PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
August 03, 2018
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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 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

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UNAUDITED

INTERIM

FINANCIAL

STATEMENTS

June 30, 2018 and 2017 with report

of independent registered public

accounting firm

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Petróleo Brasileiro S.A.   Petrobras

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KPMG Auditores Independentes

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of

Petróleo Brasileiro S.A. - Petrobras

Results of Review of Interim Financial Information

We have reviewed the interim consolidated statement of financial position of Petróleo Brasileiro S.A. - Petrobras and subsidiaries (the Company) as of June 30, 2018, the related interim consolidated statements of income and comprehensive income for the three-month and six-month periods ended June 30, 2018 and 2017, the related interim consolidated statements of changes in shareholders equity and cash flows for the six-month periods ended June 30, 2018 and 2017 and the related notes (collectively, the consolidated interim financial information). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial information for it to be in conformity with IAS 34 Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB).

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

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

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

Basis for Review Results

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

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

/s/ KPMG Auditores Independentes

Rio de Janeiro, August 2, 2018.

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

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

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Petróleo Brasileiro S.A. Petrobras

Unaudited Consolidated Statement of Financial Position

June 30, 2018 and December 31, 2017

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

	Note	**06.30.2018**	**12.31.2017**
Assets			
Current assets			
Cash and cash equivalents	6.1	16,997	22,519
Marketable securities	6.2	1,053	1,885
Trade and other receivables, net	7.1	5,027	4,972
Inventories, net	8	9,216	8,489
Recoverable income taxes	19.1	471	479
Other recoverable taxes	19.1	1,865	1,958
Advances to suppliers		50	78
Others		2,334	1,433
		37,013	41,813
Assets classified as held for sale		400	5,318
		37,413	47,131
Non-current assets			
Long-term receivables			
Trade and other receivables, net	7.1	4,951	5,175
Marketable securities	6	52	64
Judicial deposits	28.2	5,847	5,582
Deferred income taxes	19.5	4,047	3,438
Other tax assets	19.1	2,596	3,075
Advances to suppliers		797	1,032
Others		2,595	3,084
		20,885	21,450
Investments	10	3,187	3,795
Property, plant and equipment	11	157,032	176,650
Intangible assets	12	2,004	2,340
		183,108	204,235
Total assets		**220,521**	**251,366**

The notes form an integral part of these financial statements.

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Petróleo Brasileiro S.A. Petrobras

Unaudited Consolidated Statement of Financial Position

June 30, 2018 and December 31, 2017

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

	Note	06.30.2018	12.31.2017
Liabilities			
Current liabilities			
Trade payables	14	5,386	5,767
Finance debt	15.2	3,959	7,001
Finance lease obligations	16.1	23	25
Income taxes payable	19.1	427	299
Other taxes payable	19.1	4,091	4,548
Payroll and related charges		1,559	1,309
Pension and medical benefits	20.1	727	844
Provisions for legal proceedings	28.1	3,215	2,256
Others		2,524	2,508
		21,911	24,557
Liabilities related to assets classified as held for sale		43	391
		21,954	24,948
Non-current liabilities			
Finance debt	15.2	87,557	102,045
Finance lease obligations	16.1	173	204
Income taxes payable	19.1	565	671
Deferred income taxes	19.5	425	1,196
Pension and medical benefits	20.1	18,549	20,986
Provisions for legal proceedings	28.1	3,469	4,770
Provision for decommissioning costs	18	12,276	14,143
Others		1,003	901
		124,017	144,916
Total liabilities		145,971	169,864
Equity			
Share capital (net of share issuance costs)	21.1	107,101	107,101
Capital transactions		1,067	1,067

Profit reserves		57,517	53,056
Accumulated other comprehensive (deficit)	21.2	(92,512)	(81,422)
Attributable to the shareholders of Petrobras		73,173	79,802
Non-controlling interests		1,377	1,700
		74,550	81,502
Total liabilities and equity		**220,521**	**251,366**

The notes form an integral part of these financial statements.

Petróleo Brasileiro S.A. Petrobras

Unaudited Consolidated Statement of Income

June 30, 2018 and 2017

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

	Note	Jan-Jun/2018	Jan-Jun/2017	2Q-2018	2Q-2017
Sales revenues	22	46,365	42,560	23,407	20,823
Cost of sales		(29,340)	(28,355)	(14,636)	(14,181)
Gross profit		17,025	14,205	8,771	6,642
Income (expenses)					
Selling expenses		(2,590)	(1,969)	(1,317)	(1,209)
General and administrative expenses		(1,272)	(1,424)	(612)	(691)
Exploration costs	13	(298)	(281)	(162)	(187)
Research and development expenses		(317)	(278)	(164)	(171)
Other taxes		(248)	(1,046)	(100)	(954)
Other income and expenses	23	(2,186)	(11)	(1,794)	1,228
		(6,911)	(5,009)	(4,149)	(1,984)
Income before finance income, results in equity-accounted investments and income taxes		10,114	9,196	4,622	4,658
Finance income		1,614	623	1,275	326
Finance expenses		(3,287)	(4,025)	(1,483)	(2,135)
Foreign exchange gains (losses) and inflation indexation charges		(1,296)	(1,810)	(526)	(938)
Net finance income (expense)	25	(2,969)	(5,212)	(734)	(2,747)
Results in equity-accounted investments	10	244	386	86	191
Net income before income taxes		7,389	4,370	3,974	2,102
Income taxes	19.6	(2,505)	(2,751)	(1,286)	(2,014)
Net income for the period		**4,884**	**1,619**	**2,688**	**88**
Net income (loss) attributable to:					
Shareholders of Petrobras		4,939	1,513	2,794	96
Non-controlling interests		(55)	106	(106)	(8)
Net income for the period		**4,884**	**1,619**	**2,688**	**88**

Basic and diluted earnings per weighted-average of common and preferred share in U.S. dollars	21.3	0.38	0.12	0.22	0.01

The notes form an integral part of these financial statements.

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Petróleo Brasileiro S.A. Petrobras

Unaudited Consolidated Statement of Comprehensive Income

June 30, 2018 and 2017

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

	Jan-Jun/2018	Jan-Jun/2017	2Q-2018	2Q-2017
Net income for the period	4,884	1,619	2,688	88
Items that will not be reclassified to the statement of income:				
Unrealized gains / (losses) on equity instruments measured at fair value through other comprehensive income Recognized in equity	(5)		(4)	
Items that may be reclassified subsequently to the statement of income:				
Unrealized gains / (losses) on equity instruments measured at fair value through other comprehensive income Recognized in equity		(14)		(1)
Unrealized gains / (losses) on cash flow hedge highly probable future exports				
Recognized in equity	(8,822)	(670)	(8,484)	(2,406)
Reclassified to the statement of income	1,609	1,511	789	737
Deferred income tax	2,453	(286)	2,617	567
	(4,760)	555	(5,078)	(1,102)
Unrealized gains on cash flow hedge others				
Recognized in equity		1		
		1		
Cumulative translation adjustments (*)				
Recognized in equity	(6,255)	(842)	(6,076)	(2,203)
Reclassified to the statement of income		37		
	(6,255)	(805)	(6,076)	(2,203)
Share of other comprehensive income in equity-accounted investments				
Recognized in equity	(178)	115	(238)	(3)
Reclassified to the statement of income		22		
	(178)	137	(238)	(3)
Total other comprehensive income:	(11,198)	(126)	(11,396)	(3,309)

Total comprehensive income	**(6,314)**	**1,493**	**(8,708)**	**(3,221)**
Comprehensive income attributable to:				
Shareholders of Petrobras	(6,129)	1,397	(8,469)	(3,196)
Non-controlling interests	(185)	96	(239)	(25)
Total comprehensive income	**(6,314)**	**1,493**	**(8,708)**	**(3,221)**

(*) Includes a US$ 213 loss (a US$ 68 loss in the first half of 2017) of cumulative translation adjustments in associates and joint ventures.

The notes form an integral part of these financial statements.

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Petróleo Brasileiro S.A.   Petrobras

Unaudited Consolidated Statement of Cash Flows

June 30, 2018 and 2017

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

	Jan-Jun/2018	Jan-Jun/2017
Cash flows from Operating activities		
Net income for the period	4,884	1,619
Adjustments for:		
Pension and medical benefits (actuarial expense)	1,137	1,368
Results in equity-accounted investments	(244)	(386)
Depreciation, depletion and amortization	6,450	6,650
Impairment of assets (reversal)	(31)	64
Allowance (reversals) for expected credit loss on trade and others receivables	425	453
Exploratory expenditures write-offs	65	101
Gains and losses on disposals/write-offs of assets	(689)	(1,766)
Foreign exchange, indexation and finance charges	4,380	5,077
Deferred income taxes, net	342	1,689
Revision and unwinding of discount on the provision for decommissioning costs	349	379
Reclassification of cumulative translation adjustment and other comprehensive income		59
Inventory write-down to net realizable value	17	78
Gain on remeasurement of investment retained with loss of control		(217)
Decrease (Increase) in assets		
Trade and other receivables, net	(1,340)	130
Inventories	(1,845)	265
Judicial deposits	(1,155)	(507)
Other assets	22	(330)
Increase (Decrease) in liabilities		
Trade payables	248	(764)
Other taxes payable	1,804	1,216
Pension and medical benefits	(542)	(428)
Other liabilities	747	(1,062)
Income taxes paid	(1,076)	(196)
Net cash provided by operating activities	13,948	13,492
Cash flows from Investing activities		
Acquisition of PP&E and intangibles assets	(5,860)	(6,499)
Investments in investees	(28)	(16)

Proceeds from disposal of assets Divestment	4,914	2,952
Divestment (Investment) in marketable securities	692	(192)
Dividends received	486	180
Net cash provided by (used in) investing activities	204	(3,575)
Cash flows from Financing activities		
Investments by non-controlling interest	(3)	(45)
Proceeds from financing	8,149	13,765
Repayment of principal	(23,965)	(17,409)
Repayment of interest	(3,107)	(3,808)
Dividends paid to Shareholders of Petrobras	(165)	
Dividends paid to non-controlling interests	(85)	(127)
Net cash used in financing activities	(19,176)	(7,624)
Effect of exchange rate changes on cash and cash equivalents	(498)	71
Net increase (decrease) in cash and cash equivalents	(5,522)	2,364
Cash and cash equivalents at the beginning of the period	**22,519**	**21,205**
Cash and cash equivalents at the end of the period	**16,997**	**23,569**

The notes form an integral part of these financial statements.

Petróleo Brasileiro S.A. Petrobras

Unaudited Consolidated Statement of Changes in Shareholders Equity

June 30, 2018 and 2017

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

Share capital (net of share issuance costs)			Accumulated other comprehensive income (deficit) and deemed cost				Profit Reserves						
Share Capital	**Share issuance costs**	**Capital Transactions**	**Cumulative translation adjustment**	**Cash flow hedge highly probable future exports**	**Actuarial gains (losses) on defined benefit pension plans**	**Other comprehensive income (loss) and deemed cost**	**Legal**	**Statutory**	**Tax incentives**	**Profit retention**	**Retained earnings**	**Equity attributable to shareholders of Petrobras**	**Non-co int**
107,380	(279)	628	(60,248)	(11,297)	(11,600)	(948)	7,919	2,182	720	42,322		76,779	
	107,101	**628**				**(84,093)**				**53,143**		**76,779**	
						(2)					2		
		4										4	
											1,513	1,513	
			(795)	555		124						(116)	
107,380	(279)	632	(61,043)	(10,742)	(11,600)	(826)	7,919	2,182	720	42,322	1,515	78,180	
	107,101	**632**				**(84,211)**				**53,143**	**1,515**	**78,180**	
107,380	(279)	1,067	(61,043)	(9,573)	(10,015)	(791)	7,919	2,182	720	42,235		79,802	1
	107,101	**1,067**				**(81,422)**				**53,056**		**79,802**	**1**

						(20)					(299)	(319)	
107,380	**(279)**	**1,067**	**(61,043)**	**(9,573)**	**(10,015)**	**(811)**	**7,919**	**2,182**	**720**	**42,235**	**(299)**	**79,483**	**1**
						(2)					2		
											4,939	4,939	
			(6,125)	(4,760)		(183)						(11,068)	
											(181)	(181)	
107,380	(279)	1,067	(67,168)	(14,333)	(10,015)	(996)	7,919	2,182	720	42,235	4,461	73,173	1
	107,101	**1,067**				**(92,512)**				**53,056**	**4,461**	**73,173**	**1**

The notes form an integral part of these financial statements.

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Petróleo Brasileiro S.A. Petrobras

Notes to the financial statements - unaudited

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

1. The Company and its operations

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

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 undertaken 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.

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2. Basis of preparation

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

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

These unaudited consolidated interim financial statements were approved and authorized for issue by the Company s Board of Directors in a meeting held on August 2, 2018.

2.2. Functional and presentation currency

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

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

Brazilian Real x U.S. Dollar	**Jun 2018**	**Mar 2018**	**Dec 2017**	**Sep 2017**	**Jun 2017**	**Mar 2017**
Quarterly average exchange rate	3.61	3.24	3.25	3.16	3.22	3.15
Period-end exchange rate	3.86	3.32	3.31	3.17	3.31	3.17

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

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

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 US$ 456 (US$ 455 through December 31, 2017).

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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.

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

4. Summary of significant accounting policies

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

4.1. IFRS 9 Financial Instruments

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

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

Item of Consolidated Statement of Financial Position	Balance at 12.31.2017	Adjustment by initial application of IFRS 9	Note	Balance at 01.01.2018
Current assets				

Trade and other receivables, net	4,972	(103)	4.1.3	4,869
Non-current assets				
Trade and other receivables, net	5,175	(19)	4.1.3	5,156
Deferred income taxes	3,438	146		3,584
Others	3,084	(2)	4.1.3	3,082
Current liabilities				
Finance debt	7,001	1	4.1.2	7,002
Non-current liabilities				
Finance debt	102,045	355	4.1.2	102,400
Equity				
Accumulated other comprehensive (deficit)	(81,422)	(20)	4.1.1	(81,442)
Retained earnings		(299)		(299)
Non-controlling interests	1,700	(15)		1,685

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

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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

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:

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

4.1.2. Modification of contractual cash flows

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

4.1.3. Impairment of financial assets

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

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

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

Significant increase in credit risk since initial recognition

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

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

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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.

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4.2. IFRS 15 Revenue from Contracts with Customers

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

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			
	Jan-Jun 2018	Agent	Breakage	Others	Amount without effects of initial application of IRFS 15 06.30.2018
Sales revenues	46,365	1,201	(132)	(24)	47,410
Cost of sales	(29,340)	(1,201)	13		(30,528)
Gross profit	17,025		(119)	(24)	16,882
Income and expenses	(6,911)		119	24	(6,768)
Income before finance income, results in equity-accounted investments and income taxes	**10,114**				**10,114**

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.

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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.

6. Cash and cash equivalents and Marketable securities

Cash and cash equivalents

	06.30.2018	**12.31.2017**
Cash at bank and in hand	453	1,570
Short-term financial investments		
- In Brazil		
Brazilian interbank deposit rate investment funds and other short-term deposits	2,283	1,176
Other investment funds	3	17
	2,286	1,193
- Abroad		
Time deposits	5,276	6,237
Automatic investing accounts and interest checking accounts	8,121	11,287
Other financial investments	861	2,232
	14,258	19,756
Total short-term financial investments	16,544	20,949
Total cash and cash equivalents	**16,997**	**22,519**

The principal uses of funds in the first half of 2018 were for debt service obligations (US$ 27,072), including pre-payment of debts, and acquisition of PP&E and intangibles assets (US$ 5,860). The uses of funds were principally provided by operating activities (US$ 13,948), proceeds from financing (US$ 8,149) and disposal of assets (US$ 4,914).

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

		06.30.2018			01.01.2018
	In Brazil	Total	In Brazil	Abroad	Total
Fair value through profit or loss	1,053	1,053	1,276		1,276
Fair value through other comprehensive income	7	7	13	609	622
Amortised cost	45	45	51		51
Total	**1,105**	**1,105**	**1,340**	**609**	**1,949**
Current	1,053	1,053	1,276	609	1,885
Non-current	52	52	64		64

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

At 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

	06.30.2018	12.31.2017
Receivables from contracts with customers		
Third parties	6,887	6,995
Related parties		
Investees (note 17.1)	467	530
Receivables from the electricity sector (note 7.4) (*)	4,190	5,247
Subtotal	**11,544**	**12,772**
Other trade receivables		
Third parties		
Receivables from divestments (**)	1,273	872
Finance lease receivables	534	550
Other receivables	1,036	1,647
Related parties		
Diesel subsidy (note 17.1)	153	
Petroleum and alcohol accounts -receivables from Brazilian Government	215	251
Subtotal	3,211	3,320
Total trade receivables	**14,755**	**16,092**
Expected credit losses (ECL) Third parties	(3,525)	(3,686)
Expected credit losses (ECL) Related parties	(1,252)	(2,259)
Total trade receivables, net	**9,978**	**10,147**
Current	5,027	4,972
Non-current	4,951	5,175

(*) Includes the amount of US$ 200 at June 30, 2018 (US$ 239 at December 31, 2017) regarding finance lease receivable from Amazonas Distribuidora de Energia.

(**) It comprises receivable from the divestment of the NTS and contingent payments from the sale of interest in Roncador field.

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

7.2. Aging of trade and other receivables third parties

	06.30.2018		12.31.2017	
	Trade receivables	ECL	Trade receivables	ECL
Current	6,114	(365)	5,760	(274)
Overdue:				
1-90 days	178	(12)	596	(73)
91-180 days	34	(15)	52	(36)
181-365 days	88	(64)	83	(47)
More than 365 days	3,317	(3,069)	3,573	(3,256)
Total	**9,731**	**(3,525)**	**10,064**	**(3,686)**

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7.3. Changes in allowance for expected credit losses

	Jan-Jun/2018	Jan-Dec/2017
Opening balance	5,945	5,426
Initial application of IFRS 9	122	
Additions	444	708
Write-offs	(1,112)	(110)
Transfer of assets held for sale	6	
Cumulative translation adjustment	(628)	(79)
Closing balance	**4,777**	**5,945**
Current	1,879	2,068
Non-current	2,898	3,877

For the first half of 2017, the Company had impairment of trade receivables in the amount of US$ 454.

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

Receivables from electricity sector	Receivables outside the scope of DAAs	DAA 2014	DAA 2018	Finance lease	Others	Total
Receivables	2,381	3,107		233	4	5,725
ECL	(2,187)	(332)			(4)	(2,523)
Balance at December 31, 2017	**194**	**2,775**		**233**		**3,202**
Sales	653					653
Amounts received	(411)	(141)	(53)	(22)	(3)	(630)
Interest	25	70	3	24		122
Derecognition of receivables	(1,094)			(1)		(1,095)
Agreement on 04/30/2018		127	453			580
Fair value adjustment			84			84
(Additions)/reversals of ECL	(293)	(103)			3	(393)
Derecognition of receivables ECL	1,094					1,094
CTA	(26)	(394)	(31)	(34)		(485)
Balance at June 30, 2018	**142**	**2,334**	**456**	**200**		**3,132**
Receivables	1,257	2,715	456	200	1	4,629
ECL	(1,115)	(381)			(1)	(1,497)
Balance at June 30, 2018	**142**	**2,334**	**456**	**200**		**3,132**

	Receivables	ECL	Total
Related parties Eletrobras Group			
Amazonas Energia AME	3,733	(1,031)	2,702
Centrais Elétricas de Rondônia CERON	336	(137)	199
Others	121	(26)	95
Total	4,190	(1,194)	2,996
Third parties			
Cia de Gás do Amazonas CIGÁS	155	(28)	127
Cia de Eletricidade do Amapá CEA	214	(214)	
Others	70	(61)	9
Total	439	(303)	136
Balance at June 30, 2018	4,629	(1,497)	3,132
Balance at December 31, 2017	**5,725**	**(2,523)**	**3,202**

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*).

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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 is 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 US$ 3,107.

The Company continued to sell its products to the isolated electricity system but took several measures to safeguard its interests arising from sales after the signing of the DAAs 2014, including judicial collection of all overdue receivables, as well as suspension of fuel supply on credit. Thus, the allowance for credit losses on receivables from electricity sector amounted US$ 2,522 at December 31, 2017, primarily reflected 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.

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 collateral by guaranties provided by Eletrobras (54%), collateral based on 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 US$ 103 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 US$ 2,334, 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 gross nominal value of US$ 1,752. 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, US$ 1,293 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 US$ 459 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. Considering the conditions attached to these guarantees, the Company recognized an asset of US$ 453 in the second quarter of 2018. At June 30, 2018, the outstanding amount of DAAs 2018 was US$ 456.

Based on the agreement reached on April 30, the Company recognized US$ 580 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.

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For the six-month period ended June 30, 2018, the Company accounted for allowance for expected credit losses amounting to US$ 393 (US$ 23 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

	06.30.2018	12.31.2017
Crude oil	4,407	3,647
Oil products	2,686	2,814
Intermediate products	710	613
Natural gas and LNG (*)	128	67
Biofuels	155	173
Fertilizers	39	25
Total products	8,125	7,339
Materials, supplies and others	1,091	1,150
Total	9,216	8,489

(*) Liquefied Natural Gas

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 US$ 4,336 (US$ 4,067 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). Along with other initiatives, the partnership and divestment program will enable the Company to reduce and improve its indebtedness and debt profile, respectively. For the 2017-2018 period, the target of proceeds from divestments is US$ 21 billion.

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 would 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 US$ 300 on March 21, 2018 and accounted it for within other income and expenses.

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

Disposal of Liquigás

On November 17, 2016 the Company s Board of Directors approved the disposal of its wholly-owned subsidiary Liquigás Distribuidora S.A, a group entity from the RT&M business segment (Refining, Transportation and Marketing), to Companhia 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 US$ 828.

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

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

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

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Disposal of Suape and Citepe petrochemical plants

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

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

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

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

Following price adjustments in the transaction closing, reversals of impairment in the amount of US$ 77 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 US$ 47.

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

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

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

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

The negotiations relating to the power plants deal is 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$ 55.

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This transaction was concluded on April 30, 2018 upon fulfillment of the conditions precedent, adjustments set forth in the agreement and payment of US$ 57 to the Company, resulting in a US$ 45 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 paid at the signature date of the agreement, contingent payments relating to investments in projects to increase the recovery factor of the field, limited to US$ 550, and the remaining amount will be paid at the transaction closing.

On June 14, 2018, this transaction was completed upon receipt of US$ 2 billion, including price adjustments at its closing amounting to US$ 14, in addition to the US$ 118 received as an advance on the signing date. Additionally, Equinor will make payments, limited to US$ 550, 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, net of the aforementioned advance.

Following the closing of this transaction, the Company recognized a US$ 222 as loss within other income and expenses.

All the conditions precedent to the closing were 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, of which US$ 49 was deposited in an escrow account at the signing date, and the remaining amount will be disbursed to the Company on the transaction closing, including US$ 55 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.

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9.2. Assets classified as held for sale

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

	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		38			38	8
Trade receivables		36			36	117
Inventories		60			60	128
Investments		1			1	5
Property, plant and equipment	3	68		81	152	4,751
Others		113			113	309
Total	**3**	**316**		**81**	**400**	**5,318**
Liabilities on assets classified as held for sale						
Trade Payables		18			18	102
Finance debt						
Provision for decommissioning costs						170
Others		25			25	119
Total		**43**			**43**	**391**

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 US$ 5.72 dollars. The settlement of the transaction occurred on February 21, 2018, closing the complete disposal of PBIO s interests in São Martinho s capital.

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10. Investments

10.1. Investments in associates and joint ventures

	Balance at 12.31.2017	Investments	Restructuring, capital decrease and others	Results in equity-accounted investments	CTA	OCI	Dividends	Balance at 06.30.2018
Joint Ventures								
Petrobras Oil & Gas B.V. PO&G	1,410			5			(254)	1,161
State-controlled natural gas distributors	345			40	(51)		(41)	293
Compañia Mega S.A. MEGA	49			(13)	41			77
Petrochemical joint ventures	29		(1)	9	(6)		(6)	25
Other joint ventures	104	20	1	(1)	(18)	1	(11)	96
Associates								
Nova Transportadora do Sudeste	331			27	(47)		(30)	281
Petrochemical associates	1,461			173	(123)	(179)	(151)	1,181
Other associates	48	8	4	4	(8)			56
Other investments	**18**				**(1)**			**17**
Total	**3,795**	**28**	**4**	**244**	**(213)**	**(178)**	**(493)**	**3,187**

10.2. Investments in non- consolidated listed companies

	Thousand-share lot			Quoted stock exchange prices (US$ per share)		Market value	
	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	Common	12.65	13.15	2,687	2,794
Braskem S.A.	75,793	75,793	Preferred A	13.16	12.96	998	982
						3,685	**3,776**

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 US$ 3,685 based on the quoted values of both Petrobras interest in

Braskem s common stock (47% of the outstanding shares), and preferred stock (22% of the outstanding shares). However, there is extremely limited trading of the common shares, since non-signatories of the shareholders agreement hold only approximately 3% of the common shares.

Since July 2017, the Company has been negotiating with Odebrecht S.A., the controlling shareholder of Braskem 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, 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 tag-along right as set forth in Braskem S.A. Shareholder s Agreement.

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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.

11. Property, plant and equipment

11.1. By class of assets

	Land, buildings and improvement	**Equipment and other assets (*)**	**Assets under construction (**)**	**Exploration and development costs (oil and gas producing properties) (***)**	**Total**
Balance at January 1, 2017	**6,982**	**78,724**	**38,569**	**51,195**	**175,470**
Additions	2	1,167	11,031	31	12,231
Additions to / review of estimates of decommissioning costs				4,503	4,503
Capitalized borrowing costs			1,972		1,972
Write-offs	(14)	(6)	(545)	(35)	(600)
Transfers (****)	316	3,296	(7,631)	3,079	(940)
Depreciation, amortization and depletion	(437)	(7,320)		(5,366)	(13,123)
Impairment recognition	(145)	(937)	(568)	(892)	(2,542)
Impairment reversal	52	831	165	692	1,740
Cumulative translation adjustment	(91)	(753)	(472)	(745)	(2,061)
Balance at December 31, 2017	**6,665**	**75,002**	**42,521**	**52,462**	**176,650**
Cost	9,914	128,603	42,521	86,491	267,529
Accumulated depreciation, amortization and depletion	(3,249)	(53,601)		(34,029)	(90,879)
Balance at December 31, 2017	**6,665**	**75,002**	**42,521**	**52,462**	**176,650**
Additions	2	625	4,924	3	5,554
Additions to / review of estimates of decommissioning costs				25	25
Capitalized borrowing costs			986		986

Write-offs	(44)	(8)	(130)	(6)	(188)
Transfers [(****)]	234	1,618	(5,140)	3,878	590
Depreciation, amortization and depletion	(222)	(3,265)		(2,903)	(6,390)
Impairment recognition		(1)	(38)		(39)
Cumulative translation adjustment	(924)	(7,299)	(4,623)	(7,310)	(20,156)
Balance at June 30, 2018	**5,711**	**66,672**	**38,500**	**46,149**	**157,032**
Cost	8,674	117,406	38,500	77,186	241,766
Accumulated depreciation, amortization and depletion	(2,963)	(50,734)		(31,037)	(84,734)
Balance at June 30, 2018	**5,711**	**66,672**	**38,500**	**46,149**	**157,032**
Weighted average 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, property, plant and equipment include assets under finance leases of US$ 99 (US$ 118 as of December 31, 2017).

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

Petrobras and the Brazilian Federal Government entered into the Assignment Agreement in 2010, which grants the Company the right to carry out prospecting and drilling activities for oil, natural gas and other liquid hydrocarbons located in the pre-salt area, subject to a maximum production of five billion barrels of oil equivalent. The agreement has a term of forty years and is renewable for a further five years subject to certain conditions. As of June 30, 2018, the Company s property, plant and equipment include the amount of US$ 19,401 related to the Assignment Agreement (US$ 22,614 as of December 31, 2017).

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

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

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

The 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

	Rights and Concessions	Software		Goodwill	Total
		Acquired	Developed in-house		
Balance at January 1, 2017	**2,678**	**68**	**306**	**220**	**3,272**
Addition	935	16	61		1,012
Capitalized borrowing costs			4		4
Write-offs	(81)		(2)		(83)
Transfers	(1,656)	2			(1,654)
Amortization	(20)	(29)	(101)		(150)
Impairment recognition	(33)				(33)
Cumulative translation adjustment	(22)		(4)	(2)	(28)
Balance at December 31, 2017	**1,801**	**57**	**264**	**218**	**2,340**
Cost	2,006	496	1,225	218	3,945
Accumulated amortization	(205)	(439)	(961)		(1,605)
Balance at December 31, 2017	**1,801**	**57**	**264**	**218**	**2,340**
Addition	2	14	24		40
Capitalized borrowing costs			2		2
Write-offs	(12)				(12)
Transfers	(1)	6	(3)	14	16
Amortization	(7)	(13)	(40)		(60)
Cumulative translation adjustment	(249)	(9)	(36)	(28)	(322)
Balance at June 30, 2018	**1,534**	**55**	**211**	**204**	**2,004**
Cost	1,750	472	1,076	204	3,502
Accumulated amortization	(216)	(417)	(865)		(1,498)
Balance at June 30, 2018	**1,534**	**55**	**211**	**204**	**2,004**
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 US$ 571.

13. Exploration and evaluation of oil and gas reserves

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

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

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	Jan-Jun/2018	Jan-Dec/2017
Capitalized Exploratory Well Costs / Capitalized Acquisition Costs (*)		
Property plant and equipment		
Opening Balance	4,522	5,133
Additions to capitalized costs pending determination of proved reserves	338	797
Capitalized exploratory costs charged to expense	(4)	(107)
Transfers upon recognition of proved reserves	(194)	(1,227)
Cumulative translation adjustment	(644)	(74)
Closing Balance	4,018	4,522
Intangible Assets	1,182	1,390
Capitalized Exploratory Well Costs / Capitalized Acquisition Costs	**5,200**	**5,912**

(*) Amounts capitalized and subsequently expensed in the same period have been excluded from this table.
Exploration costs recognized in the statement of income and cash used in oil and gas exploration and evaluation activities are set out in the following table:

	2018		2017	
	Apr-Jun	Jan-Jun	Apr-Jun	Jan-Jun
Exploration costs recognized in the statement of income				
Geological and geophysical expenses	75	166	93	178
Exploration expenditures written off (includes dry wells and signature bonuses)	57	65	93	101
Contractual penalties	24	60	0	
Other exploration expenses	6	7	1	2
Total expenses	**162**	**298**	**187**	**281**
	Apr-Jun	Jan-Jun	Apr-Jun	Jan-Jun
Cash used in :				
Operating activities	80	172	97	184
Investment activities	164	388	225	432
Total cash used	**244**	**560**	**322**	**616**

In the first half of 2018, the Company recognized a provision in the amount of US$ 60 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

	06.30.2018	12.31.2017
Third parties in Brazil	3,346	3,671
Third parties abroad	1,387	1,380
Related parties	653	716
Balance in current liabilities	**5,386**	**5,767**

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15. Finance debt

15.1. Balance by type of finance debt

	06.30.2018	12.31.2017
In Brazil		
Banking Market	10,126	12,672
Capital Market	3,122	3,649
Development banks	4,238	5,571
Others	37	38
Total	**17,523**	**21,930**
Abroad		
Banking Market	27,440	31,265
Capital Market	42,165	51,912
Export Credit Agency	4,123	3,670
Others	265	269
Total	**73,993**	**87,116**
Total finance debt		