Petrobras Distribuidora S.A.

EARNINGS RELEASE FOR THE 4TH QUARTER OF 2017

Rio de Janeiro, March 13, 2018 – **Petrobras Distribuidora S.A. (B3: BRDT3)**, leader in Brazil's fuel distribution sector, is today reporting its earnings for the 4th quarter of 2017 and FY 2017. The earnings are being presented on a consolidated basis, in accordance with the accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS). The comparisons in this release are made between 4Q17 vs 4Q16 and 2017 vs 2016.

Highlights

- Increase in net income: R$ 531 million in 4Q17 (R$ 52 million in 4Q16) and R$ 1,151 million in 2017 (recovering the net loss of R$ 315 million in 2016).
- Increase in Adjusted EBITDA: R$ 883 million in 4Q17 (R$ 820 million in 4Q16) and R$ 3,067 million in 2017 (R$ 2,995 million in 2016).
- Increase in adjusted EBITDA margin: R$ 80/m^3 in 4Q17 (R$74/m3 in 4Q16) and R$ 71/m^3 in 2017 (R$ 65/m^3 in 2016).
- Reduction in Leverage (Net debt / Adjusted EBITDA): 1.3x in 2017 (3.2x in 2016).

In millions of reais (except where stated)	4Q17	4Q16	4Q17 vs 4Q16	3Q17	4Q17 vs 3Q17	2017	2016	2017 x 2016
Sales volume (thousands m3)	11,028	11,082	-0,5%	11,312	-2,5%	43,175	45,794	-5,7%
Net Revenue	23.204	21.179	9,6%	21.839	6,3%	84.567	86.637	-2,4%
Gross Profit	1.806	1.808	-0,1%	1.804	0,1%	6.367	6.465	-1,5%
Gross margin (% Net revenue)	7,8%	8,5%	- 0.7 p.p.	8,3%	- 0.5 p.p.	7,5%	7,5%	0.0 p.p
Gross margin (R$/m3)	164	163	0,6%	159	3,1%	147	141	4,3%
Operating expenses	826	1.726	-52,1%	1.090	-24,2%	3.793	6.026	-37,1%
EBITDA	744	82	807,3%	950	-21,7%	2.574	439	486,3%
Adjusted EBITDA	883	820	7,7%	1.056	-16,4%	3.067	2.995	2,4%
Adjusted EBITDA margin (% Net revenue)	3,8%	3,9%	- 0.1 p.p.	4,8%	- 1.0 p.p.	3,6%	3,5%	+0.1 p.p
Adjusted EBITDA margin (R$/m3)	80	74	8,1%	93	-14,0%	71	65	9,2%
Net income (loss)	531	52	921,2%	394	34,8%	1.151	(315)	N/A
Net debt	3.885	9.509	-59,1%	3.865	0,5%	3.885	9.509	-59,1%
Adjusted EBITDA	3.067	2.995	2,4%	3.004	2,1%	3.067	2.995	2,4%
Net debt/Adjusted EBITDA (x)	1,3	3,2	1,9x	1,3	0x	1,3	3,2	1,9x

4Q17 Teleconference

Petrobras Distribuidora is hosting a teleconference on March 14, 2018 to discuss the Company's earnings for the fourth quarter of 2017 and FY 2017. The presentation can be downloaded from the Company's website one hour before the teleconferences commence.

Local: 10 AM (Brasília time)

Telephone number: (11) 3127-4971 or (11) 3728-5971

Link: http://extranet.voitel.com.br/audiocasting/Audiocasting_Entrada.aspx?NameRoom=N24042094

Code: Petrobras Distribuidora

International: 11:30 AM (Brasília time)

Telephone number: Brazil: +55 11-3127-4971 / +55 11-3728-5971; New York: 1-516-3001066; London: 44-20-34785282

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In the event of queries or if you are unable to connect to the call, please contact us on the e-mail sac@voitel.com.br or the telephone +55 11 4003 1858.

The transcription, presentation and audio will be made available after the teleconference/webcast on the Company's site: www.br.com.br/ri.

Our financial and operational information explained

The consolidated financial information in this earnings report has been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB)). This earnings release should be analyzed in conjunction with the Financial Statements. The financial and operational information set out in this earnings release is rounded off. The total amount is presented in the tables and graphs could therefore differ from the direct numerical aggregation of the preceding numbers.

*The Company's adjusted EBITDA is a measure used by Management and consists of the Company's net income plus net finance income, income and social contribution taxes and depreciation and amortization expenses, **the amortization of bonuses advanced to clients (advanced bonuses awarded to clients are reported in current and non current assets)**, estimated allowances for doubtful accounts of the thermal power plants, losses in and provisions for legal proceedings, the voluntary layoff program (PIDV), expenses on tax amnesties and tax charges on financial revenue.*

The Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by the physical volume of products sold. The Company uses the Adjusted EBITDA margin as it believes it properly presents its business earnings.

EBITDA breakdown (In millions of reais)	4Q2017	4Q2016	3Q2017	2017	2016
Net Income/Loss	531	52	394	1.151	(315)
Net finance income	89	81	232	557	622
Income and social contribution taxes	15	(172)	208	414	(322)
Depreciation and amortization	109	121	116	452	454
EBITDA	**744**	**82**	**950**	**2.574**	**439**
Estimated allowances for doubtful accounts - Electric Sector	(10)	(32)	(29)	(155)	411
Losses and provisions in judicial and administrative proceedings	15	152	(77)	119	1.079
Amortization of early bonuses awarded to customers	127	151	153	545	542
Voluntary Layoff Program (PIDV)	(1)	443	(29)	(144)	434
Tax Amnesty Program	-	3	77	80	6
Tax expenses on finance income	8	21	11	48	84
ADJUSTED EBITDA	**883**	**820**	**1.056**	**3.067**	**2.995**
Sales volumes (million of m3)	11,0	11,1	11,3	43,2	45,8
ADJUSTED EBITDA MARGIN (R$/m3)	**80**	**74**	**93**	**71**	**65**

Executive Summary

Petrobras Distribuidora presented a consolidated adjusted EBITDA of R$ 883 million in 4Q2017 (+7.7%) and R$ 3,067 million in 2017 (+2.4%), in line with the strategic direction presented during our IPO, focusing on improving the Company's profitability.

The domestic fuel and lubricant distribution sector in 2017 expanded by 0.5% over the same period the previous year, thereby reversing two consecutive years of reduction, driven by Brazil's economic recovery after two years of declining GDP.

We are Brazilian market leaders by sales volume for fuel and lubricant distribution and marketing, and believe we deliver superior quality and excellence in products and services in each of our businesses, including:

Retail Stations

In 4Q17 the retail network sales dip by 0.9% over 4Q16. In the yearly comparison, the sales volume in 2017 reduced by 4.4% over 2016. This volume decrease is due to the policy of preserving sales margins, prioritizing the company's earnings through a greater selectivity of sales. Greater growth was also made by regional players in year-over-year comparison. However, we grew our network in 269 stations (net), with greater concentration in the last months of 2017 and, therefore, still in process of maturity in the numbers of sales volumes. The adjusted EBITDA in 4Q17 amounted to R$ 697 million (-8.0%). In the annual comparison, the 2017 adjusted EBITDA amounted to R$ 2,329 million (-8.2%).

Within the Retail Stations Network, we can also highlight:

BR Mania C-Stores

In 2017, BR Mania achieved the milestone of 1,348 stores, with 485 BR Mania Cafés, 231 BR Mania Bakeries and 124 offering sandwiches and salads.

17 products were launched in our own brand food service line, which has 170 items. 2 services were also launched in the period at Expopostos in Sao Paulo: BR Mania Hamburger Bar and Pizzeria.

By expanding commercial agreements with the industry, which resulted in partners investing in BR Mania, we provided promotional initiatives to the network of franchisees all year round, in addition to boosting profits.

One of the achievements in 2017 was securing the franchising excellency seal awarded by the ABF (Brazilian Franchising Association) for the 4th consecutive time. BR Mania is the only convenience store in the fuel distribution segment that boasts the excellence seal.

Lubrax+ lubrication centers

The Lubrax+ network registered further expansion in 2017, to 1,648. More than 2,500 lubricators have been trained across the network since the franchise commenced in 2011.

In 2017 we expanded our partnerships with the industry and implemented a wide range of promotions, attracting new consumers to the network.

Major Customers

The volume of sales in the Major Customers segment rose by 0.4% in 4Q17 compared with 4Q16. In the yearly comparison, the sales volume in 2017 reduced by 5.1% on 2016. The lower sales volume was due to the reduction in diesel oil sales (-7.7%), especially to thermal power plants. The adjusted EBITDA in 4Q17 amounted to R$ 176 million (-5.4%). In the yearly comparison, the 2017 adjusted EBITDA was R$ 771 million (+16.3%) due to margin gains and lower operating expenses.

Aviation

In 4Q17 the Aviation segment sales rose by 5.8% over 4Q16. In the yearly comparison, the sales volume in 2017 rose by 1.2% on 2016. The higher volume sold was due to the gradual economic recovery witnessed towards the end of 2017. The adjusted EBITDA in 4Q17 amounted to R$ 110 million. In the annual comparison, the 2017 adjusted EBITDA amounted to R$ 272 million (+331.7%).

Other segments (chemicals, energy and asphalt)

In the chemical product segment, we process and market chemicals such as sulfur, hydrocarbon solvents and chemical specialties to industries that include the oil and gas, fine chemicals, agribusiness, coatings, adhesives, home care products and rubber industries. In energy marketing, we are Brazil's largest distributors of green petroleum coke (GPC). In addition, we operate the Espírito Santo state piped gas supply concession, supplying gas to around 47,000 homes. In the asphalt business, BR produces and markets asphalt products, including asphalt cement, asphalt emulsion, rubberized asphalt and diluted asphalt through wholly owned subsidiary Stratura Asfaltos S.A.. We are Brazil's largest asphalt distributor, according to data published by the Brazilian Association of Asphalt Distributors (ABEDA).

In 4Q17 the Other Business segment sales dip by 4.8% on 4Q16. In the yearly comparison, the sales volume in 2017 reduced by 15.8% on 2016, due to lower sales of chemical products and green petroleum coke, partially offset by higher piped natural gas sales. The adjusted EBITDA in 4Q17 amounted to R$ 119 million (+9.2%). In the yearly comparison, the 2017 adjusted EBITDA was R$ 412 million (+2.7%) due to better average sales margins.

Performance by Business

Consolidated[1]

In millions of reais (except where stated)	4Q17	4Q16	4Q17 vs 4Q16	3Q17	4Q17 vs 3Q17	2017	2016	2017 x 2016
Sales volume (thousands m3)	11,028	11,082	-0,5%	11,312	-2,5%	43,175	45,794	-5,7%
Net Revenue	23.204	21.179	9,6%	21.839	6,3%	84.567	86.637	-2,4%
Gross Profit	1.806	1.808	-0,1%	1.804	0,1%	6.367	6.465	-1,5%
Gross margin (% Net revenue)	7,8%	8,5%	- 0.7 p.p.	8,3%	- 0.5 p.p.	7,5%	7,5%	0.0 p.p
Gross margin (R$/m3)	164	163	0,6%	159	3,1%	147	141	4,3%
Operating expenses	1.170	1.847	-36,7%	971	20,5%	4.243	6.479	-34,5%
Finance Income (loss)	(89)	(81)	9,9%	(232)	-61,6%	(557)	(622)	-10,5%
Net income (loss)	531	52	921,2%	394	34,8%	1.151	(315)	N/A
Adjusted EBITDA	883	820	7,7%	1.056	-16,4%	3.067	2.995	2,4%
Adjusted EBITDA margin (% Net revenue)	3,8%	3,9%	- 0.1 p.p.	4,8%	- 1.0 p.p.	3,6%	3,5%	+0.1 p.p
Adjusted EBITDA margin (R$/m3)	80	74	8,1%	93	-14,0%	71	65	9,2%

Net revenue - Amounted to R$ 23,204 million in 4Q17 (+9.6%), primarily due to higher average product realization prices. Net revenue rose by 6.3% over 3Q17, also due to higher average realization prices. Net revenue was R$ 84,567 million in 2017 (-2.4%). This decrease was due to the lower volume sold compared with 2016, partially offset by an increase in average product sale prices.

Gross Profit - Amounted to R$ 1,806 million in 4Q17 (-0.1%) due to the reduction in sales volumes, partially offset by an increase in average sales margins. Gross profit increased by 0.1% over 3Q17, due to higher sales margins, partially offset by lower sales volume. In 2017 the gross profit was R$ 6,367 million (-1.5%). The decrease in gross profit in 2017 was primarily due to the lower sales volumes from retail stations network and market share gained by regional players combined with lower volumes sold to thermal power plants, partially offsetting the increase in sales margins.

[1] The consolidated information presents the sum of the “Retail Stations”, “Major Customers”, “Aviation” and “Other” segments, in addition to the Company’s overhead not allocated to the other segments, which is grouped in “Corporate”.

Operating expenses – Amounted to R$ 1,170 million in 4Q17 (-36.7%) and R$4,243 million in 2017 (-34.5%) as a result of the provision for indemnities for the PIDV recorded in 4Q16, associated to lower losses and provisions for judicial and administrative proceedings and in estimated allowances for doubtful accounts receivables.

Finance income – The net debt as of December 31, 2017 was R$ 3,885 million (1.3x adjusted EBITDA), compared with R$ 9,509 million as of December 31, 2016 (3.2x adjusted EBITDA) due to the capital contribution made by Petrobras in the amount of R$ 6,313 million and subsequent early settlement of all the balances of the Export Credit Notes (NCEs) secured from Banco do Brasil and Bradesco, in the amount of R$ 7,708 million, operations which took place in August 2017. The net finance expense in 4Q17 amounted to R$ 89 million, up by +9.9% on 4Q16. The net finance expense reduced by R$ 143 million on 3Q17, due to the early settlement of the NCEs in August 2017. In 2017, the net finance expense amounted to R$ 557 million, a drop of 10.5% on 2016, primarily due to the lower net debt associated to the reduction of the monetary variations resulting from the updating of credits with the Eletrobras system companies renegotiated in 2014 transferred to Petrobras in the capital restructuring that took place in August 2017.

Net income – net income in 4Q17 amounted to R$ 531 million, from R$ 52 million in 4Q16, the period in which the provision for 2016 PIDV compensation was made and greater losses and provisions for judicial and administrative proceedings were recorded. 3Q17 presented net income of R$ 394 million. In comparison with said period, the lower finance expenses and income tax expenses played a major factor in the 34.8% increase over 3Q17. In 2017 the net income was R$ 1,151 million, turning around a loss of R$ 315 million in 2016, with the improvement of margins in all segments and also due to lower Losses and Provisions for judicial and administrative proceedings, which diminished by R$ 960 million, lower estimated losses on doubtful accounts (PECLD) of R$ 716 million reais and the provision for 2016 PIDV compensation recorded in 4Q16.

Adjusted EBITDA – Amounted to R$ 883 million in 4Q17 (+7.7%) primarily due to lower operating expenses, which offset the decrease in gross profit in the period. In 2017, the Adjusted EBITDA amounted to R$ 3,067 million (+2.4%), due to the increase in sales margins and lower operating expenses, especially the decrease in personnel expenses over 2016. Adjusted EBITDA margin at the end of 2017 was R$ 71 / m3 (+ 9.2%).

Retail Stations

In millions of reais (except where stated)	4Q17	4Q16	4Q17 vs 4Q16	3Q17	4Q17 vs 3Q17	2017	2016	2017 x 2016
Volume of sales (thousand m3)	5,846	5,898	-0,9%	5,883	-0,6%	22,894	23,959	-4,4%
Net Revenue	14.091	13.031	8,1%	12.995	8,4%	50.999	52.634	-3,1%
Gross Profit	1.060	1.124	-5,7%	1.100	-3,6%	3.772	3.936	-4,2%
Gross margin (% Net revenue)	7,5%	8,6%	- 1.1 p.p.	8,5%	- 1.0 p.p.	7,4%	7,5%	- 0.1 p.p.
Gross margin (R$/m3)	181	191	-5,2%	187	-3,2%	165	164	0,6%
Operating expenses	363	366	-0,8%	376	-3,5%	1.443	1.398	3,2%
Adjusted EBITDA	697	758	-8,0%	724	-3,7%	2.329	2.538	-8,2%
Adjusted EBITDA margin (% Net revenue)	4,9%	5,8%	- 0.9 p.p.	5,6%	- 0.7 p.p.	4,6%	4,8%	- 0.2 p.p.
Adjusted EBITDA margin (R$/m3)	119	129	-7,8%	123	-3,3%	102	106	-3,8%
Total number of service stations	8.277	8.176	1,2%	8.212	0,8%	8.277	8.176	1,2%
Number of active stations	7.617	7.348	3,7%	7.500	1,6%	7.617	7.348	3,7%

Operating performance - In 4Q17 the retail stations network sales dip by 0.9% over 4Q16. In the yearly comparison, the sales volume in 2017 reduced by 4.4% on 2016. This volume decrease is due to lower diesel sales, with a 4.6% reduction and otto cycle, with a 1.9% reduction. Greater growth was also made by regional players. The Company expanded its network of active stations by 269 stores (net), investing R$ 905 million in branding and network maintenance (2016: R$829 million), with R$ 575 million of bonuses advanced to clients (2016: R$501 million), R$ 248 million of performance bonuses (2016: R$244 million) and R$ 82 in cash (dealer) financing (2016: R$84 million).

Net revenue[2] - Amounted to R$ 14,091 million in 4Q17 (+8.1%), due to higher average product realization prices. Net revenue rose by 8.4% over 3Q17, also due to higher average product realization prices. Our net revenue was R$ 50,999 million in 2017 (-3.1%), due to the lower sales volume compared with 2016, partly offset by higher average realization prices.

Gross profit[3] - Amounted to R$ 1,060 million in 4Q17 (-5.7%) due to the 5.2% reduction in average sales margins. Gross profit reduced by 3.6% on 3Q17, due to the 3.2% reduction in average sales margins. Our gross profit was R$

[2] The amortization of bonuses advanced to clients have not been deducted.

[3] Bonuses advanced to customers and depreciation of the lubricant plant's assets have not been deducted.

3,772 million in 2017 (-4.2%), due to the 4.4% decrease in sales volumes compared with 2016, partially offset by the increase in average sales margins.

Operating expenses[4] – Amounted to R$ 363 million in 4Q17 (-0.8%) accounting for 2.6% of net revenue in the period (-0.2 p.p). Operating expenses diminished by 3.5% on 3Q17. Operating expenses amounted to R$ 1,443 million in 2017 (+3.2%), mainly due to higher advertising expenses.

Adjusted EBITDA – Amounted to R$ 697 million in 4Q17 (-8.0%), primarily due to the downturn in gross profit. The EBITDA margin was R$ 119/m3 (-7.8%). The Adjusted EBITDA diminished by 3.7% in relation to 3Q17, in line with the reduction in gross profit. In 2017 the Retail Stations adjusted EBITDA was R$ 2,329 million (-8.2%) due to the 4.4% reduction in gross profit along, combined with the 3.2% increase in operating expenses. The EBITDA margin was R$ 102/m3 (-3.8%).

Major Customers

In millions of reais (except where stated)	4Q17	4Q16	4Q17 vs 4Q16	3Q17	4Q17 vs 3Q17	2017	2016	2017 x 2016
Volume of sales (thousand m3)	2,839	2,827	0,4%	3,149	-9,8%	11,156	11,758	-5,1%
Net Revenue	6.019	5.511	9,2%	6.176	-2,5%	22.450	23.247	-3,4%
Gross Profit	429	484	-11,4%	507	-15,4%	1.701	1.726	-1,4%
Gross margin (% Net revenue)	7,1%	8,8%	- 1.7 p.p.	8,2%	- 1.1 p.p.	7,6%	7,4%	+ 0.2 p.p.
Gross margin (R$/m3)	151	171	-11,7%	161	-6,2%	152	147	3,4%
Operating expenses	253	298	-15,1%	216	17,1%	930	1.063	-12,5%
Adjusted EBITDA	176	186	-5,4%	291	-39,5%	771	663	16,3%
Adjusted EBITDA margin (% Net revenue)	2,9%	3,4%	- 0.5 p.p.	4,7%	- 1.8 p.p.	3,4%	2,9%	+ 0.5 p.p.
Adjusted EBITDA margin (R$/m3)	62	66	-6,1%	92	-32,6%	69	56	23,2%

Operating performance - In 4Q17 the Major Customers segment sales rose by 0.4% over 4Q16, driven by Brazil's gradual economic recovery. Sales reduced by 9.8% on 3Q17, due to the 11.6% decrease in diesel oil sales caused by lower thermal power plant output in the interconnected system in the period. In the yearly comparison, the sales volume in 2017 reduced by 5.1% over 2016. The lower sales volume was due to the reduction in diesel oil sales (-7.7%), especially to thermal power plants.

[4] Depreciation, estimated allowances for doubtful accounts, tax amnesties and tax charges on financial revenue, losses and provisions in connection with judicial and administrative proceedings and provision for the voluntary layoff program have not been deducted.

Net revenue - Amounted to R$ 6,019 million in 4Q17 (+9.2%), primarily due to higher average product realization prices. Net revenue reduced by 2.5% on 3Q17, also due to lower sales volumes, partially offset by higher average realization prices. Our net revenue was R$ 22,450 million in 2017 (-3.4%), due to the lower sales volume compared with 2016.

Gross profit - Amounted to R$ 429 million in 4Q17 (-11.4%) due to the reduction in average sales margins. Gross profit reduced by 15.4% over 3Q17, due to the 11.6% reduction in the sales volume, especially diesel to thermal power plants in the interconnected system. Our gross profit was R$ 1,701 million in 2017 (-1.4%), due to the 5.1% decrease in sales volumes, partially offset by the 3.4% increase in average sales margins compared with 2016.

Operating expenses – Amounted to R$ 253 million in 4Q17 (-15.1%) accounting for 4.2% of net revenue in the period (-1.2 p.p). In 2017, operating expenses amounted to R$ 930 million (-12.5%), due to lower expenses on product delivery freight, and general and personnel expenses.

Adjusted EBITDA – Amounted to R$ 176 million in 4Q17 (-5.0%), primarily due to the downturn in gross profit. The EBITDA margin was R$ 62/m3 (-6.1%), in line with the decrease in gross profit and in operating expenses. In 2017 the adjusted EBITDA of the Major Customers segment was R$ 771 million (+16.3%) reflecting the improvement in margins and also due to the 12.5% reduction in operating expenses. The EBITDA margin was R$ 69/m3 (+23.2%).

Aviation

In millions of reais (except where stated)	4Q17	4Q16	4Q17 vs 4Q16	3Q17	4Q17 vs 3Q17	2017	2016	2017 x 2016
Volume of sales (thousand m3)	0,986	0,932	5,8%	0,973	1,3%	3,803	3,759	1,2%
Net Revenue	1.963	1.572	24,9%	1.691	16,1%	6.947	6.189	12,2%
Gross Profit	218	151	44,4%	173	26,0%	723	562	28,6%
Gross margin (% Net revenue)	11,1%	9,6%	+ 1.5 p.p.	10,2%	+ 0.9 p.p.	10,4%	9,1%	+ 1.3 p.p.
Gross margin (R$/m3)	221	162	36,4%	178	24,2%	190	150	26,7%
Operating expenses	108	167	-35,3%	112	-3,6%	451	499	-9,6%
Adjusted EBITDA	110	(16)	N/A	61	80,3%	272	63	331,7%
Adjusted EBITDA margin (% Net revenue)	5,6%	-1,0%	+ 6.6 p.p.	3,6%	+ 2.0 p.p.	3,9%	1,0%	+ 2.9 p.p.
Adjusted EBITDA margin (R$/m3)	112	(17)	N/A	63	77,8%	72	17	323,5%

Operating performance - The Aviation segment recovered sales volumes in all comparison periods. The sales volume was 5.8% higher in 4Q17 than in 4Q16, reflecting higher sales in the commercial aviation subsegment. Sales were 1.3% higher than in 3Q17. In the yearly comparison, the sales volume in 2017 rose by 1.2% on 2016, reflecting the gradual economic recovery witnessed towards the end of 2017.

Net revenue - Amounted to R$ 1,963 million in 4Q17 (+24.9%), primarily due to higher average product realization prices, mainly due to the effects of the variation of commodity prices on the cost of goods sold. Net revenue rose by 16.1% over 3Q17, also due to higher average realization prices. Our net revenue was R$ 6,947 million in 2017 (+12.2%), due to the higher average realization prices compared with 2016, impacted by the cost of the product sold.

Gross profit - Amounted to R$ 218 million in 4Q17 (+44.4%) due to the 36.4% increase in average sales margins. Gross profit rose by 26.0% on 3Q17, due to the 24.2% increase in average sales margins. Our gross profit was R$ 723 million in 2017 (+28.6%), due to the average sales margins recovery compared with 2016. Better forex risk management led to a better gross profit performance in 2017 compared with 2016.

Operating expenses – Amounted to R$ 108 million in 4Q17 (-35.3%) accounting for 5.5% of net revenue in the period (-5.1 p.p). Operating expenses diminished by 3.6% on 3Q17. In 2017, operating expenses amounted to R$ 451 million (-9.6%), due to lower personnel expenses.

Adjusted EBITDA – Amounted to R$ 110 million in 4Q17, due both to higher gross profit and lower operating expenses. The EBITDA margin was R$ 112/m^3. The Adjusted EBITDA increased by 80.3% in relation to 3Q17, due to higher gross profit. In 2017 the adjusted EBITDA of the Aviation segment was R$ 272 million (+331.7%) due to increase in gross profit. The EBITDA margin was R$ 72/m3 (+323.5%).

Other businesses (chemicals, energy and asphalt)

In millions of reais (except where stated)	4Q17	4Q16	4Q17 vs 4Q16	3Q17	4Q17 vs 3Q17	2017	2016	2017 x 2016
Volume of sales (thousand m3)	1,357	1,425	-4,8%	1,307	3,8%	5,322	6,318	-15,8%
Net Revenue	1.269	1.216	4,4%	1.128	12,5%	4.716	5.109	-7,7%
Gross Profit	223	204	9,3%	185	20,5%	729	799	-8,8%
Gross margin (% Net revenue)	17,6%	16,8%	+ 0.8 p.p.	16,4%	+ 2.1 p.p.	15,5%	15,6%	- 0.1 p.p.
Gross margin (R$/m3)	164	143	14,7%	142	15,5%	137	126	8,7%
Operating expenses	104	95	9,5%	55	89,1%	317	398	-20,4%
Adjusted EBITDA	119	109	9,2%	130	-8,5%	412	401	2,7%
Adjusted EBITDA margin (% Net revenue)	9,4%	9,0%	+ 0.4 p.p.	11,5%	- 1.3 p.p.	8,7%	7,8%	+ 0.9 p.p.
Adjusted EBITDA margin (R$/m3)	88	76	15,8%	99	-11,1%	77	63	22,2%

Operating performance - In 4Q17 the Other Business segment sales dip by 4.8% over 4Q16. In 4Q17, sales were 3.8% higher than in 3Q17. In the yearly comparison, the sales volume in 2017 reduced by 15.8% on 2016, due to lower sales of green petroleum coke and chemical products, partially offset by higher piped natural gas sales.

Net revenue - Amounted to R$ 1,269 million in 4Q17 (+4.4%), primarily due to higher average product realization prices. Net revenue rose by 12.5% over 3Q17, also due to higher average realization prices (+8.4%) driven by higher sales volumes. Our net revenue was R$ 4,716 million in 2017 (-7.7%), due to the lower volumes sold partially offset by higher average realization prices compared with 2016.

Gross profit - Amounted to R$ 223 million in 4Q17 (+9.3%) due to the 14.7% increase in average sales margins. Gross profit rose by 20.5% over 3Q17, due to the 15.5% increase in average sales margins. Our gross profit was R$ 729 million in 2017 (-8.8%), due to the 15.8% decrease in sales volumes, partially offset by the 8.7% increase in average sales margins compared with 2016.

Operating expenses – Amounted to R$ 104 million in 4Q17 (+9.5%) accounting for 8.2% of net revenue in the period (+0.4 p.p). In 2017 operating expenses amounted to R$ 317 million (-20.4%).

Adjusted EBITDA – Amounted to R$ 119 million in 4Q17 (+9.2%), primarily due to the increase in gross profit. The EBITDA margin was R$ 88/m^3 (+15.8%). In 2017 the adjusted EBITDA of the Other Business segment was R$ 412 million (+2.7%) due to the margin gains associated with lower operating expenses. The EBITDA margin was R$ 77/m3 (+22.2%).

Corporate

Corporate does not represent an operating segment and is primarily composed by Company's overhead not allocated to the other segments.

The amounts classified as Corporate are presented as follows:

In millions of reais (except where stated)	4Q17	4Q16	3Q17	4Q17 vs 4Q16	4Q17 vs 3Q17	2017	2016	2017 x 2016
Operating Expenses	(224)	(216)	(146)	3,7%	53,4%	(717)	(666)	7,7%
Adjusted EBITDA	(219)	(217)	(150)	0,9%	46,0%	(717)	(670)	7,0%

Adjusted operating expenses allocated to corporate primarily consist of actuarial expenses incurred on pension plans and healthcare plans for inactive employees (2017: R$ 396 million; 2016: R$ 226 million).

Expenses incurred on pension and healthcare plans for active participants of R$ 107 million in 2017 (R$ 156 million in 2016) are directly allocated to other business segments.

Reconciliation of Cash Flows

The Company's operational and investment activities allowed the generation of free cash flow, which made it possible to maintain the levels of remuneration to shareholders in the reporting periods, confirming the Company's healthy cash generation.

In millions of reais	4Q2017	4Q2016	2017	2016
EBITDA	**744**	**82**	**2.574**	**439**
IR/CS paid	(35)	(127)	(96)	(313)
Noncash effects on EBITDA	204	1.095	853	3.377
Working capital	(65)	(390)	(2.061)	(869)
Cash Flows from Operating Activities	**848**	**660**	**1.270**	**2.634**
CAPEX	(93)	(120)	(300)	(402)
Other	-	10	14	23
Cash flows from investment activities	**(93)**	**(110)**	**(286)**	**(379)**
FREE CASH FLOW	**755**	**550**	**984**	**2.255**
Financing/leases	(215)	(467)	(9.385)	(2.038)
FIDC	104	595	2.599	312
Capital subscription	-	-	6.313	-
Cash Flows from Financing Activities	**(111)**	**128**	**(473)**	**(1.726)**
FREE CASH FOR SHAREHOLDERS	**644**	**678**	**511**	**529**
Dividends/interest on shareholders' equity paid to shareholders	(683)	(684)	(683)	(684)
Net cash produced by (used in) the period	**(39)**	**(6)**	**(172)**	**(155)**
Opening balance	522	661	655	810
Closing balance	**483**	**655**	**483**	**655**

Notes:

1. Cash outflows made as bonuses advanced to clients of R$ 575 million in 2017 (R$ 501 million in 2016) are presented in working capital changes.
2. Cash outflows made as performance bonuses of R$ 248 million in 2017 (R$ 244 million in 2016) are deducted from EBITDA.
3. Capex investments consist of cash outflows to form property, plant and equipment and intangible assets and does not include bonuses advanced to clients.
4. "Noncash effects on EBITDA" include: estimated allowances for doubtful accounts, loss in and provisions for judicial and administrative proceedings, pension and health plans (2017: R$ 503 million; 2016: R$ 382 million) and PIDV, results from the sale of assets, earnings on material equity interests, amortization of bonuses advanced to clients, amortization of insurance, rental and other, net monetary/exchange interest and variance (deducted from net financing income/expense) and other adjustments, as presented in the Statement of cash flows, an integral part of the annual financial statements.
5. In 2017 the working capital variance was also affected by the decrease in the DPO of certain products at refineries, such as QAV, in the first half of 2017.
6. FIDC (Credit Receivables Investment Fund): exclusive and corporate fund of Petrobras group. It is primarily allocated to the acquisition of performed and/or non-performed credit receivables in operations conducted by companies comprising Petrobras group.

Indebtedness & leverage

Consolidated gross debt was R$ 4,738 million in the period ended December 31, 2017, of which 5% was short-term debt. Gross debt at year-end 2017 was approximately 63.8% less than at December 31, 2016. Net debt at year-end 2017 was R$ 3,885 million, 59.1% less than in the previous year. Net debt was calculated considering the FIDC investment balance of R$ 370 million (R$ 2,776 million as of December 31, 2016), which yields the equivalent of 100% of the CDI rate.

It is important to note that the decrease in debt was primarily due to the capital contribution of R$ 6.313 billion from Petrobras and the subsequent early settlement of the total balance of R$ 7,708 million in Export Credit Notes with Banco do Brasil and Bradesco. Interest paid on the above debt balances was equivalent to 114.25% and 118%, respectively, of the CDI rate, and following settlement average debt maturity increased from 2.4 years to 2.9 years. As a result, the ratio Net Debt/Adjusted EBITDA closed 2017 at 1.3x Adjusted EBITDA (3.2x Adjusted EBITDA in 2016). The Company's debt is completely indexed in local currency (Reais).

In millions of reais (except where stated)	**2017**	**2016**	**2017 x 2016**
Financing	4.640	12.814	-63,8%
Assignment of credit receivables	26	31	-16,1%
Leases	72	95	-24,2%
Gross Debt	4.738	12.940	-63,4%
(-) Cash and cash equivalents	483	655	-26,3%
(-) FIDC	370	2.776	-86,7%
Net Debt	3.885	9.509	-59,1%
Adjusted EBITDA	3.067	2.995	2,4%
Net debt/Adjusted EBITDA (x)	1,3	3,2	-1,9x
Average cost of the debt (% of CDI)	114,53%	112,16%	+2.37 p.p.
Average term of the debt (Years)	2,9	3,2	

Capital Market

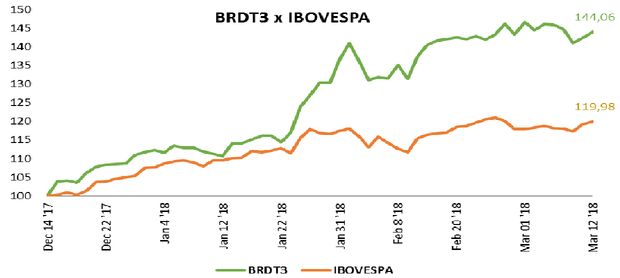
IPO

On December 15, 2017 BR shares were listed on the "*Novo Mercado*" of B3 – Brasil, Bolsa & Balcão, a special listing segment subject to stricter corporate governance requirements.

In a secondary public offering, our parent company, Petróleo Brasileiro S.A. (Petrobras), sold 28.75% of its holdings in the Company, raising more than R$ 5 billion in one of the largest public offerings since 2013.

The shares, initially priced at R$ 15 (fifteen Reais), have since appreciated by more than 44% to March 12, 2018.

Description	12/15/2017 to 3/12/2018
Number of shares (thousand)	1.165
Price at 3/8/2018	22,20
Market value 100% of share capital (R$ million)	25.863
Average volume/day (shares)	4.177.327
Average financial volume/day (R$ thousand)	76.746
Average price (R$/share)	19,27



Interest on shareholders' equity and dividends

At a meeting held on January 26, 2018, the Company's Board of Directors approved interest on equity of R$ 659 million or R$ 0,56527346761767 cents per share, to be computed towards the minimum mandatory dividend, but without limiting any further payment of dividends, for 2017.

Payment of the above interest on equity for shares traded on B3 S.A. – Brasil, Bolsa, Balcão and other shares registered with Banco Bradesco S. A. will be made no later than July 31, 2018 based on shareholdings as of February 1, 2018 (inclusive).

Payments will be adjusted for inflation at the SELIC interest rate from December 31, 2017 to the date on which payment is made.

Company Management will also forward to the resolution of the Annual General Meeting on April 25, 2018 the proposal to pay out additional dividends of R$ 433 million. With the combined interest on shareholders' equity and dividends proposed, this will amount to total compensation for shareholders of R$ 1,092 million (R$ 0.9/share), equal to approximately 95% on the net income determined in FY 2017.

Statement of financial position - Asset - In millions of Reais

	Consolidated	
Asset	**2017**	**2016**
Current		
Cash and cash equivalents	483	655
Net accounts receivable	5.528	7.679
Inventories	3.245	2.678
Advances to suppliers	74	62
Income and social contribution taxes	151	219
Taxes and contributions recoverable	522	372
Advanced bonuses awarded to clients	514	540
Prepaid expenses	40	47
Other current assets	146	37
	10.703	**12.289**
Non-current assets		
Long-term		
Net accounts receivable	376	6.250
Judicial deposits	1.000	950
Taxes and contributions recoverable	541	366
Deferred income and social contribution taxes	3.162	3.425
Advanced bonuses awarded to clients	1.469	1.419
Prepaid expenses	182	183
Other noncurrent assets	24	24
	6.754	**12.617**
Investments	36	45
Property, plant and equipment	5.816	5.986
Intangible assets	453	461
	13.059	**19.109**
Total Assets	**23.762**	**31.398**

Statement of financial position - Liability and Shareholders' equity - In millions of Reais

	Consolidated	
Liabilities	**2017**	**2016**
Current		
Trade payables	2.682	2.650
Financing	185	805
Assignment of credit receivables	26	31
Financial leases	29	28
Customer advances	363	354
Income and social contribution taxes	1	1
Taxes and contributions payable	277	204
Interest on shareholders' equity	273	635
Payroll, vacations and related charges	219	246
Voluntary redundancy incentivization plan	8	445
Pension and health plan	134	139
Other accounts and expenses payable	216	91
	4.413	**5.629**
Non-current		
Financing	4.455	12.009
Financial leases	43	67
Pension and health plan	3.932	4.172
Provision for judicial and administrative proceedings	2.079	2.090
Other accounts and expenses payable	14	21
	10.523	**18.359**
	14.936	**23.988**
Equity		
Paid-in capital	6.352	6.352
Profit reserves	3.897	3.045
Equity appraisal adjustment	(1.423)	(1.987)
	8.826	**7.410**
Total Liabilities	**23.762**	**31.398**

Statement of Income - In millions of Reais

	Consolidated	
	2017	**2016**
Revenue from goods sold and services rendered	84.567	86.637
Cost of goods sold and services rendered	(78.200)	(80.172)
Gross income	**6.367**	**6.465**
Operating expenses		
Sales	(2.952)	(3.845)
General and administrative	(835)	(828)
Tax	(172)	(137)
Other net expenses	(284)	(1.669)
	(4.243)	**(6.479)**
Net income (loss) before financial income/loss and taxes	**2.124**	**(14)**
Financial		
Expenses	(1.231)	(1.893)
Revenue	376	682
Exchange and monetary variance, net	298	589
	(557)	**(622)**
Equity earnings	**(2)**	**(1)**
Net income (loss) before tax	**1.565**	**(637)**
Income and social contribution taxes		
Current	(196)	(307)
Deferred charges	(218)	629
	(414)	**322**
Net income (loss) for the year	**1.151**	**(315)**
Basic and diluted net income (loss) per common share - R$	0,99	(0,27)

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

Segment Reporting - In millions of Reais

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

	Service Stations	Corporate Consumers	Aviation	Other	Corporate	Total segments	Reconciliation with financial statements		Total
Sales Revenue	50,999	22,450	6,947	4,716	-	85,112	(545)	(a)	84,567
Cost of goods sold	(47,227)	(20,749)	(6,224)	(3,987)	-	(78,187)	(13)	(b)	(78,200)
Gross profit	**3,772**	**1,701**	**723**	**729**	**-**	**6,925**	**(558)**		**6,367**
Expenses									
General, administrative and sales	(1,624)	(928)	(467)	(335)	(149)	(3,503)	(284)	(c)	(3,787)
Tax	(5)	(2)	(3)	(10)	(24)	(44)	(128)	(d)	(172)
Other net revenue (expenses)	186	-	19	23	(537)	(309)	25	(e)	(284)
Equity earnings	-	-	-	5	(7)	(2)	-		(2)
Net finance income	-	-	-	-	-		(557)	(f)	(557)
Adjusted EBITDA	**2,329**	**771**	**272**	**412**	**(717)**	**3,067**			
Net income (loss) before tax							**(1,502)**		**1,565**

Consolidated statement of Net Income by Business Sector - Dec/16

	Service Stations	Corporate Consumers	Aviation	Other	Corporate	Total segments	Reconciliation with financial statements		Total
Sales Revenue	52,634	23,247	6,189	5,109	-	87,179	(542)	(a)	86,637
Cost of goods sold	(48,698)	(21,521)	(5,627)	(4,310)	(4)	(80,160)	(12)	(b)	(80,172)
Gross profit	**3,936**	**1,726**	**562**	**799**	**(4)**	**7,019**	**(554)**		**6,465**
Expenses						-	-		
General, administrative and sales	(1,617)	(1,091)	(462)	(422)	(228)	(3,820)	(853)	(c)	(4,673)
Tax	(6)	-	(2)	(12)	(27)	(47)	(90)	(d)	(137)
Other net revenue (expenses)	225	28	(35)	31	(405)	(156)	(1,513)	(e)	(1,669)
Equity earnings	-	-	-	5	(6)	(1)	-		(1)
Net finance income							(622)	(f)	(622)
Adjusted EBITDA	**2,538**	**663**	**63**	**401**	**(670)**	**2,995**			
Net income (loss) before tax							**(3,632)**		**(637)**

Segment Reporting – Reconciliation against the financial statements - In millions of Reais

Reconciliation with financial statements	31/12/2017	31/12/2016
(a) Sales Revenue		
Appropriation of early bonuses awarded to customers		
Sales revenue is adjusted by the early bonuses granted to resellers of service stations to which the Company distributes fuels and lubricants corresponding to the portion provided mainly in kind and held under the terms established in advance with such parties, which once completed, become nonreturnable, being absorbed as expenses by the Company. This corresponds to a target scheme which, once met, exempt the recipients – resellers of service stations – from returning to the Company these amounts advanced as bonuses. They are classified in profit or loss in proportion to their due dates.	(545)	(542)
(b) Cost of goods sold		
Depreciation and amortization	(13)	(12)
(c) General, administrative and sales		
Depreciation and amortization	(439)	(442)
Estimated losses on doubtful accounts The adjusted values refer to the provisions relating to receivables owed to the Company by the thermal companies of islanded and interconnected power systems, a segment for which the Company substantially provides service, and which lately has been facing financial difficulties.	155	(411)
(d) Taxes		
Tax adjustments denote tax amnesties and tax charges on financial revenue.		
Tax amnesties: payment provisions for joining the amnesty programs established by State Laws and the Special Tax Regularization Program (PERT) from the Federal Government concerning tax liabilities related to ICMS and federal taxes with the State and Federal Government, respectively The Company considers the adjustment adequate because it provides investors additional information not deriving from our main operations.	(80)	(6)
Tax charges on revenue: the adjustments refer to expenditure on IOF PASEP and COFINS, levied on the Company's revenue and which are classified as tax expenses.	(48)	(84)
(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.	(119)	(1,079)
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.	144	(434)
(f) Net financial income	(557)	(622)
Total	**(1,502)**	**(3,632)**