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

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

For the month of May, 2016

Commission File Number 1-15106

PETRÓLEO BRASILEIRO S.A. - PETROBRAS

(Exact name of registrant as specified in its charter)

Brazilian Petroleum Corporation - PETROBRAS

(Translation of Registrant's name into English)

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

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

Form 20-F ___X___ Form 40-F _______

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

Yes _______ No___X____

FIRST QUARTER OF 2016 RESULTS

Derived from interim financial information reviewed by independent auditors, stated in millions of U.S. dollars,

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 US$ 318 million, as a result of:

§ Higher interest expenses, inflation indexation charges and foreign exchange losses, totaling US$ 2,450 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 US$ 5,394 million in the 1Q-2016 (US$ 7,516 million in the 1Q-2015). Adjusted EBITDA Margin was 30% in the 1Q-2016.

• Positive free cash flow of US$ 610 million in the 1Q-2016 (negative free cash flow of US$ 436 million in the 1Q-2015), due to higher diesel and gasoline domestic margins, decreased production taxes and import costs, as well as lower capital expenditures and investments.

• The total indebtedness remained relatively flat as of March 31, 2016 (US$ 126,447 million) when compared to December 31, 2015 (US$ 126,216 million). Excluding foreign exchange translation effects, the total indebtedness decreased by 9% when expressed in Brazilian

Reais.

- 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 in U.S. dollars increased from 4.41 as of December 31, 2015 to 5.03 as of March 31, 2016. Excluding foreign translation effects, this ratio decreased from 5.31 to 5.03 in the same period, when expressed in Brazilian Reais. 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 and investments		
17,989	25,967	(31)	**Sales revenues**	22,147	(19)

5,373	7,827	(31)	**Gross profit**	6,987	(23)

2,084	4,541	(54)	**Income (loss) before finance income (expense), share of earnings in equity-accounted investments and income taxes**	(10,451)	120

(2,223)	(1,963)	(13)	**Net finance income (expense)**	(1,283)	(73)

(318)	1,862	(117)	**Consolidated net income (loss) attributable to the shareholders of Petrobras**	(9,421)	97

(0.02)	0.14	(114)	**Basic and diluted earnings (losses) per share [1]**	(0.72)	97

5,394	7,516	(28)	**Adjusted EBITDA – U.S.$ million** **2**	4,440	21

30	30	–	**Gross margin (%) [3]**	32	(2)

12	17	(5)	**Operating margin (%)** [3]	(47)	59

(2)	7	(9)	**Net margin (%) [3]**	(43)	41

3,987	6,233	(36)	**Total capital expenditures and investments**	5,419	(26)

3,522	5,185	(32)	**. Exploration & Production**	4,510	(22)

243	673	(64)	**. Refining, Transportation and Marketing**	556	(56)

75	229	(67)	**. Gas & Power**	161	(53)

25	66	(62)	**. Distribution**	74	(66)

69	2	3,350	**. Biofuel**	24	188

53	78	(32)	**. Corporate**	94	(44)

Jan-Mar					
			Income (loss) before finance income (expense), share of earnings in equity-accounted investments and income taxes		
2,940	3,239	(9)	**. Refining, Transportation and Marketing**	881	234

(196)	1,801	(111)	**. Exploration & Production**	(9,235)	98

281	563	(50)	**. Gas & Power**	(510)	155

(12)	319	(104)	**. Distribution**	(569)	98

(36)	(15)	(140)	**. Biofuel**	(63)	43

(1,021)	(1,374)	26	**. Corporate**	(1,568)	35

Jan-Mar					
			Financial and economic indicators		
59.52	77.80	(23)	**Domestic basic oil products price (U.S.$/bbl)**	62.30	(4)

33.89	53.97	(37)	**Brent crude (U.S.$/bbl)**	43.69	(22)

Domestic Sales price

28.88	43.40	(33)	**. Crude oil (U.S.$/bbl) [4]**	33.50	(14)

30.22	40.76	(26)	**. Natural gas (U.S.$/bbl)**	32.47	(7)

3.90	2.87	36	**Average commercial selling rate for U.S. dollar (R$/U.S.$)**	3.84	2

3.56	3.21	11	**Period-end commercial selling rate for U.S. dollar (R$/U.S.$)**	3.90	(9)

(8.9)	20.8	(30)	**Variation of the period-end commercial selling rate for U.S. dollar (%)**	(1.7)	(7)

14.15	12.19	2	**Selic interest rate - average (%)**	14.15	−

2,067	2,249	(8)	**Total crude oil and NGL production (Mbbl/d)**	2,214	(7)

549	554	(1)	**Total natural gas production (Mbbl/d)**	563	(2)

2,616	2,803	(7)	**Total crude oil and natural gas production (Mbbl/d)**	2,777	(6)

3,439	3,708	(7)	**Total sales volume (Mbbl/d)**	3,872	(11)

International Selling prices

41.59	58.40	(29)	**. Crude oil (U.S.$/bbl)**	49.28	(16)

23.27	22.40	4	**. Natural gas (U.S.$/bbl)**	19.80	18

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[1] Net income (loss) per share calculated based on the weighted average number of shares.

[2] Adjusted EBITDA equals net income plus net finance income (expense); income taxes; depreciation, depletion and amortization; share of earnings in equity-accounted investments; impairment and *write-offs of overpayments incorrectly capitalized*. Adjusted EBITDA is not a measure defined by IFRS and it is possible that it may not be comparable to similar measures reported by other companies. See Consolidated Adjusted EBITDA by Business Segment and a reconciliation of Adjusted EBITDA to net income on page 18.

[3] Gross margin equals sales revenues less cost of sales divided by sales revenues; Operating margin equals income (loss) before finance income (expense), share of earnings in equity-accounted investments and income taxes, excluding *write-offs of overpayments incorrectly capitalized* divided by sales revenues; Net margin equals consolidated net income (loss) attributable to the shareholders of Petrobras divided by sales revenues.

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

FINANCIAL AND OPERATING HIGHLIGHTS

RESULTS OF OPERATIONS – 1Q-2016 compared to 1Q-2015*:

Virtually all revenues and expenses of our Brazilian operations are denominated and payable in Brazilian Reais. When the Brazilian Real depreciates relative to the U.S. dollar, as it did in the 1Q-2016 (a 36% depreciation), revenues and expenses decrease when translated into U.S. dollars. The depreciation of the Brazilian Real against the U.S. dollar affects the line items discussed below in different ways.

Gross Profit

Gross profit decreased by 31% to US$ 5,373 million in the 1Q-2016 when compared to the 1Q-2015, mainly due to foreign exchange translation effect (depreciation of the Brazilian Real against the U.S. dollar). Excluding this effect, gross profit decreased by 6% when expressed in Brazilian Reais, following lower sales revenues, mainly 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, natural gas sales volumes decrease, lower electricity generation – due to lower thermoelectric demand – and electricity prices decrease.

Lower import costs, production taxes decrease and higher share of domestic crude oil on feedstock processed (despite the 8% decrease of Brazilian crude oil and NGL production) also occurred in the 1Q-2016. However, there was an increase in depreciation expenses as a result of reserves estimation decrease (mainly due to lower crude oil prices), partially offset by lower carry amounts of assets impacted by the impairment charges recognized 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 US$ 2,084 million in the 1Q-2016, a 54% decrease when compared to the 1Q-2015, resulting from lower gross profit, higher idleness expenses related to drilling rigs, impairment charges of Bijupirá and Salema fields. In addition, the 1Q-2015 was favorably impacted by the reversal of allowance for impairment of trade receivables from companies in the isolated electricity system.

Net finance expense

Net finance expense was US$ 2,223 million in the 1Q-2016, US$ 260 million higher when compared to the 1Q-2015, resulting from the higher reclassification of foreign exchange losses to the net income, due to the hedge accounting policy, and the increase in interest expenses, due to higher debt and to the depreciation of the Brazilian Real against the U.S. dollar.

Net income (loss) attributable to the shareholders of Petrobras

Loss attributable to the shareholders of Petrobras of US$ 318 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 US$ 5,394 million in the 1Q-2016, a 28% decrease compared to US$ 7,516 million in the 1Q-2015. The Adjusted EBITDA Margin reached 30% in the 1Q-2016. Positive free cash flow of US$ 610 million in the 1Q-2016, positive for the fourth consecutive quarter, due to higher diesel and gasoline domestic margins, decreased production taxes in Brazil and import costs, as well as lower capital expenditures and investments. This result represents an important effort to deleverage the Company.

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

Net Income (Loss) Attributable to the Shareholders of Petrobras	(154)	1,191	(113)

The loss attributable to the E&P business segment was US$ 154 million in the 1Q-2016 compared to a net income of US$ 1,191 million in the 1Q-2015. This loss 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.

Jan-Mar

Domestic production (Mbbl/d) (*)

Crude oil and NGLs [5]	1,980	2,149	(8)

Natural gas [6]	455	467	(3)

Total	**2,435**	**2,616**	(7)

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.

(*) Not reviewed by independent auditor.

[5] NGL – Natural Gas Liquids.

[6] Does not include LNG. Includes gas reinjection.

FINANCIAL AND OPERATING HIGHLIGHTS

	Jan-Mar		
Production abroad (Mbbl/d) (*)			
Consolidated production abroad			
Crude oil and NGLs	62	69	(10)
Natural gas	94	87	8
Total	156	156	−
Non-consolidated production abroad	25	31	(19)
Total production abroad	**181**	**187**	(3)

Consolidated crude oil and NGL production abroad decreased by 10%, mainly due to the disposal of Austral Basin fields and to the field returned to the La Pampa province in 2015, both in Argentina. 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 [7] - Brazil (*)

U.S.$/barrel:

Excluding production taxes	10.49	13.27	(21)

Including production taxes	13.43	20.05	(33)

Lifting Cost - Excluding production taxes

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.

Lifting Cost - Including production taxes

Lifting cost including production taxes decreased as a result of 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)

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.

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[7] Crude oil and natural gas lifting cost.

(*) Not reviewed by independent auditor.

FINANCIAL AND OPERATING HIGHLIGHTS

REFINING, TRANSPORTATION AND MARKETING

Jan-Mar

Net Income (Loss) Attributable to the Shareholders of Petrobras	2,041	2,160	(6)

Net income of US$ 2,041 million in the 1Q-2016 decreased when compared to net income of US$ 2,160 million in the 1Q-2015, mainly due to foreign translation effects (36% depreciation of the Brazilian Real against the U.S. dollar). Excluding these effects, net income of the RTM business segment increased by 29%, 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 lower share of oil product imports in our sales mix and also to higher diesel and gasoline margins.

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

	Jan-Mar		
Refining Operations - Brazil (Mbbl/d) [(*)]			
Output of oil products	1,958	1,964	−
Reference feedstock [8]	2,176	2,176	−
Refining plants utilization factor (%) [9]	84	86	(2)
Feedstock processed (excluding NGL) - Brazil [10]	1,836	1,879	(2)
Feedstock processed - Brazil [11]	1,870	1,922	(3)
Domestic crude oil as % of total feedstock processed	89	86	3

Despite the market downturn, the output of oil products remained relatively flat, 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 in RNEST.

	Jan-Mar

Refining Operations - abroad (Mbbl/d) (*)

Total feedstock processed	140	127	10

Output of oil products	144	155	(7)

Reference feedstock	230	230	–

Refining plants utilization factor (%)	57	54	3

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.

(*) Not reviewed by independent auditor.

[8] 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.

[9] Refining plants utilization factor is the feedstock processed (excluding NGL) divided by the reference feedstock.

[10] 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.

[11] Feedstock processed - Brazil includes crude oil and NGL processing.

FINANCIAL AND OPERATING HIGHLIGHTS

Jan-Mar

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

Crude oil imports	199	277	(28)

Oil product imports	287	345	(17)

Imports of crude oil and oil products	**486**	**622**	(22)

Crude oil exports [12]	307	281	9

Oil product exports	146	116	26

Exports of crude oil and oil products	**453**	**397**	14

Exports (imports) net of crude oil and oil products	**(33)**	**(225)**	85

Crude oil imports were lower due to the 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.

	Jan-Mar		
Refining Cost - Brazil (*)			
Refining cost (U.S.$/barrel)	2.27	2.84	(20)

Refining cost in US$/barrel decreased by 20% in the 1Q-2016 when compared to the 1Q-2015. Excluding foreign exchange variation effects, refining cost in R$/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.

	Jan-Mar		
Refining Cost - abroad (U.S.$/barrel) (*)			
	4.01	3.90	3

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.

(*) Not reviewed by independent auditor.

[12] It includes crude oil export volumes made both by our Refining, Transportation and Marketing segment and by our Exploration & Production segment.

7

FINANCIAL AND OPERATING HIGHLIGHTS

GAS & POWER

Jan-Mar

Net Income (Loss) Attributable to the Shareholders of Petrobras	195	379	(49)

Net income was US$ 195 million in the 1Q-2016, a 49% decrease when compared to net income of US$ 379 million in the 1Q-2015, due to the 36% depreciation of the Brazilian Real against the U.S dollar and 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 (US$ 452 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 (US$ 180 million) in the 1Q-2015.

Jan-Mar

Physical and Financial Indicators (*)

Electricity sales (Free contracting market - ACL) [13] - average MW	863	911	(5)

Electricity sales (Regulated contracting market - ACR) [14] - average MW	3,172	3,263	(3)

Generation of electricity - average MW	2,832	5,110	(45)

Imports of LNG (Mbbl/d)	74	113	(35)

Imports of natural gas (Mbbl/d)	194	208	(7)

Electricity price in the spot market - Differences settlement price (PLD) - US$/MWh [15]	18	135	(87)

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 87% 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.

(*) Not reviewed by independent auditor.

[13] ACL – *Ambiente de Contratação Livre* (Free contracting market).

[14] ACR - *Ambiente de Contratação Regulada* (Regulated contracting market).

[15] Differences settlement price is the price of electricity in the spot market and is computed based on 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 (Loss) Attributable to the Shareholders of Petrobras	(6)	214	(103)

The loss attributable to the Distribution business segment in the 1Q-2016 was due to lower domestic sales volumes, following the 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.

	Jan-Mar

Market Share - Brazil (*) [16]

32.6%	36.4%	(4)

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.

BIOFUEL

Jan-Mar

Net Income (Loss) Attributable to the Shareholders of Petrobras	(13)	(16)	19

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.

(*) Not reviewed by independent auditors. Our market share in the Distribution Segment in Brazil is based on estimates made by Petrobras Distribuidora.

[16] 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 – (Mbbl/d)(*)

	Jan-Mar		
Diesel	798	907	(12)
Gasoline	564	573	(2)
Fuel oil	80	119	(33)
Naphtha	111	124	(10)
LPG [17]	218	223	(2)
Jet fuel [18]	107	113	(5)
Others	178	171	4
Total oil products	2,056	2,230	(8)
Ethanol, nitrogen fertilizers, renewables and other products	111	115	(3)
Natural gas	360	448	(20)
Total domestic market	**2,527**	**2,793**	(10)
Exports	455	397	15
International sales	457	518	(12)
Total international market	**912**	**915**	−
Total	**3,439**	**3,708**	(7)

Our domestic sales volumes decreased by 10%, primarily due to:

- Diesel (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 (33% decrease): due to lower demand from thermoelectric sector in several Brazilian states;

- Naphtha (10% decrease): due to a lower demand from petrochemical sector, mainly Braskem; and

- Natural Gas (20% decrease): lower demand from thermoelectric sector.

(*) Not reviewed by independent auditor.

[17] LPG – Liquified petroleum gas.

[18] Jet fuel.

FINANCIAL AND OPERATING HIGHLIGHTS

LIQUIDITY AND CAPITAL RESOURCES

Jan-Mar

25,837	**25,957**	**Adjusted cash and cash equivalents at the beginning of period [19]**	**26,237**

(779)	(9,302)	Government bonds and time deposits with maturities of more than 3 months at the beginning of period	(1,099)

25,058	**16,655**	**Cash and cash equivalents at the beginning of period**	**25,138**

4,428	5,739	Net cash provided by (used in) operating activities	6,577

(3,713)	(7,450)	Net cash provided by (used in) investing activities	(3,793)

(3,818)	(6,175)	Capital expenditures and investments in operating segments	(4,677)

3	180	Proceeds from disposal of assets (divestment)	512

102	(1,455)	Investments in marketable securities	372

715	**(1,711)**	**(=) Net cash flow**	**2,784**

(4,477)	(3,600)	Net financings	(2,953)

1,845	1,304	Proceeds from long-term financing	1,590

(6,322)	(4,904)	Repayments	(4,543)

–	–	Dividends paid to shareholders	–

37	138	Acquisition of non-controlling interest	(19)

522	(743)	Effect of exchange rate changes on cash and cash equivalents	108

21,855	**10,739**	**Cash and cash equivalents at the end of period**	**25,058**

771	10,515	Government bonds and time deposits with maturities of more than 3 months at the end of period	779

22,626	**21,254**	**Adjusted cash and cash equivalents at the end of period [19]**	**25,837**

As of March 31, 2016, the balance of cash and cash equivalents was US$ 21,855 million and the balance of adjusted cash and cash equivalents[19] for the same period was US$ 22,626 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 US$ 4,428 million and with proceeds from long-term financing of US$ 1,845 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 US$ 4,428 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 crude oil exports prices and decreased sales volume in Brazil due to lower economic activity.

Capital expenditures and investments in operating segments were US$ 3,818 million in the 1Q-2016 (88% in E&P business segment), a 38% decrease when compared to the 1Q-2015.

Free cash flow[20] was positive, amounting US$ 610 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 US$ 6,322 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	10,126	11,777	16,589	23,200	16,053	50,038	127,783	127,354

Interests	4,994	6,341	5,889	4,877	3,571	33,016	58,689	59,038

Total	**15,120**	**18,118**	**22,478**	**28,077**	**19,624**	**83,054**	**186,472**	**186,392**

[19] 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.

[20] 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 [21]	17,456	14,695	19
Non-current debt [22]	108,991	111,521	(2)
Total	126,447	126,216	–
Cash and cash equivalents	21,855	25,058	(13)
Government securities and time deposits (maturity of more than 3 months)	771	779	(1)
Adjusted cash and cash equivalents	22,626	25,837	(12)
Net debt [23]	103,821	100,379	3
Net debt/(net debt+shareholders' equity)	58%	60%	(2)
Total net liabilities [24]	218,787	204,684	7
Capital structure (Net third parties capital / total net liabilities)	66%	68%	(2)
Net debt/LTM Adjusted EBITDA ratio [25]	5.03	4.41	14
Average maturity of outstanding debt (years)	7.04	7.14	(0.10)

Summarized information on financing

Floating rate or fixed rate

Floating rate debt	64,960	62,307	4

Fixed rate debt	61,431	63,858	(4)

Total	**126,391**	**126,165**	–

Currency

Reais	22,783	20,555	11

US Dollars	91,443	93,567	(2)

Euro	8,884	8,685	2

Other currencies	3,281	3,358	(2)

Total	**126,391**	**126,165**	–

By maturity

2016	13,171	14,683	(10)

2017	13,456	11,397	18

2018	15,014	16,091	(7)

2019	21,575	22,596	(5)

2020	15,723	15,537	1

2021 years on	47,452	45,861	3

Total	**126,391**	**126,165**	–

As of March 31, 2016, net debt in U.S. dollars was 3% higher when compared to December 31, 2015.

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[21] Includes finance lease obligations (Current debt: US$ 14 million on March 31, 2016 and US$12 million on December 31, 2015).

[22] Includes finance lease obligations (Non-current debt: US$ 42 million on March 31, 2016 and US$ 39 million on December 31, 2015).

[23] 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.

[24] Total liabilities net of adjusted cash and cash equivalents.

[25] 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

17,989	25,967	**Sales revenues**	22,147

(12,616)	(18,140)	Cost of sales	(15,160)

5,373	**7,827**	**Gross profit**	**6,987**

(959)	(602)	Selling expenses	(1,673)

(678)	(946)	General and administrative expenses	(729)

(293)	(343)	Exploration costs	(476)

(129)	(197)	Research and development expenses	(77)

(139)	(263)	Other taxes	(383)

(1,091)	(935)	Other income and expenses, net (*)	(14,100)

(3,289)	(3,286)	(17,438)

2,084	**4,541**	**Income (loss) before finance income (expense), share of earnings in equity-accounted investments and income taxes**	**(10,451)**

227	256	Finance income	430

(1,572)	(1,289)	Finance expenses	(1,533)

(878)	(930)	Foreign exchange and inflation indexation charges	(180)

(2,223)	(1,963)	Net finance income (expense)	(1,283)

99	60	Share of earnings in equity-accounted investments	(348)

(40)	**2,638**	**Income (loss) before income taxes**	**(12,082)**

(57)	(1,056)	Income taxes	3,014

(97)	**1,582**	**Net income (loss)**	**(9,068)**

Net income (loss) attributable to:

(318)	1,862	Shareholders of Petrobras	(9,421)

221	(280)	Non-controlling interests	353

(97)	**1,582**	**(9,068)**

(*) Includes impairment charges of US$ 11,880 million in the 4Q-2015, US$ 75 million in the 1Q-2016 and US$ 1 million in the 1Q-2015.

13

FINANCIAL AND OPERATING HIGHLIGHTS

Statement of Financial Position – Consolidated

ASSETS

Current assets	**41,094**	**43,428**

Cash and cash equivalents	21,855	25,058

Marketable securities	767	780

Trade and other receivables, net	5,301	5,803

Inventories	8,176	7,441

Recoverable taxes	2,982	2,748

Assets classified as held for sale	9	152

Other current assets	2,004	1,446

Non-current assets	**200,319**	**187,093**

Long-term receivables	**19,000**	**19,177**

Trade and other receivables, net	3,889	3,669

Marketable securities	98	88

Judicial deposits	2,850	2,499

Deferred taxes	4,554	6,016

Other tax assets	3,068	2,821

Advances to suppliers	1,726	1,638

Other non-current assets	2,815	2,446

Investments	**3,994**	**3,527**

Property, plant and equipment	**173,993**	**161,297**

Intangible assets	**3,332**	**3,092**

Total assets	**241,413**	**230,521**

LIABILITIES

Current liabilities	**30,193**	**28,573**

Trade payables	5,832	6,380

Current debt	17,456	14,695

Taxes payable	3,035	3,470

Employee compensation (payroll, profit-sharing and related charges)	1,369	1,302

Pension and medical benefits	763	655

Liabilities associated with assets classified as held for sale	−	125

Other current liabilities	1,738	1,946

Non-current liabilities	**136,368**	**135,893**

Non-current debt	108,991	111,521

Deferred taxes	228	232

Pension and medical benefits	13,767	12,195

Provision for decommissioning costs	10,004	9,150

Provisions for legal proceedings	2,753	2,247

Other non-current liabilities	625	548

Shareholders' equity	**74,852**	**66,055**

Share capital (net of share issuance costs)	107,101	107,101

Profit reserves and others	(33,293)	(41,865)

Non-controlling interests	1,044	819

Total liabilities and shareholders' equity	**241,413**	**230,521**

FINANCIAL AND OPERATING HIGHLIGHTS

Statement of Cash Flows – Consolidated

Jan-Mar

(97)	**1,582**	**Net income (loss)**	**(9,068)**

4,525	**4,157**	**(+) Adjustments for:**	**15,645**

3,235	2,974	Depreciation, depletion and amortization	3,011

2,238	2,198	Foreign exchange and inflation indexation and finance charges	2,072

(99)	(60)	Share of earnings in equity-accounted investments	348

129	(301)	Allowance for impairment of trade receivables	800

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