

PETROBRAS - PETROLEO BRASILEIRO SA  
Form 6-K  
August 03, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

For the month of August, 2018

Commission File Number 1-15106

PETRÓLEO BRASILEIRO S.A. - PETROBRAS

(Exact name of registrant as specified in its charter)

Brazilian Petroleum Corporation - PETROBRAS

(Translation of Registrant's name into English)

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

(Address of principal executive office)

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

Form 20-F  Form 40-F

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

Yes  No

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## FINANCIAL REPORT

### 1H-2018 RESULTS

Consolidated financial information revised by independent auditors, prepared in accordance with International Financial Reporting Standards - IFRS.

Rio de Janeiro – August 31, 2018

#### Results

Petrobras reported net income of R\$ 17,033 million in 1H-2018, a growth of 257%, being the best semester result since 2011, determined by:

◆ Increase in the Brent prices, which resulted in higher margins in oil exports and in oil product sales in Brazil, together with the depreciation of Brazilian real;

◆ Reduction of interest expenses due to the decrease in indebtedness;

- Lower general and administrative expenses and equipment idleness; and

◆ On the other hand, the higher Brent prices led to an increase in production taxes.

The operational generation and the cash-in from divestments of US\$ 4,914 million led to amortization and prepayment of debt, resulting in a significant 16% decrease in gross debt, which reached US\$ 91,712 million and 13% in net debt of US\$ 73,662 million.

Free Cash Flow \* remained positive for the thirteenth quarter in a row, reaching R\$ 29,366 million in 1H-2018, a 29% increase compared to the first half of the previous year, mainly due to the higher operating generation, combined with the lower investments.

Pursuant to the Shareholders' Remuneration Policy and taking into account the net income obtained in the quarter and the financial deleveraging target, the anticipation of interest on own capital, in the amount of R\$ 0.05 per share, both for preferred and common shares, adopting the same amounts already distributed in 1Q-2018 of R\$ 652.2 million. In view of that, the anticipation of interest on own capital totaled R\$ 1,304.4 million in the semester.

#### Metric - Net Debt / Adjusted EBITDA

Adjusted EBITDA\* increased 26% compared to 1H-2017, to R\$ 55,835 million, due to higher oil products domestic sales and oil export sales, both as a result of the increase in Brent prices and of the depreciation of Brazilian real.

Adjusted EBITDA margin was 35%.

The net debt to LTM Adjusted EBITDA\* ratio decreased to 3.23 in June 2018, compared to 3.67 in December 2017. Leverage\* reduced from 51% to 50% in this period.

Excluding the provision for the Class Action agreement, the company would have presented the net debt / LTM Adjusted EBITDA ratio of 2.86, on a convergent path to the target of 2.5 until the end of 2018.

#### Operating highlights

Petrobras' total production of oil and natural gas in 1H-2018 was 2,669 thousand barrels of oil equivalent per day (boed), of which 2,572 thousand boed in Brazil, 4% less than 1H-2017, mainly reflecting divestments in Lapa and

Roncador fields.

In this quarter, there was start-up of the first production system in the Transfer of Rights area, in Buzios field, with FPSOs P-74, and a new production system in the Campos Basin, in Tartaruga Verde field. It is also worth to highlight the increase of the exploratory portfolio, through the acquisition of areas with high potential, in the ANP Bid Rounds.

Compared to 1H-2017, domestic oil products production fell by 3%, while domestic oil products sales fell by 6% to 1,759 thousand barrels per day (bpd) and 1,823 thousand bpd, respectively, due to the reduction in sales of naphtha to Braskem and the loss of market share from gasoline to ethanol. Compared to 1Q-2018, there was an increase in the market share of diesel and gasoline, resulting in an increase in sales volume, especially diesel, which grew 15%.

The company maintained its position as a net exporter, with a balance of 372 thousand bpd in 1H-2018 (vs. 401 thousand bpd in 1H-2017).

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

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www.petrobras.com.br/ir

B<sup>3</sup>: PETR3, PETR4

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PETRÓLEO BRASILEIRO S.A. – PETROBRAS

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

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

\* Table 01 - Main Items and Consolidated Economic Indicators

	R\$ million						
	Jan-Jun			2Q-2018	1Q-2018	2Q18	
	2018	2017	2018 x 2017 (%)			X 1Q18 (%)	2Q-2017
Sales revenues	158,856	135,361	17	84,395	74,461	13	66,996
Gross profit	58,396	45,155	29	31,623	26,773	18	21,369
Operating expenses	(23,915)	(15,895)	(50)	(14,957)	(8,958)	(67)	(6,379)
Operating income (loss)	34,481	29,260	18	16,666	17,815	(6)	14,990
Net finance income (expense)	(9,893)	(16,590)	40	(2,647)	(7,246)	63	(8,835)
Consolidated net income (loss) attributable to the shareholders of Petrobras	17,033	4,765	257	10,072	6,961	45	316
Basic and diluted earnings (losses) per share attributable to the shareholders of Petrobras	1.31	0.37	254	0.78	0.54	44	0.02
Market capitalization (Parent Company)	240,831	167,538	44	240,831	293,795	(18)	167,538
Adjusted EBITDA*	55,835	44,348	26	30,067	25,768	17	19,094
Adjusted EBITDA margin* (%)	35	33	2	36	35	1	29
Gross margin* (%)	37	33	4	37	36	1	32
Operating margin* (%)	22	22	—	20	24	(4)	22
Net margin* (%)	11	4	7	12	9	3	—
Total capital expenditures and investments*	21,259	22,994	(8)	11,311	9,948	14	11,452
Exploration & Production	18,660	18,303	2	9,717	8,943	9	9,089
Refining, Transportation and Marketing	1,519	1,864	(19)	930	588	58	1,057
Gas & Power	593	2,450	(76)	381	212	80	1,116
Distribution	195	148	32	111	84	32	77
Biofuel	31	33	(6)	11	20	(45)	15
Corporate	261	196	33	161	101	59	98
Average commercial selling rate for U.S. dollar	3.42	3.18	8	3.61	3.24	11	3.22
Period-end commercial selling rate for U.S. dollar	3.86	3.31	17	3.86	3.32	16	3.31
Variation of the period-end commercial selling rate for U.S. dollar (%)	16.6	1.5	15	16.0	0.5	16	4.4
Domestic basic oil products price (R\$/bbl)	274.91	223.55	23	292.33	255.61	14	219.48
Brent crude (R\$/bbl)	242.34	164.52	47	268.17	216.51	24	159.97
Brent crude (US\$/bbl)	70.55	51.81	36	74.35	66.76	11	49.83
Domestic Sales Price							
Crude oil (U.S. dollars/bbl)	65.00	48.98	33	67.78	62.27	9	47.25
Natural gas (U.S. dollars/bbl)	40.09	37.61	7	40.08	40.10	—	38.90
International Sales price							
Crude oil (U.S. dollars/bbl)	63.07	45.03	40	65.87	60.18	9	43.77
Natural gas (U.S. dollars/bbl)	25.70	19.94	29	26.40	25.01	6	20.17
Total sales volume (Mbb/d)**							
Diesel	717	712	1	766	668	15	721
Gasoline	472	536	(12)	475	468	1	533
Fuel oil	42	53	(21)	35	49	(29)	50
Naphtha	94	145	(35)	91	97	(6)	125
LPG	228	231	(1)	238	218	9	238

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Jet fuel	106	99	7	104	107	(3)	96
Others	164	167	(2)	167	161	4	170
Total oil products	1,823	1,943	(6)	1,876	1,768	6	1,933
Ethanol, nitrogen fertilizers, renewables and other products	64	105	(39)	65	63	3	112
Natural gas	345	335	3	349	340	3	350
Total domestic market	2,232	2,383	(6)	2,290	2,171	5	2,395
Crude oil, oil products and others exports	639	720	(11)	591	688	(14)	659
International sales	243	239	2	215	269	(20)	237
Total international market	882	959	(8)	806	957	(16)	896
Total	3,114	3,342	(7)	3,096	3,128	(1)	3,291

\* See definition of Adjusted EBITDA, Adjusted EBITDA Margin, Gross Margin, Total capital expenditures and investments, Operating Margin and Net Margin in glossary and the respective reconciliation in Reconciliation of Adjusted EBITDA.21

\*\* Operational data is not audited by the independent auditors.

1H-2018 x 1H-2017 Results\*:

Net income for 1H-2018 was 3.6 times of the same period of previous year, reaching R\$ 17,033 million. This result was possible due to the higher oil export margins, mainly due to the increase in Brent and the sale of oil products in Brazil, which more than compensated for the decrease in sales volume of oil products (mainly gasoline and naphtha) and export of oil.

The increase in operating expenses, due to higher sales expenses, negative results from oil hedges, lower gains from divestments and exchange rate variation on the Class Action balance, was offset by the reduction in equipment idleness, tax expenses and the improvement in financial results, reflecting the gain from the renegotiation of Eletrobras System debts and lower financing expenses.

Adjusted EBITDA and Free Cash Flow rose 26% and 29%, respectively, as a result of the increase in the domestic oil product sales margin and the oil export margin. In addition, the lower investments contributed to the increase in Free Cash Flow.

2Q-2018 x 1Q-2018 Results\*\*:

Net income of R\$ 10,072 million, compared to R\$ 6,961 million in 1Q-2018, reflected the increase in the market share of diesel and gasoline, due to the reduction of imports by third parties, resulting in a 6% increase in sales in the domestic market, especially diesel, which grew 15%. There were also higher margins in oil exports, due to the increase in Brent and the sale of oil products, due to inventories formed at lower prices.

The increase in operating expenses, due to the negative result with the oil hedge and the price adjustments related to the closing of the sale of Roncador field and the exchange variation on the Class Action balance, was offset by the improvement in the financial result, reflecting the gain with the renegotiation of Eletrobras System debts and the reduction of financing expenses. It should also be noted that maintenance of administrative and sales expenses.

Adjusted EBITDA totaled R\$ 30,067 million, an increase of 17% compared to R\$ 25,768 million in 1Q-2018, due to higher sales margins.

Free Cash Flow reached R\$ 16,373 million, an increase of 26%, reflecting the increase in operating cash generation due to higher oil export margins and sales of oil products in Brazil, combined with the lower investments.

\* Additional information about operating results of 1H-2018 x 1H-2017, see item 6.



\*\* Additional information related to operating results 2Q-2018 x 1Q-2018, see item 7.

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Table 02 - Exploration &amp; Production Main Indicators

	R\$ million						
	Jan-Jun			2Q-2018	1Q-2018	2Q18 X 1Q18	2Q-2017
	2018	2017	2018 x 2017 (%)			(%)	
Sales revenues	88,958	65,055	37	48,250	40,708	19	31,804
Brazil	87,173	63,598	37	47,294	39,879	19	31,109
Abroad	1,785	1,457	23	956	829	15	695
Gross profit	37,455	22,269	68	20,835	16,620	25	10,448
Brazil	36,618	21,794	68	20,415	16,203	26	10,265
Abroad	837	475	76	420	417	1	183
Operating expenses	(2,447)	(5,248)	53	(3,297)	850	(488)	(3,315)
Brazil	(2,171)	(4,205)	48	(3,188)	1,017	(413)	(2,395)
Abroad	(276)	(1,043)	74	(109)	(167)	35	(920)
Operating income (loss)	35,008	17,021	106	17,538	17,470	–	7,133
Brazil	34,447	17,589	96	17,227	17,220	–	7,871
Abroad	561	(568)	199	311	250	24	(738)
Net income (loss) attributable to the shareholders of Petrobras	23,128	11,371	103	11,592	11,536	–	4,871
Brazil	22,735	11,598	96	11,366	11,369	–	5,243
Abroad	393	(227)	273	226	167	35	(372)
Adjusted EBITDA of the segment*	49,515	32,844	51	26,856	22,659	19	15,014
Brazil	48,348	32,810	47	26,211	22,137	18	15,447
Abroad	1,167	34	3332	645	522	24	(433)
EBITDA margin of the segment (%)*	56	50	5	56	56	–	47
Capital expenditures of the segment	18,660	18,303	2	9,717	8,943	9	9,089
Average Brent crude (R\$/bbl)	242.34	164.52	47	268.17	216.51	24	159.97
Average Brent crude (US\$/bbl)	70.55	51.81	36	74.35	66.76	11	49.83
Sales price - Brazil Crude oil (US\$/bbl)	65.00	48.98	33	67.78			