PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
November 14, 2017

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 November, 2017

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 September 30, 2017 and report on review of Quarterly Information

(A free translation of the original in Portuguese)

Index

(Expressed in millions of reais, unless otherwise indicated)

Report on the review of quarterly information - ITR	4
Parent Company Interim Accounting Information / Statement of Financial Position - Assets	6
Parent Company Interim Accounting Information / Statement of Financial Position - Liabilities	7
Parent Company Interim Accounting Information / Statement of Income	8
Parent Company Interim Accounting Information / Statement of Comprehensive Income	9
Parent Company Interim Accounting Information / Statement of Cash Flows - Indirect Method	10
Parent Company Interim Accounting Information / Statement of Changes in Shareholders' Equity - 01/01/2017 to 09/30/2017	11
Parent Company Interim Accounting Information / Statement of Changes in Shareholders' Equity - 01/01/2016 to 09/30/2016	12
Parent Company Interim Accounting Information / Statement of Added Value	13
Consolidated Interim Accounting Information / Statement of Financial Position - Assets	14
Consolidated Interim Accounting Information / Statement of Financial Position - Liabilities	15
Consolidated Interim Accounting Information / Statement of Income	16
Consolidated Interim Accounting Information / Statement of Comprehensive Income	17
Consolidated Interim Accounting Information / Statement of Cash Flows - Indirect Method	18
Consolidated Interim Accounting Information / Statement of Changes in Shareholders' Equity - 01/01/2017 to 09/30/2017	19
Consolidated Interim Accounting Information / Statement of Changes in Shareholders' Equity - 01/01/2016 to 09/30/2016	20
Consolidated Interim Accounting Information / Statement of Added Value	21
Notes to the financial statements	22
1. The Company and its operations	22
2. Basis of presentation of interim financial information	22
3. The "Lava Jato (Car Wash) investigation" and its effects on the Company	23
4. Basis of consolidation	24
5. Summary of significant accounting policies	24
6. Cash and cash equivalents and Marketable securities	24
7. Trade and other receivables	26
8. Inventories	29
9. Disposal of Assets and other changes in organizational structure	30
10. Investments	34
11. Property, plant and equipment	36
12. Intangible assets	37
13. Impairment	38
14. Exploration and evaluation of oil and gas reserves	39
15. Trade payables	39
16. Finance debt	39
17. Leases	42
18. Related-party transactions	43
19. Provision for decommissioning costs	47
20. Taxes	47

21. Employee benefits (Post-Employment)	54
22. Profit sharing	56
23. Shareholders' equity	57
24. Sales revenues	57
25. Other income and expenses	58
26. Costs and Expenses by nature	58
27. Net finance income (expense)	59
28. Supplemental information on statement of cash flows	59
29. Segment information	60
30. Provisions for legal proceedings	63
31. Collateral for crude oil exploration concession agreements	70
32. Risk management	70
33. Fair value of financial assets and liabilities	75
34. Subsequent events	75
35. Correlation between the notes disclosed in the complete annual financial statements as of December 31, 2016 and the interim statements as of September 30, 2017	76

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"), included in the quarterly information form - ITR for the quarter ended September 30, 2017, which comprises individual and consolidated balance sheet as of September 30, 2017, and the respective individual and consolidated statements of income and comprehensive income for the three and nine month period ended on that date, and changes in shareholders' equity and cash flows for the nine month period ended on that date, 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.

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.

We also draw attention to Note 29.4 of the interim accounting information which describes class actions filed against the Company, for which it is unable to make a reliable estimates of loss.

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

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.

Other matters - Statements of added value

The individual and consolidated statements of value added for the quarter ended September 30, 2017, 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.

Corresponding balances related to the prior year audit and corresponding balances to the second quarter review of the prior year

The corresponding balances related to the individual and consolidated balance sheets as of December 31, 2016 were audited by other independent auditors, who issued an unqualified report dated March 21, 2017, and the individual and consolidated interim statements of and the respective statements of income and comprehensive income for the three and nine month period ended September 30, 2016, and changes in shareholders' equity and cash flows for the nine month period ended September 30, 2016, that were reviewed by other independent auditors who issued an unqualified report dated November 10, 2016. The corresponding balances related to the individual and consolidated statements of value added for the nine-month period ended September 30, 2016 were submitted to the same review procedures by those independent auditors and, based on their review, those independent auditors reported that they were not aware of any fact that would lead them to believe that the statement of value added was not prepared, in all material respects, in accordance with the individual and consolidated interim accounting information taken as a whole.

Rio de Janeiro, November 13, 2017.

KPMG Auditores Independentes

CRC SP-014428/O-6 F-RJ

Marcelo Gavioli

Accountant CRC 1SP201409/O-1

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.

5

Parent Company Interim Accounting Information / Statement of Financial Position - Assets

(R$ Thousand)

Account Code	Account Description	Current Quarter 09/30/2017	Previous Fiscal Year 12/31/2016
1	Total Assets	690,349,000	682,088,000
1.01	Current Assets	77,075,000	81,264,000
1.01.01	Cash and Cash Equivalents	3,184,000	6,267,000
1.01.02	Marketable Securities	3,680,000	2,487,000
1.01.03	Trade and Other Receivables	32,181,000	31,073,000
1.01.04	Inventories	22,288,000	23,500,000
1.01.06	Recoverable Taxes	5,770,000	5,850,000
1.01.06.01	Current Recoverable Taxes	5,770,000	5,850,000
1.01.06.01.01	Current Income Tax and Social Contribution	555,000	786,000
1.01.06.01.02	Other Recoverable Taxes	5,215,000	5,064,000
1.01.08	Other Current Assets	9,972,000	12,087,000
1.01.08.01	Non-Current Assets Held for Sale	4,511,000	8,260,000
1.01.08.03	Others	5,461,000	3,827,000
1.01.08.03.01	Advances to Suppliers	245,000	361,000
1.01.08.03.02	Others	5,216,000	3,466,000
1.02	Non-Current Assets	613,274,000	600,824,000
1.02.01	Long-Term Receivables	42,573,000	46,098,000
1.02.01.02	Marketable Securities Measured at Amortized Cost	300,000	286,000
1.02.01.03	Trade and Other Receivables	9,660,000	10,262,000
1.02.01.06	Deferred Taxes	9,324,000	14,199,000
1.02.01.06.01	Deferred Income Tax and Social Contribution	–	4,873,000
1.02.01.06.02	Deferred Taxes and Contributions	9,324,000	9,326,000
1.02.01.09	Other Non-Current Assets	23,289,000	21,351,000
1.02.01.09.03	Advances to Suppliers	528,000	510,000
1.02.01.09.04	Judicial Deposits	13,603,000	11,735,000
1.02.01.09.05	Other Long-Term Assets	9,158,000	9,106,000
1.02.02	Investments	139,800,000	121,191,000
1.02.03	Property, Plant and Equipment	422,280,000	424,771,000
1.02.04	Intangible Assets	8,621,000	8,764,000

Parent Company Interim Accounting Information / Statement of Financial Position - Liabilities

(R$ Thousand)

Account Code	Account Description	Current Quarter 09/30/2017	Previous Fiscal Year 12/31/2016
2	Total Liabilities	690,349,000	682,088,000
2.01	Current Liabilities	108,297,000	113,431,000
2.01.01	Payroll, Profit Sharing and Related Charges	4,490,000	6,158,000
2.01.02	Trade Payables	23,022,000	24,384,000
2.01.03	Taxes Obligations	257,000	–
2.01.03.01	Federal Taxes Obligations	257,000	–
2.01.03.01.01	Income Tax and Social Contribution Payable	257,000	–
2.01.04	Current Debt and Finance Lease Obligations	60,220,000	63,149,000
2.01.04.01	Current Debt	58,968,000	62,058,000
2.01.04.03	Finance Lease Obligations	1,252,000	1,091,000
2.01.05	Other Liabilities	17,415,000	17,037,000
2.01.05.02	Others	17,415,000	17,037,000
2.01.05.02.04	Other Taxes and Contributions	11,788,000	11,219,000
2.01.05.02.05	Other Accounts Payable	5,627,000	5,818,000
2.01.06	Provisions	2,697,000	2,533,000
2.01.06.02	Other Provisions	2,697,000	2,533,000
2.01.06.02.04	Pension and Medical Benefits	2,697,000	2,533,000
2.01.07	Liabilities Associated with Non-Current Assets Held for Sale and Discontinued	196,000	170,000
2.01.07.01	Liabilities Associated with Non-Current Assets Held for Sale	196,000	170,000
2.02	Non-Current Liabilities	320,288,000	318,427,000
2.02.01	Non-Current Debt and Finance Lease Obligations	198,594,000	211,396,000
2.02.01.01	Non-Current Debt	194,077,000	206,421,000
2.02.01.03	Finance Lease Obligations	4,517,000	4,975,000
2.02.02	Other Liabilities	2,884,000	–
2.02.02.02	Others	2,884,000	–
2.02.02.02.03	Income Tax and Social Contribution	2,884,000	–
2.02.03	Deferred Taxes	5,925,000	–
2.02.03.01	Deferred Income Tax and Social Contribution	5,925,000	
2.02.04	Provisions	112,885,000	107,031,000
2.02.04.01	Provisions for Tax Social Security, Labor and Civil Lawsuits	9,549,000	8,391,000
2.02.04.02	Other Provisions	103,336,000	98,640,000
2.02.04.02.04	Pension and Medical Benefits	68,862,000	64,903,000
2.02.04.02.05	Provision for Decommissioning Costs	32,891,000	32,615,000
2.02.04.02.06	Other Provisions	1,583,000	1,122,000
2.03	Shareholders' Equity	261,764,000	250,230,000
2.03.01	Share Capital	205,432,000	205,432,000
2.03.02	Capital Reserves	1,252,000	1,251,000
2.03.04	Profit Reserves	77,584,000	77,584,000
2.03.05	Retained Earnings/Losses	5,038,000	–
2.03.08	Other Comprehensive Income	(27,542,000)	(34,037,000)

Parent Company Interim Accounting Information / Statement of Income

(R$ thousand)

Account Code	Account Description	Current Quarter 07/01/2017 to 09/30/2017	Accumulated of the Current Year 01/01/2017 to 09/30/2017	Same Quarter of the Previous Year 07/01/2016 to 09/30/2016	Accumulated of the Previous Year 01/01/2016 to 09/30/2016
3.01	Sales Revenues	56,391,000	165,950,000	55,934,000	166,642,000
3.02	Cost of Sales	(40,491,000)	(114,509,000)	(36,895,000)	(115,073,000)
3.03	Gross Profit	15,900,000	51,441,000	19,039,000	51,569,000
3.04	Operating Expenses / Income	(10,880,000)	(22,236,000)	(31,676,000)	(52,318,000)
3.04.01	Selling Expenses	(5,001,000)	(13,829,000)	(4,237,000)	(12,622,000)
3.04.02	General and Administrative Expenses	(1,711,000)	(4,844,000)	(2,290,000)	(6,148,000)
3.04.05	Other Operating Expenses	(5,858,000)	(8,959,000)	(13,988,000)	(27,717,000)
3.04.05.01	Other Taxes	(743,000)	(3,353,000)	(366,000)	(688,000)
3.04.05.02	Research and Development Expenses	(424,000)	(1,309,000)	(490,000)	(1,499,000)
3.04.05.03	Exploration Costs	(436,000)	(1,324,000)	(1,472,000)	(4,159,000)
3.04.05.05	Other Operating Expenses, Net	(4,217,000)	(2,844,000)	(3,135,000)	(11,381,000)
3.04.05.07	Impairment of Assets Charges / Reversals	(38,000)	(129,000)	(8,525,000)	(9,990,000)
3.04.06	Share of Profit / Gains on Interest in Equity-Accounted Investments	1,690,000	5,396,000	(11,161,000)	(5,831,000)
3.05	Net Income Before Financial Results, Profit Sharing and Income Taxes	5,020,000	29,205,000	(12,637,000)	(749,000)
3.06	Finance Income (Expenses), Net	(4,834,000)	(16,020,000)	(5,672,000)	(19,793,000)
3.06.01	Finance Income	796,000	2,166,000	632,000	1,773,000
3.06.01.01	Finance Income	796,000	2,166,000	632,000	1,773,000
3.06.02	Finance Expenses	(5,630,000)	(18,186,000)	(6,304,000)	(21,566,000)
3.06.02.01	Finance Expenses	(3,688,000)	(13,108,000)	(4,693,000)	(14,601,000)
3.06.02.02	Foreign Exchange and Inflation Indexation Charges, Net	(1,942,000)	(5,078,000)	(1,611,000)	(6,965,000)
3.07	Net Income Before Income Taxes	186,000	13,185,000	(18,309,000)	(20,542,000)
3.08	Income Tax and Social Contribution	80,000	(8,154,000)	1,851,000	3,208,000
3.08.01	Current	(36,000)	(1,945,000)	-	-

3.08.02	Deferred	116,000	(6,209,000)	1,851,000	3,208,000
3.09	Net Income from Continuing Operations	266,000	5,031,000	(16,458,000)	(17,334,000)
3.11	Income / Loss for the Period	266,000	5,031,000	(16,458,000)	(17,334,000)
3.99	Basic Income per Share (Reais / Share)				
3.99.01	Basic Income per Share				
3.99.01.01	Common	0.02000	0.39000	(1.26000)	(1.33000)
3.99.01.02	Preferred	0.02000	0.39000	(1.26000)	(1.33000)
3.99.02	Diluted Income per Share				
3.99.02.01	Common	0.02000	0.39000	(1.26000)	(1.33000)
3.99.02.02	Preferred	0.02000	0.39000	(1.26000)	(1.33000)

Parent Company Interim Accounting Information / Statement of Comprehensive Income

(R$ thousand)

Account Code	Account Description	Current Quarter 07/01/2017 to 09/30/2017	Accumulated of the Current Year 01/01/2017 to 09/30/2017	Same Quarter of the Previous Year 07/01/2016 to 09/30/2016	Accumulated of the Previous Year 01/01/2016 to 09/30/2016
4.01	Net Income for the Period	266,000	5,031,000	(16,458,000)	(17,334,000)
4.02	Other Comprehensive Income	2,873,000	6,502,000	4,590,000	22,114,000
4.02.03	Cumulative Translation Adjustments	(4,193,000)	(2,618,000)	4,638,000	(11,426,000)
4.02.07	Unrealized Gains / (Losses) on Cash Flow Hedge - Recognized in Shareholders' Equity	7,725,000	5,297,000	(1,946,000)	37,210,000
4.02.08	Cash Flow Hedge - Reclassified to Profit or Loss	2,046,000	5,880,000	1,940,000	6,864,000
4.02.09	Deferred Income Tax and Social Contribution on Cash Flow Hedge	(3,322,000)	(3,800,000)	2,000	(14,985,000)
4.02.10	Share of Other Comprehensive Income of Equity-Accounted Investments	617,000	1,743,000	(44,000)	4,451,000
4.03	Total Comprehensive Income for the Period	3,139,000	11,533,000	(11,868,000)	4,780,000

Parent Company Interim Accounting Information / Statement of Cash Flows – Indirect Method

(R$ Thousand)

Account Code	Account Description	Accumulated of the Current Year 01/01/2017 to 09/30/2017	Accumulated of the Previous Year 01/01/2016 to 09/30/2016
6.01	Net cash provided by operating activities	29,028,000	30,357,000
6.01.01	Cash provided by operating activities	49,052,000	51,756,000
6.01.01.01	Net Income (loss) for the period	5,031,000	(17,334,000)
6.01.01.02	Pension and medical benefits (actuarial expense)	5,994,000	5,557,000
6.01.01.03	Results in equity-accounted investments	(5,396,000)	5,831,000
6.01.01.04	Depreciation, depletion and amortization	24,455,000	28,630,000
6.01.01.05	Impairment of assets (reversal)	129,000	9,990,000
6.01.01.06	Exploratory expenditures write-offs	486,000	2,899,000
6.01.01.07	Gains and losses on disposals/write-offs of assets	(4,878,000)	370,000
6.01.01.08	Foreign exchange, indexation and finance charges	15,302,000	19,525,000
6.01.01.09	Deferred income taxes, net	6,209,000	(3,208,000)
6.01.01.10	Allowance (reversals) for impairment of trade and others receivables	646,000	1,037,000
6.01.01.13	Revision and unwinding of discount on the provision for decommissioning costs	1,772,000	(1,541,000)
6.01.01.15	Gain on remeasurement of investment retained with loss of control	(698,000)	–
6.01.02	Decrease / (increase) in assets / increase/ (decrease) in liabilities	(20,024,000)	(21,399,000)
6.01.02.01	Trade and other receivables, net	(17,579,000)	(11,244,000)
6.01.02.02	Inventories	758,000	416,000
6.01.02.03	Judicial deposits	(1,868,000)	(1,602,000)
6.01.02.04	Other assets	(794,000)	(2,989,000)
6.01.02.05	Trade payables	(1,440,000)	(5,990,000)
6.01.02.06	Other taxes payable	6,004,000	(2,290,000)
6.01.02.07	Pension and medical benefits	(1,870,000)	(1,606,000)
6.01.02.08	Income tax and social contribution paid	(1,391,000)	–
6.01.02.09	Other liabilities	(1,844,000)	3,906,000
6.02	Net cash used in investing activities	(24,682,000)	(22,218,000)
6.02.01	Capital expenditures	(20,126,000)	(24,618,000)
6.02.02	Increase in investments in investees	(12,589,000)	(2,194,000)
6.02.03	Proceeds from disposal of assets - Divestment	7,854,000	–
6.02.04	Divestment (investment) in marketable securities	(3,443,000)	2,258,000
6.02.05	Dividends received	3,622,000	2,336,000

6.03	Net cash used in financing activities	(7,429,000)	(19,416,000)
6.03.02	Proceeds from financing	69,697,000	47,466,000
6.03.03	Repayment of principal	(66,165,000)	(61,451,000)
6.03.04	Repayment of interest	(10,961,000)	(5,431,000)
6.05	Net increase/ (decrease) in cash and cash equivalents	(3,083,000)	(11,277,000)
6.05.01	Cash and cash equivalents at the beginning of the year	6,267,000	16,553,000
6.05.02	Cash and cash equivalents at the end of the period	3,184,000	5,276,000

Parent Company Interim Accounting Information / Statement of Changes in Shareholders' Equity - 01/01/2017 to 09/30/2017

(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
5.03	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	–	7,000	(7,000)	1,000
5.04.08	Change in Interest in Subsidiaries	–	1,000	–	–	–	1,000
5.04.09	Realization of the Deemed Cost	–	–	–	7,000	(7,000)	–
5.05	Total of Comprehensive Income	–	–	–	5,031,000	6,502,000	11,533,000
5.05.01	Net Income for the Period	–	–	–	5,031,000	–	5,031,000
5.05.02	Other Comprehensive Income	–	–	–	–	6,502,000	6,502,000
5.07	Balance at the End of the Period	205,432,000	1,252,000	77,584,000	5,038,000	(27,542,000)	261,764,000

Parent Company Interim Accounting Information / Statement of Changes in Shareholders’ Equity - 01/01/2016 to 09/30/2016

(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	237,000	92,396,000	–	(43,334,000)	254,731,000
5.03	Adjusted Opening Balance	205,432,000	237,000	92,396,000	–	(43,334,000)	254,731,000
5.04	Capital Transactions with Owners	–	24,000	–	10,000	(10,000)	24,000
5.04.08	Change in Interest in Subsidiaries	–	24,000	–	–	–	24,000
5.04.09	Realization of the Deemed Cost	–	–	–	10,000	(10,000)	–
5.05	Total of Comprehensive Income	–	–	–	(17,334,000)	22,114,000	4,780,000
5.05.01	Net Income for the Period	–	–	–	(17,334,000)	–	(17,334,000)
5.05.02	Other Comprehensive Income	–	–	–	–	22,114,000	22,114,000
5.07	Balance at the End of the Period	205,432,000	261,000	92,396,000	(17,324,000)	(21,230,000)	259,535,000

12

Parent Company Interim Accounting Information / Statement of Added Value

(R$ Thousand)

Account Code	Account Description	Accumulated of the Current Year 01/01/2017 to 09/30/2017	Accumulated of the Previous Year 01/01/2016 to 09/30/2016
7.01	Sales Revenues	256,887,000	253,661,000
7.01.01	Sales of Goods and Services	222,066,000	222,192,000
7.01.02	Other Revenues	12,208,000	5,439,000
7.01.03	Revenues Related to the Construction of Assets to be Used in Own Operations	23,259,000	27,067,000
7.01.04	Allowance / Reversal for Impairment of Trade Receivables	(646,000)	(1,037,000)
7.02	Inputs Acquired from Third Parties	(89,388,000)	(97,003,000)
7.02.01	Cost of Sales	(31,323,000)	(32,455,000)
7.02.02	Materials, Power, Third-Party Services and Other Operating Expenses	(43,352,000)	(41,250,000)
7.02.03	Impairment Charges / Reversals of Assets	(129,000)	(9,990,000)
7.02.04	Others	(14,584,000)	(13,308,000)
7.02.04.01	Tax Credits on Inputs Acquired from Third Parties	(14,584,000)	(13,308,000)
7.03	Gross Added Value	167,499,000	156,658,000
7.04	Retentions	(24,455,000)	(28,630,000)
7.04.01	Depreciation, Amortization and Depletion	(24,455,000)	(28,630,000)
7.05	Net Added Value Produced	143,044,000	128,028,000
7.06	Transferred Added Value	8,247,000	(4,598,000)
7.06.01	Share of Profit of Equity-Accounted Investments	5,396,000	(5,831,000)
7.06.02	Finance Income	2,166,000	589,000
7.06.03	Others	685,000	644,000
7.07	Total Added Value to be Distributed	151,291,000	123,430,000
7.08	Distribution of Added Value	151,291,000	123,430,000
7.08.01	Employee Compensation	17,614,000	22,316,000
7.08.01.01	Salaries	10,026,000	10,820,000
7.08.01.02	Fringe Benefits	6,793,000	10,664,000
7.08.01.03	Unemployment Benefits (FGTS)	795,000	832,000
7.08.02	Taxes and Contributions	70,284,000	53,277,000
7.08.02.01	Federal	49,810,000	28,834,000
7.08.02.02	State	20,309,000	24,202,000
7.08.02.03	Municipal	165,000	241,000
7.08.03	Return on Third-Party Capital	58,362,000	65,171,000
7.08.03.01	Interest	21,600,000	23,771,000
7.08.03.02	Rental Expenses	36,762,000	41,400,000
7.08.04	Return on Shareholders' Equity	5,031,000	(17,334,000)
7.08.04.03	Retained Earnings / (Losses) for the Period	5,031,000	(17,334,000)

Consolidated Interim Accounting Information / Statement of Financial Position - Assets

(R$ Thousand)

Account Code	Account Description	Current Quarter 09/30/2017	Previous Fiscal Year 12/31/2016
1	Total Assets	803,870,000	804,945,000
1.01	Current Assets	143,942,000	145,907,000
1.01.01	Cash and Cash Equivalents	74,431,000	69,108,000
1.01.02	Marketable Securities	5,744,000	2,556,000
1.01.03	Trade and Other Receivables	16,525,000	15,543,000
1.01.04	Inventories	25,851,000	27,622,000
1.01.06	Recoverable Taxes	7,899,000	8,153,000
1.01.06.01	Current Recoverable Taxes	7,899,000	8,153,000
1.01.06.01.01	Current Income Tax and Social Contribution	1,531,000	1,961,000
1.01.06.01.02	Other Recoverable Taxes	6,368,000	6,192,000
1.01.08	Other Current Assets	13,492,000	22,925,000
1.01.08.01	Non-Current Assets Held for Sale	6,912,000	18,669,000
1.01.08.03	Others	6,580,000	4,256,000
1.01.08.03.01	Advances to Suppliers	414,000	540,000
1.01.08.03.02	Others	6,166,000	3,716,000
1.02	Non-Current Assets	659,928,000	659,038,000
1.02.01	Long-Term Receivables	66,247,000	66,551,000
1.02.01.02	Marketable Securities Measured at Amortized Cost	734,000	293,000
1.02.01.03	Trade and Other Receivables	16,000,000	14,832,000
1.02.01.06	Deferred Taxes	20,512,000	24,274,000
1.02.01.06.01	Deferred Income Tax and Social Contribution	10,106,000	14,038,000
1.02.01.06.02	Deferred Taxes and Contributions	10,406,000	10,236,000
1.02.01.09	Other Non-Current Assets	29,001,000	27,152,000
1.02.01.09.03	Advances to Suppliers	3,529,000	3,742,000
1.02.01.09.04	Judicial Deposits	14,937,000	13,032,000
1.02.01.09.05	Other Long-Term Assets	10,535,000	10,378,000
1.02.02	Investments	12,660,000	9,948,000
1.02.03	Property, Plant and Equipment	570,783,000	571,876,000
1.02.04	Intangible Assets	10,238,000	10,663,000

Consolidated Interim Accounting Information / Statement of Financial Position - Liabilities

(R$ Thousand)

Account Code	Account Description	Current Quarter 09/30/2017	Previous Fiscal Year 12/31/2016
2	Total Liabilities	803,870,000	804,945,000
2.01	Current Liabilities	71,248,000	81,167,000
2.01.01	Payroll, Profit Sharing and Related Charges	5,240,000	7,159,000
2.01.02	Trade Payables	18,949,000	18,781,000
2.01.03	Taxes Obligations	1,151,000	412,000
2.01.03.01	Federal Taxes Obligations	1,151,000	412,000
2.01.03.01.01	Income Tax and Social Contribution Payable	1,151,000	412,000
2.01.04	Current Debt and Finance Lease Obligations	23,429,000	31,855,000
2.01.04.01	Current Debt	23,346,000	31,796,000
2.01.04.03	Finance Lease Obligations	83,000	59,000
2.01.05	Other Liabilities	18,865,000	18,683,000
2.01.05.02	Others	18,865,000	18,683,000
2.01.05.02.04	Other Taxes and Contributions	12,375,000	11,826,000
2.01.05.02.05	Other Accounts Payable	6,490,000	6,857,000
2.01.06	Provisions	2,842,000	2,672,000
2.01.06.02	Other Provisions	2,842,000	2,672,000
2.01.06.02.04	Pension and Medical Benefits	2,842,000	2,672,000
2.01.07	Liabilities Associated with Non-Current Assets Held for Sale and Discontinued	772,000	1,605,000
2.01.07.01	Liabilities Associated with Non-Current Assets Held for Sale	772,000	1,605,000
2.02	Non-Current Liabilities	468,103,000	471,035,000
2.02.01	Non-Current Debt and Finance Lease Obligations	335,983,000	353,929,000
2.02.01.01	Non-Current Debt	335,278,000	353,193,000
2.02.01.03	Finance Lease Obligations	705,000	736,000
2.02.02	Other Liabilities	2,950,000	–
2.02.02.02	Others	2,950,000	–
2.02.02.02.03	Income Tax and Social Contribution	2,950,000	–
2.02.03	Deferred Taxes	6,721,000	856,000
2.02.03.01	Deferred Income Tax and Social Contribution	6,721,000	856,000
2.02.04	Provisions	122,449,000	116,250,000
2.02.04.01	Provisions for Tax Social Security, Labor and Civil Lawsuits	12,120,000	11,052,000
2.02.04.02	Other Provisions	110,329,000	105,198,000
2.02.04.02.04	Pension and Medical Benefits	74,374,000	69,996,000
2.02.04.02.05	Provision for Decommissioning Costs	33,749,000	33,412,000
2.02.04.02.06	Other Provisions	2,206,000	1,790,000
2.03	Shareholders' Equity	264,519,000	252,743,000
2.03.01	Share Capital	205,432,000	205,432,000
2.03.02	Capital Reserves	1,036,000	1,035,000
2.03.04	Profit Reserves	77,800,000	77,800,000

2.03.05	Retained Earnings/Losses	5,038,000	–
2.03.08	Other Comprehensive Income	(27,542,000)	(34,037,000)
2.03.09	Non-Controlling Interests	2,755,000	2,513,000

15

Consolidated Interim Accounting Information / Statement of Income

(R$ Thousand)

Account Code	Account Description	Current Quarter 07/01/2017 to 09/30/2017	Accumulated of the Current Year 01/01/2017 to 09/30/2017	Same Quarter of the Previous Year 07/01/2016 to 09/30/2016	Accumulated of the Previous Year 01/01/2016 to 09/30/2016
3.01	Sales Revenues	71,822,000	207,183,000	70,443,000	212,100,000
3.02	Cost of Sales	(50,585,000)	(140,791,000)	(47,106,000)	(144,934,000)
3.03	Gross Profit	21,237,000	66,392,000	23,337,000	67,166,000
3.04	Operating Expenses / Income	(13,021,000)	(27,689,000)	(33,509,000)	(61,220,000)
3.04.01	Selling Expenses	(4,237,000)	(10,516,000)	(3,333,000)	(10,774,000)
3.04.02	General and Administrative Expenses	(2,451,000)	(6,979,000)	(3,041,000)	(8,537,000)
3.04.05	Other Operating Expenses	(6,771,000)	(11,859,000)	(26,995,000)	(42,555,000)
3.04.05.01	Other Taxes	(1,013,000)	(4,373,000)	(612,000)	(1,600,000)
3.04.05.02	Research and Development Expenses	(425,000)	(1,311,000)	(491,000)	(1,501,000)
3.04.05.03	Exploration Costs	(671,000)	(1,570,000)	(1,859,000)	(4,647,000)
3.04.05.05	Other Operating Expenses, Net	(4,518,000)	(4,254,000)	(8,741,000)	(18,037,000)
3.04.05.07	Impairment of Assets Charges / Reversals	(144,000)	(351,000)	(15,292,000)	(16,770,000)
3.04.06	Share of Profit / Gains on Interest in Equity-Accounted Investments	438,000	1,665,000	(140,000)	646,000
3.05	Net Income Before Financial Results, Profit Sharing and Income Taxes	8,216,000	38,703,000	(10,172,000)	5,946,000
3.06	Finance Income (Expenses), Net	(7,411,000)	(24,001,000)	(7,122,000)	(21,876,000)
3.06.01	Finance Income	741,000	2,725,000	1,191,000	2,841,000
3.06.01.01	Finance Income	741,000	2,725,000	1,191,000	2,841,000
3.06.02	Finance Expenses	(8,152,000)	(26,726,000)	(8,313,000)	(24,717,000)
3.06.02.01	Finance Expenses	(5,231,000)	(18,044,000)	(6,171,000)	(18,455,000)
3.06.02.02	Foreign Exchange and Inflation Indexation Charges, Net	(2,921,000)	(8,682,000)	(2,142,000)	(6,262,000)
3.07	Net Income Before Income Taxes	805,000	14,702,000	(17,294,000)	(15,930,000)
3.08	Income Tax and Social Contribution	(155,000)	(8,953,000)	971,000	125,000
3.08.01	Current	(853,000)	(4,252,000)	(1,009,000)	(4,557,000)

3.08.02	Deferred	698,000	(4,701,000)	1,980,000	4,682,000
3.09	Net Income from Continuing Operations	650,000	5,749,000	(16,323,000)	(15,805,000)
3.11	Income / Loss for the Period	650,000	5,749,000	(16,323,000)	(15,805,000)
3.11.01	Attributable to Shareholders of Petrobras	266,000	5,031,000	(16,458,000)	(17,334,000)
3.11.02	Attributable to Non-Controlling Interests	384,000	718,000	135,000	1,529,000
3.99	Basic Income per Share (Reais / Share)	–	–	–	–
3.99.01	Basic Income per Share				
3.99.01.01	Common	0.02000	0.39000	(1.26000)	(1.33000)
3.99.01.02	Preferred	0.02000	0.39000	(1.26000)	(1.33000)
3.99.02	Diluted Income per Share				
3.99.02.01	Common	0.02000	0.39000	(1.26000)	(1.33000)
3.99.02.02	Preferred	0.02000	0.39000	(1.26000)	(1.33000)

Consolidated Interim Accounting Information / Statement of Comprehensive Income

(R$ Thousand)

Account Code	Account Description	Current Quarter 07/01/2017 to 09/30/2017	Accumulated of the Current Year 01/01/2017 to 09/30/2017	Same Quarter of the Previous Year 07/01/2016 to 09/30/2016	Accumulated of the Previous Year 01/01/2016 to 09/30/2016
4.01	Consolidated Net Income for the Period	650,000	5,749,000	(16,323,000)	(15,805,000)
4.02	Other Comprehensive Income	2,786,000	6,426,000	4,642,000	21,414,000
4.02.03	Cumulative Translation Adjustments	(4,280,000)	(2,694,000)	4,690,000	(12,126,000)
4.02.04	Unrealized Gains / (Losses) on Available-for-Sale Securities - Recognized in Shareholders' Equity	15,000	(27,000)		
4.02.07	Unrealized Gains / (Losses) on Cash Flow Hedge - Recognized in Shareholders' Equity	7,772,000	5,491,000	(2,174,000)	41,313,000
4.02.08	Cash Flow Hedge - Reclassified to Profit or Loss	2,569,000	7,375,000	2,137,000	7,534,000
4.02.09	Deferred Income Tax and Social Contribution on Cash Flow Hedge	(3,516,000)	(4,375,000)	16,000	(16,602,000)
4.02.10	Share of Other Comprehensive Income of Equity-Accounted Investments	226,000	656,000	(27,000)	1,295,000
4.03	Total Consolidated Comprehensive Income for the Period	3,436,000	12,175,000	(11,681,000)	5,609,000
4.03.01	Attributable to Shareholders of Petrobras	3,139,000	11,533,000	(11,869,000)	4,780,000
4.03.02	Attributable to Non-controlling Interests	297,000	642,000	188,000	829,000

Consolidated Interim Accounting Information / Statement of Cash Flows – Indirect Method

(R$ Thousand)

Account Code	Account Description	Accumulated of the Current Year 01/01/2017 to 09/30/2017	Accumulated of the Previous Year 01/01/2016 to 09/30/2016
6.01	Net cash provided by operating activities	66,900,000	66,130,000
6.01.01	Cash provided by operating activities	70,194,000	70,369,000
6.01.01.01	Net Income (loss) for the period	5,749,000	(15,805,000)
6.01.01.02	Pension and medical benefits (actuarial expense)	6,528,000	6,010,000
6.01.01.03	Results in equity-accounted investments	(1,665,000)	(646,000)
6.01.01.04	Depreciation, depletion and amortization	32,033,000	37,314,000
6.01.01.05	Impairment of assets (reversal)	351,000	16,770,000
6.01.01.06	Exploratory expenditures write-offs	715,000	3,325,000
6.01.01.07	Gains and losses on disposals/write-offs of assets	(5,269,000)	894,000
6.01.01.08	Foreign exchange, indexation and finance charges	23,494,000	22,204,000
6.01.01.09	Deferred income taxes, Net	4,701,000	(4,682,000)
6.01.01.10	Allowance (reversals) for impairment of trade and others receivables	2,033,000	1,695,000
6.01.01.11	Inventory write-down to net realizable value	216,000	1,195,000
6.01.01.12	Reclassification of cumulative translation adjustment	185,000	3,627,000
6.01.01.13	Revision and unwinding of discount on the provision for decommissioning costs	1,821,000	(1,532,000)
6.01.01.14	Gain on remeasurement of investment retained with loss of control	(698,000)	–
6.01.02	Decrease / (increase) in assets / increase/ (decrease) in liabilities	(3,294,000)	(4,239,000)
6.01.02.01	Trade and other receivables, net	(2,476,000)	3,165,000
6.01.02.02	Inventories	977,000	(1,293,000)
6.01.02.03	Judicial deposits	(1,840,000)	(1,734,000)
6.01.02.04	Other assets	(526,000)	(1,992,000)
6.01.02.05	Trade payables	(226,000)	(5,312,000)
6.01.02.06	Other taxes payable	7,217,000	308,000
6.01.02.07	Pension and medical benefits	(1,973,000)	(1,728,000)
6.01.02.08	Income tax and social contribution paid	(2,127,000)	(895,000)
6.01.02.09	Other liabilities	(2,320,000)	5,242,000
6.02	Net cash used in investing activities	(22,910,000)	(33,168,000)
6.02.01	Capital expenditures	(30,113,000)	(36,713,000)
6.02.02	Decrease in investments in investees	(137,000)	(439,000)
6.02.03		9,458,000	2,402,000

	Proceeds from disposal of assets - Divestment		
6.02.04	Divestment (investment) in marketable securities	(2,924,000)	776,000
6.02.05	Dividends received	806,000	806,000
6.03	Net cash used in financing activities	(36,617,000)	(49,172,000)
6.03.01	Non-controlling Interest	(194,000)	34,000
6.03.02	Proceeds from financing	72,082,000	43,707,000
6.03.03	Repayment of principal	(90,642,000)	(73,772,000)
6.03.04	Repayment of Interest	(17,384,000)	(18,976,000)
6.03.06	Dividends paid to non-controlling interests	(479,000)	(165,000)
6.04	Effect of exchange rate changes on cash and cash equivalents	(2,050,000)	(11,575,000)
6.05	Net increase/ (decrease) in cash and cash equivalents	5,323,000	(27,785,000)
6.05.01	Cash and cash equivalents at the beginning of the year	69,108,000	97,845,000
6.05.02	Cash and cash equivalents at the end of the period	74,431,000	70,060,000

18

Consolidated Interim Accounting Information / Statement of Changes in Shareholders’ Equity - 01/01/2017 to 09/30/2017

(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	1,251,000	77,584,000	–	(34,037,000)	250,230,000	2,513,000	252,7
5.03	Adjusted Opening Balance	205,432,000	1,251,000	77,584,000	–	(34,037,000)	250,230,000	2,513,000	252,7
5.04	Capital Transactions with Owners	–	1,000	–	7,000	(7,000)	1,000	(400,000)	(399,
5.04.06	Dividends						–	(207,000)	(207,
5.04.08	Change in Interest in Subsidiaries		1,000				1,000	(193,000)	(192,
5.04.09	Realization of the Deemed Cost				7,000	(7,000)	–		–
5.05	Total of Comprehensive Income	–	–	–	5,031,000	6,502,000	11,533,000	642,000	12,17
5.05.01	Net Income for the Period				5,031,000	–	5,031,000	718,000	5,749
5.05.02	Other Comprehensive Income					6,502,000	6,502,000	(76,000)	6,426
5.07	Balance at the End of the Period	205,432,000	1,252,000	77,584,000	5,038,000	(27,542,000)	261,764,000	2,755,000	264,5

Consolidated Interim Accounting Information / Statement of Changes in Shareholders' Equity - 01/01/2016 to 09/30/2016

(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	Shar Equi Cons
5.01	Balance at the Beginning of the Period	205,432,000	21,000	92,612,000	–	(43,334,000)	254,731,000	3,199,000	257,9
5.03	Adjusted Opening Balance	205,432,000	21,000	92,612,000	–	(43,334,000)	254,731,000	3,199,000	257,9
5.04	Capital Transactions with Owners	–	24,000	–	10,000	(10,000)	24,000	(1,547,000)	(1,52
5.04.06	Dividends	–	–	–	–	–	–	(97,000)	(97,0
5.04.08	Change in Interest in Subsidiaries	–	24,000	–	–	–	24,000	(1,450,000)	(1,42
5.04.09	Realization of the Deemed Cost	–	–	–	10,000	(10,000)	–	–	–
5.05	Total of Comprehensive Income	–	–	–	(17,334,000)	22,114,000	4,780,000	829,000	5,60
5.05.01	Net Income for the Period	–	–	–	(17,334,000)	–	(17,334,000)	1,529,000	(15,8
5.05.02	Other Comprehensive Income	–	–	–	–	22,114,000	22,114,000	(700,000)	21,4
5.07	Balance at the End of the Period	205,432,000	45,000	92,612,000	(17,324,000)	(21,230,000)	259,535,000	2,481,000	262,0

Consolidated Interim Accounting Information / Statement of Added Value

(R$ Thousand)

Account Code	Account Description	Accumulated of the Current Year 01/01/2017 to 09/30/2017	Accumulated of the Previous Year 01/01/2016 to 09/30/2016
7.01	Sales Revenues	301,555,000	312,231,000
7.01.01	Sales of Goods and Services	263,760,000	269,086,000
7.01.02	Other Revenues	14,463,000	7,952,000
7.01.03	Revenues Related to the Construction of Assets to be Used in Own Operations	25,365,000	36,888,000
7.01.04	Allowance / Reversal for Impairment of Trade Receivables	(2,033,000)	(1,695,000)
7.02	Inputs Acquired from Third Parties	(107,475,000)	(139,765,000)
7.02.01	Cost of Sales	(45,338,000)	(49,832,000)
7.02.02	Materials, Power, Third-Party Services and Other Operating Expenses	(45,762,000)	(57,326,000)
7.02.03	Impairment Charges / Reversals of Assets	(351,000)	(16,770,000)
7.02.04	Others	(16,024,000)	(15,837,000)
7.02.04.01	Tax Credits on Inputs Acquired from Third Parties	(15,808,000)	(14,642,000)
7.02.04.02	Inventory Write-Down to Net Realizable Value	(216,000)	(1,195,000)
7.03	Gross Added Value	194,080,000	172,466,000
7.04	Retentions	(32,033,000)	(37,314,000)
7.04.01	Depreciation, Amortization and Depletion	(32,033,000)	(37,314,000)
7.05	Net Added Value Produced	162,047,000	135,152,000
7.06	Transferred Added Value	4,745,000	3,769,000
7.06.01	Share of Profit of Equity-Accounted Investments	1,665,000	646,000
7.06.02	Finance Income	2,725,000	2,841,000
7.06.03	Others	355,000	282,000
7.07	Total Added Value to be Distributed	166,792,000	138,921,000
7.08	Distribution of Added Value	166,792,000	138,921,000
7.08.01	Employee Compensation	21,632,000	26,499,000
7.08.01.01	Salaries	13,049,000	14,075,000
7.08.01.02	Fringe Benefits	7,665,000	11,479,000
7.08.01.03	Unemployment Benefits (FGTS)	918,000	945,000
7.08.02	Taxes and Contributions	88,283,000	76,674,000
7.08.02.01	Federal	53,917,000	38,337,000
7.08.02.02	State	33,892,000	37,802,000
7.08.02.03	Municipal	474,000	535,000
7.08.03	Return on Third-Party Capital	51,128,000	51,553,000
7.08.03.01	Interest	31,386,000	29,242,000
7.08.03.02	Rental Expenses	19,742,000	22,311,000
7.08.04	Return on Shareholders' Equity	5,749,000	(15,805,000)

7.08.04.03	Retained Earnings / (Losses) for the Period	5,031,000	(17,334,000)
7.08.04.04	Non-controlling Interests on Retained Earnings / (Losses)	718,000	1,529,000

21

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

1. The Company and its operations

Petróleo Brasileiro S.A. - Petrobras is a company controlled by the Brazilian government dedicated, directly or through its subsidiaries (referred to jointly as "Petrobras", "the Company", or "Petrobras Group"), either independently or through joint ventures or similar arrangements with third parties, to prospecting, drilling, refining, processing, trading and transporting crude oil from producing onshore and offshore oil fields and from shale or other rocks, as well as oil products, natural gas and other liquid hydrocarbons. In addition, Petrobras carries out energy related activities, such as research, development, production, transport, distribution and trading of all forms of energy, as well as other related or similar activities. The Company's head office is located in Rio de Janeiro – RJ, Brazil.

2. Basis of presentation of interim financial information

This consolidated interim financial information has been prepared and presented in accordance with IAS 34 - Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB) and also in accordance with the accounting practices adopted in Brazil for interim financial reporting (CPC 21 - R1).

This parent company interim financial information has been prepared and is being presented in accordance with the accounting practices adopted in Brazil for interim financial reporting (CPC 21 - R1) and does not differ from the consolidated information.

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. 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, 2016, which include the full set of notes.

The Company's Board of Directors in a meeting held on November 13, 2017 authorized the issuance of these consolidated interim financial information.

2.1. Accounting estimates

The preparation of interim financial information requires the use of estimates and assumptions for certain assets, liabilities and other transactions. These estimates 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 allowance for impairment of trade receivables. Although our management uses assumptions and judgments that are periodically reviewed, the actual results could differ from these estimates.

For further information on accounting estimates, see note 5 to the Company's annual financial statements for the year ended December 31, 2016.

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 estimated amounts that Petrobras overpaid for the acquisition of property, plant and equipment in prior years. For further information see note 3 to the Company's December 31, 2016 audited consolidated financial statements.

In preparing its interim financial statements for the period ended September 30, 2017, the Company considered all available information and did not identify any additional information in the investigations related to the "Lava Jato" (Car Wash) investigation by the Brazilian authorities or by the independent law firms conducting an internal investigation that could materially impact or change the methodology adopted to recognize the write-off taken in the third quarter of 2014. The Company continues to monitor the investigations for additional information and will review their potential impacts on the adjustment made.

To the extent that any of the proceedings resulting from the Lava Jato investigation involve new leniency agreements with companies or plea agreements with individuals pursuant to which they agree to return funds, Petrobras may be entitled to receive a portion of such funds and will recognize them as other income and expenses when received. Nevertheless, the Company is unable to reliably estimate further recoverable amounts at this moment. Any recoverable amount will be recognized as income when received or when their economic benefits become virtually certain.

Until the period ended September 30, 2017, the Company recognized R$ 815 (R$ 661 until December 31, 2016), as other income and expenses with respect to compensation for damages resulting from leniency agreements, of which R$ 734 was already received and the remaining R$ 81 was recognized as accounts receivable at September 30, 2017 and collected in October 2017.

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 joined 41 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.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

4. Basis of consolidation

The consolidated interim accounting information includes the interim accounting information of Petrobras, its subsidiaries, its assets and liabilities within joint operations and consolidated structured entities.

There were no significant changes in the Company's basis of consolidation of entities in the period ended September 30, 2017 when compared to December 31, 2016, except for the disposal of the subsidiary Nova Transportadora do Sudeste - NTS, on April 4, 2017, as set out in note 9.

5. Summary of significant accounting policies

The same accounting policies and methods of computation were followed in these consolidated interim financial statements as those followed in the preparation of the annual financial statements of the Company for the year ended December 31, 2016.

Formal Notice from CVM – Hedge accounting

Since mid-May 2013, the Company has designated cash flow hedging relationships, in which (a) the hedged items are portions of our highly probable future monthly export revenues in U.S. dollars, (b) the hedging instruments are portions of our long term debt obligations denominated in U.S. dollars, and (c) the risk hedged is the effect of changes in exchange rates between the U.S. dollar and the functional currency, the real. For more information, see note 31.2 to the Company's audited consolidated financial statements for the year ended December 31, 2016.

On March 7, 2017, the Company received a formal notice from the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários – CVM) requesting that the Company restate its annual and interim financial statements since the second quarter of 2013. This notice requested that the Company restate the effects of the hedge accounting policy application relating to the cash flow hedge involving the Company's future exports. The Company appealed the CVM decision and reaffirmed its view that its accounting policy has been correctly applied.

In July 2017, the CVM's collegiate body accepted the Company's appeal and dismissed the formal notice, which reinforced the correct application of the accounting policy by the Company.

6. Cash and cash equivalents and Marketable securities

Cash and cash equivalents

	Consolidated	
	09.30.2017	12.31.2016
Cash at bank and in hand	3,682	1,926
Short-term financial investments		
- In Brazil		
Brazilian interbank deposit rate investment funds and other short-term deposits	11,268	3,845
Other investment funds	76	427
	11,344	4,272
- Abroad		

Time deposits	16,247	10,053
Automatic investing accounts and interest checking accounts	38,079	31,875
U.S. Treasury bills	–	17,004
Other financial investments	5,079	3,978
	59,405	62,910
Total short-term financial investments	70,749	67,182
Total cash and cash equivalents	74,431	69,108

Short-term financial investments in Brazil primarily consist of investments in funds holding Brazilian Federal Government Bonds 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.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

Marketable securities

	Consolidated					
	09.30.2017			12.31.2016		
	In Brazil	Abroad	Total	In Brazil	Abroad	Total
Trading securities	3,680	–	3,680	2,556	–	2,556
Available-for-sale securities	428	2,064	2,492	1	–	1
Held-to-maturity securities	306	–	306	292	–	292
Total	4,414	2,064	6,478	2,849	–	2,849
Current	3,680	2,064	5,744	2,556	–	2,556
Non-current	734	–	734	293	–	293

Trading securities 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.

Available-for-sale securities in Brazil refer substantially to São Martinho's common shares granted to the wholly-owned subsidiary Petrobras Biocombustível S.A. - PBIO (24 million shares) as consideration for PBIO's shares in Nova Fronteira. For further information on this transaction see note 9.3. Available-for-sale securities abroad refer to UK government bonds amounting to GBP 475 million and maturing in March 2018.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

7. Trade and other receivables

7.1. Trade and other receivables, net

	Consolidated	
	09.30.2017	12.31.2016
Third parties	22,190	19,972
Related parties		
Investees (note 18.7)	1,732	1,809
Receivables from the electricity sector (note 7.4) (*)	16,830	16,042
Petroleum and alcohol accounts - receivables from Brazilian Government	829	875
Finance lease receivables	1,746	3,986
Receivables from divestments (note 9.1)	2,882	–
Other receivables	5,615	5,373
	51,824	48,057
Allowance for impairment of trade and other receivables	(19,299)	(17,682)
Total	32,525	30,375
Current	16,525	15,543
Non-current	16,000	14,832

(*) Includes the amount of R$ 776 at September 30, 2017 (R$ 817 at December 31, 2016) regarding finance lease receivable from AME.

7.2. Trade receivables overdue - Third parties

	Consolidated	
	09.30.2017	12.31.2016
Up to 3 months	2,902	1,313
From 3 to 6 months	137	218
From 6 to 12 months	315	1,339
More than 12 months	9,757	8,637
Total	13,111	11,507

7.3. Changes in the allowance for impairment of trade and other receivables

	Consolidated	
	09.30.2017	12.31.2016
Opening balance	17,682	14,274
Additions (*)	2,527	4,532
Write-offs	(272)	(28)
Reversals	(494)	(595)
Cumulative translation adjustment	(144)	(501)

Closing balance	19,299	17,682
Current	6,725	6,551
Non-current	12,574	11,131

(*) In 2017, additions include R$ 894 from the finance lease agreement termination relating to the Vitória 10,000 drilling rig. In 2016, additions include: R$ 1,242 from electricity sector and R$ 2,045 from losses on advances to suppliers, as well as assumed debt and termination costs relating to the agreement with the Ecovix shipyard.

7.3.1. Allowance for impairment of receivable relating to the Vitória 10,000 drilling rig

On May, 22 2017, the Company terminated a finance lease agreement relating to the Vitória 10,000 drilling rig, owned by the indirect wholly-owned subsidiary Drill Ship International BV – DSI BV and leased to the Deep Black Drilling LLP – DBD, an entity from Schahin group. On July 19, 2017, a court ruling confirmed this contract termination and, shortly after, Schahin filed a request to suspend its effects, which was denied by the court on July 28, 2017.

Due to the finance lease agreement termination, the Company assessed the value in use of the drilling rig based on the cash flows projected to arise from its commitment to certain Petrobras Group projects, and compared it to the carrying amount of the finance lease receivable at June 30, 2017. As result, the Company wrote-down R$ 818 as other income and expenses in the second quarter of 2017.

In addition, on August 9, 2017, measures were adopted to obtain possession of this drilling rig, which effectively occurred on August 16, 2017. As a result of this matter, in the third quarter of 2017 the Company added R$ 76 to the allowance for impairment due to additions to the finance lease receivable and contractual fine, as well as derecognized the finance lease receivable and recognized the drilling rig as equipment within Property, plant and equipment, in the amount of RS$ 1,224.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

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

	Consolidated							
	As of 12.31.2016	Sales	Amounts received	Transfers (*)	Write-offs	Allowance for impairment, net of reversals	Inflation indexation	As of 09.30.2017
Related parties (Eletrobras Group)								
Amazonas Distribuidora de Energia - AME	8,065	732	(1,428)	755		(520)	721	8,325
Centrais Elétricas de Rondônia - CERON	1,201	–	(44)	–		–	90	1,247
Others	313	94	(108)	–	(56)	88	32	363
Subtotal	9,579	826	(1,580)	755	(56)	(432)	843	9,935
Third parties								
Cia de Gás do Amazonas - Cigás	468	1,967	(1,119)	(755)		(6)	25	580
Centrais Elétricas do Pará - Celpa		212	(301)	–		100	–	11
Others	15	414	(403)		(18)	31	–	39
Subtotal	483	2,593	(1,823)	(755)	(18)	125	25	630
Trade receivables, net	10,062	3,419	(3,403)	–	(74)	(307)	868	10,565
Trade receivables - Eletrobras Group	16,042	826	(1,580)	755	(56)		843	16,830
(-) Allowance for impairment	(6,463)					(432)		(6,895)
Subtotal	9,579	826	(1,580)	755	(56)	(432)	843	9,935
Trade receivables - Third parties	1,683	2,593	(1,823)	(755)	(18)		25	1,705
(-) Allowance for impairment	(1,200)					125		(1,075)
Subtotal	483	2,593	(1,823)	(755)	(18)	125	25	630
Trade receivables - Total	17,725	3,419	(3,403)	–	(74)	–	868	18,535
(-) Allowance for impairment	(7,663)	–	–	–	–	(307)	–	(7,970)
Trade receivables, net	10,062	3,419	(3,403)	–	(74)	(307)	868	10,565

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

The Company supplies fuel oil, natural gas, and other products to entities that operate in the state of Manaus and in the isolated electricity system in the northern region of Brazil, such as thermoelectric power plants controlled by Eletrobras, state-owned natural gas distribution companies and independent electricity producers (Produtores Independentes de Energia – PIE). The isolated electricity system provides the public service of electricity distribution in the northern region of Brazil as the Brazilian National Interconnected Power Grid (Sistema Interligado Nacional) has not yet met the demand for electricity due to technical or economic reasons.

A significant portion of the funds used by those companies to pay for products supplied by the Company came from the Fuel Consumption Account (Conta de Consumo de Combustível – CCC), which provides funds to cover a portion of the costs related to the supply of fuel to thermoelectric power plants located in the northern region of Brazil (operating in the isolated electricity system). However, as a result of changes in the CCC regulations over time, principally relating to Provisional Measure 579/2012 which significantly changed the sources of funds that were used to cover the cost of electricity generated in the Isolated Electricity System, funds transferred from the CCC to these electricity companies have not been sufficient for them to meet their financial obligations and, as a result, some have not been able to pay the total amount for the products supplied by the Company, increasing the default rate of those customers to the Company, notably from AME.

The Company intensified negotiations with the state-owned natural gas distribution companies, the independent electricity producers (PIEs), other private companies and entities controlled by Eletrobras. As a result, on December 31, 2014, the Company entered into a debt acknowledgement agreement with subsidiaries of Eletrobras with respect to the balance of its receivables as of November 30, 2014. Eletrobras acknowledged it owed R$ 8,601 to the Company, of which R$ 7,380 were collateralized by payables from the Brazilian Energy Development Account (Conta de Desenvolvimento Energético 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.

The contractual amortization clauses in the debt acknowledgement agreement 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 as the amounts to be received will be higher than inflation indexation on debt acknowledgement agreements. Despite some periodic delays, these payments have continued.

In order to mitigate an increase in default rates, on September 1, 2015 the Brazilian National Electricity Agency (Agência Nacional de Energia Elétrica - ANEEL) enacted the Normative Instruction 679 enabling the Company to receive funds directly from the CCC, as these funds would be paid directly from the CCC for products supplied in the prior month with a limit of 75% of the average payments made by the CCC in the previous three months.

The Company had expected that the abovementioned rule would have strengthened the financial situation of the companies in the electricity sector. However, this had not occurred and the level of these defaults had increased. Accordingly, in 2016, the Company recognized R$ 1,242 as allowance for impairment of trade receivables (net of reversals) with respect to uncollateralized outstanding receivables.

Accordingly, the Company has adopted the following measures:

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

- judicial collection of overdue receivables with respect to natural gas supplied to AME, Eletrobras and Cigás;
- judicial collection of overdue receivables with respect to fuels, mainly fuel oil, supplied by the wholly-owned subsidiary BR Distribuidora to companies of Eletrobras Group (Amazonas, Acre, Rondônia and Roraima);
- suspension of fuels supply on credit, mainly fuel oil, except when legally enforced;
- the wholly-owned subsidiary Petrobras Distribuidora registered entities controlled by Eletrobras as delinquent companies in the Brazilian Central Bank records;
- Petrobras parent company registered AME as a delinquent company in ANEEL records from April 2016 to May 2017. In May 2017, ANEEL canceled this registration alleging fuel purchases are non intra sector debt. The Company has appealed the ANEEL decision.

In the nine-month period ended September 30, 2017, the Company accounted for allowances for impairment of trade receivables, net of reversals, totaling R$ 307 (R$ 1,215 in the same period of 2016) primarily due to unsecure overdue receivables related to supplies of fuel oil and natural gas, partially offset by overdue receivables paid by Celpa.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

8. Inventories

	Consolidated	
	09.30.2017	12.31.2016
Crude oil	10,589	11,485
Oil products	8,821	8,634
Intermediate products	2,019	2,281
Natural gas and LNG (*)	108	435
Biofuels	455	686
Fertilizers	88	85
Total products	22,080	23,606
Materials, supplies and others	3,809	4,053
Total	25,889	27,659
Current	25,851	27,622
Non-current	38	37

(*) LNG - Liquefied Natural Gas

The amount of inventories is presented net of R$ 7 reducing inventories to net realizable value (R$ 92 as of December 31, 2016), primarily due to changes in international prices of crude oil and oil products. In the nine-month period ended September 30, 2017, the Company recognized as cost of sales R$ 216 reducing inventories to net realizable value, net of reversals (R$ 1,195 in the same period of 2016).

At September 30, 2017, 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$ 12,091 (R$ 6,449 as of December 31, 2016), as set out in note 21. In the third quarter of 2017, the amount of collateral was revised and updated in order to reflect the increase in the commitments undertaken under TCF.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

9. Disposal of Assets and other changes in organizational structure

The Company has an effective divestment and venture program which takes into account opportunities for divestments in several areas where 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.

On December 7, 2016, the Brazilian Federal Auditor's Office (Tribunal de Contas da União – TCU) filed a civil action prohibiting the Company from commencing additional divestment projects and entering into sales agreements, except for transactions in their final stages at that time. After the TCU's assessment of the divestments decision-making methodology and the Company's review of its divestment policies, the TCU's civil action was dismissed, allowing the progress of the divestment and venture program to continue based on the revised methodology.

Accordingly, the Company's Executive Board approved the new divestment portfolio on March 30, 2017, consisting of projects that follow the revised divestment methodology in compliance with the TCU's decision.

9.1. Disposal of Assets

Disposal of distribution assets in Chile

On July 22, 2016, the Company signed a sale and purchase agreement with the Southern Cross Group for the sale of 100% of Petrobras Chile Distribución Ltda (PCD), a group entity from the distribution business segment, held through Petrobras Caribe Ltda.

This transaction was concluded on January 4, 2017 and the net proceeds from this sale were US$ 470 million, of which US$ 90 million was received via distribution of dividends after taxes on December 9, 2016 and the remaining US$ 380 million was paid by Southern Cross Group at the transaction closing. Accordingly, the Company recognized a gain of R$ 2 as other income and expenses, in the first quarter of 2017, taking into account the impairment of R$ 266 at December 31, 2016.

In addition, a R$ 248 loss was recycled from shareholders' equity to other income and expenses within the income statement, reflecting the reclassification of cumulative translation adjustments resulting from the depreciation of the Chilean Peso against the U.S. Dollar from the time of the acquisition of this investment to its disposal (see note 22.2).

Disposal of interest in Nova Transportadora do Sudeste (NTS) and related changes in organizational structure

After a corporate restructuring intended to concentrate the transportation assets of the southeastern region in Nova Transportadora do Sudeste – NTS, a group entity from the gas and power business segment, the Company's Board of Directors approved on September 22, 2016 the sale of a 90% interest in NTS to Brookfield Infrastructure Partners (BIP) and its affiliates, through a Private Equity Investment Fund (FIP) whose other shareholders are British Columbia Investment Management Corporation (BCIMC), CIC Capital Corporation (wholly-owned subsidiary of China Investment Corporation - CIC) and GIC Private Limited (GIC).

The following changes in organizational structure occurred as part of this process:

- The Extraordinary General Meeting of NTS, held on October 21, 2016, approved an increase to its share capital in the amount of R$ 2.31 billion, based on an independent expert report dated on October 14, 2016, through net assets of the Company's subsidiary Transportadora Associada de Gás S.A. - TAG. This capital increase required the approval of the National Petroleum, Natural Gas and Biofuels Agency - ANP through the issuance of Permissions of Provisional Operation (Autorizações de Operação Provisórias);

- The Extraordinary General Meeting of the TAG, held on October 21, 2016, approved a reduction to its share capital, via a capital surplus, in the amount of its investment in NTS (R$ 2.6 billion) and transfer of all of its interest in NTS to Petrobras, as occurred on October 24, 2016 pursuant to the Permissions of Provisional Operation.

This transaction prescribes the maintenance of charge capacity and also the same terms of five Firm Gas Transportation Agreements including 100% ship-or-pay clauses. These agreements have terms of 20 years from 2016 and their rates are indexed to the Brazilian General Market Price Index (IGP-M) and regulated by the ANP.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

On April 4, 2017, after performing all conditions precedent and adjustments provided for in the purchase and sale agreement, this transaction was completed in the amount of US$ 5.08 billion upon the payment of US$ 4.23 billion on this date, of which US$ 2.59 billion relates to the sale of shares, US$ 100 million relates to an escrow account pledged as collateral for charges associated with the repair of pipelines, and US$ 1.64 billion relates to the issuance of convertible debentures by NTS, maturing in 10 years, as a replacement of the debt to PGT. The remaining balance (US$ 850 million, also relating to the sale of shares) will be paid in the fifth year, bearing annual interests at a fixed rate, as established in the purchase and sale agreement.

At June 30, 2017, the Company recognized a gain on this transaction in the amount of R$ 6,977 accounted for as other income and expenses, which includes a R$ 698 gain on remeasurement of retained interests. This amount was subject to price adjustments according to the purchase and sale agreement.

On October 10, 2017, the final price adjustment was settled, in the amount of R$ 63, totaling a gain of US$ 7,040 on this transaction.

Disposal of Guarani

On December 28, 2016, the Company's wholly-owned subsidiary Petrobras Biocombustível S.A. (PBIO), from the biofuels business segment, disposed of its interests in the associate Guarani S.A. (45.97% of share capital) to Tereos Participations SAS, an entity of the French group Tereos.

On February 3, 2017, this transaction was concluded pursuant to the payment of US$ 203 million, after all conditions precedent were performed by Tereos Participations SAS. At December 31, 2016, an impairment loss amounting to R$ 578 was accounted for.

Additionally, a gain of R$ 132 was recycled from shareholders' equity to other income and expenses within the income statement, reflecting the reclassification of cumulative translation adjustment resulting from the appreciation of Mozambican Metical against the Brazilian Real from the acquisition of this investment to its disposal (see note 22.2). This gain was partially offset by a R$ 69 loss also recycled from shareholders' equity to other income and expenses, reflecting cumulative losses relating to cash flow hedge accounting.

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.. Accordingly, the related assets and liabilities were classified as held for sale at December 31, 2016, as this transaction was subject to approval at Ultrapar's and Petrobras' Shareholders' Meetings, as well as the approval of CADE.

In January 2017, this sale was approved at Ultrapar's and Petrobras' Shareholders' Meetings in the amount of R$ 2.7 billion.

According to an official statement released by the Brazilian Antitrust Regulator (CADE) in June 2017, additional diligence was required in order to conclude on market concentration aspects of this sale. In August 2017, the CADE reported some concerns about market concentration that may result from this transaction. However, the CADE's conclusion is still under assessment and additional procedures may be necessary.

The Company has performed a regular assessment on the progress of CADE's evaluations on this transaction and no new factors that could change the commitment to its plan to sell Liquigás have been identified. Based on this assessment and other pending conditions precedent to the transaction, including the aforementioned approval by CADE, the related assets and liabilities remained classified as held for sale as of September 30, 2017.

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 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, which will be totally disbursed at the transaction closing. This amount remains subject to adjustments relating to working capital, net debt and recoverable taxes.

On February 21, 2017, the transaction was approved at the Grupo Alfa's Board of Directors Meeting and, on March 27, 2017, at Petrobras' Shareholders' Meeting.

According to an official statement released by the Brazilian Antitrust Regulator (CADE) on October 10, 2017, additional diligence was required in order to conclude on market concentration aspects of this sale.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

The Company has performed a regular assessment on the progress of CADE's evaluations on this transaction and no new factors that could change the commitment to its plan to sell these petrochemical plants were identified. Based on this assessment and other pending conditions precedent to the transaction, including the aforementioned approval by CADE, the related assets and liabilities remained classified as held for sale as of September 30, 2017.

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 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, as well as contingent payments in the amount of US$ 150 million, associated with the production volume in Iara 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 adds up to the ones already executed on December 21, 2016, such as: (i) the option for Petrobras 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.

These transactions are still subject to approval by the relevant authorities, the potential exercise of preemptive rights by current Iara partners, and other customary conditions precedent.

The Company has performed a regular assessment on the progress of conditions precedent to the transaction and no new factors that could change the commitment to its plan to sell these assets were identified. Accordingly, the related assets and liabilities remained classified as held for sale as of September 30, 2017.

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:

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

	Consolidated					
	09.30.2017					12.31.2016
	E&P	Distribution	RT&M	Gas & Power	Total	Total
Assets classified as held for sale (*)						
Cash and Cash Equivalents	–	–	31	–	31	355
Trade receivables	–	–	494	–	494	667
Inventories	–	–	274	–	274	560
Investments	–	–	16	–	16	1,233
Property, plant and equipment	3,899	5	892	307	5,103	14,409
Others	–	–	994	–	994	1,445
Total	3,899	5	2,701	307	6,912	18,669
Liabilities on assets classified as held for sale (*)						
Trade Payables	33	–	157	–	190	440
Finance debt	–	–	24	–	24	45
Provision for decommissioning costs	196	–	–	–	196	170
Others	–	–	362	–	362	950
Total	229	–	543	–	772	1,605

(*) As of September 30, 2017, the amounts mainly refer to assets and liabilities transferred following the approvals of the disposal of Liquigás, Petroquímica Suape and Citepe, interest in the concession areas named as Iara and Lapa, as well as interests in the thermoelectric power generation plants Rômulo Almeida and Celso Furtado. At December 31, 2016, the amounts also comprise assets and liabilities transferred following the approvals of the disposals of NTS, PCD, Guarani and Nova Fronteira.

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, this transaction was concluded as São Martinho granted to PBIO an additional 24 million of its common shares, corresponding to 6.593% of its voting and total paid in capital, in exchange and in proportion to the shares that PBIOs held in Nova Fronteira. These shares are accounted for as available-for-sale securities, as set out in note 6.

Corporate restructuring in Petrobras Distribuidora (BR)

On July 11, 2017, the Company's Board of Directors approved an initial public offering (IPO) of its wholly-owned subsidiary Petrobras Distribuidora (BR), which will be effected through a secondary public offering of shares. Accordingly, the corporate restructuring of BR was approved in August 2017 through the following transactions:

- On August 31, 2017, Petrobras Parent Company increased the share capital of BR by R$ 6,313, in order to pre-pay borrowings owned by BR and unconditionally guaranteed by Petrobras; and
- Partial spin-off of BR, with the separation of the collateralized receivables held by BR resulting from debt acknowledgement agreement with the Eletrobras group and other receivables from other entities of Petrobras Group also held by BR, totaling the same amount of the aforementioned capital increase. These assets were incorporated by the wholly-owned subsidiary Downstream Participações Ltda. ("Downstream") on August 31, 2017.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

10. Investments

10.1. Changes in investments (Parent Company)

	Balance at 12.31.2016	Investments	Restructuring, capital decrease and others	Results in equity-accounted investments (*)	Cumulative translation adjustments (CTA)	Other comprehensive results	Dividends	Balance at 09.30.2017
Subsidiaries								
PNBV(***)	68,167	5,076	80	5,092	(2,068)	–	–	76,347
PIB BV	20,076	–	–	(2,803)	(280)	–	–	16,993
TAG(****)	8,494	3,695	–	733	–	1,114	(1,179)	12,857
BR Distribuidora (*****)	7,294	6,313	(6,339)	567	–	–	–	7,835
Downstream	3	–	6,339	27	–	–	–	6,369
Transpetro	3,879	–	–	325	(27)	–	(27)	4,150
PB-LOG	3,348	–	–	454	–	–	(872)	2,930
PBIO	1,350	38	–	128	(132)	42	–	1,426
Logigás	1,190	–	–	254	–	–	(216)	1,228
Gaspetro	952	–	–	87	–	–	(23)	1,016
Breitener	633	–	–	29	–	–	(4)	658
Termomacaé Ltda	705	–	–	(610)	–	–	(20)	75
Araucária Nitrogenados	194	116	150	(460)	–	–	–	–
Other subsidiaries	805	1	31	157	2	–	(25)	972
Joint operations	233	–	–	39	–	–	(55)	217
Joint ventures	314	177	–	(208)	–	4	(39)	248
Associates								
Braskem	3,368	–	–	1,305	(113)	583	–	5,143
Nova Transportadora do Sudeste - NTS (**)	–	–	1,150	92	–	–	(114)	1,128
Other associates	167	–	–	34	–	–	(12)	189
	121,172	15,416	1,411	5,242	(2,618)	1,743	(2,586)	139,781
Other investments	19	–	–	–	–	–	–	19
Total investments	121,191	15,416	1,411	5,242	(2,618)	1,743	(2,586)	139,800
Provision for losses in subsidiaries				18				
Results in investees				135				

transferred to assets held for sale								
Results in equity-accounted investments and other comprehensive income				5,396				

(*) It Includes unrealized profits from transactions between companies.
(**) Remaining 10% stake in NTS (R$ 452), including remeasurement by fair value (R$ 698).
(***) Capital contribution to PNBV to fund investment projects.
(****) Capital contribution to TAG to pay for loans to BNDES.
(*****) Capital contribution to BR and transferred to Downstream, as set out in note 9.3.

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

	Balance at 12.31.2016	Investments	Restructuring, capital decrease and others	Results in equity-accounted investments	Cumulative translation adjustments (CTA)	Other comprehensive income	Dividends	Balance at 09.30.2017
Joint Ventures								
Petrobras Oil & Gas B.V. - PO&G	4,654	–	–	257	(133)	–	(395)	4,383
State-controlled natural gas distributors	1,076	–	–	181	–	–	(95)	1,162
Compañia Mega S.A. - MEGA	115	–	–	69	(9)	–	(37)	138
Petrochemical joint ventures	83			18	–		–	101
Other joint ventures	337	232	(7)	(251)	–	4	(38)	277
Associates								–
Braskem S.A.	3,368	–	–	1,305	(113)	583	–	5,143
Nova Transportadora do Sudeste - NTS			1,150	92			(114)	1,128
Petrochemical associates	96	–	–	11	–	–	–	107
Other associates	169	–	(10)	23	(1)	–	(10)	171
Other investments	50	–	–	–	–	–	–	50
Total	9,948	232	1,133	1,705	(256)	587	(689)	12,660
Results in investees transferred to				(40)				

assets held for sale	
Results in equity-accounted investments	1,665

34

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

10.3. Investments in listed companies

	Thousand-share lot			Quoted stock exchange prices (R$ per share)		Market value	
Company	09.30.2017	12.31.2016	Type	09.30.2017	12.31.2016	09.30.2017	12.31.2016
Associate							
Braskem S.A.	212,427	212,427	Common	42.80	29.99	9,092	6,371
Braskem S.A.	75,762	75,762	Preferred A	42.43	34.25	3,215	2,595
						12,307	8,966

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

Investment in publicly traded associate (Braskem S.A.)

Braskem's shares are publicly traded on stock exchanges in Brazil and abroad. As of September 30, 2017, the quoted market value of the Company's investment in Braskem was R$ 12,307, 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.

Given the operational relationship between Petrobras and Braskem, at December 31, 2016, the recoverable amount of the investment for impairment testing purposes was determined based on its value in use, considering future cash flow projections and the manner in which the Company can derive value from this investment via dividends and other distributions to arrive at its value in use. As the recoverable amount was higher than the carrying amount, no impairment losses were recognized for this investment.

The main assumptions on which cash flow projections were based to determine Braskem's value in use are set out in note 14 to the Company's audited consolidated financial statements for the year ended December 31, 2016.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

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, 2016	23,821	288,539	146,861	170,610	629,831	442,439
Additions	361	3,223	41,337	720	45,641	33,657
Additions to / review of estimates of decommissioning costs	–	–	–	3,113	3,113	2,868
Capitalized borrowing costs	–	–	5,982	–	5,982	4,470
Write-offs	(210)	(465)	(4,689)	(153)	(5,517)	(5,210)
Transfers (***)	1,479	16,645	(55,069)	20,570	(16,375)	(5,516)
Depreciation, amortization and depletion	(1,479)	(26,102)	–	(20,422)	(48,003)	(36,742)
Impairment recognition	(1,036)	(12,652)	(1,510)	(6,357)	(21,555)	(13,709)
Impairment reversal	–	2,511	–	584	3,095	2,514
Cumulative translation adjustment	(180)	(15,128)	(7,210)	(1,818)	(24,336)	–
Balance at December 31, 2016	22,756	256,571	125,702	166,847	571,876	424,771
Cost	32,589	415,663	125,702	262,886	836,840	624,946
Accumulated depreciation, amortization and depletion	(9,833)	(159,092)	–	(96,039)	(264,964)	(200,175)
Balance at December 31, 2016	22,756	256,571	125,702	166,847	571,876	424,771
Additions	3	3,161	26,241	73	29,478	20,121
Additions to / review of estimates of decommissioning costs	–	–	–	96	96	44
Capitalized borrowing costs	–	–	4,649	–	4,649	3,404
Write-offs	(3)	(27)	(1,358)	(59)	(1,447)	(1,414)
Transfers	993	12,283	(21,873)	9,883	1,286	(337)
Depreciation, amortization and depletion	(1,100)	(17,125)	–	(13,239)	(31,464)	(24,180)

Impairment recognition	(7)	(144)	(204)	–	(355)	(129)
Cumulative translation adjustment	(19)	(2,053)	(1,064)	(200)	(3,336)	–
Balance at September 30, 2017	22,623	252,666	132,093	163,401	570,783	422,280
Cost	33,111	425,571	132,093	272,404	863,179	645,708
Accumulated depreciation, amortization and depletion	(10,488)	(172,905)	–	(109,003)	(292,396)	(223,428)
Balance at September 30, 2017	22,623	252,666	132,093	163,401	570,783	422,280
Weighted average of useful life in years	40 (25 to 50) (except land)	20 (3 to 31) (**)		Units of production method		

(*) See note 28 for assets under construction by business area.
(**) Includes exploration and production assets depreciated based on the units of production method.
(***) In 2016 includes transfers to assets held for sale.

In addition to the capital commitments previously reported and in line with the investments foreseen in the Strategic Plan and the 2017-2021 Business and Management Plan, in the nine-month period ended September 30, 2017 the Company entered into agreements for the acquisition and construction of property, plant and equipment, especially the contract for the conclusion of the hull conversion of FPSO P-76, in the amount of R$ 1,644, and the contract for the supply of flexible pipelines for the production, gas lifting and water injection in many pre-salt projects, in the total amount of R$ 1,970, expiring in March 2018 and May 2022, respectively.

At September 30, 2017, consolidated and Parent Company property, plant and equipment include assets under finance leases of R$ 394 and R$ 6,048, respectively (R$ 407 and R$ 6,004 at December 31, 2016).

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 September 30, 2017, the Company’s property, plant and equipment include the amount of R$ 74,808 related to the Assignment Agreement.

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. The review of the Assignment Agreement, which will determine if the value of acquired rights is greater or lower than the amount initially paid by the Company, will be concluded after the assessment of all the areas.

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).

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

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 under the agreement in order to match with the amount originally paid. 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 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 in: (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.

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 Company considers this surplus provides an opportunity to enter into an agreement concerning the compensation to the Company arising from this 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 its independent experts engaged.

Currently, the final amount to be established for this agreement is not defined. The beginning of negotiation with the Brazilian Federal Government, which is expected to occur in the fourth quarter of 2017, still depends on the conclusion of the appraisals by independent experts engaged by both parties and the issuance of the respective reports.

The Minority Shareholders Committee, created on October 21, 2016, will monitor this agreement review process and will provide support to the board's decisions through opinions about related matters.

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, 2016	9,516	308	1,131	1,117	12,072	9,133
Addition	39	53	204	–	296	208
Capitalized borrowing costs	–	–	14	–	14	14
Write-offs	(523)	–	(4)	–	(527)	(177)
Transfers	(44)	(15)	(1)	(332)	(392)	(7)
Amortization	(78)	(120)	(342)	–	(540)	(407)
Impairment recognition	(7)	–	–	–	(7)	–

Cumulative translation adjustment	(178)	(4)	(4)	(67)	(253)	–
Balance at December 31, 2016	8,725	222	998	718	10,663	8,764
Cost	9,367	1,587	3,941	718	15,613	12,459
Accumulated amortization	(642)	(1,365)	(2,943)	–	(4,950)	(3,695)
Balance at December 31, 2016	8,725	222	998	718	10,663	8,764
Addition	51	29	125	–	205	139
Capitalized borrowing costs	–	–	10	–	10	10
Write-offs	(244)	–	(7)	–	(251)	(22)
Transfers	(8)	2	4	–	(2)	5
Amortization	(49)	(68)	(243)	–	(360)	(275)
Impairment recognition	(16)	–	–	–	(16)	–
Impairment reversal	2	–	–	–	2	–
Cumulative translation adjustment	(9)	–	–	(4)	(13)	–
Balance at September 30, 2017	8,452	185	887	714	10,238	8,621
Cost	9,104	1,604	4,043	714	15,465	12,560
Accumulated amortization	(652)	(1,419)	(3,156)	–	(5,227)	(3,939)
Balance at September 30, 2017	8,452	185	887	714	10,238	8,621
Estimated useful life in years	(*)	5	5	Indefinite		

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

On September 27, 2017, the Company acquired seven blocks in the fourteenth round of bids under the shared production regime, held by the ANP, six of which are offshore and one is onshore. The Company will be the operator in all blocks. In the offshore blocks, Petrobras will hold a 50% interest in partnership with ExxonMobil. In the onshore blocks, the Company will hold the entire interest.

In the fourth quarter of 2017, the Company will pay the total amount of R$ 1,797 with respect to the signature bonus for obtaining concessions for exploration of these blocks.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

13. Impairment

The Company's assets are tested for impairment annually, or whenever there is an indication that their carrying amount may not be recoverable.

13.1. Impairment of property, plant and equipment, intangible assets and assets held for sale

Jan-Sep 2017

In the nine-month period ended September 30, 2017, the Company recognized impairment losses (net of reversals) amounting to R$ 351, mainly reflecting:

a) Araucaria Nitrogenados - write down to the recoverable amount of assets relating to the wholly-owned subsidiary Araucaria Nitrogenados S.A. Indications of impairment were identified during this period, such as lower sales volume and prices, as well as higher production costs. Therefore, the Company assessed the related assets for impairment and, as a result, an impairment charge of R$ 224 was recognized primarily in the second quarter of 2017. The determination of value in use was based on cash flow projections reflecting financial budget and forecasts approved by the management and a post-tax real discount rate of 6.6% p.a. (7.8% p.a. in 2016) derived for the weighted average cost of capital (WACC) for the fertilizer business; and

b) COMPERJ - impairment losses of R$ 129 were recognized during the nine-month period ended September 30, 2017 for work in progress relating to the infrastructure shared by COMPERJ's first refining unit and the natural gas processing plant (UPGN) necessary for the transport and processing of natural gas from the pre-salt layer of the Santos Basin.

Jan-Sep 2016

During September 2016, indications of impairment were identified for certain assets, which triggered their impairment assessment due to changes mainly driven by a slower recovery of oil prices, a decrease in future capital expenditures, reflecting the Company's plan to reduce current debt levels and optimize its investment portfolio, as well as changes in the Brazilian political and economic landscape.

These changes impacted the medium and long term assumptions used in the Company's Business and Management Plan finalized and approved in the third quarter of 2016, also impacting the key assumptions for impairment testing. Changes in the political and economic landscape in Brazil also resulted in increases in discount rates applied for impairment testing purposes at September 30, 2016.

Impairment losses, net of reversals, totaled R$ 16,770 in the nine-month period ended September 30, 2016 as shown below:

	Consolidated Jan-Sep/2016				
Assets or CGUs, by nature	Carrying amount	Recoverable amount	Impairment (*)	Business segment	Main causes for impairment

Producing properties relating to oil and gas activities in Brazil (several CGUs)	36,591	30,406	5,936	E&P - Brazil	Higher exchange and discount rates
Oil and gas production and drilling equipment in Brazil	2,976	208	2,768	E&P - Brazil	Uncertainties over hulls construction
Second refining unit in RNEST	8,077	5,546	2,531	RTM - Brazil	Postponement and higher discount rate
Suape Petrochemical Complex	3,569	1,558	2,011	RTM - Brazil	Higher exchange rate and lower market projections
Comperj	1,186	–	1,186	RTM - Brazil	Postponement and uncertainties of the project
Fertilizer Plant - UFN III	1,699	1,202	497	Gas & Power - Brazil	Higher exchange and discount rates
Thermoelectric power generation plants	8,750	8,280	470	Gas & Power - Brazil	Higher discount rate, lower market projections and higher costs
Araucária (fertilizers plant)	638	185	453	Gas & Power - Brazil	Higher exchange and discount rates and higher costs
Transpetro’s fleet of vessels	5,685	5,340	345	RTM - Brazil	Postponements and suspension of projects and higher discount rate
Quixada Power plant	90	–	90	Biofuel, Brazil	
Others	999	822	177	Several Segments	
Assets classified as held for sale					

Petrobras Chile Distribución	1,825	1,507	318	Distribution-Abroad	Exit price below carrying amount
Others			(12)	Several Segments	
Total			16,770		

(*) Impairment losses and reversals.

38

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

For additional information about the main impairment losses on property, plant and equipment, intangible assets and assets classified as held for sale for the nine-month period ended September 30, 2016, see note 13 of the interim financial statements for September 30, 2016.

14. 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 (*)	09.30.2017	12.31.2016
Property, plant and equipment		
Opening Balance	16,728	20,310
Additions to capitalized costs pending determination of proved reserves	1,925	3,543
Capitalized exploratory costs charged to expense	(180)	(3,603)
Transfers upon recognition of proved reserves	(425)	(3,304)
Cumulative translation adjustment	(27)	(218)
Closing Balance	18,021	16,728
Intangible Assets	7,033	7,288
Capitalized Exploratory Well Costs / Capitalized Acquisition Costs	25,054	24,016

(*) 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:

	Consolidated	
Exploration costs recognized in the statement of income	Jan-Sep/2017	Jan-Sep/2016
Geological and geophysical expenses	818	1,053
Exploration expenditures written off (includes dry wells and signature bonuses)	715	3,325
Other exploration expenses	37	269
Total expenses	1,570	4,647
Cash used in:		
Operating activities	844	1,164
Investment activities	2,216	3,020

Total cash used	3,060	4,184

15. Trade payables

	Consolidated	
	09.30.2017	12.31.2016
Third parties in Brazil	12,104	10,690
Third parties abroad	4,666	6,580
Related parties	2,179	1,511
Balance in current liabilities	18,949	18,781

16. Finance debt

The Company obtains funding through debt financing for capital expenditures to develop crude oil and natural gas producing properties, construct vessels and pipelines, construct and expand industrial plants, among other uses.

The Company has covenants that were not in default at September, 30 2017 in its loan agreements and notes issued in the capital markets requiring, among other obligations, 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. Non-compliance with these obligations do not represent immediate events of default and the grace period in which the Company has to deliver these financial statements ranges from 30 to 60 days, depending on the agreement. The Company also has 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).

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

In the nine-month period ended September 30, 2017, proceeds from financing amounted to R$ 72,082, principally reflecting: (i) global notes issued in the capital market in the amount of R$ 32,695 (US$ 10,256 million) and maturing in 2022, 2025, 2027, 2028 and 2044; (ii) debentures issued in the domestic market amounting to R$ 4,989 and maturing in 2022 and 2024; and (iii) funds raised from the domestic and international banking market in the amount of R$ 27,663 with average term of five years.

In addition, the Company used R$ 108,026 for repayment of principal and interests, mainly attributable to: (i) R$ 24,356 (US$ 7,569 million) relating to repurchase of global bonds previously issued by the Company in the capital market maturing from 2018 to 2021 (ii) pre-payment of banking loans in the domestic and international market totaling R$ 39,682; and (iii) pre-payment of R$ 4,942 with respect to financings with BNDES.

During this period, the Company also rolled over some debts through non-cash transactions, including: (i) exchange of old notes amounting to R$ 21,217 (US$ 6,768 million) previously issued in the international capital market, maturing from 2019 to 2021, to new notes amounting to R$ 23,815 (US$ 7,597 million) with maturities in 2025 and 2028; (ii) exchange of some debts in the international banking market maturing from 2018 to 2020, to new similar financings amounting to R$ 5,486 (US$ 1,750 million) with maturities ranging from 2020 to 2022.

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

	Consolidated Export Credit Agencies	Banking Market	Capital Market	Others	Total
Non-current					
In Brazil					
Opening balance at January 1, 2016	–	96,436	6,734	68	103,238
Cumulative translation adjustment (CTA)	–	(342)	–	–	(342)
Additions (new funding obtained)	–	1,543	–	–	1,543
Transaction costs during the period (*)	–	1,045	1	–	1,046
Foreign exchange/inflation indexation charges	–	(5,277)	194	5	(5,078)
Pre-payments	–	(18,616)	–	–	(18,616)
Transfer to current liability	–	(5,778)	(471)	(8)	(6,257)
Transfer to liabilities associated with assets classified as held for sale	–	(21)	–	–	(21)
Balance as of December 31, 2016	–	68,990	6,458	65	75,513
Abroad					
Opening balance at January 1, 2016	18,138	120,919	190,628	2,390	332,075
Cumulative translation adjustment (CTA)	(2,210)	(17,565)	(30,304)	(303)	(50,382)
Additions (new funding obtained)	–	24,956	33,450	–	58,406
Transaction costs during the period (*)	13	60	178	30	281
Foreign exchange/inflation indexation charges	(617)	(4,117)	(1,931)	(80)	(6,745)
Pre-payments	–	(2,549)	(18,874)	–	(21,423)
Transfer to current liability	(3,373)	(11,923)	(17,785)	(390)	(33,471)
Transfer to liabilities associated with assets classified as held for sale	–	–	(1,061)	–	(1,061)

Balance as of December 31, 2016	11,951	109,781	154,301	1,647	277,680
Total Balance as of December 31, 2016	11,951	178,771	160,759	1,712	353,193
Non-current					
In Brazil					
Opening balance at January 1, 2017	–	68,990	6,458	65	75,513
Cumulative translation adjustment (CTA)	–	(68)	–	–	(68)
Additions (new funding obtained)	–	16,459	4,989	–	21,448
Transaction costs during the period (*)	–	715	1	–	716
Foreign exchange/inflation indexation charges	–	38	72	(1)	109
Pre-payments	–	(21,196)	–	–	(21,196)
Transfer to current liability	–	(5,543)	(297)	(6)	(5,846)
Balance as of September 30, 2017	–	59,395	11,223	58	70,676
Abroad					
Opening balance at January 1, 2017	11,951	109,781	154,301	1,647	277,680
Cumulative translation adjustment (CTA)	(287)	(2,470)	(4,457)	(43)	(7,257)
Additions (new funding obtained)	727	12,177	32,695	–	45,599
Transaction costs during the period (*)	6	81	(44)	22	65
Foreign exchange/inflation indexation charges	(11)	(601)	2,453	(3)	1,838
Pre-payments	–	(16,501)	(18,479)	–	(34,980)
Transfer to current liability	(2,392)	(10,294)	(5,533)	(124)	(18,343)
Balance as of September 30, 2017	9,994	92,173	160,936	1,499	264,602
Total Balance as of September 30, 2017	9,994	151,568	172,159	1,557	335,278

	Consolidated	
Current	09.30.2017	12.31.2016
Short-term debt	520	1,167
Current portion of long-term debt	18,129	25,352
Accrued interest	4,697	5,277
Total	23,346	31,796

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

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

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

	Consolidated							
Maturity in	2017	2018	2019	2020	2021	2022 onwards	Total (*)	Fair value
Financing in Brazilian Reais (R$):	2,718	5,676	11,138	15,536	11,051	30,777	76,896	67,475
Floating rate debt	1,776	3,866	9,677	14,138	9,668	25,555	64,680	
Fixed rate debt	942	1,810	1,461	1,398	1,383	5,222	12,216	
Average interest rate	7.1%	6.8%	6.9%	6.8%	6.9%	5.8%	6.7%	
							–	
Financing in U.S. Dollars (US$):	5,741	14,840	24,977	19,542	27,067	163,440	255,607	282,143
Floating rate debt	4,657	12,733	20,651	15,387	9,431	54,215	117,074	
Fixed rate debt	1,084	2,107	4,326	4,155	17,636	109,225	138,533	
Average interest rate	3.8%	5.3%	5.5%	5.7%	5.7%	6.4%	5.9%	
Financing in R$ indexed to US$:	128	267	259	259	259	249	1,421	1,462
Floating rate debt	16	61	61	61	61	51	311	
Fixed rate debt	112	206	198	198	198	198	1,110	
Average interest rate	3.5%	3.8%	3.7%	3.6%	3.3%	2.6%	3.5%	
Financing in Pound Sterling (£):	148	119	–	–	–	7,286	7,553	7,894
Fixed rate debt	148	119	–	–	–	7,286	7,553	
Average interest rate	6.0%	6.2%	–	–	–	6.3%	6.2%	
Financing in Japanese Yen (¥):	148	289	–	–	–	–	437	467
Floating rate debt	148	289	–	–	–	–	437	
Average interest rate	0.5%	0.4%	–	–	–	–	0.5%	
Financing in Euro (€):	22	400	2,538	732	2,795	10,201	16,688	18,274
Floating rate debt	–	–	–	567	–	–	567	
Fixed rate debt	22	400	2,538	165	2,795	10,201	16,121	
Average interest rate	3.8%	4.3%	4.3%	4.5%	4.6%	4.7%	4.4%	
Financing in other currencies:	22	–	–	–	–	–	22	22
Fixed rate debt	22	–	–	–	–	–	22	
Average interest rate	14.0%	–	–	–	–	–	14.0%	
Total as of September 30, 2017	8,927	21,591	38,912	36,069	41,172	211,953	358,624	377,737
Average interest rate	4.5%	5.6%	5.8%	5.9%	5.8%	6.3%	5.9%	
Total as of December 31, 2016	31,796	36,557	68,112	53,165	61,198	134,161	384,989	387,077
Average interest rate	6.1%	6.0%	5.9%	5.9%	5.4%	6.4%	6.2%	

* The average maturity of outstanding debt as of September 30, 2017 is 8.36 years (7.46 years as of December 31, 2016).

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

- Level 1 – quoted prices in active markets for identical liabilities, when applicable, amounting to R$ 170,709 as of September 30, 2017 (R$ 151,582 as of December 31, 2016); and
- Level 2 – discounted cash flows based on discount rate determined by interpolating spot rates considering financing debts indexes proxies, taking account their currencies and also the Petrobras' credit risk, amounting to R$ 207,028 as of September 30, 2017 (R$ 235,495 as of December 31, 2016).

The sensitivity analysis for financial instruments subject to foreign exchange variation is set out in note 31.2.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

16.2. 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 nine-month period ended September 30, 2017, the capitalization rate was 6.15% p.a. (5.67% p.a. in the nine-month period ended September 30, 2016).

16.3. Lines of credit

Company	Financial institution	Date	Maturity	Amount Available (Lines of Credit)	Used	Balance
Abroad (Amounts in US$ million)						
Petrobras	JBIC	7/16/2013	12/31/2018	1,500	–	1,500
PGT BV	CHINA EXIM	10/24/2016	Not defined	1,000	–	1,000
PGT BV	SACE	12/22/2016	12/22/2017	300	250	50
Total				2,800	250	2,550
In Brazil						
PNBV	BNDES	9/3/2013	3/26/2018	9,878	2,669	7,209
Transpetro	BNDES	11/07/2008	8/12/2041	1,763	520	1,243
Transpetro	Banco do Brasil	7/9/2010	4/10/2038	159	76	83
Transpetro	Caixa Econômica Federal	11/23/2010	Not defined	329	-	329
Total				12,129	3,265	8,864

16.4. 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 18.5.

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.

17. Leases

17.1. 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
2017	77	(47)	30	35	(19)	16
2018 - 2021	1,543	(796)	747	596	(295)	301
2022 and thereafter	2,305	(560)	1,745	1,357	(886)	471
As of September 30, 2017 (*)	3,925	(1,403)	2,522	1,988	(1,200)	788
Current			150			83
Non-current			2,372			705
As of September 30, 2017 (*)			2,522			788
Current			297			59
Non-current			4,506			736
As of December 31, 2016			4,803			795

(*) For information on termination of the finance lease contract related to Vitoria 10,000 drilling rig in 2017, see note 7.3.

17.2. 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.

42

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

	Consolidated
2017	8,973
2018	26,301
2019	19,452
2020	18,956
2021	20,252
2022 and thereafter	206,109
As of September 30, 2017	300,043
As of December 31, 2016	315,865

,

As of September 30, 2017, the balance of estimated future minimum lease payments under operating leases includes R$ 175,976 in the Consolidated (R$ 161,884 on December 31, 2016) with respect to assets under construction, for which the lease term has not commenced.

In the nine-month period ended September 30, 2017, the Company recognized expenditures of R$ 23,800 (R$ 25,553 in the same period of 2016) for operating leases installments.

18. Related-party transactions

The Company has a related-party transactions policy, which is applicable to all the Petrobras Group, in accordance with the Company's by-laws.

In order to ensure the goals of the Company and align them with transparency of processes and corporate governance best practices, this policy provides for assumptions to guide Petrobras and its workforce while entering into related-party transactions and dealing with potential conflicts of interest on these transactions, such as: (i) related-party transactions must be executed on an arm's length basis; (ii) must be completely and accurately presented in the Company's reports, in accordance with applicable rules and; (iii) the Audit Committee must assess in advance transactions between the Company and its associates, the Brazilian Federal Government (including its agencies or similar bodies and controlled entities), as well as transactions with entities controlled by key management personnel or by their close family members, with monthly reporting of these assessments to the Board of Directors, for transactions that meet the materiality criteria established in CVM Instruction 480/09.

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, Finance 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.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

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

	09.30.2017			12.31.2016		
	Current	Non-current	Total	Current	Non-current	Total
Assets						
Trade and other receivables						
Trade and other receivables, mainly from sales	7,931	–	7,931	10,031	–	10,031
Dividends receivable	1,982	–	1,982	3,045	–	3,045
Intercompany loans	–	36	36	–	225	225
Capital increase (advance)	–	205	205	–	3,882	3,882
Amounts related to construction of natural gas pipeline	–	906	906	–	1,126	1,126
Finance leases	102	889	991	98	914	1,012
Other operations	481	451	932	558	425	983
Assets held for sale	352	–	352	702	–	702
Total	10,848	2,487	13,335	14,434	6,572	21,006
Liabilities						
Finance leases	(1,234)	(4,002)	(5,236)	(1,096)	(4,452)	(5,548)
Intercompany loans	–	(15,660)	(15,660)	–	(28,903)	(28,903)
Prepayment of exports	(30,593)	(101,948)	(132,541)	(28,115)	(101,011)	(129,126)
Accounts payable to suppliers	(11,447)	–	(11,447)	(12,116)	–	(12,116)
Purchases of crude oil, oil products and others	(7,179)	–	(7,179)	(6,373)	–	(6,373)
Affreightment of platforms	(3,622)	–	(3,622)	(5,282)	–	(5,282)
Advances from clients	(646)	–	(646)	(461)	–	(461)
Other operations	–	(286)	(286)	–	–	–
Total	(43,274)	(121,896)	(165,170)	(41,327)	(134,366)	(175,693)

Profit or Loss	Jan-Sep/2017	Jan-Sep/2016
Revenues, mainly sales revenues	97,745	95,038
Foreign exchange and inflation indexation charges	(3,496)	(5,577)
Financial income (expenses), net	(7,730)	(9,372)
Total	86,519	80,089

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

	Income (expense)		09.30.2017			12.31.2016	09.30.2017			12.31.2016
			Current	Non-current	Total	Total	Current	Non-current	Total	Total
	Jan-Sep/2017	Jan-Jun/2016	Assets	Assets	Assets	Assets	Liabilities	Liabilities	Liabilities	Liabilities
Subsidiaries (*)										
BR	51,284	57,660	1,744	–	1,744	2,259	(178)	–	(178)	(211)
PIB BV	15,692	5,284	3,090	112	3,202	4,395	(32,042)	(117,609)	(149,651)	(158,760)

Gaspetro	5,565	4,857	929	104	1,033	849	(477)	–	(477)	(291)
PNBV	1,812	2,214	1,559	12	1,571	1,880	(3,944)	–	(3,944)	(5,891)
Transpetro	691	736	667	212	879	1,169	(1,709)	–	(1,709)	(1,093)
Logigás	7	(118)	25	906	931	1,368	(118)	–	(118)	(205)
Thermoelectrics	(116)	(171)	32	35	67	322	(160)	(844)	(1,004)	(1,103)
Fundo de Investimento Imobiliário	(146)	(213)	69	–	69	66	(337)	(1,378)	(1,715)	(1,723)
TAG	241	(1,202)	1,352	889	2,241	5,942	(2,044)	–	(2,044)	(1,938)
PDET Off Shore (**)	(83)	(92)	–	–	–		(388)	(430)	(818)	(888)
Other subsidiaries	2,017	2,367	1,091	215	1,306	2,272	(656)	–	(656)	(1,634)
Total Subsidiaries	76,964	71,322	10,558	2,485	13,043	20,522	(42,053)	(120,261)	(162,314)	(173,737)
Structured Entities										
CDMPI	(131)	(151)	–	–	–	–	(370)	(1,349)	(1,719)	(1,876)
Total Structured Entities	(131)	(151)	–	–	–	–	(370)	(1,349)	(1,719)	(1,876)
Associates										
Companies from the petrochemical sector	9,655	8,882	58	–	58	412	6	–	6	(72)
Other associates	31	36	232	2	234	72	(857)	(286)	(1,143)	(8)
Total Associates	9,686	8,918	290	2	292	484	(851)	(286)	(1,137)	(80)
Total	86,519	80,089	10,848	2,487	13,335	21,006	(43,274)	(121,896)	(165,170)	(175,693)

(*) 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-owned subsidiary, no longer a structured entity.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

18.3. Annual rates for intercompany loans

	Parent Company			
	Assets		Liabilities	
	09.30.2017	12.31.2016	09.30.2017	12.31.2016
From 5.01% to 7%	–	77	(15,660)	(28,903)
From 7.01% to 9%	–	100	–	–
More than 9.01%	36	48	–	–
Total	36	225	(15,660)	(28,903)

18.4. 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 debt within current liabilities.

	Parent Company	
	09.30.2017	12.31.2016
Other receivables	14,731	11,301
Assignment of receivables	(18,689)	(23,121)

	Jan-Sep/2017	Jan-Sep/2016
Finance income FIDC-NP	947	702
Finance expense FIDC-NP	(1,605)	(1,966)
Net finance income (expense)	(658)	(1,264)

18.5. 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:

09.30.2017 12.31.2016

Maturity date of the loans	PGF (*)	PGT (**)	PNBV	TAG	Others	Total	Total
2017	–	–	–	–	–	–	6,374
2018	880	1,584	2,037	–	547	5,048	20,935
2019	7,510	6,653	6,890	–	614	21,667	45,463
2020	5,470	8,976	1,296	–	3,710	19,452	41,270
2021	20,413	–	554	–	855	21,822	47,950
2022	11,750	15,278	–	4,088	1,952	33,068	9,008
2023 and thereafter	118,869	35,562	7,754	–	1,379	163,564	116,870
Total	164,892	68,053	18,531	4,088	9,057	264,621	287,870

(*) Petrobras Global Finance B.V., subsidiary of PIB BV.

(**) Petrobras Global Trading B.V., subsidiary of PIB BV.

Petrobras entered into 2 finance agreements with China Development Bank (CDB), maturing in 2019 and 2026, which are collateralized based on future oil exports for specific buyer, limited to 300 thousand barrels per day up to 2019 and 200 thousand barrels per day from 2020 to 2026. This collateral may not exceed the amount of the related debt. PGT, a wholly-owned subsidiary of Petrobras, guarantees these financing operations.

18.6. Investment fund of subsidiaries abroad

As of September 30, 2017, a subsidiary of PIB BV had R$ 4,407 (R$ 10,389 as of December 31, 2016) invested in an investment fund abroad that held debt securities of PGF, PDET and of consolidated structured entities, mainly with respect to the following projects: CDMPI and, Charter.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

18.7. 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-Sep/2017	09.30.2017		Jan-Sep/2016	12.31.2016	
	Income (expense)	Assets	Liabilities	Income (expense)	Assets	Liabilities
Joint ventures and associates						
State-controlled gas distributors	5,195	945	458	4,669	803	226
Petrochemical companies	9,269	65	9	8,865	426	88
Other associates and joint ventures	(1,025)	722	1,998	1,208	580	1,245
Subtotal	13,439	1,732	2,465	14,742	1,809	1,559
Government entities						
Government bonds	346	7,099	–	361	3,628	–
Banks controlled by the Brazilian Government	(3,471)	15,585	45,905	(8,398)	13,408	64,727
Receivables from the Electricity sector (note 7.4)	1,669	16,830	12	2,579	16,042	8
Petroleum and alcohol account - receivables from Brazilian Government	4	829	–	14	875	–
Others	744	273	545	682	1,326	1,081
Subtotal	(708)	40,616	46,462	(4,762)	35,279	65,816
Pension plans	1	168	161	–	158	324
Total	12,732	42,516	49,088	9,980	37,246	67,699
Revenues, mainly sales revenues	18,020			16,994		
Purchases and services	(3,023)			–		
Foreign exchange and inflation indexation charges, net	896			(993)		
Finance income (expenses), net	(3,161)			(6,021)		
Current assets		10,647			9,979	
Non-current assets		31,869			27,267	
Current liabilities			5,595			13,157
Non-current liabilities			43,493			54,542
Total	12,732	42,516	49,088	9,980	37,246	67,699

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.

18.8. 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-Sep/2017			Jan-Sep/2016		
	Officers	Board (members and alternates)	Total	Officers	Board (members and alternates)	Total
Wages and short-term benefits	9.5	0.7	10.2	8.5	1.0	9.5
Social security and other employee-related taxes	2.7	0.1	2.8	2.4	0.2	2.6
Post-employment benefits (pension plan)	0.8	–	0.8	0.8	–	0.8
Benefits due to termination of tenure	–	–	–	0.4	–	0.4
Total compensation recognized in the statement of income	13.0	0.8	13.8	12.1	1.2	13.3
Average number of members in the period (*)	8.00	9.00	17.00	7.56	11.67	19.23
Average number of paid members in the period (**)	8.00	6.00	14.00	7.56	9.78	17.34

(*) Monthly average number of members.

(**) Monthly average number of paid members.

In the nine-month period ended September 30, 2017, the Company recognized the amount of R$ 57.0 as compensation of the Board Members and executive officers of the Petrobras group (R$ 55.0 in the same period of 2016).

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.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

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 in respect of the Audit Committee. The total compensation concerning these members totaled R$ 201 thousand in the nine-month period ended September 30, 2017 (R$ 242 thousand with Social security and related charges).

The general meeting, held on April 27, 2017, fixed monthly compensation of Audit Committee members to 10% of monthly average executive officers' compensation, excluding certain social security benefits and paid vacation.

19. Provision for decommissioning costs

	Consolidated	
Non-current liabilities	09.30.2017	12.31.2016
Opening balance	33,412	35,728
Adjustment to provision	96	(1,785)
Transfers related to liabilities held for sale	(15)	(60)
Payments made	(1,530)	(2,606)
Interest accrued	1,811	2,290
Others	(25)	(155)
Closing balance	33,749	33,412

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.

20. Taxes

20.1. Income taxes and other taxes

Income tax and social contribution	Consolidated				
	Current assets		Current liabilities		Non-current liabilities
	09.30.2017	12.31.2016	09.30.2017	12.31.2016	09.30.2017
Taxes in Brazil					
Income taxes	1,427	1,938	335	364	0
Income taxes - Tax settlement programs (*)	–	–	783	–	2,950
	1,427	1,938	1,118	364	2,950
Taxes abroad	104	23	33	48	–

Total	1,531	1,961	1,151	412	2,950

(*) See note 20.2 for detailed information.

	Consolidated							
Other taxes and contributions	Current assets		Non-current assets		Current liabilities		Non-current liabilities (*)	
	09.30.2017	12.31.2016	09.30.2017	12.31.2016	09.30.2017	12.31.2016	09.30.2017	12.31.2016
Taxes in Brazil:								
Current / Deferred ICMS (VAT)	3,290	3,156	2,520	2,202	3,090	3,513	–	–
Current / Deferred PIS and COFINS	2,394	2,314	7,524	7,374	3,269	1,509	–	–
CIDE	60	71	–	–	357	386	–	–
Production taxes	–	–	–	–	3,853	4,015	–	–
Withholding income taxes	–	–	–	–	321	1,584	–	–
Tax Settlement Program (**)	–	–	–	–	954	90	–	–
Others	571	540	309	623	440	621	87	65
Total in Brazil	6,315	6,081	10,353	10,199	12,284	11,718	87	65
Taxes abroad	53	111	53	37	91	108	–	–
Total	6,368	6,192	10,406	10,236	12,375	11,826	87	65

(*) Other non-current taxes are classified as other non-current liabilities.

(**) It includes the amount of R$ 6 relating to tax amnesty and refinancing program (REFIS) from previous periods.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

20.2. Brazilian federal settlement programs

In 2017, the Company joined the Tax Settlement Program (Programa de Regularização Tributária - PRT), Non-Tax Debts Settlement Program (Programa de Regularização de Débitos não Tributários - PRD) and the Special Tax Settlement Program (Programa Especial de Regularização Tributária - PERT). These programs were created under Provisional Measures 766, 780 and 783 in 2017, respectively, and enabled the settlement of certain legal proceedings involving Brazilian Federal Tax Authorities, Brazilian Federal Agencies and similar bodies, along with certain benefits, such as the use of tax loss carry forwards and reduction on interests, penalties and related charges. These disputes amounted to R$ 9,995 that, following the relief provided for by these programs, was reduced to R$ 7,131.

The balances of respective liabilities carried on the statement of financial position as of September 30, 2017 are shown below:

		Settlement			Indexation	
	Tax liabilities	In cash	Tax losses used	Total	charges	
PRT						
Income taxes	1,061	(212)	(342)	(554)	–	507
Other taxes	599	(120)	(479)	(599)	–	–
	1,660	(332)	(821)	(1,153)	–	507
PERT						
Income taxes	4,515	(1,326)	–	(1,326)	37	3,226
Other taxes	238	(8)	–	(8)	–	230
	4,753	(1,334)	–	(1,334)	37	3,456
PERT						
Production taxes	718	–	–	–	–	718
Total	7,131	(1,666)	(821)	(2,487)	37	4,681
Current						1,731
Non-current						2,950

20.2.1. Tax Settlement Program (Programa de Regularização Tributária - PRT)

The PRT enabled reliefs to settle tax and non-tax debts overdue up to November 30, 2016 to the Brazilian Federal Tax Authorities (Brazilian Federal Revenue Service and National Treasury Attorney's Office).

The Company joined the program to settle, principally, proceedings at administrative level totaling R$ 1,660, for which outflow of resources were probable, related to disallowed tax credits applied for income taxes and other Brazilian Federal taxes computation.

After assessing the reliefs provided by the PRT, the Company decided to settle the total debt of these tax disputes (R$ 1,660) with the benefit of using tax loss carry forwards to pay R$ 1,328, of which R$ 821 was already used at September 30, 2017 and R$ 507 will be used in up to 12 months. The amount of R$ 332 was settled in a lump sum payment.

After joining the PRT in May 2017, the Company recognized a reversal of provisions for legal proceedings previously recognized for this matter in the amount of R$ 1,560. The impacts of this program were accounted for in the second quarter of 2017 within the Company's statement of income amounting to R$ 264 after tax effects, as shown in note 20.2.4.

20.2.2. Special Tax Settlement Program (Programa Especial de Regularização Tributária - PERT)

The PERT enabled reliefs to settle tax and non-tax debts overdue up to April 30, 2017 to the Brazilian Federal Tax Authorities (Brazilian Federal Revenue Service and National Treasury Attorney's Office), including amounts under disputes involving these authorities.

The Company elected to join the PERT to settle the legal proceeding, in the amount of R$ 6,541, with respect to a notice of deficiency issued due to the use of expenses arising from the Terms of Financial Commitment (TFC), signed by Petrobras and Petros Plan in 2008, as deductible in determining taxable profit. The TFC represents a commitment to cover obligations due to participants' accepted changes in the plan benefits and disputes resolved at that period.

The court ruled on this matter in the second quarter of 2017 granting the deduction of these expenses from the taxable profit computation, but limited to 20% of the payroll and compensation of key management participants in the plan. After assessing the fundamentals of this court ruling, the Company reassessed the probability of outflow of resources with respect to this dispute and estimated a portion of it as probable.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

The Company was not able to use tax loss carry forwards to settle this amount as this tax dispute was in the scope of the National Treasury Attorney's Office. Accordingly, an assessment of the other reliefs was performed and, as a result, the Company decided to settle this tax dispute, totaling R$ 6,541, by paying R$ 4,356, which takes into account the benefits reliefs on interests, penalties and related charges. Of this amount, R$ 1,308 was settled in cash in August 2017, and the remaining amount will be settled through 145 monthly installments bearing interest at Selic interest rate (Brazilian short-term interest rate), of which the first one will mature in January 2018.

Pursuant to the Provisional Measure 807/2017 enacted on October 31, 2017, the period to join this program was extended from August 31 to November 14, 2017. Therefore, the Company decided in the third quarter of 2017 to settle other disputes relating to debts in the scope of the Brazilian Federal Revenue Service amounting to R$ 718, following unfavorable court rulings that changed the Company’s estimates about probability of outflow of resources to probable. After the relief under the PERT, the total amount of these disputes was reduced to R$ 394, of which R$ 325 will be settled in January 2018 through a lump sum payment, and the remaining R$ 69 will be paid through 145 monthly installments. These disputes refer to:

- Tax dispute relating to the use of tax benefit under the Thermoelectric Priority Program (Programa Prioritário de Termeletricidade) established by the Decree 3.371/2000, that allegedly enabled total relief (zero rate) of tax on imported products (Imposto de Importação –II) and the tax on manufactured products (Imposto sobre Produtos Industrializados-IPI) over the import of certain equipment necessary for setting up electricity generation units. After the reliefs provided for by PERT, this tax dispute in the amount of R$ 330 was reduced to R$ 150;
- Tax dispute relating to the use of certain tax loss carry forwards as deduction from the computation of taxable income. After the reliefs provided for by this program, this tax dispute in the amount of R$ 120 will be settled by paying R$ 63;
- Other debts related to contributions to private social service and vocational training entities linked to trade unions, as well as PIS and COFINS (Social Integration Program and Social Security Financing). These amounts totaled R$ 80 that, after the relief provided for by this program was reduced to R$ 60; and
- The wholly-owned subsidiaries Transpetro and BR also decided to settle Brazilian federal taxes disputes amounting to R$ 188. After the relief on interest, penalties and related charges, this amount will be settled by paying R$ 121.

Accordingly, the Company recognized the amount of R$ 6,347 within the statement of income for the nine-month period ended September 30, 2017, made up of tax debts after reliefs and tax effects amounting to R$ 4,084, reversals of deferred income tax assets for unused tax losses from 2012 to 2017 amounting to R$ 2,287 and reversal of provisions previously recognized totaling R$ 24, as shown in note 20.2.4.

In addition, the Company decided to use additional benefits pursuant to the Law No. 13,496/2017 enacted in October 2017 in order to reduce the debit related to Petros Plan under the PERT settlement program by R$ 395 after tax effects. This effect will be included in the income statement for the fourth quarter of 2017.

20.2.3. Non-Tax Debts Settlement Program (Programa de Regularização de Débitos não Tributários - PRD)

The PRD enabled relief to settle non-tax debts overdue to the Brazilian Federal Agencies and similar bodies up to October 25, 2017, including amounts under disputes and debts in the scope of other settlement programs involving these authorities.

The Company joined the PRD to settle some legal proceedings involving ANP, with respect to production tax debts for which the likelihood of losses were deemed probable, following a court ruling in August 2017 granting to ANP its arguments.

After assessing the benefits from relief on interest, penalties and related charges provided for by this program, the Company decided to settle these disputes, totaling R$ 1,076 by paying R$ 718, of which R$ 430 will be settled in a lump sum payment in the fourth quarter of 2017 and the settlement of the remaining R$ 288 is expected to occur in January 2018.

Accordingly, the Company recognized R$ 519 within the statement of income for the nine-month period ended September 20, 2017, after tax effects, as shown in note 20.2.4.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

20.2.4. Impacts of tax settlement programs (PRT, PERT and PRD) within statement of income

	PRT (*)	PERT	PRD	Total
Cost of sales	–	–	(412)	(412)
Other taxes	(544)	(1,944)	(80)	(2,568)
Finance expenses	(802)	(994)	(226)	(2,022)
Income taxes - notice of deficiency	(314)	(1,815)	–	(2,129)
Total - after reliefs	(1,660)	(4,753)	(718)	(7,131)
Impacts of PIS/COFINS on settlement programs	–	(146)	(21)	(167)
Income taxes - deductible expenses	(164)	815	220	871
Other income and expenses - reversal of provision (*)	1,560	24	–	1,584
Total	(264)	(4,060)	(519)	(4,843)
Income taxes - reversal of unused tax losses from 2012 to 2017	–	(2,287)	–	(2,287)
Impacts within the statement of income	(264)	(6,347)	(519)	(7,130)

(*) A portion of this provision was recognized within the statement of income, in the first quarter 2017, in the amount of R$ 627.

20.3. Tax amnesty programs – State Tax (Programas de Anistias Estaduais)

In 2017, the Company elected to settle in cash VAT (ICMS) tax disputes concerning the states of Amazonas, Ceará, Minas Gerais and Pernambuco by joining states amnesty settlement programs, being exempted of paying interests and penalties. Accordingly, the Company charged R$ 177 as other taxes.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

20.4. Brazilian Tax Law

State Law

On December 30, 2015, the state of Rio de Janeiro enacted laws that increased the tax burden on the oil industry since March 2016, as follows:

- Law No. 7,182 – establishes a Rate Control, Monitoring and Supervision of Research, Mining, Oil and Gas Exploration and Utilization Activities tax (Taxa de Controle, Monitoramento e Fiscalização das Atividades de Pesquisa, Lavra, Exploração e Aproveitamento de Petróleo e Gás – TFPG) over each barrel of crude oil or equivalent unit of natural gas extracted in the State of Rio de Janeiro, and
- Law No. 7,183 – establishes a VAT (ICMS) tax over transactions involving crude oil operations.

The Company believes that the taxation established by both laws is not legally justifiable, and therefore, the Company has supported the Brazilian Association of Companies for the Exploration and Production of Oil and Gas (ABEP - Associação Brasileira de Empresas de Exploração e Produção de Petróleo e Gás), which has filed complaints challenging the constitutionality of such laws before the Brazilian Supreme Court.

The Brazilian Federal Attorney has expressed favorable opinions regarding the basis of the ABEP complaints and the granting of judicial injunctions in favor of the oil and gas industry, to avoid the associated tax burden imposed on it.

As the Brazilian Supreme Court has not ruled on the ABEP request for formal injunctions, the Company filed individual complaints before the State Court of Rio de Janeiro challenging both laws and, as a result, judicial injunctions were granted in favor of the Company in December 2016 and this tax burden has been suspended.

Brazilian Federal Law

During the third quarter of 2017, the Brazilian Federal Government enacted new tax rules applicable to the oil and gas industry.

On August 18, 2017, the Decree No. 9,128 and Provisional Measure No. 795 were enacted, providing for extension of relief on temporary admissions under Repetro (Special Customs Regime for the Export and Import of Goods destined to Exploration and Production of Oil and Natural Gas Reserves) to 2040, as well as amendments to certain matter, mainly concerning to:

- Changes in Repetro’s methodology to be effective on January 1, 2018, ensuring tax relief on goods destined to sector in accordance with timeframes provided for by relevant rules;
- Creation of a special regime for the acquisition and industrialization of goods with definitive permanence in Brazil and destined to the exploration and production of oil and natural gas ;
- Deduction from income taxes basis of computation of investments made in the oil gas exploration and production phases; and
- New rules relating to the determination of withholding income tax on remittances for payment of vessels charters.

These regulations are still subject to the Brazilian National Congress approval and, therefore, the Company is currently unable to make a reliable estimate of the respective financial impacts.

The company has disputes regarding the immediate deduction of crude oil production development costs from the basis of computation of taxable income, and also related to withholding income tax on remittances vessels charters payments. Additional information on these disputes is presented in note 29.3. Following the approval of the new taxation model of the sector by the Brazilian National Congress, it is expected greater stability and legal security to the companies, allowing an increase in investments and reduction of litigation involving the oil and industry.

In addition, ANP enacted Resolution No. 703 on September 26, 2017, establishing new criteria of reference price for the calculation of production taxes. The new calculation will be effective on January 1, 2018 and will be applied gradually to 2022, starting from a percentage of 20% according to the new rules. The new reference price for production taxes calculation takes into account different characteristics of the product in each exploratory area.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

20.5. Deferred income taxes - non-current

The changes in the deferred income taxes are presented as follows:

	Consolidated Property, Plant and Equipment									
	Exploration and decommissioning costs	Others (*)	Loans, trade and other receivables / payables and financing	Finance leases	Provision for legal proceedings	Tax losses	Inventories	Employee benefits	Others	Total
Balance at January 1, 2016	(40,310)	5,043	29,727	(1,366)	3,092	20,365	1,379	4,681	(27)	22,584
Recognized in the statement of income for the year	3,792	(2,161)	(1,192)	108	663	(362)	19	1,731	682	3,280
Recognized in shareholders' equity(****)	-	-	(17,089)	992	-	(10)	-	3,485	-	(12,622)
Cumulative translation adjustment	-	(77)	47	-	5	(190)	-	(13)	(43)	(271)
Others (**)	-	250	(47)	(28)	(84)	(119)	-	(77)	316	211
Balance at December 31, 2016	(36,518)	3,055	11,446	(294)	3,676	19,684	1,398	9,807	928	13,182
Recognized in the statement of income for the period (***)	1,330	(4,322)	(935)	(169)	436	278	(244)	(365)	(545)	(4,536)
Recognized in shareholders' equity(****)	–	–	(4,375)	–	–	–	–	–	–	(4,375)
Cumulative translation adjustment	–	(13)	4	–	–	(56)	–	–	–	(65)

Use of tax credits	–	–	–	–	–	(821)	–	–	–	(821)
Others	–	(550)	–	126	(67)	356	–	–	135	–
Balance at September 30, 2017	(35,188)	(1,830)	6,140	(337)	4,045	19,441	1,154	9,442	518	3,385
Deferred tax assets										14,038
Deferred tax liabilities										(856)
Balance at December 31, 2016										13,182
Deferred tax assets										10,106
Deferred tax liabilities										(6,721)
Balance at September 30, 2017										3,385

(*) Mainly includes impairment adjustments and capitalized borrowing costs.
(*) It includes R$ 249 transferred to liabilities associated with assets held for sale relating to Liquigás, PESA and NTS.
(***) It does not include R$ 165 relating to deferred income taxes of companies when classified as held for sale.
(****) The amounts presented as Loans, trade and other receivables/payables and financing, relate to the tax effect on exchange rate variation recognized within other comprehensive income (cash flow hedge accounting) as set out note 31.2.

The Company recognizes the deferred tax assets based on projections of taxable profits for future periods that are revised annually. The deferred tax assets will be realized in a ten years perspective to the extent of provisions realization and final resolution of future events, both based on the Business and Management Plan – BMP assumptions.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

20.6. Reconciliation between statutory tax rate and effective tax expense rate

The following table provides the reconciliation of Brazilian statutory tax rate to the Company's effective rate on income before income taxes:

	Consolidated	
	Jan-Sep/2017	Jan-Sep/2016
Net income (losses) before income taxes	14,702	(15,930)
Nominal income taxes computed based on Brazilian statutory corporate tax rates (34%)	(4,999)	5,416
Adjustments to arrive at the effective tax rate:		
Different jurisdictional tax rates for companies abroad	1,199	(698)
Brazilian income taxes on income of companies incorporated outside Brazil (*)	(99)	(448)
Tax incentives	427	126
Tax loss carryforwards (unrecognized tax losses)	(178)	(1,512)
Non-taxable income (non-deductible expenses), net (**)	(1,213)	(2,374)
Tax settlement programs (***)	(4,416)	
Others	326	(385)
Income taxes expense	(8,953)	125
Deferred income taxes	(4,701)	4,682
Current income taxes	(4,252)	(4,557)
Total	(8,953)	125
Effective tax rate of income taxes	60.9%	0.8%

(*) Relates to Brazilian income taxes on earnings of offshore investees, as established by Law No. 12,973/2014.
(**) Includes results in equity-accounted investments and expenses relating to health care plan.
(***) Income taxes in the scope of PRT and PERT and reversals of losses carry forwards from 2012 to 2017, as shown in note 20.2.4.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

21. Employee benefits (Post-Employment)

21.1. Pension and medical benefits

The Company sponsors defined benefit and variable contribution pension plans in Brazil and abroad, as well as defined-benefit medical plans for employees in Brazil (active and retirees) and their dependents. See note 22 to the consolidated financial statement for the year ended December 31, 2016 for detailed information about pension and medical benefits sponsored by the Company.

Changes in the net defined benefits are set out as follows:

	Consolidated				
			Medical	Other	
	Pension Plans		Plan		
	Petros	Petros 2	AMS	Plans	Total
Balance at January 1, 2016	23,185	277	26,369	343	50,174
(+) Remeasurement effects recognized in OCI	9,667	563	7,166	53	17,449
(+) Costs incurred in the year	3,566	115	4,238	82	8,001
(-) Contributions paid	(672)	–	(1,224)	(32)	(1,928)
(-) Payments related to the Term of Financial Commitment (TFC)	(706)	–	–	–	(706)
Others	–	–	–	(322)	(322)
Balance at December 31, 2016	35,040	955	36,549	124	72,668
Current	1,344	–	1,328	–	2,672