

PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
August 12, 2016

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, 2016

Commission File Number 1-15106

PETRÓLEO BRASILEIRO S.A. - PETROBRAS
(Exact name of registrant as specified in its charter)

Brazilian Petroleum Corporation - PETROBRAS
(Translation of Registrant's name into English)

Avenida República do Chile, 65
20031-912 - Rio de Janeiro, RJ
Federative Republic of Brazil
(Address of principal executive office)

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

Form 20-F Form 40-F

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

Yes No

SECOND QUARTER OF 2016 RESULTS

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

Rio de Janeiro – August 11, 2016

Main financial highlights 2Q-2016 x 1Q-2016

- Net income attributable to the shareholders of Petrobras of R\$ 370 million, compared to net loss of R\$ 1.246 million in the 1Q-2016, as a result of:
 - A decrease of 30% in net finance expenses;
 - An increase of 7% in crude oil and natural gas total production;
 - Higher revenues with an increase of 14% in crude oil and oil products exports and lower costs related to natural gas imports;
 - Expenses related to the new Voluntary Separation Incentive Plan (PIDV); and
 - Impairment losses related to Comperj assets.
- The higher cash provided by operating activities and the decrease of capital expenditures and investments resulted in a positive free cash flow* for the fifth consecutive quarter of R\$ 10,790 million in the 2Q-2016, 3.5 times higher when compared to R\$ 2,381 million in the 1Q-2016.
- Adjusted EBITDA* of R\$ 20,317 million in the 2Q-2016, 4% lower compared to the 1Q-2016.
- Gross indebtedness decreased 19%, from R\$ 493,023 million in December 31, 2015 to R\$ 397,760 million, a reduction of R\$ 95,263 million. Net debt* decreased 15%, from R\$ 392,136

million to R\$ 332,390 million.

- The ratio between net debt and the Last Twelve Months (LTM) Adjusted EBITDA* decreased from 5.31 as of December 31, 2015 to 4.49 as of June 30, 2016 and the leverage decreased from 60% to 55%.
- The issuing of global notes totaling US\$ 6.75 billion and the tender offer of US\$ 6.3 billion generated the increase of average maturity of outstanding debt from 7.14 years as of December 31, 2015 to 7.30 years as of June 30, 2016.

Main operating highlights 2Q-2016 x 1Q-2016

- Total crude oil and natural gas production was 2,804 thousand barrels of oil equivalent per day (boed), an increase of 7% compared to the 1Q-2016.
- Domestic oil products output decreased 2% to 1,919 thousand barrels per day (bpd) and the domestic sales increased 3% to 2,109 thousand bpd.
- Crude oil and oil products exports increased 14% to 515 thousand bpd and average Brent price increased 34% to US\$/bbl 45.57.
- Reduction of 55% in LNG imports due to higher domestic gas supply and lower thermoelectric demand.

* See definitions of Free cash flow, Adjusted EBITDA, LTM Adjusted EBITDA and Net Debt in glossary and the respective reconciliations in Liquidity and Capital Resources, Reconciliation of Adjusted EBITDA, Debt and LTM Adjusted EBITDA.

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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," "plan," "aim," "will," "may," "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.

Main Items and Consolidated Economic Indicators

| | First half of | | | 2Q16 X | | | |
|---|---------------|----------|-----------------------|---------|---------|-------------|---------|
| | 2016 | 2015 | 2016 x 2015 (%) | 2Q-2016 | 1Q-2016 | 1Q16 (%) | 2Q-2015 |
| Sales revenues | 141,657 | 154,296 | (8) | 71,320 | 70,337 | 1 | 79,943 |
| Gross profit | 43,829 | 47,972 | (9) | 22,821 | 21,008 | 9 | 25,562 |
| Operating income (loss) | 15,332 | 22,459 | (32) | 7,184 | 8,148 | (12) | 9,460 |
| Net finance income (expense) | (14,754) | (11,669) | (26) | (6,061) | (8,693) | 30 | (6,048) |
| Consolidated net income (loss) attributable to the shareholders of Petrobras | (876) | 5,861 | (115) | 370 | (1,246) | 130 | 531 |
| Basic and diluted earnings (losses) per share | (0.07) | 0.45 | (115) | 0.03 | (0.10) | 130 | 0.04 |
| Market capitalization (Parent Company) | 138,434 | 175,620 | (21) | 138,434 | 125,890 | 10 | 175,620 |
| Adjusted EBITDA* | 41,408 | 41,289 | – | 20,317 | 21,091 | (4) | 19,771 |
| Gross margin (%) | 31 | 31 | – | 32 | 30 | 2 | 32 |
| Operating margin (%) | 11 | 15 | (4) | 10 | 12 | (2) | 12 |
| Net margin (%) | (1) | 4 | (5) | 1 | (2) | 3 | 1 |
| Total capital expenditures and investments | 29,028 | 36,174 | (20) | 13,435 | 15,593 | (14) | 18,331 |
| Exploration & Production | 25,705 | 29,898 | (14) | 11,935 | 13,770 | (13) | 15,052 |
| Refining, Transportation and Marketing | 1,777 | 4,030 | (56) | 825 | 952 | (13) | 2,104 |
| Gas & Power | 651 | 1,435 | (55) | 359 | 292 | 23 | 780 |
| Distribution | 220 | 376 | (42) | 121 | 99 | 23 | 188 |
| Biofuel | 325 | 39 | 735 | 54 | 271 | (80) | 34 |
| Corporate | 350 | 396 | (12) | 141 | 209 | (32) | 173 |
| Average commercial selling rate for U.S. dollar | 3.70 | 2.97 | 25 | 3.51 | 3.90 | (10) | 3.07 |

| | | | | | | | |
|--|--------|--------|------|--------|--------|------|--------|
| Period-end commercial selling rate for U.S. dollar | 3.21 | 3.10 | 3 | 3.21 | 3.56 | (10) | 3.10 |
| Variation of the period-end commercial selling rate for U.S. dollar (%) | (17.8) | 16.8 | (35) | (9.8) | (8.9) | (1) | (3.3) |
| Selic interest rate - average (%) | 14.15 | 12.67 | 1 | 14.15 | 14.15 | – | 13.14 |
| Domestic basic oil products price (R\$/bbl) | 230.30 | 222.68 | 3 | 228.95 | 231.68 | (1) | 224.09 |
| Brent crude (R\$/bbl) | 145.90 | 172.11 | (15) | 159.79 | 132.00 | 21 | 190.09 |
| Brent crude (US\$/bbl) | 39.73 | 57.95 | (31) | 45.57 | 33.89 | 34 | 61.92 |
| Domestic Sales Price | | | | | | | |
| Crude oil (U.S. dollars/bbl) | 34.54 | 47.78 | (28) | 39.86 | 28.88 | 38 | 52.14 |
| Natural gas (U.S. dollars/bbl) | 30.07 | 40.05 | (25) | 29.90 | 30.22 | (1) | 39.29 |
| International Sales price | | | | | | | |
| Crude oil (U.S. dollars/bbl) | 44.37 | 59.51 | (25) | 47.24 | 41.59 | 14 | 60.52 |
| Natural gas (U.S. dollars/bbl) | 22.45 | 22.53 | – | 21.74 | 23.27 | (7) | 22.66 |
| Total sales volume (Mbb/d) | | | | | | | |
| Diesel | 804 | 915 | (12) | 811 | 798 | 2 | 923 |
| Gasoline | 553 | 555 | – | 541 | 564 | (4) | 537 |
| Fuel oil | 72 | 111 | (35) | 64 | 80 | (20) | 103 |
| Naphtha | 142 | 146 | (3) | 172 | 111 | 55 | 168 |
| LPG | 227 | 229 | (1) | 236 | 218 | 8 | 236 |
| Jet fuel | 102 | 110 | (7) | 97 | 107 | (9) | 107 |
| Others | 183 | 173 | 6 | 188 | 178 | 6 | 176 |
| Total oil products | 2,083 | 2,239 | (7) | 2,109 | 2,056 | 3 | 2,250 |
| Ethanol, nitrogen fertilizers, renewables and other products | 111 | 117 | (5) | 111 | 111 | – | 119 |
| Natural gas | 338 | 448 | (25) | 316 | 360 | (12) | 448 |
| Total domestic market | 2,532 | 2,804 | (10) | 2,536 | 2,527 | – | 2,817 |
| Crude oil, oil products and others exports | 494 | 497 | (1) | 532 | 455 | 17 | 594 |
| International sales | 473 | 505 | (6) | 488 | 457 | 7 | 493 |
| Total international market | 967 | 1,002 | (3) | 1,020 | 912 | 12 | 1,087 |
| Total | 3,499 | 3,806 | (8) | 3,556 | 3,439 | 3 | 3,904 |

* See definition of Adjusted EBITDA in glossary and the respective reconciliation in Reconciliation of Adjusted EBITDA.

2Q-2016 x 1Q-2016 Results*:

Gross Profit

Gross profit increased by 9% when compared to the 1Q-2016, reaching R\$ 22,821 million, due to higher sales revenues, mainly as a result of crude oil and oil products export volumes. This increase was partially offset by lower gasoline sales in Brazilian market and decreased power generation.

Lower import costs of crude oil and natural gas were registered in the 2Q-2016 due to higher domestic production and lower thermoelectric generation, partially offset by higher expenses with production taxes and oil products imports.

Operating Income

Operating income reached R\$ 7,184 million in the 2Q-2016, compared to a R\$ 8,148 million operating income in the 1Q-2016, mainly due to expenses with the new Voluntary Separation Incentive Plan (PIDV), to impairment of Comperj assets (due to the project reassessment) and to the return of exploratory blocks. In addition, there were higher general and administrative expenses, as a result of increased consulting expenses.

Net Finance Expense

Net finance expense was R\$ 6,061 million in the 2Q-2016, a 30% decrease compared to the 1Q-2016, mainly due to the appreciation of the U.S. dollar against the Euro.

Net Income (Loss) attributable to the shareholders of Petrobras

The net income in the 2Q-2016 was R\$ 370 million, reverting the loss occurred in 1Q-1016, mainly due to higher gross profit and lower net finance expenses.

Adjusted EBITDA and Free Cash Flow**

The Adjusted EBITDA was 4% lower compared to the 1Q-2016, totaling R\$ 20,317 million. The Adjusted EBITDA Margin was 28% in the 2Q-2016. The increased net cash provided by operating activities and the lower capital expenditures and investments resulted, for the fifth consecutive quarter, in higher positive free cash flow* of R\$ 10,790 million, 3.5 times higher when compared to the 1Q-2016. This result represents an important effort to deleverage the Company.

* Additional information about operating results of 2Q-2016 x 1Q-2016, see item 5.

** See definitions of Free cash flow and Adjusted EBITDA in glossary and the respective reconciliations in Liquidity and Capital Resources and Reconciliation of Adjusted EBITDA.

1H-2016 x 1H-2015 Results*:

Gross Profit

Gross profit decreased by 9% when compared to 1H-2015, reaching R\$ 43,829 million due to lower sales revenues, as a result of an 7% reduction of domestic sales for oil products, partially offset by higher diesel and gasoline margins. The decrease in sales revenues was also a result of a decrease of crude oil and oil products export prices, lower power generation, decreased electricity prices, and lower domestic natural gas sales volume.

The Company experienced lower import costs and decreased production taxes in Brazil due to lower crude oil prices and decreased sales. However, higher depreciation expenses occurred as a result of a decrease in reserves estimates (mainly due to lower crude oil prices), which were partially offset by a lower carrying amount of assets that were impacted by impairment losses in 2015.

Operating Income

Operating income was R\$ 15,332 million in 1H-2016, a 32% decrease when compared to the 1H-2015, resulting from decreased gross profit, higher idleness expenses related to drilling rigs, higher expenses with legal proceedings, expenses associated with the new Voluntary Separation Incentive Plan and with the return of exploratory blocks. In addition, the 1H-2015 was impacted by the reversal of losses related to trade receivables from companies in the electricity sector. These effects were partially offset by lower tax expenses.

Net Finance Expense

Net finance expense was R\$ 14,754 million in the 1H-2016, an additional net expense of R\$ 3,085 million when compared to the 1H-2015, resulting from higher interest expenses due to higher debt and to the effect of the depreciation of Brazilian Real against the U.S. dollar.

Net Income (loss) attributable to the shareholders of Petrobras

Net loss attributable to the shareholders of Petrobras of R\$ 876 million in the 1H-2016, mainly due to lower operating income, higher net finance expenses and to the effect of foreign exchange translation over the debt of structured companies in U.S. dollars that impacted net income attributable to non-controlling interests.

Adjusted EBITDA and Free Cash Flow**

Adjusted EBITDA of R\$ 41,408 million in the 1H-2016, remaining relatively flat compared to the 1H-2015. The Adjusted EBITDA Margin was 29% in the 1H-2016. The lower capital expenditures and investments resulted in positive free cash flow of R\$ 13,171 million. This result represents an important effort to deleverage the Company.

* Additional information about operating results of 1H-2016 x 1H-2015, see item 6.

** See definitions of Free cash flow and Adjusted EBITDA in glossary and the respective reconciliations in Liquidity and Capital Resources and Reconciliation of Adjusted EBITDA.

RESULT BY BUSINESS SEGMENT

EXPLORATION & PRODUCTION

Gross Profit

(1H-2016 x 1H-2015): The decrease in gross profit in the 1H-2016 was generated by decreased Brent prices and by lower crude oil and NGL production in Brazil and abroad, partially offset by the depreciation of the Real against the U.S. dollar. In addition, gross profit was impacted by higher depreciation costs, partially offset by lower production taxes.

(2Q-2016 x 1Q-2016): The increase of the gross profit in the 2Q-2016 was generated by increased Brent prices and by higher crude oil and natural gas production, partially offset by the appreciation of the Real against the U.S. dollar and by increased production taxes.

Operating Income

(1H-2016 x 1H-2015): The decrease in operating income was due to lower gross profit, to increased idleness expenses related to drilling rigs, to expenses related to legal proceedings, to the new Voluntary Separation Incentive Plan and to higher expenses mainly due to the return of exploratory blocks.

(2Q-2016 x 1Q-2016): The operating income was due to higher gross profit and lower impairment, partially offset by expenses related to legal proceedings, to the new Voluntary Separation Incentive Plan and to higher expenses mainly due to the return of exploratory blocks.

Operating Performance

Production

(1H-2016 x 1H-2015): Domestic crude oil and NGL production decreased by 3% mainly due to higher realization of scheduled stoppages, mainly in P-48, P-53, FPSO Cid. Paraty and P-18 platforms. However, there were start-up and ramp-up of new systems, mainly FPSO Cid. Itaguaí (Lula – Iracema Norte area), FPSO Cid. Maricá (Lula Alto) and P-58 (Parque das Baleias).

(2Q-2016 x 1Q-2016): Domestic crude oil and NGL production increased 8% mainly due to lower realization of scheduled stoppages and to the production ramp-up of FPSO Cid. Maricá (Lula Alto). These effects also generated a 5% increase of domestic gas production.

Natural gas production in Brazil remained relatively flat because the scheduled stoppages mentioned above were mainly offset by increased gas production of P-58 (Parque das Baleias) and by the production start-up of FPSO Cid. Maricá (Lula Alto).

Crude oil and NGL production abroad increased 2%, mainly due to the production return in Akpo field in Nigeria, which was under scheduled stoppage in the 1Q-2016.

Gas production abroad increased 9% due to new wells in the Hadrian South field in the United States.

Crude oil and NGL production abroad decreased 12% mainly as a result of the sale/return of fields in Argentina, and of the scheduled stoppage of Akpo field in Nigeria.

Gas production abroad increased 11% due to the production ramp-up in the Hadrian South field in the United States.

Lifting Cost

(1H-2016 x 1H-2015): Excluding foreign exchange variation effects, lifting cost in U.S. dollar decreased due to lower expenses with well intervention and with engineering and submarine maintenance, in addition to the higher share of pre-salt production, which has a lower unit cost.

In addition, production taxes decreased as a result of lower crude oil price.

Lifting cost decreased abroad due to the sale of Austral Basin fields in Argentina, with higher operating costs and to the higher production in the United States, with lower costs.

(2Q-2016 x 1Q-2016): Excluding foreign exchange variation effects, lifting cost in US\$ dollar decreased due to higher production in the period. This decrease was partially offset by higher well intervention expenses.

In addition, the higher crude oil price generated increased production taxes.

The decreased lifting cost abroad was impacted by lower costs in Argentina.

Exploration & Production Main Indicators

| | First half of | | 2016 x 2015 (%) | 2Q16 X | | 2Q-2015 |
|--|---------------|---------|-----------------------|---------|---------|---------|
| | 2016 | 2015 | | 2Q-2016 | 1Q-2016 | |
| Sales revenues | 53,297 | 60,407 | (12) | 29,622 | 23,675 | 33,370 |
| Brazil | 50,394 | 57,533 | (12) | 28,185 | 22,209 | 31,816 |
| Abroad | 2,903 | 2,874 | 1 | 1,437 | 1,466 | 1,554 |
| Gross profit | 10,862 | 19,496 | (44) | 8,024 | 2,838 | 12,465 |
| Brazil | 9,907 | 18,492 | (46) | 7,549 | 2,358 | 11,878 |
| Abroad | 955 | 1,004 | (5) | 475 | 480 | 587 |
| Operating expenses | (8,754) | (5,176) | (69) | (5,143) | (3,611) | (3,299) |
| Brazil | (7,983) | (5,078) | (57) | (4,585) | (3,398) | (3,225) |
| Abroad | (771) | (98) | (687) | (558) | (213) | (74) |
| Operating income (loss) | 2,108 | 14,320 | (85) | 2,881 | (773) | 9,166 |
| Brazil | 1,924 | 13,414 | (86) | 2,965 | (1,041) | 8,653 |
| Abroad | 184 | 906 | (80) | (84) | 268 | 513 |
| Net income (loss) attributable to the shareholders of Petrobras | 1,557 | 9,332 | (83) | 2,162 | (605) | 5,919 |
| Brazil | 1,492 | 8,441 | (82) | 2,208 | (716) | 5,380 |
| Abroad | 65 | 891 | (93) | (46) | 111 | 539 |
| Adjusted EBITDA of the segment* | 21,040 | 26,341 | (20) | 11,863 | 9,177 | 15,517 |
| Brazil | 19,940 | 24,551 | (19) | 11,519 | 8,421 | 14,462 |
| Abroad | 1,100 | 1,790 | (39) | 344 | 756 | 1,055 |
| Capital expenditures of the segment | 25,705 | 29,898 | (14) | 11,935 | 13,770 | 15,052 |
| Average Brent crude (R\$/bbl) | 145.90 | 172.11 | (15) | 159.79 | 132.00 | 190.09 |
| Average Brent crude (US\$/bbl) | 39.73 | 57.95 | (31) | 45.57 | 33.89 | 61.92 |

Sales price - Brazil

| | | | | | | | |
|---|-------|--------|------|-------|-------|------|-------|
| Crude oil (US\$/bbl) | 34.54 | 47.78 | (28) | 39.86 | 28.88 | 38 | 52.14 |
| Sales price - Abroad | | | | | | | |
| Crude oil (US\$/bbl) | 44.37 | 59.51 | (25) | 47.24 | 41.59 | 14 | 60.52 |
| Natural gas (US\$/bbl) | 22.45 | 22.53 | – | 21.74 | 23.27 | (7) | 22.66 |
| Crude oil and NGL production (Mbb/d) | 2,145 | 2,231 | (4) | 2,223 | 2,067 | 8 | 2,213 |
| Brazil | 2,056 | 2,130 | (3) | 2,133 | 1,980 | 8 | 2,111 |
| Abroad | 63 | 70 | (10) | 63 | 62 | 2 | 71 |
| Non-consolidated production abroad | 26 | 31 | (16) | 27 | 25 | 8 | 31 |
| Natural gas production (Mbb/d) | 565 | 553 | 2 | 581 | 549 | 6 | 552 |
| Brazil | 467 | 465 | – | 479 | 455 | 5 | 463 |
| Abroad | 98 | 88 | 11 | 102 | 94 | 9 | 89 |
| Total production | 2,710 | 2,784 | (3) | 2,804 | 2,616 | 7 | 2,765 |
| Lifting cost - Brazil (US\$/barrel) | | | | | | | |
| excluding production taxes | 10.75 | 12.99 | (17) | 11.00 | 10.49 | 5 | 12.71 |
| including production taxes | 15.47 | 21.00 | (26) | 17.37 | 13.43 | 29 | 21.96 |
| Lifting cost - Brazil (R\$/barrel) | | | | | | | |
| excluding production taxes | 38.68 | 38.31 | 1 | 37.64 | 39.80 | (5) | 38.49 |
| including production taxes | 55.05 | 62.32 | (12) | 58.93 | 50.89 | 16 | 65.95 |
| Lifting cost – Abroad without production taxes (US\$/barrel) | 5.56 | 8.00 | (31) | 5.49 | 5.62 | (2) | 7.16 |
| Production taxes - Brazil | 6,612 | 10,067 | (34) | 4,453 | 2,159 | 106 | 5,731 |
| Royalties | 4,385 | 5,626 | (22) | 2,472 | 1,913 | 29 | 3,097 |
| Special participation charges | 2,137 | 4,357 | (51) | 1,938 | 199 | 874 | 2,593 |
| Rental of areas | 90 | 84 | 7 | 43 | 47 | (9) | 41 |
| Production taxes - Abroad | 518 | 448 | 16 | 244 | 274 | (11) | 230 |

* See reconciliation in Reconciliation of Consolidated Adjusted EBITDA Statement by Segment.

REFINING, TRANSPORTATION AND MARKETING

Gross Profit

(1H-2016 x 1H-2015): Gross profit increased due to a decrease in crude oil purchase/transfer costs, following lower Brent prices, the lower share of crude oil imports on feedstock processing and the decreased share of oil product imports in our sales mix. These effects were partially offset by lower crude oil exports and by lower economic activity in Brazil that decreased domestic oil product sales.

(2Q-2016 x 1Q-2016): Gross profit remained relatively flat in the period. The higher domestic and abroad sales were offset by higher purchase/transfer costs of crude oil as a result of the increase in Brent price.

Operating Income

(1H-2016 x 1H-2015): Higher operating income due to higher gross profit, partially offset by impairment of Comperj assets due to the project reassessment.

(2Q-2016 x 1Q-2016): Lower operating income mainly due to the impairment in Comperj assets and to the expenses of the new Voluntary Separation Incentive Plan.

Operating Performance

Imports and Exports of Crude Oil and Oil Products

(1H-2016 x 1H-2015): Improved balance of crude oil exports (imports) net, due to lower imports, as a result of decreased volume processed and a higher share of domestic crude oil on feedstock processed. These effects were partially offset by decreased export volume available, as a result of the lower production.

The decreased deficit of oil products exports (imports) net was due to lower need for diesel imports as a result of the lower economic activity.

(2Q-2016 x 1Q-2016): Higher positive balance of crude oil exports (imports) net, due to higher domestic production that generated higher share of domestic crude oil on feedstock processed, lower import need and increased crude oil available for export.

The decreased deficit of oil products exports (imports) net was due to lower need of gasoline imports as a result of decreased demand, and of diesel imports, due to the inventories generated in the 1Q-2016.

Refining Operations

(1H-2016 x 1H-2015): Daily feedstock processed was 5% lower, due to scheduled stoppages, mainly in distillation plants of REPLAN and REVAP, partially offset by higher production of RNEST, as a result of operating improvements made.

(2Q-2016 x 1Q-2016): Daily feedstock processed remained relatively flat, because the return of REPLAN into operation, after scheduled stoppage, was offset by scheduled stoppages of REFAP and REVAP.

Refining Cost

(1H-2016 x 1H-2015): Refining cost in R\$/barrel increased 7% mainly due to higher personnel expenses as a result of higher employee compensation costs attributable to the 2015/2016 Collective Bargaining Agreement, along with a decrease in feedstock processed. Refining cost, in US\$/barrel, decreased by 14%.

(2Q-2016 x 1Q-2016): In R\$/barrel, refining cost decreased by 2% mainly due to lower expenses with bulk materials and technical services. Refining cost, in US\$/barrel, increased by 8%.

Refining, Transportation and Marketing Main Indicators

| | First half of | | | 2Q16 X | | | |
|--|---------------|---------|-----------------------|---------|---------|------------------------|---------|
| | 2016 | 2015 | 2016 x 2015 (%) | 2Q-2016 | 1Q-2016 | 1Q16 2Q-2015 (%) | 2Q-2015 |
| Sales revenues | 109,032 | 117,990 | (8) | 55,947 | 53,085 | 5 | 61,875 |
| Brazil (includes trading operations abroad) | 109,331 | 114,446 | (4) | 56,220 | 53,111 | 6 | 60,181 |
| Abroad | 6,192 | 6,897 | (10) | 3,306 | 2,886 | 15 | 3,602 |
| Eliminations | (6,491) | (3,353) | (94) | (3,579) | (2,912) | (23) | (1,908) |
| Gross profit | 28,067 | 22,481 | 25 | 14,081 | 13,986 | 1 | 11,036 |
| Brazil | 27,902 | 21,976 | 27 | 13,798 | 14,104 | (2) | 10,680 |
| Abroad | 165 | 505 | (67) | 283 | (118) | 340 | 356 |
| Operating expenses | (6,227) | (5,104) | (22) | (3,736) | (2,491) | (50) | (2,932) |
| Brazil | (6,008) | (4,850) | (24) | (3,618) | (2,390) | (51) | (2,810) |
| Abroad | (219) | (254) | 14 | (118) | (101) | (17) | (122) |
| Operating income (loss) | 21,840 | 17,377 | 26 | 10,345 | 11,495 | (10) | 8,104 |
| Brazil | 21,894 | 17,126 | 28 | 10,180 | 11,714 | (13) | 7,870 |
| Abroad | (54) | 251 | (122) | 165 | (219) | 175 | 234 |
| Net income (loss) attributable to the shareholders of Petrobras | 15,184 | 11,958 | 27 | 7,208 | 7,976 | (10) | 5,775 |
| Brazil | 15,234 | 11,751 | 30 | 7,048 | 8,186 | (14) | 5,573 |
| Abroad | (50) | 207 | (124) | 160 | (210) | 176 | 202 |
| Adjusted EBITDA of the segment* | 26,816 | 21,426 | 25 | 13,398 | 13,418 | – | 10,293 |
| Brazil | 26,753 | 21,088 | 27 | 13,183 | 13,570 | (3) | 10,009 |
| Abroad | 63 | 338 | (81) | 215 | (152) | 242 | 284 |
| Capital expenditures of the segment | 1,777 | 4,030 | (56) | 825 | 952 | (13) | 2,104 |

| | | | | | | | |
|--|--------|--------|------|--------|--------|-------|--------|
| Domestic basic oil products price (R\$/bbl) | 230.30 | 222.68 | 3 | 228.95 | 231.68 | (1) | 224.09 |
| Imports (Mbb/d) | 422 | 621 | (32) | 359 | 486 | (26) | 620 |
| Crude oil import | 160 | 291 | (45) | 122 | 199 | (39) | 305 |
| Diesel import | 23 | 119 | (81) | – | 47 | (100) | 106 |
| Gasoline import | 46 | 38 | 21 | 41 | 51 | (20) | 19 |
| Other oil product import | 193 | 173 | 12 | 196 | 189 | 4 | 190 |
| Exports (Mbb/d) | 484 | 496 | (2) | 515 | 453 | 14 | 593 |
| Crude oil export | 324 | 344 | (6) | 341 | 307 | 11 | 405 |
| Oil product export | 160 | 152 | 5 | 174 | 146 | 19 | 188 |
| Exports (imports), net | 62 | (125) | 150 | 156 | (33) | 573 | (27) |
| Refining Operations - Brazil (Mbb/d) | | | | | | | |
| Output of oil products | 1,939 | 2,031 | (5) | 1,919 | 1,958 | (2) | 2,098 |
| Reference feedstock | 2,176 | 2,176 | – | 2,176 | 2,176 | – | 2,176 |
| Refining plants utilization factor (%) | 84 | 89 | (6) | 84 | 84 | – | 92 |
| Feedstock processed (excluding NGL) | 1,828 | 1,936 | (6) | 1,820 | 1,836 | (1) | 1,993 |
| Feedstock processed | 1,869 | 1,977 | (5) | 1,869 | 1,870 | – | 2,031 |
| Domestic crude oil as % of total feedstock processed | 90 | 86 | 5 | 91 | 89 | 2 | 86 |
| Refining Operations - Abroad (Mbb/d) | | | | | | | |
| Total feedstock processed | 138 | 131 | 5 | 136 | 140 | (3) | 135 |
| Output of oil products | 141 | 147 | (4) | 138 | 144 | (4) | 140 |
| Reference feedstock | 230 | 230 | – | 230 | 230 | – | 230 |
| Refining plants utilization factor (%) | 56 | 55 | 2 | 56 | 57 | (2) | 56 |
| Refining cost - Brazil | | | | | | | |
| Refining cost (US\$/barrel) | 2.37 | 2.74 | (14) | 2.46 | 2.27 | 8 | 2.64 |
| Refining cost (R\$/barrel) | 8.65 | 8.07 | 7 | 8.56 | 8.73 | (2) | 7.98 |
| Refining cost - Abroad (US\$/barrel) | | | | | | | |
| | 4.00 | 4.00 | – | 4.00 | 4.01 | – | 4.08 |
| Sales volume (includes sales to BR Distribuidora and third-parties) | | | | | | | |
| Diesel | 766 | 880 | (13) | 769 | 764 | 1 | 887 |
| Gasoline | 500 | 500 | – | 487 | 513 | (5) | 480 |
| Fuel oil | 68 | 100 | (32) | 61 | 75 | (19) | 90 |
| Naphtha | 142 | 146 | (3) | 172 | 111 | 55 | 168 |
| LPG | 227 | 229 | (1) | 235 | 219 | 7 | 236 |
| Jet fuel | 117 | 127 | (8) | 110 | 124 | (11) | 124 |
| Others | 200 | 206 | (3) | 204 | 195 | 5 | 209 |
| Total domestic oil products (mmb/d) | 2,020 | 2,188 | (8) | 2,038 | 2,001 | 2 | 2,194 |

* See reconciliation in Reconciliation of Consolidated Adjusted EBITDA Statement by Segment.

GAS & POWER

Gross Profit

(1H-2016 x 1H-2015): Gross profit in the 1H-2016 was higher due to lower acquisition costs, mainly because of the reduction of natural gas and LNG imports. This effect was partially offset by lower natural gas sales to the thermoelectric sector and by decreased electricity generation due to the improvement of hydrological conditions in Brazil.

(2Q-2016 x 1Q-2016): The increased gross profit was due to lower acquisition cost and decreased gas and LNG imports. These effect was partially offset by lower electricity generation in the 2Q-2016.

Operating Income

(1H-2016 x 1H-2015): Operating income increased due to higher gross profit and also to lower operating expenses. The 1H-2015 was mainly impacted by expenses related to tax contingencies and impairment, partially offset by the reversal of impairment with trade receivables from companies in the electricity sector.

(2Q-2016 x 1Q-2016): Lower operating income in the 2Q-2016 compared to the 1Q-2016 due to higher impairment with trade receivables from companies in the electricity sector.

Operating Performance

Physical and Financial Indicators

(1H-2016 x 1H-2015): Electricity sales to the Brazilian free contracting market (*Ambiente de Contratação Livre – ACL*) were 5% lower, attributable to the termination of agreements.

Decreased electricity sales volumes to the Brazilian regulated market (*Ambiente de Contratação Regulada – ACR*) was due to the termination of agreement representing 205 average MW, which occurred at Electricity Auction of 1H-2015.

The decrease electricity generation and lower electricity prices in the spot market (PLD) were due to improved hydrological conditions.

LNG imports decreased by 56% and natural gas imports from Bolivia were 10% lower, reflecting a decrease in thermoelectric demand.

(2Q-2016 x 1Q-2016): The higher electricity prices in the spot market (PLD) was a result of worsening in hydrological conditions.

The lower electricity generation was due to the decision of the Electric Sector Monitoring Committee (*Comitê de Monitoramento do Setor Elétrico - CMSE*) of not making plants dispatch for energy security with variable unit cost above settlement limits.

LNG imports decreased by 55% and natural gas imports from Bolivia were 10% lower due to decreased thermoelectric demand in the period and to higher domestic gas supply, due to 5% increase on production.

Gas & Power Main Indicators

| | First half of | | 2016 x | 2Q16 X | | | |
|--|---------------|---------|----------|---------|---------|----------|---------|
| | 2016 | 2015 | 2015 (%) | 2Q-2016 | 1Q-2016 | 1Q16 (%) | 2Q-2015 |
| Sales revenues | 17,151 | 21,589 | (21) | 7,760 | 9,391 | (17) | 10,596 |
| Brazil | 15,996 | 20,868 | (23) | 7,163 | 8,833 | (19) | 10,230 |
| Abroad | 1,155 | 721 | 60 | 597 | 558 | 7 | 366 |
| Gross profit | 3,974 | 3,770 | 5 | 2,146 | 1,828 | 17 | 2,026 |
| Brazil | 3,792 | 3,661 | 4 | 2,065 | 1,727 | 20 | 1,975 |
| Abroad | 182 | 109 | 67 | 81 | 101 | (20) | 51 |
| Operating expenses | (1,980) | (2,026) | 2 | (1,246) | (734) | (70) | (1,895) |
| Brazil | (1,939) | (1,987) | 2 | (1,222) | (717) | (70) | (1,873) |
| Abroad | (41) | (39) | (5) | (24) | (17) | (41) | (22) |
| Operating income (loss) | 1,994 | 1,744 | 14 | 900 | 1,094 | (18) | 131 |
| Brazil | 1,853 | 1,674 | 11 | 843 | 1,010 | (17) | 102 |
| Abroad | 141 | 70 | 101 | 57 | 84 | (32) | 29 |
| Net income (loss) attributable to the shareholders of Petrobras | 1,302 | 1,225 | 6 | 545 | 757 | (28) | 138 |
| Brazil | 1,078 | 1,097 | (2) | 433 | 645 | (33) | 79 |
| Abroad | 224 | 128 | 75 | 112 | 112 | — | 59 |
| Adjusted EBITDA of the segment* | 3,447 | 3,784 | (9) | 1,639 | 1,808 | (9) | 1,528 |
| Brazil | 3,284 | 3,684 | (11) | 1,574 | 1,710 | (8) | 1,484 |
| Abroad | 163 | 100 | 63 | 65 | 98 | (33) | 44 |
| Capital expenditures of the segment | 651 | 1,435 | (55) | 359 | 292 | 23 | 780 |

Physical and financial indicators - Brazil

| | | | | | | | |
|---|-------|-------|------|-------|-------|------|-------|
| Electricity sales (Free contracting market - ACL) - average MW | 864 | 907 | (5) | 866 | 863 | – | 902 |
| Electricity sales (Regulated contracting market - ACR) - average MW | 3,172 | 3,263 | (3) | 3,172 | 3,172 | – | 3,263 |
| Generation of electricity - average MW | 2,224 | 5,048 | (56) | 1,616 | 2,832 | (43) | 4,987 |
| Electricity price in the spot market - Differences settlement price (PLD) - R\$/MWh | 74 | 378 | (80) | 79 | 69 | 14 | 369 |
| Imports of LNG (Mbb/d) | 54 | 122 | (56) | 33 | 74 | (55) | 132 |
| Imports of natural gas (Mbb/d) | 184 | 204 | (10) | 174 | 194 | (10) | 201 |

* See reconciliation in Reconciliation of Consolidated Adjusted EBITDA Statement by Segment.

DISTRIBUTION

Gross Profit

(1H-2016 x 1H-2015): Gross profit decreased due to lower sales volumes in Brazil, following the lower economic activity that mainly impacted industrial customers, in which the share of BR Distribuidora is higher than its competitors. These effects were partially offset by improved result abroad, due to higher gross margin as a result of increased mix of sales products in Paraguay and of the positive impact of foreign exchange variation.

(2Q-2016 x 1Q-2016): The lower gross profit in Brazil was due to decreased ethanol and gasoline C prices, which impacted inventory costs, and lower sales volumes, partially offset by improved result abroad due to higher gross margin, as a result of increased mix of sales products in Paraguay and of the positive impact of foreign exchange variation.

Operating income

(1H-2016 x 1H-2015): Operating income in Brazil decreased as a result of higher losses with tax contingencies, partially offset by improved result abroad.

(2Q-2016 x 1Q-2016): The higher operating income was due to lower impairment with trade receivables from companies in the electricity sector in Brazil, and to the improved

result abroad.

Operating Performance

Market Share - Brazil

(1H-2016 x 1H-2015): Decreased market share was due to lower sales to the thermoelectric sector and lower economic activity that mainly impacted industrial customers, in which the share of BR Distribuidora is higher than its competitors. In addition, the lower market share is a result of a shift in our sales policy to prioritize higher margins instead of sales volumes.

(2Q-2016 x 1Q-2016): Market share was lower mainly due to a decrease in fuel oil thermoelectric dispatch, to lower gasoline and jet fuel sales. In addition, the Company policy was to maintain margins preserved.

Distribution Main Indicators

| | First half of | | | 2Q16 X | | |
|--|---------------|---------|-----------------------|---------|-------------|---------|
| | 2016 | 2015 | 2016 x 2015 (%) | 2Q-2016 | 1Q-2016 | 2Q-2015 |
| | | | | | 1Q16 (%) | |
| Sales revenues | 49,449 | 54,149 | (9) | 24,218 | 25,231 | 26,991 |
| Brazil | 43,083 | 47,724 | (10) | 21,036 | 22,047 | 23,670 |
| Abroad | 6,366 | 6,425 | (1) | 3,182 | 3,184 | 3,321 |
| Gross profit | 3,744 | 4,211 | (11) | 1,804 | 1,940 | 1,871 |
| Brazil | 3,057 | 3,603 | (15) | 1,431 | 1,626 | 1,551 |
| Abroad | 687 | 608 | 13 | 373 | 314 | 320 |
| Operating expenses | (3,524) | (2,944) | (20) | (1,537) | (1,987) | (1,516) |
| Brazil | (3,045) | (2,487) | (22) | (1,293) | (1,752) | (1,272) |
| Abroad | (479) | (457) | (5) | (244) | (235) | (244) |
| Operating income (loss) | 220 | 1,267 | (83) | 267 | (47) | 355 |
| Brazil | 12 | 1,116 | (99) | 138 | (126) | 279 |
| Abroad | 208 | 151 | 38 | 129 | 79 | 76 |
| Net income (loss) attributable to the shareholders of Petrobras | 159 | 849 | (81) | 184 | (25) | 240 |
| Brazil | (38) | 719 | (105) | 58 | (96) | 173 |
| Abroad | 197 | 130 | 52 | 126 | 71 | 67 |
| Adjusted EBITDA of the segment* | 512 | 1,549 | (67) | 411 | 101 | 502 |
| Brazil | 237 | 1,343 | (82) | 250 | (13) | 398 |
| Abroad | 275 | 206 | 33 | 161 | 114 | 104 |
| Capital expenditures of the segment | 220 | 376 | (42) | 121 | 99 | 188 |
| Market share - Brazil | 31.7% | 35.8% | (4) | 31% | 32% | 35% |

**Sales Volumes - Brazil
(Mbb/d)**

| | | | | | | | |
|------------------------------------|------------|------------|-------------|------------|------------|------------|------------|
| Diesel | 314 | 382 | (18) | 317 | 312 | 2 | 378 |
| Gasoline | 191 | 205 | (7) | 187 | 195 | (4) | 199 |
| Fuel oil | 57 | 98 | (42) | 50 | 64 | (22) | 89 |
| Jet fuel | 50 | 57 | (12) | 47 | 53 | (11) | 55 |
| Others | 97 | 96 | 1 | 99 | 95 | 4 | 94 |
| Total domestic oil products | 709 | 838 | (15) | 700 | 719 | (3) | 815 |

* See reconciliation in Reconciliation of Consolidated Adjusted EBITDA Statement by Segment.

Liquidity and Capital Resources

| | First half of | | | | |
|---|-----------------|-----------------|-----------------|-----------------|---------------|
| | 2016 | 2015 | 2Q-2016 | 1Q-2016 | 2Q-2015 |
| Adjusted cash and cash equivalents* at the beginning of period | 100,887 | 68,946 | 80,521 | 100,887 | 68,182 |
| Government bonds and time deposits with maturities of more than 3 months at the beginning of period | (3,042) | (24,707) | (2,743) | (3,042) | (33,732) |
| Cash and cash equivalents at the beginning of period | 97,845 | 44,239 | 77,778 | 97,845 | 34,450 |
| Net cash provided by (used in) operating activities | 39,250 | 39,317 | 21,943 | 17,307 | 22,890 |
| Net cash provided by (used in) investing activities | (25,277) | (16,078) | (10,759) | (14,518) | 5,253 |
| Capital expenditures and investments in operating segments | (26,079) | (34,833) | (11,153) | (14,926) | (17,153) |
| Proceeds from disposal of assets (divestment) | 14 | 612 | 3 | 11 | 96 |
| Investments in marketable securities | 788 | 18,143 | 391 | 397 | 22,310 |
| (=) Net cash flow | 13,973 | 23,239 | 11,184 | 2,789 | 28,143 |
| Net financings | (37,099) | 8,581 | (19,594) | (17,505) | 18,887 |
| Proceeds from long-term financing | 32,679 | 37,472 | 25,464 | 7,215 | 33,737 |
| Repayments | (69,778) | (28,891) | (45,058) | (24,720) | (14,850) |
| Acquisition of non-controlling interest | 189 | 505 | 43 | 146 | 109 |
| Effect of exchange rate changes on cash and cash equivalents | (11,968) | 4,602 | (6,471) | (5,497) | (423) |
| Cash and cash equivalents at the end of period | 62,940 | 81,166 | 62,940 | 77,778 | 81,166 |
| Government bonds and time deposits with maturities of more than 3 months at the end of period | 2,430 | 10,470 | 2,430 | 2,743 | 10,470 |
| | 65,370 | 91,636 | 65,370 | 80,521 | 91,636 |

Adjusted cash and cash equivalents* at the end of period**Reconciliation of Free Cash Flow**

| | | | | | |
|--|---------------|--------------|---------------|--------------|--------------|
| Net cash provided by (used in) operating activities | 39,250 | 39,317 | 21,943 | 17,307 | 22,890 |
| Capital expenditures and investments in operating segments | (26,079) | (34,833) | (11,153) | (14,926) | (17,153) |
| Free cash flow* | 13,171 | 4,484 | 10,790 | 2,381 | 5,737 |

As of June 30, 2016, the balance of cash and cash equivalents was R\$ 62,940 million and the balance of adjusted cash and cash equivalents for the same period was R\$ 65,370 million. Our principal uses of funds in the 1H-2016 were for repayment of long-term financing (and interest payments) and for capital expenditures. We partially met these requirements with cash provided by operating activities of R\$ 39,250 million and with proceeds from long-term financing of R\$ 32,679 million. The balance of adjusted cash and cash equivalents was negatively impacted in the 1H-2016 by foreign exchange rate variation applied on our foreign financial investments.

Net cash provided by operating activities of R\$ 39,250 million was mainly generated by higher diesel and gasoline margins, lower production taxes in Brazil and crude oil, oil products and natural gas imports costs, along with a higher share of domestic crude oil on feedstock processing. These effects were partially offset by lower prices of crude oil and oil products exports and decreased sales volume in Brazil due to lower economic activity.

Capital expenditures and investments in operating segments were R\$ 26,079 million in the 1H-2016 (89% in E&P business segment), a 25% decrease when compared to the 1H-2015.

Free cash flow* was positive, amounting R\$ 13,171 million in the 1H-2016, for the fifth consecutive quarter.

From January to June 2016, the Company issued global notes in international capital markets totaling US\$ 6.75 billion, with maturities of 5 and 10 years, and the proceeds of those notes offerings were used to tender for US\$ 6.3 billion of Petrobras's existing global notes. In addition, the Company entered into a sale and leaseback operation with the Industrial and Commercial Bank of China (ICBC) in the amount of US\$ 1 billion. The average maturity of outstanding debt was 7.30 years as of June 30, 2016 (7.14 years as of December 31, 2015). It is important to mention the issuing of US\$ 3 billion for tender offer at the same amount in July 2016.

Repayments of interest and principal were R\$ 69,778 million in the 1H-2016 and the nominal cash flow (cash view), including principal and interest payments, by maturity, is set out in R\$ million as follows:

Maturity

| | | | | | | | | |
|-----------|--------|--------|--------|--------|--------|---------|---------|---------|
| Principal | 16,614 | 26,148 | 45,938 | 75,554 | 53,463 | 185,000 | 402,717 | 497,289 |
|-----------|--------|--------|--------|--------|--------|---------|---------|---------|

| | | | | | | | | |
|----------|--------|--------|--------|--------|--------|---------|---------|---------|
| Interest | 11,815 | 22,439 | 21,206 | 18,119 | 13,674 | 109,666 | 196,919 | 230,531 |
|----------|--------|--------|--------|--------|--------|---------|---------|---------|

| | | | |
|--------------|---|----------------|----------------|
| Total | 28,429,485,876,144,936,736,137,294,666 | 599,636 | 727,820 |
|--------------|---|----------------|----------------|

* See reconciliation of adjusted cash and cash equivalents in net debt and definition of adjusted cash and cash equivalents and free cash flow in glossary.

Consolidated debt

Consolidated gross debt in Reais decreased by 19% and net debt decreased by 15% when compared to December 31, 2015, mainly as a result of the 17.8% foreign exchange appreciation.

Current debt and non-current debt include finance lease obligations of R\$ 80 million and R\$ 313 million on June 30, 2016, respectively (R\$ 73 million and R\$ 303 million on December 31, 2015).

| | 06.30.2016 | 12.31.2015 | Δ% |
|--|----------------|----------------|-------------|
| Current debt | 36,513 | 57,407 | (36) |
| Non-current debt | 361,247 | 435,616 | (17) |
| Total | 397,760 | 493,023 | (19) |
| Cash and cash equivalents | 62,940 | 97,845 | (36) |
| Government securities and time deposits (maturity of more than 3 months) | 2,430 | 3,042 | (20) |
| Adjusted cash and cash equivalents* | 65,370 | 100,887 | (35) |
| Net debt* | 332,390 | 392,136 | (15) |
| Net debt/(net debt+shareholders' equity) | 55% | 60% | (5) |
| Total net liabilities* | 752,962 | 799,248 | (6) |
| (Net third parties capital / total net liabilities) | 63% | 68% | (5) |
| Net debt/LTM Adjusted EBITDA ratio* | 4.49 | 5.31 | (15) |

06.30.2016 12.31.2015 Δ%

| | | | |
|--|---------|---------|------|
| Current debt | 11,376 | 14,702 | (23) |
| Non-current debt | 112,546 | 111,560 | 1 |
| Total | 123,922 | 126,262 | (2) |
| Net debt | 103,556 | 100,425 | 3 |
| Average maturity of outstanding debt (years) | 7.30 | 7.14 | 0.16 |

06.30.2016 12.31.2015 Δ%

Summarized information on financing**By rate**

| | | | |
|--------------------|---------|---------|------|
| Floating rate debt | 198,865 | 243,293 | (18) |
| Fixed rate debt | 198,502 | 249,354 | (20) |
| Total | 397,367 | 492,647 | (19) |

By currency

| | | | |
|------------------|---------|---------|------|
| Reais | 79,207 | 80,269 | (1) |
| US Dollars | 285,362 | 365,354 | (22) |
| Euro | 23,121 | 33,909 | (32) |
| Other currencies | 9,677 | 13,115 | (26) |
| Total | 397,367 | 492,647 | (19) |

By maturity

| | | | |
|--------------|---------|---------|------|
| 2016 | 21,648 | 57,333 | (62) |
| 2017 | 25,815 | 44,505 | (42) |
| 2018 | 45,349 | 62,827 | (28) |
| 2019 | 74,948 | 88,231 | (15) |
| 2020 | 52,775 | 60,670 | (13) |
| 2021 on | 176,832 | 179,081 | (1) |
| Total | 397,367 | 492,647 | (19) |

* See definition of adjusted cash and cash equivalents, net debt, total net liabilities and LTM Adjusted EBITDA in glossary and reconciliation in Reconciliation of Adjusted EBITDA.

ADDITIONAL INFORMATION

1. Reconciliation of Adjusted EBITDA

Our adjusted EBITDA (according to CVM Instruction 527 of October 4, 2012) is the net income before net finance income (expense), income taxes, depreciation, depletion and amortization, share of earnings in equity-accounted investments and impairment.

Adjusted EBITDA is not a measure defined in the International Financial Reporting Standards – IFRS. In addition, Adjusted EBITDA 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 about its profitability and must be considered in connection with other measures and performance indicators for a better understanding regarding the Company's financial performance.

The LTM Adjusted EBITDA is used to calculate the ratio of net debt/LTM Adjusted EBITDA, that corresponds to a metric included in the Company's Business and Management Plan.

| | First half of | | 2016 X | 2Q16 X | | | |
|------------------------------|---------------|--------|-------------|---------|---------|-------------|---------|
| | 2016 | 2015 | 2015 (%) | 2Q-2016 | 1Q-2016 | 1Q16 (%) | 2Q-2015 |
| Net income (loss) | 518 | 5,436 | (90) | 899 | (381) | 336 | 908 |
| Net finance income (expense) | 14,754 | 11,669 | 26 | 6,061 | 8,693 | (30) | 6,048 |
| Income taxes | 846 | 5,696 | (85) | 622 | 224 | 178 | 2,673 |

| | | | | | | | |
|---|--------|--------|-------|--------|--------|-----|--------|
| Depreciation, depletion and amortization | 24,598 | 17,544 | 40 | 11,949 | 12,649 | (6) | 9,028 |
| EBITDA | 40,716 | 40,345 | 1 | 19,531 | 21,185 | (8) | 18,657 |
| Share of earnings in equity-accounted investments | (786) | (342) | (130) | (398) | (388) | (3) | (169) |
| Impairment losses / (reversals) | 1,478 | 1,286 | 15 | 1,184 | 294 | 303 | 1,283 |
| Adjusted EBITDA | 41,408 | 41,289 | — | 20,317 | 21,091 | (4) | 19,771 |
| Adjusted EBITDA margin (%) | 29 | 27 | 2 | 28 | 30 | (2) | 25 |

| | Last 12 months until | |
|---|----------------------|------------|
| | 30.06.2016 | 31.12.2015 |
| Net income (loss) | (40,089) | (35,171) |
| Net finance income (expense) | 31,126 | 28,041 |
| Income taxes | (10,908) | (6,058) |
| Depreciation, depletion and amortization | 45,628 | 38,574 |
| EBITDA | 25,757 | 25,386 |
| Share of earnings in equity-accounted investments | 353 | 797 |
| Impairment losses / (reversals) | 47,868 | 47,676 |
| Adjusted EBITDA | 73,978 | 73,859 |

ADDITIONAL INFORMATION

2. Impact of our Cash Flow Hedge policy

| | First half of | | 2016 x | 2Q16 X | | | |
|--|---------------|----------|-------------|----------|----------|-------------|---------|
| | 2016 | 2015 | 2015 (%) | 2Q-2016 | 1Q-2016 | 1Q16 (%) | 2Q-2015 |
| Total inflation indexation and foreign exchange variation | 44,755 | (24,393) | 283 | 23,275 | 21,480 | 8 | 5,748 |
| Deferred Foreign Exchange Variation recognized in Shareholders' Equity | (43,478) | 22,958 | (289) | (21,465) | (22,013) | 2 | (5,343) |
| Reclassification from Shareholders' Equity to the Statement of Income | (5,397) | (2,331) | (132) | (2,497) | (2,900) | 14 | (1,507) |
| Net Inflation indexation and foreign exchange variation | (4,120) | (3,766) | (9) | (687) | (3,433) | 80 | (1,102) |

The decreased reclassification of foreign exchange variation expenses from the Shareholders' Equity to the Statement of Income was mainly due to the fact that the 1Q-2016 was impacted by planned exports that were no longer expected to occur or did not occur, mainly due to the decrease in crude oil prices. Decreased planned export volumes were no longer expected to occur or did not occur in the 2Q-2016.

Additional hedging relationships may be revoked or additional reclassification adjustments from equity to the Statement of Income may occur as a result of changes in forecast export prices and export volumes following a review in the Company's business plan. Based on a sensitivity analysis considering a US\$ 10/barrel decrease in average Brent prices stress scenario, when compared to the Brent price projections in our most recent update of the

2015-2019 Business and Management Plan (*Plano de Negócios e Gestão* – PNG), a R\$1,141 million reclassification adjustment from Shareholders' Equity to the statement of income would occur.

The expected annual realization of the foreign exchange variation balance in shareholders' equity, on June 30, 2016, is set out below:

Expected realization (4,424)(10,030)(10,372)(6,942)(5,031)(4,176)(4,803)(2,161)8,495(39,444)

ADDITIONAL INFORMATION

3. Assets and Liabilities subject to Exchange Variation

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

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

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

As of June 30, 2016, the Company had a net liability exposure to foreign exchange rates, of which the main exposure is the relation between U.S. dollar and euro.

ITEMS

Assets

46,171

67,040

Liabilities

(275,142) (350,695)

| | | |
|------------------|---------|---------|
| Hedge Accounting | 195,957 | 240,222 |
|------------------|---------|---------|

Total

(33,014) (43,433)

Real/ U.S. Dollars

(237)

2,881

Real/ Euro

(135)

(8,687)

Real/ Pound Sterling

(62)

(73)

U.S. Dollars/ Yen

(1,936)

(2,180)

U.S. Dollars/ Euro

(23,091)

(24,988)

U.S. Dollars/ Pound Sterling

(7,584)

(10,241)

Peso/ U.S. Dollars

31

(145)

Total

(33,014) (43,433)

| Foreign exchange and inflation indexation charges | First half of | | 2016 x 2015 (%) | 2Q-2016 | 1Q-2016 | 2Q16 X 2Q-2015 | |
|---|----------------|----------------|-----------------------|--------------|----------------|-------------------|----------------|
| | 2016 | 2015 | | | | 1Q16 | 2Q-2015 |
| Foreign exchange variation Dolar x Euro | (533) | 1,563 | (134) | 910 | (1,443) | 163 | (707) |
| Foreign exchange variation Real x Dolar | 590 | (2,937) | 120 | (33) | 623 | (105) | 874 |
| Foreign exchange variation Dolar x Pound Sterling | 970 | (80) | 1313 | 644 | 326 | 98 | (321) |
| Reclassification of hedge accounting from Shareholders' Equity to the Statement of Income | (5,397) | (2,331) | (132) | (2,497) | (2,900) | 14 | (1,507) |
| Foreign exchange variation Real x Euro | (226) | (478) | 53 | 32 | (258) | 112 | (28) |
| Others | 476 | 497 | (4) | 257 | 219 | 17 | 587 |
| Net Inflation indexation and foreign exchange variation | (4,120) | (3,766) | (9) | (687) | (3,433) | 80 | (1,102) |

ADDITIONAL INFORMATION**4. Special Items****First half of**

| | | | | | | |
|----------------|----------------|---|-------------------------|----------------|----------------|----------------|
| (1,050) | 1,125 | Impairment of trade receivables from companies in the isolated electricity system | Selling expenses | (506) | (544) | (46) |
| (866) | 259 | (Losses)/Gains on legal proceedings | Other income (expenses) | (569) | (297) | 259 |
| (1,478) | (1,453) | Impairment of assets and investments | Several | (1,184) | (294) | (1,450) |
| (51) | (520) | State Tax Amnesty Program / PRORELIT | Several | – | (51) | (520) |
| – | (4,373) | Tax Recoverable Program - REFIS | Several | – | – | (4,373) |
| (1,220) | – | Voluntary Separation – Incentive Plan – PIDV | Other income (expenses) | (1,220) | – | – |
| 79 | 157 | Amounts recovered - "overpayments incorrectly capitalized" | Other income (expenses) | 79 | – | 157 |
| – | 464 | Gains (losses) on Disposal of Assets | Other income (expenses) | – | – | 76 |
| (4,586) | (4,341) | Total | | (3,400) | (1,186) | (5,897) |

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

| | | | | | |
|----------------|----------------|---|----------------|--------------|----------------|
| (1,478) | (1,286) | Impairment | (1,184) | (294) | (1,283) |
| | | Share of earnings in equity-accounted investments | | | (167) |
| – | (167) | | – | – | (167) |
| (1,478) | (1,453) | Impairment of assets and investments | (1,184) | (294) | (1,450) |

Impact of the effects of State Tax Amnesty Program and of Program of Reduction of Tax Litigation (PRORELIT) on the Company's Income Statement:

| | | | | | |
|-------------|--------------|---|----------|-------------|--------------|
| (42) | (441) | Tax expenses | – | (42) | (441) |
| (9) | (79) | Interest expenses | – | (9) | (79) |
| (51) | (520) | State Tax Amnesty Program / PRORELIT | – | (51) | (520) |

Impact of the Company's decision to adhere to the Tax Recoverable Program - REFIS on its Income Statement:

| | | | | | |
|----------|----------------|--|----------|----------|----------------|
| – | (3,073) | Tax expenses | – | – | (3,073) |
| – | (1,300) | Interest expenses | – | – | (1,300) |
| – | (4,373) | Tax Recoverable Program - REFIS | – | – | (4,373) |

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.

ADDITIONAL INFORMATION

5. Results of Operations of 2Q-2016 compared to 1Q-2016:

Sales revenues of R\$ 71,320 million in the 2Q-2016, a 1% increase when compared to the 1Q-2016 (R\$ 70,337 million), due to:

- Higher crude oil and oil product export revenues; and
- Higher domestic sales of naphtha (55%) and diesel (2%).

These effects were partially offset by lower domestic gasoline sales and decreased electricity revenue, reflecting lower power generation.

Cost of sales of R\$ 48,499 million in the 2Q-2016, a 2% decrease compared to R\$ 49,329 million in the 1Q-2016, due to lower crude oil and natural gas import costs, partially offset by the increase of production taxes and oil products imports.

General and administrative expenses were R\$ 2,844 million in the 2Q-2016, a 7% increase when compared to the 1Q-2016 (R\$ 2,652 million), due to higher third-party service expenses.

Exploration costs were R\$ 1,641 million in the 2Q-2016, a 43% increase when compared to the 1Q-2016 (R\$ 1,147 million), mainly generated by the return of exploratory blocks due to their economic viability.

Other expenses, net were R\$ 6,509 million in the 2Q-2016, a 53% increase when compared to R\$ 4,265 million in the 1Q-2016, mainly as a result of:

- Expenses with the new Voluntary Separation Incentive Plan (R\$ 1,212 million); and

- Impairment of Comperj assets (R\$ 1,124 million), due to the project reassessment that generated the review of time schedule and completion costs of refining units of the Natural Gas Processing Unit (UPGN).

Net finance expense decreased by 30% to R\$ 6,061 million in the 2Q-2016, from R\$ 8,693 million in the 1Q-2016, mainly as a result of foreign exchange gains of R\$ 910 million attributable to a 3.1% appreciation of the U.S. dollar against the Euro and its impact on the Company's net debt in the 2Q-2016, compared to the foreign exchange losses of R\$ 1,443 million attributable to a 4.7% foreign exchange depreciation in the 1Q-2016 (R\$ 2,353 million).

Income taxes expenses (corporate income tax and social contribution) of R\$ 622 million in the 2Q-2016, a 178% increase when compared to R\$ 224 million in the 1Q-2016, mainly due to the negative result in the 1Q-2016.

Loss attributable to non-controlling interests of R\$ 529 million in the 2Q-2016, a 39% decrease when compared to the 1Q-2016 (loss of R\$ 865 million), mainly reflecting the impact of foreign exchange variation on debt in U.S. dollar of structured entities in the period.

ADDITIONAL INFORMATION

6. Results of Operations of 1H-2016 compared to 1H-2015:

Sales revenues of R\$ 141,657 million in the 1H-2016, a 8% decrease when compared to the 1H-2015 (R\$ 154,296 million), due to:

- Decreased domestic sales for oil products (7%), reflecting lower economic activity in Brazil and decreased diesel and fuel oil consumption for thermoelectric generation;
- Decreased electricity generation and prices due to improved hydrological conditions and decreased domestic natural gas sales volumes; and
- Lower crude oil and oil product export prices as a result of lower international crude oil prices.

These effects were partially offset by higher margins of diesel and gasoline.

Cost of sales of R\$ 97,828 million in the 1H-2016, a 8% decrease compared to R\$ 106,324 million in the 1H-2015, reflecting lower crude oil, oil products and natural gas import costs, as well as lower production taxes in Brazil. These effects were partially offset by higher depreciation expenses as a result of a decrease in estimated reserves (based on the unit of production method), partially offset by lower carrying amounts of assets impacted by the impairment losses recognized in 2015.

Selling expenses were R\$ 7,441 million in the 1H-2016, a 33% increase compared to R\$ 5,610 million in the 1H-2015, mainly due to the reversal of impairment of trade receivables from companies in the electricity sector in the 1Q-2015 (R\$ 1,295 million) and higher freight expenses in 2016, following the depreciation of the Brazilian Real against the U.S. dollar.

Exploration costs were R\$ 2,788 million in the 1H-2016, a 16% increase compared to R\$ 2,403 million in the 1H-2015, mainly generated by the return of exploratory blocks due to their

economic viability.

Other taxes were R\$ 988 million in the 1H-2016, a 79% decrease compared to R\$ 4,713 million in the 1H-2015, mainly due to the burden of tax on financial operations (Imposto sobre Operações Financeiras - IOF) applicable to intercompany loans made by Petrobras to foreign subsidiaries and to the VAT tax (Imposto sobre a Circulação de Mercadorias e Serviços) on the acquisition of natural gas recognized in the 1H-2015.

Other income and expenses, net were R\$ 10,774 million in the 1H-2016, a 76% increase when compared to R\$ 6,139 million in the 1H-2015, as a result of:

- Increased unscheduled stoppages and pre-operating expenses, mainly with drilling rigs idleness (R\$ 2,392 million);
- Higher expenses related to legal proceedings, mainly in connection with labor and civil lawsuits (R\$ 1,835 million); and
- Expenses with the new Voluntary Separation Incentive Plan (R\$ 1,213 million).

Net finance expenses increased by 26% to R\$ 14,754 million in the 1H-2016, from R\$ 11,669 million in the 1H-2015, as a result of:

- Higher interest expenses due to higher debt and to the effect of the depreciation of the average Brazilian Real against the U.S. dollar (R\$ 3,453 million, net of capitalized borrowing costs);
- Foreign exchange gains of R\$ 590 million generated by the impact of a 17.8% appreciation of the Brazilian Real against the U.S. dollar on the Company's net debt in the 1H-2016, compared to foreign exchange losses of R\$ 2,937 million generated by the impact of a 16.8% depreciation in the 1H-2015 (R\$ 3,527 million);
- The higher reclassification of cumulative foreign exchange variation from shareholders' equity to net income due to occurred exports designated for cash flow hedge accounting, and to a portion of future exports that were previously designated but were no longer expected to occur or did not occur (R\$ 3,066 million);
- Foreign exchange losses of R\$ 533 million caused by the impact of a 1.4% depreciation of the U.S. dollar against the Euro on the Company's net debt in the 1H-2016, compared to foreign exchange gains of R\$ 1,563 million caused by the impact of an 8.2% appreciation in the 1H-2015 (R\$ 2,096 million); and
- Foreign exchange gains of R\$ 970 million caused by the impact of a 10.7% appreciation of the U.S. dollar against the Pound Sterling on the Company's net debt in the 1H-2016, compared to foreign exchange losses of R\$ 80 million caused by the impact of a 0.9% depreciation in the 1H-2015 (R\$ 1,050 million).

Share of earnings in equity-accounted investments were R\$ 786 million, a 130% increase when compared to R\$ 342 million in the 1H-2015, mainly due to impairment losses in investee companies of Exploration and Production and Biofuels segments in the 1H-2015, as a result of decreased crude oil prices and higher discount rates, due to an increase in Brazil's risk premium resulting from a credit risk downgrade (losing its investment grade status).

Income taxes (corporate income tax and social contribution) were R\$ 846 million in the 1H-2016, a 85% decrease compared to R\$ 5,696 million in the 1H-2015, mainly due to lower taxable income before income taxes and decreased corporate income tax and social contribution tax expenses in Brazil over income earned abroad.

Loss related to non-controlling interests were R\$ 1,394 million in the 1H-2016 (a R\$ 425 million gain in the 1H-2015), mainly reflecting the impact of foreign exchange variation on debt of structured entities in U.S. dollars in the period.

FINANCIAL STATEMENTS**Income Statement - Consolidated**

| | First half of | | | | |
|---|---------------|-----------|----------|----------|----------|
| | 2016 | 2015 | 2Q-2016 | 1Q-2016 | 2Q-2015 |
| Sales revenues | 141,657 | 154,296 | 71,320 | 70,337 | 79,943 |
| Cost of sales | (97,828) | (106,324) | (48,499) | (49,329) | (54,381) |
| Gross profit | 43,829 | 47,972 | 22,821 | 21,008 | 25,562 |
| Selling expenses | (7,441) | (5,610) | (3,690) | (3,751) | (3,886) |
| General and administrative expenses | (5,496) | (5,474) | (2,844) | (2,652) | (2,764) |
| Exploration costs | (2,788) | (2,403) | (1,641) | (1,147) | (1,420) |
| Research and development expenses | (1,010) | (1,174) | (507) | (503) | (610) |
| Other taxes | (988) | (4,713) | (446) | (542) | (3,960) |
| Other income and expenses, net | (10,774) | (6,139) | (6,509) | (4,265) | (3,462) |
| | (28,497) | (25,513) | (15,637) | (12,860) | (16,102) |
| Operating income (loss) | 15,332 | 22,459 | 7,184 | 8,148 | 9,460 |
| Finance income | 1,650 | 1,349 | 764 | 886 | 615 |
| Finance expenses | (12,284) | (9,252) | (6,138) | (6,146) | (5,561) |
| Foreign exchange and inflation indexation charges | (4,120) | (3,766) | (687) | (3,433) | (1,102) |
| Net finance income (expense) | (14,754) | (11,669) | (6,061) | (8,693) | (6,048) |
| Share of earnings in equity-accounted investments | 786 | 342 | 398 | 388 | 169 |
| Income (loss) before income taxes | 1,364 | 11,132 | 1,521 | (157) | 3,581 |
| Income taxes | (846) | (5,696) | (622) | (224) | (2,673) |
| Net income (loss) | 518 | 5,436 | 899 | (381) | 908 |
| Net income (loss) attributable to: | | | | | |
| Shareholders of Petrobras | (876) | 5,861 | 370 | (1,246) | 531 |
| Non-controlling interests | 1,394 | (425) | 529 | 865 | 377 |
| | 518 | 5,436 | 899 | (381) | 908 |

Statement of Financial Position – Consolidated**ASSETS**

| | 06.30.2016 | 12.31.2015 |
|------------------------------------|------------|------------|
| Current assets | 132,625 | 169,581 |
| Cash and cash equivalents | 62,940 | 97,845 |
| Marketable securities | 2,430 | 3,047 |
| Trade and other receivables, net | 17,047 | 22,659 |
| Inventories | 28,508 | 29,057 |
| Recoverable taxes | 9,285 | 10,732 |
| Assets classified as held for sale | 6,938 | 595 |
| Other current assets | 5,477 | 5,646 |
| Non-current assets | 685,707 | 730,554 |
| Long-term receivables | 59,874 | 74,879 |
| Trade and other receivables, net | 12,976 | 14,327 |
| Marketable securities | 311 | 342 |
| Judicial deposits | 11,013 | 9,758 |
| Deferred taxes | 9,429 | 23,490 |
| Other tax assets | 10,933 | 11,017 |
| Advances to suppliers | 5,136 | 6,395 |
| Other non-current assets | 10,076 | 9,550 |
| Investments | 13,088 | 13,772 |
| Property, plant and equipment | 601,166 | 629,831 |
| Intangible assets | 11,579 | 12,072 |
| Total assets | 818,332 | 900,135 |

LIABILITIES

| | 06.30.2016 | 12.31.2015 |
|---|------------|------------|
| Current liabilities | 83,681 | 111,572 |
| Trade payables | 17,840 | 24,888 |
| Current debt | 36,513 | 57,407 |
| Taxes payable | 10,871 | 13,549 |
| Employee compensation (payroll, profit-sharing and related charges) | 6,081 | 5,085 |
| Pension and medical benefits | 2,563 | 2,556 |
| Liabilities associated with assets classified as held for sale | 3,353 | 488 |
| Other current liabilities | 6,460 | 7,599 |

| | | |
|---|---------|---------|
| Non-current liabilities | 459,359 | 530,633 |
| Non-current debt | 361,247 | 435,616 |
| Deferred taxes | 782 | 906 |
| Pension and medical benefits | 50,240 | 47,618 |
| Provision for decommissioning costs | 35,226 | 35,728 |
| Provisions for legal proceedings | 10,424 | 8,776 |
| Other non-current liabilities | 1,440 | 1,989 |
| Shareholders' equity | 275,292 | 257,930 |
| Share capital | 205,432 | 205,432 |
| Profit reserves and others | 65,963 | 49,299 |
| Non-controlling interests | 3,897 | 3,199 |
| Total liabilities and shareholders' equity | 818,332 | 900,135 |

Statement of Cash Flows Data – Consolidated

| | First half of | | | | |
|--|---------------|----------|----------|----------|----------|
| | 2016 | 2015 | 2Q-2016 | 1Q-2016 | 2Q-2015 |
| Net income (loss) | 518 | 5,436 | 899 | (381) | 908 |
| (+) Adjustments for: | 38,732 | 33,881 | 21,044 | 17,688 | 21,982 |
| Depreciation, depletion and amortization | 24,598 | 17,544 | 11,949 | 12,649 | 9,028 |
| Foreign exchange and inflation indexation and finance charges | 14,596 | 11,871 | 5,845 | 8,751 | 5,577 |
| Share of earnings in equity-accounted investments | (786) | (342) | (398) | (388) | (169) |
| Allowance for impairment of trade receivables | 1,237 | 24 | 734 | 503 | 887 |
| (Gains) / losses on disposal / write-offs of non-current assets, returned areas and cancelled projects | 235 | (189) | 133 | 102 | 215 |
| Deferred income taxes, net | (2,701) | 3,812 | (1,288) | (1,413) | 1,768 |
| Exploration expenditures written-off | 1,810 | 1,663 | 1,231 | 579 | 1,087 |
| Impairment | 1,478 | 1,286 | 1,184 | 294 | 1,283 |
| Inventory write-downs to net realizable value (market value) | 1,250 | 38 | 74 | 1,176 | (249) |
| Pension and medical benefits (actuarial expense) | 4,023 | 3,368 | 2,018 | 2,005 | 1,684 |
| Inventories | (2,141) | (2,654) | (468) | (1,673) | (1,630) |
| Trade and other receivables, net | 2,984 | (343) | (600) | 3,584 | (416) |
| Judicial deposits | (1,284) | (1,944) | (901) | (383) | (1,505) |
| Trade payables | (4,971) | (2,456) | (1,196) | (3,775) | (181) |
| Pension and medical benefits | (1,230) | (1,122) | (792) | (438) | (707) |
| Taxes payable | (181) | 7,169 | 2,039 | (2,220) | 6,225 |
| Income tax and social contribution paid | (579) | (1,177) | (308) | (271) | (556) |
| Other assets and liabilities | 394 | (2,667) | 1,788 | (1,394) | (359) |
| (=) Net cash provided by (used in) operating activities | 39,250 | 39,317 | 21,943 | 17,307 | 22,890 |
| (-) Net cash provided by (used in) investing activities | (25,277) | (16,078) | (10,759) | (14,518) | 5,253 |
| | (26,079) | (34,833) | (11,153) | (14,926) | (17,153) |

| | | | | | |
|---|-----------------|---------------|-----------------|-----------------|---------------|
| Capital expenditures and investments in operating segments | | | | | |
| Proceeds from disposal of assets (divestment) | 14 | 612 | 3 | 11 | 96 |
| Investments in marketable securities | 788 | 18,143 | 391 | 397 | 22,310 |
| (=) Net cash flow | 13,973 | 23,239 | 11,184 | 2,789 | 28,143 |
| (-) Net cash provided by (used in) financing activities | (36,910) | 9,086 | (19,551) | (17,359) | 18,996 |
| Proceeds from long-term financing | 32,679 | 37,472 | 25,464 | 7,215 | 33,737 |
| Repayment of principal | (56,188) | (19,446) | (39,090) | (17,098) | (11,005) |
| Repayment of interest | (13,590) | (9,445) | (5,968) | (7,622) | (3,845) |
| Acquisition of non-controlling interest | 189 | 505 | 43 | 146 | 109 |
| Effect of exchange rate changes on cash and cash equivalents | (11,968) | 4,602 | (6,471) | (5,497) | (423) |
| (=) Net increase (decrease) in cash and cash equivalents in the period | (34,905) | 36,927 | (14,838) | (20,067) | 46,716 |
| Cash and cash equivalents at the beginning of period | 97,845 | 44,239 | 77,778 | 97,845 | 34,450 |
| Cash and cash equivalents at the end of period | 62,940 | 81,166 | 62,940 | 77,778 | 81,166 |

SEGMENT INFORMATION**Consolidated Income Statement by Segment – 1H-2016**

| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. CORP. | ELIMIN. | TOTAL |
|---|----------|----------|----------------|---------|----------------|----------|------------------|
| Sales revenues | 53,297 | 109,032 | 17,151 | 445 | 49,449 | – | (87,717) 141,657 |
| Intersegments | 50,688 | 31,621 | 4,230 | 427 | 751 | – | (87,717) – |
| Third parties | 2,609 | 77,411 | 12,921 | 18 | 48,698 | – | – 141,657 |
| Cost of sales | (42,435) | (80,965) | (13,177) | (493) | (45,705) | – | 84,947 (97,828) |
| Gross profit | 10,862 | 28,067 | 3,974 | (48) | 3,744 | – | (2,770) 43,829 |
| Expenses | (8,754) | (6,227) | (1,980) | (137) | (3,524) | (8,071) | 196 (28,497) |
| Selling expenses | (298) | (3,341) | (1,484) | (3) | (2,478) | (49) | 212 (7,441) |
| General and administrative expenses | (655) | (721) | (380) | (43) | (439) | (3,257) | (1) (5,496) |
| Exploration costs | (2,788) | – | – | – | – | – | – (2,788) |
| Research and development expenses | (438) | (103) | (32) | (2) | – | (435) | – (1,010) |
| Other taxes | (121) | (137) | (390) | (5) | (84) | (251) | – (988) |
| Other income and expenses, net | (4,454) | (1,925) | 306 | (84) | (523) | (4,079) | (15) (10,774) |
| Operating income (loss) | 2,108 | 21,840 | 1,994 | (185) | 220 | (8,071) | (2,574) 15,332 |
| Net finance income (expense) | – | – | – | – | – | (14,754) | – (14,754) |
| Share of earnings in equity-accounted investments | 8 | 561 | 204 | (2) | 16 | (1) | – 786 |
| Income (loss) before income taxes | 2,116 | 22,401 | 2,198 | (187) | 236 | (22,826) | (2,574) 1,364 |
| Income taxes | (717) | (7,425) | (678) | 63 | (75) | 7,111 | 875 (846) |
| Net income (loss) | 1,399 | 14,976 | 1,520 | (124) | 161 | (15,715) | (1,699) 518 |
| Net income (loss) attributable to: | | | | | | | |

| | | | | | | | | |
|---------------------------|-------|--------|-------|-------|-----|----------|---------|-------|
| Shareholders of Petrobras | 1,557 | 15,184 | 1,302 | (124) | 159 | (17,255) | (1,699) | (876) |
| Non-controlling interests | (158) | (208) | 218 | — | 2 | 1,540 | — | 1,394 |
| | 1,399 | 14,976 | 1,520 | (124) | 161 | (15,715) | (1,699) | 518 |

Consolidated Income Statement by Segment – 1H-2015

| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. CORP. | ELIMIN. | TOTAL |
|---|----------|----------|-------------|---------|----------------|----------|-------------------|
| Sales revenues | 60,407 | 117,990 | 21,589 | 308 | 54,149 | — | (100,147) 154,296 |
| Intersegments | 58,244 | 37,353 | 3,338 | 292 | 920 | — | (100,147) — |
| Third parties | 2,163 | 80,637 | 18,251 | 16 | 53,229 | — | — 154,296 |
| Cost of sales | (40,911) | (95,509) | (17,819) | (340) | (49,938) | — | 98,193 (106,324) |
| Gross profit | 19,496 | 22,481 | 3,770 | (32) | 4,211 | — | (1,954) 47,972 |
| Expenses | (5,176) | (5,104) | (2,026) | (80) | (2,944) | (10,525) | 342 (25,513) |
| Selling expenses | (369) | (3,042) | (110) | (4) | (2,487) | 56 | 346 (5,610) |
| General and administrative expenses | (642) | (634) | (380) | (51) | (434) | (3,331) | (2) (5,474) |
| Exploration costs | (2,403) | — | — | — | — | — | — (2,403) |
| Research and development expenses | (448) | (189) | (124) | (17) | (2) | (394) | — (1,174) |
| Other taxes | (143) | (250) | (822) | (1) | (59) | (3,438) | — (4,713) |
| Other income and expenses, net | (1,171) | (989) | (590) | (7) | 38 | (3,418) | (2) (6,139) |
| Operating income (loss) | 14,320 | 17,377 | 1,744 | (112) | 1,267 | (10,525) | (1,612) 22,459 |
| Net finance income (expense) | — | — | — | — | — | (11,669) | — (11,669) |
| Share of earnings in equity-accounted investments | (99) | 487 | 221 | (279) | 15 | (3) | — 342 |
| Income (loss) before income taxes | 14,221 | 17,864 | 1,965 | (391) | 1,282 | (22,197) | (1,612) 11,132 |
| Income taxes | (4,869) | (5,908) | (593) | 38 | (431) | 5,519 | 548 (5,696) |
| Net income (loss) | 9,352 | 11,956 | 1,372 | (353) | 851 | (16,678) | (1,064) 5,436 |
| Net income (loss) attributable to: | | | | | | | |
| Shareholders of Petrobras | 9,332 | 11,958 | 1,225 | (353) | 849 | (16,086) | (1,064) 5,861 |
| Non-controlling interests | 20 | (2) | 147 | — | 2 | (592) | — (425) |
| | 9,352 | 11,956 | 1,372 | (353) | 851 | (16,678) | (1,064) 5,436 |

Consolidated Income Statement by Segment – 2Q-2016

| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. CORP. | ELIMIN. | TOTAL |
|---|----------|----------|----------------|---------|----------------|----------|-----------------|
| Sales revenues | 29,622 | 55,947 | 7,760 | 217 | 24,218 | – | (46,444) 71,320 |
| Intersegments | 27,700 | 16,064 | 2,100 | 208 | 372 | – | (46,444) – |
| Third parties | 1,922 | 39,883 | 5,660 | 9 | 23,846 | – | – 71,320 |
| Cost of sales | (21,598) | (41,866) | (5,614) | (245) | (22,414) | – | 43,238 (48,499) |
| Gross profit | 8,024 | 14,081 | 2,146 | (28) | 1,804 | – | (3,206) 22,821 |
| Expenses | (5,143) | (3,736) | (1,246) | (19) | (1,537) | (4,079) | 123 (15,637) |
| Selling expenses | (131) | (1,579) | (1,049) | (1) | (1,009) | (41) | 120 (3,690) |
| General and administrative expenses | (314) | (328) | (181) | (20) | (217) | (1,784) | – (2,844) |
| Exploration costs | (1,641) | – | – | – | – | – | – (1,641) |
| Research and development expenses | (229) | (35) | (11) | – | – | (232) | – (507) |
| Other taxes | (59) | 6 | (220) | (3) | (46) | (124) | – (446) |
| Other income and expenses, net | (2,769) | (1,800) | 215 | 5 | (265) | (1,898) | 3 (6,509) |
| Operating income (loss) | 2,881 | 10,345 | 900 | (47) | 267 | (4,079) | (3,083) 7,184 |
| Net finance income (expense) | – | – | – | – | – | (6,061) | – (6,061) |
| Share of earnings in equity-accounted investments | 107 | 186 | 148 | (45) | 9 | (7) | – 398 |
| Income (loss) before income taxes | 2,988 | 10,531 | 1,048 | (92) | 276 | (10,147) | (3,083) 1,521 |

| | | | | | | | | |
|---------------------------------------|-------|---------|-------|------|------|---------|---------|-------|
| Income taxes | (980) | (3,517) | (306) | 16 | (91) | 3,207 | 1,049 | (622) |
| Net income (loss) | 2,008 | 7,014 | 742 | (76) | 185 | (6,940) | (2,034) | 899 |
| Net income (loss) attributable to: | | | | | | | | |
| Shareholders of Petrobras | 2,162 | 7,208 | 545 | (76) | 184 | (7,619) | (2,034) | 370 |
| Non-controlling interests | (154) | (194) | 197 | – | 1 | 679 | – | 529 |
| | 2,008 | 7,014 | 742 | (76) | 185 | (6,940) | (2,034) | 899 |

Consolidated Income Statement by Segment – 1Q-2016

| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. CORP. | ELIMIN. | TOTAL |
|---|----------|----------|----------------|---------|----------------|----------|-----------------|
| Sales revenues | 23,675 | 53,085 | 9,391 | 228 | 25,231 | – | (41,273) 70,337 |
| Intersegments | 22,988 | 15,557 | 2,130 | 219 | 379 | – | (41,273) – |
| Third parties | 687 | 37,528 | 7,261 | 9 | 24,852 | – | – 70,337 |
| Cost of sales | (20,837) | (39,099) | (7,563) | (248) | (23,291) | – | 41,709 (49,329) |
| Gross profit | 2,838 | 13,986 | 1,828 | (20) | 1,940 | – | 436 21,008 |
| Expenses | (3,611) | (2,491) | (734) | (118) | (1,987) | (3,992) | 73 (12,860) |
| Selling expenses | (167) | (1,762) | (435) | (2) | (1,469) | (8) | 92 (3,751) |
| General and administrative expenses | (341) | (393) | (199) | (23) | (222) | (1,473) | (1) (2,652) |
| Exploration costs | (1,147) | – | – | – | – | – | – (1,147) |
| Research and development expenses | (209) | (68) | (21) | (2) | – | (203) | – (503) |
| Other taxes | (62) | (143) | (170) | (2) | (38) | (127) | – (542) |
| Other income and expenses, net | (1,685) | (125) | 91 | (89) | (258) | (2,181) | (18) (4,265) |
| Operating income (loss) | (773) | 11,495 | 1,094 | (138) | (47) | (3,992) | 509 8,148 |
| Net finance income (expense) | – | – | – | – | – | (8,693) | – (8,693) |
| Share of earnings in equity-accounted investments | (99) | 375 | 56 | 43 | 7 | 6 | – 388 |
| Income (loss) before income taxes | (872) | 11,870 | 1,150 | (95) | (40) | (12,679) | 509 (157) |
| Income taxes | 263 | (3,908) | (372) | 47 | 16 | 3,904 | (174) (224) |
| Net income (loss) | (609) | 7,962 | 778 | (48) | (24) | (8,775) | 335 (381) |
| Net income (loss) attributable to: | | | | | | | |
| Shareholders of Petrobras | (605) | 7,976 | 757 | (48) | (25) | (9,636) | 335 (1,246) |
| Non-controlling interests | (4) | (14) | 21 | – | 1 | 861 | – 865 |
| | (609) | 7,962 | 778 | (48) | (24) | (8,775) | 335 (381) |

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

| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. | CORP. | ELIMIN. | TOTAL |
|--|---------|---------|----------------|---------|----------|---------|---------|---------|
| Unscheduled stoppages and pre-operating expenses | (3,943) | (135) | (89) | — | — | (7) | — | (4,174) |
| (Losses)/gains on legal, administrative and arbitral proceedings | (658) | (153) | (34) | — | (692) | (1,037) | — | (2,574) |
| Pension and medical benefits | — | — | — | — | — | (2,478) | — | (2,478) |
| Impairment | (353) | (1,125) | — | — | — | — | — | (1,478) |
| Voluntary Separation Incentive Plan - PIDV | (565) | (267) | (51) | — | 9 | (339) | — | (1,213) |
| Institutional relations and cultural projects | (11) | (9) | (1) | — | (26) | (385) | — | (432) |
| Gains / (losses) on disposal/write-offs of assets; returned areas and cancelled projects | (70) | (146) | (42) | — | 7 | 16 | — | (235) |
| Operating expenses with thermoelectric plants | — | — | (208) | — | — | — | — | (208) |
| Health, safety and environment | (36) | (33) | (11) | — | (2) | (75) | — | (157) |
| Losses on fines | (20) | (54) | (1) | — | — | (67) | — | (142) |
| Reimbursement of unduly capitalized expenses | — | — | — | — | — | 79 | — | 79 |
| Government Grants | 8 | 53 | 198 | 9 | — | 1 | — | 269 |
| Ship/Take or Pay Agreements with Gas Distributors | 2 | — | 357 | — | — | — | — | 359 |
| (Expenditures)/reimbursements from operations in E&P partnerships | 1,123 | — | — | — | — | — | — | 1,123 |
| Others | 69 | (56) | 188 | (93) | 181 | 213 | (15) | 487 |

(4,454)(1,925)306 (84) (523) (4,079)(15) (10,774)

Other Income (Expenses) by Segment – 1H-2015

| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. CORP. | ELIMIN. | TOTAL |
|--|---------|-------|----------------|---------|----------------|---------|---------|
| Unscheduled stoppages and pre-operating expenses | (1,212) | (392) | (166) | – | – | (12) | (1,782) |
| (Losses)/gains on legal, administrative and arbitral proceedings | (119) | (193) | 12 | – | (51) | (388) | (739) |
| Pension and medical benefits | – | – | – | – | – | (1,895) | (1,895) |
| Impairment | (336) | (365) | (585) | – | – | – | (1,286) |
| Voluntary Separation Incentive Plan - PIDV | (21) | (15) | (38) | (3) | 1 | (5) | (81) |
| Institutional relations and cultural projects | (38) | (34) | (3) | – | (85) | (558) | (718) |
| Gains / (losses) on disposal/write-offs of assets; returned areas and cancelled projects | (84) | 257 | 14 | – | 9 | (7) | 189 |
| Operating expenses with thermoelectric plants | – | – | (198) | – | – | – | (198) |
| Health, safety and environment | (33) | (29) | (9) | – | (1) | (80) | (152) |
| Losses on fines | (17) | (295) | (6) | – | – | (458) | (776) |
| Reimbursement of unduly capitalized expenses | – | – | – | – | – | 157 | 157 |
| Government Grants | 8 | 3 | – | – | – | 8 | 19 |
| Ship/Take or Pay Agreements with Gas Distributors | (25) | – | 311 | – | – | – | 286 |
| (Expenditures)/reimbursements from operations in E&P partnerships | 481 | – | – | – | – | – | 481 |
| Others | 225 | 74 | 78 | (4) | 165 | (180) | 356 |
| | (1,171) | (989) | (590) | (7) | 38 | (3,418) | (6,139) |

Other Income (Expenses) by Segment – 2Q-2016

| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. | CORP. | ELIMIN. | TOTAL |
|--|---------|---------|----------------|---------|----------|---------|---------|---------|
| Unscheduled stoppages and pre-operating expenses | (1,964) | (99) | (57) | - | - | (3) | - | (2,123) |
| (Losses)/gains on legal, administrative and arbitral proceedings | (623) | (118) | (28) | 1 | (338) | (322) | - | (1,428) |
| Pension and medical benefits | - | - | - | - | - | (1,239) | - | (1,239) |
| Impairment | (59) | (1,125) | - | - | - | - | - | (1,184) |
| Voluntary Separation Incentive Plan - PIDV | (535) | (267) | (75) | - | 4 | (339) | - | (1,212) |
| Institutional relations and cultural projects | (4) | (4) | (1) | - | (16) | (169) | - | (194) |
| Gains / (losses) on disposal/write-offs of assets; returned areas and cancelled projects | (30) | (116) | (3) | (1) | 1 | 16 | - | (133) |
| Operating expenses with thermoelectric plants | - | - | (102) | - | - | - | - | (102) |
| Health, safety and environment | (18) | (16) | (5) | - | (2) | (37) | - | (78) |
| Losses on fines | (19) | (40) | (1) | - | - | (28) | - | (88) |
| Reimbursement of unduly capitalized expenses | - | - | - | - | - | 79 | - | 79 |
| Government Grants | 4 | 31 | 190 | 9 | - | - | - | 234 |
| Ship/Take or Pay Agreements with Gas Distributors | 2 | - | 46 | - | - | - | - | 48 |
| (Expenditures)/reimbursements from operations in E&P partnerships | 577 | - | - | - | - | - | - | 577 |
| Others | (100) | (46) | 251 | (4) | 86 | 144 | 3 | 334 |
| | (2,769) | (1,800) | 215 | 5 | (265) | (1,898) | 3 | (6,509) |

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

| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. CORP. | ELIMIN. | TOTAL |
|--|---------|------|----------------|---------|----------------|---------|---------|
| Unscheduled stoppages and pre-operating expenses | (1,979) | (36) | (32) | - | - | (4) | (2,051) |
| (Losses)/gains on legal, administrative and arbitral proceedings | (35) | (35) | (6) | (1) | (354) | (715) | (1,146) |
| Pension and medical benefits | - | - | - | - | - | (1,239) | (1,239) |
| Impairment | (294) | - | - | - | - | - | (294) |
| Voluntary Separation Incentive Plan - PIDV | (30) | - | 24 | - | 5 | - | (1) |
| Institutional relations and cultural projects | (7) | (5) | - | - | (10) | (216) | (238) |
| Gains / (losses) on disposal/write-offs of assets; returned areas and cancelled projects | (40) | (30) | (39) | 1 | 6 | - | (102) |
| Operating expenses with thermoelectric plants | - | - | (106) | - | - | - | (106) |
| Health, safety and environment | (18) | (17) | (6) | - | - | (38) | (79) |
| Losses on fines | (1) | (14) | - | - | - | (39) | (54) |
| Reimbursement of unduly capitalized expenses | - | - | - | - | - | - | - |
| Government Grants | 4 | 22 | 8 | - | - | 1 | 35 |
| Ship/Take or Pay Agreements with Gas Distributors | - | - | 311 | - | - | - | 311 |

| | | | | | | | | |
|-------------------------------|---------|-------|------|------|-------|---------|------|---------|
| (Expenditures)/reimbursements | 546 | - | - | - | - | - | - | 546 |
| from operations in E&P | | | | | | | | |
| partnerships | | | | | | | | |
| Others | 169 | (10) | (63) | (89) | 95 | 69 | (18) | 153 |
| | (1,685) | (125) | 91 | (89) | (258) | (2,181) | (18) | (4,265) |

Consolidated Assets by Segment – 06.30.2016

| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. | CORP. | ELIMIN. | TOTAL |
|-------------------------------|---------|---------|----------------|---------|----------|---------|----------|---------|
| Total assets | 461,429 | 176,412 | 68,005 | 2,283 | 20,182 | 107,893 | (17,872) | 818,332 |
| Current assets | 19,366 | 35,874 | 5,374 | 179 | 8,652 | 79,578 | (16,398) | 132,625 |
| Non-current assets | 442,063 | 140,538 | 62,631 | 2,104 | 11,530 | 28,315 | (1,474) | 685,707 |
| Long-term receivables | 24,275 | 10,091 | 3,791 | 12 | 3,592 | 19,424 | (1,311) | 59,874 |
| Investments | 4,915 | 4,753 | 1,541 | 1,737 | 120 | 22 | – | 13,088 |
| Property, plant and equipment | 404,637 | 125,024 | 56,220 | 355 | 7,041 | 8,052 | (163) | 601,166 |
| Operating assets | 296,030 | 110,192 | 50,002 | 318 | 5,989 | 6,590 | (163) | 468,958 |
| Assets under construction | 108,607 | 14,832 | 6,218 | 37 | 1,052 | 1,462 | – | 132,208 |
| Intangible assets | 8,236 | 670 | 1,079 | – | 777 | 817 | – | 11,579 |

Consolidated Assets by Segment – 12.31.2015

| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. | CORP. | ELIMIN. | TOTAL |
|-------------------------------|---------|---------|----------------|---------|----------|---------|----------|---------|
| Total assets | 483,396 | 177,631 | 76,023 | 1,885 | 20,588 | 154,065 | (13,453) | 900,135 |
| Current assets | 14,215 | 35,247 | 10,398 | 176 | 8,979 | 112,715 | (12,149) | 169,581 |
| Non-current assets | 469,181 | 142,384 | 65,625 | 1,709 | 11,609 | 41,350 | (1,304) | 730,554 |
| Long-term receivables | 25,250 | 9,309 | 5,303 | 12 | 3,355 | 32,792 | (1,142) | 74,879 |
| Investments | 7,054 | 3,431 | 1,781 | 1,339 | 134 | 33 | – | 13,772 |
| Property, plant and equipment | 428,447 | 128,982 | 57,300 | 358 | 7,296 | 7,610 | (162) | 629,831 |
| Operating assets | 310,761 | 112,470 | 47,611 | 317 | 6,175 | 5,798 | (162) | 482,970 |
| Assets under construction | 117,686 | 16,512 | 9,689 | 41 | 1,121 | 1,812 | – | 146,861 |
| Intangible assets | 8,430 | 662 | 1,241 | – | 824 | 915 | – | 12,072 |

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

| | E&P | RTM | GAS & POWER | BIOFUELDISTRIB. | CORP. | ELIMIN. | TOTAL |
|---|--------|--------|----------------|-----------------|-------|----------|----------------|
| Net income (loss) | 1,399 | 14,976 | 1,520 | (124) | 161 | (15,715) | (1,699) 518 |
| Net finance income (expense) | – | – | – | – | – | 14,754 | – 14,754 |
| Income taxes | 717 | 7,425 | 678 | (63) | 75 | (7,111) | (875) 846 |
| Depreciation, depletion and amortization | 18,579 | 3,851 | 1,453 | 13 | 292 | 410 | – 24,598 |
| EBITDA | 20,695 | 26,252 | 3,651 | (174) | 528 | (7,662) | (2,574) 40,716 |
| Share of earnings in equity-accounted investments | (8) | (561) | (204) | 2 | (16) | 1 | – (786) |
| Impairment losses / (reversals) | 353 | 1,125 | – | – | – | – | – 1,478 |
| Adjusted EBITDA* | 21,040 | 26,816 | 3,447 | (172) | 512 | (7,661) | (2,574) 41,408 |

Reconciliation of Consolidated Adjusted EBITDA Statement by Segment – 1H-2015

| | E&P | RTM | GAS & POWER | BIOFUELDISTRIB. | CORP. | ELIMIN. | TOTAL |
|---|--------|--------|----------------|-----------------|-------|----------|----------------|
| Net income (loss) | 9,352 | 11,956 | 1,372 | (353) | 851 | (16,678) | (1,064) 5,436 |
| Net finance income (expense) | – | – | – | – | – | 11,669 | – 11,669 |
| Income taxes | 4,869 | 5,908 | 593 | (38) | 431 | (5,519) | (548) 5,696 |
| Depreciation, depletion and amortization | 11,685 | 3,684 | 1,455 | 15 | 282 | 423 | – 17,544 |
| EBITDA | 25,906 | 21,548 | 3,420 | (376) | 1,564 | (10,105) | (1,612) 40,345 |
| Share of earnings in equity-accounted investments | 99 | (487) | (221) | 279 | (15) | 3 | – (342) |

| | | | | | | | | |
|---------------------------------|--------|--------|-------|------|-------|----------|---------|--------|
| Impairment losses / (reversals) | 336 | 365 | 585 | – | – | – | – | 1,286 |
| Adjusted EBITDA* | 26,341 | 21,426 | 3,784 | (97) | 1,549 | (10,102) | (1,612) | 41,289 |

Reconciliation of Consolidated Adjusted EBITDA Statement by Segment – 2Q-2016

| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. CORP. | ELIMIN. | TOTAL |
|---|--------|--------|-------------|---------|----------------|---------|----------------|
| Net income (loss) | 2,008 | 7,014 | 742 | (76) | 185 | (6,940) | (2,034) 899 |
| Net finance income (expense) | – | – | – | – | – | 6,061 | – 6,061 |
| Income taxes | 980 | 3,517 | 306 | (16) | 91 | (3,207) | (1,049) 622 |
| Depreciation, depletion and amortization | 8,923 | 1,928 | 739 | 2 | 144 | 213 | – 11,949 |
| EBITDA | 11,911 | 12,459 | 1,787 | (90) | 420 | (3,873) | (3,083) 19,531 |
| Share of earnings in equity-accounted investments | (107) | (186) | (148) | 45 | (9) | 7 | – (398) |
| Impairment losses / (reversals) | 59 | 1,125 | – | – | – | – | – 1,184 |
| Adjusted EBITDA* | 11,863 | 13,398 | 1,639 | (45) | 411 | (3,866) | (3,083) 20,317 |

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

| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. CORP. | ELIMIN. | TOTAL |
|---|-------|--------|-------------|---------|----------------|---------|------------|
| Net income (loss) | (609) | 7,962 | 778 | (48) | (24) | (8,775) | 335 (381) |
| Net finance income (expense) | – | – | – | – | – | 8,693 | – 8,693 |
| Income taxes | (263) | 3,908 | 372 | (47) | (16) | (3,904) | 174 224 |
| Depreciation, depletion and amortization | 9,656 | 1,923 | 714 | 11 | 148 | 197 | – 12,649 |
| EBITDA | 8,784 | 13,793 | 1,864 | (84) | 108 | (3,789) | 509 21,185 |
| Share of earnings in equity-accounted investments | 99 | (375) | (56) | (43) | (7) | (6) | – (388) |
| Impairment losses / (reversals) | 294 | – | – | – | – | – | – 294 |
| Adjusted EBITDA* | 9,177 | 13,418 | 1,808 | (127) | 101 | (3,795) | 509 21,091 |

* See definitions of Adjusted EBITDA in glossary.

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.

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

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.

LPG - Liquefied crude oil gas.

LNG - Liquefied natural gas.

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

NGL - Natural gas liquids.

Lifting Cost - Crude oil and natural gas lifting cost indicator.

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

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

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

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

Adjusted EBITDA margin - equals Adjusted EBITDA divided by sales revenues.

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 - Sum of EBITDA, share of earnings in equity-accounted investments and *impairment*.

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.

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

Market share - Relation between Distribution sales and total market. Beginning in 2015, our market share excludes sales made to wholesalers. Market share for prior periods was revised pursuant to the changes made by the Brazilian National Petroleum, Natural Gas and Biofuels Agency (ANP) and by the Brazilian Wholesalers and Fuel Traders Syndicate (Sindicom). Prior periods are presented based on the new methodology.

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

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.

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

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

Jet fuel - Aviation fuel.

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

consolidated structured entities is attributable to non-controlling interests in the income statement, and it is not considered on net income attributable to shareholders of Petrobras.

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

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. The new management model does not provide for the discontinuance of the Company's business, but involves unification activities.

On June 30, 2016, the presentation related to the business segment information reflects the top management assessment related to the performance and the business resources allocation. Due to the adjustments occurred in corporate structure and governance and management model, this presentation may be reevaluated in order to enhance the business management analysis.

SIGNATURE

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 12, 2016

PETRÓLEO BRASILEIRO S.A--PETROBRAS

By:

/s/ Ivan de Souza Monteiro

Ivan de Souza Monteiro
Chief Financial Officer and Investor Relations
Officer

FORWARD-LOOKING STATEMENTS

This press release may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act) that are not based on historical facts and are not assurances of future results. These forward-looking statements are based on management's current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.

All forward-looking statements are expressly qualified in their entirety by this cautionary statement, and you should not place reliance on any forward-looking statement contained in this press release. 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.
