

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, stated in millions of U.S. dollars, prepared in accordance with International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board - IASB.

Rio de Janeiro – March 21, 2017

Main financial highlights

Net income of US\$ 754 million in 4Q-2016, compared to a loss of US\$ 5,380 million in 3Q-2016, as a result of: operating income of US\$ 3,577 million, compared to an operating loss of US\$ 3,401 million in 3Q-2016, mainly due to lower impairment charges; decrease of 26% 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 7%; and gross gains on the sale of interests in Block BM-S-8 (Carcará) totaling US\$ 881 million.

Adjusted EBITDA* of US\$ 7,527 million in 4Q-2016, 10% higher than 3Q-2016 and of US\$ 25,630 million in 2016, 9% above 2015, reflecting lower costs with imports and government take. Adjusted EBITDA margin was 35% in 4Q-2016.

In 2016, free cash flow* was US\$ 12,377 million, 2.8x above 2015, reflecting the investments reduction in 36% and the improved capital discipline. It was the seventh quarter in a row of positive free cash flow*, reaching US\$ 3,630 million in the 4Q-2016, 28% lower than 3Q-2016.

Gross debt decreased 6%, from US\$ 126,262 million as of December 31, 2015 to US\$ 118,370 million as of December 31, 2016, a reduction of US\$ 7,892 million, due to debt pre-payment and amortization, using resources from divestments and operations.

Net debt* decreased 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 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 4.27 as of December 31, 2015 to 3.76 as of December 31, 2016. During the same period, leverage decreased from 60% to 55%.

- Petrobras employees, as of December 31, 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 by 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%.

* 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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www.petrobras.com.br/ir*

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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.

The Company’s actual results could differ materially from those expressed or forecast in any forward-looking statements as a result of a variety of assumptions and factors. These factors include, but are not limited to, the following: (i) failure to comply with laws or regulations, including fraudulent activity, corruption, and bribery; (ii) the outcome of ongoing corruption investigations and any new facts or information that may arise in relation to the “Lava Jato Operation”; (iii) the effectiveness of the Company’s risk management policies and procedures, including operational risk; and (iv) litigation, such as class actions or proceedings brought by governmental and regulatory agencies. A description of other factors can be found in the Company’s Annual Report on Form 20-F for the year ended December 31, 2015, and the Company’s other filings with the U.S. Securities and Exchange Commission.

* 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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Main Items and Consolidated Economic Indicators

	US\$ million						
	Jan-Dec			2016 x 4Q-2016	3Q-2016	4Q16 X	
	2016	2015	2015 (%)			3Q16 (%)	4Q-2015
Sales revenues	81,405	97,314	(16)	21,403	21,693	(1)	22,147
Gross profit	25,988	29,829	(13)	6,926	7,187	(4)	6,987
Operating income (loss)	4,308	(1,130)	481	3,577	(3,401)	205	(10,451)
Net finance income (expense)	(7,755)	(8,441)	8	(1,612)	(2,193)	26	(1,283)
Consolidated net income (loss) attributable to the shareholders of Petrobras	(4,838)	(8,450)	43	754	(5,380)	114	(9,421)
Basic and diluted earnings (losses) per share	(0.37)	(0.65)	43	0.06	(0.41)	115	(0.72)
Adjusted EBITDA *	25,630	23,518	9	7,527	6,855	10	4,924
Gross margin (%)	32	31	1	32	33	(1)	32
Operating margin (%)	5	(1)	6	17	(16)	33	(47)
Net margin (%)	(6)	(9)	3	4	(25)	29	(43)
Total capital expenditures and investments	15,859	23,058	(31)	4,269	3,776	13	5,419
Exploration & Production	13,509	19,131	(29)	3,384	3,203	6	4,510
Refining, Transportation and Marketing	1,168	2,534	(54)	308	382	(19)	556
Gas & Power	717	793	(10)	437	103	324	161
Distribution	139	255	(45)	45	34	32	74
Biofuel	96	43	123	5	7	(29)	24
Corporate	230	302	(24)	90	47	91	94
Average commercial selling rate for U.S. dollar (R\$/U.S.\$)	3.48	3.34	4	3.30	3.25	2	3.84
Period-end commercial selling rate for U.S. dollar (R\$/U.S.\$)	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 (U.S.\$/bbl)	65.52	69.46	(6)	67.00	70.46	(5)	62.30
Brent crude (U.S.\$/bbl)	43.69	52.46	(17)	49.46	45.85	8	43.69
Domestic Sales price							
Crude oil (U.S.\$/bbl)	39.36	42.16	(7)	45.71	41.77	9	33.50
Natural gas (U.S.\$/bbl)	31.29	36.24	(14)	32.80	32.21	2	32.47
International Sales price							
Crude oil (U.S.\$/bbl)	43.52	55.99	(22)	42.44	42.38	-	49.28
Natural gas (U.S.\$/bbl)	21.40	22.62	(5)	18.34	20.51	(11)	19.80
Total sales volume (Mbbbl/d)							
Diesel	780	923	(15)	707	804	(12)	907
Gasoline	545	553	(1)	553	521	6	562
Fuel oil	67	104	(36)	67	57	18	97

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Naphtha	151	133	14	164	156	5	102
LPG	234	232	1	232	248	(6)	226
Jet fuel	101	110	(8)	101	101	–	108
Others	186	179	4	178	201	(11)	169
Total oil products	2,064	2,234	(8)	2,001	2,088	(4)	2,171
Ethanol, nitrogen fertilizers, renewables and other products	112	123	(9)	104	121	(14)	126
Natural gas	333	432	(23)	332	325	2	416
Total domestic market	2,509	2,789	(10)	2,438	2,534	(4)	2,713
Crude oil, oil products and others exports	554	510	9	649	579	12	534
International sales	418	546	(23)	364	360	1	625
Total international market	972	1,056	(8)	1,013	939	8	1,159
Total	3,481	3,845	(9)	3,450	3,472	(1)	3,872

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* See definition of Adjusted EBITDA in glossary and the respective reconciliation in Reconciliation of Adjusted EBITDA.

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2016 x 2015 Results*:

Virtually all revenues and expenses of our Brazilian operations are denominated and payable in Brazilian Real. Although the fluctuation of Brazilian Real affects revenues and expenses in different ways when translated into U.S. dollars, we have only included it in the results of operations discussion when it was a contributing factor to changes in our results of operations as compared to previous periods. In 2016, the average Brazilian Real depreciated by 4% when compared to the U.S. dollar.

Gross Profit

Gross profit decreased 13% when compared to 2015, to US\$ 25,988 million in 2016, as a result of a 8% drop in the domestic oil products sales volume, mainly of diesel and fuel oil, as well as the fall in electricity generation. The reduced volume of domestic natural gas sales volumes, the lower crude oil and oil products export prices as well as the increase in depreciation due to the reduction in reserves estimates also contributed to this decrease. On the other hand, there was decrease in import costs and government take in Brazil.

Operating income

Operating income was US\$ 4,308 million in 2016, reverting the operating loss experienced in 2015. This result reflects the decrease of 50% in impairment charges, as well as the review of the provision for decommissioning costs in oil and gas producing areas in 3Q-2016, the gains derived from the sale of assets and the lower expenses with returned areas. Nevertheless, our results were impacted by the higher expenses related to the new Voluntary Separation Incentive Plan, by the reclassification of foreign exchange losses (cumulative translation adjustments – CTA, due to the PESA sale) and by higher expenses with drilling rigs idleness.

Net Finance Expense

Net finance expense of US\$ 7,755 million, US\$ 686 million lower relatively to 2015 due to the reduced foreign exchange losses and inflation indexation charges. The interest expenses increased due to the depreciation of the Brazilian Real against the U.S. dollar.

Net income (loss) attributable to the shareholders of Petrobras

The net loss attributable to the shareholders of Petrobras was US\$ 4,838 million in 2016, mainly due to the impairment of assets and impairment in investments in associates, totaling US\$ 6,375 million.

Adjusted EBITDA**

Adjusted EBITDA increased by 9% when compared to 2015, to US\$ 25,630 million in 2016, mainly due to lower expenditures with imports and government take. The Adjusted EBITDA Margin reached 31% in 2016.

Free Cash Flow **

The higher operating cash flow and lower investments resulted in a positive free cash flow* of US\$ 12,377 million, 2.8 times higher than 2015. The higher free cash flow and the results of divestments, representing cash inflows of US\$ 2,205 million, contributed to the Company's deleveraging

* Additional information about operating results of 2016 x 2015, see item 5.

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



Exploration & Production Main Indicators

	US\$ million		
	Jan-Dec		
	2016	2015	2016 x 2015 (%)
Sales revenues	33,675	35,680	(6)
Brazil	32,382	33,818	(4)
Abroad	1,293	1,862	(31)
Gross profit	8,812	10,509	(16)
Brazil	8,387	9,935	(16)
Abroad	425	574	(26)
Operating expenses	(6,789)	(13,883)	51
Brazil	(6,205)	(12,688)	51
Abroad	(584)	(1,195)	51
Operating income (loss)	2,023	(3,374)	160
Brazil	2,185	(2,751)	179
Abroad	(162)	(623)	74
Net income (Loss) attributable to the shareholders of Petrobras	1,425	(2,480)	157
Brazil	1,592	(1,629)	198
Abroad	(167)	(851)	80
Adjusted EBITDA of the segment *	15,697	14,920	5
Brazil	15,251	14,456	5
Abroad	446	464	(4)
EBITDA margin of the segment (%)	46	42	4
Capital expenditures of the segment	13,509	19,131	(29)
Average Brent crude (US\$/bbl)	43.69	52.46	(17)
Sales price - Brazil			
Crude oil (US\$/bbl)	39.36	42.16	(7)
Sales price - Abroad			
Crude oil (US\$/bbl)	43.52	55.99	(22)
Natural gas (US\$/bbl)	21.40	22.62	(5)
Crude oil and NGL production (Mbb/d)	2,224	2,227	-
Brazil	2,144	2,128	1
Abroad	55	69	(20)
Non-consolidated production abroad	25	30	(17)
Natural gas production (Mbb/d)	566	560	1
Brazil	485	469	3
Abroad	81	91	(11)
Total production	2,790	2,787	-
Lifting cost - Brazil (US\$/barrel)			
excluding production taxes	10.64	11.95	(11)
including production taxes	16.27	18.53	(12)
Lifting cost – abroad without production taxes (US\$/barrel)	5.38	8.03	(33)

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Production taxes - Brazil	4,652	5,743	(19)
Royalties	2,942	3,372	(13)
Special participation charges	1,658	2,321	(29)
Rental of areas	52	50	4
Production taxes - Abroad	226	321	(30)

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* See reconciliation in Reconciliation of Consolidated
Adjusted EBITDA Statement by Segment.

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RESULT BY BUSINESS SEGMENT

EXPLORATION & PRODUCTION

2016 x 2015

Gross Profit

Gross profit decreased due to higher depreciation, given the reduction in reserves in 2015, which was more relevant in the E&P costs breakdown than the reduction of lifting costs and government take.

The reduction in gross profit abroad is related to the sale of PESA, in Argentina, in July/2016.

Operating income

In 2016, Petrobras had operating income, compared to the operating loss experienced in 2015, due to lower impairment charges.

Abroad, operating loss reduced due to lower impairment charges and to exploratory costs in the United States.

Operating Performance

Production

Domestic crude oil and NGL production increased by 1% mainly due to the production start-up and the ramp-up of new systems: FPSO Cid. Itaguaí (Lula – Iracema Norte area), FPSO Cid. Maricá (Lula – Lula Alto area) and P-58 (Jubarte).

Domestic natural gas production increased 3% mainly due to the above-mentioned factors plus the start-up and ramp-up of the new systems: FPSO Cid. Mangaratiba (Lula –Iracema Sul area), P-62 (Roncador) and FPSO Cid. Saquarema (Lula- Lula Central area).

Crude oil and NGL production abroad decreased 20% mainly as a result of the conclusion of the sale of Petrobras Argentina S.A. (PESA) in July/2016.

Gas production abroad decreased by 11% due to the sale of PESA.

Lifting Cost

Lifting cost reduced mainly due to lower expenses related to well interventions and with maintenance of subsea systems, as well as to the higher share of pre-salt production, with lower unit cost.

Additionally, government take costs decreased as a result of lower oil prices.

Lifting cost abroad decreased due to the conclusion of PESA's sale, with higher operating costs, as well as the increase in production in the United States, with relatively lower costs.

Refining, Transportation and Marketing Main Indicators

	US\$ million		
	Jan-Dec		
			2016 x
	2016	2015	2015 (%)
Sales revenues	62,588	74,321	(16)
Brazil (includes trading operations abroad)	63,414	72,241	(12)
Abroad	2,972	5,115	(42)
Eliminations	(3,798)	(3,035)	(25)
Gross profit	14,144	13,937	1
Brazil	14,101	13,738	3
Abroad	43	199	(78)
Operating expenses	(5,425)	(5,834)	7
Brazil	(5,440)	(5,579)	2
Abroad	15	(255)	106
Operating income (loss)	8,719	8,103	8
Brazil	8,661	8,159	6
Abroad	58	(56)	204
Net income (loss) attributable to the shareholders of Petrobras	5,746	5,727	–
Brazil	5,686	5,776	(2)
Abroad	60	(49)	222
Adjusted EBITDA of the segment *	13,562	12,093	12
Brazil	13,449	12,082	11
Abroad	113	11	927
EBITDA margin of the segment (%)	22	16	6
Capital expenditures of the segment	1,168	2,534	(54)
Domestic basic oil products price (US\$/bbl)	65.52	69.46	(6)
Imports (Mbb/d)	374	533	(30)
Crude oil import	136	277	(51)
Diesel import	13	78	(83)
Gasoline import	32	28	14
Other oil product import	193	150	29
Exports (Mbb/d)	542	509	6
Crude oil export	387	360	8
Oil product export	155	149	4
Exports (imports), net	168	(24)	800
Refining Operations - Brazil (Mbb/d)			
Output of oil products	1,887	2,026	(7)
Reference feedstock	2,176	2,176	–
Refining plants utilization factor (%)	81	89	(9)
Feedstock processed (excluding NGL)	1,772	1,936	(8)
Feedstock processed	1,819	1,976	(8)
Domestic crude oil as % of total feedstock processed	92	86	7
Refining Operations - Abroad (Mbb/d)			
Total feedstock processed	126	138	(9)
Output of oil products	128	149	(14)
Reference feedstock	200	230	(13)
Refining plants utilization factor (%)	65	58	12

Refining cost - Brazil			
Refining cost (US\$/barrel)	2.58	2.46	5
Refining cost - Abroad (US\$/barrel)	3.95	4.03	(2)
Sales volume (includes sales to BR Distribuidora and third-parties)			
Diesel	733	890	(18)
Gasoline	486	496	(2)
Fuel oil	63	94	(33)
Naphtha	151	133	14
LPG	234	232	1
Jet fuel	115	126	(8)
Others	199	201	(1)
Total domestic oil products (Mbbbl/d)	1,982	2,172	(9)

*

* See reconciliation in Reconciliation of Consolidated Adjusted EBITDA Statement by Segment.

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REFINING, TRANSPORTATION AND MARKETING

2016 x 2015

Gross Profit

Gross profit slightly increased due to the following factors: (i) decrease in crude oil purchase/transfer costs, tracking lower Brent prices, (ii) the higher share of national oil on the feedstock processed and (iii) the lower share of imported oil products in our sales mix, mainly diesel. On the other hand, there was a reduction in oil export prices and in domestic sales and an increase in diesel and gasoline imports by competitors, as well as foreign exchange translation effects.

Operating Income

Operating income increased due to the higher gross profit, as well as to decrease in operating expenses, mainly tax expenses (related to the Company's decision, in 2015, to benefit from the Tax Amnesty and Refinancing Program - Programa de Recuperação Fiscal – REFIS) and legal contingencies, also occurred in 2015. Those factors were partially offset by higher impairment charges.

Operating Performance

Imports and Exports of Crude Oil and Oil Products

Net crude oil exports increased as a result of the decrease in volume processed in the refineries and of a lower share of imported crude oil on processed feedstock.

The reduction in net oil products imports, especially diesel, is due to lower domestic market along with the increase in market share of our competitors in the Brazilian market.

Refining Operations

Processed feedstock was 8% lower, mainly due to lower oil products domestic demand, to increase in imports by third parties and to the impact of scheduled stoppages in the REPLAN, RPBC, REPAR and REFAP refineries, which was partially offset by higher production in RNEST, as a result of improvements in operational efficiencies.

Refining Cost

Refining cost in U.S. dollars was 5% higher. When measured in Brazilian Reals, refining cost increased by 9% mainly reflecting higher employee compensation costs attributable to the 2016 Collective Bargaining Agreement, along with a decrease in feedstock processed.

Gas & Power Main Indicators

	US\$ million		
	Jan-Dec		
	2016	2015	2016 x 2015 (%)
Sales revenues	9,401	13,145	(28)
Brazil	9,001	12,595	(29)
Abroad	400	550	(27)
Gross profit	2,611	2,606	–
Brazil	2,548	2,509	2
Abroad	63	97	(35)
Operating expenses	(1,439)	(2,211)	35
Brazil	(1,419)	(2,184)	35
Abroad	(20)	(26)	24
Operating income (loss)	1,172	395	197
Brazil	1,129	324	248
Abroad	43	71	(39)
Net income (Loss) attributable to the shareholders of Petrobras	732	237	209
Brazil	651	136	379
Abroad	81	101	(20)
Adjusted EBITDA of the segment *	2,300	2,154	7
Brazil	2,246	2,062	9
Abroad	54	92	(41)
EBITDA margin of the segment (%)	24	16	8
Capital expenditures of the segment	717	793	(10)
Physical and financial indicators			
Electricity sales (Free contracting market - ACL) - average MW	835	858	(3)
Electricity sales (Regulated contracting market - ACR) - average MW	3,172	3,160	–
Generation of electricity - average MW	2,252	4,646	(52)
Electricity price in the spot market - Differences settlement price (PLD) - US\$/MWh	31	86	(64)
Imports of LNG (Mbb/d)	37	105	(65)
Imports of natural gas (Mbb/d)	177	200	(12)

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* See reconciliation in Reconciliation of Consolidated Adjusted EBITDA Statement by Segment.

GAS & POWER

2016 x 2015

Gross Profit

Gross profit remained stable in U.S. dollar in 2016 when compared to 2015. There were lower acquisition costs, mainly due to the reduction of natural gas and LNG imports. On the other hand, natural gas sales and electricity generation revenues decreased due to the improvement of hydrological conditions in Brazil.

Operating income

Operating income increased due to reduction in tax expenses and in impairment charges, as well as to revenues derived from contractual fines, despite higher provisions for losses with trade receivables from electrical sector in 2016.

Operating Performance

Physical and Financial Indicators

The lower volume of electricity generation was due to the improvement of the hydrological conditions, the decreased feedstock from the National Grid (SIN), impacted by the lower industrial and trade activities, as well as to the decision of the Electrical Sector Monitoring Committee (CMSE) restricting the use of plants with unit variable costs above the established limits in the first half of 2016.

There was a reduction in natural gas sales, mainly due to lower thermoelectric demand, enabling the reduction of LNG imports and of Bolivian natural gas.

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Distribution Main Indicators

	US\$ million		
	Jan-Dec		
	2016	2015	2016 x 2015 (%)
Sales revenues	27,927	33,406	(16)
Brazil	24,720	29,270	(16)
Abroad	3,207	4,136	(22)
Gross profit	2,170	2,557	(15)
Brazil	1,832	2,192	(16)
Abroad	338	365	(7)
Operating expenses	(2,084)	(2,785)	25
Brazil	(1,760)	(2,496)	29
Abroad	(324)	(289)	(12)
Operating income (loss)	86	(228)	138
Brazil	72	(305)	124
Abroad	14	77	(82)
Net Income (Loss) attributable to the shareholders of Petrobras	67	(142)	147
Brazil	66	(210)	131
Abroad	1	68	(99)
Adjusted EBITDA of the segment *	325	23	1313
Brazil	203	(84)	342
Abroad	122	107	14
EBITDA margin of the segment (%)	1	-	1
Capital expenditures of the segment	139	255	(45)
Market share - Brazil	31.1%	34.9%	(4)
Sales Volumes - Brazil (Mbbbl/d)			
Diesel	316	373	(15)
Gasoline	192	203	(5)
Fuel oil	53	90	(41)
Jet fuel	50	56	(11)
Others	96	89	8
Total domestic oil products	707	811	(13)

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* See reconciliation in Reconciliation of Consolidated Adjusted EBITDA Statement by Segment.

DISTRIBUTION

2016 x 2015

Gross Profit

Gross profit reduced in 2016 due to lower sales volumes, caused by a reduction in economic activity in Brazil.

Operating income

Operating income, as opposed to the operating loss in 2015, reflected the reduction in provision for losses with receivables from the electrical sector, despite the lower gross profit and the effect of the provision for expenses with the new Voluntary Separation Incentive Plan of Petrobras Distribuidora.

Operating Performance

Market Share - Brazil

The decrease in market share was mainly due to lower sales to thermoelectric power plants (-54%). In addition, the sales margins' policy that prioritizes the Company's profitability maximization strategy, was maintained in 2016.

Liquidity and Capital Resources

	U.S.\$ million				
	Jan-Dec		4Q-2016	3Q-2016	4Q-2015
	2016	2015			
Adjusted cash and cash equivalents* at the beginning of period	25,837	25,957	22,365	20,366	26,237
Government bonds and time deposits with maturities of more than 3 months at the beginning of period	(779)	(9,302)	(783)	(757)	(1,099)
Cash and cash equivalents at the beginning of period	25,058	16,655	21,582	19,609	25,138
Net cash provided by (used in) operating activities	26,114	25,987	7,210	8,226	6,603
Net cash provided by (used in) investing activities	(11,303)	(13,296)	(2,094)	(2,430)	(4,296)
Capital expenditures and investments in investees	(13,737)	(21,502)	(3,580)	(3,161)	