

PETROBRAS - PETROLEO BRASILEIRO SA  
Form 6-K  
May 13, 2016

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**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**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 May, 2016**

**Commission File Number 1-15106**

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

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

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

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

Form 20-F  Form 40-F

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

Yes  No

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## **FIRST QUARTER OF 2016 RESULTS**

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

**Rio de Janeiro – May 12, 2016**

### **Main financial highlights (1Q-2016 x 1Q-2015):**

- Net loss attributable to the shareholders of Petrobras of R\$ 1,246 million, as a result of:
  - § Higher interest expenses, inflation indexation charges and foreign exchange losses, totaling R\$ 9,579 million in the 1Q-2016;
  - § A 7% decrease in crude oil and natural gas production (in Brazil and abroad);
  - § A 8% decrease in domestic oil product sales;
  - § Higher depreciation expenses; and
  - § Higher idleness expenses with equipments, mainly related to drilling rigs.
- Adjusted EBITDA of R\$ 21,091 million in the 1Q-2016, compared to R\$ 21,518 million in the 1Q-2015. The Adjusted EBITDA Margin reached 30% in the 1Q-2016.
- Positive free cash flow of R\$ 2,381 million in the 1Q-2016 (compare to the negative free cash flow of R\$ 1,253 million in the 1Q-2015), due to higher diesel and gasoline domestic margins, decreased production taxes, import costs and lower capital expenditures and investments.
- The gross indebtedness in Reais was R\$ 450,015 million in March 31, 2016, a 9% decrease (R\$ 42,834 million) compared to December 31, 2015 (R\$ 492,849 million).
- Net debt was US\$ 103,821 million as of March 31, 2016, a 3% increase when compared to 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 5.03 as of March 31, 2016 and the leverage decreased from 60% to 58%.

### **Main operating highlights (1Q-2016 x 1Q-2015):**

- Total crude oil and natural gas production decreased 7%, reaching 2,616 thousand barrels of oil equivalent per day (boed).
- Oil product output in Brazil remained relatively flat, totaling 1,958 thousand barrels per day (bpd) and domestic sales volumes reached 2,056 thousand bpd.
- A 14% increase in crude oil and oil product exports (56 thousand bpd) and a 37% decrease of average Brent price (to US\$ 33.89/bbl).
- A 21% decrease in lifting costs excluding production taxes in Brazil (to US\$ 10.49/bbl).

**FINANCIAL AND OPERATING HIGHLIGHTS**

**Main Items and Consolidated Economic Indicators**

**Jan-Mar**

**Results, market capitalization  
and investments**

70,337	74,353	(5)	<b>Sales revenues</b>	85,103	(17)
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21,008	22,410	(6)	<b>Gross profit</b>	26,849	(22)
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8,148	12,999	(37)	<b>Income (loss) before finance income (expense), share of earnings in equity-accounted investments and income taxes</b>	(40,895)	120
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(8,693)	(5,621)	(55)	<b>Net finance income (expense)</b>	(4,928)	(76)
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(1,246)	5,330	(123)	<b>Consolidated net income (loss) attributable to the shareholders of Petrobras</b>	(36,938)	97
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(0.10)	0.41	(123)	<b>Basic and diluted earnings (losses) per share <sup>1</sup></b>	(2.83)	97
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125,890	125,807	–	<b>Market capitalization (Parent Company)</b>	101,316	24
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21,091	21,518	(2)	<b>Adjusted EBITDA</b> <sup>2</sup>	17,064	24
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30	30	–	<b>Gross margin (%)</b>	32	(2)
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12	17	(5)	<b>Operating margin (%)</b> <sup>3</sup>	(48)	60
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(2)	7	(9)	<b>Net margin (%)</b>	(43)	41
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15,593	17,843	(13)	<b>Total capital expenditures and investments</b>	20,826	(25)
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13,770	14,846	(7)	<b>. Exploration &amp; Production</b>	17,330	(21)
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952	1,926	(51)	<b>. Refining, Transportation and Marketing</b>	2,138	(55)
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292

655

(55)

. **Gas & Power**

617

(53)

99            188            (47)            . **Distribution**            285            (65)

271

5

5320

. **Biofuel**

94

188

209

223

(6)

. **Corporate**

362

(42)

**Jan-Mar**

**Income (loss) before finance  
income (expense), share of  
earnings in equity-accounted  
investments and income taxes**

11,495	9,273	24	<b>. Refining, Transportation and Marketing</b>	3,236	255
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(773) 5,154 (115) . **Exploration & Production** (36,089) 98

1,094	1,613	(32)	<b>. Gas &amp; Power</b>	(1,995)	155
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(47) 912 (105) . **Distribution** (2,257) 98

(138) (45) (207) . **Biofuel** (249) 45

(3,992) (3,935) (1) . **Corporate** (6,028) 34

**Jan-Mar**

**Indicators**

231.68	221.25	5	<b>Domestic basic oil products price (R\$/bbl)</b>	239.36	(3)
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132.00	155.12	(15)	<b>Brent crude (R\$/bbl)</b>	167.86	(21)
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33.89	53.97	(37)	<b>Brent crude (US\$/bbl)</b>	43.69	(22)
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**Domestic Sales Price**

28.88      43.40      (33)      . **Crude oil (U.S. dollars/bbl)** <sup>4</sup>      33.50      (14)



30.22	40.76	(26)	. <b>Natural gas (U.S. dollars/bbl)</b>	32.47	(7)
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3.90	2.87	36	<b>Average commercial selling rate for U.S. dollar</b>	3.84	2
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3.56	3.21	11	<b>Period-end commercial selling rate for U.S. dollar</b>	3.90	(9)
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(8.9)	20.8	(30)	<b>Variation of the period-end commercial selling rate for U.S. dollar (%)</b>	(1.7)	(7)
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14.15	12.19	2	<b>Selic interest rate - average (%)</b>	14.15	—
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2,067	2,249	(8)	<b>Total crude oil and NGL production (Mbb/d)</b>	2,214	(7)
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549

554

(1)

**Total natural gas production  
(Mbb/d)**

563

(2)

2,616	2,803	(7)	<b>Total crude oil and natural gas production (Mbb/d)</b>	2,777	(6)
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3,439	3,708	(7)	<b>Total sales volume (Mbb/d)</b>	3,872	(11)
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**International Sales price**

41.59	58.40	(29)	<b>. Crude oil (U.S. dollars/bbl)</b>	49.28	(16)
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23.27	22.40	4	. <b>Natural gas (U.S. dollars/bbl)</b>	19.80	18
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1 Basic and diluted earnings (losses) per share calculated based on the weighted average number of shares.

2 EBITDA + share of earnings in equity-accounted investments, impairment and *write-offs of overpayments incorrectly capitalized*.

3 Operating margin calculated based on income (loss) before finance income (expense), share of earnings in equity-accounted investments and income taxes, excluding *write-offs of overpayments incorrectly capitalized*.

4 Average between the prices of exports and the internal transfer prices from Exploration & Production to Refining, Transportation and Marketing.

## **FINANCIAL AND OPERATING HIGHLIGHTS**

### **1Q-2016 compared to the 1Q-2015 \*:**

#### **Gross Profit**

Gross profit decreased by 6% when compared to the 1Q-2015, reaching R\$ 21,008 million due to lower sales revenues, as a result of an 8% reduction of domestic demand for oil products, partially offset by higher diesel and gasoline margins and by a 14% increase of crude oil and oil product exports. The decrease in sales revenues was also a result of lower crude oil and oil product export prices, the decreased natural gas sales volumes, the lower electricity generation – due to lower thermoelectric demand – and the decreased electricity prices.

Lower import costs and decreased production taxes in Brazil and higher share of domestic crude oil on feedstock processed (despite the 8% decrease of Brazilian crude oil and NGL production) were registered in the 1Q-2016. However, higher depreciation expenses occurred as a result of decreased reserves estimation (mainly due to lower crude oil prices), partially offset by lower carry amount of assets impacted by the impairment occurred in 2015.

#### **Income (loss) before finance income (expense), share of earnings in equity-accounted investments and income taxes**

Income before finance income (expense), share of earnings in equity-accounted investments and income taxes was R\$ 8,148 million in the 1Q-2016, a 37% decrease when compared to the 1Q-2015, resulting from decreased gross profit, higher expenses with drilling rigs idleness and impairment charges of Bijupirá and Salema fields. There were higher expenses with pension and medical benefits, due to increased nominal interest rate applied on higher balance of net actuarial liability. In addition, the 1Q-2015 was favorably impacted by the reversal of impairment of trade receivables from companies in the isolated electricity system.

#### **Net finance expense**

Net finance expense was R\$ 8,693 million in the 1Q-2016, R\$ 3,072 million higher when compared to the 1Q-2015, resulting from the increased effect of exchange rate variation (additional information on Appendix 5), the higher reclassification of foreign exchange losses to the net income due to the hedge accounting policy, and higher interest expenses due to

higher debt and to the depreciation of the Real against the U.S. dollar.

### **Net income (loss) attributable to the shareholders of Petrobras**

Loss attributable to the shareholders of Petrobras of R\$ 1,246 million in the 1Q-2016, mainly due to higher interest expenses and losses with foreign exchange charges, lower crude oil and natural gas production, decreased domestic oil product sales, higher depreciation expenses and increased equipment idleness.

### **Adjusted EBITDA and free cash flow**

Adjusted EBITDA of R\$ 21,091 million in the 1Q-2016, a 2% decrease compared to the 1Q-2015. The Adjusted EBITDA Margin was 30% in the 1Q-2016. Positive free cash flow of R\$ 2,381 million in the 1Q-2016, positive for the fourth consecutive quarter, due to higher diesel and gasoline domestic margins, decreased production taxes in Brazil, import costs and lower capital expenditures and investments. This result represents an important effort to deleverage the Company.

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\* See Appendix 8 for additional information about results of operations of 1Q-2016 compared to 1Q-2015.

## **FINANCIAL AND OPERATING HIGHLIGHTS**

### **1Q-2016 compared to the 4Q-2015 \*:**

#### **Gross Profit**

Gross profit decreased by 22% when compared to the 4Q-2015, reaching R\$ 21,008 million, due to lower sales revenues, as a result of a 5% decrease of domestic oil product sales, lower natural gas revenues due to decreased thermoelectric demand and decreased crude oil and oil product export revenues and lower naphtha, jet fuel and fuel oil prices, as well as decreased electricity generation and prices due to the improved hydrological conditions.

Lower import costs and decreased production taxes in Brazil, lower raw material expenses for crude oil and oil product production abroad were registered in the 1Q-2016, besides the higher depreciation expenses as a result of decreased reserves estimation (mainly due to lower crude oil prices), partially offset by the lower balance of assets impacted by impairment losses occurred in 2015.

#### **Income (loss) before finance income (expense), share of earnings in equity-accounted investments and income taxes**

Income before finance income (expense), share of earnings in equity-accounted investments and income taxes was R\$ 8,148 million in the 1Q-2016, compared to a loss of R\$ 40,895 million in the 4Q-2015 (that was generated by impairment of assets recognized in the 4Q-2015). The operating income of the 1Q-2016 was due to lower selling, tax and legal proceedings expenses, besides the decreased expenses with write-off of assets, with E&P areas returned to ANP and abandonment of areas occurred in the 4Q-2015. These effects were partially offset by higher expenses with drilling rigs idleness.

#### **Net finance expense**



Net finance expense was R\$ 8,693 million in the 1Q-2016, a 76% increase compared to the 4Q-2015, due to higher foreign exchange variation effect (see additional information on Appendix 5) and lower finance income.

**Net income (loss) attributable to the shareholders of Petrobras**

The decreased loss compared to the 4Q-2015 was due to lower losses with impairment of assets.

**Adjusted EBITDA and free cash flow**

Adjusted EBITDA increased 24% compared to the 4Q-2015, and the free cash flow was 67% lower.

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\* See Appendix 9 for additional information about results of operations of 1Q-2016 compared to the 4Q-2015.

## FINANCIAL AND OPERATING HIGHLIGHTS

### NET INCOME BY BUSINESS SEGMENT

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.

Considering the adjustments to the new management model, the structure of segment information may be re-evaluated, if it deems it necessary, to provide managers with enough information to business performance assessment, as well as for decision-making about allocation of resources and/or investments.

### EXPLORATION & PRODUCTION

#### Jan-Mar

<b>Net Income</b>				
(605)	3,413	(118)	(24,567)	98

**(1Q-2016 x 1Q-2015):** The net loss of the 1Q-2016 was due to lower international crude oil prices (37%) and lower crude oil and NGL production volumes (8%), in Brazil and abroad, higher depreciation expenses and increased drilling rigs idleness. These effects were partially offset by lower production taxes in Brazil.

**(1Q-2016 x 4Q-2015):** The decreased loss was generated by lower operating expenses, mainly due to the impairment of production fields in Brazil and abroad in the 4Q-2015, partially offset by decreased revenues of crude oil due to lower international crude oil prices (22%) and lower NGL and crude oil production volume (7%) in Brazil and abroad.

**Jan-Mar**

**Domestic production (Mbbbl/d) (\*)**

1,980	2,149	(8)	Crude oil and NGLs <sup>5</sup>	2,117	(6)
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455 467 (3) Natural gas <sup>6</sup> 468 (3)

<b>2,435</b>	<b>2,616</b>	<b>(7)</b>	<b>Total</b>	<b>2,585</b>	<b>(6)</b>
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**(1Q-2016 x 1Q-2015):** Crude oil and NGL production decreased by 8% due to maintenance stoppages in P-35 (Marlim), FPSO Cidade de Vitória (Golfinho), FPSO Capixaba (Cachalote/Baleia Franca) and P-53 (Marlim Leste). These effects were partially offset by the start-up/ramp-up of new systems, mainly FPSO Itaguaí (Iracema Norte), P-58 (Parque das Baleias) and FPSO Mangaratiba (Iracema Sul).

Natural gas production decreased 3% due to scheduled stoppages aforementioned.

**(1Q-2016 x 4Q-2015):** Crude oil and NGL production decreased 6% due to maintenance stoppages in P-58 (Parque das Baleias), P-35 (Marlim), FPSO Cidade de Vitória (Golfinho), FPSO Capixaba (Cachalote/Baleia Franca) and P-53 (Marlim Leste). These effects were partially offset by the start-up/ramp-up of the new systems, mainly FPSO Maricá (Lula Alto) and FPSO Cidade de São Paulo (Sapinhoá).

Natural gas production decreased 3% due to scheduled stoppages aforementioned.

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(\*) Not reviewed by independent auditor.

<sup>5</sup> NGL – Natural Gas Liquids.

<sup>6</sup> Does not include LNG. Includes gas reinjection.

**FINANCIAL AND OPERATING HIGHLIGHTS**

**Jan-Mar**

**Production abroad (Mbb/d) (\*)**

**Consolidated production abroad**



62      69      (10)      Crude oil and NGLs      68      (9)

94      87      8      Natural gas      95      (1)

156	156	-	Total	163	(4)
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25      31      (19)      Non-consolidated production abroad      29      (14)

<b>181</b>	<b>187</b>	<b>(3)</b>	<b>Total production abroad</b>	<b>192</b>	<b>(6)</b>
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**(1Q-2016 x 1Q-2015):** Consolidated crude oil and NGL production abroad decreased by 10%, mainly due to the disposal of Austral Basin fields and to the return of field to the La Pampa province, both in Argentina, in 2015. Non-consolidated production of crude oil and NGL abroad decreased by 19% mainly due to the schedule stoppage in Akpo field in Nigeria.

Natural gas production increased 8% due to the production start-up of the Hadrian South field in the United States.

**Jan-Mar**

**Lifting Cost <sup>7</sup> - Brazil (\*)**

**U.S.\$/barrel:**

**(1Q-2016 x 4Q-2015):** Consolidated crude oil and NGL production abroad decreased by 9%, mainly due to the scheduled stoppage of Lucius platform in the United States. Non-consolidated production of crude oil and NGL abroad decreased by 14% mainly due to the schedule stoppage in Akpo field in Nigeria.

10.49	13.27	(21)	Excluding production taxes	10.58	(1)
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13.43	20.05	(33)	Including production taxes	15.23	(12)
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**R\$/barrel:**

39.80	38.13	4	Excluding production taxes	39.78	–
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50.89	58.73	(13)	Including production taxes	57.10	(11)
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**Lifting Cost - Excluding production taxes – U.S.\$/barrel**

**(1Q-2016 x 1Q-2015):** Lifting cost excluding production taxes decreased due to lower well intervention expenses in Campos Basin and higher share of pre-salt production with lower unit cost.

**(1Q-2016 x 4Q-2015):** Lifting cost excluding production taxes remained relatively flat.

**Lifting Cost - Including production taxes – U.S.\$/barrel**

**(1Q-2016 x 1Q-2015):** Lifting cost including production taxes decreased as a result of lower production taxes (royalties and special participation charges) attributable to decreased crude oil price.

**(1Q-2016 x 4Q-2015):** Lower production taxes (royalties and special participation charges) attributable to decreased crude oil price.

**Jan-Mar**

**Lifting Cost - abroad  
(U.S.\$/barrel) (\*)**

5.62    8.86    (37)

8.90    (37)

**(1Q-2016 x 1Q-2015):** Lifting cost abroad was 37% lower, as a result of the disposal of Austral Basin fields in Argentina, which had higher operating costs, and to the production start-up of the Hadrian South field in the United States, following its lower average lifting costs.

**(1Q-2016 x 4Q-2015):** Lifting cost abroad was 37% lower due to decreased maritime support costs in the United States and to the depreciation of Argentine currency.

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(\*) Not reviewed by independent auditor.

7 Crude oil and natural gas lifting cost.

**FINANCIAL AND OPERATING HIGHLIGHTS**

**REFINING, TRANSPORTATION AND MARKETING**

**Jan-Mar**

**Net Income**

7,976

6,183

29

2,317

244

**(1Q-2016 x 1Q-2015):** Net income increased mainly due to a decrease in crude oil purchase/transfer costs, following the lower crude oil international prices, to lower share of crude oil imports on feedstock processing, to decreased share of oil product imports in our sales mix and also to higher diesel and gasoline margins.

**(1Q-2016 x 4Q-2015):** The increased net income of the 1Q-2016 was mainly due to impairment of assets registered in the 4Q-2015, to lower share of crude oil imports on feedstock processing and to decreased purchase/transfer costs of crude oil, partially offset by decreased oil product domestic demand.

The decreased oil product domestic demand, as a result of lower economic activity in Brazil, partially offset this increase.

**Jan-Mar**

**Refining Operations - Brazil (Mbb/d) (\*)**

1,958	1,964	–	Output of oil products	1,955	–
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2,176	2,176	–	Reference feedstock <sup>8</sup>	2,176	–
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84      86      (2)      Refining plants utilization factor (%)<sup>9</sup>      85      (1)

1,836	1,879	(2)	Feedstock processed (excluding NGL) - Brazil	1,857	(1)
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10

1,870	1,922	(3)	Feedstock processed - Brazil <sup>11</sup>	1,897	(1)
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89	86	3	Domestic crude oil as % of total feedstock processed	88	1
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**(1Q-2016 x 1Q-2015):** The output of oil products remained relatively flat, despite the market downturn, decreasing the share of imports in the sales mix. This effect was due to the increased share of diesel on total production, mainly due to operational improvement of RNEST.

**(1Q-2016 x 4Q-2015):** Daily feedstock processed was 1% lower, mainly due to scheduled stoppages in REPLAN. This reduction was partially offset by the restart of operations in RPBC after a scheduled stoppage in the 4Q-2015.

**Jan-Mar**

**Refining Operations - abroad (Mbb/d) (\*)**

140	127	10	Total feedstock processed	146	(4)
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144      155      (7)      Output of oil products      152      (5)



230	230	–	Reference feedstock	230	–
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57	54	3	Refining plants utilization factor (%)	61	(4)
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**(1Q-2016 x 1Q-2015):** Total feedstock processed increased 10% due to the production return of Pasadena Refinery, after scheduled stoppage in March 2015, partially offset by the interruption of feedstock processing at the Okinawa Refinery in Japan, in April 2015.

**(1Q-2016 x 4Q-2015):** Feedstock processed decreased 4% due to the seasonal market of Pasadena Refinery.

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(\*) Not reviewed by independent auditor.

<sup>8</sup> Reference feedstock or Installed capacity of primary processing considers the 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.

<sup>9</sup> Refining plants utilization factor is the feedstock processed (excluding NGL) divided by the reference feedstock.

<sup>10</sup> Feedstock processed (excluding NGL) – Brazil is the volume of crude oil processed in the Company's refineries and is factored into the calculation of the Refining Plants Utilization Factor.

<sup>11</sup> Feedstock processed – Brazil includes crude oil and NGL processing.

**FINANCIAL AND OPERATING HIGHLIGHTS**

**Jan-Mar**

**Imports and Exports of Crude Oil and Oil  
Products (Mbb/d) (\*)**

199	277	(28)	Crude oil imports	215	(7)
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287	345	(17)	Oil product imports	150	91
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<b>486</b>	<b>622</b>	<b>(22)</b>	<b>Imports of crude oil and oil products</b>	<b>365</b>	<b>33</b>
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307	281	9	Crude oil exports <sup>12</sup>	387	(21)
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146	116	26	Oil product exports	145	1
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**453      397      14      Exports of crude oil and oil products      532      (15)**

<b>(33)</b>	<b>(225)</b>	<b>85</b>	<b>Exports (imports) net of crude oil and oil products</b>	<b>167</b>	<b>(120)</b>
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**(1Q-2016 x 1Q-2015):** Crude oil imports were lower due to decreased feedstock processed and to higher share of domestic crude oil in the mix.

Lower imports and higher exports due to lower domestic oil product demand.

**(1Q-2016 x 4Q-2015):** Decreased crude oil imports due to lower feedstock processed and higher share of domestic crude oil in the mix.

Higher oil product imports due to adequacy of inventory levels in the 4Q-2015.

Lower crude oil exports due to decreased production and ongoing shipments at the end of the 1Q-2016.

**Jan-Mar**

**Refining Cost - Brazil (\*)**

2.27	2.84	(20)	Refining cost (U.S.\$/barrel)	2.26	—
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8.73	8.16	7	Refining cost (R\$/barrel)	8.63	1
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**(1Q-2016 x 1Q-2015):** Refining cost, in R\$/barrel, increased by 7%, mainly reflecting higher employee compensation costs attributable to the 2015/2016 Collective Bargaining Agreement, along with a decrease in feedstock processed, which increases the unit cost.

**(1Q-2016 x 4Q-2015):** Refining cost, in R\$/barrel, increased by 1%, mainly reflecting a decrease in feedstock processed generated by scheduled stoppage, which increase the unit cost.

**Jan-Mar**

**Refining Cost - abroad (U.S.\$/barrel) (\*)**

4.01	3.90	3	4.09	(2)
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**(1Q-2016 x 1Q-2015):** Refining cost abroad was 3% higher, mainly due to increased maintenance and operational expenses in Pasadena Refinery, partially offset by the depreciation of Argentine currency that impacted Baía Blanca Refinery.

**(1Q-2016 x 4Q-2015):** Refining cost abroad decreased by 2%, mainly due to the depreciation effect of Argentine currency that impacted Baía Blanca Refinery, partially offset by higher expenses with replacement of materials and chemical products in Pasadena Refinery.

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(\*) Not reviewed by independent auditor.

<sup>12</sup> It includes crude oil export volumes made both by our Refining, Transportation and Marketing segment and by our Exploration & Production segment.

**FINANCIAL AND OPERATING HIGHLIGHTS**

**GAS & POWER**

**Jan-Mar**

**Net Income**

757	1,087	(30)	(1,482)	151
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**(1Q-2016 x 1Q-2015):** Earnings in the 1Q-2016 were lower compared to the 1Q-2015 to the fact that the 1Q-2015 was positively impacted by the reversal of allowance of impairment of trade receivables from companies in the isolated electricity sector (R\$ 1,295 million). This effect was partially offset by decreased acquisition costs of imported gas (NGL and Bolivian gas) and higher natural gas sales margin, due to higher average realization price in the 1Q-2016, and also by losses from tax contingencies related to deferred VAT tax on natural gas purchase (R\$ 516 million) in the 1Q-2015.

**Jan-Mar**

**(1Q-2016 x 4Q-2015):** The net income of the 1Q-2016 was impacted by lower sales volume to the domestic thermoelectric sector, decreased natural gas sales margin and lower electricity generation. The loss of the 4Q-2015 was due to impairment of assets and impairment of trade receivables from companies in the isolated electricity sector.

**Physical and Financial Indicators (\*)**

863	911	(5)	Electricity sales (Free contracting market - ACL) <sup>13</sup> - average MW	800	8
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3,172	3,263	(3)	Electricity sales (Regulated contracting market 3,058 - ACR) <sup>14</sup> - average MW	4
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2,832	5,110	(45)	Generation of electricity - average MW	4,099	(31)
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69	387	(82)	Electricity price in the spot market -	192	(64)
			Differences settlement price (PLD) - R\$/MWh <sup>15</sup>		

74      113      (35)      Imports of LNG (Mbb/d)      82      (10)

194	208	(7)	Imports of natural gas (Mbb/d)	193	1
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**(1Q-2016 x 1Q-2015):** Electricity sales to the Brazilian free contracting market (*Ambiente de Contratação Livre – ACL*) were 5% lower, attributable to the termination of agreements.

Electricity sales volumes to the Brazilian regulated market (*Ambiente de Contratação Regulada – ACR*) were 3% lower due to the termination of Electricity Auction (205 average MW).

The 45% decrease of electricity generation and the 82% decrease of the electricity prices in the spot market were due to improved hydrological conditions, mainly in the Southeast region.

LNG imports decreased by 35% and natural gas imports from Bolivia were 7% lower, reflecting a decrease of thermoelectric demand.

**(1Q-2016 x 4Q-2015):** Electricity sales volumes to the Brazilian free contracting market (*Ambiente de Contratação Livre – ACL*) were 8% higher due to seasonal sales agreements.

Electricity sales volumes to the Brazilian regulated market (*Ambiente de Contratação Regulada – ACR*) increased 4% as a result of the start-up of a new Electricity Auction (114 average MV).

Electricity thermoelectric generation decreased by 31% and electricity prices in the spot market decreased by 64% as a result of improved hydrological conditions and to the decision of the Electric Sector Monitoring Committee (*Comitê de Monitoramento do Setor Elétrico - CMSE*) of not making dispatch of plants with unit variable cost higher than R\$ 250/MWh in March 2016.

LNG imports were 10% lower due to decreased thermoelectric demand.

Natural gas imports from Bolivia remained relatively flat compared to the 4Q-2015.

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(\*) Not reviewed by independent auditor.

<sup>13</sup> ACL – *Ambiente de Contratação Livre* (Free contracting market).

<sup>14</sup> ACR - *Ambiente de Contratação Regulada* (Regulated contracting market).



<sup>15</sup> Weekly weighed prices per output level (light, medium and heavy), number of hours and submarket capacity.

**FINANCIAL AND OPERATING HIGHLIGHTS**

**DISTRIBUTION**

**Jan-Mar**

**Net Income**

(25)	609	(104)	(1,393)	98
------	-----	-------	---------	----



**(1Q-2016 x 1Q-2015):** The loss attributable to the Distribution business segment in the 1Q-2016 was due to lower domestic sales volumes, as a result of lower economic activity, to increased losses with trade receivables from companies in the isolated electricity sector and with tax contingencies, partially offset by the positive result abroad.

**(1Q-2016 x 4Q-2015):** The decreased loss was due to lower losses with trade receivables from companies in the isolated electricity sector, to the decreased income tax expenses and tax contingencies and to the positive result abroad, besides the fact that the 4Q-2015 was impacted by impairment of assets. These effects were partially offset by lower domestic sales volumes.

**Jan-Mar**

**Market Share - Brazil (\*) 16**

32.6% 36.4% (4)

33.5% (1)



**(1Q-2016 x 1Q-2015):** Market share decreased mainly due to a 59% decrease of diesel and fuel oil sales to the thermoelectric sector and also to the lower share of the fuel oil market, in which BR Distribuidora is the major player. In addition, the lower market share is partially a result of a shift in our sales policy to prioritize higher margins instead of sales volumes.

**(1Q-2016 x 4Q-2015):** Market share was lower mainly due to the 37% decrease on fuel oil sales to the thermoelectric sector due to decreased thermoelectric dispatch. In addition, the lower market share is partially a result of a shift in our sales policy to prioritize higher margins instead of sales volumes.

**BIOFUEL**

**Jan-Mar**

**Net Income**

(48)	(49)	2	(503)	90
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**(1Q-2016 x 1Q-2015):** The loss attributable to the Biofuel business segment in the 1Q-2016 was mainly due to losses related to ethanol investees and also to higher raw material and methanol costs, following the depreciation of the Brazilian Real against the U.S. dollar.

**(1Q-2016 x 4Q-2015):** The decreased loss in the 1Q-2016 compared to the 4Q-2015 is due to the fact that the 4Q-2015 was impacted by impairment losses in ethanol and biodiesel investees, as a result of the worsening in market conditions and of the impairment of biodiesel plants.

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(\*) Not reviewed by independent auditor.

<sup>16</sup> 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.

**FINANCIAL AND OPERATING HIGHLIGHTS**

**Sales Volumes - (Mbb/d)<sup>(\*)</sup>**

**Jan-Mar**

798	907	(12)	Diesel	907	(12)
-----	-----	------	--------	-----	------



564      573      (2)      Gasoline      562      -

80 119 (33) Fuel oil 97 (18)

111 124 (10) Naphtha 102 9

218

223

(2)

LPG <sup>17</sup>

226

(4)

107

113

(5)

Jet fuel <sup>18</sup>

108

(1)

178	171	4	Others	169	5
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2,056	2,230	(8)	<b>Total oil products</b>	2,171	(5)
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111	115	(3)	Ethanol, nitrogen fertilizers, renewables and other products	126	(12)
-----	-----	-----	--	-----	------



360	448	(20)	Natural gas	416	(13)
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2,527	2,793	(10)	<b>Total domestic market</b>	2,713	(7)
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455	397	15	Exports	534	(15)
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457      518      (12)      International sales      625      (27)

912	915	–	<b>Total international market</b>	1,159	(21)
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<b>3,439</b>	<b>3,708</b>	<b>(7)</b>	<b>Total</b>	<b>3,872</b>	<b>(11)</b>
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**(1Q-2016 x 1Q-2015):** Our domestic sales volumes decreased by 10%, primarily due to:

- Diesel (a 12% decrease), as result of:
  - i) lower economic activity;
  - ii) higher share of diesel sales from other market players; and
  - iii) decreased thermoelectric generation of the Brazilian Interconnected System (*Sistema Interligado Nacional*).

These effects were partially offset by an increase in the Brazilian diesel-fuel light vehicle fleet (vans, pick-ups and SUVs).

- Fuel oil (a 33% decrease): due to lower demand from thermoelectric sector in several Brazilian states;
- Naphtha (a 10% decrease): due to a lower demand from petrochemical sector, mainly Braskem; and
- Natural Gas (a 20% decrease): lower demand from thermoelectric sector.

**(1Q-2016 x 4Q-2015):** Our domestic sales volumes decreased by 7% when compared to the 4Q-2015, primarily due to:

- Diesel (a 12% decrease):
  - i) seasonal demand due to lower economic activity at the beginning of the year;
  - ii) higher share of diesel sales from other market players; and
  - iii) a decreased thermoelectric generation of the Brazilian Interconnected System (*Sistema Interligado Nacional*).
- Fuel oil (a 18% decrease): due to lower demand from thermoelectric sector in several Brazilian states; and
- Natural Gas (a 13% decrease): lower demand from thermoelectric sector.

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(\*) Not reviewed by independent auditor.

17 LPG – Liquified crude oil gas.

18 Jet fuel.



**FINANCIAL AND OPERATING HIGHLIGHTS**

**LIQUIDITY AND CAPITAL RESOURCES**

**Jan-Mar**

**100,887**

**68,946**

**Adjusted cash and cash equivalents at 104,236  
the beginning of period <sup>19</sup>**

(3,042)	(24,707)	Government bonds and time deposits with (4,366) maturities of more than 3 months at the beginning of period
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**97,845**

**44,239**

**Cash and cash equivalents at the  
beginning of period**

**99,870**

17,307	16,427	Net cash provided by (used in) operating activities	25,274
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(14,518)	(21,331)	Net cash provided by (used in) investing activities	(14,574)
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(14,926)	(17,680)	Capital expenditures and investments in operating segments	(17,971)
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11	516	Proceeds from disposal of assets (divestment)	1,967
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397	(4,167)	Investments in marketable securities	1,430
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**2,789**

**(4,904)**

**(=) Net cash flow**

**10,700**

(17,505)	(10,306)	Net financings	(11,347)
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7,215

3,735

Proceeds from long-term financing

6,109

(24,720)

(14,041)

Repayments

(17,456)



146

396

Acquisition of non-controlling interest

(72)

(5,497)	5,025	Effect of exchange rate changes on cash and cash equivalents	(1,306)
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**77,778**

**34,450**

**Cash and cash equivalents at the end of period 97,845**



2,743

33,732

Government bonds and time deposits with 3,042 maturities of more than 3 months at the end of period

**80,521**

**68,182**

**Adjusted cash and cash equivalents at  
the end of period <sup>19</sup> 100,887**

As of March 31, 2016, the balance of cash and cash equivalents was R\$ 77,778 million and the balance of adjusted cash and cash equivalents<sup>19</sup> for the same period was R\$ 80,521 million. Our principal uses of funds in the 1Q-2016 were for repayment of long-term financing (and interest payments) and for capital expenditures. We partially met these requirements with cash provided by operating activities of R\$ 17,307 million and with proceeds from long-term financing of R\$ 7,215 million. The balance of adjusted cash and cash equivalents was negatively impacted in the 1Q-2016 by foreign exchange rate variation applied on our foreign financial investments.

Net cash provided by operating activities of R\$ 17,307 million was mainly generated by higher diesel and gasoline margins, lower production taxes in Brazil and crude oil and oil product imports costs, along with a higher share of domestic crude oil on feedstock processing. These effects were partially offset by lower prices of crude oil exports and decreased sales volume in Brazil due to lower economic activity.

Capital expenditures and investments in operating segments were R\$ 14,926 million in the 1Q-2016 (88% in E&P business segment), a 16% decrease compared to the 1Q-2015.

Free cash flow<sup>20</sup> was positive, amounting R\$ 2,381 million in the 1Q-2016, for the fourth consecutive quarter.

From January to March 2016, the Company held a sale and leaseback operation with the Industrial and Commercial Bank of China (ICBC) of US\$ 1 billion, and obtained proceeds from short-term financing for repayments in the period. The average maturity of outstanding debt was 7.04 years as of March 31, 2016 (7.14 years as of December 31, 2015).

Repayments of interest and principal were R\$ 24,720 million in the 1Q-2016 and the nominal cash flow (cash view), including face value and interest payments, by maturity, is set out as follows:

**Maturity**

Principal	36,036	41,912	59,040	82,568	57,131	178,081	454,768	497,289
-----------	--------	--------	--------	--------	--------	---------	---------	---------

Interests	17,774	22,567	20,960	17,358	12,708	117,502	208,869	230,531
-----------	--------	--------	--------	--------	--------	---------	---------	---------

<b>Total</b>	<b>53,81064,47980,00099,92669,839295,583</b>	<b>663,637</b>	<b>727,820</b>
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<sup>19</sup> Our adjusted cash and cash equivalents include government bonds and time deposits from highly rated financial institutions abroad with maturities of more than 3 months from the date of acquisition, considering the expected realization of those financial investments in the short-term. This

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

<sup>20</sup> Free cash flow is net cash provided by operating activities less capital expenditures and investments in operating segments.

**FINANCIAL AND OPERATING HIGHLIGHTS**

**Consolidated debt**

Current debt <sup>21</sup>	62,126	57,382	8
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Non-current debt <sup>22</sup>	387,889	435,467	(11)
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Total	450,015	492,849	(9)
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Cash and cash equivalents	77,778	97,845	(21)
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Government securities and time deposits (maturity of more than 3 months)	2,743	3,042	(10)
--	-------	-------	------

Adjusted cash and cash equivalents	80,521	100,887	(20)
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Net debt <sup>23</sup>

369,494      391,962      (6)

Net debt/(net debt+shareholders' equity)	58%	60%	(2)
--	-----	-----	-----

Total net liabilities <sup>24</sup>	778,639	799,248	(3)
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Capital structure

(Net third parties capital / total net liabilities)	66%	68%	(2)
---	-----	-----	-----

Net debt/LTM Adjusted EBITDA ratio <sup>25</sup>	5.03	5.31	(5)
--	------	------	-----



Current debt <sup>21</sup>	17,456	14,695	19
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Non-current debt <sup>22</sup>	108,991	111,521	(2)
--------------------------------	---------	---------	-----

Total	126,447	126,216	-
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Net debt <sup>23</sup>

103,821      100,379      3



Average maturity of outstanding debt (years)	7.04	7.14	(0.10)
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**Summarized information on financing**

**Floating rate or fixed rate**

Floating rate debt	231,186	243,293	(5)
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Fixed rate debt	218,630	249,354	(12)
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<b>Total</b>	<b>449,816</b>	<b>492,647</b>	<b>(9)</b>
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**By currency**

Reais

81,086

80,269

1

US Dollars

325,436

365,354

(11)

Euro

31,616

33,909

(7)

Other currencies	11,678	13,115	(11)
------------------	--------	--------	------

<b>Total</b>	<b>449,816</b>	<b>492,647</b>	<b>(9)</b>
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**By maturity**



2016

46,877

57,333

(18)

2017

47,882

44,505

8

2018

53,436

62,827

(15)

2019

76,781

88,231

(13)

2020

55,956

60,670

(8)

2021 on

168,884 179,081 (6)

<b>Total</b>	<b>449,816</b>	<b>492,647</b>	<b>(9)</b>
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Consolidated net debt in Reais decreased by 6% when compared to December 31, 2015, mainly as a result of the 8.9% foreign exchange appreciation.

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<sup>21</sup> Includes finance lease obligations (R\$ 50 million on March 31, 2016 and R\$ 48 million on December 31, 2015).

<sup>22</sup> Includes finance lease obligations (R\$ 149 million on March 31, 2016 and R\$ 154 million on December 31, 2015).

<sup>23</sup> 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.

<sup>24</sup> Total liabilities net of adjusted cash and cash equivalents.

<sup>25</sup> Beginning in the period ended June 30, 2015, the Company calculated its ratios including Adjusted EBITDA by adding the last four quarters (or Last Twelve Months - LTM Adjusted EBITDA), consistently with the market best practices. The Company previously annualized its Adjusted EBITDA by multiplying the year-to-date amount by the remaining period.

**FINANCIAL AND OPERATING HIGHLIGHTS**

**FINANCIAL STATEMENTS**

**Income Statement - Consolidated**

**Jan-Mar**

70,337	74,353	<b>Sales revenues</b>	85,103
--------	--------	-----------------------	--------

(49,329)

(51,943)

Cost of sales

(58,254)

**21,008**

**22,410**

**Gross profit**

**26,849**

(3,751)	(1,724)	Selling expenses	(6,428)
---------	---------	------------------	---------

(2,652)	(2,710)	General and administrative expenses	(2,803)
---------	---------	-------------------------------------	---------

(1,147)	(983)	Exploration costs	(1,830)
---------	-------	-------------------	---------

(503)

(564)

Research and development expenses

(294)



(542)	(753)	Other taxes	(1,470)
-------	-------	-------------	---------

(4,265)	(2,677)	Other income and expenses, net <sup>(*)</sup>	(54,919)
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(12,860)

(9,411)

(67,744)

<b>8,148</b>	<b>12,999</b>	<b>Income (loss) before finance income (expense), share of earnings in equity-accounted investments and income taxes</b>	<b>(40,895)</b>
--------------	---------------	--	-----------------

886

734

Finance income

1,652

(6,146)	(3,691)	Finance expenses	(5,890)
---------	---------	------------------	---------

(3,433)	(2,664)	Foreign exchange and inflation indexation charges	(690)
---------	---------	---	-------

(8,693)	(5,621)	Net finance income (expense)	(4,928)
---------	---------	------------------------------	---------



388	173	Share of earnings in equity-accounted investments	(1,339)
-----	-----	---	---------

<b>(157)</b>	<b>7,551</b>	<b>Income (loss) before income taxes</b>	<b>(47,162)</b>
--------------	--------------	--	-----------------

(224)	(3,023)	Income taxes	11,580
-------	---------	--------------	--------

<b>(381)</b>	<b>4,528</b>	<b>Net income (loss)</b>	<b>(35,582)</b>
--------------	--------------	--------------------------	-----------------

Net income (loss) attributable to:

(1,246)

5,330

Shareholders of Petrobras

(36,938)

865

(802)

Non-controlling interests

1,356

**(381)**

**4,528**

**(35,582)**



(\*) Includes impairment charges of R\$ 46,390 million in the 4Q-2015, R\$ 294 million in the 1Q-2016 and R\$ 3 million in the 1Q-2015.



**FINANCIAL AND OPERATING HIGHLIGHTS**

**Statement of Financial Position – Consolidated**

<b>Current assets</b>	<b>146,243</b>	<b>169,581</b>
-----------------------	----------------	----------------

Cash and cash equivalents	77,778	97,845
---------------------------	--------	--------

Marketable securities	2,729	3,047
-----------------------	-------	-------

Trade and other receivables, net	18,865	22,659
----------------------------------	--------	--------

Inventories

29,098

29,057



Recoverable taxes	10,612	10,732
-------------------	--------	--------

Assets classified as held for sale

31

595

Other current assets	7,130	5,646
----------------------	-------	-------



**Non-current assets**

**712,917**

**730,554**

**Long-term receivables**

**67,617**

**74,879**

Trade and other receivables, net	13,841	14,327
----------------------------------	--------	--------

Marketable securities

348

342



Judicial deposits	10,142	9,758
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Deferred taxes	16,206	23,490
----------------	--------	--------

Other tax assets	10,920	11,017
------------------	--------	--------

Advances to suppliers

6,142

6,395

Other non-current assets	10,018	9,550
--------------------------	--------	-------

**Investments**

**14,216**

**13,772**

**Property, plant and equipment**

**619,224**

**629,831**

<b>Intangible assets</b>	<b>11,860</b>	<b>12,072</b>
--------------------------	---------------	---------------



**Total assets**

**859,160**

**900,135**







**Current liabilities**

**107,458**

**111,572**

Trade payables	20,755	24,913
----------------	--------	--------

Current debt

62,126

57,382

Taxes payable	10,803	13,549
---------------	--------	--------



Employee compensation (payroll, profit-sharing and related charges)	4,871	5,085
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Pension and medical benefits	2,717	2,556
------------------------------	-------	-------

Liabilities associated with assets classified as held for sale	–	488
--	---	-----

Other current liabilities	6,186	7,599
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**Non-current liabilities**

**485,319**

**530,633**

Non-current debt	387,889	435,467
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Deferred taxes

812

906

Pension and medical benefits	48,994	47,618
------------------------------	--------	--------



Provision for decommissioning costs	35,604	35,728
-------------------------------------	--------	--------

Provisions for legal proceedings	9,798	8,776
----------------------------------	-------	-------

Other non-current liabilities	2,222	2,138
-------------------------------	-------	-------

**Shareholders' equity**

**266,383**

**257,930**

Share capital	205,432	205,432
---------------	---------	---------

Profit reserves and others	57,234	49,299
----------------------------	--------	--------

Non-controlling interests

**3,717**

**3,199**

<b>Total liabilities and shareholders' equity</b>	<b>859,160</b>	<b>900,135</b>
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**FINANCIAL AND OPERATING HIGHLIGHTS**

**Statement of Cash Flows Data – Consolidated**

**Jan-Mar**

<b>(381)</b>	<b>4,528</b>	<b>Net income (loss)</b>	<b>(35,582)</b>
--------------	--------------	--------------------------	-----------------

**17,688**

**11,899**

**(+) Adjustments for:**

**60,856**

12,649

8,516

Depreciation, depletion and amortization 11,569

8,751

6,294

Foreign exchange and inflation indexation 7,961  
and finance charges

(388)	(173)	Share of earnings in equity-accounted investments	1,339
-------	-------	---	-------

503	(863)	Allowance for impairment of trade receivables	3,075
-----	-------	---	-------



102

(404)

(Gains) / losses on disposal / write-offs of non-current assets, returned areas and cancelled projects 1,859

(1,413)	2,044	Deferred income taxes, net	(11,735)
---------	-------	----------------------------	----------

579	576	Exploration expenditures written-off	1,503
-----	-----	--------------------------------------	-------

294

3

Impairment

46,386

1,176	287	Inventory write-downs to net realizable value	664
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2,005	1,684	Pension and medical benefits (actuarial expense)	1,333
-------	-------	--	-------

(1,673)

(1,024)

Inventories

2,573

3,584	73	Trade and other receivables, net	(1,768)
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(383)

(438)

Judicial deposits

(848)

(3,775)	(2,275)	Trade payables	(1,488)
---------	---------	----------------	---------

(438)

(415)

Pension and medical benefits

(766)

(2,220)

944

Taxes payable

(1,004)

(271)                    (621)                    Income tax and social contribution paid                    (214)

(1,394)	(2,309)	Other assets and liabilities	417
---------	---------	------------------------------	-----

**17,307**

**16,427**

**(=) Net cash provided by (used in)  
operating activities**

**25,274**

<b>(14,518)</b>	<b>(21,331)</b>	<b>(-) Net cash provided by (used in) investing activities</b>	<b>(14,574)</b>
-----------------	-----------------	--	-----------------



(14,926)	(17,680)	Capital expenditures and investments in operating segments	(17,971)
----------	----------	--	----------

11	516	Proceeds from disposal of assets (divestment)	1,967
----	-----	--	-------

397	(4,167)	Investments in marketable securities	1,430
-----	---------	--------------------------------------	-------

**2,789**

**(4,904)**

**(=) Net cash flow**

**10,700**

<b>(17,359)</b>	<b>(9,910)</b>	<b>(-) Net cash provided by (used in) financing activities</b>	<b>(11,419)</b>
-----------------	----------------	--	-----------------

7,215

3,735

Proceeds from long-term financing

6,109

(17,098)

(8,441)

Repayment of principal

(12,014)

(7,622)

(5,600)

Repayment of interest

(5,442)



146

396

Acquisition of non-controlling interest

(72)

(5,497)	5,025	Effect of exchange rate changes on cash and cash equivalents	(1,306)
---------	-------	--	---------

<b>(20,067)</b>	<b>(9,789)</b>	<b>(=) Net increase (decrease) in cash and cash equivalents in the period</b>	<b>(2,025)</b>
-----------------	----------------	---	----------------

97,845	44,239	Cash and cash equivalents at the beginning of period	99,870
--------	--------	--	--------

77,778	34,450	Cash and cash equivalents at the end of period	97,845
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**FINANCIAL AND OPERATING HIGHLIGHTS**

**SEGMENT INFORMATION**

**Consolidated Income Statement by Segment – 1Q-2016**

<b>Sales revenues</b>	<b>23,675</b>	<b>53,085</b>	<b>9,391</b>	<b>228</b>	<b>25,231</b>	<b>–</b>	<b>(41,273)70,337</b>
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Intersegments	22,988	15,557	2,130	219	379	–	(41,273)	–
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Third parties	687	37,528	7,261	9	24,852	-	-	70,337
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Cost of sales	(20,837)	(39,099)	(7,563)	(248)	(23,291)	–	41,709	(49,329)
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<b>Gross profit</b>	<b>2,838</b>	<b>13,986</b>	<b>1,828</b>	<b>(20)</b>	<b>1,940</b>	<b>-</b>	<b>436</b>	<b>21,008</b>
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<b>Expenses</b>	<b>(3,611)</b>	<b>(2,491)</b>	<b>(734)</b>	<b>(118)</b>	<b>(1,987)</b>	<b>(3,992)</b>	<b>73</b>	<b>(12,860)</b>
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Selling, general and administrative expenses	(508)	(2,155)	(634)	(25)	(1,691)	(1,481)	91	(6,403)
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Exploration costs	(1,147)	-	-	-	-	-	-	(1,147)
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Research and development expenses	(209)	(68)	(21)	(2)	—	(203)	—	(503)
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Other taxes	(62)	(143)	(170)	(2)	(38)	(127)	–	(542)
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Other income and expenses, net	(1,685)	(125)	91	(89)	(258)	(2,181)	(18)	(4,265)
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<b>Income (loss) before finance income (expense), share of earnings in equity-accounted investments and income taxes</b>	<b>(773)</b>	<b>11,495</b>	<b>1,094</b>	<b>(138)</b>	<b>(47)</b>	<b>(3,992)</b>	<b>509</b>	<b>8,148</b>
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Net finance income	–	–	–	–	–	(8,693)	–	(8,693)
(expense)								

Share of earnings in (99) equity-accounted investments	375	56	43	7	6	—	388
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<b>Income (loss) before income taxes</b>	<b>(872)</b>	<b>11,870</b>	<b>1,150</b>	<b>(95)</b>	<b>(40)</b>	<b>(12,679)</b>	<b>509</b>	<b>(157)</b>
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Income taxes	263	(3,908)	(372)	47	16	3,904	(174)	(224)
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<b>Net income (loss)</b>	<b>(609)</b>	<b>7,962</b>	<b>778</b>	<b>(48)</b>	<b>(24)</b>	<b>(8,775)</b>	<b>335</b>	<b>(381)</b>
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Net income (loss)  
attributable to:



Shareholders of Petrobras	(605)	7,976	757	(48)	(25)	(9,636)	335	(1,246)
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Non-controlling interests	(4)	(14)	21	–	1	861	–	865
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**(609) 7,962 778 (48) (24) (8,775) 335 (381)**

**Consolidated Income Statement by Segment – 1Q-2015[26]**

<b>Sales revenues</b>	<b>27,037</b>	<b>56,115</b>	<b>10,993</b>	<b>156</b>	<b>27,158</b>	–	<b>(47,106)</b>	<b>74,353</b>
Intersegments	26,029	18,735	1,689	150	503	–	(47,106)	–
Third parties	1,008	37,380	9,304	6	26,655	–	–	74,353
Cost of sales	(20,006)	(44,670)	(9,249)	(164)	(24,818)	–	46,964	(51,943)
<b>Gross profit</b>	<b>7,031</b>	<b>11,445</b>	<b>1,744</b>	<b>(8)</b>	<b>2,340</b>	–	<b>(142)</b>	<b>22,410</b>
<b>Expenses</b>	<b>(1,877)</b>	<b>(2,172)</b>	<b>(131)</b>	<b>(37)</b>	<b>(1,428)</b>	<b>(3,935)</b>	<b>169</b>	<b>(9,411)</b>
Selling, general and administrative expenses	(469)	(1,721)	627	(27)	(1,457)	(1,558)	171	(4,434)
Exploration costs	(983)	–	–	–	–	–	–	(983)
Research and development expenses	(220)	(95)	(43)	(6)	(1)	(199)	–	(564)
Other taxes	(52)	(184)	(719)	–	(33)	235	–	(753)
Other income and expenses, net	(153)	(172)	4	(4)	63	(2,413)	(2)	(2,677)
<b>Income (loss) before finance income (expense), share of earnings in equity-accounted investments and income taxes</b>	<b>5,154</b>	<b>9,273</b>	<b>1,613</b>	<b>(45)</b>	<b>912</b>	<b>(3,935)</b>	<b>27</b>	<b>12,999</b>
Net finance income (expense)	–	–	–	–	–	(5,621)	–	(5,621)
Share of earnings in equity-accounted investments	20	65	100	(20)	8	–	–	173
<b>Income (loss) before income taxes</b>	<b>5,174</b>	<b>9,338</b>	<b>1,713</b>	<b>(65)</b>	<b>920</b>	<b>(9,556)</b>	<b>27</b>	<b>7,551</b>
Income taxes	(1,752)	(3,153)	(549)	16	(310)	2,734	(9)	(3,023)
<b>Net income (loss)</b>	<b>3,422</b>	<b>6,185</b>	<b>1,164</b>	<b>(49)</b>	<b>610</b>	<b>(6,822)</b>	<b>18</b>	<b>4,528</b>
Net income (loss) attributable to:								
Shareholders of Petrobras	3,413	6,183	1,087	(49)	609	(5,931)	18	5,330
	9	2	77	–	1	(891)	–	(802)

Non-controlling  
interests

<b>3,422</b>	<b>6,185</b>	<b>1,164</b>	<b>(49)</b>	<b>610</b>	<b>(6,822)</b>	<b>18</b>	<b>4,528</b>
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<sup>26</sup> For comparison purposes, the first quarter of 2015 results were adjusted to consider the relocation of the results of activities abroad, as reported in the year ended December 31, 2015, when the organizational adjustments for the transfer of management of these activities were concluded.

\* For comparison purposes, net income of the 1Q-2015 includes VAT tax expense over natural gas acquisition, previously classified in Corporate segment (R\$ 516 million).

**FINANCIAL AND OPERATING HIGHLIGHTS**

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

Unscheduled stoppages and pre-operating expenses	(1,979)	(36)	(32)	-	-	(4)	-	(2,051)
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Pension and medical benefits	-	-	-	-	-	(1,239)	-	(1,239)
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(Losses)/gains on legal, administrative and arbitral proceedings	(35)	(35)	(6)	(1)	(354)	(715)	–	(1,146)
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Impairment

(294) - - - - - (294)

Institutional relations and cultural projects	(7)	(5)	-	-	(10)	(216)	-	(238)
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Gains / (losses) on disposal/write-offs of assets	(36)	(30)	(39)	1	6	-	-	(98)
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Health, safety and environment(18) (17) (6) - - (38) - (79)

Losses on fines	(1)	(14)	-	-	-	(39)	-	(54)
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Voluntary Separation Incentive (30) Plan - PIDV	-	24	-	5	-	-	(1)
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Government Grants	4	22	8	-	-	1	-	35
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(Expenditures)/reimbursements	546	-	-	-	-	-	-	546
from operations in E&P								
partnerships								



Others	165	(10)	142	(89)	95	69	(18)	354
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**(1,685)(125)91      (89)      (258)      (2,181)(18)      (4,265)**

**Other Income (Expenses) by Segment - 1Q-2015**

Unscheduled stoppages and pre-operating expenses	(626)	(251)	(58)	-	-	(6)	-	(941)
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Pension and medical benefits    -    -    -    -    -    (947)    -    (947)

(Losses)/gains on legal, administrative and arbitral proceedings	(48)	(86)	20	–	(10)	(709)	–	(833)
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Impairment

(3) - - - - - (3)

Institutional relations and cultural projects	(19)	(17)	(1)	–	(20)	(324)	–	(381)
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Gains / (losses) on disposal/write-offs of assets	202	192	14	-	2	(4)	-	406
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Health, safety and environment(17) (10) (5) – (1) (38) – (71)

Losses on fines	-	(106)	-	-	-	(167)	-	(273)
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Voluntary Separation Incentive Plan - PIDV	(3)	(5)	(15)	(2)	-	(1)	-	(26)
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Government Grants	4	1	-	-	-	1	-	6
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(Expenditures)/reimbursements	141	-	-	-	-	-	-	141
from operations in E&P								
partnerships								

Others	216	110	49	(2)	92	(218)	(2)	245
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**(153)(172)4      (4)      63      (2,413)(2)      (2,677)**

**Consolidated Assets by Segment - 03.31.2016**

<b>Total assets</b>	<b>474,829</b>	<b>174,694</b>	<b>73,292</b>	<b>2,226</b>	<b>21,016</b>	<b>126,597</b>	<b>(13,494)</b>	<b>859,160</b>
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<b>Current assets</b>	<b>15,454</b>	<b>32,691</b>	<b>8,306</b>	<b>194</b>	<b>9,314</b>	<b>92,491</b>	<b>(12,207)</b>	<b>146,243</b>
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<b>Non-current assets</b>	<b>459,375</b>	<b>142,003</b>	<b>64,986</b>	<b>2,032</b>	<b>11,702</b>	<b>34,106</b>	<b>(1,287)</b>	<b>712,917</b>
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Long-term receivables	25,369	9,357	4,882	12	3,539	25,608	(1,150)	67,617
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Investments	6,339	4,264	1,796	1,667	127	23	–	14,216
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Property, plant and equipment	419,329	127,749	57,092	353	7,233	7,605	(137)	619,224
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Operating assets	303,533	111,594	48,928	351	6,152	6,503	(137)	476,924
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Assets under construction	115,796	16,155	8,164	2	1,081	1,102	–	142,300
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Intangible assets	8,338	633	1,216	–	803	870	–	11,860
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**Consolidated Assets by Segment - 12.31.2015**

<b>Total assets</b>	<b>483,396</b>	<b>177,631</b>	<b>76,023</b>	<b>1,885</b>	<b>20,588</b>	<b>154,065</b>	<b>(13,453)</b>	<b>900,135</b>
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**Current assets 14,215 35,247 10,398 176 8,979 112,715 (12,149) 169,581**

<b>Non-current assets</b>	<b>469,181</b>	<b>142,384</b>	<b>65,625</b>	<b>1,709</b>	<b>11,609</b>	<b>41,350</b>	<b>(1,304)</b>	<b>730,554</b>
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Long-term receivables	25,250	9,309	5,303	12	3,355	32,792	(1,142)	74,879
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Investments	7,054	3,431	1,781	1,339	134	33	–	13,772
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Property, plant and equipment	428,447	128,982	57,300	358	7,296	7,610	(162)	629,831
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Operating assets	310,761	112,470	47,611	317	6,175	5,798	(162)	482,970
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Assets under construction	117,686	16,512	9,689	41	1,121	1,812	-	146,861
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Intangible assets	8,430	662	1,241	–	824	915	–	12,072
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**FINANCIAL AND OPERATING HIGHLIGHTS**

**Consolidated Adjusted EBITDA Statement by Segment – 1Q-2016**

Net income (loss)	(609)	7,962	778	(48)	(24)	(8,775)	335	(381)
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Net finance income (expense)	-	-	-	-	-	8,693	-	8,693
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Income taxes	(263)	3,908	372	(47)	(16)	(3,904)	174	224
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Depreciation, depletion and amortization	9,656	1,923	714	11	148	197	–	12,649
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<b>EBITDA</b>	<b>8,784</b>	<b>13,793</b>	<b>1,864</b>	<b>(84)</b>	<b>108</b>	<b>(3,789)</b>	<b>509</b>	<b>21,185</b>
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Share of earnings in equity-accounted investments	99	(375)	(56)	(43)	(7)	(6)	–	(388)
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Impairment losses / (reversals)	294	-	-	-	-	-	-	294
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<b>Adjusted EBITDA</b>	<b>9,177</b>	<b>13,418</b>	<b>1,808</b>	<b>(127)</b>	<b>101</b>	<b>(3,795)</b>	<b>509</b>	<b>21,091</b>
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**Consolidated Adjusted EBITDA Statement by Segment - 1Q-2015**

Net income (loss)	3,422	6,185	1,164	(49)	610	(6,822)	18	4,528
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Net finance income (expense)	-	-	-	-	-	5,621	-	5,621
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Income taxes	1,752	3,153	549	(16)	310	(2,734)	9	3,023
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Depreciation, depletion and amortization	5,667	1,860	643	7	135	204	–	8,516
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<b>EBITDA</b>	<b>10,841</b>	<b>11,198</b>	<b>2,356</b>	<b>(58)</b>	<b>1,055</b>	<b>(3,731)</b>	<b>27</b>	<b>21,688</b>
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Share of earnings in equity-accounted investments	(20)	(65)	(100)	20	(8)	–	–	(173)
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Impairment losses / (reversals)	3	-	-	-	-	-	-	3
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<b>Adjusted EBITDA</b>	<b>10,824</b>	<b>11,133</b>	<b>2,256</b>	<b>(38)</b>	<b>1,047</b>	<b>(3,731)</b>	<b>27</b>	<b>21,518</b>
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**APPENDIX**

**1. Reconciliation of Adjusted EBITDA**

**Jan-Mar**

(381)	4,528	(108)	<b>Net income (loss)</b>	(35,582)	99
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8,693	5,621	55	Net finance income (expense)	4,928	76
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224	3,023	(93)	Income taxes	(11,580)	102
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12,649	8,516	49	Depreciation, depletion and amortization	11,569	9
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<b>21,185</b>	<b>21,688</b>	<b>(2)</b>	<b>EBITDA</b>	<b>(30,665)</b>	<b>169</b>
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(388)	(173)	(124)	Share of earnings in equity-accounted investments	1,339	(129)
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294	3	9,700	Impairment losses / (reversals)	46,390	(99)
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<b>21,091</b>	<b>21,518</b>	<b>(2)</b>	<b>Adjusted EBITDA</b>	<b>17,064</b>	<b>24</b>
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30	29	1	Adjusted EBITDA margin (%) <sup>27</sup>	20	10
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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.

The disclosure of Adjusted EBITDA aims at providing an additional information about our ability to pay debt, carry out investments and cover our working capital needs. Adjusted EBITDA is not an IFRS measure and may not be comparable with the same measure as reported by other companies.

## **2. Effect of the average cost on the cost of sales (R\$ million)**

Products remain in inventory for an average of 60 days and, therefore, the changes on international crude oil and oil products prices and the effect of the exchange rate variation on imports and on production taxes do not fully impact the costs of sales for the period, fully impacting only the following period.

The estimated effects on the cost of sales are set out in the table below:

R\$ million

Effect of the average cost on the cost of sales *	(369)	(863)	(494)
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\* The cost of sales of the 1Q-2016 and of the 4Q-2015 were negatively impacted by the effect of the average cost of inventories.

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<sup>27</sup> Adjusted EBITDA margin equals Adjusted EBITDA divided by sales revenues.

**APPENDIX**

**3. Production taxes**

**Jan-Mar**

**Brazil**

1,913	2,529	(24)	Royalties	2,608	(27)
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199	1,764	(89)	Special participation charges	999	(80)
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47	43	9	Rental of areas	39	21
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2,159	4,336	(50)	Subtotal - Brazil	3,646	(41)
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274

218

26

Abroad

354

(23)

<b>2,433</b>	<b>4,554</b>	<b>(47)</b>	<b>Total</b>	<b>4,000</b>	<b>(39)</b>
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**(1Q-2016 x 1Q-2015):** Production taxes in Brazil decreased 50% mainly due to the 21% decrease in the reference price for domestic oil in Reais that reached an average of R\$ 99.47/bbl (US\$ 25.54/bbl) in the 1Q-2016 compared to R\$ 126.33/bbl (US\$ 43.96/bbl) in the 1Q-2015, impacted by the international crude oil prices and by the decreased production.

**(1Q-2016 x 4Q-2015):** Production taxes in Brazil decreased 41%, mainly due to lower international crude oil prices and decreased production.

**4. Impact of our Cash Flow Hedge policy**

**Jan-Mar**

21,480	(30,141)	171	Total inflation indexation and foreign exchange variation	6,052	255
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(22,013)	28,301	(178)	Deferred Foreign Exchange Variation recognized in Shareholders' Equity	(3,847)	(472)
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(2,900)	(824)	(252)	Reclassification from Shareholders' Equity to the Statement of Income	(2,895)	—
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<b>(3,433)</b>	<b>(2,664)</b>	<b>(29)</b>	<b>Net Inflation indexation and foreign exchange variation</b>	<b>(690)</b>	<b>(398)</b>
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The increased reclassification of foreign exchange variation expenses from the Shareholders' Equity to the income statement in the 1Q-2016 (R\$ 2,900 million) compared to the 1Q-2015 (R\$ 824 million) was due to occurrence of hedged transactions (exports hedged by debt denominated in U.S. dollars), with higher spread of foreign exchange rate (R\$/US\$) between the date the cash flow hedge relationship was designated and the date the export transactions were made. In addition, R\$ 734 million were registered in income statement due to exports that are no longer expected to occur or did not occur, mainly due to the decrease in the international oil prices. It remained relatively flat compared to the 4Q-2015.

Additional hedging relationships may be revoked or additional reclassification adjustments from equity to the statement of income may occur as a result of changes in forecast export prices and export volumes following a review in the Company's business plan. Based on a sensitivity analysis considering a US\$ 10/barrel decrease in Brent prices stress scenario, when compared to the Brent price projections in our most recent update of the 2015-2019 Business and Management Plan (Plano de Negócios e Gestão – PNG), a R\$ 783 million reclassification adjustment from equity to the statement of income would occur.

The expected yearly realization of the foreign exchange variation balance in shareholders' equity, on March 31, 2016, is set out below:

<b>Expected</b>										
<b>Realization</b>	(7,183)	(1,245)	(11,626)	(9,225)	(7,345)	(6,819)	(7,189)	(4,394)	1,620	(63,406)



## APPENDIX

### **5. 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 March 31, 2016, the Company had a net liability exposure to foreign exchange rates.

Assets	58,585	67,040
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Liabilities

(327,433) (350,695)

Hedge Accounting	223,596	240,222
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**Total**

**(45,252) (43,433)**





Real/ U.S. Dollars

(2,209) 2,881



Real/ Euro

(191) (8,687)

Real/ Pound Sterling

(61) (73)

U.S. Dollars/ Yen

(2,126) (2,180)

U.S. Dollars/ Euro

(31,485)(24,988)

U.S. Dollars/ Pound Sterling

(9,126) (10,241)

Peso/ U.S. Dollars

(54) (145)

**Total**

**(45,252,433)**





**Jan-Mar**

**Foreign  
exchange  
and inflation  
indexation  
charges**

(1,443) 2,270 (164)

Foreign exchange  
variation Dolar  
x Euro 403

623	(3,811) 116	Foreign exchange variation Real x Dolar	<b>391</b>
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326	241	35	Foreign exchange variation Dolar x Pound Sterling	<del>239</del>
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(2,900)	(824)	(252)	Reclassification(2,895) of hedge accounting from Shareholders' Equity to the Statement of Income
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(258)	(450)	43	Foreign exchange variation Real x Euro	37(168)
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219 (90) 343 Others 7591)

**(3,433)(2,664)(29)**

**Net Inflation (~~699~~)  
indexation  
and foreign  
exchange  
variation**







## APPENDIX

## 6. Special Items

## Jan - Mar

(544)	1,171	Impairment of trade receivables from companies in the isolated electricity system	Selling expenses	(2,509)
(297)	(516)	(Losses)/Gains on legal proceedings	Other income and expenses	(1,885)
(294)	(3)	Impairment of assets and investments	Several	(48,295)
(51)	-	State Tax Amnesty Program / PRORELIT	Several	(428)
-	-	Tax Recoverable Program - REFIS	Several	(116)
-	-	Voluntary Separation Incentive Plan - PIDV	Other income and expenses	(307)
-	464	Gains (losses) on Disposal of Assets	Other income and expenses	-
<b>(1,186)</b>	<b>1,116</b>	<b>Total</b>		<b>(53,540)</b>

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

(294)	(3)	Impairment Share of earnings in equity-accounted investments	(46,390)
-	-		(1,905)
<b>(294)</b>	<b>(3)</b>	<b>Impairment of assets and investments</b>	<b>(48,295)</b>

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



(9)	-Interest expenses	(120)
	<b>State Tax Amnesty</b>	
<b>(51)</b>	<b>-Program / PRORELIT</b>	<b>(428)</b>

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

–	–Tax expenses	(63)
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-	-Interest expenses	(53)
	<b>Tax Recoverable Program</b>	
-	<b>-- REFIS</b>	<b>(116)</b>

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.

**APPENDIX**

**7. Information by Business Activities Abroad**

**Income Statement - 1Q-2016**

<b>Sales revenues</b>	<b>1,466</b>	<b>2,886</b>	<b>558</b>	<b>3,184</b>
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Intersegments	842	2,208	31	2
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Third parties	624	678	527	3,182
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<b>Gross Profit</b>	<b>480</b>	<b>(118)</b>	<b>101</b>	<b>314</b>
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<b>Income (loss) before finance income (expense),</b>	<b>268</b>	<b>(219)</b>	<b>84</b>	<b>79</b>
<b>share of earnings in equity-accounted</b>				
<b>investments and income taxes</b>				

<b>Net income (loss) attributable to the shareholders of Petrobras</b>	<b>111</b>	<b>(210)</b>	<b>112</b>	<b>72</b>
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<b>Adjusted EBITDA</b>	756	(152)	98	114
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**Income Statement - 1Q-2015**



<b>Sales revenues</b>	<b>1,320</b>	<b>3,295</b>	<b>355</b>	<b>3,104</b>
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Intersegments	732	834	24	3
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Third parties	588	2,461	331	3,101
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<b>Gross Profit</b>	<b>417</b>	<b>149</b>	<b>58</b>	<b>288</b>
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<b>Income (loss) before finance income (expense),</b>	<b>393</b>	<b>17</b>	<b>41</b>	<b>75</b>
<b>share of earnings in equity-accounted</b>				
<b>investments and income taxes</b>				

<b>Net income (loss) attributable to the shareholders of Petrobras</b>	<b>352</b>	<b>5</b>	<b>69</b>	<b>63</b>
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<b>Adjusted EBITDA</b>	735	54	56	102
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<b>Total assets on March 31, 2016</b>	28,488	4,756	1,526	2,813
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<b>Total assets on December 31, 2015</b>	31,683	5,459	1,577	3,057
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## APPENDIX

### **8. RESULTS OF OPERATIONS – 1Q-2016 compared to 1Q-2015 (additional information):**

Sales revenues of R\$ 70,337 million in the 1Q-2016, a 5% decrease when compared to the 1Q-2015 (R\$ 74,353 million), due to:

- Decreased domestic demand for oil products (8%), reflecting lower economic activity in Brazil and decreased fuel oil and natural gas consumption for thermoelectric generation;
- Higher domestic average oil product prices;
- Decreased electricity generation and prices due to improved hydrological conditions;
- Lower crude oil and oil product export prices as a result of lower international crude oil prices; and
- A 14% increase of crude oil and oil product exports.

Cost of sales of R\$ 49,329 million in the 1Q-2016, a 5% decrease compared to R\$ 51,943 million in the 1Q-2015, due to (besides the 8% decrease in domestic oil products demand):

- Lower crude oil, oil product and natural gas import costs, as well as lower production taxes in Brazil;
- Decreased domestic demand for oil products that generated lower share of crude oil imports on feedstock processing and a lower share of oil product imports in the sales mix; and
- Higher depreciation expenses based on the unit of production method, as a result of estimated reserves decrease, partially offset by lower carry amounts of assets impacted by the impairment losses occurred in 2015.

Selling expenses were R\$ 3,751 million in the 1Q-2016, a 118% increase compared to R\$ 1,724 million in the 1Q-2015, mainly due to the reversal of impairment of trade receivables from companies in the isolated electricity sector in the 1Q-2015 (R\$ 1,295 million), higher

freight expenses, following the depreciation of the Real against the U.S. dollar, and increased export volumes.

General and administrative expenses were R\$ 2,652 million in the 1Q-2016, remained relatively flat compared to the 1Q-2015 (R\$ 2,710 million), due to lower third-party service expenses, offset by higher personnel expenses reflecting an increase in the workforce compensation attributable to the 2015 Collective Bargaining Agreement.

Research and development expenses were R\$ 503 million in the 1Q-2016, a 11% decrease when compared to R\$ 564 million in the 1Q-2015, due to decreased minimum mandatory research and development charges, following lower gross revenues of crude oil and oil product fields.

Other taxes were R\$ 542 million in the 1Q-2016, a 28% decrease compared to R\$ 753 million in the 1Q-2015, due to lower income tax expenses over foreign financing interests paid, partially offset by the Company's decision to benefit from State Tax Amnesty Programs.

Other income and expenses, net were R\$ 4,265 million in the 1Q-2016, a 59% increase when compared to R\$ 2,677 million in the 1Q-2015, as a result of:

- Increased unscheduled stoppage expenses, mainly due to drilling rigs idleness (R\$ 1,110 million);
- Impairment of assets, mainly of Bijupirá and Salema fields whose sales were cancelled (R\$ 294 million); and
- Higher expenses with pension and medical benefits, due to increased nominal interest rate applied on higher balance of net actuarial liability (R\$ 292 million).

Net finance expense increased by 55% to R\$ 8,693 million in the 1Q-2016, from R\$ 5,621 million in the 1Q-2015, as a result of:

- Higher interest expenses due to higher debt and to the effect of the depreciation of the Real against the U.S. dollar (R\$ 2,124 million, net of capitalized borrowing costs);
- Foreign exchange losses of R\$ 3,713 million caused by the impact of a 4.7% depreciation of the U.S. dollar against the Euro on the Company's net debt in the 1Q-2016 (compared to an 11.6% appreciation in the 1Q-2015);
- Foreign exchange gains of R\$ 4,434 million caused by the impact of an 8.9% appreciation of the Real against the U.S. dollar on the Company's net debt in the 1Q-2016 (compared to a 20.8% depreciation in the 1Q-2015); and
- The higher reclassification of the foreign exchange losses from shareholders' equity to net income due to occurred exports designated for cash flow hedge accounting, and to a portion of future exports previously designated that was no longer expected to occur or did not occur in the 1Q-2016 (R\$ 2,076 million).

Income taxes (corporate income tax and social contribution) were R\$ 224 million in the 1Q-2016, a 93% decrease compared to R\$ 3,023 million in the 1Q-2015, mainly due to the lower taxable income before income taxes.

Loss attributable to non-controlling interests of R\$ 865 million in the 1Q-2016 (positive in R\$ 802 million in the 1Q-2015), mainly reflecting the impact of foreign exchange variation on debt in U.S. dollar of structured entities.

## APPENDIX

### **9. RESULTS OF OPERATIONS – 1Q-2016 compared to 4Q-2015 (additional information):**

Sales revenues of R\$ 70,337 million in the 1Q-2016, a 17% decrease when compared to the 4Q-2015 (R\$ 85,103 million), due to:

- Decreased domestic oil product demand (5%), mainly of diesel (12%), as a result of lower economic activity at the beginning of the year;
- Lower crude oil and oil product export revenues due to decreased Brent price (21% in Reais) and lower export volume;
- Lower natural gas revenues due to decreased thermoelectric demand;
- Lower naphtha, jet fuel and fuel oil domestic prices, reflecting the decreased international prices; and
- Decreased electricity generation and prices due to the improved hydrological conditions.

Cost of sales of R\$ 49,329 million in the 1Q-2016, a 15% decrease compared to R\$ 58,254 million in the 4Q-2015, due to (besides the 5% decrease in domestic oil products demand):

- Lower crude oil, oil product and natural gas import costs, as well as lower production taxes in Brazil;
- Decreased raw material expenses for oil product and crude oil production abroad, reflecting the decreased Brent price; and
- Higher depreciation expenses through the method of units produced as a result of decreased reserves estimation, partially offset by lower balance of assets impacted by the impairment losses occurred in 2015.

Selling expenses were R\$ 3,751 million in the 1Q-2016, a 42% decrease compared to R\$ 6,428 million in the 4Q-2015, due to lower allowance of trade receivables (for doubtful

accounts), mainly related to trade receivables from companies in the isolated electricity sector (R\$ 1,965 million);

General and administrative expenses were R\$ 2,652 million in the 1Q-2016, a 5% decrease when compared to the 4Q-2015 (R\$ 2,803 million), due to lower third-party service expenses.

Exploration costs were R\$ 1,147 million in the 1Q-2016, a 37% decrease when compared to the 4Q-2015 (R\$ 1,830 million), mainly as a result of lower expenses with write-off of dry and/or subcommercial wells abroad.

Other taxes were R\$ 542 million in the 1Q-2016, a 63% decrease when compared to R\$ 1,470 million in the 4Q-2015, due to lower expenses with adherence to the State Tax Amnesty Programs and with income tax expenses over foreign financing interests paid, besides the recognition of PIS and COFINS over finance income.

Other expenses, net were R\$ 4,265 million in the 1Q-2016, a 92% decrease when compared to R\$ 54,919 million in the 4Q-2015, mainly as a result of:

- Impairment of assets in the 4Q-2015 (R\$ 46,390 million);
- Decreased expenses with write-off of assets, with E&P areas returned to ANP and abandonment of areas occurred in the 4Q-2015 (R\$ 2,256 million);
- Lower legal proceedings expenses, mainly related to tax and labour claims (R\$ 1,451 million); and
- Demobilization expenses of the Nansei Sekiyu K.K. refinery in the 4Q-2015 (R\$ 352 million).

Net finance expense increased by 76% to R\$ 8,693 million in the 1Q-2016, from R\$ 4,928 million in the 4Q-2015, as a result of:

- Foreign exchange losses of R\$ 1,936 million attributable to a 4.7% depreciation of the U.S. dollar against the Euro and its impact on the Company's net debt in the 1Q-2016 (compared to a 2.5% appreciation in the 4Q-2015); and
- Foreign exchange losses of R\$ 635 million resulting from a 3.1% depreciation of the Real against the Euro and its impact on the Company's net debt in January 31, 2016, in view of the exposure settlement in this month (compared to a 4.2% appreciation in the 4Q-2015).

Share of earnings in equity-accounted investments was positive in R\$ 388 million in the 1Q-2016 (compared to a negative result of R\$ 1,339 million in the 4Q-2015), mainly due to the impairment of offshore investments in the 4Q-2015.

Income taxes expenses (corporate income tax and social contribution) of R\$ 224 million in the 1Q-2016 (compared to an income of taxes of R\$ 11,580 million in the 4Q-2015), mainly due to the positive tax effect over impairment of assets in December 2015.





## SIGNATURE

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

Date: May 12, 2016

PETRÓLEO BRASILEIRO S.A--PETROBRAS

By:

/s/ Ivan de Souza Monteiro

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**Ivan de Souza Monteiro**  
**Chief Financial Officer and Investor Relations**  
**Officer**

## FORWARD-LOOKING STATEMENTS

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

All forward-looking statements are expressly qualified in their entirety by this cautionary statement, and you should not place reliance on any forward-looking statement contained in this press release. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason.

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