



Implementation of Ultra Low Sulfur Diesel Fuel in Brazil

**Mexico City
August - 2015**

DISCLAIMER



FORWARD-LOOKING STATEMENTS:

DISCLAIMER

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NON-SEC COMPLIANT OIL AND GAS RESERVES:

CAUTIONARY STATEMENT FOR US INVESTORS

We present certain data in this presentation, such as oil and gas resources, that we are not permitted to present in documents filed with the United States Securities and Exchange Commission (SEC) under new Subpart 1200 to Regulation S-K because such terms do not qualify as proved, probable or possible reserves under Rule 4-10(a) of Regulation S-X.

General view about PETROBRAS

Fully integrated across the hydrocarbon chain



Exploration and Production

- 2.6 MM boed production
- 293 production fields
- 92% of Brazilian production

Downstream

- 13 refineries (Brazil)
- 2.2 MM bpd refining capacity
- Oil products sales in Brazil: 2,458 Kbpd

Distribution

- 7,710 service stations
- 37,7% of market share
- 21% share of service stations

Gas and Power

- 9,190 km of gas pipelines in Brazil
- NG Supply: 96.3 MMm³/d
- 3 LNG Regasification terminals with 41 MMm³/d capacity
- 6,885 MW of generation capacity

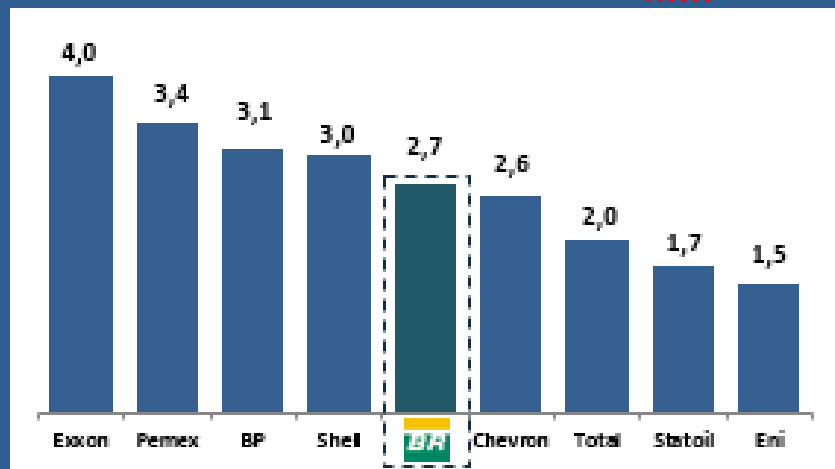
International

- 17 countries
- 700 MM boe of proven reserves
- 217 Kboed production
- 231 Kbpd refining capacity

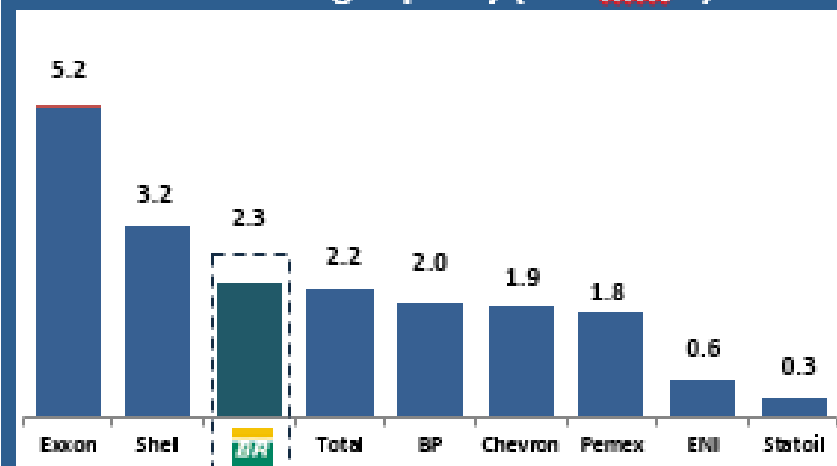
Biofuels

- 4 Biodiesel Plants
- Largest domestic producer of biodiesel: 20% of internal market
- 3rd producer of ethanol in Brazil

2014 Oil and Gas Production (mm boe/d)



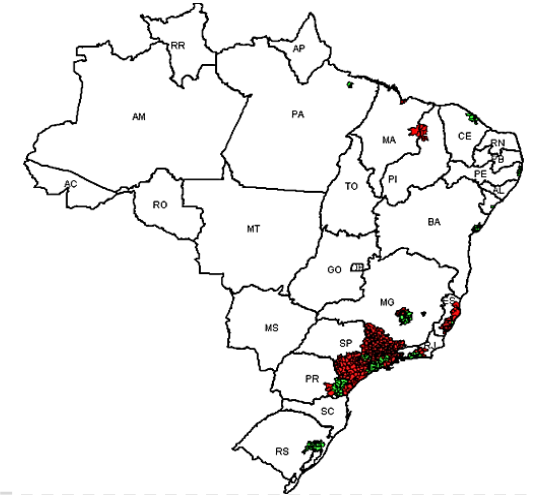
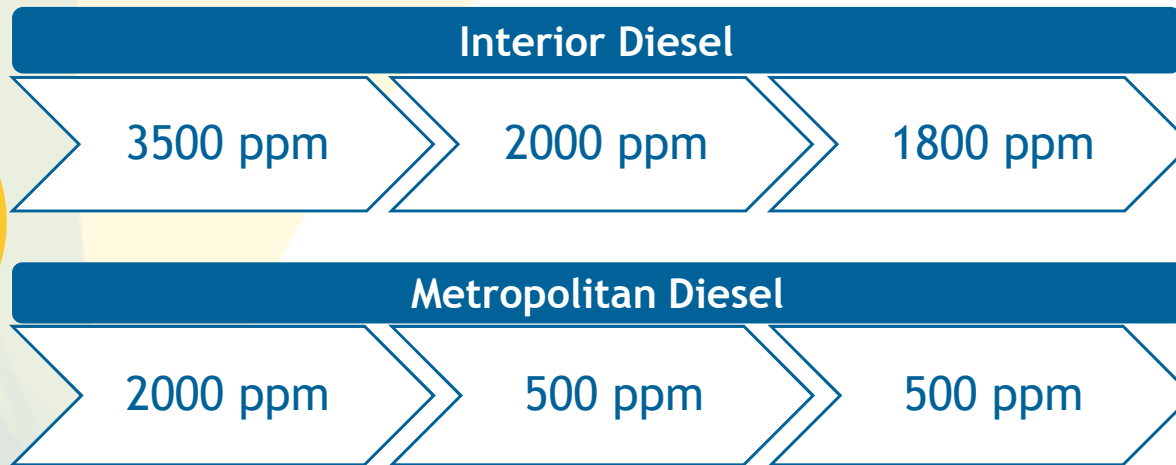
2014 Refining Capacity (mm boe/d)



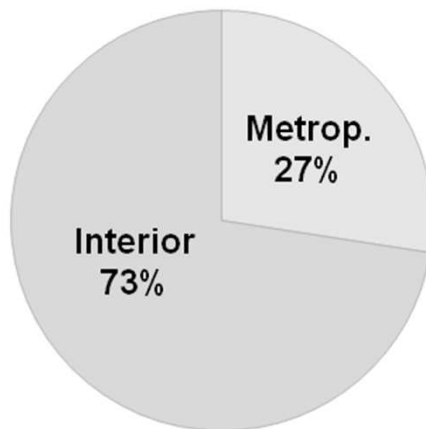
Historically, different types of diesel were sold in Brazil according to geographical reasoning



In the past:
Regional
Municipalities
ANP
(Mandatory)



Dec. 2008 Shares

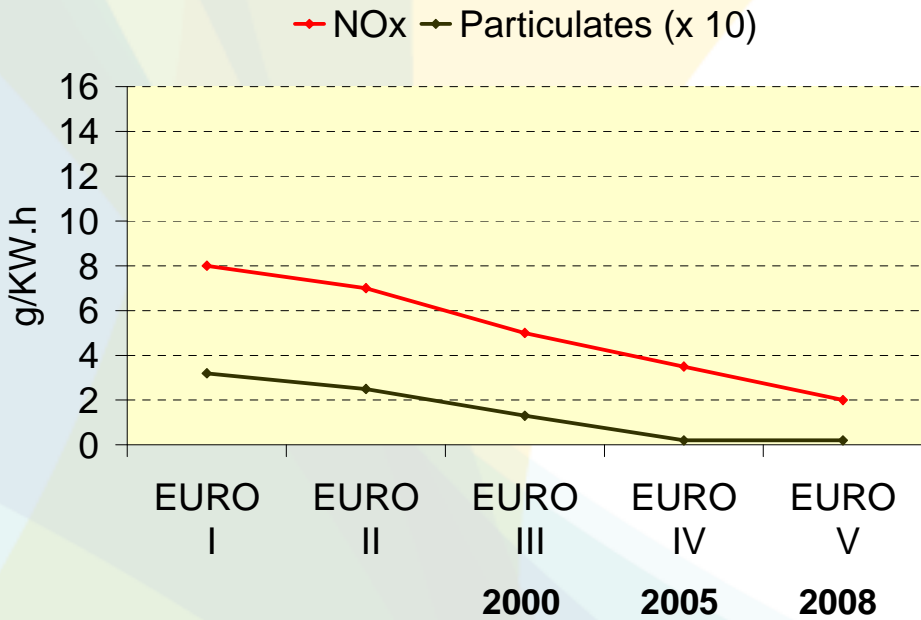


With the evolution of pollutant emissions standards, this scenario has changed ...

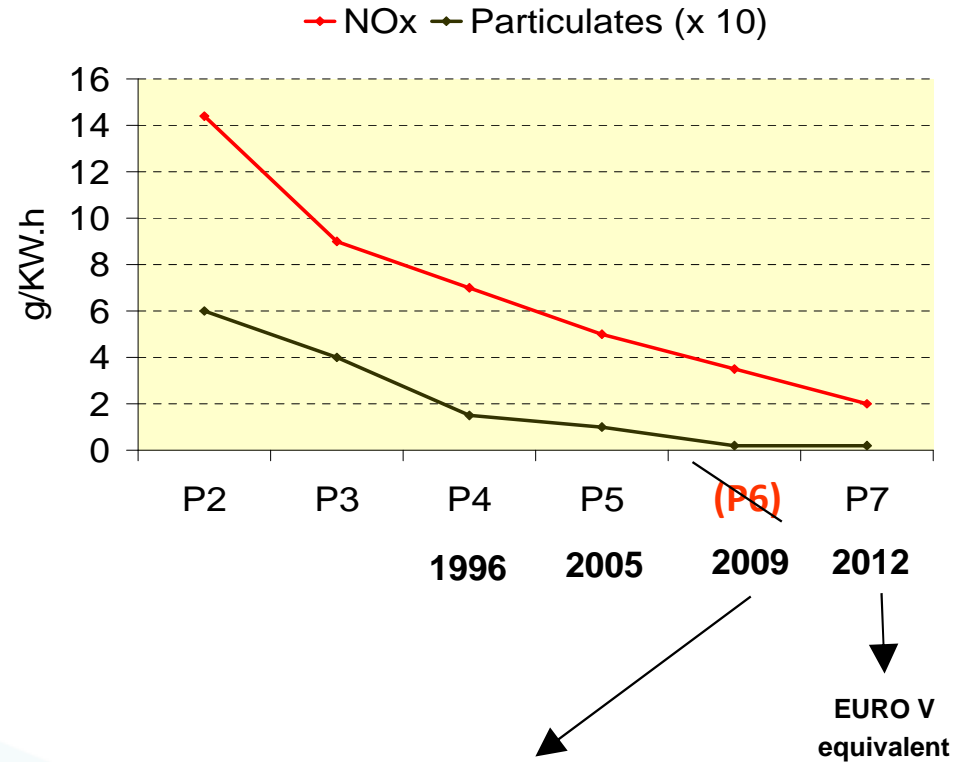
Stringent emission standards for heavy duty vehicles were introduced in recent years



Progression of European standards



Progression of Brazilian standards



Since phase P6 (EURO IV equivalent) was not implemented in Brazil, in October 2008 PETROBRAS, ANP, IBAMA and Vehicle Producers signed an Agreement with the Federal Public Ministry

The Agreement signed in Oct. 2008 established great challenges to the Brazilian market



Agreement Guidelines

- ✓ Replacement of 1800 ppm by 500 ppm diesel (automotive applications)
- ✓ Introduction of Ultra Low Sulfur Diesel
- ✓ Launch of Off-Road Diesel on Jan. 2014



Regulatory Ambience

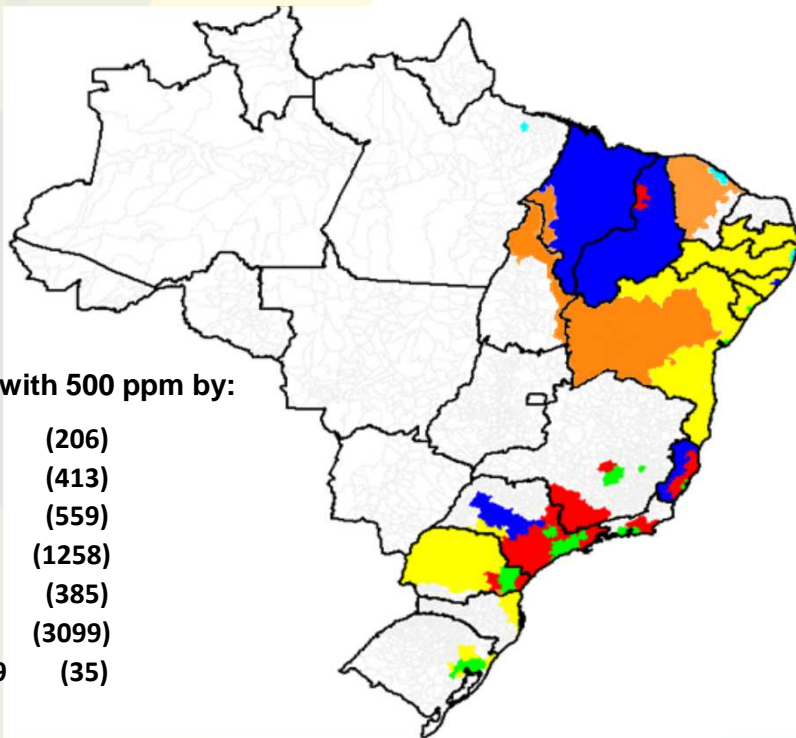
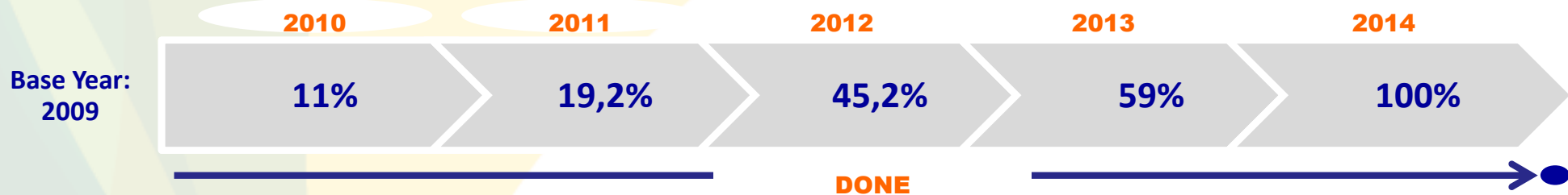
- ✓ ANP Supply Plan
- ✓ ANP Resolutions:
 - On-Road Diesel Specifications
 - Implementation Timetable
 - Off-Road Diesel Specification
- ✓ CONAMA Resolutions:
 - Disciplined requirements for P-7 phase
 - Air monitoring and selection of areas for the use of ULSD



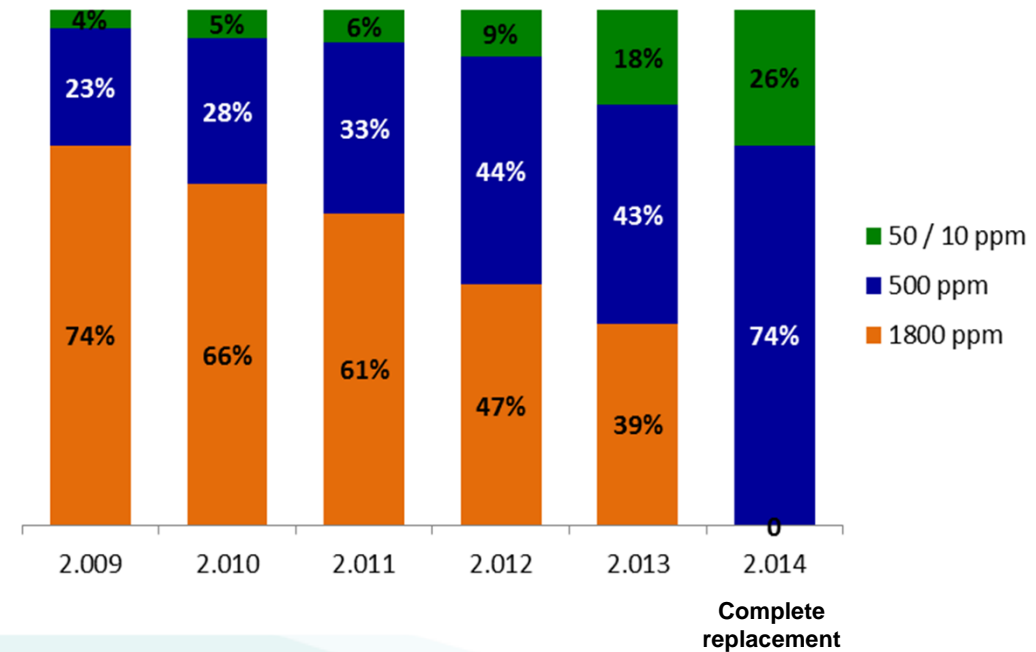
Investment Plans

- Project portfolio associated with the accomplishment of quantity and quality
 - Refining units
 - New refinery
 - Logistics Adjustments
- Infrastructure adjustments for distributors and retailers

Regarding the replacement of 1800 ppm diesel by 500 ppm diesel, the targets set for each year were fully complied

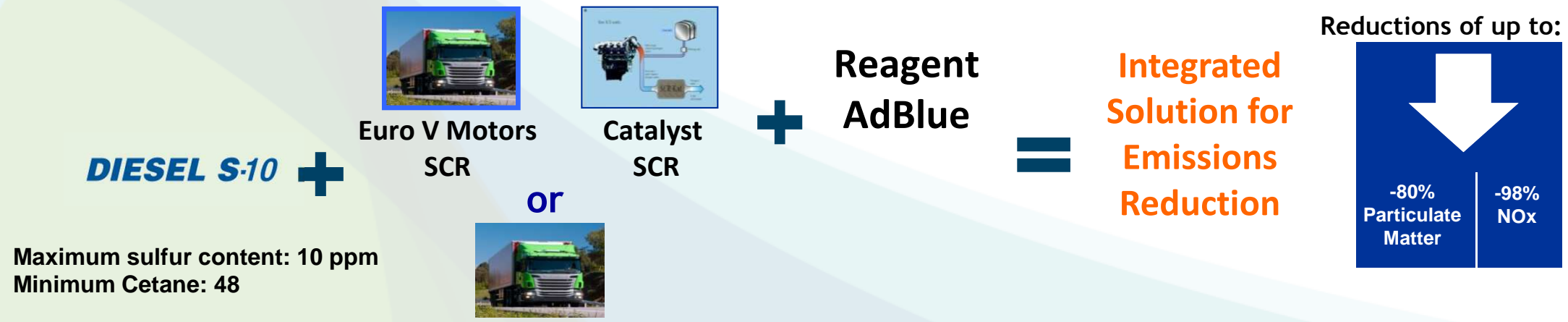
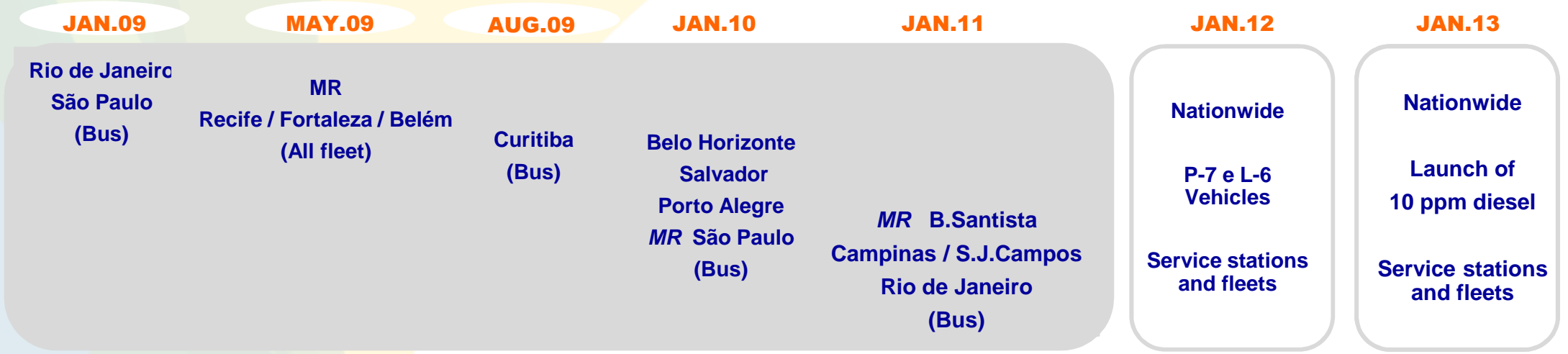


Diesel Oil Share – Petrobras' Sales



✓ We replaced at about 574 kbpd of high sulfur diesel in 5.714 municipalities

The ULSD was sold to meet the specific regions and municipalities demands between 2009 and 2011. With the implementation of phase P7, the product became available in services stations across the country



Maximum sulfur content: 10 ppm
Minimum Cetane: 48

* SCR = Selective Catalytic Reduction
** EGR = Exhaust Gas Reciculation



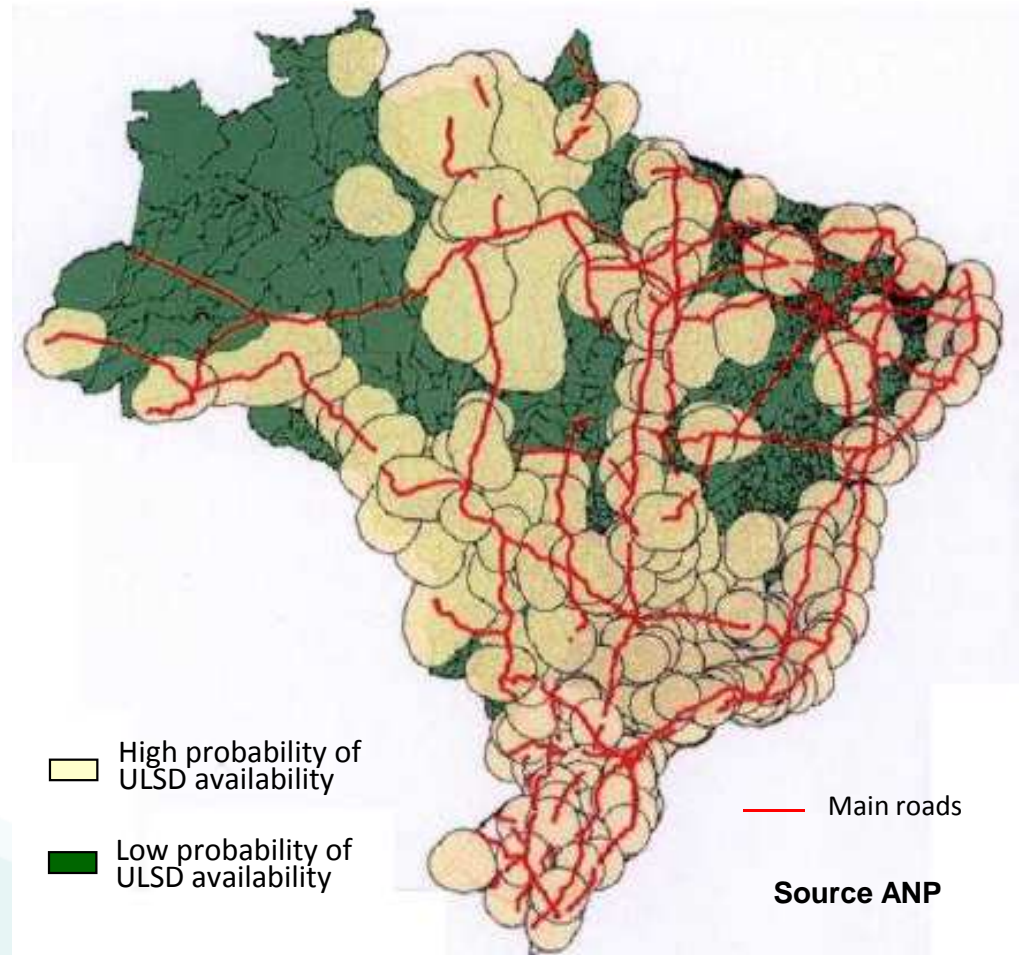
The implementation of ULSD in Brazil occurred with a high level of complexity



**“Multigrade“ transition
3 grades of Diesel (2 with
high sulfur content).
S-50 gasoline started in 2014**

**Production/importation with 10
ppm and PB sales with 10 ppm**

**Long extension pipelines /
complex systems**



To ensure the wide availability of the ULSD across the country, ANP promoted actions involving distributors and retailers

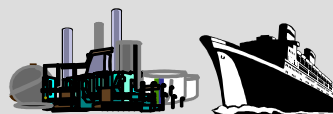


Additional Resolutions

- Defining criteria for mandatory offer of ULSD by service stations
 - Diesel Oil supply nozzles > Otto Cycle supply nozzles
- Fixing colorful plastic sticker to inform the type of diesel offered in each pump

Infrastructure Adjustments 2012

PETROBRAS



14 sale points
(among a total of 37)

DISTRIBUTORS



49 bases
(among a total of 280)

RETAIL

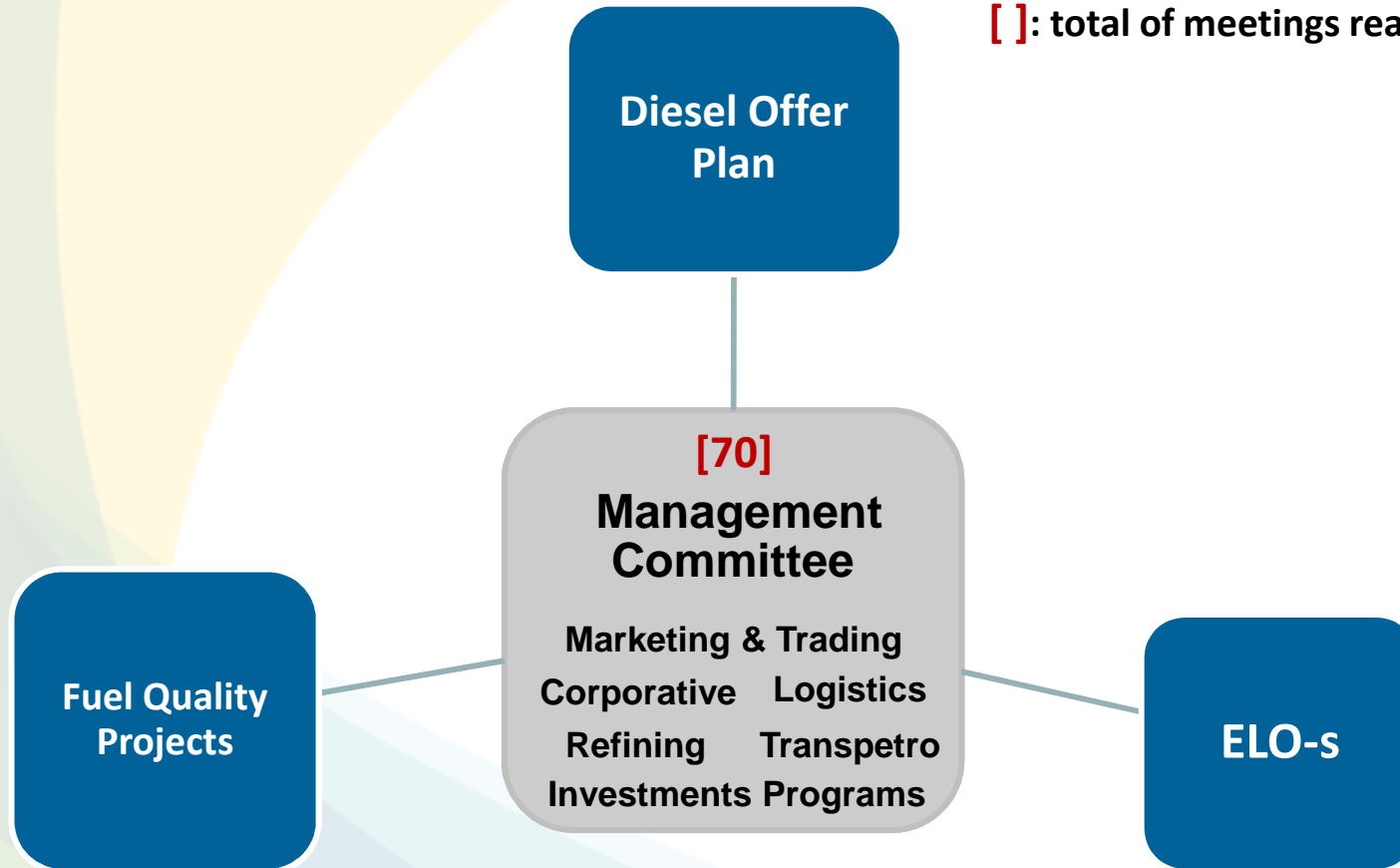


4,225 service stations
(among a total of 38 thousand)

To ensure the success of phase P7 and achieve environmental gains, Petrobras brought together a team of specialists



[]: total of meetings realized up to Jul. 2015



The Management Committee was created in Sep. 2009 with the objective to guarantee the fulfillment of the actions determined for Petrobras in the Agreement

Diesel Offer Plan informed the distributors and retailers the path to participate in a joint partnership



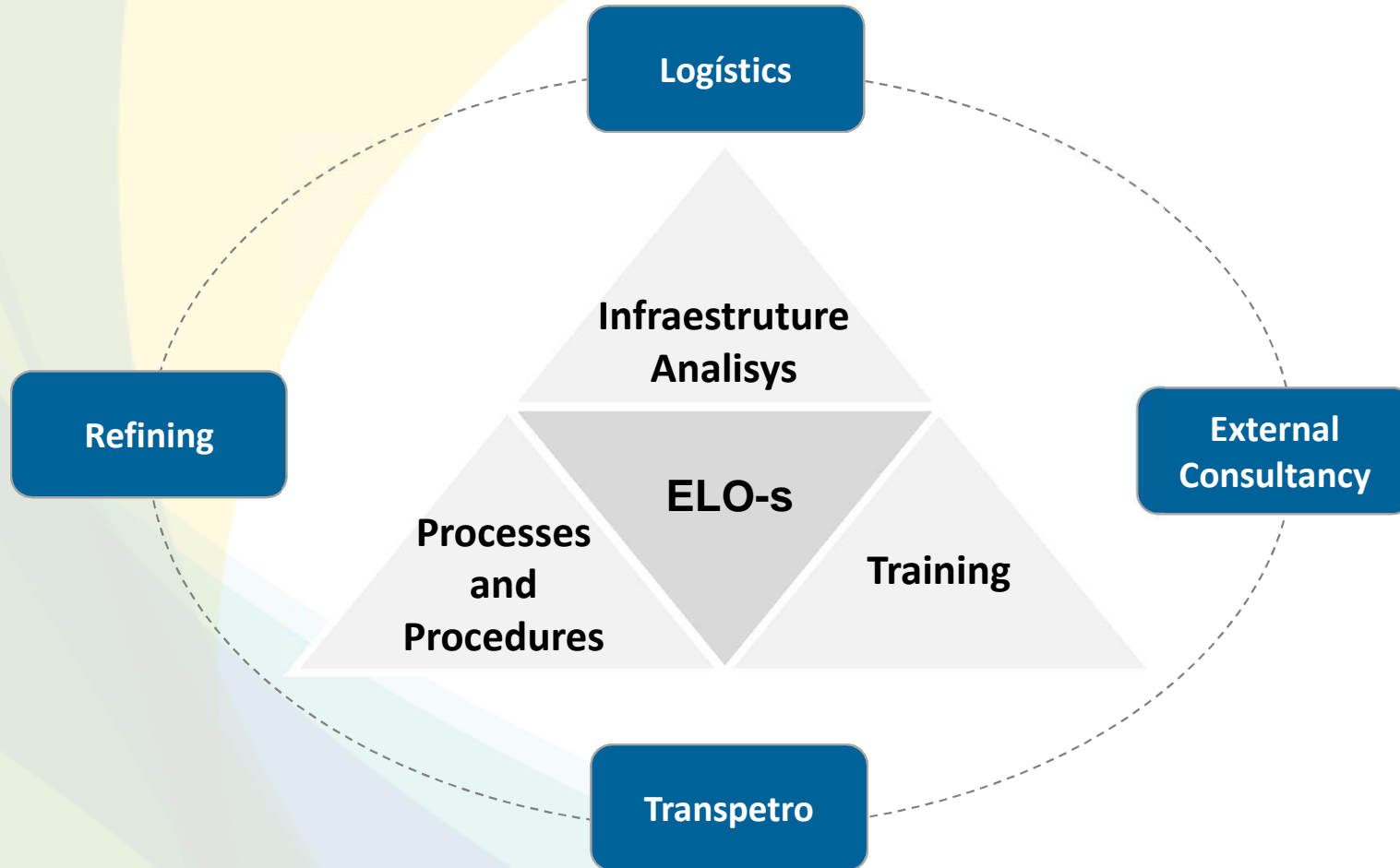
1ª Ed: Aug. 2010
2ª Ed: May 2013

Content

- Details of the offer of several grades over the years
- Petrobras investments and schedule
- Necessary adjustments to distributors
- Local operating conditions



The ELO-s project was implemented in order to guarantee the efficiency in logistics operations related to the ULSD

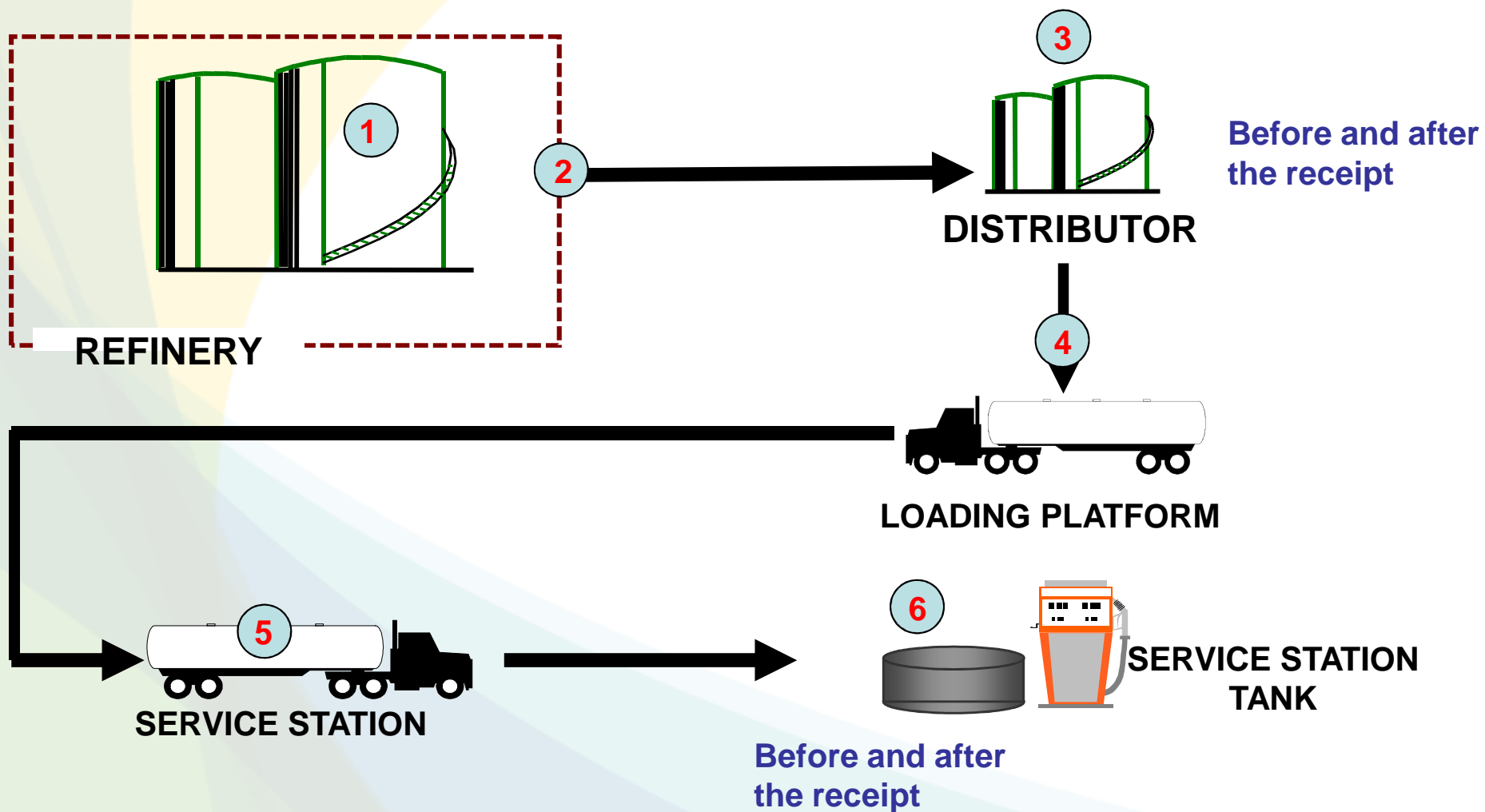


Successful introduction of ULSD across the country

Tests were performed to evaluate the evolution of the ULSD sulfur content along the supply chain



Sampling Points



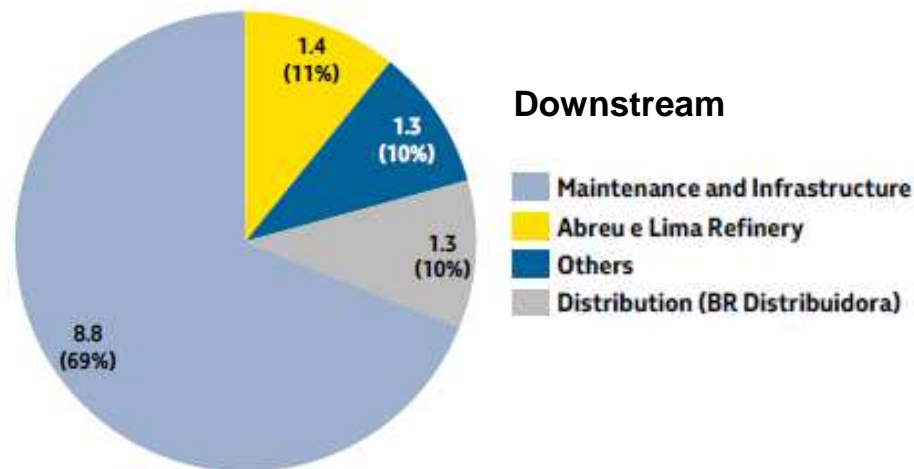
Significant investments were done in production and logistics in order to ensure market supply



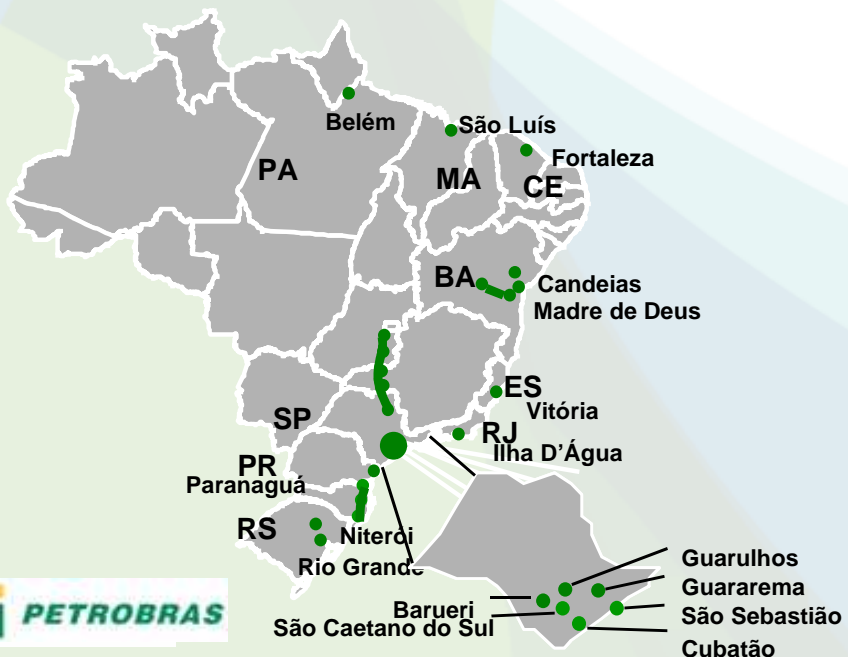
Between 2005 and 2014, more than US\$ 34 bi were invested in logistics and refining adjustments.

We estimate an additional US\$ 12,8 bi thru 2019.

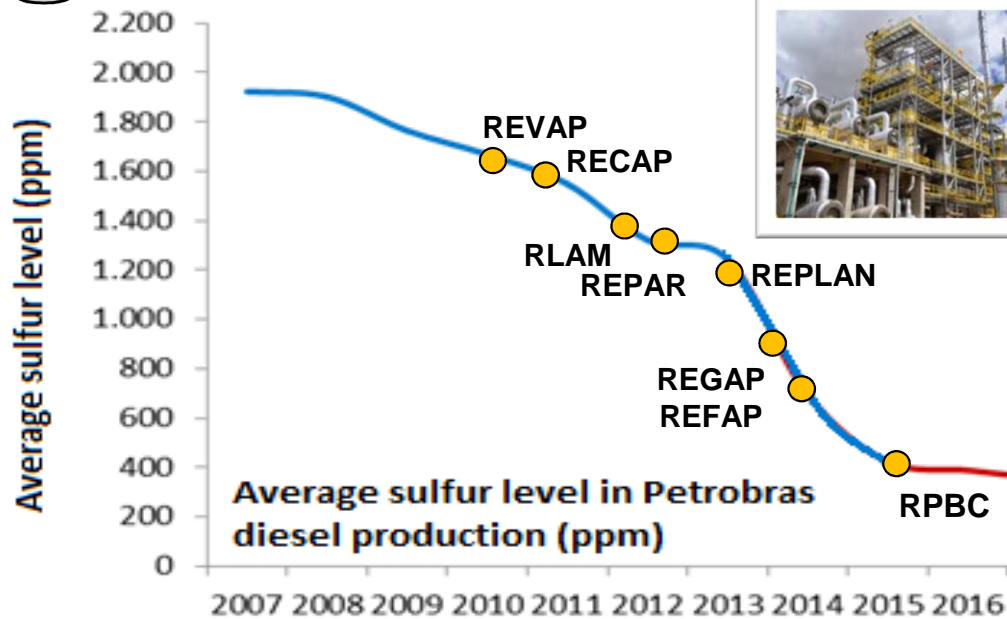
Source: 2015-2019 Business and Management Plan



Logistics: Segregation adjustments in 25 terminals and installation of 235 valves



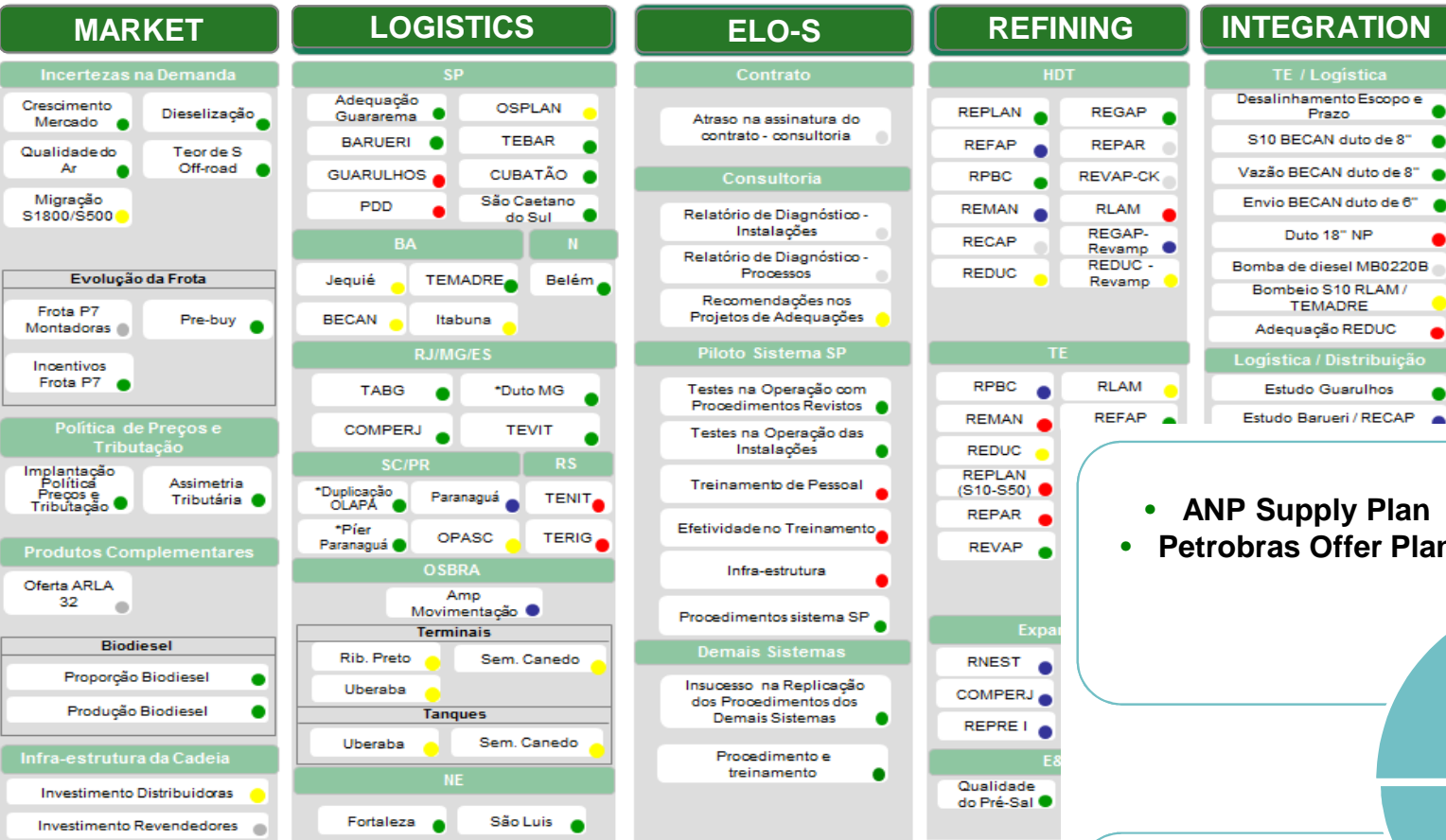
7 new HDT units since 2010 and internal adjustments in the refineries



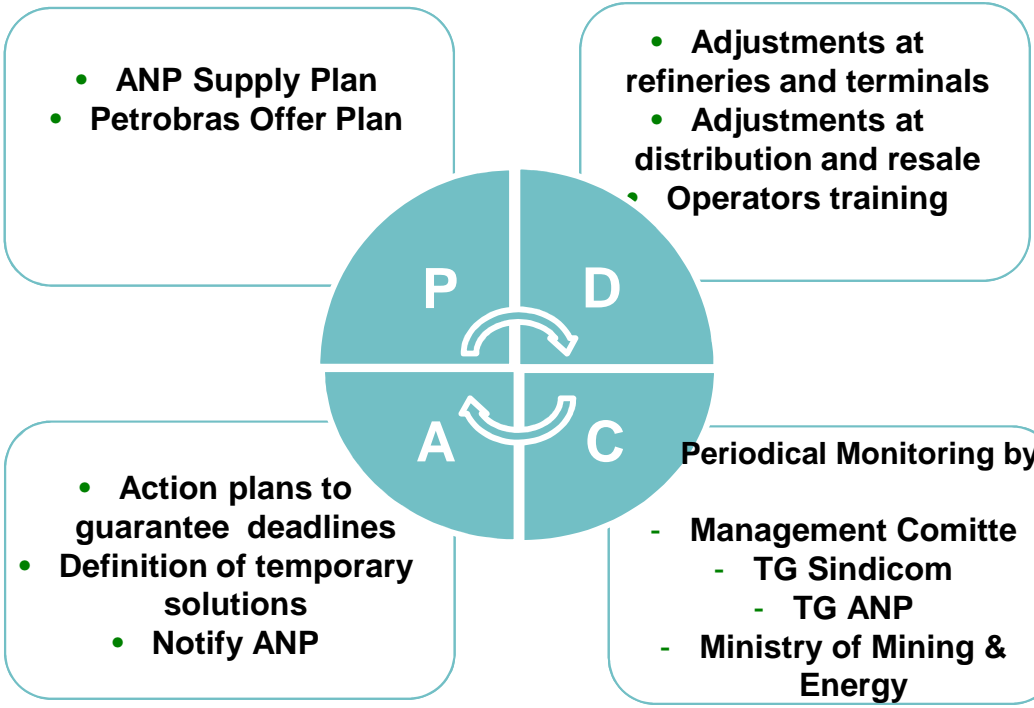
The Management Committee adapted a road map method of analysing the risks related to the fulfillment of the projects



DIESEL CYCLE



Implementation Process



It was dedicated effort by all players in a continuous communication process



Press Advisory



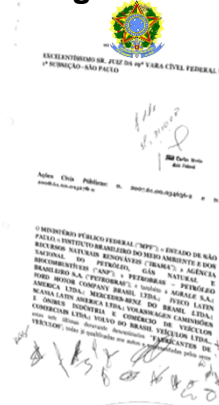
Participation in congresses, conferences, and technical events



MME

“Situation Room”
ULSD and Ad-Blue
[10]

Agreement



ANP

TG ULSD Supply Plan [32]
TG Quality

TG Petrobras-Sindicom
[52]

Workshops
about ULSD [4]
Local Forums
with clients

Marketing Actions




The success in the implemented strategy led to the outstanding results...



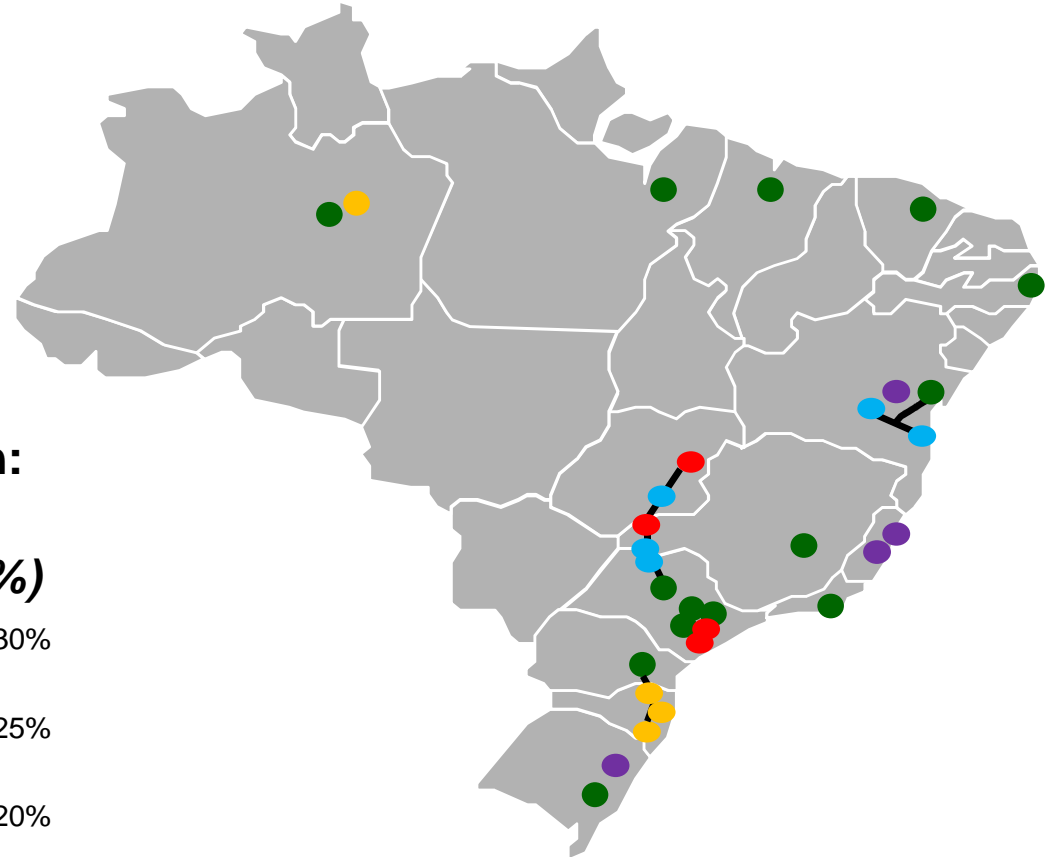
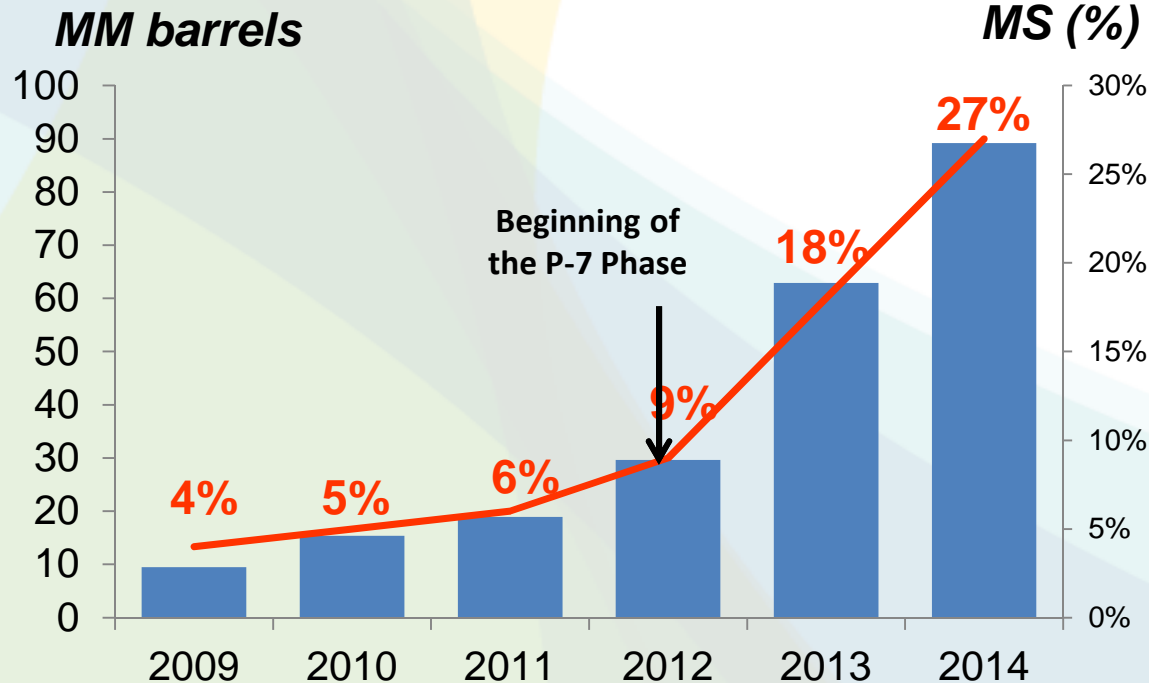
✓ 27 Petrobras points of sales

● 2012 ● 2013 ● 2014 ● 2015 ● 2016 (expected)

✓ Expansion of the retail network:

- 4.225 stations in 2012 vs. 18.900 in 2014
-  850 in 2012 vs. 4.600 in 2014

✓ Continued demand and market share growth:



✓ 2,7% of non-conformities in regard to diesel quality (Basis: 2014)

- Over 80,000 samples/year
- Over 34,000 inspected service stations

Source: ANP



At Petrobras, environmental responsibility is part of our mission, and it is deeply connected to our business. We work to ensure a sustainable future for the next generations and performing with social responsibility in all of our activities is a challenge we are proud to overcome everyday.

Thank You!

Gracias!

CHRYSYTIANE MARIA PEREIRA DE SOUZA
Downstream – Trading and Marketing Consultant
PETROBRAS

E-mail: chrystiane.souza@petrobras.com.br