

RESULTS ANNOUNCEMENT 1Q17

Conference Call / Webcast
May, 12th 2017

PETROBRAS

Disclaimer



FORWARD-LOOKING STATEMENTS:

DISCLAIMER

The presentation may contain forward-looking statements about future events within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are not based on historical facts and are not assurances of future results. Such forward-looking statements merely reflect the Company's current views and estimates of future economic circumstances, industry conditions, company performance and financial results. Such terms as "anticipate", "believe", "expect", "forecast", "intend", "plan", "project", "seek", "should", along with similar or analogous expressions, are used to identify such forward-looking statements. Readers are cautioned that these statements are only projections and may differ materially from actual future results or events. Readers are referred to the documents filed by the Company with the SEC, specifically the Company's most recent Annual Report on Form 20-F, which identify important risk factors that could cause actual results to differ from those contained in the forward-looking statements, including, among other things, risks relating to general economic and business conditions, including crude oil and other commodity prices, refining margins and prevailing exchange rates, uncertainties inherent in making estimates of our oil and gas reserves including recently discovered oil and gas reserves, international and Brazilian political, economic and social developments, receipt of governmental approvals and licenses and our ability to obtain financing.

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In addition, this presentation also contains certain financial measures that are not recognized under Brazilian GAAP or IFRS. These measures do not have standardized meanings and may not be comparable to similarly-titled measures provided by other companies. We are providing these measures because we use them as a measure of company performance; they should not be considered in isolation or as a substitute for other financial measures that have been disclosed in accordance with Brazilian GAAP or IFRS.

NON-SEC COMPLIANT OIL AND GAS RESERVES:

CAUTIONARY STATEMENT FOR US INVESTORS

We present certain data in this presentation, such as oil and gas resources, that we are not permitted to present in documents filed with the United States Securities and Exchange Commission (SEC) under new Subpart 1200 to Regulation S-K because such terms do not qualify as proved, probable or possible reserves under Rule 4-10(a) of Regulation S-X.

1Q17 Highlights

PETROBRAS

Safety	▪ 26% decrease of TRI (Total Recordable Injury Frequency Rate) relative to 1Q16, reaching 1.24
Constant improvement of economic and financial results	▪ Net income of R$ 4.45 Billion, reversing the 1Q16 loss ▪ Operating income of R$ 14.27 Billion, 75% higher than 1Q16 ▪ 19% increase of adjusted EBITDA relative to 1Q16, reaching a historic record of R$ 25.25 Billion. EBITDA margin of 37%, the highest since 2009 ▪ Free cash flow of R$ 13.37 Billion, positive for 8 quarters in a row and 5.6 times 1Q16 figures.
Acceleration of deleverage process	▪ 5% decrease in gross debt in *reais* and 3% in US dollars compared to 12/31/16 ▪ Increase of average debt duration to 7.61 years from 7.46 years on 4Q16 due to liability management ▪ Reduction in Net Debt/adjusted EBITDA to 3.24 from 3.54 and in leverage to 54% from 55%

1Q17 Highlights

Operating performance

- Total production of 2,805 kboed, 7% above 1Q16
- Average oil production in Brazil of 2,182 kbpd, 10% higher than 1Q16
- Oil products sales in Brazil of 1,951 kbpd, a decrease of 5% relative to 1Q16
- Petrobras has maintained a net exporting position given the 72% increase in exports and 40% decrease in imports, relative to 1Q16
- Oil exports at higher prices due to the increase in Brent and the appreciation of the Brazilian crude oil streams

Progress in Efficiency

- Reductions compared to 1Q16:
  - 18% in manageable operating costs
  - 27% in SG&A
- 17% decrease in headcount

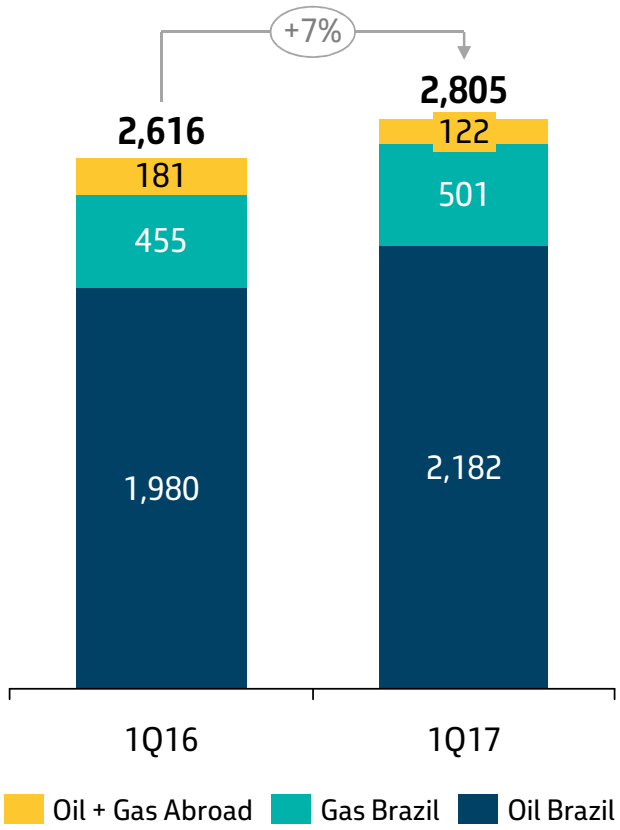
OPERATIONAL HIGHLIGHTS



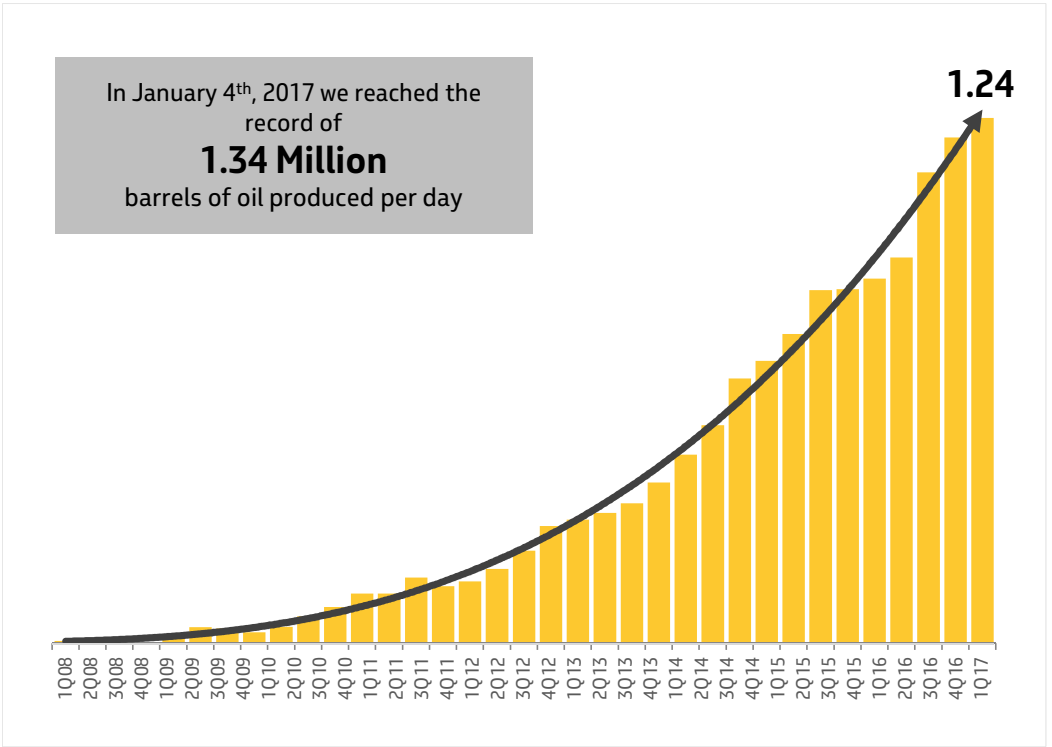
Production growth of 7% compared to 1Q16

With a noteworthy 10% increase in Brazil

Oil and Gas Production
(kboed/d)



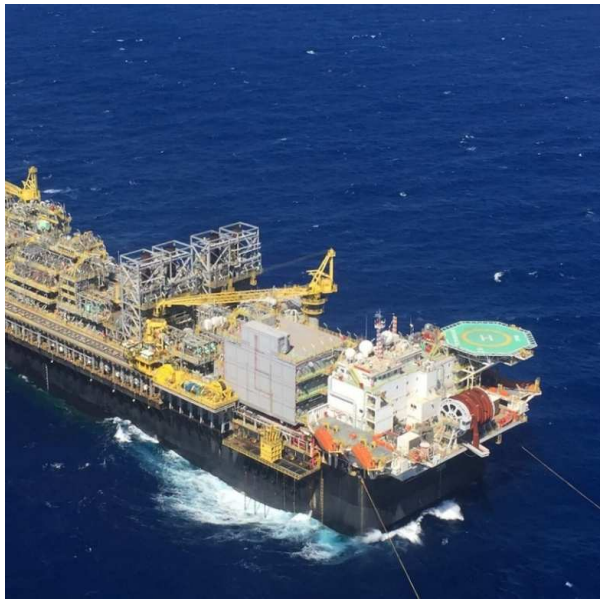
Pre-salt oil production operated by Petrobras
(million bpd)



3 new systems and 1 EWT* expected to start operation

P-66 is on location to start production

P-66



Lula South –
On Location

LIBRA PIONEER



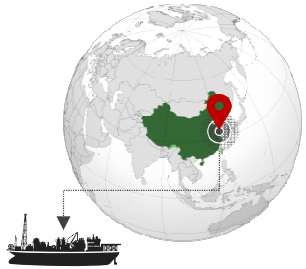
Libra EWT
Crossing the Atlantic



P-67



Lula North
COOEC Shipyard



CIDADE DE CAMPOS DOS GOYTACAZES



Tartaruga Verde e Mestiça
Brasfels Shipyard

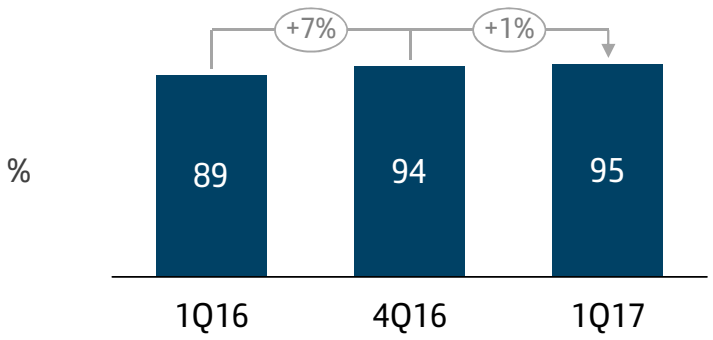


* Extended Well Test

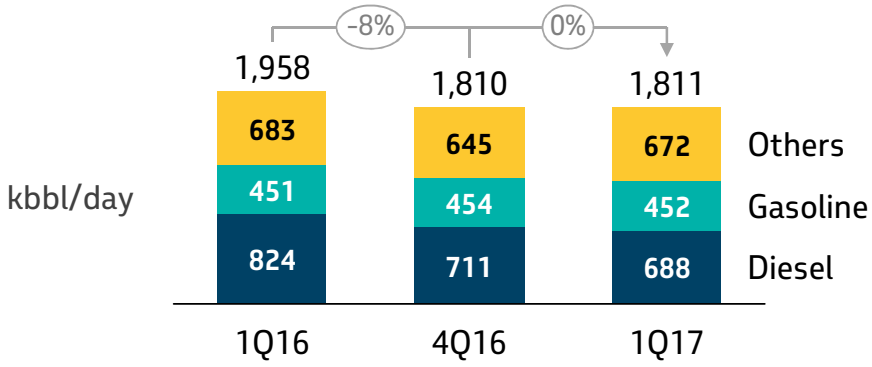
Lower oil products output aligned with lower sales volumes

Demand influenced by the slowdown in the domestic economy

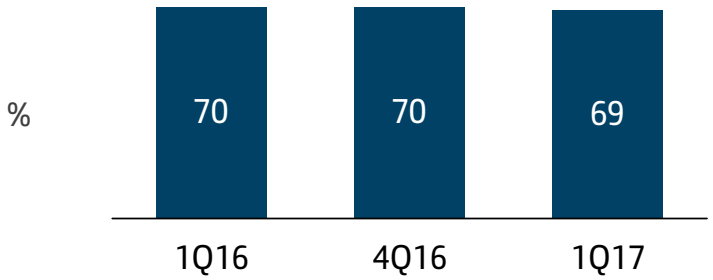
Participation of domestic oil in refineries' throughput



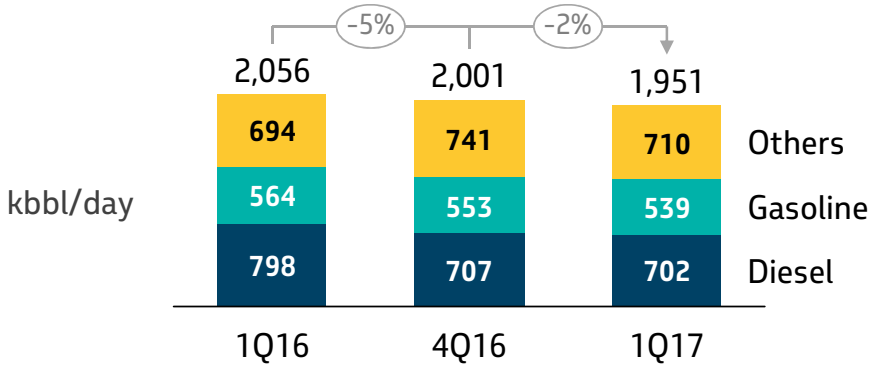
Oil products output



Diesel, gasoline and jet fuel yield

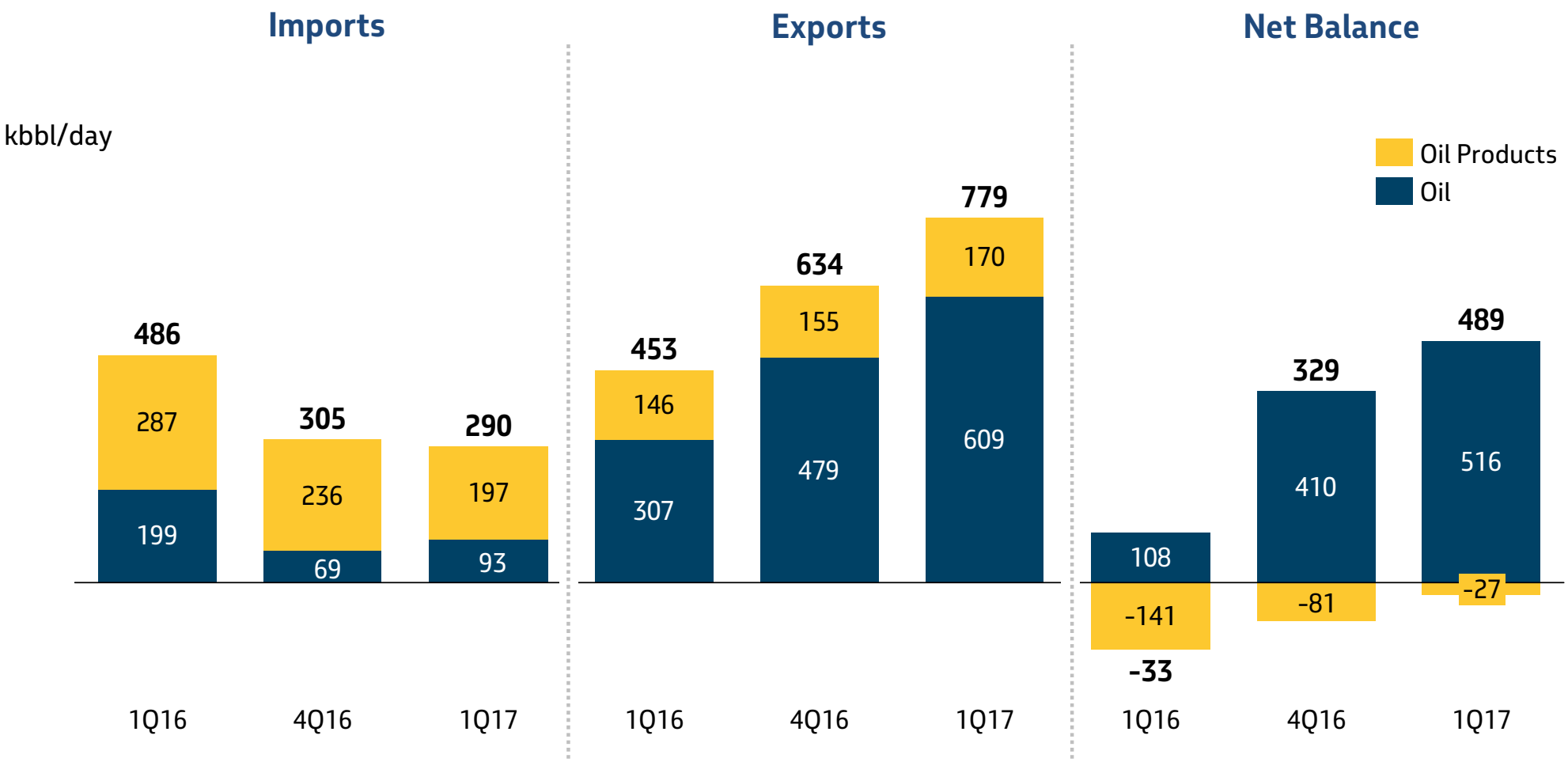


Sales Volume*



* Includes Downstream and BR Distribuidora sales

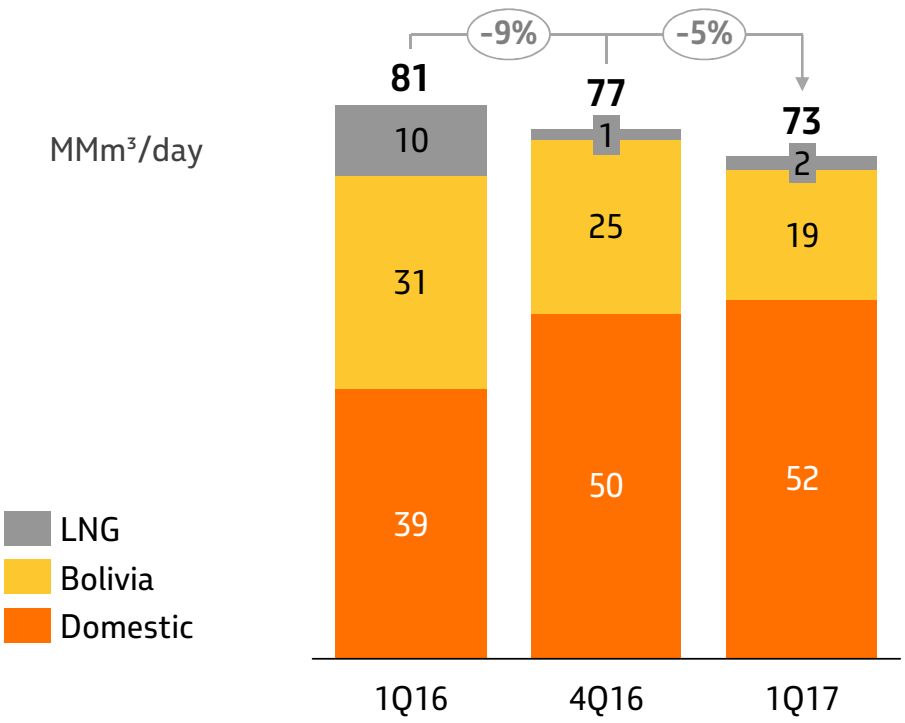
Exports of 779 kbpd of oil and oil products in 1Q17, a net balance of 489 kbpd



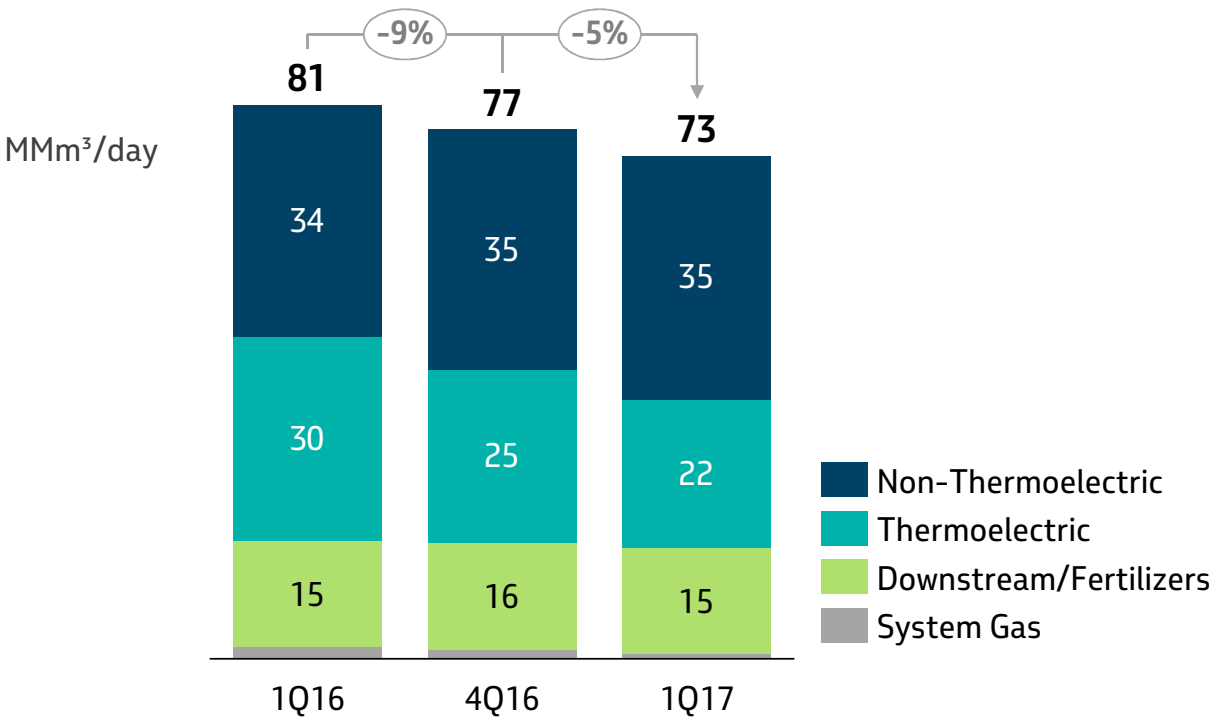
Natural Gas Supply and Demand

Higher domestic supply of natural gas and lower thermoelectric demand

Natural Gas Supply



Natural Gas Demand

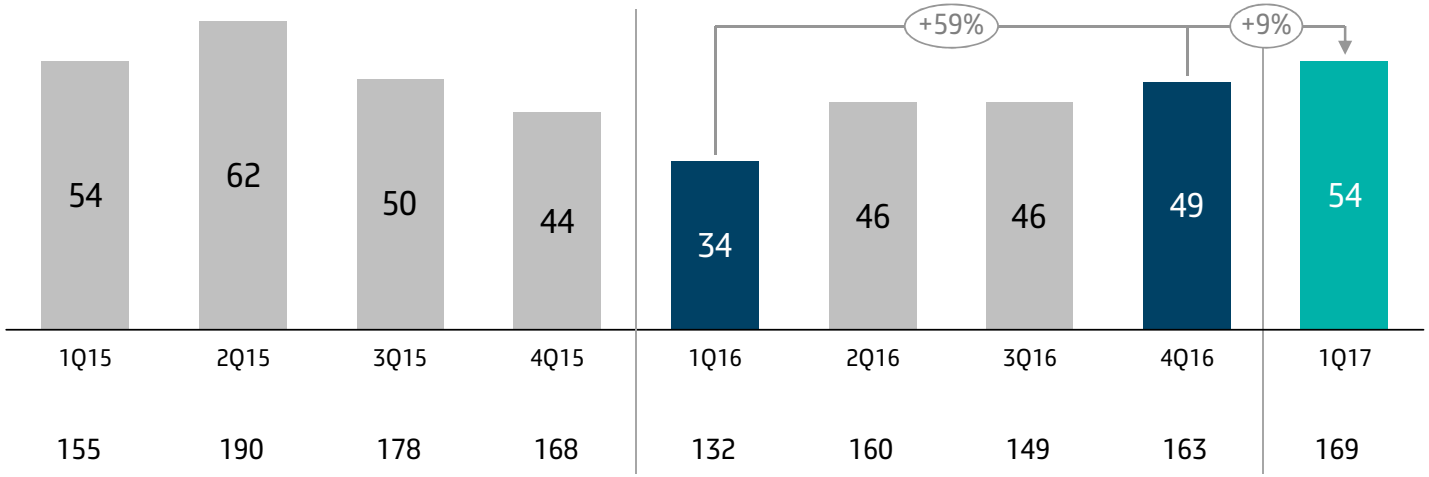


RESULTS



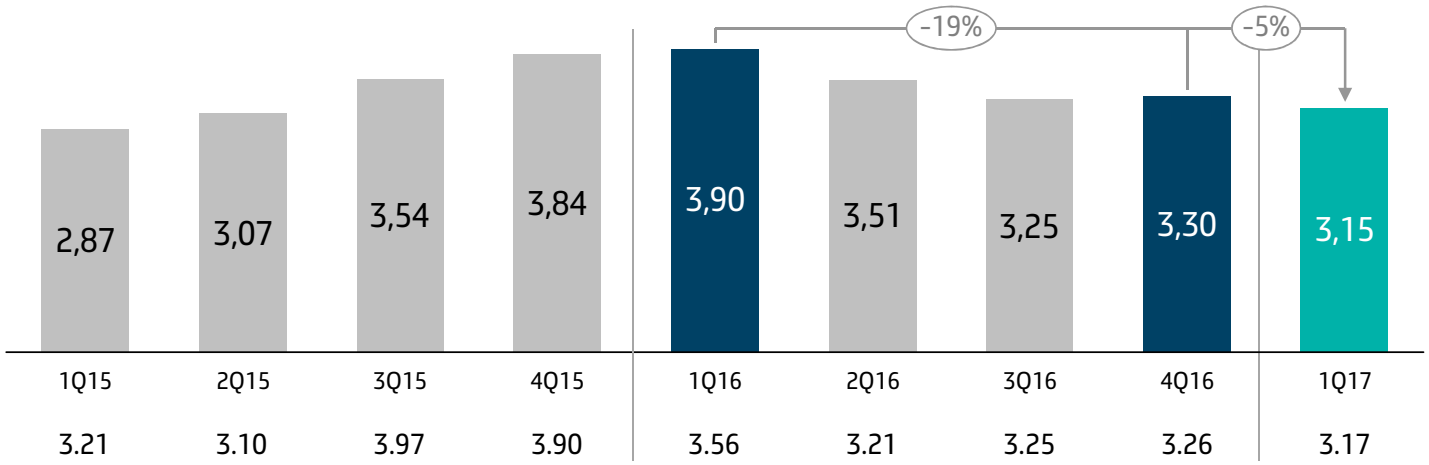
Constant increase of Brent prices and appreciation of the *real* since 1Q16

Brent
(US$/bbl)



	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17
R$/bbl	155	190	178	168	132	160	149	163	169

FX Rate
(R$/US$)

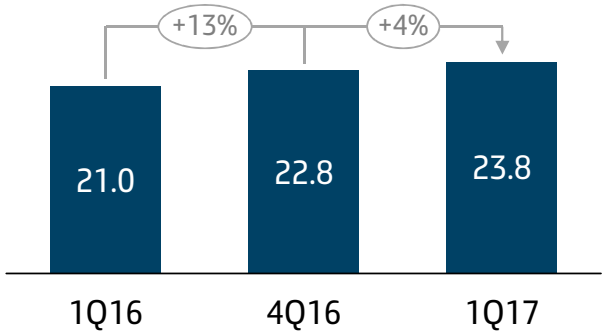


	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17
End of Period	3.21	3.10	3.97	3.90	3.56	3.21	3.25	3.26	3.17

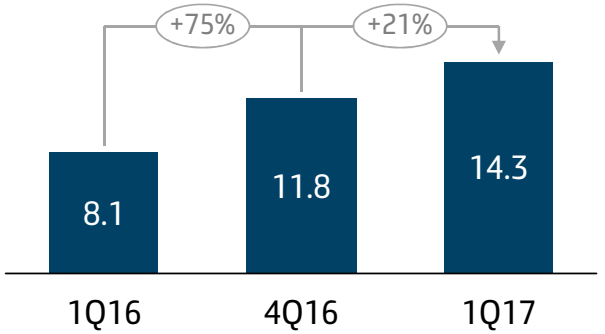
Improvement in results throughout the last quarters

R$ Billion

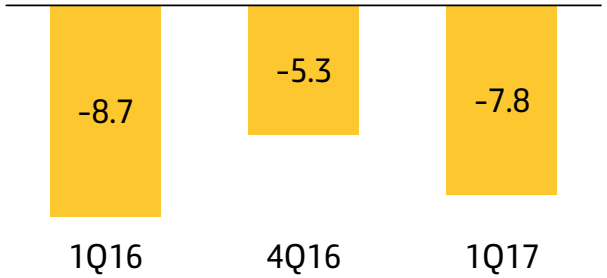
Gross Income



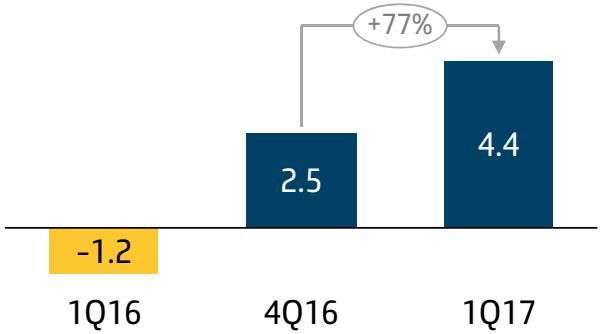
Operating Income



Net Financial Results

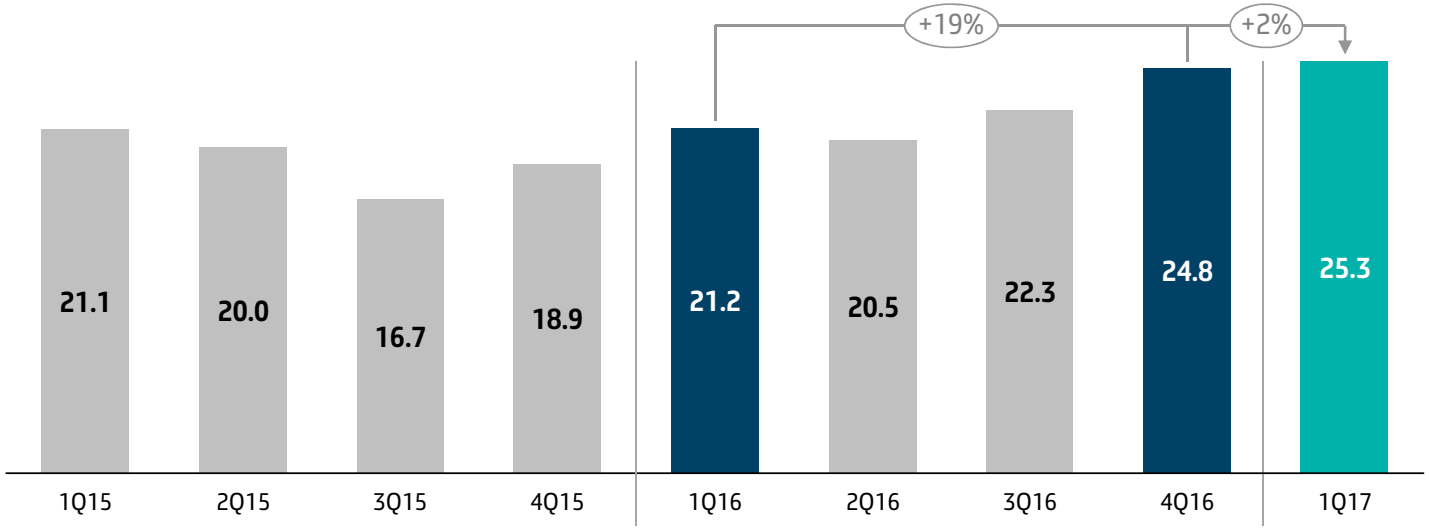


Net Income



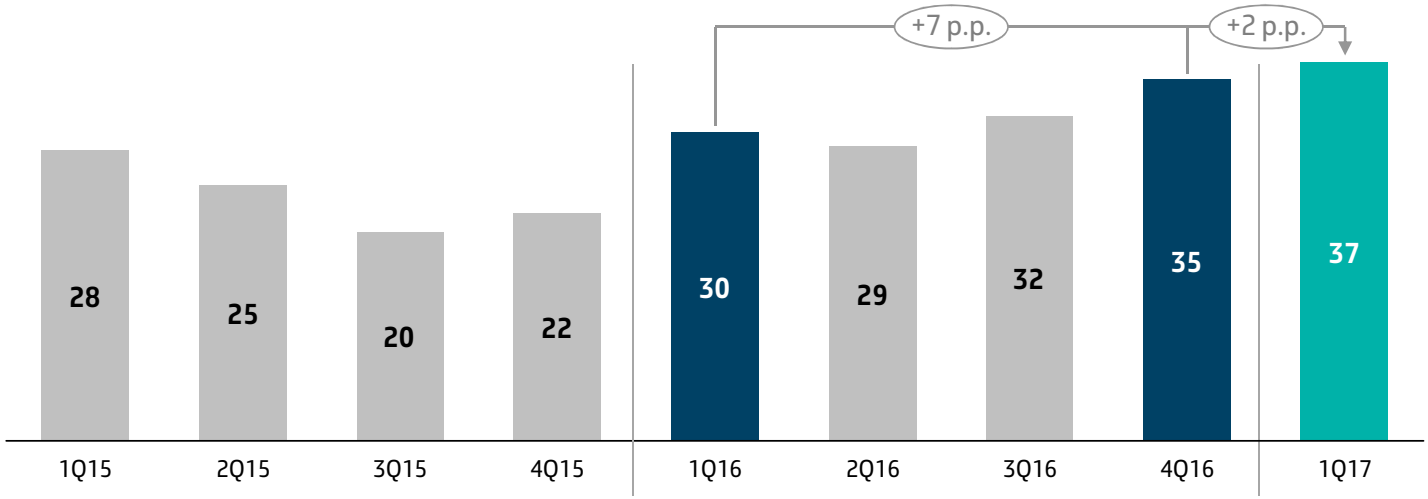
EBITDA growth, with an unprecedented result

Adjusted EBITDA
(R$ Billion)



Highest quarterly EBITDA ever

Adjusted EBITDA Margin
(%)

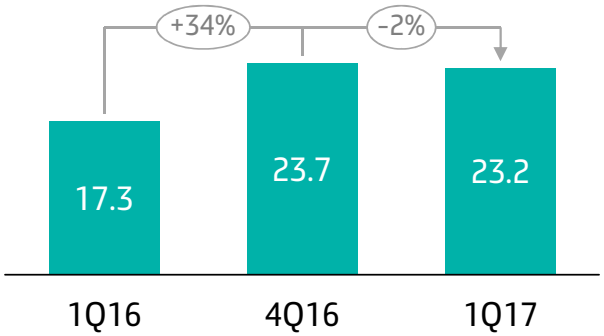


Highest EBITDA margin (since 2009)

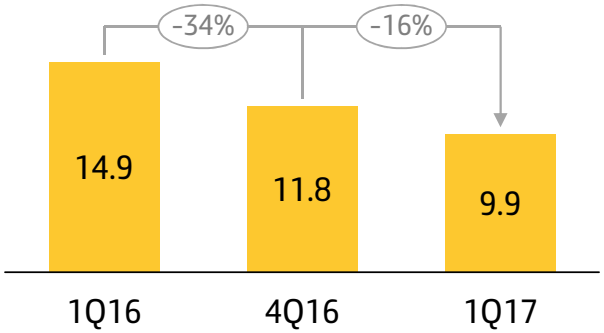
Free cash flow for eight quarters in a row

R$ Billion

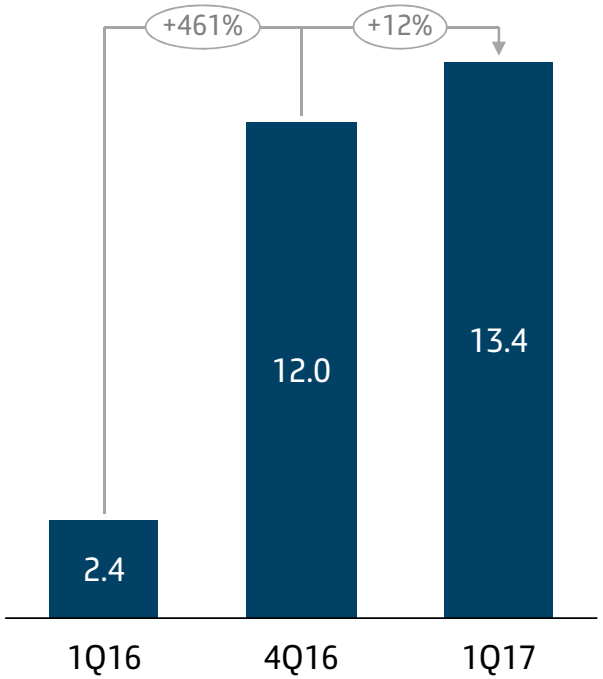
Operating Cash Flow



Investments [1]



Free Cash Flow

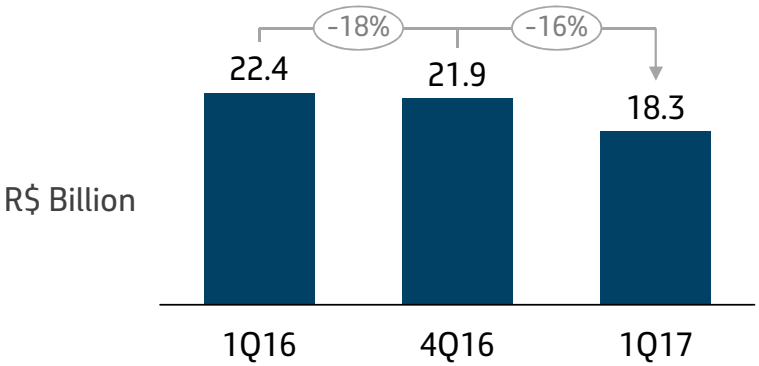


1. Cash Basis

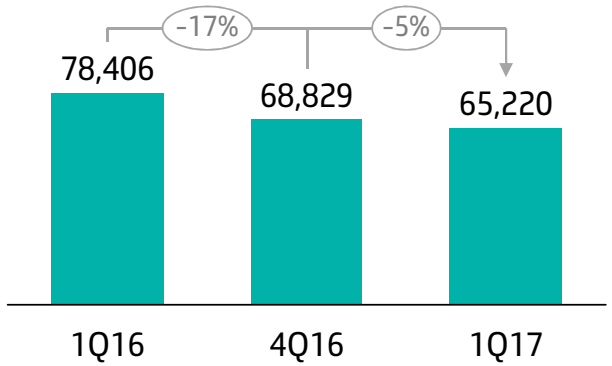
Reduction in manageable operating costs

Reduced costs level will not persist in the upcoming quarters, mainly due to the sale of NTS

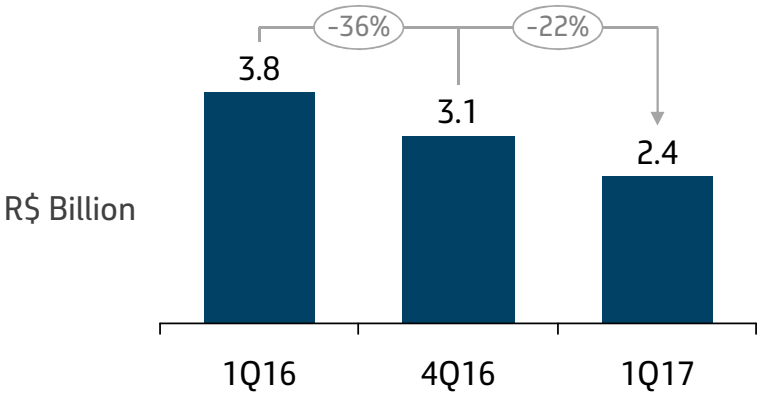
Manageable Operating Costs



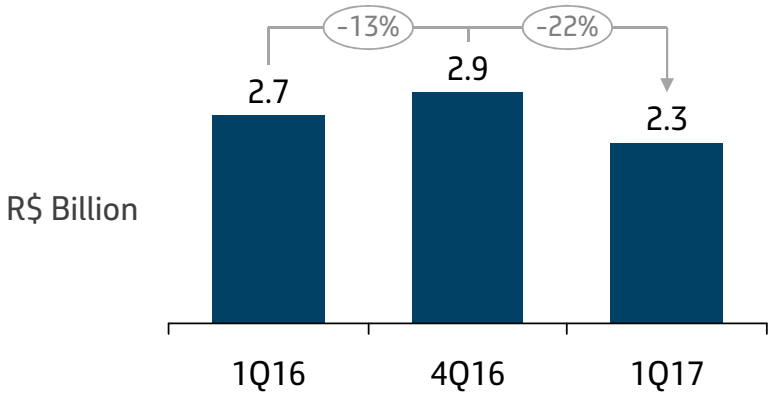
Workforce



Sales Expenses

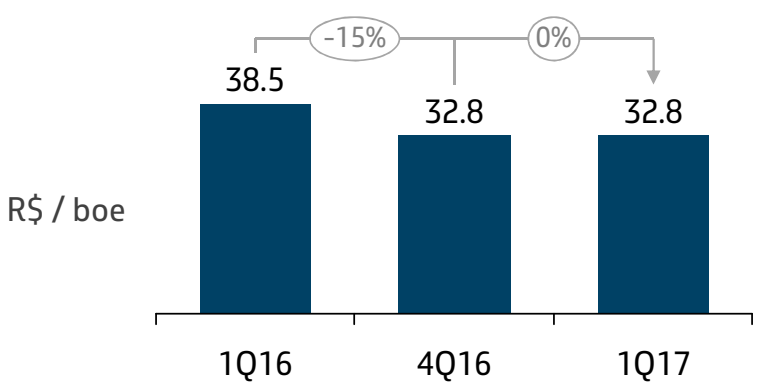


General and Administrative Expenses

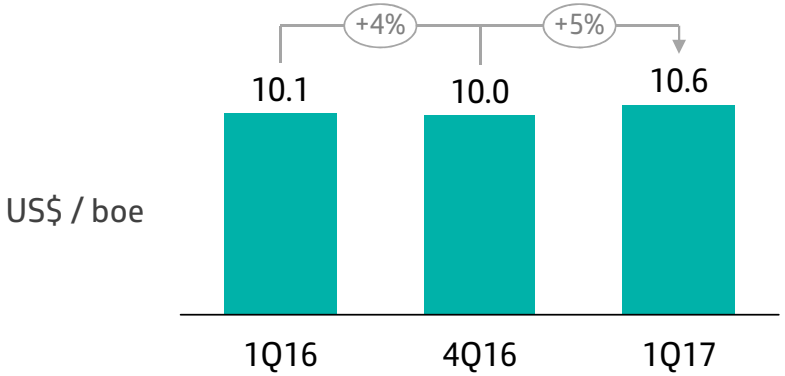


Alongside operating costs under control

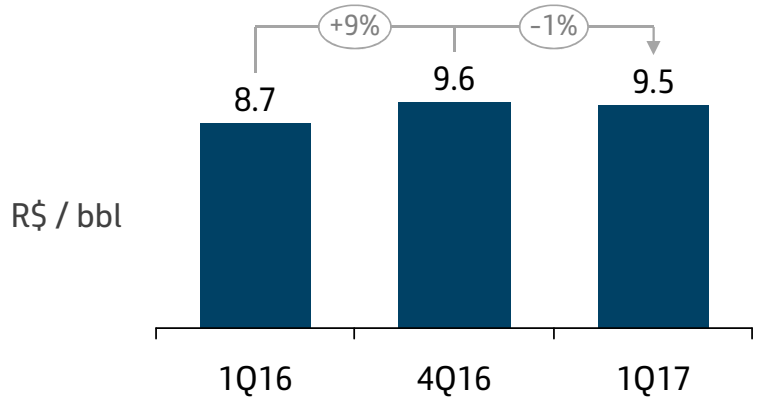
Lifting Cost (Brazil and Abroad)



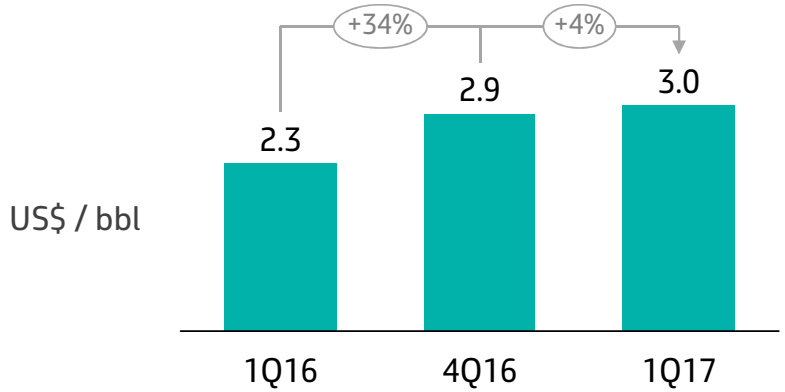
Lifting Cost (Brazil and Abroad)



Refining Cost (Brazil)

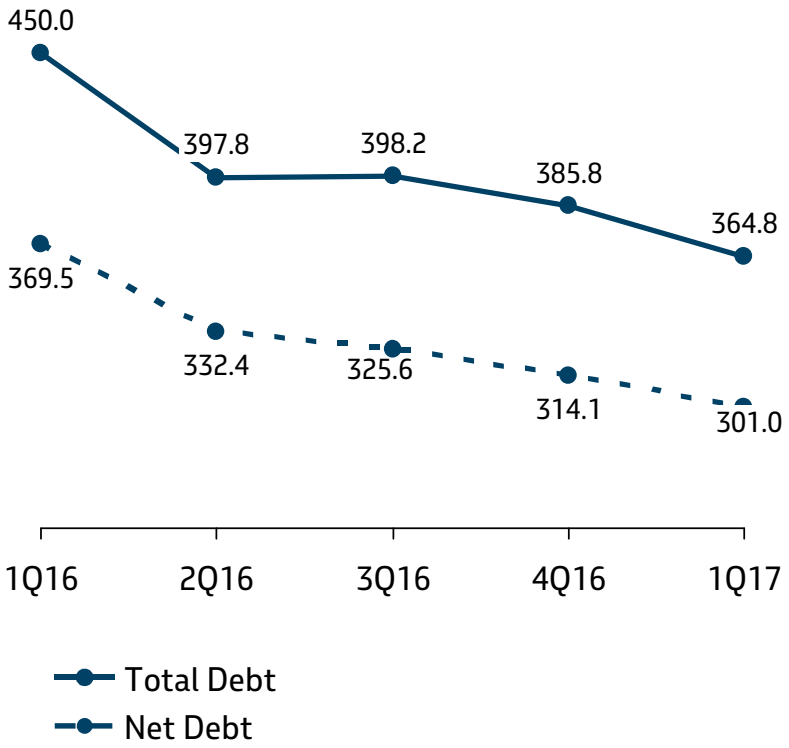


Refining Cost (Brazil)

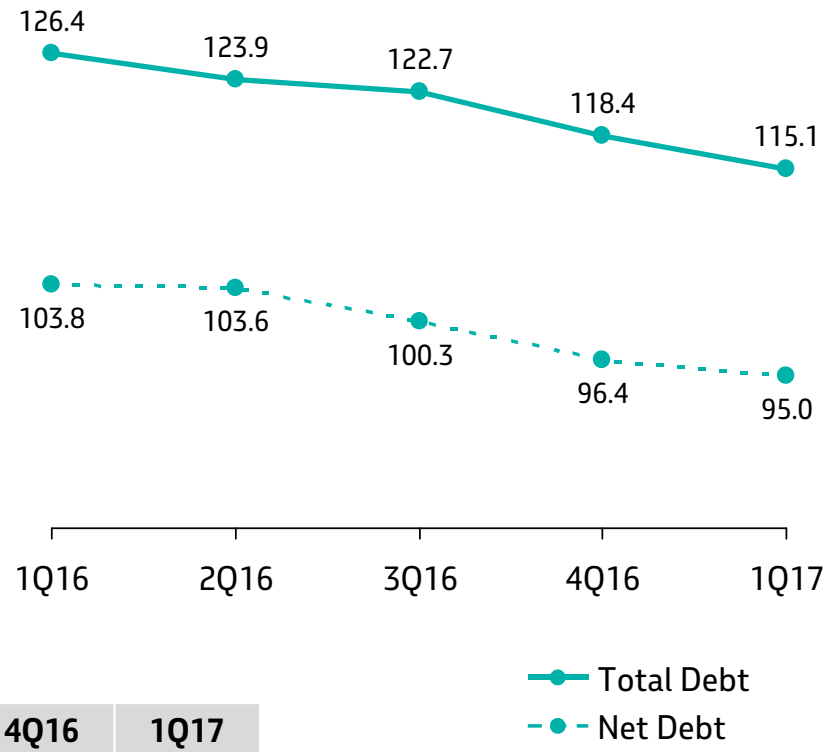


Reduction in debt and leverage

Debt
R$ Billion

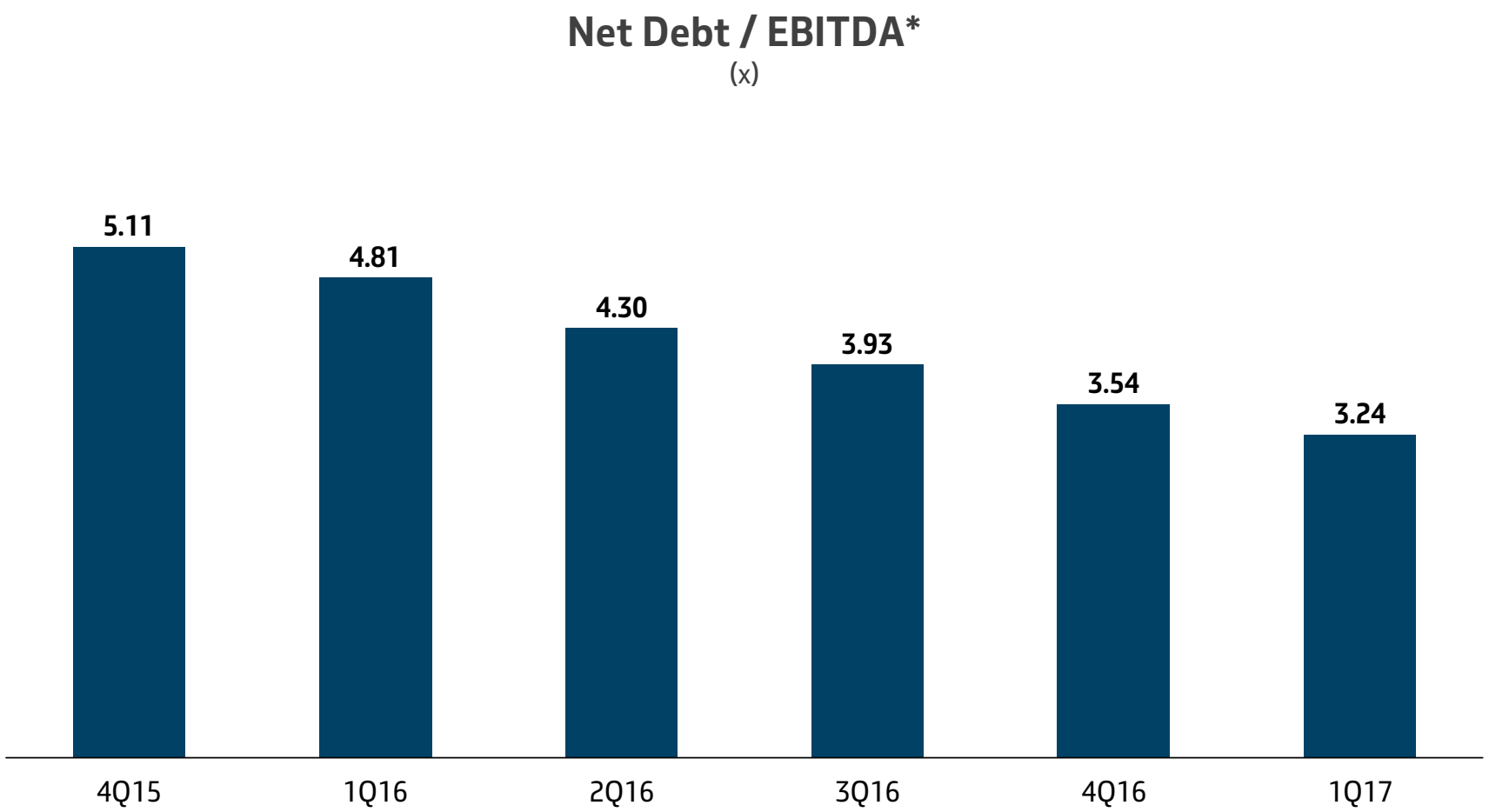


Debt
US$ Billion



	1Q16	4Q16	1Q17
Cost of debt (% p.y.)	6,0	6,2	6,2
Average duration (years)	7,04	7,46	7,61
Leverage (%)	58	55	54

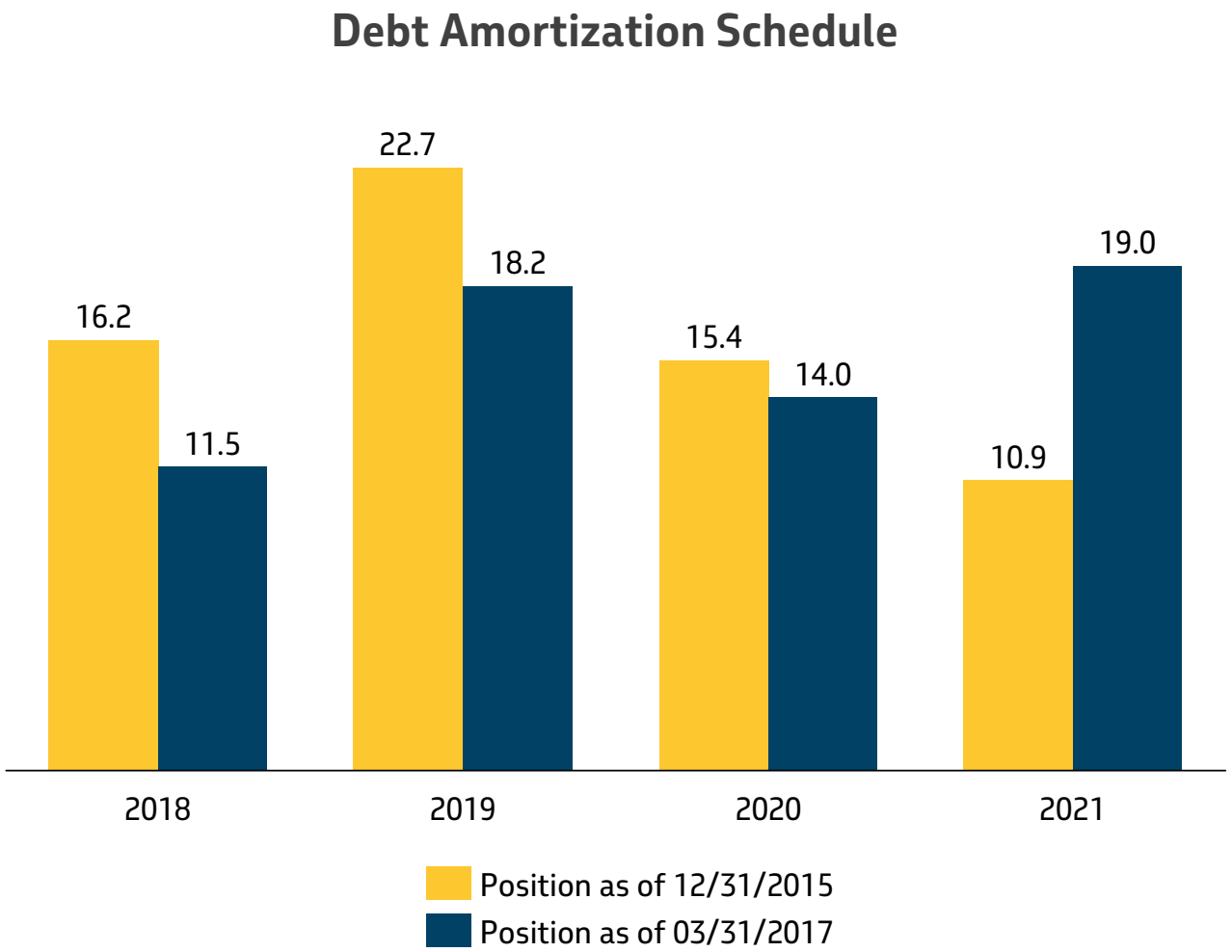
Converging to the Net Debt / EBITDA target



* LTM Adjusted EBITDA

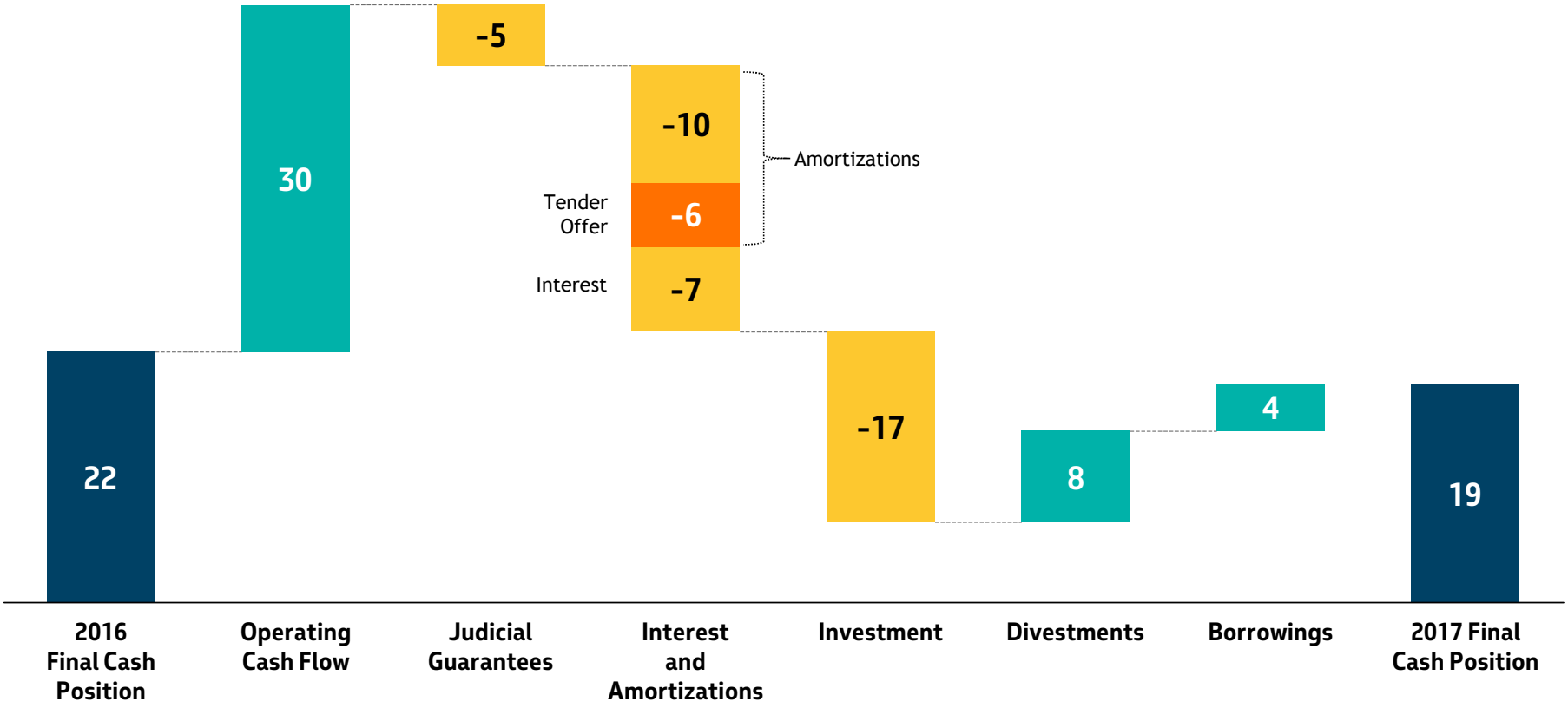
Active liability management resulted in an extension of maturities

US$ Billion



We maintain a good liquidity projection

US$ Billion





RESULTS ANNOUNCEMENT 1Q17

Information:

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