

PETROBRAS DISTRIBUIDORA S.A.

CNPJ 34 274 233/0001-02

QUARTERLY INFORMATION

At September 30, 2019



Summary

Independent auditors' report on the individual and consolidated interim financial statements	04
Statements of financial position.....	06
Statement of income	08
Statements of comprehensive income.....	09
Statements of changes in equity.....	10
Statements of cash flows.....	11
Statements of added value.....	12
1 General considerations	14
2 Basis of preparation of the interim financial statements	15
3 Use of estimates and judgments.....	16
4 Significant accounting policies	17
5 Cash and cash equivalents	20
6 Net accounts receivable.....	20
7 Inventories.....	26
8 Taxes and contributions recoverable	27
9 Deferred income and social contribution tax.....	28
10 Advanced bonuses awarded to clients.....	29
11 Investments	30
12 Property, plant and equipment.....	31
13 Intangible assets.....	33
14 Trade Payables	35
15 Financing.....	36
16 Leases	42
17 Customer advances	46
18 Taxes and contributions payable	46
19 Employee benefits.....	47
20 Equity.....	53
21 Sales revenue.....	55
22 Other net revenue (expenses)	58
23 Expenses by nature	59
24 Net financial income	63

25 Segment reporting.....	65
26 Judicial and administrative proceedings, judicial deposits and contingencies	74
27 Contractual commitments	85
28 Financial instruments and risk management	86
29 Related-party transactions	96
30 Subsequent events	104
Correlation between the notes as of December 31, 2018 and September 30, 2019.....	105
Representation of the officers about the interim financial statements and the auditors' report	107
Members of the Board of Directors and Executive Board.....	108



KPMG Auditores Independentes
Rua do Passeio, 38 - Setor 2 - 17º andar - Centro
CEP: 20021-290 - Rio de Janeiro/RJ - Brasil
Telefone +55 (21) 2207-9400, Fax +55 (21) 2207-9000
www.kpmg.com.br

Report on the review of individual and consolidated financial statements - ITR

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

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

Introduction

We have reviewed the interim accounting information, individual and consolidated, of Petrobras Distribuidora S.A. ("Company") for the quarter ended September 30, 2019, which comprises the individual and consolidated statement of financial position as of September 30, 2019 and the respective statements of income, comprehensive statements of income for the three and nine months periods then ended, the statements of changes in shareholder's equity and cash flows for the nine-months period then ended, including the explanatory notes.

The Company's Management is responsible for preparation of these individual interim accounting information in accordance with Technical Pronouncement CPC 21(R1) and these consolidated interim accounting information in accordance with Technical Pronouncement CPC 21(R1) and with the international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as the presentation of these information in accordance with standards issued by the Brazilian Securities and Exchange Commission - CVM, applicable to the preparation of quarterly information form - ITR. Our responsibility is to express our conclusion on this interim accounting information based on our review.

Scope of the review

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

**Conclusion on the individual interim accounting information**

Based on our review, we are not aware of any fact that might lead us to believe that the individual interim accounting information included in the aforementioned quarterly information was not prepared, in all material respects, in accordance with the CPC 21 (R1), applicable to preparation of quarterly information form – ITR and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

Conclusion on the consolidated interim accounting information

Based on our review, we are not aware of any fact that might lead us to believe that the consolidated interim accounting information included in the aforementioned quarterly information was not prepared, in all material respects, in accordance with the CPC 21 (R1) and IAS 34, issued by the IASB, applicable to preparation of quarterly information form – ITR and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

Other matters**Statement of added value**

The interim accounting information, individual and consolidated, statements of added value (DVA) for the nine-months period ended September 30, 2019, prepared under the responsibility of Company's management, presented as supplementary information for the purposes of IAS 34, were submitted to the same review procedures followed together with the review of the Company's individual and consolidated financial statements - ITR. In order to form our conclusion, we have evaluated whether these statements were reconciled to interim accounting information and to the accounting records, as applicable, and whether their form and content are in accordance with the criteria set on the Technical Pronouncement CPC 09 - Statement of Added Value. Based on our review, nothing has come to our attention that causes us to believe that the accompanying statements of added value were not prepared, in all material respects, in accordance with the individual and consolidated interim accounting information taken as a whole.

Rio de Janeiro, November 11, 2019

KPMG Auditores Independentes
CRC SP-014428/O-6 F-RJ
Original report in Portuguese signed by
Bruno Bressan Marcondes
Accountant CRC RJ-112835/O-7

Petrobras Distribuidora S.A.
Statements of financial position
September 30, 2019 and December 31, 2018
(In millions of reais)

Assets	Note	Consolidated		Parent Company	
		9/30/2019	12/31/2018	9/30/2019	12/31/2018
Current					
Cash and cash equivalents	5	3,909	3,057	3,681	2,830
Net accounts receivable	6	4,602	5,327	4,759	5,413
Inventories	7	3,053	2,923	3,026	2,898
Advances to suppliers		23	12	22	12
Income tax and social contribution		4	13	1	10
Taxes and contributions recoverable	8	914	722	843	655
Bonuses advanced to clients	10	583	591	583	591
Prepaid expenses		49	45	48	44
Assets held for sale		16	15	12	12
Other current assets		192	98	196	101
		13,345	12,803	13,171	12,566
Noncurrent					
Long-term					
Net accounts receivable	6	723	1,155	720	1,153
Judicial deposits	26.2	1,155	1,051	1,131	1,027
Taxes and contributions recoverable	8	557	498	470	428
Deferred income and social contribution tax	9	1,790	1,863	1,771	1,845
Bonuses advanced to clients	10	1,830	1,467	1,830	1,467
Prepaid expenses		163	180	163	180
Loans made to related parties	29.1.1	-	-	142	136
Other noncurrent assets		15	22	9	16
		6,233	6,236	6,236	6,252
Investments	11	37	33	331	321
Property, plant and equipment	12	6,569	5,797	6,114	5,293
Intangible assets	13	501	476	499	474
		13,340	12,542	13,180	12,340
Total Assets		26,685	25,345	26,351	24,906

The notes are an integral part of these financial statements.

Petrobras Distribuidora S.A.
Statements of financial position
September 30, 2019 and December 31, 2018
(In millions of reais)

Liabilities	Note	Consolidated		Parent Company	
		9/30/2019	12/31/2018	9/30/2019	12/31/2018
Current					
Trade accounts payable	14	1,847	2,219	1,872	2,251
Borrowing	15	3,808	210	3,660	94
Assignment of credit receivables	29.2	-	31	-	-
Leases	16.1	83	29	190	131
Customer advances	17 / 21.2	301	299	294	297
Income and social contribution taxes		626	45	624	44
Taxes and contributions payable	18	264	300	254	291
Dividends and interest on shareholders' equity payable	20.2.1	1,538	758	1,538	758
Payroll, vacations and associated tax provisions		270	182	268	180
Performance bonus	19.3	41	41	41	41
Profit sharing	19.2	-	67	-	67
Voluntary redundancy incentivization plan	19.4	9	83	9	83
Pension and health plan	19	128	154	128	154
Other accounts and expenses payable		216	143	206	152
		9,131	4,561	9,084	4,543
Noncurrent					
Borrowing	15	1,681	5,314	959	4,486
Leases	16.1	648	19	1,090	432
Pension and health plan	19	4,563	4,755	4,557	4,750
Provision for judicial and administrative proceedings	26	1,051	1,001	1,051	1,001
Other accounts and expenses payable		9	9	8	8
		7,952	11,098	7,665	10,677
		17,083	15,659	16,749	15,220
Equity	20				
Paid-in capital		6,353	6,353	6,353	6,353
Revenue reserves		5,175	5,259	5,175	5,259
Asset and liability valuation adjustments		(1,926)	(1,926)	(1,926)	(1,926)
		9,602	9,686	9,602	9,686
Total Liabilities		26,685	25,345	26,351	24,906

The notes are an integral part of these financial statements.

Petrobras Distribuidora S.A.
Statements of income
Periods ended September 30, 2019 and 2018
(In millions of reais, except for net income per share)

	Note	Consolidated				Parent Company			
		Current quarter (7/1/2019 to 9/30/2019)	Nine-month period ended September 30, 2019	Quarter of the Prior Year (7/1/2018 to 9/30/2018)	Nine-month period ended September 30, 2018	Current quarter (7/1/2019 to 9/30/2019)	Nine-month period ended September 30, 2019	Quarter of the Prior Year (7/1/2018 to 9/30/2018)	Nine-month period ended September 30, 2018
Revenue from goods sold and services rendered	21	24,360	70,837	26,455	72,551	24,128	70,262	26,224	72,015
Cost of goods sold and services rendered	23	(22,966)	(66,564)	(24,936)	(68,199)	(22,756)	(66,035)	(24,730)	(67,715)
Gross profit		1,394	4,273	1,519	4,352	1,372	4,227	1,494	4,300
Operating expenses									
Sales	23	(733)	(2,188)	(776)	(2,244)	(731)	(2,172)	(763)	(2,218)
General and administrative	23	(200)	(585)	(194)	(582)	(192)	(564)	(189)	(566)
Tax	23	(36)	(86)	(209)	(258)	(36)	(85)	(206)	(255)
Other net income (expenses)	22 / 23	50	(130)	1,082	785	51	(130)	1,080	784
		(919)	(2,989)	(97)	(2,299)	(908)	(2,951)	(78)	(2,255)
Net income before finance income / (expense), results in equity-accounted investments, and income tax		475	1,284	1,422	2,053	464	1,276	1,416	2,045
Finance income / (expenses)	24								
Expenses		(117)	(347)	(136)	(313)	(133)	(387)	(142)	(343)
Income		1,705	2,478	554	1,002	1,698	2,464	547	983
Foreign exchange and inflation indexation, net		(9)	(113)	(65)	(113)	3	(83)	(62)	(83)
		1,579	2,018	353	576	1,568	1,994	343	557
Results in equity-accounted investments	11	-	1	(1)	(2)	18	33	14	22
Income before tax		2,054	3,303	1,774	2,627	2,050	3,303	1,773	2,624
Income tax and social contribution									
Current		(764)	(1,115)	-	(1)	(763)	(1,114)	-	-
Deferred charges		46	(73)	(696)	(1,038)	49	(74)	(695)	(1,036)
		(718)	(1,188)	(696)	(1,039)	(714)	(1,188)	(695)	(1,036)
Net income for the period		1,336	2,115	1,078	1,588	1,336	2,115	1,078	1,588
Basic and diluted earnings per common share - R\$		1.15	1.82	0.93	1.36	1.15	1.82	0.93	1.36
<i>Share capital consists of 1,165,000,000 common shares</i>									

The notes are an integral part of these financial statements.

Petrobras Distribuidora S.A.
 Statements of comprehensive income
 Periods ended September 30, 2019 and 2018
(In millions of reais)

	Consolidated				Parent Company			
	Current quarter (7/1/2019 to 9/30/2019)	Nine-month period ended September 30, 2019	Quarter of the Prior Year (7/1/2018 to 9/30/2018)	Nine-month period ended September 30, 2018	Current quarter (7/1/2019 to 9/30/2019)	Nine-month period ended September 30, 2019	Quarter of the Prior Year (7/1/2018 to 9/30/2018)	Nine-month period ended September 30, 2018
Net income for the period	1,336	2,115	1,078	1,588	1,336	2,115	1,078	1,588
Other comprehensive income	-	-	-	-	-	-	-	-
Comprehensive income for the period	1,336	2,115	1,078	1,588	1,336	2,115	1,078	1,588

The notes are an integral part of these financial statements.

Petrobras Distribuidora S.A.
Statements of changes in equity
Periods ended September 30, 2019 and 2018
(In millions of reais)

	Consolidated								Parent Company	
	Share capital subscribed and paid in	Revenue reserves			Additional dividends proposed / interest on equity	Tax incentives	Retained earnings (acc. losses)	Other comprehensive income Asset and liability valuation adjustments	Total equity	Total equity
		Legal	Statutory	Retention reserves						
At December 31, 2017	6,352	865	270	1,942	819	1	-	(1,423)	8,826	8,826
Adjustment – initial adoption of IFRS 9	-	-	-	-	-	-	(177)	-	(177)	(177)
At 1 January 2018	6,352	865	270	1,942	819	1	(177)	(1,423)	8,649	8,649
Capital increase	1	-	-	-	-	(1)	-	-	-	-
Net income for the period	-	-	-	-	-	-	1,588	-	1,588	1,588
Additional dividends proposed	-	-	-	-	(433)	-	-	-	(433)	(433)
Interest on equity	-	-	-	-	(386)	-	-	-	(386)	(386)
September 30, 2018	6,353	865	270	1,942	-	-	1,411	(1,423)	9,418	9,418
As of December 31, 2018	6,353	1,025	270	1,765	2,199	-	-	(1,926)	9,686	9,686
Net income for the period	-	-	-	-	-	-	2,115	-	2,115	2,115
Additional dividends proposed	-	-	-	-	(2,199)	-	-	-	(2,199)	(2,199)
As of September 30, 2019	6,353	1,025	270	1,765	-	-	2,115	(1,926)	9,602	9,602

The notes are an integral part of these financial statements.

Petrobras Distribuidora S.A.
Statements of cash flows
Periods ended September 30, 2019 and 2018
(In millions of reais)

		Consolidated		Parent Company	
		Nine-month period ended September 30		Nine-month period ended September 30	
	Note	2019	2018	2019	2018
Cash flows from operating activities					
Net income for the period		2,115	1,588	2,115	1,588
Adjustments to:					
Income tax and social contribution		1,188	1,039	1,188	1,036
Depreciation and amortization	23	382	315	384	310
Income on the sale/derecognition of assets		(10)	(26)	(9)	(26)
Expected credit losses, net of reversal	6	47	96	51	101
Earnings on material interests		(1)	2	(33)	(22)
Appropriation of early bonuses awarded to customers		378	388	378	388
Appropriation of insurance, rent and other		48	60	38	60
Net monetary and exchange variance		(1,975)	(671)	(1,959)	(660)
Actuarial expense on pension and health plans	19.1	360	328	360	328
Provision for legal proceedings	26.1	95	(1,095)	95	(1,095)
Provision for voluntary redundancy incentivization		(19)	16	(19)	16
Other adjustments		3	(4)	1	(4)
Decrease (increase) in assets					
Trade and other receivables		3,302	544	3,248	528
Inventories		(131)	(14)	(128)	(6)
Advanced bonuses awarded to clients		(733)	(380)	(733)	(380)
Prepaid expenses		(35)	(84)	(25)	(83)
Judicial Deposits		(87)	(22)	(87)	(22)
Other assets		(90)	44	(92)	40
Increase (decrease) in liabilities					
Trade accounts payable		(400)	(439)	(406)	(382)
Income and social contribution taxes paid		(486)	(1)	(485)	-
Taxes, fees and contributions		(347)	(296)	(326)	(269)
Pension and health plan		(578)	(134)	(578)	(134)
Voluntary redundancy incentivization plan		(55)	(16)	(55)	(16)
Payments of legal proceedings		(32)	-	(32)	-
Other liabilities		99	(13)	89	(11)
Net cash provided by operations		3,038	1,225	2,980	1,285
Investment activities					
Additions of PPE and intangible assets		(413)	(287)	(387)	(270)
Additions to investments		(2)	-	(2)	-
Receipt from the sale of assets		11	2	11	2
Loans made to related parties		-	-	-	(122)
Receipt from FIDC		242	269	212	271
Dividends received		-	-	8	5
Interest earnings on related-party loans		-	-	1	-
Net cash produced by (used in) investment activities		(162)	(16)	(157)	(114)
Financing activities					
Financing					
Borrowing	15.3	30	964	-	944
Amortization of principal	15.3	(121)	(137)	(9)	(13)
Amortization of interest	15.3	(240)	(195)	(188)	(141)
Dividends and interest on shareholders' equity paid	20.2.1	(1,518)	(1,034)	(1,518)	(1,034)
Leases					
Payments of principal	16.2	(86)	(2)	(159)	(66)
Interest payments	16.2	(57)	(3)	(98)	(40)
Assignment of credit receivables - FIDC-NP	29.2.1	(32)	215	-	199
Net cash used in financing activities		(2,024)	(192)	(1,972)	(151)
Net change in cash and cash equivalents in the period		852	1,017	851	1,020
Cash and cash equivalents at beginning of period		3,057	483	2,830	257
Cash and cash equivalents at end of period		3,909	1,500	3,681	1,277
Transactions not involving cash					
Use of judicial deposits in the payment of contingencies		13	23	13	23

The notes are an integral part of these financial statements.

Petrobras Distribuidora S.A.
Statements of added value
Periods ended September 30, 2019 and 2018
(In millions of reais)

	Consolidated		Parent Company	
	Nine-month period ended		Nine-month period ended	
	September 30		September 30	
	2019	2018	2019	2018
Revenue				
Sales of products and services and other revenues	88,456	89,744	87,704	89,060
Expected credit losses / incurred credit losses	(47)	(96)	(51)	(101)
Revenue relating to construction of assets for use	307	230	275	204
	88,716	89,878	87,928	89,163
Inputs acquired from third parties				
Raw materials and resale goods	66,543	68,084	66,039	67,621
Materials, energy, third-party services and others	2,303	672	2,231	613
Tax credits on consumables acquired	2,896	2,533	2,716	2,533
	71,742	71,289	70,986	70,767
Gross value added	16,974	18,589	16,942	18,396
Retentions				
Depreciation and amortization	382	315	384	310
Added value produced by the Company	16,592	18,274	16,558	18,086
Transferred added value				
Equity earnings	1	(2)	33	22
Financial revenue - includes monetary and exchange variance	2,662	1,149	2,648	1,130
Rental and royalties	189	195	189	195
	2,852	1,342	2,870	1,347
Added value to be distributed	19,444	19,616	19,428	19,433

The notes are an integral part of these financial statements.

Petrobras Distribuidora S.A.
Statements of added value
Periods ended September 30, 2019 and 2018
(In millions of reais)

	Consolidated		Parent Company	
	Nine-month period ended September 30		Nine-month period ended September 30	
	2019	2018	2019	2018
Distribution of added value				
Personnel and management				
Direct compensation				
Salaries	562	569	547	554
Profit sharing	13	67	13	67
Performance bonus	40	71	40	71
Career and salaries plan	48	-	48	-
Benefits				
Advantages	61	63	59	61
Retirement and pension plan	190	189	190	189
Voluntary redundancy incentivization plan	(19)	16	(19)	16
Health care plan	225	194	224	192
FGTS	42	43	41	43
	1,162	1,212	1,143	1,193
Taxes				
Federal	1,832	1,632	1,829	1,569
State	13,529	14,315	13,532	14,223
Municipal	27	20	27	20
	15,388	15,967	15,388	15,812
Financial institution and trade payables				
Interest, monetary and exchange variance	651	582	654	572
Commercial rental / leases	128	267	128	268
	779	849	782	840
Shareholders				
Retained earnings	2,115	1,588	2,115	1,588
	2,115	1,588	2,115	1,588
Added value distributed	19,444	19,616	19,428	19,433

The notes are an integral part of these financial statements.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

1 General considerations

1.1 Reporting Entity

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

1.2 Operation Car Wash and its impacts on the Company

The Company took into account all the information available and monitored the "Operation Car Wash (Lava Jato)" investigations when preparing its financial statements for the period ended September 30, 2019. No new information has been identified which would change the write-off of additional unduly capitalized expenditure recognized in third quarter of 2014 or that materially impacts the Company's methodology. The Company will continue to monitor the investigations to obtain any additional information and assess its impact on the adjustments made.

By September 2019 the Company had recognized reimbursement of R\$ 3 by way of leniency agreements with companies. Funds are recognized as other operating revenue.

1.3 Events in the period

On January 01, 2019 the Company adopted IFRS 16 - Leases (IFRS 16), replacing the following pronouncements and interpretations: IAS 17 - Leases; IFRIC 4 - Determining whether an Arrangement contains a Lease; SIC-15 - Operating Leases - Incentives; and SIC-27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The impacts of adopting this pronouncement on the Company's interim statements are shown in note 4.1.

As regards the Debt Acknowledgment Agreements (ICDs) signed in 2018 with electric companies (islanded system), the Company states that it received the amount of R\$ 2,563, as stated in note 6.3.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

The General Meeting took place on July 22, 2019 to create Companhia de Gás do Espírito Santo ("ES Gás"), a mixed capital company owned by Espírito Santo state and Petrobras Distribuidora. The Company has an initial interest in ES Gás of 60.34 % of the total capital and 49% of common shares. ES Gás will only assume the services after the new concession agreement has been signed. In the meantime Petrobras Distribuidora will continue operating piped-gas distribution. Espírito Santo state and Petrobras Distribuidora will pay in the capital within 12 months.

SPEs were created in the third quarter of 2019 because the consortium formed by the Company, Ipiranga Produtos de Petróleo S.A. and Raízen Combustíveis S.A. prevailed in the Port Auctions conducted by the National Waterway Transportation Agency (ANTAQ). The Company has an initial interest in the companies of 33.33%. The created SPEs were: Navegantes Logística Portuária S.A., Nordeste Logística I S.A., Nordeste Logística II S.A. and Nordeste Logística III S.A..

On July 23, 2019 the Board of Directors of Petróleo Brasileiro S.A. – Petrobras approved the sale of 291,250,000 Company shares, in addition to 58,250,000 extra shares, at the per-share price of R\$ 24.50 (twenty four reais and fifty cents), totaling the amount of R\$ 8,563. The number of shares offered was increased by an additional lot of 43,687,500 shares (not including the extra shares), on the same terms and at the same per-share price of the shares initially offered. As a result of the complete lot being exercised, the offer amounted to R\$ 9,633, and Petrobras' interest was ultimately reduced to 37.50% of the Company's capital.

2 Basis of preparation of the interim financial statements

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

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

These interim financial statements are being presented with the material changes made in the period, without repeating certain notes disclosed previously. These interim financial statements should therefore be read in conjunction with the Company's annual financial statements for the financial year ended December 31, 2018, which

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

include the full set of notes.

The Company's Board of Directors approved the disclosure of these interim financial statements at a meeting held on November 11, 2019.

2.1 Statement of added value

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

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

2.2 Basis of measurement

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

3 Use of estimates and judgments

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

Significant judgments made by management in the application of the accounting policies and the main sources of estimate uncertainties were the same as those applied and disclosed in note 3 to the consolidated financial statements for the financial year ended December 31, 2018, whilst adding the judgments and estimates involved in the adoption of IFRS 16, as presented in note 4.1.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

4 Significant accounting policies

The accounting practices and calculation methods used in the preparation of the consolidated quarterly statements is the same as that used in the preparation of the Company's annual financial statements for the financial year ended December 31, 2018, except the adoption from January 01, 2019 of the requirements set out in the pronouncement IFRS 16 - Leases, the equivalent of CPC 06 (R2) - Leases.

4.1 IFRS 16 - Leases

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 eliminated the classification between the finance and operating leases, resulting in a single model under which all leases will result in the recognition of assets related to the rights to use of the leased assets and a lease liability.

As a result of adopting IFRS 16, the Company did not recognize operating costs and expenses resulting from commercial operating leases and has begun recognizing in its income statement: (i) depreciation on rights to use the leased assets; and (ii) the finance cost determined based on the financial liabilities in the commercial lease contracts.

The Company invoked the exemption for recognizing short-term leases, with the lease payments associated with these contracts being expensed in the financial year over the course of the contract.

The Company did not adopt the exemption in the recognition of assets with a low-value underlying asset.

For initial adoption purposes the Company adopted the cumulative effect approach method, not re-presenting its financial statements for prior periods and applied the following expedients:

- applied the pronouncement to the contracts that were identified as leases and stated in note 18.2 - Operating leases, in the financial statements as of December 31, 2018;

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

- the lease liability was measured at the present value of remaining lease payments, net of recoverable taxes, when applicable, discounted by the incremental rate on the Company's loan at the initial application date;
- the usage right asset was recognized based on the value of the lease liability, adjusted for any early or accumulated lease payment under this lease, recognized in the statement of financial position immediately before the initial application date. The initial direct costs of measuring the usage right at the initial application date were not taken into account.

The differences between lease liabilities at the initial application date and the operational lease commitments disclosed at December 31, 2018 are shown below:

	Consolidated
Minimum estimated payments of operating leases as of December 31, 2018	795
(+) Adjustment of rate differences	287
(-) Short-term contracts	(19)
(-) Contracts classified as service agreements	(126)
(-) Tax credits (PIS / COFINS)	(81)
(+) Others	5
Lease liabilities recognized at initial adoption on January 1, 2019	861
	Current Liabilities 90
	Noncurrent Liabilities 771

The usage rights recognized in property, plant and equipment at January 01, 2019 relate to the following asset categories:

	Consolidated
Land	406
Buildings	455
Total	861

In the cash flow statements, the lease flows which as of December 31, 2018 were presented as cash flows from operating activities are now presented as financing cash flows, denoting the principal and interest payments. This change did not impact the Company's net cash flow position, but did result in a change from net funds produced by operating activities to net funds used in financing activities (R\$ 111 in the consolidated and R\$ 121 in the parent company statements) as of September 30, 2019.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

Material estimates and judgments

Given that the Company adopted the cumulative effect approach method, the lease liabilities were measured at the present value of the remaining lease payments, discounted at incremental rates on the Company's loans at the initial adoption date, primarily determining the following parameters:

- interest rate - calculated based on the interest rate forward obtained by interpolating the fixed swap curves vs IPCA or the NTN-Bs for the period of up to 20 years;
- term - term of each lease agreement adjusted for the duration of the respective payment flow;
- guarantee - estimate of the impact of the guarantee synthetically reducing the yield subject to the company's borrowing curves; and
- similar economic environment - the Company's credit risk, sovereign risk, contract currency and borrowing start date.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

5 Cash and cash equivalents

	Consolidated		Parent Company	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Cash and bank deposits	465	229	462	223
Short-term investments				
Domestic	3,380	2,771	3,155	2,550
Foreign	64	57	64	57
Total	3,909	3,057	3,681	2,830

The financial investments corresponding primarily to the country's investment funds have their resources invested in Brazilian federal public securities and are immediately redeemable.

6 Net accounts receivable

	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Related parties (note 29)				
Credit receivables investment fund - FIDC - NP (note 29.2)	-	190	-	160
Electric sector - Isolated system	738	1,056	738	1,056
Federal government receivables	93	121	93	121
Companies of Petrobras group	247	263	532	495
Total related parties	1,078	1,630	1,363	1,832
Third parties				
Trade accounts and other receivables (a)	6,495	7,156	6,305	6,974
Electric sector - isolated system - third parties (note 6.2)	1,012	1,067	1,012	1,067
Total third parties	7,507	8,223	7,317	8,041
Total accounts receivable (note 6.1)	8,585	9,853	8,680	9,873
Client contract receivables	7,144	7,844	6,956	7,664
Other accounts receivable	1,441	2,009	1,724	2,209
Government securities	22	22	22	22
Lease receivables	20	23	20	23
Advances	-	-	283	230
Credit receivables investment fund - FIDC - NP (note 29.2)	-	190	-	160
Financing receivable	1,399	1,774	1,399	1,774
Allowance for credit losses				
Third parties	(3,231)	(3,340)	(3,172)	(3,276)
Related-party transactions	(29)	(31)	(29)	(31)
Total allowance for credit losses	(3,260)	(3,371)	(3,201)	(3,307)
Net accounts receivable	5,325	6,482	5,479	6,566
Net accounts receivable (current)	4,602	5,327	4,759	5,413
Net trade receivables (noncurrent)	723	1,155	720	1,153

- (a) This includes the balance of tax credit rights with the State Government of São Paulo (R\$ 22 at September 30, 2019 and December 31, 2018) – note 28.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

	Consolidated		Parent Company	
	Nine-month period ended		Nine-month period ended	
	September 30		September 30	
	2019	2018	2019	2018
Change in allowance for credit losses				
Opening balance	(3,371)	(5,955)	(3,307)	(5,912)
Adjustment – initial adoption of CPC 48	-	(268)	-	(244)
Adjusted opening balance	(3,371)	(6,223)	(3,307)	(6,156)
Net (Additions)/Reversals	(47)	(96)	(51)	(101)
Write-offs	19	17	18	17
Derecognition (*)	139	2,871	139	2,871
Closing balance	(3,260)	(3,431)	(3,201)	(3,369)
Allowance for credit losses (current)	(2,268)	(2,348)	(2,217)	(2,286)
Allowance for credit losses (noncurrent)	(992)	(1,083)	(984)	(1,083)

(*) The amount of R\$ 139 denotes the derecognition of accounts receivable, under the settlement reached with Bolognesi Group. There was no impact on net income.

The additions, write-offs and reversals of expected credit losses were recognized in selling expenses (note 23).

The Company has R\$ 3,100 in trade accounts receivable undergoing judicial recovery in the consolidated statement and R\$ 3,025 in the parent company statement (R\$ 3,178 in the consolidated statement and R\$ 3,116 in the parent company statement as of December 31, 2018).

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

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

	Consolidated					
	9/30/2019			12/31/2018		
	Gross accounts receivable	Allowance for credit loss	Accounts receivable net of allowance for credit loss	Gross accounts receivable	Allowance for credit loss	Accounts receivable net of allowance for credit loss
Overdue by						
Up to 3 months	113	28	85	126	62	64
3 to 6 months	52	23	29	57	12	45
6 to 12 months	61	12	49	135	34	101
Over 12 months	3,324	3,170	154	3,455	3,236	219
Total	3,550	3,233	317	3,773	3,344	429
Neither past due nor impaired	5,035	27	5,008	5,890	27	5,863
FIDC	-	-	-	190	-	190
Total	8,585	3,260	5,325	9,853	3,371	6,482

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

	Parent Company					
	9/30/2019			12/31/2018		
	Gross accounts receivable	Allowance for credit loss	Accounts receivable net of allowance for credit loss	Gross accounts receivable	Allowance for credit loss	Accounts receivable net of allowance for credit loss
Overdue by						
Up to 3 months	104	25	79	100	57	43
3 to 6 months	47	19	28	44	9	35
6 to 12 months	62	13	49	127	31	96
Over 12 months	3,262	3,119	143	3,403	3,186	217
Total	3,475	3,176	299	3,674	3,283	391
Neither past due nor impaired	5,205	25	5,180	6,039	24	6,015
FIDC	-	-	-	160	-	160
Total	8,680	3,201	5,479	9,873	3,307	6,566

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

6.2 Breakdown – Electric sector (Insulated system)

	Neither past due nor impaired	Overdue	Gross accounts receivable	Allowance for credit losses	Total
Elektrobras group					
Elektrobras	736	-	736	(1)	735
Other	-	1	1	(1)	-
	736	1	737	(2)	735
Petrobras group	1	-	1	-	1
Third parties					
Cia de Eletricidade do Amapá - CEA	-	826	826	(826)	-
Rio Amazonas Energia S/A	-	103	103	(103)	-
Cia Energética de Roraima	-	47	47	(47)	-
Other	29	7	36	(7)	29
	29	983	1,012	(983)	29
Balance as of September 30, 2019	766	984	1,750	(985)	765
Balance as of December 31, 2018	1,121	1,002	2,123	(1,004)	1,119

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

6.3 Changes in trade accounts receivable – Electric sector (Islanded system - Eletrobras Group and third parties)

	Current supply	CCD 2014 and 2013	CCD 2018	Total
Balance as of December 31, 2018	14	94	1,010	1,118
Billing	217	-	-	217
Receipt	(216)	(15)	(2,563)	(2,794)
Monetary restatement / interest	-	4	47	51
(Creation) reversal of expected credit losses	14	3	1	18
Credit recovery	-	-	2,154	2,154
Balance as of September 30, 2019	29	86	649	764

6.4 Summary of main events

On April 30, 2018 Petrobras and the Company entered into contracts with Eletrobrás and its energy distribution concession operators to shore up the guarantees established in debt acknowledgment agreements in 2014 (2014 CCDs) and new CCDs (2018 CCDs) embracing part of the legally demanded receivables. The parties also entered into debt assumption agreements, where a significant portion of the debt will be assumed by Eletrobrás in the event the distribution companies are privatized. For further information about the CCDs, see note 7.4 to the financial statements as of December 31, 2018.

Following the conclusion in 2018 of the privatization of the distribution companies: Centrais Elétricas de Rondônia (Ceron), Eletricidade do Acre (Eletroacre) and Boa Vista Energia, the debt assumption instruments signed on April 30, 2018 and the debt acknowledgment agreements conditional on a privatization, came into force. Eletrobras has assumed a portion of the debt in the case of Ceron and Eletroacre and the entire contract in the case of Boa Vista. The Company accordingly recognized accounts receivable of R\$1,524 (R\$ 1,220 from Ceron, R\$ 163 from Boa Vista and R\$ 141 from Eletroacre), on the respective privatization dates.

The portion of the debt that remained at Ceron and Eletroacre was Energisa settled early by Energisa via payments in December 2018 in the amount of R\$ 323 (Ceron) and R\$ 53 (Eletroacre) in January 2019.

There is no debt assumption instrument for the contract with Amazonas Energia, meaning there is no balance with Eletrobrás. following its privatization on April 10, 2019, the Company did not recognize the impacts resulting from this process in the second quarter of 2019, because the guarantees submitted by Amazonas Energia did not have elements demonstrating their robustness.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

After settling the debt early, on September 27, 2019 the Company recognized finance income of R\$1,446. This amount is negative goodwill of 6% on the balance restated through the payment date.

The Company received the total of R\$ 4,170 between the date it signed the Debt Acknowledgments and September 30, 2019.

7 Inventories

	Consolidated		Parent Company	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Products for sale				
Petroleum derivatives				
Gasoline	545	405	545	405
Diesel fuel	1,040	1,040	1,040	1,040
Fuel oil	275	223	275	223
Aviation fuel	198	218	198	218
Lubricant	137	137	137	137
Other	119	154	113	149
Biofuels	609	467	609	467
	2,923	2,644	2,917	2,639
Other products	130	279	109	259
Total	3,053	2,923	3,026	2,898

No net realizable value reduction in inventory was recorded in September 30, 2019.

The company has inventory submitted as security as per note 26.1.2.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

8 Taxes and contributions recoverable

	Consolidated		Parent Company	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Current assets				
ICMS	846	669	789	616
IPI	8	6	8	6
PIS / COFINS	11	17	-	5
Other taxes	49	30	46	28
Subtotal	914	722	843	655
Non-current assets				
ICMS	554	495	470	428
Other	3	3	-	-
Subtotal	557	498	470	428
Total	1,471	1,220	1,313	1,083

The increase in the period was primarily caused by: (i) a higher ICMS credit balance in Goiás state (R\$ 70) in 2019; (ii) higher ICMS ST reimbursement balance (R\$ 53), primarily in the states of Maranhão and Pernambuco; and (iii) higher net balance of inventory products subject to ICMS Tax Substitution at the refinery (R\$ 51).

The Company expects to receive and/or offset the amounts presented.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

9 Deferred income and social contribution tax

(a) Change

Source of the recorded deferred taxes	Consolidated						Parent Company	
	12/31/2017	Recognized in		12/31/2018	Recognized in		9/30/2019	9/30/2019
		Net income	Equity		Net income	Equity		
Accounts receivable	1,024	(1,040)	91	75	2	-	77	60
Bonuses advanced to clients	638	89	-	727	65	-	792	792
Property, plant and equipment	8	(44)	-	(36)	(32)	-	(68)	(66)
Leases	(63)	(9)	-	(72)	11	-	(61)	(61)
Voluntary redundancy incentivization program	3	25	-	28	(25)	-	3	3
Judicial proceedings	707	(367)	-	340	17	-	357	357
Post-employment benefits	660	41	100	801	(48)	-	753	751
Tax loss carryforwards	60	(59)	-	1	(1)	-	-	-
Interest on equity	131	(131)	-	-	-	-	-	-
Judicial deposits	(110)	(13)	-	(123)	(10)	-	(133)	(133)
Hedge	35	(11)	-	24	(4)	-	20	20
Profit sharing	9	14	-	23	(23)	-	-	-
Other	60	15	-	75	(25)	-	50	48
Total	3,162	(1,490)	191	1,863	(73)	-	1,790	1,771
Deferred income tax	2,325			1,369			1,316	1,302
Deferred social contributions	837			494			474	469
Deferred tax assets	3,657			2,398			2,205	2,185
Deferred tax liabilities	(495)			(535)			(415)	(414)

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

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

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

	Consolidated		Parent Company	
	Nine-month period ended September 30		Nine-month period ended September 30	
	2019	2018	2019	2018
Net income before tax	3,303	2,627	3,303	2,624
Income and social contribution taxes at nominal rates (34%)	(1,123)	(893)	(1,123)	(892)
Adjustments to determine effective rate:				
· Net permanent additions/exclusions	(16)	(86)	(8)	(79)
· Tax incentives	12	-	12	-
· Expenses on A.M.S. health benefit for retirement	(69)	(58)	(69)	(58)
· Other items	8	(2)	-	(7)
Income tax and social contribution	(1,188)	(1,039)	(1,188)	(1,036)
Current IR and CSLL	(1,115)	(1)	(1,114)	-
Deferred IR and CSLL	(73)	(1,038)	(74)	(1,036)
	(1,188)	(1,039)	(1,188)	(1,036)
Effective income and social contribution tax rate	36.0%	39.6%	36.0%	39.5%

10 Advanced bonuses awarded to clients

	Consolidated
Balance as of December 31, 2017	1,983
Additions	597
Write-off / appropriation to profit or loss	(522)
Balance as of December 31, 2018	2,058
Additions	733
Write-off / appropriation to profit or loss	(378)
Balance as of September 30, 2019	2,413
Current	591
Noncurrent	1,467
Balance as of December 31, 2018	2,058
Current	583
Noncurrent	1,830
Balance as of September 30, 2019	2,413

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

11 Investments

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

	Joint arrangements							9/30/2019
	Subsidiaries		Joint operation	Joint ventures			Associate	
	Stratura	FII	Brasil Carbonos (a)	CDGN	Camaçari Muricy II	Pecém Energia	BRF Biorefinos	
At the beginning of the year	215	-	73	21	-	-	12	321
Capital increase	-	-	-	-	1	1	-	2
Equity income	(3)	7	8	2	-	-	-	14
Dividends	-	-	(6)	-	-	-	-	(6)
At end of period	212	7	75	23	1	1	12	331

- (a) Asset appreciation of R\$ 28 was determined on the acquisition of an interest in Brasil Carbonos S.A. in December 2010, which is being amortized over the assets' useful lives. As of September 30, 2019, the balance of R\$ 20 (R\$ 21 as of December 31, 2018) is classified in consolidated property, plant and equipment.

	9/30/2019
Balance of provision at beginning of year	15
Reversal (b)	(19)
Distributions	4
Balance of provision at end of period	-

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

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

12 Property, plant and equipment

Consolidated					
Cost of property, plant and equipment	Land (a), Buildings and Improvements	Equipment and Other Assets	Assets under Construction	Rights of use	Total
Balance as of December 31, 2017	4,044	5,037	808	118	10,007
Additions	1	90	272	-	363
Write-offs	(26)	(137)	(13)	-	(176)
Transfers	58	178	(242)	-	(6)
Capitalized interest	-	-	12	-	12
Balance as of December 31, 2018	4,077	5,168	837	118	10,200
Initial Adoption CPC 06 (R2) - IFRS 16	-	-	-	861	861
Balance at January 01, 2019	4,077	5,168	837	979	11,061
Additions	1	101	259	76	437
Write-offs	(2)	(87)	-	-	(89)
Transfers	110	92	(95)	(278)	(171)
Capitalized interest	-	-	6	-	6
Balance as of September 30, 2019	4,186	5,274	1,007	777	11,244
Accumulated depreciation					
Balance as of December 31, 2017	(1,131)	(3,035)	-	(25)	(4,191)
Depreciation	(126)	(244)	-	(2)	(372)
Write-offs	26	132	-	-	158
Transfers	1	1	-	-	2
Balance as of December 31, 2018	(1,230)	(3,146)	-	(27)	(4,403)
Depreciation (b)	(95)	(181)	-	(78)	(354)
Write-offs	-	81	-	-	81
Transfers	(4)	(14)	-	19	1
Balance as of September 30, 2019	(1,329)	(3,260)	-	(86)	(4,675)
Balance of property, plant and equipment					
At December 31, 2018	2,847	2,022	837	91	5,797
At September 30, 2019	2,857	2,014	1,007	691	6,569

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

Cost of property, plant and equipment	Parent Company				Total
	Land (a), Buildings and Improvements	Equipment and Other Assets	Assets under Construction	Rights of use	
Balance as of December 31, 2017	3,653	4,949	440	437	9,479
Additions	-	90	253	-	343
Write-offs	(26)	(138)	(13)	-	(177)
Transfers	60	179	(242)	-	(3)
Balance as of December 31, 2018	3,687	5,080	438	437	9,642
Initial Adoption CPC 06 (R2) - IFRS 16	-	-	-	954	954
Balance at January 01, 2019	3,687	5,080	438	1,391	10,596
Additions	-	101	234	80	415
Write-offs	(2)	(87)	-	-	(89)
Transfers	110	94	(95)	(293)	(184)
Balance as of September 30, 2019	3,795	5,188	577	1,178	10,738
Accumulated depreciation					
Balance as of December 31, 2017	(1,089)	(2,997)	-	(55)	(4,141)
Depreciation	(119)	(241)	-	(7)	(367)
Write-offs	26	133	-	-	159
Balance as of December 31, 2018	(1,182)	(3,105)	-	(62)	(4,349)
Depreciation (b)	(89)	(179)	-	(89)	(357)
Write-offs	1	81	-	-	82
Transfers	(4)	(15)	-	19	-
Balance as of September 30, 2019	(1,274)	(3,218)	-	(132)	(4,624)
Balance of property, plant and equipment					
At December 31, 2018	2,505	1,975	438	375	5,293
At September 30, 2019	2,521	1,970	577	1,046	6,114

- (a) As of September 30, 2019, the balance of consolidated land is R\$ 689 (R\$ 378 as of December 31, 2018) at the parent company and R\$ 759 (R\$ 373 as of December 31, 2018).
- (b) As regards the depreciation of usage rights, in 2019 R\$ 77 (consolidated) and R\$ 83 (parent company) were recognized as depreciation of assets recognized in accordance with the new CPC 06 practice (R2) (IFRS 16).

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

The usage rights assets primarily consist of land used by fuel stations, administrative offices and buildings.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

	Consolidated					
	9/30/2019			12/31/2018		
	Cost	Depreciation	Total	Cost	Depreciation	Total
Land	359	(49)	310	65	-	65
Buildings and improvements	402	(34)	368	20	(12)	8
Equipment	16	(3)	13	33	(15)	18
Total	777	(86)	691	118	(27)	91

	Parent Company					
	9/30/2019			12/31/2018		
	Cost	Depreciation	Total	Cost	Depreciation	Total
Land	442	(55)	387	66	-	66
Buildings and improvements	720	(74)	646	338	(47)	291
Equipment	16	(3)	13	33	(15)	18
Total	1,178	(132)	1,046	437	(62)	375

The company has property, plant and equipment submitted as security as per note 26.1.2.

13 Intangible assets

	Consolidated			
	Rights and Concessions	Software (a)	Goodwill (b)	Total
Cost of intangible assets				
Balance as of December 31, 2017	368	423	29	820
Additions (c)	9	58	-	67
Write-offs	(1)	-	-	(1)
Transfers	1	1	-	2
Balance as of December 31, 2018	377	482	29	888
Additions (c)	7	45	-	52
Transfers	1	-	-	1
Balance as of September 30, 2019	385	527	29	941

Accumulated amortization				
Balance as of December 31, 2017	(92)	(275)	-	(367)
Amortization	(12)	(33)	-	(45)
Balance as of December 31, 2018	(104)	(308)	-	(412)
Amortization	(9)	(19)	-	(28)
Balance as of September 30, 2019	(113)	(327)	-	(440)

Balance of intangible assets				
At December 31, 2018	273	174	29	476
At September 30, 2019	272	200	29	501

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

Cost of intangible assets	Parent Company			
	Rights and Concessions	Software (a)	Goodwill (b)	Total
Balance as of December 31, 2017	364	423	29	816
Additions (c)	8	58	-	66
Transfers	-	1	-	1
Balance as of December 31, 2018	372	482	29	883
Additions (c)	6	45	-	51
Transfers	1	-	-	1
Balance as of September 30, 2019	379	527	29	935

Accumulated amortization				
Balance as of December 31, 2017	(90)	(275)	-	(365)
Amortization	(11)	(33)	-	(44)
Balance as of December 31, 2018	(101)	(308)	-	(409)
Amortization	(8)	(19)	-	(27)
Balance as of September 30, 2019	(109)	(327)	-	(436)

Balance of intangible assets				
At December 31, 2018	271	174	29	474
At September 30, 2019	270	200	29	499

- (a) The Company has a balance of software under development of R\$ 91 (R\$ 68 at December 31, 2018).
- (b) Goodwill on fuel distribution assets, originated under the acquisition of Liquigás S.A., the liquefied petroleum gas (LPG) distribution company. This investee was transferred to Petrobras, in 2012, although the operation related to the goodwill remained at the Company.
- (c) R\$ 16 of the total software additions of R\$ 45 (R\$ 58 at December 31, 2018) was developed in-house (R\$ 28 at December 31, 2018).

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

The Company and Espírito Santo State Government have signed a 50-year concession agreement for the exclusive provision of public piped-gas distribution service, expiring in 2043.

On December 13, 2018 the state governor sanctioned Law 10955/2018, which authorizes the Executive Branch to create the mixed capital company called Companhia de Gás do Espírito Santo (ES GÁS) on January 01, 2019, of which Petrobras Distribuidora S/A is a partner.

The General Meeting took place on July 22, 2019 to create Companhia de Gás do Espírito Santo ("ES Gás"), a mixed capital company owned by Espírito Santo state and

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

the Company. The company ES GÁS, which will succeed the Company in the Concession, was preoperational at September 30, 2019.

The assets, net of amortization, related to the gas concession and recorded as intangible assets as of September 30, 2019 are worth R\$ 267 (R\$ 268 as of December 31, 2018).

The Company made no provisions for loss, as to date the carrying amount as at September 30, 2019 is secured by the indemnification established in Laws 10493/2016 and 10955/2018.

14 Trade Payables

	Consolidated		Parent company	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Trade accounts payable				
Domestic market	1,420	2,167	1,445	2,199
Foreign market	427	52	427	52
Total	1,847	2,219	1,872	2,251

The balance of domestic trade payables is mainly comprised of invoices payable to Petrobras for the acquisition of oil products and services (including freight) and the balance of overseas payables primarily consists of diesel oil imports.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

15 Financing

15.1 By Financial Institution

	Consolidated		Parent company	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Banco do Brasil	1	6	-	-
Banco IBM	19	35	19	35
Banco Itaú - Debentures	3,628	3,567	3,628	3,567
Banco Rendimento	30	-	-	-
Debentures - Agribusiness Receivables Certificates (CRA)	972	978	972	978
	4,650	4,586	4,619	4,580
Real Estate Receivables Certificates (CRI)	839	938	-	-
Total	5,489	5,524	4,619	4,580
Current	3,808	210	3,660	94
Noncurrent	1,681	5,314	959	4,486

15.2 Contractual obligations (covenants)

The Company's financing agreements contain covenants (nonfinancial), all of which had been fully met as of September 30, 2019. These include the requirement to present financial statements by the deadlines agreed with the institutions; the requirement not to incur protests for payables in previously determined amounts; the requirement not to default to any lender or any financial or credit institution, as per the agreed amounts; and other clauses.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

15.3 Transactions

			Consolidated	Parent Company
	Banking Market	Capital Market (CRIs and Debentures)	Total	Total
Current				
Domestic				
Opening balance at January 01, 2018	29	156	185	78
Additions (new borrowings)	20	-	20	-
Provision for interest	2	-	2	1
Amortization of principal	(39)	(98)	(137)	(13)
Amortization of interest	(11)	(309)	(320)	(265)
Transfer between current and non-current	22	428	450	293
Inflation indexation	-	10	10	-
Closing balance at December 31, 2018	23	187	210	94
Noncurrent				
Domestic				
Opening balance at January 01, 2018	39	4,416	4,455	3,550
Additions (new borrowings)	-	944	944	944
Provision for interest	1	278	279	279
Transfer between current and non-current	(22)	(428)	(450)	(293)
Inflation indexation	-	86	86	6
Closing balance at December 31, 2018	18	5,296	5,314	4,486
Closing balance at December 31, 2018	41	5,483	5,524	4,580

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

			Consolidated	Parent Company
	Banking Market	Capital Market (CRIs and Debentures)	Total	Total
Current				
Domestic				
Opening balance at January 01, 2019	23	187	210	94
Additions (new borrowings)	30	-	30	-
Provision for interest	2	-	2	2
Amortization of principal	(14)	(107)	(121)	(9)
Amortization of interest	(10)	(230)	(240)	(188)
Transfer between current and non-current	18	3,901	3,919	3,761
Inflation indexation	-	8	8	-
Closing balance at September 30, 2019	49	3,759	3,808	3,660
Noncurrent				
Domestic				
Opening balance at January 01, 2019	18	5,296	5,314	4,486
Provision for interest	-	230	230	230
Transfer between current and non-current	(18)	(3,901)	(3,919)	(3,761)
Inflation indexation	-	56	56	4
Closing balance at September 30, 2019	-	1,681	1,681	959
Closing balance at September 30, 2019	49	5,440	5,489	4,619

On July 18, 2019 Stratura took out a loan from Banco Rendimento S/A for R\$ 30.

Interest is amortized monthly, and the principal will be amortized in a lump sum at the end of the agreement on January 14, 2020.

The charges on the compensation payable monthly by the loan is 0.60% + the CDI rate.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

15.3.1 Reconciliation of financing against cash flows deriving from financing activities

	Consolidated	
	9/30/2019	9/30/2018
Opening balance	5,524	4,640
Cash flow		
Additions	30	964
Payments (*)	(361)	(332)
Noncash changes		
Interest and inflation indexation	296	280
Closing balance	5,489	5,552

(*) Includes principal and interest payments.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

15.4 Summarized information on financing maturities

							Consolidated	Parent Company
	2019	2020	2021	2022	2023	2024	2025 onwards	Total
Borrowing in Reais (R\$):								
Indexed to floating rates	130	3,677	125	606	139	260	552	5,489
Average borrowing rate in Reais	5.47%	5.68%	7.12%	7.60%	7.60%	7.38%	7.52%	6.91%
Total as of September 30, 2019	130	3,677	125	606	139	260	552	5,489
Total as of December 31, 2018	210	3,650	123	602	137	259	543	5,524

The fair values of financing are determined by the cash flow method discounted by the interpolated spot rates of indexes (or proxies) of the respective financing and Company's credit risk (Level 2). The fair value of financing as of September 30, 2019 is R\$ 5,731 (R\$ 4,688 for the Parent Company).

The financial instruments sensitivity analysis can be seen in note 28.2.1.1.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

15.5 Transaction costs

Costs incurred on borrowing were deducted from the balance of the corresponding liability and appropriated to profit or loss at the effective rate. The amount appropriated in 2019 and the balances to be appropriated in the years ahead are as follows:

	<u>12/31/2018</u>	<u>Amortization</u>	<u>9/30/2019</u>	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
9 th Series CRA	(8)	2	(6)	2	2	2	-	-	-	6
10 th Series CRA	(3)	-	(3)	1	1	1	-	-	-	3
11 th Series CRA	(5)	1	(4)	-	1	-	1	1	1	4
ITAÚ	(2)	1	(1)	1	-	-	-	-	-	1
	(18)	4	(14)	4	4	3	1	1	1	14

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

16 Leases

The Company is a lessee in several contracts with different natures, mainly entailing the leasing of land for fuel stations, fuel distribution bases, administrative offices and buildings. Part of these leases are taken out with the subsidiary FII FCM, administrated by Rio Bravo Investimentos DTVM Ltda.

The Company also leases equipment from the investee CDGN, and leases this equipment to the customers Suzano Papel e Celulose S.A. and Fiat Automóveis Ltda.

The flow of payments under these leases are as follows:

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

Estimated commitments	Consolidated						Parent Company	
	Receipts			Payments			Receipts	Payments
	Future value	Annual interest	Present value	Future value	Annual interest	Present value	Present value	Present value
2019	2	(1)	1	56	(15)	41	1	43
2020	7	(3)	4	132	(54)	78	4	184
2021 - 2023	20	(8)	12	381	(188)	193	12	348
2024 onwards	5	(2)	3	654	(235)	419	3	705
At September 30, 2019	34	(14)	20	1,223	(492)	731	20	1,280
Current			4			83	4	190
Noncurrent			16			648	16	1,090
At September 30, 2019			20			731	20	1,280
Current			4			29	4	131
Noncurrent			19			19	19	432
At December 31, 2018			23			48	23	563

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

The payment of variable portions of the leases and payment of the short-term leases not comprising the liabilities was recognized in profit and loss amounting to R\$ 95 and R\$ 33 respectively (Consolidated and Parent Company).

The Company is also potentially exposed to future cash outlays in addition to variable payments of leases, primarily associated with changes in sales volumes. This flow is as follows:

Consolidated						
2019	2020	2021	2022	2023	2024 onwards	Total
32	121	102	97	85	715	1,152

16.1 Commercial lease transactions

	Consolidated	Parent Company
	Total	Total
Current		
Opening balance at January 01, 2018	29	126
Provision for interest	4	56
Principal and interest payment	(33)	(134)
Inflation indexation	-	5
Transfer between current and non-current	29	78
Closing balance at December 31, 2018	29	131
Noncurrent		
Opening balance at January 01, 2018	43	474
Provision for interest	2	-
Inflation indexation	3	36
Transfer between current and non-current	(29)	(78)
Closing balance at December 31, 2018	19	432
Closing balance at December 31, 2018	48	563

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

	<u>Consolidated</u>	<u>Parent Company</u>
	<u>Total</u>	<u>Total</u>
Current		
Closing balance at December 31, 2018	29	131
Initial Adoption IFRS 16	90	101
Opening balance at January 01, 2019	119	232
Additions (entry of new contracts)	13	13
Provision for interest	58	102
Principal and interest payment	(143)	(257)
Additions/write-offs via transfer	(9)	(12)
Inflation indexation	1	3
Transfer between current and non-current	44	109
Closing balance at September 30, 2019	83	190
Noncurrent		
Closing balance at December 31, 2018	19	432
Initial Adoption IFRS 16	771	853
Opening balance at January 01, 2019	790	1,285
Additions (entry of new contracts)	63	67
Additions/write-offs via transfer	(162)	(175)
Inflation indexation	1	22
Transfer between current and non-current	(44)	(109)
Closing balance at September 30, 2019	648	1,090
Closing balance at September 30, 2019	731	1,280

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

16.2 Reconciliation of commercial leases against cash flows deriving from financing activities

	<u>Consolidated</u>
Balance at December 31, 2017	72
Payments	(5)
Noncash changes	
Interest and inflation indexation	6
Balance at September 30, 2018	73
Balance at December 31, 2018	48
Initial Adoption IFRS 16	861
Balance at January 01, 2019	909
Payments	(143)
Noncash changes	
Rights of use acquisitions	76
Interest and inflation indexation	60
Additions/write-offs via transfer	(171)
Balance at September 30, 2019	731

17 Customer advances

	<u>Consolidated</u>		<u>Parent Company</u>	
	<u>9/30/2019</u>	<u>12/31/2018</u>	<u>9/30/2019</u>	<u>12/31/2018</u>
Marketing funds (a)	116	126	116	126
Customer advances (note 21.2)	173	163	166	161
Other	12	10	12	10
Total	301	299	294	297

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

18 Taxes and contributions payable

	<u>Consolidated</u>		<u>Parent Company</u>	
	<u>9/30/2019</u>	<u>12/31/2018</u>	<u>9/30/2019</u>	<u>12/31/2018</u>
Current Liabilities				
ICMS	164	192	163	190
PIS/COFINS	56	57	55	57
Income and social contribution taxes withheld at source	19	29	19	29
Other	25	22	17	15
Total	264	300	254	291

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

19 Employee benefits

19.1 Pension and health plans

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

	Consolidated						
	Defined-Benef. Pension Plan						
	Petros	Petros Renegotiated	Petros Not Renegotiated	Other	Petros 2	AMS Health Care Plans	Total
Balance at January 01, 2018	1,927	-	-	1	17	2,121	4,066
(+) Effects of remeasurement recognized in OCI	-	51	199	-	45	308	603
(+) Service cost	5	15	1	-	6	29	56
(-) Payment of contributions	(16)	(51)	(17)	-	-	(89)	(173)
(-) Payment of Financial Commitments	-	(21)	(4)	-	-	-	(25)
(+) Net interest on net liability	45	102	33	-	2	200	382
Transfer of balance via spin-off	(1,961)	1,479	482	-	-	-	-
Balance at December 31, 2018	-	1,575	694	1	70	2,569	4,909
(+) Service cost	-	14	2	-	5	29	50
(+) Net interest on net liability	-	91	41	-	5	173	310
(-) Payment of contributions	-	(19)	(8)	-	-	(71)	(98)
(-) Reduction of Deficit - Petros Plan	-	(32)	(12)	-	-	-	(44)
(-) Payment of Financial Commitments	-	(11)	(1)	-	-	-	(12)
(-) Prepayment of Financial Commitments	-	(360)	(64)	-	-	-	(424)
Balance at September 30, 2019	-	1,258	652	1	80	2,700	4,691
Current	-	31	10	-	-	87	128
Noncurrent	-	1,227	642	1	80	2,613	4,563
	-	1,258	652	1	80	2,700	4,691

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

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

	Nine-month period ended September 30					
	Consolidated					
	Pension Plan					
	Petros	Petros Renegotiated	Petros Not Renegotiated	Petros 2	AMS Health Care Plans	Total
Service cost	-	14	2	5	29	50
Net interest on net liability	-	91	41	5	173	310
Net cost in Jan-Sep/2019	-	105	43	10	202	360
Relating to active employees:						
Absorbed in the cost of operating activities	-	2	-	-	2	4
Directly to income	-	30	5	7	63	105
Relating to inactive members:	-	73	38	3	137	251
Net cost in Jan-Sep/2019	-	105	43	10	202	360
Net cost in Jan-Sep/2018	51	78	23	4	172	328

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

	Current quarter (07/1/2019 a 09/30/2019)				
	Consolidated				
	Pension Plan			AMS Health Care Plans	Total
	Petros Renegotiated	Petros Not Renegotiated	Petros 2		
Service cost	5	-	1	10	16
Net interest on net liability	30	14	2	57	103
Net cost in current quarter	35	14	3	67	119
Relating to active employees:					
Absorbed in the cost of operating activities	1	-	-	-	1
Directly to income	10	1	2	21	34
Relating to inactive members:	24	13	1	46	84
Net cost in current quarter	35	14	3	67	119
Net cost in quarter of previous year	39	11	1	58	109

The Petros 2 Plan has a defined-contribution portion whose payments are recognized in profit or loss. As of September 2019 the Company's contribution to the defined-contribution portion of the Petros 2 Plan was R\$ 31 (R\$ 31 up to September 2018). In the period July to September 2019 the contribution was R\$ 11 (R\$ 11 in the same period of 2018).

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

Repairing the deficit - pension plans

In March 2018 the Deficit Repair Plan (PED) of the Petrobras Group Petros Plan (PPSP) started to address the deficit accumulated in 2015, by paying extraordinary contributions by participants and sponsors for a period of around 18 years (maximum term established in the pension legislation due to the plan's duration). As a large part of these contributions was staged by court decisions awarded urgently (under injunctions), in 2018 the PED amounts paid were lower than expected, with the company's part amounting to R\$ 45. However, the latest decisions have been favorable to maintaining the collections in the repair plan approved by the Petros Governing Board, which means the expected payments will be higher in 2019. In the period January to September 2019 the Company disbursed R\$ 44 in PED contributions (employer's contribution). The PPSP was split into two other plans in April 2018: Petrobras Group Petros Plan - Renegotiated (PPSP-R) and Petrobras Group Petros Plan - Non-renegotiated (PPSP-NR), but with no impact on PED.

Prepayment of Petros debt

On June 28, 2019 the Company made the prepayment of R\$ 424 for the Financial Commitments (TCFs) resulting from the Mutual Obligations Settlement (AOR) between Petros, Petrobras and several trade unions in 2006, amounting to a payment in 2019 of R\$436. This settlement was made to pursue a solution to repair the Petros plan of Petrobras group. The TCFs were signed in 2008, establishing the total debt will be paid over to 20 years (through 2028), restated by the IPCA price index + 6% p.a.

Plano Petros-3 (PP-3)

On May 28, 2019 the Company approved the proposed new supplementary pension plan – PP3, in the form of defined contributions, to be offered for individual and voluntary accession to participants of the Petrobras Group Petros Plan - Renegotiated (PPSP-R) and the Petrobras Group Petros Plan - Non-renegotiated (PPSP-NR) only.

PP-3 acquires approval of the National Pension Plans Oversight Board (*Superintendência Nacional de Previdência Complementar - PREVIC*).

PP-3 had not triggered any accounting impacts as of September 30, 2019.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

19.2 Profit sharing

On December 31, 2018 the Company provisioned for R\$ 82 to be distributed to its employees, equal to 2.6% of net income before profit sharing.

In November/2018, the Company paid its employees R\$15 as an advanced profit share for 2018, and on March 31, 2019 made an additional payment for the 2018 provision of R\$ 13, leaving the remaining provision of R\$ 80. The profit sharing for the financial year ended December 31, 2018 was paid on May 10, 2019.

19.3 Performance bonus

19.3.1 Payment of employee bonuses

Calculated based on the percentage performance at December 31, 2018 the Company provisioned for R\$ 37 as a premium for employees performing better-than-expected (overall performance result over and above 90%), corporate benchmark targets, to be paid in a lump sum in the months following completion of the final assessment stage of the 2018 results-based performance management (GDR), in the 1st half of 2019.

The Company used the provisioned-for amount on June 19, 2019 to pay the 2018 excellent performance premium to employees achieving the overall performance result of 90% and upwards.

As of September 30, 2019 the Company had provisioned for R\$ 40 for the 2019 program, based on its best estimates.

19.3.2 Payment of bonuses to executive board members

On December 31, 2018 the Company provisioned for R\$ 3 as bonuses for Executive Board Members, calculated on the percentage completion of corporate benchmark targets and business unit targets, with 60% to be paid in 2019 and 40% in four payments deferred to subsequent years (2020 to 2023).

By September 30, 2019 the Company had not provisioned for payment of the bonus for FY 2019.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

19.4 Voluntary Redundancy Incentivization Program - PIDV

The Company implemented a number of voluntary redundancy incentivization programs in the period October 2016 to December 31, 2018, as described below:

	Registered	Dismissed	Withdrawals	Active Employees
PIDV BR - 2016	1,105	(751)	(347)	7
PIDV BR - 2018	234	(136)	(90)	8
Total	1,339	(887)	(437)	15

The change in the provision at September 30, 2019 is as follows:

Balance at December 31, 2018	83
Withdrawals	(39)
Use through dismissal	(55)
Additional PIDV BR 2018 Provision	20
Balance at September 30, 2019	9

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

19.5 New Career and Salaries Plan (PCS)

On June 10, 2019 the Company submitted a new careers and salaries plan to its employees, in order to adjust career initiatives to its current and future business requirements. The new PCS is aligned with the 2040 Strategic Planning and aims to bolster meritocracy and favor mobility.

The PCS is an important people management tool and helps attract and retain talent. It does this by providing employees with a clear view of the possibilities for furthering their careers and salaries, allowing them to own their profession trajectories and making them totally responsible for their career at the Company.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

The new plan enhances the Company's people management, with criteria that values performance excellence and recognizes the achieving of excellent results, where there is no career progress on account of length of service.

Entering the new PCS was voluntary in the period June 17 to July 31, 2019, except for specific cases. 96.2% of employees had entered the PCS by July 31, 2019.

The Company awarded a bonus to employees entering the PCS in order to obtain the maximum number of accessions to the new plan in the total amount of R\$ 48.

20 Equity

20.1 Capital

As of September 30, 2019 the fully subscribed and paid-in share capital of R\$ 6,353 (R\$ 6,353 at December 31, 2018) consists of 1,165,000,000 book-entered common shares with no par value.

Regardless of an amendment to the bylaws, by resolution of the board of directors and on the terms established by it may increase its share capital via the issuance of common shares up to the limit of R\$ 7,000 (seven billion reais).

20.2 Dividends and interest on shareholders' equity

Shareholders are entitled to a mandatory dividend of 25% of adjusted net income for the year, under Article 50 of the Company's Bylaws and article 202 of Brazilian Corporation Law.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

20.2.1 Changes in dividends and interest on shareholders' equity

	Consolidated	
	Nine-month period ended	
	September 30	
	2019	2018
Opening balance	758	273
Addition	2,199	819
Payment	(1,518)	(1,034)
Income tax withheld at source	(6)	(101)
Interest indexation	105	43
Closing balance	1,538	-

20.3 Earnings per share

	Parent Company	
	Nine-month period ended September	
	30	
	2019	2018
Net income	2,115	1,588
Weighted average free float - (no. of shares)	1,165,000,000	1,165,000,000
Basic and diluted net income per common share	1.82	1.36

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

21 Sales revenue

	Consolidated				Parent Company			
	Current quarter (7/1/2019 to 9/30/2019)	Nine-month period ended September 30, 2019	Quarter of the prior year (7/1/2018 to 9/30/2018)	Nine-month period ended September 30, 2018	Current quarter (7/1/2019 to 9/30/2019)	Nine-month period ended September 30, 2019	Quarter of the prior year (7/1/2018 to 9/30/2018)	Nine-month period ended September 30, 2018
Products, services and energy								
Petroleum derivatives								
Diesel	13,972	39,403	14,459	39,518	13,972	39,403	14,459	39,518
Gasoline	8,455	25,063	8,815	26,758	8,455	25,063	8,815	26,758
Fuel oil	912	2,931	1,803	3,605	912	2,931	1,803	3,605
Aviation fuel	2,479	7,432	3,017	7,852	2,479	7,432	3,017	7,852
Lubricant	530	1,595	545	1,514	530	1,595	545	1,514
Asphalt	293	733	288	668	-	-	-	-
Coke	558	1,772	630	1,695	558	1,772	630	1,695
Other products	288	823	339	939	288	823	339	938
Ethanol	2,277	6,812	2,103	5,692	2,277	6,812	2,103	5,692
Natural gas	605	1,768	543	1,509	605	1,768	543	1,509
Supply-House products (a)	315	902	320	912	315	902	320	912
Services, energy and other	21	59	24	56	15	41	18	40
	30,705	89,293	32,886	90,718	30,406	88,542	32,592	90,033
Interest embedded in products prices	(77)	(220)	(105)	(266)	(77)	(220)	(105)	(266)
Advanced bonuses awarded to clients	(135)	(374)	(131)	(388)	(135)	(374)	(131)	(388)
Performance bonus (b)	(67)	(215)	(68)	(184)	(67)	(215)	(68)	(184)
Sales prizes and discounts	(74)	(199)	(82)	(249)	(74)	(199)	(82)	(249)
Gross revenue	30,352	88,285	32,500	89,631	30,053	87,534	32,206	88,946
Sales charges	(5,992)	(17,448)	(6,045)	(17,080)	(5,925)	(17,272)	(5,982)	(16,931)
Sales revenue	24,360	70,837	26,455	72,551	24,128	70,262	26,224	72,015

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

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

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

21.1 Remaining performance obligations

The Company has product or service sales agreements in force and signed up to September 30, 2019, with terms in excess of 1 year, where each party's rights in relation to the goods and services to be transferred have been defined, i.e. there is a preestablished number of goods or services promised to the client for the coming years, with the respective payment terms.

See below the total values of prices allocated to performance obligations not satisfied at September 30, 2019, based on sales volumes committed to by the parties, and prices practiced in recent sales, which are subject to variance in the value of commodities, exchange rate and other market factors.

	Consolidated
Sales Revenue	382,471
Diesel	160,682
Automotive gasoline	163,252
Aviation fuel (QAV)	12,199
Fuel oil	7,286
Lubricant	4,007
Coke	66
Other	140
Subtotal derivate products	347,632
Natural gas	1,446
Ethanol, nitrogen and renewable products	30,607
Services and other	1,712
Domestic sales	381,397
Exports	1,074
Overseas	1,074

The table above does not include information about contracts with clients lasting one year or less, such as spot market sales, in addition to contracts that do not establish volumes.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

21.2 Contract liabilities

The balances of contract liabilities, presented as Customer Advances (note 17), primarily denotes the advances for future clear fuel, natural gas and energy and aviation product sales, which will be recognized as revenue after the effective delivery.

Total revenue recognized in 2019 included in the balance of contract liabilities at the start of the year was R\$ 143.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

22 Other net revenue (expenses)

	Consolidated				Parent Company			
	Current quarter (7/1/2019 to 9/30/2019)	Nine-month period ended September 30, 2019	Quarter of the prior year (7/1/2018 to 9/30/2018)	Nine-month period ended September 30, 2018	Current quarter (7/1/2019 to 9/30/2019)	Nine-month period ended September 30, 2019	Quarter of the prior year (7/1/2018 to 9/30/2018)	Nine-month period ended September 30, 2018
Rental expenses	(11)	(37)	(28)	(93)	(11)	(37)	(28)	(93)
Profit sharing	-	(13)	(67)	(67)	-	(13)	(67)	(67)
Losses and provisions for judicial proceedings (note 26.1)	(9)	(95)	1,210	1,043	(9)	(95)	1,210	1,043
Career and salaries plan	1	(48)	-	-	1	(48)	-	-
Voluntary Redundancy Incentivization Program (PIDV) (note 19.4)	3	19	-	(16)	3	19	-	(16)
Pension and health plan	(84)	(251)	(79)	(237)	(84)	(251)	(79)	(237)
Rental and royalties revenue	66	189	66	195	66	189	66	195
Joint storage revenue	79	134	30	63	79	134	30	63
Recovery of tax credits - PIS and COFINS	14	40	10	39	14	40	10	39
Institutional relations and cultural projects	(14)	(48)	(53)	(89)	(14)	(48)	(53)	(89)
Income on the sale / derecognition of non-current assets	-	10	16	26	1	9	16	26
Performance bonus (note 19.3)	(13)	(40)	(21)	(71)	(13)	(40)	(21)	(71)
Other	18	10	(2)	(8)	18	11	(4)	(9)
Total	50	(130)	1,082	785	51	(130)	1,080	784

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

23 Expenses by nature

	Consolidated											
	Nine-month period ended September 30, 2019						Nine-month period ended September 30, 2018					
	Cost of goods sold and services rendered	Sales expenses	General and administrative expenses	Other net revenue (expenses)	Tax expenses	Total	Cost of goods sold and services rendered	Sales expenses	General and administrative expenses	Other net revenue (expenses)	Tax expenses	Total
Raw materials and resale goods	(66,543)	-	-	-	-	(66,543)	(68,083)	-	-	-	-	(68,083)
Outsourced services, freight and rental expenses	(64)	(1,176)	(126)	(43)	-	(1,409)	(64)	(1,239)	(154)	(100)	-	(1,557)
Personnel expenses	(37)	(512)	(368)	(338)	-	(1,255)	(37)	(504)	(362)	(396)	-	(1,299)
Impairment losses on receivables	-	(47)	-	-	-	(47)	-	(96)	-	-	-	(96)
Depreciation and amortization	(10)	(328)	(44)	-	-	(382)	(9)	(274)	(32)	-	-	(315)
Change in inventory (*)	130	-	-	-	-	130	68	-	-	-	-	68
Institutional relations and cultural projects	-	-	-	(48)	-	(48)	-	-	-	(89)	-	(89)
Tax	(1)	-	-	65	(86)	(22)	(1)	-	-	37	(258)	(222)
Judicial losses and provisions	-	-	-	(95)	-	(95)	-	-	-	1,043	-	1,043
Franchise, rental and royalties revenue	-	-	-	189	-	189	-	-	-	195	-	195
Other	(39)	(125)	(47)	140	-	(71)	(73)	(131)	(34)	95	-	(143)
Total	(66,564)	(2,188)	(585)	(130)	(86)	(69,553)	(68,199)	(2,244)	(582)	785	(258)	(70,498)

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

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

	Consolidated											
	Current quarter (7/1/2019 to 9/30/2019)						Quarter of the prior year (7/1/2018 to 9/30/2018)					
	Cost of goods sold and services rendered	Sales expenses	General and administrative expenses	Other net revenue (expenses)	Tax expenses	Total	Cost of goods sold and services rendered	Sales expenses	General and administrative expenses	Other net revenue (expenses)	Tax expenses	Total
Raw materials and resale goods	(22,939)	-	-	-	-	(22,939)	(25,024)	-	-	-	-	(25,024)
Outsourced services, freight and rental expenses	(20)	(398)	(43)	(13)	-	(474)	(22)	(430)	(54)	(30)	-	(536)
Personnel expenses	(13)	(173)	(127)	(95)	-	(408)	(12)	(168)	(121)	(168)	-	(469)
Impairment losses on receivables	-	(11)	-	-	-	(11)	-	(44)	-	-	-	(44)
Depreciation and amortization	(4)	(110)	(13)	-	-	(127)	(3)	(90)	(9)	-	-	(102)
Change in inventory (*)	23	-	-	-	-	23	159	-	-	-	-	159
Institutional relations and cultural projects	-	-	-	(14)	-	(14)	-	-	-	(53)	-	(53)
Tax	-	-	-	39	(36)	3	1	-	-	11	(209)	(197)
Judicial losses and provisions	-	-	-	(9)	-	(9)	-	-	-	1,210	-	1,210
Franchise, rental and royalties revenue	-	-	-	66	-	66	-	-	-	66	-	66
Other	(13)	(41)	(17)	76	-	5	(35)	(44)	(10)	46	-	(43)
Total	(22,966)	(733)	(200)	50	(36)	(23,885)	(24,936)	(776)	(194)	1,082	(209)	(25,033)

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

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

	Parent Company											
	Nine-month period ended September 30, 2019						Nine-month period ended September 30, 2018					
	Cost of goods sold and services rendered	Sales expenses	General and administrative expenses	Other net revenue (expenses)	Tax expenses	Total	Cost of goods sold and services rendered	Sales expenses	General and administrative expenses	Other net revenue (expenses)	Tax expenses	Total
Raw materials and resale goods	(66,039)	-	-	-	-	(66,039)	(67,620)	-	-	-	-	(67,620)
Outsourced services, freight and rental expenses	(61)	(1,159)	(118)	(43)	-	(1,381)	(58)	(1,220)	(147)	(100)	-	(1,525)
Personnel expenses	(31)	(507)	(358)	(338)	-	(1,234)	(30)	(498)	(353)	(396)	-	(1,277)
Impairment losses on receivables	-	(51)	-	-	-	(51)	-	(101)	-	-	-	(101)
Depreciation and amortization	(7)	(333)	(44)	-	-	(384)	(6)	(273)	(31)	-	-	(310)
Change in inventory (*)	128	-	-	-	-	128	60	-	-	-	-	60
Institutional relations and cultural projects	-	-	-	(48)	-	(48)	-	-	-	(89)	-	(89)
Tax	(1)	-	-	65	(85)	(21)	(1)	-	-	37	(255)	(219)
Judicial losses and provisions	-	-	-	(95)	-	(95)	-	-	-	1,043	-	1,043
Franchise, rental and royalties revenue	-	-	-	189	-	189	-	-	-	195	-	195
Other	(24)	(122)	(44)	140	-	(50)	(60)	(126)	(35)	94	-	(127)
Total	(66,035)	(2,172)	(564)	(130)	(85)	(68,986)	(67,715)	(2,218)	(566)	784	(255)	(69,970)

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

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

	Parent Company											
	Current quarter (7/1/2019 to 9/30/2019)						Quarter of the prior year (7/1/2018 to 9/30/2018)					
	Cost of goods sold and services rendered	Sales expenses	General and administrative expenses	Other net revenue (expenses)	Tax expenses	Total	Cost of goods sold and services rendered	Sales expenses	General and administrative expenses	Other net revenue (expenses)	Tax expenses	Total
Raw materials and resale goods	(22,739)	-	-	-	-	(22,739)	(24,828)	-	-	-	-	(24,828)
Outsourced services, freight and rental expenses	(19)	(390)	(40)	(13)	-	(462)	(20)	(422)	(51)	(30)	-	(523)
Personnel expenses	(11)	(172)	(123)	(95)	-	(401)	(10)	(166)	(118)	(168)	-	(462)
Impairment losses on receivables	-	(17)	-	-	-	(17)	-	(44)	-	-	-	(44)
Depreciation and amortization	(3)	(112)	(13)	-	-	(128)	(2)	(90)	(8)	-	-	(100)
Change in inventory (*)	25	-	-	-	-	25	153	-	-	-	-	153
Institutional relations and cultural projects	-	-	-	(14)	-	(14)	-	-	-	(53)	-	(53)
Tax	-	-	-	39	(36)	3	1	-	-	11	(206)	(194)
Judicial losses and provisions	-	-	-	(9)	-	(9)	-	-	-	1,210	-	1,210
Franchise, rental and royalties revenue	-	-	-	66	-	66	-	-	-	66	-	66
Other	(9)	(40)	(16)	77	-	12	(24)	(41)	(12)	44	-	(33)
Total	(22,756)	(731)	(192)	51	(36)	(23,664)	(24,730)	(763)	(189)	1,080	(206)	(24,808)

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

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

24 Net financial income

	Consolidated			
	Current quarter (7/1/2019 to 9/30/2019)	Nine-month period ended September 30, 2019	Quarter of the prior year (7/1/2018 to 9/30/2018)	Nine-month period ended September 30, 2018
Expenses				
Loans and borrowings	(78)	(232)	(81)	(209)
Leases	(19)	(58)	(1)	(4)
Absorption of cash reimbursable financing	(1)	(10)	(1)	(9)
Bank commission	(12)	(36)	(15)	(44)
Tax	(4)	(5)	(32)	(34)
Other	(3)	(6)	(6)	(13)
	(117)	(347)	(136)	(313)
Revenue				
FIDC	2	49	11	30
Customer arrears interest	30	94	29	93
Customer financing	12	43	43	88
Judicial deposits	10	29	7	29
Income on Commodities Hedge	22	1	(9)	(30)
Interest on receivables - Electric sector - Isolated system (*)	(28)	-	-	-
Credit recovery - Electric sector - Isolated system	1,621	2,154	461	765
Short-term investments	26	69	12	21
Other	10	39	-	6
	1,705	2,478	554	1,002
Inflation indexation				
Asset				
Indexation of receivables - Electric sector - Isolated system (*)	48	51	2	5
Deposits	2	4	1	3
Taxes	2	4	11	11
Other	-	2	2	4
	52	61	16	23
Liability				
Leases	(1)	(2)	-	(2)
Indexation of dividends payable	(22)	(105)	(11)	(43)
Loans and borrowings	(16)	(58)	(18)	(61)
Taxes	-	-	(51)	(55)
Other	-	-	1	1
	(39)	(165)	(79)	(160)
Foreign exchange gains / (losses)				
Hedge	(5)	9	(20)	(16)
Cash and banks	-	-	(1)	15
Trade receivables	10	8	5	23
Trade payables	(40)	(43)	4	(10)
Short-term investments	8	9	7	8
Other	5	8	3	4
	(22)	(9)	(2)	24
Foreign exchange gains / (losses) and indexation, net	(9)	(113)	(65)	(113)
Total finance income (expenses)	1,579	2,018	353	576

(*) Transfer of R\$ 28, relating to the balance in June 2019, from the group Finance Income to Monetary Variance Gain (R\$ 20 in the third quarter).

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

	Parent company			
	Current quarter (7/1/2019 to 9/30/2019)	Nine-month period ended September 30, 2019	Quarter of the prior year (7/1/2018 to 9/30/2018)	Nine-month period ended September 30, 2018
Expenses				
Loans and borrowings	(78)	(232)	(80)	(207)
Leases	(37)	(102)	(12)	(40)
Absorption of cash reimbursable financing	(1)	(10)	(1)	(9)
Bank commission	(12)	(36)	(15)	(44)
Tax	(3)	(5)	(32)	(34)
Other	(2)	(2)	(2)	(9)
	(133)	(387)	(142)	(343)
Revenue				
FIDC	1	48	11	30
Customer arrears interest	23	85	26	86
Customer financing	12	43	43	88
Judicial deposits	11	29	7	29
Income on Commodities Hedge	22	1	(9)	(30)
Interest on receivables - Electric sector - Isolated system (*)	(28)	-	-	-
Credit recovery - Electric sector - Isolated system	1,621	2,154	461	765
Short-term investments	22	59	8	11
Other	14	45	-	4
	1,698	2,464	547	983
Inflation indexation				
Asset				
Indexation of receivables - Electric sector - Isolated system (*)	48	51	2	5
Deposits	2	4	1	3
Taxes	2	4	11	11
Other	1	3	1	3
	53	62	15	22
Liability				
Leases	(3)	(25)	(15)	(34)
Indexation of dividends payable	(22)	(105)	(11)	(43)
Loans and borrowings	(1)	(4)	-	-
Taxes	(1)	(1)	(51)	(55)
Other	(1)	(1)	1	2
	(28)	(136)	(76)	(130)
Foreign exchange gains / (losses)				
Hedge	(5)	9	(20)	(16)
Cash and banks	-	-	(1)	15
Trade receivables	10	8	5	23
Trade payables	(40)	(43)	4	(10)
Short-term investments	8	9	7	8
Other	5	8	4	5
	(22)	(9)	(1)	25
Foreign exchange gains / (losses) and indexation, net	3	(83)	(62)	(83)
Total finance income (expenses)	1,568	1,994	343	557

(*) Transfer of R\$ 28, relating to the balance in June 2019, from the group Finance Income to Monetary Monetary Gain (R\$ 20 in the third quarter).

Financing charges (interest and monetary variance) amounted to a consolidated R\$ 296 (note 15.3), with R\$ 290 recognized in profit or loss and R\$ 6 as capitalized interest.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

25 Segment reporting

The Executive Board takes operating decisions and analyses the business in its following segments:

Retail

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

Consumer Market

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

Aviation Market

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

Special Market

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

Corporate

Items that cannot be attributed to other areas are allocated, 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.

The Company's consolidated income from segments with Brazilian customers is R\$ 69,960 (R\$ 71,475 from January to September 2018), and total revenue from foreign customers, based on the country where the sale was made, is R\$ 1,251 (R\$ 1,464 from January to September 2018).

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

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

As a result of changing the sale of lubricants by wholesale clients and the change from the Retail Network to Special Markets, the 2018 data for both segments has been re-presented. The Ebitda reclassified between the segments was R\$ 119, without affecting consolidated profit or loss.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

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

Consolidated statement of Net Income by Business Sector - Sep/19

	Retail Stations Network	Consumer Market	Aviation Market	Special Market	Corporate	Total segments	Reconciliation with financial statements		Total
Sales Revenue	41,624	18,168	6,635	4,784	-	71,211	(374)	(a)	70,837
Cost of goods sold	(39,347)	(17,274)	(6,045)	(3,888)	-	(66,554)	(10)	(b)	(66,564)
Gross profit	2,277	894	590	896	-	4,657	(384)	-	4,273
Expenses									
General, administrative and sales	(1,157)	(553)	(331)	(238)	(134)	(2,413)	(360)	(c)	(2,773)
Tax	(5)	-	(2)	(5)	(26)	(38)	(48)	(d)	(86)
Other net revenue (expenses)	209	15	16	61	(355)	(54)	(76)	(c)	(130)
Equity earnings	-	-	-	-	1	1	-		1
Net finance income	-	-	-	-	-	-	2,018	(f)	2,018
Adjusted EBITDA	1,324	356	273	714	(514)	2,153			
Net income (loss) before tax							1,150		3,303

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

Consolidated statement of Net Income by Business Sector - Current quarter (7/1/2019 to 9/30/2019)

	Retail Stations Network	Consumer Market	Aviation Market	Special Market	Corporate	Total segments	Reconciliation with financial statements		Total
Sales Revenue	14,295	6,302	2,256	1,642	-	24,495	(135)	(a)	24,360
Cost of goods sold	(13,549)	(6,010)	(2,064)	(1,339)	-	(22,962)	(4)	(b)	(22,966)
Gross profit	746	292	192	303	-	1,533	(139)		1,394
Expenses									
General, administrative and sales	(385)	(188)	(102)	(79)	(57)	(811)	(122)	(c)	(933)
Tax	1	-	-	(1)	(7)	(7)	(29)	(d)	(36)
Other net revenue (expenses)	102	15	3	40	(104)	56	(6)	(e)	50
Equity earnings	-	-	-	-	-	-	-		-
Net finance income	-	-	-	-	-	-	1,579	(f)	1,579
Adjusted EBITDA	464	119	93	263	(168)	771			
Net income (loss) before tax							1,283		2,054

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

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

	Retail Stations Network	Consumer Market	Aviation Market	Special Market	Corporate	Total segments	Reconciliation with financial statements		Total
Sales Revenue	42,220	19,191	6,967	4,561	-	72,939	(388)	(a)	72,551
Cost of goods sold	(39,991)	(18,171)	(6,259)	(3,769)	-	(68,190)	(9)	(b)	(68,199)
Gross profit	2,229	1,020	708	792	-	4,749	(397)		4,352
Expenses									
General, administrative and sales	(1,253)	(579)	(358)	(221)	(133)	(2,544)	(282)	(c)	(2,826)
Tax	(4)	-	(2)	(7)	(36)	(49)	(209)	(d)	(258)
Other net revenue (expenses)	70	(10)	7	21	(330)	(242)	1,027	(e)	785
Equity earnings	-	-	-	-	(2)	(2)	-		(2)
Net finance income	-	-	-	-	-	-	576	(f)	576
Adjusted EBITDA	1,042	431	355	585	(501)	1,912			
Net income (loss) before tax							715		2,627

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

Consolidated statement of Net Income by Business Sector - Quarter of the Prior Year (7/1/2018 to 9/30/2018)

	Retail Stations Network	Consumer Market	Aviation Market	Special Market	Corporate	Total segments	Reconciliation with financial statements		Total
Sales Revenue	14,729	7,478	2,691	1,688	-	26,586	(131)	(a)	26,455
Cost of goods sold	(14,018)	(7,068)	(2,434)	(1,413)	-	(24,933)	(3)	(b)	(24,936)
Gross profit	711	410	257	275	-	1,653	(134)		1,519
Expenses									
General, administrative and sales	(462)	(199)	(119)	(68)	(28)	(876)	(94)	(c)	(970)
Tax	2	-	(1)	(4)	(14)	(17)	(192)	(d)	(209)
Other net revenue (expenses)	12	(11)	5	10	(144)	(128)	1,210	(e)	1,082
Equity earnings	-	-	-	-	(1)	(1)	-		(1)
Net finance income	-	-	-	-	-	-	353	(f)	353
Adjusted EBITDA	263	200	142	213	(187)	631			
Net income (loss) before tax							1,143		1,774

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

	Current quarter (7/1/2019 to 9/30/2019)	Nine-month period ended September 30, 2019	Quarter of the prior year (7/1/2018 to 9/30/2018)	Nine-month period ended September 30, 2018
Reconciliation with financial statements				
(a) Sales Revenue				
Appropriation of early bonuses awarded to customers				
Sales revenue is adjusted by the early bonuses granted to resellers of service stations to which the Company distributes fuels and lubricants corresponding to the portion provided mainly in kind and held under the terms established in advance with such parties, which once completed, become nonreturnable, being absorbed as expenses by the Company. This corresponds to a target scheme which, once met, exempt the customers – resellers of service stations – from returning to the Company these amounts advanced as bonuses. They are classified in profit or loss in proportion to their due dates.	(135)	(374)	(131)	(388)
(b) Cost of goods sold				
Depreciation and amortization	(4)	(10)	(3)	(9)
(c) General, administrative and sales				
Depreciation and amortization	(123)	(372)	(99)	(306)
Impairment losses on receivables				
The adjusted values refer to the provisions relating to receivables owed to the Company by the thermal companies of islanded and interconnected power systems, a segment for which the Company substantially provides service.	1	12	5	24

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

	Current quarter (7/1/2019 to 9/30/2019)	Nine-month period ended September 30, 2019	Quarter of the prior year (7/1/2018 to 9/30/2018)	Nine-month period ended September 30, 2018
Reconciliation with financial statements				
(d) Taxes				
Tax adjustments denote tax amnesties and tax charges on financial revenue.				
Tax amnesties: payment provisions for joining the amnesty programs established by State Laws and the Special Tax Regularization Program (PERT) from the Federal Government concerning tax liabilities related to ICMS and federal taxes with the State and Federal Government, respectively. The Company considers the adjustment adequate because it provides investors additional information not deriving from its main operations.	-	-	(187)	(189)
Tax charges on revenue: the adjustments refer to expenditure on IOF PIS and COFINS, levied on the Company's revenue and which are classified as tax expenses.	(29)	(48)	(5)	(20)
(e) Other net revenue (expense)				
Judicial losses and provisions				
The adjusted amounts consist of losses incurred in final and unappealable lawsuits, as well as the provisions made on the basis of the opinions obtained from the lawyers responsible for handling the lawsuits or by the Company's Legal Department.	(9)	(95)	1,210	1,043
Voluntary redundancy incentivization plan				
The adjustment denotes amounts that affected the Company's earnings given the provision for the estimated expenditure on indemnities related to the plan, as well as the reversal of the provision due to the withdrawal from the plan, which took place in the respective periods.	3	19	-	(16)
(f) Net financial income	1,579	2,018	353	576
Total	1,283	1,150	1,143	715

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

25.1 Revenue breakdown by segment

	Consolidated				
	Nine-month period ended September 30, 2019				
	Retail	Consumer Market	Aviation Market	Special Market	Total
Domestic					
North	3,692	2,273	436	78	6,479
Northeast	10,116	3,485	1,074	367	15,042
Midwest	4,790	1,744	791	52	7,377
Southeast	15,762	7,585	2,664	3,968	29,979
South	7,264	3,019	485	315	11,083
Foreign	-	62	1,185	4	1,251
Total	41,624	18,168	6,635	4,784	71,211

	Consolidated				
	Current quarter (7/1/2019 to 9/30/2019)				
	Retail	Consumer Market	Aviation Market	Special Market	Total
Domestic					
North	1,331	875	149	32	2,387
Northeast	3,444	1,073	371	117	5,005
Midwest	1,652	641	271	26	2,590
Southeast	5,387	2,687	922	1,351	10,347
South	2,481	1,004	148	113	3,746
Foreign	-	22	395	3	420
Total	14,295	6,302	2,256	1,642	24,495

	Consolidated				
	Nine-month period ended September 30, 2018				
	Retail	Consumer Market	Aviation Market	Special Market	Total
Domestic					
North	3,675	2,554	411	82	6,722
Northeast	10,018	4,044	1,103	407	15,572
Midwest	4,848	1,804	742	67	7,461
Southeast	16,102	7,701	2,824	3,650	30,277
South	7,577	3,031	502	333	11,443
Foreign	-	57	1,385	22	1,464
Total	42,220	19,191	6,967	4,561	72,939

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

	Consolidated				
	Quarter of the prior year (7/1/2018 to 9/30/2018)				
	Retail	Consumer Market	Aviation Market	Special Market	Total
Domestic					
North	1,368	903	159	24	2,454
Northeast	3,664	1,849	432	149	6,094
Midwest	1,749	699	303	7	2,758
Southeast	5,263	2,921	1,060	1,373	10,617
South	2,685	1,092	191	126	4,094
Foreign	-	14	546	9	569
Total	14,729	7,478	2,691	1,688	26,586

As a result of changing the sale of lubricants by wholesale clients and the change from the Retail Network to Special Markets, the 2018 data for both segments has been re-presented. The revenue reclassified between the segments was R\$ 609, without affecting consolidated profit or loss.

26 Judicial and administrative proceedings, judicial deposits and contingencies

26.1 Judicial and administrative proceedings provisioned for

On September 25, 2018 the Company signed the Extrajudicial Settlement (TAE) with Mato Grosso state and the State Prosecutor's Office, duly participated in and approved by the Inter-institutional Asset Recovery Committee (CIRA-MT), relating to a tax liability of R\$ 1,372, with R\$ 405 resulting from the amnesty program and the remainder from the TAE. The net amount of income tax is R\$ 906.

This agreement resulted from the settlement of said tax liability via a payment of R\$ 217 under the state amnesty program introduced by Law 10433/16 and Decree 1630/18 (note 20.1 as of December 31, 2018) and R\$ 155 for the civil fine on tax offenses via the TAE. By way of the Extrajudicial Settlement, the Company would also use part of the amount outlaid (R\$ 103) on ICMS credits in the state, offsetting 24 (twenty-four) months in future operations with the State. By the end of the 3rd quarter of 2019 the Company had already used 13 payments amounting to R\$ 56.

The Company and its investees establish sufficient provisions to cover reliably estimated probable losses. The main proceedings concerns the following events:

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

Tax Claims

- (i) nonperformance of auxiliary tax obligations (R\$ 57 as of September 30, 2019 and R\$ 49 as of December 31, 2018);
- (ii) inventory discrepancy (R\$ 62 as of September 30, 2019 and R\$ 33 as of December 31, 2018);
- (iii) collection of ICMS as a result of not including ICMS – Tax substitution in its calculation base (R\$ 47 as of September 30, 2019 and R\$ 44 as of December 31, 2018);
- (iv) alleged underpayment of ICMS by using ICMS credits acquired on freight services associated with exempt operations (R\$ 38 at September 30, 2019 and R\$ 7 at December 31, 2018); and
- (v) alleged underpayment of ICMS-ST in aviation product resales (R\$ 31 at September 30, 2019 and R\$ 28 at December 31, 2018).

Civil Proceedings

- (i) a lawsuit filed by Valpar claiming that the Company failed to comply with the Transportation and Loan Agreement, resulting in losses and impairing the operations of the plaintiff's fueling stations (R\$ 92 as of September 30, 2019 and R\$ 89 as of December 31, 2018);
- (ii) lawsuit filed by the company Dislub, due to the alleged unilateral interruption of the distribution contract by the Company. The plaintiff is requesting the contract's termination, including the release of guarantees and the payment of the contractual fine, indemnification for losses and damages and moral damages (R\$ 90 as of September 30, 2019 and R\$ 83 as of December 31, 2018).

Labor Claims

- (i) Joint liability – claims filed seeking joint liability of the Company for payment of labor amounts owed to employees of service providers (R\$ 84 at September 30, 2019 and R\$ 76 at December 31, 2018);
- (ii) RMNR/Risk premium - a claim for payment of additional RMNR without deducting the risk premium from the RMNR (R\$ 48 at September 30, 2019 and R\$ 60 at December 31, 2018);

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

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

In the preparation of the financial statements for the period ended September 30, 2019, the Company took into account all the information available regarding the proceedings to which it is party in order to estimate the obligations and the probability of an outflow of funds. However, given the nature of long-term legal provisions, we cannot estimate when these funds will be disbursed.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

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

	Consolidated									
	Nine-month period ended September 30									
	2019					2018				
	Tax	Labor	Civil	Environmental	Total	Tax	Labor	Civil	Environmental	Total
Opening balance	213	323	453	12	1,001	1,400	238	432	9	2,078
Addition, net of reversal	102	60	(80)	5	87	(1,327)	74	49	2	(1,202)
Use (*)	(2)	(20)	(23)	-	(45)	-	(28)	(23)	-	(51)
Indexation	3	(2)	6	1	8	127	11	20	-	158
Closing balance	316	361	356	18	1,051	200	295	478	11	984

	Parent Company									
	Nine-month period ended September 30									
	2019					2018				
	Tax	Labor	Civil	Environmental	Total	Tax	Labor	Civil	Environmental	Total
Opening balance	213	323	453	12	1,001	1,399	238	432	9	2,078
Addition, net of reversal	102	60	(80)	5	87	(1,326)	74	49	2	(1,201)
Use (*)	(2)	(20)	(23)	-	(45)	-	(28)	(23)	-	(51)
Indexation	3	(2)	6	1	8	127	11	20	-	158
Closing balance	316	361	356	18	1,051	200	295	478	11	984

(*) The amount of write-off of judicial deposits is R\$ 13 as of September 30, 2019 as per note 26.2 (R\$ 23 as of September 30, 2018).

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

26.1.1 Provisioned for judicial proceedings and related judicial deposits

	Consolidated					
	9/30/2019			12/31/2018		
	Provision for judicial proceedings	Judicial deposits	Proceedings net of judicial deposits	Provision for judicial proceedings	Judicial deposits	Proceedings net of judicial deposits
Labor claims	361	136	225	323	121	202
Tax claims	316	89	227	213	8	205
Civil claims	356	61	295	453	59	394
Environmental claims	18	1	17	12	1	11
Total	1,051	287	764	1,001	189	812

26.1.2 Guarantees

A portion of the inventory and property, plant and equipment has been pledged as guarantees for judicial proceedings in which the Company is a defendant. As of September 30, 2019 the guarantees amount to R\$229 (Consolidated and Parent Company).

	Consolidated	
	9/30/2019	12/31/2018
Inventories	213	243
Property, plant and equipment	16	17
Total	229	260

26.2 Judicial deposits

	Consolidated					Parent Company
	Tax	Labor	Civil	Environmental	Total	Total
Balance as of December 31, 2017	718	189	88	5	1,000	977
Addition, net of reversal	16	32	13	-	61	61
Usage (a)	-	(38)	(10)	-	(48)	(48)
Monetary indexation / interest (b)	34	1	3	-	38	37
Other	-	-	4	(4)	-	-
Balance as of December 31, 2018	768	184	98	1	1,051	1,027
Addition, net of reversal	61	20	6	-	87	87
Usage (a)	(1)	(10)	(2)	-	(13)	(13)
Monetary indexation / interest (b)	27	4	(1)	-	30	30
Balance as of September 30, 2019	855	198	101	1	1,155	1,131

(a) For payment of legal proceedings.

(b) Includes adjustment to estimated restatement and interest on the deposits recovered.

The Company has R\$ 287 (R\$ 189 as of December 31, 2018) in judicial deposits for provisioned lawsuits (note 26.1.1); R\$ 569 (R\$ 551 as of December 31, 2018) associated

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

with possible contingencies; R\$ 93 (R\$ 100 as of December 31, 2018) associated with remote contingencies; R\$ 182 (R\$ 171 as of December 31, 2018) consists of deposits related to proceedings in which the Company and its investees are plaintiffs and R\$ 24 (R\$ 40 as of December 31, 2018) consists of other.

26.3 Proceedings not provisioned for (possible losses)

Nature	Consolidated		Parent Company	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Tax	8,201	7,707	8,140	7,647
Civil	2,455	2,473	2,448	2,465
Labor	667	441	667	441
Environmental	147	127	147	127
Total	11,470	10,748	11,402	10,680

See below the main proceedings not provisioned for:

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

a) Tax proceedings

Description of tax proceedings	9/30/2019	12/31/2018
Plaintiff: State of Rio de Janeiro		
1) Collection of the rate difference in internal operations involving aviation fuel. Rio de Janeiro state awarded a tax incentive, reducing the rate of ICMS payable on kerosene. This decrease was considered to be unconstitutional. Rio de Janeiro state is presently demanding this difference from distribution companies for sales made to airlines.	1,313	1,265
Plaintiffs: States of Goiás, Rio de Janeiro, Roraima, Santa Catarina, São Paulo and Tocantins		
2) Recovery of ICMS-ST on consignment and symbolic return of jet fuel for resale; consideration of establishment as wholesaler retailer, blacklisting of tax documents.	1,524	1,445
Plaintiffs: States of Amazonas, Bahia, Ceará, Goiás, Mato Grosso, Pará, Paraíba, Pernambuco, Piauí, Rio Grande do Norte, Sergipe and São Paulo and Distrito Federal		
3) Cases where the company is contesting the lack of ICMS incidence on the variation in fuel volumes due to leftovers and inventory shortages arising from the operation and transportation of products. The Company receives products from the oil refinery invoiced based on a temperature of 20° C. When sold to customers, the Company sells the product at room temperature, resulting in a variation in inventory due to natural volumetric variations caused by temperature.	941	973
Plaintiffs: States of Amapá, Bahia, Goiás and São Paulo, Discom e Transportadora Amazônia Diesel Ltda		
4) Cases where the Company is contesting who is liable for the payment of ICMS not withheld through tax substitution based on injunctions obtained by the buyers, but which now is due because the buyers eventually lost the lawsuits filed against the State.	822	729
Plaintiffs: States of Amazonas, Ceará and Pernambuco		
5) Collection of ICMS on alleged aviation fuel sales, with no ICMS tax for national and foreign airlines, for flights to other states or abroad.	516	433
Plaintiff: State of Pernambuco		
6) Cases where the tax authority is accusing the Company of having appropriated/use credit in operations in which credits are not entitled. Disputes whether the regulations set out in art. 32 (3) of State Law 10259/1989 and art. 34 (21) of Decree 14876/1991, which provide for the possibility of appropriating and maintaining ICMS tax credits, were or were not tacitly revoked by State Law 11408/1996.	379	394
Plaintiffs: States of Amazonas, Bahia, Ceará, Goiás, Mato Grosso do Sul, Mato Grosso, Pará, Paraíba, Pernambuco Piauí, Rio de Janeiro, Rio Grande do Norte, Roraima and Santa Catarina, Distrito Federal and the Federal Government		
7) Punishment applied for non-compliance with auxiliary obligations related to collection and crediting of ICMS, IRPJ, CSLL, PIS and COFINS payable on operations in general by the Company.	366	338
Plaintiff: Government		
8) Processes under which Company is disputing the incidence of IPI on oil products and the possibility of maintaining IPI credits on the acquisition of inputs used in the production of oil products.	657	614
Plaintiff: State of Rio de Janeiro		
9) Cases where the Company has been assessed for using NCM classification (Mercosur Common Nomenclature) with which the State does not agree.	289	265
Plaintiff: State of Rio de Janeiro		
10) Case disputing the appropriation of ICMS credit, considering that the State assessed the Company for allegedly duplicating recorded credits.	107	102

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

Description of tax proceedings	9/30/2019	12/31/2018
Plaintiff: Government		
11) Case where the Company is contesting the Social Security Contribution on profit shares and performance bonuses paid to employees.	139	158
Plaintiffs: State of Bahia, Ceará, Goiás, Paraíba, Piauí, Rondônia and São Paulo		
12) Cases where the company is contesting whether or not there is a right to credit the ICMS paid when the CIF freight in interstate operations is tax exempt. Distinction between transportation operation and service.	78	113
Plaintiffs: States of Amazonas, Bahia, Ceará, Goiás, Maranhão, Pará, Pernambuco, Piauí, Rio de Janeiro, Rio Grande do Sul and Rondônia		
13) Cases where the tax authority is accusing the Company of having appropriated/use credit in operations in which credits are not entitled, such as the improper application of the noncumulative principle.	112	94
Plaintiff: Government		
14) Cases in which the Company is disputing the incidence of social security contributions on compensation paid to freelancers providing services to the Company.	33	41
Plaintiffs: States of Amazonas, Ceará, Espírito Santo, Goiás, Maranhão, Mato Grosso, Mato Grosso do Sul, Pará, Pernambuco, Piauí, Rio de Janeiro, Rondônia and the Government		
15) Cases where the Company is charged for alleged omissions in the provision of information via SCANC, which allegedly resulted in non-payment or insufficient payment of ICMS to the assessing federal authority.	83	72
Plaintiffs: States of Mato Grosso and Pará		
16) Cases where the Company was assessed by the tax authority, demanding ICMS on deliveries resulting from interestablishment transfers.	77	68
Plaintiff: Government		
17) Cases where the Company is contesting who is liable for the payment of PIS and COFINS not withheld through tax substitution based on injunctions obtained by the buyers, but which now is due because the buyers eventually lost the lawsuits filed against the State.	29	43
Plaintiff: Government		
18) Cases where the Company is assessed as jointly liable for the payment of social security contributions.	54	52
Plaintiffs: State of Pará and Government		
19) Case where the Company was assessed for untimely payment without restating the amounts as required by the Audit.	146	84
Plaintiffs: States of Paraná and São Paulo		
20) Tax war between states entailing tax incentives at source and the possibility of appropriating credits on interstate sales.	72	57
Plaintiff: Mato Grosso state		
21) Case discussing the incidence of ICMS as a result of the company selling to the customer formerly located in Pará State an amount of produce greater than its consumption capacity. As a result of the state, the product therefore remained in Mato Grosso.	48	42
Plaintiffs: States of Amazonas, Goiás, Mato Grosso and Santa Catarina		
22) Non-payment or underpayment of ICMS on the Company's sales for industrial buyers using fuel as a manufacturing input.	43	41
Plaintiff: Government		
23) Cases where the Company has been assessed for amounts paid as management fees, given the alleged employment relationship between them and the Company.	47	28
Plaintiffs: States of Ceará, Minas Gerais, Pará, Pernambuco, Rio de Janeiro, Rondônia, Roraima and Tocantins, Distrito Federal, Braz Ribeiro Pereira and Expresso Miracema Ltda		
24) Cases demanding ICMS not classified in other existing profiles	50	32
Plaintiff: Government		
25) Proceedings regarding offsetting of credit balance and/or overpayment of federal taxes not ratified by the federal tax authorities.	45	-
Various tax proceedings	231	224
Total	8,201	7,707

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

b) Civil proceedings

Description of civil proceedings	9/30/2019	12/31/2018
Plaintiff: WTorre Engenharia E Construção S.A..		
Arbitration procedure filed by the plaintiffs arising from alleged fraud to the unenforceability of bidding for contracting atypical lease (BTS) for the operation of the Rondonópolis Terminal.		
1) Status: Decisions staying the arbitration while the injunction order favorable to the company under the Public Civil Action filed against W. Torre. is in force.	929	826
Plaintiff: CADE - Administrative Council for Economic Defense		
Consists of the annulment action seeking to overturn CADE's administrative decision resulting from the investigation into alleged cartels engaged in the resale and distribution of fuel in Belo Horizonte and surrounding areas.		
2) Status: On April 10, 2019 the CADE Collegiate Court finalized its judgment and by majority vote (3 to 2) acquitted the Company of the charge of forming a cartel. By unanimous vote, however, the Company and IPP were found guilty by CADE of exerting negative influence on the resale chain. In September 2019 the Company filed an annulment action regarding the debit before the federal courts of Distrito Federal, submitting collateral.	67	288
Plaintiff: Forte Comércio, Importação, Exportação e Administração		
Civil suit before the courts of the São Paulo state, with an application for the termination of contracts and indemnity for losses and damages, based on the allegation that the Company failed to comply with the obligations undertaken for the formation of the Forte Group.		
3) Status: Case records sent to reporting justice at the Superior Court of Justice (STJ) to examine the Government's Motion for Clarification. The dispute is worth a restated R\$1.6 billion, as per the proposed agreement presented by Rede Forte. At the end of 2017, Rede Forte announced it had estimated the award at R\$8 billion – emphasizing it had informed the court of its poor liquidity. In the opinion of the lawyers handling the case on the Company's behalf, the amount should be R\$279 (as of September 30, 2019). This difference exists because the award has not been calculated yet, meaning the current risk cannot be precisely determined by the independent lawyers.	279	271
Plaintiff: Francisco Messias Cameli		
Civil action before the courts of the State of Amazonas for collection of rent, due to the demurrage of vessels at the Secondary Distribution Base of Cruzeiro do Sul (BASUL).		
4) Status: Judgment is pending of the Company's appeal filed against the decision that ruled the main proceeding, as a conflict of jurisdiction decision has already been delivered by the chief justice of the Amazonas State Court of Appeal. The case records have been sent to the Reporting justice to prepare its report.	190	185
Plaintiff: DISCOM Distribuidora de Combustíveis e Comércio Ltda.		
DISCOM claims that since October 1997 the Company had entered into a purchase and sale commitment, which includes the Company's obligation to supply products. It alleges that the Company had failed to perform the agreement without cause, suspending the delivery of products on May 25, 2000, thus violating the agreement signed, causing numerous losses for DISCOM. It is claiming indemnification for losses and damages and the loss of profits and indemnification for moral damages		
5) Status: Pending judgment of the Company's appeal and DISCOM's adhesive appeal.	201	187

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

Description of civil proceedings		9/30/2019	12/31/2018
Plaintiff: Borborema Energética S.A.			
Plaintiff is claiming an error in the company's price formation when preparing the contract, which did not comply with the respective ANEEL Resolution. The Company claims its prices complied with the ANEEL Resolution and that its price formation included the restatement established in this resolution.			
6)	Status: Decision ruling Borborema's claim to have grounds, thereby convicting the Company. BR filed an appeal to continue the dispute, which is still pending examination by the Rio de Janeiro Court of Appeal.	214	155
Plaintiff: Único Combustíveis Ltda.			
The plaintiff filed suit claiming compensation due to the Company's liability in the severance of the fuel supply agreement. The Company presented a defense stating that the plaintiff and not it caused the severance.			
7)	Status: Final and unappealable decision against the Company now being enforced. The Company appealed on the grounds that the gross/net margin criteria used to determine the lost earnings was mistakenly used by the expert, which was accepted in a recent decision delivered by the Superior Court of Justice. Case records will be resent to the Paraná state Court of Appeal to reassess the calculation criteria used in the settlement contested by the Company.	71	-
Plaintiff: Feijó, Cavagnolli & Cia. Ltda.			
Plaintiff is claiming calculation of the award using accounting methods the Company deems unsuitable. The Company contends that the expert report only embraces the gas stations subject to the case, for the purpose of determining the value of goodwill and lost earnings.			
8)	Status: Publication of judgment docket of the Rio Grande do Sul State Court of Appeal regarding the requirement to deduct operating expenses from the amount to be determined as the proceeds from fuel sales.	-	41
Plaintiff: Posto Pau de Vela Bahia Ltda			
Plaintiff is claiming compensation for losses caused to the gas station due to practices (prices and terms) that make it impossible for the plaintiff to make a profit, in addition to claiming investment expenses and moral damages. Invoking objective responsibility, this case is seeking reimbursement of losses caused by nonperformance of contracts entered into with the Company, primarily in respect of profits, in order to cover its operating costs and thereby generating the agreed profit.			
9)	Status: An expert report was submitted to the case records stating that a number of the commercial terms imposed by the Company were one of the factors that contributed to the losses suffered by the plaintiff. However, no settlement was reached, as it is not yet possible to precisely quantify the alleged damages. The report prepared by the Company's technical assistant contests the conclusions reached by the court-appointed expert. This case is pending judgment.	43	39
Plaintiff: Derivados de Petróleo Santa Isabel Ltda			
Claim seeking compensation for property damages and pain and suffering. The complainant claimed to have protests against invoices and indemnification for property damages and pain and suffering, on the grounds that the protested invoices were improperly issued by the Company (invoices and trade notes with the purpose of charging ICMS), causing substantial property and other losses.			
10)	Status: Favorable ruling of the Company's Interlocutory Appeal against the decision determining the payment, under pain of seizure, based on mistaken grounds. Appeal accepted to determine awarding of material damages by the common procedure, simply upholding the award for net moral damages. Appeal decision issued, risks adjusted according to decisions made by the Bahia State Court of Appeal and lower court judge determining payment of the portion deemed to be payable for moral damages - this decision will be contested.	-	147
Plaintiff: CADE - Administrative Council for Economic Defense			
Administrative investigation into alleged anti-trust practices abusing a dominant position, with a request to adopt a preventive measure, filed by GRAN PETRO against the companies comprising the aviation pool at Guarulhos airport-SP.			
11)	Status: Investigation still in progress, with witnesses being heard.	81	-
Various civil proceedings		380	334
Total		2,455	2,473

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

c) Labor proceedings

Description of labor proceedings	9/30/2019	12/31/2018
Plaintiffs: Other		
1) Judicial proceedings in which the Company's employees/former employees are claiming payment of the additional RMNR without deducting the risk premium.	298	216
Plaintiffs: Other		
2) Judicial proceedings in which the former employees of the companies hired by the company are claiming the companies are jointly liable for paying its labor rights. (*)	59	100
Plaintiffs: Other		
3) Judicial proceedings in which BR's employees/former employees are claiming the risk premium on the grounds they were working in hazardous conditions, being exposed to harmful agents, in due accordance with Ministry of Labor Prosecutor's Department Regulatory Standard 16.	58	46
Plaintiffs: Other		
4) Labor claims filed by former employees/employees of transportation firms contracted by the Company to carry fossil fuels. (*)	79	-
Various labor proceedings	173	79
Total	667	441

(*) The calculation method was changed in the second quarter of 2019. Both profiles used to comprise a single profile (joint liability), worth R\$ 100 at December 31, 2018.

d) Environmental proceedings

Description of environmental proceedings	9/30/2019	12/31/2018
Plaintiff: Goiás State Public Prosecutions Office		
Public Civil Action by which the Goiás State Public Prosecutor's Office (MP-GO) is seeking the conviction of the Company, the hauler Transportadora ITA and the Goiânia municipal government for environmental damages resulting from the spill of 12,000 liters of asphalt into rivers in Goiás state, due to an accident that took place during the unloading of the tanker truck at the Goiânia Works Office, which is the Company's client.		
1) Status: Case at the forensic evidence phase, with discussions around the requisites and expertise of the court-appointed expert.	96	84
Various environmental proceedings	51	43
Total	147	127

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

27 Contractual commitments

a) Take or pay purchase agreements

The Company has minimum purchase commitments towards Petrobras for the period September 30, 2019 to 2025 of approximately 708 million m³, equal to a total estimated remaining value of R\$ 520. It also has commitments for the period of five-years worth an estimated R\$ 67 with Companhia de Gás de Santa Catarina (SCGAS), R\$ 48 with Gás de Alagoas S.A. (ALGAS) and R\$ 51 with Companhia de Gás do Rio Grande do Sul (SULGAS).

Purchases of oil products for the period of 5 years, amounting to an estimated total of R\$ 291 with Petrobras and R\$ 77 with Refinaria de Petróleo Riograndense;

b) Take or pay service agreements

The Company has commitments towards Logum Logística S.A. for the transportation by pipeline of ethanol, worth an estimated total of R\$ 775 through March 2029. The contract involves supplies for the bases in São Paulo and Rio de Janeiro and establishes a take-or-pay volume for each section.

Railway transportation services for a 3-year period worth an estimated R\$ 37 with VLI Multimodal S.A. and R\$ 36 with Ferrovia Transnordestina Logística S.A.

Provision of processing services by Brasil Carbonos, at the Taubaté/SP and Cosmópolis plants, where the remaining contractual balance denotes approximately 17,500 thousand of green petroleum coke, for the estimated price of R\$ 483, until October 2033.

Storage services for the period of 2 years, worth an estimated R\$ 41 from Cattalini Terminais.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

28 Financial instruments and risk management

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

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

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

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

	Notes	Fair value hierarchy level	Consolidated		Parent Company	
			9/30/2019	12/31/2018	9/30/2019	12/31/2018
Amortized cost						
Assets						
Cash and bank deposits	5		465	229	462	223
Short-term investments	5		3,444	2,828	3,219	2,607
Accounts receivable	6		5,303	6,460	5,457	6,544
Loans awarded to related parties	29.1.1		-	-	142	136
NTN-P (Other noncurrent assets)			2	2	2	2
			9,214	9,519	9,282	9,512
Amortized cost						
Liabilities						
Trade payables	14		1,847	2,219	1,872	2,251
Borrowing	15		5,489	5,524	4,619	4,580
Assignment of credit receivables	29.2		-	31	-	-
Leases	16.1		731	48	1,280	563
			8,067	7,822	7,771	7,394
Fair value through profit or loss						
Assets						
Tax credit rights (Accounts receivable - Noncurrent)	6	2	22	22	22	22
Hedge Commodities (Other - Current Assets)		1	61	50	61	50
Forex Hedge (Other - Current Assets)		2	4	1	4	1
			87	73	87	73
Fair value through profit or loss						
Liabilities						
Hedge Commodities (Other - Current liabilities)		1	41	-	41	-
Forex Hedge (Other - Current Liabilities)		2	14	6	14	6
			55	6	55	6

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

28.1 Risk management objectives and strategies

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

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

28.2 Market risks

28.2.1 Interest rate risk

The Company's interest rate risk is mainly associated with the CDI rate and IPCA price index, the indexes for the main financing agreements (Debentures, Realty Receivable Certificates-CRI and Debentures of the Agribusiness Receivables Certificates (CRA).

28.2.1.1 Interest rate risk management

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

See below the sensitivity analysis on the main financial assets and liabilities subject to floating interest rates as of September 30, 2019.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

			Consolidated		
	Book at September 30 2019	Risk	Scenario I - probable	Scenario II - possible (*)	Scenario III - remote (*)
		CDI	4.53%	5.67%	6.80%
		IPCA	3.56%	4.45%	5.33%
		SELIC	5.25%	6.56%	7.87%
		IGPM	4.00%	5.00%	6.00%
		INPC	3.61%	4.51%	5.41%
Financial instrument assets					
CDI Short-term investments - 100%	3,155	CDI	143	179	215
Short-term investments - SELIC	152	SELIC	8	10	12
CDI financing receivable - 100%	72	CDI	3	4	5
CDI financing receivable - 124.75%	648	CDI	37	46	55
IGPM financing receivable - 100%	256	IGPM	10	13	15
Financing receivable - INPC	93	INPC	3	4	5
Financing receivable - SELIC	86	SELIC	5	6	7
Payable financial instruments					
CDI Debentures - 111.57%	(3,628)	CDI	(184)	(229)	(275)
CDI 9 th Series debentures (collateral for CRAs) - 98%	(480)	CDI	(21)	(27)	(32)
CDI 10 th Series debentures (collateral for CRAs) - 100%	(204)	CDI	(9)	(12)	(14)
11 th Series debentures (collateral for CRAs) - IPCA	(288)	IPCA	(10)	(13)	(15)
Real estate receivables certificates (CRI) - IPCA	(839)	IPCA	(30)	(37)	(45)
Net financial income, as per estimates					
Gain/(loss)			(45)	(56)	(67)

Criteria

Probable scenario - includes the projected rates for 2019, as per the market forecast system of the Brazilian Central Bank. CETIP was used as the source for the CDI.

(*) Scenarios II and III - consider deteriorations in the projected rate in the probable scenario of 25% and 50%, respectively.

The sensitivity analysis only took into account the deterioration in the interest rate in relation to the outstanding balance as of September 30, 2019, considering it to be constant.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

28.2.2 Exchange risk

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

28.2.2.1 Exchange risk management

The Company takes out forex hedges to: (i) to cover commercial margins on aviation fuel sales made to foreign customers (ii) to hedge against exchange variance on fuel imports (iii) to hedge inventory and (iv) to guarantee the price of *Cartão Caminhoneiro* [Prepaid Trucker's Card]. In the first case the hedge is used to ensure the commercial margins agreed with customers are maintained while the negotiated prices are in force and during the commercial payment term. In the second case, the hedge is used to protect the cost of the imported products. In the third case the aim is to align the inventory cost to the market level. In the last case, which is still at the initial stage, this is the guarantee for the price of the Prepaid Trucker's Card.

Between January and September 2019, hedges were taken out for: (i) exports amounting to USD 312 million, (ii) to set prices for aviation clients of USD 8 million, (iii) for a total import of USD 827 million and (iv) hedge for inventories of USD 605 million. The hedges procured accounted for 99% of the US dollar export revenue grossed from the aviation segment in the same period. The Company procured forex hedges for imports between January and September 2019 for the entire cargo presenting foreign exchange exposure.

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

The settlement of all forex hedges between January and September 2019 led to a gain for the Company of R\$ 16.

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

None of these hedges required guarantee margin deposits.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

NDFs	Reference Value (notional)		Fair value		Maturity
	USD (Millions)		R\$ (Millions)		
	9/30/2019	12/31/2018	9/30/2019	12/31/2018	
Long Position	-	25	-	(1)	1Q19
Long Position	-	1.5	-	-	2Q19
Long Position	-	1.5	-	-	3Q19
Long Position	120	-	3	-	4Q19
Long Position	1	-	-	-	1Q20
Short Position	-	92	-	(4)	1Q19
Short Position	121	-	(11)	-	4Q19
Short Position	17	-	(2)	-	1Q20

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

The following sensitivity analysis was conducted for the fair value of the foreign currency derivatives. The probable scenario is the fair value as of September 30, 2019 and the possible and remote scenarios consider the deterioration in the risk variable of 25% and 50%, respectively, with respect to the same date. The fair value in the probable scenario is calculated based on the selling PTAX rate on the last working date restated by the free coupon obtained from the B3 site, which adjusts the value according to the maturity of each contract. Intermediate dates are interpolated.

Foreign Exchange Derivatives	Risk (*)	Probable Scenario as of 9/30/2019	Possible Scenario (Δ of +25%)	Remote Scenario (Δ of +50%)
NDFs	Appreciation of Dollar over Real	(10)	(25)	(71)

(*) The Company has more short positions than long positions in USD.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

See below the sensitivity analysis of the financial instruments subject to exchange variance:

In Reais millions

	Consolidated				
	Exposure at 9/30/2019	Risk	Scenario I - probable	Scenario II - possible (*) 25%	Scenario III - remote (*) 50%
Assets					
Cash and banks	65	US dollars / Real	(3)	16	33
Accounts receivable	122	US dollars / Real	(6)	31	61
Guarantee margin deposits	76	US dollars / Real	(4)	19	38
Liabilities					
Trade payables	(427)	US dollars / Real	20	(107)	(214)
Non Deliverable Forward (NDF)	(10)	US dollars / Real	3	(19)	(64)
Net financial income, as per estimates					
Gain/(loss)			10	(60)	(146)

Criteria

Probable scenario - Change of 4.67% of Real against US Dollar. Source: Focus.

(*) Scenarios II and III - consider impact on the probable scenario of 25% and 50%, respectively.

The sensitivity analysis only took into account the deterioration in the USD rate in relation to the outstanding balance as of September 30, 2019, considering it to be constant.

28.2.3 Price risk management

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

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

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

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

See below the sensitivity analysis:

Contracts (in cents per gallon)				(in millions of reais)		
Type	Quantity	Average Sale Price	Closed on 9/30/2019	MTM (Contract value)	Possible Scenario (Δ of 25%)	Remote Scenario (Δ 50%)
RBOB (Gasoline)	1,100	647	643	2	(72)	(146)
HO (Diesel)	1,179	824	790	17	(81)	(179)

The Ptax rate at 9/30/2019 (4.1644) was used to calculate the aforesaid figures.

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

28.3 Liquidity risk

The Company's liquidity risk is posed by difficulties to settle its financial obligations on their due dates, due to possible cash or financial asset shortages. To monitor this risk the Company centralizes cash management in the financial department, working with cash flow projections that are reviewed monthly and discussed in representative executive committees and forums.

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

Until the Follow On took place on July 25, 2019, the surplus cash was invested in quotas of FIDC-NP, an exclusive corporate fund of Petrobras Group that yields interest. After the Follow On, the Company looked for partnering banks to invest the cash surpluses to achieve CDI-based returns.

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

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

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

Period	Consolidated		
	Principal	Interest	Total
2019	30	122	152
2020 (*)	3,644	213	3,857
2021	123	91	214
2022	611	84	695
2023	139	52	191
2024 onwards	829	118	947
Total	5,376	680	6,056

(*) Maturity of Itaú debentures in April 2020.

The flow of payments from leases is presented in note 16 along with the flow of receipts.

The remaining financial assets are expected to be realized in the short term and have therefore been classified in current liabilities.

28.4 Credit risk

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

28.4.1 Credit risk management

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

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

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

The Company's commercial loans portfolio is highly diversified, serving customers from the automotive sector and major consumers, consisting mainly of industries, carriers,

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

government clients and the air sector. Credit risk exposure is mainly represented by the balance of accounts receivable. The expected settlement of these receivables is detailed in note 6.

The Company's portfolio amounted to approximately R\$ 14 billion as of September 30, 2019.

The Company assesses the estimated credit losses based on segments and the customer's payment history. The rates are calculated based on behavior in the last 3 years, and are reassessed quarterly. Given the electric sector's history (note 6.4), the Company opted to prepare a separate matrix to analyze this sector's losses.

	Outstanding	1 to 30 days	31 to 60 days	61 to 90 days	91 to 365 days	Over 365 days
Trade receivables						
Retail	0.25%	72.41%	78.58%	83.23%	87.17%	100.00%
Consumer Market	0.11%	24.95%	37.54%	55.11%	65.15%	100.00%
Aviation Market	0.28%	20.43%	76.45%	84.74%	93.84%	100.00%
Special Market	0.11%	33.06%	47.28%	62.52%	73.97%	100.00%
Thermal power plants comprising the isolated power system						
Eletrobras group	0.15%	8.03%	99.99%	100.00%	100.00%	100.00%

28.4.2 Other financial assets

The credit quality of financial assets classified as cash and cash equivalents and securities is based on the risk rating assigned by the rating agencies Standard & Poor's, Moody's and Fitch. Information about these financial assets that are not overdue and have no evidence of impairment, can be seen below:

	Consolidated			
	Cash and cash equivalents		Securities	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
brA-1+	-	284	-	-
brAAA	683	-	2	2
Aaa.br	3,161	2,713	-	-
brAA+	-	2	-	-
No rating (*)	65	58	-	-
	3,909	3,057	2	2

(*) The ratings listed in the table are on the national scale and a lack of rating means the respective financial institution has not been rated according to this criteria by the agencies S&P and Moody's. The global scale rating in this case is BBB+ as of September 30, 2019 and December 31, 2018.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

28.5 Capital management

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

The Company uses the ratio Net Debt/Adjusted EBITDA¹ to analyze its capital structure. The EBITDA adjustments are described in note 25.

	Consolidated	
	9/30/2019	9/30/2018
Borrowing (note 15)	5,489	5,552
Leases (note 16)	731	73
Assignment of credit receivables (note 29.2)	-	244
Total indebtedness	6,220	5,869
Less: cash and cash equivalents (note 5)	(3,909)	(1,500)
Less: Credit receivables investment fund - FIDC - NP (note 6)	-	(137)
Net debt	2,311	4,232
Adjusted EBITDA LTM	2,799	2,795
Ratio Net Debt/Adjusted EBITDA LTM¹	0.8	1.5

¹ Managerial, nonaccounting metric.

28.6 Fair value measurement

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

- Level 1 – quoted prices (without adjustments) in active markets for identical assets or liabilities to which the entity could have access at the measurement date;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – inputs for the asset or liability that are not based on observable market data.

As of September 30, 2019 the estimated fair value for the Company's financing calculated at market rates in force is presented in note 15.4.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

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

29 Related-party transactions

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

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

29.1 Commercial transactions and other transactions

29.1.1 By transaction

							Consolidated
							9/30/2019
	Net income	Asset			Liabilities		
		Current	Noncurrent	Total	Current	Noncurrent	Total
Net income							
Revenue	1,742						
Net foreign exchange gains / (losses) and indexation	(21)						
Net financial revenue (expense)	408						
Other income and expenses	98						
Asset							
Account receivable (note 6), exc. FIDC		768	310	1,078			
Securities (*)		-	2	2			
Cash and cash equivalents		3,422	-	3,422			
Judicial deposits		-	894	894			
Liabilities							
Trade payables					778	-	778
Dividends					1,096	-	1,096
Financing loans (note 15.1)					1	-	1
Advances from customers					16	-	16
Leases					4	16	20
As of 9/30/2019	2,227	4,190	1,206	5,396	1,895	16	1,911
January to September/2018	2,926						
As of 12/31/2018		3,478	1,535	5,013	1,823	19	1,842

(*) Classified in other Noncurrent Assets.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

							Parent Company
							9/30/2019
	Net income	Asset			Liabilities		
		Current	Noncurrent	Total	Current	Noncurrent	Total
Net income							
Revenue	1,754						
Net foreign exchange gains / (losses) and indexation	(43)						
Net financial revenue (expense)	369						
Other income and expenses	98						
Asset							
Account receivable (note 6), exc. FIDC		1,053	310	1,363			
Securities (*)		-	2	2			
Cash and cash equivalents		3,415	-	3,415			
Dividends		4	-	4			
Loans awarded to related parties		-	142	142			
Judicial deposits		-	869	869			
Liabilities							
Trade payables					813	-	813
Dividends					1,096	-	1,096
Advances from customers					16	-	16
Leases					111	458	569
As of 9/30/2019	2,178	4,472	1,323	5,795	2,036	458	2,494
January to September/2018	2,872						
As of 12/31/2018		3,700	1,647	5,347	1,980	432	2,412

(*) Classified in other Noncurrent Assets.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

Purchases made from Petrobras amounted to R\$ 43,140 (R\$ 52,727 through September 2018), with R\$ 444 from Refinaria de Petróleo Riograndense (R\$ 386 through September 2018) and R\$ 253 from Distribuidoras de Gás (R\$ 195 through September 2018).

The Company has minimum purchase agreements with Petrobras, as mentioned in note 27 (a). The Company also has 5-year contracts with Petrobras for the purchase of oil products, equal to a total estimated value of R\$ 11,754.

In 2018, the Company took out loans totaling R\$ 133 from Stratura. These amounts are restated at the rate of 115.8 % of the CDI rate.

As of September 30, 2019, the Company had guarantees submitted to Petrobras related to Repetro, in the amount of R\$ 654.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

29.1.2 By company

	Net income		Asset				Liabilities				Consolidated
			9/30/2019			12/31/2018	9/30/2019			12/31/2018	
	9/30/2019	9/30/2018	Current	Noncurrent	Total		Current	Noncurrent	Total		
Electric sector companies - Isolated system (Eletrobras group)	366	770	427	310	737	1,055	-	-	-	-	-
Subsidiaries of Petrobras Group											
Petrobras	1,244	1,199	234	-	234	235	1,702	-	1,702	1,708	
Transpetro	33	29	9	-	9	11	38	-	38	26	
Petrobras America Inc. - PAI	(4)	-	-	-	-	-	125	-	125	-	
Other	40	58	5	-	5	9	-	-	-	2	
	1,313	1,286	248	-	248	255	1,865	-	1,865	1,736	
Joint ventures of Company and Petrobras group											
Termocabo	12	48	-	-	-	6	-	-	-	-	
Petrocoque	70	47	-	-	-	-	-	-	-	-	
Logum Logística	1	-	-	-	-	-	-	-	-	11	
CDGN	(3)	(2)	-	-	-	-	4	16	20	24	
Other	22	24	-	-	-	1	9	-	9	18	
	102	117	-	-	-	7	13	16	29	53	
Associated companies of Petrobras group (*)											
Suape II	-	308	-	-	-	-	-	-	-	-	
Braskem	-	17	-	-	-	1	-	-	-	12	
Other associated companies	-	9	-	-	-	1	-	-	-	-	
	-	334	-	-	-	2	-	-	-	12	
Government entities											
Government securities	-	-	-	2	2	2	-	-	-	-	
State-owned banks	103	52	3,422	894	4,316	3,571	1	-	1	6	
Federal government receivables	343	367	93	-	93	121	16	-	16	35	
	446	419	3,515	896	4,411	3,694	17	-	17	41	
Total	2,227	2,926	4,190	1,206	5,396	5,013	1,895	16	1,911	1,842	

(*) These companies were no longer considered to be related parties on September 30, 2019.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

	Parent Company									
	Net income		Assets				Liabilities			
	9/30/2019	9/30/2018	Current	Noncurrent	Total	12/31/2018	Current	Noncurrent	Total	12/31/2018
Electric sector companies - Isolated system (Eletrobras group)	366	770	427	310	737	1,055	-	-	-	-
Subsidiaries of Company and Petrobras Group										
Petrobras	1,244	1,200	234	-	234	234	1,702	-	1,702	1,708
Stratura	20	9	2	142	144	137	-	-	-	-
Transpetro	33	29	9	-	9	11	38	-	38	26
Fundo Invest.Imobiliário FCM	(67)	(66)	287	-	287	232	137	442	579	572
Petrobras America Inc. - PAI	(4)	-	-	-	-	-	125	-	125	-
Other	40	58	5	-	5	10	1	-	1	2
	1,266	1,230	537	142	679	624	2,003	442	2,445	2,308
Joint operation										
Brasil Carbonos	-	-	-	-	-	2	4	-	4	4
Joint ventures of Company and Petrobras group										
Termocabo	12	48	-	-	-	6	-	-	-	-
Petrocoque	70	47	-	-	-	-	-	-	-	-
Logum Logística	1	-	-	-	-	-	-	-	-	11
CDGN	(3)	(2)	-	-	-	-	4	16	20	24
Other	22	23	-	-	-	1	9	-	9	18
	102	116	-	-	-	7	13	16	29	53
Associated companies of Petrobras group (*)										
Suape II	-	308	-	-	-	-	-	-	-	-
Braskem	-	17	-	-	-	1	-	-	-	12
Other associated companies	-	12	-	-	-	1	-	-	-	-
	-	337	-	-	-	2	-	-	-	12
Government entities										
Government securities	-	-	-	2	2	2	-	-	-	-
State-owned banks	101	52	3,415	869	4,284	3,534	-	-	-	-
Federal government receivables	343	367	93	-	93	121	16	-	16	35
	444	419	3,508	871	4,379	3,657	16	-	16	35
Total	2,178	2,872	4,472	1,323	5,795	5,347	2,036	458	2,494	2,412

(*) These companies were no longer considered to be related parties on September 30, 2019.

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

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

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

	Consolidated		Parent Company	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Account receivable (note 6)	-	190	-	160
Total classified in the current assets	-	190	-	160
Assignment of performed and unperformed receivables	-	(31)	-	-
Total classified in current liabilities	-	(31)	-	-

	Nine-month period ended September 30		Nine-month period ended September 30	
	2019	2018	2019	2018
FIDC-NP finance income	49	30	48	30
FIDC-NP finance expense	(1)	(2)	-	(1)
Finance income (costs)	48	28	48	29

The discount rate on the assignment of Petrobras FIDC-NP receivables is 105% of the CDI rate; IOF and income taxes are not due.

Investments in FIDC-NP shares are classified under current assets, in accounts receivable. The interest rate used is 100% CDI. Does not incur IR. If redemption occurs within the first 30 days of the investment, the IOF tax shall apply at the regressive rate.

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

After the follow on the Company no longer had access to the FIDC, and all existing investments were redeemed.

29.2.1 Transactions involving the non-standard credit receivables investment fund - FIDC-NP

	Consolidated		Parent Company	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018
Opening balance	31	26	-	-
Addition	13	2,185	-	2,129
Write-offs	(45)	(1,970)	-	(1,930)
Interest	1	3	-	1
Closing balance	-	244	-	200

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

29.3 Key executive compensation

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

	Parent company					
	Jan-Sep/2019			Jan-Sep/2018		
	Executive Board	Board of Directors	Total	Executive Board	Board of Directors	Total
Short-term employee benefits	6.2	0.9	7.1	8.5	1.2	9.7
Post-employment benefits	0.5	-	0.5	0.6	-	0.6
Contractual severance benefits	0.1	-	0.1	0.1	-	0.1
Total	6.8	0.9	7.7	9.2	1.2	10.4

At September 30, 2019 the Company had five members on the Executive Board and nine members on the Board of Directors and the consolidated expense on director and officer fees amounted to R\$ 9 (R\$ 14 as of September 30, 2018).

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

30 Subsequent Events

30.1 Optional Resignation Program - PDO

On November 08, 2019, the Company launched an Optional Resignation Program (PDO), which aims to support the adjustment of the Company's workforce composition through a structured solution and with the best options for its employees. The program will be open from November 12 to November 19 for all employees of the Company, with dismissals scheduled to take place on December 10.

The cost of implementing this Plan is estimated in R\$ 780 million, with a total cost reduction also estimated in R\$ 650 million annualized. It is important to note that these figures and the estimated gains should gradually materialize throughout 2020 as the Plan's actions are implemented.

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

Correlation between the notes as of December 31, 2018 and September 30, 2019

Titles of notes	Number of notes to the financial statements	
	2018 Annual	ITR Q3-2019
General considerations	1	1
Basis of presentation of the financial statements	2	2
Use of judgments and estimates	3	3
Significant accounting policies	4	4
Cash and cash equivalents	6	5
Net accounts receivable	7	6
Inventories	8	7
Taxes and contributions recoverable	9	8
Deferred income and social contribution tax	10	9
Bonuses advanced to clients	11	10
Judicial deposits	12	26,2
Investments	13	11
Property, plant and equipment	14	12
Intangible assets	15	13
Trade payable	16	14
Borrowings	17	15
Leases	18	16
Customers advances	19	17
Taxes and contributions payable	20	18
Employee benefits	21	19
Shareholder's equity	22	20
Sales revenue	23	21
Other net revenue (expenses)	24	22
Expenses by nature	25	23
Net financial income	26	24
Segment reporting	27	25
Judicial and administrative proceedings and contingencies	28	26
Contractual commitments	29	27
Financial instruments and risk management	30	28
Related-party transactions	31	29
Subsequent Events	33	30

Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

The notes to the 2018 annual report which have been removed from the ITR as of September 30, 2019 due to not presenting any material changes and not being applicable to the interim financial statements are as follows:

Titles of notes	Number of notes to the financial statements
New accounting pronouncements	5
Deferred income and social contribution tax / Estimated period of realization	10.b
Summary financials information of subsidiaries, joint arrangements and associates	13.1
Description of the subsidiaries' activities	13.2
Description of the joint operation	13.3
Description of the activities of joint ventures	13.4
Description of the associate's activities	13.5
Breakdown by estimated useful life	14.2
State Amnesty Programs	20.1
Special Tax Regularization Program – PERT	20.2
Pension plan assets	21.2
Health care benefits – “Multidisciplinary Health Assistance” (AMS)	21.3
Net actuarial obligations and expenses, calculated by independent actuaries, and the fair value of the plans' assets	21.4
Profit reserves	22.2
Dividends and interest on shareholders' equity	22.3
Other comprehensive income: actuarial gains or losses	22.4
Insurance	32

Petrobras Distribuidora S.A.

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

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

(i) reviewed, discussed and agree with the Company's interim financial statements for the period ended September 30, 2019;

(ii) reviewed, discussed and accept the opinions expressed in the report issued by KPMG Auditores Independentes relating to the Company's interim financial statements for the period ended September 30, 2019.

Rio de Janeiro, November 11, 2019.

Rafael Salvador Grisolia
CEO and
standing Executive Officer of People and Management

André Corrêa Natal
CFO & Investor Relations Officer

Flavio Coelho Dantas
Executive Officer of the Chain of Gas Stations and Retail

Marcelo Cruz Lopes
Executive Officer of the Corporate and Lubricants Market

Marcelo Fernandes Bragança
Executive Officer for Operations and Logistics

BOARD OF DIRECTORS

EDY LUIZ KOGUT
CEO

ALEXANDRE FIRME CARNEIRO
Director

CARLOS AUGUSTO LEONE PIANI
Director

CLAUDIO ROBERTO ELY
Director

LEONEL DIAS DE ANDRADE NETO
Director

MARIA CAROLINA LACERDA
Director

MATEUS AFFONSO BANDEIRA
Director

PEDRO SANTOS RIPPER
Director

RICARDO CARVALHO MAIA
Director

EXECUTIVE BOARD

RAFAEL SALVADOR GRISOLIA
CEO and
standing Executive Officer of
People and Management

ANDRÉ CORRÊA NATAL
CFO & Investor Relations Officer

FLAVIO COELHO DANTAS
Executive Officer of the Chain of Gas Stations
and Retail

MARCELO CRUZ LOPES
Executive Officer of the Corporate and
Lubricants Market

MARCELO FERNANDES BRAGANÇA
Executive Officer for Operations and Logistics

CONTROLLERSHIP MANAGEMENT

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