

PETROBRAS INTERNATIONAL FINANCE CO

Form 424B2

February 05, 2009

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Filed pursuant to Rule 424(b)(2)
 Registration Statements Nos. 333-139459 and 333-139459-01

PROSPECTUS SUPPLEMENT

(To Prospectus dated December 18, 2006)

U.S.\$1,500,000,000
Petrobras International Finance Company
Unconditionally guaranteed by
Petróleo Brasileiro S.A. PETROBRAS
(Brazilian Petroleum Corporation Petrobras)
7.875% Global Notes due 2019

The notes are general, unsecured, unsubordinated obligations of Petrobras International Finance Company, or PifCo, a wholly-owned subsidiary of Petróleo Brasileiro S.A. PETROBRAS, or Petrobras. The notes will mature on March 15, 2019, and will bear interest at the rate of 7.875% per annum. The notes will be unconditionally and irrevocably guaranteed by Petrobras. Interest on the notes is payable on March 15 and September 15 of each year, beginning on September 15, 2009. Due to a change in Brazilian law, in addition to the standby purchase agreements used in prior issuances by PifCo, Petrobras is also allowed to render guaranties in connection with the notes. Petrobras intends to use guaranties in future issuances of notes. The obligations of Petrobras under the guaranty are similar to its obligations under the standby purchase agreements used in prior issuances.

PifCo will pay additional amounts related to the deduction of certain withholding taxes in respect of certain payments on the notes. PifCo may redeem, in whole or in part, the notes at any time by paying the greater of the principal amount of the notes and the applicable make-whole amount, plus, in each case, accrued interest. The notes will also be redeemable without premium prior to maturity at PifCo's option solely upon the imposition of certain withholding taxes. See Description of the Notes Optional Redemption Redemption for Taxation Reasons.

PifCo intends to apply to have the notes approved for listing on the New York Stock Exchange (the NYSE).

See Risk Factors on page S-17 to read about factors you should consider before buying the notes offered in this prospectus supplement and the accompanying prospectus.

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

	Per Note	Total
Initial price to the public(1)	98.283 %	U.S.\$1,474,245,000
Underwriting discount	0.400 %	U.S.\$6,000,000
Proceeds, before expenses, to PifCo	97.883 %	U.S.\$1,468,245,000

(1) Plus accrued interest from February 11, 2009, if settlement occurs after that date.

The underwriters expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company and its direct and indirect participants, including Clearstream Banking, *soci t  anonyme* and Euroclear

SA/NV, as operator of the Euroclear System, against payment in New York, New York on or about February 11, 2009.

Joint Bookrunners

HSBC

JPMorgan
Co-managers
Citi BB Securities
February 4, 2009

Santander Investment

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ABOUT THIS PROSPECTUS SUPPLEMENT

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

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

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

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

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

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FORWARD-LOOKING STATEMENTS

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

regional marketing and expansion strategy;

drilling and other exploration activities;

import and export activities;

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

liquidity; and

development of additional revenue sources.

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

our ability to obtain financing;

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

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

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;

receipt of governmental approvals and licenses;

international and Brazilian political, economic and social developments;

military operations, acts of terrorism or sabotage, wars or embargoes;

the costs and availability of adequate insurance coverage; and

other factors discussed below under Risk Factors.

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

All forward-looking statements attributed to us or a person acting on our behalf are expressly qualified in their entirety by this cautionary statement. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason. Because of these uncertainties, potential investors should not rely on any forward-looking statements.

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INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

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

PifCo

(1) The combined Petrobras and PifCo Annual Report on Form 20-F for the year ended December 31, 2007, filed with the SEC on May 19, 2008.

(2) The PifCo Report on Form 6-K containing financial information for the nine-month period ended September 30, 2008, prepared in accordance with U.S. GAAP, furnished to the SEC on November 28, 2008.

(3) Any future filings of PifCo on Form 20-F made with the SEC after the date of this prospectus supplement and prior to the completion of the offering of the securities offered by this prospectus supplement, and any future reports of PifCo on Form 6-K furnished to the SEC during that period that are identified in those forms as being incorporated into this prospectus supplement or the accompanying prospectus.

Petrobras

(1) The combined Petrobras and PifCo Annual Report on Form 20-F for the year ended December 31, 2007, filed with the SEC on May 19, 2008.

(2) The Petrobras Reports on Form 6-K relating to Petrobras' acquisition of new drilling ships and semi-submersible drilling platforms to support exploration and production activities, furnished to the SEC on May 21, 2008 and June 2, 2008.

(3) The Petrobras Report on Form 6-K relating to the upgrade by Standard & Poor's of Petrobras' rating, furnished to the SEC on May 29, 2008.

(4) The Petrobras Report on Form 6-K relating to the upgrade by Fitch Ratings of Petrobras' rating, furnished to the SEC on June 5, 2008.

(5) The Petrobras Report on Form 6-K relating to the conclusion of the tender offer for the acquisition of the minority shareholders' shares of Suzano Petroquímica S.A., furnished to the SEC on June 19, 2008.

(6) The Petrobras Report on Form 6-K relating to Petrobras' challenge of a special participation tax collected by the National Petroleum Agency on production in the Marlim field, furnished to the SEC on July 8, 2008.

(7) The Petrobras Report on Form 6-K relating to the purchase of ExxonMobil's stake in Esso Chile Petrolera and other Chilean distribution companies, furnished to the SEC on August 8, 2008.

(8) The Petrobras Report on Form 6-K clarifying a report in the Brazilian media relating to the unification of oil and natural gas fields in the pre-salt section of the Santos Basin, furnished to the SEC on August 21, 2008.

(9) The Petrobras Reports on Form 6-K containing financial information for the nine-month period ended September 30, 2008, prepared in accordance with U.S. GAAP, furnished to the SEC on November 28, 2008.

(10) The Petrobras Report on Form 6-K clarifying Petrobras' financial position in light of international market conditions, furnished to the SEC on November 28, 2008.

(11) The Petrobras Report on Form 6-K relating to U.S.\$900 million raised from domestic and international sources, furnished to the SEC on December 4, 2008.

(12) The Petrobras Report on Form 6-K relating to a ¥75 billion loan from Japanese banks, furnished to the SEC on December 12, 2008.

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(13) The Petrobras Report on Form 6-K relating to a R\$528 bridge loan to finance the construction phase of the Mexilhão Project, furnished to the SEC on December 15, 2008.

(14) The Petrobras Report on Form 6-K relating to the approval by Petrobras board of directors of an interest-on-own-capital payment to shareholders in the amount of R\$7.0 billion, furnished to the SEC on December 19, 2008.

(15) The Petrobras Report on Form 6-K relating to R\$3.5 billion in new financing from Banco do Brasil and Caixa Econômica Federal, furnished to the SEC on December 23, 2008.

(16) The Petrobras Report on Form 6-K relating to Petrobras proved reserves as of December 31, 2008, furnished to the SEC on January 16, 2009.

(17) The Petrobras Report on Form 6-K relating to Petrobras Business Plan for 2009-2013, furnished to the SEC on January 26, 2009.

(18) The Petrobras Report on Form 6-K relating to Petrobras trade balance for 2008, furnished to the SEC on January 27, 2009.

(19) Any future filings of Petrobras on Form 20-F made with the SEC after the date of this prospectus supplement and prior to the completion of the offering of the securities offered by this prospectus supplement, and any future reports of Petrobras on Form 6-K furnished to the SEC during that period that are identified in those forms as being incorporated into this prospectus supplement or the accompanying prospectus.

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WHERE YOU CAN FIND MORE INFORMATION

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

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

Investor Relations Department
Petróleo Brasileiro S.A. PETROBRAS
Avenida República do Chile, 65 22nd Floor
20031-912 Rio de Janeiro RJ, Brazil
Telephone: (55-21) 3224-1510/3224-9947
Email: petroinvest@petrobras.com.br

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

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SUMMARY

This summary highlights key information described in greater detail elsewhere, or incorporated by reference, in this prospectus supplement and the accompanying prospectus. This summary is not complete and does not contain all of the information you should consider before investing in the notes. You should read carefully the entire prospectus supplement, the accompanying prospectus including Risk Factors and the documents incorporated by reference herein, which are described under Incorporation of Certain Documents by Reference and Where You Can Find More Information.

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

PifCo

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

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

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

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

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

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

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

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

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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. For the year ended December 31, 2007, and the nine-month period ended September 30, 2008, Petrobras had sales of products and services of U.S.\$112.4 billion and U.S.\$118.5 billion, net operating revenues of U.S.\$87.7 billion and U.S.\$95.9 billion and net income of U.S.\$13.1 billion and U.S.\$16.7 billion, respectively.

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

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

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

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

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

International This segment encompasses international activities conducted in 23 countries, which include Exploration and Production, Supply (refining, petrochemicals and fertilizers), Distribution and Gas and Energy.

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

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

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Issuer	Petrobras International Finance Company, or PifCo.
The Notes	U.S.\$1,500,000,000 aggregate principal amount of 7.875% Global Notes due March 15, 2019, or the notes.
Closing Date	February 11, 2009
Maturity Date	March 15, 2019
Interest	The notes will bear interest from the closing date at the rate of 7.875% per annum, payable semiannually in arrears on each interest payment date.
Interest Payment Dates	March 15 and September 15 of each year, commencing on September 15, 2009.
Denominations	PifCo will issue the notes only in denominations of U.S.\$2,000 and integral multiples of U.S.\$1,000 in excess thereof.
Trustee, Registrar, Paying Agent and Transfer Agent	The Bank of New York Mellon (formerly The Bank of New York).
Codes	
(a) Common Code	041298995
(b) ISIN	US71645WAN11
(c) CUSIP	71645WAN1
Use of Proceeds	PifCo intends to use the net proceeds from the sale of the notes for general corporate purposes, which may include the financing of the purchase of oil product imports and the repayment of existing trade-related debt and inter-company loans. PifCo may also lend some portion of the net proceeds to Petrobras, which Petrobras would use for general corporate purposes and to finance its planned capital expenditures. See Use of Proceeds.
Indenture	The notes offered hereby will be issued pursuant to an indenture between PifCo and The Bank of New York Mellon (formerly The Bank of New York), a New York banking corporation, as trustee, dated as of December 15, 2006, as supplemented by the second supplemental indenture, dated as of the closing date, among PifCo, Petrobras and the trustee. When we refer to the indenture in this prospectus supplement, we are referring to the indenture as supplemented by the second supplemental indenture. See Description of the Notes.
Guaranty	The notes will be unconditionally guaranteed by Petrobras on terms comparable to the standby purchase agreements previously entered into by Petrobras. See Description of the Guaranty.

Ranking

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

The obligations of Petrobras under the guaranty constitute general senior unsecured obligations of Petrobras which will at all times rank *pari passu* with all other senior unsecured obligations of

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Petrobras (including its obligations under standby purchase agreements) that are not, by their terms, expressly subordinated in right of payment to Petrobras obligations under the guaranty.

Optional Redemption

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

Early Redemption at PifCo's Option Solely for Tax Reasons

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

Covenants

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

(a) PifCo

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

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

ensure that the notes continue to be senior obligations of PifCo;

use proceeds from the issuance of the notes for specified purposes;

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

provide certain financial statements to the trustee;

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

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

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

undertake certain mergers, consolidations or similar transactions; and

create certain liens on its assets or pledge its assets.

PifCo's covenants are subject to a number of important qualifications and exceptions. See Description of the Notes Covenants

(b) Petrobras

The terms of the guaranty will require Petrobras, among other things, to:

pay all amounts owed by it in accordance with the terms of the guaranty and the indenture;

maintain an office or agent in New York for the purpose of service of process;

ensure that its obligations under the guaranty will continue to be senior obligations of Petrobras;

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

provide certain financial statements to the trustee.

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

undertake certain mergers, consolidations or similar transactions; and

create certain liens on its assets or pledge its assets.

Petrobras' covenants are subject to a number of important qualifications and exceptions. See Description of the Guaranty Covenants.

Events of Default

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

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

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

breach by PifCo of a covenant or agreement in the indenture or by Petrobras of a covenant or agreement in the guaranty if not remedied within 60 calendar days;

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

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

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

certain events relating to the unenforceability of the notes, the indenture or the guaranty against PifCo or Petrobras;

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

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

Modification of Notes,
Indenture and Guaranty

The terms of the indenture may be modified by PifCo and the trustee, and the terms of the guaranty may be modified by Petrobras and the trustee, in some cases without the consent of the holders of the notes. See Description of Debt Securities Special Situations Modification and Waiver in the accompanying prospectus.

Clearance and Settlement

The notes will be issued in book-entry form through the facilities of The Depository Trust Company, or DTC, for the accounts of its direct and indirect participants, including Clearstream Banking, *société anonyme* and Euroclear SA/NV, as operator of the Euroclear

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System, and will trade in DTC's Same-Day Funds Settlement System. Beneficial interests in notes held in book-entry form will not be entitled to receive physical delivery of certificated notes except in certain limited circumstances. For a description of certain factors relating to clearance and settlement, see Clearance and Settlement.

Withholding Taxes;
Additional Amounts

Any and all payments of principal, premium, if any, and interest in respect of the notes will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments, levies, imposts or charges whatsoever imposed, levied, collected, withheld or assessed by Brazil, the jurisdiction of PifCo's incorporation or any other jurisdiction in which PifCo appoints a paying agent under the indenture, or any political subdivision or any taxing authority thereof or therein, unless such withholding or deduction is required by law. If PifCo is required by law to make such withholding or deduction, it will pay such additional amounts as are necessary to ensure that the holders receive the same amount as they would have received without such withholding or deduction, subject to certain exceptions. In the event Petrobras is obligated to make payments to the holders under the guaranty, Petrobras will pay such additional amounts as are necessary to ensure that the holders receive the same amount as they would have received without such withholding or deduction, subject to certain exceptions. See Description of the Notes Covenants Additional Amounts.

Governing Law

The indenture, the notes, and the guaranty will be governed by, and construed in accordance with, the laws of the State of New York.

Listing

PifCo intends to apply to have the notes approved for listing on the New York Stock Exchange.

Risk Factors

You should carefully consider the risk factors discussed beginning on page S-17 before purchasing any notes.

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RECENT DEVELOPMENTS

Indebtedness Incurred after September 30, 2008

Since September 30, 2008, Petrobras or its subsidiaries have incurred the following additional indebtedness:

U.S.\$200 million from a pool of foreign banks led by BNP Paribas, and insured by the Italian export credit agency SACE (Servizi Assicurativi del Commercio Estero);

U.S.\$500 million from the Canadian export credit agency EDC (Export Development Canada);

U.S.\$200 million from Banco Bradesco;

¥75 billion from a syndicate of Japanese banks, and insured by Nippon Export and Investment Insurance;

R\$528 million from the Brazilian Development Bank for the Mexilhão Project;

R\$2.0 billion from Banco do Brasil;

U.S.\$300 million from Banco do Brasil; and

R\$1.5 billion from Caixa Econômica Federal.

Bridge Loans

Petrobras intends to enter into bridge loans with certain international banks to raise an amount of up to US\$7 billion in the near future. The loans will be structured as bilateral agreements governed by New York law and will be due in two years. The proceeds of the loans will be used by Petrobras for general corporate purposes, which may include the repayment of trade-related debt and inter-company loans. Petrobras may also use the proceeds of the loans to finance its planned capital expenditures. Any proceeds raised by PifCo or Petrobras through securities offerings after the bridge loans are disbursed will be used to repay such loans and will reduce the total amount outstanding under these loans prior to their maturity dates. Petrobras has not entered into final agreements in connection with these loans but has obtained oral commitments from certain banks. The lenders under the loans may include affiliates of some of the underwriters in this offering. We cannot assure you that Petrobras will be able to obtain bridge loans in the expected amount or at all.

New Oil Law

The recent discovery of large petroleum and natural gas reserves in the Brazilian pre-salt layer of the regions of the Campos and Santos basins has prompted discussions on possible changes to the existing Oil Law. The Brazilian government created an inter-ministerial committee in 2008 to draft a proposal for a new Oil Law. The committee has not yet made a formal recommendation to the Brazilian government on this matter and no legislation has been submitted to the congress.

Based on articles published in the Brazilian media, we understand that the new regulatory model may include: production sharing agreements, instead of the current concession model, in which private companies such as Petrobras would act as service providers;

a new state-owned company that would own and manage the large oil reserves of the pre-salt area that are not subject to concessions previously granted;

partnerships between the Brazilian government and private oil companies to explore oil and gas from the Brazilian pre-salt layer; and

an increase in applicable royalties and taxes.

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Petrobras cannot estimate the impact that any change to the Oil Law would have on it or when the new law would become effective. Nonetheless, we believe there is likely to be an increase in royalties and taxes payable to the Brazilian government as a result of exploration of the oil and gas reserves in the pre-salt layer.

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RISK FACTORS

Our annual report on Form 20-F for the year ended December 31, 2007, which is incorporated by reference herein, includes extensive risk factors relating to our business and to Brazil. You should carefully consider those risks and the risks described below, as well as the other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus, before making a decision to invest in the notes.

Risks Relating to PifCo's Debt Securities

The market for the notes may not be liquid.

The notes are not listed on any securities exchange and are not quoted through an automated quotation system. We intend to apply to have the notes approved for listing on the New York Stock Exchange. We can make no assurance as to the liquidity of or trading markets for the notes offered by this prospectus supplement. We cannot guarantee that holders will be able to sell their notes in the future. If a market for the notes does not develop, holders may not be able to resell the notes for an extended period of time, if at all.

Restrictions on the movement of capital out of Brazil may impair your ability to receive payments on the guaranty and restrict Petrobras' ability to make payments to PifCo in U.S. Dollars.

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

The Brazilian government imposed remittance restrictions for approximately six months in 1990. Similar restrictions, if imposed, could impair or prevent the conversion of payments under the guaranty from *reais* into U.S. Dollars and the remittance of the U.S. Dollars abroad, or prevent Petrobras from making funds available to PifCo in U.S. Dollars abroad.

In addition, payments by Petrobras under the guaranty and payments to PifCo for the import of oil, the expected source of PifCo's cash resources to pay its obligations under the notes, do not currently require approval by or registration with the Central Bank of Brazil. There may be other regulatory requirements that Petrobras will need to comply with in order to make such payments. The Central Bank of Brazil may nonetheless impose prior approval requirements on the remittance of U.S. Dollars abroad. Petrobras would not need any prior or subsequent approval from the Central Bank of Brazil to use funds it holds abroad to comply with its obligations under the guaranty or make payments to PifCo.

If Brazilian law were to impose restrictions, limitations or prohibitions on Petrobras' ability to convert *reais* into U.S. Dollars, Petrobras may not be able to pay its obligations under the guaranty in U.S. Dollars and PifCo may not have sufficient U.S. Dollar funds available to make payment on the notes. In the event that the holders of the notes receive payments in *reais*, it may not be possible to convert these amounts into U.S. Dollars.

Petrobras would be required to pay judgments of Brazilian courts enforcing its obligations under the guaranty only in reais.

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

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A finding that Petrobras is subject to U.S. bankruptcy laws and that the guaranty executed by it was a fraudulent conveyance could result in the relevant PifCo holders losing their legal claim against Petrobras.

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

was or is insolvent or rendered insolvent by reason of its entry into the guaranty;

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

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

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

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

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USE OF PROCEEDS

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

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PifCo**

The following table sets out the consolidated debt and capitalization of PifCo as of September 30, 2008, excluding accrued interest, and as adjusted to give effect to the issuance of the notes. There have been no material changes in the consolidated capitalization of PifCo since September 30, 2008.

	As of September 30, 2008	
	Actual	As Adjusted for this Offering
	(In thousands of U.S. Dollars)	
Short-term debt:		
Short-term debt		
Current portion of long-term debt	202,550	202,550
Notes payable related parties	22,147,302	22,147,302
Total	22,349,852	22,349,852
Long-term debt:		
Total long-term debt (less current portion)	5,876,396	7,376,396
Stockholder's Equity:		
Capital stock(1)	300,050	300,050
Additional paid in capital	266,394	266,394
Accumulated deficit	(578,905)	(578,905)
Other comprehensive income (loss)	(11,729)	(11,729)
Total stockholder's equity	(24,190)	(24,190)
Total capitalization	28,202,058	29,702,058

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

Table of Contents**Petrobras**

The following table sets out the consolidated debt and capitalization of Petrobras as of September 30, 2008, excluding accrued interest, and as adjusted to give effect to the issuance of the notes. Petrobras has incurred additional indebtedness since September 30, 2008. See **Recent Developments** for a description of such indebtedness.

	As of September 30, 2008	
	Actual	As Adjusted for this Offering
	(In millions of U.S. Dollars)	
Short-term debt:		
Short-term debt	1,913	1,913
Current portion of long-term debt	2,201	2,201
Current portion of project financings	1,747	1,747
Current portion of capital lease obligations	217	217
Total	6,078	6,078
Long-term debt:		
Foreign currency denominated	10,531	12,031
Local currency denominated	4,631	4,631
Total long-term debt	15,162	16,662
Total long-term debt (less current portion)	12,961	14,261
Project financings	5,388	5,388
Capital lease obligations	349	349
Minority interest	1,807	1,807
Shareholders' equity(1)(2)	74,599	74,599
Total capitalization	101,182	102,682

(1) Comprising
 (a) 5,073,347,344
 shares of common
 stock and
 (b) 3,700,729,396
 shares of preferred
 stock, in each case
 with no par value
 and in each case
 which have been
 authorized and
 issued. These
 figures give effect
 to a two-for-one
 stock split that
 occurred on

April 25, 2008.

(2)