

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)

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

(Address of principal executive office)

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

Form 20-F  Form 40-F

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

Yes  No

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## FINANCIAL REPORT

### FIRST HALF OF 2017 RESULTS

Derived from consolidated interim financial information reviewed by independent auditors, stated in millions of U.S. dollars, prepared in accordance with International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board - IASB.

Rio de Janeiro – August 10, 2017

#### Main financial highlights

• Net income of US\$ 1,513 million in 1H-2017, compared to a net loss of US\$ 212 million in 1H-2016, as a result of:

higher export revenues (US\$ 3,509 million), due to increase in volume and higher average prices;  
gain of US\$ 2,169 million on sale of the Company's interest in Nova Transportadora do Sudeste (NTS);  
decrease of 63% in exploration costs and of 3% in sales, general and administrative expenses;  
reduction of 7% in oil products domestic sales and lower import costs;  
expenses with the adherence to Tax Settlement Programs (US\$ 1,938 million);  
higher production taxes due to increase in Brent prices; and  
provision for losses with receivables from the Vitoria 10.000 drillship (US\$ 254 million).

• Adjusted EBITDA\* of US\$ 13,964 million in 1H-2017, 24% higher than 1H-2016, reflecting lower operational expenses and import costs. Adjusted EBITDA Margin\* was 33% in 1H-2017.

• The combination of improvement in net cash provided by operating activities (US\$ 13,492 million) and reduction in investments (US\$ 6,335 million) resulted in a 92% increase in Free Cash Flow\*, which reached US\$ 7,157 million in 1H-2017. Free Cash Flow\* was positive for the ninth quarter in a row.

• Gross debt decreased 4%, from US\$ 118,370 million as of December 31, 2016 to US\$ 113,835 million as of June 30, 2017, a reduction of US\$ 4,535 million.

• Net debt\* decreased 7% (US\$ 7,118 million), from US\$ 96,381 million as of December 31, 2016 to US\$ 89,263 million as of June 30, 2017. In addition, liquidity management led to a weighted average maturity of outstanding debt 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 Last Twelve Months (LTM) Adjusted EBITDA\*, from 3.76 as of December 31, 2016 to 3.15 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 1H-2017, being 2,671 thousand boed in Brazil, 6% above 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. In addition, there were lower expenses with 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 by 7% to 1,943 thousand bpd.

• The Company sustained the position of net exporter, with 401 thousand bpd of balance 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.

• The increase of the domestic oil participation in the processed feedstock and of domestic natural gas in the sales mix contributed to the reduction in imports.

\* 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, LTM 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.

The Company's actual results could differ materially from those expressed or forecast in any forward-looking statements as a result of a variety of assumptions and factors. These factors include, but are not limited to, the following: (i) failure to comply with laws or regulations, including fraudulent activity, corruption, and bribery; (ii) the outcome of ongoing corruption investigations and any new facts or information that may arise in relation to the "Lava Jato Operation"; (iii) the effectiveness of the Company's risk management policies and procedures, including operational risk; and (iv) litigation, such as class actions or proceedings brought by governmental and regulatory agencies. A description of other factors can be found in the Company's Annual Report on Form 20-F for the year ended December 31, 2015, and the Company's other filings with the U.S. Securities and Exchange Commission.

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



## Main Items and Consolidated Economic Indicators

|   | US\$ million |         |                    |         |         |                    |         |
|---|--------------|---------|--------------------|---------|---------|--------------------|---------|
|   | Jan-Jun      |         |                    | 2Q-2017 | 1Q-2017 | 2Q17 X<br>1Q17 (%) | 2Q-2016 |
|   | 2017         | 2016    | 2017 x<br>2016 (%) |         |         |                    |         |
| Sales revenues  | 42,560       | 38,309  | 11                 | 20,823  | 21,737  | (4)                | 20,320  |
| Gross profit  | 14,205       | 11,875  | 20                 | 6,642   | 7,563   | (12)               | 6,502   |
| Operating income (loss)   | 9,196        | 4,132   | 123                | 4,658   | 4,538   | 3                  | 2,048   |
| Net finance income (expense)  | (5,212)      | (3,950) | (32)               | (2,747) | (2,465) | (11)               | (1,727) |
| Consolidated net income (loss) attributable to the shareholders of Petrobras                | 1,513        | (212)   | 814                | 96      | 1,417   | (93)               | 106     |
| Basic and diluted earnings (losses) per share attributable to the shareholders of Petrobras | 0.12         | (0.02)  | 700                | 0.01    | 0.11    | (91)               | –       |
| Adjusted EBITDA *   | 13,964       | 11,248  | 24                 | 5,934   | 8,030   | (26)               | 5,828   |
| Adjusted EBITDA margin* (%)   | 33           | 29      | 4                  | 28      | 37      | (9)                | 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  | 7,230        | 7,814   | (7)                | 3,560   | 3,670   | (3)                | 3,827   |
| Exploration & Production  | 5,754        | 6,922   | (17)               | 2,825   | 2,929   | (4)                | 3,400   |
| Refining, Transportation and Marketing  | 589          | 478     | 23                 | 329     | 260     | 27                 | 235     |
| Gas & Power   | 767          | 177     | 333                | 346     | 421     | (18)               | 102     |
| Distribution  | 47           | 60      | (22)               | 24      | 23      | 4                  | 35      |
| Biofuel   | 11           | 84      | (87)               | 5       | 6       | (17)               | 15      |
| Corporate   | 62           | 93      | (33)               | 31      | 31      | –                  | 40      |
| Average commercial selling rate for U.S. dollar (R\$/U.S.\$)                                | 3.18         | 3.70    | (14)               | 3.22    | 3.15    | 2                  | 3.51    |
| Period-end commercial selling rate for U.S. dollar (R\$/U.S.\$)                             | 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 (U.S.\$/bbl)  | 70.39        | 62.38   | 13                 | 68.35   | 72.42   | (6)                | 65.19   |
| Brent crude (U.S.\$/bbl)  | 51.81        | 39.73   | 30                 | 49.83   | 53.78   | (7)                | 45.57   |
| Domestic Sales price  |              |         |                    |         |         |                    |         |
| Crude oil (U.S.\$/bbl)  | 48.98        | 34.54   | 42                 | 47.25   | 50.70   | (7)                | 39.86   |
| Natural gas (U.S.\$/bbl)  | 37.61        | 30.07   | 25                 | 38.90   | 36.18   | 8                  | 29.90   |
| International Sales price   |              |         |                    |         |         |                    |         |
| Crude oil (U.S.\$/bbl)  | 45.03        | 44.37   | 1                  | 43.77   | 46.21   | (5)                | 47.24   |
| Natural gas (U.S.\$/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     |

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|  |       |       |      |       |       |      |       |
|--|-------|-------|------|-------|-------|------|-------|
| 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   |
| 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 other 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 definition 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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1H-2017 x 1H-2016 Results\*:

The main functional currency of the Petrobras Group is the Brazilian Real, which is the functional currency of the parent company and its Brazilian subsidiaries, and the presentation currency of the Petrobras Group is the U.S. dollar. Therefore, financial records are maintained in Brazilian Real and income and expenses are translated into U.S. dollars using the average exchange rates prevailing during the period, as set out in IAS 21 – “The effects of foreign exchanges rates”.

Although the fluctuation of Brazilian Real affects revenues and expenses in different ways when translated into U.S. dollars, we have only included it in the results of operations discussion when it was a contributing factor to changes in our results of operations as compared to previous periods. In 1H-2017, the average Brazilian Real appreciated by 14% in relation to U.S. dollar when compared to 1H-2016.

#### Gross Profit

Gross profit increased by 20%, to US\$ 14,205 million in 1H-2017, when compared to 1H-2016, mainly due to the effect of foreign exchange translation (the appreciation of the Brazilian Real against the U.S. dollar), which led to higher average prices of oil products (mainly diesel and gasoline) in the domestic market. Also contributed to the result (i) the increase in oil and oil products exports revenues and lower oil and natural gas import costs., (ii) the increase of the domestic oil production and of its share in the processed feedstock and (iii) the rise in the domestic natural gas production and of its participation in the sales mix. Gross margin reached 33%.

The rise in gross profit was partially offset by the 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 US\$ 9,196 million in 1H-2017, 123% above the 1H-2016, reflecting the gain with the sale of Company's interest in Nova Transportadora do Sudeste (NTS), foreign exchange translation effects, lower expenses associated with employees, due to the impact of voluntary separation plan, the reduced costs with write-off of dry and/or subcommercial wells and the decrease in drilling rigs idleness.

There was reduction in operating expenses, despite the adherence to the Tax Settlement Programs (see Note 20.2 of the 1H-2017 interim financial statements) and the provision for losses with receivables from the Vitoria 10.000 drillship.

#### Net Finance Expense

Net finance expense was US\$ 5,212 million, US\$ 1,262 million higher relative to 1H-2016 mainly due to foreign exchange translation effect, to higher depreciation of the U.S. dollar against the Euro and to the adherence to the Tax Settlement Programs.

Net income (loss) attributable to the shareholders of Petrobras

Net income attributable to the shareholders of Petrobras was US\$ 1,513 million in 1H-2017, compared to a net loss of US\$ 212 million in 1H-2016, mainly due to increase in exports and lower operating and import expenses, partially offset by the adherence to the Tax Settlement Programs.

Adjusted EBITDA\*\*

Adjusted EBITDA increased by 24% when compared to 1H-2016, to US\$ 13,964 million in 1H-2017, mainly due to lower operating and import expenses. The Adjusted EBITDA Margin\* reached 33% in 1H-2017.

Net cash provided by operating activities and Free Cash Flow\*\*

The higher net cash provided by operating activities and lower investments resulted in a positive Free Cash Flow\* of US\$ 7,157 million, 92% higher than 1H-2016.

\* Additional information about operating results of 1H-2017 x 1H-2016, see “Additional Information” item 4.

\*\* 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.

## Exploration &amp; Production Main Indicators

|   | US\$ million |         |                 |
|---|--------------|---------|-----------------|
|   | Jan-Jun      |         |                 |
|   | 2017         | 2016    | 2017 x 2016 (%) |
| Sales revenues  | 20,459       | 14,495  | 41              |
| Brazil  | 19,999       | 13,710  | 46              |
| Abroad  | 460          | 785     | (41)            |
| Gross profit  | 7,007        | 3,012   | 133             |
| Brazil  | 6,855        | 2,754   | 149             |
| Abroad  | 152          | 258     | (41)            |
| Operating expenses  | (1,645)      | (2,384) | 31              |
| Brazil  | (1,319)      | (2,173) | 39              |
| Abroad  | (326)        | (211)   | (55)            |
| Operating income (loss)   | 5,362        | 628     | 754             |
| Brazil  | 5,536        | 582     | 851             |
| Abroad  | (174)        | 46      | (478)           |
| Net income (Loss) attributable to the shareholders of Petrobras | 3,579        | 463     | 673             |
| Brazil  | 3,651        | 448     | 715             |
| Abroad  | (72)         | 15      | (580)           |
| Adjusted EBITDA of the segment *                                | 10,336       | 5,750   | 80              |
| Brazil  | 10,322       | 5,458   | 89              |
| Abroad  | 14           | 292     | (95)            |
| EBITDA margin of the segment (%)*                               | 51           | 40      | 11              |
| Capital expenditures of the segment                             | 5,754        | 6,922   | (17)            |
| Average Brent crude (US\$/bbl)                                  | 51.81        | 39.73   | 30              |
| Sales price - Brazil  |              |         |                 |
| Crude oil (US\$/bbl)  | 48.98        | 34.54   | 42              |
| Sales price - Abroad  |              |         |                 |
| Crude oil (US\$/bbl)  | 45.03        | 44.37   | 1               |
| Natural gas (US\$/bbl)  | 19.94        | 22.45   | (11)            |
| Crude oil and NGL production (Mbbbl/d)                          | 2,237        | 2,145   | 4               |
| Brazil  | 2,171        | 2,056   | 6               |
| Abroad  | 42           | 63      | (33)            |
| Non-consolidated production abroad                              | 24           | 26      | (8)             |
| Natural gas production (Mbbbl/d)                                | 554          | 565     | (2)             |
| Brazil  | 500          | 467     | 7               |
| Abroad  | 54           | 98      | (45)            |
| Total production  | 2,791        | 2,710   | 3               |
| Lifting cost - Brazil (US\$/barrel)                             |              |         |                 |
| excluding production taxes                                      | 11.02        | 10.75   | 3               |
| including production taxes                                      | 19.54        | 15.47   | 26              |
| Lifting cost – abroad without production taxes (US\$/barrel)    | 5.12         | 5.56    | (8)             |
| Production taxes - Brazil                                       | 3,651        | 1,820   | 101             |
| Royalties   | 1,878        | 1,193   | 57              |
| Special participation charges                                   | 1,743        | 603     | 189             |

|                           |    |     |      |
|---------------------------|----|-----|------|
| Rental of areas           | 30 | 24  | 25   |
| Production taxes - Abroad | 88 | 140 | (37) |

\*

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

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RESULT BY BUSINESS SEGMENT\*

EXPLORATION & PRODUCTION (E&P)

1H-2017 x 1H-2016

Gross Profit

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

Operating income

Operating income was higher due to higher gross profit, and lower expenses with write-off of dry and/or sub commercial wells and drilling rigs idleness.

Operating Performance

Production

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

The production of crude oil and NGL abroad declined 33% due to PESA's sale, in 2016, which was partially offset by the start-up of Saint Malo and Lucius fields, in the United States.

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

Lifting Cost

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

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

Lifting cost abroad decreased due to the sale of PESA in 2016, despite the higher charter costs with FPSO in the U.S.A, in the Cascade and Chinook fields.

\* Biofuels and Corporate segments' results are disclosed only in Segment Information tables.

## Refining, Transportation and Marketing Main Indicators

|   | US\$ million |         |                 |
|---|--------------|---------|-----------------|
|   | Jan-Jun      |         |                 |
|   | 2017         | 2016    | 2017 x 2016 (%) |
| Sales revenues  | 33,091       | 29,517  | 12              |
| Brazil (includes trading operations abroad)                     | 33,849       | 29,601  | 14              |
| Abroad  | 889          | 1,680   | (47)            |
| Eliminations  | (1,647)      | (1,764) | 7               |
| Gross profit  | 4,409        | 7,589   | (42)            |
| Brazil  | 4,441        | 7,538   | (41)            |
| Abroad  | (32)         | 51      | (163)           |
| Operating expenses  | (1,295)      | (1,702) | 24              |
| Brazil  | (1,268)      | (1,642) | 23              |
| Abroad  | (27)         | (60)    | 55              |
| Operating income (loss)   | 3,114        | 5,887   | (47)            |
| Brazil  | 3,173        | 5,896   | (46)            |
| Abroad  | (59)         | (9)     | (556)           |
| Net income (loss) attributable to the shareholders of Petrobras | 2,370        | 4,094   | (42)            |
| Brazil  | 2,409        | 4,102   | (41)            |
| Abroad  | (39)         | (8)     | (388)           |
| Adjusted EBITDA of the segment *                                | 4,388        | 7,290   | (40)            |
| Brazil  | 4,418        | 7,267   | (39)            |
| Abroad  | (30)         | 23      | (230)           |
| EBITDA margin of the segment (%)*                               | 13           | 25      | (12)            |
| Capital expenditures of the segment                             | 589          | 478     | 23              |
| Domestic basic oil products price (US\$/bbl)                    | 70.39        | 62.38   | 13              |
| Imports (Mbb/d)   | 316          | 422     | (25)            |
| Crude oil import  | 116          | 160     | (28)            |
| Diesel import   | 5            | 23      | (78)            |
| Gasoline import   | 10           | 46      | (78)            |
| Other oil product import  | 185          | 193     | (4)             |
| Exports (Mbb/d)   | 717          | 484     | 48              |
| Crude oil export  | 548          | 324     | 69              |
| Oil product export  | 169          | 160     | 6               |
| Exports (imports), net  | 401          | 62      | 547             |
| Refining Operations - Brazil (Mbb/d)                            |              |         |                 |
| Output of oil products  | 1,805        | 1,939   | (7)             |
| Reference feedstock   | 2,176        | 2,176   | -               |
| Refining plants utilization factor (%)                          | 77           | 84      | (7)             |
| Feedstock processed (excluding NGL)                             | 1,686        | 1,828   | (8)             |
| Feedstock processed   | 1,735        | 1,869   | (7)             |
| Domestic crude oil as % of total feedstock processed            | 94           | 90      | 4               |
| Refining Operations - Abroad (Mbb/d)                            |              |         |                 |
| Total feedstock processed                                       | 84           | 138     | (39)            |
| Output of oil products  | 86           | 141     | (39)            |
| Reference feedstock   | 100          | 230     | (57)            |
| Refining plants utilization factor (%)                          | 79           | 56      | 23              |
| Refining cost - Brazil  |              |         |                 |

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|   |       |       |      |
|---|-------|-------|------|
| Refining cost (US\$/barrel)   | 2.95  | 2.37  | 24   |
| Refining cost - Abroad (US\$/barrel)                                | 4.53  | 4.00  | 13   |
| Sales volume (includes sales to BR Distribuidora and third-parties) |       |       |      |
| Diesel  | 656   | 766   | (14) |
| Gasoline  | 465   | 500   | (7)  |
| Fuel oil  | 57    | 68    | (16) |
| Naphtha   | 145   | 142   | 2    |
| LPG   | 231   | 227   | 2    |
| Jet fuel  | 112   | 117   | (5)  |
| Others  | 183   | 199   | (8)  |
| Total domestic oil products (Mbbbl/d)                               | 1,848 | 2,020 | (8)  |

\*

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

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REFINING, TRANSPORTATION AND MARKETING (RTM)

1H-2017 x 1H-2016

Gross Profit

Gross profit decreased due to lower sales volume, 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.

Operating Income

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

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 volume processed in refineries, both domestic and imported.

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.

#### Refining Operations

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

#### 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.

## Gas &amp; Power Main Indicators

|  | US\$ million |       |                 |
|--|--------------|-------|-----------------|
|  | Jan-Jun      |       |                 |
|  | 2017         | 2016  | 2017 x 2016 (%) |
| Sales revenues   | 5,330        | 4,613 | 16              |
| Brazil   | 5,314        | 4,300 | 24              |
| Abroad   | 16           | 313   | (95)            |
| Gross profit   | 1,567        | 1,080 | 45              |
| Brazil   | 1,566        | 1,030 | 52              |
| Abroad   | 1            | 50    | (98)            |
| Operating expenses   | 1,100        | (543) | 303             |
| Brazil   | 1,112        | (531) | 309             |
| Abroad   | (12)         | (12)  | –               |
| Operating income (loss)  | 2,667        | 537   | 397             |
| Brazil   | 2,678        | 498   | 438             |
| Abroad   | (11)         | 39    | (128)           |
| Net income (Loss) attributable to the shareholders of Petrobras                      | 1,756        | 350   | 402             |
| Brazil   | 1,749        | 288   | 507             |
| Abroad   | 7            | 62    | (89)            |
| Adjusted EBITDA of the segment *   | 992          | 941   | 5               |
| Brazil   | 996          | 898   | 11              |
| Abroad   | (4)          | 43    | (109)           |
| EBITDA margin of the segment (%) *   | 19           | 20    | (1)             |
| Capital expenditures of the segment  | 767          | 177   | 333             |
| Physical and financial indicators  |              |       |                 |
| Electricity sales (Free contracting market - ACL) - average MW                       | 778          | 864   | (10)            |
| Electricity sales (Regulated contracting market - ACR) - average MW                  | 3,058        | 3,172 | (4)             |
| Generation of electricity - average MW   | 2,352        | 2,224 | 6               |
| Electricity price in the spot market - Differences settlement price (PLD) - US\$/MWh | 69           | 20    | 248             |
| Imports of LNG (Mbbbl/d)   | 26           | 54    | (52)            |
| Imports of natural gas (Mbbbl/d)   | 132          | 184   | (28)            |

\*

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



## GAS & POWER (G&E)

1H-2017 x 1H-2016

### Gross Profit

Gross profit was higher due to foreign exchange translation effects over revenues, combined with the reduction in acquisition costs, mainly as a result of the increase in national gas supply, which led to fall in natural gas and LNG imports.

### Operating income

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

### Operating Performance

### Physical and Financial Indicators

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



## Distribution Main Indicators

## US\$ million

Jan-Jun

2017 2016 2017 x 2016 (%)

|   |        |        |      |
|---|--------|--------|------|
| Sales revenues  | 12,966 | 13,353 | (3)  |
| Brazil  | 12,294 | 11,632 | 6    |
| Abroad  | 672    | 1,721  | (61) |
| Gross profit  | 902    | 1,010  | (11) |
| Brazil  | 847    | 824    | 3    |
| Abroad  | 55     | 186    | (70) |
| Operating expenses  | (614)  | (947)  | 35   |
| Brazil  | (587)  | (816)  | 28   |
| Abroad  | (27)   | (131)  | 79   |
| Operating income (loss)   | 288    | 63     | 357  |
| Brazil  | 260    | 7      | 3614 |
| Abroad  | 28     | 56     | (50) |
| Net Income (Loss) attributable to the shareholders of Petrobras | 190    | 46     | 313  |
| Brazil  | 172    | (8)    | 2250 |
| Abroad  | 18     | 54     | (67) |
| Adjusted EBITDA of the segment *                                | 358    | 140    | 156  |
| Brazil  | 330    | 66     | 400  |
| Abroad  | 28     | 74     | (62) |
| EBITDA margin of the segment (%)*                               | 3      | 1      | 2    |
| Capital expenditures of the segment                             | 47     | 60     | (22) |
| Market share - Brazil **  |        |        |      |
| Sales Volumes - Brazil (Mbbl/d)                                 |        |        |      |
| Diesel  | 290    | 314    | (8)  |
| Gasoline  | 190    | 191    | -    |
| Fuel oil  | 42     | 57     | (27) |
| Jet fuel  | 50     | 50     | -    |
| Others  | 86     | 102    | (15) |
| Total domestic oil products                                     | 659    | 715    | (8)  |

\*\*\*

\* 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

### Gross Profit

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

### 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 expenses related to the voluntary separation incentive plan, recognized in 2016, as a result of cancellation of enrollments by some employees.

### Operating Performance

The decrease in the volume sold was due to lower sales of oil products to thermoelectric power plants.



## Liquidity and Capital Resources

|   | U.S.\$ million |          |          |          |          |
|---|----------------|----------|----------|----------|----------|
|   | Jan-Jun 2017   | 2016     | 2Q-2017  | 1Q-2017  | 2Q-2016  |
| Adjusted cash and cash equivalents* at the beginning of period                                      | 21,989         | 25,837   | 20,131   | 21,989   | 22,626   |
| Government bonds and time deposits with maturities of more than 3 months at the beginning of period | (784)          | (779)    | (918)    | (784)    | (771)    |
| Cash and cash equivalents at the beginning of period  | 21,205         | 25,058   | 19,213   | 21,205   | 21,855   |
| Net cash provided by (used in) operating activities   | 13,492         | 10,726   | 6,108    | 7,384    | 6,298    |
| Net cash provided by (used in) investing activities   | (3,575)        | (6,779)  | (949)    | (2,626)  | (3,066)  |
| Capital expenditures, investments in investees and dividends received                               | (6,335)        | (6,996)  | (3,201)  | (3,134)  | (3,178)  |
| Proceeds from disposal of assets (divestment)   | 2,952          | 4        | 2,356    | 596      | 1        |
| Investments in marketable securities  | (192)          | 213      | (104)    | (88)     | 111      |
| (=) Net cash provided by operating and investing activities   | 9,917          | 3,947    | 5,159    | 4,758    | 3,232    |
| Net financings  | (7,452)        | (10,059) | (701)    | (6,751)  | (5,582)  |
| Proceeds from financing   | 13,765         | 9,100    | 9,623    | 4,142    | 7,255    |
| Repayments  | (21,217)       | (19,159) | (10,324) | (10,893) | (12,837) |
| Dividends paid to non-controlling interest  | (127)          | (47)     | (127)    | -        | (47)     |
| Investments by non-controlling interest   | (45)           | 49       | (4)      | (41)     | 12       |
| Effect of exchange rate changes on cash and cash equivalents  | 71             | 661      | 29       | 42       | 139      |
| Cash and cash equivalents at the end of period  | 23,569         | 19,609   | 23,569   | 19,213   | 19,609   |
| Government bonds and time deposits with maturities of more than 3 months at the end of period       | 1,002          | 757      | 1,002    | 918      | 757      |
| Adjusted cash and cash equivalents* at the end of period  | 24,571         | 20,366   | 24,571   | 20,131   | 20,366   |
| Reconciliation of Free cash flow  |                |          |          |          |          |
| Net cash provided by (used in) operating activities   | 13,492         | 10,726   | 6,108    | 7,384    | 6,298    |
| Capital expenditures, investments in investees and dividends received                               | (6,335)        | (6,996)  | (3,201)  | (3,134)  | (3,178)  |
| Free cash flow*   | 7,157          | 3,730    | 2,907    | 4,250    | 3,120    |

As of June 30, 2017, the balance of cash and cash equivalents was US\$ 23,569 million and the balance of adjusted cash and cash equivalents was US\$ 24,571 million. Our principal uses of funds in 1H-2017 were for repayment of financing (and interest payments) and for capital expenditures. We met these requirements with cash provided by operating activities of US\$ 13,492 million, proceeds from financing of US\$ 13,765 million and resources from divestments of US\$ 2,952 million.

Net cash provided by operating activities of US\$ 13,492 million was mainly generated by: (i) the reduction of import costs, reflecting the decrease in domestic sales and the higher share of national oil in the processed feedstock and of the domestic natural gas in the sales mix and (ii) the increase in oil and oil products exports, with higher prices. Those factors were partially offset by higher production taxes.

Capital expenditures, investments in investees and dividends received totaled US\$ 6,335 million in 1H-2017 (80% in E&P business segment), a 9% decrease when compared to 1H-2016.

Free Cash Flow\* was positive, amounting to US\$ 7,157 million in 1H-2017, 92% higher than 1H-2016 due to higher net cash provided by operating activities and lower investments.

From January to June 2017, proceeds from financing amounted to US\$ 13,765 million. These funds were raised mainly through capital markets transactions and used to refinance 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.

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The proceeds of those offerings, together with cash and new funding in other markets of US\$ 3.86 billion were used to pay down debt (tender offer and make whole) of US\$7.36 billion of Petrobras's existing series of global notes. In addition, the Company pre-paid debts of US\$ 1.13 billion with BNDES, of US\$ 3.16 billion with national and international banks, as well as a structured operation in the amount of US\$ 0.13 billion.

Repayments of principal and interest totaled US\$ 21,217 million in 1H-2017 and the nominal cash flow (cash view), including principal and interest payments, by maturity, is set out in US\$ million, below:

| Maturity  | 2017      | 2018   | 2019   | 2020   | 2021   | 2022 and thereafter | Balance at June 30, 2017 | Balance at December 31, 2016 |
|-----------|-----------|--------|--------|--------|--------|---------------------|--------------------------|------------------------------|
| Principal | 2,889,311 | 16,667 | 12,575 | 18,903 | 54,051 |                     | 114,396                  | 119,734                      |
| Interest  | 3,270     | 6,543  | 5,912  | 5,040  | 3,996  | 34,530              | 59,290                   | 58,406                       |
| Total     | 6,159     | 15,854 | 22,579 | 17,615 | 22,899 | 88,581              | 173,686                  | 178,140                      |

\*

\* See reconciliation of Adjusted Cash and Cash Equivalents in Net Debt and definitions of Adjusted Cash and Cash Equivalents and Free Cash Flow in Glossary.

Consolidated debt

As of June 30, 2017, the total debt in U.S. dollars decreased 4% when compared to December 31, 2016. The net debt in U.S. dollars reduced 7% when compared to December 31, 2016, mainly as a result of repayments of principal and interest.

Current debt and non-current debt include finance lease obligations of US\$ 22 million and US\$ 217 million as of June 30, 2017, respectively (US\$ 18 million and US\$ 226 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 3.76 as of December 31, 2016 to 3.15 as of June 30, 2017.

|  | 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)  |
| Cash and cash equivalents  | 23,569         | 21,205     | 11   |
| Government securities and time deposits (maturity of more than 3 months) | 1,003          | 784        | 28   |
| Adjusted cash and cash equivalents *                                     | 24,572         | 21,989     | 12   |
| Net debt *   | 89,263         | 96,381     | (7)  |
| Net debt/(net debt+shareholders' equity) - Leverage *                    | 53%            | 55%        | (2)  |
| Total net liabilities *  | 219,686        | 224,994    | (2)  |
| (Net third parties capital / total net liabilities)                      | 64%            | 66%        | (2)  |
| Net debt/LTM Adjusted EBITDA ratio *                                     | 3.15           | 3.76       | (16) |
| Average interest rate (% p.a.)   | 6.1            | 6.2        | -1   |
| Weighted average maturity of outstanding debt (years)                    | 7.88           | 7.46       | 0.42 |

|                                     | US\$ million |            |      |
|-------------------------------------|--------------|------------|------|
|                                     | 06.30.2017   | 12.31.2016 | Δ%   |
| Summarized information on financing |              |            |      |
| Floating rate or fixed rate         |              |            |      |
| Floating rate debt                  | 59,845       | 63,978     | (6)  |
| Fixed rate debt                     | 53,751       | 54,148     | (1)  |
| Total                               | 113,596      | 118,126    | (4)  |
| Currency                            |              |            |      |
| Reais                               | 22,547       | 24,175     | (7)  |
| US Dollars                          | 83,532       | 84,951     | (2)  |
| Euro                                | 5,065        | 6,640      | (24) |
| Other currencies                    | 2,452        | 2,360      | 4    |
| Total                               | 113,596      | 118,126    | (4)  |

|               |         |         |      |
|---------------|---------|---------|------|
| By maturity   |         |         |      |
| 2017          | 4,220   | 9,755   | (57) |
| 2018          | 9,397   | 11,216  | (16) |
| 2019          | 16,491  | 20,898  | (21) |
| 2020          | 12,401  | 16,313  | (24) |
| 2021          | 18,729  | 18,777  | –    |
| 2022 years on | 52,358  | 41,167  | 27   |
| Total         | 113,596 | 118,126 | (4)  |

\*\*

\* 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 Adjusted EBITDA.

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## 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) 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 the re-measurement of remaining interests 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.

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

## Adjusted EBITDA

|   | U.S.\$ million |        |                    |         |         |                    |         |
|---|----------------|--------|--------------------|---------|---------|--------------------|---------|
|   | Jan-Jun        |        | 2017 x 2016<br>(%) | 2Q-2017 | 1Q-2017 | 2Q17 X 1Q17<br>(%) | 2Q-2016 |
| 2017  | 2016           |        |                    |         |         |                    |         |
| Net income (loss)   | 1,619          | 160    | 912                | 88      | 1,531   | (94)               | 257     |
| Net finance income (expenses)                               | 5,212          | 3,950  | 32                 | 2,747   | 2,465   | 11                 | 1,727   |
| Income taxes  | 2,751          | 234    | 1,076              | 2,014   | 737     | 173                | 177     |
| Depreciation, depletion and amortization                    | 6,650          | 6,639  | –                  | 3,227   | 3,423   | (6)                | 3,404   |
| EBITDA  | 16,232         | 10,983 | 48                 | 8,076   | 8,156   | (1)                | 5,565   |
| Results in equity-accounted investments                     | (386)          | (212)  | 82                 | (191)   | (195)   | (2)                | (113)   |
| Impairment  | 64             | 412    | (84)               | 71      | (7)     | (1,114)            | 337     |
| Reclassification of cumulative translation adjustment - CTA | 37             | –      | –                  | –       | 37      | (100)              | –       |
| Gains and losses on disposal/write-offs of assets (*)       | (1,983)        | 65     | (3,151)            | (2,022) | 39      | (5,285)            | 39      |
| Adjusted EBITDA   | 13,964         | 11,248 | 24                 | 5,934   | 8,030   | (26)               | 5,828   |
| Adjusted EBITDA margin (%)                                  | 33             | 29     | 4                  | 28      | 37      | (9)                | 29      |

## LTM Adjusted EBITDA

## US\$ million

Last twelve months

(LTM) until

06.30.2017 12.31.2016

|   |         |         |
|---|---------|---------|
| Net income (loss)   | (2,890) | (4,349) |
| Net finance income (expenses)                               | 9,017   | 7,755   |
| Income taxes  | 3,201   | 684     |
| Depreciation, depletion and amortization                    | 13,976  | 13,965  |
| EBITDA  | 23,304  | 18,055  |
| Results in equity-accounted investments                     | 44      | 218     |
| Impairment  | 5,845   | 6,193   |
| Reclassification of cumulative translation adjustment - CTA | 1,494   | 1,457   |
| Gains and losses on disposal/write-offs of assets           | (2,341) | (293)   |
| Adjusted EBITDA   | 28,346  | 25,630  |

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



## ADDITIONAL INFORMATION

## 2. Impact of our Cash Flow Hedge policy

|  | US\$ million |          |                    |         |         |                    |         |
|--|--------------|----------|--------------------|---------|---------|--------------------|---------|
|  | Jan-Jun      |          | 2017 x<br>2016 (%) | 2Q-2017 | 1Q-2017 | 2Q17 X<br>1Q17 (%) | 2Q-2016 |
| 2017   | 2016         |          |                    |         |         |                    |         |
| Total inflation indexation and foreign exchange variation                          | (969)        | 12,125   | -108               | (2,607) | 1,638   | -259               | 6,631   |
| Deferred Foreign Exchange Variation recognized in other comprehensive income (OCI) | 670          | (11,746) | 106                | 2,406   | (1,736) | 239                | (6,116) |
| Reclassification from OCI to the Statement of Income                               | (1,511)      | (1,453)  | -4                 | (737)   | (774)   | 5                  | (711)   |
| Net Inflation indexation and foreign exchange variation                            | (1,810)      | (1,074)  | -69                | (938)   | (872)   | -8                 | (196)   |

The reclassification of foreign exchange variation expense from other comprehensive income, within OCI, to the Income Statement in 1H-2017 was US\$ 1,511 million, a 4% increase compared to 1H-2016 in U.S. dollars, mainly due to foreign exchange translation effects, partially offset by the impacts of hedged future exports that were no longer expected to occur or did not occur in the first half of 2016.

Additional hedging relationships may be revoked or additional reclassification adjustments from other comprehensive income 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 US\$ 0.6 million reclassification adjustment from equity to the income statement would occur.

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

|                      | Consolidated |         |         |         |         |         |         |              |          |
|----------------------|--------------|---------|---------|---------|---------|---------|---------|--------------|----------|
|                      | 2017         | 2018    | 2019    | 2020    | 2021    | 2022    | 2023    | 2024 to 2027 | Total    |
| Expected realization | (2,515)      | (4,824) | (3,345) | (2,570) | (2,302) | (2,610) | (1,385) | 3,273        | (16,278) |

## ADDITIONAL INFORMATION

## 3. Special Items

US\$ million

Jan-Jun

| 2017    | 2016    |   | Items of Income Statement | 2Q 2017 | 2Q 2016 | 2017  | 2016 |
|---------|---------|---|---------------------------|---------|---------|-------|------|
| 2,170   | –       | Gains (losses) on Disposal of Assets  | Other income and expenses | 2,169   | 1       | –     |      |
| 210     | (348)   | Voluntary Separation Incentive Plan – PIDV  | Other income and expenses | 123     | 87      | (348) |      |
| 25      | (238)   | (Losses)/Gains on legal proceedings   | Other income and expenses | 230     | (205)   | (162) |      |
| 28      | 23      | Amounts recovered relating to Lava Jato Operation                                 | Other income and expenses | 28      | –       | 23    |      |
| (21)    | (283)   | Impairment of trade receivables from companies in the isolated electricity system | Selling expenses          | (56)    | 35      | (144) |      |
| (37)    | –       | Cumulative translation adjustment - CTA   | Other income and expenses | –       | (37)    | –     |      |
| (57)    | (412)   | Impairment of assets and investments  | Several                   | (44)    | (13)    | (337) |      |
| (254)   | –       | Vitoria 10,000 drilling rig   | Other income and expenses | (254)   | –       | –     |      |
| (1,234) | –       | Tax Settlement Program  | Several                   | (1,234) | –       | –     |      |
| (40)    | (13)    | State Tax Amnesty Program   | Other taxes               | (40)    | –       | –     |      |
| (1,347) | –       | Impacts of tax settlement programs (PRT and PERT) on Income Taxes                 | Income tax expenses       | (1,347) | –       | –     |      |
| (557)   | (1,271) | Total   |                           | (425)   | (132)   | (968) |      |

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

|      |       |   |      |      |       |
|------|-------|---|------|------|-------|
| (64) | (412) | Impairment                              | (71) | 7    | (337) |
| 7    | –     | Results in equity-accounted investments | 27   | (20) | –     |
| (57) | (412) | Impairment of assets and investments    | (44) | (13) | (337) |

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.

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

Jan-Jun/2017 (US\$ million )

|                                     | PRT   | PERT  | Total |
|-------------------------------------|-------|-------|-------|
| Other taxes                         | (169) | (545) | (714) |
| Finance expenses                    | (249) | (271) | (520) |
| Income taxes - notice of deficiency | (98)  | (538) | (636) |

|  |       |         |         |
|--|-------|---------|---------|
| Total - after reliefs  | (516) | (1,354) | (1,870) |
| Income taxes - deductible expenses                             | (51)  | 209     | 158     |
| Other income and expenses - reversal of provision (*)          | 485   | -       | 485     |
| Total with tax effects   | (82)  | (1,145) | (1,227) |
| Income taxes - reversal of unused tax losses from 2012 to 2017 | -     | (711)   | (711)   |
| Impacts within the statement of income                         | (82)  | (1,856) | (1,938) |

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

## ADDITIONAL INFORMATION

### 4. Results of Operations of 1H-2017 compared to 1H-2016

The main functional currency of the Petrobras Group is the Brazilian Real, which is the functional currency of the parent company and its Brazilian subsidiaries. As the presentation currency of the Petrobras Group is the U.S. dollar, the results of operations in Brazilian Real are translated into U.S. dollars using the average exchange rates prevailing during the period, as set out in IAS 21 – “The effects of foreign exchanges rates”. Accordingly, foreign exchange translation effect in the results of operations discussion are mentioned whenever it was a significant contributing factor to changes in our results of operations as compared to previous periods. For detailed information about foreign exchange translation effects on the Company’s income statement, see “Foreign exchange translation effects on results of operations of 1H-2017” item 5.

Sales revenues were US\$ 42,560 million in 1H-2017, a 11% increase (US\$ 4,251 million) when compared to US\$ 38,309 million in 1H-2016 mainly due to:

Higher domestic revenues (US\$ 2,382 million), as a result of:

Higher oil products revenues (US\$ 1,624 million), mainly reflecting higher average prices of diesel and gasoline when expressed in U.S. dollars and the impacts of the LPG in bulk price, which increased by 12.3% since December 7, 2016. These effects were partially offset by the decrease in oil products sales volume, mainly for diesel and gasoline;

Natural gas revenues increase by US\$ 420 million as a result of higher prices mainly when expressed in U.S. dollars; and

Increased electricity revenues (US\$ 341 million) due to higher prices in the spot market.

Higher export revenues (US\$ 3,509 million), mainly due to the increase in crude oil volume exported as a result of a higher domestic production along with the lower domestic demand. The higher international prices of crude oil and oil product was also a contributing factor to the increase in export revenues; and

Lower revenues from operations abroad (US\$ 1,640 million), due to the sale of Petrobras Argentina S.A. (PESA) and Petrobras Chile Distribución Ltda (PCD).

Sales revenues were significantly affected when translated into U.S. dollars. In 1H-2017, foreign exchange translation effects\* increased sales revenues by US\$ 5,987 million and impacted each component in different ways.

Cost of sales was US\$ 28,355 million in 1H-2017, a 7% increase (US\$ 1,921 million) compared to US\$ 26,434 million in 1H-2016, reflecting:

Foreign exchange translation effects which increased the average cost of sales when expressed in U.S. dollars, reflecting the appreciation of the average Brazilian Real;

Higher production taxes expenses due to the increase in international prices and higher crude oil export volume; and

Increased electricity expenses, as a result of higher prices in the spot market.

These effects were partially offset by:

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

Lower import costs of oil and oil products due to the increase in domestic crude oil share on the feedstock processed and the lower sales volume in the domestic market;

Decreased costs from operations abroad mainly attributable to the sale of PESA and Petrobras Chile.

Cost of sales was significantly affected when translated into U.S. dollars. In 1H-2017, foreign exchange translation effects\* increased cost of sales by US\$ 3,954 million and impacted each component in different ways.

Selling expenses were US\$ 1,969 million in 1H-2017, a 2% decrease (US\$ 41 million) compared to US\$ 2,010 million in 1H-2016, mainly due to the lower allowance for impairment of trade receivables from companies in the electricity sector.

Other taxes were US\$ 1,046 million in 1H-2017, a US\$ 780 million increase compared to US\$ 266 million in 1H-2016, mainly as a result of the Company's decision to benefit from the Tax Settlement Programs (US\$ 714 million) and from the State Tax Amnesty Program (US\$ 40 million).

Exploration costs were US\$ 281 million in 1H-2017, a 63% decrease (US\$ 480 million) compared to US\$ 761 million in 1H-2016, mainly due to lower exploration expenditures written off as dry hole or sub-commercial wells (US\$ 398 million).

Other operating expenses of US\$ 11 million, compared to other operating expenses of US\$ 2,945 million in the 1H-2016, mainly due to:

Higher net gain on the sale and write-off of assets of US\$ 1,831 million, mainly driven by the gain on sale of interests in Nova Transportadora do Sudeste (NTS) and on its remaining interests measured at fair value (US\$ 217 million);  
Reversion of provisions relating to the Voluntary Separation Incentive Plan (PIDV) due to cancellation of enrollments by some employees in the 1H-2017 (US\$ 210 million), compared to the PIDV expenses in the 1H-2016 (US\$ 346 million);

- Lower impairment of assets (US\$ 348 million);

Lower losses on legal proceedings (US\$ 330 million), mainly impacted by the reversion of provision for legal proceedings in respect of tax claims, following the Company's decision to benefit from the Tax Settlement Programs (Programas de Regularização de Tributos Federais), partially offset by approved agreement to settle Opt-Out Claims related to the Class Action in United States;

Lower unscheduled stoppage expenses, mainly due to equipment idleness (US\$ 317 million);

Higher pension and medical benefit expenses associated with retirees (US\$ 293 million), due to unwinding of discount over an increased net actuarial obligation; and

Higher allowance for impairment of other receivables (US\$ 384 million), as a result of the write-down of the receivable related to Vitória 10,000 drilling rig, driven by the termination of the finance lease agreement (see Note 7.3 to the Company's interim consolidated financial statements).

\* For detailed information about foreign exchange translation effects on the Company's income statement, see "Foreign exchange translation effects on results of operations of 1H-2017" item 5.

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Net finance expense was US\$ 5,212 million in 1H-2017, a 32% increase (US\$ 1,262 million) when compared to US\$ 3,950 million in 1H-2016, mainly due to:

Higher foreign exchange and inflation indexation charges on the net debt (US\$ 628 million), generated by:

- (i) Foreign exchange losses driven 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 appreciation of 10.7% in the 1H-2016;
- (ii) Higher depreciation of the U.S. dollar against the Euro on the Company's net debt in the 1H-2017;
- (iii) The 1.5% depreciation of the Brazilian Real against the U.S. dollar over the positive exposure in U.S. dollar in the 1H-2017, compared to the 17.8% appreciation on the net debt in the 1H-2016;
- (iv) Lower Brazilian Real x Euro exposure.

Higher finance expenses in US\$ 704 million, mainly due to:

- (i) Finance charges arisen from the Company's decision to benefit from the Tax Settlement Programs (Programas de Regularização de Tributos Federais) in the 1H-2017;
- (ii) An increase in financing expenses abroad resulting from the repurchase of bonds in the 1H-2017 and from interests over proceeds from financing in December 2016, partially offset by the lower average U.S. dollar x Brazilian Real exchange rate; and
- (iii) Lower financing expenses in Brazil, due to pre-payment of debts.

Net finance expense was significantly affected when translated into U.S. dollars. In 1H-2017, foreign exchange translation effects\* increased net finance expense by US\$ 712 million and impacted each component in different ways.

Results in equity-accounted investments were US\$ 386 million, a 82% increase when compared to the 1H-2016 (US\$ 212 million), mainly due to the higher income of associates.

Income taxes were US\$ 2,751 million in the 1H-2017, US\$ 2,517 million higher compared to the 1H-2016 (US\$ 234 million), mainly as a result of the Company's decision to benefit from the Tax Settlement Programs (Programas de Regularização de Tributos Federais) and also to the taxable income of the periods. For more information about income taxes expenses, see Note 20.6 to the Company's interim consolidated financial statements.

Loss related to non-controlling interests were US\$ 106 million in the 1H-2017 (US\$ 372 million in the 1H-2016), mainly reflecting the impact of foreign exchange variation on debt of structured entities in U.S. dollars.

\* For detailed information about translation effects on the Company's income statement, see "Foreign exchange translation effects on results of operations of 1H-2017" item 5.

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## ADDITIONAL INFORMATION

## 5. Foreign exchange translation effects on results of operations of 1H-2017

The main functional currency of the Petrobras Group is the Brazilian Real, which is the functional currency of the parent company and its Brazilian subsidiaries. However, the presentation currency of this financial report is the U.S. Dollar to facilitate the comparison with other oil and gas companies. Therefore, the results of operations in Brazilian Real were translated into U.S. dollars using the average exchange rates prevailing during the period, as set out in IAS 21 – “The effects of foreign exchanges rates”.

When the Brazilian Real appreciates against the U.S. dollar, as it did in 1H-2017, the effect is to generally increase both revenues and expenses when expressed in U.S. dollars. When the Brazilian Real depreciates against the U.S. dollar, the effect is to generally decrease both revenues and expenses when expressed in U.S. dollars.

In order to isolate the foreign exchange translation effect on results of operations, the table below presents a reconciliation of income statement to financial information on a constant currency basis, assuming the same exchange rates between each quarter for translation. For the first half of 2017, the results on a constant currency basis were computed by converting the 1Q-2017 and 2Q-2017 results from Brazilian Real into U.S. dollars based on the same average exchange rates used in 1Q-2016 and 2Q-2016 (3.91 and 3.51, respectively).

The amounts and respective variations presented in constant currency are not measures defined in the International Financial Reporting Standards – IFRS. Our calculation may not be comparable to the calculation of other companies and it should not be considered as a substitute for any measure calculated in accordance with IFRS.

|  | As reported<br>Jan-Jun |          |           |         | Financial information in a constant currency basis<br>Jan-Jun 2017 |   |             |       |
|--|------------------------|----------|-----------|---------|--|---|-------------|-------|
|  | U.S.\$ million         |          | Variation |         | U.S.\$ million   |   | Variation * |       |
|  | 2017                   | 2016     | D         | D(%)    | Foreign exchange<br>translation effects                            | Results on a constant<br>currency basis | D           | D(%)  |
| Sales revenues                             | 42,560                 | 38,309   | 4,251     | 11      | 5,987  | 36,573                                  | (1,736)     | (5)   |
| Cost of sales                              | (28,355)               | (26,434) | (1,921)   | (7)     | (3,954)  | (24,401)                                | 2,033       | 8     |
| Gross profit                               | 14,205                 | 11,875   | 2,330     | 20      | 2,033  | 12,172                                  | 297         | 3     |
| Selling expenses                           | (1,969)                | (2,010)  | 41        | 2       | (250)  | (1,719)                                 | 291         | 14    |
| General and administrative<br>expenses     | (1,424)                | (1,488)  | 64        | 4       | (201)  | (1,223)                                 | 265         | 18    |
| Exploration costs                          | (281)                  | (761)    | 480       | 63      | (34)   | (247)                                   | 514         | 68    |
| Research and development<br>expenses       | (278)                  | (273)    | (5)       | (2)     | (35)   | (243)                                   | 30          | 11    |
| Other taxes                                | (1,046)                | (266)    | (780)     | (293)   | (97)   | (949)                                   | (683)       | (257) |
| Other income and expenses                  | (11)                   | (2,945)  | 2,934     | 100     | (140)  | 129                                     | 3,074       | 104   |
| Operating income                           | 9,196                  | 4,132    | 5,064     | 123     | 1,276  | 7,920                                   | 3,788       | 92    |
| Net finance income<br>(expense)            | (5,212)                | (3,950)  | (1,262)   | (32)    | (712)  | (4,500)                                 | (550)       | (14)  |
| Results in equity-accounted<br>investments | 386                    | 212      | 174       | 82      | 54   | 332                                     | 120         | 57    |
| Income before income<br>taxes              | 4,370                  | 394      | 3,976     | 1,009   | 618  | 3,752                                   | 3,358       | 852   |
| Income taxes                               | (2,751)                | (234)    | (2,517)   | (1,076) | (312)  | (2,439)                                 | (2,205)     | (942) |

|            |       |     |       |     |     |       |       |     |
|------------|-------|-----|-------|-----|-----|-------|-------|-----|
| Net income | 1,619 | 160 | 1,459 | 912 | 306 | 1,313 | 1,153 | 721 |
|------------|-------|-----|-------|-----|-----|-------|-------|-----|

\* Variation after isolating foreign exchange translation effects between periods used for translation.

## FINANCIAL STATEMENTS

## Interim Income Statement - Consolidated

|  | U.S.\$ million |          |          |          |          |
|--|----------------|----------|----------|----------|----------|
|  | Jan-Jun        |          |          |          |          |
|  | 2017           | 2016     | 2Q-2017  | 1Q-2017  | 2Q-2016  |
| Sales revenues   | 42,560         | 38,309   | 20,823   | 21,737   | 20,320   |
| Cost of sales  | (28,355)       | (26,434) | (14,181) | (14,174) | (13,818) |
| Gross profit   | 14,205         | 11,875   | 6,642    | 7,563    | 6,502    |
| Selling expenses   | (1,969)        | (2,010)  | (1,209)  | (760)    | (1,051)  |
| General and administrative expenses                              | (1,424)        | (1,488)  | (691)    | (733)    | (810)    |
| Exploration costs  | (281)          | (761)    | (187)    | (94)     | (468)    |
| Research and development expenses                                | (278)          | (273)    | (171)    | (107)    | (144)    |
| Other taxes  | (1,046)        | (266)    | (954)    | (92)     | (127)    |
| Other income and expenses  | (11)           | (2,945)  | 1,228    | (1,239)  | (1,854)  |
| Operating income (loss)  | 9,196          | 4,132    | 4,658    | 4,538    | 2,048    |
| Finance income   | 623            | 445      | 326      | 297      | 218      |
| Finance expenses   | (4,025)        | (3,321)  | (2,135)  | (1,890)  | (1,749)  |
| Foreign exchange gains (losses) and inflation indexation charges | (1,810)        | (1,074)  | (938)    | (872)    | (196)    |
| Net finance income (expense)                                     | (5,212)        | (3,950)  | (2,747)  | (2,465)  | (1,727)  |
| Results in equity-accounted investments                          | 386            | 212      | 191      | 195      | 113      |
| Income (loss) before income taxes                                | 4,370          | 394      | 2,102    | 2,268    | 434      |
| Income taxes   | (2,751)        | (234)    | (2,014)  | (737)    | (177)    |
| Net income (loss)  | 1,619          | 160      | 88       | 1,531    | 257      |
| Net income (loss) attributable to:                               |                |          |          |          |          |
| Shareholders of Petrobras  | 1,513          | (212)    | 96       | 1,417    | 106      |
| Non-controlling interests  | 106            | 372      | (8)      | 114      | 151      |
|  | 1,619          | 160      | 88       | 1,531    | 257      |

## FINANCIAL STATEMENTS

## Interim Statement of Financial Position – Consolidated

| ASSETS   | U.S.\$ million |            |
|--|----------------|------------|
|  | 06.30.2017     | 12.31.2016 |
| Current assets   | 43,055         | 44,769     |
| Cash and cash equivalents                                      | 23,569         | 21,205     |
| Marketable securities  | 1,003          | 784        |
| Trade and other receivables, net                               | 4,376          | 4,769      |
| Inventories  | 8,047          | 8,475      |
| Recoverable taxes  | 2,527          | 2,502      |
| Assets classified as held for sale                             | 2,047          | 5,728      |
| Other current assets   | 1,486          | 1,306      |
| Non-current assets   | 201,203        | 202,214    |
| Long-term receivables  | 20,410         | 20,420     |
| Trade and other receivables, net                               | 5,267          | 4,551      |
| Marketable securities  | 216            | 90         |
| Judicial deposits  | 4,468          | 3,999      |
| Deferred taxes   | 2,978          | 4,307      |
| Other tax assets   | 3,078          | 3,141      |
| Advances to suppliers  | 1,146          | 1,148      |
| Other non-current assets                                       | 3,257          | 3,184      |
| Investments  | 3,720          | 3,052      |
| Property, plant and equipment                                  | 173,884        | 175,470    |
| Intangible assets  | 3,189          | 3,272      |
| Total assets   | 244,258        | 246,983    |
| <br>   |                |            |
| LIABILITIES  | U.S.\$ million |            |
|  | 06.30.2017     | 12.31.2016 |
| Current liabilities  | 21,151         | 24,903     |
| Trade payables   | 5,139          | 5,762      |
| Finance debt and Finance lease obligations                     | 7,855          | 9,773      |
| Taxes payable  | 3,654          | 3,755      |
| Payroll and related charges                                    | 1,577          | 2,197      |
| Pension and medical benefits                                   | 806            | 820        |
| Liabilities associated with assets classified as held for sale | 212            | 492        |
| Other current liabilities                                      | 1,908          | 2,104      |
| Non-current liabilities  | 144,169        | 144,530    |
| Finance debt and Finance lease obligations                     | 105,980        | 108,597    |
| Taxes payable  | 883            | -          |
| Deferred taxes   | 1,066          | 263        |
| Pension and medical benefits                                   | 22,063         | 21,477     |
| Provision for decommissioning costs                            | 10,179         | 10,252     |
| Provisions for legal proceedings                               | 3,390          | 3,391      |
| Other non-current liabilities                                  | 608            | 550        |
| Shareholders' equity   | 78,938         | 77,550     |
| Share capital (net of share issuance costs)                    | 107,101        | 107,101    |
| Profit reserves and others                                     | (28,921)       | (30,322)   |
| Non-controlling interests                                      | 758            | 771        |

|  |         |         |
|--|---------|---------|
| Total liabilities and shareholders' equity | 244,258 | 246,983 |
|--|---------|---------|

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## FINANCIAL STATEMENTS

## Interim Statement of Cash Flows – Consolidated

|  | US\$ million    |          |         |         |          |
|--|-----------------|----------|---------|---------|----------|
|  | Jan-Jun<br>2017 | 2016     | 2Q-2017 | 1Q-2017 | 2Q-2016  |
| Net income (loss)  | 1,619           | 160      | 88      | 1,531   | 257      |
| (+) Adjustments for:   | 11,873          | 10,566   | 6,020   | 5,853   | 6,041    |
| Depreciation, depletion and amortization   | 6,650           | 6,639    | 3,227   | 3,423   | 3,404    |
| Foreign exchange, indexation and finance charges                                     | 5,077           | 3,903    | 2,580   | 2,497   | 1,665    |
| Results in equity-accounted investments  | (386)           | (212)    | (191)   | (195)   | (113)    |
| Reclassification of cumulative translation adjustment and other comprehensive income | 59              | –        | –       | 59      | –        |
| Revision and unwinding of discount on the provision for decommissioning costs        | 379             | 310      | 187     | 192     | 162      |
| Gain on remeasurement of investment retained with loss of control                    | (217)           | –        | (217)   | –       | –        |
| Allowance (reversals) for impairment of trade and others receivables                 | 453             | 338      | 455     | (2)     | 209      |
| Gains and losses on disposal / write-offs of assets                                  | (1,766)         | 65       | (1,805) | 39      | 39       |
| Deferred income taxes, net   | 1,689           | (728)    | 1,214   | 475     | (367)    |
| Exploration expenditures written-off   | 101             | 499      | 93      | 8       | 351      |
| Impairment of assets   | 64              | 412      | 71      | (7)     | 337      |
| Inventory write-down to net realizable value   | 78              | 322      | 55      | 23      | 21       |
| Pension and medical benefits (actuarial expense)                                     | 1,368           | 1,088    | 676     | 692     | 575      |
| Judicial deposits  | (507)           | (355)    | (205)   | (302)   | (257)    |
| Inventories  | 265             | (561)    | (121)   | 386     | (133)    |
| Trade and other receivables, net   | 130             | 746      | (351)   | 481     | (171)    |
| Trade payables   | (764)           | (1,306)  | 282     | (1,046) | (341)    |
| Pension and medical benefits   | (428)           | (338)    | (272)   | (156)   | (226)    |
| Taxes payable  | 1,216           | 13       | 1,121   | 95      | 581      |
| Income taxes paid  | (196)           | (157)    | (112)   | (84)    | (88)     |
| Other assets and liabilities   | (1,392)         | (112)    | (667)   | (725)   | 393      |
| (=) Net cash provided by (used in) operating activities                              | 13,492          | 10,726   | 6,108   | 7,384   | 6,298    |
| (-) Net cash provided by (used in) investing activities                              | (3,575)         | (6,779)  | (949)   | (2,626) | (3,066)  |
| Capital expenditures, investments in investees and dividends received                | (6,335)         | (6,996)  | (3,201) | (3,134) | (3,178)  |
| Proceeds from disposal of assets (divestment)  | 2,952           | 4        | 2,356   | 596     | 1        |
| Divestment (investment) in marketable securities                                     | (192)           | 213      | (104)   | (88)    | 111      |
| (=) Net cash provided by operating and investing activities                          | 9,917           | 3,947    | 5,159   | 4,758   | 3,232    |
| (-) Net cash provided by (used in) financing activities                              | (7,624)         | (10,057) | (832)   | (6,792) | (5,617)  |
| Proceeds from financing  | 13,765          | 9,100    | 9,623   | 4,142   | 7,255    |
| Repayment of principal   | (17,409)        | (15,510) | (8,186) | (9,223) | (11,137) |
| Repayment of interest  | (3,808)         | (3,649)  | (2,138) | (1,670) | (1,700)  |
| Dividends paid to non-controlling interest   | (127)           | (47)     | (127)   | –       | (47)     |
| Investments by non-controlling interest  | (45)            | 49       | (4)     | (41)    | 12       |
| Effect of exchange rate changes on cash and cash equivalents                         | 71              | 661      | 29      | 42      | 139      |
| (=) Net increase (decrease) in cash and cash equivalents in the period               | 2,364           | (5,449)  | 4,356   | (1,992) | (2,246)  |
| Cash and cash equivalents at the beginning of period                                 | 21,205          | 25,058   | 19,213  | 21,205  | 21,855   |
| Cash and cash equivalents at the end of period                                       | 23,569          | 19,609   | 23,569  | 19,213  | 19,609   |



## SEGMENT INFORMATION

## Interim Consolidated Income by Segment – 1H-2017

|   | U.S.\$ million |          |                |         |          |         |          |          |
|---|----------------|----------|----------------|---------|----------|---------|----------|----------|
|   | E&P            | RTM      | GAS &<br>POWER | BIOFUEL | DISTRIB. | CORP.   | ELIMIN.  | TOTAL    |
| Sales revenues                          | 20,459         | 33,091   | 5,330          | 99      | 12,966   | –       | (29,385) | 42,560   |
| Intersegments                           | 19,751         | 7,893    | 1,439          | 95      | 207      | –       | (29,385) | –        |
| Third parties                           | 708            | 25,198   | 3,891          | 4       | 12,759   | –       | –        | 42,560   |
| Cost of sales                           | (13,452)       | (28,682) | (3,763)        | (108)   | (12,064) | –       | 29,714   | (28,355) |
| Gross profit                            | 7,007          | 4,409    | 1,567          | (9)     | 902      | –       | 329      | 14,205   |
| Expenses                                | (1,645)        | (1,295)  | 1,100          | (4)     | (614)    | (2,587) | 36       | (5,009)  |
| Selling expenses                        | (66)           | (839)    | (620)          | (1)     | (489)    | 6       | 40       | (1,969)  |
| General and administrative expenses     | (152)          | (228)    | (89)           | (13)    | (135)    | (807)   | –        | (1,424)  |
| Exploration costs                       | (281)          | –        | –              | –       | –        | –       | –        | (281)    |
| Research and development expenses       | (169)          | (6)      | (11)           | –       | –        | (92)    | –        | (278)    |
| Other taxes                             | (31)           | (35)     | (212)          | (4)     | (12)     | (752)   | –        | (1,046)  |
| Other income and expenses               | (946)          | (187)    | 2,032          | 14      | 22       | (942)   | (4)      | (11)     |
| Operating income (loss)                 | 5,362          | 3,114    | 2,667          | (13)    | 288      | (2,587) | 365      | 9,196    |
| Net finance income (expense)            | –              | –        | –              | –       | –        | (5,212) | –        | (5,212)  |
| Results in equity-accounted investments | 46             | 304      | 55             | (19)    | –        | –       | –        | 386      |
| Income (loss) before income taxes       | 5,408          | 3,418    | 2,722          | (32)    | 288      | (7,799) | 365      | 4,370    |
| Income taxes                            | (1,824)        | (1,058)  | (906)          | 4       | (98)     | 1,255   | (124)    | (2,751)  |
| Net income (loss)                       | 3,584          | 2,360    | 1,816          | (28)    | 190      | (6,544) | 241      | 1,619    |
| Net income (loss) attributable to:      |                |          |                |         |          |         |          |          |
| Shareholders of Petrobras               | 3,579          | 2,370    | 1,756          | (28)    | 190      | (6,595) | 241      | 1,513    |
| Non-controlling interests               | 5              | (10)     | 60             | –       | –        | 51      | –        | 106      |
|   | 3,584          | 2,360    | 1,816          | (28)    | 190      | (6,544) | 241      | 1,619    |

## Interim Consolidated Income by Segment – 1H-2016

|                                     | U.S.\$ million |          |                |         |          |         |          |          |
|-------------------------------------|----------------|----------|----------------|---------|----------|---------|----------|----------|
|                                     | E&P            | RTM      | GAS &<br>POWER | BIOFUEL | DISTRIB. | CORP.   | ELIMIN.  | TOTAL    |
| Sales revenues                      | 14,495         | 29,517   | 4,613          | 120     | 13,353   | –       | (23,789) | 38,309   |
| Intersegments                       | 13,772         | 8,556    | 1,143          | 115     | 203      | –       | (23,789) | –        |
| Third parties                       | 723            | 20,961   | 3,470          | 5       | 13,150   | –       | –        | 38,309   |
| Cost of sales                       | (11,483)       | (21,928) | (3,533)        | (133)   | (12,343) | –       | 22,986   | (26,434) |
| Gross profit                        | 3,012          | 7,589    | 1,080          | (13)    | 1,010    | –       | (803)    | 11,875   |
| Expenses                            | (2,384)        | (1,702)  | (543)          | (38)    | (947)    | (2,183) | 54       | (7,743)  |
| Selling expenses                    | (79)           | (901)    | (410)          | (1)     | (663)    | (14)    | 58       | (2,010)  |
| General and administrative expenses | (175)          | (194)    | (103)          | (12)    | (119)    | (885)   | –        | (1,488)  |
| Exploration costs                   | (761)          | –        | –              | –       | –        | –       | –        | (761)    |
| Research and development expenses   | (119)          | (27)     | (8)            | (1)     | –        | (118)   | –        | (273)    |
| Other taxes                         | (33)           | (35)     | (106)          | (2)     | (23)     | (67)    | –        | (266)    |
| Other income and expenses           | (1,217)        | (545)    | 84             | (22)    | (142)    | (1,099) | (4)      | (2,945)  |



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|   |       |         |       |      |      |         |       |         |
|---|-------|---------|-------|------|------|---------|-------|---------|
| Operating income (loss)                 | 628   | 5,887   | 537   | (51) | 63   | (2,183) | (749) | 4,132   |
| Net finance income (expense)            | –     | –       | –     | –    | –    | (3,950) | –     | (3,950) |
| Results in equity-accounted investments | 4     | 149     | 56    | (2)  | 5    | –       | –     | 212     |
| Income (loss) before income taxes       | 632   | 6,036   | 593   | (53) | 68   | (6,133) | (749) | 394     |
| Income taxes                            | (212) | (2,001) | (182) | 17   | (22) | 1,912   | 254   | (234)   |
| Net income (loss)                       | 420   | 4,035   | 411   | (36) | 46   | (4,221) | (495) | 160     |
| Net income (loss) attributable to:      |       |         |       |      |      |         |       |         |
| Shareholders of Petrobras               | 463   | 4,094   | 350   | (36) | 46   | (4,634) | (495) | (212)   |
| Non-controlling interests               | (43)  | (59)    | 61    | –    | –    | 413     | –     | 372     |
|   | 420   | 4,035   | 411   | (36) | 46   | (4,221) | (495) | 160     |

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## Other Income and Expenses by Segment – 1H-2017

| U.S.\$ million  |       |                   |       |         |          |       |         |       |
|---|-------|-------------------|-------|---------|----------|-------|---------|-------|
|   | E&P   | RTMGAS &<br>POWER |       | BIOFUEL | DISTRIB. | CORP. | ELIMIN. | TOTAL |
| Pension and medical benefits - retirees                                       | -     | -                 | -     | -       | -        | (963) | -       | (963) |
| Unscheduled stoppages and pre-operating expenses                              | (748) | (17)              | (47)  | -       | -        | (1)   | -       | (813) |
| Gains / (losses) related to legal, administrative and arbitration proceedings | (74)  | (72)              | (184) | -       | (57)     | 17    | -       | (370) |
| Profit sharing  | (35)  | (20)              | (4)   | -       | -        | (34)  | -       | (93)  |
| Institutional relations and cultural projects                                 | -     | (1)               | -     | -       | (18)     | (77)  | -       | (96)  |
| Impairment (losses) / reversals   | -     | 9                 | (73)  | -       | -        | -     | -       | (64)  |
| Allowance for impairment of other receivables                                 | (410) | (6)               | -     | -       | -        | (8)   | -       | (424) |
| Operating expenses with thermoelectric power plants                           | -     | -                 | (50)  | -       | -        | -     | -       | (50)  |
| Reclassification of cumulative translation adjustments - CTA                  | -     | -                 | -     | -       | -        | (37)  | -       | (37)  |
| Health, safety and environment  | (5)   | (2)               | (1)   | -       | -        | (23)  | -       | (31)  |
| Government grants   | 2     | 6                 | 30    | 2       | -        | -     | -       | 40    |
| Expenses/Reimbursements from E&P partnership operations                       | 208   | -                 | -     | -       | -        | -     | -       | 208   |
| Voluntary Separation Incentive Plan - PIDV                                    | 27    | (10)              | 58    | -       | 36       | 99    | -       | 210   |
| Gain on remeasurement of investment retained with loss of control             | -     | -                 | 217   | -       | -        | -     | -       | 217   |
| Ship/Take or Pay agreements   | -     | 35                | 260   | -       | 4        | -     | -       | 299   |
| Gains / (losses) on disposal/write-offs of assets (*)                         | (114) | (77)              | 1,944 | 3       | 10       | -     | -       | 1,766 |
| Amounts recovered relating to Lava Jato investigation                         | -     | -                 | -     | -       | -        | 28    | -       | 28    |
| Others  | 203   | (32)              | (118) | 9       | 47       | 57    | (4)     | 162   |
|   | (946) | (187)             | 2,032 | 14      | 22       | (942) | (4)     | (11)  |

## Other Income and Expenses by Segment – 1H-2016

| U.S.\$ million  |         |                   |      |         |          |       |         |         |
|---|---------|-------------------|------|---------|----------|-------|---------|---------|
|   | E&P     | RTMGAS &<br>POWER |      | BIOFUEL | DISTRIB. | CORP. | ELIMIN. | TOTAL   |
| Pension and medical benefits - retirees                                       | -       | -                 | -    | -       | -        | (670) | -       | (670)   |
| Unscheduled stoppages and pre-operating expenses                              | (1,067) | (37)              | (24) | -       | -        | (2)   | -       | (1,130) |
| Gains / (losses) related to legal, administrative and arbitration proceedings | (185)   | (43)              | (10) | -       | (187)    | (275) | -       | (700)   |
| Profit sharing  |         |                   |      |         |          |       |         | -       |

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|   |         |       |      |      |       |         |     |         |
|---|---------|-------|------|------|-------|---------|-----|---------|
| Institutional relations and cultural projects                     | (3)     | (2)   | –    | –    | (8)   | (103)   | –   | (116)   |
| Impairment (losses) / reversals                                   | (91)    | (321) | –    | –    | –     | –       | –   | (412)   |
| Allowance for impairment of other receivables                     | (7)     | (15)  | –    | –    | –     | (18)    | –   | (40)    |
| Operating expenses with thermoelectric power plants               | –       | –     | (59) | –    | –     | –       | –   | (59)    |
| Reclassification of cumulative translation adjustments - CTA      |         |       |      |      |       |         |     | –       |
| Health, safety and environment                                    | (8)     | (9)   | (3)  | –    | (1)   | (21)    | –   | (42)    |
| Government grants   | 3       | 15    | 56   | 3    | –     | –       | –   | 77      |
| Expenses/Reimbursements from E&P partnership operations           | 302     | –     | –    | –    | –     | –       | –   | 302     |
| Voluntary Separation Incentive Plan - PIDV                        | (160)   | (76)  | (15) | –    | 2     | (97)    | –   | (346)   |
| Gain on remeasurement of investment retained with loss of control |         |       |      |      |       |         |     | –       |
| Ship/Take or Pay agreements                                       | 1       | –     | 101  | –    | –     | –       | –   | 102     |
| Gains / (losses) on disposal/write-offs of assets (*)             | (20)    | (41)  | (11) | –    | 2     | 5       | –   | (65)    |
| Amounts recovered relating to Lava Jato investigation             | –       | –     | –    | –    | –     | 23      | –   | 23      |
| Others  | 18      | (16)  | 49   | (25) | 50    | 59      | (4) | 131     |
|   | (1,217) | (545) | 84   | (22) | (142) | (1,099) | (4) | (2,945) |

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

## Interim Consolidated Assets by Segment – 06.30.2017

## U.S.\$ million

|                               | E&P     | RTM    | GAS & POWER | BIOFUEL | DISTRIB. | CORP.  | ELIMIN. | TOTAL   |
|-------------------------------|---------|--------|-------------|---------|----------|--------|---------|---------|
| Total assets                  | 138,201 | 50,779 | 18,962      | 297     | 5,493    | 35,390 | (4,864) | 244,258 |
| Current assets                | 5,480   | 11,182 | 1,334       | 56      | 2,376    | 26,949 | (4,322) | 43,055  |
| Non-current assets            | 132,721 | 39,597 | 17,628      | 241     | 3,117    | 8,441  | (542)   | 201,203 |
| Long-term receivables         | 7,114   | 3,537  | 2,505       | 128     | 1,002    | 6,618  | (494)   | 20,410  |
| Investments                   | 1,394   | 1,486  | 813         | 16      | 5        | 6      | –       | 3,720   |
| Property, plant and equipment | 121,898 | 34,400 | 13,991      | 97      | 1,890    | 1,656  | (48)    | 173,884 |
| Operating assets              | 89,740  | 30,111 | 11,483      | 94      | 1,623    | 1,285  | (48)    | 134,288 |
| Assets under construction     | 32,158  | 4,289  | 2,508       | 3       | 267      | 371    | –       | 39,596  |
| Intangible assets             | 2,315   | 174    | 319         | –       | 220      | 161    | –       | 3,189   |

## Interim Consolidated Assets by Segment – 12.31.2016

## U.S.\$ million

|                               | E&P     | RTM    | GAS & POWER | BIOFUEL | DISTRIB. | CORP.  | ELIMIN. | TOTAL   |
|-------------------------------|---------|--------|-------------|---------|----------|--------|---------|---------|
| Total assets                  | 140,096 | 52,580 | 19,488      | 522     | 6,230    | 33,769 | (5,702) | 246,983 |
| Current assets                | 5,604   | 12,460 | 3,592       | 405     | 3,039    | 24,934 | (5,265) | 44,769  |
| Non-current assets            | 134,492 | 40,120 | 15,896      | 117     | 3,191    | 8,835  | (437)   | 202,214 |
| Long-term receivables         | 7,630   | 3,312  | 2,006       | 4       | 1,017    | 6,838  | (387)   | 20,420  |
| Investments                   | 1,449   | 1,104  | 466         | 13      | 14       | 6      | –       | 3,052   |
| Property, plant and equipment | 123,056 | 35,515 | 13,094      | 100     | 1,936    | 1,819  | (50)    | 175,470 |
| Operating assets              | 90,716  | 31,150 | 11,862      | 97      | 1,654    | 1,472  | (50)    | 136,901 |
| Assets under construction     | 32,340  | 4,365  | 1,232       | 3       | 282      | 347    | –       | 38,569  |
| Intangible assets             | 2,357   | 189    | 330         | –       | 224      | 172    | –       | 3,272   |

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

|   | U.S.\$ million |                    |         |         |                |         |       |         |
|---|----------------|--------------------|---------|---------|----------------|---------|-------|---------|
|   | E&P            | RTM GAS &<br>POWER |         | BIOFUEL | DISTRIB. CORP. | ELIMIN. | TOTAL |         |
| Net income (loss)   | 3,584          | 2,360              | 1,816   | (28)    | 190            | (6,544) | 241   | 1,619   |
| Net finance income (expenses)                               | –              | –                  | –       | –       | –              | 5,212   | –     | 5,212   |
| Income taxes  | 1,824          | 1,058              | 906     | (4)     | 98             | (1,255) | 124   | 2,751   |
| Depreciation, depletion and amortization                    | 4,860          | 1,206              | 413     | 2       | 80             | 89      | –     | 6,650   |
| EBITDA  | 10,268         | 4,624              | 3,135   | (30)    | 368            | (2,498) | 365   | 16,232  |
| Results in equity-accounted investments                     | (46)           | (304)              | (55)    | 19      | –              | –       | –     | (386)   |
| Impairment  | –              | (9)                | 73      | –       | –              | –       | –     | 64      |
| Reclassification of cumulative translation adjustment - CTA | –              | –                  | –       | –       | –              | 37      | –     | 37      |
| Gains and losses on disposal/write-offs of assets**         | 114            | 77                 | (2,161) | (3)     | (10)           | –       | –     | (1,983) |
| Adjusted EBITDA *   | 10,336         | 4,388              | 992     | (14)    | 358            | (2,461) | 365   | 13,964  |

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

|   | U.S.\$ million |                    |      |         |                |         |       |        |
|---|----------------|--------------------|------|---------|----------------|---------|-------|--------|
|   | E&P            | RTM GAS &<br>POWER |      | BIOFUEL | DISTRIB. CORP. | ELIMIN. | TOTAL |        |
| Net income (loss)   | 420            | 4,035              | 411  | (36)    | 46             | (4,221) | (495) | 160    |
| Net finance income (expenses)                               | –              | –                  | –    | –       | –              | 3,950   | –     | 3,950  |
| Income taxes  | 212            | 2,001              | 182  | (17)    | 22             | (1,912) | (254) | 234    |
| Depreciation, depletion and amortization                    | 5,011          | 1,041              | 394  | 4       | 79             | 111     | –     | 6,639  |
| EBITDA  | 5,643          | 7,077              | 987  | (49)    | 147            | (2,072) | (749) | 10,983 |
| Results in equity-accounted investments                     | (4)            | (149)              | (56) | 2       | (5)            | –       | –     | (212)  |
| Impairment  | 91             | 321                | –    | –       | –              | –       | –     | 412    |
| Reclassification of cumulative translation adjustment - CTA | –              | –                  | –    | –       | –              | –       | –     | –      |
| Gains and losses on disposal/write-offs of assets**         | 20             | 41                 | 11   | –       | (2)            | (5)     | –     | 65     |
| Adjusted EBITDA *   | 5,750          | 7,290              | 941  | (47)    | 140            | (2,077) | (749) | 11,248 |

\* See definition of Adjusted EBITDA in glossary.

\*\* Includes results with disposal and write-offs of assets and re-measurement 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 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

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.

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,

is not considered on net income attributable to shareholders of Petrobras.

2016, the Extraordinary General Meeting approved the statutory adjustments according to the new organizational 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.

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.

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

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

NGL - Natural gas liquids.

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

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

Operating Margin - Operating income (loss) over sales revenues.

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, production taxes 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.

PESA – Petrobras Argentina S.A.

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

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 (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.

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.

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

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.

On June 30<sup>th</sup>, 2017, the presentation related to the business segment information reflects the management's assessment related to performance and 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