

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

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

For the month of November, 2017

Commission File Number 1-15106

PETRÓLEO BRASILEIRO S.A. - PETROBRAS

(Exact name of registrant as specified in its charter)

Brazilian Petroleum Corporation - PETROBRAS

(Translation of Registrant's name into English)

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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

INTERIM FINANCIAL

STATEMENTS

—

September 30, 2017 and 2016 with
report of independent registered public
accounting firm

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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 September 30, 2017, and the related interim consolidated statements of income and comprehensive income for the three and nine months periods ended September 30, 2017, and the related interim consolidated statements of changes in shareholders' equity and cash flows for the nine-month period ended September 30, 2017. These interim consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of 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 Public Company Accounting Oversight Board (United States), 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.

Based on our review, we are not aware of any material modifications that should be made to the interim consolidated financial statements referred to above for them to be in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

We draw attention to Note 3 of the interim consolidated financial statements, which describes that: i) no additional information has been identified through this date which could materially impact the estimation methodology adopted for the write off recorded on September 30, 2014; and ii) the internal investigations being conducted by outside legal counsel under the supervision of a Special Committee created by the Company and the investigation conducted by the Securities and Exchange Commission are still on going, nevertheless to date no additional impact to those already disclosed in the interim financial statements has been identified. We also draw attention to Note 29.4 of the interim consolidated financial statements which describes class actions filed against the Company, for which it is unable to make a reliable estimate of loss.

The consolidated financial statements of the Company as of and for the year ended December 31, 2016, were audited by other accountants whose report dated March 21, 2017, expressed an unqualified opinion on those consolidated financial statements. Such consolidated financial statements were not audited by us and, accordingly, we do not express an opinion or any form of assurance on the information set forth in the accompanying consolidated statement

of financial position as of December 31, 2016. Additionally, the interim consolidated statements of income and comprehensive income for the three and nine months periods ended September 30, 2016, and the related interim consolidated statements of changes in shareholders' equity and cash flows for the nine-month period ended September 30, 2016, were not reviewed or audited by us, and accordingly, we do not express an opinion or any form of assurance on them.

Rio de Janeiro, November 13, 2017

/s/

KPMG Auditores Independentes

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

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

Petróleo Brasileiro S.A. – Petrobras

Interim Consolidated Statement of Financial Position

September 30, 2017 and December 31, 2016

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

Assets	Note	09.30.2017	12.31.2016	Liabilities	Note	09.30.2017	12.31.2016
Current assets				Current liabilities			
Cash and cash equivalents	6	23,495	21,205	Trade payables	15	5,981	5,762
Marketable securities	6	1,813	784	Finance debt	16	7,369	9,755
Trade and other receivables, net	7	5,216	4,769	Finance lease obligations	17.1	26	18
Inventories, net	8	8,160	8,475	Income taxes payable	20.1	363	127
Recoverable income taxes	20.1	483	602	Other taxes payable	20.1	3,906	3,628
Other recoverable taxes	20.1	2,010	1,900	Payroll and related charges		1,654	2,197
Advances to suppliers		131	166	Pension and medical benefits	21.1	897	820
Others		1,946	1,140	Others		2,049	2,104
		43,254	39,041			22,245	24,411
Assets classified as held for sale	9.2	2,182	5,728	Liabilities related to assets classified as held for sale	9.2	244	492
		45,436	44,769			22,489	24,903
Non-current assets				Non-current liabilities			
Long-term receivables				Finance debt	16	105,833	108,371
Trade and other receivables, net	7	5,051	4,551	Finance lease obligations	17.1	223	226
Marketable securities	6	232	90	Income taxes payable	20.2	931	-
Judicial deposits	29.2	4,715	3,999	Deferred income taxes	20.5	2,122	263
Deferred income taxes	20.5	3,190	4,307	Pension and medical benefits	21.1	23,477	21,477
				Provisions for legal proceedings	29.1	3,826	3,391
Other tax assets	20.1	3,285	3,141	Provision for decommissioning costs	19	10,653	10,252
Advances to suppliers		1,114	1,148	Others		696	550
Others		3,325	3,184			147,761	144,530
		20,912	20,420				
				Total liabilities		170,250	169,433
				Shareholders' equity			
Investments	10	3,996	3,052	Share capital (net of share issuance costs)	22.1	107,101	107,101
Property, plant and equipment	11	180,171	175,470	Capital transactions		629	628
Intangible assets	12	3,232	3,272	Profit reserves		54,742	53,143
		208,311	202,214		22.2	(79,845)	(84,093)

Accumulated other comprehensive (deficit) Attributable to the shareholders of Petrobras	82,627	76,779
Non-controlling interests	870	771
Total equity	83,497	77,550

Total assets	253,747	246,983	Total liabilities and shareholder's equity	253,747	246,983
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The notes form an integral part of these financial statements.

Petróleo Brasileiro S.A. – Petrobras

Interim Consolidated Statement of Income

September 30, 2017 and 2016

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

	Note	Jan-Sep/2017	Jan-Sep/2016	3Q-2017	3Q-2016
Sales revenues	23	65,260	60,002	22,700	21,693
Cost of sales		(44,343)	(40,940)	(15,988)	(14,506)
Gross profit		20,917	19,062	6,712	7,187
Income (expenses)					
Selling expenses		(3,308)	(3,037)	(1,339)	(1,027)
General and administrative expenses		(2,198)	(2,425)	(774)	(937)
Exploration costs	14	(494)	(1,333)	(213)	(572)
Research and development expenses		(412)	(424)	(134)	(151)
Other taxes		(1,367)	(454)	(321)	(188)
Impairment of assets	13	(110)	(5,122)	(46)	(4,710)
Other income and expenses	24	(1,374)	(5,536)	(1,427)	(3,003)
		(9,263)	(18,331)	(4,254)	(10,588)
Income before finance income (expense), results in equity-accounted investments and income taxes		11,654	731	2,458	(3,401)
Finance income		857	811	234	366
Finance expenses		(5,678)	(5,221)	(1,653)	(1,900)
Foreign exchange gains (losses) and inflation indexation charges		(2,734)	(1,733)	(924)	(659)
Net finance income (expense)	26	(7,555)	(6,143)	(2,343)	(2,193)
Results in equity-accounted investments	10.1	524	169	138	(43)
Net income before income taxes		4,623	(5,243)	253	(5,637)
Income taxes	20.6	(2,800)	64	(49)	298
Net income for the period		1,823	(5,179)	204	(5,339)
Net income (loss) attributable to:					
Shareholders of Petrobras		1,596	(5,592)	83	(5,380)
Non-controlling interests		227	413	121	41
Net income for the period		1,823	(5,179)	204	(5,339)

Basic and diluted earning (loss) per weighted-average of common and preferred share - in U.S. dollars	22.3	0.12	(0.43)	0.01	(0.41)
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The notes form an integral part of these financial statements.

Petróleo Brasileiro S.A. – Petrobras

Interim Consolidated Statement of Comprehensive Income

September 30, 2017 and 2016

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

	Jan-Sep/2017	Jan-Sep/2016	3Q-2017	3Q-2016
Net Income for the period	1,823	(5,179)	204	(5,339)
Items that may be reclassified subsequently to the statement of income:				
Unrealized gains / (losses) on available-for-sale securities				
Recognized in shareholders' equity	(8)	–	6	–
	(8)	–	6	–
Unrealized gains / (losses) on cash flow hedge - highly probable future exports				
Recognized in shareholders' equity	1,787	11,072	2,457	(674)
Reclassified to the statement of income	2,323	2,111	812	658
Deferred income tax	(1,398)	(4,483)	(1,112)	4
	2,712	8,700	2,157	(12)
Unrealized gains on cash flow hedge - others				
Recognized in shareholders' equity	–	5	(1)	3
	–	5	(1)	3
Cumulative translation adjustments (*)				
Recognized in shareholders' equity	1,299	9,834	2,141	(628)
Reclassified to the statement of income	37	1,428	–	1,428
	1,336	11,262	2,141	800
Share of other comprehensive income in equity-accounted investments				
Recognized in shareholders' equity	186	347	71	(8)
Reclassified to the statement of income	22	–	–	–
	208	347	71	(8)
Total other comprehensive income:	4,248	20,314	4,374	783
Total comprehensive income	6,071	15,135	4,578	(4,556)
Comprehensive income attributable to:				
Shareholders of Petrobras	5,847	14,709	4,450	(4,604)
Non-controlling interests	224	426	128	48
Total comprehensive income	6,071	15,135	4,578	(4,556)

(*) Includes US\$ 13 (US\$ 365 in the nine month period ended september 30, 2016) 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

Interim Consolidated Statement of Cash Flows

September 30, 2017 and 2016

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

	Jan-Sep/2017	Jan-Sep/2016
Cash flows from Operating activities		
Net income (loss) for the period	1,823	(5,179)
Adjustments for:		
Pension and medical benefits (actuarial expense)	2,056	1,700
Results in equity-accounted investments	(524)	(169)
Depreciation, depletion and amortization	10,090	10,555
Impairment of assets (reversal)	110	5,122
Exploratory expenditures write-offs	225	966
Gains and losses on disposals/write-offs of assets	(1,635)	267
Foreign exchange, indexation and finance charges	7,397	6,247
Deferred income taxes, net	1,468	(1,338)
Allowance (reversals) for impairment of trade and others receivables	635	479
Inventory write-down to net realizable value	67	305
Reclassification of cumulative translation adjustment and other comprehensive income	59	1,428
Revision and unwinding of discount on the provision for decommissioning costs	573	(514)
Gain on remeasurement of investment retained with loss of control	(217)	–
Decrease (Increase) in assets		
Trade and other receivables, net	(774)	801
Inventories	313	(300)
Judicial deposits	(580)	(493)
Other assets	(164)	(553)
Increase (Decrease) in liabilities		
Trade payables	(82)	(1,411)
Other taxes payable	2,263	164
Pension and medical benefits	(620)	(491)
Other liabilities	(727)	1,620
Income taxes paid	(671)	(254)
Net cash provided by operating activities	21,085	18,952
Cash flows from Investing activities		
Capital expenditures	(9,481)	(10,267)
Decrease in investments in investees	(43)	(120)
Proceeds from disposal of assets - Divestment	2,953	739
Divestment (Investment) in marketable securities	(923)	209
Dividends received	253	230
Net cash used in investing activities	(7,241)	(9,209)
Cash flows from Financing activities		
Investments by non-controlling interest	(61)	2
Financing and loans, net:		

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Proceeds from financing	22,644	12,496
Repayment of principal	(28,565)	(20,925)
Repayment of interest	(5,468)	(5,308)
Dividends paid to non-controlling interests	(149)	(47)
Net cash used in financing activities	(11,599)	(13,782)
Effect of exchange rate changes on cash and cash equivalents	45	563
Net decrease in cash and cash equivalents	2,290	(3,476)
Cash and cash equivalents at the beginning of the year	21,205	25,058
Cash and cash equivalents at the end of the period	23,495	21,582

The notes form an integral part of these financial statements.

Petróleo Brasileiro S.A. – Petrobras

Interim Consolidated Statement of Changes in Shareholders' Equity

September 30, 2017 and 2016

(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
	107,380	(279)	321	(71,220)	(20,288)	(7,362)	(1,293)	7,919	2,182	720	47,156
Balance at January 1, 2016		107,101	321				(100,163)				57,977
Realization of deemed cost	-	-	-	-	-	-	(3)	-	-	-	-
Capital transactions	-	-	6	-	-	-	-	-	-	-	-
Net income (loss)	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	11,249	8,700	-	352	-	-	-	-
Appropriations: Dividends	-	-	-	-	-	-	-	-	-	-	-
Balance at September 30, 2016	107,380	(279)	327	(59,971)	(11,588)	(7,362)	(944)	7,919	2,182	720	47,156
		107,101	327				(79,865)				57,977
Balance at January 1, 2017	107,380	(279)	628	(60,248)	(11,297)	(11,600)	(948)	7,919	2,182	720	42,322
		107,101	628				(84,093)				53,143
Realization of deemed cost	-	-	-	-	-	-	(3)	-	-	-	-
Capital transactions	-	-	1	-	-	-	-	-	-	-	-
Net income	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	1,339	2,712	-	200	-	-	-	-

income

Appropriations:

Dividends	-	-	-	-	-	-	-	-	-	-	-
	107,380	(279)	629	(58,909)	(8,585)	(11,600)	(751)	7,919	2,182	720	42,322
Balance at September 30, 2017		107,101	629				(79,845)				53,143

The notes form an integral part of these financial statements.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

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

1. The Company and its operations

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

2. Basis of presentation of unaudited 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). The information is presented in U.S. dollars.

These unaudited interim financial statements 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, 2016, which include the full set of notes.

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	Sep 2017	Jun 2017	Mar 2017	Dec 2016	Sep 2016	Jun 2016	Mar 2016
Quarterly average exchange rate	3.16	3.22	3.15	3.29	3.25	3.51	3.91
Period-end exchange rate	3.17	3.31	3.17	3.26	3.25	3.21	3.56

The Company’s Board of Directors in a meeting held on November 13, 2017 authorized the issuance of this consolidated interim financial statements.

2.1. 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 allowance for impairment of trade receivables. Although our management uses assumptions and judgments that are periodically reviewed, the actual results could differ from these estimates.

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

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

In the third quarter of 2014, the Company wrote off US\$ 2,527 of capitalized costs representing estimated amounts that Petrobras overpaid for the acquisition of property, plant and equipment in prior years. For further information see note 3 to the Company's December 31, 2016 audited consolidated financial statements.

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

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

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

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

In the nine-month period ended September 30, 2017, the Company recognized US\$ 48 as other income and expenses (US\$ 69 in the same period in 2016) with respect to compensation for damages resulting from a leniency agreement. Of this amount, US\$ 23 was received during this period and the remaining US\$ 25 was recognized as accounts receivable at September 30, 2017 and collected in October 2017. The total funds returned through December 31, 2016, amounted to US\$ 203 (US\$ 131 in 2016 and US\$ 72 in 2015).

We have been formally recognized as a victim of the crimes identified under the Lava Jato investigation by the Brazilian Federal Prosecutor's Office, the lower court hearing the case and by the Brazilian Supreme Court. As a result, we have joined 41 criminal proceedings as an assistant to the prosecutor. In addition, we have entered into four criminal proceedings as an interested party. We have also renewed our commitment to continue cooperating with authorities to clarify the issues and report them regularly to our investors and to the public in general.

4. Basis of consolidation

The consolidated interim financial statements include the interim financial statements of Petrobras, its subsidiaries, its assets and liabilities within joint operations and consolidated structured entities.

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

5. Summary of significant accounting policies

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

Formal Notice from CVM – Hedge accounting

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

On March 7, 2017, the Company received a formal notice from the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários – CVM) requesting that the Company restate its annual and interim financial

statements since the second quarter of 2013. This notice requested that the Company restate the effects of the hedge accounting policy application relating to the cash flow hedge involving the Company's future exports. The Company appealed the CVM decision and reaffirmed its view that its accounting policy has been correctly applied.

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

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

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

6. Cash and cash equivalents and Marketable securities

Cash and cash equivalents

	09.30.2017	12.31.2016
Cash at bank and in hand	1,162	591
Short-term financial investments		
- In Brazil		
Brazilian interbank deposit rate investment funds and other short-term deposits	3,557	1,180
Other investment funds	24	131
	3,581	1,311
- Abroad		
Time deposits	5,129	3,085
Automatic investing accounts and interest checking accounts	12,020	9,780
U.S. Treasury bills	–	5,217
Other financial investments	1,603	1,221
	18,752	19,303
Total short-term financial investments	22,333	20,614
Total cash and cash equivalents	23,495	21,205

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

Marketable securities

	09.30.2017			12.31.2016	
	In Brazil	Abroad	Total	In Brazil	Total
Trading securities	1,162	–	1,162	784	784
Available-for-sale securities	135	651	786	–	–
Held-to-maturity securities	97	–	97	90	90
Total	1,394	651	2,045	874	874
Current	1,162	651	1,813	784	784
Non-current	232	–	232	90	90

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

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

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Notes to the financial statements

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

7. Trade and other receivables

7.1. Trade and other receivables, net

	09.30.2017	12.31.2016
Trade receivables -Third parties	7,004	6,128
Related parties		
Investees (note 18.1)	547	555
Receivables from the electricity sector (note 7.4) (*)	5,314	4,922
Petroleum and alcohol accounts -receivables from Brazilian Government	262	268
Finance lease receivables	551	1,223
Receivables from divestments (note 9.1)	908	–
Other receivables	1,773	1,650
	16,359	14,746
Allowance for impairment of trade and other receivables	(6,092)	(5,426)
Total	10,267	9,320
Current	5,216	4,769
Non-current	5,051	4,551

(*) Includes the amount of US\$ 245 at September 30, 2017 (US\$ 251 at December 31, 2016) regarding finance lease receivable from Amazonas Distribuidora de Energia.

7.2. Trade receivables overdue - Third parties

	09.30.2017	12.31.2016
Up to 3 months	916	403
From 3 to 6 months	43	67
From 6 to 12 months	99	411
More than 12 months	3,080	2,650
Total	4,138	3,531

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

	09.30.2017	12.31.2016
Opening balance	5,426	3,656
Additions (*)	791	1,325
Write-offs	(86)	(9)
Reversals	(155)	(171)
Cumulative translation adjustment	116	625

Closing balance	6,092	5,426
Current	2,123	2,010
Non-current	3,969	3,416

(*) In 2017, additions include US\$ 278 from the finance lease agreement termination relating to the Vitória 10,000 drilling rig. In 2016, additions include: US\$ 345 from electricity sector and US\$ 621 from losses on advances to suppliers, as well as assumed debt and termination costs relating to the agreement with

the Ecovix shipyard.

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

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Due to the finance lease agreement termination, the Company assessed the value in use of the drilling rig based on the cash flows projected to arise from its commitment to certain Petrobras Group projects, and compared it to the carrying amount of the finance lease receivable at June 30, 2017. As result, the Company wrote-down US\$ 254 as other income and expenses in the second quarter of 2017.

In addition, on August 9, 2017, measures were adopted to obtain possession of this drilling rig, which effectively occurred on August 16, 2017. As a result of this matter, in the third quarter of 2017 the Company added US\$ 24 to the allowance for impairment due to additions to the finance lease receivable and contractual fine, as well as derecognized the finance lease receivable and recognized the drilling rig as equipment within Property, plant and equipment in the amount of US\$ 387.

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

	As of 12.31.2016	Amounts Sales received	Transfers (*)	Write-offs	Recognition allowance for impairment, net of reversals	Inflation indexation	As of CTA 09.30.2017	
Related parties (Eletrobras Group)								
AME	2,475	231 (449)	237	–	(163)	228	71	2,630
Centrais Elétricas de Rondônia - CERON	369	– (14)	–	–	–	28	11	394
Others	95	29 (34)	–	(18)	29	10	4	115
Subtotal	2,939	260 (497)	237	(18)	(134)	266	86	3,139
Third parties								
Cigás	143	619 (354)	(237)	–	(2)	8	6	183
Celpa	–	66 (95)	–	–	32	–	–	3
Others	4	131 (126)	–	(6)	10	–	1	14
Subtotal	147	816 (575)	(237)	(6)	40	8	7	200
Trade receivables, net	3,086	1,076 (1,072)	–	(24)	(94)	274	93	3,339
Trade receivables - Eletrobras Group	4,922	260 (497)	237	(18)	–	266	144	5,314
(-) Allowance for impairment	(1,983)	–	–	–	(134)	–	(58)	(2,175)
Subtotal	2,939	260 (497)	237	(18)	(134)	266	86	3,139
Trade receivables - Third parties	515 (368)	816 –	(575) –	(237) –	(6) –	– 40	8 (10)	538 (338)

(-) Allowance for impairment

Subtotal	147	816	(575)	(237)	(6)	40	8	7	200
Trade receivables - Total	5,437	1,076	(1,072)	-	(24)	-	274	161	5,852
(-) Allowance for impairment	(2,351)	-	-	-	-	(94)	-	(68)	(2,513)
Trade receivables, net	3,086	1,076	(1,072)	-	(24)	(94)	274	93	3,339

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

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

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

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The Company intensified negotiations with the state-owned natural gas distribution companies, the independent electricity producers (PIEs), other private companies and entities controlled by Eletrobras. As a result, on December 31, 2014, the Company entered into a debt acknowledgement agreement with subsidiaries of Eletrobras with respect to the balance of its receivables as of November 30, 2014. Eletrobras acknowledged it owed US\$ 2,202 to the Company, of which US\$ 1,889 were collateralized by payables from the Brazilian Energy Development Account (Conta de Desenvolvimento Energético – CDE) to the CCC. This amount has been adjusted by the Selic interest rate (Brazilian short-term interest rate) on a monthly basis and the first of 120 monthly installments was paid in February 2015.

The contractual amortization clauses in the debt acknowledgement agreement establish the payment of 15% of the amount of renegotiated debt within 36 months and the remaining 85% to be paid in 84 installments beginning in January 2018. Therefore, the Company expects the balance of trade receivables from the electricity sector will decrease from 2018 onwards as the amounts to be received will be higher than inflation indexation on debt acknowledgement agreements. Despite some periodic delays, these payments have continued.

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

The Company had expected that the abovementioned rule would have strengthened the financial situation of the companies in the electricity sector. However, this had not occurred and the level of these defaults had increased. Accordingly, in 2015 and 2016 the Company recognized US\$ 564 and US\$ 345, respectively, as allowance for impairment of trade receivables (net of reversals) with respect to uncollateralized outstanding receivables.

Accordingly, the Company has adopted the following measures:

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

In the nine-month period ended September 30, 2017, the Company accounted for allowances for impairment of trade receivables, net of reversals, totaling US\$ 94 (US\$ 338 in the same period of 2016) primarily due to unsecure overdue receivables related to supplies of fuel oil and natural gas, partially offset by overdue receivables paid by CELPA - Centrais Elétricas do Pará.

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8. Inventories

	09.30.2017	12.31.2016
Crude oil	3,342	3,524
Oil products	2,784	2,649
Intermediate products	637	700
Natural gas and LNG (*)	34	134
Biofuels	144	211
Fertilizers	28	26
Total products	6,969	7,244
Materials, supplies and others	1,203	1,243
Total	8,172	8,487
Current	8,160	8,475
Non-current	12	12

(*) Liquefied Natural Gas

The amount of inventories is presented net of US\$ 2 reducing inventories to net realizable value (US\$ 28 as of December 31, 2016), primarily due to changes in international prices of crude oil and oil products. In the nine-month period ended September 30, 2017, the Company recognized as cost of sales US\$ 68 reducing inventories to net realizable value, net of reversals (US\$ 305 in the same period of 2016).

At September 30, 2017, the Company had pledged crude oil and oil products volumes as collateral for the Terms of Financial Commitment (TFC) signed by Petrobras and Petros in 2008, in the amount of US\$ 3,817 (US\$ 1,979 as of December 31, 2016), as set out in note 21. In the third quarter of 2017, the amount of collateral was revised and updated in order to reflect the increase in the commitments undertaken under TCF.

9. Disposal of Assets and other changes in organizational structure

The Company has an effective divestment and venture program which takes into account opportunities for divestments in several areas where it operates. The divestment portfolio is dynamic, meaning that market conditions, legal matters and negotiations may affect the Company's evaluation of ongoing and potential transactions.

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

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

9.1. Disposal of Assets

Disposal of distribution assets in Chile

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

This transaction was concluded on January 4, 2017 and the net proceeds from this sale were US\$ 470, of which US\$ 90 was received via distribution of dividends after taxes on December 9, 2016 and the remaining US\$ 380 was paid by Southern Cross Group at the transaction closing. Accordingly, the Company recognized a gain of US\$ 0.8 as other income and expenses, in the first quarter of 2017, taking into account the impairment of US\$ 82 at December 31, 2016.

In addition, a US\$ 79 loss was recycled from shareholders' equity to other income and expenses within the income statement, reflecting the reclassification of cumulative translation adjustments resulting from the depreciation of the Chilean Peso against the U.S Dollar from the time of the acquisition of this investment to its disposal (see note 22.2).

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

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

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

- The Extraordinary General Meeting of NTS, held on October 21, 2016, approved an increase to its share capital in the amount of US\$ 711, based on an independent expert report dated on October 14, 2016, through net assets of the Company's subsidiary Transportadora Associada de Gás S.A. - TAG. This capital increase required the approval of the National Petroleum, Natural Gas and Biofuels Agency - ANP through the issuance of Permissions of Provisional Operation (Autorizações de Operação Provisórias);
- The Extraordinary General Meeting of the TAG, held on October 21, 2016, approved a reduction to its share capital, via a capital surplus, in the amount of its investment in NTS (US\$ 800) and transfer of all of its interest in NTS to Petrobras, as occurred on October 24, 2016 pursuant to the Permissions of Provisional Operation.

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

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

At June 30, 2017, the Company recognized a gain on this transaction in the amount of US\$ 2,169 accounted for as other income and expenses, which includes a US\$ 217 gain on remeasurement of retained interests. This amount was subject to price adjustments according to the purchase and sale agreement.

On October 10, 2017, the final price adjustment was settled in the amount of US\$ 20, totaling a gain of US\$ 2,189 on this transaction.

Disposal of Guarani

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

Participations SAS, an entity of the French group Tereos.

On February 3, 2017, this transaction was concluded pursuant to the payment of US\$ 203, after all conditions precedent were performed by Tereos Participations SAS. At December 31, 2016, an impairment loss amounting to US\$ 118 was accounted for.

Additionally, a gain of US\$ 42 was recycled from shareholders' equity to other income and expenses within the income statement, reflecting the reclassification of cumulative translation adjustment resulting from the appreciation of Mozambican Metical against the Brazilian Real from the acquisition of this investment to its disposal (see note 22.2). This gain was partially offset by a US\$ 22 loss also recycled from shareholders' equity to other income and expenses reflecting cumulative losses relating to cash flow hedge accounting.

Disposal of Liquigás

On November 17, 2016 the Company's Board of Directors approved the disposal of its wholly-owned subsidiary Liquigás Distribuidora S.A, a group entity from the RT&M business segment (Refining, Transportation and Marketing), to Companhia Ultragaz S.A., a subsidiary of Ultrapar Participações S.A.. Accordingly, the related assets and liabilities were classified as held for sale at December 31, 2016, as this transaction was subject to approval at Ultrapar's and Petrobras' Shareholders' Meetings, as well as the approval of CADE.

In January 2017, this sale was approved at Ultrapar's and Petrobras' Shareholders' Meetings in the amount of US\$ 828.

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

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

Disposal of Suape and Citepe petrochemical plants

On December 28, 2016, the Company's Board of Directors approved the disposal of the interests in the wholly-owned subsidiaries Companhia Petroquímica de Pernambuco (PetroquímicaSuape) and Companhia Integrada Têxtil de Pernambuco (Citepe), both from the RT&M business segment, to Grupo Petrotex S.A. de C.V. and Dak Americas Exterior, S.L., both subsidiaries of Alpek, S.A.B. de C.V., which is a company from Grupo Alfa S.A.B. de C.V. (a Mexican public company), in the amount of US\$ 385, which will be totally disbursed at the transaction closing. This amount remains subject to adjustments relating to working capital, net debt and recoverable taxes.

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

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

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

Strategic alliance with Total

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

• Transfer of the Company's 22.5% stake in the concession area named as Iara, comprising Sururu, Berbigão and West of Atapu fields, which are subject to unitization agreements with Entorno de Iara (an area under the Assignment Agreement in which the Company holds 100% and is located in the Block BM-S-11). The Company will continue to operate the block;

Transfer of the Company's 35% stake in the concession area of Lapa field, located in the Block BM-S-9. Total will also become the operator and the Company will retain a 10% interest in this area; and

• Transfer of the Company's 50% interests in the power plants Celso Furtado and Rômulo Almeida. In 2016, the Company recognized an impairment loss on this transaction in the amount of 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, as well as contingent payments in the amount of US\$ 150, associated with the production volume in Iara 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 adds up to the ones already executed on December 21, 2016, such as: (i) the option for Petrobras to purchase a 20% interest in block 2 of the Perdido Foldbelt area, in the Mexican sector of the Gulf of Mexico, (ii) the joint exploration studies in the exploratory areas of Equatorial Margin and in Santos Basin; and (iii) the Technological partnership agreement in the areas of digital petrophysics, geological processing and subsea production systems.

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

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

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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:

			09.30.2017		12.31.2016	
			Gas			
			&			
	E&P	Distribution	RT&M	Power	Total	Total
Assets classified as held for sale (*)						
Cash and Cash Equivalents	–	–	10	–	10	109
Trade receivables	–	–	156	–	156	205
Inventories	–	–	86	–	86	172
Investments	–	–	5	–	5	378
Property, plant and equipment	1,231	2	282	97	1,612	4,420
Others	–	–	313	–	313	444
Total	1,231	2	852	97	2,182	5,728
Liabilities on assets classified as held for sale(*)						
Trade Payables	10	–	50	–	60	135
Finance debt	–	–	8	–	8	14
Provision for decommissioning costs	62	–	–	–	62	52
Others	–	–	114	–	114	291
Total	72	–	172	–	244	492

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

9.3. Other changes in organizational structure

Sale and merger of Nova Fronteira Bioenergia

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

On February 23, 2017, this transaction was concluded as São Martinho granted to PBIO an additional 24 million of its common shares, corresponding to 6.593% of its voting and total paid in capital, in exchange and in proportion to the

shares that PBIOs held in Nova Fronteira. These shares are accounted for as available – for- sale securities, as set out in note 6.

Corporate restructuring in Petrobras Distribuidora (BR)

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

On August 31, 2017, Petrobras Parent Company increased the share capital of BR by US\$ 2,006 in order to pre-pay borrowings owned by BR and unconditionally guaranteed by Petrobras; and

Partial spin-off of BR, with the separation of the collateralized receivables held by BR resulting from debt acknowledgement agreement with the Eletrobras group and other receivables from other entities of Petrobras Group also held by BR, totaling the same amount of the aforementioned capital increase. These assets were incorporated by the wholly owned subsidiary Downstream Participações Ltda. (“Downstream”) on August 31, 2017.

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10. Investments

10.1. Investments in associates and joint ventures

	Balance at 12.31.2016	Investments	Restructuring, capital decrease and others	Results in equity-accounted investments	CTA	OCI	Dividends	Balance at 09.30.2017
Joint Ventures								
Petrobras Oil & Gas B.V. - PO&G	1,428	-	-	81	-	-	(125)	1,384
State-controlled natural gas distributors	330	-	-	57	10	-	(30)	367
Compañia Mega S.A. - MEGA	36	-	-	21	(2)	-	(11)	44
Petrochemical joint ventures	25	-	-	7	-	-	-	32
Other joint ventures	103	73	(3)	(79)	3	2	(12)	87
Associates								
Braskem S.A.	1,033	-	-	412	(6)	184	-	1,623
Nova Transportadora do Sudeste	-	-	357	29	6	-	(36)	356
Petrochemical associates	31	-	-	2	1	-	-	34
Other associates	50	-	(3)	7	3	-	(3)	54
Other investments	16	-	-	-	(1)	-	-	15
Total	3,052	73	351	537	14	186	(217)	3,996

Results in investees
transferred to assets
held for sale

(13)

Results in
equity-accounted
investments

524

10.2. Investments in listed companies

Thousand-share lot

Quoted stock
exchange prices (US\$)

Market value

	09.30.2017	12.31.2016	Type	per share)		09.30.2017	12.31.2016	09.30.2017	12.31.2016
				09.30.2017	12.31.2016				
Associate									
Braskem S.A.	212,427	212,427	Common	13.51	9.20	2,870	1,955		
Braskem S.A.	75,762	75,762	Preferred A	13.39	10.51	1,015	796		
						3,885	2,751		

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

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

Braskem's shares are publicly traded on stock exchanges in Brazil and abroad. As of September 30, 2017, the quoted market value of the Company's investment in Braskem was US\$ 3,885 based on the quoted values of both Petrobras' interest in Braskem's common stock (47% of the outstanding shares), and preferred stock (22% of the outstanding shares). However, there is extremely limited trading of the common shares, since non-signatories of the shareholders' agreement hold only approximately 3% of the common shares.

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

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

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11. Property, plant and equipment

11.1. By class of assets

	Land, buildings		Equipment and Assets under construction (*)	Exploration and development costs (oil and gas producing properties)	Total
	and improvement	other assets			
Balance at January 1, 2016	6,100	73,893	37,610	43,694	161,297
Additions	110	917	11,846	203	13,076
Additions to / review of estimates of decommissioning costs	-	-	-	937	937
Capitalized borrowing costs	-	-	1,724	-	1,724
Write-offs	(64)	(140)	(1,371)	(43)	(1,618)
Transfers (***)	387	4,519	(15,863)	5,912	(5,045)
Depreciation, amortization and depletion	(428)	(7,520)	-	(5,862)	(13,810)
Impairment recognition	(319)	(3,891)	(439)	(1,932)	(6,581)
Impairment reversal	-	768	-	179	947
Cumulative translation adjustment	1,196	10,178	5,062	8,107	24,543
Balance at December 31, 2016	6,982	78,724	38,569	51,195	175,470
Cost	9,999	127,539	38,569	80,662	256,769
Accumulated depreciation, amortization and depletion	(3,017)	(48,815)	-	(29,467)	(81,299)
Balance at December 31, 2016	6,982	78,724	38,569	51,195	175,470
Additions	1	996	8,262	23	9,282
Additions to / review of estimates of decommissioning costs	-	-	-	30	30
Capitalized borrowing costs	-	-	1,464	-	1,464
Write-offs	(1)	(9)	(426)	(18)	(454)
Transfers	311	3,874	(6,896)	3,115	404
Depreciation, amortization and depletion	(346)	(5,393)	-	(4,172)	(9,911)
Impairment recognition	(2)	(45)	(64)	-	(111)
Cumulative translation adjustment	196	1,608	787	1,406	3,997
Balance at September 30, 2017	7,141	79,755	41,696	51,579	180,171
Cost	10,452	134,334	41,696	85,986	272,468
	(3,311)	(54,579)	-	(34,407)	(92,297)

Accumulated depreciation,
amortization and depletion

Balance at September 30, 2017	7,141	79,755	41,696	51,579	180,171
	40	20			

(25 to 50) (3 to 31)

Weighted average useful life in
years

(except land) (**)

Units of production method

(*) See note 28 for assets under construction by business area.

(**) Includes exploration and production assets depreciated based on the units of production method.

(***) In 2016 includes transfers to assets held for sale.

In addition to the capital commitments previously reported and in line with the investments foreseen in the Strategic Plan and the 2017-2021 Business and Management Plan, in the nine-month period ended September 30, 2017, the Company entered into agreements for the acquisition and construction of property, plant and equipment, especially the contract for the conclusion of the hull conversion of FPSO P-76, in the amount of US\$ 497, and the contract for the supply of flexible pipelines for the production, gas lifting and water injection in many pre-salt projects, in the total amount of US\$ 595, expiring in March 2018 and May 2022, respectively.

As of September 30, 2017, property, plant and equipment include assets under finance leases of US\$ 124 (US\$ 125 as of December 31, 2016).

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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 September 30, 2017, the Company’s property, plant and equipment include the amount of US\$ 23,614 related to the Assignment Agreement (US\$ 22,954 as of December 31, 2016).

The agreement establishes that its review procedures will commence immediately after the declaration of commerciality for each area and must be based on reports by independent experts engaged by Petrobras and the ANP. The review of the Assignment Agreement, which will determine if the value of acquired rights is greater or lower than the amount initially paid by the Company, will be concluded after the assessment of all the areas.

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

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

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

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

The Company considers this surplus provides an opportunity to enter into an agreement concerning the compensation to the Company arising from this review. Therefore, aiming to support an eventual negotiation where this compensation would be paid through the right over exceeding volume, the Company is complementing its assessment based on reports issued by its independent experts engaged.

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

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

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12. Intangible assets

12.1. By class of assets

			Software Developed		
	Rights and Concessions	Acquired in-house	Goodwill	Total	
Balance at January 1, 2016	2,438	80	290	284	3,092
Addition	11	15	59	-	85
Capitalized borrowing costs	-	-	5	-	5
Write-offs	(160)	-	(1)	-	(161)
Transfers	(15)	(4)	(1)	(99)	(119)
Amortization	(22)	(35)	(98)	-	(155)
Impairment recognition	(3)	-	-	-	(3)
Cumulative translation adjustment	429	12	52	35	528
Balance at December 31, 2016	2,678	68	306	220	3,272
Cost	2,875	487	1,209	220	4,791
Accumulated amortization	(197)	(419)	(903)	-	(1,519)
Balance at December 31, 2016	2,678	68	306	220	3,272
Addition	16	9	40	-	65
Capitalized borrowing costs	-	-	3	-	3
Write-offs	(77)	-	(2)	-	(79)
Transfers	(3)	1	1	-	(1)
Amortization	(15)	(21)	(77)	-	(113)
Impairment recognition	(5)	-	-	-	(5)
Cumulative translation adjustment	72	2	9	6	89
Balance at September 30, 2017	2,667	59	280	226	3,232
Cost	2,873	507	1,276	226	4,882
Accumulated amortization	(206)	(448)	(996)	-	(1,650)
Balance at September 30, 2017	2,667	59	280	226	3,232
Estimated useful life in years	(*)	5	5	Indefinite	

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

On September 27, 2017, the Company acquired seven blocks in the fourteenth round of bids under the shared production regime, held by the ANP, six of which are offshore and one is onshore. The Company will be the operator

in all blocks. In the offshore blocks, Petrobras will hold a 50% interest in partnership with ExxonMobil. In the onshore blocks, the Company will hold the entire interest.

In the fourth quarter of 2017, the Company will pay the total amount of US\$ 567 with respect to the signature bonus for obtaining concessions for exploration of these blocks.

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13. Impairment

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

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

Jan-Sep 2017

In the nine-month period ended September 30, 2017, the Company recognized impairment losses (net of reversals) amounting to US\$ 110, mainly reflecting:

a) Araucaria Nitrogenados - write down to the recoverable amount of assets relating to the wholly-owned subsidiary Araucaria Nitrogenados S.A. Indications of impairment were identified during this period, such as lower sales volume and prices, as well as higher production costs. Therefore, the Company assessed the related assets for impairment and, as a result, an impairment charge of US\$ 70 was recognized primarily in the second quarter of 2017. The determination of value in use was based on cash flow projections reflecting financial budget and forecasts approved by the management and a post-tax real discount rate of 6.6% p.a. (7.8% p.a. in 2016) derived for the weighted average cost of capital (WACC) for the fertilizer business;

b) COMPERJ - impairment losses of US\$ 40 were recognized during the nine-month period ended September 30, 2017 for work in progress relating to the infrastructure shared by COMPERJ's first refining unit and the natural gas processing plant (UPGN) necessary for the transport and processing of natural gas from the pre-salt layer of the Santos Basin.

Jan-Sep 2016

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

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

Impairment losses, net of reversals, totaled US\$ 5,122 in the nine-month period ended September 30, 2016 as shown below:

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Assets or CGU by nature	Carrying amount	Recoverable amount	Impairment (*)	Business segment	Main causes for impairment Jan-Sep/2016
Producing properties relating to oil and gas activities in Brazil (several CGUs)	11,272	9,367	1,829	E&P - Brazil	Higher exchange and discount rates
Oil and gas production and drilling equipment in Brazil	917	64	853	E&P - Brazil	Uncertainties over hulls construction
Second refining unit in RNEST	2,488	1,708	780	RTM - Brazil	Postponement and higher discount rate
Suape Petrochemical Complex	1,099	480	619	RTM - Brazil	Higher exchange rate and lower market projections
Comperj	365	–	365	RTM - Brazil	Postponement and uncertainties of the project
Fertilizer Plant - UFN III	523	370	153	G&P - Brazil	Higher exchange and discount rates
Thermoelectric power generation plants Araucária	2,695	2,551	145	G&P - Brazil	Higher discount rate, lower market projections and higher costs
(fertilizers plant) Transpetro's	197	57	140	G&P - Brazil	Higher exchange and discount rates and higher costs
fleet of vessels	1,751	1,645	106	RTM - Brazil	rate
Quixada Power plant	28	–	28	Biofuel, Brazil	
Others	308	253	10	Several	
			5,028		
Assets classified as held for sale					
Petrobras Chile Distribución	562	464	98	Distribution-Abroad	Exit price below carrying amount
Others			(4)	Several Segments	
			94		
Total			5,122		

(*) Impairment losses and reversals.

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

14. Exploration and evaluation of oil and gas reserves

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

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

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	09.30.2017	12.31.2016
Capitalized Exploratory Well Costs / Capitalized Acquisition Costs (*)		
Property plant and equipment		
Opening Balance	5,133	5,201
Additions to capitalized costs pending determination of proved reserves	607	1,009
Capitalized exploratory costs charged to expense	(56)	(1,054)
Transfers upon recognition of proved reserves	(134)	(966)
Cumulative translation adjustment	139	943
Closing Balance	5,689	5,133
Intangible Assets	2,220	2,236
Capitalized Exploratory Well Costs / Capitalized Acquisition Costs	7,909	7,369

(*) 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-Set/2017	Jan-Set/2016
Exploration costs recognized in the statement of income		
Geological and geophysical expenses	258	299
Exploration expenditures written off (includes dry wells and signature bonuses)	225	966
Other exploration expenses	11	68
Total expenses	494	1,333
Cash used in :		
Operating activities	266	324
Investment activities	698	845
Total cash used	964	1,169

15. Trade payables

	09.30.2017	12.31.2016
Third parties in Brazil	3,820	3,280
Third parties abroad	1,473	2,019

Related parties	688	463
Balance in current liabilities	5,981	5,762

16. Finance debt

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

The Company has covenants that were not in default at September, 30 2017 in its loan agreements and notes issued in the capital markets requiring, among other obligations, the presentation of interim financial statements within 90 days of the end of each quarter (not reviewed by Independent Registered Public Accounting Firm) and audited financial statements within 120 days of the end of each fiscal year. Non-compliance with these obligations do not represent immediate events of default and the grace period in which the Company has to deliver these financial statements ranges from 30 to 60 days, depending on the agreement. The Company also has covenants with respect to debt level in some of its loan agreements with the Brazilian Development Bank (Banco Nacional de Desenvolvimento Econômico e Social - BNDES).

In the nine-month period ended September 30, 2017, proceeds from financing amounted to US\$ 22,644, principally reflecting: (i) global notes issued in the capital market in the amount of US\$ 10,256 and maturing in 2022, 2025, 2027, 2028 and 2044; (ii) debentures issued in the domestic market amounting to US\$ 1,577 and maturing in 2022 and 2024; and (iii) funds raised from the domestic and international banking market in the amount of US\$ 8,682 with average term of five years.

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In addition, the Company used US\$ 34,033 for repayment of principal and interest, mainly attributable to: (i) US\$ 7,569 relating to repurchase of global bonds previously issued by the Company in the capital market maturing from 2018 to 2021 (ii) pre-payment of banking loans in the domestic and international market totaling US\$ 12,488; and (iii) pre-payment of US\$ 1,567 with respect to financings with BNDES.

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

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

	Export				Total
	Credit Agencies	Banking Market	Capital Market	Others	
Non-current					
In Brazil					
Opening balance at January 1, 2016	–	24,697	1,725	17	26,439
Additions (new funding obtained)	–	448	–	–	448
Transaction costs during the period (*)	–	302	–	–	302
Foreign exchange/inflation indexation charges	–	(1,408)	54	1	(1,353)
Pre-payments	–	(5,654)	–	–	(5,654)
Transfer to current liability	–	(1,600)	(135)	(2)	(1,737)
Transfer to liabilities associated with assets classified as held for sale	–	(7)	–	–	(7)
Cumulative translation adjustment (CTA)	–	4,389	337	3	4,729
Balance as of December 31, 2016	–	21,167	1,981	19	23,167
Abroad					
Opening balance at January 1, 2016	4,645	30,967	48,819	612	85,043
Additions (new funding obtained)	–	7,392	9,758	–	17,150
Transaction costs during the period (*)	4	17	52	9	82
Foreign exchange/inflation indexation charges	(165)	(1,133)	(609)	(21)	(1,928)
Pre-payments	–	(774)	(5,606)	–	(6,380)
Transfer to current liability	(980)	(3,552)	(4,539)	(115)	(9,186)
Transfer to liabilities associated with assets classified as held for sale	–	–	(302)	–	(302)
Cumulative translation adjustment (CTA)	163	768	(227)	21	725
Balance as of December 31, 2016	3,667	33,685	47,346	506	85,204
Total Balance as of December 31, 2016	3,667	54,852	49,327	525	108,371
Non-current					
In Brazil					
Opening balance at January 1, 2017	–	21,167	1,981	19	23,167
Additions (new funding obtained)	–	5,164	1,577	–	6,741
Transaction costs during the period (*)	–	225	–	–	225
Foreign exchange/inflation indexation charges	–	12	23	–	35
Pre-payments	–	(6,660)	–	–	(6,660)
Transfer to current liability	–	(1,745)	(94)	(2)	(1,841)
Cumulative translation adjustment (CTA)	–	585	55	1	641
Balance as of September 30, 2017	–	18,748	3,542	18	22,308
Abroad					

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Opening balance at January 1, 2017	3,667	33,685	47,346	506	85,204
Additions (new funding obtained)	226	3,827	10,286	–	14,339
Transaction costs during the period (*)	2	26	(13)	7	22
Foreign exchange/inflation indexation charges	(5)	(197)	770	(1)	567
Pre-payments	–	(5,201)	(5,874)	–	(11,075)
Transfer to current liability	(754)	(3,231)	(1,760)	(39)	(5,784)
Cumulative translation adjustment (CTA)	17	187	47	1	252
Balance as of September 30, 2017	3,153	29,096	50,802	474	83,525
Total Balance as of September 30, 2017	3,153	47,844	54,344	492	105,833

Current		09.30.2017	12.31.2016
Short-term debt		164	358
Current portion of long-term debt		5,723	7,779
Accrued interest		1,482	1,618
Total		7,369	9,755

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

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

Maturity in	2017	2018	2019	2020	2021	2022 and onwards	Total (*)	Fair value
Financing in Brazilian Reais (R\$):	858	1,792	3,516	4,904	3,489	9,714	24,273	21,299
Floating rate debt	561	1,220	3,055	4,463	3,052	8,065	20,416	
Fixed rate debt	297	572	461	441	437	1,649	3,857	
Average interest rate	7.1%	6.8%	6.9%	6.8%	6.9%	5.8%	6.7%	
Financing in U.S.Dollars (US\$):	1,812	4,684	7,885	6,169	8,544	51,591	80,685	89,060
Floating rate debt	1,470	4,019	6,519	4,857	2,977	17,113	36,955	
Fixed rate debt	342	665	1,366	1,312	5,567	34,478	43,730	
Average interest rate	3.8%	5.3%	5.5%	5.7%	5.7%	6.4%	5.9%	
Financing in R\$ indexed to US\$:	40	85	81	81	81	78	446	461
Floating rate debt	5	19	19	19	19	16	97	
Fixed rate debt	35	66	62	62	62	62	349	
Average interest rate	3.5%	3.8%	3.7%	3.6%	3.3%	2.6%	3.5%	
Financing in Pound Sterling (£):	47	38	–	–	–	2,300	2,385	2,493
Fixed rate debt	47	38	–	–	–	2,300	2,385	
Average interest rate	6.0%	6.2%	–	–	–	6.3%	6.2%	
Financing in Japanese Yen (¥):	47	91	–	–	–	–	138	147
Floating rate debt	47	91	–	–	–	–	138	
Average interest rate	0.5%	0.4%	–	–	–	–	0.5%	
Financing in Euro (€):	7	127	801	231	882	3,220	5,268	5,768
Floating rate debt	–	–	–	179	–	–	179	
Fixed rate debt	7	127	801	52	882	3,220	5,089	
Average interest rate	3.8%	4.3%	4.3%	4.5%	4.6%	4.7%	4.4%	
Financing in other currencies:	7	–	–	–	–	–	7	7
Fixed rate debt	7	–	–	–	–	–	7	
Average interest rate	14.0%	–	–	–	–	–	14.0%	
Total as of September 30, 2017	2,818	6,817	12,283	11,385	12,996	66,903	113,202	119,235
Average interest rate	4.5%	5.6%	5.8%	5.9%	5.8%	6.3%	5.9%	
Total as of December 31, 2016	9,755	11,216	20,898	16,313	18,777	41,167	118,126	118,768
Average interest rate	6.1%	6.0%	5.9%	5.9%	5.4%	6.4%	6.2%	

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

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

Level 1- quoted prices in active markets for identical liabilities, when applicable, amounting to US\$ 53,885 as of September 30, 2017 (US\$ 46,510 as of December 31, 2016); and

Level 2 – discounted cash flows based on discount rate determined by interpolating spot rates considering financing debts indexes proxies, taking into account their currencies and also the Petrobras' credit risk, amounting to US\$ 65,350 as of September 30, 2017 (US\$ 72,258 as of December 31, 2016).

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

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

The capitalization rate used to determine the amount of borrowing costs eligible for capitalization was the weighted average of the borrowing costs applicable to the borrowings that were outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. In the nine-month period ended September 30, 2017, the capitalization rate was 6.15% p.a. (5.67% p.a. in the nine-month period ended September 30, 2016).

16.3. Lines of credit

Financial institution		Date	Maturity	Available (Lines of Credit)	Amount Used Balance	
Abroad						
Petrobras	JBIC	07/16/2013	12/31/2018	1,500	–	1,500
PGT BV	CHINA EXIM	10/24/2016	Not defined	1,000	–	1,000
PGT BV	SACE	12/22/2016	12/22/2017	300	250	50
PGT BV				2,800	250	2,550
In Brazil						
PNBV	BNDES	3/9/2013	03/26/2018	3,118	842	2,276
Transpetro	BNDES	7/11/2008	12/8/2041	557	164	393
Transpetro	Banco do Brasil	9/7/2010	10/4/2038	50	24	26
Transpetro	Caixa Econômica Federal	11/23/2010	Not defined	104	–	104
Total				3,829	1,030	2,799

16.4. Collateral

Most of the Company's debt is unsecured, but certain specific funding instruments to promote economic development are collateralized. In addition, financing agreements with China Development Bank (CDB) maturing in 2019 and 2026 are also collateralized based on future oil exports for specific buyers limited to 300 thousand barrels per day up to 2019 and 200 thousand barrels per day from 2020 to 2026. This collateral may not exceed the amount of the related debt.

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 34.

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17. Leases

17.1. Future minimum lease payments / receipts – finance leases

	Future		Receipts		Payments	
			Present	Future		Present
Estimated lease payments / receivable	value	Annual interest	value	value	Annual interest	value
2017	24	(15)	9	11	(5)	6
2018-2021	487	(251)	236	188	(93)	95
2022 and thereafter	727	(177)	550	428	(280)	148
As of September 30, 2017 (*)	1,238	(443)	795	627	(378)	249
Current			47			26
Non-current			748			223
As of September 30, 2017 (*)			795			249
Current			91			18
Non-current			1,383			226
As of December 31, 2016			1,474			244

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

17.2. Future minimum lease payments – operating leases

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

2017	2,832
2018	8,302
2019	6,140
2020	5,984
2021	6,393
2022 and thereafter	65,060
As of September 30, 2017	94,711
As of December 31, 2016	96,918

As of September 30, 2017, the balance of estimated future minimum lease payments under operating leases includes US\$ 55,548 (US\$ 49,671 as of December 31, 2016) with respect to assets under construction, for which the lease term has not commenced.

In the nine-month period ended September 30, 2017, the Company recognized expenditures of US\$ 7,495 (US\$ 7,222 in the nine-month period ended September 30, 2016) for operating leases installments.

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18. Related-party transactions

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

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

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

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

18.1. 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:

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	Jan-Sep/2017		09.30.2017		Jan-Sep/2016		12.31.2016	
	Income		Income		Income		Income	
	(expense)	Assets	Liabilities	(expense)	Assets	Liabilities	(expense)	Liabilities
Joint ventures and associates								
State-controlled gas distributors	1,635	298	145	1,309	246	69		
Petrochemical companies	2,922	21	3	2,524	131	27		
Other associates and								
joint ventures	(319)	228	631	336	178	382		
Subtotal	4,238	547	779	4,169	555	478		
Government entities								
Government bonds	109	2,241	-	102	1,113	-		
Banks controlled by the Brazilian Government	(1,094)	4,920	14,490	(2,362)	4,114	19,860		
Receivables from the Electricity sector (note 7.4)	524	5,314	4	725	4,922	2		
Petroleum and alcohol account - receivables from the Brazilian Government	1	262	-	4	268	-		
Others	238	84	171	198	408	333		
Subtotal	(222)	12,821	14,665	(1,333)	10,825	20,195		
Pension plans	-	53	51	-	48	99		
Total	4,016	13,421	15,495	2,836	11,428	20,772		
Revenues, mainly sales revenues	5,677	-	-	4,808	-	-		
Purchases and services	(947)			-				
Foreign exchange and inflation indexation charges, net	281	-	-	(271)	-	-		
Finance income (expenses), net	(995)	-	-	(1,701)	-	-		
Current assets	-	3,361	-	-	3,062	-		
Non-current assets	-	10,060	-	-	8,366	-		
Current liabilities	-	-	1,766	-	-	4,037		
Non-current liabilities	-	-	13,729	-	-	16,735		
Total	4,016	13,421	15,495	2,836	11,428	20,772		

In addition to the aforementioned transactions, Petrobras and the Brazilian Federal Government entered into the Assignment Agreement in 2010, which grants the Company the right to carry out prospecting and drilling activities for hydrocarbons located in the pre-salt area limited to the production of five billion barrels of oil equivalent.

For detailed information on Assignment Agreement, see note 11.2.

18.2. Compensation of employees and key management personnel

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

	Jan-Sep/2017 Board		Jan-Sep/2016 Board (members and Officers (members) Total Officers alternates) Total			
Wages and short-term benefits	2.9	0.3	3.2	2.4	0.3	2.7
Social security and other employee-related taxes	0.8	–	0.8	0.7	–	0.7
Post-employment benefits (pension plan)	0.3	–	0.3	0.3	-	0.3
Benefits due to termination of tenure	–	–	–	0.1	–	0.1
Total compensation recognized in the statement of income	4.0	0.3	4.3	3.5	0.3	3.8
Average number of members in the period (*)	8.00	9.00	17.00	7.56	11.67	19.23
Average number of paid members in the period (**)	8.00	6.00	14.00	7.56	9.78	17.34

(*) Monthly average number of members.

(**) Monthly average number of paid members.

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In the nine-month period ended September 30, 2017, the Company recognized the amount of US\$ 18 as compensation of the Board Members and executive officers of the Petrobras group (US\$ 15.6 in the nine-month period ended September 30, 2016).

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

In accordance with Brazilian regulation applicable to companies controlled by the Brazilian Government, Board members who are also members of the Audit Committee are only compensated in respect of the Audit Committee. The total compensation concerning these members totaled US\$ 63 thousand in the nine-month period ended September 30, 2017 (US\$ 76 thousand with social security and related charges).

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

19. Provision for decommissioning costs

Non-current liabilities 09.30.2017 12.31.2016

Opening balance