

PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
May 08, 2018
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 May, 2018

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)

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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

UNAUDITED

INTERIM

FINANCIAL STATEMENTS

—

March 31, 2018 and 2017 with report of independent registered public
accounting firm

Petróleo Brasileiro S.A. – Petrobras

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Report of Independent Registered Public Accounting Firm

The Shareholders and Board of Directors of

Petróleo Brasileiro S.A. - Petrobras

We have reviewed the interim consolidated statement of financial position of Petróleo Brasileiro S.A. - Petrobras and subsidiaries (the “Company”) as of March 31, 2018, and the related interim consolidated statements of income, comprehensive income, changes in shareholders’ equity and cash flows for the three-month periods ended March 31, 2018 and 2017 and the related notes (collectively, the consolidated interim financial information). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial information for it to be in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statement of financial position of the Company as of December 31, 2017, and the related consolidated statements of income, comprehensive income, changes in shareholders’ equity, and cash flows for the year then ended (not presented herein); and in our report dated March 14, 2018, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated statement of financial position as of December 31, 2017, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Estimates related to overpayments on the acquisition of property plant and equipment

As discussed in Note 3 to the financial statements, on September 30, 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. The note also describes that no additional information has been identified through this date which could materially impact the estimation methodology adopted for the write off previously recorded.

Basis for Review Results

This consolidated interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with the standards of the PCAOB. A review of consolidated 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 PCAOB, 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.

Rio de Janeiro, May 7, 2018

/s/ KPMG Auditores Independentes

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Petróleo Brasileiro S.A. – Petrobras

Unaudited Consolidated Statement of Financial Position

March 31, 2018 and December 31, 2017

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

Assets	Note	03.31.2018	12.31.2017	Liabilities	Note	03.31.2018	12.31.2017
Current assets				Current liabilities			
Cash and cash equivalents	6	19,966	22,519	Trade payables	14	5,424	5,767
Marketable securities	6	1,175	1,885	Finance debt	15.2	4,630	7,001
Trade and other receivables, net	7.1	4,703	4,972	Finance lease obligations	16.1	26	25
Inventories, net	8	8,834	8,489	Income taxes payable	19.1	489	299
Recoverable income taxes	19.1	490	479	Other taxes payable	19.1	4,247	4,548
Other recoverable taxes	19.1	2,017	1,958	Payroll and related charges		1,480	1,309
Advances to suppliers		79	78	Pension and medical benefits	20.1	897	844
Others		2,982	1,433	Provisions for legal proceedings	28.1	3,242	2,256
		40,246	41,813	Others		2,921	2,508
Assets classified as held for sale	9.2	3,504	5,318			23,356	24,557
		43,750	47,131	Liabilities related to assets classified as held for sale	9.2	148	391
						23,504	24,948
Non-current assets				Non-current liabilities			
Long-term receivables				Finance debt	15.2	97,730	102,045
Trade and other receivables, net	7.1	4,851	5,175	Finance lease obligations	16.1	202	204
Marketable securities	6	63	64	Income taxes payable	19.1	677	671
Judicial deposits	28.2	6,100	5,582	Deferred income taxes	19.4	1,687	1,196
Deferred income taxes	19.4	3,455	3,438	Pension and medical benefits	20.1	21,243	20,986
Other tax assets	19.1	3,030	3,075	Provisions for legal proceedings	28.1	3,973	4,770
Advances to suppliers		987	1,032	Provision for decommissioning costs	18	14,180	14,143
Others		3,270	3,084	Others		1,195	901
		21,756	21,450			140,887	144,916
				Total liabilities		164,391	169,864
Investments	10	3,813	3,795	Equity			
Property, plant and equipment	11	176,288	176,650	Share capital (net of share issuance costs)	21.1	107,101	107,101
Intangible assets	12	2,349	2,340	Capital transactions		1,067	1,067
				Profit reserves		54,903	53,056
					21.2	(81,248)	(81,422)

			Accumulated other comprehensive (deficit) Attributable to the shareholders of Petrobras	81,823	79,802
	204,206	204,235	Non-controlling interests	1,742	1,700
				83,565	81,502
Total assets	247,956	251,366	Total liabilities and equity	247,956	251,366

The notes form an integral part of these financial statements.

Petróleo Brasileiro S.A. – Petrobras

Unaudited Consolidated Statement of Income

March 31, 2018 and 2017

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

		March 31, Note 2018	March 31, 2017
Sales revenues	22	22,958	21,737
Cost of sales		(14,704)	(14,174)
Gross profit		8,254	7,563
Income (expenses)			
Selling expenses		(1,273)	(760)
General and administrative expenses		(660)	(733)
Exploration costs	13	(136)	(94)
Research and development expenses		(153)	(107)
Other taxes		(148)	(92)
Other income and expenses	23	(392)	(1,239)
		(2,762)	(3,025)
Income before finance income, results in equity-accounted investments and income taxes		5,492	4,538
Finance income		339	297
Finance expenses		(1,804)	(1,890)
Foreign exchange gains (losses) and inflation indexation charges		(770)	(872)
Net finance income (expense)	25	(2,235)	(2,465)
Results in equity-accounted investments	10	158	195
Net income before income taxes		3,415	2,268
Income taxes	19.5	(1,219)	(737)
Net income for the period		2,196	1,531
Net income attributable to:			
Shareholders of Petrobras		2,145	1,417
Non-controlling interests		51	114
Net income for the period		2,196	1,531
Basic and diluted earnings per weighted-average of common and preferred share - in U.S. dollars	21.3	0.16	0.11

The notes form an integral part of these financial statements.

Petróleo Brasileiro S.A. – Petrobras

Unaudited Consolidated Statement of Comprehensive Income

March 31, 2018 and 2017

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

	March 31, 2018	March 31, 2017
Net income for the period	2,196	1,531
Items that may be reclassified subsequently to the statement of income:		
Unrealized gains / (losses) on securities measured at fair value through other comprehensive income		
Recognized in equity	(2)	(13)
Deferred income tax	1	–
	(1)	(13)
Unrealized gains / (losses) on cash flow hedge - highly probable future exports		
Recognized in equity	(338)	1,736
Reclassified to the statement of income	820	774
Deferred income tax	(164)	(853)
	318	1,657
Unrealized gains on cash flow hedge - others		
Recognized in equity	–	1
	–	1
Cumulative translation adjustments (*)		
Recognized in equity	(179)	1,361
Reclassified to the statement of income	–	37
	(179)	1,398
Share of other comprehensive income in equity-accounted investments		
Recognized in equity	60	118
Reclassified to the statement of income	–	22
	60	140
Total other comprehensive income:	198	3,183
Total comprehensive income	2,394	4,714
Comprehensive income attributable to:		
Shareholders of Petrobras	2,340	4,593
Non-controlling interests	54	121
Total comprehensive income	2,394	4,714

(*) Includes US\$ 16 (US\$ 14 in the first quarter of 2017) of cumulative translation adjustments in associates and joint ventures.

The notes form an integral part of these financial statements.

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Petróleo Brasileiro S.A. – Petrobras

Unaudited Consolidated Statement of Cash Flows

March 31, 2018 and 2017

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

	March 31, 2018	March 31, 2017
Cash flows from Operating activities		
Net income for the period	2,196	1,531
Adjustments for:		
Pension and medical benefits (actuarial expense)	599	692
Results in equity-accounted investments	(158)	(195)
Depreciation, depletion and amortization	3,409	3,423
Impairment of assets (reversal)	18	(7)
Allowance (reversals) for expected credit loss on trade and others receivables	137	(2)
Exploratory expenditures write-offs	8	8
Gains and losses on disposals/write-offs of assets	(1,005)	39
Foreign exchange, indexation and finance charges	2,656	2,497
Deferred income taxes, net	195	475
Revision and unwinding of discount on the provision for decommissioning costs	183	192
Reclassification of cumulative translation adjustment and other comprehensive income	–	59
Inventory write-down to net realizable value	18	23
Decrease (Increase) in assets		
Trade and other receivables, net	558	481
Inventories	(352)	386
Judicial deposits	(528)	(302)
Other assets	(1,442)	(144)
Increase (Decrease) in liabilities		
Trade payables	(418)	(1,046)
Other taxes payable	596	95
Pension and medical benefits	(204)	(156)
Other liabilities	836	(581)
Income taxes paid	(453)	(84)
Net cash provided by operating activities	6,849	7,384
Cash flows from Investing activities		
Acquisition of PP&E and intangibles assets	(3,058)	(3,187)
Investments in investees	(7)	(11)
Proceeds from disposal of assets - Divestment	2,313	596
Divestment (Investment) in marketable securities	728	(88)
Dividends received	221	64
Net cash used in investing activities	197	(2,626)
Cash flows from Financing activities		
Investments by non-controlling interest	37	(41)
Proceeds from financing	5,938	4,142

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Repayment of principal	(13,524)	(9,223)
Repayment of interest	(1,851)	(1,670)
Net cash used in financing activities	(9,400)	(6,792)
Effect of exchange rate changes on cash and cash equivalents	(199)	42
Net decrease in cash and cash equivalents	(2,553)	(1,992)
Cash and cash equivalents at the beginning of the period	22,519	21,205
Cash and cash equivalents at the end of the period	19,966	19,213

The notes form an integral part of these financial statements.

Petróleo Brasileiro S.A. – Petrobras

Unaudited Consolidated Statement of Changes in Shareholders' Equity

March 31, 2018 and 2017

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

	Share capital (net of share issuance costs)			Accumulated other comprehensive income (deficit) and deemed cost				Profit Reserves			
	Share Capital	Share issuance costs	Capital Transactions	Cumulative translation adjustment	Cash flow hedge - highly probable future exports	Actuarial gains (losses) on defined benefit pension plans	Other comprehensive income (loss) and deemed cost	Legal	Statutory	Tax incentives	Profit retention
Balance at January 1, 2017	107,380	(279)	628	(60,248)	(11,297)	(11,600)	(948)	7,919	2,182	720	42,322
Realization of deemed cost	-	-	-	-	-	-	(1)	-	-	-	-
Capital transactions	-	-	-	-	-	-	-	-	-	-	-
Net income	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	1,391	1,657	-	128	-	-	-	-
Balance at March 31, 2017	107,380	(279)	628	(58,857)	(9,640)	(11,600)	(821)	7,919	2,182	720	42,322
Balance at December 31, 2017	107,380	(279)	1,067	(61,043)	(9,573)	(10,015)	(791)	7,919	2,182	720	42,235
Initial application of IFRS 9	-	-	-	-	-	-	(20)	-	-	-	-
Balance at January 1, 2018	107,380	(279)	1,067	(61,043)	(9,573)	(10,015)	(811)	7,919	2,182	720	42,235
Realization of deemed cost	-	-	-	-	-	-	(1)	-	-	-	-
Capital transactions	-	-	-	-	-	-	-	-	-	-	-
Net income	-	-	-	-	-	-	-	-	-	-	-

Other comprehensive income	-	-	-	(182)	318	-	59	-	-	-	-
Appropriations: Dividends	-	-	-	-	-	-	-	-	-	-	-
	107,380	(279)	1,067	(61,225)	(9,255)	(10,015)	(753)	7,919	2,182	720	42,235
Balance at March 31, 2018		107,101	1,067				(81,248)				53,056

The notes form an integral part of these financial statements.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements - unaudited

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

1. The Company and its operations

Petróleo Brasileiro S.A. (Petrobras), hereinafter referred to as “Petrobras” or “Company,” is a partially state-owned enterprise, controlled by the Brazilian Federal Government, of indefinite duration, governed by the terms and conditions under the Brazilian Corporate Law (Law 6,404 of December 15, 1976), Law 13,303 of June 30, 2016 and its Bylaws.

The Company aims to enter a market tier called Level 2 at the Brazilian stock exchange (B3), a market tier that requires a high level of corporate governance standards. If it becomes part of the Level 2 market tier, the Company, its managers and fiscal council members will also be subject to provisions set out in the Level 2 Regulation (Regulamento de Listagem do Nível 2 de Governança Corporativa da Brasil Bolsa Balcão – B3).

The provisions of the Level 2 Regulation shall prevail over statutory provisions, in the event of damage to the rights of investors of public offers provided for in the Company's Bylaws, except for the provisions of articles 30 (paragraphs 4 and 5), 40 (paragraphs 3 and 4) and 58.

The Company is dedicated 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.

Petrobras may perform any of the activities related to its corporate purpose, directly, through its wholly owned subsidiaries, controlled companies, alone or through joint venture with third parties, in Brazil or abroad.

Petrobras may have its activities, provided they are in compliance with its corporate purpose, guided by the Brazilian Federal Government to contribute to the public interest that justified its creation, aiming to meet the objectives of the national energy policy.

The Brazilian Federal Government may only guide the Company to assume obligations or responsibilities, including the implementation of investment projects and the assumption of specific operating costs/results, such as those relating to the sale of fuels, as well as any other related activities, under conditions different from those of any other private sector company operating in the same market, when:

I – established by law or regulation, as well as under provisions of agreements with a public entity that is competent to establish such obligation, abiding by the broad publicity of such instruments; and

II – the cost and revenues thereof have been broken down and disseminated in a transparent manner, including in the accounting plan.

Moreover, in the event of the Brazilian Federal Government guide the Company to meet the public interest under conditions different from market conditions, the Company's Finance Committee and Minority Shareholders Committee, exercising their advisory role to the Board of Directors, shall assess and measure the difference between such market conditions and the operating result or economic return of the transaction, based on technical and economic criteria for investment valuation and specific operating costs and results under the Company's operations, In

this case, for every financial year, the Federal Government shall compensate the Company.

2. Basis of preparation

2.1. Statement of compliance and authorization of unaudited consolidated interim financial statements

These unaudited consolidated interim financial statements have been prepared and presented in accordance with IAS 34 – “Interim Financial Reporting” as issued by the International Accounting Standards Board (IASB). They present the significant changes in the period, avoiding repetition of certain notes to the financial statements previously reported. Hence, it should be read together with the Company’s audited annual financial statements for the year ended December 31, 2017, which include the full set of notes.

These unaudited consolidated interim financial statements were approved and authorized for issue by the Company’s Board of Directors in a meeting held on May 7, 2018.

2.2. Functional and presentation currency

The functional currency of Petrobras and all of its Brazilian subsidiaries is the Brazilian Real. The functional currency of most of the Petrobras entities that operate outside Brazil is the U.S. dollar.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements - unaudited

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

Petrobras has selected the U.S. Dollar as its presentation currency to facilitate a more direct comparison to other oil and gas companies. The financial statements have been translated from the functional currency (Brazilian Real) into the presentation currency (U.S. Dollar). 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 period. All exchange differences arising from the translation of the consolidated financial statements from the functional currency into the presentation currency are recognized as cumulative translation adjustments (CTA) within accumulated other comprehensive income in the consolidated statements of changes in shareholders' equity.

Brazilian Real x U.S. Dollar	Mar 2018	Dec 2017	Sep 2017	Jun 2017	Mar 2017
Quarterly average exchange rate	3.24	3.25	3.16	3.22	3.15
Period-end exchange rate	3.32	3.31	3.17	3.31	3.17

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 additional information about this write off and its approach to estimate amounts overpaid by the Company, see note 3 to the audited consolidated financial statements ended December 31, 2017.

On the preparation of these unaudited interim financial statements ended March 31, 2018, the Company has not identified any additional information that would affect the adopted calculation methodology to write off the amounts overpaid. The Company has monitored the progress of investigations by Brazilian authorities under the Lava Jato Operation, as well as an internal investigation carried out by independent law firms. The Company will continue to monitor these investigations for additional information and will review their potential impact on the adjustment made.

We have been formally recognized as a victim of the crimes identified under the Lava Jato investigation by the Brazilian Federal Prosecutor’s Office, the lower court hearing the case and by the Brazilian Supreme Court. As a result, we have entered into 45 criminal proceedings as an assistant to the prosecutor. In addition, we have entered into four criminal proceedings as an interested party. We have also renewed our commitment to continue cooperating with authorities to clarify the issues and report them regularly to our investors and to the public in general.

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 15 public civil suits addressing acts of administrative misconduct filed by the Brazilian Public Prosecutor’s Office and the Federal Government, including demands for compensation for reputation damages.

To the extent that any of the proceedings resulting from the Lava Jato investigation involve leniency agreements or plea agreements for return of funds, the Company may be entitled to receive a portion of such funds. Nevertheless, the

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

The total funds collected through March 31, 2018 under the Lava Jato investigation amounted to US\$ 456 (US\$ 455 through December 31, 2017).

3.1. 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 with respect to, among other things, the Lava Jato investigation and any allegations regarding a violation of the U.S. Foreign Corrupt Practices Act. The U.S. Department of Justice (DoJ) is conducting a similar inquiry, and the Company is cooperating with both investigations 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. The investigations carried out by the SEC and DoJ may require the Company to pay penalties or provide other financial relief, or consent to injunctions or orders on future conduct or suffer other penalties.

The inquiries carried out by these authorities remain ongoing, and to date it is not possible to estimate their duration, scope or results. Accordingly, the Company is unable to make a reliable estimate about amounts and probability of penalties that may be required or if other financial relief may be provided in connection with any SEC or DoJ investigation.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements - unaudited

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

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

4.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, 2017, except for the changes arising from the adoption of IFRS 9 - Financial Instruments, IFRS 15 - Revenue from Contracts with Customers and IFRIC 22 Foreign Currency Transactions and Advance Consideration. The provisions under these standards and interpretation became effective on January 1, 2018.

4.1.IFRS 9 - Financial Instruments

IFRS 9 establishes, among others, new requirements for classification and measurement of financial assets, measurement and recognition of impairment of financial assets, changes in the terms of financial assets and liabilities, hedge accounting and disclosure.

As permitted by IFRS 9, the company did not restate prior periods with respect to classification and measurement (including impairment and modification of financial assets and liabilities) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 were recognized at January 1, 2018 in retained earnings within equity. Information on the consolidated impacts is presented below:

Item of Consolidated Statement of Financial Position	Balance at 12.31.2017	Adjustment by initial application of IFRS 9	Balance at Note 01.01.2018
Current assets			
Trade and other receivables, net	4,972	(103)	4.1.34,869
Non-current assets			
Trade and other receivables, net	5,175	(19)	4.1.35,156
Deferred income taxes	3,438	146	3,584
Others	3,084	(2)	4.1.33,082
Current liabilities			
Finance debt	7,001	1	4.1.27,002
Non-current liabilities			
Finance debt	102,045	355	4.1.2102,400
Equity			
Accumulated other comprehensive (deficit)	(81,422)	(20)	4.1.1(81,442)
Retained earnings	–	(299)	(299)
Non-controlling interests	1,700	(15)	1,685

The new hedge accounting requirements were applied prospectively. The cash flow hedge relationships of highly probable future exports for the purposes of IAS 39 were considered as hedges for IFRS 9 purposes, since they also qualify for hedge accounting in accordance with the new standard.

The main accounting policies following the adoption of IFRS 9 at January 1, 2018 are shown below:

4.1.1. Classification and measurement of financial assets

Financial assets are generally classified and subsequently measured based on the business model in which assets are managed and their contractual cash flow characteristics, as follows:

• Amortised cost: when the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the business model's objective is to hold financial assets in order to collect contractual cash flows;

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Fair value through other comprehensive income: i) when the contractual terms of a debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the business model's objective to collect contractual cash flows and sell financial assets; and ii) equity instruments not held for trading purposes for which the Company has made an irrevocable election in their initial recognition to present changes in fair value in other comprehensive income rather than within profit or loss; and

Fair value through profit or loss: if the financial asset does not meet the criteria for the two aforementioned categories. The table below presents comparative information of marketable securities between the former classification and measurement in accordance with IAS 39 and the current requirements following the effectiveness of IFRS 9:

Classification according to IAS 39	Carrying amount according to IAS 39 at December 31, 2017			Classification according to IFRS 9	Carrying amount according to IFRS 9 at January 1, 2018		
	Brazil	Abroad	Total		Brazil	Abroad	Total
Trading securities	1,067	–	1,067	Fair value through profit or loss	1,276	-	1,276
Available-for-sale securities	153	609	762	Fair value through other comprehensive income	13	609	622
Held-to-maturity securities	120	–	120	Amortised cost	51	-	51
	1,340	609	1,949		1,340	609	1,949

4.1.2. Modification of contractual cash flows

When the contractual cash flows of a financial liability measured at amortized cost are renegotiated or modified and this change is not substantial, its gross carrying amount should reflect the discounted present value of its cash flows under the new terms using the original effective interest rate. The difference between the book value immediately prior to such modification and the new gross carrying amount is recognized as gain or loss in profit or loss.

4.1.3. Impairment of financial assets

An allowance for expected credit losses is recognized on a financial asset that is measured at amortized cost, including lease receivables, and on financial assets measured at fair value through other comprehensive income.

The Company measures expected credit losses for short-term trade receivables using a provision matrix based on unadjusted historical observed default rates when such information represents the best estimate, or such information adjusted by current and forward-looking information available without undue cost or effort.

The Company measures the allowance for expected credit losses of other financial assets based on their 12-month expected credit losses. However, whenever their credit risks have increased significantly since their initial recognition, the allowance for expected credit losses is based on their lifetime expected credit losses.

Significant increase in credit risk since initial recognition

When determining whether there has been a significant increase in credit risk, the Company compares the risk of default on initial recognition and at the reporting date by using certain indicators, such as the actual or expected significant change in the financial instrument's external credit rating and information on payment delays.

Regardless of the assessment of significant increase in credit risk, a delinquency period of 30 days past due triggers the definition of significant increase in credit risk on a financial asset, unless otherwise demonstrated by reasonable and sustainable information.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is considered to have low credit risk at the reporting date. The financial instrument has a low credit risk in case of low risk of default, the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Company determines if a financial instrument has low credit risk based on external credit ratings or internal methodologies.

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Definition of default

The Company assumes that a default occurs whenever financial assets are at least 90 days past due and or the counterparty does not comply with the legal obligation to pay its debts when due.

Measurement of expected credit losses

The measurement of credit loss comprises the difference between all contractual cash flows that are due to the Company and all the cash flows that the Company expects to receive, discounted at the original effective interest rate weighted by the probability of default.

The probability of default, losses (the magnitude of the loss if a default occurs) and exposure to default are factored into the measurement of the expected credit loss.

The evaluation of default probability takes into account data of the main credit rating agencies, as well as internal valuation methodologies. The loss due to a default also takes into account the probability of expected cash flows from collateral (collateral assets) and other credit enhancements that are part of the contractual terms, less the costs of obtaining and selling that collateral. Exposure to default comprises the gross carrying amount of the financial asset at the reporting date.

Disclosure

The Company recognizes in profit or loss the impairment on financial assets measured at amortized cost.

4.1.4.Hedge Accounting

At inception of the hedge relationship, the Company documents its objective and strategy, including identification of the hedging instrument, the hedged item, the nature of the hedged risk and evaluation of hedge effectiveness requirements. The hedge relationship meets all of the hedge effectiveness requirements when:

- An economic relationship exists between the hedged item and the hedging instrument;
 - The effect of credit risk does not dominate the value changes that result from the economic relationship; and
 - The hedge ratio is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company uses to hedge that quantity of hedged item.
- The Company applies cash flow hedge accounting for certain transactions. Hedging relationships qualify for cash flow hedges when they involve the hedging of exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that may impact the statement of income.

Gains or losses relating to the effective portion of such hedges are recognized in other comprehensive income within 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 finance income (expense).

When the hedging instrument expires or settled in advance or no longer meets the criteria for hedge accounting, 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.

In addition, when a financial instrument designated as a hedging instrument expires or settled, the Company may replace it with another financial instrument in a manner such that the hedge relationship continues to occur. Likewise, whenever a hedged transaction effectively occurs, its financial instrument previously designated as a hedging instrument may be designate for a new hedge relationship.

4.2.IFRS 15 - Revenue from Contracts with Customers

The company has determined when and by what amounts revenue from contracts with customer should be recognized according to the following five step approach: 1) identify the contract with a customer; 2) identify the separate performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the separate performance obligations in the contract, 5) recognize revenue when the entity satisfies a performance obligation. A performance obligation is satisfied when the customer obtains control of that good or service.

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For the purposes of the transition requirements, the Company applied this standard retrospectively with the cumulative effect of its application recognized at its effective date within retained earnings. However, the changes arising from the adoption of IFRS 15 only affected the way certain revenues from contracts with customers are disclosed within the statement of income and did not affect net income. Accordingly, there were no impacts within retained earnings (equity).

The following table presents the impacts of adoption of this standard for the first quarter of 2018:

	Amount at 03.31.2018	Initial application of IRFS 15			Amount without effects of initial application of IRFS 15 - 03.31.2018
		Agent	Breakage	Others	
Sales revenues	22,958	588	(68)	(24)	23,454
Cost of sales	(14,704)	(588)	60	–	(15,232)
Gross profit	8,254	–	(8)	(24)	8,222
Income and expenses	(2,762)	–	8	24	(2,730)
Income before finance income, results in equity-accounted investments and income taxes	5,492	–	–	–	5,492

The Company acting as an agent

In accordance with accounting policies at December 31, 2017, the Company was regarded as the principal in certain transactions. Therefore, the revenues from these sales, cost of the product sold and sales expenses were presented separately in the statement of income. However, under the new standard's requirements, the Company acts as an agent because it does not obtain control of goods or services provided by another party before it is transferred to the customer. From January 1, 2018, revenues from these sales have been presented in the statement of income net of their cost of sales and sales expenses.

Non-exercised right Income (breakage)

In accordance with accounting policies at December 31, 2017, the Company regarded the income from rights not exercised by customers in certain take or pay and ship or pay contracts as penalties revenue and presented it as other income and expenses in the statement of income. However, according to the new standard's requirements, the Company has accounted for and presented its income from rights not exercised by customers as sales revenues in the statement of income, as from January 1, 2018.

4.3. IFRIC 22 Foreign Currency Transactions and Advance Consideration

Based on the transition provisions of IFRIC 22, the Company has applied the new requirements prospectively from January 1, 2018. IFRIC 22 clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

5.Accounting estimates

The preparation of interim financial statements requires the use of estimates and assumptions for certain assets, liabilities and other transactions. These estimates and assumptions include oil and gas reserves and their impacts to other parts of the financial statements, the main assumptions and cash-generating units identified for impairment testing of assets, pension and medical benefits liabilities, provisions for legal proceedings, dismantling of areas and environmental remediation, deferred income taxes, cash flow hedge accounting and impairment of trade receivables. Although our management uses assumptions and judgments that are periodically reviewed, the actual results could differ from these estimates.

Except for the impairment of trade receivables estimate, which has been based on the expected credit losses model since the effectiveness of IFRS 9 at January 1, 2018 (see note 4.1.3), information on those accounting estimates is presented in note 5 to the Company's annual financial statements for the year ended December 31, 2017.

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The Company uses judgment for inputs and assumptions, such as risk of default, the determination of whether or not there has been a significant increase in credit risk and expectation of recovery, that are factored into the estimate of expected credit losses.

6. Cash and cash equivalents and Marketable securities

Cash and cash equivalents

	03.31.2018	12.31.2017
Cash at bank and in hand	1,802	1,570
Short-term financial investments		
- In Brazil		
Brazilian interbank deposit rate investment funds and other short-term deposits	1,694	1,176
Other investment funds	202	17
	1,896	1,193
- Abroad		
Time deposits	7,433	6,237
Automatic investing accounts and interest checking accounts	7,383	11,287
Other financial investments	1,452	2,232
	16,268	19,756
Total short-term financial investments	18,164	20,949
Total cash and cash equivalents	19,966	22,519

The principal uses of funds in the first quarter of 2018 were for debt service obligations (US\$ 15,375), including pre-payment of debts, and acquisition of PP&E and intangibles assets (US\$ 3,058). The uses of funds were principally provided by operating activities (US\$ 6,849), proceeds from financing (US\$ 5,938) and disposal of assets (US\$ 2,313).

Short-term financial investments in Brazil primarily consist of investments in funds holding Brazilian Federal Government Bonds and related repo investments that mature within three months as of the date of their acquisition. Short-term financial investments abroad comprise time deposits that mature in three months or less from the date of their acquisition, highly-liquid automatic investment accounts, interest checking accounts and other short-term fixed income instruments.

Expected credit losses on cash and cash equivalents were not material at March 31, 2018.

Marketable securities

	03.31.2018			01.01.2018		
	In Brazil	Abroad	Total	In Brazil	Abroad	Total
Fair value through profit or loss	1,175	–	1,175	1,276	–	1,276
Fair value through other comprehensive income	12	–	12	13	609	622
Amortised cost	51	–	51	51	–	51
Total	1,238	–	1,238	1,340	609	1,949
Current	1,175	–	1,175	1,276	609	1,885
Non-current	63	–	63	64	–	64

Marketable securities classified as fair value through profit or loss refer mainly to investments in Brazilian Federal Government Bonds. These financial investments have maturities of more than three months and are mostly classified as current assets due to their maturity or the expectation of their realization in the short term.

At March 31, 2018, expected credit losses on marketable securities measured at amortised cost or fair value through other comprehensive income were immaterial. In addition, the amounts of marketable securities at December 31, 2017 classified by categories in accordance with the former accounting practice (IAS 39) are presented in note 4.1.

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7.Trade and other receivables

7.1.Trade and other receivables, net

	03.31.2018	12.31.2017
Trade receivables -Third parties	6,583	6,995
Related parties		
Investees (note 17.1)	496	530
Receivables from the electricity sector (note 7.4) (*)	5,277	5,247
Petroleum and alcohol accounts -receivables from Brazilian Government	249	251
Finance lease receivables	542	550
Receivables from divestments in the Nova Transportadora do Sudeste	879	872
Other receivables	1,711	1,647
	15,737	16,092
Expected credit losses - ECL	(6,183)	(5,945)
Total	9,554	10,147
Current	4,703	4,972
Non-current	4,851	5,175

(*) Includes the amount of US\$ 229 at March 31, 2018 (US\$ 239 at December 31, 2017) regarding finance lease receivable from Amazonas Distribuidora de Energia.

Trade and other receivables were previously classified as loans and receivables in accordance with former IAS 39. As set out in note 4.1.3, following the adoption of IFRS 9, such assets are currently classified as measured at amortised cost, except for certain receivables with final prices linked to changes in commodity price after their transfer of control, which are classified as measured at fair value through profit and loss and amounts to US\$ 46.

7.2.Trade receivables overdue - Third parties

	03.31.2018	12.31.2017
Up to 3 months	438	596
From 3 to 6 months	60	52
From 6 to 12 months	83	83
More than 12 months	3,595	3,573
Total	4,176	4,304

7.3.Changes in allowance for expected credit losses

	03.31.2018	12.31.2017
Opening balance	5,945	5,426
Initial application of IFRS 9	122	–
Additions	143	708
Write-offs	(6)	(110)
Cumulative translation adjustment	(21)	(79)
Closing balance	6,183	5,945
Current	2,150	2,068
Non-current	4,033	3,877

For the first quarter of 2017, the Company had a net impairment reversal of trade receivables in the amount of US\$ 2.

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7.4. Trade receivables – electricity sector (isolated electricity system in the northern region of Brazil)

	As of 12.31.2017	Amounts Sales received	Transfers (*)	Allowance Write-offs for ECL	As of Interest CTA 03.31.2018
Related parties					
(Eletrobras Group)					
Eletrobras Distribuição					
Amazonas - AME-D	2,563	15 (216)	202	– (103)	60 (12) 2,509
Centrais Elétricas de Rondônia - CERON	375	– (2)	–	–	2 (1) 374
Others	112	– (6)	–	3	2 (2) 109
Subtotal	3,050	15 (224)	202	– (100)	64 (15) 2,992
Third parties					
Cia de Gás do Amazonas - Cigás					
Centrais Elétricas do Pará - Celpa	2	16 (17)	–	–	– – 1
Others	9	44 (43)	–	–	– – 10
Subtotal	152	388 (144)	(202)	– (26)	– – 168
Trade receivables, net	3,202	403 (368)	–	– (126)	64 (15) 3,160
Trade receivables - Eletrobras Group					
(-) Allowance for impairment	(2,197)	– –	–	– (100)	– 12 (2,285)
Subtotal	3,050	15 (224)	202	– (100)	64 (15) 2,992
Trade receivables - Third parties					
(-) Allowance for impairment	(324)	– –	–	– (26)	– 3 (347)
Subtotal	152	388 (144)	(202)	– (26)	– – 168
Trade receivables - Total					
(-) Allowance for impairment	(2,521)	– –	–	– (126)	– 15 (2,632)
Trade receivables, net	3,202	403 (368)	–	– (126)	64 (15) 3,160

(*) Transfer of overdue receivables from Cigás to AME-D, pursuant to the purchase and sale agreement of natural gas (upstream and downstream) entered into by Petrobras, Cigás and AME-D.

The Company supplies fuel oil, natural gas, and other products for thermoelectric power generated and distributed by entities controlled by Eletrobras and independent electricity producers (Produtores Independentes de Energia – PIE) that operate in the city of Manaus and in the isolated electricity system in the northern region of Brazil, as the Brazilian National Interconnected Power Grid (Sistema Interligado Nacional) has not yet met the demand for electricity in this area.

The total cost of power generation to Manaus and the isolated electricity system includes the costs of products supplied by the Company. Local consumers partially cover these costs based on a threshold comprising the average cost of the energy and potency traded in the Regulated Procurement Environment (Ambiente de Contratação Regulada – ACR). Most of the funds for the payment for these costs comes from the Fuel Consumption Account (Conta de Consumo de Combustível – CCC), a component of the Brazilian Energy Development Account (Conta de Desenvolvimento Energético – CDE).

The regulation of CCC and CDE underwent some changes in the last few years, notably the ones arising from Provisional Measure 579/2012, signed into Law No. 12,783/2013, and to Provisional Measure 735/2016, signed into Law No. 13,360/2016.

These changes, along with administrative issues and supervision procedures carried out run by the Brazilian National Electricity Agency (Agência Nacional de Energia Elétrica - ANEEL) over these accounts and its beneficiaries (entities controlled by Eletrobras) caused instability and decrease in amount of funds transferred from CCC since 2013, which increased the default rate of those customers to the Company.

As a result, on December 31, 2014, the Company entered into debt acknowledgement agreements concerning the balance of its receivables as of November 30, 2014 with the following subsidiaries of Eletrobras: Eletroacre, Ceron and Boa Vista. Eletrobras acknowledged it owed US\$ 2,202 to the Company, of which US\$ 1,889 were collateralized by payables from the CDE to the CCC. This amount has been adjusted by the Selic interest rate (Brazilian short-term interest rate) on a monthly basis and the first of 120 monthly installments was paid in February 2015. Despite some periodic delays, these payments have continued.

The payables from the CDE to the CCC are supported by a debt acknowledgement agreement between both parties, which was duly authorized by the Brazilian Ministry of Mines and Energy through the Interministerial Ordinance No. 652/2014. Pursuant to Resolutions 504 and 952 enacted by ANEEL in 2015, this agreement was also recognized by this authority and valued at US\$ 2,780.

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The contractual amortization clauses in the debt acknowledgement agreements between the Company and subsidiaries of Eletrobras establish the payment of 15% of the amount of renegotiated debt within 36 months and the remaining 85% to be paid in 84 installments beginning in January 2018. Therefore, the Company expects the balance of trade receivables from the electricity sector will decrease from 2018 onwards, which did not happen until December 31, 2017 due to the characteristics of its initial amortizations along with its indexation.

Accordingly, the Company has adopted measures to reduce the default rate, such as judicial collection of overdue receivables, suspension of fuels supply on credit, register of these entities as delinquent companies in the CADIN (Registry of Delinquent Credits of Federal Agencies and Entities) and in ANEEL records. ANEEL canceled this registration alleging fuel purchases are non-intra sector debt. The Company had appealed the ANEEL decision and the authority denied it.

Pursuant to judicial decisions rendered on March 30, 2017, April 19, 2017 and September 29, 2017, Petrobras has supplied natural gas to AME-D as the Judiciary had assumed that the electricity supply to the population is more relevant than the economic interest of the Company. Accordingly, in the first quarter of 2018 the Company accounted for allowances for expected credit loss totaling US\$126 primarily due to such supply.

Considering the restructuring changes of the electricity sector in the last few years, the Company expected a decrease on defaults rates, which actually had not occurred. According to the provisions approved at Eletrobras' Shareholder's General Meeting, held on February 8, 2018, the process of privatization of power distributors controlled by Eletrobras is ongoing and the Company made negotiations with Eletrobras aiming at reaching an agreement that would resolve disputes and mitigate future defaults concerning receivables from the sale of natural gas.

During April 2018, the Company intensified the aforementioned negotiations and, on April 30, 2018, reached an agreement with the Eletrobras group, which made possible a new structure of collateralization related to the debt acknowledged agreements signed on December 31, 2014, the signing of new debt acknowledged agreements collateralized by Eletrobras and debt assumption instruments with respect to oil products supply.

See note 32 for detailed information on such agreements.

8. Inventories

	03.31.2018	12.31.2017
Crude oil	3,980	3,647
Oil products	2,692	2,814
Intermediate products	616	613
Natural gas and LNG (*)	95	67
Biofuels	209	173
Fertilizers	37	25
Total products	7,629	7,339

Materials, supplies and others	1,205	1,150
Total	8,834	8,489

(*) Liquefied Natural Gas

At March 31, 2018, the Company had pledged crude oil and oil products volumes as collateral for the Terms of Financial Commitment (TFC) signed by Petrobras and Petros in 2008, in the amount of US\$ 4,268 (US\$ 4,067 as of December 31, 2017), as set out in note 20.1.

9. Disposal of Assets and other changes in organizational structure

The Company has an active partnership and divestment program, which takes into account opportunities for divestments in several areas in which it operates. The divestment portfolio is dynamic, meaning that market conditions, legal matters and negotiations may affect the Company's evaluation of ongoing and potential transactions. This program is an essential initiative in the Company's 2018-2022 Business and Management Plan (2018-2022 BMP) and its decision-making methodology was reviewed and approved by the Brazilian Federal Auditor's Office (Tribunal de Contas da União – TCU). Along with other initiatives, the partnership and divestment program will enable the Company to reduce and improve its indebtedness and debt profile, respectively. For the 2017-2018 period, the target of proceeds from divestments is US\$ 21 billion.

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9.1. Disposal of assets

Second installment of the exploratory block BM-S-8 sale

On July 28, 2016 the Board of Directors of Petrobras approved the disposal of the Company's 66% interest in the exploratory block BM – S-8 to Statoil Brasil Óleo e Gás Ltda, which includes the Carcará area located in the pre-salt of Santos Basin, for the amount of US\$ 2.5 billion.

The first installment of US \$ 1.25 billion, corresponding to 50% of the transaction value, was received on November 22, 2016, and the remaining amount relates to two contingent payments.

The production sharing agreement with respect to the Norte de Carcará area, entered into by the Brazilian Federal Government, Statoil, Petrogal and Exxon, was made official on February 2, 2018 through the Brazilian Federal Register (official gazette). This fact completed the conditions precedent for the second payment of the exploratory block BMS-8. Accordingly, the Company received US\$ 300 on March 21, 2018 and accounted it for within other income and expenses.

The third installment of this sale, in the amount of US\$ 950, is still pending of certain future events related to the signing of a unitization agreement.

Disposal of Liquigás

On November 17, 2016 the Company's Board of Directors approved the disposal of its wholly-owned subsidiary Liquigás Distribuidora S.A, a group entity from the RT&M business segment (Refining, Transportation and Marketing), to Companhia Ultragaz S.A., a subsidiary of Ultrapar Participações S.A. In January 2017, this sale was approved at Ultrapar's and Petrobras' Shareholders' Meetings in the amount of US\$ 828.

According to an official statement released by the General Superintendence of CADE (SG) on June 30, 2017, additional diligence was required in order to make a decision regarding on market concentration aspects of this sale. On August 28, 2017, the SG reported some concerns about market concentration that may result from this transaction and submitted its opinion to the CADE court.

Based on pending conditions precedent to the transaction at December 31, 2017, including CADE approval, the related assets and liabilities remained classified as held for sale at that date.

On February 28, 2018, the CADE court ruled on this matter and dismissed this sale. The sales and purchase agreement was subject to a termination clause providing for compensation to the Company in case of such decision. Accordingly, the Company received US\$ 88 on March 13, 2018 and the related assets and liabilities are no longer classified as held for sale.

Disposal of Suape and Citepe petrochemical plants

On December 28, 2016, the Company's Board of Directors approved the disposal of the interests in the wholly-owned subsidiaries Companhia Petroquímica de Pernambuco (PetroquímicaSuape) and Companhia Integrada Têxtil de

Pernambuco (Citepe), both from the RT&M business segment, to Grupo Petrotemex S.A. de C.V. and to Dak Americas Exterior, S.L., both subsidiaries of Alpek, S.A.B. de C.V., which is a company from Grupo Alfa S.A.B. de C.V. (a Mexican public company), in the amount of US\$ 385, to be disbursed at the transaction closing and subject to adjustments relating to working capital, net debt and recoverable taxes.

This transaction was approved at Petrobras' Shareholders' Meeting on March 27, 2017.

On February 7, 2018, the CADE approved this transaction provided the execution of an Agreement on Concentration of Control (Acordo de Controle de Concentração – ACC).

Due to some customary conditions precedent, the assets and liabilities in the scope of this transaction remained classified as held for sale at March 31, 2018.

On April 30, 2018, this transaction was completed with the payment of US\$ 435 after adjustments and the fulfillment of all conditions precedent established in the purchase and sale agreement.

Strategic alliance with Total

On December 21, 2016, the Company entered into a master agreement with Total, in connection with the Strategic Alliance established in the Memorandum of Understanding signed on October 24, 2016. Accordingly, certain E&P assets were classified as held for sale at December 31, 2016 due to the share of interests established in this agreement, as described below:

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- Transfer of the Company's 22.5% stake in the concession area named as Iara, comprising Sururu, Berbigão and West of Atapu fields, which are subject to unitization agreements with Entorno de Iara (an area under the Assignment Agreement in which the Company holds 100% and is located in the Block BM-S-11). The Company will continue to operate the block;
- Transfer of the Company's 35% stake in the concession area of Lapa field, located in the Block BM-S-9. Total will also become the operator and the Company will retain a 10% interest in this area; and
- Transfer of the Company's 50% interests in Termobahia S.A, including the power plants Celso Furtado and Rômulo Almeida. In 2016, the Company recognized an impairment loss on this transaction in the amount of US\$ 47. On February 28, 2017, the Company and Total signed purchase and sale agreements with respect to the aforementioned assets. Total will pay to the Company the amount of US\$ 1,675 in cash for assets and services, subject to price adjustments, as well as contingent payments in the amount of US\$ 150, associated with the production volume in Lapa field. In addition, a long-term line of credit in the amount of US\$ 400 will be provided by Total, which may be used to fund the Company's investments in the Iara fields.

The aforementioned agreements supplement the ones already executed on December 21, 2016, such as: (i) the Company's preemptive right to purchase a 20% interest in block 2 of the Perdido Foldbelt area, in the Mexican sector of the Gulf of Mexico, (ii) the joint exploration studies in the exploratory areas of Equatorial Margin and in Santos Basin; and (iii) the Technological partnership agreement in the areas of digital petrophysics, geological processing and subsea production systems.

On January 15, 2018, Petrobras and Total closed the aforementioned transfers of interests of Iara and Lapa fields, after performing all conditions precedent to this transaction.

This transaction totaled US\$ 1.95 billion, including price adjustments, but not including the long-term line of credit and the contingent payments. Accordingly, the Company recognized US\$ 689 as other income and expenses in the first quarter of 2018.

The closing of the power plants deal is still subject to approval by the relevant authorities and other customary conditions precedent and the assets and liabilities thereof remained classified as held for sale at March 31, 2018.

Sale of Azulão field

On November 22, 2017, the Company entered into an agreement with Parnaíba Gás Natural S.A., a subsidiary of Eneva S.A, concerning the assignment of its entire participation in the Azulão Field (Concession BA-3), located in the state of Amazonas, in the amount of US\$ 54.6.

At March 31, 2018, the completion of this deal was subject to the fulfillment of usual conditions precedent, therefore, the related assets and liabilities remained classified as held for sale at that date.

This transaction was concluded on April 30, 2018 upon fulfillment of the conditions precedent, adjustments set forth in the agreement and payment of US\$ 56.5 to the Company.

Strategic alliance with Statoil

On December 18, 2017, the Company entered into agreements with the Norwegian company Statoil relating to the assets of the strategic partnership, in continuity with the Heads of Agreement (“HoA”) signed and disclosed on September 29, 2017. The main signed contracts are:

(i) Strategic Alliance Agreement (“SAA”) - agreement describing all documents related to the strategic partnership, covering all negotiated initiatives.

(ii) Sale and Purchase Agreement (“SPA”) - sale of 25% of Petrobras’ interest in the Roncador field to Statoil.

(iii) Strategic Technical Alliance Agreement (“STAA”) - strategic agreement for technical cooperation aiming at maximizing the value of the asset and focusing on increasing the recoverable oil volume (recovery factor), including the extension of the useful life of the field;

(iv) Gas Term Sheet - Statoil may hire a certain processing capacity of natural gas at the Cabiúnas Terminal (TECAB) for the development of the BM-C-33 area, where the companies already are partners and Statoil is the operator.

The strategic alliance, among other goals, aims at applying the Statoil’s expertise in mature fields in the North Sea towards increasing the recovery factor of Roncador field. Accordingly, the parties signed the STAA for technical cooperation and the joint development of projects.

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The SPA has a total amount of US\$ 2.9 billion, made up of US\$ 118 paid at the signature date of the agreement, contingent payments relating to investments in projects to increase the recovery factor of the field, limited to US\$ 550, and the remaining amount will be paid at the transaction closing. Accordingly, the related assets and liabilities remained classified as held for sale at December 31, 2017 and, as a result, an impairment charge of US\$ 405 was recognized in December 2017.

On March 13, 2018, the CADE approved this transaction. However, its closing still depends on the fulfillment of other conditions precedent, such as the approval of ANP. Therefore, the related assets and liabilities remained classified as held for sale at March 31, 2018.

9.2.Assets classified as held for sale

The major classes of assets and liabilities classified as held for sale are shown in the following table:

			03.31.2018		12.31.2017	
			Gas			
			&			
	E&P	Distribution	RT&M	Power	Total	Total
Assets classified as held for sale						
Cash and Cash Equivalents	–	–	9	–	9	8
Trade receivables	1	–	85	–	86	117
Inventories	–	–	92	–	92	128
Investments	–	–	–	–	–	5
Property, plant and equipment	2,995	4	17	95	3,111	4,751
Others	–	–	206	–	206	309
Total	2,996	4	409	95	3,504	5,318
Liabilities on assets classified as held for sale						
Trade Payables	14	–	32	–	46	102
Finance debt	–	–	–	–	–	–
Provision for decommissioning costs	86	–	–	–	86	170
Others	–	–	16	–	16	119
Total	100	–	48	–	148	391

As of March 31, 2018, the amounts refer to assets and liabilities classified as held for sale following the approvals of the disposal of Petroquímica Suape and Citepe, as well as interests in the thermoelectric power generation plants Rômulo Almeida and Celso Furtado, 25% of Roncador field and entire interest in Azulão field. At December 31, 2017, the amounts also comprise assets and liabilities pertained to Liquegás and the concession areas named as Iara and Lapa.

9.3. Other changes in organizational structure

Sale and merger of Nova Fronteira Bioenergia

On December 15, 2016, the Company's wholly-owned subsidiary PBIO (biofuels business segment) entered into an agreement with the São Martinho group to merge PBIO's interests in Nova Fronteira Bioenergia S.A. (49%) into São Martinho.

On February 23, 2017, São Martinho granted to PBIO additional 24 million of its common shares, corresponding to 6.593% of its total capital. These shares were accounted for as available-for-sale securities.

On December 27, 2017, the Extraordinary General Shareholder's Meeting of PBIO approved the sale of these shares through a block trade.

On February 16, 2018, PBIO disposed, through a public auction held in the Brazilian stock exchange (B3), these 24 million of shares, at the share price of US\$ 5.72 dollars. The settlement of the transaction occurred on February 21, 2018, closing the complete disposal of PBIO's interests in São Martinho's capital.

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10. Investments

10.1. Investments in associates and joint ventures

	Balance at 12.31.2017	Investments and others	Restructuring, capital decrease and others	Results in equity-accounted investments	CTA	OCI	Dividends	Balance at 03.31.2018
Joint Ventures								
Petrobras Oil & Gas B.V. - PO&G	1,410	-	-	-	1	-	(201)	1,210
State-controlled								
natural gas distributors	345	-	-	23	(2)	-	(2)	364
Compañía Mega S.A. - MEGA	49	-	-	(4)	37	-	-	82
Petrochemical joint ventures	29	-	6	-	-	-	-	35
Other joint ventures	104	6	(4)	3	1	-	-	110
Associates								
Nova								
Transportadora do Sudeste	331	-	-	14	-	-	(16)	329
Petrochemical								
associates	1,461	-	(1)	119	(22)	54	(2)	1,609
Other associates	48	-	5	3	-	-	(1)	55
Other investments	18	-	-	-	1	-	-	19
Total	3,795	6	6	158	16	54	(222)	3,813

10.2. Investments in non- consolidated listed companies

Associate	Thousand-share lot		Type	Quoted stock exchange prices (US\$ per share)		Market value	
	03.31.2018	12.31.2017		03.31.2018	12.31.2017	03.31.2018	12.31.2017
Braskem S.A.	212,427	212,427	Common	14.70	13.15	3,122	2,794
Braskem S.A.	75,793	75,793	Preferred A	14.44	12.96	1,095	982

4,217	3,776
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The market value of these shares does not necessarily reflect the realizable value upon sale of a large block of shares.

Braskem's shares are publicly traded on stock exchanges in Brazil and abroad. As of March 31, 2018, the quoted market value of the Company's investment in Braskem was US\$ 4,217 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.

Since July 2017, the Company has been negotiating with Odebrecht S.A. to revise the terms and conditions of the Braskem S.A. Shareholder's Agreement, signed on February 8, 2010. This revision aims to improve Braskem's corporate governance and the corporate relationship between the parties, with the purpose of creating value for all Braskem shareholders. Negotiations aiming at a corporate restructuring with a unification of Braskem's shares classes are still ongoing.

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.

Information on the main estimates used in the cash flow projections to determine the value in use of Braskem is set out in Note 14 to the audited financial Statements for the year ended December 31, 2017.

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11. Property, plant and equipment

11.1. By class of assets

	Land, buildings and improvement	Equipment and other assets (*)	Assets under construction (**)	Exploration and development costs (oil and gas producing properties) (***)	Total
Balance at January 1, 2017	6,982	78,724	38,569	51,195	175,470
Additions	2	1,167	11,031	31	12,231
Additions to / review of estimates of decommissioning costs	-	-	-	4,503	4,503
Capitalized borrowing costs	-	-	1,972	-	1,972
Write-offs	(14)	(6)	(545)	(35)	(600)
Transfers (****)	316	3,296	(7,631)	3,079	(940)
Depreciation, amortization and depletion	(437)	(7,320)	-	(5,366)	(13,123)
Impairment recognition	(145)	(937)	(568)	(892)	(2,542)
Impairment reversal	52	831	165	692	1,740
Cumulative translation adjustment	(91)	(753)	(472)	(745)	(2,061)
Balance at December 31, 2017	6,665	75,002	42,521	52,462	176,650
Cost	9,914	128,603	42,521	86,491	267,529
Accumulated depreciation, amortization and depletion	(3,249)	(53,601)	-	(34,029)	(90,879)
Balance at December 31, 2017	6,665	75,002	42,521	52,462	176,650
Additions	-	204	2,656	1	2,861
Additions to / review of estimates of decommissioning costs	-	-	-	1	1
Capitalized borrowing costs	-	-	496	-	496
Write-offs	-	(9)	(28)	(6)	(43)
Transfers (****)	244	937	(3,257)	2,491	415
Depreciation, amortization and depletion	(113)	(1,704)	-	(1,559)	(3,376)
Impairment recognition	-	(10)	-	-	(10)
Cumulative translation adjustment	(34)	(228)	(184)	(260)	(706)
Balance at March 31, 2018	6,762	74,192	42,204	53,130	176,288
Cost	10,118	129,239	42,204	87,218	268,779
	(3,356)	(55,047)	-	(34,088)	(92,491)

Accumulated depreciation,
amortization and depletion

Balance at March 31, 2018	6,762	74,192	42,204	53,130	176,288
	40	20			

(25 to 50) (3 to 31)

Weighted average useful life in
years

(except land)

Units of production method

(*) It is composed of platforms, refineries, thermoelectric power plants, natural gas processing plants, pipelines, rights of use and other operating, storage and production plants, also including exploration and production assets depreciated based on the units of production method.

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

(***) It is composed of exploration and production assets related to wells, abandonment and dismantling of areas, signature bonuses associated to proved reserves and other costs directly associated to the exploration and production of oil and gas.

(****) It includes transfers to/from assets held for sale.

In the first quarter of 2018, additions to property, plant and equipment primarily relate to the development of oil and gas production in the pre-salt of Santos Basin, notably in Lula, Búzios and Atapu fields, as well as in Libra area.

At March 31, 2018, property, plant and equipment include assets under finance leases of US\$ 116 (US\$ 118 as of December 31, 2017).

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

Petrobras and the Brazilian Federal Government entered into the Assignment Agreement in 2010, which grants the Company the right to carry out prospecting and drilling activities for oil, natural gas and other liquid hydrocarbons located in the pre-salt area, subject to a maximum production of five billion barrels of oil equivalent. The agreement has a term of forty years and is renewable for a further five years subject to certain conditions. As of March 31, 2018, the Company’s property, plant and equipment include the amount of US\$ 22,507 related to the Assignment Agreement (US\$ 22,614 as of December 31, 2017).

Petrobras has already declared commerciality in fields of all six blocks under this agreement: Franco (Búzios), Florim (Itapu), Nordeste de Tupi (Sépia), Entorno de Iara (Norte de Berbigão, Sul de Berbigão, Norte de Sururu, Sul de Sururu, Atapu), Sul de Guará (Sul de Sapinhoá) and Sul de Tupi (Sul de Lula).

The agreement establishes that its review procedures will commence immediately after the declaration of commerciality for each area and must be based on reports by independent experts engaged by Petrobras and the ANP.

If the review of the Assignment Agreement determines that the value of acquired rights is greater than the amount initially paid, the Company may be required to pay the difference to the Brazilian Federal Government, or may proportionally reduce the total volume of barrels acquired. If the review determines that the value of the acquired rights is lower than initially paid by the Company, the Brazilian Federal Government will reimburse the Company for the difference by delivering cash or bonds or equivalent means of payment, subject to budgetary regulations.

The information gathered after drilling over 50 exploratory wells and performing extended well tests in this area, as well as the extensive knowledge acquired on the pre-salt layer of Santos Basin, made possible the identification of volumes exceeding five million barrels of oil equivalent.

The formal review procedures for each block are based on costs incurred over the exploration phase, and estimated costs and production for the development period. The review of the Assignment Agreement may result in renegotiation of: (i) the amount of the agreement; (ii) the total volume (in barrels of oil) to be produced; (iii) the term of the agreement; and (iv) the minimum percentages of local content.

In November 2017, the Company set up an internal commission responsible for the negotiation with the Brazilian Federal Government, composed of representatives of the Chief Exploration and Production Officer and the Chief Financial Officer.

In January 2018, the Brazilian Federal Government established, through the Interministerial Ordinance No. 15/2018, the Interministerial Commission responsible to negotiate and conclude the terms of this review, within 60 days, which were extended for the same period.

The negotiations are ongoing and have taken into account appraisals by independent experts engaged by both parties and their respective reports. As at the date of issue of these financial statements, the final amount to be established for this agreement is not defined.

The identification of the volume exceeding five million barrels of oil equivalent provides an opportunity to both parties reach an agreement in case of compensation to the Company arising from the review. Therefore, aiming to support an eventual negotiation where this compensation would be paid through the right over exceeding volume, the Company is complementing its assessment based on reports issued by the independent experts it has engaged.

This review process of the Assignment Agreement has been monitored by the Minority Shareholders Committee, which is composed of two board members elected by the minority shareholders and by a third independent member with knowledge in technical-financial analysis of investment projects. This Committee provides support to the board's decisions through opinions about related matters.

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12. Intangible assets

12.1. By class of assets

			Software Developed		
	Rights and Concessions	Acquired in-house		Goodwill	Total
Balance at January 1, 2017	2,678	68	306	220	3,272
Addition	935	16	61	-	1,012
Capitalized borrowing costs	-	-	4	-	4
Write-offs	(81)	-	(2)	-	(83)
Transfers	(1,656)	2	-	-	(1,654)
Amortization	(20)	(29)	(101)	-	(150)
Impairment recognition	(33)	-	-	-	(33)
Cumulative translation adjustment	(22)	-	(4)	(2)	(28)
Balance at December 31, 2017	1,801	57	264	218	2,340
Cost	2,006	496	1,225	218	3,945
Accumulated amortization	(205)	(439)	(961)	-	(1,605)
Balance at December 31, 2017	1,801	57	264	218	2,340
Addition	1	8	12	-	21
Capitalized borrowing costs	-	-	1	-	1
Write-offs	(2)	-	-	-	(2)
Transfers	-	4	1	26	31
Amortization	(4)	(7)	(22)	-	(33)
Cumulative translation adjustment	(6)	(1)	-	(2)	(9)
Balance at March 31, 2018	1,790	61	256	242	2,349
Cost	2,032	534	1,233	242	4,041
Accumulated amortization	(242)	(473)	(977)	-	(1,692)
Balance at March 31, 2018	1,790	61	256	242	2,349
Estimated useful life in years	(*)	5	5	Indefinite	

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

On March 29, 2018, the Company acquired seven blocks in the fifteenth round of bids under the concession regime. The Company will be the operator in two blocks located in Campos basin, which were acquired in partnership with Exxon and Statoil. Another two blocks within Campos basin were acquired in partnership with Exxon and Qatar Petroleum and will be operated by Exxon. The other three blocks are located in Potiguar basin, of which two were

acquired in partnership with Shell and will be operated by the Company, and one was totally acquired by Company.

The total amount of the signature bonus to be paid by the Company up to September 2018 is US\$ 662.

13.Exploration and evaluation of oil and gas reserves

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

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

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	03.31.2018	12.31.2017
Capitalized Exploratory Well Costs / Capitalized Acquisition Costs (*)		
Property plant and equipment		
Opening Balance	4,522	5,133
Additions to capitalized costs pending determination of proved reserves	222	797
Capitalized exploratory costs charged to expense	(4)	(107)
Transfers upon recognition of proved reserves	(135)	(1,227)
Cumulative translation adjustment	(23)	(74)
Closing Balance	4,582	4,522
Intangible Assets	1,382	1,390
Capitalized Exploratory Well Costs / Capitalized Acquisition Costs	5,964	5,912

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

Exploration costs recognized in the statement of income and cash used in oil and gas exploration and evaluation activities are set out in the following table:

	Jan-Mar/2018	Jan-Mar/2017
Exploration costs recognized in the statement of income		
Geological and geophysical expenses	91	85
Exploration expenditures written off (includes dry wells and signature bonuses)	8	8
Contractual penalties	36	–
Other exploration expenses	1	1
Total expenses	136	94
Cash used in :	Jan-Mar/2018	Jan-Mar/2017
Operating activities	92	87
Investment activities	224	207
Total cash used	316	294

In the first quarter of 2018, the Company recognized a provision in the amount of US\$ 36 arising from potential contractual penalties for non-compliance with minimum percentages of local content in 125 blocks for which the exploratory phases were concluded.

14. Trade payables

	03.31.2018	12.31.2017
Third parties in Brazil	3,580	3,671
Third parties abroad	1,045	1,380
Related parties	799	716
Balance in current liabilities	5,424	5,767

15. Finance debt

In line with the Company's Business and Management Plan and following its liability management strategy, recent funds have been raised in order to settle older debts, as well as aiming at improving the debt repayment profile taking into account its alignment with investments returns over the long run. These factors have enabled the use of cash flows from operating activities and from divestments and partnerships as the main source of funds for the investments portfolio.

The Company has covenants that were not in default at March 31, 2018 in its loan agreements and notes issued in the capital markets requiring, among other obligations i) the presentation of interim financial statements within 90 days of the end of each quarter (not reviewed by Independent Registered Public Accounting Firm) and audited financial statements within 120 days of the end of each fiscal year, with a grace period ranging from 30 to 60 days, depending on the agreement; ii) Negative Pledge / Permitted Liens clause; iii) clauses of compliance with the laws, rules and regulations applicable to the conduct of its business including (but not limited to) environmental laws; (iv) clauses in financing agreements that require both the borrower and the guarantor to conduct their business in compliance with anti-corruption laws and anti-money laundering laws and to institute and maintain policies necessary for such compliance; (v) clauses in financing agreements that restrict relations with entities or even countries sanctioned primarily by the United States (including, but not limited to, the Office of Foreign Assets Control (OFAC), Department of State and Department of Commerce), the European Union and United Nations; and vi) covenants with respect to debt level in some of its loan agreements with the Brazilian Development Bank (Banco Nacional de Desenvolvimento Econômico e Social - BNDES).

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15.1. Repayment of debts and new financings

In the first quarter of 2018, proceeds from financing amounted to US\$ 5,938, principally reflecting: (i) global notes issued in the capital market in the amount of US\$ 1,962 and maturing in 2029; (ii) funds raised from the domestic and international banking market in the amount of US\$ 3,924 with average term of 6.5 years.

In addition, the Company used US\$ 15,375 for repayment of principal and interest, mainly reflecting: (i) US\$ 5,833 relating to repurchase of global bonds (tender offer) previously issued by the Company in the capital market maturing from 2019 to 2021, with premium paid to bond holders amounting to US\$420; (ii) pre-payment of banking loans in the domestic and international market totaling US\$ 6,292; and (iii) pre-payment of US\$ 245 with respect to financings with BNDES.

15.2. Changes in current and non-current debt

A roll-forward schedule of current and non-current debt is set out as follows:

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	Export				Total
	Credit Agencies	Banking Market	Capital Market	Others	
Current and Non-current					
In Brazil					
Opening balance at January 1, 2017	–	23,617	2,267	37	25,921
Principal amortization	–	(2,059)	(166)	(2)	(2,227)
Interest amortization	–	(2,084)	(200)	(2)	(2,286)
Additions (new funding obtained)	–	5,224	1,577	–	6,801
Transaction costs during the period (*)	–	2,106	185	5	2,296
Foreign exchange/inflation indexation charges	–	27	87	–	114
Pre-payments	–	(8,414)	–	–	(8,414)
Cumulative translation adjustment (CTA)	–	(174)	(101)	–	(275)
Balance as of December 31, 2017	–	18,243	3,649	38	21,930
Abroad					
Opening balance at January 1, 2017	5,353	37,143	49,167	542	92,205
Principal amortization	(914)	(3,210)	(973)	(47)	(5,144)
Interest amortization	(125)	(1,281)	(2,831)	(14)	(4,251)
Additions (new funding obtained)	226	8,192	10,249	121	18,788
Transaction costs during the period (*)	163	1,460	3,208	20	4,851
Foreign exchange/inflation indexation charges	8	117	931	1	1,057
Pre-payments	(1,051)	(11,005)	(7,936)	(353)	(20,345)
Cumulative translation adjustment (CTA)	11	(151)	96	(1)	(45)
Balance as of December 31, 2017	3,671	31,265	51,911	269	87,116
Total Balance as of December 31, 2017	3,671	49,508	55,560	307	109,046
Current					7,001
Non-current					102,045
Current and Non-current					
In Brazil					
Opening balance at January 1, 2018	–	18,243	3,649	38	21,930
Initial application of IFRS9	–	65	–	–	65
Principal amortization	–	(376)	(34)	(1)	(411)
Interest amortization	–	(189)	(54)	(1)	(244)
Additions (new funding obtained)	–	2,009	–	–	2,009
Transaction costs during the period (*)	–	344	49	2	395
Foreign exchange/inflation indexation charges	–	2	28	1	31
Pre-payments	–	(2,597)	–	–	(2,597)
Cumulative translation adjustment (CTA)	–	(62)	(16)	(1)	(79)
Balance as of March 31, 2018	–	17,439	3,622	38	21,099
Abroad					
Opening balance at January 1, 2018	3,671	31,265	51,911	269	87,116

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Initial application of IFRS9	–	207	84	–	291
Principal amortization	(245)	(225)	–	–	(470)
Interest amortization	(39)	(193)	(1,018)	–	(1,250)
Additions (new funding obtained)	–	1,968	1,961	–	3,929
Transaction costs during the period (*)	34	335	822	4	1,195
Foreign exchange/inflation indexation charges	10	29	221	–	260
Pre-payments	–	(3,939)	(5,873)	–	(9,812)
Cumulative translation adjustment (CTA)	(10)	(34)	45	1	2
Balance as of March 31, 2018	3,421	29,413	48,153	274	81,261
Total Balance as of March 31, 2018	3,421	46,852	51,775	312	102,360
Current					4,630
Non-current					97,730

(*) It includes premium and discount over notional amounts and other related costs.

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In order to reflect the changes in accounting practices arising from the application of IFRS 9, the Company remeasured its financing agreements in force at January 1, 2018 which previously had their contractual clauses renegotiated and the modifications thereof did not result in substantial changes, as set out in note 4.1. Accordingly, the balance of current and non-current debt increased by US\$ 356 due to the initial application of IFRS 9, which were recognized within equity at January 1, 2018. During the first quarter of 2018, there were no renegotiations in financing agreements.

15.3.Reconciliation between finance debt and cash flows from financing activities

	Opening balance at January 1, 2018 (*)	Additions (new funding obtained)	Amortization (**)	Transaction costs during the period	Foreign exchange and indexation charges	Cumulative translation adjustment (CTA)	Balance as of March 31, 2018
Finance debt	109,402	5,938	(14,784)	1,590	291	(77)	102,360

Reconciliation to
the Statement of
Cash Flows
Transfer to held for
sale
Purchase of
property, plant and
equipment on
credit
Expenses with debt
restructuring
Compensating
balances
Finance Leases
Net cash used in
financing activities

-

(419)

(177)

5

5,938 (15,375)

(*) Includes adjustments from initial application of IFRS 9.

(**) It includes principal, interest and pre-payments of debt.

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15.4. Summarized information on current and non-current finance debt

2023

Maturity in	2018	2019	2020	2021	2022	and onwards	Total (*)	Fair value
Financing in Brazilian Reais (R\$):	1,553	1,449	3,258	2,550	4,522	7,427	20,759	19,458
Floating rate debt	674	1,050	2,953	2,249	4,136	5,848	16,910	
Fixed rate debt	879	399	305	301	386	1,579	3,849	
Average interest rate	6.3%	6.3%	6.4%	7.0%	6.8%	6.0%	6.4%	
Financing in U.S.Dollars (US\$):	1,872	1,295	4,627	5,569	12,641	148,599	74,603	80,210
Floating rate debt	980	1,292	3,314	3,109	9,610	14,844	33,149	
Fixed rate debt	892	3	1,313	2,460	3,031	33,755	41,454	
Average interest rate	5.6%	6.0%	5.9%	6.0%	5.7%	6.5%	6.2%	
Financing in R\$ indexed to US\$:	67	63	63	63	63	–	319	338
Floating rate debt	2	–	–	–	–	–	2	
Fixed rate debt	65	63	63	63	63	–	317	
Average interest rate	3.1%	3.0%	3.0%	2.8%	2.4%	-	3.0%	
Financing in Pound Sterling (£):	46	–	–	–	–	2,410	2,456	2,612
Fixed rate debt	46	–	–	–	–	2,410	2,456	
Average interest rate	6.1%	–	–	–	–	6.3%	6.2%	
Financing in Japanese Yen (¥):	98	–	–	–	–	–	98	101
Floating rate debt	98	–	–	–	–	–	98	
Average interest rate	0.4%	–	–	–	–	–	0.4%	
Financing in Euro (€):	57	–	235	471	734	2,621	4,118	5,135
Floating rate debt	–	–	187	–	–	–	187	
Fixed rate debt	57	–	48	471	734	2,621	3,931	
Average interest rate	4.9%	4.5%	4.6%	4.7%	4.8%	4.6%	4.7%	
Financing in other currencies:	7	–	–	–	–	–	7	7
Fixed rate debt	7	–	–	–	–	–	7	
Average interest rate	14.0%	–	–	–	–	–	14.0%	
Total as of March 31, 2018	3,700	2,807	8,183	8,653	17,960	61,057	102,360	107,861
Average interest rate	5.7%	6.0%	6.0%	6.1%	5.9%	6.4%	6.2%	
Total as of December 31, 2017	7,001	6,476	9,641	12,745	18,014	55,169	109,046	116,621
Average interest rate	5.6%	5.9%	5.9%	5.9%	5.7%	6.4%	6.1%	

* The average maturity of outstanding debt as of March 31, 2018 is 9.26 years (8.62 years as of December 31, 2017).

The fair value of the Company's finance debts is mainly determined and categorized into a fair value hierarchy as follows:

Level 1- quoted prices in active markets for identical liabilities, when applicable, amounting to US\$ 49,306 as of March 31, 2018 (US\$ 54,248 as of December 31, 2017); and

Level 2 – discounted cash flows based on discount rate determined by interpolating spot rates considering financing debts indexes proxies, taking into account their currencies and also the Petrobras' credit risk, amounting to US\$ 58,555 as of March 31, 2018 (US\$ 62,373 as of December 31, 2017).

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

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15.5. Capitalization rate used to determine the amount of borrowing costs eligible for capitalization

The capitalization rate used to determine the amount of borrowing costs eligible for capitalization was the weighted average of the borrowing costs applicable to the borrowings that were outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. In the first quarter of 2018 the capitalization rate was 6.26% p.a. (6.21% p.a. in the first quarter of 2017).

15.6. Lines of credit

Financial		Available		Amount	
Company	institution	Date	Maturity	(Lines of Credit) Used	Balance
Abroad					
PGT BV	CHINA EXIM	10/24/2016	Not defined	1,000	– 1,000
PGT BV	Syndicate of banks	3/7/2018	2/7/2023	4,350	– 4,350
Total				5,350	– 5,350

In Brazil

PNBV	BNDES	9/3/2013	1/31/2019	2,972	828	2,144
Petrobras	Banco do Brasil	3/23/2018	1/26/2023	602	–	602
Transpetro	BNDES	11/7/2008	8/12/2041	530	207	323
Transpetro	Banco do Brasil	7/9/2010	4/10/2038	23	11	12
Transpetro	Caixa Econômica Federal	11/23/2010	Not defined	99	–	99
Total				4,127	1,046	3,081

On March 7, 2018, the Company entered into a revolving credit facility (RCF) with a syndicate of 17 banks, in the amount of US\$ 4,350. The Company may use this line of credit up to the month prior to maturity and the maintenance of the limit with the banks will cost 0.51% p.a. In the case of use, funds raised will bear interest at 6M Libor + 1.3% p.a. rate if the Company is investment grade rated at the date of the withdrawal. Otherwise, it will bear interest at 6M Libor + 1.7% p.a. rate.

15.7. Collateral

Most of the Company's debt is unsecured, but certain specific funding instruments to promote economic development are collateralized.

Financing agreements with China Development Bank (CDB) maturing in 2026 and 2027 are also collateralized based on future oil exports for specific buyers limited to 200 thousand barrels per day up to 2019, 300 thousand barrels per day from 2020 to 2026, and 100 thousand barrels per day in 2027. This collateral may not exceed the amount of the related debt (US\$ 10,125 at March 31, 2018 and US\$ 10,815 at December 31, 2017). On January 30, 2018, the

Company pre-paid the balance of a financing agreement maturing in 2019 in the amount of US\$ 2,800.

The loans obtained by structured entities are collateralized based on the projects' assets, as well as liens on receivables of the structured entities. Bonds issued by the Company in the capital market are unsecured.

The global notes issued by the Company in the capital market through its wholly-owned subsidiary Petrobras Global Finance B.V. – PGF are unsecured. However, Petrobras fully, unconditionally and irrevocably guarantees these notes, as set out in note 33.

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16. Leases

16.1. Future minimum lease payments / receipts – finance leases

	Future		Receipts		Payments	
	value	Annual interest value	Present	Future	Present	
Estimated lease payments / receivable	value	Annual interest value	value	Annual interest value	value	
2018	93	(52)	41	29	(16)	13
2019-2022	604	(266)	338	191	(99)	92
2023 and thereafter	482	(89)	393	366	(243)	123
As of March 31, 2018	1,179	(407)	772	586	(358)	228
Current			54			26
Non-current			718			202
As of March 31, 2018			772			228
Current			54			25
Non-current			735			204
As of December 31, 2017			789			229

16.2. Future minimum lease payments – operating leases

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

2018	7,004
2019	6,553
2020	6,231
2021	6,418
2022	5,771
2023 and thereafter	63,785
As of March 31, 2018	95,762
As of December 31, 2017	92,019

As of March 31, 2018, the balance of estimated future minimum lease payments under operating leases includes US\$ 52,181 (US\$ 52,701 as of December 31, 2017) with respect to assets under construction, for which the lease term has not commenced.

In the first quarter of 2018, the Company recognized expenditures of US\$ 2,246 (US\$ 2,682 in the first quarter of 2017) for operating leases installments.