

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

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## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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### FORM 6-K

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

**For the month of May, 2015**

**Commission File Number 1-15106**

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### PETRÓLEO BRASILEIRO S.A. - PETROBRAS

(Exact name of registrant as specified in its charter)

### Brazilian Petroleum Corporation - PETROBRAS

(Translation of Registrant's name into English)

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

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

Form 20-F  Form 40-F

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

Yes  No

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

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

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

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

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

Report of Independent Registered Public Accounting Firm

**Report of independent registered**

**public accounting firm**







To the Board of Directors and Shareholders

Petróleo Brasileiro S.A. - Petrobras

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

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

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

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

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

/s/

PricewaterhouseCoopers

Auditores Independentes

Rio de Janeiro, Brazil

May 15, 2015

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

Consolidated Statement of Financial Position

March 31, 2015 and December 31, 2014

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

<b>Assets</b>	<b>Note</b>	<b>03.31.2015</b>	<b>12.31.2014</b>	<b>Liabilities</b>	<b>Note</b>	<b>03.31.2015</b>	<b>12.31.2014</b>
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**Current  
assets**

**Current  
liabilities**

Cash and cash equivalents	6	10,739	16,655	Trade payables	14	7,814	9,760
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Marketable securities	6	10,545	9,323	Finance debt	15	12,368	11,868
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Trade and other receivables, net	7	6,464	7,969	Finance lease obligations	16	14	16
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Inventories	8	9,985	11,466	Income taxes payable	19.1	320	247
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Recoverable	19.1	819	1,063	Other taxes	19.1	3,238	4,064
income taxes				payable			

Other recoverable taxes	19.1	2,196	2,748	Payroll, profit sharing and related charges	1,923	2,066
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Advances to suppliers	357	423	Pension and medical benefits	20	700	796
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Other current assets	1,773	1,180	Others	1,790	2,301
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42,878

50,827

28,167

31,118

Assets  
classified as  
held for sale

3

5

Liabilities on  
assets classified  
as held for sale

—

—

42,881

50,832

28,167

31,118





**Non-current  
assets**

**Non-current  
liabilities**

Long-term  
receivables

Finance debt	15	112,456	120,218
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Trade and other receivables, net	7	4,991	4,832	Finance lease obligations	16	50	56
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Marketable securities	6	92	109	Deferred income taxes	19.2	262	3,031
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Judicial deposits	28.1	2,373	2,682	Pension and medical benefits	20	14,020	16,491
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Deferred income taxes	19.2	916	1,006	Provisions for legal proceedings	28.1	1,496	1,540
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Other tax assets	19.1	3,329	4,008	Provision for decommissioning costs	18	6,757	8,267
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Advances to suppliers	2,199	2,409	Others	831	988
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Others	3,217	3,817	135,872	150,591
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17,117      18,863

Total liabilities	164,039	181,709
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Shareholders' 21.1  
equity

Investments	10	4,943	5,753	Share capital (net of share issuance costs)	107,101	107,101
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Property, plant and equipment	11	190,579	218,730	Change in interest in subsidiaries	148	148
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Intangible assets	12	3,815	4,509	Profit reserves	68,286	66,423
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216,454	247,855	Accumulated other comprehensive (deficit)	(80,848)	(57,400)
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Attributable to the shareholders of Petrobras	94,687	116,272
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Non-controlling interests	609	706
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Total equity	95,296	116,978
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Total assets	259,335	298,687	Total liabilities and shareholder's equity	259,335	298,687
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The Notes form an integral part of these Financial Statements.







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

## Consolidated Statement of Income

March 31, 2015 and 2014

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

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

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

The Notes form an integral part of these Financial Statements.

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

## Consolidated Statement of Comprehensive Income

March 31, 2015 and 2014

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

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

The Notes form an integral part of these Financial Statements.

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

## Consolidated Statement of Cash Flows

March 31, 2015 and 2014

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

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

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

The Notes form an integral part of these Financial Statements.

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

## Consolidated Statement of Changes in Shareholders' Equity

March 31, 2015 and 2014

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

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

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

The Notes form an integral part of these Financial Statements.



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

Notes to the financial statements

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

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

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

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

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

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

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

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

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

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

## **2.1. Accounting estimates**

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

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

Notes to the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements

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

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

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

**Marketable securities**

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

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

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

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

Notes to the financial statements

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

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

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

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

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

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

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



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

Notes to the financial statements

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements

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

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

(\*) Liquid natural gas

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

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

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

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

**Innova S.A.**

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

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

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

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

Notes to the financial statements

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

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

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

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

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

**10.2. Investments in listed companies**

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

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

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

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

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

Notes to the financial statements

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

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

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

**11. Property, plant and equipment**

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

Accumulated depreciation, amortization and depletion (2,944)		(44,034)	–	(28,267)	(75,245)
Balance at December 31, 2014	8,035	97,996	52,943	59,756	218,730
Additions	6	326	5,419	84	5,835
Additions to / review of estimates of decommissioning costs	–	–	–	24	24
Capitalized borrowing costs	–	–	505	–	505
Write-offs	(3)	(16)			