PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
August 06, 2018
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

Securities Exchange Act of 1934

For the month of August, 2018

Commission File Number 1-15106

PETRÓLEO BRASILEIRO S.A. - PETROBRAS

(Exact name of registrant as specified in its charter)

Brazilian Petroleum Corporation - PETROBRAS

(Translation of Registrant's name into English)

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

(Address of principal executive office)

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

Form 20-F ___X___ Form 40-F _______

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

Yes _______ No___X____

Quarterly Information- ITR

At June 30, 2018 and report on review of

Quarterly Information

(A free translation of the original in Portuguese)

Index

(Expressed in millions of reais, unless otherwise indicated)

Parent Company Interim Accounting Information / Statement of Financial Position - Assets
(R$ Thousand)

Account Code	Account Description	Current Quarter 06/30/2018	Previous Fiscal Year 12/31/2017
1	Total Assets	774,115,000	723,855,000
1.01	Current Assets	90,213,000	81,883,000
1.01.01	Cash and Cash Equivalents	7,125,000	1,305,000
1.01.02	Marketable Securities	3,990,000	3,531,000
1.01.03	Trade and Other Receivables	33,626,000	34,239,000
1.01.04	Inventories	30,809,000	23,165,000
1.01.06	Recoverable Taxes	6,788,000	6,183,000
1.01.06.01	Current Recoverable Taxes	6,788,000	6,183,000
1.01.06.01.01	Current Income Tax and Social Contribution	723,000	669,000
1.01.06.01.02	Other Recoverable Taxes	6,065,000	5,514,000
1.01.08	Other Current Assets	7,875,000	13,460,000
1.01.08.01	Non-Current Assets Held for Sale	325,000	9,520,000
1.01.08.03	Others	7,550,000	3,940,000
1.01.08.03.01	Advances to Suppliers	135,000	173,000
1.01.08.03.02	Others	7,415,000	3,767,000
1.02	Non-Current Assets	683,902,000	641,972,000
1.02.01	Long-Term Receivables	60,068,000	50,816,000
1.02.01.03	Marketable Securities Measured at Amortized Cost	193,000	204,000
1.02.01.04	Trade and Other Receivables	17,220,000	15,211,000
1.02.01.07	Deferred Taxes	12,351,000	8,999,000
1.02.01.07.01	Deferred Income Tax and Social Contribution	3,604,000	–
1.02.01.07.02	Deferred Taxes and Contributions	8,747,000	8,999,000
1.02.01.10	Other Non-Current Assets	30,304,000	26,402,000
1.02.01.10.03	Advances to Suppliers	431,000	502,000
1.02.01.10.04	Judicial Deposits	21,026,000	17,085,000
1.02.01.10.05	Other Long-Term Assets	8,847,000	8,815,000
1.02.02	Investments	175,644,000	149,356,000
1.02.03	Property, Plant and Equipment	442,017,000	435,536,000
1.02.04	Intangible Assets	6,173,000	6,264,000

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

(R$ Thousand)

Account Code	Account Description	Current Quarter 06/30/2018	Previous Fiscal Year 12/31/2017
2	Total Liabilities	774,115,000	723,855,000
2.01	Current Liabilities	161,063,000	132,319,000
2.01.01	Payroll, Profit Sharing and Related Charges	5,203,000	3,662,000
2.01.02	Trade Payables	27,072,000	22,179,000
2.01.03	Taxes Obligations	1,438,000	243,000
2.01.03.01	Federal Taxes Obligations	1,438,000	243,000
2.01.03.01.01	Income Tax and Social Contribution Payable	1,438,000	243,000
2.01.04	Current Debt and Finance Lease Obligations	94,317,000	75,985,000
2.01.04.01	Current Debt	92,981,000	74,724,000
2.01.04.03	Finance Lease Obligations	1,336,000	1,261,000
2.01.05	Other Liabilities	19,826,000	20,590,000
2.01.05.02	Others	19,826,000	20,590,000
2.01.05.02.04	Other Taxes and Contributions	15,172,000	14,485,000
2.01.05.02.05	Other Accounts Payable	4,654,000	6,105,000
2.01.06	Provisions	13,207,000	9,054,000
2.01.06.01	Provisions for Tax Social Security, Labor and Civil Lawsuits	10,543,000	6,397,000
2.01.06.01.04	Provisions for Civil Lawsuits	10,543,000	6,397,000
2.01.06.02	Other Provisions	2,664,000	2,657,000
2.01.06.02.04	Pension and Medical Benefits	2,664,000	2,657,000
2.01.07	Liabilities Associated with Non-Current Assets Held for Sale and Discontinued	–	606,000
2.01.07.01	Liabilities Associated with Non-Current Assets Held for Sale	–	606,000
2.02	Non-Current Liabilities	330,913,000	327,551,000
2.02.01	Non-Current Debt and Finance Lease Obligations	203,595,000	197,501,000
2.02.01.01	Non-Current Debt	200,135,000	193,393,000
2.02.01.03	Finance Lease Obligations	3,460,000	4,108,000
2.02.02	Other Liabilities	2,131,000	2,169,000
2.02.02.02	Others	2,131,000	2,169,000
2.02.02.02.03	Income Tax and Social Contribution	2,131,000	2,169,000
2.02.03	Deferred Taxes	–	2,762,000
2.02.03.01	Deferred Taxes	–	2,762,000
2.02.04	Provisions	125,187,000	125,119,000
2.02.04.01	Provisions for Tax Social Security, Labor and Civil Lawsuits	10,190,000	12,680,000
2.02.04.02	Other Provisions	114,997,000	112,439,000
2.02.04.02.04	Pension and Medical Benefits	66,293,000	64,519,000
2.02.04.02.05	Provision for Decommissioning Costs	45,898,000	45,677,000
2.02.04.02.06	Other Provisions	2,806,000	2,243,000
2.03	Shareholders' Equity	282,139,000	263,985,000
2.03.01	Share Capital	205,432,000	205,432,000

2.03.02	Capital Reserves	2,673,000	2,673,000
2.03.04	Profit Reserves	92,546,000	77,148,000
2.03.08	Other Comprehensive Income	(18,512,000)	(21,268,000)

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Parent Company Interim Accounting Information / Statement of Income

(R$ thousand)

Account Code	Account Description	Current Quarter 04/01/2018 to 06/30/2018	Accumulated of the Current Year 01/01/2018 to 06/30/2018	Same Quarter of the Previous Year 04/01/2017 to 06/30/2017	Accumulated of the Previous Year 01/01/2017 to 06/30/2017
3.01	Sales Revenues	65,284,000	121,151,000	55,463,000	109,559,000
3.02	Cost of Sales	(40,460,000)	(76,000,000)	(38,387,000)	(74,018,000)
3.03	Gross Profit	24,824,000	45,151,000	17,076,000	35,541,000
3.04	Operating Expenses / Income	(9,142,000)	(15,004,000)	(4,339,000)	(11,356,000)
3.04.01	Selling Expenses	(5,034,000)	(9,439,000)	(4,595,000)	(8,828,000)
3.04.02	General and Administrative Expenses	(1,552,000)	(3,027,000)	(1,555,000)	(3,133,000)
3.04.05	Other Operating Expenses	(6,826,000)	(9,092,000)	762,000	(3,101,000)
3.04.05.01	Other Taxes	(205,000)	(571,000)	(2,441,000)	(2,610,000)
3.04.05.02	Research and Development Expenses	(592,000)	(1,085,000)	(548,000)	(885,000)
3.04.05.03	Exploration Costs	(579,000)	(1,017,000)	(585,000)	(888,000)
3.04.05.05	Other Operating Expenses, Net	(5,450,000)	(6,419,000)	4,336,000	1,282,000
3.04.06	Share of Profit / Gains on Interest in Equity-Accounted Investments	4,270,000	6,554,000	1,049,000	3,706,000
3.05	Net Income Before Financial Results and Income Taxes	15,682,000	30,147,000	12,737,000	24,185,000
3.06	Finance Income (Expenses), Net	(2,109,000)	(6,628,000)	(5,698,000)	(11,186,000)
3.06.01	Finance Income	2,725,000	3,455,000	677,000	1,370,000
3.06.01.01	Finance Income	2,725,000	3,455,000	677,000	1,370,000
3.06.02	Finance Expenses	(4,834,000)	(10,083,000)	(6,375,000)	(12,556,000)
3.06.02.01	Finance Expenses	(3,357,000)	(6,676,000)	(5,316,000)	(9,420,000)
3.06.02.02	Foreign Exchange and Inflation Indexation Charges, Net	(1,477,000)	(3,407,000)	(1,059,000)	(3,136,000)
3.07	Net Income Before Income Taxes	13,573,000	23,519,000	7,039,000	12,999,000
3.08	Income Tax and Social Contribution	(3,501,000)	(6,486,000)	(6,723,000)	(8,234,000)
3.08.01	Current	(3,520,000)	(6,260,000)	(1,909,000)	(1,909,000)
3.08.02	Deferred	19,000	(226,000)	(4,814,000)	(6,325,000)
3.09	Net Income from Continuing Operations	10,072,000	17,033,000	316,000	4,765,000
3.11		10,072,000	17,033,000	316,000	4,765,000

	Income / (Loss) for the Period				
3.99	Income per Share (R$/Share)				
3.99.01	Income per Share				
3.99.01.01	Ordinary Shares	0.772000	1.310000	0.024000	0.370000
3.99.01.02	Preferred Shares	0.772000	1.310000	0.024000	0.370000
3.99.02	Diluted Income per Share				
3.99.02.01	Ordinary Shares	0.772000	1.310000	0.024000	0.370000
3.99.02.02	Preferred Shares	0.772000	1.310000	0.024000	0.370000

Parent Company Interim Accounting Information / Statement of Comprehensive Income

(R$ thousand)

Account Code	Account Description	Current Quarter 04/01/2018 to 06/30/2018	Accumulated of the Current Year 01/01/2018 to 06/30/2018	Same Quarter of the Previous Year 04/01/2017 to 06/30/2017	Accumulated of the Previous Year 01/01/2017 to 06/30/2017
4.01	Net Income for the Period	10,072,000	17,033,000	316,000	4,765,000
4.02	Other Comprehensive Income	756,000	2,829,000	487,000	3,629,000
4.02.03	Cumulative Translation Adjustments	19,938,000	20,790,000	4,046,000	1,575,000
4.02.04	Unrealized Gains/(Losses) on securities measured at fair value through other comprehensive income	(14,000)	(16,000)	–	–
4.02.07	Unrealized Gains / (Losses) on Cash Flow Hedge - Recognized in Shareholders' Equity	(30,239,000)	(31,355,000)	(7,691,000)	(2,428,000)
4.02.08	Unrealized Gains / (Losses) on Cash Flow Hedge - Reclassified to Profit and Loss	2,634,000	5,036,000	1,870,000	3,834,000
4.02.09	Deferred Income Tax and Social Contribution on Cash Flow Hedge	9,385,000	8,948,000	1,980,000	(478,000)
4.02.10	Share of Other Comprehensive Income of Equity-Accounted Investments	(948,000)	(574,000)	282,000	1,126,000
4.03	Total Comprehensive Income for the Period	10,828,000	19,862,000	803,000	8,394,000

Parent Company Interim Accounting Information / Statement of Changes in Shareholders’ Equity - 01/01/2018 to 06/30/2018

(R$ thousand)

Account Code	Account Description	Share Capital	Capital Reserves, Granted Options and Treasury Shares	Profit Reserves	Retained Earnings (Losses)	Accumulated Other Comprehensive Income	Shareholders' Equity
5.01	Balance at the Beginning of the Period	205,432,000	2,673,000	77,148,000	–	(21,268,000)	263,985,000
5.02	Prior Period Adjustments	–	–	–	(989,000)	(67,000)	(1,056,000)
5.03	Adjusted Opening Balance	205,432,000	2,673,000	77,148,000	(989,000)	(21,335,000)	262,929,000
5.04	Capital Transactions with Owners	–	–	–	(647,000)	(5,000)	(652,000)
5.04.07	Interest on Shareholders' Equity	–	–	–	(652,000)	–	(652,000)
5.04.09	Realization of the Deemed Cost	–	–	–	5,000	(5,000)	–
5.05	Total of Comprehensive Income	–	–	–	17,033,000	2,829,000	19,862,000
5.05.01	Net Income for the Period	–	–	–	17,033,000	–	17,033,000
5.05.02	Other Comprehensive Income	–	–	–	–	2,829,000	2,829,000
5.07	Balance at the End of the Period	205,432,000	2,673,000	77,148,000	15,397,000	(18,511,000)	282,139,000

Parent Company Interim Accounting Information / Statement of Changes in Shareholders’ Equity - 01/01/2017 to 06/30/2017

(R$ thousand)

Account Code	Account Description	Share Capital	Capital Reserves, Granted Options and Treasury Shares	Profit Reserves	Retained Earnings (Losses)	Accumulated Other Comprehensive Income	Shareholders' Equity
5.01	Balance at the Beginning of the Period	205,432,000	1,251,000	77,584,000	–	(34,037,000)	250,230,000
5.03	Adjusted Opening Balance	205,432,000	1,251,000	77,584,000	–	(34,037,000)	250,230,000
5.04	Capital Transactions with Owners	–	11,000	–	5,000	(5,000)	11,000
5.04.08	#N/A	–	11,000	–	–	–	11,000
5.04.09	Realization of the Deemed Cost	–	–	–	5,000	(5,000)	–
5.05	Total of Comprehensive Income	–	–	–	4,765,000	3,629,000	8,394,000
5.05.01	Net Income for the Period	–	–	–	4,765,000	–	4,765,000
5.05.02	Other Comprehensive Income	–	–	–	–	3,629,000	3,629,000
5.07	Balance at the End of the Period	205,432,000	1,262,000	77,584,000	4,770,000	(30,413,000)	258,635,000

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

(R$ thousand)

Account Code	Account Description	Accumulated of the Current Year 01/01/2018 to 06/30/2018	Accumulated of the Previous Year 01/01/2017 to 06/30/2017
6.01	Net cash provided by operating activities	23,468,000	13,427,000
6.01.01	Cash provided by operating activities	42,630,000	33,552,000
6.01.01.01	Net Income (loss) for the period	17,033,000	4,765,000
6.01.01.02	Pension and medical benefits (actuarial expense)	3,564,000	3,996,000
6.01.01.03	Results in equity-accounted investments	(6,554,000)	(3,706,000)
6.01.01.04	Depreciation, depletion and amortization	17,112,000	16,180,000
6.01.01.05	Impairment of assets (reversal)	72,000	91,000
6.01.01.06	Exploratory expenditures write-offs	232,000	324,000
6.01.01.07	Gains and losses on disposals/write-offs of assets	(2,573,000)	(5,633,000)
6.01.01.08	Foreign exchange, indexation and finance charges	10,920,000	10,453,000
6.01.01.09	Deferred income taxes, net	226,000	6,325,000
6.01.01.10	Allowance for expected credit losses	1,444,000	276,000
6.01.01.13	Revision and unwinding of discount on the provision for decommissioning costs	1,154,000	1,179,000
6.01.01.15	Gain on remeasurement of investment retained with loss of control	–	(698,000)
6.01.02	Decrease / (increase) in assets / increase/ (decrease) in liabilities	(19,162,000)	(20,125,000)
6.01.02.01	Trade and other receivables, net	(12,998,000)	(14,497,000)
6.01.02.02	Inventories	(7,535,000)	639,000
6.01.02.03	Judicial deposits	(3,944,000)	(1,729,000)
6.01.02.04	Other assets	754,000	(858,000)
6.01.02.05	Trade payables	1,630,000	(2,981,000)
6.01.02.06	Other taxes payable	6,425,000	3,304,000
6.01.02.07	Pension and medical benefits	(1,784,000)	(1,298,000)
6.01.02.08	Income tax and social contribution paid	(2,956,000)	(77,000)
6.01.02.09	Other liabilities	1,246,000	(2,628,000)
6.02	Net cash used in investing activities	(12,888,000)	(3,320,000)
6.02.01	Acquisition of PP&E and intangibles assets	(20,901,000)	(14,017,000)
6.02.02	Increase in investments in investees	(5,463,000)	(2,694,000)
6.02.03	Proceeds from disposal of assets - Divestment	8,906,000	7,854,000
6.02.04	Divestment (investment) in marketable securities	2,157,000	2,161,000
6.02.05	Dividends received	2,413,000	3,376,000
6.03	Net cash used in financing activities	(4,760,000)	(15,356,000)
6.03.02	Proceeds from financing	48,443,000	41,390,000
6.03.03	Repayment of principal	(47,944,000)	(46,692,000)

6.03.04	Repayment of interest	(4,664,000)	(10,054,000)
6.03.05	Dividends paid to shareholders	(595,000)	–
6.05	Net increase/ (decrease) in cash and cash equivalents	5,820,000	(5,249,000)
6.05.01	Cash and cash equivalents at the beginning of the year	1,305,000	6,267,000
6.05.02	Cash and cash equivalents at the end of the period	7,125,000	1,018,000

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Parent Company Interim Accounting Information / Statement of Added Value

(R$ thousand)

Account Code	Account Description	Accumulated of the Current Year 01/01/2018 to 06/30/2018	Accumulated of the Previous Year 01/01/2017 to 06/30/2017
7.01	Sales Revenues	189,755,000	170,174,000
7.01.01	Sales of Goods and Services	166,549,000	143,616,000
7.01.02	Other Revenues	4,317,000	10,752,000
7.01.03	Revenues Related to the Construction of Assets to be Used in Own Operations	20,333,000	16,082,000
7.01.04	Allowance for expected credit losses	(1,444,000)	(276,000)
7.02	Inputs Acquired from Third Parties	(54,600,000)	(57,494,000)
7.02.01	Cost of Sales	(18,138,000)	(19,272,000)
7.02.02	Materials, Power, Third-Party Services and Other Operating Expenses	(25,007,000)	(28,723,000)
7.02.03	Impairment Charges / Reversals of Assets	(72,000)	(91,000)
7.02.04	Others	(11,383,000)	(9,408,000)
7.02.04.01	Tax Credits on Inputs Acquired from Third Parties	(11,383,000)	(9,408,000)
7.03	Gross Added Value	135,155,000	112,680,000
7.04	Retentions	(17,112,000)	(16,180,000)
7.04.01	Depreciation, Amortization and Depletion	(17,112,000)	(16,180,000)
7.05	Net Added Value Produced	118,043,000	96,500,000
7.06	Transferred Added Value	10,456,000	5,536,000
7.06.01	Share of Profit of Equity-Accounted Investments	6,554,000	3,706,000
7.06.02	Finance Income	3,455,000	1,371,000
7.06.03	Others	447,000	459,000
7.07	Total Added Value to be Distributed	128,499,000	102,036,000
7.08	Distribution of Added Value	128,499,000	102,036,000
7.08.01	Employee Compensation	12,376,000	11,666,000
7.08.01.01	Salaries	7,318,000	6,742,000
7.08.01.02	Fringe Benefits	4,543,000	4,365,000
7.08.01.03	Unemployment Benefits (FGTS)	515,000	559,000
7.08.02	Taxes and Contributions	61,759,000	46,106,000
7.08.02.01	Federal	47,002,000	32,702,000
7.08.02.02	State	14,576,000	13,292,000
7.08.02.03	Municipal	181,000	112,000
7.08.03	Return on Third-Party Capital	37,331,000	39,499,000
7.08.03.01	Interest	12,667,000	14,823,000
7.08.03.02	Rental Expenses	24,664,000	24,676,000
7.08.04	Return on Shareholders' Equity	17,033,000	4,765,000
7.08.04.01	Interest on Capital	652,000	–
7.08.04.03	Retained Earnings / (Losses) for the Period	16,381,000	4,765,000

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Consolidated Interim Accounting Information / Statement of Financial Position - Assets

(R$ thousand)

Account Code	Account Description	Current Period 06/30/2018	Previous Fiscal Year 12/31/2017
1	Total Assets	850,282,000	831,515,000
1.01	Current Assets	144,255,000	155,909,000
1.01.01	Cash and Cash Equivalents	65,536,000	74,494,000
1.01.02	Marketable Securities	4,060,000	6,237,000
1.01.03	Trade and Other Receivables	19,385,000	16,446,000
1.01.04	Inventories	35,534,000	28,081,000
1.01.06	Recoverable Taxes	9,006,000	8,062,000
1.01.06.01	Current Recoverable Taxes	9,006,000	8,062,000
1.01.06.01.01	Current Income Tax and Social Contribution	1,816,000	1,584,000
1.01.06.01.02	Other Recoverable Taxes	7,190,000	6,478,000
1.01.08	Other Current Assets	10,734,000	22,589,000
1.01.08.01	Non-Current Assets Held for Sale	1,542,000	17,592,000
1.01.08.03	Others	9,192,000	4,997,000
1.01.08.03.01	Advances to Suppliers	193,000	258,000
1.01.08.03.02	Others	8,999,000	4,739,000
1.02	Non-Current Assets	706,027,000	675,606,000
1.02.01	Long-Term Receivables	80,530,000	70,955,000
1.02.01.03	Marketable Securities Measured at Amortized Cost	200,000	211,000
1.02.01.04	Trade and Other Receivables	19,091,000	17,120,000
1.02.01.07	Deferred Taxes	25,616,000	21,544,000
1.02.01.07.01	Deferred Income Tax and Social Contribution	15,606,000	11,373,000
1.02.01.07.02	Deferred Taxes and Contributions	10,010,000	10,171,000
1.02.01.10	Other Non-Current Assets	35,623,000	32,080,000
1.02.01.10.03	Advances to Suppliers	3,074,000	3,413,000
1.02.01.10.04	Judicial Deposits	22,545,000	18,465,000
1.02.01.10.05	Other Long-Term Assets	10,004,000	10,202,000
1.02.02	Investments	12,287,000	12,554,000
1.02.03	Property, Plant and Equipment	605,484,000	584,357,000
1.02.04	Intangible Assets	7,726,000	7,740,000

Consolidated Interim Accounting Information / Statement of Financial Position - Liabilities

(R$ thousand)

Account Code	Account Description	Current Period 06/30/2018	Previous Fiscal Year 12/31/2017
2	Total Liabilities	850,282,000	831,515,000
2.01	Current Liabilities	84,649,000	82,535,000
2.01.01	Payroll, Profit Sharing and Related Charges	6,013,000	4,331,000
2.01.02	Trade Payables	20,769,000	19,077,000
2.01.03	Taxes Obligations	1,648,000	990,000
2.01.03.01	Federal Taxes Obligations	1,648,000	990,000
2.01.03.01.01	Income Tax and Social Contribution Payable	1,648,000	990,000
2.01.04	Current Debt and Finance Lease Obligations	15,353,000	23,244,000
2.01.04.01	Current Debt	15,266,000	23,160,000
2.01.04.03	Finance Lease Obligations	87,000	84,000
2.01.05	Other Liabilities	25,498,000	23,344,000
2.01.05.02	Others	25,498,000	23,344,000
2.01.05.02.04	Other Taxes and Contributions	15,775,000	15,046,000
2.01.05.02.05	Other Accounts Payable	9,723,000	8,298,000
2.01.06	Provisions	15,203,000	10,254,000
2.01.06.01	Provisions for Tax Social Security, Labor and Civil Lawsuits	12,398,000	7,463,000
2.01.06.01.04	Provisions for Civil Lawsuits	12,398,000	7,463,000
2.01.06.02	Other Provisions	2,805,000	2,791,000
2.01.06.02.04	Pension and Medical Benefits	2,805,000	2,791,000
2.01.07	Liabilities Associated with Non-Current Assets Held for Sale and Discontinued	165,000	1,295,000
2.01.07.01	Liabilities Associated with Non-Current Assets Held for Sale	165,000	1,295,000
2.02	Non-Current Liabilities	478,185,000	479,371,000
2.02.01	Non-Current Debt and Finance Lease Obligations	338,270,000	338,239,000
2.02.01.01	Non-Current Debt	337,604,000	337,564,000
2.02.01.03	Finance Lease Obligations	666,000	675,000
2.02.02	Other Liabilities	2,180,000	2,219,000
2.02.02.02	Others	2,180,000	2,219,000
2.02.02.02.03	Income Tax and Social Contribution	2,180,000	2,219,000
2.02.03	Deferred Taxes	1,637,000	3,956,000
2.02.03.01	Deferred Taxes	1,637,000	3,956,000
2.02.04	Provisions	136,098,000	134,957,000
2.02.04.01	Provisions for Tax Social Security, Labor and Civil Lawsuits	13,376,000	15,778,000
2.02.04.02	Other Provisions	122,722,000	119,179,000
2.02.04.02.04	Pension and Medical Benefits	71,522,000	69,421,000
2.02.04.02.05	Provision for Decommissioning Costs	47,335,000	46,785,000
2.02.04.02.06	Other Provisions	3,865,000	2,973,000
2.03	Shareholders' Equity	287,448,000	269,609,000
2.03.01	Share Capital	205,432,000	205,432,000

2.03.02	Capital Reserves	2,457,000	2,457,000
2.03.04	Profit Reserves	92,761,000	77,364,000
2.03.08	Other Comprehensive Income	(18,511,000)	(21,268,000)
2.03.09	Non-controlling interests	5,309,000	5,624,000

Consolidated Interim Accounting Information / Statement of Income

(R$ thousand)

Account Code	Account Description	Current Quarter 04/01/2018 to 06/30/2018	Accumulated of the Current Year 01/01/2018 to 06/30/2018	Same Quarter of the Previous Year 04/01/2017 to 06/30/2017	Accumulated of the Previous Year 01/01/2017 to 06/30/2017
3.01	Sales Revenues	84,395,000	158,856,000	66,996,000	135,361,000
3.02	Cost of Sales	(52,772,000)	(100,460,000)	(45,627,000)	(90,206,000)
3.03	Gross Profit	31,623,000	58,396,000	21,369,000	45,155,000
3.04	Operating Expenses / Income	(14,647,000)	(23,094,000)	(5,764,000)	(14,668,000)
3.04.01	Selling Expenses	(4,748,000)	(8,876,000)	(3,889,000)	(6,279,000)
3.04.02	General and Administrative Expenses	(2,206,000)	(4,348,000)	(2,221,000)	(4,528,000)
3.04.05	Other Operating Expenses	(8,003,000)	(10,691,000)	(269,000)	(5,088,000)
3.04.05.01	Other Taxes	(359,000)	(840,000)	(3,069,000)	(3,360,000)
3.04.05.02	Research and Development Expenses	(593,000)	(1,088,000)	(549,000)	(886,000)
3.04.05.03	Exploration Costs	(584,000)	(1,026,000)	(603,000)	(899,000)
3.04.05.05	Other Operating Expenses, Net	(6,467,000)	(7,737,000)	3,952,000	57,000
3.04.06	Share of Profit / Gains on Interest in Equity-Accounted Investments	310,000	821,000	615,000	1,227,000
3.05	Net Income Before Financial Results and Income Taxes	16,976,000	35,302,000	15,605,000	30,487,000
3.06	Finance Income (Expenses), Net	(2,647,000)	(9,893,000)	(8,835,000)	(16,590,000)
3.06.01	Finance Income	4,596,000	5,697,000	1,051,000	1,984,000
3.06.01.01	Finance Income	4,596,000	5,697,000	1,051,000	1,984,000
3.06.02	Finance Expenses	(7,243,000)	(15,590,000)	(9,886,000)	(18,574,000)
3.06.02.01	Finance Expenses	(5,346,000)	(11,196,000)	(6,868,000)	(12,813,000)
3.06.02.02	Foreign Exchange and Inflation Indexation Charges, Net	(1,897,000)	(4,394,000)	(3,018,000)	(5,761,000)
3.07	Net Income Before Income Taxes	14,329,000	25,409,000	6,770,000	13,897,000
3.08	Income Tax and Social Contribution	(4,638,000)	(8,593,000)	(6,478,000)	(8,798,000)
3.08.01	Current	(4,108,000)	(7,429,000)	(2,573,000)	(3,399,000)
3.08.02	Deferred	(530,000)	(1,164,000)	(3,905,000)	(5,399,000)
3.09	Net Income from Continuing Operations	9,691,000	16,816,000	292,000	5,099,000
3.11		9,691,000	16,816,000	292,000	5,099,000

	Income / (Loss) for the Period				
3.11.01	Attributable to Shareholders of Petrobras	10,072,000	17,033,000	316,000	4,765,000
3.11.02	Attributable to Non-Controlling Interests	(381,000)	(217,000)	(24,000)	334,000
3.99	Income per Share (R$/Share)				
3.99.01	Income per Share				
3.99.01.01	Ordinary Shares	0.77000	1.31000	0.02400	0.37000
3.99.01.02	Preferred Shares	0.77000	1.31000	0.02400	0.37000
3.99.02	Diluted Income per Share				
3.99.02.01	Ordinary Shares	0.77000	1.31000	0.02400	0.37000
3.99.02.02	Preferred Shares	0.77000	1.31000	0.02400	0.37000

Consolidated Interim Accounting Information / Statement of Comprehensive Income

(R$ thousand)

Account Code	Account Description	Current Quarter 04/01/2018 to 06/30/2018	Accumulated of the Current Year 01/01/2018 to 06/30/2018	Same Quarter of the Previous Year 04/01/2017 to 06/30/2017	Accumulated of the Previous Year 01/01/2017 to 06/30/2017
4.01	Net Income for the Period	9,691,000	16,816,000	292,000	5,099,000
4.02	Other Comprehensive Income	1,109,000	3,225,000	543,000	3,640,000
4.02.03	Cumulative Translation Adjustments	20,291,000	21,186,000	4,102,000	1,586,000
4.02.04	Unrealized Gains/(Losses) on securities measured at fair value through other comprehensive income	(14,000)	(16,000)	(2,000)	(42,000)
4.02.07	Unrealized Gains / (Losses) on Cash Flow Hedge - Recognized in Shareholders' Equity	(30,589,000)	(31,688,000)	(7,742,000)	(2,281,000)
4.02.08	Unrealized Gains / (Losses) on Cash Flow Hedge - Reclassified to Profit and Loss	2,846,000	5,507,000	2,371,000	4,806,000
4.02.09	Deferred Income Tax and Social Contribution on Cash Flow Hedge	9,433,000	8,902,000	1,825,000	(859,000)
4.02.10	Share of Other Comprehensive Income of Equity-Accounted Investments	(858,000)	(666,000)	(11,000)	430,000
4.03	Total Comprehensive Income for the Period	10,800,000	20,041,000	835,000	8,739,000
4.03.01	Attributable to Shareholders of Petrobras	10,828,000	19,862,000	803,000	8,394,000
4.03.02	Attributable to Non-controlling Interests	(28,000)	179,000	32,000	345,000

Consolidated Interim Accounting Information / Statement of Changes in Shareholders’ Equity - 01/01/2018 to 06/30/2018

(R$ thousand)

Account Code	Account Description	Share Capital	Capital Reserves, Granted Options and Treasury Shares	Profit Reserves	Retained Earnings (Losses)	Accumulated Other Comprehensive Income	Shareholders' Equity	Non-controlling interest	Consoli Shareho Equity
5.01	Balance at the Beginning of the Period	205,432,000	2,673,000	77,148,000	–	(21,268,000)	263,985,000	5,624,000	269,609
5.02	Prior Period Adjustments	–	–	–	(989,000)	(67,000)	(1,056,000)	(51,000)	(1,107,(
5.03	Adjusted Opening Balance	205,432,000	2,673,000	77,148,000	(989,000)	(21,335,000)	262,929,000	5,573,000	268,502
5.04	Capital Transactions with Owners	–	–	–	(647,000)	(5,000)	(652,000)	(443,000)	(1,095,(
5.04.06	Dividends	–	–	–	–	–	–	(420,000)	(420,00
5.04.07	Interest on Shareholders' Equity	–	–	–	(652,000)	–	(652,000)	–	(652,00
5.04.08	Change in Interest in Subsidiaries	–	–	–	–	–	–	(23,000)	(23,000
5.04.09	Realization of the Deemed Cost	–	–	–	5,000	(5,000)	–	–	–
5.05	Total of Comprehensive Income	–	–	–	17,033,000	2,829,000	19,862,000	179,000	20,041,
5.05.01	Net Income for the Period	–	–	–	17,033,000	–	17,033,000	(217,000)	16,816,
5.05.02	Other Comprehensive Income	–	–	–	–	2,829,000	2,829,000	396,000	3,225,0
5.07	Balance at the End of the Period	205,432,000	2,673,000	77,148,000	15,397,000	(18,511,000)	282,139,000	5,309,000	287,448

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Consolidated Interim Accounting Information / Statement of Changes in Shareholders' Equity - 01/01/2017 to 06/30/2017

(R$ thousand)

Account Code	Account Description	Share Capital	Capital Reserves, Granted Options and Treasury Shares	Profit Reserves	Retained Earnings (Losses)	Accumulated Other Comprehensive Income	Shareholders' Equity	Non-controlling interest	Consolid Sharehol Equity
5.01	Balance at the Beginning of the Period	205,432,000	1,251,000	77,584,000	–	(34,037,000)	250,230,000	2,513,000	252,743,
5.03	Adjusted Opening Balance	205,432,000	1,251,000	77,584,000	–	(34,037,000)	250,230,000	2,513,000	252,743,
5.04	Capital Transactions with Owners	–	11,000	–	5,000	(5,000)	11,000	(349,000)	(338,000
5.04.06	Dividends	–	–	–	–	–	–	(207,000)	(207,000
5.04.08	Change in Interest in Subsidiaries	–	11,000	–	–	–	11,000	(142,000)	(131,000
5.04.09	Realization of the Deemed Cost	–	–	–	5,000	(5,000)	–	–	–
5.05	Total of Comprehensive Income	–	–	–	4,765,000	3,629,000	8,394,000	345,000	8,739,00
5.05.01	Net Income for the Period	–	–	–	4,765,000	–	4,765,000	334,000	5,099,00
5.05.02	Other Comprehensive Income	–	–	–	–	3,629,000	3,629,000	11,000	3,640,00
5.07	Balance at the End of the Period	205,432,000	1,262,000	77,584,000	4,770,000	(30,413,000)	258,635,000	2,509,000	261,144,

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

(R$ thousand)

Account Code	Account Description	Accumulated of the Current Year 01/01/2018 to 06/30/2018	Accumulated of the Previous Year 01/01/2017 to 06/30/2017
6.01	Net cash provided by operating activities	47,813,000	42,878,000
6.01.01	Cash provided by operating activities	58,610,000	48,175,000
6.01.01.01	Net Income (loss) for the period	16,816,000	5,099,000
6.01.01.02	Pension and medical benefits (actuarial expense)	3,882,000	4,352,000
6.01.01.03	Results in equity-accounted investments	(821,000)	(1,227,000)
6.01.01.04	Depreciation, depletion and amortization	22,020,000	21,148,000
6.01.01.05	Impairment of assets (reversal)	(119,000)	207,000
6.01.01.06	Exploratory expenditures write-offs	232,000	324,000
6.01.01.07	Gains and losses on disposals/write-offs of assets	(2,123,000)	(5,685,000)
6.01.01.08	Foreign exchange, indexation and finance charges	14,830,000	16,153,000
6.01.01.09	Deferred income taxes, net	1,164,000	5,399,000
6.01.01.10	Allowance for expected credit losses	1,483,000	1,458,000
6.01.01.11	Inventory write-down to net realizable value	55,000	249,000
6.01.01.12	Reclassification of cumulative translation adjustment	–	185,000
6.01.01.13	Revision and unwinding of discount on the provision for decommissioning costs	1,191,000	1,211,000
6.01.01.14	Gain on remeasurement of investment retained with loss of control	–	(698,000)
6.01.02	Decrease / (increase) in assets / increase/ (decrease) in liabilities	(10,797,000)	(5,297,000)
6.01.02.01	Trade and other receivables, net	(5,034,000)	383,000
6.01.02.02	Inventories	(6,526,000)	823,000
6.01.02.03	Judicial deposits	(3,971,000)	(1,608,000)
6.01.02.04	Other assets	601,000	(1,053,000)
6.01.02.05	Trade payables	1,046,000	(2,381,000)
6.01.02.06	Other taxes payable	6,289,000	3,904,000
6.01.02.07	Pension and medical benefits	(1,879,000)	(1,364,000)
6.01.02.08	Income tax and social contribution paid	(3,714,000)	(626,000)
6.01.02.09	Other liabilities	2,391,000	(3,375,000)
6.02	Net cash used in investing activities	666,000	(11,311,000)
6.02.01	Acquisition of PP&E and intangibles assets	(20,023,000)	(20,681,000)
6.02.02	Increase in investments in investees	(97,000)	(50,000)
6.02.03	Proceeds from disposal of assets - Divestment	16,880,000	9,455,000
6.02.04	Divestment (investment) in marketable securities	2,233,000	(610,000)

6.02.05	Dividends received	1,673,000	575,000
6.03	Net cash used in financing activities	(65,732,000)	(24,039,000)
6.03.01	Non-controlling interest	(23,000)	(142,000)
6.03.02	Proceeds from financing	27,231,000	43,988,000
6.03.03	Repayment of principal	(81,506,000)	(55,345,000)
6.03.04	Repayment of interest	(10,531,000)	(12,130,000)
6.03.05	Dividends paid to shareholders	(595,000)	–
6.03.06	Dividends paid to non-controlling interests	(308,000)	(410,000)
6.04	Effect of exchange rate changes on cash and cash equivalents	8,295,000	1,334,000
6.05	Net increase/ (decrease) in cash and cash equivalents	(8,958,000)	8,862,000
6.05.01	Cash and cash equivalents at the beginning of the year	74,494,000	69,108,000
6.05.02	Cash and cash equivalents at the end of the period	65,536,000	77,970,000

Consolidated Interim Accounting Information / Statement of Added Value

(R$ Thousand)

Account Code	Account Description	Accumulated of the Current Year 01/01/2018 to 06/30/2018	Accumulated of the Previous Year 01/01/2017 to 06/30/2017
7.01	Sales Revenues	229,077,000	198,822,000
7.01.01	Sales of Goods and Services	203,257,000	170,758,000
7.01.02	Other Revenues	4,866,000	12,102,000
7.01.03	Revenues Related to the Construction of Assets to be Used in Own Operations	22,437,000	17,420,000
7.01.04	Allowance for expected credit losses	(1,483,000)	(1,458,000)
7.02	Inputs Acquired from Third Parties	(74,197,000)	(68,311,000)
7.02.01	Cost of Sales	(33,298,000)	(28,077,000)
7.02.02	Materials, Power, Third-Party Services and Other Operating Expenses	(28,649,000)	(29,580,000)
7.02.03	Impairment Charges / Reversals of Assets	119,000	(207,000)
7.02.04	Others	(12,369,000)	(10,447,000)
7.02.04.01	Tax Credits on Inputs Acquired from Third Parties	(12,314,000)	(10,198,000)
7.02.04.02	Inventory Write-Down to Net Realizable Value	(55,000)	(249,000)
7.03	Gross Added Value	154,880,000	130,511,000
7.04	Retentions	(22,020,000)	(21,148,000)
7.04.01	Depreciation, Amortization and Depletion	(22,020,000)	(21,148,000)
7.05	Net Added Value Produced	132,860,000	109,363,000
7.06	Transferred Added Value	6,675,000	3,477,000
7.06.01	Share of Profit of Equity-Accounted Investments	821,000	1,227,000
7.06.02	Finance Income	5,697,000	1,984,000
7.06.03	Others	157,000	266,000
7.07	Total Added Value to be Distributed	139,535,000	112,840,000
7.08	Distribution of Added Value	139,535,000	112,840,000
7.08.01	Employee Compensation	14,949,000	14,366,000
7.08.01.01	Salaries	9,203,000	8,834,000
7.08.01.02	Fringe Benefits	5,151,000	4,893,000
7.08.01.03	Unemployment Benefits (FGTS)	595,000	639,000
7.08.02	Taxes and Contributions	75,789,000	58,219,000
7.08.02.01	Federal	50,996,000	35,835,000
7.08.02.02	State	24,416,000	22,087,000
7.08.02.03	Municipal	377,000	297,000
7.08.03	Return on Third-Party Capital	31,981,000	35,156,000
7.08.03.01	Interest	18,973,000	21,654,000
7.08.03.02	Rental Expenses	13,008,000	13,502,000
7.08.04	Return on Shareholders' Equity	16,816,000	5,099,000
7.08.04.01	Interest on Capital	652,000	–
7.08.04.03	Retained Earnings / (Losses) for the Period	16,381,000	4,765,000

7.08.04.04	Write-Off of Overpayments Incorrectly Capitalized	(217,000)	334,000

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Notes to the financial statements

(Expressed in millions of Reais, unless otherwise indicated)

1. The Company and its operations

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

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

The provisions of the Level 2 Regulation shall prevail over statutory provisions, in the event of damage to the rights of investors of public offers provided for in the Company's Bylaws, except in cases of: (i) prior notice to shareholders made by the Minority Shareholders’ Committee and eventual dissenting opinion of the controlling shareholder as to the prevalence of said Level 2 Regulation (article 30, paragraphs 4 and 5 and article 40, paragraphs 3 and 4 of the Company’s Bylaws); (ii) disputes or controversies that refer to Petrobras’ activities based on art. 1 of Law 9,478/97, observing the provisions of the Bylaws, regarding the public interest that justified the Company’s creation; and (iii) disputes or controversies involving inalienable rights, as provided for in the sole paragraph of article 58 of the Bylaws.

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

The economic activities linked to its business purpose shall be developed by the Company as free competition with other companies according to market conditions, in compliance with the other principles and guidelines of Laws no. 9,478/97 and 10,438/02 (oil & gas and electricity sector regulations, respectively).

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

Petrobras may have its activities, provided they are in compliance with its corporate purpose, guided by the Brazilian Federal Government to contribute to the public interest that justified its creation, aiming to meet the objectives of the national energy policy outlined in the Annual Letter of Public Policies and Corporate Governance approved by the Board of Directors.

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

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

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

Moreover, as set out in the Company’s Bylaws, the terms of which were amended to conform to provisions under law 13,303/2016, Decree 8,945/2016 and the B3 market tier named New Market (Novo Mercado - the main governance market tier of B3), in the event the Brazilian Federal Government guides the Company to meet the public interest under conditions different from market conditions, the Company’s Finance Committee and Minority Shareholders Committee, exercising their advisory role to the Board of Directors, shall assess and measure the difference between such market conditions and the operating result or economic return of the transaction, based on technical and economic criteria for investment valuation and specific operating costs and results under the Company's operations, In this case, for every financial year, the Federal Government shall compensate the Company.

2. Basis of preparation and presentation of financial statements

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

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

This interim financial information presents the significant changes in the period, avoiding repetition of certain notes to the financial statements previously reported, and presents the consolidated information, considering Management's understanding that it provides a comprehensive view of the Company's financial position and operational performance, complemented by certain information of the Parent Company. Hence, this interim financial information should be read together with the Company's audited annual financial statements for the year ended December 31, 2017, which include the full set of notes.

The Company's Board of Directors, in a meeting held on August 2, 2018, authorized the issuance of these consolidated interim financial information.

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

In the third quarter of 2014, the Company wrote off R$ 6,194 (R$ 4,788 in the Parent Company) of capitalized costs representing amounts that Petrobras overpaid for the acquisition of property, plant and equipment in prior years. For additional information about this write off and its approach to estimate amounts overpaid by the Company, see note 3 to the audited consolidated financial statements ended December 31, 2017.

In the preparation of these unaudited interim financial statements ended June 30, 2018, the Company has not identified any additional information that would affect the adopted calculation methodology to write off the amounts overpaid. The Company has monitored the progress of investigations by Brazilian authorities under the Lava Jato Operation, as well as an internal investigation carried out by independent law firms. The Company will continue to monitor these investigations for additional information and will review their potential impact on the adjustment made.

We have been formally recognized as a victim of the crimes identified under the Lava Jato investigation by the Brazilian Federal Prosecutor's Office, the lower court hearing the case and by the Brazilian Supreme Court. As a result, we have entered into 49 criminal proceedings as an assistant to the prosecutor. In addition, we have entered into four criminal proceedings as an interested party. We have also renewed our commitment to continue cooperating with authorities to clarify the issues and report them regularly to our investors and to the public in general.

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

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

To the extent that any of the proceedings resulting from the Lava Jato investigation involve leniency agreements or plea agreements for return of funds, the Company may be entitled to receive a portion of such funds. Nevertheless, the Company is unable to reliably estimate further recoverable amounts at this moment. Any future recoverable amount will be recognized as income when received or when its economic benefits become virtually certain.

The total funds collected through June 30, 2018 under the Lava Jato investigation amounted to R$ 1,477 (R$ 1,476 through December 31, 2017).

3.1. Investigations involving the Company

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

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

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

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

4. Summary of significant accounting policies

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

4.1. IFRS 9 - Financial Instruments (CPC 48 - Instrumentos Financeiros)

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

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

Item of Consolidated Statement of Financial Position	Balance at 12.31.2017	Adjustment by initial application of IFRS 9	Note	Balance at 01.01.2018
Current assets				
Trade and other receivables, net	16,446	(341)	4.1.3	16,105
Non-current assets				
Trade and other receivables, net	17,120	(64)	4.1.3	17,056
Deferred income taxes	11,373	484		11,857
Others	10,202	(7)	4.1.3	10,195
Current liabilities				
Finance debt	23,160	3	4.1.2	23,163
Non-current liabilities				
Finance debt	337,564	1,175	4.1.2	338,739
Equity				
Accumulated other comprehensive deficit	(21,268)	(67)	4.1.1	(21,335)
Retained earnings	-	(989)		(989)
Non-controlling interests	5,624	(51)		5,573

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

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

4.1.1. Classification and measurement of financial assets

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

- Amortised cost: when the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the business model's objective is to hold financial assets in order to collect contractual cash flows;
- Fair value through other comprehensive income: i) when the contractual terms of a debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the business model's objective to collect contractual cash flows and sell financial assets; and ii) equity instruments not held for trading purposes for which the Company has made an irrevocable election in their initial recognition to present changes in fair value in other comprehensive income rather than within profit or loss; and

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- Fair value through profit or loss: if the financial asset does not meet the criteria for the two aforementioned categories.

The table below presents comparative information of marketable securities between the former classification and measurement in accordance with IAS 39 and the current requirements following the effectiveness of IFRS 9:

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

4.1.2. Modification of contractual cash flows

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

4.1.3. Impairment of financial assets

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

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

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

Significant increase in credit risk since initial recognition

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

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

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

Definition of default

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

Measurement of expected credit losses

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

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

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

Disclosure

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

4.1.4. Hedge Accounting

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

- An economic relationship exists between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from the economic relationship; and
- The hedge ratio is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company uses to hedge that quantity of hedged item.

The Company applies cash flow hedge accounting for certain transactions. Hedging relationships qualify for cash flow hedges when they involve the hedging of exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that may impact the statement of income.

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

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

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

4.2. IFRS 15 - Revenue from Contracts with Customers (CPC 47 - Receita de Contrato com Cliente)

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

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

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

		Initial application of IRFS 15 / CPC 47			
	Amount at 06.30.2018	Agent	Breakage	Others	Amount without effects of initial application of IRFS 15 / CPC 47 at 06.30.2018
Sales revenues	158,856	4,117	(450)	(77)	162,446
Cost of sales	(100,460)	(4,117)	28	–	(104,549)
Gross profit	58,396	–	(422)	(77)	57,897
Income and expenses	(23,915)	–	422	77	(23,416)
Income before finance income, results in equity-accounted investments and income taxes	34,481	–	–	–	34,481

The Company acting as an agent

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

Non-exercised right Income (breakage)

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

4.3. IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

5. Accounting estimates

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

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

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

(Expressed in millions of reais, unless otherwise indicated)

6. Cash and cash equivalents and Marketable securities

Cash and cash equivalents

	Consolidated	
	06.30.2018	12.31.2017
Cash at bank and in hand	1,748	5,193
Short-term financial investments		
- In Brazil		
Brazilian interbank deposit rate investment funds and other short-term deposits	8,801	3,889
Other investment funds	12	57
	8,813	3,946
- Abroad		
Time deposits	20,345	20,632
Automatic investing accounts and interest checking accounts	31,314	37,337
Other financial investments	3,316	7,386
	54,975	65,355
Total short-term financial investments	63,788	69,301
Total cash and cash equivalents	65,536	74,494

The principal uses of funds in the first half of 2018 were for debt service obligations (R$ 92,037), including pre-payment of debts, and acquisition of PP&E and intangibles assets (R$ 20,023). The uses of funds were principally provided by operating activities (R$ 47,813), proceeds from financing (R$ 27,231) and disposal of assets (R$ 16,880).

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

Expected credit losses on cash and cash equivalents were not material at June 30, 2018.

Marketable securities

	Consolidated					
	06.30.2018			01.01.2018		
	In Brazil	Abroad	Total	In Brazil	Abroad	Total
Fair value through profit or loss	4,060	–	4,060	4,222	–	4,222
Fair value through other comprehensive income	26	–	26	42	2,015	2,057
Amortised cost	174	–	174	169	–	169
Total	4,260	–	4,260	4,433	2,015	6,448

Current	4,060	–	4,060	4,222	2,015	6,237
Non-current	200	–	200	211	–	211

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

At June 30, 2018, expected credit losses on marketable securities measured at amortised cost or fair value through other comprehensive income were immaterial. In addition, the amounts of marketable securities at December 31, 2017 classified by categories in accordance with the former accounting practice (IAS 39) are presented in note 4.1.

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7. Trade and other receivables

7.1. Trade and other receivables, net

	Consolidated	
	06.30.2018	12.31.2017
Trade receivables		
Third parties	26,553	23,138
Related parties		
Investees (note 17.7)	1,799	1,752
Receivables from the electricity sector (note 7.4) (*)	16,157	17,362
Subtotal	44,509	42,252
Other trade receivables		
Third parties		
Receivables from divestments (**)	4,909	2,885
Finance lease receivables	2,059	1,818
Other receivables	3,998	5,449
Related parties		
Diesel subsidy (note 17.1)	590	–
Petroleum and alcohol accounts - receivables from Brazilian Government	829	829
Subtotal	12,385	10,981
Total trade receivables	56,894	53,233
Expected credit losses - ECL - Third parties	(13,591)	(12,194)
Expected credit losses - ECL - Related parties	(4,827)	(7,473)
Total trade receivables, net	38,476	33,566
Current	19,385	16,446
Non-current	19,091	17,120

(*) It includes the amount of R$ 772 at June 30, 2018 (R$ 795 at December 31, 2017) regarding finance lease receivable from AME-D.

(**) It relates to amounts receivable from the divestment of the Nova Transpotadora do Sudeste and the contingent portion of Roncador.

Trade and other receivables were previously classified as loans and receivables in accordance with former IAS 39 / CPC 38. As set out in note 4.1.3, following the adoption of IFRS 9 / CPC 48, such assets are currently classified as measured at amortised cost, except for certain receivables with final prices linked to changes in commodity price after their transfer of control, which are classified as measured at fair value through profit and loss and amounts to R$ 149 as of June 30, 2018.

7.2. Aging of trade and other receivables – third parties

	Consolidated			
	06.30.2018		12.31.2017	
	Trade receivables	ECL	Trade receivables	ECL
Not due	23,573	(1,409)	19,053	(906)

Overdue				
Up to 3 months	685	(47)	1,972	(241)
From 3 to 6 months	130	(57)	171	(120)
From 6 to 12 months	340	(246)	275	(156)
More than 12 months	12,791	(11,832)	11,819	(10,771)
Total	37,519	(13,591)	33,290	(12,194)

7.3. Changes in allowance for expected credit losses

	Consolidated	
	06.30.2018	12.31.2017
Opening balance	19,667	17,682
Initial application of IFRS 9	405	–
Additions	1,548	2,269
Write-offs	(4,006)	(349)
Transfer of assets held for sale	21	–
Cumulative translation adjustment	783	65
Closing balance	18,418	19,667
Current	7,244	6,842
Non-current	11,174	12,825

For the first half of 2017, the Company had impairment of trade receivables in the amount of R$ 1,458.

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

	Receivables outside the scope of DAAs	DAA 2014	DAA 2018	Finance lease	Others	Total
Receivables	7,878	10,277	–	771	12	18,938
ECL	(7,235)	(1,097)	–	–	(12)	(8,344)
Balance at December 31, 2017	643	9,180	–	771	–	10,594
Sales	2,235	–	–	–	–	2,235
Amounts received	(1,406)	(484)	(191)	(76)	(9)	(2,166)
Interest	84	240	11	82	–	417
Derecognition of receivables	(3,945)	–	–	(5)	–	(3,950)
Agreement on 04/30/2018	–	434	1,634	–	–	2,068
Fair value adjustment	–	–	304	–	–	304
(Additions)/reversals of ECL	(1,011)	(372)	(1)	–	9	(1,375)
Derecognition of receivables - ECL	3,945	–	–	–	–	3,945
Balance at June 30, 2018	545	8,998	1,757	772	–	12,072
Receivables	4,846	10,467	1,758	772	3	17,846
ECL	(4,301)	(1,469)	(1)	–	(3)	(5,774)
Balance at June 30, 2018	545	8,998	1,757	772	–	12,072

	Receivables	ECL	Total
Related parties - Eletrobras Group			
Amazonas Energia - AME	14,393	(3,976)	10,417
Centrais Elétricas de Rondônia - CERON	1,297	(529)	768
Others	467	(101)	366
Total	16,157	(4,606)	11,551
Third parties			
Cia de Gás do Amazonas - CIGÁS	598	(108)	490
Cia de Eletricidade do Amapá - CEA	826	(826)	–
Others	265	(234)	31
Total	1,689	(1,168)	521
Balance at June 30, 2018	17,846	(5,774)	12,072
Balance at December 31, 2017	18,938	(8,344)	10,594

The Company supplies fuel oil, natural gas, and other products to power distributors controlled by Eletrobras and to independent power producers (Produtores Independentes de Energia – PIE) that operate in the isolated electricity system in the northern region of Brazil. This isolated system comprises electricity generation and distribution systems not connected to the Brazilian National Interconnected Power Grid (Sistema Interligado Nacional).

The costs of the isolated electricity system is substantially covered by the Fuel Consumption Account (Conta de Consumo de Combustível – CCC), a fund regulated and oversaw by the Brazilian National Electricity Agency (Agência Nacional de Energia Elétrica - ANEEL), that receives funds from the Brazilian Energy Development Account (Conta de Desenvolvimento Energético CDE). The CDE a fund created by the Brazilian Federal Government to promote power development in Brazil and its transfers of funds to CCC are based on fees paid by all of concessionaires of electricity distribution and transmission in Brazil. However, regulatory and administrative issues have impacted funds flows from CCC to the companies operating in the isolated system since 2013, which also affected the payments of distributors controlled by Eletrobras for products supplied by the Company.

As a result, on December 31, 2014, the Company (Petrobras parent company and its subsidiary BR Distribuidora) entered into debt acknowledgement agreements (DAAs 2014) concerning the balance of its receivables as of November 30, 2014 with distributors controlled by Eletrobras, to be settled in 120 monthly installments updated by the Selic interest rate (Brazilian short-term interest rate). The balance of DAAs 2014 was 89% collateralized by payables from the CDE to the CCC and, despite some periodic delays, these payments have continued. At December 31, 2017, the amounts of DAAs 2014 totaled R$ 10,277.

The Company took several measures in order to safeguard its interests, including judicial collection of all overdue receivables from sales after DAAs 2014 signing, as well as suspension of fuels supply on credit. Thus, the allowance for credit losses on receivables from electricity sector amounted R$ 8,344 at December 31, 2017, primarily reflecting the historical defaults of companies operating in the isolated electricity system in the northern region of Brazil relating to receivables not under DAAs 2014.

Following the inclusion of the power distributors controlled by Eletrobras within the Investments Partnership Program, a Brazilian Federal program that foresees new infrastructure investments and privatizations, along with the process of privatization of the distributors controlled by Eletrobras, the Company intensified negotiations with the Eletrobras group aiming at reaching an agreement that would resolve disputes and mitigate future defaults.

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Accordingly, both parties reached an agreement on April 30, 2018 under which the structure of collateralization under the DAAs 2014 was recomposed and new debt acknowledgement agreements comprising a portion of receivables under judicial disputes were signed (DAAs 2018). In addition, parties also entered into debt assumption agreements in which Eletrobras will assume a significant portion of overdue receivables in case of power distributors privatization.

Following improvements in Eletrobras credit risk, the new collateralization structure under DAAs 2014 provides for replacement of original collaterals by guaranties provided by Eletrobras (54%), collaterals linked to credits from Brazilian Treasury (34%) and new payables from the CDE (12%).

However, the replacement with credits from Brazilian Treasury, expected to be in place by the end of June 2018, has not occurred as the Provisional Measure 814/2017 lost its effectiveness since June 1, 2018. In addition, the Bill 10,332/18 that outlines the previous condition for such collateralization was approved by the Brazilian House of Representatives on July 11, 2018 but is awaiting Brazilian Senate approval and will only be effective after signed into law. Regarding the collateralization based on new payables from the CDE, Eletrobras and relevant authorities are still discussing alternatives to document such pledge.

Due to extended period necessary for changes in collateralization structure of DAAs 2014 with respect to credits from Brazilian Treasury and payables from the CDE, the Company recognized R$ 372 as allowance for expected credit losses over such receivables due the lower effectiveness of their collateral. Amendments to the April 30, 2018 agreement are under discussion in order to reflect the new conditions and to provide legal security to both parties. At June 30, 2018, the outstanding amount of the DAAs 2014 was R$ 8,998, net of expected credit losses.

The DAAs 2018 comprise receivables from sales of fuel oil and natural gas, which had been past due since December 2014 and under judicial collection, in the amount of R$ 6,100. These agreements outline the settlement of this amount in 36 monthly instalments bearing interest at 124.75% of the Brazilian interbank deposit rate (CDI). Of this amount, R$ 4,500 relates to BR Distribuidora, which is guaranteed by Eletrobras but only until the effective privatization of the power distributors and is nullified if privatization does not occur. The remaining R$ 1,600 relates to Petrobras parent company and Eletrobras also guarantees these receivables until the privatization. However, in this case, an unsuccessful privatization process will not lead to the cancellation of the guarantee. At June 30, 2018, the outstanding amount of DAAs 2018 was R$ 1,757.

Based on the agreement reached on April 30, the Company also recognized R$ 2,068 as finance income in the second quarter of 2018 primarily reflecting receivables under the DAAs 2018 recognized at their fair value due to the material changes in their contractual terms.

For the six-month period ended June 30, 2018, the Company accounted for allowance for expected credit losses amounting to R$ 1,375 (R$ 72 in the first half of 2017), primarily regarding receivables from sale of gas outside the scope of DAAs and due to the current lower collateralization of DAAs 2014.

8. Inventories

	Consolidated	
	June 30,	Dec 31, 2018
Crude oil	16,993	12,065
Oil products	10,355	9,309

Intermediate products	2,738	2,027
Natural gas and LNG (*)	494	222
Biofuels	596	572
Fertilizers	153	83
Total products	31,329	24,278
Materials, supplies and others	4,205	3,803
Total	35,534	28,081

(*) LNG - Liquefied Natural Gas

The amount of inventories is presented net of reduction to net realizable value, primarily due to changes in international prices of crude oil and oil products. In the six-month period ended June 30, 2018, there is a R$ 55 reduction to net realizable value (R$ 249 reduction in the same period of 2017).

At June 30, 2018, the Company had pledged crude oil and oil products volumes as collateral for the Terms of Financial Commitment (TFC) signed by Petrobras and Petros in 2008, in the amount of R$ 16,720 (R$ 13,454 as of December 31, 2017), as set out in note 20.1.

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9. Disposal of Assets and other changes in organizational structure

The Company has an active partnership and divestment program, which takes into account opportunities for divestments in several areas in which it operates. The divestment portfolio is dynamic, meaning that market conditions, legal matters and negotiations may affect the Company's evaluation of ongoing and potential transactions. This program is an essential initiative in the Company's 2018-2022 Business and Management Plan (2018-2022 BMP) and its decision-making methodology was reviewed and approved by the Brazilian Federal Auditor's Office (Tribunal de Contas da União – TCU). For the 2017-2018 period, the target of proceeds from divestments is US$ 21 billion which, along with other initiatives, will enable the Company to converge its net debt to Adjusted EBITDA ratio to 2.5 in December 2018.

On July 3, 2018, the Brazilian Supreme Court issued a preliminary injunction in the context of a direct action of unconstitutionality (ADI 5624 MC/DF) that challenges certain provisions under the State-Owned Companies Law (Law 13.303/2016). According to this injunction, competitive processes related to partnerships in refining business that result in transfer of control are suspended, including the following divestments projects:

- Araucária Nitrogenados S.A.;
- Transportadora Associada de Gás (TAG). This process has been suspended since the beginning of June, following a judicial decision of the Federal Regional Court; and
- Partnerships in the following refineries: Landulpho Alves (RLAM), Abreu e Lima (RNEST), Alberto Pasqualini (REFAP) and Presidente Getúlio Vargas (REPAR).

9.1. Disposal of assets

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

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

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

The production sharing agreement with respect to the Norte de Carcará area, entered into by the Brazilian Federal Government, Statoil, Petrogal and Exxon, was made official on February 2, 2018 through the Brazilian Federal Register (official gazette). This fact completed the conditions precedent for the second payment of the exploratory block BMS-8. Accordingly, the Company received R$ 987 (US$ 300 million) on March 21, 2018 and accounted it for within other income and expenses.

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

Disposal of Liquigás

On November 17, 2016 the Company's Board of Directors approved the disposal of its wholly-owned subsidiary Liquigás Distribuidora S.A, a group entity from the RT&M business segment (Refining, Transportation and Marketing), to Companhia Ultragaz S.A., a subsidiary of Ultrapar Participações S.A. In January 2017, this sale was approved at Ultrapar’s and Petrobras’ Shareholders’ Meetings in the amount of R$ 2,666.

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

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

On February 28, 2018, the CADE court ruled on this matter and dismissed this sale. The sales and purchase agreement was subject to a termination clause providing for compensation to the Company in case of such decision. Accordingly, the Company received R$ 286 on March 13, 2018 and the related assets and liabilities are no longer classified as held for sale.

Disposal of Suape and Citepe petrochemical plants

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

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

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

On April 30, 2018, this transaction was completed with the payment of R$ 1,523 (US$ 435 million) after adjustments and the fulfillment of all conditions precedent established in the purchase and sale agreement.

Following prices adjustments in the transaction closing, reversals of impairment in the amount of R$ 277 were accounted for within other income and expenses.

Strategic alliance with Total

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

- Transfer of the Company’s 22.5% stake in the concession area named as Iara, comprising Sururu, Berbigão and West of Atapu fields, which are subject to unitization agreements with Entorno de Iara (an area under the Assignment Agreement in which the Company holds 100% and is located in the Block BM-S-11). The Company will continue to operate the block;
- Transfer of the Company’s 35% stake in the concession area of Lapa field, located in the Block BM-S-9. Total will also become the operator and the Company will retain a 10% interest in this area; and
- Transfer of the Company’s 50% interests in Termobahia S.A, including the power plants Celso Furtado and Rômulo Almeida. In 2016, the Company recognized an impairment loss on this transaction in the amount of R$ 156.

On February 28, 2017, the Company and Total signed purchase and sale agreements with respect to the aforementioned assets. Total will pay to the Company the amount of US$ 1,675 million in cash for assets and services, subject to price adjustments, as well as contingent payments in the amount of US$ 150 million, associated with the production volume in Lapa field. In addition, a long-term line of credit in the amount of US$ 400 million will be provided by Total, which may be used to fund the Company’s investments in the Iara fields.

The aforementioned agreements supplement the ones already executed on December 21, 2016, such as: (i) the Company’s preemptive right to purchase a 20% interest in block 2 of the Perdido Foldbelt area, in the Mexican sector of the Gulf of Mexico, (ii) the joint exploration studies in the exploratory areas of Equatorial Margin and in Santos

Basin; and (iii) the Technological partnership agreement in the areas of digital petrophysics, geological processing and subsea production systems.

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

This transaction totaled US$ 1.95 billion, including price adjustments, but not including the long-term line of credit and the contingent payments. Accordingly, the Company recognized R$ 2,236 as other income and expenses in the first quarter of 2018.

The negotiations relating to the power plants deal are ongoing and the assets and liabilities thereof remained classified as held for sale at June 30, 2018.

Sale of Azulão field

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

This transaction was concluded on April 30, 2018 upon fulfillment of the conditions precedent, adjustments set forth in the agreement and payment of US$ 56.5 million to the Company, resulting in a R$ 163 gain accounted for as other income and expenses.

Strategic alliance with Equinor (formerly Statoil)

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

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

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

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

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

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

The SPA has a total amount of US$ 2.9 billion, made up of US$ 118 million paid at the signature date of the agreement, contingent payments relating to investments in projects to increase the recovery factor of the field, limited to US$ 550 million, and the remaining amount will be paid at the transaction closing.

On June 14, 2018, this transaction was completed upon receipt of US$ 2 billion, including price adjustments at its closing amounting to US$ 14 million, in addition to the US$ 118 million received as an advance on the signing date. Additionally, Equinor will make payments, limited to US$ 550 million, to the extent investments in projects for improvement of the recovery factor occur. The present value of such payments was recognized as account receivables in the amount of US$ 386 million, net of the aforementioned advance.

Following the closing of this transaction, the Company recognized R$ 801 as losses on disposal of assets within other income and expenses.

All the conditions precedent to the closing was fulfilled, including approval by the ANP and CADE, as well as the negotiation of contracts for the use of production facilities and of the purchase of associated gas by Petrobras. The final price adjustment of this transaction will occur in up to 120 day after the closing.

Sale of Petrobras Paraguay Distribución Limited (PPDL UK)

On June, 26, 2018 the Board of Directors approved the sale to Copetrol Group of its entire interest held through its wholly-owned subsidiary Petrobras International Braspetro B.V. (PIB BV)in Petrobras Paraguay Distribución Limited (PPDL UK), Petrobras Paraguay Operaciones y Logistics SRL (PPOL) and Petrobras Paraguay Gas SRL (PPG).

The proceeds estimated from this sale is US$ 384 million (around R$ 1,450), of which US$ 49 million was deposited in an escrow account at the signing date, and the remaining amount will be disbursed to the Company in the transaction closing, including US$ 55 million related to cash balance of these companies. The sale amount is still subject to adjustments due to changes in working capital until the conclusion of the transaction.

The corresponding assets and liabilities of this transaction are classified as held for sale as of June 30, 2018 as the conclusion of the transaction is still subject to approval procedures according to the Paraguay regulation.

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:

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(Expressed in millions of reais, unless otherwise indicated)

	Consolidated					
	06.30.2018					12.31.2017
	E&P	Distribution	RT&M	Gas & Power	Total	Total
Assets classified as held for sale						
Cash and Cash Equivalents	–	145	–	–	145	26
Trade receivables	–	137	–	–	138	540
Inventories	–	230	–	–	230	423
Investments	–	3	–	–	3	17
Property, plant and equipment	13	262	–	313	588	15,562
Others	–	438	–	–	438	1,024
Total	13	1,215	–	313	1,542	17,592
Liabilities on assets classified as held for sale						
Trade Payables	–	71	–	–	71	334
Finance debt	–	–	–	–	–	–
Provision for decommissioning costs	–	–	–	–	–	563
Others	–	94	–	–	94	398
Total	–	165	–	–	165	1,295

As of June 30, 2018, the amounts refer to assets and liabilities classified as held for sale following the approvals of sale of interests in Rômulo Almeida and Celso Furtado thermoelectric power generation plants, PPDL UK, PPOL and PPG. At December 31, 2017, the amounts also comprise assets and liabilities pertained to Liquigás, Suape and Citepe petrochemical plants, the concession areas named as Iara and Lapa, the entire interest in Azulão field and 25% interest in Roncador field.

9.3. Other changes in organizational structure

Sale and merger of Nova Fronteira Bioenergia

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

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

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

On February 16, 2018, PBIO disposed, through a public auction held in the Brazilian stock exchange (B3), these 24 million of shares, at the share price of R$ 18.51. The settlement of the transaction occurred on February 21, 2018, closing the complete disposal of PBIO's interests in São Martinho's capital.

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Notes to the financial statements

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10. Investments

10.1. Changes in investments (Parent Company)

	Balance at 12.31.2017	Investments	Restructuring, capital decrease and others	Results in equity-accounted investments (*)	Cumulative translation adjustments (CTA)	Other comprehensive results	Dividends	Balance at 06.30.2018
Subsidiaries								
PNBV	87,093	–	(252)	3,780	15,261	–	–	105,882
PIB BV(**)	25,290	3,107	(474)	251	5,019	–	–	33,193
TAG	12,347	–	–	906	–	205	(1,497)	11,961
BR Distribuidora	5,986	–	(126)	304	–	–	(584)	5,580
Transpetro	4,102	–	–	70	170	–	(83)	4,259
PB-LOG	2,937	–	–	366	–	–	(777)	2,526
PBIO	1,490	–	–	49	–	–	–	1,539
Gaspetro	994	–	–	75	–	–	(55)	1,014
Breitener	678	–	–	46	–	–	(22)	702
Logigás	621	–	–	132	–	–	(147)	606
Araucária Nitrogenados	175	264	–	(190)	–	–	–	249
Termomacaé Ltda	86	–	–	(56)	–	–	–	30
Liquigás	–	–	1,071	2	–	–	(43)	1,030
Other subsidiaries	1,041	–	298	(197)	(8)	(113)	(168)	853
Joint operations	223	–	–	28	–	–	(48)	203
Joint ventures	264	11	–	62	–	3	(61)	279
Associates		–	–	–	–	–	–	–
Nova Transportadora do Sudeste - NTS	1,094	–	–	93	–	–	(103)	1,084
Other associates	4,916	–		598	348	(669)	(558)	4,635
	149,337	3,382	517	6,319	20,790	(574)	(4,146)	175,625
Other investments	19	–	–	–	–	–	–	19
	149,356	3,382	517	6,319	20,790	(574)	(4,146)	175,644
Provision for losses in subsidiaries				269				
Results in investees transferred to assets held for sale				(34)				
				6,554				

Results in equity-accounted investments and other comprehensive income

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

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

The initial application of IFRS 9 changed the investment in subsidiaries PNBV (R$ 252), PIB BV (R$ 474) and BR Distribuidora (R$ 126), due to changes on contractual cash flows of finance liabilities and to impairment of finance assets.

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

	Balance at 12.31.2017	Investments	Restructuring, capital decrease and others	Results in equity-accounted investments	Cumulative translation adjustments (CTA)	Other comprehensive income	Dividends	Balance at 06.30.2018
Joint Ventures								
Petrobras Oil & Gas B.V. - PO&G	4,664	–	–	17	636	–	(842)	4,475
State-controlled natural gas distributors	1,140	1	–	134	–	–	(147)	1,128
Compañia Mega S.A. - MEGA	163	–	–	(47)	180	–	–	296
Petrochemical joint ventures	95	–	(3)	31	–	–	(22)	101
Other joint ventures	346	68	2	(4)	–	3	(41)	374
Associates								–
Nova Transportadora do Sudeste - NTS	1,094	–	–	93	–	–	(103)	1,084
Petrochemical associates	4,833	–	–	581	348	(669)	(543)	4,550
Other associates	158	28	12	15	2	–	–	215
Other investments	61	–	–	1	2	–	–	64
Total	12,554	97	11	821	1,168	(666)	(1,698)	12,287

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10.3. Investments in non- consolidated listed companies

	Thousand-share lot			Quoted stock exchange prices (R$ per share)		Market value	
Company	06.30.2018	12.31.2017	Type	06.30.2018	12.31.2017	06.30.2018	12.31.2017
Associate							
Braskem S.A.	212,427	212,427	ON	48.77	43.50	10,360	9,241
Braskem S.A.	75,793	75,793	PNA	50.76	42.87	3,846	3,248
						14,206	12,489

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

Braskem's shares are publicly traded on stock exchanges in Brazil and abroad. As of June 30, 2018, the quoted market value of the Company's investment in Braskem was R$ 14,206 based on the quoted values of both Petrobras' interest in Braskem's common stock (47% of the outstanding shares), and preferred stock (21.9% of the outstanding shares). However, there is extremely limited trading of the common shares, since non-signatories of the shareholders' agreement hold only approximately 3% of the common shares.

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

On June 14, 2018, the Company received a correspondence from Odebrecht S.A., the controlling shareholder of Braskem S.A., in which it communicated that it has initiated negotiations with LyondellBasell, a public company headquartered in Rotterdam, for a potential transaction involving the transfer of Odebrecht's entire interest in Braskem. The negotiation is in its preliminary stage and the parties entered into a confidentiality agreement.

This transaction is subject, among other conditions, to due diligence, negotiation of definitive agreements and all necessary approvals. There is no binding obligation between the parties to assure the conclusion of the transaction.

Depending on the outcome of this transaction, the Company will assess the terms and conditions of the LyondellBasell's offer in the context of exercising its preference right as set forth in Braskem S.A. Shareholder's Agreement.

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

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

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11. Property, plant and equipment

11.1. By class of assets

	Consolidated					Parent Company
	Land, buildings and improvement	Equipment and other assets (*)	Assets under construction (**)	Exploration and development costs (oil and gas producing properties) (***)	Total	Total
Balance at January 1, 2017	22,756	256,571	125,702	166,847	571,876	424,771
Additions	6	3,720	35,232	98	39,056	26,930
Additions to / review of estimates of decommissioning costs	–	–	–	14,617	14,617	14,366
Capitalized borrowing costs	–	–	6,299	–	6,299	4,593
Write-offs	(47)	(19)	(1,745)	(113)	(1,924)	(1,708)
Transfers (****)	1,007	10,406	(24,259)	9,766	(3,080)	546
Depreciation, amortization and depletion	(1,393)	(23,383)	–	(17,115)	(41,891)	(31,793)
Impairment recognition	(470)	(3,041)	(1,842)	(2,895)	(8,248)	(6,516)
Impairment reversal	169	2,698	536	2,247	5,650	4,347
Cumulative translation adjustment	20	1,156	733	93	2,002	–
Balance at December 31, 2017	22,048	248,108	140,656	173,545	584,357	435,536
Cost	32,795	425,419	140,656	286,112	884,982	664,479
Accumulated depreciation, amortization and depletion	(10,747)	(177,311)	–	(112,567)	(300,625)	(228,943)
Balance at December 31, 2017	22,048	248,108	140,656	173,545	584,357	435,536
Additions	9	2,181	16,791	11	18,992	21,484
Additions to / review of estimates of decommissioning costs	–	–	–	86	86	–
Capitalized borrowing costs	–	–	3,377	–	3,377	2,578
Write-offs	(157)	(26)	(460)	(18)	(661)	(653)
Transfers (****)	755	5,493	(17,354)	13,071	1,965	100
Depreciation, amortization and	(762)	(11,158)	–	(9,893)	(21,813)	(16,956)

depletion						
Impairment recognition	–	–	(137)	–	(137)	(72)
Cumulative translation adjustment	127	12,475	5,572	1,144	19,318	–
Balance at June 30, 2018	22,020	257,073	148,445	177,946	605,484	442,017
Cost	33,444	452,695	148,445	297,618	932,202	682,907
Accumulated depreciation, amortization and depletion	(11,424)	(195,622)	–	(119,672)	(326,718)	(240,890)
Balance at June 30, 2018	22,020	257,073	148,445	177,946	605,484	442,017
Weighted average of useful life in years	40 (25 to 50) (except land)	20 (3 to 31)		Units of production method		

(*) It is composed of platforms, refineries, thermoelectric power plants, natural gas processing plants, pipelines, rights of use and other operating, storage and production plants, also including exploration and production assets depreciated based on the units of production method.
(**) See note 27 for assets under construction by business area.
(***) It is composed of exploration and production assets related to wells, abandonment and dismantling of areas, signature bonuses associated to proved reserves and other costs directly associated to the exploration and production of oil and gas.
(****) It includes transfers to/from assets held for sale.

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

At June 30, 2018, consolidated and Parent Company property, plant and equipment include assets under finance leases of R$ 382 and R$ 5,891, respectively (R$ 390 and R$ 5,969 at December 31, 2017).

1.1. 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 June 30, 2018, the Company’s property, plant and equipment include the amount of R$ 74,808 related to the Assignment Agreement.

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

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

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

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

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.

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

In January 2018, the Brazilian Federal Government established, through the Interministerial Ordinance No. 15/2018, the Interministerial Commission responsible for negotiating and concluding the terms of this review.

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

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

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

On July 5, 2018, the Brazilian House of Representatives approved a bill amending the Assignment Agreement, which may make possible, if approved by the Brazilian Senate and signed by the President, a review of the contract clauses, sale of rights to produce exceeding volume and partial transfers of areas under this regime to third parties.

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12. Intangible assets

12.1. By class of assets

	Consolidated					Parent Company
	Rights and Concessions	Software Acquired	Software Developed in-house	Goodwill	Total	Total
Balance at January 1, 2017	8,725	222	998	718	10,663	8,764
Addition	3,035	51	194	–	3,280	3,145
Capitalized borrowing costs	–	–	14	–	14	14
Write-offs	(256)	–	(8)	–	(264)	(34)
Transfers	(5,376)	5	–	–	(5,371)	(5,257)
Amortization	(64)	(91)	(323)	–	(478)	(366)
Impairment recognition	(108)	(1)	–	–	(109)	(2)
Cumulative translation adjustment	3	–	–	2	5	–
Balance at December 31, 2017	5,959	186	875	720	7,740	6,264
Cost	6,637	1,638	4,055	720	13,050	10,266
Accumulated amortization	(678)	(1,452)	(3,180)	–	(5,310)	(4,002)
Balance at December 31, 2017	5,959	186	875	720	7,740	6,264
Addition	9	48	81	–	138	101
Capitalized borrowing costs	–	–	6	–	6	6
Write-offs	(42)	–	–	–	(42)	(38)
Transfers	(2)	22	(12)	42	50	(4)
Amortization	(27)	(44)	(136)	–	(207)	(156)
Cumulative translation adjustment	17	1	–	23	41	–
Balance at June 30, 2018	5,914	213	814	785	7,726	6,173
Cost	6,748	1,821	4,150	785	13,504	10,319
Accumulated amortization	(834)	(1,608)	(3,336)	–	(5,778)	(4,146)
Balance at June 30, 2018	5,914	213	814	785	7,726	6,173
Estimated useful life in years	(*)	5	5	Indefinite		

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

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

The total amount of the signature bonus to be paid by the Company up to September 2018 is R$ 2.2 billion.

13. Exploration and evaluation of oil and gas reserves

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

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

	Consolidated	
Capitalized Exploratory Well Costs / Capitalized Acquisition Costs (*)	06.30.2018	12.31.2017
Property, plant and equipment		
Opening Balance	14,957	16,728
Additions to capitalized costs pending determination of proved reserves	1,136	2,543
Capitalized exploratory costs charged to expense	(12)	(345)
Transfers upon recognition of proved reserves	(650)	(3,974)
Cumulative translation adjustment	60	5
Closing Balance	15,491	14,957
Intangible Assets	4,558	4,599
Capitalized Exploratory Well Costs / Capitalized Acquisition Costs	20,049	19,556

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

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

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(Expressed in millions of reais, unless otherwise indicated)

	Consolidated			
	2018		2017	
Exploration costs recognized in the statement of income	Apr-Jun	Jan-Jun	Apr-Jun	Jan-Jun
Geological and geophysical expenses	271	566	302	568
Exploration expenditures written off (includes dry wells and signature bonuses)	206	232	300	324
Contractual penalties	88	204	–	–
Other exploration expenses	19	24	1	7
Total expenses	584	1,026	603	899
Cash used in:				
Operating activities	290	590	315	587
Investment activities	590	1,318	724	1,374
Total cash used	880	1,908	1,039	1,961

In the first half of 2018, the Company recognized a provision in the amount of R$ 204 arising from potential contractual penalties for non-compliance with minimum percentages of local content in 125 blocks for which the exploratory phases were concluded.

14. Trade payables

	Consolidated	
	06.30.2018	12.31.2017
Third parties in Brazil	12,901	12,144
Third parties abroad	5,349	4,564
Related parties	2,519	2,369
Balance in current liabilities	20,769	19,077

(Expressed in millions of reais, unless otherwise indicated)

15. Finance debt

15.1. Balance by type of finance debt

	Consolidated	
	06.30.2018	12.31.2017
Banking Market	39,044	41,924
Capital Market	12,037	12,070
Development banks	16,340	18,428
Others	141	124
Total in Brazil	67,562	72,546
Banking Market	105,805	103,420
Capital Market	162,580	171,721
Export credit agencies	15,897	12,142
Others	1,026	895
Total abroad	285,308	288,178
Total finance debt	352,870	360,724
Current	15,266	23,160
Non current	337,604	337,564

In order to reflect the changes in accounting practices arising from the application of IFRS 9, the Company remeasured its financing agreements in force at January 1, 2018 which previously had their contractual clauses renegotiated and the modifications thereof did not result in substantial changes, as set out in note 4.1. Accordingly, the balance of current and non-current debt increased by R$ 1,178 due to the initial application of IFRS 9, which were recognized within equity at January 1, 2018.

15.2. Changes in finance debt and reconciliation with cash flows from financing activities

	Balance at 12.31.2016	Initial application of IFRS9	Additions (new funding obtained)	Principal amortization (*)	Interest amortization (*)	Transaction costs during the period (**)	Foreign exchange / inflation indexation charges	Cumulative translation adjustment (CTA)	Balance at 12.31.2017
In Brazil	84,477	–	21,647	(33,986)	(7,324)	7,326	356	50	72,546
Abroad	300,512	–	60,033	(81,276)	(13,577)	15,498	3,439	3,549	288,178
Total	384,989	–	81,680	(115,262)	(20,901)	22,824	3,795	3,599	360,724

	Balance at 12.31.2017	Initial application of IFRS9	Additions (new funding obtained)	Principal amortization (*)	Interest amortization (*)	Transaction costs during the period (**)	Foreign exchange / inflation indexation charges	Cumulative translation adjustment (CTA)	Balance at 06.30.2018

In Brazil	72,546	215	6,740	(12,680)	(2,138)	2,494	(50)	438	67,565
Abroad	288,178	963	20,634	(66,845)	(8,173)	7,681	5,351	37,516	285,305
Total	360,724	1,178	27,374	(79,525)	(10,311)	10,175	5,301	37,954	352,870
Reconciliation to the Statement of Cash Flows									
Purchase of property, plant and equipment on credit			(143)	–	–				
Expenses with debt restructuring			–	(2,027)	–				
Deposits linked to financing			–	9	(220)				
Finance leases			–	37	–				
Net cash used in financing activities			27,231	(81,506)	(10,531)				

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

In line with the Company's Business and Management Plan and following its liability management strategy, recent funds have been raised in order to settle older debts, as well as aiming at improving the debt repayment profile taking into account its alignment with investments returns over the long run.

In the first half of 2018, proceeds from financing amounted to R$ 27,231, principally reflecting: (i) global notes issued in the capital market in the amount of R$ 6,359 (US$ 1,962 million) and maturing in 2029; (ii) funds raised from the domestic and international banking market in the amount of R$ 17,038 with average term of 6.5 years; and (iii) proceeds from Export Credit Agency amounting to R$ 3,549.

In addition, the Company repaid several finance debts, notably: (i) R$ 41,228 (US$ 11,760 million) relating to repurchase of global bonds previously issued by the Company in the capital market, with net premium paid to bond holders amounting to R$ 1,154; (ii) pre-payment of banking loans in the domestic and international market totaling R$ 31,809; and (iii) pre-payment of R$ 2,385 with respect to financings with BNDES.

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

	Consolidated							
Maturity in	2018	2019	2020	2021	2022	2023 onwards	Total (**)	Fair value
Financing in U.S. Dollars (US$) (*):	7,155	4,893	13,144	22,108	33,293	183,031	263,624	303,174
Floating rate debt	3,030	4,643	12,893	12,392	27,133	62,976	123,067	
Fixed rate debt	4,125	250	251	9,716	6,160	120,055	140,557	
Average interest rate	5.0%	6.0%	6.0%	6.0%	5.9%	6.5%	6.2%	
Financing in Brazilian Reais (R$):	2,550	4,828	10,806	8,458	15,014	24,740	66,396	58,500
Floating rate debt	1,610	3,495	9,812	7,480	13,752	19,439	55,588	
Fixed rate debt	940	1,333	994	978	1,262	5,301	10,808	
Average interest rate	6.4%	6.8%	7.1%	7.9%	7.7%	6.4%	6.9%	
Financing in Euro (€):	73	195	861	1,272	2,691	8,501	13,593	16,973
Floating rate debt	4	–	683	–	–	–	687	
Fixed rate debt	69	195	178	1,272	2,691	8,501	12,906	
Average interest rate	4.3%	4.5%	4.6%	4.8%	4.9%	4.6%	4.6%	
Financing in Pound Sterling (£):	214	91	–	–	–	8,741	9,046	9,122
Fixed rate debt	214	91	–	–	–	8,741	9,046	
Average interest rate	6.3%	6.2%	–	–	–	6.3%	6.3%	
Financing in other currencies:	211	–	–	–	–	–	211	211
Floating rate debt	187	–	–	–	–	–	187	
Fixed rate debt	24	–	–	–	–	–	24	
Average interest rate	1.9%	–	–	–	–	–	1.9%	
Total at June 30, 2018	10,203	10,007	24,811	31,838	50,998	225,013	352,870	387,980
Average interest rate	5.2%	6.1%	6.2%	6.2%	6.1%	6.4%	6.2%	
Total at December 31, 2017	23,160	21,423	31,896	42,168	59,594	182,483	360,724	385,780
Average interest rate	5.6%	5.9%	5.9%	5.9%	5.7%	6.4%	6.1%	

(*) It includes debt raised in Brazil (in Brazilian reais) indexed to the U.S. dollar.
(**) The average maturity of outstanding debt at June 30, 2018 is 9.11 years (8.62 years at December 31, 2017).

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

Level 1- quoted prices in active markets for identical liabilities, when applicable, amounting to R$ 184,991 at June 30, 2018 (R$ 179,451 at December 31, 2017); and

Level 2 – discounted cash flows based on discount rate determined by interpolating spot rates considering financing debts indexes proxies, taking into account their currencies and also the Petrobras' credit risk, amounting to R$ 202,989 as of June 30, 2018 (R$ 206,329 as of December 31, 2017).

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

15.4.