

PETROBRAS - PETROLEO BRASILEIRO SA
Form F-3ASR
August 29, 2018
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As filed with the Securities and Exchange Commission on August 28, 2018

Registration No. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM F-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Petróleo Brasileiro S.A. Petrobras

(Exact name of Registrant

as specified in its charter)

Brazilian Petroleum

Corporation Petrobras

(Translation of Registrant's

name into English)

The Federative Republic of Brazil

(State or other jurisdiction of

incorporation or organization)

Not Applicable

(I.R.S. Employer Identification Number)

Avenida República do Chile, 65

20031-912 Rio de Janeiro RJ, Brazil

(55-21) 3224-4477

(Address and telephone number of Registrant's

principal executive offices)

Petrobras Global Finance B.V.

(Exact name of Registrant

as specified in its charter)

Not Applicable

(Translation of Registrant's

name into English)

The Netherlands

(State or other jurisdiction of incorporation or
organization)

Not Applicable

(I.R.S. Employer Identification Number)

Weena 762

3014 DA Rotterdam

The Netherlands

31 (0) 10 206-7000

(Address and telephone number of Registrant's

principal executive offices)

Petróleo Brasileiro S.A. Petrobras

570 Lexington Avenue, Suite 2401

New York, NY 10022

(212) 829-1517

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

Copy to:

Francesca L. Odell, Esq.

Cleary Gottlieb Steen & Hamilton LLP

One Liberty Plaza

New York, New York 10006

(212) 225-2000

Approximate date of commencement of proposed sale to the public: From time to time after this registration statement becomes effective.

If only securities being registered on this Form are to be offered pursuant to dividend or interest reinvestment plans, please check the following box:

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box:

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If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please 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(c) 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 registration statement pursuant to General Instruction I.C. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box:

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.C. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box:

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933.

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

CALCULATION OF REGISTRATION FEE

Title of Each Class of	Amount	Proposed	Proposed	Amount of
Securities to be Registered	to be	Offering Price	Aggregate	Registration
	Registered	Per Unit	Offering Price	Fee
Debt Securities			See Note (1)	
Debt Warrants				
Preferred Shares, without par value, which may be represented by American Depositary Shares (2)				
Common Shares, without par value, which may be represented by American Depositary Shares (3)				

Equity Warrants for Common Shares or Preferred
Shares, which may be represented by American
Depositary Shares (2)(3)
Mandatory Convertible Securities and Guaranties (4)

- (1) The registrants are registering an indeterminate amount of securities for offer and sale from time to time at indeterminate offering prices. In reliance on Rules 456(b) and 457(r) under the Securities Act of 1933, as amended, the registrants are deferring payment of all of the registration fee relating to the registration of securities hereby.
- (2) ADSs, each representing two preferred shares, issuable upon deposit of the preferred shares being registered hereby, have been or will be registered under a separate registration statement on Form F-6.
- (3) ADSs, each representing two common shares, issuable upon deposit of the preferred shares being registered hereby, have been or will be registered under a separate registration statement on Form F-6.
- (4) No separate consideration will be received for the guaranties or for the debt securities, warrants, preferred shares, common shares and mandatory convertible securities issuable upon the exercise or conversion of, or in exchange for, debt securities, warrants, preferred shares, common shares or mandatory convertible securities.

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PROSPECTUS

Petróleo Brasileiro S.A. Petrobras

Debt Securities, Warrants,

Preferred Shares,

Preferred Shares represented by American Depositary Shares,

Common Shares,

Common Shares represented by American Depositary Shares,

Mandatory Convertible Securities and

Guaranties

Petrobras Global Finance B.V.

Debt Securities, accompanied by Guaranties of Petrobras and

Debt Warrants, accompanied by Guaranties of Petrobras

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

Investing in our securities involves risks. See the Risk Factors section set forth in our most recent annual report on Form 20-F, which is incorporated by reference herein, and, if any, in the relevant prospectus supplement.

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

August 28, 2018

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ABOUT THIS PROSPECTUS

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

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

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

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FORWARD-LOOKING STATEMENTS

Some of the information contained or incorporated by reference in this prospectus are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act, that are not based on historical facts and are not assurances of future results. The forward-looking statements contained in this prospectus, which address our expected business and financial performance, among other matters, contain words such as believe, expect, estimate, anticipate, intend, plan, aim, will, may, should, could, would, likely, potential and similar expressions.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. There is no assurance that the expected events, trends or results will actually occur.

We have made forward-looking statements that address, among other things:

our marketing and expansion strategy;

our exploration and production activities, including drilling;

our activities related to refining, import, export, transportation of oil, natural gas and oil products, petrochemicals, power generation, biofuels and other sources of renewable energy;

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

our liquidity and sources of funding;

our pricing strategy and development of additional revenue sources;

the impact, including cost, of acquisitions and divestments; and

the proposed settlement of pending litigation.

Our forward-looking statements are not guarantees of future performance and are subject to assumptions that may prove incorrect and to risks and uncertainties that are difficult to predict. Our actual results could differ materially from those expressed or forecast in any forward-looking statements as a result of a variety of assumptions and factors. These factors include, but are not limited to, the following:

our ability to obtain financing;

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

global economic conditions;

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

uncertainties inherent in making estimates of our oil and gas reserves, including recently discovered oil and gas reserves;

competition;

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

changes in, or failure to comply with, laws or regulations, including with respect to fraudulent activity, corruption and bribery;

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receipt of governmental approvals and licenses;

international and Brazilian political, economic and social developments;

natural disasters, accidents, military operations, acts of sabotage, wars or embargoes;

the cost and availability of adequate insurance coverage;

the outcome of ongoing corruption investigations and any new facts or information that may arise in relation to the Lava Jato investigation ;

the effectiveness of our risk management policies and procedures, including operational risk; and

litigation, such as class actions or enforcement or other proceedings brought by governmental and regulatory agencies.

For additional information on factors that could cause our actual results to differ from expectations reflected in forward-looking statements, please see **Risk Factors** as set forth in our most recent annual report on Form 20-F, which is incorporated by reference herein, and in any prospectus supplement.

All forward-looking statements attributed to us or a person acting on our behalf are qualified in their entirety by this cautionary statement, and you should not place undue reliance on any forward-looking statement included in this prospectus. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason.

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PETROBRAS

Petrobras is one of the world's largest integrated oil and gas companies, engaging in a broad range of oil and gas activities. Petrobras is a *sociedade de economia mista*, organized and existing under the laws of Brazil. For the years ended December 31, 2017 and 2016, Petrobras had sales revenues of U.S.\$88.8 billion and U.S.\$81.4 billion, gross profit of U.S.\$28.7 billion and U.S.\$26.0 billion, and net loss attributable to shareholders of Petrobras of U.S.\$91.0 million and U.S.\$4.8 billion, respectively. In 2017, Petrobras's average domestic daily oil production was 2.15 mmbbl/d, which represented 82% of Brazil's total oil production (based on production data issued by the National Petroleum, Natural Gas and Biofuels Agency). Petrobras engages in a broad range of activities, which cover the following segments of its operations:

Exploration and Production: this segment covers the activities of exploration, development and production of crude oil, LNG (liquefied natural gas) and natural gas in Brazil and abroad, for the primary purpose of supplying our domestic refineries and selling surplus crude oil and oil products produced in the natural gas processing plants to the domestic and foreign markets. Our exploration and production segment also operates through partnerships with other companies;

Refining, Transportation and Marketing: this segment covers the activities of refining, logistics, transport and trading of crude oil and oil products in Brazil and abroad, exports of ethanol, extraction and processing of shale, as well as holding interests in petrochemical companies in Brazil;

Gas and Power: this segment covers the activities of transportation and trading of natural gas produced in Brazil and abroad, imported natural gas, transportation and trading of LNG, generation and trading of electricity, as well as holding interests in transporters and distributors of natural gas and in thermoelectric power plants in Brazil, in addition to being responsible for the fertilizer business;

Distribution: this segment covers the activities of Petrobras Distribuidora S.A., which sells oil products, ethanol and vehicle natural gas in Brazil. This segment also includes distribution of oil products operations abroad (South America); and

Biofuel: this business segment covers the activities of production of biodiesel and its co-products, as well as ethanol-related activities such as equity investments, production and trading of ethanol, sugar and the surplus electric power generated from sugarcane bagasse.

Additionally, we have a *Corporate* segment that has activities that are not attributed to the other business segments, notably those related to corporate financial management, corporate overhead and other expenses, including actuarial expenses related to the pension and medical benefits for retired employees and their dependents. For further information regarding our business segments, see Notes 4.2. and 29 to our audited consolidated financial statements included in the Petrobras Annual Report on Form 20-F for the year ended December 31, 2017.

Petrobras's principal executive office is located at Avenida República do Chile, 65, 20031-912 Rio de Janeiro RJ, Brazil, its telephone number is +(55-21) 3224-4477, and our website is www.petrobras.com.br. The information on our website, which might be accessible through a hyperlink resulting from this URL, is not and shall not be deemed to

be incorporated into this prospectus.

PGF

PGF is a wholly-owned finance subsidiary of Petrobras, incorporated under the laws of The Netherlands as a private company with limited liability on August 2, 2012. PGF is an indirect subsidiary of Petrobras, and all of PGF's shares are held by Petrobras's Dutch subsidiary Petrobras International Braspetro B.V. PGF's business is to issue debt securities in the international capital markets to finance Petrobras's operations. PGF does not currently have any operations, revenues or assets other than those related to the issuance, administration and repayment of its debt securities. All debt securities issued by PGF are fully and unconditionally guaranteed by Petrobras. PGF was incorporated for an indefinite period of time.

Petrobras uses PGF as its main vehicle to issue securities in the international capital markets. PGF's first offering of notes fully and unconditionally guaranteed by Petrobras occurred in September 2012. In December 2014, PGF assumed the obligations of Petrobras's former finance subsidiary Petrobras International Finance Company S.A. (PifCo) under all then outstanding notes originally issued by PifCo, which continue to benefit from Petrobras's full and unconditional guarantee.

PGF's registered office is located at Weena 762, 3014 DA Rotterdam, The Netherlands, and our telephone number is +31 (0) 10 206-7000.

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USE OF PROCEEDS

Unless otherwise disclosed in connection with a particular offering of securities, we intend to use the net proceeds from the sale of any securities for general corporate purposes.

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

The following table contains the consolidated ratios of earnings to fixed charges of Petrobras for the six-month periods ended June 30, 2018 and 2017, and the years ended December 31, 2017, 2016, 2015, 2014 and 2013, calculated using values derived from our financial statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, or IFRS.

	Six-month period ended			Year ended December 31,			
	2018	2017	2017	2016	2015	2014	2013
	(U.S.\$ million)			(U.S.\$ million)			
Net income (loss) before income taxes	7,389	4,370	1,997	(3,665)	(9,748)	(8,824)	13,410
Share of results in equity-accounted investments	(244)	(386)	(673)	218	177	(218)	(507)
Dividend income on equity-accounted investments	486	180	452	473	259	387	146
Add fixed charges as adjusted (set forth below)	5,040	5,685	10,797	11,071	10,157	10,285	9,331
Adjustment of capitalized borrowing costs	(755)	(690)	(1,392)	(1,729)	(1,773)	(3,600)	(3,921)
Earnings	11,916	9,159	11,181	6,368	(928)	(1,970)	18,459
Interest expense:							
Debt interest and charges	3,611	3,931	7,388	7,764	6,858	6,734	5,491
Rental interest expense ⁽¹⁾	1,429	1,754	3,409	3,307	3,299	3,551	3,840
Fixed charges	5,040	5,685	10,797	11,071	10,157	10,285	9,331
Ratio (earnings divided by fixed charges) ⁽²⁾	2.36	1.61	1.04	0.58	(0.09)	(0.19)	1.98

(1) One third of operating lease expenses.

(2) This calculation indicates a less than one-to-one coverage for the years ended December 31, 2016, 2015 and 2014. Earnings available for fixed charges were inadequate to cover total fixed charges for these years. The deficient amounts for the ratio were U.S.\$4,703 million, U.S.\$11,085 million and U.S.\$12,255 million for 2016, 2015 and 2014, respectively.

Table of Contents**RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS**

The following table contains the consolidated ratios of earnings to fixed charges and preferred dividends of Petrobras for the six-month periods ended June 30, 2018 and 2017 and the years ended December 31, 2017, 2016, 2015, 2014 and 2013, calculated using values derived from our financial statements prepared in accordance with IFRS.

	Six-month period ended		2017	Year ended December 31,			2013
	2018	2017		2016	2015	2014	
	June 30,			December 31,			
	(U.S.\$ million)			(U.S.\$ million)			
Net income (loss) before income taxes	7,389	4,370	1,997	(3,665)	(9,748)	(8,824)	13,410
Share of results of equity-accounted investments	(244)	(386)	(673)	218	177	(218)	(507)
Dividend income on equity-accounted investments	486	180	452	473	259	387	146
Add fixed charges as adjusted (set forth below)	5,040	5,685	10,797	11,071	10,157	10,285	9,331
Adjustment of capitalized borrowing costs	(755)	(690)	(1,392)	(1,729)	(1,773)	(3,600)	(3,921)
Earnings	11,916	9,159	11,181	6,368	(928)	(1,970)	18,459
Interest expense:							
Debt interest and charges	3,611	3,931	7,388	7,764	6,858	6,734	5,491
Rental interest expense ⁽¹⁾	1,429	1,754	3,409	3,307	3,299	3,551	3,840
Fixed charges	5,040	5,685	10,797	11,071	10,157	10,285	9,331
Dividends declared on preferred shares	78	-					2,313
Fixed charges and preferred dividends	5,118	5,685	10,797	11,071	10,157	10,285	11,644
Ratio (earnings divided by fixed charges and preferred dividends) ⁽²⁾	2.33	1.61	1.04	0.58	(0.09)	(0.19)	1.59

(1) One third of operating lease expenses.

(2) This calculation indicates a less than one-to-one coverage for the years ended December 31, 2016, 2015 and 2014. Earnings available for fixed charges were inadequate to cover total fixed charges for these years. The deficient amounts for the ratio were U.S.\$4,703 million, U.S.\$11,085 million and U.S.\$12,255 million for 2016, 2015 and 2014, respectively.

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THE SECURITIES

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

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

securities that are mandatorily convertible into preferred or common shares (or ADSs representing Petrobras' s preferred or common shares);

common shares, which may be represented by ADSs;

preferred shares, which may be represented by ADSs;

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

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

warrants to purchase debt securities; and

guaranties accompanying debt securities, including debt warrants, of PGF.

PGF may from time to time offer under this prospectus:

senior or subordinated debt securities, accompanied by full and unconditional guaranties of Petrobras; and

warrants to purchase debt securities, accompanied by full and unconditional guaranties of Petrobras.

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LEGAL OWNERSHIP

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

If we choose to issue preferred shares or common shares, they may be evidenced by ADRs and you will hold them indirectly through ADSs. The underlying preferred shares or common shares will be directly held by a depository. Your rights and obligations will be determined by reference to the terms of the relevant deposit agreement. A copy of the deposit agreements, as amended from time to time, with respect to Petrobras's preferred shares and common shares is on file with the SEC and incorporated by reference in this prospectus. You may obtain copies of the deposit agreements from the SEC's Public Reference Room. See [Where You Can Find More Information](#).

Street Name and Other Indirect Holders

Holding securities in accounts at banks or brokers is called holding in street name. If you hold our securities in street name, we will recognize only the bank or broker, or the financial institution that the bank or broker uses to hold the securities, as a holder. These intermediary banks, brokers, other financial institutions and depositories pass along principal, interest, dividends and other payments, if any, on the securities, either because they agree to do so in their customer agreements or because they are legally required to do so. This means that if you are an indirect holder, you will need to coordinate with the institution through which you hold your interest in a security in order to determine how the provisions involving holders described in this prospectus and any prospectus supplement will actually apply to you. For example, if the debt security in which you hold a beneficial interest in street name can be repaid at the option of the holder, you cannot redeem it yourself by following the procedures described in the prospectus supplement relating to that security. Instead, you would need to cause the institution through which you hold your interest to take those actions on your behalf. Your institution may have procedures and deadlines different from or additional to those described in the applicable prospectus supplement.

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

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

whether it imposes fees or charges;

how it handles voting, if applicable;

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

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

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

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Global Securities

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

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

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

you cannot have the securities registered in your own name;

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

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

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

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

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

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

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

when the depositary notifies us that it is unwilling or unable to continue as depositary for such global security or the depositary ceases to be a clearing agent registered under the Exchange Act, at a time when such depositary is required to be so registered in order to act as depositary, and, in each case, we do not or cannot appoint a successor depositary within 90 days;

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

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

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

In the remainder of this document, you means direct holders and not street name or other indirect holders of securities. Indirect holders should read the previous subsection starting on page 10 entitled Street Name and Other Indirect Holders.

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DESCRIPTION OF DEBT SECURITIES

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

Indenture

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

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

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

Each of the Petrobras and PGF indentures and their associated documents contain the full legal text of the matters described in this section. We have agreed that New York law governs the indentures and the debt securities. We have filed a copy of the Petrobras and PGF indentures with the SEC as exhibits to our registration statement. We have 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.

Types of Debt Securities

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

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

We may issue the debt securities at par, at a premium or as original issue discount securities, which are debt securities that are offered and sold at a substantial discount to their stated principal amount. We may also issue the debt securities as indexed securities or securities denominated in currencies other than the U.S. dollar, currency units or composite currencies, as described in more detail in the prospectus supplement relating to any such debt securities. We will describe the U.S. federal income tax consequences and any other special considerations applicable to original issue discount, indexed or foreign currency debt securities in the applicable prospectus supplement(s).

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In addition, the material financial, legal and other terms particular to a series of debt securities will be described in the prospectus supplement(s) relating to that series. Those terms may vary from the terms described here. Accordingly, this summary also is subject to and qualified by reference to the description of the terms of the series described in the applicable prospectus supplement(s).

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

the title of the debt securities of the series;

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

whether the debt securities will be issued in registered form;

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

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

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

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

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

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

whether the debt securities will be senior or subordinated securities;

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

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

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

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

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

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

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

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

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

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

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

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

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

Additional Mechanics

Form, Exchange and Transfer

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

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

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

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

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

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

Payment and Paying Agents

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

We will pay interest, principal, additional amounts and any other money due on the registered debt securities at the corporate trust office of the trustee in New York City (which is currently located at 240 Greenwich Street, 7E, New York, New York 10286, Attention: Global Trust Services Americas). You must make arrangements to have your payments picked up at or wired from that office. We may also choose to pay interest by mailing checks. Interest on global securities will be paid to the holder thereof by wire transfer of same-day funds.

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

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

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

Notices

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

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 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. *(Petrobras Section 10.03, PGF Section 10.08)*

Special Situations

Mergers and Similar Events

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

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

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

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

Petrobras

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

If Petrobras merges out of existence or sell or lease its assets, the other entity must unconditionally assume its obligations on the debt securities, including the obligation to pay the additional amounts described under **Payment of Additional Amounts**. This assumption may be by way of a full and unconditional guaranty in the case of a sale or lease of substantially all of its assets.

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

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

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

Petrobras must deliver to the trustee an officers' certificate and an opinion of counsel, each stating that the transaction complies with the terms of the indenture and that all conditions precedent provided for in the indenture and relating to the transaction have been complied with.

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

PGF

PGF will not, in one or a series of transactions, consolidate or amalgamate with or merge into any corporation or convey, lease, spin off 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 PGF) to merge with or into it, unless such consolidation, amalgamation, merger, lease, spin off or transfer of assets does not violate any provision of Dutch financial regulatory laws, and:

either PGF is the continuing entity or the person (the successor company) formed by the consolidation or into which PGF is merged or that acquired (through a transfer of assets, a spin-off or otherwise) or leased the property or assets of PGF will assume (jointly and severally with PGF unless PGF will have ceased to exist as a result of that merger, consolidation or amalgamation), by a supplemental indenture, all of PGF's obligations under the indenture and the debt securities of a series;

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

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

PGF has delivered to the trustee a directors' certificate and an opinion of counsel, each stating that the transaction and the supplemental indenture relating to the transaction 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

PGF has delivered notice of any such transaction to the trustee.

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

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

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

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

any direct or indirect subsidiary of PGF may liquidate or dissolve if PGF 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 PGF and its subsidiaries taken as a whole and if the liquidation or dissolution is part of a corporate reorganization of PGF or Petrobras.

It is possible that the U.S. Internal Revenue Service may deem a merger or other similar transaction to cause for U.S. federal income tax purposes an exchange of debt securities for new securities by the holders of the debt securities.

This could result in the recognition of taxable gain or loss for U.S. federal income tax purposes and possible other adverse tax consequences.

Modification and Waiver

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

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

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

reduce any amounts due on a debt security;

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

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

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

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

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

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

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

modify any other aspect of the provisions dealing with modification and waiver of the indenture.

(Petrobras Section 9.02; PGF Section 9.02)

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

Changes Not Requiring Approval. The third type of change does not require any vote by holders of debt securities. This type is limited to curing any ambiguity, defect or inconsistency, making changes to conform the provisions contained in the indentures to the description of the notes and the guarantee contained in this prospectus or an applicable prospectus supplement and making changes that do not adversely affect the rights of holders of the debt securities in any material respect, such as adding covenants, additional events of default or successor trustees. *(Petrobras Section 9.01; PGF Section 9.01)*

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

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

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

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

For debt securities denominated in one or more foreign currencies, currency units or composite currencies, we will use the U.S. dollar equivalent as of the date on which such debt securities were originally issued. Debt securities will not be considered outstanding, and therefore will not be eligible to vote, if we have deposited or set aside in trust for you money for their payment or redemption. Debt securities will also not be eligible to vote if they have been fully defeased as described under Defeasance and Discharge. (*Petrobras Section 14.02; PGF Section 14.02*)

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

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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 debt securities or request a waiver.

Redemption and Repayment

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

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

If the applicable prospectus supplement specifies a redemption commencement date, we may redeem your debt security at our option at any time on or after that date. If we redeem your debt security, we will do so at the specified redemption price, together with interest accrued to, but excluding, the redemption date. If different prices are specified for different redemption periods, the price we pay will be the price that applies to the redemption period during which your debt security is redeemed. If less than all of the debt securities are redeemed, the trustee will choose the debt securities to be redeemed by lot, or of any method deemed fair and appropriate to the trustee, pro rata, subject to the current rules and procedures of the applicable depository. (*Petrobras Section 11.03; PGF Section 11.03*)

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

In the event that we exercise an option to redeem any debt security, we will give to the trustee and the holder written notice of the principal amount of the debt security to be redeemed, not less than 30 days nor more than 60 days before the applicable redemption date. Such notice may at our option be subject to the satisfaction of one or more conditions precedent, and it may be rescinded or the applicable redemption date delayed in the event that any or all such conditions shall not have been satisfied by the applicable redemption date. Any conditions precedent shall be described in such notice. We will give the notice in the manner described above under **Additional Mechanics** Notices.

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

Street name and other indirect holders should contact their banks or brokers for information about how to exercise a repayment right in a timely manner.

In the event that the option of the holder to elect repayment as described above is deemed to be a tender offer within the meaning of Rule 14e-1 under the Exchange Act, we will comply with Rule 14e-1 as then in effect to the extent it is applicable to us and the transaction.

Subject to any restrictions that will be described in the prospectus supplement, we or our affiliates may purchase debt securities 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. Debt securities that we or they purchase may, in our discretion, be held, resold or canceled.

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Optional Tax Redemption

Unless otherwise indicated in a prospectus supplement, we may have the option to redeem, in whole but not in part, the debt securities where, as a result of a change in, execution of or amendment to any laws or treaties or the official application or interpretation of any laws or treaties, we would be required to pay additional amounts as described later under **Payment of Additional Amounts**. This applies only in the case of changes, executions or amendments that occur on or after the date specified in the prospectus supplement for the applicable series of debt securities and in the jurisdiction where we are incorporated or organized. If succeeded by another entity, the applicable jurisdiction will be the jurisdiction in which such successor entity is incorporated or organized, and the applicable date will be the date the entity became a successor. (*Petrobras Section 11.08; PGF Section 11.08*)

If the debt securities are redeemed, the redemption price for debt securities (other than original issue discount debt securities) will be equal to the principal amount of the debt securities being redeemed plus accrued interest and any additional amounts due on the date fixed for redemption. The redemption price for original issue discount debt securities will be specified in the prospectus supplement for such securities. Furthermore, we must give you between 30 and 60 days' notice before redeeming the debt securities.

Conversion

Your debt securities may be convertible into or exchangeable for shares of Petrobras's capital stock at your option or at our option, which may be represented by ADSs, or other securities if the applicable prospectus supplement so provides. If your debt securities are convertible or exchangeable, the prospectus supplement will include provisions as to whether conversion or exchange is at your option or at our option. The prospectus supplement would also include provisions regarding the adjustment of the number of securities to be received by you upon conversion or exchange.

Payment of Additional Amounts

Except as provided below and under the applicable prospectus supplement, PGF or Petrobras, as applicable, will make all payments of amounts due under the debt securities and the indenture and each other document entered into in connection with the debt securities 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 PGF's incorporation (currently The Netherlands) or any jurisdiction in which PGF appoints a paying agent under the indenture, or any political subdivision of such jurisdictions (the **taxing jurisdictions**). If PGF or Petrobras, as applicable, is required by law to withhold or deduct any taxes, levies, deductions or other governmental charges, PGF or Petrobras, as applicable, will make such deduction or withholding, make payment of the amount so withheld to the appropriate governmental authority and pay the holders any additional amounts necessary to ensure that they receive the same amount as they would have received without such withholding or deduction. For the avoidance of doubt, the foregoing obligations shall extend to payments under the guaranty. In the case if payments by Petrobras, in order for a holder to be entitled to receive the additional amount, the holder must not be a resident of Brazil.

All references to principal, premium, if any, and interest in respect of the debt securities will be deemed to refer to any additional amounts which may be payable as set forth in the indenture or in the debt securities.

PGF or Petrobras, as applicable, 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 holder has a connection with the taxing jurisdiction other than merely holding the debt securities or receiving principal or interest payments on the debt securities (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 holder fails to comply with any certification, identification or other reporting requirements concerning its nationality, residence, identity or connection with the taxing jurisdiction, if 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;

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the holder fails to present (where presentation is required) its debt securities within 30 calendar days after PGF or Petrobras, as applicable, has made available to the holder a payment under the debt securities and the indenture, *provided that* PGF or Petrobras, as applicable, will pay additional amounts which a holder would have been entitled to had the debt securities owned by such holder been presented on any day (including the last day) within such 30 calendar day period;

any estate, inheritance, gift, value added, Financial Transactions Tax (FTT), use or sales taxes or any similar taxes, assessments or other governmental charges; or

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

PGF or Petrobras, as applicable, shall promptly pay when due any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies that are imposed by a taxing jurisdiction from any payment under the debt securities or under any other document or instrument referred to in the indenture or from the execution, delivery, enforcement or registration of the debt securities or any other document or instrument referred to in the indenture. PGF or Petrobras, as applicable, shall indemnify and make whole the holders of the debt securities for any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies payable by PGF or Petrobras as provided in this paragraph paid by such holder. All payments in respect of the debt securities will be made subject to any withholding or deduction required pursuant to FATCA, and we will not be required to pay any additional amounts on account of any such deduction or withholding required pursuant to Section 1471(b) of the Internal Revenue Code of 1986, as amended (the Code), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations thereunder or official interpretations thereof or any law implementing an intergovernmental approach thereto (collectively, FATCA).

Restrictive Covenants

Petrobras

The Petrobras indenture does not contain any covenants restricting the ability of Petrobras to make payments, incur indebtedness, dispose of assets, enter into sale and leaseback transactions, issue and sell capital stock, enter into transactions with affiliates, create or incur liens on Petrobras' s property or engage in business other than its present business. Restrictive covenants, if any, with respect to any securities of Petrobras will be contained in the applicable supplemental indenture and described in the applicable prospectus supplement with respect to those securities. (*Petrobras Section 10*)

PGF

Unless otherwise specified in the applicable prospectus supplement, PGF will be subject to the following covenants with respect to its debt securities:

Payment of Principal and Interest

PGF 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 PGF) on the debt securities of a series in accordance with such securities and the indenture. (*PGF Section 10.01*)

Maintenance of Corporate Existence

PGF will maintain its 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 PGF's board of directors determines that maintaining such rights and privileges is no longer desirable in the conduct of PGF's business and is not disadvantageous in any material respect to holders. (*PGF Section 10.02*)

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Maintenance of Office or Agency

So long as debt securities of a series are outstanding, PGF 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 debt securities of a series may be served.

Initially, this office will be located at 570 Lexington Avenue, Suite 2401, New York, New York 10022-6837. PGF will not change the designation of the office without prior written notice to the trustee and designating a replacement office in the same general location. (*PGF Section 10.03*)

Ranking

PGF will ensure that its debt securities 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). (*PGF Section 10.04*)

Statement by Managing Directors as to Default

PGF (and each other obligor on the debt securities of any series) will deliver to the trustee, within 90 calendar days after the end of its fiscal year, a directors' certificate, stating whether or not to the best knowledge of its signers thereof there is an event of default in connection with the performance and observance of any of the terms, provisions and conditions of the indenture or the debt securities of any series and, if there is such an event of default by PGF (or any obligor), specifying all such events of default and their nature and status of which the signers may have knowledge. (*PGF Section 10.05*)

Provision of Financial Statements and Reports

In the event that PGF 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, PGF 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. As long as the financial statements or reports are publicly available and accessible electronically by the trustee, the filing or electronic publication of such financial statements or reports complies with PGF's obligation to deliver such statements and reports to the trustee. The trustee does not have an obligation to determine if and when PGF's financial statements or reports are publicly available and accessible electronically.

Along with each such financial statement or report, if any, PGF will provide a directors' certificate stating (i) that a review of PGF's activities has been made during the period covered by such financial statements with a view to determining whether PGF has kept, observed, performed and fulfilled its covenants and agreements under this indenture; and (ii) that no 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.

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 PGF's compliance with any of its covenants under the indenture (as to which the trustee is entitled to rely exclusively on directors' certificates). (*PGF Section 10.06*)

Appointment to Fill a Vacancy in Office of Trustee

PGF, 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 debt securities of any series. (*PGF Section 10.07*)

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Payments and Paying Agents

PGF 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 debt securities of any series 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.

All payments on the debt securities of any series will be subject in all cases to any applicable tax, fiscal or other laws and regulations in any jurisdictions, but without prejudice to the provisions under Payment of Additional Amounts. For the purposes of the preceding sentence, the phrase applicable tax, fiscal or other laws and regulations will include any obligation on us to withhold or deduct from a payment pursuant to FATCA. (*PGF Section 10.08*)

Negative Pledge

PGF will not create, incur or assume any lien securing its indebtedness for borrowed money, other than a PGF Permitted Lien, on any of its assets to secure (i) any of its indebtedness for borrowed money or (ii) the indebtedness of any other person for borrowed money, unless PGF contemporaneously creates or permits such lien to secure equally and ratably its obligations under the debt securities of a series or PGF provides such other security for the debt securities of a series as is duly approved by a resolution of the holders of such debt securities in accordance with the indenture. In addition, PGF will not allow any of its material subsidiaries, if any, to create or permit any lien, other than a PGF Permitted Lien, on any of its assets to secure (i) any of its indebtedness; (ii) any of the material subsidiary's indebtedness or (iii) the indebtedness of any other person, unless PGF contemporaneously creates or permits such lien to secure equally and ratably its obligations under the debt securities of any series to which the covenant applies or PGF provides such other security for the debt securities of a series as is duly approved by a resolution of the holders of such debt securities in accordance with the indenture. (*PGF Section 10.11*)

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 guaranty) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and all leases which, under IFRS, would be a capital lease obligation).

A guaranty 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 PGF permitted lien with respect to any series of debt securities issued means any:

- (a) lien arising by operation of law, such as merchants , maritime or other similar liens arising in PGF 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 PGF s obligations under performance bonds or surety bonds and appeal bonds or similar obligations incurred in the ordinary course of business and consistent with PGF 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;

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- (d) lien granted upon or with respect to any assets hereafter acquired by PGF 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 PGF or another wholly-owned subsidiary;
- (f) lien existing on any asset or on any stock of any subsidiary prior to the acquisition thereof by PGF 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 issuance of debt securities of such series;
- (h) lien resulting from the indenture or the guaranty, if any, with respect to the debt securities of such series;
- (i) lien incurred in connection with the issuance of debt or similar securities of a type comparable to those already issued by PGF, 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 liens referred to in paragraphs (a) through (i) above (but not paragraph (c)), 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) 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 PGF Permitted Liens pursuant to another part of this definition of PGF permitted liens, does not exceed 20% of PGF's consolidated total assets (as determined in accordance with IFRS) at any date as at which PGF'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.

PGF may omit to comply with any term, provision or condition set forth in certain covenants applicable to the debt securities of a series or any term, provision or condition of the indenture, if before the time for the compliance the

holders of at least a majority of the principal amount of the outstanding debt securities of a series waive the compliance, but no waiver can operate except to the extent expressly waived, and, until a waiver becomes effective, PGF's obligations and the duties of the trustee in respect of any such term, provision or condition will remain in full force and effect. (*PGF Section 10.09*)

Additional restrictive covenants with respect to securities of PGF may be contained in the applicable supplemental indenture and described in the applicable prospectus supplement with respect to those securities.

Defeasance and Discharge

The following discussion of full defeasance and discharge and covenant defeasance and discharge will only be applicable to your series of debt securities if we choose to apply them to that series, in which case we will state that in the prospectus supplement. (*Petrobras Section 14.01; PGF Section 14.01*)

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Full Defeasance

If the applicable prospectus supplement states that full defeasance will apply to a particular series of debt securities, we will be legally released from any payment and other obligations on such debt securities, except for various obligations described below (called "full defeasance"), provided that 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 debt securities of such series a combination of money and non-callable U.S. government or U.S. government agency debt securities or bonds that, in the opinion of a firm of nationally recognized independent public accountants, will generate enough cash without reinvestment to make interest, principal and any other payments, including additional amounts, on such debt securities 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 such debt securities any differently than if we did not make the deposit and just repaid such debt securities ourselves.

If we ever did accomplish full defeasance as described above, you would have to rely solely on the trust deposit for repayment on the debt securities. 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 debt securities will remain. These include the following obligations:

to register the transfer and exchange of debt securities;

to replace mutilated, destroyed, lost or stolen debt securities;

to maintain paying agencies;

to hold money for payment in trust; and

to indemnify the trustee according to the terms of the indenture.

Covenant Defeasance

If the applicable prospectus supplement states that covenant defeasance will apply to a particular series of debt securities, 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 such debt securities. 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 debt securities. 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 such debt securities a combination of money and non-callable U.S. government or U.S. government agency debt securities or bonds that, in the opinion of a nationally recognized firm of independent accountants, will generate enough cash without reinvestment to make interest, principal and any other payments, including additional amounts, on such debt securities 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 such debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves. If we accomplish covenant defeasance, the following provisions of the indenture as it applies to the debt securities of a series and/or such debt securities would no longer apply:

Any covenants applicable to the series of debt securities and described in the applicable prospectus supplement.

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The events of default relating to breach of those covenants being defeased and acceleration of the maturity of other debt, described later under **Default and Related Matters** **Events of Default**

If we accomplish covenant defeasance, you can still look to us for repayment of the debt securities if there were a shortfall in the trust deposit. In fact, if any event of default occurred (such as our bankruptcy) and the debt securities 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. (*Petrobras Sections 14.03 and 14.04; PGF Section 14.04*)

Default and Related Matters

Ranking

The applicable prospectus supplement will indicate whether the debt securities are subordinated to any of our other debt obligations and whether they will be secured by any of our assets. If they are not subordinated, they will rank equally with all our other unsecured and unsubordinated indebtedness. If they are not secured, the securities will effectively be subordinate to our secured indebtedness.

Events of Default

You will have special rights if an event of default occurs and is not cured, as described later in this subsection.

The term event of default means any of the following:

We do not pay the principal on a debt security of a series within seven calendar days of its due date and, in the case of PGF, the trustee has not received such amounts from Petrobras under a guaranty by the end of that seven-day period.

We do not pay interest or other amounts, including any additional amounts, on a debt security of a series within 30 calendar days of its due date and, in the case of PGF, the trustee has not received such amounts from Petrobras under a guaranty by the end of that 30-day period.

We remain in breach of any covenant or any other term in respect of a debt security of a series issued under the indenture, or in a supplemental indenture, or, if applicable, under a guaranty for 60 calendar days after we receive a notice of default stating that we are in breach. The notice must be sent by either the trustee or holders of 25% of the principal amount of debt securities of the affected series.

In the case of any convertible security of Petrobras, it remains in default in the conversion of any security of such series for 30 days after it receives a notice of default stating that it is in default. The notice must be sent by either the trustee or the holders of 25% of the principal amount of debt securities of the affected series.

The maturity of any indebtedness of PGF, Petrobras or a material subsidiary in a total aggregate principal amount of U.S.\$200,000,000 (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 a material subsidiary of any indebtedness is not acceleration for this purpose.

In the case of Petrobras, if it is adjudicated or found bankrupt or insolvent or it is ordered by a court or pass a resolution to dissolve.

PGF, Petrobras or any material subsidiary stops paying or is generally unable to pay its debts as they become due, except in the case of a winding-up, dissolution or liquidation for the purpose of and followed by a consolidation, spin-off, merger, conveyance or transfer duly approved by the debt security holders of a series.

if proceedings are initiated against PGF, Petrobras or any material subsidiary it under any applicable liquidation, insolvency, composition, reorganization, winding up or any other similar laws, or under any other law for the relief of, or relating to, debtors, and such proceeding is not dismissed or stayed within 90 calendar days.

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An administrative or other receiver, manager or administrator, or any such or other similar official is appointed in relation to, or a distress, execution, attachment, sequestration or other process is levied or put in force against, the whole or a substantial part of our undertakings or assets of PGF, Petrobras or any material subsidiary and is not discharged or removed within 90 calendar days.

PGF, Petrobras or any material subsidiary voluntarily commence proceedings under any applicable liquidation, insolvency, composition, reorganization or any other similar laws, or PGF, Petrobras or any material subsidiary enters into any composition or other similar arrangement with its creditors under applicable Brazilian law (such as a *recuperação judicial or extrajudicial*, which is a type of liquidation agreement).

PGF, Petrobras or any material subsidiary 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 PGF, Petrobras or any material subsidiary, or PGF, Petrobras or any material subsidiary takes legal action for a readjustment or deferment of any part of our indebtedness.

An effective resolution is passed, or any authorized action is taken by any court of competent jurisdiction, directing PGF's, Petrobras's or any material subsidiary's winding-up, dissolution or liquidation, except for the purpose of and followed by a consolidation, merger, conveyance or transfer duly approved by the debt security holders of a series.

In the case of PGF, if any event occurs that under the laws of any relevant jurisdiction has substantially the same effect as the events referred to in the six immediately preceding paragraphs.

The debt securities of a series, the relevant indenture or, in the case of PGF, the related Petrobras guaranty, cease to be in full force and effect or binding and enforceable against PGF or Petrobras, or it becomes unlawful for PGF or Petrobras to perform any material obligation under any of the foregoing documents to which it is a party.

PGF or Petrobras contests the enforceability of the debt securities of a series, the relevant indenture or the related guaranty, or denies that it has liability under any of the foregoing documents to which it is a party.

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

Any other event of default described in the applicable prospectus supplement occurs. (*Petrobras Section 5.01; PGF Section 5.01*)

For these purposes, indebtedness means any obligation (whether present or future, actual or contingent and including, without limitation, any guaranty) for payment on or repayment of money that has been borrowed or raised (including money raised by acceptances and all leases which, under IFRS, would constitute a capital lease obligation).

An event of default for a particular series of debt securities does not necessarily constitute an event of default for any other series of debt securities issued under the indenture, although the default and acceleration of one series of debt securities may trigger a default and acceleration of another series of debt securities.

Remedies if an Event of Default Occurs. If an event of default has occurred and has not been cured, the trustee or the holders of 25% in principal amount of the debt securities of the affected series may declare the entire principal amount of all the debt securities of that series to be due and immediately payable. This is called a declaration of acceleration of maturity. If an event of default occurs because of certain events in bankruptcy, insolvency or reorganization, or an equivalent proceeding under the applicable law, the principal amount of all the debt securities of that series will be automatically accelerated without any action by the trustee, any holder or any other person. A declaration of acceleration of maturity may be canceled by the holders of at least a majority in principal amount of the debt securities of the affected series. (*Petrobras Section 5.02; PGF Section 5.02*)

Except in cases of default, where the trustee has some special duties, the trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee satisfactory security or indemnity from expenses and liability. (*Petrobras Section 6.03; PGF Section 6.03*) If satisfactory indemnity is provided, the holders of a majority in principal amount of the outstanding debt securities of the relevant series may direct the time, method and place of conducting any lawsuit or

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other formal legal action seeking any remedy available to the trustee. These same holders may also direct the trustee in performing any other action under the indenture. (*Petrobras Section 5.12; PGF Section 5.12*) Before you bypass the trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the debt securities, the following must occur:

You must give the trustee written notice that an event of default has occurred and remains uncured.

The holders of 25% in principal amount of all outstanding debt securities of the relevant series must make a written request that the trustee take action because of the default, and must offer satisfactory indemnity or security to the trustee against the cost and other liabilities of taking that action.

The trustee must have not taken action for 60 days after receipt of the above notice and offer of indemnity or security.

The holders of a majority in principal amount of all outstanding debt securities of the relevant series must not have given the trustee a direction during the sixty-day period that is inconsistent with the above notice. (*Petrobras Section 5.07; PGF Section 5.07*)

However, you are entitled at any time to bring a lawsuit for the payment of money due on your debt security on or after its due date and if your debt security is convertible or exchangeable into another security to bring a lawsuit for the enforcement of your right to convert or exchange your debt security or to receive securities upon conversion or exchange. (*Petrobras Section 5.08; PGF Section 5.08*)

Street name and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and to make or cancel a declaration of acceleration.

We will furnish to the trustee within 90 days after the end of our fiscal year every year a written statement of certain of our officers that will either certify that, to the best of their knowledge, we are in compliance with the indenture and the debt securities or specify any default. (*Petrobras Section 10.05; PGF Section 10.05*)

Regarding the Trustee

We and some of our subsidiaries maintain banking relations with the trustee in the ordinary course of our business.

If an event of default occurs, or an event occurs that would be an event of default if the requirements for giving us default notice or our default having to exist for a specified period of time were disregarded, the trustee may be considered to have a conflicting interest with respect to the debt securities or the indenture for purposes of the Trust Indenture Act of 1939. In that case, the trustee may be required to resign as trustee under the applicable indenture and we would be required to appoint a successor trustee.

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DESCRIPTION OF MANDATORY CONVERTIBLE SECURITIES

Petrobras may issue mandatorily convertible securities under which holders receive a specified number of its common shares or preferred shares at a future date or dates. The price per mandatory convertible security and the number of common shares or preferred shares, as the case may be, that holders receive at maturity may be fixed at the time mandatory convertible securities are issued or may be determined by reference to a specific formula set forth in the mandatory convertible security. The mandatory convertible securities also may require Petrobras to make periodic payments to the holders of the mandatory convertible securities, and such payments may be secured.

The applicable prospectus supplement will describe the material terms of the mandatory convertible securities. Reference will be made in the applicable prospectus supplement to the mandatory convertible securities, and, if applicable, collateral, depositary or custodial arrangements, relating to the mandatory convertible securities. Material U.S. and Brazilian federal income tax considerations applicable to the holders of the mandatory convertible securities will also be discussed in the applicable prospectus supplement.

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DESCRIPTION OF WARRANTS

We may issue warrants to purchase our debt securities and Petrobras may issue warrants to purchase preferred shares (which may be in the form of ADSs) or common shares (which may be in the form of ADSs). Warrants may be issued independently or together with any securities and may be attached to or separate from those securities. Each series of warrants will be issued under a separate warrant agreement to be entered into by us and a bank or trust company, as warrant agent, all as will be set forth in the applicable prospectus supplement.

Debt Warrants

The following briefly summarizes the material terms that will generally be included in a debt warrant agreement. However, we may include different terms in the debt warrant agreement for any particular series of debt warrants and such other terms and all pricing and related terms will be disclosed in the applicable prospectus supplement. You should read the particular terms of any debt warrants that are offered by us and the related debt warrant agreement which will be described in more detail in the applicable prospectus supplement. The prospectus supplement will also state whether any of the generalized provisions summarized below do not apply to the debt warrants being offered.

General

We may issue warrants for the purchase of our debt securities. As explained below, each debt warrant will entitle its holder to purchase debt securities at an exercise price set forth in, or to be determined as set forth in, the applicable prospectus supplement. Debt warrants may be issued separately or together with debt securities.

The debt warrants are to be issued under debt warrant agreements to be entered into by us and one or more banks or trust companies, as debt warrant agent, all as will be set forth in the applicable prospectus supplement. At or around the time of an offering of debt warrants, a form of debt warrant agreement, including a form of debt warrant certificate representing the debt warrants, reflecting the alternative provisions that may be included in the debt warrant agreements to be entered into with respect to particular offerings of debt warrants, will be filed by amendment as an exhibit to the registration statement of which this prospectus forms a part.

Terms of the Debt Warrants to Be Described In the Prospectus Supplement

The particular terms of each issue of debt warrants, the debt warrant agreement relating to such debt warrants and such debt warrant certificates representing debt warrants will be described in the applicable prospectus supplement. This description will include:

the initial offering price;

the currency, currency unit or composite currency in which the exercise price for the debt warrants is payable;

the title, aggregate principal amount and terms of the debt securities that can be purchased upon exercise of the debt warrants;

the title, aggregate principal amount and terms of any related debt securities with which the debt warrants are issued and the number of the debt warrants issued with each debt security;

if applicable, whether and when the debt warrants and the related debt securities will be separately transferable;

the principal amount of debt securities that can be purchased upon exercise of each debt warrant and the exercise price;

the date on or after which the debt warrants may be exercised and any date or dates on which this right will expire in whole or in part;

if applicable, a discussion of material U.S. federal and Brazilian income tax, accounting or other considerations applicable to the debt warrants;

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whether the debt warrants will be issued in registered form, and, if registered, where they may be transferred and registered;

the maximum or minimum number of debt warrants that you may exercise at any time; and

any other terms of the debt warrants.

You may exchange your debt warrant certificates for new debt warrant certificates of different denominations but they must be exercisable for the same aggregate principal amount of debt securities. If your debt warrant certificates are in registered form, you may present them for registration of transfer at the corporate trust office of the debt warrant agent or any other office indicated in the applicable prospectus supplement. Except as otherwise indicated in a prospectus supplement, before the exercise of debt warrants, holders of debt warrants will not be entitled to payments of principal or any premium or interest on the debt securities that can be purchased upon such exercise, or to enforce any of the covenants in the indenture relating to the debt securities that may be purchased upon such exercise.

Exercise of Debt Warrants

Unless otherwise provided in the applicable prospectus supplement, each debt warrant will entitle the holder to purchase a principal amount of debt securities for cash at an exercise price in each case that will be set forth in, or to be determined as set forth in, the applicable prospectus supplement. Debt warrants may be exercised at any time up to the close of business on the expiration date specified in the applicable prospectus supplement. After the close of business on the expiration date or any later date to which we extend the expiration date, unexercised debt warrants will become void.

Debt warrants may be exercised as set forth in the prospectus supplement applicable to the particular debt warrants. Upon delivery of payment of the exercise price and the debt warrant certificate properly completed and duly executed at the corporate trust office of the debt warrant agent or any other office indicated in the applicable prospectus supplement, we will, as soon as practicable, forward the debt securities that can be purchased upon such exercise of the debt warrants to the person entitled to them. If fewer than all of the debt warrants represented by the debt warrant certificate are exercised, a new debt warrant certificate will be issued for the remaining unexercised debt warrants. Holders of debt warrants will be required to pay any tax or governmental charge that may be imposed in connection with transferring the underlying debt securities in connection with the exercise of the debt warrants.

Street name and other indirect holders of debt warrants should consult their bank or brokers for information on how to exercise their debt warrants.

Modification and Waiver

There are three types of changes we can make to the debt warrant agreement and the debt warrants of any series.

Changes Requiring Your Approval. First, there are changes that cannot be made to your debt warrants or the debt warrant agreement under which they were issued without your specific approval. These are the following types of changes:

any increase in the exercise price;

any impairment of your ability to exercise the warrant;

any decrease in the principal amount of debt securities that can be purchased upon exercise of any debt warrant;

any reduction of the period of time during which the debt warrants may be exercised;

any other change that materially and adversely affects the exercise rights of a holder of debt warrant certificates or the debt securities that can be purchased upon such exercise; and

any reduction in the number of outstanding unexercised debt warrants whose consent is required for any modification or amendment described under Changes Requiring a Majority Vote.

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Changes Requiring a Majority Vote. The second type of change to the debt warrant agreement or debt warrants of any series is the kind that requires a vote of approval by the holders of not less than a majority in number of the then outstanding unexercised debt warrants of that series. This category includes all changes other than those listed above under **Changes Requiring Your Approval** or changes that would not adversely affect holders of debt warrants or debt securities in any material respect.

Changes Not Requiring Approval. The third type of change to the debt warrant agreement or debt warrants of any series does not require any vote or consent by the holders of debt warrant certificates. This type is limited to curing any ambiguity, defect or inconsistency, making changes to conform the provisions contained in the debt warrant agreement to the description of the debt warrants contained in this prospectus or an applicable prospectus supplement and making changes that do not adversely affect the rights of holders of the debt warrant certificates in any material respect.

Street name and other indirect holders of debt warrants should consult their bank or brokers for information on how approval may be granted or denied if we seek to change your debt warrants or the debt warrant agreement under which they were issued or request a waiver.

Merger, Consolidation, Sale or Other Dispositions

Unless otherwise indicated in a prospectus supplement, under the debt warrant agreement for each series of debt warrants, we may consolidate with, spin off or sell, convey or lease all or substantially all of our assets to, or merge with or into, any other corporation or firm to the extent permitted by the indenture for the debt securities that can be purchased upon exercise of such debt warrants. If we consolidate with or merge into, or sell, lease or otherwise dispose of all or substantially all of our assets to, another corporation or firm, that corporation or firm must become legally responsible for our obligations under the debt warrant agreements and debt warrants. If we sell or lease substantially all of our assets, one way the other firm or company can become legally responsible for our obligations is by way of a full and unconditional guaranty of our obligations. If the other company becomes legally responsible by a means other than a guaranty, we will be relieved from all such obligations.

Enforceability of Rights; Governing Law

The debt warrant agent will act solely as our agent in connection with the issuance and exercise of debt warrants and will not assume any obligation or relationship of agency or trust for or with any holder of a debt warrant certificate or any owner of a beneficial interest in debt warrants. The holders of debt warrant certificates, without the consent of the debt warrant agent, the trustee, the holder of any debt securities issued upon exercise of debt warrants or the holder of any other debt warrant certificates, may, on their own behalf and for their own benefit, enforce, and may institute and maintain any suit, action or proceeding against us to enforce, or otherwise in respect of, their rights to exercise debt warrants evidenced by their debt warrant certificates. Except as may otherwise be provided in the applicable prospectus supplement, each issue of debt warrants and the related debt warrant agreement will be governed by the laws of the State of New York.

Additional Terms of the PGF Debt Warrants

Debt securities to be issued by PGF under the debt warrants and the PGF debt warrant agreement will be guaranteed by Petrobras. See **Description of the Guaranties**.

Equity Warrants

The following briefly summarizes the material terms that will generally be included in an equity warrant agreement. However, we may include different terms in the equity warrant agreement for any particular series of equity warrants and such other terms and all pricing and related terms will be disclosed in the applicable prospectus supplement. You should read the particular terms of any equity warrants that are offered by us and the related equity warrant agreement which will be described in more detail in the applicable prospectus supplement. The prospectus supplement will also state whether any of the general provisions summarized below do not apply to the equity warrants being offered.

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General

Petrobras may issue warrants for the purchase of its equity securities (*i.e.*, our common shares and preferred shares, which may be in the form of ADSs). As explained below, each equity warrant will entitle its holder to purchase equity securities at an exercise price set forth in, or to be determined as set forth in, the applicable prospectus supplement. Equity warrants may be issued separately or together with equity securities.

Petrobras may issue equity warrants in connection with preemptive rights of its shareholders in connection with any capital increase, and in those circumstances we may choose to issue equity warrants in uncertificated form to the extent permitted by Brazilian law. In addition, if any equity warrants are offered in connection with preemptive rights, Petrobras may exclude holders resident in the United States from that offering to the extent permitted by Brazilian law. Equity warrants (other than equity warrants issued in connection with preemptive rights) are to be issued under equity warrant agreements to be entered into by Petrobras and one or more banks or trust companies, as equity warrant agent, all as will be set forth in the applicable prospectus supplement. At or around the time of an offering of equity warrants, a form of equity warrant agreement, including a form of equity warrant certificate representing the equity warrants, reflecting the alternative provisions that may be included in the equity warrant agreements to be entered into with respect to particular offerings of equity warrants, will be filed by amendment as an exhibit to the registration statement of which this prospectus forms a part.

Terms of the Equity Warrants to Be Described in the Prospectus Supplement

The particular terms of each issue of equity warrants, the equity warrant agreement (if any) relating to such equity warrants and the equity warrant certificates (if any) representing such equity warrants will be described in the applicable prospectus supplement. This description will include:

the initial offering price;

the currency, currency unit or composite currency in which the exercise price for the equity warrants is payable;

the designation and terms of the equity securities (*i.e.*, preferred shares or common shares) that can be purchased upon exercise of the equity warrants;

the total number of preferred shares or common shares that can be purchased upon exercise of each equity warrant and the exercise price;

the date or dates on or after which the equity warrants may be exercised and any date or dates on which this right will expire in whole or in part;

the designation and terms of any related preferred shares or common shares with which the equity warrants are issued and the number of the equity warrants issued with each preferred share or common share;

if applicable, whether and when the equity warrants and the related preferred shares or common shares will be separately transferable;

whether the equity warrants will be in registered form;

if applicable, a discussion of material U.S. federal and Brazilian income tax, accounting or other considerations applicable to the equity warrants; and

any other terms of the equity warrants, including terms, procedures and limitations relating to the exchange and exercise of the equity warrants.

You may exchange your equity warrant certificates for new equity warrant certificates of different denominations but they must be exercisable for the same aggregate principal amount of equity securities. If your equity warrant certificates are in registered form, you may present them for registration of transfer and exercise them at the corporate trust office of the equity warrant agent or any other office indicated in the applicable prospectus supplement. Unless otherwise indicated in a prospectus supplement, before the

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exercise of equity warrants, holders of equity warrants will not be entitled to receive dividends or exercise voting rights with respect to the equity securities that can be purchased upon such exercise, to receive notice as shareholders with respect to any meeting of shareholders for the election of our directors or any other matter, or to exercise any rights whatsoever as a shareholder.

Unless the applicable prospectus supplement states otherwise, the exercise price payable and the number of common shares or preferred shares that can be purchased upon the exercise of each equity warrant (other than equity warrants issued in connection with preemptive rights) will be subject to adjustment in certain events, including the issuance of a stock dividend to holders of common shares or preferred shares or a stock split, reverse stock split, combination, subdivision or reclassification of common shares or preferred shares. Instead of adjusting the number of common shares or preferred shares that can be purchased upon exercise of each equity warrant, we may elect to adjust the number of equity warrants. No adjustments in the number of shares that can be purchased upon exercise of the equity warrants will be required until cumulative adjustments require an adjustment of at least 1% of those shares. We may, at our option, reduce the exercise price at any time. We will not issue fractional shares or ADSs upon exercise of equity warrants, but we will pay the cash value of any fractional shares otherwise issuable.

Notwithstanding the previous paragraph, if there is a consolidation, merger or sale or conveyance of substantially all of our property, the holder of each outstanding equity warrant will have the right to the kind and amount of shares and other securities and property (including cash) receivable by a holder of the number of common shares or preferred shares into which that equity warrant was exercisable immediately prior to the consolidation, merger, sale or conveyance.

Exercise of Equity Warrants

Unless otherwise provided in the applicable prospectus supplement, each equity warrant will entitle the holder to purchase a number of equity securities for cash at an exercise price in each case that will be set forth in, or to be determined as set forth in, the prospectus supplement. Equity warrants may be exercised at any time up to the close of business on the expiration date specified in the applicable prospectus supplement. After the close of business on the expiration date or any later date to which we extend the expiration date, unexercised equity warrants will become void. Equity warrants for the purchase of preferred shares or common shares may be issued in the form of ADSs.

Equity warrants may be exercised as set forth in the prospectus supplement applicable to the particular equity warrants. Upon delivery of payment of the exercise price, delivery of the equity warrant certificate (if any) properly completed and duly executed at the corporate trust office of the equity warrant agent or any other office indicated in the applicable prospectus supplement and satisfaction of any other applicable requirements specified in the applicable prospectus supplement, we will, as soon as practicable, forward the equity securities that can be purchased upon such exercise of the equity warrants to the person entitled to them. If fewer than all of the equity warrants represented by the equity warrant certificate are exercised, a new equity warrant certificate will be issued for the remaining equity warrants. Holders of equity warrants will be required to pay any tax or governmental charge that may be imposed in connection with transferring the underlying equity securities in connection with the exercise of the equity warrants.

Street name and other indirect holders of equity warrants should consult their bank or brokers for information on how to exercise their equity warrants.

Modification and Waiver

There are three types of changes we can make to the equity warrant agreement and the equity warrants of any series.

Changes Requiring Your Approval. First, there are changes that cannot be made to your equity warrants or the equity warrant agreement under which they were issued without your specific approval. These are the following types of changes:

any increase in the exercise price;

any impairment of your ability to exercise the warrant;

any decrease in the total number of preferred shares or common shares that can be purchased upon exercise of any equity warrant;

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any reduction of the period of time during which the equity warrants may be exercised;

any other change that materially and adversely affects the exercise rights of a holder of equity warrant certificates or the equity securities that can be purchased upon such exercise; and

any reduction in the number of outstanding unexercised equity warrants whose consent is required for any modification or amendment described under **Changes Requiring a Majority Vote**.

Changes Requiring a Majority Vote. The second type of change to the equity warrant agreement or equity warrants of any series is the kind that requires a vote of approval by the holders of not less than a majority in number of the then outstanding unexercised equity warrants of that series. This category includes all changes other than those listed above under **Changes Requiring Your Approval** or changes that would not adversely affect holders of equity warrants in any material respect.

Changes Not Requiring Approval. The third type of change to the equity warrant agreement or equity warrants of any series does not require any vote or consent by the holders of equity warrant certificates. This type is limited to curing any ambiguity, defect or inconsistency, making changes to conform the provisions contained in the equity warrant agreement to the description of the equity warrants contained in this prospectus or an applicable prospectus supplement and making changes that do not adversely affect the rights of holders of the equity warrant certificates in any material respect.

Street name and other indirect holders of equity warrants should consult their bank or brokers for information on how approval may be granted or denied if we seek to change your equity warrants or the equity warrant agreement under which they were issued or request a waiver.

Merger, Consolidation, Sale or Other Dispositions

Unless otherwise indicated in a prospectus supplement, under the equity warrant agreement for each series of equity warrants, we may consolidate with, or sell, convey or lease all or substantially all of our assets to, or merge with or into, or spin off, any other corporation or firm to the extent permitted by the terms of the equity securities that can be purchased upon exercise of such equity warrants. If we consolidate with or merge into, or sell, lease or otherwise dispose of all or substantially all of our assets to, another corporation or firm, that corporation or firm must become legally responsible for our obligations under the equity warrant agreements and equity warrants and we will be relieved from all such obligations.

Enforceability of Rights; Governing Law

The equity warrant agent will act solely as our agent in connection with the issuance and exercise of equity warrants and will not assume any obligation or relationship of agency or trust for or with any holder of an equity warrant certificate or any owner of a beneficial interest in equity warrants. The holders of equity warrant certificates, without the consent of the equity warrant agent, the holder of any equity securities issued upon exercise of equity warrants or the holder of any other equity warrant certificates, may, on their own behalf and for their own benefit, enforce, and may institute and maintain any suit, action or proceeding against us to enforce, or otherwise in respect of, their rights to exercise equity warrants evidenced by their equity warrant certificates. Except as may otherwise be provided in the applicable prospectus supplement, each issue of equity warrants and the related equity warrant agreement will be

governed by the laws of the State of New York.

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DESCRIPTION OF THE GUARANTIES

The following description of the terms and provisions of the guaranties summarizes the general terms that will apply to each guaranty that Petrobras will deliver in connection with an issuance of debt securities or debt warrants by PGF. When PGF sells a series of its debt securities or debt warrants, Petrobras will execute and deliver a full and unconditional guaranty of that series of debt securities or debt warrants for the benefit of the holders of that series of debt securities or debt warrants. You should read the more detailed provisions of the applicable guaranty, including the defined terms, for provisions that may be important to you. This summary is subject to, and qualified in its entirety by reference to, the provisions of such guaranty.

Pursuant to any guaranty, Petrobras will agree, from time to time upon the receipt of notice from the trustee that PGF has failed to make the required payments under a series of debt securities and the PGF indenture or under the debt warrants and the PGF debt warrant agreement, to indemnify you for unpaid claims against PGF, whether those claims are in respect of principal, interest or any other amounts. The amount to be paid by Petrobras under the guaranty will be an amount equal to the amount of those claims plus interest and any applicable premium and additional amounts thereon from the date PGF was otherwise obligated to make its payments under the PGF indenture to the date Petrobras actually makes payment under the guaranty. Petrobras will be obligated to make these payments by the expiration of any applicable grace periods under the PGF indenture and the applicable terms of the debt securities or debt warrants. Petrobras may have the right to defer its obligation under the guaranty to make payments under certain circumstances described in the applicable prospectus supplement.

Only one guaranty will be issued by Petrobras in connection with the issuance of a series of debt securities or debt warrants by PGF. Unless the applicable prospectus supplement states otherwise, The Bank of New York Mellon will act as guaranty trustee under each guaranty.

A guaranty may include certain covenants and other provisions relating to Petrobras. The description of the applicable guaranty in the prospectus supplement will summarize the material provisions thereof and reference will be made to the guaranty.

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DESCRIPTION OF AMERICAN DEPOSITARY RECEIPTS

American Depositary Shares

Petrobras has listed on the New York Stock Exchange American Depositary Shares, also referred to as ADSs, representing Petrobras's preferred shares and ADSs representing Petrobras's common shares. The terms of the preferred shares ADSs and the common share ADSs are substantially identical, except for the class of underlying shares they represent. The Bank of New York Mellon, as depositary, will register and deliver the ADSs. Each ADS will represent two shares (or a right to receive two shares) deposited with the principal São Paulo office of Itau Unibanco S.A., as custodian for the depositary. Each ADS will also represent any other securities, cash or other property which may be held by the depositary. The depositary's corporate trust office at which the ADSs will be administered is located at 240 Greenwich Street, New York, New York 10286. The Bank of New York Mellon's principal executive office is located at 240 Greenwich Street, New York, New York 10286.

You may hold ADSs either (A) directly (i) by having an American Depositary Receipt, also referred to as an ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (ii) by having ADSs registered in your name in the Direct Registration System, or (B) indirectly by holding a security entitlement in ADSs through your broker or other financial institution. If you hold ADSs directly, you are a registered ADS holder, also referred to as an ADS holder. This description assumes you are an ADS holder. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

The Direct Registration System, or DRS, is a system administered by The Depository Trust Company, also referred to as DTC, pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership is confirmed by periodic statements sent by the depositary to the registered holders of uncertificated ADSs.

As an ADS holder, Petrobras will not treat you as one of its shareholders and you will not have shareholder rights. Brazilian law governs shareholder rights. The depositary will be the holder of the shares underlying your ADSs. As a registered holder of ADSs, you will have ADS holder rights. A deposit agreement relating to the relevant class of ADSs among Petrobras, the depositary and you, as an ADS holder, and all other persons indirectly holding ADSs sets out ADS holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire relevant deposit agreement and the form of ADR. Directions on how to obtain copies of those documents are provided under the heading *Where You Can Find More Information*.

Dividends and Other Distributions

How will you receive dividends and other distributions on the shares?

The depositary has agreed to pay to ADS holders the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after deducting its fees and expenses. You will receive these distributions in proportion to the number of Shares your ADSs represent.

Cash. The depositary will convert any cash dividend or other cash distribution Petrobras pays on the shares into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If that is not possible or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest.

Before making a distribution, any withholding taxes, or other governmental charges that must be paid will be deducted. See [Payment of Taxes](#) below. It will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some or all of the value of the distribution.

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Shares. The depositary may distribute additional ADSs representing any shares Petrobras distributes as a dividend or free distribution. The depositary will only distribute whole ADSs. It will sell shares which would require it to deliver a fractional ADS and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new shares. The depositary may sell a portion of the distributed shares sufficient to pay its fees and expenses in connection with that distribution.

Rights to Purchase Additional Shares. If Petrobras offers holders of our securities any rights to subscribe for additional shares or any other rights, the depositary may make these rights available to ADS holders. If the depositary decides it is not legal and practical to make the rights available but that it is practical to sell the rights, the depositary will use reasonable efforts to sell the rights and distribute the proceeds in the same way as it does with cash. The depositary will allow rights that are not distributed or sold to lapse. In that case, you will receive no value for them.

If the depositary makes rights available to ADS holders, it will exercise the rights and purchase the shares on your behalf. The depositary will then deposit the shares and deliver ADSs to the persons entitled to them. It will only exercise rights if you pay it the exercise price and any other charges the rights require you to pay.

U.S. securities laws may restrict transfers and cancellation of the ADSs represented by shares purchased upon exercise of rights. For example, you may not be able to trade these ADSs freely in the United States. In this case, the depositary may deliver restricted depositary shares that have the same terms as the ADSs described in this section except for changes needed to put the necessary restrictions in place.

Other Distributions. The depositary will send to ADS holders anything else Petrobras distributes on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the depositary has a choice. It may decide to sell what Petrobras distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what Petrobras distributed, in which case ADSs will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than ADSs) to ADS holders unless it receives satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. Petrobras has no obligation to register ADSs, shares, rights or other securities under the Securities Act. Petrobras also has no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. This means that you may not receive the distributions Petrobras makes on our shares or any value for them if it is illegal or impractical for us to make them available to you.

Deposit, Withdrawal and Cancellation

How are ADSs issued?

The depositary will deliver ADSs if you or your broker deposit shares or evidence of rights to receive shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons that made the deposit.

How can ADS holders withdraw the deposited securities?

You may surrender your ADSs at the depositary's corporate trust office. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the shares and any other deposited securities underlying the ADSs to the ADS holder or a person the ADS holder designates at the office of the custodian. Or, at your request, risk and expense, the depositary will deliver the deposited securities at its corporate trust office, if feasible.

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How do ADS holders interchange between certificated ADSs and uncertificated ADSs?

You may surrender your ADR to the depositary for the purpose of exchanging your ADR for uncertificated ADSs. The depositary will cancel that ADR and will send to the ADS holder a statement confirming that the ADS holder is the registered holder of uncertificated ADSs. Alternatively, upon receipt by the depositary of a proper instruction from a registered holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to the ADS holder an ADR evidencing those ADSs.

Voting Rights

How do you vote?

In a situation where the underlying shares carry a right to vote, ADS holders may instruct the depositary to vote the number of deposited shares their ADSs represent. The depositary will notify ADS holders of shareholders' meetings and arrange to deliver our voting materials to them if Petrobras asks it to. Those materials will describe the matters to be voted on and explain how ADS holders may instruct the depositary how to vote. For instructions to be valid, they must reach the depositary by a date set by the depositary.

Otherwise, you won't be able to exercise your right to vote unless you withdraw the shares. However, you may not know about the meeting enough in advance to withdraw the shares.

The depositary will try, as far as practical, subject to the laws of Brazil and of our articles of association or similar documents, to vote or to have its agents vote the shares or other deposited securities as instructed by ADS holders. The depositary will only vote or attempt to vote as instructed.

Petrobras cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise your right to vote and there may be nothing you can do if your shares are not voted as you requested.

In order to give you a reasonable opportunity to instruct the Depositary as to the exercise of voting rights relating to Deposited Securities, if Petrobras requests the Depositary to act, Petrobras agrees to give the Depositary notice of any such meeting and details concerning the matters to be voted upon at least 45 days in advance of the meeting date.

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Fees and Expenses

Persons depositing or withdrawing shares or ADS holders must pay:

U.S.\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)

U.S.\$0.02 (or less) per ADS

A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs

U.S.\$0.02 (or less) per ADSs per calendar year

Registration or transfer fees

Expenses of the depository

Taxes and other governmental charges the depository or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes

Any charges incurred by the depository or its agents for servicing the deposited securities

For:

Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property

Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates

Any cash distribution to ADS holders

Distribution of securities distributed to holders of deposited securities which are distributed by the depository to ADS holders

Depository services

Transfer and registration of shares on our share register to or from the name of the depository or its agent when you deposit or withdraw shares

Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)

converting foreign currency to U.S. dollars

As necessary

As necessary

The depository collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depository collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of

distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the depositary may make payments to the Company to reimburse and / or share revenue from the fees collected from ADS holders, or waive fees and expenses for services provided, generally relating to costs and expenses arising out of establishment and maintenance of the ADS program. In performing its duties under the deposit agreement, the depositary may use brokers, dealers or other service providers that are affiliates of the depositary.

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Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depository may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until such taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your ADSs to pay any taxes owed and you will remain liable for any deficiency. If the depository sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to ADS holders any proceeds, or send to ADS holders any property, remaining after it has paid the taxes.

Reclassifications, Recapitalizations and Mergers

If Petrobras:

Then: