

Brazil Petrobras first quarter profit falls 30%, meets outlook
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Profit at Brazil's state-run oil company Petroleo Brasileiro SA fell 30% in the first quarter, the company said yesterday, meeting analysts' expectations as refining and fuels losses rose and output fell.

Petrobras, as the company is known, reported net income of 5.39 billion reais (US\$2.43 billion) in the quarter, compared with 7.69 billion reais a year earlier. The result was in line with the 5.24-billion-reais average estimate of 11 analysts surveyed by Reuters News.

Profit fell 14% from the fourth quarter.

Petrobras is struggling to implement a US\$221 billion five-year investment plan as government fuel-price controls and soaring costs starve the company of cash. Rio de Janeiro-based Petrobras has the highest debt levels and lowest profitability of any major oil company.

Petrobras' annual profit could soar if the company is more efficiently managed and freed by the government to raise domestic gasoline and diesel prices in line with world prices, Paula Kovarsky, an oil company analyst at Banco Itau BBA in Sao Paulo, wrote on Thursday in a note to investors. She said profit under those conditions could rise by more than half in 2014 from 2013 to 36.2 billion reais.

Profit in the first quarter fell despite a jump in revenue.

Net sales, or sales minus sales taxes, rose 12% to 81.5 billion reais, compared with 72.5 billion reais a year earlier. The figure, boosted by fuel-price increases last year, was also in line with the survey estimate.

Several factors eroded the higher revenue.

The refining and supply unit lost 4.81 billion reais in the quarter, 13% more than a year earlier as fuel imports continued to drag on results.

Petrobras' average oil and natural gas output in the first quarter was the lowest in five years, the result of falling flows from older fields and delays in bringing massive new offshore areas on line.

Chief executive officer Maria das Gracas Foster said in the earnings statement that the company will meet its target of boosting output by 7.5% in 2014.

Petrobras also wrote off a net 1.6 billion reais in the quarter for a voluntary retirement plan that will cut its workforce by about 8,300 people. The move aims to save 13 billion reais by the end of 2018.

Brazil's currency was 15% weaker in the quarter than a year earlier. This meant the company must use more local currency to import each dollar-denominated barrel of fuel imports, wiping out part of November's fuel-price increase.

Brazilian domestic fuel prices have been held below world prices as part of a government effort to control inflation.

Earnings before interest, taxes, depreciation and amortization, or EBITDA, a measure of the company's ability to generate cash from operations, fell 12% to 14.3 billion reais. The EBITDA result was 9.1% below expectations. – Reuters, May 10, 2014

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