

# RESULTS ANNOUNCEMENT 2016 / 4Q 2016

Press Conference  
March, 21<sup>st</sup> 2017



# 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.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason. Figures for 2017 on are estimates or targets.

All forward-looking statements are expressly qualified in their entirety by this cautionary statement, and you should not place reliance on any forward-looking statement contained in this presentation.

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.



# HIGHLIGHTS

## Safety

- 24% decrease of TRI (Total Recordable Injury Frequency Rate)

## Constant improvement of economic and financials results

- Net income of R\$ 2.5 Billion in 4Q16, reversing the 3Q16 loss
- Operating income of R\$ 17 Billion in 2016 (vs loss of R\$ 12 Billion in 2015)
- Annual increase of 16% of adjusted EBITDA
- Petrobras posted the highest operating cash flow among its peers companies, as well as the highest EITDA margin (31% vs 18% on average\*)
- Positive free cash flow for the 7<sup>th</sup> quarter in a row and 162% above 2015

## Acceleration of deleverage process

- 6% decrease in gross debt US dollars and 22% in *reais*
- Pre-payment and amortization of debt with proceeds from divestments and operating cash flow
- 31% reduction in Net Debt/adjusted EBITDA, to 3.54 from 5.11

## Records in oil and natural gas production

- Average oil production in Brazil reached a historic annual record in 2016 (2,144 kbpd); production target was met for two consecutive years
- In December, the monthly record for oil and natural gas production in Brazil and abroad was reached, averaging 2.9 million barrels of oil equivalent per day (boed)
- Petrobras became a net exporter, with exports growing 12% in the quarter

## Progress in the efficiency of investments and costs

- Annual reduction of:
  - 32% in investments
  - 6% in manageable operating costs
  - 6% in SG&A
  - 20% in the workforce

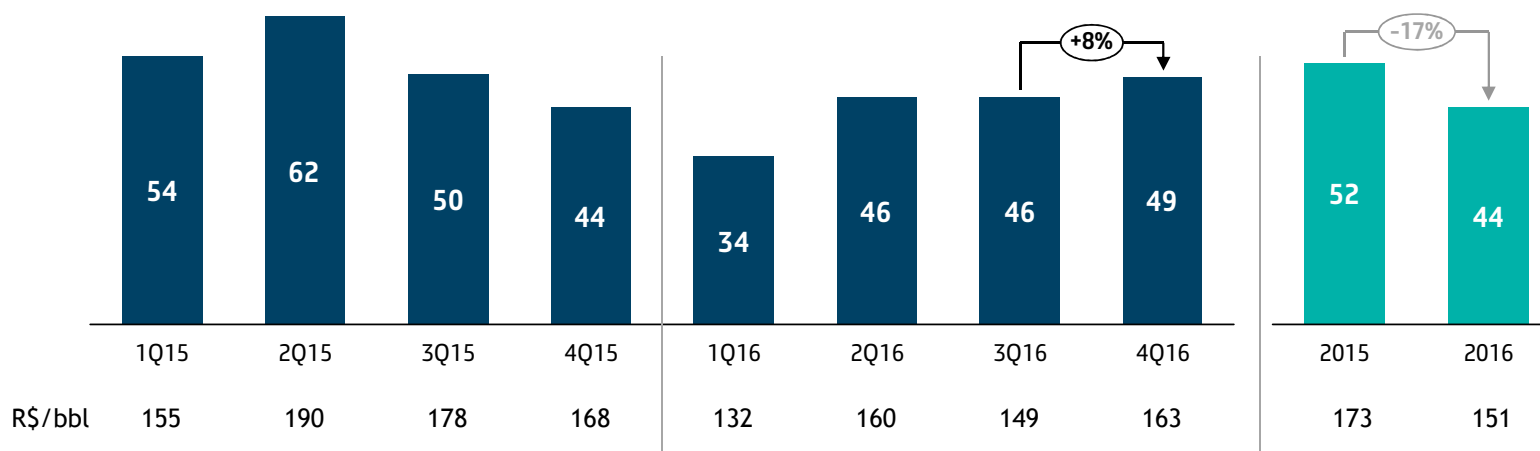
# RESULTS

---

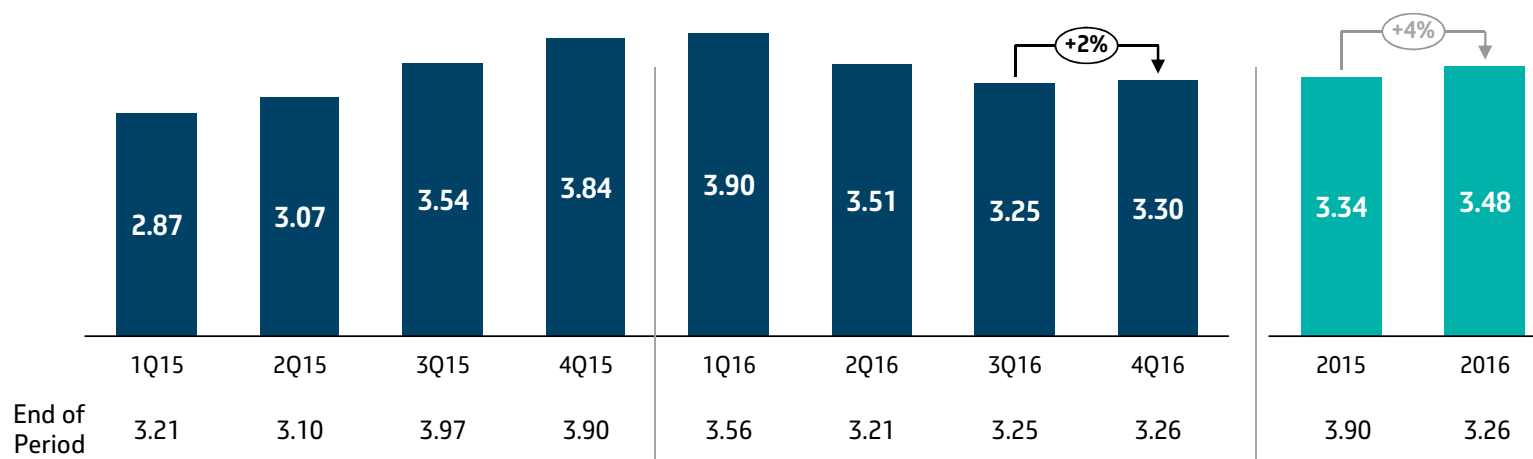
# Average Brent prices even lower than 2015 along with a 4% depreciation of the *real*



## Brent (US\$/bbl)



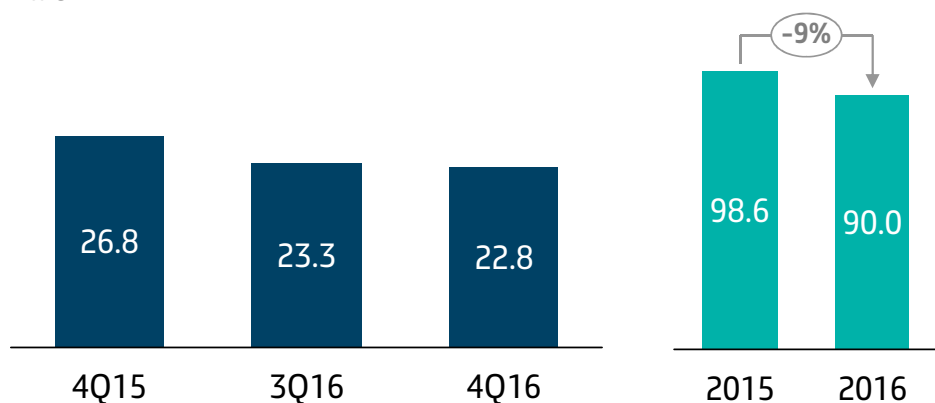
## FX (R\$/US\$)



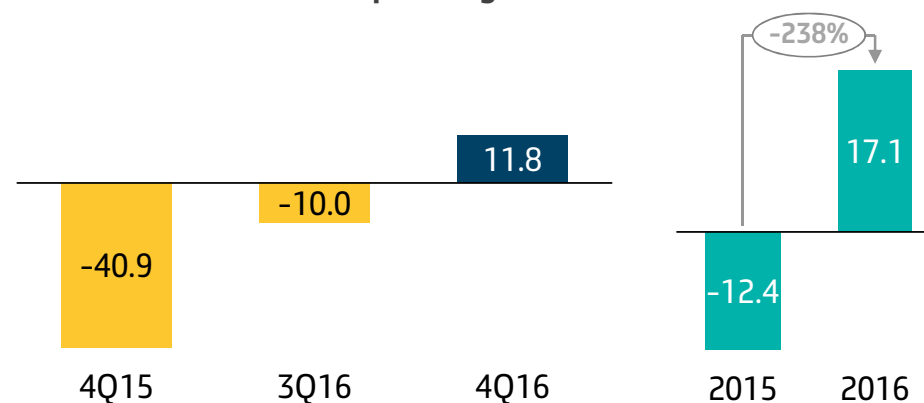
# We posted better results

R\$ Billion

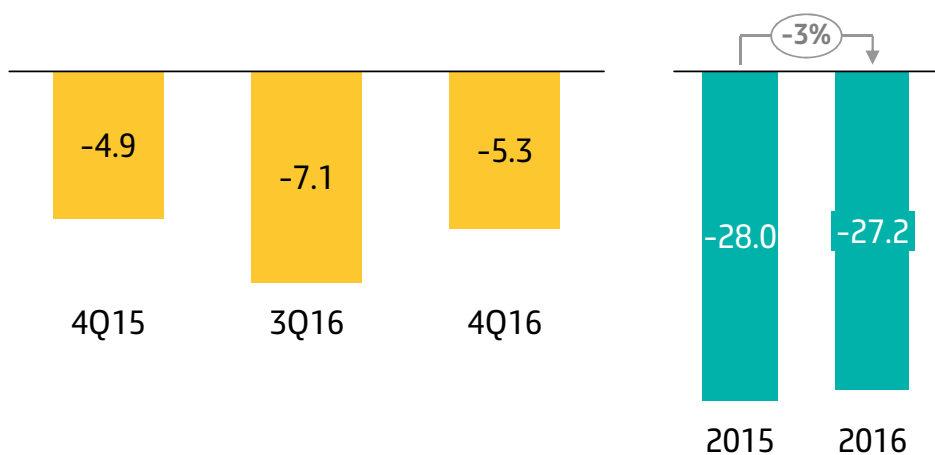
## Gross Income



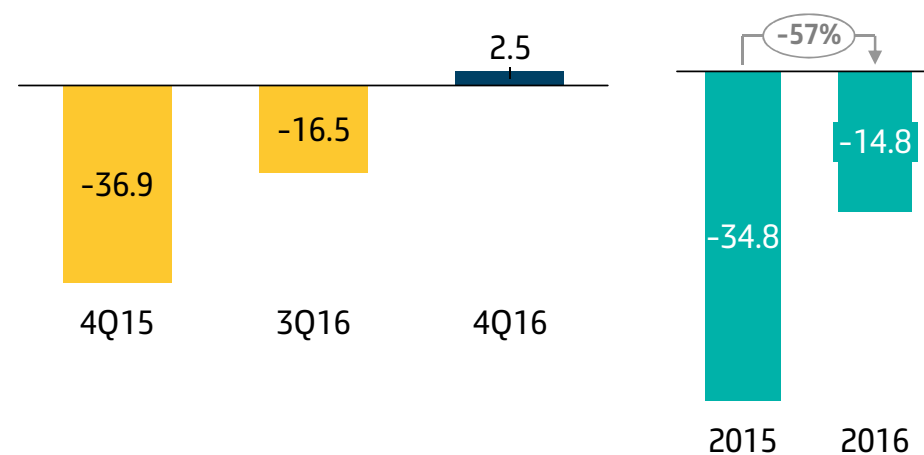
## Operating Income



## Net Financial Results

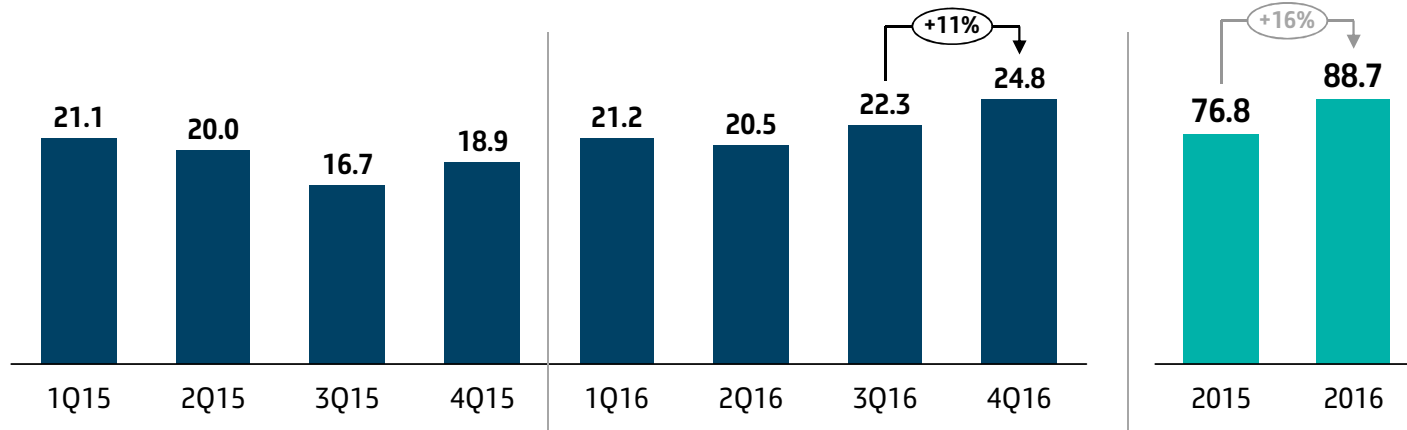


## Net Income

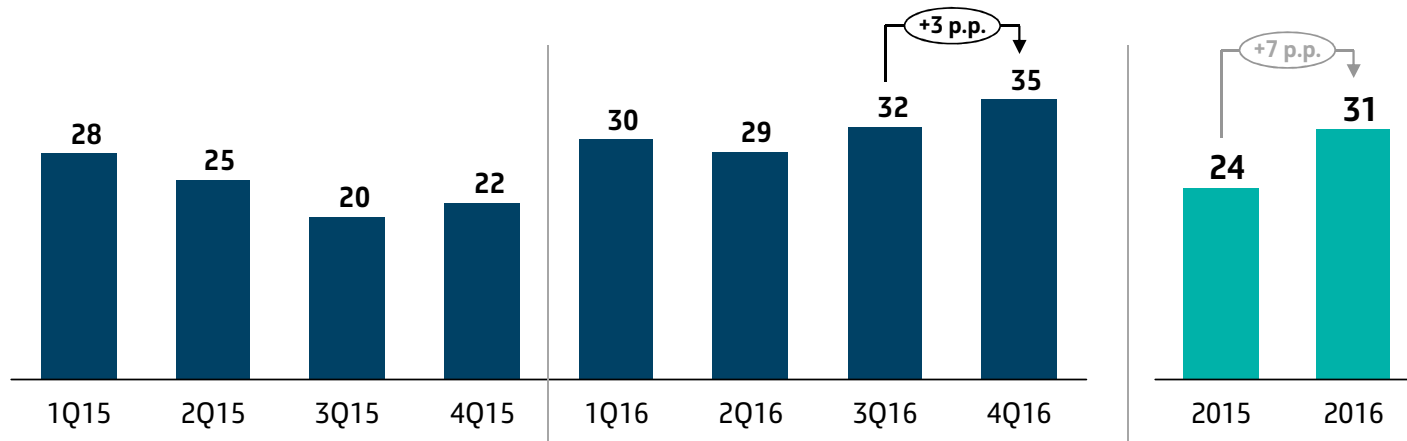


## With a relevant increase in EBITDA

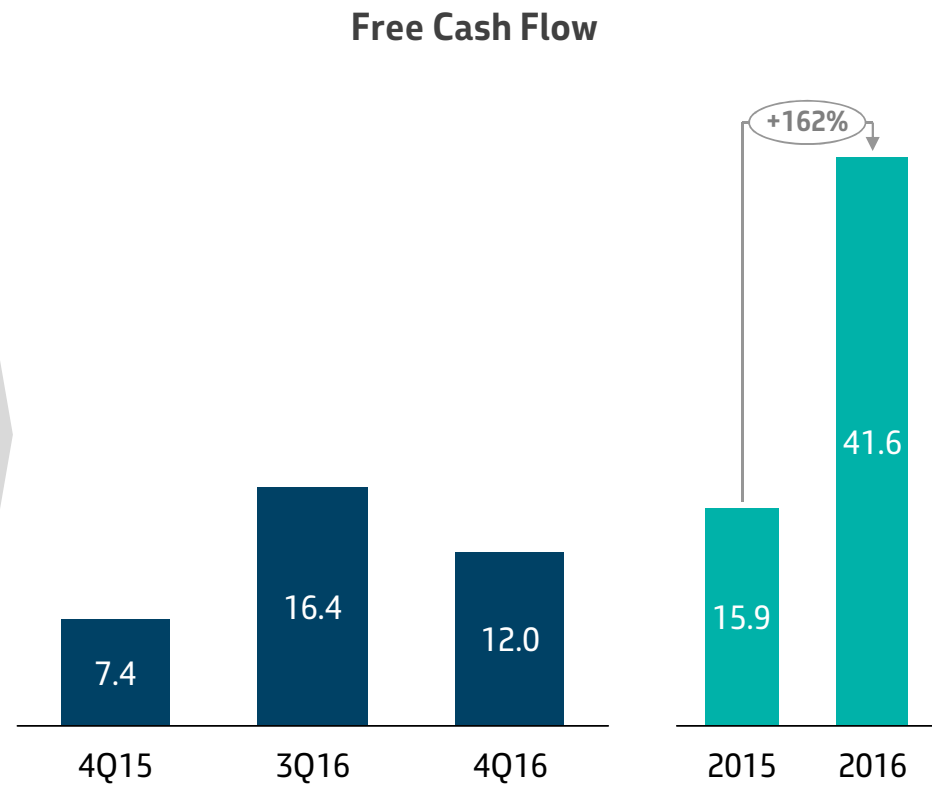
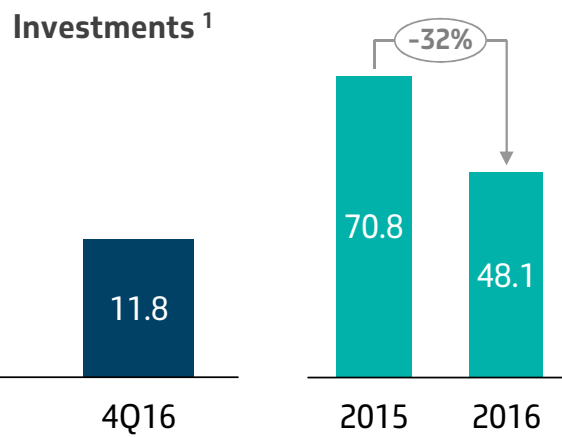
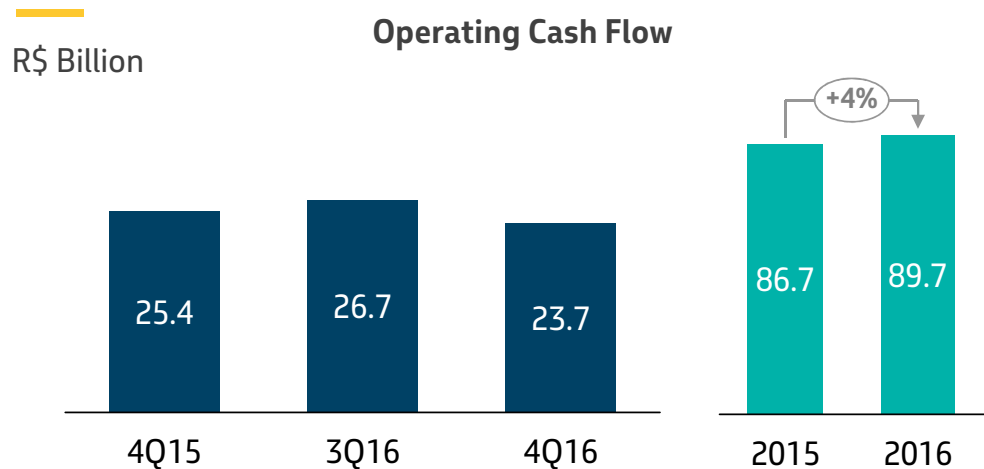
**Adjusted EBITDA**  
(R\$ Billion)



**Adjusted EBITDA Margin**  
(%)



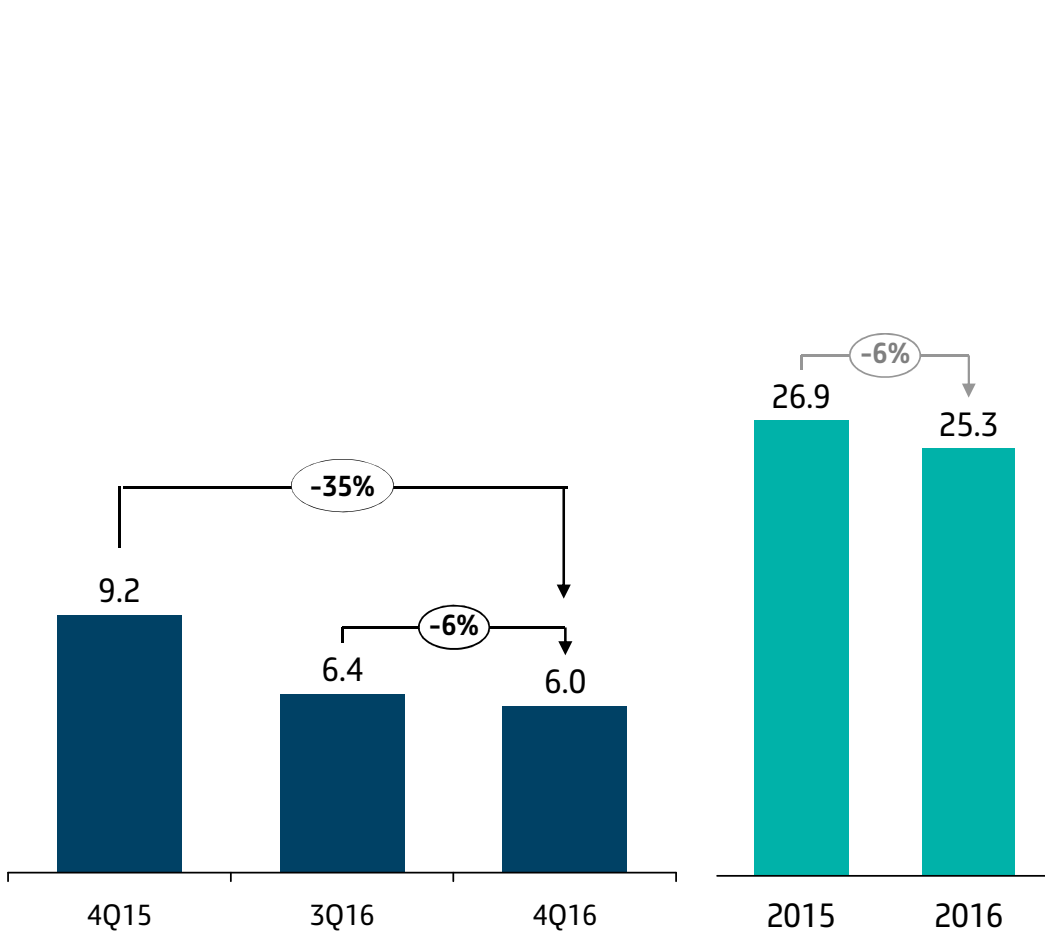
# And significant growth in free cash flow in 2016



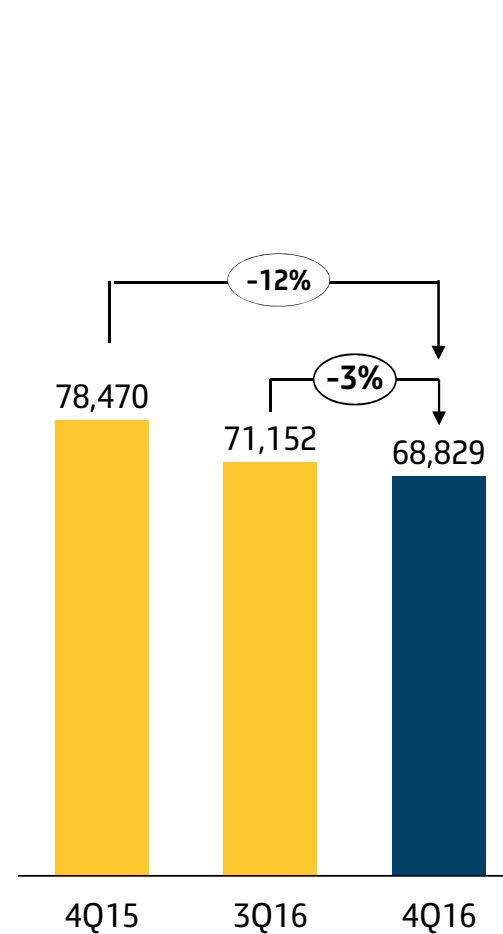
1. Cash Basis

## Besides 6% reduction in manageable operating costs

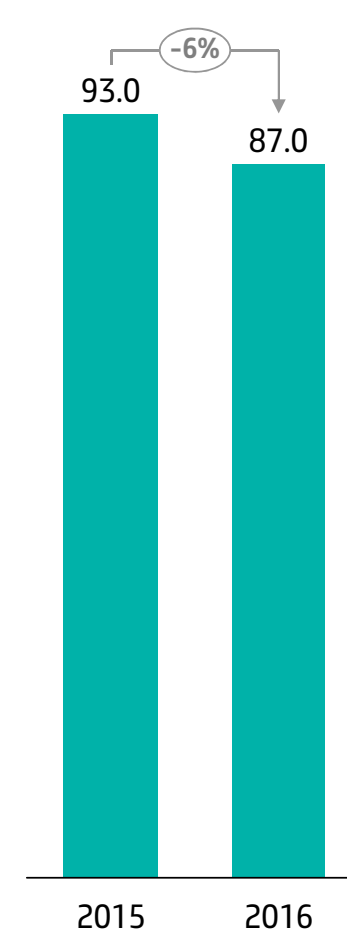
Sales, General and Administrative Expenses  
R\$ Billion



Workforce



Manageable Operating Costs  
R\$ Billion



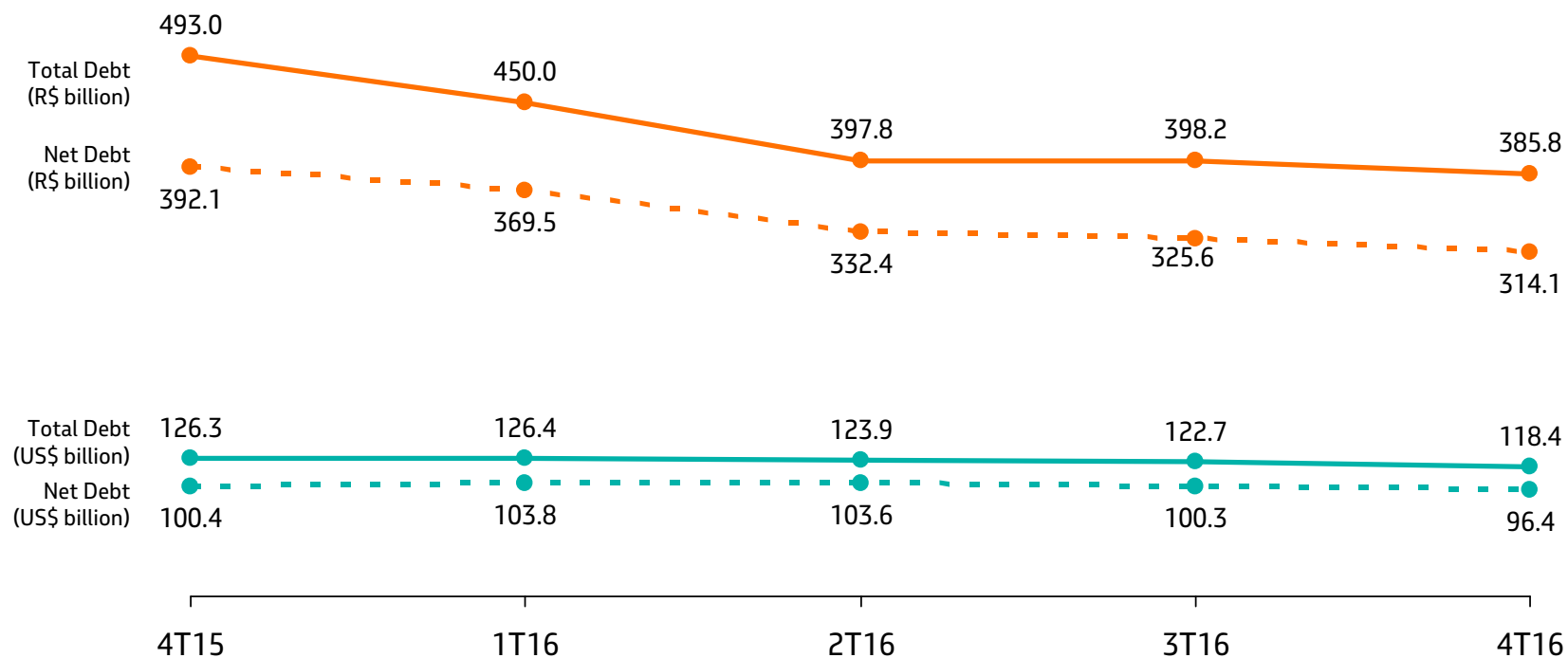
# Our Partnership and Divestments Program reached 90% of the target

Value of the transactions already signed total US\$ 13.6 billion



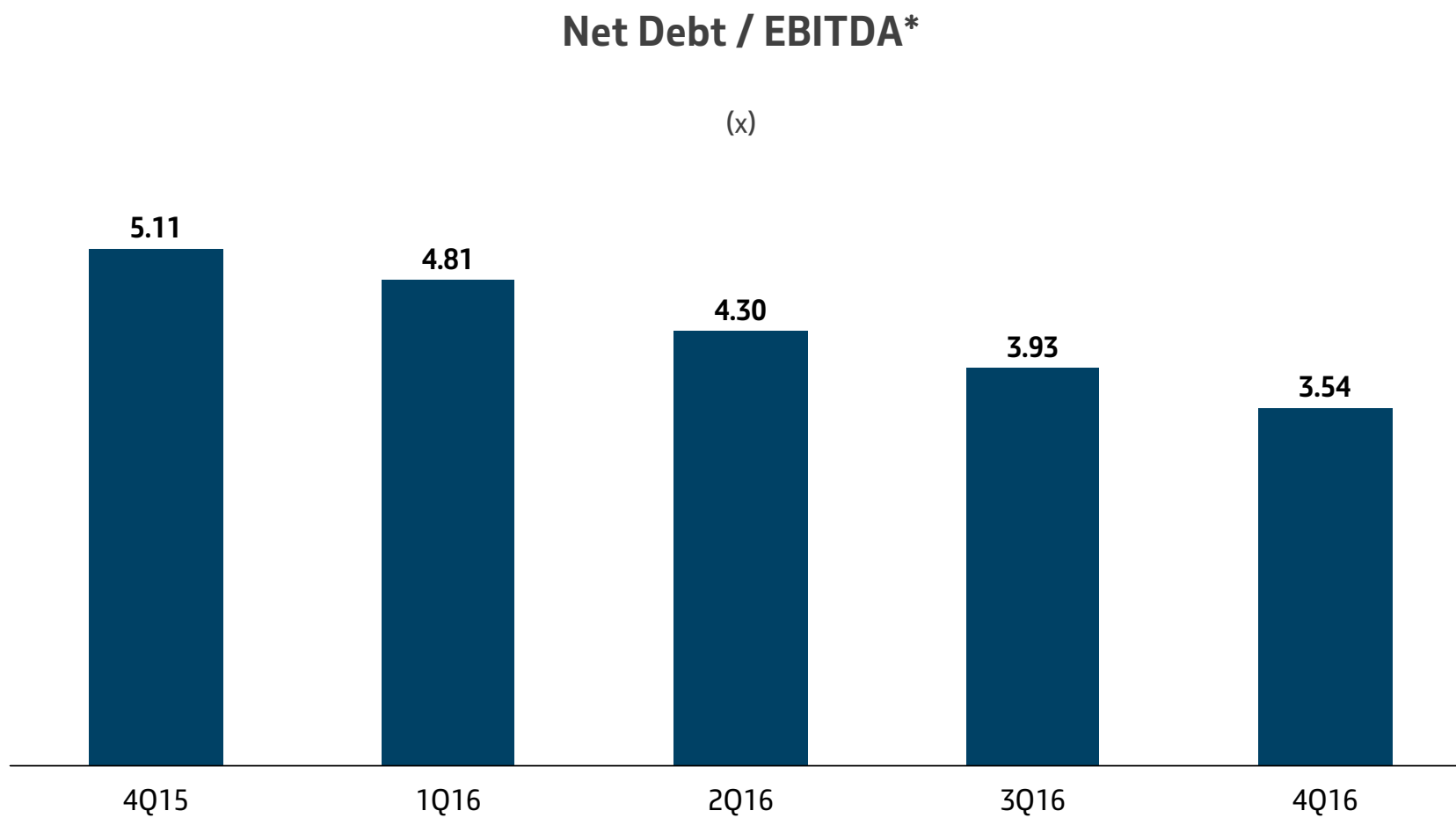
Partnerships and divestments Signed contracts with effective/projected cash-ins in 2017	Divestments Projects to be reinitiated due to TCU's decision	Divestments in advanced stages of negotiation and authorized by TCU	Strategic Partnerships with signings expected in 2017
<ul style="list-style-type: none"> <li>▪ Distribution in Chile (completed)</li> <li>▪ Usina Guarani (completed)</li> <li>▪ Usina Nova Fronteira (converted into São Martinho shares)</li> <li>▪ NTS</li> <li>▪ Liquigás</li> <li>▪ Petroquímica Suape</li> <li>▪ Strategic Partnership with Total</li> <li>▪ 2<sup>nd</sup> Portion of Carcará sale</li> </ul>	<ul style="list-style-type: none"> <li>▪ Partnership in BR Distribuidora</li> <li>▪ Onshore fields (10 poles)</li> <li>▪ Shallow water fields in SE and CE</li> <li>▪ Others</li> </ul>	<ul style="list-style-type: none"> <li>▪ Stake in Saint Malo field (Gulf of Mexico)</li> <li>▪ Baúna field and 50% stake in Tartaruga Verde field</li> </ul>	<ul style="list-style-type: none"> <li>▪ Partnership with Statoil</li> <li>▪ Partnership with GALP</li> </ul>

## Resulting in a reduction in debt and leverage



	4Q15	3Q16	4Q16
Cost of debt (% p.y.)	6,3	6,3	6,2
Average duration (years)	7,14	7,33	7,46
Leverage (%)	60	55	55

## Converging to the Net Debt / Adjusted EBITDA target

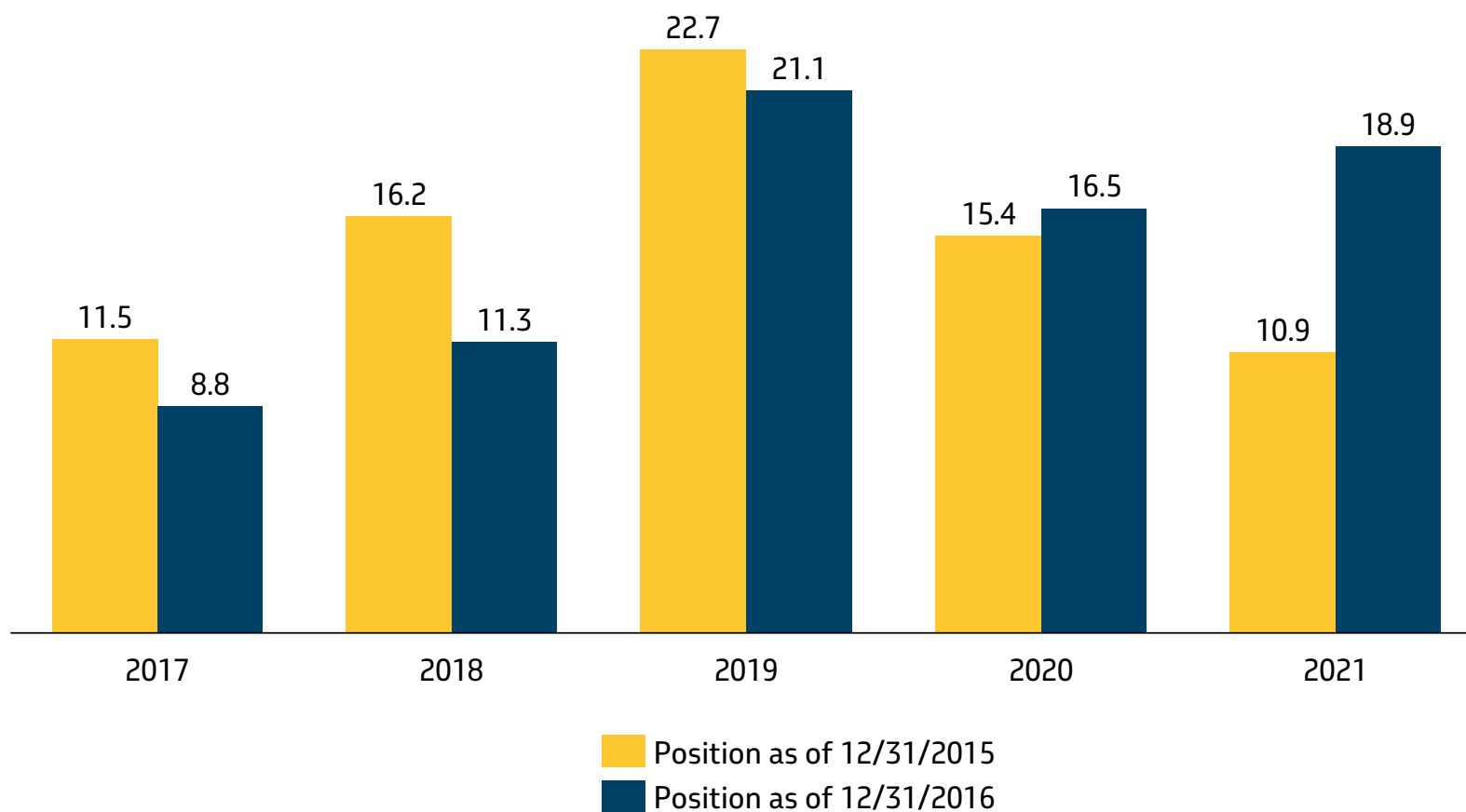


\* LTM Adjusted EBITDA

## And with an active liability management to extend maturities

US\$ Billion

### Debt Amortization Schedule



# OPERATIONAL HIGHLIGHTS

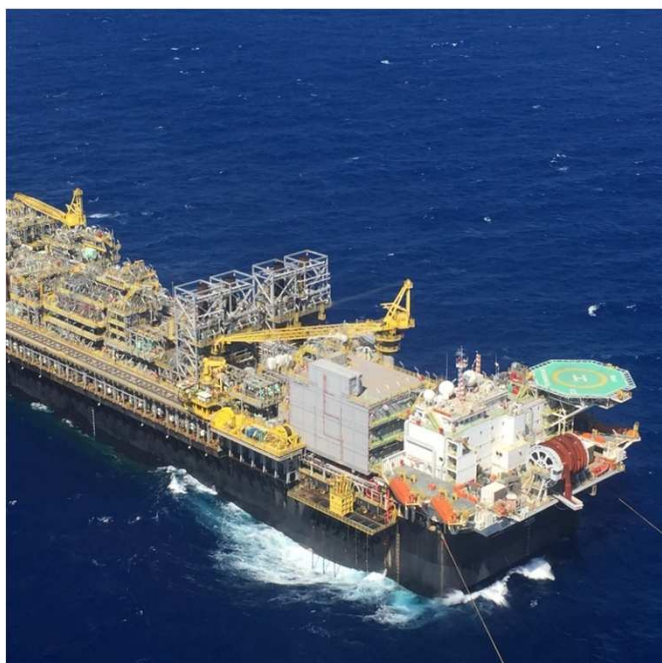
---



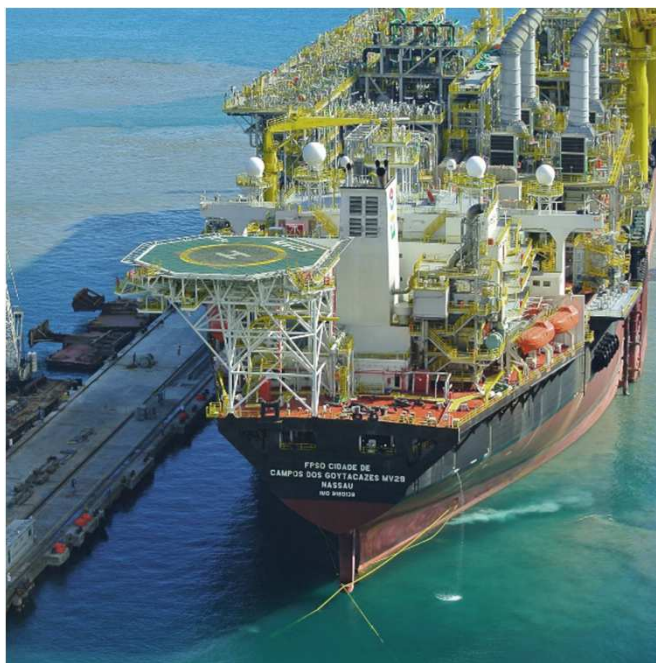
## Three permanent systems will start up in 2017



**Lula Sul (P-66)**  
First Oil in 1Q17



**Tartaruga Verde e Mestiça**  
FPSO Cidade de Campos dos Goytacazes



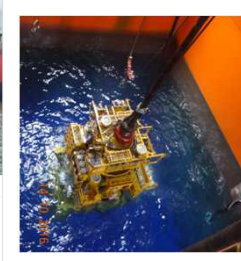
**Lula Norte**  
FPSO P-67



## Important milestones reached in Libra

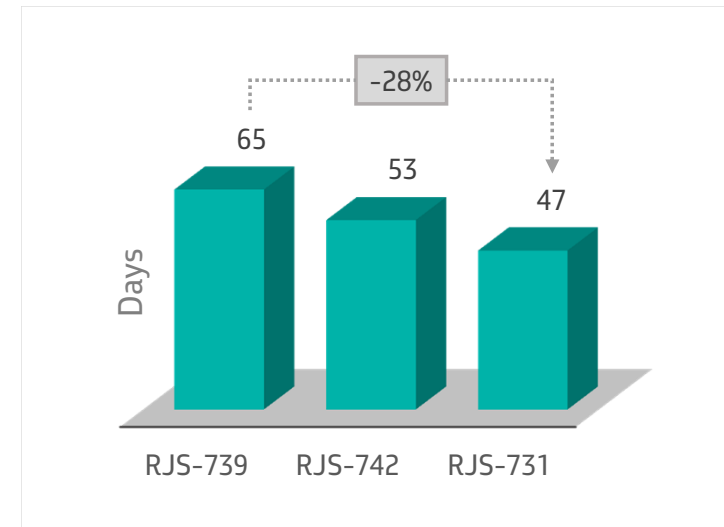
### Pioneer FPSO in Libra

- 95% of physical completion in the construction of the FPSO for the EWTs
- Expected first oil: July 2017



- 4 wells drilled and 3 completed
- Largest oil column discovered in the area, 410 meters thick.
- February/2017: drilling of exploratory well began in Libra's southeast area

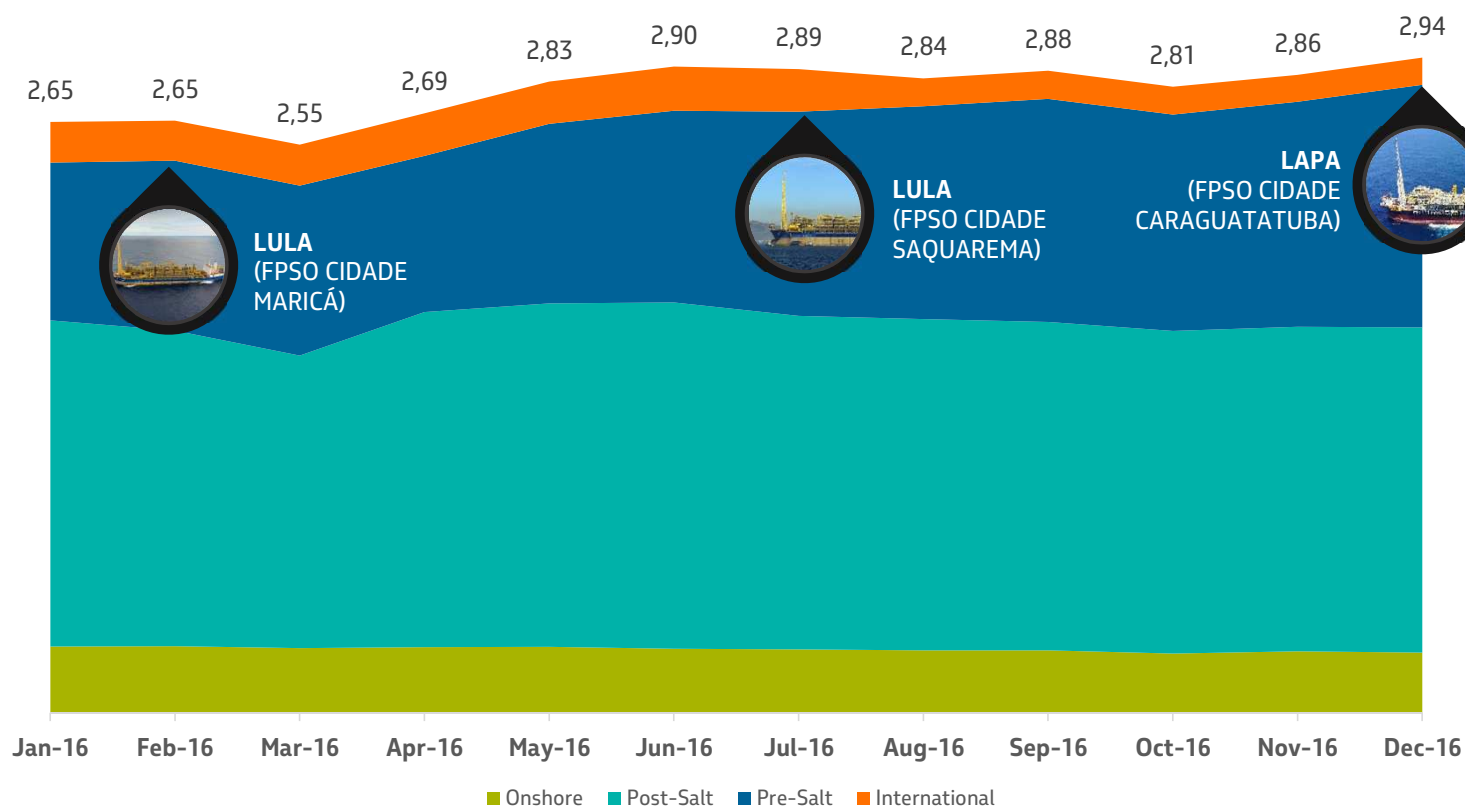
### Record time in well completion



- Completion of well 3-RJS-731 concludes in Feb/2017 with a **28% time reduction** relative to the first well

# We keep the trend of predictability and growth of production

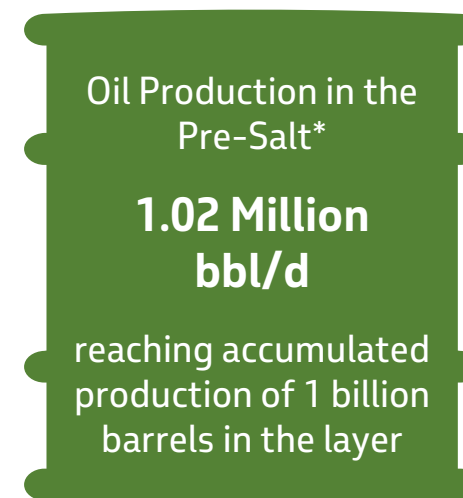
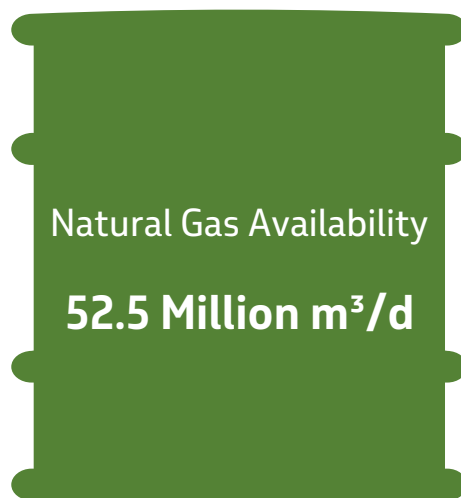
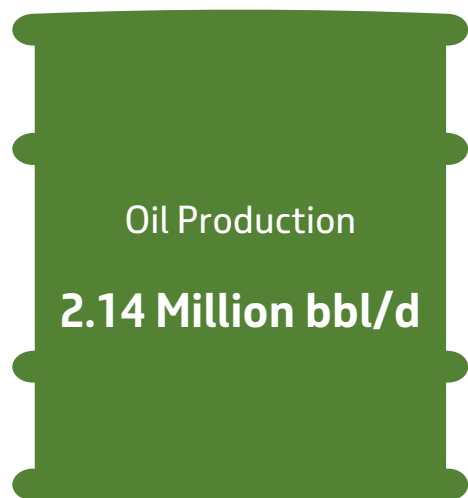
Oil and Gas Production (Million boe/d)



**10% increase in total production between 1Q16 and 4Q16**

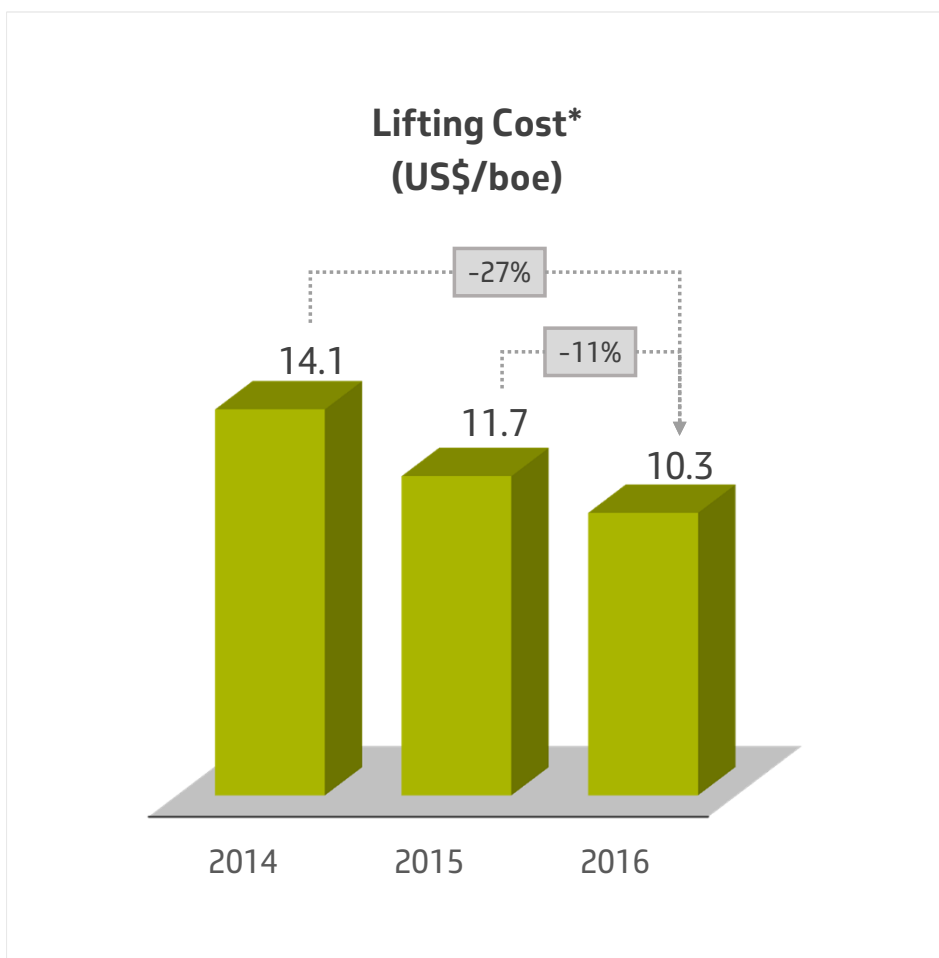
- +** 3 new Units + ramp-up
- +** Decline as estimated
- PESA Divestment

## Surpassing all production records in Brazil, with the strong performance in 4Q16



\* Operated production together  
with our partners

## While we reduced our oil and gas production costs



Lifting Cost in Pre-Salt  
**< 8.0 US\$/boe**

We turned the pre-salt  
layer into a highly  
competitive  
production

## We experienced productivity increases that led to sustainable cost reductions



**21% reduction of  
helicopter fleet**

**+ than 1 million  
passengers transported**



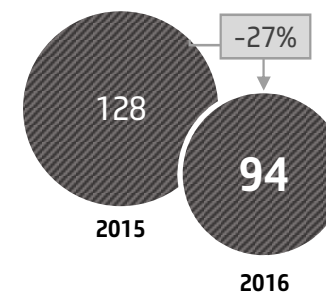
**26% reduction of  
transportation vessel fleet**

**+ than 3 million  
tons of cargo transported**

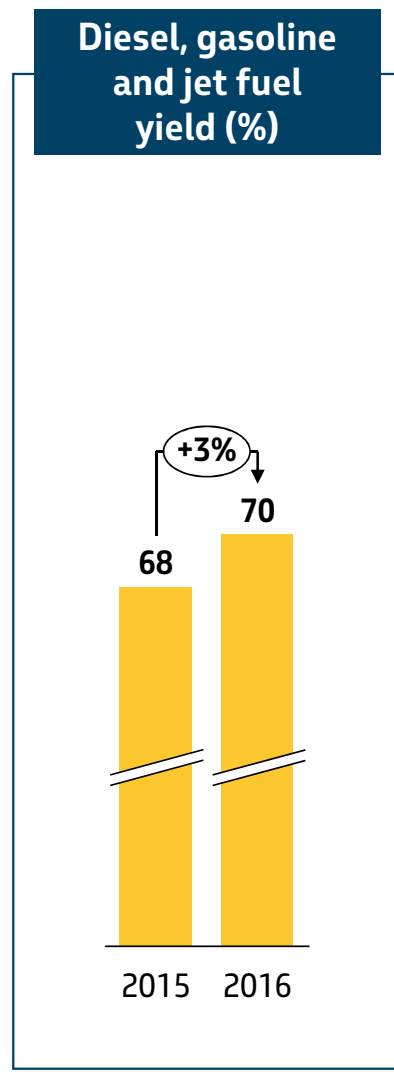
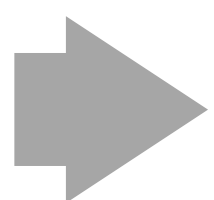
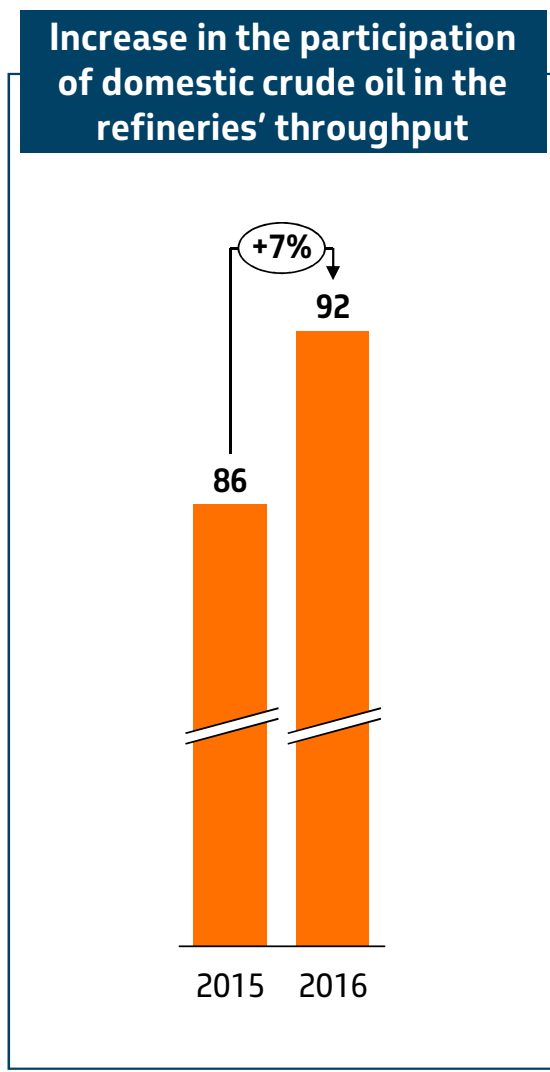
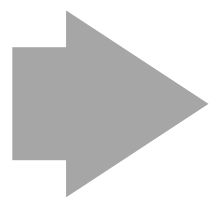
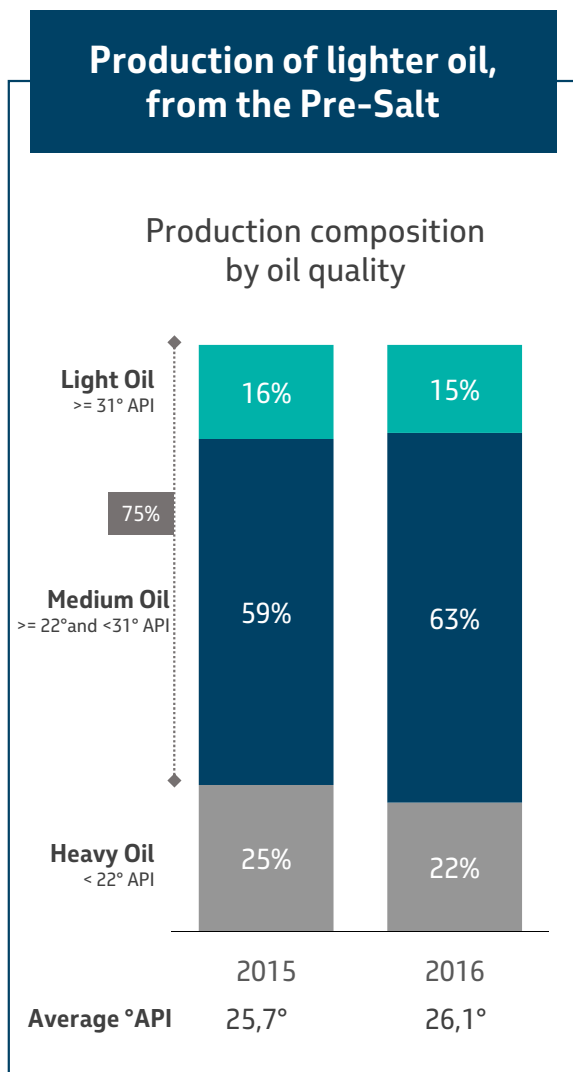


**24% reduction in the  
drilling rig fleet**

**Time to construct a well in the  
Pre-salt (days)**

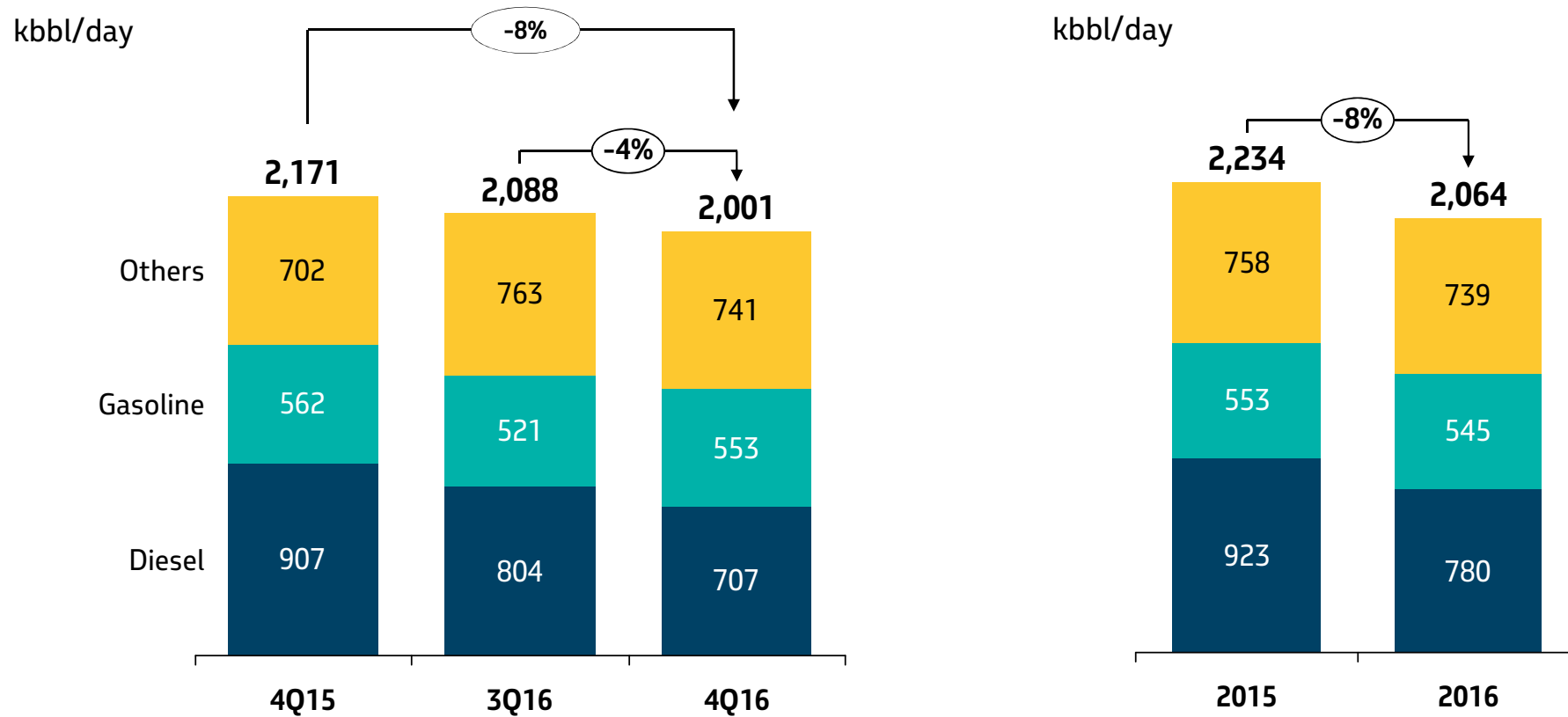


# With a better integration in the E&P – Refining – Market chain



# Reduction in sales volume due to lower oil products demand and third-party imports

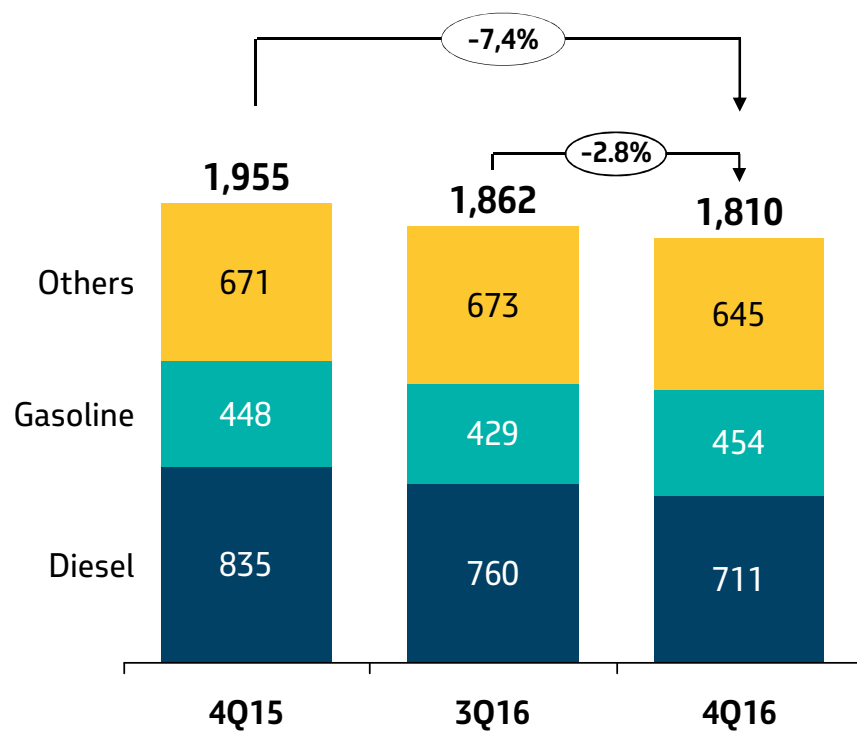
*Demand impacted by the slowdown in the domestic economy*



\* Includes Downstream and BR Distribuidora sales

## And refineries production is in line with lower sales volume

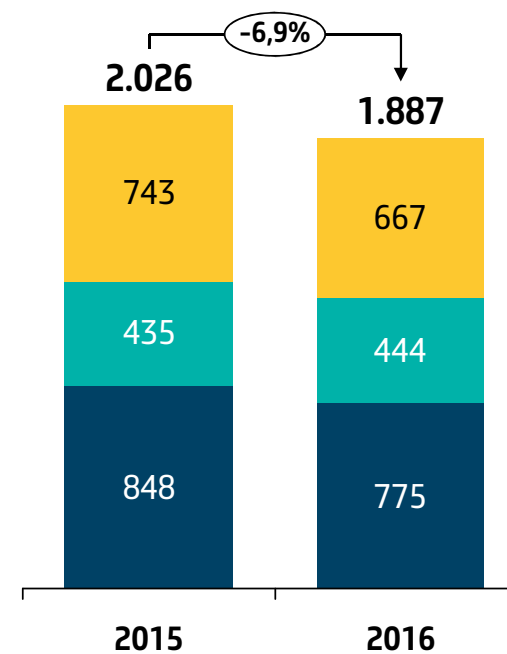
kbbbl/day



Utilization Factor(%)

85      80      78

kbbbl/day

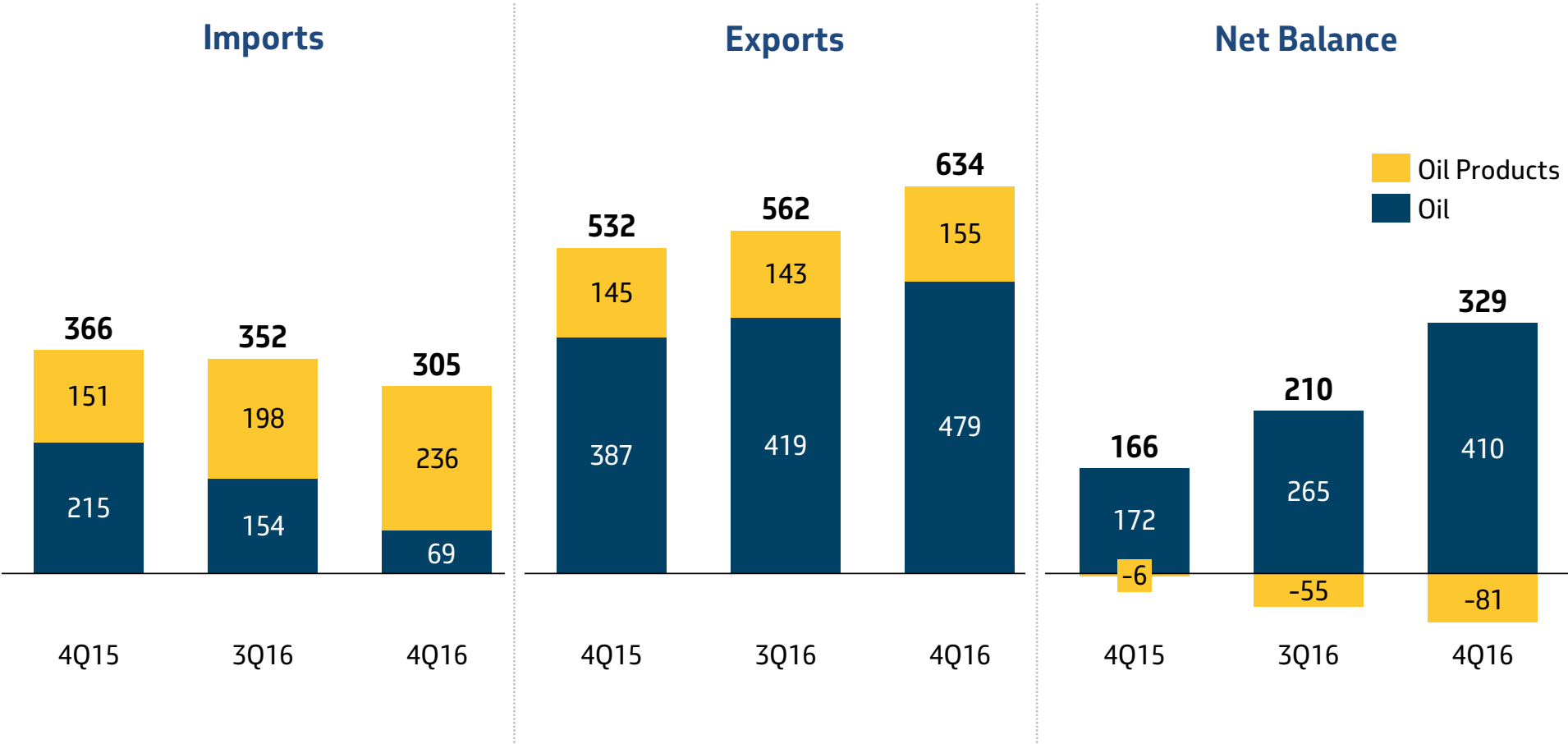


89      81

# We exported 634 kbpd of oil and oil products in 4Q16, with a net balance of 329 kbpd

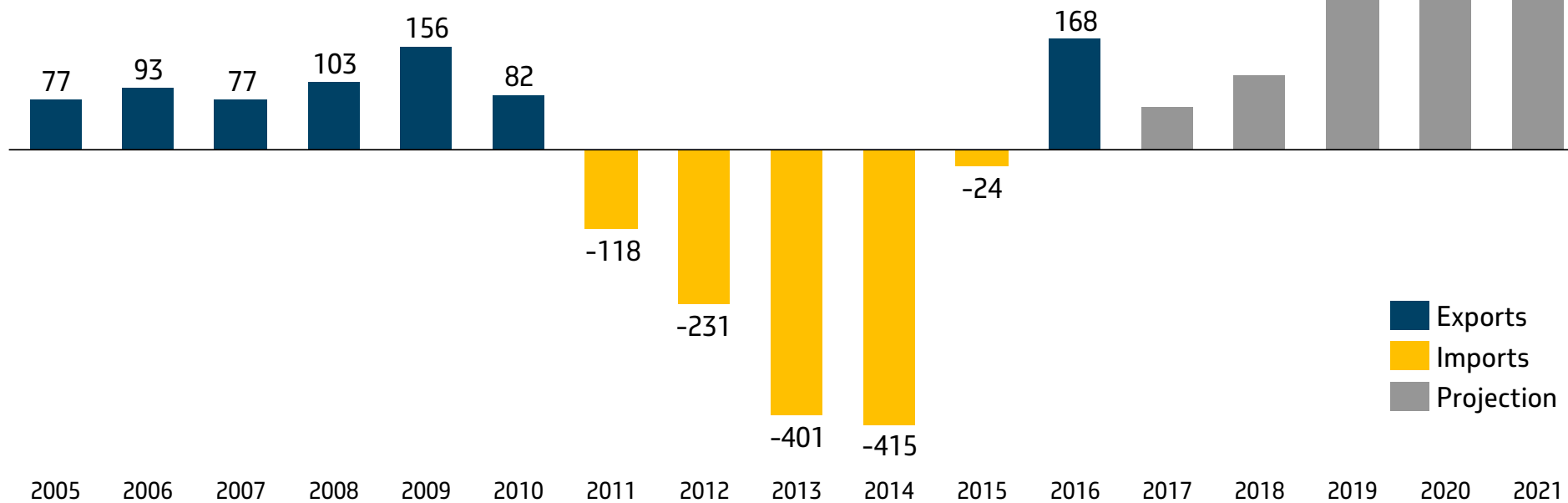


kbbbl/day



# Becoming a net exporter ahead of schedule

kbbbl/day



# Monitoring the BMP 2017-2021

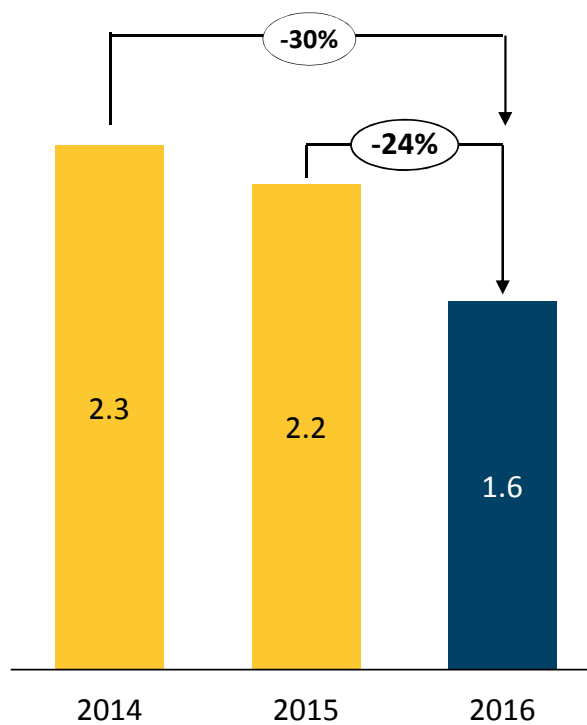


## Safety as a priority is reflected in the improvement in TRIFR



SAFETY

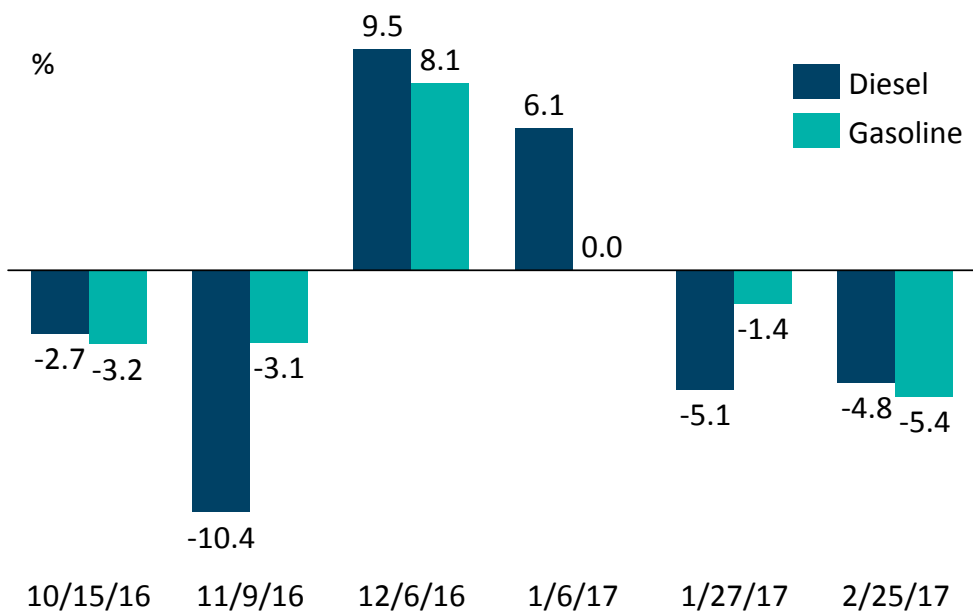
Total Recordable Injury Frequency Rate\*



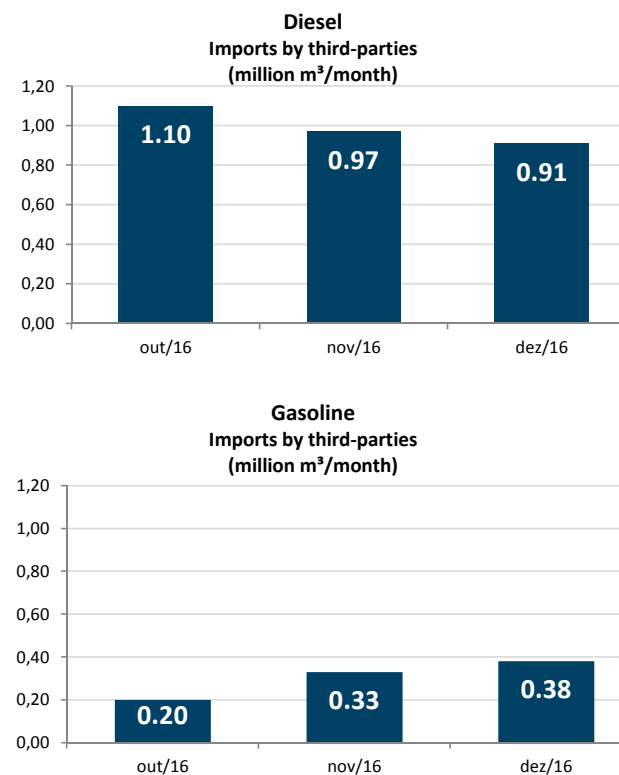
\* TRIFR = Number of reportable injuries per million man-hours

# Practicing Competitive Prices

Based on the monitoring of the international market and its evolution vis-à-vis the business plan's expectations, the implementation of the Pricing Policy resulted in the following readjustments:



Applying a margin over parity prices and observing third-party imports:

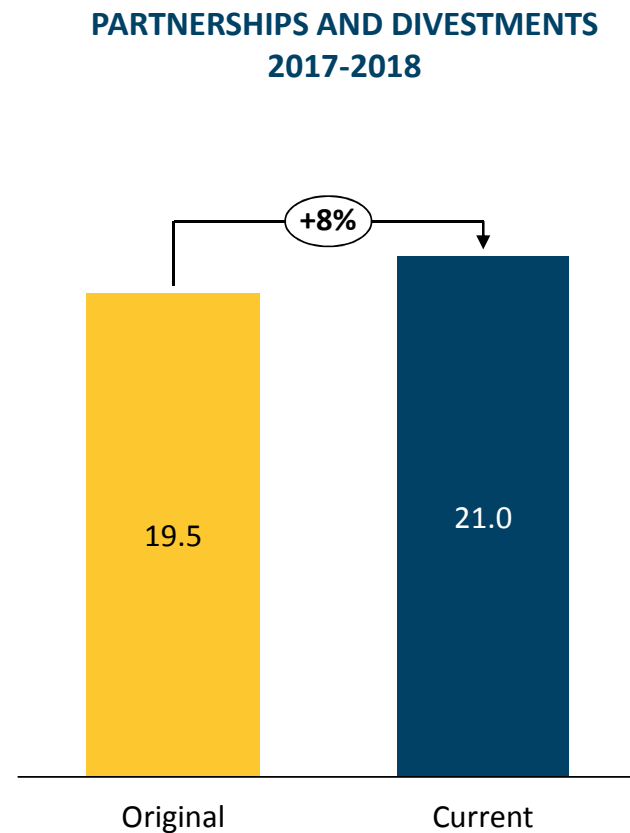
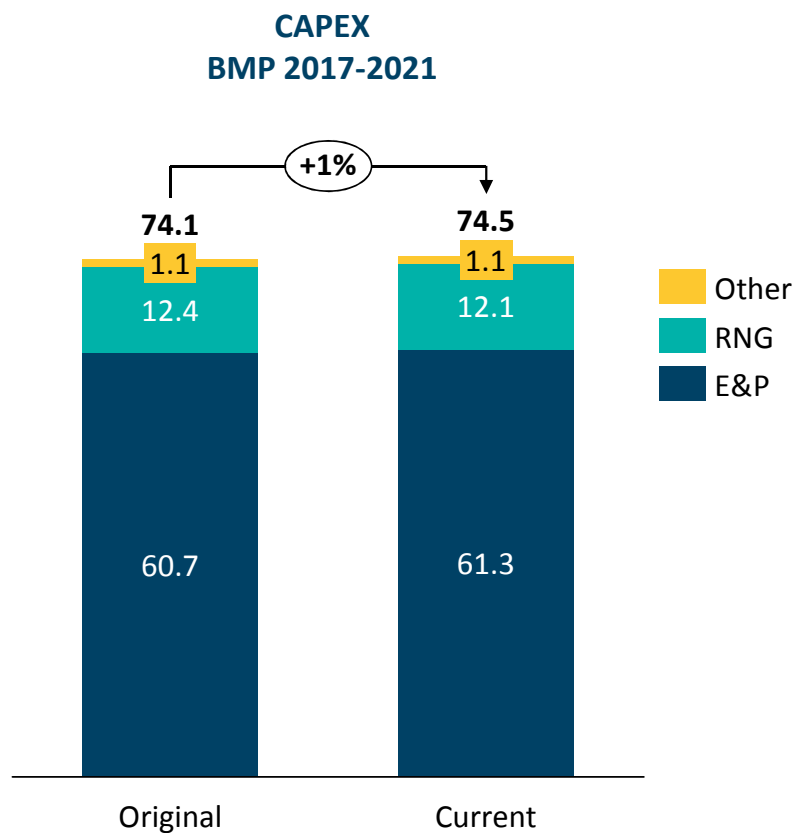


The Gasoline and Diesel Pricing Policy Report will be available quarterly in the Investor Relations website

Considering a gap of up to 2 months between the decision to import freight's arrival, the assessment within the quarter does not warrant any conclusion about the impact on imports.

# We are readjusting the BMP 2017-2021 targets, given the execution in 2016

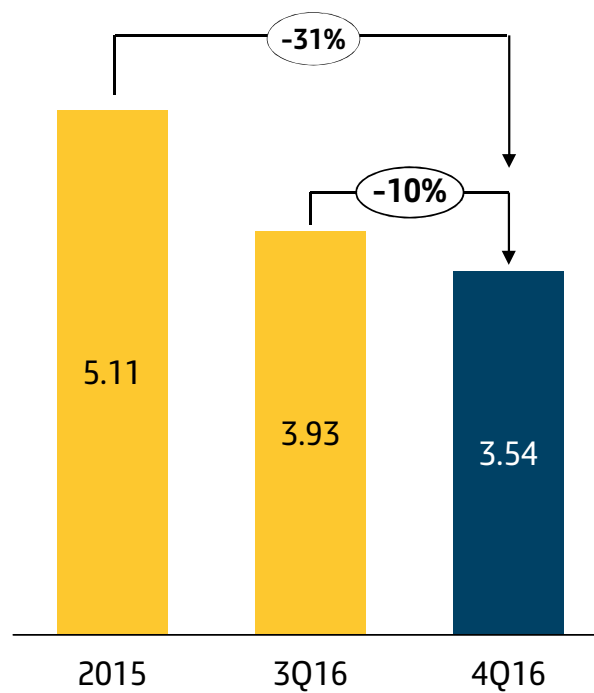
US\$ Billion



## Converging to the metric established in the 2017-21 BMP



Net Debt / EBITDA\*



\* LTM Adjusted EBITDA

An aerial photograph of an offshore oil platform in the middle of the ocean. A helicopter is parked on the deck. The platform has a complex structure of metal beams and yellow railings. The sea is a deep blue, and the sky is bright with scattered white clouds. The BR logo is visible on the right side of the image.

# RESULTS ANNOUNCEMENT 2016 / 4Q 2016