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

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

Securities Exchange Act of 1934

For the month of November, 2017

Commission File Number 1-15106

PETRÓLEO BRASILEIRO S.A. - PETROBRAS

(Exact name of registrant as specified in its charter)

Brazilian Petroleum Corporation - PETROBRAS

(Translation of Registrant's name into English)

Avenida República do Chile, 65

20031-912 - Rio de Janeiro, RJ

Federative Republic of Brazil

(Address of principal executive office)

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

Form 20-F ___X___ Form 40-F _______

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

Yes _______ No___X____

INTERIM FINANCIAL

STATEMENTS

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September 30, 2017and 2016 with

report of independent registered public

accounting firm

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

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
Other tax assets	20.1	3,285	3,141	Provisions for legal proceedings	29.1	3,826	3,391
Advances to suppliers		1,114	1,148	Provision for decommissioning costs	19	10,653	10,252
Others		3,325	3,184	Others		696	550
		20,912	20,420			147,761	144,530
				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

The notes form an integral part of these financial statements.

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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)

The notes form an integral part of these financial statements.

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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.

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:		

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.

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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 retenti
	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	-	-	-	-	-	-	-	-	-	-	-
	107,380	(279)	327	(59,971)	(11,588)	(7,362)	(944)	7,919	2,182	720	47,156
Balance at September 30, 2016		107,101	327				(79,865)				57,977
	107,380	(279)	628	(60,248)	(11,297)	(11,600)	(948)	7,919	2,182	720	42,322
Balance at January 1, 2017		107,101	628				(84,093)				53,143
Realization of deemed cost	-	-	-	-	-	-	(3)	-	-	-	-
Capital transactions	-	-	1	-	-	-	-	-	-	-	-
Net income	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive	-	-	-	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.

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.

Petróleo Brasileiro S.A. – Petrobras

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.

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

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

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	Sales	Amounts received	Transfers (*)	Write-offs	Recognition allowance for impairment, net of reversals	Inflation indexation	CTA	As of 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	816	(575)	(237)	(6)	–	8	17	538
	(368)	–	–	–	–	40	–	(10)	(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

(*) Liquified 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.

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

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

Disposal of Suape and Citepe petrochemical plants

On December 28, 2016, the Company's Board of Directors approved the disposal of the interests in the wholly-owned subsidiaries Companhia Petroquímica de Pernambuco (PetroquímicaSuape) and Companhia Integrada Têxtil de Pernambuco (Citepe), both from the RT&M business segment, to Grupo Petrotemex S.A. de C.V. and Dak Americas Exterior, S.L., both subsidiaries of Alpek, S.A.B. de C.V., which is a company from Grupo Alfa S.A.B. de C.V. (a Mexican public company), in the amount of US$ 385, 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
	E&P	Distribution	RT&M	Gas & 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

				per share)			
	09.30.2017	12.31.2016	Type	09.30.2017	12.31.2016	09.30.2017	12.31.2016
Associate							
Braskem S.A.	212,427	212,427	Common	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 and improvement	Equipment and other assets	Assets under construction (*)	Exploration and development costs (oil and gas producing properties)	Total
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
Weighted average useful life in years	40 (25 to 50) (except land)	20 (3 to 31) (**)		Units of production method	

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

In addition to the capital commitments previously reported and in line with the investments foreseen in the Strategic Plan and the 2017-2021 Business and Management Plan, in the nine-month period ended September 30, 2017, the Company entered into agreements for the acquisition and construction of property, plant and equipment, especially the contract for the conclusion of the hull conversion of FPSO P-76, in the amount of 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

	Rights and Concessions	Acquired	Software Developed 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	2,695	2,551	145	G&P - Brazil	Higher discount rate, lower market projections and higher costs
Araucária (fertilizers plant)	197	57	140	G&P - Brazil	Higher exchange and discount rates and higher costs
Transpetro’s fleet of vessels	1,751	1,645	106	RTM - Brazil	Postponements and suspension of projects and higher discount 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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Capitalized Exploratory Well Costs / Capitalized Acquisition Costs (*)	09.30.2017	12.31.2016
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:

Exploration costs recognized in the statement of income	Jan-Set/2017	Jan-Set/2016
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 :	Jan-Set/2017	Jan-Set/2016
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.

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 Credit Agencies	Banking Market	Capital Market	Others	Total
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					

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

Company	Financial institution	Date	Maturity	Available (Lines of Credit)	Used	Amount 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

			Receipts			Payments
	Future		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 (expense)	Assets	Liabilities	Income (expense)	Assets	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			Jan-Sep/2016		
	Officers	Board (members)	Total	Officers	Board (members and 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	10,252	9,150
Adjustment to provision	30	(564)
Transfers related to liabilities held for sale	(5)	(35)
Payments made	(482)	(730)
Interest accrued	570	660
Others	(8)	(41)
Cumulative translation adjustment	296	1,812
Closing balance	10,653	10,252

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.

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20. Taxes

20.1. Income taxes and other taxes

Income taxes	Current assets		Current liabilities		Non-current liabilities
	09.30.2017	12.31.2016	09.30.2017	12.31.2016	09.30.2017
Taxes in Brazil					
Income taxes	450	595	106	112	-
Income taxes - Tax settlement programs (*)	–	–	247	–	931
	450	595	353	112	931
Taxes abroad	33	7	10	15	-
Total	483	602	363	127	931

(*) See note 20.2 for detailed information.

Other taxes	Current assets		Non-current assets		Current liabilities		Non-current liabilities (*)	
	09.30.2017	12.31.2016	09.30.2017	12.31.2016	09.30.2017	12.31.2016	09.30.2017	12.31.2016
Taxes in Brazil								
Current / Deferred ICMS (VAT)	1,038	969	796	676	975	1,078	–	–
Current / Deferred PIS and COFINS	756	710	2,375	2,262	1,032	463	–	–
CIDE	19	22	–	–	113	118	–	–
Production taxes	–	–	–	–	1,216	1,232	–	–
Withholding income taxes	–	–	–	–	101	486	–	–
Tax Settlement Program (**)	–	–	–	–	301	28	–	–
Others	180	165	97	191	139	190	27	20
Total in Brazil	1,993	1,866	3,268	3,129	3,877	3,595	27	20
Taxes abroad	17	34	17	12	29	33	–	–
Total	2,010	1,900	3,285	3,141	3,906	3,628	27	20

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

(**) It includes the amount of US$ 3 relating to tax amnesty and refinancing program (REFIS) from previous periods.

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20.2. Brazilian federal settlement programs

In 2017, the Company joined the Tax Settlement Program (Programa de Regularização Tributária - PRT), Non-Tax Debts Settlement Program (Programa de Regularização de Débitos não Tributários - PRD) and the Special Tax Settlement Program (Programa Especial de Regularização Tributária - PERT). These programs were created under Provisional Measures 766, 780 and 783 in 2017, respectively, and enabled the settlement of certain legal proceedings involving Brazilian Federal Tax Authorities, Brazilian Federal Agencies and similar bodies, along with certain benefits, such as the use of tax loss carry forwards and reduction on interests, penalties and related charges. These disputes amounted to US$ 3,045 that, following the relief provided for by these programs, was reduced to US$ 2,171.

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

		Settlement					
	Tax liabilities	In cash	Tax losses used	Total	Inflation indexation	CTA	09.30.2017
PRT							
Income taxes	321	(64)	(103)	(167)	–	6	160
Other taxes	181	(36)	(145)	(181)	–	–	–
Total	502	(100)	(248)	(348)	–	6	160
PERT							
Income taxes	1,367	(419)	–	(419)	12	58	1,018
Others taxes	75	(3)	–	(3)	–	1	73
	1,442	(422)	–	(422)	12	59	1,091
PRD							
Production taxes	227	–	–	–	–	–	227
Total	2,171	(522)	(248)	(770)	12	65	1,478
Current							546
Non-current							931

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

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

The Company joined the program to settle, principally, proceedings at administrative level totaling US$ 502, for which outflow of resources were probable, related to disallowed tax credits applied for income taxes and other Brazilian Federal taxes computation.

After assessing the reliefs provided by the PRT, the Company decided to settle the total debt of these tax disputes (US$ 502) with the benefit of using tax loss carry forwards to pay US$ 402, of which US$ 248 was already used at September 30, 2017 and US$ 154 (US$ 160 after foreign translation effects) will be used in up to 12 months. The amount of US$ 100 was settled in a lump sum payment.

After joining the PRT in May 2017, the Company recognized a reversal of provisions for legal proceedings previously recognized for this matter in the amount of US$ 485. The impacts of this program were accounted for in the second quarter of 2017 within the Company's statement of income amounting to US$ 82 after tax effects, as shown in note 20.2.4.

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

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

The Company elected to join the PERT to settle the legal proceeding, in the amount of US$ 1,977, with respect to a notice of deficiency issued due to the use of expenses arising from the Terms of Financial Commitment (TFC), signed by Petrobras and Petros Plan in 2008, as deductible in determining taxable profit. The TFC represents a commitment to cover obligations due to participants' accepted changes in the plan benefits and disputes resolved at that period.

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

The Company was not able to use tax loss carry forwards to settle this amount as this tax dispute was in the scope of the National Treasury Attorney's Office. Accordingly, an assessment of the other reliefs was performed and, as a result, the Company decided to settle this tax dispute, totaling US$ 1,977, by paying US$ 1,317, which takes into account the benefits reliefs on interests, penalties and related charges. Of this amount, US$ 413 was settled in cash in August 2017, and the remaining amount will be settled through 145 monthly installments bearing interest at Selic interest rate (Brazilian short-term interest rate), of which the first one will mature in January 2018.

Pursuant to the Provisional Measure 807/2017 enacted on October 31, 2017, the period to join this program was extended from August 31 to November 14, 2017. Therefore, the Company decided in the third quarter of 2017 to settle other disputes relating to debts in the scope of the Brazilian Federal Revenue Service amounting to US$ 226, following unfavorable court rulings that changed the Company's estimates about probability of outflow of resources to probable. After the relief under the PERT, the total amount of these disputes was reduced to US$ 125, of which US$ 103 will be settled in January 2018 through a lump sum payment, and the remaining amount will be paid through 145 monthly installments. These disputes refer to:

- Tax dispute relating to the use of tax benefit under the Thermoelectric Priority Program (Programa Prioritário de Termeletricidade) established by the Decree 3.371/2000, that allegedly enabled total relief (zero rate) of tax on imported products (Imposto de Importação –II) and the tax on manufactured products (Imposto sobre Produtos Industrializados-IPI) over the import of certain equipment necessary for setting up electricity generation units. After the reliefs provided for by PERT, this tax dispute in the amount of US$ 104 was reduced to US$ 48;
- Tax dispute relating to the use of certain tax loss carry forwards as deduction from the computation of taxable income. After the reliefs provided for by this program, this tax dispute in the amount of US$ 38 will be settled by paying US$ 20;
- Other debts related to contributions to private social service and vocational training entities linked to trade unions, as well as PIS and COFINS (Social Integration Program and Social Security Financing). These amounts totaled US$ 25 that, after the relief provided for by this program was reduced to US$ 19; and
- The wholly-owned subsidiaries Transpetro and BR also decided to settle Brazilian federal taxes disputes amounting to US$ 59. After the relief on interest, penalties and related charges, this amount will be settled by paying US$ 38.

Accordingly, the Company recognized the amount of US$ 1,975 within the statement of income for the nine-month period ended September 30, 2017, made up of tax debts after reliefs and tax effects amounting to US$ 1,264, reversals of deferred income tax assets for unused tax losses from 2012 to 2017 amounting to US$ 711 and reversal of provisions previously recognized totaling US$ 8, as shown in note 20.2.4.

In addition, the Company decided to use additional benefits pursuant to the Law No. 13,496/2017 enacted in October 2017 in order to reduce the debit related to Petros Plan under the PERT settlement program by US$ 125 after tax effects. This effect will be included in the income statement for the fourth quarter of 2017.

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

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

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

After assessing the benefits from relief on interest, penalties and related charges provided for by this program, the Company decided to settle these disputes, totaling US$ 340 by paying US$ 227, of which US$ 136 will be settled in a lump sum payment in the fourth quarter of 2017 and the settlement of the remaining amount is expected to occur in January 2018.

Accordingly, the Company recognized US$ 163 within the statement of income for the nine-month period ended September 20, 2017, after tax effects, as shown in note 20.2.4.

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

	PRT (*)	PERT	PRD	Total
Cost of sales	-	-	(131)	(131)
Other taxes	(169)	(605)	(25)	(799)
Finance expenses	(249)	(310)	(71)	(630)
Income taxes - notice of deficiency	(98)	(565)	–	(663)
Total - after reliefs	(516)	(1,480)	(227)	(2,223)
Impacts of PIS/COFINS on settlement programs	–	(46)	(7)	(53)
Income taxes - deductible expenses	(51)	254	70	273
Other income and expenses - reversal of provision (*)	485	8	–	493
Total	(82)	(1,264)	(164)	(1,510)
Income taxes - reversal of unused tax losses from 2012 to 2017	–	(711)	–	(711)
Impacts within the statement of income	(82)	(1,975)	(164)	(2,221)

(*) A portion of this provision was recognized within the statement of income in the first quarter 2017 in the amount of US$ 199.

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

In 2017, the Company elected to settle in cash VAT (ICMS) tax disputes concerning the states of Amazonas, Ceará, Minas Gerais and Pernambuco by joining states amnesty settlement programs, being exempted of paying interests and penalties. Accordingly, the Company charged US$ 56 as other taxes.

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20.4. Brazilian Tax Law

State Law

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

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

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

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

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

Brazilian Federal Law

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

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

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

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

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

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

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20.5. Deferred income taxes - non-current

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, 2016	(10,323)	1,291	7,613	(350)	792	5,215	353	1,199	(6)	5,784
Recognized in the statement of income for the year	1,078	(533)	(374)	36	183	(230)	21	522	210	913
Recognized in shareholders' equity (****)	–	–	(4,629)	301	–	(3)	–	1,058	–	(3,273)
Cumulative translation adjustment	(1,960)	106	918	(68)	179	1,094	55	252	(12)	564
Others (**)	–	73	(16)	(9)	(26)	(36)	–	(22)	92	56
Balance at December 31, 2016	(11,205)	937	3,512	(90)	1,128	6,040	429	3,009	284	4,044
Recognized in the statement of income for the period (***)	419	(1,358)	(287)	(54)	138	90	(79)	(116)	(169)	(1,416)
Recognized in shareholders' equity (****)	–	–	(1,398)	–	–	–	–	–	–	(1,398)
Cumulative translation adjustment	(321)	14	111	(1)	32	151	14	87	4	91

Use of tax credits	–	–	–	–	–	(255)	–	–	–	(255)
Others	–	(171)	–	39	(21)	111	–	–	44	2
Balance at September 30, 2017	(11,107)	(578)	1,938	(106)	1,277	6,137	364	2,980	163	1,068
Deferred tax assets										4,307
Deferred tax liabilities										(263)
Balance at December 31, 2016										4,044
Deferred tax assets										3,190
Deferred tax liabilities										(2,122)
Balance at September 30, 2017										1,068

(*) Mainly includes impairment adjustments and capitalized borrowing costs.
(**) Includes US$ 77 transferred to liabilities associated with assets held for sale relating to Liquigás, PESA and NTS.
(***) Does not include US$ 52 relating to deferred income taxes of companies when classified as held for sale.
(****) The amounts presented as Loans, trade and other receivables/payables and financing, relate to the tax effect on exchange rate variation recognized within other comprehensive income (cash flow hedge accounting) as set out note 31.2.

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

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

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

	Jan-Sep/2017	Jan-Sep/2016
Net income before income taxes	4,623	(5,243)
Nominal income taxes computed based on Brazilian statutory corporate tax rates (34%)	(1,572)	1,784
Adjustments to arrive at the effective tax rate:	–	–
• Different jurisdictional tax rates for companies abroad	375	(250)
. Brazilian income taxes on income of companies incorporated outside Brazil (*)	(31)	(125)
• Tax incentives	134	37
• Tax loss carryforwards (unrecognized tax losses)	(55)	(447)
• Non-taxable income (non-deductible expenses), net (**)	(380)	(814)
• Tax settlement programs (***)	(1,373)	–
• Others	102	(121)
Income taxes expense	(2,800)	64
Deferred income taxes	(1,468)	1,338
Current income taxes	(1,332)	(1,274)
Total	(2,800)	64
Effective tax rate of income taxes	60.6%	1.2%

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

21. Employee benefits (Post-Employment)

21.1. Pension and medical benefits

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

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

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	Pension Plans		Medical Plan		
				Other	
	Petros	Petros 2	AMS	Plans	Total
Balance at January 1, 2016	5,937	71	6,753	89	12,850
(+) Remeasurement effects recognized in OCI	2,935	171	2,176	14	5,296
(+) Costs incurred in the year	1,028	33	1,221	22	2,304
(-) Contributions paid	(195)	–	(354)	(9)	(558)
(-) Payments related to the Term of Financial Commitment (TFC)	(202)	–	–	–	(202)
Others	–	–	–	(93)	(93)
Cumulative translation adjustment	1,249	18	1,418	15	2,700
Balance at December 31, 2016	10,752	293	11,214	38	22,297
Current	413	–	407	–	820
Non-current	10,339	293	10,807	38	21,477
Balance at December 31, 2016	10,752	293	11,214	38	22,297
(+)Costs incurred in the period	947	59	1,043	7	2,056
(-) Contributions paid	(159)	–	(348)	(2)	(509)
(-) Payments related to the Term of Financial Commitment (TFC)	(111)	–	–	–	(111)
Others	–	–	–	(2)	(2)
Cumulative translation adjustment	311	8	324	–	643
Balance at September 30, 2017	11,740	360	12,233	41	24,374
Current	478	–	419	–	897
Non-current	11,262	360	11,814	41	23,477
Balance at September 30, 2017	11,740	360	12,233	41	24,374

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

	Pension Plans		Medical Plan		
				Other	
	Petros	Petros 2	AMS	Plans	Total
Current service cost	67	35	122	3	227
Net interest cost over net liabilities / (assets)	880	24	921	4	1,829
Net costs for Jan-Sep/2017	947	59	1,043	7	2,056
Related to active employees:					
Included in the cost of sales	178	30	199	–	407
Included in operating expenses	78	19	101	6	204
Related to retired employees	691	10	743	1	1,445
Net costs for Jan-Sep/2017	947	59	1,043	7	2,056
Net costs for Jan-Sep/2016	756	25	899	19	1,699

As of September 30, 2017, the Company had pledged crude oil and oil products volumes, totaling US$ 3,817, as collateral for the Terms of Financial Commitment (TFC) signed by Petrobras and Petros in 2008 (US$ 1,979 as of December 31, 2016). The amount of collateral for the Terms of Financial Commitment (TFC) was revised and updated in the third quarter of 2017 so as to reflect the increase in the commitments assumed.

In the nine-month period ended September 30, 2017, the Company's contribution to the defined contribution portion of the Petros Plan 2 was US$ 206 (US$ 175 in the nine-month period ended September 30, 2016) recognized in the statement of income.

Deficit settlement plan - Petros

Petros' financial statements for 2016 were approved by the Executive Council of Petros on May 26, 2017 and presented an accumulated deficit of US$ 8.2 billion (US$ 5.8 billion accumulated until 2015) in the Petros Plan of the Petrobras Group, according to the general accepted accounting standards for the post-retirement sector, regulated in Brazil by the Post-Retirement Benefit Federal Council – CNPC.

On June 19, 2017, the Superintendency of Post-retirement Benefits (PREVIC) issued the Conduct Adjustment Declaration (TAC) for Petros, determining a deadline for the implementation of its plan for reduction of the accumulated deficit computed at the end of 2015.

On September 12, 2017, the Executive Council of Petros approved the deficit of the year 2015 to be settled and addressed it to the Company. It is expected this amount may reach US$ 8.7 billion due to interest and inflation forecasts to December 2017.

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The Company assessed the deficit settlement plan and submitted it for the approval of the Secretariat of Management and Governance for the State-owned Companies (Secretaria de Coordenação e Governança das Empresas Estatais – SEST), and Petros should implement this plan within 60 calendar days following its approval, including the beginning of the additional contributions from participants and sponsors.

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$ 4.3 billion of this deficit and the contributions will occur during 18 years through decreasing values, of which the estimated amount for the first year is US$ 0.5 billion.

21.2. Profit sharing

The Company's profit sharing benefits comply with Brazilian legal requirements and those of the Brazilian Department of Coordination and Governance of State Owned Enterprises (DEST), 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 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. 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's salary for each employee added by half of the lowest amount of profit sharing paid in the prior year, as established in the Company's collective bargaining agreement.

Profit sharing benefits for the nine-month period ended September 30, 2017

Based on the estimates in the nine-month period ended September 30, 2017, the Company recognized a provision of US$ 98 as other income and expenses.

21.3. Voluntary Separation Incentive Plan

From January 2014 to September 30, 2017, the Company implemented voluntary separation incentive plans (PIDV) as presented below:

	Enrollments	Separations	Cancellations	Outstanding
Petrobras (PIDV 2014 and 2016)	19,499	(16,422)	(2,794)	283
Petrobras Distribuidora (PIDV BR 2014, 2015 and 2016)	2,163	(1,676)	(466)	21
Total	21,662	(18,098)	(3,260)	304

As of September 30, 2017 changes in the provision are set out as follows:

	09.30.2017	12.31.2016
Opening Balance	811	199
Enrollments	–	1,239
Revision of provisions	(237)	(11)
Separations in the period	(553)	(656)
Cumulative translation adjustment	19	40
Closing Balance	40	811
Current	40	811
Non-current	–	–

22. Shareholders' equity

22.1. Share capital (net of share issuance costs)

As of September 30, 2017 and December 31, 2016, subscribed and fully paid share capital was US$ 107,380 and share issuance costs were US$ 279, 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.

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22.2. Other comprehensive income

In the nine-month period ended September 30, 2017, the Company principally recognized as other comprehensive income the following effects:

Cumulative translation adjustment gain of US$ 1,299, mainly due to exchange differences arising from the translation of these consolidated financial statements to the presentation currency. In addition, the sale of Petrobras Chile and Guarani (see note 9.1) triggered the recycling of cumulative translation adjustments previously recognized in shareholders' equity to the income statement within other income and expenses, totaling US$ 37.

Foreign exchange rate variation gains of US$ 2,712, after taxes and amounts reclassified to the statement of income, recognized in the Company's shareholders' equity, as a result of its cash flow hedge accounting policy. At September 30, 2017, the cumulative balance of foreign exchange variation losses, net of tax effects, is US$ 8,585 (see note 31.2).

22.3. Earnings per share

	Jan-Sep/2017			Jan-Sep/2016		
Per Share	Common	Preferred	Total	Common	Preferred	Total
Net income (loss) attributable to shareholders of Petrobras	911	685	1,596	(3,190)	(2,402)	(5,592)
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	0.12	0.12	0.12	(0.43)	(0.43)	(0.43)
Basic and diluted earnings (losses) per ADS equivalent - in U.S. dollars (*)	0.24	0.24	0.24	(0.86)	(0.86)	(0.86)

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

23. Sales revenues

	Jan-Sep/2017	Jan-Sep/2016
Gross sales	83,085	76,090
Sales taxes (*)	(17,825)	(16,088)
Sales revenues (**)	65,260	60,002
Diesel	18,589	19,548
Automotive gasoline	12,444	11,897

Liquefied petroleum gas	2,792	2,260
Jet fuel	2,249	1,875
Naphtha	2,024	1,753
Fuel oil (including bunker fuel)	978	825
Other oil products	2,758	2,503
Subtotal oil products	41,834	40,661
Natural gas	3,747	2,948
Ethanol, nitrogen products and renewables	2,784	2,787
Electricity	2,446	1,375
Services and others	652	614
Domestic market	51,463	48,385
Exports	9,971	5,605
Sales abroad(***)	3,826	6,012
Foreign market	13,797	11,617
Sales revenues (**)	65,260	60,002

(*) Includes, mainly, CIDE, PIS, COFINS and ICMS (VAT).
(**) Sales revenues by business segment are set out in note 28.
(***) Sales revenues from operations outside of Brazil, including trading and excluding exports. In 2016, it includes sales revenues from the former subsidiary PESA.

In the nine-month period ended September 30, 2017, sales from transactions with two customers reached approximately 10% or more of the Company’s sales revenue, totaling US$ 6,029 (US$ 5,793 in the nine-month period ended September 30, 2016) and US$ 5,735 (US$ 6,075 in the nine-month period ended September 30, 2016). These sales revenues mainly impacted the Refining, Transportation and Marketing (RT&M) business segment.

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24. Other income and expenses

	Jan-Sep/ 2017	Jan-Sep/ 2016
Pension and medical benefits - retirees	(1,445)	(1,051)
Unscheduled stoppages and pre-operating expenses	(1,195)	(1,530)
Allowance for impairment of other receivables	(496)	(44)
Gains / (losses) related to legal, administrative and arbitration proceedings	(860)	(1,521)
Institutional relations and cultural projects	(152)	(179)
Profit sharing	(98)	–
Operating expenses with thermoelectric power plants	(56)	(77)
Reclassification of cumulative translation adjustments - CTA	(37)	(1,428)
Health, safety and environment	(50)	(59)
Gains / (losses) on disposal/write-offs of assets (*)	1,635	(267)
Ship/Take or Pay agreements	426	194
Gain on remeasurement of investment retained with loss of control	217	–
Voluntary Separation Incentive Plan - PIDV	237	(1,107)
Expenses/Reimbursements from E&P partnership operations	271	465
Government grants	70	121
Amounts recovered from Lava Jato investigation	48	69
Provision for debt assumed from suppliers with subcontractors	–	(287)
Gains / (losses) on decommissioning of returned/abandoned areas	–	998
Others	111	167
Total	(1,374)	(5,536)

(*) Includes returned areas and cancelled projects, gains on the divestment of NTS in the second quarter of 2017 (see note 9), as well as losses on materials and supplies in the amount of US$ 307 mainly recognized in the third quarter of 2017 due to revised projects portfolio.

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25. Costs and Expenses by nature

	Jan-Sep/ 2017	Jan-Sep/ 2016
Raw material and products for resale	(14,273)	(14,002)
Materials, third-party services, freight, rent and other related costs	(13,565)	(11,393)
Depreciation, depletion and amortization	(10,090)	(10,555)
Employee compensation	(6,816)	(7,562)
Production taxes	(5,566)	(3,103)
Other taxes (*)	(1,367)	(454)
Unscheduled stoppages and pre-operating expenses	(1,195)	(1,530)
(Losses) /Gains on legal, administrative and arbitration proceedings	(860)	(1,521)
Allowance for impairment of trade receivables	(635)	(479)
Changes in inventories	(565)	(433)
Exploration expenditures written off (includes dry wells and signature bonuses)	(225)	(966)
Institutional relations and cultural projects	(152)	(179)
Impairment (losses) / reversals	(110)	(5,122)
Health, safety and environment	(50)	(59)
Reclassification of cumulative translation adjustment	(37)	(1,428)
Provision for debt acknowledgments of suppliers with subcontractors	–	(287)
Amounts recovered from Lava Jato investigation	48	69
Gain on remeasurement of investment retained with loss of control	217	–
Gains and losses on disposal/write-offs of assets (**)	1,635	(267)
Total	(53,606)	(59,271)
In the Statement of income		
Cost of sales	(44,343)	(40,940)
Selling expenses	(3,308)	(3,037)
General and administrative expenses	(2,198)	(2,425)
Exploration costs	(494)	(1,333)
Research and development expenses	(412)	(424)
Other taxes (*)	(1,367)	(454)
Impairment	(	