

BRAZILIAN PETROLEUM CORP

Form 424B2

January 08, 2008

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The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**Filed pursuant to Rule 424(b)(2)
Registration Statement No. 333-139459**

**SUBJECT TO COMPLETION, DATED JANUARY 8, 2008
PRELIMINARY PROSPECTUS SUPPLEMENT
(To Prospectus dated December 18, 2006)**

**U.S.\$
Petrobras International Finance Company**

Payments supported by a standby purchase agreement provided by

Petróleo Brasileiro S.A. PETROBRAS

**(BRAZILIAN PETROLEUM CORPORATION PETROBRAS)
5.875% Global Notes due 2018**

The notes are general, unsecured, unsubordinated obligations of Petrobras International Finance Company, or PifCo, will mature on March 1, 2018, and will bear interest at the rate of 5.875% per annum. Interest on the notes is payable on March 1 and September 1 of each year, beginning on March 1, 2008. PifCo will pay additional amounts related to the deduction of certain withholding taxes in respect of certain payments on the notes. The notes will have the benefit of credit support provided by Petróleo Brasileiro S.A. PETROBRAS, or Petrobras, under the terms of an amended and restated standby purchase agreement, which will obligate Petrobras to purchase from the noteholders their rights to receive payments in respect of the notes from PifCo in the event of nonpayment by PifCo. PifCo may redeem, in whole or in part, the notes at any time by paying the greater of the principal amount of the notes and the applicable make-whole amount, plus, in each case, accrued interest. The notes will also be redeemable without premium prior to maturity at PifCo's option solely upon the imposition of certain withholding taxes. See Description of the Notes Optional Redemption.

The notes will be consolidated, form a single series, and be fully fungible with PifCo's outstanding U.S.\$1,000,000,000 5.875% Global Notes due 2018 issued on November 1, 2007, or the original notes. After giving effect to this offering, the total amount outstanding of PifCo's 5.875% Global Notes due 2018 will be US\$. Subject to market conditions, PifCo reserves the right to increase the issue size by up to U.S.\$25,000,000, during Asian market hours on January 9, 2008.

The original notes are, and the notes will be, listed on the New York Stock Exchange, or the NYSE, under the symbol PBR/18.

See Risk Factors on page S-12 to read about factors you should consider before buying the notes offered in this prospectus supplement and the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Note	Total
Initial price to the public(1)		U.S.\$
Underwriting discount		U.S.\$
Proceeds, before expenses, to PifCo		U.S.\$

- (1) The initial price includes accrued interest from and including November 1, 2007, the date of issuance of the original notes, to the date of delivery of the notes. Interest on the notes will accrue from November 1, 2007, the date of issuance of the original notes.

The underwriters expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York on or about January , 2008.

Joint Bookrunners

Citi

HSBC

Co-manager

BNP PARIBAS

January , 2008

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is the prospectus supplement, which describes the specific terms of the notes PifCo is offering and certain other matters relating to PifCo and Petrobras and their financial condition. The second part, the accompanying prospectus, gives more general information about securities that PifCo and Petrobras may offer from time to time. Generally, references to the prospectus mean this prospectus supplement and the accompanying prospectus combined. If the description of the notes in this prospectus supplement differs from the description in the accompanying prospectus, the description in this prospectus supplement supersedes the description in the accompanying prospectus.

You should rely only on the information incorporated by reference or provided in this prospectus supplement or in the accompanying prospectus. PifCo and Petrobras have not authorized anyone to provide you with different information. Neither PifCo nor Petrobras is making an offer to sell the notes in any state or country where the offer is not permitted. You should not assume that the information in this prospectus supplement, the accompanying prospectus or any document incorporated by reference is accurate as of any date other than the date of the relevant document.

In this prospectus supplement, unless the context otherwise requires, references to Petrobras mean *Petróleo Brasileiro S.A.* Petrobras and its consolidated subsidiaries taken as a whole, and references to PifCo mean Petrobras International Finance Company, a wholly-owned subsidiary of Petrobras, and its consolidated subsidiaries taken as a whole. Terms such as we, us and our generally refer to both Petrobras and PifCo, unless the context requires otherwise.

DIFFICULTIES OF ENFORCING CIVIL LIABILITIES AGAINST NON-U.S. PERSONS

Petrobras is a *sociedade de economia mista* (mixed-capital company), a public sector company with some private sector ownership, established under the laws of Brazil, and PifCo is an exempted limited liability company incorporated under the laws of the Cayman Islands. A substantial portion of the assets of Petrobras and PifCo are located outside the United States, and at any time all of their executive officers and directors, and certain advisors named in this prospectus supplement, may reside outside the United States. As a result, it may not be possible for you to effect service of process on any of those persons within the United States. In addition, it may not be possible for you to enforce a judgment of a United States court for civil liability based upon the United States federal securities laws against any of those persons outside the United States. For further information on potential difficulties in effecting service of process on any of those persons or enforcing judgments against any of them outside the United States, see *Difficulties of Enforcing Civil Liabilities Against Non-U.S. Persons* in the accompanying prospectus.

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FORWARD-LOOKING STATEMENTS

Many statements made or incorporated by reference in this prospectus supplement are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are not based on historical facts and are not assurances of future results. Many of the forward-looking statements contained in this prospectus supplement may be identified by the use of forward-looking words, such as believe, expect, anticipate, should, planned, and potential, among others. We have made forward-looking statements that address, among other things, our:

regional marketing and expansion strategy;

drilling and other exploration activities;

import and export activities;

projected and targeted capital expenditures and other costs, commitments and revenues;

liquidity; and

development of additional revenue sources.

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. These factors include, among other things:

our ability to obtain financing;

general economic and business conditions, including crude oil and other commodity prices, refining margins and prevailing exchange rates;

our ability to find, acquire or gain access to additional reserves and to successfully develop our current ones;

uncertainties inherent in making estimates of our reserves including recently discovered reserves;

competition;

technical difficulties in the operation of our equipment and the provision of our services;

changes in, or failure to comply with, governmental regulations;

receipt of governmental approvals and licenses;

international and Brazilian political, economic and social developments;

military operations, terrorist attacks, wars or embargoes; and

the costs and availability of adequate insurance coverage.

These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially from those expressed or forecast in any forward-looking statements as a result of a variety of factors, including those in Risk Factors set forth in this prospectus supplement and in documents incorporated by reference in this prospectus supplement and the accompanying prospectus.

All forward-looking statements attributed to us or a person acting on our behalf are expressly qualified in their entirety by this cautionary statement. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason.

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INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

We are incorporating by reference into this prospectus supplement the following documents that we have filed with the SEC:

PIFCo

- (1) The combined Petrobras and PifCo Annual Report on Form 20-F/A for the year ended December 31, 2006, filed with the SEC on June 26, 2007, as amended on June 28, 2007.
- (2) The PifCo Report on Form 6-K containing financial information for the nine-month period ended September 30, 2007, prepared in accordance with U.S. GAAP, furnished to the SEC on November 29, 2007.
- (3) Any future filings of PifCo on Form 20-F made with the SEC after the date of this prospectus supplement and prior to the termination of the offering of the securities offered by this prospectus supplement, and any future reports of PifCo on Form 6-K furnished to the SEC during that period that are identified in those forms as being incorporated into this prospectus supplement or the accompanying prospectus.

PETROBRAS

- (1) The combined Petrobras and PifCo Annual Report on Form 20-F/A for the year ended December 31, 2006, filed with the SEC on June 26, 2007, as amended on June 28, 2007.
- (2) The Petrobras Report on Form 6-K relating to the transfer of refineries in Bolivia to YPFB, furnished to the SEC on June 27, 2007.
- (3) The Petrobras Report on Form 6-K relating to Petrobras clarifications concerning its activities in Ecuador, furnished to the SEC on July 6, 2007.
- (4) The Petrobras Reports on Form 6-K relating to the special participation contribution of Petrobras, furnished to the SEC on July 24, 25 and 26, 2007.
- (5) The Petrobras Reports on Form 6-K relating to the acquisition of Suzano Petroquímica S.A., furnished to the SEC on August 3 and 6, 2007, September 28, 2007, October 30, 2007, November 13, 2007, and December 3, 2007.
- (6) The Petrobras Report on Form 6-K relating to the Petrobras Strategic Plan 2020 and Business Plan 2008-2012, furnished to the SEC on August 15, 2007.
- (7) The Petrobras Report on Form 6-K relating to the Petrobras Complementary Pension Plan, furnished to the SEC on August 20, 2007.
- (8) The Petrobras Report on Form 6-K relating to the suit filed against the National Petroleum Agency, furnished to the SEC on September 14, 2007.
- (9) The Petrobras Report on Form 6-K relating to clarifications in the application of the ICMS tax to Petrobras, furnished to the SEC on October 3, 2007.

(10) The Petrobras Reports on Form 6-K relating to the acquisition of the Juiz de Fora thermoelectric plant, furnished to the SEC on October 5, 2007, and December 28, 2007.

(11) The Petrobras Report on Form 6-K relating to its successful bidding on 26 blocks for oil and gas activities in the U.S. Gulf of Mexico Lease Sale, furnished to the SEC on October 5, 2007.

(12) The Petrobras Report on Form 6-K relating to Petrobras' new oil production operations in deep waters in Northeast Brazil, furnished to the SEC on October 12, 2007.

(13) The Petrobras Report on Form 6-K relating to the acquisition of a Japanese refinery and Japanese terminal capacity, furnished to the SEC on November 13, 2007.

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- (14) The Petrobras Reports on Form 6-K containing financial information for the nine-month period ended September 30, 2007, prepared in accordance with U.S. GAAP, furnished to the SEC on November 29, 2007.
- (15) The Petrobras Report on Form 6-K relating to the integration at Braskem S.A. of petrochemical assets owned by Petrobras and Petrobras Química S.A. Petroquisa (Petroquisa), furnished to the SEC on December 3, 2007.
- (16) The Petrobras Report on Form 6-K relating to the establishment of a Petrochemical Corporation between Petrobras, Petroquisa, and the União de Indústrias Petroquímicas S.A., furnished to the SEC on December 3, 2007.
- (17) The Petrobras Report on Form 6-K relating to Petrobras incorporation of a mixed corporation in Brazil with Petróleos de Venezuela S.A., furnished to the SEC on December 14, 2007.
- (18) The Petrobras Report on Form 6-K relating to Petrobras investments in Bolivia, furnished to the SEC on December 19, 2007.
- (19) The Petrobras Report on Form 6-K relating to Petrobras forecast for investments by business area in 2008, furnished to the SEC on December 21, 2007.
- (20) The Petrobras Report on Form 6-K relating to the purchase of Petrobras Energía Perú S.A.'s joint stock in Petrobras Energía S.A. PESA, furnished to the SEC on December 24, 2007.
- (21) The Petrobras Report on Form 6-K relating to the construction of a gas pipeline between the Southeast and the Northeast regions of Brazil, furnished to the SEC on December 27, 2007.
- (22) The Petrobras Report on Form 6-K relating to the approval by Petrobras board of directors of an interest-on-own-capital payment to shareholders in the amount of R\$1.316 million, furnished to the SEC on December 27, 2007.
- (23) Any future filings of Petrobras on Form 20-F made with the SEC after the date of this prospectus supplement and prior to the termination of the offering of the securities offered by this prospectus supplement, and any future reports of Petrobras on Form 6-K furnished to the SEC during that period that are identified in those forms as being incorporated into this prospectus supplement or the accompanying prospectus.

WHERE YOU CAN FIND MORE INFORMATION

Information that we file with or furnish to the SEC after the date of this prospectus supplement, and that is incorporated by reference, will automatically update and supersede the information in this prospectus supplement. This means that you should look at all of the SEC filings and reports that we incorporate by reference to determine if any of the statements in this prospectus supplement, the accompanying prospectus or in any documents previously incorporated by reference have been modified or superseded.

Documents incorporated by reference in this prospectus supplement are available without charge. Each person to whom this prospectus supplement and the accompanying prospectus are delivered may obtain documents incorporated by reference by requesting them either in writing or orally, by telephone or by e-mail from us at the following address:

Investor Relations Department
Petróleo Brasileiro S.A. Petrobras
Avenida República do Chile, 65 22nd Floor
20031-912 Rio de Janeiro RJ, Brazil

Edgar Filing: BRAZILIAN PETROLEUM CORP - Form 424B2

Telephone: (55-21) 3224-1510/3224-9947

Email: petroinvest@petrobras.com.br

In addition, you may review copies of the materials we file with or furnish to the SEC without charge, and copies of all or any portion of such materials can be obtained at the Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. We also file materials with the SEC electronically. The SEC maintains an Internet site that contains materials that we file electronically with the SEC. The address of the SEC's website is <http://www.sec.gov>.

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SUMMARY OF THE OFFERING

*This summary of the offering made by PifCo highlights key information described in greater detail elsewhere, or incorporated by reference, in this prospectus supplement and the accompanying prospectus. You should read carefully the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference, which are described under *Incorporation of Certain Documents by Reference* and *Where You Can Find More Information*.*

*In this prospectus supplement, unless the context otherwise requires, references to *Petrobras* mean *Petróleo Brasileiro S.A.* and its consolidated subsidiaries taken as a whole, and references to *PifCo* mean *Petrobras International Finance Company*, a wholly-owned subsidiary of *Petrobras*, and its consolidated subsidiaries taken as a whole. Terms such as *we*, *us* and *our* generally refer to both *Petrobras* and *PifCo*, unless the context requires otherwise.*

PifCo

PifCo is a wholly-owned subsidiary of Petrobras, incorporated under the laws of the Cayman Islands. PifCo was formed to facilitate and finance the import of crude oil and oil products by Petrobras into Brazil. Accordingly, its primary purpose is to act as an intermediary between third-party oil suppliers and Petrobras by engaging in crude oil and oil product purchases from international suppliers and reselling crude oil and oil products in U.S. Dollars to Petrobras on a deferred payment basis, at a price which includes a premium to compensate PifCo for its financing costs. PifCo is generally able to obtain credit to finance purchases on the same terms granted to Petrobras, and it buys crude oil and oil products at the same price that suppliers would charge Petrobras directly.

As part of Petrobras' strategy to expand its international operations and facilitate its access to international capital markets, PifCo engages in borrowings in international capital markets supported by Petrobras, primarily through standby purchase agreements.

In addition, PifCo engages in a number of activities that are conducted by four wholly-owned subsidiaries:

Petrobras Europe Limited, or PEL, a United Kingdom company that acts as an agent and advisor in connection with Petrobras' activities in Europe, the Middle East, the Far East and North Africa;

Petrobras Finance Limited, or PFL, a Cayman Islands company that carries out a financing program supported by future sales of fuel oil;

Bear Insurance Company Limited, or BEAR, a Bermuda company that contracts insurance for Petrobras and its subsidiaries; and

Petrobras Singapore Private Limited, or PSPL, a company incorporated in Singapore to trade crude oil and oil products in connection with our trading activities in Asia. This company initiated its operations in July 2006.

Since 2004, as part of Petrobras' restructuring of its offshore subsidiaries in order to centralize trading operations, PifCo has engaged in limited exports of oil and oil products and has begun to store oil and oil products in Asia.

PifCo's principal executive office is located at Harbour Place, 103 South Church Street, 4th Floor, P.O. Box 1034GT-BWI, George Town, Grand Cayman, Cayman Islands, B.W.I., and its telephone number is (55-21) 2240-1258.

Petrobras

Petrobras is one of the world's largest integrated oil and gas companies, engaging in a broad range of oil and gas activities. For the year ended December 31, 2006 and the nine-month period ended September 30, 2007, Petrobras had sales of products and services of U.S.\$93.9 billion and U.S.\$80.0 billion, net operating revenues of

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U.S.\$72.3 billion and U.S.\$62.4 billion and net income of U.S.\$12.8 billion and U.S.\$10.3 billion, respectively. Petrobras engages in a broad range of activities, which cover the following segments of its operations:

Exploration and Production This segment encompasses exploration, development and production activities in Brazil.

Supply This segment encompasses refining, logistics, transportation and the purchase of crude oil, as well as the purchase and sale of oil products and fuel alcohol. Additionally, this segment includes Petrobras petrochemical and fertilizers division, which includes investments in domestic petrochemical companies and Petrobras two domestic fertilizer plants.

Distribution This segment encompasses oil product and fuel alcohol distribution activities conducted by Petrobras majority owned subsidiary, Petrobras Distribuidora S.A.-BR, in Brazil.

Natural Gas and Power This segment encompasses the purchase, sale and transportation of natural gas produced in or imported into Brazil. This segment includes Petrobras domestic electric energy commercialization activities as well as investments in domestic natural gas transportation companies, state owned natural gas distributors and thermal electric companies.

International This segment encompasses international activities conducted in 27 countries, which include Exploration and Production, Supply, Distribution, Gas and Power.

Corporate This segment includes those activities not attributable to other segments, including corporate financial management, overhead related with central administration and other expenses, which include actuarial expenses related to Petrobras pension and health care plans for non-active participants.

Petrobras principal executive office is located at Avenida República do Chile, 65 20031-912 Rio de Janeiro RJ, Brazil, and its telephone number is (55-21) 3224-4477.

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The Offering

Issuer	Petrobras International Finance Company, or PifCo.
The Notes	U.S.\$ aggregate principal amount of 5.875% Global Notes due March 1, 2018, or the notes. Subject to market conditions, PifCo reserves the right to increase the issue size by up to U.S.\$25,000,000, during Asian market hours on January 9, 2008.
Closing Date	January , 2008.
Maturity Date	March 1, 2018.
Fungibility	The notes will be consolidated, form a single series, and be fully fungible with PifCo s outstanding U.S.\$1,000,000,000 5.875% Global Notes due 2018 issued on November 1, 2007 (Common Code 032961614, ISIN US71645WAM38 and CUSIP 71645WAM3). After giving effect to the offering, the total amount outstanding of PifCo s 5.875% Global Notes due 2018 will be U.S.\$.
Interest	The notes will bear interest from November 1, 2007, the date of issuance of the original notes, at the rate of 5.875% per annum, payable semiannually in arrears on each interest payment date.
Interest Payment Dates	March 1 and September 1 of each year, commencing on March 1, 2008.
Denominations	PifCo will issue the Global Notes only in denominations of U.S.\$2,000 and integral multiples of U.S.\$1,000 in excess thereof.
Trustee, Registrar, Transfer Agent and Paying Agent	The Bank of New York.
Codes	
(a) Common Code	032961614.
(b) ISIN	US71645WAM38.
(c) CUSIP	71645WAM3.
Use of Proceeds	PifCo intends to use the net proceeds from the sale of the notes for general corporate purposes, which may include the financing of the purchase of oil product imports and the repayment of existing trade-related debt and inter-company loans. PifCo may also lend some portion of the net proceeds to Petrobras, which Petrobras would use for general corporate purposes. See Use of Proceeds.
Indenture	

The notes offered hereby will be issued pursuant to an indenture between PifCo and The Bank of New York, a New York banking corporation, as trustee, dated as of December 15, 2006, as supplemented by the amended and restated first supplemental indenture, dated as of the closing date of the current offering, among PifCo, Petrobras and the trustee. When we refer to the indenture in this prospectus supplement, we are referring to the indenture as supplemented by the amended and restated first supplemental indenture. See Description of the Notes.

Amended and Restated Standby Purchase Agreement

The notes will have the benefit of credit support in the form of an amended and restated standby purchase agreement, dated as of the closing date of the current offering, under which Petrobras will be

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obligated to make certain payments to the trustee in the event PifCo fails to make required payments of principal, interest and other amounts due under the notes and the indenture. Under the standby purchase agreement, Petrobras will be required to purchase from the holders of the notes, and in consideration pay to the trustee amounts in respect of, the noteholders right to receive (i) the amount of any interest or other amounts not paid by PifCo in accordance with the terms of the notes and the indenture, (ii) the entire principal amount of the notes in the event PifCo fails to make any required payment of principal at the maturity of the notes or earlier upon any redemption, repurchase or acceleration of the notes prior to the maturity date, (iii) the entire principal amount of the notes in the event that a holder of a note requires PifCo to repurchase such note in accordance with the terms of the indenture and (iv) interest on all of the foregoing amounts at the rate of 1% above the note rate, which we refer to as the default rate, for payments beyond the date that PifCo was required to make such payments under the indenture. See The Standby Purchase Agreement.

Ranking

The notes constitute general senior unsecured and unsubordinated obligations of PifCo which will at all times rank *pari passu* among themselves and with all other senior unsecured obligations of PifCo that are not, by their terms, expressly subordinated in right of payment to the notes.

The obligations of Petrobras under the amended and restated standby purchase agreement constitute general senior unsecured obligations of Petrobras which will at all times rank *pari passu* with all other senior unsecured obligations of Petrobras that are not, by their terms, expressly subordinated in right of payment to Petrobras obligations under the amended and restated standby purchase agreement.

Optional Redemption

PifCo may redeem any of the notes at any time in whole or in part by paying the greater of the principal amount of the notes and a make-whole amount, plus, in each case, accrued interest, as described under Description of the Notes Optional Redemption.

Early Redemption at PifCo's Option Solely for Tax Reasons

The notes will be redeemable in whole at their principal amount, plus accrued and unpaid interest, if any, to the date of redemption, at PifCo's option at any time only in the event of certain changes affecting taxation. See Description of the Notes Optional Redemption.

Covenants

The terms of the indenture will require PifCo, among other things, to:

pay all amounts owed by it under the indenture and the notes when such amounts are due;

maintain an office or agent in New York for the purpose of service of process and maintain a paying agent located in the United States;

ensure that the notes continue to be senior obligations of PifCo;
use proceeds from the issuance of the notes for specified purposes;
give notice to the trustee of any default or event of default under the indenture;

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provide certain financial statements to the trustee;

take actions to maintain the trustee's or the noteholders' rights under the relevant transaction documents; and

replace the trustee upon any resignation or removal of the trustee.

In addition, the terms of the indenture will restrict the ability of PifCo and its subsidiaries, among other things, to:

undertake certain mergers, consolidations or similar transactions; and

create certain liens on its assets or pledge its assets.

Similar covenants and some additional covenants apply to Petrobras under the amended and restated standby purchase agreement.

These covenants are subject to a number of important qualifications and exceptions. See Description of the Notes' Covenants and The Standby Purchase Agreement.

Events of Default

failure to pay principal within three calendar days of its due date;

failure to pay interest within 30 calendar days of any interest payment date;

breach of a covenant or agreement in the indenture or the amended and restated standby purchase agreement by PifCo and Petrobras, respectively if not remedied within 60 calendar days;

acceleration of a payment on the indebtedness of PifCo, Petrobras or a material subsidiary of PifCo or Petrobras that equals or exceeds U.S.\$100 million;

a final judgment against PifCo, Petrobras or a material subsidiary of PifCo or Petrobras that equals or exceeds U.S.\$100 million;

certain events of bankruptcy, liquidation or insolvency of PifCo, Petrobras or a material subsidiary of PifCo or Petrobras;

certain events relating to the unenforceability of the notes, the indenture or the amended and restated standby purchase agreement against PifCo or Petrobras;

Petrobras ceasing to own at least 51% of PifCo's outstanding voting shares.

The events of default are subject to a number of important qualifications and limitations. See [Description of the Notes](#) [Events of Default](#).

Modification of Notes, Indenture
and [Standby Purchase Agreement](#)

The terms of the indenture may be modified by PifCo and the trustee, and the terms of the amended and restated standby purchase agreement may be modified by Petrobras and the trustee, in some cases without the consent of the holders of the notes. See [The Standby Purchase Agreement](#) in this prospectus supplement and [Description of Debt Securities](#) [Special Situations](#) [Modification and Waiver](#) in the accompanying prospectus.

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Clearance and Settlement	The notes will be issued in book-entry form through the facilities of The Depository Trust Company, or DTC, for the accounts of its participants, and will trade in DTC's Same-Day Funds Settlement System. Beneficial interests in notes held in book-entry form will not be entitled to receive physical delivery of certificated notes except in certain limited circumstances. For a description of certain factors relating to clearance and settlement, see Clearance and Settlement.
Withholding Taxes; Additional Amounts	Any and all payments of principal, premium, if any, and interest in respect of the notes will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments, levies, imposts or charges whatsoever imposed, levied, collected, withheld or assessed by Brazil, the jurisdiction of PifCo's incorporation or any other jurisdiction in which PifCo appoints a paying agent under the indenture, or any political subdivision or any taxing authority thereof or therein, unless such withholding or deduction is required by law. If PifCo is required by law to make such withholding or deduction, it will pay such additional amounts as necessary to ensure that the noteholders receive the same amount as they would have received without such withholding or deduction, subject to certain exceptions. In the event Petrobras is obligated to make payments to the noteholders under the amended and restated standby purchase agreement, Petrobras will pay such additional amounts necessary to ensure that the noteholders receive the same amount as they would have received without such withholding or deduction, subject to certain exceptions. See Description of the Notes Covenants Additional Amounts and The Standby Purchase Agreement.
Governing Law	The indenture, the notes and the amended and restated standby purchase agreement will be governed by, and construed in accordance with, the laws of the State of New York.
Listing	The original notes are, and the notes will be, listed on the NYSE under the symbol PBR/18.
Risk Factors	You should carefully consider the risk factors discussed beginning on page S-12 before purchasing any notes.

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RISK FACTORS

Our annual report on Form 20-F for the year ended December 31, 2006, which is incorporated by reference herein, includes extensive risk factors relating to our business and to Brazil. You should carefully consider those risks and the risks described below, as well as the other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus, before making a decision to invest in the Global Notes.

Risks Relating to PifCo's Debt Securities

The market for the notes may not be liquid.

The original notes are, and the notes will be, listed on the NYSE but we can make no assurance as to the liquidity of or trading markets for the notes. We cannot guarantee that the holders of the notes will be able to sell their notes in the future. If a market for the notes does not develop, holders of the notes may not be able to resell the notes for an extended period of time, if at all.

Restrictions on the movement of capital out of Brazil may impair your ability to receive payments on the amended and restated standby purchase agreement.

The Brazilian government may impose temporary restrictions on the conversion of Brazilian currency into foreign currencies and on the remittance to foreign investors of proceeds from their investments in Brazil. Brazilian law permits the Brazilian government to impose these restrictions whenever there is a serious imbalance in Brazil's balance of payments or there are reasons to foresee a serious imbalance.

The Brazilian government imposed remittance restrictions for approximately six months in 1990. Similar restrictions, if imposed, could impair or prevent the conversion of payments under the amended and restated standby purchase agreement from *reais* into U.S. dollars and the remittance of the U.S. dollars abroad. The Brazilian government could decide to take similar measures in the future. We cannot assure you that the Brazilian government will not take similar measures in the future.

Enforcement of Petrobras obligations under the amended and restated standby purchase agreement might take longer than expected.

Petrobras will enter into standby purchase agreements in support of PifCo's obligations under its notes and indentures. Petrobras' obligation to purchase from the PifCo noteholders any unpaid amounts of principal, interest and other amounts due under the PifCo notes and the indenture applies, subject to certain limitations, irrespective of whether any such amounts are due at maturity of the PifCo notes or otherwise.

Petrobras has been advised by its counsel that the enforcement of the amended and restated standby purchase agreement in Brazil against it, if necessary, will occur under a form of judicial process that, while similar, has certain procedural differences from those applicable to enforcement of a guarantee and, as a result, the enforcement of the amended and restated standby purchase agreement may take longer than would otherwise be the case with a guarantee.

Petrobras may not be able to pay its obligations under the amended and restated standby purchase agreement in U.S. Dollars.

If Petrobras is required to make payments under the amended and restated standby purchase agreement, Central Bank of Brazil approval will be necessary. Any approval from the Central Bank of Brazil may only be requested when such

payment is to be remitted abroad by Petrobras, and will be granted by the Central Bank of Brazil on a case-by-case basis. It is not certain that any such approvals will be obtainable at a future date. In case the PifCo noteholders receive payments in *reais* corresponding to the equivalent U.S. Dollar amounts due under PifCo's notes, it may not be possible to convert these amounts into U.S. Dollars. Petrobras will not need any prior or subsequent approval from the Central Bank of Brazil to use funds it holds abroad to comply with its obligations under the amended and restated standby purchase agreement.

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Petrobras would be required to pay judgments of Brazilian courts enforcing its obligations under the amended and restated standby purchase agreement only in reais.

If proceedings were brought in Brazil seeking to enforce Petrobras' obligations in respect of the amended and restated standby purchase agreement, Petrobras would be required to discharge its obligations only in *reais*. Under the Brazilian exchange control limitations, an obligation to pay amounts denominated in a currency other than *reais*, which is payable in Brazil pursuant to a decision of a Brazilian court, may be satisfied in *reais* at the rate of exchange, as determined by the Central Bank of Brazil, in effect on the date of payment.

A finding that Petrobras is subject to U.S. bankruptcy laws and that the amended and restated standby purchase agreement executed by it was a fraudulent conveyance could result in PifCo noteholders losing their legal claim against Petrobras.

PifCo's obligation to make payments on the PifCo notes is supported by Petrobras' obligation under the amended and restated standby purchase agreement to make payments on PifCo's behalf. Petrobras has been advised by its external U.S. counsel that the amended and restated standby purchase agreement is valid and enforceable in accordance with the laws of the State of New York. In addition, Petrobras has been advised by its general counsel that the laws of Brazil do not prevent the amended and restated standby purchase agreement from being valid, binding and enforceable against Petrobras in accordance with its terms. In the event that U.S. federal fraudulent conveyance or similar laws are applied to the amended and restated standby purchase agreement, and Petrobras, at the time it entered into the amended and restated standby purchase agreement:

was or is insolvent or rendered insolvent by reason of its entry into the amended and restated standby purchase agreement;

was or is engaged in business or transactions for which the assets remaining with it constituted unreasonably small capital; or

intended to incur or incurred, or believed or believes that it would incur, debts beyond its ability to pay such debts as they mature; and

in each case, intended to receive or received less than reasonably equivalent value or fair consideration therefore,

then Petrobras' obligations under the amended and restated standby purchase agreement could be avoided, or claims with respect to the amended and restated standby purchase agreement could be subordinated to the claims of other creditors. Among other things, a legal challenge to the amended and restated standby purchase agreement on fraudulent conveyance grounds may focus on the benefits, if any, realized by Petrobras as a result of PifCo's issuance of these notes. To the extent that the amended and restated standby purchase agreement is held to be a fraudulent conveyance or unenforceable for any other reason, the holders of the PifCo notes would not have a claim against Petrobras under the amended and restated standby purchase agreement and will solely have a claim against PifCo. Petrobras cannot assure you that, after providing for all prior claims, there will be sufficient assets to satisfy the claims of the PifCo noteholders relating to any avoided portion of the amended and restated standby purchase agreement.

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USE OF PROCEEDS

PifCo intends to use the net proceeds from the sale of the notes for general corporate purposes, which may include the financing of the purchase of oil product imports and the repayment of existing trade-related debt and inter-company loans. PifCo may also lend some portion of the net proceeds to Petrobras, which Petrobras would use for general corporate purposes.

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Table of Contents**CAPITALIZATION****PifCo**

The following table sets out the consolidated debt and capitalization of PifCo as of September 30, 2007, excluding accrued interest, and as adjusted to give effect to the issue of the original notes and as further adjusted to give effect to the issue of the notes. There have been no material changes in the consolidated capitalization of PifCo since September 30, 2007.

		As of September 30, 2007	
		As Adjusted for	
		the	
	Actual	November 1,	As Adjusted for
		2007 Offering	this Offering
		(In millions of U.S. dollars)	
Short-term debt:			
Short-term debt	\$ 52.3	\$ 52.3	\$ 52.3
Current portion of long-term debt	1,001.2	1,001.2	1,001.2
Notes payable related parties	199.9	199.9	199.9
Total	1,253.4	1,253.4	1,253.4
Long-term debt (less current portion):			
Long-term debt	4,300.3	5,300.3	
Notes payable related parties	21,663.6	21,663.6	21,663.6
Total	25,963.9	26,963.93	
Stockholder's Equity:			
Capital stock(1)	300.1	300.1	300.1
Additional paid in capital	53.9	53.9	53.9
Accumulated deficit	(346.2)	(346.2)	(346.2)
Other comprehensive income	(1.8)	(1.8)	(1.8)
Total stockholder's equity	6.0	6.0	6.0
Total capitalization	\$ 27,223.3	\$ 28,223.3	\$

(1) Comprising 300,050,000 shares of common stock, par value U.S.\$1.00, which have been authorized and issued.

Table of Contents**Petrobras**

The following table sets out the consolidated debt and capitalization of Petrobras as of September 30, 2007, excluding accrued interest, and as adjusted to give effect to the issue of the original notes and Petrobras obligations in respect of the notes under the amended and restated standby purchase agreement and as further adjusted to give effect to the issue of the notes. There have been no material changes in the consolidated capitalization of Petrobras since September 30, 2007.

	As of September 30, 2007		
	As Adjusted for		
	the		
	Actual	November 1,	As Adjusted
		2007 Offering	for
		this Offering	
	(In millions of U.S. dollars)		
Short-term debt:			
Short-term debt	\$ 844	\$ 844	\$ 844
Current portion of long-term debt	2,081	2,081	2,081
Current portion of project financings	2,307	2,307	2,307
Current capital lease obligations	241	241	241
Total	5,473	5,473	5,473
Long-term debt:			
Foreign currency denominated	9,863	10,863	
Local currency denominated	2,834	2,834	2,834
Total long-term debt	12,697	13,697	
Total long-term debt (less current portion)	10,616	11,616	
Project financings	3,786	3,786	3,786
Capital lease obligations	524	524	524
Minority interest	2,206	2,206	2,206
Stockholders' equity(1)(2)	59,647	59,647	59,647
Total capitalization	\$ 82,252	\$ 83,252	\$

(1) Comprising (a) 2,536,673,672 shares of common stock and (b) 1,850,364,698 shares of preferred stock, in each case with no par value and in each case which have been authorized and issued.

(2) Stockholders' equity includes an unrecognized loss in the amount of U.S.\$2,818 million related to Amounts not recognized as net periodic pension cost and an unrecognized loss in the amount of U.S.\$1,147 million related to Amounts not recognized as net periodic health care cost.

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DESCRIPTION OF THE NOTES

The following description of the terms of the notes supplements and modifies the description of the general terms and provisions of debt securities and the indenture set forth in the accompanying prospectus, which you should read in conjunction with this prospectus supplement. In addition, we urge you to read the indenture and the amended and restated first supplemental indenture, because they, and not this description, will define your rights as holders of these notes. If the description of the terms of the notes in this summary differs in any way from that in the accompanying prospectus, you should rely on this summary. You may obtain copies of the indenture and the amended and restated first supplemental indenture upon request to the trustee or with the SEC at the addresses set forth under [Where You Can Find More Information](#).

Amended and Restated First Supplemental Indenture

PifCo will issue the Global Notes under an indenture dated as of December 15, 2006 between PifCo and The Bank of New York, a New York banking corporation, as trustee, as supplemented by an amended and restated first supplemental indenture dated as of the closing date, which provides the specific terms of the notes offered by this prospectus supplement, including granting noteholders rights against Petrobras under the amended and restated standby purchase agreement. Whenever we refer to the indenture in this prospectus supplement, we are referring to the indenture as supplemented by the amended and restated first supplemental indenture.

General

The notes will be consolidated, form a single series, and be fully fungible with PifCo's outstanding U.S. \$1,000,000,000 5.875% Global Notes due 2018 issued on November 1, 2007. The notes will be general, senior, unsecured and unsubordinated obligations of PifCo having the following basic terms:

The title of the notes will be the 5.875% Global Notes due 2018;

The notes will:

be issued in an aggregate principal amount of U.S.\$ and considering the amount of original notes outstanding, the aggregate principal amount of this series of notes is US\$. Subject to market conditions, PifCo reserves the right to increase the issue size by up to U.S.\$25,000,000, during Asian market hours on January 9, 2008.;

mature on March 1, 2018;

bear interest at a rate of 5.875% per annum from November 1, 2007, the date of issuance of the original notes, until maturity and until all required amounts due in respect of the notes have been paid;

be issued in global registered form without interest coupons attached;

be issued and may be transferred only in principal amounts of U.S.\$2,000 and in integral multiples of U.S.\$1,000 in excess thereof; and

have the benefit of the amended and restated standby purchase agreement described below under [The Standby Purchase Agreement](#).

Interest on the notes will be paid semiannually on March 1 and September 1 of each year (each of which we refer to as an interest payment date), commencing on March 1, 2008, and the regular record date for any interest payment date will be the tenth business day preceding that date; and

In the case of amounts not paid by PifCo under the indenture and the notes, interest will continue to accrue on such amounts at a default rate equal to 1% in excess of the interest rate on the notes, from and including the date when such amounts were due and owing and through and including the date of payment of such amounts by PifCo or Petrobras.

Despite the Brazilian government's ownership interest in Petrobras, the Brazilian government is not responsible in any manner for PifCo's obligations under the notes and Petrobras' obligations under the amended and restated standby purchase agreement.

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Place of Payment

PifCo will pay interest, principal, additional amounts and any other money due on the notes at the corporate trust office of the trustee in New York City (which is currently located at 101 Barclay Street, 4E, New York, New York, 10286) or such other paying agent office in the United States as PifCo appoints. You must make arrangements to have your payments picked up at or wired from that office. PifCo may also choose to pay interest by mailing checks. Interest on the notes will be paid to the holder of such notes by wire transfer of same-day funds.

Optional Redemption

PifCo may redeem, in whole or in part, the notes at any time by paying the greater of the principal amount of the notes and the applicable make-whole amount, plus, in each case, accrued interest. The notes will also be redeemable without premium prior to maturity at PifCo's option solely upon the imposition of certain withholding taxes. See **Optional Redemption**, **Optional Redemption With Make-Whole Amount** and **Optional Redemption** **Redemption for Taxation Reasons**.

Depository with Respect to Global Securities

The notes will be issued in global registered form with The Depository Trust Company as depository. For further information in this regard, see **Clearance and Settlement**.

Events of Default

The following events will be events of default with respect to the notes:

PifCo does not pay the principal or any premium on the notes within three calendar days of its due date and the trustee has not received such amounts from Petrobras under the amended and restated standby purchase agreement by the end of that three-day period.

PifCo does not pay interest, including any additional amounts, on the notes within 30 calendar days of their due date and the trustee has not received such amounts from Petrobras under the amended and restated standby purchase agreement by the end of that thirty-day period.

PifCo or Petrobras remains in breach of any covenant or any other term of the notes, indenture or amended and restated standby purchase agreement (other than any failure to make any payment under the amended and restated standby purchase agreement, for which there is no cure) for 60 calendar days (inclusive of any cure period contained in any such covenant or other term for compliance thereunder) after receiving a notice of default stating that it is in breach. The notice must be sent by either the trustee or holders of 25% of the principal amount of the notes.

The maturity of any indebtedness of PifCo or Petrobras or a material subsidiary in a total aggregate principal amount of U.S.\$100,000,000 (or its equivalent in another currency) or more is accelerated in accordance with the terms of that indebtedness, it being understood that prepayment or redemption by us or the material subsidiary of any indebtedness is not acceleration for this purpose;

One or more final and non-appealable judgments or final decrees is entered against us or a material subsidiary involving in the aggregate a liability (not paid or fully covered by insurance) of U.S.\$100,000,000 (or its equivalent in another currency) or more, and all such judgments or decrees have not been vacated, discharged or stayed within 120 calendar days after rendering of that judgment.

We stop paying or we admit that we are generally unable to pay our debts as they become due, we are adjudicated or found bankrupt or insolvent or we are ordered by a court or pass a resolution to dissolve (or a similar event occurs with respect to a material subsidiary).

We commence or a material subsidiary commences voluntarily proceedings under any applicable liquidation, insolvency, composition, reorganization or any other similar laws, or we file or a material subsidiary files an application for the appointment of an administrative or other receiver, manager or administrator, or

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any such or other similar official, in relation to us or a material subsidiary or any events occur or action is taken that has effects similar to those events or actions described in this paragraph.

We enter or a material subsidiary enters into any composition or other similar arrangement with our or a material subsidiary's creditors (such as a *concordata*, which is a type of liquidation agreement), or proceedings are initiated against us or any material subsidiary under applicable bankruptcy, insolvency or intervention law or law with similar effect and is not discharged or removed within 90 calendar days, or a receiver, administrator or similar person is appointed in relation to, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against, the whole or a substantial part of our or a material subsidiary's undertakings or assets and is not discharged or removed within 90 calendar days or any events occur or action is taken that has effects similar to those events or actions described in this paragraph.

Any of the indenture, the notes or the amended and restated standby purchase agreement, or any part of those documents, ceases to be in full force and effect or binding and enforceable against PifCo or Petrobras, or it becomes unlawful for PifCo or Petrobras to perform any material obligation under any of the foregoing documents to which it is a party.

Under any of the foregoing documents to which it is a party, PifCo or Petrobras contests the enforceability of any of the foregoing documents or denies that it has liability under any of the foregoing documents to which it is a party.

Petrobras fails to retain at least 51% direct or indirect ownership of the outstanding voting and economic interests (equity or otherwise) of and in PifCo.

For purposes of the events of default:

indebtedness means any obligation (whether present or future, actual or contingent and including any guarantee) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and all leases which, under generally accepted accounting principles in the United States, would be a capital lease obligation); and

material subsidiary means a subsidiary of PifCo or Petrobras which on any given date of determination accounts for more than 10% of Petrobras' total consolidated assets (as set forth on Petrobras' most recent balance sheet prepared in accordance with U.S. GAAP).

Covenants

PifCo will be subject to the following covenants with respect to the notes:

Payment of Principal and Interest

PifCo will duly and punctually pay the principal of and any premium and interest and other amounts (including any additional amounts in the event withholding and other taxes are imposed in Brazil or the jurisdiction of incorporation of PifCo) on the notes in accordance with the notes and the indenture.

Maintenance of Corporate Existence

PifCo will, and will cause each of its subsidiaries to, maintain their corporate existence and take all reasonable actions to maintain all rights, privileges and the like necessary or desirable in the normal conduct of business, activities or

operations, unless PifCo's board of directors determines that preserving PifCo's or a subsidiary's corporate existence is no longer desirable in the conduct of PifCo's or its subsidiaries' business and is not disadvantageous in any material respect to noteholders.

Maintenance of Office or Agency

So long as notes are outstanding, PifCo will maintain in the Borough of Manhattan, the City of New York, an office or agency where notices to and demands upon it in respect of the indenture and the notes may be served.

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Initially, this office will be located at 570 Lexington Avenue, New York, New York 10022-6837. PifCo will not change the designation of the office without prior written notice to the trustee and designating a replacement office in the same general location.

Ranking

PifCo will ensure that the notes will at all times constitute its general senior, unsecured and unsubordinated obligations and will rank *pari passu*, without any preferences among themselves, with all of its other present and future unsecured and unsubordinated obligations (other than obligations preferred by statute or by operation of law).

Use of Proceeds

PifCo will use the proceeds from the offer and sale of the notes after the deduction of any commissions principally for general corporate purposes, including the financing of the purchase of oil product imports and the repayment of existing trade-related debt and inter-company loans.

Statement by Officers as to Default and Notices of Events of Default

PifCo (and each other obligor on the notes) will deliver to the trustee, within 90 calendar days after the end of its fiscal year, an officer's certificate, stating whether or not to the best knowledge of its signers PifCo is in default on any of the terms, provisions and conditions of the indenture or the notes (without regard to any period of grace or requirement of notice provided under the indenture) and, if PifCo (or any obligor) are in default, specifying all the defaults and their nature and status of which the signers may have knowledge. Within 10 calendar days (or promptly with respect to certain events of default relating to PifCo's insolvency and in any event no later than 10 calendar days) after PifCo becomes aware or should reasonably become aware of the occurrence of any default or event of default under the indenture or the notes, it will notify the trustee in writing of the occurrence of such default or event of default.

Provision of Financial Statements and Reports

In the event that PifCo files any financial statements or reports with the SEC or publishes or otherwise makes such statements or reports publicly available in Brazil, the United States or elsewhere, PifCo will furnish a copy of the statements or reports to the trustee within 15 calendar days of the date of filing or the date the information is published or otherwise made publicly available.

PifCo will provide, together with each of the financial statements delivered as described in the preceding paragraph, an officer's certificate stating (i) that a review of PifCo's activities has been made during the period covered by such financial statements with a view to determining whether PifCo has kept, observed, performed and fulfilled its covenants and agreements under this indenture; and (ii) that no event of default, or event which with the giving of notice or passage of time or both would become an event of default, has occurred during that period or, if one or more have actually occurred, specifying all those events and what actions have been taken and will be taken with respect to that event of default or other event.

Delivery of these reports, information and documents to the trustee is for informational purposes only and the trustee's receipt of any of those will not constitute constructive notice of any information contained in them or determinable from information contained in them, including PifCo's compliance with any of its covenants under the indenture (as to which the trustee is entitled to rely exclusively on officer's certificates).

Appointment to Fill a Vacancy in Office of Trustee

PifCo, whenever necessary to avoid or fill a vacancy in the office of trustee, will appoint a successor trustee in the manner provided in the indenture so that there will at all times be a trustee with respect to the notes.

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Payments and Paying Agents

PifCo will, prior to 3:00 p.m., New York City time, on the business day preceding any payment date of the principal of or interest on the notes or other amounts (including additional amounts), deposit with the trustee a sum sufficient to pay such principal, interest or other amounts (including additional amounts) so becoming due.

Additional Amounts

Except as provided below, PifCo will make all payments of amounts due under the notes and the indenture and each other document entered into in connection with the notes and the indenture without withholding or deducting any present or future taxes, levies, deductions or other governmental charges of any nature imposed by Brazil, the jurisdiction of PifCo's incorporation or any jurisdiction in which PifCo appoints a paying agent under the indenture, or any political subdivision of such jurisdictions (the taxing jurisdictions). If PifCo is required by law to withhold or deduct any taxes, levies, deductions or other governmental charges, PifCo will make such deduction or withholding, make payment of the amount so withheld to the appropriate governmental authority and pay the noteholders any additional amounts necessary to ensure that they receive the same amount as they would have received without such withholding or deduction.

PifCo will not, however, pay any additional amounts in connection with any tax, levy, deduction or other governmental charge that is imposed due to any of the following (excluded additional amounts):

the noteholder has a connection with the taxing jurisdiction other than merely holding the notes or receiving principal or interest payments on the notes (such as citizenship, nationality, residence, domicile, or existence of a business, a permanent establishment, a dependent agent, a place of business or a place of management present or deemed present within the taxing jurisdiction);

any tax imposed on, or measured by, net income;

the noteholder fails to comply with any certification, identification or other reporting requirements concerning its nationality, residence, identity or connection with the taxing jurisdiction, if (x) such compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or a part of the tax, levy, deduction or other governmental charge, (y) the noteholder is able to comply with such requirements without undue hardship and (z) at least 30 calendar days prior to the first payment date with respect to which such requirements under the applicable law, regulation, administrative practice or treaty will apply, PifCo has notified all noteholders or the trustee that they will be required to comply with such requirements;

the noteholder fails to present (where presentation is required) its note within 30 calendar days after PifCo has made available to the noteholder a payment under the notes and the indenture, provided that PifCo will pay additional amounts which a noteholder would have been entitled to had the note owned by such noteholder been presented on any day (including the last day) within such 30 calendar day period;

any estate, inheritance, gift, value added, use or sales taxes or any similar taxes, assessments or other governmental charges;

where such taxes, levies, deductions or other governmental charges are imposed on a payment on the notes to an individual and are required to be made pursuant to any European Union Council Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such directive;

where the noteholder could have avoided such taxes, levies, deductions or other governmental charges by requesting that a payment on the notes be made by, or presenting the relevant notes for payment to, another paying agent of PifCo located in a member state of the European Union; or

where the noteholder would have been able to avoid the tax, levy, deduction or other governmental charge by taking reasonable measures available to such noteholder.

PifCo shall promptly pay when due any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies that are imposed by Brazil, the jurisdiction of PifCo's incorporation or

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any other jurisdiction in which PifCo appoints a paying agent or any political subdivision or any taxing authority thereof or therein that arise from any payment under the notes or under any other document or instrument referred in the indenture or from the execution, delivery, enforcement or registration of each note or any other document or instrument referred to in the indenture. PifCo shall indemnify and make whole the noteholders for any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies payable by PifCo as provided in this paragraph paid by such noteholder. PifCo shall, if European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN council meeting of November 26-27, 2000 is brought into force, ensure that it maintains a paying agent hereunder in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to such Directive.

Negative Pledge

So long as any note remains outstanding, PifCo will not create or permit any lien, other than a PifCo permitted lien, on any of its assets to secure (i) any of its indebtedness or (ii) the indebtedness of any other person, unless PifCo contemporaneously creates or permits such lien to secure equally and ratably its obligations under the notes and the indenture or PifCo provides such other security for the notes as is duly approved by a resolution of the noteholders in accordance with the indenture. In addition, PifCo will not allow any of its subsidiaries to create or permit any lien, other than a PifCo permitted lien, on any of its assets to secure (i) any of its indebtedness, (ii) any of the subsidiary's indebtedness or (iii) the indebtedness of any other person, unless it contemporaneously creates or permits the lien to secure equally and ratably its obligations under the notes and the indenture or PifCo provides such other security for the notes as is duly approved by a resolution of the noteholders in accordance with the indenture.

This covenant is subject to a number of important exceptions, including an exception that permits PifCo to grant liens in respect of indebtedness the principal amount of which, in the aggregate, together with all other liens not otherwise described in a specific exception, does not exceed 15% of PifCo's consolidated total assets (as determined in accordance with U.S. GAAP) at any time as at which PifCo's balance sheet is prepared and published in accordance with applicable law.

Limitation on Consolidation, Merger, Sale or Conveyance

PifCo will not, in one or a series of transactions, consolidate or amalgamate with or merge into any corporation or convey, lease or transfer substantially all of its properties, assets or revenues to any person or entity (other than a direct or indirect subsidiary of Petrobras) or permit any person (other than a direct or indirect subsidiary of PifCo) to merge with or into it unless:

either PifCo is the continuing entity or the person (the successor company) formed by the consolidation or into which PifCo is merged or that acquired or leased the property or assets of PifCo will assume (jointly and severally with PifCo unless PifCo will have ceased to exist as a result of that merger, consolidation or amalgamation), by a supplemental indenture (the form and substance of which will be previously approved by the trustee), all of PifCo's obligations under the indenture and the notes;

the successor company (jointly and severally with PifCo unless PifCo will have ceased to exist as part of the merger, consolidation or amalgamation) agrees to indemnify each noteholder against any tax, assessment or governmental charge thereafter imposed on the noteholder solely as a consequence of the consolidation, merger, conveyance, transfer or lease with respect to the payment of principal of, or interest, the notes;

immediately after giving effect to the transaction, no event of default, and no default has occurred and is continuing;

PifCo has delivered to the trustee an officers' certificate and an opinion of counsel, each stating that the transaction and the amended and restated first supplemental indenture, comply with the terms of the indenture and that all conditions precedent provided for in the indenture and relating to the transaction have been complied with; and

PifCo must deliver a notice to the trustee describing that transaction to Moody's to the extent that Moody's is at that time rating the notes.

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Notwithstanding anything to the contrary in the foregoing, so long as no default or event of default under the indenture or the notes will have occurred and be continuing at the time of the proposed transaction or would result from the transaction:

PifCo may merge, amalgamate or consolidate with or into, or convey, transfer, lease or otherwise dispose of all or substantially all of its properties, assets or revenues to a direct or indirect subsidiary of PifCo or

Petrobras in cases when PifCo is the surviving entity in the transaction and the transaction would not have a material adverse effect on PifCo and its subsidiaries taken as a whole, it being understood that if PifCo is not the surviving entity, PifCo will be required to comply with the requirements set forth in the previous paragraph; or

any direct or indirect subsidiary of PifCo may merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of assets to, any person (other than PifCo or any of its subsidiaries or affiliates) in cases when the transaction would not have a material adverse effect on PifCo and its subsidiaries taken as a whole; or

any direct or indirect subsidiary of PifCo may merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of assets to, any other direct or indirect subsidiary of PifCo or Petrobras; or

any direct or indirect subsidiary of PifCo may liquidate or dissolve if PifCo determines in good faith that the liquidation or dissolution is in the best interests of Petrobras, and would not result in a material adverse effect on PifCo and its subsidiaries taken as a whole and if the liquidation or dissolution is part of a corporate reorganization of PifCo or Petrobras.

PifCo may omit to comply with any term, provision or condition set forth in certain covenants or any term, provision or condition of the indenture, if before the time for the compliance the holders of at least a majority in principal amount of the outstanding notes waive the compliance, but no waiver can operate except to the extent expressly waived, and, until a waiver becomes effective, PifCo's obligations and the duties of the trustee in respect of any such term, provision or condition will remain in full force and effect.

As used above, the following terms have the meanings set forth below:

indebtedness means any obligation (whether present or future, actual or contingent and including any guarantee) for the payment or repayment of money that has been borrowed or raised (including money raised by acceptances and all leases which, under generally accepted accounting principles in the United States, would be a capital lease obligation).

A guarantee means an obligation of a person to pay the indebtedness of another person including, without limitation:

an obligation to pay or purchase such indebtedness;

an obligation to lend money or to purchase or subscribe for shares or other securities or to purchase assets or services in order to provide funds for the payment of such indebtedness;

an indemnity against the consequences of a default in the payment of such indebtedness; or

any other agreement to be responsible for such indebtedness.

A *lien* means any mortgage, pledge, lien, hypothecation, security interest or other charge or encumbrance on any property or asset including, without limitation, any equivalent created or arising under applicable law.

A PifCo permitted lien means a:

(a) lien arising by operation of law, such as merchants , maritime or other similar liens arising in PifCo s ordinary course of business or that of any subsidiary or lien in respect of taxes, assessments or other governmental charges that are not yet delinquent or that are being contested in good faith by appropriate proceedings;

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- (b) lien arising from PifCo's obligations under performance bonds or surety bonds and appeal bonds or similar obligations incurred in the ordinary course of business and consistent with PifCo's past practice;
- (c) lien arising in the ordinary course of business in connection with indebtedness maturing not more than one year after the date on which that indebtedness was originally incurred and which is related to the financing of export, import or other trade transactions;
- (d) lien granted upon or with respect to any assets hereafter acquired by PifCo or any subsidiary to secure the acquisition costs of those assets or to secure indebtedness incurred solely for the purpose of financing the acquisition of those assets, including any lien existing at the time of the acquisition of those assets, so long as the maximum amount so secured does not exceed the aggregate acquisition costs of all such assets or the aggregate indebtedness incurred solely for the acquisition of those assets, as the case may be;
- (e) lien granted in connection with indebtedness of a wholly-owned subsidiary owing to PifCo or another wholly-owned subsidiary;
- (f) lien existing on any asset or on any stock of any subsidiary prior to the acquisition thereof by PifCo or any subsidiary, so long as the lien is not created in anticipation of that acquisition;
- (g) lien existing as of the date of the indenture;
- (h) lien resulting from the indenture or the amended and restated standby purchase agreement, if any;
- (i) lien incurred in connection with the issuance of debt or similar securities of a type comparable to those already issued by PifCo, on amounts of cash or cash equivalents on deposit in any reserve or similar account to pay interest on those securities for a period of up to 24 months as required by any rating agency as a condition to the rating agency rating those securities as investment grade;
- (j) lien granted or incurred to secure any extension, renewal, refinancing, refunding or exchange (or successive extensions, renewals, refinancings, refundings or exchanges), in whole or in part, of or for any indebtedness secured by lien referred to in paragraphs (a) through (j) above (but not paragraph (d)), so long as the lien does not extend to any other property, the principal amount of the indebtedness secured by the lien is not increased, and in the case of paragraphs (a), (b), (c) and (f), the obligees meet the requirements of the applicable paragraph; and
- (k) lien in respect of indebtedness the principal amount of which in the aggregate, together with all other liens not otherwise qualifying as PifCo permitted liens pursuant to another part of this definition of PifCo permitted liens, does not exceed 15% of PifCo's consolidated total assets (as determined in accordance with U.S. GAAP) at any date as at which PifCo's balance sheet is prepared and published in accordance with applicable law.

A wholly-owned subsidiary means, with respect to any corporate entity, any person of which 100% of the outstanding capital stock (other than qualifying shares, if any) having by its terms ordinary voting power (not dependent on the happening of a contingency) to elect the board of directors (or equivalent controlling governing body) of that person, is at the time owned or controlled directly or indirectly by that corporate entity, by one or more wholly-owned subsidiaries of that corporate entity or by that corporate entity and one or more wholly-owned subsidiaries.

Optional Redemption

We will not be permitted to redeem the notes before their stated maturity, except as set forth below. The notes will not be entitled to the benefit of any sinking fund meaning that we will not deposit money on a regular basis into any

separate account to repay your notes. In addition, you will not be entitled to require us to repurchase your notes from you before the stated maturity.

Optional Redemption With Make-Whole Amount

We will have the right at our option to redeem any of the notes in whole or in part, at any time or from time to time prior to their maturity, on at least 30 days but not more than 60 days notice, at a redemption price equal to the

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greater of (1) 100% of the principal amount of such notes and (2) the sum of the present values of each remaining scheduled payment of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 25 basis points (the **Make-Whole Amount**), plus in each case accrued interest on the principal amount of the notes to the date of redemption.

Treasury Rate means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Comparable Treasury Issue means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such notes.

Independent Investment Banker means one of the Reference Treasury Dealers appointed by us.

Comparable Treasury Price means, with respect to any redemption date (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if the trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

Reference Treasury Dealer means each of Citigroup Global Markets Inc., HSBC Securities (USA) Inc., BNP Paribas Securities Corp., or their affiliates which are primary United States government securities dealers and two other leading primary United States government securities dealers in New York City reasonably designated by us in writing; provided, however, that if any of the foregoing shall cease to be a primary United States government securities dealer in New York City (a **Primary Treasury Dealer**), we will substitute therefore another Primary Treasury Dealer.

Reference Treasury Dealer Quotation means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by such Reference Treasury Dealer at 3:30 pm New York time on the third business day preceding such redemption date.

On and after the redemption date, interest will cease to accrue on the notes or any portion of the notes called for redemption (unless we default in the payment of the redemption price and accrued interest). On or before the redemption date, we will deposit with the trustee money sufficient to pay the redemption price of and (unless the redemption date shall be an interest payment date) accrued interest to the redemption date on the notes to be redeemed on such date. If less than all of the notes of any series are to be redeemed, the notes to be redeemed shall be selected by the trustee by such method as set forth in the indenture.

Redemption for Taxation Reasons

The Optional Tax Redemption set forth in the base prospectus shall apply with the reincorporation of PifCo being treated as the adoption of a successor entity. Such redemption shall not be available if the reincorporation was performed in anticipation of a change in, execution of or amendment to any laws or treaties or the official application or interpretation of any laws or treaties in such new jurisdiction of incorporation that would result in the obligation to pay additional amounts.

Further Issuances

The indenture by its terms does not limit the aggregate principal amount of notes that may be issued under it and permits the issuance, from time to time, of additional notes (also referred to as add-on notes) of the same series as is being offered under this prospectus supplement. The ability to issue add-on notes is subject to several requirements, however, including that (i) no event of default under the indenture or event that with the passage of

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time or other action may become an event of default (such event being a default) will have occurred and then be continuing or will occur as a result of that additional issuance and (ii) the add-on notes will rank *pari passu* and have equivalent terms and benefits as the notes offered under this prospectus supplement except for the price to the public and the issue date. Any add-on notes will be part of the same series as the notes that PifCo is currently offering and the noteholders will vote on all matters in relation to the notes as a single series.

Covenant Defeasance

Any restrictive covenants of the indenture may be defeased only as described in the accompanying prospectus.

Conversion

The notes will not be convertible into, or exchangeable for, any other securities.

Listing

The original notes are, and the notes will be, listed on the New York Stock Exchange, or the NYSE, under the symbol PBR/18.

Currency Rate Indemnity

PifCo has agreed that, if a judgment or order made by any court for the payment of any amount in respect of any notes is expressed in a currency (the judgment currency) other than U.S. Dollars (the denomination currency), PifCo will indemnify the relevant noteholder against any deficiency arising from any variation in rates of exchange between the date as of which the denomination currency is notionally converted into the judgment currency for the purposes of the judgment or order and the date of actual payment. This indemnity will constitute a separate and independent obligation from PifCo's other obligations under the indenture, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment or order for a liquidated sum or sums in respect of amounts due in respect of the relevant note or under any judgment or order described above.

The Trustee and the Paying Agent

The Bank of New York, a New York banking corporation, is the trustee under the indenture and has been appointed by PifCo as registrar and paying agent with respect to the notes. The address of the trustee is 101 Barclay Street, 4E, New York, New York, 10286. PifCo will at all times maintain a paying agent in New York City until the notes are paid.

Any corporation or association into which the trustee may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the trustee shall be a party, or any corporation or association to which all or substantially all of the corporate trust business of the trustee may be sold or otherwise transferred, shall be the successor trustee hereunder without any further act.

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CLEARANCE AND SETTLEMENT

Book-Entry Issuance

Except under the limited circumstances described below, all notes will be book-entry notes. This means that the actual purchasers of the notes will not be entitled to have the notes registered in their names and will not be entitled to receive physical delivery of the notes in definitive (paper) form. Instead, upon issuance, all the notes will be represented by one or more fully registered global notes.

Each global note will be deposited directly with The Depository Trust Company, or DTC, a securities depository, and will be registered in the name of DTC's nominee. Global notes may also be deposited indirectly with Clearstream, Luxembourg and Euroclear, as indirect participants of DTC. For background information regarding DTC and Clearstream, Luxembourg and Euroclear, see Depository Trust Company and Clearstream, Luxembourg and Euroclear below. No global note representing book-entry notes may be transferred except as a whole by DTC to a nominee of DTC, or by a nominee of DTC to another nominee of DTC. Thus, DTC will be the only registered holder of the notes and will be considered the sole representative of the beneficial owners of the notes for purposes of the indenture. For an explanation of the situations in which a global note will terminate and interests in it will be exchanged for physical certificates representing the notes, see Legal Ownership Global Securities in the accompanying prospectus.

The registration of the global notes in the name of DTC's nominee will not affect beneficial ownership and is performed merely to facilitate subsequent transfers. The book-entry system, which is also the system through which most publicly traded common stock is held in the United States, is used because it eliminates the need for physical movement of securities certificates. The laws of some jurisdictions, however, may require some purchasers to take physical delivery of their notes in definitive form. These laws may impair the ability of holders to transfer the notes.

In this prospectus supplement, unless and until definitive (paper) notes are issued to the beneficial owners as described below, all references to holders of notes or noteholders shall mean DTC. PifCo, Petrobras, the trustee and any paying agent, transfer agent or registrar may treat DTC as the absolute owner of the notes for all purposes.

Primary Distribution

Payment Procedures

Payment for the notes will be made on a delivery versus payment basis.

Clearance and Settlement Procedures

DTC participants that hold securities through DTC on behalf of investors will follow the settlement practices applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement System. Securities will be credited to the securities custody accounts of these DTC participants against payment in the same-day funds, for payments in U.S. Dollars, on the settlement date.

Secondary Market Trading

We understand that secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC's rules. Secondary market trading will be settled using procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement System. If payment is made in U.S. Dollars, settlement will be free

of payment. If payment is made in other than U.S. Dollars, separate payment arrangements outside of the DTC system must be made between the DTC participants involved.

The Depository Trust Company

The policies of DTC will govern payments, transfers, exchange and other matters relating to the beneficial owner's interest in notes held by that owner. Neither the trustee nor we have any responsibility for any aspect of the actions of DTC or any of their direct or indirect participants. Neither the trustee nor we have any responsibility for any aspect of the records kept by DTC or any of their direct or indirect participants. In addition, neither the trustee

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nor we supervise DTC in any way. DTC and their participants perform these clearance and settlement functions under agreements they have made with one another or with their customers. Investors should be aware that DTC and its participants are not obligated to perform these procedures and may modify them or discontinue them at any time.

The description of the clearing systems in this section reflects our understanding of the rules and procedures of DTC as they are currently in effect. DTC could change its rules and procedures at any time.

DTC has advised us as follows:

DTC is:

- a limited purpose trust company organized under the laws of the State of New York;
- a member of the Federal Reserve System;
- a clearing corporation within the meaning of the Uniform Commercial Code; and
- a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes to accounts of its participants. This eliminates the need for physical movement of certificates.

Participants in DTC include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. DTC is partially owned by some of these participants or their representatives.

Indirect access to the DTC system is also available to banks, brokers, dealer and trust companies that have relationships with participants.

The rules applicable to DTC and DTC participants are on file with the SEC.

Clearstream, Luxembourg and Euroclear

Clearstream, Luxembourg has advised that: it is a duly licensed bank organized as a *société anonyme* incorporated under the laws of Luxembourg and is subject to regulation by the Luxembourg Commission for the supervision of the financial sector (*Commission de surveillance du secteur financier*); it holds securities for its customers and facilitates the clearance and settlement of securities transactions among them, and does so through electronic book-entry transfers between the accounts of its customers, thereby eliminating the need for physical movement of certificates; it provides other services to its customers, including safekeeping, administration, clearance and settlement of internationally traded securities and lending and borrowing of securities; it interfaces with the domestic markets in over 30 countries through established depository and custodial relationships; its customers include worldwide securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other professional financial intermediaries; its U.S. customers are limited to securities brokers and dealers and banks; and indirect access to the Clearstream, Luxembourg system is also available to others that clear through Clearstream, Luxembourg customers or that have custodial relationships with its customers, such as banks, brokers, dealers and trust companies.

Euroclear has advised that: it is incorporated under the laws of Belgium as a bank and is subject to regulation by the Belgian Banking and Finance Commission (*Commission Bancaire et Financière*) and the National Bank of Belgium (*Banque Nationale de Belgique*); it holds securities for its participants and facilitates the clearance and settlement of securities transactions among them; it does so through simultaneous electronic book-entry delivery against payments, thereby eliminating the need for physical movement of certificates; it provides other services to its participants, including credit, custody, lending and borrowing of securities and tri-party collateral management; it interfaces with the domestic markets of several countries; its customers include banks, including central banks, securities brokers and dealers, banks, trust companies and clearing corporations and certain other professional financial intermediaries; indirect access to the Euroclear system is also available to others that clear through Euroclear customers or that have custodial relationships with Euroclear customers; and all securities in Euroclear

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are held on a fungible basis, which means that specific certificates are not matched to specific securities clearance accounts.

Clearance and Settlement Procedures

We understand that investors that hold their debt securities through Clearstream, Luxembourg or Euroclear accounts will follow the settlement procedures that are applicable to securities in registered form. Debt securities will be credited to the securities custody accounts of Clearstream, Luxembourg and Euroclear participants on the business day following the settlement date for value on the settlement date. They will be credited either free of payment or against payment for value on the settlement date.

We understand that secondary market trading between Clearstream, Luxembourg and/or Euroclear participants will occur in the ordinary way following the applicable rules and operating procedures of Clearstream, Luxembourg and Euroclear. Secondary market trading will be settled using procedures applicable to securities in registered form.

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the debt securities through Clearstream, Luxembourg and Euroclear on business days. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States or Brazil.

In addition, because of time-zone differences, there may be problems with completing transactions involving Clearstream, Luxembourg and Euroclear on the same business day as in the United States or Brazil. U.S. and Brazilian investors who wish to transfer their interests in the debt securities, or to make or receive a payment or delivery of the debt securities on a particular day may find that the transactions will not be performed until the next business day in Luxembourg or Brussels, depending on whether Clearstream, Luxembourg or Euroclear is used.

Clearstream, Luxembourg or Euroclear will credit payments to the cash accounts of participants in Clearstream, Luxembourg or Euroclear in accordance with the relevant systemic rules and procedures, to the extent received by its depository. Clearstream, Luxembourg or the Euroclear, as the case may be, will take any other action permitted to be taken by a holder under the indenture on behalf of a Clearstream, Luxembourg or Euroclear participant only in accordance with its relevant rules and procedures.

Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of the debt securities among participants of Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform those procedures, and they may discontinue those procedures at any time.

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THE STANDBY PURCHASE AGREEMENT

In connection with the execution and delivery of the amended and restated first supplemental indenture and the notes offered by this prospectus supplement, Petrobras will enter into an amended and restated standby purchase agreement with the trustee for the benefit of the noteholders. The amended and restated standby purchase agreement will provide that, in the event of a nonpayment of principal, interest and other amounts on the notes, including the original notes and the additional notes offered hereby, Petrobras will be required to purchase the noteholders' rights to receive those payments on the terms and conditions described below. The amended and restated first supplemental indenture provides that the amended and restated standby purchase agreement will be considered part of the indenture. As a result, the holders of the notes will have the benefit of the amended and restated standby purchase agreement. The amended and restated standby purchase agreement is designed to function in a manner similar to a guarantee and obligates Petrobras to make the payments discussed in this prospectus supplement. See "Description of the Standby Purchase Agreements" in the accompanying prospectus.

The following summary describes the material provisions of the amended and restated standby purchase agreement. You should read the more detailed provisions of the applicable amended and restated standby purchase agreement, including the defined terms, for provisions that may be important to you. This summary is subject to, and qualified in its entirety by reference to, the provisions of such amended and restated standby purchase agreement.

General

In connection with the execution and delivery of a supplemental indenture, Petrobras will enter into a standby purchase agreement with the trustee for the benefit of the noteholders. The applicable standby purchase agreement will provide that, in the event of a nonpayment of principal, interest and other amounts on the notes, Petrobras will be required to purchase the noteholders' rights to receive those payments on the terms and conditions described below. The applicable supplemental indenture will provide that the applicable standby purchase agreement will be considered part of the indenture. As a result, the holders of the notes will have the benefit of a standby purchase agreement. The standby purchase agreement is designed to function in a manner similar to a guarantee and obligates Petrobras to make the payments under debt securities or debt warrants.

Despite the Brazilian government's ownership interest in Petrobras, the Brazilian government is not responsible in any manner for PIFCO's obligations under the debt securities or debt warrants and Petrobras' obligations under the amended and restated standby purchase agreement.

Ranking

The obligations of Petrobras under the amended and restated standby purchase agreement will constitute general unsecured obligations of Petrobras which at all times will rank *pari passu* with all other senior unsecured obligations of Petrobras that are not, by their terms, expressly subordinated in right of payment to the obligations of Petrobras under the amended and restated standby purchase agreement.

Purchase Obligations

Partial Purchase Payment

In the event that, prior to the maturity date of the debt securities or debt warrants, PIFCO fails to make any payment on the debt securities or debt warrants on the date that payment is due under the terms of the debt securities or debt warrants and the indenture (which we refer to as the "partial non-payment due date"), other than in the case of an

acceleration of that payment in accordance with the indenture:

Petrobras will be obligated to pay immediately to the trustee, for the benefit of the noteholders under the indenture, the amount that PIFCo was required to pay but failed to pay on that date (which we refer to as the partial non-payment amount); and

the trustee will provide notice to Petrobras of the failure of PIFCo to make that payment.

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To the extent that Petrobras fails to pay the partial non-payment amount immediately when required, Petrobras will be obligated to pay, in addition to that amount, interest on that amount at the default rate from the partial nonpayment due date to and including the actual date of payment by Petrobras. We refer to this interest as the partial non-payment overdue interest and, together with the partial non-payment amount, as the partial non-payment amount with interest.

Payment of the partial non-payment amount with interest will be in exchange for the purchase by Petrobras of the rights of the noteholders to receive that amount from PIFCo. The noteholders will have no right to retain those rights, and, following the purchase and sale described above, the debt securities or debt warrants will remain outstanding with all amounts due in respect of the debt securities or debt warrants adjusted to reflect the purchase, sale and payment described above. Upon any such payment, Petrobras will be subrogated to the noteholders to the extent of any such payment.

The obligation of Petrobras to pay the partial non-payment amount with interest will be absolute and unconditional upon failure of PIFCo to make, prior to the maturity date of the debt securities or debt warrants, any payment on the debt securities or debt warrants on the date any such payment is due. All amounts payable by Petrobras under the amended and restated standby purchase agreement in respect of any partial non-payment amount with interest will be payable in U.S. Dollars and in immediately available funds to the trustee. Petrobras will not be relieved of its obligations under the amended and restated standby purchase agreement unless and until the trustee indefeasibly receives all amounts required to be paid by Petrobras under the amended and restated standby purchase agreement (and any related event of default under the indenture has been cured), including payment of the partial nonpayment overdue interest as described in this prospectus supplement.

Total Purchase Payment

In the event that, at the maturity date of the debt securities or debt warrants (including upon any acceleration of the maturity date in accordance with the terms of the indenture), PIFCo fails to make any payment on the debt securities or debt warrants on the date that payment is due (which we refer to as the total non-payment due date),

Petrobras will be obligated to pay immediately to the trustee, for the benefit of the noteholders under the indenture, the amount that PIFCo was required to pay but failed to pay on that date (which we refer to as the total non-payment amount); and

the trustee will provide notice to Petrobras of the failure of PIFCo to make that payment.

To the extent that Petrobras fails to pay the total non-payment amount immediately when required, Petrobras will be obligated to pay, in addition to that amount, interest on that amount at the default rate from the total nonpayment due date to and including the actual date of payment by Petrobras. We refer to this interest as the total nonpayment overdue interest and, together with the total non-payment amount, as the total non-payment amount with interest.

Payment of the total non-payment amount with interest by Petrobras will be in exchange for the purchase by Petrobras of the rights of the noteholders to receive that amount from PIFCo. The noteholders will have no right to retain those rights, and, following the purchase and sale described above, Petrobras will be subrogated to the noteholders to the extent of any such payment.

The obligation of Petrobras to pay the total non-payment amount with interest will be absolute and unconditional upon failure of PIFCo to make, at the maturity date of the debt securities or debt warrants, or earlier upon any acceleration of the debt securities or debt warrants in accordance with the terms of the indenture, any payment in respect of principal, interest or other amounts due under the indenture and the debt securities or debt warrants on the date any

such payment is due. All amounts payable by Petrobras under the amended and restated standby purchase agreement in respect of any total nonpayment amount with interest will be payable in U.S. Dollars and in immediately available funds to the trustee. Petrobras will not be relieved of its obligations under the amended and restated standby purchase agreement unless and until the trustee receives all amounts required to be paid by Petrobras under the amended and restated standby purchase agreement (and any related event of default under the indenture has been cured), including payment of the total non-payment overdue interest.

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Covenants

For so long as any of the debt securities or debt warrants are outstanding and Petrobras has obligations under the amended and restated standby purchase agreement, Petrobras will, and will cause each of its subsidiaries to, comply with the terms of the covenants set forth below:

Performance Obligations Under the Standby Purchase Agreement and Indenture

Petrobras will pay all amounts owed by it and comply with all its other obligations under the terms of the amended and restated standby purchase agreement and the indenture in accordance with the terms of those agreements.

Maintenance of Corporate Existence

Petrobras will, and will cause each of its subsidiaries to, maintain in effect its corporate existence and all necessary registrations and take all actions to maintain all rights, privileges, titles to property, franchises, concessions and the like necessary or desirable in the normal conduct of its business, activities or operations. However, this covenant will not require Petrobras or any of its subsidiaries to maintain any such right, privilege, title to property or franchise or require Petrobras to preserve the corporate existence of any subsidiary, if the failure to do so does not, and will not, have a material adverse effect on Petrobras and its subsidiaries taken as a whole or have a materially adverse effect on the rights of the holders of the notes.

Maintenance of Office or Agency

So long as any of the notes are outstanding, Petrobras will maintain in the Borough of Manhattan, The City of New York, an office or agency where notices to and demands upon Petrobras in respect of the amended and restated standby purchase agreement may be served. Initially this office will be located at Petrobras' existing principal U.S. office at 570 Lexington Avenue, 43rd Floor, New York, New York 10022-6837. Petrobras will agree not to change the designation of their office without prior notice to the trustee and designation of a replacement office in the same general location.

Ranking

Petrobras will ensure at all times that its obligations under the amended and restated standby purchase agreement will be its general senior unsecured and unsubordinated obligations and will rank *pari passu*, without any preferences among themselves, with all other present and future senior unsecured and unsubordinated obligations of Petrobras (other than obligations preferred by statute or by operation of law) that are not, by their terms, expressly subordinated in right of payment to the obligations of Petrobras under the amended and restated standby purchase agreement.

Notice of Certain Events

Petrobras will give notice to the trustee, as soon as is practicable and in any event within ten calendar days after Petrobras becomes aware, or should reasonably become aware, of the occurrence of any event of default or a default under the indenture, accompanied by a certificate of Petrobras setting forth the details of that event of default or default and stating what action Petrobras proposes to take with respect to it.

Limitation on Consolidation, Merger, Sale or Conveyance

Petrobras will not, in one or a series of transactions, consolidate or amalgamate with or merge into any corporation or convey, lease or transfer substantially all of its properties, assets or revenues to any person or entity (other than a

direct or indirect subsidiary of Petrobras) or permit any person (other than a direct or indirect subsidiary of Petrobras) to merge with or into it unless:

either Petrobras is the continuing entity or the person (the successor company) formed by such consolidation or into which Petrobras is merged or that acquired or leased such property or assets of Petrobras will be a corporation organized and validly existing under the laws of Brazil and will assume (jointly and

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severally with Petrobras unless Petrobras will have ceased to exist as a result of such merger, consolidation or amalgamation), by an amendment to the amended and restated standby purchase agreement (the form and substance of which will be previously approved by the trustee), all of Petrobras' obligations under the amended and restated standby purchase agreement;

the successor company (jointly and severally with Petrobras unless Petrobras will have ceased to exist as part of such merger, consolidation or amalgamation) agrees to indemnify each noteholder against any tax, assessment or governmental charge thereafter imposed on such noteholder solely as a consequence of such consolidation, merger, conveyance, transfer or lease with respect to the payment of principal of, or interest on, the debt securities or debt warrants;

immediately after giving effect to the transaction, no event of default, and no default has occurred and is continuing;

Petrobras has delivered to the trustee an officers' certificate and an opinion of counsel, each stating that the transaction and the amendment to the amended and restated standby purchase agreement comply with the terms of the amended and restated standby purchase agreement and that all conditions precedent provided for in the amended and restated standby purchase agreement and relating to such transaction have been complied with; and

Petrobras has delivered notice of any such transaction to Moody's describing that transaction to Moody's to the extent that Moody's is at that time rating the debt securities or debt warrants.

Notwithstanding anything to the contrary in the foregoing, so long as no default or event of default under the indenture or the debt securities or debt warrants has occurred and is continuing at the time of such proposed transaction or would result from it:

Petrobras may merge, amalgamate or consolidate with or into, or convey, transfer, lease or otherwise dispose of all or substantially all of its properties, assets or revenues to a direct or indirect subsidiary of Petrobras in cases when Petrobras is the surviving entity in such transaction and such transaction would not have a material adverse effect on Petrobras and its subsidiaries taken as a whole, it being understood that if Petrobras is not the surviving entity, Petrobras will be required to comply with the requirements set forth in the previous paragraph; or

any direct or indirect subsidiary of Petrobras may merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of assets to, any person (other than Petrobras or any of its subsidiaries or affiliates) in cases when such transaction would not have a material adverse effect on Petrobras and its subsidiaries taken as a whole; or

any direct or indirect subsidiary of Petrobras may merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of assets to, any other direct or indirect subsidiary of Petrobras; or

any direct or indirect subsidiary of Petrobras may liquidate or dissolve if Petrobras determines in good faith that such liquidation or dissolution is in the best interests of Petrobras, and would not result in a material adverse effect on Petrobras and its subsidiaries taken as a whole and if such liquidation or dissolution is part of a corporate reorganization of Petrobras.

Negative Pledge

So long as any note remains outstanding, Petrobras will not create or permit any lien, other than a Petrobras permitted lien, on any of its assets to secure (i) any of its indebtedness or (ii) the indebtedness of any other person, unless Petrobras contemporaneously creates or permits the lien to secure equally and ratably its obligations under the amended and restated standby purchase agreement or Petrobras provides other security for its obligations under the amended and restated standby purchase agreement as is duly approved by a resolution of the noteholders in accordance with the indenture. In addition, Petrobras will not allow any of its subsidiaries to create or permit any lien, other than a Petrobras permitted lien, on any of Petrobras' assets to secure (i) any of its indebtedness, (ii) any of the subsidiary's indebtedness or (iii) the indebtedness of any other person, unless Petrobras contemporaneously creates or permits the lien to secure equally and ratably Petrobras' obligations under the amended and restated

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standby purchase agreement or Petrobras provides such other security for its obligations under the amended and restated standby purchase agreement as is duly approved by a resolution of the noteholders in accordance with the indenture.

As used in this Negative Pledge section, the following terms have the respective meanings set forth below:

A **guarantee** means an obligation of a person to pay the indebtedness of another person including without limitation:

an obligation to pay or purchase such indebtedness;

an obligation to lend money, to purchase or subscribe for shares or other securities or to purchase assets or services in order to provide funds for the payment of such indebtedness;

an indemnity against the consequences of a default in the payment of such indebtedness; or

any other agreement to be responsible for such indebtedness.

Indebtedness means any obligation (whether present or future, actual or contingent and including, without limitation, any guarantee) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and all leases which, under generally accepted accounting principles in the country of incorporation of the relevant obligor, would constitute a capital lease obligation).

A **lien** means any mortgage, pledge, lien, hypothecation, security interest or other charge or encumbrance on any property or asset including, without limitation, any equivalent created or arising under applicable law.

A **project financing** of any project means the incurrence of indebtedness relating to the exploration, development, expansion, renovation, upgrade or other modification or construction of such project pursuant to which the providers of such indebtedness or any trustee or other intermediary on their behalf or beneficiaries designated by any such provider, trustee or other intermediary are granted security over one or more qualifying assets relating to such project for repayment of principal, premium and interest or any other amount in respect of such indebtedness.

A **qualifying asset** in relation to any project means:

any concession, authorization or other legal right granted by any governmental authority to Petrobras or any of Petrobras subsidiaries, or any consortium or other venture in which Petrobras or any subsidiary has any ownership or other similar interest;

any drilling or other rig, any drilling or production platform, pipeline, marine vessel, vehicle or other equipment or any refinery, oil or gas field, processing plant, real property (whether leased or owned), right of way or plant or other fixtures or equipment;

any revenues or claims that arise from the operation, failure to meet specifications, failure to complete, exploitation, sale, loss or damage to, such concession, authorization or other legal right or such drilling or other rig, drilling or production platform, pipeline, marine vessel, vehicle or other equipment or refinery, oil or gas field, processing plant, real property, right of way, plant or other fixtures or equipment or any contract or agreement relating to any of the foregoing or the project financing of any of the foregoing (including insurance policies, credit support arrangements and other similar contracts) or any rights under any performance bond, letter of credit or similar instrument issued in connection therewith;

any oil, gas, petrochemical or other hydrocarbon-based products produced or processed by such project, including any receivables or contract rights arising therefrom or relating thereto and any such product (and such receivables or contract rights) produced or processed by other projects, fields or assets to which the lenders providing the project financing required, as a condition therefore, recourse as security in addition to that produced or processed by such project; and

shares or other ownership interest in, and any subordinated debt rights owing to Petrobras by, a special purpose company formed solely for the development of a project, and whose principal assets and business are constituted by such project and whose liabilities solely relate to such project.

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A Petrobras permitted lien means a:

(a) lien granted in respect of indebtedness owed to the Brazilian government, Banco Nacional de Desenvolvimento Econômico e Social or any official government agency or department of Brazil or of any state or region of Brazil;

(b) lien arising by operation of law, such as merchants', maritime or other similar liens arising in Petrobras' ordinary course of business or that of any subsidiary or lien in respect of taxes, assessments or other governmental charges that are not yet delinquent or that are being contested in good faith by appropriate proceedings;

(c) lien arising from Petrobras' obligations under performance bonds or surety bonds and appeal bonds or similar obligations incurred in the ordinary course of business and consistent with Petrobras' past practice;

(d) lien arising in the ordinary course of business in connection with indebtedness maturing not more than one year after the date on which that indebtedness was originally incurred and which is related to the financing of export, import or other trade transactions;

(e) lien granted upon or with respect to any assets hereafter acquired by Petrobras or any subsidiary to secure the acquisition costs of those assets or to secure indebtedness incurred solely for the purpose of financing the acquisition of those assets, including any lien existing at the time of the acquisition of those assets, so long as the maximum amount so secured will not exceed the aggregate acquisition costs of all such assets or the aggregate indebtedness incurred solely for the acquisition of those assets, as the case may be;

(f) lien granted in connection with the indebtedness of a wholly-owned subsidiary owing to Petrobras or another wholly-owned subsidiary;

(g) lien existing on any asset or on any stock of any subsidiary prior to its acquisition by Petrobras or any subsidiary so long as that lien is not created in anticipation of that acquisition;

(h) lien over any qualifying asset relating to a project financed by, and securing indebtedness incurred in connection with, the project financing of that project by Petrobras, any of Petrobras' subsidiaries or any consortium or other venture in which Petrobras or any subsidiary has any ownership or other similar interest;

(i) lien existing as of the date of the indenture;

(j) lien resulting from the transaction documents;

(k) lien, incurred in connection with the issuance of debt or similar securities of a type comparable to those already issued by PIFCo, on amounts of cash or cash equivalents on deposit in any reserve or similar account to pay interest on such securities for a period of up to 24 months as required by any rating agency as a condition to such rating agency rating such securities investment grade, or as is otherwise consistent with market conditions at such time, as such conditions are satisfactorily demonstrated to the trustee;

(l) lien granted or incurred to secure any extension, renewal, refinancing, refunding or exchange (or successive extensions, renewals, refinancings, refundings or exchanges), in whole or in part, of or for any indebtedness secured by any lien referred to in paragraphs (a) through (k) above (but not paragraph (d)), provided that such lien does not extend to any other property, the principal amount of the indebtedness secured by the lien is not increased, and in the case of paragraphs (a), (b), (c) and (f), the obligees meet the requirements of that paragraph, and in the case of paragraph (h), the indebtedness is incurred in connection with a project financing by Petrobras, any of Petrobras

subsidiaries or any consortium or other venture in which Petrobras or any subsidiary have any ownership or other similar interest; and

(m) lien in respect of indebtedness the principal amount of which in the aggregate, together with all liens not otherwise qualifying as Petrobras permitted liens pursuant to another part of this definition of Petrobras permitted liens, does not exceed 15% of Petrobras consolidated total assets (as determined in accordance with U.S. GAAP) at any date as at which Petrobras balance sheet is prepared and published in accordance with applicable law.

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A wholly-owned subsidiary means, with respect to any corporate entity, any person of which 100% of the outstanding capital stock (other than qualifying shares, if any) having by its terms ordinary voting power (not dependent on the happening of a contingency) to elect the board of directors (or equivalent controlling governing body) of that person is at the time owned or controlled directly or indirectly by that corporate entity, by one or more wholly-owned subsidiaries of that corporate entity or by that corporate entity and one or more wholly-owned subsidiaries.

Provision of Financial Statements and Reports

Petrobras will provide to the trustee, in English or accompanied by a certified English translation thereof, (i) within 90 calendar days after the end of each fiscal quarter (other than the fourth quarter), its unaudited and consolidated balance sheet and statement of income calculated in accordance with U.S. GAAP, (ii) within 120 calendar days after the end of each fiscal year, its audited and consolidated balance sheet and statement of income calculated in accordance with U.S. GAAP and (iii) such other financial data as the trustee may reasonably request. Petrobras will provide, together with each of the financial statements delivered hereunder, an officers' certificate stating that a review of Petrobras' and PIFCo's activities has been made during the period covered by such financial statements with a view to determining whether Petrobras and PIFCo have kept, observed, performed and fulfilled their covenants and agreements under the amended and restated standby purchase agreement and the indenture, as applicable, and that no event of default has occurred during such period. In addition, whether or not Petrobras is required to file reports with the SEC, Petrobras will file with the SEC and deliver to the trustee (for redelivery to all holders of debt securities or debt warrants) all reports and other information it would be required to file with the SEC under the Exchange Act if it were subject to those regulations. If the SEC does not permit the filing described above, Petrobras will provide annual and interim reports and other information to the trustee within the same time periods that would be applicable if Petrobras were required and permitted to file these reports with the SEC.

Additional Amounts

Except as provided below, Petrobras will make all payments of amounts due under the amended and restated standby purchase agreement and each other document entered into in connection with the amended and restated standby purchase agreement without withholding or deducting any present or future taxes, levies, deductions or other governmental charges of any nature imposed by Brazil, the jurisdiction of PIFCo's incorporation or any other jurisdiction in which PIFCo appoints a paying agent under the indenture, or any political subdivision of such jurisdictions (the "taxing jurisdictions"). If Petrobras is required by law to withhold or deduct any taxes, levies, deductions or other governmental charges, Petrobras will make such deduction or withholding, make payment of the amount so withheld to the appropriate governmental authority and pay the noteholders any additional amounts necessary to ensure that they receive the same amount as they would have received without such withholding or deduction.

Petrobras will not, however, pay any additional amounts in connection with any tax, levy, deduction or other governmental charge that is imposed due to any of the following ("excluded additional amounts"):

the noteholder has a connection with the taxing jurisdiction other than merely holding the debt securities or debt warrants or receiving principal or interest payments on the debt securities or debt warrants (such as citizenship, nationality, residence, domicile, or existence of a business, a permanent establishment, a dependent agent, a place of business or a place of management present or deemed present within the taxing jurisdiction);

any tax imposed on, or measured by, net income;

the noteholder fails to comply with any certification, identification or other reporting requirements concerning its nationality, residence, identity or connection with the taxing jurisdiction, if (x) such compliance is required

by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or a part of the tax, levy, deduction or other governmental charge, (y) the noteholder is able to comply with such requirements without undue hardship and (z) at least 30 calendar days prior to the first payment date with respect to which such requirements under the applicable law, regulation,

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administrative practice or treaty will apply, Petrobras has notified all noteholders that they will be required to comply with such requirements;

the noteholder fails to present (where presentation is required) its note within 30 calendar days after Petrobras has made available to the noteholder a payment under the amended and restated standby purchase agreement, provided that Petrobras will pay additional amounts which a noteholder would have been entitled to had the note owned by such noteholder been presented on any day (including the last day) within such 30 calendar day period;

any estate, inheritance, gift, value added, use or sales taxes or any similar taxes, assessments or other governmental charges;

where such taxes, levies, deductions or other government charges are imposed on a payment on the debt securities or debt warrants to an individual and are required to be made pursuant to any European Council Union Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation savings income or any law implementing or complying with, or introduced in order to conform to, such directive;

where the noteholder could have avoided such taxes, levies, deductions or other government charges by requesting that a payment on the debt securities or debt warrants be made by, or presenting the relevant debt securities or debt warrants for payment to, another paying agent of Petrobras located in a member state of the European Union; or

where the noteholder would have been able to avoid the tax, levy, deduction or other governmental charge by taking reasonable measures available to such noteholder.

Petrobras undertakes that, if European Council Directive 2003/48/EC or any other Directive implementing the conclusions of ECOFIN council meeting of November 26-27, 2000 is brought into effect, Petrobras will ensure that it maintains a paying agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to the Directive.

Petrobras will pay any stamp, administrative, excise or property taxes arising in a taxing jurisdiction in connection with the execution, delivery, enforcement or registration of the debt securities or debt warrants and will indemnify the noteholders for any such stamp, administrative, excise or property taxes paid by noteholders.

Events of Default

There are no events of default under the amended and restated standby purchase agreement. The amended and restated first supplemental indenture, however, contains events of default relating to Petrobras that may trigger an event of default and acceleration of the debt securities or debt warrants. See **Description of Debt Securities** **Default and Related Matters** **Events of Default**. Upon any such acceleration (including any acceleration arising out of the insolvency or similar events relating to Petrobras), if PIFCo fails to pay all amounts then due under the debt securities or debt warrants and the indenture, Petrobras will be obligated to make a total purchase payment as described above.

Amendments

The amended and restated standby purchase agreement may only be amended or waived in accordance with its terms pursuant to a written document which has been duly executed and delivered by Petrobras and the trustee, acting on behalf of the holders of the debt securities or debt warrants. Because the amended and restated standby purchase

agreement forms part of the indenture, it may be amended by Petrobras and the trustee, in some cases without the consent of the holders of the debt securities or debt warrants.

Except as contemplated above, the indenture will provide that the trustee may execute and deliver any other amendment to the amended and restated standby purchase agreement or grant any waiver thereof only with the consent of the noteholders of a majority in aggregate principal amount of the debt securities or debt warrants then outstanding.

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Governing Law

The amended and restated standby purchase agreement will be governed by the laws of the State of New York.

Jurisdiction

Petrobras has consented to the non-exclusive jurisdiction of any court of the State of New York or any U.S. federal court sitting in the Borough of Manhattan, The City of New York, New York, United States and any appellate court from any thereof. Service of process in any action or proceeding brought in such New York State federal court sitting in New York City may be served upon Petrobras at Petrobras New York office. The amended and restated standby purchase agreement provides that if Petrobras no longer maintains an office in New York City, then it will appoint a replacement process agent within New York City as its authorized agent upon which process may be served in any action or proceeding.

Waiver of Immunities

To the extent that Petrobras may in any jurisdiction claim for itself or its assets immunity from a suit, execution, attachment, whether in aid of execution, before judgment or otherwise, or other legal process in connection with the amended and restated standby purchase agreement (or any document delivered pursuant thereto) and to the extent that in any jurisdiction there may be immunity attributed to Petrobras, PIFCo or their assets, whether or not claimed, Petrobras has irrevocably agreed with the trustee, for the benefit of the noteholders, not to claim, and to irrevocably waive, the immunity to the full extent permitted by law.

Currency Rate Indemnity

Petrobras has agreed that, if a judgment or order made by any court for the payment of any amount in respect of any of its obligations under the amended and restated standby purchase agreement is expressed in a currency (the judgment currency) other than U.S. Dollars (the denomination currency), Petrobras will indemnify the trustee, on behalf of the noteholders, against any deficiency arising from any variation in rates of exchange between the date as of which the denomination currency is notionally converted into the judgment currency for the purposes of the judgment or order and the date of actual payment. This indemnity will constitute a separate and independent obligation from Petrobras other obligations under the amended and restated standby purchase agreement, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect.

Table of Contents**PLAN OF DISTRIBUTION**

Under the terms and subject to the conditions contained in the underwriting agreement dated January 9, 2008 by and among PifCo, Petrobras, Citigroup Global Markets Inc., with offices at 388 Greenwich Street, New York, NY 10013, HSBC Securities (USA) Inc., with offices at 452 Fifth Avenue, New York, NY 10018 and BNP Paribas Securities Corp., with offices at 787 Seventh Avenue, New York, NY 10019, as underwriters, each underwriter has agreed to purchase, and PifCo has agreed to sell to the underwriters, the number of notes set forth opposite the name of such underwriters below:

Underwriters	Principal Amount of Notes
Citigroup Global Markets Inc.	U.S.\$
HSBC Securities (USA) Inc.	
BNP Paribas Securities Corp	
Total	U.S.\$

The offering period for the notes may be extended during Asian market hours on January 9, 2008. The amount of notes offered during the extended offering period will not exceed U.S.\$25,000,000. During the extended offering period, the notes will be offered to the public at the public offering price set forth on the cover of this prospectus supplement.

The underwriting agreement provides that the obligation of the underwriters to pay for and accept delivery of the notes is subject to, among other conditions, the delivery of certain legal opinions by its counsel. The underwriters are obligated to take and pay for all of the notes offered by this prospectus supplement if any notes are taken. The notes will initially be offered at the price indicated on the cover page of this prospectus supplement. After the initial offering of the notes, the offering price and other selling terms may from time to time be varied by the underwriters.

The underwriting agreement provides that PifCo will indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and will contribute to payments the underwriters may be required to make in respect of the underwriting agreement.

PifCo has been advised by the underwriters that the underwriters intend to make a market in the notes as permitted by applicable laws and regulations. The underwriters are not obligated, however, to make a market in the notes and any such market-making may be discontinued at any time at the sole discretion of the underwriters. In addition, such market-making activity will be subject to the limits imposed by the Exchange Act. Accordingly, no assurance can be given as to the liquidity of, or the development or continuation of trading markets for, the notes.

In connection with this offering, certain persons participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, the underwriters may bid for and purchase notes in the open market to stabilize the price of the notes. The underwriters may also over-allot this offering, creating a short position, and may bid for and purchase notes in the open market to cover the short position. In addition, the underwriters may bid for and purchase the notes in market-making transactions and impose penalty bids. These activities may stabilize and maintain the market price of the notes above market levels that may otherwise prevail. The underwriters are not required to engage in these activities, and may end these activities at any time.

The underwriters have from time to time in the past provided, and may in the future provide, investment banking, financial advisory and other services to Petrobras, PifCo and Petrobras or PifCo's affiliates for which the underwriters have received or expect to receive customary fees.

European Economic Area

In relation to each Member State that has implemented the Prospectus Directive (each, a Relevant Member State) an offer to the public of any bonds which are the subject of the offering contemplated by this prospectus may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any

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bonds may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than A43,000,000 and (3) an annual net turnover of more than A50,000,000, as shown in its last annual or consolidated accounts;

by the underwriters to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of PifCo for any such offer; or

in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of bonds shall result in a requirement for the publication by PifCo or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer to the public in relation to any bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any bonds to be offered so as to enable an investor to decide to purchase any bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

United Kingdom

The underwriters have represented and agreed that: (i) they have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the UK Financial Services and Markets Act 2000 (the FSMA) received by them in connection with the issue or sale of any bonds in circumstances in which Section 21(1) of the FSMA does not apply to PifCo and (ii) they have complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the bonds in, from or otherwise involving the United Kingdom.

The bonds are offered for sale in the United States and other jurisdictions where it is legal to make these offers. The distribution of this prospectus supplement and the accompanying prospectus, and the offering of the bonds in certain jurisdictions may be restricted by law. Persons into whose possession this prospectus supplement and the accompanying prospectus come and investors in the bonds should inform themselves about and observe any of these restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The underwriters have agreed that they have not offered, sold or delivered, and they will not offer, sell or deliver any of the bonds, directly or indirectly, or distribute this prospectus supplement, the accompanying prospectus or any other offering material relating to the bonds, in or from any jurisdiction except under circumstances that will, to the best knowledge and belief of the underwriters, after reasonable investigation, result in compliance with the applicable laws and regulations of such jurisdiction and which will not impose any obligations on PifCo except as set forth in the underwriting agreement.

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Neither PifCo nor the underwriters have represented that the bonds may be lawfully sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an exemption, or assumes any responsibility for facilitating these sales.

The expenses of the offering, excluding the underwriting discount, are estimated to be U.S.\$500,000 and will be borne by PifCo.

The underwriters propose to offer the notes initially at the public offering price set forth on the cover page of this prospectus supplement and to dealers at that price less a selling concession not in excess of 0.40% of the

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principal amount of the notes. After the initial public offering of the notes, the public offering price and concession and discount to dealers may be changed.

In compliance with NASD guidelines, the maximum compensation to the underwriters or agents in connection with the sale of the notes pursuant to this prospectus supplement and the accompanying prospectus will not exceed 8% of the aggregate total offering price to the public of the notes as set forth on the cover page of this prospectus supplement; however, it is anticipated that the maximum compensation paid will be significantly less than 8%.

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TAXATION

U.S. Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS PROSPECTUS SUPPLEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE CODE); (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a summary of certain U.S. federal income tax considerations that may be relevant to a beneficial owner of a note that is, for U.S. federal income tax purposes, a citizen or resident of the United States, a domestic corporation or an entity otherwise subject to U.S. federal income taxation on a net income basis in respect of the note (a U.S. Holder). This summary addresses only U.S. Holders that purchase notes at their issue price as part of the initial offering, and that hold such notes as capital assets. The summary does not address tax considerations applicable to investors that may be subject to special tax rules, such as banks, tax-exempt entities, insurance companies, dealers in securities or currencies, traders in securities electing to mark to market, persons that will hold notes as a position in a straddle or conversion transaction, or as part of a synthetic security or other integrated financial transaction or persons that have a functional currency other than the U.S. Dollar. A Non-U.S. Holder is a beneficial owner of the notes (other than a partnership or other entity treated as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds the notes, then the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. Such a partner or partnership should consult its own tax advisor as to the tax consequences of acquiring, owning and disposing of the notes.

This summary is based on the Code, existing, proposed and temporary U.S. Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date hereof. All of the foregoing are subject to change (possibly with retroactive effect) or to differing interpretations, which could affect the U.S. federal income tax consequences described herein.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE APPLICATION TO THEIR PARTICULAR CIRCUMSTANCES OF THE U.S. FEDERAL INCOME TAX CONSIDERATIONS DISCUSSED BELOW, AS WELL AS THE APPLICATION OF U.S. FEDERAL ESTATE, GIFT AND ALTERNATIVE MINIMUM TAX LAWS, U.S. STATE AND LOCAL TAX LAWS AND FOREIGN TAX LAWS.

Payments of Interest and Additional Amounts

Payments of interest on a note (which may include additional amounts) generally will be taxable to a U.S. Holder as ordinary interest income when such interest is accrued or received, in accordance with the U.S. Holder's regular

method of accounting for U.S. federal income tax purposes. Interest income in respect of the notes generally will constitute foreign-source income for purposes of computing the foreign tax credit allowable under the U.S. federal income tax laws. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For taxable years beginning after December 31, 2006, such income generally will constitute passive category income for foreign tax credit purposes. The calculation and availability of foreign tax credits and, in the case of a U.S. Holder that elects to deduct foreign taxes, the availability of such deduction involves the application of complex rules that depend on a U.S. Holder's particular circumstances. In addition, foreign tax credits generally will not be allowed for certain short-term or hedged positions in the notes.

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U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits or deductions in respect of foreign taxes and the treatment of additional amounts.

A Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on interest income earned in respect of notes unless such income is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States.

Sale or Disposition of Notes

A U.S. Holder generally will recognize capital gain or loss upon the sale, exchange, retirement or other taxable disposition of a note in an amount equal to the difference between the amount realized upon such disposition (other than amounts attributable to accrued but unpaid interest, which will be taxed as ordinary income) and such U.S. Holder's tax basis in the note. Gain or loss realized by a U.S. Holder on the disposition of a note generally will be long-term capital gain or loss if, at the time of the disposition, the note has been held for more than one year. The net amount of long-term capital gain realized by an individual U.S. Holder generally is subject to tax at a reduced rate. The deductibility of capital losses is subject to limitations. Capital gain or loss recognized by a U.S. Holder generally will be U.S. source gain or loss. Consequently, if any such gain is subject to foreign withholding tax, a U.S. Holder may not be able to credit the tax against its U.S. federal tax liability unless such credit can be applied (subject to applicable limitation) against tax due on other income treated as derived from foreign sources. U.S. Holders should consult their own tax advisors as to the foreign tax credit implications of a disposition of the notes.

A Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on gain realized on the sale or other taxable disposition of notes unless (i) such gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States or (ii) in the case of gain realized by an individual, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met.

Backup Withholding and Information Reporting

Payments in respect of the notes that are paid within the United States or through certain U.S.-related financial intermediaries are subject to information reporting, and may be subject to backup withholding, unless the U.S. Holder (i) is a corporation or other exempt recipient, and demonstrates this fact when so required, or (ii) provides a correct taxpayer identification number, certifies that it is not subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules. The amount of any backup withholding collected from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability, and may entitle the U.S. Holder to a refund, provided that certain required information is timely furnished to the Internal Revenue Service.

Although Non-U.S. Holders generally are exempt from backup withholding, a Non-U.S. Holder may, in certain circumstances, be required to comply with certification procedures to prove entitlement to this exemption.

Brazilian Tax Considerations

The following discussion is a summary of the Brazilian tax considerations relating to an investment in the notes by a nonresident of Brazil. The discussion is based on the tax laws of Brazil as in effect on the date of this prospectus supplement and is subject to any change in Brazilian law that may come into effect after such date. The information set forth below is intended to be a general discussion only and does not address all possible tax consequences relating to an investment in the notes.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE CONSEQUENCES OF PURCHASING THE NOTES, INCLUDING, WITHOUT LIMITATION, THE CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE SALE, REDEMPTION OR REPAYMENT OF THE NOTES OR COUPONS.

Generally, an individual, entity, trust or organization domiciled for tax purposes outside Brazil, or a Nonresident, is taxed in Brazil only when income is derived from Brazilian sources. Therefore, any gains or

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interest (including original issue discount), fees, commissions, expenses and any other income paid by PifCo in respect of the notes issued by it in favor of Nonresident noteholders are not subject to Brazilian taxes.

Interest, fees, commissions, expenses and any other income payable by a Brazilian resident to a Nonresident are generally subject to income tax withheld at source. The rate of withholding tax in respect of interest payments is 15% or such other lower rate as provided for in an applicable tax treaty between Brazil and another country. If the recipient of the payment is domiciled in a tax haven jurisdiction, as defined by Brazilian tax regulations, the rate of withholding tax in respect of interest payments will be 25%.

If the payments with respect to the notes are made by Petrobras, as provided for in the amended and restated standby purchase agreement, the noteholders will be indemnified so that, after payment of all applicable Brazilian taxes collectable by withholding, deduction or otherwise, with respect to principal, interest and additional amounts payable with respect to the notes (plus any interest and penalties thereon), a noteholder will retain an amount equal to the amounts that such noteholder would have retained had no such Brazilian taxes (plus interest and penalties thereon) been payable. The Brazilian obligor will, subject to certain exceptions, pay additional amounts in respect of such withholding or deduction so that the holder receives the net amount due.

Gains on the sale or other disposition of the notes made outside Brazil by a Nonresident, other than a branch or a subsidiary of Brazilian resident, to another Nonresident are not subject to Brazilian taxes. Gains made by a Brazilian Nonresident from the sale or other disposition of these notes to a Brazilian resident, subject to certain assumptions and conditions, are not subject to Brazilian taxes.

Generally, there are no inheritance, gift, succession, stamp, or other similar taxes in Brazil with respect to the ownership, transfer, assignment or any other disposition of the notes by a Nonresident, except for gift and inheritance taxes imposed by some Brazilian states on gifts or bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such states.

Cayman Islands Tax Considerations

The Cayman Islands currently have no exchange control restrictions and no income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax applicable to PifCo or any holder of notes issued by PifCo. Accordingly, payment of principal of (including any premium) and interest on, and any transfer of, the notes will not be subject to taxation in the Cayman Islands; no Cayman Islands withholding tax will be required on such payments to any holder of a note; and gains derived from the sale of notes will not be subject to Cayman Islands capital gains tax. The Cayman Islands are not party to any double taxation treaties.

No stamp duties or similar taxes or charges are payable under the laws of the Cayman Islands in respect of the execution and issue of notes by PifCo unless they are executed in or brought within (for example, for the purposes of enforcement) the jurisdiction of the Cayman Islands, in which case stamp duty of 0.25% of the face amount of the notes may be payable on each note (up to a maximum of 250 Cayman Islands Dollars (CI\$) (U.S.\$312.50)) unless stamp duty of CI\$500 (U.S.\$625.00) has been paid in respect of the entire issue of notes.

The foregoing conversions of Cayman Island Dollars to U.S. Dollars have been made on the currently applicable basis of U.S.\$1.25 = CI\$1.00.

European Union Savings Directive

The EU has adopted a Directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required from July 1, 2005 to provide to the tax authorities of

other Member States details of payments of interest and other similar income paid by a person to an individual in another Member State, except that Austria, Belgium and Luxembourg will instead impose a withholding system for a transitional period unless during such period they elect otherwise.

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LEGAL MATTERS

Walkers, special Cayman Islands counsel for PifCo, will pass upon the validity of the notes and the indenture for PifCo and the underwriters as to certain matters of Cayman Islands law. Mr. Nilton Antonio de Almeida Maia, Petrobras general counsel, will pass upon, for PifCo and Petrobras, certain matters of Brazilian law relating to the notes, the indenture and the amended and restated standby purchase agreement. The validity of the notes, the indenture and the amended and restated standby purchase agreement will be passed upon for PifCo and Petrobras by Cleary Gottlieb Steen & Hamilton LLP as to certain matters of New York law.

Machado, Meyer, Sendacz e Opice Advogados will pass upon the validity of the indenture and the amended and restated standby purchase agreement for the underwriters as to certain matters of Brazilian law. Shearman & Sterling LLP will pass upon the validity of the notes, the indenture and the amended and restated standby purchase agreement for the underwriters as to certain matters of New York law.

EXPERTS

The consolidated financial statements of Petrobras (and its subsidiaries) and of PifCo (and its subsidiaries) as of and for the year ended December 31, 2006, and management's assessments of the effectiveness of internal control over financial reporting as of December 31, 2006, have been incorporated by reference herein in reliance upon the report of KPMG Auditores Independentes, an independent registered public accounting firm, which is incorporated by reference herein, and upon the authority of KPMG Auditores Independentes as experts in accounting and auditing. The report covering the December 31, 2006 financial statements of Petrobras (and its subsidiaries) refers to a change in accounting for post retirement benefits resulting from the adoption of Statement of Financial Accounting Standards No. 158.

The consolidated financial statements of Petrobras (and its subsidiaries) and of PifCo (and its subsidiaries) as of and for each of the years in the two-year period ended December 31, 2005, have been incorporated by reference herein in reliance upon the report of Ernst & Young Auditores Independentes S/S, independent registered public accounting firm, which is incorporated by reference herein, and upon the authority of Ernst & Young Auditores Independentes S/S as experts in accounting and auditing.

With respect to the unaudited interim financial information of Petrobras and PifCo for the periods ended September 30, 2007 and 2006, which is incorporated by reference herein, KPMG Auditores Independentes has reported that it applied limited procedures in accordance with professional standards for a review of such information. However, its reports included in the Petrobras Form 6-k furnished to the SEC on November 29, 2007, and PifCo Form 6-k furnished to the SEC on November 29, 2007, and incorporated by reference herein, state that it did not audit and it does not express an opinion on that interim financial information. Accordingly, the degree of reliance on its reports on such information should be restricted in light of the limited nature of the review procedures applied. KPMG Auditores Independentes is not subject to the liability provisions of Section 11 of the Securities Act for its reports on the unaudited interim financial information because those reports are not reports or a part of the registration statement prepared or certified by the accountants within the meaning of Sections 7 and 11 of the Securities Act.

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PROSPECTUS

Petróleo Brasileiro S.A. PETROBRAS

**Debt Securities, Warrants,
Preferred Shares,
Preferred Shares represented by American Depositary Shares,
Common Shares,
Common Shares represented by American Depositary Shares,
Mandatory Convertible Securities,
Guarantees and
Standby Purchase Agreements**

Petrobras International Finance Company

**Debt Securities, accompanied by Guarantees or
Standby Purchase Agreements of Petrobras**

**Debt Warrants, accompanied by
Guarantees or Standby Purchase Agreements of Petrobras**

Petróleo Brasileiro S.A. Petrobras may from time to time offer debt securities, warrants, preferred shares, common shares, mandatory convertible securities, guarantees and standby purchase agreements, and Petrobras International Finance Company may issue debt securities accompanied by guarantees or standby purchase agreements of Petrobras and debt warrants accompanied by guarantees or standby purchase agreements of Petrobras. This prospectus describes some of the general terms that may apply to these securities and the general manner in which they may be offered. When we offer securities, the specific terms of the securities, including the offering price, and the specific manner in which they may be offered, will be described in supplements to this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

December 18, 2006

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ABOUT THIS PROSPECTUS

In this prospectus, unless the context otherwise requires, references to **Petrobras** mean **Petróleo Brasileiro S.A.** and its consolidated subsidiaries taken as a whole and references to **PIFco** mean **Petrobras International Finance Company** and its consolidated subsidiaries taken as a whole. Terms such as **we**, **us** and **our** generally refer to **Petróleo Brasileiro S.A.** and **Petrobras International Finance Company**, unless the context requires otherwise.

This prospectus is part of a registration statement that we filed with the U.S. Securities and Exchange Commission (which we refer to as the SEC) utilizing a shelf registration process. Under this shelf process, Petrobras may sell any combination of debt securities, warrants, preferred shares, common shares and securities mandatorily convertible into its preferred or common shares, and PIFco may sell debt securities accompanied by guarantees or standby purchase agreements of Petrobras and debt warrants accompanied by guarantees or standby purchase agreements of Petrobras in one or more offerings. Any preferred shares or common shares of Petrobras, in one or more offerings, may be in the form of American depository shares (which we refer to as ADSs) evidenced by American depository receipts (which we refer to as ADRs).

This prospectus only provides a general description of the securities that we may offer. Each time we offer securities, we will prepare a prospectus supplement containing specific information about the particular offering and the terms of those securities. We may also add, update or change other information contained in this prospectus by means of a prospectus supplement or by incorporating by reference information we file with the SEC. The registration statement that we filed with the SEC includes exhibits that provide more detail on the matters discussed in this prospectus. Before you invest in any securities offered by this prospectus, you should read this prospectus, any related prospectus supplement and the related exhibits filed with the SEC, together with the additional information described under the headings **Where You Can Find More Information** and **Incorporation of Certain Documents by Reference**.

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FORWARD-LOOKING STATEMENTS

Many statements made or incorporated by reference in this prospectus supplement are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), that are not based on historical facts and are not assurances of future results. Many of the forward-looking statements contained in this prospectus supplement may be identified by the use of forward-looking words, such as believe, expect, anticipate, should, planned, estimate potential, among others. We have made forward-looking statements that address, among other things, our:

- regional marketing and expansion strategy;
- drilling and other exploration activities;
- import and export activities;
- projected and targeted capital expenditures and other costs, commitments and revenues;
- liquidity; and
- development of additional revenue sources.

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. These factors include:

- our ability to obtain financing;
- general economic and business conditions, including crude oil and other commodity prices, refining margins and prevailing exchange rates;
- our ability to find, acquire or gain access to additional reserves and to successfully develop our current ones;
- uncertainties inherent in making estimates of our reserves;
- competition;
- technical difficulties in the operation of our equipment and the provision of our services;
- changes in, or failure to comply with, governmental regulations;
- receipt of governmental approvals and licenses;
- international and Brazilian political, economic and social developments;
- military operations, terrorist attacks, wars or embargoes; and
- the costs and availability of adequate insurance coverage.

These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially from those expressed or forecast in any forward-looking statements as a result of a variety of factors, including those in Risk Factors set forth in this prospectus supplement and in documents incorporated by reference in this prospectus supplement and the accompanying prospectus.

All forward-looking statements attributed to us or a person acting on our behalf are expressly qualified in their entirety by this cautionary statement. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason.

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PETROBRAS

Petróleo Brasileiro S.A. is a mixed-capital company created pursuant to Law No. 2,004 (effective as of October 3, 1953).

A mixed-capital company is a Brazilian corporation created by special law of which a majority of the voting capital must be owned by the Brazilian federal government, a state or a municipality. Petrobras is controlled by the Brazilian federal government, but its common and preferred shares are publicly traded.

Petrobras is one of the world's largest integrated oil and gas companies, engaging in a broad range of oil and gas activities.

Petrobras engages in a broad range of activities, which cover the following segments of its operations:

Exploration and Production This segment encompasses exploration, development and production activities in Brazil.

Supply This segment encompasses refining, logistics, transportation and the purchase of crude oil, as well as the purchase and sale of oil products and fuel alcohol. Additionally, this segment includes Petrobras petrochemical and fertilizers division, which includes investments in domestic petrochemical companies and Petrobras two domestic fertilizer plants.

Distribution This segment encompasses oil product and fuel alcohol distribution activities conducted by Petrobras majority owned subsidiary, Petrobras Distribuidora S.A.-BR in Brazil.

Natural Gas and Power This segment encompasses the purchase, sale and transportation of natural gas produced in or imported into Brazil. This segment includes Petrobras domestic electric energy commercialization activities as well as investments in domestic natural gas transportation companies, state owned natural gas distributors and thermal electric companies.

International This segment encompasses international activities conducted in several countries, which include Exploration and Production, Supply, Distribution and Gas and Energy.

Corporate This segment includes those activities not attributable to other segments, including corporate financial management, overhead related with central administration and other expenses, including pension and health care expenses.

Petrobras principal executive office is located at Avenida República do Chile, 65 20031-912 Rio de Janeiro RJ, Brazil, and its telephone number is (55-21) 3224-4477.

PIFCo

PIFCo is a wholly-owned subsidiary of Petrobras, incorporated under the laws of the Cayman Islands. PIFCo is a tax exempt company incorporated with limited liability. PIFCo was formed to facilitate and finance the import of crude oil and oil products by Petrobras into Brazil. PIFCo engages in borrowings in international capital markets supported by Petrobras, primarily through standby purchase agreements. Since 2004, as part of Petrobras restructuring of its offshore subsidiaries in order to centralize trading operations, PIFCo has engaged in limited exports of oil and oil products and has begun to store oil and oil products in Asia.

PIFCo's principal executive office is located at Harbour Place, 4th Floor, 103 South Church Street, George Town, Grand Cayman, Cayman Islands, B.W.I., and its telephone number is (55-21) 3224-1410.

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THE SECURITIES

Petrobras may from time to time offer under this prospectus, separately or together:

senior or subordinated debt securities that may be convertible into our common shares or preferred shares, which may be in the form of ADSs and evidenced by ADRs;

securities that are mandatorily convertible into preferred or common shares (or ADSs representing our preferred or common shares);

common shares, which may be represented by ADSs;

preferred shares, which may be represented by ADSs;

warrants to purchase common shares, which may be represented by ADSs;

warrants to purchase preferred shares, which may be represented by ADSs;

warrants to purchase debt securities;

guarantees accompanying debt securities, including debt warrants, of PIFCo; and

standby purchase agreements accompanying debt securities, including debt warrants, of PIFCo.

PIFCo may from time to time offer under this prospectus:

senior or subordinated debt securities, accompanied by guarantees or standby purchase agreements of Petrobras or other credit enhancements, including letters of credit, political risk insurance or other similar instruments; and

warrants to purchase debt securities, accompanied by guarantees or standby purchase agreements of Petrobras, including letters of credit, political risk insurance or other similar instruments.

LEGAL OWNERSHIP

In this prospectus and in any attached prospectus supplement, when we refer to the holders of securities as being entitled to specified rights or payments, we mean only the actual legal holders of the securities. While you will be the holder if you hold a security registered in your name, more often than not the registered holder will actually be either a broker, bank, other financial institution or, in the case of a global security, a depository. Our obligations, as well as the obligations of the trustee, any warrant agent, any transfer agent, any registrar, any depository and any third parties employed by us or the other entities listed above, run only to persons who are registered as holders of our securities, except as may be specifically provided for in a warrant agreement, warrant certificate, deposit agreement or other contract governing the securities. For example, once we make payment to the registered holder, we have no further responsibility for the payment even if that registered holder is legally required to pass the payment along to you as a street name customer but does not do so.

If we choose to issue preferred shares or common shares, they may be evidenced by ADRs and you will hold them indirectly through ADSs. The underlying preferred shares or common shares will be directly held by a depository.

Your rights and obligations will be determined by reference to the terms of the relevant deposit agreement. A copy of the deposit agreements, as amended from time to time, with respect to our preferred shares and common shares is on file with the SEC and incorporated by reference in this prospectus. You may obtain copies of the deposit agreements from the SEC's Public Reference Room. See [Where You Can Find More Information](#).

Street Name and Other Indirect Holders

Holding securities in accounts at banks or brokers is called holding in street name. If you hold our securities in street name, we will recognize only the bank or broker, or the financial institution that the bank or broker uses to hold the securities, as a holder. These intermediary banks, brokers, other financial institutions and depositaries pass along principal, interest, dividends and other payments, if any, on the securities, either because they agree to do so in their customer agreements or because they are legally required to do so. This means that if you are an indirect

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holder, you will need to coordinate with the institution through which you hold your interest in a security in order to determine how the provisions involving holders described in this prospectus and any prospectus supplement will actually apply to you. For example, if the debt security in which you hold a beneficial interest in street name can be repaid at the option of the holder, you cannot redeem it yourself by following the procedures described in the prospectus supplement relating to that security. Instead, you would need to cause the institution through which you hold your interest to take those actions on your behalf. Your institution may have procedures and deadlines different from or additional to those described in the applicable prospectus supplement.

If you hold our securities in street name or through other indirect means, you should check with the institution through which you hold your interest in a security to find out:

how it handles payments and notices with respect to the securities;

whether it imposes fees or charges;

how it handles voting, if applicable;

how and when you should notify it to exercise on your behalf any rights or options that may exist under the securities;

whether and how you can instruct it to send you securities registered in your own name so you can be a direct holder as described below; and

how it would pursue rights under the securities if there were a default or other event triggering the need for holders to act to protect their interests.

Global Securities

A global security is a special type of indirectly held security. If we choose to issue our securities, in whole or in part, in the form of global securities, the ultimate beneficial owners can only be indirect holders. We do this by requiring that the global security be registered in the name of a financial institution we select and by requiring that the securities included in the global security not be transferred to the name of any other direct holder unless the special circumstances described below occur. The financial institution that acts as the sole direct holder of the global security is called the depository. Any person wishing to own a security issued in global form must do so indirectly through an account with a broker, bank or other financial institution that in turn has an account with the depository. The prospectus supplement indicates whether the securities will be issued only as global securities.

As an indirect holder, your rights relating to a global security will be governed by the account rules of your financial institution and of the depository, as well as general laws relating to securities transfers. We will not recognize you as a holder of the securities and instead deal only with the depository that holds the global security.

You should be aware that if our securities are issued only in the form of global securities:

you cannot have the securities registered in your own name;

you cannot receive physical certificates for your interest in the securities;

you will be a street name holder and must look to your own bank or broker for payments on the securities and protection of your legal rights relating to the securities;

you may not be able to sell interests in the securities to some insurance companies and other institutions that are required by law to own their securities in the form of physical certificates;

the depositary's policies will govern payments, dividends, transfers, exchange and other matters relating to your interest in the global security. We, the trustee, any warrant agent, any transfer agent and any registrar have no responsibility for any aspect of the depositary's actions or for its records of ownership interests in the global security. We, the trustee, any warrant agent, any transfer agent and any registrar also do not supervise the depositary in any way; and

the depositary will require that interests in a global security be purchased or sold within its system using same-day funds for settlement.

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In a few special situations described below, a global security representing our securities will terminate and interests in it will be exchanged for physical certificates representing the securities. After that exchange, the choice of whether to hold securities directly or in street name will be up to you. You must consult your bank or broker to find out how to have your interests in the securities transferred to your name, so that you will be a direct holder.

Unless we specify otherwise in the prospectus supplement, the special situations for termination of a global security representing our securities are:

when the depository notifies us that it is unwilling or unable to continue as depository and we do not or cannot appoint a successor depository within 90 days;

when we notify the trustee that we wish to terminate the global security; or

when an event of default on debt securities has occurred and has not been cured. (Defaults are discussed later under **Description of Debt Securities** **Events of Default.**)

The prospectus supplement may also list additional situations for terminating a global security that would apply to the particular series of securities covered by the prospectus supplement. When a global security terminates, the depository (and not us, the trustee, any warrant agent, any transfer agent or any registrar) is responsible for deciding the names of the institutions that will be the initial direct holders.

In the remainder of this document, you means direct holders and not street name or other indirect holders of securities. Indirect holders should read the previous subsection starting on page 7 entitled **Street Name and Other Indirect Holders.**

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DESCRIPTION OF DEBT SECURITIES

The following briefly summarizes the material provisions of the debt securities and the Petrobras or PIFCo indenture that will govern the debt securities, other than pricing and related terms disclosed in the accompanying prospectus supplement. You should read the more detailed provisions of the applicable indenture, including the defined terms, for provisions that may be important to you. You should also read the particular terms of a series of debt securities, which will be described in more detail in the applicable prospectus supplement. This summary is subject to, and qualified in its entirety by reference to, the provisions of such indenture, the debt securities and the prospectus supplement relating to each series of debt securities.

Indenture

Any debt securities that we issue will be governed by a document called an indenture. The indenture is a contract entered into between any one of us and a trustee, currently The Bank of New York. The trustee has two main roles:

first, the trustee can enforce your rights against us if we default, although there are some limitations on the extent to which the trustee acts on your behalf that are described under **Default and Related Matters** **Events of Default** **Remedies if an Event of Default Occurs** ; and

second, the trustee performs administrative duties for us, such as sending interest payments to you, transferring your debt securities to a new buyer if you sell and sending notices to you.

Each of the Petrobras and PIFCo indentures and their associated documents contain the full legal text of the matters described in this section. We have agreed that New York law governs the indenture and the debt securities. We have filed a copy of the Petrobras indenture and PIFCo indenture with the SEC as exhibits to our registration statement. We have consented to the non-exclusive jurisdiction of any U.S. federal court sitting in the borough of Manhattan in the City of New York, New York, United States and any appellate court from any thereof.

Types of Debt Securities

Together or separately, we may issue as many distinct series of debt securities under our indentures as are authorized by the corporate bodies that are required under applicable law and our corporate organizational documents to authorize the issuance of debt securities. Specific issuances of debt securities will also be governed by a supplemental indenture, an officer's certificate or a document evidencing the authorization of any such corporate body. This section summarizes material terms of the debt securities that are common to all series and to each of the Petrobras and PIFCo indentures, unless otherwise indicated in this section and in the prospectus supplement relating to a particular series.

Because this section is a summary, it does not describe every aspect of the debt securities. This summary is subject to and qualified in its entirety by reference to all the provisions of the indenture, including the definition of various terms used in the indenture. For example, we describe the meanings for only the more important terms that have been given special meanings in the indenture. We also include references in parentheses to some sections of the indenture. Whenever we refer to particular sections or defined terms of our indentures in this prospectus or in any prospectus supplement, those sections or defined terms are incorporated by reference herein or in such prospectus supplement.

We may issue the debt securities at par, at a premium or as original issue discount securities, which are debt securities that are offered and sold at a substantial discount to their stated principal amount. We may also issue the debt securities as indexed securities or securities denominated in currencies other than the U.S. dollar, currency units or composite currencies, as described in more detail in the prospectus supplement relating to any such debt securities.

We will describe the U.S. federal income tax consequences and any other special considerations applicable to original issue discount, indexed or foreign currency debt securities in the applicable prospectus supplement(s).

In addition, the material financial, legal and other terms particular to a series of debt securities will be described in the prospectus supplement(s) relating to that series. Those terms may vary from the terms described

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here. Accordingly, this summary also is subject to and qualified by reference to the description of the terms of the series described in the applicable prospectus supplement(s).

The prospectus supplement relating to a series of debt securities will describe the following terms of the series:

the title of the debt securities of the series;

any limit on the aggregate principal amount of the debt securities of the series (including any provision for the future offering of additional debt securities of the series beyond any such limit);

whether the debt securities will be issued in registered or bearer form;

whether the debt securities will be accompanied by a standby purchase agreement or guarantee or other credit enhancements, including letters of credit, political risk insurance or other similar instruments;

the date or dates on which the debt securities of the series will mature and any other date or dates on which we will pay the principal of the debt securities of the series;

the annual rate or rates, which may be fixed or variable, at which the debt securities will bear interest, if any, and the date or dates from which that interest will accrue;

the date or dates on which any interest on the debt securities of the series will be payable and the regular record date or dates we will use to determine who is entitled to receive interest payments;

the place or places where the principal and any premium and interest in respect of the debt securities of the series will be payable;

any period or periods during which, and the price or prices at which, we will have the option to redeem or repurchase the debt securities of the series and the other material terms and provisions applicable to our redemption or repurchase rights;

whether the debt securities will be senior or subordinated securities;

whether the debt securities will be our secured or unsecured obligations;

any obligation we will have to redeem or repurchase the debt securities of the series, including any sinking fund or analogous provision, the period or periods during which, and the price or prices at which, we would be required to redeem or repurchase the debt securities of the series and the other material terms and provisions applicable to our redemption or repurchase obligations;

if other than \$1,000 or an even multiple of \$1,000, the denominations in which the series of debt securities will be issuable;

if other than U.S. dollars, the currency in which the debt securities of the series will be denominated or in which the principal of or any premium or interest on the debt securities of the series will be payable;

if we or you have a right to choose the currency, currency unit or composite currency in which payments on any of the debt securities of the series will be made, the currency, currency unit or composite currency that we or you may elect, the period during which we or you must make the election and the other material terms

applicable to the right to make such elections;

if other than the full principal amount, the portion of the principal amount of the debt securities of the series that will be payable upon a declaration of acceleration of the maturity of the debt securities of the series;

any index or other special method we will use to determine the amount of principal or any premium or interest on the debt securities of the series;

the applicability of the provisions described under **Defeasance and Discharge** ;

if we issue the debt securities of the series in whole or part in the form of global securities as described under **Legal Ownership - Global Securities** , the name of the depository with respect to the debt securities of the series, and the circumstances under which the global securities may be registered in the name of a person

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other than the depositary or its nominee if other than those described under Legal Ownership Global Securities ;

whether the debt securities will be convertible or exchangeable at your option or at our option into equity securities, and, if so, the terms and conditions of conversion or exchange;

any covenants to which we will be subject with respect to the debt securities of the series; and

any other special features of the debt securities of the series that are not inconsistent with the provisions of the indenture.

In addition, the prospectus supplement will state whether we will list the debt securities of the series on any stock exchange(s) and, if so, which one(s).

Additional Mechanics

Form, exchange and transfer

The debt securities will be issued, unless otherwise indicated in the applicable prospectus supplement, in denominations that are even multiples of \$1,000 and in global registered form. (*Petrobras Section 3.02; PIFCo Section 3.02*)

You may have your debt securities broken into more debt securities of smaller denominations or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed. This is called an exchange. (*Petrobras Section 3.05; PIFCo Section 3.05*)

You may exchange or transfer your registered debt securities at the office of the trustee. The trustee will maintain an office in New York, New York. The trustee acts as our agent for registering debt securities in the names of holders and transferring registered debt securities. We may change this appointment to another entity or perform the service ourselves. The entity performing the role of maintaining the list of registered holders is called the security registrar. It will also register transfers of the registered debt securities. (*Petrobras Section 3.05; PIFCo Section 3.05*)

You will not be required to pay a service charge to transfer or exchange debt securities, but you may be required to pay any tax or other governmental charge associated with the exchange or transfer. The transfer or exchange of a registered debt security will only be made if the security registrar is satisfied with your proof of ownership.

If we designate additional transfer agents, they will be named in the prospectus supplement. We may cancel the designation of any particular transfer agent. Petrobras may also approve a change in the office through which any transfer agent acts. (*Petrobras Section 10.02; PIFCo Section 10.03*)

If the debt securities are redeemable and we redeem less than all of the debt securities of a particular series, we may block the transfer or exchange of debt securities in order to freeze the list of holders to prepare the mailing during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing. We may also refuse to register transfers or exchanges of debt securities selected for redemption. However, we will continue to permit transfers and exchanges of the unredeemed portion of any debt security being partially redeemed. (*Petrobras Section 3.05; PIFCo Section 3.05*)

Payment and paying agents

If your debt securities are in registered form, we will pay interest to you if you are a direct holder listed in the trustee's records at the close of business on a particular day in advance of each due date for interest, even if you no longer own the security on the interest due date. That particular day, usually about two weeks in advance of the interest due date, is called the regular record date and will be stated in the prospectus supplement. (*Petrobras Section 3.07; PIFCo Section 3.07*)

We will pay interest, principal, additional amounts and any other money due on the registered debt securities at the corporate trust office of the trustee in New York City (which is currently located at 101 Barclay Street, 4E, New York, New York 10286, Attention: Global Trust Services Americas) or at the office of JPMorgan Trust Bank

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Limited, a bank established under the laws of Japan (which is currently located at Tokyo Building, 7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-6432, Japan). You must make arrangements to have your payments picked up at or wired from that office. We may also choose to pay interest by mailing checks. Interest on global securities will be paid to the holder thereof by wire transfer of same-day funds.

Holders buying and selling debt securities must work out between themselves how to compensate for the fact that we will pay all the interest for an interest period to, in the case of registered debt securities, the one who is the registered holder on the regular record date. The most common manner is to adjust the sales price of the debt securities to pro-rate interest fairly between the buyer and seller. This pro-rated interest amount is called accrued interest.

Street name and other indirect holders should consult their banks or brokers for information on how they will receive payments.

We may also arrange for additional payment offices, and may cancel or change these offices, including our use of the trustee's corporate trust office. These offices are called paying agents. We may also choose to act as our own paying agent. We must notify you of changes in the paying agents for the debt securities of any series that you hold. (*Petrobras Section 10.02; PIFCo Section 10.03*)

Notices

We and the trustee will send notices only to direct holders, using their addresses as listed in the trustee's records. (*Petrobras Section 1.06; PIFCo Section 1.06*)

Regardless of who acts as paying agent, all money that Petrobras pays to a paying agent that remains unclaimed at the end of two years after the amount is due to direct holders will be repaid to Petrobras. After that two-year period, direct holders may look only to Petrobras for payment and not to the trustee, any other paying agent or anyone else. (*Petrobras Section 10.03*)

Special Situations

Mergers and similar events

Under the indenture, except as described below, we are generally permitted to consolidate or merge with another entity. We are also permitted to sell or lease substantially all of our assets to another entity or to buy or lease substantially all of the assets of another entity. No vote by holders of debt securities approving any of these actions is required, unless as part of the transaction we make changes to the indenture requiring your approval, as described later under Modification and Waiver. We may take these actions as part of a transaction involving outside third parties or as part of an internal corporate reorganization. We may take these actions even if they result in:

a lower credit rating being assigned to the debt securities; or

additional amounts becoming payable in respect of withholding tax, and the debt securities thus being subject to redemption at our option, as described later under Optional Tax Redemption.

We have no obligation under the indenture to seek to avoid these results, or any other legal or financial effects that are disadvantageous to you, in connection with a merger, consolidation or sale or lease of assets that is permitted under the indenture.

Petrobras

Petrobras may merge into or consolidate with or convey, transfer or lease its property to another entity, provided that it may not take any of these actions unless all the following conditions are met:

If Petrobras merges out of existence or sell or lease its assets, the other entity must unconditionally assume its obligations on the debt securities, including the obligation to pay the additional amounts described under

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Payment of Additional Amounts. This assumption may be by way of a full and unconditional guarantee in the case of a sale or lease of substantially all of its assets.

Petrobras must indemnify you against any tax, assessment or governmental charge or other cost resulting from the transaction. This indemnification obligation only arises if the other entity is organized under the laws of a country other than the United States, a state thereof or Brazil.

Petrobras must not be in default on the debt securities immediately prior to such action and such action must not cause a default. For purposes of this no-default test, a default would include an event of default that has occurred and not been cured, as described later under **Default and Related Matters** **Events of Default** **What is An Event of Default?** A default for this purpose would also include any event that would be an event of default if the requirements for notice of default or existence of defaults for a specified period of time were disregarded.

The entity to which Petrobras sells or leases such assets guarantees our obligations or the entity into which it merges or consolidates with must execute a supplement to the indenture, known as a supplemental indenture. In the supplemental indenture, the entity must promise to be bound by every obligation in the indenture. Furthermore, in this case, the trustee must receive an opinion of counsel stating that the entity's guarantees are valid, that certain registration requirements applicable to the guarantees have been fulfilled and that the supplemental indenture complies with the Trust Indenture Act of 1939. The entity that guarantees our obligations must also deliver certain certificates and other documents to the trustee.

Petrobras must deliver certain certificates, opinions of its counsel and other documents to the trustee.

Petrobras must satisfy any other requirements specified in the prospectus supplement. (*Petrobras Section 8.01*)

PIFCo

PIFCo will not, in one or a series of transactions, consolidate or amalgamate with or merge into any corporation or convey, lease or transfer substantially all of its properties, assets or revenues to any person or entity (other than a direct or indirect subsidiary of Petrobras) or permit any person (other than a direct or indirect subsidiary of PIFCo) to merge with or into it unless:

either PIFCo is the continuing entity or the person (the successor company) formed by the consolidation or into which PIFCo is merged or that acquired or leased the property or assets of PIFCo will assume (jointly and severally with PIFCo unless PIFCo will have ceased to exist as a result of that merger, consolidation or amalgamation), by a supplemental indenture (the form and substance of which will be previously approved by the trustee), all of PIFCo's obligations under the indenture and the notes;

the successor company (jointly and severally with PIFCo unless PIFCo will have ceased to exist as part of the merger, consolidation or amalgamation) agrees to indemnify each noteholder against any tax, assessment or governmental charge thereafter imposed on the noteholder solely as a consequence of the consolidation, merger, conveyance, transfer or lease with respect to the payment of principal of, or interest, the notes;

immediately after giving effect to the transaction, no event of default, and no default has occurred and is continuing;

PIFCo has delivered to the trustee an officers' certificate and an opinion of counsel, each stating that the transaction complies with the terms of the indenture and that all conditions precedent provided for in the indenture and relating to the transaction have been complied with; and

PIFCo must deliver a notice describing that transaction to Moody's to the extent that Moody's is at that time rating the notes.

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Notwithstanding anything to the contrary in the foregoing, so long as no default or event of default under the indenture or the notes will have occurred and be continuing at the time of the proposed transaction or would result from the transaction:

PIFCo may merge, amalgamate or consolidate with or into, or convey, transfer, lease or otherwise dispose of all or substantially all of its properties, assets or revenues to a direct or indirect subsidiary of PIFCo or Petrobras in cases when PIFCo is the surviving entity in the transaction and the transaction would not have a material adverse effect on PIFCo and its subsidiaries taken as a whole, it being understood that if PIFCo is not the surviving entity, PIFCo will be required to comply with the requirements set forth in the previous paragraph; or

any direct or indirect subsidiary of PIFCo may merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of assets to, any person (other than PIFCo or any of its subsidiaries or affiliates) in cases when the transaction would not have a material adverse effect on PIFCo and its subsidiaries taken as a whole; or

any direct or indirect subsidiary of PIFCo may merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of assets to, any other direct or indirect subsidiary of PIFCo or Petrobras; or

any direct or indirect subsidiary of PIFCo may liquidate or dissolve if PIFCo determines in good faith that the liquidation or dissolution is in the best interests of Petrobras, and would not result in a material adverse effect on PIFCo and its subsidiaries taken as a whole and if the liquidation or dissolution is part of a corporate reorganization of PIFCo or Petrobras.

It is possible that the U.S. Internal Revenue Service may deem a merger or other similar transaction to cause for U.S. federal income tax purposes an exchange of debt securities for new securities by the holders of the debt securities. This could result in the recognition of taxable gain or loss for U.S. federal income tax purposes and possible other adverse tax consequences.

Modification and waiver

There are three types of changes we can make to the indenture and the debt securities.

Changes Requiring Your Approval. First, there are changes that cannot be made to your debt securities without your specific approval. These are the following types of changes:

change the stated maturity of the principal, interest or premium on a debt security;

reduce any amounts due on a debt security;

change any obligation to pay the additional amounts described under **Payment of Additional Amounts** ;

reduce the amount of principal payable upon acceleration of the maturity of a debt security following a default;

change the place or currency of payment on a debt security;

impair any of the conversion or exchange rights of your debt security;

impair your right to sue for payment, conversion or exchange;

reduce the percentage of holders of debt securities whose consent is needed to modify or amend the indenture;

reduce the percentage of holders of debt securities whose consent is needed to waive compliance with various provisions of the indenture or to waive specified defaults; and

modify any other aspect of the provisions dealing with modification and waiver of the indenture. (*Petrobras Section 9.02; PIFCo Section 9.02*)

Changes Requiring a Majority Vote. The second type of change to the indenture and the debt securities is the kind that requires a vote of approval by the holders of debt securities that together represent a majority of the

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outstanding principal amount of the particular series affected. Most changes fall into this category, except for clarifying changes, amendments, supplements and other changes that would not adversely affect holders of the debt securities in any material respect. For example, this vote would be required for us to obtain a waiver of all or part of any covenants described in an applicable prospectus supplement or a waiver of a past default. However, we cannot obtain a waiver of a payment default or any other aspect of the indenture or the debt securities listed in the first category described previously beginning above under **Changes Requiring Your Approval** unless we obtain your individual consent to the waiver. (*Petrobras Sections 5.13 and 9.02; PIFCo Sections 5.13 and 9.02*)

Changes Not Requiring Approval. The third type of change does not require any vote by holders of debt securities. This type is limited to clarifications of ambiguities, omissions, defects and inconsistencies, amendments, supplements and other changes that would not adversely affect holders of the debt securities in any material respect, such as adding covenants, additional events of default or successor trustees. (*Petrobras Section 9.01; PIFCo Section 9.01*)

Further Details Concerning Voting. When taking a vote, we will use the following rules to decide how much principal amount to attribute to a security:

For original issue discount securities, we will use the principal amount that would be due and payable on the voting date if the maturity of the debt securities were accelerated to that date because of a default.

Debt securities that we, any of our affiliates and any other obligor under the debt securities acquire or hold will not be counted as outstanding when determining voting rights.

For debt securities whose principal amount is not known (for example, because it is based on an index), we will use a special rule for that security described in the prospectus supplement for that security.

For debt securities denominated in one or more foreign currencies, currency units or composite currencies, we will use the U.S. dollar equivalent as of the date on which such debt securities were originally issued.

Debt securities will not be considered outstanding, and therefore will not be eligible to vote, if we have deposited or set aside in trust for you money for their payment or redemption. Debt securities will also not be eligible to vote if they have been fully defeased as described under **Defeasance and Discharge**. (*Petrobras Section 14.02; PIFCo Section 14.02*)

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding debt securities that are entitled to vote or take other action under the indenture. In limited circumstances, the trustee will be entitled to set a record date for action by holders. If we or the trustee set a record date for a vote or other action to be taken by holders of a particular series, that vote or action may be taken only by persons who are holders of outstanding debt securities of that series on the record date and must be taken within 180 days following the record date or another period that we or, if it sets the record date, the trustee may specify. We may shorten or lengthen (but not beyond 180 days) this period from time to time. (*Petrobras Section 1.04; PIFCo Section 1.04*)

Street name and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the indenture or the debt securities or request a waiver.

Redemption and repayment

Unless otherwise indicated in the applicable prospectus supplement, your debt security will not be entitled to the benefit of any sinking fund; that is, we will not deposit money on a regular basis into any separate custodial account to repay your debt securities. In addition, other than as set forth in **Optional Tax Redemption** below, we will not be entitled to redeem your debt security before its stated maturity unless the applicable prospectus supplement specifies a redemption commencement date. You will not be entitled to require us to buy your debt security from you, before its stated maturity, unless the applicable prospectus supplement specifies one or more repayment dates.

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If the applicable prospectus supplement specifies a redemption commencement date or a repayment date, it will also specify one or more redemption prices or repayment prices, which may be expressed as a percentage of the principal amount of your debt security or by reference to one or more formulae used to determine the redemption price(s). It may also specify one or more redemption periods during which the redemption prices relating to a redemption of debt securities during those periods will apply.

If the applicable prospectus supplement specifies a redemption commencement date, we may redeem your debt security at our option at any time on or after that date. If we redeem your debt security, we will do so at the specified redemption price, together with interest accrued to the redemption date. If different prices are specified for different redemption periods, the price we pay will be the price that applies to the redemption period during which your debt security is redeemed. If less than all of the debt securities are redeemed, the trustee will choose the debt securities to be redeemed by lot, or in the trustee's discretion, pro rata. (*Petrobras Section 11.03; PIFCo Section 11.03*)

If the applicable prospectus supplement specifies a repayment date, your debt security will be repayable by us at your option on the specified repayment date(s) at the specified repayment price(s), together with interest accrued and any additional amounts to the repayment date. (*Petrobras Section 11.04; PIFCo Section 11.04*)

In the event that we exercise an option to redeem any debt security, we will give to the trustee and the holder written notice of the principal amount of the debt security to be redeemed, not less than 30 days nor more than 60 days before the applicable redemption date. We will give the notice in the manner described above under "Additional Mechanics Notices."

If a debt security represented by a global security is subject to repayment at the holder's option, the depositary or its nominee, as the holder, will be the only person that can exercise the right to repayment. Any indirect holders who own beneficial interests in the global security and wish to exercise a repayment right must give proper and timely instructions to their banks or brokers through which they hold their interests, requesting that they notify the depositary to exercise the repayment right on their behalf. Different firms have different deadlines for accepting instructions from their customers, and you should take care to act promptly enough to ensure that your request is given effect by the depositary before the applicable deadline for exercise.