

PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
March 22, 2017

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 March, 2017

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)

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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

FINANCIAL REPORT

FOURTH QUARTER OF 2016 RESULTS

Derived from consolidated interim financial information audited by independent auditors, prepared in accordance with International Financial Reporting Standards - IFRS.

Rio de Janeiro – March 21, 2017

Main financial highlights

- Net income of R\$ 2,510 million in 4Q16, compared to a loss of R\$ 16,458 million in 3Q-2016, as a result of:
 - operating income of R\$ 11,811 million, compared to an operating loss of R\$ 10,032 million in the 3Q-2016, mainly due to lower impairment charges;
 - decrease of 25% in net finance expenses;
 - increase of 12% in exports, which reinforces the Company's position as net exporter;
 - sales, general and administrative expenses reduced by 6%; and
 - gross gains on the sale of interests in Block BM-S-8 (Carcará), totaling R\$ 2,947 million.
- Adjusted EBITDA* of R\$ 24,788 million in 4Q-2016, 11% higher than 3Q-2016 and of R\$ 88,693 million in 2016, 16% above 2015, reflecting higher diesel and gasoline margins and lower costs with imports and government take. Adjusted EBITDA margin was of 35% in the 4Q-2016.
- In 2016, free cash flow* was of R\$ 41,572 million, 2.6x above 2015, reflecting the investments reduction in 32% and the improved capital discipline. It was the seventh quarter in a row of positive free cash flow*, reaching R\$ 11,953 million in 4Q-2016, 27% lower than 3Q-2016.
- Gross debt decreased 22%, from R\$ 493,023 million as of December 31, 2015 to R\$ 385,784 million as of December 31, 2016 (a reduction of R\$ 107,239 million), due to:
 - debt pre-payment and amortization, using resources from divestments and operations; and
 - appreciation of the Brazilian real in 16.5%.
- Net debt* decreased by 20%, from R\$ 392,136 million as of December 31, 2015 to R\$ 314,120 million as of December 31, 2016.
 - In dollars, the decrease was of 4% (US\$ 4,044 million), from US\$ 100,425 million as of December 31, 2015 to US\$ 96,381 million as of December 31, 2016. In addition, the liquidity management led to an average maturity of outstanding debt to increase from of 7.14 years as of December 31, 2015 to 7.46 years as of December 31, 2016.
- There was a significant reduction of the ratio between net debt and Adjusted EBITDA*, from 5.11 as of December 31, 2015 to 3.54 as of December 31, 2016. During the same period, leverage decreased from 60% to 55%.
- Petrobras employees as of December, 31st, 2016 were 68,829, a decrease of 12% compared to 2015, due to the Voluntary Separation Incentive Plan. The workforce reduced 20%.

Main operating highlights

Average crude oil production in Brazil reached, in 2016, a yearly historic record of 2,144 thousand barrels per day (bpd), 0.75% above the previous year and aligned with the goal of 2,145 thousand bpd for the period. The Company reinforced its commitment to its planned projections for the second consecutive year. Total crude oil production in Brazil was 2,243 thousand bpd in 4Q-2016, an increase of 1% compared to 3Q-2016. In December, several production records were achieved:

- crude oil and natural gas production in Brazil and abroad reached 2,937 thousand barrels of oil equivalent per day (boed);
- crude oil and natural gas production in Brazil reached 2,811 thousand boed; and
- crude oil and natural gas production operated by Petrobras in the pre-salt layer reached 1,580 thousand boed;

In 4Q-2016, output of domestic oil products decreased by 3% to 1,810 thousand bpd. Domestic oil product sales decreased 4% to 2,001 thousand bpd, while crude oil and oil products exports increased by 13%, reaching 634 thousand bpd.

In 2016, the Company achieved the position of net exporter, due to the increase in exports of 6% and reduction in imports of 30%.

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* See definitions of Free cash flow, Adjusted EBITDa and Net Debt in glossary and the respective reconciliations of such items in Liquidity and Capital Resources, Reconciliation of Adjusted EBITDA and Debt.

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BM&F BOVESPA: PETR3, PETR4

NYSE: PBR, PBRA

BCBA: APBR, APBRA

LATIBEX: XPBR, XPBRA

This release includes forward-looking statements 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 subject to risks and uncertainties. The forward-looking statements, which address the Company's expected business and financial performance, among other matters, contain words such as "believe," "expect," "estimate," "anticipate," "optimistic," "intend," "aim," "will," "may," "should," "could," "would," "likely," and similar expressions. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. There is no assurance that the expected events, trends or results will actually occur. 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.

*See definitions of Free cash flow, Adjusted EBITDA, and Net Debt in glossary and the respective reconciliations of such items in Liquidity and Capital Resources, Reconciliation of Adjusted EBITDA and Debt.

* Table 01 - Main Items and Consolidated Economic Indicators

	R\$ million						
	Jan-Dec		2016 x 2015 (%)	4Q-2016	4Q16 X		
	2016	2015			3Q-2016	3Q16 (%)	4Q-2015
Sales revenues	282,589	321,638	(12)	70,489	70,443	–	85,103
Gross profit	89,978	98,576	(9)	22,812	23,337	(2)	26,849
Operating income (loss)	17,111	(12,391)	238	11,811	(10,032)	218	(40,895)
Net finance income (expense)	(27,185)	(28,041)	3	(5,309)	(7,122)	25	(4,928)
Consolidated net income (loss) attributable to the shareholders of Petrobras	(14,824)	(34,836)	57	2,510	(16,458)	115	(36,938)
Basic and diluted earnings (losses) per share	(1.14)	(2.67)	58	0.19	(1.26)	115	(2.83)
Market capitalization (Parent Company)	209,777	101,316	107	209,777	188,698	11	101,316
Adjusted EBITDA*	88,693	76,752	16	24,788	22,262	11	18,923
Gross margin (%)	32	31	1	32	33	(1)	32
Operating margin (%)	6	(4)	10	17	(14)	31	(48)
Net margin (%)	(5)	(11)	6	4	(23)	27	(43)
Total capital expenditures and investments	55,348	76,315	(27)	14,060	12,260	15	20,826
Exploration & Production	47,250	63,321	(25)	11,146	10,400	7	17,330
Refining, Transportation and Marketing	4,032	8,390	(52)	1,015	1,240	(18)	2,138
Gas & Power	2,426	2,581	(6)	1,439	336	328	617
Distribution	477	853	(44)	147	110	34	285
Biofuel	364	152	139	15	23	(35)	94
Corporate	799	1,018	(22)	298	151	97	362
Average commercial selling rate for U.S. dollar	3.48	3.34	4	3.30	3.25	2	3.84
Period-end commercial selling rate for U.S. dollar	3.26	3.90	(16)	3.26	3.25	–	3.90
Variation of the period-end commercial selling rate for U.S. dollar (%)	(16.5)	47.0	(64)	0.4	1.1	(1)	(1.7)
Domestic basic oil products price (R\$/bbl)	227.47	228.18	–	220.36	228.58	(4)	239.36
Brent crude (R\$/bbl)	150.89	172.66	(13)	162.90	148.87	9	167.89
Brent crude (US\$/bbl)	43.69	52.46	(17)	49.46	45.85	8	43.69
Domestic Sales Price Crude oil (U.S. dollars/bbl)	39.36						