PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
November 14, 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 November, 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 ______X______ 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 ______X______

**THIRD QUARTER OF 2016 RESULTS**

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

**Rio de Janeiro November 10, 2016**

**Main financial highlights 3Q-2016 x 2Q-2016**

Net loss of R$ 16,458 million, compared to net income of R$ 370 million in the 2Q-2016, as a result of:

Impairment of assets and investment in associates of R$ 15,709 million, due to the review of assumptions, such as Brent prices and long term exchange rates, and the portfolio of investments in the context of the 2017-2021 Business and Management Plan, finalized and approved in 3Q-2016 , as well as the appreciation of the real and the increase in discount rates;

Reclassification of foreign exchange losses, due to the sale of Petrobras Argentina (PESA);

Higher expenses with the new Voluntary Separation Incentive Plan;

Provision for expenses with settlements of individual securities actions against Petrobras in New York;

Provision for assumption of debts and losses related to advance for suppliers for the construction of FPSO hulls; and

These facts were partially offset by the positive effect of the revision of decommissioning costs in oil and gas production areas, lower expenses with drilling rigs idleness and capital gains with the sale of PESA.

Positive free cash flow* for six quarters in a row, amounting to R$ 16,448, 52% above 2Q-2016, due to the increase in operating cash generation in 22% and the reduction in investments in 8%, and 3.6x higher, on an accumulated basis, than the Jan-Sep/2015 period.

Adjusted EBITDA* of R$ 21,603million in the 3Q-2016, 6 % above the 2Q-2016, due to the increase in production and exports of oil and lower expenditures with imports, amounting R$ 63.011 million on Jan-Sep/2016, 11% superior compared to Jan-Sep/2015.

Gross debt decreased 19%, from R$ 493,023 million in December 31, 2015 to R$ 398,165 million in September 30, 2016 (a R$ 94,858 million decrease), mainly due to the appreciation of the *real*. Net debt* decreased from R$ 392,136 million in December 31, 2015 to US$ 325,563 million in September 30, 2016, a 17% drop.

Net debt / LTM adjusted EBITDA* decreased from 5.31 as of December 31, 2015 to 4.07 as of September 30, 2016 and leverage decreased from 60% to 55%.

Sales, general and administrative expenses decreased 2%, despite the provision for higher labor costs due to wage increases related to the 2016 Collective Bargaining Agreement.

**Main operating highlights 3Q-2016 x 2Q-2016**

Total crude oil and natural gas production was 2,869 thousand barrels of oil equivalent per day (boed), an increase of 2% compared to the 2Q-2016.

In September, we broke several production records, among which oil and gas production in Brazil (2,753 kboed) and operated oil and gas production in the pre-salt (1,464 kboed).

Domestic oil products output decreased 3% to 1,862 thousand barrels per day (bpd), while domestic sales decreased 1% to 2,088 thousand bpd.

Crude oil and oil products exports increased 9%, to 562 thousand bpd.

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

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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, plan, aim, will, may, should, could, would, likely, and similar expressions 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.**

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| | R$ million | | | | | | |
|---|---|---|---|---|---|---|---|
| | Jan-Sep | | | | | | |
| | 2016 | 2015 | 2016 X 2015 (%) | 3Q-2016 | 2Q-2016 | 3Q16 X 2Q16 (%) | 3Q-2015 |
| **Sales revenues** | 212,100 | 236,535 | (10) | **70,443** | 71,320 | (1) | 82,239 |
| **Gross profit** | 67,166 | 71,727 | (6) | **23,337** | 22,821 | 2 | 23,755 |
| **Operating income (loss)** | 5,300 | 28,504 | (81) | **(10,032)** | 7,184 | (240) | 6,045 |
| **Net finance income (expense)** | (21,876) | (23,113) | 5 | **(7,122)** | (6,061) | (18) | (11,444) |
| **Consolidated net income (loss) attributable to the shareholders of Petrobras** | (17,334) | 2,102 | (925) | **(16,458)** | 370 | (4548) | (3,759) |
| **Basic and diluted earnings (losses) per share** | (1.33) | 0.16 | (930) | **(1.26)** | 0.03 | (4300) | (0.29) |
| **Market capitalization (Parent Company)** | 188,698 | 104,117 | 81 | **188,698** | 138,434 | 36 | 104,117 |
| **Adjusted EBITDA*** | 63,011 | 56,795 | 11 | **21,603** | 20,317 | 6 | 15,506 |
| **Gross margin (%)** | 32 | 30 | 2 | **33** | 32 | 1 | 29 |
| **Operating margin (%)** | 2 | 12 | (10) | **(14)** | 10 | (24) | 7 |
| **Net margin (%)** | (8) | 1 | (9) | **(23)** | 1 | (24) | (5) |
| **Total capital expenditures and investments** | 41,287 | 55,489 | (26) | **12,260** | 13,435 | (9) | 19,315 |
| Exploration & Production | 36,104 | 45,991 | (21) | **10,400** | 11,935 | (13) | 16,093 |
| Refining, Transportation and Marketing | 3,017 | 6,252 | (52) | **1,240** | 825 | 50 | 2,222 |
| Gas & Power | 987 | 1,964 | (50) | **336** | 359 | (6) | 529 |
| Distribution | 330 | 568 | (42) | **110** | 121 | (9) | 192 |
| Biofuel | 348 | 58 | 500 | **23** | 54 | (57) | 19 |
| Corporate | 501 | 656 | (24) | **151** | 141 | 7 | 260 |
| **Average commercial selling rate for U.S. dollar** | 3.55 | 3.17 | 12 | **3.25** | 3.51 | (7) | 3.54 |
| **Period-end commercial selling rate for U.S. dollar** | 3.25 | 3.97 | (18) | **3.25** | 3.21 | 1 | 3.97 |
| **Variation of the period-end commercial selling rate for U.S. dollar (%)** | (16.9) | 49.6 | (67) | **1.1** | (9.8) | 11 | 28.1 |
| **Domestic basic oil products price (R$/bbl)** | 229.73 | 224.53 | 2 | **228.58** | 228.95 | | 228.15 |
| **Brent crude (R$/bbl)** | 146.89 | 174.25 | (16) | **148.87** | 159.79 | (7) | 177.38 |
| **Brent crude (US$/bbl)** | 41.77 | 55.39 | (25) | **45.85** | 45.57 | 1 | 50.26 |
| **Domestic Sales Price** | | | | | | | |
| Crude oil (U.S. dollars/bbl) | 37.12 | 45.04 | (18) | **41.77** | 39.86 | 5 | 39.76 |
| Natural gas (U.S. dollars/bbl) | 32.26 | 37.45 | (14) | **32.21** | 29.90 | 8 | 35.47 |
| **International Sales price** | | | | | | | |
| Crude oil (U.S. dollars/bbl) | 43.76 | 58.25 | (25) | **42.38** | 47.24 | (10) | 55.69 |
| Natural gas (U.S. dollars/bbl) | 21.98 | 23.68 | (7) | **20.51** | 21.74 | (6) | 25.84 |
| **Total sales volume (Mbbl/d)** | | | | | | | |
| Diesel | 804 | 928 | (13) | **804** | 811 | (1) | 953 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Gasoline | 542 | 550 | (1) | **521** | 541 | (4) | 540 |
| Fuel oil | 67 | 106 | (37) | **57** | 64 | (11) | 97 |
| Naphtha | 146 | 143 | 2 | **156** | 172 | (9) | 137 |
| LPG | 234 | 234 | | **248** | 236 | 5 | 243 |
| Jet fuel | 102 | 111 | (8) | **101** | 97 | 4 | 113 |
| Others | 189 | 182 | 4 | **201** | 188 | 7 | 199 |
| **Total oil products** | 2,084 | 2,254 | (8) | **2,088** | 2,109 | (1) | 2,282 |
| Ethanol, nitrogen fertilizers, renewables and other products | 114 | 123 | (7) | **121** | 111 | 9 | 134 |
| Natural gas | 334 | 438 | (24) | **325** | 316 | 3 | 418 |
| **Total domestic market** | 2,532 | 2,815 | (10) | **2,534** | 2,536 | | 2,834 |
| Crude oil, oil products and others exports | 522 | 502 | 4 | **579** | 532 | 9 | 511 |
| International sales | 435 | 519 | (16) | **360** | 488 | (26) | 544 |
| **Total international market** | 957 | 1,021 | (6) | **939** | 1,020 | (8) | 1,055 |
| **Total** | 3,489 | 3,836 | (9) | **3,472** | 3,556 | (2) | 3,889 |

**Table 01 Main Items and Consolidated Economic Indicators**

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

**3Q-2016 x 2Q-2016 Results*:**

**Gross Profit**

Gross profit increased by 2% relative to the 2Q-2016, reaching R$ 23,337 million, mainly due to lower import expenses for oil products, crude oil and LNG, and the increase in crude oil exports. Sales revenues decreased mainly due to the disposal of Petrobras Argentina (PESA) and to the lower sales volumes of gasoline in the domestic market and oil products exports. On the other hand, there were lower operational costs abroad, mainly related to the disposal of PESA.

**Operating Losses**

Operating losses amounted to R$ 10,032 million, compared to an operating income of R$ 7,184 million in the 2Q-2016, mainly as a result of impairment[1] of R$ 15,292 million, due to the appreciation of the *real*, the increase in discount rates, the revision of the set of assumptions such as brent prices and long term exchange rates and investment portfolio of the 2017-2021 Business and Management Plan.

In addition, the operating losses are a function of the reclassification of foreign exchange depreciation losses (cumulative translation adjustments CTA, due to the PESA disposal), the higher expenses with the Voluntary Separation Incentive Program (PIDV), the provision for expenses with settlements of individual actions against Petrobras in New York and assumption of debts and losses with advances to suppliers for the construction of FPSOs hulls. Those factors were partially offset by the positive effect of the revision of decommissioning costs in oil and gas production areas[2], the lower expenses with drilling rigs idleness and capital gains with PESA disposal.

**Net Financial Expenses**

Net financial expenses reached R$ 7,122 million, 18% above 2Q-2016, mainly due to the depreciation of dollar against euro and lower appreciation of the dollar against the pound.

**Net Result**

The quarterly loss reached R$ 16,458 million, a reversal of the net income posted on 2Q-2016. This result is due, mainly, to the impairment of assets and investment in associates amounting R$ 15.709 million.

**Adjusted EBITDA and Free Cash Flow****

Adjusted EBITDA was 6% above 2Q-2016, reaching R$ 21,603 million, due to the increase in production and exports of oil and lower import expenses. The adjusted EBITDA margin was 31% in 3Q-2016. The higher operational cash flow and lower investments resulted, for the sixth consecutive quarter, in a higher positive free cash flow* of R$ 16,448 million, 1,52 times higher than 2Q-2016. This result contributes to the Company s deleveraging objective.

* Additional information about operating results of 3Q-2016 x 2Q-2016, see item 6.
1

Detailed information about impairment of assets is available at item1 of Additional Information and Financial Statements note 13.

2 For more detailed information see Financial Statements note 19.

** 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.

**Jan-Sep/2016 x Jan-Sep/2015 Results*:**

**Gross Profit**

Gross profit decreased 6% relative to Jan-Sep/2015, reaching R$ 67,166. There was a reduction on sales revenues, as a result of a 8% drop in oil products sales in the domestic market, partially offset by higher diesel and gasoline margins. In addition, the lower crude oil and oil products export prices also contributed to the decrease in income, lower activity abroad due to the disposal of PESA, as well as a fall in electricity generation and prices and a reduction in domestic natural gas sales volumes.

The company registered lower import costs and government take in Brazil, mainly due to lower crude prices and sales, and lower international activities due to the disposal of PESA. However, higher depreciation expenses occurred as a result of a decrease in reserves estimates (mainly due to lower crude oil prices), which were partially offset by a lower carrying amount of assets that were impacted by impairment losses taken in 2015.

**Operating Income**

Operating income reached R$ 5,300million in Jan-Sep/2016, a 81% decrease when compared to Jan-Sep/2015. This result is a consequence of the decrease in gross profit, impairments, reclassification of foreign exchange depreciation losses (cumulative translation adjustments CTA, due to the PESA disposal), higher expenses with drilling rigs idleness and the increase of expenses with the new PIDV and judicial contingencies, including provisions for expenses with settlements of individual actions against Petrobras in New York and provision for assumption of debts with suppliers for construction of FPSO hulls.

In addition, there was a positive effect of the revision of decommissioning costs in oil and gas production areas in 3Q-2016.

**Net Financial Expenses**

Net financial expenses of R$ 21,876 million, down R$ 1,237 relative to Jan-Sep/2015 due to the reduction of the negative impact of foreign exchange variations, partially offset by higher interest expenses as a result of the depreciation of the *real* against the dollar.

**Net Income (loss) attributable to the shareholders of Petrobras**

Net loss attributable to the shareholders of Petrobras of R$ 17,334 million in the Jan-Sep/2016, mainly due to the impairment of assets and investment in associates R$ 17,187 million.

**Adjusted EBITDA and Free Cash Flow****

Adjusted EBITDA increased 11% compared to Jan-Sep/2015, amounting to R$ 63,011, due to higher gasoline and diesel margins and lower expenditures with imports and government take. The Adjusted EBITDA Margin reached 30% in the Jan-Sep/2016 period. The higher operational cash flow and lower investments resulted in a positive free cash flow* of R$ 29,619 million, 3.6 times above Jan-Sep/2015. This result contributes to the Company s deleveraging objective.

* Additional information about operating results of Jan-Sep/2016 x Jan-Sep/2015, see item 7.
* 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.

**RESULT BY BUSINESS SEGMENT**

**EXPLORATION & PRODUCTION**

**Jan-Sep/2016 x Jan/Sep-2015**

**Gross Profit**

The decrease in gross profit is due to lower production in Brazil and abroad and the fall in Brent prices, partially offset by the depreciation of the real. Additionally, gross profit was impacted by higher depreciation costs, partially offset by lower government take.

**Operating Income**

Besides the reduction in gross profit, the decrease in operating income was mainly caused by the increase in impairments and in expenses related to drilling rigs idleness, the new PIDV and provision for assumption of debts with advances to suppliers for the construction of FPSOs hulls, partially offset by the positive effect of revision in decommissioning costs in oil and gas production areas.

**Operating Performance**

**Production**

Domestic crude oil and NGL production decreased by 1% mainly due to the increase in scheduled stoppages in 1Q-2016. As an offset, production was started-up in FPSO Cid. Maricá (Lula Lula Alto area) and FPSO Cid. Saquarema (Lula Lula Central area) and new systems were ramped-up, notably FPSO Cid. Itaguaí (Lula Iracema Norte area), FPSO Cid. Mangaratiba (Lula Iracema South area) and P-58 (Jubarte).

Natural gas production increased 2% mainly due to the start-up and ramp-up of the above mentioned systems.

**3Q-2016 x 2Q-2016**

The gross profit remained practically stable.

The operational income reduction was due to the increase in impairments, the new PIDV, provision for assumption of debts with advances to suppliers for the construction of FPSOs hulls, partially offset by lower expenses with drilling rigs idleness and the positive effect of revision in decommissioning costs in oil and gas production areas.

Domestic crude oil and NGL production increased 4% mainly due to the ramp-up of FPSO Cid. Maricá (Lula Lula Alto area) and Cid. Itaguaí (Lula Iracema Norte area), as well as the start-up of FPSO Cid. Saquarema (Lula Lula Central area).

Domestic gas production increased by 5% mainly due to the start-up and ramp-up of the above mentioned systems.

Crude oil and NGL production abroad reduced 17%, mainly due to the disposal of PESA in July/2016.

Crude oil and NGL production abroad decreased 16% mainly as a result of the sale of assets in Austral Basin fields (Argentina), in Mar/2015, associated with the conclusion of the disposal of PESA.

Gas production abroad decreased 32% due to the disposal of PESA.

Gas production abroad remained practically stable in the period, because, in spite of the sale of PESA, gas production increased in the USA due to the production ramp-up of Hadrian South field.

**Lifting Cost**

Lifting cost denominated in U.S. dollars decreased due to lower expenses with well interventions and with engineering and subsea maintenance, as well as to the higher share of pre-salt production, with lower unit cost.

Lifting cost denominated in U.S. dollars decreased due to production increases and lower expenses with offshore transportation and well intervention.

In addition, we had lower government take expenditures.

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

Lifting cost abroad decreased mainly due to the disposal of PESA, which had higher operating costs.

Lifting cost abroad decreased due to the sale of the Austral Basin fields and PESA, with higher operating costs, as well as the increase in production in the USA, with relatively lower costs.

| | R$ million | | | | | | |
|---|---|---|---|---|---|---|---|
| | Jan-Sep | | | | | | |
| | **2016** | **2015** | **2016 x 2015 (%)** | **3Q-2016** | **2Q-2016** | **3Q16 X 2Q16 (%)** | **3Q-2015** |
| **Sales revenues** | 83,370 | 89,254 | (7) | **30,073** | 29,622 | 2 | 28,847 |
| Brazil | 79,511 | 84,692 | (6) | **29,117** | 28,185 | 3 | 27,159 |
| Abroad | 3,859 | 4,562 | (15) | **956** | 1,437 | (33) | 1,688 |
| **Gross profit** | 18,760 | 27,443 | (32) | **7,898** | 8,024 | (2) | 7,947 |
| Brazil | 17,496 | 25,894 | (32) | **7,589** | 7,549 | 1 | 7,402 |
| Abroad | 1,264 | 1,549 | (18) | **309** | 475 | (35) | 545 |
| **Operating expenses** | (21,226) | (9,292) | (128) | **(12,472)** | (5,143) | (143) | (4,116) |
| Brazil | (19,740) | (8,522) | (132) | **(11,757)** | (4,585) | (156) | (3,444) |
| Abroad | (1,486) | (770) | (93) | **(715)** | (558) | (28) | (672) |
| **Operating income (loss)** | (2,466) | 18,151 | (114) | **(4,574)** | 2,881 | (259) | 3,831 |
| Brazil | (2,244) | 17,372 | (113) | **(4,168)** | 2,964 | (241) | 3,958 |
| Abroad | (222) | 779 | (128) | **(406)** | (83) | (389) | (127) |
| **Net income (loss) attributable to the shareholders of Petrobras** | (1,313) | 11,604 | (111) | **(2,870)** | 2,162 | (233) | 2,272 |
| Brazil | (1,099) | 10,757 | (110) | **(2,591)** | 2,207 | (217) | 2,316 |
| Abroad | (214) | 847 | (125) | **(279)** | (45) | (520) | (44) |
| **Adjusted EBITDA of the segment*** | 34,747 | 36,654 | (5) | **13,707** | 11,863 | 16 | 10,313 |
| Brazil | 33,559 | 34,401 | (2) | **13,619** | 11,519 | 18 | 9,851 |
| Abroad | 1,188 | 2,253 | (47) | **88** | 344 | (74) | 462 |
| EBITDA margin of the segment (%) | 42 | 41 | 1 | **46** | 40 | 6 | 36 |
| **Capital expenditures of the segment** | 36,104 | 45,991 | (21) | **10,400** | 11,935 | (13) | 16,093 |
| **Average Brent crude (R$/bbl)** | 146.89 | 174.25 | (16) | **148.87** | 159.79 | (7) | 177.38 |
| **Average Brent crude (US$/bbl)** | 41.77 | 55.39 | (25) | **45.85** | 45.57 | 1 | 50.26 |
| **Sales price Brazil** | | | | | | | |
| Crude oil (US$/bbl) | 37.12 | 45.04 | (18) | **41.77** | 39.86 | 5 | 39.76 |
| **Sales price Abroad** | | | | | | | |
| Crude oil (US$/bbl) | 43.76 | 58.25 | (25) | **42.38** | 47.24 | (10) | 55.69 |
| Natural gas (US$/bbl) | 21.98 | 23.68 | (7) | **20.51** | 21.74 | (6) | 25.84 |
| **Crude oil and NGL production (Mbbl/d)** | 2,196 | 2,232 | (2) | **2,297** | 2,223 | 3 | 2,234 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Brazil | 2,111 | 2,132 | (1) | **2,219** | 2,133 | 4 | 2,136 |
| Abroad | 59 | 70 | (16) | **52** | 63 | (17) | 69 |
| Non-consolidated production abroad | 26 | 30 | (13) | **26** | 27 | (4) | 29 |
| | | | | | | | |
| **Natural gas production (Mbbl/d)** | 567 | 558 | 2 | **572** | 581 | (2) | 566 |
| Brazil | 479 | 469 | 2 | **503** | 479 | 5 | 476 |
| Abroad | 88 | 89 | (1) | **69** | 102 | (32) | 90 |
| | | | | | | | |
| **Total production** | 2,763 | 2,790 | (1) | **2,869** | 2,804 | 2 | 2,800 |
| | | | | | | | |
| **Lifting cost Brazil (US$/barrel)** | | | | | | | |
| excluding production taxes | 10.78 | 12.40 | (13) | **10.82** | 11.00 | (2) | 11.24 |
| including production taxes | 15.58 | 19.62 | (21) | **15.76** | 17.37 | (9) | 16.92 |
| Lifting cost Brazil (R$/barrel)excluding production taxes | 37.34 | 39.16 | (5) | **34.87** | 37.64 | (7) | 40.82 |
| including production taxes | 53.65 | 63.00 | (15) | **51.06** | 58.93 | (13) | 64.33 |
| | | | | | | | |
| **Lifting cost Abroad without production taxes (US$/barrel)** | 5.43 | 7.73 | (30) | **5.12** | 5.49 | (7) | 7.21 |
| | | | | | | | |
| **Production taxes Brazil** | 10,160 | 15,087 | (33) | **3,548** | 4,453 | (20) | 5,021 |
| Royalties | 7,108 | 8,471 | (16) | **2,723** | 2,472 | 10 | 2,846 |
| Special participation charges | 2,916 | 6,489 | (55) | **779** | 1,938 | (60) | 2,132 |
| Retention of areas | 136 | 127 | 7 | **46** | 43 | 7 | 43 |
| | | | | | | | |
| **Production taxes Abroad** | 680 | 724 | (6) | **162** | 244 | (34) | 276 |

**Table 02 Exploration & Production Main Indicators**

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

## REFINING, TRANSPORTATION AND MARKETING

**Jan-Sep/2016 x Jan/Sep-2015**

**Gross Profit**

Gross profit increased due to the decrease in crude oil purchase/transfer costs, tracking lower Brent prices, the lower share of imported oil on throughput and the lower share of imported oil products in the sales mix, mainly diesel. On the other hand, there was a reduction in oil export prices. In addition, the lower economic activity and the increase in diesel imports by third parties led to a reduction in domestic oil products sales.

**Operating Income**

Operating income increased due to the higher gross profit, partially offset by higher impairments and higher expenses with the new PIDV.

**Operating Performance**

**Imports and Exports of Crude Oil and Oil Products**

Improvement in the crude oil balance due to lower imports, as a result of the decrease in throughput and a higher share of domestic crude oil on processed feedstock.

The reduction on oil products imports, especially diesel as a result of lower local demand along with the increase in imports by third parties reduced the deficit on the balance of oil products.

**Refining Operations**

Processed feedstock was 8% lower, mainly due to lower local demand. The impact from scheduled stoppages in REPLAN, REPAR and REFAP was partially offset by

**3Q-2016 x 2Q-2016**

**Gross Profit**

Gross profit decreased mainly due to the reduction of domestic sales alongside the increase on cost of goods sold, due to the sale of inventories built at higher costs in the previous quarter.

**Operating Income**

The reduction in operating income is mainly due to higher impairment charges and the reduction in gross profit.

**Imports and Exports of Crude Oil and Oil Products**

Improvement in the crude oil balance as a result of higher exports due to domestic oil production growth.

The decrease in the deficit of the oil products balance was due to lower gasoline and naphtha imports, as a result of lower demand, partially offset by the reduction of exports, especially fuel oil.

**Refining Operations**

Daily processed feedstock was 4% lower, mainly due to lower local demand for oil products. The impact of the scheduled stoppage at REPAR and the non-scheduled higher production in RNEST, as a result of the improvement in operational efficiency.

stoppages at RLAM and REDUC were offset by the resumption of operations in REFAP.

**Refining Cost**

Refining cost in USD decreased by 2%. When measured in reais, refining cost increased by 8% mainly reflecting higher labor costs due to the wage increases related to the 2015 Collective Bargaining Agreement, along with a decrease in processed feedstock.

Refining cost is USD increased 9%. When measured in reais, refining cost increased by 1% mainly due to the provision for wage increases in the 2016 Collective Bargaining Agreement and the decrease of throughput, partially offset by lower expenses with catalysts and chemical products.

| | R$ million | | | | | | |
|---|---|---|---|---|---|---|---|
| | Jan-Sep | | | | | | |
| | **2016** | **2015** | **2016 x 2015 (%)** | **3Q-2016** | **2Q-2016** | **3Q16 X 2Q16 (%)** | **3Q-2015** |
| **Sales revenues** | 163,016 | 181,400 | (10) | **53,984** | 55,947 | (4) | 63,410 |
| Brazil (includes trading operations abroad) | 164,443 | 177,634 | (7) | **55,112** | 56,220 | (2) | 63,188 |
| Abroad | 8,286 | 10,043 | (17) | **2,094** | 3,306 | (37) | 3,146 |
| Eliminations | (9,713) | (6,277) | (55) | **(3,222)** | (3,579) | 10 | (2,924) |
| | | | | | | | |
| **Gross profit** | 39,359 | 32,771 | 20 | **11,292** | 14,081 | (20) | 10,290 |
| Brazil | 39,175 | 32,095 | 22 | **11,273** | 13,798 | (18) | 10,119 |
| Abroad | 184 | 676 | (73) | **19** | 283 | (93) | 171 |
| | | | | | | | |
| **Operating expenses** | (13,867) | (10,621) | (31) | **(7,640)** | (3,736) | (104) | (5,517) |
| Brazil | (13,634) | (10,244) | (33) | **(7,626)** | (3,618) | (111) | (5,394) |
| Abroad | (233) | (377) | 38 | **(14)** | (118) | 88 | (123) |
| | | | | | | | |
| **Operating income (loss)** | 25,492 | 22,150 | 15 | **3,652** | 10,345 | (65) | 4,773 |
| Brazil | 25,541 | 21,851 | 17 | **3,647** | 10,180 | (64) | 4,725 |
| Abroad | (49) | 299 | (116) | **5** | 165 | (97) | 48 |
| | | | | | | | |
| **Net income (loss) attributable to the shareholders of Petrobras** | 17,600 | 15,717 | 12 | **2,416** | 7,208 | (66) | 3,759 |
| Brazil | 17,646 | 15,415 | 14 | **2,412** | 7,048 | (66) | 3,664 |
| Abroad | (46) | 302 | (115) | **4** | 160 | (98) | 95 |
| | | | | | | | |
| **Adjusted EBITDA of the segment*** | 37,329 | 28,093 | 33 | **10,513** | 13,398 | (22) | 6,667 |
| Brazil | 37,220 | 27,649 | 35 | **10,467** | 13,183 | (21) | 6,561 |
| Abroad | 109 | 444 | (75) | **46** | 215 | (79) | 106 |
| EBITDA margin of the segment (%) | 23 | 15 | 7 | **19** | 24 | (4) | 11 |