(A free translation of the original in Portuguese)

Petrobras Distribuidora S.A. and subsidiaries

Parent company and consolidated financial statements at December 31, 2016 and independent auditor's report

(A free translation of the original in Portuguese)

Petrobras Distribuidora S.A.

Content

Independent Auditor's Report ..... 3 to 10
Statement of financial position ..... 11 and 12
Statement of profit or loss 13
Statement of comprehensive income 14
Statement of changes in sequity 15
Statement of cash flow – Indirect method 16
Statement of Value Added ..... 17 and 18
Notes to the Financial Statements ..... 19 to 117
Members of the Board of Directors 118

(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Stockholders
Petrobras Distribuidora S.A.

Opinion

We have audited the accompanying parent company financial statements of Petrobras Distribuidora S.A. (the "Company"), which comprise the balance sheet as at December 31, 2016 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Petrobras Distribuidora S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2016 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Petrobras Distribuidora S.A. and of Petrobras Distribuidora S.A. and its subsidiaries as at December 31, 2016, and the financial performance and the cash flows for the year then ended, as well as the consolidated financial performance and the cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the “Auditor's Responsibilities for the Audit of the Parent Company and Consolidated Financial Statements” section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

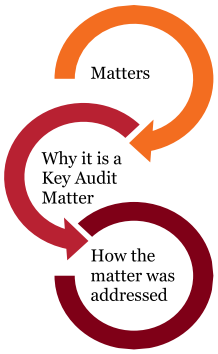
Reissue of the financial statements

As mentioned in Note 2.1 to the financial statements, aiming to improve the presentation of its financial statements, the Company's management included additional disclosures in its financial statements for the year ended December 31, 2016, in order to adjust these financial statements to the accounting requirements for the purpose described in the aforementioned Note, as well the restatement of the earnings per share due to the stock split mentioned in Note 22. Accordingly, the aforementioned financial statements are being reissued and, therefore, this report replaces those previously issued on March 20, 2017 and October 16, 2017.

Petrobras Distribuidora S.A.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the parent company and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Why it is a Key Audit Matter	How the matter was addressed in the audit

1 - "Operation Car Wash" and its effects on the Company (Note 1.2)

In 2009, the Brazilian Federal Police initiated an investigation called "Operation Car Wash", aiming to investigate money laundering practices by criminal organizations in several Brazilian states. From 2014, the Federal Public Prosecution Office focused some of its investigations on irregularities committed by suppliers of the Petrobras Group, and discovered an extensive scheme of undue payments, involving several participants, both internal and external to the Company. This scheme involved a group of companies that, between 2004 and April 2012, were organized into a cartel to obtain contracts with the Company and impose additional expenditure linked to these contracts, using these amounts to make undue payments.

The amounts paid by the Company under asset construction contracts with the suppliers involved in the scheme were included in the historical costs of the respective property, plant and equipment items. The Company's management understood that the undue payments represented additional expenditure and, consequently, recorded a write-off of R$ 23 million in prior years.

"Operation Car Wash" and its effects on the Company were considered one of the key audit matters due to: (i) the potential effects and inherent limitations that are particularly significant in cases like this; (ii) the necessity of monitoring the information related to the investigations in progress conducted by the authorities to confirm the reasonableness of the effects already consigned in the financial statements; and (iii) the need to improve the governance structure and internal

Significant aspects of our audit response involved, among others, those described below.

We updated our understanding of the governance structure and how the parties responsible for management perform general oversight activities to identify and respond to the main risks related to the process of contracting suppliers of goods and services, considering the changes introduced by management as part of its processes and controls in order to address the fraud identified.

We also obtained an understanding of the new internal policies introduced, and tested the significant internal controls implemented and transactions related to the processes for contracting suppliers of goods and services and the corresponding payments. Our objective was to identify and test the transactions selected and the corresponding payments made during the year, and evaluate compliance with internal policies and with the applicable laws and regulations. In addition, we analyzed the Petrobras Program for Prevention of Corruption ("PPPC"), tested the key controls related to the complaints channel established within the Ombudsman structure, evaluating the integrity of the information, handling of complaints and reporting of the results to the applicable governance bodies.

We followed up the Company's main investigative actions conducted by the Internal Assessment Commissions and independent law firms, which are led by a Special Committee composed of two independent members and the Governance, Risk

Why it is a Key Audit Matter	How the matter was addressed in the audit
controls related to the processes for contracting suppliers of goods and services, which constituted a significant deficiency identified by the Company in its internal control environment in 2015.	and Compliance Officer. We discussed our investigations with the Audit Committee, the Board of Directors and the Company's legal advisors, and evaluated whether the disclosures in the explanatory notes are consistent with the results of those investigations. We consider that the disclosures in the explanatory notes are consistent with the information and representations obtained.
2 - Judicial proceedings and tax contingencies (Note 28)	
At December 31, 2016, the Company had provisions for tax contingencies (consolidated) of R$ 1,415 million in connection with judicial proceedings with a likelihood of loss classified as probable. Additionally, the Company is a party to proceedings with a likelihood of loss classified as possible, in the amount of R$ 6,659 million (consolidated). Provisions and contingent liabilities are subject to inherent uncertainties regarding their terms and settlement values. Also, the recognition and measurement of provisions and contingent liabilities require the Company to exercise significant judgment to estimate the amounts of the obligations and the likelihood of an outflow of resources in relation to the judicial and administrative proceedings to which the Company is a party. This evaluation is based on the opinions of internal and external legal advisors and on management's own judgment. This matter was considered one of the key audit matters, due to: (i) the significance of the amounts of the litigation subject to provision, and the contingent liabilities disclosed in the related Note; (ii) the significant judgment on different Laws and jurisprudential interpretations used to estimate the amounts and the likelihood of an outflow of resources arising from these proceedings; and (iii) deficiencies in the controls on the completeness and evaluation of the probability of losses in relation to tax contingencies, which constituted a significant deficiency identified by the Company in its internal control environment in 2015.	Our audit approach considered the understanding of the main controls related to judicial proceedings and contingencies, and tests on the effectiveness of controls which are considered key. Additionally, as part of our audit strategy, we involved our team of experts in the tax area to read and discuss the judicial proceedings, including the classification of the prognosis of loss attributed by the Company's internal and external legal advisors. Other significant aspects of our audit approach included evaluating the technical ability of the Company's legal counsel, testing the recalculation of the amount of exposure to judicial and administrative proceedings, testing financial restatement in accordance with the applicable legislation, and obtaining confirmation from external legal advisors. We consider that the criteria and assumptions adopted by management to determine the provision for lawsuits and tax contingencies, as well as the disclosures regarding contingent liabilities, are reasonable, in all material respects, in the context of the financial statements.

Why it is a Key Audit Matter	How the matter was addressed in the audit

3 - Benefits granted to employees (Note 21)

At December 31, 2016, the amounts provided for in the consolidated balance sheet totaled R$ 4,311 million.

The amount of the actuarial liability is determined through actuarial calculations prepared by an independent actuary hired by the Company's management, net of guarantee assets. The calculation is made based on actuarial assumptions and information recorded in relation to participants in the pension and healthcare plans. This matter was considered one of the key audit matters due to: (i) the significance of the balance provided for in the balance sheet referring to the benefits granted to employees; (ii) significant judgment regarding the assumptions used for the benefit plans; and (iii) the deficiencies in control over the data generation process to calculate the actuarial liability, which constituted a significant deficiency identified by the Company in its internal control environment in 2015.

Our audit approach reflected an understanding of the key controls related to the process of measuring the actuarial liability and tests on the effectiveness of controls considered key. In addition, our audit response considered the testing of details on the individual information recorded in the databases used to calculate the actuarial liability. The audit evidence deemed necessary was obtained by testing the databases of active participants and beneficiaries of pension and healthcare plans.

Other significant aspects of our audit approach included evaluating the key assumptions that support the calculation of actuarial liabilities, such as salary growth projections, mortality and disability tables, medical costs and discount rate estimates. These procedures were performed with the support of our team of actuarial calculation experts and included the following key procedures:

- Review the logical coherence and arithmetic consistency of the model used to estimate the value of the actuarial liability;
- Evaluation the technical ability of the independent external actuary responsible for preparing the actuarial calculation; and
- Review the reconciliation of the actuarial report with the balances of the Company's financial statements.

In addition, we obtained confirmation from third parties regarding the custody of the plans' guarantee assets and tested the fair value of these assets with the support of our team of specialists in the valuation of financial instruments.

We consider that the criteria and assumptions adopted by management to determine the value of the actuarial liability, as well as the disclosures in the explanatory notes, to determine whether these are reasonable, in all material respects, within the context of the financial statements.

Why it is a Key Audit Matter	How the matter was addressed in the audit
4 - Trade receivables - Electricity sector (Note 7.3)	
At December 31, 2016, the net balance of trade receivables related to the electricity sector (Eletrobras System) totaled R$ 6,064 million. A significant portion of the funds used to settle the aforementioned trade receivables come from the Fuel Consumption Account ("*Conta de Consumo de Combustível - CCC*"). However, amendments to the legislation imposed restrictions that reduced the amounts reimbursed by the CCC, increasing the risk of defaults by the distributors that operate in this sector and purchase fuel to be used in their thermal plants. This matter was considered one of the key audit matters due to the above circumstances, and the consequent significant level of judgment in relation to the assumptions used for the determination of the losses on impairment of trade receivables and the significance of the balance of trade receivables.	Our audit approach reflected an understanding of the key controls related to the process of measuring impairment losses on trade receivables related to the electricity sector and tests of the effectiveness of controls considered key. As regards the testing of details in operations and transactions, our approach included a review of the debt acknowledgment agreements entered into between the Company and the companies of the Eletrobras System, an understanding of the current stage of the negotiations with the Federal Government and Eletrobras, a reading of the official letters and ordinances of the National Electric Energy Agency (ANEEL) and the Ministry of Mines and Energy (MME), as well as the payments received and the reconciliation of the provision for the impairment of trade receivables recorded for the total trade receivables of the Electricity sector overdue or without actual guarantees. We consider that the criteria and assumptions adopted by management to determine the impairment losses on trade receivables related to the electricity sector, as well as the disclosures in the explanatory notes, are reasonable, in all material respects, within the context of the financial statements.

Other matters

Statements of Value Added

The parent company and consolidated Statements of Value Added for the year ended December 31, 2016, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared in all material respects, in accordance with the criteria established in the Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

Other information accompanying the parent company and consolidated financial statements and the auditor's report

The Company's management is responsible for the other information that comprises the Management Report.

Our opinion on the parent company and consolidated financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

In connection with the audit of the parent company and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the parent company and consolidated financial statements

Management is responsible for the preparation and fair presentation of the parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's responsibilities for the audit of the parent company and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the parent company and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Petrobras Distribuidora S.A.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Rio de Janeiro, 21 de novembro de 2017

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" RJ

Alexandre Fermino Alvares
Contador CRC 1SP211793/O-5 "S" RJ

Petrobras Distribuidora S.A.
Statement of financial position
Fiscal years ending on December 31, 2016 and 2015
(In millions of Brazilian reais) (A free translation of the original in Portuguese)

Asset	Note	Consolidated		Parent company	
		2016	2015	2016	2015
Current					
Cash and cash equivalents	6	655	810	442	607
Accounts receivable, net	7	7,679	8,114	7,761	8,098
Inventory	8	2,678	2,843	2,668	2,834
Advances to suppliers		62	112	62	112
Recoverable taxes and contribution	9	591	424	561	405
Prepaid expenses	11	587	498	587	498
Other current assets		37	43	33	43
		12,289	**12,844**	**12,114**	**12,597**
Non-current					
Accounts receivable, net	7	6,250	6,206	6,244	6,162
Judicial deposits	12	950	798	928	778
Recoverable taxes and contribution	9	366	377	307	331
Deferred income tax and social contribution	10	3,425	2,558	3,414	2,557
Prepaid expenses	11	1,602	1,873	1,602	1,873
Other long-term assets		24	40	18	36
		12,617	**11,852**	**12,513**	**11,737**
Investments	13	45	46	217	234
Property, plant and equipment	14	5,986	6,039	5,542	5,610
Intangible assets	15	461	460	460	459
		19,109	**18,397**	**18,732**	**18,040**
Total Assets		**31,398**	**31,241**	**30,846**	**30,637**

Petrobras Distribuidora S.A.
Statement of financial position
Fiscal years ending on December 31, 2016 and 2015
(In millions of Brazilian reais) **(continued)**

Liabilities and Equity	Note	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
Current liabilities					
Trade Payables	16	2,650	3,047	2,622	3,023
Borrowing	17	805	644	697	527
Assignment of receivables	31.2	31	24	-	-
Finance leases	18	28	48	124	87
Advances from customers	19	354	424	322	369
Taxes and contributions payable	20	205	249	200	242
Interest on capital	22.3	635	616	635	616
Salaries, vacation pay and social charges		246	216	245	215
Voluntary Dismissal Incentive Plan	21.6	445	96	445	96
Healthcare and pension plans	21	139	113	139	112
Other accounts and expenses payable		91	115	132	155
		5,629	**5,592**	**5,561**	**5,442**
Non-current					
Borrowing	17	12,009	12,250	11,036	11,255
Finance leases	18	67	81	561	624
Healthcare and pension plans	21	4,172	2,262	4,169	2,260
Provision for contingencies	28	2,090	1,105	2,089	1,104
Other accounts and expenses payable		21	26	20	27
		18,359	**15,724**	**17,875**	**15,270**
Total Liabilities		**23,988**	**21,316**	**23,436**	**20,712**
Equity	22				
Share capital		6,352	6,352	6,352	6,352
Profit reserves		3,045	4,107	3,045	4,107
Accumulated other comprehensive (deficit)		(1,987)	(534)	(1,987)	(534)
		7,410	**9,925**	**7,410**	**9,925**
Total Liabilities and Equity		**31,398**	**31,241**	**30,846**	**30,637**

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

Petrobras Distribuidora S.A.
Statement of profit or loss
Fiscal years ending on December 31, 2016 and 2015
(In millions of Brazilian reais, except for profit per one thousand shares)

(A free translation of the original in Portuguese)

	Note	Consolidated		Parent company	
		2016	2015	2016	2015
Sales revenue from products and services	23	86,637	97,280	86,205	96,949
Cost of product sales and services	25	(80,172)	(89,967)	(79,781)	(89,687)
Gross profit		**6,465**	**7,313**	**6,424**	**7,262**
Operating expenses					
Sales	25	(3,845)	(6,454)	(3,787)	(6,428)
General and administrative expenses	25	(828)	(820)	(809)	(803)
Taxes	25	(137)	(208)	(132)	(203)
Other expenses, net	24	(1,669)	(1,470)	(1,668)	(1,469)
		(6,479)	**(8,952)**	**(6,396)**	**(8,903)**
Profit (loss) before financial income, interest and taxes		**(14)**	**(1,639)**	**28**	**(1,641)**
Finance result	26				
Expenses		(1,893)	(1,597)	(1,933)	(1,590)
Revenue		688	505	631	470
Exchange and monetary variations, net		583	793	657	829
		(622)	**(299)**	**(645)**	**(291)**
Share of profit (loss) of investees	13.6	**(1)**	**3**	**(12)**	**(7)**
Loss before taxes		**(637)**	**(1,935)**	**(629)**	**(1,939)**
Income tax and social contribution	10				
Current		(307)	(815)	(305)	(811)
Deferred		629	1,589	619	1,589
		322	**774**	**314**	**778**
Loss for the year		**(315)**	**(1,161)**	**(315)**	**(1,161)**
Loss, basic and diluted per shares of the share capital - BRL		(0.27)	(1.00)	(0.27)	(1.00)

Share capital consisting of 1,165,000,000 common shares (*).

(*) Loss per share, presented before the reverse share split, is evidenced in Note 22.5.

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

Petrobras Distribuidora S.A.
Statement of comprehensive income
Fiscal years ending on December 31, 2016 and 2015
(In millions of Brazilian reais) (A free translation of the original in Portuguese)

	Consolidated		Parent company	
	2016	2015	2016	2015
Loss for the year	(315)	(1,161)	(315)	(1,161)
Other comprehensive income				
Items that will not be reclassified to the statement of income				
Pension plans				
Actuarial gains (losses)	(700)	43	(700)	43
Deferred income tax and social contribution	238	(15)	238	(15)
	(462)	**28**	**(462)**	**28**
Healthcare plan				
Actuarial losses	(991)	(133)	(991)	(133)
Deferred income tax and social contribution	-	-	-	-
	(991)	**(133)**	**(991)**	**(133)**
	(1,453)	**(105)**	**(1,453)**	**(105)**
Comprehensive income for the year	**(1,768)**	**(1,266)**	**(1,768)**	**(1,266)**

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

Petrobras Distribuidora S.A.
Statement of changes in equity
Fiscal years ending on December 31, 2016 and 2015
(In millions of Brazilian reais)

(A free translation of the original in Portuguese)

	Consolidated								Parent company
		Profit reserves					Accumulated other comprehensive (deficit)		
	Share capital	Legal	Statutory	Profit retention	Proposed Additional Dividend	Accumulated deficit	Unrealized fair value gain (losses)	Total equity	Total equity
At January 1, 2015	**5,991**	**807**	**270**	**5,276**	**206**	**-**	**(429)**	**12,121**	**12,121**
Capital increase	361	-	-	(361)	-	-	-	-	-
Unrealized actuarial losses	-	-	-	-	-	-	(105)	(105)	(105)
Loss for the year	-	-	-	-	-	(1,161)	-	(1,161)	(1,161)
Allocation:									
Absorption of losses into reserves	-	-	-	(1,161)	-	1,161	-	-	-
Interest on capital / Dividends	-	-	-	(724)	(206)	-	-	(930)	(930)
At December 31, 2015	**6,352**	**807**	**270**	**3,030**	**-**	**-**	**(534)**	**9,925**	**9,925**
Unrealized actuarial losses	-	-	-	-	-	-	(1,453)	(1,453)	(1,453)
Loss for the year	-	-	-	-	-	(315)	-	(315)	(315)
Allocation:									
Absorption of losses into reserves	-	-	-	(315)	-	315	-	-	-
Interest on capital	-	-	-	(747)	-	-	-	(747)	(747)
At December 31, 2016	**6,352**	**807**	**270**	**1,968**	**-**	**-**	**(1,987)**	**7,410**	**7,410**

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

Petrobras Distribuidora S.A.
Statement of cash flow
Fiscal years ending on December 31, 2016 and 2015
(In millions of Brazilian reais) (A free translation of the original in Portuguese)

	Note	Consolidated		Parent company	
		2016	2015	2016	2015
Operating activities					
Loss for the year		(315)	(1,161)	(315)	(1,161)
Adjustments:					
Income tax and social contribution	10	(322)	(774)	(314)	(778)
Depreciation and amortization	25	454	471	449	466
Loss on asset recovery value - Impairment		-	298	-	298
Income including disposal / asset write-off		(1)	12	(1)	12
Provision for impairment of trade receivables, net of reversion	7	676	2,919	641	2,921
Share of (profit) loss of investees		1	(3)	12	7
Appropriation of early bonuses granted to customers		542	412	542	412
Appropriations of insurance, rentals and others		45	68	45	68
Interest, foreign exchange and monetary variations, net		842	408	834	379
Actuarial expenses on healthcare and pension plans	21.4.b	382	317	382	317
Provision for contingencies		985	747	985	747
Provision for Voluntary Dismissal Incentive Plan	21.6	434	92	434	92
Other adjustments		91	3	91	2
Decrease (increase) in assets					
Accounts receivable		536	(1,038)	484	(1,125)
Inventory		204	(235)	205	(236)
Prepaid expenses		(404)	(982)	(404)	(982)
Judicial Deposits		(116)	106	(116)	106
Other assets		9	30	9	30
Increase (decrease) in liabilities					
Trade Payables		(531)	(259)	(534)	(263)
Income tax and social contribution paid		(313)	(879)	(311)	(875)
Taxes, fees and contributions		(273)	21	(245)	31
Pension and healthcare plans		(137)	(116)	(137)	(116)
Voluntary Dismissal Incentive Plan	21.6	(85)	(5)	(85)	(5)
Other liabilities		(72)	30	(41)	(24)
Net cash generated from operating activities		**2,632**	**482**	**2,610**	**323**
Investment activities					
Additions to property, plant and equipment and intangible assets		(402)	(723)	(394)	(710)
Proceeds from sale of assets		1	25	1	25
Investments in marketable securities		22	-	22	-
Investments in FIDC		307	(2,208)	256	(2,156)
Dividends received		-	1	1	3
Net cash used in investment activities		**(72)**	**(2,905)**	**(114)**	**(2,838)**
Financing activities					
Loan operations		-	(6,950)	-	(6,950)
Borrowing					
Funding transactions	17.4	-	11,179	-	11,151
Amortization of Principal	17.4	(115)	(299)	(17)	(202)
Amortization of interest	17.4	(1,875)	(521)	(1,813)	(462)
Assignment of receivables - FIDC-NP	31.2	7	(380)	-	(380)
Dividends paid to stockholders		(684)	(496)	(684)	(496)
Other financing operations		(48)	(42)	(147)	(72)
Net cash generated (used) in financing activities		**(2,715)**	**2,491**	**(2,661)**	**2,589**
Net variation in cash and cash equivalents in the year		**(155)**	**68**	**(165)**	**74**
Cash and cash equivalents at the beginning of the year		**810**	**742**	**607**	**533**
Cash and cash equivalents at the end of the year		**655**	**810**	**442**	**607**

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

Petrobras Distribuidora S.A.
Statement of Value Added
Fiscal years ending on December 31, 2016 and 2015
(In millions of Brazilian reais) (A free translation of the original in Portuguese)

	Consolidated		Parent company	
	2016	2015	2016	2015
Revenue				
Sales of products and services and other revenue	107,072	119,161	106,536	118,758
Provision for impairment of trade receivables	(676)	(2,919)	(641)	(2,921)
Revenue from the construction of assets for use	301	511	284	472
	106,697	**116,753**	**106,179**	**116,309**
Inputs acquired from third parties				
Materials consumed	108	72	-	-
Resale costs of goods	79,726	89,995	79,460	89,819
Energy, outsourced services and others	3,784	3,741	3,744	3,677
Tax credits on inputs acquired	3,260	4,656	3,260	4,656
Loss on asset recovery value - Impairment	-	298	-	298
	86,878	**98,762**	**86,464**	**98,450**
Gross value added	**19,819**	**17,991**	**19,715**	**17,859**
Retention				
Depreciation and amortization	454	471	449	466
Net value added produced by the company	**19,365**	**17,520**	**19,266**	**17,393**
Value added received through transfer				
Share of profit (loss) of investees	(1)	3	(12)	(7)
Financial income - includes monetary and exchange fluctuations	1,483	1,483	1,439	1,446
Rentals and royalties	271	254	271	254
	1,753	**1,740**	**1,698**	**1,693**
Total value added to distribute	**21,118**	**19,260**	**20,964**	**19,086**

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

Petrobras Distribuidora S.A.
Statement of Value Added
Fiscal years ending on December 31, 2016 and 2015
(In millions of Brazilian reais) **(continued)**

	Consolidated		Parent company	
	2016	2015	2016	2015
Distribution of value added				
Personnel and management				
Direct compensation				
Salaries	842	834	827	821
Benefits				
Advantages	90	91	88	88
Retirement and pension plan	663	298	662	298
Healthcare plan	232	180	231	179
Severance Pay Fund (FGTS)	67	66	66	64
	1,894	**1,469**	**1,874**	**1,450**
Taxes				
Federal	171	(720)	134	(757)
State	16,864	17,490	16,799	17,447
Municipal	27	21	26	19
	17,062	**16,791**	**16,959**	**16,709**
Financial institutions and suppliers				
Interest, foreign exchange and monetary variations	2,116	1,811	2,084	1,737
Rental expenses	361	350	362	351
	2,477	**2,161**	**2,446**	**2,088**
Shareholders				
Retained losses	(315)	(1,161)	(315)	(1,161)
	(315)	**(1,161)**	**(315)**	**(1,161)**
Value added distributed	**21,118**	**19,260**	**20,964**	**19,086**

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

1 General considerations

1.1 Operating context

Petrobras Distribuidora S.A. (the "Company" or "BR") is a private corporation headquartered in Brazil. Established on November 12, 1971, the company is a subsidiary of Petróleo Brasileiro S.A. ("Petrobras") and its corporate purpose is the distribution, transport, marketing, processing and industrialization of oil products and other fuels; production, transportation, distribution and marketing of all forms of energy, chemicals and asphalt products; provision of related services; and the importing and exporting of the aforementioned products and activities. The Company's registered office is in the city of Rio de Janeiro – RJ.

1.2 Operation *Lava Jato* (Car Wash) and its impact on the Company

In 2009, the Brazilian Federal Police began an investigation called "Operation Car Wash", intended to uncover money laundering operations by criminal organizations across several Brazilian states. "Operation Car Wash" is an extremely broad investigation, encompassing different criminal activities across multiple fronts. Its scope involves crimes committed by agents acting throughout Brazil in different economic sectors.

Since 2014, the Federal Attorney General's Office concentrated some of its investigations regarding irregularities involving Petrobras contractors and suppliers and discovered an extensive overpaid payment scheme involving a large number of participants, including former Petrobras and Company employees. Based on the information provided to Petrobras, this scheme involved a set of companies organizing a cartel to obtain contracts with the Petrobras Group between 2004 and April 2012, including additional expenditure under these contracts and the use of these additional amounts to finance overpaid payments to political parties, elected officials and other politicians, the employees of contractors and suppliers, former Petrobras and Company employees and others involved in the overpaid payment scheme. This was deemed to be an undue payment scheme and the referred members called as the "cartel members".

In addition to the aforementioned overpaid payment scheme, the investigations indicated specific cases where other companies also charged additional expenditure and supposedly used these amounts to finance payments to certain former Petrobras and Company employees. These companies are not members of the cartel and acted alone. These specific cases were referred to as payments unrelated to the cartel.

Certain former Petrobras and Company executives were arrested and/or reported for crimes such as money laundering and corruption. Other former executives of the

Petrobras Group and of the companies supplying goods and services to Petrobras were or many be reported as a result of the investigation.

The amounts paid by Petrobras and the Company within the scope of the contracts with the suppliers and contractors involved in the aforementioned scheme were fully included in the cost history of the respective property, plant and equipment assets. However, Management understood that, according to IAS 16 (Property, plant and Equipment), the portion of payments made to these companies should not have been capitalized, since they used these amounts to make the undue payments, representing additional expenditure incurred as a result of the overpaid payment scheme. As such, the Company recorded a write-off of capitalized expenditure in the amount of BRL 23 for 3Q14, related to additional amounts paid to acquire property, plant and equipment assets in previous years.

The Company and its controlling shareholder (Petrobras) will continue to follow the results of the investigations and the provision of other information relative to the undue payment scheme. Given further information indicating, with sufficient accuracy, that the estimates described above should be adjusted, the Company will assess the need for some type of accounting record.

1.2.1 The Company's response to the issues discovered in the ongoing investigations

The Company, through its controlling shareholder, has been following the investigations and effectively cooperating with the efforts of the Federal Police, the Federal Prosecutor's Office, the Judicial Branch, the General Accounting Office (TCU) and the Minister of Transparency, Supervision and Control so that all crimes and irregularities may be found, promptly fulfilling requests for documents and information made by the investigators.

The Company constantly reinforce the commitment to continuing to cooperate with all the government agencies mentioned on paragraph above in order to clarify the facts and communicate them to the general public on a regular basis.

The Company and its controlling shareholder do not tolerate any form of corruption and we consider inadmissible any illegal acts involving our employees. To that end, we take various measures to combat fraud and corruption, as mentioned below.

The Company continues to implement measures to improve corporate governance and compliance systems as part of the process of strengthening the internal control structure.

Among other measures, we integrated the Company into Petrobras' independent reporting channel in 2016, and we hold training for our employees and management

on ethics, information security, competitive compliance and corruption prevention; we implemented the "Compliance Officers" initiative; we implemented Due Diligence processes for employees integrity and to assess the need to apply sanctions to our suppliers; we perform an integrity Background Check before making the decision to appoint people to key positions in the Company.

The Company have established Internal Investigation Commissions (CIA) to investigate indications or occurrences that may be characterized as transgressions of corporate standards, procedures or regulations, the results of which are presented to the respective Brazilian authorities.

Additionally, we have taken the necessary measures to recover damage suffered due to the undue payment scheme, including those related to our corporate image.

The Company has yet to recover any amount related to the undue payments that were made. As the "Operation Car Wash" investigations result in leniency or collaboration agreements with individuals who agree to return resources, the Company and its controlling shareholder may have the right to receive a part of such resources. However, the Company cannot reliably estimate any recoverable amount at this time. These amounts will be recorded as revenue in income for the year when they are received or when their fulfillment becomes practically certain.

1.2.2 Approach adopted to adjust assets affected by the additional expenditure

It is not possible specifically to identify the amount of each payment made in the scope of the contracts with the contractors and suppliers that have overpaid payments or the periods in which such overpaid payments occurred. As a result, the Company developed a methodology to estimate the total amount of additional expenditure incurred as a result of the ovedpaid payments scheme to determine the amounts of the write-offs made, representing the extent to which its assets were overvalued as a result of additional expenditure charged by suppliers and contractors and used to make overpaid payments.

Due to the impracticality of identifying the periods and amounts of additional expenditure incurred by the Company, the methodology involves the following five steps:

1) Identification of the contract's counterparty: all companies cited as members of the cartel were listed, and this information was used to survey the companies involved and the entities related thereto.

2) Identification of the period: based on statements made, it was concluded that the operating period for the overpaid payments scheme was from 2004 to April 2012.

3) Identification of the contracts: all contracts signed with the counterparties mentioned in step (1) during the period of step (2) were identified, including any addenda to contracts originally signed between 2004 and April 2012. The property, plant and equipment assets to which such contracts are related were subsequently identified.

4) Identification of payments: the total amount of the contracts referred to in step (3) was calculated.

5) Application of a fixed percentage in addition to the total amount of the contracts defined in step (4): the percentage of 3% indicated in the testimonies was used to estimate the additional expenditure imposed on the total amounts of the identified contracts.

The Company also identified amounts recorded in its accounting records for specific contracts and projects with companies that were not members of the cartel to account for the additional expenditure imposed by these companies to finance overpaid payments made, unrelated to the overpaid payments scheme or to the cartel.

In the specific case of amounts additionally charged by companies outside the scope of the cartel, the Company considered as part of the write-off of additional unduly capitalized expenditure the percentage additional to the contracts signed with companies mentioned in the statements given in different plea bargains of directors of the companies of the cartel.

Explanatory note 2.3 to the financial statements as at December 31, 2014 presents the approach adopted to adjust the assets affected by the additional expenditure.

The Company considered all available information when preparing the financial statements for the period ending December 31, 2016, having found no other additional information that might have affected the calculation methodology adopted and, subsequently, the accounting record of supplementary write-offs.

The Company and its controlling shareholder (Petrobras) monitored the Operation Car Wash investigations by the Brazilian authorities, and Petrobras is also conducting an internal investigation using independent law firms. No new information was identified which would change the write-off of additional unduly capitalized expenditure recognized in 3Q14, or that would impact the methodology adopted by the Company in a material way. The Company will continue to monitor the investigations to obtain any additional information and assess its impact on the adjustments made.

2 Basis for preparing financial statements

The consolidated financial statements were prepared in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC) and the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

The individual financial statements were prepared according to the accounting practices adopted in Brazil, observing Brazilian Corporate Law, including the changes introduced by Laws No. 11.638/07 and 11.941/09, complemented by the pronouncements, guidelines and interpretations issued by the CPC. These practices do not diverge from the IFRS issued by the IASB. Individual statements are disclosed in conjunction with the consolidated financial statements.

All relevant information specific to the financial statements, and only this information, is being shown, and corresponds to the information used by the Management of the company.

The individual and consolidated value added statement (DVA) was prepared in accordance with Technical Pronouncement CPC 09 – "Value added statement" as additional information.

2.1. Basis of measurement

Historical cost was used as the value basis to prepare the financial statements, except for financial instruments evaluated at fair value and the actuarial benefit liability, recorded at the fair value of the plan's assets, deducted from the current value of the defined benefit obligation.

These financial statements for the fiscal year ending December 31, 2016 were initially authorized by the Company on March 20, 2017. However, considering that the Company has plans to go public on Brazilian market, Management decided to restate, on October 16, 2017, the financial statements to: (1) adjust their disclosures to comply with the accounting requirements applicable to public companies, specifically regarding the disclosure of information by segment, as mentioned in Note 27; and (2) carry out certain reclassifications, including items in current liabilities and operating expenses, without any changes in the respective groups of accounts between the amounts previously presented and these financial statements, nor for amounts considered relevant.

In addition, as a result of the management´s decision to grouping the shares, which took place on on November 14, 2017, as presented in note 22 - Equity, the Board of Directors of the Company, at a meeting held on November 21, 2017, authorized the re-issuance of these financial statements. Therefore, these financial statements supersede those previously approved and issued on March 20, 2017 and October 16, 2017.

3 Use of estimates and judgment

The preparation of financial statements requires the use of certain accounting estimates and also the exercise of judgment on the part of the Company's Management in the process of applying accounting policies.

The assumptions used are periodically reviewed and are based on the historical figures and on other factors considered relevant, including expectations of future events which are considered reasonable in the circumstances. The actual results may diverge from the estimated values, and material impacts may be perceived on the results and on the Company's financial situation if there are significant changes to the circumstances on which the estimates were based.

The effects of revisions made to accounting estimates are recognized in the period in which the estimates are reviewed, and also in subsequent periods if the revision affects both the present period and future periods.

Estimates that require high levels of judgment or complexity in their application are present in the following explanatory notes:

- Provision for impairment of trade receivables – Note 4.3.3
- Useful lives of property, plant and equipment and intangible assets – Note 4.10
- Impairment of property, plant and equipment and intangible assets – Note 4.11
- Deferred income tax and social contribution – Note 4.12
- Pension and other post-employment benefits – Note 4.14
- Judicial, administrative and contingency lawsuits – Note 4.15

3.1 Write-off – overpayments incorrectly capitalized

As described in Note 1.2, in the third quarter of 2014 the Company wrote off BRL 23 of capitalized costs, representing the estimated amounts that the Company had overpaid for the acquisition of property, plant and equipment.

To account for these overpayments, the Company developed an estimation methodology, as set out in Note 1.2. The Company acknowledges the degree of uncertainty involved in the estimation methodology and continues to monitor the ongoing investigations and the availability of other information concerning the amounts it may have overpaid in the context of the payment scheme. If reliable information becomes available that indicates with sufficient precision that the Company's estimate should be modified, it will evaluate the materiality and make adjustments if necessary.

However, as previously discussed, the Company believes it has used the most appropriate methodology and assumptions to determine the amounts of overpayments incorrectly capitalized, and there is no evidence that would indicate the possibility of material changes in the amounts written-off.

4 Main accounting policies

The Company applied the accounting policies in a manner consistent with the individual and consolidated financial statements presented.

Assets and liabilities with maturity terms of less than 12 months are presented as current assets or liabilities and other assets and liabilities as long term.

4.1. Functional currency

The Company's functional and presentation currency, as well that of its investees, is the Brazilian Real, which is the currency of its main operating economic environment.

4.2. Consolidation basis and corporate investments

The consolidated financial statements, which include the Company's information, the subsidiaries and their joint operations, were prepared using consistent accounting practices and, when necessary, changes are made to the statements of these investees to ensure compliance with the accounting policies adopted by the Company.

All transactions, balances, revenue and expenses between the Company, its subsidiaries and joint operations are fully eliminated in the consolidated statements. The equity interests included in the consolidation process are as follow:

	Capital participation - Subscribed, paid-up with voting rights - %	
	2016	2015
Subsidiaries (Note 13)		
Real Estate Investment Fund FCM (FII)	99.01	99.01
Stratura Asphalt S.A. - Stratura	100.00	100.00
Joint operation (Note 13)		
Brasil Carbonos S.A.(*)	49.00	49.00

(*) Brasil Carbonos is consolidated at the percentage of 49%.

Subsidiaries

Subsidiaries are consolidated from the date on which control is obtained until the date when this control ceases to exist.

The Company controls the investees when it is exposed to or has rights over the variable returns resulting from its involvement with the invested company, and has the ability to affect those returns through its power over the invested company.

The financial information of subsidiaries is recognized using the equity method in the individual financial statements of the parent company.

Joint arrangements

A joint arrangement is when two or more parties have contractually established joint control, being either a joint operation or a joint venture, depending on the rights and obligations of the parties.

In a joint operation, the participating parties have rights over the assets and obligations linked to the liabilities related to the business, and in a joint venture, the parties have rights over the business's net assets.

The Company proportionally recognizes its interest in the revenue, expenses, assets and liabilities held in relation to the joint operation in its consolidated statements, constituted as a separate legal entity. In the individual financial statements, the joint operation is recognized based on the equity method.

Investments in joint ventures are recognized using the equity method in the individual and consolidated financial statements.

Associates

An Associate is an entity over which the Company has significant influence, defined as the power to participate in decisions regarding the financial and operating policies of an investee, but without individual or joint control of these policies.

Investments in associates are recognized using the equity method in the individual and consolidated financial statements.

4.3 Non-derivative financial assets

The Company recognizes the loans and receivables initially on the date on which they originated. All other financial assets are recognized on the trade date, when the entity becomes a party to the instrument's contractual provisions.

The Company no longer recognizes a financial asset when the contractual rights to the cash flow of the asset expire, or when the Company transfers the contractual rights to receive cash flow from a financial asset, in a transaction in which essentially all of the risks and benefits of ownership of the financial asset are transferred.

The financial assets held by the Company are classified as financial assets measured at fair value through profit or loss, financial assets held to maturity and loans and receivables.

4.3.1 Financial assets measured at fair value through profit or loss

Financial assets at fair value through profit or loss are stated at fair value, and any gains or losses resulting from their remeasurement are recognized in profit or loss.

4.3.2 Financial assets held to maturity

These assets are initially recognized at fair value, plus any directly attributable transaction costs. After their initial recognition, they are measured at amortized cost using the effective interest rate method.

4.3.3 Loans and receivables

They are initially recognized at fair value, plus any applicable transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less impairment losses. Loans and receivables held by the Company are represented by cash and cash equivalents, accounts receivable and judicial deposits.

4.3.3.1 Cash and cash equivalents

These are represented in cash on hand, available bank deposits and short term financial investments with high liquidity, subject to an insignificant risk of changes in value, which are readily convertible into cash, maturing within three months from the acquisition date.

4.3.3.2 Accounts receivable

Customer accounts receivable correspond to receivables from the sale of goods or services in the ordinary course of the Company's business.

The Company recognizes the adjustment to present value, mainly for sales with receivables of 180 and 360 days, with interest embedded in customer prices, deducted from revenue (Note 23).

When the Company is a lessor under a finance lease, a customer account receivable is constituted at an amount equal to the net investment in the lease. Financial income is appropriated during the term of the agreement, reflecting the consistent periodic rate of return on the net investment under the lease.

Provision for impairment of trade receivables – Impairment of financial assets

The Company recognizes a provision for the impairment of trade receivables when there is objective evidence of impairment as a result of one or more events that occurred after the asset's initial recognition that impact the estimated future cash flow and that can be reliably estimated. Evidence of losses includes: cases of significant financial difficulties and a significant likelihood of the customer filing for bankruptcy or judicial recovery. The losses are recognized in income as a selling expense.

When an event indicates a reduction of the loss of value, this reduction in the loss amount is reversed in the result of the period during which the event occurs. The reversal is recorded as a selling expense.

The Company expects to receive past-due amounts without any loss, based on the collection policy actions that are developed and also on the guarantees presented by the customers.

Estimated losses in Electrical Energy Sector credits

All amounts relating to product supplies and contracts for the confession of debt without actual guarantees are provided (Notes 7.2 and 7.3).

4.3.3.3 Judicial deposits

Judicial deposits are presented and updated according to the nature of the corresponding causes. Deposits regarding federal taxes are updated according to the reference rate of the Special Settlement and Custody System (SELIC). Labor appeal deposits are updated at the Reference Rate (TR) plus interest of 3% per year. Other labor deposits and other deposits are updated by the TR plus interest of 6% per year.

4.4 Non-derivative financial assets

Financial liabilities are recognized on the trade date when the Company becomes a party to the instrument's contractual provisions and are written off only when the obligations cease to exist.

Financial liabilities are initially recognized at fair value, plus any applicable transaction costs. After initial recognition, they are measured at amortized cost.

4.4.1 Trade payables

Accounts payable to suppliers are obligations to pay for goods or services that were acquired in the ordinary course of business.

They are initially recorded at the fair value of the products or services acquired and subsequently measured at amortized cost using the effective interest rate method.

4.4.2 Borrowing

They are recognized at the net fair value of the transaction costs incurred and, after initial recognition, are measured at amortized cost using the effective interest rate method.

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of these assets. Borrowing costs are added to the costs of assets until such assets are ready for use. A qualifying asset is an asset that necessarily requires a substantial period of time to make ready for use.

The borrowing costs of eligible capitalization loans represent the effectively incurred costs, less any financial revenue resulting from the temporary investment of funds raised and not yet used in the acquisition or construction of qualifying assets.

All other borrowing costs are recognized in income for the year in which they are incurred.

4.4.3 Finance leases

The obligations under lease agreements with the substantial transfer of benefits, risks and control of assets are recognized in liabilities as finance leases. The liability is initially recognized at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The discount rate used is the interest rate implicit in the contracts. Financial charges are appropriated over the term of the lease, producing a constant periodic rate of interest on the liability's remaining balance.

The Company's main finance lease contracts refer to the leases of fuel distribution bases signed with the subsidiary Fundo de Investimento Imobiliário (FCM).

4.5 Derivative financial instruments and hedge activities

The Company maintains financial hedging derivative instruments for equity protection, with the purpose of reducing the risk of unfavorable variations resulting from fluctuations in foreign currency prices. These financial instruments are measured at fair value through profit or loss.

No contracts with characteristics that indicate the existence of embedded derivatives were found.

4.6Inventory

Inventory is stated as follows:

- Oil products, biofuels and raw materials are shown at the lower of the average acquisition cost and the net realizable value;

- The materials and supplies represent production inputs, operating and consumption materials that will be used in the Company's activities and are stated at the average purchase cost, which does not exceed the replacement value.

The balance of biofuels includes ethanol and biodiesel inventory balances.

The net realizable value is the estimated sales price in the ordinary course of business, less selling expenses.

The cost of inventory includes all costs of acquisition and transformation, as well as other costs required to place them in the current location and conditions.

4.7 Prepaid expenses

Prepaid expenses correspond to expenditure on insurance, rentals and subsidies granted to customers as early bonuses. These amounts are allocated to the profit or loss of the fiscal year on a linear basis according to the agreement's term.

4.8 Property, plant and equipment

Property, plant and equipment are stated at the historical acquisition or construction cost less accumulated depreciation and accumulated impairment losses, when applicable.

Acquisition costs include expenditure directly attributable to the acquisition of an asset. Costs for constructed assets include the cost of materials and direct labor, any other costs to place the assets at the location and in the condition necessary for them to be able to operate in the manner intended by Management, and borrowing costs related to qualifying assets. Loan costs for construction in progress are capitalized until these assets are ready for use.

Subsequent expenditure is capitalized only when it can be reliably measured and provided that it is probable that the Company will earn future economic benefits associated with the expenditure. Other expenditure for repairs and maintenance is recognized directly in the result, when incurred.

Gains or losses on disposals of property, plant and equipment are recognized in other operating income/expenses.

The Company's property, plant and equipment includes equipment, substantially represented by tanks, pumps and aircraft fueling units, as well as a lubricant plant and fuel distribution sites.

Depreciation is recorded using the straight line method, based on the rates determined using the estimated useful lives of the assets, reported in Note 4.10. Land is not depreciated.

Leased assets are initially measured at an amount equal to the lower of the fair value and the present value of the minimum lease payments. After initial recognition, assets are depreciated over their useful lives, considering the reasonable certainty of obtaining ownership of these assets at the end of the lease.

4.9 Intangible assets

Intangible assets are represented by expenditure on rights and concessions, goodwill and software.

Goodwill, resulting from the acquisition of subsidiaries in the fuel distribution area, is measured at cost, less accumulated impairment losses, if applicable.

Intangible assets with defined useful lives are measured at cost, less accumulated amortization and any accumulated impairment losses, when applicable.

Subsequent expenditure is only capitalized when it increases the future economic benefits embodied in the specific assets to which they relate. Other expenditure is recognized in the result, when incurred.

Amortization is recognized in the result using the straight line method, based on the estimated useful lives of the assets. The useful life of an intangible asset used for the service concession is the period from which the Company has the capacity to charge the public for the use of its infrastructure until the end of the concession period.

The amortization of the intangible asset represented by the concession for Gás Natural do Estado do Espírito Santo occurs over the term of the agreement, maturing in 2043 (Note 15.2).

Development costs directly attributable to software are recorded as intangible assets if all of the recognition criteria are met, which include, but are not limited to: expenditure measured with reliability, intent, technical and financial capacity for asset completion and the generation of probable future economic benefits for the Company.

4.10 Review of the useful life of the assets

The Company recognizes the depreciation and amortization of its assets using rates determined based on their estimated useful lives. Depreciation and amortization methods are reviewed annually and any adjustments are recognized prospectively, as changes in accounting estimates.

In 2016, the Company reviewed the economic useful lives of property, plant and equipment and intangible assets, based on reports from external assessors, only identifying changes in the useful lives of equipment from 4-25 years to 4-24 years.

The change in useful lives estimates for these assets reduced the annual depreciation expenses of 2016 by BRL 0.2.

The estimated economic useful lives is as follows:

Assets	Estimated useful life (in years)	In years
Property, plant and equipment	Buildings and Improvements	25 to 60
	Equipment and other assets	4 to 24
	Distribution - fuel pump	15
	Distribution - tanks	20
Intangible assets	*Software*	4

4.11 Asset impairment

The Company assesses the property, plant and equipment and intangible assets with a defined useful life when there are indications of the non-recoverability of their book value. The recoverable amount of an asset is the greater of: (a) the fair value less costs that would be incurred to sell it; and (b) its value in use. These assessments are carried out at the lowest level of assets for which identifiable cash flow exists. In 2016, based on Management's judgment, no indication of impairment was identified for these assets.

The recovery value of goodwill is tested annually, regardless of whether there are indications of loss of value. In order to determine whether the recoverable amount of goodwill has seen a reduction, it is necessary to estimate the value in use of the cash-generating units to which the goodwill has been allocated.
The value in use is estimated based on the present value of future cash flow, using assumptions related to the Company's strategic plan, projected for the years 2017 to 2030, with the latter being projected forward, considering a real discount rate of 7.2% (6.4% in 2015).

The main assumptions are:

- Price: price curve derived from the Petrobras Business and Management Plan, considering transactions between independent parties;
- Volume: Derivative demand curves from the Petrobras Business and Management Plan; and
- Operating costs, which can be determined at historical rates presented or projected costs in the Company's budget.

Cash flow was adjusted to meet the assumptions of Technical Pronouncement CPC 01 – Impairment of Assets, that is, financing activities, financial results unrelated to the Company's normal activity, capital contributions, dividend payments and inputs/outflows related to loans were disregarded. Cash flow resulting from the continued use of related assets is adjusted to reflect the specific risks and use the pre-tax discount rate. This rate is derived from the post-tax rate structured as part of the Weighted Average Cost of Capital (WACC).

No impairment losses were identified in the goodwill test.

4.12 Income tax and social contribution

Management periodically assesses the positions taken in relation to the determination of the income tax with respect to situations in which the applicable tax regulations are open to interpretation and establishes provisions, when appropriate, based on the estimated amounts of payments to be made to the tax authorities.

The current income and social contribution taxes are calculated based on the taxable profit, applying current rates at the end of the period being reported.

Deferred taxes and social contribution are recognized based on temporary differences between the accounting values of assets and liabilities for the purpose of financial statements, and those used for taxation.

Deferred tax liabilities are generally recognized based on all of the taxable temporary differences, and deferred tax assets are recognized only in proportion to the probability that the future taxable profit will be available, and against which temporary differences can be used.

The balance of deferred tax assets is reviewed at the end of each year, and when it is no longer probable that future taxable income will be available to enable the recovery of all or part of the asset, the asset balance is adjusted by the amount expected to be recovered.

Income tax and social contribution are recognized in the income statement, except in proportion as they relate to items directly recognized in equity (comprehensive income). In this case, the tax is also recognized in shareholders' equity (comprehensive income).

The Company presents deferred income tax and social contribution on a net basis, when the deferred tax assets and liabilities are related to the tax expenses of the same tax authority and the same legal entity.

4.13 Customer advances

Customer advances correspond to contractual obligations resulting from advance payments received from customers for the future delivery of products and for establishing marketing funds.

Customer advances are recognized as revenue at the time when the products are actually delivered.

The marketing fund involves establishing a fund formed by the contribution of the reseller points, where each reseller benefits from all publicity and promotion actions developed by the Company.

The value of the fund is established through payments for the marketing actions, which are not recorded in the result.

4.13.1 Petrobras Premmia Program

Petrobras Premmia – The Company's loyalty program is one of the main programs funded by the resources available in the marketing fund.

These resources are used to purchase different types of promotional items (airline miles, events and products, among others) that are made available to plan participants, limited to availability.

Due to the program, the Company may also enter into partnerships with other companies, by virtue of which participants may obtain discounts to purchase goods and/or services offered by them.

Under no circumstances will the Company be responsible to the participants for the fulfillment of the obligations assumed by such companies in the partnerships mentioned in the previous item.

The partnerships of the Petrobras Premmia Program may be terminated or suspended by the Company, at its sole discretion, regardless of previous notice to the participants.

Program partners are responsible for the products and/or services they provide for redemption.

4.14 Employee benefits

Actuarial commitments for pension and retirement benefit plans and medical assistance plans are provisioned based on the actuarial calculations prepared annually by an independent actuary, according to the projected unit credit method, net of the plan's guarantor assets, when applicable.

Actuarial assumptions include: demographic and economic estimates, estimates of medical costs, as well as historical data on employee expenses and contributions. Principle uses include:

- Discount rate – comprises the projected inflation curve based on the market plus real interest calculated at an equivalent rate that combines the maturity profile of pension and health obligations at the future yield curve of the Brazilian government's longer term securities; and

- Variation rate for medical and hospital costs – an assumption represented by the projected growth rates of medical and hospital costs, based on the Company's disbursement history for each individual (per capita) over the last five years, which equals the overall inflation rate of the economy over 30 years.

The projected credit unit method considers each period of service as a trigger for an additional benefit unit, which are accumulated for the computation of the final obligation.

Changes in the net defined benefit obligation are recognized when they are incurred, as follows: i) service costs and net interest in the result for the fiscal year; and ii) reassessments in other comprehensive income.

The cost of the service is comprised of: i) the current service cost, which is the increase in the present value of the defined benefit obligation resulting from the service provided by the employee in the current period; (ii) the past service cost, which is the change in the present value of the defined benefit obligation arising from services provided by employees in previous periods, resulting from the change (introduction, change or cancellation of a defined benefit plan) or reduction (a significant reduction by the entity in the number of employees covered by a plan); and iii) any settlement gain or loss.

The net interest on the net amount of the defined benefit liability is the change in the net amount of the defined benefit liability during the period, resulting from the passage of time.

Reassessments of the net amount of defined benefit liability recognized in equity, in other comprehensive income, comprised of: i) actuarial gains and losses; and ii) return on the plan's assets, less the interest revenue earned by these assets.

The Company contributes to the defined contribution plans, the percentages of which are based on the payroll, and these contributions are recorded in the result when they are incurred.

4.15 Provisions and contingent liabilities

The Company is involved in several legal and administrative proceedings involving civil, tax, labor and environmental matters resulting from the ordinary course of its operations, whose estimates used for determining the amounts of the obligations and the probability of an outflow of resources are made by the Company, based on reports from its legal advisers and Management rulings.

Provisions are recognized when:
(i) The Company has a present or non-formalized obligation (constructive obligation) as a result of events that have already occurred;
(ii) It is probable that an outflow of resources will be required to settle the obligation; and (iii) The amount can be estimated with reasonable certainty.

Contingent liabilities (unlikely losses) are not recognized, but are disclosed in explanatory notes when the likelihood of an outflow of resources is possible.

4.16 Share capital and shareholder remuneration

The share capital is represented by common shares.

When proposed by the Company, stockholder remuneration is performed in the form of dividends and/or interest on shareholders' equity, based on the limits defined in the Company's Bylaws and current legislation.
Interest on shareholders' equity is recognized in liabilities and treated in the same way as dividends.

The tax benefit of interest on shareholders' equity is recognized in the result for the year.

4.17 Operating commercial leases

Leases in which a significant portion of the asset's ownership risks and benefits remain with the lessor are classified as operating leases, and the payments are recognized as expenses in the income statement using the straight line method over

the term of the contract. Contingent payments arising from operating leases are recognized as an expense in the period in which they are incurred.

In cases in which the Company is a lessor, the rental income is recognized in the income statement, in other operating income, using the straight line method over the term of the lease.

4.18 Revenue recognition

Revenue is recognized when its value can be measured reliably, the most significant risks and benefits inherent to the ownership of the assets are transferred to the buyer, and it is probable that the Company will receive future economic benefits.

Sales revenue is measured at the fair value of the return received or receivable from the sale of products and services in the ordinary course of the Company's business. It is presented net of taxes, returns, discounts, interest embedded in the prices of products, appropriations of bonuses granted to customers and performance bonuses.

The Company markets fuels such as gasoline, diesel, aviation kerosene, ethanol, natural gas and fuel oil and lubricants, among others. These products are mainly purchased from the parent company, Petrobras, and are resold to service stations, industrial customers airlines, governments, transportation companies, thermal power plants and retail dealers, among other consumers.

4.19 Revenue and financial, monetary and exchange costs

These are recognized on an accruals basis and are represented by interest on loans to customers, financial investments, monetary restatements of loans, monetary restatements of operations with Petrobras, foreign exchange variations and other financial operations. Financial costs exclude loan costs that are capitalized as part of the asset's cost.

4.20 Segment reporting

Information by operating segment is presented in a manner consistent with the internal report provided to the chief operating decision maker. The Executive Board is the chief operating decision maker responsible for the allocation of resources and for the performance evaluation of the operating segments.

The accounting information by operating segment (business area) of the Company is prepared based on the items directly attributable to the segment, as well as those that can be allocated to it on a reasonable basis.

Transactions with third parties are considered in the calculation of the segment results.

There are no transfers between the business areas.

The Company"s business information is segmented into the following areas:

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 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 services abroad and the domestic market.

Items that cannot be attributed to other areas are allocated to the Corporate Bodies group, especially those related to corporate financial management, overheads related to Central Management and other expenses, including actuarial expenses related to pension and health plans for retirees and beneficiaries.

5 New standards and interpretations

The main standards issued by the IASB that have not yet come into force and had not yet been adopted by the Company on December 31, 2016 are as follows:

IFRS 9 - "Financial Instruments"

This standard establishes a new model for classifying financial assets, based on the characteristics of the cash flow and the business model used to manage the asset. It changes the principles for the recognition of impairment losses incurred for a model based on expected losses. It institutes new requirements related to hedge accounting. The effective date is January 1, 2018.

The Company is assessing the standard, mainly in relation to a provision for doubtful accounts related to trade receivables, using a provision matrix based on historical experience which will consider a prospective view. These analyses are being prepared and will be measured and disclosed in the financial statements for the year ended 31 December 2017.

IFRS 15 – "Revenue from Customer Contracts"

This standard establishes new principles for the recognition, measurement and disclosure of revenue from customers. The requirements of IFRS 15 stipulate that revenue should be recognized when the customer obtains control over the goods or services sold, which changes the current model, which is based on the transfer of risks and benefits. In addition, the new standard lends further clarification on revenue recognition in complex cases. The effective date is January 1, 2018.

So far, based on the studies carried out, the Company does not expect a significant impact. However, the final conclusion depends on further analysis.

IFRS 16 – "Leases"

On January 13, 2016, the IASB issued IFRS 16 "Leases", which will be effective from January 1, 2019 and will replace IAS 17 "Leases", as well as the related interpretations.

IFRS 16 sets out principles for the identification, recognition, measurement, presentation and disclosure of leases, by both lessees and lessors.

Among the changes for lessees, IFRS 16 will eliminate the classification between the finance and operating leases required by IAS 17. Thus, there will be a single model under which all leases will result in the recognition of assets related to the rights to use of the leased assets. If the payments foreseen under commercial leases are due over time, financial liabilities should also be recognized.

IFRS 16 will maintain the classification for lessors between finance and operating leases required by IAS 17. As such, IFRS 16 should not substantially change the way leases will be accounted for by lessors compared to IAS 17.

The Company has a large number of lease agreements as lessee for several assets, such as equipment, real estate and land (mainly where fueling stations are located).

The Company is currently in the process of estimating the impact of this new standard on such contracts. The estimated lease term is included in this analysis, considering the non-cancellable period and the additional periods covered if the option to extend the lease is exercised, in those cases in which there is reasonable certainty regarding the option to extend the term, which will mostly depend on the expected use of the Company's assets installed on the leased assets.

In addition to the lease term, assumptions will be used to calculate the discount rate, which will mainly depend on the incremental financing rate for the estimated periods.

Due to the complexity of the estimates and the large number of contracts, the Company has not yet completed the implementation process, such that at the end of the fiscal year on December 31, 2016, it was not possible reasonably to estimate the impact of this standard's application. However, considering the volume of existing contracts, the Company estimates that the impacts of the implementation of IFRS 16 on its financial statements will be significant, including the recognition of the right to use the assets and the corresponding obligations under the contracts that are classified as operating leases according to the current standard. In addition, amortizations of the right to use the assets and the recognition of interest on the lease obligation will replace a significant portion of the amount recognized as expenses in the statement of income for operating leases.

6 Cash and cash equivalents

	Consolidated		Parent Company	
	2016	2015	2016	2015
Cash and banks	63	609	61	607
Financial investments	592	201	381	-
Total	**655**	**810**	**442**	**607**

The financial investments corresponding to the country's investment funds have their resources invested in Brazilian federal public securities and are immediately redeemable. In the event of redemption within the first 30 days of the investment, IOF tax on income shall apply based on the regressive table.

7 Accounts receivable, net

	Consolidated		Parent Company	
	2016	2015	2016	2015
Related parties (Note 30)				
Receivables fund - FIDC - NP (Note 31.2)	2,776	2,766	2,770	2,711
Power sector - Isolated system (Note 7.2)	9,165	8,528	9,165	8,528
Federal government customers	77	124	77	124
Petrobras System companies, except for the power sector - isolated system	294	306	426	391
Total related parties (Notes 31.1.1 and 31.2)	**12,312**	**11,724**	**12,438**	**11,754**
Third Parties				
Customers and other accounts receivable (a) (b)	6,481	6,699	6,391	6,604
Power sector - Isolated system - third parties (Note 7.2)	1,131	1,216	1,131	1,216
Total third parties	**7,612**	**7,915**	**7,522**	**7,820**
Total accounts receivable (Note 7.1)	**19,924**	**19,639**	**19,960**	**19,574**
Provision for impairment of trade receivables				
Third Parties	(2,947)	(2,664)	(2,907)	(2,659)
Related parties	(3,048)	(2,655)	(3,048)	(2,655)
Total provision for impairment of trade receivables	**(5,995)**	**(5,319)**	**(5,955)**	**(5,314)**
Accounts receivable - net	**13,929**	**14,320**	**14,005**	**14,260**
Accounts receivable (current assets), net	7,679	8,114	7,761	8,098
Accounts receivable (non-current assets), net	6,250	6,206	6,244	6,162

	Consolidated		Parent Company	
Change in provision for impairment of trade receivables	2016	2015	2016	2015
Opening balance	**(5,319)**	**(2,400)**	**(5,314)**	**(2,393)**
Additions	(1,018)	(3,211)	(983)	(3,210)
Write-offs	-	7	-	7
Reversals	342	285	342	282
Closing balance	**(5,995)**	**(5,319)**	**(5,955)**	**(5,314)**
Provision for impairment of trade receivables (current assets)	(1,916)	(2,303)	(1,909)	(2,298)
Provision for impairment of trade receivables (non-current assets)	(4,079)	(3,016)	(4,046)	(3,016)

(a) This includes the balance of tax credit rights with the State Governments of Rio de Janeiro and São Paulo (BRL 24 in 2016 and BRL 29 in 2015) – Note 30.
(b) It includes the balance of loans receivable (BRL 842 in 2016 and BRL 881 in 2015) – Note 7.4.

Net estimated losses in doubtful accounts in the fiscal year, amounting to BRL 676 (BRL 2,919 in 2015), with BRL 641 in the Parent Company (BRL 2,921 in 2015), were recognized as selling expenses (Note 25).

The Company currently has BRL 4,391 in accounts receivable through judicial recovery (BRL 1,412 in 2015), with BRL 1,732 in current assets and BRL 2,659 in non-current assets.

7.1 Composition of the accounts receivable balances – past due and not yet due

On December 31, 2016, the customers' past-due accounts receivable totaled BRL 6,557 (BRL 6,498 in the Parent Company), of which BRL 5,714 (BRL 5,674 in the Parent Company) was reduced to its recoverable amount. The balance of accounts receivables not yet due of BRL 281 (BRL 281 in the Parent Company) has been reduced to its recoverable amount.

	Consolidated					
	2016			2015		
	Trade receivables, gross	Impairment of trade receivables	Trades receivable, net of impairment of trade receivables	Trade receivables, gross	Impairment of trade receivables	Trades receivable, net of impairment of trade receivables
Overdue						
Up to 3 months	293	80	213	888	260	628
3 to 6 months	103	8	95	357	236	121
6 to 12 months	1,416	1,260	156	2,248	1,939	309
Over 12 months	4,745	4,366	379	2,023	1,641	382
Total	**6,557**	**5,714**	**843**	**5,516**	**4,076**	**1,440**
Outstanding (excluding FIDC transactions)	10,591	281	10,310	11,357	1,243	10,114
FIDC	2,776	-	2,776	2,766	-	2,766
Total	**19,924**	**5,995**	**13,929**	**19,639**	**5,319**	**14,320**

	Parent Company					
	2016			2015		
	Trade receivables, gross	Impairment of trade receivables	Trades receivable, net of impairment of trade receivables	Trade receivables, gross	Impairment of trade receivables	Trades receivable, net of impairment of trade receivables
Overdue						
Up to 3 months	285	79	206	882	260	622
3 to 6 months	99	8	91	351	236	115
6 to 12 months	1,412	1,260	152	2,244	1,939	305
Over 12 months	4,702	4,327	375	1,987	1,636	351
Total	**6,498**	**5,674**	**824**	**5,464**	**4,071**	**1,393**
Outstanding (excluding FIDC transactions)	10,692	281	10,411	11,399	1,243	10,156
FIDC	2,770	-	2,770	2,711	-	2,711
Total	**19,960**	**5,955**	**14,005**	**19,574**	**5,314**	**14,260**

7.2 Composition – Electrical energy sector (Isolated system)

	Consolidated					
	2016			2015		
	Outstanding	Overdue	Total	Outstanding	Overdue	Total
Accounts receivable						
Eletrobras Group	6,230	2,860	9,090	5,943	2,500	8,443
Petrobras Group	-	75	75	-	85	85
Third Parties	62	1,069	1,131	801	415	1,216
	6,292	4,004	10,296	6,744	3,000	9,744
(-) Provision for impairment of trade receivables						
Electrical energy sector - Eletrobras Group companies	(166)	(2,860)	(3,026)	(351)	(2,285)	(2,636)
Electrical energy sector - third parties	(48)	(1,069)	(1,117)	(780)	(314)	(1,094)
	(214)	(3,929)	(4,143)	(1,131)	(2,599)	(3,730)
Total	**6,078**	**75**	**6,153**	**5,613**	**401**	**6,014**
Related parties	6,064	75	6,139	5,592	300	5,892
Third Parties	14	-	14	21	101	122

7.3 Transactions in accounts receivable from customers – Electrical energy sector (Isolated system)

	Balance on December 31, 2015	Billings	Receipts	Provision for impairment of trade receivables		Inflation Adjustment	Balance on December 31, 2016
				Constitution	Reversal		
Related parties (Eletrobras Group)							
Amazonas Distribuidora de Energia	4,499	1,577	(1,655)	(388)	23	596	4,652
Centrais Elétricas de Rondônia - CERON	1,047	175	(233)	(6)	6	152	1,141
Centrais Elétricas do Norte - ELETRONORTE	4	4	(8)	-	-	-	-
Cia de Eletricidade do Acre - ELETROACRE	125	175	(193)	(49)	41	37	136
Eletrobras Roraima (Boa Vista Energia S.A.)	132	133	(134)	(39)	22	21	135
Eletrobras Group net accounts receivable	**5,807**	**2,064**	**(2,223)**	**(482)**	**92**	**806**	**6,064**
Related parties (Petrobras Group)							
Breitener Jaraqui	49	3	(2)	-	-	-	50
Breitener Tambaqui	23	4	(4)	-	-	-	23
Manauara	13	25	(36)	-	-	-	2
Petrobras Group net Accounts Receivable	**85**	**32**	**(42)**	-	-	-	**75**
Third Parties							
Alcoa World Alumina Brasil LTDA	22	113	(122)	-	-	-	13
Centrais Elétricas do Pará - CELPA	97	380	(422)	(164)	109	-	-
Centrais Elétricas Matogrossenses - CEMAT	1	12	(12)	-	-	-	1
Cia de Eletricidade do Amapá - CEA	-	3	(8)	(78)	73	10	-
Cia de Energia de Pernambuco - CELPE	-	13	(13)	-	-	-	-
Cia de Energia de Roraima - CER	-	20	(20)	-	-	-	-
Geradora de Energia do Amazonas - GERA	2	24	(35)	-	9	-	-
Rio Amazonas Energia - RAESA	-	27	(55)	-	28	-	-
Third Party Net Accounts Receivable	**122**	**592**	**(687)**	**(242)**	**219**	**10**	**14**
Total net accounts receivable	**6,014**	**2,688**	**(2,952)**	**(724)**	**311**	**816**	**6,153**
Accounts receivable from the Eletrobras Group	8,443	2,064	(2,223)	-	-	806	9,090
(-) Provision for impairment of trade receivables	(2,636)	-	-	(482)	92	-	(3,026)
Total net accounts receivable from the Eletrobras Group	**5,807**	**2,064**	**(2,223)**	**(482)**	**92**	**806**	**6,064**
Accounts receivable from the Petrobras Group	85	32	(42)	-	-	-	75
(-) Provision for impairment of trade receivables	-	-	-	-	-	-	-
Total net accounts receivable from the Petrobras Group	**85**	**32**	**(42)**	-	-	-	**75**
Accounts receivable from third parties	1,216	592	(687)	-	-	10	1,131
(-) Provision for impairment of trade receivables	(1,094)	-	-	(242)	219	-	(1,117)
Total net accounts receivable from Third Parties	**122**	**592**	**(687)**	**(242)**	**219**	**10**	**14**
Total accounts receivable	9,744	2,688	(2,952)	-	-	816	10,296
(-) Provision for impairment of trade receivables	(3,730)	-	-	(724)	311	-	(4,143)
Total net accounts receivable	**6,014**	**2,688**	**(2,952)**	**(724)**	**311**	**816**	**6,153**

The Company provides fuel oil and diesel oil to thermal power plants (Eletrobras subsidiaries), state concessionaires and Independent Power Producers (PIEs), which make up the isolated power system and mainly cover all of the country's northern states. This system is related to public power distribution services to areas that are not normally electrically connected to the Brazilian National Interconnected System (SIN), for technical or economic reasons.

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

In light of this scenario, on December 31, 2014, the Company and the Eletrobras Group companies signed confession of indebtedness agreements in the amount of BRL 5,344 (BRL 5,194 refers to the Company's portion and BRL 150 refers to Petrobras' portion), covering matured debts up to November 30, 2014, adjusted at the SELIC rate, for the payment of 120 consecutive monthly installments, beginning in February 2015.

Part of the confession of indebtedness was guaranteed by a pledge of credits in the amount of BRL 5,233 (BRL 126 referring to bonds endorsed by Petrobras) from the Energy Development Account (CDE), the purpose of which is to provide resources for CCC expenditure related to the generation of energy in the isolated system, among others.

To mitigate the effects of worsening defaults by companies in the sector, the Brazilian Electricity Regulatory Agency (ANEEL) published Normative Resolution No. 679, dated September 1, 2015. This Resolution was intended to expedite the release of resources to fuel suppliers, due to the possibility of a preliminary reimbursement of up to 75% of the average value of invoices for the last three months directly by the CCC to creditor agents, which did not occur, aggravating the default of these customers before the Company. As a result, the Company recognized a provision for the impairment of trade receivables (PECLD) in 2015 of BRL 2,456, given unsuccessful attempts to conclude negotiations to sign new confession of indebtedness agreements and pledge agreements to guarantee credits from the CDE.

In the period ending December 31, 2016, the Company recognized additional PECLD in the amount of BRL 390, net of reversals, mainly related to new supply provided under a court order (injunction).

In this context, the Company adopted the following measures relating to receivables past due for the supply of petroleum products:

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

- Legal collection of default debts on sale and purchase agreements with companies of the Eletrobras Group (Amazonas, Acre, Rondônia and Roraima), and the confession of indebtedness agreement signed by CEA (Power Company of the State of Amapá); and

- Registration of the Eletrobras Group companies (Amazonas, Acre, Rondônia and Roraima) in the CADIN (Registry of Outstanding Debts to the Federal Government).

The maintenance of the debt balance in the electrical energy sector in 2016 at the same level as in 2015 results from the amortization of debt in two stages established in the confession of indebtedness agreements, with 15% amortization of the renegotiated value in the first stage, in the first 36 months, and the remaining 85% in 84 installments beginning in January 2018. Therefore, the Company expects an increase in 2018 of the amortization installments, and a progressive reduction of the debt's balance with the electrical energy sector, since the installments will surpass the net financial income by updating the confession of indebtedness agreements.

As discussed in Note 33 – "Subsequent Events" in the financial statements for the year ended 31 December 2016, the Extraordinary General Shareholders' Meeting on August 31, 2017, approved the partial split of the Company, with the incorporation of the split portion into Downstream Participações Ltda. (a Petrobras subsidiary), in the amount of BRL 6,339 million. Despite this, the negotiations with Eletrobras have continued, in order to obtain new real guarantees to allow the Companyto obtain the settlement of the debt related to defaults by the companies of the Petrobras System.

The partial split didn't include the receivables from sales of goods which occured after November 30, 2014, the amounts of which have full allowance for doubtful accounts.

7.4 Loans receivable

Redemption loans refer to borrowing in kind granted to customers with real guarantees, endorsements or sureties, for the main purpose of deploying or upgrading service stations, as well as establishing installment plans for overdue debt. The Company has BRL 842 in loans receivable, not including the isolated system of the electrical energy sector (BRL 881 in 2015).

Financial charges derived from reimbursable financing mainly correspond to the IGP-M (Brazilian Market General Price Index) variations, or the Reference Rate, plus interest of 1% per month and the average debt installment charges of CDI + 1% per month. Amortization periods are established and agreed upon in agreements.

8 Inventory

	Consolidated		Parent Company	
	2016	2015	2016	2015
Products for sale				
Oil products				
Gasoline	353	251	353	251
Diesel oil	946	1,060	946	1,060
Fuel oil	129	208	129	208
Other	489	569	489	569
Bio-fuels	566	512	566	512
	2,483	2,600	2,483	2,600
Other products	195	243	185	234
Total	**2,678**	**2,843**	**2,668**	**2,834**

No net realizable value reduction in inventory was recorded in 2016 and 2015.

9 Taxes and contributions recoverable

	Consolidated		Parent Company	
	2016	2015	2016	2015
Current assets				
ICMS (Tax on Product Circulation)	335	285	324	279
Income tax	161	76	160	75
Social contribution	58	24	58	23
Other taxes	37	39	19	28
Subtotal	**591**	**424**	**561**	**405**
Non-current assets				
ICMS (Tax on Product Circulation)	366	377	307	331
Subtotal	**366**	**377**	**307**	**331**
Total	**957**	**801**	**868**	**736**

The Company's credits are mainly composed of: (i) Income tax and Social Contribution on Recoverable Profit based on the income for the year 2016 (BRL 218); (ii) ICMS Tax Replacement to be reimbursed by the States in interstate operations involving oil products, on which tax was withheld in the State of origin and transferred to the State of destination at a lower value, mainly the States of Bahia (BRL 88), Maranhão (BRL 79), Amazonas (BRL 44), Rio de Janeiro (BRL 22), Pernambuco (BRL 22) and Pará (BRL 14); (iii) ICMS to be refunded by the State of Espírito Santo, regarding the purchase of natural gas with Tax Replacement in the State of origin (BRL 94); (iv) credits to be returned by the State of Mato Grosso, through the administrative proceeding which established there was over-collection of prepayments (BRL 78); and (v) various agreements signed with State Departments of Taxation and Finance involving the reimbursement of ICMS to the Company (BRL 84).

10 Deferred income tax and social contribution

(a) Grounds for carrying out

Nature	Consolidated		Parent Company		Fundamentals for realization
	2016	2015	2016	2015	
Accounts receivable, prepaid expenses and borrowing					
Absorption of conditional financing	521	381	521	381	End of borrowing agreements
Provision for impairment of trade receivables	1,430	1,362	1,419	1,362	Loss receipt or realization
Provision for contingencies					
Provision for contingencies	711	376	711	375	Lawsuits representing probable losses for the Company
Post-employment benefits					
PETROS Obligation - Inactive futures	226	176	225	175	According to percentage based on the actuarial report, which is updated annually
Actuarial losses - CPC 33	417	179	417	179	Annually, on the occasion of the new calculations
Property, plant and equipment					
Provision for loss through devaluation of assets	99	101	99	101	The realization is through the sale or definitive write-off of the establishment
Depreciation - revision of estimated useful lives	(59)	(30)	(58)	(28)	The depreciation of property, plant and equipment (company's depreciation adjustments in relation to tax deduction allowed)
Finance leases					
Finance leases	199	208	199	208	Payment of the contractual commitments
Use rights - finance leases	(242)	(222)	(242)	(222)	Realization through depreciation, disposal or incorporation
Revenue on disposal of Real Estate Receivables Certificates (CRIs)	6	7	6	7	For carrying out the revenue
Discount of judicial bonds	13	15	13	15	For the settlement of securities
Voluntary Dismissal Incentive Program - PIDV	151	33	151	33	Through compensation payments at the time of the shutdown of the official
Monetary correction of judicial deposits	(96)	(84)	(96)	(84)	On the occasion of the lawsuit
Other	49	56	49	55	
	3,425	**2,558**	**3,414**	**2,557**	
Deferred income tax	2,518	1,880	2,510	1,880	
Deferred social contribution	907	678	904	677	

(b) Transactions

							Consolidated	Parent Company
The record source of the deferred income tax and social contribution	**Property, plant and equipment**	**Accounts receivable, prepaid expenses and borrowing**	**Finance leases**	**Provision for lawsuits**	**Post-employment benefits**	**Other**	**Total**	**Total**
At January 1, 2015	**(97)**	**682**	**2**	**122**	**326**	**(51)**	**984**	**983**
Recognized in income for the year	168	1,061	(9)	254	44	71	1,589	1,589
Recognized in equity	-	-	-	-	(15)	-	(15)	(15)
At 31 December, 2015	**71**	**1,743**	**(7)**	**376**	**355**	**20**	**2,558**	**2,557**
Recognized in income for the year	(31)	208	(30)	335	50	97	629	619
Recognized in equity	-	-	-	-	238	-	238	238
At December 31, 2016	**40**	**1,951**	**(37)**	**711**	**643**	**117**	**3,425**	**3,414**

(c) Estimation of realization

Period	Deferred income tax and CSLL (Net Profit Social Contribution)	
	Consolidated	Parent Company
2017	575	575
2018	350	349
2019	721	717
2020	852	849
2021	289	286
2022	174	174
2023	174	174
from 2024 onward	290	290
At December 31, 2016	**3,425**	**3,414**
At December 31, 2015	**2,558**	**2,557**

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

Reconciliation of taxes calculated using nominal rates, and the value of taxes recorded in the years 2016 and 2015 are as follow:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Loss before tax	(637)	(1,935)	(629)	(1,939)
Income tax and social contribution at nominal rates (34%)	217	658	214	659
Settings for calculating effective rate:				
• Interest on capital	254	246	254	246
• Supplementary medical care - AMS	(67)	(52)	(67)	(52)
• Write-off of tax credits (non-recoverable)	(27)	(6)	(27)	(6)
• Equity	(1)	-	(4)	(2)
• Tax incentives	12	22	12	22
• Other additions/permanent exclusions, net	(22)	(89)	(22)	(89)
• Other items	(44)	(5)	(46)	-
Income tax and social contribution provision expense	**322**	**774**	**314**	**778**
Current income tax and social contribution	(307)	(815)	(305)	(811)
Deferred income tax and social contribution	629	1,589	619	1,589
	322	**774**	**314**	**778**
Effective rate of income tax and social contribution	50.5%	40.0%	49.9%	40.1%

11 Prepaid expenses

	Consolidated		Parent Company	
	2016	2015	2016	2015
Advance bonuses granted to customers	1,959	2,142	1,959	2,142
Rentals/ leases	201	205	201	205
Other	29	24	29	24
Total	**2,189**	**2,371**	**2,189**	**2,371**
Current	587	498	587	498
Non-current assets	1,602	1,873	1,602	1,873

Early bonuses granted to customers correspond to the installments paid in kind, and in the form of products, under conditions pre-established with such customers. Once enacted, these agreements were deemed unenforceable and absorbed by the Company.

The Company recorded such absorbable installments in its income in proportion to the agreement term periods, as a reduction of gross revenue, in the Parent Company and Consolidated reports, amounting to BRL 542 (BRL 412 in 2015) (Note 23).

12 Judicial deposits

	Consolidated		Parent Company	
	2016	2015	2016	2015
Taxes	680	577	659	557
Labor	167	127	167	127
Civil cases	94	86	94	86
Environmental	9	8	8	8
Total	**950**	**798**	**928**	**778**

The Company maintains BRL 192 (BRL 159 in 2015) in judicial deposits for provisioned lawsuits (Note 28.1.1); BRL 366 (BRL 284 in 2015) for possible contingencies; BRL 324 (BRL 280 in 2015) in deposits for proceedings that list the Company as a plaintiff, among others.

13 Investments

13.1 Summary accounting information on subsidiaries, joint arrangements and associates

The table below presents the total assets, liabilities and results of the investees, no in proportion to the Company's interest.

			Joint arrangement					
	Subsidiaries		Joint operation	Joint ventures				Associate
	Fundo de Investimento Imobiliário FCM (a)	Stratura	Brasil Carbonos	CDGN (b)	Brasil Supply (b)	Energética Camaçari Muricy II	Pecém Energia	BRF Biorefinos (b)
Assets								
Current assets								
Cash and cash equivalents	202	2	19	4	-	1	-	23
Other current assets	123	98	6	9	65	-	-	-
Non-current asset	537	98	11	10	6	-	-	-
Investments	-	-	-	-	-	-	-	-
Property, plant and equipment	355	16	102	48	658	-	-	21
Intangible assets	-	1	-	-	3	-	-	-
Total Assets	**1,217**	**215**	**138**	**71**	**732**	**1**	**-**	**44**
Passive								
Current liabilities								
Loans and financing	91	-	37	4	87	-	-	-
Other current liabilities	154	108	5	6	73	1	1	-
Non current liabilities								
Loans and financing	973	-	2	13	472	-	-	-
Other non-current liabilities	42	4	1	3	112	-	-	-
Shareholders' equity attributable to the Parent Company								
Share Capital	-	93	37	39	210	2	2	22
Other	(43)	10	56	6	(222)	(2)	(3)	22
Total Liabilities	**1,217**	**215**	**138**	**71**	**732**	**1**	**-**	**44**
Results								
Net operating revenue	3	407	52	27	83	-	-	-
Gross profit	3	28	13	6	23	-	-	-
Profit/(net loss) for the year	(52)	(20)	12	(2)	(16)	-	(1)	1
Percentage of participation - %	99.01%	100.00%	49.00%	49.00%	0.38%	50.00%	45.00%	49.00%
Depreciation and amortization	-	(2)	(2)	(6)	(14)	-	-	-
Interest revenue	78	14	1	-	-	-	-	2
Interest expense	(6)	(5)	(2)	(2)	(32)	-	-	-
Expenditure / Income from IR and CS - current and def	-	10	(2)	-	(1)	-	-	-

(a) Shares
(b) Position at November 30, 2016

The shareholdings held by the Company do not include shares traded on the stock exchange.

13.2 Description of the activities of subsidiaries

a) Fundo de Investimento Imobiliário (FII FCM)

The purpose of this entity is to acquire and/or to build, through purchase and sale agreements, real estate including terminals, bases, fueling stations and a lubricants factory owned by the Company. FII FCM is managed by Rio Bravo Investimentos S.A. Distribuidora de Títulos e Valores Mobiliários. The assets under construction by FII relate to the Lubrax Expansion Project.

Under the applicable regulations, FII FCM cannot grant loans or advances to its quotaholders.

The Company is obligated to provide resources in the event that FII FCM does not have the resources to bear the costs and expenses related to any payment or indemnification due under the terms of its founding instruments and prospectuses for the issuance of Real Estate Receivables Certificates (CRIs).

b) Stratura Asfaltos S.A.

The main activities of this entity, headquartered in the city of São Paulo, are the production and commercialization of emulsions and asphalt products in general, chemicals, lubricating oils, greases, as well as the provision of administrative and technical services, including those related to asphalt paving and other services correlated.

The raw materials used in the production process are mainly acquired from the parent company Petrobras.

13.3 Description of the joint operation

Brasil Carbonos S.A.

The main activity is the construction and/or operation of plants for the storage and processing of green petroleum coke, and it can process, mix and benefit from all forms of carbonaceous and solid fuel products of national or foreign origin and is domiciled in the city of Cosmópolis, São Paulo.

Participation in Brasil Carbonos allows the Company to play the role of logistics operator for green petroleum coke for the Petrobras Group. The processed product is processed and stored by Brasil Carbonos and distributed to the refineries of the Petrobras Group.

13.4 Description of the activities of joint ventures

a) CDGN Logística S.A.

Its main activities are the provision of transportation, compression and marketing services for natural gas and biogas, compressed or liquefied, and the transportation, loading and delivery of oil and natural gas products throughout the national territory, headquartered in the city of Rio de Janeiro.

b) Brasil Supply S.A.

Its purpose is to provide logistics services, port operations, storage and handling of cargo, fuels, lubricants and chemicals, consulting in the commercial and industrial engineering, sanitary and environmental areas, the sale of chemicals, processing and reprocessing, port support and cabotage, and services related to the oil segment and is headquartered in the city of Rio de Janeiro.

On February 2, 2017, the Extraordinary General Meeting of Brasil Supply approved the opening of a request for judicial recovery. The Company's equity interest in Brasil Supply is 0.38%.

c) Energética Camaçari Muricy II S.A.

The purpose of this entity is to build, install, operate, explore, maintain and sell the electric energy generated by the Muricy II Thermoelectric Power Plant, which will be built in the city of Dias D'Ávila – BA, and headquartered in

Salvador – Bahia. Energética Camaçari Muricy II S.A. is in the pre-operational phase.

d) Pecém Energética S.A.

Its purpose is to build, install, operate, explore, maintain and sell the electrical energy generated by the Pecém II Thermoelectric Power Plant, which will be built in the city of Dias D'Ávila – BA, and headquartered in Salvador – Bahia. Pecém Energia S.A. is in the pre-operational phase.

13.5 Description of associate activities

BRF Biorefino de Lubrificantes S.A.

The purpose of this entity is to build and operate a used or contaminated lubricating oil (OLUC) re-refining plant in the State of Rio de Janeiro, operate and sell the OLUC collected to supply the re-refining plant, acquire OLUC and other inputs required to operate the re-refining plant and the purchase and sale of re-refined basic oil (OBR). BRF is in the pre-operational phase.

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

	Subsidiaries	Joint arrangement					
		Joint operations	Joint ventures	Associate			
	Stratura	Brasil Carbonos (a)	CDGN	BRF Biorefinos	Other investments	2016	2015
At the beginning of the year	**124**	**64**	**24**	**21**	**1**	**234**	**227**
Equity method	(21)	6	(2)	1	-	(16)	10
Dividends	-	-	-	-	-	-	(1)
Amortization of surplus value of assets	-	(1)	-	-	-	(1)	(1)
Other	-	-	-	-	-	-	(1)
At the end of the financial year	**103**	**69**	**22**	**22**	**1**	**217**	**234**

(a) A surplus value of BRL 28 was determined on the acquisition of a stake in Brasil Carbonos S.A. in December 2010, which is amortized due to the assets' useful lives. In December 2016, the Consolidated report recorded a BRL 23 balance under property, plant and equipment.

On December 31, 2015 and 2016, the balance of the shareholder interest in the FII FCM subsidiary is zero, due to short term liabilities presented by this subsidiary. Losses greater than the investment value were recorded under liabilities, as a provision.

	2016	2015
Provision balance at the beginning of the year	47	31
Constitution/(reversal) (b)	(5)	16
Provision balance at the end of the year	**42**	**47**

(b) Values recorded in the income statement under "Income from investments".

14 Property, plant and equipment

14.1 Per type of asset

	Consolidated			
	Land, buildings and Improvements	Equipment and Other Assets	Assets under construction	Total
Opening balance at January 1, 2015	**2,718**	**1,920**	**1,462**	**6,100**
Additions	17	213	436	666
Write-offs	(2)	(43)	-	(45)
Depreciation	(140)	(285)	-	(425)
Transfers (a)	471	281	(740)	12
Incorporating Use Rights – Basul	304		(304)	-
Losses on the value of asset recovery - *Impairment* (b)	(297)	-	(1)	(298)
Capitalized interest	-	-	29	29
Balance at 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 at December 31, 2016	**3,054**	**2,057**	**875**	**5,986**
Cost	3,968	4,710	882	9,560
Depreciation	(897)	(2,624)	-	(3,521)
Balance at December 31, 2015	**3,071**	**2,086**	**882**	**6,039**
Cost	4,055	4,894	875	9,824
Depreciation	(1,001)	(2,837)	-	(3,838)
Balance at December 31, 2016	**3,054**	**2,057**	**875**	**5,986**
Estimated useful life	4 to 60 years (*)	4 to 30 years		

(*) Except Land

	Parent Company			
	Land, buildings and Improvements	Equipment and Other Assets	Assets under construction	Total
Opening balance at January 1, 2015	**2,671**	**1,877**	**857**	**5,405**
Additions	17	210	426	653
Write-offs	(2)	(42)	-	(44)
Depreciation	(140)	(282)	-	(422)
Transfers (a)	472	280	(740)	12
Incorporating Use Rights – Basul	304	-	-	304
Losses on the value of asset recovery - *Impairment* (b)	(297)	-	(1)	(298)
Balance at 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 at December 31, 2016	**3,008**	**2,016**	**518**	**5,542**
Cost	3,918	4,646	542	9,106
Depreciation	(893)	(2,603)	-	(3,496)
Balance at December 31, 2015	**3,025**	**2,043**	**542**	**5,610**
Cost	4,004	4,830	518	9,352
Depreciation	(996)	(2,814)	-	(3,810)
Balance at December 31, 2016	**3,008**	**2,016**	**518**	**5,542**
Estimated useful life	25 to 60 years (*)	4 to 24 years		

(*) Except Land

(a) This mainly refers to transfers between other equity groups, such as accounts receivable resulting from payment in kind, reclassifications of intangible assets and others, according to the nature of the investment.

(b) Impairment of BASUL (Cruzeiro do Sul Base – AC) due to the loss of its main customer, the base began operating below its capacity, and therefore there is no expectation of a return on the investment. There was no reversal in 2016 of the loss recognized in the year 2015.

Assets under construction recorded in the consolidated report mainly refer to the expansion, modernization and improvements made to terminals and fuel distribution bases, airports and the lubricant factory.

The Company's and Parent Company's property, plant and equipment include assets resulting from finance lease agreements, amounting to BRL 390 (BRL 454 in 2015).

15 Intangible assets

15.1 Per type of asset

	Consolidated			
	Rights and Concessions	Software (b)	*Goodwill* (c)	Total
Opening balance at January 1, 2015	**270**	**155**	**29**	**454**
Additions	14	43	-	57
Write-offs	(1)	-	-	(1)
Amortization	(11)	(35)	-	(46)
Transfers (a)	-	(4)	-	(4)
Balance at December 31, 2015	**272**	**159**	**29**	**460**
Additions	10	41	-	51
Amortization	(12)	(47)	-	(59)
Transfers (a)	9	-	-	9
Balance at December 31, 2016	**279**	**153**	**29**	**461**
Cost	340	378	29	747
Amortization	(68)	(219)	-	(287)
Balance at December 31, 2015	**272**	**159**	**29**	**460**
Cost	360	418	29	807
Amortization	(81)	(265)	-	(346)
Balance at December 31, 2016	**279**	**153**	**29**	**461**
Estimated useful life - years	5 to 33 years	4 to 8 years	Undefined	

	Parent Company			
	Rights and Concessions	*Software (b)*	*Goodwill (c)*	Total
Opening balance at January 1, 2015	**268**	**155**	**29**	**452**
Additions	14	43	-	57
Write-offs	(1)	-	-	(1)
Amortization	(11)	(33)	-	(44)
Transfers (a)	-	(5)	-	(5)
Balance at December 31, 2015	**270**	**160**	**29**	**459**
Additions	10	41	-	51
Amortization	(11)	(48)	-	(59)
Transfers (a)	9	-	-	9
Balance at December 31, 2016	**278**	**153**	**29**	**460**
Cost	337	378	29	744
Amortization	(67)	(218)	-	(285)
Balance at December 31, 2015	**270**	**160**	**29**	**459**
Cost	357	418	29	804
Amortization	(79)	(265)	-	(344)
Balance at December 31, 2016	**278**	**153**	**29**	**460**
Estimated useful life - years	10 to 33 years	4 years	Undefined	

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

(b) The Company has a balance of BRL 68 in relation to software development (BRL 70 in 2015).

(c) Goodwill on fuel distribution assets originated on the acquisition of Liquigás S.A., distributor of Liquefied Petroleum Gas (LPG). This investee was transferred to Petrobras in 2012.

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

The Company is a concessionaire for the exclusive exploration of piped gas distribution in the State of Espírito Santo, through the concession agreement signed with the Government of this State for a period of 50 years, maturing in 2043.

The concession predict the provision of distribution services to users in the industrial, individual and collective residential, commercial, vehicular, air conditioning, cogeneration, raw materials and thermal segments. The Government of the State of Espírito Santo monitors compliance with the concession agreement through the regulatory agency (Public Energy Agency of the State of Espírito Santo – ASPE).

Once the concession ends, the agreement establishes indemnification to the Company for the installments of the investments related to reversible assets, according to surveys, assessments and settlements to be performed for the purpose of determining the amount of the said indemnity.

The Company's remuneration corresponds to the value of the tariffs charged for the volume of gas distributed, which are subject to the adjustments and revisions specified in the concession agreement.

The amounts of the assets, net of amortization, related to the gas concession and recorded as intangible assets as at December 31, 2016 is BRL 274 (BRL 270 in 2015).

The Company does not charge any margin on constructions, having recorded revenue and building costs of BRL 9 in the year 2016 (BRL 12 in 2015).

Law No. 10.493/2016 was published in the Official Gazette of the State of Espírito Santo on February 2, 2016, recognizing the extinction/nullity of the concession agreement for piped gas distribution, due to the application of the provisions of Article 43 of Federal Law 8,987, dated February 13, 1995.

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

The Company made no provisions for loss, since the existing book value as at December 31, 2016 is guaranteed by the indemnification foreseen in the said Law.

16 Trade payables

	Consolidated			Parent Company
	Companies of the Petrobras Group (30.1)	Third Parties	Total	Total
Oustanding	1,690	947	2,637	2,609
Overdue	11	2	13	13
In December 31, 2016	**1,701**	**949**	**2,650**	**2,622**
In December 31, 2015	**2,056**	**991**	**3,047**	**3,023**

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

17 Borrowing

17.1 Per Financial Institution

	Consolidated		Parent Company	
	2016	2015	2016	2015
Banco Bradesco	3,266	3,258	3,266	3,252
Banco da Amazônia	247	215	247	215
Banco do Brasil	4,542	4,551	4,524	4,521
IBM Bank	77	91	77	90
Banco Itaú - Debentures	3,619	3,704	3,619	3,704
	11,751	11,819	11,733	11,782
Real Estate Receivables Certificates (CRI)	1,063	1,075	-	-
Total	**12,814**	**12,894**	**11,733**	**11,782**
Current	805	644	697	527
Non-current assets	12,009	12,250	11,036	11,255

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. Financing interest is amortized quarterly and amortization of the principal will be paid in four semi-annual installments, starting in September 2019.

Financing charges 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 IOF tax, as per Law No. 6.313/75.

Bradesco
On June 1, 2015, the Company signed a financing agreement with Banco Bradesco, under Export Credit Notes, in the amount of BRL 3,000 and with a five-year maturity.

Financing interest is 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.

Financing charges represent 118% of the CDI. The funding collateral is the purchase and sale of ethanol, the resources from which will be reapplied to 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., under 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 agreement for the issuance of debentures, non-convertible into shares, with Banco Itaú BBA, in the amount of BRL 3,500, with a five-year maturity.
Financing interests are amortized every six months, and the amortization of the principal will occur in a single payment at the agreement's maturity on April 15, 2020.

Compensation charges payable by the debentures are 111.57% of the CDI.

The collateral for the funding is the purchase of ethanol. The transaction is exempt from the IOF tax, per Law No. 6,313/75. Petrobras is the guarantor of the transaction.

17.2 Contractual obligations (covenants)

The Company has contractual obligations related to such financing agreements, which were fully met in 2016, among them the submission of financial statements on the dates agreed with the institutions; the Company could not suffer protests over own securities in previously determined amounts; not incurring defaults to the lender or any financial or credit institution, as per the agreed values; and other clauses.

17.3 Nominal flux of principal and financing interest rates

	Consolidated		
Period	**Principal**	**Interest**	**Total**
2017	311	1,820	2,131
2018	1,113	1,733	2,846
2019	2,243	1,525	3,768
2020	6,896	815	7,711
2021	1,256	80	1,336
from 2022 onward	745	156	901
Total	**12,564**	**6,129**	**18,693**

17.4 Transactions

	Consolidated			Parent
	Bank Market	Capital market (CRIs and Debentures)	Total	Total
Non-current assets				
In the country				
Opening balance at January 1, 2015	**104**	**968**	**1,072**	**81**
Addition (entry of new loans)	7,641	3,511	11,152	11,151
Provision for interest	140	-	140	139
Transfer from long term to short term	(141)	(125)	(266)	(116)
Monetary variation	-	152	152	-
Closing balance at December 31, 2015	**7,744**	**4,506**	**12,250**	**11,255**
Current liabilities				
In the country				
Opening balance at January 1, 2015	**226**	**69**	**295**	**214**
Addition (entry of new loans)	27	-	27	-
Provision for interest	670	193	863	860
Principal amortization	(230)	(69)	(299)	(202)
Interest amortization	(464)	(57)	(521)	(462)
Transfer from long term to short term	141	125	266	116
Monetary variation	1	12	13	1
Closing balance at December 31, 2015	**371**	**273**	**644**	**527**
Total balance at December 31, 2015	**8,115**	**4,779**	**12,894**	**11,782**
Non-current assets				
In the country				
Opening balance at 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 variation	-	119	119	-
Closing balance at December 31, 2016	**7,522**	**4,487**	**12,009**	**11,036**
Current				
In the country				
Opening balance at January 1, 2016	**371**	**273**	**644**	**527**
Provision for interest	1,220	538	1,758	1,757
Principal amortization	(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 variation	-	9	9	-
Closing balance at December 31, 2016	**610**	**195**	**805**	**697**
Total balance at December 31, 2016	**8,132**	**4,682**	**12,814**	**11,733**

	Consolidated		Parent Company	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Current liabilities				
Short-term debt	-	12	-	-
Current portion of long-term debt	315	108	217	17
Interest on financing	490	524	480	510
Total	**805**	**644**	**697**	**527**

Financing interest was amortized in 2016 for loans from Banco do Brasil (BRL 688), Itaú (BRL 623), Bradesco (BRL 495), CRIs (BRL 59), among others.

17.5 Summarized information on financing maturities

							Consolidated	Parent Company
	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	from 5 years on (a)	Total	Total
Borrowing in Brazilian Reais (BRL):								
at floating rates	805	1,106	2,229	6,884	1,239	551	12,814	11,733
Average rate of borrowing in Brazilian Reais	14.00%	12.85%	12.14%	11.88%	11.87%	5.85%	14.01%	13.05%
Total at December 31, 2016	**805**	**1,106**	**2,229**	**6,884**	**1,239**	**551**	**12,814**	**11,733**
Total at December 31, 2015	**644**	**311**	**1,097**	**2,221**	**6,875**	**1,746**	**12,894**	**11,782**

(a) Only Real Estate Receivables Certificates - CRI

The fair values of financing are mainly determined using derivatives from observable market prices (Level 2). The fair value of financing on December 31, 2016 is BRL 11,203 (BRL 9,899 on the Parent Company report).

The sensitivity analysis of the financial instruments is included in Note 30.2.2.1.

17.6 Guarantees

Brasil Carbonos S.A. owns property, plant and equipment pledged as collateral (fiduciary disposal), in the amount of BRL 2 for financing funded by FINAME and BRL 7 for borrowing contracted with BNDES, whose financial agent was Banco do Brasil.

18 Leases

18.1 Finance leases

The Company has financial commitments with FII FCM, which is managed by Rio Bravo Investimentos DTVM Ltda., as a result of rights arising from leasing transactions for real estate and equipment and the construction of bases and terminals, updated by the IPCA (Brazilian National Consumer Price Index). The balance payable on December 31, 2016 amounts to BRL 685 (Note 18.1.1).

Real estate credits originating from Private Purchase and Sale Agreements served as coverage for the issue of Real Estate Receivables Certificates (CRI) 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 leased equipment from the investee CDGN, and leases such equipment to the customers Suzano Papel e Celulose S.A. and Fiat Automóveis Ltda. The balance receivable from these customers is originated from leases that totals BRL 28 (Note 18.1.1).

There are no contingent payments or guaranteed residual values.

18.1.1 Payments flow and receipts from finance leases

	2016			
	Consolidated		Parent Company	
	Minimum receipts	Minimum payments	Minimum receipts	Minimum payments
2017	6	31	6	132
2018 - 2021	26	92	26	365
from 2022 onward	17	18	17	810
Receivables/ future payments of estimated commitments	**49**	**141**	**49**	**1,307**
Less amount of annual interest	(21)	(46)	(21)	(622)
Present value of the receipts/ minimum payments	**28**	**95**	**28**	**685**
Current	4	28	4	124
Non-current	24	67	24	561
At December 31, 2016	**28**	**95**	**28**	**685**
Current	3	48	3	87
Non-current	25	81	25	624
At December 31, 2015	**28**	**129**	**28**	**711**

18.2 Operating commercial leases

In 2016, the Company paid BRL 285 (BRL 305 in 2015) to fulfill contractual commitments under operating leases, of which BRL 194 refers to fixed installments and BRL 91 to variable installments. Such leases have maturities that mature in the year 2040.

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

The estimated disbursements for the next fiscal year are as follow:

	Consolidated	Parent Company
2017	176	176
2018 - 2021	380	380
from 2022 onward	302	302
Total	**858**	**858**

19 Customer advances

	Consolidated		Parent Company	
	2016	2015	2016	2015
Marketing funds (a)	184	132	184	132
Advances from clients	159	276	127	222
Other	11	16	11	15
Total	**354**	**424**	**322**	**369**

(a) Advances received from affiliated customers, such as retailers, franchisees and business partners, for advertising and promotional actions developed by the Company.

20 Taxes and contributions payable

	Consolidated		Parent Company	
	2016	2015	2016	2015
Current Liabilities				
ICMS (Tax on Product Circulation)	143	173	143	172
PIS/COFINS	18	20	17	20
Income and social contribution tax withheld at source	29	34	29	34
Other	15	22	11	16
Total	**205**	**249**	**200**	**242**

ICMS debts are mainly represented by: ICMS tax and ICMS Tax Replacement recorded in the Tax Ledgers to be collected, mainly, from the States of São Paulo (BRL 45), Minas Gerais (BRL 14), Paraná (BRL 10), Rio de Janeiro (BRL 9), Goiás (BRL 9), Mato Grosso do Sul (BRL 8) and Pernambuco (BRL 7).

20.1 State Amnesty Programs

On December 31, 2015 and 2016, the Company settled ICMS tax debts with several States, through Amnesty Programs.

State	State Law / Decree	Liquidated values 2016	2015
SP	61,788/2016 and 61,625/15	5	-
AC	4,559/2016 and 4,971/2012	2	-
RO	3,835/16 and 3,934/16	2	-
RN	10,112/2016	1	-
MT (a)	10,433/2016	12	-
RJ	7,020/2015	-	99
ES	10,376/2015	-	46
DF	5,463/2016	-	11
Other		-	21
Total		**22**	**177**

(a) The entire settlement was made with financial resources from the alcohol plants, which were the suppliers of the BR and the responsibles for the infraction of the legislation that generated the tax debts included in the amnesty program.

21 Employee benefits

The Company's obligations regarding pension and health plans are as follow:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Liabilities				
Pension plans	1,919	1,095	1,916	1,092
Healthcare plans	2,392	1,280	2,392	1,280
Total	**4,311**	**2,375**	**4,308**	**2,372**
Current	139	113	139	112
Non-current	4,172	2,262	4,169	2,260

21.1 National pension plans – Defined benefit and variable contribution

The management of the Company's supplementary pension plans is the responsibility of the Petrobras Social Security Foundation (Petros), which was founded by Petrobras as a non-profit, private legal entity with administrative and financial autonomy.

(a) Petros Plan – Petrobras Social Security Foundation

The Petros Plan is a defined benefit pension plan, which was founded by Petrobras in July 1970 to ensure participants a supplement to the benefit granted by Social Security, and is currently intended for Petrobras and Company employees. The plan is closed to employees recruited since September 2002.

The assessment of the costing plan of Petros is performed by independent actuaries, under a capitalization regime, for the majority of the benefits. The sponsors make regular contributions in amounts equal to the contributions made by the participants (employees, assisted participants and pensioners), in other words, on a parity basis.

On July 31, 2016, the Petros Plan deficit was calculated at BRL 22.6 billion. According to Resolution No. 22/2015 of the National Supplementary Pension Board (CNPC), which regulates the issue of deficit management, this amount exceeded the maximum limit stipulated in the said Resolution. In the case of the Petros Plan, this limit was assessed at BRL 6.6 billion, which would consequently generate a minimum amount to be equated of BRL 16 billion, in an equal manner between participants and sponsors, within a term of 1.5 times the duration of the plan's liabilities, estimated on December 31, 2015 at 18 (eighteen) years, under the guidelines of an Equating Plan.

Also, in accordance with the provisions of the aforementioned Resolution, the Petros Foundation should have developed and approved such Equation Plan, within the scope of its Advisory Board, after the approval of the Sponsors, by December 31, 2016 and should have implemented it within 60 (sixty) days of its approval. However, the Foundation filed a Request for Adjustment of Conduct (TAC) with the National Supplementary Pension Authority (PREVIC), the regulatory body of the Supplementary Pension sector, requesting permission to postpone the implementation deadline of the said Equating Plan from the year 2015 to 210 days from TAC approval, claiming technical and foundation management factors. Considering these facts, it is estimated that Petrobras, as sponsor of the plan, will need to make extra contributions to the Petros Plan by virtue of this equation only after the term established in the TAC.

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 CNPC.

On June 19, 2017, PREVIC published the 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 the 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 that all approval stages are met.

On December 31, 2016, the balances of the Financial Commitment Terms (TCF) signed in 2008 by the Company and Petros amounted to BRL 396 (BRL 396 in the Parent Company). The commitments under the TCF have a maturity of 20 years, with semi-annual interest payments of 6% p.a. on the updated payable balance. On the same date, Petrobras had an inventory of oil and/or derivatives pledged as guarantees for the TCFs in the amount of BRL 6,449, which are under review.

For the year 2017, contributions expected for the plan amount to BRL 36 (BRL 36 in the Parent Company) and interest payments on the TCF, BRL 24 (BRL 24 in the Parent Company).

The average duration of the plan's actuarial liability as at December 31, 2016 is 11.56 years.

(b) Petros Plan 2 – Petrobras Social Security Foundation

The Petros Plan 2 was established in July 2007 in the form of variable contribution by Petrobras and some subsidiaries that assumed the past service contributions corresponding to the period in which the participants had no plan, as of August 2002, or later recruitment up to August 29, 2007. The plan is open to new joiners, but there will be no past service payments.

The portion of this plan with defined benefit characteristics refers to risk coverage for disability and death, guarantees of a minimum benefit and life annuity, and related actuarial commitments are recorded according to the projected unit credit method. The portion of the plan with defined contribution characteristics is intended to form a reserve for scheduled retirement, contributions to which are recognized in the income statement according to their payments. In 2016, the Company's contribution to the defined contribution portion amounted to BRL 44 (BRL 44 in the Parent Company).

The portion of the contribution with defined benefit characteristics is suspended between July 1, 2012 and June 30, 2017, as per the decision of the Petros Advisory Board, and based on the recommendation from Petros' actuarial consultant. As such, all contributions for this period are being allocated to the participant's individual account.
The average duration of the plan's actuarial liability as at December 31, 2016 is 40.23 years.

21.2 Pension plan assets

The investment strategy for assets held by benefit plans reflects a long term vision, an assessment of the risks inherent in the various asset classes, as well as the use of diversification as a risk reduction mechanism for the portfolio. The plan's asset portfolio shall comply with the standards defined by the National Monetary Council.

Petros develops Investment Policies for the purpose of guiding investment management over a five-year period, which are reviewed annually. The Asset and Liability Management model (ALM) is used to rectify liquid cash flow mismatches for the benefit plans it manages, considering liquidity and solvency parameters, adopting a 30-year horizon in the simulations.

The allocation limits for the assets determined in the Petrobras Group Petros Plan Investment Policy for the period between 2017 and 2021 are as follow: 40% to 75% in fixed income, 10% to 35% in variable income, 4% to 8% in real estate, 2% to 8% in loans to participants, 0% to 7% in structured investments. The allocation limits for the Petros Plan 2 for the same period are: 60% to 100% in fixed income, 0% to 20% in variable income, 0% to 5% in real estate, 2% to 8% in loans to participants, 0% to 4% in structured investments and 0% to 2% in investments abroad.

The assets of the pension plans, segregated by category, are as follow:

	Consolidated					
	2016				2015	
Asset category	Prices quoted in an active market	Prices are not quoted in an active market	Total fair value	%	Total fair value	%
Fixed income	**1,179**	**208**	**1,387**	**50%**	**1,176**	**43%**
Private Securities	-	12	12		34	
Public Securities	1,179	-	1,179		941	
Other investments	-	196	196		201	
Variable income	**883**	**20**	**903**	**32%**	**966**	**36%**
Spot stock	883	-	883		930	
Other investments	-	20	20		36	
Structured portfolio investments	-	**178**	**178**	**6%**	**211**	**8%**
Private Equity Funds	-	160	160		193	
Venture Capital Funds	-	3	3		2	
Real estate funds	-	15	15		16	
Real Estate	-	**222**	**222**	**8%**	**232**	**9%**
	2,062	**628**	**2,690**	**96%**	**2,585**	**96%**
Loans for participants		124	124	4%	115	4%
			2,814	**100%**	**2,700**	**100%**

21.3 Healthcare plan – Multidisciplinary Health Assistance (AMS)

The Company, Petrobras, Petrobras Transporte S.A. – Transpetro, Petrobras Biocombustível S.A., Transportadora Brasileira Gasoduto Brasil-Bolívia S.A. – TBG and Termobahia S.A. maintain a medical assistance plan (AMS), which covers all employees of companies in Brazil (active and inactive) and dependents. Its management is based on the principles of self-sustainability of the benefit and includes health prevention and awareness programs. The main risk associated with health benefits relates to the growth rate of medical costs, which is due to the implantation of new technologies and the inclusion of new coverage, as well as increased health consumption. To that end, Petrobras seeks to mitigate this risk through continuously improving its technical and administrative procedures, as well as enhancing several different programs offered to the beneficiaries.

Employees contribute a pre-defined monthly portion for high-risk coverage and a portion of the expenditure incurred for other coverage, both established according to participation tables based on certain parameters, including wage levels and age, in addition to the pharmacy benefit that foresees special conditions for the acquisition of certain medication from registered pharmacies distributed throughout Brazil. The medical assistance plan is not covered by collateral. Benefits are paid by the Company based on the costs incurred by the participants.

The average duration of the plan's actuarial liability as at December 31, 2016 is 21.77 years.

21.4 Obligations and net actuarial expenses, calculated by independent actuaries, and the fair value of the assets of the plans

The information for all defined benefit plans was combined, since they contain similar assumptions.

(a) Changes in actuarial liabilities, fair value of assets and amounts recorded on the balance sheet

	2016				
	Consolidated				Parent Company
	Pension plan				
	Defined Benefit	Variable Contribution	Health Plan	Total	Total
Current value of actuarial liabilities					
Actuarial liability at beginning of year	3,725	70	1,280	5,075	5,072
Cost of interest	529	10	185	724	724
Current service cost	26	3	14	43	43
Contributions from participants	18	-	-	18	18
Benefits paid	(240)	(3)	(78)	(321)	(321)
Re-measurement: (Gains)/ Actuarial losses - demographic experience	(38)	5	82	49	51
Re-measurement: (Gains)/ Actuarial losses - financial assumptions	569	47	917	1,533	1,532
Re-measurement: (Gains)/ Actuarial losses - demographic assumptions	10	2	(8)	4	3
Actuarial liability at the end of the year	**4,599**	**134**	**2,392**	**7,125**	**7,122**
Changes in the fair value of plan assets					
Plan assets at the beginning of the year	2,646	54	-	2,700	2,700
Interest earnings	377	8	-	385	385
Contributions paid by the company	59	-	-	59	59
Contributions from participants	18	-	-	18	18
Benefits paid	(240)	(3)	-	(243)	(243)
Re-measurement: Return on assets in excess of interest income	(110)	5	-	(105)	(105)
Plan assets at the end of the year	**2,750**	**64**	**-**	**2,814**	**2,814**

	2016				
	Consolidated				Parent Company
	Pension plan				
	Defined Benefit	Variable Contribution	Health Plan	Total	Total
Amounts recognized in the balance sheet					
Present value of funded obligations	4,599	134	2,392	7,125	7,122
(-) Fair value of plan assets	(2,750)	(64)	-	(2,814)	(2,814)
Net actuarial liability as at December 31, 2016	**1,849**	**70**	**2,392**	**4,311**	**4,308**
Actuarial liabilities rollforward – net of assets					
Balance at December 31, 2015	1,079	16	1,280	2,375	2,372
(+) Recalculation effects recognized in OCI	651	49	991	1,691	1,691
(+) Costs incurred in the period	26	3	14	43	43
(-) Payment of contributions	(59)	-	(78)	(137)	(137)
(+) Net interest on net liabilities	152	2	185	339	339
Balance at December 31, 2016	**1,849**	**70**	**2,392**	**4,311**	**4,308**

	2015				
	Consolidated				Parent Company
	Pension plan				
	Defined Benefit	Variable Contribution	Health Plan	Total	Total
Current value of actuarial liabilities					
Actuarial liability at beginning of year	3,919	79	1,054	5,052	5,049
Cost of interest	499	8	135	642	642
Current service cost	27	9	18	54	54
Contributions from participants	20	-	-	20	20
Benefits paid	(177)	(1)	(60)	(238)	(238)
Re-measurement: (Gains)/ Actuarial losses - demographic experience	(163)	9	(98)	(252)	(252)
Re-measurement: (Gains)/ Actuarial losses - financial assumptions	(412)	(26)	234	(204)	(204)
Re-measurement: (Gains)/ Actuarial losses - demographic assumptions	12	(8)	(3)	1	1
Actuarial liability at the end of the year	**3,725**	**70**	**1,280**	**5,075**	**5,072**
Plan assets at the beginning of the year	2,925	43	-	2,968	2,968
Interest earnings	374	6	-	380	380
Contributions paid by the company	55	-	-	55	55
Contributions from participants	20	-	-	20	20
Benefits paid	(177)	(1)	-	(178)	(178)
Re-measurement: Return on assets in excess of interest income	(551)	6	-	(545)	(545)
Plan assets at the end of the year	**2,646**	**54**	**-**	**2,700**	**2,700**

	2015				
	Consolidated				Parent Company
	Pension plan				
	Defined Benefit	Variable Contribution	Health Plan	Total	Total
Amounts recognized in the balance sheet					
Present value of funded obligations	3,725	70	1,280	5,075	5,072
(-) Fair value of plan assets	(2,646)	(54)	-	(2,700)	(2,700)
Net actuarial liability as at December 31, 2015	**1,079**	**16**	**1,280**	**2,375**	**2,372**
Actuarial liabities rollforward – net of assets					
Balance at December 31, 2014	994	36	1,054	2,084	2,081
(+) Effects of re-measurement recognized in OCI	(12)	(31)	133	90	90
(+) Costs incurred in the period	28	8	18	54	54
(-) Payment of contributions	(56)	-	(60)	(116)	(116)
(+) Net interest on net liabilities	125	3	135	263	263
Balance at December 31, 2015	**1,079**	**16**	**1,280**	**2,375**	**2,372**

(b) Components of the defined benefit

	2016				
	Consolidated				Parent Company
	Pension plan				
	Defined Benefit	Variable Contribution	Health Plan	Total	Total
Cost of the services	26	3	14	43	43
Net interest on the net liabilities	153	2	184	339	339
Net cost for the year	**179**	**5**	**198**	**382**	**382**
On active employees:					
Absorbed in the funding of operational activities	5	-	2	7	7
Directly in the result	77	5	67	149	149
Inactive employees:	97	-	129	226	226
Net cost for the year	**179**	**5**	**198**	**382**	**382**

	2015				
	Consolidated				Parent Company
	Pension plan				
	Defined Benefit	Variable Contribution	Health Plan	Total	Total
Cost of the services	26	9	18	53	53
Net interest on the net liabilities	125	4	135	264	264
Net cost for the year	**151**	**13**	**153**	**317**	**317**
On active employees:					
Absorbed in the funding of operational activities	5	1	2	8	8
Directly in the result	76	12	58	146	146
Inactive employees:	70	-	93	163	163
Net cost for the year	**151**	**13**	**153**	**317**	**317**

(c) Sensibility analysis

The variation of 1p.p. in the assumptions of discount rate and medical costs would have the following effects:

	Consolidated					
	Discount rate				Medical costs	
	Pension		Health		Health	
	+ 1 p.p.	-1 p.p.	+ 1 p.p.	-1 p.p.	+ 1 p.p.	-1 p.p.
Increase (decrease) in actuarial obligation	(459)	581	(290)	360	362	(298)
Increase (decrease) in service and interest cost	5	61	(15)	18	47	(38)

(d) Actuarial assumptions adopted in the calculation

	2016	2015
Discount rate (Real)	5.74% [1] / 5.69% [2] / 5.72% [3]	7.33% [1] / 7.28% [2] / 7.32% [3]
Inflation (IPCA)	4.87% [1][2][3][4]	6.87% [1][2][3][4]
Nominal discount rate (Real + Inflation)	10.89% [1] / 10.84% [2] / 10.87% [3]	14.70% [1] / 14.65% [2] / 14.69% [3]
Rate of wage growth (Real)	1.09% [1] / 1.04% [2]	2.95% [1] / 3.09% [2]
Nominal wage growth rate (Real + Inflation)	6.01% [1] / 5.96% [2]	10.02% [1] / 10.17% [2]
Turnover rate of health insurance	0.597% a.a [5]	0.753% a.a [5]
Turnover rate of pension plans	Void	Void
Rate of change of medical and hospital costs	13.82% a 4.00%a.a	14.92% to 3.70%a.a
General mortality table	EX-PETROS 2013 (both types) [1][3] AT-2000 Female smoothed 10% (2) [2]	EX-PETROS 2013 (both types) [1][3] AT-2000 Female smoothed 10% (2) [2]
Disability table	TASA 1927 [1][3] / Low LIGHT [2]	TASA 1927 [1][3] / Álvaro Vindas [2]
Table of disabled mortality	At-49 Male aggravated 10% [1][3] IAPB 1957 weak [2]	At-49 Male aggravated 10% [1][3] IAPB 1957 weak [2]
Age of retirement	Man, 57 years old/ Woman, 56 years old [6]	Man, 57 years old/ Woman, 56 years old [6]

[1] Plan Petros Petrobras Group.
[2] Plan Petros 2.
[3] AMS Plan.
[4] Inflation curve being projected based on the market at 4.87% for 2017 and reaching 4.00% from 2026 onward.
[5] Only average turnover of Petrobras sponsor, which varies according to age and length of service.
[6] (1) Except for the Petros 2 Plan, for which eligibility was used in accordance with the rules of the General Social Security System (RGPS) and rules of the plan.

(e) Obligation maturity profile

Payment of expected benefits at the end of the fiscal year	
2017	344
2018	324
2019	316
2020	309
2021 onward	5,832
Total	**7,125**

21.5 Profit sharing

Employee profit sharing (PLR) is based on current legal provisions, as well as the guidelines established by the Department of Coordination and Governance of State-owned Companies (DEST) of the Ministry of Planning, Budget and Management, by the Ministry of Mines and Energy and by Petrobras.

The Collective Bargaining Agreement (ACT), which deals with this profit sharing, sets forth indicators defining the amount to be paid as PLR, where the payment, in the case of the absence of consolidated profit, will only occur if the goals are reached.

Due to the failure to achieve the goals established in the Collective Labor Agreement in 2016, no obligation to pay was recognized in the Financial Statements regarding employee profit sharing for the fiscal year 2016.

21.6 Voluntary Dismissal Incentive Plan (PIDV)

In October 2016, the Company implemented the 2016 BR Voluntary Dismissal Incentive Plan (PIDV), in order to enroll the Company's permanent employees to the divestment plan carried out by the Parent Company Petróleo Brasileiro S.A. and the performance goals of the 2017-2021 Business and Management Plan.

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

Employees who adhered to the PIDV had been with the Company for at least ten years on December 30, 2016, regardless of its position or function. The 2016 BRL PIDV Regulations state that employees may withdraw at any time, in which case they would not receive the financial incentive.

Financial incentives to be paid to employees who accepted dismissal through the PIDV ranged from BRL 800,000 (eight hundred thousand Brazilian Reais) to BRL 250,000 (two hundred and fifty thousand Brazilian Reais), in addition to other legal and corporate advantages.

The Company recorded the provision on December 31, 2016, corresponding to the compensation payable to employees who subscribed, subject to periodic review of possible withdrawals, updated compensation due to collective bargaining agreements up to the employees' effective dismissal date and the updating of minimum and maximum values by the IPCA.

In 2016, the Company recorded 319 dismissals, three of which were from the PIDV BR – 2014 and 316 dismissals referring to the PIDV BR – 2015. There were 31 withdrawals in 2016, one of which was related to the PIDV BR – 2014 and the other related to the PIDV BR – 2015.

The provision regarding the PIDV was classified under current liabilities.

Balance at December 31, 2015	**96**
New PIDV 2016 subscribers	444
Provision revision (PIDV 2014 and 2015)	(10)
Use for shutdown	(85)
Balance at December 31, 2016	**445**

Of the remaining balance as at December 31, 2016, BRL 0.7 refers to pending dismissals of PIDV BR – 2014 (one person), with no remaining participants from PIDV BR – 2015 to be dismissed.

22 Equity

22.1 Share 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 grouping shares of the Company's capital stock was approved, in the proportion of 29,8521666575107:1, so that each set of 29,8521666575107 shares were grouped into a single share. The amendment on the article 4, from the By-laws was also approved to reflect the change in the number of shares, from 34,777,774,156 shares (unchanged since 2013) to 1,165,000,000 common shares, representing in book-entry form and with no nominal value.

The share capital on December 31, 2016 and December 31, 2015 is BRL 6,352, fully subscribed and paid in.

22.2 Profit reserves

(a) Legal reserve

This reserve is established through the appropriation of 5% of the profit for the year, not exceeding 20% of the share capital, in compliance with Article 193 of the Brazilian Corporate Law. In light of the calculated losses, no legal reserve was established.

(b) Statutory reserve

This reserve is established through the appropriation of the net profit for each fiscal year of at least 0.5% of the paid-in share capital at the end of the year, intended for funding research and technological development programs. The balance of this reserve may not exceed 5% of the paid-in share capital, in accordance with Article 46 of the Company's Bylaws. In light of the calculated losses, no statutory reserve was established.

(c) Profit retention reserve

This reserve is used for investments foreseen in the capital budget, mainly in the distribution of oil products, ethanol, support infrastructure, injections of capital and financing for customers, in accordance with Article 196 of the Brazilian Corporate Law.

The loss for the financial year 2016 shall be obligatorily absorbed by the profit retention reserve in the amount of BRL 315, as well as the interest on shareholders' equity declared for Petrobras in the amount of BRL 747.

Shareholders' equity is subject to income tax withholding of 15%, as established in Law No. 9.249 /95 and amendments thereto. This interest was recorded in operating income, as required by tax legislation, and was reversed against retained earnings, resulting in an income tax and social contribution tax benefit in the amount of BRL 254 (BRL 246 in 2015) as per Note 10 (d).

22.3 Dividends and interest on shareholders' equity

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

At a meeting held on December 14, 2016, the Company's Board of Directors approved the distribution of interest on shareholders' equity to Petrobras in the amount of BRL 747, withholding income tax in the amount of BRL 112.

Interest on shareholders' equity will be financially updated, from December 31, 2016 until the date of discharge, in accordance with the variations in the SELIC rate.

22.4 Accumulated other comprehensive (deficit)

The recognition of actuarial gains or losses, net of taxes on profit, calculated by independent actuaries at the end of each fiscal year.

22.5 Income per share

	Parent Company	
	2016	2015
Loss	(315)	(1,161)
Weighted average number of shares outstanding (number of shares)	1,165,000,000	1,165,000,000
Basic and diluted loss per common share (R$ per shares)	**(0.27)**	**(1.00)**

The basic and diluted loss per thousand shares, previously presented, considering 34,777,774,156 common shares was BRL 9.04 on December 31, 2016 (BRL 33.38 on December 31, 2015).

23 Sales revenue

	Consolidated		Parent Company	
	2016	2015	2016	2015
Products, services and energy				
Oil products				
Diesel	48,194	53,943	48,194	53,943
Gasoline	33,877	32,254	33,877	32,254
Fuel oil	4,159	8,413	4,159	8,413
Aviation kerosene	7,009	8,983	7,009	8,983
Lubricants	2,033	2,187	2,033	2,187
Asphalt	1,381	1,061	871	684
Other	2,770	3,226	2,770	3,226
Ethanol	5,869	6,755	5,869	6,755
Natural Gas	1,437	1,698	1,437	1,698
Other (a)	1,498	1,747	1,472	1,722
	108,227	120,267	107,691	119,865
Interest embedded in the product price	(520)	(568)	(520)	(568)
Early bonuses granted to clients (Note 11)	(542)	(412)	(542)	(412)
Bonus for performance (b)	(244)	(216)	(244)	(216)
Sales charges	(20,284)	(21,791)	(20,180)	(21,720)
Sales revenue	**86,637**	**97,280**	**86,205**	**96,949**

(a) This includes revenue from services of BRL 65 in the Consolidated reporting (BRL 108 in 2015) and BRL 38 in the Parent Company (BRL 82 in 2015), and electrical energy revenue in the Consolidated report and in the Parent Company of BRL 14 (BRL 22 in 2015).

(b) Values granted to customers to meet the contractually agreed terms and performance, in particular, the consumption of volumes foreseen in supply agreements.

24 Other revenue (expenses), net

	Consolidated		Parent Company	
	2016	2015	2016	2015
Rents and royalties	271	254	271	254
Operating leases	(109)	(99)	(109)	(99)
Credit granting - EPASA - extrajudicial transaction	-	(50)	-	(50)
ICMS - low credit balance in the State of Amapá	-	(45)	-	(45)
ICMS - provision for loss credit balance-state of Bahia	(54)	-	(54)	-
Loss on asset recovery value - *Impairment*	-	(298)	-	(298)
Losses and provisions related to lawsuits	(1,079)	(785)	(1,079)	(785)
Voluntary dismissal incentive plan-PIDV	(434)	(92)	(434)	(92)
Pension and health plans - inactive	(226)	(163)	(226)	(163)
Joint storage revenue	59	59	59	59
Recovery of tax credits	46	57	46	57
Institutional relations and cultural projects	(84)	(197)	(84)	(197)
Other	(59)	(111)	(58)	(110)
Total	**(1,669)**	**(1,470)**	**(1,668)**	**(1,469)**

25 Expenses by nature

	Consolidated											
	2016						2015					
	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	(79,833)	-	-	(1)	-	(79,834)	(90,066)	-	-	(3)	-	(90,069)
Third party services, freight and rental costs	(93)	(1,795)	(188)	128	-	(1,948)	(153)	(2,068)	(232)	143	-	(2,310)
Personnel expenses	(65)	(798)	(527)	(669)	-	(2,059)	(68)	(823)	(486)	(255)	-	(1,632)
Provision for impairment of trade receivables	-	(676)	-	-	-	(676)	-	(2,919)	-	-	-	(2,919)
Depreciation and amortization	(12)	(378)	(64)	-	-	(454)	(12)	(408)	(51)	-	-	(471)
Variations of inventory	(165)	-	-	-	-	(165)	237	-	-	-	-	237
Institutional Relations and Cultural Projects	-	-	-	(84)	-	(84)	-	-	-	(197)	-	(197)
Taxes	-	-	-	(73)	(137)	(210)	-	-	-	58	(208)	(150)
Losses and provisions related to lawsuits	-	-	-	(1,079)	-	(1,079)	-	-	-	(785)	-	(785)
Loss on asset recovery value - *Impairment*	-	-	-	-	-	-	-	-	-	(298)	-	(298)
Other	(4)	(198)	(49)	109	-	(142)	95	(236)	(51)	(133)	-	(325)
Total	**(80,172)**	**(3,845)**	**(828)**	**(1,669)**	**(137)**	**(86,651)**	**(89,967)**	**(6,454)**	**(820)**	**(1,470)**	**(208)**	**(98,919)**

	Parent Company											
	2016						2015					
	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	(79,461)	-	-	(1)	-	(79,462)	(89,819)	-	-	(3)	-	(89,822)
Third party services, freight and rental costs	(86)	(1,785)	(180)	128	-	(1,923)	(146)	(2,054)	(228)	143	-	(2,285)
Personnel expenses	(54)	(792)	(520)	(669)	-	(2,035)	(57)	(818)	(480)	(255)	-	(1,610)
Provision for impairment of trade receivables	-	(641)	-	-	-	(641)	-	(2,921)	-	-	-	(2,921)
Depreciation and amortization	(9)	(377)	(63)	-	-	(449)	(9)	(407)	(50)	-	-	(466)
Variations of inventory	(166)	-	-	-	-	(166)	237	-	-	-	-	237
Institutional Relations and Cultural Projects	-	-	-	(84)	-	(84)	-	-	-	(197)	-	(197)
Taxes	-	-	-	(73)	(132)	(205)	-	-	-	58	(203)	(145)
Losses and provisions related to lawsuits	-	-	-	(1,079)	-	(1,079)	-	-	-	(785)	-	(785)
Loss on asset recovery value - *Impairment*	-	-	-	-	-	-	-	-	-	(298)	-	(298)
Other	(5)	(192)	(46)	110	-	(133)	107	(228)	(45)	(132)	-	(298)
Total	**(79,781)**	**(3,787)**	**(809)**	**(1,668)**	**(132)**	**(86,177)**	**(89,687)**	**(6,428)**	**(803)**	**(1,469)**	**(203)**	**(98,590)**

26 Financial income, net

	Consolidated		Parent Company	
	2016	2015	2016	2015
Expenses				
Loans and financing	(1,782)	(1,003)	(1,781)	(999)
FIDC	(2)	(61)	-	(59)
Mutual	-	(354)	-	(354)
Other	(109)	(179)	(152)	(178)
	(1,893)	**(1,597)**	**(1,933)**	**(1,590)**
Revenue				
FIDC	299	139	297	139
Late interest and client financing	296	295	287	285
Other	93	71	47	46
	688	**505**	**631**	**470**
Monetary variations				
Asset				
Receivables update - Power sector - Isolated System - Eletrobras Group	806	698	806	698
Receivables update - Electricity sector - Isolated System - third parties	10	164	10	164
Other	25	24	25	24
	841	**886**	**841**	**886**
Liabilities				
Finance leases	(7)	(12)	(61)	(113)
Update of dividends payable to Petrobras	(83)	(28)	(83)	(28)
Loans and financing	(117)	(136)	-	(1)
Other	(4)	(5)	(5)	(5)
	(211)	**(181)**	**(149)**	**(147)**
Exchange variations	**(47)**	**88**	**(35)**	**90**
Exchange and monetary variations, net	**583**	**793**	**657**	**829**
Financial result	**(622)**	**(299)**	**(645)**	**(291)**

Financing charges (interest and monetary variation) amounted to BRL 1.910 (Note 17.4) in the period (BRL 1,168 in 2015), with BRL 1.899 recorded in the income statement (BRL 1,139 in 2015) and BRL 11 as capitalized interest (BRL 29 in 2015).

27 Information by segment

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

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

The Company's revenue from Brazilian customers is BRL 85,340 (BRL 95,561 in 2015), and total revenue from foreign customers, based on the country of destination of the sale, is BRL 1,297 (BRL 1,719 in 2015).

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 of the business units. In a similar manner, liabilities are not presented by segment, since they are managed by the central treasury.

The Executive Board assesses the following key financial information:

Consolidated Statement of Result per Business Area - 2016

	Retail Stations	Major Customers	Aviation Products	Other	Corporate	Total of segments	Reconciliation to Financial Statement		Total
Sales Revenue	52,634	23,247	6,189	5,109	-	87,179	(542)	(a)	86,637
Cost of sales	(48,698)	(21,521)	(5,627)	(4,310)	(4)	(80,160)	(12)	(b)	(80,172)
Gross profit	**3,936**	**1,726**	**562**	**799**	**(4)**	**7,019**	**(554)**		**6,465**
Expenses						-	-		
Sales, general and administrative	(1,617)	(1,091)	(462)	(422)	(228)	(3,820)	(853)	(c)	(4,673)
Taxes	(6)	-	(2)	(12)	(27)	(47)	(90)	(d)	(137)
Other income (expenses), net	225	28	(35)	31	(405)	(156)	(1,513)	(e)	(1,669)
Share of profit (loss) of investees	-	-	-	5	(6)	(1)	-		(1)
Net financial result	-	-	-	-	-	-	(622)	(f)	(622)
Adjusted EBITDA	**2,538**	**663**	**63**	**401**	**(670)**	**2,995**			
Profit (loss) before taxes							**(3,632)**		**(637)**

Consolidated Statement of Result per Business Area - 2015

	Retail Stations	Major Customers	Aviation Products	Other	Corporate	Total of segments	Reconciliation to Financial Statement		Total
Sales Revenue	53,791	30,275	7,900	5,728	(2)	97,692	(412)	(a)	97,280
Cost of sales	(49,986)	(27,908)	(7,230)	(4,828)	(3)	(89,955)	(12)	(b)	(89,967)
Gross profit	**3,805**	**2,367**	**670**	**900**	**(5)**	**7,737**	**(424)**		**7,313**
Expenses									
Sales, general and administrative	(1,631)	(1,163)	(507)	(454)	(197)	(3,952)	(3,322)	(c)	(7,274)
Taxes	(4)	-	(1)	(10)	(26)	(41)	(167)	(d)	(208)
Other income (expenses), net	236	(2)	17	50	(596)	(295)	(1,175)	(e)	(1,470)
Share of profit (loss) of investees	-	-	-	3	-	3	-		3
Net financial result	-	-	-	-	-	-	(299)	(f)	(299)
Adjusted EBITDA	**2,406**	**1,202**	**179**	**489**	**(824)**	**3,452**			
Profit (loss) before taxes							**(5,387)**		**(1,935)**

Reconciliation with the financial statements	12/31/2016	12/31/2015
(a) Sales Revenue		
Appropriation of early bonuses granted to customers		
Sales Revenue is adjusted by the bonuses 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 the 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 bonuses. They are classified as prepaid expenses and are recognized in the statement in proportion to their due dates.	(542)	(412)
(b) Cost of sold goods		
Depreciation and amortization	(12)	(12)
(c) Sales, general and administrative		
Depreciation and amortization	(442)	(459)
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 systems, a segment for which the Company substantially provides service, and which lately has been facing financial difficulties.	(411)	(2,863)
(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.	(6)	(122)
Tax charges on revenue: the adjustments refer to expenditure with IOF PASEP and COFINS, levied on the Company's revenue and which are classified as tax expenses.	(84)	(45)
(e) Other revenue (expenses), net		
Losses and provisions related to 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.	(1,079)	(785)
Voluntary Dismissal Incentive Plan		
The adjustment refer to amounts that affected the Company's profits given the provision of the estimated expenditure 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.	(434)	(92)
Impairment Test		
The Company recorded an impairment of Cruzeiro do Sul (BASUL II) base, totaling BRL 298 million. That loss was recorded because the base operates significantly below its capacity, due to the loss of sales in the state of Acre, attributed mainly to the loss of the contract with Eletroacre.	-	(298)
(f) Net financial result	(622)	(299)
Total	**(3,632)**	**(5,387)**

28 Judicial, administrative and contingency proceedings

28.1 Provisioned judicial and administrative proceedings

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

Tax Proceedings – (i) related to the transfer of ICMS credits of hauliers and builders from the state of Mato Grosso, compensated by the Company (BRL 1,176); (ii) the incidence of PIS/COFINS through tax substitution on aviation kerosene sales transactions (BRL 46); and (iii) ICMS collection due to failure to include ICMS – Tax Replacement in the calculation base (BRL 49).

In 2015, the Company recorded provisions of BRL 555 related to several infraction notices resulting from the deductions practiced with respect to the monthly ICMS-ST payments, mainly due to the use of ICMS credits acquired from hauliers located in the State of Mato Grosso (State Ordinance No. 2.683/2010), as well as purchase and sale agreements for credits granted to building companies, in compliance with the agreements made between the State of Mato Grosso, the Company and the builders, which was effected through official letters issued by the State of Mato Grosso itself to the Company (ICMS Agreement No. 85/2011). Legal analyses in 2016 identified the need to make additional provisions in the total amount of BRL 621.

Civil Proceedings – (i) a lawsuit claiming that the Company allegedly failed to comply with the Transportation and Mutual Agreement, resulting in losses and impairing the operations of Valpar's fueling stations in the amount of BRL 84 (BRL 68 in 2015) ; (ii) a lawsuit filed by the company Compasa, due to the alleged loss of exclusivity for the marketing of Lubrax brand products in Paraguay, as a result of Petrobras entering the local market and selling the same products (BRL 36); (iii) a judicial ruling against the Company to return the property and pay losses and damages for the time that the Company allegedly unduly occupied the asset (BRL 50); (iv) lawsuit filed by Único Combustíveis Ltda., which requests the conviction of the Company for the payment of a fine agreed in a Commercial Purchase and Sale agreement, as well as the compensation of moral damages due to interrupted fuel supply (BRL 44); and (v) a lawsuit that arose due to the Company's unilateral termination of the distribution agreement, wherein the client requests the contract's termination due to a breach by the Company, including the release of guarantees and the conviction for the payment of the contractual fine, indemnification for losses and damages and moral damages (Dislub) (BRL 70).

Labor Proceedings – (i) conviction plea resulting from the payment of wage differences under the Bresser Plan at the rate of 26.06%, resulting from Decree-Law No. 2.335/87, in the wage levels table (BRL 18); (ii) plea for the reinstatement of

employees on the grounds that the dismissals were null and void due to non-compliance with collective bargaining agreements (BRL 4); and (iii) plea for the payment of attorneys' fees arising from the termination of the service agreement signed with a company incorporated by the Company (BRL 5).
These provisions are presented according to the nature of the corresponding causes:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Labor lawsuits	225	149	225	149
Tax suits	1,415	702	1,414	701
Civil suits	441	243	441	243
Environmental suits	9	11	9	11
Total	**2,090**	**1,105**	**2,089**	**1,104**

	Consolidated		Parent Company	
	2016	2015	2016	2015
Opening balance	**1,105**	**357**	**1,104**	**357**
Addition	1,174	779	1,174	779
Reversal	(196)	(35)	(196)	(35)
Use	(109)	(15)	(108)	(15)
Update	116	19	115	18
Closing balance	**2,090**	**1,105**	**2,089**	**1,104**

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

28.1.1 Provisioned judicial proceedings and judicial deposits

	Consolidated					
	2016			2015		
	Judicial proceedings	Judicial deposits	Provision, net of judicial deposits	Judicial proceedings	Judicial deposits	Provision, net of judicial deposits
Labor suits	225	109	116	149	80	69
Tax suits	1,415	8	1,407	702	10	692
Civil suits	441	71	370	243	65	178
Environmental suits	9	4	5	11	4	7
Total	**2,090**	**192**	**1,898**	**1,105**	**159**	**946**

28.1.2 Guarantees

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

	Consolidated		Parent Company	
	2016	2015	2016	2015
Inventory	282	243	282	242
Property, plant and equipment	23	25	23	25
	305	**268**	**305**	**267**

28.2 Non-provisioned court proceedings (possible losses)

	Consolidated		Parent Company	
Nature	**2016**	**2015**	**2016**	**2015**
Taxes	6,989	4,528	6,982	4,521
Civil Suits - General	1,833	1,148	1,833	1,148
Labor	259	135	259	135
Civil Suits - Environmental	9	-	9	-
Total	**9,090**	**5,811**	**9,083**	**5,804**

The following is a list of the main non-provisioned court proceedings:

a) Tax proceedings

	Description of tax proceedings	2016
	Plaintiffs: States of Minas Gerais and Rio de Janeiro	
1)	Collection of the difference of rate in internal operations involving aviation kerosene. The States have given special treatment to airlines reducing the rate of ICMS. Today, the Company charges this rate difference from distributors related to the sales to airlines companies and/or transfers between the Company's facilities.	1,903
	Plaintiffs: 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.	934
	Plaintiffs: States of Amazonas, Bahia, Ceará, Goiás, Mato Grosso do Sul, Mato Grosso, Pará, Paraíba, Pernambuco,	
3)	Processes under which the company is contesting the lack of ICMS incidence 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 invoiced based on a temperature of 20. When sold to customers, the Company sells the product at room temperature, resulting in a variation of the stock due to natural volumetric variations as a function of temperature.	635
	Plaintiffs: States of Amazonas, Bahia, Ceará, Goiás, Minas Gerais, Pará, Pernambuco, Paraná, Rio de Janeiro, Rio	
4)	Legal proceedings in which the Tax Office accused the Company of taking/using credit in operations that would not generate such credit entitlement, as in the cases of undue application of the non-cumulative principle.	632
	Plaintiffs: States of Amapá, Bahia, Minas Gerais and São Paulo	
5)	Legal proceedings under which the company is contesting who is liable for the payment of ICMS not withheld through tax substitution based on injunctions obtained by the buyers, but which is now due as a result of the unfavorable court decision received by the buyers on the lawsuits filed against the State.	498
	Plaintiff: Federal Government	
6)	Legal proceedings in which the Company is charged with supposedly failing to collect taxes on credit, foreign exchange and insurance operations, or relative to securities, resulting from qualified operations by Tax Authorities, over the montly cash remittance to Petrobras and loans to several contributors (fuel stations).	466
	Plaintiff: States of Amazonas, Ceará and Pernambuco	
7)	Collection of ICMS tax on alleged aviation kerosene sales, with no ICMS tax for national and foreign airlines, for flights to other states or abroad.	403
	Plaintiffs: States of Bahia, Mato Grosso do Sul, Mato Grosso, Pará, Rio de Janeiro, Rio Grande do Norte, Roraima,	
8)	Punishment applied for non-compliance with ancillary obligations related to collection and crediting of ICMS, IRPJ, CSLL, PIS and COFINS, incident on operations in general by the Company.	268
	Plaintiff: Federal Government	
9)	Processes under which company is challenge the tax bases of IPI on oil products and the possibility of maintaining IPI credits on the acquisition of inputs used in the production of oil products.	503

	Description of tax proceedings	2016
	Plaintiff: State of Rio de Janeiro	
10)	Legal proceedings in which the appropriation of book value ICMS credit is discussed, considering that the State fined the Company for allegedly duplicating bookkeeping credits.	91
	Plaintiff: Federal Government	
11)	Legal proceedings under which the company is contesting the Social Security Contribution on the amount of PLR and performance bonuses paid to employees.	80
	Plaintiffs: State of Amazonas, Bahia, Ceará, Goiás, Mato Grosso, Paraíba, Rondônia and São Paulo	
12)	Legal proceedings under which the company is contesting whether or not there is a right to credit the ICMS paid when the CIF freight in interstate operations is covered by immunity. Distinction between operation and transportation service.	78
	Plaintiffs: States of Amazonas, Ceará, Espírito Santo, Goiás, Mato Grosso Sul, Mato Grosso, Pará, Pernambuco, Rio	
13)	Legal proceedings in which the Company is charged 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.	71
	Plaintiffs: States of Mato Grosso and Pará	
14)	Legal proceedings in which the Company was fined by the Treasury, requiring ICMS on entry operations from transfers between its establishments.	51
	Plaintiff: Federal Government	
15)	Legal proceedings under which the company is contesting who is liable for the payment of PIS and COFINS not withheld through tax substitution based on injunctions obtained by the buyers, but which now is due because the buyers lost the lawsuit filed against the State.	46
	Plaintiffs: States of Mato Grosso, Sergipe and São Paulo	
16)	Legal proceedings in which the State collects from the Company the tax retained and not collected by a disposing plant.	46
	Various tax proceedings	284
	Total	**6,989**

b) Civil proceedings

	Description of civil proceedings	2016
	Plaintiff: WTorre Engenharia E Construção S.A..	
1)	Arbitration procedure instituted by the applicants arising from alleged fraud to the unenforceability of bidding for contracting atypical lease (BTS) for the operation of the Terminal of Rondonópolis. Current situation: After the appointment of former Minister of Superior Court Justice Ruy Rosado as adjudicator, the procedure is in its initial stage, with the payment of costs by the defendants and the applicants.	632
	Plaintiff: Forte Comércio, Importação, Exportação e Administração	
2)	Civil lawsuit before the court of the State of São Paulo, with a request for the termination of contracts and indemnity for losses and damages, based on the allegation that the Company failed to comply with the obligations assumed for the formation of the Forte Group. Current situation: Awaiting judgment on the special appeal filed by the Company.	256
	Plaintiff: 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.	175
	Plaintiff: C A Soares da Costa	
4)	Civil action before the courts of Rondônia, seeking indemnification for damages, under the allegation of non-compliance 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 plaintiff filed a special appeal, referred to the Superior Court of Justice - STJ.	141
	Plaintiff: 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 the loss of profits and indemnification for moral damages. Current situation: awaiting judgment of the appeal.	157
	Plaintiff: 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 operation. Current situation: The other party started the sentence, estimating its credit at the amount of 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) 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 judges).	124
	Various processes of civil nature	348
	Total	**1,833**

c) Labor proceedings

Description of the process of labor		2016
Plaintiff: Ministry of Labor		
1)	Execution of a daily fine (penalties), proposed by the Labor Department in the face of the Company, due to alleged non-compliance 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 (lower court) for investigation and judgment, the expectation of loss was changed from possible to remote loss.	120
	Several labor processes	139
	Total	**259**

29 Contractual commitments

a) Commitments to Petrobras

The Company has contractual commitments to Petrobras for the purchase of oil products for a five year period, which corresponds to a total estimated value of BRL 25,600.

The Company has unconditional purchase commitments to Petrobras for the period from 2016 to 2025, amounting to approximately 5.1 billion cubic meters of natural gas, which corresponds to a total estimated remaining value of BRL 2,900.

On March 1, 2016, the Company signed a new agreement with Petrobras for the purchase of 3.5 million tons of Green Petroleum Coke per year over a five year period, starting on the signature date and extendable for an equal term, with an estimated value of BRL 5,500 for the first contractual period.

b) Lease agreements

The Company has contractual commitments with Confidere OGB Imobiliária e Incorporadora regarding the lease of the Lubrax Building for the period from 2017 to 2031, at an estimated total remaining value of BRL 1,400.

c) *"Take or pay" agreements*

Brasil Carbonos' services are rendered in full to the Company. There is an agreement with a take or pay clause for 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.

30 Financial instruments and risk management

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

The control policy consists of continuous monitoring of contracted rates versus current market rates, with the ultimate goal of preserving the margins obtained through the hedging policy jointly established with the commercial areas. The Company does not make speculative investments in derivatives or any other high-risk assets.

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

Descriptions of the financial instruments included in the balance sheet:

	Notes:	Fair Value Hierarchy Level	Consolidated 2016	Consolidated 2015	Parent Company 2016	Parent Company 2015
Loans and receivables						
Cash and banks	6		63	609	61	607
Financial investments	6		592	201	381	-
Accounts receivable	7		13,905	14,291	13,981	14,231
Judicial deposits	12		950	798	928	778
			15,510	**15,899**	**15,351**	**15,616**
Fair value through profit or loss						
Judicial bonds	7	2	24	29	24	29
			24	**29**	**24**	**29**
Available-for-sale financial assets						
FIDC Supplier			-	19	-	19
			-	**19**	**-**	**19**
Financial assets held to maturity						
NTN-P			2	9	2	9
			2	**9**	**2**	**9**
Financial liabilities measured at amortized cost						
Suppliers	16		2,650	3,047	2,622	3,023
Borrowing	17		12,814	12,894	11,733	11,782
Assignment of receivables	31.2		31	24	-	-
Finance leases	18		95	129	685	711
			15,590	**16,094**	**15,040**	**15,516**

30.1 Risk management objectives and strategies

The main forum to discuss the Company's credit risk management is the Credit Committee, which sets the main parameters and guidelines for the policy on the granting of credit. Credit application analyses, according to their value levels, have specific procedures and growing requirements depending on the level of exposure, and some cases are directed to the Executive Board for a decision.

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 billing.

30.2 Market risk

30.2.1 Credit risk

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

30.2.1.1 Credit risk management

The Company's Credit and Collection Policy defines the approval spheres for each customer, considering the value requested, and establishes term limits, thus allowing the periodic reassessment of each customer's situation regarding the risk it may represent.

The analysis includes the customer's payment behavior and market constraints, real guarantees (mortgages), personal guarantees (sureties), as well as a balance sheet analysis. The Company adopts the competence limit table, approved by Management, to grant credit.

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

The Company's commercial credit portfolio is diversified, serving customers from the automotive network and major customers, represented mainly by industries and Government clients. Risk exposure is mainly represented by the balance of accounts receivable.

30.2.2 Interest rate risk

The Company's interest rate risk on liabilities is mainly associated with the CDI, which is the index for the financing agreement signed with Banco da Amazônia, Banco do Brasil, Itaú and Bradesco (Note 17), and with the IGPM and IPCA rates, which are indexers of Real Estate Receivables Certificates. Assets are mostly characterized by the confession of indebtedness agreements of companies from the Eletrobras Group, updated at the SELIC rate.

30.2.2.1 Interest rate risk management

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

The interest sensitivity analysis of the main financial assets and liabilities on December 31, 2016 is as follows.

Instruments	Exhibition	Note	Risco	(Expense)/ financial income in scenario 1 (a)	Financial result decreased by 25%	Financial result decreased by 50%	Financial results with elevation of 25%	Financial results with elevation of 50%
Debt confession contract - Electricity sector - Isolated system - Eletrobras Group	6,225		SELIC reduction	806	605	403	1,008	1,209
Real estate receivable Certificates (CRI)	(1,063)	17.1	The CPI-A and IGP-M	(128)	(111)	(95)	(145)	(161)
Company's Financing	(11,733)	17.1	High CDI	(1,781)	(1,336)	(891)	(2,226)	(2,672)
Applications-FIDC	2,776	31.2	Reduction of CDI	299	224	150	374	449

(a) Scenario I corresponds to the effect recorded in the results for the fiscal year, considering the December 31, 2016 base date.

30.2.3 Foreign exchange risk

The Company is exposed to exchange rate risk due to sales to foreign customers.

30.2.3.1 Foreign exchange risk management

The Company enters into foreign exchange hedging agreements to cover commercial margins inherent to aviation fuel sales made to foreign customers. The purpose of the operation is to ensure that the commercial margins agreed with customers are maintained throughout the term of the negotiated prices, as well as the commercial payment term.

Export hedge activities were hired in 2016 totaling USD 158.8 million. The hedging transactions hired for export billing in US Dollars from the aviation segment in 2016 represented 48%. The Company's financial risk management policy provides for entering into hedging agreements to cover a maximum of 100% of foreign billing.

The Company contracted foreign exchange hedge activities in the purchase position to fix aviation kerosene prices in Brazilian Reais for domestic customers from the aviation segment in the total amount of USD 29.9 million, representing 100% of the volume of this type of operation. USD 16.7 million in foreign exchange hedging was also contracted in the purchase position for the company's imports exposed to foreign exchange variations.

The settlement of all foreign exchange hedge activities in 2016 generated a positive result of BRL 7 for the Company.

It is worth mentioning that the Company did not use any other derivative instruments in relation to the foreign exchange hedge activities besides the NDF, as defined in Article 2 of CVM Ruling No. 550.

None of the transactions in question required guarantee margin deposits.

Fixed-term contracts US Dollars (NDF)	Reference value (notional) (USD) 12/31/2016	Reference value (notional) (USD) 12/31/2015	Fair value (R$) 12/31/2016	Fair value (R$) 12/31/2015	Maturity
Long Position	-	13	-	2	1Q16
Short Sale	15	-	1	-	1Q17

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 likely scenario is the fair value at December 31, 2016, the possible and remote scenarios consider the deterioration of the risk variable in 25% and 50%, respectively, for this same date.

Currency derivatives Foreign	Risco	Likely Scenario On 31/12/2016	Possible Scenario (Δ of 25%)	Remote Setting (Δ of 50%)
Fixed-term contracts in dollar (NDF)	Appreciation of the US Dollars against the Real	1	(11)	(23)

30.3 Liquidity risk

The Company predominantly uses its resources for operating expenditure. As a rule, the conditions are met using internally generated resources, occasional financial operations to finance projects or in response to a specific liquidity event, based on existing opportunities in the financial market.

30.3.1 Liquidity risk management

Cash flow forecasts are centrally performed by the Company's financial area. The area works with an annual cash flow, which is monitored through monthly projection reviews discussed in forums and representative executive committees.

The purpose is to ensure sufficient cash flow to meet the Company's operating needs, funding and investments, always maintaining a minimum cash balance sufficient to meet the daily flow fluctuations.

Excess cash is applied to FIDC-NP quotas, an exclusive and corporate fund of Petrobras Group, with interest charged. Events that may impact the cash generation, within the limit of its cash flow, are remedied with corporate funds.

In parallel, there is always room for financial structuring to improve capital structure and cost, in addition to strengthening cash flow in specific situations.

30.4 Capital management

Capital management is the set of procedures that aims to ensure an adequate capital base for the Company throughout the deployment of its activities, allowing the Company to meet all 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.

Capital management and monitoring are carried out through:

- Daily cash flow control;
- Projection and monitoring of the Company's short and medium term cash flow execution, structuring the Financial Plan that will support the budget processes;
- Analysis of the cash flow cycle and the need for working capital; and
- Monitoring of variables that affect working capital, integrating the initiatives related to managing the need for working capital.

	Consolidated		Parent Company	
	2016	2015	2016	2015
Financing (Note 17)	12,814	12,894	11,733	11,782
Finance leases (Note 18)	95	129	685	711
Assignment of receivables (Note 31.2)	31	24	-	-
Total indebtedness	12,940	13,047	12,418	12,493
Less: cash and cash equivalents (Note 6)	(655)	(810)	(442)	(607)
Net indebtedness	12,285	12,237	11,976	11,886
Shareholders' equity attributable to controlling stockholders (Note 22)	7,410	9,925	7,410	9,925
Net indebtedness/(net indebtedness + equity)	**62%**	**55%**	**62%**	**54%**

30.5 Fair value measurements

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

- Level 1 – Negotiated prices (without adjustments) in active markets for identical assets or liabilities.

- Level 2 – Inputs, except quoted prices, included in Level 1 that are observable for the asset or liability, directly (prices) or indirectly (price derivative).

- Level 3 – Assumptions for assets or liabilities that are not based on observable market data (unobservable inputs).

There were no transfers between the levels of financial instruments with respect to 2015.

31 Related parties

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

31.1 Commercial transactions and other transactions

31.1.1 By transaction

		Consolidated					
		2016					
		Assets			Liabilities		
	Result	Current	Non-current assets	Total	Current	Non-current assets	Total
Result							
Revenue, mostly from sales	5,096						
Net Monetary and exchange variations	719						
Net financial revenue (expenses)	(661)						
Assets							
Accounts receivable (Note 7)		783	8,753	9,536			
Marketable securities		-	2	2			
Cash and cash equivalents		79	-	79			
Judicial deposits		-	729	729			
Passive							
Suppliers (Note 16)					1,701	-	1,701
Dividends (Note 22.3)					635	-	635
Financing (Note 17.1)					300	4,489	4,789
Advances from clients					48	-	48
On 12/31/2016	**5,154**	**862**	**9,484**	**10,346**	**2,684**	**4,489**	**7,173**
January to December/2015	**8,043**						
On 12/31/2015		**1,346**	**8,634**	**9,980**	**2,859**	**4,700**	**7,559**

		Parent Company 2016					
		Assets			Liabilities		
	Result	Current	Non-current assets	Total	Current	Non-current assets	Total
Result							
Revenue, mostly from sales	5,114						
Net Monetary and exchange variations	664						
Net financial revenue (expenses)	(707)						
Assets							
Accounts receivable (Note 7)		915	8,753	9,668			
Marketable securities		-	2	2			
Cash and cash equivalents		68	-	68			
Judicial deposits		-	707	707			
Passive							
Suppliers (Note 16)					1,677	-	1,677
Dividends (Note 22.3)					635	-	635
Financing (Note 17.1)					283	4,488	4,771
Advances from clients					48	-	48
Finance leases					121	537	658
On 12/31/2016	**5,071**	**983**	**9,462**	**10,445**	**2,764**	**5,025**	**7,789**
January to December/2015	**7,966**						
On 12/31/2015		**1,421**	**8,614**	**10,035**	**2,895**	**5,298**	**8,193**

Purchases made by Petrobras amounted to BRL 62,347 (BRL 75,140 2015). Transactions with related parties are performed according to the commercial terms and conditions agreed by the parties.

31.1.2 By company

Consolidated

	Result		Assets				Liabilities			
			2016			2015	2016			2015
	2016	2015	Current	Non-current assets	Total	Total	Current	Non-current assets	Total	Total
Subsidiaries and joint arrangements between the Petrobras system and the Electrical energy sector - Isolated System (Eletrobras Group)										
Power companies - Isolated system (Eletrobras Group)	2,870	5,157	411	8,679	9,090	8,443	8	-	8	42
Petrobras	1,771	1,776	208	-	208	240	2,259	-	2,259	2,588
Arembepe (a)	-	39	-	-	-	-	-	-	-	-
Camaçari Muricy (a)	-	32	-	-	-	-	-	-	-	-
Termocabo	31	113	2	-	2	16	-	-	-	-
Transpetro	50	47	15	-	15	9	9	-	9	4
Petrobras Paraguay Operaciones y Logistica	20	12	-	-	-	7	4	-	4	7
Other	140	148	7	74	81	97	40	-	40	58
	4,882	7,324	643	8,753	9,396	8,812	2,320	-	2,320	2,699
Associates of Petrobras Group										
Suape II	336	540	54	-	54	19	-	-	-	1
Braskem	63	101	7	-	7	1	14	-	14	2
Guarani S.A.	84	72	1	-	1	1	-	-	-	11
Other associates	26	26	1	-	1	1	10	-	10	1
	509	739	63	-	63	22	24		24	15
Government entities										
Government securities	3	5	-	2	2	9	-	-	-	-
Banks Controlled by the Union	(664)	(476)	79	729	808	1,013	300	4,489	4,789	4,766
Clients - Federal Government	424	451	77	-	77	124	40	-	40	79
	(237)	(20)	156	731	887	1,146	340	4,489	4,829	4,845
Total	**5,154**	**8,043**	**862**	**9,484**	**10,346**	**9,980**	**2,684**	**4,489**	**7,173**	**7,559**

(a) Incorporated by Petrobras in 2015

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

	Parent Company									
	Result		Assets				Liabilities			
			2016			2015	2016			2015
	2016	2015	Current	Non-current assets	Total	Total	Current	Non-current assets	Total	Total
Subsidiaries and joint arrangements between the Petrobras system and the Electrical energy sector - Isolated System (Eletrobras Group)										
Power companies - Isolated system (Eletrobras Group)	2,870	5,157	411	8,679	9,090	8,443	8	-	8	42
Petrobras	1,771	1,776	208	-	208	239	2,226	-	2,226	2,563
Termocabo	31	113	2	-	2	16	-	-	-	-
Arembepe (a)	-	39	-	-	-	-	-	-	-	-
Camaçari Muricy (a)	-	32	-	-	-	-	-	-	-	-
Transpetro	50	47	15	-	15	9	9	-	9	4
Petrobras Paraguay Operaciones y Logistica	20	12	-	-	-	7	4	-	4	7
Invest Fund. FCM Real Estate	(102)	(101)	130	-	130	82	123	537	660	685
Other	159	172	9	74	83	101	47	-	47	62
	4,799	7,247	775	8,753	9,528	8,897	2,417	537	2,954	3,363
Associates of Petrobras Group										
Suape II	336	540	54	-	54	19	-	-	-	1
Braskem	63	101	7	-	7	1	14	-	14	2
Guarani S.A.	84	72	1	-	1	1	-	-	-	11
Other associates	26	26	1	-	1	1	10	-	10	1
	509	739	63	-	63	22	24	-	24	15
Government entities										
Government securities	4	4	-	2	2	9	-	-	-	-
Banks Controlled by the Union	(665)	(475)	68	707	775	983	283	4,488	4,771	4,736
Clients - Federal Government	424	451	77	-	77	124	40	-	40	79
	(237)	(20)	145	709	854	1,116	323	4,488	4,811	4,815
Total	**5,071**	**7,966**	**983**	**9,462**	**10,445**	**10,035**	**2,764**	**5,025**	**7,789**	**8,193**

(a) Incorporated by Petrobras in 2015

Transactions with banks controlled by the Union were mainly performed with Banco do Brasil and Banco da Amazônia S.A.

31.2 Non-standard receivables fund – FIDC-NP

	Consolidated		Parent Company	
	2016	2015	2016	2015
Accounts receivable (Note 7)	2,776	2,766	2,770	2,711
Total classified in current assets	**2,776**	**2,766**	**2,770**	**2,711**
Assignments of Performed and Non-Performed Rights	(31)	(24)	-	-
Total classified under current liabilities	**(31)**	**(24)**	**-**	**-**
Financial revenue FIDC-NP	299	139	297	139
Financial expenses FIDC-NP	(2)	(61)	-	(59)
Financial result	**297**	**78**	**297**	**80**

Performed and non-performed assignments of receivables are classified under current liabilities. The discount rate on the assignment of FIDC-NP Petrobras receivables is 100.5% of the CDI; IOF and income taxes are not levied on the transactions.

Investments in FIDC-NP shares are classified under current assets, in accounts receivable. The remuneration rate is 100% of the CDI. In the event of redemption within the first 30 days of the investment, the IOF tax shall be applied to the income, using a regressive table.

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

31.3 Remuneration of directors and employees

The Company's Salary and Benefits Plan and specific legislation establish the criteria for all of the remuneration attributed to its directors and employees.

Remuneration for Company employees, including bonuses for those occupying managerial positions, and directors regarding the month of December 2016 and 2015 was as follows:

	Parent Company	
Compensation	2016	2015
Compensation per employee		
Lower compensation	3,281.17	3,126.69
Average compensation	13,649.67	13,538.57
Highest compensation	71,634.19	71,634.19
Compensation per Company official (highest)	111,201.13	101,664.96
(Values expressed in reais)		

The total remuneration of short term benefits for the Company's key personnel during 2016 was BRL 9 (BRL 8 in 2015) in the Parent Company and BRL 13 (BRL 12 in 2015) in the Consolidated Report.

In 2016, fees for directors and officers in the Consolidated report amounted to BRL 9 (BRL 9 in 2015).

On December 31, 2016, the Company had five members on the Executive Board and nine members on the Board of Directors.

32 Insurance

The Company has an insurance policy that mainly considers the concentration of risks, the materiality and replacement value of the assets.

As at December 31, 2016, fire insurance coverage for facilities, equipment and products amounted to BRL 4,286. The coverage for civil liability totaled BRL 4,073, including BRL 3,258 for aircraft supply operations and BRL 815 for operations and environmental pollution. The coverage for product transfers made between the Company's establishments, sales and products purchased from production sources, the transportation of which is the Company's responsibility, totaled BRL 81.

The adopted risk assumptions, given their nature, are not part of the scope of a financial statement audit, and therefore were not examined by our independent auditors.

33 Subsequent Events

Capital Increase

On August 31, 2017, the Extraordinary General Shareholders' Meeting approved the Company's capital increase, in kind, in the amount of BRL 6,313 million, which will result in administrative and economic benefits, allowing for the improvement of its financial indicators, such as liquidity and solvency.

Advance Payment of Credit Notes

On August 31, 2017, the Company liquidated the Export Credit Notes (NCE) issued in favor of Banco do Brasil and Banco Bradesco in advance, totaling BRL 7,708 million.

Partial Split

On August 31, 2017, the Extraordinary General Shareholders' Meeting approved the partial splitting of the Company, with the incorporation of the split portion into Downstream Participações Ltda. (Petrobras subsidiary), in the amount of BRL 6,339 million, related to credits with companies from the Eletrobras Group renegotiated in 2014 and amounts receivable from the customers Breitener Tambaqui and Breitener Jaraqui, both of the Petrobras group, for the purpose of improving the capital structure management of the said companies' economic group. The aforementioned transaction, in addition to the stockholders' benefits arising from the valuation of its assets and business, will result in administrative and economic benefits for the split Company, allowing for the improvement of its financial indicators such as liquidity and solvency.

Court Proceedings

As a result of the second instance decision favorable to the Company, issued in the administrative proceeding in which the Company is being sued over an alleged lack of tax recollection on credit transactions (IOF) arising from transactions qualified by the supervisory body as a remittance of the values to Petrobras and loan agreements to dealer stations, the Company amended the loss expectation and significantly reduced the financial risk of possible losses in the amount of BRL 456 on December 31, 2016, to a likely loss of BRL 0.3 on July 31, 2017, referring to the collection portion of the IOF tax on loan agreements to dealer stations.

BOARD OF DIRECTORS

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

ACCOUNTING MANAGEMENT

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