PETROBRAS

PETROBRAS DISTRIBUIDORA S.A.
CNPJ Nº 34 274 233/0001-02 - COMPANY OF THE PETROBRAS GROUP



QUARTELY INFORMATION - ITR
AT MARCH 31, 2018

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Report on the review of the individual and consolidated interim financial statements

(A free translation of the original report in Portuguese, as filed with the Brazilian Securities and Exchange Commission (CVM), prepared in accordance with the accounting policies adopted in Brazil, CVM rules and the International Financial Reporting Standards - IFRS)

To the Members of the Board and Stockholders of
Petrobras Distribuidora S.A
Rio de Janeiro - RJ

Introduction

We have reviewed the accompanying March 31, 2018 individual and consolidated interim financial information of Petrobras Distribuidora S.A. ("Company") which comprise the individual and consolidated statement of financial position as of March 31, 2018 and the individual and consolidated statements of profit or loss and comprehensive income for the three month periods then ended, and the individual and consolidated statements of changes in equity and cash flows for the three-month period then ended, including the notes to the interim financial information.

Management is responsible for preparation and presentation of this consolidated interim financial information in accordance with Technical Pronouncement CPC 21(R1) – Interim Financial Reporting and with the international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, and in accordance with standards issued by the Brazilian Securities Commission – CVM, applicable to the preparation of –interim financial information. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review

We conducted our review in accordance with the Brazilian and International Standards for Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Information Performed by the Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical procedures and other review procedures. A review is substantially less in scope than that of an audit conducted in accordance with Brazilian and International Auditing Standards and, consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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KPMG Auditores Independentes, a Brazilian entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Conclusion on the interim individual financial information
Based on our review, nothing come to our attention that causes us to believe that the accompanying March 31, 2018 individual interim financial information is not prepared, in all material respects, in accordance with the CPC 21 (R1), and presented accordance with the standards issued by CVM.

Conclusion on the interim consolidated financial information
Based on our review, nothing come to our attention that causes us to believe that the accompanying March 31, 2018 consolidated interim financial information is not prepared, in all material respects, in accordance with the CPC 21 (R1) and IAS 34, and presented accordance with the standards issued by CVM.

Emphasis – Effect of the Car Wash Operation on the Company's operating activities
We wish to highlight note 1.2 to the interim accounting information, which describes that: i) we have not identified, so far, any additional information that would significantly affect the calculation method adopted to establish the write-off with undue payments recorded on September 30, 2014; and ii) internal investigations conducted by independent law firms, under the direction of a Special Committee formed by the Company's controlling shareholder, are still ongoing, and so far no additional impact has been identified, other than what was disclosed in the interim financial statements. Our report is not modified due to this matter.

Other matters

Statement of value added
Interim, individual and consolidated accounting information relating to the statements of value added (DVA) for the three-month period ended March 31, 2018, prepared under the Company directors' responsibility, presented as additional information for the purposes of IAS 34, was submitted to revision procedures carried out jointly with the review of the Company's quarterly information - ITR. In order to reach our conclusion, we have assessed whether these statements are reconciled with the interim accounting information and accounting records, as applicable, and if its form and content are in accordance with the criteria defined in the Technical Pronouncement CPC 09 – Statement of Value Added. Based on our review, we are not aware of any fact that could lead us to believe that the aforementioned value added statements have not been prepared, in all material respects, consistent with the interim, individual and consolidated accounting information taken as a whole.

Rio de Janeiro, May 04, 2018

KPMG Auditores Independentes
CRC SP-014428/O-6 F-RJ
Original report in Portuguese signed by
Carla Bellangero
Contadora CRC 1SP196751/O-4

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Petrobras Distribuidora S.A.
Statements of financial position
March 31, 2018 and December 31, 2017
(In millions of reais)

		Consolidated		Parent company	
Asset	**Note**	**3/31/2018**	**12/31/2017**	**3/31/2018**	**12/31/2017**
Current					
Cash and cash equivalents	5	1,105	483	876	257
Net accounts receivable	6	4,894	5,528	5,041	5,574
Inventories	7	3,076	3,245	3,054	3,224
Advances to suppliers		34	74	34	74
Income and social contribution taxes		166	151	164	150
Taxes and contributions recoverable	8	438	522	394	483
Advanced bonuses awarded to clients	10	531	514	531	514
Prepaid expenses		61	40	61	40
Other current assets		113	146	111	144
		10,418	**10,703**	**10,266**	**10,460**
Non-current assets					
Long-term					
Net accounts receivable	6	374	376	360	376
Judicial deposits	11	1,017	1,000	994	977
Taxes and contributions recoverable	8	549	541	477	469
Deferred income and social contribution taxes	9	3,091	3,162	3,071	3,150
Advanced bonuses awarded to clients	10	1,444	1,469	1,444	1,469
Prepaid expenses		190	182	190	182
Other noncurrent assets		25	24	20	19
		6,690	**6,754**	**6,556**	**6,642**
Capital expenditure	12	34	36	319	334
Property, plant and equipment	13	5,780	5,816	5,292	5,338
Intangible assets	14	450	453	448	451
		12,954	**13,059**	**12,615**	**12,765**
Total Assets		**23,372**	**23,762**	**22,881**	**23,225**

See the accompanying notes to the financial statements.

Petrobras Distribuidora S.A.

Statements of financial position

March 31, 2018 and December 31, 2017

(In millions of reais)

		Consolidated		Parent company	
Liabilities	**Note**	**3/31/2018**	**12/31/2017**	**3/31/2018**	**12/31/2017**
Current					
Trade payables	15	2,318	2,682	2,272	2,645
Financing	16	257	185	147	78
Assignment of credit receivables	30.2	13	26	-	-
Financial leases	17.1	29	29	118	126
Customer advances	18	332	363	326	355
Income and social contribution taxes		1	1	-	-
Taxes and contributions payable	19	259	277	249	269
Interest on shareholders' equity		574	273	574	273
Payroll, vacations and related charges		224	219	222	217
Voluntary redundancy incentivization plan	20.3	30	8	30	8
Pension and health plan	20	140	134	140	134
Other accounts and expenses payable		153	216	187	250
		4,330	**4,413**	**4,265**	**4,355**
Non-current					
Financing	16	4,328	4,455	3,545	3,550
Financial leases	17.1	44	43	405	474
Pension and health plan	20	3,997	3,932	3,993	3,928
Provision for judicial and administrative proceedings	27	2,151	2,079	2,151	2,078
Other accounts and expenses payable		12	14	12	14
		10,532	**10,523**	**10,106**	**10,044**
		14,862	**14,936**	**14,371**	**14,399**
Equity	21				
Paid-in capital		6,352	6,352	6,352	6,352
Profit reserves		3,581	3,897	3,581	3,897
Equity appraisal adjustment		(1,423)	(1,423)	(1,423)	(1,423)
		8,510	**8,826**	**8,510**	**8,826**
Total Liabilities		**23,372**	**23,762**	**22,881**	**23,225**

See the accompanying notes to the financial statements.

Petrobras Distribuidora S.A.

Statements of income

Periods ended March 31, 2018 and 2017

(In millions of reais, except for net income per share)

	Note	Consolidated		Parent company	
		Three-month period ended March 31		Three-month period ended March 31	
		2018	2017	2018	2017
Revenue from goods sold and services rendered	22	22,499	20,049	22,361	19,971
Cost of goods sold and services rendered	24	(20,982)	(18,568)	(20,858)	(18,498)
Gross profit		**1,517**	**1,481**	**1,503**	**1,473**
Operating expenses					
Sales	24	(708)	(703)	(700)	(698)
General and administrative	24	(190)	(205)	(185)	(201)
Tax	24	(27)	(37)	(27)	(36)
Other net expenses	23	(135)	(110)	(136)	(110)
		(1,060)	**(1,055)**	**(1,048)**	**(1,045)**
Net income before financial income/loss and taxes		**457**	**426**	**455**	**428**
Financial	25				
Expenses		(94)	(431)	(105)	(438)
Revenue		84	138	77	129
Exchange and monetary variance, net		(36)	145	(22)	165
		(46)	**(148)**	**(50)**	**(144)**
Equity earnings	12	**(1)**	**(2)**	**4**	**(9)**
Income before tax		**410**	**276**	**409**	**275**
Income and social contribution taxes	9				
Current		(1)	(67)	-	(66)
Deferred charges		(162)	(53)	(162)	(53)
		(163)	**(120)**	**(162)**	**(119)**
Net income for the period		**247**	**156**	**247**	**156**
Basic and diluted net income per common share - R$		0.21	0.13	0.21	0.13

Share capital consists of 1,165,000,000 common shares

See the accompanying notes to the financial statements.

Petrobras Distribuidora S.A.

Statements of comprehensive income

Periods ended March 31, 2018 and 2017

(In millions of reais)

	Consolidated		Parent company	
	Three-month period ended March 31		Three-month period ended March 31	
	2018	2017	2018	2017
Net income for the period	247	156	247	156
Other comprehensive income	-	-	-	-
Comprehensive income for the period	**247**	**156**	**247**	**156**

See the accompanying notes to the financial statements.

Petrobras Distribuidora S.A.

Statements of changes in equity

Periods ended March 31, 2018 and 2017

(In millions of reais)

	Consolidated									Parent company
		Profit reserves						Other comprehensive		
	Share capital subscribed and paid in	Legal	Statutory	Retention Profit reserves	Additional dividends proposed / interest on shareholders' equity	Tax incentives	Retained earnings (accum.) losses	Equity appraisal adjustment	Total equity net	Total equity net
At January 1, 2017	**6,352**	**807**	**270**	**1,968**	**-**	**-**	**-**	**(1,987)**	**7,410**	**7,410**
Net income for the period	-	-	-	-	-	-	156	-	156	156
At March 31, 2017	**6,352**	**807**	**270**	**1,968**	**-**	**-**	**156**	**(1,987)**	**7,566**	**7,566**
At December 31, 2017	**6,352**	**865**	**270**	**1,942**	**819**	**1**	**-**	**(1,423)**	**8,826**	**8,826**
Adjustment – initial adoption of CPC 48	-	-	-	-	-	-	(177)	-	(177)	(177)
At January 1, 2018	**6,352**	**865**	**270**	**1,942**	**819**	**1**	**(177)**	**(1,423)**	**8,649**	**8,649**
Net income for the period	-	-	-	-	-	-	247	-	247	247
Interest on shareholders' equity	-	-	-	-	(386)	-	-	-	(386)	(386)
At March 31, 2018	**6,352**	**865**	**270**	**1,942**	**433**	**1**	**70**	**(1,423)**	**8,510**	**8,510**

See the accompanying notes to the financial statements.

Petrobras Distribuidora S.A.
Statements of cash flows
Periods ended March 31, 2018 and 2017
(In millions of reais)

	Note	Consolidated Three-month period ended March 31		Parent company Three-month period ended March 31	
		2018	2017	2018	2017
Cash flows from operating activities					
Net income for the period		247	156	247	156
Adjustments to:					
Income and social contribution taxes	9	163	120	162	119
Depreciation and amortization	24	106	112	105	111
Income on the sale/derecognition of assets		(1)	(4)	(1)	(4)
Expected credit losses, net of reversal	6	(1)	(20)	1	(20)
Earnings on material interests		1	2	(4)	9
Appropriation of early bonuses awarded to customers		121	125	121	125
Appropriation of insurance, rent and other		15	21	15	21
Net monetary and exchange variance		43	174	44	162
Actuarial expense on pension and health plans	20	109	125	109	125
Provision for legal proceedings		72	61	72	60
Provision for voluntary redundancy incentivization	20.3	22	(21)	22	(21)
Other adjustments		(65)	5	(65)	4
Decrease (increase) in assets					
Accounts receivable		187	357	122	302
Inventories		214	442	215	443
Advanced bonuses awarded to clients		(113)	(90)	(113)	(90)
Prepaid expenses		(45)	(54)	(45)	(54)
Judicial Deposits		(5)	-	(5)	-
Other assets		36	(62)	36	(61)
Increase (decrease) in liabilities					
Trade payables		(355)	(523)	(363)	(542)
Income and social contribution taxes paid		-	(60)	-	(59)
Taxes and contributions		(65)	(41)	(59)	(35)
Pension and health plan		(38)	(24)	(38)	(24)
Voluntary redundancy incentivization plan	20.3	(1)	(77)	(1)	(77)
Other liabilities		(18)	14	(16)	26
Net cash provided by operations		**629**	**738**	**561**	**676**
Investment activities					
Additions of PPE and intangible assets		(71)	(63)	(70)	(58)
Receipt from the sale of assets		-	12	-	12
Investments in FIDC		233	(419)	231	(425)
Net cash produced by (used in) investment activities		**162**	**(470)**	**161**	**(471)**
Financing activities					
Financing					
Amortization of principal	16.3.1	(100)	(99)	-	(9)
Amortization of interest	16.3.1	(53)	(221)	-	(163)
Financial leases	17.1.2	(2)	(2)	(102)	(99)
Assignment of credit receivables - FIDC-NP	30.2.1	(14)	(5)	(1)	-
Net cash used in financing activities		**(169)**	**(327)**	**(103)**	**(271)**
Net change in cash and cash equivalents in the year		**622**	**(59)**	**619**	**(66)**
Cash and cash equivalents at beginning of year		**483**	**655**	**257**	**442**
Cash and cash equivalents at end of year		**1,105**	**596**	**876**	**376**
Transactions not involving cash					
Use of tax credits and judicial deposits in the payment of contingencies		3	7	3	7

See the accompanying notes to the financial statements.

Petrobras Distribuidora S.A.

Statements of added value

Periods ended March 31, 2018 and 2017

(In millions of reais)

	Consolidated		Parent company	
	Three-month period ended March 31		Three-month period ended March 31	
	2018	2017	2018	2017
Revenue				
Sales of products and services and other revenues	27,942	24,960	27,763	24,865
Expected credit losses	1	20	(1)	20
Revenue relating to construction of assets for use	63	45	54	40
	28,006	**25,025**	**27,816**	**24,925**
Inputs acquired from third parties				
Raw materials and resale goods	20,755	18,092	20,639	18,028
Materials, energy, outsourced services and other	800	1,044	785	1,031
Tax credits on consumables acquired	763	721	763	721
	22,318	**19,857**	**22,187**	**19,780**
Gross value added	**5,688**	**5,168**	**5,629**	**5,145**
Retentions				
Depreciation and amortization	106	112	105	111
Added value produced by the Company	**5,582**	**5,056**	**5,524**	**5,034**
Transferred value added				
Equity earnings	(1)	(2)	4	(9)
Financial revenue - includes monetary and exchange variance	98	327	91	315
Rental and royalties	65	66	65	66
	162	**391**	**160**	**372**
Added value to be distributed	**5,744**	**5,447**	**5,684**	**5,406**

See the accompanying notes to the financial statements.

Petrobras Distribuidora S.A.

Statements of added value

Periods ended March 31, 2018 and 2017

(In millions of reais)

	Consolidated		Parent company	
	Three-month period ended March 31		Three-month period ended March 31	
	2018	2017	2018	2017
Distribution of added value				
Personnel and management				
Direct compensation				
Salaries	182	208	177	204
Benefits				
Advantages	21	23	20	23
Retirement and pension plan	87	47	87	47
Health care plan	64	77	63	76
Government Severance Indemnity Fund for Employees (FGTS)	17	18	16	18
	371	**373**	**363**	**368**
Taxes				
Federal	343	222	327	214
State	4,526	4,113	4,501	4,101
Municipal	16	19	16	19
	4,885	**4,354**	**4,844**	**4,334**
Financial institution and trade payables				
Interest, monetary and exchange variance	153	476	142	459
Rental expenses	88	88	88	89
	241	**564**	**230**	**548**
Shareholders				
Retained earnings	247	156	247	156
	247	**156**	**247**	**156**
Added value distributed	**5,744**	**5,447**	**5,684**	**5,406**

See the accompanying notes to the financial statements.

1 General considerations

1.1 Reporting Entity

Petrobras Distribuidora S.A. ("Company" or "BR") is a mixed-capital company domiciled in Brazil. It was incorporated on November 12, 1971 and is a subsidiary of Petróleo Brasileiro S.A. - "Petrobras". Its core activities are the distribution, transportation, trading, processing and manufacturing of oil based products and other fuels, the production, transportation, distribution and trading of all energy forms, chemical products and asphalt, the provision of related services and the importing and exporting of items related to said products and activities. The company's head office is located in Rio de Janeiro, Rio de Janeiro state.

1.2 Operation Car Wash and its impacts on the Company

In the third quarter of 2014 the Company wrote off capitalized expenditure of R$ 23, related to estimated additional amounts the Company paid to acquire property, plant and equipment assets in previous years. For further information about Operation Car Wash (Lava Jato), see item 1.2 of the annual audited financial statements for the financial year ended December 31, 2017.

The Company used all available information in the preparation of the interim financial statements for the period ended March 31, 2018, there being no further information in its possession that might have affected the calculation methodology used and, consequently, the recording of supplementary write-offs. The Company monitored the Operation Car Wash investigations conducted by the Brazilian authorities, and the internal investigation conducted by independent law firms. No new information has been identified which would change the write-off of additional unduly capitalized expenditure recognized in third quarter of 2014 or that materially impacts the Company's methodology. The Company will continue to monitor the investigations to obtain any additional information and assess its impact on the adjustments made.

The Company may be entitled to receive part of any funds agreed to be returned by companies entering into plea bargaining or cooperation agreements under Operation Car Wash. However, the Company cannot reliably estimate any additional recoverable amount at this time. These amounts will be credited to profit or loss for the year as

Other net expenses upon receipt when the realization thereof is basically a foregone conclusion.

We have also taken the measures necessary to reverse the damage caused by the corruption scheme, including the damage to our corporate repute.

With this objective and in conjunction with the Government we filed a public civil action to have the procurement procedure annulled for the Rondonópolis base, and to compensate any losses inflicted on the company.

By the end of the financial year ended December 31, 2017, the Company had accordingly recognized the reimbursement of Operation Car Wash expenses in the accumulated amount of R$ 5 in Other net expenses. There were no receipts in the first quarter of 2018.

The Company is unwavering in its commitment to continue cooperating to clarify the facts and report them to our investors and the general public on a regular basis.

2 Basis of presentation of the interim financial information

The consolidated interim accounting information is being presented in accordance with the accounting practices adopted in Brazil for interim statements (Technical Pronouncement - CPC 21 (R1) - Interim Financial Reporting) and IAS 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB).

The individual interim accounting information is being presented in accordance with the accounting practices adopted in Brazil for interim statements (Technical Pronouncement - CPC 21 (R1) - Interim Financial Reporting).

This interim accounting information is being presented with the material changes made in the period, without repeating certain notes disclosed previously. This interim financial information should therefore be read in conjunction with the Company's annual financial statements for the financial year ended December 31, 2017, which include the full set of notes.

The Company's Board of Directors approved the disclosure of these financial statements at a meeting held on May 4, 2018.

2.1 Statement of added value

Brazilian corporate legislation requires listed companies prepare Statements of Added Value - DVAs and disclose them as an integral part of their financial reporting package. These statements have been prepared in accordance with CPC 09 – Statement of Added Value, as approved by CVM Resolution 557/08. The presentation of this statement is not mandatory under IFRS, and said statement is being presented as additional information for the purpose of IFRS.

This statement aims to present information about the wealth created by the Company and the way in which this wealth was distributed.

2.2 Basis of measurement

The interim financial statements have been prepared on the historical cost basis, except for financial statements at fair value through profit or loss and the defined-benefit actuarial liability, recognized as the fair value of the plan's assets, deducted from the present value of the defined-benefit obligation.

3 Use of judgments and estimates

In preparing these interim financial statements, management has made judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Significant judgments made by management in the application of the accounting policies and the main sources of estimate uncertainties were the same as those applied and disclosed in note 3 to the consolidated financial statements for the financial year ended December 31, 2017.

4 Significant accounting policies

The accounting practices and calculation methods used in the preparation of the consolidated quarterly information is the same as that used in the preparation of the Company's annual financial statements for the financial year ended December 31, 2017, except the adoption from January 01, 2018 of the requirements set out in the pronouncements: IFRS 9 Financial Instruments, used as the basis for CPC 48 Financial instruments and IFRS 15 Revenue from Contracts with Customers, used as the basis

for CPC 47 Revenue from Contracts with Customers. Other new standards came into force on January 1, 2018 but did not affect the presentation of the Company's financial statements.

4.1 IFRS 9 - Financial Instruments

Amongst other requirements, IFRS 9 introduces new requirements for: the classification and measurement of financial assets, the measurement and recognition of financial asset impairment, changes to the terms of financial assets and liabilities, hedge accounting and reporting.

According to the transitory provisions set out in IFRS 9, the Company did not re-present its financial statements for prior periods in relation to the new requirements regarding: the classification and measurement of financial assets, financial asset impairment and changes to the terms of financial assets and liabilities. In this case, the differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 on January 01, 2018 were recognized in retained earnings in the shareholders' equity. Information about the consolidated impacts as of January 1, 2018 can be seen in the statement of changes in shareholders' equity.

As a result of adopting IFRS 9, the Company adopted amendment to IAS 1 Presentation of Financial Statements which require that results relating to: interest revenue calculated by using the effective interest rate method and impairment losses (including reversals) be presented separately in the statement of income.

See below the main accounting practices adopted from January 01, 2018 adopted due to the requirements of IFRS 9:

4.1.1 Classification and measurement of financial assets

Financial assets are classified and measured based on the business model in which assets are managed and their cash flow characteristics, as follows:

a) Amortized cost: financial asset whose contractual cash flow results only from the receipt of principal and interest on the principal on specific dates and whose business model aims to maintain the asset in order to receive its contractual cash flows;

b) Fair value through other comprehensive income: financial asset whose contractual cash flow results only from the receipt of principal and interest on the principal on specific dates and whose business model aims to both receive its contractual cash flows and sell it; and

c) Fair value through profit or loss: all other financial assets.

4.1.2 Modification of contractual cash flow from financial assets and liabilities

The carrying balances of financial assets or liabilities measured at amortized cost whose contractual terms have been modified do not substantially reflect the present value of their cash flows on the new terms, using the original effective interest rate. The difference between the carrying amount of the remeasured instrument and the non-substantial modification of its terms and its carrying amount immediately prior to such modification is recognized as a gain or loss in profit or loss for the period.

4.1.3 Impairment of financial assets

The provision for expected credit losses is recognized in financial assets measured at amortized cost, including lease receivables and those measured at fair value through other comprehensive income.

The Company recognizes a provision for expected credit losses short-term trade accounts receivable by using the matrix of provisions based on historical experience in unadjusted credit losses when such information is reasonable and supportable, or adjusted based on current observable data to reflect the effects of the current and future conditions providing such data is available without undue cost or effort.

For other financial instruments the Company recognizes a provision at an amount equal to the expected credit loss (whole life) when the credit risk of the financial instrument has risen significantly since initial recognition. If such risk has not risen significantly, the expected credit losses are measured at an amount equal to the expected credit losses for the next 12 months.

Significant increase in credit risk

When assessing the significant increase in credit risk, the Company compares the default risk posed by the financial instrument at the reporting date against the

default risk in the financial instrument at initial recognition. For this the Company uses the following metrics amongst others: real or expected significant change in the external credit rating of the financial instrument and information about payment delays.

Regardless of how the significant increase in credit risk is assessed, the Company assumes that the credit risk of a financial asset increased significantly since its initial recognition when the contractual payments are more than 30 days overdue, except when there is reasonable and sustainable information available demonstrating otherwise.

The Company assumes that a financial investment's credit risk has not increased significantly since initial recognition when the financial instrument has a low credit risk at the reporting date. For these purposes, the financial instrument's credit risk is deemed low if the financial instrument has a low default risk; the borrower has substantial capacity to honor its contractual cash flow obligations in the short-term and adverse changes to business and economic conditions in the long-term could, but will not necessarily, reduce the borrower's capacity to honor its contractual cash flow obligations.

Default definition

The Company considers that default has occurred for short and long-term trade accounts receivable in the event of a contractual late payment more than 90 (ninety) days past due. For other financial assets, default occurs when the counterparty does not honor the legal obligation to pay its debts when due.

Measurement and recognition of expected credit losses

The expected credit loss on a financial asset is measured as the difference between the contractual cash flows owed to the Company and all the cash flows the Company expects to receive, discounted to the original effective rate, weighted by the respective default risks.

The expected credit loss is measured according to: probability of default, loss assigned to the default (the size of the loss if default occurs) and exposure to default.

Assessing the default probability takes into account the publications of the main risk rating agencies and internal valuation methodologies. The loss assigned to default

includes the probability of expected cash flows from enforcing the guarantee (collateral assets) and other credit enhancements comprising the contractual terms, less the costs to obtain and sell the guarantee. Exposure to the default consists of the gross carrying amount of the financial asset at the reporting date.

The Company recognizes the provisions for impairment on financial assets measured at amortized cost as gains or losses in profit or loss.

The Company and its consolidated investees applied the new methodology and identified additional impairment losses in financial assets as of January 01, 2018, especially accounts receivable under client contracts of R$ 268. The impact on shareholders' equity in retained earnings in R$ 177, net of tax.

The table below presents the new measurement categories as of January 1, 2018, pursuant to IFRS 9.

			Consolidated	
Financial Assets	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original value as per IAS 39**	**New balance, following adoption of IFRS 9**
Cash and banks	Loans and receivables	Amortized cost	261	261
Short-term investments			222	222
Accounts receivable (*)			5,880	5,612
Judicial deposits			1,000	1,000

(*) Does not include tax credit rights (R$ 24) that are measured at fair value through profit or loss.

The expected credit losses for accounts receivable at January 01, 2018 are presented below:

	Gross accounts receivable	**Expected credit losses**	**Accounts receivable net of Expected credit losses**
Overdue by			
Up to 3 months	296	71	225
3 to 6 months	43	20	23
6 to 12 months	124	52	72
Over 12 months	6,140	5,956	184
Total	**6,603**	**6,099**	**504**
Neither past due nor impaired (excluding FIDC operation)	4,886	124	4,762
FIDC	370	-	370
Total	**11,859**	**6,223**	**5,636**

4.2 IFRS 15 - Revenue from Contracts with Customers

The Company determined when (or how much) and for what amounts revenue from contracts with customers should be recognized according to the five-step model framework below: 1) Identify the contract(s) with a customer; 2) Identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations in the contract; 5) recognize revenue when (or as) the entity satisfies a performance obligation. A performance obligation is considered satisfied when (or to the extent that) the customer retains control over the promised good or service.

The adoption of IFRS 15 will not have an impact on the Company's financial statements.

5 Cash and cash equivalents

	Consolidated		Parent company	
	3/31/2018	12/31/2017	3/31/2018	12/31/2017
Cash and banks	262	261	260	257
Short-term investments	843	222	616	-
Total	**1,105**	**483**	**876**	**257**

The financial investments corresponding to the country's investment funds have their resources invested in Brazilian federal public securities and are immediately redeemable. If redemption occurs within the first 30 days of the investment, the IOF tax shall apply at the regressive rate.

6 Net accounts receivable

	Consolidated		Parent company	
	3/31/2018	12/31/2017	3/31/2018	12/31/2017
Related parties (note 30)				
Credit receivables investment fund - FIDC - NP (note 30.2)	148	370	136	356
Electric sector - Insulated system (note 6.2)	2,973	2,992	2,973	2,992
Federal government receivables	81	75	81	75
Companies comprising the Petrobras group, except for the electric sector - insulated system	252	423	483	603
Total related parties	**3,454**	**3,860**	**3,673**	**4,026**
Third parties				
Trade accounts and other receivables (a)	7,013	6,982	6,862	6,819
Electric sector - insulated system - third parties (note 6.2)	1,020	1,017	1,020	1,017
Total third parties	**8,033**	**7,999**	**7,882**	**7,836**
Total accounts receivable (note 6.1)	**11,487**	**11,859**	**11,555**	**11,862**
Expected credit losses				
Third parties	(3,219)	(2,941)	(3,154)	(2,898)
Related-party transactions	(3,000)	(3,014)	(3,000)	(3,014)
Total expected credit losses	**(6,219)**	**(5,955)**	**(6,154)**	**(5,912)**
Net accounts receivable	**5,268**	**5,904**	**5,401**	**5,950**
Net accounts receivable (current)	4,894	5,528	5,041	5,574
Net trade receivables (noncurrent)	374	376	360	376

	Consolidated		Parent company	
	Three-month period ended March 31		Three-month period ended March 31	
Change in expected credit losses	2018	2017	2018	2017
Opening balance	**(5,955)**	**(5,995)**	**(5,912)**	**(5,955)**
Adjustment – initial adoption of CPC 48	(268)	-	(244)	-
Adjusted opening balance	**(6,223)**	**(5,995)**	**(6,156)**	**(5,955)**
Net (additions)/reversals	1	20	(1)	20
Write-offs	3	-	3	-
Closing balance	**(6,219)**	**(5,975)**	**(6,154)**	**(5,935)**
Expected credit losses (current)	(2,261)	(1,968)	(2,196)	(1,928)
Expected credit losses (noncurrent)	(3,958)	(4,007)	(3,958)	(4,007)

(a) This includes the balance of tax credit rights with the State Governments of Rio de Janeiro and São Paulo (R$ 24 as of March 31, 2018 and R$ 24 as of December 31, 2017) – note 29.

The additions, write-offs and reversals of expected credit losses in the net amount of R$ 4 in the consolidated statement and R$ 2 at the parent company (R$ 20 in the consolidated statement and parent company as of March 31, 2017) were recognizing in selling expenses in the income statement.

The Company has R$ 5,750 in trade accounts receivable undergoing judicial recovery (R$ 5,714 as of December 31, 2017), with R$ 1,918 in current assets (R$ 1,882 as of December 31, 2017) and R$ 3,832 (R$ 3,832 as of December 31, 2017) in non-current assets.

6.1 Breakdown of the accounts receivable balances – past due and not yet due

R$ 101 (R$ 108 as of December 31, 2017) of the balance of R$ 116 not yet due provisioned for losses (R$ 110 as of December 31, 2017) derives from debt acknowledgment agreements (CCD) of the electric sector without security, entered into in 2013 and 2014.

	Consolidated					
	3/31/2018			12/31/2017 (*)		
	Gross accounts receivable	Expected credit losses	Accounts receivable net of Expected credit losses	Gross accounts receivable	Expected credit losses	Accounts receivable net of Expected credit losses
Overdue by						
Up to 3 months	190	42	148	296	30	266
3 to 6 months	97	46	51	43	-	43
6 to 12 months	88	41	47	124	13	111
Over 12 months	6,173	5,974	199	6,140	5,802	338
Total	**6,548**	**6,103**	**445**	**6,603**	**5,845**	**758**
Neither past due nor impaired (excluding FIDC operation)	4,791	116	4,675	4,886	110	4,776
FIDC	148	-	148	370	-	370
Total	**11,487**	**6,219**	**5,268**	**11,859**	**5,955**	**5,904**

	Parent company					
	3/31/2018			12/31/2017 (*)		
	Gross accounts receivable	Expected credit losses	Accounts receivable net of Expected credit losses	Gross accounts receivable	Expected credit losses	Accounts receivable net of Expected credit losses
Overdue by						
Up to 3 months	171	35	136	275	30	245
3 to 6 months	94	45	49	41	-	41
6 to 12 months	85	38	47	118	13	105
Over 12 months	6,121	5,927	194	6,091	5,759	332
Total	**6,471**	**6,045**	**426**	**6,525**	**5,802**	**723**
Neither past due nor impaired (excluding FIDC operation)	4,948	109	4,839	4,981	110	4,871
FIDC	136	-	136	356	-	356
Total	**11,555**	**6,154**	**5,401**	**11,862**	**5,912**	**5,950**

(*) The aging list at January 1, 2018 according to the new IFRS 9 methodology can be seen in note 4.1.

6.2 Breakdown – Electric sector (Insulated system)

	Consolidated					
	3/31/2018			12/31/2017		
	Neither past due nor impaired	Overdue	Total	Neither past due nor impaired	Overdue	Total
Accounts receivable						
Eletrobras group	101	2,872	2,973	108	2,884	2,992
Petrobras group	-	-	-	-	-	-
Third parties	19	1,001	1,020	18	999	1,017
	120	3,873	3,993	126	3,883	4,009
(-) Expected credit losses						
Electric sector - companies comprising Eletrobras	(101)	(2,872)	(2,973)	(108)	(2,884)	(2,992)
Electric sector - third parties	-	(1,001)	(1,001)	(2)	(999)	(1,001)
	(101)	(3,873)	(3,974)	(110)	(3,883)	(3,993)
Total	**19**	**-**	**19**	**16**	**-**	**16**
Related-party transactions	-	-	-	-	-	-
Third parties	19	-	19	16	-	16

6.3 Changes in trade accounts receivable – Electric sector (Insulated system)

	Balance as of December 31, 2017	Sales revenue	Receipts	Expected credit losses		Monetary Restatement	Balance as of March 31, 2018
				Formation	Reversal		
Related-party transactions (Eletrobras group)							
Amazonas Distribuidora de Energia	-	-	(9)	-	9	-	-
Cia de Eletricidade do Acre - ELETROACRE	-	-	(2)	(1)	2	1	-
Eletrobras Roraima (Boa Vista Energia S.A.)	-	-	(9)	-	9	-	-
Net accounts receivable from Eletrobras group	-	-	**(20)**	**(1)**	**20**	**1**	-
Related-party transactions (Petrobras group)							
Breitener Jaraqui	-	1	(1)	-	-	-	-
Breitener Tambaqui	-	1	(1)	-	-	-	-
Manauara	-	7	(7)	-	-	-	-
Net accounts receivable from Petrobras group	-	**9**	**(9)**	-	-	-	-
Third parties							
Alcoa World Alumina Brasil LTDA	15	38	(35)	-	-	-	18
Centrais Elétricas Matogrossenses - CEMAT	1	2	(2)	-	-	-	1
Cia de Energia de Pernambuco - CELPE	-	4	(4)	-	-	-	-
Geradora de Energia do Amazonas - GERA	-	6	(6)	-	-	-	-
Rio Amazonas Energia - RAESA	-	6	(6)	-	-	-	-
Net third-party accounts receivable	**16**	**56**	**(53)**	-	-	-	**19**
Total net accounts receivable	**16**	**65**	**(82)**	**(1)**	**20**	**1**	**19**
Accounts Receivable from Eletrobras group	2,992	-	(20)	-	-	1	2,973
(-) Expected credit losses	(2,992)	-	-	(1)	20	-	(2,973)
Total net accounts receivable from Eletrobras group	-	-	**(20)**	**(1)**	**20**	**1**	-
Accounts Receivable from Petrobras group	-	9	(9)	-	-	-	-
(-) Expected credit losses	-	-	-	-	-	-	-
Total net accounts receivable from Petrobras group	-	**9**	**(9)**	-	-	-	-
Third-party accounts receivable	1,017	56	(53)	-	-	-	1,020
(-) Expected credit losses	(1,001)	-	-	-	-	-	(1,001)
Total net accounts receivable from third parties	**16**	**56**	**(53)**	-	-	-	**19**
Total accounts receivable	4,009	65	(82)	-	-	1	3,993
(-) Expected credit losses	(3,993)	-	-	(1)	20	-	(3,974)
Total net accounts receivable	**16**	**65**	**(82)**	**(1)**	**20**	**1**	**19**

The Company provides fuel oil and diesel oil to thermal power plants (Eletrobras subsidiaries), state concession operators and Independent Power Producers (PIEs), which make up the isolated power system in North Brazil. This system provides public electricity distribution services to areas that are not normally electrically connected to the Brazilian National Interconnected Grid (SIN), for technical or economic reasons.

A significant portion of the resources used to financially settle such assets comes from the sector fund called the Fuel Consumption Account (CCC), the main purpose of which includes the partial reimbursement of the acquisition costs for fuels used to generate power in the isolated power system. However, several legal changes made over time, especially provisional law (MP) 579/2012 have introduced material adjustments to the sources of resources used to subsidize power generation in isolated systems plants. The restrictions imposed caused a reduction in the values reimbursed by the CCC to the isolated system's thermoelectric power plants, which in turn started to make smaller payments than those due to the Company for the supply of fuels for electricity generation, therefore leading to increased defaults by distributors operating in this sector.

In order to address the situation, the Company ramped up negotiations with the state concession operators, PIEs, private companies and Eletrobras subsidiaries and on December 31, 2014 debt acknowledgment agreements (CCD) were entered into in the amount of R$ 5,344 (R$ 5,194 denotes the Company's portion and R$ 150 denotes Petrobras' portion), embracing debts overdue on or before November 30, 2014, restated by the Selic base interest rate, for payment over 120 monthly successive installments commencing February 2015, of which R$ 5,233 (R$ 126 consisting of bonds endorsed by Petrobras) have real security consisting of pledges on credits deriving from the Energy Development Account (CDE).

The debt established in the CCDs is being amortized over two stages, the first with the amortization of 15% of the renegotiated amount in the first 36 months and the remaining 85% in 84 installments commencing January 2018. A progressive reduction is expected in accounts receivable from the electric sector from 2018 onwards, which had not occurred as of December 31, 2017, due to the characteristic of the amortization flow agreed. Eletrobras Group has honored the payments of the CCDs signed in 2014, despite occasional delays.

Primarily given the restructuring of the Sector and the effects forecast in Normative Resolution 679/15 published by the National Electricity Regulatory Agency (ANEEL), a reduction in default was expected, which did not materialize.

The Company has therefore been implementing measures to reduce this default, primarily consisting of:

- suspension of any forward sale, except in situations when such supply is required due to a court decision;

- legal collection of default debts in sale and purchase agreements with companies of the Eletrobras Group (Amazonas, Acre, Rondônia and Roraima), and the debt acknowledgment agreement signed by CEA Companhia de Eletricidade do Amapá); and

- registration of the Eletrobras Group companies (Amazonas, Acre, Rondônia and Roraima) in the CADIN (Federal Internal Revenue Department's Default Register)

The Extraordinary General Meeting held August 31, 2017 approved the split-off of the Company, with the split-off portion being merged into Downstream Participações Ltda. (a Petrobras subsidiary), in the amount of R$ 6,339, consisting of the credits with the companies comprising Eletrobras group renegotiated in 2014 and the receivables from the clients Breitener Tambaqui and Breitener Jaraqui, both comprising Petrobras group.

In the period ended March 31, 2018, the Company reversed the amount of R$ 19, net of constitution (R$ 88 as of March 31, 2017), primarily due to payments made by the client Centrais Elétricas do Pará - CELPA (R$ 79).

7 Inventory

	Consolidated		Parent company	
	3/31/2018	12/31/2017	3/31/2018	12/31/2017
Products for sale				
Petroleum derivatives				
Gasoline	388	534	388	534
Diesel fuel	1,041	1,222	1,041	1,222
Fuel oil	171	213	171	213
Aviation fuel	195	172	195	172
Lubricant	139	140	139	140
Other	124	104	124	104
Biofuels	590	467	590	467
	2,648	2,852	2,648	2,852
Other products (*)	428	393	406	372
Total	**3,076**	**3,245**	**3,054**	**3,224**

(*) Essentially consists of imports in progress of products like diesel and gasoline.

No net realizable value reduction in inventory was recorded in March 31, 2018.

8 Taxes and contributions recoverable

	Consolidated		Parent company	
	3/31/2018	12/31/2017	3/31/2018	12/31/2017
Current assets				
ICMS	399	482	369	458
IPI	4	4	4	4
Pasep	3	2	-	-
Cofins	11	11	-	-
Other taxes	21	23	21	21
Subtotal	**438**	**522**	**394**	**483**
Noncurrent assets				
ICMS	549	534	477	469
Other	-	7	-	-
Subtotal	**549**	**541**	**477**	**469**
Total	**987**	**1,063**	**871**	**952**

The Company's tax credits are mainly composed of:

(i) ICMS Tax Substitution to be reimbursed by the States in interstate transactions involving oil products, on which tax was withheld in the State of origin and transferred to the State of sale at a lower value, mainly the States of Maranhão (R$ 130 as March 31, 2018 and R$ 120 as of December 31, 2017), Pernambuco (R$ 114 as March 31, 2018 and R$ 98 as of December 31, 2017) and Bahia (R$ 96 as of March 31, 2018 and R$ 106 as of December 31, 2017);

(ii) credits to be returned by the State of Mato Grosso, through the administrative proceeding, due to the overpayment of prepayments (R$ 97 as of March 31, 2018 and R$ 95 as of December 31, 2017);

(iii) ICMS credit balance to be recovered in the state of Bahia (R$ 67 as of March 31, 2018 and R$ 68 as of December 31, 2017); and

(iv) ICMS to be refunded by the State of Espírito Santo, regarding the purchase of natural gas with Tax Substitution in the state of origin (R$ 97 as of March 31, 2018 and R$ 97 as of December 31, 2017).

The Company expects to receive the amounts presented.

9 Deferred income and social contribution taxes

(a) Change

	Consolidated				Parent company
		Recognized in			
Source of the recorded deferred taxes	**12/31/2017**	**Profit or loss**	**Equity**	**3/31/2018**	**3/31/2018**
Accounts receivable	1,024	(975)	91	140	120
Advanced bonuses awarded to clients	638	27	-	665	665
Property, plant and equipment	8	(10)	-	(2)	(1)
Financial leases	(63)	(25)	-	(88)	(88)
Voluntary redundancy incentivization program	3	7	-	10	10
Judicial proceedings	707	24	-	731	731
Post employment benefits	660	12	-	672	670
Tax loss carryforwards	60	918	-	978	978
Interest on shareholders' equity	131	(131)	-	-	-
Judicial deposits	(110)	(4)	-	(114)	(114)
Hedge	35	(1)	-	34	34
Other	69	(4)	-	65	66
Total	**3,162**	**(162)**	**91**	**3,091**	**3,071**
Deferred income tax	2,325			2,273	2,258
Deferred social contributions	837			818	813
Deferred tax assets	3,657			3,599	3,578
Deferred tax liabilities	(495)			(508)	(507)

(b) Estimated period of realization

Period	Deferred income tax and CSLL	
	Consolidated	Parent company
2018	327	318
2019	1,235	1,232
2020	254	250
2021	251	249
2022	250	249
2023	116	116
2024	117	116
2025	117	116
2026 onwards	424	425
March 31, 2018	**3,091**	**3,071**
December 31, 2017	**3,162**	**3,150**

(c) Reconciliation of income tax and social contributions on net income

The reconciliation of taxes determined at the statutory rates and the amount of taxes recognized are shown below:

	Consolidated		Parent company	
	Three-month period ended March 31		Three-month period ended March 31	
	2018	2017	2018	2017
Net income before tax	410	276	409	275
Income and social contribution taxes at nominal rates (34%)	(139)	(94)	(139)	(94)
Adjustments to determine effective rate:				
· Net permanent additions/exclusions	(4)	-	(4)	-
· Equity in income of subsidiaries	(1)	(1)	1	(3)
· Tax incentives	-	1	-	2
· Expenses on A.M.S. health benefit for retirement	(19)	(24)	(19)	(24)
· Other items	-	(2)	(1)	-
Income and social contribution taxes	**(163)**	**(120)**	**(162)**	**(119)**
Current IR and CSLL	(1)	(67)	-	(66)
Deferred IR and CSLL	(162)	(53)	(162)	(53)
	(163)	**(120)**	**(162)**	**(119)**
Effective income and social contribution tax rate	39.8%	43.5%	39.6%	43.3%

10 Advanced bonuses awarded to clients

	Consolidated
Balance as of December 31, 2016	1,959
Additions	569
Write-offs	(545)
Balance as of December 31, 2017	**1,983**
Additions	113
Write-offs	(121)
Balance as of March 31, 2018	**1,975**

11 Judicial deposits

	Consolidated					Parent company
	Tax	Labor	Civil	Environmental	Total	Total
Balance as of December 31, 2016	**680**	**167**	**94**	**9**	**950**	**928**
Additions, net of reversal	2	33	8	-	43	43
Write-offs	-	(16)	(17)	(3)	(36)	(37)
Monetary restatement	36	5	3	(1)	43	43
Balance as of December 31, 2017	**718**	**189**	**88**	**5**	**1,000**	**977**
Additions, net of reversal	1	7	-	-	8	8
Write-offs	-	(3)	-	-	(3)	(3)
Monetary restatement	9	2	1	-	12	12
Balance as of March 31, 2018	**728**	**195**	**89**	**5**	**1,017**	**994**

The Company has R$ 209 (R$ 203 as of December 31, 2017) in judicial deposits for provisioned lawsuits (note 27.1.1); R$ 445 (R$ 441 as of December 31, 2017) associated with possible contingencies; R$ 86 (R$ 82 as of December 31, 2017) associated with remote contingencies; R$ 227 (R$ 227 as of December 31, 2017) consists of deposits related to proceedings in which the Company is plaintiff and R$ 27 (R$ 24 as of December 31, 2017) consists of other.

12 Investments

12.1Summary financials on subsidiaries, joint arrangements and associates

The table below presents the total assets, liabilities and results of the investees, not in proportion to the Company's interest.

			Joint arrangements					
	Subsidiaries		Joint operation	Joint ventures				Associate
	Fundo de Investimento Imobiliário FCM	Stratura	Brasil Carbonos	CDGN (a)	Brasil Supply (b)	Energética Camaçari Muricy II	Pecém Energia	BRF Biorefinos
Asset								
Current assets								
Cash and cash equivalents	219	1	17	16	-	1	1	3
Other current assets	117	158	6	6	71	1	1	-
Noncurrent Assets								
Non-current assets	413	127	11	3	1	-	-	-
Capital expenditure	-	-	-	-	-	-	-	-
Property, plant and equipment	376	42	98	37	640	-	-	22
Intangible assets	-	2	-	-	2	-	-	-
Total Assets	**1,125**	**330**	**132**	**62**	**714**	**2**	**2**	**25**
Liabilities								
Current liabilities								
Loans and financing	103	-	15	3	105	-	-	-
Other current liabilities	260	114	3	6	96	1	1	-
Noncurrent liabilities								
Loans and financing	778	-	9	8	447	-	-	-
Other noncurrent liabilities	23	4	-	3	166	-	-	-
Equity								
Shareholders' equity attributable to controlling shareholders	(39)	212	105	42	(100)	1	1	25
Total Liabilities	**1,125**	**330**	**132**	**62**	**714**	**2**	**2**	**25**
Results								
Net operating revenue	-	134	10	7	-	-	-	-
Gross profit	-	11	6	2	(2)	-	-	-
Net income/(loss) for the year	2	1	3	-	8	-	-	-
Percentage interest - %	99.01%	100.00%	49.00%	49.00%	0.38%	50.00%	45.00%	49.00%
Depreciation and amortization	-	(1)	(1)	(1)	-	-	-	-
Finance income (costs)	2	2	(1)	-	(4)	-	-	-
(Current and Deferred) Income Tax Expense (Revenue)	-	(1)	(1)	-	-	-	-	-

(a) Period: 2/28/2018
(b) Period: 1/31/2018

12.2 Changes to investments made in subsidiaries, joint arrangements and associates

		Joint arrangements						
	Subsidiaries	Joint operation	Joint ventures			Associate		
	Stratura	Brasil Carbonos (a)	CDGN	Camaçari Muricy II	Pecém Energia	BRF Biorefinos	Other investments	3/31/2018
At the beginning of the year	**227**	**72**	**21**	**-**	**1**	**12**	**1**	**334**
Write-offs	-	-	-	-	-	-	(1)	(1)
Equity income	1	1	-	-	-	-	-	2
Adjustments – adoption of CPC 48	(16)	-	-	-	-	-	-	(16)
At end of period	**212**	**73**	**21**	**-**	**1**	**12**	**-**	**319**

	Subsidiaries	Joint arrangements				
		Joint operation	Joint ventures	Associate		
	Stratura	Brasil Carbonos (a)	CDGN	BRF Biorefinos	Other investments	3/31/2017
At beginning of period	**103**	**69**	**22**	**22**	**1**	**217**
Equity income	(1)	-	(1)	-	-	(2)
Capital reduction	-	-	-	(10)	-	(10)
At end of period	**102**	**69**	**21**	**12**	**1**	**205**

(a) Asset appreciation of R$ 28 was determined on the acquisition of an interest in Brasil Carbonos S.A. in December 2010, which is being amortized over the assets' useful lives. As of March 31, 2018, the balance of R$ 21 (R$ 22 as of December 31, 2017) is classified in consolidated property, plant and equipment.

On March 31, 2018, the balance of the equity interest in the subsidiary FII FCM is zero, due to the unsecured liabilities held by this subsidiary. Losses greater than the investment value were recorded under liabilities, as a provision.

	Three-month period ended March 31	
	2018	2017
Balance of provision at beginning of year	40	42
Formation (c)	-	7
Reversal (c)	(2)	-
Balance of provision at end of period	**38**	**49**

(b) Amounts recorded in "Income from investments" in profit or loss.

13 Property, plant and equipment

13.1 By asset type

	Consolidated			
	Land (b), Buildings and Improvements	Equipment and Other Assets	Assets under Construction	Total
Balance as of December 31, 2016	**3,054**	**2,057**	**875**	**5,986**
Additions	1	75	171	247
Write-offs	(46)	(6)	(1)	(53)
Depreciation	(127)	(265)	-	(392)
Transfers (a)	104	161	(242)	23
Capitalized interest	-	-	5	5
Balance as of December 31, 2017	**2,986**	**2,022**	**808**	**5,816**
Additions	-	15	45	60
Write-offs	-	(2)	-	(2)
Depreciation	(31)	(61)	-	(92)
Transfers (a)	7	107	(125)	(11)
Capitalized interest	-	-	9	9
Balance as of March 31, 2018	**2,962**	**2,081**	**737**	**5,780**
Cost	4,129	5,070	808	10,007
Depreciation	(1,143)	(3,048)	-	(4,191)
Balance as of December 31, 2017	**2,986**	**2,022**	**808**	**5,816**
Cost	4,111	5,134	737	9,982
Depreciation	(1,149)	(3,053)	-	(4,202)
Balance as of March 31, 2018	**2,962**	**2,081**	**737**	**5,780**

	Parent company			
	Land (b), Buildings and Improvements	Equipment and Other Assets	Assets under Construction	Total
Balance as of December 31, 2016	**3,008**	**2,016**	**518**	**5,542**
Additions	1	74	164	239
Write-offs	(46)	(7)	(1)	(54)
Depreciation	(125)	(262)	-	(387)
Transfers (a)	89	150	(241)	(2)
Balance as of December 31, 2017	**2,927**	**1,971**	**440**	**5,338**
Additions	-	15	44	59
Write-offs	-	(2)	-	(2)
Depreciation	(31)	(60)	-	(91)
Transfers (a)	6	107	(125)	(12)
Balance as of March 31, 2018	**2,902**	**2,031**	**359**	**5,292**
Cost	4,058	4,981	440	9,479
Depreciation	(1,131)	(3,010)	-	(4,141)
Balance as of December 31, 2017	**2,927**	**1,971**	**440**	**5,338**
Cost	4,038	5,045	359	9,442
Depreciation	(1,136)	(3,014)	-	(4,150)
Balance as of March 31, 2018	**2,902**	**2,031**	**359**	**5,292**

(a) As of December 31, 2017 this mainly refers to transfers between other equity groups, such as equipment used as payment of accounts receivable (payment in kind) in the consolidated statements. The parent company statements include the transfer of property, plant and equipment from the asphalt segment for contribution to Stratura Asfalto S.A. on May 31, 2017. As of March 31, 2018 they primarily denote transfers between other equity groups such as assets held for sale.

(b) As of March 31, 2018, the balance of consolidated land is R$ 378 (R$ 389 as of December 31, 2017) at the parent company and R$ 373 (R$ 384 as of December 31, 2017).

Assets under construction recorded in the consolidated statements mainly comprise the expansion, modernization and improvements of terminals and fuel distribution bases, airports and the lubricant plant.

The Company's property, plant and equipment includes assets resulting from finance lease agreements, amounting to R$ 375 (R$ 382 as of December 31, 2017).

13.2 Breakdown by estimated useful life

	Consolidated		
Estimated useful life	Buildings and improvements	Equipment and other assets	Total
up to 10 years	-	330	330
11 to 20 years	-	1,476	1,476
21 to 30 years	1,968	78	2,046
30 years onwards	616	197	813
Total	**2,584**	**2,081**	**4,665**

14 Intangible assets

14.1 By asset type

	Consolidated			
	Rights and Concessions	Software (b)	Goodwill (c)	Total
Balance as of December 31, 2016	**279**	**153**	**29**	**461**
Additions	7	44	-	51
Amortization	(11)	(49)	-	(60)
Transfers (a)	1	-	-	1
Balance as of December 31, 2017	**276**	**148**	**29**	**453**
Additions	2	9	-	11
Amortization	(3)	(11)	-	(14)
Balance as of March 31, 2018	**275**	**146**	**29**	**450**
Cost	368	423	29	820
Amortization	(92)	(275)	-	(367)
Balance as of December 31, 2017	**276**	**148**	**29**	**453**
Cost	370	431	29	830
Amortization	(95)	(285)	-	(380)
Balance as of March 31, 2018	**275**	**146**	**29**	**450**

	Parent company			
	Rights and Concessions	*Software (b)*	*Goodwill (c)*	Total
Balance as of December 31, 2016	**278**	**153**	**29**	**460**
Additions	7	44	-	51
Amortization	(11)	(49)	-	(60)
Balance as of December 31, 2017	**274**	**148**	**29**	**451**
Additions	2	9	-	11
Amortization	(3)	(11)	-	(14)
Balance as of March 31, 2018	**273**	**146**	**29**	**448**
Cost	364	423	29	816
Amortization	(90)	(275)	-	(365)
Balance as of December 31, 2017	**274**	**148**	**29**	**451**
Cost	365	431	29	825
Amortization	(92)	(285)	-	(377)
Balance as of March 31, 2018	**273**	**146**	**29**	**448**

(a) This mainly denotes transfers between other equity groups, such as property, plant and equipment according to the nature of the investment.

(b) The Company has a balance of software under development of R$ 44 (R$ 40 as of December 31, 2017).

(c) Goodwill on fuel distribution assets, originated under the acquisition of Liquigás S.A., the liquefied petroleum gas (LPG) distribution company. This investee was transferred to Petrobras, in 2012, although the operation related to the goodwill remained at the Company.

14.2 Concession for the exploration and marketing of natural gas in the state of Espírito Santo

The Company is a concession operator for the exclusive exploration of piped gas distribution in the state of Espírito Santo, through the concession agreement signed with the state government for a term of 50 years, through 2043.

The assets, net of amortization, related to the gas concession and recorded as intangible assets as of March 31, 2018 are worth R$ 270 (R$ 270 as of December 31, 2017).

Law 10493/2016 was published in the Official State Gazette of Espírito Santo on February 2, 2016, recognizing the extinction/nullity of the concession agreement for piped gas distribution, due to the application of Article 43 of Federal Law 8987, dated February 13, 1995.

This law states a procurement shall be held for the concession or a state company created to take over the services, where the concession operator shall pay out the legal indemnification, which the Company contested in the courts.

On August 12, 2016, the Company signed a Memorandum of Understanding with the Government of Espírito Santo State in order to look into the creation of a State-owned company to carry out the public distribution of piped natural gas.

As stipulated in the MoU, over the course of 2017 the business plan and modeling were created that apply to the new company's studies, and a specialist firm appraised the concession assets. As of March 31, 2018, the state's audit is nearing completion into the asset appraisal and business plans are model. On this date negotiations are also in progress between the Company and the Espírito Santo state government to incorporate the natural gas distribution state company.

The Company made no provisions for loss, as to date the carrying amount as at March 31, 2018 is guaranteed by the indemnification established in said Law.

15 Trade payables

	Consolidated		Parent company	
	3/31/2018	12/31/2017	3/31/2018	12/31/2017
Companies comprising Petrobras Group (Note 30.1)	1,142	1,448	1,101	1,418
Third parties	1,176	1,234	1,171	1,227
Total	**2,318**	**2,682**	**2,272**	**2,645**

The balance of Trade payables - Companies of the Petrobras Group is mainly comprised of invoices payable to Petrobras for the acquisition of oil products and services (including freight).

16 Financing

16.1 By Financial Institution

	Consolidated		Parent company	
	3/31/2018	12/31/2017	3/31/2018	12/31/2017
Banco do Brasil	12	12	-	-
Banco IBM	56	56	56	56
Banco Itaú - Debentures	3,636	3,572	3,636	3,572
	3,704	3,640	3,692	3,628
Real Estate Receivables Certificates (CRI)	881	1,000	-	-
Total	**4,585**	**4,640**	**3,692**	**3,628**
Current	257	185	147	78
Non-current	4,328	4,455	3,545	3,550

Banco Itaú

On August 10, 2015, the Company signed a non-convertible debentures agreement with Banco Itaú BBA in the amount of R$ 3,500, for a five-year term.

Interest is amortized semi-annually, and the principal will be amortized in a lump sum at the end of the agreement on April 15, 2020.

The charges on the compensation payable by the debentures stand at 111.57% of the CDI rate.

The underlying collateral is ethanol purchases. The transaction is exempt from the IOF tax, pursuant to Law 6313/75. Petrobras is the guarantor.

16.2 Contractual obligations (covenants)

The Company's financing agreements contain covenants (nonfinancial), all of which had been fully met as of March 31, 2018. These include the requirement to present financial statements by the deadlines agreed with the institutions; the requirement not to incur protests for payables in previously determined amounts; the requirement not to default to any lender or any financial or credit institution, as per the agreed amounts; and other clauses.

16.3 Transactions

			Consolidated	Parent
	Banking Market	Capital Market (CRIs and Debentures)	Total	Total
Non-current				
Domestic				
Opening balance at January 01, 2017	**7,522**	**4,487**	**12,009**	**11,036**
Provision for interest	5	-	5	5
Transfer between current and non-current	12	(146)	(134)	9
Prepayments of long-term debt	(7,500)	-	(7,500)	(7,500)
Monetary variance	-	75	75	-
Closing balance at December 31, 2017	**39**	**4,416**	**4,455**	**3,550**
Current				
Domestic				
Opening balance at January 01, 2017	**610**	**195**	**805**	**697**
Provision for interest	703	386	1,089	1,088
Amortization of principal	(223)	(89)	(312)	(217)
Amortization of interest	(841)	(492)	(1,333)	(1,273)
Transfer between current and non-current	(12)	146	134	(9)
Prepayments of long-term debt	(208)	-	(208)	(208)
Monetary variance	-	10	10	-
Closing balance at December 31, 2017	**29**	**156**	**185**	**78**
Closing balance at December 31, 2017	**68**	**4,572**	**4,640**	**3,628**

	Consolidated			Parent
	Banking Market	Capital Market (CRIs and Debentures)	Total	Total
Non-current				
Domestic				
Opening balance at January 01, 2018	**39**	**4,416**	**4,455**	**3,550**
Transfer between current and non-current	(6)	(151)	(157)	(5)
Monetary variance	-	30	30	-
Closing balance at March 31, 2018	**33**	**4,295**	**4,328**	**3,545**
Current				
Domestic				
Opening balance at January 01, 2018	**29**	**156**	**185**	**78**
Provision for interest	1	64	65	64
Amortization of principal	(1)	(99)	(100)	-
Amortization of interest	-	(53)	(53)	-
Transfer between current and non-current	6	151	157	5
Monetary variance	-	3	3	-
Closing balance at March 31, 2018	**35**	**222**	**257**	**147**
Closing balance at March 31, 2018	**68**	**4,517**	**4,585**	**3,692**

	Consolidated		Parent company	
	3/31/2018	12/31/2017	3/31/2018	12/31/2017
Current				
Current portion of long-term debt	123	110	18	13
Interest on financing	134	75	129	65
Total	**257**	**185**	**147**	**78**

16.3.1 Reconciliation of financing against cash flows deriving from financing activities

	Consolidated	
	3/31/2018	3/31/2017
Opening balance	**4,640**	**12,814**
Cash flow		
Payments (*)	(153)	(320)
Noncash changes		
Interest and monetary variance	98	435
Closing balance	**4,585**	**12,929**

(*) Includes principal and interest payments.

16.4 Summarized information on financing maturities

								Consolidated	Parent company
	2018	2019	2020	2021 (a)	2022 (a)	2023 (a)	2024 (a)	2025 onwards (a)	Total	Total
Financing in Reais (R$):										
Indexed to floating rates	148	124	3,643	116	122	130	55	247	4,585	3,692
Average financing rate in Reais	6.09%	7.66%	8.55%	5.84%	5.83%	5.84%	5.86%	5.37%	6.38%	8.28%
Total as of March 31, 2018	**148**	**124**	**3,643**	**116**	**122**	**130**	**55**	**247**	**4,585**	**3,692**
Total as of December 31, 2017	**185**	**133**	**3,638**	**118**	**125**	**132**	**56**	**253**	**4,640**	**3,628**

(a) Only Real Estate Receivables Certificates - CRI

The fair values of financing are mainly determined using derivatives from observable market prices (Level 2). The fair value of financing as of March 31, 2018 is R$ 4,196 (R$ 3,452 at the Parent Company).

The financial instruments sensitivity analysis can be seen in note 29.2.1.1.

17 Leases

17.1 Finance leases

The Company has financial commitments towards FII FCM, managed by Rio Bravo Investimentos DTVM Ltda., due to receivables arising from leasing transactions for real estate and equipment and the construction of bases and terminals, restated by the IPCA price index. The balance payable as of March 31, 2018 amounts to R$ 523 (note 17.1.1).

Real estate credits originating from Private Purchase and Sale Agreements secured the issuance of Real Estate Receivables Certificates (CRI) by RB Capital Securitizadora S.A.

The Company leases equipment from the investee CDGN, and leases this equipment to the customers Suzano Papel e Celulose S.A. and Fiat Automóveis Ltda. The balance receivable under these leases amounts to R$ 25 (note 17.1.1).

17.1.1 Flow of payments and receipts under finance leases

	Receipts					
	Consolidated			Parent company		
Estimated commitments	Future value	Annual interest	Present value	Future value	Annual interest	Present value
2018	5	(2)	3	5	(2)	3
2019 - 2022	27	(11)	16	27	(11)	16
2023 onwards	11	(5)	6	11	(5)	6
At March 31, 2018	**43**	**(18)**	**25**	**43**	**(18)**	**25**
Current			4			4
Non-current			21			21
At March 31, 2018			**25**			**25**
Current			4			4
Non-current			21			21
At December 31, 2017			**25**			**25**

	Payments					
	Consolidated			Parent company		
Estimated commitments	Future value	Annual interest	Present value	Future value	Annual interest	Present value
2018	40	(12)	28	31	(3)	28
2019 - 2022	64	(25)	39	357	(37)	320
2023 onwards	11	(5)	6	191	(16)	175
At March 31, 2018	**115**	**(42)**	**73**	**579**	**(56)**	**523**
Current			29			118
Non-current			44			405
At March 31, 2018			**73**			**523**
Current			29			126
Non-current			43			474
At December 31, 2017			**72**			**600**

17.1.2 Reconciliation of finance leases against cash flows deriving from financing activities

	Consolidated	
	3/31/2018	3/31/2017
Opening balance	**72**	**95**
Cash flow		
Payments (*)	(2)	(2)
Noncash changes		
Interest and monetary variance	3	2
Closing balance	**73**	**95**

17.2 Operating leases

On March 31, 2018 the Company paid R$ 65 (R$ 75 as of March 31, 2017) to honor contractual commitments under operating leases, of which R$ 46 consists of fixed installments and R$ 19 of variable installments. These leases mature on various dates through 2040.

Operating leases primarily comprise land, administrative offices and buildings used as fueling stations and power supply equipment.

The Company has contractual commitments towards Confidere OGB Imobiliária e Incorporadora regarding the leasing of the Edifício Lubrax building for the period 2018 to 2031, for a total estimated remaining amount of R$ 877.

The estimated minimum lease payments to be made by the Company in the years ahead are as follows:

	Consolidated	Parent company
2018	102	102
2019 - 2022	352	352
2023 onwards	359	359
Total	**813**	**813**

18 Customer advances

	Consolidated		Parent company	
	3/31/2018	12/31/2017	3/31/2018	12/31/2017
Marketing funds (a)	145	155	145	155
Customer advances	179	199	173	191
Other	8	9	8	9
Total	**332**	**363**	**326**	**355**

(a) Advances received from accredited customers, such as retailers, franchisees and business partners, for advertising and promotional initiatives carried out by the Company.

19 Taxes and contributions payable

	Consolidated		Parent company	
	3/31/2018	12/31/2017	3/31/2018	12/31/2017
Current Liabilities				
ICMS	190	175	189	174
PIS/COFINS	32	36	32	36
Income and social contribution taxes withheld at source	17	29	16	29
Tax Recovery Program	-	11	-	11
Other	20	26	12	19
Total	**259**	**277**	**249**	**269**

The ICMS debits essentially consist of: ICMS tax and ICMS Tax Substitution recorded in the Tax Journals mainly payable to the states of São Paulo (R$ 53 as of March 31, 2018 and R$ 51 as of December 31, 2017), Minas Gerais (R$ 24 as of March 31, 2018 and R$ 22 as of December 31, 2017), Rio de Janeiro (R$ 15 as of March 31, 2018 and R$ 17 as of December 31, 2017), Mato Grosso do Sul (R$ 14 as of March 31, 2018 and R$ 8 as of December 31, 2017), Espírito Santo (R$ 9 as of March 31, 2018 and R$ 5 as of December 31, 2017) and Paraná (R$ 8 as of December 31, 2018 and R$ 11 as of December 31, 2017).

19.1 State Amnesty Programs

On March 31, 2018 and December 31, 2017, the Company settled various state ICMS tax debts, through Amnesty Programs.

		Amounts settled	
State	State Law / Decree	3/31/2018	12/31/2017
MG	22549/2017	-	71
PE	362/2017	-	3
CE	16259/2017	-	3
MA	10681/17	-	1
TO	3346/18	7	-
Total		**7**	**78**

19.2 Special Tax Regularization Program – PERT

In 2017 the Company entered the Special Tax Regularization Program (PERT) introduced by Law 13496 on October 24, 2017, for PIS/COFINS, IPI and INSS debts demanded by the government.

In the first quarter of 2018 the Company settled PERT in the total amount of R$ 11.

20 Employee benefits

20.1 Pension and health care plans

The Company sponsors defined-benefit and variable-contribution pension plans and maintains a medical assistance plan, with defined benefits, which serves employees of companies in Brazil (active and inactive) and their dependents. The detailed description of the pension and health care plans can be seen in note 21 to the financial statements for the financial year ended December 31, 2017.

The change in benefits awarded to employees can be seen below:

	3/31/2018				
	Consolidated				Parent company
	Defined-benefit				
	Defined-Benefit	Variable-Contribution	Health care plan	Total	Total
Change in net actuarial liabilities					
Balance at December 31, 2016	1,849	70	2,392	4,311	4,308
(+) Effects of remeasurement recognized in ORA	(65)	(69)	(475)	(609)	(609)
(+) Costs incurred during the period	9	8	26	43	42
(-) Payment of contributions	(62)	-	(77)	(139)	(139)
(+) Net interest on net liability	197	8	255	460	460
Balance as of December 31, 2017	**1,928**	**17**	**2,121**	**4,066**	**4,062**
Current	60	-	74	134	134
Noncurrent	1,868	17	2,047	3,932	3,928
	1,928	**17**	**2,121**	**4,066**	**4,062**
(+) Costs incurred during the period	6	1	7	14	14
(+) Net interest on net liability	45	-	50	95	95
(-) Payment of contributions	(16)	-	(22)	(38)	(38)
Balance as of March 31, 2018	**1,963**	**18**	**2,156**	**4,137**	**4,133**
Current	67	-	73	140	140
Noncurrent	1,896	18	2,083	3,997	3,993
	1,963	**18**	**2,156**	**4,137**	**4,133**

The net expense on pension and health care plans includes the following components:

	Three-month period ended March 31, 2018				
	Consolidated				Parent company
	Pension Plan				
	Defined-Benefit	Variable-Contribution	Health care plan	Total	Total
Service cost	6	1	7	14	14
Net interest on net liability	45	-	50	95	95
Net cost in Jan-Mar/2018	**51**	**1**	**57**	**109**	**109**
Relating to active employees:					
Absorbed in the cost of operating activities	1	-	-	1	1
Directly to income	12	1	16	29	29
Relating to inactive members:	38	-	41	79	79
Net cost in Jan-Mar/2018	**51**	**1**	**57**	**109**	**109**
Net cost in Jan-Mar/2017	**51**	**4**	**70**	**125**	**125**

On March 31, 2018, the balances of the Financial Commitments (TCF) signed in 2008 by the Company and Petros to cover plan obligations amounted to R$ 422 in the parent company and consolidated statements. On this date, Petrobras had an inventory of oil and/or derivatives pledged as security for the Financial Commitments - TCFs signed in 2008 with Petros in the amount of R$ 14,187 (R$ 12,307 as of December 31, 2017).

The Petros 2 Plan has a defined-contribution portion whose payments are recognized in profit or loss. In the first quarter of 2018 the Company's contribution to the defined-contribution portion of the Petros 2 Plan was R$ 12 (R$ 13 in the first quarter of 2017).

Plan to repair the deficit of the Petrobras Group Petros Plan (PPSP)

The PPSP is being repaired due to the deficit of R$ 22.6 billion accrued through FY 2015. Restated through December 2017, based on the actuarial target (inflation + interest rate), the deficit has been repaired to R$ 27.3 billion.

Pursuant to Supplementary Laws 108/2001 and 109/2001 and the Resolution issued by the Supplementary Pensions Management Council - CGPC 26/2008, the deficit should be equally repaired among the sponsors (Petrobras, Petrobras Distribuidora and Fundação Petros) and participants and assisted participants of PPSP. Petrobras is therefore entitled to a total of R$ 12.8 billion and the Company R$ 0.9 billion.

The outlay by the sponsors will rise over the course of 18 years. In the first year it is estimated at R$ 1.4 billion for Petrobras and R$ 89 for the Company.

The PED was approved by the Petros Governing Board on September 12, 2017 and examined by the Petrobras Board of Directors and referred to the Office for Management and Governance of Government-Owned Companies (SEST). Extra contributions by participants and sponsors began in March 2018.

Spin-off of the Petros Plan of Petrobras Group (PPSP)

On February 15, 2018 the National Pension Plans Oversight Board (Previc) authorized the spin-off of the Petros Plan of Petrobras Group (PPSP) from March 31, 2018, splitting it into two independent plans: PPSP - Renegotiated (PPSP-R) and PPSP - Non-renegotiated (PPSP-NR).

The spin-off originated in the processes to renegotiating the rules of the Petros Plan of Petrobras group (PPSP), in 2006-2007 and 2012, when the participants could choose between changing or not changing the rules for restating their benefit. In this process some 75% of the plan's participants agreed to change the form of restatement and began restating their benefit for inflation only (change IPCA price index). And the others, who did not renegotiate, continue with the benefits linked to pay rises of active Petrobras employees and other plan sponsors.

20.2 Profit sharing

Employee profit sharing (PLR) is based on current legal provisions, as well as the guidelines established by the Office for Management and Governance of Government-Owned Companies - Sest, of the Ministry of Planning, Budget and Management, by the Ministry of Mines and Energy, by Petrobras and the performance of corporate indicators.

The Collective Bargaining Agreement - ACT, which addresses profit sharing, sets out corporate indicators defining the amount to be paid as PLR, based on the calculation base of Petrobras Group's net income. The ACT also stipulates the rules for paying out profit shares in the event the Company does not make a profit but its corporate indicators are achieved.

In relation to the profit-sharing (PLR) program for FY 2018, there is no payment obligation recognized in the financial statements as in order to achieve the targets as the entire financial year in progress should be taken into account.

The PLR for the financial year as of December 31, 2017 in the amount of R$ 26 will be settled after the General Shareholders' Meeting held April 25, 2018.

20.3 Voluntary Redundancy Incentivization Program (PIDV)

In October 2016, the Company implemented the 2016 BR Voluntary Redundancy Incentivization Program (PIDV), in order to adjust the Company's headcount to the divestment plan implemented by the Parent Company Petróleo Brasileiro S.A. and the performance goals set out in the 2017-2021 Business and Management Plan.

The program closed the enrollment period on December 30, 2016 with 1,105 enrollments. The redundancy period for the program's employees ran from January 17 to July 31, 2017, as per the action plan for the management of knowledge or managerial succession inherent to each employee's processes and activities.

Employees who signed up to the PIDV program had been working at the Company for at least 10 years as of December 30, 2016, regardless of their position or function. The 2016 BR PIDV regulations state that employees may withdraw at any time, in which case they would forfeit the financial incentive.

The financial incentive offered to employees electing for voluntary redundancy under the PIDV program was capped at R$ 800 thousand (eight hundred thousand reais) with a minimum of R$ 250 thousand (two hundred and fifty thousand reais), in addition to legal and corporate advantages.

The Company recorded the provision on December 31, 2016 for the compensation payable to employees choosing redundancy, subject to the periodic review of possible withdrawals, restated compensation due to collective bargaining agreements up to the employees' effective redundancy date and the restatement of minimum and maximum compensation packages by the IPCA price index.

The program was reactivated on January 29, 2018 for employees who canceled their enrollment during the enrollment period or who had formerly withdrawn from the program. Enrollments were voluntary for withdrawing employees and were made by March 2, 2018.

83 of the 407 eligible employees reactivated their enrollment into the program by March 2, 2018. 29 of the employees who had reactivated their enrollment withdrew from the program in the period March 03 to March 31, 2018. As of March 31, 2018, 54 employees remained with their enrollment reactivated, with the severance date scheduled for April 6, 2018.

The Company estimated a provision of R$ 21 in the 1st quarter of 2018 for the compensation payable to employees who had reactivated their enrollment and remained enrolled until March 31, 2018, subject to periodic revision due to the occurrence of possible withdrawals and restatement of the minimum and maximum compensation packages by the IPCA price index.

In 2018 the Company recorded 1 severance and 54 withdrawals were reversed as result of reopening the 2016 PIDV BR.

The provision for PIDV was classified under current liabilities.

Balance as of December 31, 2017	**8**
Withdrawals	(10)
Reopening of Program-Re-enrolments	31
Restatement / adjustments	1
Balance as of March 31, 2018	**30**

Employees who remained enrolled in the program after the last dismissal date of July 31, 2017 come under the rules set out in PIDV BR - 2016, which address cases of employees who had their employment agreements suspended or who even after their effective dismissal are awaiting the findings of the investigation conducted by the Internal Investigations Commission - CIA or the General Controllership - CGU in which their names are involved. The indemnification established in the remaining balance of the provision will be paid as and when these cases are concluded. People in the second group could be eliminated from the program, in which case they will not be entitled to the compensation.

The regulations of PIDV BR - 2016 state that the deadline for compensation payments in any situation is January 17, 2019. After this date, PIDV BR- 2016 will be discontinued for good.

21 Shareholders' equity

21.1 Paid-in capital

As of March 31, 2018 the fully subscribed and paid-in share capital of R$ 6,352 consists of 1,165,000,000 book-entered common shares with no par value.

21.2 - Profit reserves

(a) Legal reserve

The Company creates a legal reserve at the rate of 5% of the net income for the year, up to the limit of 20% of the capital in accordance with article 193 of Brazilian corporation law.

(b) Statutory reserve

Created with the technical justification and approval of the Board of Directors and Audit Committee in respect of amounts and allocation, to ensure investments compatible with the development of the Company's business, consisting of up to 100% (one hundred percent) of the balance of net income, after funds have been allocated to the Legal Reserve, the Contingencies Reserve, the Mandatory Dividend, the Unrealized Earnings Reserve and the Profit Retention Reserve, up to 80% (eighty percent) of the capital, in accordance with article 48 of the Company's Bylaws.

(c) Profit retention reserve

This reserve is used to make the investments established in the capital budget, mainly in the distribution of oil products, ethanol, support infrastructure, capital contributions and financing for customers, in accordance with article 196 of Brazilian Corporation Law.

(d) Tax incentive reserve

This reserve receives part of the net income for the year, equal to tax incentives deriving from government subsidies or donations, in due accordance with article 195-A of Brazilian Corporation Law. This reserve can only be used to absorb losses or capital increases.

21.3 Dividends and interest on shareholders' equity

Shareholders are entitled to a mandatory dividend of 25% of adjusted net income for the year, under Article 48 of the Company's Bylaws and article 202 of Brazilian Corporation Law.

21.3.1 Changes in dividends and interest on shareholders' equity

	Consolidated	
	Three-month period ended March 31	
	2018	2017
Opening balance	273	635
Addition (*)	386	-
Payment	-	-
Income tax withheld at source	(94)	-
Restatement	9	19
Closing balance	**574**	**654**

(*) This is the reclassification of interest on shareholders' equity of the year 2017, according to the Statement of Changes in Shareholders' Equity.

21.4 - Equity appraisal adjustments

Actuarial gains or losses net of income taxes, determined by independent actuaries at the end of each financial year.

21.5 Earnings per share

	Parent company	
	Three-month period ended March 31	
	2018	2017
Net Income	247	156
Weighted average free float - (no. of shares)	1,165,000,000	1,165,000,000
Basic and diluted net income per common share	**0.21**	**0.13**

22 Sales revenue

	Consolidated		Parent company	
	Three-month period ended March 31		Three-month period ended March 31	
	2018	2017	2018	2017
Products, services and energy				
Petroleum derivatives				
Diesel	12,001	10,598	12,001	10,598
Gasoline	8,831	8,378	8,831	8,378
Fuel oil	1,004	1,060	1,004	1,060
Aviation fuel	2,353	1,933	2,353	1,933
Lubricant	500	464	500	464
Asphalt	174	222	-	132
Coke	485	465	485	465
Other products	296	258	296	258
Ethanol	1,832	1,116	1,832	1,116
Natural gas	466	384	466	384
Supply-House products (a)	295	334	295	334
Services, energy and other	16	16	12	10
	28,253	25,228	28,075	25,132
Interest embedded in products prices	(77)	(101)	(77)	(101)
Advanced bonuses awarded to clients	(121)	(125)	(121)	(125)
Performance bonus (b)	(59)	(69)	(59)	(69)
Sales prizes and discounts	(78)	(10)	(78)	(10)
Sales charges	(5,419)	(4,874)	(5,379)	(4,856)
Sales revenue	**22,499**	**20,049**	**22,361**	**19,971**

(a) This derives from the sale of chemical products and services to the exploration and production sector, supplying platforms, drill rigs, FPSOs and onshore facilities with the essential products required by operations and other activities, with the main client being Petrobras.

(b) Amounts awarded to customers in exchange for meeting contractually agreed deadline and performance targets.

22.1 Disaggregation of revenue

	Consolidated					
	3/31/2018					
	Retail	Corporate Consumers	Aviation	Other	Corporate	Total
Domestic						
North	1,129	857	122	18	-	2,126
Northeast	3,086	1,131	346	94	-	4,657
Center-West	1,540	554	203	6	-	2,303
Southeast	5,447	2,187	853	1,001	-	9,488
South	2,441	964	163	64	-	3,632
Foreign	-	20	391	3	-	414
Total (*)	**13,643**	**5,713**	**2,078**	**1,186**	-	**22,620**

(*) Transferred at a specific moment in time.

The appropriation of early bonuses of R$121 (R$ 125 as of March 31, 2017) has not been considered in the disaggregation of revenue, according to note 26 - Segment Reporting.

	Consolidated					
	3/31/2017					
	Retail	Corporate Consumers	Aviation	Other	Corporate	Total
Domestic						
North	918	890	98	19	-	1,925
Northeast	2,700	1,011	298	94	-	4,103
Midwest	1,410	541	168	2	-	2,121
Southeast	5,018	1,989	719	926	1	8,653
South	2,111	709	133	94	-	3,047
Foreign	-	11	293	21	-	325
Total (*)	**12,157**	**5,151**	**1,709**	**1,156**	**1**	**20,174**

(*) Transferred at a specific moment in time.

23 Other net revenue (expenses)

	Consolidated		Parent company	
	Three-month period ended March 31		Three-month period ended March 31	
	2018	2017	2018	2017
Rental expenses	(31)	(33)	(31)	(33)
Judicial losses and provisions	(78)	(80)	(78)	(80)
Voluntary Redundancy Incentivization Program (PIDV)	(22)	21	(22)	21
Pension and health plan - inactive	(79)	(99)	(79)	(99)
Rental and royalties revenue	65	66	65	66
Recovery of tax credits - PIS and COFINS	19	19	19	19
Institutional relations and cultural projects	(8)	(20)	(8)	(20)
Income on the sale/derecognition of permanent assets	1	4	1	4
Other	(2)	12	(3)	12
Total	**(135)**	**(110)**	**(136)**	**(110)**

24 Expenses by nature

	Consolidated											
	Three-month period ended March 31, 2018						Three-month period ended March 31, 2017					
	Cost of goods sold and services rendered	Sales expenses	General and administrative expenses	Other net expenses	Tax expenses	Total	Cost of goods sold and services rendered	Sales expenses	General and administrative expenses	Other net expenses	Tax expenses	Total
Raw materials and resale goods	(20,755)	-	-	-	-	(20,755)	(18,092)	-	-	-	-	(18,092)
Outsourced services, freight and rental expenses	(20)	(399)	(47)	(34)	-	(500)	(18)	(407)	(51)	(36)	-	(512)
Personnel expenses	(12)	(170)	(119)	(102)	-	(403)	(14)	(186)	(129)	(80)	-	(409)
Expected credit losses	-	4	-	-	-	4	-	20	-	-	-	20
Depreciation and amortization	(3)	(91)	(12)	-	-	(106)	(4)	(94)	(14)	-	-	(112)
Change in inventory (*)	(169)	-	-	-	-	(169)	(437)	-	-	-	-	(437)
Institutional relations and cultural projects	-	-	-	(8)	-	(8)	-	-	-	(20)	-	(20)
Tax	(1)	-	-	16	(27)	(12)	-	-	-	11	(37)	(26)
Judicial losses and provisions	-	-	-	(78)	-	(78)	-	-	-	(80)	-	(80)
Franchise, rental and royalties revenue	-	-	-	65	-	65	-	-	-	66	-	66
Other	(22)	(52)	(12)	6	-	(80)	(3)	(36)	(11)	29	-	(21)
Total	**(20,982)**	**(708)**	**(190)**	**(135)**	**(27)**	**(22,042)**	**(18,568)**	**(703)**	**(205)**	**(110)**	**(37)**	**(19,623)**

	Parent company											
	Three-month period ended March 31, 2018						Three-month period ended March 31, 2017					
	Cost of goods sold and services rendered	Sales expenses	General and administrative expenses	Other net expenses	Tax expenses	Total	Cost of goods sold and services rendered	Sales expenses	General and administrative expenses	Other net expenses	Tax expenses	Total
Raw materials and resale goods	(20,639)	-	-	-	-	(20,639)	(18,028)	-	-	-	-	(18,028)
Outsourced services, freight and rental expenses	(18)	(393)	(46)	(34)	-	(491)	(17)	(405)	(49)	(36)	-	(507)
Personnel expenses	(10)	(167)	(116)	(102)	-	(395)	(12)	(185)	(127)	(80)	-	(404)
Expected credit losses	-	2	-	-	-	2	-	20	-	-	-	20
Depreciation and amortization	(2)	(91)	(12)	-	-	(105)	(3)	(94)	(14)	-	-	(111)
Change in inventory (*)	(170)	-	-	-	-	(170)	(438)	-	-	-	-	(438)
Institutional relations and cultural projects	-	-	-	(8)	-	(8)	-	-	-	(20)	-	(20)
Tax	(1)	-	-	16	(27)	(12)	-	-	-	11	(36)	(25)
Judicial losses and provisions	-	-	-	(78)	-	(78)	-	-	-	(80)	-	(80)
Franchise, rental and royalties revenue	-	-	-	65	-	65	-	-	-	66	-	66
Other	(18)	(51)	(11)	5	-	(75)	-	(34)	(11)	29	-	(16)
Total	**(20,858)**	**(700)**	**(185)**	**(136)**	**(27)**	**(21,906)**	**(18,498)**	**(698)**	**(201)**	**(110)**	**(36)**	**(19,543)**

(*) This is the result of the difference in the final inventory over the initial inventory presented in the Statement of Financial Position.

25 Net financial income

	Consolidated		Parent company	
	Three-month period ended March 31		Three-month period ended March 31	
	2018	2017	2018	2017
Expenses				
Loans and financing	(65)	(411)	(64)	(411)
Financial leases	(2)	(1)	(14)	(12)
Absorption of cash reimbursable financing	(5)	-	(5)	-
Bank commission	(17)	(11)	(17)	(11)
Other	(5)	(8)	(5)	(4)
	(94)	**(431)**	**(105)**	**(438)**
Revenue				
FIDC	9	80	9	80
Customer arrears interest	34	24	31	23
Customer financing	18	6	18	6
Judicial deposits	11	11	11	11
Income on Commodities Hedge	7	-	7	-
Short-term investments	3	13	-	7
Other	2	4	1	2
	84	**138**	**77**	**129**
Monetary variance				
Asset				
Restatement of receivables - Electric sector - Insulated system - Eletrobras	1	184	1	184
Deposits	1	4	1	4
Other	2	1	2	1
	4	**189**	**4**	**189**
Liability				
Financial leases	(1)	(1)	(11)	(1)
Restatement of dividends payable to Petrobras	(6)	(19)	(6)	(19)
Restatement of dividends payable - third parties	(3)	-	(3)	-
Loans and financing	(24)	(24)	-	-
Taxes	(4)	-	(4)	-
Other	-	1	-	(1)
	(38)	**(43)**	**(24)**	**(21)**
Exchange variance	**(2)**	**(1)**	**(2)**	**(3)**
Finance income	**(46)**	**(148)**	**(50)**	**(144)**

Financing charges (interest and monetary variance) amounted to R$ 98 (note 16.3) in the period, with R$ 89 recognized in profit or loss and R$ 9 as capitalized interest.

26 Segment reporting

Responsible for making operating decisions, the Executive Board views the business from the perspective of the profile/market of its customers with respect to Gas Stations. In terms of client profile, Management considers separately the activities of the Gas Stations, Corporate Customers and Aviation.

Retail

This chain markets the Company's oil products, lubricants, compressed natural gas, biofuels and convenience store products for the purpose of achieving established market and profitability goals, as well as creating favorable conditions for sustainable growth.

Corporate Consumers

This area markets fuels and lubricants and provides associated services to all operating segments of the Company's major consumers market.

Aviation

This area markets aviation products and services at the country's airport facilities for airlines operating transportation services abroad and the domestic market.

Other segments related to the sale of chemicals, asphalt and power generation were classified under "other", as reportable operating segments, since they did not achieve the quantitative criteria required by the IFRS/CPC for individual reportable segments.

The Company's consolidated income from Brazilian customers is R$ 22,085 (R$ 19,724 from January to March 2017), and total revenue from foreign customers, based on the country where the sale was made, is R$ 414 (R$ 325 from January to March 2017).

The Company's assets, notably the bases, terminals and other fixed assets, are not reported by segment to the Executive Board, since they are used by all of the business units without segmentation. Similarly, liabilities are not reported by segment, since they are managed by the central treasury.

See below the core financial information assessed by the Executive Board:

Consolidated statement of Net Income by Business Sector - Mar/18

	Retail	Corporate Consumers	Aviation	Other	Corporate	Total segments	Reconciliation with financial statements		Total
Sales Revenue	13,643	5,713	2,078	1,186	-	22,620	(121)	(a)	22,499
Cost of goods sold	(12,751)	(5,390)	(1,872)	(966)	-	(20,979)	(3)	(b)	(20,982)
Gross profit	**892**	**323**	**206**	**220**	-	**1,641**	**(124)**		**1,517**
Expenses									
General, administrative and sales	(396)	(172)	(116)	(70)	(60)	(814)	(84)	(c)	(898)
Tax	(4)	-	(1)	(2)	(11)	(18)	(9)	(d)	(27)
Other net revenue (expenses)	47	1	1	2	(86)	(35)	(100)	(e)	(135)
Equity earnings	-	-	-	1	(2)	(1)	-		(1)
Net finance income	-	-	-	-	-		(46)	(f)	(46)
Adjusted EBITDA	**539**	**152**	**90**	**151**	**(159)**	**773**			
Net income (loss) before tax							**(363)**		**410**

Consolidated statement of Net Income by Business Sector - Mar/17

	Retail	Corporate Consumers	Aviation	Other	Corporate	Total segments	Reconciliation with financial statements		Total
Sales Revenue	12,157	5,151	1,709	1,156	1	20,174	(125)	(a)	20,049
Cost of goods sold	(11,273)	(4,768)	(1,537)	(982)	(4)	(18,564)	(4)	(b)	(18,568)
Gross profit	**884**	**383**	**172**	**174**	**(3)**	**1,610**	**(129)**		**1,481**
Expenses									
General, administrative and sales	(396)	(246)	(122)	(83)	(41)	(888)	(20)	(c)	(908)
Tax	(7)	-	(1)	(3)	(11)	(22)	(15)	(d)	(37)
Other net revenue (expenses)	62	4	3	10	(130)	(51)	(59)	(e)	(110)
Equity earnings	-	-	-	1	(3)	(2)	-		(2)
Net finance income	-	-	-	-	-		(148)	(f)	(148)
Adjusted EBITDA	**543**	**141**	**52**	**99**	**(188)**	**647**			
Net income (loss) before tax							**(371)**		**276**

Reconciliation with financial statements	3/31/2018	3/31/2017
(a) Sales Revenue		
Appropriation of early bonuses awarded to customers		
Sales revenue is adjusted by the early bonuses granted to resellers of service stations to which the Company distributes fuels and lubricants. Corresponding to the portion provided mainly in kind and held under the terms established in advance with such parties, which once completed, become nonreturnable, being absorbed as expenses by the Company. This corresponds to a target scheme which, once met, exempt the recipients – resellers of service stations – from returning to the Company these amounts advanced as bonuses. They are classified in profit or loss in proportion to their due dates.	(121)	(125)
(b) Cost of goods sold		
Depreciation and amortization	(3)	(4)
(c) General, administrative and sales		
Depreciation and amortization	(103)	(108)
Expected credit losses		
The adjusted values refer to the provisions relating to receivables owed to the Company by the thermal companies of islanded and interconnected power systems, a segment for which the Company substantially provides service, and which lately has been facing financial difficulties.	19	88
(d) Taxes		
Tax adjustments denote tax amnesties and tax charges on financial revenue.		
Tax amnesties: payment provisions for joining the amnesty programs established by State Laws and the Special Tax Regularization Program (PERT) from the Federal Government concerning tax liabilities related to ICMS and federal taxes with the State and Federal Government, respectively The Company considers the adjustment adequate because it provides investors additional information not deriving from our main operations.	(2)	-
Tax charges on revenue: the adjustments refer to expenditure on IOF PASEP and COFINS, levied on the Company's revenue and which are classified as tax expenses.	(7)	(15)
(e) Other net revenue (expense)		
Judicial losses and provisions		
The adjusted amounts consist of losses incurred in final and unappealable lawsuits, as well as the provisions made on the basis of the opinions obtained from the lawyers responsible for handling the lawsuits or by the Company's Legal Department.	(78)	(80)
Voluntary redundancy incentivization plan		
The adjustment denotes amounts that affected the Company's earnings given the provision for the estimated expenditure on indemnities related to the plan, as well as the reversal of the provision due to the withdrawal from the plan, which took place in the respective periods.	(22)	21
(f) Net financial income	(46)	(148)
Total	**(363)**	**(371)**

27 Judicial and administrative proceedings and contingencies

27.1 Judicial and administrative proceedings provisioned for

The Company and its investees establish sufficient provisions to cover reliably estimated probable losses. The main proceedings are as follows:

Tax Claims

(i) related to the transfer of ICMS credits of haulers and builders from the Mato Grosso state, compensated by the Company (R$ 1,276 as of March 31, 2018 and R$ 1,229 as of December 31, 2017).

Civil Proceedings

(i) a lawsuit filed by Valpar claiming that the Company failed to comply with the Transportation and Loan Agreement, resulting in losses and impairing the operations of the plaintiff's fueling stations (R$ 87 as of March 31, 2018 and R$ 86 as of December 31, 2017);

(ii) lawsuit filed by the company Dislub, due to the alleged unilateral interruption of the distribution contract by the Company; The plaintiff is requesting the contract's termination, including the release of guarantees and the payment of the contractual fine, indemnification for losses and damages and moral damages (R$77 as of March 31, 2018 and R$ 76 as of December 31, 2017); and

(iii) lawsuit filed by Único Combustíveis Ltda., requesting the Company be ordered to pay a fine agreed in a Commercial Purchase and Sale agreement, as well as compensation for moral damages due to the interrupted fuel supply (R$ 71 as of March 31, 2018 and R$ 69 as of December 31, 2017).

The provisions are presented according to the nature of the underlying proceedings:

	Consolidated									
	Three-month period ended March 31									
	2018					2017				
	Tax	Labor	Civil	Environmental	Total	Tax	Labor	Civil	Environmental	Total
Opening balance	**1,400**	**238**	**432**	**9**	**2,079**	**1,415**	**225**	**441**	**9**	**2,090**
Addition	6	22	16	-	44	15	16	34	-	65
Use	-	-	-	-	-	-	(1)	-	-	(1)
Reversal	(14)	(7)	(10)	-	(31)	(6)	(14)	(5)	(4)	(29)
Restatement	48	4	7	-	59	18	(1)	9	-	26
Closing balance	**1,440**	**257**	**445**	**9**	**2,151**	**1,442**	**225**	**479**	**5**	**2,151**

	Parent company									
	Three-month period ended March 31									
	2018					2017				
	Tax	Labor	Civil	Environmental	Total	Tax	Labor	Civil	Environmental	Total
Opening balance	**1,399**	**238**	**432**	**9**	**2,078**	**1,414**	**225**	**441**	**9**	**2,089**
Addition	6	22	16	-	44	15	16	34	-	65
Use	-	-	-	-	-	-	(1)	-	-	(1)
Reversal	(13)	(7)	(10)	-	(30)	(6)	(14)	(5)	(4)	(29)
Restatement	48	4	7	-	59	18	(1)	9	-	26
Closing balance	**1,440**	**257**	**445**	**9**	**2,151**	**1,441**	**225**	**479**	**5**	**2,150**

Expenses related to judicial and administrative proceedings, including restatements, are classified under other net expenses.

In the preparation of the financial statements for the period ended March 31, 2018, the Company took into account all the information available regarding the proceedings to which it is party in order to estimate the obligations and the probability of an outflow of funds. However, given the nature of long-term legal provisions, we cannot estimate when these funds will be disbursed.

27.1.1 Provisioned for judicial proceedings and judicial deposits

	Consolidated					
	3/31/2018			12/31/2017		
	Judicial proceedings	Judicial deposits	Proceedings net of judicial deposits	Judicial proceedings	Judicial deposits	Proceedings net of judicial deposits
Labor claims	257	132	125	238	126	112
Tax claims	1,440	10	1,430	1,400	12	1,388
Civil claims	445	66	379	432	65	367
Environmental claims	9	1	8	9	-	9
Total	**2,151**	**209**	**1,942**	**2,079**	**203**	**1,876**

27.1.2 Guarantees

A portion of the Company's inventory and property, plant and equipment has been pledged as guarantees for judicial proceedings in which the Company is a defendant.

	Consolidated		Parent company	
	3/31/2018	12/31/2017	3/31/2018	12/31/2017
Inventory	248	250	248	250
Property, plant and equipment	18	17	18	17
	266	**267**	**266**	**267**

27.2 Proceedings not provisioned for (possible losses)

	Consolidated		Parent company	
Nature	3/31/2018	12/31/2017	3/31/2018	12/31/2017
Tax	7,214	7,091	7,154	7,027
Civil - General	2,339	2,127	2,331	2,127
Labor	203	186	203	186
Civil - Environmental	103	27	103	27
Total	**9,859**	**9,431**	**9,791**	**9,367**

See below the main proceedings not provisioned for:

a) Tax proceedings

	Description of tax proceedings	3/31/2018	12/31/2017
	Plaintiffs: State of Rio de Janeiro		
1)	Collection of the rate difference in internal operations involving aviation fuel. The States have given special treatment to airlines by reducing the ICMS rate. Today, the Company charges this rate difference from distributors related to the sales to airlines companies and/or transfers between the Company's facilities.	1,214	1,196
	Plaintiffs: States of Goiás, Pará, Rio de Janeiro, Roraima, Santa Catarina, São Paulo and Tocantins		
2)	Recovery of ICMS-ST on consignment and symbolic return of jet fuel for resale; consideration of establishment as wholesaler retailer, blacklisting of tax documents.	1,378	1,376
	Plaintiffs: States of Amazonas, Bahia, Ceará, Goiás, Mato Grosso do Sul, Mato Grosso, Pará, Paraíba, Piauí, Rio Grande do Norte, Sergipe and São Paulo and Distrito Federal		
3)	Cases where the company is contesting the lack of ICMS incidence on the variation in fuel volumes due to leftovers and inventory shortages arising from the operation and transportation of products. The Company receives products from the oil refinery invoiced based on a temperature of 20° C. When sold to customers, the Company sells the product at room temperature, resulting in a variation in inventory due to natural volumetric variations caused by temperature.	861	860
	Plaintiffs: States of Amapá, Bahia and São Paulo and Discom		
4)	Cases where the Company is contesting who is liable for the payment of ICMS not withheld through tax substitution based on injunctions obtained by the buyers, but which now is due because the buyers eventually lost the lawsuits filed against the State.	654	631
	Plaintiff: States of Amazonas, Bahia, Ceará and Pernambuco		
5)	Collection of ICMS on alleged aviation fuel sales, with no ICMS tax for national and foreign airlines, for flights to other states or abroad.	478	470
	Plaintiff: State of Pernambuco		
6)	Cases where the tax authority is accusing the Company of having appropriated/use credit in operations in which credits are not entitled. Disputes whether the regulations set out in art. 32 (3) of State Law 10259/1989 and art. 34 (21) of Decree 14876/1991, which provide for the possibility of appropriating and maintaining ICMS tax credits, were or were not tacitly revoked by State Law 11408/1996.	491	484
	Plaintiffs: States of Bahia, Ceará, Goiás, Mato Grosso do Sul, Mato Grosso, Pará, Piauí, Rio de Janeiro, Rio Grande do Norte, Roraima and Santa Catarina, Distrito Federal and the Federal Government		
7)	Punishment applied for non-compliance with auxiliary obligations related to collection and crediting of ICMS, IRPJ, CSLL, PIS and COFINS payable on operations in general by the Company.	285	272
	Plaintiff: Government		
8)	Processes under which Company is disputing the incidence of IPI on oil products and the possibility of maintaining IPI credits on the acquisition of inputs used in the production of oil products.	574	571
	Plaintiff: State of Rio de Janeiro		
9)	Cases where the Company has been assessed for using NCM classification (Mercosur Common Nomenclature) with which the State does not agree.	248	236
	Plaintiff: State of Rio de Janeiro		
10)	Case disputing the appropriation of ICMS credit, considering that the State assessed the Company for allegedly duplicating recorded credits.	94	94

	Description of tax proceedings	3/31/2018	12/31/2017
	Plaintiff: Government		
11)	Case where the Company is contesting the Social Security Contribution on profit shares and performance bonuses paid to employees.	139	116
	Plaintiffs: State of Amazonas, Bahia, Ceará, Goiás, Mato Grosso, Paraíba, Piauí, Rondônia and São Paulo		
12)	Cases where the company is contesting whether or not there is a right to credit the ICMS paid when the CIF freight in interstate operations is tax exempt. Distinction between transportation operation and service.	114	110
	Plaintiffs: States of Amazonas, Bahia, Ceará, Goiás, Paraíba, Pernambuco, Piauí, Rondônia, Rio Grande do Sul and São Paulo		
13)	Cases where the tax authority is accusing the Company of having appropriated/use credit in operations in which credits are not entitled, such as the improper application of the noncumulative principle.	86	84
	Plaintiff: Government		
14)	Cases in which the Company is disputing the incidence of social security contributions on compensation paid to freelancers providing services to the Company.	41	61
	Plaintiffs: States of Amazonas, Ceará, Espírito Santo, Goiás, Mato Grosso Sul, Mato Grosso, Pará, Pernambuco, Piauí, Rio de Janeiro and Rondônia		
15)	Cases where the Company is charged for alleged omissions in the provision of information via SCANC, which allegedly resulted in non-payment or insufficient payment of ICMS to the assessing federal authority.	62	56
	Plaintiffs: States of Mato Grosso and Pará		
16)	Cases where the Company was assessed by the tax authority, demanding ICMS on deliveries resulting from interestablishment transfers.	60	57
	Plaintiff: Government		
17)	Cases where the Company is contesting who is liable for the payment of PIS and COFINS not withheld through tax substitution based on injunctions obtained by the buyers, but which now is due because the buyers eventually lost the lawsuits filed against the State.	56	55
	Plaintiff: Government		
18)	Cases where the Company is assessed as jointly liable for the payment of social security contributions.	50	49
	Various tax proceedings	329	313
	Total	**7,214**	**7,091**

b) Civil proceedings

	Description of civil proceedings	3/31/2018	12/31/2017
	Plaintiff: WTorre Engenharia E Construção S.A..		
1)	Arbitration procedure filed by the plaintiffs arising from alleged fraud to the unenforceability of bidding for contracting atypical lease (BTS) for the operation of the Rondonópolis Terminal. Status: the Company sent the law firm Barroso e Fontelles the documents required to prepare its defense in the arbitration proceeding. To be submitted by May, upon making its defense the Company will submit all of its defense material, including a claim to stay the arbitration proceeding as a result of the injunction awarded under the public civil action contesting the legality of the internal procedure prior to the procurement.	734	708
	Plaintiff: CADE - Administrative Council for Economic Defense		
2)	This entails the investigation into alleged cartels for the resale and distribution of fuel in Belo Horizonte and surrounding areas. Case distributed to the reporting justice in the CADE Administrative Tribunal. Status: The economic data submitted to the case records by the ANP in Official Letter 20/2018/ANP were provided to the plaintiffs. Moreover, we explain that the parties are awaiting the opinion of the MPF, recommending conviction or shelving; after this the reporting justice can begin to prepare their vote and request inclusion of the proceeding in the hearing schedule.	283	130
	Plaintiff: Forte Comércio, Importação, Exportação e Administração		
3)	Civil suit before the courts of the São Paulo state, with an application for the termination of contracts and indemnity for losses and damages, based on the allegation that the Company failed to comply with the obligations undertaken for the formation of the Forte Group. Status: The Company filed an internal appeal contesting the lower-court decision that denied the Company's special appeal. RedeForte has submitted its counterarguments, and a hearing has been scheduled for 4/14/2018 with the reporting justice.	264	262
	Plaintiff: Francisco Messias Cameli		
4)	Civil action before the courts of the State of Amazonas for collection of rent, due to the demurrage of vessels at the Secondary Distribution Base of Cruzeiro do Sul (BASUL). Status: "In this situation with appeal 2009.001881-5 having been filed and in order to avoid further delay in the case and procedure disruption as the distribution should prevail made to the appeal judge João de Jesus Abdala Simões as he is qualified to entertain the case in accordance with article 55 of the Civil Procedural Code, I raise a conflict of competence (RITJAM art. 162 (1). Case is forwarded to the Presidency of the esteemed TJAM (CPC art. 951RITJAM art. 162)." Case at the appeal stage, with the Company losing in the first instance	180	179
	Plaintiff: DISCOM Distribuidora de Combustíveis e Comércio Ltda		
5)	DISCOM claims that since October 1997 the Company had entered into a purchase and sale commitment, which includes the Company's obligation to supply products. It alleges that the Company had failed to perform the agreement without cause, suspending the delivery of products on May 25, 2000, thus violating the agreement signed, causing numerous losses for DISCOM. It is claiming indemnification for losses and damages and the loss of profits and indemnification for moral damages Status: "I hereby entertain the appeal set out on pages 3799/3825. The appellee is summoned by way of its legal representative to reply within the term of 15 (fifteen) days. After the term has expired the case records shall be referred to the Court of Appeal of Pernambuco regardless of whether statements have been submitted." The claim was partly accepted against the Company by the lower court. Judgment of our appeal is pending.	174	170

	Description of civil proceedings	3/31/2018	12/31/2017
	Plaintiff: Borborema Energética S.A.		
6)	Plaintiff is claiming an error in the company's price formation when preparing the contract, which did not comply with the respective ANEEL Resolution. The Company claims its prices complied with the ANEEL Resolution and that its price formation included the restatement established in this resolution. Status: Borborema submitted the petition enclosed contesting our supplementary requisites and attempting to maintain the opinion presented by the first expert as valid. The parties had each deposited R$60,000.00, equal to 50% of the expert's fees (for each party). Expert analysis stage.	150	149
	Plaintiff: Derivados de Petróleo Santa Izabel Ltda		
7)	Claim seeking compensation for property damages and pain and suffering. The complainant claimed to have protests against invoices and indemnification for property damages and pain and suffering, on the grounds that the protested invoices were improperly issued by the Company (invoices and trade notes with the purpose of charging ICMS), causing substantial property and other losses. Status: case attached to case 0000306-59.1998.8.05.0022, where the award enforcement is being processed. After Santa Izabel began to enforce the award, the judge determined the Company be summoned to pay an amount in the millions based on the spreadsheet unilaterally submitted by the petitioner containing serious distortions related to the decision; a decision was delivered under the interlocutory appeal on 11/4/2016 stating the following: "In light of the foregoing I accept the claim to stay the interlocutory appeal to stay the contested decision until the final pronouncement is delivered under this interlocutory appeal. The Court of the 01st Civil and Commercial Court of Barreiras in respect of the content of this decision, and if necessary to present information about the case. This decision has official status to require execution of the determination set out in the previous paragraph. The appellee is hereby notified to submit counterarguments by the legal deadline should they so desire." The lower-court judge summoned the executing creditor to state their position about the contestation of the execution of the award presented by the Company, with the case records sent to judge for the decision on 11/20/2017.	137	134
	Plaintiff: Boborema Energética S.A		
8)	Case in which the plaintiff is claiming the annulment of several contractual causes in the purchase and sale agreement entered into on 12/29/2009, such as the exclusivity clause, the limitation on the supply of fuel oil to Borborema and Borborema compensation of the Company for investments made by Petrobras group to make the supply feasible. Status: The date of 4/4/2018 (Wednesday) has been scheduled from 10 AM to judge the Interlocutory Appeal filed by Borborema against the decision rejecting the injunction. 17th Civil Chamber. The judge hearing the case alone rejected the claim for interim relief made by the Plaintiff and instructed the parties to submit statements about the evidence they intend to submit	57	56
	Various civil proceedings	360	339
	Total	**2,339**	**2,127**

c) Environmental proceedings

	Description of environmental proceedings	3/31/2018	12/31/2017
	Plaintiff: Goiás State Public Prosecutor's Office		
1)	Public Civil Action by which the Goiás State Public Prosecutor's Office (MP-GO) is seeking the conviction of the Company, the hauler Transportadora ITA and the Goiânia municipal government for environmental damages resulting from the spill of 12,000 liters of asphalt into rivers in Goiás state, due to an accident that took place during the unloading of the tanker truck at the Goiânia Works Office, which is the Status: The Company has submitted a contestation.	73	-
	Various environmental proceedings	30	27
	Total	**103**	**27**

28 Contractual commitments

a) Commitments to Petrobras

The Company has unconditional purchase commitments to Petrobras for the period December 31, 2018 to 2025 of approximately 3.8 billion m³ of natural gas, equal to a total estimated remaining value of R$ 2,352.

b) Take or pay agreements

The Company has take-or-pay agreements for the purchase of oil products and services, as shown below:

Purchase of oil products for the period of 5 years, amounting to an estimated total of R$ 856 with Petrobras, R$ 106 with Braskem and R$ 63 with Refinaria de Petróleo Riograndense;

Purchase of natural gas for the period of five years, worth an estimated R$ 116 from SULGAS, R$ 67 from POTIGAS and R$ 56 from COMPAGÁS;

Services provided by Brasil Carbonos at the Taubaté/SP and Cosmópolis plants. The agreement stipulates the provision of processing services for 21,080,000 tons of green petroleum coke, with an estimated value of R$ 580 through October 2033; and

Storage services for the period of 3 years, worth an estimated R$ 110 from Terminal Químico de Aratu, R$ 80 from AGEO Terminais and R$ 37 from Cattalini Terminais.

c) Transportation contracts

The Company has contractual commitments towards Logum Logística S.A. for the transportation by pipeline of ethanol, worth an estimated total of R$ 418 through March 2029. The contract involves supplies for the bases in São Paulo and Rio de Janeiro and establishes a take-or-pay volume for each section.

29 Financial instruments and risk management

Financial instruments held by the Company are managed through internal controls and operational strategies, focusing on liquidity, regarding the choice of counterparties, the profitability and security of commercial areas for which such transactions are made.

The control policy consists of continuous monitoring of contracted rates versus current market rates, with the ultimate goal of preserving the margins obtained through the hedging policy jointly established with the commercial areas. The Company does not invest in derivatives or any other risky assets on a speculative basis.

Due to the nature of its business, the Company is primarily exposed to credit risk, with part of this exposure restated by applying interest rates to customer financing. The Company is also subject to risks related to liquidity, market and exchange rate variance.

See below the main financial instruments included in the statement of financial position:

	Notes	Fair value hierarchy level	Consolidated		Parent company	
			3/31/2018	12/31/2017	3/31/2018	12/31/2017
Amortized cost						
Assets						
Cash and bank deposits	5		262	261	260	257
Short-term investments	5		843	222	616	-
Accounts receivable	6		5,244	5,880	5,377	5,926
Judicial deposits	11		1,017	1,000	994	977
NTN-P (Other noncurrent assets)			2	2	2	2
			7,368	**7,365**	**7,249**	**7,162**
Amortized cost						
Liabilities						
Trade payables	15		2,318	2,682	2,272	2,645
Financing	16		4,585	4,640	3,692	3,628
Assignment of credit receivables	30.2		13	26	-	-
Financial leases	17.1.1		73	72	523	600
			6,989	**7,420**	**6,487**	**6,873**
Fair value through profit or loss						
Assets						
Tax credit rights (Accounts receivable - current)	6	2	24	24	24	24
Hedge Commodities (Other - Current Assets)		1	-	6	-	6
Forex Hedge (Other - Current Assets)		2	5	2	5	2
			29	**32**	**29**	**32**
Fair value through profit or loss						
Liabilities						
Hedge Commodities (Other - Current liabilities)		1	4	79	4	79
Forex Hedge (Other - Current Liabilities)		2	5	2	5	2
			9	**81**	**9**	**81**

29.1 Risk management objectives and strategies

The main forum to discuss the Company's credit risk management is the Credit Committee, which sets the main parameters and guidelines for the credit policy. Credit application analyses have specific procedures and growing requirements depending on the level of exposure and the amount of credit requested, and certain cases are referred to the decision of the Executive Board.

The policy for managing foreign exchange exposure is set by the Executive Board, with joint management of the financial and commercial departments responsible for international billing.

29.2 Market risk

29.2.1 Interest rate risk

The Company's interest rate risk on liabilities is mainly associated with the CDI rate, the index for the financing agreements with Itaú (note 16), and the IPCA price index, which underlies Real Estate Receivables Certificates.

29.2.1.1 Interest rate risk management

The Company and its consolidated investees are not currently using derivative financial agreements to manage its exposure to interest rate fluctuations.

See below the sensitivity analysis on the main financial assets and liabilities subject to floating interest rates as of March 31, 2018.

					Consolidated
	Exposure as of March 31 2018	Risk	Scenario I - probable	Scenario II - possible (***)	Scenario III - remote (***)
		CDI (*)	6.88%	8.60%	10.32%
		IPCA	4.08%	5.10%	6.12%
		SELIC	7.00%	8.75%	10.50%
		IGPM	4.30%	5.38%	6.45%
		INPC (**)	4.08%	5.10%	6.12%
Financial instrument assets					
Short-term investments - CDI	616	CDI	42	53	64
Investments - FIDC	148	CDI	10	13	15
Short-term investments - SELIC	155	SELIC	11	14	16
CDI financing receivable - 100%	124	CDI	9	11	13
IGP-M financing receivable - 100%	269	IGPM	12	14	17
INPC financing receivable - 100%	106	INPC	4	5	6
SELIC financing receivable - 100%	104	SELIC	7	9	11
Payable financial instruments					
Debentures	(3,636)	CDI	(279)	(349)	(419)
Real estate receivables certificates (CRI)	(881)	IPCA	(36)	(45)	(54)
Net financial income, as per estimates					
Gain/(loss)			(220)	(275)	(330)

(*) The Selic base interest rate was used considering the proximity to the CDI rate.
(**) The IPCA index was used considering the proximity to the INPC index.

Probable scenario - includes the projected rate for 2019 as per the Focus Report disclosed by the Brazilian Central Bank on March 29, 2018.
(***) Scenarios II and III - consider deteriorations in the projected rate in the probable scenario of 25% and 50%, respectively.
The sensitivity analysis only took into account the deterioration in the interest rate in relation to the outstanding balance as of March 31, 2018, considering it to be constant.

29.2.2 Exchange risk

The foreign exchange risk is one of the risks to which the Company is exposed as result of making sales to overseas customers.

29.2.2.1 Exchange risk management

The Company uses forex hedges to cover commercial margins on aviation fuel sales made to foreign customers. It also uses hedges to protect against exchange variance on fuel imports. In the former case the hedge is used to ensure the commercial margins agreed with customers are maintained while the negotiated prices are in force

and during the commercial payment term. In the latter case, the hedge is used to protect the cost of the imported products.

Between January and March 2018 hedges were taken out for exports amounting to USD 119 million and USD 310 million for imports. The hedges procured accounted for 99% of the US dollar export revenue grossed from the aviation segment in the same period. The hedges procured for imports accounted for 83% between January and March 2018 for the cargo on the on behalf and by order basis - which presents foreign exchange exposure.

The Company's financial risk management policy stipulates the procurement of forex hedges to cover a maximum of 100% of both exports and imports.

The settlement of all forex hedges between January and March 2018 led to a loss for the Company of R$ 2.

Note that the Company did not use any other derivative instruments in relation to forex hedges besides NDFs, pursuant to article 2 of CVM Resolution 550 issued in 2008.

None of these hedges required guarantee margin deposits.

	Reference Value (notional) (USD)		Fair value (R$)		
NDFs	3/31/2018	12/31/2017	3/31/2018	12/31/2017	Maturity
Long Position	-	55	-	1	1Q18
Long Position	101	-	5	-	2Q18
Short Position	-	78	-	(1)	1Q18
Short Position	84	-	(5)	-	2Q18

The forex hedge registered at fair value is classified as Level 2.

The following sensitivity analysis was conducted for the fair value of the foreign currency derivatives. The probable scenario is the fair value as of March 31, 2018 and the possible and remote scenarios consider the deterioration in the risk variable of 25% and 50%, respectively, with respect to the same date. The fair value in the probable scenario is calculated based on the selling PTAX rate on the last working date restated by the free coupon obtained from the B3 site, which adjusts the value according to the maturity of each contract. Intermediate dates are interpolated.

Foreign Exchange Derivatives	Risk (**)	Probable Scenario at 3/31/2018 (*)	Possible Scenario (Δ of - 25%)	Remote Scenario (Δ of - 50%)
NDFs	Devaluation of Dollar against Real	-	(14)	(28)

(*) - R$ 10 thousand (ten thousand reais)
(**) The Cia has more long positions than short positions in USD

29.2.3 Price risk management

In July 2017 Petrobras published a new price policy for diesel and gasoline. In addition to taking into account factors such as productive refining capacity, this policy intended to bring oil product prices in line with international prices. As a result, domestic fuel prices have experienced daily changes ever since.

International oil and oil products sale prices are influenced by several factors related to the macroeconomy, geopolitics, OPEC production levels, environmental impacts and the development of new technologies and alternative energy sources, amongst others. On account of these various factors which are beyond the Company's control and in order to mitigate the commodity risk and avoid revenue and expense mismatches, the Company began hedging international purchases. The company therefore believes that its costs and revenue are more aligned with its plans, thereby preserving cash flow and profitability.

In accordance with the risk management policy, all commodity derivative transactions are secured by commercial supply dividends.

Hedge transactions were taken out for approximately 694 thousand m³ of gasoline and diesel between January 01 and March 31, 2018.

See below the sensitivity analysis:

Contracts (in cents per gallon)				(in millions of reais)		
Type	Quantity	Average Sale Price	Closed on 3/31/2018	MTM (Contract value)	Possible Scenario (Δ of 25%)	Remote Scenario (Δ of 50%)
HO MAY 2018 (Diesel)	689	667	672	(1)	(50)	(99)
RBOB MAY 2018 (Gasoline)	195	671	672	(0.08)	(14)	(28)

The fair value of the commodity derivative is classified as level 1.

29.3 Liquidity risk

The Company predominantly uses its funds for operating expenditure. The conditions are usually met by using internal funding. Financing is occasionally used in light of opportunities in the financial market to finance projects or as a response to a specific liquidity event.

29.3.1 Liquidity risk management

The compilation of cash flow projections is centralized at the Company's financial department. The department uses an annual cash flow, which is monitored through monthly projection reviews discussed in representative forums and executive committees.

It intends to ensure sufficient cash flow to meet the Company's operating, funding and investment requirements, whilst always maintaining a minimum cash balance sufficient to cover the daily cash flow.

Surplus cash is invested in quotas of FIDC-NP, an exclusive corporate fund of Petrobras Group that yields interest. Events that place a strain on cash generation, up to the limit of cash flow, are remedied with corporate funds.

Moreover, there is always room for financial structuring to enhance capital structure and cost, in addition to bolstering cash flow in specific situations.

The nominal flow of principal and interest on financing is as follows:

	Consolidated		
Period	**Principal**	**Interest**	**Total**
2018	18	279	297
2019	120	325	445
2020	3,640	186	3,826
2021	122	38	160
2022	130	31	161
2023	140	24	164
2024 onwards	359	77	436
Total	**4,529**	**960**	**5,489**

The flow of payments from finance leases is presented in note 17.1.1 along with the flow of receipts.

29.4 Credit risk

The Company's exposure to credit risk arises from the forward sale of products, resulting from usual commercial transactions. This risk is caused by the possibility of not receiving payment for sales made.

29.4.1 Credit risk management

The Company's Credit and Collection Policy establishes approval limits for each customer based on the amount requested, and establishes limit terms, thereby enabling the periodic reassessment of each customer's status in terms of the risk they may pose.

The analysis includes the payments track record of the customer and its economic group, market constraints, guarantees (mortgages), personal guarantees (sureties) and balance sheet analyses. The Company uses the competence limit table, approved by Management, to grant credit.

Credit granted to financial institutions in relation to hedging activities is distributed among the main international banks rated by international risk rating agencies as Investment Grade, and all major Brazilian banks.

The Company's commercial loans portfolio is highly diversified, serving customers from the automotive sector and major consumers, consisting mainly of industries, carriers, government clients and the air sector. Credit risk exposure is mainly represented by the balance of accounts receivable.

The Company's credit limit portfolio amounted to approximately R$ 9.8 billion as of March 31, 2018.

29.5 Capital management

Capital management is the set of procedures that aims to ensure an adequate capital base for the Company to operate, allowing it to honor all of its financial commitments and risks.

Capital management and monitoring entail:

- daily cash flow control

- projection and monitoring of the Company's short and medium term cash flow realization, structuring the Financial Plan that will support the budget processes;
- monitoring the balance, maturity and cost of the Company's debt and the variables impacting the leverage thereof;
- analysis of the cash flow cycle and working capital requirement; and
- monitoring the variables that affect working capital, integrating the initiatives related to managing the working capital requirement.

	Consolidated		Parent company	
	3/31/2018	12/31/2017	3/31/2018	12/31/2017
Financing loans (note 16)	4,585	4,640	3,692	3,628
Financial leases (note 17)	73	72	523	600
Assignment of credit receivables (note 30.2)	13	26	-	-
Total indebtedness	4,671	4,738	4,215	4,228
Less: cash and cash equivalents (note 5)	(1,105)	(483)	(876)	(257)
Less: Credit receivables investment fund - FIDC - NP (note 6)	(148)	(370)	(136)	(356)
Net debt	3,418	3,885	3,203	3,615
Shareholders' equity attributed to controlling shareholders (note 21)	8,510	8,826	8,510	8,826
Net debt /(net debt + shareholders' equity)	**29%**	**31%**	**27%**	**29%**

29.6 - Fair value measurement

Fair value measurements are classified at different levels in a hierarchy, as described below, based on the degree to which the fair value measurement information can be observed:

- Level 1 – quoted prices (without adjustments) in active markets for identical assets or liabilities to which the entity could have access at the measurement date;

- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;

- Level 3 - inputs for the asset or liability that are not based on observable market data.

As of March 31, 2018 the estimated fair value for the Company's financing calculated at market rates in force is presented in note 16.4.

The fair values of cash and cash equivalents and other financial assets and liabilities are equal to or closely approximate their carrying amounts.

30 Related-party transactions

The Company has a policy for related-party transactions, approved by the Board of Directors, which establishes rules to ensure that all decisions involving related parties and potential conflict of interest situations comply with the law, including the laws of the countries where the Company operates and the parties involved in the transactions.

30.1 Commercial transactions and other transactions

30.1.1 By transaction

		Consolidated 3/31/2018					
		Assets			Liabilities		
	Net income	Current	Non-current	Total	Current	Non-current	Total
Result							
Revenue	661						
Net monetary and exchange variance	(4)						
Net financial revenue (expense)	12						
Other income and expenses	1						
Asset							
Account receivable (note 6), exc. FIDC		348	2,958	3,306			
Securities		-	2	2			
Cash and cash equivalents		161	-	161			
Judicial deposits		-	777	777			
Liabilities							
Trade payables (Note 15)					1,142	-	1,142
Dividends					405	-	405
Financing loans (note 16.1)					7	5	12
Advances from customers					72	-	72
Financial leases					4	21	25
At 3/31/2018	**670**	**509**	**3,737**	**4,246**	**1,630**	**26**	**1,656**
January to March/2017	**1,030**						
At 12/31/2017		**838**	**3,738**	**4,576**	**1,754**	**26**	**1,780**

		Parent company 3/31/2018					
		Assets			Liabilities		
	Net income	Current	Non-current	Total	Current	Non-current	Total
Result							
Revenue	662						
Net monetary and exchange variance	(15)						
Net financial revenue (expense)	(1)						
Other income and expenses	1						
Asset							
Account receivable (note 6), exc. FIDC		579	2,958	3,537			
Securities		-	2	2			
Cash and cash equivalents		152	-	152			
Judicial deposits		-	754	754			
Liabilities							
Trade payables (Note 15)					1,101	-	1,101
Dividends					405	-	405
Advances from customers					72	-	72
Financial leases					118	405	523
At 3/31/2018	**647**	**731**	**3,714**	**4,445**	**1,696**	**405**	**2,101**
January to March/2017	**1,040**						
At 12/31/2017		**1,008**	**3,715**	**4,723**	**1,839**	**474**	**2,313**

Purchases made amounted to R$ 14,963 (R$ 13,908 through March 2017), with R$ 14,701 (R$ 13,665 through March 2017) from Petrobras, R$ 143 (R$ 127 through March 2017) from Braskem and R$ 119 (R$ 116 through March 2017) from Refinaria de Petróleo Riograndense.

Petrobras guarantees a number of the Company's financing loans, as stated in note 16.1.

The Company has 5-year contracts with Petrobras for the purchase of oil products, equal to a total estimated value of R$ 21,487.

On March 01, 2016 the Company entered into a new 5-year contract with Petrobras for the acquisition of 3.5 million tonnes of green petroleum coke per year, commencing on the date it was signed, that can be extended for equal term, for the estimated amount of R$ 5,500, for the first contractual period.

The second amendment to the CVP purchase and sale agreement with Petrobras was approved on June 27, 2017, which was signed on June 30. Once again this amendment intends to enable the Company to continue its CVP sale and distribution activity, on conditions more aligned with current market conditions. Contractual conditions were changed regarding the price formula, definition of the coke sale for the calcination segment, invoicing/payment conditions and changing financial compensation items by amounts and penalties for reducing the refinery cargo.

30.1.2 By company

Consolidated

	Net income		Assets				Liabilities			
			3/31/2018			12/31/2017	3/31/2018			12/31/2017
	3/31/2018	3/31/2017	Current	Non-current	Total	Total	Current	Non-current	Total	Total
Electric sector companies - Insulated system (Eletrobras group)	**1**	**499**	**15**	**2,958**	**2,973**	**2,992**	**-**	**-**	**-**	**1**
Petrobras and Subsidiaries of Petrobras Group										
Petrobras	397	405	183	-	183	327	1,441	-	1,441	1,564
Petrobras Global Trading BV	-	-	-	-	-	45	49	-	49	25
Transpetro	9	11	14	-	14	17	14	-	14	16
Petrobras Paraguay Operaciones y Logistica	11	4	9	-	9	2	13	-	13	-
Other	10	8	4	-	4	5	-	-	-	2
	427	**428**	**210**	**-**	**210**	**396**	**1,517**	**-**	**1,517**	**1,607**
Joint ventures of Petrobras group										
Termocabo	11	10	8	-	8	5	-	-	-	-
Petrocoque	15	18	-	-	-	-	-	-	-	-
Logum Logística	-	-	-	-	-	-	6	-	6	6
CDGN	(1)	(1)	-	-	-	-	4	21	25	25
Other	8	12	1	-	1	1	7	-	7	15
	33	**39**	**9**	**-**	**9**	**6**	**17**	**21**	**38**	**46**
Associated companies of Petrobras group										
Suape II	97	105	28	-	28	55	-	-	-	-
Braskem	6	5	4	-	4	10	17	-	17	15
Other associated companies	3	13	1	-	1	1	-	-	-	-
	106	**123**	**33**	**-**	**33**	**66**	**17**		**17**	**15**
Government entities										
Government securities	-	-	-	2	2	2	-	-	-	-
State-owned banks	13	(151)	161	777	938	1,039	7	5	12	12
Federal government receivables	90	92	81	-	81	75	72	-	72	99
	103	(59)	242	779	1,021	1,116	79	5	84	111
Total	**670**	**1,030**	**509**	**3,737**	**4,246**	**4,576**	**1,630**	**26**	**1,656**	**1,780**

	Parent company									
	Net income		Asset				Liabilities			
			3/31/2018			12/31/2017	3/31/2018			12/31/2017
	3/31/2018	3/31/2017	Current	Non-current	Total	Total	Current	Non-current	Total	Total
Electric sector companies - Insulated system (Eletrobras group)	**1**	**499**	**15**	**2,958**	**2,973**	**2,992**	**-**	**-**	**-**	**1**
Petrobras and Subsidiaries of Petrobras Group										
Petrobras	397	405	182	-	182	326	1,364	-	1,364	1,496
Stratura	1	22	1	-	1	1	-	-	-	-
Transpetro	9	11	14	-	14	17	14	-	14	16
Petrobras Paraguay Operaciones y Logistica	11	4	9	-	9	2	13	-	13	-
Fundo Invest.Imobiliário FCM	(22)	(11)	230	-	230	179	146	384	530	608
Petrobras Global Trading BV	-	-	-	-	-	45	49	-	49	25
Other	9	6	5	-	5	6	-	-	-	2
	405	**437**	**441**	**-**	**441**	**576**	**1,586**	**384**	**1,970**	**2,147**
Joint ventures of Petrobras group										
Brasil Carbonos	-	-	-	-	-	-	4	-	**4**	**5**
Joint ventures of Petrobras group										
Termocabo	11	10	8	-	8	5	-	-	-	-
Petrocoque	15	18	-	-	-	-	-	-	-	-
Logum Logística	-	-	-	-	-	-	6	-	6	6
CDGN	(1)	(1)	-	-	-	-	4	21	25	25
Other	8	12	1	-	1	1	7	-	7	15
	33	**39**	**9**	**-**	**9**	**6**	**17**	**21**	**38**	**46**
Associated companies of Petrobras group										
Suape II	97	105	28	-	28	55	-	-	-	-
Braskem	6	5	4	-	4	10	17	-	17	15
Other associated companies	3	13	1	-	1	1	-	-	-	-
	106	**123**	**33**	**-**	**33**	**66**	**17**	**-**	**17**	**15**
Government entities										
Government securities	-	-	-	2	2	2	-	-	-	-
State-owned banks	12	(150)	152	754	906	1,006	-	-	-	-
Federal government receivables	90	92	81	-	81	75	72	-	72	99
	102	(58)	233	756	989	1,083	72	-	72	99
Total	**647**	**1,040**	**731**	**3,714**	**4,445**	**4,723**	**1,696**	**405**	**2,101**	**2,313**

Transactions with state-controlled banks were mainly performed with Banco do Brasil.

30.2 Non-standard credit receivables investment fund - FIDC-NP

	Consolidated		Parent company	
	3/31/2018	12/31/2017	3/31/2018	12/31/2017
Account receivable (note 6)	148	370	136	356
Total classified in the current assets	**148**	**370**	**136**	**356**
Assignment of performed and unperformed receivables	(13)	(26)	-	-
Total classified in current liabilities	**(13)**	**(26)**	-	-

	Three-month period ended March 31		Three-month period ended March 31	
	2018	2017	2018	2017
FIDC-NP finance income	9	80	9	80
FIDC-NP finance expense	(1)	(1)	(1)	-
Finance income (costs)	**8**	**79**	**8**	**80**

Performed and non-performed assignments of receivables are classified in current liabilities.

Non-performed means credits whose receipts still rely on some form of payment or provision from the originator or assignment, i.e. on the future delivery of products and services. Performed means invoice credits, where the assignor has performed their obligations (services provided for goods delivered and in any case accepted), their simply remaining the obligation on the debtor to make the payment.

The discount rate on the assignment of Petrobras FIDC-NP receivables is 100.5% of the CDI rate; IOF and income taxes are not due.

Investments in FIDC-NP shares are classified under current assets, in accounts receivable. The interest rate used is 100% CDI. If redemption occurs within the first 30 days of the investment, the IOF tax shall apply at the regressive rate.

Petrobras Group subsidiaries hold 100% of the senior FIDC-NP shares. Historically, all redemption requests by subsidiaries have been met.

30.2.1 Reconciliation of the nonstandardized credit receivables investment fund - FIDC-NP with cash flows deriving from the financing activities

	Consolidated		Parent company	
	3/31/2018	3/31/2017	3/31/2018	3/31/2017
Opening balance	26	31	-	-
Addition	789	-	789	-
Write-offs	(803)	(5)	(790)	-
Interest	1	-	1	-
Closing balance	**13**	**26**	-	-

30.3 Key executive compensation

Compensation paid to all members of the Company's board of directors and executive board was as follows:

	Parent company					
	Three-month period ended March 31					
	2018			2017		
	Executive Board	Board of Directors (Full members)	Total	Executive Board	Board of Directors (Full members)	Total
Wages and benefits	2.5	0.3	2.8	1.8	0.3	2.1
Payroll charges	0.7	-	0.7	0.6	0.1	0.7
Supplementary pensions	0.3	-	0.3	0.2	-	0.2
Benefits due to leaving the post	0.1	-	0.1	-	-	-
Total	**3.6**	**0.3**	**3.9**	**2.6**	**0.4**	**3.0**

As of March 31, 2018 the consolidated expense on director and officer fees amounted to R$ 3 (R$ 3 as of March 31, 2017).

At March 31, 2018 the Company had five members on the Executive Board and nine members on the Board of Directors.

31 Subsequent events

Negotiations of debts from Eletrobras' System

On April 30, 2018, the Company signed instruments regarding negotiations with Centrais Elétricas Brasileiras S.A. - Eletrobras and distributors of energy controlled by Eletrobras (Eletrobras Amazonas, Eletrobras Roraima, Eletrobras Rondônia and Eletrobras Acre), aiming to conclude an agreement related to debts arising from the past supply of petroleum products for the generation of energy in the north of the country, in the updated amount of R$4.6 billion, whose historical value is R$2.9 billion, according to Note 6.2.

Accordingly, Debt Confidence Instruments (ICDs, in portuguese) were entered into for debts filed today (in judicial collection), which comprise the majority of the amounts in question in the case of the Company and which will be guaranteed by Eletrobras until privatization of the controlled companies and which should be paid in 36 monthly installments (without a grace period), updated by market rates.

Debt Assumption Instruments (IADs, in portuguese) were also signed, conditioned upon the effective privatization of the distributors, through which R$1.3 billion will be directly taken over by Eletrobras through these IADs, with a more solid guarantee, based on the assignment of credits of contracts with companies of the Eletrobras system. The part of the debt that is not assumed by Eletrobras (R$3.3 billion) will remain with the current debtors through the current ICDs, and with the privatization, fiduciary guarantees should be presented instead of those provided by Eletrobras.

In the event that the privatization of the controlled distributors of Eletrobras does not take place, the ICDs now signed (R$4.6 billion) continue with their effects and under the responsibility of the same distributors. However, in this case, the surety offered by Eletrobras will lose its effect and there will be no assumption of debt by Eletrobras.

The Company understands that this negotiation is in line with our strategy regarding the management of these amounts receivable and does not foresee relevant impacts on its results in the short term.

Correlation between the notes as of December 31, 2017 and March 31, 2018

	Number of notes to the financial statements	
Titles of notes	**2017 Annual**	**ITR Q1-2018**
General considerations	1	1
Basis of presentation of the financial statements	2	2
Use of judgements and estimates	3	3
Description of significant accounting policies	4	4
Cash and cash equivalents	6	5
Net accounts receivable	7	6
Inventories	8	7
Taxes and contributions recoverable	9	8
Deferred income and social contribution taxes	10	9
Advanced bonuses awarded to clients	11	10
Judicial deposits	12	11
Capital expenditure	13	12
Property, plant and equipment	14	13
Intangible assets	15	14
Trade payables	16	15
Financing	17	16
Leases	18	17
Advances from customers	19	18
Taxes and contributions payable	20	19
Employee benefits	21	20
Equity	22	21
Sales revenue	23	22
Other net revenue (expenses)	24	23
Expenses by nature	25	24
Net finance income	26	25
Segment reporting	27	26
Judicial and administrative proceedings and contingencies	28	27
Contractual commitments	29	28
Financial instruments and risk management	30	29
Related-party transactions	31	30
Subsequent Events	33	31

The notes to the 2017 annual report which have been removed from the ITR as of March 31, 2018 due to not presenting any material changes and not being applicable to the interim information are as follows:

Titles of notes	Number of notes to the financial statements
New standards and interpretations	5
Description of the subsidiaries' activities	13.2
Description of the joint operation	13.3
Description of the activities of joint ventures	13.4
Description of the associate's activities	13.5
Pension plan assets	21.2
Net actuarial obligations and expenses, calculated by independent actuaries, and the fair value of the plans' assets	21.4
Insurance	32

Petrobras Distribuidora S.A.

Representation of the Officers about the Interim Financial Statements and Independent Auditors' Report

Pursuant to article 25 (V,VI) of CVM Directive 480 issued December 7, 2009, the CEO and officers of Petrobras Distribuidora S.A - BR, a listed company having its registered office at the address Rua Correia Vasques, 250, Rio de Janeiro, RJ, corporate taxpayer number (CNPJ) 34.274.233/0001-02, hereby represent that they have:

(I) reviewed, discussed and agree with the Company's financial statements for the period ended March 31, 2018;

(ii) reviewed, discussed and accept the opinions expressed in the report issued by KPMG Auditores Independentes relating to the Company's financial statements for the period ended March 31, 2018.

Rio de Janeiro, May 4, 2018

Ivan de Sá Pereira Junior
CEO

Marcelo Fernandes Bragança
Executive Officer of the Chain of Gas Stations

Gustavo Henrique Braga Couto
Executive Officer of the Consumer Market

Rafael Salvador Grisolia
CFO & Investor Relations Officer

Alípio Ferreira Pinto Junior
Executive Officer for Operations and Logistics

BOARD OF DIRECTORS

AUGUSTO MARQUES DA CRUZ FILHO
CEO

BRUNO CESAR DE PAIVA E SILVA
Director

CLEMIR CARLOS MAGRO
Director

DURVAL JOSÉ SOLEDADE SANTOS
Director

FRANCISCO ARRUDA VIEIRA DE MELO FILHO
Director

JERÔNIMO ANTUNES
Director

JORGE CELESTINO RAMOS
Director

REINALDO GUERREIRO
Director

SEGEN FARID ESTEFEN
Director

EXECUTIVE BOARD

IVAN DE SÁ PEREIRA JUNIOR
CEO

MARCELO FERNANDES BRAGANÇA
Executive Officer of the Chain of Gas Stations

GUSTAVO HENRIQUE BRAGA COUTO
Executive Officer of the Consumer Market

RAFAEL SALVADOR GRISOLIA
CFO & Investor Relations Officer

ALÍPIO FERREIRA PINTO JUNIOR
Executive Officer for Operations and Logistics

ACCOUNTING MANAGEMENT

LUÍS CLÁUDIO SACRAMENTO BISPO
Accountant - CRC - RJ – 077.292/O-2