

PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
May 08, 2018
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

For the month of May, 2018

Commission File Number 1-15106

PETRÓLEO BRASILEIRO S.A. - PETROBRAS
(Exact name of registrant as specified in its charter)

Brazilian Petroleum Corporation - PETROBRAS
(Translation of Registrant's name into English)

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

(Address of principal executive office)

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

Form 20-F Form 40-F

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

Yes No

UNAUDITED

INTERIM

FINANCIAL STATEMENTS

—

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

Petróleo Brasileiro S.A. – Petrobras

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Report of Independent Registered Public Accounting Firm

The Shareholders and Board of Directors of

Petróleo Brasileiro S.A. - Petrobras

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

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

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

As discussed in Note 3 to the financial statements, on September 30, 2014, the Company wrote off US\$2,527 million of overpayments on the acquisition of property plant and equipment incorrectly capitalized according to testimony obtained from Brazilian criminal investigations. The note also describes that no additional information has been identified through this date which could materially impact the estimation methodology adopted for the write off previously recorded.

Basis for Review Results

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

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

Rio de Janeiro, May 7, 2018

/s/ KPMG Auditores Independentes

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Petróleo Brasileiro S.A. – Petrobras

Unaudited Consolidated Statement of Financial Position

March 31, 2018 and December 31, 2017

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

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

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

The notes form an integral part of these financial statements.

Petróleo Brasileiro S.A. – Petrobras

Unaudited Consolidated Statement of Income

March 31, 2018 and 2017

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

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

The notes form an integral part of these financial statements.

Petróleo Brasileiro S.A. – Petrobras

Unaudited Consolidated Statement of Comprehensive Income

March 31, 2018 and 2017

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

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

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

The notes form an integral part of these financial statements.

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Petróleo Brasileiro S.A. – Petrobras

Unaudited Consolidated Statement of Cash Flows

March 31, 2018 and 2017

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

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

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

The notes form an integral part of these financial statements.

Petróleo Brasileiro S.A. – Petrobras

Unaudited Consolidated Statement of Changes in Shareholders' Equity

March 31, 2018 and 2017

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

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

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

The notes form an integral part of these financial statements.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements - unaudited

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

1. The Company and its operations

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

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

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

The Company is dedicated to prospecting, drilling, refining, processing, trading and transporting crude oil from producing onshore and offshore oil fields and from shale or other rocks, as well as oil products, natural gas and other liquid hydrocarbons. In addition, Petrobras carries out energy related activities, such as research, development, production, transport, distribution and trading of all forms of energy, as well as other related or similar activities.

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

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

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

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

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

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

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

2. Basis of preparation

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

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

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

2.2. Functional and presentation currency

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

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements - unaudited

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

Petrobras has selected the U.S. Dollar as its presentation currency to facilitate a more direct comparison to other oil and gas companies. The financial statements have been translated from the functional currency (Brazilian Real) into the presentation currency (U.S. Dollar). All assets and liabilities are translated into U.S. dollars at the closing exchange rate at the date of the financial statements; income and expenses, as well as cash flows are translated into U.S. dollars using the average exchange rates prevailing during the period. All exchange differences arising from the translation of the consolidated financial statements from the functional currency into the presentation currency are recognized as cumulative translation adjustments (CTA) within accumulated other comprehensive income in the consolidated statements of changes in shareholders' equity.

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

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

In the third quarter of 2014, the Company wrote off US\$2,527 of capitalized costs representing amounts that Petrobras overpaid for the acquisition of property, plant and equipment in prior years. For additional information about this write off and its approach to estimate amounts overpaid by the Company, see note 3 to the audited consolidated financial statements ended December 31, 2017.

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

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

In addition, the Company has been taking the necessary procedural steps to seek compensation for damages suffered from the improper payments scheme, including those related to its reputation.

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

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

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

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

3.1. Investigations involving the Company

Petrobras is not a target of the Lava Jato investigation and is formally recognized as a victim of the improper payments scheme by the Brazilian Authorities.

On November 21, 2014, Petrobras received a subpoena from the U.S. Securities and Exchange Commission (SEC) requesting certain documents and information about the Company with respect to, among other things, the Lava Jato investigation and any allegations regarding a violation of the U.S. Foreign Corrupt Practices Act. The U.S. Department of Justice (DoJ) is conducting a similar inquiry, and the Company is cooperating with both investigations and intends to continue to do so, working with the independent Brazilian and U.S. law firms that were hired to conduct an independent internal investigation. The investigations carried out by the SEC and DoJ may require the Company to pay penalties or provide other financial relief, or consent to injunctions or orders on future conduct or suffer other penalties.

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

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements - unaudited

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

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

4.Summary of significant accounting policies

The same accounting policies and methods of computation were followed in these consolidated interim financial statements as those followed in the preparation of the annual financial statements of the Company for the year ended December 31, 2017, except for the changes arising from the adoption of IFRS 9 - Financial Instruments, IFRS 15 - Revenue from Contracts with Customers and IFRIC 22 Foreign Currency Transactions and Advance Consideration. The provisions under these standards and interpretation became effective on January 1, 2018.

4.1.IFRS 9 - Financial Instruments

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

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

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

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

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

4.1.1. Classification and measurement of financial assets

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

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

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Fair value through other comprehensive income: i) when the contractual terms of a debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the business model's objective to collect contractual cash flows and sell financial assets; and ii) equity instruments not held for trading purposes for which the Company has made an irrevocable election in their initial recognition to present changes in fair value in other comprehensive income rather than within profit or loss; and
 Fair value through profit or loss: if the financial asset does not meet the criteria for the two aforementioned categories. The table below presents comparative information of marketable securities between the former classification and measurement in accordance with IAS 39 and the current requirements following the effectiveness of IFRS 9:

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

4.1.2. Modification of contractual cash flows

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

4.1.3. Impairment of financial assets

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

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

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

Significant increase in credit risk since initial recognition

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

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

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

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Definition of default

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

Measurement of expected credit losses

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

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

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

Disclosure

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

4.1.4.Hedge Accounting

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

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

Gains or losses relating to the effective portion of such hedges are recognized in other comprehensive income within equity and recycled to the statement of income in finance income (expense) in the periods when the hedged item affects the statement of income. The gains or losses relating to the ineffective portion are immediately recognized in finance income (expense).

When the hedging instrument expires or settled in advance or no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income from the period when the hedge was effective is recorded separately in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is immediately reclassified from equity to the statement of income.

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

4.2.IFRS 15 - Revenue from Contracts with Customers

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

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

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

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

The Company acting as an agent

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

Non-exercised right Income (breakage)

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

4.3. IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

5.Accounting estimates

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

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

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

6. Cash and cash equivalents and Marketable securities

Cash and cash equivalents

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

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

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

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

Marketable securities

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

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

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

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7.Trade and other receivables

7.1.Trade and other receivables, net

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

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

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

7.2.Trade receivables overdue - Third parties

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

7.3.Changes in allowance for expected credit losses

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

See note 32 for detailed information on such agreements.

8. Inventories

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

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

(*) Liquefied Natural Gas

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

9. Disposal of Assets and other changes in organizational structure

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

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9.1. Disposal of assets

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

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

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

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

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

Disposal of Liquigás

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

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

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

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

Disposal of Suape and Citepe petrochemical plants

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

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

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

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

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

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

Strategic alliance with Total

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

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

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

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

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

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

Sale of Azulão field

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

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

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

Strategic alliance with Statoil

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

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

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

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

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

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

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

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

9.2.Assets classified as held for sale

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

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

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

9.3. Other changes in organizational structure

Sale and merger of Nova Fronteira Bioenergia

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

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

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

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

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10. Investments

10.1. Investments in associates and joint ventures

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

10.2. Investments in non- consolidated listed companies

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

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

Braskem's shares are publicly traded on stock exchanges in Brazil and abroad. As of March 31, 2018, the quoted market value of the Company's investment in Braskem was US\$ 4,217 based on the quoted values of both Petrobras' interest in Braskem's common stock (47% of the outstanding shares), and preferred stock (22% of the outstanding shares). However, there is extremely limited trading of the common shares, since non-signatories of the shareholders' agreement hold only approximately 3% of the common shares.

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

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

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

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11. Property, plant and equipment

11.1. By class of assets

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

Accumulated depreciation,
amortization and depletion

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

(25 to 50) (3 to 31)

Weighted average useful life in
years

(except land)

Units of production method

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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12. Intangible assets

12.1. By class of assets

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

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

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

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

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

13.Exploration and evaluation of oil and gas reserves

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

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

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

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

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

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

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

14. Trade payables

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

15. Finance debt

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

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

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15.1. Repayment of debts and new financings

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

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

15.2. Changes in current and non-current debt

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

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

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

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

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

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

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

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

-

(419)

(177)

5

5,938 (15,375)

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

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

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

2023

Maturity in	2018	2019	2020	2021	2022	and onwards	Total (*)	Fair value
Financing in Brazilian Reais (R\$):	1,553	1,449	3,258	2,550	4,522	7,427	20,759	19,458
Floating rate debt	674	1,050	2,953	2,249	4,136	5,848	16,910	
Fixed rate debt	879	399	305	301	386	1,579	3,849	
Average interest rate	6.3%	6.3%	6.4%	7.0%	6.8%	6.0%	6.4%	
Financing in U.S.Dollars (US\$):	1,872	1,295	4,627	5,569	12,641	148,599	74,603	80,210
Floating rate debt	980	1,292	3,314	3,109	9,610	14,844	33,149	
Fixed rate debt	892	3	1,313	2,460	3,031	33,755	41,454	
Average interest rate	5.6%	6.0%	5.9%	6.0%	5.7%	6.5%	6.2%	
Financing in R\$ indexed to US\$:	67	63	63	63	63	–	319	338
Floating rate debt	2	–	–	–	–	–	2	
Fixed rate debt	65	63	63	63	63	–	317	
Average interest rate	3.1%	3.0%	3.0%	2.8%	2.4%	-	3.0%	
Financing in Pound Sterling (£):	46	–	–	–	–	2,410	2,456	2,612
Fixed rate debt	46	–	–	–	–	2,410	2,456	
Average interest rate	6.1%	–	–	–	–	6.3%	6.2%	
Financing in Japanese Yen (¥):	98	–	–	–	–	–	98	101
Floating rate debt	98	–	–	–	–	–	98	
Average interest rate	0.4%	–	–	–	–	–	0.4%	
Financing in Euro (€):	57	–	235	471	734	2,621	4,118	5,135
Floating rate debt	–	–	187	–	–	–	187	
Fixed rate debt	57	–	48	471	734	2,621	3,931	
Average interest rate	4.9%	4.5%	4.6%	4.7%	4.8%	4.6%	4.7%	
Financing in other currencies:	7	–	–	–	–	–	7	7
Fixed rate debt	7	–	–	–	–	–	7	
Average interest rate	14.0%	–	–	–	–	–	14.0%	
Total as of March 31, 2018	3,700	2,807	8,183	8,653	17,960	61,057	102,360	107,861
Average interest rate	5.7%	6.0%	6.0%	6.1%	5.9%	6.4%	6.2%	
Total as of December 31, 2017	7,001	6,476	9,641	12,745	18,014	155,169	109,046	116,621
Average interest rate	5.6%	5.9%	5.9%	5.9%	5.7%	6.4%	6.1%	

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

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

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

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

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

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

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

15.6. Lines of credit

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

In Brazil

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

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

15.7. Collateral

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

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

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

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

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

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16. Leases

16.1. Future minimum lease payments / receipts – finance leases

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

16.2. Future minimum lease payments – operating leases

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

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

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

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

17.Related-party transactions

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

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

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

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

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

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

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

17.1. 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:

	Jan-Mar/2018	03.31.2018		Jan-Mar/2017	12.31.2017	
	Income	Income		Income	Income	
	(expense)	Assets	Liabilities	(expense)	Assets	Liabilities
Joint ventures and associates						
State-controlled gas distributors (joint ventures)	544	286	125	472	294	141
Petrochemical companies (associates)	936	46	10	1,198	59	16
Other associates and						
joint ventures	(194)	164	803	141	177	691
Subtotal	1,286	496	938	1,811	530	848
Brazilian government – Parent and its controlled entities						
Government bonds	31	1,725	-	35	1,702	-
Banks controlled by the Brazilian Government	(343)	6,211	11,641	(449)	5,839	12,390
Receivables from the Electricity sector (note 7.4)	78	5,277	-	194	5,247	-
Petroleum and alcohol account - receivables from the Brazilian Government	-	249	-	1	251	-
Others	60	45	150	70	45	217
Subtotal	(174)	13,507	11,791	(149)	13,084	12,607
Pension plans	-	69	59	-	68	94

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Total	1,112	14,072	12,788	1,662	13,682	13,549
Revenues, mainly sales revenues	1,770	-	-	2,005	-	-
Purchases and services	(420)			(17)	-	
Foreign exchange and inflation indexation charges, net	(84)	-	-	66	-	-
Finance income (expenses), net	(154)	-	-	(392)	-	-
Current assets	-	2,599	-	-	2,521	-
Non-current assets	-	11,473	-	-	11,161	-
Current liabilities	-	-	1,372	-	-	1,544
Non-current liabilities	-	-	11,416	-	-	12,005
Total	1,112	14,072	12,788	1,662	13,682	13,549

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.

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

	Jan-Mar/2018			Jan-Mar/2017		
	Officers	Board members	Total	Officers	Board members	Total
Wages and short-term benefits	1.2	0.1	1.3	1.2	0.1	1.3
Social security and other employee-related taxes	0.3	–	0.3	0.3	–	0.3
Post-employment benefits (pension plan)	0.1	–	0.1	0.1	-	0.1
Total compensation recognized in the statement of income	1.6	0.1	1.7	1.6	0.1	1.7
Average number of members in the period (*)	8.00	9.00	17.00	8.00	9.00	17.00
Average number of paid members in the period (**)	8.00	5.00	13.00	8.00	8.00	16.00

(*) Monthly average number of members.

(**) Monthly average number of paid members.

In the first quarter of 2018 the board members and executive officers of the Petrobras group received US\$ 6 as compensation (US\$ 6 in the first quarter of 2017).

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

In accordance with Brazilian regulation applicable to companies controlled by the Brazilian Government, Board members who are also members of the Audit Committee are only compensated with respect to their Audit Committee duties. The total compensation concerning these members totaled US\$ 94 thousand in 2017 (US\$ 113 thousand with social security and related charges).

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

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

The Company's General Shareholder's Meeting held on April 26, 2018 determined the amount of US\$ 8 as the threshold of executive officers and board members compensation for the period from April 2018 to March 2019, as well as approved the increase in the number of board members to 11.

18.Provision for decommissioning costs

Non-current liabilities	03.31.2018	12.31.2017
Opening balance	14,143	10,252
Adjustment to provision	3	4,166
Transfers related to liabilities held for sale	–	(117)
Payments made	(79)	(709)
Interest accrued	181	757
Others	2	24
Cumulative translation adjustment	(70)	(230)
Closing balance	14,180	14,143

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

For the first quarter of 2017, unwinding of the discount on the provision for decommissioning costs (interest accrued) amounted to US\$ 191.

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19. Taxes

19.1. Income taxes and other taxes

Income taxes	Current assets		Current liabilities		Non-current liabilities	
	03.31.2018	12.31.2017	03.31.2018	12.31.2017	03.31.2018	12.31.2017
Taxes in Brazil						
Income taxes	452	442	255	39	-	-
Income taxes - Tax settlement programs	-	-	199	228	677	671
	452	442	454	267	677	671
Taxes abroad	38	37	35	32	-	-
Total	490	479	489	299	677	671

Other taxes	Current assets		Non-current assets		Current liabilities		Non-current liabilities (*)	
	03.31.2018	12.31.2017	03.31.2018	12.31.2017	03.31.2018	12.31.2017	03.31.2018	12.31.2017
Taxes in Brazil								
Current / Deferred ICMS (VAT)	910	934	674	707	952	1,021	-	-
Current / Deferred PIS and COFINS	897	820	2,264	2,282	825	820	-	-
CIDE	10	14	-	-	102	104	-	-
Production taxes	-	-	-	-	1,700	1,605	-	-
Withholding	-	-	-	-	88	157	-	-
income taxes								
Tax Settlement Program	-	-	-	-	414	648	-	-
Others	182	170	76	72	144	165	92	86
Total in Brazil	1,999	1,938	3,014	3,061	4,225	4,520	92	86
Taxes abroad	18	20	16	14	22	28	-	-
Total	2,017	1,958	3,030	3,075	4,247	4,548	92	86

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

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19.2. Brazilian federal settlement programs

In 2017, the Company joined certain settlement programs created by the Brazilian Federal Government, which enabled the settlement of significant disputes in which the Company was a defendant, with certain benefits, such as the use of tax loss carry forwards and reduction in interests, penalties and related charges. The settlement of disputes involving Brazilian Federal Tax Authorities, Brazilian Federal Agencies and similar bodies reduced tax disputes amounting to US\$ 11,552 that as shown below:

Provisional measures	Signed into law	Brazilian federal settlement programs	Amount of		
			Disputes	relief	Debts
766	-	Tax Settlement Program - PRT (*)	502	-	502
783	13.496	Special Tax Settlement Program - PERT	2,203	1,001	1,202
780	13.494	Non-Tax Debts Settlement Program - PRD	340	113	227
795	13.586	Withholding income tax on remittances for payment of charter of vessels	8,507	7,976	531
			11,552	9,090	2,462

(*) Benefit of using tax loss carryforwards to settle 80% of the debt.

Detailed information on those settlement programs are presented in note 21.2 to the Company's audited financial statements ended December 31, 2017.

The balances of respective liabilities carried on the statement of financial position as of March 31, 2018 are shown below:

	Settlement					CTA 03.31.2018
	12.31.2017	Payments	Inflation indexation	Others		
PRT						
Income taxes	153	-	-	-	-	153
Other taxes	-	-	-	-	-	-
Total	153	-	-	-	-	153
PERT						
Income taxes	744	(15)	15	(19)	(4)	721
Others taxes	40	(60)	2	19	1	2
	784	(75)	17	-	(3)	723
PRD						
Production taxes	87	(95)	2	5	1	-
Law 13.586/17						
Withholding income tax	521	(118)	7	3	-	413
Total	1,545	(288)	26	8	(2)	1,289
Current						613
Non-current						677

The following table presents the settlement years of the outstanding amount of these programs:

	2018	2019	2020	2021	2022	2023	onwards	Total
PRT	153	-	-	-	-	-		153
PERT	46	61	61	61	61	433		723
Law 13.586/17	413	-	-	-	-	-		413
Total	612	61	61	61	61	433		1,289

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

The Company elected to settle in cash VAT (ICMS) tax disputes concerning the states of Rio Grande do Norte and Tocantins by joining states amnesty settlement programs and taking advance of their reliefs. Accordingly, in the first quarter of 2018, the Company charged US\$ 25 as other taxes.

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19.4. New taxation model for the oil and gas industry

On December 28, 2017, the Brazilian federal government enacted Law No. 13,586, which outlines a new taxation model for the oil and gas industry and, along with the Decree 9,128/2017, establishes a new special regime for exploration, development and production of oil, gas and other liquid hydrocarbons named Repetro-Sped.

Due to the application of this new model, the Company expects greater legal stability in the oil and gas industry in Brazil, which may encourage higher investments and reduce the number of litigations involving the industry players.

Regarding the Repetro-Sped, this regime enhances the former Repetro (Special Customs Regime for the Export and Import of Goods designated to Exploration and Production of Oil and Natural Gas Reserves), notably providing for tax relief over goods permanently held in Brazil in addition to the previous relief related to temporary admissions. Therefore, we are assessing transfers in the ownership of certain oil and gas assets from foreign subsidiaries to the parent company in Brazil. The regime will expire in December, 2040.

Following the creation of Repetro-Sped, the Brazilian states, pursuant to a decision of the Brazilian National Council of Finance Policies (CONFAZ), agreed to allow tax incentives relating to VAT (ICMS) to the extent each state enacts its specific regulation providing for the tax relief on oil and gas industry.

At the date of issue of these unaudited interim financial statements, the states of Rio de Janeiro, São Paulo, Bahia and Rio Grande do Norte were the only states enacting new regulations governing the VAT tax incentives authorized by the Brazilian Federal Government. The State of Espírito Santo also enacted a law providing for such incentive, however, the regulation is still pending.

For additional information on the main provisions under Law 13,586/17, Decree 9,128 /17 and VAT (ICMS) tax incentives over the Repetro-Sped, see notes 21.4.1 and 21.4.2 to the audited financial statements for the year ended December 31, 2017.

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19.5. Deferred income taxes - non-current

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

Income taxes in Brazil comprise corporate income tax (IRPJ) and social contribution on net income (CSLL). Brazilian statutory corporate tax rates are 25% and 9%, respectively.

	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, 2017	(11,205)	937	3,512	(90)	1,128	6,040	429	3,009	284	4,044
Recognized in the statement of income for the year	363	(1,292)	(1,099)	(64)	1,134	278	130	(4)	139	(415)
Recognized in shareholders' equity (**)	–	–	(887)	–	–	(69)	–	(273)	9	(1,220)
Cumulative translation adjustment	150	45	34	4	(40)	(67)	(6)	(34)	(11)	75
Use of tax credits	–	–	–	–	–	(271)	–	–	–	(271)
Others	–	(188)	(16)	20	(21)	120	16	(10)	108	29
Balance at December 31, 2017	(10,692)	(498)	1,544	(130)	2,201	6,031	569	2,688	529	2,242
Initial application of IFRS9	–	–	147	–	–	–	–	–	–	147
Balance at January 1, 2018	(10,692)	(498)	1,691	(130)	2,201	6,031	569	2,688	529	2,389
Recognized in the statement of income for the period	749	(497)	(635)	(30)	53	325	(104)	101	(157)	(195)
Recognized in shareholders'	–	–	(164)	–	–	–	–	1	–	(163)

equity (**)										
Cumulative translation adjustment	33	18	2	2	(12)	(23)	–	(18)	4	6
Use of tax credits	–	–	–	–	–	(257)	–	–	(17)	(274)
Others	–	(9)	17	(21)	2	11	–	9	(4)	5
Balance at March 31, 2018	(9,910)	(986)	911	(179)	2,244	6,087	465	2,781	355	1,768
Deferred tax assets										3,438
Deferred tax liabilities										(1,196)
Balance at December 31, 2017										2,242
Deferred tax assets										3,455
Deferred tax liabilities										(1,687)
Balance at March 31, 2018										1,768

(*) Mainly includes impairment adjustments and capitalized borrowing costs.

(**) 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 30.2.

The Company recognizes the deferred tax assets based on projections of future taxable profits in a ten-year perspective supported by the Business and Management Plan, which is revised annually.

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19.6.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:

	Jan-Mar/2018	Jan-Mar/2017
Net income before income taxes	3,415	2,268
Nominal income taxes computed based on Brazilian statutory corporate tax rates (34%)	(1,161)	(770)
Adjustments to arrive at the effective tax rate:	–	–
• Different jurisdictional tax rates for companies abroad	45	11
• Brazilian income taxes on income of companies incorporated outside Brazil (*)	(25)	(7)
• Tax incentives	23	43
• Tax loss carryforwards (unrecognized tax losses)	(11)	60
• Non-taxable income (non-deductible expenses), net (**)	(80)	(79)
• Others	(10)	5
Income taxes expense	(1,219)	(737)
Deferred income taxes	(195)	(475)
Current income taxes	(1,024)	(262)
Total	(1,219)	(737)
Effective tax rate of income taxes	35.7%	32.5%

(*) 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 .

20.Employee benefits (Post-Employment)

20.1.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 audited consolidated financial statement for the year ended December 31, 2017 for detailed information about pension and medical benefits sponsored by the Company.

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

Pension Plans	Medical Plan	
Petros	Petros 2 AMS	Other Total

			Plans	
Balance at January 1, 2017	10,752,293	11,214	38	22,297
(+) Remeasurement effects recognized in OCI	(654) (105)	(1,150)	1	(1,908)
(+) Costs incurred in the year	1,256 76	1,383	11	2,726
(-) Contributions paid	(230) –	(467)	(2)	(699)
(-) Payments related to the Term of Financial Commitment (TFC)	(223) –	–	–	(223)
Others	– –	–	(6)	(6)
Cumulative translation adjustment	(173) (4)	(178)	(2)	(357)
Balance at December 31, 2017	10,728,260	10,802	40	21,830
Current	443 –	401	–	844
Non-current	10,285,260	10,401	40	20,986
Balance at December 31, 2017	10,728,260	10,802	40	21,830
(+) Costs incurred in the period	278 16	303	2	599
(-) Contributions paid	(93) –	(111)	–	(204)
Others	– –	–	30	30
Cumulative translation adjustment	(55) (2)	(56)	(2)	(115)
Balance at March 31, 2018	10,858,274	10,938	70	22,140
Current	497 –	399	1	897
Non-current	10,361,274	10,539	69	21,243
Balance at March 31, 2018	10,858,274	10,938	70	22,140

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Pension and medical benefit expenses, net recognized in the statement of income are set out as follows:

	Pension Plans			Medical Plan	Other Plans Total
	Petros	Petros 2	AMS		
Current service cost	24	10	43	1	78
Net interest cost over net liabilities / (assets)	254	6	260	1	521
Net costs for Jan-Mar/2018	278	16	303	2	599
Related to active employees:					
Included in the cost of sales	46	8	66	–	120
Included in operating expenses	22	5	34	1	62
Related to retired employees	210	3	203	1	417
Net costs for Jan-Mar/2018	278	16	303	2	599
Net costs for Jan-Mar/2017	318	20	351	3	692

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

In the first quarter of 2018, the Company's contribution to the defined contribution portion of the Petros Plan 2 was US\$ 70 (US\$ 75 in first quarter of 2017) recognized in the statement of income.

Deficit settlement plan – Petros Plan

The Petros Plan has in place a deficit settlement plan (PED) due to its accumulated deficit until 2015 in the amount of US\$ 5,788. This amount was updated based on interest and inflation and reached US\$ 8,253 at December 31, 2017. The PED was approved by the Executive Council of Petros Foundation on September 12, 2017 and assessed by the Company and the Secretariat of Management and Governance for the State-owned Companies (Secretaria de Coordenação e Governança das Empresas Estatais – SEST).

Pursuant to relevant regulation, the sponsors and participants will cover this deficit based on their respective proportions of regular contributions. Accordingly, the Company will cover approximately US\$ 4,141 of this deficit and the contributions will occur for 18 years through decreasing values, of which the estimated amount for the first year is US\$ 450.

The part of the additional contributions from participants and sponsors commenced in March 2018 and the Company has complied with judicial decisions.

Split of Petros Plan

On February 15, 2018, the PREVIC authorized the split of Petros Plan into two separate plans: Petros Plan – Renegotiated and Petros Plan – Non-renegotiated. The Petros Plan split have been in place since April 1, 2018.

This split arose from the renegotiation procedures held in 2006-2007 period and in 2012, when 75% of the participants accepted the option to change to a model that sets forth solely inflation indexation on the annual adjustment of their benefits. The other participants' benefits remained adjusted by the same rate as the Petrobras' workforce had their salaries adjusted.

20.2. Profit sharing

The Company's profit sharing benefits comply with Brazilian legal requirements and those of the Brazilian Secretariat of Coordination and Governance of State Owned Enterprises (SEST), of the Ministry of Planning, Budget and Management, and of the Ministry of Mines and Energy, and are computed based on the consolidated net income attributable to the shareholders of Petrobras.

The amount of profit sharing benefits is computed based on the results of six corporate indicators, for which annual goals are defined by the Executive Board and approved by the Board of Directors pursuant to the review of the Business and Management Plan (BMP). The annual goals are based on the results of the following corporate indicators:

- Maximum permissible levels of crude oil and oil products spill;
- Lifting cost excluding production taxes in Brazil;
- Crude oil and NGL production in Brazil;

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Feedstock processed excluding NGL in Brazil,
 Vessel operating efficiency; and
 Percentage of compliance with natural gas delivery schedules.

The results of the six individual goals are factored into a consolidated result that will determine the percentage of the profit to be distributed as a profit sharing benefit to employees (6.25% at March 31, 2018). However, in the event the Company records a net loss for the period and all the annual goals are achieved, the profit sharing benefit will be half a month salary for each employee added to half of the lowest amount of profit sharing paid in the prior year, as established in the Company's collective bargaining agreement.

The subsidiary Liquigás and the joint operations Fábrica Carioca de Catalizadores (FCC) and Ibiritermo have their specific methodology for profit sharing computation pursuant to their own collective bargaining agreement, apart from other entities of the group.

Based on the estimates in the first quarter of 2018, the Company recognized a provision of US\$ 139 as other income and expenses (US\$ 88 in the first quarter of 2017) regarding profit sharing benefits in accordance with clauses of the collective bargaining agreement, including US\$ 3 as complement of the profit sharing for 2017.

20.3. Voluntary Separation Incentive Plan

The Company has implemented voluntary separation incentive plans (PDIV) which have had the following cumulative adherence by employees since their announcement:

	Enrollments	Separations	Cancellations	Outstanding
Petrobras (PIDV 2014 and 2016)	19,499	(16,459)	(2,806)	234
Petrobras Distribuidora (PIDV BR 2014, 2015 and 2016)	2,163	(1,679)	(412)	72
Total	21,662	(18,138)	(3,218)	306

As a result, the Company recognized a total of 18,138 separations in these plans, whose changes in the provision as of March 31, 2018 are set out as follows:

	03.31.2018	12.31.2017
Opening Balance	34	811
Enrollments (*)	10	–
Revision of provisions	(3)	(237)
Separations in the period	(3)	(558)
Cumulative translation adjustment –	–	18
Closing Balance	38	34
Current	38	34

(*) On January 29, 2018, Petrobras Distribuidora reopened its 2016 separation incentive plan PIDV (BR 2016) for new enrollments up to March 2, 2018.

21. Equity

21.1. Share capital (net of share issuance costs)

As of March 31, 2018, subscribed and fully paid share capital, net of issuance costs, was US\$ 107,101, represented by 7,442,454,142 outstanding common shares and 5,602,042,788 outstanding preferred shares, all of which are registered, book-entry shares with no par value.

Preferred shares have priority on returns of capital, do not grant any voting rights and are non-convertible into common shares.

21.2. Other comprehensive income

In first quarter of 2018, the Company primarily recognized as other comprehensive income the following effects:

• Cumulative translation adjustment loss of US\$ 179, mainly due to exchange rate differences arising from the translation of these consolidated financial statements to the presentation currency;

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- Foreign exchange rate variation gain of US\$ 318, after taxes and amounts reclassified to the statement of income, recognized in the Company's equity, as a result of its cash flow hedge accounting policy. At March 31, 2018, the cumulative balance of foreign exchange variation losses, net of tax effects, was US\$ 9,255 (see note 30.2).

21.3. Earnings per share

	Jan-Mar/2018			Jan-Mar/2017		
	Common	Preferred	Total	Common	Preferred	Total
Net income (loss) attributable to shareholders of Petrobras	1,224	921	2,145	808	609	1,417
Weighted average number of outstanding shares	7,442,454,142	5,602,042,788	13,044,496,930	7,442,454,142	5,602,042,788	13,044,496,930
Basic and diluted earnings (losses) per share - in U.S. dollars	0.16	0.16	0.16	0.11	0.11	0.11
Basic and diluted earnings (losses) per ADS equivalent - in U.S. dollars (*)	0.32	0.32	0.32	0.22	0.22	0.22

(*) Petrobras' ADSs are equivalent to two shares.

22. Sales revenues

	Jan-Mar/2018	Jan-Mar/2017
Diesel	6,234	6,107
Automotive gasoline	4,103	4,368
Jet fuel	939	776
Liquefied petroleum gas	1,156	837
Naphtha	572	840
Fuel oil (including bunker fuel)	307	315
Other oil products	1,035	876
Subtotal oil products	14,346	14,119
Natural gas	1,358	1,078
Ethanol, nitrogen products and renewables	528	899
Electricity	518	498
Services and others	305	218
Domestic market	17,055	16,812
Exports	4,171	3,681
Sales abroad (*)	1,732	1,244
Foreign market	5,903	4,925
Sales revenues (**)	22,958	21,737

(*) Sales revenues from operations outside of Brazil, including trading and excluding exports.

(**) Sales revenues by business segment are set out in note 27.

In the first quarter of 2018 and 2017, there was no customer whose sales revenues totaled 10% or more of the Company's sales revenues.

The impacts of the adoption of IFRS 15 in the first quarter of 2018 are presented in note 4.2.

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23. Other income and expenses

	Jan-Mar/2018	Jan-Mar/2017
Pension and medical benefits - retirees	(417)	(487)
Gains / (losses) related to legal, administrative and arbitration proceedings	(392)	(399)
Unscheduled stoppages and pre-operating expenses	(239)	(432)
Gains/(losses) with Commodities Derivatives	(217)	–
Profit sharing	(139)	(88)
Institutional relations and cultural projects	(35)	(51)
Operating expenses with thermoelectric power plants	(25)	(24)
Health, safety and environment	(25)	(13)
Impairment	(18)	7
Allowance for impairment of other receivables	(7)	(35)
Voluntary Separation Incentive Plan - PIDV	(7)	87
Reclassification of cumulative translation adjustments - CTA	–	(37)
Amounts recovered from Lava Jato investigation	1	–
Expenses/Reimbursements from E&P partnership operations	56	92
Gains / (losses) on disposal/write-offs of assets (*)	1,005	(39)
Others	67	180
Total	(392)	(1,239)

(*) It primarily comprises the gain on the sale of Iara and Lapa fields and the contingent payment received relating to the sale of exploratory block BM-S-8, as set out in note 9.

24. Costs and Expenses by nature

	Jan-Mar/2018	Jan-Mar/2017
Raw material and products for resale	(4,457)	(4,011)
Materials, third-party services, freight, rent and other related costs	(5,091)	(3,763)
Depreciation, depletion and amortization	(3,409)	(3,423)
Employee compensation	(2,229)	(2,465)
Production taxes	(2,462)	(2,014)
(Losses) /Gains on legal, administrative and arbitration proceedings	(392)	(399)
Unscheduled stoppages and pre-operating expenses	(239)	(432)
Gains/(losses) with Commodities Derivatives	(217)	–
Other taxes	(148)	(92)
Allowance for impairment of trade receivables	(137)	2
Institutional relations and cultural projects	(35)	(51)

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Health, safety and environment	(25)	(13)
Impairment (losses)/reversals	(18)	7
Exploration expenditures written off (includes dry wells and signature bonuses)	(8)	(8)
Reclassification of cumulative translation adjustment	–	(37)
Amounts recovered from Lava Jato investigation	1	–
Changes in inventories	395	(461)
Gains and losses on disposal/write-offs of assets (*)	1,005	(39)
Total	(17,466)	(17,199)
In the Statement of income		
Cost of sales	(14,704)	(14,174)
Selling expenses	(1,273)	(760)
General and administrative expenses	(660)	(733)
Other taxes	(148)	(92)
Exploration costs	(136)	(94)
Research and development expenses	(153)	(107)
Other income and expenses	(392)	(1,239)
Total	(17,466)	(17,199)

(*) Includes returned areas and cancelled projects, as well as the divestment in Iara and Lapa fields, in addition to the receipt of the second payment in the divestment exploratory block BMS-8, as set out in note 9.1.

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25.Net finance income (expense)

	Jan-Mar/2018	Jan-Mar/2017
Debt interest and charges	(2,016)	(2,112)
Foreign exchange gains (losses) and indexation charges on net debt (*)	(999)	(983)
Income from investments and marketable securities (Government Bonds)	139	134
Financial result on net debt	(2,876)	(2,961)
Capitalized borrowing costs	497	487
Gains (losses) on derivatives	109	35
Interest income from marketable securities	6	–
Unwinding of discount on the provision for decommissioning costs	(183)	(192)
Other finance expenses and income, net	93	55
Other foreign exchange gains (losses) and indexation charges, net	119	111
Net finance income (expenses)	(2,235)	(2,465)
Income	339	297
Expenses	(1,804)	(1,890)
Foreign exchange gains (losses) and indexation charges	(770)	(872)
Total	(2,235)	(2,465)

(*) Includes debt raised in Brazil (in Brazilian reais) indexed to the U.S. dollar.

26.Supplemental information on statement of cash flows

	Jan-Mar/2018	Jan-Mar/2017
Additional information on cash flows:		
Amounts paid/received during the period:		
Withholding income tax paid on behalf of third-parties	249	285
Capital expenditures and financing activities not involving cash		
Purchase of property, plant and equipment on credit	1	1
Provision/(reversals) for decommissioning costs	1	14
Use of deferred tax and judicial deposit for the payment of contingency	6	45

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27. Segment information

The operating segment information is reported in the manner in which the Company's senior management assesses business performance and makes decisions regarding investments and resource allocation.

	Exploration	Refining,	Gas					
	and	Transportation	&					
	Production & Marketing	Power Biofuels	Distribution	Corporate	Eliminations	Total		
Consolidated assets by operating segment-03.31.2018								
Current assets	7,175	11,892	1,560	63	2,775	25,475	(5,190)	43,750
Non-current assets	137,342	38,257	15,857	130	3,131	9,736	(247)	204,206
Long-term receivables	7,853	3,319	1,561	3	1,070	8,151	(201)	21,756
Investments	1,230	1,654	882	40	1	6	–	3,813
Property, plant and equipment	126,766	33,085	13,129	87	1,842	1,425	(46)	176,288
Operating assets	91,953	28,915	10,390	83	1,605	1,184	(46)	134,084
Under construction	34,813	4,170	2,739	4	237	241	–	42,204
Intangible assets	1,493	199	285	–	218	154	–	2,349
Total Assets	144,517	50,149	17,417	193	5,906	35,211	(5,437)	247,956

Consolidated assets by operating segment-12.31.2017

Current assets	7,575	12,670	1,811	64	2,961	27,472	(5,422)	47,131
Non-current assets	137,044	38,396	16,744	126	3,160	9,274	(509)	204,235
Long-term receivables	7,619	3,330	2,395	4	1,074	7,489	(461)	21,450
Investments	1,429	1,492	830	33	5	6	–	3,795
Property, plant and equipment	126,487	33,400	13,231	89	1,862	1,629	(48)	176,650
Operating assets	91,386	29,217	10,580	85	1,603	1,306	(48)	134,129
Under construction	35,101	4,183	2,651	4	259	323	–	42,521
Intangible assets	1,509	174	288	–	219	150	–	2,340
Total Assets	144,619	51,066	18,555	190	6,121	36,746	(5,931)	251,366

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Consolidated Statement of
Income by operating segment

	Jan-Mar/2018							Total
	Exploration	Refining, and Production & Marketing	Gas and Power	Biofuels	Distribution	Corporate	Eliminations	
Sales revenues	12,550	17,060	2,836	68	7,220	–	(16,776)	22,958
Intersegments	12,029	3,738	850	62	97	–	(16,776)	–
Third parties	521	13,322	1,986	6	7,123	–	–	22,958
Cost of sales	(7,429)	(15,156)	(1,798)	(64)	(6,735)	–	16,478	(14,704)
Gross profit (loss)	5,121	1,904	1,038	4	485	–	(298)	8,254
Income (expenses)	263	(731)	(794)	(6)	(318)	(1,166)	(10)	(2,762)
Selling	(22)	(445)	(566)	–	(233)	1	(8)	(1,273)
General and administrative	(75)	(106)	(38)	(5)	(62)	(374)	–	(660)
Exploration costs	(136)	–	–	–	–	–	–	(136)
Research and development	(104)	(3)	(4)	–	–	(42)	–	(153)
Other taxes	(50)	(25)	(11)	(1)	(7)	(54)	–	(148)
Other income and expenses	650	(152)	(175)	–	(16)	(697)	(2)	(392)
Net income / (loss) before financial results and income taxes	5,384	1,173	244	(2)	167	(1,166)	(308)	5,492
Net finance income (expenses)	–	–	–	–	–	(2,235)	–	(2,235)
Results in equity-accounted investments	–	137	23	(2)	–	–	–	158
Net income / (loss) before income taxes	5,384	1,310	267	(4)	167	(3,401)	(308)	3,415
Income taxes	(1,830)	(399)	(83)	1	(57)	1,044	105	(1,219)
Net income (loss) for the period	3,554	911	184	(3)	110	(2,357)	(203)	2,196
Net income (loss) attributable to:								
Shareholders of Petrobras	3,556	943	148	(3)	83	(2,379)	(203)	2,145
Non-controlling interests	(2)	(32)	36	–	27	22	–	51
Net income (loss) for the period	3,554	911	184	(3)	110	(2,357)	(203)	2,196

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Consolidated Statement of
Income by operating segment

	Jan-Mar/2017							
	Exploration	Refining, and Production & Marketing	Gas Transportation & Power	Biofuels	Distribution	Corporate	Eliminations	Total
Sales revenues	10,572	17,147	2,449	52	6,649	–	(15,132)	21,737
Intersegments	10,216	4,058	704	50	104	–	(15,132)	–
Third parties	356	13,089	1,745	2	6,545	–	–	21,737
Cost of sales	(6,814)	(14,801)	(1,672)	(57)	(6,158)	–	15,328	(14,174)
Gross profit (loss)	3,758	2,346	777	(5)	491	–	196	7,563
Income (expenses)	(614)	(675)	(282)	1	(313)	(1,162)	20	(3,025)
Selling	(32)	(438)	(75)	(1)	(238)	2	22	(760)
General and administrative	(78)	(117)	(53)	(7)	(68)	(410)	–	(733)
Exploration costs	(94)	–	–	–	–	–	–	(94)
Research and development	(52)	(3)	(4)	–	–	(48)	–	(107)
Other taxes	(10)	(18)	(20)	(3)	(6)	(35)	–	(92)
Other income and expenses	(348)	(99)	(130)	12	(1)	(671)	(2)	(1,239)
Net income / (loss) before financial results and income taxes	3,144	1,671	495	(4)	178	(1,162)	216	4,538
Net finance income (expenses)	–	–	–	–	–	(2,465)	–	(2,465)
Results in equity-accounted investments	11	173	28	(17)	–	–	–	195
Net income / (loss) before income taxes	3,155	1,844	523	(21)	178	(3,627)	216	2,268
Income taxes	(1,069)	(568)	(168)	1	(60)	1,200	(73)	(737)
Net income (loss) for the period	2,086	1,276	355	(20)	118	(2,427)	143	1,531
Net income (loss) attributable to:								
Shareholders of Petrobras	2,067	1,291	325	(20)	118	(2,507)	143	1,417
Non-controlling interests	19	(15)	30	–	–	80	–	114
Net income (loss) for the period	2,086	1,276	355	(20)	118	(2,427)	143	1,531

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28.Provisions for legal proceedings

28.1.Provisions for legal proceedings, judicial deposits and contingent liabilities

The Company recognizes provisions based on the best estimate of the costs of proceedings for which it is probable that an outflow of resources embodying economic benefits will be required and that can be reliably estimated. These proceedings mainly include:

- ✦ Labor claims, in particular: (i) a review of the methodology by which the minimum compensation based on an employee's position and work schedule (Remuneração Mínima por Nível e Regime - RMNR) is calculated; (ii) lawsuits relating to overtime pay and (iii) actions of outsourced employees;
- ✦ Tax claims including: (i) claims relating to Brazilian federal tax credits applied that were disallowed; (ii) demands relating to the VAT (ICMS) tax collection on jet fuel sales and (iii) alleged misappropriation of VAT (ICMS) tax credits on import of platforms;
- ✦ Civil claims relating to: (i) agreement, subject to court approval, to settle the Consolidated Securities Class Action before the United States District Court for the Southern District of New York; (ii) collection of royalties over the shale extraction; (iii) non-compliance with contractual terms relating to oil platform construction; (iv) compensation relating to an easement over a property; (v) collection of production taxes over natural gas production; (vi) penalties applied by ANP relating to measurement systems and (vii) claim for compensation.

Provisions for legal proceedings are set out as follows:

	03.31.2018	12.31.2017
Current and Non-current liabilities		
Civil claims	4,395	4,342
Labor claims	1,418	1,364
Tax claims	1,289	1,229
Environmental claims	113	91
Total	7,215	7,026
Current liabilities	3,242	2,256
Non-current liabilities	3,973	4,770

	03.31.2018	12.31.2017
Opening Balance	7,026	3,391
Additions (*)	298	3,937
Use of provision	(196)	(454)
Accruals and charges (*)	110	285
Others	15	–
Cumulative translation adjustment (38)	(38)	(133)
Closing Balance	7,215	7,026

(*) For the first quarter of 2017, additions to provision and accruals and charges amounted to US\$ 323 and US\$ 63, respectively.

In preparing its unaudited consolidated interim financial statements for the period ended March 31, 2018, the Company considered all available information concerning legal proceedings in which the Company is a defendant, in order to estimate the amounts of obligations and probability that outflows of resources will be required.

The main additions to the provision for legal proceedings in first quarter of 2018 were primarily attributable to unfavorable court rulings that changed the probabilities of outflows of resources relating to certain claims to probable, as well as changes in the assessment of civil claim for compensation. Indexation charges over the balance of provision also increased the balance of the provision at March 31, 2018, and the use of funds for amounts previously provisioned mainly relates to withholding income tax disbursed on the first installment of the class action settlement as shown in note 28.4.1.

28.2. Judicial deposits

Judicial deposits made in connection with legal proceedings are set out in the table below according to the nature of the corresponding lawsuits:

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	03.31.2018	12.31.2017
Non-current assets		
Tax	3,766	3,302
Civil	914	891
Labor	1,237	1,209
Environmental	178	176
Others	5	4
Total	6,100	5,582

	03.31.2018	12.31.2017
Opening Balance	5,582	3,999
Additions	466	1,601
Use	(13)	(138)
Accruals and charges	78	226
Others	27	–
Cumulative translation adjustment	(40)	(106)
Closing Balance	6,100	5,582

In the first quarter of 2018, the Company made judicial deposits in the amount of US\$ 466 mainly resulting from an unfavorable decision issued by the Regional Federal Court of Rio de Janeiro (Tribunal Regional Federal – TRT/RJ) in October 2017, with respect to withholding income tax on remittances for payments of vessel charters occurred from 1999 to 2002, as set out in note 28.3.

28.3. Contingent liabilities

Contingent liabilities for which either the Company is unable to make a reliable estimate of the expected financial effect that might result from resolution of the proceeding, or a cash outflow is not probable, are not recognized as liabilities in the financial statements but are disclosed in the notes to the financial statements, unless the likelihood of any outflow of resources embodying economic benefits is considered remote.

The estimates of contingent liabilities for legal proceedings are indexed to inflation and updated by applicable interests. As of March 31, 2018, estimated contingent liabilities for which the possibility of loss is not considered remote are set out in the following table:

Nature	03.31.2018	12.31.2017
Tax	39,109	39,137
Labor	7,313	7,202

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Civil - General	9,920	9,621
Civil - Environmental	2,397	2,354
Total	58,739	58,314

A brief description of the nature of the main contingent liabilities (tax, civil, environmental and labor) is set out in the following table:

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	Estimate	
	03.31.2018	12.31.2017
Description of tax matters		
Plaintiff: Secretariat of the Federal Revenue of Brazil		
1) Withholding income tax (IRRF), Contribution of Intervention in the Economic Domain (CIDE), Social Integration Program (PIS) and Contribution to Social Security Financing (COFINS) on remittances for payments of vessel charters.		
Current status: The legal argument about the incidence of withholding income tax (Imposto de Renda Retido na Fonte- IRRF) on remittances for payments of vessel charters, occurred from 1999 to 2002, involves the legality of the normative rule issued by the Federal Revenue of Brazil, which ensured no taxation over those remittances. The Company considers the likelihood of loss as possible, since there are decisions from Superior Courts favorable to the understanding of the Company, and will continue to defend its opinion.		
The other claims, concerning CIDE and PIS/COFINS, involve lawsuits in different administrative and judicial stages, for which the Company understand there is a possible likelihood of loss, since there are legal predictions in line with the understanding of the Company.	13,100	13,041
2) Income from foreign subsidiaries and associates located outside Brazil not included in the computation of taxable income (IRPJ and CSLL).		
Current status: This argument involves lawsuits in different administrative and judicial stages. The Company considers the likelihood of loss as possible, since there are decisions from Superior Courts favorable to the understanding of the Company.	4,005	3,988
3) Requests to compensate federal taxes disallowed by the Brazilian Federal Tax Authority.		
Current status: This claim involves lawsuits in different administrative and judicial stages.	3,644	3,621
4) Incidence of social security contributions over contingent bonuses paid to employees.		
Current status: Awaiting the hearing of an appeal at the administrative level.	1,540	1,541
5) Collection of Contribution of Intervention in the Economic Domain (CIDE) on transactions with fuel retailers and service stations protected by judicial injunctions determining that fuel sales were made without gross-up of such tax.		
Current status: This claim involves lawsuits in judicial stages.	673	672
6) Deduction from the basis of calculation of taxable income (income tax - IRPJ and social contribution - CSLL) of several expenses related to employee benefits.		
Current status: 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 it 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 it as probable.		
The other claims of this item, which have different legal basis, remain with their likelihood of loss as possible and are in different judicial stages.	615	613
Plaintiff: State of São Paulo Finance Department		
7) Deferral of payment of VAT (ICMS) taxes on B100 Biodiesel sales and the charge of a 7% VAT rate on B100 on Biodiesel interstate sales, including states in the Midwest, North and Northeast regions of Brazil and the State of Espírito Santo.		

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Current status: This claim involves lawsuits at administrative level.	890	887
8) Charge of VAT (ICMS), as a result of the temporary admission being unauthorized, since the customs clearance regarding the import of the rig has been done in Rio de Janeiro instead of São Paulo.		
Current status: This claim involves lawsuits in judicial stages.	761	761
Plaintiff: States of RJ, BA and AL Finance Departments		
9) VAT (ICMS) on dispatch of liquid natural gas (LNG) and C5+ (tax document not accepted by the tax authority), as well as challenges on the rights to this VAT tax credit.		
Current status: This claim involves lawsuits in different administrative and judicial stages.	1,371	1,366
Plaintiff: Municipal governments of the cities of Anchieta, Aracruz, Guarapari, Itapemirim, Marataízes, Linhares, Vila Velha and Vitória		
10) Alleged failure to withhold and pay tax on services provided offshore (ISSQN) in favor of some municipalities in the State of Espírito Santo, under the allegation that the service was performed in their "respective coastal waters".		
Current status: This claim involves lawsuits in different administrative and judicial stages.	1,267	1,224
Plaintiff: States of RJ, SP, PR, RO and MG Finance Departments		
11) Additional VAT (ICMS) due to differences in rates on jet fuel sales to airlines in the domestic market, among other questions relating to the use of tax benefits.		
Current status: This claim involves lawsuits in administrative and judicial stages.	1,093	1,087
Plaintiff: States of RJ, RN, AL, AM, PA, BA, GO, MA, SP and PE Finance Departments		
12) Alleged failure to write-down VAT (ICMS) credits related to zero tax rated or non-taxable sales made by the Company's customers.		
Current status: This claim involves lawsuits in different administrative and judicial stages.	1,013	1,029
52		

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Plaintiff: States of RJ, SP, ES, BA, PE, MG, RS, AL and SE Finance Departments

13) Misappropriation of VAT tax credit (ICMS) that, per the tax authorities, are not related to property, plant and equipment.

Current status: This claim involves lawsuits in different administrative and judicial stages. 979 994

Plaintiff: States of PR, AM, BA, ES, PA, PE and PB Finance Departments

14) Incidence of VAT (ICMS) over alleged differences in the control of physical and fiscal inventories.

Current status: This claim involves lawsuits at different administrative and judicial levels. 984 976

Plaintiff: States of SP, RS and SC Finance Departments

15) Collection of VAT (ICMS) related to natural gas imports from Bolivia, alleging that these states were the final destination (consumers) of the imported gas.

Current status: This claim involves lawsuits in different administrative and judicial stages, as well as three civil lawsuits in the Federal Supreme Court. 851 852

Plaintiff: States of SP, CE, PB, RJ, BA, PA and AL Finance Departments

16) VAT (ICMS) and VAT credits on internal consumption of bunker fuel and marine diesel, destined to chartered vessels.

Current status: This claim involves several tax notices from the states in different administrative and judicial stages. 580 578

Plaintiff: States of RJ, SP, SE and BA Finance Departments

17) Misappropriation of VAT tax credit (ICMS) on the acquisitions of goods that, per the tax authorities, are not related to property, plant and equipment.

Current status: This claim involves lawsuits in different administrative and judicial stages. 524 513

Plaintiff: States of AM, BA, RS and RJ Finance Departments

18) Disagreement about the basis of calculation of VAT (ICMS) on interstate sales and transfers between different stores from the same contributor.

Current status: This claim involves lawsuits in different administrative and judicial stages. 449 448

Plaintiff: States of GO, PA, RJ, RR, SC, SP and TO.

19) Charge of VAT (ICMS) on remittance and symbolic return of jet fuel to retail establishment which, in the understanding of the tax authority, should have retention and collection of the ICMS for the subsequent operations, since it is considered a remittance to a retail taxpayer established in the State.

Current status: This claim involves lawsuits in different administrative and judicial stages. 415 416

Plaintiff: State of Pernambuco Finance Department

20) Alleged incorrect application of VAT (ICMS) tax base with respect to interstate sales of natural gas transport through city-gates in the State of Pernambuco destined to the distributors in that State. The Finance Department of the State of Pernambuco understands that activity as being an industrial activity which could not be characterized as an interstate sale transaction (considering that the Company has facilities located in Pernambuco), and consequently charging the difference on the tax levied on the sale and transfer transactions.

Current status: This claim involves lawsuits in judicial stages. 338 335

Plaintiff: States of MG, MT, GO, RJ, PA, CE, BA, PR, SE, AL, RN, SP and PR Finance Departments

21) Misappropriation of VAT tax credit (ICMS) on the acquisitions of goods that, per the tax authorities, are not related to inventories.

Current status: This claim involves lawsuits in different administrative and judicial stages. 327 284

22) Other tax matters 3,690 3,913

Total for tax matters 39,109 39,137

Description of labor matters	Estimate	
	03.31.2018	12.31.2017
Plaintiff: Sindipetro of ES, RJ, BA, MG, SP, PE, PB, SE, AL, RN, CE, PI, PR, SC and RS.		
1) Class actions requiring a review of the methodology by which the minimum compensation based on an employee's position and work schedule (Remuneração Mínima por Nível e Regime - RMNR) is calculated.		
Current status: Awaiting the Superior Labor Court to judge appeals filed by the Company. The judgement on the Company's collective bargaining agreement is stayed pending the Superior Labor Court decision on the appeal.	4,592	4,516
Plaintiff: Sindipetro of Norte Fluminense – SINDIPETRO/NF		
2) The plaintiff claims Petrobras failed to pay overtime for standby work exceeding 12-hours per day. It also demands that the Company respects a 12-hour limit of standby work per workday, as well as an 11-hour period for rest between workdays, subject to a daily fine.		
Current status: Awaiting the Superior Labor Court to judge appeals filed by the plaintiff.	393	389
3) Other labor matters	2,328	2,297
Total for labor matters	7,313	7,202

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	Estimate	
	03.31.2018	12.31.2017
Description of civil matters		
Plaintiff: Agência Nacional de Petróleo, Gás Natural e Biocombustíveis - ANP		
1) Proceedings challenging an ANP order requiring Petrobras to unite Lula and Cernambi fields on the BM-S-11 joint venture; to unite Baúna and Piracicaba fields; to unite Tartaruga Verde and Mestiça fields; and to unite Baleia Anã, Baleia Azul, Baleia Franca, Cachalote, Caxaréu, Jubarte and Pirambu, in the Parque das Baleias complex, which would cause changes in the payment of special participation charges.		
Current status: This list involves claims that are disputed in court and in arbitration proceedings, as follows:		
a) Lula and Cernambi: the Company has made judicial deposits for the alleged differences resulting from the special participation. However, with the reversal of the favorable injunction, the arbitration is stayed and currently the payment of these alleged differences have been made directly to ANP, until a final judicial decision is handed down.		
b) Baúna and Piracicaba: the Court reassessed previous decision that disallowed judicial deposits, therefore the Company is currently depositing the controversial amounts. The arbitration is stayed.		
c) Tartaruga Verde and Mestiça: The Company has authorization to make the judicial deposits relating to these fields. The Regional Federal Court of the Second Region has the opinion that the Chamber of Arbitration has jurisdiction on this claim and the arbitration is ongoing.		
d) Parque das Baleias complex: the Superior Court of Justice (STJ) ruled that is the Chamber of Arbitration which		
has the responsibility to determine if the claim should be arbitrated or not. The Judiciary stated decisions allowing the continuation of the arbitration. Therefore, the Chamber of Arbitration disallowed ANP to charge for special participation, establishing that Petrobras should provide collateral on the debt to be negotiated with ANP.	2,798	2,633
2) Administrative proceedings challenging an ANP order requiring Petrobras to pay additional special participation fees and royalties (production taxes) with respect to several fields. It also includes contention about fines imposed by ANP due to alleged failure to comply with the minimum exploration activities program, as well as alleged irregularities relating to compliance with oil and gas industry regulation.		
Current status: The claims involve lawsuits in different administrative and judicial stages. In December 2017, one claim relating to Lula field had the probability of loss considered as remote, following a favorable decision in administrative stage. In March 2018, the tax deficiency notice issued was finally cancelled, nulling the possibility of loss.	1,655	1,635
Plaintiff: Several plaintiffs in Brazil and EIG Management Company in USA		
3) Arbitration in Brazil and lawsuit in the USA regarding Sete Brasil.		
Current status: The arbitrations are at different stages, with a single court ruling at this moment, rejecting a claim for compensation against Petrobras. The lawsuit filed by EIG and affiliates	2,181	2,127

alleges that the Company committed fraud by inducing plaintiffs to invest in Sete Brasil Participações S. A. ("Sete") through communications that failed to disclose the alleged corruption scheme. The District Court of the District of Columbia partially granted the Company's motion to dismiss. Petrobras entered another motion to dismiss the remaining part of the lawsuit and the proceeding is currently stayed in the first instance due to this appeal. On October 30, 2017, the Company filed a response to EIG's counter-arguments presented in the appeal. Therefore, a court hearing was held on January 19, 2018, at the Federal Court of Appeals of the District of Columbia, although it still does not have a final decision relating to the Company's appeal.

Plaintiff: Vantage Deepwater Company and Vantage Deepwater Drilling Inc.

4) Arbitration in the United States for unilateral termination of the drilling service contract tied to ship-probe Titanium Explorer.

Current status: The merits hearing has been held and the Company is still waiting for the award of the Arbitration Tribunal.

	400	400
5) Other civil matters	2,886	2,826
Total for civil matters	9,920	9,621

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	Estimate	
	03.31.2018	12.31.2017
Description of environmental matters		
Plaintiff: Ministério Público Federal, Ministério Público Estadual do Paraná, AMAR - Associação de Defesa do Meio Ambiente de Araucária, IAP - Instituto Ambiental do Paraná and IBAMA - Instituto Brasileiro de Meio Ambiente e Recursos Naturais Renováveis.		
1) Legal proceeding related to specific performance obligations, indemnification and compensation for damages related to an environmental accident that occurred in the State of Paraná on July 16, 2000.		
Current status: The court partially ruled in favor of the plaintiff. However, both parties (the plaintiff and the Company) filed an appeal.	964	942
Plaintiff: Instituto Brasileiro de Meio Ambiente - IBAMA and Ministério Público Federal		
2) Administrative proceedings arising from environmental fines related to exploration and production operations (Upstream) contested because of disagreement over the interpretation and application of standards by IBAMA, as well as a public civil action filed by the Ministério Público Federal for alleged environmental damage due to the accidental sinking of P-36 Platform.		
Current status: A number of defense trials and the administrative appeal regarding the fines are pending, and others are under judicial discussion. With respect to the civil action, the Company appealed the ruling that was unfavorable in the lower court and monitors the use of the procedure that will be judged by the Regional Federal Court.	436	444
3) Other environmental matters	997	968
Total for environmental matters	2,397	2,354

28.4. Class action and related proceedings

28.4.1. Class action and related proceedings in the USA

Between December 8, 2014 and January 7, 2015, five putative securities class action complaints were filed against the Company, Petrobras International Finance Company S.A. (“PifCo”), Petrobras Global Finance B.V. (“PGF,” and collectively with the Company and PifCo, the “Petrobras Defendants”), certain underwriters of debt securities (the “Underwriter Defendants”), among other defendants (the “Defendants”), in the United States District Court for the Southern District of New York (“SDNY” or the “District Court”). These actions were consolidated on February 17, 2015 (the “Consolidated Securities Class Action” or “Class Action”). The Court appointed a lead plaintiff, Universities Superannuation Scheme Limited (“USS”), on March 4, 2015. In sum and substance, the complaints in the Consolidated Securities Class Action asserted claims under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and Securities Act of 1933, as amended (the “Securities Act”), alleging that in the Company’s press releases, filings with the U.S. Securities and Exchange Commission (the “SEC”) and other communications, the Company made materially false and misleading statements and omissions regarding the value of its assets, the amounts of the Company’s expenses and net income, the effectiveness of the Company’s internal controls over financial reporting, and the Company’s anti-corruption policies, due to the alleged corruption purportedly committed in connection with certain contracts, which allegedly artificially inflated the market value of the Company’s securities.

In addition to the Consolidated Securities Class Action, 33 lawsuits were filed by individual investors before the same judge in the SDNY, and one was filed in the United States District Court for the Eastern District of Pennsylvania (collectively, the “Individual Actions”), consisting of allegations similar to those in the Consolidated Securities Class Action.

Between August 2015 and December 2015, the Company and certain other defendants made motions to dismiss the complaints and amended complaints in the Consolidated Securities Class Action and certain of the Individual Actions. Certain, but not all, of the claims were definitively dismissed and others were dismissed but with leave to re-plead. Thus, the actions continued against the Company and other defendants with respect to certain claims. Following the motion to dismiss stage, the complaint that was then considered operative for the subsequent proceedings in the Class Action was the fourth consolidated amended complaint (“FAC”) filed on November 30, 2015 by plaintiff USS, Employees’ Retirement System of the State of Hawaii (“Hawaii”), North Carolina Department of State Treasurer (“North Carolina”) (collectively, “Class Plaintiffs”), and one other plaintiff whose claims were later dismissed.

The judge scheduled a consolidated trial for the Class Action and the Individual Actions to begin on September 19, 2016, except that the judge ordered that any Individual Actions filed in the SDNY after December 31, 2015 would be stayed in all respects until after the completion of the trial. Six of the Individual Actions have been stayed as a result of this order.

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On February 2, 2016, the judge granted Class Plaintiffs' motion for class certification, certifying a class under the Securities Act represented by Hawaii and North Carolina (the "Securities Act Class") and a class under the Exchange Act represented by USS (the "Exchange Act Class"). The Securities Act Class was defined, in relevant part, as all purchasers who purchased or otherwise acquired debt securities issued by Petrobras, PifCo, and/or PGF, in domestic transactions, directly in, pursuant and/or traceable to public offerings on May 15, 2013 and March 11, 2014, and were damaged thereby. The Exchange Act Class was defined, in relevant part, as all purchasers who, between January 22, 2010 and July 28, 2015, purchased or otherwise acquired Petrobras securities, including debt securities issued by PifCo and/or PGF on the New York Stock Exchange or pursuant to other domestic transactions, and were damaged thereby.

On June 15, 2016, the United States Court of Appeals for the Second Circuit ("Second Circuit") granted the Petrobras Defendants' (and other defendants') motion requesting interlocutory appellate review of the District Court's class certification of the Class Action. The Petrobras Defendants (and other defendants) moved in District Court for a stay of all District Court proceedings, which the district judge denied on June 24, 2016 and, on June 27, 2016, the parties filed motions for summary judgment. The Petrobras Defendants (and other defendants) then moved in the Second Circuit for a stay of all District Court proceedings. On August 2, 2016, the Second Circuit granted the motion to stay all District Court proceedings during the pendency of the appeal.

Between on or about October 21, 2016 and September 13, 2017, Petrobras' board of directors approved agreements to settle 21 of the Individual Actions (the "Settled Individual Actions"), leaving 13 remaining pending Individual Actions (six of which had been stayed since filed) (the "Pending Individual Actions"). The terms of the settlements for the Settled Individual Actions are confidential and Petrobras denies all allegations of wrongdoing. The settlements are aimed at eliminating the uncertainties, burdens and expense of ongoing litigation.

Based on the settlements reached in the Settled Individual Actions and advanced stages of negotiations in certain other Pending Individual Actions, the Company charged US\$ 448 to the statement of income as other income and expenses (US\$ 76 in 2017 and US\$ 372 in 2016).

On July 7, 2017, the Second Circuit vacated, in part, the class certification decision in the Class Action and remanded the case to the District Court for further proceedings. The Second Circuit partially granted the appeal by the Petrobras Defendants (and other defendants), reversing some aspects of the District Court's ruling and affirming others. Among other issues, the Second Circuit ruled that the district judge failed to consider whether the question of whether the transactions occurred in the United States could be determined through a common set of evidence, and whether, if not, common issues would predominate over individual ones. The effect of the Second Circuit's decision was to vacate the classes certified by the District Court pending additional proceedings in the District Court on remand.

On July 21, 2017, the Petrobras Defendants (and other defendants) filed a request for rehearing or en banc rehearing with the Second Circuit regarding portions of the Second Circuit's decision affirming the District Court's order, which was denied on August 24, 2017.

On November 1, 2017, the Petrobras Defendants (and other defendants) filed a petition for writ of certiorari in the United States Supreme Court appealing the Second Circuit's decision. On November 3, 2017, the Second Circuit granted the Company's unopposed motion to stay the mandate, which was filed by Petrobras on August 30, 2017.

At the end of December 2017, the Company signed an agreement in principle to settle the Consolidated Securities Class Action, which is still subject to court approval (the “Class Action Settlement”).

The Class Action Settlement is intended to resolve all pending and prospective claims by purchasers of Petrobras securities in the United States and by purchasers of Petrobras securities that are listed for trading or that clear or settle through the Depository Trust Company in the United States, including the Pending Individual Actions. Under the Class Action Agreement, the parties have agreed to the certification, for settlement purposes only, of a new class defined as all persons who (i) during the time Period between January 22, 2010 and July 28, 2015, inclusive (the “Class Period”), purchased or otherwise acquired Petrobras Securities, including debt securities issued by PifCo and/or PGF, on the New York Stock Exchange or pursuant to other Covered Transactions; and/or (ii) purchased or otherwise acquired debt securities issued by Petrobras, PifCo, and/or PGF, in Covered Transactions, directly in, pursuant and/or traceable to a May 13, 2013 public offering registered in the United States and/or a March 10, 2014 public offering registered in the United States before Petrobras made available to its security holders an earnings statement covering a period of at least twelve months beginning after the effective date of the offerings (i.e. before August 11, 2014 in the case of the May 13, 2013 public offering and before May 15, 2015 in the case of the March 10, 2014 public offering). Covered Transactions is defined to mean (i) any transaction in a Petrobras Security listed for trading on the New York Stock Exchange (“NYSE”); (ii) any transaction in a Petrobras Security that cleared or settled through the Depository Trust Company’s book-entry system; or (iii) any transaction in a Petrobras Security that otherwise qualifies as “domestic” under the Supreme Court’s decision in *Morrison v. National Australia Bank*, 561 U.S. 247 (2010). Excluded from the definition of Covered Transaction are purchases of any Petrobras Security on the Brazilian Stock Exchange (B3).

If approved, the Class Action Settlement eliminates the risk of an adverse judgment which, as Petrobras has previously reported, could have a material adverse effect on the Company and its financial situation, and puts an end to the uncertainties, burdens and costs of protracted litigation.

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Under the Class Action Settlement, Petrobras (together with its subsidiary PGF) has agreed to pay US\$ 2,950 to resolve claims in two installments of US\$ 983 and a further installment of US\$ 984. On March 1, 2018, Petrobras and PGF disbursed the first installment into an escrow account designated by the lead plaintiff and accounted for it as other current assets. The second installment will be paid within 10 days of final approval of the Class Action Settlement. The third installment will be paid by the later of (i) six months after final approval, or (ii) January 15, 2019. Accordingly, the Company charged US\$ 3,449 to its statement of income for the last quarter of 2017 as other expenses and income, taking into account the gross up of tax related to the Petrobras's portion of the settlement.

On January 16, 2018, United States Supreme Court granted a joint motion to defer consideration of Petrobras' petition for a writ of certiorari, pending final approval of the Class Action Settlement.

A stipulation between the settling parties containing the terms of the Class Action Settlement was submitted to the District Court for preliminary approval. On February 23, 2018, the District Court held a hearing on preliminary approval of the settlement, and subsequently granted preliminary approval on February 28, 2018. Notice will be provided to potential class members who will have an opportunity to opt out of the settlement and make any objections to the District Court, which the District Court will then review.

After the notice and objection period, the District Court is scheduled to hold a hearing on June 4, 2018 to determine whether to grant final approval of the Class Action Settlement. If final approval is not granted by the District Court, or if the settlement does not become final for any other reason, the Company will return to its position prior to the Class Action Settlement and, depending on the outcome of the subsequent litigation, the Company might be required to pay substantial amounts, which could have a material adverse effect on the Company's financial condition, its consolidated results of operations or its consolidated cash flows for an individual reporting period.

Individuals are seeking measures against Petrobras in Brazil to annul and/or suspend the Class Action Settlement. No adverse action has been taken to date against the settlement.

The plaintiffs in the Pending Individual Actions were eligible to participate in the settlement. Individual Actions brought up by plaintiffs that opted to opt out of the Class Action Settlement will continue.

The Pending Individual Actions involve highly complex issues that are subject to substantial uncertainties and depend on a number of factors such as the novelty of the legal theories, the information produced in discovery, the timing of court decisions, rulings by the court on key issues, and analysis by retained experts. Except as set forth above, the Company is unable to make a reliable estimate of eventual loss, if any, arising from Pending Individual Actions that did opt out of the Class Action Agreement.

The Company intends to defend these actions vigorously.

28.4.2. Class action in the Netherlands

On January 23, 2017, the Stichting Petrobras Compensation Foundation ("Foundation") filed a class action before the district court in Rotterdam, in the Netherlands, against Petrobras and its subsidiaries Petrobras International Braspetro B.V. (PIBBV) and Petrobras Global Finance B.V. (PGF); joint venture Petrobras Oil & Gas B.V. (PO&G), and some former managers of Petrobras.

This Foundation allegedly represents an unidentified group of investors and demands judicial remedies for alleged damages caused to investors who purchased securities issued by Petrobras and PGF outside the United States, before July 28, 2015, due to alleged illegal acts. The Foundation also alleges financial losses are connected to the facts uncovered by the Lava-Jato investigation and to purported false and misleading financial information released by the Company.

Petrobras, PGF, PIBBV and PO&G filed their first response to the claim on May 3, 2017 (first docket date), presenting the law firms that will defend these companies and requesting a hearing to discuss some aspects of the case.

On August 23, 2017, a hearing was held at the District Court in Rotterdam to establish the timeframe for proceedings. Accordingly, initial arguments by defendants occurred in November 2017 and the Foundation replied to them in March 2018. The oral hearing is expected to be held on June 28, 2018 and the Court ruling is expected to be presented in September 2018.

This class action involves complex issues that are subject to substantial uncertainties and depend on a number of factors such as the legitimacy of the Foundation as the plaintiffs' attorney, the applicable rules to this complaint, the information produced in discovery, analysis by experts, the timing of court decisions and rulings by the court on key issues. Currently, it is not possible to determine if the Company will be responsible for the payment of compensation as a result of this action as this assessment depends on the outcome of these complex issues. Moreover, it is uncertain which investors are able to file complaints related to this matter against the Company.

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In addition, the claims asserted are broad, span a multi-year period and involve a wide range of activities, and, at the current stage, the impacts of such claims are highly uncertain. The uncertainties inherent in all such matters affect the amount and timing of the ultimate resolution of these actions. As a result, the Company is unable to make a reliable estimate of eventual loss arising from this action. The Company is victim of the corruption scheme uncovered by the Lava-Jato investigation and aims to present and prove this condition before the Netherlands Authorities.

The uncertainties inherent in all such matters do not enable the Company to identify possible risks related to this action. Compensation for the alleged damages will only be determined by court rulings on complaints to be filed by individual investors, unless agreements to settle Opt-out Claims occur. The Foundation is not able to demand compensation for damages.

Petrobras and its subsidiaries deny the allegations presented by the Foundation and intend to defend themselves vigorously.

28.4.3. Other Related Investor Claims

Petrobras is also currently a party to arbitration and judicial proceedings in Brazil, all of which are currently in their initial stages. In each case, the proceedings were brought by investors that purchased Petrobras' shares traded in Brazilian Stock Exchange (B3), alleging damages caused by facts uncovered in the Lava Jato Operation.

29. Collateral for crude oil exploration concession agreements

The Company has granted collateral to the Brazilian Agency of Petroleum, Natural Gas and Biofuels (Agência Nacional de Petróleo, Gás Natural e Biocombustíveis - ANP) in connection with the performance of the Minimum Exploration Programs established in the concession agreements for petroleum exploration areas in the total amount of US\$ 2,187 of which US\$ 866 were still in force as of March 31, 2018, net of commitments undertaken. The collateral comprises crude oil from previously identified producing fields, pledged as collateral, amounting to US\$ 802 and bank guarantees of US\$ 64.

30. Risk management

The Company is exposed to a variety of risks arising from its operations, including price risk (related to crude oil and oil products prices), foreign exchange rates risk, interest rates risk, credit risk and liquidity risk. Corporate risk management is part of the Company's commitment to act ethically and comply with the legal and regulatory requirements of the countries where it operates. To manage market and financial risks the Company prefers structuring measures through adequate capital and leverage management. The Company takes account of risks in its business decisions and manages any such risk in an integrated manner in order to enjoy the benefits of diversification.

A summary of the positions of the derivative financial instruments held by the Company and recognized in other current assets and liabilities as of March 31, 2018, as well as the amounts recognized in the statement of income and other comprehensive income and the guarantees given is set out as follows:

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	Statement of Financial Position					
	Notional value		Fair value		Maturity	
	03.31.2018	12.31.2017	03.31.2018	12.31.2017		Asset Position (Liability)
Derivatives not designated for hedge accounting						
Future contracts - total (*)	(14,600)	(15,561)	(60)	(98)		
Long position/Crude oil and oil products	75,328	43,862	–	–		2018
Short position/Crude oil and oil products	(89,928)	(59,423)	–	–		2018
Options - total (*)	(80)	–	–	–		
Call/Crude oil and oil products	(80)	–	–	–		2018
OTC Options(*)	128,000	–	276	–		
Put/Crude oil and oil products	128,000	–	276	–		2018
Forward contracts - total			–	–		
Long position/Foreign currency forwards (BRL/USD) (**)	US\$ 101	US\$ 55	2	0.3		2018
Short position/Foreign currency forwards (BRL/USD) (**)	US\$ 84	US\$ 78	(2)	(0.3)		2018
Swap			216	105		
Foreign currency / Cross-currency Swap (**)	GBP 700	GBP 700	144	92		2026
Foreign currency / Cross-currency Swap (**)	GBP 600	GBP 600	72	13		2034
Total recognized in the Statement of Financial Position			432	7		

(*) Notional value in thousands of bbl.

(**) Amounts in US\$ and GBP are presented in million.

	Gains/ (losses) recognized in the statement of income (*)		Gains/(losses) recognized in the Shareholders' Equity (**)		Guarantees given as collateral	
	Jan-Mar/2018	Jan-Mar/2017	Jan-Mar/2018	Jan-Mar/2017	03.31.2018	12.31.2017
	Commodity derivatives	(217)	36	–	–	112
Foreign currency derivatives	109	1	–	–	(221)	(50)
Interest rate derivatives	–	(2)	–	1	–	–
	(108)	35	–	1	(109)	155
Cash flow hedge on exports (***)	(820)	(774)	482	2,510	–	–
Total	(928)	(739)	482	2,511	(109)	155

(*) Amounts recognized in finance income in the period.

(**) Amounts recognized as other comprehensive income in the period.

(***) Using non-derivative financial instruments as designated hedging instruments, as set out in note 30.2.

A sensitivity analysis of the derivative financial instruments for the different types of market risks as of March 31, 2018 is set out following:

Financial Instruments	Risk	Probable Scenario (*)	Reasonably possible scenario	Remote Scenario
Derivatives not designated for hedge accounting				
Future contracts	Crude oil and oil products - price changes	-	(179)	(359)
Forward contracts	Foreign currency - depreciation BRL x USD	-	(4)	(8)
Options	Crude oil and oil products - price changes	-	(1)	(3)
Options OTC	Crude oil and oil products - price changes	-	(242)	(271)
		-	(426)	(641)

(*) The probable scenario was computed based on the following risks: oil and oil products prices: fair value on March 31, 2018 / R\$ x U.S. Dollar - a 1.8% appreciation of the Real/ GBP x Dollar - a 0.6% appreciation of the pound sterling .Source: Focus and Bloomberg.

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30.1. Risk management of crude oil and oil products prices

Petrobras does not regularly use derivative instruments to hedge exposures to commodity price cycles related to products purchased and sold to fulfill operational needs. However, derivatives may be used in specific circumstances depending on business environment analysis and assessment of whether the Business and Management targets are being met.

Accordingly, Petrobras executed a hedge strategy for part of its oil production foreseen for 2018. The transaction was carried out during February and March, in a volume equivalent to 128 million barrels of oil. Over-the-Counter Put Options (OTC Put Options) were purchased with an average cost of US\$ 3.48 per barrel and an average strike price of US \$ 65 / barrel . These options will expire at the end of 2018.

This transaction aims to hedge a portion of the cash flow from operating activities for 2018, guaranteeing a minimum price level for the volume under this transaction without limiting the sales price if the average Brent price in the year exceeds the reference value, thereby protecting the Company in case of oil prices downturn while enabling to take advantage of higher prices. The goal is to reduce negative impacts on the Company's cash generation in the most adverse price scenarios, increasing the confidence on the strategy of reducing its leverage.

In the first quarter of 2018, the Company accounted for a US\$ 170 loss as other income and expenses within corporate business segments due to a decrease in the fair value of these put options driven by the increase in the commodity price in the international market.

30.2. Foreign exchange risk management

The Company's Risk Management Policy provides for, as an assumption, an integrated risk management extensive to the whole corporation, pursuing the benefit from the diversification of its businesses.

By managing its foreign exchange risk, the Company takes into account the group of cash flows derived from its operations. This concept is especially applicable to the risk relating to the exposure of the Brazilian Real against the U.S. dollar, in which future cash flows in U.S. dollar, as well as cash flows in Brazilian Real affected by the fluctuation between both currencies, such as cash flows derived from diesel and gasoline sales in the domestic market, are assessed in an integrated manner.

Accordingly, the financial risk management mainly involves structured actions encompassing the business of the Company.

Changes in the Real/U.S. dollar spot rate, as well as foreign exchange variation of the Real against other foreign currencies, may affect net income and the statement of financial position due to the exposures in foreign currencies, such as:

- High probable future transactions;
- Monetary items; and
- Firm commitments

The Company seeks to mitigate the effect of potential variations in the Real/U.S. dollar spot rates mainly raising funds denominated in US dollars, aiming at reducing the net exposure between obligations and receipts in this currency, representing a form of structural protection that takes into account criteria of liquidity and cost competitiveness.

Foreign exchange variation on future exports denominated in U.S. Dollar in a given period are efficiently hedged by the US dollar debt portfolio taking into account changes in such portfolio over time.

The foreign exchange risk management strategy may involve the use of derivative financial instruments to hedge certain liabilities, mitigating foreign exchange rate risk exposure, especially when the Company is exposed to a foreign currency in which no cash inflows are expected, for example, Pound Sterling.

In the short-term, the foreign exchange risk is managed by applying resources in cash or cash equivalent denominated in Brazilian Real, U.S. Dollar or in another currency.

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

a) Cash Flow Hedge involving the Company's future exports

Considering the natural hedge and the risk management strategy, the Company designates hedging relationships to account for the effects of the existing hedge between a foreign exchange gain or loss from proportions of its long-term debt obligations (denominated in U.S. dollars) and foreign exchange gain or loss of its highly probable U.S. dollar denominated future export revenues, so that gains or losses associated with the hedged transaction (the highly probable future exports) and the hedging instrument (debt obligations) are recognized in the statement of income in the same periods.

Foreign exchange gains and losses on proportions of cash flows from debt obligations (non-derivative financial instruments), as well as foreign exchange rate forward contracts (derivative financial instruments) have been designated as hedging instruments. Derivative financial instruments expired during the year were replaced by debts in the hedging relationships for which they had been designated.

Individual hedging relationships were designated in a one-to-one proportion, meaning that the highly probable future exports for each month and the proportions of cash flows from debt obligations, hedged in individual hedging relationship, an equal in US dollar in nominal amount. Only a portion of the Company's forecast exports are considered highly probable.

The Company's future exports are exposed to the risk of variation in the Brazilian Real/U.S. dollar spot rate, which is offset by the converse exposure to the same type of risk with respect to its debt denominated in US dollar.

The hedge relationships are assessed on a monthly basis and they may cease and may be re-designated in order reach the risk management strategy.

Whenever a portion of future exports for a certain period, for which their foreign exchange gains and losses hedging relationship has been designated is no longer highly probable, the Company revokes the designation and the cumulative foreign exchange gains or losses that have been recognized in other comprehensive income remain separately in equity until the forecast exports occur.

If future exports, for foreign exchange gains and losses hedging relationship has been designated is no longer expected to occur, any related cumulative foreign exchange gains or losses that have been recognized in other comprehensive income from the date the hedging relationship was designated to the date the Company revoked the designation is immediately recycled from equity to the statement of income.

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

Ineffectiveness may occur as hedged items and hedge instruments have different maturity dates and due to discount rate used to determine their present value. Accordingly, the Company recognized a US\$ 7 gain as foreign exchange gains (losses) due to ineffectiveness.

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The carrying amounts, the fair value as of March 31, 2018, and a schedule of expected reclassifications to the statement of income of cumulative losses recognized in other comprehensive income (shareholders' equity) based on a US\$ 1.00 / R\$ 3.3238 exchange rate are set out below:

Hedging Instrument	Hedged Transactions	Nature of the Risk	Maturity Date	Present value of hedging instrument notional value at	
				03.31.2018	
				(US\$ million)	(R\$ million)
	Foreign exchange gains and losses on a portion of highly proportion of non-derivative financial instruments cash flows	Foreign Currency – Real vs U.S. Dollar Spot Rate	April 2018 to March 2028	59,155	196,619

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Changes in the present value of hedging instrument notional value	US\$	R\$ million
Amounts designated as of December 31, 2017	58,400	193,189
Additional hedging relationships designated, designations revoked and hedging instruments re-designated	6,533	20,839
Exports affecting the statement of income	(1,674)	(5,438)
Principal repayments / amortization	(4,104)	(13,048)
Foreign exchange variation	–	1,077
Amounts designated as of March 31, 2018	59,155	196,619
Nominal value of of hedging instrument at March 31, 2018	68,151	226,519

The average ratio of future exports for which cash flow hedge accounting was designed to the highly probable future exports is 73.5%.

A roll-forward schedule of cumulative foreign exchange losses recognized in other comprehensive income as of March 31, 2018 is set out below:

	Exchange rate	Tax effect	Total
Balance at January 1, 2017	(17,119)	5,822	(11,297)
Recognized in shareholders' equity	(543)	185	(358)
Reclassified to the statement of income - occurred exports	3,151	(1,071)	2,080
Reclassified to the statement of income - exports no longer expected or not occurred	3	(1)	2
Balance at December 31, 2017	(14,508)	4,935	(9,573)
Recognized in shareholders' equity	(338)	115	(223)
Reclassified to the statement of income - occurred exports	820	(279)	541
Balance at March 31, 2018	(14,026)	4,771	(9,255)

Additional hedging relationships may be revoked or additional reclassification adjustments from equity to the statement of income may occur as a result of changes in forecast export prices and export volumes following a review of the Company's business plan. Based on a sensitivity analysis considering a US\$ 10/barrel decrease in Brent prices stress scenario, when compared to the Brent price projections in our BMP-2018-2022, would not indicate a reclassification adjustment from equity to the statement of income.

A schedule of expected reclassification of cumulative foreign exchange losses recognized in other comprehensive income to the statement of income as of March 31, 2018 is set out below:

	2018	2019	2020	2021	2022	2023	2024	2025 to 2027	Total
Expected realization	(3.913)	(3.615)	(2.973)	(2.592)	(2.947)	(1.466)	(258)	3.738	(14.026)

IFRS 9 is effective from January 1, 2018 and provides for new requirements for hedge accounting. See note 6 for additional information on impacts of this new accounting standard on the Company's financial statements.

b) Cross currency swap – Pounds Sterling x Dollar

In the first quarter of 2017, the Company, through its wholly owned subsidiary Petrobras Global Trading B.V. (PGT), entered into cross currency swaps maturing in 2026 and 2034, with notional amounts of £ 700 million and £ 600 million, respectively, in order to hedge its Pounds/U.S. Dollar exposure arising from bonds issued amounting to £ 1,300. The Company does not expect to settle these swaps before their expiration dates.

c) Sensitivity analysis for foreign exchange risk on financial instruments

A sensitivity analysis is set out below, showing the probable scenario for foreign exchange risk on financial instruments, computed based on external data along with stressed scenarios (a 25% and a 50% change in the foreign exchange rates), except for assets and liabilities of foreign subsidiaries, when transacted in a currency equivalent to their respective functional currencies.

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Financial Instruments	Exposure at 03.31.2018	Risk	Probable Scenario (*)	Reasonably possible scenario	Remote Scenario
Assets	6,204		49	1,551	3,102
Liabilities (**)	(66,695)	Dollar/Real	(526)	(16,674)	(33,348)
Cash flow hedge on exports	59,155		466	14,789	29,578
	(1,336)		(11)	(334)	(668)
Liabilities	(101)	Yen/Dollar	2	(25)	(51)
	(101)		2	(25)	(51)
Assets	24	Euro/Real	1	6	12
Liabilities	(11)		–	(3)	(5)
	13		1	3	7
Assets	4,643	Euro/Dollar	4	1,161	2,322
Liabilities	(8,150)		(7)	(2,037)	(4,075)
	(3,507)		(3)	(876)	(1,753)
Assets	1	Pound	–	–	1
Liabilities	(25)	Sterling/Real	(1)	(6)	(12)
	(24)		(1)	(6)	(11)
Assets	3,312	Pound Sterling	(5)	828	1,656
Liabilities	(4,942)	/Dollar	8	(1,235)	(2,471)
Derivative - cross currency swap	1,823		(3)	456	911
	193		–	49	96
Total	(4,762)		(12)	(1,189)	(2,380)

(*) On March 31, 2018, the probable scenario was computed based on the following risks: R\$ x U.S. Dollar - a 0.8% depreciation of the Real / Japanese Yen x U.S. Dollar - a 1.6% depreciation of the Japanese Yen/ Euro x U.S. Dollar: a 0.1% appreciation of the Euro / Pound Sterling x U.S. Dollar: a 0.1% depreciation of the Pound Sterling / Real x Euro - a 3.8% depreciation of the Real / Real x Pound Sterling - a 4.9% depreciation of the Real. Source: Focus and Bloomberg.

(**)It includes the Class Action provision as set out note 28.4.

30.3. Interest rate risk management

The Company considers that interest rate risk does not create a significant exposure and therefore, preferably does not use derivative financial instruments to manage interest rate risk, except for specific situations encountered by certain subsidiaries of Petrobras.

30.4. Credit risk

Credit risk management in Petrobras aims at minimizing risk of not collecting receivables, financial deposits or collateral from third parties or financial institutions through efficient credit analysis, granting and management based on quantitative and qualitative parameters that are appropriate for each market segment in which the Company operates.

The commercial credit portfolio is broad and diversified and comprises clients from the domestic and foreign markets. Credit granted to financial institutions is related to collaterals received, cash surplus invested and derivative financial instruments. It is spread among “investment grade” international banks rated by international rating agencies and Brazilian banks with low credit risk.

30.5. Liquidity risk

Liquidity risk is represented by the possibility of a shortage of cash or other financial assets in order to settle the Company’s obligations on the agreed dates and is managed by the Company based on policies such as: centralization of cash management, optimization of the level of cash and cash equivalents held and reduction of working capital; maintenance of an adequate cash balance to ensure that cash needed for investments and short-term obligations is met even in adverse market conditions; increase in the average debt maturity, increase in funding sources from domestic and international markets, and developing a strong presence in the capital markets and also searching for new funding sources (such as new markets and financial products), as well as funds under the partnership and divestment program.

A maturity schedule of the Company’s finance debt (undiscounted), including face value and interest payments is set out as follows:

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	2018	2019	2020	2021	2022	2023 and thereafter	Balance at March 31, 2018	Balance at December 31, 2017
Maturity	2,234	2,929	8,339	8,800	18,005	63,229	103,536	110,530
Principal	4,402	5,882	5,590	5,134	4,469	36,007	61,485	60,728
Interest	6,636	8,811	13,929	13,934	22,474	99,236	165,021	171,258
Total								

31. Fair value of financial assets and liabilities

Fair values are determined based on market prices, when available, or, in the absence thereof, on the present value of expected future cash flows.

The hierarchy of the fair values of the financial assets and liabilities, recorded on a recurring basis, is set out below:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable inputs for the asset or liability.

	Fair value measured based on Total fair value			
	Level I	Level II	Level III	recorded
Assets				
Marketable securities	1,187	–	–	1,187
Commodity derivatives	–	276	–	276
Foreign currency derivatives	–	216	–	216
Balance at March 31, 2018	1,187	492	–	1,679
Balance at December 31, 2017	1,829	105	–	1,934
Liabilities				
Commodity derivatives	(60)	–	–	(60)
Balance at March 31, 2018	(60)	–	–	(60)
Balance at December 31, 2017	(98)	–	–	(98)

There are no material transfers between levels for the periods presented.

The estimated fair value for the Company's long term debt, computed based on the prevailing market rates, is set out in note 15.1.

The fair values of cash and cash equivalents, short-term debt and other financial assets and liabilities are equivalent or do not differ significantly from their carrying amounts.

32. Subsequent events

32.1. Distribution to shareholders

The General Shareholders Meeting held on April 26, 2018 amended provisions for distribution to shareholders (dividends and interest on capital) in the Company's bylaws. Accordingly, the Company's Board of Directors approved on May 7, 2018 the interest on capital distribution totaling US\$ 196 (R\$ 652 million), representing US\$ 0.02 (R\$ 0.05) per common and preferred share.

This interest on capital will be paid to shareholders within 60 days on the register on 21 May 2018 and they will be included in the Company's minimum mandatory distribution for 2018. This amount will bear interest at Selic rate from the date of the payment to the end of the fiscal year.

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32.2. Agreement with Eletrobras group

On April 30, 2018, the Company entered into contractual instruments relating to the agreement reached with Eletrobras and its controlled power distributors with respect to a portion of receivables arising from the supply of fuel oil and natural gas for the power generation in the northern region of Brazil.

The agreement governs the restructuring of the debt acknowledgement agreements signed on December 31, 2014, whose updated amounts reach US\$ 3,219 that will rely on a new structure of collateralization and on an increase in the surety provided by Eletrobras until the effective privatization of its power distributors. Simultaneously, additional debt acknowledgement agreements collateralized by Eletrobras were concluded in the amount of US\$ 1,752 to be settled in 36 monthly instalments indexed to market rates. Of this amount, the collateralization of US\$ 1,293 is conditioned to the privatization process.

Eletrobras agreed to accept approximately US\$ 3,160 of the total amount negotiated, of which a portion is due by its controlled entities, through Debt Assumption Instruments with real guarantees and also conditioned to the success of privatization of the distributors.

Receivables from AME-D relating to the supply of natural gas in the state of Amazonas, in the approximate amount of US\$ 862, are still under judicial collection and are not part of the agreement.

The Company estimates a gain of approximately US\$ 587 (before tax effects) to be recognized in the second quarter of 2018 following the effects of the agreement on its financial statements.

33. Information related to guaranteed securities issued by subsidiaries

33.1. Petrobras Global Finance B.V. (PGF)

Petróleo Brasileiro S.A. - Petrobras fully and unconditionally guarantees the debt securities issued by Petrobras Global Finance B.V. (PGF), a 100-percent-owned finance subsidiary of Petrobras. There are no significant restrictions on the ability of Petrobras to obtain funds from PGF.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 8, 2018

PETRÓLEO BRASILEIRO S.A.—PETROBRAS

By: /s/ Ivan de Souza Monteiro

Ivan de Souza Monteiro

Chief Financial Officer and Investor Relations Officer