Petrobras Distribuidora S.A.

Individual and consolidated interim financial statements

June 30, 2017

Contents

Report on the review of the individual and consolidated interim financial statements **3**

Statement of financial position **6**

Statement of profit or loss **8**

Statement of comprehensive income **9**

Statements of changes in equity **10**

Statements of cash flows **11**

Statements of value added **12**

Notes to the interim financial statements **14**

Members of the Board of Directors and the Executive Board **75**

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

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

Introduction
We have reviewed the accompanying June 30, 2017 individual and consolidated interim financial information of Petrobras Distribuidora S.A. ("Company") which comprise the individual and consolidated statement of financial position as of June 30, 2017 and the individual and consolidated statements of profit or loss and comprehensive income for the three- and six-month periods then ended, and the individual and consolidated statements of changes in equity and cash flows for the six-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 inquires,, 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.

KPMG Auditores Independentes, uma sociedade simples brasileira e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative ("KPMG International"), uma entidade suíça.

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 June 30, 2017 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 June 30, 2017 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

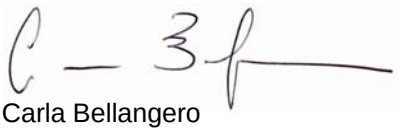
Statement of value added
Interim, individual and consolidated accounting information relating to the statements of value added (DVA) for the six-month period ended June 30, 2017, prepared under the Company directors' responsibility, presented as additional information for the purposes of IAS 34, was 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.

Audit of the amounts corresponding to the previous year and review the amounts corresponding to the third quarter of the previous year
The individual and consolidated financial statements of the Company for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those individual and consolidated financial statements on November 21, 2017, and the individual and consolidated interim financial information for the three and six-month periods ended June 30, 2016 were reviewed by another auditor, who issued a review report without modification on November 21, 2017.

The corresponding amounts relating to individual and consolidated statements of value added (DVA) for the six-month period ended June 30, 2016 were subjected to the same review procedures by those independent auditors, and based on their review, those auditors issued a report stating that they had no knowledge of any fact that would lead them to believe that the DVA had not been prepared, in all material respects, consistent with the interim, individual and consolidated accounting information taken as a whole.

Rio de Janeiro, November 21, 2017

KPMG Auditores Independentes
CRC SP-014428/O-6 F-RJ



Carla Bellangero
Accountant CRC 1SP196751/O-4

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Petrobras Distribuidora S.A.
Statement of financial position
At June 30th, 2017 and December 31st, 2016
(In BRL million)

Assets	Note	Consolidated		Parent company	
		6/30/2017	12/31/2016	6/30/2017	12/31/2016
Current Assets					
Cash and cash equivalents	5	504	655	282	442
Accounts receivable, net	6	6,981	7,679	7,046	7,761
Inventories	7	2,283	2,678	2,266	2,668
Advances to suppliers		40	62	40	62
Income tax and social contribution recoverable		226	219	225	218
Taxes recoverable	8	472	372	400	343
Prepaid expenses	10	557	587	557	587
Other current assets		74	37	72	33
		11,137	**12,289**	**10,888**	**12,114**
Non-current					
Accounts receivable, net	6	6,131	6,250	6,131	6,244
Judicial deposits	11	980	950	958	928
Taxes recoverable	8	347	366	318	307
Deferred income tax and social contribution	9	3,357	3,425	3,345	3,414
Prepaid expenses	10	1,594	1,602	1,594	1,602
Other long-term receivables		25	24	19	18
		12,434	**12,617**	**12,365**	**12,513**
Investments	12	35	45	329	217
Property, plant and equipment	13	5,920	5,986	5,443	5,542
Intangible assets	14	457	461	456	460
		18,846	**19,109**	**18,593**	**18,732**
Total Assets		**29,983**	**31,398**	**29,481**	**30,846**

The accompanying notes are an integral part of these financial statements.

Petrobras Distribuidora S.A.
Statement of financial position
At June 30th, 2017 and December 31st, 2016
(In BRL million)

		Consolidated		Parent company	
Liabilities and Equity	**Note**	**6/30/2017**	**12/31/2016**	**6/30/2017**	**12/31/2016**
Current Liabilities					
Trade Payables	15	1,594	2,650	1,585	2,622
Borrowings	16	1,273	805	1,163	697
Assignment of receivables	29.2	26	31	-	-
Finance leases	17.1.1	28	28	117	124
Advances from customers	18	422	354	412	322
Income tax and social contribution		14	1	13	-
Taxes and contributions payable	19	171	204	166	200
Interest on capital		671	635	671	635
Salaries, vacation pay and social charges		227	246	225	245
Voluntary Dismissal Incentive Plan	20.2	128	445	128	445
Healthcare and pension plans	20.1	139	139	139	139
Other liabilities		79	91	120	132
		4,772	**5,629**	**4,739**	**5,561**
Non-current					
Borrowings	16	10,894	12,009	10,031	11,036
Finance leases	17.1.1	68	67	467	561
Healthcare and pension plans	20.1	4,361	4,172	4,357	4,169
Provision for contingencies	26.1	2,235	2,090	2,234	2,089
Other liabilities		17	21	17	20
		17,575	**18,359**	**17,106**	**17,875**
Total Liabilities		**22,347**	**23,988**	**21,845**	**23,436**
Equity	21				
Paid-up capital		6,352	6,352	6,352	6,352
Revenue reserves		3,271	3,045	3,271	3,045
Carrying value adjustments		(1,987)	(1,987)	(1,987)	(1,987)
		7,636	**7,410**	**7,636**	**7,410**
Total Liabilities and Equity		**29,983**	**31,398**	**29,481**	**30,846**

The accompanying notes are an integral part of these financial statements.

Petrobras Distribuidora S.A.

Statement of profit or loss

Periods ended June 30th, 2017 and 2016

(In BRL million , except for the profit per thousand shares)

	Note	Consolidated				Parent company			
		Current quarter (4/1/2017 to 6/30/2017)	For the six months ended 6/30/2017	Same quarter, previous year (4/1/2016 to 6/30/2016)	For the six months ended 6/30/2016	Current quarter (4/1/2017 to 6/30/2017)	For the six months ended 6/30/2017	Same quarter, previous year (4/1/2016 to 6/30/2016)	For the six months ended 6/30/2016
Sales and services revenue	22	19,475	39,524	21,231	43,474	19,362	39,333	21,113	43,264
Cost of product sales and services	24	(18,199)	(36,767)	(19,770)	(40,362)	(18,100)	(36,598)	(19,661)	(40,173)
Gross profit		**1,276**	**2,757**	**1,461**	**3,112**	**1,262**	**2,735**	**1,452**	**3,091**
Operating expenses									
Selling Expenses	24	(761)	(1,464)	(830)	(2,108)	(752)	(1,450)	(824)	(2,096)
General and administrative expenses	24	(204)	(409)	(193)	(392)	(200)	(401)	(189)	(383)
Tax expenses	24	(25)	(62)	(42)	(84)	(25)	(61)	(42)	(84)
Other net expenses	23	(57)	(167)	(341)	(689)	(57)	(167)	(338)	(686)
		(1,047)	**(2,102)**	**(1,406)**	**(3,273)**	**(1,034)**	**(2,079)**	**(1,393)**	**(3,249)**
Profit (loss) before financial income, interest and taxes		**229**	**655**	**55**	**(161)**	**228**	**656**	**59**	**(158)**
Finance result	25								
Expenses		(370)	(801)	(484)	(957)	(373)	(811)	(498)	(972)
Revenue		132	272	146	312	128	257	130	287
Foreign exchange and interest indexation, net		150	293	162	289	158	323	178	261
		(88)	**(236)**	**(176)**	**(356)**	**(87)**	**(231)**	**(190)**	**(424)**
Share of profit (loss) of equity-accounted investees	12.1	-	**(2)**	-	**(1)**	**2**	**(7)**	**10**	**63**
Profit (loss) before taxes		**141**	**417**	**(121)**	**(518)**	**143**	**418**	**(121)**	**(519)**
Income tax and social contribution	9								
Current		(56)	(123)	(103)	(264)	(57)	(123)	(103)	(263)
Deferred		(15)	(68)	133	429	(16)	(69)	133	429
		(71)	**(191)**	**30**	**165**	**(73)**	**(192)**	**30**	**166**
Net profit (loss) for the period		**70**	**226**	**(91)**	**(353)**	**70**	**226**	**(91)**	**(353)**
Basic and diluted earnings per shares - BRL		0.06	0.19	(0.08)	(0.30)	0.06	0.19	(0.08)	(0.30)

Capital stock is composed of 1,165,000,000 common shares (*).

(*) Net income (loss) per share, presented before the reverse share split, is evidenced in Note 21.5.

The accompanying notes are an integral part of these financial statements.

Petrobras Distribuidora S.A.

Statement of comprehensive income

Periods ended June 30, 2017 and 2016

(In BRL million)

	Consolidated				Parent company			
	Current quarter (4/1/2017 to 6/30/2017)	For the six months ended 6/30/2017	Same quarter, previous year (4/1/2016 to 6/30/2016)	For the six months ended 6/30/2016	Current quarter (4/1/2017 to 6/30/2017)	For the six months ended 6/30/2017	Same quarter, previous year (4/1/2016 to 6/30/2016)	For the six months ended 6/30/2016
Net profit (loss) for the period	70	226	(91)	(353)	70	226	(91)	(353)
Other comprehensive income	-	-	-	-	-	-	-	-
Comprehensive income for the period	**70**	**226**	**(91)**	**(353)**	**70**	**226**	**(91)**	**(353)**

The accompanying notes are an integral part of these financial statements.

Petrobras Distribuidora S.A.
Statements of changes in equity
Periods ended June 30, 2017 and 2016
(In BRL million)

	Consolidated								Parent company
		Revenue reserves					Other comprehensive		
	Capital stock subscribed and paid-up	Legal	Statutory	Earnings Reserve	Dividend Additional Proposed	Retained earnings	Carrying value adjustments	Total equity	Total equity
On January 1, 2016	**6,352**	**807**	**270**	**3,030**	**-**	**-**	**(534)**	**9,925**	**9,925**
Loss for the period	-	-	-	-	-	(353)	-	(353)	(353)
On June 30, 2016	**6,352**	**807**	**270**	**3,030**	**-**	**(353)**	**(534)**	**9,572**	**9,572**
On January 1, 2017	**6,352**	**807**	**270**	**1,968**	**-**	**-**	**(1,987)**	**7,410**	**7,410**
Net income for the period	-	-	-	-	-	226	-	226	226
On June 30, 2017	**6,352**	**807**	**270**	**1,968**	**-**	**226**	**(1,987)**	**7,636**	**7,636**

The accompanying notes are an integral part of these financial statements.

Petrobras Distribuidora S.A.
Statements of cash flows
Periods ended June 30, 2017 and 2016
(In BRL million)

	Note	Consolidated For the six months ended		Parent company For the six months ended	
		6/30/2017	6/30/2016	6/30/2017	6/30/2016
Operating activities					
Net profit (loss) for the period		226	(353)	226	(353)
Adjustments:					
Income tax and social contribution	9	191	(165)	192	(166)
Depreciation and amortization	24	227	226	225	223
Income from disposal / write-off of assets		(7)	(8)	(7)	(8)
Provision for impairment of trade receivables, net of reversion	6	(2)	525	(2)	525
Share of loss (profit) of investees		2	1	7	(63)
Appropriations of early bonuses granted to customers		265	241	265	241
Appropriations of insurance, rentals and others		45	22	45	22
Interest, foreign exchange and monetary variations, net		283	411	239	463
Actuarial expenses with healthcare and pension plans	20.1	251	191	251	191
Provision for contingencies		145	626	145	626
Provision for Voluntary Dismissal Incentive Plan	20.2	(114)	(9)	(114)	(9)
Other adjustments		(1)	(6)	(2)	(4)
Decrease (increase) in assets					
Accounts receivable		620	569	571	520
Inventories		418	168	416	169
Prepaid expenses		(273)	(211)	(273)	(211)
Judicial Deposits		(6)	(36)	(6)	(36)
Other assets		(38)	(10)	(39)	(10)
Increase (decrease) in liabilities					
Trade Payables		(1,046)	(1,009)	(1,028)	(998)
Income tax and social contribution paid		(60)	(98)	(59)	(97)
Taxes, fees and contributions		(179)	(229)	(168)	(213)
Healthcare and pension plans		(62)	(62)	(62)	(62)
Voluntary Dismissal Incentive Plan	20.2	(203)	(85)	(203)	(85)
Other liabilities		31	84	48	74
Net cash generated from operating activities		**713**	**783**	**667**	**739**
Investment activities					
Additions to property, plant and equipment and intangible assets		(133)	(189)	(126)	(186)
Additions to investments		-	-	(86)	-
Proceeds from sale of assets		12	-	12	-
Investments in FDIC		708	855	764	813
Dividends received		-	-	-	1
Net cash generated from investment activities		**587**	**666**	**564**	**628**
Financing activities					
Borrowings					
Amortization of principal	16.4	(301)	(105)	(209)	(9)
Amortization of interest	16.4	(1,141)	(1,251)	(1,081)	(1,191)
Assignment of receivables - FIDC-NP	29.2	(5)	(13)	-	-
Other financing operations		(4)	-	(101)	(96)
Net cash used in financing activities		**(1,451)**	**(1,369)**	**(1,391)**	**(1,296)**
Net increase (decrease) in cash and cash equivalents in the year		**(151)**	**80**	**(160)**	**71**
Cash and cash equivalents at the beginning of the year		**655**	**810**	**442**	**607**
Cash and cash equivalents at the end of the year		**504**	**890**	**282**	**678**

The accompanying notes are an integral part of these financial statements.

Petrobras Distribuidora S.A.
Statements of value added
Period ended June 30, 2017 and 2016
(In BRL million)

	Consolidated		Parent company	
	For the six months ended		For the six months ended	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Revenue				
Sales of products and services and other revenues	49,257	53,662	49,016	53,403
Provision for impairment of trade receivables	2	(525)	2	(525)
Revenue related to the construction of assets for use	94	140	87	130
	49,353	**53,277**	**49,105**	**53,008**
Inputs acquired from third parties				
Raw materials and products for resale	36,302	40,152	36,126	39,980
Material, energy, outsourced services and others	1,648	1,978	1,640	1,952
Tax credits on inputs acquired	1,402	1,599	1,402	1,599
	39,352	**43,729**	**39,168**	**43,531**
Gross value added	**10,001**	**9,548**	**9,937**	**9,477**
Retention				
Depreciation and amortization	227	226	225	223
Net value added produced by the company	**9,774**	**9,322**	**9,712**	**9,254**
Value added received through transfers				
Share of profit (loss) of equity-accounted investees	(2)	(1)	(7)	63
Finance income - includes monetary and foreign exchange variations	644	715	628	697
Rentals and royalties	143	131	143	130
	785	**845**	**764**	**890**
Total value added to distribute	**10,559**	**10,167**	**10,476**	**10,144**

The accompanying notes are an integral part of these financial statements.

Petrobras Distribuidora S.A.
Statements of value added
Period ended June 30, 2017 and 2016
(In BRL million)

	Consolidated		Parent company	
	For the six months ended		For the six months ended	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Distribution of value added				
Personnel and management				
Direct compensation				
Salaries	416	409	408	402
Profit sharing	-	20	-	20
Benefits				
Advantages	46	46	45	45
Retirement and pension plan	19	104	19	104
Healthcare plan	153	117	152	116
FGTS (Severance Pay Fund)	32	33	32	32
	666	**729**	**656**	**719**
Taxes				
Federal	393	70	372	49
State	8,195	8,442	8,164	8,410
Municipal	20	18	20	18
	8,608	**8,530**	**8,556**	**8,477**
Financial institutions and suppliers				
Interest, foreign exchange and monetary variation	881	1,081	859	1,121
Rental expenses	178	180	179	180
	1,059	**1,261**	**1,038**	**1,301**
Shareholders				
Profits (losses) reinvested	226	(353)	226	(353)
	226	**(353)**	**226**	**(353)**
Value added distributed	**10,559**	**10,167**	**10,476**	**10,144**

The accompanying notes are an integral part of these financial statements.

1 General considerations

1.1 Operational context

Petrobras Distribuidora S.A. ("Company" or "BR"), is a public limited company domiciled in Brazil. Incorporated on November 12th, 1971, it is a subsidiary and controlled company of Petróleo Brasileiro S.A. - "Petrobras" and its corporate purpose is the distribution, transportation, trade, processing and industrialization of petroleum by-products and other fuels, production, transportation, distribution and marketing of all forms of energy, chemicals and asphalts, related services and import and export related to the aforementioned products and activities. The Company's registered office is located in the city of Rio de Janeiro - RJ.

1.2 Operation “Car Wash” and its impacts in the Company

The Company recognized in the third quarter of 2014 a write-off of BRL 23, capitalized expenses related to amounts paid in addition to the acquisition of fixed assets in prior periods. For more information on Operation “Car Wash”, see note 1.2 of the annual audited financial statements for the year ended December 31st, 2016.

In the preparation of the interim financial statements for the period ended June 30th, 2017, the Company considered all information available and did not identify any additional information that would impact the calculation methodology adopted and, consequently, the accounting for supplementary write-offs.

The Company will continue to monitor the investigations to obtain additional information and evaluate its potential impact on the adjustments made.

2 Basis of presentation of the interim financial information

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

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

This interim financial information is presented with the relevant changes occurred in the period, without repetition of certain explanatory notes previously disclosed. Therefore, such accounting information should be read in conjunction with the Company's annual financial statements for the year ended December 31st, 2016, which include the full set of explanatory notes.

In the preparation of the interim financial statements, historical cost was considered as the value basis, except for financial instruments measured at fair value through profit or loss and defined benefit actuarial liability, recognized as the fair value of plan assets, less the amount of the defined benefit obligation.

The individual and consolidated statement of value added (DVA) were prepared in accordance with Technical Pronouncement CPC 09 - Statement of the added value as supplementary information.

The Company's Board of Directors, at a meeting held on November 21, 2017, authorized the reissue of the interim financial statements disclosed and approved on October 16, 2017, with the purpose of retrospectively reflecting the corporate event related to reverse share split, occurred on November 14, 2017, as presented in Note 21 - Equity.

3 Use of estimates and judgments

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

The significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2016.

4 Main accounting policies

The accounting policies and calculation methods used in preparing this quarterly information and the consolidated group of companies are consistent with the practices adopted in the preparation of the Company's annual financial statements for the year ended December 31st, 2016.

5 Cash and cash equivalents

	Consolidated		Parent company	
	6/30/2017	12/31/2016	6/30/2017	12/31/2016
Cash and banks	251	63	249	61
Financial investments	253	592	33	381
Total	**504**	**655**	**282**	**442**

The financial investments corresponding to investment funds in the country have their funds invested in Brazilian federal public securities and have immediate liquidity. In the case of redemption in the first 30 days of application, there is IOF on the income, by means of the regressive table.

6 Accounts receivable, net

	Consolidated		Parent company	
	6/30/2017	12/31/2016	6/30/2017	12/31/2016
Related parties (note 29)				
Receivables fund - FIDC - NP (note 29.2)	2,225	2,776	2,163	2,770
Electrical energy sector - Isolated system (note 6.2)	9,322	9,165	9,322	9,165
Federal government customers	75	77	75	77
Petrobras Group companies, except for the electrical energy sector -	241	294	457	426
Total related parties	**11,863**	**12,312**	**12,017**	**12,438**
Third Parties				
Customers and other accounts receivable (a)	6,211	6,481	6,082	6,391
Electrical energy sector – isolated system – third parties (note 6.2)	1,031	1,131	1,031	1,131
Total third parties	**7,242**	**7,612**	**7,113**	**7,522**
Total accounts receivable (note 6.1)	**19,105**	**19,924**	**19,130**	**19,960**
Allowance for doubtful account				
Third Parties	(2,963)	(2,947)	(2,923)	(2,907)
Related parties	(3,030)	(3,048)	(3,030)	(3,048)
Total allowance for doubtful account	**(5,993)**	**(5,995)**	**(5,953)**	**(5,955)**
Accounts receivable - net	**13,112**	**13,929**	**13,177**	**14,005**
Accounts receivable (current assets), net	6,981	7,679	7,046	7,761
Accounts receivable (non-current assets), net	6,131	6,250	6,131	6,244

	Consolidated		Parent company	
	For the six months ended		For the six months ended	
Changes in allowance for doubtful account	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Opening balance	**(5,995)**	**(5,319)**	**(5,955)**	**(5,314)**
Additions	(200)	(650)	(165)	(650)
Reversals	202	125	167	125
Closing balance	**(5,993)**	**(5,844)**	**(5,953)**	**(5,839)**
Allowance for doubtful accounts (current assets)	(2,007)	(2,245)	(1,967)	(2,240)
Allowance for doubtful accounts (non-current assets)	(3,986)	(3,599)	(3,986)	(3,599)

(a) Includes balance of judiciary bonds with the Government of the State of Rio de Janeiro and São Paulo (BRL 24 as of June 30th, 2017 and BRL 24 as of December 31st, 2016).

The additions and reversals of estimated losses in doubtful accounts for the period, in the net amount of BRL 2, for consolidated and parent company (BRL 525 for consolidated and parent company as of June 30th, 2016), were recognized in selling expenses (note 24).

The Company has BRL 4,859 in accounts receivable in judicial collection (BRL 4,391 as of December 31st, 2016), of which BRL 1,853 in current assets and BRL 3,006 is non-current assets.

6.1 Breakdown of accounts receivable – past due and not past due

As of June 30th, 2017, accounts receivable from customers past due totaled BRL 6,535 (BRL 6,470 in the Parent Company), of which BRL 5,773 (BRL 5,733 in the Parent Company) are in allowance for doubtful accounts. Related to accounts receivable not past due, BRL 220 (BRL 220 in the Parent Company) are in allowance for doubtful accounts.

	Consolidated					
	6/30/2017			12/31/2016		
	Gross accounts receivable	(-) Allowance for doubtful account	Net accounts receivable	Gross accounts receivable	(-) Allowance for doubtful account	Net accounts receivable
Past due						
Up to 3 months	141	6	135	293	80	213
3 to 6 months	115	9	106	103	8	95
6 to 12 months	184	35	149	1.416	1.260	156
Over 12 months	6.095	5.723	372	4.745	4.366	379
Total	**6.535**	**5.773**	**762**	**6.557**	**5.714**	**843**
Not past due (excluding FIDC transactions)	10.345	220	10.125	10.591	281	10.310
FIDC	2.225	-	2.225	2.776	-	2.776
Total	**19.105**	**5.993**	**13.112**	**19.924**	**5.995**	**13.929**

	Parent company					
	6/30/2017			12/31/2016		
	Gross accounts receivable	(-) Allowance for doubtful account	Net accounts receivable	Gross accounts receivable	(-) Allowance for doubtful account	Net accounts receivable
Past due						
Up to 3 months	133	6	127	285	79	206
3 to 6 months	110	9	101	99	8	91
6 to 12 months	178	35	143	1.412	1.260	152
Over 12 months	6.049	5.683	366	4.702	4.327	375
Total	**6.470**	**5.733**	**737**	**6.498**	**5.674**	**824**
Not past due (excluding FIDC transactions)	10.497	220	10.277	10.692	281	10.411
FIDC	2.163	-	2.163	2.770	-	2.770
Total	**19.130**	**5.953**	**13.177**	**19.960**	**5.955**	**14.005**

6.2 Breakdown - Energy sector (Isolated system)

	Consolidated					
	6/30/2017			12/31/2016		
	Not past due	Past-due	Total	Not past due	Past-due	Total
Accounts receivable						
Eletrobras Group	6,391	2,859	9,250	6,230	2,860	9,090
Petrobras Group	-	72	72	-	75	75
Third Parties	16	1,015	1,031	62	1,069	1,131
	6,407	3,946	10,353	6,292	4,004	10,296
(-) Allowance for doubtful account						
Electrical energy sector - Eletrobras Group companies	(149)	(2,859)	(3,008)	(166)	(2,860)	(3,026)
Electrical energy sector - third parties	(6)	(1,015)	(1,021)	(48)	(1,069)	(1,117)
	(155)	(3,874)	(4,029)	(214)	(3,929)	(4,143)
Total	**6,252**	**72**	**6,324**	**6,078**	**75**	**6,153**
Related parties	6,242	72	6,314	6,064	75	6,139
Third Parties	10	-	10	14	-	14

6.3 Movements in client's accounts receivable - Energy sector (Isolated system)

	Balance on December 31, 2016	Billing	Receipts	Allowance for doubtful Constitution	Allowance for doubtful Reversal	Interest indexation	Balance on June 30, 2017
Related parties (Eletrobras Group)							
Amazonas Distribuidora de Energia	4.652	588	(739)	(1)	19	267	4.786
Centrais Elétricas de Rondônia - CERON	1.141	-	(32)	-	-	67	1.176
Centrais Elétricas do Norte - ELETRONORTE	-	-	-	-	-	-	-
Cia de Eletricidade do Acre - ELETROACRE	136	-	(8)	(7)	2	17	140
Eletrobras Roraima (Boa Vista Energia S.A.)	135	54	(63)	(10)	15	9	140
Eletrobras Group net accounts receivable	**6.064**	**642**	**(842)**	**(18)**	**36**	**360**	**6.242**
Related parties (Petrobras Group)							
Breitener Jaraqui	50	-	(1)	-	-	-	49
Breitener Tambaqui	23	2	(2)	-	-	-	23
Manauara	2	6	(8)	-	-	-	-
Petrobras Group net Accounts Receivable	**75**	**8**	**(11)**	-	-	-	**72**
Third Parties							
Alcoa World Alumina Brasil LTDA	13	56	(60)	-	-	-	9
Amapari Energia							
Centrais Elétricas do Pará - CELPA	-	30	(126)	-	96	-	-
Centrais Elétricas Matogrossenses - CEMAT	1	4	(4)	-	-	-	1
Cia de Eletricidade do Amapá - CEA	-	2	(2)	-	-	-	-
Cia de Energia de Pernambuco - CELPE	-	7	(7)	-	-	-	-
Cia de Energia de Roraima - CER	-	-	-	-	-	-	-
Geradora de Energia do Amazonas - GERA	-	9	(9)	-	-	-	-
Rio Amazonas Energia - RAESA	-	14	(14)	-	-	-	-
Third Parties Net Accounts Receivable	**14**	**122**	**(222)**	-	**96**	-	**10**
Total net accounts receivable	**6.153**	**772**	**(1.075)**	**(18)**	**132**	**360**	**6.324**
Accounts receivable from the Eletrobras Group	9.090	642	(842)	-	-	360	9.250
(-) Allowance for debtful account	(3.026)	-	-	(18)	36	-	(3.008)
Total net accounts receivable from the Eletrobras Group	**6.064**	**642**	**(842)**	**(18)**	**36**	**360**	**6.242**
Accounts receivable from the Petrobras Group	75	8	(11)	-	-	-	72
(-) Allowance for debtful account	-	-	-	-	-	-	-
Total net accounts receivable from the Petrobras Group	**75**	**8**	**(11)**	-	-	-	**72**
Accounts receivable from third parties	1.131	122	(222)	-	-	-	1.031
(-) Allowance for debtful account	(1.117)	-	-	-	96	-	(1.021)
Total net accounts receivable from Third Parties	**14**	**122**	**(222)**	-	**96**	-	**10**
Total accounts receivable	10.296	772	(1.075)	-	-	360	10.353
(-) Allowance for debtful account	(4.143)	-	-	(18)	132	-	(4.029)
Total net accounts receivable	**6.153**	**772**	**(1.075)**	**(18)**	**132**	**360**	**6.324**

The Company supplies fuel oil and diesel oil to the thermoelectric generation plants (Eletrobras subsidiaries), state concessionaires and Independent Power Producers (PIEs) that make up the isolated energy system in the northern region of the country. This system corresponds to the public electricity distribution service which, in its normal configuration, is not yet in a position to have all of its electricity demand served by the National Interconnected System (SIN), for technical or economic reasons.

A significant portion of the resources used for the financial settlement of these assets comes from the Fuel Consumption Account (CCC), whose has as one of its main purposes the partial reimbursement of the costs of acquiring the fuels used for the generation of electricity in the isolated energy system. However, several changes in legislation, over time, highlighting MP 579/2012, which introduced significant adjustments in the source of the resources used to subsidize the generation of energy by the plants of the isolated systems, imposed restrictions that reduced the amounts reimbursed by the CCC to the thermoelectric plants of the isolated system, which, in turn, due to cash deficits, started to make smaller payments than those due to the Company for the supply of fuels for electricity generation, increasing the delinquency of the distributors operating in this sector.

In order to regularize this situation, the Company intensified negotiations with state concessionaires, PIE, private and controlled companies of Eletrobras and, on December 31st, 2014, debt confession contracts (CCD) were entered into in the amount of BRL 5,344 (BRL 5,194 refers to the Company's share and BRL 150 refers to Petrobras' share), covering debts maturing up to November 30th, 2014, updated by SELIC, for payment in 120 consecutive monthly installments as of February of which BRL 5,233 (BRL 126 referring to securities endorsed by Petrobras) had a pledge of credits from the Energy Development Account (CDE).

The amortization of the debt established in the CCDs takes place in two stages, the first one with amortization of 15% of the renegotiated value in the first 36 months, and the remaining 85% in 84 installments that begin to mature as from January 2018. With this, it is expected from 2018 the increase in installments for amortization and progressive reduction of the debt balance, since the benefits will be higher than the financial revenues due to inflation indexation of the indebtedness contract.

In order to mitigate the effects of the aggravation of the default of the companies of the sector, Normative Resolution nº 679, of September 1st, 2015, was published by the National Agency of Electric Energy (ANEEL), aiming to expedite the release of the resources for the fuel suppliers , due to the possibility of a preliminary repayment of up to 75% of the average value of the invoices of the last three months directly by the CCC to the creditor agents.

With the proposed change above, a greater financial balance of the distributors of the isolated system was expected, which in fact did not occur, leading to an increase in default.

In this context, the Company adopted the following measures:

- suspension of supply on a long-term basis, except for situations in which the Company is obliged to provide due to a judicial decision;

- judicial collection of the defaulted debt in the purchase and sale agreements with companies of the Eletrobras System (Amazonas, Acre, Rondônia and Roraima) and CEA's indebtness agreement (Companhia de Eletricidade do Amapá); and

- registration of the Companies of the Eletrobras System (Amazonas, Acre, Rondônia and Roraima) in CADIN (Federal Public Sector Non-Paid-off Credits Information Register).

In the period ended June 30th, 2017, the Company reversed the amount of BRL 114, net of incorporation, mainly due to the payments made by Centrais Elétricas do Pará - CELPA (BRL 96).

Despite intermittent delays, the Eletrobras Group has complied with the payments of the CCDs signed in 2014.

7 Inventories

	Consolidated		Parent company	
	6/30/2017	12/31/2016	6/30/2017	12/31/2016
Products for sale				
Oil products				
Gasoline	369	353	369	353
Diesel oil	848	946	848	946
Fuel oil	168	129	168	129
Other	329	489	329	489
Bio-fuels	394	566	394	566
	2,108	2,483	2,108	2,483
Other products	175	195	158	185
Total	**2,283**	**2,678**	**2,266**	**2,668**

No reduction to the net realizable value of inventories was recognized for the 6 month period ended June 30, 2017.

8 Taxes and contributions recoverable

	Consolidated		Parent company	
	6/30/2017	12/31/2016	6/30/2017	12/31/2016
Current assets				
ICMS (Tax on Product Circulation)	426	335	374	324
Other taxes	46	37	26	19
Subtotal	**472**	**372**	**400**	**343**
Non-current assets				
ICMS (Tax on Product Circulation)	347	366	318	307
Subtotal	**347**	**366**	**318**	**307**
Total	**819**	**738**	**718**	**650**

The Company's tax recoverable are mainly represented by: (i) ICMS Tax Replacement to be reimbursed by the States in the interstate operations of petroleum by-products in which the tax was withheld in the State of origin and passed to the State of destination for a lower value, the main States being Bahia (BRL 101), Maranhão (BRL 87), Amazonas (BRL 44), Pernambuco (BRL 26), Rio de Janeiro (BRL 22) and Pará (BRL 14); (ii) ICMS to be refunded by the State of Espírito Santo for the purchase of natural gas with Tax Replacement at the origin (BRL 94); (iii) credits to be refunded by the State of Mato Grosso, through an administrative proceeding, by advances collected the greater (BRL 84); and (iv) several terms of agreement with State Treasury Secretaries, involving the reimbursement of ICMS to the Company (BRL 76).

9 Deferred income and social contribution taxes

(a) Nature

Nature	Consolidated		Parent company	
	6/30/2017	12/31/2016	6/30/2017	12/31/2016
Absorption of conditional financing	591	521	591	521
Provision for impairment of trade receivables	1,389	1,430	1,377	1,419
Provision for contingencies	760	711	760	711
PETROS Obligation - Inactive futures	257	226	256	225
Actuarial losses - CPC 33	417	417	417	417
Provision for loss through devaluation of assets	98	99	98	99
Depreciation - revision of estimated useful lives	(72)	(59)	(71)	(58)
Finance leases	164	199	164	199
Use rights - finance leases	(239)	(242)	(239)	(242)
Revenue on disposal of Real Estate Receivables Certificates (CRIs)	5	6	5	6
Discount of judicial bonds	13	13	13	13
Voluntary Dismissal Incentive Program - PIDV	43	151	43	151
Monetary correction of judicial deposits	(104)	(96)	(104)	(96)
Other	35	49	35	49
	3,357	**3,425**	**3,345**	**3,414**
Deferred income tax	2,468	2,518	2,459	2,510
Deferred social contribution	889	907	886	904

(b) Breakdown

								Consolidated	Parent company
Source of the deferred income tax and social contribution	**Property, plant and equipment**	**Accounts receivable, prepaid expenses and borrowings**	**Finance leases**	**Provision for contingencies**	**Voluntary Dismissal Incentive Program-PIDV**	**Post-employment benefits**	**Other**	**Total**	**Total**
On December 31, 2015	**71**	**1.743**	**(7)**	**376**	**33**	**355**	**(13)**	**2.558**	**2.557**
Recognized in profit or loss for the year	(31)	208	(30)	335	118	50	(21)	629	619
Recognized in equity	-	-	-	-	-	238	-	238	238
On December 31, 2016	**40**	**1.951**	**(37)**	**711**	**151**	**643**	**(34)**	**3.425**	**3.414**
Recognized in profit or loss for the period	(14)	32	(33)	49	(108)	31	(25)	(68)	(69)
On June 30, 2017	**26**	**1.983**	**(70)**	**760**	**43**	**674**	**(59)**	**3.357**	**3.345**
Deferred income tax								**2.468**	**2.459**
Deferred social contribution								**889**	**886**
Deferred tax assets								3.874	3.862
Deferred tax liabilities								(449)	(448)
On December 31, 2016								**3.425**	**3.414**
Deferred tax assets								3.822	3.808
Deferred tax liabilities								(465)	(463)
On June 30, 2017								**3.357**	**3.345**

The Company maintains the recognition of the deferred tax credits assets based on the projection of taxable income for subsequent years, and such projection is reviewed annually. Management believes that deferred tax assets will be realized in proportion to the realization of provisions and the final resolution of future events, both based on projections based on the Business Plan and Management (PNG), which do not exceed ten years.

(c) Estimation of realization

Period	Deferred income tax and CSLL (Net Profit Social Contribution)	
	Consolidated	Parent Company
2017	284	284
2018	284	283
2019	741	738
2020	872	870
2021	305	301
2022	162	161
2023	154	154
2024 em diante	555	554
On June 30, 2017	**3,357**	**3,345**
On december, 2016	**3,425**	**3,414**

(d) Reconciliation of income tax and social contribution on profit

The reconciliation of taxes calculated according to nominal rates and the value of registered taxes are shown below:

	Consolidated		Parent company	
	For the six months ended		For the six months ended	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Net income (loss) before taxes	417	(518)	418	(519)
Income tax and social contribution at nominal rates (34%)	(142)	176	(142)	176
Settings for calculating effective rate:				
· Additions/permanent exclusions, net	(2)	(6)	(3)	(6)
· Equity method result	(1)	-	(2)	22
· Tax incentives	3	8	3	8
· Post-employment benefit expenses of Health A.M.S.	(48)	(34)	(48)	(34)
· Other items	(1)	21	-	-
Income tax and social contribution	**(191)**	**165**	**(192)**	**166**
Current income tax and social contribution	(123)	(264)	(123)	(263)
Deferred income tax and social contribution	(68)	429	(69)	429
	(191)	**165**	**(192)**	**166**
Effective rate of income tax and social contribution	45.8%	31.9%	45.9%	32.0%

10 Prepaid expenses

	Consolidated		Parent company	
	6/30/2017	12/31/2016	6/30/2017	12/31/2016
Early bonuses granted to customers	1,902	1,959	1,902	1,959
Rentals/ leases	199	201	199	201
Other	50	29	50	29
Total	**2,151**	**2,189**	**2,151**	**2,189**
Current	557	587	557	587
Non-current	1,594	1,602	1,594	1,602

The bonuses granted to clients depend on terms and future performance, in particular of volumes as provided in supply agreements and are recognized in the statement of profit or loss ratably over the agreements term as reduction of gross revenue, in amount of BRL 265 on 30 June,2017 (BRL 241 on 30 June,2016) in the Consolidated and Parent Company.

11 Judicial deposits

	Consolidated		Parent company	
	6/30/2017	12/31/2016	6/30/2017	12/31/2016
Taxes	698	680	676	659
Labor	179	167	179	167
Civil	99	94	99	94
Environmental	4	9	4	8
Total	**980**	**950**	**958**	**928**

The Company maintains BRL 189 (BRL 192 as of December 31st, 2016) of judicial deposits related to lawsuits provisioned (note 26.1.1); BRL 376 (BRL 366 on December 31st, 2016) associated with possible contingencies; BRL 332 (BRL 324 as of December 31st, 2016) refers to deposits related to lawsuits in which the Company is the author, among others.

12 Investments

12.1 Summary accounting information on the subsidiaries, joint arrangements and associate

	Subsidiaries		Joint arrangement					
			Joint operation	Joint ventures				Associate
	Real Estate Investment Fund FCM	Stratura	Brasil Carbonos	CDGN (a)	Brazil Supply (c)	Energética Camaçari Muricy II	Pecém Energia	BRF Biorefinos (b)
Assets								
Current assets								
Cash and cash equivalents	211	3	17	5	1	2	1	3
Other current assets	117	245	6	7	74	-	-	-
Non-current asset	475	63	11	16	1	-	-	-
Investments	-	-	-	-	-	-	-	-
Property, plant and equipment	362	44	100	37	632	-	-	22
Intangible assets	-	1	-	-	3	-	-	-
Total Assets	**1,165**	**356**	**134**	**65**	**711**	**2**	**1**	**25**
Passive								
Current liabilities								
Loans and financing	96	-	29	4	63	-	-	-
Other current liabilities	208	128	4	4	77	1	1	-
Non current liabilities								
Loans and financing	863	-	1	11	446	-	-	-
Other non-current liabilities	45	5	1	3	155	-	-	-
Shareholders' equity attributable to the Parent Company								
Share Capital	-	216	37	39	210	3	3	25
Other	(47)	7	62	4	(240)	(2)	(3)	-
Total Liabilities	**1,165**	**356**	**134**	**65**	**711**	**2**	**1**	**25**
Results								
Net operating revenue	-	180	23	16	2	-	-	-
Gross profit	-	16	6	4	(2)	-	-	-
Profit/(net loss) for the year	(5)	(3)	6	1	(1)	-	-	1
Percentage of participation - %	99.01%	100.00%	49.00%	49.00%	0.38%	50.00%	45.00%	49.00%
Depreciation and amortization	-	(1)	(1)	(3)	(1)	-	-	-
Interest revenue	39	4	-	-	-	-	-	-
Interest expense	(2)	(8)	(1)	-	(2)	-	-	-
Expenditure / Income from IR and CS - current and deferred	-	1	(1)	-	-	-	-	-

(a) Position: 05/31/2017
(b) Position: 04/30/2017
(c) Position: 01/31/2017

12.2 Changes in investments in subsidiaries, joint arrangements and associate

		Joint arrangements				
	Subsidiaries	Joint operation	Joint ventures	Associate		
	Stratura	Brasil Carbonos (a)	CDGN	BRF Biorefinos	Other investments	6/30/2017
Balance at 1 January 2017	**103**	**69**	**22**	**22**	**1**	**217**
Capital Contribution (b)	124	-	-	-	-	124
Equity method	(3)	3	(1)	-	-	(1)
Amortization of surplus value of assets	-	(1)	-	-	-	(1)
Capital reduction	-	-	-	(10)	-	(10)
At the end of the period	**224**	**71**	**21**	**12**	**1**	**329**

	Subsidiaries		Joint arrangement		Associate		
	Stratura	FII	Joint operation Brasil Carbonos (a)	Joint ventures CDGN	BRF Biorefinos	Other investments	6/30/2016
Balance at 1 January 2016	124	-	64	24	21	1	234
Equity method	1	15	3	(2)	-	-	17
Amortization of surplus value of assets	-	-	(1)	-	-	-	(1)
At the end of the period	**125**	**15**	**66**	**22**	**21**	**1**	**250**

(a) In the acquisition of a stake in Brasil Carbonos S.A., in December 2010, an asset appreciation of BRL 28 was calculated, which is amortized over the useful lives of the assets. As of June 30th, 2017, the balance of BRL 22 is classified in property, plant and equipment in the Consolidated.

(b) In order to improve its performance in the asphalt market, the activities of this segment were merged into Stratura Asfaltos S.A., a wholly owned subsidiary of the Company, resulting in a contribution of BRL 124.

On June 30th, 2017, the balance of the equity interest in the subsidiary FII FCM is zero due to the presentation of excess of liabilities over assets by the subsidiary. Losses in excess of the investment value were recognized in liabilities, in the form of a provision.

	For the six months ended	
	6/30/2017	6/30/2016
Balance at 1 January 2017	42	47
Constitution (c)	10	-
Reversal (c)	(5)	(47)
Provision balance at the end of the period	**47**	-

(c) Amounts recorded in the income statement under "Investment income".

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 on December 31, 2015	**3,071**	**2,086**	**882**	**6,039**
Additions	2	97	252	351
Write-offs	(3)	(3)	(11)	(17)
Depreciation	(122)	(273)	-	(395)
Transfers (a)	106	150	(259)	(3)
Capitalized interest	-	-	11	11
Balance on December 31, 2016	**3,054**	**2,057**	**875**	**5,986**
Additions	1	33	74	108
Write-offs	(1)	(1)	-	(2)
Depreciation	(63)	(135)	-	(198)
Transfers (a)	73	66	(114)	25
Capitalized interest	-	-	1	1
Balance on June 30, 2017	**3,064**	**2,020**	**836**	**5,920**
Cost	4,055	4,894	875	9,824
Depreciation	(1,001)	(2,837)	-	(3,838)
Balance on December 31, 2016	**3,054**	**2,057**	**875**	**5,986**
Cost	4,146	4,973	836	9,955
Depreciation	(1,082)	(2,953)	-	(4,035)
Balance on June 30, 2017	**3,064**	**2,020**	**836**	**5,920**
Estimated useful life	25 to 60 years (*)	4 to 25 years		

(*) Except Land

	Parent company			
	Land (b), Buildings and Improvements	Equipment and Other Assets	Assets Under Construction	Total
Balance on December 31, 2015	**3,025**	**2,043**	**542**	**5,610**
Additions	2	97	244	343
Write-offs	(2)	(3)	(12)	(17)
Depreciation	(121)	(269)	-	(390)
Transfers (a)	104	148	(256)	(4)
Balance on December 31, 2016	**3,008**	**2,016**	**518**	**5,542**
Additions	-	33	68	101
Write-offs	(1)	(1)	-	(2)
Depreciation	(62)	(134)	-	(196)
Transfers (a)	58	55	(115)	(2)
Balance on June 30, 2017	**3,003**	**1,969**	**471**	**5,443**
Cost	4,004	4,830	518	9,352
Depreciation	(996)	(2,814)	-	(3,810)
Balance on December 31, 2016	**3,008**	**2,016**	**518**	**5,542**
Cost	4,072	4,888	471	9,431
Depreciation	(1,069)	(2,919)	-	(3,988)
Balance on June 30, 2017	**3,003**	**1,969**	**471**	**5,443**
Estimated useful life	25 and 60 years (*)	4 to 24 years		
Buildings	60 years			
Improvements	25 years			

(*) Except Land

(a) They refer mainly to transfers between other accounts in the financial statment, such as the receipt of equipment as settlement of accounts receivable.

(b) As of June 30th, 2017, the consolidated balance of land is BRL 389 (BRL 392 as of December 31st, 2016) and the Parent Company is BRL 384 (BRL 388 as of December 31st, 2016).

The assets under construction presented in the Consolidated refer substantially to the expansion, modernization and improvements in terminals and distribution bases of fuels, airports and lubricants factory.

The property, plant and equipment of the Company includes assets arising from financial lease agreements, in the amount of BRL 386 (BRL 390 as of December 31st, 2016).

14 Intangible

14.1 By asset type

	Consolidated			
	Rights and Concessions	*Software* (b)	*Goodwill* (c)	Total
Balance on December 31, 2015	**272**	**159**	**29**	**460**
Additions	10	41	-	51
Amortization	(12)	(47)	-	(59)
Transfers (a)	9	-	-	9
Balance on December 31, 2016	**279**	**153**	**29**	**461**
Additions	3	22	-	25
Amortization	(5)	(24)	-	(29)
Balance on June 30, 2017	**277**	**151**	**29**	**457**
Cost	360	418	29	807
Amortization	(81)	(265)	-	(346)
Balance on December 31, 2016	**279**	**153**	**29**	**461**
Cost	364	440	29	833
Amortization	(87)	(289)	-	(376)
Balance on June 30, 2017	**277**	**151**	**29**	**457**
Estimated useful life - years	5 to 33 years	4 to 5 years	Undefined	

	Parent company			
	Rights and Concessions	*Software (b)*	*Goodwill (c)*	Total
Balance on December 31, 2015	**270**	**160**	**29**	**459**
Additions	10	41	-	51
Amortization	(11)	(48)	-	(59)
Transfers (a)	9	-	-	9
Balance on December 31, 2016	**278**	**153**	**29**	**460**
Additions	3	22	-	25
Amortization	(5)	(24)	-	(29)
Balance on June 30, 2017	**276**	**151**	**29**	**456**
Cost	357	418	29	804
Amortization	(79)	(265)	-	(344)
Balance on December 31, 2016	**278**	**153**	**29**	**460**
Cost	360	439	29	828
Amortization	(84)	(288)	-	(372)
Balance on June 30, 2017	**276**	**151**	**29**	**456**
Estimated useful life - years	10 to 33 years	4 years	Undefined	

(a) They refer mainly to transfers between other accounts in the financial statements, such as fixed assets, according to the nature of the investment.

(b) The Company has a balance of BRL 66 of software in development (BRL 68 as of December 31st, 2016).

(c) Goodwill of fuel distribution assets, originated from the acquisition of Liquigás S.A., distributor of Liquefied Petroleum Gas (LPG). This investment was transferred to Petrobras in 2012 however the operation related to this goodwill remained in the Company

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

The Company is a concessionaire for the exclusive exploitation of the public service of distribution of piped gas in the State of Espírito Santo, under a concession contract signed with the government of that State, for a term of 50 years, due in 2043.

The amount of assets, net of amortization, related to the gas concession and recorded as intangible at June 30th, 2017 is BRL 272 (BRL 274 at December 31st, 2016).

The Company recognized revenue and construction cost of BRL 3 until June 2017 (BRL 5 until June 2016).

On February 2, 2016, Act 10,493/2016 was published in the Official Gazette of Espírito Santo, which recognizes the extinction/nullity of the concession contract for the distribution of piped gas, pursuant to the provisions of art. 43 of Federal Act 8987 of February 13th, 1995.

On August 12th, 2016, the Company signed a Memorandum of Understanding with the Government of the State of Espírito Santo aiming to evaluate the creation of a state-owned company to provide a public service for the distribution of piped natural gas.

The Company did not make any provision for loss, as the book value existing on June 30th, 2017 is guaranteed by the indemnification provided for in said Act.

15 Trade payables

	Consolidated		Parent company	
	6/30/2017	12/31/2016	6/30/2017	12/31/2016
Companies of the Petrobras system (29.1)	797	1,701	792	1,677
Third Parties	797	949	793	945
Total	**1,594**	**2,650**	**1,585**	**2,622**

The balance of Suppliers - Companies of the Petrobras System, is mainly comprised of invoices to be paid to Petrobras for the acquisition of petroleum by-productss and contracting services (including freight).

16 Financial Services

16.1 By Financial Institution

	Consolidated		Parent company	
	6/30/2017	12/31/2016	6/30/2017	12/31/2016
Banco Bradesco	3,018	3,266	3,018	3,266
Banco da Amazônia	-	247	-	247
Banco do Brasil	4,527	4,542	4,513	4,524
Banco IBM	67	77	67	77
Banco Itaú-Debentures	3,596	3,619	3,596	3,619
	11,208	11,751	11,194	11,733
Real estate receivables certificates (CRI)	959	1,063	-	-
Total	**12,167**	**12,814**	**11,194**	**11,733**
Current	1,273	805	1,163	697
Non-current	10,894	12,009	10,031	11,036

Banco do Brasil

On April 14, 2015, the Company signed a financing agreement with Banco do Brasil, in the amount of BRL 4,500, with final maturity in March 2021. Interest on the financing is amortized quarterly and amortization of the principal will occur through the payment of four semi-annual installments, starting in September 2019.

The charges levied on the financing are 114.25% of the CDI.Funding is based on Export Credit Notes, based on the Company's export flow, and the Petrobras guarantee. There is exemption from IOF in the operation, as provided for in Act 6,313/75.

Bradesco
On June 1st, 2015, the Company signed a financing agreement with Banco Bradesco, in the form of Export Credit Notes, in the amount of BRL 3,000 for a period of five years.

The interest on the financing is paid annually and the principal will be amortized through the payment of three equal installments at the end of the 36th, 48th and 60th months of the financing

The charges on the financing are 118% of the CDI. Resources will be reapplied in the purchase and export of fuels. There is exemption from IOF in the operation, as provided for in Act 6,313/75. Petrobras is the guarantor of the operation.

Banco da Amazônia
On June 25th, 2015, the Company signed a financing agreement with Banco da Amazônia S.A., in the form of Export Credit Notes, in the amount of BRL 200, which was paid on June 26th, 2017 (principal + interest).

Banco Itaú
On August 10, 2015, the Company signed a contract for the issuance of debentures, non-convertible into shares, with Banco Itaú BBA, in the amount of BRL 3,500, for a term of five years.

The interest on the financing is amortized every six months and the principal will be amortized through a single payment, at the end of the agreement, on April 15th, 2020.

The charges on the remuneration to be paid by the debentures are 111.57% of the CDI.

The financing was contracted to fund the acquisition of ethanol. There is exemption from IOF in the operation, as provided for in Act 6,313/75. Petrobras is the guarantor of the transaction.

16.2 Contractual obligations (covenants)

The Company has contractual obligations (non financial) related to the financing agreements, which were fully met on June 30th, 2017, among them the presentation of the financial statements in terms agreed with the institutions; no claim of securities in predetermined amounts; not appear as a defaulter to the creditor or to any financial or credit institution according to agreed amounts; and other clauses.

16.3 Nominal flow of principal and interest on financing

	Consolidated		
Period	**Principal**	**Interest**	**Total**
2017	59	487	546
2018	1,159	1,331	2,490
2019	2,233	1,153	3,386
2020	6,879	636	7,515
2021	1,231	63	1,294
2022 onward	469	100	569
Total	**12,030**	**3,770**	**15,800**

16.4 Financial Activity

	Consolidated			Parent
	Bank Market	Capital market (CRIs and Debentures)	Total	Total
Non-current				
In the country				
Opening balance on January 1, 2016	**7,744**	**4,506**	**12,250**	**11,255**
Provision for interest	24	-	24	24
Transfer from long-term to short-term	(246)	(138)	(384)	(243)
Monetary variations	-	119	119	-
Closing balance on December 31, 2016	**7,522**	**4,487**	**12,009**	**11,036**
Current				
In the country				
Opening balance on January 1, 2016	**371**	**273**	**644**	**527**
Provision for interest	1,220	538	1,758	1,757
Amortization of principal	(34)	(81)	(115)	(17)
Amortization of interest	(1,193)	(682)	(1,875)	(1,813)
Transfer from long-term to short-term	246	138	384	243
Monetary variations	-	9	9	-
Closing balance on December 31, 2016	**610**	**195**	**805**	**697**
Total balance at 31 December 2016	**8,132**	**4,682**	**12,814**	**11,733**
Non-current				
In the country				
Opening balance on January 1, 2017	**7,522**	**4,487**	**12,009**	**11,036**
Provision for interest	2	-	2	2
Transfer from long-term to short-term	(1,008)	(147)	(1,155)	(1,007)
Monetary variations	-	38	38	-
Closing balance on June 30, 2017	**6,516**	**4,378**	**10,894**	**10,031**
Current				
In the country				
Opening balance on January 1, 2017	**610**	**195**	**805**	**697**
Provision for interest	525	225	750	749
Amortization of principal	(212)	(89)	(301)	(209)
Amortization of interest	(835)	(306)	(1,141)	(1,081)
Transfer from long-term to short-term	1,008	147	1,155	1,007
Monetary variations	-	5	5	-
Closing balance on June 30, 2017	**1,096**	**177**	**1,273**	**1,163**
Total balance on June 30, 2017	**7,612**	**4,555**	**12,167**	**11,194**

	Consolidated		Parent company	
	6/30/2017	12/31/2016	6/30/2017	12/31/2016
Current				
Current portion of long-term debt	1,120	315	1,017	217
Interest on borrowings	153	490	146	480
Total	**1,273**	**805**	**1,163**	**697**

16.5 Summarized information on the maturities of borrowings

								Consolidated	Parent company
	2017	2018	2019	2020	2021	2022 (a)	2023 onward (a)	Total	Total
Borrowings in Brazilian Reais (BRL):									
at floating rates	211	1,168	2,234	6,887	1,243	127	297	12,167	11,194
Average rate of borrowings in Brazilian Reais	14.04%	12.89%	12.17%	11.91%	12.57%	5.85%	5.36%	14.19%	13.31%
Total on June 30, 2017	**211**	**1,168**	**2,234**	**6,887**	**1,243**	**127**	**297**	**12,167**	**11,194**

(a) Only Real Estate Receivables Certificates - CRI

The fair values of the financing are mainly determined by derived data fom observable markets (Level 2). The fair value of financing at June 30th, 2017 is BRL 10,674 (BRL 9,763 in Parent Company).

The sensitivity analysis of financial instruments is presented in note 28.2.1.1.

17 Leasing

17.1 Finance leases

The Company has financial commitments with FII FCM, managed by Rio Bravo Investimentos DTVM Ltda., As a result of rights arising from leases of real estate and equipment, and construction of bases and terminals, indexed to the Brazilian National Consumer Price Index (IPCA). The balance payable on June 30th, 2017 totals BRL 584 (note 17.1.1).

The real estate credits originated in the Private Instruments of Pledge served as a basis for the issuance of Certificates of Real Estate Receivables (CRIs) by RB Capital Securitizadora S.A .. CRIs are registered for trading on the secondary market on BOVESPA FIX, managed by BM & F Bovespa S.A. - Stock, Commodities and Futures Exchange and at CETIP.

The Company is lessee of equipment of the invested CDGN, and lessor of these equipments to the customers Suzano Papel e Celulose S.A. and Fiat Automóveis Ltda. The balance receivable generated by the lease to these customers totals BRL 26 (note 17.1.1).

There are no contingent payments and residual values guaranteed.

17.1.1 Flow of payments and receipts from finance leases

	6/30/2017			
	Consolidated		Parent company	
	Minimum receipts	Minimum payments	Minimum receipts	Minimum payments
2017	3	25	3	28
2018 - 2021	26	100	26	473
2022 onward	17	17	17	626
Receipts/ future payments of estimated commitments	**46**	**142**	**46**	**1,127**
Less amount of annual interest	(20)	(46)	(20)	(543)
Present value of the cash receipts/ minimum payments	**26**	**96**	**26**	**584**
Current	4	28	4	117
Non-current	22	68	22	467
On June 30, 2017	**26**	**96**	**26**	**584**
Current	4	28	4	124
Non-current	24	67	24	561
On December 31, 2016	**28**	**95**	**28**	**685**

17.2 Operating leases

For the six months ended June 30th, 2017, the Company paid BRL 134 (BRL 106 on June 30th, 2016) for the contractual commitments of operating leases, of which BRL 92 related to fixed installments and BRL 42 referring to variable installments . These leases expire on various dates until 2048.

Operating leases include mainly land, administrative units and buildings used as fuel stations and electric power supply equipment.

The Company has contractual commitments with Confidere OGB Imobiliária and Incorporadora regarding the lease of the Lubrax Building for the period from March 2017 to 2031, in an estimated total remaining amount of BRL 1,013.

The estimated disbursements for the next years are presented as follows:

	Consolidated	Parent company
2017	83	83
2018 - 2021	402	402
2022 onward	332	332
Total	**817**	**817**

18 Customer advances

	Consolidated		Parent company	
	6/30/2017	12/31/2016	6/30/2017	12/31/2016
Marketing funds (a)	178	184	178	184
Advances from customers	235	159	225	127
Other	9	11	9	11
Total	**422**	**354**	**412**	**322**

(a) Advances received from contracted customers, such as resellers, franchisees and commercial partners, for use in advertising and promotion actions developed by the Company.

19 Taxes and contributions payable

	Consolidated		Parent company	
	6/30/2017	12/31/2016	6/30/2017	12/31/2016
Current Liabilities				
ICMS	129	143	128	143
PIS/COFINS	10	18	10	17
Withholding income tax and social contribution	18	29	18	29
Other	14	14	10	11
Total	**171**	**204**	**166**	**200**

The ICMS payables are basically represented by: (ICMS) and ICMS Tax Replacement, registered in the Tax Books to be collected mainly for the States of São Paulo (BRL 34), Minas Gerais (BRL 14), Rio de Janeiro (BRL 12), Mato Grosso do Sul (BRL 10), Maranhão (BRL 10), Paraná (BRL 10), Goiás (BRL 8), Santa Catarina (BRL 5), Federal District (BRL 5) and Pernambuco (BRL 4).

20 Benefits granted to employees

20.1 Pension and healthcare plans

The Company sponsors defined benefit pension plans and maintains a defined benefit health plan that serves the employees of companies in Brazil (active and inactive) and their dependents.

The changes in acturial liabilities are as follows:

	6/30/2017				
	Consolidated				Parent company
	Pension plan				
	Defined Benefit	Variable Contribution	Healthcare Plan	Total	Total
Movement on net actuarial liabilities					
Balance on December 31, 2015	1,079	16	1,280	2,375	2,372
(+) Effects of remeasurement recognized in OCI	651	49	991	1,691	1,691
(+) Costs incurred in the period	26	3	14	43	43
(-) Contributions paid	(59)	-	(78)	(137)	(137)
(+) Net interest on net liabilities	152	2	185	339	339
Balance on December 31, 2016	**1,849**	**70**	**2,392**	**4,311**	**4,308**
Current	60	-	79	139	139
Non-current	1,789	70	2,313	4,172	4,169
	1,849	**70**	**2,392**	**4,311**	**4,308**
(+) Costs incurred in the period	4	4	13	21	21
(+) Net interest on net liabilities	98	4	128	230	230
(-) Contributions paid	(29)	-	(33)	(62)	(62)
Balance on June 30, 2017	**1,922**	**78**	**2,500**	**4,500**	**4,497**
Current	60	-	79	139	139
Non-current	1,862	78	2,421	4,361	4,357
	1,922	**78**	**2,500**	**4,500**	**4,496**

Net expenditure on pension and health plans includes the following components:

	For the six months ended 6/30/2017				
	Consolidated				Parent company
	Pension plan				
	Defined Benefit	Variable Contribution	Healthcare Plan	Total	Total
Service cost	4	4	13	21	21
Net interest on net liabilities	98	4	128	230	230
Net cost in Jan-Jun/17	**102**	**8**	**141**	**251**	**251**
Relating to active employees:					
Absorbed by operating activities	1	-	1	2	2
Directly in the income statement	15	6	30	51	51
Relating to inactive employees:	86	2	110	198	198
Net cost in Jan-Jun/17	**102**	**8**	**141**	**251**	**251**
Net cost in Jan-Jun/16	**89**	**2**	**100**	**191**	**191**

20.2 Voluntary Exit Incentive Programs – PIDV

In October 2016, the Company implemented the BR 2016 Voluntary Dimissal Incentive Programs (PIDV), in order to adjust the Company's permanent employees the divestment plan conducted by Parent Company Petróleo Brasileiro SA and the performance targets set forth in the Business and Management Plan 2017-2021.

The program, whose enrollment period ended on December 30, 2016, obtained 1,105 accessions. The period of disconnection of registered employees is from January 17th to July 31st, 2017, according to the action plan of awareness management or managerial succession inherent in the processes and activities in which they operate.

Employees who joined the PIDV had at least 10 years of Company time, completed by December 30th, 2016, regardless of position or function. As provided for in the PIDV BR 2016 Revision, employees may withdraw at any time until the homologation of the termination, in which case they will not be entitled to the financial incentive.

The financial incentive to be paid to employees who are dismissed through the PIDV was stipulated in a ceiling of BRL 800 thousand (eight hundred thousand reais) and the floor of BRL 250 thousand (two hundred and fifty thousand reais), in addition to the legal advantages and corporate.

The Company recognized the provision on December 31st, 2016, corresponding to the indemnities due to the employees who joined, being subject to periodic review for the occurrence of possible waivers, the updating of the remunerations in collective bargaining agreements up to the date of termination of employees, updating of the floor and ceiling by the IPCA.

In 2017, the Company registered 505 dismissals, 311 exits and 1 elimination of the program related to PIDV BR - 2016 and 1 dismissal referring to PIDV BR - 2014.

The provision related to the PIDV is recognized in current liabilities.

Balance on December 31, 2015	**445**
Withdrawals	(119)
Update/ adjustments	5
Use for shutdown	(203)
Balance on December 31, 2016	**128**

The remaining balance on June 30th, 2017 refers to the PIDV BR - 2016, since in April the last participant of the PIDV BR - 2014 occurred.

21 Equity

21.1 Paid-up capital

On June 30th, 2017, fully subscribed and paid-in capital in the amount of BRL 6,352, is composed of 34,777,774,156 common shares, book-entry, with no par value and non-convertible.

At the Extraordinary Shareholders' Meeting held on November 14, 2017, and based on the terms of articles 12 and 122 of Law 6404/76, the proposal for a reverse split of the shares of the Company's capital stock was approved, in the proportion of 29,8521666575107:1, so that each block of 29,8521666575107 shares is grouped into a single share. The amendment of article 4 of the Bylaws was also approved to reflect the change in the number of shares issued by the Company, from 34,777,774,156 shares (unchanged from 2013) to 1,165,000,000 common shares represented in book-entry form and without par value.

The capital stock on June 30, 2017 and December 31, 2016 is BRL 6,352, fully subscribed and paid in.

21.2 Revenue reserves

(a) Legal reserve

It is constituted through the appropriation of 5% of the net income for the year, not exceeding 20% of the share capital, in accordance with article 193 of the Brazilian Corporation Law.

(b) Statutory reserve

Constituted through the appropriation of the net income of each year of an amount equivalent to at least 0.5% of paid-in capital at the end of the year and is used to fund research and technological development programs. The balance of this reserve may not exceed 5% of paid-in capital, in accordance with Article 46 of the Company's Bylaws.

(c) Profit retention reserve

It is intended for investments in capital budget investments, mainly in the activities of distribution of petroleum by-products, ethanol, support infrastructure, capital contributions and financing to clients, in accordance with article 196 of the Brazilian Corporation Law.

21.3 Dividends

Stockholders are assured a mandatory dividend of 25% of adjusted net income for the year, in accordance with Article 7 of the Company's Bylaws and pursuant to article 202 of the Brazilian Corporate Law.

21.4 Carrying value adjustments

These refer to the recognition of actuarial gains or losses, net of the effects of taxes on income, calculated by independent actuaries at the end of each fiscal year.

21.5 Earnings per share

	Parent company	
	For the six months ended	
	6/30/2017	6/30/2016
Net income (loss)	226	(353)
Weighted average number of shares outstanding (number of shares)	1,165,000,000	1,165,000,000
Basic and diluted earnings per share (BRL per share)	**0.19**	**(0.30)**

The basic and diluted net income (loss) per thousand shares, previously presented, considering 34,777,774,156 common shares was BRL 6.49 of profit on June 30, 2017 (BRL 10.15 of loss on June 30, 2016).

22 Sales revenue

	Consolidated		Parent company	
	For the six months ended		For the six months ended	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Products, services and energy				
Oil products				
Diesel	21,187	24,102	21,187	24,102
Gasoline	16,376	16,899	16,376	16,899
Fuel oil	2,002	2,174	2,002	2,174
Aviation kerosene	3,722	3,462	3,722	3,462
Lubricants	939	1,054	939	1,054
Asphalt	457	650	226	404
Other	1,447	1,376	1,448	1,375
Ethanol	2,188	3,021	2,188	3,021
Natural Gas	780	725	780	725
Other (a)	691	763	679	751
	49,789	54,226	49,547	53,967
Interest embedded in the price of the products	(189)	(272)	(189)	(272)
Early bonuses granted to customers (note 10)	(265)	(241)	(265)	(241)
Performance-based bonus (b)	(129)	(118)	(129)	(118)
Premiums and discounts on sales	(19)	(10)	(19)	(10)
Sales charges	(9,663)	(10,111)	(9,612)	(10,062)
Sales revenue	**39,524**	**43,474**	**39,333**	**43,264**

(a) Includes, in the consolidated, supply house products of BRL 658 (BRL 723, 2016); service revenue of BRL 26 (BRL 34, 2016) and electric energy revenue of BRL 8 (BRL 7, 2016).

(b) Values granted to customers due to the fulfillment of contractually agreed terms and performance, in particular, regarding the consumption of volumes provided in supply contracts.

23 Other income (expenses), net

	Consolidated		Parent company	
	For the six months ended		For the six months ended	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Rentals and royalties	143	131	143	131
Operating leases	(55)	(54)	(55)	(54)
Profit sharing	-	(20)	-	(20)
Losses and provisions related to lawsuits	(181)	(690)	(181)	(689)
Voluntary Dismissal Incentive Plan - PIDV	114	9	114	9
Pension and health plans - inactive employees	(198)	(113)	(198)	(113)
Joint storage revenue	27	31	27	31
Recovery of tax credits	28	27	28	27
Institutional relations and cultural projects	(57)	(23)	(57)	(23)
Other	12	13	12	15
Total	**(167)**	**(689)**	**(167)**	**(686)**

24 Expenses by nature

	Consolidated											
	For the six months ended 6/30/2017						For the six months ended 6/30/2016					
	Cost of products and services sold	Sales expenses	General and administrative expenses	Other net expenses	Tax expenses	Total	Cost of products and services sold	Sales expenses	General and administrative expenses	Other net expenses	Tax expenses	Total
Raw materials and products for resale	(36,302)	-	-	-	-	(36,302)	(40,152)	-	-	-	-	(40,152)
Outsourced services, freight and rental expenses	(42)	(837)	(100)	70	-	(909)	(45)	(896)	(83)	60	-	(964)
Personnel expenses	(28)	(366)	(254)	(87)	-	(735)	(32)	(386)	(255)	(128)	-	(801)
Allowance for doubtful account	-	2	-	-	-	2	-	(525)	-	-	-	(525)
Depreciation and amortization	(7)	(191)	(29)	-	-	(227)	(7)	(190)	(29)	-	-	(226)
Inventory variation	(395)	-	-	-	-	(395)	(116)	-	-	-	-	(116)
Institutional Relations and Cultural Projects	-	-	-	(57)	-	(57)	-	-	-	(23)	-	(23)
Taxes	1	-	-	32	(62)	(29)	-	-	-	22	(84)	(62)
Losses and contingencies related to lawsuits	-	-	-	(181)	-	(181)	-	-	-	(690)	-	(690)
Other	6	(72)	(26)	56	-	(36)	(10)	(111)	(25)	70	-	(76)
Total	**(36,767)**	**(1,464)**	**(409)**	**(167)**	**(62)**	**(38,869)**	**(40,362)**	**(2,108)**	**(392)**	**(689)**	**(84)**	**(43,635)**

	Parent company											
	For the six months ended 6/30/2017						For the six months ended 6/30/2016					
	Cost of products and services sold	Sales expenses	General and administrative expenses	Other net expenses	Tax expenses	Total	Cost of products and services sold	Sales expenses	General and administrative expenses	Other net expenses	Tax expenses	Total
Raw materials and products for resale	(36,126)	-	-	-	-	(36,126)	(39,980)	-	-	-	-	(39,980)
Outsourced services, freight and rental expenses	(40)	(831)	(98)	70	-	(899)	(43)	(891)	(82)	60	-	(956)
Personnel expenses	(23)	(363)	(251)	(87)	-	(724)	(27)	(383)	(251)	(128)	-	(789)
Allowance for doubtful account	-	2	-	-	-	2	-	(525)	-	-	-	(525)
Depreciation and amortization	(5)	(191)	(29)	-	-	(225)	(5)	(190)	(28)	-	-	(223)
Inventory variation	(402)	-	-	-	-	(402)	(116)	-	-	-	-	(116)
Institutional Relations and Cultural Projects	-	-	-	(57)	-	(57)	-	-	-	(23)	-	(23)
Taxes	1	-	-	32	(61)	(28)	-	-	-	22	(84)	(62)
Losses and contingencies related to lawsuits	-	-	-	(181)	-	(181)	-	-	-	(689)	-	(689)
Other	(3)	(67)	(23)	56	-	(37)	(2)	(107)	(22)	72	-	(59)
Total	**(36,598)**	**(1,450)**	**(401)**	**(167)**	**(61)**	**(38,677)**	**(40,173)**	**(2,096)**	**(383)**	**(686)**	**(84)**	**(43,422)**

25 Financial result

	Consolidated		Parent company	
	For the six months ended		For the six months ended	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Expenses				
Borrowings	(752)	(893)	(751)	(891)
Finance leases	(2)	(4)	(21)	(21)
FIDC	(2)	(1)	-	-
Other	(45)	(59)	(39)	(60)
	(801)	**(957)**	**(811)**	**(972)**
Revenues				
FIDC	149	129	149	128
Late interest and customer financing	76	150	74	147
Other	47	33	34	12
	272	**312**	**257**	**287**
Monetary variations				
Active				
Receivables update - Electrical energy sector - Isolated System - Eletrobras	360	392	360	392
Receivables update - Electrical energy sector - Isolated System - third parties	-	61	-	61
Other	5	7	5	7
	365	**460**	**365**	**460**
Passive				
Finance leases	(1)	(5)	(7)	(107)
Update of dividends payable to Petrobras	(36)	(41)	(36)	(41)
Borrowings	(42)	(68)	-	-
Other	-	-	(1)	(1)
	(79)	**(114)**	**(44)**	**(149)**
Foreign exchange variation	**7**	**(57)**	**2**	**(50)**
Foreign exchange and monetary variations, net	**293**	**289**	**323**	**261**
Finance result	**(236)**	**(356)**	**(231)**	**(424)**

Consolidated financing charges (foreign exchange and interest variation) totaled BRL 795 (note 16.4) in the period, of which BRL 794 was recognized in the finance result and BRL 1 as capitalized interest.

26 Judicial, administrative and contingency proceedings

26.1 Judicial and administrative proceedings accrued

The Company and its investees make provisions in an amount sufficient to cover the losses deemed probable and reliably estimated. The main actions relate to:

Tax Proceedings - (i) related to the transfer of ICMS credits from Mato Grosso carriers and construction companies, offset by the Company (BRL 1,238); (ii) the impact of PIS / COFINS for tax substitution on aviation kerosene sales operations (BRL 47); and (iii) the collection of ICMS due to non-inclusion of ICMS - Tax Replacement in its calculation basis (BRL 57); and (iv) stock divergence - processes in Mato Grosso do Sul (BRL 21).

Civil Action - (i) a lawsuit in which the Company is alleged to have failed to comply with the Transportation and Loan Agreement, resulting in losses and rendering Valpar (BRL 86) unmanageable; (ii) a lawsuit filed by Compasa, due to the alleged loss of exclusivity for the marketing of Lubrax branded products in Paraguay, as a result of Petrobras entering the local market and selling the same products (BRL 37); (iii) a judicial decision that condemned the Company to return the property and pay damages and losses related to the time that allegedly unduly occupied the property (BRL 50); (iv) lawsuit filed by Único Combustíveis Ltda. which seeks to condemn the Company in the payment of a fine agreed in a Mercantile Purchase and Sale agreement, as well as compensation for moral damages for the interruption of the fuel supply (BRL 55); and (v) a demand that arose due to the unilateral termination of the distribution agreement by the Company, and the client requires the rescission of the contract due to the Company's fault, with the release of the guarantees and the condemnation to the payment of the contractual fine, indemnification to loss and damages and moral damages (Dislub) (BRL 73).

Labor lawsuits - (i) a sentence of conviction resulting from the payment of salary differences of the Bresser Plan, in the percentage of 26.06%, derived from Decree-Law no. 2,335 / 87, in the table of salary levels (BRL 19); (ii) litigation for the reintegration of employees on the grounds that dismissals were void for noncompliance with collective bargaining agreements (BRL 4); and (iii) a claim for the payment of attorney's fees resulting from the termination of the service agreement entered into with a company incorporated by the Company (BRL 5).

These provisions are presented according to the nature of the corresponding causes:

	Consolidated		Parent company	
	6/30/2017	12/31/2016	6/30/2017	12/31/2016
Labor lawsuits	243	225	243	225
Tax lawsuits	1,510	1,415	1,509	1,414
Civil lawsuits	477	441	477	441
Environmental lawsui	5	9	5	9
Total	**2,235**	**2,090**	**2,234**	**2,089**

	Consolidated		Parent company	
	For the six months ended		For the six months ended	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Opening balance	**2,090**	**1,105**	**2,089**	**1,104**
Addition	140	696	140	696
Reversal	(67)	(21)	(66)	(21)
Use	(1)	(97)	(1)	(97)
Update	73	48	72	48
Closing balance	**2,235**	**1,731**	**2,234**	**1,730**

Expenses with legal and administrative proceedings, including updates, are recognized in other expenses, net.

26.1.1 Provisioned court proceedings and judicial deposits

	Consolidated					
	6/30/2017			12/31/2016		
	Lawsuits	Judicial deposits	Lawsuits net of judicial deposits	Lawsuits	Judicial deposits	Lawsuits net of judicial deposits
Labor lawsuits	243	121	122	225	109	116
Tax lawsuits	1,510	5	1,505	1,415	8	1,407
Civil lawsuits	477	62	415	441	71	370
Environmental lawsuits	5	1	4	9	4	5
Total	**2,235**	**189**	**2,046**	**2,090**	**192**	**1,898**

26.1.2 Guarantees

Part of the Company's inventories and property, plant and equipment serve as guaranties in lawsuits in which the Company is a defendant.

	Consolidated		Parent company	
	6/30/2017	12/31/2016	6/30/2017	12/31/2016
Inventories	250	282	250	282
Property, plant and equipment	17	23	17	23
	267	**305**	**267**	**305**

26.2 Proceedings pending provision (possible losses)

	Consolidated		Parent company	
Nature	6/30/2017	12/31/2016	6/30/2017	12/31/2016
Tax	7,773	6,989	7,704	6,982
Civil – General	2,079	1,833	2,079	1,833
Labor	279	259	279	259
Civil – Environmental	31	9	31	9
Total	**10,162**	**9,090**	**10,093**	**9,083**

We present below the main processes not provisioned:

a) Tax proceedings

	Description of tax proceedings	6/30/2017
	Plaintiffs: States of Minas Gerais and Rio de Janeiro	
1)	Collection of the difference of rate in internal operations with aviation kerosene. The states granted special regime to airlines reducing the ICMS rate. They now charge this difference of distributors in relation to sales to airlines and / or transfers between the Company's establishments.	2.000
	Plaintiffs: States of Goiás, Pará, Rio de Janeiro, Roraima, Santa Catarina, São Paulo and Tocantins	
2)	Collection of ICMS-ST on consignment and symbolic return of aviation kerosene for resale; considering a wholesale establishment as a retailer; disreputable tax documentation.	1.010
	Plaintiffs: States of Amazonas, Bahia, Ceará, Goiás, Mato Grosso do Sul, Mato Grosso, Pará, Paraíba, Pernambuco,	
3)	Legal proceedings in which the Company discusses ICMS not collected on the variation of the fuel volumes by surpluses and shortages in the inventories arising from operationalization and transportation of the products. The Company receives products from the oil refinery billed at a temperature of 20º C. When sold (consumer customers), the Company sells the product at room temperature, resulting in a variation of the inventory due to natural volumetric variations as a function of temperature.	831
	Plaintiffs: States of Amazonas, Bahia, Ceará, Goiás, Minas Gerais, Pará, Pernambuco, Piauí, Rio de Janeiro, Rio	
4)	Legal proceedings in which the Tax Office accused the Company of taking/using credit in operations that would not generate such credit entitlement, as in the cases of undue application of the non-cumulative	85
	Plaintiffs: States of Amapá, Bahia, Minas Gerais and São Paulo	
5)	Legal proceedings in which the Company discusses who is liable for the payment of ICMS not withheld through tax substitution based on injunctions obtained by the buyers, but which is now due as a result of the unfavorable court decision received by the buyers on the lawsuits filed against the State.	616
	Plaintiff: Federal Government	
6)	Legal proceeding in which the Company is charged for alleged nonpayment of tax on credit, foreign exchange and insurance transactions, or related to securities,arising from operations qualified by the Inspection as monthly cash remittance to Petróleo Brasileiro S/A - Petrobras and loans with various contributors (fuel stations).	493
	Plaintiffs: States of Amazonas, Ceará and Pernambuco	
7)	Collection of ICMS tax on alleged aviation kerosene sales, with no ICMS tax for national and foreign airlines, for flights to other states or abroad.	481
	Plaintiff: State of Pernambuco	
8)	Legal proceedings in which the Tax Office accused the Company of taking/using credit in operations that would not generate such entitlement to credit. It is discussed whether the standards contained in §3, of Art. 32, of State Law No. 10.259/1989 and § 21 of Art. 34, of Ordinance No. 14,876/1991, which provided for the possibility of taking and maintaining ICMS tax credits, were tacitly revoked by State Law No. 11.408 /1996.	467
	Plaintiffs: States of Bahia, Goiás, Mato Grosso do Sul, Mato Grosso, Pará, Piauí, Rio de Janeiro, Rio Grande do	
9)	Punishment applied for noncompliance with ancillary obligations related to collection and crediting of ICMS, IRPJ, CSLL, PIS and COFINS, incident on operations in general by the Company.	278

	Description of tax proceedings	6/30/2017
	Plaintiff: Federal Government	
10)	Processes in which the Company discusses 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.	532
	Plaintiff: State of Rio de Janeiro	
11)	Legal proceedings in which the Company was fined for using NCM (Mercosur Common Nomenclature) of a product with which the State does not agree.	158
	Plaintiff: State of Rio de Janeiro	
12)	Legal proceedings in which the appropriation of book value ICMS credit is discussed, considering that the State fined the Company for allegedly duplicating bookkeeping credits.	93
	Plaintiff: Federal Government	
13)	Legal proceedings in which the Company discusses the Social Security Contribution incident on the amount of PLR and performance bonuses paid to employees.	85
	Plaintiffs: States of Amazonas, Bahia, Ceará, Goiás, Mato Grosso, Paraíba, Piauí, Rondônia and São Paulo	
14)	Legal proceedings in which the Company discusses whether or not there is a right to credit for the ICMS paid for CIF freight in interstate operations covered by immunity. Distinction between operation and	94
	Plaintiffs: States of Amazonas, Ceará, Espírito Santo, Goiás, Mato Grosso Sul, Mato Grosso, Pará, Pernambuco,	
15)	Legal proceedings in which the Company is charged of alleged omissions in the provision of information via SCANC, which allegedly resulted in absence or insufficiency of ICMS revenue in favor of the notifying federal unit.	55
	Plaintiffs: States of Mato Grosso and Pará	
16)	Legal proceedings in which the Company was fined by the Tax Office, demanding ICMS on entry operations from transfers between its facilities.	53
	Plaintiff: Federal Government	
17)	Legal proceedings in which the Company discusses 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 lost the lawsuit filed against the State.	46
	Plaintiff: States of Amazonas, Goiás, Minas Gerais, Mato Grosso, Piauí and Santa Catarina	
18)	Non-retention or lower retention of ICMS on the Company's sales to industrial buyers, who use fuel as an input to industrialization.	66
	Various proceedings of a fiscal nature	330
	Total	**7,773**

b) Civil proceedings

	Description of civil proceedings	6/30/2017
	Plaintiff: WTorre Engenharia E Construção S.A..	
1)	Arbitration procedure instituted by the applicants arising from alleged fraud to the unenforceability of bidding for contracting atypical lease (BTS) for operation of the Terminal of Rondonópolis. Current situation: Partial sentence rendered on whether to continue the arbitration, the Company has not yet been summoned to this regard, unknowing of its content.	665
	Plaintiff: Forte Comércio, Importação, Exportação e Administração	
2)	Civil lawsuit before the justice of the State of São Paulo, with a request for termination of contracts and indemnity for losses and damages, based on the allegation that the Company failed to comply with the obligations assumed for the formation of the Forte Group. Current situation: Special appeal filed by the Company awaiting trial.	261
	Plaintiff: Francisco Messias Cameli	
3)	Civil lawsuit before the Court of Justice of the State of Amazonas for collection of rent due to demurrage of vessels in the Secondary Distribution Base of Cruzeiro do Sul (BASUL). Current situation: Conviction in the first degree, awaiting trial in 2nd degree by the Court of Justice of the State of Amazonas.	178
	Plaintiff: C A Soares da Costa	
4)	Civil lawsuit before the court of justice of Rondônia, seeking compensation for losses and damages, alleging the Company's breach of a transportation agreement. Current situation: the Court of Justice of Rondônia maintained the previous ruling, in favor of the Company. The plaintiff presented special appeal, referred to the Superior Court of Justice – STJ.	144
	Plaintiff: DISCOM Distribuidora de Combustíveis e Comércio Ltda	
5)	DISCOM alleges that since October 1997 the Company has signed a purchase and sale agreement, which contains an obligation for the Company to supply products. It alleges that the Company ceased to fulfill the agreement without cause, suspending the delivery of products as of May 25, 2000, thus violating the agreement signed, causing numerous losses for DISCOM. It requests indemnification for losses and damages and lost profits and indemnification for moral damages. Current situation: awaiting trial of the appeal.	165
	Plaintiff: Borborema Energética S.A.	
6)	The complainant alleges error in the formation of the company's price regarding the preparation of the contract which did not observe the competent ANEEL Resolution. The Company claims that it properly practiced the prices of the ANEEL resolution and that the formation of its price observed the adjustment foreseen in said resolution. Current situation: expert stage	149
	Plaintiff: Derivados de Petróleo Santa Izabel Ltda	
7)	Lawsuit for indemnification for moral and material damages. The complainant claimed to have protests against commercial duplicates and indemnification for moral and material damages, on the grounds that the protested bills were improperly issued by the Company (invoices and duplicates with the purpose of charging ICMS), causing significant losses in patrimonial and extra-patrimonial aspects. Current situation: The other party began fulfilling the sentence, estimating its credit in BRL 121,462,267.60 (one hundred twenty-one million, four hundred and sixty-two thousand, two hundred and sixty-seven reais and sixty cents) and the Company was summoned to pay the claimed amount, within 15 days, under penalty of garnishment. In the face of this decision, the Company filed a challenge (in the lower court) and an aggravation of an instrument before the Bahia Court of Justice. The challenge has not yet been judged. A suspensive effect was granted in the grievance, to suspend the decision that determined the payment of the amount claimed by the creditor (the merit of the appeal will still be assessed by the collegiate).	129
	Plaintiff: CADE - Administrative Council for Economic Defense	
8)	Proceedings initiated in 2014 investigating the alleged practice by dealers of a resale cartel in the municipality of São Luís do Maranhão/MA, as well as the alleged practice of influencing uniform conduct between competitors.	64
	Various proceedings of a civil nature	324
	Total	**2,079**

c) Labor proceedings

	Description of labor proceedings	6/30/2017
Plaintiff: Ministry of labor		
1)	Execution of a daily fine (*penalties*), proposed by the Labor Department against the Company, due to alleged noncompliance with a court order related to health, environment and safety issues (SMS) involving drivers of carriers and aggregates that provide services in the Canoas Base. Current situation: In August 2017, considering the existence of 1st and 2nd degree decisions favorable to the Company; considering that there seems to be no basis for the filing of a Review Appeal, which in execution depends on an offense against the Constitution; and considering that the very remote hypothesis of admissibility and provision of a possible Review Appeal does not matter in the determination of payment, but in the return of the case to the first instance for investigation and judgment, the expectation of loss was changed from possible to remote loss.	127
	Various proceedings of a labor nature	152
	Total	**279**

27 Commitments and other significant contracts

a) Contracts with Petrobras

The Company has contracts with Petrobras for the 5-year period under which it may purchase petroleum derivatives, which corresponds to an estimated total amount of BRL 35,223.

On March 1, 2016, the Company entered into a new contract with Petrobras for the acquisition of 3.5 million tons of green petroleum coke per year for 5 years from the date it was signed, renewable for an equal period, to the estimated amount of BRL 5,500, for the first contractual period.

b) Commitments with Petrobras

The Company has unconditional purchase commitments with Petrobras for the period from June 30, 2017 to 2025, of approximately 4.3 billion m³ of natural gas, which corresponds to an estimated total remaining value of BRL 2,640.

c) Take or pay contracts

The Company has a contract with take or pay clause with Brasil Carbonos for the services rendered at the Taubaté / SP plant. The contract establishes the provision of services for the treatment of 20,910 thousand tons of green petroleum coke, to the estimated value of BRL 580, until December 2032.

d) Transport contracts

The Company has contractual commitments with Logum Logística S.A. referring to pipeline transportation for the period from March 2017 to 2029, in an estimated total remaining amount of BRL 1,488. The contract involves the supply of the bases of São Paulo and Rio de Janeiro and provides a minimum volume to be moved (Take or Pay) for each stretch.

28 Financial instruments and risk management

The management of financial instruments held by the Company is carried out through operational strategies and internal controls, aiming at liquidity, regarding the choice of counterparties, profitability and security of the commercial areas for which operations are carried out.

The control policy consists of the permanent monitoring of the contracted rates versus those prevailing in the market, with the ultimate objective being the preservation of the margins obtained with the hedge policy defined in conjunction with the commercial areas. The Company does not make speculative investments in derivatives or any other high risk assets.

Due to the nature of its business, the Company is mainly exposed to credit risk, and part of this exposure is updated by the application of interest rates on customer financing. The Company is also subject to liquidity, market and exchange rate risks.

We present the descriptions of the financial instruments included in the balance sheet:

	Notes	Fair Value Hierarchy Level	Consolidated 6/30/2017	Consolidated 12/31/2016	Parent company 6/30/2017	Parent company 12/31/2016
Loans and receivables						
Cash and banks	5		251	63	249	61
Financial investments	5		253	592	33	381
Accounts receivable	6		13.088	13.905	13.153	13.981
Judicial deposits	11		980	950	958	928
			14.572	**15.510**	**14.393**	**15.351**
Fair value through profit or loss						
Judicial bonds	6	2	24	24	24	24
			24	**24**	**24**	**24**
Financial assets held to maturity						
NTN-P (Other long-term receivables)			2	2	2	2
			2	**2**	**2**	**2**
Financial liabilities measured at amortized cost						
Trade payables	15		1.594	2.650	1.585	2.622
Borrowings	16		12.167	12.814	11.194	11.733
Assignment of receivables	29.2		26	31	-	-
Finance leases	17		96	95	584	685
			13.883	**15.590**	**13.363**	**15.040**

28.1 Risk management objectives and strategies

The Company's credit risk management has as its main discussion forum the Credit Committee, which defines the main parameters and guidelines for the lending policy. The analyzes of credit applications, according to the levels of values, have specific procedures and increasing demands according to the level of exposure, and some cases raise the decision of the Board of Executive Officers.

Regarding foreign exchange exposure, the management policy for this type of risk is defined by the Executive Board, with joint management of the financial and commercial areas responsible for international revenues.

28.2 Market risk

28.2.1 Interest rate risk

The interest rate risk on the Company's liabilities is mainly related to CDI, index of financing with Banco da Amazônia, Banco do Brasil, Itaú and Bradesco (mark 16), and IPCA rates, which is the index of the Certificates of Real Estate Receivables. The assets are characterized, for the most part, by the debt confession contracts of the Eletrobras System companies, updated by the Selic.

28.2.1.1 Interest rate risk management

The Company currently does not use derivative financial instruments to manage its exposure to interest rate fluctuations.

Following is the sensitivity analysis of the interest on the main financial assets and liabilities at June 30, 2017.

Instruments	Exposure	Note	Risk	(Expense)/ financial revenue in scenario 1 (a)	Financial result decreased by 25%	Financial result decreased by 50%	Financial results increased by 25%	Financial results increased by 50%
Accounts receivables - Electrical energy sector - Isolated system - Eletrobras Group	6,390		Selic reduction	360	270	180	450	540
Real estate receivables certificates (CRI)	(959)	16.1	IPC-A High	(43)	(39)	(34)	(47)	(52)
The Company's borrowings	(11,194)	16.1	CDI High	(751)	(563)	(376)	(939)	(1,127)
Investments - FIDC	2,225	29.2	CDI Reduction	149	112	75	186	224

(a) Scenario I corresponds to the effect recognized in the income for the year considering the base date of June 30, 2017.

28.2.2 Foreign exchange risk

Due to sales to foreign customers, the exchange rate risk is one of the risks to which the Company is exposed.

28.2.2.1 Foreign exchange risk management

The Company contracts foreign exchange hedge operations to cover the commercial margins inherent in sales of aviation fuels to foreign clients. The purpose of the transaction is to ensure that the commercial margins agreed with the customers are maintained during the term of the negotiated prices, as well as during the commercial payment term.

Between January 1 and June 30, 2017, hedge operations for export were contracted for a total of US $ 125.3 million. In relation to export sales in dollar of the aviation segment occurred in the same period of 2017, the percentage of hedge contracted represented 59.1%.

The Company's financial risk management policy foresees the contracting of hedge operations to cover a maximum of 100% of foreign sales.

Between January 1 and June 30, 2017, no hedge was contracted at the purchase position, as of June 30, 2017, there were no hedge contracts at the open purchase position.

The settlements of all currency hedge operations in 2017 generated a positive result for the Company of BRL 0.1.

It should be noted that the Company did not use any other derivative instrument in the foreign exchange hedge operations in addition to the NDF, as defined in article 2. of CVM Resolution 550 of 2008.

None of the transactions in question required the deposit of guarantee margins.

Fixed-term contracts in dollar (NDF)	Reference value (*notional*) (USD)		Fair value (BRL)		Maturity
	6/30/2017	12/31/2016	6/30/2017	12/31/2016	
Long Position	-	-	-	-	
Short Sale	-	15	-	1	1Q17
Short Sale	37	-	-	-	3Q17

The following sensitivity analysis was performed for the fair value of foreign currency derivatives. The probable scenario is the fair value as of June 30, 2017, the possible and remote scenarios consider the deterioration in the risk variable of 25% and 50%, respectively, in relation to this same date.

Currency derivatives Foreign	Risk	Likely Scenario	Possible Scenario (Δ of 25%)	Unlikely Scenario (Δ of 50%)
Fixed-term contracts in dollar (NDF)	Appreciation of the Dollar against the Real	-	(30)	(61)

28.3 Liquidity risk

The Company uses its resources primarily in its operating expenses. Generally, conditions are met with internally generated resources, depending on opportunities in the financial market, possible financial operations to finance projects or in response to a specific liquidity event.

28.3.1 Liquidity risk management

The cash flow forecast is carried out centrally by the Company's financial area. We work with an annual flow, which is monitored through revisions of monthly projections, discussed in forums and representative executive committees.

The objective is to have sufficient cash generation to meet the operational, costing and investment needs of the Company, always striving to maintain a minimum cash balance capable of meeting fluctuations in the daily flow.

The excess cash is invested in quotas of FIDC-NP, exclusive and corporate fund of the Petrobras System, with interest incidence. Events that come to burden the generation of cash, within the limits of its turnover, are served with funds from the corporate fund.

In parallel, there is always room for financial structuring that can improve the structure and cost of capital, in addition to reinforcing the cash flow in specific situations.

The nominal flow of principal and interest on financing is presented in Note 16.3 and the flow of payments and receipts from financial leases is presented in Note 17.1.1.

28.4 Credit risk

The Company's exposure to credit risk arises from the supply of long-term products resulting from its usual commercial operations. Such risk consists in the possibility of not receiving sales made.

28.4.1 Credit risk management

The Company's Credit and Collection Policy defines spheres of approval for each client considering the amount requested and establishes deadlines for limits, in order to allow a periodic reassessment of each client's situation with respect to the risk it may represent.

In the analysis, the payment behavior of the client and the market restrictions, the real guarantees (mortgages), personal guarantees (guarantees) are evaluated and balance sheet analyzes carried out. The Company uses a limit table of competence, approved by Management, to grant credit.

The credit granted to financial institutions in hedge transactions is distributed among the main international banks considered by international risk ratings as Investment Grade and the most important Brazilian banks.

The Company's commercial credit portfolio is very diversified, serving customers of the automotive network and large consumers, mainly represented by industries and government clients. Exposure to risk is mainly represented by the balance of accounts receivable.

The Company's portfolio amounted to approximately BRL 17 billion on June 30, 2017.

28.5 Capital management

Capital management consists of a set of processes aimed at ensuring that the Company maintains an adequate capital base for the development of its activities, in the face of its financial commitments and risks.

The Company's capital structure, as well as its cash management, should always be based on the best capital structure and financial management from the perspective of Petrobras, opting for the alternatives that best bring synergy to the Petrobras System.

The management and monitoring of capital takes place through:

- control of daily cash flow;
- projection and monitoring of the Company's short- and medium-term cash flow, structuring the Financial Plan that will support the budget processes;
- monitoring of the balance, maturity and cost of the Company's indebtedness and of the variables that impact its leverage.
- analysis of the cash cycle and the need for working capital; and
- monitoring variables that impact working capital, integrating the initiatives related to the management of working capital needs

28.6 Measurement at fair value

Fair value measurements are classified at different levels in a hierarchy, as described below, based on the degree to which information for fair value measurements is observable:

- Level 1 - are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity may have access to at the measurement date;
- Level 2 - information, other than quoted prices included in Level 1, observable for the asset or liability, directly or indirectly;

- Level 3 - are non-observable information for the asset or liability.

There were no transfers between the levels of financial instruments in relation to December 31st, 2016.

The estimated fair value for the Company's long term debt as of June 30, 2017, computed based on the prevailing market rates is set out in note 16.5.

The fair values of cash and cash equivalents and other financial assets and liabilities are equivalent or do not differ significantly from their carrying amounts.

29 Related parties

The Company has a related party transactions policy, approved by the Board of Directors, which aims to establish rules to ensure that all decisions involving related parties and situations with a potential conflict of interest comply with the legislation, including the countries where it operates and the parties involved in the transactions. negotiations.

29.1 Business transactions and other transactions

29.1.1 By nature

		Consolidated					
		6/30/2017					
		Assets			Liabilities		
	Statement of profit or loss	Current	Non-current	Total	Current	Non-current	Total
Profit or loss							
Revenues, mostly from sales	2,033						
Net monetary and exchange variations	323						
Net financial revenue (expenses)	(278)						
Assets							
Accounts receivable (note 6)		950	8,688	9,638			
Marketable securities		-	2	2			
Cash and cash equivalents		190	-	190			
Judicial deposits		-	752	752			
Liabilities							
Trade payables (Note 15)					797	-	797
Dividends					671	-	671
Borrowings (note 16.1)					38	4,490	4,528
Advance from customers					94	-	94
On 6/30/2017	**2,078**	**1,140**	**9,442**	**10,582**	**1,600**	**4,490**	**6,090**
January to June/2016	**2,621**						
On 12/31/2016		**862**	**9,484**	**10,346**	**2,684**	**4,489**	**7,173**

		Parent company 6/30/2017					
		Assets			Liabilities		
	Statement of profit or loss	Current	Non-current	Total	Current	Non-current	Total
Profit or loss							
Revenues, mostly from sales	2,120						
Net monetary and exchange variations	317						
Net financial revenue (expenses)	(297)						
Assets							
Accounts receivable (note 6)		1,166	8,688	9,854			
Marketable securities		-	2	2			
Cash and cash equivalents		179	-	179			
Judicial deposits		-	729	729			
Liabilities							
Trade payables (Note 15)					792	-	792
Dividends					671	-	671
Borrowings (note 16.1)					23	4,490	4,513
Advance from customers					94	-	94
Finance leases					113	444	557
On 6/30/2017	**2,140**	**1,345**	**9,419**	**10,764**	**1,693**	**4,934**	**6,627**
January to June/2016	**2,507**						
On 12/31/2016		**983**	**9,462**	**10,445**	**2,764**	**5,025**	**7,789**

Purchases made totaled BRL 27,661 (BRL 32,243 until June 2016), of wich BRL 27,404 (BRL 32,229 until June 2016) by Petrobras and BRL 257 (BRL 14 until June 2016) by Braskem. Petrobras is the guarantor of some of the Company's financing operations, as presented in Note 16.1.

29.1.2 By company

Consolidated

	Statement of profit or loss		Assets				Liabilities			
	For the six months ended		6/30/2017			12/31/2016	6/30/2017			12/31/2016
	6/30/2017	6/30/2016	Current	Non-current	Total	Total	Current	Non-current	Total	Total
Subsidiaries and joint arrangements between the Petrobras Group and the electrical energy sector - Isolated System (Eletrobras system)										
Electrical energy sector companies - Isolated system (Eletrobras system)	1,001	1,505	634	8,616	9,250	9,090	22	-	22	8
Petrobras	820	898	194	-	194	208	1,438	-	1,438	2,259
Termocabo	16	14	-	-	-	2	-	-	-	-
Transpetro	32	34	11	-	11	15	8	-	8	9
Petrobras Paraguay Operaciones y Logistica	10	13	2	-	2	-	1	-	1	4
Other	60	74	6	72	78	81	11	-	11	40
	1,939	2,538	847	8,688	9,535	9,396	1,480	-	1,480	2,320
Associates of the Petrobras Group										
Suape II	174	171	27	-	27	54	-	-	-	-
Braskem	24	20	1	-	1	7	10	-	10	14
Other associates	5	46	-	-	-	2	-	-	-	10
	203	237	28	-	28	63	10		10	24
Government entities										
Government securities	-	5	-	2	2	2	-	-	-	-
Banks Controlled by the Federal Government	(279)	(334)	190	752	942	808	38	4,490	4,528	4,789
Customers - Federal Government	215	175	75	-	75	77	72	-	72	40
	(64)	(154)	265	754	1,019	887	110	4,490	4,600	4,829
Total	**2,078**	**2,621**	**1,140**	**9,442**	**10,582**	**10,346**	**1,600**	**4,490**	**6,090**	**7,173**

Parent company

	Statement of profit or loss		Assets				Liabilities			
	For the six months ended		6/30/2017			12/31/2016	6/30/2017			12/31/2016
	6/30/2017	6/30/2016	Current	Non-current	Total	Total	Current	Non-current	Total	Total
Subsidiaries and joint arrangements between the Petrobras Group and the electrical energy sector - Isolated System (Eletrobras system)										
Electrical energy sector companies - Isolated system (Eletrobras system)	1,001	1,505	634	8,616	9,250	9,090	22	-	22	8
Petrobras	819	898	194	-	194	208	1,396	-	1,396	2,226
Termocabo	16	14	-	-	-	2	-	-	-	-
Stratura	88	8	38	-	38	3	-	-	-	-
Transpetro	32	34	11	-	11	15	8	-	8	9
Petrobras Paraguay Operaciones y Logistica	10	13	2	-	2	-	1	-	1	4
Fundo Invest.Imobiliário FCM	(25)	(119)	179	-	179	130	146	444	590	660
Other	60	74	5	72	77	80	15	-	15	47
	2,001	2,427	1,063	8,688	9,751	9,528	1,588	444	2,032	2,954
Associates of the Petrobras Group										
Suape II	174	171	27	-	27	54	-	-	-	-
Braskem	24	20	1	-	1	7	10	-	10	14
Other associates	5	46	-	-	-	2	-	-	-	10
	203	237	28	-	28	63	10	-	10	24
Government entities										
Government securities	-	3	-	2	2	2	-	-	-	-
Banks Controlled by the Federal Government	(279)	(335)	179	729	908	775	23	4,490	4,513	4,771
Customers - Federal Government	215	175	75	-	75	77	72	-	72	40
	(64)	(157)	254	731	985	854	95	4,490	4,585	4,811
Total	**2,140**	**2,507**	**1,345**	**9,419**	**10,764**	**10,445**	**1,693**	**4,934**	**6,627**	**7,789**

Transactions with banks controlled by the Federal Government were mainly carried out with Banco do Brasil and Banco da Amazônia S.A.

29.2 Receivables Investment Fund - FIDC-NP

	Consolidated		Parent company	
	6/30/2017	12/31/2016	6/30/2017	12/31/2016
Accounts receivable (note 6)	2,225	2,776	2,163	2,770
Total classified in current assets	**2,225**	**2,776**	**2,163**	**2,770**
Assignments of performing and non-performing rigl	(26)	(31)	-	-
Total classified under current liabilities	**(26)**	**(31)**	**-**	**-**

	For the six months ended		For the six months ended	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Financial revenue FIDC-NP	149	129	149	128
Financial expense FIDC-NP	(2)	(1)	-	-
Finance result	**147**	**128**	**149**	**128**

The assignments of performed and non-performing credit rights are classified in current liabilities.

Non-performed are credits whose receipts also depend on some counterpart or consideration of the originator or assignor, that is, for the future delivery of products and services. Performed are credits already billed, where the assignor has already fulfilled its obligations (services already provided or goods already delivered and, in any case, accepted), remaining only the obligation of the debtor to make the payment).

The discount rate on the assignment of receivables from FIDC-NP Petrobras is 100.5% of CDI; there is no IOF and IR in operation.

The investments in FIDC-NP quotas are classified in current assets, accounts receivable. The rate of remuneration is 100% of CDI. In the case of redemption in the first 30 days of application, there is IOF on the income, by means of a regressive table.

The subsidiaries of the Petrobras System have 100% senior quotas of FIDC-NP and, historically, all requests for redemptions from subsidiaries have been met.

29.3 Management and employee compensation

In the period from January to June 2017, the fees of directors and advisors in Consolidated totaled BRL 5 (BRL 4 from January to June 2016).

On June 30th, 2017, the Company had five members on the Board of Executive Officers and nine members on the Board of Directors.

The compensation of employees (including those occupying managerial positions) and officers were:

	Parent Company	
	For the six months ended	
Compensation	6/30/2017	6/30/2016
Compensation per employee		
Lower compensation	3,577.10	3,141.68
Average compensation	14,825.86	13,502.78
Greater compensation	73,324.96	71,634.19
Remuneration for the company's leader (major)	111,201.13	101,664.96
(Values expressed in reais)		

30 Segment information

The Executive Board, an operational decision-making group, considers the business from the perspective of the profile / market of its clients in relation to the Retail Stations. In relation to the profile of clients, the Administration separately considers the activities of Retail Stations, Major Costumers and Aviation.

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

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

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

Other segments related to the sale of chemicals, asphalt and power generation were aggregated into "others", as operating segments reportable because they did not meet the quantitative criteria required by IFRS / CPC for reportable segments.

The Company is domiciled in Brazil. Revenues from customers in Brazil are BRL 38,866 (BRL 42,794 from January to June 2016), and total revenue from customers abroad is BRL 658 (BRL 680 from January to June 2016).

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

The main financial information evaluated by the Board of Executive Officers is as follows:

Consolidated Income Statement by Business segment

For the six months ended 6/30/2017

	Retail Stations	Major Customers	Aviation Products	Other	Corporate	Total of segments	Reconciliation to Financial Statement		Total
Sales Revenue	23,913	10,255	3,293	2,319	9	39,789	(265)	(a)	39,524
Cost of sales	(22,301)	(9,490)	(2,961)	(1,998)	(10)	(36,760)	(7)	(b)	(36,767)
Gross profit	**1,612**	**765**	**332**	**321**	**(1)**	**3,029**	**(272)**		**2,757**
Expenses									
Sales, general and administrative	(815)	(470)	(237)	(170)	(77)	(1,769)	(104)	(c)	(1,873)
Taxes	(7)	(1)	(2)	(3)	(17)	(30)	(32)	(d)	(62)
Other income (expenses), net	118	10	8	13	(249)	(100)	(67)	(e)	(167)
Share of profit (loss) of investees	-	-	-	2	(4)	(2)	-		(2)
Net financial result	-	-	-	-	-	-	(236)	(f)	(236)
Adjusted EBITDA	**908**	**304**	**101**	**163**	**(348)**	**1,128**			
Profit (loss) before taxes							**(711)**		**417**

Consolidated Income Statement by Business segment

For the six months ended 6/30/2016

	Retail Stations	Major Customers	Aviation Products	Other	Corporate	Total of segments	Reconciliation to Financial Statement		Total
Sales Revenue	26,509	11,618	3,068	2,521	(1)	43,715	(241)	(a)	43,474
Cost of sales	(24,621)	(10,822)	(2,789)	(2,119)	(4)	(40,355)	(7)	(b)	(40,362)
Gross profit	**1,888**	**796**	**279**	**402**	**(5)**	**3,360**	**(248)**		**3,112**
Expenses									
Sales, general and administrative	(752)	(514)	(235)	(194)	(110)	(1,805)	(695)	(c)	(2,500)
Taxes	(7)	-	(1)	(5)	(21)	(34)	(50)	(d)	(84)
Other income (expenses), net	107	20	14	14	(163)	(8)	(681)	(e)	(689)
Share of profit (loss) of investees	-	-	-	2	(3)	(1)	-		(1)
Net financial result	-	-	-	-	-	-	(356)	(f)	(356)
Adjusted EBITDA	**1,236**	**302**	**57**	**219**	**(302)**	**1,512**			
Profit (loss) before taxes							**(2,030)**		**(518)**

Reconciliation with the financial statements	06/30/2017	06/30/2016
(a) Sales Revenue		
Appropriation of early bonuses granted to customers		
Sales Revenue is adjusted by the bonus advances granted to resellers of service stations for which the Company distributes fuels and lubricants corresponding to the installment made available mainly in kind and held under terms established in advance with such parties, which once completed, become unenforceable, 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 bonus. They are classified as prepaid expenses and are recognized in the recorded in the statement in proportion to their due dates.	(265)	(241)
(b) Cost of sold goods		
Depreciation and amortization	(7)	(7)
(c) Sales, general and administrative		
Depreciation and amortization	(220)	(219)
Provision for impairment of trade receivables		
The adjusted values refer to the provisions relating to receivables owed to the Company by the thermal companies of isolated and interconnected power system, a segment for which the Company substantially provides service, and which lately has been facing financial difficulties.	116	(476)
(d) Taxes		
Tax adjustments refer to tax amnesties and tax charges on 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 (Tax on Product Circulation) 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.	(3)	(3)
Tax charges on revenue: the adjustments refer to expenditures with IOF PASEP and COFINS, levied on the Company's revenue and which are classified as tax expenses.	(29)	(47)
(e) Other revenue (expenses), net		
Losses and provisions with lawsuits		
The adjusted amounts refer to 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.	(181)	(690)
Voluntary Dismissal Incentive Plan		
The adjustment refer to amounts that affected the Company's profits given the provision of the estimated expenditures with 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.	114	9
(f) Net financial result	(236)	(356)
Total	**(711)**	**(2,030)**

31 Subsequent events

Capital increase, Partial Spin-off e Prepayment of Financing

On August 31st, 2017, the Extraordinary General Meeting approved the partial spin-off of the Company which included the receivables held by the company resulting from a debt acknowledgement agreement with the Eletrobras System, which have real guarantees (pledge of credits originating from Energy Development Account – "*Conta de Consumo Energético – CDE"*) and the receivables held by the Company with other companies of the Petrobras System. The spun-off portion was merged into Downstream Participações Ltda. ("Downstream"), a wholly-owned subsidiary of Petrobras, in the amount of BRL 6,339 million.

The same meeting approved the Company's capital increase in cash of BRL 6,313 million realized by Petrobras. The resource generated by the capital contribution was fully utilized for the prepayment of debts, previously contracted by the Company and guaranteed by Petrobras, in the amount of BRL 7,708 million.

Due to the fact that this is a restructuring between companies whose entire share capital belongs to Petrobras, the transactions were carried out at book value based on an appraisal report, without generating any impact on the result of the companies involved. The transaction also did not generate a material change in the Company's shareholders' equity.

Judicial proceeding

Due to the decision in the lower court that is eminently favorable to the Company, rendered in an administrative proceeding in which the Company is required for a supposed nonpayment of the tax on credit operations (IOF) arising from operations qualified by the inspection as a remittance of cash to Petrobras and loans to resellers, the Company changed the expectation of loss and significantly reduced the financial risk involved from a possible loss in the amount of BRL 482 on June 30, 2017 to a probable loss of BRL 0.3 on July 31st, 2017, referring to the IOF collection portion of loans to resellers.

Correlation between the notes from December 31st, 2016 and June 30th, 2017

Titles of the notes	Number of notes	
	2016 annual	2Q-2017 Quarterly Information
Operating context	1	1
Preparation basis for the financial statements	2	2
Use of estimates and judgments	3	2.1
Principal accounting policies	4	4
Cash and cash equivalents	6	5
Accounts receivable	7	6
Inventories	8	7
Recoverable taxes and contributions	9	8
Deferred income tax and social contribution	10	9
Prepaid expenses	11	10
Judicial deposits	12	11
Investments	13	12
Property, plant and equipment	14	13
Intangible assets	15	14
Trade payables	16	15
Borrowings	17	16
Leases	18	17
Advance from customers	19	18
Taxes and contributions payable	20	19
Employee benefits	21	20
Equity	22	21
Sales revenue	23	22
Other revenue (expenses), net	24	23
Expenses by nature	25	24
Net financial result	26	25
Information by segment	27	30
Judicial, administrative and contingency proceedings	28	26
Contractual commitments	29	27
Financial instruments and risk management	30	28
Related parties	31	29
Subsequent Events	33	31

The explanatory notes to the 2016 annual report that were eliminated in the ITR dated June 30th, 2017 because they did not present material changes and/or did not apply to the interim information are as follows:

Titles of the notes	Number of notes
New standards and interpretations	5
Description of the activities of subsidiaries	13.2
Description of the joint operation	13.3
Description of activities of joint ventures	13.4
Description of the activities of associates	13.5
State Amnesty Programs	20.1
National pension plans - Defined benefit and variable contribution	21.1
Pension plan assets	21.2
Healthcare plan - Multidisciplinary Health Assistance (AMS)	21.3
Obligations and net actuarial expenses, calculated by independent actuaries, and the fair value of the plans' as	21.4
Profit sharing	21.5
Insurance	32

ADMINISTRATIVE COUNCIL

AUGUSTO MARQUES DA CRUZ FILHO
President

BRUNO CESAR DE PAIVA E SILVA
Counselor

CLEMIR CARLOS MAGRO
Counselor

DURVAL JOSÉ SOLEDADE SANTOS
Counselor

FRANCISCO ARRUDA VIEIRA DE MELO FILHO
Counselor

JERÔNIMO ANTUNES
Counselor

JORGE CELESTINO RAMOS
Counselor

REINALDO GUERREIRO
Counselor

SEGEN FARID ESTEFEN
Counselor

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GUSTAVO HENRIQUE BRAGA COUTO
Executive Director of Consumer Market

RAFAEL SALVADOR GRISOLIA
Chief Financial and Investor Relations Officer

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