their realization in the short term.

In the parent company the relevant held-to-maturity securities refer to the investments in the Receivables Investment Fund, as presented in note 19.2.

**8. Trade and other receivables**

**8.1. Trade and other receivables, net**

## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

|  | <b>Consolidated</b> |                   | <b>Parent Company</b> |                   |
|--|---------------------|-------------------|-----------------------|-------------------|
|  | <b>12.31.2015</b>   | <b>12.31.2014</b> | <b>12.31.2015</b>     | <b>12.31.2014</b> |
| Trade receivables  |                     |                   |                       |                   |
| Third parties (*)  | 28,358              | 26,620            | 10,975                | 10,657            |
| Related parties  |                     |                   |                       |                   |
| Investees (note 19.5)  | 2,085               | 2,293             | 15,176                | 19,913            |
| Receivables from the electricity sector (note 8.4)                               | 13,335              | 7,879             | 3,940                 | 765               |
| Petroleum and alcohol accounts - receivables from Federal Government (note 19.6) | 857                 | 843               | 857                   | 843               |
| Other receivables  | 6,625               | 5,322             | 2,790                 | 2,685             |
|  | 51,260              | 42,957            | 33,738                | 34,863            |
| Allowance for impairment of trade receivables                                    | (14,274)            | (8,956)           | (6,514)               | (4,873)           |
|  | 36,986              | 34,001            | 27,224                | 29,990            |
| Current  | 22,659              | 21,167            | 20,863                | 19,319            |
| Non-current  | 14,327              | 12,834            | 6,361                 | 10,671            |

(\*) Reclassification in 2014 of R\$ 1,536 in the parent company and of R\$ 1,607 in the consolidated, as detailed in note 2.3.

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

|                     | <b>Consolidated</b> |                   | <b>Parent Company</b> |                   |
|---------------------|---------------------|-------------------|-----------------------|-------------------|
|                     | <b>12.31.2015</b>   | <b>12.31.2014</b> | <b>12.31.2015</b>     | <b>12.31.2014</b> |
| Up to 3 months      | 1,229               | 2,186             | 328                   | 1,050             |
| From 3 to 6 months  | 701                 | 472               | 412                   | 187               |
| From 6 to 12 months | 3,135               | 480               | 2,775                 | 151               |
| More than 12 months | 6,775               | 4,866             | 2,498                 | 1,218             |
|                     | 11,840              | 8,004             | 6,013                 | 2,606             |

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

|  | <b>Consolidated</b> |                   | <b>Parent Company</b> |                   |
|--|---------------------|-------------------|-----------------------|-------------------|
|  | <b>12.31.2015</b>   | <b>12.31.2014</b> | <b>12.31.2015</b>     | <b>12.31.2014</b> |

|                                   |         |       |         |       |
|-----------------------------------|---------|-------|---------|-------|
| Opening balance                   | 8,956   | 3,293 | 4,873   | 473   |
| Additions (*)                     | 7,133   | 5,801 | 3,830   | 4,472 |
| Write-offs                        | (41)    | (5)   | –       | –     |
| Reversals                         | (2,476) | (318) | (2,189) | (72)  |
| Cumulative translation adjustment | 702     | 185   | –       | –     |
| Closing balance                   | 14,274  | 8,956 | 6,514   | 4,873 |
| Current                           | 6,599   | 3,845 | 4,022   | 2,230 |
| Non-current                       | 7,675   | 5,111 | 2,492   | 2,643 |

(\*) In 2015, includes additions related to: electricity sector R\$ 4,056; losses on fines R\$ 1,206; and thermal interconnected system R\$ 233.

## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***8.4. Trade receivables - electricity sector (Isolated Electricity System)**

|   | <b>Consolidated</b> |                       | <b>PCLD</b>         |                 | <b>Transfers</b> | <b>Inflation</b> | <b>As of</b> |
|---|---------------------|-----------------------|---------------------|-----------------|------------------|------------------|--------------|
|   | <b>As of</b>        | <b>Amounts</b>        | <b>Constitution</b> | <b>Reversal</b> |                  |                  |              |
| <b>Related parties (Eletrobras Group)</b>                     | <b>12.31.2014</b>   | <b>Sales received</b> |                     |                 | <b>(*)</b>       |                  | <b>2014</b>  |
| Amazonas Distribuidora De Energia Centrais Elébricas do Norte | 5,283               | 2,651 (2,206)         | (1,436)             | 299             | 2,179            | 1,023            | 7,793        |
| Centrais Elébricas de Rondônia                                | 127                 | 258 (380)             | (1)                 | —               | —                | —                | 4            |
| Others  | 1,252               | 1,355 (753)           | (912)               | 47              | —                | 122              | 1,111        |
| Trade receivables, net - Eletrobras Group                     | 344                 | 361 (211)             | (269)               | 22              | —                | 51               | 298          |
| <b>Third parties</b>  |                     |                       |                     |                 |                  |                  |              |
| Cigás Centrais Elébricas do Pará                              | 7,006               | 4,625 (3,550)         | (2,618)             | 368             | 2,179            | 1,196            | 9,206        |
| Cia de Eletricidade do Amapá                                  | 1,133               | 2,379 (1,457)         | (965)               | 1,528           | (2,179)          | 119              | 558          |
| Cia de Energia de Pernambuco - CELPE                          | 92                  | 704 (765)             | (140)               | 196             | —                | 14               | 101          |
| Others  | —                   | 218 (90)              | (296)               | 47              | —                | 156              | 35           |
| Trade receivables,  | —                   | 318 (310)             | —                   | —               | —                | —                | 8            |
|   | 18                  | 294 (292)             | (37)                | 41              | —                | —                | 24           |
|   | 1,243               | 3,913 (2,914)         | (1,438)             | 1,812           | (2,179)          | 289              | 726          |

|   |         |               |         |       |         |       |         |  |
|---|---------|---------------|---------|-------|---------|-------|---------|--|
| net - Third parties                               |         |               |         |       |         |       |         |  |
| Total trade receivables, net                      | 8,249   | 8,538 (6,464) | (4,056) | 2,180 | –       | 1,485 | 9,932   |  |
| <b>Trade receivables - Eletrobras Group</b>       | 7,879   | 4,625 (3,550) | –       | –     | 3,185   | 1,196 | 13,335  |  |
| (-) Allowance for impairment of trade receivables | (873)   | – –           | (2,618) | 368   | (1,006) | –     | (4,129) |  |
| Trade receivables, net - Eletrobras Group         | 7,006   | 4,625 (3,550) | (2,618) | 368   | 2,179   | 1,196 | 9,206   |  |
| <b>Third parties</b>                              | 4,915   | 3,913 (2,914) | –       | –     | (3,185) | 289   | 3,018   |  |
| (-) Allowance for impairment of trade receivables | (3,672) | – –           | (1,438) | 1,812 | 1,006   | –     | (2,292) |  |
| Third parties, net                                | 1,243   | 3,913 (2,914) | (1,438) | 1,812 | (2,179) | 289   | 726     |  |
| <b>Total trade receivables</b>                    | 12,794  | 8,538 (6,464) | –       | –     | –       | 1,485 | 16,353  |  |
| (-) Allowance for impairment of trade receivables | (4,545) | – –           | (4,056) | 2,180 | –       | –     | (6,421) |  |
| Total trade receivables, net                      | 8,249   | 8,538 (6,464) | (4,056) | 2,180 | –       | 1,485 | 9,932   |  |

(\*) Cigás assigned receivables from Amazonas Distribuidora de Energia to Petrobras, pursuant to the purchase and sale agreement, which establishes that overdue payables from Cigás to Petrobras can be transferred to Amazonas Distribuidora de Energia when certain conditions are met.

As of December 31, 2015, R\$ 7,494 of the Company's net trade receivables from the isolated electricity system in the northern region of Brazil, related to the sale of fuel oil, natural gas, electricity and other products to thermoelectric power plants (which are subsidiaries of



Eletrabras), state-owned natural gas distribution companies and independent electricity producers (Produtores Independentes de Energia – PIE) operating in that region, were classified as non-current assets. The balance of those receivables was R\$ 9,932 (R\$ 8,249 in 2014) as of December 31, 2015.

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

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

## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

The funds available in the CCC, which were already insufficient to cover the costs related to fuel supplied by the Company, decreased significantly. Following an increase in the amounts owed by the thermoelectric power plants operating in the Isolated Electricity System, the Company put pressure on the negotiations with the state-owned natural gas distribution companies, the independent electricity producers (*PIEs*), subsidiaries of Eletrobras and other private companies. On December 31, 2014, the Company entered into a debt acknowledgement agreement with subsidiaries of Eletrobras (the Brazilian Ministry of Mines and Energy participated directly in the negotiations) with respect to the balance of its receivables as of November 30, 2014. Eletrobras acknowledged it owed R\$ 8,601 to the Company. This amount is being adjusted monthly based on the Selic interest rate (Brazilian short-term interest rate). Under this agreement, the first of 120 monthly installments was paid in February 2015 and, as of May 7, 2015, R\$ 7,380 had been guaranteed by the collateralization of certain amounts payable by the CDE to the CCC (R\$ 6,084 as of December 31, 2014). This debt acknowledgement agreement is not overdue as of December 31, 2015.

In 2015, the Brazilian government reviewed its electricity price regulations and implemented a new pricing policy for the electricity sector, which has already resulted in increases in the tariffs charged to end customers beginning in the first quarter of 2015. The Company had expected that this new policy would have strengthened the financial situation of the companies in the electricity sector and, consequently to reduce the balance of their accounts payable with respect to fuel oil and other products supplied by the Company, which has not occurred. Due to the time required for increasing the amount of electricity tariffs from end-users of electricity distributors in order to provide financial stability of these companies, the recovery flow of CCC funds is occurring slowly, which is delaying the reimbursements for fuel acquisition costs provided by Petrobras and deteriorating the default of those customers to the Company.

Pursuant to the issuance of Normative Instruction 679 on September 1, 2015 by the Brazilian National Electricity Agency (Agência Nacional de Energia Elétrica - ANEEL), the Company expected that the flow of funds it would receive from the CCC would accelerate. This is because funds would be paid directly from the CCC for products supplied in the prior month with a limit of 75% of the average payments made by the CCC in the previous three months. However, it has not occurred and, as a consequence, the insolvency of these receivables increased. However, recent experience has shown that the Company's expectations have been frustrated and, as a consequence, these receivables continue to be delinquent.

The Company intended to enter into a debt acknowledgement agreement and pledge additional *CDE* credits as collateral, reflecting governmental authorization to allow for a renegotiation of *CDE*'s debt with companies that are creditors of the CCC and had to overdue receivables between December 1, 2014 and June 30, 2015. However, due to the current unconcluded negotiation the Company recognized in the last quarter of 2015 an allowance for impairment by the total amount of these receivables (R\$ 2,620).

As a result, and based on Management's evaluation, the Company has increased the allowance for impairment by trade receivables, in the statement of income for the year 2015, in the amount of R\$ 1,876 (R\$ 4,511 in 2014) as follows:

- Constitution of allowance for impairment by trade receivables, in the amount of R\$ 4,056 in 2015 (R\$ 4,511 in 2014), including collaterals in negotiation in the amount of R\$ 2,620, with respect to uncollateralized receivables related to products supplied after November 1, 2014, which were not received as of December 31, 2015; and
- Reversal of allowance for impairment of trade receivables of R\$ 2,180 following *CDE* receivables pledged as collateral and from the existence of restricted funds deposited in an escrow account arising from payments related to a purchase and sale agreement signed on May 7, 2015.

The Company continues to negotiate additional collaterals with Eletrobras and has implemented procedures to avoid additional defaults, by requiring prepayments for supplying products, except for customers holding legal injunctions that forbid the Company to require prepayments, for example.

## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***9. Inventories**

|                                | <b>Consolidated</b> |                   | <b>Parent Company</b> |                   |
|--------------------------------|---------------------|-------------------|-----------------------|-------------------|
|                                | <b>12.31.2015</b>   | <b>12.31.2014</b> | <b>12.31.2015</b>     | <b>12.31.2014</b> |
| Crude oil                      | 11,305              | 10,563            | 10,425                | 8,883             |
| Oil products                   | 8,613               | 11,510            | 6,612                 | 9,046             |
| Intermediate products          | 2,390               | 2,268             | 2,390                 | 2,268             |
| Natural gas and LNG (*)        | 989                 | 951               | 436                   | 557               |
| Biofuels                       | 616                 | 398               | 65                    | 45                |
| Fertilizers                    | 239                 | 91                | 190                   | 91                |
|                                | 24,152              | 25,781            | 20,118                | 20,890            |
| Materials, supplies and others | 4,967               | 4,797             | 3,935                 | 3,670             |
|                                | 29,119              | 30,578            | 24,053                | 24,560            |
| Current                        | 29,057              | 30,457            | 24,015                | 24,461            |
| Non-current                    | 62                  | 121               | 38                    | 99                |

(\*) LNG - Liquid Natural Gas

Inventories are presented net of a R\$ 607 allowance reducing inventories to net realizable value (R\$ 399 as of December 31, 2014), mainly due to the decrease in international prices of crude oil and oil products. The amount of write-down of inventories to net realizable value recognized as cost of sales in 2015 is R\$ 1,547 (R\$ 2,461 in 2014).

A portion of the crude oil and/or oil products inventories have been pledged as security for the Terms of Financial Commitment (TFC) signed by Petrobras and Petros in the amount of R\$ 6,711 (R\$ 6,151 as of December 31, 2014), as set out in note 22.1.

**10. Disposal of assets and legal mergers****10.1. Disposal of assets****Disposal of assets in Argentina**

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

**Innova S.A.**

On August 16, 2013, the Board of Directors of Petrobras approved the disposal of 100% of the share capital of Innova S.A. for R\$ 870 to Videolar S.A. and its controlling shareholder, subject to certain condition precedent, including approval by the Brazilian Antitrust Regulator (Conselho Administrativo de Defesa Econômica – CADE).

On October 30, 2014 the transaction was concluded in accordance with the sales and purchase agreement and a R\$ 145 gain was recognized in other income.

On March 31, 2015, a final price adjustment was agreed and the Company received an additional of R\$ 223 recorded in other income.

### **Sale of interest in Gaspetro**

On December 28, 2015, Petrobras concluded the disposal of 49% equity interest in its subsidiary Petrobras Gas S.A. (Gaspetro) to Mitsui Gás e Energia do Brasil Ltda (Mitsui-Gás).

Mitsui Gas paid R\$ 1,933 in a single installment after the fulfillment of all conditions set forth in the sales and purchase agreement signed on October 23, 2015, including the unrestricted final approval by the Brazilian Antitrust Regulator (Conselho Administrativo de Defesa Econômica - CADE). This disposal did not result in loss of control of Gaspetro, therefore R\$ 988 (R\$ 652 net of taxes) was recognized as an adjustment to equity.

Although the Company has been cited in certain lawsuits concerning this transaction, there is no indication to date that circumstances may affect the disposal and the Company is preparing its legal defense.

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

**10.2. Legal mergers**

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

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

**10.3. Assets classified as held for sale**

As of December 31, 2015, the Company classified R\$ 595 as assets held for sale (R\$ 13 in 2014) including: R\$ 587 related to the Bijupirá and Salema production fields and R\$ 8 regarding PI, PIII and PIV drilling rigs (R\$13 in 2014). In addition, the amount of R\$ 488 classified as liabilities on assets classified as held for sale refers to the provision for decommissioning costs directly associated to Bijupirá and Salema fields.

The Company tested these assets for impairment and recognized impairment losses as set out in note 14.3.

On February 26, 2016, the sales contracts of Bijupirá and Salema were terminated as set out in note 35. Accordingly, the amounts regarding these fields will be reclassified to property, plant and equipment, and to provision for decommissioning costs in 2016.

## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***11. Investments****11.1. Information about direct subsidiaries, joint arrangements and associates (Parent Company)**

|  | <b>Main business segment</b> | <b>% Petrobras' ownership</b> | <b>% Petrobras' voting rights</b> | <b>Shareholders' equity (deficit)</b> | <b>Net income (loss) for the year</b> | <b>Country</b> |
|--|------------------------------|-------------------------------|-----------------------------------|---------------------------------------|---------------------------------------|----------------|
| <b>Entities that are consolidated Subsidiaries</b>         |                              |                               |                                   |                                       |                                       |                |
| Petrobras Netherlands B.V. - PNBV (i)                      | E&P                          | 100.00                        | 100.00                            | 78,231                                | (3,387)                               | Netherlands    |
| Petrobras Distribuidora S.A. - BR                          | Distribution                 | 100.00                        | 100.00                            | 9,925                                 | (1,161)                               | Brazil         |
| Petrobras International Braspetro - PIB BV (i) (ii)        | Several segments (iii)       | 99.98                         | 99.98                             | 7,821                                 | (2,141)                               | Netherlands    |
| Petrobras Transporte S.A. - Transpetro                     | RT&M                         | 100.00                        | 100.00                            | 5,305                                 | 1,033                                 | Brazil         |
| Petrobras Logística de Exploração e Produção S.A. - PB-LOG | E&P                          | 100.00                        | 100.00                            | 3,486                                 | 773                                   | Brazil         |
| Petrobras Transportadora Associada de Gás S.A. - TAG       | Gas & Power                  | 100.00                        | 100.00                            | 3,249                                 | (2,457)                               | Brazil         |
| Petrobras Gás S.A. - Gaspetro                              | Gas & Power                  | 51.00                         | 51.00                             | 1,868                                 | 490                                   | Brazil         |
| Petrobras Biocombustível S.A. - PBIO                       | Biofuels                     | 100.00                        | 100.00                            | 1,124                                 | (861)                                 | Brazil         |
| Petrobras Logística de Gás - Logigás                       | Gas & Power                  | 100.00                        | 100.00                            | 1,101                                 | 43                                    | Brazil         |
| Liquigás Distribuidora S.A. Araucária                      | RT&M                         | 100.00                        | 100.00                            | 940                                   | 114                                   | Brazil         |
| Nitrogenados S.A.  | Gas & Power                  | 100.00                        | 100.00                            | 842                                   | 81                                    | Brazil         |

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|  |             |        |        |     |       |                |
|--|-------------|--------|--------|-----|-------|----------------|
| Termomacaé Ltda.   | Gas & Power | 99.99  | 99.99  | 717 | 151   | Brazil         |
| Braspetro Oil Services Company - Brasoil (i)                                     | Corporate   | 100.00 | 100.00 | 625 | 33    | Cayman Islands |
| Breitener Energética S.A. Companhia Integrada Têxtil de Pernambuco S.A. - CITEPE | Gas & Power | 93.66  | 93.66  | 650 | 87    | Brazil         |
| Termobahia S.A. Companhia Petroquímica de Pernambuco S.A. - Petroquímica Suape   | RT&M        | 100.00 | 100.00 | 566 | (818) | Brazil         |
| Baixada Santista Energia S.A. Petrobras  | Gas & Power | 98.85  | 98.85  | 485 | 82    | Brazil         |
| Comercializadora de Energia Ltda. - PBEN   | Gas & Power | 100.00 | 100.00 | 403 | (808) | Brazil         |
| Fundo de Investimento Imobiliário RB Logística - FII                             | Gas & Power | 100.00 | 100.00 | 294 | 22    | Brazil         |
| Petrobras Negócios Eletrônicos S.A. - E-Petro                                    | RT&M        | 99.91  | 99.91  | 103 | 25    | Brazil         |
| Termomacaé Comercializadora de Energia Ltda                                      | Gas & Power | 99.00  | 99.00  | 65  | (62)  | Brazil         |
| 5283 Participações Ltda. Downstream Participações Ltda.                          | E&P         | 99.00  | 99.00  | 65  | (62)  | Brazil         |
| <b>Joint operations</b>  | Corporate   | 99.95  | 99.95  | 33  | 2     | Brazil         |
| Fábrica Carioca de Catalizadores S.A. - FCC                                      | Corporate   | 100.00 | 100.00 | 1   | 344   | Brazil         |
| Ibiritermo S.A.  | Corporate   | 99.99  | 99.99  | (2) | (1)   | Brazil         |
| <b>Entities that are not consolidated</b>  |             |        |        |     |       |                |
| <b>Joint ventures</b>  |             |        |        |     |       |                |
| Logum Logística S.A.   | RT&M        | 20.00  | 20.00  | 318 | (218) | Brazil         |
| Cia Energética Manauara S.A.   | Gas & Power | 40.00  | 40.00  | 148 | 33    | Brazil         |
| Petrocoque S.A. Indústria e  | RT&M        | 50.00  | 50.00  | 135 | 32    | Brazil         |



|   |             |       |       |       |         |        |  |
|---|-------------|-------|-------|-------|---------|--------|--|
| Comércio  |             |       |       |       |         |        |  |
| Refinaria de  |             |       |       |       |         |        |  |
| Petróleo  |             |       |       |       |         |        |  |
| Riograndense S.A.   | RT&M        | 33.20 | 33.33 | 88    | 18      | Brazil |  |
| Brasympe Energia S.A.   | Gas & Power | 20.00 | 20.00 | 78    | 6       | Brazil |  |
| Brentech Energia S.A.   | Gas & Power | 30.00 | 30.00 | 77    | 9       | Brazil |  |
| Metanol do Nordeste S.A. - Metanor  | RT&M        | 34.54 | 34.54 | 50    | (4)     | Brazil |  |
| Eólica Mangue Seco 4 - Geradora e Comercializadora de Energia Elétrica S.A. | Gas & Power | 49.00 | 49.00 | 43    | 3       | Brazil |  |
| Eólica Mangue Seco 3 - Geradora e Comercializadora de Energia Elétrica S.A. | Gas & Power | 49.00 | 49.00 | 40    | 1       | Brazil |  |
| Eólica Mangue Seco 1 - Geradora e Comercializadora de Energia Elétrica S.A. | Gas & Power | 49.00 | 49.00 | 35    | –       | Brazil |  |
| Eólica Mangue Seco 2 - Geradora e Comercializadora de Energia Elétrica S.A. | Gas & Power | 51.00 | 51.00 | 34    | –       | Brazil |  |
| Companhia de Coque Calcinado de Petróleo S.A. - Coquepar                    | RT&M        | 45.00 | 45.00 | 9     | (1)     | Brazil |  |
| Participações em Complexos Bioenergéticos S.A. - PCBIOS                     | Biofuels    | 50.00 | 50.00 | –     | –       | Brazil |  |
| <b>Associates</b>   |             |       |       |       |         |        |  |
| Sete Brasil Participações S.A.  | E&P         | 5.00  | 5.00  | 3,462 | (4,946) | Brazil |  |
| Fundo de Investimento em Participações de Sondas - FIP Sondas               | E&P         | 4.59  | 4.59  | 3,386 | (6,284) | Brazil |  |
| Braskem S.A.  | RT&M        | 36.20 | 47.03 | 2,023 | 3,140   | Brazil |  |
| UEG Araucária Ltda.   | Gas & Power | 20.00 | 20.00 | 858   | 243     | Brazil |  |
| Deten Química S.A. - Energética SUAPE II                                    | RT&M        | 27.88 | 27.88 | 343   | 102     | Brazil |  |
| Termoelétrica Potiguar S.A. - TEP   | Gas & Power | 20.00 | 20.00 | 233   | 86      | Brazil |  |
| Nitroclor Ltda.   | RT&M        | 38.80 | 38.80 | 65    | 3       | Brazil |  |
|   |             |       |       | 1     | –       | Brazil |  |

|                                 |                |       |       |   |   |        |
|---------------------------------|----------------|-------|-------|---|---|--------|
| Bioenergética<br>Britarumã S.A. | Gas &<br>Power | 30.00 | 30.00 | – | – | Brazil |
|---------------------------------|----------------|-------|-------|---|---|--------|

- (i) Companies abroad with financial statements prepared in foreign currency.
- (ii) 5283 Participações Ltda holds an 0.0187% interest (an 11.88% interest in 2014, diluted by Petrobras' investments).
- (iii) Cover activities abroad in E&P, RTM, Gas & Power and Distribution segments.

## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***11.2. Changes in investments (Parent Company)**

|  | <b>Balance at 12.31.2014</b> | <b>Paying in of capital transactions</b> | <b>Capital transactions and others</b> | <b>Restructuring, capital decrease and others</b> | <b>Share of results of investments (*)</b> | <b>Cumulative translation adjustments (CTA)</b> | <b>Other comprehensive results</b> |
|--|------------------------------|--|--|---|--|---|------------------------------------|
| <b>Subsidiaries</b>                                      |                              |  |  |   |  |   |                                    |
| PNBV   | 36,690                       | 20,570                                   | 25                                     | –   | (4,242)                                    | 23,281  | –                                  |
| BR   |                              |  |  |   |  |   |                                    |
| Distribuidora  | 11,924                       | –  | –                                      | –   | (1,187)                                    | –   | (105)                              |
| PIB BV   | 1,183                        | 6,947                                    | 797                                    | –   | (2,262)                                    | (232)   | 58                                 |
| Transpetro   | 4,738                        | –  | –                                      | –   | 1,102                                      | 315   | 29                                 |
| PB-LOG   | 3,398                        | –  | –                                      | –   | 478  | –   | –                                  |
| TAG  | 6,490                        | –  | –                                      | (398)   | 2,360                                      | –   | (4,71)                             |
| PBIO   | 2,209                        | 103                                      | –                                      | –   | (861)                                      | (6)   | (321)                              |
| Logigás  | –                            | –  | –                                      | 1,058   | 43   | –   | (1)                                |
| Liquigás   | 1,017                        | –  | –                                      | –   | 118  | –   | 2                                  |
| Gaspetro   | 2,593                        | 284                                      | –                                      | (2,101)   | 490  | –   | –                                  |
| Araucária  |                              |  |  |   |  |   |                                    |
| Nitrogenados   | 761                          | –  | –                                      | –   | 81   | –   | –                                  |
| Termomacaé   |                              |  |  |   |  |   |                                    |
| Ltda.  | 813                          | –  | –                                      | –   | 151  | –   | 1                                  |
| Breitener  | 565                          | –  | –                                      | –   | 78   | –   | –                                  |
| Citepe   | 1,049                        | 331                                      | –                                      | –   | (818)                                      | –   | –                                  |
| Arembepe   | 381                          | –  | –                                      | (405)   | 24   | –   | –                                  |
| Other subsidiaries                                       | 2,472                        | 437                                      | (797)                                  | (611)   | (274)                                      | 187   | 5                                  |
| <b>Joint operations</b>                                  | 205                          | –  | –                                      | –   | 48   | –   | –                                  |
| <b>Joint ventures</b>                                    | 335                          | 40                                       | –                                      | –   | (60)                                       | –   | 4                                  |
| <b>Associates</b>  |                              |  |  |   |  |   |                                    |
| Braskem  | 4,544                        | –  | –                                      | –   | 1,188                                      | 310   | (2,53)                             |
| Sete Brasil  |                              |  |  |   |  |   |                                    |
| Participações  | 383                          | 94                                       | –                                      | –   | (420)                                      | (41)  | (16)                               |
| FIP Sondas   | 363                          | 82                                       | –                                      | –   | (445)                                      | –   | –                                  |
| Other associates   | 345                          | –  | –                                      | –   | 91   | –   | –                                  |
| Subsidiaries, operations / joint ventures and associates | 82,458                       | 28,888                                   | 25                                     | (2,457)   | (4,317)                                    | 23,814  | (7,58)                             |
| Other investments  | 23                           | –  | –                                      | (3)   | –  | –   | –                                  |

|  |        |           |         |         |        |       |
|--|--------|-----------|---------|---------|--------|-------|
| Total investments  | 82,481 | 28,888 25 | (2,460) | (4,317) | 23,814 | (7,58 |
| Provision for losses in subsidiaries                             |        |           |         | 23      | 12     | –     |
| Equity in earnings of investments and other comprehensive income |        |           |         | (4,294) | 23,826 | (7,58 |

(\*) Includes unrealized profits from transactions between companies.

## Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)***11.3. Changes in investments in joint ventures and associates (Consolidated)**

|   | <b>Balance at 12.31.2014</b> | <b>Paying capital in of capital and others</b> | <b>Restructuring, profits decrease and others</b> | <b>Share of profits of investments</b> | <b>Cumulative translation adjustments (CTA)</b> | <b>Other comprehensive income</b> | <b>Disposals</b> |
|---|------------------------------|--|---|--|---|-----------------------------------|------------------|
| Petrobras Oil & Gas B.V. - PO&G                 | 4,554                        | —  | —   | (302)                                  | 2,123   | —                                 | (3)              |
| Braskem   | 4,544                        | —  | —   | 1,188                                  | 310   | (2,530)                           | (3)              |
| State-controlled natural gas distributors       | 904                          | —  | —   | 207                                    | —   | —                                 | (1)              |
| Investees in Venezuela                          | 828                          | —  | —   | (363)                                  | 386   | —                                 | —                |
| Guarani S.A.                                    | 1,377                        | —  | —   | (291)                                  | (6)   | (321)                             | —                |
| Nova Fronteira Bionergia                        | 433                          | —  | —   | 32                                     | —   | —                                 | —                |
| Other petrochemical investees                   | 174                          | —  | —   | 45                                     | —   | —                                 | (4)              |
| Compañía Mega S.A. - MEGA                       | 83                           | —  | —   | 119                                    | (28)  | —                                 | —                |
| Compañía de Inversiones de Energia S.A. - CIESA | 181                          | —  | —   | (20)                                   | 9   | —                                 | —                |
| UEG Araucária                                   | 194                          | —  | —   | 49                                     | —   | —                                 | (7)              |
| Sete Brasil Participações                       | 383                          | 94   | —   | (420)                                  | (41)  | (16)                              | —                |
| FIP - Sondas                                    | 363                          | 82   | —   | (445)                                  | —   | —                                 | —                |
| Other associates                                | 1,219                        | 175  | 21  | (596)                                  | 72  | 3                                 | (8)              |
| Other investees                                 | 45                           | —  | —   | —                                      | —   | —                                 | —                |
| <b>Total</b>                                    | <b>15,282</b>                | <b>351</b>                                     | <b>21</b>   | <b>(797)</b>                           | <b>2,825</b>                                    | <b>(2,864)</b>                    | <b>(1)</b>       |

During 2015, losses of R\$ 922 were recognized as part of the share of losses in equity-accounted investments to the Company's investment in Sete Brasil and FIP Sondas. A portion of those losses is attributable to the Company recognized in its investments, as set out in note 14.2.2.

Those losses resulted from the worsening economic and financial conditions of Sete Brasil Participaçõ the postponement of a majority of its construction projects and uncertainties about its ability to conti

#### 11.4. Investments in listed companies

| Company                    | Thousand-share lot |            | Type        | Quoted stock exchange prices (R\$ per share) |            | Market value   |                |
|----------------------------|--------------------|------------|-------------|--|------------|----------------|----------------|
|                            | 12.31.2015         | 12.31.2014 |             | 12.31.2015                                   | 12.31.2014 | 12.31.2015     | 12.31.2014     |
| <b>Indirect subsidiary</b> |                    |            |             |  |            |                |                |
| Petrobras Argentina S.A.   | 1,356,792          | 1,356,792  | Common      | 2.38   | 1.72       | 3,229<br>3,229 | 2,334<br>2,334 |
| <b>Associate</b>           |                    |            |             |  |            |                |                |
| Braskem S.A.               | 212,427            | 212,427    | Common      | 15.91  | 10.80      | 3,380          | 2,294          |
| Braskem S.A.               | 75,793             | 75,793     | Preferred A | 27.62  | 17.50      | 2,093<br>5,473 | 1,326<br>3,620 |

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

#### 11.5. Non-controlling interest

The total amount of non-controlling interest is R\$ 3,199 (R\$ 1,874 in 2014), of which R\$ 1,432 (R\$ 1,286 in 2014) is related to non-controlling interest in Petrobras Argentina S.A. and R\$ 916 is related to non-controlling interest in Gaspetro S.A.

The condensed financial information of Petrobras Argentina and Gaspetro is set out below:

Notes to the financial statements

*(Expressed in millions of reais, unless otherwise indicated)*

|                                    | <b>Petrobras<br/>Argentina</b> |             | <b>Gaspetro</b> |
|------------------------------------|--------------------------------|-------------|-----------------|
|                                    | <b>2015</b>                    | <b>2014</b> | <b>2015</b>     |
| Current assets                     | 3,106                          | 2,678       | 317             |
| Long-term receivables              | 281                            | 220         | 230             |
| Investments                        | 1,078                          | 1,085       | 1,183           |
| Property, plant and equipment, net | 4,234                          | 3,598       | 4               |
| Other noncurrent assets            | 6                              | 7           | 310             |
|                                    | 8,705                          | 7,588       | 2,044           |
| Current liabilities                | 2,111                          |             |                 |