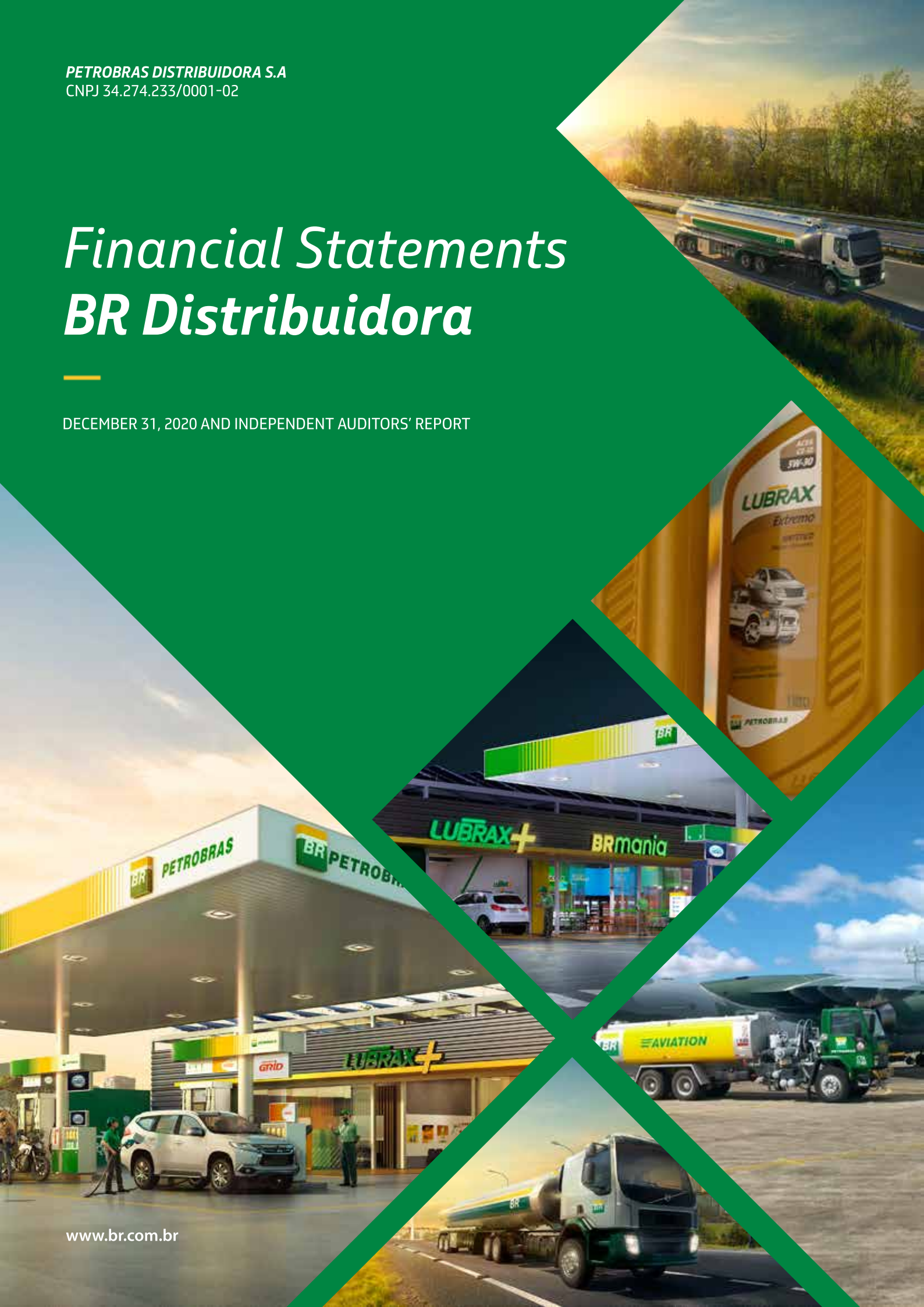


PETROBRAS DISTRIBUIDORA S.A
CNPJ 34.274.233/0001-02

Financial Statements BR Distribuidora

DECEMBER 31, 2020 AND INDEPENDENT AUDITORS' REPORT



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Management Report

2020



Management Report 2020

THE FIRST GAINS OF OUR TRANSFORMATION

2020 was the first full year since BR's privatization and despite all of the challenges presented by the pandemic, we managed to make excellent progress on our transformation. The best proof that we are on the right path is that last year we managed to achieve the profitability that was only expected for 2021. Our adjusted EBITDA was R\$ 3.811 billion, up by 22% on 2019. We secured a unit EBITDA of R\$ 104/m³, a milestone for the Company, which in the three years prior to our privatization operated on an average margin of R\$ 66/m³. This solid result will be essential for BR to continue firmly in pursuit of its long-term ambition: to make the company increasingly important in the energy, mobility and convenience segments.

The company was able to achieve this new level of margins thanks to an intensive efficiency and profitability improvement effort, by combining various initiatives from our value agenda, which we believe is just getting started. One such initiative was an in-depth and wide-reaching diligence to increase expenditure efficiency, which reached the figure of R\$ 1 billion/year of reductions compared with 2019.

We also grew from a negligible position in oil product trading to become the largest importers of fuel in Brazil in 2020. This yielded efficiency gains both in product origination and positive contribution to gross margins in all quarters thus far, despite sharp changes in commodity prices.

We also felt the gradual recovery of sales volumes, primarily impacted in the first half by the pandemic. In 4Q20 we also experienced an expansion of 3.5% compared with the same period of 2019. In other words: a performance better than pre-pandemic levels.

The greater volume was coupled with a higher market share in all quarters of 2020, turning around a downward trend. In 4Q20, for example, our market share was 1 percentage point higher than in the previous quarter and 2 percentage points higher than in 4Q19 - which demonstrates the consistency of our recovery.

This progress was only possible because we made our strategy customer-centric. Every month nearly 30 million different consumers filled up at our 8 thousand gas stations located around Brazil. Our chain provides makes nearly 2 million fuel sales a day. We also serve a further 15 thousand corporate clients. In the first year we took meaningful steps to better understanding and getting even closer to these consumers. The main initiatives in this regard included the introduction of a new image for our reseller gas stations after more than 20 years, the partnership in payment methods with AME and the ongoing perfection of our pricing process, with the entire package of support for our clients in light of the COVID-19 crisis.

The company's solidity was recognized by international agents. BR was assigned a corporate rating for the first time, securing Ba1/Aaa from Moody's. Despite the widespread uncertainty triggered by COVID-19 in credit markets, in 2020 we successfully lengthened BR's debt, which was previously highly concentrated in a single instrument maturing in the immediate term. We raised the average debt term from just one year in early 2020 to the current figure of 3.5 years. We believe that maintaining competitive access to capital will play a fundamental role in our transformation process, as a way of funding our ambitions for the future.

At the onset of this transformation we also took the important initial steps in our portfolio management, divesting from the asphalt (Stratura), compressed gas (CDGN) and thermal (Muricy and Pecém) sectors. This divests will help finance new opportunities and enable us to focus on businesses better suited to our long-term vision. We also progressed in our growth avenues, entering electricity trading (acquisition of Targus) and our LNG distribution partnership (Golar), clearly revealing our vocation to be an energy distribution company - whatever the type of energy demanded by our customer base.

We also entered into the partnership with Lojas Americanas for the convenience business, by which we will integrate the 1,255 BR Mania and Local stores into a new company, whose capital will be held equally by the two companies and will have its own professional and governance structure.

The acceleration we experienced in 2020 which made us a more efficient, profitable and customer-centric Company set up for the long-term required a cultural transformation. Still in progress, this process instilled a sense of urgency and an obsession for unprecedented innovation in the Company. We implemented an organizational restructuring with sweeping changes across all company departments, significantly increasing variable compensation for executives, managers and employees, completely overhauled the performance measurement system and for the first time introduced long-term share-based compensation for all Company leaders, with a view to aligning mindsets and purposes with our shareholders.

ESG Strategy

BR's endeavors in sustainability reached new heights in 2020 and earned various external recognitions. BR remained the only fuel distribution company to be listed in the B3 sustainability index (ISE B3) and made its debut in the B3 carbon efficiency index (ICO2). The company was ranked 16th among the 116 retail companies assessed at a global level by the Dow Jones methodology (SAM GROUP - S&P Global). At the start of 2021, we were included in S&P Global's Sustainability Yearbook 2021, as part of the top 15% in our industry.

The Company stands out for its Governance. Since our privatization, a unique case in Brazil, via the capital market, the Company has implemented the toughest governance standards to operate as a corporation. Last year progress was made in this field ranging from revision of the Bylaws, to make the company more agile and competitive, to creating an Integrity Management

System. Our governance endeavors were also recognized in 2020 by the FTSE4Good Emerging Markets index, which not only included the Company in its ranking but also awarded us the highest score for Governance.

The situation caused by the pandemic led us to create various initiatives involving special precautions and safety protocols for employees, business partners, customers and consumers. The various initiatives including the provision of masks and hand sanitizer to gas stations, benefiting nearly 80,000 employees of these establishments, the donation of hygiene kits and meals to roughly 80,000 truck drivers, the distribution of 3 million liters of fuel donated by Petrobras to state and municipal health agencies in clinics and the distribution of basic food baskets and hygiene kits to 1,758 families in the communities surrounding our head offices.

On the environmental front, we submitted our first independent report to the Brazilian GHG Protocol Program for the Public Registration of Emissions and received the gold seal. We also participated in the Carbon Disclosure Project - CDP for the first time.

Tangible progress was also made in the Company's diversity. The percentage of women rose from 23.56% to 27.09% between 2019 and 2020, and the number of black people (black and brown) rose from 29.53% to 38.69%. We believe we can make the company even more diverse and more compliant with ESG requirements.

Whilst motivated by these initial important achievements in our transformation, we are also confident that new opportunities will appear in our cultural change and energy transition journey.

In the following pages we present highlights from our consolidated results for 2020 and our ambitions for the future.

THE YEAR 2020

V-shaped Recovery

We cannot evaluate 2020 without addressing the COVID-19 pandemic that profoundly affected the fuel and lubricant sector. Demand for some of our products fell by as much as 85% at the start of the pandemic, such as aviation products and 60% for OTTO cycle products. Our resilience was put to the test. Whilst having to maintain our transformation agenda and our ecosystem operational, we also had to guarantee the safety of our nearly 3400 employees, both those working from home and those who continued on the front line.

We achieved an adjusted EBITDA of R\$ 104/m³ for the first time in 2020. This indicator reflects a number of important effects, such as recognizing the exclusion of ICMS from the PIS/COFINS calculation base, significant inventory losses due to oil price changes (net of hedge gains) and costs on acquiring CBIOS in the last few months of the year. If we adjust for these effects, we

would still have an EBITDA margin of R\$ 96/m³, despite the colossal loss of scale caused by the pandemic and other adverse effects in the year.

Chain and market share growth

Our overall market share grew in all quarters of the year, rising from 25.6% in 4Q19 to 27.6% in 4Q20 (+2p.p.). This growth was consistent across all of our segments, rising +1.5p.p. in resales, +3.8p.p. in B2B and +21.1p.p. in aviation. Our market share in the fuel oil segment also rose sharply by +11.3p.p. in the same comparison period.

This better balance between margins and market share was primarily due to advances made in the pricing initiative, which is now more centralized and data driven, seeking consistency, assertiveness and equilibrium that can yield sustainable results for BR and its clients. Since privatization we have pursued greater consistency in product pricing, focusing on a long-term vision whilst avoiding exacerbated volatility in replenishment margins. The strategy has proven to be the right one.

Our rising market share over the year was also driven by other elements such as the launching of our new visual identity in service stations and convenience stores, the highly successful partnership with the payment application AME, in addition to launching the new “Posto, Posto é Posto BR” advertising campaign in the mainstream press.

Despite the challenging situation around branding new stations in the first half due to the pandemic restrictions, we accelerated our efforts to renew and expand our chain in the second half, managing to make a net addition of around 200 gas stations in 2020.

Efficiency gains and higher margins

We became the largest importers of fuel in Brazil in 2020. We also enhanced our ethanol sourcing, adopting best acquisition practices and increasing the volume of inventory loading operations during the crop season, which we ramped up during the pandemic, capitalizing on the need for liquidity amongst producers and the Company's robust cash situation. The advances made over the year through the import strategies and capitalizing on fuel and biofuel arbitration positively contributed to results across all quarters, ranging from R\$ 5 to R\$ 15, despite substantial market volatility.

Cost-cutting initiatives significantly contributed to margin growth in 2020, ranging from the organizational transformation plan to a sweeping reduction in a whole host of administrative and operating costs. Our normalized unit expense (excluding the effects of CBIOS and PIS/COFINS) fell by more than 30% on the previous year, from R\$ 83/m³ in 2019 to R\$ 58/m³ in 2020. This saving boosted our earnings in relation to 2019 by roughly R\$ 1 billion in absolute terms. We expect to maintain these efficiency gains in the future. This effort included a comprehensive

optimization of our shipping expenses, reducing the number of contracted carriers from 144 to 58 and implementing best practices for transportation operations and procurement.

Tax and actuarial gains

We are compelled to mention the success we enjoyed in 2020 in our major effort to recover tax credits, allowing BR to recover PIS and COFINS taxes overpaid between April 2012 and February 2020, regarding the inclusion of ICMS in the calculation base of said taxes. The final and unappealable decision enabled a full recovery of approximately R\$ 1.4 billion which was recorded in profit or loss for 2020, although the cash effect will be felt gradually, as taxes are offset in current calculations. Note that of this amount just R\$ 1.04 billion has an effect on adjusted EBITDA, with the remaining portion related to monetary restatement, which is recorded in the Company's finance income.

Further important news was changing the health care plan for employees and retirees from the self-managed AMS plan to a market plan, Bradesco Saúde. Also including adjustments to the regulations and means of using the plan, coupled with changes in the profile and number of BR employees, this migration has led to a significant reduction in the actual reliability of the health plan, contributing some R\$ 2.1 billion to net income for the year (already adjusted into our EBITDA). We estimate that changing our health plan will allow us to save annual expenses of approximately R\$ 200 million from 2021, whilst being able to offer our employees and other beneficiaries a modern plan widely accepted in the market.

Mainly due to the impact of recent adjustments to the Plan's regulations and the changing profile and size of BR's workforce, the actuarial revaluation of the pension plans (PETROS) also lead to a reduction of approximately R\$ 700 million in the actuarial liability. These two factors - health care plan and pension plans - jointly contributed to a total reduction in the Company's actual liabilities of R\$ 2.8 billion in 2020, a reduction of 64% compared with the position at the end of 2019.

All of these effects led to a consolidated net income of R\$ 3.905 billion in the year, 77% more than in 2019.

THE FUTURE AND THE ENERGY TRANSITION

Inexorable change

We are convinced that the substantial progress we made across all strategic initiatives thus far have played a major role in paving the way for the future we want to build. However, we are aware that the cultural transformation process is a lengthy cycle and requires resilience and consistent conduct for sufficient time for processes, business and collective thinking to converge to the conditions necessary for success in the decades ahead.

The segments we operate in are undergoing important transformations and will continue to continuously change, both because of the gradual transition towards more renewable energy sources and because of the way we consume them. In other words, the experience of consumers and associated convenience should change radically in the years ahead. We are ready for this new situation and want to spearhead this change, adapting our businesses, processes and mindsets to these new challenges.

We have attempted to migrate the Company to sectors we believe are promising in this energy transition, whilst understanding we can allocate capital to create value for our shareholders. This strategy is being clearly executed with the Company withdrawing from certain segments (such as divestments from Stratura, CDGN and thermal power production), alongside changes to expand reach in more promising markets (such as partnerships with Lojas Americanas and Golar, and the acquisition of Targus).

We also understand that the energy transition and competitive and regulatory changes in progress in multiple segments we operate in should usher in new business opportunities. The opening up of the natural gas market, in which we already authorized to operate, is undoubtedly an example of this. Other opportunities may also arise in the trading of ethanol and derived products.

Preparing for the energy transition does not mean that there are no longer opportunities for growth and profit in current business segments. On the contrary, we are still engaged in pursuing additional opportunities to optimize expenses, simplify and digitize new processes and better use our assets.

New leverage limits

We believe that our financial capacity and resilient cash generation afford us meaningful advantages in seizing the opportunities we believe lie ahead. Since privatization we have been operating at a leverage level (defined as net debt/Adjusted EBITDA LTM) within the range of 1x to 1.5x. In these initial months of our transformation process we saw our activity return to levels extremely close and sometimes lower than marginal funding costs. We therefore understand that, at that juncture, a higher leverage level would not guarantee greater value creation for shareholders. Since then we believe we achieved a new level of returns in our business, which coupled with lower debt costs, made it feasible to consider new leverage limits.

Our new range of up to 2.5x Net Debt / EBITDA should provide us the room to act as needed, in order to enable us to capture value in new opportunities that appear in the future. In our opinion the best way of using this extra room is through a balanced and gradual capital allocation, into organic and inorganic opportunities that are proven to create value, complemented by additional future distributions to shareholders.

In the first steps towards this, in February 2021 we completed additional borrowing of R\$ 2.8 billion in bilateral instruments from various institutions. Despite substantial market volatility, we secured easier financing terms, with longer repayment periods and competitive costs (CDI + 1.65% p.a.). In addition to financing our working capital requirement, part of these proceeds will be used to settle cash reinforcement instruments procured during the pandemic and the remainder to pay out early dividends of approximately R\$ 1.1 billion, by the end of April, subject to AGM approval, out of a declared amount of dividends of approximately R\$ 2.3 billion. Note that in January 2021 we already paid out interest on equity of R\$ 498.3 million, which comprises part of the declared dividends.

We would like to bring this message to a close by thanking our nearly 3,400 employees, who worked tirelessly during this daunting year. Together, we beat expectations. In 2021 BR completes 50 years of existence and we are convinced that with a motivated team driven by innovation and the tireless pursuit of ever better results, we will lock in the Company's growth for many decades ahead. Our journey of transformation has only just begun.

COMPANY PROFILE

BR was created in 1971 to operate the petroleum product distribution and marketing business of Petr leo Brasileiro S.A. - Petrobras. We have the greater capillarity in Brazil's fuel and lubricant distribution and marketing segment, serving 8,022 BR-branded service stations and around 17.7 thousand customers in the B2B, aviation product and other segments as described below. To serve the thousands of reseller and consumer customer service stations, we leverage the extensive footprint of our logistical infrastructure, operating in all of Brazil's states, boasting 44 bases administrated by BR, 19 bases in pools administrated by third parties (pool with partners), 19 joint warehouses with other distribution companies and 13 logistics operators, totaling 95 operating units. We also have 11 lubricant deposits, 5 lubricant logistics operators and we operate at 90 airports too, all strategically distributed around Brazil's five regions. From this platform, we are able to efficiently meet customer demand in any municipality in Brazil.

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

- Retail: sale of oil based fuels, lubricants, compressed natural gas, biofuels and convenience products of the Company through its resale operation;
- B2B: supply of liquid fuels, lubricants, Arla 32 and related services to our consumers. In the Chemicals sector, 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 distribute green petroleum coke (GPC) domestically and carry out projects for selling and distributing electricity. In addition, we operated the Esp rito Santo state piped gas supply concession until July 2020.
- Aviation: sale of aviation services and products at airports in Brazil to domestic and overseas airlines;
- Corporate: items 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 pensioners.

SUSTAINABILITY

During 2020, we worked on various different fronts in the fight against COVID-19. Together with Circo Crescer and Viver, we enabled the distribution of basic food baskets and hygiene and cleaning products to families and social organizations in the neighborhood around our head offices.

We donated fuel to institutions working on the front line in the fight against the pandemic, such as Fiocruz and the Red Cross, whilst we also provided fuel for Brazilian Air Force flights taking basic health care products to all the different regions around the country.

We donated more than 100,000 liters of ethanol for the manufacture of liquid and gel sanitizing alcohol by Brazilian education centers for distribution to health care centers. In addition to this, in the form of fuel vouchers, we support different projects that in turn provide support to the homeless and those in vulnerable situations in Rio de Janeiro and São Paulo.

In relation to community relations, in addition to the support provided during the most critical months of the pandemic, we have continued to participate remotely in the meetings of the Community Advisory Board in Campos Elíseos (Duque de Caxias-RJ), and with those institutions working near to our head offices in Rio de Janeiro. We have also been mobilizing our employees in two campaigns designed to make donations to NGOs operating in the areas surrounding our units, through our Corporate Volunteer Program.

We maintained the partnership with Circo Crescer and Viver as our most important private social investment (PSI) in 2020. Located in the neighborhood near to our head offices, 'Circo' runs a circus arts school for children and young people aged between 7 and 24, the majority of whom come from low-income communities.

In 2020, we reaffirmed our commitment to the principles of the UN Global Compact and Women's Empowerment programs, strengthening initiatives for gender equity and the elimination of degrading labor in our value chain through our affiliation to the National Pact for the Eradication of Slave Labor. We continued participating in the Business Coalition for Gender and Racial Equity led by Instituto Ethos and the CERRT - Brazilian Center for Research on Labor Relations and Inequality, the *Na Mão Certa* program, an initiative run by Fundação Childhood Brasil, and the Yellow Ribbon Program of the Brazilian Road Safety Observatory. Our participation in these initiatives aims to make the workplace more inclusive, supporting the fight against the sexual exploitation of children and adolescents, and improving traffic safety, respectively.

Through our 'Motorista DEZtaque' program, in partnership with 'Childhood Brasil', we provide drivers with guidance on responsible parenting, traffic education, and fighting the sexual abuse and exploitation of children and adolescents. We also sponsor the "Truck Drive In Experience" event, in which we promote a campaign involving the distribution of 'Turma do Disque 100' jigsaw puzzles to raise the awareness of truck drivers taking part in the event in relation to the need to protect the rights of children and adolescents on the highways.

BR was listed in the B3 sustainability index (ISE B3) for the second consecutive year and in the B3 carbon efficiency index (ICO2) for the first time. We also developed our first independent report as part of the Public Register of Emissions under the Brazilian GHG Protocol, and we were awarded a gold seal. We also independently published our first Sustainability Report. These results demonstrate our commitment to transparency and the adoption of more sustainable practices.

We have achieved other important results in numerous different ESG evaluations: we received a Silver Medal from Ecovadis, a supplier evaluation platform; we were included in the FTSE4 Good Emerging Markets index; Sustainalytics assessment placed us as best ESG performance amongst companies in our sector; we participated for the first time in the evaluation on Climate Change run by the CDP (Carbon Disclosure Project); and we were placed 16th out of 116 retail companies assessed at global level by the methodology of the Dow Jones Index (SAM GROUP - S&P Global). At the start of 2021, we were included in S&P Global's Sustainability Yearbook 2021, as part of the top 15% in our industry.

HEALTH, SAFETY & THE ENVIRONMENT

In relation to our Health, Safety and Environment Policy, we have committed to achieving sustainability in our operations and processes, implementing industry best practices, seeking continual improvement and minimizing adverse impacts from our business, in alignment with our Strategic Plan and Business Plan.

The Recordable Rate of Accidents (TAR) in 2020 was 0.49, within our Alert Limit (0.75). This result is a testament to the effectiveness of our accident prevention programs implemented and our senior leaders' commitment to workers' health and safety.

Amongst the safety initiatives performed in 2020, we can highlight "Being Aware at Work" program, that aims to teach our employees how to recognize, observe and distinguish threats in their work environments, through recognition of Dangers and Risks, thus allowing them to be quickly understood and for preventative attitudes to be adopted. The program involves actions that rest upon three foundations: "Mind focused on work", "Constantly alert to the dangers and risks of activities", and "Identification and elimination of distractions".

By means of the HSE Audit Program, we inspect our operational units, evaluating them from five different angles: "Management of Integrity and Social Responsibility", "Installation Safety", "Safety in Transportation", "Environment" and "Health care". We also coordinate the Risk Management in Transport Program, with an emphasis on monitoring the fleet that serves BR, and we should also emphasize the continuity of the 'Motorista DEZtaque' program, that recognizes and awards motorists for their performance.

BR's traffic accident frequency rate per million kilometers traveled (TFAT) in 2020 was 0.07, within our Alert Limit (0.08). These results are a testament to the effectiveness of our Transportation Risk Management program, which has been in place at BR since 2010.

In relation to health care management, a number of actions relating to the promotion of good quality lifestyles were undertaken: Anti-flu Vaccination Campaign; Monitoring of chronic illnesses and awareness actions such as Pink October, Blue November, Mental Health, and Healthy Eating, as well as other activities focused on health care advice through the intranet. In relation to the COVID-19 pandemic, a number of actions were developed to provide orientation, control and monitoring, awareness and prevention at all BR locations, as well as provide medical services and online psycho-social support for the entire workforce. COVID-19 testing was also performed at various BR stations.

In our approach to safety management and emergency response, we work to prevent accidents, simulate accidents, mitigate risks and increase our emergency preparedness. We closed the year with a result of 8.39 m³ for the indicator of leaks from products with environmental impact (VAZO), 42% lower than the alert limit (14.4 m³).

In environmental management, BR works to continually improve performance through initiatives that support sustainable operations. We continuously work to ensure the legal compliance of our operations, to reduce natural resource usage and waste in our processes, minimize air emissions, preserve biodiversity, prevent and mitigate environmental liabilities, and implement projects to improve energy efficiency and enhance environmental education at BR.

In 2020 we maintained our SGI certification for 9 operating plans and restructured our internal HSE audit program, contributing to maintaining compliance and enhancing our safety management, environmental, health and social responsibility practices in our activities. We finished the year with 10 audited units.

Through the Environmental Culture Program, we have continued to raise the environmental awareness of our operational teams and strengthen protection of the environment within the company, with a greater focus on the promotion of Prevention of Leaks and Climate Change issues.

We have implemented a new system for the management of environmental indicators and sustainability, The new system includes BR's different areas of environmental activity, which allows data to be fed and provides management gains, since all the information is found in the same database.

GENERAL MANAGEMENT AND ORGANIZATION

People and Management

The year 2020 was guided by transformation and reinvention in the area of Personnel Management. Faced with a pandemic and a global crisis without precedent, BR consolidated and accelerated changes in personnel management, which started after the privatization, to effectively meet our clients' demands, guided by a single phrase: "Awareness, Responsibility, Solidarity".

Results-driven management

By means of this mental model, based on the 'PDCA' methodology ('Plan, Do, Check, Act'), goals were outlined through to employee level, establishing how much each person can contribute to the results of BR Distribuidora.

With these goals defined and their results being measured each month, a results control routine was established, starting with the more operational levels and culminating in the monthly report on the results and actions involved in addressing the challenges faced by the Board of Directors.

Currently, the results control routine is performed systematically at all levels of the company's management boards.

This methodology has allowed for the drafting of the meritocracy model, which will enable identification of the strengths and weaknesses within our team and lead to payment of variable wages focused on effective deliveries and results.

Attraction, selection and retention

In 2020, we structured the process for attracting and selecting leaders and teams, considering that the conducting of a public selection process was not required.

To support this important change, that allows for greater compatibility between the requirements of the vacancies and the skills and experience of the candidates, new stages for this flow were defined, which start with attracting candidates and end with the entry of new employees.

And to ensure that this process is conducted in a more assertive and transparent manner, we implemented a digital tool that allows candidates to be assessed, using different algorithms that provide a correlation between what is expected for each position and the characteristics stated by the individuals themselves upon registration to the platform.

Furthermore, we started to adopt techniques that are common in the market, such as competency-based interviews and assessment tools.

In 2020, 296 employees were contracted, meaning approximately 25 per month.

To strengthen the attraction, selection and retention of leaders and employees, we have several initiatives focusing on benefits and living standards programs. These include:

Health care plan: A new plan aimed at the leaders, employees and ex-employees of BR, as well as their respective dependents, totaling 20,303 beneficiaries. The plan is offered through 'Bradesco Saúde', a benchmark health plan provider in Latin America and a market leader in Brazil due to the services provided to the beneficiaries, the extensive network of doctors (31,000) and dentists (29,000), a guarantee of assistance in the out-patient and hospital sectors, with obstetrics, coverage of expenses concerning appointments, simple and specific exams, therapy, out-patient treatment, and clinical or surgical hospitalization, digital health care and a benefits club.

Programs aiming to maintain the health and living standards of its employees and dependents such as: Flu Vaccination Campaign; Monitoring Chronic Illness; Awareness Initiatives: Pink October, Blue November, Mental Health, Healthy Diets, in addition to Health Guidelines over the intranet. In relation to the COVID-19 pandemic, a number of initiatives were developed to raise awareness and prevention at all BR locations, as well as provide medical services and online psycho-social support for the entire workforce.

Supplementary pension plan to expand on benefits awarded by Social Security (INSS). Administrated by Petros (Petrobras Social Security Foundation), the plan offers participating employees and their beneficiaries a series of advantages, such as extra pensions for invalidity, age, length of service and other special requirements, additional pensions for death and sickness benefit, in addition to lump-sum payments in the event of death (awarded to dependent/appointee);

Educational benefits to foster the development and training of the dependents of BR leaders and employees from nursery to university. R\$ 13 million was invested in educational benefits in 2020.

Training and Development

The training and development process was one of the processes most impacted by the COVID-19 pandemic, due to the decrease in in-company and in-person training provided, in line with sanitation recommendations around social distancing and avoiding crowds.

Despite the headwinds, BR Distribuidora bolstered its corporate training model, in order to offer educational solutions that support employee ownership of their careers and self-development.

In 2020 we invested in several training and development programs, in internal, external, remote and on-the-job training - we provided more than 12,000 participations in training, averaging 3.7 per employee, 90% of which took place remotely.

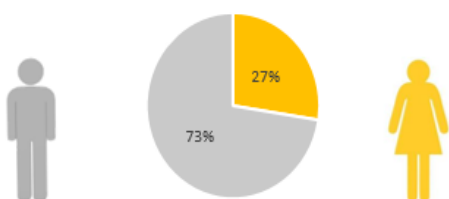
Amongst the most important programs, we can highlight the ‘Retail Sales and B2B Executives’ Journeys’, ‘Safe Return to Work’, ‘BR Connection’ (‘Adaptation Program for New Employees’), launch of the ‘New Golden Rules’ for the operational departments, and ‘Maximum Capacity’ (training focused on the external public, our commercial partners and the chain of gas stations).

Profile

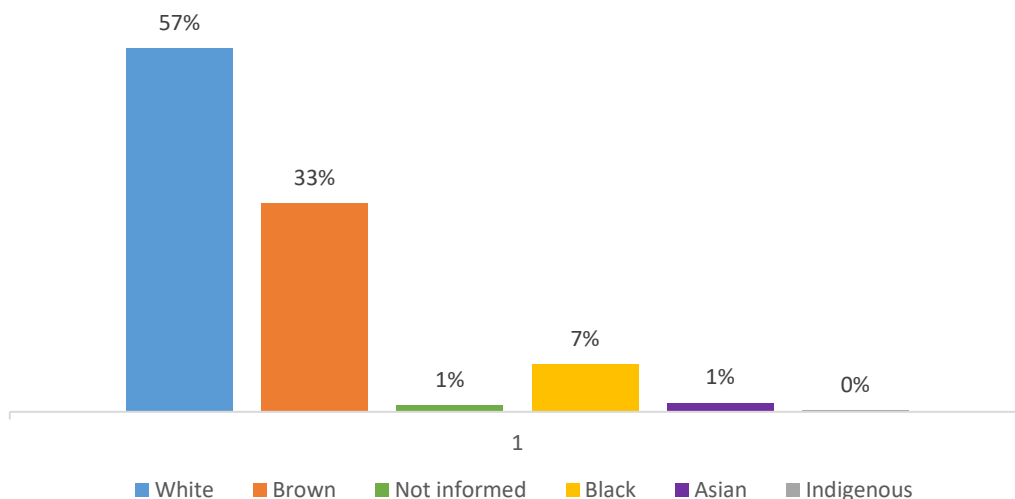
We had a workforce of 3,370 employees at 2020 year-end, an increase of 47.9% on 2019. This increase was primarily due to the influx of people who used to work for BR’s service providers with the consequent termination of the signed contracts. This trend is in line with initiatives related to adjusting the staff level to reflect productivity metrics and changes to BR’s processes.

See below a number of graphs about our employee profile:

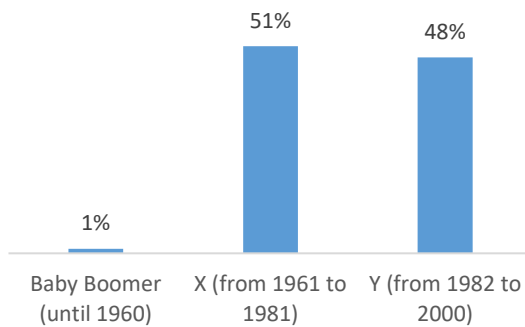
Sex



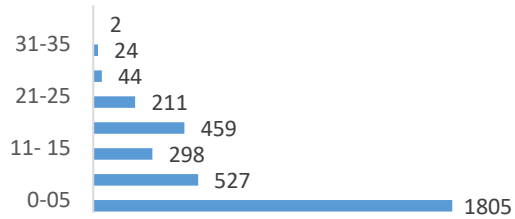
Race



Generation

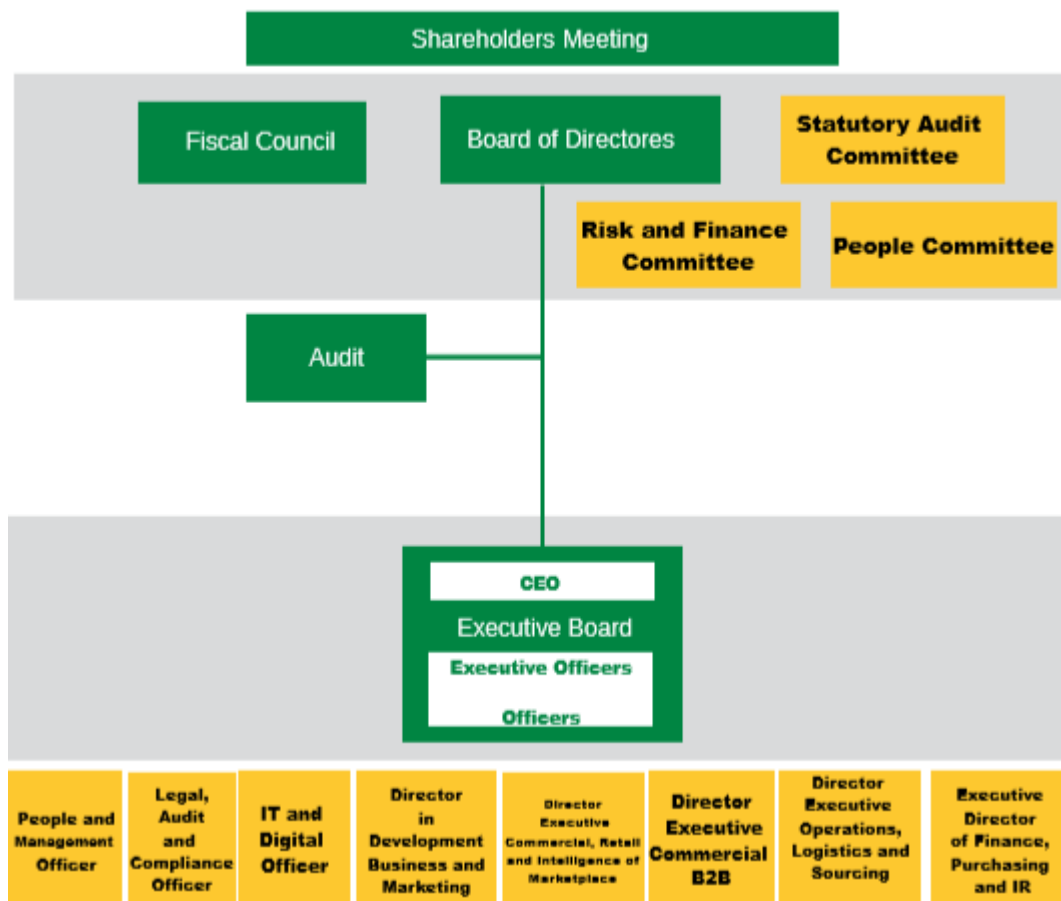


Time at BR Distribuidora (years)



Corporate Governance

BR's corporate governance structure comprises the General Shareholders' Meeting; the Audit Board, the Board of Directors and its Committees, and the Executive Board. The Company also has an Internal Audit, whose activities are reported directly to the Board of Directors, or by way of the Statutory Audit Committee.



After becoming a private company, in 2020, BR was able to intensify and expedite the enhancement and bolstering of its corporate governance model, aligned with best market practices.

Various adjustments and revisions were made to governance instruments, such as:

The Bylaws were revised in order to make the company more agile and competitive, including adjustments such as: removing the limit on 3 elections for executives and the provision that after the re-election term the executive can only stand for election again after a management term, provision that the Board of Directors may set up specific and temporary work groups or committees, in addition to the permanent ones established in the Bylaws; that the Executive Board and not the Board of Directors have the authority to appoint and dismiss members in the Company's general structure; to include the remit of all Company officers, including nonstatutory officers; formal adjustments to the new framework, amongst others.

Another of the Company's governance tools, the Competency Limits Table, that addresses the development of the spheres of competence of the Executive Board was also revised, compiling different points for improvement, with the intention of making the Company's decision making processes quicker, and with the increased monitoring of the dynamic of the business and the market in which it operates.

The Company currently has 3 (three) permanent advisory boards, with specific analytical attributes, that report directly to the Board of Directors: (i) Statutory Audit Committee, (ii) Risk And Finance Committee and (iii) Personnel Committee.

Last year we also undertook efforts to enhance the management of areas supporting our corporate governance functions. Based on the three lines model and with a focus on effective prevention, detection and remediation of compliance deviations, BR has implemented an Integrity Management System that integrates the data and activities of our Internal Audit, Ombudsman, Internal Controls, Risk and Compliance and Ethics functions. The Integrity Management System is an organizational transformation – comprising a set of institutional arrangements, work processes, rules and management and control instruments – that is being led by a dedicated function to promote integrity in the organization and our workforce.

As a consequence, the Company obtained impressive results and recognitions from various ESG evaluation platforms; especially in “Governance” obtaining a leading score in ISEB3 and a maximum score in FTSE4Good Emerging Markets.

Conformity, Risk Management & Internal Controls

As a result of the secondary public offering of shares in BR Distribuidora, we are no longer under the authority of the Federal Government. With our newly acquired status as a private company, BR's Integrity Management function (Audit, Compliance and Ombudsman) is updating our policies and procedures to align them with industry best practice in corporate integrity.

The Integrity Program is being reformulated to incorporate improved mechanisms for preventing, detecting and addressing events of fraud, corruption and other issues. These mechanisms include:

- (i) preparation of the new Integrity Policy (currently being proposed);
- (ii) preparation of the new Code of Conduct and Ethics (currently being proposed);
- (iii) reviewing the Integrity Background Check process;
- (iv) reviewing the Due Diligence processes for the Integrity of Counterparties;
- (v) Reviewing the internal calculations process;
- (vi) optimizing the process of Preventing Money-laundering and the Financing of Terrorism (PLDFT);
- (vii) Applying the Perceptions Survey to the Integrity 2020 initiatives.

In January 2020, Contato Seguro, an independent specialist firm, began operating our “Ethics Channel” (the new name of the “Compliance Hotline”). The Ethics Channel is linked to BR’s Statutory Audit Committee and is under the direct responsibility of the Audit, Compliance and Ombudsman’s department. This channel intends to ensure reports can be made in confidence, to keep the whistleblower anonymous and safe from retaliation. We encourage our employees and other stakeholders to report irregularities and transgressions of the regulations. These reports can be made anonymously or not, by means of a telephone call or electronically.

In pursuance of the project designed to bring our processes and activities into accordance with Law nr. 13,709/2018 (‘LGPD’ - the General Personal Data Protection Law), we can highlight the following actions:

Contracting of a consultant firm to support the project, involving the following stages: (i) GAP Assessment; (ii) Monitoring of the recommendations for improvement made in the GAP Assessment report; (iii) Evaluation of the Maturity of the BR Privacy Program (stage planned for 2021);

Approval of the BR Privacy Program and the Cookies Policy updated in accordance with the LGPD (<https://www.br.com.br/pc/portal-da-privacidade-da-br>);

Implementation of an exclusive channel to meet the requirements of the Data Owners’ rights as established in the LGPD (<https://www.br.com.br/pc/portal-da-privacidade-da-br>);

Approval of the Internal Directive on the handling of personal data by BR;

Adoption of clauses for the handling of personal data in the standard drafts of service provision agreements and commercial contracts;

Activation of DLS in relation to the handling of personal data intended for all BR employees;

Communication actions for our employees, service providers and commercial partners concerning the matter of privacy and the LGPD;

Updating of the attributes of the ‘Integrity Agents’ operating in the different business areas to include responsibilities in support of the dissemination of the culture of privacy, adapted handling of personal data, and operational support.

In relation to corporate risk, the Center of Corporate Risks was updated over the course of 2020, resulting in a change in the severity for certain risks based upon the evaluation of the

effectiveness of controls and analysis of scenarios in the market. It is worth highlighting that the effects of the pandemic were considered for the evaluation and mapping of risks.

Furthermore, a more in-depth analysis of the Company's more serious Risk Factors was started in order to be able to identify the Root Cause, a fact that minimizes the probability of occurrence and reduces the impact of the risks in the event they do actually appear. Another factor that should be highlighted is the monitoring of actions relating to the Business Risks and Action Plans (controls) for the Process Risks together with the different areas of management.

In addition, qualitative and quantitative risk analyses were conducted, including M&A Projects, commercial negotiations, base expansion, Sourcing scenarios, brand management, procurement optimization, decision trees for legal risk assessment and labor settlements.

In relation to the activities involving internal controls, new best practices were developed to mitigate risks, considering BR's new segments of activity and the optimization of already existing processes. The area of Internal Control has been advising the managers, identifying and evaluating changes and risks that could affect the Company's system of controls. Furthermore, the automation of various different controls was proposed and implemented, minimizing execution errors and contributing to improving the efficacy and efficiency of the Company's operations.

It is worth noting that the Internal Control department contributed to the achievement of BR's goals, fostering trust in the financial reports and conformity with all applicable laws and regulations.

Lastly, we disseminated our culture of risk management, compliance and internal controls through communication initiatives and providing training for management and the company's workforce.

INTEREST ON CAPITAL AND DIVIDENDS

The total amount distributed as dividends and therefore included in the minimum mandatory dividend, both in the form of interest on equity already announced and dividends to be announced at the Annual General Meeting to be held on April 15th, 2021 ("AGM") is R\$ 2,305,206,951.34, or approximately R\$ 1.98 per common share, as shown in the table below:

Description	Payment Date	Gross amount per share (R\$)	Total Gross Amount (R\$)
Interest on equity already declared and paid	01/12/2021	0.42757683954	498,127,018.06
Additional dividends to the mandatory minimum and part of the additional dividends to be declared at the AGM	until 4/30/2021	0.94420600858	1,100,000,000.00
Remaining portion of the proposed additional dividends to be declared at the AGM	until 12/31/2021	0.60693556505	707,079,933.28
Total	-	1.97871841317	2,305,206,951.34

The amount equal to interest on equity shown in the table above was announced based on the share position in place on December 21th, 2020 and was paid on January 12th, 2021. This amount equal to interest on equity was restated monetarily at the SELIC interest rate from the end of the financial year ended December 31st, 2020 until the date on which payment is made. The existing income tax legislation classifies this restatement as a fixed-income investment yield, subject to Income Tax Withheld at Source - IRRF at the regressive rates.

We emphasize that the total gross amount of R\$ 498,127,018.06 shown in the table above shall be included in the minimum mandatory dividend in accordance with article 9 (7) of Law 9.249 issued 12/26/1995 and article 44 (sole paragraph) of our Bylaws.

RELATIONS WITH INDEPENDENT AUDITORS

Our management approach is based on our Code of Ethics, Code of Conduct and Corporate Governance Guidelines.

Article 23 XI of our Bylaws establishes that independent auditors are prohibited from providing consulting or advisory services for the duration of the audit engagement.

In 2020, KPMG Auditores Independentes conducted the independent audit of Petrobras Distribuidora.

RESULTS OF OPERATIONS

Analysis of financial performance in 2020

Non-GAAP financial measures - EBITDA, Adjusted EBITDA and adjusted EBITDA margin

Since January 01st, 2013 the Company has been calculating its EBITDA as instructed by CVM Directive 527 issued October 4th, 2012.

Adjusted EBITDA is a measure of net income plus net financial income, income tax and social contributions, depreciation and amortization expenses, amortization of prepaid service station

bonuses, expected losses on doubtful accounts in connection with the islanded and interconnected power grids, losses and provisions in connection with legal claims, termination costs of the Organizational Transformation Plan, expenses in connection with tax amnesty programs and taxes on financial income. Each adjustment is described in note 26 to the 2020 Financial Statements and is as an integral part of this earnings report.

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

EBITDA Reconciliation	Consolidated					
	R\$ million	4Q20	4Q19	3Q20	2020	2019
EBITDA Composition						
Net Income	3,148	96	335	3,905	2,211	
Net finance income	(261)	27	(22)	(264)	(1,990)	
Income and social contribution taxes	400	(96)	211	925	1,092	
Depreciation and amortization	134	146	132	537	528	
EBITDA	3,421	173	656	5,103	1,841	
Estimated allowances for doubtful accounts - Electric Sector (islanded and interconnected power systems)	-	-	-	(1)	(12)	
Losses and provisions in judicial and administrative proceedings	(23)	14	16	(49)	109	
Amortization of early bonuses awarded to customers	183	139	148	638	513	
Redundancy plans	-	330	-	(2)	311	
Actuarial rereasurement - Health care plan	(2,132)	-	-	(2,132)	-	
Severance Pay (Voluntary and Executive Severance Plan)	-	173	-	-	173	
Discount due to salary renegotiation - Organizational Transformation Plan	30	55	12	63	55	
Consultancy expenses - Organizational Transformation Plan	-	11	-	-	11	
Tax Amnesty Program	9	4	-	20	4	
Commodity hedges in progress	109	36	(75)	50	67	
Compensation gain under ES Gas concession agreement	-	-	(117)	(117)	-	
Proceeds from sale - Stratura	-	-	152	152	-	
Tax expenses on finance income	19	12	42	86	60	
ADJUSTED EBITDA	1,616	947	834	3,811	3,132	
Sales volume (millions of m ³)	10,278	9,929	9,455	36,751	40,181	
ADJUSTED EBITDA MARGIN (R\$/m³)	157	95	88	104	78	

Consolidated Performance 2020

Net sales revenue dropped by 14.2%, from R\$ 94.985 billion in 2019 to R\$ 81.501 billion in 2020. This decrease is primarily explained by the 6.2% decrease in average sales prices, in addition to the 8.5% decrease in the sales volume, which was hit hard by the COVID-19 restrictions.

Gross profit dropped by 25.2%, from R\$ 5.958 billion in 2019 to R\$ 4.457 billion in 2020, mainly due to COVID-19 restrictions, with the sales volume shrinking by 8.5%. In the last quarter of the year the greater sales mix selectivity, continuing efforts to improve sales margins and increased gains from our procurement strategy, the easing of restrictions and use of thermal power plants paved the way for a 8.7% increase in sales volumes compared with the same period last year. Diesel repositioning (especially in the consumer market), higher fuel demand from thermal power plants and resuming supplies of fuel to a major domestic aviation player at the end of the third quarter of 2020, combined with the new dynamics of the fuel distribution market and the easing of isolation measures increased were the primary factors behind the higher sales volume in the last quarter of 2020.

Adjusted operating expenses (less the effects of PIS and COFINS recoveries and CBIOS expenses) fell 36.3% in 2020, from R\$ 3.351 billion in 2019 to R\$ 2.133 billion in 2020. Most of this was due to the R\$ 454 million decrease in personnel expenses and charges originating from the voluntary severance plan, reductions in shipping expenses, lower engineering expenses and lower operations and logistics expenses.

Financial revenue/expense decreased by R\$ 1.726 billion to revenue of R\$ 264 million in 2020 compared with R\$ 1.990 billion in 2019, largely reflecting reduced credit recoveries from the power system under Debt Confession Instruments. In 2019, the full balance of the debt acknowledgment instrument with Amazonas Energia was settled, whose amounts received during the year totaled R\$ 2.154 billion, with no correspondence in 2020.

The net income for the year rose by 76.6%. BR's net income of R\$ 3.905 billion is substantial and reflects efforts to better manage the Company's liabilities, building on the Company's successful track record of positive results and profitability.

Adjusted EBITDA rose by 18% to R\$ 3.811 billion in 2020 from R\$ 3.132 billion in 2019, yielding an Adjusted EBITDA Margin of R\$ 104/m³ in 2020, an increase of 25% on the R\$ 78/m³ in 2019. Note our reduced operating expenses for expenses on salaries and benefits, shipping and lower provisions for expected credit losses, despite the challenges faced because of the COVID-19 which diminished our sales volumes by roughly 8.5% compared with 2019.

Performance by Business in 2020

Retail

In 2020, we expanded our service station network by 205 stations, ramping up our strategy of expanding profitably and quality, leveraging the opportunities to franchise non-branded service stations and open new units.

Headlines in the retail segment include:

BR Mania convenience stores

Despite 2020 having been an extremely challenging year for BR Mania, due to the government restrictions on customers remaining in stores brought about by the pandemic, as well as the general behavior of the consumer, that had an enormous impact on the food service category,

we managed to more than double our contribution margin, with all the improved efficiencies concerning organizational restructuring undertaken in 2019.

Furthermore, this result was possible due to the flexibility of the network, which sells for both immediate and future consumption. We made great use of our promotional calendar and our delivery partners over the course of the year, and through this we were able to observe that consumers frequented the stores less, but when they did visit they spent more. Our average ticket at the physical store reached record heights, rising 20% in comparison with 2019. And in the area of delivery, the ticket was 2.8 times greater than the value of that in the physical store.

The categories of tobacco and wine were of special note, representing an increase of 1% and 25% respectively, when compared to 2019. The food service and non-alcoholic drinks sectors however, which normally accompany them, dropped 34% and 18% respectively.

The year of 2020 was also notable for important renegotiations providing greater competitive standing for our value proposal relating to franchisees. Of special note was the negotiation with the food service logistics operator, that provided 12% economy for the chain, as well as the negotiation with our POS technology and software partner, where there was a reduction of 33%.

At the peak of the pandemic, we decided to exempt our franchisees from payment of two months of royalties, which meant a drop of 21% in our collection of royalties, but which was necessary to provide support to our chain at a moment of great uncertainty and retail lockdown.

However, we managed to close the year with 1,132 stores in operation, which, compared to the results of same sale stores, fell just 8%, a result that is above the average for the retail sector.

Lubrax+ lubrication centers

Despite the enormous challenges experienced in 2020, we expanded our chain of Lubrax+ franchises to 1,665 stations. Through August, the chain was heavily impacted by the crisis related to the COVID-19 pandemic, with a drop of more than 50% in sales, but we managed to make a partial recovery and ended the year with a 30% drop in invoicing. With the support of the franchisees in facing up to the crisis, we allowed exemptions on the payment of monthly royalties and the marketing fund during the most critical months of the pandemic.

The highlight of the year was the chain's ability to expand. Through until July there was a reduction of 53 units across the chain, however August saw a strong acceleration in the rate of units being opened, and we closed out the year with a positive balance of 26 units compared to December 2019.

In 2020 we also had good news in the Lubrax+ franchise: We implemented a new, more attractive and modern image, reinforcing the values and differences of the franchise, and incorporating improvements in the operational, and services and sales areas, all of which was achieved with reduced implementation costs. We also launched a Lubrax+ rebates program for each invoicing band, strengthened our investments in digital media for publicity of the franchise, intensified our promotional and sales incentive actions for lubricants, and renewed our commercial contracts with the franchise's leading partners.

‘Rede Siga Bem’ chain of excellence

The ‘Rede Siga Bem’ chain is BR’s highways-based chain of excellence, located on the most important of Brazil’s network of highways, offering a fully structured range of services dedicated to meeting the needs of truck drivers.

Over the course of 2020, the Rede Siga Bem chain expanded by 8%, with 113 stations in December, representing more than 30% of the total volume of highway diesel fuel traded by BR. We invested heavily in support actions designed to fight COVID-19, distributing meals, masks and bottles of alcohol gel, free of charge, to more than 80,000 truck drivers passing through the Siga Bem Rede service stations.

Also at the Rede Siga Bem, in June 2020, in partnership with Iveco, we started the 29th edition of the ‘Truck Drivers’ Gymkhana’ the biggest marketing campaign on Brazil’s highways, providing truck drivers with guidance on safety on the highways, quick health tests, provision of vaccinations, and the holding of tests designed to award a brand new Iveco truck to the best truck driver.

Retail Performance

The adjusted net revenue of the Retail Chain dropped by 10.1% to R\$ 50.813 billion in 2020 from R\$ 56.524 billion in 2019. The reduction is explained primarily by lower average prices (-4.6%) and a reduction of 5.7% in volumes.

Adjusted gross income fell by 22.7% to R\$ 2.527 billion in 2020, from R\$ 3.270 billion in 2019. This decrease is primarily due to the 8.3% decrease in the sales volume of the Otto cycle, 2.3% decrease in the diesel sales volume and lower sales margins.

Total adjusted operating expenses decreased by 34.6%, from R\$ 1.251 billion in 2019 to R\$ 818 million in 2020, primarily expenses on expected credit losses (R\$ 66 million), lower shipping expenses (R\$ 44 million) and Outsourced Services (R\$ 21 million), in addition to revenue from hedge transactions (R\$ 229 million).

The Adjusted EBITDA fell by 15.4% to R\$ 1.709 billion in 2020, from R\$ 2.019 billion in 2019, chiefly due to a 22.7% reduction in gross profit. The adjusted EBITDA Margin decreased by 10.2% to R\$ 81/m³ in 2020 from R\$ 90/m³ in 2019.

The Retail business accounted for approximately 62% of Adjusted Net Revenue and 45% of total Adjusted EBITDA.

B2B

We are leaders in the B2B market, with a market share of 36.5%. We serve 80% of the 100 largest companies in Brazil (Source: *Revista Exame*) with an extensive portfolio of light fuels, fuel oil, coke, electricity, chemicals, lubricants and aviation fuels.

In 2020 we served approximately 16,000 customers, selling 13.6 million cubic meters of products.

Accumulated Adjusted EBITDA for B2B fell by 4.5% in 2020 compared with 2019.

Adjusted gross income in this market decreased by approximately 13.3% in 2020 compared with 2019. This contributed to an adjusted EBITDA for the period of R\$ 1.371 billion, down approximately 7.1% from the previous year. The impact of the results can be justified, mainly, by the 4.4% reduction in the volume of products sold impacted by the restriction measures imposed by the Covid-19 pandemic, partially offset by the higher dispatch for thermals and by the reduction in the adjusted operating expenses of 26.2% compared to 2019, rising to R\$ 723 million in 2020.

Aviation Market

We are leaders in the aviation segment with a market share of 71.9%. We have 90 units throughout Brazil and more than 1900 active customers.

Approximately 39,000 aircraft fueling operations were completed per month in 2020, serving around our customers nationwide.

The market shrank by approximately 49.0% compared with 2019. The lower volume compared with 2019 was chiefly due to the onset of the pandemic in March 2020. In this context, BR's sales volumes in the aviation segment declined by 42.1%.

The reason for the sharp decline in the market is directly related to the effects of the COVID-19 pandemic which began to be felt in Brazil in March 2020, following the lockdown announced by several Brazilian states. In this context, BR's sales volumes in the aviation segment declined by 42.1%.

Adjusted EBITDA margin was R\$ 52.3/m³, down 49% on 2019. Undermined by deteriorating margins, the adjusted EBITDA in 2020 was R\$ 110 million compared with R\$ 373 million in 2019. This is due to the 40.6% decrease in adjusted gross income, to R\$ 474 million in 2020 impacted by the lower volume, as a result of the COVID-19 pandemic. Part of the impact on adjusted EBITDA was offset by a decrease of 14% in total adjusted operating expenses.

Debt

The Company's consolidated gross debt following the Derivative Instrument (swap) amounted to R\$ 8,050 million in the period ended December 31st, 2020, 18.8% more than the position at December 31st, 2019, primarily because of the following effects:

- Roll forward of R\$ 3.518 billion of the Debentures - Itaú maturing in April/2020, by amending the debentures issuance deed in order to change the maturity of R\$ 750 million; And through new funding totaling R\$ 2.733 billion.
- Short-term funding secured in March and April/20 at the onset of the COVID-19 pandemic in the amount of around R\$ 2.0 million;

Because of the short-term borrowing, 27.3% of the Company's gross debt was recorded in current liabilities as of December 31st, 2020.

Net debt at year-end 2020 was R\$ 4.691 billion, 6.3% more than the previous year's R\$ 4.413 billion.

The Company's average gross debt cost at December 31st, 2020 was 4.8% p.a. (6.0% p.a. as of December 31st, 2019). The main factors behind the reduction were the lower Selic base interest rate and above all our liabilities management.

Capex and branding

We and our subsidiaries invested R\$ 626 million in CAPEX, largely in maintaining our operational and retail hydrocarbon product distribution infrastructure. Investments in 2020 are listed in the following table.

Capex Investments (R \$ Million)	2020	%
Expansion and Improvement of Terminals, Bases and other Operational Facilities	279	44%
Maintenance and Expansion of the Service Station Network	57	9%
Expansion of the Lubricant Factory	80	13%
Works and Installations in Consumer Customers	23	4%
Safety, Health and Environment	11	2%
Expansion of the Natural Gas Network / ES	6	1%
Information Technology	146	23%
Other Investments	24	4%
Total	626	100%

We invested R\$ 826 million in 2020 towards the expansion of our service station network in 152 new service stations and toward franchise contract renewals, including R\$ 470 million in pre-paid bonuses, R\$ 323 in performance bonuses and R\$ 33 million in repayable financing.

Renovabio

As of 2020, the National Biofuels Policy (Renovabio) was effectively implemented, in line with Law nr. 13,576/2017, which, to encourage the production of biofuels and reduce carbon emissions, provides as its leading tool the creation of a carbon credits market and targets designed for its execution, considering the volume of fossil fuels traded by each fuel distributor, which is the only party required to compensate for the emission of these fuels, through the acquisition of 'CBIO's (Decarbonization Certificates) in this new market which is traded within the sphere of the 'B3'.

The CBIOs are issued by fuel manufacturers and importers that are duly certified according to their efficiency in mitigating a specific amount of greenhouse gases in relation to their fossil substitute.

At the same time as we support the Renovabio initiative, we are actively participating in discussions with the responsible authorities with the aim of implementing adjustments and improvements in the execution of the Program.

As such, fully complying with its legal obligation to acquire CBIOs for the year 2020, the Company acquired these certificates within the term established in these regulations, at a total of 4,040,538 (four million and forty thousand, five hundred and thirty eight) CBIOs, corresponding

to the sum of R\$ 190,168,374.98 (one hundred and ninety million, one hundred and sixty-eight thousand, three hundred and seventy-four reais and ninety-eight centavos).

On 28-Dec-20, the National Petroleum Agency (ANP) published BR's preliminary target for 2021, in the sum of 6,543,316 (six million, five hundred and forty-three thousand, three hundred and sixteen) CBIOS, which represents 26% of Brazil's entire target. The definitive target for 2021 will be made available by the agency on 3/31/2021.

Asset management in 2020

STRATURA

In accordance with our divestment schedule, we completed the disposal of 100% of the capital of Stratura Asfaltos S.A., a subsidiary that sells asphalt products, to Bitumina do Brasil Participações Ltda ("Buyer"), a Brazilian company controlled by Bitumina Industries Ltd., having its administrative offices in London, UK.

ES GÁS

A natural gas concession agreement was signed on July 22nd, 2020 between Companhia de Gás do Espírito Santo ("ES Gás") and Espírito Santo state, establishing ES Gás as the state's natural gas concession operator for 25 years, assuming all distribution services on August 01, 2020.

CDGN

Following the approval of the Administrative Council for Economic Defense (CADE), the sale was completed on 6/5/2020 of BR's entire interest in the company CDGN Logística S.A. (CDGN) to MDC I Fundo de Investimento em Participações Multiestratégia.

TARGUS

On 11/25/2020 the Share Purchase and Sale Agreement was signed for the companies Targus Comercializadora de Energia Ltda and Targus Serviços de Energia Ltda ("Targus Energia") in order to operate in the electricity trading segment across Brazil. The free market the energy traders operate in currently accounts for more 30% of the country's energy consumption, with huge potential for growth in the years ahead. Consummation of the transaction is subject to the approval of CADE - Administrative Council for Economic Defense.

*Financial
Statements and
Reports*





Petrobras Distribuidora S.A.
Statements of financial position
Years ended December 31, 2020 and 2019
(In millions of reais)

Assets	Note	Consolidated		Parent Company		Liabilities	Note	Consolidated		Parent Company	
		2020	2019	2020	2019			2020	2019	2020	2019
Current						Current					
Cash and cash equivalents	6	3,358	2,362	3,196	2,114	Trade accounts payable	13	2,196	2,307	2,226	2,331
Net accounts receivable	7	3,997	4,475	4,336	4,649	Loans and financing	14	2,082	4,254	1,980	4,104
Inventories	8	3,545	3,412	3,545	3,390	Leases	15	115	87	232	199
Advances to suppliers		55	29	54	29	Customer advances		666	285	666	279
Income tax and social contribution		126	224	126	221	Income and social contribution taxes		-	1	-	-
Taxes and contributions recoverable	16.1	1,417	906	1,417	821	Taxes and contributions payable	16	355	315	354	305
Bonuses advanced to clients	9	592	604	592	604	Dividends and interest on shareholders' equity	20.3	942	525	942	525
Prepaid expenses		60	56	60	56	Payroll, vacations, charges, bonuses and profit	17	233	309	232	306
Derivative financial instruments	27	19	9	19	9	Voluntary redundancy incentivization plan	18.1	-	2	-	2
Assets held for sale		11	38	11	36	Redundancy program and restructuring	18.2/18.3	1	115	1	115
Other current assets		171	110	177	117	Pension and health plan	19	102	192	102	192
		13,351	12,225	13,533	12,046	Derivative financial instruments	27	81	41	81	41
						Other accounts and expenses payable		169	166	151	157
								6,942	8,599	6,967	8,556
Noncurrent						Noncurrent					
Long-term						Loans and financing	14	5,675	1,703	5,007	962
Net accounts receivable	7	752	592	752	588	Leases	15	681	731	1,106	1,187
Judicial deposits	25.2	1,164	1,173	1,163	1,148	Pension and health plan	19	1,768	5,019	1,768	5,013
Taxes and contributions recoverable	16.1	1,422	607	1,422	520	Provision for judicial and administrative	25	899	1,040	899	1,039
Deferred income and social contribution tax	16.3	1,705	1,905	1,705	1,890	Other accounts and expenses payable		155	8	155	8
Bonuses advanced to clients	9	1,753	1,926	1,753	1,926			9,178	8,501	8,935	8,209
Prepaid expenses		139	153	139	153			16,120	17,100	15,902	16,765
Loans made to related parties		-	-	-	144						
Derivative financial instruments	27	498	-	498	-	Equity	20	6,353	6,353	6,353	6,353
Other noncurrent assets		14	15	9	10	Paid-in capital		7,055	4,681	7,055	4,681
		7,447	6,371	7,441	6,379	Revenue reserves		4	-	4	-
						Capital reserves		(1,205)	(2,268)	(1,205)	(2,268)
Investments	10	448	47	565	356	Asset and liability valuation adjustments		12,207	8,766	12,207	8,766
Property, plant and equipment	11	6,723	6,703	6,212	6,233			28,327	25,866	28,109	25,531
Intangible assets	12	358	520	358	517						
		14,976	13,641	14,576	13,485						
		28,327	25,866	28,109	25,531						

The notes are an integral part of these financial statements.



Petrobras Distribuidora S.A.
Statements of profit or loss
Years ended December 31, 2020 and 2019
(In millions of reais, except for earnings per share)

		Consolidated		Parent Company	
		2020	2019	2020	2019
Revenue from goods sold and services rendered	21	81,501	94,985	80,931	94,180
Cost of goods sold and services rendered	22.1	(77,044)	(89,027)	(76,547)	(88,300)
Gross profit		4,457	5,958	4,384	5,880
Operating expenses					
Sales	22.2	(2,237)	(2,965)	(2,224)	(2,936)
Allowance for credit loss	22.2	(55)	(52)	(43)	(57)
General and administrative	22.3	(457)	(868)	(442)	(842)
Tax		(147)	(108)	(146)	(106)
Other net income (expenses)	22.4	2,996	(654)	3,001	(657)
		100	(4,647)	146	(4,598)
Net income before finance income / (expense), results in equity-accounted investments, and income tax		4,557	1,311	4,530	1,282
Finance income / (expenses)	23				
Expenses		(385)	(449)	(436)	(502)
Income		450	2,568	442	2,549
Foreign exchange and inflation indexation, net		199	(129)	224	(86)
		264	1,990	230	1,961
Results in equity-accounted investments	10	9	2	66	54
Income before tax		4,830	3,303	4,826	3,297
Income tax and social contribution	16.3				
Current		(931)	(1,014)	(925)	(1,012)
Deferred		6	(78)	4	(74)
		(925)	(1,092)	(921)	(1,086)
Net income for the year		3,905	2,211	3,905	2,211
Basic result per share - R\$	20.5	3.3519	1.8979	3.3519	1.8979
Diluted result per share - R\$	20.5	3.3517	1.8979	3.3517	1.8979

The notes are an integral part of these financial statements.



Petrobras Distribuidora S.A.
 Statements of comprehensive income
 Years ended December 31, 2020 and 2019
 (In millions of reais)

	Consolidated		Parent Company	
	2020	2019	2020	2019
Profit for the year	3,905	2,211	3,905	2,211
Other comprehensive income				
Items that are not reclassified to profit or loss				
Pension plan				
Actuarial gains	557	(353)	557	(353)
Deferred income and social contribution taxes	(189)	120	(189)	120
	368	(233)	368	(233)
Health care plan				
Actuarial gains	695	(109)	695	(109)
	695	(109)	695	(109)
	1,063	(342)	1,063	(342)
Comprehensive income for the year	4,968	1,869	4,968	1,869

The notes are an integral part of these financial statements.



Petrobras Distribuidora S.A.
 Statements of changes in equity
 Years ended December 31, 2020 and 2019
 (In millions of reais)

	Consolidated									Parent Company	
	Share capital subscribed and paid in	Capital reserves / Options awarded	Revenue reserves				Other comprehensive income			Total equity	Total equity
			Legal	Statutory	Retention reserves	Additional dividends proposed / Interest on shareholders' equity	Retained earnings	Asset and liability valuation adjustments	Total equity		
At December 31, 2018	6,353	-	1,025	270	1,765	2,199	-	(1,926)	9,686	9,686	
Actuarial losses	-	-	-	-	-	-	-	(342)	(342)	(342)	
Net income for the year	-	-	-	-	-	-	2,211	-	2,211	2,211	
Allocations:											
Appropriation to reserves	-	-	111	-	976	-	(1,087)	-	-	-	
Additional dividends proposed / Dividends	-	-	-	-	-	(1,665)	(584)	-	(2,249)	(2,249)	
Interest on shareholders' equity	-	-	-	-	-	-	(540)	-	(540)	(540)	
At December 31, 2019	6,353	-	1,136	270	2,741	534	-	(2,268)	8,766	8,766	
Options awarded	-	4	-	-	-	-	-	-	4	4	
Actuarial gains	-	-	-	-	-	-	-	1,063	1,063	1,063	
Net income for the year	-	-	-	-	-	-	3,905	-	3,905	3,905	
Allocations:											
Appropriation to reserves	-	-	136	-	1,464	-	(1,600)	-	-	-	
Additional dividends proposed / Dividends	-	-	-	-	-	774	(1,807)	-	(1,033)	(1,033)	
Interest on shareholders' equity	-	-	-	-	-	-	(498)	-	(498)	(498)	
At December 31, 2020	6,353	4	1,272	270	4,205	1,308	-	(1,205)	12,207	12,207	

The notes are an integral part of these financial statements.



Petrobras Distribuidora S.A.
Statements of cash flows
Years ended December 31, 2020 and 2019
(In millions of reais)

	Note	Consolidated		Parent Company	
		2020	2019	2020	2019
Cash flows from operating activities					
Net income for the year		3,905	2,211	3,905	2,211
Adjustments to:					
Income tax and social contribution		925	1,092	921	1,086
Depreciation and amortization	22	537	528	541	531
Income on the sale/derecognition of assets		147	(17)	147	(12)
Expected credit losses, net of reversal	7	79	79	67	84
Earnings on material interests		(9)	(2)	(66)	(54)
Appropriation of early bonuses awarded to customers	9	652	519	652	519
Appropriation of insurance, rent and other		57	64	55	51
Net monetary and exchange variance		393	(1,944)	428	(1,924)
Gain at fair value, financial instruments, net	19	(909)	-	(909)	-
Expenses on pension and health plans	25.1	(1,711)	481	(1,711)	480
Provision for legal proceedings		(49)	109	(52)	108
Provision for voluntary redundancy incentivization		-	(21)	-	(21)
Provision Discount due to salary renegotiation		63	-	63	-
Recovery of PIS and Cofins - exclusion of ICMS from the calculation base	16.1	(1,040)	-	(1,040)	-
Provision for decarbonization credits (CBIOS)		190	-	190	-
Gain on concession agreement compensation		(117)	-	(117)	-
ICMS credits - End of permanent status		(52)	-	(52)	-
Other adjustments		14	(3)	16	(2)
Decrease (increase) in assets and increase (decrease) in liabilities					
Trade and other receivables		633	3,583	620	3,509
Inventories		(163)	(489)	(155)	(492)
Advanced bonuses awarded to clients	9	(467)	(991)	(467)	(991)
Prepaid expenses		(47)	(48)	(44)	(36)
Judicial Deposits		(21)	(98)	(21)	(98)
Acquisition for decarbonization credits (CBIOS)	12	(190)	-	(190)	-
Trade accounts payable		(345)	74	(378)	66
Income and social contribution taxes paid		(987)	(1,213)	(986)	(1,211)
Taxes, fees and contributions		118	(429)	163	(392)
Pension and health plan		(371)	(640)	(371)	(640)
Voluntary redundancy incentivization plan		(2)	(60)	(2)	(60)
Redundancy program and restructuring		(114)	115	(114)	115
Payments of legal proceedings		(51)	(53)	(51)	(53)
Customer advances		388	(17)	387	(21)
Other assets and liabilities, net		362	69	330	59
Net cash provided by operations		1,818	2,899	1,759	2,812
Investment activities					
Acquisitions of PPE and intangible assets		(606)	(595)	(541)	(557)
Contributions to investments		(13)	(36)	(13)	(36)
Receipt from the sale of assets		31	16	35	16
Receipt from FIDC		-	242	-	212
Dividends received		1	-	24	8
Receipt of loans awarded		17	-	17	1
Effect on the loss of control over equity interest		(11)	-	-	-
Net cash used in investment activities		(581)	(373)	(478)	(356)
Financing activities					
Financing					
Loans and financing	14.1	4,713	530	4,713	500
Amortization of principal	14.1	(3,396)	(122)	(3,278)	(10)
Amortization of interest	14.1	(297)	(361)	(251)	(308)
Dividends and interest on shareholders' equity paid	20.3.1	(1,080)	(3,049)	(1,080)	(3,049)
Leases					
Payments of principal	15.2	(95)	(110)	(209)	(186)
Interest payments	15.2	(70)	(77)	(78)	(119)
Assignment of credit receivables - FIDC-NP		-	(32)	-	-
Others		(16)	-	(16)	-
Net cash generated (used) in financing activities		(241)	(3,221)	(199)	(3,172)
Net change in cash and cash equivalents in the year		996	(695)	1,082	(716)
Cash and cash equivalents at beginning of year		2,362	3,057	2,114	2,830
Cash and cash equivalents at end of year		3,358	2,362	3,196	2,114

The notes are an integral part of these financial statements.



Petrobras Distribuidora S.A.
 Statements of added value
 Years ended December 31, 2020 and 2019
 (In millions of reais)

	Consolidated		Parent Company	
	2020	2019	2020	2019
Revenue				
Sales of products and services and other revenues	103,473	118,965	102,737	117,924
Expected credit losses	(79)	(79)	(67)	(84)
Revenue relating to construction of assets for use	457	447	380	401
	103,851	119,333	103,050	118,241
Inputs acquired from third parties				
Raw materials and resale goods	76,979	89,219	76,503	88,527
Materials, energy, third-party services and others	1,753	3,242	1,649	3,142
Tax credits on consumables acquired	3,430	3,918	3,265	3,671
	82,162	96,379	81,417	95,340
Gross value added	21,689	22,954	21,633	22,901
Retentions				
Depreciation and amortization	537	528	541	531
Added value produced by the Company	21,152	22,426	21,092	22,370
Transferred added value				
Equity earnings	9	2	66	54
Financial revenue - includes monetary and exchange variance	1,176	2,790	1,168	2,771
Rental and royalties	235	252	235	252
	1,420	3,044	1,469	3,077
Added value to be distributed	22,572	25,470	22,561	25,447
Personnel and management				
Direct compensation				
Salaries	424	801	414	782
Profit sharing	-	14	-	13
Performance bonus	30	52	30	52
Career and salaries plan	-	48	-	48
Discount due to salary renegotiation	63	55	63	55
	517	970	507	950
Benefits				
Advantages	68	83	66	81
Retirement and pension plan	201	259	201	258
Voluntary redundancy incentivization plan	-	(21)	-	(21)
Redundancy program and restructuring	(2)	332	(2)	332
Health care plan	(1,862)	298	(1,863)	297
	(1,595)	951	(1,598)	947
FGTS	52	127	51	126
	(1,026)	2,048	(1,040)	2,023
Taxes				
Federal	2,171	2,011	2,162	2,001
State	16,443	18,190	16,443	18,201
Municipal	27	32	27	32
	18,641	20,233	18,632	20,234
Financial institution and trade payables				
Interest, monetary and exchange variance	926	809	938	810
Commercial rental / leases	126	169	126	169
	1,052	978	1,064	979
Shareholders				
Interest on shareholders' equity	498	540	498	540
Dividends	499	50	499	50
Retained earnings	2,908	1,621	2,908	1,621
	3,905	2,211	3,905	2,211
Added value distributed	22,572	25,470	22,561	25,447

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”) is a publicly-traded corporation whose shares are traded on the Novo Mercado segment of B3 S.A. – Brasil. 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, 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 financial year ended December 31, 2020. No new information has been identified which would change the write-off of additional unduly capitalized expenditure recognized in third quarter of 2014 (R\$ 23). The Company will continue to monitor the investigations to obtain any additional information and assess its impact on the adjustments made.

From January to December 2020, no reimbursements were made under leniency agreements with companies (R\$ 3 in 2019).

1.3 Impacts caused by COVID-19 on our financial statements

Following the announcement by the World Health Organization on March 11, 2020 that the COVID-19 outbreak was a pandemic, the Company convened its Crisis Committee. We have since adopted mitigation measures to stabilize our operations, ensure normal provision of services to customers and to preserve the health and well-being of direct and indirect employees. Our Crisis Room also monitored the measures rolled out, which ranged from the implementation of new working procedures, new protocols and operational precautions, new forms of interacting with clients and new administrative processes.

All employees whose activities can be carried out remotely have been set up to work from home offices. To ensure the safety of our employees whose activities require them to be physically present, we have reduced staff levels to minimize the circulation of personnel at our operating plants and have instructed all personnel to adopt appropriate distancing in the workplace. We are providing transportation services to save our staff from having to use public transportation when commuting to and from work. We have also ramped up hygiene and cleanliness measures at our facilities and put together contingency plans for each plant to mitigate operational impact risks. We draw on our supply chain to improve the safety of tanker truck drivers, supply operators, forecourt staff and all gas station teams.

Resilience measures

In 3Q20 the Company observed a tentative recovery in sales versus 1Q20, in tandem with the gradual returning of people to the streets, especially in some of the country's largest cities. In the current quarter, BR's revenue from sales of diesel, gasoline and ethanol, the main products used in urban mobility, was 19% higher than in the 1st quarter, an increase of R\$ 4,135 for this group. Despite the recovery, revenue in this segment was down by 10%, or 9,786, compared with financial year 2019.



Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

Aviation kerosene sales are continuing to make a sluggish recovery, and were down by 27% in 4Q20 compared with the 1st quarter (from R\$ 2,350 in 1Q20 to R\$ 1,722 in 4Q20). Compared with financial year 2019, revenues in this segment declined by 47% (R\$ 4,676).

The measures adopted since the crisis' onset have been important, as a means to preserve cash and bolster liquidity, such as imposing contingency measures on expenses and capex and raising additional funds of around R\$ 2,000 through debt instruments. Approximately R\$ 1,500 of this funding was secured in the second quarter (Note 14). This funding complemented the Liability Management program already implemented to roll forward the debentures maturing in April 2020 of a preventive nature in light of the uncertainty triggered by the pandemic, in order to guarantee greater short-term liquidity (all with contracted terms of up to 1 year).

The pandemic has also presented additional challenges around its impacts on short-term liquidity for some of our clients. In this period we introduced several measures in order to help them, by postponing rent payments for our retail stations, temporarily suspending royalties and marketing fund payments, providing favorable terms for factoring receivables, amongst many other measures. We also individually analyzed the situation of each client and renegotiated commercial and payment terms in order to adjust them to the market situation.

Effects on the financial statements

In the aviation fuel segment, where we have an overarching footprint, travel and circulation restrictions naturally affected the operations of the main airlines severely. We engaged in ongoing close discussions with our leading clients so as to come up with the best solutions to ensure their operational and financial continuity. Despite sweeping expense contingency measures, the sharp downturn in demand in this segment has resulted in severe loss of economies of scale, affecting our consolidated margins in the period. We believe in the potential recovery of the segment as the effects of the pandemic gradually subside and are poised to act when this happens. Despite our positive outlook, the Company raised expected losses for the end of 2019 for this group of clients (note 28.3). The balance of expected credit losses for this segment as of December 31, 2020 is therefore R\$ 137 compared with R\$ 75 as of December 31, 2019.

Management believes that the deferred tax assets and non-current assets can be economically recovered, and there is therefore no need to recognise additional provisions for non-financial assets impairment. There are also no adverse material effects on the Company's operations casting doubt on its future as a going concern.

See below the growth in demand and the dynamics in the sector, as well as our adaptation to possible new trends in consumer habits.

2 Basis of presentation of the financial statements

The consolidated financial statements have been prepared in accordance with Brazilian accounting practices, including the pronouncements issued by the Accounting Pronouncements Committee (CPCs) and International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

The individual financial statements are being presented in accordance with accounting practices adopted in Brazil.

All material information related to the financial statements and that alone, is being presented, which corresponds to that used by it in its management.

The Company's Board of Directors approved the disclosure of these financial statements at a meeting held on



Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

March 09, 2021.

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 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, recognised as the present value of the obligations less the fair value of the plan's assets.

2.3 Functional currency and reporting currency

The functional and presentation currency of the Company and its investees is the Brazilian Real, which is the currency of its core market.

3 Use of judgments and estimates

The preparation of financial statements requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the accounting policies.

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

The effects resulting from the reviews conducted of accounting estimates are recognized in the period the estimates are reviewed in, and in subsequent periods, if the review affects both the present period and future periods.

Estimates that require substantial judgment or complexity in their application are presented in the following notes:

- Expected credit losses - note 7
 - Useful life of property, plant and equipment and intangible assets - notes 11 and 12
 - Impairment of property, plant and equipment and intangible assets - notes 11 and 12
 - Deferred income and social contribution taxes - note 16
 - Employee benefits (pension and health plans) - note 19
-



Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

- Judicial and administrative proceedings and contingencies - note 25
- Provision for decarbonization costs - note 22.4

4 Description of significant accounting policies

The Company has applied the accounting policies consistently in the individual and consolidated financial statements presented.

Assets and liabilities with a term of receipt or maturity of less than 12 months of the reporting date are presented as current assets and liabilities, and other assets and liabilities as non-current.

Significant accounting policies are described in the respective notes.

5 New accounting pronouncements

The main alterations and new standards not yet effective and which had not been adopted early by the Company as of December 31, 2020 are as follows:

Effective date	New standards or alterations	Description
January 01, 2021 (retrospective application)	Interest Rate Benchmark Reform – Phase 2 (amendments to CPC 48/IFRS 9, CPC 38/IAS 39, CPC 40/IFRS 7, CPC 11/IFRS 4 and CPC 06/IFRS 16)	Amendments to CPC 06 (R2), CPC 11, CPC 38, CPC 40 (R1) and CPC 48, the second part of a two-phase project on Interest Rate Benchmark Reform, introducing changes in the basis for determining contractual cash flows, hedge accounting and disclosures.
January 1, 2022	Onerous Contracts – Cost of Fulfilling a Contract (Amendments to CPC 25/IAS 37)	The amendments clarify that the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. Before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.
January 01, 2022 (retrospective application)	Property, plant and equipment - Revenue before intended use (alterations to CPC 27/IAS 16)	Amends IAS 16 to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while preparing the asset for its intended use.
January 01, 2022 (prospective application)	Annual improvements to IFRS standards 2018 - 2020	Comprises the following updates: IFRS 9 - rates to be used in the test for the derecognition of financial liabilities; IFRS 16 - alteration to illustrative example 13; IFRS 1 – simplifies the application of the standard by a subsidiary that becomes a first-time IFRS adopter later than its parent; and IAS 41 - cash flows for taxation when measuring fair value
January 01, 2022 (prospective application)	References to conceptual framework (alterations to CPC 15/IFRS 3)	Updates the reference to the conceptual framework and includes an exception for the recognition of obligations under IAS 37 and IFRIC 21. The alterations also prohibit the recognition of contingent assets acquired in a business combination.



Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

Effective date	New standards or alterations	Description
January 01, 2023 (retrospective application)	Classification of liabilities as current or noncurrent (alterations to CPC 26/IAS 1 and CPC 23/IAS 8)	This amendment clarifies that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date.
January 01, 2023 (retrospective application)	IFRS 17 Insurance Contracts, and amendments to IFRS 17 Insurance Contracts).	Issued in replacement of IFRS 4 Insurance (CPC 11 - Insurance Contracts). Establishes requirements on recognition and disclosure in order to allow the users of financial statements to assess the effect that insurance contracts have on an entity's financial position, financial performance and cash flows.

No significant impacts are expected on the Company's financial statements from the adoption of these standards.

6 Cash and cash equivalents

	Consolidated		Parent Company	
	2020	2019	2020	2019
Cash and bank deposits	50	239	50	238
Short-term investments				
Domestic	3,283	2,010	3,121	1,763
Foreign	25	113	25	113
Total	3,358	2,362	3,196	2,114

The short-term investments correspond to domestic investment funds whose funds are invested primarily in Brazilian federal public securities and Bank Deposit Certificates (CDB) at tier-one banks. All investments have immediate liquidity. Overseas short-term investments consist of overnight funds.

The Company bolstered its financial position by concluding negotiations in the year for funding (note 14).

⇒ Accounting policy

Cash and cash equivalents consist of cash on hand, available bank deposits and short term financial investments with high liquidity, subject to an insignificant risk of impairment, which are readily convertible into cash.



Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

The balance of tax credit rights (R\$ 23) and earn-out amounts receivable in connection with the sale of an equity interest in Stratura (R\$ 61) are measured at fair value through profit or loss.

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

	Consolidated					
	2020			2019		
	Gross accounts receivable	Allowance for credit loss	Accounts receivable net	Gross accounts receivable	Allowance for credit loss	Accounts receivable net
Overdue by						
Up to 3 months	61	(17)	44	179	(28)	151
3 to 6 months	76	(71)	5	49	(18)	31
6 to 12 months	82	(25)	57	59	(29)	30
Over 12 months	3,263	(3,129)	134	3,337	(3,188)	149
Total	3,482	(3,242)	240	3,624	(3,263)	361
Neither past due nor impaired	4,535	(26)	4,509	4,727	(21)	4,706
Total	8,017	(3,268)	4,749	8,351	(3,284)	5,067

	Parent Company					
	2020			2019		
	Gross accounts receivable	Allowance for credit loss	Accounts receivable net	Gross accounts receivable	Allowance for credit loss	Accounts receivable net
Overdue by						
Up to 3 months	61	(17)	44	167	(26)	141
3 to 6 months	76	(71)	5	48	(18)	30
6 to 12 months	82	(25)	57	57	(27)	30
Over 12 months	3,263	(3,129)	134	3,276	(3,135)	141
Total	3,482	(3,242)	240	3,548	(3,206)	342
Neither past due nor impaired	4,874	(26)	4,848	4,914	(19)	4,895
Total	8,356	(3,268)	5,088	8,462	(3,225)	5,237

7.2 Breakdown – Electric sector (Insulated system)

	Neither past due nor impaired	Overdue	Gross accounts receivable	Allowance for credit losses	Accounts receivable net
Eletrobras group					
Eletrobras	205	-	205	-	205
Centrais Elétricas do Norte do Brasil	-	1	1	(1)	-
	205	1	206	(1)	205
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	25	7	32	(7)	25
	25	983	1,008	(983)	25
Balance as of December 31, 2020	230	984	1,214	(984)	230
Balance as of December 31, 2019	667	985	1,652	(985)	667



Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

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

	Current supply	ICD 2014 and 2013	ICD 2018	Total
Balance as of December 31, 2018	14	94	1,010	1,118
Billing	336	-	-	336
Receipt	(327)	(19)	(2,676)	(3,022)
Monetary restatement / interest	-	5	56	61
Reversal of expected credit losses	15	3	1	19
Credit recovery	-	-	2,154	2,154
Balance as of December 31, 2019	38	83	545	666
Billing	389	-	-	389
Receipt	(402)	(16)	(425)	(843)
Monetary restatement / interest	-	2	15	17
(Creation) reversal of expected credit losses	-	-	1	1
Balance as of December 31, 2020	25	69	136	230

The Company and Eletrobras entered into contracts on April 30, 2018 with Eletrobras and its energy distribution concession operators to restore the guarantees established in CCDs 2014 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 would be assumed by Eletrobras in the event the distribution companies are privatized.

Accordingly, with the privatization of distribution companies Centrais Elétricas de Rondônia (Ceron), Eletricidade do Acre (Eletroacre) and Boa Vista Energia, in 2018 Eletrobras assumed the entire debt of Boa Vista and part of the debt of Eletroacre and Ceron. Energisa repaid in advance the portion of the debt that remained with Ceron and Eletroacre.

As of December 31, 2020 the amount receivable from Eletrobras stood at R\$ 205.

In relation to the contract with Amazonas Energia, in September 2019 the full amount was repaid in advance, and the Company recognized finance revenue of R\$ 1,446, representing negative goodwill of 6% on the balance restated through the payment date.

⇒ **Accounting policy**

Trade receivables are amounts due from customers for goods sold or services provided in the ordinary course of the Company's business and are measured at amortized cost.

Trade receivables that fail to meet the criteria for receipt of principal and interest are measured at fair value through profit or loss.

The Company recognizes the adjustment to present value, mainly for sales with a DSO of between 180 and 360 days, with interest embedded in customer prices, deducted from revenue (note 21). The advanced receipts under credit sales are derecognised from the Company's accounts receivable.



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Notes to the financial statements

(In millions of reais, unless stated otherwise)

Expected credit losses, when applicable, are recognized in financial assets measured at amortized cost.

⇒ Estimates and judgements

The expected credit losses are based on default risk assumptions, determining whether or not there is a significant increase in the credit risk, recovery factor and others. The Company uses this judgement in such assumptions and selected the inputs to calculate the expected credit losses.

Losses are recognized using a provision matrix based on historical credit losses and customers' operating segments. In evaluating any increase in credit risk, the Company considers information on late payments and external credit rating indicators (note 28.3.1).

Secured trade receivables are not included in the provision matrix for calculating expected credit losses.

8 Inventory

	Consolidated		Parent Company	
	2020	2019	2020	2019
Products for sale				
Petroleum derivatives				
Gasoline	461	452	461	452
Diesel fuel	1,165	1,265	1,165	1,265
Fuel oil	179	242	179	242
Aviation fuel	166	218	166	218
Lubricant	165	158	165	158
Other	106	151	106	147
Biofuels	924	663	924	663
	<u>3,166</u>	<u>3,149</u>	<u>3,166</u>	<u>3,145</u>
Other products	379	263	379	245
Total	3,545	3,412	3,545	3,390

(*) comprises the balances of ethanol and biodiesel inventory.

No inventory impairment was recorded as of December 31, 2020 and 2019.

Guarantees

The Company had R\$ 204 in inventory given in guarantee in legal proceedings at December 31, 2020, and R\$ 209 at December 31, 2019.

⇒ Accounting policy

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

Inventories of oil products, biofuels and raw materials are stated at the lower of the average acquisition cost and the net realizable value, which is the estimated selling price in the ordinary course of business, less the costs necessary to make the sale.



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

9 Advanced bonuses awarded to clients

2018	Additions	Write-off / appropriation	2019	Additions	Write-off / appropriation	2020
2,058	991	(519)	2,530	467	(652)	2,345
Current			604	592		
Noncurrent			1,926	1,753		

Early bonuses awarded to clients are subject to terms and targets to be performed, especially the consumption of volumes established in supply contracts (note 21).

10 Investments

10.1 Summary financials on subsidiaries, joint arrangements and associates

The table below presents the total assets, liabilities and results of the investees, not in proportion to the Company's interest.



Petrobras Distribuidora S.A.

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(In millions of reais, unless stated otherwise)

	Subsidiaries	Joint operation	Joint ventures								Associate	
			Fundo de Investimento Imobiliário FCM	Brasil Carbonos	Brasil Supply (a)	Energética Camaçari Muricy II (a)	Pecém Energia (a)	ES Gas	Nordeste I	Nordeste II		Nordeste III
Assets												
Current assets	268	24	-	2	4	206	1	19	21	25	-	
Noncurrent assets	898	102	17	4	4	659	6	18	31	166	22	
Total Assets	1,166	126	17	6	8	865	7	37	52	191	22	
Liabilities												
Current liabilities	462	10	10	2	3	176	-	-	-	-	-	
Noncurrent liabilities	668	-	3	-	-	34	5	14	23	126	-	
Equity	36	116	4	4	5	655	2	23	29	65	22	
Total liabilities	1,166	126	17	6	8	865	7	37	52	191	22	
Resultados												
Net operating revenue	14	54	-	-	-	392	-	-	-	-	-	
Net income/(loss) for the year	38	27	-	(1)	(2)	20	-	-	-	(2)	-	
Percentage of total equity participation - %	99.01%	49.00%	0.38%	50.00%	45.00%	60.02%	33.33%	33.33%	33.33%	33.33%	49.00%	
Percentage of participation in voting capital - %	99.01%	49.00%	0.38%	50.00%	45.00%	49.00%	33.33%	33.33%	33.33%	33.33%	49.00%	

(a) Period: 11/30/2020

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



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10.2 Description of the subsidiaries' activities

Fundo de Investimento Imobiliário - FII FCM

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

The Company must provide funding in the event that FII FCM is unable to bear the costs and expenses related to any payment or indemnification due under the terms of its founding instruments and prospectuses for the issuance of Real Estate Receivable Certificates (CRIs).

10.3 Description of the joint operation

Brasil Carbonos S.A.

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

The produce manufactured, processed and stored by Brasil Carbonos is sold by the Company directly to its end customers, for which it uses the existing operational facilities of Brasil Carbonos S/A., without the need to return the product to the bases or terminals.

10.4 Description of the activities of joint ventures and associates

Brasil Supply S.A. Having its registered office in Rio de Janeiro, the Company's core activity is the provision of logistics services; imports and exports, handling of cargo, fuels, lubricants and chemical products; and the storage and dispatch of other related products, amongst other services. On February 2, 2017, the Extraordinary General Meeting of Brasil Supply approved the starting of a process to file for judicial reorganization. The Company's equity interest in Brasil Supply is 0.38%.

Energética Camaçari Muricy II S.A. e Pecém Energética S.A. Their core activity is to build, install, operate, explore, maintain and sell the electricity generated by the thermal power plants Muricy II and Usina Termelétrica Pecém II, both of which are being built in the city of Dias D'Ávila – BA, and headquartered in Salvador – Bahia. These companies are preoperational.

On February 5, 2021 the Company signed a purchase and sale agreement to dispose of its equity interest in Energética Camaçari Muricy II S.A. and Pecém Energética S.A. (note 32).

Companhia de Gás do Espírito Santo - A mixed-capital company owned by BR and Espírito Santo state, having its registered office in Vitória, engaged in the provision of public piped-gas distribution services throughout Espírito Santo state.

Navegantes Logística Portuária S.A., Nordeste Logística I S.A., Nordeste Logística II S.A. and Nordeste Logística III S.A. These are privately held companies, with the sole purpose of exploring under lease public infrastructure to move and store liquid bulk, primarily fuel and have indefinite terms of duration. The exploration areas are: Navegantes - Porto Organizado de Vitória, Estado do Espírito Santo; Nordeste Logística I S.A., Nordeste Logística II



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Notes to the financial statements

(In millions of reais, unless stated otherwise)

S.A. and Nordeste Logística III S.A. - Porto Organizado de Cabedelo, Paraíba state.

BRF Biorefino de Lubrificantes S.A. This entity's core activity is to build and operate a used or contaminated lubricating oil (OLUC) re-refining plant in the state of Rio de Janeiro, operate and sell the OLUC collected to supply the re-refining plant, acquire OLUC and other consumables required to operate the re-refining plant and the purchase and sale of re-refined basic oil (OBR). BRF is presently preoperational.

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

Parent Company								
	2019	Additions	Reduction of share capital (c)	Equity income	Dividends	Amortization of asset appreciation	Derecognition on the sale	2020
Subsidiaries								
Stratura	222	-	(7)	3	(1)	-	(217)	-
FII	9	-	-	41	(9)	-	-	41
	231	-	(7)	44	(10)	-	(217)	41
Joint operation								
Brasil Carbonos (a)	78	-	-	13	(14)	(1)	-	76
Joint ventures								
Camaçari Muricy II	1	2	-	(1)	-	-	-	2
Pecém Energia	1	2	-	(1)	-	-	-	2
ES GÁS (b)	2	379	-	12	-	-	-	393
Navegantes	22	-	-	(1)	-	-	-	21
Nordeste I	1	-	-	-	-	-	-	1
Nordeste II	4	4	-	-	-	-	-	8
Nordeste III	5	5	-	-	-	-	-	10
	36	392	-	9	-	-	-	437
Associate								
BRF Biorefinos	11	-	-	-	-	-	-	11
Total	356	392	(7)	66	(24)	(1)	(217)	565

Parent Company									
	2018	Additions	Actuarial loss - Asset and liability valuation adjustments	Equity income	Dividends	Amortization of asset appreciation	Reclassification to asset available-for-sale	Other	2019
Subsidiaries									
Stratura	215	-	(1)	8	-	-	-	-	222
FII	-	-	-	13	(4)	-	-	-	9
	215	-	(1)	21	(4)	-	-	-	231
Joint operation									
Brasil Carbonos (a)	73	-	-	11	(5)	(1)	-	-	78
Joint ventures									
Camaçari Muricy II	-	1	-	-	-	-	-	-	1
Pecém Energia	-	1	-	-	-	-	-	-	1
ES GÁS (b)	-	2	-	-	-	-	-	-	2
Navegantes	-	22	-	-	-	-	-	-	22
Nordeste I	-	1	-	-	-	-	-	-	1
Nordeste II	-	4	-	-	-	-	-	-	4
Nordeste III	-	5	-	-	-	-	-	-	5
CDGN	21	-	-	3	-	-	(24)	-	-
	21	36	-	3	-	-	(24)	-	36
Associate									
BRF Biorefinos	12	-	-	-	-	-	-	(1)	11
Total	321	36	(1)	35	(9)	(1)	(24)	(1)	356

(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 December 31, 2020, the balance of R\$ 19 (R\$ 20 as of December 31, 2019) is classified in consolidated property, plant and equipment.

(b) Contribution to compensation for returnable assets.

(c) Stratura's capital decrease in exchange for the Company receiving assets.



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Sale of interest in Stratura Asfaltos S.A.

On January 16, 2020 the Company and Bitumina Industries Ltd, based in Dubai, signed a document establishing an exclusive right for 90 (ninety days) to trade and the general conditions to initiate discussions around a SPA (Sales Purchase Agreement) to sell its 100% interest in the shares of Stratura Asfaltos S.A (Stratura).

On August 18, 2020 the Company signed the documents and closed the operation selling its entire equity interest in Stratura to the company Bitumina do Brasil Participações Ltda (“Buyer”), a Brazilian company controlled by Bitumina Industries Ltd., having its administrative offices in London, UK (“Operation” or “Transaction”).

The Company’s financial statements recognised the investment derecognition of R\$ 217 and revenue from the equity interest sale of R\$ 65 under Other Net Revenue (Expenses). The Company received R\$ 4 of the total sales proceeds upon closure of the transaction and the remainder will be paid by the Buyer in accordance with an earnout mechanism linked to the company’s performance and the recovery of tax credits.

Stratura's assets and liabilities derecognized in the Company’s consolidated statements are presented below:

Assets		Passivo	
Current		Current	
Cash and cash equivalents	15	Trade accounts payable	38
Net accounts receivable	147	Taxes and contributions payable	14
Taxes and contributions recoverable	132	Loans payable	15
Other current assets	33	Other accounts and expenses payable	14
	<u>327</u>		<u>81</u>
Noncurrent		Noncurrent	
Long-term		Financing	30
Net accounts receivable	4	Loans payable	133
Judicial deposits	25	Other accounts and expenses payable	10
Taxes and contributions recoverable	84		<u>173</u>
	<u>113</u>		
		Equity	
Property, plant and equipment	28	Paid-in capital	209
Intangible assets	3	Revenue reserves	8
			<u>217</u>
	<u>471</u>		<u>471</u>

⇒ **Accounting policy**

Basis of consolidation and corporate investments

The consolidated financial statements, which include the information of the Company, its subsidiaries and their joint operation, have been prepared using consistent accounting practices and, when necessary, changes are made to these investees’ statements to ensure compliance with the accounting policies adopted by the Company.



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The intercompany transactions, balances, revenue and expenses are eliminated in the consolidated financial statements.

Subsidiaries

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

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

The equity income method is used to recognize the financial information of subsidiaries in the parent company's individual financial statements.

Joint arrangements

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

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

The Company recognizes its interest in the revenue, expenses, assets and liabilities relating to the joint operation in its consolidated statements. In the individual financial statements, the joint operation, formed through the entity with its own legal status, is recognized based on the equity method.

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

Associate

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

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



Petrobras Distribuidora S.A.
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(In millions of reais, unless stated otherwise)

11 Property, plant and equipment

	Consolidated					
	Land	Buildings and Improvements	Equipment and Other Assets	Assets under Construction	Rights of use (a)	Total
Cost of property, plant and equipment						
Balance as of December 31, 2018	313	3,764	5,168	837	118	10,200
Initial Adoption CPC 06 (R2) - IFRS 16	-	-	-	-	771	771
Balance at January 01, 2019	313	3,764	5,168	837	889	10,971
Additions	-	1	141	370	114	626
Write-offs	(1)	(2)	(115)	(1)	-	(119)
Transfers (b)	68	80	217	(262)	(106)	(3)
Capitalized interest	-	-	-	9	-	9
Balance as of December 31, 2019	380	3,843	5,411	953	897	11,484
Additions	-	2	157	300	116	575
Write-offs	(2)	-	(96)	(1)	(48)	(147)
Transfers (b)	1	83	134	(207)	-	11
Capitalized interest	-	-	-	14	-	14
Termination of ES Gas Agreement	-	(1)	(4)	-	(1)	(6)
Write-off under sale of Stratura	-	(22)	(41)	(1)	-	(64)
Balance as of December 31, 2020	379	3,905	5,561	1,058	964	11,867
Accumulated depreciation						
Balance as of December 31, 2018	-	(1,230)	(3,146)	-	(27)	(4,403)
Depreciation	-	(129)	(245)	-	(114)	(488)
Write-offs	-	1	107	-	-	108
Transfers	-	(4)	(13)	-	19	2
Balance as of December 31, 2019	-	(1,362)	(3,297)	-	(122)	(4,781)
Depreciation (b)	-	(134)	(252)	-	(111)	(497)
Write-offs	-	-	87	-	15	102
Transfers	-	(1)	(7)	-	-	(8)
Termination of ES Gas Agreement	-	-	4	-	-	4
Write-off under sale of Stratura	-	8	28	-	-	36
Balance as of December 31, 2020	-	(1,489)	(3,437)	-	(218)	(5,144)
Balance of property, plant and equipment						
At December 31, 2019	380	2,481	2,114	953	775	6,703
At December 31, 2020	379	2,416	2,124	1,058	746	6,723
Estimated useful life	-	01 to 60 years	02 to 31 years	-	01 to 125 years	

(a) See details of the right-of-use assets in note 15.



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Parent Company

Cost of property, plant and equipment	Land	Buildings and Improvements	Equipment and Other Assets	Assets under Construction	Rights of use (a)	Total
Balance as of December 31, 2018	307	3,380	5,080	438	437	9,642
Initial Adoption CPC 06 (R2) - IFRS 16	-	-	-	-	847	847
Balance at January 01, 2019	307	3,380	5,080	438	1,284	10,489
Additions	-	1	140	334	118	593
Write-offs	(1)	(1)	(113)	(1)	-	(116)
Transfers	67	82	217	(261)	(103)	2
Balance as of December 31, 2019	373	3,462	5,324	510	1,299	10,968
Additions	-	1	156	237	123	517
Write-offs	(2)	-	(95)	(2)	(49)	(148)
Transfers (b)	1	90	132	(206)	-	17
Termination of ES Gas Agreement	-	(1)	(4)	-	(1)	(6)
Balance as of December 31, 2020	372	3,552	5,513	539	1,372	11,348
Accumulated depreciation						
Balance as of December 31, 2018	-	(1,182)	(3,105)	-	(62)	(4,349)
Depreciation	-	(121)	(242)	-	(128)	(491)
Write-offs	-	1	104	-	-	105
Transfers (b)	-	(4)	(15)	-	19	-
Balance as of December 31, 2019	-	(1,306)	(3,258)	-	(171)	(4,735)
Depreciation	-	(127)	(248)	-	(126)	(501)
Write-offs	-	-	86	-	15	101
Transfers (b)	-	(2)	(3)	-	-	(5)
Termination of ES Gas Agreement	-	-	4	-	-	4
Balance as of December 31, 2020	-	(1,435)	(3,419)	-	(282)	(5,136)
Balance of property, plant and equipment						
At December 31, 2019	373	2,156	2,066	510	1,128	6,233
At December 31, 2020	372	2,117	2,094	539	1,090	6,212
Estimated useful life	-	01 to 60 years	02 to 31 years	-	01 to 60 years	

(a) See details of the right-of-use assets in note 15

(b) Essentially transfers between other groups, such as intangible assets, assets held for sale, among others.



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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 (note 15).

Guarantees

A portion of the Company's property, plant and equipment has been pledged as guarantees for judicial proceedings in which the Company is a defendant, with R\$ 13 on December 31, 2020 and R\$ 16 on December 31, 2019.

Impairment

As of December 31, 2020 and 2019 the Company did not recognize any asset impairment losses.

⇒ **Accounting policy**

The property, plant and equipment is stated at the historic cost of acquisition or construction, less accumulated depreciation and impairment, when applicable.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and loan costs on qualifying assets. Loan costs for construction in progress are capitalized until these assets are ready for use.

Subsequent expenditure is capitalised only when it can be reliably measured and when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Other repair and maintenance work expenses are directly recognised in profit or loss when incurred.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in other operating revenue/expense.

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

Depreciation is recorded using the straight line method, based on the rates determined using the estimated useful lives of the assets. Land is not depreciated. Facilities and improvements on third-party property are depreciated over the term of the relevant contracts with customers.

The Company recognizes the right-of-use asset at the lease contract start date. The right-of-use asset is initially measured at cost, which comprises the initial measurement of the lease liability, adjusted for any lease payments made up to the commencement date.

The right-of-use asset is subsequently depreciated by the straight-line method from the commencement date until the end of the lease term or during the underlying asset's useful life, which is determined on the same basis as the property, plant and equipment. The right-of-use asset is periodically reduced for impairment, if applicable, and adjusted for determined remeasurements of the lease liability.



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⇒ Estimates and judgements

Useful life

The useful life of an asset and depreciation methods are reviewed annually and any adjustments are recognized prospectively, as changes in accounting estimates.

In 2019 the Company revised the useful economic life of its property, plant and equipment, based on independent appraisals, only identifying a change to the useful life of Safety and Protective Equipment from 23 years to 22 years.

Because the nature of the Company's assets has not changed from one financial year to the other, the Company has elected to maintain the same useful lives in 2020 as in 2019.

Impairment

The Company assesses its definite-lived assets when there are signs of impairment.

12 Intangible assets

	Consolidated				
	Rights and Concessions	Decarbonization credits	Software (a)	Goodwill (b)	Total
Cost of intangible assets					
Balance as of December 31, 2018	377	-	482	29	888
Additions (c)	10	-	73	-	83
Transfers	1	-	-	-	1
Balance as of December 31, 2019	388	-	555	29	972
Additions (c)	6	190	141	-	337
CBIOS retirement	-	(190)	-	-	(190)
Transfers	(1)	-	(1)	-	(2)
Write-offs	(7)	-	-	-	(7)
Termination of ES Gas Agreement	(376)	-	-	-	(376)
Write-off under sale of Stratura	(4)	-	-	-	(4)
Balance as of December 31, 2020	6	-	695	29	730
Accumulated amortization					
Balance as of December 31, 2018	(104)	-	(308)	-	(412)
Amortization	(12)	-	(28)	-	(40)
Balance as of December 31, 2019	(116)	-	(336)	-	(452)
Amortization	(7)	-	(33)	-	(40)
Transfers	2	-	-	-	2
Write-offs	1	-	-	-	1
Termination of ES Gas Agreement	116	-	-	-	116
Write-off under sale of Stratura	1	-	-	-	1
Balance as of December 31, 2020	(3)	-	(369)	-	(372)
Balance of intangible assets					
At December 31, 2019	272	-	219	29	520
At December 31, 2020	3	-	326	29	358
Estimated useful life	10 to 20 years	Indeterminate	5 to 9 years	Indeterminate	



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(In millions of reais, unless stated otherwise)

Cost of intangible assets	Parent Company				Total
	Rights and Concessions	Decarbonization credits	Software (a)	Goodwill (b)	
Balance as of December 31, 2018	372	-	482	29	883
Additions (c)	10	-	72	-	82
Transfers	1	-	-	-	1
Balance as of December 31, 2019	383	-	554	29	966
Additions (c)	6	190	141	-	337
CBIOS retirement	-	(190)	-	-	(190)
Write-offs	(7)	-	-	-	(7)
Termination of ES Gas Agreement	(376)	-	-	-	(376)
Balance as of December 31, 2020	6	-	695	29	730
Accumulated amortization					
Balance as of December 31, 2018	(101)	-	(308)	-	(409)
Amortization	(12)	-	(28)	-	(40)
Balance as of December 31, 2019	(113)	-	(336)	-	(449)
Amortization	(7)	-	(33)	-	(40)
Termination of ES Gas Agreement	116	-	-	-	116
Write-offs	1	-	-	-	1
Balance as of December 31, 2020	(3)	-	(369)	-	(372)
Balance of intangible assets					
At December 31, 2019	270	-	218	29	517
At December 31, 2020	3	-	326	29	358
Estimated useful life	10 to 20 years	Indeterminate	9 years	Indeterminate	

(a) The Company has a balance of software under development of R\$ 179 (R\$ 83 as of December 31, 2019).

(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\$ 65 of the total software additions of R\$ 141 (R\$ 73 at December 31, 2019) was developed in-house (R\$ 22 at December 31, 2019).

Intangible assets consist of expenses on rights and concessions, goodwill, software and decarbonization credits.

Impairment

As of December 31, 2020 and 2019 the Company did not recognize any intangible asset impairment losses.

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

On July 22, 2020 the Company's Executive Board approved the terms of the natural gas concession agreement between Companhia de Gás do Espírito Santo ("ES Gás") and Estado do Espírito Santo. ES GAS became the new state natural gas concession operator for a term of 25 years, taking control of the distribution services on August 01, 2020, formerly provided by BR.

On the same date the compensation due to BR was also approved for the returnable assets and the conversion thereof into ES Gás shares in the amount of R\$ 379 pursuant to Law 10.955/2018.

Information about ES Gás can be seen in note 10.



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⇒ Accounting policy

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

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

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

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

The Decarbonisation Credits (CBIOS) acquired are recorded at historic cost in intangible assets and are not amortised. These assets can be sold and are used to settle the CBIOS provision.

⇒ Estimates and judgements

Useful life

The useful life is reviewed annually and any adjustments are recognized prospectively, as changes in accounting estimates.

In 2019 the Company reviewed the useful life of its intangible assets and identified no required adjustments. In 2020 the Company elected to maintain the same useful lives as in 2019.

The useful life of an intangible service concession asset is the period from which the Company can charge public consumers for use of the infrastructure until the end of the concession period, which in this case occurred on July 31, 2020.

Impairment

The Company assesses its property, plant and equipment when there are signs of impairment.

Goodwill is tested for impairment annually, regardless of whether there are any signs. To determine whether the goodwill has incurred impairment, the value in use has to be estimated of the cash generating units to which the goodwill has been allocated. In this case, the Company is considered to be a cash generating unit according to management's evaluation, based on its business model.

The recoverable value of an asset is the higher of: (a) its fair value less costs to sell and (b) its value in use. These assessments are carried out at the lowest level of assets for which identifiable cash flows exist.

The value in use is estimated based on the present value of future cash flows, using assumptions related to the Company's strategic plan, projected for the years 2021 to 2030, with the latter being projected forward, considering a real discount rate of 5.5% (7.3% in 2019). The nominal rate for 2020 and 2019 was 9.3% and 9.4% respectively.



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The main assumptions are:

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

The cash flows were adjusted to meet the assumptions of Technical Pronouncement CPC 01(R1) – Asset Impairment, i.e., financing activities, finance income/costs unrelated to the Company's normal activity, capital contributions, dividend payments and loan payments/receipts were disregarded. Cash flows resulting from the ongoing use of related assets is adjusted to reflect the specific risks and use the pre-tax discount rate. This rate is derived from the post-tax rate structured as part of the Weighted Average Cost of Capital (WACC).

13 Trade payables

	Consolidated		Parent Company	
	2020	2019	2020	2019
Trade accounts payable				
Domestic market	1,784	1,676	1,814	1,700
Foreign market	412	631	412	631
Total	2,196	2,307	2,226	2,331

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 and gasoline imports.

⇒ Accounting policy

Trade payables are obligations payable to suppliers for goods and services acquired in the normal course of business. They are initially recorded at the fair value of the products or services acquired and subsequently measured at amortized cost.



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14 Loans and Borrowings

	Contract currency	Contract index and interest rates	Maturity	Consolidated		Parent Company	
				2020	2019	2020	2019
Banco IBM	R\$	CDI - 0.37% p.a.	sept-20	-	19	-	19
NCE Santander	R\$	CDI + 0.85% p.a.	nov-20	-	503	-	503
Banco Rendimento (*)	R\$	CDI + 0.60% p.m.	jan-21	-	30	-	-
NCE Santander	R\$	CDI + 4.50% p.a.	mar-21	211	-	211	-
NCE Santander	R\$	CDI + 4.65% p.a.	mar-21	85	-	85	-
NCE Itaú	R\$	CDI + 4.05% p.a.	mar-21	203	-	203	-
CCB Itaú	R\$	CDI + 4.00% p.a.	apr-21	1,013	-	1,013	-
NCE Santander	R\$	CDI + 3.85% p.a.	apr-21	314	-	314	-
Bank of China	R\$	CDI + 2.50% p.a.	apr-22	86	-	86	-
CRA - Series 9 (**)	R\$	98% of CDI p.a.	jul-22	481	487	481	487
CRI 73 (***)	R\$	IPCA + 6.84% p.a.	feb-23	250	309	-	-
CRA - Series 10 (**)	R\$	100% of CDI p.a.	jul-24	204	206	204	206
CRI 99 (***)	R\$	IPCA + 4.09% p.a.	feb-25	181	208	-	-
Banco Itaú - Debêntures	R\$	CDI + 0.89% p.a.	apr-25	753	3,557	753	3,557
CRA - Series 11 (**)	R\$	IPCA + 5.59% p.a.	jul-25	309	294	309	294
CRI 100 (***)	R\$	IPCA + 4.98% p.a.	feb-32	339	344	-	-
Total domestic				4,429	5,957	3,659	5,066
NCE MUFG	Yen	2.08% p.a.	apr-21	125	-	125	-
Loan 4131 JP Morgan	US\$	0.91% p.a.	mar-22	325	-	325	-
Loan 4131 JP Morgan	US\$	0.92% p.a.	mar-23	325	-	325	-
NCE Citibank	US\$	1.22% p.a.	feb-25	1,040	-	1,040	-
NCE MUFG	US\$	2.08% p.a. up to 2021 and 2.18% p.a up to 2025	mar-25	350	-	350	-
Loan 4131 Scotiabank	US\$	2.19% p.a.	mar-25	1,163	-	1,163	-
Total international (***)				3,328	-	3,328	-
Total financing				7,757	5,957	6,987	5,066
Current				2,082	4,254	1,980	4,104
Noncurrent				5,675	1,703	5,007	962

(*) Write-off under sale of Stratura

(**) Debentures - Agribusiness Receivables Certificates

(***) Realty Receivables Certificates

Extension and settlement of part of the Banco Itaú debentures

In April 2020 the Company secured the approvals for the amendment to the Deed of the Company's first debentures issuance, maturing on 4/15/2020, resolved at the general debenture holders meeting (AGD) held 2/28/2020, in order to roll forward the maturity of a part of the principal to 4/15/2025 and to change the formula used to calculate compensatory interest. On 4/15/2020 the Company therefore settled R\$ 2,768 at maturity of the Debentures' principal of R\$ 3,518, with R\$ 750 being renegotiated and reclassified to noncurrent liabilities. The interest payable on the loan was changed from 111.57% p.a. of the CDI rate to CDI + 0.89% p.a. on 4/15/2020 and only for the part of the principal that was renegotiated.

Borrowing

In the financial year ended December 31, 2020 the Company obtained various loans totaling R\$ 4,713, including R\$ 2,848 denominated in foreign currency. All foreign-currency loans (NCEs and direct loans) were fully hedged for both value and maturity by swaps taken out with respective counterparties (note 28.2.1.1).

Amendment of Libor-indexed operations

Following reports that the Libor rate will be discontinued at the end of 2021, the Company amended its Libor-indexed swap contracts and debt instruments in order to swap the index for a fixed rate, thus avoiding the need to revise the instruments at the end of 2021. The change did not result in the need to reverse the swap and did not change the operation's final cost. The following contracts had their indexes amended in the third-quarter of 2020: 4131 JP Morgan and NCE Citibank.



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14.1 Changes in and reconciliation of financing cash flows

	Banking Market	Capital Market (CRIs and Debentures)	Total	Total
Domestic				
Opening balance at January 01, 2019	41	5,483	5,524	4,580
Additions (new borrowings)	530	-	530	500
Amortization of principal	(15)	(107)	(122)	(10)
Amortization of interest	(11)	(350)	(361)	(308)
Noncash changes				
Provision for interest	6	293	299	298
Inflation indexation	-	87	87	6
Closing balance at December 31, 2019	551	5,406	5,957	5,066
Additions (new borrowings)	1,865	-	1,865	1,865
Amortization of principal	(510)	(2,886)	(3,396)	(3,278)
Amortization of interest	(69)	(190)	(259)	(213)
Write-off under sale of Stratura	(30)	-	(30)	-
Noncash changes				
Provision for interest	104	101	205	205
Inflation indexation	-	87	87	14
Total Domestic	1,911	2,518	4,429	3,659
Overseas				
Opening balance at January 01, 2020	-	-	-	-
Additions (new borrowings)	2,848	-	2,848	2,848
Amortization of interest	(38)	-	(38)	(38)
Noncash changes				
Provision for interest	51	-	51	51
Exchange variation	467	-	467	467
Total Overseas	3,328	-	3,328	3,328
Closing balance at December 31, 2020	5,239	2,518	7,757	6,987

(*) Foreign loans and financing began in 2020.

14.2 Summarized information on financing maturities

	Consolidated							Parent Company	
	2020	2021	2022	2023	2024	2025	2026 onwards	Total	
Domestic Financing:	-	1,947	671	415	623	506	267	4,429	3,659
Indexed to floating rates	-	1,947	671	415	623	506	267	4,429	3,659
Overseas Financing:	-	135	424	840	515	1,414	-	3,328	3,328
Indexed to floating rates	-	1	338	754	429	371	-	1,893	1,893
Indexed to fixed rates	-	134	86	86	86	1,043	-	1,435	1,435
Total as of December 31, 2020	-	2,082	1,095	1,255	1,138	1,920	267	7,757	6,987
Total as of December 31, 2019	4,254	128	609	143	262	349	212	5,957	5,066

The fair value of domestic financing as of December 31, 2020 is R\$ 4,497 (R\$ 3,627 at the Parent Company) and of overseas financing is R\$ 3,207 (Consolidated and Parent Company).



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The fair values of domestic financing are determined by the cash flow method discounted by the interpolated spot rates of indexes (or proxies) of the respective financing and the Company's credit risk (Level 2). Foreign-currency financing is calculated by projecting the exchange rate for each maturity and the fair values are determined by the discounted cash flow method at the spot rates interpolated by the DI index and the Company's credit risk (Level 2).

The financial instruments sensitivity analysis can be seen in note 28.1.2.1.

14.3 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 2020 and the balances to be appropriated in the years ahead are as follows:

	2019	Costs incurred	Amortization	2020	2021	2022	2023	2024 onwards	Total
Debentures	(1)	(1)	1	(1)	-	-	-	1	1
CRA (*)	(13)	-	4	(9)	3	3	1	2	9
	(14)	(1)	5	(10)	3	3	1	3	10

(*) Debentures - Agribusiness Receivables Certificates

⇒ Accounting policy

Loans and borrowing are recognized at fair value less transaction costs incurred and, subsequent to initial recognition, are stated at amortized cost using the effective interest rate method.

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

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

All other loan costs are recorded in profit or loss in the year they are incurred in.

15 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 recognizes a right-of-use asset and a corresponding lease liability at the commencement date of the contract.

The right-of-use assets are depreciated over the contractual terms.



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15.1 Right-of-use assets – Changes by type of asset

	Consolidated				Parent Company			
	Land	Buildings and Improvements	Equipment	Total	Land	Buildings and Improvements	Equipment	Total
Balance as of December 31, 2018	65	8	18	91	66	290	19	375
Initial Adoption CPC 06 (R2) - IFRS 16	330	441	-	771	406	441	-	847
Balance at January 01, 2019	395	449	18	862	472	731	19	1,222
Additions	77	25	12	114	81	25	12	118
Transfers	(65)	(6)	(16)	(87)	(64)	(5)	(15)	(84)
Depreciation	(69)	(42)	(3)	(114)	(76)	(49)	(3)	(128)
Balance as of December 31, 2019	338	426	11	775	413	702	13	1,128
Additions	103	12	1	116	109	13	1	123
Write-offs	(28)	(5)	-	(33)	(28)	(6)	-	(34)
Depreciation	(67)	(41)	(3)	(111)	(75)	(48)	(3)	(126)
Termination of ES Gas Agreement	(1)	-	-	(1)	(1)	-	-	(1)
Balance as of December 31, 2020	345	392	9	746	418	661	11	1,090
Contract term	01 to 25 years	01 to 24 years	01 to 05 years		01 to 25 years	01 to 60 years	01 to 20 years	

15.2 Lease Liabilities – Changes in and reconciliation of financing cash flows

	Consolidado		Controladora	
	2020	2019	2020	2019
Opening balance	818	48	1,386	563
Initial Adoption IFRS 16	-	771	-	847
Adjusted opening balance	818	819	1,386	1,410
Payments of principal	(95)	(110)	(209)	(186)
Interest payments	(70)	(77)	(78)	(119)
Noncash changes				
Rights of use acquisitions	116	106	123	113
Provision for interest	70	78	125	137
Inflation indexation	-	2	34	31
Write-offs	(43)	-	(43)	-
Closing balance	796	818	1,338	1,386

15.3 Payment flows

	Consolidated			Parent Company
	Future value	Annual interest	Present value	Present value
Estimated commitments				
2021	174	(59)	115	233
2022	130	(65)	65	94
2023	127	(58)	69	99
2024	106	(51)	55	88
2025	106	(46)	60	97
2026 onwards	587	(155)	432	727
At December 31, 2020	1,230	(434)	796	1,338
Current			115	232
Noncurrent			681	1,106
At December 31, 2020			796	1,338
Current			87	199
Noncurrent			731	1,187
At December 31, 2019			818	1,386



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The payment of variable portions of the leases and payment of the short-term leases not comprising the liabilities was recognised in profit and loss amounting to R\$ 91 and R\$ 35 respectively (Consolidated and Parent Company). Payments of variable portions account for 11% in the consolidated statement and 7% in the parent company statement of fixed payments made.

The Company is therefore 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						
2021	2022	2023	2024	2025	2026 onwards	Total
130	100	81	76	70	358	815

15.4 Average nominal discount rates

Contractual term	Up to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	20 to 25 years
Average discount rate (% p.a.)	7.80%	10.09%	10.01%	10.02%	8.29%

15.5 Official Circular CVM/SNC/SEP/nº2/2019

15.5.1 Leases and rights-of-use

Official Circular CVM/SNC/SEP/nº2/2019 determines the presentation of balances of lease liabilities, rights-of-use, finance costs and depreciation based on the discounted cash flow, including projected future inflation, unlike CPC 06 (R2), which stipulates the calculation should use a cash flow not corrected for inflation. See below the table comparing both measurements for compliance with the CVM Circular, in order to ensure investors have access to reliable figures.

	Consolidated			
	Lease Liability (*)	Right-of-use	Financial Expense	Depreciation
CPC 06 (R2)	781	746	16	27
CVM Official Letter	1,154	1,012	28	37

(*) Denotes contracts impacted by the revision of IFRS16, i.e. contracts existing before the revision that were already classified as financial leases have not been included in this presentation.

15.5.2 Potential right to recoverable PIS/COFINS

Lease payments can generate a right to PIS and COFINS credits, providing they meet the conditions established in the tax legislation. The table below presents the potential recoverable PIS and COFINS credits embedded in the payments, including nominal payment flows and flows discounted to present value.



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	Consolidated	
	Consideration	PIS/COFINS
Nominal cash flow	751	70
Presente value flow	336	34

⇒ Accounting policy

Lease liabilities are initially measured at the present value of the lease payments (without projecting future inflation), as discounted using the Company's incremental borrowing rate, and are subsequently measured at amortized cost using the effective interest rate method.

Lease liabilities are remeasured when there is a change in future payments resulting from changes: in indexes or rates; in the Company's assessment of whether a purchase option will be exercised; or in the lease term as a result of an extension or termination.

The lease payments included in the measurement of the lease liabilities comprise the following: fixed payments, including in-substance fixed payments; variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and the exercise price of a call option if the lessee is reasonably certain to exercise that option.

Short-term lease payments are not included in lease liabilities, but are instead recognized in profit or loss.

16 Taxes

16.1 Taxes and contributions

	Consolidated						
	Assets			Liabilities			
	2020			2020			
	Current	Noncurrent	Total	2019	Current	Total	2019
ICMS	878	591	1,469	1,425	187	187	186
IPI	4	-	4	9	-	-	-
PIS / COFINS (*)	487	831	1,318	29	-	-	71
Income and social contribution taxes withheld at source	-	-	-	-	70	70	30
Other	48	-	48	50	98	98	28
Total	1,417	1,422	2,839	1,513	355	355	315

(*) Includes credits arising from the exclusion of ICMS from the PIS and COFINS calculation base.

ICMS in the PIS and COFINS calculation base

The Company's legal proceeding to recognise the right to exclude ICMS from the PIS and COFINS calculation base and to offset unduly paid amounts received a favourable final and unappealable decision in June 2020, ordering ICMS be excluded from the calculation base for these contributions.

On October 28, 2020, a certificate was issued declaring that the supplementary favorable decision by the 12th Federal Court of Rio de Janeiro was no longer appealable. The supplementary decision establishes that the amount



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of ICMS to be excluded from the PIS/COFINS tax base under the guidance issued by the Federal Supreme Court (STF) (RE 574706) is the amount stated on the invoice.

This additional confirmation from the courts of the legal concept and the method of calculating the tax credit supported recognition of R\$ 1,437 in profit or loss in 2020: R\$ 1,040 in principal as other revenue (note 22.4) and R\$ 397 in interest (note 23).

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

16.2 State Amnesty Programs

On December 31, 2020 and 2019, the Company settled various state ICMS tax debts, through Amnesty Programs.

State	State Law / Decree	Incentives secured	2020		
			Existing debts	Reduction incentive	Amount to be paid after the benefit
Mato Grosso do Sul	Law 5457 dated 12/18/2019	Decrease of 95% (ninety-five percent) on total punitive or arrears fines, and 80% (eighty percent) of corresponding arrears interest	55	38	17
Alagoas	Decree 71.800 issued 10/23/2020	Decrease of 95% on total punitive fines, interest and other legal charges.	4	3	1
Distrito Federal	Decree 41,463 issued November 13, 2020	Decrease of 95% (ninety-five percent) on total fines and interest at sight in a lump sum, or financed with a decrease of up to 60% (sixty percent) on the total fines and interest.	29	20	9
Mato Grosso	Decree MT 578/2020	Decrease of up to 75% on total fines and interest at sight in a lump sum, providing the payment is made by 12/30/2020.	2	1	1
Rio Grande do Norte	Law 10.874/20 and Decree 30.084/20	Decrease of 95% (ninety-five percent) on total fines and interest at sight in a lump sum, or financed with a decrease of up to 60% (sixty percent) on the total fines and interest.	1	1	-
Piauí	State Law 7404 dated 11/09/2020	Decrease of 95% (ninety-five percent) on total fines and interest at sight in a lump sum, or financed with a decrease of up to 60% (sixty percent) on the total fines and interest.	1	1	-
Sergipe	Law 8.763/202 and Decree 40.691/2020	Decrease of up to 95% (ninety-five percent) on total fines and interest at sight in a lump sum, providing the payment is made by 11/30/2020.	22	17	5
Total			114	81	33

State	State Law / Decree	Incentives secured	2019		
			Existing debts	Reduction incentive	Amount paid after the benefit
Mato Grosso	Law 10.977/19 and Decree 216/19	Discount of 75% on total interest, arrears fine and penalty incurred due to breach and/or nonperformance of principal obligation and 75% of the total penalty for not performing the auxiliary obligation.	11	5	6
Other amnesties			1	-	1
Total			12	5	7



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16.3 Deferred income and social contribution taxes

16.3.1 Transactions

Source of the recorded deferred taxes	Consolidated							Parent Company	
	2018	Recognized in		2019	Recognized in		Write-off under sale of Stratura	2020	2020
		Net income	Equity		Net income	Equity			
Accounts receivable	75	(37)	-	38	27	-	(17)	48	48
Bonuses advanced to clients	727	98	-	825	102	-	-	927	927
Property, plant and equipment	(36)	(43)	-	(79)	(28)	-	3	(104)	(104)
Leases	(72)	(1)	-	(73)	12	-	-	(61)	(61)
PIDV (*)	28	(27)	-	1	(1)	-	-	-	-
Judicial proceedings	340	13	-	353	(48)	-	-	305	305
Post-employment benefits	801	(43)	120	878	(36)	(189)	(2)	651	651
Tax loss carryforwards	1	(1)	-	-	-	-	-	-	-
Judicial deposits	(123)	(13)	-	(136)	(11)	-	-	(147)	(147)
Hedge	24	15	-	39	(33)	-	-	6	6
Profit sharing	23	(23)	-	-	-	-	-	-	-
Other	75	(16)	-	59	22	-	(1)	80	80
Total	1,863	(78)	120	1,905	6	(189)	(17)	1,705	1,705
Deferred income tax	1,369			1,401				1,253	1,253
Deferred social contributions	494			504				452	452
	1,863			1,905				1,705	1,705
Deferred tax assets	2,398			2,357				2,167	2,167
Deferred tax liabilities	(535)			(452)				(462)	(462)
	1,863			1,905				1,705	1,705

(*) Voluntary Redundancy Incentivization Plan



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16.3.2 Realization estimate

Period	Deferred income tax and CSLL	
	Consolidated	Parent Company
2021	393	393
2022 to 2024	526	526
2025 to 2030	786	786
December 31, 2020	1,705	1,705
December 31, 2019	1,905	1,890

16.3.3 Reconciliation of income tax and social contributions on net income

The reconciliation of taxes determined at the statutory rates and the amount of taxes recognised in FYs 2020 and 2019 are shown below:

	Consolidated			
	2020	2019	2020	2019
Net income before tax	4,830	3,303	4,826	3,297
Income and social contribution taxes at nominal rates (34%)	(1,642)	(1,123)	(1,641)	(1,121)
Adjustments to determine effective rate:				
• Net permanent additions/exclusions	(107)	(47)	(92)	(33)
• Interest on shareholders' equity	169	184	169	184
• Tax incentives	11	18	11	18
• Expenses on A.M.S. health benefit for retirement	641	(92)	641	(92)
• Other items	3	(32)	(9)	(42)
Income tax and social contribution	(925)	(1,092)	(921)	(1,086)
Current IR and CSLL	(931)	(1,014)	(925)	(1,012)
Deferred IR and CSLL	6	(78)	4	(74)
	(925)	(1,092)	(921)	(1,086)
Effective income and social contribution tax rate	19.2%	33.1%	19.1%	32.9%

⇒ Accounting policy

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

Deferred income and social contribution taxes are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

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

Income and social contribution taxes are recognized in profit or loss, except in proportion as they relate to items directly recognized in equity. In this case, the taxes are also recognized in shareholders' equity.



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Current income and social contribution taxes are presented net by the taxpayer, when there is a legally enforceable right to offset the recognised amounts when there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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

⇒ Estimates and judgements

Management periodically evaluates the positions taken in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The recognition of the deferred tax assets requires the use of estimates set out in the Business Plan, which is approved annually by Board of Directors. This plan sets out the main assumptions supporting the measurement of the future taxable earnings.

17 Payroll, vacations, charges, bonuses and profit sharing

The balances for the main short-term benefits awarded to employees are as follows:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Provision for vacations	64	104	64	103
Salaries, charges and other provisions	46	96	45	95
Discount due to salary renegotiation (note 17.1)	68	55	68	55
Performance bonus/short-term incentives (note 17.2)	55	53	55	53
Profit sharing	-	1	-	-
Total	233	309	232	306

17.1 Discount due to salary renegotiation

This relates to individually negotiated bonuses for pay cuts pursuant to article 444 of the Brazilian Consolidated Labor Regulations (CLT) and an agreement concluded with the Superior Labor Court.

On December 31, 2019 the Company established a provision for bonus payments R\$ 55, of which R\$ 50 was paid in 2020, followed by the reversal of R\$ 5.

On December 31, 2020, the Company provisioned for R\$ 68 to be paid in 2021.

17.2 Performance bonus and short-term incentives

17.2.1 Payment of employee bonuses

In 2020 the Company reversed the provision of R\$ 49 for employment performance premiums, as this premium was not approved for FY 2019.



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In the financial year ended December 31, 2020 the Company provisioned for R\$ 21 as payment of the special premium for the organisational transformation, based on its best estimates. This left a payable balance of R\$ 4.

As of December 31, 2020 the Company had provisioned for the amount of R\$ 45 for payment of the short-term incentives to employees for FY 2020.

17.2.2 Payment of bonuses to executive board members

In December 2019 the Company provisioned for R\$ 3 as a bonus for Executive Board members, to be paid based on the percentage performance of corporate and business unit targets. The provision has been made for the part of the program payable at sight (60%), in 2020.

On October 16, 2020 the Company fully settled the premium programs for FYs 2017 to 2019 of the Executive Board members.

On December 31, 2020 the Company accordingly provisioned for the amount of R\$ 10 for payment of the short-term incentive program.

17.3 Share-based remuneration plan

The Extraordinary General Meeting held July 28, 2020 approved the Long-Term Incentive Plan for Stock Options and Restricted Shares Plan - Matching Shares Program, with the latter only applicable to Statutory Officers.

These plans aim to: (i) align the interests of the shareholders and the executives (ii) recognize successful execution of the Company's Business Plan (iii) bolster the long-term vision in relation to the Company's decisions and (iv) retain talent and share the organization's success.

Under the Long-Term Incentive Plan for Stock Options, the executive receives options in the Company that may be converted into shares for a period of three years (exercise period) following a specified vesting period of three years counting from the moment they are awarded. In the Restricted Shares Plan - Matching Shares Plan, the executive receives shares as consideration for the investment made to buy the Company shares in the market, using part of their short-term incentive, also after a determined grace period of three years starting on the date the investment is made.

The first award under the Stock Option Long-Term Incentive Plan was made on July 31, 2020, with R\$ 4 being recognized as payroll expense, including social security charges, as of December 31, 2020.

The first award under the Matching Shares Plan only takes place in 2021.

See information about the program:

Program	Grant date	End of grace period	Date of expiration	Amount awarded in the period	Amount canceled	Assets under grace period at 12/31/2020	Strike price at grant	Restated strike price	Fair value
Stock Options 2020	07/31/2020	07/31/2023	07/31/2026	3,417,133	9,441	3,407,692	R\$ 21.81	R\$ 21.81	R\$ 7.36



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The grant options' fair value was calculated by the Binomial method. The variables used were: Risk-free rate of 4.25% p.a.; Dividend Yield of 1.90% (excluding the 2019 yield as it was above the historic average) and Volatility of the share for 2 years, which was 34.03%, in addition to the vesting and exercise terms.

⇒ Accounting policy

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as a personnel expense, with a corresponding increase in equity, over the vesting period of the benefits.

18 Redundancy plans

18.1 Voluntary Redundancy Incentivization Program - PIDV

The change in the provision in 2020 is as follows:

Balance at December 31, 2018	83
Withdrawals	(38)
Retained indemnities	3
Restatement / adjustments	(3)
Use through dismissal	(60)
Additional PIDV BR 2018 Provision	17
Balance at December 31, 2019	2
Use through dismissal	(2)
Balance at December 31, 2020	-

18.2 Voluntary Severance Program – PDO

The Company rolled out a voluntary severance program (PDO) in November 2019.

And PDO BR 2019 ended on May 12, 2020 with a total of 907 severances.

18.3 Company Restructuring

The Company's organisational structure shed some 140 management positions in 2019 as a result of restructuring. Severances under this restructuring have not been included in the programs mentioned in items 18.1 and 18.2, because they were not voluntary or optional. Accounts payable of R\$ 94 (R\$ 91 million at December 31, 2019) was accordingly recognized, with R\$ 93 having been paid through December 2019 (R\$ 64 through December 2019), leaving a balance payable of R\$ 1 as of December 31, 2020.

19 Employee benefits

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



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	Consolidated		Parent Company	
	2020	2019	2020	2019
Liabilities				
Renegotiated Petros pension plan	1,194	1,764	1,194	1,764
Non-renegotiated Petros pension plan	446	576	446	576
Petros 2 pension plan	47	18	47	15
Health care plans	183	2,850	183	2,850
Other Plans	-	3	-	-
Total obligations pension and health plans	1,870	5,211	1,870	5,205
Current	102	192	102	192
Noncurrent	1,768	5,019	1,768	5,013

19.1 Pension plans

Fundação Petrobras de Seguridade Social - Petros is charged with managing the Company's supplementary pension plans. Petrobras founded Petros as a private nonprofit company, with administrative and financial independence.

Renegotiated and Non-renegotiated Petros Plan

The Renegotiated and Non-renegotiated Petros Plans (formerly the Petrobras System Petros Plan) are defined-benefit pension plans created by Petrobras in July 1970 to ensure participants a supplement to the benefit granted by Social Security, and are currently intended for Petrobras and Company employees. The plan is closed to employees joining the company after September 2002.

The Petros Foundation funding plan uses a capitalization basis, for most of the benefits. The sponsors make regular contributions in amounts equal to the contributions made by the participants (employees, assisted participants and pensioners), i.e. on an equal footing.

In 2020, the Company paid roughly R\$ 95 in employers' contributions (normal and extraordinary) for the plans (PPSP-R and PPSP-NR). The expected contributions to the plans (PPSP-R and PPSP-NR) amounted to R\$ 102 for FY 2021.

The average length of the plans' actuarial liabilities (PPSP-R and PPSP-NR) is 12.08 years and 11.00 years respectively as of December 31, 2020 (14.30 years and 11.95 years as of December 31, 2019).

Settlement of Financial Commitments (TCFs)

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. The amount paid in 2019 was 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.

Notwithstanding its settlement, the TCF – Pension Difference stipulates the Company pay any actuarial adjustments, as per the annual actuarial calculation. The actuarial adjustment for 2019 owed by the Company was paid on April 30, 2020 in the amount of R\$ 27.



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Repairing the deficit accumulated in 2015 (2015 PED)

In March 2018 the Deficit Repair Plan (PED) of the Petrobras Group Petros Plan (PPSP) started to address the deficit accumulated in 2015, by collecting extraordinary proportional contributions by active and assisted participants and the sponsor. PED 2015 payments are effective through May/2020. The New PED came into force in June/2020, as explained below.

New Deficit Repair Plan (New PED) – PPSP-R and PPSP-NR

Because the deficits accumulated in 2018 have breached the legal limit, Petros needed to implement a new deficit repair plan. Known as the new PED, this repair was approved by PREVIC and published in the DOU (Official Government Journal) on May 05, 2020, where the new rates for the extraordinary contribution was deducted in the accrual period June/2020.

Petros implemented the new PED to seek an alternative to restore the balance of the Petros Plan of Petrobras Group – renegotiated (PPSP-R) and Petros Plan of Petrobras Group – Not Renegotiated (PPSP-NR), which includes the 2015 and 2018 deficits, in addition to reducing the financial impact of the participants' extraordinary monthly contributions.

The solution includes changing certain rights and changes to the regulations of both plans, intended for active and assisted participants not belonging to the Pre-70 Group, especially in the calculation of Lump sum benefit on death and 13th additional payment, and the calculation of the benefit for future ineligible retirees, as per the regulatory criteria for defining the assured right. The proposed amendment includes adopting the average of the thirty-six participating salaries as a basis for calculating the real additional retirement benefit. disassociating the adjustment of assisted participant's benefits from the adjustment awarded by the sponsor to its employees, with consequent indexing of the assisted participant's benefits to the plan's index - IPCA price index, applicable to PPSP-NR; and disassociating the additional retirement payments from the benefit paid by the INSS, consequently associating the additional retirement amounts to the hypothetical INSS (Reference Unit – UR), amongst others. The proposed New PED was fully signed off by PREVIC in May/20 and began to be implemented in June/20.

The New PED's obligations included the requirement for the sponsors to make extraordinary contributions in exchange for reducing the Lump sum benefit on death applicable to participants and assisted participants. The Company's total obligation was established in a debt financing instrument of R\$ 150 subject to the following terms: 15-year term, with a grace period of until 12/31/2020, and the semi-annual payments of principal and interest commencing January 2021, restated by the actuarial target calculated annually in accordance with the plans' premises, in addition to a prepayment option. The Company submitted promissory notes amounting to R\$ 342 as collateral.

On 12/18/2020 the Company exercised its prepayment option under the contract and fully repaid its debt of R\$ 162 in installment payments that BR undertook to pay under the New PED.

Through December 31, 2020 the Company disbursed R\$ 224 as extraordinary PED contributions - employee's part (PED 2015 through May/2020 and New PED from June/2020).



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Petros-2 Plan

The Petros-2 Plan was introduced in July 2007 in the form of variable contributions, with sponsors undertaking to assume the past service of contributions for the period in which the participants had no plan, from August 2002, or subsequent recruitment, up to August 29, 2007. The Petros-2 plan is open to new entrants, but there will be no past service payments.

The defined-benefit portion of this plan covers the risk of disability and death, guarantees a minimum benefit and life annuity, and related actuarial commitments are recorded according to the projected unit credit method. The defined-contribution portion of the plan is intended to form a reserve for scheduled retirement, contributions to which are recognized in profit or loss according to their payments. In 2020, the Company's contribution to the defined-contribution portion amounted to R\$ 27 (R\$ 46 in 2019).

The defined-benefit portion of the contribution has been suspended until March 31, 2021.

Contributions of R\$ 30 are expected from sponsors for 2021 relating to the defined-contribution portion.

The average duration of the plan's actuarial liability as of December 31, 2020 is 16.52 years (23.64 years as of December 31, 2019).

19.2 Pension plan assets

The Petros Foundation annually prepares plan-specific, five-year Investment Policies that guide management of plan assets. Optimal plan portfolios are developed: (i) for the BD plans, by seeking the least-possible net cash flow mismatch, provided the actuarial target is met; or (ii), for the CV plan, by meeting the actuarial target with the least possible value at risk (VaR).

Continuous improvement of the Investment Policies in the previous two-year period, within the introduction of new concepts, such as the whole portfolio approach to risk management, and a focus on changes in plan liabilities, have brought improvements to the management of plan assets, including improvements in governance, transparency around management objectives and a more robust methodology.

The pension plans' assets segregated by category are as follows:



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Asset Category	Consolidated					
	2020				2019	
	Prices quoted in an active market	Prices not quoted in an active market	Total fair value	%	Total fair value	%
Receivables	-	260	260	6%	281	7%
Fixed income	1,651	1,088	2,739	63%	2,499	62%
Private securities	-	-	-		-	
Sovereign debt securities	1,651	201	1,852		1,755	
Fixed-income funds	-	560	560		460	
Other investments	-	327	327		284	
Variable income	902	51	953	22%	820	20%
Spot shares	902	-	902		777	
Other investments	-	51	51		43	
Structured investments	1	46	47	1%	54	1%
Properties	-	212	212	5%	217	5%
	2,554	1,657	4,211	97%	3,871	97%
Loans to participants	-	112	112	3%	131	3%
	2,554	1,769	4,323	100%	4,002	100%

19.3 Healthcare Plan

In the financial year ended December 31, 2019 the Company had a Supplementary Health Plan (AMS) offering coverage to all employees, former employees and dependents. The health plan was managed by the Company and benefits were designed to be self-funded.

Employees used to contribute a fixed monthly amount to cover the principal risks and a portion of the costs relating to other types of coverage, both in accordance with participation tables defined by certain parameters including salary levels.

In the 4th quarter of 2020 the Company entered into a contract for a health plan managed by Bradesco Seguros, offering medical and dental health benefits to employees, former employees and dependents in replacement of the previous self-managed plan (AMS).

Under Act 9 656/98, an employee who has made fixed, monthly contributions to a health plan in their previous employment for a period of at least 10 years is entitled to remain a beneficiary with the same coverage as during their employment, provided they pay the relevant plan contributions in full.

For employees who had contributed for 10 years or more to the health plan and later retired, BR offered the option of maintaining the same plan benefits as of the time of retirement, provided they pay a share of the monthly contribution stipulated by BR plus the relevant match contribution.

Employees who had contributed for a period of 02 (two) to 09 (nine) years to the AMS plan were offered the option to continue to pay monthly contributions as beneficiaries until completing the minimum period of 10 (ten) years, provided they retired as Company employees, and to thereupon retain their plans as described in the previous paragraph.



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Employees with less than two years of service are entitled to the Bradesco plan during the time they remain with the Company, subject to the rules of RN 279 in the event of termination without cause where an employee has made monthly contributions to the health plan (RN 279 provides a right to retain a health plan for 6 months to 2 years following termination without cause, depending on the length of contribution to the plan).

Employees who retire after less than ten years of service with BR are entitled to retain their plan for a period equivalent to their length of service.

For former employees who join voluntary severance programs (PIDV/PDO) and retire or who terminate their employment under RN 279, the previously established period is maintained on termination of employment.

Retirees and pensioners who have contributed for more than 10 years have a lifetime entitlement to their health plan (vested right).

The actuarial risks involved are as follows:

- (I) post-employment health benefits,
- (II) residual life expectancy greater than established in the actuarial tables,
- (III) less-than-projected turnover, and
- (IV) greater-than-projected growth in medical costs.

The Company abolished fixed contributions for new employees, eliminating a factor creating liabilities, and has sought to continuously perfect its technical and administrative procedures while enhancing the various programs offered to beneficiaries.

The health care plan is not covered by the guaranteeing assets.

The average duration of the plan's actuarial liability as of December 31, 2020 is 18.40 years (18.43 years as of December 31, 2019).

The decrease of R\$ 2,132 recognized in profit or loss (R\$ 1,927 in Other Revenue (Expense), Net) reflects a reduction in medical costs, which were previously based on actual use of the AMS health plan and, for the purpose of initial appraisal of the Bradesco health plan, were estimated based on average premiums due to the limited historical data available and the temporary nature of the vested rights of participants who had not contributed for ten years at the time of electing to continue payments into the Plan.

19.4 Net actuarial obligations and expenses, calculated by independent actuaries, and the fair value of the plans' assets



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19.4.1 Changes in actuarial liabilities, fair value of assets and amounts recorded in the statement of financial position

	Consolidated											
	2020						2019					
	Pension Plan				Health Care Plan	Total	Pension Plan				Health Care Plan	Total
Petros Renegotiated	Petros Not Renegotiated	Other	Petros 2	Petros Renegotiated			Petros Not Renegotiated	Other	Petros 2			
Change in the present value of actuarial obligations												
Actuarial liability at the beginning of the year	4,643	1,468	1	251	2,850	9,213	3,519	1,198	1	232	2,569	7,519
Interest cost	281	89	1	14	229	614	308	104	-	21	231	664
Current service cost	-	-	1	4	18	23	18	3	-	7	39	67
Cost of past service	(92)	(36)	-	-	(2,132)	(2,260)	-	-	-	-	-	-
Contributions from participants	4	-	-	-	-	4	22	4	-	-	-	26
Benefits paid	(326)	(123)	-	(18)	(87)	(554)	(205)	(91)	-	(10)	(98)	(404)
Re-measurement: Actuarial (gains)/losses - experience (b)	(387)	(100)	-	183	(519)	(823)	322	54	-	(11)	(361)	4
Re-measurement: Actuarial (gains)/losses - financial hypotheses	122	52	-	(27)	(176)	(29)	669	179	-	56	591	1,495
Re-measurement: Actuarial (gains)/losses - demographic hypotheses	1	12	-	(1)	-	12	(10)	17	-	(44)	(121)	(158)
Write-off under sale of Stratura	-	-	(3)	(4)	-	(7)	-	-	-	-	-	-
Actuarial obligation at year end	4,246	1,362	-	402	183	6,193	4,643	1,468	1	251	2,850	9,213
Change in fair value of the plan's assets												
Plan assets at beginning of the year	2,879	892	-	231	-	4,002	1,944	504	-	162	-	2,610
Interest revenue	182	54	-	14	-	250	186	49	-	15	-	250
Contributions paid by the company	94	28	-	-	-	122	446	97	-	-	-	543
Contributions from participants	4	-	-	-	-	4	22	4	-	-	-	26
Benefits paid	(326)	(123)	-	(18)	-	(467)	(205)	(91)	-	(10)	-	(306)
Re-measurement: Return on assets in excess of interest revenue	219	65	-	128	-	412	486	329	-	64	-	879
Plan assets at year end	3,052	916	-	355	-	4,323	2,879	892	-	231	-	4,002
Amounts recognized in the statement of financial position												
Present value of the Obligations	4,246	1,362	-	402	183	6,193	4,643	1,468	1	251	2,850	9,213
(-) Fair value of the plan's assets	(3,052)	(916)	-	(355)	-	(4,323)	(2,879)	(892)	-	(231)	-	(4,002)
Actuarial liability settled at year end	1,194	446	-	47	183	1,870	1,764	576	1	20	2,850	5,211
Change in net actuarial liabilities												
Balance at the beginning of the year	1,764	576	1	20	2,850	5,211	1,575	694	1	70	2,569	4,909
(+) Effects of remeasurement recognized in OCI	(483)	(101)	-	27	(695)	(1,252)	495	(79)	-	(63)	109	462
(+) Costs incurred during the period	-	-	1	4	18	23	18	3	-	7	39	67
(-) Cost of past service	(92)	(36)	-	-	(2,132)	(2,260)	-	-	-	-	-	-
(-) Payment of contributions	(94)	(28)	-	-	(87)	(209)	(446)	(97)	-	-	(98)	(641)
(+) Net interest on net liability	99	35	1	-	229	364	122	55	-	6	231	414
(-) Write-off under sale of Stratura	-	-	(3)	(4)	-	(7)	-	-	-	-	-	-
Balance at year end	1,194	446	-	47	183	1,870	1,764	576	1	20	2,850	5,211
Debt instrument (New PED):												
Capital contribution	111	42	-	-	-	153	-	-	-	-	-	-
Interest cost	6	3	-	-	-	9	-	-	-	-	-	-
Debt payment	(117)	(45)	-	-	-	(162)	-	-	-	-	-	-
Debt instrument balance as of December 31, 2020	-	-	-	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2020	1,194	446	-	47	183	1,870	1,764	576	1	20	2,850	5,211
Current	72	30	-	-	-	102	59	33	-	-	100	192
Noncurrent	1,122	416	-	47	183	1,768	1,705	543	3	18	2,750	5,019
	1,194	446	-	47	183	1,870	1,764	576	3	18	2,850	5,211



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19.4.2 Components of the defined benefit

	2020						Parent Company
	Consolidated					Total	
	Pension Plan			Health Care			
Petros Renegotiated	Petros Not Renegotiated	Other	Petros 2	Plan	Total	Total	
Service cost	-	-	1	4	18	23	23
Cost / (reversal) of past service	(92)	(36)	-	-	(2,132)	(2,260)	(2,260)
Net interest on net liability	99	35	1	-	229	364	364
Net cost for the year	7	(1)	2	4	(1,885)	(1,873)	(1,873)
Relating to active employees:							
Absorbed in the cost of activities	-	-	-	-	(12)	(12)	(12)
Directly to income	1	-	2	4	(155)	(148)	(148)
Relating to inactive members:	6	(1)	-	-	(1,718)	(1,713)	(1,713)
Net cost for the year	7	(1)	2	4	(1,885)	(1,873)	(1,873)
Debt instrument (New PED):							
Capital contribution	111	42	-	-	-	153	153
Interest cost	6	3	-	-	-	9	9
Net cost for the year	117	45	-	-	-	162	162
Relating to active employees:							
Absorbed in the cost of activities	2	-	-	-	-	2	2
Directly to income	17	3	-	-	-	20	20
Relating to inactive members (*):	98	42	-	-	-	140	140
Net cost for the year	117	45	-	-	-	162	162
Total obligations pension and health plans	124	44	2	4	(1,885)	(1,711)	(1,711)

(*) Other net income (expenses)

	2019						Parent Company
	Consolidated					Total	
	Pension Plan			Health			
Petros Renegotiated	Petros Not Renegotiated	Petros 2	Care Plan	Total	Total		
Service cost	18	3	7	39	67	66	
Net interest on net liability	122	55	6	231	414	414	
Net cost for the year	140	58	13	270	481	480	
Relating to active employees:							
Absorbed in the cost of activities	3	-	-	3	6	6	
Directly to income	40	7	10	84	141	140	
Relating to inactive members (*):	97	51	3	183	334	334	
Net cost for the year	140	58	13	270	481	480	

19.4.3 Sensitivity analysis

A change of 1% in the assumed discount rate and medical costs would have the following effects:

	Consolidated					
	Discount rate				Variance rate of medical and hospital costs	
	Pension		Health care		Health care	
	+ 1 p.p.	- 1 p.p.	+ 1 p.p.	- 1 p.p.	+ 1 p.p.	- 1 p.p.
Actuarial obligation	(506)	811	(50)	72	75	(29)
Service cost and interest	10	2	(3)	4	7	(3)



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19.4.4 Actuarial assumptions used in the calculation

	2020				2019			
	PPSP-R	PPSP-NR	Petros 2	Health care plan	PPSP-R	PPSP-NR	Petros 2	Health care plan
Nominal discount rate (Real + Inflation) (1)	7.98%	7.86%	8.23%	8.15%	8.16%	8.13%	8.25%	8.21%
Nominal salary growth rate (Real + Inflation)	5.68%	5.68%	5.68%	5.68%	5.67%	5.67%	5.67%	5.67%
Variance rate of medical and hospital costs (2)	-	-	-	10,10% to 3,20% p.a	-	-	-	10,63% to 3,50% p.a
General mortality table	EX-PETROS 2013	EX-PETROS 2020	AT-2012 IAM Basic Female deducted em 10%	EX-PETROS 2013	EX-PETROS 2013	EX-PETROS 2020	AT-2000 Female smoothed by 10%	EX-PETROS 2013
Disability rate table	American Group	American Group	Álvaro Vindas deducted by 40%	American Group	American Group	American Group	American group deducted by 40%	American Group
Mortality table of disabled people	AT 49 Male	AT 49 Male	IAPB 1957 (strong) and deducted by 20%	AT 49 Male	AT 49 Male	AT 49 Male	IAPB 1957 (strong)	AT 49 Male
Age at retirement	Man - 57 Woman - 54	Man - 54 Woman - 61	1st eligibility	Man PPSP -R - 57 PPSP-NR - 54 Petros 2 - 59 Woman PPSP-R - 54 PPSP-NR - 61 Petros 2 - 56	Man - 58 Woman - 56	Man - 60 Woman - 57	1st eligibility	Man PPSP -R - 58 PPSP-NR - 60 Petros 2 - 59 Woman PPSP-R - 56 PPSP-NR - 57 Petros 2 - 56

(1) For an inflation curve projected based on the market at 4.38% for 2021, reaching 3.20% in 2025 onwards.

(2) Decreasing rate achieved in the next 30 years for projected long-term inflation.



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(In millions of reais, unless stated otherwise)

19.4.5 Obligation maturity profile

	2020			
	Pension Plans			Health care plan
	PPSP-R	PPSP-NR	Petros 2	
12/31/2021	272	92	17	-
12/31/2022	255	91	17	-
12/31/2023	244	86	17	1
12/31/2024	234	82	16	2
12/31/2025 or after	3,241	1,011	335	180
Total	4,246	1,362	402	183

⇒ Accounting policy

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

The projected unit of credit method considers each term of employment to be an event that generates an additional unit of benefit, which are accrued to calculate the final obligation.

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

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

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

Reassessments of the net amount of defined benefit liability are recognized in equity, in other comprehensive income, comprised of: i) actuarial gains and losses; and ii) return on plan assets excluding amounts considered in the interest net on the net value of the defined benefit liability (asset).

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

⇒ Estimates and judgements

Recognition of these commitments depends on several estimates, including demographic and economic estimates, estimates of medical costs, as well as historical data on employee expenses and contributions. These and other estimates are reviewed annually and may differ from the actual results due to changes in market and economic conditions, in addition to the behaviour of the actuarial assumptions. The main assumptions include:



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

- variation rate for medical and hospital costs – an assumption represented by the projected growth rates of medical and hospital costs, based on the Company's disbursement history for each individual (per capita) over the last five years and in 2020, in the last year, the VCMH (variation of medical and hospital costs) of Bradesco was used, due to the change of the health plan from AMS to Bradesco.

The estimates of medical costs were significantly changed in this year to represent the expected reduction in medical costs that were previously segregated by the use of medical assistance from AMS, and that, with the exchange of the health plan in this year, Bradesco Saúde's initial evaluation was used, as detailed in note 19.3 above

The sensitivity analysis of the discount rates and change in medical and hospital costs, in addition to further information about the assumptions, can be seen in note 19.4.

20 Equity

20.1 Capital

As of December 31, 2020 the fully subscribed and paid-in share capital of R\$ 6,353 (R\$ 6,353 at December 31, 2019) 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 - Profit reserves

20.2.1 Legal Reserve

The Company creates a legal reserve at the rate of 5% of the net income for the year, up to the limit of 20% of the capital in accordance with article 193 of Brazilian corporation law.

20.2.2 Statutory Reserve

Created with the technical justification and approval of the Board of Directors and Audit Committee in respect of amounts and allocation, to ensure investments compatible with the development of the Company's business, consisting of up to 100% (one hundred percent) of the balance of net income, after funds have been allocated to the Legal Reserve, the Contingencies Reserve, the Mandatory Dividend, the Unrealized Earnings Reserve and the Profit Retention Reserve, up to 80% (eighty percent) of the capital, in accordance with article 44 of the Company's Bylaws.

20.2.3 Profit retention reserve

This reserve is used to make the investments established in the capital budget, mainly in the distribution of oil products, ethanol, support infrastructure, capital contributions and financing for customers, in accordance with article 196 of Brazilian Corporation Law.



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20.3 Dividends and interest on shareholders' equity

Shareholders are entitled to a mandatory dividend of 25% of adjusted net income for the year, under Article 44 of the Company's Bylaws and article 202 of Brazilian Corporation Law.

	<u>2020</u>
Profit for the year	3,905
Appropriation	
Legal reserve	(136)
Basic income to determine dividends / interest on shareholders' equity	3,769
Interest on shareholders' equity / dividends - Recorded in current liabilities	
Equal to 25% of basic income	942
Recorded in shareholders' equity	
Additional dividends proposed	1,308
Equal to approximately 35% of basic income	
Breakdown of interest on equity, dividends and additional dividend	
Interest on shareholders' equity	498
Dividends	499
Additional dividend proposed	1,308
Total dividends / interest on shareholders' equity paid out	2,305
IRRF on interest on shareholders' equity	(55)
Total dividends / interest on shareholders' equity proposed	2,250
Dividends / interest on shareholders' equity per share	1.93

20.3.1 Changes in dividends and interest on shareholders' equity

	<u>Consolidated</u>	
	<u>2020</u>	<u>2019</u>
Opening balance	525	758
Addition	1,531	2,789
Payment	(1,080)	(3,049)
Income tax withheld at source	(58)	(85)
Interest indexation	24	112
Closing balance	942	525

⇒ Accounting policy

Shareholders are compensated in the form of dividends and/or interest on equity, subject to the limits set out in the Company's Bylaws and existing legislation. If the dividends exceed the minimum mandatory amount, this surplus shall remain recorded in equity in Additional Proposed Dividends until approval by the General Shareholders Meeting or Annual General Meeting.

The interest on equity and dividends are restated monetarily at the Selic interest rate from the end of the financial year until the date of payment.



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The interest on equity is included in the minimum dividend at the amount net of income tax withheld at source.

The tax incentive for interest on equity is recognized in profit or loss for the year.

20.4 - Equity appraisal adjustments

Actuarial gains or losses net of income taxes, determined by independent actuaries at the end of each financial year.

20.5 Earnings per share

	Consolidated	
	2020	2019
Numerator		
Net income	3,905	2,211
Denominator		
Weighted average number of common shares held by shareholders	1,165,000,000	1,165,000,000
Basic earnings per share	3.3519	1.8979
Numerator		
Net income	3,905	2,211
Denominator		
Weighted average number of common shares held by shareholders	1,165,000,000	1,165,000,000
Potential increase in shares considering the incentive plan	68,174	-
Weighted average of adjusted shares	1,165,068,174	1,165,000,000
Dilutive earnings per share	3.3517	1.8979

In dilutive earnings per share, the weighted average number of common shares held by shareholders is adjusted to reflect the presumed conversion of all potential common shares with dilutive effects. For call options under the long-term incentive program (note 17.3), a calculation is therefore made to determine the number of shares that could have been acquired at the average trading price of the Company's share in the period.



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Notes to the financial statements

(In millions of reais, unless stated otherwise)

21 Sales revenue

	Consolidated		Parent Company	
	2020	2019	2020	2019
Products, services and energy				
Petroleum derivatives				
Diesel	46,571	52,482	46,571	52,482
Gasoline	31,468	34,172	31,468	34,172
Fuel oil	4,225	3,974	4,225	3,974
Aviation fuel	5,305	9,981	5,305	9,981
Lubricant	2,246	2,105	2,246	2,105
Asphalt	710	1,015	-	-
Coke	2,335	2,230	2,335	2,230
Other products	1,071	1,101	1,071	1,100
Ethanol	8,255	9,426	8,255	9,426
Natural gas	1,224	2,344	1,224	2,344
Supply-House products (a)	1,435	1,209	1,435	1,209
Services, energy and other	77	86	50	61
	<u>104,922</u>	<u>120,125</u>	<u>104,185</u>	<u>119,084</u>
Interest embedded in products prices	(220)	(290)	(220)	(290)
Advanced bonuses awarded to clients	(638)	(513)	(638)	(513)
Performance bonus (b)	(323)	(323)	(323)	(323)
Sales prizes and discounts	(253)	(249)	(253)	(249)
Gross revenue	103,488	118,750	102,751	117,709
Sales charges	(21,987)	(23,765)	(21,820)	(23,529)
Sales revenue	81,501	94,985	80,931	94,180

(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.

The main contracts with the company's clients involve marketing fuels such as gasoline, diesel, aviation fuel, ethanol, natural gas, fuel oil and lubricants, among others. These products are mainly purchased from the related party Petrobras (which holds 37.5 % of the Company's capital) and are resold to service stations, industries, airlines, governments, transportation companies, thermal power plants and retail dealers, among other consumers.

21.1 Remaining performance obligations

The Company has product or service sales agreements in force and signed up to December 31, 2020, 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 allegations not satisfied at December 31, 2020, based on sales volumes committed to by the parties, and prices practised in recent sales, which are subject to variance in the value of commodities, exchange rate and other market factors.



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	Consolidated
Total contracts	282,272
Diesel	124,382
Automotive gasoline	119,699
Aviation fuel (QAV)	29
Fuel oil	7,116
Other petroleum products	4,249
Subtotal derivate products	255,475
Natural gas	2,424
Ethanol, nitrogen and renewable products	24,190
Services and other	25
Domestic sales	282,114
Exports	158
Overseas	158

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.

21.2 Contract liabilities

Contract liabilities are contractual obligations arising from advances received from customers for future sales, especially sales of light fuels, aviation products and dark fuels, which will be recognized as revenue on final delivery.

These balances are classified under Customer Advances and amounted to R\$ 494 at December 31, 2020 (on a consolidated and parent-company basis). At December 31, 2019 these balances stood at R\$ 161 on a consolidated basis and R\$ 155 on a parent-company basis.

R\$ 142 was recognized as revenue in 2020 and was included in the balance of contract liabilities at the start of the year (R\$ 131 in 2019).

⇒ Accounting policy

The Company identifies the contracts with clients for which revenue will be recognised and evaluate the goods or services contractually committed and identifies each performance obligation as a commitment to transfer to the client:

- *product or service (or group of products or services) that are different; or*
- *series of different products or services that are substantially the same and have the same standard of transfer for the client.*

The Company recognizes revenue when or to the extent that the performance obligation is performed upon transferring control of the item or service promised to the client. The good or service is considered transferred when or to the extent the client exerts control over it.

Revenue is measured by the value of the payment to which it is entitled in exchange for transferring the products or services promised to the client, and is stated net of tax, returns, discounts, interest embedded in the product price, appropriation of benefits awarded to clients and performance bonuses.



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Early bonuses awarded to clients are appropriated to net income and charged to gross revenue (note 9).

The payment promised in the contract with the client can include fixed amounts, variable amounts or both.

22 Cost and expenses by nature

22.1 Cost of goods sold and services rendered

	Consolidated		Parent Company	
	2020	2019	2020	2019
Resale goods	(76,979)	(89,219)	(76,503)	(88,527)
Outsourced services, freight and rental expenses	(95)	(94)	(92)	(88)
Personnel expenses	(26)	(52)	(20)	(45)
Depreciation and amortization	(13)	(12)	(10)	(9)
Change in inventory (*)	155	489	155	492
Tax	(1)	(1)	(1)	(1)
Other	(85)	(138)	(76)	(122)
Total	(77,044)	(89,027)	(76,547)	(88,300)

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

22.2 Sales expenses and expected credit losses

	Consolidated		Parent Company	
	2020	2019	2020	2019
Outsourced services, freight and rental expenses	(1,321)	(1,574)	(1,306)	(1,550)
Personnel expenses	(312)	(752)	(309)	(745)
Allowance for credit loss	(55)	(52)	(43)	(57)
Impairment losses on receivables	(24)	(27)	(24)	(27)
Depreciation and amortization	(455)	(454)	(462)	(461)
Tax	4	6	4	6
Other	(129)	(164)	(127)	(159)
Total	(2,292)	(3,017)	(2,267)	(2,993)

22.3 General and administrative expenses

	Consolidated		Parent Company	
	2020	2019	2020	2019
Outsourced services, freight and rental expenses	(164)	(188)	(158)	(178)
Personnel expenses	(168)	(557)	(161)	(544)
Depreciation and amortization	(69)	(62)	(69)	(61)
Other	(56)	(61)	(54)	(59)
Total	(457)	(868)	(442)	(842)

The reduction in personnel expenses under sales, general and administrative expenses is due to the lower headcount coupled with reduced payroll expense reflecting an ongoing organizational transformation and the positive impacts from lower health plan liabilities under the new model implemented in the fourth quarter of 2020.



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Notes to the financial statements

(In millions of reais, unless stated otherwise)

22.4 Other net income (expenses)

	Consolidated		Parent Company	
	2020	2019	2020	2019
Discount due to salary renegotiation	(63)	(55)	(63)	(55)
Tax credits - ICMS in the PIS and COFINS calculation base (note 16.1)	1,040	-	1,040	-
ICMS credits - End of permanent status	52	-	52	-
Rental expenses	(46)	(44)	(46)	(44)
Compensation gain under GAS ES concession agreement	117	-	117	-
Profit sharing	-	(14)	-	(13)
Losses and provisions for judicial proceedings (note 25.1)	49	(109)	52	(108)
Pension and health plan - inactive members (note 19.4.2)	1,573	(334)	1,573	(334)
Career and salaries plan	-	(48)	-	(48)
Voluntary Redundancy Incentivization Program (PIDV) (note 18.1)	-	21	-	21
Provision for decarbonization credits	(190)	-	(190)	-
Redundancy program and restructuring	2	(332)	2	(332)
Franchise, rental and royalties revenue	235	252	235	252
Joint storage revenue	84	161	84	161
Recovery of tax credits - PIS and COFINS	34	45	34	45
Institutional relations and cultural projects	(100)	(91)	(100)	(91)
Income on the sale / derecognition of non-current assets	(147)	17	(147)	12
Commodity hedge result - open operations	(50)	(67)	(50)	(67)
Commodity hedge result - closed operations	395	27	395	27
Performance bonus and other incentives	(27)	(52)	(27)	(52)
Other	38	(31)	40	(31)
Total	2,996	(654)	3,001	(657)

The higher revenue primarily reflects the recognition of tax credits of R\$ 1,040 (note 16.1) resulting from the exclusion of ICMS from the PIS/COFINS tax base, and a positive impact of R\$ 1,927 as a result of health plan changes (note 19.3)

Allowance for decarbonization credits

⇒ Accounting policy

The Company has legal obligations towards the ANP (National Petroleum Agency) consisting of annual greenhouse gas emission reduction targets, as part of the National Biofuels Policy (RenovaBio). For the purpose of sharing obligations for the current year, the targets were based on the volume of fossil fuel sold by fuel distributors (market share) in the previous year and are set out in Decarbonisation Credit units (CBIOS), which are active, tradable and acquired in the market. The CBIOS is equal to a ton of carbon.

The established targets are in force until December each year and published on the ANP's site. The Company's target for 2020 was to make a reduction equal to 4,040,538 CBIOS.

The Company recognizes an allowance for decarbonization credits under current liabilities and in other revenue (expense), net.



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⇒ *Estimates and judgements*

The Company estimates the provision for CBIOS every month, based on the cost of credits already acquired and the average market value traded on the last day of the month for the remaining credits.

Commodity hedges

In the course of 2020, the huge importance of imports in the Company's operations combined with sharp contractions in international commodity prices, due to the mismatch between supply and demand, intensified by the effects of the COVID-19 pandemic on global consumption levels. This combined effect meant hedge transactions acquired greater importance in the Company's results.

These operations essentially follow a business model aiming to protect operating margins with no speculative intent, thus constituting an economic hedge used to reduce risks posed by the volatility in commodities prices (economic protection from exposure), without taking into account any impact caused by the accounting mismatch in the financial statements.

The result of these operations is consequently presented under Other Revenue (Expenses), net (note 22.4). The 2019 net expense balances of R\$ 40 (Consolidated and Parent Company) were accordingly reclassified from Financial Income/Expense to Other Net Operating Expenses, to facilitate a comparative analysis, consequently impacting the presentation of the Statements of Added Value.



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Notes to the financial statements

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23 Net finance income

	Consolidated		Parent Company	
	2020	2019	2020	2019
Expenses				
Loans and borrowings	(256)	(299)	(256)	(298)
Leases	(70)	(78)	(125)	(137)
Absorption of cash reimbursable financing	(6)	(10)	(6)	(10)
Bank commission	(23)	(43)	(23)	(43)
Tax	(13)	(10)	(12)	(10)
Other	(17)	(9)	(14)	(4)
	(385)	(449)	(436)	(502)
Revenue				
FIDC	-	49	-	48
Customer arrears interest	83	120	76	107
Customer financing	180	58	180	58
Judicial deposits	43	41	43	41
Credit recovery - Electric sector - Isolated system	-	2,154	-	2,154
Short-term investments	97	98	93	86
Other	47	48	50	55
	450	2,568	442	2,549
Inflation indexation				
Asset				
Indexation of receivables - Electric sector - Isolated system	17	61	17	61
Deposits	(9)	5	(9)	5
Taxes	432	6	432	6
Other	12	4	12	4
	452	76	452	76
Liability				
Leases	-	(2)	(34)	(31)
Indexation of dividends payable	(24)	(112)	(24)	(112)
Loans and borrowings	(73)	(78)	(14)	(6)
Taxes	-	(2)	-	(2)
Other	(25)	(1)	(25)	(1)
	(122)	(195)	(97)	(152)
Foreign exchange gains / (losses)				
Derivative financial instrument income	565	(5)	565	(5)
Cash and banks	(5)	(1)	(5)	(1)
Trade receivables	29	4	29	4
Trade payables	(266)	(26)	(266)	(26)
Loans and financing	(467)	-	(467)	-
Short-term investments	32	12	32	12
Other	(19)	6	(19)	6
	(131)	(10)	(131)	(10)
Foreign exchange gains / (losses) and indexation, net	199	(129)	224	(86)
Total finance income (expenses)	264	1,990	230	1,961

Finance charges (interest, monetary variance and exchange variance) amounted to R\$ 810 (note 14.1) in the year (R\$ 386 in 2019), with R\$ 796 (R\$ 377 in 2019) recognized in profit or loss and R\$ 14 (R\$ 9 in 2019) as capitalized interest.

The lower finance revenue primarily reflects the recovery of trade receivables of R\$ 2,154 from customer Amazonas Energia in 2019, without similar recoveries in 2020.



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The increase in monetary variance assets essentially reflects monetary restatement of R\$ 397 on tax credits resulting from the exclusion of ICMS from the PIS/COFINS tax base in 2020 (note 16.1).

24 Segment reporting

Operating segments are reported consistently with the internal reports provided to the main operating decision takers. The main taker of operating decisions, responsible for allocating funds and evaluating the performance of operating segments, is the Executive Board.

This information is prepared based on the items directly attributable to the segment, as well as those that can be allocated to it on a reasonable basis. There are no transfers between the business areas.

The Company is undergoing an organisational restructuring in order to steer its focus towards the set of initiatives being implemented since privatisation in July 2019. Valid from January 01, 2020, the new structure transferred business management which until 2019 was organised in the operational segment of the Special Markets to B2B.

Following the restructuring, responsible for making operating decisions, the Executive Board views the business from the perspective of the profile/market of its customers, resulting in the segregation of Service Station; B2B and Aviation Market, as shown below:

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.

B2B

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.

Items not allocated to segments are grouped in Corporate and are mainly 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 revenue from Brazilian customers before adjustments is R\$ 81,476 (R\$ 93,860 in 2019), and total revenue from foreign customers, based on the country where the sale was made, is R\$ 663 (R\$ 1,638 in 2019).

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 transferring the management of the business portfolio formally organised in the operational segment of the Special Markets to B2B, the 2019 data is being presented in this new vision, to facilitate a comparative analysis.



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

Consolidated statement of Net Income by Business Sector - dec/20

	Retail	B2B	Aviation Market	Total segments	Corporate	Total	Reconciliation with financial statements	Consolidated total
Sales Revenue	50,813	26,477	4,849	82,139	-	82,139	(638) (a)	81,501
Cost of goods sold	(48,286)	(24,383)	(4,375)	(77,044)	-	(77,044)	- (b)	(77,044)
Gross profit	2,527	2,094	474	5,095	-	5,095	(638) -	4,457
Expenses								
General, administrative and sales	(1,080)	(897)	(370)	(2,347)	(71)	(2,418)	(331) (c)	(2,749)
Tax	(6)	(6)	(2)	(14)	(27)	(41)	(106) (d)	(147)
Other net revenue (expenses)	268	168	8	444	722	1,166	1,830 (e)	2,996
Equity earnings	-	12	-	12	(3)	9	- -	9
Net finance income	-	-	-	-	-	-	264 (f)	264
Adjusted EBITDA	1,709	1,371	110	3,190	621	3,811		
Net income (loss) before tax							1,019	4,830

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

	Retail	B2B	Aviation Market	Total segments	Corporate	Total	Reconciliation with financial statements	Consolidated total
Sales Revenue	56,524	30,001	8,973	95,498	-	95,498	(513) (a)	94,985
Cost of goods sold	(53,254)	(27,586)	(8,175)	(89,015)	-	(89,015)	(12) (b)	(89,027)
Gross profit	3,270	2,415	798	6,483	-	6,483	(525) -	5,958
Expenses								
General, administrative and sales	(1,523)	(1,055)	(444)	(3,022)	(175)	(3,197)	(688) (c)	(3,885)
Tax	(5)	(13)	(3)	(21)	(23)	(44)	(64) (d)	(108)
Other net revenue (expenses)	277	88	22	387	(499)	(112)	(542) (e)	(654)
Equity earnings	-	-	-	-	2	2	- -	2
Net finance income	-	-	-	-	-	-	1,990 (f)	1,990
Adjusted EBITDA	2,019	1,435	373	3,827	(695)	3,132		
Net income (loss) before tax							171	3,303

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.

(638) (513)

(b) Cost of goods sold

Depreciation and amortization

(13) (12)

Actuarial remeasurement - Health care plan

13 -



Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

	<u>2020</u>	<u>2019</u>
Reconciliation with financial statements		
(c) General, administrative and sales		
Depreciation and amortization	(524)	(516)
<u>Impairment losses on receivables</u>		
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
Severance pay	-	(173)
Consultancy expenses - Organizational Transformation Plan	-	(11)
Actuarial remeasurement - Health care plan	192	-
(d) Taxes		
<u>Tax adjustments denote tax amnesties and tax charges on financial revenue.</u>		
<u>Tax amnesties:</u> 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.	(20)	(4)
<u>Tax charges:</u> the adjustments refer to expenditure on IOF, PIS and COFINS, levied on the Company's financial revenue and on compensation revenue under the ES gas concession and which are classified as tax expenses.	(86)	(60)
(e) Other net revenue (expense)		
<u>Judicial losses and provisions</u>		
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.	49	(109)
<u>Severance pay for redundancy plans (note 18)</u>		
The adjustment denotes amounts that affected the Company's earnings given from accounts payable and the provision for the estimated expenditure on indemnities related to the plan, the reversal of the provision due to the withdrawal from the plan, which took place in the respective periods, as well as expenditure on severances under this company restructuring.	2	(311)
Discount due to salary renegotiation - Organizational Transformation Plan	(63)	(55)
Commodity hedge operations in progress	(50)	(67)
Compensation gain under GAS ES concession agreement	117	-
Income on the sale - Stratura	(152)	-
Actuarial remeasurement - Health care plan	1,927	-
(f) Net financial income	264	1,990
Total	1,019	171



Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

24.1 Revenue Breakdown

	Consolidated			
	2020			
	Retail	B2B	Aviation Market	Total
Domestic				
North	4,720	3,247	437	8,404
Northeast	12,533	4,247	866	17,646
Midwest	5,487	2,005	531	8,023
Southeast	19,722	13,399	2,200	35,321
South	8,351	3,464	267	12,082
Foreign	-	115	548	663
Total	50,813	26,477	4,849	82,139

	Consolidated			
	2019			
	Retail	B2B	Aviation Market	Total
Domestic				
North	5,019	3,237	595	8,851
Northeast	13,721	5,043	1,483	20,247
Midwest	6,487	2,258	1,043	9,788
Southeast	21,430	15,099	3,685	40,214
South	9,867	4,272	621	14,760
Foreign	-	92	1,546	1,638
Total	56,524	30,001	8,973	95,498

25 Judicial and administrative proceedings, judicial deposits and contingencies

25.1 Judicial and administrative proceedings provisioned for

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

Tax Claims

(i) collection of ICMS as a result of not including ICMS – Tax substitution in its calculation base (R\$ 38 as of December 31, 2020 and R\$ 49 as of December 31, 2019); and

(ii) alleged underpayment of ICMS by using ICMS credits acquired on freight services associated with exempt operations (R\$ 36 at December 31, 2020 and R\$ 38 at December 31, 2019).

(iii) nonratification of federal tax offsets (except IPI) (R\$ 57 at December 31, 2020).

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\$ 104 as of December 31, 2020 and R\$ 92 as of December 31, 2019).



Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

Labour Claims

(i) Joint liability – claims filed seeking joint liability of the Company for payment of labor amounts owed to employees of service providers (R\$ 83 at December 31, 2020 and R\$ 83 at December 31, 2019); and

(ii) RMNR/Risk premium - a claim for payment of additional RMNR without deducting the risk premium from the RMNR, for which there is a final and unappealable decision against the Company (R\$ 36 at December 31, 2020 and R\$ 51 at December 31, 2019).

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

In the preparation of the financial statements for the period ended December 31, 2020, 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.

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

	Consolidated									
	2020					2019				
	Tax	Labor	Civil	Environmental	Total	Tax	Labor	Civil	Environmental	Total
Opening balance	299	370	352	19	1,040	213	323	453	12	1,001
Addition, net of reversal	(69)	25	(65)	2	(107)	94	71	(83)	5	87
Use (*)	(14)	(51)	(23)	-	(88)	(17)	(25)	(28)	-	(70)
Indexation	8	19	30	1	58	9	1	10	2	22
Write-off under sale of Stratura	(3)	(1)	-	-	(4)	-	-	-	-	-
Closing balance	221	362	294	22	899	299	370	352	19	1,040

	Parent Company									
	2020					2019				
	Tax	Labor	Civil	Environmental	Total	Tax	Labor	Civil	Environmental	Total
Opening balance	299	369	352	19	1,039	213	323	453	12	1,001
Addition, net of reversal	(72)	25	(65)	2	(110)	94	70	(83)	5	86
Use (*)	(14)	(51)	(23)	-	(88)	(17)	(26)	(27)	-	(70)
Indexation	8	19	30	1	58	9	2	9	2	22
Closing balance	221	362	294	22	899	299	369	352	19	1,039

(*) The judicial deposits written off amount to R\$ 37 in 2020 (Consolidated and Parent Company), as per note 25.2 (R\$ 17 in 2019 Consolidated and Parent Company).

25.1.1 Provisioned for judicial proceedings and related judicial deposits

	Consolidated					
	2020			2019		
	Provision for judicial proceedings	Judicial deposits	Proceedings net of judicial deposits	Provision for judicial proceedings	Judicial deposits	Proceedings net of judicial deposits
Labor claims	362	125	237	370	135	235
Tax claims	221	97	124	299	93	206
Civil claims	294	62	232	352	61	291
Environmental claims	22	1	21	19	1	18
Total	899	285	614	1,040	290	750



Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

25.2 Judicial deposits

	Consolidated				Parent Company	
	Tax	Labor	Civil	Environmental	Total	Total
Balance as of December 31, 2018	768	184	98	1	1,051	1,027
Addition, net of reversal	61	30	7	-	98	98
Usage (a)	(1)	(14)	(2)	-	(17)	(17)
Monetary indexation / interest (b)	35	5	-	-	40	39
Other	-	-	1	-	1	1
Balance as of December 31, 2019	863	205	104	1	1,173	1,148
Addition, net of reversal	12	6	3	-	21	21
Usage (a)	(10)	(23)	(4)	-	(37)	(37)
Monetary indexation / interest (b)	24	4	3	-	31	30
Write-off under sale of Stratura	(25)	-	-	-	(25)	-
Other	-	2	(1)	-	1	1
Balance as of December 31, 2020	864	194	105	1	1,164	1,163

(a) For payment of legal proceedings.

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

Judicial deposits are presented and restated according to the nature of the underlying proceedings. Deposits relating to federal taxes are restated according to the referential rate of the Special System for Settlement and Custody (SELIC). Labor deposits and other deposits are restated by TR plus interest of 6% per year.

The Company has R\$ 285 (R\$ 290 as of December 31, 2019) in judicial deposits for provisioned lawsuits (note 25.1.1); R\$ 597 (R\$ 575 as of December 31, 2019) associated with possible contingencies; R\$ 158 (R\$ 88 as of December 31, 2019) associated with remote contingencies; R\$ 91 (R\$ 185 as of December 31, 2019) consists of deposits related to proceedings in which the Company and its investees are plaintiffs and R\$ 33 (R\$ 35 as of December 31, 2019) consists of other.

25.3 Proceedings not provisioned for (possible losses)

Nature	Consolidated		Parent Company	
	2020	2019	2020	2019
Tax	8,143	8,480	8,143	8,420
Civil	3,294	2,532	3,294	2,525
Labor	709	695	709	695
Environmental	145	154	145	153
Total	12,291	11,861	12,291	11,793

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	2020	2019
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.	1,364	1,329
Plaintiffs: States of Goiás, Pará, 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. (a) (c)	1,509	1,569
Plaintiffs: States of Amazonas, Bahia, Ceará, Goiás, Maranhão, Mato Grosso, Pará, Paraíba, Pernambuco, Piauí, Rio de Janeiro, Rio Grande do Norte, Sergipe, São Paulo and Tocantins		
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. (b)	928	918
Plaintiffs: States of Amapá, Bahia and São Paulo and Discom		
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.	722	851
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. (e)	199	519
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.(e)	684	522
Plaintiffs: States of Amazonas, Bahia, Ceará, Goiás, Mato Grosso, Pará, Paraíba, Piauí, Rio de Janeiro and Roraima, 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. (b) (d)	234	371
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.	574	664
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.	229	292
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.	102	108



Petrobras Distribuidora S.A.

Notes to the financial statements

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Plaintiff: Government			
11)	Case where the Company is contesting the Social Security Contribution on profit shares and performance bonuses paid to employees.	157	170
Plaintiffs: State of Acre, Amazonas, Bahia, Ceará, Goiás, Minas Gerais, 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. (a)	242	81
Plaintiffs: States of Acre, Amazonas, Bahia, Ceará, Maranhão, Paraíba, Pernambuco, Piauí, Rio de Janeiro and Rio Grande do Sul			
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.	77	113
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.	63	38
Plaintiffs: States of Acre, Amazonas, Ceará, Espírito Santo, Goiás, Maranhão, Mato Grosso, Pará, Pernambuco and Rio de Janeiro			
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. (a)	122	60
Plaintiffs: States of Mato Grosso, Pará and Pernambuco			
16)	Cases where the Company was assessed by the tax authority, demanding ICMS on deliveries resulting from interestablishment transfers.	101	81
Plaintiff: Government			
17)	Cases where the Company is assessed as jointly liable for the payment of social security contributions.	52	54
Plaintiffs: State of Pará, Government and Municipality of Sorocaba			
18)	Case where the Company was assessed for untimely payment without restating the amounts as required by the Audit.	75	155
Plaintiffs: States of Paraná and São Paulo			
19)	Tax war between states entailing tax incentives at source and the possibility of appropriating credits on interstate sales.	75	73
Plaintiff: State of Mato Grosso			
20)	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.	16	50
Plaintiffs: States of Amazonas, Goias, Mato Grosso and Santa Catarina			
21)	Non-payment or underpayment of ICMS on the Company's sales for industrial buyers using fuel as a manufacturing input.	29	43
Plaintiff: Government			
22)	Cases where the Company has been assessed for amounts paid as management fees, given the alleged employment relationship between them and the Company.	67	56
Plaintiffs: States of Acre, Goiás, Minas Gerais, Pará, Paraíba, Pernambuco, Rio de Janeiro, Rondônia, Santa Catarina and Tocantins			
23)	Cases demanding ICMS not classified in other existing profiles. (C)	28	55



Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

Plaintiff: Government			
24)	Proceedings regarding offsetting of credit balance and/or overpayment of Federal Taxes not ratified by the federal tax authorities.	22	45
Plaintiff: States of Mato Grosso and São Paulo			
25)	Proceedings in which the state is charging BR for taxes withheld and not paid by the selling party.	50	36
Plaintiff: Government			
26)	Collecting one-off fines from the federal tax authorities as a result of not ratifying offsets made by BR. (d)	75	-
Plaintiff: Government			
27)	Dispute about the quantitative and qualitative feasibility of offsets made by BR, where the DCOMPs have not been ratified by the federal tax authorities - except IPI credits, which are addressed elsewhere.	110	-
	Various tax proceedings	237	227
Total		8,143	8,480

Reclassifications between profiles have been made, as shown below:

- (a) reclassification of R\$ 160 from profile "2 - ICMS – Aviation Resale" to the profiles "12-ICMS – Shipping credit" (R\$ 123) and "15 - ICMS - Scanc Omissions (R\$ 59).
- (b) reclassification of R\$ 16 from profile "3 - ICMS – Inventory discrepancy" to profile "7 - Nonperformance of Other Instrumental Obligations.
- (c) reclassification of R\$ 32 from profile "23 - ICMS – Other collections" to profile "2 - ICMS - Aviation Resale".
- (d) reclassification of R\$ 70 from profile "7 - Nonperformance of other instrumental obligations" to profile "27 - One-off fines as a result of not ratifying federal tax offsets".
- (e) reclassification of R\$ 92 from profile "5 - ICMS - Aviation Export" to profile "6 ICMS - Credit Law PE Revoked".

b) Civil proceedings

Description of civil proceedings		2020	2019
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: Decision staying the arbitration while the injunction order favourable to the company under the Public Civil Action filed against W. Torre. is in force.	1,141	962
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. A decision in this case awarded a stay on BR's interlocutory appeal, staying the administrative fine resulting from the CADE decision until subsequent decision by the presiding judge. This decision also ruled that CADE refrain from blacklisting PETROBRAS DISTRIBUIDORA S.A. at CADIN and any other credit protection agency. On 10/22/2020 BR filed it rebuttal.	70	67



Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

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 recovery of Forte Group.

Status: The Government filed a request for resolution against this appeal decision which rejected its motion for clarification (RESP no. 1.265.625). The dispute is worth a restated R\$ 1.6 billion, as per the proposed agreement presented by Rede Forte in 2017. 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 July 2018, it made a new announcement estimating the award at R\$ 10,600 million – where provisional enforcement of the award had begun for this amount. The judge rejected the claim and the decision was upheld by the Sao Paulo Court of Appeal (TJSP) after the plaintiff had filed an interlocutory appeal, due to the need for a new judgment at the TJSP, which could change the award and the terms thereof. Plaintiff did not further appeal this decision. In the opinion of company management and the attorneys handling the case, the contingency is worth R\$ 294. This difference exists because the award has not been calculated yet, meaning the current risk cannot be precisely determined.

294

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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).

Status: The appeal decision was published on 6/23/2020 denying BR's appeal by majority opinion, with the high court's opinion to accept the appeal being defeated. On 6/29/2020 BR filed a Motion for Clarification, which was rejected. BR brought a special appeal that was accepted without suspensive effects. The case is pending distribution of the appeal at the High Court of Justice (STJ), and if provisional enforcement of the award against BR is commenced, despite the accepted appeal, then a motion for a stay on proceedings will be filed at the STJ.

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191

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.

Status: Pending judgment of the Company's appeal and DISCOM's adhesive appeal.

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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.

Status: Case accepted by the lower court. In the appeals court, our motion for an injunction (statute of limitations and nullity of the expert opinion/award) was rejected and, on the merits, the court unanimously ruled that month M-1 was the month indicated by BR (January 2009), but that the adjustment should have occurred in February rather than in March. The 15th Civil Court annulled the decision of the lower court and ordered that a new expert opinion be prepared based on the ruling of the appeals court. The Company was declared to have lost standing to appeal. Tendências Consultoria prepared new calculations based on the appeals court decision, in two different scenarios. The Company selected the worst-case scenario, involving a risk of R\$ 14.

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Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

Plaintiff: Único Combustíveis Ltda.

7) The plaintiff filed suit claiming compensation due to the Company's liability in the severance of the fuel supply agreement. The Company presented a defence stating that the plaintiff and not it caused the severance.

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. On 9/23/2020, due to the suspensive effects of the Special Appeal brought by BR, the Court granted a stay of proceedings initially for a period of 90 days, pending a decision on the appeal by the High Court of Justice.

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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.

8) **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.

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45

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.

9) **Status:** On August 12, 2020 SG published Order 859/2020 (SEI nº 0790808), determining the completion of the cognizance phase in the Administrative Proceeding and notifying the represented companies to submit their arguments within 5 (five) working days, pursuant to article 73 of the Antitrust Law and article 155, main section, of RICADE.

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Plaintiff: Dislub Distribuidora De Lubrificantes Ltda.

Plaintiff filed suit against BR with a view to terminating the distribution contract, the payment of constant compensation as losses and damages for a series of alleged losses and payment of a contractual fine. BR was ordered only to reparate the material damages in the form of lost earnings. However, the expert's calculation was made based on monthly sales of products by Dislub without deducting operating costs and taxes. This calculation methodology raised Dislub's credit to around R\$ 95 million in today's prices.

10) **Status:** BR was ordered to compensate lost earnings, calculated by an expert analysis ratified by the court and upheld by the Court of Appeal on gross sales, without adopting operating costs. BR accordingly appealed to the STJ and had the appeal decision overturned to instruct the Court to stipulate the need to make the discount from the lost earnings - in line with its case law. We accordingly maintained the size of the financial risk, but rated as probable the legal risk of paying R\$ (5 - amount calculated by our technical assistant based on Superior Court of Justice - STJ case law and the grounds of the decision), reclassifying as possible the difference in the restated amount claimed by DISLUB (R\$ 95) and the provisioned for amount. The value of this difference is recorded in the separate mirror master file (R\$ 90).

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Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

Plaintiff: CADE - Administrative Council for Economic Defense

Enquiry converted into Administrative Proceeding in a decision published on 7/2/2020. Any fine is calculated at rates between 0.01% and 20%, with the maximum rate having been used (20%). The calculation base was limited to BR's annual gross sales (year before the introduction of PA - 2019) in the relevant geographic market defined by CADE in the case records - DF.

- 11) **Status:** Technical Note converting the Administrative Inquiry into an Administrative Proceeding against BR, Adão e Sanches. Violations against the economic order to be investigated include: 284, The case records show that BR Distribuidora, by way of Adão do Nascimento Pereira and Luiz Cláudio Caseira Sanches, participated in an agreement to set ethanol prices and share clients in Distrito Federal/DF, and adopted a policy of discrimination against domestic buyers, affecting the market in Distrito Federal/DF. 285, This evidence derives from statements made by committed parties related to the Cascol chain, monitoring telephone conversations and seizing electronic communications. This evidence is painstakingly described in items II.3.1.2.1 of the ethanol price agreement between BR Distribuidora and Ipiranga, II.3.1.2.3 of the buyers details, II.3.1.2.4 of the dividing of clients.

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Plaintiff: Viação Ouro Verde E Outros

This is an Ordinary Action brought by Viação Princesa Tecelã Transportes Ltda. and Auto Viação Ouro Verde against BR. The plaintiffs allege that on 6/29/1992 each of them signed a purchase and sale agreement with BR under which they both undertook to purchase a total volume of 32,760 m³ of fuel over a period of sixty months. They assert further that the second plaintiff, Viação Ouro Verde Ltda. entered into an agreement for the road transportation of anhydrous and/or hydrous ethanol and other fuels, with a term of sixty months. All of the agreements are alleged to have been interdependent, with the purchased quantities of fuel linked to expected transportation mileage. However, they allege that BR had misinterpreted the clause establishing such interdependence, and had used the transportation services of Auto Viação Ouro Verde in lesser quantities than agreed, thereby causing it damages.

- 12) **Status:** BR was ordered to reimburse shipping costs and to pay losses and damages to the Plaintiffs. After payment of the award had begun, Plaintiffs submitted a petition stating the amount they believed they were entitled to; R\$1,041 as compensation for shipping not conducted and R\$83 for lost earnings.

The Company requested the production of technical forensic evidence to determine the volumes and contractual period serving as a basis for payment of the award amounts. With the support of its technical assistants, the Company believes that R\$ 83 is equivalent to the net income to be obtained based on gross sales of R\$1,041, for the shipping volume that should have been conducted as informed by Plaintiffs. The Company therefore rates the chance of losing R\$ 8 to be probable (estimated based on the proportions established in the contract) and the loss of R\$ 75 to be possible.

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Plaintiff: Carrefour Comércio E Indústria Ltda

- 13) A claim brought by the plaintiff to collect certain amounts rejected by BR.

Status: Case at the discovery phase.

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Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

Plaintiff: Rrf Participações E Administração De Empresas S.A.

This claim was brought under article 246 of the Brazilian Companies Act, according to which a “parent company shall compensate for any damages it causes to an affiliate as a result of acts committed in violation of articles 116 and 117.” BR is alleged to have undermined, by action and by omission, the development of BRF. BR reassessed its own priorities and lost interest in the project after having undertaken commitments not only to its partner, RRF—under a shareholders agreement entered into upon the founding of the company—but especially to BRF itself. To serve its own interests, BR unilaterally decided not to implement actions required to fulfill the corporate purpose of BRF, and refused to sign contracts needed to complete the project for production of oil for biorefining. By doing so, BR is alleged to have abused its power of control, in violation of articles 116 and 117 of the Brazilian Companies Act.

14) Act.

Status: BR received service of process on 11/24/2020. The Company has 15 (fifteen) days in which to submit its response (Article 219 of the Code of Civil Procedure).

	51	-
Various civil proceedings	501	412
Total	3,294	2,532

c) Labor proceedings

Description of labor proceedings	2020	2019
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.	236	305
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 labour rights.	58	58
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.	41	60
Plaintiffs: Other		
4) Labor claims filed by former employees/employees of transportation firms contracted by the Company to carry fossil fuels.	67	89
Plaintiffs: Other		
5) Labor claims filed by former employees/employees of service providers contracted claiming entitlement to salary parity in relation to other employees.	19	41
Various labor proceedings	288	142
Total	709	695



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d) Environmental proceedings

Description of environmental proceedings	2020	2019
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 litres 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 qualification of the court-appointed expert. Before deciding the expert analysis remit, the Judge scheduled a reconciliation hearing for March 2020, which has been cancelled because of COVID-19 with no new date scheduled.	116	100
Various environmental proceedings	29	54
Total	145	154

⇒ Accounting policy

The provisions for legal proceedings are recognised when:

- (i) the Company has a present obligation as a result of past events;
- (ii) it is not probable that an outflow of resources will be required to settle the obligation; and
- (iii) the amount can be estimated with reasonable certainty.

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

⇒ Estimates and judgements

The estimates used for determining the amounts of the obligations and the probability of an outflow of resources are made by the Company, based on the assessment of its technical staff and legal advisers.

These estimates are made individually or by group of cases with similar theses and essentially take into account factors such as the analysis of the orders made by the plaintiffs, strength of the evidence submitted, case law precedent for similar cases and legal doctrine on the matter.

Arbitration, judicial and administrative decisions in cases against the Company, new case law and changes to the group of existing evidence could result in a change to the probability of an outlay and measurements after analysing the grounds.

25.4 Legal proceedings – recovery of taxes

25.4.1 ICMS in the PIS and COFINS calculation base

By way of an additional request made by the Company on August 11, 2020, it was certified on October 28, 2020 that the decision issued by the 12th Federal Court of Rio de Janeiro in favour of the Company could no longer be appealed, which determined that the ICMS to be excluded from the PIS/COFINS calculation base is that stated in the invoices.



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Relying on this certification, of 2020, the Company recognized a credit of R\$ 1,437 (Note 16.1).

⇒ **Accounting policy**

Contingent assets are not recognised, but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

26 Contractual commitments

a) Take or pay purchase agreements

The Company has purchase commitments for oil products for the period of 3 years, amounting to an estimated total of R\$ 226 with Petrobras and R\$ 73 with Refinaria de Petróleo Riograndense.

The Company has commitments for natural gas acquisitions for the four-year period in an estimated R\$ 55 towards Companhia de Gás de Santa Catarina (SCGAS).

On 8/1/2020 Companhia de Gás do Espírito Santo – ES Gás undertook the operations of the natural gas sale and exploration concession in Espírito Santo state, succeeding the company in the natural gas acquisition contracts with Petrobras.

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\$ 837 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.

Processing services provided by Brasil Carbonos, at the Taubaté/SP and Cosmópolis plants, where the remaining contractual balance denotes approximately 15,400 thousand of green petroleum coke, for the estimated price of R\$ 426, until October 2033.

The Company provides storage services for the period of 1 year, worth an estimated R\$ 44 from Ageo Terminais.

27 Financial instruments

See below the main financial instruments included in the statement of financial position and their respective categories:



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	Notes	Fair value hierarchy level	Consolidated		Parent Company	
			2020	2019	2020	2019
Amortized cost						
Assets						
Cash and bank deposits	6		50	239	50	238
Short-term investments	6		3,308	2,123	3,146	1,876
Accounts receivable	7		4,665	5,044	5,004	5,214
Loans awarded to related parties			-	-	-	144
NTN-P (Other noncurrent assets)			3	2	3	2
Total assets at amortized cost			8,026	7,408	8,203	7,474
Liabilities						
Trade payables	13		2,196	2,307	2,226	2,331
Borrowing	14		7,757	5,957	6,987	5,066
Total liabilities at amortized cost			9,953	8,264	9,213	7,397
Fair value through profit or loss						
Accounts receivable	7	2	84	23	84	23
Derivative financial instruments - commodities contracts		1	11	3	11	3
Derivative financial instruments - swap contracts and NDFs		2	506	6	506	6
Total assets at Fair value through profit or loss			601	32	601	32
Fair value through profit or loss						
Liabilities						
Derivative financial instruments - commodities contracts		1	77	19	77	19
Derivative financial instruments - NDF's contracts		2	4	22	4	22
Total liabilities at Fair value through profit or loss			81	41	81	41

⇒ Accounting policy

Upon initial recognition, the financial instruments are measured at fair value, plus or less any transaction costs directly attributable to acquisition or issuance of such instruments.

Financial assets are classified and measured based on the business model in which assets are managed and their cash flow characteristics, as follows:

- *Amortized cost: financial asset (financial debt instrument) whose contractual cash flow results only from the payment of principal and interest on the principal on specific dates and whose business model aims to maintain the asset in order to receive its contractual cash flows;*
- *Fair value through profit or loss: all other financial assets.*

When financial liabilities have been measured at amortized cost and their contractual terms substantially modified, their carrying amounts should reflect the present value of their cash flows on the new terms, using the original effective interest rate. The difference between the carrying amount of the remeasured instrument and the non-substantial modification of its terms and its carrying amount immediately prior to such modification is recognized as a gain or loss in profit or loss for the year.

The financial assets are not subject to impairment tests.



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The Company maintains currency and commodity hedge derivative instruments, which are measured at fair value through profit or loss.

28 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. The Company uses derivative financial instruments for the sole purpose of mitigating risks posed by exchange variance.

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 Company's risk management factors in the risk posed by obligations assumed by third-party towards the Company (credit risk) and the risk generated by variables traded in the financial market (market risk) amongst others.

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.

28.1 Market risks

28.1.1 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, importing products and borrowing in foreign currencies.

28.1.1.1 Exchange risk management

SWAP contracts

Between January and December this year, the Company took out the first swap operations as a result of the funds secured under NCE and Loan 4131 to hedge against the exchange variance of the foreign-currency debt. The swap operations have a notional total of R\$ 2,848.

As of December 31, 2020 the Company's loans and financing indexed to exchange variance have been fully hedged, both for term and amounts, by swap contracts. The Company records the swap contracts gains and losses in profit or loss.



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USD vs CDI

The Company has five such contracts, with a notional aggregate value of USD 614 million with various maturities through 3/31/2025, with a long position in US dollars indexed to a fixed rate and a short position in Reais indexed to the CDI rate + spread, amounting to a notional R\$ 2,733.

YEN vs CDI

The Company has one such contract, with a notional value of ¥ 2,449 million maturing on 4/9/2021, with a long position in YEN indexed to a fixed rate and a short position in Reais indexed to the CDI rate + spread, amounting to R\$ 115.

Swap agreements		Reference Value (R\$ Million)		Fair Value (R\$ Million)	
		2020	2019	2020	2019
Long Position	USD	614	-	3,307	-
Long Position	JPY	2,449	-	125	-
Short Position	CDI	2,848	-	2,927	-
Swap Earnings				505	
Swap Earnings (Post credit risk discount)				504	

On December 31 the SWAP result for these six operations was priced at R\$ 504.

The swap's fair value is calculated based on the present value of the future estimated cash flows. The estimates of the floating future cash flows are based on quoted swap rates, futures prices and interbank loan interest rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value of the Yen x CDI SWAP is calculated by the yen – dollar parity. The estimated fair value of the SWAP result is subject to a credit risk analysis that reflects the counterparty's credit risk, i.e. calculated based on the CDS (Credit Default Swap), using Bloomberg as a source.

Swap operations taken out and in force as of December 31, 2020 are as follows:

Currencies	SWAP type	Counterparties		Total Debt	Long position	% Cover	Average SWAP rates	
		Debt	SWAP				Long position	Short position
USD	Pre x DI	4131 JP	JP Morgan	325	325	100%	1.07059% p.a	CDI + 0.64% p.a
USD	Pre x DI	4131 JP	JP Morgan	325	325	100%	1.08235% p.a	CDI + 0.64% p.a
USD	Pre x DI	NCE Citi	Citi Bank	1,040	1,040	100%	1.216% p.a.	CDI + 0.79% p.a
USD	Pre x DI	4131 Scotia	ScotiaBank	1,163	1,164	100%	2.5725% p.a.	CDI + 0.78% p.a
USD	Pre x DI	NCE MUFG	MUFG Bank	351	351	100%	2.08% p.a.	CDI + 0.694% p.a
JPY	Pre x DI	NCE MUFG	MUFG Bank	125	125	100%	2.08% p.a.	CDI + 2.75% p.a

As stated in note 14, the Company made an amendment to the Libor-indexed swap contracts and debt instruments, swapping the index for a fixed rate.

Swap adjustment payments had been made by December 31, 2020 in the amount of R\$ 15.



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Sensitivity analysis - effect of change in fair value of swaps

The Company has reported liabilities indexed to foreign currency as of December 31, 2020, in order to identify possible misstatements from operations involving consolidated derivative financial instruments currently in force, a sensitivity analysis was carried out for three different scenarios (probable, possible and remote) and their respective impacts on the results obtained. For dollar-indexed debts and the respective hedge instruments (Dollar x DI SWAPs), the probable scenario was the exchange rate projected by the Focus report published on 12/31/2020. For scenario II this rate was adjusted by 25% and scenario III by 50%. For Yen-indexed debts and the respective hedge instrument (Yen x DI SWAP), the probable scenario was the future JPYUSD contract and the USDBRL exchange rate projected by the Focus report published on 12/31/2020. For scenario II these rates were adjusted by 25% and scenario III by 50%.

The sensitivity analyses presented considered changes in relation to the risk variables assumed, maintaining the others unchanged.

USD Sensitivity Analysis

Operation		12/31/2020	Probable Scenario	25%	50%
Derivative SWAP	PA (+)	3,307	3,214	4,017	4,821
	PP (-)	2,807	2,807	2,807	2,807
US Dollar vs. CDI Swap Result		500	407	1,210	2,014
SWAP Result post credit risk discount		499	405	1,205	2,006
Δ SWAP Result post credit risk discount			(94)	706	1,507

	12/31/2020	Probable Scenario	+25%	+50%
USDBRL	R\$ 5.1967	R\$ 5.05	R\$ 6.3125	R\$ 7.5750

Yen Sensitivity Analysis

Operation		12/31/2020	Probable Scenario	25%	50%
Derivative SWAP	PA	125	121	189	273
	PP	120	120	120	120
Yen x CDI Swap Result		5	1	70	53
Result post Credit Risk discount		5	1	70	153
Δ SWAP Result post credit risk discount			(4)	65	148

	12/31/2020	Probable Scenario	+25%	+50%
JPYUSD	R\$ 0.009679	R\$ 0.0096	R\$ 0.0120	R\$ 0.0144
USDBRL	R\$ 5.1967	R\$ 5.05	R\$ 6.3125	R\$ 7.5750

Non-Deliverable Forward - NDF

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 (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



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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 fourth case, which is still at the initial stage, this is the guarantee for the price of the Prepaid Trucker's Card.

The hedges procured accounted for 100% of the US dollar export revenue grossed from the aviation segment between January and December 2020. The Company procured forex hedges for imports between January and September 2020 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 using NDFs between January and December 2020 led to a positive flow to the Company of R\$ 63.

Note that the Company did not use any other derivative instruments in relation to forex hedges besides NDFs and Swaps.

None of these hedges required guarantee margin deposits.

NDFs	Reference Value (notional)		Fair value		Maturity
	USD (Millions)		R\$ (Millions)		
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	
Long Position	-	223	-	(22)	1Q20
Long Position	-	2	-	-	2Q20
Long Position	64	-	(1)	-	1Q21
Short Position	-	77	-	6	1Q20
Short Position	-	2	-	-	2Q20
Short Position	13	-	-	-	1Q21

The following sensitivity analysis was conducted for the fair value of the foreign currency derivatives. The probable scenario is the fair value as of December 31, 2020 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	Risk	Probable Scenario as of 12/31/2020	Possible Scenario (Δ of +25%)	Remote Scenario (Δ of +50%)
NDFs (*)	Appreciation of Dollar over Real	(7)	(66)	(132)

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

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



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	Consolidated				
	Exposure at 12/31/2020	Risk	Scenario I - probable	Scenario II possible (*) 25%	Scenario III - remote (*) 50%
Assets					
Cash and banks	26	US dollars / Real	(1)	6	12
Accounts receivable	45	US dollars / Real	(1)	10	21
Liabilities					
Trade payables	(412)	US dollars / Real	12	(88)	(189)
Borrowing	(3,203)	US dollars / Real	90	(688)	(1,466)
Borrowing	(125)	Yen / Real	5	(63)	(146)
Net financial income, as per estimates					
Gain/(loss)			105	(823)	(1,768)

Criteria

Probable scenario - Change of -4.82% of Real against US Dollar and -3.616% against the Yen. 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 December 31, 2020, considering it to be constant.

28.1.2 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, Export Credit Notes-NCE, Loan 4131 and Debentures of the Agribusiness Receivables Certificates-CRA).

28.1.2.1 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 December 31, 2020.



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			Scenario I - probable	Scenario II - possible (*)	Consolidated Scenario III - remote (*)
	Book	Risk			
	at	CDI	2.08%	2.60%	3.12%
	December 31	IPCA	4.10%	5.13%	6.15%
	2020	SELIC	2.19%	2.73%	3.28%
		IGPM	5.19%	6.48%	7.78%
		INPC	4.41%	5.52%	6.62%
Financial instrument assets					
CDI Short-term investments - 100%	3,121	CDI	65	81	97
Short-term investments - SELIC	149	SELIC	3	4	5
CDI financing receivable - 100%	636	CDI	13	17	20
IGPM financing receivable - 100%	355	IGPM	18	23	28
Financing receivable - INPC	84	INPC	4	5	6
Financing receivable - SELIC	213	SELIC	5	6	7
Payable financial instruments					
CDI Debentures - 111.57%	(753)	CDI	(17)	(22)	(26)
CDI 9 th Series debentures (collateral for CRAs) - 98%	(481)	CDI	(10)	(12)	(15)
CDI 10th Series debentures (collateral for CRAs) - 100%	(204)	CDI	(4)	(5)	(6)
11th Series debentures (collateral for CRAs) - IPCA	(309)	IPCA	(13)	(16)	(19)
Real estate receivables certificates (CRI) - IPCA	(770)	IPCA	(32)	(39)	(47)
Bank loans - CDI - 100%	(1,912)	CDI	(40)	(50)	(60)
Net financial income, as per estimates					
Gain/(loss)			(8)	(8)	(10)

Criteria

Probable scenario - includes the projected rates for 2021, 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 December 31, 2020, considering it to be constant.

28.1.3 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 activities.

See below the sensitivity analysis:



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Contracts (in cents per gallon)				(in millions of reais)		
Type	Quantity	Average Sale Price	Closed on 12/31/2020	MTM (Contract value)	Possible Scenario (Δ of 25%)	Remote Scenario (Δ of 50%)
RBOB (Gasoline)	668	712	733	(6)	(57)	(109)
HO (Diesel)	1,991	777	771	5	(156)	(318)

The Ptax sale rate at 12/31/2020 (5.1967) was used to calculate the aforesaid figures.

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

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.

The not discounted to present value flow of principal and interest on financing by maturity is as follows:

Period	Consolidated							Total
	2021	2022	2023	2024	2025	2,026 onwards	2027	
Principal	2,034	1,144	1,367	1,170	2,305	33	274	8,327
Interest	228	157	136	110	59	13	47	750
Total	2,262	1,301	1,503	1,280	2,364	46	321	9,077

The flow of payments from leases is presented in note 15.

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

28.3 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.

28.3.1 Credit risk management



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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 derivative activities is distributed among the main international banks rated by international risk rating agencies as Investment Grade, and all major Brazilian banks. See the rating below:

Bank Name	Country of bank branch	National Scale Rating	Risk Agency	Global Scale Rating	Risk Agency
Citigroup	Americas	-	-	BBB+	S&P
Banco Bradesco	Brazil	AAA	S&P	BB-	S&P
Banco do Brasil	Brazil	AA	Ficht	BB-	S&P
Banco Itau Unibanco	Brazil	AAA	S&P	BB-	S&P
Banco Safra	Brazil	AAA	S&P	BB-	S&P
Banco Santander S.A. - Brazil	Brazil	AAA	S&P	BB-	S&P
Caixa Econômica Federal	Brazil	AAA	S&P	BB-	S&P
Citibank	Brazil	AAA	S&P	BB-	S&P
Banrisul	Brazil	AA+	S&P	BB-	S&P
JP Morgan	Brazil	AAA	S&P	-	-
JP Morgan	United States	-	-	A-	S&P
Scotia bank	Canada	-	S&P	A+	S&P
MUFG	United States	-	S&P	A-	S&P
MUFG	Brazil	AAA	S&P	-	-
BRAZIL (Sovereign)		AAA	S&P	BB-	S&P
Petrobras Distribuidora S.A.	Brazil	Aaa	Moody's	Ba1	Moody's

The Company's commercial loans portfolio is highly diversified, serving customers from the automotive sector and major consumers, consisting mainly of industries, carriers, 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 7.

The Company's portfolio amounted to R\$ 10,683 as of December 31, 2020.

For the clients Retail and B2B without aviation, the Company assesses the estimated credit losses based on segments and the customer's payment history. The rates are calculated based on behaviour in the last 3 years, and are reassessed quarterly.

For the electric sector the Company has a separate matrix given the history and specific nature of the sector.

In respect of the aviation segment, due to the heightened credit risk mentioned in note 1.3 as a result of the COVID-19 pandemic, the Company has incorporated the higher probability of default into the matrix used to calculate expected credit losses, relying on ratings published by risk rating agencies for the main airlines in terms of accounts receivable, extrapolating this impact to the entire aviation receivables portfolio.

See below the current matrix in force:



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	Outstanding	1 to 30 days	31 to 60 days	61 to 90 days	91 to 365 days	Over 365 days
Trade receivables						
Retail	0.20%	66.46%	72.08%	76.12%	79.68%	100.00%
Aviation Market	2.63%	95.24%	95.24%	95.24%	95.24%	100.00%
B2B without aviation	0.10%	24.59%	42.22%	63.70%	73.97%	100.00%
Thermal power plants comprising the isolated power system						
Eletrabras group	0.11%	23.31%	99.99%	100.00%	100.00%	100.00%

28.3.2 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	
	2020	2019	2020	2019
AAA	3,064	1,442	3	-
AA	268	-	-	-
BrAAA	-	468	-	2
Aa1.br	-	338	-	-
No rating (*)	26	114	-	-
	3,358	2,362	3	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 ratings in this case are BBB+ in 2020 and BBB+ and A+ in 2019.

28.4 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 while maintaining an adequate debt profile and adequate shareholder returns. The Company may alter its capital structure depending on macroeconomic conditions.

	Consolidated	
	2020	2019
Borrowing (note 14)	7,757	5,957
Leases (note 15)	796	818
Gross debt from borrowing and leases	8,553	6,775
Derivative financial instruments (Swap)	(504)	-
Gross debt after derivative instrument	8,049	6,775
Less: cash and cash equivalents (note 6)	(3,358)	(2,362)
Net debt	4,691	4,413

28.5 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;



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- 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 December 31, 2020 the estimated fair value for the Company's financing calculated at market rates in force is presented in note 14.2.

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.

29.1 Commercial transactions and other transactions

29.1.1 By transaction

	Consolidated			Parent Company		
	2020			2020		
	Net income	Asset	Liabilities	Net income	Asset	Liabilities
Net income						
Revenue	2,558			2,558		
Net foreign exchange gains / (losses) and indexation	16			(18)		
Net financial revenue (expense)	32			(25)		
Other income and expenses	3			3		
Asset						
Account receivable (note 7)		596			935	
Securities (*)		3			3	
Cash and cash equivalents		294			285	
Dividends		-			7	
Judicial deposits		882			881	
Liabilities						
Trade payables			709			742
Dividends and interest on shareholders' equity payable			346			346
Advances from customers			194			194
Leases			52			594
Other accounts and expenses payable			146			146
	As of 12/31/2020	2,609	1,775	1,447	2,518	2,111
	January to December/2019	2,872			2,808	
	As of 12/31/2019		2,419	1,032		2,824
						1,628

(*) Classified in other Noncurrent Assets.

Purchases made from Petrobras amounted to R\$ 53,600 (R\$ 56,801 in 2019), with R\$ 403 from Refinaria de Petróleo Riograndense (R\$ 579 in 2019) and R\$ 227 from Distribuidoras de Gás (R\$ 341 in 2019).



Petrobras Distribuidora S.A.

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(In millions of reais, unless stated otherwise)

The Company has minimum purchase agreements with Petrobras, as mentioned in note 26 (a). The Company also has 4-year contracts with Petrobras for the purchase of oil products, equal to a total estimated value of R\$ 40,298.

The Company undertook the commitment to make capital contributions in 2021 to the companies Muricy II and Pecém, in the amount of R\$ 30 each.

29.1.2 By company

	Net income		Asset		Consolidated Liabilities	
	2020	2019	2020	2019	2020	2019
	Electric sector companies - Isolated system (Eletrobras group)	17	329	206	631	-
Subsidiaries of Petrobras Group						
Petrobras	1,709	1,687	192	200	1,200	927
Transpetro	33	45	18	10	44	35
Other	76	48	11	6	1	2
	1,818	1,780	221	216	1,245	964
Joint ventures of Company and Petrobras group						
Termocabo	21	12	15	-	-	-
Petrocoque	61	88	-	-	-	-
Logum Logística	3	1	-	-	1	1
CDGN (**)	-	(4)	-	-	-	21
ES GAS	7	-	65	-	-	-
Cia. Energética Manauara	35	30	-	-	1	1
Bretech Energia	49	-	-	-	-	-
Other	3	2	-	1	6	7
	179	129	80	1	8	30
Associated companies of Petrobras group (***)						
Suape II	-	2	-	-	-	-
	-	2	-	-	-	-
Government entities						
Government securities	-	-	3	2	-	-
State-owned banks	69	126	1,176	1,476	-	-
Federal government receivables	526	506	89	93	194	38
	595	632	1,268	1,571	194	38
Total	2,609	2,872	1,775	2,419	1,447	1,032



Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

	Net income		Asset		Parent Company Liabilities	
	2020	2019	2020	2019	2020	2019
Electric sector companies - Isolated system (Eletrobras group)	17	329	206	631	-	-
Subsidiaries of Company and Petrobras Group						
Petrobras	1,709	1,688	192	200	1,200	922
Stratura (*)	-	27	-	145	-	-
Transpetro	33	45	18	10	44	35
Fundo Invest.Imobiliário FCM	(91)	(89)	343	291	570	597
Other	76	47	11	6	-	2
	1,727	1,718	564	652	1,814	1,556
Joint operation						
Brasil Carbonos	-	-	3	-	6	4
Joint ventures of Company and Petrobras group						
Termocabo	21	12	15	-	-	-
Petrocoque	61	88	-	-	-	-
Logum Logística	3	1	-	-	1	1
CDGN (**)	-	(4)	-	-	-	21
ES GAS	7	-	65	-	-	-
Cia. Energética Manauara	35	30	-	-	1	1
Brentech Energia	49	-	-	-	-	-
Other	3	2	-	1	6	7
	179	129	80	1	8	30
Associated companies of Petrobras group (***)						
Suape II	-	2	-	-	-	-
	-	2	-	-	-	-
Government entities						
Government securities	-	-	3	2	-	-
State-owned banks	69	124	1,166	1,445	-	-
Federal government receivables	526	506	89	93	194	38
	595	630	1,258	1,540	194	38
Total	2,518	2,808	2,111	2,824	2,022	1,628

(*) On August 18, 2020 the Company concluded the sale of its entire equity interest in Stratura (Note 10).

(**) On June 05, 2020, the Company closed the sale of its entire equity interest in CDGN LOGÍSTICA S.A. to MDC I Fundo de Investimento em Participações Multiestratégia.

(***) These companies were no longer considered to be related parties on December 31, 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 Key executive compensation

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

	Parent Company							
	2020				2019			
	Executive Board (statutory)	Board of Directors	Other members of the statutory committee	Total	Executive Board (statutory)	Board of Directors	Other members of the statutory committee	Total
Short-term employee benefits	21.4	13.4	1.0	35.8	11.3	1.2	0.5	13.0
Post-employment benefits	0.8	-	-	0.8	0.7	-	-	0.7
Contractual severance benefits	-	-	-	-	0.1	-	-	0.1
Share-based payments	1.6	-	-	1.6	-	-	-	-
Total	23.8	13.4	1.0	38.2	12.1	1.2	0.5	13.8

In 2020 the Company had five members on the Executive Board and nine members on the Board of Directors.

The consolidated expense on director and officer fees amounted to R\$ 41 (R\$ 17 in 2019).



Petrobras Distribuidora S.A.

Notes to the financial statements

(In millions of reais, unless stated otherwise)

30 Additional information to the statements of cash flow

	Consolidated		Parent Company	
	2020	2019	2020	2019
Investment and financing transactions not involving cash				
Leases	116	106	123	110
Equity interest contributions through accounts receivable	379	-	379	-
Other transactions				
Use of judicial deposit to pay contingency	37	17	37	17

It is Company practice to present interest paid as a financing activity and dividends received as an investment activity in the statement of cash flows.

31 Insurance

It is company policy to take out insurance coverage based on the concentration of risks, materiality and the asset replacement costs.

As at December 31, 2020, fire insurance coverage for facilities, equipment and products amounted to R\$ 723. The coverage for civil liability amounted to R\$ 5,276, including R\$ 5,196 for aircraft supply operations and R\$ 80 for operations and sudden environmental pollution. The coverage for product transfers made between the Company's establishments, sales and products purchased from production sources, the transportation of which is the Company's responsibility, amounted to R\$ 139.

Given their nature, the risk assumptions adopted do not comprise the scope of a financial statements audit, and were not therefore examined by our independent auditors.

32 Events after the reporting period

Targus Acquisition

On February 1, 2021 the Company concluded a transaction with Targus Comercializadora de Energia S.A. and Targus Serviços de Energia Ltda. ("Grupo Targus Energia").

The Company will acquire an equity interest of 70% in Grupo Targus Energia after completing all payments agreed to be made up to December 31, 2021. On the same date the Company concluded a Shareholders Agreement with the current shareholders of Grupo Targus Energia, with a term of 15 years, under which the Company has an option to purchase the remaining 30% interest in Grupo Targus Energia.

Join Venture with LOJAS AMERICANAS S.A.

On February 25, 2021 the Company and LOJAS AMERICANAS S.A. ("Americanas") signed binding documents to form the partnership to operate the convenience stores business inside and outside gas stations, through the Local and BR Mania store chains.

This partnership will be implemented by creating a new company, whose share capital will be held by BR and Americanas (50% each), and which will have independent management and a proprietary corporate governance framework.



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(In millions of reais, unless stated otherwise)

This new company has been allocated an enterprise value in the current conditions of up to R\$ 995, which includes the contribution from the BR Mania chain of franchises and Local stores. The transaction also includes a payment by Americanas of up to R\$ 305 in the form of a contribution in the new company of approximately R\$ 252 and a payment of up to R\$ 53 of the variable portion to BR, based on performance targets.

BR currently has approximately 1,200 BR Mania stores, operated by franchisees, and Americanas has 55 Local stores, operated independently. The BR Mania brand will be maintained in gas stations while stores outside gas stations will operate under the Local brand. The operating model includes both franchised stores and independent stores as points-of-sale.

Formalizing the partnership and closing the deal depends on the performance of conditions standard for transactions of this nature, including authorization from the Administrative Council for Economic Defense - CADE.

Sale of Interest in Thermal Power Plants

On February 5, 2021 the Company signed an agreement to sell its entire equity interest in Pecém Energia S.A.(Pecém) and Energética Camaçari Muricy II S.A. (Muricy) to CH4 ENERGIA LTDA, a Brazilian company controlled by NEW FORTRESS ENERGY INC. (NASDAQ: NFE) ("NFE"), a limited liability company organized and existing under the laws of Delaware, with headquarters in New York.

The transaction was approved by the Company's Board of Directors, but will only be completed after certain conditions precedent under the agreement have been met.

The Company's interest will be sold for R\$ 50, as adjusted by the IPC-A index, of which R\$ 21 will be paid on completion of the transaction and R\$ 29 will be paid within 5 business days after the companies become commercially operational.

New funding

New funds were borrowed in February 2021 amounting to R\$ 2,800 through the following operations:

- Disbursement on February 12, 2021 of loan from Banco Santander via Resolution 4131 of R\$ 1,060, incurring CDI rate + 1.67% p.a., semi-annual interest and amortization at maturity in February 2026. On this occasion the 3 NCEs maturing in March and April 2021 were negotiated for prepayment in February 2021, amounting to a liability management of R\$ 580 by substituting the NCEs at an average cost of CDI + 4.19% by the aforesaid loan.
 - Disbursement on February 12, 2021 of Loan 4131 with BNP Paribas of USD 150 million or R\$ 803, at a rate of USD + 2.02% p.a. and amortization upon maturity, in February 2026, in addition to the swap contract entered into with the same institution to fully hedge the dollar debt, at the cost of CDI + 1.69% p.a.
 - Disbursement on February 26, 2021 of Loan 4131 with Scotiabank of USD 100 million or R\$ 537, at a rate of USD + 1.53% p.a. and amortization upon maturity, in February 2026, in addition to the swap contract entered into with the same institution to fully hedge the dollar debt, at the cost of CDI + 1.55% p.a.
 - Disbursement on March 12, 2021 of Loan 4131 with Bank of America of USD 73 million or R\$ 400, at a rate of USD + 2.27% p.a. and amortization upon maturity, in March 2026, in addition to the swap contract entered into with the same institution to fully hedge the dollar debt, at the cost of CDI + 1.67% p.a.
-

Petrobras Distribuidora S.A.

Representation of the Officers about the 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 financial statements for the financial year ended December 31, 2020;

(ii) reviewed, discussed and accept the opinions expressed in the report issued by KPMG Auditores Independentes relating to the Company's financial statements for the financial year ended December 31, 2020.

Rio de Janeiro, March 09, 2021.

MARCELO FERNANDES BRAGANÇA

Acting CEO and Executive Director, Operations, Logistics and Sourcing

ANDRÉ CORRÊA NATAL

Executive Director Finances, Purchases and RI

FLAVIO COELHO DANTAS

Executive Officer for Commercial, Retail and Market Intelligence

MARCELO CRUZ LOPES

B2B Commercial Executive Officer

BOARD OF DIRECTORS

EDY LUIZ KOGUT
Chairman

ALEXANDRE FIRME CARNEIRO
Director

CARLOS AUGUSTO LEONE PIANI
Director

CLAUDIO ROBERTO ELY
Director

LEONEL DIAS DE ANDRADE NETO
Director

MARIA CAROLINA FERREIRA LACERDA
Director

MATEUS AFFONSO BANDEIRA
Director

PEDRO SANTOS RIPPER
Director

RICARDO CARVALHO MAIA
Director

EXECUTIVE BOARD

MARCELO FERNANDES BRAGANÇA
Acting CEO and Executive Director, Operations, Logistics and Sourcing

ANDRÉ CORRÊA NATAL
Executive Director Finances, Purchases and RI

FLAVIO COELHO DANTAS
Executive Officer for Commercial, Retail and Market Intelligence

MARCELO CRUZ LOPES
B2B Commercial Executive Officer

ACCOUNTANT

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



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Independent auditors' report on the individual company and consolidated financial statements

(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)

**The Board of Directors and Shareholders of
Petrobras Distribuidora S.A.**
Rio de Janeiro - RJ

Opinion

We have audited the individual and consolidated financial statements of Petrobras Distribuidora S.A. ("Company"), referred to as parent company and consolidated financial statements, respectively, which comprise the statement of financial position as of December 31, 2020, and the statement of income, the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

Opinion for individual financial statements

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of Petrobras Distribuidora S.A as at December 31, 2020, and its individual financial performance and its individual cash flows for the year then ended in accordance with Brazilian accounting policies.



Opinion for consolidated financial statements

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Petrobras Distribuidora S.A as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Brazilian accounting policies and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB.

Basis for opinion

We conducted our audit in accordance with International and Brazilian Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent from the Company and its subsidiaries in accordance with the ethical requirements that are relevant to our audit of the financial statements and are set forth on the Professional Code of Ethics for Accountants and on the professional standards issued by the Regional Association of Accountants, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

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

1 – Assumptions used on pension and medical plans actuarial obligation calculation

According to note 19 to the individual company and consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
<p>The Company sponsors pension and health care plans that provide supplementary retirement benefits and medical care to its employees.</p> <p>Actuarial obligation from these pension and health care plans are determined based on actuarial calculation prepared annually by an independent actuary, hired by the Company in accordance with the projected unit credit method, based on several actuarial assumptions. The main actuarial assumptions used, given the significant impact that minor changes could cause on the actuarial liability estimate, are the discount rate, the medical and hospital cost variation rate, and medical costs projection.</p>	<p>Our audit procedures included, among others, an evaluation of the design, implementation and effectiveness of key internal controls adopted by the Company associated with the measurement of these liabilities arising from pension and health care plans, particularly the internal controls related to the review and approval of the assumptions used in the measurement of actuarial liabilities.</p> <p>We performed procedures on the database information about active employees, assisted beneficiaries, retired beneficiaries and pensioners used to measure the liabilities arising from these pension and health care plants, including an assessment on medical costs projection, based on a selection.</p>



Due to the high level of Company's judgment to determine those estimates and actuarial assumptions, as well as the extent of historical data about the employees' expenses and contributions used to measure the liability from those pension and medical plans, we considered this a key audit matter.

We evaluated the objectivity, scope, technical competency and experience of the independent actuary hired by the Company responsible for the actuary measurement.

With support from our specialists in actuary calculation, we assessed the assumptions and calculation methodology used by the Company on formulating the calculation to measure those pension and medical plans' liability, and we compared with data obtained from external sources, when available, mainly: the discount rate, hospital cost variation rate and medical costs projection.

Based on the audit evidence obtained by applying the procedures summarized above, we considered the balances of liabilities arising from these pension and health care plans and other amounts included in the individual company and consolidated financial statements for the year ended December 31, 2020, taken as a whole, to be acceptable.

Other matters

Statements of value added

The individual and consolidated statements of value added for the year ended December 31, 2020, prepared under the responsibility of the Company's management, and presented as supplementary information for IFRS purposes, were submitted to the same audit procedures followed together with the audit of the Company's financial statements. In order to form our opinion, we evaluated whether these statements are reconciled to the financial statements and to the accounting records, as applicable, and whether their form and content are in accordance with the criteria set on Technical Pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added have been adequately prepared, in all material respects, according to the criteria set on this Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

Other information that accompanies the individual and consolidated financial statements and the independent auditors' report

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

Our opinion on the individual and consolidated financial statements does not cover the Management's Annual Report and we do not express any form of assurance conclusion thereon.

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



Responsibilities of Management and Those Charged with Governance for the Individual and Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that the examination performed in accordance with Brazilian and international standards on auditing will always detect possible existing material misstatements. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the examination performed in accordance with Brazilian and international standards on auditing, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is greater than the one deriving from error, as fraud may involve the act of circumventing internal control, collusion, forgery, omission or deliberate false representations.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are substantiated by the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.



- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the corresponding transactions and events in a compatible manner with the objective of a true and fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Rio de Janeiro, March 09, 2021

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.

Audit Committee Report

To the Directors and Officers of
Petrobras Distribuidora S.A.

1. Presentation and General Information

The Audit Committee of Petrobras Distribuidora S.A (“BR”) became the Statutory Audit Committee (“CAE”) on August 31, 2017. Following BR's privatization, from July 25, 2019 the Statutory Audit Committee maintained its status as a permanent committee, answering directly to the Board of Directors.

In accordance with the Bylaws and applicable regulations, especially CVM Directive 308/99 and subsequent amendments and the Novo Mercado Regulations of B3 S.A. – Brasil, Bolsa, Balcão (B3), the CAE exists to advise the Board of Directors, especially regarding: (i) the quality, transparency and integrity of the financial statements; (ii) the effectiveness of internal control and risk management processes; (iii) the work, independence and quality of the services provided by the independent auditors and internal auditors; and (iv) related-party transactions.

It should be emphasized that BR's executives are responsible for preparing and ensuring the integrity of the financial statements, managing risks, maintaining effective internal control systems and ensuring activities comply with the legal and regulatory requirements.

Whilst performing its responsibilities, the CAE is not responsible for planning or conducting audits or any assertion that BR's individual financial statements (hereinafter “financial statements”) are complete and accurate and are being presented in accordance with the accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). This is the responsibility of management and the independent auditors. The CAE's members are not carrying out the roles of auditors or accountants when performing their responsibilities described in the Internal Regulations.

2. Committee Members

The CAE currently consists of the following members: Director Maria Carolina Ferreira Lacerda (Coordinator), Director Alexandre Firme Carneiro, both appointed in September 24, 2019, Director Edy Luiz Kogut and Director Mateus Affonso Bandeira, appointed on November 1, 2019 and External Member Elionor Farah Jreige Weffort, reelected and appointed on April 01, 2020.

We emphasize that all the current members of CAE meet the independence criteria set out in article 31-C (2) of CVM Directive 308/99, issued May 14, 1999, as amended by CVM Directive 509 issued November 16, 2011, in addition to the independence criteria established by the IBGC – Brazilian Institute of Corporate Governance.

3. Summary of the Statutory Audit Committee's Activities in 2020/2021

Twelve ordinary meetings and three extraordinary meetings took place in the year 2020 embraced by this report. The Statutory Audit Committee has examined agendas including members of the Board of Directors, Oversight Board, Executive Board, Managers, Independent Auditors and Independent Auditors.

The analyses, statements and recommendations formulated by CAE were duly recorded in minutes.

Petrobras Distribuidora S.A.

Annual Report of the Statutory Audit Committee

The main issues addressed at its meetings, detailing the activities and recommendations given to the various departments of BR, the debates and results of monitoring the activities of the Internal Auditors and Independent Auditors were reported in summary format to the Board of Directors' ordinary meetings.

The CAE compiled the annual schedule of meeting agendas for FY 2021, including all relevant matters and those responsible for performing obligations and responsibilities.

3.1. Quarterly information, interim statements and financial statements

In the reporting period agendas were made for meetings with the accounts department regarding the quarterly and annual financial statements, addressing the main accounting policies adopted, the accounting estimates made and the presentations of the financial and equity situation, financial results, cash flows and added values and the notes to the financial statements. These agendas also included the Independent Audit and BR's Audit Committee.

The rating of risks posed by judicial and administrative proceedings, estimated case amounts and consequent accounting records in liability provisions and/or disclosure in the notes to BR's financial statements were analyzed and discussed at CAE meetings with the Legal Department, Accounting Department and Financial Department.

The reasonableness of the assumptions used in the actuarial calculations and the actuarial result of the pension and health plans were presented by the responsible departments and assessed by the CAE.

3.2. INDEPENDENT AUDIT

KPMG Auditores Independentes ("KPMG") has been carrying out our independent audit since April 2017. Information was obtained to assure the independence of the auditors and that there were no conflicts of interest in other engagements other than auditing the financial statements.

The CAE met with the independent auditors ("KPMG") to address the following matters: (i) planning and carrying out the audit of the quarterly and annual financial statements for FY 2020; (ii) scope of the main audit procedures and materiality adopted; (iii) audit risks; (iv) identified issues and (v) conclusions of their audit examinations.

3.3. Internal Audit

The CAE oversees the adequacy of the Internal Audit, which is responsible for periodic engagements focusing on the core risks, broadly and independently assessing the management of these risks and the adequacy of governance and internal controls, embracing the departments and activities which are most sensitive to BR's strategy and operations.

In the various meetings held with the Internal Audit, the CAE was informed about the points of attention and recommendations deriving from the completion of their engagements, and performed a rigorous and detailed follow-up of the measures taken by Management to address the audit issues. The guidelines also addressed the adequacy of the monitoring of the Activity Plan (PAINT), recommending its approval to the Board of Directors and the monitoring of its implementation, as well as any need for adjustments to the quarterly and annual reports of the Internal Audits (RAINT) and monitoring the testing of BR's internal controls.

3.4. Related-party transactions

Performing its duties of assessing and monitoring the adequacy of related-party transactions conducted by BR and the respective disclosures, the CAE examined material issues in the reports issued containing the details of related-party transactions.

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3.5. Other activities

In addition to the aforesaid activities, the CAE addressed several other agendas in periodical meetings with the main executives of BR Distribuidora, in order to learn about relevant business strategies and to follow up operational, organizational and systemic improvements to bolster the processing and security of the transactions.

The CAE also has joint meetings with the Audit Committee to analyze and approve the company's quarterly and annual financial statements.

The CAE monitored the whistleblowing hotline and investigations through periodical meetings with the Ombudsman and Compliance practices.

4. Recommendations to the Executive Board

As a result of the aforementioned situation, the CAE believes that all the items mentioned above and recommended to the Executive Board, whose action plans have been implemented or are in progress, constitute sufficient procedures to mitigate the internal control risks and do not generate material impacts on the financial statements for the financial year ended December 31, 2020.

5. Conclusions and recommendations for the Board of Directors

In accordance with their legal responsibilities and duties, the members of the BR Statutory Audit Committee have proceeded to examine and analyze the Financial Statements for the financial year ended December 31, 2020, along with the Independent Auditors' Report and Annual Management Report.

In view of all of the analyses, studies and debates taking place over the course of the meetings and the oversight and follow-up works, the Statutory Audit Committee recommends the Board of Directors approve them.

Rio de Janeiro, March 08, 2021.

Maria Carolina Ferreira Lacerda
Statutory Audit Committee Coordinator

Alexandre Firme Carneiro
Director

Edy Luiz Kogut
Director

Elionor Farah Jreige Weffort
External Member

Mateus Affonso Bandeira
Director

Petrobras Distribuidora S.A.

Audit Committee Report

Pursuant to the responsibilities attributed to it by the law and bylaws, at a meeting held today the Oversight Board of PETROBRAS DISTRIBUIDORA S.A. examined its financial statements for FY 2020 and the respective notes to the financial statements, along with the annual management report and the allocation of profit for FY 2020 with the proposed dividend distribution and proposed capital budget for 2021.

Based on our examinations, the information and clarifications received over the course of the financial year and the unqualified Independent Auditors' Report issued on this date, it is the opinion of the Oversight Board that these documents are ready for appreciation by the General Shareholders' Meeting.

Rio de Janeiro, March 09, 2021.

JOÃO VERNER JUENEMANN
CEO

BRUNO PASSOS DA SILVA MELO
Director

MARIA SALETE GARCIA PINHEIRO
Director