

PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
August 11, 2017

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

For the month of August, 2017

Commission File Number 1-15106

PETRÓLEO BRASILEIRO S.A. - PETROBRAS

(Exact name of registrant as specified in its charter)

Brazilian Petroleum Corporation - PETROBRAS

(Translation of Registrant's name into English)

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

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(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

FINANCIAL REPORT

FIRST HALF OF 2017 RESULTS

Derived from consolidated interim financial information reviewed by independent auditors, prepared in accordance with International Financial Reporting Standards - IFRS.

Rio de Janeiro – August 10, 2017

Main financial highlights

Net Income of R\$ 4,765 million in 1H-2017, compared to a loss of R\$ 876 million in 1H-2016, as a result of:

Increase of R\$ 9,554 million in export revenues due to higher volume and oil prices;

Gain of R\$ 6,977 million due to the sale of participation in Nova Transportadora do Sudeste (NTS);

Reduction of 68% in exploratory costs and 16% in sales, general and administrative expenses;

Reduction of 7% in oil products sales in the domestic market and lower import expenses;

Expenses with adherence to Tax Settlement Programs (R\$ 6,234 million);

Higher production taxes due to a higher oil price; and

Provision for losses with receivables related to Vitória 10.000 drillship (R\$ 818 million).

Net income of 2Q-2017 remained in the same level in relation to 2Q-2016, reflecting the lower oil products margins, the reduction in the sales volume and the lower operating expenses.

Rise of 6% of the Adjusted EBITDA* to R\$ 44,348 million in 1H-2017, reflecting lower operational expenses and import costs. Adjusted EBITDA Margin* was 33% in 1H-2017.

In 1H-2017, Free Cash Flow* reached R\$ 22,722 million, 70% higher than 1H-2016. This result reflects the combination of improvement in generation and reduction in investments. Free Cash Flow* in 2Q-2017 was positive for the ninth quarter in a row.

Gross debt decreased 2%, from R\$ 385,784 million as of December 31, 2016 to R\$ 376,587 million and Net Debt* decreased 6%, from R\$ 314,120 million as of December 31, 2016 to R\$ 295,300 million as of June 30, 2017.

In dollars, the decrease was of 7% (US\$ 7,118 million) in Net Debt*, from US\$ 96,381 million as of December 31, 2016 to US\$ 89.263 million as of June 30, 2017. In addition, the liquidity management led to a weighted average maturity of outstanding debt to increase from 7.46 years as of December 31, 2016 to 7.88 years as of June 30, 2017.

Reduction of the ratio between Net Debt* and LTM Adjusted EBITDA*, from 3.54 as of December 31, 2016 to 3.23 as of June 30, 2017. During the same period, Leverage* decreased from 55% to 53%.

Petrobras employees as of June 30, 2017 were 63,152, a decrease of 18% compared to June 30, 2016, due to the voluntary separation incentive plan.

Main operating highlights

Total crude oil and natural gas production reached 2,791 thousand boed in 1S-2017, being 2,671 thousand boed in Brazil, 6% higher than 1H-2016.

In 2Q-2017, the FPSO P-66 started its operations in the Lula-South area, in the pre-salt of Santos basin and, in June, a record of operated production of crude oil and natural gas in the pre-salt area, of 1,686 thousand boed, was achieved. Furthermore, there were fewer expenses related to rig idleness.

In 1H-2017, output of domestic oil products decreased by 7% when compared to 1H-2016, to 1,805 thousand bpd. Domestic oil product sales decreased 7% to 1,943 thousand bpd.

The Company sustained its position of net exporter, with a balance of 401 thousand bpd in 1H-2017 (vs. 62 thousand bpd in 1H-2016) due to the increase in exports of 48% and reduction in imports of 25%, when compared to 1H-2016.

Contributed to the decrease in the import volumes in 1H-2017, the higher share of domestic crude in the processed feedstock and of domestic natural gas in the sales mix.

*See definitions of Free Cash Flow, Adjusted EBITDA, LTM Adjusted EBITDA, Adjusted EBITDA Margin, Net Debt and Leverage in glossary and the respective reconciliations of such items in Liquidity and Capital Resources, Reconciliation of Adjusted EBITDA and Net Debt.

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BM&F BOVESPA: PETR3, PETR4

NYSE: PBR, PBRA

BCBA: APBR, APBRA

LATIBEX: XPBR, XPBRA

This release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are subject to risks and uncertainties. The forward-looking statements, which address the Company's expected business and financial performance, among other matters, contain words such as "believe," "expect," "estimate," "anticipate," "optimistic," "intend," "aim," "will," "may," "should," "could," "would," "likely," and similar expressions. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. There is no assurance that the expected events, trends or results will actually occur. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason.

*See definitions of Free Cash Flow, Adjusted EBITDA, Adjusted LTM EBITDA and Net debt in glossary and the respective reconciliations of such items in Liquidity and Capital Resources, Reconciliation of Adjusted EBITDA, Adjusted LTM EBITDA and Net debt.

*Table 01 - Main Items and Consolidated Economic Indicators

| | R\$ million | | | | | | |
|---------------------------------------------------------------------------------------------|-------------|----------|--------------------|---------|---------|------------------|---------|
| | Jan-Jun | | | 2Q-2017 | 1Q-2017 | 2Q17 | |
| | 2017 | 2016 | 2017 x 2016 (%) | | | X 1Q17 (%) | 2Q-2016 |
| Sales revenues | 135,361 | 141,657 | (4) | 66,996 | 68,365 | (2) | 71,320 |
| Gross profit | 45,155 | 43,829 | 3 | 21,369 | 23,786 | (10) | 22,821 |
| Operating income (loss) | 29,260 | 15,332 | 91 | 14,990 | 14,270 | 5 | 7,184 |
| Net finance income (expense) | (16,590) | (14,754) | (12) | (8,835) | (7,755) | (14) | (6,061) |
| Consolidated net income (loss) attributable to the shareholders of Petrobras | 4,765 | (876) | 644 | 316 | 4,449 | (93) | 370 |
| Basic and diluted earnings (losses) per share attributable to the shareholders of Petrobras | 0.37 | (0.07) | 629 | 0.03 | 0.34 | (91) | 0.03 |
| Market capitalization (Parent Company) | 167,538 | 138,434 | 21 | 167,538 | 193,926 | (14) | 138,434 |
| Adjusted EBITDA* | 44,348 | 41,643 | 6 | 19,094 | 25,254 | (24) | 20,450 |
| Adjusted EBITDA margin* (%) | 33 | 29 | 4 | 29 | 37 | (8) | 29 |
| Gross margin* (%) | 33 | 31 | 2 | 32 | 35 | (3) | 32 |
| Operating margin* (%) | 22 | 11 | 11 | 22 | 21 | 1 | 10 |
| Net margin* (%) | 4 | (1) | 5 | — | 7 | (7) | 1 |
| Total capital expenditures and investments | 22,993 | 29,028 | (21) | 11,451 | 11,542 | (1) | 13,435 |
| Exploration & Production | 18,300 | 25,705 | (29) | 9,088 | 9,213 | (1) | 11,935 |
| Refining, Transportation and Marketing | 1,875 | 1,777 | 6 | 1,059 | 816 | 30 | 825 |
| Gas & Power | 2,439 | 651 | 275 | 1,113 | 1,326 | (16) | 359 |
| Distribution | 148 | 220 | (33) | 77 | 71 | 8 | 121 |
| Biofuel | 33 | 325 | (90) | 15 | 18 | (17) | 54 |
| Corporate | 198 | 350 | (43) | 99 | 99 | — | 141 |
| Average commercial selling rate for U.S. dollar | 3.18 | 3.70 | (14) | 3.22 | 3.15 | 2 | 3.51 |
| Period-end commercial selling rate for U.S. dollar | 3.31 | 3.21 | 3 | 3.31 | 3.17 | 4 | 3.21 |
| Variation of the period-end commercial selling rate for U.S. dollar (%) | 1.5 | (17.8) | 19 | 4.4 | (2.8) | 7 | (9.8) |
| Domestic basic oil products price (R\$/bbl) | 223.55 | 230.30 | (3) | 219.48 | 227.62 | (4) | 228.95 |
| Brent crude (R\$/bbl) | 164.51 | 145.90 | 13 | 159.97 | 169.04 | (5) | 159.79 |
| Brent crude (US\$/bbl) | 51.81 | 39.73 | 30 | 49.83 | 53.78 | (7) | 45.57 |
| Domestic Sales Price | | | | | | | |
| Crude oil (U.S. dollars/bbl) | 48.98 | 34.54 | 42 | 47.25 | 50.70 | (7) | 39.86 |
| Natural gas (U.S. dollars/bbl) | 37.61 | 30.07 | 25 | 38.90 | 36.18 | 8 | 29.90 |
| International Sales price | | | | | | | |
| Crude oil (U.S. dollars/bbl) | 45.03 | 44.37 | 1 | 43.77 | 46.21 | (5) | 47.24 |
| Natural gas (U.S. dollars/bbl) | 19.94 | 22.45 | (11) | 20.17 | 19.73 | 2 | 21.74 |
| Total sales volume (Mbbbl/d) | | | | | | | |
| Diesel | 712 | 804 | (11) | 721 | 702 | 3 | 811 |
| Gasoline | 536 | 553 | (3) | 533 | 539 | (1) | 541 |
| Fuel oil | 53 | 72 | (26) | 50 | 56 | (11) | 64 |
| Naphtha | 145 | 142 | 2 | 125 | 165 | (24) | 172 |
| LPG | 231 | 227 | 2 | 238 | 224 | 6 | 236 |
| Jet fuel | 99 | 102 | (3) | 96 | 101 | (5) | 97 |
| Others | 167 | 183 | (9) | 170 | 164 | 4 | 188 |

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| | | | | | | | |
|--------------------------------------------------------------|-------|-------|------|-------|-------|------|-------|
| Total oil products | 1,943 | 2,083 | (7) | 1,933 | 1,951 | (1) | 2,109 |
| Ethanol, nitrogen fertilizers, renewables and other products | 105 | 111 | (5) | 112 | 99 | 13 | 111 |
| Natural gas | 335 | 338 | (1) | 350 | 319 | 10 | 316 |
| Total domestic market | 2,383 | 2,532 | (6) | 2,395 | 2,369 | 1 | 2,536 |
| Crude oil, oil products and others exports | 720 | 494 | 46 | 659 | 782 | (16) | 532 |
| International sales | 239 | 473 | (49) | 237 | 242 | (2) | 488 |
| Total international market | 959 | 967 | (1) | 896 | 1,024 | (13) | 1,020 |
| Total | 3,342 | 3,499 | (4) | 3,291 | 3,393 | (3) | 3,556 |

* See definitions of Adjusted EBITDA, Adjusted EBITDA Margin, Gross Margin, Operating Margin and Net Margin in glossary and the reconciliation in Reconciliation of Adjusted EBITDA.

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2Q-2017 x 1Q-2017 Results*:

Gross Profit

Gross profit was R\$ 21,369 million, a 10% decrease, mainly due to lower diesel and gasoline margins, lower volume of oil exports (due to stock sales occurred in 1Q-2017) and higher costs with imports of oil and natural gas. On the other hand, there were higher sales of diesel and natural gas.

Operating Income

Operating income increased 5%, reaching R\$ 14,990 million, reflecting the gains with NTS sale and the adherence to the Tax Settlement Program (Program de Regularização Tributária – PRT) which reversed provision for losses in legal proceedings of previous periods. There were higher sales expenses, due to third parties payments for the use of the gas pipelines as a result of the NTS sale and increase in tax expenses, due to the PRT and Special Tax Settlement Program (PERT) enrollment, in addition to provision for losses with receivables from Vitória 10.000 drillship. General and administrative expenses remained flat.

Net Financial Expenses

Net financial expenses were 14% higher due to adherence to the Tax Settlement Programs (see Note 20.2 of the interim financial statements).

Net Result

The quarterly net income reached R\$ 316 million, a decrease of 93%, due to higher income tax as a result of the PERT program.

Adjusted EBITDA**

Adjusted EBITDA was 24% lower mainly due to lower oil products margins and lower export volume. The Adjusted EBITDA Margin** was 29% in 2Q-2017.

Free Cash Flow**

The Free Cash Flow was positive for the ninth quarter in a row, reaching R\$ 9,354 million, 30% lower than 1Q-2017, mainly due to the reduction of the operating cash flow by 15% and investments increase by 4%.

* Additional information related to operating results 2Q-2017 x 1Q-2017, see item 6.

** See definitions of Free Cash Flow and Adjusted EBITDA, Adjusted EBITDA Margin in glossary and the respective reconciliations in Liquidity and Capital Resources and Reconciliation of Adjusted EBITDA.

1H-2017 x 1H-2016 Results*:

Gross Profit

Gross profit increased 3% to R\$ 45,155 million mainly due to lower oil and natural gas import costs and higher oil and oil products exports. The increase of domestic oil production in addition to higher domestic oil share in the processed feedstock, and of domestic natural gas in the sales mix contributed to the result.

On the other hand, there was reduction in the sale of oil products in the domestic market of 7%, lower revenues from international operations, due to the sale of Petrobras Argentina S.A. (PESA) and of Petrobras Chile Distribución Ltda. (PCD) and higher production taxes.

Operating Income

Operating income was R\$ 29,260 million, 91% higher due to the gains with NTS sale, lower expenses associated with employees, due to the voluntary separation plan's impact, the reduced costs with asset write-off of dry and/or subcommercial well and the decrease in drilling rigs idleness.

There was a reduction in operating expenses, despite the adherence to the Tax Settlement Programs (see Note 20.2 of the interim financial statement) and the provision for losses with receivables from Vitoria 10.000 drillship.

Net Finance Expense

Net finance expense of R\$ 16,590 million, a R\$ 1,836 million increase due to the lower foreign exchange losses of the U.S. dollar against the Euro and charges related to the Tax Settlement Programs.

Net Income (loss) attributable to the shareholders of Petrobras

Net income attributable to the shareholders of Petrobras was R\$ 4,765 million in 1H-2017, compared to a net loss of R\$ 876 million in 1H-2016, mainly due to increase in exports, lower import costs, reduction in operational expenses and adherence to the Tax Settlement Programs.

Adjusted EBITDA**

Adjusted EBITDA increased by 6% when compared to 1S-2016, to R\$ 44,348 million, mainly due to lower costs associated with imports and operating expenses. The Adjusted EBITDA Margin** reached 33% in 1H-2017.

Free Cash Flow**

The higher operating cash flow and lower investments resulted in a positive Free Cash Flow of R\$ 22,722 million, 70% higher than 1H-2016.

* Additional information about operating results of 1H-2017 x 1H-2016, see item 7.

** See definitions of Free Cash Flow, Adjusted EBITDA and Adjusted EBITDA Margin in glossary and the respective reconciliations in Liquidity and Capital Resources and Reconciliation of Adjusted EBITDA.

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Table 02 - Exploration & Production Main Indicators

| R\$ million | | | | | | | |
|-----------------------------------------------------------------|---------|---------|--------------------|---------|---------|--------------------|---------|
| Jan-Jun | | | | | | | |
| | 2017 | 2016 | 2017 x 2016 (%) | 2Q-2017 | 1Q-2017 | 2Q17 X 1Q17 (%) | 2Q-2016 |
| Sales revenues | 65,055 | 53,297 | 22 | 31,804 | 33,251 | (4) | 29,622 |
| Brazil | 63,598 | 50,394 | 26 | 31,109 | 32,489 | (4) | 28,185 |
| Abroad | 1,457 | 2,903 | (50) | 695 | 762 | (9) | 1,437 |
| Gross profit | 22,269 | 10,862 | 105 | 10,448 | 11,821 | (12) | 8,024 |
| Brazil | 21,794 | 9,907 | 120 | 10,265 | 11,529 | (11) | 7,549 |
| Abroad | 475 | 955 | (50) | 183 | 292 | (37) | 475 |
| Operating expenses | (5,248) | (8,754) | 40 | (3,315) | (1,933) | (71) | (5,143) |
| Brazil | (4,205) | (7,983) | 47 | (2,395) | (1,810) | (32) | (4,585) |
| Abroad | (1,043) | (771) | (35) | (920) | (123) | (648) | (558) |
| Operating income (loss) | 17,021 | 2,108 | 707 | 7,133 | 9,888 | (28) | 2,881 |
| Brazil | 17,589 | 1,924 | 814 | 7,871 | 9,718 | (19) | 2,965 |
| Abroad | (568) | 184 | (409) | (738) | 170 | (534) | (84) |
| Net income (loss) attributable to the shareholders of Petrobras | 11,371 | 1,557 | 630 | 4,871 | 6,500 | (25) | 2,162 |
| Brazil | 11,598 | 1,492 | 677 | 5,243 | 6,355 | (17) | 2,208 |
| Abroad | (227) | 65 | (449) | (372) | 145 | (357) | (46) |
| Adjusted EBITDA of the segment* | 32,844 | 21,110 | 56 | 15,014 | 17,830 | (16) | 11,893 |
| Brazil | 32,810 | 20,009 | 64 | 15,447 | 17,363 | (11) | 11,549 |
| Abroad | 34 | 1,101 | (97) | (433) | 467 | (193) | 344 |
| EBITDA margin of the segment (%)* | 50 | 40 | 11 | 47 | 54 | (6) | 40 |
| Capital expenditures of the segment | 18,300 | 25,705 | (29) | 9,088 | 9,213 | (1) | 11,935 |
| Average Brent crude (R\$/bbl) | 164.51 | 145.90 | 13 | 159.97 | 169.04 | (5) | 159.79 |
| Average Brent crude (US\$/bbl) | 51.81 | 39.73 | 30 | 49.83 | 53.78 | (7) | 45.57 |
| Sales price - Brazil | | | | | | | |
| Crude oil (US\$/bbl) | 48.98 | 34.54 | 42 | 47.25 | 50.70 | (7) | 39.86 |
| Sales price - Abroad | | | | | | | |
| Crude oil (US\$/bbl) | 45.03 | 44.37 | 1 | 43.77 | 46.21 | (5) | 47.24 |
| Natural gas (US\$/bbl) | 19.94 | 22.45 | (11) | 20.17 | 19.73 | 2 | 21.74 |
| Crude oil and NGL production (Mbbbl/d) | 2,237 | 2,145 | 4 | 2,225 | 2,248 | (1) | 2,223 |
| Brazil | 2,171 | 2,056 | 6 | 2,160 | 2,182 | (1) | 2,133 |
| Abroad | 42 | 63 | (33) | 42 | 42 | - | 63 |
| Non-consolidated production abroad | 24 | 26 | (8) | 23 | 24 | (4) | 27 |
| Natural gas production (Mbbbl/d) | 554 | 565 | (2) | 551 | 557 | (1) | 581 |
| Brazil | 500 | 467 | 7 | 498 | 501 | (1) | 479 |
| Abroad | 54 | 98 | (45) | 53 | 56 | (5) | 102 |
| Total production | 2,791 | 2,710 | 3 | 2,776 | 2,805 | (1) | 2,804 |
| Lifting cost - Brazil (US\$/barrel) | | | | | | | |
| excluding production taxes | 11.02 | 10.75 | 3 | 11.21 | 10.83 | 4 | 11.00 |
| including production taxes | 19.54 | 15.47 | 26 | 18.71 | 20.38 | (8) | 17.37 |
| Lifting cost - Brazil (R\$/barrel) | | | | | | | |
| excluding production taxes | 34.87 | 38.68 | (10) | 36.09 | 33.65 | 7 | 37.64 |
| including production taxes | 62.03 | 55.05 | 13 | 61.34 | 62.73 | (2) | 58.93 |
| Lifting cost - Abroad without production taxes (US\$/barrel) | 5.12 | 5.56 | (8) | 5.67 | 4.56 | 24 | 5.49 |
| Production taxes - Brazil | 11,603 | 6,612 | 75 | 5,401 | 6,202 | (13) | 4,453 |

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|-------------------------------|-------|-------|------|-------|-------|------|-------|
| Royalties | 5,969 | 4,385 | 36 | 2,847 | 3,122 | (9) | 2,472 |
| Special participation charges | 5,540 | 2,137 | 159 | 2,507 | 3,033 | (17) | 1,938 |
| Retention of areas | 94 | 90 | 4 | 47 | 47 | – | 43 |
| Production taxes - Abroad | 281 | 518 | (46) | 148 | 133 | 11 | 244 |

*

* See definition of Adjusted EBITDA and Adjusted EBITDA Margin in Glossary and reconciliation in Reconciliation of Consolidated Adjusted EBITDA Statement by Segment.

6

RESULT BY BUSINESS SEGMENT

EXPLORATION & PRODUCTION

1H-2017 x 1H-2016

2Q-2017 x 1Q-2017

Gross Profit

Gross profit increased due to higher oil prices and higher production in Brazil, partially offset by increase in production taxes.

The decrease in gross profit was a result of lower revenues, derived from lower oil prices, slightly offset by lower production taxes.

Operating Income

Operating income reflects higher gross profit and lower expenses with assets write-off of dry and/or sub commercial wells and drilling rigs idleness.

Decrease in operating income due to lower gross profit and provisions for losses with receivables related to Vitória 10.000 drillship.

Operating Results

Production

Domestic crude oil and NGL production increased by 6% and domestic natural gas production by 7% due to ramp-ups and new wells in Lula, Sapinhoá, Parque das Baleias and Marlim Sul fields and the start-up of production on new systems: FPSOs Cid. de Caraguatatuba (Lapa field), Cid. de Saquarema and P-66 (Lula field).

Domestic crude oil and NGL production decreased by 1% mainly due to scheduled stops by Lula (FPSO Cidade de Mangaratiba), Barracuda e Caratinga (P-43), Albacora (P-25) e Marlim (P-37 e P-19).

The production of oil and NGL abroad declined 33%, as a result of the sale of Petrobras Argentina in 2016, balanced by the start of production of new wells at Saint Malo and Lucius fields in the USA.

Domestic natural gas production remained stable.

Natural gas production abroad decreased 45% due to the sale of participation in PESA in 2016 and to the lower demand of Bolivian gas from Brazil.

International crude oil and NGL production remained stable.

Lifting Cost

Lifting cost increased mainly due to foreign exchange charges over the costs denominated in Brazilian Real. This result was partially offset by lower expenditures associated with maintenance, logistics

The indicator in US dollar increased due to higher costs associated with well intervention and maintenance of rigs.

services and personnel and higher production.

Additionally, higher production taxes were caused by higher oil prices.

Lifting cost abroad decreased 8% due to the sale of PESA in 2016, partially offset by the higher charter costs in the U.S.A, in the Cascade and Chinook fields.

On the other hand, there were lower production taxes caused by decrease in oil prices.

Lifting cost abroad increased 24% mainly in the U.S.A, due to submarine inspections in the Cascade and Chinook fields.

*Table 03 - Refining, Transportation and Marketing Main Indicators

| | R\$ million | | | | | | |
|-----------------------------------------------------------------|-------------|---------|--------------------|---------|---------|--------------------|---------|
| | Jan-Jun | | | 2Q-2017 | 1Q-2017 | 2Q17 X 1Q17 (%) | 2Q-2016 |
| | 2017 | 2016 | 2017 x 2016 (%) | | | | |
| Sales revenues | 105,230 | 109,032 | (3) | 51,301 | 53,929 | (5) | 55,947 |
| Brazil (includes trading operations abroad) | 107,645 | 109,331 | (2) | 52,747 | 54,898 | (4) | 56,220 |
| Abroad | 2,840 | 6,192 | (54) | 1,877 | 963 | 95 | 3,306 |
| Eliminations | (5,255) | (6,491) | 19 | (3,323) | (1,932) | (72) | (3,579) |
| Gross profit | 14,017 | 28,067 | (50) | 6,639 | 7,378 | (10) | 14,081 |
| Brazil | 14,117 | 27,902 | (49) | 6,690 | 7,427 | (10) | 13,798 |
| Abroad | (100) | 165 | (161) | (51) | (49) | (4) | 283 |
| Operating expenses | (4,119) | (6,227) | 34 | (1,997) | (2,122) | 6 | (3,736) |
| Brazil | (4,031) | (6,008) | 33 | (1,967) | (2,064) | 5 | (3,618) |
| Abroad | (88) | (219) | 60 | (30) | (58) | 48 | (118) |
| Operating income (loss) | 9,898 | 21,840 | (55) | 4,642 | 5,256 | (12) | 10,345 |
| Brazil | 10,086 | 21,894 | (54) | 4,723 | 5,363 | (12) | 10,180 |
| Abroad | (188) | (54) | (248) | (81) | (107) | 24 | 165 |
| Net income (loss) attributable to the shareholders of Petrobras | 7,530 | 15,184 | (50) | 3,470 | 4,060 | (15) | 7,208 |
| Brazil | 7,654 | 15,234 | (50) | 3,523 | 4,131 | (15) | 7,048 |
| Abroad | (124) | (50) | (148) | (53) | (71) | 25 | 160 |
| Adjusted EBITDA of the segment* | 13,953 | 26,962 | (48) | 6,730 | 7,223 | (7) | 13,514 |
| Brazil | 14,048 | 26,899 | (48) | 6,760 | 7,288 | (7) | 13,299 |
| Abroad | (95) | 63 | (250) | (30) | (65) | 54 | 215 |
| EBITDA margin of the segment (%)* | 13 | 25 | (11) | 13 | 13 | - | 24 |
| Capital expenditures of the segment | 1,875 | 1,777 | 6 | 1,059 | 816 | 30 | 825 |
| Domestic basic oil products price (R\$/bbl) | 223.55 | 230.30 | (3) | 219.48 | 227.62 | (4) | 228.95 |
| Imports (Mbb/d) | 316 | 422 | (25) | 341 | 290 | 18 | 359 |
| Crude oil import | 116 | 160 | (28) | 139 | 93 | 49 | 122 |
| Diesel import | 5 | 23 | (78) | 10 | - | - | - |
| Gasoline import | 10 | 46 | (78) | 7 | 13 | (46) | 41 |
| Other oil product import | 185 | 193 | (4) | 185 | 184 | 1 | 196 |
| Exports (Mbb/d) | 717 | 484 | 48 | 654 | 779 | (16) | 515 |
| Crude oil export | 548 | 324 | 69 | 487 | 609 | (20) | 341 |
| Oil product export | 169 | 160 | 6 | 167 | 170 | (2) | 174 |
| Exports (imports), net | 401 | 62 | 547 | 313 | 489 | (36) | 156 |
| Refining Operations - Brazil (Mbb/d) | | | | | | | |
| Oil products output | 1,805 | 1,939 | (7) | 1,798 | 1,811 | (1) | 1,919 |
| Reference feedstock | 2,176 | 2,176 | - | 2,176 | 2,176 | - | 2,176 |
| Refining plants utilization factor (%) | 77 | 84 | (7) | 78 | 77 | 1 | 84 |
| Processed feedstock (excluding NGL) | 1,686 | 1,828 | (8) | 1,691 | 1,681 | 1 | 1,820 |
| Processed feedstock | 1,735 | 1,869 | (7) | 1,745 | 1,725 | 1 | 1,869 |
| Domestic crude oil as % of total processed feedstock | 94 | 90 | 4 | 93 | 95 | (2) | 91 |
| Refining Operations - Abroad (Mbb/d) | | | | | | | |
| Total processed feedstock | 84 | 138 | (39) | 112 | 56 | 100 | 136 |
| Oil products output | 86 | 141 | (39) | 113 | 59 | 92 | 138 |
| Reference feedstock | 100 | 230 | (57) | 100 | 100 | - | 230 |
| Refining plants utilization factor (%) | 79 | 56 | 23 | 102 | 55 | 47 | 56 |

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| | | | | | | | |
|---------------------------------------------------------------------|-------|-------|------|-------|-------|------|-------|
| Refining cost - Brazil | | | | | | | |
| Refining cost (US\$/barrel) | 2.95 | 2.37 | 24 | 2.86 | 3.04 | (6) | 2.46 |
| Refining cost (R\$/barrel) | 9.38 | 8.65 | 8 | 9.28 | 9.49 | (2) | 8.56 |
| Refining cost - Abroad (US\$/barrel) | 4.53 | 4.00 | 13 | 4.18 | 5.22 | (20) | 4.00 |
| Sales volume (includes sales to BR Distribuidora and third-parties) | | | | | | | |
| Diesel | 656 | 766 | (14) | 663 | 648 | 2 | 769 |
| Gasoline | 465 | 500 | (7) | 462 | 469 | (1) | 487 |
| Fuel oil | 57 | 68 | (16) | 57 | 57 | – | 61 |
| Naphtha | 145 | 142 | 2 | 125 | 165 | (24) | 172 |
| LPG | 231 | 227 | 2 | 239 | 223 | 7 | 235 |
| Jet fuel | 112 | 117 | (5) | 109 | 114 | (4) | 110 |
| Others | 183 | 199 | (8) | 181 | 184 | (1) | 203 |
| Total domestic oil products (mmbbl/d) | 1,848 | 2,020 | (8) | 1,836 | 1,860 | (1) | 2,038 |

* See definition of Adjusted EBITDA and Adjusted EBITDA Margin in Glossary and reconciliation in Reconciliation of Consolidated Adjusted EBITDA Statement by Segment.

REFINING, TRANSPORTATION AND MARKETING

1H-2017 x 1H-2016

2T-2017 x 1T-2017

Gross Profit

Gross profit decreased due to lower sales margins, mainly of diesel and gasoline, influenced by increase in Brent and in domestic oil prices, as well as reduction in oil products sales volume in the domestic market.

Gross profit decreased due to lower prices of oil products sold that were not followed by cost reduction with acquisition/transfer of oil and oil products, due to stock sales of the previous quarter, at higher costs.

Operating Income

Operating income decreased due to the lower gross profit, partially offset by lower selling expenses and impairment .

Operating income decreased due to the lower gross profit, partially offset by lower sales expenses.

Operating Performance

Imports and Exports of Crude Oil and Oil Products

Net crude oil exports increased as a result of domestic production growth and of decrease in processed volume in refineries, both domestic and imported.

Net crude oil exports decreased as a result of fewer stock sales in 2Q 2017 and higher crude imports, capturing market opportunities.

The reduction in net oil products imports, especially diesel and gasoline, is due to lower domestic sales along with the increase in market share of our competitors in the Brazilian market.

The balance of net imports of oil products remained flat.

Refining Operations

Processed feedstock was 7% lower, mainly due to increase in imports by third parties.

Processed feedstock remained stable.

Refining Cost

Refining cost was higher mainly reflecting a decrease in processed feedstock along with higher employee compensation costs attributable to the 2016 Collective Bargaining Agreement, partially compensated by lower expenses with third party services and materials.

Refining cost remained stable.

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Table 04 - Gas & Power Main Indicators

| | R\$ million | | | | | | |
|----------------------------------------------------------------------------------------|-------------|---------|--------------------|---------|---------|--------------------|---------|
| | Jan-Jun | | | 2Q-2017 | 1Q-2017 | 2Q17 X 1Q17 (%) | 2Q-2016 |
| | 2017 | 2016 | 2017 x 2016 (%) | | | | |
| Sales revenues | 16,971 | 17,151 | (1) | 9,268 | 7,703 | 20 | 7,760 |
| Brazil | 16,921 | 15,996 | 6 | 9,240 | 7,681 | 20 | 7,163 |
| Abroad | 50 | 1,155 | (96) | 28 | 22 | 27 | 597 |
| Gross profit | 4,984 | 3,974 | 25 | 2,541 | 2,443 | 4 | 2,146 |
| Brazil | 4,981 | 3,792 | 31 | 2,545 | 2,436 | 4 | 2,065 |
| Abroad | 3 | 182 | (98) | (4) | 7 | (157) | 81 |
| Operating expenses | 3,561 | (1,980) | 280 | 4,449 | (888) | 601 | (1,246) |
| Brazil | 3,596 | (1,939) | 285 | 4,475 | (879) | 609 | (1,222) |
| Abroad | (35) | (41) | 15 | (26) | (9) | (189) | (24) |
| Operating income (loss) | 8,545 | 1,994 | 329 | 6,990 | 1,555 | 350 | 900 |
| Brazil | 8,577 | 1,853 | 363 | 7,020 | 1,557 | 351 | 843 |
| Abroad | (32) | 141 | (123) | (30) | (2) | (1,400) | 57 |
| Net income (loss) attributable to the shareholders of Petrobras | 5,624 | 1,302 | 332 | 4,603 | 1,021 | 351 | 545 |
| Brazil | 5,602 | 1,078 | 420 | 4,599 | 1,003 | 359 | 433 |
| Abroad | 22 | 224 | (90) | 4 | 18 | (78) | 112 |
| Adjusted EBITDA of the segment* | 3,139 | 3,489 | (10) | 883 | 2,256 | (61) | 1,642 |
| Brazil | 3,149 | 3,326 | (5) | 893 | 2,256 | (60) | 1,577 |
| Abroad | (10) | 163 | (106) | (10) | - | - | 65 |
| EBITDA margin of the segment (%)* | 18 | 20 | (2) | 10 | 29 | (19) | 21 |
| Capital expenditures of the segment | 2,439 | 651 | 275 | 1,113 | 1,326 | (16) | 359 |
| Physical and financial indicators - Brazil | | | | | | | |
| Electricity sales (Free contracting market - ACL) - average MW | 778 | 864 | (10) | 797 | 759 | 5 | 866 |
| Electricity sales (Regulated contracting market - ACR) - average MW | 3,058 | 3,172 | (4) | 3,058 | 3,058 | - | 3,172 |
| Generation of electricity - average MW | 2,352 | 2,224 | 6 | 2,682 | 2,017 | 33 | 1,616 |
| Electricity price in the spot market - Differences settlement price (PLD) - R\$/MWh | 221 | 74 | 199 | 286 | 156 | 83 | 79 |
| LNG imports (Mbb/d) | 26 | 54 | (52) | 37 | 16 | 131 | 33 |
| Natural gas imports (Mbb/d) | 132 | 184 | (28) | 146 | 118 | 24 | 174 |

*

* See definition of Adjusted EBITDA and Adjusted EBITDA Margin in Glossary and reconciliation in Reconciliation of Consolidated Adjusted EBITDA Statement by Segment.



GAS & POWER

1H-2017 x 1H-2016

2Q-2017 x 1Q-2017

Gross Profit

The increase of gross profit was due to lower acquisition costs, mainly due to a higher domestic natural gas supply, which resulted in lower natural gas and LNG imports.

The increase of gross profit was due to higher natural gas sales, mainly to the thermoelectric sector, partially offset by higher acquisition costs of natural gas, due to higher share of imported gas in the sales mix.

Operating Income

Operating income increased due to the higher gross profit, as well as to gains with the sale of Company's interest in NTS.

Operating income increased due to the higher gross profit, as well as to gains with the sale of Company's interest in NTS. On the other hand this sale resulted in higher sales costs associated with the pipeline use.

Operating Performance

Physical and Financial Indicators

The increase of domestic gas supply led to reduction in imports of natural gas from Bolivia and LNG.

Natural gas sales increased, mainly due to higher thermoelectric demand, which led to higher imports from Bolivia and of LNG.

Table 05 - Distribution Main Indicators

| R\$ million | | | | | | | |
|-----------------------------------------------------------------|---------|---------|-----------------|---------|---------|-----------------|---------|
| | Jan-Jun | | | 2Q-2017 | 1Q-2017 | 2Q17 X 1Q17 (%) | 2Q-2016 |
| | 2017 | 2016 | 2017 x 2016 (%) | | | | |
| Sales revenues | 41,239 | 49,449 | (17) | 20,327 | 20,912 | (3) | 24,218 |
| Brazil | 39,098 | 43,083 | (9) | 19,258 | 19,840 | (3) | 21,036 |
| Abroad | 2,141 | 6,366 | (66) | 1,069 | 1,072 | – | 3,182 |
| Gross profit | 2,869 | 3,744 | (23) | 1,326 | 1,543 | (14) | 1,804 |
| Brazil | 2,690 | 3,057 | (12) | 1,238 | 1,452 | (15) | 1,431 |
| Abroad | 179 | 687 | (74) | 88 | 91 | (3) | 373 |
| Operating expenses | (1,952) | (3,524) | 45 | (967) | (985) | 2 | (1,537) |
| Brazil | (1,867) | (3,045) | 39 | (935) | (932) | – | (1,293) |
| Abroad | (85) | (479) | 82 | (32) | (53) | 40 | (244) |
| Operating income (loss) | 917 | 220 | 317 | 359 | 558 | (36) | 267 |
| Brazil | 824 | 12 | 6767 | 304 | 520 | (42) | 138 |
| Abroad | 93 | 208 | (55) | 55 | 38 | 45 | 129 |
| Net income (loss) attributable to the shareholders of Petrobras | 604 | 159 | 280 | 235 | 369 | (36) | 184 |
| Brazil | 542 | (38) | 1526 | 198 | 344 | (42) | 58 |
| Abroad | 62 | 197 | (69) | 37 | 25 | 48 | 126 |
| Adjusted EBITDA of the segment* | 1,138 | 505 | 125 | 459 | 679 | (32) | 410 |
| Brazil | 1,043 | 230 | 353 | 414 | 629 | (34) | 249 |
| Abroad | 95 | 275 | (65) | 45 | 50 | (10) | 161 |
| EBITDA margin of the segment (%)* | 3 | 1 | 2 | 2 | 3 | (1) | 2 |
| Capital expenditures of the segment | 148 | 220 | (33) | 77 | 71 | 8 | 121 |
| Market share – Brazil** | | | | | | | |
| Sales Volumes - Brazil (Mbbbl/d) | | | | | | | |
| Diesel | 290 | 314 | (8) | 295 | 285 | 3 | 317 |
| Gasoline | 190 | 191 | – | 191 | 190 | 1 | 187 |
| Fuel oil | 42 | 57 | (27) | 39 | 45 | (13) | 50 |
| Jet fuel | 50 | 50 | – | 48 | 53 | (9) | 47 |
| Others | 86 | 102 | (15) | 87 | 86 | 1 | 104 |
| Total domestic oil products | 659 | 715 | (8) | 659 | 658 | – | 706 |

*

* See definition of Adjusted EBITDA and Adjusted EBITDA Margin in Glossary and reconciliation in Reconciliation of Consolidated Adjusted EBITDA Statement by Segment.

**Petrobras adopts in Brazil the Sindicom data, whose methodology is under review.

DISTRIBUTION

1H-2017 x 1H-2016

2Q-2017 x 1Q-2017

Gross Profit

The decrease in gross profit reflected lower sales volumes, caused by a reduction in economic activity in Brazil and reduced sales margins.

The decrease in gross profit reflected lower commercialization margins in gasoline, diesel and ethanol.

Operating Income

Operating income increased, reflecting the losses suffered in 2016 with receivables from the electricity sector and with administrative and judicial claims, as well as the reversal, in 2017, of provision related to the voluntary separation incentive plan (PIDV 2016), as a result of cancellation of enrollments by some employees.

Operating income decreased mainly due to the reduction in gross profit and to lower reversal of losses with receivables from the electricity sector, partially offset by reversal of provision related to the voluntary separation incentive plan (PIDV 2016).

Operating Performance

The decrease in sales volume was mainly due to lower sales to thermoelectric power plants.

Sales volume remained stable reflecting higher diesel sales, due to its seasonality and lower sales to thermoelectric power plants.

Liquidity and Capital Resources

Table 06 - Liquidity and Capital Resources

| | R\$ million | | | | |
|-----------------------------------------------------------------------------------------------------|-------------|----------|----------|----------|----------|
| | Jan-Jun | | 2Q-2017 | 1Q-2017 | 2Q-2016 |
| | 2017 | 2016 | | | |
| Adjusted cash and cash equivalents* at the beginning of period | 71,664 | 100,887 | 63,783 | 71,664 | 80,521 |
| Government bonds and time deposits with maturities of more than 3 months at the beginning of period | (2,556) | (3,042) | (2,909) | (2,556) | (2,743) |
| Cash and cash equivalents at the beginning of period | 69,108 | 97,845 | 60,874 | 69,108 | 77,778 |
| Net cash provided by (used in) operating activities | 42,878 | 39,415 | 19,653 | 23,225 | 22,108 |
| Net cash provided by (used in) investing activities | (11,311) | (25,277) | (3,049) | (8,262) | (10,759) |
| Capital expenditures, investments in investees and dividends received | (20,156) | (26,079) | (10,299) | (9,857) | (11,153) |
| Proceeds from disposal of assets (divestment) | 9,455 | 14 | 7,582 | 1,873 | 3 |
| Investments in marketable securities | (610) | 788 | (332) | (278) | 391 |
| (=) Net cash provided by operating and investing activities | 31,567 | 14,138 | 16,604 | 14,963 | 11,349 |
| Net financings | (23,487) | (37,099) | (2,257) | (21,230) | (19,594) |
| Proceeds from long-term financing | 43,988 | 32,679 | 30,960 | 13,028 | 25,464 |
| Repayments | (67,475) | (69,778) | (33,217) | (34,258) | (45,058) |
| Dividends paid to non- controlling interest | (410) | (165) | (410) | – | (165) |
| Acquisition of non-controlling interest | (142) | 189 | (12) | (130) | 43 |
| Effect of exchange rate changes on cash and cash equivalents | 1,334 | (11,968) | 3,171 | (1,837) | (6,471) |
| Cash and cash equivalents at the end of period | 77,970 | 62,940 | 77,970 | 60,874 | 62,940 |
| Government bonds and time deposits with maturities of more than 3 months at the end of period | 3,317 | 2,430 | 3,317 | 2,909 | 2,430 |
| Adjusted cash and cash equivalents* at the end of period | 81,287 | 65,370 | 81,287 | 63,783 | 65,370 |
| Reconciliation of Free Cash Flow | | | | | |
| Net cash provided by (used in) operating activities | 42,878 | 39,415 | 19,653 | 23,225 | 22,108 |
| Capital expenditures, investments in investees and dividends received | (20,156) | (26,079) | (10,299) | (9,857) | (11,153) |
| Free cash flow* | 22,722 | 13,336 | 9,354 | 13,368 | 10,955 |

As of June 30, 2017, the balance of cash and cash equivalents was R\$ 77,970 million and the balance of adjusted cash and cash equivalents was R\$ 81,287,287 million. Our principal uses of funds in 1H-2017 were for repayment of financing (and interest payments) and for capital expenditures. We partially met these requirements with cash provided by operating activities of R\$ 42,878 million and with proceeds from financing of R\$ 43,988 million and from divestments of R\$ 9,455 million. The balance of adjusted cash and cash equivalents was positively impacted in 2016 by the application of the foreign exchange effect to the foreign financial investments.

Net cash provided by operating activities of R\$ 42,878 million was mainly generated by (i) the reduction of import costs due to lower sales in Brazil, reflecting the higher share of national oil in the processed feedstock and national gas in the sales mix, and (ii) higher export volumes of crude oil and oil products and higher prices. These factors were partially offset by higher production taxes.

Capital expenditures, investments in investees and dividends received totaled R\$ 20,156 million in 1H-2017, a decrease of 23% compared to 1H-2016, being 80% in E&P business segment.

Free Cash Flow* was positive, amounting to R\$ 22,722 million in 1H-2017, 1.7 times 1H-2016.

From January to June 2017, proceeds from financing amounted to R\$ 43,988 million. These funds were raised through commercial banking, capital markets transactions and development banks, and used to refinance the debt and pay

capital expenditures. Global notes were issued in international capital markets in the amount of US\$ 8 billion, with maturities at 2022, 2027 and 2044. The proceeds of those offerings, together with cash and new funding in other markets, of US\$ 3.86 billion, were used for pay-down debt (tender offer and make whole) a US\$ 7.36 billion value. In addition, the Company pre-paid debts of US\$ 1.13 billion with BNDES, operations in the national and international capital markets of US\$ 3,16 billions and a structured operation in the amount of US\$ 0.13 billion.

Repayments of principal and interest totaled R\$ 67,475 million in 1H-2017 and the nominal cash flow (cash view), including principal and interest payments, by maturity, is set out in R\$ million, below:

Table 07 - Nominal cash flow including principal and interest payments

| Maturity | Consolidated | | | | | | |
|-----------|--------------|--------|--------|--------|--------|---------------------|-----------------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 and thereafter | 06.30.2017 12.31.2016 |
| Principal | 9,556 | 30,801 | 55,139 | 41,602 | 62,535 | 178,812 | 378,445 390,227 |
| Interest | 10,817 | 21,644 | 19,557 | 16,673 | 13,219 | 114,233 | 196,143 190,352 |
| Total | 20,373 | 52,445 | 74,696 | 58,275 | 75,754 | 293,045 | 574,588 580,579 |

*

* See reconciliation of Adjusted Cash and Cash Equivalents in Net debt and definition of Adjusted Cash and Cash Equivalents and Free Cash Flow in glossary.

Consolidated debt

Gross debt in Brazilian Reais decreased by 2% when compared to December 31, 2016, mainly as a result repayments of principal and interest offset by 1.5% real depreciation. Net debt reduced 6%.

Current debt and non-current debt include finance lease obligations of R\$ 73 million and R\$ 718 million as of June 30, 2017, respectively (R\$ 59 million and R\$ 736 million on December 31, 2016).

The weighted average maturity of outstanding debt reached 7.88 years as of June 30, 2017 (compared to 7.46 years as of December 31, 2016).

The ratio between net debt and the LTM Adjusted EBITDA* decreased from 3.54 as of December 31, 2016 to 3.23 as of June 30, 2017 due to the reduction in debt and increase in LTM Adjusted EBITDA.

Table 08 - Consolidated debt in reais

| | R\$ million | | |
|--------------------------------------------------------------------------|-------------|------------|------|
| | 06.30.2017 | 12.31.2016 | Δ% |
| Current debt | 25,985 | 31,855 | (18) |
| Non-current debt | 350,602 | 353,929 | (1) |
| Total | 376,587 | 385,784 | (2) |
| Cash and cash equivalents | 77,970 | 69,108 | 13 |
| Government securities and time deposits (maturity of more than 3 months) | 3,317 | 2,556 | 30 |
| Adjusted cash and cash equivalents* | 81,287 | 71,664 | 13 |
| Net debt* | 295,300 | 314,120 | (6) |
| Net debt/(net debt+shareholders' equity) – Leverage* | 53% | 55% | (2) |
| Total net liabilities* | 726,767 | 733,281 | (1) |
| (Net third parties capital / total net liabilities) | 64% | 66% | (2) |
| Net debt/LTM Adjusted EBITDA ratio* | 3.23 | 3.54 | (9) |
| Average interest rate (% p.a.) | 6.1 | 6.2 | (1) |

Table 09 - Consolidated debt in dollar

| | U.S.\$ million | | |
|-------------------------------------------------------|----------------|------------|------|
| | 06.30.2017 | 12.31.2016 | Δ% |
| Current debt | 7,855 | 9,773 | (20) |
| Non-current debt | 105,980 | 108,597 | (2) |
| Total | 113,835 | 118,370 | (4) |
| Net debt* | 89,263 | 96,381 | (7) |
| Weighted average maturity of outstanding debt (years) | 7.88 | 7.46 | 0.42 |

*

Table 10 - Consolidated debt by rate, currency and maturity

| | R\$ million | | |
|-------------------------------------|-------------|------------|-----|
| | 06.30.2017 | 12.31.2016 | Δ% |
| Summarized information on financing | | | |
| By rate | | | |
| Floating rate debt | 197,968 | 208,525 | (5) |

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| | | | |
|------------------|---------|---------|------|
| Fixed rate debt | 177,828 | 176,464 | 1 |
| Total | 375,796 | 384,989 | (2) |
| By currency | | | |
| Brazilian Real | 74,592 | 78,788 | (5) |
| US Dollars | 276,344 | 276,876 | – |
| Euro | 16,754 | 21,637 | (23) |
| Other currencies | 8,106 | 7,688 | 5 |
| Total | 375,796 | 384,989 | (2) |
| By maturity | | | |
| 2017 | 13,956 | 31,796 | (56) |
| 2018 | 31,084 | 36,557 | (15) |
| 2019 | 54,559 | 68,112 | (20) |
| 2020 | 41,027 | 53,165 | (23) |
| 2021 | 61,963 | 61,198 | 1 |
| 2022 on | 173,207 | 134,161 | 29 |
| Total | 375,796 | 384,989 | (2) |

* See definition of Adjusted Cash and Cash Equivalents, Net Debt, Total Net Liabilities, LTM Adjusted EBITDA and Leverage in glossary and reconciliation in Reconciliation of LTM Adjusted EBITDA.

ADDITIONAL INFORMATION

1. Reconciliation of Adjusted EBITDA

Our Adjusted EBITDA is a performance measure computed by using the EBITDA (net income before net finance income (expense), income taxes, depreciation, depletion and amortization). Petrobras presents the EBITDA according to Instrução CVM nº 527 of October 4, 2012, adjusted by items not considered as part of Company's primary business, which include results in equity-accounted investments, impairment, cumulative foreign exchange adjustments reclassified to the income statement and gains and losses on disposal and write-offs of assets.

In 2016, we revised our presentation of Adjusted EBITDA to better reflect management's views of the performance of its primary business, by adding back gains and losses derived from dispositions; such as: disposal and write-offs of assets, the amount of cumulative translation adjustments reclassified to the income statement and re-measurement of remaining interest at fair value. We have applied the same methodology to data for earlier periods in this report for comparative purposes.

Adjusted EBITDA is not a measure defined in the International Financial Reporting Standards – IFRS. Our calculation may not be comparable to the calculation of Adjusted EBITDA by other companies and it should not be considered as a substitute for any measure calculated in accordance with IFRS. The Company reports its Adjusted EBITDA to give additional information and a better understanding of the Company's income from its primary business and it must be considered in conjunction with other measures and indicators for a better understanding of the Company's operational performance.

Table 11 - Reconciliation of Adjusted EBITDA

| | R\$ million | | | | | | |
|--------------------------------------------------------------|-------------|--------|--------------------|---------|---------|-------------|---------|
| | Jan-Jun | | | 2Q-2017 | 1Q-2017 | 2Q17 X 1Q17 | 2Q-2016 |
| | 2017 | 2016 | 2017 X 2016 (%) | | | (%) | |
| Net income (loss) | 5,099 | 518 | 884 | 292 | 4,807 | | 899 |
| Net finance income (expense) | 16,590 | 14,754 | 12 | 8,835 | 7,755 | 14 | 6,061 |
| Income taxes | 8,798 | 846 | 940 | 6,478 | 2,320 | 179 | 622 |
| Depreciation, depletion and amortization | 21,148 | 24,598 | (14) | 10,382 | 10,766 | (4) | 11,949 |
| EBITDA | 51,635 | 40,716 | 27 | 25,987 | 25,648 | 1 | 19,531 |
| Share of earnings in equity-accounted investments | (1,227) | (786) | (56) | (615) | (612) | (94) | (398) |
| Impairment losses / (reversals) | 207 | 1,478 | (86) | 228 | (21) | – | 1,184 |
| Realization of cumulative translation adjustment | 116 | – | – | – | 116 | – | – |
| Gains/ losses on disposal/ write-offs of non-current assets* | (6,383) | 235 | (2,816) | (6,506) | 123 | – | 133 |
| Adjusted EBITDA | 44,348 | 41,643 | 6 | 19,094 | 25,254 | (24) | 20,450 |
| Adjusted EBITDA margin (%) | 33 | 29 | 4 | 29 | 37 | (8) | 29 |

2. Reconciliation of LTM Adjusted EBITDA

Table 12 - Reconciliation of LTM Adjusted EBITDA

R\$ million

Last 12 months
(LTM) until
30.06.2017 31.12.2016

| | | |
|-------------------------------------------------------------|---------|----------|
| Net income (loss) | (8,464) | (13,045) |
| Net finance income (expense) | 29,021 | 27,185 |
| Income taxes | 10,294 | 2,342 |
| Depreciation, depletion and amortization | 45,093 | 48,543 |
| EBITDA | 75,944 | 65,025 |
| Share of earnings in equity-accounted investments | 188 | 629 |
| Impairment losses / (reversals) | 19,026 | 20,297 |
| Realization of cumulative translation adjustment | 3,809 | 3,693 |
| Gains/ losses on disposal/ write-offs of non-current assets | (7,569) | (951) |
| Adjusted EBITDA | 91,398 | 88,693 |

Adjusted EBITDA is a component of a metric included in the Company's Business and Management Plan: Net debt / LTM Adjusted EBITDA ratio.

* includes results with disposal and write-offs of assets and re-measurement of remaining interests at fair value.

ADDITIONAL INFORMATION

3. Impact of our Cash Flow Hedge policy

Table 13 - Impact of our Cash Flow Hedge policy

| | R\$ million | | | | | | |
|------------------------------------------------------------------------|-------------|--------------------|-------|---------|---------|--------------------|----------|
| | Jan-Jun | | | 2Q-2017 | 1Q-2017 | 2Q17 X 1Q17 (%) | 2Q-2016 |
| 2017 | 2016 | 2017 x 2016 (%) | | | | | |
| Total inflation indexation and foreign exchange variation | (3,237) | 44,756 | (107) | (8,388) | 5,151 | (263) | 23,275 |
| Deferred Foreign Exchange Variation recognized in Shareholders' Equity | 2,282 | (43,479) | 105 | 7,741 | (5,459) | 242 | (21,465) |
| Reclassification from Shareholders' Equity to the Statement of Income | (4,806) | (5,397) | 11 | (2,371) | (2,435) | 3 | (2,497) |
| Net Inflation indexation and foreign exchange variation | (5,761) | (4,120) | (40) | (3,018) | (2,743) | (10) | (687) |

The reclassification of foreign exchange variation expense from Shareholders' Equity to the Income Statement in the 1H-2017 was R\$ 4,806 million, a reduction of 11% compared to the 1H-2016, due to the absence of planned exports that were no longer expected to occur.

The reclassification of foreign exchange variation expense from Shareholders' Equity to the Income Statement in the 2Q-2017, compared to the 1Q-2017, was roughly stable, since there were no anticipated reclassifications of foreign exchange variation expenses from Shareholders' Equity to the Income Statement as a result of planned exports that were no longer expected to occur or did not occur.

Additional hedging relationships may be revoked or additional reclassification adjustments from equity to the income statement may occur as a result of changes in forecast export prices and export volumes following a review of the Company's business plan. Based on a sensitivity analysis considering a US\$ 10/barrel decrease in Brent prices stress scenario, when compared to the Brent price projections in our most recent update of the 2017-2021 Business and Management Plan (Plano de Negócios e Gestão – PNG), a R\$ 2 million reclassification adjustment from equity to the income statement would occur.

The expected annual realization of the foreign exchange variation balance in shareholders' equity, on June 30, 2017, is set out below:

Table 14 - Expectation of exports volumes realization

| Consolidated | | | | | | | |
|--------------|------|------|------|------|------|------|-------------------|
| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 a 2027 Total |

Expected realization (5,491)(10,531)(7,302)(5,611)(5,026)(5,699)(3,024)7,150 (35,534)

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ADDITIONAL INFORMATION

4. Assets and Liabilities subject to Exchange Variation

The Company has assets and liabilities subject to foreign exchange rate variation, for which the main gross exposures are the Brazilian Real relative to the U.S. dollar and the U.S. dollar relative to the Euro. Beginning in mid-May 2013, the Company extended the use of hedge accounting to hedge highly probable future exports.

The Company designates hedging relationships between exports and its long-term debt obligations (denominated in U.S. dollars) to, simultaneously, recognize the effects of the existing natural foreign exchange hedge between those operations in its financial statements. Through the extension of the hedge accounting practice, foreign exchange gains or losses, generated by foreign exchange variation, are recognized in our shareholders' equity and will only affect the statement of income at the moment of future exports realization.

During 1H-2017, Petrobras, through its affiliate Petrobras Global Trading B.V. (PGT), made a cross currency swap derivative, aiming to protect the exposure to pounds against U.S. dollar, in view of the bond with notional value of GBP 700 million and maturity to December, 2026. The Company does not have the intention to liquidate those transactions before the maturity date.

The balances of assets and liabilities in foreign currency of our foreign subsidiaries are not included in our foreign exchange rate variation exposure below when transacted in a currency equivalent to their respective functional currencies.

As of June 30, 2017, the Company had a net liability exposure to foreign exchange rates, of which the main exposure is the relationship between the U.S. dollar and the euro.

Table 15 - Assets and Liabilities subject to exchange variation

| ITEMS | R\$ million | |
|---------------------|-------------|------------|
| | 06.30.2017 | 12.31.2016 |
| Assets | 37,703 | 44,303 |
| Liabilities | (241,690) | (271,531) |
| Hedge Accounting | 182,552 | 201,292 |
| Cross Currency Swap | 3,010 | – |
| Total | (18,425) | (25,936) |

Table 16 - Assets and Liabilities subject to exchange variation by currency

| BY CURRENCY | R\$ million | |
|------------------------------|-------------|------------|
| | 06.30.2017 | 12.31.2016 |
| Real/ U.S. Dollars | 1,078 | 2,402 |
| Real/ Euro | (154) | (149) |
| Real/ Pound Sterling | (59) | (56) |
| U.S. Dollars/ Yen | (474) | (599) |
| U.S. Dollars/ Euro | (16,515) | (21,453) |
| U.S. Dollars/ Pound Sterling | (2,301) | (6,081) |
| Total | (18,425) | (25,936) |

Table 17 - Foreign exchange and inflation indexation charges

| | R\$ million | | | | | | |
|----------------------------------------------------------------------------------------------|-------------|---------|--------------------|---------|---------|--------------------|---------|
| | Jan-Jun | | | 2Q-2017 | 1Q-2017 | 2Q17 X 1Q17 (%) | 2Q-2016 |
| Foreign exchange and inflation indexation charges | 2017 | 2016 | 2017 x 2016 (%) | | | | |
| Foreign exchange variation Dollar x Euro | (1,468) | (533) | (175) | (1,171) | (297) | (294) | 910 |
| Foreign exchange variation Real x Dollar | 46 | 529 | (91) | 245 | (199) | 223 | (141) |
| Foreign exchange variation Dollar x Pound Sterling | (181) | 970 | (119) | (117) | (64) | (83) | 644 |
| Reclassification of hedge accounting from Shareholders' Equity to the Statement of Income | (4,806) | (5,397) | 11 | (2,371) | (2,435) | 3 | (2,497) |
| Foreign exchange variation Real x Euro | (55) | (226) | 76 | (54) | (1) | (5300) | 32 |
| Others | 703 | 537 | 31 | 450 | 253 | 78 | 365 |
| Net Inflation indexation and foreign exchange variation | (5,761) | (4,120) | (40) | (3,018) | (2,743) | (10) | (687) |

ADDITIONAL INFORMATION

5. Special Items

Table 18 – Special itens

| | | R\$ million | | | | |
|-----------------------|---------|-----------------------------------------------------------------------------------|---------------------------------|---------|---------|---------|
| For the first half of | | | Items of | 2Q-2017 | 1Q-2017 | 2Q-2016 |
| 2017 | 2016 | | Income Statement | | | |
| | | Gains (losses) on Disposal of Assets | Other income (expenses) | 6,977 | 2 | - |
| 6,979 | - | Voluntary Separation Incentive Plan | Other income (expenses) | 394 | 275 | (1,212) |
| 669 | (1,213) | PIDV (Losses)/Gains on legal proceedings | Other income (expenses) | 741 | (645) | (569) |
| 96 | (866) | Amounts recovered - "overpayments incorrectly capitalized" | Other income (expenses) | 89 | - | 79 |
| 89 | 79 | Impairment of trade receivables from companies in the isolated electricity system | Selling expenses | (181) | 109 | (506) |
| (72) | (1,050) | Cumulative translation adjustment - CTA | Other income (expenses) | - | (116) | - |
| (116) | - | Impairment of assets and investments | Several Other income (expenses) | (140) | (42) | (1,184) |
| (182) | (1,478) | Vitória 10.000 drillship | Other income (expenses) | (818) | - | - |
| (818) | - | Reduction of Tax Litigation Program | Several | (3,972) | - | - |
| (3,972) | - | State Tax Amnesty Program | Other taxes | (129) | - | - |
| (129) | (51) | Income Taxes | Income Taxes | (4,331) | - | - |
| (4,331) | - | | | | | |

| | | | |
|---------------------|---------|-------|---------|
| (1,787)(4,579)Total | (1,370) | (417) | (3,392) |
|---------------------|---------|-------|---------|

Impact of the impairment of assets and investments on the Company's Income Statement:

| | | |
|--------------------------------------------------------|-----------|---------|
| (207)(1,478)Impairment | (228)21 | (1,184) |
| 25 - Share of earnings in equity-accounted investments | 88 | (63)- |
| (182)(1,478)Impairment of assets and investments | (140)(42) | (1,184) |

These special items are related to the Company's businesses and based on Management's judgement have been highlighted and are presented as additional information to provide a better understanding of the Company's performance. These items are presented when relevant and do not necessarily occur in all periods.

5.1 Impacts of tax settlement programs (PRT and PERT) within statement of income

Table 19 – Impacts of tax settlement programs (PRT and PERT) within statement of income

| | R\$ million | | |
|----------------------------------------------------------------|-------------|---------|---------|
| | PRT | PERT | Total |
| Tax expense | (544) | (1,754) | (2,298) |
| Finance income | (802) | (872) | (1,674) |
| Income taxes - note of deficiency | (314) | (1,730) | (2,044) |
| Total - after reliefs | (1,660) | (4,356) | (6,016) |
| Income taxes - deductible expenses | (164) | 673 | 509 |
| Other income and expenses - reversal of provision (*) | 1,560 | - | 1,560 |
| Total | (264) | (3,683) | (3,947) |
| Income taxes - reversal of unused tax losses from 2012 to 2017 | - | (2,287) | (2,287) |
| Impacts within the statement of income | (264) | (5,970) | (6,234) |

(*) Part of PRT within the statement of income was recognized in the first quarter 2017 in the amount of R\$ 627 million.

ADDITIONAL INFORMATION

6. Results of Operations of 2Q-2017 compared to 1Q-2017:

Sales revenues of R\$ 66,996 million, a 2% decrease when compared to the 1Q-2017 (R\$ 68,365 million), mainly due to:

Lower export revenues (R\$ 1,708 million), mainly of crude oil, due to decreased sales volume with inventory formation abroad;

Domestic revenues remained relatively flat, mainly as a result of:

Lower domestic oil product prices (R\$ 1,613 million), mainly of diesel and gasoline, following, respectively, the 5.2% and 5.5% decreases came from cumulative price revisions in the period;

Increased electricity revenues (R\$ 829 million), due to higher thermoelectric dispatch and increased differences settlement price;

Higher natural gas revenues (R\$ 724 million), mainly due to increased thermoelectric demand and higher prices; and

Increased oil product demand (R\$ 272 million), due the seasonal consumption for diesel and LPG, partially offset by lower naphtha sales.

Cost of sales of R\$ 45,627 million increased 2% compared to the 1Q-2017 (R\$ 44,579 million), reflecting:

Increased electricity expenses due to higher thermoelectric dispatchs, increased differences settlement price and the higher share of LNG and of Bolivian gas on power generation;

Increased share of natural gas import on sales mix, following the higher thermoelectric demand; and

Higher share of crude oil imports on domestic processed feedstock.

Selling expenses were R\$ 3,889 million, a 63% increase compared to the 1Q-2017 (R\$ 2,390 million), due to:

Higher transportation expenses due to the sale of Nova Transportadora do Sudeste – NTS (R\$ 1,010 million); and

Allowance for impairment of trade receivables from companies in the electricity sector (R\$ 183 million), compared to a reversal of R\$ 109 million in the 1Q-2017.

Other taxes were R\$ 3,069 million, R\$ 2,778 million higher compared to the 1Q-2017 (R\$ 291 million), mainly as a result of the Company's decision to benefit from the Tax Settlement Programs (Programas de Regularização Tributária) (R\$ 2,298 million) and from the State Tax Amnesty Program (R\$ 129 million).

Other operating income of R\$ 3,952 million, compared to other operating expenses of R\$ 3,895 million in the 1Q-2017, as a result of:

Gain on the sale of the Company's interest in Nova Transportadora do Sudeste (NTS) (R\$ 6,279 million) and on the fair value remeasurement of the remaining assets (R\$ 698 million);

Lower provision for legal, administrative and arbitral proceedings (R\$ 92 million) in 2Q-2017, compared to R\$ 1,255 million in 1Q-2017 due to:

Reversal of provision for tax proceedings (R\$ 1,560 million), following the Company's adhesion to the Tax Settlement Programs (Programas de Regularização Tributária);

The effect of the provision for contingency arising from the disapproval of tax credit compensation at Termomacacé Ltda, recognized in 1Q 2017 (R\$ 645 million);

Higher provision for contingencies (R\$ 591 million), mainly as a result of the updating of the civil liability lawsuit filed by SERGAS (R\$ 331 million); and

Loss on legal proceeding, as a result of an agreement to close an individual lawsuit at the United States Federal Court (Class Action) in June 2017 (R\$ 230 million).

• Provision for losses with receivables related to Vitória 10.000 drillship of R\$ 818 million (see Note 7.3.1 to the Company's interim consolidated financial statements);

• Amounts received through the leniency agreement signed by Rolls Royce in June 2017 (R\$ 81 million).

Net finance expense of R\$ 8,835 million, a 14% increase compared to 1Q-2017 (R\$ 7,755 million), due to:

Increased finance expenses in R\$ 923 million, due to:

Charges came from the Company's decision to benefit from the Tax Settlement Programs (Programas de Regularização Tributária) (R\$ 1,674 million);

A decrease in financing expenses abroad, in light of lower costs resulting from the repurchase of bonds in the 2Q-2017, compared to the 1Q 2017 (R\$ 483 million); and

Lower finance expense in Brazil due to prepays (R\$ 306 million).

Higher foreign exchange and inflation indexation charges in R\$ 275 million, generated by:

Increased depreciation of the U.S. dollar against the Euro on the Company's net debt in the 2Q-2017, compared to the 1Q 2017 (R\$ 874 million);

Positive foreign exchange variation of R\$ 245 million due to the 4.4% depreciation of the Brazilian Real over the exposure of assets in U.S. dollar in the 2Q 2017, compared to the negative foreign exchange variation of R\$ 199 million due to the 2.8% foreign exchange appreciation in the 1Q 2017 (R\$ 444 million);

Higher revenues with other foreign exchange and inflation indexation variations, net (R\$ 185 million);

Lower reclassification of cumulative foreign exchange variation from shareholders' equity to net income due to occurred exports designated for cash flow hedge accounting (R\$ 64 million); and

Higher dollar depreciation against the net exposure to the pound in 2Q-2017 (R\$ 53 million).

Income taxes (corporate income tax and social contribution) were R\$ 6,478 million in the 2Q-2017, R\$ 4,158 million higher compared to the 1Q 2017 (R\$ 2,320 million), mainly as a result of the Company's decision to benefit from the Tax Settlement Programs (Programas de Regularização Tributária) and also to the taxable income of the periods (see Note 20.6).

ADDITIONAL INFORMATION

7. Results of Operations of 1H-2017 compared to 1H-2016:

Sales revenues of R\$ 135,361 million, a 4% decrease when compared to 1H-2016 (R\$ 141,657 million), due to:

Decreased domestic revenues (R\$ 8,531 million), as a result of:

Lower oil products revenues, reflecting the decreased sales share (R\$ 7,643 million);

Lower oil products average prices (R\$ 600 million), partially offset by a 12.3% increase of bulk LPG price as from December 7;

Increased electricity revenues (R\$ 590 million).

Lower revenues from operations abroad (R\$ 7,318 million), due to the disposal of interests in Petrobras Argentina S.A. (PESA) and in Petrobras Chile Distribución Ltda (PCD); and

Higher export revenues (R\$ 9,554 million), mainly due to increased crude oil volume, as a result of increased domestic production, together with lower domestic demand, as well as increased crude oil and oil product prices, following higher international prices.

Cost of sales were R\$ 90,206 million, a 8% decrease compared to the 1H-2016 (R\$ 97,828 million), reflecting:

Lower import costs of natural gas and crude oil and products, generated by higher share of domestic oil processed in the refineries and lower sales of oil products in the domestic market;

Lower import costs of natural gas due to higher share of domestic natural gas on sales mix;

Decreased costs from operations abroad mainly attributable to the disposal of Petrobras Argentina S.A. (PESA) and Petrobras Chile Distribución Ltda. (PCD);

Lower depreciation as a result of provision for impairment losses in 2016;

Higher government take expenses, due to increased international commodity prices and to the rise of crude oil export volume; and

Increased electricity expenses, as a result of higher differences settlement price and of increased sales volume.

Selling expenses were R\$ 6,279 million, a 16% decrease compared to 1H-2016 (R\$ 7,441 million), mainly due to the higher reversal of allowance for impairment of trade receivables from companies in the electricity sector in 1H-2016 (R\$ 874 million).

Other taxes were R\$ 3,360 million, which were R\$ 2,372 million higher compared to 1H-2016 (R\$ 988 million), mainly as a result of the Company's decision to benefit from the Tax Settlement Programs (Programas de Regularização Tributária) (R\$ 2,298 million) and from the State Tax Amnesty Program (R\$ 129 million).

Exploration costs were R\$ 899 million in 1H-2017, a 68% decrease compared to 1H-2016 (R\$ 2,788 million), mainly due to lower expenses with write off of dry and/or sub-commercial wells.

Other operating income of R\$ 57 million, compared to other operating expenses of R\$ 10,774 million in the 1H-2016, mainly due to:

Gain on the sale of the Company's interest in Nova Transportadora do Sudeste (NTS) (R\$ 6,279 million) and on the fair value remeasurement of the remaining assets (R\$ 698 million);

Reversion of expenses related to the voluntary separation incentive plan (PIDV), as a result of the withdrawal of some participants in the 1H 2017 (R\$ 669 million), compared to the PIDV expenses in the 1H-2016 (R\$ 1,213 million);

Lower unscheduled stoppage expenses, mainly due to equipment idleness (R\$ 1,591 million);

Lower impairment of assets of R\$ 1,271 million;

Reversion of several tax lawsuits, following the Company's decision to benefit from the Tax Settlement Programs (Programas de Regularização Tributária) (R\$ 933 million);

Provision of losses with receivables related to Vitória 10.000 drillship (R\$ 818 million) due to the end of the leasing contract (see Note 7.3.1); and

Loss on legal proceeding, as a result of an agreement to close an individual lawsuit at the United States Federal Court (Class Action) in June 2017 (R\$ 230 million).

Net finance expense was R\$ 16,590 million, a 12% increase when compared to the 1H-2016 (R\$ 14,754 million), due to:

Higher foreign exchange and inflation indexation charges in R\$ 1,641 million, generated by:

- (i) Negative foreign exchange variation of R\$ 181 million generated by the impact of a 4.9% depreciation of the U.S. dollar against the Pound Sterling on the Company's net debt in the 1H-2017, compared to the positive foreign exchange variation of R\$ 970 million due to the 10.7% foreign exchange appreciation in the 1H-2016 (R\$ 1,151 million);
- (ii) Increased depreciation of the U.S. dollar against the Euro on the Company's net debt in the 1H 2017, compared to the 1H 2016 (R\$ 935 million);
- (iii) Lower reclassification of cumulative foreign exchange variation from shareholders' equity to net income due to occurred exports designated for cash flow hedge accounting (R\$ 592 million);
- (iv) Positive foreign exchange variation of R\$ 46 million due to the 1.5% depreciation of the Brazilian Real over the exposure of assets in U.S. dollar in the 1H-2017, compared to the positive foreign exchange variation of R\$ 529 million due to the 17.8% appreciation of the Brazilian Real against the U.S. dollar on the Company's net debt in the 1H-2016 (R\$ 484 million); and
- (v) Higher revenues with other foreign exchange and inflation indexation variations, net (R\$ 171 million).

Increased finance expenses in R\$ 529 million, due to:

- (i) Charges came from the Company's decision to benefit from the Tax Settlement Programs (Programas de Regularização Tributária) in the 1H 2017 (R\$ 1,674 million);
- (ii) Lower interest expenses, due to the decreased average debt in the period (R\$ 1,658 million); and
- (iii) An increase in financing expenses abroad, in light of the costs resulting from the repurchase of bonds and funds raised in December 2016 by its subsidiary Petrobras Global Finance B.V. (PGF), partially offset by a lower exchange rate (R\$ 640 million).

Results in equity-accounted investments were R\$ 1,227 million, a 56% increase when compared to the 1H-2016 (R\$ 786 million), mainly due to the improved results of some companies.

Income taxes (corporate income tax and social contribution) were R\$ 8,798 million in the 1H-2017, R\$ 7,952 million higher compared to the 1H 2016 (R\$ 846 million), mainly as a result of the Company's decision to benefit from the Tax Settlement Programs (Programas de Regularização Tributária) and also to the taxable income of the periods (see Note 20.6).

Loss related to non-controlling interests were R\$ 334 million in the 1H-2017 (a R\$ 1,394 million in the 1H-2016), mainly reflecting the impact of foreign exchange variation on debt of structured entities in U.S. dollars in the periods.



FINANCIAL STATEMENTS

Income Statement - Consolidated

| | R\$ million | | | | |
|---------------------------------------------------|-------------|----------|----------|----------|----------|
| | Jan-Jun | | | | |
| | 2017 | 2016 | 2Q-2017 | 1Q-2017 | 2Q-2016 |
| Sales revenues | 135,361 | 141,657 | 66,996 | 68,365 | 71,320 |
| Cost of sales | (90,206) | (97,828) | (45,627) | (44,579) | (48,499) |
| Gross profit | 45,155 | 43,829 | 21,369 | 23,786 | 22,821 |
| Selling expenses | (6,279) | (7,441) | (3,889) | (2,390) | (3,690) |
| General and administrative expenses | (4,528) | (5,496) | (2,221) | (2,307) | (2,844) |
| Exploration costs | (899) | (2,788) | (603) | (296) | (1,641) |
| Research and development expenses | (886) | (1,010) | (549) | (337) | (507) |
| Other taxes | (3,360) | (988) | (3,069) | (291) | (446) |
| Other income and expenses, net | 57 | (10,774) | 3,952 | (3,895) | (6,509) |
| Operating income (loss) | 29,260 | 15,332 | 14,990 | 14,270 | 7,184 |
| Finance income | 1,984 | 1,650 | 1,051 | 933 | 764 |
| Finance expenses | (12,813) | (12,284) | (6,868) | (5,945) | (6,138) |
| Foreign exchange and inflation indexation charges | (5,761) | (4,120) | (3,018) | (2,743) | (687) |
| Net finance income (expense) | (16,590) | (14,754) | (8,835) | (7,755) | (6,061) |
| Share of earnings in equity-accounted investments | 1,227 | 786 | 615 | 612 | 398 |
| Income (loss) before income taxes | 13,897 | 1,364 | 6,770 | 7,127 | 1,521 |
| Income taxes | (8,798) | (846) | (6,478) | (2,320) | (622) |
| Net income (loss) | 5,099 | 518 | 292 | 4,807 | 899 |
| Net income (loss) attributable to: | | | | | |
| Shareholders of Petrobras | 4,765 | (876) | 316 | 4,449 | 370 |
| Non-controlling interests | 334 | 1,394 | (24) | 358 | 529 |
| | 5,099 | 518 | 292 | 4,807 | 899 |

Statement of Financial Position – Consolidated

| ASSETS | R\$ million | |
|---------------------------------------------------------------------|--------------------|-------------------|
| | 06.30.2017 | 12.31.2016 |
| Current assets | 142,435 | 145,907 |
| Cash and cash equivalents | 77,970 | 69,108 |
| Marketable securities | 3,317 | 2,556 |
| Trade and other receivables, net | 14,477 | 15,543 |
| Inventories | 26,621 | 27,622 |
| Recoverable taxes | 8,361 | 8,153 |
| Assets classified as held for sale | 6,771 | 18,669 |
| Other current assets | 4,918 | 4,256 |
| Non-current assets | 665,619 | 659,038 |
| Long-term receivables | 67,520 | 66,551 |
| Trade and other receivables, net | 17,424 | 14,832 |
| Marketable securities | 715 | 293 |
| Judicial deposits | 14,782 | 13,032 |
| Deferred taxes | 9,853 | 14,038 |
| Other tax assets | 10,181 | 10,236 |
| Advances to suppliers | 3,791 | 3,742 |
| Other non-current assets | 10,774 | 10,378 |
| Investments | 12,307 | 9,948 |
| Property, plant and equipment | 575,242 | 571,876 |
| Intangible assets | 10,550 | 10,663 |
| Total assets | 808,054 | 804,945 |
| LIABILITIES | R\$ million | |
| | 06.30.2017 | 12.31.2016 |
| Current liabilities | 69,968 | 81,167 |
| Trade payables | 17,001 | 18,781 |
| Finance debt and Finance lease obligations | 25,985 | 31,855 |
| Taxes payable | 12,087 | 12,238 |
| Employee compensation (payroll, profit-sharing and related charges) | 5,217 | 7,159 |
| Pension and medical benefits | 2,665 | 2,672 |
| Liabilities associated with assets classified as held for sale | 701 | 1,605 |
| Other current liabilities | 6,312 | 6,857 |
| Non-current liabilities | 476,942 | 471,035 |
| Finance debt and Finance lease obligations | 350,602 | 353,929 |
| Taxes payable | 2,922 | – |
| Deferred taxes | 3,526 | 856 |
| Pension and medical benefits | 72,988 | 69,996 |
| Provisions for legal proceedings | 11,215 | 11,052 |
| Provision for decommissioning costs | 33,674 | 33,412 |
| Other non-current liabilities | 2,015 | 1,790 |
| Shareholders' equity | 261,144 | 252,743 |
| Share capital | 205,432 | 205,432 |
| Profit reserves and others | 53,203 | 44,798 |
| Non-controlling interests | 2,509 | 2,513 |
| Total liabilities and shareholders' equity | 808,054 | 804,945 |



Statement of Cash Flows Data – Consolidated

| | R\$ million | | | | |
|-------------------------------------------------------------------------------|-------------|----------|----------|----------|----------|
| | Jan-Jun | | 2Q-2017 | 1Q-2017 | 2Q-2016 |
| | 2017 | 2016 | | | |
| Net income (loss) | 5,099 | 518 | 292 | 4,807 | 899 |
| (+) Adjustments for: | 37,779 | 38,897 | 19,361 | 18,418 | 21,209 |
| Pension and medical benefits (actuarial expense) | 4,352 | 4,023 | 2,175 | 2,177 | 2,018 |
| Share of earnings in equity-accounted investments | (1,227) | (786) | (615) | (612) | (398) |
| Depreciation, depletion and amortization | 21,148 | 24,598 | 10,382 | 10,766 | 11,949 |
| Impairment | 207 | 1,478 | 228 | (21) | 1,184 |
| Inventory write-downs to net realizable value (market value) | 249 | 1,250 | 178 | 71 | 74 |
| Allowance (reversals) for impairment of trade and others receivables | 1,458 | 1,237 | 1,464 | (6) | 734 |
| Exploration expenditures written-off | 324 | 1,810 | 300 | 24 | 1,231 |
| (Gains) / losses on disposal / write-offs of non-current assets | (5,685) | 235 | (5,808) | 123 | 133 |
| Foreign exchange and inflation indexation and finance charges | 16,153 | 14,596 | 8,299 | 7,854 | 5,845 |
| Deferred income taxes, net | 5,399 | (2,702) | 3,905 | 1,494 | (1,289) |
| Revision and unwinding of discount on the provision for decommissioning costs | 1,211 | 1,145 | 608 | 603 | 568 |
| Reclassification of cumulative translation adjustment - CTA | 185 | – | – | 185 | – |
| Gain on remeasurement of investment retained with loss of control | (698) | – | (698) | – | 0 |
| Trade and other receivables, net | 383 | 2,984 | (1,130) | 1,513 | (600) |
| Inventories | 823 | (2,141) | (391) | 1,214 | (468) |
| Judicial deposits | (1,608) | (1,284) | (657) | (951) | (901) |
| Trade payables | (2,381) | (4,971) | 909 | (3,290) | (1,196) |
| Taxes payable | 3,904 | (181) | 3,604 | 300 | 2,039 |
| Pension and medical benefits | (1,364) | (1,230) | (873) | (491) | (792) |
| Income tax and social contribution paid | (626) | (579) | (362) | (264) | (308) |
| Other assets and liabilities | (4,428) | (585) | (2,157) | (2,271) | 1,386 |
| (=) Net cash provided by (used in) operating activities | 42,878 | 39,415 | 19,653 | 23,225 | 22,108 |
| (-) Net cash provided by (used in) investing activities | (11,311) | (25,277) | (3,049) | (8,262) | (10,759) |
| Capital expenditures and investments in operating segments | (20,156) | (26,079) | (10,299) | (9,857) | (11,153) |
| Proceeds from disposal of assets (divestment) | 9,455 | 14 | 7,582 | 1,873 | 3 |
| Investments in marketable securities | (610) | 788 | (332) | (278) | 391 |
| (=) Net cash flow provided by operating and investing activities | 31,567 | 14,138 | 16,604 | 14,963 | 11,349 |
| (-) Net cash provided by (used in) financing activities | (24,039) | (37,075) | (2,679) | (21,360) | (19,716) |
| Proceeds from long-term financing | 43,988 | 32,679 | 30,960 | 13,028 | 25,464 |
| Repayment of principal | (55,345) | (56,188) | (26,339) | (29,006) | (39,090) |
| Repayment of interest | (12,130) | (13,590) | (6,878) | (5,252) | (5,968) |
| Dividends paid to non-controlling interest | (410) | (165) | (410) | – | (165) |
| Acquisition of non-controlling interest | (142) | 189 | (12) | (130) | 43 |
| Proceeds from sale of interest without loss of control | – | – | – | – | – |
| Effect of exchange rate changes on cash and cash equivalents | 1,334 | (11,968) | 3,171 | (1,837) | (6,471) |
| (=) Net increase (decrease) in cash and cash equivalents in the period | 8,862 | (34,905) | 17,096 | (8,234) | (14,838) |
| Cash and cash equivalents at the beginning of period | 69,108 | 97,845 | 60,874 | 69,108 | 77,778 |
| Cash and cash equivalents at the end of period | 77,970 | 62,940 | 77,970 | 60,874 | 62,940 |

SEGMENT INFORMATION

Consolidated Income Statement by Segment – 1H-2017

| | R\$ million | | | | | | | |
|---------------------------------------------------|-------------|----------|----------------|---------|----------------|----------|----------|----------|
| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. CORP. | ELIMIN. | TOTAL | |
| Sales revenues | 65,055 | 105,230 | 16,971 | 317 | 41,239 | – | (93,451) | 135,361 |
| Intersegments | 62,805 | 25,103 | 4,579 | 303 | 661 | – | (93,451) | – |
| Third parties | 2,250 | 80,127 | 12,392 | 14 | 40,578 | – | – | 135,361 |
| Cost of sales | (42,786) | (91,213) | (11,987) | (343) | (38,370) | – | 94,493 | (90,206) |
| Gross profit | 22,269 | 14,017 | 4,984 | (26) | 2,869 | – | 1,042 | 45,155 |
| Expenses | (5,248) | (4,119) | 3,561 | (14) | (1,952) | (8,237) | 114 | (15,895) |
| Selling expenses | (211) | (2,667) | (1,989) | (3) | (1,556) | 20 | 127 | (6,279) |
| General and administrative expenses | (482) | (725) | (283) | (42) | (429) | (2,566) | (1) | (4,528) |
| Exploration costs | (899) | – | – | – | – | – | – | (899) |
| Research and development expenses | (539) | (19) | (35) | – | (1) | (292) | – | (886) |
| Other taxes | (100) | (113) | (679) | (13) | (37) | (2,418) | – | (3,360) |
| Other income and expenses, net | (3,017) | (595) | 6,547 | 44 | 71 | (2,981) | (12) | 57 |
| Operating income (loss) | 17,021 | 9,898 | 8,545 | (40) | 917 | (8,237) | 1,156 | 29,260 |
| Net finance income (expense) | – | – | – | – | – | (16,590) | – | (16,590) |
| Share of earnings in equity-accounted investments | 151 | 966 | 175 | (63) | (1) | (1) | – | 1,227 |
| Income (loss) before income taxes | 17,172 | 10,864 | 8,720 | (103) | 916 | (24,828) | 1,156 | 13,897 |
| Income taxes | (5,787) | (3,365) | (2,905) | 13 | (312) | 3,951 | (393) | (8,798) |
| Net income (loss) | 11,385 | 7,499 | 5,815 | (90) | 604 | (20,877) | 763 | 5,099 |
| Net income (loss) attributable to: | | | | | | | | |
| Shareholders of Petrobras | 11,371 | 7,530 | 5,624 | (90) | 604 | (21,037) | 763 | 4,765 |
| Non-controlling interests | 14 | (31) | 191 | – | – | 160 | – | 334 |
| | 11,385 | 7,499 | 5,815 | (90) | 604 | (20,877) | 763 | 5,099 |

Consolidated Income Statement by Segment – 1H-2016

| | R\$ million | | | | | | | |
|-------------------------------------|-------------|----------|----------------|---------|----------------|----------|----------|----------|
| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. CORP. | ELIMIN. | TOTAL | |
| Sales revenues | 53,297 | 109,032 | 17,151 | 445 | 49,449 | – | (87,717) | 141,657 |
| Intersegments | 50,688 | 31,621 | 4,230 | 427 | 751 | – | (87,717) | – |
| Third parties | 2,609 | 77,411 | 12,921 | 18 | 48,698 | – | – | 141,657 |
| Cost of sales | (42,435) | (80,965) | (13,177) | (493) | (45,705) | – | 84,947 | (97,828) |
| Gross profit | 10,862 | 28,067 | 3,974 | (48) | 3,744 | – | (2,770) | 43,829 |
| Expenses | (8,754) | (6,227) | (1,980) | (137) | (3,524) | (8,071) | 196 | (28,497) |
| Selling expenses | (298) | (3,341) | (1,484) | (3) | (2,478) | (49) | 212 | (7,441) |
| General and administrative expenses | (655) | (721) | (380) | (43) | (439) | (3,257) | (1) | (5,496) |
| Exploration costs | (2,788) | – | – | – | – | – | – | (2,788) |
| Research and development expenses | (438) | (103) | (32) | (2) | – | (435) | – | (1,010) |
| Other taxes | (121) | (137) | (390) | (5) | (84) | (251) | – | (988) |
| Other income and expenses, net | (4,454) | (1,925) | 306 | (84) | (523) | (4,079) | (15) | (10,774) |
| Operating income (loss) | 2,108 | 21,840 | 1,994 | (185) | 220 | (8,071) | (2,574) | 15,332 |
| Net finance income (expense) | – | – | – | – | – | (14,754) | – | (14,754) |

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| | | | | | | | | |
|---------------------------------------------------|-------|---------|-------|-------|------|----------|---------|-------|
| Share of earnings in equity-accounted investments | 8 | 561 | 204 | (2) | 16 | (1) | – | 786 |
| Income (loss) before income taxes | 2,116 | 22,401 | 2,198 | (187) | 236 | (22,826) | (2,574) | 1,364 |
| Income taxes | (717) | (7,425) | (678) | 63 | (75) | 7,111 | 875 | (846) |
| Net income (loss) | 1,399 | 14,976 | 1,520 | (124) | 161 | (15,715) | (1,699) | 518 |
| Net income (loss) attributable to: | | | | | | | | |
| Shareholders of Petrobras | 1,557 | 15,184 | 1,302 | (124) | 159 | (17,255) | (1,699) | (876) |
| Non-controlling interests | (158) | (208) | 218 | – | 2 | 1,540 | – | 1,394 |
| | 1,399 | 14,976 | 1,520 | (124) | 161 | (15,715) | (1,699) | 518 |

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Consolidated Income Statement by Segment –2Q-2017

| R\$ million | | | | | | | | |
|---------------------------------------------------|----------|----------|----------------|---------|----------------|----------|----------|----------|
| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. CORP. | ELIMIN. | TOTAL | |
| Sales revenues | 31,804 | 51,301 | 9,268 | 154 | 20,327 | – | (45,858) | 66,996 |
| Intersegments | 30,674 | 12,340 | 2,365 | 146 | 333 | – | (45,858) | – |
| Third parties | 1,130 | 38,961 | 6,903 | 8 | 19,994 | – | – | 66,996 |
| Cost of sales | (21,356) | (44,662) | (6,727) | (165) | (19,001) | – | 46,284 | (45,627) |
| Gross profit | 10,448 | 6,639 | 2,541 | (11) | 1,326 | – | 426 | 21,369 |
| Expenses | (3,315) | (1,997) | 4,449 | (19) | (967) | (4,583) | 53 | (6,379) |
| Selling expenses | (108) | (1,290) | (1,754) | (1) | (808) | 13 | 59 | (3,889) |
| General and administrative expenses | (237) | (358) | (115) | (19) | (214) | (1,277) | (1) | (2,221) |
| Exploration costs | (603) | – | – | – | – | – | – | (603) |
| Research and development expenses | (377) | (9) | (22) | – | (1) | (140) | – | (549) |
| Other taxes | (66) | (56) | (617) | (4) | (18) | (2,308) | – | (3,069) |
| Other income and expenses, net | (1,924) | (284) | 6,957 | 5 | 74 | (871) | (5) | 3,952 |
| Operating income (loss) | 7,133 | 4,642 | 6,990 | (30) | 359 | (4,583) | 479 | 14,990 |
| Net finance income (expense) | – | – | – | – | – | (8,835) | – | (8,835) |
| Share of earnings in equity-accounted investments | 117 | 423 | 86 | (8) | (1) | (2) | – | 615 |
| Income (loss) before income taxes | 7,250 | 5,065 | 7,076 | (38) | 358 | (13,420) | 479 | 6,770 |
| Income taxes | (2,425) | (1,578) | (2,376) | 10 | (123) | 177 | (163) | (6,478) |
| Net income (loss) | 4,825 | 3,487 | 4,700 | (28) | 235 | (13,243) | 316 | 292 |
| Net income (loss) attributable to: | | | | | | | | |
| Shareholders of Petrobras | 4,871 | 3,470 | 4,603 | (28) | 235 | (13,151) | 316 | 316 |
| Non-controlling interests | (46) | 17 | 97 | – | – | (92) | – | (24) |
| | 4,825 | 3,487 | 4,700 | (28) | 235 | (13,243) | 316 | 292 |

Consolidated Income Statement by Segment – 1Q-2017

| R\$ million | | | | | | | | |
|-------------------------------------|----------|----------|----------------|---------|----------------|---------|----------|----------|
| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. CORP. | ELIMIN. | TOTAL | |
| Sales revenues | 33,251 | 53,929 | 7,703 | 163 | 20,912 | – | (47,593) | 68,365 |
| Intersegments | 32,131 | 12,763 | 2,214 | 157 | 328 | – | (47,593) | – |
| Third parties | 1,120 | 41,166 | 5,489 | 6 | 20,584 | – | – | 68,365 |
| Cost of sales | (21,430) | (46,551) | (5,260) | (178) | (19,369) | – | 48,209 | (44,579) |
| Gross profit | 11,821 | 7,378 | 2,443 | (15) | 1,543 | – | 616 | 23,786 |
| Expenses | (1,933) | (2,122) | (888) | 5 | (985) | (3,654) | 61 | (9,516) |
| Selling expenses | (103) | (1,377) | (235) | (2) | (748) | 7 | 68 | (2,390) |
| General and administrative expenses | (245) | (367) | (168) | (23) | (215) | (1,289) | – | (2,307) |
| Exploration costs | (296) | – | – | – | – | – | – | (296) |
| Research and development expenses | (162) | (10) | (13) | – | – | (152) | – | (337) |
| Other taxes | (34) | (57) | (62) | (9) | (19) | (110) | – | (291) |
| Other income and expenses, net | (1,093) | (311) | (410) | 39 | (3) | (2,110) | (7) | (3,895) |
| Operating income (loss) | 9,888 | 5,256 | 1,555 | (10) | 558 | (3,654) | 677 | 14,270 |
| Net finance income (expense) | – | – | – | – | – | (7,755) | – | (7,755) |

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| | | | | | | | | |
|---------------------------------------------------|---------|---------|-------|------|-------|----------|-------|---------|
| Share of earnings in equity-accounted investments | 34 | 543 | 89 | (55) | – | 1 | – | 612 |
| Income (loss) before income taxes | 9,922 | 5,799 | 1,644 | (65) | 558 | (11,408) | 677 | 7,127 |
| Income taxes | (3,362) | (1,787) | (529) | 3 | (189) | 3,774 | (230) | (2,320) |
| Net income (loss) | 6,560 | 4,012 | 1,115 | (62) | 369 | (7,634) | 447 | 4,807 |
| Net income (loss) attributable to: | | | | | | | | |
| Shareholders of Petrobras | 6,500 | 4,060 | 1,021 | (62) | 369 | (7,886) | 447 | 4,449 |
| Non-controlling interests | 60 | (48) | 94 | – | – | 252 | – | 358 |
| | 6,560 | 4,012 | 1,115 | (62) | 369 | (7,634) | 447 | 4,807 |

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Other Income (Expenses) by Segment – 1H-2017

| R\$ million | | | | | | | |
|----------------------------------------------------------------------------------------------|---------|-------|-------------|---------|----------|---------------|-----------|
| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. | CORP. ELIMIN. | TOTAL |
| Pension and medical benefits | – | – | – | – | – | (3,058) | – (3,058) |
| Unscheduled stoppages and pre-operating expenses | (2,378) | (53) | (150) | – | – | (2) | – (2,583) |
| Provision for doubtful receivables | (1,317) | (19) | (1) | (1) | – | (25) | – (1,363) |
| (Losses)/gains on legal, administrative and arbitral proceedings | (238) | (227) | (575) | (1) | (181) | 59 | – (1,163) |
| Institutional relations and cultural projects | (1) | (3) | – | – | (58) | (242) | – (304) |
| Profit Share | (113) | (64) | (11) | – | – | (110) | – (298) |
| Impairment of assets | – | 29 | (236) | – | – | – | – (207) |
| Operating expenses with thermoelectric plants | – | – | (158) | – | – | – | – (158) |
| Cumulative Translation Adjustment - CTA | – | – | – | – | – | (116) | – (116) |
| Expenses with Health, safety and environment | (15) | (6) | (5) | – | (1) | (73) | – (100) |
| Reimbursement of expenses regarding "Car Wash" operation | – | – | – | – | – | 89 | – 89 |
| Government Grants | 9 | 18 | 95 | 5 | – | – | – 127 |
| (Expenditures)/reimbursements from operations in E&P partnerships | 662 | – | – | – | – | – | – 662 |
| Voluntary Separation Incentive Plan - PIDV | 87 | (30) | 182 | – | 114 | 316 | – 669 |
| Remeasurement of remaining interests at fair value | – | – | 698 | – | – | – | – 698 |
| Ship/Take or Pay Agreements with Gas Distributors | 2 | 113 | 827 | – | 14 | – | – 956 |
| Gains / (losses) on disposal/write-offs of assets; returned areas and cancelled projects (*) | (368) | (246) | 6,257 | 9 | 32 | 1 | – 5,685 |
| Others | 653 | (107) | (376) | 32 | 151 | 180 | (12) 521 |
| | (3,017) | (595) | 6,547 | 44 | 71 | (2,981) | (12) 57 |

Other Income (Expenses) by Segment – 1H-2016

| R\$ million | | | | | | | |
|------------------------------------------------------------------|---------|---------|-------------|---------|----------|---------------|-----------|
| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. | CORP. ELIMIN. | TOTAL |
| Pension and medical benefits | – | – | – | – | – | (2,478) | – (2,478) |
| Unscheduled stoppages and pre-operating expenses | (3,943) | (135) | (89) | – | – | (7) | – (4,174) |
| Provision for doubtful receivables | (20) | (54) | (1) | – | – | (67) | – (142) |
| (Losses)/gains on legal, administrative and arbitral proceedings | (658) | (153) | (34) | – | (692) | (1,037) | – (2,574) |
| Institutional relations and cultural projects | (11) | (9) | (1) | – | (26) | (385) | – (432) |
| Impairment of assets | (353) | (1,125) | – | – | – | – | – (1,478) |
| Operating expenses with thermoelectric plants | – | – | (208) | – | – | – | – (208) |

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| | | | | | | | | |
|-------------------------------------------------------------------------------------------|---------|---------|------|------|-------|---------|------|----------|
| Expenses with Health, safety and environment | (36) | (33) | (11) | – | (2) | (75) | – | (157) |
| Reimbursement of expenses regarding "Car Wash" operation | – | – | – | – | – | 79 | – | 79 |
| Government Grants | 8 | 53 | 198 | 9 | – | 1 | – | 269 |
| (Expenditures)/reimbursements from operations in E&P partnerships | 1,123 | – | – | – | – | – | – | 1,123 |
| Voluntary Separation Incentive Plan - PIDV | (565) | (267) | (51) | – | 9 | (339) | – | (1,213) |
| Ship/Take or Pay Agreements with Gas Distributors | 2 | – | 357 | – | – | – | – | 359 |
| Gains / (losses) on disposal/write-offs of assets; returned areas and cancelled projects* | (70) | (146) | (42) | – | 7 | 16 | – | (235) |
| Others | 69 | (56) | 188 | (93) | 181 | 213 | (15) | 487 |
| | (4,454) | (1,925) | 306 | (84) | (523) | (4,079) | (15) | (10,774) |

* Includes returned areas and cancelled projects and the gain on the divestment of NTS in the 2Q-2017.

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Other Income (Expenses) by Segment – 2Q-2017

| | R\$ million | | | | | | | |
|----------------------------------------------------------------------------------------------|-------------|-------|----------------|---------|----------|---------|---------|---------|
| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. | CORP. | ELIMIN. | TOTAL |
| Pension and medical benefits | – | – | – | – | – | (1,529) | – | (1,529) |
| Unscheduled stoppages and pre-operating expenses | (1,081) | (26) | (116) | – | – | (1) | – | (1,224) |
| Provision for doubtful receivables | (1,234) | – | – | (1) | – | (17) | – | (1,252) |
| (Losses)/gains on legal, administrative and arbitral proceedings | (140) | (90) | 144 | – | (101) | 279 | – | 92 |
| Institutional relations and cultural projects | – | (2) | – | – | (38) | (104) | – | (144) |
| Profit share | (6) | (10) | – | – | – | (4) | – | (20) |
| Impairment of assets | – | 8 | (236) | – | – | – | – | (228) |
| Operating expenses with thermoelectric plants | – | – | (83) | – | – | – | – | (83) |
| Expenses with Health, safety and environment | (9) | (8) | (3) | – | (1) | (37) | – | (58) |
| Reimbursement of expenses regarding "Car Wash" operation | – | – | – | – | – | 89 | – | 89 |
| Government Grants | 4 | 6 | 37 | 3 | – | – | – | 50 |
| (Expenditures)/reimbursements from operations in E&P partnerships | 372 | – | – | – | – | – | – | 372 |
| Voluntary Separation Incentive Plan - PIDV | (31) | 56 | 3 | – | 93 | 273 | – | 394 |
| Remeasurement of remaining interests at fair value | – | – | 698 | – | – | – | – | 698 |
| Ship/Take or Pay Agreements with Gas Distributors | 2 | 113 | 547 | – | 14 | – | – | 676 |
| Gains / (losses) on disposal/write-offs of assets; returned areas and cancelled projects (*) | (305) | (168) | 6,254 | – | 28 | (1) | – | 5,808 |
| Others | 504 | (163) | (288) | 3 | 79 | 181 | (5) | 311 |
| | (1,924) | (284) | 6,957 | 5 | 74 | (871) | (5) | 3,952 |

Other Income (Expenses) by Segment – 1Q-2017

| | R\$ million | | | | | | | |
|------------------------------------------------------------------|-------------|-------|----------------|---------|----------|---------|---------|---------|
| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. | CORP. | ELIMIN. | TOTAL |
| Pension and medical benefits | – | – | – | – | – | (1,529) | – | (1,529) |
| Unscheduled stoppages and pre-operating expenses | (1,297) | (27) | (34) | – | – | (1) | – | (1,359) |
| Provision for doubtful receivables | (83) | (19) | (1) | – | – | (8) | – | (111) |
| (Losses)/gains on legal, administrative and arbitral proceedings | (98) | (137) | (719) | (1) | (80) | (220) | – | (1,255) |
| Institutional relations and cultural projects | (1) | (1) | – | – | (20) | (138) | – | (160) |
| Profit share | (107) | (54) | (11) | – | – | (106) | – | (278) |
| Impairment of assets | – | 21 | – | – | – | – | – | 21 |
| Operating expenses with thermoelectric plants | – | – | (75) | – | – | – | – | (75) |
| Cumulative Translation Adjustment - CTA | – | – | – | – | – | (116) | – | (116) |
| Expenses with Health, safety and environment | (6) | 2 | (2) | – | – | (36) | – | (42) |

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| | | | | | | | | |
|---------------------------------------------------------------------------------------------|---------|-------|-------|----|-----|---------|-----|---------|
| Government Grants | 5 | 12 | 58 | 2 | - | - | - | 77 |
| (Expenditures)/reimbursements from operations in E&P partnerships | 290 | - | - | - | - | - | - | 290 |
| Voluntary Separation Incentive Plan - PIDV | 118 | (86) | 179 | - | 21 | 43 | - | 275 |
| Ship/Take or Pay Agreements with Gas Distributors | - | - | 280 | - | - | - | - | 280 |
| Gains / (losses) on disposal/write-offs of assets; returned areas and cancelled projects(*) | (63) | (78) | 3 | 9 | 4 | 2 | - | (123) |
| Others | 149 | 56 | (88) | 29 | 72 | (1) | (7) | 210 |
| | (1,093) | (311) | (410) | 39 | (3) | (2,110) | (7) | (3,895) |

* Includes returned areas and cancelled projects and the gain on the divestment of NTS in the 2Q-2017.

Consolidated Assets by Segment – 06.30.2017

R\$ million

| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. CORP. | ELIMIN. | TOTAL |
|-------------------------------|---------|---------|-------------|---------|----------------|---------|------------------|
| Total assets | 457,205 | 167,987 | 62,726 | 982 | 18,171 | 117,074 | (16,091) 808,054 |
| Current assets | 18,131 | 36,992 | 4,412 | 186 | 7,860 | 89,152 | (14,298) 142,435 |
| Non-current assets | 439,074 | 130,995 | 58,314 | 796 | 10,311 | 27,922 | (1,793) 665,619 |
| Long-term receivables | 23,536 | 11,700 | 8,287 | 423 | 3,316 | 21,893 | (1,635) 67,520 |
| Investments | 4,616 | 4,916 | 2,688 | 52 | 16 | 19 | – 12,307 |
| Property, plant and equipment | 403,264 | 113,802 | 46,284 | 321 | 6,252 | 5,477 | (158) 575,242 |
| Operating assets | 296,882 | 99,613 | 37,987 | 310 | 5,368 | 4,250 | (158) 444,252 |
| Assets under construction | 106,382 | 14,189 | 8,297 | 11 | 884 | 1,227 | – 130,990 |
| Intangible assets | 7,658 | 577 | 1,055 | – | 727 | 533 | – 10,550 |

Consolidated Assets by Segment – 12.31.2016

R\$ million

| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. CORP. | ELIMIN. | TOTAL |
|-------------------------------|---------|---------|-------------|---------|----------------|---------|------------------|
| Total assets | 456,594 | 171,359 | 63,515 | 1,699 | 20,304 | 110,057 | (18,583) 804,945 |
| Current assets | 18,262 | 40,609 | 11,707 | 1,319 | 9,906 | 81,262 | (17,158) 145,907 |
| Non-current assets | 438,332 | 130,750 | 51,808 | 380 | 10,398 | 28,795 | (1,425) 659,038 |
| Long-term receivables | 24,870 | 10,793 | 6,539 | 12 | 3,314 | 22,285 | (1,262) 66,551 |
| Investments | 4,722 | 3,597 | 1,520 | 43 | 47 | 19 | – 9,948 |
| Property, plant and equipment | 401,057 | 115,745 | 42,675 | 325 | 6,308 | 5,929 | (163) 571,876 |
| Operating assets | 295,656 | 101,520 | 38,659 | 315 | 5,389 | 4,798 | (163) 446,174 |
| Assets under construction | 105,401 | 14,225 | 4,016 | 10 | 919 | 1,131 | – 125,702 |
| Intangible assets | 7,683 | 615 | 1,074 | – | 729 | 562 | – 10,663 |

Reconciliation of Consolidated Adjusted EBITDA Statement by Segment – 1H-2017

R\$ million

| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. | CORP. | ELIMIN. | TOTAL |
|-------------------------------------------------------|--------|--------|----------------|---------|----------|----------|---------|---------|
| Net income (loss) | 11,385 | 7,499 | 5,815 | (90) | 604 | (20,877) | 763 | 5,099 |
| Net finance income (expense) | – | – | – | – | – | 16,590 | – | 16,590 |
| Income taxes | 5,787 | 3,365 | 2,905 | (13) | 312 | (3,951) | 393 | 8,798 |
| Depreciation, depletion and amortization | 15,455 | 3,838 | 1,313 | 6 | 253 | 283 | – | 21,148 |
| EBITDA | 32,627 | 14,702 | 10,033 | (97) | 1,169 | (7,955) | 1,156 | 51,635 |
| Share of earnings in equity-accounted investments | (151) | (966) | (175) | 63 | 1 | 1 | – | (1,227) |
| Impairment losses / (reversals) | – | (29) | 236 | – | – | – | – | 207 |
| Realization of cumulative translation adjustment | – | – | – | – | – | 116 | – | 116 |
| Gains / (losses) on disposal / write-offs of assets** | 368 | 246 | (6,955) | (9) | (32) | (1) | – | (6,383) |
| Adjusted EBITDA* | 32,844 | 13,953 | 3,139 | (43) | 1,138 | (7,839) | 1,156 | 44,348 |

Reconciliation of Consolidated Adjusted EBITDA Statement by Segment – 1H-2016

R\$ million

| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. | CORP. | ELIMIN. | TOTAL |
|-------------------------------------------------------|--------|--------|----------------|---------|----------|----------|---------|--------|
| Net income (loss) | 1,399 | 14,976 | 1,520 | (124) | 161 | (15,715) | (1,699) | 518 |
| Net finance income (expense) | – | – | – | – | – | 14,754 | – | 14,754 |
| Income taxes | 717 | 7,425 | 678 | (63) | 75 | (7,111) | (875) | 846 |
| Depreciation, depletion and amortization | 18,579 | 3,851 | 1,453 | 13 | 292 | 410 | – | 24,598 |
| EBITDA | 20,695 | 26,252 | 3,651 | (174) | 528 | (7,662) | (2,574) | 40,716 |
| Share of earnings in equity-accounted investments | (8) | (561) | (204) | 2 | (16) | 1 | – | (786) |
| Impairment losses / (reversals) | 353 | 1,125 | – | – | – | – | – | 1,478 |
| Realization of cumulative translation adjustment | – | – | – | – | – | – | – | – |
| Gains / (losses) on disposal / write-offs of assets** | 70 | 146 | 42 | – | (7) | (16) | – | 235 |
| Adjusted EBITDA* | 21,110 | 26,962 | 3,489 | (172) | 505 | (7,677) | (2,574) | 41,643 |

Reconciliation of Consolidated Adjusted EBITDA Statement by Segment – 2Q-2017

R\$ million

| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. | CORP. | ELIMIN. | TOTAL |
|---------------------------------------------------|--------|-------|----------------|---------|----------|----------|---------|--------|
| Net income (loss) | 4,825 | 3,487 | 4,700 | (28) | 235 | (13,243) | 316 | 292 |
| Net finance income (expense) | – | – | – | – | – | 8,835 | – | 8,835 |
| Income taxes | 2,425 | 1,578 | 2,376 | (10) | 123 | (177) | 163 | 6,478 |
| Depreciation, depletion and amortization | 7,576 | 1,928 | 609 | 3 | 128 | 138 | – | 10,382 |
| EBITDA | 14,826 | 6,993 | 7,685 | (35) | 486 | (4,447) | 479 | 25,987 |
| Share of earnings in equity-accounted investments | (117) | (423) | (86) | 8 | 1 | 2 | – | (615) |

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| | | | | | | | | |
|-----------------------------------------------------------|--------|---------|-----|------|-----|---------|-----|---------|
| Impairment losses / (reversals) | - | (8) | 236 | - | - | - | - | 228 |
| Realization of cumulative translation adjustment | - | - | - | - | - | - | - | - |
| Gains / (losses) on disposal / write-offs of 305 assets** | 168 | (6,952) | - | (28) | 1 | - | - | (6,506) |
| Adjusted EBITDA* | 15,014 | 6,730 | 883 | (27) | 459 | (4,444) | 479 | 19,094 |

Reconciliation of Consolidated Adjusted EBITDA Statement by Segment – 1Q-2017

R\$ million

| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. | CORP. | ELIMIN. | TOTAL |
|----------------------------------------------------------|--------|-------|-------------|---------|----------|---------|---------|--------|
| Net income (loss) | 6,560 | 4,012 | 1,115 | (62) | 369 | (7,634) | 447 | 4,807 |
| Net finance income (expense) | - | - | - | - | - | 7,755 | - | 7,755 |
| Income taxes | 3,362 | 1,787 | 529 | (3) | 189 | (3,774) | 230 | 2,320 |
| Depreciation, depletion and amortization | 7,879 | 1,910 | 704 | 3 | 125 | 145 | - | 10,766 |
| EBITDA | 17,801 | 7,709 | 2,348 | (62) | 683 | (3,508) | 677 | 25,648 |
| Share of earnings in equity-accounted investments | (34) | (543) | (89) | 55 | - | (1) | - | (612) |
| Impairment losses / (reversals) | - | (21) | - | - | - | - | - | (21) |
| Realization of cumulative translation adjustment | - | - | - | - | - | 116 | - | 116 |
| Gains / (losses) on disposal / write-offs of 63 assets** | 78 | (3) | - | (9) | (4) | (2) | - | 123 |
| Adjusted EBITDA* | 17,830 | 7,223 | 2,256 | (16) | 679 | (3,395) | 677 | 25,254 |

* See definitions of Adjusted EBITDA in glossary.

** Includes the accounts of gains / losses on disposal of assets and gains / losses at remeasurement of remaining interests at fair value.

Glossary

ACL – Ambiente de Contratação Livre (Free contracting market) in the electricity system.

ACR - Ambiente de Contratação Regulada (Regulated contracting market) in the electricity system.

Adjusted cash and cash equivalents - Sum of cash and cash equivalents, government bonds and time deposits from highly rated financial institutions abroad with maturities of more than 3 months from the date of acquisition, considering the expected realization of those financial investments in the short-term. This measure is not defined under the International Financial Reporting Standards – IFRS and should not be considered in isolation or as a substitute for cash and cash equivalents computed in accordance with IFRS. It may not be comparable to adjusted cash and cash equivalents of other companies, however management believes that it is an appropriate supplemental measure that helps investors assess our liquidity and supports leverage management.

Adjusted EBITDA – Net income plus net finance income (expense); income taxes; depreciation, depletion and amortization; results in equity-accounted investments; impairment, cumulative translation adjustment and gains/losses on disposal/write-offs of assets. Adjusted EBITDA is not a measure defined by IFRS and it is possible that it may not be comparable to similar measures reported by other companies.

Adjusted EBITDA Margin - Adjusted EBITDA divided by sales revenues.

ANP - Brazilian National Petroleum, Natural Gas and Biofuels Agency.

Basic and diluted earnings (losses) per share - calculated based on the weighted average number of shares.

Consolidated Structured Entities - Entities that have been designated so that voting or similar rights are not the determining factor that decides who controls the entity. Petrobras has no share of earnings in investments in certain structured entities that are consolidated in the financial statements, but the control is determined by the

Gross Margin – Gross profit over sales revenues.

Jet fuel –Aviation fuel.

Leverage – Ratio between the Net Debt and the sum of Net Debt and Shareholders’ Equity. Leverage is not a measure defined in the International Standards - IFRS and it is possible that it may not be comparable to similar measures reported by other companies.

Lifting Cost - Crude oil and natural gas lifting cost indicator, which considers expenditures occurred in the period.

LNG – Liquefied natural gas.

LPG – Liquefied crude oil gas.

LTM Adjusted EBITDA – sum of the last 12 months (Last Twelve Months) of Adjusted EBITDA.

Net debt – Gross debt less adjusted cash and cash equivalents. Net debt is not a measure defined in the International Standards - IFRS and should not be considered in isolation or as a substitute for total long-term debt calculated in accordance with IFRS. Our calculation of net debt may not be comparable to the calculation of net debt by other companies. Management believes that net debt is an appropriate supplemental measure that helps investors assess our liquidity and supports leverage management.

Net Income by Business Segment- Company’s segment results. Petrobras is an integrated energy company and most of the crude oil and natural gas production from the Exploration & Production segment is transferred to other business segments of the Company. Our results by business segment include transactions carried out with third parties, transactions between companies of Petrobras’s Group and transfers between Petrobras’s business segments that are calculated using internal prices defined through methodologies based on market parameters. On April 28, 2016, the Extraordinary General Meeting approved the statutory adjustments according to the new organizational

power it has over its relevant operating activities. As there are no interests, the result came from certain consolidated structured entities is attributable to non-controlling interests in the income statement, and it is not considered on net income attributable to shareholders of Petrobras.

structure of the company and its new management and governance model, to align the organization to the new reality of the oil and gas sector and prioritize profitability and capital discipline.

Net Margin – Net income (loss) over sales revenues.

CTA – Cumulative translation adjustment – The exchange variation cumulative amount that is recognized on Shareholders' Equity should be transferred to the Statement of Income at the moment of the investment disposal.

NGL – Natural gas liquids.

Operating indicators – indicators used for businesses management and are not reviewed by independent auditor.

Domestic crude oil sales price - Average between the prices of exports and the internal transfer prices from Exploration & Production to Refining, Transportation and Marketing.

Operating Margin - calculated based on operating income (loss) excluding write-offs of overpayments incorrectly capitalized.

Domestic natural gas production - Natural gas production in Brazil less LNG plus gas reinjection.

PESA – Petrobras Argentina S.A.

Effect of average cost in the Cost of Sales – In view of the average inventory term of 60 days, the crude oil and oil products international prices movement, as well as foreign exchange effect over imports, government take and other factors that impact costs, do not entirely influence the cost of sales in the period, having its total effects only in the next period

PLD (differences settlement price) - Electricity price in the spot market. Weekly weighed prices per output level (light, medium and heavy), number of hours and related market capacity.

Feedstock processed (excluding NGL) - Daily volume of crude oil processed in the Company's refineries in Brazil and is factored into the calculation of the Refining Plants Utilization Factor.

Reference feedstock or installed capacity of primary processing - Maximum sustainable feedstock processing reached at the distillation units at the end of each period, respecting the project limits of equipment and the safety, environment and product quality requirements. It is lower than the authorized capacity set by ANP (including temporary authorizations) and by environmental protection agencies.

Feedstock processed – Brazil – Daily volume of crude oil and NGL processed.

Refining plants utilization factor (%) - Feedstock processed (excluding NGL) divided by the reference feedstock.

Free cash flow - Net cash provided by operating activities less capital expenditures and investments in investees. Free cash flow is not defined under the International Financial Reporting Standards – IFRS and should not be considered in isolation or as a substitute for cash and cash equivalents calculated in accordance with IFRS. It may not be comparable to free cash flow of other companies, however management believes that it is an appropriate supplemental measure that helps investors assess our liquidity and supports leverage management.

Total liabilities net – Total liability less adjusted cash and cash equivalents.

On June 30th, 2017, the presentation related to the business segment information reflects the Chief Operating Decision Maker assessment related to the performance and the business resources allocation.

SIGNATURES

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

Date: August 11, 2017

PETRÓLEO BRASILEIRO S.A.—PETROBRAS

By: /s/ Ivan de Souza Monteiro_____

Ivan de Souza Monteiro

Chief Financial Officer and Investor Relations Officer