

Doing business with Petrobras - Procurement Strategies and Local Content Policy.

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Presentation Summary

1. Petrobras Supply History
2. Legal requirements and Petrobras' Local Content policy
3. Establishing a successful G&S supplier in Brazil
4. Suppliers Qualification & Register in Petrobras
5. Supporting the foreign investments in Brazil
6. Facing the Brazilian market reality
7. Examples: recent movements
8. Conclusions





Petrobras 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

Petrobras in numbers (as per 2014)



Investments

R\$ 104.41 billion

Net Revenue

R\$ 304.89 billion

Net Profit

R\$ 23.57 billion

Shareholders

798.596

Global Presence

17 countries*

Number of Employees

86,111



Vessel Fleet

326 (57 belonging to Petrobras)

Pipelines

34,639 km



Daily Output

2,539,000 barrels of oil equivalent a day.

Proved Reserves

16.57 billion barrels** of oil equivalent (boe)

Production Platforms

134 (77 Fixed; 57 floating)



Biofuels

5 biodiesel plants (3 owned and 2 in partnerships); 10 ethanol plants in partnerships

Thermoelectric Plants

21 plants ***

Wind Energy

4 plants



Refineries

15

Oil product production

2,124,000 barrels per day



Service Stations

7,710

Fertilizers

3 plants

Legal requirements and Petrobras' Local Content policy

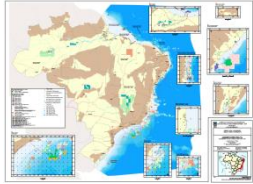


Brazilian Local Content Regulation / Concession Model - Agreement with the ANP

ANP: National Agency of Petroleum



Union



Signing Bonus

Minimum Exploratory Program (PEM)

Local Content Offered



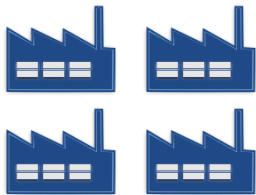
O&G Operators



Contract goods and services with local content requirement, without jeopardizing price, time and quality



Goods and Services Suppliers



Manufacture equipment and provide services and hire certification entity to measure local content



- ✓ Accredited by ANP
- ✓ Local Content Booklet (official methodology)
- ✓ Measure the local content that is effectively manufactured in Brazil

Concession of Exploratory Blocks

- 12 Bidding Rounds (1999-2013)
- Transfer of Rights (2010)
- Production Sharing Contract – Libra (2013)

Assessment methodology:

Winner Bid = Max (0.4 x Minimum Exploratory Programme) + (0.4 x Signing Bonus) + (0.2 x Local Content offered)

Local Content Certifiers

PETROBRAS' Local Content Policy

The projects and acquisitions for Petrobras must support the challenges of Company's Strategic Plan and therefore maximize local content based on competitive and sustainable basis, accelerating the development of markets where it operates, guided by ethics and generating continued innovation.

December 22nd, 2011

Establishing a successful G&S supplier in Brazil



Foreign companies must pay attention on:

- ✓ Local competitors
- ✓ Availability of work force (number and training)
- ✓ Logistic
- ✓ Local supply chain
- ✓ Realistic rump-up of Local Content

- ✓ Homologation process of Brazilian produced items
- ✓ Local contracts X Manufacturing certification process

Suppliers Qualification & Registering in Petrobras

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 (acronym in Portuguese for 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

Additional Corporate Guidelines

Requirements:

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

Suppliers Qualification & Register

Maintenance:

- ✓ Annual updating
- ✓ All documents uploaded through Internet

Relevance:

- ✓ Visibility in all Brazilian Petrobras' contracting sectors
- ✓ Bidding invitations
- ✓ Works as "presentation letter" in other oil companies



Supporting the foreign investments in Brazil

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/pubguialeali.pdf>



Facing the Brazilian market reality

Brazilian Market Reality

- ✓ High competitiveness in some segments
- ✓ Local suppliers tradition
- ✓ Complex and spread supply chain

- ✓ Big distances
- ✓ Poor infrastructure
- ✓ Tax and complex legal requirements
- ✓ Human power availability
- ✓ Cultural barriers

**Examples:
recent movements**

Examples

Recent movements:

- ✓ Subsea valve manufacturer from UK, installed in SP
- ✓ Large bore forging manufacturer from Italy, assembling facility in Rio

Long lasting movements:

- ✓ Main 3 flexible pipes manufacturers
- ✓ Main 4 manufacturers of subsea X-mas trees



CONCLUSIONS

Conclusions

- ✓ Foreign companies must previously study and understand the Brazilian business environment and plan their movements according the demands, the competitors, the local supply chain and the LC policies.
- ✓ There are huge opportunities for new suppliers of goods & services.
- ✓ Local content is more than a legal requirement in Petrobras, it is a relevant issue in Petrobras' supplying strategy for goods and services .

Obrigado

Thank you

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