

PETROBRAS INTERNATIONAL FINANCE CO

Form F-4

November 01, 2006

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Registration No. 333-

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM F-4
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

Petróleo Brasileiro S.A. Petrobras **Petrobras International Finance Company**
(Exact name of each registrant as specified in its charter)

Brazilian Petroleum Corporation Petrobras **Not Applicable**
(Translation of registrant's name into English)

The Federative Republic of Brazil **Cayman Islands**
(Jurisdiction of incorporation or organization)

1311 **1311**
(Primary Standard Industrial Classification Code Number)

Not Applicable **Not Applicable**
(I.R.S. employer identification number)

Avenida República do Chile, 65 **4th Floor, Harbour Place**
20031-912 Rio de Janeiro RJ, Brazil **103 South Church Street**
(55-21) 3224-4477 **George Town, Grand Cayman, Cayman Islands**
(55-21) 3224-1410

(Address and telephone number of registrant's principal executive offices)

Petróleo Brasileiro S.A. Petrobras
570 Lexington Avenue, 43rd Floor
New York, NY 10022-6837
(212) 829-1517

(Name, address and telephone number of agent for service)

With a copy to:

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If this Form is filed to register additional securities of an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective and the satisfaction or waiver of all other conditions to the exchange offers described in the accompanying prospectus.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit⁽¹⁾	Proposed Maximum Aggregate Offering Price⁽¹⁾	Amount of Registration Fee⁽¹⁾
6.125% Global Notes due 2016	U.S.\$500,000,000	100%	U.S.\$500,000,000	U.S.\$[53,500]

(1) The securities being registered are offered in exchange for 12.375% Notes due 2008, 9.875% Notes due 2008, 9.75% Notes due 2011, 9.125% Notes due 2013 and 7.750% Notes due 2014 of Petrobras International Finance Company (PIFCo or the Company). Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(f) of the Securities Act of 1933, as amended.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Prospectus dated [], 2006 (Subject to Completion)
Petrobras International Finance Company
 Payments supported by a Standby Purchase Agreement provided by
Petróleo Brasileiro S.A. Petrobras
 (Brazilian Petroleum Corporation Petrobras)

Offers to Exchange New 6.125% Global Notes Due 2016 for Outstanding Notes Listed in the Table Below:

PIFCo Notes	CUSIP/ISIN No.	Outstanding Principal Amount	Maturity Date	Bloomberg Page	Reference Treasury Security	Fixed
12.375% Global Step-Up Notes due 2008 (Step-Up Notes)	71645WAF8 / US71645WAF86	U.S.\$ []	April 1, 2008	[]	[]	
9.875% Senior Notes due 2008 (2008 Notes)	EC3844981 / USG7028BAA91*; 71646FAA5 / US71646FAA57; 71646FAB3 / US71646FAB31*	U.S.\$ []	May 9, 2008	[]	[]	
9.75% Senior Notes due 2011 (2011 Notes)	71645WAB7 / US71645WAB72*; EC4142831 / USG7028BAB74*; 71645WAA9 / US71645WAA99	U.S.\$ []	July 6, 2011	[]	[]	
9.125% Global Notes due 2013 (2013 Notes)	71645WAG6 / US71645WAG69	U.S.\$ []	July 2, 2013	[]	[]	
7.750% Global Notes due 2014 (2014 Notes)	71645WAJ0 / US71645WAJ09	U.S.\$ []	September 15, 2014	[]	[]	

Following table should be used in connection with the calculation of the Reopen Issue Price of the Reopening Notes and the yield to maturity of the 2016 Notes for the Qualified Reopening Condition, as set forth in this prospectus:

6.125% Global Notes due 2016 (Original 2016 Notes)	71645WAL5/US71645WAL54	U.S.\$ 500,000,000	October 6, 2016	[]	[]	
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* These Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange.

The Offers will expire at 5:00 p.m., New York City time, on [], 2006, unless extended by us (such date and time, as they may be extended, the Expiration Time). In order to be eligible to receive the early tender payment (the Early Tender Payment), holders of the Old Notes must tender their Old Notes on or prior to 5:00 p.m.,

New York City time, on [], 2006, unless extended by us with respect to an Offer (such date and time, as they may be extended with respect to any of the Offers, the Early Tender Date).

We are offering to holders of Petrobras International Finance Company s (PIFCo or the Company) outstanding notes listed in the table above (together, the Old Notes) an opportunity to exchange, for each U.S.\$1,000 principal amount validly tendered and not withdrawn of Old Notes prior to the Early Tender Date, subject to prorationing, a combination of U.S.\$1,000 principal amount of our new 6.125% Global Notes due 2016 (the Reopening Notes, and together with the Old Notes, the Notes) and a U.S. Dollar amount in cash calculated as set forth in this prospectus (with respect to a series, an Offer, and together, the Offers) that, together with the Reopen Issue Price of the Reopening Notes (the Reopen Issue Price), equals the Total Exchange Price (with respect to a series, the Total Exchange Price) for the series of Old Notes tendered. The Reopening Notes constitute a further issuance of, and form a single fungible series with, PIFCo s Original 2016 Notes that were issued on October 6, 2006. The Total Exchange Price includes an Early Tender Payment of U.S.\$[], which will be paid only to holders who validly tender their Old Notes on or prior to the applicable Early Tender Date and do not validly withdraw their tenders.

The amount of the cash payment will be determined on the first business day after the Early Tender Date of each Offer, using the fixed-spread pricing formula to determine the value of the Old Notes and the Reopening Notes, as described under The Exchange Offers, which will depend on the yields of the applicable reference U.S. Treasury security (the Reference Treasury Security) indicated in the chart above at 2:00 p.m., New York City time, on that day. The amount of the cash payment for each U.S.\$1,000 principal amount of Old Notes pursuant to the Offers will equal (i) the applicable Total Exchange Price, minus (ii) the Reopen Issue Price of the Reopening Notes, plus (iii) the accrued and unpaid interest with respect to the relevant series of Old Notes to, but not including, the Settlement Date, minus (iv) the accrued and unpaid interest with respect to the Reopening Notes to, but not including, the Settlement Date. Our obligation to accept Old Notes tendered in the Offers is conditioned on the satisfaction of certain conditions described under The Exchange Offers Conditions to the Offers, including the condition that we will issue a maximum principal amount of U.S.\$500,000,000 of Reopening Notes issuable under all of the Offers (the Maximum Issuance Condition). In the event that the Maximum Issuance Condition is not satisfied, we will accept the series of Old Notes in the priority order set forth in the chart above and we will prorate the lowest priority series in order to cause the condition to be satisfied. Old Notes with an acceptance priority level following the prorated series of Old Notes will not be accepted for exchange. In addition, there is a qualified reopening condition, as set forth in The Exchange Offers Conditions to the Offers. Old Notes tendered before the applicable Early Tender Date may be withdrawn at any time on or prior to 5:00 p.m., New York City time, on the applicable Early Tender Date but not thereafter, and Old Notes tendered after the applicable Early Tender Date may not be withdrawn, except as described in The Exchange Offers Withdrawal of Tenders.

The Total Exchange Price for each series of the Old Notes will equal (a) the discounted value, determined in accordance with the formula set forth in Schedule A to this prospectus, of the remaining payments of principal and interest per U.S.\$1,000 principal amount of such series of Old Notes through their maturity date, using a discount rate equal to the sum of (i) the bid-side yield to maturity on the applicable Reference Treasury Security indicated in the chart above determined as of the Price Determination Time (the Old Notes Treasury Yield), plus (ii) the applicable fixed spread listed in the chart above, minus (b) the accrued and unpaid interest with respect to such series to, but not including, the applicable Settlement Date. The Total Exchange Price includes an Early Tender Payment of U.S.\$[] per U.S.\$1,000 principal amount of the applicable series of Old Notes that are tendered prior to and not validly withdrawn before the applicable Early Tender Date. The Total Exchange Price minus the Early Tender Payment is the exchange price (the Exchange Price). The Total Exchange Price for each series of Old Notes will be rounded to the nearest U.S.\$0.01.

The Reopen Issue Price of the Reopening Notes will equal (a) the discounted value, determined in accordance with the formula set forth in Schedule A to this prospectus, of the remaining payments of principal and interest on U.S.\$1,000 principal amount of the Reopening Notes through their maturity date using a discount rate equal to the sum of (i) the bid-side yield to maturity on the applicable Reference Treasury Security indicated in the chart above determined as of the applicable Price Determination Time (the Reopening Notes Treasury Yield), plus (ii) []% ([] basis points), minus (b) accrued and unpaid interest per U.S.\$1,000 principal amount of Reopening Notes to, but not including, the

applicable Settlement Date. The Reopen Issue Price of the Reopening Notes will be rounded to the nearest U.S.\$0.01. We may apply for a listing of the Reopening Notes on the New York Stock Exchange at some time after the settlement date, on [], 2006 (the Settlement Date), but there is no certainty that an application will be made or that the listing will be approved by the New York Stock Exchange.

You should carefully consider the section Risk Factors beginning on page 17 of this prospectus for a discussion of risks that should be considered in evaluating the Offers.

Neither the U.S. Securities and Exchange Commission (the SEC) nor any U.S. state securities commission has approved or disapproved of these securities or determined if this prospectus is accurate or complete. Any representation to the contrary is a criminal offense. The Notes may not be offered or sold, directly or indirectly, in Brazil or to any resident of Brazil, except as permitted by applicable Brazilian law.

The Dealer Managers for the Offers are:

MORGAN STANLEY

UBS Investment Bank

October [], 2006

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ABOUT THIS PROSPECTUS

We are furnishing this prospectus solely for the purpose of enabling you to consider the acquisition of the Reopening Notes. You should rely only on the information incorporated by reference or provided in this prospectus. The information contained in this prospectus has been provided by us. No person is authorized in connection with the offering to give information other than that contained in this prospectus or in the documents referred to in this prospectus that we make available. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

In deciding whether to tender Old Notes in the Offers you must rely on your own review of our business and related matters and the terms of the Offers, including the merits and risks involved. You should not construe the contents of this prospectus as legal, business or tax advice. You should consult your attorney, business advisor or tax advisor as to legal, business or tax advice. Neither PIFCo nor Petrobras is making an offer to exchange notes in any state or country where an Offer is not permitted.

In this prospectus, 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 PIFCo, unless the context requires otherwise.

This prospectus incorporates important business and financial information about PIFCo and Petrobras that is not included in or delivered with the prospectus. We will provide without charge to each person to whom this prospectus is delivered, upon written or oral request, copies of any or all documents incorporated by reference into this prospectus (other than exhibits to such documents, unless such exhibits are specifically incorporated by reference). Requests for such copies should be directed to the Information Agent at the address and telephone numbers set forth on the back cover of this prospectus. For further information see Where You Can Find More Information.

The distribution of this prospectus and the transactions contemplated herein may be restricted by law in certain jurisdictions. If the exchange offering materials come into your possession, we require you to inform yourself of and to observe all of these restrictions. The exchange offering materials do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the exchange be made by a licensed broker or dealer and the Dealer Managers or any of their affiliates is a licensed broker or dealer in that jurisdiction, the Offers shall be deemed to be made by the Dealer Managers or such affiliate on our behalf in that jurisdiction.

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FORWARD-LOOKING STATEMENTS

Many statements made or incorporated by reference in this prospectus are forward-looking statements that are not based on historical facts and are not assurances of future results. Many of the forward-looking statements contained in this prospectus may be identified by the use of forward-looking words, such as believe, expect, anticipate, should, planned, estimate and potential, among others. PIFCo and Petrobras have made forward-looking statements that address, among other things, PIFCo and Petrobras :

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, PIFCo and Petrobras' 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 and in documents incorporated by reference in this prospectus. You should carefully consider the section Risk Factors beginning on page 17 of this prospectus for a discussion of risks that should be considered in evaluating the Offers.

All forward-looking statements attributed to PIFCo, Petrobras or a person acting on PIFCo or Petrobras behalf are expressly qualified in their entirety by this cautionary statement. PIFCo and Petrobras 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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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this prospectus, references to Real, Reais or R\$ are to Brazilian Reais and references to U.S. Dollars or U are to United States Dollars.

We have incorporated by reference in this prospectus the following financial statements of PIFCo, which we refer to as the PIFCo financial statements : (a) the audited consolidated financial statements of PIFCo as of December 31, 2005 and 2004 and for each of the years in the three-year period ended December 31, 2005, which are included in PIFCo s Annual Report on Form 20-F filed with the SEC on June 28, 2006 and (b) the unaudited consolidated financial statements of PIFCo as of and for the six-month period ended June 30, 2006, which are included in PIFCo s Report on Form 6-K furnished to the SEC on September 7, 2006. The PIFCo financial statements have been presented in U.S. Dollars and prepared in accordance with accounting principles generally accepted in the United States of America (which we refer to as U.S. GAAP).

We have also incorporated for reference in the prospectus the following financial statements of Petrobras, which we refer to as the Petrobras financial statements : (a) the audited consolidated financial statements of Petrobras as of December 31, 2005 and 2004 and for each of the years in the three-year period ended December 31, 2005, which are included in Petrobras Annual Report on Form 20-F filed with the SEC on June 28, 2006 and (b) the unaudited consolidated financial statements of Petrobras as of and for the six-month period ended June 30, 2006, which are included in Petrobras Report on Form 6-K furnished to the SEC on September 6, 2006. The Petrobras financial statements have been presented in U.S. Dollars and prepared in accordance with U.S. GAAP. Petrobras also publishes financial statements in Brazil in Reais in accordance with the accounting principles required by Brazilian corporate law and the regulations promulgated by the Comissão de Valores Mobiliários (Brazilian Securities Commission, or the CVM) (which we refer to as Brazilian GAAP). Brazilian GAAP differs in significant respects from U.S. GAAP.

Ernst & Young Auditores Independentes S/S audited Petrobras and PIFCo s audited consolidated financial statements as of December 31, 2005 and 2004 and for each of the years in the three-year period ended December 31, 2005. As of April 7, 2006, KPMG Auditores Independentes became Petrobras and PIFCo s independent auditors. KPMG Auditores Independentes reviewed Petrobras and PIFCo s unaudited consolidated financial statements as of and for the six-month period ended June 30, 2006. See Experts.

As described more fully in Note 2(a) to the audited consolidated financial statements of Petrobras, the U.S. Dollar amounts as of the dates and for the periods presented in the Petrobras financial statements have been remeasured or translated from the Real amounts in accordance with the criteria set forth in Statement of Financial Accounting Standard No. 52 of the U.S. Financial Accounting Standards Board, or SFAS 52. Accordingly, U.S. Dollar amounts presented in this prospectus that were derived from the financial statements have been translated from Reais at the period-end exchange rate (for balance sheet items) or the average exchange rate prevailing during the period (for income statement and cash flow items).

Unless the context otherwise indicates:
historical data contained in this prospectus that were not derived from the financial statements have been translated from Reais on a similar basis;

forward-looking amounts, including estimated future capital expenditures, have all been based on Petrobras 2005-2015 Strategic Plan and 2006-2010 Business Plan and have been projected on a constant basis and have been translated from Reais in 2006 at an estimated average exchange rate of R\$3.01 to U.S.\$1.00; and

estimated future capital expenditures are based on the most recently budgeted amounts, which may not have been adjusted to reflect all factors that could affect such amounts.

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The Central Bank of Brazil (the Central Bank) allows the Real/U.S. Dollar exchange rate to float freely, and has intervened occasionally to control unstable fluctuations in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to let the Real float freely or will intervene in the exchange rate market through a currency band system or otherwise. The Real may depreciate or appreciate against the U.S. Dollar substantially in the future. For more information on these risks, see the information appearing under the heading Risk Factors in this prospectus.

The following table provides information on the selling exchange rate, expressed in Reais per U.S. Dollar (R\$/US\$), for the periods indicated. Prior to March 14, 2005, under Brazilian regulations, foreign exchange transactions were carried out on either the commercial rate exchange market or the floating rate exchange market. Rates in the two markets were generally the same. On March 14, 2005, the Brazilian National Monetary Council unified the two markets.

The tables below set forth the exchange selling rates expressed in Reais per U.S. Dollar for the periods indicated. For periods prior to March 14, 2005, the table below shows the commercial selling rate.

	For the Year Ended December 31, (R\$/U.S.\$)			Period End
	High	Low	Average(1)	
2005	2.762	2.163	2.435	2.341
2004	3.205	2.654	2.926	2.654
2003	3.662	2.822	3.075	2.889
2002	3.955	2.271	2.924	3.533
2001	2.835	1.935	2.352	2.320
2006				
January	2.346	2.212	2.273	2.216
February	2.222	2.118	2.159	2.136
March	2.224	2.107	2.148	2.172
April	2.172	2.089	2.131	2.089
May	2.371	2.059	2.170	2.301
June	2.302	2.164	2.251	2.164
July	2.213	2.164	2.188	2.176
August	2.191	2.133	2.157	2.139
September	2.219	2.128	2.168	2.174
October (through October 30, 2006)	2.174	2.133	2.149	2.146

Source: Central
Bank of Brazil

(1) Figures for
each year
represent the
average of the
month-end
exchange rates
during the year.

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SUMMARY

*This summary highlights key information described in greater detail elsewhere, or incorporated by reference, in this prospectus. You should read carefully the entire prospectus and the documents incorporated by reference, which are described under *Incorporation of Certain Documents by Reference* and *Where You Can Find More Information*. For a description of various factors which you should consider before deciding whether to tender Old Notes, see *Risk Factors*.*

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 facilitates an exports prepayment program linked to the resale of fuel oil and bunker fuel bought from Petrobras;

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 4th Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman, Cayman Islands, and its telephone number is (55-21) 3224-1410.

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, 2005 and the six-month period ended June 30, 2006, Petrobras had sales of products and services of U.S.\$74.1 billion and U.S.\$43.8 billion, net operating revenues of U.S.\$56.3 billion and U.S.\$33.5 billion and net income of U.S.\$10.3 billion and U.S.\$6.5 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.

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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 15 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.

Table of Contents**Summary Financial Information for PIFCo**

The following table sets forth PIFCo's summary financial information, presented in U.S. Dollars and prepared in accordance with U.S. GAAP. The data as of December 31, 2005 and 2004 and for each of the three years in the period ended December 31, 2005 have been derived from the audited consolidated financial statements of PIFCo, which are included in PIFCo's Annual Report on Form 20-F filed with the SEC on June 28, 2006. The data as of June 30, 2006 and for the six-months periods ended June 30, 2006 and 2005 have been derived from the unaudited consolidated financial statements of PIFCo, which are included in PIFCo's Report on Form 6-K furnished to the SEC on September 7, 2006. The information below should be read in conjunction with, and is qualified in its entirety by reference to, the PIFCo financial statements.

	For the Six-Month Period Ended June 30,		For the Year Ended December 31,		
	2006	2005	2005	2004	2003
	(in millions of U.S. Dollars)				
Income Statement Data:					
Sales of crude oil, oil products and services	U.S.\$ 9,850.7	U.S.\$ 7,386.8	U.S.\$ 17,136.1	U.S.\$ 12,355.6	U.S.\$ 6,975.5
Lease income					
Cost of sales	(9,736.5)	(7,305.6)	(16,983.3)	(12,236.0)	(6,920.1)
Lease expense					
Selling, general and administrative expenses	(95.5)	(59.5)	(165.7)	(99.8)	(18.6)
Operating income (loss)	18.7	21.7	(12.9)	19.8	36.8
Financial income (1)	570.4	477.4	984.0	678.8	442.9
Financial expense (1)	(598.5)	(473.2)	(998.9)	(761.2)	(482.7)
Other income, net	0.3	(0.1)		3.5	
Net income (loss)	U.S.\$ (9.1)	U.S.\$ 25.8	U.S.\$ (27.8)	U.S.\$ (59.1)	U.S.\$ (3.0)

	As of June 30,		As of December 31,		
	2006	2005	2004	2003	
	(in millions of U.S. Dollars)				
Balance Sheet Data:					
Cash and cash equivalents	U.S.\$ 417.9	U.S.\$ 230.7	U.S.\$ 1,107.3	U.S.\$ 664.2	
Total assets	18,882.4	16,748.9	14,670.6	10,196.6	
Short-term loans payable to related parties	6,371.3	4,346.1	2,881.5	2,442.8	
Short-term debt and current portion of long-term debt	1,036.1	891.1	680.9	1,076.4	
Capital lease					
Long-term debt	5,314.3	5,908.4	6,151.8	5,825.3	
Capital lease long-term					
Total stockholder's equity	(1.1)	8.0	35.7	94.8	

(1)

Financial
income
represents
primarily the
imputed interest
realized from
PIFCo's sales of
crude oil and oil
products to
Petrobras.
Financial
expense consists
primarily of
costs incurred
by PIFCo in
financing its
activities in
connection with
the importation
by Petrobras of
oil and oil
products.

Table of Contents**Summary Financial Information for Petrobras**

The following table sets forth Petrobras' summary financial information, presented in U.S. Dollars and prepared in accordance with U.S. GAAP. The data as of December 31, 2005 and 2004 and for each of the three years in the period ended December 31, 2005 have been derived from the audited consolidated financial statements of Petrobras, which are included in Petrobras' Annual Report on Form 20-F filed with the SEC on June 28, 2006. The data as of June 30, 2006 and for the six-months periods ended June 30, 2006 and 2005 have been derived from the unaudited consolidated financial statements of Petrobras, which are included in Petrobras' Report on Form 6-K furnished to the SEC on September 6, 2006. The information below should be read in conjunction with, and is qualified in its entirety by reference to, the Petrobras financial statements.

	For the Six-Month Period		For the Year Ended		
	Ended June 30,		December 31,		
	2006	2005	2005	2004	2003
	(in millions of U.S. Dollars)				
Income Statement Data:					
Sales of products and services	U.S.\$ 43,775	U.S.\$ 32,292	U.S.\$ 74,065	U.S.\$ 51,954	U.S.\$ 42,690
Net operating revenues	33,521	24,428	56,324	38,428	30,914
Cost of sales	(17,169)	(12,614)	(29,828)	(21,279)	(15,533)
Depreciation, depletion and amortization	(1,633)	(1,401)	(2,926)	(2,481)	(1,785)
Exploration, including exploratory dry holes	(301)	(276)	(1,009)	(613)	(512)
Impairment of oil and gas properties			(156)	(65)	(70)
Selling, general and administrative expenses	(2,361)	(1,887)	(4,474)	(2,901)	(2,091)
Research and development expenses	(339)	(166)	(399)	(248)	(201)
Other operating expenses	(278)	(657)	(582)	(259)	(326)
Total costs and expenses	(22,081)	(17,001)	(39,374)	(27,846)	(20,518)
Equity in results of non-consolidated companies	57	74	139	172	141
Financial income	401	113	710	956	634
Financial expenses	(896)	(744)	(1,189)	(1,733)	(1,247)
Monetary and exchange variation on monetary assets and liabilities, net	159	453	248	450	509
Employee benefit expense for non-active participants	(508)	(458)	(994)	(650)	(595)
Other taxes	(287)	(167)	(373)	(440)	(333)
Other expenses, net	(32)	(84)	(899)	(402)	(732)
	(1,106)	(813)	(2,358)	(1,647)	(1,623)
Income before income taxes and minority interest and	10,334	6,614	14,592	8,935	8,773

accounting change					
Extraordinary gain, net of tax			158		
Cumulative effect of change in accounting principles, net of income tax					697
Income tax (expense)	(3,490)	(2,083)	(4,441)	(2,231)	(2,663)
Minority interest	(330)	(366)	35	(514)	(248)
Net income	U.S.\$ 6,514	U.S.\$ 4,165	U.S.\$ 10,344	U.S.\$ 6,190	U.S.\$ 6,559

Cash Flow Data:

Cash provided by (used in)					
Operating activities	U.S.\$ 9,182	U.S.\$ 6,877	U.S.\$ 15,115	U.S.\$ 8,155	U.S.\$ 8,569
Investing activities	(5,778)	(4,516)	(10,207)	(7,743)	(6,785)
Financing activities	(3,553)	(2,588)	(2,625)	(2,204)	2,376

**As of June
30,
2006**

**As of December 31,
2005 2004 2003**
(in millions of U.S. Dollars)

Balance Sheet Data:

Cash and cash equivalents	U.S.\$ 10,385	U.S.\$ 9,871	U.S.\$ 6,856	U.S.\$ 8,344
Total assets	87,018	78,625	63,082	53,612
Short-term debt and current portion of long-term debt	2,876	2,378	1,746	2,474
Current portion of project financings and capital lease obligations	2,352	2,652	1,579	1,220
Long-term debt	10,400	11,503	12,145	11,888
Project financings and capital lease obligations	4,254	4,644	5,468	6,308
Total stockholders' equity	41,879	32,917	22,506	16,336

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Summary of the Exchange Offers

Securities Offered

Up to U.S.\$500,000,000 aggregate principal amount of our Reopening Notes. The Reopening Notes constitute a further issuance of, and form a single fungible series with, our Original 2016 Notes, which were issued on October 6, 2006.

The Exchange Offers

We are offering to holders of our Old Notes the opportunity to exchange, for each U.S.\$1,000 principal amount of Old Notes exchanged, U.S.\$1,000 principal amount of Reopening Notes plus a cash payment (rounded to the nearest U.S.\$0.01). The amount of the cash payment for each U.S.\$1,000 principal amount validly tendered and not withdrawn of Old Notes prior to the Early Tender Date will equal (i) the Total Exchange Price, minus (ii) the Reopen Issue Price of the Reopening Notes, plus (iii) the accrued and unpaid interest with respect to the relevant series of Old Notes to, but not including, the Settlement Date, minus (iv) the accrued and unpaid interest with respect to the Reopening Notes to, but not including, the Settlement Date.

The Total Exchange Price for each series of Old Notes is based on a fixed spread pricing formula described in this prospectus, and it includes an Early Tender Payment of U.S.\$[] for each U.S.\$1,000 principal amount of Old Notes of a series accepted, which will be paid only to holders who validly tender their Old Notes on or prior to the applicable Early Tender Date and do not validly withdraw their tenders. Holders who validly tender their Old Notes after the applicable Early Tender Date will receive, for each U.S.\$1,000 principal amount of Old Notes accepted, the Exchange Price, which represents the Total Exchange Price for that series of Old Notes minus the Early Tender Payment of U.S.\$[].

Upon consummation of the Offers, the Reopening Notes will be fungible with our Original 2016 Notes, which were issued on October 6, 2006, which will represent incremental liquidity for holders of the Reopening Notes.

The Reopening Notes will have different interest payment dates and a different maturity date as compared to the Old Notes being exchanged. For a description of the differences between the Old Notes and the Reopening Notes, see Description of Differences between the Old Notes and the Reopening Notes.

Holders of the Old Notes must tender any particular series of Old Notes in minimum denominations of U.S.\$2,000 and integral multiples of U.S.\$1,000 in excess thereof. Reopening Notes will be issued in minimum denominations of U.S.\$2,000 and integral multiples of U.S.\$1,000 in excess thereof.

Price Determination Time

The Price Determination Time with respect to a series of Old Notes and to the Reopening Notes will be 2:00 p.m., New York City time, on the first business day after the Early Tender Date for such series.

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Determination of the Total Exchange Price

The Total Exchange Price for each series of the Old Notes will equal (a) the discounted value, determined in accordance with the formula set forth in Schedule A to this prospectus, of the remaining payments of principal and interest per U.S.\$1,000 principal amount of such series of Old Notes through their maturity date, using a discount rate equal to the sum of (i) the bid-side yield to maturity on the applicable Reference Treasury Security indicated in the chart on the cover of this prospectus determined as of the Price Determination Time for such series (the Old Notes Treasury Yield), plus (ii) the fixed spread for such series listed on the cover page of this prospectus, minus (b) accrued and unpaid interest per U.S.\$1,000 principal amount of such series to, but not including, the applicable Settlement Date. The Total Exchange Price for each series of Old Notes will be rounded to the nearest U.S.\$0.01, and it includes an Early Tender Payment of U.S.\$[] for each U.S.\$1,000 principal amount of Old Notes of a series tendered.

The Old Notes Treasury Yield for any series will be based on the bid-side yield, as indicated on the applicable Bloomberg screen page indicated in the chart on the cover of this prospectus (or any recognized quotation source selected by the Dealer Managers in their sole discretion if the applicable Bloomberg screen page is not available or is manifestly erroneous) at the Price Determination Time. Holders tendering prior to the Price Determination Time will not know at the time of tender the amount of the Total Exchange Price.

Interest Rate on the Reopening Notes

The interest rate on the Reopening Notes will be 6.125%.

Determination of the Reopen Issue Price of the Reopening Notes

The Reopen Issue Price of the Reopening Notes will equal (a) the discounted value, determined in accordance with the formula set forth in Schedule A to this prospectus, of the remaining payments of principal and interest on U.S.\$1,000 principal amount of the Reopening Notes through their maturity date using a discount rate equal to the sum of (i) the bid-side yield to maturity on the applicable Reference Treasury Security indicated in the chart on the cover of this prospectus determined as of the applicable Price Determination Time (the Reopening Notes Treasury Yield), plus (ii) []% ([] basis points), minus (b) accrued and unpaid interest per U.S.\$1,000 principal amount of Reopening Notes to, but not including, the applicable Settlement Date. The Reopen Issue Price of the Reopening Notes will be rounded to the nearest U.S.\$0.01.

Illustrative Example

For an illustrative example, please refer to The Exchange Offers Determination of the Total Exchange Price Illustrative Example below and Schedule B Hypothetical Pricing Examples to this prospectus.

Expiration Time and Settlement

Each of the Offers will expire at 5:00 p.m., New York City time, on [], 2006, unless we extend it in our sole discretion. We refer to this date and time, as it may be extended for any series as provided in this prospectus, as the Expiration Time.

If the conditions to an Offer are satisfied or waived, we will settle such Offer on the third business day following the date on which the Expiration Time occurs (or as soon thereafter as practicable) (the Settlement Date).

Procedures for Tendering

If you wish to tender Old Notes pursuant to the Offers, you must follow the procedures described under The Exchange Offers Procedures for Tendering. You must tender by book-entry transfer

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to a DTC account established for this purpose through DTC's Automated Tender Offer Program (ATOP). A letter of transmittal need not accompany tenders effected through ATOP.

If your Old Notes are registered in the name of a custodial entity, such as a bank, broker, dealer, trust company or other nominee, you must contact that institution to tender your Old Notes. In that case, you must instruct the custodial entity to tender your Old Notes on your behalf pursuant to the procedures of that custodial entity. Custodial entities that are DTC participants must tender Old Notes through ATOP.

If your Old Notes are held through Euroclear or Clearstream, Luxembourg, you must comply with the procedures established by Euroclear or Clearstream, Luxembourg for tendering through Euroclear or Clearstream, Luxembourg.

If you have any questions about how to tender, please contact the Information Agent or the Exchange Agent at one of their addresses or telephone numbers listed on the back cover of this prospectus.

Withdrawal Rights

You may withdraw tendered Old Notes prior to the applicable Early Tender Date, but not thereafter. You may not withdraw tendered Old Notes after the applicable Early Tender Date, even if we extend the expiration of the Offers. However, additional withdrawal rights may be granted under circumstances described in The Exchange Offers Withdrawal of Tenders. If for any reason tendered Old Notes are not accepted for exchange, they will be returned promptly after the expiration or termination of the Offers.

Dissenters Rights

None.

Conditions to the Offers

Our obligation to accept Old Notes tendered in the Offers is conditioned on the satisfaction of certain conditions described under The Exchange Offers Conditions to the Offers, including the condition that on a date seven calendar days before the Price Determination Time, the yield to maturity of our Original 2016 Notes calculated in accordance with standard market practice based on their fair market value on that date, determined based on the prices indicated on the applicable Bloomberg screen page indicated in the chart on the cover of this prospectus (or any recognized quotation source selected by the Dealer Managers in their sole discretion if the applicable Bloomberg screen page is not available or is manifestly erroneous) at 5:00 p.m., New York City time, does not exceed 110% of the coupon rate of our Original 2016 Notes (the Qualified Reopening Condition). If the Qualified Reopening Condition is not satisfied, there may be adverse U.S. federal income tax consequences for holders of the Original 2016 Notes, and we will terminate the Offers.

In addition, as a condition to the Offers, we will issue a maximum principal amount of U.S.\$500,000,000 of Reopening Notes issuable under all of the Offers (the Maximum Issuance Condition). In the event that the Maximum Issuance Condition is not satisfied, we will accept the series of Old Notes in the priority order set forth in the chart on the cover page of this prospectus and we will prorate

the lowest priority series in order to cause the condition to be satisfied.

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Old Notes with an acceptance priority level following the prorated series of Old Notes will not be accepted for exchange. See The Exchange Offers Conditions to the Offers.

Certain Material United States Federal Income Tax Consequences

The Offers should qualify as a recapitalization for U.S. federal income tax purposes. Provided that the Offers so qualify, a U.S. holder of Old Notes would not recognize any loss on the Offers, but would be required to recognize gain realized to the extent of the amount of cash received in consideration for the Old Notes. The issuance of the Reopening Notes as part of the Offers should be treated as a qualified reopening of the Original 2016 Notes. Persons considering the Offers are urged to consult their tax advisers concerning the U.S. federal income tax consequences of the Offers in light of their particular circumstances, as well as any consequences arising under the laws of any state, local or foreign taxing jurisdiction.

For a description of the U.S. tax consequences of participating in the exchange, see Taxation.

Dealer Managers

Morgan Stanley & Co. Incorporated and UBS Securities LLC

Exchange Agent

The Bank of New York

Information Agent

D.F. King & Co., Inc.

Luxembourg Agent

The Bank of New York (Luxembourg) S.A.

Trustee for the Reopening Notes

The Bank of New York

Consequences of Not Tendering Your Old Notes

Any of the Old Notes that are not tendered to us or are not accepted for exchange will remain outstanding and will continue to accrue interest in accordance with, and will otherwise be entitled to all the rights and privileges under, the indenture pursuant to which they were issued. However, if the Offers are consummated, the trading market for each series of Old Notes not exchanged in the Offers may be more limited than it is at present and could for all practical purposes cease to exist, which could adversely affect the liquidity, market price and price volatility of the Old Notes of that series.

Risk Factors

For a description of various factors that you should consider before deciding whether to tender Old Notes pursuant to the Offers, see Risk Factors beginning on page 17 of this prospectus.

Key Dates and Times

All times referred to in this prospectus are New York City time, and all dates assume that we do not extend the Offers:

[p.m.], on [], 2006	Early Tender Date
[2:00 p.m.], on [], 2006	Price Determination Time
5:00 p.m., on [], 2006	Expiration Time

[p.m.], on [], 2006 Settlement Date

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Summary Description of the Reopening Notes

Issuer	Petrobras International Finance Company, or PIFCo.
Securities Offered	Up to U.S.\$500,000,000 aggregate principal amount of our Reopening Notes. The Reopening Notes constitute a further issuance of, and form a single fungible series with, our Original 2016 Notes, which were issued on October 6, 2006.
Maturity	October 6, 2016
Interest	The interest rate on the Reopening Notes will be 6.125%. We will pay interest semiannually on April 6 and October 6 of each year, commencing on April 6, 2007, and the regular record date for any interest payment date will be the tenth business day preceding that date.
Use of Proceeds	The Reopening Notes issued in connection with the Offers are only being issued in exchange for your Old Notes. We will not receive any cash proceeds from the issuance of the Reopening Notes pursuant to the Offers. All Old Notes we accept in the Offers will be cancelled.
Minimum Denominations	The Reopening Notes will 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.
Indenture	The Reopening Notes will be issued pursuant to an indenture between PIFCo and The Bank of New York, a New York banking corporation, as successor to JPMorgan Chase Bank, N.A., as trustee (the Trustee), dated as of July 19, 2002, as supplemented by the amended and restated fifth supplemental indenture, dated as of the Settlement Date, among PIFCo, Petrobras and the Trustee. When we refer to the indenture in this prospectus, we are referring to the indenture as supplemented by the amended and restated fifth supplemental indenture. See Description of the Reopening Notes.
Standby Purchase Agreement	The Reopening Notes will have the benefit of credit support in the form of an amended and restated standby purchase agreement under which Petrobras will be 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 Reopening Notes and the indenture (the Standby Purchase Agreement). Under the Standby Purchase Agreement, Petrobras will be required to purchase from the holders of the Reopening 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 Reopening Notes and the indenture, (ii) the entire principal amount of the Reopening Notes in the event PIFCo fails to make any required payment of principal at the maturity of the Reopening Notes or earlier upon any redemption, repurchase or acceleration of the Reopening Notes prior to the maturity date, (iii) the entire principal amount of the Reopening Notes in the event that a holder of a Reopening 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 Reopening 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

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Description of the Standby Purchase Agreement.

Ranking

The Reopening 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 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 Standby Purchase Agreement.

Listing

PIFCo has submitted an application to the New York Stock Exchange for listing its Original 2016 Notes, but the Reopening Notes are not listed on any securities exchange and are not quoted through an automated quotation system. PIFCo may apply for a listing of the Reopening Notes on the New York Stock Exchange at some time after the Settlement Date, but there is no certainty that an application will be made or that the listing will be approved by the New York Stock Exchange.

Optional Redemption

PIFCo may redeem any of the Reopening Notes at any time in whole or in part by paying the greater of the principal amount of the Reopening Notes and a make-whole amount, plus, in each case, accrued interest, as described under Description of the Reopening Notes³/₄Optional Redemption.

Early Redemption at PIFCo's Option Solely for Tax Reasons

The Reopening 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 Reopening Notes Optional Redemption.

Certain Covenants

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

pay all amounts owed by it under the indenture and the Reopening 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 Reopening Notes continue to be senior obligations of PIFCo; use proceeds from the issuance of the Reopening Notes for specified purposes;

give notice to the Trustee of any default or event of default under the indenture;

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:

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

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RISK FACTORS

You should carefully consider the following risk factors and all the information set forth in this prospectus before making a decision whether to participate in the Offers. The risks and uncertainties described below are not the only ones that we face. Additional risks and uncertainties that we do not know about or that we currently think are immaterial may also impair our business operations. Any of the following risks, if they actually occur, could materially and adversely affect our business, results of operations, prospects and financial condition.

Risks Relating to PIFCo

PIFCo may not earn enough money from its own operations to meet its debt obligations.

PIFCo is a direct wholly-owned subsidiary of Petrobras incorporated in the Cayman Islands as an exempted company with limited liability. Accordingly, PIFCo's financial position and results of operations are largely affected by the decisions of Petrobras, its parent company. PIFCo has limited operations consisting principally of the purchase of crude oil and oil products from third parties and the resale of those products to Petrobras, with financing for such operations provided by Petrobras as well as third-party credit providers. PIFCo also buys and sells crude oil and oil products from and to Petrobras, third parties and affiliates on a limited basis. PIFCo's ability to pay interest, principal and other amounts due on its outstanding and future debt obligations will depend upon a number of factors, including: the financial condition and results of operations of Petrobras;

the extent to which Petrobras continues to use PIFCo's services for market purchases of crude oil and oil products;

Petrobras' willingness to continue to make loans to PIFCo and provide PIFCo with other types of financial support;

PIFCo's ability to access financing sources, including the international capital markets and third-party credit facilities; and

PIFCo's ability to transfer its financing costs to Petrobras.

In the event of a material adverse change in the financial condition or results of operations of Petrobras or in Petrobras' financial support of PIFCo, PIFCo may not have sufficient funds to repay all amounts due on its indebtedness. See [Risks Relating to Petrobras](#) for a more detailed description of certain risks that may have a material adverse impact on the financial condition or results of operations of Petrobras and therefore affect PIFCo's ability to meet its debt obligations.

If Brazilian law restricts Petrobras from paying PIFCo in U.S. Dollars, PIFCo may have insufficient U.S. Dollar funds to make payments on its debt obligations.

PIFCo obtains substantially all of its funds from Petrobras' payments in U.S. Dollars for crude oil that Petrobras purchases from PIFCo. In order to remit U.S. Dollars to PIFCo, Petrobras must comply with Brazilian foreign exchange control regulations, including preparing specified documentation to be able to obtain U.S. Dollar funds for payment to PIFCo. If Brazilian law were to impose additional restrictions, limitations or prohibitions on Petrobras' ability to convert Reais into U.S. Dollars, PIFCo may not have sufficient U.S. Dollar funds available to make payment on its debt obligations. Such restrictions could also have a material adverse effect on the Brazilian economy or Petrobras' business, financial condition and results of operations.

PIFCo may be limited in its ability to pass on its financing costs.

PIFCo is principally engaged in the purchase of crude oil and oil products for sale to Petrobras, as described above. PIFCo regularly incurs indebtedness related to such purchases and/or obtain financing from Petrobras or third-party creditors. At December 31, 2005, approximately 20% of PIFCo's indebtedness was floating-rate debt denominated in U.S. Dollars. All such indebtedness has the benefit of Petrobras' standby purchase obligation or other support. PIFCo has historically passed on its financing costs to Petrobras by selling crude oil and oil products to Petrobras at a premium to compensate for its financing costs. Although Petrobras intends to continue

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this practice in the future, it cannot assure you that it will. PIFCo's inability to transfer its financing costs to Petrobras could have a material adverse effect on PIFCo's business and on its ability to meet its debt obligations in the long term.

Risks Relating to Petrobras

Substantial or extended declines in the prices of crude oil and oil products may have a material adverse effect on the income of Petrobras.

The major part of Petrobras' revenue is derived from sales of crude oil and oil products. Petrobras does not, and will not, have control over the factors affecting international prices for crude oil and oil products. The average prices of Brent crude, an international benchmark oil, were approximately U.S.\$ 54.38 per barrel for 2005, U.S.\$38.21 per barrel for 2004 and U.S.\$28.84 per barrel for 2003. Changes in crude oil prices typically result in changes in prices for oil products.

Historically, international prices for crude oil and oil products have fluctuated widely as a result of many factors. These factors include:

global and regional economic and political developments in crude oil producing regions, particularly in the Middle East;

the ability of the Organization of Petroleum Exporting Countries (OPEC) and other crude oil producing nations to set and maintain crude oil production levels and prices;

global and regional supply and demand for crude oil and oil products;

competition from other energy sources;

domestic and foreign government regulations;

weather conditions; and

global conflicts and acts of terrorism.

Volatility and uncertainty in international prices for crude oil and oil products may continue. Substantial or extended declines in international crude oil prices may have a material adverse effect on Petrobras, results of operations and financial condition, and the value of Petrobras' proved reserves. In addition, significant decreases in the price of crude oil may cause Petrobras to reduce or alter the timing of the company's capital expenditures, and this could adversely affect the company's production forecasts in the medium term and its future reserve estimates.

The ability of Petrobras to achieve its growth objectives depends on discovering additional reserves and successfully developing them, and failure to do so could prevent Petrobras from achieving its long-term goals for growth in production.

Petrobras' ability to achieve its growth objectives is highly dependent upon discovering additional reserves, as well as successfully developing its current reserves. In addition, the company's exploration activities expose it to the inherent risks of drilling, including the risk that Petrobras will not discover commercially productive crude oil or natural gas reserves. The costs of drilling wells are often uncertain, and numerous factors beyond the control of Petrobras (such as unexpected drilling conditions, equipment failures or accidents and shortages or delays in the availability of drilling rigs and the delivery of equipment) may cause drilling operations to be curtailed, delayed or cancelled. These risks are heightened when drilling in deep water (between 300 and 1,500 meters water depth) and ultra deep water (more than 1,500 meters). Deep water drilling represented approximately 36% of the exploratory wells drilled by Petrobras in 2005, a higher proportion than for many other oil and gas producers.

Unless Petrobras conducts successful exploration and development activities or acquires properties containing proved reserves, or both, the company's proved reserves will decline as reserves are extracted. If Petrobras fails to gain access to additional reserves it may not achieve its long-term goals for production growth and the company's results of operations and financial condition may be adversely affected.

Table of Contents***Petrobras crude oil and natural gas reserve estimates involve some degree of uncertainty, which could adversely affect the company's ability to generate income.***

The proved crude oil and natural gas reserves set forth in this prospectus are Petrobras' estimated quantities of crude oil, natural gas and natural gas liquids that geological and engineering data demonstrate with reasonable certainty to be recoverable from known reservoirs under existing economic and operating conditions (i.e., prices and costs as of the date the estimate is made). Petrobras' proved developed crude oil and natural gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. There are uncertainties in estimating quantities of proved reserves related to prevailing crude oil and natural gas prices applicable to Petrobras' production, which may lead to revisions to the company's reserve estimates. Downward revisions in the reserve estimates of Petrobras could lead to lower future production, which could have an adverse effect on the company's results of operations and financial condition.

Petrobras is subject to numerous environmental and health regulations that have become more stringent in the recent past and may result in increased liabilities and increased capital expenditures.

The activities of Petrobras are subject to a wide variety of federal, state and local laws, regulations and permit requirements relating to the protection of human health and the environment, both in Brazil and in other jurisdictions in which Petrobras operates. In Brazil, the company could be exposed to administrative and criminal sanctions, including warnings, fines and closure orders, for non-compliance with these environmental regulations, which, among other things, limit or prohibit emissions or spills of toxic substances produced in connection with Petrobras' operations. In 2005, Petrobras experienced spills totaling 71,141 gallons of crude oil, as compared to 140,000 gallons in 2004 and 73,000 gallons in 2003. As a result of certain of these spills, the company was fined by various state and federal environmental agencies, named the defendant in several civil and criminal suits and remain subject to several investigations and potential civil and criminal liabilities. Waste disposal and emissions regulations may require Petrobras to clean up or retrofit the company's facilities at substantial cost and could result in substantial liabilities. The *Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis* (Brazilian Institute of the Environment and Renewable Natural Resources, or IBAMA) routinely inspects Petrobras' oil platforms in the Campos Basin, and may impose fines, restrictions on operations or other sanctions in connection with its inspections. In addition, Petrobras is subject to environmental laws that require it to incur significant costs to remedy any damage that a project may cause to the environment (*environmental compensation*). These additional costs may have a negative impact on the profitability of the projects that Petrobras intends to implement or may make such projects economically unfeasible.

As environmental regulations become more stringent, it is probable that the capital expenditures of Petrobras for compliance with environmental regulations and to effect improvements in the company's health, safety and environmental practices will increase substantially in the future. Because Petrobras' capital expenditures are subject to approval by the Brazilian government, increased expenditures to comply with environmental regulations could result in reductions in other strategic investments. Any such reduction may have a material adverse effect on the company's results of operations or financial condition.

Petrobras may incur losses and spend time and money defending pending litigation and arbitration.

Petrobras is currently a party to numerous legal proceedings relating to civil, administrative, environmental, labor and tax claims. These claims involve substantial amounts of money and other remedies. Several individual disputes account for a significant part of the total amount of claims against Petrobras. For example, on the grounds that drilling and production platforms may not be classified as sea-going vessels, the Brazilian Revenue Service asserted that overseas remittances for charter payments should be reclassified as lease payment and subject to a withholding tax of 25%. They have filed two tax assessments against Petrobras in the aggregate historical amount of R\$3,157 million (approximately U.S.\$1,098 million).

Petrobras may also be subject to labor litigation in connection with recent changes in Brazilian laws relating to retirement benefits affecting the company's employees.

In the event that claims involving a material amount and for which Petrobras has no provisions were to be decided against the company, or in the event that the losses estimated turn out to be significantly higher than the

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provisions made, the aggregate cost of unfavorable decisions could have a material adverse effect on Petrobras financial condition and results of operations. Additionally, the company's management may be required to direct its time and attention to defending these claims, which could preclude them from focusing on the core business of Petrobras. Depending on the outcome, certain litigation could result in restrictions on the company's operations and have a material adverse effect on certain of Petrobras' businesses.

If the State of Rio de Janeiro enforces a law imposing ICMS on oil upstream activities, Petrobras' results of operations and financial condition may be adversely affected.

In June 2003, the State of Rio de Janeiro enacted a law, referred to as Noel Law, imposing *Imposto sobre Circulação de Mercadorias e Serviços*, or ICMS, a state tax, on upstream activities. The constitutionality of the Noel Law is currently being challenged in the Brazilian Supreme Court (*Supremo Tribunal Federal*, or STF) and although the law is technically in force, the government of the State of Rio de Janeiro has not yet enforced it. Currently, the ICMS for fuels derived from oil is assessed at the point of sale but not at the wellhead level. If the State of Rio de Janeiro enforces the Noel Law, it is unlikely (depending on the grounds of the Supreme Court's decision) that the other states would allow Petrobras to use the tax imposed at the wellhead level in Rio de Janeiro as a credit to offset the tax imposed at the sale level. Therefore, Petrobras would have to pay ICMS at both levels. Petrobras estimates that the amount of ICMS that it would be required to pay to the State of Rio de Janeiro could increase by approximately R\$8.51 billion (U.S.\$3.52 billion) per year. This increase could have a material adverse effect on the results of operations and financial condition of Petrobras.

Petrobras' participation in the domestic power market has generated losses and may not become profitable.

Consistent with the global trend of other major oil and gas companies and to secure demand for Petrobras natural gas, the company participates in the domestic power market. Despite a number of incentives introduced by the Brazilian government to promote the development of gas-fired power plants, development of such plants has been slow due to the market structure and regulation of the power industry, among other things. Petrobras has invested, alone or with other investors, in fourteen (twelve in operation and two under construction or development) of the 39 gas-fired power generation plants. Demand for energy produced by Petrobras' gas-fired power plants has been lower than expected mainly as a result of good hydrological conditions in the last years that increased the supply and lowered the prices of energy from hydroelectric power plants. The main risks associated with the gas-fired power business of Petrobras are:

Physical demand for Petrobras' installed capacity, which is influenced by the current and expected market prices of natural gas;

The potential mismatch between contracted price indexation for energy to be sold by gas-fired power companies and the cost of natural gas or other substitute fuel supply; and

The dependence on construction of pipelines and other infrastructure to transport and produce natural gas and the commitment to purchase firm quantities of natural gas to satisfy the requirement of the new regulatory model for power generation in order to sell under long term energy contracts.

As a result of the foregoing, Petrobras' participation in the domestic power market has generated losses and may not become profitable.

Petrobras may not be able to obtain financing for all of Petrobras' planned investments, and failure to do so could adversely affect the company's operating results and financial condition.

The Brazilian government maintains control over Petrobras' budget of and establishes limits on the company's investments and long-term debt. As a state-controlled entity, Petrobras must submit a proposed annual budget to the Ministry of Planning, Budget and Management, the Ministry of Mines and Energy, and the Brazilian Congress for approval. If Petrobras cannot obtain financing that does not require Brazilian government approval, such as structured financings, the company may not be free to make all the investments it envisions, including those Petrobras had agreed to make to expand and develop Petrobras' crude oil and natural gas fields. If Petrobras is unable to make these investments, its operating results and financial condition may be adversely affected.

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Currency fluctuations could have a material adverse effect on the financial condition and results of operations of Petrobras, because most of Petrobras' revenues are in reais and a large portion of the company's liabilities are in foreign currencies.

The principal market for Petrobras' products is Brazil, and over the last three fiscal years over 78% of Petrobras' revenues have been denominated in Reais. A substantial portion of Petrobras' indebtedness and some of the company's operating expenses and capital expenditures are, and are expected to continue to be, denominated in or indexed to U.S. Dollars and other foreign currencies. In addition, during 2005 Petrobras imported U.S.\$8.1 billion of crude oil and oil products, the prices of which were all denominated in U.S. Dollars.

The Real depreciated 52.3% in 2002 against the U.S. Dollar before appreciating 18.2%, 8.1% and 11.8% against the U.S. Dollar in 2003, 2004 and 2005, respectively. As of October 30, 2006, the exchange rate of the Real to the U.S. Dollar was R\$2.146 per U.S.\$1.00, representing an appreciation of approximately 8.3% in 2006 year-to-date. The value of the Real in relation to the U.S. Dollar may continue to fluctuate and may include a significant depreciation of the Real against the U.S. Dollar as occurred in 2002. Any future substantial depreciation of the Real may adversely affect the operating cash flows of Petrobras and the company's ability to meet its foreign currency-denominated obligations.

Petrobras is exposed to increases in prevailing market interest rates, which leaves Petrobras vulnerable to increased financing expenses.

As of December 31, 2005, approximately 52.5% of the total indebtedness of Petrobras consisted of floating rate debt. The company has not entered into derivative contracts or made other arrangements to hedge against interest rate risk. Accordingly, if market interest rates (principally LIBOR) rise, Petrobras' financing expenses will increase, which could have an adverse effect on the results of operations and financial condition of Petrobras.

Petrobras is not insured against business interruption for its Brazilian operations and most of its assets are not insured against war and terrorism.

Petrobras does not maintain coverage for business interruption for its Brazilian operations. If, for instance, the company's workers were to strike, the resulting work stoppages could have an adverse effect on Petrobras, as the company does not carry insurance for losses incurred as a result of business interruptions of any nature, including business interruptions caused by labor action. In addition, Petrobras does not insure most of its assets against war and terrorism. A terrorist attack or an operational incident causing an interruption of business could therefore have a material adverse effect on Petrobras' financial condition or results of operations.

Petrobras is subject to substantial risks relating to Petrobras' international operations, in particular in Latin America and the Middle East.

Petrobras operates in a number of different countries, particularly in Latin America, West Africa and the Middle East that can be politically, economically and socially unstable. The results of operations and financial condition of the company's subsidiaries in these countries may be adversely affected by fluctuations in their local economies, political instability and governmental actions relating to the economy, including:

the imposition of exchange or price controls;

the imposition of restrictions on hydrocarbon exports;

the depreciation of local currencies;

the nationalization of oil and gas reserves; or

increases in export tax / income tax rates for crude oil and oil products.

If one or more of the risks described above were to materialize Petrobras may not achieve its strategic objectives in these countries or in its international operations as a whole, which may result in a material adverse effect on the company's results of operations and financial condition.

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Of the countries outside of Brazil in which Petrobras operates, Argentina is the most significant, representing approximately 40% of the company's total international crude oil and natural gas production and 28% of international proved crude oil and natural gas reserves at December 31, 2005. In response to the Argentine crisis, the Argentine government has made a number of changes in the regulatory structure of the electricity and gas sectors and has fixed export tax rates for crude oil, natural gas and oil products. Petrobras also has significant operations in Bolivia and Venezuela that represented, respectively, approximately 21% and 18% of its total international production in barrels of oil equivalent and 27% and 22% of its international proved crude oil and natural gas reserves at December 31, 2005. Both Bolivia and Venezuela have recently announced certain nationalization measures that may generate material losses to Petrobras. At present, there is much uncertainty in the political, economic and social situations, generally in these two countries. See *Risks Relating to Petrobras*³⁴ The recent nationalization measures taken by the Bolivian and Venezuelan governments may have an adverse effect on the results of operations and financial condition of Petrobras for a description of the risks associated with these nationalization measures. Deterioration of the situation in Argentina, Bolivia or Venezuela may have an adverse effect on Petrobras' results of operations and financial condition.

The recent nationalization measures taken by the Bolivian and Venezuelan governments may have an adverse effect on the results of operations and financial condition of Petrobras.

The Bolivian and Venezuelan governments have recently increased their participation in their respective domestic oil and gas industries, which may generate material losses to Petrobras.

Petrobras' consolidated interests related to Bolivia include two refineries, oil and gas reserves, which represented approximately 2.7% of the company's total reserves at December 31, 2005 and Petrobras' interest in the Bolivia-Brazil gas pipeline (GTB). Petrobras also holds a long-term gas supply agreement, or the GSA, for the purchase of natural gas from the Bolivian state oil company, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB). Petrobras has been operating in Bolivia since 1996. As of December 31, 2005, the book value of Bolivia assets were U.S.\$ 990 million. On May 1, 2006, the Bolivian government announced that it would nationalize several industries in the country, including the oil and gas industry. As a result, Petrobras' interest in the two refineries and the oil and gas reserves in Bolivia will be reduced. It is uncertain if and how the company will be compensated for these losses. In 2005, the natural gas that Petrobras imported from Bolivia represented approximately 53% of the company's total natural gas sales. Petrobras supplies this natural gas to the Brazilian market, including local distribution companies and gas-fired power plants in which the company has an interest.

Petrobras' interests in Venezuela included oil and gas reserves, which represented approximately 2.3% of the company's total reserves at December 31, 2005. In April 2005, the Venezuelan Energy and Oil Ministry instructed Petróleos de Venezuela S.A. (PDVSA) to review thirty-two operating agreements signed by PDVSA with oil companies from 1992 through 1997. In addition, PDVSA was instructed to take measures in order to convert all effective operating agreements into state-controlled companies in order to grant the Venezuelan government, through PDVSA, more than 50% ownership of each field, including agreements with Petrobras' affiliates in connection with the areas of Oritupano Leona, La Concepcion, Acema and Mata. As a result, as of December 31, 2005, Petrobras recorded an impairment charge in order to adjust the book value of its Venezuelan assets in the amount of U.S.\$134 million. In March 31, 2006, Petrobras, PDVSA and Corporación Venezolana del Petróleo S.A. (CVP), entered into memorandums of understanding (MOUs) in order to effect the migration of the operating agreements to partially state-owned companies (mixed companies), whereby the interest of PDVSA in each mixed company will be 60%. As a result, Petrobras' indirect interest in the fields of Oritupano Leona, La Concepción, Acema and Mata Areas became 22%, 36%, 34.5% and 34.5%, respectively, and Petrobras was awarded a credit of U.S.\$89 million as compensation for its loss. The economic effects of the migration are effective since April 1, 2006 and since then Petrobras no longer consolidated the assets, liabilities and results relating to these operations in its consolidated financial statements.

As a result of the foregoing, Petrobras currently cannot estimate the degree to which these nationalization measures will affect the company, and believes they may have a material adverse effect on its reserves, results of operations and financial condition.

Table of Contents**Risks Relating to the Relationship between Petrobras and the Brazilian Government**

The Brazilian government, as the controlling shareholder of Petrobras, may cause the company to pursue certain macroeconomic and social objectives that may have an adverse effect on its results of operations and financial condition.

The Brazilian government, as the controlling shareholder of Petrobras, has pursued, and may pursue in the future, certain of its macroeconomic and social objectives through Petrobras. Brazilian law requires the Brazilian government to own a majority of the company's voting stock, and so long as it does, the Brazilian government will have the power to elect a majority of the members of Petrobras' board of directors and, through them, a majority of the executive officers who are responsible for the day-to-day management of Petrobras. As a result, the company may engage in activities that give preference to the objectives of the Brazilian government rather than to the economic and business objectives of Petrobras. In particular, Petrobras continues to assist the Brazilian government to ensure that the supply of crude oil and oil products in Brazil meets Brazilian consumption requirements. Accordingly, Petrobras may make investments, incur costs and engage in sales on terms that may have an adverse effect on the company's results of operations and financial condition.

If the Brazilian government reinstates controls over the prices Petrobras can charge for crude oil and oil products, such price controls could affect the financial condition and results of operations of the company.

In the past, the Brazilian government set prices for crude oil and oil products in Brazil, often below prices prevailing in the world oil markets. These prices involved elements of cross-subsidy among different oil products sold in various regions in Brazil. The cumulative impact of this price regulation system on Petrobras is recorded as an asset on the balance sheet of Petrobras under the line item "Petroleum and Alcohol Account Receivable from the Brazilian government." The balance of the account at December 31, 2005 and June 30, 2006 were U.S.\$329 million and U.S.\$359 million, respectively. All price controls for crude oil and oil products ended on January 2, 2002, however, the Brazilian government could decide to reinstate price controls in the future as a result of market instability or other conditions. If this were to occur, Petrobras' financial condition and results of operations could be adversely affected.

Petrobras does not own any of the crude oil and natural gas reserves in Brazil.

A guaranteed source of crude oil and natural gas reserves is essential to an oil and gas company's sustained production and generation of income. Under Brazilian law, the Brazilian government owns all crude oil and natural gas reserves in Brazil and the concessionaire owns the oil and gas it produces. Petrobras possesses the exclusive right to develop the company's reserves pursuant to concession agreements awarded to Petrobras by the Brazilian government and owns the goods produced under the concession agreements, but if the Brazilian government were to restrict or prevent Petrobras from exploiting these crude oil and natural gas reserves, Petrobras' ability to generate income would be adversely affected.

Risks Relating to Brazil

The Brazilian government has historically exercised, and continues to exercise, significant influence over the Brazilian economy. Brazilian political and economic conditions have a direct impact on the business of Petrobras and may have a material adverse effect on the company's results of operations and financial condition.

The Brazilian government's economic policies may have important effects on Brazilian companies, including Petrobras, and on market conditions and prices of Brazilian securities. Petrobras' financial condition and results of operations may be adversely affected by the following factors and the Brazilian government's response to these factors:

devaluations and other exchange rate movements;

inflation;

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exchange control policies;

social instability;

price instability;

energy shortages;

interest rates;

liquidity of domestic capital and lending markets;

tax policy; and

other political, diplomatic, social and economic developments in or affecting Brazil.

Political instability may adversely affect the results of operations and the price of the securities of Petrobras.

The performance of the Brazilian economy has historically been influenced by the domestic political scenario. Political crises have, in the past, affected the confidence of investors and of the general public and resulted in economic slowdowns, adversely affecting the market price of the shares of publicly-listed companies.

The Brazilian Congress is currently conducting investigations on, among other matters, allegations related to contributions to political campaigns that were unaccounted for or not publicly disclosed, including contributions made to various important members of the current federal administration. Such allegations have resulted in the replacement of key ministers and occupied most of Congress' agenda. In addition, some allegations implicated other companies controlled by the Brazilian government. If these investigations were to impact the confidence of the general public and/or of investors, or result in an economic slowdown in Brazil, Petrobras' results of operations and the price of the company's shares could be adversely affected.

Additionally, a run-off for the presidential election in Brazil took place on October 29, 2006, and Petrobras cannot assure you that the next administration will maintain the economic policies that were adopted by the current administration. The uncertainties relating to the next administration may impact the confidence of the general public and of investors and the price of Petrobras' securities may be adversely affected.

Inflation and government measures to curb inflation may contribute significantly to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets and, consequently, may adversely affect the market value of Petrobras' securities and financial condition.

The principal market of Petrobras is Brazil, which has, in the past, periodically experienced extremely high rates of inflation. Inflation, along with governmental measures to combat inflation and public speculation about possible future measures, has had significant negative effects on the Brazilian economy. The annual rates of inflation, as measured by the National Wide Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*, or IPCA), have decreased from 2,477.15% in 1993 to 916.46% in 1994 and to 5.97% in 2000. The same index increased to 9.30% in 2003, before decreasing to 7.60% in 2004 and to 5.69% in 2005. Considering the historically high rates of inflation, Brazil may experience higher levels of inflation in the future. The lower levels of inflation experienced since 1995 may not continue. Future governmental actions, including actions to adjust the value of the Real, could trigger increases in inflation, which may adversely affect the company's financial condition.

Access to international capital markets for Brazilian companies is influenced by the perception of risk in Brazil and other emerging economies, which may hurt Petrobras' ability to finance operations and the trading values of the company's securities.

International investors generally consider Brazil to be an emerging market. As a result, economic and market conditions in other emerging market countries, especially those in Latin America, influence the market for securities issued by Brazilian companies. As a result of economic problems in various emerging market countries in recent years (such as the Asian financial crisis of 1997, the Russian financial crisis in 1998 and the Argentine financial crisis that

began in 2001), investors have viewed investments in emerging markets with heightened caution. These crises produced a significant outflow of U.S. Dollars from Brazil, causing Brazilian companies to face higher costs for raising funds, both domestically and abroad, and impeding access to international capital markets. Increased volatility in securities markets in Latin American and in other emerging market countries may

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have a negative impact on the trading value of the company's securities. Petrobras cannot assure you that international capital markets will remain open to Brazilian companies or that prevailing interest rates in these markets will be advantageous to the company.

Risks Relating to PIFCo's Reopening Notes and the Standby Purchase Agreement

The market for Reopening Notes may not be liquid.

An application [has been submitted] to the New York Stock Exchange for listing our Original 2016 Notes, but the Reopening Notes are not listed on any securities exchange and are not quoted through an automated quotation system. PIFCo may apply for a listing of the Reopening Notes on the New York Stock Exchange at some time after the Settlement Date, but there is no certainty that an application will be made or that the listing will be approved by the New York Stock Exchange. We can make no assurance as to the liquidity of or trading markets for the Reopening Notes. We cannot guarantee that the holders of Reopening Notes will be able to sell their Reopening Notes in the future. If a market for the Reopening Notes does not develop, holders of Reopening Notes may not be able to resell the Reopening 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 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 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 Standby Purchase Agreement might take longer than expected.

Petrobras will enter into a Standby Purchase Agreement in support of PIFCo's obligations under its Reopening Notes and indenture. Petrobras' obligation to purchase from the PIFCo noteholders any unpaid amounts of principal, interest and other amounts due under the Reopening Notes and the indenture applies, subject to certain limitations, irrespective of whether any such amounts are due at maturity of the Reopening Notes or otherwise.

Petrobras has been advised by its counsel that the enforcement of the 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 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 Standby Purchase Agreement in U.S. Dollars.

If Petrobras is required to make payments under the 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 the Reopening 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 Standby Purchase Agreement.

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Petrobras would be required to pay judgments of Brazilian courts enforcing its obligations under the Standby Purchase Agreement only in Reais.

If proceedings were brought in Brazil seeking to enforce Petrobras' obligations in respect of the 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 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 Reopening Notes is supported by Petrobras' obligation under the Standby Purchase Agreement to make payments on PIFCo's behalf. Petrobras has been advised by its external U.S. counsel that the Standby Purchase Agreement is valid and enforceable in accordance with the laws of the State of New York and the United States. In addition, Petrobras has been advised by its general counsel that the laws of Brazil do not prevent the 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 Standby Purchase Agreement, and Petrobras, at the time it entered into the Standby Purchase Agreement:

was or is insolvent or rendered insolvent by reason of its entry into the 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 Standby Purchase Agreement could be avoided, or claims with respect to the Standby Purchase Agreement could be subordinated to the claims of other creditors. Among other things, a legal challenge to the 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 Reopening Notes. To the extent that the Standby Purchase Agreement is held to be a fraudulent conveyance or unenforceable for any other reason, the holders of the Reopening Notes would not have a claim against Petrobras under the 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 Standby Purchase Agreement.

Risks Associated with the Exchange Offers

The trading market for each series of Old Notes not exchanged in the Offers may become more limited than it is at present and could for all practical purposes cease to exist, which could adversely affect the liquidity, market price and price volatility of the Old Notes of that series.

The Offers could result in a substantial or complete reduction in the principal amount outstanding of one or more series of Old Notes. Therefore, the trading market for Old Notes outstanding after the Offers are completed could become limited or nonexistent due to the reduction in the amount of Old Notes outstanding. If a market for unexchanged Old Notes exists after consummation of the Offers, the Old Notes may trade at a discount to the price at which they would have traded if the Offers had not been consummated, depending on prevailing interest rates, the market for similar securities and other factors. We cannot assure you that an active market in the unexchanged Old Notes will exist or be maintained and cannot assure you as to the prices at which the unexchanged Old Notes may be traded.

The Old Notes have not been listed by us on any national or regional securities exchange or quoted on any automated quotation system, with the exception of the 2008 Notes and the 2011 Notes, which have been listed on

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the Luxembourg Stock Exchange. Quotations for securities that are not widely traded, such as the Old Notes, may differ from actual trading prices and should be viewed as approximations. You are urged to contact your broker with respect to current market prices for the Old Notes.

Table of Contents**RATIO OF EARNINGS TO FIXED CHARGES****PIFCo**

The following table contains the consolidated ratios of earnings to fixed charges of PIFCo for the periods indicated determined in accordance to US GAAP:

	Year Ended December 31,					Six Months Ended June 30,
	2001	2002	2003	2004	2005	2006
Ratio of earnings to fixed charges ⁽¹⁾	0.89	0.77	0.99	0.91	0.97	0.98

- (1) Earnings were inadequate to cover fixed charges by U.S.\$20.3 million in the year ended December 31, 2001, U.S.\$65.5 million in the year ended December 31, 2002, U.S.\$3.0 million in the year ended December 31, 2003, U.S.\$59.1 million in the year ended December 31, 2004, U.S.\$27.8 million in the year ended December 31, 2005 and U.S.\$9.1 million in the six-month period ended June 30, 2006.

PIFCo Ratio of Earnings to Fixed Charges US GAAP

For the six-month period ended June 30, 2006	2005	For the year ended December 31,			2001
		2004	2003	2002	
(in Thousands of U.S. Dollars)					

Income (loss) before income taxes and minority interest	(9,063)	(27,756)	(59,103)	(3,011)	(65,462)	(20,331)
Add fixed charges as adjusted (from below)	566,190	975,802	667,208	468,782	298,737	187,020
Earnings	557,127	948,046	608,105	465,771	233,275	166,689
Fixed charges:						
Interest expense:						
Interest on Indebtedness	553,950	956,704	656,036	460,151	287,856	178,979
Dividends declared					2,423	
Amortization of debt costs	12,240	19,098	11,172	8,631	10,881	8,041
Interest portion of rental expense						
Fixed charges before adjustments	566,190	975,802	667,208	468,782	301,160	187,020
Less capitalized interest					2,423	
Fixed charges as adjusted	566,190	975,802	667,208	468,782	298,737	187,020
Ratio (earnings divided by fixed charges before adjustments)	0.98	0.97	0.91	0.99	0.77	0.89

Petrobras

The following table contains the consolidated ratios of earnings to fixed charges of Petrobras for the periods indicated determined in accordance to US GAAP:

	Year Ended December 31,					Six Months Ended, June 30,
	2001	2002	2003	2004	2005	2006
Ratio of earnings to fixed charges	4.17	3.49	3.59	3.56	4.01	12.31

Table of Contents**Petrobras Consolidated Ratio of Earnings to Fixed Charges U.S. GAAP**

	For the six-month period ended June 30, 2006	2005	For The Year Ended December 31			2001
			2004	2003	2002	
			(in millions of U.S. Dollars)			
Income (loss) before income taxes and minority interest	10,334	14,592	8,935	8,773	3,232	4,792
Add fixed charges as adjusted (from below)	413	4,040	3,123	3,129	1,104	1,350
Earnings	10,747	18,632	12,058	11,902	4,336	6,142
Fixed charges:						
Interest expense						
Interest on Indebtedness	813	1,554	1,415	1,335	763	851
Dividends declared	45	3,068	1,946	1,955	456	578
Amortization of debt costs	12	19	11	9	11	8
Interest portion of rental expense	3	11	18	14	13	36
Fixed charges before adjustments	873	4,652	3,390	3,313	1,243	1,473
Less capitalized interest	(460)	(612)	(267)	(184)	(139)	(123)
Fixed charges as adjusted	413	4,040	3,123	3,129	1,104	1,350
Ratio (earnings divided by fixed charges before adjustments)	12.31	4.01	3.56	3.59	3.49	4.17

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THE EXCHANGE OFFERS

We are offering, upon the terms and conditions set forth in this prospectus and in the related letter of transmittal, attached to this prospectus as Annex I (the Letter of Transmittal), to holders of our Old Notes the opportunity to exchange, for each U.S.\$1,000 principal amount of Old Notes exchanged, U.S.\$1,000 principal amount of Reopening Notes and cash (rounded to the nearest U.S.\$01) that, together with the Reopen Issue Price of the Reopening Notes, equals the Total Exchange Price for the series of Old Notes tendered.

The Total Exchange Price for each series of Old Notes is based on a fixed spread pricing formula. Subject to the terms and conditions in this prospectus and Letter of Transmittal:

If you validly tender Old Notes on or prior to the applicable Early Tender Date, and do not withdraw, you will receive for each U.S.\$1,000 principal amount tendered and accepted:

U.S.\$1,000 principal amount of Reopening Notes; *plus*

A cash payment that will equal (i) the applicable Total Exchange Price, minus (ii) the Reopen Issue Price of the Reopening Notes, plus (iii) the accrued and unpaid interest with respect to the relevant series of Old Notes to, but not including, the Settlement Date, minus (iv) the accrued and unpaid interest with respect to the Reopening Notes to, but not including, the Settlement Date.

If you validly tender Old Notes after the applicable Early Tender Date, but on or prior to the applicable Expiration Time, you will receive for each U.S.\$1,000 principal amount of Old Notes tendered and accepted:

U.S.\$1,000 principal amount of the Reopening Notes; *plus*

A cash payment that will equal (i) the applicable Total Exchange Price, minus (ii) the Reopen Issue Price of the Reopening Notes, plus (iii) the accrued and unpaid interest with respect to the relevant series of Old Notes to, but not including, the Settlement Date, minus (iv) the accrued and unpaid interest with respect to the Reopening Notes to, but not including, the Settlement Date; *minus*

the Early Tender Payment of U.S.\$[].

Holders of Old Notes must tender any particular series of Old Notes in minimum denominations of U.S.\$2,000 and integral multiples of U.S.\$1,000 in excess thereof. Reopening Notes will be issued in minimum denominations of U.S.\$2,000 and integral multiples of U.S.\$1,000 in excess thereof.

None of PIFCo, Petrobras, the Exchange Agent, the Information Agent, the Trustee under the indenture or any Dealer Manager makes any recommendation as to whether or not holders of Old Notes should exchange their securities in the Offers.

Expiration, Amendment and Termination of Offers

Each of the Offers will expire at 5:00 p.m., New York City time, on [], 2006, unless we extend one or more of them. We may extend the Expiration Time of an Offer by giving oral or written notice of such extension by means of a press release or other public announcement no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Time. During any such extension, all Old Notes previously tendered will remain subject to the applicable Offer, and we may accept them for exchange. Holders who have tendered their Old Notes will not, however, be able to withdraw their tendered Old Notes after the applicable Early Tender Date, even if we extend one or more of the Offers, except as described in The Exchange Offers Withdrawal of Tenders. Any Old Notes that we do not accept for exchange for any reason will be promptly returned to you without cost after the expiration or termination of the applicable Offer.

We expressly reserve the right, at any time, in our absolute discretion, to extend the period of time during which the Offers are open, and delay acceptance for exchange of any Old Notes of each series, or to extend the applicable Early Tender Date with respect to the Old Notes of each series, by giving written notice of such extension to the holders thereof as described below. We will extend the duration of the Offers as required by applicable law or

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may choose to extend them in order to provide additional time for holders of Old Notes to tender their Old Notes for exchange. In the event of a material change to the Offers, including the waiver of a material condition to the Offers, we will extend the Offers, if required by applicable law, to provide a reasonable period for holders to evaluate such changes. If a change to the Offers is material and adverse to holders and occurs after the termination, we will reopen withdrawal rights to provide a reasonable period for holders to withdraw their tenders. During any such extension, all Old Notes previously tendered and not validly withdrawn will remain subject to the Offers and may be accepted for exchange by us. Any Old Notes not accepted for exchange for any reason will be returned without expense to the tendering holder promptly after the expiration or termination of the Offers. In accordance with Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the Exchange Act) if we elect to decrease the amount of Old Notes sought, or change the consideration offered or the Dealer Managers' soliciting fees, the Offers will remain open for at least ten business days from the date that the notice of such change is first published or sent to holders of the Old Notes.

We expressly reserve the right to amend or terminate the Offers, and not to accept for exchange any Old Notes, upon the occurrence of any of the conditions of the Offers specific under Conditions to the Offers. We will give prompt written notice to the holders of the Old Notes of any extension, amendment, non-acceptance or termination. Such notice, in the case of any extension, will be issued by means of a press release or other public announcement no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Time.

Settlement Date

We will deliver the Reopening Notes and pay any cash amounts on the Settlement Date, which will be the third business day following the applicable Expiration Time or as soon as practicable thereafter. We will not be obligated to deliver Reopening Notes or pay any cash amounts unless the Offers are consummated.

Determination of the Total Exchange Price

The Total Exchange Price for each series of the Old Notes will equal:

(a) the discounted value, determined in accordance with the formula set forth in Schedule A to this prospectus, of the remaining payments of principal and interest per U.S.\$1,000 principal amount of such series of Old Notes through their maturity date, using a discount rate equal to the sum of:

(i) the bid-side yield to maturity on the applicable Reference Treasury Security (calculated in accordance with standard market practice) as indicated on the applicable Bloomberg screen page indicated in the chart below (or any recognized quotation source selected by the Dealer Managers in their sole discretion if such Bloomberg screen page is not available or is manifestly erroneous), or the applicable Old Notes Treasury Yield, at 2:00 p.m., New York City time, on the first business day after the Early Tender Date, or the Price Determination Time, plus

(ii) the fixed spread for such series listed below, minus

(b) accrued and unpaid interest per U.S.\$1,000 principal amount of such series to, but not including, the applicable Settlement Date.

PIFCo Security	Outstanding Principal		Bloomberg Page	Reference Treasury Security	Fixed Spread (in basis points)
	Amount	Maturity			
Step-Up Notes	U.S.\$[]	April 1, 2008	[]	[]	[]
2008 Notes	U.S.\$[]	May 9, 2008	[]	[]	[]
2011 Notes	U.S.\$[]	July 6, 2011	[]	[]	[]
2013 Notes	U.S.\$[]	July 2, 2013	[]	[]	[]
2014 Notes	U.S.\$[]		[]	[]	[]

September
15, 2014

The Total Exchange Price for each series of Old Notes will be rounded to the nearest U.S.\$0.01, and it includes an Early Tender Payment of U.S.\$[] for each

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U.S.\$1,000 principal amount of Old Notes of a series tendered, which will be paid only to holders who validly tender their Old Notes on or prior to the applicable Early Tender Date and do not validly withdraw their tenders. Holders who validly tender their Old Notes after the applicable Early Tender Date will receive, for each U.S.\$1,000 principal amount of Old Notes tendered, the Exchange Price, which represents the Total Exchange Price for that series of Old Notes minus the Early Tender Payment of U.S.\$[].

Holders tendering prior to the Price Determination Time will not know at the time of tender the Total Exchange Price they will receive.

We will notify holders of the Old Notes by press release or other public announcement of the actual treasury yield, the Total Exchange Price and the accrued interest for each series of Old Notes, and the actual interest rate and the Reopen Issue Price for the Reopening Notes promptly after they are determined by the Dealer Managers.

Reopen Issue Price

The Reopen Issue Price of the Reopening Notes will equal (a) the discounted value, determined in accordance with the formula set forth in Schedule A to this prospectus, of the remaining payments of principal and interest on U.S.\$1,000 principal amount of the Reopening Notes through their maturity date, using a discount rate equal to the sum of (i) the bid-side yield to maturity on the applicable Reference Treasury Security indicated in the chart on the cover of this prospectus determined as of the applicable Price Determination Time (the Reopening Notes Treasury Yield), plus (ii) []% ([] basis points), minus (b) accrued and unpaid interest per U.S.\$1,000 principal amount of Reopening Notes to, but not including, the applicable Settlement Date. The Reopen Issue Price of the Reopening Notes will be rounded to the nearest U.S.\$0.01.

Interest Rate

The interest rate on the Reopening Notes will be 6.125%.

Illustrative Examples

The information provided in Schedule B of this prospectus is for illustrative purposes only, and we make no representation with respect to the actual consideration that may be paid pursuant to the Offers. The Old Notes Treasury Yield, Exchange Price, Reopening Notes Treasury Yield and the Reopen Issue Price may be greater or less than that shown in the corresponding table, depending on the yield on the applicable Reference Treasury Security as of the Price Determination Time.

Conditions to the Offers

Notwithstanding any other provision of the Offers, we are not required to accept for exchange, or to issue the Reopening Notes and pay cash in exchange for, any Old Notes and may terminate or amend the applicable Offer if any of the following events occur prior to our acceptance of the Old Notes:

(1) there shall have been instituted, threatened or be pending any action, proceeding or investigation (whether formal or informal), or there shall have been any material adverse development to any action or proceeding currently instituted, threatened or pending, before or by any court, governmental, regulatory or administrative agency or instrumentality, or by any other person, in connection with such Offer that, in the reasonable judgment of the Company, either (a) is, or is reasonably likely to be, materially adverse to the business, operations, properties, condition (financial or otherwise), assets, liabilities or prospects of either the Company or Petrobras, its respective affiliates and subsidiaries, or (b) would or might prohibit, prevent, restrict or delay consummation of such Offer;

(2) an order, statute, rule, regulation, executive order, stay, decree, judgment or injunction shall have been proposed, enacted, entered, issued, promulgated, enforced or deemed applicable by any court or governmental, regulatory or administrative agency or instrumentality that, in the reasonable judgment of

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the Company, either (a) would or might prohibit, prevent, restrict or delay consummation of such Offer or (b) is, or is reasonably likely to be, materially adverse to the business, operations, properties, condition (financial or otherwise), assets, liabilities or prospects of either the Company or Petrobras, its respective affiliates and subsidiaries;

(3) there shall have occurred or be likely to occur any event affecting the business or financial affairs of the Company or its subsidiaries that, in the reasonable judgment of the Company, would or might prohibit, prevent, restrict or delay consummation of such Offer;

(4) The Bank of New York, as Trustee under the indentures of each of the Old Notes, shall have objected in any respect to or taken action that could, in the reasonable judgment of the Company, adversely affect the consummation of such Offer or shall have taken any action that challenges the validity or effectiveness of the procedures used by the Company in the soliciting, accepting, or making payment for the Old Notes;

(5) there has occurred (a) any general suspension of, or limitation on, trading in securities on the New York Stock Exchange, the Luxembourg Stock Exchange, the São Paulo Stock Exchange, or in the over-the-counter market, whether or not mandatory, (b) any significant adverse change in the price of either the Old Notes or the Reopening Notes in the securities or financial markets in the United States or on the Luxembourg Stock Exchange, (c) a material impairment in the trading market for either the Old Notes or the Reopening Notes, (d) a declaration of a banking moratorium or any suspension of payments in respect to banks in the United States, Brazil or Europe, (e) any limitation (whether or not mandatory) by any government or governmental, administrative or regulatory authority or agency, domestic or foreign, or other event that, in the reasonable judgment of the Company, might affect the extension of credit by banks or other lending institutions, (f) a material change in United States, Brazilian or European currency exchange rate or a general suspension of, or material limitation on, the markets therefore, (g) a commencement of a war, armed hostilities, terrorist acts or other national or international calamity directly or indirectly involving the United States, Brazil or Europe or, (h) in the case of any of the foregoing existing on the date hereof, a material acceleration or worsening thereof;

(6) on a date seven calendar days before the Price Determination Time, the yield to maturity of our Original 2016 Notes calculated in accordance with standard market practice based on their fair market value on that date, determined based on the prices indicated on the applicable Bloomberg screen page indicated in the chart on the cover of this prospectus (or any recognized quotation source selected by the Dealer Managers in their sole discretion if the applicable Bloomberg screen page is not available or is manifestly erroneous) at 5:00 p.m., New York City time, exceeds 110% of the coupon rate of our Original 2016 Notes (the **Qualified Reopening Condition**); or

(7) we shall be required to issue a stated principal amount in excess of U.S.\$500,000,000 of Reopening Notes under all of the Offers (the **Maximum Issuance Condition**).

The foregoing conditions are for the sole benefit of the Company and may be asserted by the Company regardless of the circumstances giving rise to any such condition (including any action or inaction by the Company) and may be waived by the Company, in whole or in part, at any time and from time to time before 9:00 a.m., New York City time, on the business day following the applicable Expiration Time. The failure by the Company at any time to exercise any of the foregoing rights will not be deemed a waiver of any other right and each right will be deemed an ongoing right that may be asserted at any time and from time to time.

If the **Qualified Reopening Condition** is not satisfied, there may be adverse U.S. federal income tax consequences for holders of the Original 2016 Notes, and we will terminate the Offers.

In the event that the **Maximum Issuance Condition** is not satisfied, we may terminate one or more Offers, subject to prorationing as described below, in order to cause the condition to be satisfied. In accordance with the priority order set forth on the cover of this prospectus, we will accept the Step-Up Notes first and will accept the remaining series of Old Notes in ascending order of maturity, namely the 2008 Notes, the 2011 Notes, the 2013 Notes and the 2014 Notes, until we reach a series that would, in the absence of prorationing, cause us to accept more

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than U.S.\$500,000,000 principal amount of Old Notes (the Prorated Series). We will prorate the Prorated Series as described below, and we will terminate the Offers with respect to the series having longer maturities than the Prorated Series.

To determine the proration factor, we will divide the principal amount of Reopening Notes available to be issued with respect to the Prorated Series by the principal amount tendered of the Prorated Series. The resulting fraction will be the approximate proration factor, which will be applied to the Prorated Series by multiplying the principal amount of the Prorated Series tendered by the proration factor and rounding the resultant principal amount, calculated out to three digits after the decimal, down to the nearest U.S.\$1,000. This resultant amount of Old Notes of the Prorated Series will be the principal amount accepted in the Offer of that series, as long as it is above the U.S.\$2,000 minimum denomination for tenders of a particular series of Old Notes, and the balance of Old Notes of the Prorated Series will be delivered back to the holder.

As a result, if (i) you validly tender your Old Notes in the Offers, (ii) the Maximum Issuance Condition is not satisfied and (iii) you tendered Old Notes of the Prorated Series, then some or all of the Old Notes of that series may not be accepted.

We will announce promptly after the applicable Expiration Time whether proration of any Offer will occur, and the approximate proration factor, if any. Holders of Old Notes will not be able to withdraw their tender of Old Notes at the time we make our announcement even if it may affect the consideration the holder of Old Notes will receive.

Procedures for Tendering

The procedures by which you may tender or cause to be tendered Old Notes will depend on the manner in which you hold Old Notes.

If you wish to accept the Offers and your Old Notes are held by a custodial entity such as a bank, broker, dealer, trust company or other nominee, then only that custodial entity can tender your Old Notes. In that case, you must instruct the custodial entity to tender your Old Notes on your behalf pursuant to the procedures of the custodial entity.

Custodial entities that are DTC participants must tender Old Notes through ATOP. A letter of transmittal need not accompany tenders effected through ATOP. The delivery of an agent's message through ATOP will constitute the agreement by the custodial entity and the beneficial holder to be bound by the Letter of Transmittal, attached to this prospectus as Annex I.

If your Old Notes are not held by a custodial entity and you wish to accept the Offers, then you must either: review the instructions in the Letter of Transmittal, and

comply with the ATOP procedures for book-entry transfer described below on or before the applicable Expiration Time.

The Exchange Agent and The Depository Trust Company (DTC) have confirmed that the Offers are eligible for ATOP. An agent's message in lieu of the Letter of Transmittal, in the case of book-entry transfer, and any other required documents, must be transmitted to and received by the Exchange Agent on or before the applicable Expiration Time of the Offers at its address set forth on the back cover page of this prospectus. Old Notes will not be deemed surrendered until the Exchange Agent receives the agent's message.

The method of delivery of Old Notes and all other required documents to the Exchange Agent is at your election and risk. Instead of delivery by mail, you should use an overnight or hand delivery service, properly insured. In all cases, you should allow sufficient time to assure delivery to and receipt by the Exchange Agent on or before the applicable Expiration Time. All Reopening Notes will be delivered only in book-entry form through DTC. Accordingly, if you anticipate tendering other than through DTC, then you are urged to contact promptly a bank, broker or other intermediary (that has the capability to hold securities custodially through DTC) to arrange for

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receipt of any Reopening Notes to be delivered to you pursuant to the Offers and to obtain the information necessary to provide the required DTC participant with account information for the Letter of Transmittal.

Tender of Old Notes Held Through a Nominee

If you are a beneficial owner of Old Notes that are held of record by a custodian bank, depository, broker, trust company or other nominee, and you wish to tender Old Notes in any of the Offers, you should contact the record holder promptly and instruct the record holder to tender the Old Notes on your behalf using one of the procedures described below.

Tender of Reopening Notes with DTC and Book-Entry Transfer

Pursuant to authority granted by DTC, if you are a DTC participant that has Old Notes credited to your DTC account and thereby held of record by DTC's nominee, you must directly tender your Old Notes as if you were the record holder. Accordingly, references herein to record holders include DTC participants with Old Notes credited to their accounts. Within two business days after the date of this prospectus, the Exchange Agent will establish accounts with respect to the Old Notes at DTC for purposes of the Offers. Any DTC participant may tender Old Notes by effecting a book-entry transfer of the Old Notes to be tendered in the Offers into the account of the Exchange Agent at DTC and before the Offers expire, electronically transmitting its acceptance of the Offers through DTC's Automated Tender Offer Program (ATOP) procedures for transfer.

If ATOP procedures are followed, DTC will verify each acceptance transmitted to it, execute a book-entry delivery to the Exchange Agent's account at DTC and send an agent's message to the Exchange Agent. An agent's message is a message, transmitted by DTC to and received by the Exchange Agent and forming part of a book-entry confirmation, which states that DTC has received an express acknowledgement from a DTC participant tendering Old Notes that the participant has received and agrees to be bound by the terms of the Letter of Transmittal and that Petrobras and PIFCo may enforce the agreement against the participant. DTC participants following this procedure should allow sufficient time for completion of the ATOP procedures prior to the Expiration Time of the Offers.

An agent's message in lieu of the Letter of Transmittal, and any other required documents, must be transmitted to and received by the Exchange Agent prior to the applicable Expiration Time at its address set forth on the back cover page of this prospectus. Delivery of such documents to DTC or us does not constitute delivery to the Exchange Agent.

Acceptance of Old Notes for Exchange; Delivery of Reopening Notes and Payment of Exchange Consideration

Upon satisfaction or waiver of the conditions to a particular Offer, we will promptly issue our Reopening Notes and pay cash in exchange for all Old Notes of such series properly tendered and not validly withdrawn. We will be deemed to have accepted properly tendered Old Notes for exchange if or when we give oral or written notice of acceptance to the Exchange Agent, with written confirmation of any oral notice to follow promptly.

If any tendered Old Notes are not accepted for any reason, or if any Old Notes are submitted for a greater principal amount than the holder desired to exchange, the unaccepted or non-exchanged portion of Old Notes will be returned without expense to the tendering holder (or, in the case of Old Notes tendered by book-entry transfer into the Exchange Agent's account at the book-entry transfer facility pursuant to the book-entry procedures described above, the unaccepted, non-exchanged or unsold Old Notes will be credited to an account maintained with such book-entry transfer facility) promptly after the expiration or termination of the applicable Offer.

Withdrawal of Tenders

Tenders of Old Notes in connection with any of the Offers may be withdrawn at any time prior to 5:00 p.m., New York City time, on the applicable Early Tender Date. Tenders of Old Notes may not be withdrawn at any time after the applicable Early Tender Date, even if we extend any of the Offers. Tenders of Old Notes made after the applicable Early Tender Date may not be withdrawn. Beneficial owners desiring to withdraw Old Notes

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previously tendered should contact the DTC participant through which they hold their Old Notes. In order to withdraw Old Notes previously tendered, a DTC participant may, on or prior to the applicable Early Tender Date, withdraw its instruction previously transmitted through ATOP by delivering to the Exchange Agent by mail, hand delivery or facsimile transmission, notice of withdrawal of such instruction.

Any such notice of withdrawal must:

- (i) specify the name of the depositor having tendered the Old Note to be withdrawn;
- (ii) include a statement that the depositor is withdrawing its election to have the Old Note exchanged, and identify the Old Note to be withdrawn (including the principal amount of the Old Note); and
- (iii) specify the name in which such Old Note is registered, if different from that of the withdrawing holder.

We will determine all questions as to the validity, form and eligibility (including time of receipt) for such withdrawal notices. Our determination will be final and binding on all parties. Any Old Notes so withdrawn will be considered not to have been validly tendered for purposes of the Offers and no Reopening Notes will be issued or cash paid with respect thereto. Properly withdrawn Old Notes, however, may be re-tendered by following the procedures described above at any time prior to the expiration of the Offers.

Miscellaneous

All questions as to the validity, form, eligibility (including time of receipt) and acceptance for exchange of any tender of Old Notes in connection with the Offers will be determined by us, in our sole discretion, and our determination will be final and binding. We reserve the absolute right to reject any and all tenders not in proper form or the acceptance for exchange of which may, in the opinion of our counsel, be unlawful.

We also reserve the absolute right to waive any defect or irregularity in the tender of any Old Notes in the Offers, and our interpretation of the terms and conditions of each Offer (including the instructions in the Letter of Transmittal) will be final and binding on all parties. None of Petrobras, PIFCo, the Exchange Agent, the Information Agent, the Dealer Managers or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification. Tenders of Old Notes involving any irregularities will not be deemed to have been made until those irregularities have been cured or waived. Old Notes received by the Exchange Agent in connection with the Offers that are not validly tendered and as to which the irregularities have not been cured or waived will be returned by the Exchange Agent to the DTC participant who delivered those Old Notes by crediting an account maintained at DTC designated by that DTC participant promptly after the Expiration Time of the Offers or the withdrawal or termination of the Offers.

Other Fees and Expenses

We will pay the expenses of soliciting tenders of the Old Notes. The principal solicitation is being made by mail; however, additional solicitations may be made by facsimile transmission, telephone or in person by the Dealer Managers and the Information Agent, as well as by our officers and other employees and those of our affiliates.

Tendering holders of Old Notes will not be required to pay any fee or commission to the Dealer Managers. However, if a tendering holder handles the transaction through its broker, dealer, commercial bank, trust company or other institution, that holder may be required to pay brokerage fees or commissions.

Transfer Taxes

You will not be obligated to pay any transfer taxes in connection with the Offers unless you instruct us to register the Reopening Notes in the name of, or request that the Old Notes not tendered or accepted in the Offers be returned to, a person other than the registered tendering holder. In those cases, you will be responsible for the payment of any applicable transfer taxes.

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Effect of Tender

Any tender by a holder of Old Notes that is not withdrawn prior to the expiration of the applicable Offer will constitute a binding agreement between the holder and us, upon the terms and subject to the conditions of the Offers. The acceptance of an Offer by a tendering holder of Old Notes will constitute the agreement by that holder to deliver good and marketable title to the tendered Old Notes, free and clear of all liens, charges, encumbrances, interests and restrictions of any kind. The successful completion of any of the Offers may adversely affect the liquidity and market price of any remaining Old Notes not tendered in the Offers.

Absence of Dissenters Rights

Holders of the Old Notes do not have any appraisal or dissenters rights in connection with the Offers.

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DESCRIPTION OF THE REOPENING NOTES

We urge you to read the original indenture and the amended and restated fifth supplemental indenture, because they, and not this description of the Reopening Notes, will define your rights as holders of the Reopening Notes. You may obtain copies of the original indenture and the amended and restated fifth supplemental indenture upon request to the Trustee or with the SEC at the addresses set forth under Where You Can Find More Information.

Original Indenture and Amended and Restated Fifth Supplemental Indenture

PIFCo will issue the Reopening Notes under an original indenture dated as of July 19, 2002 between PIFCo and The Bank of New York, a New York banking corporation, as successor to JPMorgan Chase Bank, as Trustee, as supplemented by the amended and restated fifth supplemental indenture to be dated as of the Settlement Date, which provides the specific terms of the Reopening Notes, including granting noteholders rights against Petrobras under the Standby Purchase Agreement. Whenever we refer to the indenture in this prospectus, we are referring to the original indenture as supplemented by the amended and restated fifth supplemental indenture. The Reopening Notes constitute a further issuance of, and form a single fungible series with, our Original 2016 Notes, which were issued on October 6, 2006.

References to Reopening Notes under Description of the Reopening Notes include the Reopening Notes issued pursuant to the Offers and the Original 2016 Notes, unless the context indicates otherwise.

General

The Reopening Notes will be general, senior, unsecured and unsubordinated obligations of PIFCo having the following basic terms:

The title of the Reopening Notes will be the 6.125% Global Notes due 2016;

The Reopening Notes will:

be issued in an aggregate principal amount of U.S.\$500,000,000;

mature on October 6, 2016;

bear interest at a rate of 6.125% per annum from October 6, 2006 until maturity, until all required amounts due in respect of the Reopening 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 Standby Purchase Agreement described below under Description of the Standby Purchase Agreement.

Interest on the Reopening Notes will be paid semiannually on April 6 and October 6 of each year (each of which we refer to as an interest payment date), commencing on April 6, 2007, 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 Reopening Notes, interest will continue to accrue on such amounts at a default rate equal to 1% in excess of the interest rate on the Reopening 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 Reopening Notes and Petrobras' obligations under the Standby Purchase Agreement.

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Place of Payment

PIFCo will pay interest, principal, additional amounts and any other money due on the Reopening Notes at the corporate trust office of the Trustee in New York City (which is currently located at 101 Barclay Street, 7th Floor East, New York, New York 10286, Attention: Global Trust Services-Americas) 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 Reopening Notes will be paid to the holder of such Reopening Notes by wire transfer of same-day funds. The Trustee will maintain the list of registered noteholders, or the security registrar. It will also register transfers of the registered Reopening Notes.

Additional Mechanics

Form, Exchange and Transfer

You will not be required to pay a service charge to transfer or exchange Reopening Notes, 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 Reopening Note will only be made if the security registrar is satisfied with your proof of ownership. PIFCo and Petrobras may cancel the designation of any particular transfer agent. PIFCo and Petrobras may also approve a change in the office through which any transfer agent acts.

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 Reopening Notes that you hold.

Notices

We and the Trustee will send notices only to direct holders of Reopening Notes, using their addresses as listed in the Trustee's records.

Regardless of who acts as paying agent, all money that we pay to a paying agent that remains unclaimed at the end of two years after the amount is due to direct holders of Reopening Notes will be repaid to us. After that two-year period, direct holders may look only to us for payment and not to the Trustee, any other paying agent or anyone else.

Special Situations

Modification and Waiver

There are three types of changes we can make to the indenture and the Reopening Notes.

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

change the stated maturity of the principal, interest or premium on a Reopening Note;

reduce any amounts due on a Reopening Note;

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

reduce the amount of principal payable upon acceleration of the maturity of a Reopening Note following a default;

change the place or currency of payment on a Reopening Note;

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impair any of the conversion or exchange rights of your Reopening Notes;

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

reduce the percentage of holders of Reopening Notes whose consent is needed to modify or amend the indenture;

reduce the percentage of holders of Reopening Notes 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.

Changes Requiring a Majority Vote. The second type of change to the indenture and the Reopening Notes is the kind that requires a vote of approval by the holders of Reopening Notes that together represent a majority of the 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 Reopening Notes 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 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 Reopening Notes listed in the first category described previously beginning above under **Changes Requiring Your Approval** unless we obtain your individual consent to the waiver.

Changes Not Requiring Approval. The third type of change does not require any vote by holders of Reopening Notes. 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 Reopening Notes in any material respect, such as adding covenants, additional events of default or successor trustees.

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 Reopening Notes were accelerated to that date because of a default.

Reopening Notes that PIFCo, Petrobras, any of our affiliates and any other obligor under the Reopening Notes acquire or hold will not be counted as outstanding when determining voting rights.

For Reopening Notes 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 for that security.

For Reopening Notes 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 Reopening Notes were originally issued.

Reopening Notes 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. Reopening Notes will also not be eligible to vote if they have been fully defeased as described under **Defeasance and Discharge**.

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding Reopening Notes 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 Reopening Notes 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.

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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 Reopening Notes or request a waiver.

Subject to any restrictions that will be described in this prospectus, we or our affiliates may purchase Reopening Notes from investors who are willing to sell from time to time, either in the open market at prevailing prices or in private transactions at negotiated prices. Reopening Notes that we or they purchase may, in our discretion, be held, resold or canceled.

Depository with Respect to Global Securities

The Reopening 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 Reopening Notes:

PIFCo does not pay the principal or any premium on the Reopening Notes within three calendar days of its due date and the Trustee has not received such amounts from Petrobras under the Standby Purchase Agreement by the end of that three-day period.

PIFCo does not pay interest, including any additional amounts, on the Reopening Notes within 30 calendar days of their due date and the Trustee has not received such amounts from Petrobras under the 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 Reopening Notes, indenture or Standby Purchase Agreement (other than any failure to make any payment under the 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 Reopening 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.

PIFCo or Petrobras stops paying or admits that it is generally unable to pay its debts as they become due, PIFCo or Petrobras is adjudicated or found bankrupt or insolvent or is ordered by a court or pass a resolution to dissolve (or a similar event occurs with respect to a material subsidiary).

PIFCo, Petrobras or a material subsidiary commences voluntarily proceedings under any applicable liquidation, insolvency, composition, reorganization or any other similar laws, or files an application for the appointment of an administrative or other receiver, manager or administrator, or any such or other similar official, in relation to PIFCo, Petrobras 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.

PIFCo, Petrobras or a material subsidiary enters into any composition or other similar arrangement with its creditors or any of its material subsidiaries (such as a *concordata*, which is a type of liquidation agreement), or proceedings are initiated against it or any of its material subsidiaries under applicable

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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, Petrobras 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 Reopening Notes or the 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 Reopening 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 Reopening Notes in accordance with the Reopening 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 Reopening 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 Reopening Notes may be served. 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 notice to the Trustee and designating a replacement office in the same general location.

Ranking

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PIFCo will ensure that the Reopening 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).

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

PIFCo (and each other obligor on the Reopening 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 Reopening 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 Reopening Notes, it will notify the Trustee 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 Reopening Notes.

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 Reopening 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 Reopening Notes and the indenture and each other document entered into in connection with the Reopening 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

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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 or Trustee has a connection with the taxing jurisdiction other than merely holding the Reopening Notes or receiving principal or interest payments on the Reopening 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 or Trustee 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 or Trustee 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 or Trustee fails to present (where presentation is required) its note within 30 calendar days after PIFCo has made available to the noteholder or Trustee a payment under the Reopening Notes and the indenture, provided that PIFCo will pay additional amounts which a noteholder or Trustee would have been entitled to had the note owned by such noteholder or Trustee 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 Reopening 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 or Trustee could have avoided such taxes, levies, deductions or other governmental charges by requesting that a payment on the Reopening Notes be made by, or presenting the relevant Reopening Notes for payment to, another paying agent of PIFCo located in a member state of the European Union; or

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

PIFCo 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, PIFCo 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.

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PIFCo 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 Reopening Notes and will indemnify the noteholders for any such stamp, administrative, excise or property taxes paid by noteholders.

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 Reopening Notes and the indenture or PIFCo provides such other security for the Reopening 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 Reopening Notes and the indenture or PIFCo provides such other security for the Reopening 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 Reopening 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 Reopening 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 fifth 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 describing that transaction to Moody's to the extent that Moody's is at that time rating the Reopening 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 Reopening 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 our Original 2016 Notes and Reopening 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:

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(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;

(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 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.

Table of Contents**Optional Redemption**

We will not be permitted to redeem the Reopening Notes before their stated maturity, except as set forth below. The Reopening 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 Reopening Notes. In addition, you will not be entitled to require us to repurchase your Reopening 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 Reopening 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 greater of (1) 100% of the principal amount of such Reopening 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 Reopening 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 Reopening 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 Reopening 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 UBS Securities LLC and Morgan Stanley & Co. Incorporated 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; 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 Reopening Notes or any portion of the Reopening 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 Reopening Notes to be redeemed on such date. If less than all of the Reopening Notes

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of any series are to be redeemed, the Reopening Notes to be redeemed shall be selected by the Trustee by such method as the Trustee shall deem fair and appropriate.

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. 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 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 the prospectus supplement dated September 29, 2006, except for the price to the public and the issue date. Like the Reopening Notes, any add-on notes will be part of the same series as the notes that PIFCo offered under the prospectus supplement dated September 29, 2006, and the noteholders will vote on all matters in relation to all such notes as a single series.

Defeasance and Discharge

Full Defeasance

We can legally release ourselves from any payment or other obligations on the Reopening Notes, except for various obligations described below (called full defeasance), if we, in addition to other actions, put in place the following arrangements for you to be repaid:

We must irrevocably deposit in trust for your benefit and the benefit of all other direct holders of the Reopening Notes a combination of money and U.S. government or U.S. government agency Reopening Notes or bonds that, in the opinion of a firm of nationally recognized independent public accounts, will generate enough cash to make interest, principal and any other payments, including additional amounts, on the Reopening Notes on their various due dates.

We must deliver to the trustee a legal opinion of our counsel, based upon a ruling by the U.S. Internal Revenue Service or upon a change in applicable U.S. federal income tax law, confirming that under then current U.S. federal income tax law we may make the above deposit without causing you to be taxed on the Reopening Notes any differently than if we did not make the deposit and just repaid the Reopening Notes ourselves.

If the Reopening Notes are listed on any securities exchange, we must deliver to the Trustee a legal opinion of our counsel confirming that the deposit, defeasance and discharge will not cause the Reopening Notes to be delisted.

If we ever did accomplish full defeasance as described above, you would have to rely solely on the trust deposit for repayment on the Reopening Notes. You could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever become bankrupt or insolvent. However, even if we take these actions, a number of our obligations relating to the Reopening Notes will remain. These include the following obligations:

to register the transfer and exchange of Reopening Notes;

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to replace mutilated, destroyed, lost or stolen Reopening Notes;

to maintain paying agencies; and

to hold money for payment in trust.

Covenant Defeasance

We can make the same type of deposit described above and be released from all or some of the restrictive covenants (if any) that apply to the Reopening Notes of any particular series. This is called covenant defeasance. In that event, you would lose the protection of those restrictive covenants but would gain the protection of having money and securities set aside in trust to repay the Reopening Notes. In order to achieve covenant defeasance, we must do the following:

We must irrevocably deposit in trust for your benefit and the benefit of all other direct holders of the Reopening Notes a combination of money and U.S. government or U.S. government agency Reopening Notes or bonds that, in the opinion of a nationally recognized firm of independent accountants, will generate enough cash to make interest, principal and any other payments, including additional amounts, on the Reopening Notes on their various due dates.

We must deliver to the Trustee a legal opinion of our counsel confirming that under then current U.S. federal income tax law we may make the above deposit without causing you to be taxed on the Reopening Notes any differently than if we did not make the deposit and just repaid the Reopening Notes ourselves.

If the Reopening Notes are listed on any securities exchange, we must deliver to the trustee a legal opinion of our counsel confirming that the deposit, defeasance and discharge will not cause the Reopening Notes to be delisted.

If we accomplish covenant defeasance, the following provisions of the indenture and/or the Reopening Notes would no longer apply:

Any covenants applicable to the series of Reopening Notes and described in this prospectus.

The events of default relating to breach of those covenants being defeased and acceleration of the maturity of other debt, described above in Events of Default.

If we accomplish covenant defeasance, you can still look to us for repayment of the Reopening Notes if there were a shortfall in the trust deposit. In fact, if any event of default occurred (such as our bankruptcy) and the Reopening Notes become immediately due and payable, there may be such a shortfall. Depending on the event causing the default, you may not be able to obtain payment of the shortfall.

Conversion

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

Listing

PIFCo has submitted an application to the New York Stock Exchange for listing its Original 2016 Notes, but the Reopening Notes are not listed on any securities exchange and are not quoted through an automated quotation system. PIFCo may apply for a listing of the Reopening Notes on the New York Stock Exchange at some time after the Settlement Date, but there is no certainty that an application will be made or that the listing will be approved by the New York Stock Exchange.

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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 Reopening 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 and subsidiary of The Bank of New York Company, is the Trustee under the indenture and has been appointed by PIFCo as registrar and paying agent with respect to the Reopening Notes. The Bank of New York is a lender to PIFCo and certain of PIFCo's affiliates. The address of the Trustee is 101 Barclay Street, New York, New York, 10286. PIFCo will at all times maintain a paying agent in New York City until the Reopening Notes are paid.

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CLEARANCE AND SETTLEMENT

Book-Entry Issuance

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

Each Reopening Note will be deposited with The Depository Trust Company (DTC), a securities depository, and will be registered in the name of DTC 's nominee. Global notes may also be deposited with Clearstream, Luxembourg and Euroclear. For background information regarding DTC and Clearstream, Luxembourg and Euroclear, see Depository Trust Company and ³/₄Clearstream, 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 Reopening Notes and will be considered the sole representative of the beneficial owners of the Reopening 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 Reopening Notes, see Legal Ownership Global Securities in the prospectus.

The registration of the Reopening 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 Reopening Notes in definitive form. These laws may impair the ability of holders to transfer the Reopening Notes.

In this prospectus, unless and until definitive (paper) notes are issued to the beneficial owners as described below, all references to Holders of Reopening 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 Reopening Notes for all purposes.

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 Reopening Notes held by that owner. We have no responsibility for any aspect of the actions of DTC or any of their direct or indirect participants. We have no responsibility for any aspect of the records kept by DTC or any of their direct or indirect participants. We also do not 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:

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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 depositary 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 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 Reopening Notes through Clearstream, Luxembourg or Euroclear accounts will follow the settlement procedures that are applicable to securities in registered form. Reopening Notes will be credited to the securities custody accounts of Clearstream, Luxembourg and Euroclear

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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 Reopening Notes 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 Mexico.

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 Reopening Notes, or to make or receive a payment or delivery of the Reopening Notes 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 Reopening Notes 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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DESCRIPTION OF THE STANDBY PURCHASE AGREEMENT

*The following summary describes the material provisions of the Standby Purchase Agreement. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Standby Purchase Agreement. For information on how you may obtain copies of the Standby Purchase Agreement, see *Where You Can Find More Information*.*

General

In connection with the execution and delivery of the amended and restated fifth supplemental indenture and the issuance of the Reopening Notes, Petrobras will amend and restate the standby purchase agreement entered into with the Trustee on October 6, 2006 for the benefit of the noteholders in connection with the initial offering of Original 2016 Notes. Whenever we refer to the Standby Purchase Agreement in this prospectus, we are referring to the amended and restated standby purchase agreement. The Standby Purchase Agreement provides 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 fifth supplemental indenture provides that the Standby Purchase Agreement be considered part of the indenture. As a result, the holders of the Reopening Notes will have the benefit of the 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 discussed in this prospectus. The Standby Purchase Agreement entails certain risks described in *Risk Factors* *Risks Relating to PIFCo's Reopening Notes and the Standby Purchase Agreement*.

References to Reopening Notes under *Description of the Standby Purchase Agreement* include the Reopening Notes issued pursuant to the Offers and the Original 2016 Notes, unless the context indicates otherwise.

Despite the Brazilian government's ownership interest in Petrobras, the Brazilian government is not responsible in any manner for PIFCo's obligations under the Reopening Notes and Petrobras' obligations under the Standby Purchase Agreement.

Ranking

The obligations of Petrobras under the Standby Purchase Agreement 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 Standby Purchase Agreement.

Purchase Obligations

Partial Purchase Payment

In the event that, prior to the maturity date of the Reopening Notes, PIFCo fails to make any payment on the Reopening Notes on the date that payment is due under the terms of the Reopening Notes 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.

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 non-payment 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*.

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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 Reopening Notes will remain outstanding with all amounts due in respect of the Reopening Notes 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 Reopening Notes, any payment on the Reopening Notes on the date any such payment is due. All amounts payable by Petrobras under the 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 Standby Purchase Agreement unless and until the Trustee indefeasibly receives all amounts required to be paid by Petrobras under the 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.

Total Purchase Payment

In the event that, at the maturity date of the Reopening Notes (including upon any acceleration of the maturity date in accordance with the terms of the indenture), PIFCo fails to make any payment on the Reopening Notes 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 non-payment due date to and including the actual date of payment by Petrobras. We refer to this interest as the total non-payment 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 Reopening Notes, or earlier upon any acceleration of the Reopening Notes in accordance with the terms of the indenture, any payment in respect of principal, interest or other amounts due under the indenture and the Reopening Notes on the date any such payment is due. All amounts payable by Petrobras under the 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 Standby Purchase Agreement unless and until the Trustee receives all amounts required to be paid by Petrobras under the Standby Purchase Agreement (and any related event of default under the indenture has been cured), including payment of the total non-payment overdue interest.

Covenants

For so long as any of the Reopening Notes are outstanding and Petrobras has obligations under the Standby Purchase Agreement, Petrobras will, and will cause each of its subsidiaries to, comply with the terms of the covenants set forth below:

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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 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 Reopening Notes.

Maintenance of Ownership of PIFCo

For so long as any Reopening Notes are outstanding, Petrobras will retain no less than 51% direct or indirect ownership of the outstanding voting and economic interests (equity or otherwise) of and in PIFCo. Failure to maintain such ownership will constitute an event of default under the indenture.

Maintenance of Office or Agency

So long as any of the Reopening 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 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 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 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 severally with Petrobras unless Petrobras will have ceased to exist as a result of such merger, consolidation or amalgamation), by an amendment to the Standby Purchase Agreement (the form and

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substance of which will be previously approved by the Trustee), all of Petrobras obligations under the 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 Reopening Notes;

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 Standby Purchase Agreement comply with the terms of the Standby Purchase Agreement and that all conditions precedent provided for in the 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 Reopening Notes.

Notwithstanding anything to the contrary in the foregoing, so long as no default or event of default under the indenture or the Reopening Notes 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 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 Standby Purchase Agreement or Petrobras provides other security for its obligations under the 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 Standby Purchase Agreement or Petrobras provides such other security

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for its obligations under the 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

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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.

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;

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(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.

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 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 Reopening Notes) 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.

Importation of Oil and Oil Products

Petrobras will, in each calendar year, purchase from PIFCo not less than 80% (on a U.S. Dollar value) of the oil and oil products it imports.

Additional Amounts

Except as provided below, Petrobras will make all payments of amounts due under the Standby Purchase Agreement and each other document entered into in connection with the 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

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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 or Trustee has a connection with the taxing jurisdiction other than merely holding the Reopening Notes or receiving principal or interest payments on the Reopening 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 or Trustee 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 or Trustee 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, Petrobras has notified all noteholders or the Trustee that they will be required to comply with such requirements;

the noteholder or Trustee fails to present (where presentation is required) its note within 30 calendar days after Petrobras has made available to the noteholder or Trustee a payment under the Standby Purchase Agreement, provided that Petrobras will pay additional amounts which a noteholder or Trustee would have been entitled to had the note owned by such noteholder or Trustee 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 Reopening Notes 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 or Trustee could have avoided such taxes, levies, deductions or other government charges by requesting that a payment on the Reopening Notes be made by, or presenting the relevant notes for payment to, another paying agent of Petrobras located in a member state of the European Union; or

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

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 Reopening Notes and will indemnify the noteholders for any such stamp, administrative, excise or property taxes paid by noteholders.

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Events of Default

There are no events of default under the Standby Purchase Agreement. The indenture, however, contains events of default relating to Petrobras that may trigger an event of default and acceleration of the Reopening Notes. See Description of the Reopening Notes 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 Reopening Notes and the indenture, Petrobras will be obligated to make a total purchase payment as described above.

Amendments

The 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 Reopening Notes and the holders of our Original 2016 Notes. Because the 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 Reopening Notes and the holders of our Original 2016 Notes.

Except as contemplated above, the indenture will provide that the Trustee may execute and deliver any other amendment to the Standby Purchase Agreement or grant any waiver thereof only with the consent of the holders of a majority in aggregate principal amount of the Reopening Notes then outstanding and of our Original 2016 Notes.

Governing Law

The 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 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 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 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 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**DESCRIPTION OF MATERIAL DIFFERENCES BETWEEN THE OLD NOTES AND THE NEW NOTES**

The following is a summary comparison of the material terms of each series of Old Notes and the Reopening Notes. This summary does not purport to be complete and is qualified in its entirety by reference to the Reopening Notes indenture and the form of Reopening Notes, which have been filed as exhibits to the registration statement of which this prospectus forms a part, and the Old Notes indentures and the Old Notes. Copies of the indentures may be obtained from the Information Agent. See [Where You Can Find More Information](#) for information as to how you can obtain copies of the indentures of the Old Notes from the SEC. For a more detailed description of the Reopening Notes, see [Description of the Reopening Notes](#).

	Step-Up Notes, 2013 Notes and 2014 Notes	2008 Notes and 2011 Notes	Reopening Notes
Trustee	The Bank of New York (as successor to JPMorgan Chase Bank)	The Bank of New York	The Bank of New York
Aggregate Principal Amount Outstanding	Step-Up Notes: U.S.\$[] 2013 Notes: U.S.\$[] 2014 Notes: U.S.\$[]	2008 Notes: U.S.\$[] 2011 Notes: U.S.\$[]	Up to U.S.\$1,000,000,000
Interest Rate	Step-Up Notes: 12.375% 2013 Notes: 9.125% 2014 Notes: 7.750%	2008 Notes: 9.875% 2011 Notes: 9.750%	6.125%
Payment frequency (semiannual payment dates of each year)	Step-Up Notes: April 1 and October 1 2013 Notes: January 2 and July 2 2014 Notes: March 15 and September 15	2008 Notes: May 9 and November 9 2011 Notes: July 6 and January 6	April 6 and October 6 of each year
Maturity	Step-Up Notes: April 1, 2008 2013 Notes: July 2, 2013 2014 Notes: September 15, 2014	2008 Notes: May 9, 2008 2011 Notes: July 6, 2011	October 6, 2016
Listing	Not listed on any exchange	Listed on the Luxembourg Stock Exchange	Not listed on any exchange.
Optional Redemption With Make-Whole Amount	These series of Old Notes contain no similar provision.	These series of Old Notes contain no similar provision.	We will have the right at our option to redeem any of the Reopening 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 greater of (1) 100% of the principal amount of

such Reopening 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 Reopening Notes to the date of redemption.

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Step-Up Notes, 2013 Notes and 2014 Notes