PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
May 09, 2018
UNITED STATES

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)

Avenida República do Chile, 65
20031-912 - Rio de Janeiro, RJ
Federative Republic of Brazil

(Address of principal executive office)

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

Form 20-F ___X___ Form 40-F _______

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

Yes _______ No___X____

Quarterly

Information – ITR

—

At March 31, 2018 and report

on review of Quarterly

Information

(A free translation of the original

in Portuguese)

Index

(Expressed in millions of reais, unless otherwise indicated)

KPMG Auditores Independentes

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Report on the review of quarterly information – ITR

(A free translation of the original report in Portuguese, as filed with the Brazilian Securities and Exchange Commission (CVM), prepared in accordance with the accounting practices adopted in Brazil, rules of the CVM and of the International Financial Reporting Standards - IFRS)

To the Board of Directors and Shareholders of

Petróleo Brasileiro S.A. - Petrobras

Rio de Janeiro - RJ

Introduction

We have reviewed the interim accounting information, individual and consolidated, of Petróleo Brasileiro S.A. - Petrobras (“the Company”), identified as Parent Company and Consolidated, respectively, included in the quarterly information form - ITR for the quarter ended March 31, 2018, which comprises the balance sheet as of March 31, 2018 and the respective statements of income and comprehensive income, statements of changes in shareholders' equity and of cash flows for the three-month period then ended, including the explanatory notes.

The Company`s Management is responsible for the preparation of these interim accounting information in accordance with the CPC 21(R1) and the IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as the presentation of these information in accordance with the standards issued by the Brazilian Securities and Exchange Commission, applicable to the preparation of quarterly information - ITR. Our responsibility is to express our conclusion on this interim accounting information based on our review.

KPMG Auditores Independentes, uma sociedade simples brasileira e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative (“KPMG International”), uma entidade suíça.

KPMG Auditores Independentes, a Brazilian entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

Scope of the review

We conducted our review in accordance with Brazilian and International Interim Information Review Standards (NBC TR 2410 - Revisão de Informações Intermediárias Executada pelo Auditor da Entidade and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries primarily of the management responsible for financial and accounting matters and applying analytical procedures and other review procedures. The scope of a review is significantly less than an audit conducted in accordance with auditing standards and, accordingly, it did not enable us to obtain assurance that we were aware of all the material matters that would have been identified in an audit. Therefore, we do not express an audit opinion.

Conclusion on the individual and consolidated interim accounting information

Based on our review, we are not aware of any fact that might lead us to believe that the individual and consolidated interim accounting information included in the aforementioned quarterly information was not prepared, in all material respects, in accordance with CPC 21(R1) and IAS 34, issued by the IASB, applicable to the preparation of the quarterly review - ITR, and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

Emphasis - Impact of the Lava Jato Operation on the Company’s results

We draw attention to Note 3 of the interim financial information, which describes that: i) no additional information has been identified through the date of this accounting information which could materially impact the estimation methodology adopted for the write off recorded on September 30, 2014 ; and ii) the internal investigations being conducted by outside legal counsel under the supervision of a Special Committee created by the Company and the investigation conducted by the Securities and Exchange Commission - SEC are still on going, nevertheless to date no additional impact to those already disclosed in the interim financial statements has been identified.

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

Other matters - Statements of added value

The individual and consolidated statements of value added for the quarter ended March 31, 2018, prepared under the responsibility of the Company's management, and presented as supplementary information for the purposes of IAS 34, were submitted to the same review procedures followed together with the review of the Company's interim financial information. In order to form our conclusion, we evaluated whether these statements were reconciliated to the interim financial information and to the accounting records, as applicable, and whether their form and content are in accordance with the criteria set on Technical Pronouncement CPC 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that the accompanying statements of value added were not prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

Rio de Janeiro, May 7, 2018

KPMG Auditores Independentes

CRC SP-014428/O-6 F-RJ

Marcelo Gavioli

Accountant CRC 1SP201409/O-1

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Parent Company Interim Accounting Information / Statement of Financial Position

Assets

(R$ Thousand)

Account Code	Account Description	Current Quarter 03.31.2018	Previous Fiscal Year 12.31.2017
1	Total Assets	737,427,000	723,855,000
1.01	Current Assets	82,310,000	81,883,000
1.01.01	Cash and Cash Equivalents	7,324,000	1,305,000
1.01.02	Marketable Securities	3,529,000	3,531,000
1.01.03	Trade and Other Receivables	26,625,000	34,239,000
1.01.04	Inventories	23,867,000	23,165,000
1.01.06	Recoverable Taxes	6,410,000	6,183,000
1.01.06.01	Current Recoverable Taxes	6,410,000	6,183,000
1.01.06.01.01	Current Income Tax and Social Contribution	647,000	669,000
1.01.06.01.02	Other Recoverable Taxes	5,763,000	5,514,000
1.01.08	Other Current Assets	14,555,000	13,460,000
1.01.08.01	Non-Current Assets Held for Sale	6,243,000	9,520,000
1.01.08.03	Others	8,312,000	3,940,000
1.01.08.03.01	Advances to Suppliers	150,000	173,000
1.01.08.03.02	Others	8,162,000	3,767,000
1.02	Non-Current Assets	655,117,000	641,972,000
1.02.01	Long-Term Receivables	52,000,000	50,816,000
1.02.01.02	Marketable Securities Measured at Amortized Cost	204,000	204,000
1.02.01.03	Trade and Other Receivables	14,240,000	15,211,000
1.02.01.06	Deferred Taxes	8,838,000	8,999,000
1.02.01.06.01	Deferred Income Tax and Social Contribution	–	–
1.02.01.06.02	Deferred Taxes and Contributions	8,838,000	8,999,000
1.02.01.09	Other Non-Current Assets	28,718,000	26,402,000
1.02.01.09.03	Advances to Suppliers	493,000	502,000
1.02.01.09.04	Judicial Deposits	18,793,000	17,085,000
1.02.01.09.05	Other Long-Term Assets	9,432,000	8,815,000
1.02.02	Investments	155,431,000	149,356,000
1.02.03	Property, Plant and Equipment	441,446,000	435,536,000
1.02.04	Intangible Assets	6,240,000	6,264,000

Parent Company Interim Accounting Information / Statement of Financial Position

Liabilities

(R$ Thousand)

Account Code	Account Description	Current Quarter 03.31.2018	Previous Fiscal Year 12.31.2017
2	Total Liabilities	737,427,000	723,855,000
2.01	Current Liabilities	134,709,000	132,319,000
2.01.01	Payroll, Profit Sharing and Related Charges	4,166,000	3,662,000
2.01.02	Trade Payables	28,196,000	22,179,000
2.01.03	Taxes Obligations	813,000	243,000
2.01.03.01	Federal Taxes Obligations	813,000	243,000
2.01.03.01.01	Income Tax and Social Contribution Payable	813,000	243,000
2.01.04	Current Debt and Finance Lease Obligations	68,078,000	75,985,000
2.01.04.01	Current Debt	66,575,000	74,724,000
2.01.04.03	Finance Lease Obligations	1,503,000	1,261,000
2.01.05	Other Liabilities	21,128,000	20,590,000
2.01.05.02	Others	21,128,000	20,590,000
2.01.05.02.04	Other Taxes and Contributions	13,573,000	14,485,000
2.01.05.02.05	Other Accounts Payable	7,555,000	6,105,000
2.01.06	Provisions	11,998,000	9,054,000
2.01.06.01	Provisions for Tax Social Security, Labor and Civil Lawsuits	9,163,000	6,397,000
2.01.06.01.04	Provisions for Civil Lawsuits	9,163,000	6,397,000
2.01.06.02	Other Provisions	2,835,000	2,657,000
2.01.06.02.04	Pension and Medical Benefits	2,835,000	2,657,000
2.01.07	Liabilities Associated with Non-Current Assets Held for Sale and Discontinued	330,000	606,000
2.01.07.01	Liabilities Associated with Non-Current Assets Held for Sale	330,000	606,000
2.02	Non-Current Liabilities	330,755,000	327,551,000
2.02.01	Non-Current Debt and Finance Lease Obligations	199,990,000	197,501,000
2.02.01.01	Non-Current Debt	196,273,000	193,393,000
2.02.01.03	Finance Lease Obligations	3,717,000	4,108,000
2.02.02	Other Liabilities	2,199,000	2,169,000
2.02.02.02	Others	2,199,000	2,169,000
2.02.02.02.03	Income Tax and Social Contribution	2,199,000	2,169,000
2.02.03	Deferred Taxes	4,225,000	2,762,000
2.02.03.01	Deferred Taxes	4,225,000	2,762,000
2.02.04	Provisions	124,341,000	125,119,000
2.02.04.01	Provisions for Tax Social Security, Labor and Civil Lawsuits	10,377,000	12,680,000
2.02.04.02	Other Provisions	113,964,000	112,439,000
2.02.04.02.04	Pension and Medical Benefits	65,501,000	64,519,000
2.02.04.02.05	Provision for Decommissioning Costs	45,994,000	45,677,000
2.02.04.02.06	Other Provisions	2,469,000	2,243,000
2.03	Shareholders' Equity	271,963,000	263,985,000
2.03.01	Share Capital	205,432,000	205,432,000

2.03.02	Capital Reserves	2,673,000	2,673,000
2.03.04	Profit Reserves	83,124,000	77,148,000
2.03.08	Other Comprehensive Income	(19,266,000)	(21,268,000)

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Parent Company Interim Accounting Information / Statement of Income

(R$ Thousand)

Account Code	Account Description	Accumulated of the Current Year 01/01/2018 to 03/31/2018	Accumulated of the Previous Year 01/01/2017 to 03/31/2017
3.01	Sales Revenues	55,867,000	54,096,000
3.02	Cost of Sales	(35,540,000)	(35,631,000)
3.03	Gross Profit	20,327,000	18,465,000
3.04	Operating Expenses / Income	(5,862,00)	(7,017,000)
3.04.01	Selling Expenses	(4,405,000)	(4,233,000)
3.04.02	General and Administrative Expenses	(1,475,000)	(1,578,000)
3.04.05	Other Operating Expenses	(2,266,000)	(3,863,000)
3.04.05.01	Other Taxes	(366,000)	(169,000)
3.04.05.02	Research and Development Expenses	(493,000)	(337,000)
3.04.05.03	Exploration Costs	(438,000)	(303,000)
3.04.05.05	Other Operating Expenses, Net	(969,000)	(3,054,000)
3.04.06	Share of Profit / Gains on Interest in Equity-Accounted Investments	2,284,000	2,657,000
3.05	Net Income Before Financial Results and Income Taxes	14,465,000	11,448,000
3.06	Finance Income (Expenses), Net	(4,519,000)	(5,488,000)
3.06.01	Finance Income	730,000	693,000
3.06.01.01	Finance Income	730,000	693,000
3.06.02	Finance Expenses	(5,249,000)	(6,181,000)
3.06.02.01	Finance Expenses	(3,319,000)	(4,104,000)
3.06.02.02	Foreign Exchange and Inflation Indexation Charges, Net	(1,930,000)	(2,077,000)
3.07	Net Income Before Income Taxes	9,946,000	5,960,000
3.08	Income Tax and Social Contribution	(2,985,000)	(1,511,000)
3.08.01	Current	(2,740,000)	–
3.08.02	Deferred	(245,000)	(1,511,000)
3.09	Net Income from Continuing Operations	6,961,000	4,449,000
3.11	Income / (Loss) for the Period	6,961,000	4,449,000
3.99	Income per Share (R$/Share)	–	–
3.99.01	Income per Share	–	–
3.99.01.01	Ordinary Shares	0.53	0.34
3.99.01.02	Preferred Shares	0.53	0.34
3.99.02	Diluted Income per Share	–	–
3.99.02.01	Ordinary Shares	0.53	0.34
3.99.02.02	Preferred Shares	0.53	0.34

Parent Company Interim Accounting Information

Statement of Comprehensive Income

(R$ Thousand)

Account Code	Account Description	Accumulated of the Current Year 01/01/2018 to 03/31/2018	Accumulated of the Previous Year 01/01/2017 to 03/31/2017
4.01	Net Income for the Period	6,961,000	4,449,000
4.02	Other Comprehensive Income	2,073,000	3,142,000
4.02.03	Cumulative Translation Adjustments	852,000	(2,471,000)
4.02.04	Unrealized Gains/(Losses) on securities measured at fair value through other comprehensive income	(3,000)	–
4.02.06	Deferred Income Tax and Social Contribution on securities measured at fair value through other comprehensive income	1,000	–
4.02.07	Unrealized Gains / (Losses) on Cash Flow Hedge - Recognized in Shareholders' Equity	(1,116,000)	5,263,000
4.02.08	Unrealized Gains / (Losses) on Cash Flow Hedge - Reclassified to Profit and Loss	2,402,000	1,964,000
4.02.09	Deferred Income Tax and Social Contribution on Cash Flow Hedge	(437,000)	(2,458,000)
4.02.10	Share of Other Comprehensive Income of Equity-Accounted Investments	374,000	844,000
4.03	Total Comprehensive Income for the Period	9,034,000	7,591,000

Parent Company Interim Accounting Information

Statement of Cash Flows – Indirect Method

(R$ Thousand)

Account Code	Account Description	Accumulated of the Current Year 01/01/2018 to 03/31/2018	Accumulated of the Previous Year 01/01/2017 to 03/31/2017
6.01	Net cash provided by operating activities	13,386,000	6,485,000
6.01.01	Cash provided by operating activities	18,623,000	19,912,000
6.01.01.01	Net Income (loss) for the period	6,961,000	4,449,000
6.01.01.03	Pension and medical benefits (actuarial expense)	1,782,000	1,998,000
6.01.01.04	Results in equity-accounted investments	(2,284,000)	(2,657,000)
6.01.01.05	Depreciation, depletion and amortization	8,623,000	8,264,000
6.01.01.06	Impairment of assets (reversal)	34,000	51,000
6.01.01.07	Exploratory expenditures write-offs	26,000	24,000
6.01.01.08	Gains and losses on disposals/write-offs of assets	(3,063,000)	148,000
6.01.01.09	Foreign exchange, indexation and finance charges	5,303,000	5,533,000
6.01.01.10	Deferred income taxes, net	245,000	1,511,000
6.01.01.12	Allowance for expected credit losses	419,000	2,000
6.01.01.14	Revision and unwinding of discount on the provision for decommissioning costs	577,000	589,000
6.01.02	Decrease / (increase) in assets / increase/ (decrease) in liabilities	(5,237,000)	(13,427,000)
6.01.02.01	Trade and other receivables, net	219,000	(6,041,000)
6.01.02.02	Inventories	(701,000)	657,000
6.01.02.03	Judicial deposits	(1,707,000)	(1,008,000)
6.01.02.04	Other assets	(4,445,000)	(329,000)
6.01.02.05	Trade payables	(759,000)	(4,261,000)
6.01.02.06	Other taxes payable	1,690,000	161,000
6.01.02.07	Pension and medical benefits	(623,000)	(465,000)
6.01.02.08	Income tax and social contribution paid	(1,175,000)	–
6.01.02.09	Other liabilities	2,264,000	(2,141,000)
6.02	Net cash used in investing activities	1,641,000	(5,075,000)
6.02.01	Acquisition of PP&E and intangibles assets	(7,403,000)	(7,038,000)
6.02.02	Increase in investments in investees	(3,248,000)	(466,000)
6.02.03	Proceeds from disposal of assets - Divestment	5,102,000	–
6.02.04	Divestment (investment) in marketable securities	6,432,000	2,168,000
6.02.05	Dividends received	758,000	261,000
6.03	Net cash used in financing activities	(9,008,000)	(464,000)
6.03.02	Proceeds from financing	26,934,000	16,950,000
6.03.03	Repayment of principal	(33,949,000)	(16,093,000)

6.03.04	Repayment of interest	(1,993,000)	(1,321,000)
6.05	Net increase/ (decrease) in cash and cash equivalents	6,019,000	946,000
6.05.01	Cash and cash equivalents at the beginning of the year	1,305,000	6,267,000
6.05.02	Cash and cash equivalents at the end of the period	7,324,000	7,213,000

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Parent Company Interim Accounting Information / Statement of Changes in Shareholders' Equity - 01/01/2018 to 03/31/2018

(R$ Thousand)

Account Code	Account Description	Share Capital	Capital Reserves, Granted Options and Treasury Shares	Profit Reserves	Retained Earnings (Losses)	Accumulated Other Comprehensive Income	Shareholders' Equity
5.01	Balance at the Beginning of the Period	205,432,000	2,673,000	77,148,000	–	(21,268,000)	263,985,000
5.02	Prior Period Adjustments				(989,000)	(67,000)	(1,056,000)
5.03	Adjusted Opening Balance	205,432,000	2,673,000	77,148,000	(989,000)	(21,335,000)	262,929,000
5.04	Capital Transactions with Owners	–	–	–	3,000	(3,000)	–
5.04.09	Realization of the Deemed Cost	–	–	–	3,000	(3,000)	–
5.05	Total of Comprehensive Income	–	–	–	6,961,000	2,073,000	9,034,000
5.05.01	Net Income for the Period	–	–	–	6,961,000	–	6,961,000
5.05.02	Other Comprehensive Income	–	–	–	–	2,073,000	2,073,000
5.07	Balance at the End of the Period	205,432,000	2,673,000	77,148,000	5,975,000	(19,265,000)	271,963,000

Parent Company Interim Accounting Information / Statement of Changes in Shareholders' Equity - 01/01/2017 to 03/31/2017

(R$ Thousand)

Account Code	Account Description	Share Capital	Capital Reserves, Granted Options and Treasury Shares	Profit Reserves	Retained Earnings (Losses)	Accumulated Other Comprehensive Income	Shareholders' Equity
5.01	Balance at the Beginning of the Period	205,432,000	1,251,000	77,584,000	–	(34,037,000)	250,230,000
5.02	Prior Period Adjustments						
5.03	Adjusted Opening Balance	205,432,000	1,251,000	77,584,000	–	(34,037,000)	250,230,000
5.04	Capital Transactions with Owners	–	(1,000)	–	2,000	(2,000)	(1,000)
5.04.08	Change in Interest in Subsidiaries	–	(1,000)	–	–	–	(1,000)
5.04.09	Realization of the Deemed Cost	–	–	–	2,000	(2,000)	–
5.05	Total of Comprehensive Income	–	–	–	4,449,000	3,142,000	7,591,000
5.05.01	Net Income for the Period	–	–	–	4,449,000	–	4,449,000
5.05.02	Other Comprehensive Income	–	–	–	–	3,142,000	3,142,000
5.07	Balance at the End of the Period	205,432,000	1,250,000	77,584,000	4,451,000	(30,897,000)	257,820,000

Parent Company Interim Accounting Information / Statement of Added Value

(R$ Thousand)

Account Code	Account Description	Accumulated of the Current Year 01/01/2018 to 03/31/2018	Accumulated of the Previous Year 01/01/2017 to 03/31/2017
7.01	Sales Revenues	88,775,000	80,887,000
7.01.01	Sales of Goods and Services	77,047,000	71,013,000
7.01.02	Other Revenues	3,873,000	1,777,000
7.01.03	Revenues Related to the Construction of Assets to be Used in Own Operations	8,274,000	8,099,000
7.01.04	Allowance for expected credit losses	(419,000)	(2,000)
7.02	Inputs Acquired from Third Parties	(24,023,000)	(25,436,000)
7.02.01	Cost of Sales	(5,884,000)	(8,250,000)
7.02.02	Materials, Power, Third-Party Services and Other Operating Expenses	(12,554,000)	(12,608,000)
7.02.03	Impairment Charges / Reversals of Assets	(34,000)	(51,000)
7.02.04	Others	(5,551,000)	(4,527,000)
7.02.04.01	Tax Credits on Inputs Acquired from Third Parties	(5,551,000)	(4,527,000)
7.03	Gross Added Value	64,752,000	55,451,000
7.04	Retentions	(8,623,000)	(8,264,000)
7.04.01	Depreciation, Amortization and Depletion	(8,623,000)	(8,264,000)
7.05	Net Added Value Produced	56,129,000	47,187,000
7.06	Transferred Added Value	3,233,000	3,570,000
7.06.01	Share of Profit of Equity-Accounted Investments	2,284,000	2,657,000
7.06.02	Finance Income	730,000	693,000
7.06.03	Others	219,000	220,000
7.07	Total Added Value to be Distributed	59,362,000	50,757,000
7.08	Distribution of Added Value	59,362,000	50,757,000
7.08.01	Employee Compensation	5,969,000	6,275,000
7.08.01.01	Salaries	3,450,000	3,727,000
7.08.01.02	Fringe Benefits	2,235,000	2,227,000
7.08.01.03	Unemployment Benefits (FGTS)	284,000	321,000
7.08.02	Taxes and Contributions	28,242,000	20,907,000
7.08.02.01	Federal	21,732,000	14,080,000
7.08.02.02	State	6,380,000	6,776,000
7.08.02.03	Municipal	130,000	51,000
7.08.03	Return on Third-Party Capital	18,190,000	19,126,000
7.08.03.01	Interest	6,513,000	7,312,000
7.08.03.02	Rental Expenses	11,677,000	11,814,000
7.08.04	Return on Shareholders' Equity	6,961,000	4,449,000
7.08.04.03	Retained Earnings / (Losses) for the Period	6,961,000	4,449,000

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Consolidated Interim Accounting Information / Statement of Financial Position

Assets

(R$ Thousand)

Account Code	Account Description	Current Quarter March 31, 2018	Previous Fiscal Year December 31, 2017
1	Total Assets	824,153,000	831,515,000
1.01	Current Assets	145,412,000	155,909,000
1.01.01	Cash and Cash Equivalents	66,362,000	74,494,000
1.01.02	Marketable Securities	3,905,000	6,237,000
1.01.03	Trade and Other Receivables	15,631,000	16,446,000
1.01.04	Inventories	29,361,000	28,081,000
1.01.06	Recoverable Taxes	8,334,000	8,062,000
1.01.06.01	Current Recoverable Taxes	8,334,000	8,062,000
1.01.06.01.01	Current Income Tax and Social Contribution	1,630,000	1,584,000
1.01.06.01.02	Other Recoverable Taxes	6,704,000	6,478,000
1.01.08	Other Current Assets	21,819,000	22,589,000
1.01.08.01	Non-Current Assets Held for Sale	11,646,000	17,592,000
1.01.08.03	Others	10,173,000	4,997,000
1.01.08.03.01	Advances to Suppliers	261,000	258,000
1.01.08.03.02	Others	9,912,000	4,739,000
1.02	Non-Current Assets	678,741,000	675,606,000
1.02.01	Long-Term Receivables	72,314,000	70,955,000
1.02.01.02	Marketable Securities Measured at Amortized Cost	211,000	211,000
1.02.01.03	Trade and Other Receivables	16,124,000	17,120,000
1.02.01.06	Deferred Taxes	21,555,000	21,544,000
1.02.01.06.01	Deferred Income Tax and Social Contribution	11,484,000	11,373,000
1.02.01.06.02	Taxes and Contributions	10,071,000	10,171,000
1.02.01.09	Other Non-Current Assets	34,424,000	32,080,000
1.02.01.09.03	Advances to Suppliers	3,280,000	3,413,000
1.02.01.09.04	Judicial Deposits	20,274,000	18,465,000
1.02.01.09.05	Other Long-Term Assets	10,870,000	10,202,000
1.02.02	Investments	12,674,000	12,554,000
1.02.03	Property, Plant and Equipment	585,947,000	584,357,000
1.02.04	Intangible Assets	7,806,000	7,740,000

Consolidated Interim Accounting Information / Statement of Financial Position

Liabilities

(R$ Thousand)

Account Code	Account Description	Current Quarter March 31, 2018	Previous Fiscal Year December 31, 2017
2	Total Liabilities	824,153,000	831,515,000
2.01	Current Liabilities	78,116,000	82,535,000
2.01.01	Payroll, Profit Sharing and Related Charges	4,920,000	4,331,000
2.01.02	Trade Payables	18,027,000	19,077,000
2.01.03	Taxes Obligations	1,625,000	990,000
2.01.03.01	Federal Taxes Obligations	1,625,000	990,000
2.01.03.01.01	Income Tax and Social Contribution Payable	1,625,000	990,000
2.01.04	Current Debt and Finance Lease Obligations	15,474,000	23,244,000
2.01.04.01	Current Debt	15,389,000	23,160,000
2.01.04.03	Finance Lease Obligations	85,000	84,000
2.01.05	Other Liabilities	23,819,000	23,344,000
2.01.05.02	Others	23,819,000	23,344,000
2.01.05.02.04	Other Taxes and Contributions	14,115,000	15,046,000
2.01.05.02.05	Other Accounts Payable	9,704,000	8,298,000
2.01.06	Provisions	13,758,000	10,254,000
2.01.06.01	Provisions for Tax Social Security, Labor and Civil Lawsuits	10,776,000	7,463,000
2.01.06.01.04	Provisions for Civil Lawsuits	10,776,000	7,463,000
2.01.06.02	Other Provisions	2,982,000	2,791,000
2.01.06.02.04	Pension and Medical Benefits	2,982,000	2,791,000
2.01.07	Liabilities Associated with Non-Current Assets Held for Sale and Discontinued	493,000	1,295,000
2.01.07.01	Liabilities Associated with Non-Current Assets Held for Sale	493,000	1,295,000
2.02	Non-Current Liabilities	468,284,000	479,371,000
2.02.01	Non-Current Debt	325,505,000	338,239,000
2.02.01.01	Non-Current Debt	324,835,000	337,564,000
2.02.01.03	Finance Lease Obligations	670,000	675,000
2.02.02	Other Liabilities	2,249,000	2,219,000
2.02.02.02	Others	2,249,000	2,219,000
2.02.02.02.03	Income Tax and Social Contribution	2,249,000	2,219,000
2.02.03	Deferred Taxes	5,608,000	3,956,000
2.02.03.01	Deferred Taxes	5,608,000	3,956,000
2.02.04	Provisions	134,922,000	134,957,000
2.02.04.01	Provisions for Tax Social Security, Labor and Civil Lawsuits	13,207,000	15,778,000
2.02.04.02	Other Provisions	121,715,000	119,179,000
2.02.04.02.04	Pension and Medical Benefits	70,609,000	69,421,000
2.02.04.02.05	Provision for Decommissioning Costs	47,133,000	46,785,000
2.02.04.02.06	Other Provisions	3,973,000	2,973,000
2.03	Shareholders' Equity	277,753,000	269,609,000

2.03.01	Share Capital	205,432,000	205,432,000
2.03.02	Capital Reserves	2,457,000	2,457,000
2.03.04	Profit Reserves	83,339,000	77,364,000
2.03.08	Other Comprehensive Income	(19,265,000)	(21,268,000)
2.03.09	Non-controlling interests	5,790,000	5,624,000

Consolidated Interim Accounting Information / Statement of Income

(R$ Thousand)

Account Code	Account Description	Accumulated of the Current Year 01/01/2018 to 03/31/2018	Accumulated of the Previous Year 01/01/2017 to 03/31/2017
3.01	Sales Revenues	74,461,000	68,365,000
3.02	Cost of Sales	(47,688,000)	(44,579,000)
3.03	Gross Profit	26,773,000	23,786,000
3.04	Operating Expenses / Income	(8,447,000)	(8,904,000)
3.04.01	Selling Expenses	(4,128,000)	(2,390,000)
3.04.02	General and Administrative Expenses	(2,142,000)	(2,307,000)
3.04.05	Other Operating Expenses	(2,688,000)	(4,819,000)
3.04.05.01	Other Taxes	(481,000)	(291,000)
3.04.05.02	Research and Development Expenses	(495,000)	(337,000)
3.04.05.03	Exploration Costs	(442,000)	(296,000)
3.04.05.05	Other Operating Expenses, Net	(1,270,000)	(3,895,000)
3.04.06	Share of Profit / Gains on Interest in Equity-Accounted Investments	511,000	612,000
3.05	Net Income Before Financial Results and Income Taxes	18,326,000	14,882,000
3.06	Finance Income (Expenses), Net	(7,246,000)	(7,755,000)
3.06.01	Finance Income	1,101,000	933,000
3.06.01.01	Finance Income	1,101,000	933,000
3.06.02	Finance Expenses	(8,347,000)	(8,688,000)
3.06.02.01	Finance Expenses	(5,850,000)	(5,945,000)
3.06.02.02	Foreign Exchange and Inflation Indexation Charges, Net	(2,497,000)	(2,743,000)
3.07	Net Income Before Income Taxes	11,080,000	7,127,000
3.08	Income Tax and Social Contribution	(3,955,000)	(2,320,000)
3.08.01	Current	(3,321,000)	(826,000)
3.08.02	Deferred	(634,000)	(1,494,000)
3.09	Net Income from Continuing Operations	7,125,000	4,807,000
3.11	Income / (Loss) for the Period	7,125,000	4,807,000
3.11.01	Attributable to Shareholders of Petrobras	6,961,000	4,449,000
3.11.02	Attributable to Non-Controlling Interests	164,000	358,000
3.99	Income per Share (R$/Share)	–	–
3.99.01	Income per Share	–	–
3.99.01.01	Ordinary Shares	0.53	0.34
3.99.01.02	Preferred Shares	0.53	0.34
3.99.02	Diluted Income per Share	–	–
3.99.02.01	Ordinary Shares	0.53	0.34
3.99.02.02	Preferred Shares	0.53	0.34

Consolidated Interim Accounting Information

Statement of Comprehensive Income

(R$ Thousand)

Account Code	Account Description	Accumulated of the Current Year 01/01/2018 to 03/31/2018	Accumulated of the Previous Year 01/01/2017 to 03/31/2017
4.01	Net Income for the Period	7,125,000	4,807,000
4.02	Other Comprehensive Income	2,116,000	3,097,000
4.02.03	Cumulative Translation Adjustments	895,000	(2,516,000)
4.02.04	Unrealized Gains/(Losses) on securities measured at fair value through other comprehensive income	(3,000)	(40,000)
4.02.06	Deferred Income Tax and Social Contribution on securities measured at fair value through other comprehensive income	1,000	–
4.02.07	Unrealized Gains / (Losses) on Cash Flow Hedge - Recognized in Shareholders' Equity	(1,099,000)	5,461,000
4.02.08	Unrealized Gains / (Losses) on Cash Flow Hedge - Reclassified to Profit and Loss	2,661,000	2,435,000
4.02.09	Deferred Income Tax and Social Contribution on Cash Flow Hedge	(531,000)	(2,684,000)
4.02.10	Share of Other Comprehensive Income of Equity-Accounted Investments	192,000	441,000
4.03	Total Comprehensive Income for the Period	9,241,000	7,904,000
4.03.01	Attributable to Shareholders of Petrobras	9,034,000	7,591,000
4.03.02	Attributable to Non-controlling Interests	207,000	313,000

Consolidated Interim Accounting Information

Statement of Cash Flows – Indirect Method

(R$ Thousand)

Account Code	Account Description	Accumulated of the Current Year 01/01/2018 to 03/31/2018	Accumulated of the Previous Year 01/01/2017 to 03/31/2017
6.01	Net cash provided by operating activities	22,218,000	23,225,000
6.01.01	Cash provided by operating activities	26,782,000	27,465,000
6.01.01.01	Net Income (loss) for the period	7,125,000	4,807,000
6.01.01.02	Pension and medical benefits (actuarial expense)	1,943,000	2,177,000
6.01.01.03	Results in equity-accounted investments	(511,000)	(612,000)
6.01.01.04	Depreciation, depletion and amortization	11,057,000	10,766,000
6.01.01.05	Impairment of assets (reversal)	58,000	(21,000)
6.01.01.06	Exploratory expenditures write-offs	26,000	24,000
6.01.01.07	Gains and losses on disposals/write-offs of assets	(3,261,000)	123,000
6.01.01.08	Foreign exchange, indexation and finance charges	8,614,000	7,854,000
6.01.01.09	Deferred income taxes, net	634,000	1,494,000
6.01.01.10	Allowance for expected credit losses	443,000	(6,000)
6.01.01.11	Inventory write-down to net realizable value	60,000	71,000
6.01.01.12	Reclassification of cumulative translation adjustment y other comprehensive income	–	185,000
6.01.01.13	Revision and unwinding of discount on the provision for decommissioning costs	594,000	603,000
6.01.02	Decrease / (increase) in assets / increase/ (decrease) in liabilities	(4,564,000)	(4,240,000)
6.01.02.01	Trade and other receivables, net	1,810,000	1,513,000
6.01.02.02	Inventories	(1,142,000)	1,214,000
6.01.02.03	Judicial deposits	(1,712,000)	(951,000)
6.01.02.04	Other assets	(4,676,000)	(454,000)
6.01.02.05	Trade payables	(1,357,000)	(3,290,000)
6.01.02.06	Other taxes payable	1,933,000	300,000
6.01.02.07	Pension and medical benefits	(662,000)	(491,000)
6.01.02.08	Income tax and social contribution paid	(1,469,000)	(264,000)
6.01.02.09	Other liabilities	2,711,000	(1,817,000)
6.02	Net cash used in investing activities	638,000	(8,262,000)
6.02.01	Acquisition of PP&E and intangibles assets	(9,919,000)	(10,024,000)
6.02.02	Increase in investments in investees	(22,000)	(34,000)
6.02.03	Proceeds from disposal of assets - Divestment	7,502,000	1,873,000
6.02.04	Divestment (investment) in marketable securities	2,361,000	(278,000)

6.02.05	Dividends received	716,000	201,000
6.03	Net cash used in financing activities	(30,486,000)	(21,360,000)
6.03.01	Non-controlling interest	121,000	(130,000)
6.03.02	Proceeds from financing	19,258,000	13,028,000
6.03.03	Repayment of principal	(43,861,000)	(29,006,000)
6.03.04	Repayment of interest	(6,004,000)	(5,252,000)
6.04	Effect of exchange rate changes on cash and cash equivalents	(502,000)	(1,837,000)
6.05	Net increase/ (decrease) in cash and cash equivalents	(8,132,000)	(8,234,000)
6.05.01	Cash and cash equivalents at the beginning of the year	74,494,000	69,108,000
6.05.02	Cash and cash equivalents at the end of the period	66,362,000	60,874,000

Consolidated Interim Accounting Information / Statement of Changes in Shareholders’ Equity - 01/01/2018 to 03/31/2018

(R$ Thousand)

Account Code	Account Description	Share Capital	Capital Reserves, Granted Options and Treasury Shares	Profit Reserves	Retained Earnings / Accumulated Losses	Other Comprehensive Income	Shareholders' Equity	Non-controlling interest	Share Equi Cons
5.01	Balance at the Beginning of the Period	205,432,000	2,673,000	77,148,000	–	(21,268,000)	263,985,000	5,624,000	269,6
5.02	Prior Period Adjustments	–	–	–	(989,000)	(67,000)	(1,056,000)	(51,000)	(1,10
5.03	Adjusted Opening Balance	205,432,000	2,673,000	77,148,000	(989,000)	(21,335,000)	262,929,000	5,573,000	268,5
5.04	Capital Transactions with Owners	–	–	–	3,000	(3,000)	–	10,000	10,00
5.04.06	Dividends	–	–	–	–	–	–	(110,000)	(110,
5.04.08	Change in Interest in Subsidiaries	–	–	–	–	–	–	120,000	120,0
5.05	Total of Comprehensive Income	–	–	–	6,961,000	2,073,000	9,034,000	207,000	9,241
5.05.01	Net Income for the Period	–	–	–	6,961,000	–	6,961,000	164,000	7,125
5.05.02	Other Comprehensive Income	–	–	–	–	2,073,000	2,073,000	43,000	2,116
5.07	Balance at the End of the Period	205,432,000	2,673,000	77,148,000	5,975,000	(19,265,000)	271,963,000	5,790,000	277,7

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Consolidated Interim Accounting Information / Statement of Changes in Shareholders’ Equity - 01/01/2017 to 03/31/2017

(R$ Thousand)

Account Code	Account Description	Share Capital	Capital Reserves, Granted Options and Treasury Shares	Profit Reserves	Retained Earnings / Accumulated Losses	Other Comprehensive Income	Shareholders' Equity	Non-controlling interest	Share Equi Cons
5.01	Balance at the Beginning of the Period	205,432,000	1,035,000	77,800,000	–	(34,037,000)	250,230,000	2,513,000	252,7
5.03	Adjusted Opening Balance	205,432,000	1,035,000	77,800,000	–	(34,037,000)	250,230,000	2,513,000	252,7
5.04	Capital Transactions with Owners	–	(1,000)	–	2,000	(2,000)	(1,000)	(130,000)	(131,
5.04.08	Change in Interest in Subsidiaries	–	(1,000)	–	–	–	(1,000)	(130,000)	(131,
5.05	Total of Comprehensive Income	–	–	–	4,449,000	3,142,000	7,591,000	313,000	7,904
5.05.01	Net Income for the Period	–	–	–	4,449,000	–	4,449,000	358,000	4,807
5.05.02	Other Comprehensive Income	–	–	–	–	3,142,000	3,142,000	(45,000)	3,097
5.07	Balance at the End of the Period	205,432,000	1,034,000	77,800,000	4,451,000	(30,897,000)	257,820,000	2,696,000	260,5

Consolidated Interim Accounting Information / Statement of Added Value

(R$ Thousand)

Account Code	Account Description	Accumulated of the Current Year 01/01/2018 to 03/31/2018	Accumulated of the Previous Year 01/01/2017 to 03/31/2017
7.01	Sales Revenues	108,649,000	97,523,000
7.01.01	Sales of Goods and Services	95,475,000	86,485,000
7.01.02	Other Revenues	4,518,000	2,338,000
7.01.03	Revenues Related to the Construction of Assets to be Used in Own Operations	9,099,000	8,694,000
7.01.04	Allowance for expected credit losses	(443,000)	6,000
7.02	Inputs Acquired from Third Parties	(33,468,000)	(31,716,000)
7.02.01	Cost of Sales	(14,453,000)	(12,616,000)
7.02.02	Materials, Power, Third-Party Services and Other Operating Expenses	(12,882,000)	(14,119,000)
7.02.03	Impairment Charges / Reversals of Assets	(58,000)	21,000
7.02.04	Others	(6,075,000)	(5,002,000)
7.02.04.01	Tax Credits on Inputs Acquired from Third Parties	(6,015,000)	(4,931,000)
7.02.04.02	Inventory Write-Down to Net Realizable Value	(60,000)	(71,000)
7.03	Gross Added Value	75,181,000	65,807,000
7.04	Retentions	(11,057,000)	(10,766,000)
7.04.01	Depreciation, Amortization and Depletion	(11,057,000)	(10,766,000)
7.05	Net Added Value Produced	64,124,000	55,041,000
7.06	Transferred Added Value	1,691,000	1,633,000
7.06.01	Share of Profit of Equity-Accounted Investments	511,000	612,000
7.06.02	Finance Income	1,101,000	933,000
7.06.03	Others	79,000	88,000
7.07	Total Added Value to be Distributed	65,815,000	56,674,000
7.08	Distribution of Added Value	65,815,000	56,674,000
7.08.01	Employee Compensation	7,228,000	7,753,000
7.08.01.01	Salaries	4,346,000	4,854,000
7.08.01.02	Fringe Benefits	2,556,000	2,535,000
7.08.01.03	Unemployment Benefits (FGTS)	326,000	364,000
7.08.02	Taxes and Contributions	35,079,000	27,286,000
7.08.02.01	Federal	23,636,000	15,941,000
7.08.02.02	State	11,213,000	11,194,000
7.08.02.03	Municipal	230,000	151,000
7.08.03	Return on Third-Party Capital	16,383,000	16,828,000
7.08.03.01	Interest	9,962,000	10,219,000
7.08.03.02	Rental Expenses	6,421,000	6,609,000
7.08.04	Return on Shareholders' Equity	7,125,000	4,807,000
7.08.04.03	Retained Earnings / (Losses) for the Period	6,961,000	4,449,000
7.08.04.04		164,000	358,000

Non-controlling Interests on Retained
Earnings / (Losses)

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Notes to the financial statements

(Expressed in millions of Reais, 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 and presentation of financial statements

The consolidated and individual (Parent Company) financial statements have been prepared and are presented in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and with the pronouncements issued by the Brazilian Accounting Pronouncements Committee (Comitê de Pronunciamentos Contábeis - CPC) and released by the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários – CVM).

This interim financial information presents the significant changes in the period, avoiding repetition of certain notes to the financial statements previously reported, and presents the consolidated information, considering Management’s understanding that it provides a comprehensive view of the Company’s financial position and operational performance, complemented by certain information of the Parent Company. Certain information about the parent company is also included. Hence, this interim financial information 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.

The Company’s Board of Directors, in a meeting held on May 7, 2018, authorized the issuance of these consolidated interim financial information.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

3. The "Lava Jato (Car Wash) investigation" and its effects on the Company

In the third quarter of 2014, the Company wrote off R$ 6,194 (R$ 4,788 in the Parent Company) of capitalized costs representing amounts that Petrobras overpaid for the acquisition of property, plant and equipment in prior years. 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 R$ 1,477 (R$ 1,476 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.

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.

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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 (CPC 48 - Instrumentos Financeiros)

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	Note	Balance at 01.01.2018
Current assets				
Trade and other receivables, net	16,446	(341)	4.1.3	16,105
Non-current assets				
Trade and other receivables, net	17,120	(64)	4.1.3	17,056
Deferred income taxes	11,373	484		11,857
Others	10,202	(7)	4.1.3	10,195
Current liabilities				
Finance debt	23,160	3	4.1.2	23,163
Others	8,298	(23)	4.1.3	8,275
Non-current liabilities				
Finance debt	337,564	1,175	4.1.2	338,739
Equity				
Accumulated other comprehensive deficit	(21,268)	(67)	4.1.1	(21,335)
Retained earnings	-	(989)		(989)
Non-controlling interests	5,624	(51)		5,573

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;
- 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.

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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 CPC 38 / IAS 39	Carrying amount according to CPC 38 / IAS 39 at December 31, 2017			Classification according to CPC 48 / IFRS 9	Carrying amount according to CPC 48 / IFRS 9 at January 1, 2018		
	In Brazil	Abroad	Total		In Brazil	Abroad	Total
Trading securities	3,531	-	3,531	Fair value through profit or loss	4,222	–	4,222
Available-for-sale securities	505	2,015	2,520	Fair value through other comprehensive income	42	2,015	2,057
Held-to-maturity securities	397	-	397	Amortised cost	169	-	169
	4,433	2,015	6,448		4,433	2,015	6,448

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.

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.

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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 (CPC 47 - Receita de Contrato com Cliente)

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.

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).

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

		Initial application of IRFS 15 / CPC 47			
	Amount at 03.31.2018	Agent	Breakage)	Others	Amount without effects of initial application of IRFS 15 / CPC 47 at 03.31.2018
Sales revenues	74,461	1,907	(221)	(77)	76,070
Cost of sales	(47,688)	(1,907)	196	–	(49,399)
Gross profit	26,773	–	(25)	(77)	26,671
Income and expenses	(8,958)	–	25	77	(8,856)
Income before finance income, results in equity-accounted investments and income taxes	17,815	–	–	–	17,815

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.

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.

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6. Cash and cash equivalents and Marketable securities

Cash and cash equivalents

	Consolidated	
	03.31.2018	12.31.2017
Cash at bank and in hand	5,989	5,193
Short-term financial investments		
- In Brazil		
Brazilian interbank deposit rate investment funds and other short-term deposits	5,629	3,889
Other investment funds	672	57
	6,301	3,946
- Abroad		
Time deposits	24,706	20,632
Automatic investing accounts and interest checking accounts	24,538	37,337
U.S. Treasury bills	–	–
Other financial investments	4,828	7,386
	54,072	65,355
Total short-term financial investments	60,373	69,301
Total cash and cash equivalents	66,362	74,494

The principal uses of funds in the first quarter of 2018 were for debt service obligations (R$ 49,865), including pre-payment of debts, and acquisition of PP&E and intangibles assets (R$ 9,919). The uses of funds were principally provided by operating activities (R$ 22,218), proceeds from financing (R$ 19,258) and disposal of assets (R$ 7,502).

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

	Consolidated					
	03.31.2018			01.01.2018		
	In Brazil	Abroad	Total	In Brazil	Abroad	Total
Fair value through profit or loss	3,905	–	3,905	4,222	–	4,222
Fair value through other comprehensive income	40	–	40	42	2,015	2,057
Amortised cost	171	–	171	169	–	169

Total	4,116	–	4,116	4,433	2,015	6,448
Current	3,905	–	3,905	4,222	2,015	6,237
Non-current	211	–	211	211	–	211

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

Inglês

	Consolidated	
	03.31.2018	12.31.2017
Third parties	21,880	23,138
Related parties		
Investees (note 17.8)	1,647	1,752
Receivables from the electricity sector (note 7.4) (*)	17,544	17,362
Petroleum and alcohol accounts - receivables from Brazilian Government	829	829
Finance lease receivables	1,803	1,818
Receivables from divestment in Nova Transportadora do Sudeste	2,922	2,885
Other receivables	5,682	5,449
	52,307	53,233
Expected credit losses - ECL	(20,552)	(19,667)
Total	31,755	33,566
Current	15,631	16,446
Non-current	16,124	17,120

(*) It includes the amount of R$ 764 at March 31, 2018 (R$ 795 at December 31, 2017) regarding finance lease receivable from AME-D.

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 R$ 153.

7.2. Trade receivables overdue - Third parties

	Consolidated	
	03.31.2018	12.31.2017
Up to 3 months	1,456	1,972
From 3 to 6 months	201	171
From 6 to 12 months	277	275
More than 12 months	11,948	11,819
Total	13,882	14,237

7.3. Changes in allowance for expected credit losses

	Consolidated	
	03.31.2018	12.31.2017
Opening balance	19,667	17,682
Initial application of IFRS 9	405	0
Additions	464	2,269
Write-offs	(20)	(349)
Cumulative translation adjustment	36	65
Closing balance	20,552	19,667
Current	7,147	6,842
Non-current	13,405	12,825

For the first quarter of 2017, the Company had a net impairment reversal of trade receivables in the amount of R$ 6.

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

	Consolidated							
	12.31.2017	Sales	Amounts received	Transfers (*)	Write-offs	Allowance for expected credit losses	Interest	03.31.2018
Related parties (Eletrobras Group)								
Eletrobras Distribuição Amazonas - AME-D	8,480	48	(699)	654		(334)	194	8,343
Centrais Elétricas de Rondônia - CERON	1,244	–	(6)	–		–	6	1,244
Others	366	1	(21)	–	–	11	5	362
Subtotal	10,090	49	(726)	654	–	(323)	205	9,949
Third parties								
Cia de Gás do Amazonas - Cigás	467	1,065	(271)	(654)		(85)	–	522
Centrais Elétricas do Pará - Celpa	9	51	(55)		–	–	–	5
Others	28	143	(142)		–	–	–	29
Subtotal	504	1,259	(468)	(654)	–	(85)	–	556
Trade receivables, net	10,594	1,308	(1,194)	–	–	(408)	205	10,505
Trade receivables - Eletrobras Group	17,362	49	(726)	654	–		205	17,544
(-) Allowance for expected credit losses	(7,272)					(323)		(7,595)
Subtotal	10,090	49	(726)	654	–	(323)	205	9,949
Trade receivables - Third parties	1,576	1,259	(468)	(654)	–		–	1,713
(-) Allowance for expected credit losses	(1,072)					(85)		(1,157)
Subtotal	504	1,259	(468)	(654)	–	(85)	–	556
Trade receivables - Total	18,938	1,308	(1,194)	–	–	–	205	19,257
(-) Allowance for expected credit losses	(8,344)	–	–	–	–	(408)	–	(8,752)
Trade receivables, net	10,594	1,308	(1,194)	–	–	(408)	205	10,505

(*) 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 R$ 8,601 to the Company, of which R$ 7,380 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. This agreement was recognized by this authority and valued at R$ 8,126 (R$ 6,560 pursuant to Resolution 504 and R$ 1,566 to Resolution 952).

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 R$ 408 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.

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8. Inventories

	Consolidated	
	03.31.2018	12.31.2017
Crude oil	13,228	12,065
Oil products	8,947	9,309
Intermediate products	2,048	2,027
Natural gas and LNG (*)	315	222
Biofuels	696	572
Fertilizers	122	83
Total products	25,356	24,278
Materials, supplies and others	4,005	3,803
Total	29,361	28,081

(*) LNG - Liquefied Natural Gas

The amount of inventories is presented net of reduction to net realizable value, primarily due to changes in international prices of crude oil and oil products. In the three-month period ended March 31, 2018, there is a R$ 60 reduction to net realizable value (R$ 71 reduction in the same period of 2017).

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 R$ 14,187 (R$ 13,454 as of December 31, 2017), as set out in note 20.1.

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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). For the 2017-2018 period, the target of proceeds from divestments is US$ 21 billion which, along with other initiatives, will enable the Company to converge its net debt to Adjusted EBITDA ratio to 2.5 in December 2018.

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 million, 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 R$ 2,666.

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 R$ 286 on March 13, 2018 and the related assets and liabilities are no longer classified as held for sale at March 31, 2018.

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 million, to be disbursed at the transaction closing, 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).

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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 R$ 1,523 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:

- 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 R$ 156.

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 million in cash for assets and services, subject to price adjustments, as well as contingent payments in the amount of US$ 150 million, associated with the production volume in Lapa field. In addition, a long-term line of credit in the amount of US$ 400 million 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 R$ 2,236 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.

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(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.

The SPA has a total amount of US$ 2.9 billion, made up of US$ 118 million 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 million, 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 R$ 1,314 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:

	Consolidated					
	03.31.2018					12.31.2017
	E&P	Distribution	RT&M	Gas & Power	Total	Total
Assets classified as held for sale						
Cash and Cash Equivalents	–	–	29	–	29	26
Trade receivables	4	–	281	–	285	540
Inventories	–	–	306	–	306	423
Investments	–	–	–	–	–	17
Property, plant and equipment	9,954	12	55	315	10,336	15,562
Others	–	–	690	–	690	1,024
Total	9,958	12	1,361	315	11,646	17,592
Liabilities on assets classified as held for sale						
Trade Payables	46	–	107	–	153	334

Finance debt	–	–	–	–	–	–
Provision for decommissioning costs	286	–	–	–	286	563
Others	–	–	54	–	54	398
Total	332	–	161	–	493	1,295

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 Liquigás 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 R$ 18.51. 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. Changes in investments (Parent Company)

	Balance at 12.31.2017	Investments	Restructuring, capital decrease and others	Results in equity-accounted investments (*)	Cumulative translation adjustments (CTA)	Other comprehensive results	Dividends	Balance at 03.31.2018
Subsidiaries								
PNBV	87,093	–	(146)	2,145	461	–	–	89,553
PIB BV (**)	25,290	3,107	(580)	(1,159)	429	–	–	27,087
TAG	12,347	–	–	453	–	181	–	12,981
BR Distribuidora	5,986	–	(126)	174	–	–	(275)	5,759
Transpetro	4,102	–	–	52	5	–	–	4,159
PB-LOG	2,937	–	–	181	–	–	(352)	2,766
PBIO	1,490	–	–	25	–	–	–	1,515
Gaspetro	994	–	–	45	–	–	–	1,039
Breitener	678	–	–	15	–	–	(6)	687
Logigás	621	–	–	76	–	–	–	697
Araucária Nitrogenados	175	–	–	(63)	–	–	–	112
Termomacaé Ltda	86	–	–	(73)	–	–	–	13
Liquigás	–	–	1,070	(34)	–	–	–	1,036
Other subsidiaries	1,041	–	18	22	(3)	2	(135)	945
Joint operations	223	–	–	12	–	–	–	235
Joint ventures	264	2	8	18	–	–	(6)	286
Associates	–	–	–	–	–	–	–	–
Nova Transportadora do Sudeste - NTS	1,094	–	–	46	–	–	(52)	1,088
Other associates	4,916	–		387	(40)	191	–	5,454
	149,337	3,109	244	2,322	852	374	(826)	155,412
Other investments	19	–	–	–	–	–	–	19
	149,356	3,109	244	2,322	852	374	(826)	155,431
Provision for losses in subsidiaries				(23)				
Results in investees transferred to assets held for sale				(15)				
				2,284				

Results in equity-accounted investments and other comprehensive income

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

(**) The investments were made, mainly, for debt repayments.

The initial application of IFRS 9 changed the investment in subsidiaries PNBV (R$ 146), PIB BV (R$ 580) and BR Distribuidora (R$ 126).

10.2. Changes in investments in joint ventures and associates (Consolidated)

	Balance at 12.31.2017	Investments	Restructuring, capital decrease and others	Results in equity-accounted investments	Cumulative translation adjustments (CTA)	Other comprehensive income	Dividends	Balance at 03.31.2018
Joint Ventures								
Petrobras Oil & Gas B.V. - PO&G	4,664	–	–	(1)	10	–	(652)	4,021
State-controlled natural gas distributors	1,140	–	–	74	–	–	(5)	1,209
Compañia Mega S.A. - MEGA	163	–	–	(14)	122	–	–	271
Petrochemical joint ventures	95	–	19	–	–	–	1	115
Other joint ventures	346	21	(12)	11	–	–	(1)	365
Associates								–
Nova Transportadora do Sudeste - NTS	1,094	–	–	46	–	–	(52)	1,088
Petrochemical associates	4,833	–	(2)	384	(40)	191	(5)	5,361
Other associates	158	–	16	11	–	–	(3)	182
Other investments	61	–	1	–	–	–	–	62
Total	12,554	21	22	511	92	191	(717)	12,674

10.3. Investments in non- consolidated listed companies

	Thousand-share lot			Quoted stock exchange prices (R$ per share)		Market value	
Company	03.31.2018	12.31.2017	Type	03.31.2018	12.31.2017	03.31.2018	0
Associate							
Braskem S.A.	212,427	212,427	ON	48.85	43.50	10,377	9,241
Braskem S.A.	75,793	75,793	PNA	48.00	42.87	3,638	3,248
						14,015	12,489

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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 R$ 14,015 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.

11. Property, plant and equipment

11.1. By class of assets

	Consolidated					Parent Company
	Land, buildings and improvement	Equipment and other assets (*)	Assets under construction (**)	Exploration and development costs (oil and gas producing properties) (***)	Total	Total
Balance at January 1, 2017	22,756	256,571	125,702	166,847	571,876	424,771
Additions	6	3,720	35,232	98	39,056	26,930
Additions to / review of estimates of decommissioning costs	–	–	–	14,617	14,617	14,366
Capitalized borrowing costs	–	–	6,299	–	6,299	4,593
Write-offs	(47)	(19)	(1,745)	(113)	(1,924)	(1,708)
Transfers (****)	1,007	10,406	(24,259)	9,766	(3,080)	546
	(1,393)	(23,383)	–	(17,115)	(41,891)	(31,793)

Depreciation, amortization and depletion						
Impairment recognition	(470)	(3,041)	(1,842)	(2,895)	(8,248)	(6,516)
Impairment reversal	169	2,698	536	2,247	5,650	4,347
Cumulative translation adjustment	20	1,156	733	93	2,002	–
Balance at December 31, 2017	22,048	248,108	140,656	173,545	584,357	435,536
Cost	32,795	425,419	140,656	286,112	884,982	664,479
Accumulated depreciation, amortization and depletion	(10,747)	(177,311)	–	(112,567)	(300,625)	(228,943)
Balance at December 31, 2017	22,048	248,108	140,656	173,545	584,357	435,536
Additions	–	662	8,613	3	9,278	7,200
Additions to / review of estimates of decommissioning costs	–	–	–	4	4	–
Capitalized borrowing costs	–	–	1,610	–	1,610	1,260
Write-offs	–	(29)	(92)	(18)	(139)	(134)
Transfers (****)	790	3,039	(10,565)	8,079	1,343	6,164
Depreciation, amortization and depletion	(368)	(5,528)	–	(5,057)	(10,953)	(8,546)
Impairment recognition	–	(34)	(1)	–	(35)	(34)
Cumulative translation adjustment	8	383	55	36	482	–
Balance at March 31, 2018	22,478	246,601	140,276	176,592	585,947	441,446
Cost	33,633	429,566	140,276	289,895	893,370	674,543
Accumulated depreciation, amortization and depletion	(11,155)	(182,965)	–	(113,303)	(307,423)	(233,097)
Balance at March 31, 2018	22,478	246,601	140,276	176,592	585,947	441,446
Weighted average of useful life in years	40 (25 to 50) (except land)	20 (3 to 31)		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.

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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, consolidated and Parent Company property, plant and equipment include assets under finance leases of R$ 386 and R$ 5,891, respectively (R$ 390 and R$ 5,969 at December 31, 2017).

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 R$ 74,808 related to the Assignment Agreement.

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

	Consolidated					Parent Company
		Software				
	Rights and Concessions	Acquired	Developed in-house	Goodwill	Total	Total
Balance at January 1, 2017	8,725	222	998	718	10,663	8,764
Addition	3,035	51	194	–	3,280	3,145
Capitalized borrowing costs	–	–	14	–	14	14
Write-offs	(256)	–	(8)	–	(264)	(34)
Transfers	(5,376)	5	–	–	(5,371)	(5,257)
Amortization	(64)	(91)	(323)	–	(478)	(366)
Impairment recognition	(108)	(1)	–	–	(109)	(2)
Cumulative translation adjustment	3	–	–	2	5	–
Balance at December 31, 2017	5,959	186	875	720	7,740	6,264
Cost	6,637	1,638	4,055	720	13,050	10,266
Accumulated amortization	(678)	(1,452)	(3,180)	–	(5,310)	(4,002)
Balance at December 31, 2017	5,959	186	875	720	7,740	6,264
Addition	4	26	38	–	68	52
Capitalized borrowing costs	–	–	3	–	3	3
Write-offs	(5)	–	–	–	(5)	(4)
Transfers	1	14	2	85	102	2
Amortization	(13)	(23)	(68)	–	(104)	(77)
Cumulative translation adjustment	1	–	–	1	2	–
Balance at March 31, 2018	5,947	203	850	806	7,806	6,240
Cost	6,753	1,774	4,098	806	13,431	10,319
Accumulated amortization	(806)	(1,571)	(3,248)	–	(5,625)	(4,079)
Balance at March 31, 2018	5,947	203	850	806	7,806	6,240
Estimated useful life in years	(*)	5	5	Indefinite		

(**) Includes R$ 24,419, reclassified from Intangible Assets to Property Plant and Equipment, as a result of the declaration of commerciality of areas of the Assignment Agreement.

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 R$ 2.2 billion.

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:

	Consolidated	
Capitalized Exploratory Well Costs / Capitalized Acquisition Costs (*)	03.31.2018	12.31.2017
Property, plant and equipment		
Opening Balance	14,957	16,728
Additions to capitalized costs pending determination of proved reserves	719	2,543
Capitalized exploratory costs charged to expense	(12)	(345)
Transfers upon recognition of proved reserves	(438)	(3,974)
Cumulative translation adjustment	2	5
Closing Balance	15,228	14,957
Intangible Assets	4,595	4,599
Capitalized Exploratory Well Costs / Capitalized Acquisition Costs	19,823	19,556

(*) 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:

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	Consolidated	
Exploration costs recognized in the statement of income	Jan-Mar/2018	Jan-Mar/2017
Geological and geophysical expenses	295	266
Exploration expenditures written off (includes dry wells and signature bonuses)	26	24
Contractual penalties	116	–
Other exploration expenses	5	6
Total expenses	442	296
Cash used in:		
Operating activities	300	272
Investment activities	728	650
Total cash used	1,028	922

In the first quarter of 2018, the Company recognized a provision in the amount of R$ 116 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

	Consolidated	
	03.31.2018	12.31.2017
Third parties in Brazil	11,900	12,144
Third parties abroad	3,474	4,564
Related parties	2,653	2,369
Balance in current liabilities	18,027	19,077

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).

15.1. Repayment of debts and new financings

In the first quarter of 2018, proceeds from financing amounted to R$ 19,258, principally reflecting: (i) global notes issued in the capital market in the amount of R$ 6,359 (US$ 1,962 million) and maturing in 2029; (ii) funds raised from the domestic and international banking market in the amount of R$ 12,726 with average term of 6.5 years.

In addition, the Company used R$ 49,865 for repayment of principal and interest, mainly reflecting: (i) R$ 19,047 (US$ 5,833 million) 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 R$ 1,361; (ii) pre-payment of banking loans in the domestic and international market totaling R$ 20,407; and (iii) pre-payment of R$ 793 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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(Expressed in millions of reais, unless otherwise indicated)

	Consolidated				
	Export Credit Agencies	Banking Market	Capital Market	Others	Total
In Brazil					
Opening balance at January 1, 2017	–	76,969	7,387	121	84,477
Cumulative translation adjustment (CTA)	–	50	–	–	50
Additions (new funding obtained)	–	16,658	4,989	–	21,647
Principal amortization	–	(6,704)	(535)	(8)	(7,247)
Interest amortization	–	(6,677)	(642)	(5)	(7,324)
Transaction costs during the period (*)	–	6,715	593	18	7,326
Foreign exchange/inflation indexation charges	–	80	278	(2)	356
Pre-payments	–	(26,739)	–	–	(26,739)
Balance as of December 31, 2017	–	60,352	12,070	124	72,546
Abroad					
Opening balance at January 1, 2017	17,446	121,056	160,243	1,767	300,512
Cumulative translation adjustment (CTA)	129	545	2,861	14	3,549
Additions (new funding obtained)	727	26,341	32,574	391	60,033
Principal amortization	(2,914)	(10,365)	(3,048)	(151)	(16,478)
Interest amortization	(399)	(4,110)	(9,022)	(46)	(13,577)
Transaction costs during the period (*)	523	4,661	10,249	65	15,498
Foreign exchange/inflation indexation charges	33	429	2,975	2	3,439
Pre-payments	(3,403)	(35,137)	(25,111)	(1,147)	(64,798)
Balance as of December 31, 2017	12,142	103,420	171,721	895	288,178
Total Balance as of December 31, 2017	12,142	163,772	183,791	1,019	360,724
Current					23,160
Non-current					337,564
In Brazil					
Opening balance at January 1, 2018	–	60,352	12,070	124	72,546
Initial application of IFRS 9	–	215	–	–	215
Cumulative translation adjustment (CTA)	–	16	–	–	16
Additions (new funding obtained)	–	6,517	–	–	6,517
Principal amortization	–	(1,218)	(110)	(2)	(1,330)
Interest amortization	–	(614)	(175)	(4)	(793)
Transaction costs during the period (*)	–	1,116	158	5	1,279
Foreign exchange/inflation indexation charges	–	5	92	2	99
Pre-payments	–	(8,424)	–	–	(8,424)
Balance as of March 31, 2018	–	57,965	12,035	125	70,125
Abroad					
Opening balance at January 1, 2018	12,142	103,420	171,721	895	288,178
Initial application of IFRS 9	–	686	277	–	963
Cumulative translation adjustment (CTA)	12	226	660	4	902
Additions (new funding obtained)	–	6,382	6,359	–	12,741
Principal amortization	(796)	(729)	–	–	(1,525)
Interest amortization	(126)	(625)	(3,302)	–	(4,053)

Transaction costs during the period (*)	109	1,085	2,665	13	3,872
Foreign exchange/inflation indexation charges	31	95	718	–	844
Pre-payments	–	(12,776)	(19,047)	–	(31,823)
Balance as of March 31, 2018	11,372	97,764	160,051	912	270,099
Total Balance as of March 31, 2018	11,372	155,729	172,086	1,037	340,224
Current					15,389
Non-current					324,835

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

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 R$ 1,178 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.

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

	Consolidated						
	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	361,902	19,258	(47,948)	5,151	943	918	340,224
Reconciliation to the Statement of Cash Flows							
Transfer to held for sale		–	–				
Purchase of property, plant and equipment on credit		–	–				
Expenses with debt restructuring		–	(1,361)				
Compensating balances		–	(573)				
Finance Leases		–	17				
Net cash used in financing activities		19,258	(49,865)				

(*) It 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

	Consolidated							
Maturity in	2018	2019	2020	2021	2022	2023 onwards	Total (*)	Fair value
Financing in Brazilian Reais (R$):	5,170	4,817	10,829	8,474	15,029	24,685	69,004	64,673
Floating rate debt	2,249	3,490	9,815	7,475	13,747	19,436	56,212	
Fixed rate debt	2,921	1,327	1,014	999	1,282	5,249	12,792	
Average interest rate	6.3%	6.3%	6.4%	7.0%	6.8%	6.0%	6.4%	
Financing in U.S. Dollars (US$):	6,222	4,304	15,378	18,509	42,016	161,533	247,962	266,603
Floating rate debt	3,256	4,295	11,015	10,334	31,943	49,339	110,182	
Fixed rate debt	2,966	9	4,363	8,175	10,073	112,194	137,780	
Average interest rate	5.6%	6.0%	5.9%	6.0%	5.7%	6.5%	6.2%	
Financing in R$ indexed to US$:	223	208	208	208	208	–	1,055	1,125
Floating rate debt	6	–	–	–	–	–	6	
Fixed rate debt	217	208	208	208	208	–	1,049	
Average interest rate	3.1%	3.0%	3.0%	2.8%	2.4%	0.0%	3.0%	
Financing in Pound Sterling (£):	154	–	–	–	–	8,011	8,165	8,683
Fixed rate debt	154	–	–	–	–	8,011	8,165	
Average interest rate	6.1%	–	–	–	–	6.3%	6.2%	
Financing in Japanese Yen (¥):	325	–	–	–	–	–	325	336
Floating rate debt	325	–	–	–	–	–	325	
Average interest rate	0.4%	–	–	–	–	–	0.4%	
Financing in Euro (€):	191	1	781	1,565	2,441	8,711	13,690	17,068
Floating rate debt	–	–	620	–	–	–	620	
Fixed rate debt	191	1	161	1,565	2,441	8,711	13,070	
Average interest rate	4.9%	4.5%	4.6%	4.7%	4.8%	4.6%	4.7%	
Financing in other currencies:	23	–	–	–	–	–	23	23
Fixed rate debt	23	–	–	–	–	–	23	
Average interest rate	14.0%	–	–	–	–	–	14.0%	
Total as of March 31, 2018	12,308	9,330	27,196	28,756	59,694	202,940	340,224	358,511
Average interest rate	5.7%	6.0%	6.0%	6.1%	5.9%	6.4%	6.2%	
Total as of December 31, 2017	23,160	21,423	31,896	42,168	59,594	182,483	360,724	385,780
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 R$ 163,884 at March 31, 2018 (R$ 179,451 at 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 R$ 194,627 as of March 31, 2018 (R$ 206,329 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

				Amount		
Company	Financial institution	Date	Maturity	Available (Lines of Credit)	Used	Balance
Abroad (Amounts in US$ million)						
PGT BV	CHINA EXIM	10/24/2016	Indefinido	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	9,878	2,753	7,125
Petrobras	Banco do Brasil	3/23/2018	1/26/2023	2,000		2,000
Transpetro	BNDES	11/7/2008	8/12/2041	1,763	688	1,075
Transpetro	Banco do Brasil	7/9/2010	4/10/2038	78	36	42
Transpetro	Caixa Econômica Federal	11/23/2010	Indefinido	329	–	329
Total				14,048	3,477	10,571

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 million. 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. In addition, financing agreements with China Development Bank (CDB) are also collateralized, as set in note 17.5.

The loans obtained by structured entities are collateralized based on the projects' assets, as well as liens on receivables of the structured entities.

The Company's capital market financing relates primarily to unsecured global notes.

16. Leases

16.1. Future minimum lease payments / receipts – finance leases

	Consolidated					
	Receipts			Payments		
Estimated lease payments / receivable	Future value	Annual interest	Present value	Future value	Annual interest	Present value
2018	309	(174)	135	98	(53)	45
2019 - 2022	2,009	(883)	1,126	636	(328)	308
2023 and thereafter	1,603	(297)	1,306	1,216	(814)	402
At March 31, 2018	3,921	(1,354)	2,567	1,950	(1,195)	755
Current			180			85
Non-current			2,387			670
At March 31, 2018			2,567			755
Current			180			84
Non-current			2,433			675
At December 31, 2017			2,613			759

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.

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	Consolidated
2018	23,281
2019	21,781
2020	20,710
2021	21,331
2022	19,181
2023 and thereafter	212,007
At March 31, 2018	318,291
At December 31, 2017	304,398

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As of March 31, 2018, the balance of estimated future minimum lease payments under operating leases includes R$ 173,440 (R$ 174,336 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 R$ 7,286 (R$ 8,436 in the first quarter of 2017) for operating leases installments.

17. Related-party transactions

The Company has a related-party transactions policy, which is annually revised and approved by the Board of Directors, and is applicable to all the Petrobras Group, in accordance with the Company's by-laws.

In order to ensure the goals of the Company are achieved and align them with transparency of processes and corporate governance best practices, this policy guides Petrobras and its workforce while entering into related-party transactions and dealing with potential conflicts of interest on these transactions, based on the following assumptions and provisions:

- Prioritization of the Company's interests regardless of the counterparty;
- Arm's length basis;
- Compliance with market conditions, especially concerning terms, prices and guarantees or with adequate compensatory payment;
- Accurate and timely disclosure in accordance with applicable authorities.

The Audit Committee must approve in advance transactions between the Company and its associates, the Brazilian Federal Government, including its agencies or similar bodies and controlled entities, taking into account the materiality established by this policy. The Audit Committee reports monthly to the Board of Directors.

Transactions with entities controlled by key management personnel or by their close family members are also approved in advance by the Audit Committee regardless of the amount involved.

Transactions with the Brazilian Federal Government, including its agencies or similar bodies and controlled entities, which are under the scope of Board of Directors approval, must be preceded by the Audit Committee and Minority Shareholders Committee assessment and must have prior approval of, at least, 2/3 of the board members.

The related-party transactions policy also aims to ensure an adequate and diligent decision-making process for the Company’s key management.

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17.1. Commercial transactions by operation with companies of the Petrobras' group (parent company)

	03.31.2018			12.31.2017		
	Current	Non-current	Total	Current	Non-current	Total
Assets						
Trade and other receivables						
Trade and other receivables, mainly from sales	10,391	–	10,391	11,776	–	11,776
Dividends receivable	1,234	–	1,234	1,161	–	1,161
Intercompany loans	–	31	31	–	34	34
Amounts related to construction of natural gas pipeline	–	826	826	–	845	845
Finance leases	97	–	97	103	–	103
Other operations	827	475	1,302	491	466	957
Assets held for sale	964	–	964	820	–	820
Total	13,513	1,332	14,845	14,351	1,345	15,696
Liabilities						
Finance leases	(1,484)	(3,200)	(4,684)	(1,242)	(3,592)	(4,834)
Intercompany loans	–	–	–	–	(3,315)	(3,315)
Prepayment of exports	(44,688)	(114,467)	(159,155)	(37,373)	(112,835)	(150,208)
Accounts payable to suppliers	(16,910)	–	(16,910)	(9,525)	–	(9,525)
Purchases of crude oil, oil products and others	(5,587)	–	(5,587)	(5,001)	–	(5,001)
Affreightment of platforms	(3,606)	–	(3,606)	(3,927)	–	(3,927)
Advances from clients	(1,116)	–	(1,116)	(597)	–	(597)
Others (*)	(6,601)	–	(6,601)	–	–	–
Other operations	(84)	(464)	(548)	(69)	(439)	(508)
Liabilities related to assets classified as held for sale	(44)	–	(44)	(44)	–	(44)
Total	(63,210)	(118,131)	(181,341)	(48,253)	(120,181)	(168,434)

Profit or Loss	Jan-Mar/2018	Jan-Mar/2017
Revenues, mainly sales revenues	35,320	32,222
Foreign exchange and inflation indexation charges	(1,279)	(1,938)
Financial income (expenses), net	(2,452)	(2,747)
Total	31,589	27,537

(*) It includes the acquisition of plataform P-74 of PNBV.

17.2. Commercial transactions with companies of the Petrobras' group (parent company)

	Income (expense)		03.31.2018			12.31.2017	03.31.2018			12.31.201
			Current	Non-current	Total	Total	Current	Non-current	Total	Total
	Jan-Mar/2018	Jan-Mar/2017	Assets	Assets	Assets	Assets	Liabilities	Liabilities	Liabilities	Liabilitie
Subsidiaries (*)										

BR	16,666	16,584	1,516	–	1,516	1,566	(161)	–	(161)	(307)
PIB BV	8,275	4,520	5,022	118	5,140	6,330	(46,068)	(114,467)	(160,535)	(154,072
Gaspetro	1,917	1,541	885	106	991	953	(370)	–	(370)	(372)
PNBV	377	599	2,244	13	2,257	1,812	(11,029)	–	(11,029)	(4,281)
Transpetro	235	244	845	227	1,072	1,011	(1,163)	–	(1,163)	(1,216)
Logigás	3	(11)	246	826	1,072	1,149	(203)	–	(203)	(238)
Thermoelectrics	(46)	(45)	24	29	53	86	(178)	(788)	(966)	(1,012)
Fundo de Investimento Imobiliário	(46)	(53)	98	–	98	98	(250)	(1,268)	(1,518)	(1,483)
TAG	11	67	615	–	615	612	(1,031)	–	(1,031)	(1,068)
PDET Off Shore (**)	(17)	(24)	–	–	–	–	(629)	–	(629)	(837)
Other subsidiaries	995	375	1,747	11	1,758	1,723	(801)	–	(801)	(679)
Total Subsidiaries	28,370	23,797	13,242	1,330	14,572	15,340	(61,883)	(116,523)	(178,406)	(165,565
Structured Entities										
CDMPI	(40)	(46)	–	–	–	–	(459)	(1,144)	(1,603)	(1,562)
Total Structured Entities	(40)	(46)	–	–	–	–	(459)	(1,144)	(1,603)	(1,562)
Associates and joint ventures										
Companies from the petrochemical sector	3,160	3,786	147	–	147	172	(17)	–	(17)	(34)
Other associates and joint ventures	99	–	124	2	126	184	(851)	(464)	(1,315)	(1,273)
Total associates and joint ventures	3,259	3,786	271	2	273	356	(868)	(464)	(1,332)	(1,307)
Total	31,589	27,537	13,513	1,332	14,845	15,696	(63,210)	(118,131)	(181,341)	(168,434

(*) It Includes its subsidiaries and joint ventures.

(**) On August 23, 2017, the Parent Company purchased the totality of shares of PDET Offshore, which became a wholly-owne subsidiary, no longer a structured entity.

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17.3. Annual rates for intercompany loans

	Parent Company			
	Assets		Liabilities	
	03.31.2018	12.31.2017	03.31.2018	12.31.2017
From 5.01% to 7%	–	–	–	(3,315)
From 7.01% to 9%	–	–	–	–
More than 9.01%	31	34	–	–
Total	31	34	–	(3,315)

17.4. Non standardized receivables investment fund

The Parent Company invests in the receivables investment fund FIDC-NP, which comprises mainly receivables and non-performing receivables arising from operations performed by subsidiaries of the Petrobras Group. Investments in FIDC-NP are recognized as other receivables.

The assignment of performing and non-performing receivables is recognized as current finance debt.

	Parent Company	
	03.31.2018	12.31.2017
Other receivables	8,070	14,222
Assignment of receivables	(19,021)	(25,499)
	Jan-Mar/2018	Jan-Mar/2017
Finance income FIDC-NP	218	337
Finance expense FIDC-NP	(336)	(642)
Net finance income (expense)	(119)	(305)

17.5. Guarantees

Petrobras guarantees certain financial operations carried out by its subsidiaries in Brazil and abroad.

Petrobras, based on contractual clauses that support the financial operations between the subsidiaries and third parties, offers guarantees, mainly fidejussory, to the payment of debt service in the event that a subsidiary defaults on a debt.

The outstanding balance of financial operations carried out by these subsidiaries and guaranteed by Petrobras is set out below:

	03.31.2018						12.31.2017
Maturity date of the loans	PGF (*)	PGT (**)	PNBV	TAG	Others	Total	Total

2018	923	–	336	–	34	1,293	1,780
2019	1,100	–	–	–	38	1,138	7,926
2020	5,449	3,822	1,147	–	3,639	14,057	15,497
2021	9,736	–	499	–	785	11,020	22,722
2022	12,422	17,201	3,324	3,726	1,777	38,450	40,152
2023 em diante	132,068	38,284	9,878	–	1,314	181,544	175,312
Total	161,698	59,307	15,184	3,726	7,587	247,502	263,389

(*) Petrobras Global Finance B.V., controlada da PIB BV.
(**) Petrobras Global Trading B.V., controlada da PIB BV.

Petrobras entered into two finance 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, amounting to R$ 33,656 (US$ 10,125 million) at March 31, 2018, and to R$ 35,775 (US$ 10,815 million) at December 31, 2017.

On January 30, 2018, the Company prepaid the remaining balance of a financing agreement with CDB maturing in 2019, in the amount of US$ 2.8 billion.

In accordance with the Company's Business and Management Plan (BMP 2018-2022), the extension of these terms is associated to a better indebtedness level, as set out in note 15.

17.6. Investment fund of subsidiaries abroad

At March 31, 2018, a subsidiary of PIB BV had R$ 4,745 (R$ 4,675 as of December 31, 2017) invested in an investment fund abroad that held debt securities of PGF, PDET and of consolidated structured entities, mainly with respect to CDMPI and Charter projects.

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17.7. Transactions with joint ventures, associates, government entities and pension plans

The Company has engaged, and expects to continue to engage, in the ordinary course of business in numerous transactions with joint ventures, associates, pension plans, as well as with the Company's controlling shareholder, the Brazilian federal government, which includes transactions with banks and other entities under its control, such as financing and banking, asset management and others.

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

	Consolidated					
	Jan-Mar/2018	03.31.2018		Jan-Mar/2017	12.31.2017	
	Income (expense)	Assets	Liabilities	Income (expense)	Assets	Liabilities
Joint ventures and associates						
State-controlled gas distributors	1,765	949	414	1,483	971	468
Petrochemical companies	3,036	153	34	3,769	194	53
Other associates and joint ventures	(630)	545	2,670	445	587	2,286
Subtotal	4,171	1,647	3,118	5,697	1,752	2,807
Government entities						
Government bonds	99	5,733	–	111	5,631	–
Banks controlled by the Brazilian Government	(1,111)	20,643	38,694	(1,411)	19,317	40,986
Receivables from the Electricity sector (note 8.4)	254	17,544	–	611	17,362	1
Petroleum and alcohol account - receivables from Brazilian Government	–	829	–	2	829	–
Others	192	148	496	216	149	716
Subtotal	(566)	44,897	39,190	(471)	43,288	41,703
Pension plans	–	231	197	–	226	311
Total	3,605	46,775	42,505	5,226	45,266	44,821
Revenues, mainly sales revenues	5,742			6,306		
Purchases and services	(1,363)			(55)		
Foreign exchange and inflation indexation charges, net	(274)			209		
Finance income (expenses), net	(500)			(1,234)		
Current assets		8,642			8,347	
Non-current assets		38,133			36,919	
Current liabilities			4,559			5,109
Non-current liabilities			37,946			39,712
Total	3,605	46,775	42,505	5,226	45,266	44,821

In addition to the aforementioned transactions, 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 hydrocarbons located in the pre-salt area limited to the production of five billion barrels of oil equivalent.

For detailed information on Assignment Agreement, see note 11.2.

17.8. Compensation of employees and key management personnel

The total compensation of Executive Officers and Board Members of Petrobras parent company is set out as follows:

	Jan-Mar/2018			Jan-Mar/2017		
	Officers	Board members	Total	Officers	Board members	Total
Wages and short-term benefits	4.0	0.2	4.2	3.8	0.3	4.1
Social security and other employee-related taxes	1.1	–	1.1	1.1	–	1.1
Post-employment benefits (pension plan)	0.4	–	0.4	0.3	–	0.3
Total compensation recognized in the statement of income	5.5	0.2	5.7	5.2	0.3	5.5
Average number of members in the period (*)	8.0	9.0	17.0	8.0	9.0	17.0
Average number of paid members in the period (**)	8.0	5.0	13.0	8.0	8.0	16.0

(*) Monthly average number of members.

(**) Monthly average number of paid members.

In the first quarter of 2018 the board members and executive officers of the Petrobras group received R$ 20.2 as compensation (R$ 20.0 in the first quarter of 2017).

The compensation of the Advisory Committees to the Board of Directors is apart from the fixed compensation set for the Board Members and, therefore, has not been classified under compensation of Petrobras' key management personnel.

In accordance with Brazilian regulation applicable to companies controlled by the Brazilian Government, Board members who are also members of the Audit Committee are only compensated with respect to their Audit Committee duties. The total compensation concerning these members totaled R$ 101 thousand in the first quarter of 2017 (R$ 121 thousand with social security and related charges).

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Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

The monthly compensation of Audit Committee members is fixed to 10% of monthly average executive officers' compensation, excluding certain social security benefits and paid vacation.

In the first quarter of 2018, the Board of Directors approved the variable compensation program (PRV) of the Board of Executive Officers for the year 2018. The amount of compensation to be paid varies according to the percentage of achievement of the financial and operational targets, limited to 8 compensations. The program foresees compensations being disbursed through 5 years and may also trigger other compensations to officers from 2019 provided the achievement of certain prerequisites.

The Company's General Shareholder's Meeting held on April 26, 2018 determined the amount of R$ 28.3 as the threshold of executive officers and board members compensation for the period from April 2018 to March 2019, as well as approved the increase in the number of board members to 11.

18. Provision for decommissioning costs

	Consolidated	
Non-current liabilities	03.31.2018	12.31.2017
Opening balance	46,785	33,412
Adjustment to provision	8	13,522
Transfers related to liabilities held for sale	–	(379)
Payments made	(256)	(2,265)
Interest accrued	590	2,418
Others	6	77
Closing balance	47,133	46,785

The estimates for abandonment and dismantling of oil and natural gas producing properties are revised annually at December 31 along with the annual process of oil and gas reserves certification and whenever an indication of significant change in the assumptions used in the estimates occurs.

For the first quarter of 2017, the unwinding of the discount on the provision for decommissioning costs (interest accrued) amounted to R$ 599.

19. Taxes

19.1. Income taxes and other taxes

Income tax and social contribution	Consolidated		
	Current assets	Current liabilities	Non-current liabilities

	03.31.2018	12.31.2017	03.31.2018	12.31.2017	03.31.2018	12.31.2017
Taxes in Brazil						
Income taxes	1,503	1,464	847	130	0	–
Income taxes - Tax settlement programs	–	–	660	753	2,249	2,219
	1,503	1,464	1,507	883	2,249	2,219
Taxes abroad	127	120	118	107	–	–
Total	1,630	1,584				