Petrobras Distribuidora S.A.

Individual and consolidated interim financial statements

March 31, 2017

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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 March 31, 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 March 31, 2017 and the individual and consolidated statements of profit or loss and comprehensive income for the three month periods then ended, and the individual and consolidated statements of changes in equity and cash flows for the three-month period then ended, including the notes to the interim financial information.

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

Scope of the review
We conducted our review in accordance with the Brazilian and International Standards for Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Information Performed by the Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making 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 March 31, 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 March 31, 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

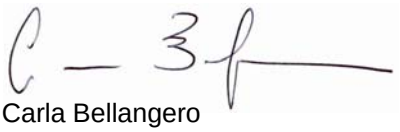
Statement of value added
Interim, individual and consolidated accounting information relating to the statements of value added (DVA) for the three-month period ended March 31, 2017, prepared under the Company directors' responsibility, presented as additional information for the purposes of IAS 34, was 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 month periods ended March 31, 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 three-month period ended March 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 March 31, 2017 and December 31, 2016
(In BRL million)

Assets	Note	Consolidated		Parent company	
		03.31.2017	12.31.2016	03.31.2017	12.31.2016
Current Assets					
Cash and cash equivalents	5	596	655	376	442
Accounts receivable, net	6	8,033	7,679	8,169	7,761
Inventories	7	2,241	2,678	2,230	2,668
Advances to suppliers		82	62	82	62
Income tax and social contribution recoverable		245	219	244	218
Taxes recoverable	8	402	372	335	343
Prepaid expenses	10	562	587	562	587
Other current assets		73	37	72	33
		12,234	**12,289**	**12,070**	**12,114**
Non-current assets					
Accounts receivable, net	6	6,244	6,250	6,244	6,244
Judicial deposits	11	964	950	941	928
Taxes recoverable	8	323	366	296	307
Deferred income tax and social contribution	9	3,372	3,425	3,361	3,414
Prepaid expenses	10	1,626	1,602	1,626	1,602
Other long-term receivables		24	24	18	18
		12,553	**12,617**	**12,486**	**12,513**
Investments	12	34	45	205	217
Property, plant and equipment	13	5,947	5,986	5,499	5,542
Intangible assets	14	458	461	457	460
		18,992	**19,109**	**18,647**	**18,732**
Total Assets		**31,226**	**31,398**	**30,717**	**30,846**

The explanatory notes are an integral part of the financial statements.

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

		Consolidated		Parent company	
Liabilities and Equity	**Note**	**03.31.2017**	**12.31.2016**	**03.31.2017**	**12.31.2016**
Current Liabilities					
Trade payables	15	2,103	2,650	2,056	2,622
Borrowings	16	1,056	805	945	697
Assignment of receivables	29.2	26	31	-	-
Finance leases	17.1.1	28	28	122	124
Advances from customers	18	394	354	379	322
Income tax and social contribution		5	1	5	-
Taxes and contributions payable	19	208	204	203	200
Interest on capital		654	635	654	635
Salaries, vacation pay and social charges		223	246	222	245
Voluntary Dismissal Incentive Plan	20.2	347	445	347	445
Healthcare and pension plans	20.1	145	139	145	139
Other liabilities		93	91	136	132
		5,282	**5,629**	**5,214**	**5,561**
Non-current liabilities					
Borrowings	16	11,873	12,009	11,026	11,036
Finance leases	17.1.1	67	67	478	561
Healthcare and pension plans	20.1	4,267	4,172	4,264	4,169
Provision for contingencies	26.1	2,151	2,090	2,150	2,089
Other liabilities		20	21	19	20
		18,378	**18,359**	**17,937**	**17,875**
Total Liabilities		**23,660**	**23,988**	**23,151**	**23,436**
Equity	21				
Paid-up capital		6,352	6,352	6,352	6,352
Revenue reserves		3,201	3,045	3,201	3,045
Carrying value adjustments		(1,987)	(1,987)	(1,987)	(1,987)
		7,566	**7,410**	**7,566**	**7,410**
Total Liabilities and Equity		**31,226**	**31,398**	**30,717**	**30,846**

The explanatory notes are an integral part of the financial statements.

Petrobras Distribuidora S.A.
Statements of profit or loss
Periods ended on March 31, 2017 and 2016
(In BRL million, except for the profit per thousand shares)

	Note	Consolidado		Parent company	
		For the three months ended 03/31/2017	For the three months ended 03/31/2016	For the three months ended 03/31/2017	For the three months ended 03/31/2016
Sales and services revenue	22	20,049	22,243	19,971	22,151
Cost of product sales and services	24	(18,568)	(20,592)	(18,498)	(20,512)
Gross profit		**1,481**	**1,651**	**1,473**	**1,639**
Operating expenses					
Selling Expenses	24	(703)	(1,278)	(698)	(1,272)
General and administrative expenses	24	(205)	(199)	(201)	(194)
Tax expenses	24	(37)	(42)	(36)	(42)
Other net expenses	23	(110)	(348)	(110)	(348)
		(1,055)	**(1,867)**	**(1,045)**	**(1,856)**
Profit (loss) before financial income, interest and taxes		**426**	**(216)**	**428**	**(217)**
Finance result	25				
Expenses		(431)	(473)	(438)	(474)
Revenue		140	160	129	157
Foreign exchange and interest indexation, net		143	133	165	83
		(148)	**(180)**	**(144)**	**(234)**
Share of profit or (loss) of equity-accounted investees	12.1	**(2)**	**(1)**	**(9)**	**53**
Profit (loss) before taxes		**276**	**(397)**	**275**	**(398)**
Income tax and social contribution	9				
Current		(67)	(161)	(66)	(160)
Deferred		(53)	296	(53)	296
		(120)	**135**	**(119)**	**136**
Net profit (loss) for the period		**156**	**(262)**	**156**	**(262)**
Basic and diluted earnings per shares - BRL		0.13	(0.22)	0.13	(0.22)

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 explanatory notes are an integral part of the financial statements.

Petrobras Distribuidora S.A.
Statement of comprehensive income
Periods ended on March 31, 2017 and 2016
(In BRL million)

	Consolidated		Parent company	
	For the three months ended 03/31/2017	For the three months ended 03/31/2016	For the three months ended 03/31/2017	For the three months ended 03/31/2016
Net profit (loss) for the period ended	156	(262)	156	(262)
Other comprehensive income	-	-	-	-
Comprehensive income for the period ended	**156**	**(262)**	**156**	**(262)**

The explanatory notes are an integral part of the financial statements.

Petrobras Distribuidora S.A.

Statements of changes in equity

Periods ended on March 31, 2017 and 2016

(In BRL million)

	Consolidated							Parent company
		Revenue reserves				Other comprehensive		
	Capital stock subscribed and paid-up	Legal	Statutory	Earnings reserve	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	-	-	-	-	(262)	-	(262)	(262)
On March 31, 2016	**6,352**	**807**	**270**	**3,030**	**(262)**	**(534)**	**9,663**	**9,663**
On January 1, 2017	**6,352**	**807**	**270**	**1,968**	**-**	**(1,987)**	**7,410**	**7,410**
Net income for the period	-	-	-	-	156	-	156	156
On March 31, 2017	**6,352**	**807**	**270**	**1,968**	**156**	**(1,987)**	**7,566**	**7,566**

The explanatory notes are an integral part of the financial statements.

Petrobras Distribuidora S.A.
Statements of cash flows
Periods ended on March 31, 2017 and 2016
(In BRL million)

	Note	Consolidated		Parent company	
		For the three months ended		For the three months ended	
		03/31/2017	03/31/2016	03/31/2017	03/31/2016
Operating activities					
Net profit (loss) for the period		156	(262)	156	(262)
Adjustments:					
Income tax and social contribution	9	120	(135)	119	(136)
Depreciation and amortization	24	112	113	111	112
Income from disposal / write-off of assets		(4)	(6)	(4)	(6)
Provision for impairment of trade receivables, net of reversion	6	(20)	475	(20)	475
Share of (profit) or loss of equity-accounted investees		2	1	9	(53)
Appropriations of early bonuses granted to customers		125	118	125	118
Appropriations of insurance, rentals and others		21	13	21	13
Interest, foreign exchange and interest indexation, net		174	206	162	250
Actuarial expenses with healthcare and pension plans	20.1	125	96	125	96
Provision for contingencies		61	349	60	349
Provision for Voluntary Dismissal Incentive Plan	20.2	(21)	(5)	(21)	(5)
Other adjustments		5	9	4	11
Decrease (increase) in assets					
Accounts receivable		357	344	302	291
Inventories		442	(253)	443	(254)
Prepaid expenses		(144)	(98)	(144)	(98)
Judicial Deposits		-	(38)	-	(38)
Other assets		(62)	(35)	(61)	(34)
Increase (decrease) in liabilities					
Trade payables		(523)	(945)	(542)	(927)
Income tax and social contribution paid		(60)	(68)	(59)	(65)
Taxes, fees and contributions		(41)	(155)	(35)	(152)
Healthcare and pension plans		(24)	(25)	(24)	(25)
Voluntary Dismissal Incentive Plan	20.2	(77)	(52)	(77)	(52)
Other liabilities		14	(27)	26	(21)
Net cash generated from (used in) operating activities		**738**	**(380)**	**676**	**(413)**
Investment activities					
Additions to property, plant and equipment and intangible assets		(63)	(87)	(58)	(86)
Proceeds from sale of assets		12	-	12	-
Investments in FIDC		(419)	815	(425)	773
Net cash generated from (used in) investment activities		**(470)**	**728**	**(471)**	**687**
Financing activities					
Borrowings					
Amortization of principal	16.4	(99)	(99)	(9)	(8)
Amortization of interest	16.4	(221)	(230)	(163)	(171)
Assignment of receivables - FIDC-NP	29.2	(5)	(11)	-	-
Other financing operations		(2)	(2)	(99)	(95)
Net cash used in financing activities		**(327)**	**(342)**	**(271)**	**(274)**
Net variation in cash and cash equivalents in the year		**(59)**	**6**	**(66)**	**-**
Cash and cash equivalents at the beginning of the year		**655**	**810**	**442**	**607**
Cash and cash equivalents at the end of the year		**596**	**816**	**376**	**607**

The explanatory notes are an integral part of the financial statements.

Petrobras Distribuidora S.A.
Statements of value added
Period ended on March 31, 2017 and 2016
(In BRL million)

	Consolidated		Parent company	
	For the three months ended		For the three months ended	
	03/31/2017	03/31/2016	03/31/2017	03/31/2016
Revenue				
Sales of products and services and other revenues	24,960	27,488	24,865	27,376
Provision for impairment of trade receivables	20	(475)	20	(475)
Revenue from the construction of assets for use	45	66	40	58
	25,025	**27,079**	**24,925**	**26,959**
Inputs acquired from third parties				
Raw materials and goods for resale	18,092	20,811	18,028	20,740
Material, energy, outsourced services and others	1,044	668	1,031	654
Tax credits on inputs acquired	721	840	721	840
	19,857	**22,319**	**19,780**	**22,234**
Gross value added	**5,168**	**4,760**	**5,145**	**4,725**
Retention				
Depreciation and amortization	112	113	111	112
Net value added produced by the company	**5,056**	**4,647**	**5,034**	**4,613**
Value added received in transfer				
Share of profit or (loss) of equity-accounted investees	(2)	(1)	(9)	53
Financial income - includes monetary and exchange fluctuations	327	358	315	346
Rentals and royalties	66	53	66	53
	391	**410**	**372**	**452**
Total value added to distribute	**5,447**	**5,057**	**5,406**	**5,065**

The explanatory notes are an integral part of the financial statements.

Petrobras Distribuidora S.A.
Statements of value added
Period ended on March 31, 2017 and 2016
(In BRL million)

	Consolidated		Parent company	
	For the three months ended		For the three months ended	
	03/31/2017	03/31/2016	03/31/2017	03/31/2016
Distribution of value added				
Personnel and management				
Direct compensation				
Salaries	208	201	204	198
Profit-sharing	-	10	-	10
Benefits				
Advantages	23	23	23	22
Retirement and pension plan	47	52	47	52
Healthcare plan	77	60	76	59
FGTS (Severance Pay Fund)	18	19	18	18
	373	**365**	**368**	**359**
Taxes				
Federal	222	(25)	214	(34)
State	4,113	4,328	4,101	4,316
Municipal	19	14	19	14
	4,354	**4,317**	**4,334**	**4,296**
Financial institutions and suppliers				
Interest, foreign exchange and monetary variations	476	545	459	580
Rental expenses	88	92	89	92
	564	**637**	**548**	**672**
Stockholders				
Retained profits (losses)	156	(262)	156	(262)
	156	**(262)**	**156**	**(262)**
Value added distributed	**5,447**	**5,057**	**5,406**	**5,065**

The explanatory notes are an integral part of the financial statements.

1 General considerations

1.1 Operating 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 March 31, 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 any additional information and assess its 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 accounting information is presented with all relevant changes occurred in the period, without repeating certain explanatory notes previously disclosed. Therefore, such accounting information should be read in conjunction with the Company’s annual financial statements for the fiscal year ended December 31st, 2016, which include the full set of explanatory notes.

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

The individual and consolidated statement of value added (DVA) were prepared in accordance with the Technical Pronouncement – CPC 09 – Statement of 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

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

5 Cash and cash equivalents

	Consolidated		Parent company	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Cash and banks	277	63	275	61
Financial investments	319	592	101	381
Total	**596**	**655**	**376**	**442**

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

6 Accounts receivable, net

	Consolidated		Parent company	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Related parties (note 29)				
Receivables fund - FIDC - NP (note 29.2)	3,279	2,776	3,279	2,770
Electrical energy sector - Isolated system (note 6.2)	9,248	9,165	9,248	9,165
Federal government customers	63	77	63	77
Petrobras Group companies, except for the electrical energy sector -	286	294	482	426
Total related parties	**12,876**	**12,312**	**13,072**	**12,438**
Third Parties				
Customers and other accounts receivable (a)	6,321	6,481	6,221	6,391
Electrical energy sector - Isolated system - third parties (note 6.2)	1,055	1,131	1,055	1,131
Total third parties	**7,376**	**7,612**	**7,276**	**7,522**
Total accounts receivable (note 6.1)	**20,252**	**19,924**	**20,348**	**19,960**
Allowance for doubtful account				
Third Parties	(2,936)	(2,947)	(2,896)	(2,907)
Related parties	(3,039)	(3,048)	(3,039)	(3,048)
Total allowance for doubtful account	**(5,975)**	**(5,995)**	**(5,935)**	**(5,955)**
Accounts receivable - net	**14,277**	**13,929**	**14,413**	**14,005**
Accounts receivable (current assets), net	8,033	7,679	8,169	7,761
Accounts receivable (non-current assets), net	6,244	6,250	6,244	6,244

	Consolidated		Parent company	
	For the three months ended		For the three months ended	
Changes in allowance for doubtful account	03/31/2017	03/31/2016	03/31/2017	03/31/2016
Opening balance	**(5,995)**	**(5,319)**	**(5,955)**	**(5,314)**
Additions	(93)	(516)	(92)	(516)
Reversals	113	41	112	41
Closing balance	**(5,975)**	**(5,794)**	**(5,935)**	**(5,789)**
Allowance for doubtful accounts (current assets)	(1,968)	(2,256)	(1,928)	(2,251)
Allowance for doubtful accounts (non-current assets)	(4,007)	(3,538)	(4,007)	(3,538)

(a) This includes the balance of tax credit rights with Governments of the State of of Rio de Janeiro and São Paulo (BRL 24 on March 31, 2017 and BRL 24 on December 31, 2016) – note 28.

The additions and reversals of net estimated losses in doubtful accounts for the period, in the net amount of BRL 20 for consolidated and parent company (BRL 475 for consolidated and parent company as of March 31st, 2016), were recognized as selling expenses (note 24).

The Company has BRL 4,810 in accounts receivable in judicial colletion (BRL 4,391 as of December 31st, 2016), of wich BRL 1,804 in current assets and BRL 3,006 is non-current assets.

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

On March 31, 2017, accounts receivable from customers past due totaled BRL 6,733 (BRL 6,672 in the Controller), of which BRL 5,751 (BRL 5,711 in the Parent Company) are in allowance for doubtful accounts. Related to accounts receivable not past due, BRL 224 (BRL 224 in the Parent Company) are in allowance for doubtful accounts.

Of the balance of BRL 224, BRL 31 relate to the confession of indebtedness agreement (CCD) signed by the electrical energy sector, without guarantees, in 2013; BRL 127 relate to the CCD signed by the power sector, without guarantees, in 2014; BRL 65 relate to the Dalçoquio customer undergoing judicial recovery; and BRL 1 relate to other customers.

	Consolidated					
	03/31/2017			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	370	12	358	293	80	213
3 to 6 months	123	7	116	103	8	95
6 to 12 months	278	136	142	1,416	1,260	156
Over 12 months	5,962	5,596	366	4,745	4,366	379
Total	**6,733**	**5,751**	**982**	**6,557**	**5,714**	**843**
Not past due (excluding FIDC transactions)	10,240	224	10,016	10,591	281	10,310
FIDC	3,279	-	3,279	2,776	-	2,776
Total	**20,252**	**5,975**	**14,277**	**19,924**	**5,995**	**13,929**

	Parent company					
	03/31/2017			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	361	12	349	285	79	206
3 to 6 months	119	7	112	99	8	91
6 to 12 months	273	136	137	1,412	1,260	152
Over 12 months	5,919	5,556	363	4,702	4,327	375
Total	**6,672**	**5,711**	**961**	**6,498**	**5,674**	**824**
Not past due (excluding FIDC transactions)	10,397	224	10,173	10,692	281	10,411
FIDC	3,279	-	3,279	2,770	-	2,770
Total	**20,348**	**5,935**	**14,413**	**19,960**	**5,955**	**14,005**

6.2 Breakdown - Energy sector (Isolated system)

	Consolidated					
	03/31/2017			12/31/2016		
	Not past due	Past-due	Total	Not past due	Past-due	Total
Accounts receivable						
Eletrobras Group	6,295	2,880	9,175	6,230	2,860	9,090
Petrobras Group	-	73	73	-	75	75
Third Parties	12	1,043	1,055	62	1,069	1,131
	6,307	3,996	10,303	6,292	4,004	10,296
(-) Allowance for doubtful account						
Electrical energy sector - Eletrobras Group companies	(158)	(2,859)	(3,017)	(166)	(2,860)	(3,026)
Electrical energy sector - third parties	(1)	(1,037)	(1,038)	(48)	(1,069)	(1,117)
	(159)	(3,896)	(4,055)	(214)	(3,929)	(4,143)
Total	**6,148**	**100**	**6,248**	**6,078**	**75**	**6,153**
Related parties	6,137	94	6,231	6,064	75	6,139
Third Parties	11	6	17	14	-	14

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

	Balance on December 31, 2016	Billing	Receipts	Allowance for doubtful		Interest indexation	Total balance on March 31, 2017
				Constitution	Reversal		
Related parties (Eletrobras Group)							
Amazonas Distribuidora de Energia	4,652	289	(362)	(1)	8	137	4,723
Centrais Elétricas de Rondônia - CERON	1,141	-	(15)	-	-	34	1,160
Centrais Elétricas do Norte - ELETRONORTE	-	-	-	-	-	-	-
Cia de Eletricidade do Acre - ELETROACRE	136	-	(2)	(4)	-	8	138
Eletrobras Roraima (Boa Vista Energia S.A.)	135	26	(35)	(5)	11	5	137
Eletrobras Group net accounts receivable	**6,064**	**315**	**(414)**	**(10)**	**19**	**184**	**6,158**
Related parties (Petrobras Group)							
Breitener Jaraqui	50	1	(1)	-	-	-	50
Breitener Tambaqui	23	2	(2)	-	-	-	23
Manauara	2	8	(10)	-	-	-	-
Petrobras Group net Accounts Receivable	**75**	**11**	**(13)**	**-**	**-**	**-**	**73**
Third Parties							
Alcoa World Alumina Brasil LTDA	13	30	(27)	-	-	-	16
Centrais Elétricas do Pará - CELPA	-	30	(109)	-	79	-	-
Centrais Elétricas Matogrossenses - CEMAT	1	2	(2)	-	-	-	1
Cia de Energia de Pernambuco - CELPE	-	4	(4)	-	-	-	-
Geradora de Energia do Amazonas - GERA	-	5	(5)	-	-	-	-
Rio Amazonas Energia - RAESA	-	7	(7)	-	-	-	-
Third Parties Net Accounts Receivable	**14**	**78**	**(154)**	**-**	**79**	**-**	**17**
Total net accounts receivable	**6,153**	**404**	**(581)**	**(10)**	**98**	**184**	**6,248**
Accounts receivable from the Eletrobras Group	9,090	315	(414)	-	-	184	9,175
(-) Allowance for doubtful account	(3,026)	-	-	(10)	19	-	(3,017)
Total net accounts receivable from the Eletrobras Group	**6,064**	**315**	**(414)**	**(10)**	**19**	**184**	**6,158**
Accounts receivable from the Petrobras Group	75	11	(13)	-	-	-	73
(-) Allowance for doubtful account	-	-	-	-	-	-	-
Total net accounts receivable from the Petrobras Group	**75**	**11**	**(13)**	**-**	**-**	**-**	**73**
Accounts receivable from third parties	1,131	78	(154)	-	-	-	1,055
(-) Allowance for doubtful account	(1,117)	-	-	-	79	-	(1,038)
Total net accounts receivable from Third Parties	**14**	**78**	**(154)**	**-**	**79**	**-**	**17**
Total accounts receivable	10,296	404	(581)	-	-	184	10,303
(-) Allowance for doubtful account	(4,143)	-	-	(10)	98	-	(4,055)
Total net accounts receivable	**6,153**	**404**	**(581)**	**(10)**	**98**	**184**	**6,248**

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 country. This system corresponds to the public electricity distribution service which, in its normal configuration, is not yet in position to have all of its electricity demand served by 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 Fuel Consumption Account (CCC), whose has as one of its main purpose the partial reimbursement of the costs of acquiring the fuels used to generation of electricity in the isolated power system. However, several changes in legislation over time, highlighting MP 579/2012, which introduced significant adjustments in the source of 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 thermoelectric plants of the isolated systems, 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 rectify this situation, the Company intensified negotiations with state concessionaires, PIE, private companies and Eletrobras subsidiaries. On December 31, 2014, debt confession of contracts (CCD) were entered into in the amount of BRL 5,344 (BRL 5,194 relating to the Company 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 judicial decision;
- judicial collection of default debts in purchase and sale agreements with companies of the Eletrobras Group (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 March 31st, 2017, the Company reversed the amount of BRL 88, net of incorporation, mainly due to payments made by Centrais Elétricas do Pará – CELPA (BRL 79).

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

7 Inventory

	Consolidated		Parent company	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Products for sale				
Oil products				
Gasoline	385	353	385	353
Diesel oil	737	946	737	946
Fuel oil	126	129	126	129
Other	353	489	353	489
Bio-fuels	468	566	468	566
	2,069	2,483	2,069	2,483
Other products	172	195	161	185
Total	**2,241**	**2,678**	**2,230**	**2,668**

No reduction to the net realizable value of inventories was recognized on March 31, 2017 and December 31, 2016.

8 Taxes and contributions recoverable

	Consolidated		Parent company	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Current assets				
ICMS (Tax on Product Circulation)	364	335	316	324
Other taxes	38	37	19	19
Subtotal	**402**	**372**	**335**	**343**
Non-current assets				
ICMS (Tax on Product Circulation)	323	366	296	307
Subtotal	**323**	**366**	**296**	**307**
Total	**725**	**738**	**631**	**650**

The Company's tax recoverable are mainly represented by: (i) ICMS Tax Replacement to be reimbursed by the States in interstate operations of petroleum by-products in which tax was withheld in the State of origin and passed to the State of destination for a lower value, the mani States being Bahia (BRL 89), Maranhão (BRL 73), Amazonas (BRL 44), Pernambuco (BRL 20), Rio de Janeiro (BRL 19), and Pará (BRL 14); (ii) ICMS to be refunded by the State Espírito Santo, regarding the purchase of natural gas with Tax Replacement in State of origin (BRL 94); (iii) credits to be returned by the State of Mato Grosso, through the administrative proceeding that established there was over collection of prepayments (BRL 76); and (iv) various agreements signed with State Departments of Taxation and Finance involving the reimbursement of ICMS to the Company (BRL 87).

9 Deferred income and social contribution taxes

(a) Nature

Nature	Consolidated		Parent company	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Absorption of conditional financing	553	521	553	521
Provision for impairment of trade receivables	1,397	1,430	1,386	1,419
Provision for contingencies	731	711	731	711
PETROS Obligation - Inactive futures	242	226	240	225
Actuarial losses - CPC 33	417	417	417	417
Provision for loss through devaluation of assets	99	99	99	99
Depreciation - revision of estimated useful lives	(66)	(59)	(65)	(58)
Finance leases	170	199	170	199
Use rights - finance leases	(240)	(242)	(240)	(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	118	151	118	151
Monetary correction of judicial deposits	(100)	(96)	(100)	(96)
Other	33	49	34	49
	3,372	**3,425**	**3,361**	**3,414**
Deferred income tax	2,479	2,518	2,471	2,510
Deferred social contribution	893	907	890	904

(b) Breakdown

Source of the deferred income tax and social contribution	Property, plant and equipment	Accounts receivable, prepaid expenses and borrowings	Finance leases	Provision for contingencies	Post-employment benefits	Other	Consolidated Total	Parent company Total
On December 31, 2015	**71**	**1,743**	**(7)**	**376**	**355**	**20**	**2,558**	**2,557**
Recognized in profit or loss for the year	(31)	208	(30)	335	50	97	629	619
Recognized in equity	-	-	-	-	238	-	238	238
On December 31, 2016	**40**	**1,951**	**(37)**	**711**	**643**	**117**	**3,425**	**3,414**
Recognized in profit or loss for the year	(7)	1	(28)	20	16	(55)	(53)	(53)
On March 31, 2017	**33**	**1,952**	**(65)**	**731**	**659**	**62**	**3,372**	**3,361**
Deferred income tax							**2,479**	**2,471**
Deferred social contribution							**893**	**890**
Deferred tax assets							3,874	3,862
Deferred tax liabilities							(449)	(448)
On December 31, 2016							**3,425**	**3,414**
Deferred tax assets							3,830	3,817
Deferred tax liabilities							(458)	(456)
On March 31, 2017							**3,372**	**3,361**

The Company maintains the recognition of the deferred tax 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	385	385
2018	274	273
2019	719	716
2020	850	847
2021	283	279
2022	158	158
2023	152	152
2024 em diante	551	551
On March 31, 2017	**3,372**	**3,361**
On december, 2016	**3,425**	**3,414**

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

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

	Consolidated		Parent company	
	For the three months ended		For the three months ended	
	03/31/2017	03.31.2016	03/31/2017	03.31.2016
Net income (loss) before taxes	276	(397)	275	(398)
Income tax and social contribution at nominal rates (34%)	(94)	135	(94)	135
Settings for calculating effective rate:				
· Additions/permanent exclusions, net	-	(4)	-	(4)
· equity	(1)	-	(3)	18
· tax incentives	1	3	2	4
· Post-employment benefit expenses of Health A.M.S.	(24)	(17)	(24)	(17)
· other items	(2)	18	-	-
Income tax and social contribution	**(120)**	**135**	**(119)**	**136**
Current income tax and social contribution	(67)	(161)	(66)	(160)
Deferred income tax and social contribution	(53)	296	(53)	296
	(120)	**135**	**(119)**	**136**
Effective rate of income tax and social contribution	43.5%	34.0%	43.3%	34.2%

10 Prepaid expenses

	Consolidated		Parent company	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Early bonuses granted to customers	1,925	1,959	1,925	1,959
Rentals/ leases	205	201	205	201
Other	58	29	58	29
Total	**2,188**	**2,189**	**2,188**	**2,189**
Current	562	587	562	587
Non current assets	1,626	1,602	1,626	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 125 on 31 March,2017 (BRL 118 on 31 March,2016) in the Consolidated and Parent Company (note 22).

11 Judicial deposits

	Consolidated		Parent company	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Taxes	689	680	666	659
Labor	174	167	174	167
Civil cases	96	94	96	94
Environmental	5	9	5	8
Total	**964**	**950**	**941**	**928**

The Company maintains BRL 195 (BRL 192 on December 31, 2016) of judicial deposits related to lawsuits provisioned (note 26.1.1); BRL 368 (BRL 366 on December 31, 2016) associated with possible contingencies; BRL 329 (BRL 324 on December 31, 2016) refers deposits related to lawsuits in which the Company is plaintiff, among others.

12 Investments

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

The information represents the total assets, liabilities and results of the investees, disregarding proportion according to the Company's interest.

			Joint arrangement					
	Subsidiaries		Joint operation	Joint ventures				Associate
	Real Estate Investment Fund FCM	Stratura	Brasil Carbonos	CDGN (a)	Brazil Supply (b)	Energética Camaçari Muricy II	Pecém Energia	BRF Biorefinos (a)
Assets								
Current assets								
Cash and cash equivalents	209	1	20	4	1	1	1	3
Other current assets	119	143	4	9	74	-	-	-
Non-current asset	454	61	11	15	1	-	-	-
Investments	-	-	-	-	-	-	-	-
Property, plant and equipment	361	16	101	39	632	-	-	22
Intangible assets	-	1	-	-	3	-	-	-
Total Assets	**1,143**	**222**	**136**	**67**	**711**	**1**	**1**	**25**
Passive								
Current liabilities								
Loans and financing	94	-	35	4	63	-	-	-
Other current liabilities	208	115	4	5	77	1	1	-
Non current liabilities								
Loans and financing	846	-	1	12	446	-	-	-
Other non-current liabilities	44	5	1	4	155	-	-	-
Shareholders' equity attributable to the Parent Company								
Share Capital	-	93	37	39	210	2	2	25
Other	(49)	9	58	3	(240)	(2)	(2)	-
Total Liabilities	**1,143**	**222**	**136**	**67**	**711**	**1**	**1**	**25**
Results								
Net operating revenue	1	72	11	7	2	-	-	-
Gross profit	1	5	3	2	(2)	-	-	-
Profit/(net loss) for the year	(7)	(1)	2	-	(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)	(1)	-	-	-
Interest revenue	22	2	-	-	-	-	-	-
Interest expense	(1)	(3)	(1)	-	(2)	-	-	-
Expenditure / Income from IR and CS - current and deferred	-	-	-	-	-	-	-	-

a) Position: 02/28/2017
b) Position: 01/31/2017

12.2 Changes in investments in subsidiaries, joint arrangements and associate

	Subsidiaries	Joint arrangements – Joint operation	Joint arrangements – Joint ventures	Associate		
	Stratura	Brasil Carbonos (a)	CDGN	BRF Biorefinos	Other investments	03/31/2017
Balance at 1 January 2017	103	69	22	22	1	217
Equity method	(1)	-	(1)	-	-	(2)
Capital reduction	-	-	-	(10)	-	(10)
At the end of the period	**102**	**69**	**21**	**12**	**1**	**205**

	Subsidiaries		Joint arrangements – Joint operation	Joint arrangements – Joint ventures	Associate		
	Stratura	FII	Brasil Carbonos (a)	CDGN	BRF Biorefinos	Other investments	03/31/2016
Balance at 1 January 2016	124	-	64	24	21	1	234
Equity method	1	5	1	(1)	-	-	6
At the end of the period	**125**	**5**	**65**	**23**	**21**	**1**	**240**

(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. On March 31, 2017, the balance of BRL 22 is classified in property, plant and equipment in the Consolidated.

On March 31, 2017, the balance of the equity interest in the subsidiary FII FCM subsidiary is zero due to the presentation of excess of liabilities over assets by this subsidiary. Losses in excess of the investment value were recognized in liabilities, in the form of a provision.

	For the three months ended	
	03/31/2017	03/31/2016
Balance at 1 January 2017	42	47
Constitution (b)	7	-
Reversal (b)	-	(47)
Provision balance at the end of period	**49**	-

(b) Amounts recorded in the statement of profit or loss under “Investment Income”.

13 Property, plant and equipment

13.1 By assest 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	-	16	37	53
Write-offs	(1)	(1)	-	(2)
Depreciation	(30)	(69)	-	(99)
Transfers (a)	10	39	(41)	8
Capitalized interest	-	-	1	1
Balance on March 31, 2017	**3,033**	**2,042**	**872**	**5,947**
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	4,065	4,941	872	9,878
Depreciation	(1,032)	(2,899)	-	(3,931)
Balance on March 31, 2017	**3,033**	**2,042**	**872**	**5,947**
Estimated useful life	24 to 60 years (*)	4 to 24 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	1	16	31	48
Write-offs	(1)	-	-	(1)
Depreciation	(30)	(68)	-	(98)
Transfers (a)	10	38	(40)	8
Balance on March 31, 2017	**2,988**	**2,002**	**509**	**5,499**
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	4,013	4,876	509	9,398
Depreciation	(1,025)	(2,874)	-	(3,899)
Balance on March 31, 2017	**2,988**	**2,002**	**509**	**5,499**
Estimated useful life	25 and 60 years (*)	4 to 24 years		
Buildings	60 years			
Leasehold 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 (payment in lieu).

(b) On March 31, 2017, the consolidated balance of lands is BRL 390 (BRL 392 as of December 31st, 2016) and the Parent Company is BRL 386 (BRL 388 as of December 31st, 2016).

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

The property, plant and equipment of Company includes assets arising from financial lease agreements, in the amount of BRL 388 (BRL 390 as of December 31st, 2016).

14 Intangible assets

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	2	8	-	10
Amortization	(3)	(10)	-	(13)
Balance on March 31, 2017	**278**	**151**	**29**	**458**
Cost	360	418	29	807
Amortization	(81)	(265)	-	(346)
Balance on December 31, 2016	**279**	**153**	**29**	**461**
Cost	362	427	29	818
Amortization	(84)	(276)	-	(360)
Balance on March 31, 2017	**278**	**151**	**29**	**458**
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	1	9	-	10
Amortization	(2)	(11)	-	(13)
Balance on March 31, 2017	**277**	**151**	**29**	**457**
Cost	357	418	29	804
Amortization	(79)	(265)	-	(344)
Balance on December 31, 2016	**278**	**153**	**29**	**460**
Cost	358	427	29	814
Amortization	(81)	(276)	-	(357)
Balance on March 31, 2017	**277**	**151**	**29**	**457**
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 property, plant and equipment, according to the nature of the investment.

(b) The Company has a balance of BRL 75 in software development (BRL 68 on December 31, 2016).

(c) Goodwill of fuel distribution assets originated from the acquisition of Liquigás S.A., distributor of Liquefied Petroleum Gas (LPG). This investee 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 piped gas distribution 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 the assets, net of amortization, related to gas concession and recorded as intangible assets on March 31, 2017 is BRL 273 (BRL 274 on December 31, 2016).

The Company recognized revenue and construction costs of BRL 1 until March 2017 (BRL 3 until March 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 12, 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 distribution of piped natural gas.

The Company did not make any provision for loss, as the book value existing on March 31, 2017 is guaranteed by the indemnification provided for in said Act.

15 Trade payables

	Consolidated		Parent company	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Companies of the Petrobras system (29.1)	1,373	1,701	1,330	1,677
Third Parties	730	949	726	945
Total	**2,103**	**2,650**	**2,056**	**2,622**

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

16 Borrowings

16.1 By Financial Institution

	Consolidated		Parent company	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Banco Bradesco	3,386	3,266	3,386	3,266
Banco da Amazônia	255	247	255	247
Banco do Brasil	4,540	4,542	4,522	4,524
IBM Bank	66	77	66	77
Banco Itaú - Debentures	3,742	3,619	3,742	3,619
	11,989	11,751	11,971	11,733
Real Estate Receivables Certificates (CRI)	940	1,063	-	-
Total	**12,929**	**12,814**	**11,971**	**11,733**
Current	1,056	805	945	697
Non current assets	11,873	12,009	11,026	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, to mature in March 2021. Interests on the financing is amortized quarterly and the principal will be amortized through in four semi-annual payments, starting September 2019.

The charges on financing are 114.25% of the CDI. The funding is covered by the Export Credit Notes, based on the Company's export flow and guaranteed by Petrobras. The transaction is exempt from the IOF tax, as per Law No. 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 interests on financing are paid annually and the amortization of the principal will be paid in three equal installments at the end of the 36th, 48th and 60th financing months.

The charges on financing are 118% of the CDI. The funding collateral is the purchase and sale of ethanol, whose resources will be reapplied in the purchase and export of fuels. The transaction is exempt from the IOF tax, as per Law No. 6.313/75. Petrobras is the guarantor of this transaction.

Banco da Amazônia
On June 25, 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, to mature on June 26, 2017 and covered by the Company's aviation kerosene exports. The charges of 106.6% of the CDI-over will be amortized along with the principal at the transaction's maturity (bullet type). No funding guarantees were provided.

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

The interest on the financing is amortized every six months and the principal will be amortized through a 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. The transaction is exempt from the IOF tax, as per Law No. 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 March 31, 2017, among them the presentation of the financial statements in terms agreed with the institutions; no claim of securities in in predetermined amounts; not appear as a defaulter to the creditor or any financial or credit institution according to agreed amounts; and other clauses.

16.3 Nominal flow of principal and interest financing

	Consolidated		
Period	Principal	Interest	Total
2017	286	1,496	1,782
2018	1,138	1,514	2,652
2019	2,241	1,329	3,570
2020	6,894	707	7,601
2021	1,252	74	1,326
2022 onward	694	146	840
Total	**12,505**	**5,266**	**17,771**

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)
Interest amortization	(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	1	-	1	1
Transfer from long term to short term	(11)	(147)	(158)	(11)
Monetary variations	-	21	21	-
Closing balance on March 31, 2017	**7,512**	**4,361**	**11,873**	**11,026**
Current				
In the country				
Opening balance on January 1, 2017	**610**	**195**	**805**	**697**
Provision for interest	287	123	410	409
Amortization of principal	(10)	(89)	(99)	(9)
Interest amortization	(163)	(58)	(221)	(163)
Transfer from long term to short term	11	147	158	11
Monetary variations	-	3	3	-
Closing balance on March 31, 2017	**735**	**321**	**1,056**	**945**
Total balance on March 31, 2017	**8,247**	**4,682**	**12,929**	**11,971**

	Consolidated		Parent company	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Current				
Current portion of long-term debt	323	315	217	217
Interest on financing	733	490	728	480
Total	**1,056**	**805**	**945**	**697**

16.5 Summarized information on the maturities borrowings

	Consolidated								Parent company
	2017	2018	2019	2020	2021	2022 (a)	2023 onward (a)	Total	Total
Borrowings in Brazilian Reais (BRL):									
at floating rates	1,028	1,128	2,232	6,885	1,241	123	292	12,929	11,971
Average rate of borrowings in Brazilian Reais	13.85%	12.73%	12.01%	11.74%	12.30%	5.84%	5.36%	13.98%	13.31%
Total on March 31, 2017	**1,028**	**1,128**	**2,232**	**6,885**	**1,241**	**123**	**292**	**12,929**	**11,971**

(a) Only Real Estate Receivables Certificates - CRI

Fair values of borrowings are mainly determined by derived data fom observable markets (Level 2). The fair value of financing on March 31, 2017 is BRL 11,682 (BRL 10,768 on the Parent Company).

The sensitivity analysis of the financial instruments is included in note 28.2.2.1.

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 for real estate and equipment and the construction of bases and terminals, indexed to the Brazilian National Consumer Price Index (IPCA). The balance payable on March 31, 2017 totals BRL 600 (note 17.1.1).

The real estate credits originated in the Private Instruments of Pledge served as 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 at BOVESPA FIX, managed by BM&F Bovespa S.A. - Bolsa de Valores, Mercadorias e Futuros and CETIP.

The Company is leassee of equipment from CDGN, and leassor of these equipments to the customers Suzano Papel e Celulose S.A. and Fiat Automóveis Ltda. The receivable balance generated by the lease to these customers totals BRL 28 (note 17.1.1).

There are no contingent payments or residual values guaranteed.

17.1.1 Flow of payments and receipts from finance leases

	03/31/2017			
	Consolidated		Parent company	
	Minimum receipts	Minimum payments	Minimum receipts	Minimum payments
2017	5	26	5	139
2018 - 2021	26	91	26	399
2022 onward	17	17	17	670
Receivables/ future payments of estimated commitments	**48**	**134**	**48**	**1,208**
Least amount of annual interest	(20)	(39)	(20)	(608)
Present value of the receipts/ minimum payments	**28**	**95**	**28**	**600**
Current	4	28	4	122
Non-current	24	67	24	478
On March 31, 2017	**28**	**95**	**28**	**600**
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 three months ended March 31, 2017, the Company paid BRL 75 (BRL 52 on March 31, 2016) for the contractual commitments of operating leases, of which BRL 50 related to fixed installments and BRL 25 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 e Incorporadora regarding the lease of the Lubrax Building for the period from March 2017 to 2031, in an estimated total remaining amount of BRL 1,137.

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

	Consolidated	Parent company
2017	126	126
2018 - 2021	401	401
2022 onward	331	331
Total	**858**	**858**

18 Customer advances

	Consolidated		Parent company	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Marketing funds (a)	172	184	172	184
Advances from clients	211	159	196	127
Other	11	11	11	11
Total	**394**	**354**	**379**	**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	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Current Liabilities				
ICMS	149	143	148	143
PIS/COFINS	20	18	20	17
Withholding income and social contribution tax	24	29	24	29
Other	15	14	11	11
Total	**208**	**204**	**203**	**200**

ICMS payables are basically represented by: ICMS tax and ICMS Tax Replacement recorded in the Tax books to be collected mainly for the States of São Paulo (BRL 44), Rio de Janeiro (BRL 15), Minas Gerais (BRL 13), Paraná (BRL 12), Mato Grosso do Sul (BRL 11), Maranhão (BRL 10), Goiás (BRL 6), Santa Catarina (BRL 5), Distrito Federal (BRL 5), and Mato Grosso (BRL 5).

20 Employee benefits

20.1 Pension and healthcare plans

The Company sponsors defined benefit pension plans and variable contribution, while maintaining a healthcare plan with defined benefits, which includes all company employees in Brazil (active and inactive) and their dependents.

The changes in acturial liabilities are as follows:

	03/31/2017				
	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	2	2	7	11	10
(+) Net interest on net liabilities	49	2	63	114	115
(-) Contributions paid	(9)	-	(15)	(24)	(24)
Balance on March 31, 2017	**1,891**	**74**	**2,447**	**4,412**	**4,409**
Current	66	-	79	145	145
Non-Current	1,825	74	2,368	4,267	4,264
	1,891	**74**	**2,447**	**4,412**	**4,409**

Net expenses with pensions and health plans includes the following components:

	For the three months ended 03/31/2017				
	Consolidated				Parent company
	Pension plan				
	Defined Benefit	Variable Contribution	Healthcare Plan	Total	Total
Service cost	2	2	7	11	10
Net interest on net liabilities	49	2	63	114	115
Net cost in Jan-Mar/17	**51**	**4**	**70**	**125**	**125**
Relating to active employees:					
Absorbed by operating activities	-	-	1	1	1
Directly in the income statement	7	4	14	25	25
Relating to inactive employees:	44	-	55	99	99
Net cost in Jan-Mar/17	**51**	**4**	**70**	**125**	**125**
Net cost in Jan-Mar/16	**45**	**1**	**50**	**96**	**96**

20.2 Voluntary Dismissal Incentive Plan – PIDV

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

The program, whose enrollment period ended on December 30, 2016 with 1,105 accessions. The dismissal period of registered employees is from January 17 to July 31, 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 dismissal through the PIDV was stipulated in a ceiling BRL 800,000 (eight hundred thousand Brazilian reais) and celling of BRL 250 thousand (two hundred and fifty thousand Brazilian reais), in addition to the legal and corporate advantages.

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 217 dismissals and 72 withdrawals.

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

Balance on December 31, 2015	**445**
Withdrawals	(26)
Update/ adjustments	5
Use for shutdown	(77)
Balance on December 31, 2016	**347**

The remaining balance at March 31, 2017, BRL 1 refers to peding dismissals from the PIDV BR - 2014 (1 participant); and BRL 346 refers to pending dismissals from the PIDV BR - 2016 (816 participants).

21 Shareholders' equity

21.1 Paid-up capital

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 March 31, 2017 and December 31, 2016 is BRL 6,352, fully subscribed and paid in.

21.2 Revenue reserves

(a) Legal reserve

It is consituted through the appropriation of 5% of the net income for the year, not exceeding 20% of the share capital, in compliance 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 Corporation Law.

21.4 Carrying value adjustments

These refer to the recognition of actuarial gains or losses, net of 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 three months ended	
	03/31/2017	03/31/2016
Net income (loss)	156	(262)
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)	**0.13**	**(0.22)**

The basic and diluted net income (loss) per thousand shares, previously presented, considering 34,777,774,156 common shares was BRL 4.49 of profit on March 31, 2017 (BRL 7.53 of loss on March 31, 2016).

22 Sales revenue

	Consolidated		Parent company	
	For the three months ended		For the three months ended	
	03/31/2017	03/31/2016	03/31/2017	03/31/2016
Products, services and energy				
Oil products				
Diesel	10,598	12,003	10,598	12,003
Gasoline	8,378	8,782	8,378	8,782
Fuel oil	1,060	1,222	1,060	1,222
Aviation kerosene	1,933	1,850	1,933	1,850
Lubricants	464	531	464	531
Asphalt	222	273	132	167
Other	723	698	723	698
Ethanol	1,116	1,667	1,116	1,667
Natural Gas	384	363	384	363
Other (a)	350	384	344	378
	25,228	27,773	25,132	27,661
Interest embedded in the product price	(101)	(137)	(101)	(137)
Early bonuses granted to clients (note 11)	(125)	(118)	(125)	(118)
Performance bonus (b)	(69)	(67)	(69)	(67)
Premiums and discounts on sales	(10)	(5)	(10)	(5)
Sales charges	(4,874)	(5,203)	(4,856)	(5,183)
Sales revenue	**20,049**	**22,243**	**19,971**	**22,151**

(a) Includes, in the consolidated, supply house products of BRL 334 (BRL 361 on March 31, 2016); services revenue of BRL 12 (BRL 19 on March 31, 2016) and electric revenue of BRL 4 (BRL 3 on March 31, 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 agreements.

23 Other income (expenses), net

	Consolidated		Parent company	
	For the three months ended		For the three months ended	
	03/31/2017	03/31/2016	03/31/2017	03/31/2016
Rentals and royalties	66	53	66	53
Operating leases	(27)	(28)	(27)	(28)
Participation in the profits or results	-	(10)	-	(10)
Losses and provisions with lawsuits	(80)	(356)	(80)	(356)
Voluntary Dismissal incentive plan-PIDV	21	5	21	5
Pension and health plans - inactive	(99)	(56)	(99)	(56)
Joint storage revenue	14	16	14	16
Recovery of tax credits	19	18	19	18
Institutional relations and cultural projects	(20)	(9)	(20)	(9)
Other	(4)	19	(4)	19
Total	**(110)**	**(348)**	**(110)**	**(348)**

24 Expenses by nature

	Consolidated											
	For the three months ended 03/31/2017						For the three months ended 03/31/2016					
	Cost of goods and services sold	Sales expenses	General and administrative expenses	Other net expenses	Tax expenses	Total	Cost of goods and services sold	Sales expenses	General and administrative expenses	Other net expenses	Tax expenses	Total
Raw materials and goods for resale	(18,092)	-	-	-	-	(18,092)	(20,812)	-	-	-	-	(20,812)
Outsourced services, freight and rental costs	(18)	(407)	(51)	30	-	(446)	(25)	(450)	(44)	19	-	(500)
Personnel expenses	(14)	(186)	(129)	(80)	-	(409)	(17)	(194)	(130)	(63)	-	(404)
Allowance for doubtful account	-	20	-	-	-	20	-	(475)	-	-	-	(475)
Depreciation and amortization	(4)	(94)	(14)	-	-	(112)	(3)	(96)	(14)	-	-	(113)
Variation of inventories	(437)	-	-	-	-	(437)	268	-	-	-	-	268
Institutional Relations and Cultural Projects	-	-	-	(20)	-	(20)	-	-	-	(9)	-	(9)
Taxes	-	-	-	11	(37)	(26)	-	-	-	19	(42)	(23)
Losses and provisions with lawsuits	-	-	-	(80)	-	(80)	-	-	-	(356)	-	(356)
Other	(3)	(36)	(11)	29	-	(21)	(3)	(63)	(11)	42	-	(35)
Total	**(18,568)**	**(703)**	**(205)**	**(110)**	**(37)**	**(19,623)**	**(20,592)**	**(1,278)**	**(199)**	**(348)**	**(42)**	**(22,459)**

	Parent company											
	For the three months ended 03/31/2017						For the three months ended 03/31/2016					
	Cost of goods 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 goods for resale	(18,028)	-	-	-	-	(18,028)	(20,740)	-	-	-	-	(20,740)
Outsourced services, freight and rental costs	(17)	(405)	(49)	30	-	(441)	(23)	(447)	(43)	19	-	(494)
Expenses with personnel	(12)	(185)	(127)	(80)	-	(404)	(14)	(193)	(128)	(63)	-	(398)
Allowance for doubtful account	-	20	-	-	-	20	-	(475)	-	-	-	(475)
Depreciation and amortization	(3)	(94)	(14)	-	-	(111)	(2)	(96)	(14)	-	-	(112)
Variation of inventories	(438)	-	-	-	-	(438)	268	-	-	-	-	268
Institutional Relations and Cultural Projects	-	-	-	(20)	-	(20)	-	-	-	(9)	-	(9)
Taxes	-	-	-	11	(36)	(25)	-	-	-	19	(42)	(23)
Lawsuits losses and provisions	-	-	-	(80)	-	(80)	-	-	-	(356)	-	(356)
Other	-	(34)	(11)	29	-	(16)	(1)	(61)	(9)	42	-	(29)
Total	**(18,498)**	**(698)**	**(201)**	**(110)**	**(36)**	**(19,543)**	**(20,512)**	**(1,272)**	**(194)**	**(348)**	**(42)**	**(22,368)**

25 Financial result

	Consolidated		Parent company	
	For the three months ended		For the three months ended	
	03/31/2017	03/31/2016	03/31/2017	03/31/2016
Expenses				
Borrowings	(411)	(444)	(410)	(442)
Finance leases	(1)	(2)	(11)	(4)
FIDC	(1)	(1)	-	-
Other	(18)	(26)	(17)	(28)
	(431)	**(473)**	**(438)**	**(474)**
Revenues				
FIDC	80	68	80	67
Late interest and customer financing	30	82	29	80
Other	30	10	20	10
	140	**160**	**129**	**157**
Interest indexation				
Asset				
Receivables update - Electrical energy sector - Isolated System - Eletrobras Group	184	186	184	186
Receivables update - Electrical energy sector - Isolated System - third parties	-	29	-	29
Other	5	-	5	6
	189	**215**	**189**	**221**
Liability				
Finance leases	(1)	(6)	(1)	(86)
Update of dividends payable to Petrobras	(19)	(20)	(19)	(20)
Borrowings	(23)	(33)	-	-
Other	-	-	(1)	-
	(43)	**(59)**	**(21)**	**(106)**
Foreign exchange variation	**(3)**	**(23)**	**(3)**	**(32)**
Foreign exchange and interest indexation, net	**143**	**133**	**165**	**83**
Finance result	**(148)**	**(180)**	**(144)**	**(234)**

Consolidated financing charges (foreign exchange and interest variation) totaled BRL 435 (note 16.4) in the period, with BRL 434 was recognized in the finance result and BRL 1 as capitalized interest.

26 Judicial, administrative and contingency proceedings

26.1 Provisioned judicial and administrative proceedings

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 Mato Grosso carriers and construction companies, offset by the Company (BRL 1,191); (ii) the incidence of PIS/COFINS through tax replacement on aviation kerosene sales transactions (BRL 47); and (iii) ICMS collection due to failure to include ICMS – Tax Replacement in its calculation base (BRL 54).

Civil Proceedings – (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 85); (ii) a lawsuit filed by the company Compasa, due to alleged loss of exclusivity for marketing of Lubrax branded products in Paraguay, as the result of Petrobras entering the local market and selling the same products (BRL 36); (iii) a judicial decision condemned the Company to return the property and pay damages and losses related to the time the 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 45) 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 72).

Labor Proceedings – (i) a sentence of conviction resulting from the payment of sallary 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 reintegration of employees on the grounds that the dismissals were void for non-compliance with collective bargaining agreements (BRL 4); and (iii) a claim for the payment of attorneys' 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	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Labor lawsuits	225	225	225	225
Tax lawsuits	1,442	1,415	1,441	1,414
Civil lawsuits	479	441	479	441
Environmental lawsuits	5	9	5	9
Total	**2,151**	**2,090**	**2,150**	**2,089**

	Consolidated		Parent company	
	For the three months ended		For the three months ended	
	03/31/2017	03/31/2016	03/31/2017	03/31/2016
Opening balance	**2,090**	**1,105**	**2,089**	**1,104**
Addition	65	380	65	380
Reversal	(29)	(12)	(29)	(12)
Use	(1)	(44)	(1)	(43)
Update	26	24	26	24
Closing balance	**2,151**	**1,453**	**2,150**	**1,453**

Expenses with judicial and administrative proceedings, including updates, are classified under other operating expenses.

26.1.1 Provisioned judicial proceedings and judicial deposits

	Consolidated					
	03/31/2017			12/31/2016		
	Lawsuits	Judicial deposits	Net processes of judicial deposits	Lawsuits	Judicial deposits	Net processes of judicial deposits
Labor lawsuits	225	116	109	225	109	116
Tax lawsuits	1,442	5	1,437	1,415	8	1,407
Civil lawsuits	479	73	406	441	71	370
Environmental lawsuits	5	1	4	9	4	5
Total	**2,151**	**195**	**1,956**	**2,090**	**192**	**1,898**

26.1.2 Guarantees

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

	Consolidated		Parent company	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Inventories	251	282	251	282
Property, plant and equipment	16	23	16	23
	267	**305**	**267**	**305**

26.2 Proceedings pending provision (possible losses)

	Consolidated		Parent company	
Nature	**03/31/2017**	**12/31/2016**	**03/31/2017**	**12/31/2016**
Taxes	7,320	6,989	7,251	6,982
Civil Suits - General	1,901	1,833	1,901	1,833
Labor	258	259	258	259
Civil Suits - Environmer	10	9	10	9
Total	**9,489**	**9,090**	**9,420**	**9,083**

We present below the main processes not provisioned:

a) Tax proceedings

	Description of tax proceedings	03/31/2017
	Authors: States of Minas Gerais and Rio de Janeiro	
1)	Collection of the difference of rate in internal operations with aviation kerosene. The States have given special treatment to airlines reducing the rate of ICMS. They now charge this difference from distributors for sales to airlines and/or transfers between the Company's establishments.	1,934
	Authors: States of Goiás, Pará, Rio de Janeiro, Roraima, Santa Catarina, São Paulo and Tocantins	
2)	Recovery of GST-ST on consignment and symbolic return of jet fuel for resale; consideration of establishment as wholesaler retailer; blacklisting of tax documents.	914
	Authors: States of Amazonas, Bahia, Ceará, Goiás, Mato Grosso do Sul, Mato Grosso, Pará, Paraíba, Pernambuco,	
3)	Processes in which the company discusses the no incidence of ICMS on the variation in fuel volumes for leftovers and inventory shortages arising from the operation and transportation of products. The Company receives products from the oil refinery billed at a temperature of 20° 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.	799
	Authors: States of Amazonas, Bahia, Ceará, Goiás, Minas Gerais, Pará, Pernambuco, Paraná, Rio de Janeiro, Rio	
4)	Processes in which the IRS accused the Company of taking/used credit in operations that would not generate such right to credit, as cases of improper application of the non-cumulative principle.	604
	Authors: 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.	559
	Author: Union	
6)	Processes in which the Company is required 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 (gas stations).	488
	Author: States of Amazonas, Ceará and Pernambuco	
7)	Charging GST in alleged sales of aviation kerosene without highlight of GST for national and foreign airlines for flights to other States or abroad.	417
	Authors: States of Bahia, Mato Grosso do Sul, Mato Grosso, Pará, Rio de Janeiro, Rio Grande do Norte, Roraima,	
8)	Punishment applied by the breach of accessory obligations related to recoil and crediting. IRPJ, CSLL ICMS, PIS and COFINS, levied on transactions in General by the company.	271
	Author: Union	
9)	Processes in which the company discusses the incidence of IPI over products derived from oil and the possibility of maintenance of IPI credits on acquisition of inputs used in the production of petroleum products.	522

Description of tax proceedings		03/31/2017
Author: State of Rio de Janeiro		
10)	Process in which discusses ownership of Scriptural ICMS credit, considering that the State fined the company for alleged bookkeeping in duplicity.	94
Author: Union		
11)	Processes in which the Company discusses the Social Security Contribution on the amount of PLR and performance bonuses paid to employees.	82
Authors: State of Amazonas, Bahia, Ceará, Goiás, Mato Grosso, Paraíba, Rondônia and São Paulo		
12)	Processes in which the Company discusses whether or not there is a right to credit for the ICMS paid when the CIF freight in interstate operations covered by immunity. Distinction between operation and transportation	84
Authors: States of Amazonas, Ceará, Espírito Santo, Goiás, Mato Grosso Sul, Mato Grosso, Pará, Pernambuco, Rio		
13)	Processes in which the Company is required for 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.	53
Authors: States of Mato Grosso and Pará		
14)	Processes in which the Company was assessed by the Treasury, requiring ICMS on entry operations from transfers between its establishments.	53
Author: Union		
15)	Processes in which the company discusses who is the passive legitimacy to honor the payment of PIS and COFINS which were not retained for tax substitution in virtue of injunctions obtained by acquirers, but today are due as a result of failure of these final purchasers in demands for they moved in the face of the Union.	45
Authors: States of Mato Grosso, Sergipe, São Paulo and the Union		
16)	Processes in which the State Company cobra tribute retained and not picked up by alienating plant.	40
	Various processes of fiscal nature	361
	Total	**7,320**

b) Civil proceedings

	Description of civil proceedings	03/31/2017
	Author: 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: The company presented its defense.	640
	Author: Forte Comércio, Importação, Exportação e Administração	
2)	Civil action before the courts of the State of São Paulo, with a request for rescission of contracts and indemnification for damages, alleging that the Company failed to comply with the obligation it would have assumed for the emergence of Grupo Forte. Current situation: We await judgment of the special appeal filed by the Company.	259
	Author: Francisco Messias Cameli	
3)	Civil action before the courts of the State of Amazonas for collection of rent, due to the submerging of vessels at 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.	177
	Author: C A Soares da Costa	
4)	Civil action before the courts of Rondônia, seeking indemnification for damages, under the allegation of noncompliance with a transportation contract by the Company. Current situation: The Court of Justice of Rondônia maintained the previous decision, in favor of the Company. The author filed a special appeal, referred to the Superior Court of Justice - STJ.	143
	Author: DISCOM Distribuidora de Combustíveis e Comércio Ltda	
5)	DISCOM claims that since October 1997 the Company had entered into a promissory agreement for the purchase and sale of the Company, which includes the Company's obligation to supply products. It alleges that the Company would have ceased to comply with the agreement without suspension, suspending the delivery of products as of May 25, 2000, thus violating the agreement signed, causing numerous losses for DISCOM. Requires indemnification for losses and damages and loss of profits and indemnification for moral damages. Current situation: awaiting judgment of the appeal.	161
	Author: Derivados de Petróleo Santa Izabel Ltda	
6)	Action for compensation for moral and material damage. The complainant claimed to have protests against commercial duplicates and indemnification for moral and material damages, on the grounds that the protested bills would have been improperly issued by the Company (invoices and duplicates with the purpose of charging ICMS), causing significant losses in their patrimonial and extra-patrimonial orbits. Current situation: The other party started the sentence, estimating its credit in one hundred twenty-one million, four hundred and sixty-two thousand, two hundred and sixty-seven reais and sixty centavos (R$ 121,462,267.60), and the Company was summoned to pay the claimed amount, within 15 days, under penalty of attachment. In the face of this decision, the Company filed an appeal (in the lower court) and an aggravation of an instrument before the Bahia Court of Justice. The appeal has not yet been judged. The delaying effect was deferred in the grievance, in order to stop 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).	127
	Author: CADE - Administrative Council for Economic Defense	
7)	Proceedings in 2014 and investigates alleged practice by dealers, posts on resale in cartel municipality of São Luís do Maranhão/MA, as well as the alleged practice of influence on uniform conduct between competitors.	62
	Various processes of civil nature	332
	Total	**1,901**

c) Labor proceedings

Description of labor proceedings	03/31/2017
Author: Ministry of Labor	
1) Execution of a daily fine (*penalties*), proposed by the Labor Department in the face of 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 Base of Canoas. 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 Resource, 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.	123
Several labor processes	135
Total	**258**

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 48,156.

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 March 31, 2017 to 2025, of approximately 4.6 billion m³ of natural gas, which corresponds to an estimated total remaining value of BRL 3,100.

c) "Take or pay" agreements

The Company has a contract with take or pay clause with Brasil Carbonos for the services rendered at the Taubaté / SP plant. The agreement stipulates the provision of processing services for 20,910,000 tons of green petroleum coke, with an estimated value of BRL 490, until December 2032.

d) Shipping agreements

The Company has contractual commitments with Logum Logística S.A. regarding pipeline transport for a period ranging from March 2017 to 2029, with an estimated total outstanding value of BRL 1,509. 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 permanent monitoring of contracted rates versus those prevailing in the market, with the ultimate objective being the preserving of margins obtained with the hedge policy defined in conjuction with the commercial areas. The Company does not make speculative investments in derivatives or any other high-risk assets.

Due to its business nature, the Company is mainly exposed to credit risk, with part of this exposure updated through 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 statement of financial position:

		Fair Value	Consolidated		Parent company	
	Notes:	Hierarchy Level	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Loans and receivables						
Cash and banks	5		277	63	275	61
Financial investments	5		319	592	101	381
Accounts receivable	6		14.253	13.905	14.389	13.981
Judicial deposits	11		964	950	941	928
			15.813	**15.510**	**15.706**	**15.351**
Fair value through profit or loss						
Requisitions were presented	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		2.103	2.650	2.056	2.622
Borrowing	16		12.929	12.814	11.971	11.733
Assignment of receivables	29.2		26	31	-	-
Finance leases	17		95	95	600	685
			15.153	**15.590**	**14.627**	**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 set 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 (note 16), and IPCA rates, which is the index of Real Estate Receivables Certificates. Assets are mostly characterized by confession of indebtedness agreements of companies from the Eletrobras System, indexed by Selic rate.

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 interest sensitivity analysis of interest on the main financial assets and liabilities at March 31, 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	6,316		Selic reduction	184	138	92	230	276
Real estate receivables certificates (CRI)	(940)	16.1	IPC-A High	(25)	(22)	(20)	(28)	(30)
The Company´s borrowings	(11,971)	16.1	CDI High	(410)	(308)	(205)	(513)	(615)
Investments - FIDC	3,279	29.2	CDI Reduction	80	60	40	100	120

(a) Scenario I corresponds to the effect recognized in the income for the fiscal year, considering the data base of March 31, 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 fuel to foreign clients. The purpose of the operation is to ensure that commercial margins agreed with clients are maintained throughout the term of the negotiated prices, as well as the commercial payment's term.

Export hedge transactions were hired in 2017 totaling USD 60.5 million. The hedge operations contracted for export sales in dollar of the aviation segment in the first quarter of 2017 represented 39%. The Company's financial risk management policy provides for hedge operations contracted to cover a maximum of 100% of foreign sales.

No hedging was hired in 1Q17 in the purchase position, and therefore, there were no hedge agreements in the outstanding purchase position on March 31, 2017.

The settlement of all currency hedge operations in 2017 generated a positive result for the Company of BRL 3.5.

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

None of the transactions in question required deposits guarantee margin.

Fixed-term contracts dollar (NDF)	Reference value (notional) (USD)		Fair value (R$)		Maturity
	03/31/2017	12/31/2016	03/31/2017	12/31/2016	
Long Position	-	-	-	-	
Short Sale	-	15		1	1Q17
Short Sale	44	-	-	-	2Q17

The foreign exchange hedge balance, recorded at fair value on a recurring base, is classified as Level 2.

The following sensitivity analysis was performed for the fair value of foreign currency derivatives. The probable scenario is the fair value on March 31, 2017, the possible and remote scenarios consider the deterioration of the risk variable in 25% and 50%, respectively, for this same date.

Foreign currency derivatives	Risk	Likely Scenario	Possible Scenario (Δ of 25%)	Remote Setting (Δ of 50%)
Fixed-term contracts dollar (NDF)	Appreciation of the Dollar against Real	-	(35)	(70)

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

The purpose is to have sufficient cash generation to meet the operational, costing and and investment needs of the Company, always striving maintaining 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 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 to improve capital structure and cost of capital, in addition to reinforcing cash flow in specific situations.

The nominal flow of principal and interest on financing is presented in note 16.3 and flow of payment and receipts from finance leases is presented in note 17.1.1.

28.4 Credit risk

The Company's exposure to credit risk arises from the forward sale of products, resulting from its usual commercial transactions. 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 approval spheres 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.

The analysis includes payment behavior of the client and market restrictions, the real guarantees (mortgages), personal guarantees (guarantees), 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 customers, mainly represented by industries and Government clients. Exposure to risk is mainly represented by the balance of accounts receivable.

The Company's portfolio totaled approximately BRL 17 billion on March 31, 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 and its cash management should be ultimately based on the best capital and financial management structure from a Petrobras perspective, opting for alternatives that improve synergy for the Petrobras Group.

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;
- analysis of the cash flow cycle and the need for working capital; and
- monitoring variables that impact working capital, integrating the initiatives related to management of working capital needs.

28.6 Fair value measurement

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

- Level 1 – are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity have access to at the measurement date;

- Level 2 – information, other than quote prices included in Level 1, observable for the asset or liability, directly or indirectly;

- Level 3 – are non-observable information for 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 March 31, 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 situation with a potential conflict of interest comply with legislation, including the countries where it operates and the parties involved in the negotiations.

29.1 Business transactions and other transactions

29.1.1 By nature

							Consolidated
							03/31/2017
		Assets			Liabilities		
	Statement of profit or loss	Current	Non-current	Total	Current	Non-current	Total
Profit or loss							
Revenues, mostly from sales	1,018						
Net monetary and exchange variations	164						
Net financial revenue (expenses)	(151)						
Assets							
Accounts receivable (note 6)		827	8,770	9,597			
Marketable securities		-	2	2			
Cash and cash equivalents		169	-	169			
Judicial deposits		-	739	739			
Liabilities							
Trade payables (Note 15)					1,373	-	1,373
Dividends					654	-	654
Borrowings (note 16.1)					306	4,489	4,795
Advance from customers					61	-	61
On 03.31.2017	**1,031**	**996**	**9,511**	**10,507**	**2,394**	**4,489**	**6,883**
January to March/2016	**1,377**						
On 12/31/2016		**862**	**9,484**	**10,346**	**2,684**	**4,489**	**7,173**

		Parent company 03/31/2017					
		Assets			Liabilities		
	Statement of profit or loss	Current	Non-current	Total	Current	Non-current	Total
Profit or loss							
Revenues, mostly from sales	1,039						
Net monetary and exchange variations	162						
Net financial revenue (expenses)	(160)						
Assets							
Accounts receivable (note 6)		1,023	8,770	9,793			
Marketable securities		-	2	2			
Cash and cash equivalents		158	-	158			
Judicial deposits		-	717	717			
Liabilities							
Trade payables (Note 15)					1,330	-	1,330
Dividends					654	-	654
Borrowings (note 16.1)					288	4,489	4,777
Advance from customers					61	-	61
Finance leases					118	454	572
On 03.31.2017	**1,041**	**1,181**	**9,489**	**10,670**	**2,451**	**4,943**	**7,394**
January to March/2016	**1,299**						
On 12/31/2016		**983**	**9,462**	**10,445**	**2,764**	**5,025**	**7,789**

Purchases made with Petrobras amounted to 13,665 (BRL 16,607 up to March 2016). 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 three months ended		03/31/2017			12/31/2016	03/31/2017			12/31/2016
	03/31/2017	03/31/2016	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)	499	828	478	8,697	9,175	9,090	8	-	8	8
Petrobras	405	454	192	-	192	208	1,982	-	1,982	2,259
Termocabo	10	6	-	-	-	2	-	-	-	-
Transpetro	11	13	17	-	17	15	7	-	7	9
Petrobras Paraguay Operaciones y Logistica	4	5	5	-	5	-	9	-	9	4
Other	38	29	5	73	78	81	17	-	17	40
	967	1,335	697	8,770	9,467	9,396	2,023	-	2,023	2,320
Associates of the Petrobras Group										
Suape II	105	92	63	-	63	54	-	-	-	-
Braskem	5	18	1	-	1	7	12	-	12	14
Other associates	13	11	3	-	3	2	-	-	-	10
	123	121	67	-	67	63	12		12	24
Government entities										
Government securities	-	1	-	2	2	2	-	-	-	-
Banks Controlled by the Federal Government	(151)	(159)	169	739	908	808	306	4,489	4,795	4,789
Customers - Federal Government	92	79	63	-	63	77	53	-	53	40
	(59)	(79)	232	741	973	887	359	4,489	4,848	4,829
Total	**1,031**	**1,377**	**996**	**9,511**	**10,507**	**10,346**	**2,394**	**4,489**	**6,883**	**7,173**

Parent company

	Statement of profit or loss		Assets				Liabilities			
	For the three months ended		03/31/2017			12/31/2016	03/31/2017			12/31/2016
	03/31/2017	03/31/2016	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)	499	828	478	8,697	9,175	9,090	8	-	8	8
Petrobras	405	454	191	-	191	208	1,935	-	1,935	2,226
Termocabo	10	6	-	-	-	2	-	-	-	-
Stratura	22	4	17	-	17	3	-	-	-	-
Transpetro	11	13	17	-	17	15	7	-	7	9
Petrobras Paraguay Operaciones y Logistica	4	5	5	-	5	-	9	-	9	4
Invest Fund. FCM Real Estate	(11)	(82)	179	-	179	130	119	454	573	660
Other	36	29	6	73	79	80	20	-	20	47
	976	1,257	893	8,770	9,663	9,528	2,098	454	2,552	2,954
Associates of the Petrobras Group										
Suape II	105	92	63	-	63	54	-	-	-	-
Braskem	5	18	1	-	1	7	12	-	12	14
Other associates	13	11	3	-	3	2	-	-	-	10
	123	121	67	-	67	63	12	-	12	24
Government entities										
Government securities	-	1	-	2	2	2	-	-	-	-
Banks Controlled by the Federal Government	(150)	(159)	158	717	875	775	288	4,489	4,777	4,771
Customers - Federal Government	92	79	63	-	63	77	53	-	53	40
	(58)	(79)	221	719	940	854	341	4,489	4,830	4,811
Total	**1,041**	**1,299**	**1,181**	**9,489**	**10,670**	**10,445**	**2,451**	**4,943**	**7,394**	**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	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Accounts receivable (note 6)	3,279	2,776	3,279	2,770
Total classified in current assets	**3,279**	**2,776**	**3,279**	**2,770**
Assignments of Performed and Non-Performed Righ	(26)	(31)	-	-
Total classified under current liabilities	**(26)**	**(31)**	**-**	**-**

	For the three months ended		For the three months ended	
	03/31/2017	03/31/2016	03/31/2017	03/31/2016
Financial revenue FIDC-NP	80	68	80	67
Financial cost FIDC-NP	(1)	(1)	-	-
Financial result	**79**	**67**	**80**	**67**

The assignments of performed and non-performed credit rights are classified under 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 assignment of receivables from FIDC-NP Petrobras is 100.5% of CDI; there is no IOF and income taxes in operation.

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

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

29.3 Management and employees compensation

In the period from January to March 2017, the fees for executive officers and directors in the Consolidated totaled BRL 3 (BRL 2 between January and March 2016).

On March 31, 2017, the Company had five members on the Executive Board and nine members on the Board of Directors.

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

	Parent Company	
	For the three months ended	
Compensation	03/31/2017	03/31/2016
Compensation per employee		
Lower compensation	3,577.10	3,141.68
Average compensation	15,067.97	13,587.98
Greater compensation	77,773.24	71,634.19
Remuneration for the company's leader (major)	111,201.13	101,664.96
(Values expressed in reais)		

30 Information by segment

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 chemical products, asphalt and power generation were classified under "other", as reportable operating segments since they did not achieve the quantitative criterion required by the IFRS/CPC for reportable segments.

The company is domiciled in Brazil. Revenue with clients in Brazil amounted to BRL 19,724 (BRL 21,890 from January to March 2016), and the total revenue from customers abroad is BRL 325 (BRL 353 from January to March 2016).

The Company's assets, notably the bases, terminals and other fixed assets, are not presented per segment to the Executive Board, since they are used without segmentation by all the business units. In a similar manner, 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 three months ended 3/31/2017

	Retail Stations	Major Customers	Aviation Products	Other	Corporate	Total of segments	Reconciliation to Financial Statement		Total
Sales Revenue	12,157	5,151	1,709	1,156	1	20,174	(125)	(a)	20,049
Cost of sales	(11,273)	(4,768)	(1,537)	(982)	(4)	(18,564)	(4)	(b)	(18,568)
Gross profit	**884**	**383**	**172**	**174**	**(3)**	**1,610**	**(129)**		**1,481**
Expenses									
Sales, general and administrative	(396)	(246)	(122)	(83)	(41)	(888)	(20)	(c)	(908)
Taxes	(7)	-	(1)	(3)	(11)	(22)	(15)	(d)	(37)
Other income (expenses), net	62	4	3	10	(130)	(51)	(59)	(e)	(110)
Share of profit (loss) of investees	-	-	-	1	(3)	(2)	-		(2)
Net financial result	-	-	-	-	-	-	(148)	(f)	(148)
Adjusted EBITDA	**543**	**141**	**52**	**99**	**(188)**	**647**			
Profit (loss) before taxes							**(371)**		**276**

Consolidated Income Statement by Business Segment

For the three months ended 3/31/2016

	Retail Stations	Major Customers	Aviation Products	Other	Corporate	Total of segments	Reconciliation to Financial Statement		Total
Sales Revenue	13,584	5,924	1,639	1,214	-	22,361	(118)	(a)	22,243
Cost of sales	(12,524)	(5,534)	(1,516)	(1,015)	-	(20,589)	(3)	(b)	(20,592)
Gross profit	**1,060**	**390**	**123**	**199**	**-**	**1,772**	**(121)**		**1,651**
Expenses						-	-		
Sales, general and administrative	(374)	(259)	(121)	(85)	(58)	(897)	(580)	(c)	(1,477)
Taxes	(5)	-	(1)	(4)	(5)	(15)	(27)	(d)	(42)
Other income (expenses), net	49	14	4	8	(72)	3	(351)	(e)	(348)
Share of profit (loss) of investees	-	-	-	1	(2)	(1)	-		(1)
Net financial result	-	-	-	-	-		(180)	(f)	(180)
Adjusted EBITDA	**730**	**145**	**5**	**119**	**(137)**	**862**			
Profit (loss) before taxes							**(1,259)**		**(397)**

Reconciliation with the financial statements	**03/31/2017**	**03/31/2016**
(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.	(125)	(118)
(b) Cost of sold goods		
Depreciation and amortization	(4)	(3)
(c) Sales, general and administrative		
Depreciation and amortization	(108)	(110)
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.	88	(470)
(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.	-	(2)
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.	(15)	(25)
(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.	(80)	(356)
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.	21	5
(f) Net financial result	(148)	(180)
Total	**(371)**	**(1,259)**

31 Subsequent events

Adjustment of Conduct Term (TAC) of the Petros Foundation

On May 26, 2017, the Advisory Board of the Petros Foundation approved the 2016 financial statements with an accumulated deficit of BRL 26.7 billion (BRL 22.6 billion deficit until the year 2015) for the Petrobras Group Petros Plan, in accordance with the accounting practices adopted in Brazil applicable to entities regulated by the Brazilian National Social Welfare Committee (CNPC).

On June 19, 2017, the Brazilian National Complementary Welfare Superintendence (PREVIC) published the Term of Conduct Adjustment (TAC) of the Petros Foundation, establishing deadlines for the implementation of the equation plan for the accumulated deficit in 2015 in the Petros Plan of the Petrobras Group. The value to be equated and the payment conditions will be subject to the approval of the Foundation's Advisory Board. Afterwards, Petrobras shall submit it for the consideration by the Secretary of Coordination and Government of State-owned Enterprises (SEST).

The Foundation foresees the beginning of the extra contributions by participants and sponsors of the plan by the end of 2017, provided all approval stages are met.

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 Proceedings

As a result of the second instance decision eminently favorable to the Company, issued in the administrative proceeding in which the Company is being sued for an alleged lack of tax recollection on credit transactions (IOF) arising from transactions qualified by the supervisory body as remittance of values to Petrobras and loan agreements to dealer stations, the Company changed the loss expectation and significantly reduced the financial risk involved from possible losses in the amount of BRL 470 on March 31, 2017, to likely losses of BRL 0.3 on July 31, 2017, referring to the collection portion of the IOF tax on loan agreements to dealer stations.

Correlation between notes from December 31, 2016 and March 31, 2017

Titles of the explanatory notes	Number of explanatory notes	
	2016 Annual Report	1Q-2017 Quarterly Information
Operating context	1	1
Basis of preparation of 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
Taxes and contributions to be recovered	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
Borrowing	17	16
Leases	18	17
Advance from clients	19	18
Taxes and contributions to be collected	20	19
Employee benefits	21	20
Shareholders ' 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 contingencies	28	26
Contractual commitments	29	27
Financial instruments and risk management	30	28
Related parties	31	29
Subsequent Events	33	31

Explanatory notes of the 2016 annual report that were eliminated in the ITR dated March 31, 2017 because they did not present material changes and/or did not apply to the interim information are as following:

Titles of the explanatory notes	Number of explanatory 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 associate activities	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 plans' fair asset value	21.4
Participation in the profits or results	21.5
Insurance	32

ADMINISTRATIVE COUNCIL

AUGUSTO MARQUES DA CRUZ FILHO
President

BRUNO CESAR DE PAIVA E SILVA
Adviser

CLEMIR CARLOS MAGRO
Adviser

DURVAL JOSÉ SOLEDADE SANTOS
Adviser

FRANCISCO ARRUDA VIEIRA DE MELO FILHO
Adviser

JERÔNIMO ANTUNES
Adviser

JORGE CELESTINO RAMOS
Adviser

REINALDO GUERREIRO
Adviser

SEGEN FARID ESTEFEN
Adviser

EXECUTIVE BOARD

IVAN DE SÁ PEREIRA JUNIOR
President

MARCELO FERNANDES BRAGANÇA
Executive Director of Operations and Logistics and Executive Director of the Stations Network

GUSTAVO HENRIQUE BRAGA COUTO
Executive Director of the Consumer Market

RAFAEL SALVADOR GRISOLIA
Executive Director of Finance and Investor Relations k

ACCOUNTING MANAGEMENT

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