

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 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

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) | Sales revenues | 85,103 | (17) |
|--------|--------|-----|-----------------------|--------|------|

| | | | | | |
|--------|--------|-----|---------------------|--------|------|
| 21,008 | 22,410 | (6) | Gross profit | 26,849 | (22) |
|--------|--------|-----|---------------------|--------|------|

| | | | | | |
|-------|--------|------|--|----------|-----|
| 8,148 | 12,999 | (37) | Income (loss) before finance income (expense), share of earnings in equity-accounted investments and income taxes | (40,895) | 120 |
|-------|--------|------|--|----------|-----|

| | | | | | |
|---------|---------|------|-------------------------------------|---------|------|
| (8,693) | (5,621) | (55) | Net finance income (expense) | (4,928) | (76) |
|---------|---------|------|-------------------------------------|---------|------|

| | | | | | |
|---------|-------|-------|---|----------|----|
| (1,246) | 5,330 | (123) | Consolidated net income (loss) attributable to the shareholders of Petrobras | (36,938) | 97 |
|---------|-------|-------|---|----------|----|

| | | | | | |
|--------|------|-------|---|--------|----|
| (0.10) | 0.41 | (123) | Basic and diluted earnings (losses) per share ¹ | (2.83) | 97 |
|--------|------|-------|---|--------|----|

| | | | | | |
|---------|---------|---|---|---------|----|
| 125,890 | 125,807 | – | Market capitalization (Parent Company) | 101,316 | 24 |
|---------|---------|---|---|---------|----|

| | | | | | |
|--------|--------|-----|-------------------------------------|--------|----|
| 21,091 | 21,518 | (2) | Adjusted EBITDA ² | 17,064 | 24 |
|--------|--------|-----|-------------------------------------|--------|----|

| | | | | | |
|----|----|---|-------------------------|----|-----|
| 30 | 30 | – | Gross margin (%) | 32 | (2) |
|----|----|---|-------------------------|----|-----|

12 17 (5) **Operating margin (%)** ³ (48) 60

| | | | | | |
|-----|---|-----|-----------------------|------|----|
| (2) | 7 | (9) | Net margin (%) | (43) | 41 |
|-----|---|-----|-----------------------|------|----|

| | | | | | |
|--------|--------|------|---|--------|------|
| 15,593 | 17,843 | (13) | Total capital expenditures and investments | 20,826 | (25) |
|--------|--------|------|---|--------|------|

| | | | | | |
|--------|--------|-----|---------------------------------------|--------|------|
| 13,770 | 14,846 | (7) | . Exploration & Production | 17,330 | (21) |
|--------|--------|-----|---------------------------------------|--------|------|

| | | | | | |
|-----|-------|------|---|-------|------|
| 952 | 1,926 | (51) | . Refining, Transportation and Marketing | 2,138 | (55) |
|-----|-------|------|---|-------|------|

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 | . Refining, Transportation and Marketing | 3,236 | 255 |
|--------|-------|----|---|-------|-----|

(773) 5,154 (115) . **Exploration & Production** (36,089) 98

| | | | | | |
|-------|-------|------|--------------------------|---------|-----|
| 1,094 | 1,613 | (32) | . Gas & Power | (1,995) | 155 |
|-------|-------|------|--------------------------|---------|-----|

(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 | Domestic basic oil products price (R\$/bbl) | 239.36 | (3) |
|--------|--------|---|--|--------|-----|

| | | | | | |
|--------|--------|------|------------------------------|--------|------|
| 132.00 | 155.12 | (15) | Brent crude (R\$/bbl) | 167.86 | (21) |
|--------|--------|------|------------------------------|--------|------|

| | | | | | |
|-------|-------|------|-------------------------------|-------|------|
| 33.89 | 53.97 | (37) | Brent crude (US\$/bbl) | 43.69 | (22) |
|-------|-------|------|-------------------------------|-------|------|

Domestic Sales Price

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

| | | | | | |
|-------|-------|------|---|-------|-----|
| 30.22 | 40.76 | (26) | . Natural gas (U.S. dollars/bbl) | 32.47 | (7) |
|-------|-------|------|---|-------|-----|

| | | | | | |
|------|------|----|--|------|---|
| 3.90 | 2.87 | 36 | Average commercial selling rate for U.S. dollar | 3.84 | 2 |
|------|------|----|--|------|---|

| | | | | | |
|------|------|----|---|------|-----|
| 3.56 | 3.21 | 11 | Period-end commercial selling rate for U.S. dollar | 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 (Mbb/d) | 2,214 | (7) |
|-------|-------|-----|---|-------|-----|

| | | | | | |
|-----|-----|-----|---|-----|-----|
| 549 | 554 | (1) | Total natural gas production (Mbb/d) | 563 | (2) |
|-----|-----|-----|---|-----|-----|

| | | | | | |
|-------|-------|-----|---|-------|-----|
| 2,616 | 2,803 | (7) | Total crude oil and natural gas production (Mbb/d) | 2,777 | (6) |
|-------|-------|-----|---|-------|-----|

| | | | | | |
|-------|-------|-----|-----------------------------------|-------|------|
| 3,439 | 3,708 | (7) | Total sales volume (Mbb/d) | 3,872 | (11) |
|-------|-------|-----|-----------------------------------|-------|------|

International Sales price

| | | | | | |
|-------|-------|------|---------------------------------------|-------|------|
| 41.59 | 58.40 | (29) | . Crude oil (U.S. dollars/bbl) | 49.28 | (16) |
|-------|-------|------|---------------------------------------|-------|------|

| | | | | | |
|-------|-------|---|---|-------|----|
| 23.27 | 22.40 | 4 | . Natural gas (U.S. dollars/bbl) | 19.80 | 18 |
|-------|-------|---|---|-------|----|

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.

* 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.

* 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

Net Income

| | | | | |
|-------|-------|-------|----------|----|
| (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 ⁵ | 2,117 | (6) |
|-------|-------|-----|---------------------------------|-------|-----|

455 467 (3) Natural gas ⁶ 468 (3)

| | | | | | |
|--------------|--------------|------------|--------------|--------------|------------|
| 2,435 | 2,616 | (7) | Total | 2,585 | (6) |
|--------------|--------------|------------|--------------|--------------|------------|

(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.

(*) 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 (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) |
|-----|-----|---|-------|-----|-----|

25 31 (19) Non-consolidated production abroad 29 (14)

| | | | | | |
|------------|------------|------------|--------------------------------|------------|------------|
| 181 | 187 | (3) | Total production abroad | 192 | (6) |
|------------|------------|------------|--------------------------------|------------|------------|

(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 ⁷ - 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) |
|-------|-------|------|----------------------------|-------|-----|

| | | | | | |
|-------|-------|------|----------------------------|-------|------|
| 13.43 | 20.05 | (33) | Including production taxes | 15.23 | (12) |
|-------|-------|------|----------------------------|-------|------|

R\$/barrel:

| | | | | | |
|-------|-------|---|----------------------------|-------|---|
| 39.80 | 38.13 | 4 | Excluding production taxes | 39.78 | – |
|-------|-------|---|----------------------------|-------|---|

| | | | | | |
|-------|-------|------|----------------------------|-------|------|
| 50.89 | 58.73 | (13) | Including production taxes | 57.10 | (11) |
|-------|-------|------|----------------------------|-------|------|

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.

(*) 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 | – |
|-------|-------|---|------------------------|-------|---|

| | | | | | |
|-------|-------|---|----------------------------------|-------|---|
| 2,176 | 2,176 | – | Reference feedstock ⁸ | 2,176 | – |
|-------|-------|---|----------------------------------|-------|---|

84 86 (2) Refining plants utilization factor (%)⁹ 85 (1)

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

10

| | | | | | |
|-------|-------|-----|--|-------|-----|
| 1,870 | 1,922 | (3) | Feedstock processed - Brazil ¹¹ | 1,897 | (1) |
|-------|-------|-----|--|-------|-----|

| | | | | | |
|----|----|---|--|----|---|
| 89 | 86 | 3 | Domestic crude oil as % of total feedstock processed | 88 | 1 |
|----|----|---|--|----|---|

(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) |
|-----|-----|----|---------------------------|-----|-----|

144 155 (7) Output of oil products 152 (5)

| | | | | | |
|-----|-----|---|---------------------|-----|---|
| 230 | 230 | – | Reference feedstock | 230 | – |
|-----|-----|---|---------------------|-----|---|

| | | | | | |
|----|----|---|--|----|-----|
| 57 | 54 | 3 | Refining plants utilization factor (%) | 61 | (4) |
|----|----|---|--|----|-----|

(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.

(*) 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 (Mbb/d) (*)**

| | | | | | |
|-----|-----|------|-------------------|-----|-----|
| 199 | 277 | (28) | Crude oil imports | 215 | (7) |
|-----|-----|------|-------------------|-----|-----|

| | | | | | |
|-----|-----|------|---------------------|-----|----|
| 287 | 345 | (17) | Oil product imports | 150 | 91 |
|-----|-----|------|---------------------|-----|----|

| | | | | | |
|------------|------------|-------------|--|------------|-----------|
| 486 | 622 | (22) | Imports of crude oil and oil products | 365 | 33 |
|------------|------------|-------------|--|------------|-----------|

| | | | | | |
|-----|-----|---|---------------------------------|-----|------|
| 307 | 281 | 9 | Crude oil exports ¹² | 387 | (21) |
|-----|-----|---|---------------------------------|-----|------|

| | | | | | |
|-----|-----|----|---------------------|-----|---|
| 146 | 116 | 26 | Oil product exports | 145 | 1 |
|-----|-----|----|---------------------|-----|---|

453 397 14 Exports of crude oil and oil products 532 (15)

| | | | | | |
|-------------|--------------|-----------|--|------------|--------------|
| (33) | (225) | 85 | Exports (imports) net of crude oil and oil products | 167 | (120) |
|-------------|--------------|-----------|--|------------|--------------|

(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 | — |
|------|------|------|-------------------------------|------|---|

| | | | | | |
|------|------|---|----------------------------|------|---|
| 8.73 | 8.16 | 7 | Refining cost (R\$/barrel) | 8.63 | 1 |
|------|------|---|----------------------------|------|---|

(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) |
|------|------|---|------|-----|

(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.

(*) 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.

FINANCIAL AND OPERATING HIGHLIGHTS

GAS & POWER

Jan-Mar

Net Income

| | | | | |
|-----|-------|------|---------|-----|
| 757 | 1,087 | (30) | (1,482) | 151 |
|-----|-------|------|---------|-----|

(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) ¹³ - average MW | 800 | 8 |
|-----|-----|-----|--|-----|---|

| | | | | |
|-------|-------|-----|--|---|
| 3,172 | 3,263 | (3) | Electricity sales (Regulated contracting market 3,058 - ACR) ¹⁴ - average MW | 4 |
|-------|-------|-----|--|---|

| | | | | | |
|-------|-------|------|--|-------|------|
| 2,832 | 5,110 | (45) | Generation of electricity - average MW | 4,099 | (31) |
|-------|-------|------|--|-------|------|

| | | | | | |
|----|-----|------|--|-----|------|
| 69 | 387 | (82) | Electricity price in the spot market - Differences settlement price (PLD) - R\$/MWh ¹⁵ | 192 | (64) |
|----|-----|------|--|-----|------|

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

| | | | | | |
|-----|-----|-----|--------------------------------|-----|---|
| 194 | 208 | (7) | Imports of natural gas (Mbb/d) | 193 | 1 |
|-----|-----|-----|--------------------------------|-----|---|

(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.

(*) Not reviewed by independent auditor.

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

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

¹⁵ 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 |
|------|------|---|-------|----|

(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.

(*) Not reviewed by independent auditor.

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 - (Mbb/d)^(*)

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 ¹⁷

226

(4)

107

113

(5)

Jet fuel ¹⁸

108

(1)

| | | | | | |
|-----|-----|---|--------|-----|---|
| 178 | 171 | 4 | Others | 169 | 5 |
|-----|-----|---|--------|-----|---|

| | | | | | |
|-------|-------|-----|---------------------------|-------|-----|
| 2,056 | 2,230 | (8) | Total oil products | 2,171 | (5) |
|-------|-------|-----|---------------------------|-------|-----|

| | | | | | |
|-----|-----|-----|--|-----|------|
| 111 | 115 | (3) | Ethanol, nitrogen fertilizers, renewables and other products | 126 | (12) |
|-----|-----|-----|--|-----|------|

| | | | | | |
|-----|-----|------|-------------|-----|------|
| 360 | 448 | (20) | Natural gas | 416 | (13) |
|-----|-----|------|-------------|-----|------|

| | | | | | |
|-------|-------|------|------------------------------|-------|-----|
| 2,527 | 2,793 | (10) | Total domestic market | 2,713 | (7) |
|-------|-------|------|------------------------------|-------|-----|

| | | | | | |
|-----|-----|----|---------|-----|------|
| 455 | 397 | 15 | Exports | 534 | (15) |
|-----|-----|----|---------|-----|------|

457 518 (12) International sales 625 (27)

| | | | | | |
|-----|-----|---|-----------------------------------|-------|------|
| 912 | 915 | – | Total international market | 1,159 | (21) |
|-----|-----|---|-----------------------------------|-------|------|

| | | | | | |
|--------------|--------------|------------|--------------|--------------|-------------|
| 3,439 | 3,708 | (7) | Total | 3,872 | (11) |
|--------------|--------------|------------|--------------|--------------|-------------|

(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.

(*) 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 ¹⁹**

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

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

| | | | |
|----------|----------|---|----------|
| (14,518) | (21,331) | Net cash provided by (used in) investing activities | (14,574) |
|----------|----------|---|----------|

| | | | |
|----------|----------|--|----------|
| (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

| | | | |
|----------|----------|----------------|----------|
| (17,505) | (10,306) | Net financings | (11,347) |
|----------|----------|----------------|----------|

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) |
|---------|-------|--|---------|

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 100,887
the end of period ¹⁹**

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 equivalents¹⁹ 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 flow²⁰ 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 |
|-----------|--------|--------|--------|--------|--------|---------|---------|---------|

| | | | |
|--------------|--|----------------|----------------|
| Total | 53,81064,47980,00099,92669,839295,583 | 663,637 | 727,820 |
|--------------|--|----------------|----------------|

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 | 62,126 | 57,382 | 8 |
|----------------------------|--------|--------|---|

| | | | |
|--------------------------------|---------|---------|------|
| Non-current debt ²² | 387,889 | 435,467 | (11) |
|--------------------------------|---------|---------|------|

| | | | |
|-------|---------|---------|-----|
| Total | 450,015 | 492,849 | (9) |
|-------|---------|---------|-----|

| | | | |
|---------------------------|--------|--------|------|
| Cash and cash equivalents | 77,778 | 97,845 | (21) |
|---------------------------|--------|--------|------|

| | | | |
|--|-------|-------|------|
| 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) |
|------------------------------------|--------|---------|------|

Net debt ²³

369,494 391,962 (6)

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

| | | | |
|-------------------------------------|---------|---------|-----|
| Total net liabilities ²⁴ | 778,639 | 799,248 | (3) |
|-------------------------------------|---------|---------|-----|

Capital structure

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

| | | | |
|--|------|------|-----|
| Net debt/LTM Adjusted EBITDA ratio ²⁵ | 5.03 | 5.31 | (5) |
|--|------|------|-----|

| | | | |
|----------------------------|--------|--------|----|
| Current debt ²¹ | 17,456 | 14,695 | 19 |
|----------------------------|--------|--------|----|

| | | | |
|--------------------------------|---------|---------|-----|
| Non-current debt ²² | 108,991 | 111,521 | (2) |
|--------------------------------|---------|---------|-----|

| | | | |
|-------|---------|---------|---|
| Total | 126,447 | 126,216 | — |
|-------|---------|---------|---|

Net debt ²³

103,821 100,379 3

| | | | |
|--|------|------|--------|
| Average maturity of outstanding debt (years) | 7.04 | 7.14 | (0.10) |
|--|------|------|--------|

Summarized information on financing

Floating rate or fixed rate

| | | | |
|--------------------|---------|---------|-----|
| Floating rate debt | 231,186 | 243,293 | (5) |
|--------------------|---------|---------|-----|

| | | | |
|-----------------|---------|---------|------|
| Fixed rate debt | 218,630 | 249,354 | (12) |
|-----------------|---------|---------|------|

| | | | |
|--------------|----------------|----------------|------------|
| Total | 449,816 | 492,647 | (9) |
|--------------|----------------|----------------|------------|

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) |
|------------------|--------|--------|------|

| | | | |
|--------------|----------------|----------------|------------|
| Total | 449,816 | 492,647 | (9) |
|--------------|----------------|----------------|------------|

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)

| | | | |
|--------------|----------------|----------------|------------|
| Total | 449,816 | 492,647 | (9) |
|--------------|----------------|----------------|------------|

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.

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

²² Includes finance lease obligations (R\$ 149 million on March 31, 2016 and R\$ 154 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

| | | | |
|--------|--------|-----------------------|--------|
| 70,337 | 74,353 | Sales revenues | 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 ^(*) | (54,919) |
|---------|---------|---|----------|

(12,860)

(9,411)

(67,744)

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

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) |
|-----|-----|---|---------|

| | | | |
|--------------|--------------|--|-----------------|
| (157) | 7,551 | Income (loss) before income taxes | (47,162) |
|--------------|--------------|--|-----------------|

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

| | | | |
|--------------|--------------|--------------------------|-----------------|
| (381) | 4,528 | Net income (loss) | (35,582) |
|--------------|--------------|--------------------------|-----------------|

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

| | | |
|-----------------------|----------------|----------------|
| Current assets | 146,243 | 169,581 |
|-----------------------|----------------|----------------|

| | | |
|---------------------------|--------|--------|
| 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 |
|-------------------|--------|-------|

| | | |
|----------------|--------|--------|
| 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

| | | |
|--------------------------|---------------|---------------|
| Intangible assets | 11,860 | 12,072 |
|--------------------------|---------------|---------------|

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 |
|---|-------|-------|

| | | |
|------------------------------|-------|-------|
| 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 |
|---------------------------|-------|-------|

Non-current liabilities

485,319

530,633

| | | |
|------------------|---------|---------|
| Non-current debt | 387,889 | 435,467 |
|------------------|---------|---------|

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

| | | |
|---|----------------|----------------|
| Total liabilities and shareholders' equity | 859,160 | 900,135 |
|---|----------------|----------------|

FINANCIAL AND OPERATING HIGHLIGHTS

Statement of Cash Flows Data – Consolidated

Jan-Mar

| | | | |
|--------------|--------------|--------------------------|-----------------|
| (381) | 4,528 | Net income (loss) | (35,582) |
|--------------|--------------|--------------------------|-----------------|

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 1,859
non-current assets, returned areas and
cancelled projects

| | | | |
|---------|-------|----------------------------|----------|
| (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 |
|-------|-----|---|-----|

| | | | |
|-------|-------|--|-------|
| 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) |
|-------|----|----------------------------------|---------|

(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

| | | | |
|-----------------|-----------------|--|-----------------|
| (14,518) | (21,331) | (-) Net cash provided by (used in) investing activities | (14,574) |
|-----------------|-----------------|--|-----------------|

| | | | |
|----------|----------|--|----------|
| (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

| | | | |
|-----------------|----------------|--|-----------------|
| (17,359) | (9,910) | (-) Net cash provided by (used in) financing activities | (11,419) |
|-----------------|----------------|--|-----------------|

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) |
|---------|-------|--|---------|

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

| | | | |
|--------|--------|--|--------|
| 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 |
|--------|--------|--|--------|

FINANCIAL AND OPERATING HIGHLIGHTS

SEGMENT INFORMATION

Consolidated Income Statement by Segment – 1Q-2016

| | | | | | | | |
|-----------------------|---------------|---------------|--------------|------------|---------------|----------|-----------------------|
| Sales revenues | 23,675 | 53,085 | 9,391 | 228 | 25,231 | – | (41,273)70,337 |
|-----------------------|---------------|---------------|--------------|------------|---------------|----------|-----------------------|

| | | | | | | | | |
|---------------|--------|--------|-------|-----|-----|---|----------|---|
| Intersegments | 22,988 | 15,557 | 2,130 | 219 | 379 | – | (41,273) | – |
|---------------|--------|--------|-------|-----|-----|---|----------|---|

| | | | | | | | | |
|---------------|-----|--------|-------|---|--------|---|---|--------|
| Third parties | 687 | 37,528 | 7,261 | 9 | 24,852 | - | - | 70,337 |
|---------------|-----|--------|-------|---|--------|---|---|--------|

| | | | | | | | | |
|---------------|----------|----------|---------|-------|----------|---|--------|----------|
| Cost of sales | (20,837) | (39,099) | (7,563) | (248) | (23,291) | – | 41,709 | (49,329) |
|---------------|----------|----------|---------|-------|----------|---|--------|----------|

| | | | | | | | | |
|---------------------|--------------|---------------|--------------|-------------|--------------|----------|------------|---------------|
| Gross profit | 2,838 | 13,986 | 1,828 | (20) | 1,940 | - | 436 | 21,008 |
|---------------------|--------------|---------------|--------------|-------------|--------------|----------|------------|---------------|

| | | | | | | | | |
|-----------------|----------------|----------------|--------------|--------------|----------------|----------------|-----------|-----------------|
| Expenses | (3,611) | (2,491) | (734) | (118) | (1,987) | (3,992) | 73 | (12,860) |
|-----------------|----------------|----------------|--------------|--------------|----------------|----------------|-----------|-----------------|

| | | | | | | | | |
|--|-------|---------|-------|------|---------|---------|----|---------|
| Selling, general and administrative expenses | (508) | (2,155) | (634) | (25) | (1,691) | (1,481) | 91 | (6,403) |
|--|-------|---------|-------|------|---------|---------|----|---------|

| | | | | | | | | |
|-------------------|---------|---|---|---|---|---|---|---------|
| Exploration costs | (1,147) | - | - | - | - | - | - | (1,147) |
|-------------------|---------|---|---|---|---|---|---|---------|

| | | | | | | | | |
|-----------------------------------|-------|------|------|-----|---|-------|---|-------|
| Research and development expenses | (209) | (68) | (21) | (2) | — | (203) | — | (503) |
|-----------------------------------|-------|------|------|-----|---|-------|---|-------|

| | | | | | | | | |
|-------------|------|-------|-------|-----|------|-------|---|-------|
| Other taxes | (62) | (143) | (170) | (2) | (38) | (127) | – | (542) |
|-------------|------|-------|-------|-----|------|-------|---|-------|

| | | | | | | | | |
|--------------------------------|---------|-------|----|------|-------|---------|------|---------|
| Other income and expenses, net | (1,685) | (125) | 91 | (89) | (258) | (2,181) | (18) | (4,265) |
|--------------------------------|---------|-------|----|------|-------|---------|------|---------|

| | | | | | | | | |
|--|--------------|---------------|--------------|--------------|-------------|----------------|------------|--------------|
| Income (loss) before finance income (expense), share of earnings in equity-accounted investments and income taxes | (773) | 11,495 | 1,094 | (138) | (47) | (3,992) | 509 | 8,148 |
|--|--------------|---------------|--------------|--------------|-------------|----------------|------------|--------------|

| | | | | | | | | |
|--------------------|---|---|---|---|---|---------|---|---------|
| Net finance income | – | – | – | – | – | (8,693) | – | (8,693) |
| (expense) | | | | | | | | |

| | | | | | | | |
|--|-----|----|----|---|---|---|-----|
| Share of earnings in (99) equity-accounted investments | 375 | 56 | 43 | 7 | 6 | — | 388 |
|--|-----|----|----|---|---|---|-----|

| | | | | | | | | |
|--|--------------|---------------|--------------|-------------|-------------|-----------------|------------|--------------|
| Income (loss) before income taxes | (872) | 11,870 | 1,150 | (95) | (40) | (12,679) | 509 | (157) |
|--|--------------|---------------|--------------|-------------|-------------|-----------------|------------|--------------|

| | | | | | | | | |
|--------------|-----|---------|-------|----|----|-------|-------|-------|
| Income taxes | 263 | (3,908) | (372) | 47 | 16 | 3,904 | (174) | (224) |
|--------------|-----|---------|-------|----|----|-------|-------|-------|

| | | | | | | | | |
|--------------------------|--------------|--------------|------------|-------------|-------------|----------------|------------|--------------|
| Net income (loss) | (609) | 7,962 | 778 | (48) | (24) | (8,775) | 335 | (381) |
|--------------------------|--------------|--------------|------------|-------------|-------------|----------------|------------|--------------|

Net income (loss)
attributable to:

| | | | | | | | | |
|---------------------------|-------|-------|-----|------|------|---------|-----|---------|
| Shareholders of Petrobras | (605) | 7,976 | 757 | (48) | (25) | (9,636) | 335 | (1,246) |
|---------------------------|-------|-------|-----|------|------|---------|-----|---------|

| | | | | | | | |
|---------------------------|-----|------|----|---|---|-----|---|
| Non-controlling interests | (4) | (14) | 21 | – | 1 | 861 | – |
|---------------------------|-----|------|----|---|---|-----|---|