

PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
November 14, 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 November, 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 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

THIRD 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 November 10, 2016

Main financial highlights 3Q-2016 x 2Q-2016

Net loss of R\$ 16,458 million, compared to net income of R\$ 370 million in the 2Q-2016, as a result of:

Impairment of assets and investment in associates of R\$ 15,709 million, due to the review of assumptions, such as Brent prices and long term exchange rates, and the portfolio of investments in the context of the 2017-2021 Business and Management Plan, finalized and approved in 3Q-2016, as well as the appreciation of the real and the increase in discount rates;

Reclassification of foreign exchange losses, due to the sale of Petrobras Argentina (PESA);

Higher expenses with the new Voluntary Separation Incentive Plan;

Provision for expenses with settlements of individual securities actions against Petrobras in New York;

Provision for assumption of debts and losses related to advance for suppliers for the construction of FPSO hulls; and

These facts were partially offset by the positive effect of the revision of decommissioning costs in oil and gas production areas, lower expenses with drilling rigs idleness and capital gains with the sale of PESA.

Positive free cash flow* for six quarters in a row, amounting to R\$ 16,448, 52% above 2Q-2016, due to the increase in operating cash generation in 22% and the reduction in investments in 8%, and 3.6x higher, on an accumulated basis, than the Jan-Sep/2015 period.

Adjusted EBITDA* of R\$ 21,603million in the 3Q-2016, 6 % above the 2Q-2016, due to the increase in production and exports of oil and lower expenditures with imports, amounting R\$ 63.011 million on Jan-Sep/2016, 11% superior compared to Jan-Sep/2015.

Gross debt decreased 19%, from R\$ 493,023 million in December 31, 2015 to R\$ 398,165 million in September 30, 2016 (a R\$ 94,858 million decrease), mainly due to the appreciation of the *real*. Net debt* decreased from R\$ 392,136 million in December 31, 2015 to US\$ 325,563 million in September 30, 2016, a 17% drop.

Net debt / LTM adjusted EBITDA* decreased from 5.31 as of December 31, 2015 to 4.07 as of September 30, 2016 and leverage decreased from 60% to 55%.

Sales, general and administrative expenses decreased 2%, despite the provision for higher labor costs due to wage increases related to the 2016 Collective Bargaining Agreement.

Main operating highlights 3Q-2016 x 2Q-2016

Total crude oil and natural gas production was 2,869 thousand barrels of oil equivalent per day (boed), an increase of 2% compared to the 2Q-2016.

In September, we broke several production records, among which oil and gas production in Brazil (2,753 kboed) and operated oil and gas production in the pre-salt (1,464 kboed).

Domestic oil products output decreased 3% to 1,862 thousand barrels per day (bpd), while domestic sales decreased 1% to 2,088 thousand bpd.

Crude oil and oil products exports increased 9%, to 562 thousand bpd.

* 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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BM&F BOVESPA: PETR3, PETR4

NYSE: PBR, PBRA

BCBA: APBR, APBRA

LATIBEX: XPBR, XPBRA

This release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are subject to risks and uncertainties. The forward-looking statements, which address the Company's expected business and financial performance, among other matters, contain words such as believe, expect, estimate, anticipate, optimistic, intend, plan, aim, will, may, should, could, would, likely, and similar expressions 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.

| | R\$ million | | | | | | |
|---|-------------|----------|----------|-----------------|---------|----------|----------|
| | Jan-Sep | | 2016 X | | 3Q16 X | | |
| | 2016 | 2015 | 2015 (%) | 3Q-2016 | 2Q-2016 | 2Q16 (%) | 3Q-2015 |
| Sales revenues | 212,100 | 236,535 | (10) | 70,443 | 71,320 | (1) | 82,239 |
| Gross profit | 67,166 | 71,727 | (6) | 23,337 | 22,821 | 2 | 23,755 |
| Operating income (loss) | 5,300 | 28,504 | (81) | (10,032) | 7,184 | (240) | 6,045 |
| Net finance income (expense) | (21,876) | (23,113) | 5 | (7,122) | (6,061) | (18) | (11,444) |
| Consolidated net income (loss) attributable to the shareholders of Petrobras | (17,334) | 2,102 | (925) | (16,458) | 370 | (4548) | (3,759) |
| Basic and diluted earnings (losses) per share | (1.33) | 0.16 | (930) | (1.26) | 0.03 | (4300) | (0.29) |
| Market capitalization (Parent Company) | 188,698 | 104,117 | 81 | 188,698 | 138,434 | 36 | 104,117 |
| Adjusted EBITDA* | 63,011 | 56,795 | 11 | 21,603 | 20,317 | 6 | 15,506 |
| Gross margin (%) | 32 | 30 | 2 | 33 | 32 | 1 | 29 |
| Operating margin (%) | 2 | 12 | (10) | (14) | 10 | (24) | 7 |
| Net margin (%) | (8) | 1 | (9) | (23) | 1 | (24) | (5) |
| Total capital expenditures and investments | 41,287 | 55,489 | (26) | 12,260 | 13,435 | (9) | 19,315 |
| Exploration & Production | 36,104 | 45,991 | (21) | 10,400 | 11,935 | (13) | 16,093 |
| Refining, Transportation and Marketing | 3,017 | 6,252 | (52) | 1,240 | 825 | 50 | 2,222 |
| Gas & Power | 987 | 1,964 | (50) | 336 | 359 | (6) | 529 |
| Distribution | 330 | 568 | (42) | 110 | 121 | (9) | 192 |
| Biofuel | 348 | 58 | 500 | 23 | 54 | (57) | 19 |
| Corporate | 501 | 656 | (24) | 151 | 141 | 7 | 260 |
| Average commercial selling rate for U.S. dollar | 3.55 | 3.17 | 12 | 3.25 | 3.51 | (7) | 3.54 |
| Period-end commercial selling rate for U.S. dollar | 3.25 | 3.97 | (18) | 3.25 | 3.21 | 1 | 3.97 |
| Variation of the period-end commercial selling rate for U.S. dollar (%) | (16.9) | 49.6 | (67) | 1.1 | (9.8) | 11 | 28.1 |
| Domestic basic oil products price (R\$/bbl) | 229.73 | 224.53 | 2 | 228.58 | 228.95 | | 228.15 |
| Brent crude (R\$/bbl) | 146.89 | 174.25 | (16) | 148.87 | 159.79 | (7) | 177.38 |
| Brent crude (US\$/bbl) | 41.77 | 55.39 | (25) | 45.85 | 45.57 | 1 | 50.26 |
| Domestic Sales Price | | | | | | | |
| Crude oil (U.S. dollars/bbl) | 37.12 | 45.04 | (18) | 41.77 | 39.86 | 5 | 39.76 |
| Natural gas (U.S. dollars/bbl) | 32.26 | 37.45 | (14) | 32.21 | 29.90 | 8 | 35.47 |
| International Sales price | | | | | | | |
| Crude oil (U.S. dollars/bbl) | 43.76 | 58.25 | (25) | 42.38 | 47.24 | (10) | 55.69 |
| Natural gas (U.S. dollars/bbl) | 21.98 | 23.68 | (7) | 20.51 | 21.74 | (6) | 25.84 |
| Total sales volume (Mbbbl/d) | | | | | | | |
| Diesel | 804 | 928 | (13) | 804 | 811 | (1) | 953 |

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| | | | | | | | |
|---|--------------|--------------|-------------|--------------|--------------|------------|--------------|
| Gasoline | 542 | 550 | (1) | 521 | 541 | (4) | 540 |
| Fuel oil | 67 | 106 | (37) | 57 | 64 | (11) | 97 |
| Naphtha | 146 | 143 | 2 | 156 | 172 | (9) | 137 |
| LPG | 234 | 234 | | 248 | 236 | 5 | 243 |
| Jet fuel | 102 | 111 | (8) | 101 | 97 | 4 | 113 |
| Others | 189 | 182 | 4 | 201 | 188 | 7 | 199 |
| Total oil products | 2,084 | 2,254 | (8) | 2,088 | 2,109 | (1) | 2,282 |
| Ethanol, nitrogen fertilizers, renewables and other products | 114 | 123 | (7) | 121 | 111 | 9 | 134 |
| Natural gas | 334 | 438 | (24) | 325 | 316 | 3 | 418 |
| Total domestic market | 2,532 | 2,815 | (10) | 2,534 | 2,536 | | 2,834 |
| Crude oil, oil products and others exports | 522 | 502 | 4 | 579 | 532 | 9 | 511 |
| International sales | 435 | 519 | (16) | 360 | 488 | (26) | 544 |
| Total international market | 957 | 1,021 | (6) | 939 | 1,020 | (8) | 1,055 |
| Total | 3,489 | 3,836 | (9) | 3,472 | 3,556 | (2) | 3,889 |

Table 01 Main Items and Consolidated Economic Indicators

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

3Q-2016 x 2Q-2016 Results*:

Gross Profit

Gross profit increased by 2% relative to the 2Q-2016, reaching R\$ 23,337 million, mainly due to lower import expenses for oil products, crude oil and LNG, and the increase in crude oil exports. Sales revenues decreased mainly due to the disposal of Petrobras Argentina (PESA) and to the lower sales volumes of gasoline in the domestic market and oil products exports. On the other hand, there were lower operational costs abroad, mainly related to the disposal of PESA.

Operating Losses

Operating losses amounted to R\$ 10,032 million, compared to an operating income of R\$ 7,184 million in the 2Q-2016, mainly as a result of impairment¹ of R\$ 15,292 million, due to the appreciation of the *real*, the increase in discount rates, the revision of the set of assumptions such as Brent prices and long term exchange rates and investment portfolio of the 2017-2021 Business and Management Plan.

In addition, the operating losses are a function of the reclassification of foreign exchange depreciation losses (cumulative translation adjustments CTA, due to the PESA disposal), the higher expenses with the Voluntary Separation Incentive Program (PIDV), the provision for expenses with settlements of individual actions against Petrobras in New York and assumption of debts and losses with advances to suppliers for the construction of FPSOs hulls. Those factors were partially offset by the positive effect of the revision of decommissioning costs in oil and gas production areas², the lower expenses with drilling rigs idleness and capital gains with PESA disposal.

Net Financial Expenses

Net financial expenses reached R\$ 7,122 million, 18% above 2Q-2016, mainly due to the depreciation of dollar against euro and lower appreciation of the dollar against the pound.

Net Result

The quarterly loss reached R\$ 16,458 million, a reversal of the net income posted on 2Q-2016. This result is due, mainly, to the impairment of assets and investment in associates amounting R\$ 15.709 million.

Adjusted EBITDA and Free Cash Flow**

Adjusted EBITDA was 6% above 2Q-2016, reaching R\$ 21,603 million, due to the increase in production and exports of oil and lower import expenses. The adjusted EBITDA margin was 31% in 3Q-2016. The higher operational cash flow and lower investments resulted, for the sixth consecutive quarter, in a higher positive free cash flow* of R\$ 16,448 million, 1,52 times higher than 2Q-2016. This result contributes to the Company's deleveraging objective.

* Additional information about operating results of 3Q-2016 x 2Q-2016, see item 6.

Detailed information about impairment of assets is available at item 1 of Additional Information and Financial Statements note 13.

2 For more detailed information see Financial Statements note 19.

** 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.

Jan-Sep/2016 x Jan-Sep/2015 Results*:

Gross Profit

Gross profit decreased 6% relative to Jan-Sep/2015, reaching R\$ 67,166. There was a reduction on sales revenues, as a result of a 8% drop in oil products sales in the domestic market, partially offset by higher diesel and gasoline margins. In addition, the lower crude oil and oil products export prices also contributed to the decrease in income, lower activity abroad due to the disposal of PESA, as well as a fall in electricity generation and prices and a reduction in domestic natural gas sales volumes.

The company registered lower import costs and government take in Brazil, mainly due to lower crude prices and sales, and lower international activities due to the disposal of PESA. 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 taken in 2015.

Operating Income

Operating income reached R\$ 5,300million in Jan-Sep/2016, a 81% decrease when compared to Jan-Sep/2015. This result is a consequence of the decrease in gross profit, impairments, reclassification of foreign exchange depreciation losses (cumulative translation adjustments CTA, due to the PESA disposal), higher expenses with drilling rigs idleness and the increase of expenses with the new PIDV and judicial contingencies, including provisions for expenses with settlements of individual actions against Petrobras in New York and provision for assumption of debts with suppliers for construction of FPSO hulls.

In addition, there was a positive effect of the revision of decommissioning costs in oil and gas production areas in 3Q-2016.

Net Financial Expenses

Net financial expenses of R\$ 21,876 million, down R\$ 1,237 relative to Jan-Sep/2015 due to the reduction of the negative impact of foreign exchange variations, partially offset by higher interest expenses as a result of the depreciation of the *real* against the dollar.

Net Income (loss) attributable to the shareholders of Petrobras

Net loss attributable to the shareholders of Petrobras of R\$ 17,334 million in the Jan-Sep/2016, mainly due to the impairment of assets and investment in associates R\$ 17,187 million.

Adjusted EBITDA and Free Cash Flow**

Adjusted EBITDA increased 11% compared to Jan-Sep/2015, amounting to R\$ 63,011, due to higher gasoline and diesel margins and lower expenditures with imports and government take. The Adjusted EBITDA Margin reached 30% in the Jan-Sep/2016 period. The higher operational cash flow and lower investments resulted in a positive free cash flow* of R\$ 29,619 million, 3.6 times above Jan-Sep/2015. This result contributes to the Company's deleveraging objective.

- * Additional information about operating results of Jan-Sep/2016 x Jan-Sep/2015, see item 7.
- * 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

Jan-Sep/2016 x Jan/Sep-2015

3Q-2016 x 2Q-2016

Gross Profit

The decrease in gross profit is due to lower production in Brazil and abroad and the fall in Brent prices, partially offset by the depreciation of the real. Additionally, gross profit was impacted by higher depreciation costs, partially offset by lower government take.

The gross profit remained practically stable.

Operating Income

Besides the reduction in gross profit, the decrease in operating income was mainly caused by the increase in impairments and in expenses related to drilling rigs idleness, the new PIDV and provision for assumption of debts with advances to suppliers for the construction of FPSOs hulls, partially offset by the positive effect of revision in decommissioning costs in oil and gas production areas.

The operational income reduction was due to the increase in impairments, the new PIDV, provision for assumption of debts with advances to suppliers for the construction of FPSOs hulls, partially offset by lower expenses with drilling rigs idleness and the positive effect of revision in decommissioning costs in oil and gas production areas.

Operating Performance

Production

Domestic crude oil and NGL production decreased by 1% mainly due to the increase in scheduled stoppages in 1Q-2016. As an offset, production was started-up in FPSO Cid. Maricá (Lula Lula Alto area) and FPSO Cid. Saquarema (Lula Lula Central area) and new systems were ramped-up, notably FPSO Cid. Itaguaí (Lula Iracema Norte area), FPSO Cid. Mangaratiba (Lula Iracema South area) and P-58 (Jubarte).

Domestic crude oil and NGL production increased 4% mainly due to the ramp-up of FPSO Cid. Maricá (Lula Lula Alto area) and Cid. Itaguaí (Lula Iracema Norte area), as well as the start-up of FPSO Cid. Saquarema (Lula Lula Central area).

Natural gas production increased 2% mainly due to the start-up and ramp-up of the above mentioned systems.

Domestic gas production increased by 5% mainly due to the start-up and ramp-up of the above mentioned systems.

Crude oil and NGL production abroad reduced 17%, mainly due to the disposal of PESA in July/2016.

Crude oil and NGL production abroad decreased 16% mainly as a result of the sale of assets in Austral Basin fields (Argentina), in Mar/2015, associated with the conclusion of the disposal of PESA.

Gas production abroad decreased 32% due to the disposal of PESA.

Gas production abroad remained practically stable in the period, because, in spite of the sale of PESA, gas production increased in the USA due to the production ramp-up of Hadrian South field.

Lifting Cost

Lifting cost denominated in U.S. dollars decreased due to lower expenses with well interventions and with engineering and subsea maintenance, as well as to the higher share of pre-salt production, with lower unit cost.

Lifting cost denominated in U.S. dollars decreased due to production increases and lower expenses with offshore transportation and well intervention.

Additionally, government take decreased as a result of lower oil prices.

In addition, we had lower government take expenditures.

Lifting cost abroad decreased due to the sale of the Austral Basin fields and PESA, with higher operating costs, as well as the increase in production in the USA, with relatively lower costs.

Lifting cost abroad decreased mainly due to the disposal of PESA, which had higher operating costs.

| | R\$ million | | | | | | |
|--|-------------|---------|--------------------|-----------------|---------|----------|---------|
| | Jan-Sep | | | 3Q16 | | | |
| | 2016 | 2015 | 2016 x 2015 (%) | 3Q-2016 | 2Q-2016 | 2Q16 (%) | 3Q-2015 |
| Sales revenues | 83,370 | 89,254 | (7) | 30,073 | 29,622 | 2 | 28,847 |
| Brazil | 79,511 | 84,692 | (6) | 29,117 | 28,185 | 3 | 27,159 |
| Abroad | 3,859 | 4,562 | (15) | 956 | 1,437 | (33) | 1,688 |
| Gross profit | 18,760 | 27,443 | (32) | 7,898 | 8,024 | (2) | 7,947 |
| Brazil | 17,496 | 25,894 | (32) | 7,589 | 7,549 | 1 | 7,402 |
| Abroad | 1,264 | 1,549 | (18) | 309 | 475 | (35) | 545 |
| Operating expenses | (21,226) | (9,292) | (128) | (12,472) | (5,143) | (143) | (4,116) |
| Brazil | (19,740) | (8,522) | (132) | (11,757) | (4,585) | (156) | (3,444) |
| Abroad | (1,486) | (770) | (93) | (715) | (558) | (28) | (672) |
| Operating income (loss) | (2,466) | 18,151 | (114) | (4,574) | 2,881 | (259) | 3,831 |
| Brazil | (2,244) | 17,372 | (113) | (4,168) | 2,964 | (241) | 3,958 |
| Abroad | (222) | 779 | (128) | (406) | (83) | (389) | (127) |
| Net income (loss) attributable to the shareholders of Petrobras | (1,313) | 11,604 | (111) | (2,870) | 2,162 | (233) | 2,272 |
| Brazil | (1,099) | 10,757 | (110) | (2,591) | 2,207 | (217) | 2,316 |
| Abroad | (214) | 847 | (125) | (279) | (45) | (520) | (44) |
| Adjusted EBITDA of the segment* | 34,747 | 36,654 | (5) | 13,707 | 11,863 | 16 | 10,313 |
| Brazil | 33,559 | 34,401 | (2) | 13,619 | 11,519 | 18 | 9,851 |
| Abroad | 1,188 | 2,253 | (47) | 88 | 344 | (74) | 462 |
| EBITDA margin of the segment (%) | 42 | 41 | 1 | 46 | 40 | 6 | 36 |
| Capital expenditures of the segment | 36,104 | 45,991 | (21) | 10,400 | 11,935 | (13) | 16,093 |
| Average Brent crude (R\$/bbl) | 146.89 | 174.25 | (16) | 148.87 | 159.79 | (7) | 177.38 |
| Average Brent crude (US\$/bbl) | 41.77 | 55.39 | (25) | 45.85 | 45.57 | 1 | 50.26 |
| Sales price Brazil | | | | | | | |
| Crude oil (US\$/bbl) | 37.12 | 45.04 | (18) | 41.77 | 39.86 | 5 | 39.76 |
| Sales price Abroad | | | | | | | |
| Crude oil (US\$/bbl) | 43.76 | 58.25 | (25) | 42.38 | 47.24 | (10) | 55.69 |
| Natural gas (US\$/bbl) | 21.98 | 23.68 | (7) | 20.51 | 21.74 | (6) | 25.84 |
| Crude oil and NGL production (Mbbbl/d) | 2,196 | 2,232 | (2) | 2,297 | 2,223 | 3 | 2,234 |

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|--|--------|--------|------|--------------|-------|------|-------|
| Brazil | 2,111 | 2,132 | (1) | 2,219 | 2,133 | 4 | 2,136 |
| Abroad | 59 | 70 | (16) | 52 | 63 | (17) | 69 |
| Non-consolidated production abroad | 26 | 30 | (13) | 26 | 27 | (4) | 29 |
| Natural gas production (Mbbbl/d) | 567 | 558 | 2 | 572 | 581 | (2) | 566 |
| Brazil | 479 | 469 | 2 | 503 | 479 | 5 | 476 |
| Abroad | 88 | 89 | (1) | 69 | 102 | (32) | 90 |
| Total production | 2,763 | 2,790 | (1) | 2,869 | 2,804 | 2 | 2,800 |
| Lifting cost Brazil (US\$/barrel) | | | | | | | |
| excluding production taxes | 10.78 | 12.40 | (13) | 10.82 | 11.00 | (2) | 11.24 |
| including production taxes | 15.58 | 19.62 | (21) | 15.76 | 17.37 | (9) | 16.92 |
| Lifting cost Brazil (R\$/barrel)excluding | | | | | | | |
| production taxes | 37.34 | 39.16 | (5) | 34.87 | 37.64 | (7) | 40.82 |
| including production taxes | 53.65 | 63.00 | (15) | 51.06 | 58.93 | (13) | 64.33 |
| Lifting cost Abroad without | | | | | | | |
| production taxes (US\$/barrel) | 5.43 | 7.73 | (30) | 5.12 | 5.49 | (7) | 7.21 |
| Production taxes Brazil | 10,160 | 15,087 | (33) | 3,548 | 4,453 | (20) | 5,021 |
| Royalties | 7,108 | 8,471 | (16) | 2,723 | 2,472 | 10 | 2,846 |
| Special participation charges | 2,916 | 6,489 | (55) | 779 | 1,938 | (60) | 2,132 |
| Retention of areas | 136 | 127 | 7 | 46 | 43 | 7 | 43 |
| Production taxes Abroad | 680 | 724 | (6) | 162 | 244 | (34) | 276 |

Table 02 Exploration & Production Main Indicators

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

REFINING, TRANSPORTATION AND MARKETING

Jan-Sep/2016 x Jan/Sep-2015

3Q-2016 x 2Q-2016

Gross Profit

Gross profit increased due to the decrease in crude oil purchase/transfer costs, tracking lower Brent prices, the lower share of imported oil on throughput and the lower share of imported oil products in the sales mix, mainly diesel. On the other hand, there was a reduction in oil export prices. In addition, the lower economic activity and the increase in diesel imports by third parties led to a reduction in domestic oil products sales.

Gross profit decreased mainly due to the reduction of domestic sales alongside the increase on cost of goods sold, due to the sale of inventories built at higher costs in the previous quarter.

Operating Income

Operating income increased due to the higher gross profit, partially offset by higher impairments and higher expenses with the new PIDV.

The reduction in operating income is mainly due to higher impairment charges and the reduction in gross profit.

Operating Performance

Imports and Exports of Crude Oil and Oil Products

Improvement in the crude oil balance due to lower imports, as a result of the decrease in throughput and a higher share of domestic crude oil on processed feedstock.

Improvement in the crude oil balance as a result of higher exports due to domestic oil production growth.

The reduction on oil products imports, especially diesel as a result of lower local demand along with the increase in imports by third parties reduced the deficit on the balance of oil products.

The decrease in the deficit of the oil products balance was due to lower gasoline and naphtha imports, as a result of lower demand, partially offset by the reduction of exports, especially fuel oil.

Refining Operations

Processed feedstock was 8% lower, mainly due to lower local demand. The impact from scheduled stoppages in REPLAN, REPAR and REFAP was partially offset by

Daily processed feedstock was 4% lower, mainly due to lower local demand for oil products. The impact of the scheduled stoppage at REPAR and the non-scheduled

higher production in RNEST, as a result of the improvement in operational efficiency.

Refining Cost

Refining cost in USD decreased by 2%. When measured in reais, refining cost increased by 8% mainly reflecting higher labor costs due to the wage increases related to the 2015 Collective Bargaining Agreement, along with a decrease in processed feedstock.

stoppages at RLAM and REDUC were offset by the resumption of operations in REFAP.

Refining cost is USD increased 9%. When measured in reais, refining cost increased by 1% mainly due to the provision for wage increases in the 2016 Collective Bargaining Agreement and the decrease of throughput, partially offset by lower expenses with catalysts and chemical products.

| | R\$ million | | | | | | |
|--|-------------|----------|--------------------|----------------|---------|----------|---------|
| | Jan-Sep | | | 3Q16 | | | |
| | 2016 | 2015 | 2016 x 2015 (%) | 3Q-2016 | 2Q-2016 | 2Q16 (%) | 3Q-2015 |
| Sales revenues | 163,016 | 181,400 | (10) | 53,984 | 55,947 | (4) | 63,410 |
| Brazil (includes trading operations abroad) | 164,443 | 177,634 | (7) | 55,112 | 56,220 | (2) | 63,188 |
| Abroad | 8,286 | 10,043 | (17) | 2,094 | 3,306 | (37) | 3,146 |
| Eliminations | (9,713) | (6,277) | (55) | (3,222) | (3,579) | 10 | (2,924) |
| Gross profit | 39,359 | 32,771 | 20 | 11,292 | 14,081 | (20) | 10,290 |
| Brazil | 39,175 | 32,095 | 22 | 11,273 | 13,798 | (18) | 10,119 |
| Abroad | 184 | 676 | (73) | 19 | 283 | (93) | 171 |
| Operating expenses | (13,867) | (10,621) | (31) | (7,640) | (3,736) | (104) | (5,517) |
| Brazil | (13,634) | (10,244) | (33) | (7,626) | (3,618) | (111) | (5,394) |
| Abroad | (233) | (377) | 38 | (14) | (118) | 88 | (123) |
| Operating income (loss) | 25,492 | 22,150 | 15 | 3,652 | 10,345 | (65) | 4,773 |
| Brazil | 25,541 | 21,851 | 17 | 3,647 | 10,180 | (64) | 4,725 |
| Abroad | (49) | 299 | (116) | 5 | 165 | (97) | 48 |
| Net income (loss) attributable to the shareholders of Petrobras | 17,600 | 15,717 | 12 | 2,416 | 7,208 | (66) | 3,759 |
| Brazil | 17,646 | 15,415 | 14 | 2,412 | 7,048 | (66) | 3,664 |
| Abroad | (46) | 302 | (115) | 4 | 160 | (98) | 95 |
| Adjusted EBITDA of the segment* | 37,329 | 28,093 | 33 | 10,513 | 13,398 | (22) | 6,667 |
| Brazil | 37,220 | 27,649 | 35 | 10,467 | 13,183 | (21) | 6,561 |
| Abroad | 109 | 444 | (75) | 46 | 215 | (79) | 106 |
| EBITDA margin of the segment (%) | 23 | 15 | 7 | 19 | 24 | (4) | 11 |
| Capital expenditures of the segment | 3,017 | 6,252 | (52) | 1,240 | 825 | 50 | 2,222 |
| Domestic basic oil products price (R\$/bbl) | 229.73 | 224.53 | 2 | 228.58 | 228.95 | | 228.15 |
| Imports (Mbb/d) | 400 | 590 | (32) | 352 | 359 | (2) | 531 |
| Crude oil import | 158 | 298 | (47) | 154 | 122 | 26 | 313 |
| Diesel import | 16 | 100 | (84) | | | | 64 |
| Gasoline import | 33 | 33 | | 7 | 41 | (83) | 22 |
| Other oil product import | 193 | 159 | 21 | 191 | 196 | (3) | 132 |
| Exports (Mbb/d) | 510 | 501 | 2 | 562 | 515 | 9 | 510 |
| Crude oil export | 356 | 351 | 1 | 419 | 341 | 23 | 365 |

| | | | | | | | |
|-------------------------------|------------|-------------|------------|------------|------------|-----------|-------------|
| Oil product export | 154 | 150 | 3 | 143 | 174 | (18) | 145 |
| Exports (imports), net | 110 | (89) | 224 | 210 | 156 | 35 | (21) |

Refining Operations Brazil
(Mbb/d)

| | | | | | | | |
|--|-------|-------|-----|--------------|-------|-----|-------|
| Oil products output | 1,913 | 2,049 | (7) | 1,862 | 1,919 | (3) | 2,085 |
| Reference feedstock | 2,176 | 2,176 | | 2,176 | 2,176 | | 2,176 |
| Refining plants utilization factor (%) | 83 | 90 | (8) | 80 | 84 | (5) | 93 |
| Processed feedstock (excluding NGL) | 1,800 | 1,962 | (8) | 1,745 | 1,820 | (4) | 2,013 |
| Processed feedstock | 1,846 | 2,002 | (8) | 1,799 | 1,869 | (4) | 2,052 |
| Domestic crude oil as % of total processed feedstock | 91 | 86 | 6 | 93 | 91 | 2 | 84 |

Refining Operations Abroad
(Mbb/d)

| | | | | | | | |
|--|-----|-----|------|------------|-----|------|-----|
| Total processed feedstock | 132 | 136 | (3) | 120 | 136 | (12) | 146 |
| Oil products output | 134 | 148 | (9) | 119 | 138 | (14) | 150 |
| Reference feedstock | 200 | 230 | (13) | 200 | 230 | (13) | 230 |
| Refining plants utilization factor (%) | 57 | 57 | | 58 | 56 | 4 | 60 |

Refining cost Brazil

| | | | | | | | |
|-----------------------------|------|------|-----|-------------|------|---|------|
| Refining cost (US\$/barrel) | 2.47 | 2.52 | (2) | 2.68 | 2.46 | 9 | 2.12 |
| Refining cost (R\$/barrel) | 8.66 | 8.01 | 8 | 8.67 | 8.56 | 1 | 7.89 |

| | | | | | | | |
|---|-------------|-------------|------------|-------------|-------------|------------|-------------|
| Refining cost Abroad (US\$/barrel) | 3.96 | 4.01 | (1) | 3.87 | 4.00 | (3) | 4.03 |
|---|-------------|-------------|------------|-------------|-------------|------------|-------------|

Sales volume (includes sales to BR Distribuidora and third-parties)

| | | | | | | | |
|----------|-----|-----|------|------------|-----|------|-----|
| Diesel | 760 | 893 | (15) | 747 | 769 | (3) | 918 |
| Gasoline | 486 | 494 | (2) | 459 | 487 | (6) | 483 |
| Fuel oil | 62 | 95 | (35) | 51 | 61 | (16) | 84 |
| Naphtha | 146 | 143 | 2 | 156 | 172 | (9) | 137 |
| LPG | 235 | 234 | | 250 | 235 | 6 | 243 |
| Jet fuel | 116 | 127 | (9) | 113 | 110 | 3 | 127 |
| Others | 205 | 206 | | 214 | 204 | 5 | 207 |

Total domestic oil products
(mbbl/d)

| | | | | | | | |
|--|-------|-------|-----|--------------|-------|-----|-------|
| | 2,010 | 2,192 | (8) | 1,990 | 2,038 | (2) | 2,199 |
|--|-------|-------|-----|--------------|-------|-----|-------|

Table 03 Refining, Transportation and Marketing Main Indicators

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

GAS & POWER

Jan-Sep/2016 x Jan/Sep-2015

3Q-2016 x 2Q-2016

Gross Profit

Gross profit increased 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 and by lower revenues with electricity generation due to the improvement of hydrological conditions in Brazil.

Operating Income

Operating income decreased mainly due to the higher sales expenses because of the provisions for losses with trade receivables from electricity sector in 2016, as well as the reversion of a provision in 1Q-2015 and impairment charges.

Operating Performance

Physical and Financial Indicators

Electricity sales to the Brazilian free contracting market (*Ambiente de Contratação Livre - ACL*) were 4% lower, due to the termination of contracts.

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

The 72% decrease in electricity prices in the spot market (PLD) reflects the lower projections for electricity generation, due to improved hydrological conditions.

The increase in gross profit was due to lower total acquisition costs for natural gas, with lower imported volumes of LNG, and better margins in electricity generation in 3Q-2016.

Lower operating income in 3Q-2016 relative to 2Q-2016 due to impairment charges and compensation with lawsuit.

There was a 7% reduction of sales volumes in the Brazilian free contracting market.

The 16% increase in electricity generation was caused mainly by the higher demand related to the Olympic and Paralympic Games as well as for storing energy credits for future use.

The 48% increase in electricity prices in the spot market (PLD) reflects the worsening of hydrological conditions in Brazilian subsystems.

The lower volumes in electricity generation was due to the decision of the Electrical Sector Monitoring Committee (CMSE) for not using plants with unitary variable costs above established limits, and to the better hydrological conditions and the lower projections for electricity generation.

There was a reduction in natural gas sales, mainly due to lower thermoelectrical demand, which allowed for a reduction of 63% on LNG imports and 9% on Bolivian natural gas.

The 4% increase in natural gas imports from Bolivia occurred due to higher demand in all natural gas segments. In contrast, there was a 42% reduction on LNG imports, due to higher domestic gas supply.

| | R\$ million | | | | | | |
|---|-------------|---------|-----------|----------------|---------|-----------|---------|
| | Jan-Sep | | 2016 x | 3Q-2016 | 2Q-2016 | 3Q16 X | 3Q-2015 |
| | 2016 | 2015 | | | | | |
| | | | 2015 (%) | | | 2Q16 (%) | |
| Sales revenues | 25,007 | 32,522 | (23) | 7,856 | 7,760 | 1 | 10,933 |
| Brazil | 23,602 | 31,218 | (24) | 7,606 | 7,163 | 6 | 10,350 |
| Abroad | 1,405 | 1,304 | 8 | 250 | 597 | (58) | 583 |
| Gross profit | 6,494 | 6,354 | 2 | 2,520 | 2,146 | 17 | 2,584 |
| Brazil | 6,273 | 6,127 | 2 | 2,481 | 2,065 | 20 | 2,466 |
| Abroad | 221 | 227 | (3) | 39 | 81 | (52) | 118 |
| Operating expenses | (4,650) | (3,551) | (31) | (2,670) | (1,246) | (114) | (1,525) |
| Brazil | (4,570) | (3,485) | (31) | (2,631) | (1,222) | (115) | (1,498) |
| Abroad | (80) | (66) | (21) | (39) | (24) | (63) | (27) |
| Operating income (loss) | 1,844 | 2,803 | (34) | (150) | 900 | (117) | 1,059 |
| Brazil | 1,703 | 2,642 | (36) | (150) | 843 | (118) | 968 |
| Abroad | 141 | 161 | (12) | | 57 | (100) | 91 |
| Net income (loss) attributable to the shareholders of Petrobras | 1,239 | 1,905 | (35) | (63) | 545 | (112) | 680 |
| Brazil | 994 | 1,686 | (41) | (84) | 433 | (119) | 589 |
| Abroad | 245 | 219 | 12 | 21 | 112 | (81) | 91 |
| Adjusted EBITDA of the segment* | 5,480 | 5,553 | (1) | 2,033 | 1,639 | 24 | 1,769 |
| Brazil | 5,287 | 5,345 | (1) | 2,003 | 1,574 | 27 | 1,661 |
| Abroad | 193 | 208 | (7) | 30 | 65 | (54) | 108 |
| EBITDA margin of the segment (%) | 22 | 17 | 5 | 26 | 21 | 5 | 16 |
| Capital expenditures of the segment | 987 | 1,964 | (50) | 336 | 359 | (6) | 529 |
| Physical and financial indicators Brazil | | | | | | | |
| Electricity sales (Free contracting market ACL) average MW | 845 | 878 | (4) | 807 | 866 | (7) | 822 |
| Electricity sales (Regulated contracting market ACR) average MW | 3,172 | 3,194 | (1) | 3,172 | 3,172 | | 3,058 |
| Generation of electricity average MW | 2,106 | 4,830 | (56) | 1,872 | 1,616 | 16 | 4,401 |
| Electricity price in the spot market Differences settlement price (PLD) R\$/MWh | 88 | 319 | (72) | 117 | 79 | 48 | 202 |
| LNG imports (Mbbbl/d) | 42 | 112 | (63) | 19 | 33 | (42) | 92 |
| Natural gas imports (Mbbbl/d) | 183 | 202 | (9) | 181 | 174 | 4 | 196 |

Table 04 Gas & Power Main Indicators

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

DISTRIBUTION

Jan-Sep/2016 x Jan/Sep-2015

3Q-2016 x 2Q-2016

Gross Profit

Gross profit decreased due to lower sales volumes in Brazil, caused by lower economic activity and lower fuel demand by thermoelectric plants.

Operating income

In Brazil, the decrease in operating income tracked the variation on gross profit. Abroad, there was an impairment on distribution assets in Chile as a result of the divestment.

Operating Performance

Market Share Brazil

The decrease in market share was mainly due to lower sales to thermal power plants (-57%). In addition, there was a repositioning of margins due to the profitability maximization strategy.

There was a 3% increase in sales margins and 2% in sales volume in Brazil. Nonetheless, the sale of PESA resulted in a small decrease in gross profit.

The decrease in operating income reflects the impairment of distribution assets in Chile, partially offset by better results in Brazil.

Market share remained stable in 3Q-2016 with the maintenance of the margins policy.

| | R\$ million | | | | | | |
|--|-------------|---------|--------------------|----------------|---------|----------|---------|
| | Jan-Sep | | | 3Q16 | | | |
| | 2016 | 2015 | 2016 x 2015 (%) | 3Q-2016 | 2Q-2016 | 2Q16 (%) | 3Q-2015 |
| Sales revenues | 73,749 | 81,633 | (10) | 24,300 | 24,218 | | 27,484 |
| Brazil | 64,877 | 71,683 | (9) | 21,794 | 21,036 | 4 | 23,959 |
| Abroad | 8,872 | 9,950 | (11) | 2,506 | 3,182 | (21) | 3,525 |
| Gross profit | 5,517 | 6,046 | (9) | 1,773 | 1,804 | (2) | 1,835 |
| Brazil | 4,574 | 5,138 | (11) | 1,517 | 1,431 | 6 | 1,535 |
| Abroad | 943 | 908 | 4 | 256 | 373 | (31) | 300 |
| Operating expenses | (5,351) | (5,106) | (5) | (1,827) | (1,537) | (19) | (2,162) |
| Brazil | (4,372) | (4,403) | 1 | (1,327) | (1,293) | (3) | (1,916) |
| Abroad | (979) | (703) | (39) | (500) | (244) | (105) | (246) |
| Operating income (loss) | 166 | 940 | (82) | (54) | 267 | (120) | (327) |
| Brazil | 202 | 735 | (73) | 190 | 138 | 38 | (381) |
| Abroad | (36) | 205 | (118) | (244) | 129 | (289) | 54 |
| Net income (loss) attributable to the shareholders of Petrobras | 131 | 595 | (78) | (28) | 184 | (115) | (254) |
| Brazil | 185 | 423 | (56) | 223 | 58 | 284 | (296) |
| Abroad | (54) | 172 | (131) | (251) | 126 | (299) | 42 |
| Adjusted EBITDA of the segment* | 902 | 1,376 | (34) | 390 | 411 | (5) | (173) |
| Brazil | 535 | 1,080 | (50) | 298 | 250 | 20 | (263) |
| Abroad | 367 | 296 | 24 | 92 | 161 | (43) | 90 |
| EBITDA margin of the segment (%) | 1 | 2 | | 2 | 2 | | (1) |
| Capital expenditures of the segment | 330 | 568 | (42) | 110 | 121 | (9) | 192 |
| Market share Brazil | 31.4% | 35.4% | (4) | 30.8% | 30.9% | | 35% |
| Sales Volumes Brazil (Mbb/d) | | | | | | | |
| Diesel | 320 | 381 | (16) | 332 | 317 | 5 | 380 |
| Gasoline | 190 | 203 | (6) | 187 | 187 | | 197 |
| Fuel oil | 52 | 92 | (43) | 43 | 50 | (14) | 81 |
| Jet fuel | 50 | 57 | (12) | 50 | 47 | 6 | 56 |
| Others | 99 | 96 | 3 | 102 | 99 | 3 | 97 |

| | | | | | | | |
|------------------------------------|-----|-----|------|------------|-----|---|-----|
| Total domestic oil products | 711 | 829 | (14) | 714 | 700 | 2 | 811 |
|------------------------------------|-----|-----|------|------------|-----|---|-----|

Table 05 Distribution Main Indicators

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

Liquidity and Capital Resources

| | R\$ million | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Jan-Sep 2016 | 2015 | 3Q-2016 | 2Q-2016 | 3Q-2015 |
| Adjusted cash and cash equivalents* at the beginning of period | 100,887 | 68,946 | 65,370 | 80,521 | 91,636 |
| Government bonds and time deposits with maturities of more than 3 months at the beginning of period | (3,042) | (24,707) | (2,430) | (2,743) | (10,470) |
| Cash and cash equivalents at the beginning of period | 97,845 | 44,239 | 62,940 | 77,778 | 81,166 |
| Net cash provided by (used in) operating activities | 65,965 | 61,133 | 26,715 | 21,943 | 21,816 |
| Net cash provided by (used in) investing activities | (33,168) | (27,644) | (7,891) | (10,759) | (11,566) |
| Capital expenditures and investments in investees | (36,346) | (52,810) | (10,267) | (11,153) | (17,977) |
| Proceeds from disposal of assets (divestment) | 2,402 | 625 | 2,388 | 3 | 13 |
| Investments in marketable securities | 776 | 24,541 | (12) | 391 | 6,398 |
| (=) Net cash flow | 32,797 | 33,489 | 18,824 | 11,184 | 10,250 |
| Net financings | (49,041) | (3,087) | (11,942) | (19,594) | (11,668) |
| Proceeds from long-term financing | 43,707 | 50,049 | 11,028 | 25,464 | 12,577 |
| Repayments | (92,748) | (53,136) | (22,970) | (45,058) | (24,245) |
| Acquisition of non-controlling interest | 34 | 315 | (155) | 43 | (190) |
| Effect of exchange rate changes on cash and cash equivalents | (11,575) | 24,914 | 393 | (6,471) | 20,312 |
| Cash and cash equivalents at the end of period | 70,060 | 99,870 | 70,060 | 62,940 | 99,870 |
| Government bonds and time deposits with maturities of more than 3 months at the end of period | 2,542 | 4,366 | 2,542 | 2,430 | 4,366 |
| Adjusted cash and cash equivalents* at the end of period | 72,602 | 104,236 | 72,602 | 65,370 | 104,236 |
| Reconciliation of Free Cash Flow | | | | | |
| Net cash provided by (used in) operating activities | 65,965 | 61,133 | 26,715 | 21,943 | 21,816 |
| Capital expenditures and investments in investees | (36,346) | (52,810) | (10,267) | (11,153) | (17,977) |
| Free cash flow* | 29,619 | 8,323 | 16,448 | 10,790 | 3,839 |

Table 06 Liquidity and Capital Resources

As of September 30, 2016, the balance of cash and cash equivalents was R\$ 70,060 million and the balance of adjusted cash and cash equivalents was R\$ 72,602 million. Our principal uses of funds in 2016 were debt service and capital expenditures. We partially met these requirements with cash provided by operating activities of R\$ 65,965 million and with proceeds from long-term financing of R\$ 43,707 million.

Net cash provided by operating activities of R\$ 65,965 million was mainly generated by higher diesel and gasoline margins, lower government take in Brazil and lower crude oil, oil products and natural gas imports costs, along with a higher share of domestic crude oil on processed feedstock. These effects were partially offset by lower crude oil and oil product export prices and decreased sales volume in Brazil due to lower economic activity.

Capital expenditures and investments in investees totaled R\$ 36,346 million in 2016 (87% in E&P business segment), a 31% decrease when compared to Jan-Sep/2015. Crude oil and natural gas production remained flat despite this decrease.

Free cash flow* was positive, amounting to R\$ 29,619 million in Jan-Sep/2016, 3.6 times above Jan-Sep/2015.

From January to September 2016, proceeds from financing amounted to R\$ 43,707 million. Global notes issued in international capital markets totaled US\$ 9.75 billion, with maturities of 5 and 10 years. The proceeds of those offerings were used to tender for US\$ 9.3 billion of Petrobras' 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 the outstanding debt was 7.33 years as of September 30, 2016 (7.14 years as of December 31, 2015).

Repayments of interest and principal totaled R\$ 92,748 million in Jan-Sep/2016 and the nominal cash flow (cash basis), including principal and interest payments, by maturity, is set out in US\$ million as follows:

| Maturity | Consolidated | | | | | | 09.30.2016 | 12.31.2015 |
|--------------|---------------|---------------|---------------|---------------|---------------|---------------------|----------------|----------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 and thereafter | | |
| Principal | 11,893 | 25,522 | 43,869 | 69,371 | 53,885 | 197,048 | 401,588 | 497,289 |
| Interest | 6,809 | 23,147 | 21,930 | 19,100 | 14,714 | 113,378 | 199,078 | 230,531 |
| Total | 18,702 | 48,669 | 65,799 | 88,471 | 68,599 | 310,426 | 600,666 | 727,820 |

Table 07 Nominal cash flow including principal and interest payments

* 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 17% when compared to December 31, 2015, mainly as a result of the 16.9% *real* appreciation.

Current debt and non-current debt include finance lease obligations of R\$ 56 million and R\$ 315 million on September 30, 2016, respectively (R\$ 73 million and R\$ 303 million on December 31, 2015).

The ratio between net debt and the Last Twelve Months (LTM) Adjusted EBITDA* decreased from 5.31 as of December 31, 2015 to 4.07 as of September 30, 2016 due to the debt reduction and the Adjusted EBITDA increase.

| | R\$ million | | D% |
|--|--------------------|-------------------|-------------|
| | 09.30.2016 | 12.31.2015 | |
| Current debt | 37,101 | 57,407 | (35) |
| Non-current debt | 361,064 | 435,616 | (17) |
| Total | 398,165 | 493,023 | (19) |
| Cash and cash equivalents | 70,060 | 97,845 | (28) |
| Government securities and time deposits (maturity of more than 3 months) | 2,542 | 3,042 | (16) |
| Adjusted cash and cash equivalents* | 72,602 | 100,887 | (28) |
| Net debt* | 325,563 | 392,136 | (17) |
| Net debt/(net debt+shareholders equity) | 55% | 60% | (5) |
| Total net liabilities* | 730,604 | 799,248 | (9) |
| (Net third parties capital / total net liabilities) | 64% | 68% | (4) |
| Net debt/LTM Adjusted EBITDA ratio* | 4.07 | 5.31 | (23) |

Table 08 Consolidated debt in reais

| | U.S.\$ million | | D% |
|------------------------------|-----------------------|-------------------|------------|
| | 09.30.2016 | 12.31.2015 | |
| Endividamento curto prazo | 11,429 | 14,702 | (22) |
| Endividamento longo prazo | 111,227 | 111,560 | |
| Total | 122,656 | 126,262 | (3) |
| Endividamento líquido | 100,291 | 100,425 | |
| Prazo médio da dívida (anos) | 7.33 | 7.14 | 0.19 |

Table 09 Consolidated debt in dollar

| | R\$ million | | D% |
|--|----------------|----------------|-------------|
| | 09.30.2016 | 12.31.2015 | |
| Summarized information on financing | | | |
| By rate | | | |
| Floating rate debt | 195,721 | 243,293 | (20) |
| Fixed rate debt | 202,073 | 249,354 | (19) |
| Total | 397,794 | 492,647 | (19) |
| By currency | | | |
| Reais | 80,078 | 80,269 | |
| US Dollars | 286,608 | 365,354 | (22) |
| Euro | 22,754 | 33,909 | (33) |
| Other currencies | 8,354 | 13,115 | (36) |
| Total | 397,794 | 492,647 | (19) |
| By maturity | | | |
| 2016 | 16,661 | 57,333 | (71) |
| 2017 | 26,802 | 44,505 | (40) |
| 2018 | 42,822 | 62,827 | (32) |
| 2019 | 68,824 | 88,231 | (22) |
| 2020 | 53,273 | 60,670 | (12) |
| 2021 on | 189,412 | 179,081 | 6 |
| Total | 397,794 | 492,647 | (19) |

Table 10 Consolidated debt by rate, currency and maturity

* 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. Impairment**

| Assets or CGUs, by nature | Consolidated | | | | Segment |
|---|---------------------------------|--------------------|-----------------------|----------------------------------|---------------------|
| | Carrying amount Jan-Sep 2016 | Recoverable amount | Impairment (*) / (**) | Impairment (*) / (**) 3Q-2016 | |
| Producing properties: assets related to Oil and gas activities in Brazil (several CGUs) | 36,591 | 30,406 | 5,936 | 5,619 | E&P Brazil |
| Oil and gas production and drilling equipment in Brazil | 2,976 | 208 | 2,768 | 2,720 | E&P Brazil |
| Second refining unit in RNEST | 8,077 | 5,546 | 2,531 | 2,531 | RTM Brazil |
| Suape Petrochemical Complex | 3,569 | 1,558 | 2,011 | 2,011 | RTM Brazil |
| Comperj | 1,186 | | 1,186 | 62 | RTM Brazil |
| Fertilizer Plant UFN III | 1,699 | 1,202 | 497 | 497 | Gas & Power Brazil |
| Thermoelectric power generation plants Araucária | 8,750 | 8,280 | 470 | 470 | Gas & Power Brazil |
| Transpetro's fleet of vessels | 638 | 185 | 453 | 453 | Gas & Power Brazil |
| Distribution assets in Chile | 5,685 | 5,340 | 345 | 345 | RTM Brazil |
| Usina de Quixada CE | 1,825 | 1,507 | 318 | 318 | Distribution Abroad |
| Others | 90 | | 90 | 90 | Biofuel, Brazil |
| | 999 | 822 | 165 | 176 | Several Segments |
| Total | 72,085 | 55,054 | 16,770 | 15,292 | |
| Impairment in investment associates | 1,297 | 879 | 417 | 417 | Biofuel, Brazil |

Table 11 Impairment

In September 2016, the Company put on practice impairment tests, whose result was impacted by the appreciation of the Brazilian Real, increase in discount rate, review of premises, such as Brent prices and long-term foreign exchange rates, and the investment portfolio, following the 2017-2021 Company's Business and Management Plan (Plano de Negócios e Gestão - PNG), approved on September 19, 2016. The losses from the tests performed were recognized in the Statement of Income, amounting R\$ 15,292 million in the 3Q-2016 and R\$ 417 million in Jan-Sep/2016.

In the Exploration and Production segment, the highlight were for some oil and gas production fields in Brazil, whose impairment was recognized in 2015 and whose cash flows were even more pressured by the increase in exchange rates and higher discount rates, as well as uncertainties regarding the delivery of P-71, P-72 and P-73 hulls. In the RTM segment, the losses recognized were caused, mainly, due to the postponement of the second refining unit in RNEST to 2023 and to the review of premises of the 2017-2021 Company's Business and Management Plan for the *Suape* Petrochemical Complex, such as reduction of resin market and exchange rates, associated with increase on discount rate.

The increase on discount rate was due to an increase in Brazil's risk premium resulting from a credit risk downgrade (losing its investment grade status) and the Brazilian political environment, which fully impacted the last twelve months ended September 30, 2016

For more information, see Note 13 to the Company's consolidated financial statements.

* Constitution and reversal of impairment.

** Includes reversion of impairment on assets classified as kept for sale for R\$ 12 million on 2016.

ADDITIONAL INFORMATION**2. 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.

Specifically on 2016, the Company opted to include in the calculation of the Adjusted EBITDA the cumulative translation adjustments (CTA) effects, reclassified to results, due to the Company's understanding that this item represents cumulative exchange variations previously classified as shareholders equity.

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 of the Company's financial performance.

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

| | R\$ million | | | | | | |
|---|---------------|---------------|-------------|---------------|---------------|--------------------------|---------------|
| | Jan-Sep | | | 3Q-2016 | 2Q-2016 | 3Q16 X 2Q16 (%) | 3Q-2015 |
| | 2016 | 2015 | 2015 (%) | | | | |
| Net income (loss) | (15,805) | 411 | (3,945) | (16,323) | 899 | (1,916) | (5,025) |
| Net finance income (expense) | 21,876 | 23,113 | (5) | 7,122 | 6,061 | 18 | 11,444 |
| Income taxes | (125) | 5,522 | (102) | (971) | 622 | (256) | (174) |
| Depreciation, depletion and amortization | 37,314 | 27,005 | 38 | 12,716 | 11,949 | 6 | 9,461 |
| EBITDA | 43,260 | 56,051 | (23) | 2,544 | 19,531 | (87) | 15,706 |
| Share of earnings in equity-accounted investments | (646) | (542) | (19) | 140 | (398) | 135 | (200) |
| Impairment losses / (reversals) | 16,770 | 1,286 | 1,204 | 15,292 | 1,184 | 1,192 | |
| Realization of cumulative translation adjustment | 3,627 | | | 3,627 | | | |
| Adjusted EBITDA | 63,011 | 56,795 | 11 | 21,603 | 20,317 | 6 | 15,506 |
| Adjusted EBITDA margin (%) | 30 | 24 | 6 | 31 | 28 | 3 | 19 |

1. Table 12 Reconciliation of Adjusted EBITDA

| | R\$ million | |
|---|-----------------------------|-------------------|
| | Last 12 months until | |
| | 30.09.2016 | 31.12.2015 |
| Net income (loss) | (51,387) | (35,171) |
| Net finance income (expense) | 26,804 | 28,041 |
| Income taxes | (11,705) | (6,058) |
| Depreciation, depletion and amortization | 48,883 | 38,574 |
| EBITDA | 12,595 | 25,386 |
| Share of earnings in equity-accounted investments | 693 | 797 |
| Impairment losses / (reversals) | 63,160 | 47,676 |
| Realization of cumulative translation adjustment | 3,627 | |
| Adjusted EBITDA | 80,075 | 73,859 |

Table 13 Reconciliation of LTM Adjusted EBITDA

ADDITIONAL INFORMATION**3. Impact of our Cash Flow Hedge policy**

| | R\$ million | | | | | | |
|--|----------------|-----------------|--------------------------|----------------|---------------|--------------------------|-----------------|
| | Jan-Sep | | 2016 x 2015 (%) | 3Q-2016 | | 3Q16 X 2Q16 (%) | |
| | 2016 | 2015 | | 2Q-2016 | 3Q-2015 | | |
| Total inflation indexation and foreign exchange variation | 42,566 | (79,066) | 154 | (2,189) | 23,275 | (109) | (54,673) |
| Deferred Foreign Exchange Variation recognized in Shareholders' Equity | (41,294) | 72,586 | (157) | 2,184 | (21,465) | 110 | 49,628 |
| Reclassification from Shareholders' Equity to the Statement of Income | (7,534) | (4,193) | (80) | (2,137) | (2,497) | 14 | (1,862) |
| Net Inflation indexation and foreign exchange variation | (6,262) | (10,673) | 41 | (2,142) | (687) | (212) | (6,907) |

Table 14 Impact of our Cash Flow Hedge policy

The lower reclassification of foreign exchange variation expenses from Shareholders' Equity to the Income Statement was mainly due to the fact that no such reclassifications of foreign exchange variation expenses occurred in the 3Q-2016 compared to the 2Q-2016, as a result of planned exports that were no longer expected to occur or did not occur.

Additional hedging relationships may be revoked or additional reclassification adjustments from equity to the income statement may occur as a result of changes in forecasted 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 relative to the Brent price projections in our most recent update of the 2017-2021 Business and Management Plan (Plano de Negócios e Gestão - PNG), a R\$ 16 million reclassification adjustment from equity to the income statement would occur.

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

| | Consolidated | | | | | | | | | |
|-----------------------------|----------------|-----------------|-----------------|----------------|----------------|----------------|----------------|----------------|--------------------|-----------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 to 2027 | Total |
| Expected realization | (2,329) | (10,106) | (10,495) | (7,187) | (5,273) | (4,423) | (5,078) | (2,393) | 7,793 | (39,491) |

Table 14 Expectation of exports volumes realization

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ADDITIONAL INFORMATION**4. Assets and Liabilities subject to Exchange Variation**

The Company has assets and liabilities subject to foreign exchange rate variation, for which the main gross exposures are the 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 September 30, 2016, the Company had a net liability exposure to foreign exchange rates, of which the main exposure is the relationship between the U.S. dollar and the euro.

| ITEMS | R\$ million | |
|------------------|-----------------|-----------------|
| | 09.30.2016 | 12.31.2015 |
| Assets | 42,999 | 67,040 |
| Liabilities | (266,954) | (350,695) |
| Hedge Accounting | 191,954 | 240,222 |
| Total | (32,001) | (43,433) |

Table 16 Assets and Liabilities subject to exchange variation

| | R\$ million | |
|------------------------|--------------------|-------------------|
| | 09.30.2016 | 12.31.2015 |
| Real/ Dólar | (613) | 2,881 |
| Real/ Euro | (142) | (8,687) |
| Real/ Libra esterlina | (60) | (73) |
| Dólar/ Iene japonês | (855) | (2,180) |
| Dólar/ Euro | (22,719) | (24,988) |
| Dólar/ Libra esterlina | (7,612) | (10,241) |
| Peso/ Dólar | | (145) |
| Total | (32,001) | (43,433) |

Table 17 Assets and Liabilities subject to exchange variation by currency

| | R\$ million | | | | | | |
|---|--------------------|-----------------|------------------------------------|----------------|----------------|------------------------------------|----------------|
| | Jan-Sep | | | | | | |
| | 2016 | 2015 | 2016 x 2015 (%) | 3Q-2016 | 2Q-2016 | 3Q16 X 2Q16 (%) | 3Q-2015 |
| Foreign exchange and inflation indexation charges | | | | | | | |
| Foreign exchange variation Dollar x Euro | (974) | 1,551 | (163) | (441) | 910 | (148) | (12) |
| Foreign exchange variation Real x Dollar | 729 | (6,355) | 111 | 139 | (33) | 521 | (3,418) |
| Foreign exchange variation Dollar x Pound Sterling | 1,098 | 188 | 484 | 128 | 644 | (80) | 268 |
| Reclassification of hedge accounting from Shareholders Equity to the Statement of Income | (7,534) | (4,193) | (80) | (2,137) | (2,497) | 14 | (1,862) |
| Foreign exchange variation Real x Euro | (230) | (2,507) | 91 | (4) | 32 | (113) | (2,029) |
| Others | 649 | 643 | 1 | 173 | 257 | (33) | 146 |
| Net Inflation indexation and foreign exchange variation | (6,262) | (10,673) | 41 | (2,142) | (687) | (212) | (6,907) |

Table 18 Foreign exchange and inflation indexation charges

ADDITIONAL INFORMATION

5. Special Items

| Jan-Sep | | R\$ million | | | | |
|-----------------|-----------------|---|-----------------|----------------|----------------|--|
| 2016 | 2015 | Items of Income Statement | 3Q-2016 | 2Q-2016 | 3Q-2015 | |
| (17,187) | (1,286) | Impairment of assets and investments | (15,709) | (1,184) | | |
| (3,685) | (110) | Voluntary Separation Incentive Plan PIDV | (2,472) | (1,220) | (29) | |
| (3,627) | | Cumulative translation adjustment CTA | (3,627) | | | |
| (3,068) | (1,861) | (Losses)/Gains on legal proceedings | (2,202) | (569) | (1,861) | |
| (1,215) | 633 | Impairment of trade receivables from companies in the isolated electricity system | (269) | (506) | (492) | |
| (51) | (822) | State Tax Amnesty Program / PRORELIT | | | (302) | |
| 3,242 | (153) | Result of decommissioning costs | 3,243 | (1) | (61) | |
| 227 | 230 | Amounts recovered overpayments incorrectly capitalized | 148 | 79 | 73 | |
| 673 | 464 | Gains (losses) on Disposal of Assets | 673 | | | |
| | (7,501) | Tax Recoverable Program REFIS | | | (3,128) | |
| (24,691) | (10,406) | Total | (20,215) | (3,401) | (5,800) | |

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

| | | | | |
|-----------------|----------------|---|-----------------|----------------|
| (16,770) | (1,286) | Impairment | (15,292) | (1,184) |
| (417) | | Share of earnings in equity-accounted investments | (417) | |
| (17,187) | (1,286) | Impairment of assets and investments | (15,709) | (1,184) |

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) | (723) | Tax expenses | (282) |
| (9) | (99) | Interest expenses | (20) |
| (51) | | State Tax Amnesty Program / | |
| | (822) | PRORELIT | (302) |

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

| | | | |
|--|----------------|--------------------------------|----------------|
| | (5,027) | Tax expenses | (1,955) |
| | (2,474) | Interest expenses | (1,173) |
| | | Tax Recoverable Program | |
| | (7,501) | REFIS | (3,128) |

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

6. Results of Operations of 3Q-2016 compared to 2Q-2016:

Sales revenues of R\$ 70,443 million, 1% lower compared to the 2Q-2016 (R\$ 71,320 million), due to:

Lower revenues from operations abroad, mainly related to Petrobras Argentina (PESA); and

Decrease in domestic sales volumes of gasoline and lower oil product exports.
These effects were partially offset by higher crude oil export volumes.

Cost of sales of R\$ 47,106 million, a 3% decrease compared to the 2Q-2016 (R\$ 48,499 million), due to:

Lower oil product, crude oil and natural gas import costs; and

Lower costs from operations abroad, mainly due to the disposal of PESA.
These effects were partially offset by the increase in crude oil export volumes.

Impairment of assets of R\$ 15,292 million (R\$ 1,184 million in the 2Q-2016), mainly due to:

(i) The review of capital expenditures projects included in the 2017-2021 Company's Business and Management Plan (*Plano de Negócios e Gestão* - PNG);

(ii) Lower exchange rate and increased discount rate; and

(iii) Mid-term and long-term premises reviewed by the Company.

Other income and expenses, net of R\$ 8,741 million, a 64% increase compared to the 2Q-2016 (R\$ 5,325 million), as a result of:

Reclassification of foreign exchange losses generated by the depreciation of the Argentine Peso against the U.S. dollar of R\$ 3,627 million, from Shareholders' Equity to the Statement of Income (related to cumulative translation adjustment) due to the disposal of PESA;

Gains on decommissioning of returned/abandoned areas of R\$ 3,243 million, as a result of higher discount rate and the appreciation of the Brazilian Real against the U.S. dollar;

Higher expenses with the new Voluntary Separation Incentive Plan, due to new adhesions occurred in July and August 2016 (R\$ 1,260 million);

Provision of individual lawsuits expenses against Petrobras in New York (R\$ 1,182 million);

Provision of losses with advances to suppliers of FPSO vessel hulls (R\$ 1,128 million);

Provision for debt acknowledgements of suppliers with subcontractors related to the construction of FPSO vessel hulls (R\$ 931 million);

Decreased unscheduled stoppages expenses, mainly with drilling rigs idleness (R\$ 825 million); and

Gains on disposal of PESA shares (R\$ 673 million).

Net finance expense of R\$ 7,122 million in the 3Q-2016, a 18% increase compared to the 2Q-2016 (R\$ 6,061 million), due to:

Foreign exchange losses of R\$ 441 million caused by the impact of a 1.9% depreciation of the U.S. dollar against the Euro on the Company's net debt in the 3Q-2016, compared to foreign exchange gains of R\$ 910 million caused by the impact of an 3.1% appreciation in the 2Q-2016 (R\$ 1,351 million); and

The lower reclassification of cumulative foreign exchange variation from shareholders' equity to net income due to occurred exports designated for cash flow hedge accounting (R\$ 360 million).

The Result of share of earnings in equity-accounted investments was impacted by impairment of investment in associates of R\$ 417 million.

Credit of income taxes (corporate income tax and social contribution) of R\$ 971 million, compared to an expense of R\$ 622 million in the 2Q-2016, mainly due to the loss in the period.

Loss attributable to non-controlling interests of R\$ 135 million (loss of R\$ 529 million in the 2Q-2016), mainly reflecting the impact of foreign exchange variation on debt in U.S. dollar of structured entities in the period.

ADDITIONAL INFORMATION

7. Results of Operations of Jan-Sep/2016 compared to Jan-Sep/2015:

Sales revenues of R\$ 212,100 million, a 10% decrease when compared to Jan-Sep/2015 (R\$ 236,535 million), due to:

Decreased domestic demand for oil products (8%), mainly of diesel, reflecting lower economic activity in Brazil, due to lower consumption and to lower fuel oil demand for lower thermoelectric generation;

Decreased electricity generation and prices due to improved hydrological conditions;

Decreased natural gas sales volumes as a result of lower thermoelectric demand;

Lower crude oil and oil product export prices as a result of lower international crude oil prices; and

Lower revenues from operations abroad generated by the disposal of Petrobras Argentina S.A. (PESA) and by lower sales prices.

These effects were partially offset by increased average domestic oil product prices, mainly due to higher margins of diesel and gasoline.

Cost of sales of R\$ 144,934 million, a 12% decrease compared to Jan-Sep/2015 (R\$ 164,808 million), due to:

Lower crude oil, oil products and natural gas import costs, as a result of lower domestic demand and of the 25% decrease in Brent price, partially offset by the effect of the 12% depreciation of the Brazilian Real against the U.S. dollar over acquisition costs;

Decreased production taxes as a result of lower international crude oil prices; and

Decreased operations abroad generated by the disposal of PESA and by lower international crude oil prices. 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\$ 10,774 million, a 14% increase compared to Jan-Sep/2015 (R\$ 9,465 million), due to the reversal of impairment of trade receivables from companies in the electricity sector in the 1Q-2015 (R\$ 1,295 million).

Other taxes were R\$ 1,600 million, a 79% decrease compared to Jan-Sep/2015 (R\$ 7,768 million), mainly due to the Company's decision, in 2015, to benefit from the Tax Amnesty and Refinancing Program (*Programa de Recuperação Fiscal* - REFIS) and from the State Tax Amnesty Programs.

Impairment of assets of R\$ 16,770 million (R\$ 1,286 million in Jan-Sep/2015), due to:

- (i) The review of capital expenditures projects included in the 2017-2021 Company's Business and Management Plan (*Plano de Negócios e Gestão* - PNG);
- (ii) Lower exchange rate and increased discount rate; and
- (iii) Premises reviewed by the Company, such as Brent prices and mid-term and long-term exchange rates.

Other income and expenses, net of R\$ 18,037 million, a 78% increase compared to Jan-Sep/2015 (R\$ 10,109 million), due to:

Expenses with the new Voluntary Separation Incentive Plan (R\$ 3,685 million);

Reclassification of foreign exchange losses of R\$ 3,627 million, generated by the depreciation of the Argentine Peso against the U.S. dollar from Shareholders' Equity to the Statement of Income (related to cumulative translation adjustment), due to the disposal of PESA;

Higher unscheduled stoppages and pre-operating expenses, mainly with drilling rigs idleness (R\$ 2,838 million);

Provision of individual lawsuits expenses against Petrobras in New York (R\$ 1,182 million); and

Higher expenses related to legal proceedings contingencies, mainly in connection with tax and civil lawsuits (R\$ 1,072 million).

These expenses were partially offset by:

Gains on decommissioning of returned/abandoned areas of R\$ 3,242 million, as a result of higher discount rate and the appreciation of the Brazilian Real against the U.S. dollar; and

Gains on disposal of PESA shares (R\$ 673 million).

Net finance expense was R\$ 21,876 million, a 5% decrease when compared to Jan-Sep/2015 (R\$ 23,113 million), due to:

Lower foreign exchange loss in R\$ 4,411 million generated by:

- (i) Foreign exchange variation of the Brazilian Real on the Company's net debt in U.S. dollar, positive in R\$ 3,743 million, due to the 16.9% appreciation of the Brazilian Real against the U.S. dollar, net of the reclassification of cumulative foreign exchange variation from shareholders' equity to net income due to occurred exports designated for cash flow hedge accounting;
- (ii) Lower foreign exchange losses of the Brazilian Real against the Euro, caused by the decreased Company's net debt in Euro (R\$ 2,277 million);

- (iii) Foreign exchange losses of R\$ 974 million caused by the impact of a 3.3% depreciation of the U.S. dollar against the Euro on the Company's net debt in Jan-Sep/2016, compared to foreign exchange gains of R\$ 1,551 million caused by the impact of a 8.1% appreciation in Jan-Sep/2015 (R\$ 2,525 million); and
- (iv) Higher foreign exchange gains in R\$ 910 million generated by the impact of a 12% appreciation of the U.S. dollar against the Pound Sterling on the Company's net debt;

Higher finance expenses (a R\$ 2,800 million increase), due to:

- (i) An increase in the Company's average debt, caused by the impact of the depreciation of the average Brazilian Real against the U.S. dollar (R\$ 4,088 million, net of capitalized borrowing costs);
- (ii) Higher interest accrued on provision for decommissioning costs (R\$ 1,147 million); and
- (iii) Interest expenses on tax deficiency notices related to tax on financial operations (Imposto sobre Operações Financeiras - IOF) of R\$ 1,418 million and withholding income tax of R\$ 1,113 million, both recognized in 2015.

Credit of income taxes (corporate income tax and social contribution) of R\$ 125 million in Jan-Sep/2016, compared to an expense of R\$ 5,522 million in Jan-Sep/2015, mainly due to the loss of the period.

Loss related to non-controlling interests of R\$ 1,529 million in Jan-Sep/2016 (a R\$ 1,691 million gain in Jan-Sep/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**

| | R\$ million | | | | |
|---|-----------------|-----------------|-----------------|----------|----------|
| | Jan-Sep | | 3Q-2016 | 2Q-2016 | 3Q-2015 |
| | 2016 | 2015 | | | |
| Sales revenues | 212,100 | 236,535 | 70,443 | 71,320 | 82,239 |
| Cost of sales | (144,934) | (164,808) | (47,106) | (48,499) | (58,484) |
| Gross profit | 67,166 | 71,727 | 23,337 | 22,821 | 23,755 |
| Selling expenses | (10,774) | (9,465) | (3,333) | (3,690) | (3,855) |
| General and administrative expenses | (8,537) | (8,228) | (3,041) | (2,844) | (2,754) |
| Exploration costs | (4,647) | (4,637) | (1,859) | (1,641) | (2,234) |
| Research and development expenses | (1,501) | (1,730) | (491) | (507) | (556) |
| Other taxes | (1,600) | (7,768) | (612) | (446) | (3,055) |
| Impairment | (16,770) | (1,286) | (15,292) | (1,184) | |
| Other income and expenses, net | (18,037) | (10,109) | (8,741) | (5,325) | (5,256) |
| | (61,866) | (43,223) | (33,369) | (15,637) | (17,710) |
| Operating income (loss) | 5,300 | 28,504 | (10,032) | 7,184 | 6,045 |
| Finance income | 2,841 | 3,215 | 1,191 | 764 | 1,866 |
| Finance expenses | (18,455) | (15,655) | (6,171) | (6,138) | (6,403) |
| Foreign exchange and inflation indexation charges | (6,262) | (10,673) | (2,142) | (687) | (6,907) |
| Net finance income (expense) | (21,876) | (23,113) | (7,122) | (6,061) | (11,444) |
| Share of earnings in equity-accounted investments | 646 | 542 | (140) | 398 | 200 |
| Income (loss) before income taxes | (15,930) | 5,933 | (17,294) | 1,521 | (5,199) |
| Income taxes | 125 | (5,522) | 971 | (622) | 174 |
| Net income (loss) | (15,805) | 411 | (16,323) | 899 | (5,025) |
| Net income (loss) attributable to: | | | | | |
| Shareholders of Petrobras | (17,334) | 2,102 | (16,458) | 370 | (3,759) |
| Non-controlling interests | 1,529 | (1,691) | 135 | 529 | (1,266) |
| | (15,805) | 411 | (16,323) | 899 | (5,025) |

Statement of Financial Position Consolidated

| ASSETS | R\$ million | |
|---|--------------------|-------------------|
| | 09.30.2016 | 12.31.2015 |
| Current assets | 144,753 | 169,581 |
| Cash and cash equivalents | 70,060 | 97,845 |
| Marketable securities | 2,542 | 3,047 |
| Trade and other receivables, net | 16,953 | 22,659 |
| Inventories | 27,627 | 29,057 |
| Recoverable taxes | 8,709 | 10,732 |
| Assets classified as held for sale | 12,623 | 595 |
| Other current assets | 6,239 | 5,646 |
| Non-current assets | 658,453 | 730,554 |
| Long-term receivables | 61,226 | 74,879 |
| Trade and other receivables, net | 11,959 | 14,327 |
| Marketable securities | 297 | 342 |
| Judicial deposits | 11,474 | 9,758 |
| Deferred taxes | 11,543 | 23,490 |
| Other tax assets | 10,845 | 11,017 |
| Advances to suppliers | 4,655 | 6,395 |
| Other non-current assets | 10,453 | 9,550 |
| Investments | 12,955 | 13,772 |
| Property, plant and equipment | 573,386 | 629,831 |
| Intangible assets | 10,886 | 12,072 |
| Total assets | 803,206 | 900,135 |
| LIABILITIES | R\$ million | |
| | 09.30.2016 | 12.31.2015 |
| Current liabilities | 82,830 | 111,572 |
| Trade payables | 17,334 | 24,888 |
| Current debt | 37,101 | 57,407 |
| Taxes payable | 10,276 | 13,549 |
| Employee compensation (payroll, profit-sharing and related charges) | 8,261 | 5,085 |
| Pension and medical benefits | 2,753 | 2,556 |
| Liabilities associated with assets classified as held for sale | 472 | 488 |
| Other current liabilities | 6,633 | 7,599 |
| Non-current liabilities | 458,360 | 530,633 |

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| | | |
|--|----------------|----------------|
| Non-current debt | 361,064 | 435,616 |
| Deferred taxes | 888 | 906 |
| Pension and medical benefits | 51,527 | 47,618 |
| Provision for decommissioning costs | 30,533 | 35,728 |
| Provisions for legal proceedings | 12,787 | 8,776 |
| Other non-current liabilities | 1,561 | 1,989 |
| Shareholders equity | 262,016 | 257,930 |
| Share capital | 205,432 | 205,432 |
| Profit reserves and others | 54,103 | 49,299 |
| Non-controlling interests | 2,481 | 3,199 |
| Total liabilities and shareholders equity | 803,206 | 900,135 |

Statement of Cash Flows Data Consolidated

| | R\$ million | | | | |
|--|-------------|----------|----------|----------|----------|
| | 2016 | 2015 | 3Q-2016 | 2Q-2016 | 3Q-2015 |
| Net income (loss) | (15,805) | 411 | (16,323) | 899 | (5,025) |
| (+) Adjustments for: | 81,770 | 60,722 | 43,038 | 21,044 | 26,841 |
| Depreciation, depletion and amortization | 37,314 | 27,005 | 12,716 | 11,949 | 9,461 |
| Foreign exchange and inflation indexation and finance charges | 22,204 | 22,823 | 7,608 | 5,845 | 10,952 |
| Share of earnings in equity-accounted investments | (646) | (542) | 140 | (398) | (200) |
| Reclassification of cumulative translation adjustment | 3,627 | | 3,627 | | |
| Allowance for impairment of trade receivables | 1,695 | 566 | 458 | 734 | 542 |
| (Gains) / losses on disposal / write-offs of non-current assets, returned areas and cancelled projects | 894 | 1,034 | 659 | 133 | 1,223 |
| Deferred income taxes, net | (4,682) | 2,824 | (1,980) | (1,289) | (988) |
| Exploration expenditures written-off | 3,325 | 3,418 | 1,516 | 1,231 | 1,755 |
| Impairment | 16,770 | 1,286 | 15,292 | 1,184 | |
| Inventory write-downs to net realizable value (market value) | 1,195 | 883 | (55) | 74 | 845 |
| Pension and medical benefits (actuarial expense) | 6,010 | 5,055 | 1,987 | 2,018 | 1,687 |
| Inventories | (1,293) | (843) | 848 | (468) | 1,811 |
| Trade and other receivables, net | 3,165 | 273 | 181 | (600) | 616 |
| Judicial deposits | (1,734) | (1,678) | (450) | (901) | 266 |
| Trade payables | (5,312) | (2,402) | (341) | (1,196) | 54 |
| Pension and medical benefits | (1,728) | (1,601) | (498) | (792) | (479) |
| Taxes payable | 308 | 5,515 | 489 | 2,039 | (1,654) |
| Income tax and social contribution paid | (895) | (1,581) | (316) | (308) | (404) |
| Other assets and liabilities | 1,553 | (1,313) | 1,157 | 1,789 | 1,354 |
| (=) Net cash provided by (used in) operating activities | 65,965 | 61,133 | 26,715 | 21,943 | 21,816 |
| (-) Net cash provided by (used in) investing activities | (33,168) | (27,644) | (7,891) | (10,759) | (11,566) |
| Capital expenditures and investments in operating segments | (36,346) | (52,810) | (10,267) | (11,153) | (17,977) |
| Proceeds from disposal of assets (divestment) | 2,402 | 625 | 2,388 | 3 | 13 |
| Investments in marketable securities | 776 | 24,541 | (12) | 391 | 6,398 |
| (=) Net cash flow | 32,797 | 33,489 | 18,824 | 11,184 | 10,250 |
| (-) Net cash provided by (used in) financing activities | (49,007) | (2,772) | (12,097) | (19,551) | (11,858) |

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| | | | | | |
|---|----------|----------|-----------------|----------|----------|
| Proceeds from long-term financing | 43,707 | 50,049 | 11,028 | 25,464 | 12,577 |
| Repayment of principal | (73,772) | (37,727) | (17,584) | (39,090) | (18,281) |
| Repayment of interest | (18,976) | (15,409) | (5,386) | (5,968) | (5,964) |
| Acquisition of non-controlling interest | 34 | 315 | (155) | 43 | (190) |
| Effect of exchange rate changes on cash and cash equivalents | (11,575) | 24,914 | 393 | (6,471) | 20,312 |
| (=) Net increase (decrease) in cash and cash equivalents in the period | (27,785) | 55,631 | 7,120 | (14,838) | 18,704 |
| Cash and cash equivalents at the beginning of period | 97,845 | 44,239 | 62,940 | 77,778 | 81,166 |
| Cash and cash equivalents at the end of period | 70,060 | 99,870 | 70,060 | 62,940 | 99,870 |

SEGMENT INFORMATION

Consolidated Income Statement by Segment Jan-Sep/2016

| | R\$ million | | | | | | | |
|---|-----------------|-----------------|-------------------------------|--------------|----------------|------------------|----------------|--|
| | E&P | RTM | GAS & POWERBIOFUEIDISTRIB. | CORP. | ELIMIN. | TOTAL | | |
| Sales revenues | 83,370 | 163,016 | 25,007 | 612 | 73,749 | (133,654) | 212,100 | |
| Intersegments | 79,530 | 46,033 | 6,404 | 587 | 1,100 | (133,654) | | |
| Third parties | 3,840 | 116,983 | 18,603 | 25 | 72,649 | | 212,100 | |
| Cost of sales | (64,610) | (123,657) | (18,513) | (683) | (68,232) | 130,761 | (144,934) | |
| Gross profit | 18,760 | 39,359 | 6,494 | (71) | 5,517 | (2,893) | 67,166 | |
| Expenses | (21,226) | (13,867) | (4,650) | (186) | (5,351) | (16,818) | 232 | |
| Selling expenses | (397) | (4,863) | (2,208) | (4) | (3,569) | 13 | 254 | |
| General and administrative expenses | (952) | (1,076) | (567) | (61) | (663) | (5,217) | (1) | |
| Exploration costs | (4,647) | | | | | | (4,647) | |
| Research and development expenses | (652) | (144) | (46) | (2) | (1) | (656) | (1,501) | |
| Other taxes | (259) | (169) | (585) | (7) | (91) | (489) | (1,600) | |
| Impairment | (8,909) | (6,073) | (1,446) | (24) | (318) | | (16,770) | |
| Other income and expenses, net | (5,410) | (1,542) | 202 | (88) | (709) | (10,469) | (21) | |
| Operating income (loss) | (2,466) | 25,492 | 1,844 | (257) | 166 | (16,818) | (2,661) | |
| Net finance income (expense) | | | | | | (21,876) | (21,876) | |
| Share of earnings in equity-accounted investments | 149 | 520 | 338 | (386) | 25 | | 646 | |
| Income (loss) before income taxes | (2,317) | 26,012 | 2,182 | (643) | 191 | (38,694) | (2,661) | |
| Income taxes | 839 | (8,667) | (627) | 88 | (57) | 7,644 | 905 | |
| Net income (loss) | (1,478) | 17,345 | 1,555 | (555) | 134 | (31,050) | (1,756) | |

Net income (loss)
attributable to:

| | | | | | | | | |
|---------------------------|---------|--------|-------|-------|-----|----------|---------|----------|
| Shareholders of Petrobras | (1,313) | 17,600 | 1,239 | (555) | 131 | (32,680) | (1,756) | (17,334) |
| Non-controlling interests | (165) | (255) | 316 | | 3 | 1,630 | | 1,529 |
| | (1,478) | 17,345 | 1,555 | (555) | 134 | (31,050) | (1,756) | (15,805) |

Consolidated Income Statement by Segment Jan-Sep/2015

| | R\$ million | | | | | | | |
|---|---------------|----------------|-------------------------------|--------------|---------------|------------------|----------------|---------------|
| | E&P | RTM | GAS & POWERBIOFUEIDISTRIB. | | CORP. | ELIMIN. | TOTAL | |
| Sales revenues | 89,254 | 181,400 | 32,522 | 526 | 81,633 | (148,800) | 236,535 | |
| Intersegments | 85,713 | 56,153 | 5,088 | 488 | 1,358 | (148,800) | | |
| Third parties | 3,541 | 125,247 | 27,434 | 38 | 80,275 | | 236,535 | |
| Cost of sales | (61,811) | (148,629) | (26,168) | (587) | (75,587) | 147,974 | (164,808) | |
| Gross profit | 27,443 | 32,771 | 6,354 | (61) | 6,046 | (826) | 71,727 | |
| Expenses | (9,292) | (10,621) | (3,551) | (116) | (5,106) | (15,048) | 511 | (43,223) |
| Selling expenses | (525) | (4,803) | (547) | (5) | (4,125) | 23 | 517 | (9,465) |
| General and administrative expenses | (1,018) | (980) | (585) | (74) | (674) | (4,896) | (1) | (8,228) |
| Exploration costs | (4,637) | | | | | | | (4,637) |
| Research and development expenses | (683) | (284) | (138) | (25) | (3) | (597) | | (1,730) |
| Other taxes | (445) | (2,162) | (1,007) | (3) | (84) | (4,067) | | (7,768) |
| Impairment | (336) | (365) | (585) | | | | | (1,286) |
| Other income and expenses, net | (1,648) | (2,027) | (689) | (9) | (220) | (5,511) | (5) | (10,109) |
| Operating income (loss) | 18,151 | 22,150 | 2,803 | (177) | 940 | (15,048) | (315) | 28,504 |
| Net finance income (expense) | | | | | | (23,113) | | (23,113) |
| Share of earnings in equity-accounted investments | (349) | 1,085 | 305 | (347) | (22) | (130) | | 542 |
| Income (loss) before income taxes | 17,802 | 23,235 | 3,108 | (524) | 918 | (38,291) | (315) | 5,933 |
| Income taxes | (6,172) | (7,532) | (953) | 60 | (320) | 9,287 | 108 | (5,522) |
| Net income (loss) | 11,630 | 15,703 | 2,155 | (464) | 598 | (29,004) | (207) | 411 |

Net income (loss)
attributable to:

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| | | | | | | | | |
|---------------------------|--------|--------|-------|-------|-----|----------|-------|---------|
| Shareholders of Petrobras | 11,604 | 15,717 | 1,905 | (464) | 595 | (27,048) | (207) | 2,102 |
| Non-controlling interests | 26 | (14) | 250 | | 3 | (1,956) | | (1,691) |
| | 11,630 | 15,703 | 2,155 | (464) | 598 | (29,004) | (207) | 411 |

Consolidated Income Statement by Segment 3Q-2016

| | R\$ million | | | | | | | |
|---|-------------|----------|-------------------------------|-------|----------|----------|----------|--|
| | E&P | RTM | GAS & POWERBIOFUELDISTRIB. | CORP. | ELIMIN. | TOTAL | | |
| Sales revenues | 30,073 | 53,984 | 7,856 | 167 | 24,300 | (45,937) | 70,443 | |
| Intersegments | 28,842 | 14,412 | 2,174 | 160 | 349 | (45,937) | | |
| Third parties | 1,231 | 39,572 | 5,682 | 7 | 23,951 | | 70,443 | |
| Cost of sales | (22,175) | (42,692) | (5,336) | (190) | (22,527) | 45,814 | (47,106) | |
| Gross profit | 7,898 | 11,292 | 2,520 | (23) | 1,773 | (123) | 23,337 | |
| Expenses | (12,472) | (7,640) | (2,670) | (49) | (1,827) | (8,747) | 36 | |
| Selling expenses | (99) | (1,522) | (724) | (1) | (1,091) | 62 | 42 | |
| General and administrative expenses | (297) | (355) | (187) | (18) | (224) | (1,960) | (3,041) | |
| Exploration costs | (1,859) | | | | | | (1,859) | |
| Research and development expenses | (214) | (41) | (14) | | (1) | (221) | (491) | |
| Other taxes | (138) | (32) | (195) | (2) | (7) | (238) | (612) | |
| Impairment | (8,556) | (4,948) | (1,446) | (24) | (318) | | (15,292) | |
| Other income and expenses, net | (1,309) | (742) | (104) | (4) | (186) | (6,390) | (6) | |
| Operating income (loss) | (4,574) | 3,652 | (150) | (72) | (54) | (8,747) | (87) | |
| Net finance income (expense) | | | | | | (7,122) | (7,122) | |
| Share of earnings in equity-accounted investments | 141 | (41) | 134 | (384) | 9 | 1 | (140) | |
| Income (loss) before income taxes | (4,433) | 3,611 | (16) | (456) | (45) | (15,868) | (87) | |
| Income taxes | 1,556 | (1,242) | 51 | 25 | 18 | 533 | 30 | |
| Net income (loss) | (2,877) | 2,369 | 35 | (431) | (27) | (15,335) | (57) | |
| Net income (loss) attributable to: | | | | | | | | |
| Shareholders of Petrobras | (2,870) | 2,416 | (63) | (431) | (28) | (15,425) | (57) | |
| Non-controlling interests | (7) | (47) | 98 | | 1 | 90 | 135 | |
| | (2,877) | 2,369 | 35 | (431) | (27) | (15,335) | (57) | |

Consolidated Income Statement by Segment 2Q-2016

| | R\$ million | | | | | | | |
|---|-------------|----------|-------------------------------|-------|----------|----------|----------|--|
| | E&P | RTM | GAS & POWERBIOFUELDISTRIB. | 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 | |
| Selling expenses | (131) | (1,579) | (1,049) | (1) | (1,009) | (41) | 120 | |
| 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) | |
| Impairment | (59) | (1,125) | | | | | (1,184) | |
| Other income and expenses, net | (2,710) | (675) | 215 | 5 | (265) | (1,898) | 3 | |
| Operating income (loss) | 2,881 | 10,345 | 900 | (47) | 267 | (4,079) | (3,083) | |
| 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) | |
| Income taxes | (980) | (3,517) | (306) | 16 | (91) | 3,207 | 1,049 | |
| Net income (loss) | 2,008 | 7,014 | 742 | (76) | 185 | (6,940) | (2,034) | |
| Net income (loss) attributable to: | | | | | | | | |
| Shareholders of Petrobras | 2,162 | 7,208 | 545 | (76) | 184 | (7,619) | (2,034) | |
| Non-controlling interests | (154) | (194) | 197 | | 1 | 679 | 529 | |
| | 2,008 | 7,014 | 742 | (76) | 185 | (6,940) | (2,034) | |
| | | | | | | | 899 | |

Other Income (Expenses) by Segment Jan-Sep/2016

| | R\$ million | | | | | | | |
|---|-------------|---------|-------|-------|----------------------------------|----------|---------------------|----------|
| | E&P | | RTM | | GAS & POWERBIOFUELDISTRIB. | | CORP. ELIMIN. TOTAL | |
| Unscheduled stoppages and pre-operating expenses | (5,146) | (193) | (124) | | | (9) | | (5,472) |
| (Losses)/gains on legal, administrative and arbitral proceedings | (1,296) | (272) | (444) | (2) | (926) | (2,300) | | (5,240) |
| Pension and medical benefits | | | | | | (3,717) | | (3,717) |
| Voluntary Separation Incentive Plan PIDV | (1,621) | (868) | (144) | | 9 | (1,061) | | (3,685) |
| Cumulative Translation Adjustment CTA | | | | | | (3,627) | | (3,627) |
| Provision for assumption of debts of suppliers with subcontractors | (931) | | | | | | | (931) |
| Gains / (losses) on disposal/write-offs of assets; returned areas and cancelled projects ^(*) | (1,247) | (221) | (42) | | 8 | 608 | | (894) |
| Institutional relations and cultural projects | (13) | (12) | (1) | | (43) | (568) | | (637) |
| Operating expenses with thermoelectric plants | | | (275) | | | | | (275) |
| Health, safety and environment | (41) | (43) | (15) | | (3) | (111) | | (213) |
| Losses on fines | (21) | (40) | (1) | | | (93) | | (155) |
| Reimbursement of unduly capitalized expenses | | | | | | 227 | | 227 |
| Government Grants | 12 | 86 | 299 | 14 | | 2 | | 413 |
| Ship/Take or Pay Agreements with Gas Distributors | (1) | | 658 | | | | | 657 |
| (Expenditures)/reimbursements from operations in E&P partnerships | 1,645 | | | | | | | 1,645 |
| Gains / (losses) on decommissioning of returned/abandoned areas | 3,242 | | | | | | | 3,242 |
| Others | 8 | 21 | 291 | (100) | 246 | 180 | (21) | 625 |
| | (5,410) | (1,542) | 202 | (88) | (709) | (10,469) | (21) | (18,037) |

Other Income (Expenses) by Segment Jan-Sep/2015

| | R\$million | | | | | | | | | |
|--|-------------------|---------|------------|-----|--------------|---------|-----------------|---------|-------------------------------------|----------|
| | E&P | | RTM | | POWER | | BIOFUELS | | DISTRIB. CORP. ELIMIN. TOTAL | |
| Unscheduled stoppages and pre-operating expenses | (1,931) | (462) | (223) | | | | | (18) | | (2,634) |
| (Losses)/gains on legal, administrative and arbitral proceedings | (140) | (1,228) | (17) | | | | (170) | (1,431) | | (2,986) |
| Pension and medical benefits | | | | | | | | (2,842) | | (2,842) |
| Voluntary Separation Incentive Plan PIDV | (25) | (26) | (51) | (4) | 1 | (5) | | | | (110) |
| Gains / (losses) on disposal/write-offs of assets; returned areas and cancelled projects | (599) | 49 | (505) | | 29 | (8) | | | | (1,034) |
| Institutional relations and cultural projects | (56) | (45) | (4) | | (127) | (819) | | | | (1,051) |
| Operating expenses with thermoelectric plants | | | (301) | | | | | | | (301) |
| Health, safety and environment | (47) | (55) | (15) | | (1) | (119) | | | | (237) |
| Losses on fines | (24) | (321) | (6) | | | (553) | | | | (904) |
| Reimbursement of unduly capitalized expenses | | | | | | | 230 | | | 230 |
| Government Grants | 14 | 14 | 2 | | | 8 | | | | 38 |
| Ship/Take or Pay Agreements with Gas Distributors | (8) | | 484 | | | | | | | 476 |
| (Expenditures)/reimbursements from operations in E&P partnerships | 989 | | | | | | | | | 989 |
| Gains / (losses) on decommissioning of returned/abandoned areas | (153) | | | | | | | | | (153) |
| Others | 332 | 47 | (53) | (5) | 48 | 46 | (5) | | | 410 |
| | (1,648) | (2,027) | (689) | (9) | (220) | (5,511) | (5) | | | (10,109) |

* Includes write-offs in the amount of R\$ 1.128 million, as set out in note 13.3 to our financial statements at September 30, 2016.

Other Income (Expenses) by Segment 3Q-2016

| | R\$ million | | | | | | | |
|---|-------------|-------|-------|-----|----------------------------------|---------|---------------------|---------|
| | E&P | | RTM | | GAS & POWERBIOFUELDISTRIB. | | CORP. ELIMIN. TOTAL | |
| Unscheduled stoppages and pre-operating expenses | (1,203) | (58) | (35) | | | (2) | | (1,298) |
| (Losses)/gains on legal, administrative and arbitral proceedings | (638) | (119) | (411) | (2) | (234) | (1,263) | | (2,667) |
| Pension and medical benefits | | | | | | (1,239) | | (1,239) |
| Voluntary Separation Incentive Plan PIDV | (1,056) | (601) | (94) | | | (721) | | (2,472) |
| Cumulative Translation Adjustment CTA | | | | | | (3,627) | | (3,627) |
| Provision for assumption of debts of suppliers with subcontractors | (931) | | | | | | | (931) |
| Gains / (losses) on disposal/write-offs of assets; returned areas and cancelled projects ^(*) | (1,177) | (74) | (1) | | 1 | 591 | | (660) |
| Institutional relations and cultural projects | (1) | (3) | | | (18) | (183) | | (205) |
| Operating expenses with thermoelectric plants | | | (67) | | | | | (67) |
| Health, safety and environment | (5) | (9) | (4) | | | (37) | | (55) |
| Losses on fines | | 13 | | | | (26) | | (13) |
| Reimbursement of unduly capitalized expenses | | | | | | 148 | | 148 |
| Ship/Take or Pay Agreements with Gas Distributors | 4 | 33 | 101 | 5 | | 1 | | 144 |
| Ship/Take or Pay Agreements with Gas Distributors | (3) | | 301 | | | | | 298 |
| (Expenditures)/reimbursements from operations in E&P partnerships | 523 | | | | | | | 523 |
| Gains / (losses) on decommissioning of returned/abandoned areas | 3,243 | | | | | | | 3,243 |
| Others | (65) | 76 | 106 | (7) | 65 | (32) | (6) | 137 |
| | (1,309) | (742) | (104) | (4) | (186) | (6,390) | (6) | (8,741) |

Other Income (Expenses) by Segment 2Q-2016

R\$ million

**GAS
&**

| | E&P | RTM | POWER | BIOFUELS | 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) |
| Voluntary Separation Incentive Plan PIDV | (535) | (267) | (75) | | 4 | (339) | | (1,212) |
| Gains / (losses) on disposal/write-offs of assets; returned areas and cancelled projects | (30) | (116) | (3) | (1) | 1 | 16 | | (133) |
| Institutional relations and cultural projects | (4) | (4) | (1) | | (16) | (169) | | (194) |
| 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 | | 253 | | | | | 255 |
| (Expenditures)/reimbursements from operations in E&P partnerships | 577 | | | | | | | 577 |
| Gains / (losses) on decommissioning of returned/abandoned areas | (1) | | | | | | | (1) |
| Others | (99) | (46) | 44 | (4) | 86 | 144 | 3 | 128 |
| | (2,710) | (675) | 215 | 5 | (265) | (1,898) | 3 | (5,325) |

* Includes write-offs in the amount of R\$ 1.128 million, as set out in note 13.3 to our financial statements at September 30, 2016.

Consolidated Assets by Segment 09.30.2016

| | R\$ million | | | | | | | |
|--|-------------|---------|----------------|---------|----------|---------|----------|---------|
| | E&P | RTM | GAS & POWER | BIOFUEL | DISTRIB. | CORP. | ELIMIN. | TOTAL |
| Total assets | 448,332 | 169,890 | 65,282 | 1,955 | 20,234 | 116,250 | (18,737) | 803,206 |
| Current assets | 16,131 | 33,040 | 13,958 | 191 | 9,682 | 86,125 | (14,374) | 144,753 |
| Non-current assets | 432,201 | 136,850 | 51,324 | 1,764 | 10,552 | 30,125 | (4,363) | 658,453 |
| Long-term receivables | 24,170 | 10,593 | 3,345 | 12 | 3,454 | 23,853 | (4,201) | 61,226 |
| Investments | 5,110 | 4,696 | 1,654 | 1,424 | 50 | 21 | | 12,955 |
| Property, plant and equipment | 395,117 | 120,845 | 45,272 | 328 | 6,320 | 5,666 | (162) | 573,386 |
| Operating assets | 289,118 | 106,233 | 38,833 | 318 | 5,396 | 4,476 | (162) | 444,212 |
| Assets under construction | 105,999 | 14,612 | 6,439 | 10 | 924 | 1,190 | | 129,174 |
| Intangible assets | 7,804 | 716 | 1,053 | | 728 | 585 | | 10,886 |
| Consolidated Assets by Segment 12.31.2015 | | | | | | | | |

| | R\$ million | | | | | | | |
|-------------------------------|-------------|---------|----------------|---------|----------|---------|----------|---------|
| | 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 Jan-Sep/2016

| | R\$ million | | | | | | | |
|---|----------------------------------|---------------|--------------|--------------|------------|-----------------|----------------|---------------|
| | GAS & POWERBIOFUELDISTRIB. | | | CORP. | | ELIMIN. | TOTAL | |
| | E&P | RTM | | | | | | |
| Net income (loss) | (1,478) | 17,345 | 1,555 | (555) | 134 | (31,050) | (1,756) | (15,805) |
| Net finance income (expense) | | | | | | 21,876 | | 21,876 |
| Income taxes | (839) | 8,667 | 627 | (88) | 57 | (7,644) | (905) | (125) |
| Depreciation, depletion and amortization | 28,304 | 5,764 | 2,190 | 18 | 418 | 620 | | 37,314 |
| EBITDA | 25,987 | 31,776 | 4,372 | (625) | 609 | (16,198) | (2,661) | 43,260 |
| Share of earnings in equity-accounted investments | (149) | (520) | (338) | 386 | (25) | | | (646) |
| Impairment losses / (reversals) | 8,909 | 6,073 | 1,446 | 24 | 318 | | | 16,770 |
| Realization of cumulative translation adjustment | | | | | | 3,627 | | 3,627 |
| Adjusted EBITDA* | 34,747 | 37,329 | 5,480 | (215) | 902 | (12,571) | (2,661) | 63,011 |

Reconciliation of Consolidated Adjusted EBITDA Statement by Segment Jan-Sep/2015

| | R\$ million | | | | | | | |
|---|----------------------------------|---------------|--------------|--------------|--------------|-----------------|--------------|---------------|
| | GAS & POWERBIOFUELDISTRIB. | | | CORP. | | ELIMIN. | TOTAL | |
| | E&P | RTM | | | | | | |
| Net income (loss) | 11,630 | 15,703 | 2,155 | (464) | 598 | (29,004) | (207) | 411 |
| Net finance income (expense) | | | | | | 23,113 | | 23,113 |
| Income taxes | 6,172 | 7,532 | 953 | (60) | 320 | (9,287) | (108) | 5,522 |
| Depreciation, depletion and amortization | 18,167 | 5,578 | 2,165 | 22 | 436 | 637 | | 27,005 |
| EBITDA | 35,969 | 28,813 | 5,273 | (502) | 1,354 | (14,541) | (315) | 56,051 |
| Share of earnings in equity-accounted investments | 349 | (1,085) | (305) | 347 | 22 | 130 | | (542) |
| Impairment losses / (reversals) | 336 | 365 | 585 | | | | | 1,286 |
| Adjusted EBITDA* | 36,654 | 28,093 | 5,553 | (155) | 1,376 | (14,411) | (315) | 56,795 |

Reconciliation of Consolidated Adjusted EBITDA Statement by Segment 3Q-2016

| | R\$ million | | | | | | | |
|---|----------------------|---------------|--------------|---------------|------------------|----------------|----------------|---------------|
| | GAS & | | | | | | | |
| | E&P | RTM | POWER | BIOFUE | IDISTRIB. | CORP. | ELIMIN. | TOTAL |
| Net income (loss) | (2,877) | 2,369 | 35 | (431) | (27) | (15,335) | (57) | (16,323) |
| Net finance income (expense) | | | | | | 7,122 | | 7,122 |
| Income taxes | (1,556) | 1,242 | (51) | (25) | (18) | (533) | (30) | (971) |
| Depreciation, depletion and amortization | 9,725 | 1,913 | 737 | 5 | 126 | 210 | | 12,716 |
| EBITDA | 5,292 | 5,524 | 721 | (451) | 81 | (8,536) | | 2,544 |
| Share of earnings in equity-accounted investments | (141) | 41 | (134) | 384 | (9) | (1) | | 140 |
| Impairment losses / (reversals) | 8,556 | 4,948 | 1,446 | 24 | 318 | | | 15,292 |
| Realization of cumulative translation adjustment | | | | | | 3,627- | | 3,627 |
| Adjusted EBITDA* | 13,707 | 10,513 | 2,033 | (43) | 390 | (4,910) | (87) | 21,603 |

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

| | R\$ million | | | | | | | |
|---|---------------|---------------|--|-------------|------------|----------------|----------------|---------------|
| | E&P | RTM | GAS & POWERBIOFUELDISTRIB. 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 |

* 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.

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

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

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

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.

Adjusted EBITDA margin equals Adjusted EBITDA divided by sales revenues.

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

helps investors assess our liquidity and supports leverage management.

Adjusted EBITDA Sum of EBITDA, share of earnings in equity-accounted investments, *impairment* and realization of adjusted cumulative translation.

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 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.

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 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.

SIGNATURES

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

Date: November 14, 2016

PETRÓLEO BRASILEIRO S.A PETROBRAS

By: /s/ Ivan de Souza Monteiro
Name: Ivan de Souza Monteiro

Title: Chief Financial Officer and Investor Relations Officer