

Procurement Policy and Critical Equipment Supply



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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.

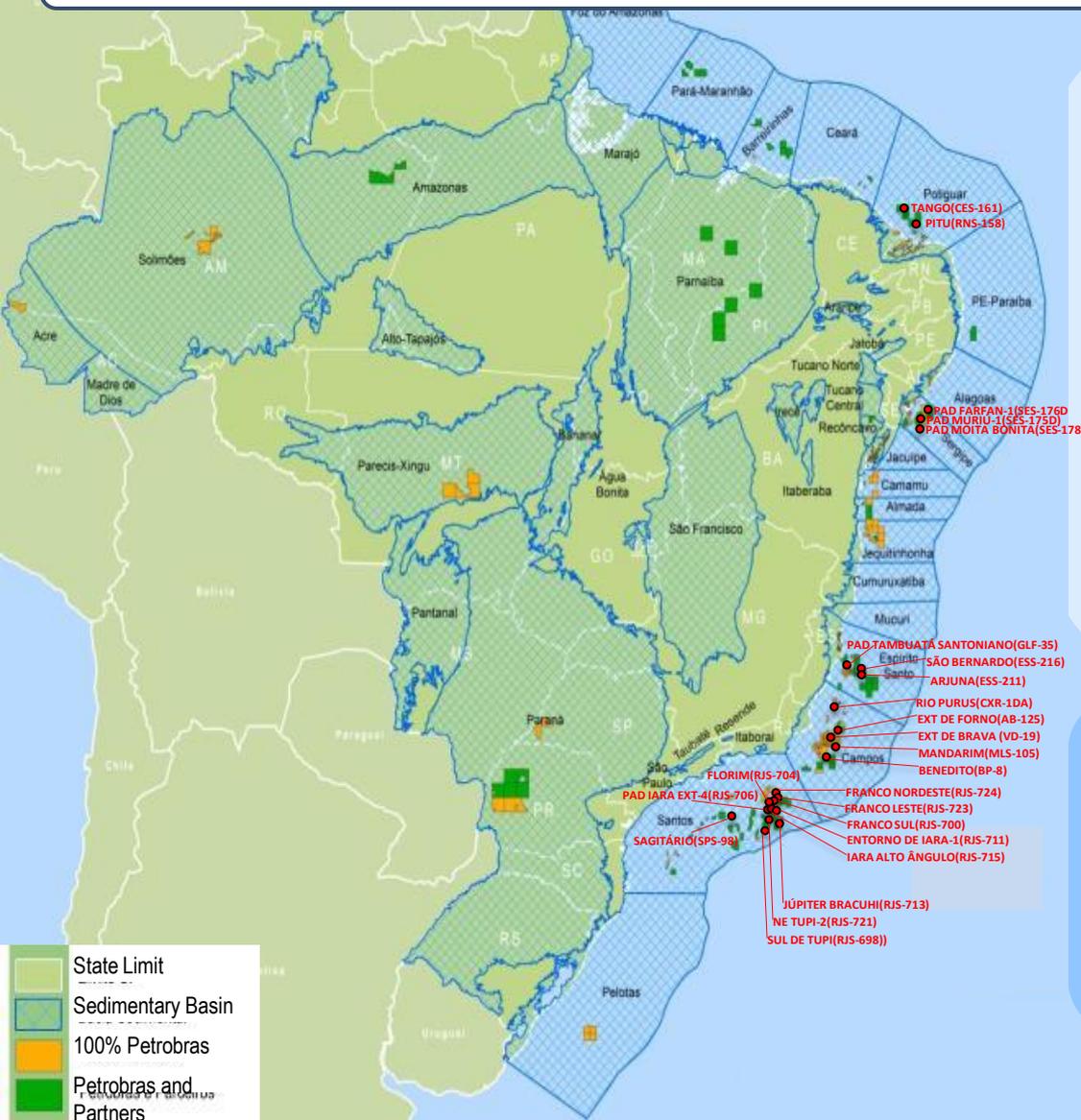
- 1. Petrobras' Business and Management Plan 2014-2018**
- 2. Supply History**
- 3. What is Pre-Salt?**
- 4. Local Content Supply Policy**
- 5. Critical Goods and Services**
- 6. Suppliers Qualification & Register**
- 7. Foreign Investment in Brazil: Oil and Gas Industry**
- 8. Conclusions**



Petrobras' Business and Management Plan 2014-2018

Exploratory Success and Reserves Increase

46 discoveries in the last 14 months (Jan/13 – Feb/14), of which 24 were offshore (14 in Pre-salt).



Brazil

- ✓ Discoveries: 46
 - Offshore: 24
 - Onshore: 22
- ✓ Exploratory Success Ratio: 75%
- ✓ Reserves: 16.0 Billion boe
- ✓ RRR¹: 131%
 - > 100% for the 21st consecutive year
- ✓ R/P²: 20.0 years

Pre-Salt

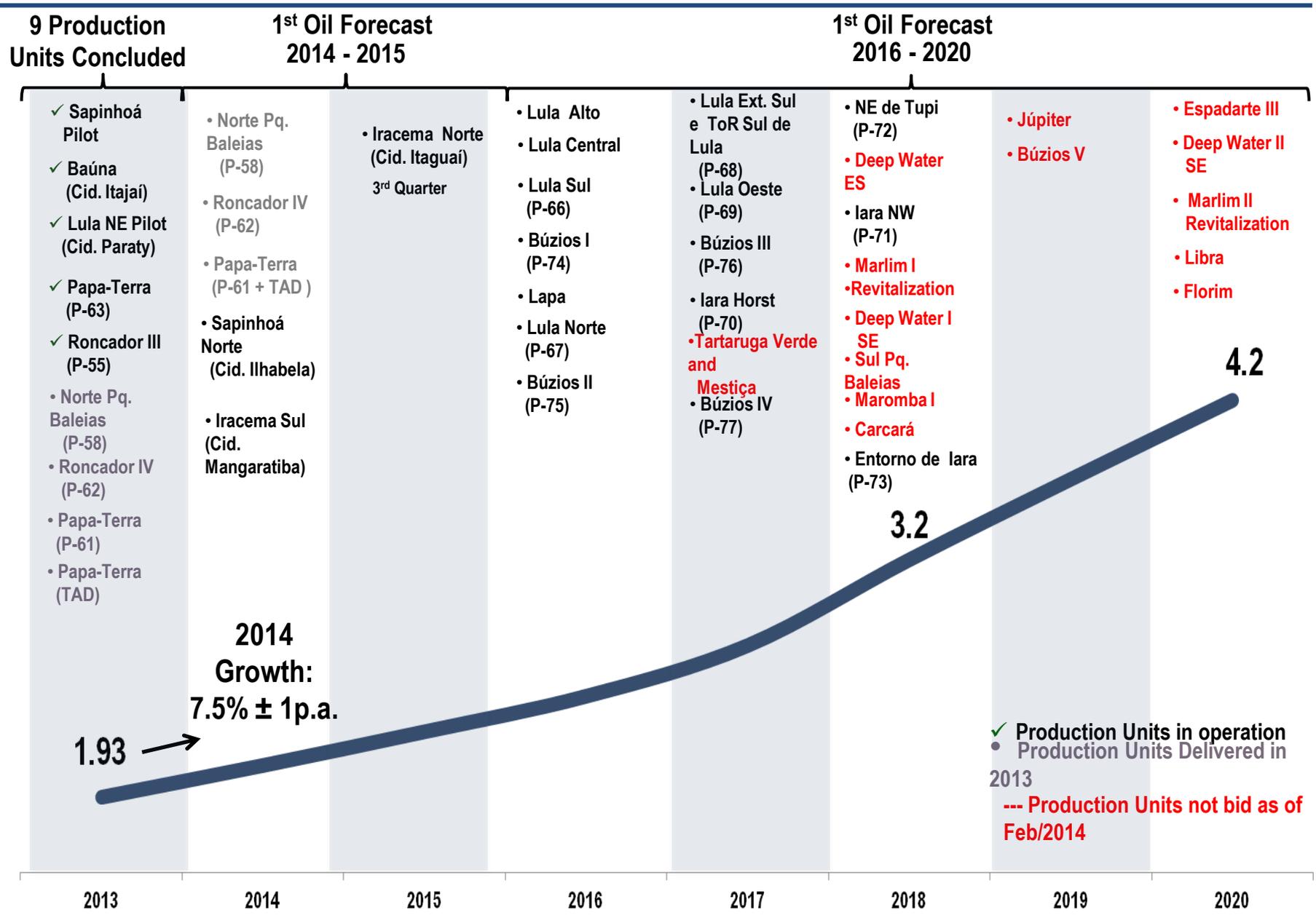
- ✓ Discoveries: 14, of which 5 were pioneers wells
- ✓ Exploratory Success Ratio: 100%
- ✓ Reserves: 300 km of SE region, 55% of GDP

¹ RRR: Reserves Replacement Ratio

² R/P: Reserve / Production

2014-2018 BMP: Petrobras Oil and NGL Production Curve in Brazil

Oil and NGL production (million bpd)

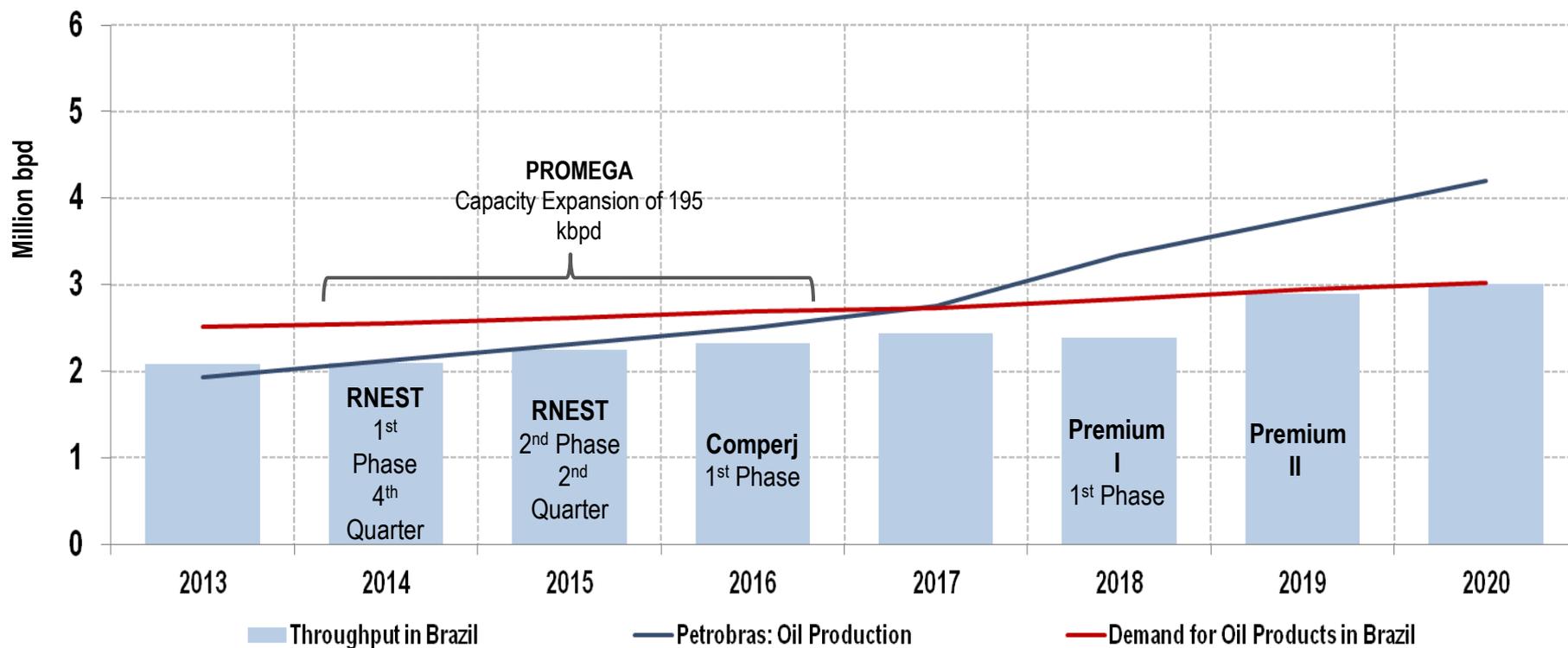


✓ Production Units in operation
 • Production Units Delivered in 2013
 --- Production Units not bid as of Feb/2014

Brazil: Oil and NGL Production x Oil Products Demand

Refining Expansion Aligned with Domestic Market Growth

Petrobras' refining capacity should reach 3.3 million bpd in 2020, aligned with domestic market growth.



PROMEGA additional refining capacity (by Dec/2016): +165 kbpd (current refineries) + 30 kbpd (RNEST).

PROMEGA targets are to increase diesel, jet fuel and gasoline production of our refineries, based on capacity and efficiency increase of processing units.

2014-18 Business and Management Plan Fundamentals

**Integrated Portfolio Management :
Maximum Utilization of Synergies between
Assets**

Financiability Assumptions

- Investment Grade rating maintenance
- No new equity issuance
- Convergence with International Prices (Oil Products)
- Partnerships and Business Models Restructuring

PERFORMANCE

- Management focused on reaching physical and financial targets of each project

CAPITAL DISCIPLINE

- Guarantee the expansion of the business with solid financial indicators

PRIORITY

- Priority for oil and natural gas exploration & production projects in Brazil

**Health, Safety, Environment
and Energy Efficiency**

2014

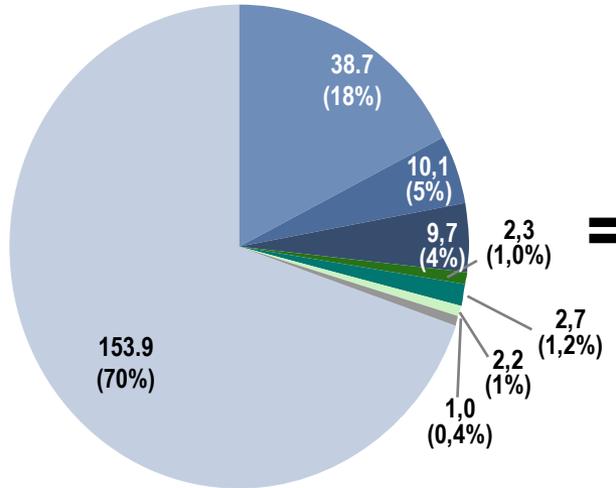
2018

2014-2018 BMP Investments: US\$ 220.6 Billion

Portfolio of Projects Under Implementation, Bidding Process and Evaluation

Total Investments

US\$ 220.6 Billion



Portfolio of Projects

Under Implementation + Under Bidding Process

US\$ 206.8 Billion

Under Implementation

- Projects being executed (construction)
- Projects already bid
- Resources required for studies of Projects Under Evaluation

Under Bidding Process

- E&P projects in Brazil
- Premium I Refinery
- Premium II Refinery

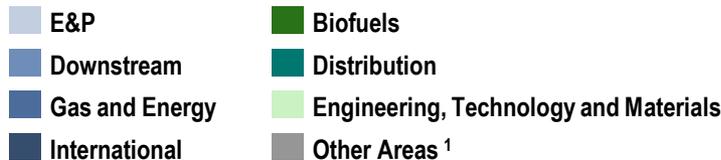
Oil Production 2020:
4.2 million bpd

Portfolio of Projects Under Evaluation

US\$ 13.8 Billion

- Projects under Studies in Phase I, II or III (except E&P in Brazil)

No impact in Oil Production 2020

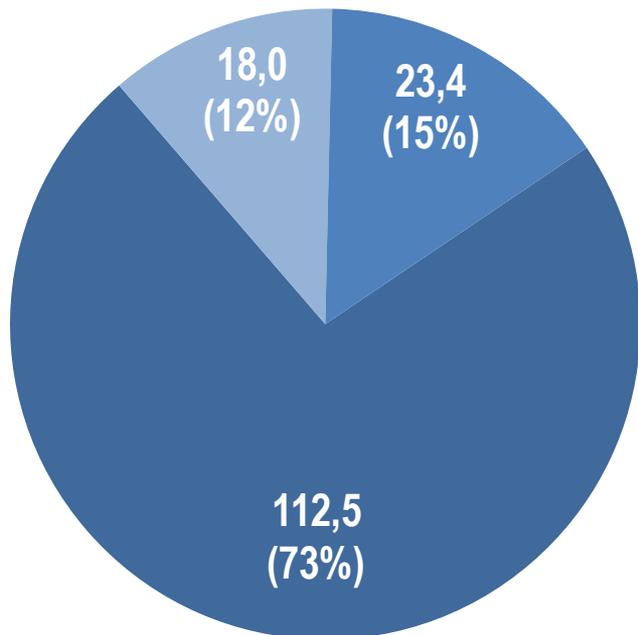


1) Financial Area, Strategy and Corporate-Services

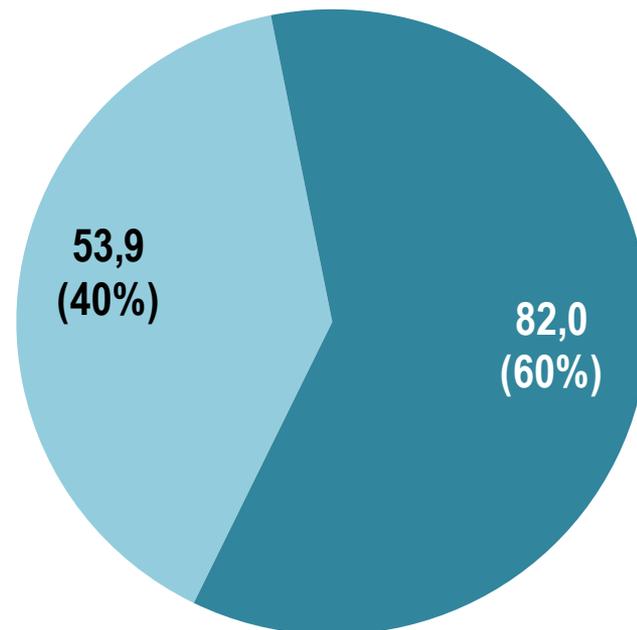
¹ Includes E&P projects in Brazil that must pass through bidding process of their units, as well as Premium I and Premium II refineries that bidding process will be done in 2014.

Petrobras Investments in E&P: US\$ 153.9 billion

Total E&P
US\$ 154 billion



Production Development + Exploration
US\$ 136 billion



Pre-Salt (Concession)
Transfer of Rights
PSA (Libra)

■ Exploration ■ Production Development ■ Infrastructure and Support

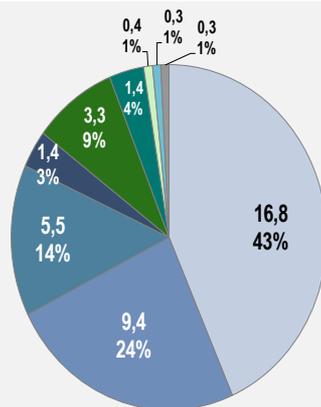
■ Post-Salt ■ Pre-Salt

E&P Petrobras US\$ 153.9 Billion (77%)	+	E&P Partners US\$ 44.8 Billion (23%)	=	Total with Partners US\$ 198.7 Billion (100%)
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Petrobras' Investments: US\$ 58.5 billion

Downstream – Gas, Energy and Gas-Chemical – International

Downstream US\$ 38.7 billion



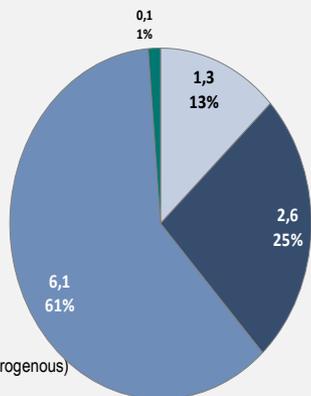
Projects Under Implementation

- ✓ RNEST (Pernambuco)
- ✓ COMPERJ 1st phase (Rio de Janeiro)
- ✓ PROMEF – 45 Vessels to transport Oil and Oil Products

Projects Under Bidding Process

- ✓ Premium I – 1st phase (Maranhão)
- ✓ Premium II (Ceará)

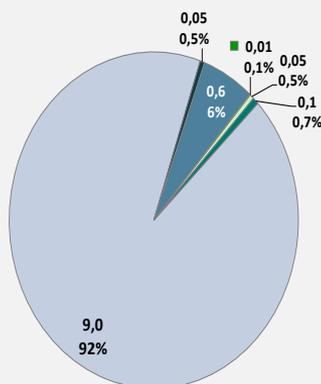
Gas, Energy and Gas-Chemical US\$ 10.1 billion



Projects Under Implementation

- ✓ UNF III (Mato Grosso do Sul)
- ✓ UNF V (Minas Gerais)
- ✓ Rote 2: Gas pipeline and NGPU
- ✓ Rote 3: Gas pipeline and NGPU

International US\$ 9.7 billion



Projects Under Implementation

- ✓ E&P USA – Saint Malo
- ✓ E&P USA – Cascade and Chinook
- ✓ E&P USA – Lucius
- ✓ E&P Argentina – Medanito and Entre Lomas
- ✓ E&P Bolivia – San Alberto and San Antonio
- ✓ E&P Nigeria – Egina



Supply History



Focus on the Brazilian industry.
Increase of Local Content in
goods and services contracting
(competitiveness and technological adherence).

1950

1960

*Most of the equipment
and materials
are acquired abroad*

1970

1980

*Substitution of imported
equipment and materials*

1990

2000

*Opening of the
Brazilian market to
importing*

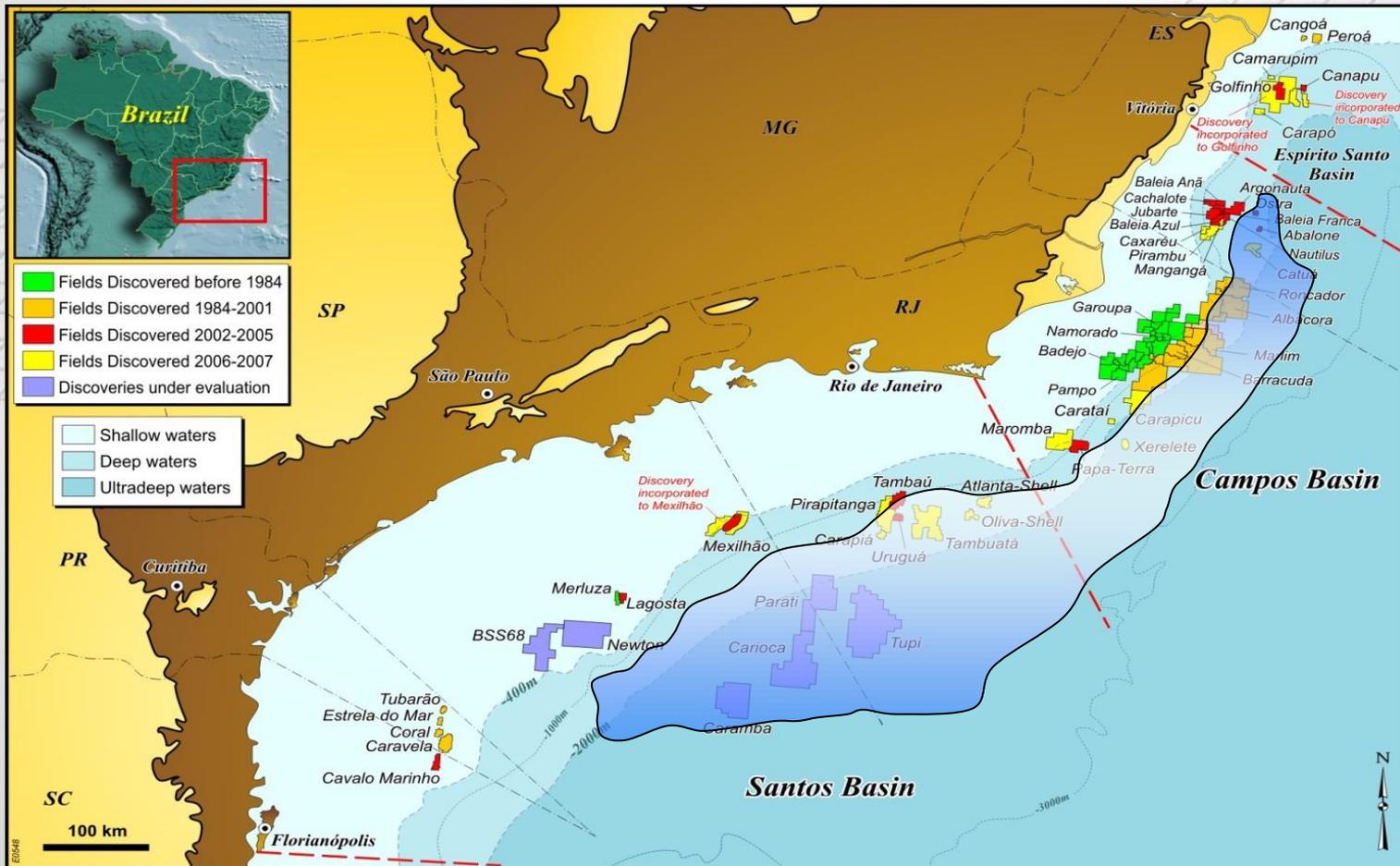
2002

2003

What is Pre Salt?

What Is Pre-salt?

Areas Covered: Pre-salt



What Is Pre-salt?

Located in a remote area, up to 300 km offshore

Water depths that can exceed 2,000 meters

2000m

709m

Corcovado Hill

3000m

Salt

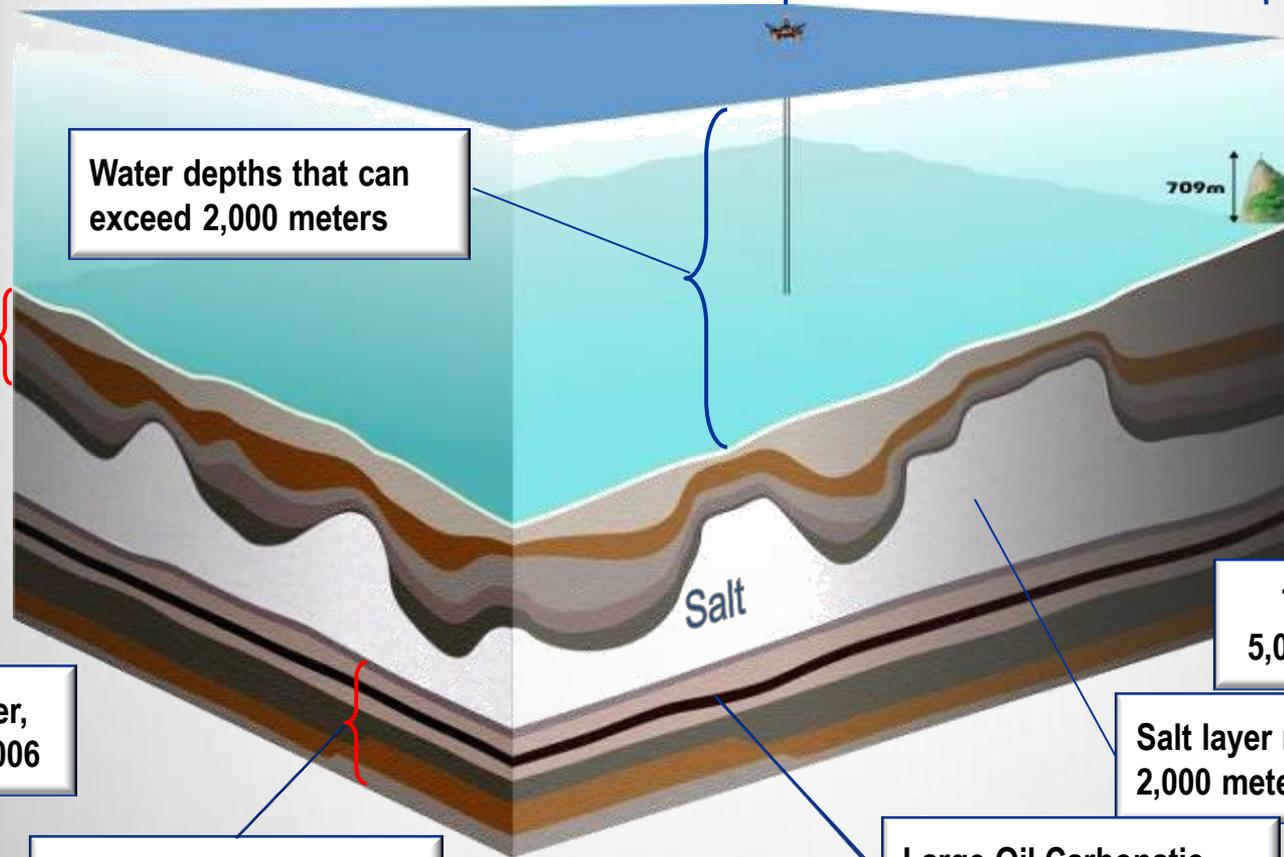
Total depth from 5,000 to 7,000 meters

Post-Salt Layer, focus up to 2006

Salt layer more than 2,000 meters thick.

Pre-Salt Layer
New Exploratory Border

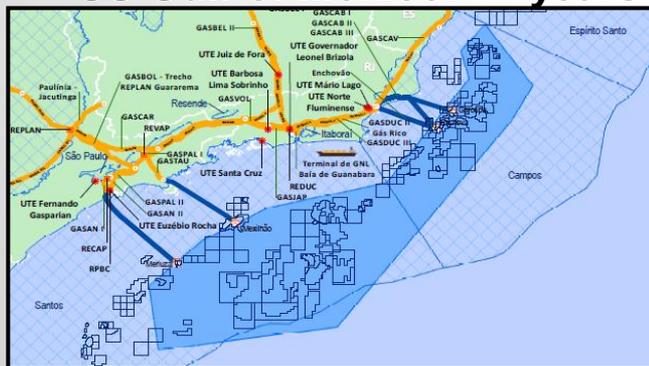
Large Oil Carbonatic Reservoirs



PRE-SALT PRODUCTION IS A REALITY

Pre-Salt Production Data

- ✓ Oil Production reached >400 kbpd (Petrobras + Partners);
- ✓ This level was reached with only 17 producing wells, 6 in Santos Basin and 11 in Campos Basin;
- ✓ Level reached only 7 years after discovery:
 - Campos Basin: 11 years
 - US Gulf of Mexico: 17 years

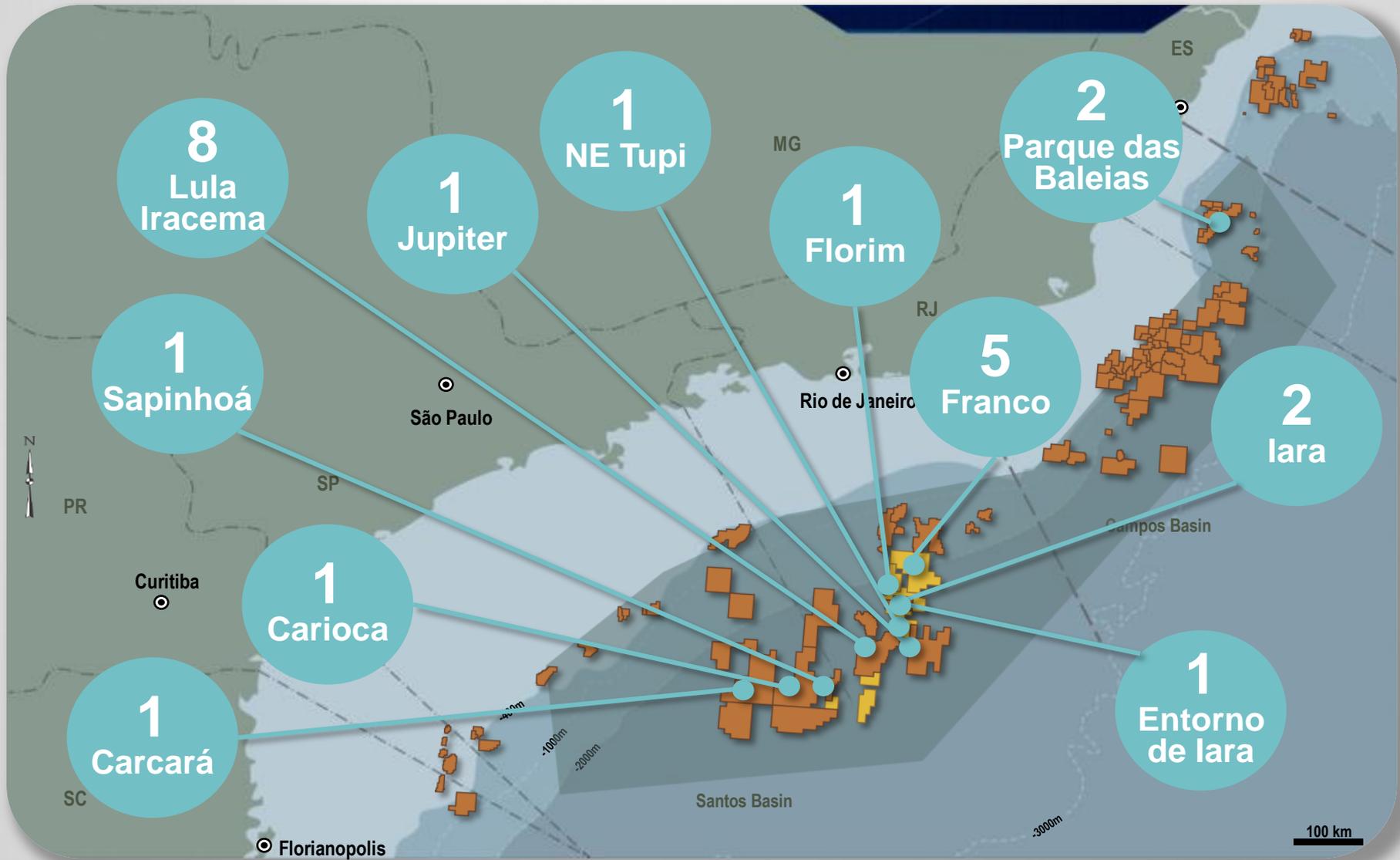


Technological Challenges Surmounted

- High Resolution Seismic: higher exploratory success
- Geological and numerical modeling: better production behavior forecast
- Reduction of well construction time from 134 days in 2006 to 70 days in 2012: lower costs
- Selection of new materials: lower costs
- Qualification of new systems for production gathering: higher competitiveness
- Separation of CO₂ from natural gas in deep waters and reinjection: lower emissions and increase in recovery factor

PRE SALT – WHAT IS NEXT

24 New Production Units by 2020

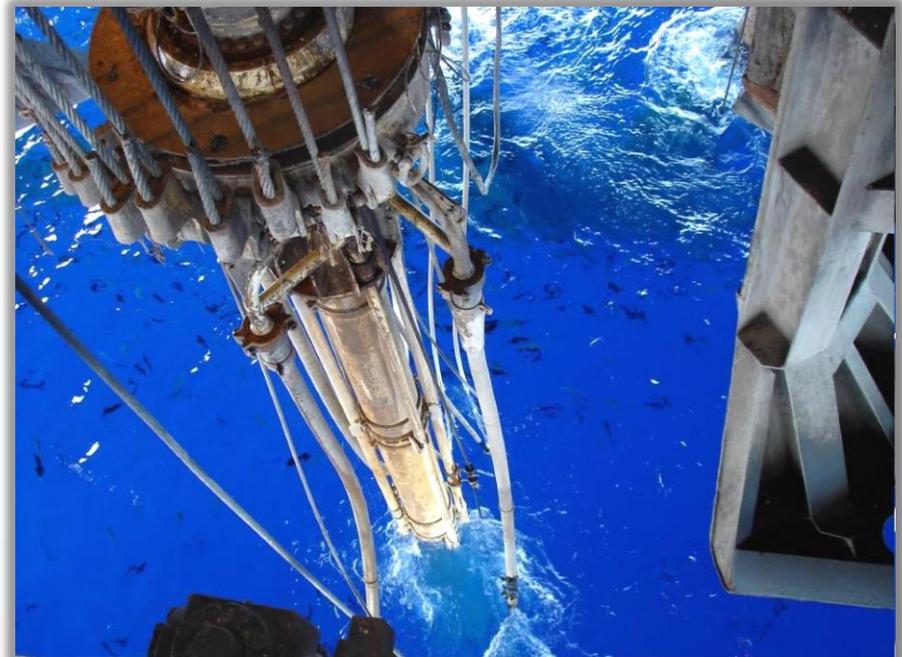


What Is Pre-salt?

PRE-SALT SOME TECHNOLOGICAL DEVELOPMENT OPPORTUNITIES

Drilling and Completion

- Construction of high angle wells, deviated into the salt zone
- Well integrity
- Penetration rate in the microbial carbonate reservoir
- New alloys to reduce costs of well materials

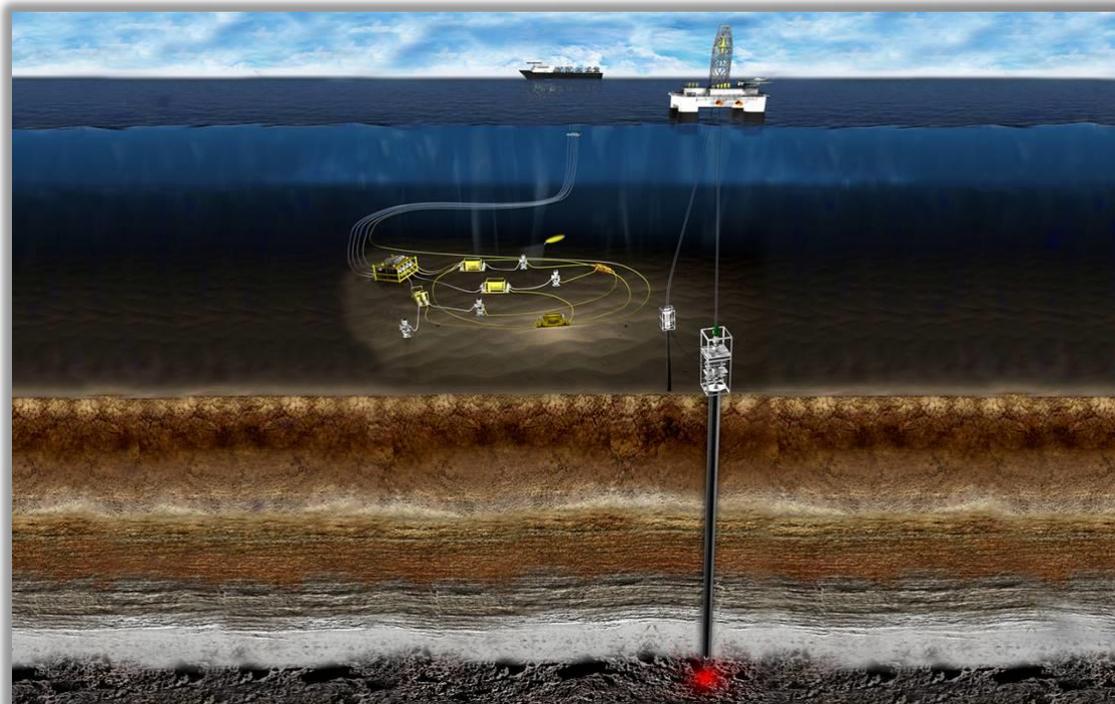


What Is Pre-salt?

PRE-SALT SOME TECHNOLOGICAL DEVELOPMENT OPPORTUNITIES

Reservoir

- Reservoir characterization
- Rock fluid interaction
- EOR



What Is Pre-salt?

PRE-SALT SOME TECHNOLOGICAL DEVELOPMENT OPPORTUNITIES

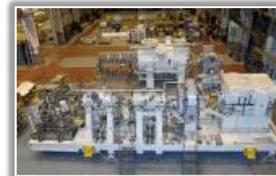
Subsea

- Flexible risers for water depth of 2,200m (7,218 ft)
- Flow assurance
- Scaling control



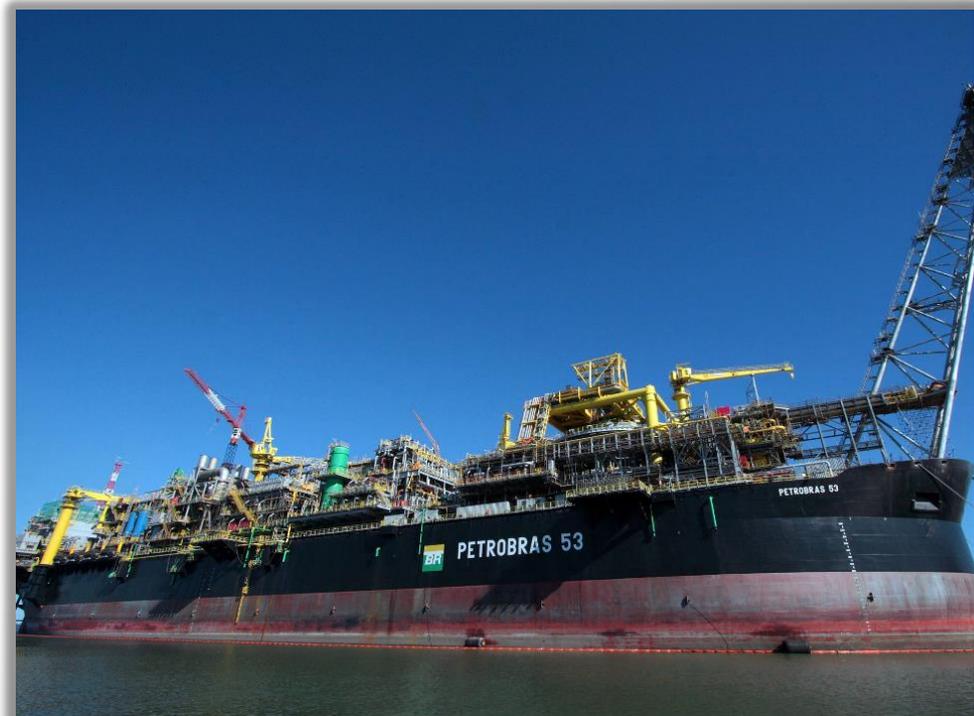
What Is Pre-salt?

PRE-SALT SOME TECHNOLOGICAL DEVELOPMENT OPPORTUNITIES



Floating Production Units

- Mooring in 2,200m water depth
- Interaction with the riser's system
- CO₂ processing



Local Content Supply Policy

Local Content Requirements



E&P

Minimum Local Content requirement on contracts for O&G Exploration and Field Development



REFINERIES

Minimum Local Content requirement according to Petrobras Local Content Policy



G&E

Minimum Local Content requirement according to Petrobras Local Content Policy

Critical Goods and Services

Demand for New Equipment Business Plan 2014-2018 (April/2014)

Item	Un.	TOTAL
Wet Christmas Trees	un	444
Subsea Wellheads	un	338
Flexible Flowlines	km	4.490
Manifolds	un	54
Tubing and Casings	t	873.466
Umbilicals	km	4.287
Dry Christmas Trees	un	1.424
Onshore Welheads	un	1502

Item	Un.	TOTAL
Pumps	un	3.301
Compressors	un	496
Winches	un	513
Cranes	un	176
Combustion Engines	un	124
Turbines	un	263
Structural Steel	t	1.353.438

Item	Un.	TOTAL
Reators	un	181
Oil/Water Separators	un	1.026
Storage Tanks	un	388
Towers	un	202

Item	Un.	TOTAL
Generators	un	93
Filters	un	2.173
Flares	un	45

Suppliers Qualification & Register

Petrobras Concepts & Requirements Overview

Suppliers Qualification & Register

Corporate Register

The Corporate Register is a database of Brazilian and foreign companies interested in participating in bidding for Petrobras.

These companies, Brazilians or foreigners, are eligible to provide to Petrobras high complexity services or equipment/goods, which are under permanent Petrobras interest.

The evaluation approval, as part of the registration process, ensures the incorporation of the company in the Petrobras Corporate Register, obtaining the **CRCC** – Certificate of Registration and Classification. Then, the company could be invited to participate of new biddings.

Suppliers Qualification & Register

Corporate Guidelines

Requirements:

- ✓ Legal
- ✓ Economics
- ✓ Technical Approval

References

Petrobras Simplified Bidding Procedure
Chapter IV
(Issued by Government Decree 2.745/1998)

Petrobras Procurement Manual (MPC)
Item 4.1.6
(Approved by the Board of Directors)

Complementary Corporate Guidelines

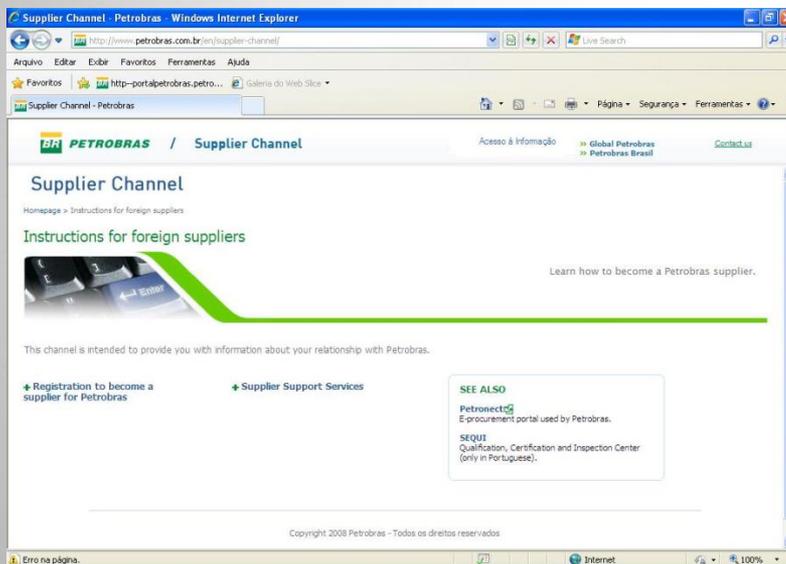
Requirements:

- ✓ Health, Safety & Environment - HSE
- ✓ Management & Social Responsibility

Suppliers Qualification & Register

Petronect

It is an “e-Procurement” portal, which provides tools for acquiring goods and services for Petrobras System companies and their suppliers. In its business platform are carried out several transactions ranging from **requests for quotes and sending proposals** to **management of orders and contracting**.



<http://www.petrobras.com.br/en/supplier-channel/>



www.petronect.com.br

Foreign Investment in Brazil: Oil and Gas Industry

Foreign Investment in Brazil: Oil and Gas Industry

Petrobras' Partners

APEX Brazil

Brazilian Trade and Investment Promotion Agency

<http://www2.apexbrasil.com.br/en/invest-in-brazil/apex-brasil-services-to-help-you>

ONIP

National Organization of the Petroleum Industry

<http://www.onip.org.br/areas-of-activity/?lang=en>

Foreign Companies Support in Brazil

Embassies, Consulates, Chambers of Commerce, etc.



- **Legal Guide for Foreign Investors in Brazil**
Ministry of External Relations

[http://www.brasilglobalnet.gov.br/arquivos/publicacoes/manuais/
pubguialegali.pdf](http://www.brasilglobalnet.gov.br/arquivos/publicacoes/manuais/pubguialegali.pdf)

Conclusions

Conclusions

- ✓ Petrobras has a robust projects portfolio, which is atypical in the current global economic situation.
- ✓ There are huge opportunities for already installed companies and newcomers in the Brazilian market of suppliers, services and engineering due to the scale provided by the project portfolio.
- ✓ Local content is a relevant issue in Petrobras' supply strategy for goods and services



Thank you!

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