PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
August 11, 2017
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

Securities Exchange Act of 1934

For the month of August, 2017

Commission File Number 1-15106

PETRÓLEO BRASILEIRO S.A. - PETROBRAS

(Exact name of registrant as specified in its charter)

Brazilian Petroleum Corporation - PETROBRAS

(Translation of Registrant's name into English)

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

(Address of principal executive office)

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

Form 20-F ___X___ Form 40-F _______

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

Yes _______ No___X____

Quarterly

Information - ITR

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At June 30, 2017 and report on review

of Quarterly Information

(A free translation of the original

in Portuguese)

Index

(Expressed in millions of reais, unless otherwise indicated)

Report on the review of quarterly information - ITR

(A free translation of the original report in Portuguese, as filed with the Brazilian Securities and Exchange Commission (CVM), prepared in accordance with the accounting practices adopted in Brazil, rules of the CVM and of the International Financial Reporting Standards - IFRS)

To the Board of Directors and Shareholders of

Petróleo Brasileiro S.A. - Petrobras

Rio de Janeiro - RJ

Introduction

We have reviewed the interim accounting information, individual and consolidated, of Petróleo Brasileiro S.A. - Petrobras (“the Company”), included in the quarterly information form - ITR for the quarter ended June 30, 2017, which comprises individual and consolidated balance sheet as of June 30, 2017, and the respective individual and consolidated statements of income and comprehensive income for the three and six month period ended on that date, and changes in shareholders’ equity and cash flows for the six month period ended on that date, including the explanatory notes.

The Company`s Management is responsible for the preparation of these interim accounting information in accordance with the CPC 21(R1) and the IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as the presentation of these information in accordance with the standards issued by the Brazilian Securities and Exchange Commission, applicable to the preparation of quarterly information - ITR. Our responsibility is to express our conclusion on this interim accounting information based on our review.

Scope of the review

We conducted our review in accordance with Brazilian and International Interim Information Review Standards (NBC TR 2410 - Revisão de Informações Intermediárias Executada pelo Auditor da Entidade and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries primarily of the management responsible for financial and accounting matters and applying analytical procedures and other review procedures. The scope of a review is significantly less than an audit conducted in accordance with auditing standards and, accordingly, it did not enable us to obtain assurance that we were aware of all the material matters that would have been identified in an audit. Therefore, we do not express an audit opinion.

Conclusion on the individual and consolidated interim accounting information

Based on our review, we are not aware of any fact that might lead us to believe that the individual and consolidated interim accounting information included in the aforementioned quarterly information was not prepared, in all material respects, in accordance with CPC 21(R1) and IAS 34, issued by the IASB, applicable to the preparation of the quarterly review - ITR, and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

Emphasis - Impact of the Lava Jato Operation on the Company's results

We draw attention to Note 3 of the interim financial information, which describes that: i) no additional information has been identified through the date of this accounting information which could materially impact the estimation methodology adopted for the write off recorded on September 30, 2014 ; and ii) the internal investigations being conducted by outside legal counsel under the supervision of a Special Committee created by the Company and the investigation conducted by the Securities and Exchange Commission - SEC are still on going, nevertheless to date no additional impact to those already disclosed in the interim financial statements has been identified.

We also draw attention to Note 29.4 of the interim accounting information which describes class actions filed against the Company, for which it is unable to make a reliable estimates of loss.

Our report is not modified as a result of these matters.

Other matters - Statements of added value

The individual and consolidated statements of value added for the quarter ended June 30, 2017, prepared under the responsibility of the Company's management, and presented as supplementary information for the purposes of IAS 34, were submitted to the same review procedures followed together with the review of the Company's interim financial information. In order to form our conclusion, we evaluated whether these statements were reconciliated to the interim financial information and to the accounting records, as applicable, and whether their form and content are in accordance with the criteria set on Technical Pronouncement CPC 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that the accompanying statements of value added were not prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

Corresponding balances related to the prior year audit and corresponding balances to the second quarter review of the prior year

The corresponding balances related to the individual and consolidated balance sheets as of December 31, 2016 were audited by other independent auditors, who issued an unqualified report dated March 21, 2017, and the individual and consolidated interim statements of and the respective statements of income and comprehensive income for the three and six month period ended June 30, 2016, and changes in shareholders’ equity and cash flows for the six month period ended June 30, 2016, that were reviewed by other independent auditors who issued an unqualified report dated August 11, 2016. The corresponding balances related to the individual and consolidated statements of value added for the six-month period ended June 30, 2016 were submitted to the same review procedures by those independent auditors and, based on their review, those independent auditors reported that they were not aware of any fact that would lead them to believe that the statement of value added was not prepared, in all material respects, in accordance with the individual and consolidated interim accounting information taken as a whole.

Rio de Janeiro, August 10, 2017.

KPMG Auditores Independentes

CRC SP-014428/O-6 F-RJ

Marcelo Gavioli

Accountant CRC 1SP201409/O-1

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Company Data / Share Capital Composition

Number of Shares (Thousand)	Current Quarter 06/30/2017
From Paid-in Capital	
Common	7,442,454
Preferred	5,602,043
Total	13,044,497
Treasury Shares	
Common	0
Preferred	0
Total	0

Parent Company Interim Accounting Information /
Statement of Financial Position – Assets

(R$ Thousand)

Account Code	Account Description	Current Quarter 06/30/2017	Previous Fiscal Year 12/31/2016
1	Total Assets	674,942,000	682,088,000
1.01	Current Assets	67,857,000	81,264,000
1.01.01	Cash and Cash Equivalents	1,018,000	6,267,000
1.01.02	Marketable Securities	3,245,000	2,487,000
1.01.03	Trade and Other Receivables	26,038,000	31,073,000
1.01.04	Inventories	22,861,000	23,500,000
1.01.06	Recoverable Taxes	6,085,000	5,850,000
1.01.06.01	Current Recoverable Taxes	6,085,000	5,850,000
1.01.06.01.01	Current Income Tax and Social Contribution	1,043,000	786,000
1.01.06.01.02	Other Recoverable Taxes	5,042,000	5,064,000
1.01.08	Other Current Assets	8,610,000	12,087,000
1.01.08.01	Non-Current Assets Held for Sale	4,458,000	8,260,000
1.01.08.03	Others	4,152,000	3,827,000
1.01.08.03.01	Advances to Suppliers	237,000	361,000
1.01.08.03.02	Others	3,915,000	3,466,000
1.02	Non-Current Assets	607,085,000	600,824,000
1.02.01	Long-Term Receivables	42,508,000	46,098,000
1.02.01.02	Marketable Securities Measured at Amortized Cost	295,000	286,000
1.02.01.03	Trade and Other Receivables	9,456,000	10,262,000
1.02.01.06	Deferred Taxes	9,256,000	14,199,000
1.02.01.06.01	Deferred Income Tax and Social Contribution	–	4,873,000
1.02.01.06.02	Deferred Taxes and Contributions	9,256,000	9,326,000
1.02.01.09	Other Non-Current Assets	23,501,000	21,351,000
1.02.01.09.03	Advances to Suppliers	563,000	510,000
1.02.01.09.04	Judicial Deposits	13,464,000	11,735,000
1.02.01.09.05	Other Long-Term Assets	9,474,000	9,106,000
1.02.02	Investments	132,035,000	121,191,000
1.02.03	Property, Plant and Equipment	423,869,000	424,771,000
1.02.04	Intangible Assets	8,673,000	8,764,000

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

(R$ Thousand)

Account Code	Account Description	Current Quarter 06/30/2017	Previous Fiscal Year 12/31/2016
2	Total Liabilities	674,942,000	682,088,000
2.01	Current Liabilities	103,406,000	113,431,000
2.01.01	Payroll, Profit Sharing and Related Charges	4,389,000	6,158,000
2.01.02	Trade Payables	21,583,000	24,384,000
2.01.03	Taxes Obligations	1,434,000	–
2.01.03.01	Federal Taxes Obligations	1,434,000	–
2.01.03.01.01	Income Tax and Social Contribution Payable	1,434,000	–
2.01.04	Current Debt and Finance Lease Obligations	58,281,000	63,149,000
2.01.04.01	Current Debt	57,167,000	62,058,000
2.01.04.03	Finance Lease Obligations	1,114,000	1,091,000
2.01.05	Other Liabilities	15,001,000	17,037,000
2.01.05.02	Others	15,001,000	17,037,000
2.01.05.02.04	Other Taxes and Contributions	9,437,000	11,219,000
2.01.05.02.05	Other Accounts Payable	5,564,000	5,818,000
2.01.06	Provisions	2,526,000	2,533,000
2.01.06.02	Other Provisions	2,526,000	2,533,000
2.01.06.02.04	Pension and Medical Benefits	2,526,000	2,533,000
2.01.07	Liabilities Associated with Non-Current Assets Held for Sale and Discontinued	192,000	170,000
2.01.07.01	Liabilities Associated with Non-Current Assets Held for Sale	192,000	170,000
2.02	Non-Current Liabilities	312,901,000	318,427,000
2.02.01	Non-Current Debt and Finance Lease Obligations	196,968,000	211,396,000
2.02.01.01	Non-Current Debt	192,208,000	206,421,000
2.02.01.03	Finance Lease Obligations	4,760,000	4,975,000
2.02.02	Other Liabilities	2,922,000	–
2.02.02.02	Others	2,922,000	–
2.02.02.02.03	Income Tax and Social Contribution	2,922,000	–
2.02.03	Deferred Taxes	2,720,000	–
2.02.03.01	Deferred Income Tax and Social Contribution	2,720,000	
2.02.04	Provisions	110,291,000	107,031,000
2.02.04.01	Provisions for Tax Social Security, Labor and Civil Lawsuits	8,469,000	8,391,000
2.02.04.02	Other Provisions	101,822,000	98,640,000
2.02.04.02.04	Pension and Medical Benefits	67,607,000	64,903,000
2.02.04.02.05	Provision for Decommissioning Costs	32,793,000	32,615,000
2.02.04.02.06	Other Provisions	1,422,000	1,122,000
2.03	Shareholders' Equity	258,635,000	250,230,000
2.03.01	Share Capital	205,432,000	205,432,000
2.03.02	Capital Reserves	1,262,000	1,251,000

2.03.04	Profit Reserves	77,584,000	77,584,000
2.03.05	Retained Earnings/Losses	4,770,000	–
2.03.08	Other Comprehensive Income	(30,413,000)	(34,037,000)

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Parent Company Interim Accounting Information / Statement of Income

(R$ thousand)

Account Code	Account Description	Current Quarter 04/01/2017 to 06/30/2017	Accumulated of the Current Year 01/01/2017 to 06/30/2017	Same Quarter of the Previous Year 04/01/2016 to 06/30/2016	Accumulated of the Previous Year 01/01/2016 to 06/30/2016
3.01	Sales Revenues	55,463,000	109,559,000	55,458,000	110,708,000
3.02	Cost of Sales	(38,387,000)	(74,018,000)	(38,660,000)	(78,178,000)
3.03	Gross Profit	17,076,000	35,541,000	16,798,000	32,530,000
3.04	Operating Expenses / Income	(4,339,000)	(11,356,000)	(9,983,000)	(20,642,000)
3.04.01	Selling Expenses	(4,595,000)	(8,828,000)	(4,401,000)	(8,385,000)
3.04.02	General and Administrative Expenses	(1,555,000)	(3,133,000)	(2,030,000)	(3,858,000)
3.04.05	Other Operating Expenses	762,000	(3,101,000)	(7,881,000)	(13,729,000)
3.04.05.01	Other Taxes	(2,441,000)	(2,610,000)	(85,000)	(322,000)
3.04.05.02	Research and Development Expenses	(548,000)	(885,000)	(507,000)	(1,009,000)
3.04.05.03	Exploration Costs	(585,000)	(888,000)	(1,553,000)	(2,687,000)
3.04.05.05	Other Operating Expenses, Net	4,336,000	1,282,000	(5,736,000)	(9,711,000)
3.04.06	Share of Profit / Gains on Interest in Equity-Accounted Investments	1,049,000	3,706,000	4,329,000	5,330,000
3.05	Net Income Before Financial Results, Profit Sharing and Income Taxes	12,737,000	24,185,000	6,815,000	11,888,000
3.06	Finance Income (Expenses), Net	(5,698,000)	(11,186,000)	(7,334,000)	(14,121,000)
3.06.01	Finance Income	677,000	1,370,000	543,000	1,141,000
3.06.01.01	Finance Income	677,000	1,370,000	543,000	1,141,000
3.06.02	Finance Expenses	(6,375,000)	(12,556,000)	(7,877,000)	(15,262,000)
3.06.02.01	Finance Expenses	(5,316,000)	(9,420,000)	(5,217,000)	(9,908,000)
3.06.02.02	Foreign Exchange and Inflation Indexation Charges, Net	(1,059,000)	(3,136,000)	(2,660,000)	(5,354,000)
3.07	Net Income Before Income Taxes	7,039,000	12,999,000	(519,000)	(2,233,000)
3.08	Income Tax and Social Contribution	(6,723,000)	(8,234,000)	889,000	1,357,000
3.08.01	Current	(1,909,000)	(1,909,000)		-
3.08.02	Deferred	(4,814,000)	(6,325,000)	889,000	1,357,000
3.09		316,000	4,765,000	370,000	(876,000)

	Net Income from Continuing Operations				
3.11	Income / Loss for the Period	316,000	4,765,000	370,000	(876,000)
3.99	Basic Income per Share (Reais / Share)				
3.99.01	Basic Income per Share				
3.99.01.01	Common	0.02400	0.37000	0.03000	(0.07000)
3.99.01.02	Preferred	0.02400	0.37000	0.03000	(0.07000)
3.99.02	Diluted Income per Share				
3.99.02.01	Common	0.02400	0.37000	0.03000	(0.07000)
3.99.02.02	Preferred	0.02400	0.37000	0.03000	(0.07000)

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Parent Company Interim Accounting Information /
Statement of Comprehensive Income

(R$ thousand)

Account Code	Account Description	Current Quarter 04/01/2017 to 06/30/2017	Accumulated of the Current Year 01/01/2017 to 06/30/2017	Same Quarter of the Previous Year 04/01/2016 to 06/30/2016	Accumulated of the Previous Year 01/01/2016 to 06/30/2016
4.01	Net Income for the Period	316,000	4,765,000	370,000	(876,000)
4.02	Other Comprehensive Income	487,000	3,629,000	8,359,000	17,524,000
4.02.03	Cumulative Translation Adjustments	4,046,000	1,575,000	(8,038,000)	(16,064,000)
4.02.07	Unrealized Gains / (Losses) on Cash Flow Hedge - Recognized in Shareholders' Equity	(7,691,000)	(2,428,000)	19,300,000	39,156,000
4.02.08	Cash Flow Hedge - Reclassified to Profit or Loss	1,870,000	3,834,000	2,285,000	4,924,000
4.02.09	Deferred Income Tax and Social Contribution on Cash Flow Hedge	1,980,000	(478,000)	(7,339,000)	(14,987,000)
4.02.10	Share of Other Comprehensive Income of Equity-Accounted Investments	282,000	1,126,000	2,151,000	4,495,000
4.03	Total Comprehensive Income for the Period	803,000	8,394,000	8,729,000	16,648,000

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

(R$ Thousand)

Account Code	Account Description	Accumulated of the Current Year 01/01/2017 to 06/30/2017	Accumulated of the Previous Year 01/01/2016 to 06/30/2016
6.01	Net cash provided by operating activities	13,427,000	15,329,000
6.01.01	Cash provided by operating activities	33,552,000	33,633,000
6.01.01.01	Net Income (loss) for the period	4,765,000	(876,000)
6.01.01.02	Pension and medical benefits (actuarial expense)	3,996,000	3,704,000
6.01.01.03	Results in equity-accounted investments	(3,706,000)	(5,330,000)
6.01.01.04	Depreciation, depletion and amortization	16,180,000	18,657,000
6.01.01.05	Impairment of assets (reversal)	91,000	1,465,000
6.01.01.06	Exploratory expenditures write-offs	324,000	1,765,000
6.01.01.07	Gains and losses on disposals/write-offs of assets	(5,633,000)	217,000
6.01.01.08	Foreign exchange, indexation and finance charges	10,453,000	13,572,000
6.01.01.09	Deferred income taxes, net	6,325,000	(1,357,000)
6.01.01.10	Allowance (reversals) for impairment of trade and others receivables	276,000	681,000
6.01.01.13	Revision and unwinding of discount on the provision for decommissioning costs	1,179,000	1,135,000
6.01.01.14	Gain on remeasurement of investment retained with loss of control	(698,000)	–
6.01.02	Decrease / (increase) in assets / increase/ (decrease) in liabilities	(20,125,000)	(18,304,000)
6.01.02.01	Trade and other receivables, net	(14,497,000)	(4,699,000)
6.01.02.02	Inventories	639,000	(288,000)
6.01.02.03	Judicial deposits	(1,729,000)	(1,206,000)
6.01.02.04	Other assets	(858,000)	(2,624,000)
6.01.02.05	Trade payables	(2,981,000)	(6,099,000)
6.01.02.06	Other taxes payable	3,304,000	(2,176,000)
6.01.02.07	Pension and medical benefits	(1,298,000)	(1,147,000)
6.01.02.08	Income tax and social contribution paid	(77,000)	–
6.01.02.09	Other liabilities	(2,628,000)	(65,000)
6.02	Net cash used in investing activities	(3,320,000)	(12,303,000)
6.02.01	Capital expenditures	(14,017,000)	(17,159,000)
6.02.02	Increase in investments in investees	(2,694,000)	(2,082,000)
6.02.03	Proceeds from disposal of assets - Divestment	7,854,000	–
6.02.04	Divestment (investment) in marketable securities	2,161,000	5,514,000

6.02.05	Dividends received	3,376,000	1,424,000
6.03	Net cash used in financing activities	(15,356,000)	(13,256,000)
6.03.02	Proceeds from financing	41,390,000	33,364,000
6.03.03	Repayment of principal	(46,692,000)	(42,664,000)
6.03.04	Repayment of interest	(10,654,000)	(3,956,000)
6.05	Net increase/ (decrease) in cash and cash equivalents	(5,249,000)	(10,230,000)
6.05.01	Cash and cash equivalents at the beginning of the year	6,267,000	16,553,000
6.05.02	Cash and cash equivalents at the end of the period	1,018,000	6,323,000

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

(R$ thousand)

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

Parent Company Interim Accounting Information /
Statement of Changes in Shareholders' Equity – 01/01/2016 to 06/30/2016

(R$ thousand)

Account Code	Account Description	Share Capital	Capital Reserves, Granted Options and Treasury Shares	Profit Reserves	Retained Earnings (Losses)	Accumulated Other Comprehensive Income	Shareholders' Equity
5.01	Balance at the Beginning of the Period	205,432,000	237,000	92,396,000	–	(43,334,000)	254,731,000
5.03	Adjusted Opening Balance	205,432,000	237,000	92,396,000	–	(43,334,000)	254,731,000
5.04	Capital Transactions with Owners	–	16,000	–	7,000	(7,000)	16,000
5.04.08	Change in Interest in Subsidiaries	–	16,000	–	–	–	16,000
5.04.09	Realization of the Deemed Cost	–	–	–	7,000	(7,000)	–
5.05	Total of Comprehensive Income	–	–	–	(876,000)	17,524,000	16,648,000
5.05.01	Net Income for the Period	–	–	–	(876,000)	–	(876,000)
5.05.02	Other Comprehensive Income	–	–	–	–	17,524,000	17,524,000
5.07	Balance at the End of the Period	205,432,000	253,000	92,396,000	(869,000)	(25,817,000)	271,395,000

Parent Company Interim Accounting Information /
Statement of Added Value

(R$ Thousand)

Account Code	Account Description	Accumulated of the Current Year 01/01/2017 to 06/30/2017	Accumulated of the Previous Year 01/01/2016 to 06/30/2016
7.01	Sales Revenues	170,174,000	169,783,000
7.01.01	Sales of Goods and Services	143,616,000	148,129,000
7.01.02	Other Revenues	10,752,000	3,714,000
7.01.03	Revenues Related to the Construction of Assets to be Used in Own Operations	16,082,000	18,621,000
7.01.04	Allowance / Reversal for Impairment of Trade Receivables	(276,000)	(681,000)
7.02	Inputs Acquired from Third Parties	(57,494,000)	(62,915,000)
7.02.01	Cost of Sales	(19,272,000)	(23,676,000)
7.02.02	Materials, Power, Third-Party Services and Other Operating Expenses	(28,723,000)	(28,754,000)
7.02.03	Impairment Charges / Reversals of Assets	(91,000)	(1,465,000)
7.02.04	Others	(9,408,000)	(9,020,000)
7.02.04.01	Tax Credits on Inputs Acquired from Third Parties	(9,408,000)	(9,020,000)
7.03	Gross Added Value	112,680,000	106,868,000
7.04	Retentions	(16,180,000)	(18,657,000)
7.04.01	Depreciation, Amortization and Depletion	(16,180,000)	(18,657,000)
7.05	Net Added Value Produced	96,500,000	88,211,000
7.06	Transferred Added Value	5,536,000	5,332,000
7.06.01	Share of Profit of Equity-Accounted Investments	3,706,000	5,330,000
7.06.02	Finance Income	1,371,000	(433,000)
7.06.03	Others	459,000	435,000
7.07	Total Added Value to be Distributed	102,036,000	93,543,000
7.08	Distribution of Added Value	102,036,000	93,543,000
7.08.01	Employee Compensation	11,666,000	13,547,000
7.08.01.01	Salaries	6,742,000	7,153,000
7.08.01.02	Fringe Benefits	4,365,000	5,813,000
7.08.01.03	Unemployment Benefits (FGTS)	559,000	581,000
7.08.02	Taxes and Contributions	46,106,000	36,440,000
7.08.02.01	Federal	32,702,000	19,933,000
7.08.02.02	State	13,292,000	16,313,000
7.08.02.03	Municipal	112,000	194,000
7.08.03	Return on Third-Party Capital	39,499,000	44,432,000
7.08.03.01	Interest	14,823,000	15,899,000
7.08.03.02	Rental Expenses	24,676,000	28,533,000
7.08.04	Return on Shareholders' Equity	4,765,000	(876,000)
7.08.04.03		4,765,000	(876,000)

Retained Earnings / (Losses) for the Period

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Consolidated Interim Accounting Information /
Statement of Financial Position – Assets

(R$ Thousand)

Account Code	Account Description	Current Quarter 06/30/2017	Previous Fiscal Year 12/31/2016
1	Total Assets	808,054,000	804,945,000
1.01	Current Assets	142,435,000	145,907,000
1.01.01	Cash and Cash Equivalents	77,970,000	69,108,000
1.01.02	Marketable Securities	3,317,000	2,556,000
1.01.03	Trade and Other Receivables	14,477,000	15,543,000
1.01.04	Inventories	26,621,000	27,622,000
1.01.06	Recoverable Taxes	8,361,000	8,153,000
1.01.06.01	Current Recoverable Taxes	8,361,000	8,153,000
1.01.06.01.01	Current Income Tax and Social Contribution	2,213,000	1,961,000
1.01.06.01.02	Other Recoverable Taxes	6,148,000	6,192,000
1.01.08	Other Current Assets	11,689,000	22,925,000
1.01.08.01	Non-Current Assets Held for Sale	6,771,000	18,669,000
1.01.08.03	Others	4,918,000	4,256,000
1.01.08.03.01	Advances to Suppliers	388,000	540,000
1.01.08.03.02	Others	4,530,000	3,716,000
1.02	Non-Current Assets	665,619,000	659,038,000
1.02.01	Long-Term Receivables	67,520,000	66,551,000
1.02.01.02	Marketable Securities Measured at Amortized Cost	715,000	293,000
1.02.01.03	Trade and Other Receivables	17,424,000	14,832,000
1.02.01.06	Deferred Taxes	20,034,000	24,274,000
1.02.01.06.01	Deferred Income Tax and Social Contribution	9,853,000	14,038,000
1.02.01.06.02	Deferred Taxes and Contributions	10,181,000	10,236,000
1.02.01.09	Other Non-Current Assets	29,347,000	27,152,000
1.02.01.09.03	Advances to Suppliers	3,791,000	3,742,000
1.02.01.09.04	Judicial Deposits	14,782,000	13,032,000
1.02.01.09.05	Other Long-Term Assets	10,774,000	10,378,000
1.02.02	Investments	12,307,000	9,948,000
1.02.03	Property, Plant and Equipment	575,242,000	571,876,000
1.02.04	Intangible Assets	10,550,000	10,663,000

Consolidated Interim Accounting Information /
Statement of Financial Position – Liabilities

(R$ Thousand)

Account Code	Account Description	Current Quarter 06/30/2017	Previous Fiscal Year 12/31/2016
2	Total Liabilities	808,054,000	804,945,000
2.01	Current Liabilities	69,968,000	81,167,000
2.01.01	Payroll, Profit Sharing and Related Charges	5,217,000	7,159,000
2.01.02	Trade Payables	17,001,000	18,781,000
2.01.03	Taxes Obligations	2,162,000	412,000
2.01.03.01	Federal Taxes Obligations	2,162,000	412,000
2.01.03.01.01	Income Tax and Social Contribution Payable	2,162,000	412,000
2.01.04	Current Debt and Finance Lease Obligations	25,985,000	31,855,000
2.01.04.01	Current Debt	25,912,000	31,796,000
2.01.04.03	Finance Lease Obligations	73,000	59,000
2.01.05	Other Liabilities	16,237,000	18,683,000
2.01.05.02	Others	16,237,000	18,683,000
2.01.05.02.04	Other Taxes and Contributions	9,925,000	11,826,000
2.01.05.02.05	Other Accounts Payable	6,312,000	6,857,000
2.01.06	Provisions	2,665,000	2,672,000
2.01.06.02	Other Provisions	2,665,000	2,672,000
2.01.06.02.04	Pension and Medical Benefits	2,665,000	2,672,000
2.01.07	Liabilities Associated with Non-Current Assets Held for Sale and Discontinued	701,000	1,605,000
2.01.07.01	Liabilities Associated with Non-Current Assets Held for Sale	701,000	1,605,000
2.02	Non-Current Liabilities	476,942,000	471,035,000
2.02.01	Non-Current Debt and Finance Lease Obligations	350,602,000	353,929,000
2.02.01.01	Non-Current Debt	349,884,000	353,193,000
2.02.01.03	Finance Lease Obligations	718,000	736,000
2.02.02	Other Liabilities	2,922,000	–
2.02.02.02	Others	2,922,000	–
2.02.02.02.03	Income Tax and Social Contribution	2,922,000	–
2.02.03	Deferred Taxes	3,526,000	856,000
2.02.03.01	Deferred Income Tax and Social Contribution	3,526,000	856,000
2.02.04	Provisions	119,892,000	116,250,000
2.02.04.01	Provisions for Tax Social Security, Labor and Civil Lawsuits	11,215,000	11,052,000
2.02.04.02	Other Provisions	108,677,000	105,198,000
2.02.04.02.04	Pension and Medical Benefits	72,988,000	69,996,000
2.02.04.02.05	Provision for Decommissioning Costs	33,674,000	33,412,000
2.02.04.02.06	Other Provisions	2,015,000	1,790,000
2.03	Shareholders' Equity	261,144,000	252,743,000
2.03.01	Share Capital	205,432,000	205,432,000
2.03.02	Capital Reserves	1,046,000	1,035,000

2.03.04	Profit Reserves	77,800,000	77,800,000
2.03.05	Retained Earnings/Losses	4,770,000	
2.03.08	Other Comprehensive Income	(30,413,000)	(34,037,000)
2.03.09	Non-Controlling Interests	2,509,000	2,513,000

Consolidated Interim Accounting Information /
Statement of Income

(R$ Thousand)

Account Code	Account Description	Current Quarter 04/01/2017 to 06/30/2017	Accumulated of the Current Year 01/01/2017 to 06/30/2017	Same Quarter of the Previous Year 04/01/2016 to 06/30/2016	Accumulated of the Previous Year 01/01/2016 to 06/30/2016
3.01	Sales Revenues	66,996,000	135,361,000	71,320,000	141,657,000
3.02	Cost of Sales	(45,627,000)	(90,206,000)	(48,499,000)	(97,828,000)
3.03	Gross Profit	21,369,000	45,155,000	22,821,000	43,829,000
3.04	Operating Expenses / Income	(5,764,000)	(14,668,000)	(15,239,000)	(27,711,000)
3.04.01	Selling Expenses	(3,889,000)	(6,279,000)	(3,690,000)	(7,441,000)
3.04.02	General and Administrative Expenses	(2,221,000)	(4,528,000)	(2,844,000)	(5,496,000)
3.04.05	Other Operating Expenses	(269,000)	(5,088,000)	(9,103,000)	(15,560,000)
3.04.05.01	Other Taxes	(3,069,000)	(3,360,000)	(446,000)	(988,000)
3.04.05.02	Research and Development Expenses	(549,000)	(886,000)	(507,000)	(1,010,000)
3.04.05.03	Exploration Costs	(603,000)	(899,000)	(1,641,000)	(2,788,000)
3.04.05.05	Other Operating Expenses, Net	3,952,000	57,000	(6,509,000)	(10,774,000)
3.04.06	Share of Profit / Gains on Interest in Equity-Accounted Investments	615,000	1,227,000	398,000	786,000
3.05	Net Income Before Financial Results, Profit Sharing and Income Taxes	15,605,000	30,487,000	7,582,000	16,118,000
3.06	Finance Income (Expenses), Net	(8,835,000)	(16,590,000)	(6,061,000)	(14,754,000)
3.06.01	Finance Income	1,051,000	1,984,000	764,000	1,650,000
3.06.01.01	Finance Income	1,051,000	1,984,000	764,000	1,650,000
3.06.02	Finance Expenses	(9,886,000)	(18,574,000)	(6,825,000)	(16,404,000)
3.06.02.01	Finance Expenses	(6,868,000)	(12,813,000)	(6,138,000)	(12,284,000)
3.06.02.02	Foreign Exchange and Inflation Indexation Charges, Net	(3,018,000)	(5,761,000)	(687,000)	(4,120,000)
3.07	Net Income Before Income Taxes	6,770,000	13,897,000	1,521,000	1,364,000
3.08	Income Tax and Social Contribution	(6,478,000)	(8,798,000)	(622,000)	(846,000)
3.08.01	Current	(2,573,000)	(3,399,000)	(1,911,000)	(3,548,000)
3.08.02	Deferred	(3,905,000)	(5,399,000)	1,289,000	2,702,000

3.09	Net Income from Continuing Operations	292,000	5,099,000	899,000	518,000
3.11	Income / Loss for the Period	292,000	5,099,000	899,000	518,000
3.11.01	Attributable to Shareholders of Petrobras	316,000	4,765,000	370,000	(876,000)
3.11.02	Attributable to Non-Controlling Interests	(24,000)	334,000	529,000	1,394,000
3.99	Basic Income per Share (Reais / Share)				
3.99.01	Basic Income per Share				
3.99.01.01	Common	0.02400	0.37000	0.03000	(0.07000)
3.99.01.02	Preferred	0.02400	0.37000	0.03000	(0.07000)
3.99.02	Diluted Income per Share				
3.99.02.01	Common	0.02400	0.37000	0.03000	(0.07000)
3.99.02.02	Preferred	0.02400	0.37000	0.03000	(0.07000)

Consolidated Interim Accounting Information /
Statement of Comprehensive Income

(R$ Thousand)

Account Code	Account Description	Current Quarter 04/01/2017 to 06/30/2017	Accumulated of the Current Year 01/01/2017 to 06/30/2017	Same Quarter of the Previous Year 04/01/2016 to 06/30/2016	Accumulated of the Previous Year 01/01/2016 to 06/30/2016
4.01	Consolidated Net Income for the Period	292,000	5,099,000	899,000	518,000
4.02	Other Comprehensive Income	543,000	3,640,000	8,057,000	16,771,000
4.02.03	Cumulative Translation Adjustments	4,102,000	1,586,000	(8,340,000)	(16,817,000)
4.02.04	Unrealized Gains / (Losses) on Available-for-Sale Securities - Recognized in Shareholders' Equity	(2,000)	(42,000)		
4.02.07	Unrealized Gains / (Losses) on Cash Flow Hedge - Recognized in Shareholders' Equity	(7,742,000)	(2,281,000)	21,474,000	43,487,000
4.02.08	Cash Flow Hedge - Reclassified to Profit or Loss	2,371,000	4,806,000	2,497,000	5,397,000
4.02.09	Deferred Income Tax and Social Contribution on Cash Flow Hedge	1,825,000	(859,000)	(8,148,000)	(16,618,000)
4.02.10	Share of Other Comprehensive Income of Equity-Accounted Investments	(11,000)	430,000	574,000	1,322,000
4.03	Total Consolidated Comprehensive Income for the Period	835,000	8,739,000	8,956,000	17,289,000
4.03.01	Attributable to Shareholders of Petrobras	803,000	8,394,000	8,729,000	16,648,000
4.03.02	Attributable to Non-controlling Interests	32,000	345,000	227,000	641,000

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

(R$ Thousand)

Account Code	Account Description	Accumulated of the Current Year 01/01/2017 to 06/30/2017	Accumulated of the Previous Year 01/01/2016 to 06/30/2016
6.01	Net cash provided by operating activities	42,878,000	39,415,000
6.01.01	Cash provided by operating activities	48,175,000	47,402,000
6.01.01.01	Net Income (loss) for the period	5,099,000	518,000
6.01.01.02	Pension and medical benefits (actuarial expense)	4,352,000	4,023,000
6.01.01.03	Results in equity-accounted investments	(1,227,000)	(786,000)
6.01.01.04	Depreciation, depletion and amortization	21,148,000	24,598,000
6.01.01.05	Impairment of assets (reversal)	207,000	1,478,000
6.01.01.06	Exploratory expenditures write-offs	324,000	1,810,000
6.01.01.07	Gains and losses on disposals/write-offs of assets	(5,685,000)	235,000
6.01.01.08	Foreign exchange, indexation and finance charges	16,153,000	14,596,000
6.01.01.09	Deferred income taxes, Net	5,399,000	(2,702,000)
6.01.01.10	Allowance (reversals) for impairment of trade and others receivables	1,458,000	1,237,000
6.01.01.11	Inventory write-down to net realizable value	249,000	1,250,000
6.01.01.12	Reclassification of cumulative translation adjustment	185,000	–
6.01.01.13	Revision and unwinding of discount on the provision for decommissioning costs	1,211,000	1,145,000
6.01.01.14	Gain on remeasurement of investment retained with loss of control	(698,000)	–
6.01.02	Decrease / (increase) in assets / increase/ (decrease) in liabilities	(5,297,000)	(7,987,000)
6.01.02.01	Trade and other receivables, net	383,000	2,984,000
6.01.02.02	Inventories	823,000	(2,141,000)
6.01.02.03	Judicial deposits	(1,608,000)	(1,284,000)
6.01.02.04	Other assets	(1,053,000)	(1,468,000)
6.01.02.05	Trade payables	(2,381,000)	(4,971,000)
6.01.02.06	Other taxes payable	3,904,000	(181,000)
6.01.02.07	Pension and medical benefits	(1,364,000)	(1,230,000)
6.01.02.08	Income tax and social contribution paid	(626,000)	(579,000)
6.01.02.09	Other liabilities	(3,375,000)	883,000
6.02	Net cash used in investing activities	(11,311,000)	(25,277,000)
6.02.01	Capital expenditures	(20,681,000)	(26,519,000)
6.02.02	Decrease in investments in investees	(50,000)	(316,000)

6.02.03	Proceeds from disposal of assets - Divestment	9,455,000	14,000
6.02.04	Divestment (investment) in marketable securities	(610,000)	788,000
6.02.05	Dividends received	575,000	756,000
6.03	Net cash used in financing activities	(24,039,000)	(37,075,000)
6.03.01	Non-controlling Interest	(142,000)	189,000
6.03.02	Proceeds from financing	43,988,000	32,679,000
6.03.03	Repayment of principal	(55,345,000)	(56,188,000)
6.03.04	Repayment of Interest	(12,130,000)	(13,590,000)
6.03.06	Dividends paid to non-controlling interests	(410,000)	(165,000)
6.04	Effect of exchange rate changes on cash and cash equivalents	1,334,000	(11,968,000)
6.05	Net increase/ (decrease) in cash and cash equivalents	8,862,000	(34,905,000)
6.05.01	Cash and cash equivalents at the beginning of the year	69,108,000	97,845,000
6.05.02	Cash and cash equivalents at the end of the period	77,970,000	62,940,000

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

(R$ Thousand)

Account Code	Account Description	Share Capital	Capital Reserves, Granted Options and Treasury Shares	Profit Reserves	Retained Earnings / Accumulated Losses	Other Comprehensive Income	Shareholders' Equity	Non-controlling interest	Shar Equi Cons
5.01	Balance at the Beginning of the Period	205,432,000	1,251,000	77,584,000	–	(34,037,000)	250,230,000	2,513,000	252,7
5.03	Adjusted Opening Balance	205,432,000	1,251,000	77,584,000	–	(34,037,000)	250,230,000	2,513,000	252,7
5.04	Capital Transactions with Owners	–	11,000	–	5,000	(5,000)	11,000	(349,000)	(338,
5.04.06	Dividends						–	(207,000)	(207,
5.04.08	Change in Interest in Subsidiaries		11,000				11,000	(142,000)	(131,
5.04.09	Realization of the Deemed Cost				5,000	(5,000)	–		–
5.05	Total of Comprehensive Income	–	–	–	4,765,000	3,629,000	8,394,000	345,000	8,739
5.05.01	Net Income for the Period				4,765,000	–	4,765,000	334,000	5,099
5.05.02	Other Comprehensive Income					3,629,000	3,629,000	11,000	3,640
5.07	Balance at the End of the Period	205,432,000	1,262,000	77,584,000	4,770,000	(30,413,000)	258,635,000	2,509,000	261,1

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Consolidated Interim Accounting Information /
Statement of Changes in Shareholders’ Equity – 01/01/2016 to 06/30/2016

(R$ Thousand)

Account Code	Account Description	Share Capital	Capital Reserves, Granted Options and Treasury Shares	Profit Reserves	Retained Earnings / Accumulated Losses	Other Comprehensive Income	Shareholders' Equity	Non-controlling interest	Share Equi Cons
5.01	Balance at the Beginning of the Period	205,432,000	21,000	92,612,000	–	(43,334,000)	254,731,000	3,199,000	257,9
5.03	Adjusted Opening Balance	205,432,000	21,000	92,612,000	–	(43,334,000)	254,731,000	3,199,000	257,9
5.04	Capital Transactions with Owners	–	16,000	–	7,000	(7,000)	16,000	57,000	73,00
5.04.06	Dividends	–	–	–	–	–	–	(92,000)	(92,0
5.04.08	Change in Interest in Subsidiaries	–	16,000	–	–	–	16,000	149,000	165,0
5.04.09	Realization of the Deemed Cost	–	–	–	7,000	(7,000)	–	–	–
5.05	Total of Comprehensive Income	–	–	–	(876,000)	17,524,000	16,648,000	641,000	17,28
5.05.01	Net Income for the Period	–	–	–	(876,000)	–	(876,000)	1,394,000	518,0
5.05.02	Other Comprehensive Income	–	–	–	–	17,524,000	17,524,000	(753,000)	16,77
5.07	Balance at the End of the Period	205,432,000	37,000	92,612,000	(869,000)	(25,817,000)	271,395,000	3,897,000	275,2

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Consolidated Interim Accounting Information / Statement of Added Value

(R$ Thousand)

Account Code	Account Description	Accumulated of the Current Year 01/01/2017 to 06/30/2017	Accumulated of the Previous Year 01/01/2016 to 06/30/2016
7.01	Sales Revenues	198,822,000	209,743,000
7.01.01	Sales of Goods and Services	170,758,000	180,306,000
7.01.02	Other Revenues	12,102,000	5,035,000
7.01.03	Revenues Related to the Construction of Assets to be Used in Own Operations	17,420,000	25,639,000
7.01.04	Allowance / Reversal for Impairment of Trade Receivables	(1,458,000)	(1,237,000)
7.02	Inputs Acquired from Third Parties	(68,311,000)	(83,277,000)
7.02.01	Cost of Sales	(28,077,000)	(35,336,000)
7.02.02	Materials, Power, Third-Party Services and Other Operating Expenses	(29,580,000)	(35,368,000)
7.02.03	Impairment Charges / Reversals of Assets	(207,000)	(1,478,000)
7.02.04	Others	(10,447,000)	(11,095,000)
7.02.04.01	Tax Credits on Inputs Acquired from Third Parties	(10,198,000)	(9,845,000)
7.02.04.02	Inventory Write-Down to Net Realizable Value	(249,000)	(1,250,000)
7.03	Gross Added Value	130,511,000	126,466,000
7.04	Retentions	(21,148,000)	(24,598,000)
7.04.01	Depreciation, Amortization and Depletion	(21,148,000)	(24,598,000)
7.05	Net Added Value Produced	109,363,000	101,868,000
7.06	Transferred Added Value	3,477,000	2,628,000
7.06.01	Share of Profit of Equity-Accounted Investments	1,227,000	786,000
7.06.02	Finance Income	1,984,000	1,650,000
7.06.03	Others	266,000	192,000
7.07	Total Added Value to be Distributed	112,840,000	104,496,000
7.08	Distribution of Added Value	112,840,000	104,496,000
7.08.01	Employee Compensation	14,366,000	16,361,000
7.08.01.01	Salaries	8,834,000	9,362,000
7.08.01.02	Fringe Benefits	4,893,000	6,343,000
7.08.01.03	Unemployment Benefits (FGTS)	639,000	656,000
7.08.02	Taxes and Contributions	58,219,000	52,746,000
7.08.02.01	Federal	35,835,000	26,914,000
7.08.02.02	State	22,087,000	25,430,000
7.08.02.03	Municipal	297,000	402,000
7.08.03	Return on Third-Party Capital	35,156,000	34,871,000
7.08.03.01	Interest	21,654,000	19,344,000
7.08.03.02	Rental Expenses	13,502,000	15,527,000
7.08.04	Return on Shareholders' Equity	5,099,000	518,000

7.08.04.03	Retained Earnings / (Losses) for the Period	4,765,000	(876,000)
7.08.04.04	Non-controlling Interests on Retained Earnings / (Losses)	334,000	1,394,000

Petróleo Brasileiro S.A. – Petrobras

Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

1. The Company and its operations

Petróleo Brasileiro S.A. - Petrobras is a company controlled by the Brazilian government dedicated, directly or through its subsidiaries (referred to jointly as “Petrobras”, “the Company”, or “Petrobras Group”), either independently or through joint ventures or similar arrangements with third parties, to prospecting, drilling, refining, processing, trading and transporting crude oil from producing onshore and offshore oil fields and from shale or other rocks, as well as oil products, natural gas and other liquid hydrocarbons. In addition, Petrobras carries out energy related activities, such as research, development, production, transport, distribution and trading of all forms of energy, as well as other related or similar activities. The Company’s head office is located in Rio de Janeiro – RJ, Brazil.

2. Basis of presentation of interim financial information

This consolidated interim financial information has been prepared and presented in accordance with IAS 34 - Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB) and also in accordance with the accounting practices adopted in Brazil for interim financial reporting (CPC 21 - R1).

This parent company interim financial information has been prepared and is being presented in accordance with the accounting practices adopted in Brazil for interim financial reporting (CPC 21 - R1) and does not differ from the consolidated information.

This interim financial information presents the significant changes in the period, avoiding repetition of certain notes to the financial statements previously reported, and presents the consolidated information, considering Management’s understanding that it provides a comprehensive view of the Company’s financial position and operational performance. Certain information about the parent company are also included. Hence, this interim financial information should be read together with the Company’s audited annual financial statements for the year ended December 31, 2016, which include the full set of notes.

The Company’s Board of Directors in a meeting held on August 10, 2017 authorized the issuance of these consolidated interim financial information.

2.1. Accounting estimates

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

For further information on accounting estimates, see note 5 to the Company’s annual financial statements for the year ended December 31, 2016.

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Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

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

In the third quarter of 2014, the Company wrote off R$ 6,194 (R$ 4,788 in the Parent Company) of capitalized costs representing estimated amounts that Petrobras overpaid for the acquisition of property, plant and equipment in prior years. For further information see note 3 to the Company's December 31, 2016 audited consolidated financial statements.

In preparing its financial statements for the period ended June 30, 2017, the Company considered all available information and did not identify any additional information in the investigations related to the "Lava Jato" (Car Wash) investigation by the Brazilian authorities or by the independent law firms conducting an internal investigation that could materially impact or change the methodology adopted to recognize the write-off taken in the third quarter of 2014. The Company continues to monitor the investigations for additional information and will review their potential impacts on the adjustment made.

To the extent that any of the proceedings resulting from the Lava Jato investigation involve new leniency agreements with cartel members or plea agreements with individuals pursuant to which they agree to return funds, Petrobras may be entitled to receive a portion of such funds and will recognize them as other income and expenses when received. Nevertheless, the Company is unable to reliably estimate further recoverable amounts at this moment. Any recoverable amount will be recognized as income when received or when their economic benefits become virtually certain.

In addition to the total funds returned through December 31, 2016, amounting to R$ 661 (R$ 432 in 2016 and R$ 229 in 2015), in the second quarter of 2017, the Company recognized R$ 89 as other income and expenses with respect to compensation for damages resulted from a new leniency agreement, of which R$ 8 were already received and the remaining R$ 81 were recognized as account receivable. In July 2017, the Company also received R$ 46 from another new leniency agreement, which will be included in the income statement for the third quarter of 2017.

We have been formally recognized as a victim of the crimes identified under the Lava Jato investigation by the Brazilian Federal Prosecutor's Office, the lower court hearing the case and also by the Brazilian Supreme Court. As a result, we have entered into 37 criminal proceedings as an assistant to the prosecutor. In addition, we have entered into four criminal proceedings as an interested party. We have also renewed our commitment to continue cooperating with authorities to clarify the issues and report them regularly to our investors and to the public in general.

4. Basis of consolidation

The consolidated interim accounting information includes the interim information of Petrobras, its subsidiaries, its assets and liabilities within joint operations and consolidated structured entities.

There were no significant changes in the Company's basis of consolidation of entities in the period ended June 30, 2017 when compared to December 31, 2016, except for the disposal of the subsidiary Nova Transportadora do Sudeste - NTS, on April 4, 2017, as set out in note 9.

5. Summary of significant accounting policies

The same accounting policies and methods of computation were followed in these consolidated interim financial statements as those followed in the preparation of the annual financial statements of the Company for the year ended December 31, 2016.

Formal Notice from CVM – Hedge accounting

Since mid-May 2013, the Company has designated cash flow hedging relationships, in which (a) the hedged items are portions of our highly probable future monthly export revenues in U.S. dollars, (b) the hedging instruments are portions of our long term debt obligations denominated in U.S. dollars, and (c) the risk hedged is the effect of changes in exchange rates between the U.S. dollar and the functional currency, the real. For more information, see note 31.2 to the Company's audited consolidated financial statements for the year ended December 31, 2016.

On March 7, 2017, the Company received a formal notice from the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários – CVM) requesting that the Company restate its annual and interim financial statements since the second quarter of 2013. This notice requested that the Company restate the effects of the hedge accounting policy application relating to the cash flow hedge involving the Company's future exports. The Company appealed the CVM decision and reaffirmed its view that its accounting policy has been correctly applied.

In July 2017, the CVM's collegiate body accepted the Company's appeal and dismissed the formal notice, which reinforced the correct application of the accounting policy by the Company.

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(Expressed in millions of reais, unless otherwise indicated)

6. Cash and cash equivalents and Marketable securities

Cash and cash equivalents

	Consolidated	
	06.30.2017	12.31.2016
Cash at bank and in hand	1,679	1,926
Short-term financial investments		
- In Brazil		
Brazilian interbank deposit rate investment funds and other short-term deposits	2,003	3,845
Other investment funds	95	427
	2,098	4,272
- Abroad		
Time deposits	13,475	10,053
Automatic investing accounts and interest checking accounts	38,569	31,875
U.S. Treasury bills	18,681	17,004
Other financial investments	3,468	3,978
	74,193	62,910
Total short-term financial investments	76,291	67,182
Total cash and cash equivalents	77,970	69,108

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

Marketable securities

	Consolidated	
	06.30.2017	12.31.2016
Trading securities	3,317	2,556
Available-for-sale securities	413	1
Held-to-maturity securities	302	292
Total	4,032	2,849
Current	3,317	2,556
Non-current	715	293

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

Available-for-for sale securities refer substantially to São Martinho’s common shares granted to the wholly-owned subsidiary Petrobras Biocombustível S.A. - PBIO (24 million shares) as consideration for PBIO’s shares in Nova Fronteira. For further information on this transaction see note 9.2.

7. Trade and other receivables

7.1. Trade and other receivables, net

	Consolidated	
	06.30.2017	12.31.2016
Third parties	19,590	19,972
Related parties		
Investees (note 18.7)	2,074	1,809
Receivables from the electricity sector (note 7.4) (*)	16,515	16,042
Petroleum and alcohol accounts - receivables from Brazilian Government	828	875
Finance lease receivables	1,864	3,986
Receivables from divestments (note 9.1)	2,837	–
Other receivables	7,396	5,373
	51,104	48,057
Allowance for impairment of trade and other receivables	(19,203)	(17,682)
Total	31,901	30,375
Current	14,477	15,543
Non-current	17,424	14,832

(*) Includes the amount of R$ 778 at June 30, 2017 (R$ 817 at December 31, 2016) regarding finance lease receivable from AME.

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(Expressed in millions of reais, unless otherwise indicated)

7.2.Trade receivables overdue - Third parties

	Consolidated	
	06.30.2017	12.31.2016
Up to 3 months	2,732	1,313
From 3 to 6 months	209	218
From 6 to 12 months	298	1,339
More than 12 months	9,813	8,637
Total	13,052	11,507

7.3.Changes in the allowance for impairment of trade and other receivables

	Consolidated	
	06.30.2017	12.31.2016
Opening balance	17,682	14,274
Additions (*)	1,734	4,532
Write-offs	(2)	(28)
Reversals	(276)	(595)
Cumulative translation adjustment	65	(501)
Closing balance	19,203	17,682
Current	6,716	6,551
Non-current	12,487	11,131

(*) In 2017, additions include R$ 818 from the finance lease agreement termination relating to the Vitória 10,000 drilling rig. In 2016, additions include: R$ 1,242 from electricity sector and R$ 2,045 from losses on advances to suppliers, as well as assumed debt and termination costs relating to the agreement with the Ecovix shipyard.

7.3.1.Allowance for impairment of receivable relating to the Vitória 10,000 drilling rig

On May, 22 2017, the Company terminated a finance lease agreement relating to the Vitória 10,000 drilling rig, owned by the indirect wholly-owned subsidiary Drill Ship International BV – DSI BV and leased to the Deep Black Drilling LLP – DBD, an entity from Schahin group. On July 19, 2017, a court ruling confirmed this contract termination and, shortly after, Schahin filed a request to suspend its effects, which was not granted by the court on July 28, 2017.

As a result of the finance lease agreement termination, the Company wrote-down R$ 818 as other income and expenses, made up of the difference between the carrying amount of the finance lease receivable and the value in use of the drilling rig based on the cash flows projected to arise from its commitment to certain Petrobras Group projects.

The Company has taken the measures to reestablish the occupancy of this drilling rig since August 9, 2017.

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Notes to the financial statements

(Expressed in millions of reais, unless otherwise indicated)

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

							Consolidated
	As of 12.31.2016	Sales	Amounts received	Transfers (*)	Allowance for impairment, net of reversals	Inflation indexation	As of 06.30.2017
Related parties (Eletrobras Group)							
AME(**)	8,065	638	(1,156)	451	(171)	501	8,328
Ceron(***)	1,201	–	(33)	–	–	67	1,235
Others	313	62	(80)	–	1	23	319
Subtotal	9,579	700	(1,269)	451	(170)	591	9,882
Third parties							
Cigás	468	1,210	(771)	(451)	–	16	472
Celpa (****)		142	(240)	–	98	–	–
Others	15	243	(239)	–	–	–	19
Subtotal	483	1,595	(1,250)	(451)	98	16	491
Trade receivables, net	10,062	2,295	(2,519)	–	(72)	607	10,373
Trade receivables - Eletrobras Group	16,042	700	(1,269)	451		591	16,515
(-) Allowance for impairment	(6,463)				(170)		(6,633)
Subtotal	9,579	700	(1,269)	451	(170)	591	9,882
Trade receivables - Third parties	1,683	1,595	(1,250)	(451)		16	1,593
(-) Allowance for impairment	(1,200)				98		(1,102)
Subtotal	483	1,595	(1,250)	(451)	98	16	491
Trade receivables - Total	17,725	2,295	(2,519)	–	–	607	18,108
(-) Allowance for impairment	(7,663)	–	–	–	(72)	–	(7,735)
Trade receivables, net	10,062	2,295	(2,519)	–	(72)	607	10,373

(*) Transfer of overdue receivables from Cigás to AME, pursuant to the purchase and sale agreement of natural gas (upstream and downstream) entered into by Petrobras, Cigás and AME.

(**) Amazonas Distribuidora de Energia

(***) Centrais Elétricas de Rondônia

(****) Centrais Elétricas do Pará

The Company supplies fuel oil, natural gas, and other products to entities that operate in the isolated electricity system in the northern region of Brazil, such as thermoelectric power plants controlled by Eletrobras, state-owned natural gas distribution companies and independent electricity producers (Produtores Independentes de Energia – PIE). The isolated electricity system provides the public service of electricity distribution in the northern region of Brazil, as the Brazilian National Interconnected Power Grid (Sistema Interligado Nacional) has not yet met the demand for electricity due to technical or economic reasons.

A significant portion of the funds used by those companies to pay for products supplied by the Company came from the Fuel Consumption Account (Conta de Consumo de Combustível – CCC), which provides funds to cover a portion of the costs related to the supply of fuel to thermoelectric power plants located in the northern region of Brazil (operating in the isolated electricity system). However, as a result of changes in the CCC regulations over time, principally relating to Provisional Measure 579/2012 which significantly changed the sources of funds that were used to cover the cost of electricity generated in the Isolated Electricity System, funds transferred from the CCC to these electricity companies have not been sufficient for them to meet their financial obligations and, as a result, some have not been able to pay the total amount for the products supplied by the Company, increasing the default rate of those customers to the Company.

The Company intensified negotiations with the state-owned natural gas distribution companies, the independent electricity producers (PIEs), other private companies and entities controlled by Eletrobras. As a result, on December 31, 2014, the Company entered into a debt acknowledgement agreement with subsidiaries of Eletrobras with respect to the balance of its receivables as of November 30, 2014. Eletrobras acknowledged it owed R$ 8,601 to the Company, of which R$ 7,380 were collateralized by payables from the Brazilian Energy Development Account (Conta de Desenvolvimento Energético CDE) to the CCC. This amount has been adjusted by the Selic interest rate (Brazilian short-term interest rate) on a monthly basis and the first of 120 monthly installments was paid in February 2015.

The contractual amortization clauses in the debt acknowledgement agreement establish the payment of 15% of the amount of renegotiated debt within 36 months and the remaining 85% to be paid in 84 installments beginning in January 2018. Therefore, the Company expects the balance of trade receivables from the electricity sector will decrease from 2018 onwards as the amounts to be received will be higher than inflation indexation on debt acknowledgement agreements. Despite some periodic delays, these payments have continued.

In order to mitigate an increase in default rates, on September 1, 2015 the Brazilian National Electricity Agency (Agência Nacional de Energia Elétrica - ANEEL) enacted the Normative Instruction 679 enabling the Company to receive funds directly from the CCC, as these funds would be paid directly from the CCC for products supplied in the prior month with a limit of 75% of the average payments made by the CCC in the previous three months.

The Company had expected that the abovementioned rule would have strengthened the financial situation of the companies in the electricity sector. However, this had not occurred and the level of these defaults had increased. Accordingly, in 2016, the Company recognized R$ 1,242 as allowance for impairment of trade receivables (net of reversals) with respect to uncollateralized outstanding receivables.

Accordingly, the Company has adopted the following measures:

- judicial collection of overdue receivables with respect to natural gas supplied to Amazonas Distribuidora de Energia (AME), Eletrobras and Cigás;
- judicial collection of overdue receivables with respect to fuel oil supplied by the wholly-owned subsidiary BR Distribuidora to companies of Eletrobras Group (Amazonas, Acre, Rondônia and Roraima);
- suspension of fuel oil supply on credit, except when legally enforced;
- the wholly-owned subsidiary Petrobras Distribuidora registered entities controlled by Eletrobras as delinquent companies in the Brazilian Central Bank records;
- Petrobras parent company registered AME as a delinquent company in ANEEL records from April 2016 to May 2017. Since May 2017, ANEEL canceled this registration alleging fuel purchases are non intra sector debt. The Company has appealed the ANEEL decision.

In the first half of 2017, the Company accounted for allowances for impairment of trade receivables, net of reversals, totaling R$ 72 (R$ 946 in the same period of 2016) primarily due to unsecure overdue receivables related to supplies of fuel oil and natural gas, partially offset by overdue receivables paid by CELPA - Centrais Elétricas do Pará.

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(Expressed in millions of reais, unless otherwise indicated)

8. Inventories

	Consolidated	
	06.30.2017	12.31.2016
Crude oil	10,325	11,485
Oil products	8,632	8,634
Intermediate products	2,300	2,281
Natural gas and LNG (*)	485	435
Biofuels	486	686
Fertilizers	181	85
Total products	22,409	23,606
Materials, supplies and others	4,250	4,053
Total	26,659	27,659
Current	26,621	27,622
Non-current	38	37

(*) LNG - Liquid Natural Gas

The amount of inventories is presented net of R$ 86 reducing inventories to net realizable value (R$ 92 as of December 31, 2016), primarily due to changes in international prices of crude oil and oil products. In the six-month period ended June 30, 2017, the Company recognized as cost of sales R$ 249 reducing inventories to net realizable value, net of reversals (R$ 1,250 in the same period of 2016).

A portion of the crude oil and/or oil products volume have been pledged as security for the Terms of Financial Commitment (TFC) signed by Petrobras and Petros in the amount of R$ 6,906 (R$ 6,449 as of December 31, 2016), as set out in note 21.

9. Disposal of Assets and other changes in organizational structure

9.1. Disposal of Assets

Disposal of distribution assets in Chile

On July 22, 2016, the Company signed a sale and purchase agreement with the Southern Cross Group for the sale of 100% of Petrobras Chile Distribución Ltda (PCD), a group entity from the distribution business segment, held through Petrobras Caribe Ltda.

This transaction was concluded on January 4, 2017 and the net proceeds from this sale were US$ 470 million, of which US$ 90 million were received via distribution of dividends after taxes on December 9, 2016 and the remaining US$ 380 million were paid by Southern Cross Group at the transaction closing. Accordingly, the Company recognized a gain of R$ 2 as other income and expenses, in the first quarter of 2017, taking into account the impairment of R$ 266 at December 31, 2016.

In addition, a R$ 248 loss was recycled from shareholders' equity to other income and expenses within the income statement, reflecting the reclassification of cumulative translation adjustments resulting from the depreciation of the Chilean Peso against the U.S. Dollar from the time of the acquisition of this investment to its disposal (see note 22.2).

Disposal of interest in Nova Transportadora do Sudeste (NTS) and related changes in organizational structure

After a corporate restructuring intended to concentrate the transportation assets of the southeastern region in Nova Transportadora do Sudeste – NTS, a group entity from the gas and power business segment, the Company's Board of Directors approved on September 22, 2016 the sale of a 90% interest in NTS to Brookfield Infrastructure Partners (BIP) and its affiliates, through a Private Equity Investment Fund (FIP) whose other shareholders are British Columbia Investment Management Corporation (BCIMC), CIC Capital Corporation (wholly-owned subsidiary of China Investment Corporation - CIC) and GIC Private Limited (GIC).

The following changes in organizational structure occurred as part of this process:

- The Extraordinary General Meeting of NTS, held on October 21, 2016, approved an increase to its share capital in the amount of R$ 2.31 billion, based on an independent expert report dated on October 14, 2016, through net assets of the Company's subsidiary Transportadora Associada de Gás S.A. - TAG. This capital increase required the approval of the National Petroleum, Natural Gas and Biofuels Agency - ANP through the issuance of Permissions of Provisional Operation (Autorizações de Operação Provisórias);
- The Extraordinary General Meeting of the TAG, held on October 21, 2016, approved a reduction to its share capital, via a capital surplus, in the amount of its investment in NTS (R$ 2.6 billion) and transfer of all of its interest in NTS to Petrobras, as occurred on October 24, 2016 pursuant to the Permissions of Provisional Operation.

This transaction prescribes the maintenance of charge capacity and also the same terms of five Firm Gas Transportation Agreements including 100% ship-or-pay clauses. These agreements have terms of 20 years from 2016 and their rates are indexed to the Brazilian General Market Price Index (IGP-M) and regulated by the ANP.

On April 4, 2017, after performing all conditions precedent and adjustments provided for in the purchase and sale agreement, this transaction was completed in the amount of US$ 5.08 billion upon the payment of US$ 4.23 billion on this date, of which US$ 2.59 billion relates to the sale of shares, US$ 100 million relates to an escrow account pledged as collateral for charges associated with the repair of pipelines, and US$ 1.64 billion relates to the issuance of convertible debentures by NTS, maturing in 10 years, as a replacement of the debt to PGT. The remaining balance (US$ 850 million, also relating to the sale of shares) will be paid in the fifth year, bearing annual interests at a fixed rate, as established in the purchase and sale agreement.

In the second quarter of 2017, the Company recognized a gain on this transaction in the amount of R$ 6,977 accounted for as other income and expenses, which includes a R$ 698 gain on remeasurement of retained interests. This amount is subject to price adjustments according to the purchase and sale agreement.

Disposal of Guarani

On December 28, 2016, the Company's wholly-owned subsidiary Petrobras Biocombustível S.A. (PBIO), from the biofuels business segment, disposed of its interests in the associate Guarani S.A. (45.97% of share capital) to Tereos Participations SAS, an entity of the French group Tereos.

On February 3, 2017, this transaction was concluded pursuant to the payment of US$ 203 million, after all conditions precedent were performed by Tereos Participations SAS. At December 31, 2016, an impairment loss amounting to R$ 578 was accounted for.

Additionally, a gain of R$ 132 was recycled from shareholders' equity to other income and expenses within the income statement, reflecting the reclassification of cumulative translation adjustment resulting from the appreciation of Mozambican Metical against the Brazilian Real from the acquisition of this investment to its disposal (see note 22.2). This gain was partially offset by a R$ 69 loss also recycled from shareholders' equity to other income and expenses, reflecting cumulative losses relating to cash flow hedge accounting.

Disposal of Liquigás

On November 17, 2016 the Company's Board of Directors approved the disposal of its wholly-owned subsidiary Liquigás Distribuidora S.A, a group entity from the RT&M business segment (Refining, Transportation and Marketing), to Companhia Ultragaz S.A., a subsidiary of Ultrapar Participações S.A. The amount of this transaction is indexed to the CDI rate (Brazilian interbank interest rate), from the signing to the closing date, and remains subject to adjustments based on Liquigás' working capital changes, net debt and market value of its inventories, from December 31, 2015 to the transaction closing.

In January 2017, this sale was approved at Ultrapar's and Petrobras' Shareholders' Meetings in the amount of R$ 2.7 billion.

According to an official statement released by the general superintendency of the Brazilian Antitrust Regulator (CADE) on June 30, 2017, additional diligences will be performed by the CADE in order to conclude on market concentration aspects of this sale.

At June 30, 2017, the related assets and liabilities remained classified as held for sale, as some of the conditions precedent were not yet performed, including the approval by the CADE.

Disposal of Suape and Citepe petrochemical plants

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

On February 21, 2017, the operation was approved at the Grupo Alfa's Board of Directors Meeting and, on March 27, 2017, at Petrobras' Shareholders' Meeting. However, this transaction closing remains subject to approval of the CADE, and to the fulfillment of certain other customary conditions precedent. Therefore, the respective assets and liabilities remained classified as held for sale at June 30, 2017.

Strategic alliance with Total

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

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

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

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

These transactions are still subject to approval by the relevant authorities, the potential exercise of preemptive rights by current Iara partners, and other customary conditions precedent. Accordingly, the related assets and liabilities remained classified as held for sale at June 30, 2017.

9.2.Other changes in organizational structure

Sale and merger of Nova Fronteira Bioenergia

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

On February 23, 2017, this transaction was concluded as São Martinho granted to PBIO an additional 24 million of its common shares, corresponding to 6.593% of its voting and total paid in capital, in exchange and in proportion to the shares that PBIOs held in Nova Fronteira.

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9.3.Assets classified as held for sale

	Consolidated					
	06.30.2017					12.31.2016
	E&P	Distribution	RT&M	Gas & Power	Total	Total
Assets classified as held for sale (*)						
Cash and Cash Equivalents	–	–	20	–	20	355
Trade receivables	–	–	406	–	406	667
Inventories	–	–	322	–	322	560
Investments	–	–	16	–	16	1,233
Property, plant and equipment	3,761	5	997	245	5,008	14,409
Others	–	–	999	–	999	1,445
Total	3,761	5	2,760	245	6,771	18,669
Liabilities on assets classified as held for sale (*)						
Trade Payables	35	–	141	–	176	440
Finance debt	–	–	55	–	55	45
Provision for decommissioning costs	192	–	–	–	192	170
Others	–	–	278	–	278	950
Total	227	–	474	–	701	1,605

(*) As of June 30, 2017, the amounts mainly refer to assets and liabilities transferred following the approvals of the disposal of Liquigás, Petroquímica Suape and Citepe, interest in the concession areas named as Iara and Lapa, as well as interests in the thermoelectric power generation plants Rômulo Almeida and Celso Furtado. At December 31, 2016, the amounts also comprise assets and liabilities transferred following the approvals of the disposals of NTS, PCD, Guarani and Nova Fronteira.

9.4.Civil action filed by the Brazilian Federal Audit Court (TCU)

On March 15, 2017, after the Company's revision of its divestments decision-making methodology, the Brazilian Federal Audit Court (Tribunal de Contas da União – TCU) dismissed the civil action filed on December 7, 2016, which prohibited Petrobras from commencing additional divestment projects. This decision enabled the Company to progress with two deals (sale of interests in Baúna and Tartaruga Verde fields and Saint Malo field located in U.S. Gulf of Mexico) and also to commence new divestment projects based on the revised methodology. However, the Company suspended its intention to progress with these two deals as they have not achieved their expected outcomes and due to a judicial injunction ordered by the Brazilian Federal Court in the state of Sergipe with respect to Baúna and Tartaruga Verde project.

On March 30, 2017, the Company's Executive Board approved the new divestment portfolio, consisting of projects that follow the revised divestment methodology in compliance with the TCU's decision.

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10. Investments

10.1. Changes in investments (Parent Company)

	Balance at 12.31.2016	Investments	Restructuring, capital decrease and others	Results in equity-accounted investments (*)	Cumulative translation adjustments (CTA)	Other comprehensive results	Dividends	Balance at 06.30.2017
Subsidiaries								
PNBV(***)	68,167	1,999	65	3,690	1,208	–	–	75,129
PIB BV	20,076	–	–	(2,081)	546	1	–	18,542
TAG(****)	8,494	3,695	–	371	–	737	(1,178)	12,119
BR Distribuidora	7,294	–	–	297	–	–	–	7,591
Transpetro	3,879	–	–	277	17	–	(26)	4,147
PB-LOG	3,348	–	–	337	–	–	(872)	2,813
PBIO	1,350	38	–	80	(132)	28	–	1,364
Logigás	1,190	–	–	160	–	–	(215)	1,135
Gaspetro	952	–	–	58	–	–	(32)	978
Termomacaé Ltda	705	–	–	(613)	–	–	(20)	72
Breitener	633	–	–	11	–	–	(3)	641
Araucária Nitrogenados	194	116	70	(381)	–	–	–	(1)
Other subsidiaries	808	–	–	142	(1)	–	(23)	926
Joint operations	233	–	–	26	–	–	(8)	251
Joint ventures	314	112	–	(144)	–	4	(27)	259
Associates								–
Petrochemical associates	3,464	–	–	1,063	(63)	356	–	4,820
NTS	–	–	1,150	39			(36)	1,153
Other associates	71	–	–	16	–	–	(10)	76
	121,172	5,960	1,285	3,348	1,575	1,126	(2,450)	132,016
Other investments	19	–	–	–	–	–	–	19
Total investments	121,191	5,960	1,285	3,348	1,575	1,126	(2,450)	132,035
Provision for losses in subsidiaries				238				
Results in investees transferred to assets held for sale				120				

Results in equity-accounted investments				3,706				

(*) It Includes unrealized profits from transactions between companies.
(**) Remaining 10% stake in NTS (R$ 452), including remeasurement by fair value (R$ 698).
(***) Capital contribution to PNBV to fund investment projects.
(****) Capital contribution to TAG to pay for loans to BNDES.

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

	Balance at 12.31.2016	Investments	Restructuring, capital decrease and others	Results in equity-accounted investments	Cumulative translation adjustments (CTA)	Other comprehensive income	Dividends	Balance at 06.30.2017
Joint Ventures								
Petrobras Oil & Gas B.V. - PO&G	4,654	–	–	156	62	–	(317)	4,555
State-controlled natural gas distributors	1,076	–	–	118	–	–	(108)	1,086
Compañia Mega S.A. - MEGA	115	–	–	34	(1)	–	(37)	111
Petrochemical joint ventures	83			10	–		–	93
Other joint ventures	337	146	(18)	(164)	–	5	(28)	278
Associates								
Nova Transportadora do Sudeste			1,150	39			(36)	1,153
Petrochemical associates	3,464	–	–	1,063	(63)	356	–	4,820
Other associates	169	–	(10)	11	1	–	(10)	161
Other investees	50	–	–	–	–	–	–	50
Total	9,948	146	1,122	1,267	(1)	361	(536)	12,307
Results in investees transferred to assets held for sale				(40)				
Results in equity-accounted investments				1,227				

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10.3.Investments in listed companies

	Thousand-share lot			Quoted stock exchange prices (R$ per share)		Market value	
Company	06.30.2017	12.31.2016	Type	06.30.2017	12.31.2016	06.30.2017	12.31.2016
Associate							
Braskem S.A.	212,427	212,427	Common	29.79	29.99	6,328	6,371
Braskem S.A.	75,762	75,762	Preferred A	34.20	34.25	2,591	2,595
						8,919	8,966

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

Investment in publicly traded associate (Braskem S.A.)

Braskem's shares are publicly traded on stock exchanges in Brazil and abroad. As of June 30, 2017, the quoted market value of the Company's investment in Braskem was R$ 8,919, based on the quoted values of both Petrobras' interest in Braskem's common stock (47% of the outstanding shares), and preferred stock (22% of the outstanding shares). However, there is extremely limited trading of the common shares, since non-signatories of the shareholders' agreement hold only approximately 3% of the common shares.

Given the operational relationship between Petrobras and Braskem, at December 31, 2016, the recoverable amount of the investment for impairment testing purposes was determined based on its value in use, considering future cash flow projections and the manner in which the Company can derive value from this investment via dividends and other distributions to arrive at its value in use. As the recoverable amount was higher than the carrying amount, no impairment losses were recognized for this investment.

The main assumptions on which cash flow projections were based to determine Braskem's value in use are set out in note 14 to the Company's audited consolidated financial statements for the year ended December 31, 2016.

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11. Property, plant and equipment

11.1. By class of assets

	Consolidated					Parent Company
	Land, buildings and improvement	Equipment and other assets	Assets under construction (*)	Exploration and development costs (oil and gas producing properties)	Total	Total
Balance at January 1, 2016	23,821	288,539	146,861	170,610	629,831	442,439
Additions	361	3,223	41,337	720	45,641	33,657
Additions to / review of estimates of decommissioning costs	–	–	–	3,113	3,113	2,868
Capitalized borrowing costs	–	–	5,982	–	5,982	4,470
Write-offs	(210)	(465)	(4,689)	(153)	(5,517)	(5,210)
Transfers (***)	1,479	16,645	(55,069)	20,570	(16,375)	(5,516)
Depreciation, amortization and depletion	(1,479)	(26,102)	–	(20,422)	(48,003)	(36,742)
Impairment recognition	(1,036)	(12,652)	(1,510)	(6,357)	(21,555)	(13,709)
Impairment reversal	–	2,511	–	584	3,095	2,514
Cumulative translation adjustment	(180)	(15,128)	(7,210)	(1,818)	(24,336)	–
Balance at December 31, 2016	22,756	256,571	125,702	166,847	571,876	424,771
Cost	32,589	415,663	125,702	262,886	836,840	624,946
Accumulated depreciation, amortization and depletion	(9,833)	(159,092)	–	(96,039)	(264,964)	(200,175)
Balance at December 31, 2016	22,756	256,571	125,702	166,847	571,876	424,771
Additions	3	1,124	18,303	25	19,455	14,075
Additions to / review of estimates of decommissioning costs	–	–	–	96	96	44
Capitalized borrowing costs	–	–	3,073	–	3,073	2,261
Write-offs	(1)	(6)	(894)	(63)	(964)	(948)
Transfers (***)	775	9,243	(15,681)	6,516	853	(248)
Depreciation, amortization and	(698)	(11,149)	–	(8,882)	(20,729)	(15,995)

depletion						
Impairment recognition	(7)	(138)	(166)	–	(311)	(91)
Cumulative translation adjustment	19	1,124	653	97	1,893	–
Balance at June 30, 2017	22,847	256,769	130,990	164,636	575,242	423,869
Cost	33,293	426,109	130,990	269,652	860,044	639,545
Accumulated depreciation, amortization and depletion	(10,446)	(169,340)	–	(105,016)	(284,802)	(215,676)
Balance at June 30, 2017	22,847	256,769	130,990	164,636	575,242	423,869
Weighted average of useful life in years	40 (25 to 50) (except land)	20 (3 to 31) (**)		Units of production method		

(*) See note 28 for assets under construction by business area.
(**) Includes exploration and production assets depreciated based on the units of production method.
(***) In 2016 includes transfers to assets held for sale.

In addition to the capital commitments previously reported and in line with the investments foreseen in the Strategic Plan and the 2017-2021 Business and Management Plan, in the first half of 2017 the Company entered into agreements for the acquisition and construction of property, plant and equipment, including the contract for the conclusion of the hull conversion of FPSO P-76, in the amount of R$ 1,644, and the contract for the supply of flexible pipelines for the production, gas lifting and water injection in many pre-salt projects, in the total amount of R$ 1,970, expiring in March 2018 and May 2022, respectively.

At June 30, 2017, consolidated and Parent Company property, plant and equipment include assets under finance leases of R$ 398 and R$ 6,130, respectively (R$ 407 and R$ 6,004 at December 31, 2016).

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

Petrobras and the Brazilian Federal Government entered into the Assignment Agreement in 2010, which grants the Company the right to carry out prospection and drilling activities for oil, natural gas and other liquid hydrocarbons located in the pre-salt area, subject to a maximum production of five billion barrels of oil equivalent. The agreement has a term of forty years and is renewable for a further five years subject to certain conditions. As of June 30, 2017, the Company’s property, plant and equipment include the amount of R$ 74,808 related to the Assignment Agreement.

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

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

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

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

Currently, the final amount to be established for this agreement is not defined. The beginning of negotiation with the Brazilian Federal Government, which is expected to occur in the third quarter of 2017, still depends on the conclusion of the appraisals by independent experts engaged by both parties and the issuance of the respective reports.

On October 21, 2016, the Company's Board of Directors approved the creation of the minority shareholders committee responsible for monitoring the agreement review process and providing support to the board's decisions through opinions about related matters. This committee is composed of two members nominated by the minority shareholders and an independent member with recognized expertise in technical-financial analysis of investment projects.

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12. Intangible assets

12.1. By class of assets

	Consolidated					Parent Company
		Software				
	Rights and		Developed			
	Concessions	Acquired	in-house	Goodwill	Total	Total
Balance at January 1, 2016	9,516	308	1,131	1,117	12,072	9,133
Addition	39	53	204	–	296	208
Capitalized borrowing costs	–	–	14	–	14	14
Write-offs	(523)	–	(4)	–	(527)	(177)
Transfers	(44)	(15)	(1)	(332)	(392)	(7)
Amortization	(78)	(120)	(342)	–	(540)	(407)
Impairment recognition	(7)	–	–	–	(7)	–
Cumulative translation adjustment	(178)	(4)	(4)	(67)	(253)	–
Balance at December 31, 2016	8,725	222	998	718	10,663	8,764
Cost	9,367	1,587	3,941	718	15,613	12,459
Accumulated amortization	(642)	(1,365)	(2,943)	–	(4,950)	(3,695)
Balance at December 31, 2016	8,725	222	998	718	10,663	8,764
Addition	39	20	84	–	143	104
Capitalized borrowing costs	–	–	7	–	7	7
Write-offs	(15)	–	(7)	–	(22)	(21)
Transfers	(5)	–	5	–	–	4
Amortization	(33)	(47)	(162)	–	(242)	(185)
Impairment recognition	(16)	–	–	–	(16)	–
Cumulative translation adjustment	15	–	–	2	17	–
Balance at June 30, 2017	8,710	195	925	720	10,550	8,673
Cost	9,359	1,604	4,014	720	15,697	12,528
Accumulated amortization	(649)	(1,409)	(3,089)	–	(5,147)	(3,855)
Balance at June 30, 2017	8,710	195	925	720	10,550	8,673
Estimated useful life in years	(*)	5	5	Indefinite		

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

13. Impairment

The Company’s assets are tested for impairment annually, or whenever there is an indication that their carrying amount may not be recoverable.

In the first half of 2017, impairment losses (net of reversals) amounted R$ 207 and were recognized within other income and expenses, mainly reflecting:

a) Araucaria Nitrogenados - write down to the recoverable amount of assets relating to the wholly-owned subsidiary Araucaria Nitrogenados S.A. Indications of impairment were identified during this period, such as lower sales volume and prices, as well as higher production costs. Therefore, the Company assessed the related assets for impairment and, as a result, an impairment charge of R$ 219 was recognized. Cash flow projections were based on financial budget and forecasts approved by the management and a post-tax real discount rate of 6.6% p.a. at June 30, 2017 (7.8% p.a. in 2016) derived for the weighted average cost of capital (WACC) for the fertilizer business.

b) COMPERJ - impairment losses of R$ 91 were recognized for constructions of the first refining unit of Comperj facilities which are also related to the natural gas processing plant (UPGN) necessary for the transport and processing of natural gas from the pre-salt layer of the Santos Basin; and

c) Petrochemical Complex - reversal of R$ 120 with respect to the lower difference between the exit price and the cost of the asset held for sale Suape Petrochemical Complex.

In the first half of 2016, impairment losses (net of reversals) were recognized in the amount of R$ 1,478, mainly due to (i) the reassessment of the Comperj project, which postponement has been confirmed to at least December 2020 (first refining unit), with efforts to seek new partnerships to resume the project, (ii) the interdependence between the infrastructure of UPGN and Comperj first refining unit and (iii) to Bijupirá and Salema fields.

14. Exploration and evaluation of oil and gas reserves

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

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

	Consolidated	
Capitalized Exploratory Well Costs / Capitalized Acquisition Costs (*)	06.30.2017	12.31.2016
Property, plant and equipment		
Opening Balance	16,728	20,310
Additions to capitalized costs pending determination of proved reserves	1,228	3,543
Capitalized exploratory costs charged to expense	(165)	(3,603)
Transfers upon recognition of proved reserves	(278)	(3,304)
Cumulative translation adjustment	14	(218)
Closing Balance	17,527	16,728
Intangible Assets	7,277	7,288
Capitalized Exploratory Well Costs / Capitalized Acquisition Costs	24,804	24,016

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

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

	Consolidated	
Exploration costs recognized in the statement of income	Jan-Jun/2017	Jan-Jun/2016
Geological and geophysical expenses	568	704