PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
February 26, 2014

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

For the month of February, 2014

Commission File Number 1-15106

PETRÓLEO BRASILEIRO S.A. - PETROBRAS

(Exact name of registrant as specified in its charter)

Brazilian Petroleum Corporation - PETROBRAS

(Translation of Registrant's name into English)

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

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

Form 20-F ___X___ 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___X____

This report on Form 6-K is incorporated by reference in the Registration Statement on Form F-3 of Petróleo Brasileiro -- Petrobras (No. 333-163665).

Rio de Janeiro – February 25, 2014 – Petrobras announces today its consolidated results stated in millions of Reais, prepared in accordance with International Financial Reporting Standards – IFRS issued by the International Accounting Standards Board – IASB **(A free translation from the original in Portuguese).**

Consolidated net income attributable to the shareholders of Petrobras reached R$ 23,570 million in 2013 and R$ 6,281 million in the 4Q-2013. Adjusted EBITDA reached R$ 62,967 million in 2013.

Highlights

Jan-Dec

4Q-2013	3Q-2013	4Q13 X 3Q13 (%)	4Q-2012		2013	2012	2013 x 2012 (%)

6,281	3,395	85	7,747	**Consolidated net income attributable to the shareholders of Petrobras**	23,570	21,182	11

2,534	2,522	–	2,614	**Total domestic and international crude oil and natural gas production (Mbbl/d)**	2,539	2,598	(2)

15,553	13,091	19	11,944	**Adjusted EBITDA**	62,967	53,439	18

214,688	229,078	(6)	254,852	**Market capitalization (Parent Company)**	214,688	254,852	(16)

The Company reported 4Q-2013 earnings of R$ 6,281 million and the following highlights:

- Proved reserves reached 16.57 billion barrels of oil equivalent (BOE) according to ANP/SPE criteria, with a 43% increase on pre-salt proved reserves compared to 2012. Reserves-to-Production ratio (R/P) in Brazil was 20.0 years and the reserve replacement ratio (RRR) was 131%.

- Higher domestic crude oil and NGL production (increase of 2%, 36 thousand barrels/day), due to the production start-up of new systems: FPSO Dynamic Producer (Lula Central), FPSO Cidade de São Vicente (Lula Extremo Sul) and P-63 (Papa Terra). In December the Company reached the crude oil production level of 371 thousand bpd at the pre-salt layer.

- Discovery of a crude oil reservoir in the deep waters of the Potiguar Basin and confirmation of the potential of Moita Bonita área located in the ultra-deep waters of the Sergipe Basin.

- Declaration of commerciality of crude oil and natural gas reservoirs included in the Assignment Agreement area, Franco and Sul de Tupi, and of the crude oil reservoir at the Carioca area, in the pre-salt layer of Santos Basin.

- Diesel and gasoline prices increased 8% and 4%, respectively, from November 30, 2013, based on the pricing policy for these oil products.

- Disposal of assets within the Divestment Program, including interest held in Parque das Conchas Offshore Project (BC-10), which resulted in gains of R$ 1,016 million, and the disposal of assets in Peru and Uruguay. Cash from the disposal of assets reached R$ 3,997 million in the 4Q-2013.

- Proposed dividends of R$ 9,301 million, distributed as interest on capital in the amount of R$ 0.5217 per common share and R$ 0.9672 per preferred share. Interest on capital is a form of dividend distribution which is deductible for tax purposes, thus resulting in a tax benefit of R$ 3,162 million in 4Q-2013 to the Company.

Comments from the CEO

Mrs. Maria das Graças Silva Foster

Dear Shareholders and Investors,

Our 2013 net income was R$ 23.6 billion, a 11% rise from 2012's result. This rise was influenced by higher fuel sale prices, due to three diesel and two gasoline price increases during the year, by the significant increase in oil products production at our refining facilities, by significant cost cutting and productivity boost as well as by the gains from asset sales.

Indeed, 2013 stands out for the successful implementation of our Structuring Programs, which by establishing new benchmarks for productivity and management of investment projects, imposed discipline in the use of the company's financial resources.

Notably, through PROCOP – Operating Expenses Optimization Program – we reached savings of R$ 6.6 billion in 2013, far exceeding the R$ 3.9 billion target set for the year. The sale of assets under PRODESIN – Divestment Program – contributed R$ 8.5 billion to Cash Flow in 2013. Since this program was established in 2012, 21 transactions worth R$ 23.4 billion in asset sales and financial restructuring have been made.

The Structuring Programs have also brought the benefit of avoiding capital expenditures in 2013, as is the case with PRODESIN, INFRALOG – Logistical Infrastructure Optimization Program – and PRC-Poço – Well Cost Reduction Program, which, combined, have led to CAPEX savings of R$ 2.0 billion in the year.

We made further advances by establishing targets aimed at better positioning company personnel in order to meet the challenges of our Business and Management Plan. During the second half of 2013, we implemented Programa Mobiliza, which provided employees with 3,399 opportunities to move internally into areas that will require more personnel in the coming years, resulting in 1,133 voluntary transfers and consequently lower costs arising from new hires.

Another recently launched initiative was POP – Productivity Optimization Program, which resulted in the approval of the Voluntary Separation Incentive Plan, with voluntary enrollment until March 31, 2014. The plan covers eligible employees aged 55 or older and, in theory, can include up to 8.397 employees, approximately 10% of the company's personnel.

Our oil output in Brazil averaged 1,931 thousand bpd, down by 2.5% from the forecast, due to factors already discussed in my previous letter, which include delay of the Buoyancy Supported Riser Systems for FPSOs Cidade de São Paulo and Cidade de Paraty, the need to make changes to the subsea layout of the Papa-Terra/P-63 project, as well as the limited number of PLSVs (Pipe-Laying Support Vessels).

We would like to point out that these matters have already been resolved not only by the unprecedented delivery of nine production units in 2013, with the addition of 1,000,000 barrels per day in capacity, but mainly by the successful installation of the first buoy on FPSO Cid. São Paulo and of the first well interconnected to this gathering system, which went into operation on February 18th, currently producing 36 thousand barrels per day and allowing the presalt production to achieve a new daily record of 407 thousand barrels per day on February 20th. Platforms P-63 and P-55 went into operation in November and December 2013, respectively, and units P-58 and P-62 will begin production in the first and second quarter of 2014 respectively. Six new PLSVs will be delivered in 2014, adding to the 11 vessels of this type that are currently in operation, enabling faster well to platform interconnection.

Improvement in the operational efficiency of older systems was another relevant factor in achieving the result. PROEF – Campos Basin Operational Efficiency Improvement Program – contributed 63 thousand bpd in additional oil output in 2013. Operational efficiency reached 75% at the Campos Basin Operational Unit (against 66% in April 2012) and 92% at the Rio Operational Unit (against 82% in September 2012).

The Petrobras Executive Board has made the implementation of these programs a top priority and, as shown, program results have significantly contributed to the achievement of the 2013 economic/financial result.

Sustained output growth in 2014 will not only count on necessary investments to maintain older and new systems – wells, submarine equipment and top-sides, but it will also count on the start-up of two new production units in the second half of the year, FPSOs Cidade de Ilhabela and Cidade de Mangaratiba.

As for exploration, our proven reserves in Brazil reached 16 billion barrels of oil equivalent, with a reserves-to-production of 20 years and a reserve-replacement ratio of 131%, above 100% for 22 years in a row. Proven reserves in the pre-salt grew by 43% in 2013. Our exploratory success rate was 75% in 2013, reaching 100% in the pre-salt, already reflecting the Exploratory Policy implemented last year, which prioritizes less-risky locations and allocates more resources to production development activities. In 2013, prospecting and drilling expenses (dry wells) were R$ 6.1 billion, down 14% from R$ 7.1 billion in 2012.

As for the quantification of our production curve as of 2020, I would like to stress the excellent outcome in the auction of Libra field, the first to be developed under the production sharing agreement in Brazil, where we will work in partnership with Shell, Total, CNPC and CNOOC, companies with recognized experience and financial soundness.

In Refining, we continue to operate with excellent efficiency levels, which have led to an average oil products production of 2,124 thousand bpd, up by 6% from 2012's output of 1,997 thousand bpd, notably due to higher gasoline (+53 thousand bpd) and diesel (+68 thousand bpd) production and a 97% utilization factor, against 94% reported in 2012.

This new operating parameter was achieved by the improved performance of our refineries resulting from the start-up of new units of quality and conversion since 2012, as well as the optimization of refining processes and removal of infrastructural bottlenecks in the movement of oil and oil products. In January 2014, Petrobras also began selling ultra-low sulfur gasoline (Gasoline S-50), a product whose quality is equivalent to that of the strictest markets in the world. This will allow new vehicles containing modern emission treatment technologies to enter the Brazilian market.

This notable performance of the refineries enabled a decline in the imported volumes of diesel (from 190 thousand bpd in 2012 to 174 thousand bpd in 2013) and gasoline (from 87 thousand bpd in 2012 to 32 thousand bpd in 2013), the latter also due to the higher anhydrous ethanol content in gasoline C.

New records were established in natural gas sales and electricity generation due to higher natural gas demand of 85 million m3/day in 2013, up by 15% from 2012. Petrobras-supplied thermoelectric generation was 7.5 GW/average, up by 66% from 2012.

I reiterate that the company's excellent operational results were achieved by rigorously complying with standards and maintenance procedures at its facilities, ensuring the physical integrity of personnel and equipment. As a result, in 2013 we achieved the lowest reportable incident rates ever in the company's history, which includes fatal accidents and spills, despite growing man-hours of exposure to risk.

Another important measure also adopted in 2013 related to foreign exchange was the extension of Hedge Accounting to future exports, enabling foreign exchange gains or losses related to net indebtedness exposed to foreign exchange variation to be recorded in stockholders' equity and transferred to the financial result as exports are made. This measure promotes greater alignment between accounting results and our risk management policy, mitigating sudden oscillations on the financial result due to foreign exchange volatilities, which could not appropriately reflect the company's economic performance in a given period.

Regarding our Diesel and Gasoline Price Policy, its effectiveness has been assessed on a monthly basis by our Board of Directors, according to the Relevant Fact released on November 29th, 2013.

Additionally, I would like to notice that in the second half of 2013 we implemented the Corruption Prevention Program, reaffirming the commitment of the Petrobras Executive Board and of its employees with ethics and transparency at our organization. The program complies with both national and international initiatives against fraud and corruption, as well as with the laws of the countries where Petrobras operates, with positive impacts in the relations with all its stakeholders.

We are building a higher value company: training our employees, mastering the necessary technologies to implement projects, our relevant oil reserves and rising output in the short-run along with our continuous commitment to increase efficiency, productivity and capital discipline will lead us to achieve even better results. Rising share prices and ensuring a fair return to our shareholders is a natural consequence of fulfilling our obligations.

Maria das Graças Silva Foster

Chief Executive Officer

FINANCIAL HIGHLIGHTS

Main Items and Consolidated Economic Indicators

Jan-Dec

4Q-2013	3Q-2013	4Q13 X 3Q13 (%)	4Q-2012		2013	2012	2013 x 2012 (%)

81,028	77,700	4	73,405	**Sales revenues**	304,890	281,379	8

17,015	16,585	3	16,562	**Gross profit**	71,164	70,907	−

7,036	5,723	23	6,120	**Net income before financial results, share of profit of equity-accounted investments and income taxes**	34,364	32,397	6

(3,021)	(1,020)	(196)	2,788	**Net finance income (expense)**	(6,202)	(3,723)	(67)

6,281	3,395	85	7,747	**Consolidated net income attributable to the shareholders of Petrobras**	23,570	21,182	11

0.48	0.26	83	0.59	**Basic and diluted earnings per share [1]**	1.81	1.62	12

214,688	229,078	(6)	254,852	**Market capitalization (Parent Company)**	214,688	254,852	(16)

21	21	–	23	**Gross margin (%)**	23	25	(2)

9	7	2	8	**Operating margin (%) 2**	11	12	(1)

8	4	4	11	**Net margin (%)**	8	8	–

15,553	13,091	19	11,944	**Adjusted EBITDA – R$ million [3]**	62,967	53,439	18

Net Income before financial results, share of profit of equity-accounted investments and income taxes by business segment

17,845	17,682	1	17,653	**. Exploration & Production**	64,415	69,214	(7)

(8,224)	(8,528)	4	(8,614)	**. Refining, Transportation and Marketing**	(26,899)	(34,168)	21

(332)	(342)	3	592	**. Gas & Power**	1,344	2,091	(36)

(44)	(127)	65	(47)	**. Biofuel**	(315)	(250)	(26)

569	488	17	824	**. Distribution**	2,871	2,796	3

264	220	20	6	**. International**	3,891	3,740	4

(2,513)	(2,824)	11	(2,691)	**. Corporate**	(10,615)	(9,641)	(10)

35,153	25,150	40	24,329	**Capital expenditures and investments**	104,416	84,137	24

109.27	110.37	(1)	110.02	**Brent crude (US$/bbl)**	108.66	111.58	(3)

2.27	2.29	(1)	2.06	**Average commercial selling rate for U.S. dollar**	2.16	1.96	10

2.34	2.23	5	2.04	**Period-end commercial selling rate for U.S. dollar**	2.34	2.04	15

9.52	8.51	1	7.18	**Selic interest rate - average (%)**	8.19	8.54	−

Average price indicators

215.33	210.00	3	196.33	**Domestic basic oil products price (R$/bbl)**	209.17	186.55	12

Sales price - Brazil

96.92	98.87	(2)	100.56	**. Crude oil (U.S. dollars/bbl) [4]**	98.19	104.60	(6)

45.12	46.34	(3)	46.50	**. Natural gas (U.S. dollars/bbl)**	47.43	48.45	(2)

Sales price - International

86.43	85.97	1	93.43	**. Crude oil (U.S. dollars/bbl)**	89.86	94.37	(5)

21.70	18.38	18	13.80	**. Natural gas (U.S. dollars/bbl)**	21.08	17.99	17

[1] Basic and diluted earnings per share calculated based on the weighted average number of shares.

[2] Calculated based on net income before financial results, share of profit of equity-accounted investments and income taxes.

[3] EBITDA + share of profit of equity-accounted investments and impairment.

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

FINANCIAL HIGHLIGHTS

RESULTS OF OPERATIONS

4Q-2013 x 3Q-2013 Results:

Gross Profit

Gross profit increased 3% (R$ 430 million), mainly due to:

Ø Sales revenues of R$ 81,028 million, 4% higher compared to the 3Q-2013, as a result of:

- Higher domestic oil product sales prices, mainly of diesel and gasoline, and increased fuel oil average prices, due to deliveries to the thermoelectric sector;

- Higher crude oil exports (17%), increased trading operations, fuel oil domestic demand (39%) and gasoline (4%), partially offset by lower diesel demand (3%).

Ø Costs of sales of R$ 64,013 million, 5% higher compared to the 3Q-2013 due to the higher expenses with oil product imports and production taxes and also to higher sales volumes, mainly of trading operations, fuel oil and gasoline.

Net income before financial results, share of profit of equity-accounted investments and income taxes

Net income before financial results, share of profit of equity-accounted investments and income taxes increased by 23% (R$ 1,313 million), reflecting the gain on disposal of interest of Parque das Conchas Offshore Project BC-10 (R$ 1,016 million), the lower write-offs of dry or subcommercial wells (R$ 429 million) and the increased gross profit. In the 3Q-2013, net income before financial results, share of profit of equity-accounted investments and income taxes was influenced by the disposal of BS-4 and Coulomb blocks generating a gain of R$ 557 million.

Net finance income (expense)

Net finance expense of R$ 3,021 million, an increase of R$ 2,001 million compared with the 3Q-2013, due to the higher impact of foreign currency depreciationon increased debt (5% in the 4Q-2013 and 0.6% in the 3Q-2013), together with lower income with financial investments, due to the decreased average balance invested, and to the increased finance expenses affected by the adhesion into the Federal Tax Settlement Program (REFIS) [5].

Net income attributable to the shareholders of Petrobras

Net income attributable to the shareholders of Petrobras reached R$ 6,281 million, 85% higher as compared to the 3Q-2013, due to the higher net income before financial results, share of profit of equity-accounted investments and income taxes and the tax benefit arised from interest on capital (R$ 3,162 million), partially offset by higher net finance expense.

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[5] See Appendix 7 – Federal Tax Settlement Program (REFIS).

FINANCIAL HIGHLIGHTS

RESULTS OF OPERATIONS

2013 x 2012 Results:

Gross Profit

Gross profit remained flat compared to 2012, mainly due to:

Ø Sales revenues of R$ 304,890 million, 8% higher compared to 2012, due to:

- Higher oil product prices in the domestic market resulting from adjustments in gasoline and diesel prices, higher electricity prices and impact of foreign currency effects (10%) on oil product prices that are adjusted to reflect international prices;

- A 4% increase in domestic oil product demand, mainly of diesel (5%), gasoline (4%) and fuel oil (17%), offset by lower crude oil export volumes (43%), attributable to lower production levels and higher feedstock processed.

Ø Cost of sales of R$ 233,726 million, 11% higher compared to 2012, due to:

- A 4% increase in domestic sales volumes of oil products, met by higher oil product output from our refineries;

- An increase in natural gas imports volumes to meet the thermoelectric demand and higher crude oil import volumes attributable to the increase in feedstock processed in our refineries, along with the impact of foreign currency depreciation on our unit costs (10%);

- Increased crude oil production costs, attributable to the higher number of well interventions and to the production start-up of new systems, which are still not producing in full capacity.

Net income before finance expense, share of profit of equity-accounted investments and income taxes

Net income before finance expense, share of profit of equity-accounted investments and income taxes reached R$ 34,364 million in 2013, a 6% increase compared to 2012, due to a decrease in write-offs of dry and sub-commercial wells and gains on disposal of assets, partially offset by higher employee compensation expenses arising from the 2012 and 2013 Collective Bargaining Agreements and by higher freight expenses due to increased domestic sales volume.

Net finance income (expense)

Net finance expense was R$ 6,202 million in 2013, a R$ 2,479 million increase compared to 2012, resulting from:

- Lower finance income compared to 2012, when we benefited from the positive impact of gains on disposal of government bonds (National Treasury Notes – B Series) and interest income over judicial deposits (R$ 2,635 million);

- Higher finance expense due to higher debt and adherence to the federal tax settlement program (REFIS);

- Lower monetary and exchange variation losses (R$ 2,696 million) due to lower foreign currency exposure through the extension of our hedge accounting practice to future exports, reducing by R$ 12,691 million the impact of foreign currency effects on our financial result.

Net income attributable to the shareholders of Petrobras

Net income attributable to the shareholders of Petrobras reached R$ 23,570 million in 2013, a 11% increase compared to 2012, reflecting lower income tax expenses, the increased net income before finance expense, share of profit of equity-accounted investments and income taxes and higher share of profit of equity-accounted investments, partially offset by lower net finance income (expense).

FINANCIAL HIGHLIGHTS

NET INCOME BY BUSINESS SEGMENT

Petrobras is an integrated energy company, with the greater part of its oil and gas production in the Exploration & Production segment being transferred to other business segments of the Company.

Our segment results include transactions carried out with third parties and transactions between business areas, which are priced at internal transfer prices defined between the areas using methods based on market parameters.

EXPLORATION & PRODUCTION

(R$ million)	Jan-Dec

4Q-2013	3Q-2013	4Q13 X 3Q13 (%)	4Q-2012	Net Income	2013	2012	2013 x 2012 (%)

11,733	11,613	1	11,521			42,213	45,446	(7)

(4Q-2013 x 3Q-2013): Net income increased due to the higher crude oil and NGL production (2%), to the gains from the disposal of the total interest on Parque das Conchas Offshore Project (BC-10) and to the lower write-offs of dry or sub-commercial wells, partially offset by lower domestic crude oil sales/transfer prices and by increased production taxes.

The spread between the average domestic oil price (sale/transfer) and the average Brent price increased from U.S.$11.50/bbl in the 3Q-2013 to U.S.$12.35/bbl in the 4Q-2013.

(2013 x 2012): Lower net income is attributable to a decrease in crude oil and NGL production (2%), due to the natural decline of fields, slightly offset by the production start-up of new systems, and due to higher depreciation costs of equipment, increased freight costs for oil platforms, higher employee compensation costs and higher well interventions and maintenance costs. These effects were partially offset by higher domestic crude oil prices (sale/transfer), lower write-offs of dry or sub-commercial wells and by gains on the disposal of the total interest in BC-10 block.

The spread between the average domestic oil price (sale/transfer) and the average Brent price increased from US$6.98/bbl in 2012 to US$10.47/bbl in 2013.

Jan-Dec

4Q-2013	3Q-2013	4Q13 X 3Q13 (%)	4Q-2012	Exploration & Production - Brazil (Mbbl/d) (*)	2013	2012	2013 x 2012 (%)

1,960	1,924	2	1,980	Crude oil and NGLs	1,931	1,980	(2)

380	390	(3)	398	Natural gas [6]	389	375	4

2,340	**2,314**	1	**2,378**	**Total**	**2,320**	**2,355**	(1)

(4Q-2013 x 3Q-2013): Crude oil and NGL production increased 2% due to the production start-up of wells in Baúna fields (FPSO Cidade de Itajaí) and Roncador (FPSO-Brasil and platform P-52), besides the start-up of FPSOs Dynamic Producer (Lula Central), Cidade de São Vicente (Lula Extremo Sul), platform P-63 (Papa-Terra) and also the lower number of scheduled stoppages.

Natural gas production decreased 3% due to the scheduled stoppage of Mexilhão platform during October 2013.

(2013 x 2012): Crude oil and NGL production decreased due to the natural decline of fields, partially offset by the production start-up of FPSOs Cidade de São Paulo (Sapinhoá), Cidade de Itajaí (Baúna), Cidade de Paraty (Lula NE Pilot), Dynamic Producer (Lula Central) and Cidade de São Vicente (Lula Extremo Sul), as well as the P-63 platform (Papa-Terra) and a full-year production in FPSO Cidade de Anchieta (Baleia Azul) in 2013.

Natural gas production increased by 4% in 2013 due to the production start-up of FPSOs Cidade de São Paulo and Cidade de Paraty, to the improved efficiency of the Mexilhão, Merluza and Lula fields and to the improved production potential of FPSO Cidade de Vitoria, in Golfinho, as well as to the full-year production in FPSO Cidade de Anchieta (Baleia Azul) in 2013.

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* Not reviewed by independent auditor.

[6] Does not include LNG. Includes gas reinjection.

FINANCIAL HIGHLIGHTS

Jan-Dec

4Q-2013	3Q-2013	4Q13 X 3Q13 (%)	4Q-2012	Lifting Cost - Brazil 7 (*)	2013	2012	2013 x 2012 (%)

U.S.$/barrel:

14.33	14.96	(4)	13.80	Excluding production taxes	14.76	13.79	7

33.10	33.25	−	33.11	Including production taxes	32.98	33.70	(2)

R$/barrel:

32.66	34.28	(5)	28.33	Excluding production taxes	31.94	26.97	18

75.70	75.80	−	67.87	Including production taxes	71.66	65.91	9

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

(4Q-2013 x 3Q-2013): Lifting cost excluding production taxes in U.S.$/barrel decreased by 4%. Excluding the impact of foreign currency effects it decreased by 5% due to lower employee compensation costs that, in the 3Q-2013, were influenced by the non-recurring personnel bonus arised from the 2013 Collective Bargaining Agreement, besides lower well intervention expenses.

(2013 x 2012): Lifting cost excluding production taxes in U.S.$/barrel increased 7%. Excluding the impact of foreign currency effects it increased by 13% due to the higher number of well interventions in the Campos Basin, related to PROEF (Operational Efficiency Increase Program), to the production start-up in FPSOs Cidade de São Paulo (Sapinhoá), Cidade de Itajaí (Baúna), Cidade de Paraty (Lula NE Pilot), and the P-63 platform (Papa Terra), with initially higher unit costs, as well as to an increase in employee compensation costs arising from the 2012 and 2013 Collective Bargaining Agreements.

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

(4Q-2013 x 3Q-2013): Excluding the impact of foreign currency effects, lifting cost including production taxes, in U.S.$/barrel, decreased by 1% as explained above. The decrease was partially offset by higher production taxes (3%) due to the new levels of special participation charges in Marlim, Lula, Roncador and Baúna fields, due to higher production, despite the decreased average reference price of domestic oil in U.S. dollars, adjusted to reflect international prices.

(2013 x 2012): Excluding the impact of foreign currency effects, lifting cost including production taxes, in U.S.$/barrel, remained relatively flat. The relative increase in lifting cost was more than offset by a decrease in production taxes, attributable to the lower average reference price for domestic oil in U.S. dollars, adjusted to reflect international prices, and to reduced levels of special participation charges in Marlim, Barracuda and Albacora fields, due to lower production when compared to 2012.

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* Not reviewed by independent auditor.

[7] In the 1Q-2013, lifting cost was revised to exclude scheduled stoppages expenses. Though lifting cost is a non-GAAP measure, the portion of the calculation of this non-GAAP measure related to scheduled stoppage expenses was revised pursuant to the International Financial Reporting Standards – IFRS. Based on the previous criteria (pursuant to USGAAP), such expenses impacted our lifting cost at the period of their realization, at the moment of the consumption of the materials or completion/rendering of services. Amounts previously reported for 2012 were recalculated for comparability purposes. Such adjustment did not impact our financial statements and EBITDA, for which the amortization of scheduled stoppages was already computed in accordance to the International Financial Reporting

Standards – IFRS.

FINANCIAL HIGHLIGHTS

REFINING, TRANSPORTATION AND MARKETING

(R$ million)	Jan-Dec

4Q-2013	3Q-2013	4Q13 X 3Q13 (%)	4Q-2012	Net Income	2013	2012	2013 x 2012 (%)

(5,465)	(5,527)	1	(5,650)	(17,764)	(22,931)	23

(4Q-2013 x 3Q-2013): The diesel (8%) and gasoline (4%) price adjustments in the domestic market in November 2013 positively impacted the net income (loss). These effects were partially offset by losses on investees in petrochemical sector and by decreased oil product production (1%).

(2013 x 2012): Net losses were lower in 2013, reflecting the diesel and gasoline price adjustments in the domestic market from June 2012 on, and the higher feedstock processed in our refineries, reducing the share of oil product imports in our sales mix, partially offset by higher crude oil acquisition/transfer costs.

Jan-Dec

4Q-2013	3Q-2013	4Q13 X 3Q13 (%)	4Q-2012	Imports and Exports of Crude Oil and Oil Products (Mbbl/d) (*)	2013	2012	2013 x 2012 (%)

354	334	6	301	Crude oil imports	404	346	17

426	493	(14)	505	Oil product imports	389	433	(10)

780	**827**	(6)	**806**	**Imports of crude oil and oil products**	**793**	**779**	2

242	206	17	236	Crude oil exports [8]	207	364	(43)

160	196	(18)	141	Oil product exports	186	184	1

402	**402**	**–**	**377**	**Exports of crude oil and oil products**	**393**	**548**	(28)

(378)	**(425)**	11	**(429)**	**Exports (imports) net of crude oil and oil products**	**(400)**	**(231)**	(73)

2	–	–	1	Other exports	2	6	(67)

(4Q-2013 x 3Q-2013): Higher crude oil imports due to inventory replenishment.

Lower oil product imports reflecting the seasonal plantation and industrial activity.

Higher crude oil exports due to higher production and lower feedstock processed, generated by the REVAP scheduled stoppage and by the casualty on REPAR.

Lower oil product exports to meet the domestic thermoelectric demand for fuel oil.

(2013 x 2012): Higher crude oil imports are attributable to higher feedstock processed by our domestic refineries.

Oil product imports were lower due to an increase in oil product output at our refineries. The higher oil product production and lower crude oil production reduced the availability of crude oil volumes to export.

* Not reviewed by independent auditor.

[8] Include crude oil exports volumes of Refining, Transportation and Marketing and Exploration & Production segments.

FINANCIAL HIGHLIGHTS

Jan-Dec

4Q-2013	3Q-2013	4Q13 X 3Q13 (%)	4Q-2012	Refining Operations (Mbbl/d) (*)	2013	2012	2013 x 2012 (%)

2,105	2,128	(1)	2,010	Output of oil products	2,124	1,997	6

2,102	2,102	–	2,018	Reference feedstock [9]	2,102	2,018	4

95	96	(1)	95	Refining plants utilization factor (%) [10]	97	94	3

1,994	2,027	(2)	1,924	Feedstock processed (excluding NGL) - Brazil [11]	2,029	1,898	7

2,039	2,072	(2)	1,970	Feedstock processed - Brazil [12]	2,074	1,944	7

83	82	1	83	Domestic crude oil as % of total feedstock processed	82	82	–

(4Q-2013 x 3Q-2013): The daily feedstock processed decreased 2% due to the REVAP scheduled stoppage and unscheduled stoppage in distillation unit of REPAR generated by a casualty.

(2013 x 2012): Daily feedstock processed (excluding NGL) increased by 7% due to the sustainable improvement of operating efficiency of our refineries through the optimization of refining processes and elimination of logistics bottlenecks. The new production level was reached complying with the equipment's project limitations and the safety, environmental and product quality requirements.

Jan-Dec

4Q-2013	3Q-2013	4Q13 X 3Q13 (%)	4Q-2012	Refining Cost - Brazil [13] (*)	2013	2012	2013 x 2012 (%)

2.88	3.26	(12)	3.37	Refining cost (U.S.$/barrel)	3.09	3.44	(10)

6.62	7.45	(11)	6.98	Refining cost (R$/barrel)	6.67	6.73	(1)

(4Q-2013 x 3Q-2013): Refining cost in R$/barrel decreased by 11% mainly as a result of lower employee compensation costs that, in the 3Q-2013, were influenced by the non-recurring personnel bonus arised from the 2013 Collective Bargaining Agreement.

(2013 x 2012): Refining cost in R$/barrel decreased by 1% mainly due to an increase in feedstock processed and optimized routine maintenance costs. This effect was partially offset by higher employee compensation costs arising from the 2012 and 2013 Collective Bargaining Agreements.

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* Not reviewed by independent auditor.

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

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

[11] Feedstock processed (excluding NGL) – Brazil is the volume of crude oil processed. As from 4Q-2013, this indicator has been included, since it is factored into the calculation of the Refining Plants Utilization Factor.

[12] Feedstock processed – Brazil includes crude oil and NGL processing.

[13] In the 1Q-2013, refining cost was revised to exclude scheduled stoppages expenses. Though refining cost is a non-GAAP measure, it was revised pursuant to the International Financial Reporting Standards – IFRS. Based on the previous criteria (pursuant to USGAAP), such expenses impacted our refining cost at the period of their realization, at the moment of the consumption of the materials or completion/rendering of services. Amounts previously reported for 2012 were recalculated for comparability purposes. Such adjustment did not impact our financial statements and EBITDA, for which the amortization of scheduled stoppages was already computed in accordance with the International Financial Reporting Standards – IFRS.

FINANCIAL HIGHLIGHTS

GAS & POWER

(R$ million)	**Jan-Dec**

4Q-2013	3Q-2013	4Q13 X 3Q13 (%)	4Q-2012	Net Income	2013	2012	2013 x 2012 (%)

(6)	(192)	97	500	1,256	1,638	(23)

(4Q-2013 x 3Q-2013): The improved result was due to higher average electricity prices, mainly driven by increased differences settlement prices, partially offset by higher LNG and natural gas imports and by lower electricity generation.

(2013 x 2012): Net income decreased due to higher LNG and natural gas import costs to meet the thermoelectric demand, partially offset by higher thermoelectricity generation and higher average electricity prices, mainly attributable to lower water reservoir levels and increased difference settlement prices.

Jan-Dec

4Q-2013	3Q-2013	4Q13 X 3Q13 (%)	4Q-2012	Physical and Financial Indicators (*)	2013	2012	2013 x 2012 (%)

2,147	1,873	15	2,363	Sales of electricity (contracts) - average MW	2,056	2,318	(11)

2,866	3,483	(18)	5,279	Generation of electricity - average MW	3,983	2,699	48

292	180	62	308	Differences settlement price - R$/MWh [14]	262	161	63

88	84	5	107	Imports of LNG (Mbbl/d)	98	63	56

199	197	1	199	Imports of natural gas (Mbbl/d)	198	173	14

(4Q-2013 x 3Q-2013): The 15% increase on electricity sales volumes is due to new short-term agreements.

The decreased electricity generation (18%) was due to lower dispatch by the National Electricity System Operator (Operador Nacional do Sistema Elétrico – ONS) in the 4Q-2013, generated by higher rainfall levels.

The higher difference settlement price (62%) is due to the revision, at the end of the 3Q-2013, of the energetic models which are basis for operational planning and also for the calculation of difference settlement prices.

Higher imports of LNG (5%) due to lower supply of domestic gas, generated by the scheduled stoppage at the Mexilhão platform.

(2013 x 2012): Electricity sales volumes were 11% lower mainly due to the termination of long-term agreements in December 2012.

Increased electricity generation (48%) and difference settlement prices (63%) attributable to lower rainfall levels in the period.

An increase in LNG import volumes (56%) and in natural gas imports from Bolivia (14%) is attributable to increased thermoelectric demand in the period.

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* Not reviewed by independent auditor.

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

FINANCIAL HIGHLIGHTS

BIOFUEL

	(R$ million)	**Jan-Dec**

4Q-2013	3Q-2013	4Q13 X 3Q13 (%)	4Q-2012	Net Income	2013	2012	2013 x 2012 (%)

(36)	(96)	63	(17)		(254)	(218)	(17)

(4Q-2013 x 3Q-2013): The improved result was generated by higher average realization prices of biodiesel (3%) and by gains from investments in the ethanol sector, due to higher sales volume and increased average realization prices of ethanol.

(2013 x 2012): Biofuel net losses were higher, driven by lower biodiesel average sales prices (11%). This effect was partially offset by a decrease in share of losses of ethanol investments, attributable to increases in ethanol, electricity and sugar sales volumes, as well as the higher average sales prices of ethanol and electricity.

DISTRIBUTION

(R$ million)	Jan-Dec

4Q-2013	3Q-2013	4Q13 X 3Q13 (%)	4Q-2012	Net Income	2013	2012	2013 x 2012 (%)

356	312	14	544	1,843	1,793	3

(4Q-2013 x 3Q-2013): Net income was higher due to improved average sales margins of fuel products (6%) and to the increase in sales volume (5%), partially offset by higher sales and administrative expenses.

(2013 x 2012): The increased net income was due to a 7% increase in the average trade margins and a 4% increase in sales volumes. These effects were partially offset by higher selling and administrative expenses.

Jan-Dec

4Q-2013	3Q-2013	4Q13 X 3Q13 (%)	4Q-2012	Market Share (*)	2013	2012	2013 x 2012 (%)

37.4%	36.1%	1	38.6%	37.5%	38.1%	(1)