Local Content Policy and Opportunities for O&G Industry
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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.
PRESENTATION SUMMARY

2. Supply History
3. Local Content Policy
4. Supply Chain Challenges
5. Foreign Investment in Brazil: Oil and Gas Industry
6. Conclusions
**PETROBRAS TODAY**

*Fully integrated across the hydrocarbon chain*

### Exploration and Production
- 2.4 mm boed production
- 293 production fields
- 96% of Brazilian production
- 34% of global DW and UDW production

### Downstream
- 12 refineries (Brazil)
- 2.0 mm bpd refining capacity
- Oil products sales in Brazil: 2,285 Kbpd
- Oil products output in Brazil: 1,997 Kbpd

### Distribution
- 7,641 service stations
- 38.1% of market share
- 20% share of service stations

### Gas and Power
- 9,190 km of gas pipelines in Brazil
- NG Supply: 74.9 million m³/d
- 3 LNG Regasification terminals by 2013 with 41 MMm³/d capacity
- 7,028 MW of generation capacity

### International
- 24 countries
- 0.7 Bn boe of 1P (SPE)
- 243 th. boed production
- 231 th. bpd refining capacity

### Biofuels
- 3 Biodiesel Plants
- Ethanol: opening new markets
- Largest domestic producer of biodiesel
- 3rd producer of ethanol in Brazil

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**2012 Proven Reserves (SPE Criteria) - Brazil**

**15.73 Billion boe**

- **Deep Water** (300-1,500m) 48%
- **Ultra-Deep Water** (> 1,500m) 36%
- **Shallow Water** (0-300m) 8%
- **Onshore** 8%

(1) Adjusted according average exchange rate. Excludes Corporate and Elimination.
**PRODUCTION PROFILE (9Q2013)**

*Ranked among the leading integrated energy companies*

<table>
<thead>
<tr>
<th>Oil mix (%)</th>
<th>Total Production (mboe/d)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rosneft</td>
<td>88% 4,187 562 4,749</td>
</tr>
<tr>
<td>ExxonMobil</td>
<td>53% 2,192 1,970 4,162</td>
</tr>
<tr>
<td>PetroChina</td>
<td>67% 2,557 1,250 3,807</td>
</tr>
<tr>
<td>Shell</td>
<td>49% 1,541 1,585 3,126</td>
</tr>
<tr>
<td>Chevron</td>
<td>67% 1,733 871 2,604</td>
</tr>
<tr>
<td>Petrobras</td>
<td>81% 2,043 493 2,536</td>
</tr>
<tr>
<td>BP</td>
<td>56% 1,418 1,096 2,514</td>
</tr>
<tr>
<td>Total</td>
<td>53% 1,175 1,026 2,201</td>
</tr>
<tr>
<td>Lukoil</td>
<td>85% 1,819 2,145</td>
</tr>
<tr>
<td>Statoil</td>
<td>55% 972 781 1,753</td>
</tr>
<tr>
<td>ENI</td>
<td>54% 838 728 1,566</td>
</tr>
<tr>
<td>Petronas</td>
<td>35% 537 1,016 1,553</td>
</tr>
<tr>
<td>ConocoPhillips</td>
<td>56% 872 681 1,553</td>
</tr>
<tr>
<td>Surgutneftegaz</td>
<td>86% 1,234 1,429</td>
</tr>
<tr>
<td>Gazprom Neft</td>
<td>82% 1,011 1,239</td>
</tr>
<tr>
<td>Sinopec</td>
<td>75% 915 1,212</td>
</tr>
</tbody>
</table>

**2013 – 2017 BMP INVESTMENTS**
Projects Under Implementation x Under Evaluation

- **Total**
  - US$ 236.7 Billion
  - 947 projects

- **Under Implementation**
  - All E&P projects in Brazil and projects of the remaining segments in phase IV
  - US$ 207.1 Billion
  - 770 projects

- **Under Evaluation**
  - Projects for the remaining segments, excluding E&P, currently in phase I, II and III.
  - US$ 29.6 Billion
  - 177 projects

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**Phase I:** Opportunity Identification; **Phase II:** Conceptual Project; **Phase III:** Basic Project; **Phase IV:** Execution

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* Pbio = Petrobras Biofuel  
* ETM = Engineering, Technology and Materials  
* Other Areas = Financial, Strategy and Corporate

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*Pbio = Petrobras Biofuel  
ETM = Engineering, Technology and Materials  
Other Areas = Financial, Strategy and Corporate*
PRODUCTION CURVE IN BRAZIL – OIL AND NGL
Post-Salt, Pre-Salt and Transfer of Rights

- Pre-salt: Transfer of Rights
- Pre-salt: Concession
- Post-salt

* 2013 Production Estimate. ** Values in MM bbl/d.
MAIN BRAZILIAN SHIPYARDS
PETROBRAS’ Demand is Attracting Shipyards

<table>
<thead>
<tr>
<th>Brazilian Shipyard</th>
<th>Technological Partner¹ (Country of Origin)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlântico Sul (PE)</td>
<td>Japan Marine United Corporation / IHI³ (Japan)</td>
</tr>
<tr>
<td>VARD Promar (PE)</td>
<td>VARD - Grupo Fincantieri (Italy)</td>
</tr>
<tr>
<td>Enseada do Paraguaçu (BA)</td>
<td>Kawasaki Heavy Industry, 30% stake (Japan)</td>
</tr>
<tr>
<td>Jurong Aracruz (ES)</td>
<td>Sembcorp, 100% stake (Singapore)</td>
</tr>
<tr>
<td>Brasfels (RJ)</td>
<td>Keppel Fels, 100% stake (Singapore)</td>
</tr>
<tr>
<td>OSX (RJ)</td>
<td>Hyundai Heavy Industry, 10% stake (South Korea)</td>
</tr>
<tr>
<td>Inhaúma (RJ)</td>
<td>Cosco (China)²</td>
</tr>
<tr>
<td>Rio Grande (RS)</td>
<td>Cosco (China)</td>
</tr>
</tbody>
</table>

¹ Company responsible for bringing technology and know-how to the shipyard, whether being or not its partner.
² Through the EEP consortium.
³ IHI Corporation, previously Ishikawajima-Harima Heavy Industries Co. Ltd.
Overview of Estaleiro BrasFels in Angra dos Reis - RJ (31/08/12).

1. P-61 (CL:65%): HULL'S Construction of TOPSIDE's TLWP and integration (deckbox and built modules in Singapore).
2. São Paulo City FPSO (CL: 65%): HULL's Conversion in China and integration of the 16 mod., Built in Brasfels (5 mod), Enaval (1 mod), Thailand (8 mod) and China (2 mod).
3. Paraty City FPSO (CL: 65%): HULL's Conversion in Singapore and integration of 15 modules built in the Brasfels (5), Nuclep (4), and Singapore (4).

- 1 Hull Constructions (P-61)
- 5 Building Modules, Topside and Integration (São Paulo, Mangaratiba, Itaguaí, P-66, P-69) and P-61 (only integration)
- 6 Drilling Rigs

FPSO Cid. São Paulo: Producing since Jan 5th, 2013
FPSO Cid. Paraty: Producing since Jun 6th, 2013

Overview of Estaleiro BrasFels in Angra dos Reis - RJ (31/08/12).
Aerial View of the Estaleiro Rio Grande ERG1 – RS (06/08/13).

(1) Crane with 600 tons capacity; (2) Crane with 2,000 tons capacity; (3) Ecovix's Sheets Yard; P-55 (Hull built in EAS – PE); (4) Flare tower; (5) Amine drive’s Module; (6) Electrostatic treater; (7) High pressure separator

- 8 Hull Constructions ("Replicantes" 1 – 8)
- Modules Building, Topside and Integration (P-55)

P-55: Producing since Dez 31st, 2013
PRE-SALT PRODUCTION IS A REALITY
Production reached 390 thousand barrels of oil per day in Jan/14/2014

Pre-Salt Production

✓ Oil Production record of 390 kbdp in January, 14th 2014

✓ Production of 1 MMbpd operated by Petrobras will be reached by 2017 and 2.1 MMbpd by 2020.

✓ Lula Pilot production growth per well: from 15 Kbdp (Proj. approval by Ago/2008) to 25 Kbdp

Technological Challenges

✓ High Resolution Seismic: higher exploratory success

✓ Geological and numerical modelling: better production behavior forecast

✓ Reduction of well construction time from 134 days in 2006 to 70 day 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
2 – Supply History
Focus on the Brazilian industry. Increase of the Local Content in the 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 for importing

1992 2003
3 – Local Content Policy
The projects and contracts for PETROBRAS must withstand the challenges of the Strategic Plan and maximize Local Content in competitive and sustainable basis, accelerating the development of the markets where it operates and guided by the ethics and continued innovation.
LOCAL CONTENT REQUIREMENTS

- **E&P**
  - Minimum Local Content requirement at contracts for O&G Exploration and Field Development

- **REFINERIES**
  - Minimum Local Content requirement according Petrobras Local Content Policy

- **G&E**
  - Minimum Local Content requirement according Petrobras Local Content Policy

Minimum Local Content requirement for financing concession (BNDES)
WHY LOCAL CONTENT?
Advantage and Facilities to Oil Industry in Brazil

For the Country
- Employment and Income Generation
- Local Economy Diversification
- Sustainable Economic Growth
- Increase Country’s Attractiveness for Investors
- Local Productive Capacity Development
- Tax Revenue Increase

Potential Gains

Local Content
- Proximity between Suppliers and the Operation
- Reduced Dependence on Expatriated Workforce
- Suppliers Innovation Capacity Increased
- Logistic Risks Reduction
- Local Technical Assistance Availability

For the Oil Companies
- Operating Costs Reduction
RESEARCH & DEVELOPMENT

Establishing research centers enhances long term future of Brazil as hub

PETROBRAS’ partnerships with more than 120 universities and research centers have led Brazil to have a prominent worldwide applied research complex.

Companies with R&D centers in operation, construction or plans for Brazil:

- Schlumberger
- Baker Hughes
- FMC Technologies
- Halliburton
- General Electric
- Vallourec
- Usiminas
- TenarisConfab
- Cameron
- IBM
- Technip
- Weatherford
- Wellstream
HOW TO MEASURE LOCAL CONTENT (LC)

\[ \text{CL} \left( \% \right) = \frac{1}{90\%} \times 100 \]

Local Content Certificate

PLUG & SEATING

**Valve**

NET TOTAL SYSTEM PRICE (NET OF TAXES)

\[ \text{Local Content Certificate} \]

*Local Content Accounting Procedures as ANP Resolution 19/2013.*
‘Brazilian companies’ means companies that have manufacturing processes and after-sales services in Brazil, thus creating jobs and collecting taxes in the country.
4 – Supply Chain Challenges
### Subsea and Drilling Equipment

#### Challenges & Investments

<table>
<thead>
<tr>
<th>#</th>
<th>Subsea &amp; Well Equipment</th>
<th>Brazilian Market Availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Flexible Lines</td>
<td>Available.</td>
</tr>
<tr>
<td>2</td>
<td>Subsea manifold</td>
<td>Available.</td>
</tr>
<tr>
<td>3</td>
<td>Wet Christmas Tree (Wet X-Trees)</td>
<td>Available.</td>
</tr>
<tr>
<td>4</td>
<td>Offshore Wellhead</td>
<td>Partially Available.</td>
</tr>
<tr>
<td>5</td>
<td>Production Columns¹</td>
<td>Not available yet.</td>
</tr>
<tr>
<td>6</td>
<td>Well Casing</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Production Well Casing²</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Rigid Pipelines</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Other Equipment (Packer, Drilling bits, etc.)</td>
<td></td>
</tr>
</tbody>
</table>

(1) e (2) Only Special Metallurgy CRA (e.g., Superduplex - e.g., Cr25% e API X65)

### Investments in Brazil

<table>
<thead>
<tr>
<th>#</th>
<th>Supplier</th>
<th>Investments in Brazil</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>VetcoGray</td>
<td>Qualification Process for Corrosion Resistant Alloys (CRA) (ex. 25% Cr - Superduplex) for Pre-Salt Applications.</td>
</tr>
<tr>
<td>7</td>
<td>Vallourec</td>
<td>Capacity Expansion (Pindamonhangaba, SP): Offshore Gas Pipelines with National Plates (API X65).</td>
</tr>
<tr>
<td>9</td>
<td>Smith</td>
<td>New Facility (Niterói, RJ): (2014) - Flexibles &lt; 12&quot;.</td>
</tr>
</tbody>
</table>

Standardized Technical Specs, Demand Consolidation for Market Approach. Long-Term Contracts in order to make feasible Investments in Capacity. Installation and Expansions for ramping up Local Content.
Gaps in the Supply Chain

<table>
<thead>
<tr>
<th>Subsea X-Trees</th>
<th>Minimum Local Content (%)</th>
<th>Gaps in the Subsea Equipment Supply Chain</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PSA</td>
<td></td>
</tr>
<tr>
<td></td>
<td>85 70 70</td>
<td>• Multiplexed Controls (MUX)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Electrical connectors (Jumpers)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Optical Connectors</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Valve actuators</td>
</tr>
<tr>
<td>Flexible Lines</td>
<td>80 56 56</td>
<td>• Pipe bending service providers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Special metalurgy forged Alloys</td>
</tr>
<tr>
<td>Umbilicals</td>
<td>40 55 55</td>
<td>• Polimers (Nylon® 11, 12, PVDF)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Special Alloys (Pressure Armour)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Electrical connectors</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Optical connectors</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Bend-Stiffeners</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Polimers</td>
</tr>
<tr>
<td></td>
<td>PSA</td>
<td></td>
</tr>
</tbody>
</table>

1. ANP (National Petroleum, Gas & Biofuels Agency);
3. Reduced availability of product, component or service providers concerning pricing, schedule or technology obsolescence.
5 – Foreign Investment in Brazil: Oil and Gas Industry
FOREIGN INVESTMENT IN BRAZIL: O&G INDUSTRY

APEX Brazil
Brazilian Trade and Investment Promotion Agency

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
6 – 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;
- The Challenges to put Pre-Salt fields into operation are known and the Subsea Equipment Industry plays a key role considering the demands;
- Local Content is a consolidated practice for E&P Projects;
- The association between Brazilian and foreign manufacturers is the best approach as to provide the solutions for technological bottlenecks.
Thank you!